

Asia week ahead: trade reports and inflation readings dominate next week's calendar

Quite a busy week for Asia with trade, inflation, central bank meetings and GDP reports lined up



Pork

Trade reports out from India, Indonesia and Japan

Next week's calendar features several trade reports with India, Indonesia and Japan all reporting recent export and import performance. For Indonesia, we could see the January trade balance remain in surplus but narrow sharply. A ban on coal for the first week of the month possibly led to weaker export earnings, trimming the surplus for January. A narrowing current account surplus for Indonesia could translate to depreciation pressure for the Indonesian rupiah in the near term.

Inflation numbers

The coming week also features inflation reports, although not all of Asia is tracking the general pickup in prices in the West. Both consumer price index (CPI) and producer price index (PPI) in China could drop slightly in January from a year ago. China's CPI has been dominated by the year-on-year effect of lower pork prices. But this development could be partially offset by higher vegetable prices this month due to the cold weather. For PPI, coal prices and other commodity prices

continued to rise during the period. But PPI on a year-on-year basis should come in at around 10%, similar to last month. We aren't too worried about this high PPI inflation as the government will likely implement offsetting policies to counteract the effect.

Meanwhile, despite some further moderation in food prices in January, in particular tomatoes, the year-on-year inflation rate in India will likely tick higher to 6.1%YoY with imported energy price increases driving the price level higher. This would leave inflation just above the top of the Reserve Bank of India's inflation target (2-6%), providing another reason to anticipate some gradual tightening of policy in the coming months, on top of the recent expansionary budget, which may need some leaning against.

Central bank decisions

China's central bank, the People's Bank of China, will decide on the 1Y Medium Lending Facility interest rate, which is currently at 2.85% down from 2.95% in December. We expect a 5bps cut in the rate for this month, which should bring a lower 1Y and 5Y Loan Prime Rate on the 20th. The factors for a rate cut have not faded, including the increase in the credit premium for the real estate sector, a worsening of the trade situation with the US, and the drag from pursuing a zero-Covid policy.

Meanwhile, we don't expect any changes in policy from Bangko Sentral ng Pilipinas (BSP), at least for now. BSP Governor Benjamin Diokno stepped up his dovish rhetoric after inflation moderated in January, indicating that he did not want to "change course" in the middle of a recovery. However, the dovish BSP stance against the backdrop of a hawkish Fed could translate into additional pressure on the Philippine peso in the near term.

Japan's 4Q GDP report

4Q21 GDP should reflect the re-opening of the economy after the delta restrictions caused 3Q to contract by 0.9% quarter-on-quarter. We look for GDP to bounce back by around 1.3%QoQ in 4Q21, which would leave full-year growth at 1.6%YoY. Considering the economy contracted by 4.5% in 2020, this is not a particularly impressive result, and should banish any thoughts of a change to an easier Bank of Japan stance.

Australia's labour data

With the unemployment rate already at a level that the Reserve Bank of Australia has previously highlighted as being consistent with the removal of policy accommodation, this series does not have too much further work to do. Additional job gains seem likely, though the unemployment rate may jump around a bit on participation rate volatility and is not guaranteed to fall. The more interesting release will be the wage price index on 23 February.

Asia Economic Calendar

Country	Time	Data/event	ING Survey	Prev.
Monday 7 February				
Indonesia	-	Q4 Balance of Payments	-	10.7
	-	Q4 Current Account/GDP	-	1.5
Thursday 10 February				
China	-	Jan M2 Money Supply (YoY)	-	9.2
Taiwan	0800	Q4 GDP Final (YoY%)	-	4.88
Friday 11 February				
India	1130	FX Reserves, USD	-	629.8
Monday 14 February				
China	1Y	Medium Term Lending Facility interest rate (%)	2.80	2.85
Japan	2350	Q4 GDP (QoQ%)	1.3	1.4
India	0630	Jan WPI Inflation (YoY%)	-	13.56
	1130	Jan Fiscal Deficit - Bln INR	-	7594
	1130	Jan Imports (YoY%)	27	52.0
	1130	Jan Exports (YoY%)	26.8	34.1
	1200	Jan CPI Inflation (YoY%)	6.1	5.6
Philippines	-	Jan Forex Reserves USD	-	108.9
Tuesday 15 February				
Indonesia	0400	Jan Trade Balance (Bln of \$)	1.12	1.02
	0400	Jan Exports Growth (YoY%)	35.3	35.3
	0400	Jan Imports Growth (YoY%)	46.8	47.9
South Korea	2300	Jan Unemployment Rate	3.5	3.8
Wednesday 16 February				
Japan	2350	Jan Exports (YoY%)	18	17.5
	2350	Jan Imports (YoY%)	38.6	41.1
	2350	Jan Trade Balance Total Yen	-1639	-582.4
China	0130	Jan CPI (YoY%)	1.2	1.2
	0130	Jan PPI (YoY%)	10.0	10.3
Thursday 17 February				
Japan	2330	Jan CPI (YoY%)	0.6	0.8
Australia	0030	Jan Unemployment Rate	4	4.2
	0030	Jan Employment Change (000s)	21.4	64.8
	0030	Jan Reserve Assets Total	-	83544
Philippines	0700	Policy Interest Rate	2	2

Source: Refinitiv, ING, *GMT

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