

Asia week ahead: Policy meetings in China and the Philippines

Next week's data calendar features policy meetings from the People's Bank of China (PBoC) and Banko Sentral ng Pilipinas (BSP), wage and job data from Australia, plus growth and price data from Japan



Wage and job data to be released in Australia

Justifying the recent increase in the cash rate, Reserve Bank of Australia (RBA) Governor Philip Lowe noted that the central bank would continue to "...pay close attention to... the evolution of labour costs", of which the main indicator is the quarterly wage price index. The next one of these is due out on 17 May. This has been rising very slowly. But with the RBA hiking in May, one wonders if it might have had advanced knowledge that this number is going to come in higher than consistent with its inflation target.

The run rate for this index on a quarterly basis has been about 0.8% quarter-on-quarter, and we would expect something similar this time. If so, that would lift the wage-price inflation rate to 3.5%. If we got a repeat of the third quarter of 2022 quarter-on-quarter result, then we could see

the wage inflation rate rise as high as 3.8% year-on-year, and anything at this sort of level or above would probably set off alarm bells at the RBA.

Furthermore, April labour market data that is out on 18 May will add to the story, with the unemployment rate being a key focus. We are expecting a very slight increase to 3.6% from 3.5%, though the risk to this forecast is likely to be on the downside as labour force growth remains strong. The monthly employment change will likely see the very rapid rate of full-time jobs growth in recent months drop back, though this may be offset by a pick-up in part-time jobs, and so the overall total employment growth for April could remain at a buoyant 40,000.

Upcoming GDP and inflation data from Japan

Japan will release several data points next week. The highlight should be first-quarter GDP on Wednesday. We expect a mild improvement and GDP to grow at 0.4% QoQ seasonally adjusted. This is mainly driven by the services sector, while exports and manufacturing remained weak.

We are also expecting CPI and PPI inflation figures, which will confirm that the headline figures are continuing to cool due to falling commodity prices and the base effect. Core inflation however is expected to remain sticky and is likely to stay on the rise.

Activity data from China plus the PBoC meeting

The PBoC will decide whether to change the 1Y Medium Term Facility Rate (MLF) on 15 May. We expect no change at 2.75%. A rate cut would be perceived by the market that the economy was not on the path to recovery. However, the ongoing improvement in consumption, driven by internal tourism during the Golden Week holiday, suggests that recovery is happening. Moreover, the challenge from a weaker external sector cannot be addressed by a rate cut. It is possible that the central bank may add more liquidity to the money market via the MLF operation. But that should not lower the market interest rate significantly unless the scale of liquidity injection is large, which is not our expectation.

Meanwhile, the Statistics Bureau will also release industrial production, retail sales, fixed assets investments and surveyed jobless rate data on 16 May. Interpreting this set of data requires attention to the low base effect last year. The data should show more than 10%YoY growth for industrial production and more than 18%YoY for retail sales, but those should be moderate month-on-month growth. Industrial production reflects the existing picture of the economy, a recovery of the domestic market but a slower external market. Retail sales strength for April should only be moderate as spenders planned leisure trips in May and saved for those trips in April. Our focus for this set of data is fixed assets investments (FAI). This should give us more hints on the speed of the government implementing infrastructure investments. We expect slight improvement on a monthly basis.

BSP set to pause next week

The Philippines' central bank will hold a policy meeting next week with market participants split on whether it will keep its policy rate unchanged at 6.25%. Recent comments from BSP Governor Felipe Medalla suggest that he will end the bank's aggressive tightening cycle now that inflation has shown clear signs of heading back toward the 2-4% inflation target. Medalla also hinted at a potential reduction of the reserve requirement ratio in the coming months. We expect BSP to pause next week with inflation on the downtrend and signal an eventual rate cut by the end of the

third quarter should inflation trends persist.

Key events in Asia next week

All time refers to Singapore time

Country	Time	Data/event	ING	Survey	Prev.
Monday 15 May					
India	0730	Apr WPI Inflation (YoY%)	-	-0.2	1.34
Indonesia	0500	Apr Trade Balance (USD bn)	4.2		2.91
	0500	Apr Imports/Exports Growth (YoY%)	-8.2/-15.5		-6.26/-11.33
China		Apr 1Y Medium Lending Facility Rate (%)	2.75		2.75
Tuesday 16 May					
Japan	0050	Q1 GDP (QoQ%)	0.4		0
China	0300	Apr Industrial Output (YoY%)	10.1	10.1	3.9
	0300	Apr Retail Sales (YoY%)	18.2	20.1	10.6
	0300	Apr Fixed Assets Investments (YoY% YTD)	6.0		5.1
	0300	Property Investments (YoY% YTD)	-5.7		-5.8
	0300	Surveyed Jobless Rate (%)	5.3		5.3
Wednesday 17 May					
Japan	0050	Apr Imports/Exports (YoY%)	0.8/4.0		7.3/4.3
	0050	Apr Trade Balance Total (Yen)	-600		-754.5
Thursday 18 May					
Australia	0230	Apr Unemployment Rate	-		3.5
Philippines	0800	Policy Interest Rate	6.25		6.25
Friday 19 May					
Japan	0030	Apr CPI (YoY%)	3.0		3.2
	0330	Mar Tertiary Industry Index (MoM%)	0.4		0.7

Source: Refinitiv, ING

Authors

Robert Carnell

Regional Head of Research, Asia-Pacific

robert.carnell@asia.ing.com

Min Joo Kang

Senior Economist, South Korea and Japan

min.joo.kang@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>.