

Asia week ahead: Regional manufacturing and inflation numbers in focus

Next week features a stacked economic calendar in Asia with regional manufacturing and inflation in focus and three central bank meetings



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Regional PMIs

This week the focus shifts back to the manufacturing sector.

Market participants will be looking to see whether recent tighter mobility curbs have found their way through to Asia's manufacturing sector. We expect a pickup in China's Caixin PMI

manufacturing to 51.5 (vs 51.0 consensus) as semiconductor chip production offsets slower output from the automobile sector. Meanwhile, manufacturing activity for the rest of region is expected to remain in expansion mode, though Indonesia and Taiwan are both expected to see a less pronounced pace of growth as recently imposed mobility restrictions start to weigh on overall economic activity.

Trade numbers still affected by base effects but new trends emerging

We will also get trade data from Korea (1 August) and the Philippines (6 August).

Both reports will show base-effect induced trade growth for the period, but looking past the “strong” growth rates, we notice rapidly rising imports in Korea and the Philippines as economic activity picks up relative to 2020. Surging imports in Korea could translate to a whittled down trade surplus of \$145 mn - a stark drop from \$4.5 bn in June. A similar trend for the Philippines could lead to a trade deficit of \$2.2 bn. Accelerating imports, which could suggest a demand imbalance, may strengthen the case for a rate hike by the Bank of Korea in the coming months – following their guidance earlier this month.

Central bank meetings and inflation reports out during the week

Three central bank policy meetings are also scheduled next week, although all of them will likely leave policy settings as they are.

The Reserve Bank of Australia (RBA) will probably leave all aspects of their current stance unchanged despite a pickup in inflation in 2Q21. Market participants are still waiting to see whether the price spike in Australia pushes into wages. That said, the latest batch of Covid-19 induced lockdowns may encourage the RBA to take an even more dovish approach to previous guidance on asset purchases later this year. Both the Bank of Thailand and the Reserve Bank of India are also likely to be on hold.

India's central bank will most probably look past surging inflation (6.3% YoY in June) even though price pressures are likely to stick around and threaten their 6% upper inflation limit for the remainder of the year. Inflation in the country is forecasted to remain at elevated levels in the coming months, and we look to bring forward the timing of the first 25 basis points rate hike from 3Q22 to early 2022.

We'll also get several inflation reports from the region. Most of them should be subdued due to lacklustre domestic demand as parts of Asia have recently tightened or extended the scope of their movement restrictions. Indonesia's July inflation should settle at 1.4%, below target yet again after the authorities locked down most of the country to deal with the delta Covid variant, while Philippine inflation should finally fall back within target at a relatively elevated 4% as supply conditions for food items ease.

Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Sunday 1 August					
South Korea	0100	Jul Export Growth Prelim	32		39.8
	0100	Jul Import Growth Prelim	45		40.7
	0100	Jul Trade Balance Prelim (\$bn)	0.15		4.5
Monday 2 August					
Japan	0030	Jul CPI, Overall Tokyo	-		0
	0050	Jul Monetary Base (JPYtr)	665		659.5
China	0245	Jul Caixin Manufacturing PMI Final	51.5	51.0	51.3
India	0600	Jul IHS Markit Manufacturing PMI	-		48.1
Malaysia	0130	Jul IHS Markit Manufacturing PMI	-		39.9
Indonesia	0130	Jul IHS Markit PMI	53.1		53.5
	0500	Jul Inflation (MoM%/YoY%)	1.44		-0.16/1.49
Philippines	0130	Jul Manufacturing PMI	51.2		50.8
Singapore	1400	Jul Manufacturing PMI	-		50.8
Taiwan	0130	Jul IHS Markit Manufacturing PMI	56.2		57.6
Thailand	0130	Jul Manufacturing PMI	-		49.5
South Korea	0130	Jul IHS Markit Manufacturing PMI	-		53.9
	0000	Jul CPI Growth (MoM%/YoY%)	-/-		-0.1/2.4
Tuesday 3 August					
Australia	0530	Aug RBA Cash Rate	0.1		0.1
Wednesday 4 August					
China	0245	Jul Caixin Services PMI	50.5		50.3
India	0600	Jul IHS Markit Services PMI	-		41.2
Thailand	0805	1-Day Repo Rate	0.5		0.5
Thursday 5 August					
Japan	0030	Jun All Household Spending (MoM%/YoY%)	-0.3/10.5		-2.1/11.6
Australia	0230	Jun Trade Balance (A\$bn)	9726		9681
Indonesia	0500	Q2 GDP (QoQ%/YoY%)	6.6		-0.96/-0.74
Philippines	0200	Jul CPI (MoM%/YoY%)	0.4/4.0		0.1/4.1
	0200	Jul Core CPI (YoY%)	2.9		3
Singapore	0600	Jun Retail Sales (MoM%/YoY%)	-/-		-6.8/79.7
Taiwan	0900	Jul CPI (YoY%)	1.80		1.89
	900	Jul WPI (YoY%)	10.52		10.74
	0920	Jul Foreign Exchange Reserve	542.9		543.282
Thailand	-	Jul Consumer Confidence Index	-		43.1
Thailand	-	Jul CPI Headline Inflation (YoY%)	0.8		1.25
	-	Jul CPI Core Inflation (YoY%)	0.1		0.52
South Korea	0000	Jun Current Account Balance	13		10.8
Friday 6 August					
India	0530	Cash Reserve Ratio	4.00	4.00	4.00
	0530	Repo Rate	4.00	4.00	4.00
	0530	Reverse Repo Rate	3.35	3.35	3.35
Philippines	0200	Jun Exports (YoY%)	-	14.0	29.8
	0200	Jun Imports (YoY%)	-	23.1	47.7
	0200	Jun Trade Balance	-	-2183	-2755
Saturday 7 August					
China	-	Jul Exports (YoY%)	25.2		32.2
	-	Jul Imports (YoY%)	35.4		36.7
	-	Jul Trade Balance	57.4		57.53
	-	Foreign reserves (\$bn)	3185		3214.01

Source: Refinitiv, ING, *GMT

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