

Asia week ahead: Reserve Bank of Australia to decide on policy rate

Next week's data calendar features a key policy decision from Australia, inflation numbers from Indonesia and the Philippines, plus retail sales from Singapore



Persistent inflation could prompt RBA to hike again

The June Reserve Bank of Australia (RBA) meeting is a tough one to call. The RBA recently confused markets with its reversion to a more hawkish stance, even as inflation was weakening, and now the fall in inflation has reversed, there is a reasonable argument for it to hike again this month. However, the quarterly CPI data still seem to carry more weight than the monthly series at the moment, so some forecasters expect the RBA to wait until the August meeting when it will be able to respond to second-quarter CPI inflation.

Our forecasts are for inflation in July to have fallen to 5.2% year-on-year, but the second-quarter rate will still probably be in excess of 6%, so the RBA could well argue a further hike was needed then to ensure that inflation was falling fast enough. But with inflation rising again in April, it is

going to be very hard for the RBA to sit on the sidelines in June, so a low conviction 25bp hike is our call this month, but we wouldn't be shocked if the central bank decides to pause.

Philippine trade balance to stay in deficit on soft electronics exports

April export data is set for release next week and we could see both imports and exports remain in negative territory. Imports are expected to drop on a year-on-year basis on shrinking energy imports, while exports could face another month of contraction due to soft demand for electronics. The Philippine export sector is dominated largely by electronics, and weak global demand for smartphones and gadgets will likely impact the overall Philippine export sector. The trade gap is forecast to remain in deep shortfall (\$5.1bn) which points to pressure on the Philippine peso in the near term.

Inflation readings from Indonesia and the Philippines

Headline inflation numbers for both Indonesia and the Philippines will be reported next week. We believe headline inflation will continue to cool on a year-on-year basis as favourable base effects help push the headline number back toward target. Core inflation, on the other hand, could prove to be tricky as domestic demand for both countries remains robust. Core inflation in the Philippines may inch lower to 7.5%YoY (down from 7.9%) while Indonesia may even see core inflation inch up to 2.9% from 2.8% previously. Moderating headline inflation gives both Bank Indonesia and the Bangko Sentral ng Pilipinas space to maintain policy settings, however, we don't expect central banks to consider cutting rates just yet given the pressure on their respective currencies.

Singapore retail sales could manage to post growth

Singapore retail sales are expected to remain in expansion, although slowing from the pace reported in March. Elevated inflation is likely sapping some consumption momentum. The sustained increase in visitor arrivals however may be helping to provide retail sales a decent lift, especially for department store sales and services related to recreation. We expect retail sales to be subdued in the near term with a potential rebound should inflation decelerate towards year-end.

Key events in Asia next week

All times are Singapore time

Country	Time	Data/event	ING	Survey	Prev.
Monday 5 June					
Japan	0130	May Services PMI	-		56.3
	0030	Apr All Household Spending (MoM%/YoY%)	-		-0.8/-1.9
China	0245	May Caixin Services PMI	-		56.4
India	0600	May IHS S&P Global Services PMI	-		62
Indonesia	0130	May IHS S&P Global PMI	-		52.7
	0500	May Core Inflation (YoY%)	2.9		2.83
	0500	May Inflation (MoM%/YoY%)	-4.3		0.33/4.33
Singapore	0600	Apr Retail Sales (MoM%/YoY%)	-7.0/0.2		2.2/4.5
Taiwan	0920	May Foreign Exchange Reserve	-		561.116
Tuesday 6 June					
Australia	0230	Q1 Current Account Balance SA	-		14.1
	0530	Jun RBA Cash Rate	4.1	3.85	3.85
Philippines	0200	May CPI (MoM%/YoY%)	-0.1/6.0		-0.2/6.6
	0200	May Core CPI (YoY%)	7.5		7.9
Taiwan	0900	May CPI (YoY% NSA)	-		2.35
Wednesday 7 June					
Japan	0050	Q1 GDP Revised (QoQ% ann)	-		1.6
	0050	Q1 GDP Revised (QoQ%)	-		0.4
Australia	0230	Q1 Real GDP (QoQ%/YoY%)	0.4/2.5		0.5/2.7
China	-	May FX Reserves (Monthly)	-		3.205
	0400	May Imports/Exports	-		-7.9/8.5
	0400	May Trade Balance	-		90.21
Indonesia	0500	May Forex Reserves	143.5		144.2
Philippines	-	May Forex Reserves (USD bn)	101.10		101.51
Singapore	1000	May Foreign Reserves (USD bn)	-		312
Taiwan	0900	May Imports/Exports	-		-20.2/-13.3
	0900	May Trade Balance	-		6.71
Thursday 8 June					
Japan	0050	May M2 Money Supply (YoY%)	-		1225505
Australia	0230	Apr Trade Balance (AUD bn)	-		15269
India	0530	Repo Rate	6.5	6.5	6.5
	0530	Reverse Repo Rate	3.35		3.35
	0530	Cash Reserve Ratio	4.5		4.5
South Korea	0000	Apr Current Account Balance NSA	-		0.27
Friday 9 June					
China	0230	May PPI (YoY%)	-		-3.6
	0230	May CPI (MoM%/YoY%)	-/-		0.1/-0.1
Indonesia	0500	Apr Retail Sales Index (YoY)	3.5		4.9
Philippines	0200	Apr Imports/Exports (YoY%)	-5.3/-10.2		-2.7/-9.1
	0200	Apr Trade Balance	-5300		-4927

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