

# Asia week ahead: Inflation reports and the RBA meeting on the calendar

Several Asian economies report inflation next week while the Reserve Bank of Australia meets to discuss policy



## Inflation reports from regional players

The coming week features several inflation gauges from the region with price pressures generally trending higher. Taiwan's inflation is expected to rise due to higher energy prices and a low base effect from last year.

Philippine inflation will likewise head higher, accelerating to 6.0% from 5.4% year-on-year last May. Pricier food, transport and utilities are all likely to drive up headline inflation, which should pressure the central bank to double down on rate hikes at the August meeting.

Meanwhile, Korea's consumer price index for June is also moving higher, likely hitting 6.0% YoY with gasoline and manufactured food prices up sharply. If inflation settles higher than 6.0% in June, the Bank of Korea will take a big step in terms of tightening at the July meeting.

## RBA meeting

It is pretty clear that despite being a little slow to pick up the inflation threat, the RBA is now fully on board with its determination to bring inflation down. Rates are going up. The only question is, how fast? Well, we haven't had any particularly helpful data since the last meeting. We don't for example have any further inflation data to react to, though Melbourne Institute inflation expectations did move sharply higher. The lack of new hard data is probably why Governor Philip Lowe ruled out a 75bp hike when asked earlier this month. The choice is therefore between 25bp and 50bp.

What may tip the balance in favour of the bigger hike is how far the RBA needs to go in order to get rates even to neutral. That suggests not hanging about. They can step up the pace if needed once they have sight of the 2Q inflation print. So it's 50bp now, and 75bp in September, if the inflation data paints an ugly enough picture. If not, they can ease back a bit and revert to 25bp or 50bp hikes.

## China GIR and services PMI

Over in China, Caixin services PMI should settle below 50, suggesting overall activity is in contraction. However, with lockdowns easing gradually, the contraction may show a slight improvement from the previous month.

An additional data report from China in the coming week is the level of foreign reserves, with GIR likely increasing due to capital inflows to the stock market since mid-June.

## And the rest..

Meanwhile, Taiwan trade data is also out in the coming days with both imports and exports expected to grow around 20% YoY from demand for semiconductors. Exports may grow slower than imports however with the trade surplus narrowing from the previous month.

Lastly, Singapore retail sales likely expanded but at a more moderate pace, slowing to 8.5% from 12.1% previously as higher prices sap some spending momentum.

## Asia Economic Calendar

| Country                 | Time Data/event                               | ING       | Survey  | Prev.     |
|-------------------------|---|-----------|---------|-----------|
| <b>Monday 4 July</b>    |   |           |         |           |
| Singapore               | 1400 Jun Manufacturing PMI                    | -         |         | 50.4      |
| South Korea             | 0000 Jun CPI Growth (MoM%/YoY%)               | 0.6/6.0   | 0.5/5.9 | 0.7/5.4   |
| <b>Tuesday 5 July</b>   |   |           |         |           |
| Japan                   | 0130 Jun Services PMI                         | 54.2      |         | 54.2      |
| Australia               | 0530 Jul RBA Cash Rate                        | 1.35      |         | 0.85      |
| China                   | 0245 Jun Caixin Services PMI                  | 46.0      |         | 41.4      |
| India                   | 0600 Jun IHS Markit Services PMI              | 59.1      |         | 58.9      |
| Philippines             | 0200 Jun CPI (MoM%/YoY%)                      | 0.7/6.0   |         | 0.4/5.4   |
| Singapore               | 0600 May Retail Sales (MoM%/YoY%)             | -8.5/5.8  |         | 1.2/12.1  |
| Taiwan                  | 0920 Jun Foreign Exchange Reserve (USD bn)    | 545.2     |         | 548.9     |
| <b>Wednesday 6 July</b> |   |           |         |           |
| Taiwan                  | 0900 Jun CPI (YoY% NSA)                       | 4.02      |         | 3.39      |
|                         | 0900 Jun WPI (YoY% NSA)                       | 17.4      |         | 16.6      |
| South Korea             | 0000 May Current Account Balance NSA (USD bn) | 3.5       |         | -0.1      |
| <b>Thursday 7 July</b>  |   |           |         |           |
| Australia               | 0230 May Trade Balance (AUD mn)               | 10492     |         | 10495     |
| China                   | - Jun Monthly FX Reserves (USD tn)            | 3.135     |         | 3.128     |
| Indonesia               | 0500 Jun Forex Reserves                       | -         |         | 135.6     |
| Singapore               | 1000 Jun Foreign Reserves USD                 | -         |         | 345.3     |
| <b>Friday 8 July</b>    |   |           |         |           |
| Japan                   | 0030 May Current Account Balance NSA (YPY bn) | 200       |         | 501       |
| Indonesia               | 0400 Jun Consumer Confidence Index            | -         |         | 128.9     |
| Taiwan                  | 0900 Jun Imports/Exports                      | 27.5/12.5 |         | 26.7/12.5 |
|                         | 0900 Jun Trade Balance (USD bn)               | 2.0       |         | 2.4       |

Source: Refinitiv, ING

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