

Asia week ahead: Stimulatory economic policy gains momentum

As investors continue to assess the economic damage of Covid-19, support for Asian economies from both the fiscal and monetary side is on the rise. For the same reason, Singapore's budget takes centre stage next week



Source: Shutterstock

➔ Singapore budget FY20

Singapore government is preparing for a more detrimental fallout from the coronavirus than it did for SARS in 2003 and is expected to roll out a significant stimulus in the FY20 budget to be unveiled next Tuesday, 18 February.

The city-state's abundance of riches evident from several years of fiscal surplus recently (barring FY19 when the budget was programmed for a deficit of about 0.7% of GDP) will be put to use to reduce the impact of the virus on the economy. The impact mainly flows through tourism and trade as China is a big partner of Singapore in both these areas. The authorities are now expecting a 25-30% plunge in visitors this year, which together with a sharp slowdown in exports to China will certainly be bad for the small, open economy.

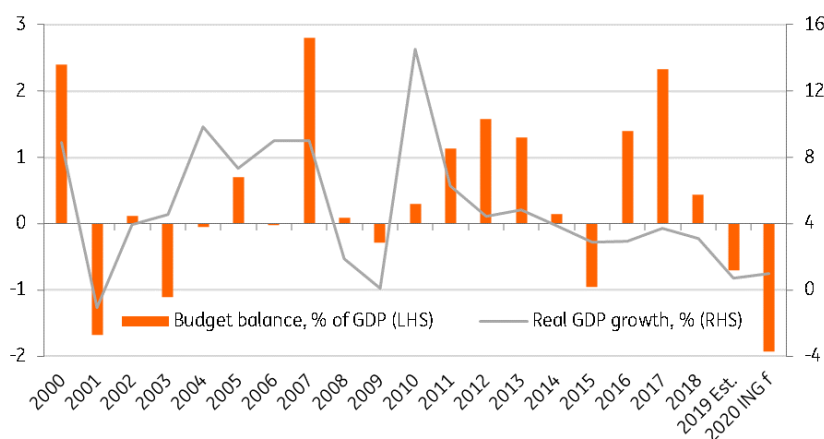
We recently cut our GDP growth forecast for 2020 to 1.0% from 1.6%, though this too hinges on the economy receiving fiscal support.

Even before the outbreak, the government flagged a growth-friendly budget for the economy already reeling under the trade war and tech slump for more than two years. And now the added whammy (Singapore is the third most affected country outside China) seems to have paved the way for a much bigger stimulus.

We anticipate close to 2% of GDP fiscal deficit, up from 0.7% planned for FY19 and the most in two decades (after 1.7% deficit during the burst of the tech bubble in FY01).

Taking cue from the SARS stimulus package, the Covid-19 package is likely to contain some income tax relief for both individuals and corporates, target reliefs measures for tourism and retail sectors, incentives for small and medium-sized enterprises to stay afloat without having to downscale operations, and probably some boost to real estate via rollback of some earlier tightening, besides the usual long-term initiatives supporting innovations and digital transformation.

Singapore: The bigger the crisis, the bigger is the fiscal thrust



Source: CEIC, ING

➔ More Asian central bank easing

Asian central banks are trying to get ahead of the curve of monetary easing to support growth as the rapidly spreading disease dampens the economic outlook.

The next one to join the race seems to be Indonesia's central bank, after counterparts in China, Malaysia, Philippines, and Thailand – cut their policy rates by 25 basis points recently. Consistent downside CPI inflation surprises for six months through to January (2.7%) and virtually stalled GDP growth at 5% suggests that Indonesia's central bank won't risk the wrath of the ongoing virus. Our house view is a 25bp rate cut at the next meeting on 20 February.

Elsewhere, Malaysia's CPI inflation data for January is expected to show continued low inflation coming into 2020, supporting our call of another 50bp rate cut while growth remains at the mercy of this epidemic. Thailand's GDP data for the fourth quarter of 2019 could nudge the Bank of Thailand for another rate cut this quarter too.

Asia Economic Calendar

Country	Time Data/event	ING	Survey	Prev.
Monday 16 March				
China	0130 Feb New home prices (YoY%)	-	-	0.27
	0200 Feb Fixed asset investment (YTD, YoY%)	-7	3.5	5.4
	0200 Industrial production (YoY%)	-9	-	6.9
	0200 Retail sales (YoY%)	-8.8	-	8
India	0630 Feb WPI (YoY%)	2.9	-	3.1
	- 4Q Current account balance (Q) (US\$bn)	-	-2.5	-6.254
	- Feb Trade balance (US\$mn)	-11.7	-	-15.2
	- Feb Exports (YoY%)	-4.5	-	-1.7
	- Feb Imports (YoY%)	2.2	-	-0.8
Indonesia	0400 Feb Trade balance (US\$mn)	-864.1	-	-864.2
	0400 Feb Exports (YoY%)	-5.6	-	-3.71
	0400 Feb Imports (YoY%)	-7.2	-	-4.78
Philippines	- Jan OCW remittances (YoY%)	3.7	-	1.9
Tuesday 17 March				
Singapore	0030 Feb Non-oil domestic exports (MoM/YoY%)	-4.3/-8.3	-/-	4.6/-3.3
Hong-Kong	0830 Feb Unemployment Rate	-	-	3.4
Thursday 19 March				
Indonesia	0720 BI policy decision (7-day reverse repo, %)	4.75	-	4.75
Philippines	0800 Overnight Borrowing Rate	3.50	-	3.75
Taiwan	- Benchmark Interest Rate	1.375	-	1.375
South Korea	2100 Feb PPI (YoY%)	-	-	1.0
Friday 20 March				
Taiwan	0800 Feb Export orders (YoY%)	-15.2	-	-12.8
China	0130 Loan Prime Rate 1Y	4.05	-	4.05

Source: ING, Bloomberg, *GMT

Author

Alissa Lefebre

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
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

Robert Carnell
Regional Head of Research, Asia-Pacific
robert.carnell@asia.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