

Asia week ahead: Two key central bank meetings

Next week's Asia calendar features key central bank meetings in Australia and India. Meanwhile, Korea reports trade figures, China will release PMI, and we will also get a look at inflation readings from the region



China's official PMI likely to show expansion

China's official PMI shows that manufacturing activity contracted for five consecutive months between March and August.

Recently released data on Chinese industrial profits showed a rise after five consecutive contractions, which might signal that the economy has stabilised to a certain extent.

We believe that the official manufacturing PMI for September will show a slight expansion reading of 50.2. With the improvement in recent activity data including retail sales, the non-manufacturing PMI may also increase slightly to 51.3.

Central bank meetings in Australia and India

The Reserve Bank of Australia (RBA) will have its monthly meeting next week to decide on the key cash rate. The latest CPI figure for August stands at 5.2% year-on-year, the first increase since April and still way above the RBA's target of 2-3%. However, it should not be too much of a concern as the rise in inflation was largely due to base effects and soaring oil prices. While we believe that the latest inflation figures bolster the case for the central bank to further increase rates at some point, we don't think that it will choose this meeting to tighten.

The Reserve Bank of India (RBI) is likely to keep its repo rate unchanged as India's inflation is trending down after a surge in vegetable prices in July. Seasonal food prices have reduced since then as supply conditions have improved following erratic monsoon weather. Currently, the RBI's third-quarter inflation forecast is above 5%. As such, rates may remain unchanged through the year-end.

Inflation numbers from Indonesia, Philippines and Korea

We'll be getting inflation numbers from Indonesia, the Philippines and Korea next week. Soaring global energy prices has led to higher transport and energy price levels in these countries, raising the expectation of inflation.

For Indonesia, we expect inflation to inch higher due to food as well. Rice prices recently touched a multi-year high on tight supply of the grain. Despite the projected pickup, headline inflation remains well within target and should settle at 2.3%YoY.

Meanwhile, for the Philippines, we expect inflation to stay elevated and above target for another month. Rice prices could still edge higher despite a presidential order capping rice prices on select varieties of the all-important staple. We could see Philippine inflation settle at 5.1%YoY, well above target and the main reason why the Bangko Sentral ng Pilipinas (BSP) has suddenly turned extremely hawkish.

It's a similar situation in Korea, with the main drivers of inflation also food and fuel prices. Headline inflation is expected to rise to 3.2% YoY for September. This will likely strengthen the government's efforts to curb inflation by offering shopping vouchers, extending the fuel tax cut programme, and holding utility fees for the fourth quarter.

Singapore retail sales

Next week also features retail sales from Singapore. August retail sales will likely manage to expand modestly, although still-elevated inflation and overall subdued economic activity could cap any gains. Soft retail sales amid falling industrial output will likely drag on overall third-quarter GDP.

Korea trade data

Preliminary data on Korean exports in early September pointed to a gain of 9.8% YoY, largely due to favourable calendar effects. We believe that full-month data however could record a contraction as data suggest poor semiconductor exports and softer shipments to China continue to drag on overall exports.

Key events in Asia next week

Saturday 30 September					
China	0230 Sep NBS Manufacturing PMI	50.2	50.1	49.7	
	0230 Sep NBS Non-Manufacturing PMI	51.3	51.5	51	
Sunday 1 October					
China	0245 Sep Caixin Manufacturing PMI Final	50.7	51.2	51	
	0245 Sep Caixin Services PMI	52.5	52	51.8	
South Korea	0100 Sep Export Growth (YoY%)	-9.8	-9.3	-8.3	
	0100 Sep Import Growth (YoY%)	-	-18	-22.8	
Monday 2 October					
Japan	0130 Sep Jibun Bank Manufacturing PMI	-		48.6	
	0050 Sep Monetary Base (YoY%)	-		1.12	
Indonesia	0130 Sep IHS S&P Global PMI	54		53.9	
	0500 Sep Core Inflation (YoY%)	2.1	2.06	2.18	
	0500 Sep Inflation (MoM%/YoY%)	0.1/2.3	0.08/2.16	-0.02/2.18	
Philippines	0130 Sep Manufacturing PMI SA	49.4		49.7	
Singapore	1000 Sep Foreign Reserves USD	-		337.3	
South Korea	0000 Aug Industrial Output (YoY%)	-	-5.8	-8	
	0000 Aug Industrial Output (MoM%)	-		-2	
Taiwan	0130 Sep IHS S&P Global Manufacturing PMI	44.6		44.3	
Tuesday 3 October					
Australia	0430 Oct RBA Cash Rate	4.1	4.1	4.1	
India	0600 Sep IHS S&P Global Manufacturing PMI	58.7		58.6	
Singapore	1400 Sep Manufacturing PMI	49.5		49.9	
Wednesday 4 October					
Japan	0130 Sep Services PMI	-		53.3	
South Korea	0130 Sep IHS S&P Global Manufacturing PMI	-		48.9	
Thursday 5 October					
Japan	0030 Aug All Household Spending (YoY%)	-		-5	
	0030 Aug All Household Spending (MoM%)	-		-2.7	
Australia	0130 Aug Trade Balance (A\$bn)	9200	9000	8039	
India	0600 Sep IHS S&P Global Services PMI	60.6		60.1	
Philippines	0200 Sep CPI (MoM%/YoY%)	0.25/5.1	0.3/5.3	1.1/5.3	
	0200 Sep Core CPI (YoY%)	5.7		6.1	
	- Sep Forex Reserves USD	99.5		99.8	
Singapore	0600 Aug Retail Sales (MoM%/YoY%)	-0.25/0.3	/	0.6/1.1	
South Korea	0000 Sep CPI Growth (MoM%/YoY%)	-/3.2	0.3/3.4	1/3.4	
Taiwan	0900 Sep CPI (YoY% NSA)	2.8		2.52	
	0920 Sep Foreign Exchange Reserve	567.700		565.467	
Friday 6 October					
India	0530 0 Repo Rate	6.5		6.5	
	0530 0 Reverse Repo Rate	3.35		3.35	
	0530 0 Cash Reserve Ratio	4.5		4.5	

Source: Refinitiv, ING

Author

Robert Carnell

Regional Head of Research, Asia-Pacific

robert.carnell@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 <http://www.ing.com>.