

Asia week ahead: Central bank meetings in Australia and South Korea take centre stage

Next week's highlights are monetary policy decisions in Australia and South Korea. In addition, China and Taiwan will release inflation data, while Taiwan publishes trade data. Singapore will report its flash estimate for second-quarter GDP



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Australia: RBA likely to cut its policy rate

Australia's consumer price index inflation data surprised to the downside once again in May, with easing pressures particularly evident in rents and several services categories. While Tuesday's Reserve Bank of Australia meeting coincides closely with the 9 July deadline for a pause in reciprocal tariffs, we believe Australia remains relatively insulated from their direct impact. Additionally, softer US economic data and market expectations of more aggressive and earlier rate

cuts by the Federal Reserve provide further support for a rate cut by the RBA.

South Korea: Cautious approach on rate cuts expected

The Bank of Korea meets on Thursday. Markets largely anticipate no change in policy, following a rate cut in May. We believe that the BoK aims to maintain its easing cycle. Inflation appears to be stabilising around the 2% level. Monthly activity data suggests that the recovery in the second quarter may be modest.

However, it's also important for the BoK to exercise caution amid increases in housing prices in Seoul and rising household debt. The government recently implemented stringent mortgage measures, including capping the limit for mortgage lending at 0.6 billion KRW and tightening loan-to-value (LTV) and debt-service-ratio (DSR) rules to address excesses. It will take some time for these measures to take full effect. Consequently, the BoK is likely to proceed cautiously and may delay any further rate cuts until the fourth quarter.

China: Inflation likely to stay in contraction

China's main data release is inflation. Downward price pressures have left China's main inflation indicators in deflation over the past few months. June's data does not look likely to mark a reversal. We expect CPI to remain in contraction at -0.1% year on year as the recent food price declines continue to drag headline inflation. Producer price index inflation will likely remain in contraction for a 33rd consecutive month. Extreme price competition, one of the main factors behind deflationary pressure, has recently caught the attention of policymakers, who will aim to crack down on disorderly price competition moving forward.

Taiwan: Moderation in trade growth and below-target inflation

Taiwan publishes its June trade and inflation data on Tuesday. We expect trade growth will moderate both for exports and imports, with exports slowing to 27.0% YoY and imports slowing to 8.7% YoY, for a trade surplus of USD 12.4bn. Inflation is expected to rebound slightly in June, rising to 1.7% YoY, but remain comfortably below target. A cooling of inflation and the recent TWD appreciation do potentially create conditions for the central bank to consider a rate cut in the coming meetings. Thus far, the urgency seems limited, with activity data consistently beating forecasts in recent months. Whether or not reciprocal tariffs come back on after the 9 July deadline could impact whether this trend continues.

Singapore: Upward revision for 2Q GDP estimate

Singapore's recent activity data, including on industrial production and electronics exports, was better than our expectations given the easing in tariffs-related uncertainty. Hence, we have revised our 2Q estimate up to 2.7% yoy.

Key events in Asia next week

Country	Time (GMT+8)	Data/event	ING	Prev.
Monday 7 July				
China	-	Jun FX Reserves (USD bn)	-	3.3
Japan	0730	May Labour Cash Earnings (YoY%)	3.0	2.3
India	1930	Jun Fiscal Deficit (USD bn)	-	21.9
	1930	Jun Imports (USD bn)	-	60.6
	1930	Jun Exports (USD bn)	-	38.7
Philippines	1700	Jun Forex Reserves (USD bn)	-	105.5
Tuesday 8 July				
Australia	1230	Jul RBA Cash Rate	3.60	3.85
Indonesia	1100	Jun Consumer Confidence Index	-	117.5
Singapore	1700	Jun Foreign Reserves (USD bn)	-	401.7
Taiwan	1600	Jun CPI (YoY%)	1.7	1.6
	1600	Jun Imports (YoY%)	8.7	25.0
	1600	Jun Exports (YoY%)	27.0	39.0
	1600	Jun Trade Balance (USD bn)	12.40	12.62
Wednesday 9 July				
China	0930	Jun CPI (YoY%)	-0.1	-0.1
Indonesia	1100	May Retail Sales Index (YoY%)	-	-0.3
Thursday 10 July				
China		Jun Money Supply (YoY%)	-	7.9
		Jun FDI (YTD)	-	-13.2
South Korea	0900	Jul Bank of Korea Base Rate	2.50	2.50
Friday 11 July				
Singapore	0800	Q2 GDP Flash (YoY%)	2.7	3.9

Source: Refinitiv, ING

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