

ASEAN Morning Bytes

Regional inflation data could set the tone for Tuesday's trading



EM Space: Investors could focus on economic data while monitoring Covid-19 developments

- **General Asia:** Previous virus hotspots and select US states continue to gradually reopen their economies with investors cautiously monitoring new infection rates with concerns remaining on how quickly restrictions are being lifted. Several major Asian markets are shuttered for separate holidays while crude oil tiptoed higher on hopes that supply curbs could help stabilize the market as economies slowly reopen. Economic data will continue to trickle in over the next few days with investors likely taking their cue from expectedly poor data reflecting the economic impact of lockdown and Covid-19.
- **Singapore:** Today's retail sales data for March will shed light on the impact of Covid-19 on consumer spending. And this impact is going to be big; consensus is for a 16.8% YoY fall, almost double the February 8.6% fall. Motor vehicle sales remained a weak spot judging from the 30% plunge in new registrations in March. The manufacturing PMI slide down to 44.7 in April from 45.4 in March is consistent with our forecast of a 6.8% YoY GDP fall in 2Q. With policy stimulus maxed out, hopes are pinned on the pandemic ending for the stimulus to kick-start the economy.
- **Thailand:** April CPI data today should show a steeper fall in prices than the -0.5% fall in March. We are more bearish with our -2.0% estimate than the -1.2% consensus median and

are assuming an accelerated slowdown in the food and transport components. The Bank of Thailand has more reason to slash its policy rate further from the current 0.75% as growth is going to take the worst beating this year in more than two decades.

- **Malaysia:** It's BNM decision day (announcement at 3.00 pm local time) with a solid consensus forecast for a 50bp cut in the policy rate to 2%, matching the low last seen during the global financial crisis. A greater hit to growth in the current quarter and the ensuing deflation trend both warrant more easing, which is why we have added another 50bp cut to our BNM policy forecast ([read more here](#)).
- **Indonesia:** Indonesia reports 1Q GDP data later in the session with ING expecting a 4.0% (same as median forecast) expansion for the period due to weaker exports and slower manufacturing output. PMI manufacturing and export performance for the first 3 months of 2020 were generally downbeat and we expect a more pronounced slowdown in the coming quarters as the ill effects of Covid-19 become more apparent. Monday's inflation print showed inflation slipping below consensus to 2.7% owing to depressed demand on Covid-19 concerns. This leaves the door open for Bank Indonesia (BI) to cut policy rates to help support the economy with Governor Warjiyo waiting for more stability from IDR to pull the trigger on additional easing.
- **Philippines:** Inflation data for the month of April is due for release today with market analysts pointing to a 2.1% pickup in prices, a deceleration from the March reading of 2.5% as the Philippines was placed on lockdown. ING has forecast a 2.0% increase in prices as tanking oil prices and lower utility costs likely weighed on headline inflation while the government price freeze on select food items during the lockdown likely kept price pressures at a minimum. Slowing inflation should provide Bangko Sentral ng Pilipinas (BSP) scope to cut policy rates in the near term. But any further rate cuts will have only a marginal impact on growth with analysts looking to additional fiscal stimulus to complement already aggressive monetary easing (125 bps worth of rate cuts for the year).

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

- Philippines remittances (5 May)
- Thailand inflation (5 May)
- Philippines inflation (5 May)
- Indonesia GDP (5 May)
- Singapore retail sales (5 May)
- Malaysia BNM policy (5 May)
- Hong Kong retail sales (5 May)
- US trade (5 May)
- Hong Kong and Singapore PMI (6 May)
- Philippines trade (6 May)
- Taiwan inflation (6 May)
- US ADP employment (6 May)
- China Caixin PMI services (7 May)
- Philippines GDP (7 May)
- China trade (7 May)
- US initial jobless claims (7 May)
- Malaysia industrial production (8 May)
- Taiwan trade (8 May)

- US non-farm payrolls (8 May)

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>.