Bangko Sentral ng Pilipinas (BSP) holds policy rate at 4%

Economic Update

ASEAN Weekly Wrap

BSP likely to keep policy rate unchanged for the rest of 2019

Bangko Sentral ng Pilipinas (BSP) in its monetary policy meeting in November kept its policy rate (overnight repurchase facility) unchanged at 4%, in line with market expectations. This was after its third 25bps rate cut in its previous meeting in September. So far in 2019, BSP has lowered its policy rate by a total of 75bps. Going forward, we believe BSP will likely hold rates for the rest of the year. The last MPC meeting will be on 12th December 2019. BSP Governor guided previously that BSP will not ease its monetary policy further in 2019 as "*more than enough*" has been done for the year. The country's GDP growth in 3Q19 rose to 6.2% yoy from a four-year low of 5.5% in 2Q19 after easing for two consecutive quarters supported by higher government spending and higher household consumption. Going forward, growth is anticipated to be bolstered by stimulus from continued government spending and interest rate cuts done this year. Besides that, inflation has remained tepid having eased for the fifth consecutive month to 0.8% yoy from 0.9%. Year-to-date, headline inflation averaged 2.6% which is still within BSP's inflation target range of 2-4% in 2019. In 2020, we expect any further rate cuts by BSP will be data dependent, especially on the country's exports.

Separately, Singapore's retail sales fell for the eighth consecutive month by 2.2% yoy in September from -4.1% in August. Excluding auto sales, retail sales also declined for the eighth straight month albeit at a slower pace of 0.3% yoy from -0.9% in August. Despite the persistent decline in retail sales, some support could arise from the healthy labour market. In 3Q19, total employment rose by 22.4k compared to 6.2k in the previous quarter, making this its strongest growth since 4Q14. Besides, the year-end holiday season may also provide some support for retail sales in the near term. However, going into 2020, retail sales may continue to be subdued amid a weak external economic backdrop. This was also guided by the Monetary Authority of Singapore (MAS) in its Macroeconomic Review published in October where it noted that as firms are becoming more cautious about hiring which could translate to lower wage growth in 2020.

In the ASEAN Investment Report 2019, the region managed to attract a record high inflow of FDIs in 2018. The amount of inflows rose for the third consecutive year from US$147bn in 2017 to US$155bn in 2018. As a percentage share of global FDI inflows, it increased for the third straight year from 9.5% in 2017 to 11.5% in 2018. Notably, FDI inflows reached all-time highs for Cambodia (US$3.1bn), Indonesia (US$22bn), Singapore (US$77.6bn) and Vietnam (US$15.5bn). By economic sectors, bulk of FDI inflows were concentrated in manufacturing (US$55bn) and financial services (US$42bn). The ASEAN Secretariat guided higher inflows of manufacturing FDI was partly due to the gradual shift of production capacity from China led by structural factors like higher labour costs in China as well trade tensions.

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Fig 1: ASEAN economic releases (8 – 14 November 2019)

	JAN 2019	FEB 2019	MAR 2019	APR 2019	MAY 2019	JUN 2019	JUL 2019	AUG 2019	SEP 2019	OCT 2019	NOV 2019	GENERAL CONSENSUS
PHILIPPINES												
BSP Overnight Lending Facility (%)	5.25	5.25	5.25	5.25	5.00	5.00	5.00	4.75	4.50	4.50	4.50	-
BSP Overnight Reserve Repurchase (%)	4.75	4.75	4.75	4.75	4.50	4.50	4.50	4.25	4.00	4.00	4.00	4.00
BSP Overnight Deposit Facility (%)	4.25	4.25	4.25	4.25	4.00	4.00	4.00	3.75	3.50	3.50	3.50	3.50
SINGAPORE												
Retail sales (% yoy)	7.8	-9.7	-0.8	-1.6	-2.0	-8.9	-1.5	-4.1	-2.2	-	-	-3.0

Source: All data from Bloomberg and CEIC, consensus from Bloomberg

Appendix I: ASEAN economic charts (8 – 14 Nov 2019)

Chart 1: Philippines' interest rate

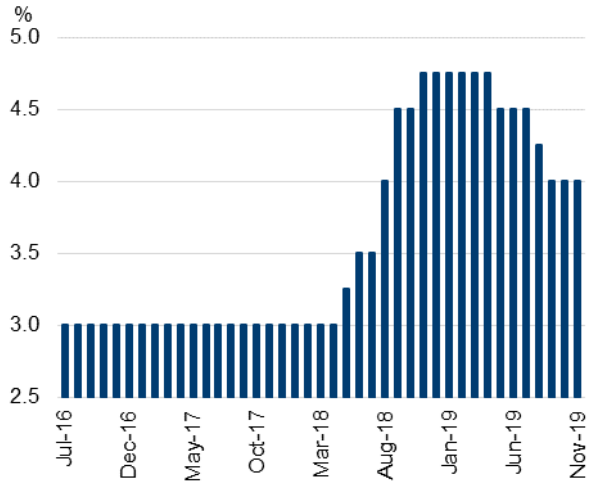


Chart 2: Philippines' GDP vs CPI

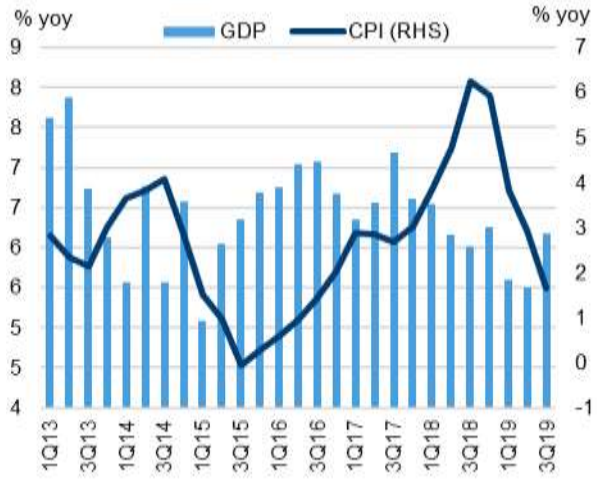


Chart 3: Singapore's retail sales

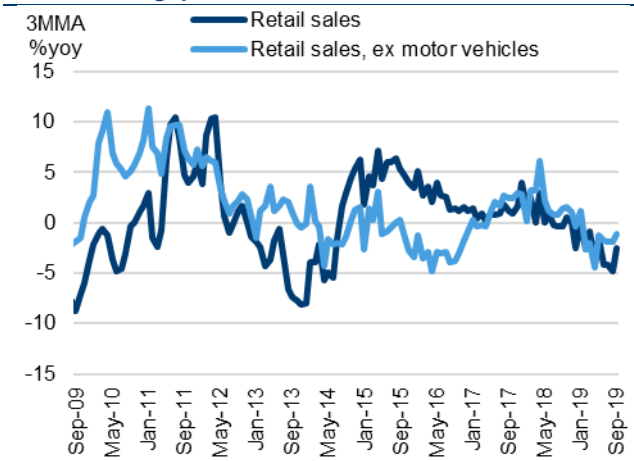


Chart 4: Singapore's retail sales breakdown

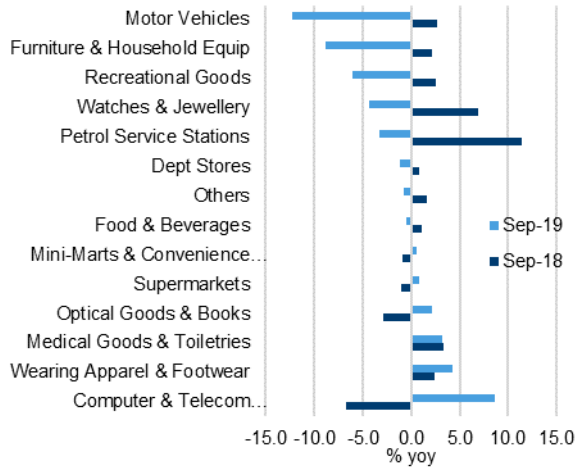


Chart 5: Asean FDI inflows

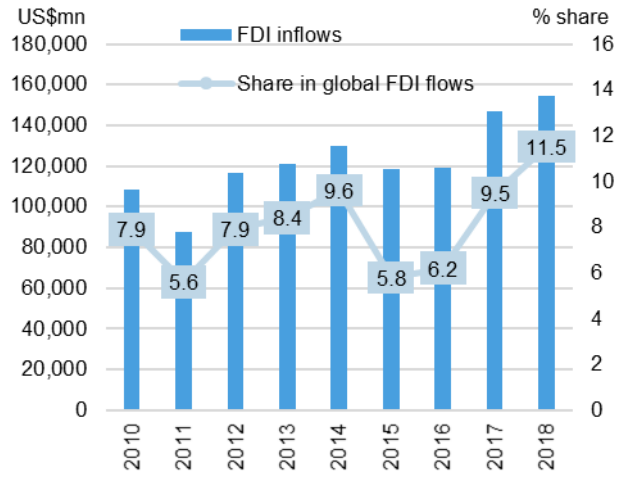
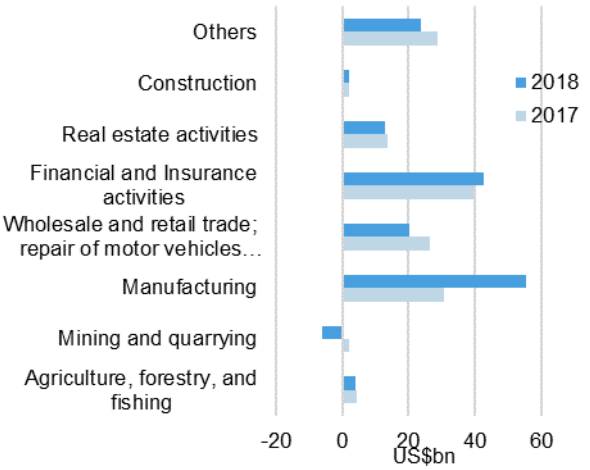


Chart 6: Asean's FDI inflows by economic sector



Source: All data for charts sourced from CEIC, Bloomberg and ASEAN Secretariat

Appendix III: Monthly ASEAN economic data trend

	NOV 2018	DEC 2018	JAN 2019	FEB 2019	MAR 2019	APR 2019	MAY 2019	JUN 2019	JUL 2019	AUG 2019	SEP 2019	OCT 2019
MALAYSIA												
CPI (%yoy)	0.2	0.2	-0.7	-0.4	0.2	0.2	0.2	1.5	1.4	1.5	1.1	-
Core CPI (%yoy)	0.5	0.4	0.2	0.3	0.5	0.5	0.4	1.9	1.9	1.9	1.5	-
IPI (%yoy)	7.7	7.5	7.0	5.5	5.7	6.8	6.7	5.3	6.0	4.5	2.9	-
Exports (%yoy)	2.5	5.8	2.6	-5.6	-0.9	0.6	1.5	-3.4	1.7	-0.8	-6.8	-
Imports (%yoy)	4.8	1.4	0.9	-9.6	-0.3	4.2	1.4	-9.8	-6.0	-12.5	2.4	-
Trade balance (US$bn)	2.0	2.6	2.8	2.7	3.5	2.6	2.2	2.5	3.5	2.6	2.0	-
Foreign reserves (US$bn)	102.0	101.4	102.1	102.4	103.0	103.4	102.3	102.7	103.9	103.5	103.0	103.2
INDONESIA												
CPI (%yoy)	3.2	3.1	2.8	2.6	2.5	2.8	3.3	3.3	3.3	3.5	3.4	3.1
Core CPI (%yoy)	3.0	3.1	3.1	3.1	3.0	3.1	3.1	3.3	3.2	3.3	3.3	3.2
IPI (%yoy)	6.0	5.8	4.9	0.6	7.9	3.2	4.0	3.6	4.6	4.0	4.5	-
Exports (%yoy)	-2.8	-3.6	-4.4	-11.2	-9.0	-9.5	-8.5	-8.9	-5.1	-10.0	-5.7	-
Imports (%yoy)	11.8	1.7	-2.1	-13.8	-7.0	-4.7	-17.3	2.0	-15.2	-15.7	-2.4	-
Trade balance (US$bn)	-2.0	-1.0	-1.1	0.3	0.7	-2.3	0.2	0.3	-0.1	0.1	-0.2	-
Foreign reserves (US$bn)	117.2	120.7	120.1	123.3	124.5	124.3	120.3	123.8	125.9	126.4	124.3	126.7
PHILIPPINES												
CPI (%yoy)	6.0	5.1	4.4	3.8	3.3	3.0	3.2	2.7	2.4	1.7	0.9	0.8
IPI (%yoy)	2.6	-8.5	-0.3	-6.2	-4.4	-11.9	-6.7	-7.7	-6.1	-8.3	-2.3	-
Exports (%yoy)	1.0	-12.2	-6.7	-0.1	-1.8	1.0	1.0	3.3	3.5	0.8	-2.6	-
Imports (%yoy)	9.6	-4.9	3.6	2.6	7.8	-1.9	-5.2	-10.4	-4.2	-8.8	-10.5	-
Trade balance (US$bn)	-4.1	-4.2	-3.9	-2.7	-3.1	-3.5	-3.3	-2.4	-3.4	-2.7	-3.1	-
Foreign reserves (US$bn)	75.7	79.2	82.5	82.8	83.6	83.9	85.3	84.9	85.2	86.0	85.6	85.7
SINGAPORE												
CPI (%yoy)	0.3	0.5	0.4	0.5	0.6	0.8	0.9	0.6	0.4	0.5	0.5	-
IPI (%yoy)	6.8	1.8	1.2	2.8	-4.5	0.1	-1.8	-7.9	1.2	-6.4	0.1	-
Non-oil domestic exports (%yoy)	-2.8	-8.5	-10.1	4.8	-11.8	-10.1	-16.3	-17.4	-11.5	-9.0	-8.1	-
Electronic exports	4.3	-11.2	-15.9	-8.2	-26.7	-16.3	-31.6	-31.9	-24.2	-25.9	-24.8	-
Imports (%yoy)	8.8	6.1	8.0	4.3	1.5	7.6	-0.6	-5.1	-6.5	-6.4	-4.7	-
Trade balance (US$bn)	2.6	0.7	2.2	2.8	2.9	2.2	2.9	1.8	2.5	3.0	2.9	-
Foreign reserves (US$bn)	289.5	287.7	293.9	292.5	295.8	296.8	265.5	273.9	272.7	272.4	272.2	276.8
THAILAND												
CPI (%yoy)	0.9	0.4	0.3	0.7	1.2	1.2	1.1	0.9	1.0	0.5	0.3	0.1
Core CPI (%yoy)	0.7	0.7	0.7	0.6	0.6	0.6	0.5	0.5	0.4	0.5	0.4	0.4
IPI (%yoy)	0.8	1.2	0.6	-1.3	-2.7	1.5	-3.4	-5.3	-3.3	-4.4	-4.7	-
Exports (%yoy)	-1.0	-1.6	-5.9	5.4	-5.3	-2.8	-6.2	-2.1	4.3	-4.0	-1.4	-
Imports (%yoy)	13.4	-9.2	14.0	-10.1	-7.6	-0.7	-0.7	-9.4	1.7	-14.6	-4.2	-
Trade balance (US$bn)	-0.9	1.3	-4.0	4.0	2.0	-1.5	0.2	3.2	0.1	2.1	1.3	-
Foreign reserves (US$bn)	203.2	205.6	209.9	212.5	212.2	210.5	210.0	215.8	218.4	220.2	220.5	222.8
REAL GDP (%yoy)	**4Q16**	**1Q17**	**2Q17**	**3Q17**	**4Q17**	**1Q18**	**2Q18**	**3Q18**	**4Q18**	**1Q19**	**2Q19**	**3Q19**
MALAYSIA	4.5	5.6	5.8	6.2	5.9	5.4	4.5	4.4	4.7	4.5	4.9	-
INDONESIA	4.9	5.0	5.0	5.1	5.2	5.1	5.3	5.2	5.2	5.1	5.1	5.0
PHILIPPINES	6.7	6.4	6.6	7.2	6.6	6.5	6.2	6.0	6.3	5.6	5.5	6.2
SINGAPORE	3.9	3.7	3.0	4.6	3.6	4.6	4.2	2.6	1.3	1.1	0.1	0.1
THAILAND	3.1	3.5	4.2	4.5	4.0	5.0	4.7	3.2	3.6	2.8	2.3	-

Source: Bloomberg, CEIC

Appendix IV: ASEAN Economic Calendar for November 2019

November 2019

Monday	Tuesday	Wednesday	Thursday	Friday
				1
				MY Oct. Nikkei PMI
				ID Oct. Nikkei PMI
				ID Oct. CPI
				TH Oct. CPI
				TH Oct.25 Reserves
				TH Oct. CPI
4	**5**	**6**	**7**	**8**
MY Sep. Trade	MY MPC Meeting	PH Sep. Trade	MY Oct.31 Reserves	TH Nov.1 Reserves
ID 3Q19 GDP	PH Oct. CPI	TH MPC Meeting	ID Oct. Reserves	
PH Oct. Nikkei PMI			PH 3Q19 GDP	
			SG Oct. Reserves	
11	**12**	**13**	**14**	**15**
MY Sep. IPI	SG Sep. Retail Sales		PH MPC Meeting	MY 3Q19 GDP
				ID Oct. Trade
				TH Nov.8 Reserves
18	**19**	**20**	**21**	**22**
SG Oct. NODX		MY Oct. CPI	ID MPC Meeting	MY Nov.15 Reserves
TH 3Q19 GDP			TH Oct. Trade	TH Nov.15 Reserves
25	**26**	**27**	**28**	**29**
SG Oct. CPI	SG Oct. IPI		TH Oct. IPI	TH Oct. Trade
				TH Nov.22 Reserves

ID=Indonesia, MY=Malaysia, PH=Philippines, SG=Singapore, TH=Thailand
Dates for indicators are subject to change
Source: Bloomberg

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BUY	Total return is expected to exceed +10% over a 12-month period
HOLD	Total return is expected to be between -5% and +10% over a 12-month period
SELL	Total return is expected to be below -5% over a 12-month period
NOT RATED	Affin Hwang Investment Bank Berhad does not provide research coverage or rating for this company. Report is intended as information only and not as a recommendation

The total expected return is defined as the percentage upside/downside to our target price plus the net dividend yield over the next 12 months.

OVERWEIGHT	Industry, as defined by the analyst's coverage universe, is expected to outperform the KLCI benchmark over the next 12 months
NEUTRAL	Industry, as defined by the analyst's coverage universe, is expected to perform inline with the KLCI benchmark over the next 12 months
UNDERWEIGHT	Industry, as defined by the analyst's coverage universe is expected to under-perform the KLCI benchmark over the next 12 months

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