

ASEAN Morning Bytes

Economic data to be in focus on Friday while Trump suggests possibly cutting ties with China altogether



EM Space: US and China to report data on Friday

- **General Asia:** Both China and the US will release reports on retail sales and industrial production, additional data points to gauge the impact of Covid-19 and lockdowns on the economy. Meanwhile, US President Trump indicated he did not want to speak to China Xi Jinping for now, even suggesting possibly cutting ties with China, more signs of rekindled tension between the US and China. New Covid-19 cases have risen in the US states that recently relaxed restrictions which could convince officials to be more cautious in reopening their economies even as US initial jobless claims hit nearly 3 million last week.
- **Philippines:** Chief Economic planner, Secretary Chua, proposed slashing corporate income taxes from 30% to 25% as early as July 2020 in a bid to support corporations through the impending economic downturn caused by Covid-19. Secretary Chua also proposed additional fiscal measures of up to Php180 bn (0.9% of GDP) to help salvage a “V” shaped recovery with funds spent on loan support and capital infusions into state banks. The fiscal stimulus plan remains in the works with the current lockdown extended until 1 June, which will likely push GDP deeper into contraction of 5.8% for 2Q.
- **Indonesia:** Indonesia recorded the highest number of new Covid-19 infections on Thursday as officials struggle to contain the virus with total cases now numbering more than 16,000.

Despite the accelerated spread, select government officials have begun to discuss gradually relaxing the partial lockdown given projections of recession. Indonesia reports trade data today which should show a pullback in exports, mirroring contracting PMI manufacturing and pointing to negative 2Q GDP. This would add pressure on Bank Indonesia (BI) to provide additional stimulus. Should IDR continue to stabilize, we believe BI Governor Warjiyo will have enough scope to trim policy rates by 25 bps next week.

What to look out for: US and China retail sales and Covid-19 developments

- China industrial production and retail sales (15 May)
- Indonesia trade (15 May)
- Hong Kong GDP (15 May)
- US retail sales and industrial production (15 May)
- US consumer sentiment (15 May)