

Asia week ahead: Japan and Korea data plus regional manufacturing readings

Data from Japan and Korea will be the highlight for next week



Japan's flurry of data releases

Industrial production in Japan is expected to rebound from the previous month's contraction on the back of better domestic demand, although gains may be capped as global supply chain disruptions are still weighing on overall production activity. Meanwhile, Tokyo CPI inflation should increase after a recent depreciation in the yen combined with higher energy and food price pressures.

Japan's labour market will also be in focus. The unemployment rate should remain unchanged at 2.5%, as service sector hiring is still picking up while there is some slowdown in manufacturing. Lastly, the Tankan surveys will possibly show an optimistic outlook for both manufacturing and services, with large companies seeing slightly stronger gains and small companies still struggling to recover from the pandemic. The Bank of Japan will be paying more attention to inflation if there are any signs of increasing demand pressure while labour market tightening could lead to stronger wage growth.

Korean trade and industrial production data

The reopening of Korea is boosting the domestic economy, especially private services, but the recent sharp drop in the equity market and higher mortgage/lending rates could put some downward pressure on consumer confidence. Meanwhile, business sentiment is expected to recover as domestic and global logistics conditions improve. May's industrial production should rebound but the recovery could be marginal given China's lockdown.

Korea also reports preliminary trade data, with export growth likely moderating in June. Unfavourable calendar day effects could be one reason for the slowdown, but the trucker's union strike has had a slight negative impact on port activity as well. Imports, on the other hand, should grow at a faster pace and the overall trade balance could post a high deficit.

Upcoming data reports will be critical for the Bank of Korea, as the central bank's next moves will possibly be impacted not just by the inflation trajectory but also by the growth outlook.

Manufacturing reports could show sustained impact of China stoppages

Next week also features the release of regional manufacturing indices, with China also reporting its non-manufacturing PMI on 30 June. We could see the protracted impact of work stoppages in China and their effect on the regional value chain.

And the rest...

Meanwhile, India's fiscal deficit figures on 30 June will show whether India is on track to hit its 6.4% fiscal deficit target for the fiscal year 2022/23. The April deficit figures were helpful, coming in lower than in April 2021. This bodes well for a reduction in the deficit as a percentage of nominal GDP, which should be growing strongly, lifted by higher inflation. Cuts in excise duties, higher debt service, and the higher burden of state subsidies could eat into this progress in the coming months, and there is still a long way to go, with the retention of the investment grade credit rating at stake.

In Australia, the retail sales report for May is out on 29 June and will probably moderate from the 0.9% month-on-month pace recorded for April. Though it should still remain decent, rising interest rates and falling consumer sentiment, as well as peaking housing prices, may offset support from strong employment and robust wage growth.

Lastly, Indonesia releases its latest inflation report next week and we could see both headline and core inflation threaten the upper end of the central bank inflation target. Bank Indonesia has held off on hiking policy rates citing still manageable inflation but elevated commodity prices may eventually force domestic inflation past the Bank's comfort zone. Faster inflation by early 3Q could be enough to kickstart the hiking cycle, with a first hike coming as early as the end of July.

Asia Economic Calendar

Country	Time	Data/event	ING Survey	Prev.
Friday 24 June				
India	1230	W 1 FX Reserves, USD	593.0	596.5
Monday 27 June				
China	0230	May Industrial Profit (YoY%)	-9.0	-8.6
India	1230	Q1 C/A Balance	-13.4	-23.0
Philippines	-	May Budget Balance	-	4.9
Tuesday 28 June				
Japan	0050	May Retail Sales (YoY%)	3.8	2.9
South Korea	2200	Jun BoK Consumer Sentiment Index	101.0	102.6
Wednesday 29 June				
Japan	0050	May Industrial O/P Prelim (MoM%/YoY%)	0.1/4.1	-1.5/-3.4
South Korea	2200	Jul BOK Manufacturing BSI	87.0	85.0
	0000	May Industrial Output (MoM%/YoY%)	0.5/4.4	-3.3/3.3
Thursday 30 June				
Japan	0030	May Unemployment Rate	2.5	2.5
China	0230	Jun NBS Manufacturing PMI	50.0	49.6
	0230	Jun NBS Non-Manufacturing PMI	49.7	47.8
Indonesia	0500	May M2 Money Supply (YoY%)	-	13.6
Friday 1 July				
Japan	0130	Jun Jibun Bank Manufacturing PMI	52.7	52.7
China	0245	Jun Caixin Manufacturing PMI Final	49.4	48.1
India	0600	Jun IHS Markit Manufacturing PMI	54.2	54.6
		- May Fiscal Deficit - INR Crore	4.5	26.9
		- Jun Imports/Exports - USD Prelim	-	63.2/38.9
Indonesia	0130	Jun IHS Markit PMI	-	50.8
	0500	Jun Inflation (MoM%/YoY%)	-/-	0.4/3.6
Philippines	0130	Jun Manufacturing PMI SA	-	54.1
Taiwan	0130	Jun IHS Markit Manufacturing PMI	51.0	50.0
South Korea	0100	Jun Export/Import Growth Prelim	7.7/23.9	21.3/32.0
	0100	Jun Trade Balance Prelim	-3.5	-1.7
	0130	Jun IHS Markit Manufacturing PMI	52.5	51.8

Source: Refinitiv, ING

Authors

Min Joo Kang

Senior Economist, South Korea and Japan

min.joo.kang@asia.ing.com

Robert Carnell

Regional Head of Research, Asia-Pacific

robert.carnell@asia.ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss

arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.