

## Good MornING Asia - 20 November 2020

There's little on the Asian calendar today to get your teeth into as we head into the weekend, though watch out for comments from the Bank of Thailand on managing the THB

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# Asia week ahead: Gauging India's bounce back

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Source: Shutterstock

## ➔ India – 3Q report card arrives

In Asia, India has been the worst-affected country by Covid-19 and the national lockdown in the second quarter dented GDP by -25% quarter-on-quarter and -24% year-on-year. The subsequent reopening of the economy resulted in some recovery, as observed elsewhere in the region.

On average other Asian economies clawed back almost two-thirds of their Covid-induced GDP fall suffered during the first two quarters of the year in the third quarter. On the same scale, India should see about 16% QoQ GDP surge in 3Q, though that still corresponds to about -12.0%

YoY fall. This aligns with high-frequency data, especially the monthly industrial production showing a sharp narrowing of the year-on-year contraction, from -36% in 2Q to -6% in 3Q. Industrial production growth closely tracks real GDP growth.

Even so, the depth of the 2Q slump also suggests that bounce back might not be as vigorous as in other less affected regional economies, as India continued to be an epicentre of the pandemic with close to 9 million infections at the time of writing. This imparts downside risk to our 3Q GDP view.

## ➔ Rest of Asia – October data dominates

Taiwan and Singapore will report revised GDP figures for 3Q. We anticipate a moderate contraction in Singapore's growth numbers to -5.4% YoY than -7.0% initial estimate, resulting from strong September manufacturing growth. Taiwan's GDP growth is unlikely to differ much from the 3.3% first reading, leaving it among the few Asian countries (China and Vietnam) with positive GDP growth in the last quarter.

Undoubtedly, the second wave of the pandemic threatens the recovery of Asian economies in the current quarter. A slew of October trade and manufacturing releases from Taiwan, Singapore and Thailand should underscore the downside growth risk. The consumer and business confidence indicators from Korea will be under scrutiny for the same reason, as the Bank of Korea looks poised to leave the policy on hold. The BoK meets next Thursday, 26 November.

China's industrial profits data for October should shed light on the investment recovery coming into the final quarter of the year. The question is whether the double-digit profits growth was sustained for another month after the sharp slowdown in September to 10% YoY from 19% in the preceding two months.

## Asia Economic Calendar

| Country                      | Time Data/event                                | ING       | Survey | Prev.     |
|------------------------------|--|-----------|--------|-----------|
| <b>Monday 23 November</b>    |  |           |        |           |
| Singapore                    | 0000 Q3 GDP Final (QoQ/YoY%)                   | 44.9/-5.4 | -      | 35.4/-7   |
|                              | 0500 Oct CPI (YoY%)                            | 0.0       |        | 0.0       |
|                              | 0500 Oct Core CPI (YoY%)                       | 0.0       |        | -0.1      |
| Taiwan                       | 0900 Oct Unemployment rate (%)                 | -         |        | 3.8       |
|                              | 0500 Oct Industrial production (YoY%)          | -         |        | 10.7      |
| Thailand                     | 0930 Oct Exports (YoY%)                        | -6.0      | -      | -3.9      |
|                              | 0930 Oct Imports (YoY%)                        | -17.0     | -      | -9.1      |
|                              | 0930 Oct Trade balance (USD bn)                | 2.7       | -      | 2.2       |
| Korea                        | 2200 Nov BoK Consumer Sentiment Index          | 89.2      |        | 91.6      |
| <b>Tuesday 24 November</b>   |  |           |        |           |
| Hong Kong                    | 0930 Oct Exports (YoY%)                        | -         | -      | 9.1       |
|                              | 0930 Oct Imports (YoY%)                        | -         | -      | 3.4       |
|                              | 0930 Oct Trade balance (HKD bn)                | -         | -      | -12.7     |
| Philippines                  | - Oct Fiscal balance (PHP bn)                  | -58.8     | -      | -138.5    |
| Taiwan                       | 0900 Oct Money supply - M2 (YoY%)              | -         |        | 7.2       |
| Korea                        | 2200 Nov BoK Business Survey Index, manuf.     | 78.0      |        | 76.0      |
| Korea                        | 2200 Nov BoK Business Survey Index, non-manuf. | 71.0      |        | 69.0      |
| <b>Wednesday 25 November</b> |  |           |        |           |
| Malaysia                     | 0400 Oct CPI (YoY%)                            | -1.4      |        | -1.4      |
| Thailand                     | 0400 Oct Manufacturing Prod (YoY%)             | -5.1      |        | -2.8      |
| <b>Thursday 26 November</b>  |  |           |        |           |
| Singapore                    | 0500 Oct Manufacturing Output (MoM/YoY%)       | -12.4/5.2 | -      | 10.1/24.2 |
| South Korea                  | 0100 Nov Bank of Korea Base Rate               | 0.5       |        | 0.5       |
| <b>Friday 27 November</b>    |  |           |        |           |
| China                        | 0130 Oct Industrial profits (YoY%)             | -         | -      | 10.1      |
| Taiwan                       | 0900 Q3 GDP Final (YoY%)                       | -         |        | 3.3       |

Source: ING, Refinitiv, \*GMT

# Australian employment rises sharply in October

A diffuse spread of forecasts around the central consensus view for a 27.5 thousand job decline in October indicated little clarity on these employment...



# 178.8 thousand

Job gains

October

Better than expected

## Australian job figures are choppy - but this is unusual

The October employment figures showed a superb 178.8 thousand gain, which also stood up to scrutiny when looked at in terms of full-time versus part-time jobs. Full-time jobs grew by 97 thousand, more than the 81.8 thousand part-time jobs, which should help support consumer spending in the months ahead.

This result was all the more impressive as most of the state of Victoria was in lockdown until late October, though there may be some element of back-to-work for previously furloughed workers

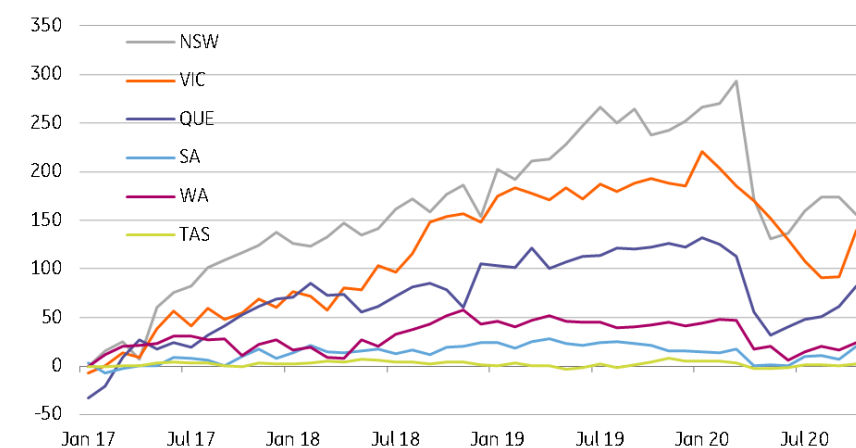
creeping into these numbers - we won't know for sure until we see next month's numbers.

The [linked press release from the Australian Bureau of Statistics](#) shows that the reference period for this survey was the two weeks up to October 10, so before the Victoria lockdown ended. The survey itself was undertaken later in the month though, and some returning-to-work respondents may have given inaccurate responses, even if technically, the end of the Victoria lockdown should not really be a feature until next month.

Employment growth of 2.5% in Victoria did top the table as far as states were concerned (but only just beating the Northern Territories). But it was not a particularly large outlier. Victoria also saw decent hours worked gains of more than 5.5%, which does suggest that something related to the end of the lockdown was taking place, however.

More of this trend presumably beckons when the November figures are released.

## Australian employment by state



Source: CEIC

Employment by state

## No improvement in unemployment rate

The Reserve Bank of Australia typically phrases its analysis of the labour market in terms of the unemployment rate. And here, despite the superb additions to employment, the news was actually negative, with a 0.1pp rise in the unemployment rate to 7.0%. The reason for this can be found in the gender breakdown of the labour report, which shows that female unemployment spiked, mainly it seems, because of a greater number of women looking for (and presumably failing to immediately obtain) part-time work. This was probably the biggest single component of the increase in the labour force and unemployment gains for the month.

On the one hand, this is encouraging, as clearly, households in Australia are not becoming discouraged in their search for work, which indicates that they think their prospects for finding work are reasonable. In the coming months, we suspect many of those failing to find work this month will find their search efforts rewarded, which should bring the unemployment rate down once more. Though this hypothesis clearly rests on how many more people continue to re-enter the labour force in search of work in the months ahead, so the unemployment rate may well flip around for a few months until those trends settle down.

On the other hand, this increase in part-time work search could be interpreted as households failing to make ends meet, which is driving some back into the labour force, and at the moment, it is not clear what the overall conclusion should be. For now, we are inclined to attribute a positive spin to the data.

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# Indonesia's central bank trims policy rate to help bolster the recovery

Bank Indonesia opted to cut its policy rate with an eye on growth as IDR stabilises



Source: IMF/Flickr

Perry Warjiyo, Governor of Bank Indonesia

**3.75%** 7-day reverse repurchase rate

Lower than expected

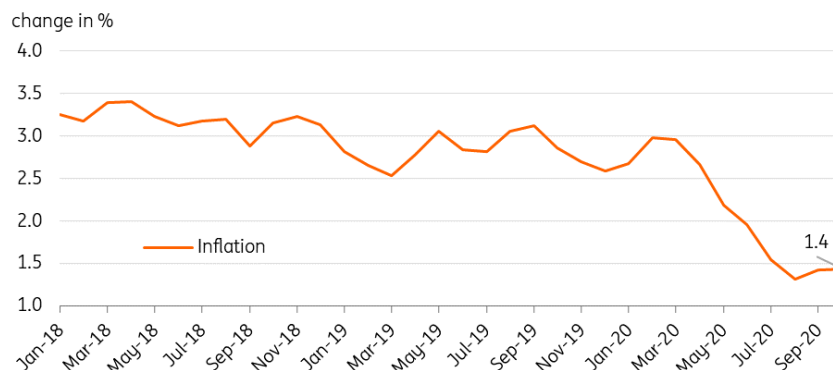
## Economic recession and low inflation outlook prods central bank to act

Bank Indonesia trimmed its 7-day reverse repurchase rate to 3.75% in a bid to help bolster the economic recovery.

With inflation at 1.4%, well below the central bank's 2-4% inflation target and the economy in recession, Governor Warjiyo pushed through with a rate cut now that the Indonesian rupiah has found some solid footing, up 3.3% for the month. Bank lending remains stuck in loan gear with

October loan growth posting a mere 0.12% increase on a year-on-year basis and we expect a modest pickup in lending in the coming months as this latest round of easing begins to take hold.

## Indonesia inflation



Source: Badan Pusat Statistik

## Bank to maintain accommodative stance, additional rate cuts depend on IDR stability

Today's rate reduction was carried out in a bid to hasten the economy's bounce back with Governor Warjiyo confident that 4Q GDP will revert to expansion. Still elevated daily infections of Covid-19 will likely weigh on overall sentiment with President Jokowi banking on a strong fiscal push in the 4Q to help lift sentiment.

We expect the central bank to keep the door open to further rate cuts with Governor Warjiyo having sufficient space to do so with inflation and growth still below respective targets.

The decision point will remain IDR stability as the central bank believes that the IDR continues to be undervalued and we expect a possible rate cut in the near term for as long as IDR remains on its current appreciation bias.

## Philippine central bank pressured to cut rates again as growth outlook dims further

The central bank of the Philippines cut its policy rate by 25 bp as economic growth prospects worsen after a spate of typhoons



**2.0%** Policy rate

Lower than expected

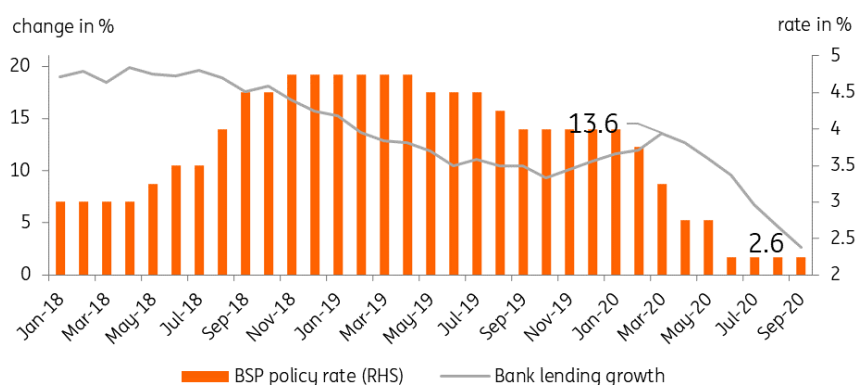
## BSP forced into action as fiscal stimulus remains largely absent

The Philippine central bank cut its policy rate to 2.0% in a bid to resuscitate falling bank lending and combat the economic recession.

Although real policy rates are now even deeper into negative territory (-0.5%), the central bank pressed on with a fresh round of rate cuts as 4Q GDP is now expected to worsen from the contraction seen in 3Q GDP. Agriculture and real property damage from a string of violent typhoons are expected to shave off 0.15 percentage points off from 2020 growth and may have convinced the Bank to act while fiscal stimulus remains largely modest.

The central bank tweaked their 2020 inflation forecast higher to 2.4% (from 2.3%), probably due to the uptick in food inflation due to agriculture damage and the onset of African swine fever.

### Philippines bank lending and policy rate



Source: Bangko Sentral ng Pilipinas

### Rate cut unlikely to move the bank lending needle

Despite the fresh round of easing, we are not confident that bank lending will pick up anytime soon given the dimming growth outlook with unemployment elevated and consumer sentiment still negative. Meanwhile, the lack of fiscal stimulus may likely delay a sharp rebound in growth, which in turn will keep bank lending and investment appetite muted in the near term.

We believe the central bank will likely pause at its December meeting, now that real policy rates have fallen even deeper into negative territory with the central bank likely calling for a renewed push for additional fiscal spending to address the freefall in economic activity as Covid-19 infections remain elevated in the country.

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