

ASEAN Morning Bytes

Emerging markets may be in for a rough start on Monday with the IMF indicating the global economy is in a recession



EM Space: Governments resort to stiff “lockdown” measures to flatten curve

- **General Asia:** With the global outlook dimming further as the fatality count refuses to flatten out, the International Monetary Fund declared a global recession as it readied its capability to respond to the crisis. Meanwhile, the US is extending its social distancing guidelines for a month while Indonesia and Japan mull more enhanced measures to restrict mobility. With the world going into quarantine, commodity prices have tanked with risk assets also likely vulnerable this week as the virus continues to spread. Regional PMI numbers are likely to drop while non-farm payroll numbers from the US on Friday will likely take its cue from last week's surge in unemployment claims.
- **Singapore:** Consistent with their previous response to crises, MAS policy has moved to a neutral stance implied by zero appreciation of the S\$-NEER policy band, albeit shifting the midpoint to the prevailing lower level. There is no change in the width of the band, estimated +/-2% from the mid-point. The statement reinforced a dismal growth and inflation outlook; growth projected between -4% to -1% and inflation between -1% to 0%. But, the central bank also emphasized “the primary role of fiscal policy in mitigating the economic impact of COVID-19”. However, a record stimulus of about 11% of GDP is only

good once the Covid-19 threat to economy ends. Meanwhile, recession is unavoidable. A steeper than expected fall in 1Q GDP prompted a further cut to our 2020 growth forecast to -2.6% from -0.8%

- **Malaysia:** The government's \$58 billion (17% of GDP) stimulus package dwarfs those of most other countries given their sizes in terms of GDP. We expect Bank Negara Malaysia to waste no more time in announcing emergency rate cuts of the order of 50-100 basis points. However, as for most other economies in the region and the world, the stimulus should position the economy for a bounce-back once the pandemic ends, but in the meantime, it guarantees no lasting relief from the market sell-off.
- **Indonesia:** Indonesia is finally considering administering more enhanced measures to restrict mobility as Jokowi had previously not been in favour of initiating a "total lockdown" of the capital Jakarta or the rest of the country. Calls for more stringent measures to stem the tide of the virus have escalated as fatalities and infections are on the rise with ministers readying plans to implement regional quarantines which would knock out a sizable chunk of growth in 2020 should it be implemented.
- **Philippines:** Bangko Sentral ng Pilipinas (BSP) Governor Diokno vowed to carry out further easing if needed to help the economy avoid a recession in 2020. Diokno reiterated that he had the provisional authority to reduce reserve requirements by another 300 bps if needed and that he could resort to cutting policy rates further. BSP projects a possible 3% GDP growth in 1Q but a possible contraction in both 2Q and 3Q should the lockdown be extended. BSP has done much of the heavy lifting but until the fiscal package is approved and released the economy may sputter considerably with more than half of the country under quarantine.

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

- US pending home sales (30 March)
- China manufacturing and non-manufacturing PMI (31 March)
- Thailand trade (31 March)
- Hong Kong retail sales (31 March)
- Philippines bank lending (31 March)
- US consumer confidence (31 March)
- Japan Tankan survey (1 April)
- Regional PMI (1 April)
- US ADP employment and ISM PMI manufacturing (1 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)