

## Asia week ahead: RBA meeting plus regional trade and inflation data

A key central bank meeting and regional inflation and trade figures are in focus next week



Source: Shutterstock

### The week ahead

In the coming week, we'll get readings on inflation, trade and PMI reports from the region. Also, with FX markets battered, data on dollar reserves will be in focus. Lastly, the Reserve Bank of Australia (RBA) meets to discuss policy, with the chance of a 50bp hike increasing.

### RBA meets to discuss policy

Following some reasonable August labour market data, and stronger-than-expected retail sales figures, recent hints from the Reserve Bank of Australia that it may soon start to tighten rates at a slower pace are looking a bit less credible right now. With a strong and unified hawkish chorus from US Fed officials, the apparent ruling out by the US White House of a plaza-style currency agreement, and a further sliding of the Australian dollar, the odds are swinging back towards

another 50bp RBA move at the coming meeting.

## Most regional inflation readings to accelerate

Price pressures are likely to kick into high gear for both the Philippines and Indonesia which should keep their respective central banks on notice.

Indonesia's inflation has remained relatively subdued of late, but a recent price hike for subsidised fuel should push headline inflation past 6% year-on-year. Philippine inflation should also edge higher after a brief pause.

Meanwhile, the sharp depreciation of the Japanese yen should add pressure to inflation, with Tokyo CPI inflation expected to rise to 2.9%YoY in September. Inflation in Korea will also likely move higher, up 5.7%. Gasoline prices may have declined but food prices climbed quite sharply for the month.

Lastly, Taiwan's inflation should have a strong correlation with its trade data. Our outlook is for a slowdown in trade due to fading purchasing power for US and European markets. The weakness in the trade sector suggests softer demand in Taiwan given its dependence on external trade. Thus we expect lower CPI and WPI inflation for Taiwan.

## Korea and Taiwan trade data

Korea's September trade data will also be in focus for the coming week. Set for release over the weekend, we expect export growth to slow to 2%YoY given the unfavourable calendar day effect. Semiconductors exports should rebound marginally after a sudden drop in August, but automobile exports are likely to turn negative as suggested by a recent industry report. Import growth is also expected to decelerate as the drop in oil prices overwhelms the weak Korean won.

Taiwan will also release trade figures in the coming days. Both exports and imports should be softer than in August, as high inflation in the US and Europe has led to a fall in purchasing power and thus weaker demand for Taiwan's exports.

## PMI readings from Indonesia, Philippines and Singapore

Next week will feature the latest readings for PMI manufacturing. We can expect declines in PMI indices for both the Philippines and Singapore due to slower export demand although both indices are likely to remain in expansion. Indonesia on the other hand should see a modest improvement in activity tracking surging exports.

## All about reserves

The ongoing rout in currency markets has central banks dipping into reserves to slow the depreciation of their currencies. Reserve levels are likely to fall in the coming months and both the Philippines and Indonesia could see lower levels given depreciation pressure for their respective currencies.

## Asia Economic Calendar

Country	Time	Data/event	ING Survey	Prev.
<b>Saturday 1 October</b>				
South Korea	0100 Sep	Import/Export Growth Prelim	15.0/2.0	28.2/6.6
	0100 Sep	Trade Balance Prelim	-2.0	-9.5
<b>Monday 3 October</b>				
Japan	0050	Tankan Large Manufacturing Outlook	12	10
		- Tanakn Large Non-Manufacturing Outlook	15	13
	0130 Sep	Jibun Bank Manufacturing PMI	51	51
India	0600 Sep	IHS S&P Global Manufacturing PMI	55.7	56.2
Indonesia	0130 Sep	IHS S&P Global PMI	51.9	51.7
	0500 Sep	Inflation (YoY%)	6.1	4.69
	0500 Sep	Inflation (MoM%/YoY%)	1.2/3.6	-0.21/3.04
Philippines	0130 Sep	Manufacturing PMI SA	51.1	51.2
Singapore	1400 Sep	Manufacturing PMI	50	50
Taiwan	0130 Sep	IHS S&P Global Manufacturing PMI	42.5	42.7
<b>Tuesday 4 October</b>				
Japan		Tokyo CPI (%YoY)	-	2.9
Australia	0430 Oct	RBA Cash Rate	2.85	2.35
South Korea	0130 Sep	IHS S&P Global Manufacturing PMI	47.0	47.6
<b>Wednesday 5 October</b>				
Japan	0130 Sep	Services PMI	51.9	51.9
Philippines	0200 Sep	CPI (MoM%/YoY%)	0.2/6/6	0.4/6.3
	0200 Sep	Core CPI (YoY%)	4.8	4.6
Singapore	0600 Aug	Retail Sales (MoM%/YoY%)	-/-	0.6/13.7
Taiwan	0920 Sep	Foreign Exchange Reserve (USD bn)	543	545.5
South Korea	0000 Sep	CPI Growth (MoM%/YoY%)	0.3/5.6	-0.1/5.7
<b>Thursday 6 October</b>				
Australia	0130 Aug	Trade Balance (AUD bn)	-	8733
India	0600 Sep	IHS S&P Global Svcs PMI	-	57.2
Taiwan	0900 Sep	WPI (YoY% NSA)	11.25	11.54
Taiwan	0900 Sep	CPI (YoY% NSA)	2.4	2.66
<b>Friday 7 October</b>				
China	- Sep	FX Reserves (USD tr)	3.004	3.055
Indonesia	0500 Sep	Forex Reserves	130.1	132.2
Japan	0030 Aug	All Household Spending (MoM%/YoY%)	-	-1.4/3.4
Philippines	- Sep	Forex Reserves (USD bn)	98.1	99
Singapore	1000 Sep	Foreign Reserves (USD bn)	-	289.4
Taiwan	0900 Sep	Imports/Exports	2.83/-5.85	3.5/2.0
	0900 Sep	Trade Balance	3.19	3.0
South Korea	0000 Aug	Current Account Balance NSA	-	1.1

Source: Refinitiv, ING

## Authors

### Robert Carnell

Regional Head of Research, Asia-Pacific

[robert.carnell@asia.ing.com](mailto:robert.carnell@asia.ing.com)

### Nicholas Mapa

Senior Economist, Philippines

[nicholas.antonio.mapa@asia.ing.com](mailto:nicholas.antonio.mapa@asia.ing.com)

### Min Joo Kang

Senior Economist, South Korea and Japan

[min.joo.kang@asia.ing.com](mailto:min.joo.kang@asia.ing.com)

## Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.