

## Asia week ahead: Singapore's budget in the spotlight

As markets around the region welcome the Lunar New Year of the Ox, Singapore's budget takes the spotlight next week in Asia while Japan and Thailand report fourth-quarter GDP numbers



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**Gong Xi Fa Cai! Happy Lunar New Year.**

# 4.3%

## Singapore's FY21-22 budget deficit

Forecast: As a percent of GDP

### ➔ Singapore's 2021 budget

Singapore's government announces the budget for FY21-22 next week on 16 February and after the huge stimulus around 19% of GDP this year, we expect next year to be a somewhat normal year for fiscal policy but that shouldn't be construed as reverting to a budget surplus that Singapore enjoyed for almost a decade. Not just yet.

To soften the blow of the pandemic, this led to a record deficit in FY20-21, estimated at over 15% of GDP but sustaining such a high level of deficit isn't going to be a feasible policy.

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Although accelerating recovery and GDP growth this year should enable the government to scale back some of the measures, we anticipate a broad stance of supporting jobs and business to prevail. Besides, the government may look to further its climate agenda although there haven't been many green policies visible in the massive stimulus so far. But with elevated government spending, the budget deficit is here to stay in FY21-22. We forecast it to be equivalent to 4.3% of GDP.

Also, out next week will be Singapore's January trade figures, which will be a health check for the economy coming into 2021. The widely watched non-oil domestic exports had a good run in recent months, thanks to the positive global semiconductor cycle. The cycle remains in full swing as seen from strong growth in Korea and Taiwan's electronics exports.

That said, we won't be taken aback by some retracement of the recent NODX strength resulting from continued rising Covid-19 cases in key export markets. Pharmaceuticals and chemicals are the likely weak spots in that instance.

### ➔ GDP and trade reports elsewhere

Elsewhere in the region, the week kicks off with both Japan and Thailand releasing their 4Q20 GDP numbers on Monday morning. The rising number of cases in the last quarter held back the recovery, which is likely to sharply dent the quarter-on-quarter GDP growth, bringing year-on-year growth well into the negative territory in both countries.

January trade figures from Japan, India and Indonesia should shed light on the path for these economies ahead. Firmer exports growth is our house forecast for Indonesia, But not the same case for India and Japan with forecasts of negative export growth.

We also expect Bank Indonesia to leave monetary policy on hold at the meeting next Thursday, 18 February.

And finally, Australia's January labour report will be closely scrutinised in light of the Reserve Bank of Australia's policy after the central bank decided to extend its quantitative easing earlier this month.

## Asia Economic Calendar

| Country                      | Time | Data/event                              | ING Survey | Prev.    |
|------------------------------|------|---|------------|----------|
| <b>Monday 15 February</b>    |      |   |            |          |
| Singapore                    | 0000 | 4Q20 GDP - revised (QoQ, SA/YoY%)       | 2.3/-3.7   | 2.1/-3.8 |
| India                        | 0630 | Jan WPI Inflation (YoY%)                | -          | 1.22     |
|                              | 1230 | Jan Exports (%YoY)                      | -2         | 0.1      |
|                              | 1230 | Jan Imports (%YoY)                      | 7.5        | 7.6      |
|                              | 1230 | Jan Trade deficit (US\$bn)              | -15.1      | -15.4    |
| Malaysia                     | 0400 | Q4 GDP (YoY%)                           | -          | -3.1     |
| Indonesia                    | 0400 | Jan Exports (%YoY)                      | 5.3        | 14.6     |
|                              | 0400 | Jan Imports (%YoY)                      | -2.4       | -0.5     |
|                              | 0400 | Jan Trade balance (US\$m)               | 422        | 2101     |
| Thailand                     | 0230 | 4Q20 GDP (QoQ, SA/YoY%)                 | 1.6/-4.7   | 6.5/-6.4 |
| <b>Tuesday 16 February</b>   |      |   |            |          |
| Singapore                    | -    | FY2021-22 Budget                        | -          | 6.5      |
| <b>Wednesday 17 February</b> |      |   |            |          |
| Singapore                    | 0000 | Jan Non-oil domestic exports (%MoM/YoY) | -4.3/0.0   | 6.6/6.8  |
| <b>Thursday 18 February</b>  |      |   |            |          |
| Indonesia                    | 0700 | Feb 7-Day Reverse Repo                  | 3.75       | 3.75     |
| Hong Kong                    | 0830 | Unemployment rate (%)                   | 6.8        | 6.6      |
| Korea                        | 2300 | Jan PPI (%YoY)                          | -0.2       | 0.1      |
| <b>Friday 19 December</b>    |      |   |            |          |
| China                        | -    | 4Q20 Current account balance (US\$ bn)  | 40         | 40.1     |

Source: ING, Refinitiv, \*GMT