

Article | 22 August 2025

ASIA WEEK AHEAD CHINA INDIA

Asia week ahead: Rate decisions in South Korea and Philippines and key data on Japan, India, and China

The Bank of Korea is expected to leave rates unchanged, while Bangko Sentral ng Pilipinas is seen easing. Other highlights include Tokyo inflation, India's second-quarter GDP and China's industrial profits



South Korea: BoK's next rate cut likely in October

The Bank of Korea's meeting on Thursday will be a highlight of the week. The market widely expects no action, but it will pay close attention to the latest quarterly macro outlook report. With inflation anchored at 2% and growth projected to pick up in the second half of 2025, financial stability remains the priority. The BoK will probably wait for clearer signs of moderation in house prices before taking action. It may raise its 2025 GDP forecast from 0.8% year-on-year to 1.0%, and its 2026 GDP forecast from 1.6% to 1.7%. GDP in the second quarter was stronger than expected. On top of that, consumption is likely to soar in the third quarter, largely due to government cash payout programmes. This will be reflected in next week's consumer sentiment survey and retail sales, which should improve compared to the previous

month. However, the fiscal outlook could be a drag unless more expansionary policies are implemented. Also, sluggish construction investment should weigh on overall growth. The BoK will remain cautious amid tariff-related uncertainty, even as the US-Korea trade deal should be welcomed by the central bank. The inflation outlook is expected to be revised up to 2.0% for 2025 (vs a 1.9% May outlook), with the 2026 outlook unchanged at 1.8%. A below-2% rate paves the way for further easing. Even if the BoK revises the growth outlook upwards, it would still be below potential GDP. With the negative output gap expected to persist, the BoK should ease monetary conditions -- most likely in October.

Philippines: BSP expected to cut interest rates by 25 bps

We continue to expect Bangko Sentral ng Pilipinas (BSP) to cut rates by 25bp to 5%. We don't believe that the relative strength in growth data will deter the central bank from cutting rates in August as CPI inflation remains firmly below the inflation target. While CPI readings should accelerate from here, contained domestic rice prices and a reversal in oil should keep inflation subdued. Additionally, recent comments by the BSP suggest more active steps to intervene in FX markets to contain currency volatility. This should keep imported inflation contained.

Japan: Inflation is expected to cool down

Tokyo's inflation data is widely anticipated, with headline prices set to slow to 2.6% year-on-year in August from 2.9% in July. This decline is mainly due to falling energy prices, while fresh food prices continue to rise. Core inflation, excluding fresh food and energy, is expected to remain above 3%, which would bolster the Bank of Japan's confidence that underlying prices are approaching 2%. Meanwhile, industrial production is expected to decline by 1.2% month-on-month seasonally adjusted in July, partially offsetting the previous month's 2.1% gain. The temporary increase in output related to tariff-related front-loading might normalise in July. However, retail sales are expected to rise, supported by solid wage growth. The unemployment rate is expected to remain at 2.5%, signalling tight labour market conditions which will eventually lead to more sustainable wage growth.

India: Q2 GDP growth expected to slow down

We expect second-quarter Indian GDP growth to ease to 6.4% YoY, below market expectations. High-frequency indicators point to a moderation in both private consumption and investment. Additionally, higher-than-expected tariffs and rising uncertainty around India's trade policy with the US are emerging as downside risks to the 2025 growth outlook.

China: Industrial profits likely to remain under pressure

Industrial profits data for July, out on Wednesday, is likely to show continued downward pressure. Moving forward, "anti-involution" measures to combat deflationary price wars will be important in tackling the high proportion of loss-making enterprises and excess industrial

capacity. But given the negative externalities of such a policy drive, this will likely be a very gradual process. Profits could remain under pressure this year.

Key events in Asia next week

Country	Time (GMT+8)	Data/event	ING	Prev.
Monday 25 August				
Japan	1300	Leading Economic Index	-	106,1
Tuesday 26 August				
South Korea	0500	BoK Consumer Sentiment Index	112	110,8
Singapore	1300	Manufacturing Output (MoM%/YoY%)	-/-	0/8
Taiwan	1600	Industrial Output (YoY%)	-	18,7
Wednesday 27 August				
South Korea	0500	BoK Business Survey Manufacturing	93	91,9
	0500	BoK Business Survey Non-Manufacturing	90	88,7
Thursday 28 August				
India	1830	Industrial Output (YoY%)	-	1,5
South Korea	0900	Interest Rate Decision	2,5	2,50
Philippines	1300	Jul Budget Balance (PHP bn)	-	-241,6
	1500	Interest Rate Decision	5	5,25
Friday 29 August				
Japan	0730	Tokyo Core CPI (YoY%)	2,6	2,9
	0730	Tokyo CPI (YoY%)	2,6	2,9
	0730	Unemployment Rate	2,5	2,5
	0750	Industrial Output (MoM%/YoY%)	-1,2/-1	2,1/4,4
	0750	Retail Sales (MoM%/YoY%)	0,5/2,0	0,9/1,9
	1300	Housing Starts (YoY%)	-	-15,6
India	1830	Q2 GDP (YoY%)	6,4	7,4
	1930	FX Reserves (USD bn)	-	693
South Korea	0700	Industrial Output (MoM%/YoY%)	0,5/3,5	1,6/1,6
Philippines	0900	Imports (YoY%)	-	10,8
	0900	Exports (YoY%)	-	26,1
	0900	Trade Balance (USD bn)	-	-4

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