

## Asia week ahead: RBI likely to pause while China's exports rise

A busy week ahead for Asia should see the Reserve Bank of India pausing alongside trade data set for release in China, Taiwan and South Korea. The focus also shifts to Australia's GDP report, Japan's labour cash earnings and inflation out from Taiwan, Indonesia and the Philippines



### RBI likely to stand pat

The Reserve Bank of India (RBI) meeting on 7 June is unlikely to result in any change to the 6.5% policy repurchase rate. Indian inflation remains relatively well-behaved, while PMI data continues to point to robust growth, irrespective of volatility in the GDP numbers. The RBI remains focused on maintaining stability in the exchange rate, and until we see international rates starting to be cut, it is unlikely that the RBI will change its own policy rates.

## China trade and Caixin PMI numbers out next week

The Caixin manufacturing PMI will be published on Monday, where markets are looking for a small uptick to 51.6 from the previous month's 51.4 measure. The Caixin PMI has mostly been outperforming the official PMI over the past year; given that Caixin PMI respondents are more weighted toward the private sector, this sends a slightly conflicting signal amid other signs of weak private sector sentiment.

China's May trade data is scheduled for Friday, where we are expecting the base effect to lead to a rebound of exports to 8.8% year-on-year and a slight moderation of imports to 5.5% YoY. The impact of new tariffs from the US will have no bearing on this release as they not expected to take effect until August.

## Australia GDP to moderate?

Ahead of this year's first quarter GDP release on 5 June, we'll see private capital expenditure data as well as the contribution to GDP from net exports, which will help to set the scene for the first quarter. Fourth quarter GDP in 2023 registered an increase of 0.2% quarter-on-quarter, and at this stage, we aren't expecting the first quarter figure of this year to be much different – which would be equivalent to growth slowing from 1.5% YoY to just 1.2%.

## Taiwan data dump of PMI, inflation and trade

Taiwan releases the May manufacturing PMI data on Monday. Here, markets will watch out for a second consecutive month of expansion or a fall back into contraction. Prior to April's rise to 50.2, the manufacturing PMI had been in contraction since May 2022, and given seasonality factors, odds may be balanced toward a return to contraction. May CPI data is scheduled for Thursday, where we are expecting a small uptick to bring CPI to 2.1% YoY.

Finally, trade data will be published on Friday, where we are looking for an uptick of exports to 8.8% YoY and a small moderation of imports to 4.2% YoY for a trade balance of USD6.8bn.

## South Korea's exports to get a boost from chips

We believe a strong chip cycle should boost exports and manufacturing activity in South Korea. Exports in May are expected to rise 15.3% YoY on the back of strong chip exports. The recovery is somewhat limited, however, to the semiconductor sector. As a result, the manufacturing PMI is expected to remain below neutral level, although we could see an improvement from the previous month.

## Japan's labour cash earnings

The most anticipated data release next week in Japan should be labour cash earnings and household spending in April. We don't expect a dramatic advance, as we think the latest shunto results are likely to take effect from May.

## Inflation out from Indonesia and the Philippines

Indonesia and the Philippines report their latest inflation reports next week. Indonesia's inflation could tiptoe higher to 3.1% YoY as IDR weakness feeds through to imported inflation. This translates to roughly a 0.15% growth on a month-on-month basis. We believe Bank Indonesia (BI)

could be open to further tightening should IDR weakness persist and inflation trend closer to the top end of the central bank's 1.5-3.5% target.

Meanwhile, inflation in the Philippines is also likely to edge higher, ticking up to 4.0%YoY due to an increase in domestic gasoline prices. Expensive rice prices are also likely to push up the headline number, but core inflation could edge lower to 3.0% YoY. Bangko Sentral ng Pilipinas recently struck a more dovish tone – possibly as its focus shifts to falling core inflation and moderating growth.

## Key events in Asia next week

Country	Time (GMT)	Data/event	ING	Prev.
Saturday 1 June				
South Korea	0100	May Export Growth Prelim	15.3	13.8
	0100	May Import Growth Prelim	3.2	5.4
	0100	May Trade Balance Prelim	4	1.53
Sunday 2 June				
Singapore	1400	May Manufacturing PMI	-	50.5
Monday 3 June				
Japan	0050	1Q24 Capital Spending (YoY%)	10	16.4
	0130	May Jibun Bank Manufacturing PMI	50.5	50.5
	0050	May Monetary Base (YoY%)	-	1.76
China	0245	May Caixin Manufacturing PMI Final	-	51.4
India	0600	May IHS S&P Global Manufacturing PMI	58.4	58.4
Indonesia	0130	May IHS S&P Global PMI	-	52.9
	0500	May Inflation (MoM%/YoY%)	0.15/3.1	0.25/3.00
	0500	May Core Inflation (MoM%/YoY%)	-/-2.0	0.23/1.82
Philippines	0130	May Manufacturing PMI SA	-	52.2
Singapore	1000	May Foreign Reserves USD	-	366.9
Taiwan	0130	May IHS S&P Global Manufacturing PMI	-	50.2
South Korea	0130	May IHS S&P Global Manufacturing PMI	49.9	49.4
Tuesday 4 June				
Australia	0230	Q1 Current Account Balance SA	-	11.8
South Korea	0000	May CPI Growth (MoM%/YoY%)	0.2/2.9	0.0/2.9
Wednesday 5 June				
Japan	0030	Apr Labour Cash Earnings (MoM%)	1.5	1
	0130	May Services PMI	53.6	53.6
Australia	0230	Q1 Real GDP (QoQ%/YoY%)	0.2/1.2	0.2/1.5
China	0245	May Caixin Services PMI	-	52.5
India	0600	May IHS S&P Global Services PMI	61.4	61.4
Philippines	0200	May CPI (MoM%/YoY%)	0.2/4.0	-0.1/3.8
	0200	May Core CPI (YoY%)	3.0	3.2
Singapore	0600	Apr Retail Sales (MoM%/YoY%)	-3.5/3.8	-1/2.7
Taiwan	0920	May Foreign Exchange Reserve	-	567.01
South Korea	0000	Q1 GDP Growth (QoQ%/YoY%)	1.3/3.4	1.3/3.4
Thursday 6 June				
Japan	0030	Apr All Household Spending (YoY%)	1	-1.2
	0030	Apr All Household Spending (MoM%)	1.5	1.2
Taiwan	0900	May CPI (YoY%)	2.1	1.95
Friday 7 June				
China	0900	May FX Reserves (Monthly)	-	3.201
	-	May Exports	8.7	1.5
	-	May Imports	5.5	8.4
	-	May Trade Balance	77.9	72.35
India	0530	Repo Rate	6.5	6.5
	0530	Reverse Repo Rate	3.35	3.35
	0530	Cash Reserve Ratio	-	4.5
Indonesia	0500	May Forex Reserves	-	136.2
Philippines	-	May Forex Reserves USD	-	103.4
Taiwan	0900	May Imports	4.2	6.6
	0900	May Exports	8.8	4.3
	0900	May Trade Balance	6.8	6.46

## Author

### Lynn Song

Chief Economist, Greater China

[lynn.song@asia.ing.com](mailto:lynn.song@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)

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