

## Asia week ahead: Key China updates

Next week will provide further insight into the regional economic consequences of China's zero-Covid policy, with labour, inflation, trade, and GDP data all released



### China's zero-Covid policy bares its fangs

China will release retail sales, industrial production and fixed asset investment data on Monday. The focus will be on the degree of contraction in the retail sales figures, as well as the corresponding extent of growth in infrastructure investment to cushion the economy. These two opposing forces may not net out against each other. In addition, the issue of whether or not (or rather, how) China's leaders will continue the zero-Covid policy will continue to be a talking point in markets. Following that, the Loan Prime Rate (LPR) decision next Friday should reflect the change in the Medium Lending Facility (MLF) later this week. The regular government meeting stated that monetary policy should not result in a flood of liquidity into the market, although the market continues to price a 5bp cut in the MLF – and therefore, in the 1Y LPR as well.

### Higher prices and weaker growth in Japan

We expect 1Q22 Japanese GDP to have contracted by 0.6% from the previous quarter (on a

seasonally-adjusted basis) as both domestic demand and exports were dampened. We think that consumption bottomed out at the end of 1Q22 after the government lifted some mobility restrictions. But investment is likely to remain soft as uncertainty grew rapidly throughout the quarter. In addition, the contribution of net exports will have been weak - mainly due to higher energy imports. This trend is expected to be confirmed once again in the April trade data, with imports likely to have grown at a faster pace than exports.

The consumer price index for April is also expected to rise above 2%, which will be its highest reading since 2015. Last year's one-off cuts in mobile phone rates create an environment for low base effects to take hold. When taken together with a weaker yen and rising energy prices, this should translate to higher price pressures overall.

## **Labour market tightness in Australia may lead to lowest unemployment rate ever**

April unemployment in Australia is on track to reach its lowest-ever rate of 3.9%, as the number of unemployed people in the labour force is expected to dip slightly for a third consecutive month, while higher wages should also help deliver a mild uptick in total employment. This tightness in the labour market, coupled with comments from the Reserve Bank of Australia that their regional surveys are reporting higher wages growth, leads us to expect the wage price index growth rate for 1Q22 to come in close to 3% - in line with the RBA's previous benchmark required for "sustained" inflation. And that could set us up for another rate hike as soon as June.

## **Trade and GDP data affected by supply chain tightness**

Recent trends for both exports and imports are likely to persist in next week's April trade report in Indonesia. Exports should sustain double-digit gains, benefiting from rising commodity prices. Meanwhile, imports should also show strong gains as imported crude oil prices stay elevated. Exports, however, may take a hit in the coming months following Indonesia's decision to ban select palm oil products to help stabilise domestic supply.

Over in Taiwan, export order growth should continue pushing on at a double-digit pace. But disruptions to supply chains and sudden electricity outages will pose problems throughout the hot summer season. Orders will reflect the ongoing growth in demand, but delivery is an issue that is somewhat out of the producers' control (primarily in the semiconductor industry).

## **Foreign inflows expected to grow in the Philippines**

Overseas remittances will be reported next week and we expect foreign inflows to grow by 3%. Remittances have been a consistent source of foreign currency, and should offset the widening trade deficit to some extent.

## Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
<b>Monday 16 May</b>					
China	0300 Apr	Industrial Output (YoY%)	4.8	0.4	5.0
	0300 Apr	Fixed Asset Investments (YoY% YTD)	10.0	7.0	9.3
	0300 Apr	Retail Sales (YoY%)	-8.8	-6.0	-3.5
<b>Tuesday 17 May</b>					
India	0730 Apr	WPI Inflation (YoY%)	-	14.5	14.6
Indonesia	0500 Apr	Trade Balance (Bln of \$)	1.1		4.5
	0500 Apr	Exports Growth (YoY%)	25		44.4
	0500 Apr	Imports Growth (YoY%)	36		30.9
<b>Wednesday 18 May</b>					
Japan	0050 Q1	GDP (QoQ%)	-0.6		1.1
Australia	0230 Q1	Wage Price Index (QoQ%)	1.3		0.7
<b>Thursday 19 May</b>					
Japan	0050 Apr	Exports (YoY%)	14		14.7
	0050 Apr	Imports (YoY%)	30		31.2
	0050 Apr	Trade Balance Total Yen	-854		-414.1
	0050 Mar	Core Machine Orders (MoM%)	3.0		-9.8
Australia	0230 Apr	Unemployment Rate	3.9		4.00
	0230 Apr	Reserve Assets Total	-		78615
Korea	2200 Apr	PPI	8.8		8.8
<b>Friday 20 May</b>					
Japan	0030 Apr	CPI (YoY%)	2.4		1.2
China	0215 May	Loan Prime Rate 1Y	3.65		3.7
	0215 May	Loan Prime Rate 5Y	4.60		4.6
Singapore	0100 Q1	GDP Final (QoQ%/YoY%)	-/-		1.4/3.4
Taiwan	1000 Apr	Export Orders (YoY%)	13.2		16.8

Source: Refinitiv, ING, \*GMT

### Author

#### Iris Pang

Chief Economist, Greater China

[iris.pang@asia.ing.com](mailto:iris.pang@asia.ing.com)

#### Min Joo Kang

Senior Economist, South Korea and Japan

[min.joo.kang@asia.ing.com](mailto:min.joo.kang@asia.ing.com)

#### Nicholas Mapa

Senior Economist, Philippines

[nicholas.antonio.mapa@asia.ing.com](mailto:nicholas.antonio.mapa@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 [www.ing.com](http://www.ing.com).