# Good MornING Asia - 22 January 2021

Moderating GDP contraction in the final quarter of 2020 remains the baseline for most Asian economies. But having said that, markets may shrug off a slew of GDP data next week and instead focus on what's shaping the region's economic outlook in 2021

## In this bundle

# Asia week ahead: Fourth-quarter growth numbers dominate the calendar

Moderating GDP contraction in the final quarter of 2020 remains the baseline for most Asian economies. But having said that, markets may shrug off the data and instead focus on what's shaping the region's economic outlook in 2021

Source: Shutterstock

## What to expect from 4Q GDP?

Hong Kong SAR, Korea, Taiwan and the Philippines will release their GDP performance in the final quarter of 2020.

Like China, Taiwan continued to buck the region-wide negative GDP trend in the last quarter of 2020. Not only staying in the positive territory, but growth also gained further traction to our house forecast of 4.2% year-on-year in 4Q from 3.9% in 3Q. Accelerating exports are driving the growth - a trend hinging on how the global semiconductor cycle pans out this year. As of now, it seems to be in full swing, given the strong electronics exports in December.

*Moderating GDP contraction remains the baseline for other Asian countries too with the Philippines continuing to be the region's underperformer*

The electronics-led export argument holds good for Korea too, though it may not turn the corner into positive territory as the rapid spread of the virus depressed consumer and business confidence and brought a decade-high unemployment rate of 4.6%.

The low base year effect seems to be the only hope of a little less negative growth in Hong Kong. That said, our house view of steep GDP contraction in 4Q, by -5.0% YoY than -3.5% in 3Q, is probably a reflection of this economy losing its lustre as the world's gateway to China.

Moderating GDP contraction remains the baseline for other Asian countries too with the Philippines continuing to be the region's underperformer with another quarter of double-digit GDP contraction (ING forecast -10.4% YoY in 4Q vs. -11.5% in 3Q). This is because the pandemic weighed down domestic demand and exports failed to catch up despite its high electronics content.

## What else to look out for?

Lots of December industrial production releases will help refine GDP estimates for the last quarter, though Korean and Taiwanese data would be of little use as we also get their GDP figures. However, forward-looking indicators like consumer and business sentiment indices from Korea should be of some interest.

*We don't see CPI inflation figures form either Singapore or Australia causing any ripples in the markets either*

That leaves us looking out for December industrial production from Japan and Thailand where sluggish export recovery sustained the negative spell on manufacturing growth. Singapore also reports industrial production data, which will indicate likely direction of revision to the -3.8% YoY advance 4Q GDP estimate released earlier this month. Also, look out for Singapore's jobs report for the fourth-quarter, which should show an unchanged unemployment rate at 3.6%.

Lastly, we don't see CPI inflation figures form either Singapore or Australia causing any ripples in the markets. Prices continue to be under pressure from weak consumer spending, which together with sluggish growth prospects argue for sustained policy accommodation ahead.

## Asia Economic Calendar

| Country | Time | Data/event | ING | Survey | Prev. |
|---|---|---|---|---|---|
| | | **Monday 25 January** | | | |
| Singapore | 0700 | Dec Core CPI (YoY%) | -0.1 | | -0.1 |
| | 0700 | Dec Consumer Price Index (YoY%) | 0.0 | | -0.1 |
| Taiwan | 0800 | Dec Industrial Output (YoY%) | 4.2 | | 7.8 |
| | 0800 | Dec Money supply (M2) (%YoY) | 7.6 | | 7.6 |
| South Korea | 2300 | Q4 GDP Growth (QoQ/YoY%) Advance | 1.5/-0.9 | | 2.1/-1.1 |
| | | **Tuesday 26 January** | | | |
| Singapore | 0500 | Dec Manufacturing Output (MoM/YoY%) | -2.0/13.0 | | 7.2/17.9 |
| Hong Kong | 0900 | Dec Imports | 8.2 | | 5.1 |
| | 0900 | Dec Exports | 10.9 | | 5.6 |
| | 0900 | Dec Trade balance | -25.0 | | -25.6 |
| South Korea | 2100 | Jan BoK Consumer Sentiment Index | 95.4 | | 89.8 |
| | | **Wednesday 27 January** | | | |
| China | 0130 | Dec Industrial Profit (YoY%) | 27.0 | | 15.5 |
| Thailand | 0330 | Dec Manufacturing Prod (YoY%) | -2.4 | | 0.4 |
| South Korea | 2100 | Feb BOK Manufacturing BSI | 80.0 | | 77.0 |
| | 2100 | Feb BOK Non-manufacturing BSI | 70.0 | | 64.0 |
| | | **Thursday 28 January** | | | |
| Philippines | 0200 | Q4 GDP (YoY%) | -10.4 | | -11.5 |
| Singapore | 0230 | Q4 Unemployment Rate Prelim SA | 3.6 | | 3.6 |
| South Korea | 2300 | Dec Industrial Output (MoM/YoY%) | -0.5/-2.0 | | 0.3/0.5 |
| | | **Friday 29 January** | | | |
| Malaysia | 0400 | Dec Imports | -10.0 | | -9.0 |
| | 0400 | Dec Exports | 4.0 | | 4.3 |
| | 0400 | Dec Trade balance | 24.7 | | 16.8 |
| Thailand | 0730 | Dec Current Account | -0.9 | | -1.5 |
| Taiwan | 0800 | Q4 GDP (YoY%) Prelim | 4.2 | | 3.9 |
| Hong Kong | 0830 | Dec 4Q20 GDP - advance (YoY%) | -5.0 | | -3.5 |

Source: ING, Refinitiv, *GMT

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Snap | 21 January 2021

# Indonesia keeps rates on hold but leaves door open for more cuts in 2021

Bank Indonesia held its key rate steady at 3.75% to help maintain currency stability amidst the benign inflation environment


Source: IMF/Flickr

Perry Warjiyo, Governor of Bank Indonesia

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

Policy rate

As expected

## Central bank takes a pause with IDR stability in mind

Indonesia's central bank kept its key rate unchanged at 3.75% as expected, to provide stability to the Indonesian rupiah, which has been under some depreciation pressure.

Despite the slide in early January, the central bank indicates that the currency remains "undervalued" with the rupiah likely to appreciate in the coming months "in-line with the economy's fundamentals".

Governor Perry Warjiyo also provided updated economic outlook with growth forecast to gradually recover and settle between 4.8-5.8% this year while inflation is expected to remain benign and settle within the 2-4% target.

## Door remains open for rate cuts in 2021

While the central bank kept rates unchanged, Governor Warjiyo retained his accommodative policy stance, citing the need to support the economic recovery amidst a benign inflation situation.

> *We believe the central bank will remain open to easing policy further in the near term if inflation remains subdued with IDR stability likely the main decision point*

Activity indicators showed some improvement in recent months but a recent spike in Covid-19 infections has forced Java and Bali to impose stricter lockdown measures to slow the spread of the virus.

The series of rate cuts in 2020 have yet to bear fruit with bank lending grinding to a halt but improved economic conditions in the coming months should help lift bank loan expansion. We believe the central bank will remain open to easing policy further in the near term if inflation remains subdued with IDR stability likely the main decision point.

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