

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



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.
Saturday 1 October				
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
Monday 3 October				
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
Tuesday 4 October				
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
Wednesday 5 October				
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
Thursday 6 October				
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
Friday 7 October				
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

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