

Asia week ahead: Central bank decisions, inflation and manufacturing reports

It's a busy week in Asia next week with central bank meetings and inflation, manufacturing and trade data all on deck



Key central bank decisions

Following the [slightly lower than expected 2Q22 CPI release](#) recently, the Reserve Bank of Australia (RBA) can probably stick to hiking rates by only 50bp at the 2 August meeting. This will leave it able to respond further in September should the Wage price index data due on 17 August show an alarming increase in wage costs. Policy rates in Australia would still be lower than the 2.5% that RBA Governor Lowe has indicated are the lowest likely level of neutral nominal interest rates. Governor Lowe delivers the RBA statement on Monetary policy on 5 August.

The Reserve Bank of India also meets to decide what to do with policy rates on 5 August. Currently, the repo rate is 4.9%, following a 50bp rate hike in June. Since then, inflation has remained reasonably steady at just over 7%, though this owes in part to cuts in excise duties. A 25bp rate hike in August will close the gap between policy rates and inflation. We think that rates will need to get closer to 6% by the year end to eliminate the gap completely, though this could be helped if

inflation also moderates, reflecting lower global agricultural prices.

Regional manufacturing data to show state of recovery post China lockdowns

The coming week also features regional manufacturing data starting with China's report on 31 July. China's manufacturing and non-manufacturing PMI indices should remain in expansion as economic activity picked up after Shanghai eased lockdowns in July. The month-on-month increase in non-manufacturing activities however should be smaller as consumers likely spent the bulk of consumption subsidies distributed in June.

Manufacturing PMI in Taiwan should settle in the range of 49-50 after demand for semiconductor chips, used in smart devices, slowed due to soft demand from Mainland China and developed economies due to accelerating inflation.

Meanwhile, Korea's manufacturing PMI is expected to decline and possibly slip below 50 as local business surveys suggest that exports and manufacturing outlook worsened meaningfully.

Inflation continues to accelerate in Asia

Several inflation reports are also scheduled for release. Philippine July inflation will likely rise to 6.3% from 6.1% in the previous month. On top of pricey energy, food inflation is also on the uptick after firms announced price increases for bread and canned goods. Red hot inflation will likely keep up the pressure on central bank to hike policy rates at the August policy meeting.

A similar theme is playing out in Korea where CPI inflation will likely rise further to 6.3% (6.0% in June) on the back of rising agricultural and utility prices. We expect to see some signs of price stabilization however as the month-on-month growth should slow after gasoline and rental prices declined last month.

Despite enjoying relatively behaved inflation so far this year, Indonesia could see headline inflation run up to 5% and core inflation rise to 3%. The central bank has preached patience on rate hikes so far but did signal adjustments would be tied to the fate of core inflation. We expect Bank Indonesia to prime for a rate hike after core inflation moves past 3% with the first increase possible by August.

Lastly, price pressures are also evident in Taiwan, where headline inflation should edge up slightly between 3.5% YoY to 4% YoY reflecting high energy prices in the hot summer.

Trade reports from Korea and Australia

Rounding out the week, we have trade numbers from Korea and Australia. Korea's export growth is expected to accelerate to 12.5% YoY (vs 5.4% in June) due to easing lockdowns in China. Imports should stabilize as global commodity prices continue to fall. Overall, the trade balance will likely remain in deficit for a fourth straight month, improving only slightly from June.

Lastly, Australia also releases trade data for June, and after the 9% surge in exports registered in May, we anticipate some pullback in the latest data which could pull the trade surplus down from the record AUD15.97bn figure recorded in May.

Asia Economic Calendar

Country	Time Data/event	ING	Surve	Prev.
Sunday 31 July				
China	0230 Jul NBS Manufacturing PMI	50.6		50.2
	0230 Jul NBS Non-Manufacturing PMI	54.2		54.7
Monday 1 August				
Japan	0130 Jul Jibun Bank Manufacturing PMI	52.2		52.2
China	0245 Jul Caixin Manufacturing PMI Final	51.5		51.7
India	0600 Jul IHS Markit Manufacturing PMI	-		53.9
	- Jul Fiscal Deficit - USD Prelim	-		26.18
	- Jul Imports/Exports - USD Prelim	-		66.3/40.1
Indonesia	0130 Jul IHS Markit PMI	51.0		50.2
	0500 Jul Inflation (MoM%/YoY%)	0.65/5.00		0.61/4.35
	0500 Jul Core Inflation (YoY%)	3.0		2.6
Philippines	0130 Jul Manufacturing PMI SA	53.1		53.8
Taiwan	0130 Jul IHS Markit Manufacturing PMI	49.6		49.8
South Korea	0100 Jul Import/Export Growth Prelim	17.3/12.7		19.4/5.2
	0100 Jul Trade Balance Prelim	-0.5		-2.6
	0130 Jul IHS Markit Manufacturing PMI	50.0		51.3
Tuesday 2 August				
Japan	0050 Jul Monetary Base (YoY%)	-		3.85
Australia	0530 Aug RBA Cash Rate	1.85		1.35
Singapore	1400 Jul Manufacturing PMI	50.2		50.3
South Korea	0000 Jul CPI Growth (MoM%/YoY%)	0.4/6.3		0.6/6.0
Wednesday 3 August				
Japan	0130 Jul Services PMI	51.2		51.2
China	0245 Jul Caixin Services PMI	53.3		54.5
India	0600 Jul IHS Markit Svcs PMI	-		59.2
Thursday 4 August				
Australia	0230 Jun Trade Balance (AUD bn)	14138		15965
India	0530 Repo Rate	5.15		4.90
	0530 Reverse Repo Rate	3.50		3.35
	0530 Cash Reserve Ratio	4.75		4.50
Friday 5 August				
Japan	0030 Jun All Household Spending (MoM%/YoY%)	-		-1.9/-0.5
Indonesia	0500 Jul Forex Reserves	-		136.4
	- Q2 GDP (QoQ%/YoY%)	-		-0.96/5.01
Philippines	0200 Jul CPI (MoM%/YoY%)	0.65/6.3		0.90/6.1
	0200 Jul Core CPI (YoY%)	-		3.00
Singapore	0600 Jun Retail Sales (MoM%/YoY%)	-/6.0		1.8/17.8
Taiwan	0900 Jul CPI/WPI (YoY% NSA)	3.67 / 15.16		3.59 / 16.45
	0920 Jul Foreign Exchange Reserve (USD bn)	545.00		548.96
South Korea	0000 Jun Current Account Balance NSA	4.00		3.86

Source: Refinitiv, ING

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