

Asia week ahead: China's central bank in spotlight

Central bank policy meetings in China and Indonesia with inflation and trade data for June crowd the Asian economic calendar next week



Source: Shutterstock

➔ China and Indonesia central banks to meet

Central bank policy meetings in China and Indonesia are the standout events in Asia next week.

In a surprising move last week, the People's Bank of China slashed the reserve requirement ratio by 50 basis points. The RRR cut was followed by a partial rollover of the medium-term lending facility and with weaker economic data this suggests that the economic risks are mounting. That said, we don't think these latest events should trigger a fresh round of changes in policy interest rates,

including the Loan Prime Rate and the 7-day policy rate. The economic growth path has not changed but the risk of bad loans from deleveraging reforms on real estate property developers and fintech are increasing (see "[China risks to the economy piling up](#)").

Indonesia's central bank Governor Warjiyo has recently indicated stable policy rates ahead. Surging Covid-19 infections have dented Indonesia's growth trajectory, and this calls for increased central bank policy stimulus in the near term. With record low inflation of 1.3%, policy rates have some room to fall further from their current rate of 3.5%, though the central bank manages the policy with a firm eye on currency stability. The Indonesian rupiah is currently struggling with the country battling surging Covid-19 infections, and we don't think the central bank will risk more depreciation with a rate cut.

Stable BI policy remains our baseline for the rest of this year ([read more here](#))

➔ Other activity data

Economic activity data next week also include inflation, trade and manufacturing figures for June.

Japan, Malaysia and Singapore report their inflation figures, but there is no inflation in Japan. Inflation in Malaysia and Singapore spiked in recent months, but it has now peaked.

We forecast Malaysia's inflation rate dipping to 3.2% YoY in June from 4.4% in May, which was down from the cycle peak of 4.7% in April. Singapore's inflation rate should remain broadly stable at 2.4%. We believe the central banks in these countries will see through the most recent inflation spikes and leave monetary policies on hold over the rest of this year.

Trade figures from Japan and Taiwan's industrial production should continue to exhibit strong year-on-year growth rates, lifted by helpful base comparisons last year. Resurgent Covid-19 cases and associated lockdowns in both countries are beginning to hold back recovery in both economies. For Taiwan, the ongoing chip shortage should keep semiconductor output near full-capacity levels, so the prospects of further acceleration of growth from here in this sector are limited.

In the Philippines, June budget data will shed light on policy support for an economy still suffering under the latest wave of the virus. The news here may be negative. The authorities likely pulled back spending in a bid to limit the impact on the country's debt profile, given that debt-to-GDP is now past the 60% threshold. They have also indicated a likely deceleration of spending after an initial push early in the year (see, "[The return of twin deficits will complicate recovery in the Philippines](#)").

Asia Economic Calendar

Country	Time	Data/event	ING Survey	Prev.
Monday 19 July				
Japan	0030	Jun CPI (MoM%) NSA	0.5	0.3
Tuesday 20 July				
Japan	0050	Jun Exports YY	41.5	49.6
	0050	Jun Imports YY	26.0	27.9
	0050	Jun Trade Balance Total Yen bn	13.0	-189.4
China	0230	Jul Loan Prime Rate 1Y	3.85	3.85
	0230	Jul Loan Prime Rate 5Y	4.65	4.65
Wednesday 21 July				
Thailand	0430	Jun Exports (YoY%)	35	41.6
	0430	Jun Imports (YoY%)	46	63.5
	0430	Jun Trade balance (\$bn)	0.64	0.8
Thursday 22 July				
Australia	0000	Jul Manufacturing PMI Flash	58	58.6
	0000	Jul Services PMI Flash	57.2	56.8
	0000	Jul Composite PMI Flash	57.6	56.7
	0930	Jun CPI NSA	-	101.6
Indonesia	0800	Jul 7-Day Reverse Repo	3.5	3.5
Taiwan	0900	Jun Unemployment rate (%)	4.2	4.15
Friday 23 July				
Malaysia	0500	Jun CPI (YoY%)	-	4.4
Philippines	-	Jun Budget Balance	-108	-200.3
Singapore	0700	Jun Core CPI (YoY%)	0.9	0.8
	0700	Jun CPI (YoY%)	2.4	2.4
Taiwan	0900	Jun Industrial Output (YoY%)	10.7	16.5
	0920	Jun Money Supply - M2 (YoY%)	9.2	9.2

Source: Refinitiv, ING, *GMT

Author

Iris Pang

Chief Economist, Greater China

iris.pang@asia.ing.com

Nicholas Mapa

Senior Economist, Philippines

nicholas.antonio.mapa@asia.ing.com