

Asia week ahead: Central banks in wait-and-watch mode

Another big central bank week in Asia is likely to pass without much action. The record monetary easing unleashed earlier in the year means most central banks remain in a wait-and-see mode for the recovery to gain traction



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➔ Central banks wait and watch ...

Central banks in China, Japan, Taiwan, Indonesia and the Philippines meet next week, and all of them are expected to leave rates unchanged.

As an informal monthly rite, the People's Bank of China will review the level of one-year medium-term lending facility rate. The last move was a 20 basis point rate cut to 2.95% in April this year and we see it staying there next week. The Bank of Japan will also stay put, following this week's announcement of a \$700 billion economic stimulus package. And, with strong exports helping the overall economy, Taiwan's central bank has no reason to temper with policy either.

Bank Indonesia's 25 bp policy rate cut on November has reduced the odds of any policy change this month, while the main driver behind the last rate cut - strong currency appreciation, has lost steam this month. In the Philippines, the latest CPI inflation spiked to a 20-month high of 3.3% YoY in November from 2.5% in October has pushed the central bank policy bears out of the game.

... as the recovery takes twists and turns

China's remaining activity data for November – industrial production, retail sales, fixed-asset investment and home prices will help formulate expectations for growth in the fourth quarter of the year, and we forecast 5.5% YoY. A 21% YoY surge in Chinese exports last month imparts upside risk to our 6% YoY industrial production growth view. Likewise, the 28% YoY jump in industrial profits in October heralds further pick up in investment spending, while record Singles-Day demand boosted retail sales growth.

Elsewhere in Asia, November trade figures dominate the calendar. Export growth accelerated in all three economies that have reported the November data so far including China, Korea and Taiwan, and we imagine the same for the rest of the region. Singapore's non-oil domestic exports may capture more focus following two consecutive months of declines.

The unemployment rate should continue to grind higher in Hong Kong (SAR) and Korea in November as these economies grappled with renewed Covid-19 restrictions.

In India, inflation numbers will be closely monitored as it chokes central bank easing. We might see some slowdown in the key drivers – food and transport prices, though not enough to bring the headline inflation back below the central bank's 6% policy limit. Our forecast for November is 7.1%, down from 7.6% in the previous month.

Finally, it'll be Australia's jobs report for November and New Zealand's 3Q20 GDP data. Some retracement in Aussie jobs growth seems to be in order after an unexpectedly strong 178,000 bounce in October, and, New Zealand GDP should see a significant clawback of a large dip suffered in 2Q.

Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 14 December					
China	0200	Nov New home prices (YoY%)	4.3		4.2
India	0630	Nov CPI Inflation (YoY%)	7.1	-	7.6
		Nov WPI Inflation (YoY%)	1.6	1.6	1.48
Tuesday 15 December					
China	0200	Nov Industrial Production (YoY)	6.0		6.9
	0200	Nov Retail Sales (YoY)	3.5		4.3
	0200	Nov Fixed asset investment YTD (YoY%)	2.2		1.8
India		- Nov Trade Deficit (USD bn)	-8.5	-	-8.7
		- Nov Imports (YoY %)	-15		-11.5
		- Nov Exports (YoY %)	-6		-5.1
Philippines		- Oct OCW remittances (YoY%)	-4.3		9.3
Indonesia		- Nov Trade Balance (USD mn)	3123.5		3607
		- Nov Imports (YoY %)	-28.6		-26.9
		- Nov Exports (YoY %)	0.3		-3.3
South Korea	2300	Nov Unemployment Rate	4.3		4.2
Thursday 17 December					
Hong Kong		- Nov Unemployment rate (%)	6.6		6.4
Indonesia		- Dec 7-Day Reverse Repo (%)	3.75		3.75
Singapore	0030	Nov NODX (QoQ/YoY%)	10.5/4.2		-5.3/-3.1
Philippines	0800	Policy Interest Rate (%)	2		2
Taiwan	0800	Q4 Discount Rate (%)	1.125		1.125

Source: ING, Refinitiv, *GMT