

Good MornING Asia - 18 January, 2021

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

In this bundle



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...



Malaysia

Why Malaysia's central bank should resume easing

The accelerating spread of Covid-19, persistently negative inflation, high real rates and an appreciating currency all make a strong case for a 25 basis...



Indonesia

Indonesia: Trade balance in surplus for eighth straight month

Indonesia registered yet another month of surplus, with exports surprising on the upside



Australia

Australian labour growth to slow

Controlling the pandemic has enabled Australia's labour market to rebound strongly in 2020, but with GDP still below pre-Covid levels, the rate of...

Video

Patterson on oil: 3 reasons why it should continue rising

Brent crude has traded as much as 10% higher so far this year to levels we last saw before the pandemic. A weak dollar is helping as has a Saudi...

By Warren Patterson

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

Olivia Grace

Editor

olivia.grace@ing.com

Julian Geib

Junior Economist, Global Trade

julian.geib@ing.de

Zoltán Homolya

Economic research trainee

zoltan.homolya@ing.com

Amrita Naik Nimbalkar

Junior Economist, Global Macro

amrita.naik.nimbalkar@ing.com

Mateusz Sutowicz

Senior Economist, Poland

mateusz.sutowicz@ing.pl

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@ing.com

Michiel Tukker

Senior UK & Eurozone 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

Senior Economist, Healthcare & Technology

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@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
Senior Economist, Germany
Franziska.Marie.Biehl@ing.de

Rebecca Byrne
Deputy Global Head of Editorial 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

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 Corporate 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

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@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, 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

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

Why Malaysia's central bank should resume easing

The accelerating spread of Covid-19, persistently negative inflation, high real rates and an appreciating currency all make a strong case for a 25 basis point BNM policy rate cut next week



Source: shutterstock

1.50%

ING's forecast of BNM policy rate

After 25bp cut next week

Divided consensus

Bank Negara Malaysia's Monetary Policy Committee holds its first meeting of the year next week. The two-day policy meeting begins on Tuesday, 19 January. The decision will be out at 3pm local time on Wednesday.

After a total 125 basis point cut from January to July 2020, the BNM has held the overnight policy rate steady at 1.75%. The consensus for the upcoming policy meeting is almost evenly split between a 25bp rate cut and an on-hold policy outcome.

The significant surge in Covid-19 over the last two months will push BNM to ease policy again, in our view. Hence our call for a 25bp OPR cut to 1.50% next week.

Worsened pandemic

As was the case everywhere, Malaysia's economic growth took a significant beating from the first wave of Covid-19 and the associated movement restrictions in the first half of 2020. The relaxation of restrictions provided some traction to the economy until the second wave triggered by elections in the state of Sabha in September. The escalating political uncertainty around the same period was a double whammy to economic sentiment.

From about 12k at the end of September, Covid-19 infections have jumped to close to 150k currently. This has called for renewed containment efforts. The government re-imposed its Movement Control Order (MCO) in the worst-affected states and Federal territories for two weeks starting 13 January. At the same time, it also declared a nationwide state of emergency lasting until 1 August.

Derailed recovery

Tighter movement restrictions are likely to derail the fledgling economic recovery from a record slump in the last year. The five most affected states by the pandemic -- Melaka, Johor, Penang, Selangor and Sabah, and three federal territories of Kuala Lumpur, Penang, and Labuan together make up 66% of Malaysia's total GDP.

We believe a sharp recovery in GDP growth in 3Q20, to -2.7% year-on-year from -17% in 2Q, was reversed in the last quarter of 2020. We consider our forecast of a -6.2% YoY contraction in 4Q at risk of a downside miss. We may have to scale back our view of a -3.4% contraction in the current quarter and full-year 2021 growth of 3.3%.

Negative inflation

Furthermore, persistently negative inflation, last recorded at -1.7% YoY in November, which is where we think it stayed in December (December data is due next week on 22 January), also supports our rate cut call.

Supply disruptions due to the MCO may exert upward pressure on prices somewhat, though demand destruction is likely to outweigh that and the negative inflation trend is likely to be extended in the months ahead. That said, we retain our view of a return to positive inflation in 2Q21, which mainly rests on the low base effect.

Opportunistic easing

Unlike most other Asian central banks, which have almost exhausted their easing space with policy rates hovering near zero, BNM still has room to cut its policy rate further. Moreover, persistently negative inflation has left real interest rates among the highest in the region. This is detrimental for the recovery.

A firmer Malaysian ringgit (MYR) also presents an opportunity for the BNM to lower interest rates. In keeping with the broad emerging currency rally, the MYR has enjoyed steady appreciation since June last year. The appreciation trend may have paused coming into the new year, though it has further room to run. The key positives here are rising global oil

prices and Malaysia's large current account surplus. We estimate that the current account surplus swelled to over 5% of GDP in 2020 from 3.4% in 2019.

All these factors make a strong case for a rate cut next week. The earlier BNM acts, the better it will be to soften the blow to the economy from the worsening pandemic.

Author

Olivia Grace

Editor

olivia.grace@ing.com

Julian Geib

Junior Economist, Global Trade

julian.geib@ing.de

Zoltán Homolya

Economic research trainee

zoltan.homolya@ing.com

Amrita Naik Nimbalkar

Junior Economist, Global Macro

amrita.naik.nimbalkar@ing.com

Mateusz Sutowicz

Senior Economist, Poland

mateusz.sutowicz@ing.pl

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@ing.com

Michiel Tukker
Senior UK & Eurozone 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
Senior Economist, Healthcare & Technology
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@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

Senior Economist, Germany

Franziska.Marie.Biehl@ing.de

Rebecca Byrne

Deputy Global Head of Editorial 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

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 Corporate 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

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@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 Fehner

Senior Economist, 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

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

Indonesia: Trade balance in surplus for eighth straight month

Indonesia registered yet another month of surplus, with exports surprising on the upside



Source: Stenly Lam

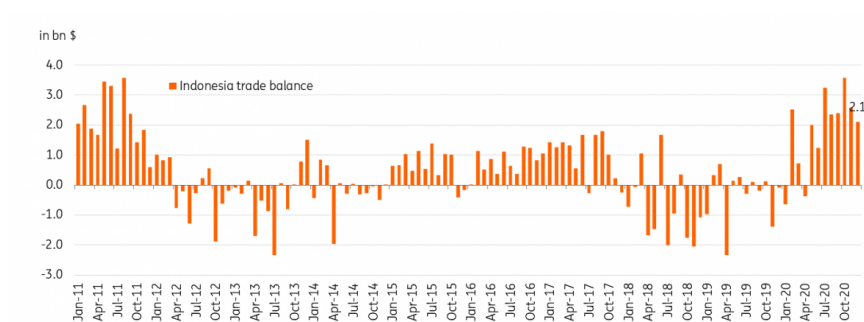
14.6% Export growth

Higher than expected

Exports surprise on the upside

Indonesia registered a strong export performance to close out 2020, driven in large part by sustained demand from its major trade partner China. With China expected to continue its bounce back from the dip last year, prospects for Indonesian exports will be supported in the near term and will help to bolster manufacturing activity in the coming months. Meanwhile, imports contracted again but at a less severe pace with base effects washing out and the economy slowly returning to some normalcy. Indonesia recently kicked off its vaccination programme with hopes to jumpstart its economic recovery, pointing to a likely pickup in domestic activity and demand for imports. With import demand expected to return on robust business activity we expect the trade surplus to narrow in the coming months, with export growth helping the overall balance of trade from falling into deficit.

Indonesia trade balance



Source: Badan Pusat Statistik

Trade surplus to lend support to IDR in the near term

Given expectations for a couple more months of trade surpluses, IDR will be supported in the near term. Stability is threatened however by shifts in portfolio flows, driven by swings in investor sentiment. Despite these fluctuations in portfolio flows, IDR will continue to be buttressed by trade surpluses for at least the first quarter of the year although we will need to see at least some modest appreciation bias for the currency before Bank Indonesia considers easing monetary policy further.

Author

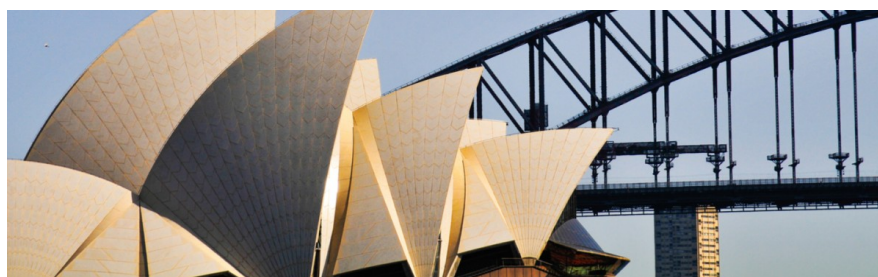
Nicholas Mapa

Senior Economist, Philippines

nicholas.antonio.mapa@asia.ing.com

Australian labour growth to slow

Controlling the pandemic has enabled Australia's labour market to rebound strongly in 2020, but with GDP still below pre-Covid levels, the rate of increase is likely to slow in the months ahead



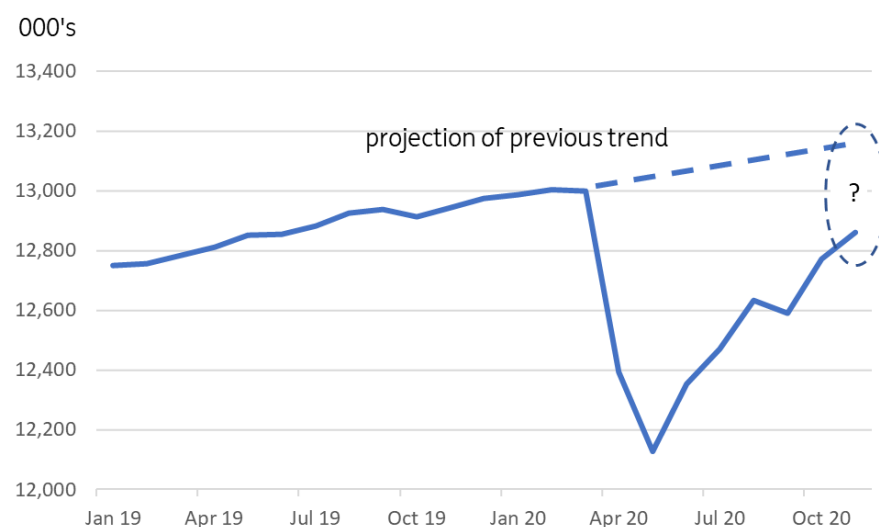
Jobs recovering faster than GDP?

The local peak in Australian employment came in February 2020, with full and part-time employment of 13.003 million. By November that total had already recovered to 12.8 million, just 1.6% below the 2020 peak. Our best guess for GDP once the 4Q figures are released, is that GDP will still lag Pre-Covid activity by almost 3%.

It's not unreasonable, given the government's support for jobs, to understand that employment has weathered the pandemic better than economic activity. This will reflect in much poorer productivity figures in due course. But quite honestly, right now, jobs matter considerably more than some arbitrary theoretical metric like productivity, which can be addressed later (or not).

However, it does make us query whether the rate of strong jobs growth we have witnessed in the last few months can continue to proceed at such a blistering pace, which is the main reason we are scaling back our forecast this month.

Australian employment (part-time plus full time)



Source: CEIC

Australian employment

Downbeat but still above consensus

We are not alone in expecting a slowdown in employment growth for the December reading. Indeed, our 67K jobs forecast is at the top of the forecast range, though it is made up primarily of a bounce in part-time employment, which we figure is due after the very weak 5.8K reading in November (down from 81.7K in October...these numbers can be choppy), and we only expect about 37K full-time jobs this time.

This also likely means that we will see the unemployment rate gains slow too. The current jobless rate, 6.8%, may drop to 6.6% in December. But by the end of 2021, we still see it at 5.7%, which would indicate some considerable slack in the Australian labour market.

All of which suggests the Reserve Bank of Australia will leave rates on hold all of this year at least, before considering when to start normalising monetary conditions, perhaps sometime in 2022.

Author

Olivia Grace

Editor

olivia.grace@ing.com

Julian Geib

Junior Economist, Global Trade

julian.geib@ing.de

Zoltán Homolya

Economic research trainee

zoltan.homolya@ing.com

Amrita Naik Nimbalkar

Junior Economist, Global Macro
amrita.naik.nimbalkar@ing.com

Mateusz Sutowicz
Senior Economist, Poland
mateusz.sutowicz@ing.pl

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@ing.com

Michiel Tukker
Senior UK & Eurozone 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

Senior Economist, Healthcare & Technology

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@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

Senior Economist, Germany

Franziska.Marie.Biehl@ing.de

Rebecca Byrne

Deputy Global Head of Editorial 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

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 Corporate 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

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@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, 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

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

Patterson on oil: 3 reasons why it should continue rising

Brent crude has traded as much as 10% higher so far this year to levels we last saw before the pandemic. A weak dollar is helping as has a Saudi production cut. ING's Warren Patterson says we could still see some near-term consolidation but an average of \$60 a barrel for ICE Brent in the fourth quarter is easily achievable



3 reasons oil should continue to rise this year

NG's Head of Commodity Strategy, Warren Patterson, on why we expect oil to rise still further this year

[Watch video](#)

Author

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@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.