

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

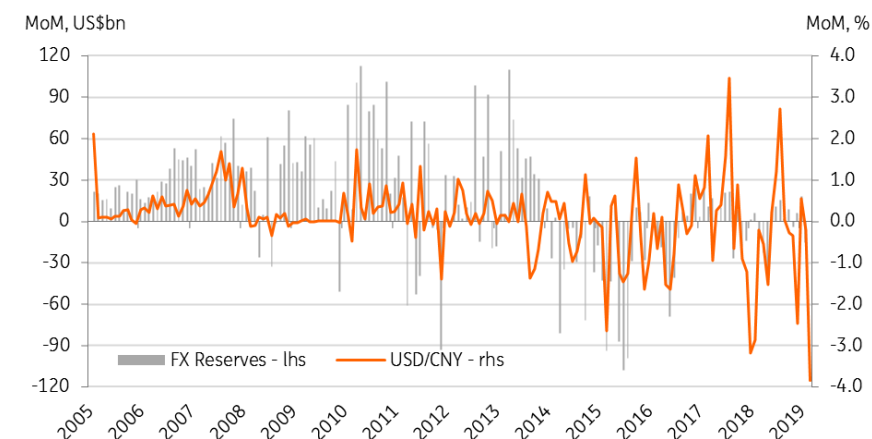
China's August data dump begins with the foreign exchange reserves and trade figures for the month followed by consumer and producer prices and monetary indicators over the course of the week. August was marked by a sharp rise in trade tension with the US and Beijing bringing in the currency into play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

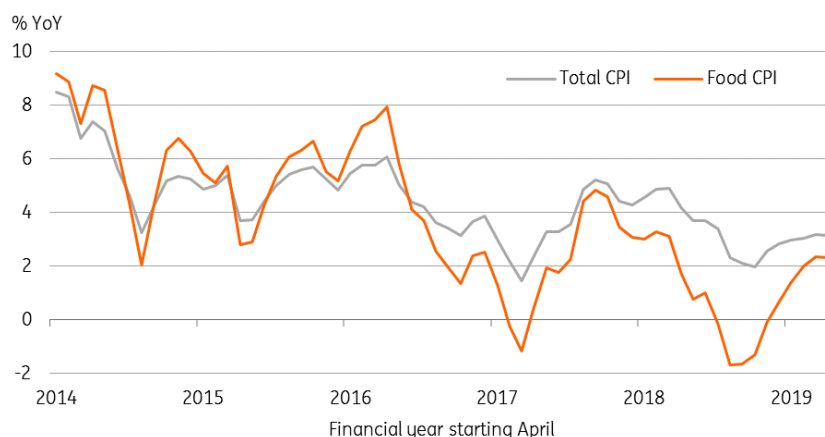
➔ A busy week in Japan and India

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

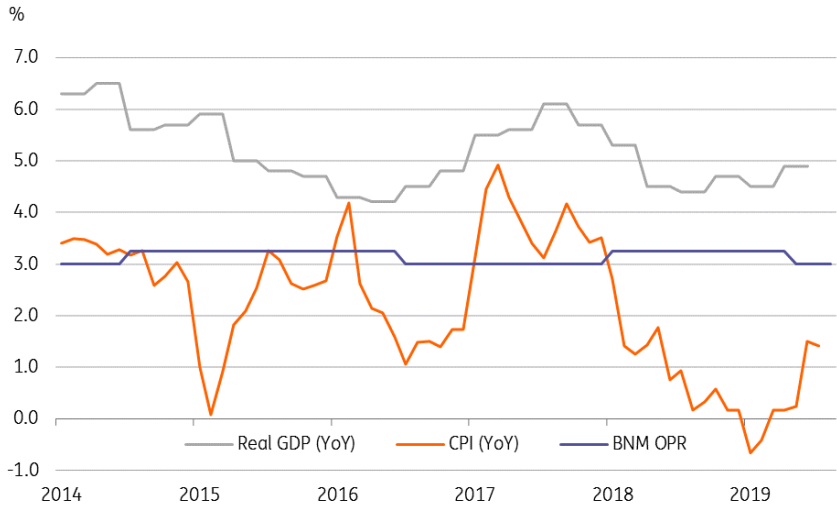
Malaysia's central bank reviews its monetary policy next week. The consensus is skewed towards no change to the 3% overnight policy rate but we are in the minority (seven out the 23 participants in the Bloomberg poll conducted on 22 August) expecting a 25 basis point rate cut to 2.75%.

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\$m)	-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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Author

Alissa Lefebvre

Economist

alissa.lefebvre@ing.com

Deepali Bhargava

Regional Head of Research, Asia-Pacific

Deepali.Bhargava@ing.com

Ruben Dewitte

Economist

+32495364780

ruben.dewitte@ing.com

Kinga Havasi

Economic research trainee

kinga.havasi@ing.com

Marten van Garderen

Consumer Economist, Netherlands

marten.van.garderen@ing.com

David Havrlant

Chief Economist, Czech Republic

420 770 321 486

david.havrlant@ing.com

Sander Burgers

Senior Economist, Dutch Housing

sander.burgers@ing.com

Lynn Song

Chief Economist, Greater China

lynn.song@asia.ing.com

Michiel Tukker

Senior European Rates Strategist

michiel.tukker@ing.com

Michal Rubaszek

Senior Economist, Poland

michal.rubaszek@ing.pl

This is a test author

Stefan Posea

Economist, Romania
tiberiu-stefan.posea@ing.com

Marine Leleux
Sector Strategist, Financials
marine.leleux2@ing.com

Jesse Norcross
Senior Sector Strategist, Real Estate
jesse.norcross@ing.com

Teise Stellema
Research Assistant, Energy Transition
teise.stellema@ing.com

Diederik Stadig
Sector Economist, TMT & Healthcare
diederik.stadig@ing.com

Diogo Gouveia
Sector Economist
diogo.duarte.vieira.de.gouveia@ing.com

Marine Leleux
Sector Strategist, Financials
marine.leleux2@ing.com

Ewa Manthey
Commodities Strategist
ewa.manthey@ing.com

ING Analysts

James Wilson
EM Sovereign Strategist
James.wilson@ing.com

Sophie Smith
Digital Editor
sophie.smith@ing.com

Frantisek Taborsky
EMEA FX & FI Strategist
frantisek.taborsky@ing.com

Adam Antoniak
Senior Economist, Poland

adam.antoniak@ing.pl

Min Joo Kang

Senior Economist, South Korea and Japan

min.joo.kang@asia.ing.com

Coco Zhang

ESG Research

coco.zhang@ing.com

Jan Frederik Slijkerman

Senior Sector Strategist, TMT

jan.frederik.slijkerman@ing.com

Katinka Jongkind

Senior Economist, Services and Leisure

Katinka.Jongkind@ing.com

Marina Le Blanc

Sector Strategist, Financials

Marina.Le.Blanc@ing.com

Samuel Abettan

Junior Economist

samuel.abettan@ing.com

Franziska Biehl

Senior Economist, Germany

Franziska.Marie.Biehl@ing.de

Rebecca Byrne

Senior Editor and Supervisory Analyst

rebecca.byrne@ing.com

Mirjam Bani

Sector Economist, Commercial Real Estate & Public Sector (Netherlands)

mirjam.bani@ing.com

Timothy Rahill

Credit Strategist

timothy.rahill@ing.com

Leszek Kasek

Senior Economist, Poland

leszek.kasek@ing.pl

Oleksiy Soroka, CFA

Senior High Yield Credit Strategist

oleksiy.soroka@ing.com

Antoine Bouvet

Head of European Rates Strategy

antoine.bouvet@ing.com

Jeroen van den Broek

Global Head of Sector Research

jeroen.van.den.broek@ing.com

Edse Dantuma

Senior Sector Economist, Industry and Healthcare

edse.dantuma@ing.com

Francesco Pesole

FX Strategist

francesco.pesole@ing.com

Rico Luman

Senior Sector Economist, Transport and Logistics

Rico.Luman@ing.com

Jurjen Witteveen

Sector Economist

jurjen.witteveen@ing.com

Dmitry Dolgin

Chief Economist, CIS

dmitry.dolgin@ing.de

Nicholas Mapa

Senior Economist, Philippines

nicholas.antonio.mapa@asia.ing.com

Egor Fedorov

Senior Credit Analyst

egor.fedorov@ing.com

Sebastian Franke

Consumer Economist

sebastian.franke@ing.de

Gerben Hieminga

Senior Sector Economist, Energy

gerben.hieminga@ing.com

Nadège Tillier

Head of Corporates Sector Strategy

nadege.tillier@ing.com

Charlotte de Montpellier

Senior Economist, France and Switzerland

charlotte.de.montpellier@ing.com

Laura Straeter

Behavioural Scientist

+31(0)611172684

laura.Straeter@ing.com

Valentin Tataru

Chief Economist, Romania

valentin.tataru@ing.com

James Smith

Developed Markets Economist, UK

james.smith@ing.com

Suvi Platerink Kosonen

Senior Sector Strategist, Financials

suvi.platerink-kosonen@ing.com

Thijs Geijer

Senior Sector Economist, Food & Agri

thijs.geijer@ing.com

Maurice van Sante

Senior Economist Construction & Team Lead Sectors

maurice.van.sante@ing.com

Marcel Klok

Senior Economist, Netherlands

marcel.klok@ing.com

Piotr Poplawski

Senior Economist, Poland

piotr.poplawski@ing.pl

Paolo Pizzoli

Senior Economist, Italy, Greece

paolo.pizzoli@ing.com

Marieke Blom

Chief Economist and Global Head of Research

marieke.blom@ing.com

Raoul Leering

Senior Macro Economist
raoul.leering@ing.com

Maarten Leen
Head of Global IFRS9 ME Scenarios
maarten.leen@ing.com

Maureen Schuller
Head of Financials Sector Strategy
Maureen.Schuller@ing.com

Warren Patterson
Head of Commodities Strategy
Warren.Patterson@asia.ing.com

Rafal Benecki
Chief Economist, Poland
rafal.benecki@ing.pl

Philippe Ledent
Senior Economist, Belgium, Luxembourg
philippe.ledent@ing.com

Peter Virovacz
Senior Economist, Hungary
peter.virovacz@ing.com

Inga Fechner
Senior Economist, Germany, Global Trade
inga.fechner@ing.de

Dimitry Fleming
Senior Data Analyst, Netherlands
Dimitry.Fleming@ing.com

Ciprian Dascalu
Chief Economist, Romania
+40 31 406 8990
ciprian.dascalu@ing.com

Muhammet Mercan
Chief Economist, Turkey
muhammet.mercan@ingbank.com.tr

Iris Pang
Chief Economist, Greater China
iris.pang@asia.ing.com

Sophie Freeman

Writer, Group Research
+44 20 7767 6209

Sophie.Freeman@uk.ing.com

Padhraic Garvey, CFA

Regional Head of Research, Americas

padhraic.garvey@ing.com

James Knightley

Chief International Economist, US

james.knightley@ing.com

Tim Condon

Asia Chief Economist

+65 6232-6020

Martin van Vliet

Senior Interest Rate Strategist

+31 20 563 8801

martin.van.vliet@ing.com

Karol Pogorzelski

Senior Economist, Poland

Karol.Pogorzelski@ing.pl

Carsten Brzeski

Global Head of Macro

carsten.brzeski@ing.de

Viraj Patel

Foreign Exchange Strategist

+44 20 7767 6405

viraj.patel@ing.com

Owen Thomas

Global Head of Editorial Content

+44 (0) 207 767 5331

owen.thomas@ing.com

Bert Colijn

Chief Economist, Netherlands

bert.colijn@ing.com

Peter Vanden Houte

Chief Economist, Belgium, Luxembourg, Eurozone

peter.vandenhoute@ing.com

Benjamin Schroeder

Senior Rates Strategist

benjamin.schroeder@ing.com

Chris Turner

Global Head of Markets and Regional Head of Research for UK & CEE

chris.turner@ing.com

Gustavo Rangel

Chief Economist, LATAM

+1 646 424 6464

gustavo.rangel@ing.com

Carlo Cocuzzo

Economist, Digital Finance

+44 20 7767 5306

carlo.cocuzzo@ing.com