

Asia week ahead: Floodgates of central bank easing to open

The central banks of Australia, New Zealand, Malaysia, the Philippines, and Thailand are set to meet next week and most of them are expected to cut rates. But the continued strength of the Chinese economy and a trade deal which might be just around the corner could change things quite a bit



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Five central banks meet - and most may ease

The central banks of Australia, New Zealand, Malaysia, the Philippines, and Thailand are set to meet next week and we think the economic fundamentals of these countries argue for easing.

Better now than later for some economies, here is why we think they should cut rates:

- **The Reserve Bank of Australia's** minutes from the policy meeting in April confirmed a shift in the policy stance from neutral to easing. Released subsequently, a sharp slowdown in consumer price inflation to 1.3% in 1Q19 [tipped us to forecast a rate cut in the current quarter](#). A cut just days ahead of the Federal elections scheduled on 18 May would still be a controversial decision for RBA policymakers, but any more signals of easing will be enough to strengthen the consensus for a cut at the June meeting.
- **The Reserve Bank of New Zealand** shares the same economic backdrop as its Australian counterpart and is expected to follow the same policy path. Inflation continues to grind lower with weak jobs growth possibly keeping it firmly on that path going forward, while the headwinds to growth remain strong.
- **The Bank Negara Malaysia** has [plenty of room to ease](#) at the next meeting. Inflation turned positive in March after two months of being negative, but it's still negligible (0.2%), and this strengthens the case for a central bank cut to shore up future growth.
- **The Bangko Sentral ng Pilipinas** can justify a policy easing on the grounds of [rapidly falling inflation](#). Philippine's central bank easing options include either a rate cut, the banks' reserve requirement rate (RRR) cut, or both. The April CPI numbers come a few days before the central bank meets on 9 May and will be a crucial input for policymakers, followed by 1Q19 GDP on the same data as the policy meeting. Our estimate has GDP growth slipping to a four-year low of 5.9% from 6.3% in 4Q18.
- **The Bank of Thailand's** meeting will be a non-event again. The central bank's sustained hawkish tone prevents us from expecting a rate cut this year, even as the argument for easing is just as strong as it is for its Asian peers with [growth starting to taper off](#) and inflation being no hurdle.

US and China closing on a trade deal

According to [media reports](#), one last round of negotiations between the US and China could pave the way for a deal (or no deal) as early as next week. Going by the increasingly positive rhetoric from US negotiators, and President Trump himself, a deal is more likely than not, even as the US maintains the threat of pulling out any time.

Anyway, a deal may lift a key overhang on global markets, but not necessarily on the global economy. Even if there is a deal, the complete roll-back of US tariffs on \$250bn of Chinese products will take a while or, it may not happen at all. Moreover, the US administration's trade war is no longer limited to China only as tensions with the other significant trading partners including the EU and Japan simmer in the background. Hence disruption to the real economy from the protectionist sentiment is likely to be an ongoing concern.

What's good for China is good for Asia

Good news for Asia is that the region's engine of growth – the Chinese economy – continues to steam up. Despite the trade dispute, China's exports growth has been positive, while most other economies in the region have been posting export declines this year.

China's April economic data flow starting next week will be closely watched for what it says about GDP growth in the current quarter. Released earlier this week, China's purchasing manager indexes (PMIs) for April remained in the expansion zone (above 50 reading), albeit with some moderation. However, falling export orders component of the manufacturing PMI

suggests to us that the authorities should [maintain a stimulatory macroeconomic policy](#) setting for now.

Trade, inflation, and GDP releases from the rest of the region crowd the calendar. Indonesia's GDP growth in 1Q19 may have received some boost from election spending and just like Korea, the electronics-led slowdown has a firm grip on exports in Taiwan and the Philippines.

Asia Economic Calendar

| Country | Time* | Data/event | ING | Survey | Prev. |
|------------------------|-------|---|---------|--------|------------|
| Monday 6 May | | | | | |
| India | 0600 | Apr Nikkei Services PMI | - | - | 52.0 |
| Hong Kong | 0130 | Apr Nikkei PMI | - | - | 48.0 |
| Indonesia | - | 1Q GDP (YoY%) | 5.3 | 5.2 | 5.2 |
| Tuesday 7 May | | | | | |
| China | - | Apr Forex Reserves (US\$bn) | 3104.5 | - | 3098.8 |
| Hong Kong | - | Apr Forex Reserves (US\$bn) | - | - | 437.9 |
| Korea | 2300 | Mar Current A/c Balance (US\$bn) | 5.8 | - | 3.6 |
| Malaysia | 0800 | Overnight Policy Rate | 3.00 | - | 3.25 |
| | 0800 | Apr Forex Reserves (US\$bn) | - | - | 103.5 |
| Philippines | 0200 | Apr CPI (YoY%) | 2.9 | - | 3.3 |
| | - | Apr Forex Reserves (US\$bn) | - | - | 83613.2 |
| Taiwan | 0900 | Apr CPI (YoY%) | 0.6 | - | 0.6 |
| | 0900 | Apr WPI (YoY%) | 1.7 | - | 1.2 |
| | 0900 | Apr Exports (YoY%) | -7.5 | - | -4.4 |
| | 0900 | Apr Imports (YoY%) | 6.6 | - | 6.6 |
| | 0900 | Apr Trade Balance (US\$bn) | 3.1 | - | 6.6 |
| Wednesday 8 May | | | | | |
| China | - | Apr Trade Balance (US\$bn) | 32.7 | - | 32.7 |
| | - | Apr Exports (YoY%) | 14.9 | - | 14.2 |
| | - | Apr Imports (YoY%) | 13.5 | - | -7.6 |
| Philippines | 0200 | Mar Exports (YoY%) | 1.1 | - | -0.9 |
| | 0200 | Mar Imports (YoY%) | 5.3 | - | 2.6 |
| | 0200 | Mar Trade Balance (US\$mn) | -2613.0 | - | -2790.0 |
| Thailand | 0805 | Benchmark Interest Rate | 1.75 | 1.75 | 1.75 |
| Thursday 9 May | | | | | |
| China | 0230 | Apr CPI (YoY%) | 2.8 | - | 2.3 |
| | 0230 | Apr PPI (YoY%) | 0.6 | - | 0.4 |
| Philippines | 0300 | 1Q GDP (YoY%) | 5.9 | - | 6.3 |
| | 0900 | Overnight Borrowing Rate | 4.5 | 4.5 | 4.75 |
| Friday 10 May | | | | | |
| China | - | Apr Aggregate Finance (Yuan bn) | 2104.5 | - | 2860.0 |
| | - | Apr Financial Institution Loans (Yuan bn) | 1900.0 | - | 1690.0 |
| | - | Apr Money Supply (M2) (YoY%) | 8.6 | - | 8.6 |
| India | 1300 | Mar Industrial Production (YoY%) | 1.8 | - | 0.1 |
| Malaysia | 0500 | Mar Industrial Production (YoY%) | 2.4 | - | 1.7 |
| Singapore | 0600 | Mar Retail Sales Value (MoM, SA/YoY%) | -/- | -/- | -1.5/-10.0 |

Source: ING, Bloomberg, *GMT

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