

Asia week ahead: Bank of Japan's first meeting with new governor

Next week's data calendar features activity figures from Korea, inflation from Japan, Singapore and Australia, job and growth data from Taiwan plus PMI data from China. Japan's central bank will also meet for the first time under new governor Kazuo Ueda



Inflationary pressures expected to ease in Australia

March inflation will probably fall substantially on base effects alone, as last March witnessed a 1.1%MoM increase following Russia's invasion of Ukraine and the resulting spike in energy and agriculture prices. But we may also have some additional help from volatile food prices, which rose 1.0%MoM in February, but will probably ease back to something closer to 0.3 to 0.4% in March. Some additional decline in alcohol and tobacco prices may provide a further push down, and offset slightly higher gasoline prices for the month, resulting in a total CPI index increase of 0.3%MoM, and 5.9%YoY, down from 6.8% in February. This should be enough to at least put the Reserve Bank of Australia on hold at the April meeting. And may be enough to draw a line under this entire rate tightening cycle.

Weak semiconductor demand could hinder Korea's economy

We expect 1Q23 GDP to post a mild contraction of -0.1%QoQ sa (vs -0.4% in 4Q22) mainly due to sluggish exports and investment. Weak global demand for semiconductors is a major reason behind this development. However, private consumption and construction are expected to hold up relatively well despite higher borrowing costs and a sharp decline in real estate, while inventory also to contribute positively to growth.

We believe March industrial production will contract again as we expect that chipmakers cut production further in March to unload inventory. Meanwhile, the increase in auto sector activity should partially offset the overall decline.

Meanwhile, sentiment survey data is expected to improve as the Bank of Korea maintained its policy rates and the market rates have fallen gently. Also, China's reopening and financial market jitters triggered by banking sector calmed down, which probably helped to boost consumer and business sentiment.

Ueda's first meeting as BoJ governor

The Bank of Japan (BoJ) will hold its monetary policy meeting on 27th and 28th, the first time under Governor Kazuo Ueda, amid speculation about the timing of the monetary policy adjustment. We believe that the BoJ will opt to keep all settings untouched shortly after the banking sector jitters in the US and Europe. Yet, it is still worth watching how the new Governor will shape his views on monetary policy and macroeconomic conditions. Also, the BoJ will release its latest macro-outlook report on that day. The key takeaway will be the inflation forecasts and whether the BoJ sees inflation undershooting its 2% target in near future, which will give us more hints to the BoJ's reaction to the CPI in coming meetings.

Other than that, Tokyo CPI inflation is expected to cool down further in April while the labour market conditions are expected to remain solid mainly led by service sector. March industrial production is expected to slow on back of the weak global demand on IT products.

Gloomy economic outlook for Taiwan

Taiwan will release its first quarter GDP report next Friday, and we expect a mild contraction of 0.5%YoY from 0.41%YoY contraction in 4Q22. This would mean that Taiwan will fall into a recession by 1Q. The dip in semiconductor demand has hurt economy in terms of production and exports. We will wait to see negative impact on industrial production in March and we expect another contraction of around 8%YoY in March after an 8.7% contraction in February. The unemployment rate should therefore edge up to 3.6% in March from 3.58% in February. All these point to a gloomy outlook for Taiwan. However, there is a low base effect by the second quarter, which should help GDP growth turn positive again. This technical rebound may not imply improvements in global demand for semiconductors as the US economy is slowing.

Upcoming PMI data from China

China will release official manufacturing and non-manufacturing PMIs on 29th April (Sunday). We expect services should grow faster than manufacturing activities as there was a short holiday in April, and tourism-related activities increased. Meanwhile, manufacturing activities could grow slightly slower in April due to the short month.

Inflation to trend lower in Singapore

Singapore reports March inflation next week and we expect both headline and core inflation to moderate from the previous month. Headline inflation could settle at 5.7%YoY from 6.3% while core inflation could dip to 5.2% from 5.5%. Slowing inflation could be one of the reasons why the Monetary Authority of Singapore (MAS) opted to retain policy settings last week after growth disappointed. We can expect inflation to grind lower in the coming months but given that it remains well-above the central bank's target, the MAS may be limited in its ability to ease settings to help support sagging growth momentum.

Key events in Asia next week

Country	Time	Data/event	ING	Survey	Prev.
Monday 24 April					
Singapore	0600	Mar Core CPI (YoY%)	5.2		5.5
	0600	Mar CPI (YoY%)	5.7		6.3
Taiwan	0900	Mar Industrial Output (YoY%)	-8.16		-8.68
	0900	Mar Unemployment rate (%)	3.6		3.58
	0920	Mar Money Supply - M2 (YoY%)	6.8		6.8
Tuesday 25 April					
South Korea	0000	Q1 GDP Growth (QoQ%/YoY%)	-0.1/0.6		-0.4/1.3
South Korea	2200	Apr BoK Consumer Sentiment Index	94		92
Wednesday 26 April					
Australia	0230	Q1 CPI (QoQ%/YoY%)	0.3/5.9		1.9/7.8
Singapore	0600	Mar Manufacturing Output (MoM%/YoY%)	-10.9/-11.9		-11.7/-8.9
South Korea	2200	May BOK Manufacturing BSI	70		67
Thursday 27 April					
Japan	0600	Feb Leading Indicator Revised	-		1.1
Singapore	0330	Q1 Unemployment Rate Prelim SA	-		2
South Korea	0000	Mar Industrial Output (YoY%)	-10		-8.1
	0000	Mar Industrial Output Growth	-0.2		-3.2
Friday 28 April					
Japan	0030	Mar Unemployment Rate	2.6		2.6
	0030	Tokyo CPI	3.2		3.3
	0050	Mar Industrial O/P Prelim (MoM%/YoY%)	0.7/-0.5		4.6/-0.5
	0600	Mar Housing Starts (YoY%)	-		-0.3
		- BOJ Rate Decision	-0.1		-0.1
Philippines		- Mar Budget Balance	-		-106.4
Taiwan	0900	Q1 GDP (YoY%) Prelim	-0.5		-0.41
Sunday 30 April					
China	0230	Official manufacturing PMI	51.7		51.9
	0230	official non-manufacturing PMI	59.0		58.2

Source: Refinitiv, ING

Author

Robert Carnell

Regional Head of Research, Asia-Pacific

robert.carnell@asia.ing.com

Min Joo Kang

Senior Economist, South Korea and Japan

min.joo.kang@asia.ing.com

Iris Pang

Chief Economist, Greater China

iris.pang@asia.ing.com

Nicholas Mapa

Senior Economist, Philippines

nicholas.antonio.mapa@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.