

## ASEAN Morning Bytes

Emerging markets set to trend lower on Tuesday with the global supply chain expected to take a hit on manufacturers' sales warning



### EM Space: Real economic impact from Covid-19 starting to surface

- **General Asia:** Consumer electronics makers warn that the Covid-19 outbreak is set to hurt both production and demand for their products. Emerging markets will likely pullback on Tuesday given their exposure to the electronics sector and with ASEAN export sectors all supporting China's vast supply chain. Reports of an anti-viral drug may help ease some concerns although caution is still likely to dominate given the Covid-19 episode.
- **Singapore:** The [2020 Budget](#) headlines will start hitting the terminals once finance minister Heng Swee Keat begins his budget speech at 3 pm local time. An adverse impact of Covid-19 on key sectors of trade and tourism could push the economy into recession this year, a possibility we also highlighted yesterday for some other Asia economies (see our notes on [Japan](#) and [Thailand](#)). Hopes are being pinned on a significant fiscal stimulus to avert this crisis, and the authorities seem likely to deliver. This will likely make this the most market-friendly budget for years.
- **Thailand:** GDP growth slipped to a five-year low of 1.6% YoY in the final quarter of 2019. With the coronavirus threatening trade and tourism, it looks as if Thailand is in for a prolonged downturn. Unlike Singapore, the lack of timely, adequate, and effective policy

support makes a recession more likely than not. We are cutting our 2020 growth forecast to 1.5%, keeping our view of another central bank rate cut in March on track.

- **Malaysia:** The government is considering a stimulus package to soften the impact of Covid-19 on the economy. The announcement is scheduled for the next Thursday (27 February). Speaking to local media, finance minister Lim Guan Eng has urged companies to upgrade existing facilities to prepare themselves for a post-Covid-19 bounce back in business. We recently cut our 2020 growth forecast to 3.5% from 4.5% and expect an additional 50 basis points of central bank rate cuts by mid-year.
- **Indonesia:** Indonesian President Jokowi urged his cabinet to rollout spending “as early as possible” to help cushion the economy from the fallout from the Covid-19 spread with exports and manufacturing expected to take a hit. The Finance minister indicated that the impact will be “substantial” and we expect the government to front-load spending while waiting for the passage of the so-called “omnibus bill” which should help bolster investment activity in the latter half of the year. Until then, we may expect lackluster growth numbers with both fiscal and monetary stimulus attempting to keep growth close to the government target of 5.3%.
- **Philippines:** The Bureau of the Treasury (BTr) announced it was mulling the issuance of Dollar-denominated debt which we expect will be rolled out within the next two weeks given the depressed yield on US Treasuries. The BTr generally issues fresh Republic of the Philippines (ROP) bonds in January, which could have taken a backseat as the treasury issued a round of Peso retail bonds. The fresh supply could affect longer-dated ROPs such as ROP42 and ROP29 given that BTr will likely issue at the long end of the curve.

## What to look out for: FOMC minutes

- US empire manufacturing (18 February)
- US housing starts and PPI (19 February)
- Bank Indonesia policy (20 February)
- FOMC minutes (20 February)
- Malaysia inflation (21 February)
- US existing home sales (21 February)