Asia week ahead: What is inflation worth these days?

Given that the low inflation trend is here to stay, markets are unlikely to be very concerned about it. Instead, trade figures are more likely to be an interesting guide to the electronics-led export recovery in Asia next week

Source: Shutterstock

Inflation data dominates

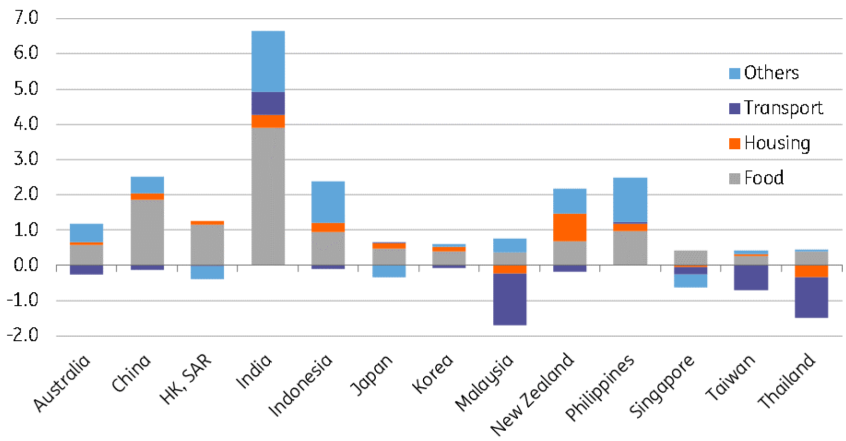
Korea, Taiwan, Thailand, and the Philippines, will report their inflation numbers for September. All should see inflation continuing to be subdued.

With the exception of India, inflation across the region has been low. And, whatever inflation there is, it's mainly in the food component. The supply disruption due to pandemic in some countries and floods or droughts in others explain elevated food inflation. Meanwhile, the ongoing recession has kept demand-side price pressures muted. We expect weak demand to continue to outweigh supply shocks to keep inflation low for some time to come.

Low inflation may be an argument for more monetary policy accommodation to revive growth. However, not many Asian central banks have that easing space anymore, especially those with policy rates already close to zero. The Reserve Bank of Australia, which is going to review its monetary policy next week, falls in this category.

We expect no change to the RBA cash rate from the current 0.25%.

Year-to-date CPI Inflation in Asia - (% YoY)



Source: CEIC, ING

What else is on the way

A surprisingly strong export surge in Korea in September supports our upbeat forecast for Taiwan's exports too. The electronics-led recovery is getting traction in these countries, though not everywhere in the region. The Philippines reports its August trade next week too and has yet to jump on this electronics wave given that more than half of the Philippines' exports are electronics.

Singapore's retail sales for August will shed light on private consumption recovery. Strong rebound in sales over June and July has clawed back the entire dip experienced during the Covid-19 lockdown in the previous two months. We don't think there was further headway in August.

On the contrary, some contraction is likely with the onset of the Hungry Ghost Festival in the middle of the month - the time when big-ticket purchases like cars are typically avoided.

Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
		Monday 5 October			
Singapore	0600	Aug Retail sales value (MoM SA/YoY%)	-3.5/-10.5	-	27.4/-8.49
Taiwan	0130	Sep Nikkei Manufacturing PMI	52.5	-	52.2
Thailand	0430	Sep CPI (YoY%)	-0.4	-	-0.5
	0430	Sep Core-CPI (YoY%)	0.3	-	0.3
South Korea	0130	Sep Nikkei Manufacturing PMI	49.5	-	48.5
		Tuesday 6 October			
India	0600	Sep Nikkei Services PMI	-	-	41.8
Philippines	0200	Sep CPI (YoY%)	2.3	-	2.4
South Korea	0000	Sep CPI (YoY%)	0.5	-	0.7
	0000	Sep CPI core (YoY%)	1.1	-	0.8
		Wednesday 7 October			
China	-	Sep Forex Reserves (US$bn)	3183	-	3164.61
Hong Kong	0130	Sep Nikkei PMI	-	-	44
Malaysia	0800	Sep 30 Forex reserves- Month end (US$bn)	-	-	104.8
Philippines	-	Sep Forex reserves (US$bn)	99.8	-	98954.89
Singapore	-	3Q A GDP (Q) (YoY%)	-	-	-13.2
	-	3Q A GDP (QoQ Annualised %)	-	-	-42.9
Taiwan	0900	Sep Exports (YoY%)	21.6	-	8.3
	0900	Sep Imports (YoY%)	9	-	8.5
		Thursday 8 October			
Hong Kong	-	Sep Forex Reserves (US$bn)	-	-	450
South Korea	0000	Aug Current account balance (US$bn)	7.2	-	7.5
Taiwan	0900	Sep WPI (YoY%)	-0.4	-	-9.09
	0900	Sep CPI (YoY%)	-9.1	-	-0.33
		Friday 9 October			
Philippines	0200	Aug Exports (YoY%)	-16.5	-	-9.6
	0200	Aug Imports (YoY%)	-19.9	-	-24.4
	0200	Aug Trade balance (US$mn)	-1933.1	-	-1827

Source: ING, Bloomberg, *GMT

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