

## Good MornING Asia - 19 February 2021

Three central bank policy meetings are unlikely to offer up any surprises next week. This leaves the markets to ponder the economic data of which a lot is on the calendar

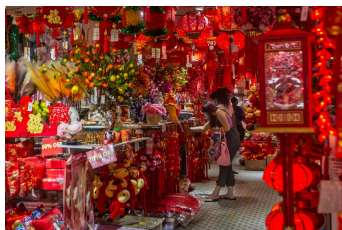
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## Asia week ahead: Packed with data

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Source: Shutterstock

### ➔ Central bank meetings

Central banks in China, Korea and New Zealand are set to review their monetary policy. All are expected to leave interest rates on hold.

The People's Bank of China hasn't touched the 1-year and 5-year Base Lending Rates since April last year. There is no reason for it to disturb policy now given that the recovery is coming along nicely. The renewed threat to the economy from the pandemic may instil some interest in the other two central bank meetings; the Bank of Korea and the Reserve Bank of New Zealand.

An alarming spike in Korea's jobless rate from 4.5% in December to 5.4% in January, the highest

since the Asian crisis in 1999, adds weight to the argument for the Bank of Korea to ease. The last move in the BoK policy rate was a 25bp cut in May 2020, putting it at an all-time low of 0.5%. With very little leeway to take rates lower, it will continue to place the onus on the government to boost growth. As for the RBNZ, we think it will look through the latest brief lockdown in Auckland, while above-expected 4Q20 CPI inflation of 1.4% in 4Q20 supports stable policy for now.

## ➔ Heavy data pipeline

January inflation, trade and manufacturing releases dominate the data calendar.

CPI inflation in Hong Kong, Malaysia and Singapore likely remained in negative territory. Of note here would be data from Malaysia where tighter Covid-19 movement restrictions possibly intensified the downward price trend, supporting our call of a 25bp Bank Negara Malaysia policy rate cut in March.

Regional exports are off to a strong start in 2021 with double-digit growth in the majority of countries that have reported January figures so far. The releases from Hong Kong, Malaysia and Thailand next week should show similar results. And Taiwan's export orders should inform where this trend is heading. Following on the heels of surging exports, manufacturing output continues to firm up this year. So does GDP growth.

India will be in the spotlight as it reports 4Q20 GDP. There has been no end to the negative growth trend just yet, though we estimate a moderate contraction of -4.7% year-on-year compared to -7.5% in 3Q20. This stems from firmer manufacturing growth complementing the seasonal agriculture strength in 4Q, though domestic demand remained under pressure from the virus.

## Asia Economic Calendar

Country	Time Data/event	ING Survey	Prev.
<b>Saturday 20 February</b>			
Taiwan	0800 Q4 GDP Final (YoY%)	4.95	4.94
<b>Monday 22 February</b>			
China	0130 Feb Loan Prime Rate 1Y	3.85	3.85
	0130 Feb Loan Prime Rate 5Y	4.65	4.65
Hong Kong	0900 Jan CPI (YoY%)	-0.1	-0.7
Thailand	0300 Jan Exports (Cust est, %YoY)	3.8	4.9
	0300 Jan Imports (Cust est, %YoY)	-10.8	3.0
	0300 Jan Trade balance (Cust est, US\$m)	1647	964
South Korea	2100 Feb BoK Consumer Sentiment Index	-	95.4
<b>Tuesday 23 February</b>			
China	0130 Jan New home prices (% MoM)	0.1	0.1
Singapore	0500 Jan CPI (YoY%)	-0.1	0
	0500 Jan Core CPI (YoY%)	-0.2	-0.3
South Korea	2100 Mar BOK Manufacturing BSI	-	84.0
<b>Wednesday 24 February</b>			
Hong Kong	- FY2021-22 Budget		
	0800 Q4 GDP Final (YoY%)	-3.00	-3.00
Thailand	- Jan Manufacturing Prod (YoY%)	-6.2	-2.44
Malaysia	0400 Jan CPI (YoY%)	-1.6	-1.4
Taiwan	0800 Jan Export orders (%YoY)	41.6	38.3
<b>Thursday 25 February</b>			
Hong Kong	0900 Jan Imports	40.0	14.1
	0900 Jan Exports	46.0	11.7
Thailand	0700 Jan Current account balance (US\$bn)	-300	-693
Taiwan	0800 Jan Industrial Output (YoY%)	12.0	9.9
	0800 Jan Unemployment Rate (%)	3.7	3.76
South Korea	0100 Feb Bank of Korea Base Rate	0.5	0.5
<b>Friday 26 February</b>			
India	1200 Q4 2020 GDP Quarterly (YoY%)	-4.7	-7.5
Malaysia	0400 Jan Trade Balance (MYR bn)	24.1	20.7
	0400 Jan Exports	16.0	10.8
	0400 Jan Imports	2.0	1.6
Indonesia	0400 Jan M2 Money Supply (YoY%)	-	12.4
Philippines	- Dec Budget Balance	-	-128.3
Singapore	0500 Jan Manufacturing Output (MoM/YoY%)	6.1/6.4	2.4/14.3
Taiwan	0820 Jan Money Supply - M2 (YoY%)	8.5	8.45
Thailand	0730 Jan Exports (YoY%)	-	4.6
	0730 Jan Imports (YoY%)	-	-0.1
	0730 Jan Current Account	-	-0.7

Source: ING, Refinitiv, \*GMT

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## Chinese New Year travel restrictions means more spending

This Chinese New Year has shown us that not being able to travel home for the long holiday period might not overall be such a bad idea for the economy. Spending has shot up in comparison to the last holiday period when Covid-19 was not even an issue for consumption



Source: Shutterstock

A woman shopping for Lunar new year decorations

# +28.7%

Sales from big retailers and restaurants

During Chinese New Year 2021 vs 2020

### Chinese New Year remains the big spending event of the year

Let's start with some numbers.

Big retailers and catering businesses experienced a 28.7% jump in sales this Chinese New Year at CNY821 billion, compared to 2020. Note, we can't make year-on-year comparisons because every Chinese new year takes place on a different date and month.

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*These numbers tell us that Covid-19 hasn't hurt spending during this holiday period*

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Jewellery saw a substantial increase in sales - up 161%, which probably is a result of the Chinese New Year overlapping with Valentines Day.

Then comes clothing (+107%), home gym equipment (+49%), telecommunication electronics (+39%) and digital home appliances (+30%).

These numbers tell us that Chinese consumers are willing to spend on unnecessary items like digital equipment and are becoming increasingly health-conscious. Also, that Covid-19 hasn't hurt spending during this holiday period, which should imply job stability and expectations of wage growth in 2021.

**+1.3**

Time more spending on catering

In the New Year 2021 vs 2020

## A big change for catering

Catering sales went up 1.3 times compared to the previous year. This is because people usually have meals at home during the holiday period but this year is different because more than half of the working population stayed in cities, where they tend to work rather than travel to their home towns in rural areas.

Mostly, these are young and middle-age group, who are more willing to spend at restaurants than the elderly population. And with such great price offers, we expect a similar story for beverages.

### But can this be repeated in 2022?

Retailers and restaurants alike would like to repeat and even break these sales figures next year but can this happen? We think it is possible, but there needs to be a clear strategy.

Most working people seldom see their families who often live in rural areas and the Chinese New year holiday is a time for reuniting with their families. But the holiday period next year is likely to return to normal when the pandemic is under control and working people are once again likely to travel back home to visit their families.

However, retailers and restaurants can see the same jump in sales figures if they start delivering online order, including takeaway, but this requires a delivery workforce, which is still a challenge. Another costly strategy is expanding the sales network in increasingly affluent locations, like third and fourth-tier cities.

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## Indonesian central bank cuts policy rates as growth momentum fades

Bank Indonesia cut its key rate by another 25 basis points after downgrading growth projections



Source: IMF/Flickr

Perry Warjiyo, Governor of Bank Indonesia

**3.5%** 7-day reverse repurchase rate

As expected

### Bank Indonesia moved quickly to support sagging growth momentum

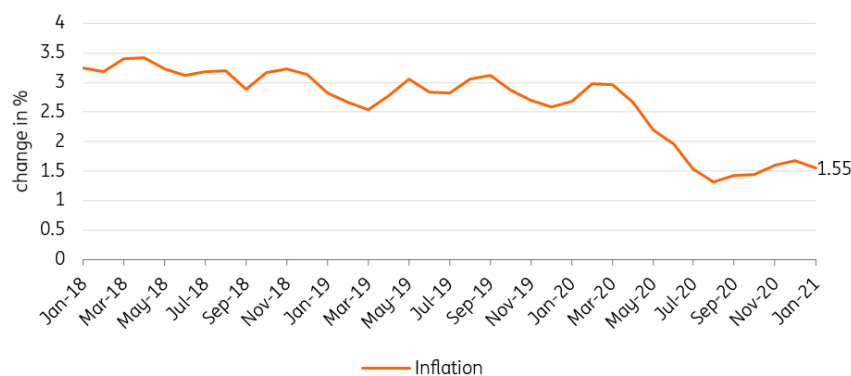
Indonesia's central bank cut the policy rate by 25 basis point to 3.5% in a bid to revive fading growth momentum.

With inflation below the central bank's 2-4% target and the economic recovery faltering, Governor Perry Warjiyo pulled the trigger to deliver another round of easing.



Days after finance minister Indrawati downgraded official growth projections, the central bank also tempered its GDP forecast to 4.3-5.3%, which was previously at 4.8-5.8%. But the central bank remains hopeful for domestic economic activity to recover supported by more fiscal stimulus and vaccination efforts.

## Low inflation and fading growth momentum gave BI space to cut rates



Source: Badan Pusat Statistik

## Lost in transmission? BI steps up efforts to bolster lending

It's worth noting that the emphasis on ensuring that the string of rate cuts delivered by the central bank would eventually transmit to lower borrowing costs and faster bank lending. Warjiyo highlighted the slow transmission of the central bank's easing, citing that banks had lowered borrowing rates by roughly 83 bps compared to the 125 bps cumulative rate reduction in 2020.

Nonetheless, the central bank hoped that banks would pass on the lower borrowing costs to consumers with bank lending now expected to grow between 5-7%.

On top of the rate cut, the Bank also unveiled new rules on lending to the automotive and property sector, with loans for automobiles now no longer requiring a down payment, in a bid to bolster demand for credit.

## Easy on the easing

One other interesting development was the shift in tone.

After months of indicating the central bank's willingness to provide monetary stimulus and support the economic recovery, the central bank hinted that the scope for further rate reductions was now "more limited". The sudden shift in tone may hint at a more measured pace of rate cuts in the near term with the Governor suggesting that the central bank would select the proper tool to support the recovery.

Going forward, we now expect the Bank to pause in the near term as they monitor the recent pickup and global bond yields and what it could mean for both inflation and IDR stability in the coming months.

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