

## Asia week ahead: Australian central bank likely to keep rates on hold

The Reserve Bank of Australia (RBA) is likely to keep rates untouched at 4.1%, while inflation reports from the region are likely to show moderating readings



### RBA likely to keep rates untouched at 4.1%

Following the surprisingly large fall in May headline CPI inflation to 5.6% year-on-year from 6.8% in April, there seems little prospect of the RBA hiking rates again following what, by its own admission, was a finely balanced decision in June. That hike only got over the line because of the large upward spike in April inflation, so it would seem extremely odd to hike again if inflation surprises on the downside.

We are keeping an open mind on one final hike this cycle, and the September meeting looks like the most likely candidate to us. July CPI will have to absorb a large electricity tariff spike of 20% YoY, or more by some estimates, and the base effects are less helpful over the third quarter too. But that will probably be it for the RBA, in our view.

## China Caixin PMI numbers to show struggling sector

Caixin PMI data will take their cue from the official PMI numbers due out on 30 June. These are likely to show that the manufacturing sector is still struggling, but may also show service sector strength waning, as re-opening pent-up demand starts to normalise again.

## India's strong PMI reading points to strong growth

Both India's manufacturing and service sector PMIs are running at extremely strong levels. The manufacturing sector, in particular, has shown an acceleration in recent months, but may now be due a slight correction lower. Not being very exposed to either China or the global semiconductor slowdown is helping India.

## Korea trade and inflation data set for release

Exports in Korea are expected to contract again in June. But due to strong auto and vessels exports, the contraction (-6.4%) should be quite a bit lower than the previous month of -15.2% YoY. We think vessel exports should be strong this year due to the imminent delivery of pre-order ships, considering that the shipbuilding period is at least two-to-three years. But since this does not reflect the current global demand cycle, it is necessary to focus more on exports excluding ship data to understand global demand conditions better.

Meanwhile, we expect consumer inflation to decelerate quite sharply in June and reach the 2% range mainly due to the high base last year. The gains from utility fees should be partially offset by the decline in gasoline, fuel and rent prices.

## Japan's Tankan survey to show economic recovery

Business survey data will be released in Japan next week. Both Tankan and PMI surveys will show that the country's economy is on the path to recovery, led by solid service activity in particular.

## Inflation to moderate further in Indonesia and the Philippines

Headline inflation is set to moderate further for both Indonesia and the Philippines. Inflation should remain within target in Indonesia, settling at 3.8%YoY, while core inflation could be flat at 2.7%YoY. Meanwhile, Philippine inflation should sustain its downtrend, with May inflation possibly slipping to 5.5%YoY from 6.1% previously. Slowing inflation should give both Bank Indonesia and the Bangko Sentral ng Pilipinas space to keep rates untouched in the near term.

## Key events in Asia this week

Country	Time (GMT+8)	Data/event	ING	Survey	Prev.
<b>Saturday 1 July</b>					
South Korea	0100	Jun Export Growth Prelim	-6.4	-3	-15.2
	0100	Jun Import Growth Prelim	-8.6	-11	-14
<b>Monday 3 July</b>					
Japan	0050	Tankan Large Outlook (Mfg/Non-Mfg)	4/20		3/15
	0130	Jun Jibun Bank Manufacturing PMI	49.8		49.8
	0050	Jun Monetary Base (YoY%)	-		-1.29
China	0245	Jun Caixin Manufacturing PMI Final	50.2		50.9
India	0600	Jun IHS S&P Global Mfg PMI	57.4	58	58.7
Indonesia	0130	Jun IHS S&P Global PMI	-		50.3
	0500	Jun core Inflation (YoY%)	2.7	2.65	2.66
	0500	Jun Inflation (MoM%/YoY%)	-3.8	0.09/4.0	0.09/2.66
Philippines	0130	Jun Manufacturing PMI SA	-		52.2
Singapore	1400	Jun Manufacturing PMI	-		49.5
Taiwan	0130	Jun IHS S&P Global Manufacturing PMI	-		44.3
South Korea	0130	Jun IHS S&P Global Manufacturing PMI	49		48.4
<b>Tuesday 4 July</b>					
Australia	0530	Jul RBA Cash Rate	4.1	4.1	4.1
South Korea	0000	Jun CPI Growth (MoM%/YoY%)	0.2/2.9	0.2/2.85	0.3/3.3
<b>Wednesday 5 July</b>					
Japan	0130	Jun Services PMI	54.2		54.2
China	0245	Jun Caixin Services PMI	53		57.1
India	0600	Jun IHS S&P Global Services PMI	59.8	60.4	61.2
Philippines	0200	Jun CPI (MoM%/YoY%)	0.2/5.5	/	0/6.1
	0200	Jun Core CPI (YoY%)	7.5		7.7
Singapore	0600	May Retail Sales (MoM%/YoY%)	-2.3/-1.3	/	0.3/3.6
Taiwan	0920	Jun Foreign Exchange Reserve	-		562.87
<b>Thursday 6 July</b>					
Japan	0030	May All Household Spending (MoM%/YoY%)	-		-1.3/-4.4
Australia	0230	May Trade Balance (AUD bn)	-		11158
Taiwan	0900	Jun CPI (YoY% NSA)	-		2.02
<b>Friday 7 July</b>					
China	-	Jun FX Reserves (Monthly)	-		3.177
Indonesia	0500	Jun Forex Reserves	-		139.3
Philippines	-	Jun Forex Reserves (USD bn)	-		101.3
Singapore	1000	Jun Foreign Reserves (USD bn)	-		325.7
Taiwan	0900	Jun Imports/Exports	-		-21.7/-14.1
	0900	Jun Trade Balance	-		4.89
India	1230	FX Reserves (USD bn)	-		596.1
South Korea	0000	May Current Account Balance NSA	-		-0.79

Source: Refinitiv, ING

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