

Asia week ahead: Spotlight on Indonesia and Thailand

Indonesia's central bank meeting and Thailand's second-quarter GDP report are the highlights in an otherwise light economic calendar



Source: Shutterstock

5.75%

Expected BI policy rate

ING forecast - no change

➔ Indonesia to pause easing

Indonesia's central bank is due to meet next week but is unlikely to cut rates, however, that doesn't quite make it a non-event, given the backdrop of accelerated central bank easing in the region.

Last month, the central bank cut rates by 25 basis points, which doesn't imply that it can't cut rates again and admittedly, data since the last meeting has shown growth stuck at about 5% and inflation below the 3.5% policy target (mid-point of the 2.5%-4.5% target range) – supporting expectations for rate cuts using the huge buffer created by the 175bp hikes in 2018.

But throwing a spanner in the works is the heightened currency volatility from the escalation of the trade war into a currency war. The rupiah's 1.6% month-to-date depreciation reasserts its vulnerability in times of emerging market contagion. After all, currency stability was the reason behind the aggressive policy tightening in 2018 after the economic crisis in Argentina that jolted emerging markets. This time is no different and we don't think BI will want to risk more currency depreciation by cutting rates next week but we're not ruling out more rate cuts later in the year.

[Indonesia: 2Q GDP at 5.05%, in line with forecasts](#)

2.3%

Thai 2Q GDP growth

ING forecast

➔ Thailand growth grinds lower

Thailand's economic report card for the second quarter arrives on 19 August. GDP growth hit a four-year low of 2.8% in 1Q19. Weak exports and manufacturing and fewer tourists amid elevated political uncertainty foreshadow a further slowdown in 2Q. We recently cut our growth forecast for the quarter to 2.3% from 3.0%, and to 2.8% from 3.1% for the full-year, well below the official 3.3% forecast for the year.

We don't think the Bank of Thailand's 25bp rate cut earlier this month is the last for the year as that merely reverses the hike in late 2018. With rising global headwinds to growth and slow progress on domestic fiscal stimulus, the central bank will have to do all the heavy lifting to support growth. We have already pencilled in one more 25bp rate cut in the fourth quarter but don't quite rule out more as the global central bank easing cycle gathers speed later in the year.

Meanwhile, the government is due to submit the THB 170 billion (about 1% of 2018 GDP) stimulus package for cabinet approval on Monday. Besides measures to boost tourism, the package will reportedly contain measures to support farmers, middle-income earners, and small businesses.

[Thailand: Downgrading GDP growth forecast](#)

➔ And everything else?

Singapore's consumer price index for July is likely to show a further dip in headline inflation to 0.5% from 0.6% in June, as the lower housing component due to the quarterly rebate of services and conservancy charges (S&CC) for public housing more than offset a 6.4% hike in electricity tariffs for the current quarter. We also see core inflation slowing to 1.0% from 1.2% in June, raising odds of imminent central bank easing. Just as the government this week cut its growth outlook for the year of 0% to 1%, the MAS dashed hopes of an off-cycle easing. Probably, something big is in the pipeline in the October semi-annual statement.

Hong Kong's July CPI will also be an interesting observation as disruption to both supply and demand from anti-government protests will have influenced inflation. Political uncertainty is negative for the territory's hot property market, making housing a key drag on inflation by depressing rents. That said, our forecast has inflation rising to 3.5% in July from 3.3% in the previous month.

Finally, in Taiwan, we will be looking at July figures on export orders and manufacturing for what they say about GDP growth coming in the third quarter. Positive growth of electronics exports in three months through July is a hopeful sign of electronics-driven slowdown bottoming out. More such green shoots will be positive for markets.

Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 19 August					
Thailand	0330	2Q GDP (SA QoQ/YoY%)	0.7/2.3	-/-	1.0/2.8
Tuesday 20 August					
Hong Kong	0930	Jul CPI (% YoY)	3.5	-	3.3
Taiwan	0900	Jul Export orders (YoY%)	-7.0	-5.5	-4.5
	0920	2Q Current account balance (US\$bn)	19.2	-	17.1
South Korea	2200	Jul PPI (YoY%)	-	-	0.1
Wednesday 21 August					
Thailand	-	Jul Exports (Cust est, YoY%)	-3.0	-	-2.2
	-	Jul Imports (Cust est, YoY%)	-8.0	-	-9.4
	-	Jul Trade balance (US\$m)	636	-	3212
	0300	Bank of Thailand's MPC Minutes			
Thursday 22 August					
Malaysia	0800	Forex reserves- Month end (US\$bn)	-	-	103.9
Indonesia	-	BI policy decision (7-day reverse repo, %)	5.75	-	5.75
Friday 23 August					
Philippines	-	Jul Budget balance (PHP bn)	-115	-	-41.8
Singapore	0600	Jul CPI (YoY%)	0.5	-	0.6
	0600	Jul CPI core (YoY%)	1.0	-	1.2
Taiwan	0900	Jul Industrial production (YoY%)	-1.5	-	-0.4
	0920	Jul Money supply (M2) (YoY%)	3.1	-	3.1

Source: ING, Bloomberg, *GMT

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