

Asia week ahead: Reserve Bank of Australia meeting plus regional inflation data

The Reserve Bank of Australia (RBA) meeting will be the highlight for the week while several regional economies report inflation data



More confirmation needed before pausing rate hikes in Australia

Following the larger-than-expected decline in January's inflation figures, coupled with a slowdown in GDP growth in the fourth quarter, we expect that the upcoming RBA meeting is going to be much more interesting than has been the case recently. Although the January inflation rate had dropped a full percentage point, inflation still stands at 7.4% year-on-year – way higher than the RBA will be comfortable with. The RBA will want to see confirmation of a downward trend in inflation, not just a reversal of seasonal spikes to even consider pausing its current 25 basis point per meeting tightening strategy.

The softer-than-expected 4Q22 GDP number was encouraging but we would need to see confirmation from other data to conclude that a slowdown is underway, and of a sufficient magnitude to see inflation fall back within the RBA's 2-3% target range.

Consumer prices expected to fall in Korea

Consumer inflation is expected to fall to 4.9% in February (vs 5.2% in January). The recent increase in utility fees likely raised prices for eating out and manufactured products. On the other hand, gasoline prices continue to decline and the impact of the drop in jeonse prices (rental) is expected to appear in the index. Thus, we expect consumer prices to cool out gradually in February.

Foreign reserves and trade data from China

China will report its February foreign exchange reserves data next week. The weaker yuan should lead to some capital outflows for the month and a slight fall in foreign exchange reserves. As capital flow channels have widened via stock and bond connects, capital movements in 2023 will be more reflective of exchange rate movements.

China will also release international trade data for January and February. We expect the yearly contraction to continue for exports and imports in the first two months. Import growth should contract less than exports due to strong consumption demand in China. However, imports for processing trade should continue to be affected by slowing global demand.

Trade data and CPI from Taiwan

Taiwan will report trade data for February. Both exports and imports should continue to be in yearly contraction, around 15% to 20%. This reflects falling demand for semiconductor chips as global demand weakens.

Meanwhile, Taiwan's CPI inflation should edge lower as the economy faces external demand headwinds that should have driven wage growth lower. This trend should allow the central bank (the Central Bank of the Republic of China) to pause its rate hike cycle. The central bank will likely be watching the Fed fund rate movements closely. There is a possibility that the CBC could cut interest rates in the fourth quarter.

Philippine inflation to sustain upward trend?

Price pressures in the Philippines remain evident and we could see another month of elevated inflation. The January report caught many by surprise and we could be in for another upside surprise for headline inflation again. We expect headline inflation to be 8.7%YoY or higher as food inflation is still expected to be substantial. This should prompt another rate hike from the Bangko Sentral ng Pilipinas (BSP) at its March meeting although BSP Governor Felipe Medalla signalled his preference for only a 25bp rate hike given the supply-side nature of the price increases.

Key events in Asia next week

Country	Time	Data/event	ING	Survey	Prev.
Sunday 5 March					
South Korea	2300	Feb CPI Growth (MoM%/YoY%)	0.4/4.9	0.45/5.05	0.8/5.2
Monday 6 March					
South Korea	2300	Q4 GDP Growth (QoQ%/YoY%)	-0.4/1.4		-0.4/1.4
Tuesday 7 March					
Australia	0030	Jan Trade Balance (AUD bn)	-		12237
	0330	Mar RBA Cash Rate	-		3.35
China	-	Feb FX Reserves (Monthly)	-		3.184
	0300	Feb Imports/Exports	-		-7.5/-9.9
	0300	Feb Trade Balance	-		78
Indonesia	0400	Feb Forex Reserves	-		139.4
Philippines	0100	Feb CPI (MoM%/YoY%)	0.15/8.7		1.7/8.7
	0100	Feb Core CPI (YoY%)	7.4		7.4
	0300	Feb Forex Reserves USD	-		99.7
Singapore	0900	Feb Foreign Reserves USD	-		291.7
Taiwan	0800	Feb CPI (YoY% NSA)	-		3.04
	0800	Feb Imports/Exports	-		-16.6/-21.2
	0800	Feb Trade Balance	-		2.34
Wednesday 8 March					
Japan	2350	Q4 GDP Revised (QoQ% ann)	0.6		0.6
	2350	Q4 GDP Revised (QoQ%)	0.2		0.2
Indonesia	0300	Feb Consumer Confidence Index	-		123
Thursday 9 March					
Japan	2330	Jan All Household Spending (YoY%)	-		-1.3
	2330	Jan All Household Spending (MoM%)	-		-2.1
China	0130	Feb CPI (MoM%/YoY%)	-		0.8/2.1
Indonesia	0400	Jan Retail Sales Index (YoY)	-		0.7
South Korea	2300	Jan Current Account Balance NSA	-		2.68
Friday 10 March					
Japan	-	BOJ Rate Decision	-0.1		-0.1
China	-	Feb M2 Money Supply (YoY)	-		12.6
	-	Feb FDI (YTD)	-		14.5
India	1200	Jan Industrial Output (YoY%)	-		4.3
	-	Feb Fiscal Deficit - USD	-		-
	-	Feb Imports/Exports (USD bn)	-		-

Source: Refinitiv, ING

Author

Min Joo Kang

Senior Economist, South Korea and Japan

min.joo.kang@asia.ing.com

Iris Pang

Chief Economist, Greater China

iris.pang@asia.ing.com

Nicholas Mapa

Senior Economist, Philippines

nicholas.antonio.mapa@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 www.ing.com.