ASEAN Morning Bytes

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EM Space: More central bank easing in the Philippines

- **General Asia:** Asian markets will grapple for some sense of direction given mixed comments on US-China from US Vice President Pence. The key data on the calendar today are Singapore industrial production and US consumer sentiment.
- **Singapore:** September industrial production data will inform on the direction of revision to advance 3Q GDP growth of 0.1% YoY (0.6% QoQ SAAR). The consensus is 4.8% YoY fall in IP, nearly double the 2.6% fall implied by the 3Q manufacturing GDP. With over 8% NODX fall in the last month, a steeper IP fall than consensus view won't come as a surprise to us. This could push GDP growth into negative territory, confirming a recession as also reflected by the highest unemployment rate of 2.3% since the 2009 global financial crisis. The economy is screaming for stimulus.
- **Thailand:** The government signed a public-private partnership deal to build a high-speed railway linking three of the country's international airports. The construction of a 220 kilometers rail project costing about $7.4 billion will start in the next one to two years and will be completed over five years. The political uncertainty has been the main headwind to such an investment boost that's required to pull the economy out of the slow growth trap it's been in for nearly a decade now.

- **Philippines:** As we had flagged in this space yesterday, the Bangko Sentral ng Pilipinas reduced reserve requirements (RRR) further by 100 bps effective. The cut to be effected in December is in line with the central bank's broader financial reform agenda. The 400 bps year-to-date cut takes RRR to 14% of total deposits by year-end to ease chronic liquidity tightness. Yet, 14% remains one of the highest RRR in the region and we don't rule out further cuts in 2020 as Governor Diokno aims to take it down to single digits during his term. We expect further 400 bps RRR reduction in 2020 alongside 50 bps worth of cuts to the policy rate to address sagging growth momentum.
- **Indonesia:** Consistent with consensus, Bank Indonesia (BI) cut policy rates for a fourth time yesterday by 25 bps taking the overnight repurchase rate to 5.0%. It cited the need for fresh stimulus to the economy amid weak global prospects, Governor Warjiyo kept the door open for further rate cuts with continued “accommodative” stance, though it will remain data-dependent. While we don't expect any more cuts this year as the BI assesses the impact of recent easing, we expect more easing in 2020.

What to look out for: US consumer sentiment

- Singapore industrial production (25 October)
- Thailand GIR (25 October)
- US Michigan consumer sentiment (25 October)