

Asia week ahead: Australia central bank decision and several inflation reports out

Next week features a central bank decision, several regional PMI reports, trade data and inflation readings



The phenomenon of 'revenge spending' has extended much longer than we had previously anticipated in the Philippines, but we think it could be coming to an end

Reserve Bank of Australia (RBA) to hike rates

What was shaping up to be just a position-setting meeting ahead of an actual hike later this quarter is now looking likely to deliver not just a rate hike, but perhaps a 40bp one together with a strong nod towards front-loading at subsequent meetings. This follows a much higher-than-expected inflation reading for 1Q22. The market is already heavily pricing in rate hikes from the RBA so the market reaction may be modest.

Inflation heats up as energy costs stay elevated

Next week features several inflation reports from the region. Taiwanese inflation should edge higher due to elevated energy prices. Taiwan is again on the brink of electricity shortages beginning on 26 April due to hot weather. Imported energy prices have risen as well and both factors should push inflation higher.

Meanwhile, the Philippine April inflation should breach the Bangko Sentral ng Pilipinas' (BSP's) target with food and transport costs pushing the headline rate to 4.8%. Accelerating inflation and decent GDP growth numbers should be enough to convince the central bank to turn hawkish and

hike before the end of 2Q. Faster inflation will also be noted in Korea with April headline inflation set to accelerate by 4.3% from 4.1% previously.

Regional PMI reports

Regional economies will also be releasing PMI reports with the focus being on China's service sector. CAIXIN will release its April China services PMI and we expect it to come in below 50, reflecting the lockdown impact on retail and other service sectors. Mobility restrictions may impact the Golden Week holiday in May and with leisure trips being shorter, retail sales could be impacted a lot.

Trade flows up for some, down for others

The ongoing conflict in Ukraine has clearly affected global trade but the impact across economies is varied. Australia's March trade surplus could improve to AUD11.73bn from AUD7.45bn the previous month due to positive terms of trade shocks. Korea, on the other hand, is expected to post a wider trade deficit (\$4bn from \$0.12bn) with export growth expected to decelerate to 13.2% from 18.2%. Philippine imports should sustain the trend of double-digit gains, driven by an expected surge in fuel imports given elevated global crude prices. The overall trade deficit should remain sizable at roughly \$4.9bn and exert depreciation pressure on the Philippine peso in the near term.

Asia Economic Calendar

Country	Time	Data/event	ING Survey	Prev.
Sunday 1 May				
South Korea	0100	Apr Export Growth Prelim	13.2	18.2
	0100	Apr Import Growth Prelim	21.8	27.9
	0100	Apr Trade Balance Prelim	-4.0	-0.12
Monday 2 May				
Japan	0130	Apr Jibun Bank Manufacturing PMI	53.0	53.4
India	0600	Apr IHS Markit Manufacturing PMI	54.5	54.0
		- Apr Fiscal Deficit - Bln INR Prelim	-	131659
		- Apr Imports - USD Prelim	-	60.7
		- Apr Exports - USD Prelim	-	42.2
Philippines	0130	Apr Manufacturing PMI	53.4	53.2
Taiwan	0130	Apr IHS Markit Manufacturing PMI	-	54.1
South Korea	0130	Apr IHS Markit Manufacturing PMI	51.5	51.2
	0000	Apr CPI Growth (MoM%/YoY%)	0.3/4.3	0.7/4.1
Tuesday 3 May				
Australia	0530	May RBA Cash Rate	0.5	0.1
Wednesday 4 May				
Indonesia	0130	Apr IHS Markit PMI	51.6	51.3
Australia	0230	Mar Retail Sales (MoM%)	0.3	1.8
Singapore	1400	Apr Manufacturing PMI	50.2	50.1
Thursday 5 May				
Australia	0230	Mar Trade Balance (A\$bn)	11731	7457
China	0245	Apr Caixin Services PMI	-	42.0
India	0600	Apr IHS Markit Services PMI	54.5	53.6
	0600	Apr IHS Markit Composite PMI	55.2	54.3
Philippines	0200	Apr CPI (MoM%/YoY%)	0.74/4.8	0.6/4.0
	0200	Apr Core CPI (YoY%)	4	3.0
Singapore	0600	Mar Retail Sales (MoM%/YoY%)	5.0/-6.4	-1.2/-3.4
Taiwan	0920	Apr Foreign Exchange Reserve	-	548.77
Friday 6 May				
Philippines	0200	Mar Exports (YoY%)	-8.9	15
	0200	Mar Imports (YoY%)	16.8	20.1
	0200	Mar Trade Balance	-4959	-3529
Taiwan	0900	Apr CPI (YoY%)	-	3.3

Source: Refinitiv, ING, *GMT

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