

Asia week ahead: Central banks decide on policy next week

Next week's data calendar features policy rate decisions from Korea and Indonesia plus key data from Taiwan and Singapore



Service led growth to remain robust in Japan

Flash PMI and core machinery orders data will confirm that service-led growth is continuing in Japan despite weak manufacturing activity. This trend should also be reflected in prices, with core inflation excluding food and energy rising faster than headline inflation.

Sentiment to remain sluggish in Korea

Consumer and business surveys are expected to show that sentiment has improved from the recent dip, but overall sentiment indices should remain sluggish. Meanwhile, the Bank of Korea will meet next Thursday but no action is expected as inflation continues to slow.

Chinese banks to keep Loan Prime Rates unchanged

Chinese banks should decide to maintain both the 1Y and 5Y Loan Prime Rates on Monday, which are currently at 3.65% and 4.3%, respectively. We expect banks to hold because the People's Bank of China (PBoC) has opted to maintain policy rates. The PBoC has also said that we could see higher CPI inflation in the near term.

Weak demand for semiconductor chips to weigh on Taiwan's economy

Taiwan export orders and industrial production should show a more than 10% year-on-year contraction in April given the still weak demand for semiconductor chips. The current situation might not improve materially until demand for new models of US smartphones exceeds current production expectations. This is quite unlikely as the US economy is weakening.

Bank Indonesia set to extend pause

Bank Indonesia will likely keep policy rates untouched next week. Fading price pressures have allowed the central bank to extend its pause, keeping rates at 5.75% since January. Renewed pressure on the Indonesian rupiah, however, could mean that the central bank will need to hold off on rate hikes for now to ensure FX stability.

Soft industrial production in Singapore

Industrial production will be reported next week, and we expect sluggish exports to weigh on output for at least another month. Industrial production has largely tracked the downturn in non-oil domestic exports and the sustained slump for electronics and petrochemicals should result in another month of soft industrial production as well.

Key events in Asia next week

| Country | Time | Data/event | ING | Surve | Prev. |
|-------------------------|------|--------------------------------------|-----------|-------|----------|
| Monday 22 May | | | | | |
| Australia | 0000 | May Manufacturing PMI Flash | - | | 48 |
| | 0000 | May Services PMI Flash | - | | 53.7 |
| | 0000 | May Composite PMI Flash | - | | 53 |
| Japan | 0050 | Mar Core Machinery Orders | 5 | | -4.5 |
| China | 0215 | May Loan Prime Rate 1Y/5Y | 3.65/4.3 | | 3.65/4.3 |
| Taiwan | 0900 | Apr Unemployment rate (%) | 3.6 | | 3.59 |
| | 0900 | Apr Export Orders (YoY%) | -17.2 | | -25.7 |
| South Korea | 2200 | May BoK Consumer Sentiment Index | 95.5 | | 95.1 |
| Tuesday 23 May | | | | | |
| Japan | 0130 | May Manufacturing PMI Flash | 49 | | 49.5 |
| | 0130 | May Services PMI Flash | 55 | | 55.4 |
| | 0130 | May Composite PMI Flash | 52 | | 52.9 |
| Singapore | 0600 | Apr Core CPI (YoY%) | - | | 5 |
| | 0600 | Apr CPI (YoY%) | - | | 5.5 |
| Taiwan | 0900 | Apr Industrial Output (YoY%) | -14.99 | | -14.52 |
| South Korea | 2200 | Jun BOK Manufacturing BSI | 70 | | 68 |
| Wednesday 24 May | | | | | |
| Taiwan | 0920 | Apr Money Supply - M2 (YoY%) | 6.55 | | 6.58 |
| Thursday 25 May | | | | | |
| Indonesia | 0800 | May 7-Day Reverse Repo | 5.75 | | 5.75 |
| | 0500 | Apr M2 Money Supply (YoY%) | - | | 6.2 |
| Philippines | - | Apr Budget Balance | - | | -210.261 |
| South Korea | 0200 | May Bank of Korea Base Rate | 3.5 | | 3.5 |
| Friday 26 May | | | | | |
| Japan | 0030 | May Tokyo CPI | - | | 3.5 |
| Singapore | 0100 | Q1 GDP Final (QoQ%/YoY%) | -3.0/0.0 | | -2.7/0.1 |
| | 0600 | Apr Manufacturing Output (MoM%/YoY%) | -5.6/-4.8 | | 9.3/-4.2 |
| Taiwan | 0900 | Q1 GDP Final (YoY%) | -3.02 | | -3.02 |

Source: Refinitiv, ING

Author

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

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