

## Asia week ahead: The gloom continues

Chinese markets are set to reopen following a global sell-off tied to the coronavirus. The depressed growth outlook is pushing some Asian central banks to ease next week



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### ➔ China's catch-up to viral selloff

After an extended new year break, the Chinese markets reopen next week and will undoubtedly play catch-up to global markets, which have sold off on concern about the economic impact of the coronavirus. Local authorities are likely to act fast to minimise the damage, with the People's Bank of China potentially offering further liquidity-boosting measures.

The Asian calendar is packed with activity data from China and the rest of Asia, though that will likely be secondary to news about the coronavirus. We're not likely to see the full economic impact

of the virus in the January data, but holiday-related slack and the timing of the holiday (Lunar New Year was in February last year but in January this year) will distort the picture. Trade figures for January from China and Korea as well as manufacturing PMIs elsewhere will be in focus following the phase one trade deal between China and the US.

## ➔ More central bank easing

With China gearing up for more stimulus to soften the impact of the virus, other Asian countries are likely to follow suit. Central banks in Australia, India, the Philippines, and Thailand - all hold policy meetings next week and we're expecting more than just words.

The first to announce its policy decision is the Reserve Bank of Australia (4 February). Besides devastating bushfires, the imminent threat to growth from the virus has put the consensus view solidly behind a 25 basis point rate cut. Australia is highly dependent on Chinese demand.

Thailand is one of the front-line economies to face the brunt of the virus through a significant dent to the tourism industry. The ongoing fiscal stalemate due to the delayed passage of the 2020 Budget leads us to expect more Bank of Thailand easing this year. We don't rule out a 25 basis point rate cut at this forthcoming meeting (5 February).

Just as in Thailand, tourism will be an added drag on the Philippines economy, not just from the virus but also from a volcanic eruption earlier this month. Our house forecast includes two 25 basis point rate cuts by the Bangko Sentral ng Pilipinas in the first and second quarters. We expect it to cut next week (6 February).

[Australia - trial by fire](#)

[Thailand: Conditions are ripe for more easing](#)

[Philippines: GDP growth at 6.4%, sluggish momentum points to BSP easing](#)

## ➔ A big policy week in India

India's Federal Budget for FY2020 to be announced this Saturday (1 February) will set the tone for markets there in a week that will also see the Reserve Bank of India setting monetary policy (6 February).

A big overshoot of the fiscal deficit in FY2019 (ends in March 2020), far above the 3.3% initial projection to something closer to 4%, suggests there isn't any scope for continued fiscal expansion ahead. That said, we don't see the government backing away from its growth-friendly fiscal policy stance just yet, with media reports also pointing to off-budget borrowings, through state-owned entities, to fund extra spending. Whether this helps to revive growth remains to be seen but we are sceptical.

As for central bank policy, we believe the latest inflation spike above the 2-6% policy target to 7.4% in December has closed the door to RBI easing. After total rate cuts amounting to 135 basis points last year, the RBI paused in December. And just recently, Governor Shaktikanta Das also warned against high inflation risk ahead. We expect the RBI to remain on hold next week (6 February) and in the rest of 2020.

## Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
<b>Saturday 1 February</b>					
South Korea	0000	Jan Imports (YoY%)	-	-6.6	-0.7
	0000	Jan Exports (YoY%)	-	-8.7	-5.2
	0000	Jan Trade balance (US\$mn)	-	803	2017
<b>Monday 3 February</b>					
China	0130	Dec Industrial profits (YTD, YoY%)	5.3	-	5.4
	0145	Jan Caixin Manufacturing PMI	51.0	51.0	51.5
India	0500	Jan Nikkei Manufacturing PMI	52.0	-	52.7
Hong Kong	0830	4Q A GDP (YoY%)	-7.0	-	-2.9
Indonesia	0400	Jan CPI core (YoY%)	-	-	3.02
	0400	Jan CPI (YoY%)	2.9	-	2.7
Singapore	1300	Jan Purchasing Managers Index	50.0	-	50.1
Malaysia	0030	Jan Nikkei Manufacturing PMI	49.5	-	50.0
Taiwan	0030	Jan Nikkei Manufacturing PMI	50.9	-	50.8
Thailand	0030	Jan Nikkei Manufacturing PMI	49.3	-	50.1
South Korea	0030	Jan Nikkei Manufacturing PMI	-	-	50.1
	2300	Jan CPI (MoM/YoY%)	-/-	-/-	0.2/0.7
<b>Tuesday 4 February</b>					
Hong Kong	0830	Dec Retail sales value (YoY%)	-	-	-23.6
	0830	Dec Retail sales volume (YoY%)	-	-	-25.4
Malaysia	0400	Dec Exports (YoY%)	-3.0	-	-5.6
	0400	Dec Imports (YoY%)	0.0	-	-3.6
	0400	Dec Trade balance (RM bn)	8.4	-	6.5
MALAYSIA	0400	Dec Trade balance (RM bn)	-	-	6.5
<b>Wednesday 5 February</b>					
India	0500	Jan Nikkei Services PMI	-	-	53.3
Hong Kong	0030	Jan Nikkei PMI	-	-	42.1
Philippines	0100	Jan CPI (YoY%)	2.9	-	2.5
Taiwan	0800	Jan Forex reserves (US\$bn)	480.0	-	478.1
Thailand	0705	Benchmark Interest Rate	1.00	-	1.25
<b>Thursday 6 February</b>					
India	0615	RBI policy decision (repo rate, %)	5.15	-	5.15
Indonesia	-	4Q GDP (YoY%)	5.1	-	5.0
Philippines	0800	Overnight Borrowing Rate	3.75	-	4.00
Taiwan	0800	Jan WPI (YoY%)	-3.4	-	-3.4
	0800	Jan CPI (YoY%)	1.2	-	1.1
Thailand	0330	Jan Core-CPI (YoY%)	0.5	-	0.5
	0330	Jan CPI (YoY%)	0.9	-	0.9
<b>Friday 7 February</b>					
China	-	Jan Exports (YoY%)	8.4	-	7.9
	-	Jan Imports (YoY%)	6.4	-	16.5
	-	Jan Trade Balance (US\$bn)	45.2	-	47.21
Hong Kong	-	Jan Forex Reserves (US\$bn)	-	-	441.3
Malaysia	0400	Dec Industrial production (YoY%)	1.5	-	2.0
	0700	Jan 31 Forex reserves- Month end (US\$bn)	-	-	103.7
Philippines	-	Jan Forex reserves (US\$bn)	-	-	87839.54
Taiwan	0800	Jan Exports (YoY%)	7.8	-	4.0
	0800	Jan Imports (YoY%)	3.6	-	13.9
	0800	Jan Trade balance (US\$bn)	2.0	-	2.5

Source: ING, Bloomberg, \*GMT

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