

Good MornING Asia - 15 January 2021

Asian markets await further details of US president-elect Biden's economic proposals

In this bundle



Asia Morning Bites

ASEAN Morning Bytes

Asian markets await further details of US president-elect Biden's economic proposals.



Asia week ahead

Asia week ahead: China and Malaysia in focus

Investors will scrutinise a raft of December data in Asia next week to gauge the impact of the resurging virus. China's 4Q20 GDP and Malaysian...



China

China: a good year ahead for exports

China's exports grew in 2020, taking market share from other export-oriented economies. Although other export economies are likely to see a stronger...

ASEAN Morning Bytes

Asian markets await further details of US president-elect Biden's economic proposals.



EM Space: Trump impeachment, Biden economic plan and Covid-19 in focus

- **General Asia:** Asian markets are poised to take their cue from details on US president-elect Biden's economic program. Market participants are anticipating a substantial fiscal package to help bolster the economic recovery which could also have an impact on the US fiscal picture. Meanwhile, investors are also awaiting advance retail sales and consumer sentiment, which could be affected by the recent spike in Covid-19 infections. Fed Chair Powell continued to reiterate monetary support in the near term, echoing comments from FOMC officials during the week. Investors will likely focus on the Biden economic program, any additional political developments in the US and the Covid-19 situation to close out the week.
- **Indonesia:** Indonesia will report December 2020 trade data on Friday with market participants expecting exports to sustain expansion while imports are forecast to contract for another month. The trade balance is also expected to remain in surplus, a trend that has helped push the current account balance closer to surplus and has in turn helped to provide some support for the IDR. Exports to China have been a major factor for the export sector's resilience during the pandemic and we can expect this trend to continue in 2021 as China sustains its recovery from the 2020 downturn.

- **Philippines:** November overseas Filipino (OF) remittance data was reported late on Wednesday with inflows of cash transfers inching up by 0.3%, up for a third consecutive month. For the year, remittances are down 0.8% in a year where most analysts had expected OF cash transfers to drop by at least 10% due to the pandemic. The steady stream of OF remittances has helped support both domestic consumption and the PHP, which appreciated 5.5% in 2020, and we can expect these trends to continue in 2021.

What to look out for: Covid-19 developments

- Indonesia trade balance (15 January)
- Bank of Korea policy meeting (15 January)
- US retail sales, consumer sentiment and industrial production (15 January)
- Fed's Powell and Kaplan give speeches (15 January)

Author

Nicholas Mapa

Senior Economist, Philippines

nicholas.antonio.mapa@asia.ing.com

Asia week ahead: China and Malaysia in focus

Investors will scrutinise a raft of December data in Asia next week to gauge the impact of the resurging virus. China's 4Q20 GDP and Malaysian central bank policy are likely to take centre stage



Source: Shutterstock

➔ China: GDP growth accelerates

The week kicks off with China's GDP report for the last quarter of 2020 and remaining December activity data – industrial production, retail sales and fixed asset investment, all due on Monday, 18 January.

We believe the export-led recovery gained further traction in the last quarter, keeping GDP growth on a steady upward path. Export growth nearly doubled to 17% year-on-year in 4Q20 from 8.9% in 3Q. This should outweigh any possible softening of domestic demand due to the renewed virus

threat. We consider our 5.5% YoY house view of 4Q GDP growth, up from 4.9% in 3Q, subject to an upside surprise.

The People's Bank of China is also set to review its prime lending rates next week – the monthly rate that is. We see no changes to the benchmark 1-year and 5-year Loan Prime Rate, currently 3.85% and 4.65%, respectively.

➔ Malaysia: Central bank resumes easing

Bank Negara Malaysia's Monetary Policy Committee meets on Wednesday, 20 January. The significant surge in Covid-19 will push BNM to cut the overnight policy rate by 25 basis points to 1.50%, in our view.

A nearly five-fold jump in infections during the last two months, to over 144k currently, has forced the government to tighten movement restrictions across the country, while it also declared a state of emergency until 1 August. This is poised to derail Malaysia's economic recovery from a record slump in the last year -- the five most affected states by the pandemic (Melaka, Johor, Penang, Selangor and Sabah) together make up half of Malaysia's total GDP.

And, unlike most other Asian central banks, which have almost exhausted their rate policies, BNM still has room to cut the policy rate further. Moreover, persistently negative inflation - in November it fell 1.7% YoY (December data is due next week) - has left real interest rates some of the highest in the region. This is detrimental for the recovery.

The earlier the BNM cuts, the better it will be to soften the blow to the economy from the worsening pandemic.

➔ Rest of Asia: Export recovery prevails

Central banks in Indonesia and Japan are also set to review their policy settings next week. Both central banks will retain an accommodative stance in view of the recent rise in Covid-19 cases, though none are likely to change the current policy settings. That said, Bank Indonesia's meeting may well be of interest as low inflation keeps this central bank firmly on an easing path. At 3.75% currently, the BI policy rate is one of the highest in Asia.

December trade data from Japan, Taiwan, Philippines, and Thailand will help to determine the state of global demand, as the spread of Covid-19 has intensified. Released export figures from China, Korea and Taiwan painted a positive picture. We expect the same in the rest of Asia.

Down under, Australia's labour report for December and New Zealand's 4Q CPI inflation will provide insights into the impact of the disease on consumer spending.

Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 18 January					
China	0200	4Q20 GDP (%YoY)	5.5		4.9
	0200	Dec Industrial production (%YoY)	7.0		7.0
	0200	Dec Fixed asset investment (YTD, %YoY)	3.2		2.6
	0200	Dec Retail sales (%YoY)	5.5		5
Singapore	0030	Dec Non-oil domestic exports (%MoMSA/YoY)	4.0/1.0		3.8/-4.9
Tuesday 19 January					
Wednesday 20 January					
China	-	5-year Loan Prime Rate (%)	4.65		4.65
	-	1-year Loan Prime Rate (%)	3.85		3.85
Malaysia	0700	BNM policy decision (overnight rate, %)	1.50		1.75
Taiwan	0800	Dec Export orders (%YoY)	32.00		29.7
Thursday 21 January					
Hong Kong	-	Dec Composite CPI (%YoY)	-0.5		-0.2
Indonesia	-	Jan 7-Day Reverse Repo	3.75		3.75
Korea	-	Dec PPI (%YoY)	-0.4		-0.3
Philippines	0100	Dec Exports (YoY%)	2.9		3.00
Philippines	0100	Dec Imports (YoY%)	-7.9		-18.9
Philippines	0100	Dec Trade Balance	-1668.4		-1730
Friday 22 January					
Thailand	0330	Dec Exports (Cust est, %YoY)	2.0		-3.7
Thailand	0330	Dec Imports (Cust est, %YoY)	-3.0		-1.0
Thailand	0330	Dec Trade balance (Cust est, US\$m)	1665.0		53.0
Friday 29 January					
Taiwan	0800	Dec Unemployment rate (%)	3.8		3.8

Source: ING, Refinitiv, *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

China: a good year ahead for exports

China's exports grew in 2020, taking market share from other export-oriented economies. Although other export economies are likely to see a stronger 2021, the global recovery should still support China's export growth. Imports could also rebound, buoyed by the phase-one trade deal. Technology exports remain the main wild-card.



Source: Shutterstock

Trade in 2020 was not too bad

China's exports grew by 3.5% in 2020. But imports contracted by 1.1%. That is not bad considering that around the world Covid hit demand for goods and services, and disrupted port and worldwide freight services.

Among export categories, those that enjoyed the highest rates of growth were related to Covid. For example, medical appliances (+41% in 2020), textiles (+29% - for PPE), and home appliances (+24%). The highest export value item, automated machinery and parts at \$211 billion, grew 11% from a year ago. This is a good result bearing in mind that some Chinese technology companies were banned from selling their products to major markets, in particular, the US.

Imports also varied by product. Products under the phase-one trade deal grew strongly. For example, meat (+59% in 2020), soybeans (+12%). Covid limited international travel and spending and resulted in a jump of cosmetics imports by 29.4%. Imports of integrated circuits, the biggest import item in 2020, that serve exports as well as domestic demand, grew 14.6% in the year.

The report card on trade is really not bad.

A different trade story in 2021

Covid should subside as global vaccination progresses, and we expect the global economy should recover partially in 2021. Trade will also follow this recovery. At the same time, other Asian export economies will also recover. Some export orders will shift from China to other economies in the region. That said, we still expect net growth of exports from China in 2021 as the global export pie gets bigger.

The key difference will be the export items that grow fastest will probably no longer be Covid-related items. Exports should gradually revert to a more normal pre-Covid export pattern. For example, we expect China to export more consumer electronic parts and products, though this will partly depend on whether there are changes in attitudes from the incoming US administration on such products.

We expect imports to return to positive growth in 2021. There will be two big drivers for imports this year. The first is the phase-one trade deal. We expect that China will fulfill this deal, and will therefore continue to import US products, especially agricultural products. The second driver will be the global recovery, which by boosting export growth, will also require China to import more raw materials and parts for production. China is also itself an important end-market these days, and we expect imports of items serving domestic demand will also continue to grow, especially whilst international travel remains depressed, and households have spare disposable income to spend on other things.

Export competitiveness is not to be affected by strong yuan

The strong yuan will not be the most challenging factor for Chinese exporters. For one thing, other Asian economies are also seeing an appreciation of their currencies. So in terms of regional export competitiveness, the exchange rate is not the most important factor.

Chinese exporters will be more willing to hedge their dollar or euro receipts as the consensus remains that there will be a stronger yuan versus the dollar. We expect USDCNY to reach 6.20 by the end of 2021.

As applications of AI and robotization increase in Chinese factories, and exporters gain competitiveness by increasing the quality of their products and efficiency of production, China's production will gradually shift from its historic role as a low labour-cost producer.

The main risk to China's trade outlook is on technology exports. It is unclear if the new US government will put more pressure on China's technology exports, or if allies of the US will join forces with them on this.

Author

Iris Pang

Chief Economist, Greater China

iris.pang@asia.ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.