

ASEAN Morning Bytes

Asian central bank easing cycle has intensified with the Philippines BSP joining the race today, possibly cutting rates by more than the usual 25bp.



EM Space: Central bank easing gets up to speed

- **General Asia:** It's all kicking off in Central Bank space with three cuts yesterday from the Bank of Thailand, Reserve Bank of India and the Reserve Bank of New Zealand. Pressure must be building on BSP Governor, Diokno, to deliver more than 25bp today, and the ECB too after dreadful German production figures raise spectre of recession. The Fed won't be far behind...
- **Thailand:** The Bank of Thailand caught the markets off-guard by cutting the policy interest rate by 25bp yesterday. The policy statement noted increased downside growth risks and continued subdued inflation prospects in support of easing. While rate cuts will take some of the appreciation pressure off the Thai baht, we don't see the currency losing its luster as a top-performing emerging market currency just yet. That said, we are revising our end-2019 USD/THB view to 31.5 from 31.0 ([here is more](#)).
- **Indonesia:** Bank Indonesia's new Deputy Governor Destry Damayanti indicated that central bank easing cycle "is set to last long" as the economy is in need of stimulus to boost growth amid darkening clouds on the global front. Furthermore, Damayanti said that BI will be utilizing a "mix of monetary and macroprudential policies to ensure financial stability".

However, given the recent currency (IDR) volatility, we expect BI to be on the sidelines and hold off on rate cuts until the IDR stabilizing.

- **Philippines:** June export growth of 1.5% YoY was in line but import decline by 10.4% was far worse than expected, which narrowed the trade deficit to \$2.5 billion from \$3.3 billion in May. The still wide trade gap will likely weigh on 2Q GDP numbers to be reported later this morning, sustaining it below 6% for the second consecutive quarter (consensus at 5.8%). And with continued deceleration inflation, there is scope for the BSP to ease by more than expected 25bp rate cut later today.

What to look out for: China trade data

- Philippines GDP (8 August)
- BSP meeting (8 August)
- Singapore retail sales (8 August)
- China trade balance (8 August)
- US wholesale inventories (8 August)
- Japan GDP (9 August)
- China inflation (9 August)
- US producer prices (9 August)

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