

## Asia week ahead: Singapore budget steals limelight

A hike in Singapore's good and services tax (GST) seems to be a done deal but it bodes ill given already weak domestic spending



Source: Shutterstock

**1.5-3.5%** Singapore growth in 2018  
Official forecast

### Higher consumption tax in Singapore

An annual rite of spring, Singapore's Finance Minister Heng Swee Keat unveils the Budget for 2018 on Monday, February 19. The budget is likely to reaffirm official 1.5-3.5% growth and 0-1% inflation forecasts for 2018. Over the last two years, Singapore's economic growth has recovered close to the top end of the government's estimate of potential growth of 2-4% (3.5% in 2016 and 3.6% in 2017). However, firmer headline growth masks underlying weakness, reflected in domestic demand and stubbornly low consumer price inflation. With the end of last year's export surge, sustaining the current rate of GDP growth in coming years will entail continued fiscal pump-

priming.

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### *Higher GST could depress consumer spending*

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The government has flagged a rapid rise in public expenditure in the coming years, though this will also be accompanied by a drive to raise tax revenue. A well-publicized tax initiative in the 2018 budget is a hike in the Goods and Services Tax (GST). It looks like a done deal with a 2 percentage point hike to 9% to be phased in over two years, while bringing e-commerce under the GST net is also under consideration. The move may be some help in the recovery of inflation from its current low level (0.6% in 2017). But the risk is that a tax hike could potentially backfire by depressing consumer spending further.

### **Some inflation relief in Malaysia**

Hong Kong and Malaysia report consumer price inflation data for January. Inflation in Hong Kong has hovered around 2% since April 2017, which is where we expect it to remain in January and in most of 2018. In Malaysia, the high base effect from administered fuel price hikes in early 2017 should push year-over-year CPI inflation lower; The ING forecast is 2.7%, down from 3.5% in December. The high base and appreciating Malaysian ringgit (MYR) are expected to moderate inflation this year, possibly keeping it closer to the low end of the government's 2.5-3.5% forecast.

### **Growth slowdown in Thailand**

Thailand's GDP data for the fourth quarter of 2017 is also due. The majority of Asian economies posted a GDP slowdown in the last quarter. We expect Thailand to join in. This is another Asian economy plagued by weak domestic demand and persistently low inflation. Most of the uplift in GDP growth in 2017 to our estimated 3.8% from 3.2% in the previous year was from exports and inventory accumulation. The strong Thai baht will be a threat to the export-led recovery and the Bank of Thailand will not want to complicate matters by joining the global tightening cycle.

## Asia and Latin America Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
<b>Monday 19 February</b>					
China	-	Lunar New Year holiday (to 21-Feb)			
Hong Kong	-	Lunar New Year holiday			
Taiwan	-	Lunar New Year holiday (to 20-Feb)			
Korea	2300	Jan PPI (MoM/YoY%)	-/-	-/-	-/2.3
Philippines	0845	Jan Balance of payments (US\$m)	-	-	917
Singapore	-	FY2018 Budget			
Thailand	0230	4Q17 GDP (QoQ/YoY% SA)	0.2/3.9	0.7/4.3	1.0/4.3
	0400	Jan Exports (Cust est, YoY%)	11	11.6	8.6
	0400	Jan Imports (Cust est, YoY%)	15	14.05	16.6
	0400	Jan Trade balance (Cust est, US\$m)	266	599	-278
<b>Tuesday 20 February</b>					
South Korea	2100	Jan PPI (MoM/YoY%)	-/-	-/-	-/2.3
<b>Wednesday 21 February</b>					
Malaysia	0400	Jan CPI (YoY%)	2.7		3.5
<b>Thursday 22 February</b>					
Mexico	1500	Central Bank Monetary Policy Minutes			
Malaysia	0700	Feb 15 Forex reserves- Month end (US\$bn)	-	-	103.7
Hong Kong	0815	Jan Composite CPI (YoY%)	2		1.7
<b>Friday 23 February</b>					
Mexico	1400	4Q F GDP (YoY%)	1.7	-	1.75
Singapore	0500	Jan CPI (YoY%)	-	-	0.4
	0500	Jan CPI core (YoY%)	-	-	1.3
Taiwan	0820	4Q17 Current account balance (US\$bn)	19		20.514

Source: Bloomberg, ING