

Our view on next week's key events

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Asia week ahead: Bank Indonesia to pause tightening

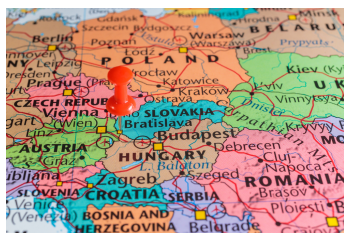
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Asia week ahead: Bank Indonesia to pause tightening

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Source: Shutterstock

➔ Bank Indonesia to pause tightening

The Indonesian central bank, Bank Indonesia (BI), announces the outcome of its monetary policy meeting on Tuesday (23 October). We believe it's time for BI to pause the tightening started in May this year, and subsequently intensified amidst the emerging market currency contagion that saw the Indonesia rupiah (IDR) plunge in value. As part of its currency stabilisation drive, BI lifted the policy rate by a total 150 basis points to 5.75% through to September.

With well-behaved inflation, dipping below 3% year-on-year in September for the first time in over

two years, monetary policy remains geared towards stabilising the Indonesian rupiah. And the USD/IDR appears to have traded tightly around 15,200 this month after an early October spike. Recent economic reports-, such as the trade balance swinging back to surplus in September and a lower-than-expected government budget deficit this year, are contributing to improve investor sentiment towards the currency. We believe this has taken pressure off the central bank to hike rates at the forthcoming policy meeting.

5.75% BI policy rate

No change expected

➔ Fine-tuning of GDP growth estimates

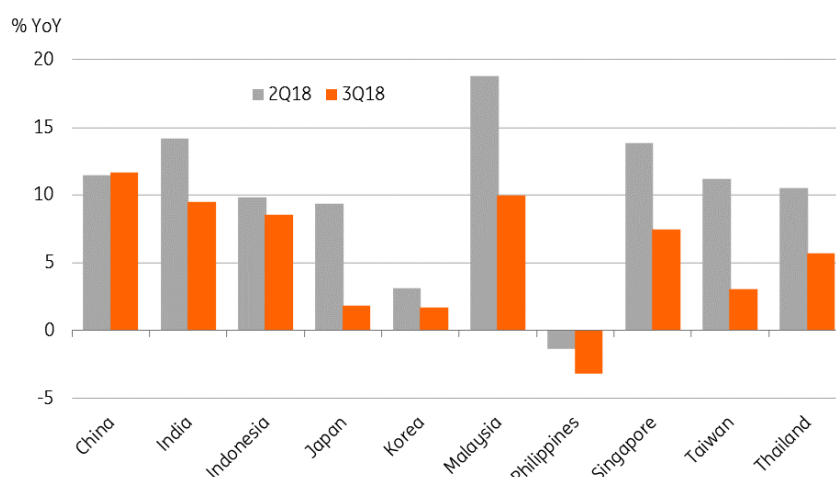
September manufacturing data releases from Taiwan and Singapore will help to fine-tune estimates of GDP growth for these economies, while Korea will report actual GDP data for the third quarter.

Underlying our estimate of 2.1% year-on-year growth in Korea's GDP in 3Q, which is close to the low end of analysts' estimates ranging from 2% to 2.7% in the latest Bloomberg poll, is a sustained slowdown in export growth. September's 8.2% YoY fall in exports was the worst showing in over two years although partly coming off a high base, as growth peaked at 35% in the same month a year ago. As it left monetary policy on hold this week, the Bank of Korea also downgraded its outlook for growth this year and next, the second downgrade this year.

We don't think it's just Korea. Asia's other export-reliant economies Taiwan and Singapore are also exposed to a growth slowdown amid lingering US-China trade tensions. [Singapore's weaker-than-expected non-oil domestic exports](#) in September are likely to have depressed manufacturing, raising the risk of a downward revision to the 3Q advance GDP growth estimate of 2.6%, which in itself was a sharp slowdown from 4.1% growth in 2Q.

And being on the frontline of the US-China trade conflict, Taiwan's exports have already started to take a beating, keeping both manufacturing and GDP growth in the low single-digits. Look out for Taiwan's export orders data for September; orders' growth has been firm but it failed to translate into actual shipments.

Asian export performance in last two quarters



ING's 3Q18 estimates for Philippines, Malaysia and Thailand.

Source: Bloomberg, ING

➔ Sustained low inflation in most of Asia

Of the two countries to report September inflation data in the coming week, Malaysia and Singapore, we consider Malaysia's to be the more closely-watched report. This is not because of any alarming outcome but because of the re-introduction of the Sales and Services Tax (SST) from 1 September. Replacing the Goods and Services Tax (GST), which was scrapped in June this year, we anticipate the SST impact on consumer prices to be benign, keeping inflation well under 1%. With persistently low inflation through most of 2019, the central bank (BNM) will be under no pressure to change policy next year.

Similar to Malaysia, Singapore continues to enjoy the lowest inflation among the Asian economies. We expect headline inflation to tick up to 0.8% YoY in September from 0.7% in the previous month but no change in the core inflation rate from 1.9%. The central bank's (MAS) semi-annual Macroeconomic Policy review will provide insight into its thinking behind the recent tightening via a slight increase in the slope of the SGD-NEER policy band.

Apart from India and the Philippines, inflation in most other Asian countries has been subdued. This is despite higher global oil prices and weaker Asian currencies this year.

Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 22 October					
Malaysia	0800	Oct Forex reserves- Month end (US\$bn)	-	-	103
Philippines	-	Sep Budget Balance (PHP bn)	-71.2	-	-2.6
Taiwan	0900	Sep Export Orders (YoY%)	-	-	7.11
Thailand	0430	Sep Exports (Cust est, YoY%)	2.5	5.6	6.7
	0430	Sep Imports (Cust est, YoY%)	16	12.2	22.8
	0430	Sep Trade balance (US\$m)	1045	-	-588
South Korea	2200	Sep PPI (MoM/YoY%)	-/-	-/-	0.5/3.0
Tuesday 23 October					
Indonesia	-	BI policy decision (7-day reverse repo, %)	5.75	5.75	5.75
Singapore	0600	Sep CPI (YoY%)	0.8	-	0.7
	0600	Sep CPI Core (YoY%)	1.9	-	1.9
Taiwan	0900	Sep Industrial Production (YoY%)	-	-	1.3
Wednesday 24 October					
Malaysia	0500	Sep CPI (YoY%)	0.5	-	0.2
Singapore	-	3Q Jobless rate (Q) (% SA)	2.2	-	2.1
Taiwan	0920	Sep Money Supply (M2) (YoY%)	-	-	3.4
Thursday 25 October					
Hong Kong	0930	Sep Exports (YoY%)	-	-	13.1
	0930	Sep Imports (YoY%)	-	-	16.4
	0930	Sep Trade balance (HK\$ bn)	-	-	-52.149
South Korea	0000	3Q P GDP (QoQ/YoY%)	-/2.1	-/-	0.6/2.8
	2200	Oct BOK Consumer Sentiment Index	-	-	101.7
Friday 26 October					
Singapore	0600	Sep Industrial production (MoM, SA/YoY%)	5.8	-/-	2.2/3.3

Source: ING, Bloomberg

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Source: Shutterstock

✓ US: Still going strong

The US data highlight will be 3Q GDP, with another strong outcome looking likely. Consumer spending continues to be supported by massive tax cuts and a robust jobs market, whilst healthy corporate profitability and a positive economic outlook are encouraging investment. Net trade is likely to swing back sharply after providing huge support to growth in 2Q, but this will at least be partially offset by some rebuilding of inventories. As such, we look for US growth to come in at an annualised 3.6% rate versus the 3.2% consensus and the 4.2% outcome from 2Q18.

Durable goods orders for September should also be good once the volatile aircraft component is stripped out, so this should be more than enough to keep the Federal Reserve in tightening mode. We continue to look for a December interest rate rise followed by three more in each of the first three quarters of 2019.

✓ ECB still set to end QE by December

Despite increased downside risks to the eurozone's growth outlook, [the ECB will not divert from its chosen course](#) to bring QE to an end in December. Expect a slightly more dovish, but still highly determined Mario Draghi at next week's ECB meeting.

Eurozone confidence data should also prove to be interesting. Readings on consumer confidence and PMI surveys for October may offer clues about the impact of political uncertainty over the Italian budget and Brexit.

Scandi central bank meetings in focus

Both the Riksbank (Wednesday) and Norges Bank (Thursday) hold policy meetings next week. With both having delivered material policy shifts in September, we don't expect all that much news from either this time around. The Riksbank is likely to confirm its intention to hike rates in either December or February. The improvement in core inflation in September could shift the balance of probability in favour of December. The NB is not delivering new forecasts or holding a press conference, and its statement is likely to remain largely unchanged. But the continued solid price pressure evident in the September figures, combined with a weaker than expected exchange rate and rising oil prices, suggest upside risk to the NB policy stance.

All German Ifo figures are expected to weaken

Given the latest market turmoil and political uncertainty in Germany, it's difficult not to expect a weakening of all three October Ifo measures released next week.

Little reason for the Bank of Canada to keep tightening on hold

The Bank of Canada is likely to continue its gradual tightening path and provide a 25 basis point rate hike when it meets on 24 October. This should be no surprise, as headline inflation has been out of the BoC's comfort zone for some time now, hitting what it sees as its upper threshold of 3% YoY in July. And with all three of the main core measures floating around the 2% target, there is little reason for the BoC to hold off on pushing policy rates higher.

Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Saturday 20 October					
US	1700	Fed's Bostic Speaks in Atlanta			
Japan	0750	BOJ Amamiya Speech in Nagoya			
Monday 22 October					
Japan	0530	Aug All Industry Activity Index (MoM%)	-	-	0.0
Australia	0200, 23:35	Remarks by RBA's Debelle in Sydney			
Tuesday 23 October					
Eurozone	1500	Oct A Consumer Confidence	-2.8	-	-2.9
UK	1130	BOE Chief Economist Haldane Speaks in Paris			
	1620	Carney Speaks at a Conference in Toronto			
Australia	-	RBA's Bullock (0400) and Debelle (0530) Speak on Panel in Sydney			
Portugal	-	Bank of Portugal Releases Bank Lending Survey			
Wednesday 24 October					
US	1810	Fed's Mester Speaks at Forecasters Club in New York			
	1900	U.S. Federal Reserve Releases Beige Book			
Japan	0600	Aug F Leading Economic Index	-	-	104.4
Eurozone	0900	Oct P Market Manufacturing PMI	53	-	53.2
	0900	Sep M3 Money Supply (YoY%)	3.5	-	3.5
	0900	Oct P Market Services PMI	54.9	-	54.7
	0900	Oct P Market Composite PMI	54.1	-	54.1
Canada	1500	Bank of Canada Policy Rate	1.75	1.75	1.5
Sweden	0830	Riksbank Interest Rate	-0.5	-	-0.5
	1000	Riksbank's Ingves Holds Press Conference			
Thursday 25 October					
US	1330	Sep P Durable Goods Orders (MoM%)	-2.2	-1	4.4
	1330	Sep P Durable Goods Orders (ex. Trans, MoM%)	0.5	0.4	0.0
Eurozone	1245	ECB Main Refinancing Rate	0.0	-	0.0
	1245	ECB Marginal Lending Facility	0.25	-	0.25
	1245	ECB Deposit Facility Rate	-0.4	-	-0.4
	-	European Commission Updates Its Economic Forecasts			
Germany	0900	Oct IFO Business Climate	103.3	-	103.7
	0900	Oct IFO Expectations	100.5	-	101
	0900	Oct IFO Current Assessment	106.0	-	106.4
Norway	0700	Aug Unemployment Rate AKU	-	-	4.0
	0900	Deposit Rates	-	-	0.75
Sweden	0800	Oct Economic Tendency Indicator	0.75	0.75	111.7
	0830	Sep Household Lending (YoY%)	111	-	6.1
	0830	Swedish National Debt Office Forecast			
Portugal	-	Portugal Releases Year-to-Date Budget Report			
Friday 26 October					
US	1330	3Q A GDP (QoQ Annualised %)	3.6	3.2	4.2
	1500	Oct F U. of Mich. Sentiment Index	97.5	98.2	99.0
Germany	-	Germany Sovereign Debt to be Rated by S&P			
France	-	France Sovereign Debt to Be Rated by Moody's			
UK	-	UK Sovereign Debt to be Rated by S&P and Fitch			
Italy	-	Italy Sovereign Debt to be Rated by S&P			
Norway	0715	Norges Bank Governor Olsen Speaks in Trondheim			
	0835	Norges Bank Deputy Governors Speak in Sandefjord			
Sweden	0830	Sep Retail Sales (Ex. Fuel, MoM%)	-	-	0.8
	0830	Sep Retail Sales (Ex. Fuel, YoY%)	-	-	2.0
Netherlands	-	Netherlands Sovereign Debt to be Rated by Fitch			

Source: ING, Bloomberg

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Source: Shutterstock

✓ Bank of Russia on hold

The Bank of Russia is likely to keep its key rate unchanged at 7.5% at the 26 October meeting, as the CPI rate- having shown some acceleration to 3.6% YoY as of mid-month- is so far on track to stay within the recent official guideline of 3.8-4.2% for year-end and 5.5-6.0% year-on-year for the first half of next year.

The communique is likely to be focused on the monetary authorities' assessment of the inflationary risks amid external uncertainties and preparation for the two percentage point VAT rate hike in 2019. The wording could affect expectations for the December meeting, as the market is starting to assign more probability to another hike two months from now.

✓ Geopolitical risk for Turkey is improving

With the ongoing strengthening in Turkey's lira on the back of Pastor Brunson's release as well as signs that the US could lift some sanctions on Turkey and a more conciliatory tone on Turkey's oil purchases from Iran ahead of the reimposition of sanctions next month, there is increased optimism that geopolitical risk for Turkey is improving.

We expect the Turkish central bank to keep its policy rate unchanged at the October meeting. Though given the marked deterioration in price-setting behaviour, as observed by the big inflation surprise and forward-looking expectations, a further adjustment in monetary policy should not be ruled out.

Poland: Seasonal pattern should see little surprise in September

Next week is relatively quiet in Poland. Budget data should attract less attention compared to previous months. The surprising fall into deficit in July was corrected in August, and as a result, the overall balance returned to a moderate surplus. We expect September data to follow the typical seasonal pattern.

EMEA and Latam Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Saturday 20 October					
Croatia	-	Sep Unemployment Rate (%)	-	-	8.5
Sunday 21 October					
Hungary	2300	Oct Economic Sentiment	4.6	-	5.5
	2300	Oct Business Confidence	8.9	-	10.4
	2300	Oct Consumer Confidence	-7.7	-	-8.3
Monday 22 October					
Poland	1300	Sep M3 Money Supply (MoM/YoY%)	-/-	-/-	0.6/7.5
Tuesday 23 October					
Turkey	0800	Oct Consumer Confidence	-	-	59.3
Poland	0900	Sep Unemployment Rate (%)	-	-	5.8
South Africa	0800	Aug Leading Indicator	-	-	105.4
Wednesday 24 October					
Czech Rep	0800	Oct Business Confidence	-	-	16.8
	0800	Oct Consumer & Business Confidence	-	-	15.2
	0800	Oct Consumer Confidence	-	-	8.5
South Africa	0900	Sep CPI (MoM/YoY%)	-/-	-/-	-0.1/4.9
	0900	Sep Core CPI (MoM%, NSA)	-	-	0.0
Mexico	1400	Sep Unemployment Rate SA (%)	3.25	-	3.29
Thursday 25 October					
Turkey	1200	Benchmark Repurchase Rate	24.0	-	24.0
	1230	Oct Real Sector Confidence Index, SA	-	-	90.4
	1230	Oct Industrial Confidence	-	-	89.6
	1230	Oct Capacity Utilization (%)	-	-	76.2
Poland	-	Sep Budget Perf. (YTD)	-	-	2.1
	-	Sep Budget Level (YTD)	-	-	1052.24
	1300	National Bank of Poland Publishes Minutes of Rate Meeting			
Ukraine	1200	Key Rate (%)	-	-	18.0
Serbia	1100	Aug Real Wages (YoY%)	-	-	4.9
Croatia	1000	Aug Real Wages (YoY%)	-	-	3.6
South Africa	1030	Sep PPI (MoM/YoY%)	-/-	-/-	0.6/6.3
Brazil	1330	Sep C/A Balance (\$mn)	-350.0	-	-717.2
Mexico	1400	Aug Retail Sales (YoY%)	3.9	-	4.2
Friday 26 October					
Russia	1130	Key Rate (%)	7.5	-	7.5

Source: ING, Bloomberg

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