

Asia week ahead: Will Malaysia's central bank cut rates again?

There is plenty of economic data to keep markets busy next week. But the key highlight of the week will be Malaysia's central bank policy decision, which is too close to call



Source: Shutterstock

➔ China data dump starts

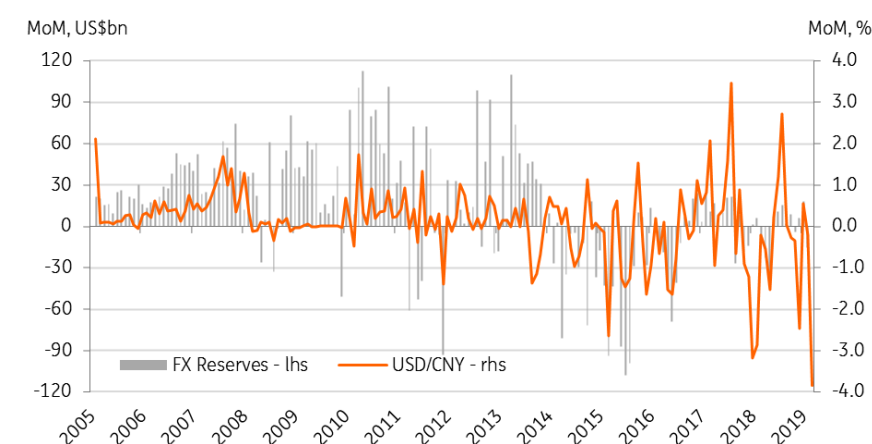
China's August data dump begins with the foreign exchange reserves and trade figures for the month followed by consumer and producer prices and monetary indicators over the course of the week. August was marked by a sharp rise in trade tension with the US and Beijing bringing in the currency into play as a weapon. The month ended with the steepest ever CNY depreciation by

almost 4%. Historically, periods of CNY weakness have been associated with capital flight. As such, the consensus of a small dip in reserves may be subject to some slight downside risk.

However, surprisingly enough, despite the spike in trade risks and announcements of new tariffs by both sides, the front-loading of trade ahead of new tariffs has likely sustained China's export growth in positive territory (consensus 2%). Among other releases, monetary data will be gauged for the extent of the stimulus it provides.

[China: We're revising our yuan forecast again and expect far more volatility](#)

China: Weak CNY points to reserves outflow



Source: Bloomberg, ING

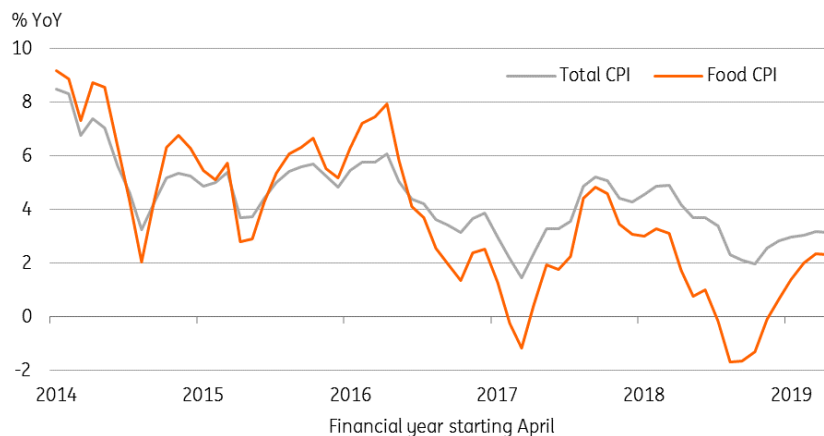
➔ A busy week in Japan and India

Japan releases revised GDP estimate for the second quarter with consensus looking for a downgrade of growth to 1.3% QoQ annualised from the 1.8% first reading. However, the forward-looking Business Conditions Index for the third quarter will be worth more attention. The diffusion index was in negative territory in the first two quarters of this year and probably remained there in the third, supporting our view of deeper negative territory in Bank of Japan's policy rate as early as this month, at the 19 September meeting.

In India, we will get inflation, trade, and industrial production figures. Rising food prices have been leading consumer price inflation up this year - a trend that is likely to have received a further lift in August from a supply shock to food prices from heavy flooding in some southwestern states. Meanwhile, trade and manufacturing releases should inform about GDP growth in the current quarter. While a significant stimulus through fiscal and monetary easing this year failed to support GDP growth, it will indeed be potentially inflationary and challenge the RBI's continued easing policy stance.

[India: Where has all that stimulus gone?](#)

India: Food pressures inflation higher



Source: CEIC, ING

➔ Malaysian central bank meeting: Too close to call

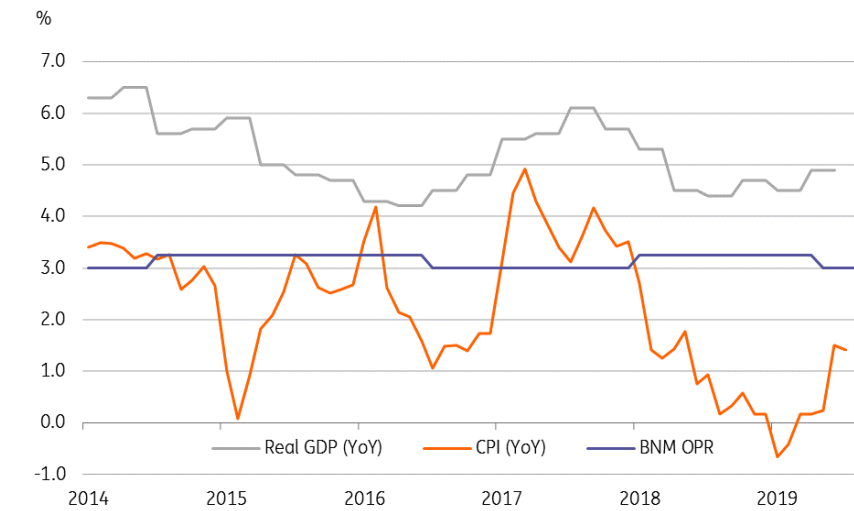
Malaysia's central bank reviews its monetary policy next week. The consensus is skewed towards no change to the 3% overnight policy rate but we are in the minority (seven out the 23 participants in the Bloomberg poll conducted on 22 August) expecting a 25 basis point rate cut to 2.75%.

The central bank's last policy move was a 25bp rate cut in May this year akin to an insurance rate cut rather than one needed by the economy. Things haven't got any worse since then to warrant another cut just yet. The economy has been bucking the global slump, led by surprisingly strong semiconductor manufacturing and exports in the face of the ongoing slack in the global electronics demand.

However, it will be challenging for the economy to continue to outperform in an increasingly unfriendly external trade environment and the central bank would probably like to be prepared for this with more pre-emptive easing, but that won't mark the end of this easing cycle either. We are also looking for one more cut in the fourth quarter of the year, taking the policy rate down to 2.50%. With persistently low inflation (0.3% year-to-date) - a trend which has a long way to run amid low commodity prices - the central bank will still be left with more policy space for the future. The lowest Malaysia's central bank policy rate has gone is 2% during the global financial crisis in 2009.

[Malaysia: Exports continue to defy global slump](#)

Malaysia: Growth, inflation and BNM policy



Source: Bloomberg, CEIC, ING

Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Saturday 7 September					
China	0300	Aug Forex Reserves (US\$bn)	3105	3100	3104
Sunday 8 September					
China	0400	Aug Imports (YoY%)	-6.1	-6.5	-5.3
	0400	Aug Trade Balance (US\$bn)	45.6	42.5	44.6
	0400	Aug Exports (YoY%)	4.0	2.0	3.3
Monday 9 September					
China	-	Aug Money supply (M2) (YoY%)	8.1	8.2	8.1
	-	Aug Aggregate finance (CNY bn)	1500	1617.9	1011.2
	-	Aug New loans (CNY bn)	1600	1200	1060
Taiwan	0900	Aug Exports (YoY%)	3.1	-	-0.5
	0900	Aug Imports (YoY%)	-0.5	-	-5.4
	0900	Aug Trade balance (US\$bn)	3.6	-	3.6
India	1300	2Q Current account balance (US\$bn)	-16.0	-16.1	-4.6
Japan	0050	Jul C/A Balance, adjusted (Yen bn)	2005	-	1941.9
	0050	2Q GDP - revised (SA QoQ ann.%)	1.3	-	1.8
Tuesday 10 September					
China	0230	Aug CPI (YoY%)	2.7	2.6	2.8
	0230	Aug PPI (YoY%)	-0.1	-0.9	-0.3
Philippines	0200	Jul Imports (YoY%)	-5.5	-	-10.4
	0200	Jul Exports (YoY%)	2.0	-	1.5
	0200	Jul Trade balance (US\$mn)	-3353	-	-2473
Wednesday 11 September					
India	-	2Q Current account balance (Q) (US\$bn)	-16.0	-16.1	-4.6
Malaysia	0500	Jul Industrial production (YoY%)	4.8	-	3.9
South Korea	0000	Aug Unemployment rate (% SA)	4.1	-	4.0
Japan	0050	3Q BSI - All Industry (% QoQ)	1.0	-	-3.7
	0050	3Q BSI - Large manufacturing (% QoQ)	-0.6	-	-10.4
Thursday 12 September					
India	1300	Aug CPI (YoY%)	3.5	-	3.2
	1300	Jul Industrial production (YoY%)	3.5	-	2.0
	-	Aug Imports (YoY%)	-10	-	-10.4
	-	Aug Trade deficit (US\$bn)	-14.7	-	-13.4
	-	Aug Exports (YoY%)	-5.0	-	2.3
Malaysia	0800	Overnight Policy Rate	2.75	-	3.00
Singapore	0600	Jul Retail sales value (SA MoM/YoY%)	0.0/-3.5	-/-	-2.2/-8.9
China	0300	Aug Aggregate finance (Yuan bn)	1500		1011.2
	0300	Aug Financial institution loans (Yuan bn)	1600		1060
	0300	Aug Money supply (M2) (%YoY)	8.1	8.2	8.1
China	-	Aug Money supply (M2) (YoY%)	8.1		8.1
	-	Aug Aggregate finance (Yuan bn)	1500	1200	1011.2
Japan	0050	Jul Core machine orders (MoM/YoY%)	1.5/6.1	-	13.9/12.5
	0050	Aug PPI (MoM/YoY%)	0.0/-0.6	-	0.0/-0.6
	0530	Jul Tertiary industry index (%MoM)	0.1	-	-0.1
Friday 13 September					
India	1300	Aug Imports (%YoY)	-10.0	-	-10.4
	1300	Aug Trade deficit (US\$bn)	-14.7	-	-13.4
	1300	Aug Exports (YoY%)	-5.0	-	2.3

Source: ING, Bloomberg, *GMT+1

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