

Asia week ahead: 1Q21 GDP season kicks off

China and Singapore are the first Asian countries to unveil their 1Q21 GDP performance, while three Asian central banks including Singapore assess monetary policy next week



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➔ How did economies perform in 1Q?

China and Singapore are the first Asian countries to release their 1Q21 GDP reports.

An exceptional surge in China's activity in Jan-Feb imparts upside

risk to our house view of 12% YoY 1Q GDP growth.

China was the first to enter the Covid-19 economic slump that dented its GDP growth by -6.8% year-on-year in the first quarter of 2020. That low base effect positioned it for a strong bounce in yearly growth in the first quarter of this year. Attesting to this was an exceptional surge in high-frequency activity indicators -- a 61% YoY jump in exports and around 35% YoY surges in industrial production, fixed-asset investment, and retail sales in Jan-Feb.

The March figures for these indicators will also arrive simultaneously as 1Q GDP, and they should continue to reinforce ongoing economic strength. This imparts upside risk to our house view of 12% YoY 1Q GDP growth, which is sitting at the bottom of market estimates ranging up to 22% growth.

The electronics-led export surge is leading Singapore's way out of the record economic slump of last year.

The base effect was less pronounced for Singapore, and so will be the bounce back. However, we don't think it would be as bad as some in the market see it with their negative growth forecast for 1Q. On the contrary, we expect Singapore to be among the first few Asian economies reporting positive GDP growth in 1Q, albeit mildly positive. The electronics-led export surge is leading Singapore's way out of the record economic slump of last year. Underpinning this further next week will be the non-oil domestic exports figures for March. We consider our +0.2% YoY 1Q GDP view subject to more upside than downside risk.

Elsewhere, manufacturing and trade releases from India and Indonesia should inform about the 1Q GDP performance of these economies. At the same time, Australia and Korea's jobs reports should do the same about their GDP growth.

➔ What should central banks make of it?

Three Asian central banks will be reviewing their current monetary policy in light of the latest economic performance. These are from Korea, Singapore and New Zealand.

We don't think the MAS is in a rush to alter its neutral policy stance. The market hasn't priced in any policy move either.

The first one is the Monetary Authority of Singapore (MAS), releasing its half-yearly policy statement alongside the 1Q21 GDP report on Wednesday, 14 April. The MAS operates monetary policy by managing the Singapore dollar nominal effective exchange rate within an undisclosed trading band, or S\$-NEER policy band. The shift a year ago to a neutral monetary policy targeting zero S\$-NEER appreciation has served well for the export-driven recovery. We don't think the MAS is in a rush to alter this policy stance just yet, given that the sustained Covid-19 spread globally

has been threatening export recovery ahead. Moreover, with the S\$-NEER remaining near the mid-point of the estimated policy band, the market hasn't priced in any policy move either. This is why we expect the MAS to stay the current course and leave the slope, the width and the level of the S\$-NEER policy band intact next week.

There are unlikely to be any fireworks from the Bank of Korea or the Reserve Bank of New Zealand as both are expected to keep their policy rates, currently 0.50% and 0.25%, respectively, on hold.

India's CPI inflation data for March comes a bit late for the Reserve Bank of India after the central bank left the main policy rates unchanged at the meeting this week but opened its liquidity taps wide to soften the impact of Covid-19 second wave. But this data still matters for the RBI's future policy course, especially as inflation has started to rise towards the top end of the RBI's 2-6% policy target range. Our forecast for March is 5.7% YoY, up from 5.0% in February.

Asia Economic Calendar

| Country | Time | Data/event | ING | Survey | Prev. |
|---------------------------|------|---|----------|--------|-----------|
| Monday 12 April | | | | | |
| China | - | Mar Aggregate finance (Yuan bn) | 3802 | | 1712.9 |
| | - | Mar Financial institution loans (Yuan bn) | 3023.8 | | 1359.4 |
| | - | Mar Money supply (M2) (%YoY) | 10.1 | | 10.1 |
| India | 1300 | Mar CPI Inflation (YoY%) | 5.7 | | 5.03 |
| | 1300 | Feb Industrial Output (YoY%) | -5.3 | | -1.6 |
| Tuesday 13 April | | | | | |
| China | - | Mar Exports | 32.7 | 32.7 | 60.6 |
| | - | Mar Imports | 24.6 | 21.6 | 22.2 |
| | - | Mar Trade Balance | 80.1 | 52.55 | 103.25 |
| South Korea | 0000 | Mar Unemployment Rate | - | | 4.00 |
| Wednesday 14 April | | | | | |
| India | 0730 | Mar WPI Inflation (YoY%) | 6.1 | | 4.17 |
| South Korea | 0055 | Mar Unemployment rate (% SA) | 3.9 | | 4.0 |
| Singapore | 0000 | 1Q21 GDP - adv (QoQ SAAR/YoY%) | 8.3/0.2 | | 15.9/-2.4 |
| | 0000 | MAS semiannual policy statement | | | |
| Thursday 15 April | | | | | |
| India | 1230 | Mar Trade Deficit Govt -USD bn | 12.7 | | 12.6 |
| | 1230 | Mar Imports (YoY%) | 38.0 | | 7.00 |
| | 1230 | Mar Exports (YoY%) | 43.0 | | 0.70 |
| Indonesia | 0500 | Mar Consumer Confidence Index | - | | 85.8 |
| | 0500 | Mar Exports (%YoY) | 9.1 | | 8.6 |
| | 0500 | Mar Imports (%YoY) | 5.6 | | 14.9 |
| | 0500 | Mar Trade balance (US\$m) | 1240.9 | | 2010 |
| South Korea | 0200 | Apr Bank of Korea Base Rate | 0.5 | | 0.50 |
| Philippines | - | Feb OCW remittances (% YoY) | -2.0 | | -1.70 |
| Friday 16 April | | | | | |
| China | 0300 | Mar Industrial Output (YoY%) | 25.0 | 15.6 | 35.1 |
| | 0300 | Mar Retail Sales (YoY%) | 28.0 | 27.2 | 33.8 |
| | 0300 | Mar Fixed asset invest (YTD, %YoY) | 25.0 | | 35.0 |
| | 0300 | Q1 GDP (YoY%) | 12.0 | | 2.6/6.5 |
| Singapore | 0030 | Mar NODX (MoM/YoY%) | -2.4/6.4 | | 8.2/4.2 |

Source: ING, Refinitiv, *GMT