

## Asia week ahead: Manufacturing activity and inflation reports out next week

Next week's calendar features PMI readings from the region as well as inflation reports



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### Manufacturing likely still subdued due to China stoppages

The coming week features PMI reports from most Asian economies. We expect manufacturing activity to stay subdued due to the fallout from the ongoing Ukraine war, as well as stoppages in China.

China and Taiwan will release PMI data and we expect both manufacturing and non-manufacturing PMI in China to continue to stay below 50 signalling a monthly contraction in May. However, the contraction will not be as deep as it was in April. For Taiwan, we expect manufacturing PMI to fall to 50.0 from 51.7 as manufacturing activity should be affected by lockdowns in Mainland China and Covid in Taiwan.

### Inflation reports from Korea and Indonesia

Price pressures continue to build globally caused by supply disruptions from the Ukraine war on top of export bans from countries hoping to ensure domestic supply security. Price pressures should remain strong in Korea, thus headline CPI inflation should hit 5.1% year-on-year. However,

we think that monthly gain should slow down a bit due to fuel tax cuts, stable utility bills and the government releasing its fresh food stockpile earlier this month. If it turns out to be higher than the market consensus, then the probability of the Bank of Korea's (BoK's) hike in July and August is going to increase sharply. At the recent MPC meeting, BoK made it clear that it would prioritise inflation over growth. We mark a 25bp hike in July and November respectively, but we will revisit this after checking inflation data for a few months.

Similar trends are noted in Indonesia and headline inflation is expected to rise to 3.7% while core inflation accelerates to 3%. Bank Indonesia (BI) [decided to keep rates untouched](#) this week despite inflation heating up, confident that a round of fiscal subsidies can help keep price pressures at bay. Despite the dovish stance of the central bank, we expect inflation to accelerate further, which may prod BI to finally hike rates at the June meeting.

## The rest of the field

The coming week also features labour market data from Japan and retail sales from Singapore. Japan's jobless rate for April should remain at 2.6% as the re-opening effects should hire more labour while also attracting more people to enter the labour market. Industrial production for April should also benefit from the domestic demand recovery. Meanwhile, Singapore retail sales surprised on the upside in the previous month but we expect this momentum to fade as price pressures bite. Retail sales may still record an expansion but at a more moderate pace of 5%. Retail sales have been a good form of support for overall growth in 1Q and should remain modestly positive in 2Q.

## Key events next week

Country	Time	Data/event	ING Survey	Prev.
<b>Monday 30 May</b>				
Japan	0030 Apr	Unemployment Rate	2.6	2.6
	0050 Apr	Industrial O/P Prelim (MoM%/YoY%)	0.5/1.4	0.3/-1.7
	0050 Apr	Retail Sales (YoY%)	14.0	0.7
South Korea	0000 Apr	Industrial Output (YoY%)	5.2	3.7
<b>Tuesday 31 May</b>				
Australia	0230 Q1	Current Account Balance	-	12.7
China	0230 May	NBS Manufacturing PMI	47.6	47.4
	0230 May	NBS Non-Manufacturing PMI	42.1	41.9
India	1300 Q4	GDP Quarterly (YoY%)	-	5.4
Indonesia	0500 Apr	M2 Money Supply (YoY%)	-	13.3
<b>Wednesday 1 June</b>				
Japan	0130 May	Jibun Bank Manufacturing PMI	53.2	53.2
Australia	0230 Q1	Real GDP (QoQ%/YoY%)	-/-	3.4/4.2
China	0245 May	Caixin Manufacturing PMI Final	46.2	46.0
India	0600 May	IHS Markit Manufacturing PMI	-	54.7
		- May Fiscal Deficit - Bln INR Prelim	-	13165
		- May Imports - USD Prelim	-	60.3
		- May Exports - USD Prelim	-	40.2
Indonesia	0500 May	Inflation (YoY%)	3.7	3.47
	0500 May	Core Inflation (MoM%/YoY%)	0.6/3.0	0.95/2.6
Philippines	0130 May	Manufacturing PMI	54.1	54.3
Taiwan	0130 May	IHS Markit Manufacturing PMI	50.0	51.7
South Korea	0100 May	Export Growth Prelim (YoY%)	21.4	12.9
	0100 May	Import Growth Prelim (YoY%)	32.5	18.6
	0100 May	Trade Balance Prelim (Bil, USD)	-1.9	-2.5
<b>Thursday 2 June</b>				
Australia	0230 Apr	Trade Balance (A\$bn)	-	9314
Indonesia	0130 May	IHS Markit PMI	52.3	51.9
Singapore	1400 May	Manufacturing PMI	50.1	50.3
South Korea	0130 May	IHS Markit Manufacturing PMI	52.3	52.1
	0000 May	CPI Growth (MoM%/YoY%)	0.4/5.1	0.7/4.8
<b>Friday 3 June</b>				
Japan	0130 May	Services PMI	51.7	51.7
India	0600 May	IHS Markit Services PMI	-	57.9
Singapore	1300	Retail sales	5.8	8.7

Source: Refinitiv, ING

## Author

### Min Joo Kang

Senior Economist, South Korea and Japan

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

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