

## Asia week ahead: three central banks to meet

Three Asian central banks are due to meet next week but all thinking and no action means they are most likely to be non-events - though the Philippines central bank could steal the spotlight



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# 4.5%

## Philippines inflation in February

Surpassing the 2-4% medium-term target

Higher than expected

### Philippines central bank defies tightening

The recent spike in Philippines' consumer price inflation (CPI) above the central bank's 2-4% target has put monetary policy under the spotlight ahead of the March 22 policy meeting.

Inflation jumped to 4% year-on-year in January and further to 4.5% in February from 3.3% in 2017. The impact of tax reforms, rising food and utility prices are the main reasons which we expect to continue in the coming months.

However, Bangko Sentral ng Pilipinas's (BSP) policymakers have flagged their intention of not rushing into tightening to curb inflation. They argue that inflation would return to the target zone within the next 12 months and given the 12-18 months of policy lag, any tightening now would be ineffective anyway.

#### ING revises rate hike forecast

ING's economist for the Philippines, [Joey Cuyegkeng](#) expects inflation to peak within the next three to six month and expects no rate hike next week. He has also revised his forecast to no change from two 25bp rate hikes this year.

The stable monetary policy and widening trade and current account deficits will keep the Philippine Peso Asia's underperforming currency this year.

### Expect no change in Indonesia or Taiwan

The other two Asian central banks to meet next week are Bank Indonesia (BI) and Taiwan's Central Bank of China (CBC), and there is a unanimous consensus that there will be no policy change by either. We expect both central banks to maintain the current policy settings throughout 2018.

Running little over 3% inflation has faded to be a policy concern in Indonesia. The expectations are that it remains well-anchored within BI's 2.5-4.5% medium-term target. Growth is a bigger concern in Taiwan and weakening exports will put it above inflation as the policy goal this year. Taiwan data on export orders and industrial production will capture more attention next week.

### A slew of inflation releases

February CPI inflation releases in Hong Kong, Malaysia and Singapore will be closely watched, and Malaysia and Singapore data will be of particular interest.

Our forecast of a further dip in Malaysian inflation below 2% means no pressure on the central bank to change policy anytime soon.

In Singapore, seasonally high food prices in the Lunar New Year month will pressure inflation up from zero percent in January, though these effects are transitory. We aren't so confident about

our forecast of the Monetary Authority of Singapore (MAS) moving to tightening in April.

## Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
<b>Thursday 15 March</b>					
India	-	4Q Current account balance (Q) (US\$bn)	-12.9	-	-7.213
<b>Friday 16 March</b>					
Singapore	0030	Feb Non-oil domestic exports (MoM/YoY%)	-0.3/8.3	0.1/4.4	-0.3/13
<b>Monday 19 March</b>					
China	0130	China February Property Prices	5.5	-	5.4
Thailand	-	Feb Exports (Cust est, YoY%)	9.7	-	17.6
	-	Feb Imports (Cust est, YoY%)	15.3	-	24.3
Thailand	0400	Feb Trade balance (Cust est, US\$m)	831	-	-119
South Korea	2100	Feb PPI (MoM/YoY%)	-/0.8	-/-	-/1.2
Philippines	0845	Feb Balance of payments (US\$mn)	-	-	-531
<b>Tuesday 20 March</b>					
Taiwan	0800	Feb Export orders (YoY%)	18	2.8	19.72
Hong Kong	0815	Feb Composite CPI (YoY%)	2.7		1.7
<b>Wednesday 21 March</b>					
Malaysia	0400	Feb CPI (YoY%)	1.7	2.8	2.7
<b>Thursday 22 March</b>					
Malaysia	0700	Mar 15 Forex reserves- Month end (US\$bn)	-	-	103.7
Indonesia	-	Mar 22 BI policy decision (7-day reverse repo,%)	4.25	-	4.25
Philippines	0800	Overnight Borrowing Rate	3	-	3
	-	Jan Budget balance (PHP bn)	-	-	-107.1
Taiwan	-	Benchmark Interest Rate	1.375	1.375	1.375
<b>Friday 23 March</b>					
Singapore	0500	Feb CPI (YoY%)	0.6	-	0
	0500	Feb CPI core (YoY%)	1.6	-	1.4
Taiwan	0800	Feb Industrial production (YoY%)	3	0.3	10.86
	0820	Feb Money supply (M2) (YoY%)	3.5	-	3.42

Source: Bloomberg, ING