

## Asia week ahead: Thailand and Philippines to extend easing cycle

Another big week of central bank meetings in Asia with two of them likely to cut rates, but one doing so more convincingly than the other



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### Another trio of Asian central banks meet next week

The next barrage of central bank policy decisions in the region will come from New Zealand, Philippines, and Thailand next week after Taiwan, Japan and Indonesia's central bank met this week. As was widely expected, the Bank of Japan and Taiwan's central bank left rates on hold but Bank Indonesia delivered its third rate cut for the year despite heightened market volatility making the Indonesian rupiah Asia's worst performer this week.

We anticipate more central bank action next week.

## ↓ Philippines central bank

Latest data from the Philippines shows a sharp slide in consumer price inflation in August below the central bank's 2-4% policy target which set another 25bp rate cut in stone - the third this year taking the BSP's overnight borrowing rate to 4.00%. This is one of the two Asian central banks (the other being Bank Indonesia) enjoying significant policy space from 175bp of rate hikes last year.

We don't think the BSP will need to use up all that policy leeway going forward unless pent-up government spending fails to revive GDP growth above 6% in the second half of 2019.

## ↓ Bank of Thailand

The Thai economy is among Asia's worst performers this year and is in need of greater policy support. The Bank of Thailand started cutting rates in August, albeit reluctantly judging from their hawkish stance, which made our view of a back-to-back 25bp policy rate cut to 1.25% next week looking rather difficult to materialise. However, economic data since the last meeting paints an increasingly weak economic outlook, while the political noise frustrates expectations of the recently announced fiscal stimulus kick-starting the economy anytime soon.

Making matters worse is the continued Thai baht appreciation, which is why we're having another out-of-consensus call on BoT policy, as we did in August.

## → Reserve Bank of New Zealand

After a double-barrel, 50 basis point rate cut just a month ago, leaving policy on hold seems to be the safest option for the Reserve Bank of New Zealand.

While the last rate cut preceded reports of strong labour market with 11-year low jobless rate, accelerated wage growth, and well-anchored inflation expectations in the middle of the 1-3% policy target, data since then hasn't been alarming. The economy outperformed expectations in the second quarter with 2.1% GDP growth and there has been little in the rates or the FX markets suggesting another rate cut just yet, which is why we don't think the RBNZ will jump the gun again next week.

## And a barrage of data

China's industrial profits data will be an interesting watch as a deepened slump in output growth to a nearly two-decade low of 4.4% could dent profit growth back into the negative territory in August after a one-off positive in July. Elsewhere in the region, manufacturing in Singapore and Thailand remains under stress from weak electronics exports, while new smartphone launches are aiding recovery in Taiwan. The average July-August manufacturing growth will be a good guide to the third quarter GDP performance of these economies.

But inflation continues to be muted in much of Asia as we are likely to see that from the August data in Korea, Malaysia, and Singapore. Singapore's core CPI will be in focus ahead of the Monetary Authority of Singapore's (MAS) semi-annual policy adjustment in October. But with core inflation touching a three-year low of 0.8% in July, which is where it's likely to have stayed in August, and almost flat GDP growth, we expect the central bank to start easing next month.

## Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
<b>Saturday 21 September</b>					
Taiwan	-	Aug Money supply (M2) (YoY%)	3.4	-	3.4
<b>Monday 23 September</b>					
Philippines	-	Aug Budget balance (PHP bn)	-13.5	-	-75.3
Singapore	0600	Aug CPI (YoY%)	0.4	-	0.4
	0600	Aug CPI core (YoY%)	0.8	-	0.8
Taiwan	0900	Aug Industrial production (YoY%)	1.8	-	3.0
South Korea	2200	Aug PPI (YoY%)	-0.3	-	-0.3
<b>Tuesday 24 September</b>					
Thailand	0400	Aug Manufacturing index (YoY%)	-2.5	-	-3.2
<b>Wednesday 25 September</b>					
Malaysia	0500	Aug CPI (YoY%)	1.5	-	1.4
Thailand	0805	Benchmark Interest Rate	1.25	-	1.50
South Korea	2200	Sep BOK Consumer Sentiment Index	-	-	92.5
New Zealand	0300	Interest rate decision	1.00	1.00	1.00
<b>Thursday 26 September</b>					
Hong Kong SAR	0930	Aug Exports (YoY%)	-7.4	-	-5.7
	0930	Aug Imports (YoY%)	-10.7	-	-8.7
	0930	Aug Trade balance (HK\$ bn)	-34.2	-	-32.2
Philippines	0900	Overnight Borrowing Rate	4.00	-	4.25
Singapore	0600	Aug Industrial production (MoM/YoY%)	-2.0/-2.2	-/-	3.6/-0.4
<b>Friday 27 September</b>					
China	0230	Aug Industrial profits (YTD, YoY%)	0.0	-	2.6

Source: ING, Bloomberg, \*GMT

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