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Article

Asia week ahead: Two big central bank rate decisions next week

Asia's data calendar features central bank decisions, Taiwan trade data and Indonesia's growth report



Consumer sentiment in Indonesia improved considerably to close out the year as daily Covid-19 infections slowed in November

Content

- RBI and BI meet to discuss monetary policy
- Indonesia's GDP report
- The rest of the calendar

RBI and BI meet to discuss monetary policy

The Reserve bank of India (RBI) meets on 9 February, and though they are not expected to raise the policy repo rate at this meeting (4.0% currently), there is an outside chance that they do. The latest Union Budget released last week was quite expansionary, and bond spreads widened out on the back of it. Throw in some toppy inflation numbers and a decent growth backdrop and it is clear that we are nearing a rate hike – if not this month, then soon. The RBI already raised the cash reserve ratio last year, and it could continue that process of unwinding emergency stimulus and liquidity measures by raising the reverse repo rate to narrow the corridor with the repo rate even if the policy repo rate is left unchanged.

Meanwhile, Bank Indonesia (BI) is expected to hold rates steady at its upcoming meeting. BI Governor Perry Warjiyo has until now been reluctant to reverse his accommodative stance,

citing the need to support the nascent economic recovery. He has, however, shown some willingness to work back at least some part of his “pro-growth” stance announcing a March hike for reserve requirements. We expect Warjiyo to consider tightening policy sooner rather than later, especially with inflation creeping back to its target. In our view, the trigger points for an earlier-than-anticipated reversal instance would be accelerating inflation coupled with depreciation pressure on the Indonesian rupiah linked to Fed tightening. We consequently forecast a modest rate increase from BI as early as 2Q.

Indonesia’s GDP report

Market participants expect Indonesian 4Q21 GDP growth to hit 5.0%. Consumer sentiment improved considerably to close out the year as daily Covid-19 infections slowed in November. Improving sentiment translated to a pickup in retail sales, and consumption is expected to lift the overall growth print. Capital formation is also expected to recover after bank lending growth strung together a six-month growth streak. Growth momentum may slow in early 2022 with Covid-19 cases accelerating again due to the spread of Omicron.

The rest of the calendar

Taiwan will report 4Q GDP figures, gross international reserves, and January trade data next week while China’s Caixin general manufacturing purchasing managers' index (PMI) services report is also due for release.

Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 7 February					
Japan	2330	Dec All Household Spending (YoY%)	0.6		-1.3
Japan	2330	Dec Labour Cash Earnings (YoY%)	1.4		0.8
	2350	Dec Current Account Balance Adjusted JPY	1095		897.3
China	0145	Jan Caixin Services PMI	52.0		53.1
		- Jan FX Reserves (Monthly)	3.26		3.25
Indonesia		- Q4 Balance of Payments	-		10.7
		- Q4 Current Account/GDP	-		1.5
		- Jan Forex Reserves USD	-		144.9
		- Q4 GDP (QoQ%/YoY%)	-5,1		3.51
Singapore	0900	Jan Foreign Reserves USD	-		417.9
Tuesday 8 February					
Japan	2350	Jan M2 Money Supply (YoY%)	-		3.7
Wednesday 9 February					
India	0700	Repo Rate	4.0		4.0
	0700	Reverse Repo Rate	3.8		3.4
	0700	Cash Reserve Ratio	-		4.0
Taiwan	0820	Jan Foreign Exchange Reserve USD	549.5		548.4
South Korea	2200	Dec Current Account Balance USD	3.14		7.16
Thursday 10 February					
China		- Jan M2 Money Supply (YoY%)	8.7		9.0
Indonesia		- Feb 7-Day Reverse Repo	3.5		3.5
Taiwan	0800	Q4 GDP Final (YoY%)	-		4.88
Friday 11 February					
India	1430	Dec Industrial Output (YoY%)	-		1.4
Indonesia	0400	Dec Retail Sales Index (YoY%)	-		10.8
Taiwan	0800	Jan WPI (YoY%)	9.35		-
	0800	Jan CPI (YoY%)	2.62		2.62
	0800	Jan Imports	28		28.1
	0800	Jan Exports	23.2		23.4
	0800	Jan Trade Balance	6.25		5.77

Source: Refinitiv, ING, *GMT

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