

## Asia week ahead: South Korea rate decision and Tokyo inflation

The Bank of Korea's monetary policy decision and Tokyo inflation data are the main events. Markets also await the latest industrial profits data from China



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### South Korea: BOK likely to cut the policy rate amid weak sentiment and activity

We expect the Bank of Korea to cut its policy rate by 25 bp to support the economy. There's likely to be some improvement in sentiment indicators as domestic political uncertainty around the impeachment and removal of President Yoon stabilises and some thawing of global trade tensions.

However, we believe gains to be marginal given the high level of uncertainty and sluggish progress on the trade negotiations. April industrial production is expected to soften thanks to trends in heavy and transportation industries. The KRW is trading below 1,400 level, and inflation is likely to remain anchored around 2%. However, the BoK's overall tone on future guidance should be balanced as uncertainty surrounding tariffs remains high and data suggest a reacceleration of household debt.

## Japan: Steady inflation and weakening industrial production

Next week's Japanese data should show inflation pressures remain strong, while manufacturing activity slowed thanks to US tariffs. This will complicate the Bank of Japan's decision-making ahead. Tokyo consumer price index inflation is expected to stay elevated, with core inflation rising a bit more. Overall, we believe inflationary pressures are broad-based. Meanwhile, industrial production is likely to contract amid 25% tariffs on autos.

## China: Industrial profits data

It's a quiet week ahead for China. Industrial profits data, out Tuesday, will show profits returned to positive growth in the first quarter. This follows a solid showing in March. The question for the April data is whether or not US tariffs had any substantive impact on profits. Other industrial data showed a noticeable, but not as steep as feared, drag on activity.

## Key events in Asia next week

| Country                 | Time (GMT+8) | Data/event                           | ING      | Prev.    |
|-------------------------|--------------|--------------------------------------|----------|----------|
| <b>Monday 26 May</b>    |              |                                      |          |          |
| Singapore               | 1300         | Apr Manufacturing Output (MoM%/YoY%) | -/-      | -3.6/5.8 |
| <b>Tuesday 27 May</b>   |              |                                      |          |          |
| South Korea             | 0500         | May BoK Consumer Sentiment Index     | 96       | 93.8     |
| <b>Wednesday 28 May</b> |              |                                      |          |          |
| India                   | 1830         | Apr Industrial Output (YoY%)         | -        | 3        |
| <b>Thursday 29 May</b>  |              |                                      |          |          |
| South Korea             | 0900         | Bank of Korea Base Rate              | 2.5      | 2.75     |
| <b>Friday 30 May</b>    |              |                                      |          |          |
| Japan                   | 0730         | May Tokyo Core CPI (YoY%)            | 3.5      | 3.4      |
|                         | 0730         | May Tokyo CPI (YoY%)                 | 3.5      | 3.5      |
|                         | 0730         | Apr Unemployment Rate                | 2.5      | 2.5      |
|                         | 0750         | Apr Industrial Output (MoM%/YoY%)    | -1.5/0   | 0.2/1    |
|                         | 0750         | Apr Retail Sales (MoM%/YoY%)         | 0.5/3    | -1.2/3.1 |
| India                   | 1300         | Apr Housing Starts (YoY%)            | -        | 39.1     |
|                         | 1830         | Q1 GDP (YoY%)                        | -        | 6.2      |
| Philippines             | 0900         | Apr Imports (YoY%)                   | -        | 11.9     |
|                         | 0900         | Apr Exports (YoY%)                   | -        | 5.9      |
|                         | 0900         | Apr Trade Balance (USD mn)           | -        | -4127    |
| South Korea             | 0700         | Apr Industrial Output (MoM%/YoY%)    | -0.5/3.5 | 2.9/5.3  |
| <b>Saturday 31 May</b>  |              |                                      |          |          |
| China                   | 0930         | May NBS Manufacturing PMI            | -        | 49       |
|                         | 0930         | May NBS Non-Manufacturing PMI        | -        | 50.4     |

Source: Refinitiv, ING

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