

Asia week ahead: Spotlight on Indonesia's central bank

Expect Indonesia's central bank to hike rates by another 25bp to stem the rupiah's weakness. The other highlights include manufacturing releases for May from Korea, Singapore, Taiwan and Thailand



5%

ING forecast of BI policy rate

Up by 25 basis points

Bank Indonesia to tighten policy ... again

Bank Indonesia's monetary policy meeting is the key highlight of the week ahead.

Financial stability will be the main focus of the meeting as an escalation of global trade tensions keep domestic financial assets and the rupiah (IDR) under a weakening pressure. Following its

Philippine counterpart, BI moved to tighten policy in May and raised interest rates by a total 50bp, two 25bp moves taking the main policy rate to 4.75%. Alas, the hikes did little to stem the currency weakness in both countries. Philippine's central bank raised rates by another 25bp this week, and we expect Bank Indonesia to follow suit next week.

On a positive note, however, Indonesia's trade data for May due next week is likely to show a swing in the trade balance to surplus from a deficit. A swing to about \$1bn surplus in May from \$1.6bn deficit in the previous month is what we anticipate, should bring some life into the currency.

52.3 China manufacturing PMI
ING forecast

➔ Trade tension weighs on China's manufacturing

The soft data on China manufacturing PMI for June may not capture the impact of trade war just yet. At least that's what appears from our house forecast of a rise in PMI to 52.3 in June from 51.9 in May. However, we aren't ruling out a downside risk.

The manufacturing PMI has been bouncing around 51 over the past two years, the level associated with about 6% year on year industrial production growth. Any dent in trading from tariffs will also dent manufacturing.

The good news is that China has started pre-emptive [measures to cushion potential trade war impact](#).

➔ So far so good, exports still supporting manufacturing elsewhere

The industrial production releases for May from Korea, Singapore, Taiwan, and Thailand should benefit from firmer exports from these countries. Apart from Thailand, the growth of exports from other economies reporting industrial production data accelerated in May, led by firmer electronics exports.

Industrial production growth closely tracks real GDP growth in most Asian economies, and the combined April-May data will offer a good insight into GDP growth in the current quarter.

Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 25 June					
Indonesia	0500	May Imports (YoY%)	11.4	-	34.68
	0500	May Exports (YoY%)	14.5	-	9.01
	0500	May Trade balance (US\$m)	1034	-	-1629.3
Philippines	-	May Budget balance (PHP bn)	-	-	46.3
Singapore	0600	May CPI (YoY%)	0.3	-	0.1
	0600	May CPI core (YoY%)	1.5	-	1.3
Taiwan	0900	May Industrial production (YoY%)	6.5	5.8	8.53
	0920	May Money supply (M2) (YoY%)	3.1	-	3.59
South Korea	2200	Jun BOK Consumer Sentiment Index	-	-	107.9
Tuesday 26 June					
Hong Kong	0930	May Exports (YoY%)	8.5	-	8.1
	0930	May Imports (YoY%)	11.3	-	11.1
	0930	May Trade balance (HK\$ bn)	-48.2	-	-46.9
Singapore	0600	May Industrial production (MoM/YoY%)	2.0/13.0	-/-	0.2/9.1
Wednesday 27 June					
China	0230	May Industrial profits (YTD, YoY%)	17	-	21.9
Thursday 28 June					
Indonesia	-	BI policy decision (7-day reverse repo, %)	5	-	4.75
Thailand	-	May Manufacturing index (YoY%)	3.1	-	4
South Korea	2200	Jul BOK Business Survey Index, mfg	-	-	80
	2200	Jul BOK Business Survey Index, non-mfg	-	-	82
Friday 29 June					
India	1200	May Fiscal deficit (INR crore)	-	-	151967
South Korea	0000	May Industrial production (MoM/YoY%)	2.0/1.9	-/-	3.4/0.9
Saturday 30 June					
China	0900	Jun Official manufacturing PMI	52.3	-	51.9
	0900	Jun Official non-manufacturing PMI	55	-	54.9

Source: ING, Bloomberg