

ASEAN

13 December 2024

Preview of central bank meetings

- Three ASEAN central banks, Bank Indonesia (BI), Bank of Thailand (BoT) and Bangko Sentral ng Pilipinas (BSP), meet next week.
- These central banks will likely meet against the backdrop of a forthcoming 25bps rate cuts from the US Federal Reserve at its 18 December FOMC meeting.
- Our baseline is for BoT to keep its policy rate unchanged while BI & BSP lower its policy rate by 25bps.

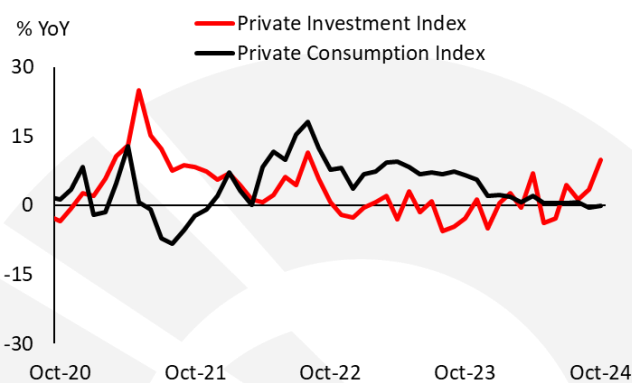
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Three ASEAN central banks meet next week. BoT and BI on 18 December, ahead of the US Federal Reserve’s decision, and BSP on 19 December. For the record, our house view is for the US Federal Reserve to lower its policy rate by 25bps at its 18 December meeting. We expect BoT to keep its policy rate unchanged at 2.25%. We expect 25bps rate cuts from BI & BSP. Admittedly, we hold a greater degree of conviction for our BoT and BSP calls, while acknowledging that BI is a close call.

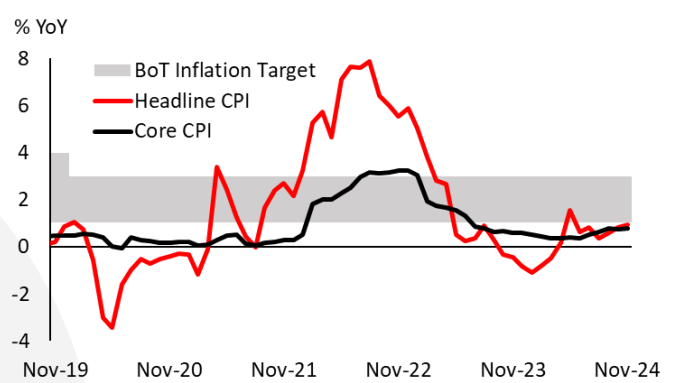
BoT needs to preserve its bullets given its limited policy space. BoT Governor Sethaput Suthiwartnarueput characterised the 25bps rate cut at the 16 October meeting as a “recalibration” and noted that “the bar for taking further rate moves has to be reasonably high”. This clearly shows that BoT is not in a hurry to cut rates and did not see the 25bps rate cut at its 16 October meeting as “the beginning of an extended easing cycle.”

Thailand: Private sector demand



Source: Bank of Thailand, CEIC, OCBC

Thailand: Headline and Core Inflation

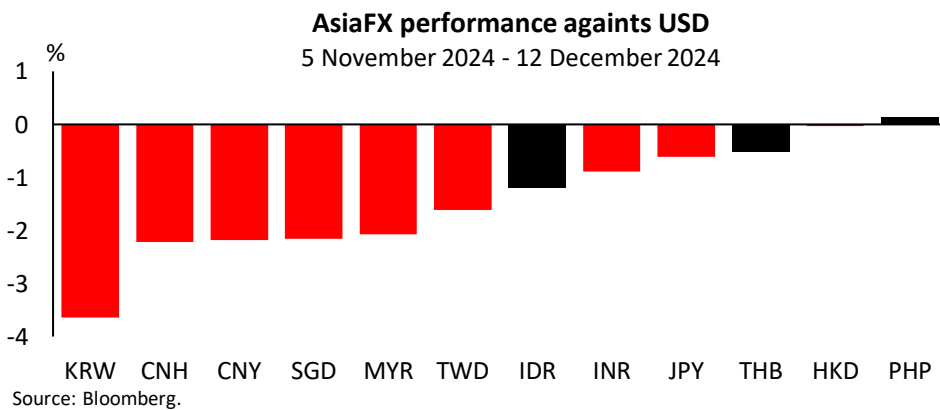


Source: Bureau of Trade and Economic Indices, CEIC, OCBC.

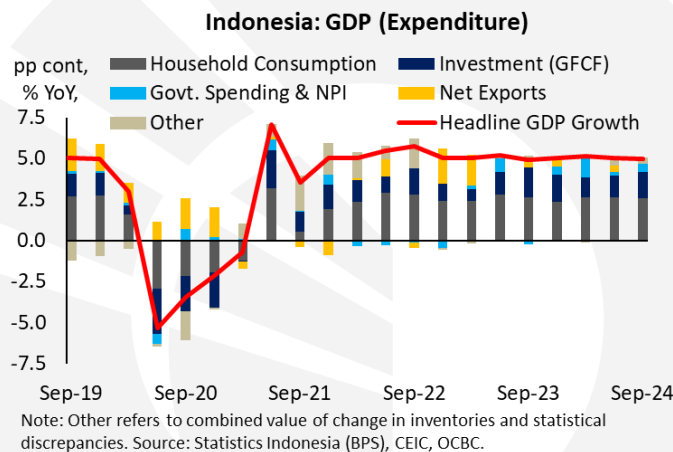
From a fundamental point of view, the growth-inflation dynamics are still mixed. The activity data for October did not show any clear signs of an improvement in growth while the inflation prints remain below BoT’s 1-3% target range. We expect

the onus to support growth has shifted to the government, which is focused on pushing consumption spending through its flagship digital wallet schemes.

Looking ahead, we see room for another 25bp rate cut from BoT, likely front-loaded in 1Q25, as external uncertainties particularly related to protectionist US policies becomes more pertinent. Importantly, financial conditions have not loosened significantly. THB has broadly outperformed most regional peers versus USD, following the US Presidential elections, albeit still depreciating modestly.

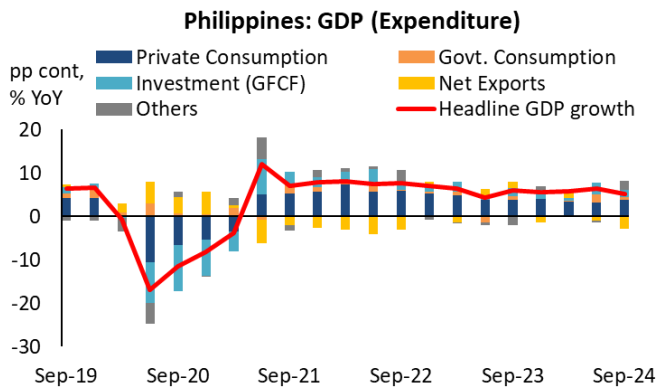


For BI, our call is now for a 25bps rate cut but we view the decision at the 18 December meeting as a coin toss. We lean towards BI easing at the upcoming meeting for a few reasons. First, external conditions are likely to be more conducive in December than in January. The market and our house view are for the US Federal Reserve to deliver a 25bp rate cut at its 18 December meeting, allowing for some room for BI to manoeuvre. Importantly, uncertainties could increase in January as President-elect Donald Trump takes oath on 20 and louder protectionist rhetoric cannot be ruled out. Second, IDR depreciation since the US Presidential elections has broadly been in line with regional peers, despite the headline impact of USD/IDR crossing 16,000. This suggests that IDR depreciation pressures are consistent with regional trends. Finally, 3Q24 GDP growth slowed to 4.9% YoY versus 5.0% in 2Q24 and activity data into 4Q24 remains mixed. As such, further monetary policy support to growth would be welcome.

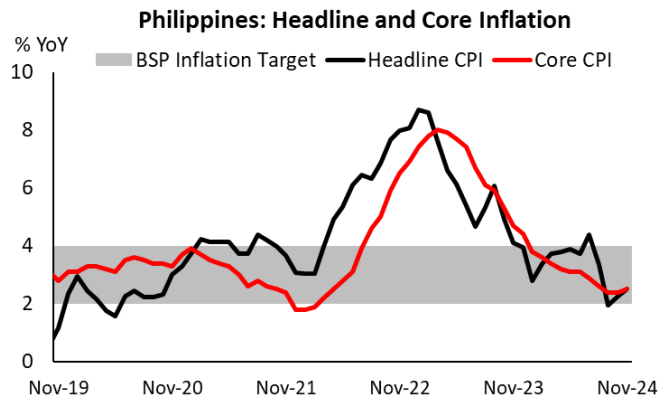


On the flipside, the arguments for BI to remain on hold are not without merit. Greater IDR volatility and elevated external risks support BI's cautious approach to easing. On balance, however, given that BI is looking for opportunities to ease, we see the 18 December meeting as presenting such a good opportunity.

For BSP, we expect a 25bps rate cut at its 19 December meeting. We continue to assess that BSP prioritise growth considerations, provided headline inflation remains within its 2-4% target range. A recent string of weather disruptions and continued mixed activity data suggest that GDP growth improvements in 4Q24 may be more constrained than previously expected. This would be off relevance to BSP since 3Q24 GDP growth at 5.2% YoY was decidedly weak. Meanwhile, headline inflation came in at 2.5% YoY in November, averaging 3.2% from January to November. The disinflation process remains intact and although headline inflation could rise slightly in December given the recent weather disruptions, we do not expect sharp spikes in key food prices including rice.



Note: Others is defined as the sum of change in inventories, valuables, and statistical discrepancies. Source: CEIC, OCBC



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

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