

ASEAN Morning Bytes

Asian markets could push higher on Tuesday following the US



EM Space: Regional inflation will show symptoms of economic malaise

- **General Asia:** Markets are reacting positively to signs that some of the worst affected countries for Covid-19 seem to be making progress. But more and more of the world is adopting some form of lockdown, which will inevitably result in severe economic disruptions, even as some other parts of the world are looking at ways to begin de-confinement. Some investors clearly see this as an opportunity to reload on risk assets. But economic data will be pointing to a deep downturn in the coming months.
- **Singapore:** The third stimulus package, the Solidarity package, amounting to SGD 5.1 billion (1% of GDP) provides for increased cash payouts to individuals and the self-employed, enhanced wage and rental support for businesses, as well as easier low-cost credit availability for SMEs. To be part-funded by a SGD 4 billion drawdown of past reserves, the package aims to help businesses to turn the tide during a month-long circuit breaker starting today. It pushes the projected fiscal deficit in 2020 to 8.9% of GDP.

Meanwhile, news of Changi Airport Terminal 2 suspending operations for 18 months informs of the gravity of the current crisis that warrants this additional policy support. However, as with everything in economics, the marginal gains from the additional stimulus measures

will diminish, and a large GDP contraction in the current quarter remains inevitable. That said, the stimulus provides a sense of unity, resilience and solidarity (hence the name of the package), which could be important for supporting morale at this time, and facilitating a more rapid bounce-back than would otherwise have been the case.

- **Malaysia:** Following its neighbour, the Malaysian government has boosted its stimulus by an additional MYR 10 billion of support measures for SMEs, including wage subsidies, grants and rental rebates. This takes the aggregate stimulus to MYR 260 billion or over 17% of GDP, though the real thrust of this amounts to only 4% of GDP while the rest comes in the form of loan moratoriums, debt guarantees, SME credits, early access to pensions etc. (all of these were part of the second package worth MYR 230 billion). An extended lockdown will mean a bigger dent to GDP in the current quarter than our -6.6% YoY forecast. We continue to expect an additional 50 basis points of central bank (BNM) easing in 2Q20.
- **Thailand:** March consumer price data is due today. Reports of increasing job losses due to Covid-19 support the consensus view of a shift to negative inflation last month. The Bangkok Post reported 145k sign-ups for unemployment benefits in March and also cited a projection by the industry body (Employers' Confederation of Thai Trade and Industry) of at least 6.5 million job losses over the course of this pandemic. All this strengthens our call for 50bp of Bank of Thailand (BoT) rate cuts in this quarter.
- **Philippines:** The Philippines will be reporting inflation for March with analysts expecting a 2.3% reading as falling crude oil prices weigh on both utility and transport costs. Inflation will likely remain subdued in the near-term with the government recently implementing a price freeze as most of the country is currently on enhanced community quarantine measures to limit mobility. The partial lockdown of the country, which was originally scheduled to end on 14 April will likely be extended for 2 weeks according to the President, which should knock down our growth forecasts further as 73% of economic activity is quarantined and forced to stay at home.
- **Indonesia:** Indonesia was quick to tap Dollar funding for its recently announced \$24 bn stimulus package, issuing the first batch of 10-year, 30-year and 50-year bonds worth a total of \$4.3bn last Monday. This issuance will likely be followed by a Rupiah-denominated offering to help fund distressed small and medium-sized companies with the central bank authorized to participate in the primary auction to help cap the recent rise in yields.

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

- Thailand inflation (7 April)
- Philippines inflation (7 April)
- Malaysia GIR (7 April)
- US JOLTS job openings (7 April)
- Philippines trade (8 April)
- Taiwan trade and inflation (8 April)
- Fed minutes (8 April)
- Korea BoK meeting (9 April)
- US consumer sentiment (9 April)
- China inflation (10 April)
- US inflation (10 April)

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