

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

Author

Alissa Lefebvre

Economist

alissa.lefebvre@ing.com

Deepali Bhargava

Regional Head of Research, Asia-Pacific

Deepali.Bhargava@ing.com

Ruben Dewitte

Economist

+32495364780

ruben.dewitte@ing.com

Kinga Havasi

Economic research trainee

kinga.havasi@ing.com

Marten van Garderen

Consumer Economist, Netherlands

marten.van.garderen@ing.com

David Havrlant

Chief Economist, Czech Republic

420 770 321 486

david.havrlant@ing.com

Sander Burgers

Senior Economist, Dutch Housing

sander.burgers@ing.com

Lynn Song

Chief Economist, Greater China

lynn.song@asia.ing.com

Michiel Tukker

Senior European Rates Strategist

michiel.tukker@ing.com

Michal Rubaszek

Senior Economist, Poland

michal.rubaszek@ing.pl

This is a test author

Stefan Posea

Economist, Romania

tiberiu-stefan.posea@ing.com

Marine Leleux

Sector Strategist, Financials

marine.leleux2@ing.com

Jesse Norcross

Senior Sector Strategist, Real Estate

jesse.norcross@ing.com

Teise Stellema

Research Assistant, Energy Transition

teise.stellema@ing.com

Diederik Stadig

Sector Economist, TMT & Healthcare

diederik.stadig@ing.com

Diogo Gouveia

Sector Economist

diogo.duarte.vieira.de.gouveia@ing.com

Marine Leleux

Sector Strategist, Financials

marine.leleux2@ing.com

Ewa Manthey

Commodities Strategist

ewa.manthey@ing.com

ING Analysts

James Wilson

EM Sovereign Strategist

James.wilson@ing.com

Sophie Smith

Digital Editor

sophie.smith@ing.com

Frantisek Taborsky

EMEA FX & FI Strategist

frantisek.taborsky@ing.com

Adam Antoniak

Senior Economist, Poland

adam.antoniak@ing.pl

Min Joo Kang

Senior Economist, South Korea and Japan

min.joo.kang@asia.ing.com

Coco Zhang

ESG Research

coco.zhang@ing.com

Jan Frederik Slijkerman

Senior Sector Strategist, TMT
jan.frederik.slijkerman@ing.com

Katinka Jongkind
Senior Economist, Services and Leisure
Katinka.Jongkind@ing.com

Marina Le Blanc
Sector Strategist, Financials
Marina.Le.Blanc@ing.com

Samuel Abettan
Junior Economist
samuel.abettan@ing.com

Franziska Biehl
Senior Economist, Germany
Franziska.Marie.Biehl@ing.de

Rebecca Byrne
Senior Editor and Supervisory Analyst
rebecca.byrne@ing.com

Mirjam Bani
Sector Economist, Commercial Real Estate & Public Sector (Netherlands)
mirjam.bani@ing.com

Timothy Rahill
Credit Strategist
timothy.rahill@ing.com

Leszek Kasek
Senior Economist, Poland
leszek.kasek@ing.pl

Oleksiy Soroka, CFA
Senior High Yield Credit Strategist
oleksiy.soroka@ing.com

Antoine Bouvet
Head of European Rates Strategy
antoine.bouvet@ing.com

Jeroen van den Broek
Global Head of Sector Research
jeroen.van.den.broek@ing.com

Edse Dantuma

Senior Sector Economist, Industry and Healthcare
edse.dantuma@ing.com

Francesco Pesole
FX Strategist
francesco.pesole@ing.com

Rico Luman
Senior Sector Economist, Transport and Logistics
Rico.Luman@ing.com

Jurjen Witteveen
Sector Economist
jurjen.witteveen@ing.com

Dmitry Dolgin
Chief Economist, CIS
dmitry.dolgin@ing.de

Nicholas Mapa
Senior Economist, Philippines
nicholas.antonio.mapa@asia.ing.com

Egor Fedorov
Senior Credit Analyst
egor.fedorov@ing.com

Sebastian Franke
Consumer Economist
sebastian.franke@ing.de

Gerben Hieminga
Senior Sector Economist, Energy
gerben.hieminga@ing.com

Nadège Tillier
Head of Corporates Sector Strategy
nadege.tillier@ing.com

Charlotte de Montpellier
Senior Economist, France and Switzerland
charlotte.de.montpellier@ing.com

Laura Straeter
Behavioural Scientist
+31(0)611172684
laura.Straeter@ing.com

Valentin Tataru

Chief Economist, Romania

valentin.tataru@ing.com

James Smith

Developed Markets Economist, UK

james.smith@ing.com

Suvi Platerink Kosonen

Senior Sector Strategist, Financials

suvi.platerink-kosonen@ing.com

Thijs Geijer

Senior Sector Economist, Food & Agri

thijs.geijer@ing.com

Maurice van Sante

Senior Economist Construction & Team Lead Sectors

maurice.van.sante@ing.com

Marcel Klok

Senior Economist, Netherlands

marcel.klok@ing.com

Piotr Poplawski

Senior Economist, Poland

piotr.poplawski@ing.pl

Paolo Pizzoli

Senior Economist, Italy, Greece

paolo.pizzoli@ing.com

Marieke Blom

Chief Economist and Global Head of Research

marieke.blom@ing.com

Raoul Leering

Senior Macro Economist

raoul.leering@ing.com

Maarten Leen

Head of Global IFRS9 ME Scenarios

maarten.leen@ing.com

Maureen Schuller

Head of Financials Sector Strategy

Maureen.Schuller@ing.com

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@asia.ing.com

Rafal Benecki

Chief Economist, Poland

rafal.benecki@ing.pl

Philippe Ledent

Senior Economist, Belgium, Luxembourg

philippe.ledent@ing.com

Peter Virovacz

Senior Economist, Hungary

peter.virovacz@ing.com

Inga Fechner

Senior Economist, Germany, Global Trade

inga.fechner@ing.de

Dimitry Fleming

Senior Data Analyst, Netherlands

Dimitry.Fleming@ing.com

Ciprian Dascalu

Chief Economist, Romania

+40 31 406 8990

ciprian.dascalu@ing.com

Muhammet Mercan

Chief Economist, Turkey

muhammet.mercan@ingbank.com.tr

Iris Pang

Chief Economist, Greater China

iris.pang@asia.ing.com

Sophie Freeman

Writer, Group Research

+44 20 7767 6209

Sophie.Freeman@uk.ing.com

Padhraic Garvey, CFA

Regional Head of Research, Americas

padhraic.garvey@ing.com

James Knightley

Chief International Economist, US

james.knightley@ing.com

Tim Condon

Asia Chief Economist
+65 6232-6020

Martin van Vliet

Senior Interest Rate Strategist
+31 20 563 8801
martin.van.vliet@ing.com

Karol Pogorzelski

Senior Economist, Poland
Karol.Pogorzelski@ing.pl

Carsten Brzeski

Global Head of Macro
carsten.brzeski@ing.de

Viraj Patel

Foreign Exchange Strategist
+44 20 7767 6405
viraj.patel@ing.com

Owen Thomas

Global Head of Editorial Content
+44 (0) 207 767 5331
owen.thomas@ing.com

Bert Colijn

Chief Economist, Netherlands
bert.colijn@ing.com

Peter Vanden Houte

Chief Economist, Belgium, Luxembourg, Eurozone
peter.vandenhoute@ing.com

Benjamin Schroeder

Senior Rates Strategist
benjamin.schroeder@ing.com

Chris Turner

Global Head of Markets and Regional Head of Research for UK & CEE
chris.turner@ing.com

Gustavo Rangel

Chief Economist, LATAM
+1 646 424 6464

gustavo.rangel@ing.com

Carlo Cocuzzo

Economist, Digital Finance

+44 20 7767 5306

carlo.cocuzzo@ing.com