Good MornING Asia - 27 May 2020

Optimism stemming from the recent reopening of economies may fade on Wednesday with focus shifting back to simmering US-China tension

In this bundle

ASEAN Morning Bytes

US-China tension heats up on Hong Kong issue

EM Space: Recent optimism may fade quickly as US-China tension heats up

- **General Asia:** Optimism stemming from the recent reopening of economies may fade on Wednesday with focus shifting back to simmering US-China tension with Trump indicating possible action against China. Market players will monitor developments related to US and China relations for direction, while also watching for any possible signs for a second wave of Covid-19 infections as economies continue to reopen after months under lockdown measures.
- **Singapore:** The government announced a fourth stimulus package to help the economy turn the Covid-19 tide. The SGD 33 billion additional spending focuses on preserving jobs. This brings the cumulative thrust to SGD 92.5 billion, about 19% of GDP, more than half of which is funded by drawdowns from past reserves. Even with a massive stimulus, a deeper GDP fall this quarter and negative growth for the rest of the year is still likely for the heavily export-dependent economy. That said, manufacturing continued to be strong in April (up 13% YoY) on surging pharmaceutical demand.
- **Thailand:** The government extended the state of emergency to end-June, the second extension in a bid to avert a second wave of Covid-19 disease. Against increasing calls by the opposition for ending restrictions, this is deemed to be a political move by the ruling administration to curb the anti-government drive. April manufacturing data due today, which will show how restrictions are affecting the economy. Expect the worst; the

consensus is a 20% YoY manufacturing fall and we favour a steeper 23.5% fall.

- **Indonesia:** President Jokowi deployed hundreds of thousands of soldiers around the country to strictly enforce his partial lockdown measures in a bid to flatten the Covid-19 infection curve. Pressure is mounting on the President to begin easing restrictions to support the economy. However, daily new Covid-19 cases have yet to show a clear sign of deceleration. We expect Indonesia to continue to struggle to contain the virus, even after the deployment of the army, which will hamper the ability of Jokowi to fully reopen the economy.
- **Philippines:** Congress passed on first reading a Php1.3 tr fiscal stimulus plan dubbed PESA (Philippine Economic Stimulus Act) to offset the economic downturn caused by the pandemic. Of the bill, roughly Php598 bn is fresh spending for wage subsidies, capital infusion, loan guarantees, support to essential sectors and healthcare. The proposed bill will translate to nearly 2.3% of GDP and will bolster economic activity in the second half of the year but will likely not be in time to stave off a recession by the second quarter.

What to look out for: Covid-19 developments

- Philippines remittances (27 May)
- Taiwan GDP (28 May)
- US GDP, initial jobless claims, durable goods orders (28 May)
- Thailand trade (29 May)
- US core PCE, consumer sentiment and whole sale inventories (29 May)
- Philippines bank lending (29 May)
- Fed Powell speech (29 May)

Author

Nicholas Mapa
Senior Economist, Philippines
nicholas.antonio.mapa@asia.ing.com

Article | 26 May 2020 Singapore

Singapore gets its fourth Covid-19 stimulus package

Despite the fourth stimulus, a deeper GDP fall this quarter and negative growth for the rest of the year is still very much a possibility for the heavily export-dependent economy

Source: Shutterstock

33 Fourth stimulus package

SGD bn

The Fortitude Budget - fourth package

Singapore has announced another stimulus package today to help the economy turn the Covid-19 tide bringing the total stimulus to SGD 92.5 billion, about 19% of GDP.

Unlike hefty stimulus packages in other countries, which constitute a lot of fluff than real spending, a substantial portion of Singapore's stimulus forms a real boost to the economy. This is further reinforced by the fact that more than half of the total stimulus is set to be funded by SGD 52 billion drawdowns from past reserves, while the overall fiscal deficit is projected to be at a record SGD 74.3 billion, 15.4% of GDP.

Singapore's total stimulus package amounts to something like SGD 92.5 billion, about 19% of GDP.

Termed as “The Fortitude Budget”, the SGD 33 billion new supplementary budget builds on previous three such budgets (Unity, Resilience, and Solidarity budgets) to provide more support for workers, businesses, households, communities and frontline agencies dealing with the pandemic. The main focus of the new package is preserving jobs by further enhancing the jobs support scheme, extended waiver of foreign worker levy, rental grants for SMEs, and measures to create 40,000 new jobs in public and private sectors this year.

Even with a massive stimulus, large GDP contraction this quarter and potentially negative growth for the rest of the year could still become a reality for the heavily export-dependent economy given extremely weak global demand. That said, the unprecedented stimulus should go some way in lifting the confidence and facilitating a more vigorous post-Covid recovery than would otherwise have been the case.

Still weak outlook - another growth forecast cut

The additional stimulus comes on the day the government also cut its export and GDP growth forecast and warned about the weak labour market.

Enterprise Singapore’s, the trade agency, now sees as much as a 12% fall in total exports and 4% fall in non-oil domestic exports this year against an earlier view of up to 1.5% growth in both measures. It cited a severe impact from Covid-19 and low oil prices as reasons for the downgrade.

Separately, the Ministry of Trade and Industry cut the full-year 2020 GDP forecast to around a 7% fall from the previous 4% fall - the third cut so far led by deteriorating external demand and impact form Covid-19. And, the Ministry of Manpower expects a “considerable uncertainty” ahead leading to retrenchments.

We have revised our GDP forecast to -3.7% for 2020, which we revised recently from -2.6%, subject to asymmetric downside risk.

Pharmaceuticals - a silver lining

Also released today, industrial production had yet another strong month of growth in April. A 13.0% year-on-year the surge in industrial production surge last month was a stark contrast to the consensus of a 1% fall. The seasonally adjusted output was up 3.6% from March, also beating the consensus of -7.0%. These gains follow 16.5% YoY and 21.7% MoM growth in March.

Exports have been the main source of manufacturing strength in recent months. However, it's been rather lopsided than a broad-based strength, lifted by a surge in the pharmaceutical demand during the global pandemic. A 174% YoY jump in pharma exports in April helped the output bounce by 141%. Everything else has been weak though.

The key question is how far the pharma-led export strength will last? Unlikely for too long, judging from sharp cuts to official export and growth forecasts.

Inflation - on a steady downward path

Domestic demand seems to be getting a beating as reflected by data on consumer prices today. For the first time since late 2016, CPI inflation slipped into the negative territory coming in at -0.7% YoY, dropping down from 0% in March. Core inflation also weakened slightly to -0.3% from -0.2%.

Food inflation continued to buck the broader negative trend, rising by 2.1% YoY on top of the 1.5% gain seen in March, but all other components posted steeper declines. The main administrative factors contributing to the negative trend in April was the quarterly budget rebate of services & conservancy charges for public housing and a 5.1% cut in electricity tariffs. Besides, the transmission of lower global oil prices to domestic fuel prices weighed on transport inflation, bringing it down to -1.7%.

We see negative inflation sticking around for the rest of the year amid weak demand and a challenging labour market situation. We recently cut our full-year 2020 inflation forecast to -1.0% from -0.5%, and this is unlikely to be the last downward revision.

Author

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.lefebre@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
Senior 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

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.schroder@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

Disclaimer