

## Asia week ahead: Keep an open mind on rate surprises

It's set to be a week where central banks will probably stick to their guns, but there are upside rate risks in Australia and downside risks in India. Inflation data everywhere will generally be a bit stickier than desired, and recent typhoon effects may mean more of that in the months ahead. But exports, including from China, will remain supportive



### China and Taiwan: Trade data to remain supportive, inflation to edge higher

China is set to release its trade and inflation data in the upcoming week. Solid export demand has supported growth in the first half of the year, though the last few months of survey data have shown new export orders contracting. July's data is likely to see export growth remain in high single-digit or low double-digit growth amid a supportive base effect, and there is some possibility

of some frontloading of exports ahead of tariffs. We expect a modest recovery of import growth as well after a surprise year-on-year contraction in June, but the strength of imports will likely remain uneven and skewed towards demand from the AI race and hi-tech self-sufficiency drive. Inflation is likely to trend a little higher in July on the back of recovering pork prices which should contribute to a smaller drag from food price inflation, we expect CPI inflation to move higher to around 0.6% YoY.

Taiwan is also scheduled to release its trade and inflation data in the week ahead. Trade growth will most likely moderate after very strong June reads of 23.5% YoY and 33.9% YoY for exports and imports respectively. Exports may cool to high single-digit or low double-digit growth while imports are likely to show stronger growth in the high teens. We are looking for inflation to edge up a little from 2.4% to 2.5% YoY in July, as house prices continue to move higher and existing pressures from food and healthcare prices remain.

## **Australia: RBA our rate hike call looking "optimistic" now**

Our rate hike call for this coming Reserve Bank of Australia meeting has taken a knock following the publication of the the second quarter of 2024 and June CPI data. We still feel that a case for a 25bp rate hike can be made as monthly run rates for inflation remain too high, and we're therefore sticking with this call – but we do so with very low conviction now. The RBA may instead prefer to keep its options open and give a soft landing a greater chance by leaving rates unchanged. We live in hope that we are right, but are realistic about the prospects...

## **India: Reserve Bank likely holding fire, though don't rule out a cut**

It is a busy week in India, with PMI indices and a Reserve Bank of India meeting. We've been tracking food prices which play a large weight in India's inflation basket and expect to see a sharp drop in headline inflation when it is released in a little over a week. Until then, the RBI will likely stop short of any rate cuts but is clearly looking for an opportunity to do so. As long as the USD remains under weakening pressure and the inflation data plays out the way we think it will, then an October rate cut is definitely within reach and we cannot absolutely rule out a cut on 8 August. PMI data should continue to reflect strong growth.

## **Philippines: July inflation - rice prices remaining elevated**

So far, the cut in rice tariffs in early July seems to have had no discernible impact on Philippine retail rice prices, and the recent typhoons may push other seasonal food prices higher in the meantime, so we may need to wait to see the impact of lower tariffs on food prices and inflation more generally. We think that probably puts a lid on Bankgo Sentral ng Pilipinas' ambitions to front-run the Federal Reserve with rate cuts as soon as this month, though conditions are becoming more favourable, and BSP could well still see a window for easing in the fourth quarter of 2024.

GDP for the second quarter of 2024 released at the end of the week will likely show growth running close to 7% YoY, though this will be mainly a base-effect driven result, and quarter-on-quarter growth will likely come in a little below 1%, lower than the 1.3% growth recorded for the first quarter of the year. Trade data for July could show a slightly smaller deficit from June, which may provide a little support to the PHP in what is currently a fairly supportive environment.

## Elsewhere in Asia...

**Japan:** The results of the spring wage negotiations should continue to be reflected in paychecks. We expect wage growth to accelerate to 3% YoY in June, but it won't keep up with high inflation and real cash earnings are therefore likely to remain negative.

**Singapore:** Retail sales are averaging a little over 2.5% YoY growth and are likely to register something similar in June. July could see a pickup as European tourism increases over the summer school holiday months.

**Indonesia:** Second quarter GDP from Indonesia will, as always, come in at about 5% YoY. The lack of plausible volatility in these numbers means that they can be largely ignored. GDP growth may indeed be about 5%, but we should not imply anything from this publication.

## Key events in Asia next week

Country	Time Data/event	ING	Prev.
<b>Monday 5 August</b>			
Japan	0750 BoJ Monetary Policy Meeting Minutes	-	-
	0830 Jul Jibun Bank Services PMI Final	52	49.4
	0830 Jul Jibun Bank Composite PMI Final	50.5	49.7
China	0945 Jul Caixin Services PMI	-	51.2
	0945 Jul Caixin Composite PMI	-	52.8
India	1300 Jul HSBC Composite PMI Final	-	60.9
	1300 Jul HSBC Services PMI Final	60.5	60.5
Indonesia	1200 Q2 GDP (QoQ%/YoY%)	3.74/5.0	-0.83/5.11
Singapore	1300 Jun Retail Sales (MoM%/YoY%)	-4.2/2.6	2.4/2.2
Taiwan	1620 Jul FX Reserves (USD bn)	-	573.3
<b>Tuesday 6 August</b>			
Japan	0030 Jun Labour Cash Earnings (YoY%)	3.0	2.0
	0030 Jun Household Spending (MoM%/YoY%)	-/-	-0.3/-1.8
Australia	1230 RBA Cash Rate	4.6	4.35
	1330 RBA Press Conference	-	-
Philippines	0900 Jul CPI (MoM%/YoY%)	0.3/4.0	0/3.7
	0900 Jul Core CPI (YoY%)	0.2/3.0	3.1
	0900 Jun Trade Balance (USD bn)	-	-4.601
	0900 Jun Exports (YoY%)	-	-3.1
	0900 Jun Imports (YoY%)	-	-0.03
Taiwan	0900 Jul CPI (MoM%/YoY%)	-/-	0.26/2.42
<b>Wednesday 7 August</b>			
China	0900 Jul FX Reserves (USD tn)	-	3.222
Indonesia	1100 Jul FX Reserves (USD bn)	-	140.2
Philippines	0900 Jun Unemployment Rate	4.1	4.1
	1000 Jul FX Reserves (USD bn)	-	104.7
Singapore	1700 Jul FX Reserves (SGD bn)	-	503.7
South Korea	0700 Jun Current Account Balance (USD bn)	7	8.92
<b>Thursday 8 August</b>			
Japan	0750 Jun Current Account Balance (JPY bn)	-	2850
China	1100 Jul Trade Balance (USD bn)	-	99.05
	1100 Jul Exports (YoY%)	-	8.6
	1100 Jul Imports (YoY%)	-	-2.3
	0930 Jul NAB Business Confidence	-	4
India	0530 RBI Repo Rate	6.5	6.50
	0530 Cash Reserve Ratio	-	4.50
Indonesia	0500 Jul Consumer Confidence	-	123.3
Philippines	1000 Q2 GDP (QoQ%/YoY%)	0.8/7.1	1.3/5.7
Taiwan	1600 Jul Trade Balance (USD bn)	-	4.68
	1600 Jul Exports (YoY%)	-	23.5
	1600 Jul Imports (YoY%)	-	33.9
<b>Friday 9 August</b>			
China	0930 Jul CPI (MoM%/YoY%)	-/-	-0.2/0.2
	0930 Jul PPI (YoY%)	-	-0.8
Indonesia	0500 Jun Retail Sales Index (YoY%)	-	2.1

Source: Refinitiv, ING

## Author

### Lynn Song

Chief Economist, Greater China

[lynn.song@asia.ing.com](mailto:lynn.song@asia.ing.com)

### Min Joo Kang

Senior Economist, South Korea and Japan

[min.joo.kang@asia.ing.com](mailto:min.joo.kang@asia.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).