

## Good MornING Asia - 29 November 2019

Much of the US may tack on an extra day's vacation after yesterday's Thanksgiving, but that won't stop Asia from pouring out data today on everything from Korean policy rates to Indian GDP

### In this bundle



#### Asian data splurge

Much of the US may tack on an extra day's vacation after yesterday's Thanksgiving, but that won't stop Asia from pouring out data today on...



#### Asia week ahead: RBA to stay on hold, RBI to cut again

It's going to be a busy week in Asia dominated by the usual start-of-the-month economic releases as well as India and Australia's central bank...

---

Opinion | 28 November 2019

## Asian data splurge

Much of the US may tack on an extra day's vacation after yesterday's Thanksgiving, but that won't stop Asia from pouring out data today on everything from Korean policy rates to Indian GDP



Source: Shutterstock

### It starts here

It doesn't look terribly good, but I think there are many reasons not to be too downbeat about the Korean production data just released. The headlines are a 1.7% MoM decline (seasonally adjusted) and a 2.5% year-on-year decline. Most of this is concentrated in the manufacturing sector, which was down 1.5% MoM. More details about other sectors, services, and construction are shown [in the linked statistical summary from Statistics Korea](#).

Interpreting year-on-year figures where the 12M history contains the peak in overexuberance of production, followed by a massive slump, is exceedingly tricky. Manufacturing is usually reasonably strong leading up to October ahead of the gift-giving season in the West. It then usually drops away. If historic seasonal patterns repeat, we could see the level of production ebb in the coming months, but the year-on-year rates could improve. That is going to be even harder to interpret from a policy perspective.

## BoK - nothing expected

Our base case on the Bank of Korea (BoK) meeting today is that there will be no change to the 1.25% 7-day repo policy rate. Although it requires a bit of imagination, we think, as do some of the BoK's board members, that the economy is beginning to turn the corner. Some (two of seven) of them dissented at the last rate cut decision for this reason, as well as worrying about the impact of financial distortions. The dissenters saw policy rates as easy enough last time. I don't think anything has changed materially on the downside to merit a change in view from that meeting. So nothing from the BoK today, and in all likelihood, unless the trade war re-escalates (not our base case) no more easing in this rate cycle.

## Japan industrial production softer

Like the Korean figures, the Japanese industrial production numbers for October look weaker (-4.2%MoM and -7.4%YoY). But for the same reasons as Korea, I'm not rushing to draw concrete conclusions about this. As well as the similar peak and slump characteristics that render the year-on-year comparison largely meaningless, the impact of the consumption tax hike on activity in September/October also means we can't really read anything into the month on month figures either. Trying to read anything into the non-seasonally adjusted underlying series is like staring at a kaleidoscope - it doesn't take long before it hurts your eyes. So I'm passing no judgement on this one too. It may be a few months before we can say anything sensible about Japan's data.

Meanwhile, Tokyo's inflation has come in at 0.8%YoY, up from 0.4% in October, which should set up the November national inflation figure for a similar 0.4pp increase. The national inflation rate is currently 0.2% - so 0.6%YoY national inflation in November looks likely. Food prices look to be playing a role here, as the ex-food Tokyo number is unchanged at 0.7%YoY. But food prices did not rise on the month, so we aren't pushing this angle too hard. Consume price hikes make the rest of the data impossible to pin down. I'll stick to the view that on an underlying basis, nothing is really going on.

## India 3Q19 GDP

Prakash Sakpal is bucking the consensus for a weak 3Q GDP figure out of India later tonight. He writes: "India's 3Q GDP data today comes as a test of the huge monetary and fiscal stimulus the economy has received this year. Even so, the high-frequency data show no signs of recovery in GDP growth, which is what underlies a solid consensus of a further slowdown to 4.5% in 3Q from a six-year low of 5% in the previous quarter. We are optimistic with a 5.3% forecast, which is consistent with the central bank's (RBI) forecast, on the grounds that some, if not all, of the stimulus, has trickled down, while year-on-year growth also gets a lift from the low base effect. Despite our "optimistic" growth view, we don't think the RBI will let its guard down just yet, which is even more unlikely in the event growth does tumble in line with consensus. We expect one more 25bp rate cut in December".

## What's left?

The rest of the day contains Singapore money supply, Japanese housing starts, construction orders, and consumer confidence, Thailand trade figures, and Taiwan 3Q GDP. Probably none of it

will be massively market-moving, but on a day when market liquidity may be a bit thin, there is always scope for some surprise.

---

Article | 28 November 2019

## Asia week ahead: RBA to stay on hold, RBI to cut again

It's going to be a busy week in Asia dominated by the usual start-of-the-month economic releases as well as India and Australia's central bank meetings



Source: Shutterstock

### ➔ A mix bag of central bank policy

The Reserve Bank of Australia and the Reserve Bank of India meet next week. Australia's exceptionally [weak labour report](#) for October made a case for more RBA easing. Adding to the pressure was Governor Philip Lowe's reluctance for quantitative easing, expressed in his speech earlier this week, which now has markets pricing in more interest rate cuts. However, many (including us) are sceptical we will get a rate cut next week; the implied market probability of a 25

basis point rate cut next week is only 12%.

Supporting the stable RBA policy call would be the third-quarter GDP data showing firmer growth. But, the release comes a day after the central bank meeting, which doesn't make it a timely input for policymakers.

Staying ahead in the global easing cycle, India's central bank looks poised to cut rates again by 25 basis point next week given that growth continues to be on a steady downward path. Governor Shaktikanta Das is determined to ease for as long as it takes. However, aggressive policy stimulus on both monetary and fiscal sides has started stoking inflation, pushing it above the RBI's 4% comfort level in recent months, which means this could be the last cut of this easing cycle.

## ➔ And a data-packed calendar

Trade, purchasing manager index (PMI), and inflation figures dominate the data calendar.

Korea's trade data for November will serve as a guide to the rest of Asia's exports this month. Even if the uncertainty on the US-China trade front continues, exports have at least stopped getting worse, including electronics exports, the mainstay of some Asian countries. Albeit ongoing trade noise, we expect the Asian trade picture to be clearer, and better too going into 2020, at least from a statistical perspective as the base effects will normalise, if not fundamentally. The export order components of manufacturing PMIs will be an interesting watch from this perspective.

Inflation remains benign throughout the region (spare India, as mentioned earlier). Low inflation and continued weak growth outlook suggest central bank policy should remain accommodative at least through 2020, though the current easing cycle has almost drawn to a close.

## Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
<b>Saturday 30 November</b>					
China	0100	Nov Manufacturing PMI	49.5	49.5	49.3
	0100	Nov Non-manufacturing PMI	52.5	53.1	52.8
South Korea	0000	Nov Trade balance (US\$m)	5.5	4950	5341
	0000	Nov Exports (YoY%)	-6.1	-9.7	-14.8
	0000	Nov Imports (YoY%)	-8.4	-12.1	-14.6
<b>Sunday 1 December</b>					
South Korea	2300	Nov CPI (YoY%)	0.9	0.7	0.2/0.0
	2300	Nov Core CPI (YoY%)	0.7	0.8	0.8
<b>Monday 2 December</b>					
South Korea	2300	3Q F GDP (QoQ/YoY%)	0.5/2.1	-/-	0.4/2.0
	0030	Markit South Korea PMI mfg	48.7	-	48.4
India	0500	Markit India PMI Mfg	51	-	50.6
Hong Kong	0830	Oct Retail sales value (YoY%)	-24.9	-	-18.3
	0830	Oct Retail sales volume (YoY%)	-26	-	-20.4
Indonesia	-	Nov CPI (YoY%)	3.1	3.1	3.13
	-	Nov CPI core (YoY%)	-	3.1	3.2
Thailand	0030	Nov Markit PMI mfg	50.2	-	50
	0330	Nov CPI (YoY%)	0.3	0.36	0.11
	0330	Nov Core-CPI (YoY%)	0.5	0.5	0.44
Malaysia	0030	Nov Nikkei Manufacturing PMI	48.8	-	49.3
Taiwan	0030	Nov Nikkei Manufacturing PMI	49.8	-	49.8
<b>Tuesday 3 December</b>					
Singapore	1300	Nov Purchasing Managers Index	49.8	-	49.6
<b>Wednesday 4 December</b>					
South Korea	2300	Oct Current account balance (US\$bn)	7.6	-/-	7.5
Hong Kong	0030	Nov Markit PMI	-	-	39.3
Malaysia	0400	Oct Exports (YoY%)	-12.5	-	-6.8
	0400	Oct Imports (YoY%)	-9	-	2.4
	0400	Oct Trade balance (RM bn)	11.9	-	8.3
India	0500	Markit India PMI Services	-	-	49.2
China	0145	Nov Caixin Manufacturing PMI	51	51.3	51.7
<b>Thursday 5 December</b>					
Philippines	0100	Nov CPI (YoY%)	1.3	-	0.8
India	-	3Q Current account balance (Q) (US\$bn)	-	-	-14.3
	0615	RBI policy decision (repo rate, %)	4.9	-	5.15
Taiwan	0800	Nov WPI (YoY%)	-4.9	-	-6.2
	0800	Nov CPI (YoY%)	0.7	0.7	0.4
<b>Friday 6 December</b>					
Hong Kong	-	Nov Forex Reserves (US\$bn)	-	-	440.6
Malaysia	0700	Nov 29 Forex reserves- Month end (US\$bn)	-	-	103.2
Philippines	-	Nov Forex reserves (US\$bn)	86.5	-	85.8

Source: ING, Bloomberg, \*GMT

## 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 [www.ing.com](http://www.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 [www.ing.com](http://www.ing.com).