

Good MornING Asia - 3 August 2018

Australia, New Zealand, Thailand and the Philippines have their central bank meetings next week but the Philippines will be the one we'll be keeping an eye out for. Meanwhile, China's July trade data should also provide a glimpse of the trade war impact

In this bundle



Asia week ahead: Philippines rate hike in view

Australia, New Zealand, Thailand and the Philippines hold central bank meetings next week but the Philippines will be the one to watch. Meanwhile,...

Article | 3 August 2018

Asia week ahead: Philippines rate hike in view

Australia, New Zealand, Thailand and the Philippines hold central bank meetings next week but the Philippines will be the one to watch. Meanwhile, China's July trade data should provide a glimpse into the trade war impact



4%

ING forecast of BSP policy rate

50bp hike from the current level

➔ A double-barrel tightening by Philippines' central bank

Central banks in Australia, New Zealand, Thailand and the Philippines all hold their monetary policy meetings next week, but a broad consensus forecast for no change in rates by the first three, make these non-events.

We think the Philippines central bank meeting next Thursday (9 August) will be the most significant. Coming in just ahead of the meeting will be the July inflation figures and GDP for the second quarter, which are likely to play a key role in the decision.

Rising inflation and the weak currency were triggers for the two 25 basis point rate hikes in May and June. Of these, the second factor has somewhat faded recently; not only has the peso stabilised in sync with emerging FX, but the 0.4% appreciation against the US dollar over the last month was also the most among Asian currencies. However, rising inflation remains a tailwind for higher rates, and that's getting even stronger.

Inflation surged past the central bank's 4.3 - 5.1% forecast range to 5.2% year-on-year in June. Our Philippines economist, [Joey Cuyegkeng](#), sees it jumping further to 5.4% in July and thinks it's unlikely to stop there. Higher minimum wages, transport fares, elevated fuel prices, income tax reforms, and the weaker currency are all likely to sustain the upward trend for the remainder of the year. And in our view, this requires more aggressive policy action.

We forecast steady, strong GDP growth of 6.7% YoY in the second-quarter - barely moving from 6.8% in 1Q and we think this provides scope for a 50 basis point hike rather than the standard 25 basis point move.

11.7% ING forecast of China's exports in July
Little changed pace from June

➔ Little impact of US tariffs on China's exports

China's July data dump begins next week too.

The trade and foreign reserves data will be closely watched for the trade war impact. The first phase of US tariffs covering \$34 billion of Chinese goods became effective from 6 July. We think it's premature to expect a significant impact just yet. Our Greater China economist, [Iris Pang](#), forecasts 11.7% year-on-year growth in Chinese exports in July, little changed from June.

Our steady export growth forecast assumes that most of the trade in July was due to pre-booked orders, which were unlikely to have been cancelled due to tariffs. And, \$34 billion accounts for only 8% of China's annual exports to the US, and 1.5% of total yearly exports. The impact will be pronounced if the US moves toward \$200 billion of tariffs, but that's something for the latter part of the year.

We believe a steady 3% yuan depreciation vs the US dollar in the last month, and capital outflows associated with it, should have dragged foreign exchange reserves lower. Our forecast of \$3.097 trillion reserves in for the end of July represents a \$15 billion drop on the month.

Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Friday 3 August					
India	0600	Jul Nikkei Services PMI	50.5	-	52.6
Hong Kong	0130	Jul Nikkei PMI	-	-	47.7
Malaysia	0500	Jun Trade balance (RM bn)	9.9	9.3	8.12
	0500	Jun Imports (YoY%)	13	15.3	0.13
	0500	Jun Exports (YoY%)	15	11.5	3.39
Monday 6 August					
Indonesia	-	2Q GDP (QoQ/YoY%)	4.1/5.2	4.14/5.1	-0.4/5.1
Tuesday 7 August					
China	-	Jul Forex Reserves (US\$bn)	3097	-	3112.13
Hong Kong	-	Jul Forex Reserves (US\$bn)	-	-	431.9
Malaysia	0800	Jul 31 Forex Reserves- Month end (US\$bn)	-	-	104.6
Philippines	0200	Jul CPI (YoY%)	5.4	-	5.2
	-	Jul Forex reserves (US\$bn)	-	-	77525.1
Taiwan	0900	Jul CPI (YoY%)	1.5	1.4	1.31
	0900	Jul WPI (YoY%)	-	-	6.65
	0900	Jul Exports (YoY%)	8.6	-	9.4
	0900	Jul Imports (YoY%)	14.9	-	15.4
Wednesday 8 August					
China	-	Jul Trade Balance (US\$bn)	49.5	-	41.47
	-	Jul Imports (YoY%)	5	-	14.1
	-	Jul Exports (YoY%)	11.7	-	11.2
Philippines	0200	Jun Exports (YoY%)	-2	-	4.6
	0200	Jun Imports (YoY%)	17.5	-	11.4
	0200	Jun Trade balance (US\$m)	-2970	-	-3700
Thailand	0805	Benchmark Interest Rate	1.5	1.5	1.5
Thursday 9 August					
China	0230	Jul PPI (YoY%)	4.8	-	4.7
	0230	Jul CPI (YoY%)	2.1	-	1.9
Philippines	0300	2Q GDP (QoQ, SA/YoY%)	6.7	-/-	1.5/6.8
	0900	Overnight Borrowing Rate	4	-	3.5
Friday 10 August					
China	-	Jul Money supply (M2) (YoY%)	-	-	8
India	1300	Jun Industrial Production (YoY%)	6.5	-	3.2
Hong Kong	0930	2Q GDP (QoQ, SA/YoY%)	4.5	-/-	2.2/4.7
Malaysia	0500	Jun Industrial Production (YoY%)	3.9	-	1.5
Singapore	0600	Jun Retail Sales Value (MoM/YoY%)	-/-	-/-	0.1/0.1

Source: ING, Bloomberg

Author

Alissa Lefebre

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 Klokk

Senior Economist, Netherlands

marcel.klokk@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

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.