

Asia week ahead: Spotlight on India's central bank

Expect the Reserve Bank of India to tighten by 25bp to stem the currency weakness. Trade and inflation releases for May will be the other highlights



➔ Anything actually happening on the trade war?

So far everything has been limited to verbal skirmishes but no action. While we will continue to see more trade noise in the period ahead, markets will focus on hard data. And there is plenty on the calendar from China, Taiwan, Malaysia, and the Philippines.

We expect sustained export strength in China and Taiwan with double-digit growth, but less so in the other two economies. After underperforming in 2017, China's exports have been doing well this year with 14% year-to-date growth. On the other end is the Philippines with a 6% fall explaining the ongoing plight of the peso.

Meanwhile, China's foreign exchange reserve data for May will provide a sense of capital outflows amid accelerated USD appreciation against major currencies, including the yuan. Our [Greater](#)

[China Economist, Iris Pang](#) expects this to be reflected in a drawdown of reserves, by about \$20bn a month. She also expects continued CNY depreciation ahead and has revised the [USD/CNY forecast to 6.60 from 6.33](#) for 2018.

[Why we're forecasting the yuan to depreciate](#)

➔ Will India's RBI tighten policy?

We are in the consensus minority forecasting a rate hike at the June meeting next Wednesday. The emerging market central banks of Turkey, Indonesia, and the Philippines tightened policy recently as their currencies came under intense selling pressure from events around the world. The accelerated weakness of the rupee is likely to force the RBI on the same path.

It's still a close call as analysts' consensus remains tilted towards Reserve Bank of India's (RBI) on-hold policy. We believe RBI policymakers are coming to terms with the need to pre-empt inflation pressure, which will worsen with the weakening currency. And the earlier they move, the better it will be.

This is why we've brought forward our forecast timing of the first 25bp rate hike [to June from August](#). Absent any policy support forthcoming, we will review our end-2018 USD/INR forecast of 68.3 for another upward revision.

[Weak Indian rupee to push RBI to tighten next week](#)

➔ Any inflation relief in Indonesia or the Philippines?

Not much based on our house forecasts. The double-whammy of higher oil prices and weak currencies will keep inflation elevated in both these economies. We think recent policy rate hikes by respective central banks are just the beginning of the tightening cycle.

Our economist [Joey Cuyegkeng](#) now forecasts additional 50bp policy rate hikes by both the central banks in the rest of the year.

Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Friday 1 June					
China	0245	May Caixin Manufacturing PMI	51.3	51.2	51.1
India	0600	May Nikkei Manufacturing PMI	51.3	-	51.6
Taiwan	0130	May Nikkei Manufacturing PMI	53.5	-	54.8
Thailand	0430	May CPI (YoY%)	1	1.3	1.07
	0430	May Core-CPI (YoY%)	0.6	0.69	0.64
South Korea	0000	1Q F GDP (QoQ/YoY%)	1.1/2.8	1.1/2.8	1.1/2.8
	0000	May CPI (MoM/YoY%)	-1.8	0.2/1.7	0.1/1.6
	0100	May Exports (YoY%)	9.2	10.5	-1.5
	0100	May Imports (YoY%)	13.9	10	14.5
	0100	May Trade balance (US\$m)	4345	6600	6609
	0130	May Nikkei Manufacturing PMI	48.3	-	48.4
Monday 4 June					
Indonesia	0500	May CPI core (YoY%)	-	-	2.69
	0500	May CPI (YoY%)	3.3	-	3.41
Singapore	1400	May Purchasing Managers Index	53.1	-	52.9
South Korea	2300	Apr Current A/c Balance (US\$m)	5050	-	5180.4
Malaysia	0030	Apr Nikkei manufacturing PMI	48.3	-	48.6
Tuesday 5 June					
India	0600	May Nikkei Services PMI	-	-	51.4
	-	1Q Current account balance (Q) (US\$bn)	-	-12.75	-13.465
Hong Kong	0130	May Nikkei PMI	-	-	49.1
Malaysia	0500	Apr Trade balance (RM bn)	8.5	-	14.69
	0500	Apr Imports (YoY%)	4	-	-9.64
	0500	Apr Exports (YoY%)	3.3	-	2.23
Philippines	0200	May CPI (YoY%)	4.7	-	4.5
Taiwan	0900	May CPI (YoY%)	1.5	-	1.98
	0900	May WPI (YoY%)	3.8	-	2.53
Wednesday 6 June					
India	1000	Jun 6 RBI policy decision (repo rate, %)	6.25	6	6
Thursday 7 June					
China	-	May Forex Reserves (US\$bn)	3106	-	3124.85
Hong Kong	-	May Forex Reserves (US\$bn)	-	-	434.4
Malaysia	0800	May 31 Forex reserves- Month end (US\$bn)	-	-	109.4
Philippines	-	May Forex reserves (US\$bn)	-	-	79608.8
Friday 8 June					
China	-	Mar Trade Balance (US\$bn)	32.3	-	28.382
	-	Mar Exports (YoY%)	16	-	12.7
	-	May Imports (YoY%)	26	-	21.5
Philippines	0200	Apr Exports (YoY%)	-5.1	-	-8.2
	0200	Apr Imports (YoY%)	11	-	0.1
	0200	Apr Trade balance (US\$m)	-2627	-	-2608
Taiwan	0900	May Exports (YoY%)	15.5	-	10
	0900	May Imports (YoY%)	11	-	4.9
	0900	May Trade balance (US\$bn)	5.2	-	4.15

Source: ING, Bloomberg

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