

## Asia week ahead: More central bank stimulus from India and Singapore

Plenty of data out next week to mull over the economic fallout from Covid-19, but central banks in India and Singapore take centre stage with rate cuts and anything else they can do to soften the impact



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### ➔ First full-month of Covid-19 affected data

Until late February, Covid-19 was mainly a China issue but has since become a global pandemic. However, the situation has somewhat improved in China, as authorities have only reported one new locally transmitted case in China.

We expect this to be reflected in forthcoming data, especially as March will be the first full month

of Covid-19-affected data which underscores the severity of the economic fallout of the disease elsewhere in Asia.

The key figure to watch here is the purchasing managers index (PMIs). Indeed, the consensus is showing some bounce back in China's manufacturing PMI, though not in growth territory just yet. We may see PMIs from other countries going in the opposite direction. Korea's trade figures for March will be an interesting read given the surprisingly positive export growth in the first 20 days of the month despite the virus dampening spirits in most trading partner countries as well as significant supply chain disruptions domestically.

## ➔ India's central bank set to go big

The three-week lockdown and the resulting economic breakdown means all eyes are on the Reserve Bank of India's policy meeting next week, 3 April, if it still goes ahead.

We anticipate, this [unprecedented crisis](#) will most certainly dent GDP growth massively over the coming quarters, pushing it into the negative territory. Indeed, this demands an unprecedented policy response. The finance ministry is preparing the fiscal stimulus and we should expect the announcement in coming days, though it will be slow to trickle down while gloom everywhere is likely to blunt the impact.

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This suggests that the RBI is under pressure to do more than the usual 25 basis point policy rate cut. Our base case is a 50bp cut, but we won't be taken aback if it cuts more. The lockdown will be associated with a significant drying up of the financial system liquidity in coming weeks. However, the RBI has been pumping cash into the system through repo auctions and will be prepared to do more to support any surge in liquidity demand post-lockdown.

## ➔ Singapore's central bank not far behind

The Monetary Authority of Singapore has advanced its policy announcement to 30 March, from the usual mid-April schedule. The re-scheduling itself reflects the urgency of policy response as the economy reels under a [recession risk](#) from the slump in trade and tourism as a result of the virus.

Although the MAS has yet to verbalise its easing stance, the accelerated depreciation of the Singapore dollar Nominal Effective Exchange Rate (S\$-NEER) suggests that the central bank has been accommodating easing within the existing S\$-NEER policy band. This is further reflected by a near-halving of interbank rates this month.

We expect the central bank to pronounce the easing stance by re-centring the policy band at a lower level, with a zero rate of appreciation.

Country	Time Data/event	ING	Survey	Prev.
<b>Monday 30 March</b>				
Singapore	0100 Singapore Central Bank Monetary Policy Statement			
South Korea	2200 Apr BOK Business Survey Index, mfg	-	-	69
	2200 Apr BOK Business Survey Index, non-mfg	-	-	68
<b>Tuesday 31 March</b>				
China	0200 Mar Manufacturing PMI	50	45	35.7
	0200 Mar Non-manufacturing PMI	50	44	29.6
India	- Feb Fiscal deficit (INR crore)	-	-	53747
Hong Kong	0930 Feb Retail sales value (YoY%)	-41.8	-41.8	-21.4
	0930 Feb Retail sales volume (YoY%)	-45	-	-23
South Korea	0000 Feb Industrial production (MoM%/YoY%)	-/-	-/-	-1.3/-2.4
<b>Wednesday 1 April</b>				
China	0245 Mar Caixin Manufacturing PMI	50	47	40.3
Indonesia	0500 Mar CPI core (YoY%)	-	-	2.76
	0500 Mar CPI (YoY%)	-	-	2.98
Philippines	0130 Mar Nikkei Manufacturing PMI	-	-	52.3
Taiwan	0130 Mar Nikkei Manufacturing PMI	45	-	49.9
South Korea	0100 Mar Imports (YoY%)	-	-	1.4
	0100 Mar Exports (YoY%)	-	-	4.5
	0100 Mar Trade balance (US\$m)	-	-	3980
	0130 Mar Nikkei Manufacturing PMI	-	-	48.7
<b>Thursday 2 April</b>				
India	0600 Mar Nikkei Manufacturing PMI	-	-	54.5
South Korea	0000 Mar CPI (MoM%/YoY%)	-/-	-/-	0/1.1
<b>Friday 3 April</b>				
India	0715 Apr 3 RBI policy decision (repo rate, %)	4.65	-	5.15
Hong Kong	0130 Mar Nikkei PMI	-	-	33.1
Singapore	0600 Feb Retail sales value (YoY%)	-	-	-5.29
	0600 Feb Retail sales value (MoM% SA)	-	-	0.1
	1400 Mar Purchasing Managers Index	-	-	48.7

Source: Bloomberg, ING