

Asia week ahead: Monetary policy decisions in Australia, China, Indonesia take centre stage

Central banks in Australia, China, and Indonesia will deliver policy rate decisions next week. Markets will also pay close attention to key data releases from China, Taiwan and Japan



Australia: RBA to cut the cash rate amid easing inflation

We continue to expect the Reserve Bank of Australia to cut its cash rate by 25 basis points to 3.85%. April inflation readings, across most metrics, exceeded consensus expectations on both a year-on-year and quarter-on-quarter basis. Yet core inflation, which the RBA likely prioritises over headline rates, fell to 2.9% year on year. This marks the first time since 2021 that core inflation fell within the RBA's target range.

China: April data dump begins

Monday starts with China's April data dump. We expect the focus on domestic demand to continue to bear fruit in April, with retail sales accelerating to 6.3% YoY, up from 5.9% YoY. Fixed-asset investment is expected to remain broadly steady, with a 0.1pp uptick to 4.3% YoY, year-to-date. Earlier this month, purchasing managers' index (PMI) and trade data suggested that a mild moderation could be expected in industrial production. We expect IP to drop to 6.0% YoY from 7.7% YoY. China's 70-city property prices, out Monday, will show whether a trough has finally been established. In recent months, data suggested more and more cities stabilizing, or seeing an uptick in prices. However, the overall level has yet to turn positive. On Tuesday, banks will announce decisions on 1-year and 5-year loan-prime rates. We expect a 10bp reduction after the People's Bank of China cut the 7-day reverse repo rate earlier this month.

Taiwan: Moderation in export orders growth

We expect Taiwan's export orders data, out on Tuesday, to show growth moderated to around 5.5% YoY in April. This, after a very strong first quarter, driven by frontloading of trade. On Thursday, we expect data to show that Taiwan's unemployment rate stayed in the very narrow range of 3.35-3.40%, which has held since the fourth quarter of 2023.

Japan: Softening data due to tariffs

Japanese data should show signs of softening, with US tariffs weighing on exports and manufacturing. Thus, we expect flash manufacturing PMI to decline. Exports are likely to rise in April (by 2.5% YoY), but at a slower pace than in March. Despite the decline in US exports, solid exports to Asia should support overall export growth. Also, a sharp decline in imports should keep the trade balance surplus. Meanwhile, core inflation is expected to accelerate quite sharply in April, most likely in service prices.

Indonesia: BI likely to leave its key rate unchanged

A slowdown in Indonesian GDP growth amid tariff uncertainty does call for further rate cuts. However, seasonal weakness in the IDR in 2Q is likely to push rate cuts to June. We expect Bank Indonesia to leave rates unchanged at 5.75% at next week's review.

Key events in Asia next week

Country	Time (GMT+8)	Data/event	ING	Prev.
Monday 19 May				
China	1000	Apr Fixed Asset Investment (YoY%. ytd)	4.3	4.2
	1000	Apr Industrial Output (YoY%)	6.1	7.7
	1000	Apr Retail Sales (YoY%)	6.3	5.9
Tuesday 20 May				
China	0900	May Loan Prime Rate 1Y	3.00	3.10
	0900	May Loan Prime Rate 5Y	3.50	3.60
Australia	1230	RBA Cash Rate	3.85	4.10
Taiwan	1600	Apr Export Orders (YoY%)	5.5	12.5
Wednesday 21 May				
Japan	0750	Apr Exports (YoY%)	2.5	4.0
	0750	Apr Imports (YoY%)	-6.0	1.8
	0750	Apr Trade Balance (JPY bn)	300	559.4
Australia	0700	May Judo Bank Manufacturing PMI Flash	-	51.7
	0700	May Judo Bank Services PMI Flash	-	51
	0700	May Composite PMI Flash	-	51
Indonesia	1530	May 7-Day Reverse Repo	5.75	5.75
Thursday 22 May				
Japan	0750	Core Machine Orders (MoM%/YoY%)	0/-1	4.3/1.5
	0830	May Jibun Bank Manufacturing PMI Flash	48.0	48.7
	0830	May Jibun Bank Services PMI Flash	52.0	52.4
	0830	May Jibun Bank Composite PMI Flash	50.5	51.2
Taiwan	1600	Apr Unemployment Rate	-	3.36
Friday 23 May				
Japan	0730	Apr CPI (MoM%/YoY%)	0.5/3.7	0.3/3.6
	0730	Apr Core CPI (YoY%)	3.5	3.2
Singapore	1300	Apr CPI (YoY%)	-	0.9
Taiwan	1600	Apr Industrial Output (YoY%)	-	13.65
	1600	Q1 GDP Final (YoY%)	-	5.37

Source: Refinitiv, ING

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