

## ASEAN Morning Bytes

Fed warns of unprecedented slump in 2Q, calls for more aid to bolster the economy.



### EM Space: China PMI data could give market more direction after sobering US GDP report

- **General Asia:** Fed Chair Powell warned of an even deeper 2Q GDP drop after 1Q GDP data showed the US economy contracted by 4.8% as he called for more fiscal stimulus to help offset the economic slump. Despite the dismal economic numbers, market players may opt to react to earnings reports and developments on the Covid-19 front although upcoming economic data should remind investors of the economic gloom ahead. China PMI numbers should give trading additional direction on Thursday with attention also focused on virus testing capability, which will be crucial for states and countries to determine the pace of reopening after lockdowns.
- **Singapore:** A 2.4% unemployment rate in 1Q20 wasn't so bad (consensus 2.6%) but it was still an uptick from 2.3% in the previous quarter. More importantly, the 19.9k fall in jobs was the steepest since the SARS pandemic in 2003 and almost half of that was in services. The jobless rate hit a record of 4.8% during SARS. Hopes are pinned on the government's aggressive policy stimulus averting a retest of that level in the current crisis.
- **Thailand:** Manufacturing output plunged by 11% YoY in March- more than expected. We now see as much as a 5% YoY GDP contraction in 1Q20, steeper than our earlier view of a

2.2% fall. Two months of a state of emergency means an even deeper GDP fall in 2Q, by over 8%. We also revise our full-year 2020 growth forecast to -5.4% from -4.3%. We see no reasons why the Bank of Thailand's policy rate shouldn't fall further, at least by another 50bp from 0.75% currently, as inflation has also moved into negative territory and is likely to stay there for a long time to come.

- **Philippines:** Finance Secretary Dominguez flagged a tax collection shortfall of Php300bn as economic activity fades significantly in 2020 but expressed confidence in the government's ability to source Peso funding to make up the shortfall. Meanwhile, Dominguez pushed back on bailing out businesses using state funds indicating he favoured offering support to banks to help businesses get through the crisis. The government has touted its infrastructure program and tax reform agenda as integral to the Covid-19 response efforts but has been shy about upsizing the budget for fiscal stimulus to offset the economic downturn.
- **Indonesia:** Bank Indonesia (BI) Governor Warjiyo indicated that bond yields continued to be too high and that the IDR remained undervalued, reiterating that IDR would close the year at the 15,000 level. The central bank stepped up support for the IDR via its triple intervention while also utilizing its ability to purchase government bonds in the primary market. Warjiyo also indicated that he does not think that inflation will be a problem in 2020 but we maintain that BI will not have ample scope to cut policy rates further until IDR stabilizes.

## What to look out for: China PMI and Covid-19 developments

- Philippines remittances and GIR (30 April)
- China PMI manufacturing and non-manufacturing (30 April)
- Thailand trade (30 April)
- Taiwan GDP (30 April)
- ECB meeting (30 April)
- US personal spending and core PCE (30 April)
- US ISM PMI manufacturing (1 May)

### Author

#### Nicholas Mapa

Senior Economist, Philippines

[nicholas.antonio.mapa@asia.ing.com](mailto:nicholas.antonio.mapa@asia.ing.com)