

Asia week ahead: Inflation reports, Korean GDP and China PMI

Next week we'll have inflation reports from Australia and Singapore, plus a number of key Asia economic barometers that are likely to reflect a worsening Covid situation



Key east Asian economic barometers will reflect worsening Covid situations

Price data key to RBA policy, and MAS watches on with a hawkish eye

Next week, Singapore and Australia are slated to release their March and 1Q22 inflation figures respectively.

With the Reserve Bank Of Australia (RBA) slowly back-pedaling from their previously ultra-dovish stance, inflation data is one of two key variables in the coming weeks that could decide the extent and timing of their first rate hike. We see the 1Q22 headline inflation rate rising to 4.0% from 3.5% in 4Q21. If coupled with a pick up in the wage price index on 18 May to close to or above 3.0%, then this will set up the RBA for a June hike of 15bp taking the cash rate target to 0.25%. This may be accompanied by a larger increase in the Exchange Settlement (ES) rate which sets the floor for the cash rate.

For Singapore, both headline and core inflation rates are likely to quicken further in March even as

the Monetary Authority of Singapore (MAS) had earlier tightened its monetary policy. Core inflation, the price gauge monitored by the MAS, is expected to rise 2.5% before reaching 3% by mid-year. Higher commodity prices and constrained supply chains likely pushed prices higher, and we expect both headline and core inflation to remain elevated in the near term.

Key East Asian economic barometers to reflect similar worsening Covid situations

Taiwan industrial production in March could be affected by the rising number of Covid cases locally. The government is struggling to make a decision whether to impose lockdowns. Even if March data does not yet reflect the impact of Covid locally, it should give us a hint about the degree of supply chain disruptions to Taiwanese production as China's production was somehow affected in March.

GDP in the first quarter should show moderate growth as the growth rate could be undermined by a high base effect from last year. Otherwise, investments and production should support growth while consumption will remain weak due to the deteriorating Covid situation.

China's manufacturing PMI in April should reflect weaker production as a result of lockdowns. Delivery times should increase, and input prices should rise. The whole manufacturing picture could be quite gloomy. We expect both manufacturing and non-manufacturing PMIs in April to be below 50, entering contractionary territory.

Mixed data out of Korea

South Korea's 1Q22 GDP is expected to decelerate, mainly due to weak household consumption and net export contributions. The Bank of Korea's Consumer Sentiment Index (CSI) and Business Survey Index (BSI) should reflect optimism on social mobility rules being lifted along with businesses' re-openings, leading to improved consumer sentiment and suppressing concerns about high inflation and slow growth. Nonetheless, business sentiment is still likely to deteriorate further moving forward owing to rising global risks.

Weaker Japan labour data, and a weaker Yen as well

The unemployment rate is expected to inch higher as domestic hiring took a hit, owing to a surge of Omicron during the month. The market is not expecting any rate action from the Bank of Japan (BoJ), but continues to keep a close watch on what Japan's central bank thinks of the recent JPY weakness. Recently, the BoJ and Ministry of Finance (MoF) have commented more frequently on the FX market, expressing concerns about the relatively rapid pace of the Yen's depreciation.

Asia Economic Calendar

Country	Time	Data/event	ING Survey	Prev.
Monday 25 April				
Japan	0030 Mar	Unemployment Rate	3.0	2.7
Philippines	-	Mar Budget Balance	-	-23.4
Singapore	0600 Mar	Core CPI (YoY%)	2.5	2.2
	0600 Mar	CPI (MoM%/YoY%)	0.3/4.4	0.9/4.3
Taiwan	0900 Mar	Industrial Output (YoY%)	12.04	10.01
	0920 Mar	Money Supply - M2 (YoY%)	7.7	7.67
South Korea	0000 Q1	GDP Growth (QoQ%/YoY%)	0.4/2.8	1.2/4.2
Tuesday 26 April				
Singapore	0600 Mar	Manufacturing Output (MoM%/YoY%)	-/-	16.6/17.6
South Korea	2200 Apr	BoK Consumer Sentiment Index	104	103.2
Wednesday 27 April				
Japan	0050 Mar	Industrial O/P Prelim (MoM%/YoY%)	-1.2/-2.4	2/0.5
	0050 Mar	Retail Sales (YoY%)	-1.3	-0.8
Australia	0230 Q1	CPI (QoQ%/YoY%)	1.1/4.0	1.3/3.5
China	0230 Feb	Industrial Profit (YoY%)	-18	4.2
South Korea	2200 May	BOK Manufacturing BSI	85	85
Thursday 28 April				
Japan	-	BOJ Rate Decision	-0.1	-0.1
Singapore	0330 Q1	Unemployment Rate Prelim	-	2.3
Taiwan	0900 Q1	GDP (YoY%) Prelim	3.00	4.86
South Korea	0000 Mar	Industrial Output (YoY%)	3.4	6.5
Friday 29 April				
China	0245 Apr	Caixin Manufacturing PMI Final	45.0	48.1
Indonesia	0500 Mar	M2 Money Supply (YoY%)	-	12.5
Saturday 30 April				
China	0230 Apr	Official Manufacturing PMI	46.0	49.5
		Apr Official Non-Manufacturing PMI	43.0	48.4

Source: Refinitiv, ING, *GMT

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