

Asia week ahead: Philippines rate hike in view

Australia, New Zealand, Thailand and the Philippines hold central bank meetings next week but the Philippines will be the one to watch. Meanwhile, China's July trade data should provide a glimpse into the trade war impact



4%

ING forecast of BSP policy rate

50bp hike from the current level

➔ A double-barrel tightening by Philippines' central bank

Central banks in Australia, New Zealand, Thailand and the Philippines all hold their monetary policy meetings next week, but a broad consensus forecast for no change in rates by the first three,

make these non-events.

We think the Philippines central bank meeting next Thursday (9 August) will be the most significant. Coming in just ahead of the meeting will be the July inflation figures and GDP for the second quarter, which are likely to play a key role in the decision.

Rising inflation and the weak currency were triggers for the two 25 basis point rate hikes in May and June. Of these, the second factor has somewhat faded recently; not only has the peso stabilised in sync with emerging FX, but the 0.4% appreciation against the US dollar over the last month was also the most among Asian currencies. However, rising inflation remains a tailwind for higher rates, and that's getting even stronger.

Inflation surged past the central bank's 4.3 - 5.1% forecast range to 5.2% year-on-year in June. Our Philippines economist, [Joey Cuyegkeng](#), sees it jumping further to 5.4% in July and thinks it's unlikely to stop there. Higher minimum wages, transport fares, elevated fuel prices, income tax reforms, and the weaker currency are all likely to sustain the upward trend for the remainder of the year. And in our view, this requires more aggressive policy action.

We forecast steady, strong GDP growth of 6.7% YoY in the second-quarter - barely moving from 6.8% in 1Q and we think this provides scope for a 50 basis point hike rather than the standard 25 basis point move.

11.7% ING forecast of China's exports in July
Little changed pace from June

➔ Little impact of US tariffs on China's exports

China's July data dump begins next week too.

The trade and foreign reserves data will be closely watched for the trade war impact. The first phase of US tariffs covering \$34 billion of Chinese goods became effective from 6 July. We think it's premature to expect a significant impact just yet. Our Greater China economist, [Iris Pang](#), forecasts 11.7% year-on-year growth in Chinese exports in July, little changed from June.

Our steady export growth forecast assumes that most of the trade in July was due to pre-booked orders, which were unlikely to have been cancelled due to tariffs. And, \$34 billion accounts for only 8% of China's annual exports to the US, and 1.5% of total yearly exports. The impact will be pronounced if the US moves toward \$200 billion of tariffs, but that's something for the latter part of the year.

We believe a steady 3% yuan depreciation vs the US dollar in the last month, and capital outflows associated with it, should have dragged foreign exchange reserves lower. Our forecast of \$3.097 trillion reserves in for the end of July represents a \$15 billion drop on the month.

Asia Economic Calendar

| Country | Time | Data/event | ING | Survey | Prev. |
|---------------------------|------|---|---------|----------|----------|
| Friday 3 August | | | | | |
| India | 0600 | Jul Nikkei Services PMI | 50.5 | - | 52.6 |
| Hong Kong | 0130 | Jul Nikkei PMI | - | - | 47.7 |
| Malaysia | 0500 | Jun Trade balance (RM bn) | 9.9 | 9.3 | 8.12 |
| | 0500 | Jun Imports (YoY%) | 13 | 15.3 | 0.13 |
| | 0500 | Jun Exports (YoY%) | 15 | 11.5 | 3.39 |
| Monday 6 August | | | | | |
| Indonesia | - | 2Q GDP (QoQ/YoY%) | 4.1/5.2 | 4.14/5.1 | -0.4/5.1 |
| Tuesday 7 August | | | | | |
| China | - | Jul Forex Reserves (US\$bn) | 3097 | - | 3112.13 |
| Hong Kong | - | Jul Forex Reserves (US\$bn) | - | - | 431.9 |
| Malaysia | 0800 | Jul 31 Forex Reserves- Month end (US\$bn) | - | - | 104.6 |
| Philippines | 0200 | Jul CPI (YoY%) | 5.4 | - | 5.2 |
| | - | Jul Forex reserves (US\$bn) | - | - | 77525.1 |
| Taiwan | 0900 | Jul CPI (YoY%) | 1.5 | 1.4 | 1.31 |
| | 0900 | Jul WPI (YoY%) | - | - | 6.65 |
| | 0900 | Jul Exports (YoY%) | 8.6 | - | 9.4 |
| | 0900 | Jul Imports (YoY%) | 14.9 | - | 15.4 |
| Wednesday 8 August | | | | | |
| China | - | Jul Trade Balance (US\$bn) | 49.5 | - | 41.47 |
| | - | Jul Imports (YoY%) | 5 | - | 14.1 |
| | - | Jul Exports (YoY%) | 11.7 | - | 11.2 |
| Philippines | 0200 | Jun Exports (YoY%) | -2 | - | 4.6 |
| | 0200 | Jun Imports (YoY%) | 17.5 | - | 11.4 |
| | 0200 | Jun Trade balance (US\$mn) | -2970 | - | -3700 |
| Thailand | 0805 | Benchmark Interest Rate | 1.5 | 1.5 | 1.5 |
| Thursday 9 August | | | | | |
| China | 0230 | Jul PPI (YoY%) | 4.8 | - | 4.7 |
| | 0230 | Jul CPI (YoY%) | 2.1 | - | 1.9 |
| Philippines | 0300 | 2Q GDP (QoQ, SA/YoY%) | 6.7 | -/- | 1.5/6.8 |
| | 0900 | Overnight Borrowing Rate | 4 | - | 3.5 |
| Friday 10 August | | | | | |
| China | - | Jul Money supply (M2) (YoY%) | - | - | 8 |
| India | 1300 | Jun Industrial Production (YoY%) | 6.5 | - | 3.2 |
| Hong Kong | 0930 | 2Q GDP (QoQ, SA/YoY%) | 4.5 | -/- | 2.2/4.7 |
| Malaysia | 0500 | Jun Industrial Production (YoY%) | 3.9 | - | 1.5 |
| Singapore | 0600 | Jun Retail Sales Value (MoM/YoY%) | -/- | -/- | 0.1/0.1 |

Source: ING, Bloomberg