

# Asia week ahead: Australia's inflation plus regional industrial output

Regional industrial production to show mixed trends while Australia's inflation could decline further



## Inflation in Australia to dip further

May inflation should show a further decline after it jumped in April. We estimate the CPI index rose 0.2% month-on-month, which will result in a fall in annual inflation from 6.8% to 6.3%. Following the guidance from the Reserve Bank of Australia's (RBA) minutes from June, where the decision to hike was a very finely balanced one, this improvement in inflation suggests that July could well provide the bank with a chance to pause.

## Korean output likely to slip but sentiment to rebound

Industrial production is likely to fall in May mainly due to a reduction in semiconductor production. Two major chipmakers announced plans to cut production in early 2023, a process which generally takes about six months to hit target levels. Thus, weak chip manufacturing activity is expected to have led to a decline in overall IP in May.

Meanwhile, survey results will likely show that consumer and business sentiment has improved. Equity markets rebounded on the back of the AI hype, and interest rates did not change much as the BoK paused for two meetings.

## Japan’s manufacturing activity and labour market upbeat while inflation likely to heat up

Based on the recent strong PMI readings, we believe that Japan has continued its gradual recovery. Industrial production should show another monthly gain on the back of solid domestic demand and car production. The golden week holiday in May should probably boost service job hiring, and thus labour market conditions are expected to remain healthy.

On the inflation front, Tokyo consumer prices are the key input to the Bank of Japan's policy decision. We think July Tokyo consumer inflation should reaccelerate with both commodity and services prices rising.

## China’s industrial profits to remain in the red

May industrial profits are likely to remain very negative. Following a year-to-date year-on-year decline of 18.2% in April, we look for a 21% decline in May.

## Singapore’s industrial production to track soft NODX

Industrial production will likely remain in contraction, mirroring weakness reported in the recent non-oil domestic exports figures. While we could see output increase on a monthly basis (1.7%), the overall YoY reading should stay negative (-3.9% YoY). We expect industrial production to struggle in the near term, given our outlook for NODX.

## Asia Economic Calendar

Country	Time (GMT+8)	Data/event	ING	Survey	Prev.
<b>Monday 26 June</b>					
Japan	0600	Apr Leading Indicator Revised	-		0.7
Indonesia	0500	May M2 Money Supply (YoY%)	-		5.5
Singapore	0600	May Manufacturing Output (MoM%/YoY%)	1.7/-3.9		-1.9/-6.9
Taiwan	0900	May Industrial Output (YoY%)	-		-22.86
	0920	May Money Supply - M2 (YoY%)	-		6.7
<b>Tuesday 27 June</b>					
Philippines	-	May Budget Balance (PHP bn)	-		66.8
Taiwan	0900	May Unemployment rate (%)	-		3.56
South Korea	2200	Jun BoK Consumer Sentiment Index	100		98
<b>Wednesday 28 June</b>					
Japan	0050	May Retail Sales (YoY%)	-		5
Australia	930	Inflation (MoM%/YoY%)	0.2/6.3		-/6.8
China	930	Industrial profits (YoY%)	-21		-18.2
South Korea	2200	Jul BOK Manufacturing BSI	72		70
<b>Friday 30 June</b>					
Japan	0030	May Unemployment Rate	2.6		2.6
	0030	June Tokyo CPI (YoY%)	3.4		3.2
	0050	May Industrial O/P Prelim (MoM%) SA	0.6		0.7
	0600	May Housing Starts (YoY%)	-		-11.9
China	0230	Jun NBS Manufacturing PMI	-		48.8
	0230	Jun NBS Non-Mfg PMI	-		54.5
South Korea	0000	May Industrial Output (YoY%)	-11.0		-8.9
	0000	May Industrial Output Growth	-1.0		-1.2

Source: Refinitiv, ING

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