

Asia week ahead: Hong Kong to roll out big stimulus

Hong Kong looks set to follow Singapore's footsteps as it unveils a big stimulus to combat the impact of the epidemic. India may come out with yet another quarter of weak GDP performance. But the key question is will the Bank of Korea join other Asian central banks on the easing bandwagon



Source: Shutterstock

➔ Hong Kong SAR 2020 Budget – how big a stimulus?

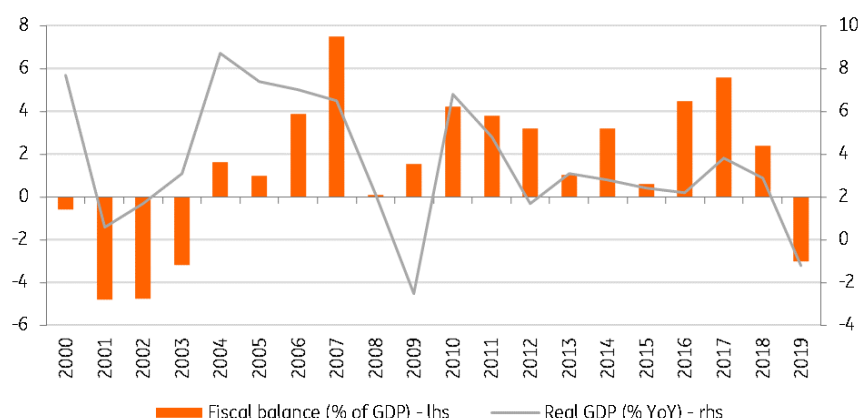
Hong Kong's Financial Secretary Paul Chan will announce the budget for the fiscal year 2020 on 26 February. The pro-independence protests have already pushed the economy into a recession -

GDP contracted for three consecutive quarters through the fourth quarter of 2019 (the final estimate of 4Q19 GDP is due on the same day as the budget) – and now there is Covid-19 dampening prospects further in 2020.

It is likely that the budget deficit for the new financial year [2020-21] will be the biggest ever – Financial Secretary Paul Chan

The markets are looking for a big, rather unprecedented, stimulus resulting in a very high fiscal deficit. Indeed, the Secretary has signalled a record deficit for 2020 on top of his estimate of about 3% of GDP deficit in the current fiscal year ending in March. Will this be enough to fix the economy's woes still remains to be seen.

Hong Kong: How big could the fiscal deficit be?



Source: CEIC, ING

➔ Korea central bank policy meeting – cut or no cut?

The key question of the week will be whether the Bank of Korea gets back on the easing path as the central bank easing in Asia gathered pace coming into 2020. Our house view is that the BoK stays on hold this year, assuming that fading trade war and improving tech demand makes it a more positive economic story this year than last.

An emergency situation warrants an emergency prescription – President Moon Jae-in

Of course, Korea isn't immune to the virus that's undoubtedly going to hinder the recovery from a sharp growth slowdown last year. And just as I was writing this note, there were reports of the country moving up to the rank of most affected one outside China, overtaking Japan (excluding Diamond Princess), as the number of infections more than doubled to over 100 in just one day with first death in the country. President Moon has declared the spread of the virus as an

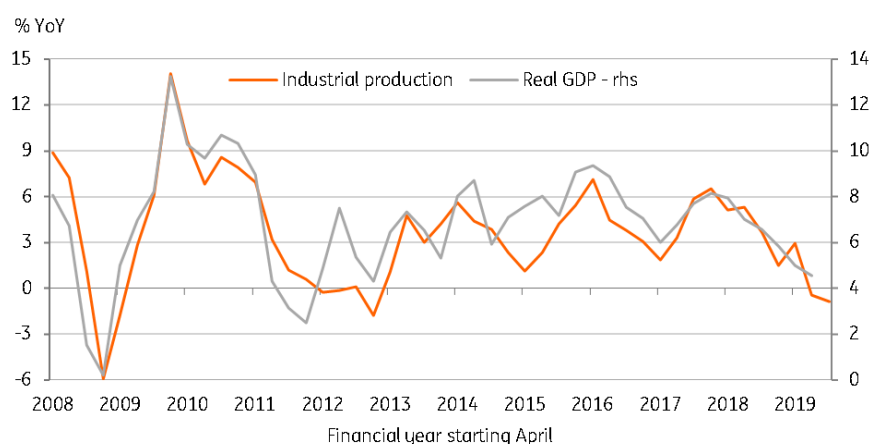
emergency demanding extraordinary steps to minimise the impact. All this could tip the balance of risk for the BoK policy towards easing next week.

➔ India 4Q19 GDP report – has growth bottomed?

We expect India's GDP report for the October-December 2019 quarter to show improvement in growth over the 4.5% year-on-year rate posted in the previous quarter. The consensus view about a month ago was 4.9% 4Q19 growth in the last quarter. And our bit longer-held than consensus view is 5.2% assuming a massive fiscal and monetary stimulus of in the early parts of 2019 would have started to revive demand, while the low base year effects also drove it higher.

The high-frequency data hasn't been fully supportive of acceleration in GDP growth though, imparting a downside risk to our GDP forecast. That said, we believe the expansionary macro policy in India has run its course amid imminent inflation risk ahead.

India: Persistent slowdown



Source: CEIC, ING

➔ Lots of manufacturing data

The economic data has been overshadowed by the Covid-19 outbreak and the barrage of manufacturing data coming out next week will be no exception either.

Moreover, January data is also distorted by the timing of the Lunar New Year (which in 2019 fell in February but this year was in January), which makes the usual year-on-year growth rates more of a noise rather than a clear trend. The tendency is to read combined January-February growth, though now these will also be impacted adversely by an extended slump in the economic activity due to the virus outbreak after the new year.

We believe economic data will remain just a watching brief for at least a couple more months before it provides a good gauge of the economic impact of evolving developments on the Covid-19 front.

Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 24 February					
Singapore	0500	Jan CPI (YoY%)	0.8	-	0.8
	0500	Jan CPI core (YoY%)	0.8	-	0.7
Taiwan	0800	Jan Industrial production (YoY%)	-4.9	-3.2	6.0
	0820	Jan Money supply (M2) (YoY%)	4.2	-	4.1
Thailand	0330	Jan Exports (Cust est, YoY%)	-4.5	-	-1.3
	0330	Jan Imports (Cust est, YoY%)	-20	-	2.5
	0330	Jan Trade balance (\$m)	-255	-	596
South Korea	2100	Feb BOK Consumer Sentiment Index	100.3	-	104.2
Tuesday 25 February					
Hong Kong	0830	Jan Trade balance (HK\$ bn)	-12.5	-	-32.5
	0830	Jan Imports (YoY%)	-15.4	-	-1.9
	0830	Jan Exports (YoY%)	-16.4	-	3.3
Philippines	-	Dec Budget balance (PHP bn)	-144.2	-	-60.9
Thailand	-	Jan Manufacturing index (YoY%)	-4.8	-	-4.3
South Korea	2100	Mar BOK Business Survey Index, non-mfg	72.9	-	74
	2100	Mar BOK Business Survey Index, mfg	74.2	-	77
Wednesday 26 February					
Hong Kong	0830	4Q F GDP (Q) (YoY%)	-3.0	-	-2.9
	0830	4Q F GDP (Q) (QoQ% SA)	-	-	-0.4
Singapore	0500	Jan Industrial production (MoM%/YoY%)	-3.7/-8.5	-/-	4.1/-0.7
Thursday 27 February					
South Korea	2300	Jan Industrial production (MoM%/YoY%)	0.0/6.7	-/-	3.5/4.2
	-	7-Day Repo Rate	1.25	-	1.25
Friday 28 February					
India	1200	4Q GDP (Q) (YoY%)	5.2	-	4.5
	1200	2020 GDP annual (YoY%)	-	-	6.1
	-	Jan Fiscal deficit (INR crore bn)	-	-	1.2
Thailand	-	Jan Current account balance (\$bn)	1.1	-	4.1

Source: ING, Bloomberg, *GMT

Author

Alissa Lefebvre

Economist

alissa.lefebvre@ing.com

Deepali Bhargava

Regional Head of Research, Asia-Pacific

Deepali.Bhargava@ing.com

Ruben Dewitte

Economist

+32495364780

ruben.dewitte@ing.com

Kinga Havasi

Economic research trainee

kinga.havasi@ing.com

Marten van Garderen

Consumer Economist, Netherlands

marten.van.garderen@ing.com

David Havrlant

Chief Economist, Czech Republic
420 770 321 486

david.havrlant@ing.com

Sander Burgers

Senior Economist, Dutch Housing

sander.burgers@ing.com

Lynn Song

Chief Economist, Greater China

lynn.song@asia.ing.com

Michiel Tukker

Senior European Rates Strategist

michiel.tukker@ing.com

Michal Rubaszek

Senior Economist, Poland

michal.rubaszek@ing.pl

This is a test author

Stefan Posea

Economist, Romania

tiberiu-stefan.posea@ing.com

Marine Leleux

Sector Strategist, Financials

marine.leleux2@ing.com

Jesse Norcross

Senior Sector Strategist, Real Estate

jesse.norcross@ing.com

Teise Stellema

Research Assistant, Energy Transition

teise.stellema@ing.com

Diederik Stadig

Sector Economist, TMT & Healthcare

diederik.stadig@ing.com

Diogo Gouveia

Sector Economist

diogo.duarte.vieira.de.gouveia@ing.com

Marine Leleux

Sector Strategist, Financials

marine.leleux2@ing.com

Ewa Manthey

Commodities Strategist

ewa.manthey@ing.com

ING Analysts

James Wilson

EM Sovereign Strategist

James.wilson@ing.com

Sophie Smith

Digital Editor

sophie.smith@ing.com

Frantisek Taborsky

EMEA FX & FI Strategist

frantisek.taborsky@ing.com

Adam Antoniak

Senior Economist, Poland

adam.antoniak@ing.pl

Min Joo Kang

Senior Economist, South Korea and Japan

min.joo.kang@asia.ing.com

Coco Zhang

ESG Research

coco.zhang@ing.com

Jan Frederik Slijkerman

Senior Sector Strategist, TMT

jan.frederik.slijkerman@ing.com

Katinka Jongkind

Senior Economist, Services and Leisure

Katinka.Jongkind@ing.com

Marina Le Blanc

Sector Strategist, Financials

Marina.Le.Blanc@ing.com

Samuel Abettan

Junior Economist

samuel.abettan@ing.com

Franziska Biehl

Senior Economist, Germany

Franziska.Marie.Biehl@ing.de

Rebecca Byrne

Senior Editor and Supervisory Analyst

rebecca.byrne@ing.com

Mirjam Bani

Sector Economist, Commercial Real Estate & Public Sector (Netherlands)

mirjam.bani@ing.com

Timothy Rahill

Credit Strategist

timothy.rahill@ing.com

Leszek Kasek

Senior Economist, Poland

leszek.kasek@ing.pl

Oleksiy Soroka, CFA

Senior High Yield Credit Strategist

oleksiy.soroka@ing.com

Antoine Bouvet

Head of European Rates Strategy

antoine.bouvet@ing.com

Jeroen van den Broek

Global Head of Sector Research

jeroen.van.den.broek@ing.com

Edse Dantuma

Senior Sector Economist, Industry and Healthcare

edse.dantuma@ing.com

Francesco Pesole

FX Strategist

francesco.pesole@ing.com

Rico Luman

Senior Sector Economist, Transport and Logistics

Rico.Luman@ing.com

Jurjen Witteveen

Sector Economist

jurjen.witteveen@ing.com

Dmitry Dolgin

Chief Economist, CIS

dmitry.dolgin@ing.de

Nicholas Mapa

Senior Economist, Philippines

nicholas.antonio.mapa@asia.ing.com

Egor Fedorov

Senior Credit Analyst

egor.fedorov@ing.com

Sebastian Franke

Consumer Economist

sebastian.franke@ing.de

Gerben Hieminga

Senior Sector Economist, Energy

gerben.hieminga@ing.com

Nadège Tillier

Head of Corporates Sector Strategy

nadege.tillier@ing.com

Charlotte de Montpellier

Senior Economist, France and Switzerland

charlotte.de.montpellier@ing.com

Laura Straeter

Behavioural Scientist

+31(0)611172684

laura.Straeter@ing.com

Valentin Tataru

Chief Economist, Romania

valentin.tataru@ing.com

James Smith

Developed Markets Economist, UK

james.smith@ing.com

Suvi Platerink Kosonen

Senior Sector Strategist, Financials

suvi.platerink-kosonen@ing.com

Thijs Geijer

Senior Sector Economist, Food & Agri

thijs.geijer@ing.com

Maurice van Sante

Senior Economist Construction & Team Lead Sectors

maurice.van.sante@ing.com

Marcel Klok

Senior Economist, Netherlands

marcel.klok@ing.com

Piotr Poplawski

Senior Economist, Poland

piotr.poplawski@ing.pl

Paolo Pizzoli

Senior Economist, Italy, Greece

paolo.pizzoli@ing.com

Marieke Blom

Chief Economist and Global Head of Research

marieke.blom@ing.com

Raoul Leering

Senior Macro Economist

raoul.leering@ing.com

Maarten Leen

Head of Global IFRS9 ME Scenarios

maarten.leen@ing.com

Maureen Schuller

Head of Financials Sector Strategy

Maureen.Schuller@ing.com

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@asia.ing.com

Rafal Benecki

Chief Economist, Poland

rafal.benecki@ing.pl

Philippe Ledent

Senior Economist, Belgium, Luxembourg

philippe.ledent@ing.com

Peter Virovacz

Senior Economist, Hungary

peter.virovacz@ing.com

Inga Fechner

Senior Economist, Germany, Global Trade

inga.fechner@ing.de

Dimitry Fleming

Senior Data Analyst, Netherlands

Dimitry.Fleming@ing.com

Ciprian Dascalu

Chief Economist, Romania

+40 31 406 8990

ciprian.dascalu@ing.com

Muhammet Mercan

Chief Economist, Turkey

muhammet.mercan@ingbank.com.tr

Iris Pang

Chief Economist, Greater China

iris.pang@asia.ing.com

Sophie Freeman

Writer, Group Research

+44 20 7767 6209

Sophie.Freeman@uk.ing.com

Padhraic Garvey, CFA

Regional Head of Research, Americas

padhraic.garvey@ing.com

James Knightley

Chief International Economist, US

james.knightley@ing.com

Tim Condon

Asia Chief Economist

+65 6232-6020

Martin van Vliet

Senior Interest Rate Strategist

+31 20 563 8801

martin.van.vliet@ing.com

Karol Pogorzelski

Senior Economist, Poland
Karol.Pogorzelski@ing.pl

Carsten Brzeski
Global Head of Macro
carsten.brzeski@ing.de

Viraj Patel
Foreign Exchange Strategist
+44 20 7767 6405
viraj.patel@ing.com

Owen Thomas
Global Head of Editorial Content
+44 (0) 207 767 5331
owen.thomas@ing.com

Bert Colijn
Chief Economist, Netherlands
bert.colijn@ing.com

Peter Vanden Houte
Chief Economist, Belgium, Luxembourg, Eurozone
peter.vandenhoute@ing.com

Benjamin Schroeder
Senior Rates Strategist
benjamin.schroeder@ing.com

Chris Turner
Global Head of Markets and Regional Head of Research for UK & CEE
chris.turner@ing.com

Gustavo Rangel
Chief Economist, LATAM
+1 646 424 6464
gustavo.rangel@ing.com

Carlo Cocuzzo
Economist, Digital Finance
+44 20 7767 5306
carlo.cocuzzo@ing.com