

## Asia week ahead: Central bank meetings and critical inflation data

It's set to be a big week ahead for the Asia Pacific region. The Bank of Japan gets ready to normalise policy further against the backdrop of a stronger JPY, and it's make or break time for the Reserve Bank of Australia as June inflation data determines what its 6 August meeting brings



### Japan: Labour report and BoJ meeting

Next week's highlight will be the Bank of Japan (BoJ) meeting. It is a close call, but we maintain our view that the BoJ will hike rates by 15bp and reduce its bond-buying programme simultaneously. We believe that the economy is back on a recovery track after an unexpected contraction in the first quarter of 2024, and solid wage growth for May should the central bank give more confidence.

In addition, the BoJ has also expressed concern that a weaker yen could lead to higher inflation. This could dampen household spending. Markets will also be watching closely for the BoJ's plans to

taper its government bond purchases and the pace and scale of those purchases. The market consensus seems to be that it will start with a cut from JPY6tr to JPY5tr and reduce it to JPY3tr over the next two years.

## Australia: June CPI

The June CPI inflation reading is critical for the outlook for the 6 August Reserve Bank of Australia (RBA) meeting. We expect the monthly inflation rate to be 3.8% year-on-year, which would stem from a 0.5% month-on-month increase in the price level. While 3.8% would be lower than the 4.0% rate recorded for May, 0.5% MoM leaves the run-rate of inflation way higher than it needs to be to bring inflation back to target. It would also lift this year's second quarter inflation rate to 3.8% from 3.6% in the first quarter. Recent comments from RBA Governor Michele Bullock seem to support the notion that domestic demand is too strong to allow inflation to fall at an acceptable rate, and we see the only logical response being a rate hike.

## China: July PMIs

China publishes its PMI data next week. The official CFLP manufacturing and non-manufacturing PMI will be released on Wednesday. The manufacturing PMI may remain in contraction for a third consecutive month after two straight months at 49.5; we are looking for a slight pullback to 49.3. The Caixin manufacturing PMI will be released on Thursday. The Caixin PMI has fared better than the official PMI in recent months, partly due to support from export demand; the Caixin PMI sample is more heavily weighted toward private enterprises and exporters than the official PMI. If we begin to see the two PMI readings converge, this could be an early sign of export demand softening.

## Taiwan: Advance GDP and PMIs

Taiwan also releases its second quarter GDP data on Wednesday. Growth is expected to moderate from the first quarter's 6.56% but to continue rising rapidly at around 4.2% YoY. Strong exports and industrial production should support growth in the second quarter. Taiwan will also publish its June manufacturing PMI data on Thursday, where we will see if its manufacturing can remain in expansion for a fourth consecutive month.

## Korea: July Trade, CPI and Industrial Production

According to the second quarter GDP data released this week, manufacturing industrial production is expected to rebound in June after falling in May. Growth will be driven by semiconductor and auto production, but retail sales, construction, and capex are expected to be weak and drag down overall economic activity. Solid gains in manufacturing are likely to be confirmed by July export data. Meanwhile, consumer inflation is likely to accelerate due to recent hikes in gasoline and city gas prices.

## India: June fiscal deficit

India's public finances for 2024/2025 have gotten off to a very good start as the May figure registered a surplus after the April deficit. That leaves the year-to-date budget for the first two months of the fiscal well down on where a theoretical value for an on-target 4.9% GDP deficit for the full year would be by now.

Of course, these deficit figures are very volatile, but having a cushion at the beginning of the year

provides some scope for later slippage without missing the target for the year. The June 2023 deficit was INR451,370 crore (crore = 10 million) and so any figure there or thereabouts for June this year would leave the YTD figure well on track to achieve or undershoot the deficit target. The latest budget at a glance produced last week can be found [here](#).

## Indonesia: July CPI

June inflation may edge up to 2.6% after moderating in the last few months and recording just 2.5% in May. The IDR has been a direct beneficiary of lower inflation and any drift upwards may put the currency back under weakening pressure.

## Key events in Asia next week

Country	Time (GMT+8)	Data/event	ING	Prev.
<b>Monday 29 July</b>				
Singapore	1300	Jun PPI (YoY%)	-	2.6
<b>Tuesday 30 July</b>				
Japan	0730	Jun Unemployment Rate	2.6	2.6
	0750	Jun Retail Sales (MoM%/YoY%)	-/-	1.7/3
	1300	Jul Consumer Confidence	37	36.4
<b>Wednesday 31 July</b>				
Japan	0750	Jun Industrial Output (MoM%/YoY%)	-1.0/-4.0	3.6/1.1
	1200	BoJ Interest Rate	0.25	0.1
	1300	Jun Housing Starts (YoY%)	-	-5.3
Australia	0930	Q2 CPI (QoQ%/YoY%)	1.0/3.8	1/3.6
	0930	Jun CPI inflation (YoY%)	3.8	4
China	0930	Jul NBS Manufacturing PMI	49.3	49.5
	0930	Jul NBS Non-Manufacturing PMI	50.3	50.5
Taiwan	1600	Q2 GDP (YoY%)	-	6.56
South Korea	0700	Jun Industrial Output (MoM%/YoY%)	1.0/4.0	-1.2/3.5
<b>Thursday 1 August</b>				
China	0945	Jul Caixin Manufacturing PMI Final	-	51.8
India	1300	Jul HSBC Manufacturing PMI	58.4	58.3
Indonesia	0830	Jul IHS S&P Global PMI	50.6	50.7
	1200	Jul Core Inflation (YoY%)	-	1.9
	1200	Jul Inflation (MoM%/YoY%)	0.3/2.6	-0.08/2.51
Philippines	0830	Jul Manufacturing PMI SA	51.3	51.3
Taiwan	0830	Jul S&P Global Manufacturing PMI	-	53.2
South Korea	0800	Jul Export Growth (YoY%)	19	5.1
	0800	Jul Import Growth (YoY%)	13	-7.5
	0800	Jul Trade Balance Prelim	5.00	7.99
	0830	Jul IHS S&P Global Manufacturing PMI	51	52
<b>Friday 2 August</b>				
Singapore	1400	Jul Manufacturing PMI	50.3	50.4
South Korea	0700	Jul CPI Growth (MoM%/YoY%)	0.4/2.7	-0.2/2.4

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).