

Asia week ahead: Central bank decisions, Japanese inflation and RBA minutes

Central bank decisions and Japanese inflation are the highlights for the coming week



Japanese CPI is out on Friday. We expect that headline CPI inflation will rise to 2.7% year-on-year

RBA Minutes

On 21 June, the Reserve Bank of Australia releases minutes of its June meeting when it raised the cash rate target to 0.85% from 0.35%, towards the top end of market expectations. The minutes will show the range of opinions expressed and offer clues about whether 50bp rises are the new normal or if we might have to consider Fed-style 75bp hikes at some point.

On 23 June, PMI indices will likely continue to show both manufacturing and service sectors growing strongly. With inflation running high, and labour markets running tight, that's maybe not the good news markets want to hear.

Regional central bank decisions

Bank Indonesia previously hinted at a pause for the forthcoming meeting, citing still manageable inflation and a steady currency. The Indonesian rupiah, however, has recently come under heavy pressure, all the more with the trade surplus shrinking considerably to \$2.9 bn from \$7.5 bn. We expect BI to finally deliver a rate hike although Governor Perry Warjiyo may opt to start off the

hiking cycle with a token 25bp increase, citing the simultaneous increase in reserve requirements.

Bangko Sentral ng Pilipinas will also meet next week with pressure mounting on the BSP to hike rates aggressively. Inflation moved well past its target to 5.4% and a weakening currency will only translate to more inflation down the line. BSP Governor Benjamin Diokno signalled a 25bp increase next week but we think the beleaguered currency and accelerating inflation will be enough to force a more punchy 50bp rate hike from BSP next week.

Meanwhile, Chinese banks will decide on the Loan Prime Rate (LPR) on Monday. As the activity data points to a weak economy and slow recovery, we expect banks will cut the 5Y LPR by 5bp to 4.4%. This should support infrastructure projects and mortgages.

Taiwan export and industrial production reports

Taiwan will release export orders on Monday and industrial production on Thursday. We expect both figures to improve from April as logistics issues in the region should have eased in the last week of May. Export orders though will still be in contraction, though less so compared to April as consumer demand should return in coming months after Shanghai announced an end to its lockdown at the end of May. Delivery of materials for production should experience a shorter delay.

Japan inflation data

Japanese CPI will be out on Friday. We expect that headline CPI inflation will rise further to 2.7% year-on-year (vs 2.5% in April) as the weak yen is adding more pressure to high commodity prices. The market consensus is 2.5% as of today.

Japan's PMIs will be out on Thursday. Both manufacturing and services are expected to improve on the back of better domestic demand stimulated by the reopening.

Asia Economic Calendar

| Country | Time | Data/event | ING | Survey | Prev. |
|--------------------------|------|--------------------------------------|----------|--------|----------|
| Monday 20 June | | | | | |
| China | 0215 | Jun Loan Prime Rate 1Y | 3.7 | | 3.7 |
| | 0215 | Jun Loan Prime Rate 5Y | 4.4 | | 4.5 |
| Taiwan | 0900 | Export Orders (YoY%) | -0.8 | | -5.5 |
| Wednesday 22 June | | | | | |
| Australia | 0000 | Jun Manufacturing PMI Flash | 56.4 | | 55.7 |
| | 0000 | Jun Services PMI Flash | 52.8 | | 53.2 |
| | 0000 | Jun Composite PMI Flash | - | | 52.9 |
| Thursday 23 June | | | | | |
| Japan | 0030 | May CPI (YoY%) | - | | 101.5 |
| Indonesia | - | Jun 7-Day Reverse Repo | 3.75 | | 3.50 |
| Philippines | 0800 | Policy Interest Rate | 2.75 | | 2.25 |
| Singapore | 0600 | May Core CPI (YoY%) | 3.4 | | 3.3 |
| | 0600 | May CPI (MoM%/YoY%) | 0.85/5.5 | | -0.1/5.4 |
| Taiwan | 0900 | May Industrial Output (YoY%) | 7.9 | | 7.3 |
| | 0900 | May Unemployment rate (%) | 3.68 | | 3.7 |
| Friday 24 June | | | | | |
| Singapore | 0600 | May Manufacturing Output (MoM%/YoY%) | -4.9/7.8 | | 2.2/6.2 |
| Taiwan | 0920 | May Money Supply - M2 (YoY%) | 8.2 | | 8.1 |

Source: Refinitiv, ING

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