

## Asia Week Ahead: Central Bank decisions next week

Policy decisions from the People's Bank of China, Bank Indonesia and the Reserve Bank of Australia are set for next week. Meanwhile, Japan releases inflation data and Taiwan reports export orders



### Several data reports out from China

The PBoC kicks things off on Monday with a decision on its one-year medium-term lending facility. We believe that recent developments have increased the pressure for a rate cut, and a June cut would not be surprising, though the odds remain somewhat in favour of the central bank staying on hold for one more month.

China's key monthly data releases follow, first with the 70-city housing price data, where we are expecting a smaller drop in prices in May amid the aggressive policy rollout. The main activity data, including retail sales, fixed asset investment, and industrial production data round out the releases. A favourable base effect could support the year-on-year numbers for May somewhat but the potential recovery of consumption and investment should be modest given continued

weak sentiment, and mixed PMI numbers could signal a weaker industrial production reading as well. China's loan prime rate will be published on Thursday, and this is expected to follow the MLF decision.

## RBA likely to keep rates untouched

There is no expectation for any rate change at the forthcoming RBA meeting. GDP growth has slowed a little more in 1Q24, and wage growth appears to have peaked. But inflation more broadly is heading in the wrong direction, and that inflation is broadly based. Although we tend to think that rates have peaked in Australia, it would probably not hurt if the RBA made it clearer in its statement that there is a two-way risk to rates, not just a risk to the timing of any eventual easing. Activity and the labour market are now no longer "necessary but not sufficient conditions" for the RBA to ease. Above all, we need to see month-on-month inflation rising at a significantly slower pace, or inflation is going to veer further off course over the second half of the year, and we all know what that means for rates policy...

## India services sector could be steady

India's manufacturing PMI remains in strong expansion territory at 57.5 but it has fallen now for two consecutive months, and a third month of decline might begin to hint at a building trend and put pressure on the RBI to deliver its promise that it will not wait for the Federal Reserve to cut rates. The service sector PMI decline has been far more muted in comparison, and it remains even stronger at 60.2 and we don't anticipate more than a very slight decline this month to 60.0.

## Taiwan export orders out next week

Taiwan releases its export orders data on Thursday. After strong April data, we are looking for a moderation of year-on-year growth to around 5%. Export growth remains uneven: the electronic products and optical, photographic, and cinematographic apparatus categories have accounted for the bulk of export order growth in the past few months.

## Japan's inflation to bounce

Consumer inflation is expected to rebound to close 3% year-on-year in May from 2.5% in April, mainly due to recent utility fee hikes, while the weak Japanese yen should have added to inflationary pressures. We believe that both manufacturing and service PMIs will remain in expansionary territory.

The service PMI is likely to show stronger growth momentum at 54, with growing optimism on strong wage growth. The manufacturing PMI returned to expansion last month and is expected to advance even more to 51 thanks to the normalisation of car production and a solid upturn in the global chip cycle. The recovery should be reflected in core machinery orders, which are expected to rise modestly in April.

## Key events in Asia next week

Country	Time (GMT+8)	Data/event	ING	Prev.
<b>Monday 17 June</b>				
Japan	0750	Apr Core Machine Orders (MoM%)	1	2.9
China	0920	1-yr Medium term lending rate	2.5	2.5
	1000	May Industrial Output (YoY%)	-	6.7
	1000	May Retail Sales (YoY%)	-	2.3
<b>Tuesday 18 June</b>				
Australia	1230	Jun RBA Cash Rate	4.35	4.35
<b>Wednesday 19 June</b>				
Japan	0750	May Exports (YoY%)	12	8.3
	0750	May Imports (YoY%)	9	8.3
	0750	May Trade Balance Total Yen	-200	-462.5
Indonesia	1200	May Trade Balance (Bln of \$)	-	3.56
	1200	May Exports Growth (YoY%)	-	1.72
	1200	May Imports Growth (YoY%)	-	4.62
<b>Thursday 20 June</b>				
China	0915	Jun Loan Prime Rate 1Y	-	3.45
	0915	Jun Loan Prime Rate 5Y	-	3.95
Indonesia	-	Jun 7-Day Reverse Repo	6.25	6.25
Taiwan	1600	Export orders	-	10.8
<b>Friday 21 June</b>				
Japan	0730	May CPI (MoM%/YoY%) NSA	0.4/2.9	0.2/2.5
	0830	Jun Manufacturing PMI Flash	50.8	50.4
	0830	Jun Services PMI Flash	54	53.8
	0830	Jun Composite PMI Flash	53	52.6
Australia	0700	Jun Manufacturing PMI Flash	-	49.7
	0700	Jun Services PMI Flash	-	52.5
	0700	Jun Composite PMI Flash	-	52.1
India	1230	Q1 Current Account Balance (\$)	-	-10.5
	1230	Q1 Balance Payments (\$)	-	6
	1300	India PMI Services	60	60.2
Indonesia	0500	May M2 Money Supply (YoY%)	-	6.9

Source: Refinitiv, ING

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