

ASEAN Morning Bytes

World Health Organization finally declares a pandemic but panic continues to rise as more cases and fatalities recorded



EM Space: Markets likely to head south with the WHO declaring a pandemic

- **General Asia:** Markets will likely be pressured again on Thursday with the World Health Organization (WHO) finally declaring a pandemic. With more cases recorded and fatalities on the rise, investors will head straight for safe-haven assets with the data calendar sparse.
- **Malaysia:** Prime Minister Muhyiddin Yassin has set up an economic council for dealing with the current economic crisis due to the Covid-19 virus and crashing oil prices. He is also considering reintroduction of the Goods and Services Tax, noting that elimination of the tax by his predecessor in 2018 didn't make any difference to the cost of living of the people. In the present economic environment, such a move could backfire on the new government. We think this is probably something for the FY2021 budget, rather than part of a possible recalibration of the budget for the current year under new finance minister Zafrul Aziz.
- **Singapore:** Released yesterday, the quarterly MAS Survey of Professional Forecasters points to a 0.8% YoY GDP contraction in 1Q20 (median forecast) followed by a modest recovery to 0.3% growth in 2Q. A record fiscal stimulus and possible MAS policy easing in April underlie expectations of acceleration to 1.3% and 1.9% in the third and fourth quarters,

yielding full-year growth of 0.6%, a touch better than the 0.5% official baseline for the year. However, judging from the wide ranges of analysts' forecasts, and the skew towards negative growth in all four quarters of the year, the risk to the median estimates seems to be tilted firmly on the downside. [We have revised our 2020 growth forecast to 0.3% from 1.0%.](#)

- **Indonesia:** Bank Indonesia's (BI) Governor announced that the central bank is lowering its growth estimates for the economy to 5.1% (5.2% with stimulus) down from 5.3% as Covid slows the economy. Governor Warjiyo also indicated that they would announce "policy" without disclosing further details on their next move. We do not think that BI has ample scope to cut policy rates further given the recent struggles of the IDR and we expect possible alternative easing measures such as additional reductions to reserve requirements or targeted loan programs to exporters in lieu of policy rate cuts. Meanwhile, Finance Secretary Indrawati called for a 6-month waiver to individuals' income taxes (PPH 21) and corporate income taxes on sales for imported items in a bid to maintain purchasing power and support manufacturing in the face of Covid.
- **Philippines:** Several key officials with oversight over the economy are on self-quarantine following contact with a confirmed Covid-19 case with the President set to undergo testing for the infection. Market players will remain on edge with the Bangko Sentral ng Pilipinas (BSP) likely to cut policy rates by 25 bps at the 19 March meeting. We expect the central bank to cut rates by up to 50 bps if more infections are recorded in the coming days.

What to look out for: Covid-19 developments

- India inflation (12 March)
- US PPI and industrial production (12 March)
- ECB meeting (12 March)