

ASEAN Morning Bytes

Dimming economic outlook will likely force investors to turn defensive on Thursday.



EM Space: Disappointing economic reports point to more pain down the road

- **General Asia:** Regional PMI reports coupled with rising infection and fatality rates painted a dire economic picture which will likely force investors to dump risk assets again on Thursday. Even Donald Trump, who had previously remained hopeful for a quick turnaround to the situation appears resigned to the fact that the fatality count will likely continue to rise until June while the economy will likely take a substantial hit. Meanwhile, the Fed continues to roll out stimulus measure after stimulus measure, relaxing leverage ratios for banks in a bid to help cushion the negative impact from Covid-19. Despite all the fiscal and monetary measures, sentiment will likely remain fragile as projections head south with infections and fatality counts rising.
- **Singapore:** We noted yesterday that the relaxation of existing property cooling measures would go some way to supporting sentiment as Covid-19 tightens its grip on the economy (infections touched the 1000 mark yesterday). Support for the policy shift comes from the advance property price data for 1Q20 showing a 1.2% QoQ fall in home prices. Not so much during SARS, but property was the worst-hit part of the economy during the global financial crisis in 2008, with up to 25% price falls.

- **Thailand:** [It's going to be the worst year since the 1998 Asian crisis](#). Following on the heels of its record low manufacturing PMI, the Business Sentiment Index for March pointed to as much as a 2% GDP contraction in 1Q20. We anticipate over a 7 percentage point fall in activity in the current quarter as a result of the partial shutdown. Our full-year growth forecast is now revised to -4.3% from -0.8%, which would be the steepest GDP fall since the 1998 Asian economic crisis (Thailand was the epicenter of this with over a 7.8% plunge in the country's GDP that year). We also add 50 basis points of rate cuts to our central bank policy forecast and see the THB weakening to 35 against the USD by end-2Q20.
- **Malaysia:** We are also cutting Malaysia's 2020 growth forecast to -2.9% from +1.8% earlier as the extended lockdown of the country to stem the Covid-19 spread is poised to dent growth deeper into the negative territory in the first two quarters. Hopes are pinned on monetary and fiscal stimulus helping the economy back to slightly positive growth in the final quarter. We maintain our view of a further 50bp Bank Negara policy rate cuts in the current quarter, with a bias towards more cuts than that. We forecast USD/MYR at 4.55 by end-2Q20.
- **Indonesia:** Indonesia revised its growth projections to reflect a possible contraction in growth of 0.4% as it continued to assess the probable impact of the recent measures to curtail movement in the country. IDR may plunge to a historical level of 20,000 in the worst-case scenario, which would push inflation to as high as 5.1%. Meanwhile, Bank Indonesia was granted authority to purchase bonds in the primary market to help fund a rescue package for small and medium-sized businesses.
- **Philippines:** Bangko Sentral ng Pilipinas (BSP) Governor Diokno indicated that the economy was likely headed for a technical recession with growth stalling to negative territory for 2 straight quarters. Diokno also indicated a possible partial lifting of the ongoing enhanced community quarantine to help jumpstart the mothballed economy which will see its streak of 84 positive quarters of economic growth come to an end. We have adjusted our growth forecast to show a possible contraction of 0.1% in 2020 with the enhanced community quarantine expected to last until the end of May.

What to look out for: Covid-19 developments

- Philippines bank lending (2 April)
- US trade and factory orders (2 April)
- Hong Kong PMI (3 April)
- China Caixin PMI services (3 April)
- Singapore retail sales (3 April)
- US non-farm payrolls (3 April)

Author

Nicholas Mapa

Senior Economist, Philippines

nicholas.antonio.mapa@asia.ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group*

(being for this purpose ING Group N.V. and its subsidiary and affiliated companies). The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.