

## Asia week ahead: Central bank meetings and inflation readings

This week features key central bank decisions, trade and inflation readings



### RBA and RBI meetings next week

We have two central bank decisions in the coming week, and both are likely to include rate increases. The Reserve Bank of Australia (RBA) on 7 June will follow up its 25bp hike to the cash rate target on 3 May. A pick-up in the pace of tightening looks probable. We anticipate a 50bp increase to 0.85% at this meeting. Although, the RBA could lean to the dovish side of the US Fed, so there is a chance that it comes in with only a 40bp hike.

The Reserve Bank of India (RBI) is also likely to raise rates in the coming week. At its meeting on 8 June, we expect a 50bp rate hike, too. Having thrown in the towel on its previously dovish stance, the RBI has turned more hawkish recently. The RBI doesn't always hike/cut in 25bp increments, so the risk for the bank may be for a slightly bigger 60bp hike, which would take the repo rate to a nice round 5.0%. But our base expectation is for the repo rate to be raised to 4.9%.

## Inflation reports from China and the Philippines

Inflation in China remains quite low, and we expect CPI inflation to be around 2.4% year-on-year, with food prices slightly above the previous month and PPI at around 7.9% year-on-year, about the same as the previous month, with the recent fall in metal prices offsetting some of the increase in coal prices.

Meanwhile, price pressures continue to mount in the Philippines as supply chain constraints disrupt food supplies. Inflation will likely accelerate to 5.5% (from 4.9%) driven by faster food, transport and utility costs. Bangko Sentral ng Pilipinas started its rate hike cycle last month with a 25bp rate increase. We expect a follow-up rate hike at the June policy meeting.

## Trade activity improves in China

China's exports and imports should have grown faster in May than in April because of the slight recovery in port operations and factory deliveries in Shanghai during the month.

The government has urged banks to increase lending to small and medium-sized enterprises and infrastructure projects as part of the overall stimulus package. We expect total new yuan loans and financing to climb in May from the low levels seen in April.

In Taiwan, previously announced export orders show a decline in demand for consumer electronics in mainland China, which will lead to a slowdown in exports. We expect growth in both exports and imports to slow from now on. May trade figures should still show 15-25% growth, but June figures are likely to reflect slower growth.

Lastly, recent trends for Philippine trade are likely to continue with both exports and imports up by double digits. Imports will likely be bloated by expensive energy prices while exports may still eke out double-digit gains, boosted by the electronics components sector. The overall trade balance will stay deep in the red with the trade deficit likely settling at \$5bn.

## Singapore retail sales

The coming week also features Singapore retail sales. We expect retail sales to sustain their recent run of gains, rising by 5.8% as domestic demand improves after quarantine restrictions were relaxed further. April's growth will be a moderation from the previous month as faster inflation saps some momentum.

## Key events next week

Country	Time	Data/event	ING	Survey	Prev.
Monday 6 June					
Japan	0030	Apr All Household Spending (MoM%/YoY%)	-		4.1/-2.3
China	0245	May Caixin Services PMI	46		36.2
Philippines	-	May Forex Reserves USD	106.4		106.8
Singapore	0600	Apr Retail Sales (MoM%/YoY%)	5.8		7.5/8.7
Taiwan	0920	May Foreign Exchange Reserve	548		545.1
Tuesday 7 June					
Japan	0050	Q1 GDP Revised (QoQ%)	-		-0.2
Australia	0530	Jun RBA Cash Rate	0.85		0.35
China	-	May FX Reserves (Monthly)	3.01		3.1
Philippines	0200	May CPI (MoM%/YoY%)	0.57/5.5		0.8/4.9
Singapore	1000	May Foreign Reserves USD	-		365.2
Taiwan	0900	May CPI (YoY%)	3.5		3.4
	0900	May WPI (YoY%)	16.2		15.1
South Korea	0000	Q1 GDP Growth (QoQ%/YoY%)	-/-		0.7/3.1
Wednesday 8 June					
Japan	0050	May M2 Money Supply (YoY%)	-		11975680
India	0530	Repo Rate	4.9	4.8	4.4
	0530	Reverse Repo Rate	-	3.5	3.4
	0530	Cash Reserve Ratio	-	4.5	4.5
Indonesia	0500	May Forex Reserves	134.1		135.7
Taiwan	0900	May Imports	23.4		26.7
	0900	May Exports	17.5		18.8
	0900	May Trade Balance	5.46		4.9
Thursday 9 June					
China	0400	May Exports	8.9		3.9
	0400	May Imports	5.4		0.0
	0400	May Trade Balance	61		51.1
Indonesia	0400	May Consumer Confidence Index	119.6		113.1
Philippines	0200	Apr Exports (YoY%)	15.6		5.9
	0200	Apr Imports (YoY%)	28.6		27.7
	0200	Apr Trade Balance	-4733		-5003
South Korea	0000	Apr Current Account Balance	-		6.7
Friday 10 June					
China	0230	May CPI (YoY%)	2.4		2.1
	-	May FDI (YTD)	21.3		20.5

Source: Refinitiv, ING

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