

Asia week ahead: Key central bank moves and inflation reports

The coming week features key central bank decisions from the Bank of Korea and Bank Indonesia, plus inflation data from Japan and Singapore



(Central bank) decisions decisions decisions...

Next week's Asia calendar features key central bank decisions. We expect the Bank of Korea (BoK) to raise rates by 25bp on 25 August. On the same day, the BoK will release its latest economic outlook. The 2022 GDP outlook could be downgraded slightly to 2.6% from the current 2.7%, while the CPI inflation outlook should rise sharply to 5.3% from 4.5%. Surveys for consumers and businesses are also likely to worsen as the recent nationwide floods will likely take a toll on sentiment.

Bank Indonesia (BI) is also meeting next Thursday and we could see BI Governor Perry Warjiyo whipping out a surprise 25bp rate increase after staying on hold for all of 2022. BI has held firm despite tightening from regional players, indicating that inflation has stayed

“manageable”. Recently, however, plans to decrease the energy subsidy, floated by President Joko Widodo, suggest that the price of subsidised fuel could increase in the near term. A jump in fuel prices could be enough to nudge core inflation past the target and this could be reason enough for BI to hike rates as early as next week.

Meanwhile, we expect banks in China to cut the Loan Prime Rate for 1Y to 3.6% from 3.7%, and 5Y to 4.3% from 4.45%. The market consensus points to banks cutting both the 1Y and 5Y by only 10bp, however. Our more aggressive projection of the 5Y rate cut comes from the government’s request to support economic growth and a larger 5Y cut should help existing mortgagors lower their interest cost burden.

Inflation from Tokyo and Singapore

Inflation reports are also the highlight for next week and Tokyo CPI inflation is expected to stabilise with lower global oil prices and a weaker yen.

For Singapore, both headline and core inflation are expected to heat up further. This should keep the Monetary Authority of Singapore (MAS) on notice for additional tightening with a move likely at the October meeting. Headline inflation could heat up to roughly 7% while core inflation could pick up further to 4.5%.

Other key reports out next week: Key Taiwan data and Japan’s PMI

Other key data reports in the coming week are from Taiwan, which releases export orders, industrial production, and unemployment figures in the coming days. We expect that global demand for semiconductors will slide and therefore put downward pressure on export orders and industrial production. As such, we also expect that the unemployment rate could edge up as economic activity slows. Lastly, we round the week off with Japan’s preliminary manufacturing PMI data, which is likely to drop below 50 on concerns about slowing growth from developed markets and China.

Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 22 August					
China	0215	Aug Loan Prime Rate (1Y/5Y)	3.6/4.3		3.70/4.45
Philippines	-	Jul Budget Balance	-		-215.5
Taiwan	0900	Jul Unemployment rate (%)	3.74		3.73
	0900	Jul Export Orders (YoY%)	7.5		9.49
South Korea	2200	Aug BoK Consumer Sentiment Index	84		86
Tuesday 23 August					
Australia	0000	Aug Manufacturing PMI Flash	-		55.7
	0000	Aug Services PMI Flash	-		50.9
	0000	Aug Composite PMI Flash	-		51.1
Japan	0130	Aug Manufacturing PMI Flash	49.5		52.1
Singapore	0600	Jul Core CPI (YoY%)	4.6		4.4
	0600	Jul CPI (YoY%)	6.8		6.7
	0600	Jul CPI (MoM%) NSA	-		1.0
Indonesia	-	Bank Indonesia policy rate	3.75		3.5
Taiwan	0900	Jul Industrial Output (YoY%)	0.86		0.73
South Korea	2200	Sep BOK Manufacturing BSI	78		80
Wednesday 24 August					
Indonesia	0400	Jul M2 Money Supply (YoY%)	-		10.6
Taiwan	0920	Jul Money Supply - M2 (YoY%)	7.20		7.65
Thursday 25 August					
South Korea	0200	Aug Bank of Korea Base Rate	2.50		2.25
Friday 26 August					
Japan	0030	Tokyo CPI	2.5		2.5
Singapore	0600	Jul Manufacturing Output (MoM%/YoY%)	-/-		-8.5/2.2

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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