

Asia week ahead: Will Bank Indonesia surprise with a rate hike?

Next week's data calendar features a couple of central bank meetings and the Reserve Bank of Australia minutes



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A Bank of Japan pause, a Bank Indonesia surprise, and China's loan prime rate

The coming week features a relatively light data calendar but we do have some developments on the central bank front. Given the recent pick-up in Covid cases and weaker-than-expected consumption recovery, we expect the Bank of Japan (BoJ) to stand pat at its meeting on 21 July. The BoJ will likely pay more attention to downside risks to growth as inflation remains subdued.

Bank Indonesia (BI) holds a policy meeting next week and we believe we could see a surprise from Governor Perry Warjiyo. Previously, Warjiyo had preached patience in hiking rates, tagging subdued core inflation as a reason to keep rates at 3.5%. Recent developments, however, could

convince BI to finally whip out a rate hike with US inflation surging and regional central banks resorting to off-cycle rate tightening in the past few days. Thus we believe BI can move to hike rates with a modest 25bp to help provide additional support for the Indonesian rupiah in the near term.

Lastly, banks in China will announce the 1-Year and 5-Year Loan Prime Rate this coming Wednesday. We expect there would be no change to these rates as loan growth picked up strongly in June, suggesting that the current interest rate level is sufficient to keep loan growth healthy.

Reserve Bank Australia minutes

The Reserve Bank of Australia (RBA) hiked rates by 50bp on 5 July, and the minutes from that meeting may give us some insight into whether we get a 75bp or bigger hike at the August and September meetings. Much will doubtless rest on two data points over the coming months. The first will be the second quarter CPI release on 27 July, shortly before the 2 August RBA meeting. And then the second quarter wage price index on 17 August, ahead of the 6 September RBA meeting.

Other important releases: Taiwan export orders

Not much else is on the data calendar for next week but we note that Taiwan will be releasing data on export orders. Export orders out from Taiwan could show slightly faster growth as consumer demand has begun to recover in Mainland China post-lockdowns.

Asia Economic Calendar

Country	Time	Data/event	ING Survey	Prev.
Wednesday 20 July				
Japan	0050	Jun Imports/Exports (YoY%)	46.0/18.0	48.9/15.8
	0050	Jun Trade Balance Total (Yen bn)	-1500.0	-2385.8
China	0215	Jul Loan Prime Rate 1Y/5Y	3.70/4.45	3.70/4.45
Taiwan	0900	Jun Export Orders (YoY%)	6.6	6.0
Thursday 21 July				
Japan	-	Bank of Japan Rate Decision	-0.1	-0.1
Australia	0000	Jul Manufacturing PMI Flash	55.8	56.2
	0000	Jul Services PMI Flash	52.2	52.6
	0000	Jul Composite PMI Flash	52.2	52.6
Indonesia	-	Jul 7-Day Reverse Repo	3.75	3.50
Friday 22 July				
Indonesia	0400	Jun M2 Money Supply (YoY%)	-	12.1
Philippines	-	Jun Budget Balance (PHP bn)	-	-146.8
Taiwan	0900	Jun Unemployment rate (%)	3.72	3.73
Japan	0030	Jun CPI NSA (MoM%)	0.2	0.3
	0030	Jun CPI NSA (YoY%)	2.4	2.5
	0130	Jibun Bank Japan Manufacturing PMI	53.0	52.7

Source: Refinitiv, ING

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