

Asia week ahead: Thailand likely to join the easing buzz

Yet another busy week ahead with a couple more central bank meetings lined up and a host of the usual month-end economic releases from across Asia. Investor anxiety about trade may grow ahead of the Trump-Xi meeting, which takes place alongside the G20 leaders' gathering



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 **RBNZ to stay on hold**

While it is unlikely the RBNZ will drop its easing bias anytime soon, it's in no rush to deliver a second rate cut. Besides, the broadly tight labour market may imply a low probability of inflation falling further away from the 2% target. – ING Asia Chief Economist, Rob Carnell

The Reserve Bank of New Zealand (RBNZ) will review its monetary policy and announce a decision on Wednesday, 26 June. The RBNZ just eased policy at the previous meeting in May, cutting the cash rate by 25 basis points to 1.50%, the first cut after a long hiatus in the easing cycle, which started four years ago. We don't anticipate a back-to-back cut, with RBNZ's Assistant Governor Christian Hawkesby ruling out another cut just yet. However, with the balance of risks skewed towards economic weakness, our house view remains one more 25bp cut in 3Q19.

➔ **BoT to join easing buzz**

Thailand's central bank, the Bank of Thailand (BoT), also announces its policy decision on 26 June.

A month ago, Thailand's dismal 1Q GDP report, which showed growth falling to a four-year low of 2.8%, forced us to revise our BoT policy view from no change this year to a 25 basis point rate cut within the current quarter. This puts us outside the consensus, which is still solidly behind a stable policy path this year.

However, earlier this week BoT policymaker Somchai Jitsuchon signalled that policy would be data-dependent, with fallout from the US-China trade war on the local economy leaving the bank "open to all possibilities". This being the case, it's hard to imagine the BoT ignoring the 1Q GDP data, while activity data for the second quarter doesn't offer much hope that the worst is over. The time is coming for a BoT rate cut, if only to reverse the 25bp rate hike from late-2018.

➔ **Disappointing data elsewhere in Asia**

A raft of activity data is expected to reinforce the downside growth risk for Asian economies.

China's industrial profit figures for May are expected to show a steeper contraction, by over 10% year-on-year, according to our Greater China economist Iris Pang (-3.7% in April). This follows the slowest industrial production growth of 5% YoY in May since the global financial crisis.

May manufacturing releases from Japan, Korea, Taiwan, Singapore, and Thailand will provide a good sense of 2Q19 GDP growth of these economies. As with the BoT, most other Asian central banks are gauging the impact of the trade war in determining their policy course. Indonesia's trade and the Philippines' government budget data are important from the same perspective.

➔ **And, the climax of the week will be...**

The global market angst about trade may increase in the run-up to the Xi-Trump meeting taking place alongside the G20 leaders gathering in Osaka at the end of the week (28-29 June). That's something we would rather save for this space in the next week. But we have already

thought about the title. How about 'Make or Break'?

Asia Economic Calendar

| Country | Time* | Data/event | ING | Survey | Prev. |
|--------------------------|-------|--|---------|--------|----------|
| Monday 24 June | | | | | |
| Indonesia | 0500 | May Exports (YoY%) | - | -14.1 | -13.1 |
| | 0500 | May Imports (YoY%) | - | -14.5 | -6.6 |
| | 0500 | May Trade balance (US\$m) | - | -1379 | -2501.9 |
| Singapore | 0600 | May CPI (YoY%) | 0.6 | 0.8 | 0.8 |
| | 0600 | May CPI core (YoY%) | 1.3 | 1.4 | 1.3 |
| Taiwan | 0900 | May Industrial production (YoY%) | -5.0 | - | 1.0 |
| South Korea | 2200 | Jun BOK Consumer Sentiment Index | 99.1 | - | 97.9 |
| Tuesday 25 June | | | | | |
| Hong Kong | 0915 | May Exports (YoY%) | -10.1 | - | -2.6 |
| | 0915 | May Imports (YoY%) | -11.8 | - | -5.5 |
| | 0915 | May Trade balance (HK\$bn) | -32.0 | - | -35.1 |
| Philippines | - | May Budget balance (PHP bn) | -81.0 | - | 86.9 |
| Wednesday 26 June | | | | | |
| Malaysia | 0500 | May CPI (YoY%) | 0.3 | - | 0.2 |
| Singapore | 0600 | May Industrial production (MoM/YoY%) | 2.0/0.0 | -/- | 2.4/0.1 |
| Thailand | 0805 | Benchmark Interest Rate | 1.50 | - | 1.75 |
| South Korea | 2200 | Jul BOK Business Survey Index, mfg | 77 | - | 75.0 |
| | 2200 | Jul BOK Business Survey Index, non-mfg | 74 | - | 72.0 |
| Thursday 27 June | | | | | |
| China | 0230 | May Industrial profits (YTD, YoY%) | -10.2 | - | -3.7 |
| Thailand | - | May Manufacturing index (YoY%) | -1.5 | - | 2.0 |
| Friday 28 June | | | | | |
| India | - | May Fiscal deficit (INR core) | - | - | -206132 |
| South Korea | 0000 | May Industrial production (MoM) | 0.9/0.7 | - | -0.1/1.7 |
| Thailand | 0830 | May Current account (US\$bn) | 1.00 | - | 1.8 |

Source: ING, Bloomberg, *GMT