

ASEAN Central Banks

16 October 2024

BI Holds, BSP & BoT Cut 25bp: two in-line and one surprise

- Bangko Sentral ng Pilipinas (BSP) and Bank of Thailand (BoT) cut its policy rate by 25bp, bringing it to 6.00% and 2.25%, respectively. The move was expected from BSP but was a surprise from BoT, which we had expected would cut in December.
- Bank Indonesia (BI) kept its policy rate unchanged, as expected, citing IDR stability concerns but kept the door for rate cuts in November or December.
- Our view remains for BoT’s rate cutting cycle to be shallow with another 25bp cut in 1Q25. BI and BSP will deliver another 25bp cut each in November or December, followed by a cumulative 75bps each in 1H25.

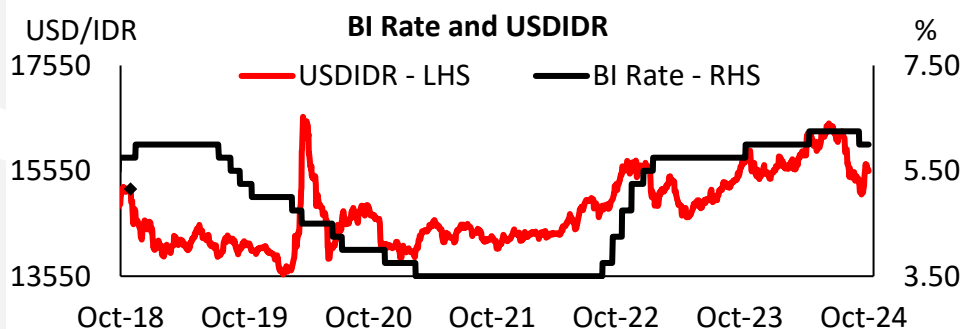
Lavanya Venkateswaran
 Senior ASEAN Economist
 +65 6530 6875
lavanyavenkateswaran@ocbc.com

An ASEAN central bank bonanza this afternoon ended with BSP and BoT cutting its policy rate by 25bps while BI kept its rate unchanged. BSP and BI delivered in-line decisions while BoT’s decision surprised consensus and our expectations, but only in terms of bringing forward the rate cut. We had pencilled in the cut for the 18 December meeting.

Bank Indonesia: slow and calibrated

BI’s decision to hold the policy rate unchanged at 6.00% reflects the focus on IDR stability, while keeping the door open for further calibrated rate cuts in the coming months. BI’s key forecasts on growth, inflation and current account for 2024 were unchanged from the previous meeting on 18 September. Indeed, BI noted that its “focus in the short-term is IDR stability” while it will keep “an eye on room for policy rate cuts”.

The shift in bias to becoming more growth supportive is clear and to that end, BI has extended its macroprudential liquidity incentives to end-2025 (originally set to expire end 2024). Rate cuts, however, will come in a deliberated manner based on IDR movements. We expect another 25bp cut from BI in either November or December, followed by a cumulative 75bps cut in 2025.

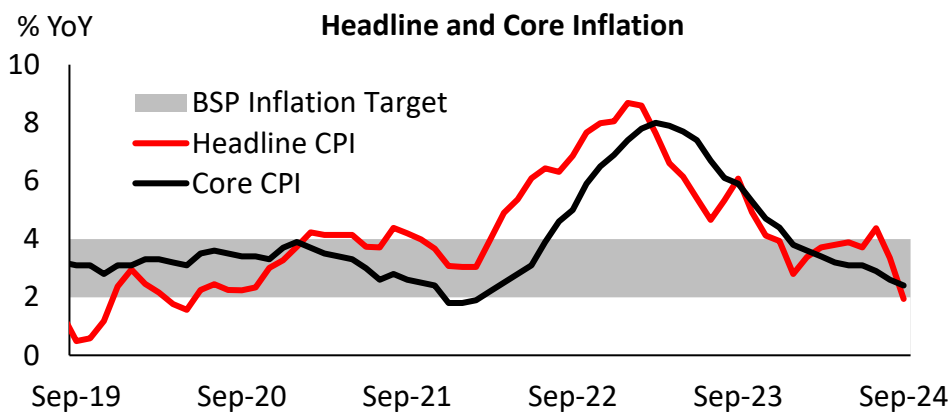


Source: Bank Indonesia, Bloomberg, OCBC.

Bangko Sentral ng Pilipinas: inflation is the guiding light

BSP’s decision to lower its policy rate by 25bp was in line with consensus and our expectations, taking the key policy rate to 6.25%. The decision was supported by further evidence of disinflation. Indeed, BSP adjusted lower its 2024 ‘risk-adjusted’ headline CPI forecast to 3.1% from 3.3% but raised its 2025 forecast to 3.3% from 2.9%. Specifically, BSP noted that the September headline inflation print of 1.9% YoY was due to base effects but even accounting for this, the print was low.

Looking ahead, we expect the BSP to deliver another 25bp cut at its 19 December meeting followed by a cumulative 75bps in rate cuts in 1H25. This will take the policy rate to 5.00%. During the press conference, BSP Governor Eli Remolona noted that the nominal neutral rate is roughly at 5.00%.

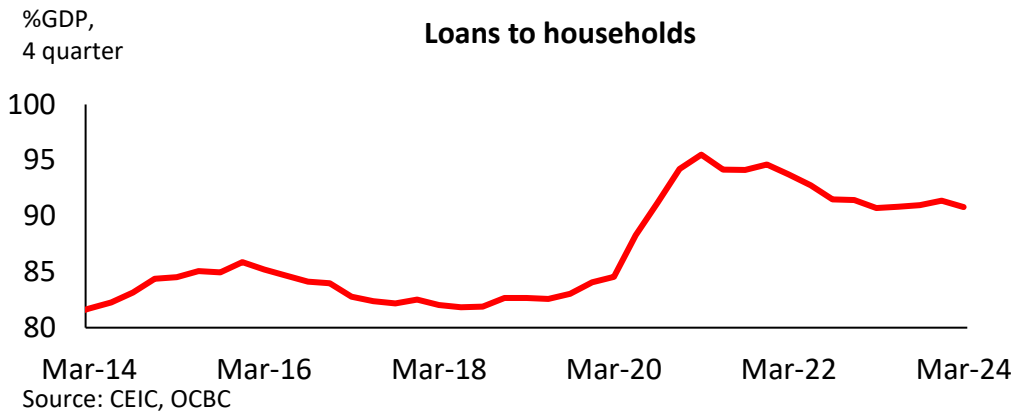


Source: Philippine Statistics Authority, Bangko Sentral ng Pilipinas, CEIC, OCBC

Bank of Thailand: A surprise 25bp cut

BoT cut its policy rate by 25bp, in a surprise move, with a 5-2 vote in favour of the outcome. At the previous meeting on 21 August, the vote was 6-1 in favour of no change to the policy rate. While it is compelling to believe that BoT acquiesced to the government’s call for lower rates, rate cuts were on the cards for BoT justified by growth-inflation-financial stability fundamentals, in our view. We had expected BoT to assess the impact of phase-1 of the digital wallet program launched between 25-30 September before pulling the trigger on rate cuts on 18 December.

Notwithstanding, we remain off the view that BoT’s rate cutting will be shallow. We expect another 25bp rate cut in 1Q25, taking the policy rate to 2.00%. BoT noted in its policy statement that “the Committee deems that a neutral stance of policy rate remains appropriate with the economic growth and inflation outlook”. More importantly, the statement concluded with BoT noting that “the policy rate...should not be at too low a level that would create build-ups of financial imbalances in the long term.” The rate cut was targeted at alleviating the “debt-servicing burden for borrowers” while growth and inflation were changed slightly relatively to the 21 August meeting.



Macro Research

Selena Ling
Head of Research & Strategy
lingssselena@ocbc.com

Tommy Xie Dongming
Head of Asia Macro Research
xied@ocbc.com

Keung Ching (Cindy)
Hong Kong & Macau Economist
cindyckeung@ocbc.com

Herbert Wong
Hong Kong & Taiwan Economist
herberhtwong@ocbc.com

Lavanya Venkateswaran
Senior ASEAN Economist
lavyanavenkateswaran@ocbc.com

Ahmad A Enver
ASEAN Economist
ahmad.enver@ocbc.com

Jonathan Ng
ASEAN Economist
jonathannq4@ocbc.com

Ong Shu Yi
ESG Analyst
shuyionq1@ocbc.com

FX/Rates Strategy

Frances Cheung, CFA
Head of FX & Rates Strategy
francescheung@ocbc.com

Christopher Wong
FX Strategist
christopherwong@ocbc.com

Credit Research

Andrew Wong
Head of Credit Research
wongvkam@ocbc.com

Ezien Hoo, CFA
Credit Research Analyst
ezienhoo@ocbc.com

Wong Hong Wei, CFA
Credit Research Analyst
wonghongwei@ocbc.com

Chin Meng Tee, CFA
Credit Research Analyst
mengteechin@ocbc.com

This publication is solely for information purposes and general circulation only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. Oversea-Chinese Banking Corporation Limited ("OCBC Bank"), its related companies, their respective directors and/or employees (collectively "Related Persons") may or might have in the future interests in the investment products or the issuers mentioned herein. Such interests include effecting transactions in such investment products, and providing broking, investment banking and other financial services to such issuers. OCBC Bank and its Related Persons may also be related to, and receive fees from, providers of such investment products. There may be conflicts of interest between OCBC Bank, Bank of Singapore Limited, OCBC Investment Research Private Limited, OCBC Securities Private Limited or other members of the OCBC Group and any of the persons or entities mentioned in this report of which OCBC Bank and its analyst(s) are not aware due to OCBC Bank's Chinese Wall arrangement. This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "Relevant Materials") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "Relevant Entity") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("MiFID") and the EU's Markets in Financial Instruments Regulation (600/2014) ("MiFIR") (together referred to as "MiFID II"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).

Co.Reg.no.: 193200032W