

Good MornING Asia - 15 February 2021

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EM Space: Upbeat tone to continue on Monday

General Asia: Asian markets may edge higher with positive sentiment driven by stimulus hopes and with vaccination operations in process. Monday will feature GDP reports from Singapore and Thailand, trade numbers from Indonesia, and remittances from the Philippines but investors will be looking forward to the FOMC meeting later in the week. Several major markets will remain shuttered on Monday while investors look to developments related to Covid-19 and US fiscal stimulus for further developments.

Thailand: 4Q20 GDP is due today. Narrower exports and manufacturing declines underpin our view of a smaller GDP fall of -4.7% YoY compared to -6.4% in 3Q20. Rising Covid-19 cases continued to depress domestic demand in the fourth quarter and the lack of tourism kept net trade as a big source of headline GDP contraction. The significant surge in the pandemic since December and tighter movement restrictions likely stalled the recovery this quarter, subjecting our forecast of another -3.5% YoY GDP fall in 1Q21 to downside risk. The low base year effect may return growth to positive territory in 2Q21. However, without additional policy support this year the recovery is going to be painfully slow, in our view.

Singapore: The first of the three key things to watch out for this week is out of the way. It's the revised GDP figure for 4Q20 released this morning. The persistent exports and manufacturing strength in December drove GDP to a much smaller contraction of -2.4% YoY than the -3.8%

advance estimate. This brings the annual GDP decline in 2021 to -5.4%. The next in line is the Budget for fiscal year (FY) 2021-22 (starts in April) to be unveiled tomorrow. After a record surge last year some scaling back in government spending may be in order as GDP growth turns positive this year, though we expect the broad expansionary policy stance to prevail. Lastly, the January NODX data due on Wednesday will shed light on how 2021 is shaping up for growth. Strong gains in Korea's and Taiwan's electronics exports last month bode well for Singapore NODX.

Indonesia: Trade numbers for January will be released today with market expectations pointing to yet another month of trade surplus. Exports have managed to pick up substantially despite the pandemic, driven in large part by outbound shipments to China, while imports are forecast to remain in contraction as the economy remains in recession. The trade surplus should help limit the current account deficit and help lend some stability to the IDR, which will be a key factor in the timing for a possible rate reduction by Bank Indonesia in the near term.

What to look out for: FOMC meeting and Covid-19 developments

- Singapore GDP (15 February)
- Thailand GDP (15 February)
- Indonesia trade (15 February)
- Philippines remittances (15 February)
- Euro zone GDP (16 February)
- Singapore non-oil domestic exports (16 February)
- US PPI inflation and retail sales (16 February)
- Hong Kong composite interest rate (16 February)
- FOMC meeting (17-18 February)
- Bank Indonesia policy meeting (18 February)
- US initial jobless claims and housing starts (18 February)
- US existing home sales and Markit PMI manufacturing (19 February)

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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



Source: Shutterstock

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.

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 yet

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.
Monday 15 February					
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	-2.7
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
Tuesday 16 February					
Singapore	-	FY2021-22 Budget	-		6.5
Wednesday 17 February					
Singapore	0000	Jan Non-oil domestic exports (%MoM/YoY)	-4.3/0.0		6.6/6.8
Thursday 18 February					
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
Friday 19 December					
China	-	4Q20 Current account balance (US\$ bn)	40		40.1

Source: ING, Refinitiv, *GMT

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