

## 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



Asia Morning Bites

#### ASEAN Morning Bytes

US-China tension heats up on Hong Kong issue



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...

# 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](mailto:nicholas.antonio.mapa@asia.ing.com)

# 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 from 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

**Alissa Lefebre**

Economist

[alissa.lefebvre@ing.com](mailto:alissa.lefebvre@ing.com)**Deepali Bhargava**

Regional Head of Research, Asia-Pacific

[Deepali.Bhargava@ing.com](mailto:Deepali.Bhargava@ing.com)**Ruben Dewitte**

Economist

+32495364780

[ruben.dewitte@ing.com](mailto:ruben.dewitte@ing.com)**Kinga Havasi**

Economic research trainee

[kinga.havasi@ing.com](mailto:kinga.havasi@ing.com)**Marten van Garderen**

Consumer Economist, Netherlands

[marten.van.garderen@ing.com](mailto:marten.van.garderen@ing.com)**David Havrlant**

Chief Economist, Czech Republic

420 770 321 486

[david.havrlant@ing.com](mailto:david.havrlant@ing.com)**Sander Burgers**

Senior Economist, Dutch Housing

[sander.burgers@ing.com](mailto:sander.burgers@ing.com)



**Lynn Song**

Chief Economist, Greater China

[lynn.song@asia.ing.com](mailto:lynn.song@asia.ing.com)

**Michiel Tukker**

Senior European Rates Strategist

[michiel.tukker@ing.com](mailto:michiel.tukker@ing.com)

**Michal Rubaszek**

Senior Economist, Poland

[michal.rubaszek@ing.pl](mailto:michal.rubaszek@ing.pl)

**This is a test author**

**Stefan Posea**

Economist, Romania

[tiberiu-stefan.posea@ing.com](mailto:tiberiu-stefan.posea@ing.com)

**Marine Leleux**

Sector Strategist, Financials

[marine.leleux2@ing.com](mailto:marine.leleux2@ing.com)

**Jesse Norcross**

Senior Sector Strategist, Real Estate

[jesse.norcross@ing.com](mailto:jesse.norcross@ing.com)

**Teise Stellema**

Research Assistant, Energy Transition

[teise.stellema@ing.com](mailto:teise.stellema@ing.com)

**Diederik Stadig**

Sector Economist, TMT & Healthcare

[diederik.stadig@ing.com](mailto:diederik.stadig@ing.com)

**Diogo Gouveia**

Sector Economist

[diogo.duarte.vieira.de.gouveia@ing.com](mailto:diogo.duarte.vieira.de.gouveia@ing.com)

**Marine Leleux**

Sector Strategist, Financials

[marine.leleux2@ing.com](mailto:marine.leleux2@ing.com)

**Ewa Manthey**

Commodities Strategist

[ewa.manthey@ing.com](mailto:ewa.manthey@ing.com)

**ING Analysts**

**James Wilson**

EM Sovereign Strategist

[James.wilson@ing.com](mailto:James.wilson@ing.com)

**Sophie Smith**

Digital Editor

[sophie.smith@ing.com](mailto:sophie.smith@ing.com)

**Frantisek Taborsky**

EMEA FX & FI Strategist

[frantisek.taborsky@ing.com](mailto:frantisek.taborsky@ing.com)

**Adam Antoniak**

Senior Economist, Poland

[adam.antoniak@ing.pl](mailto:adam.antoniak@ing.pl)

**Min Joo Kang**

Senior Economist, South Korea and Japan

[min.joo.kang@asia.ing.com](mailto:min.joo.kang@asia.ing.com)

**Coco Zhang**

ESG Research

[coco.zhang@ing.com](mailto:coco.zhang@ing.com)

**Jan Frederik Slijkerman**

Senior Sector Strategist, TMT

[jan.frederik.slijkerman@ing.com](mailto:jan.frederik.slijkerman@ing.com)

**Katinka Jongkind**

Senior Economist, Services and Leisure

[Katinka.Jongkind@ing.com](mailto:Katinka.Jongkind@ing.com)

**Marina Le Blanc**

Sector Strategist, Financials

[Marina.Le.Blanc@ing.com](mailto:Marina.Le.Blanc@ing.com)

**Samuel Abettan**

Junior Economist

[samuel.abettan@ing.com](mailto:samuel.abettan@ing.com)

**Franziska Biehl**

Economist, Germany

[Franziska.Marie.Biehl@ing.de](mailto:Franziska.Marie.Biehl@ing.de)

**Rebecca Byrne**

Senior Editor and Supervisory Analyst

[rebecca.byrne@ing.com](mailto:rebecca.byrne@ing.com)



**Mirjam Bani**

Sector Economist, Commercial Real Estate & Public Sector (Netherlands)

[mirjam.bani@ing.com](mailto:mirjam.bani@ing.com)

**Timothy Rahill**

Credit Strategist

[timothy.rahill@ing.com](mailto:timothy.rahill@ing.com)

**Leszek Kasek**

Senior Economist, Poland

[leszek.kasek@ing.pl](mailto:leszek.kasek@ing.pl)

**Oleksiy Soroka, CFA**

Senior High Yield Credit Strategist

[oleksiy.soroka@ing.com](mailto:oleksiy.soroka@ing.com)

**Antoine Bouvet**

Head of European Rates Strategy

[antoine.bouvet@ing.com](mailto:antoine.bouvet@ing.com)

**Jeroen van den Broek**

Global Head of Sector Research

[jeroen.van.den.broek@ing.com](mailto:jeroen.van.den.broek@ing.com)

**Edse Dantuma**

Senior Sector Economist, Industry and Healthcare

[edse.dantuma@ing.com](mailto:edse.dantuma@ing.com)

**Francesco Pesole**

FX Strategist

[francesco.pesole@ing.com](mailto:francesco.pesole@ing.com)

**Rico Luman**

Senior Sector Economist, Transport and Logistics

[Rico.Luman@ing.com](mailto:Rico.Luman@ing.com)

**Jurjen Witteveen**

Sector Economist

[jurjen.witteveen@ing.com](mailto:jurjen.witteveen@ing.com)

**Dmitry Dolgin**

Chief Economist, CIS

[dmitry.dolgin@ing.de](mailto:dmitry.dolgin@ing.de)

**Nicholas Mapa**

Senior Economist, Philippines

[nicholas.antonio.mapa@asia.ing.com](mailto:nicholas.antonio.mapa@asia.ing.com)

**Egor Fedorov**

Senior Credit Analyst  
[egor.fedorov@ing.com](mailto:egor.fedorov@ing.com)

**Sebastian Franke**

Consumer Economist  
[sebastian.franke@ing.de](mailto:sebastian.franke@ing.de)

**Gerben Hieminga**

Senior Sector Economist, Energy  
[gerben.hieminga@ing.com](mailto:gerben.hieminga@ing.com)

**Nadège Tillier**

Head of Corporates Sector Strategy  
[nadege.tillier@ing.com](mailto:nadege.tillier@ing.com)

**Charlotte de Montpellier**

Senior Economist, France and Switzerland  
[charlotte.de.montpellier@ing.com](mailto:charlotte.de.montpellier@ing.com)

**Laura Straeter**

Behavioural Scientist  
+31(0)611172684  
[laura.Straeter@ing.com](mailto:laura.Straeter@ing.com)

**Valentin Tataru**

Chief Economist, Romania  
[valentin.tataru@ing.com](mailto:valentin.tataru@ing.com)

**James Smith**

Developed Markets Economist, UK  
[james.smith@ing.com](mailto:james.smith@ing.com)

**Suvi Platerink Kosonen**

Senior Sector Strategist, Financials  
[suvi.platerink-kosonen@ing.com](mailto:suvi.platerink-kosonen@ing.com)

**Thijs Geijer**

Senior Sector Economist, Food & Agri  
[thijs.geijer@ing.com](mailto:thijs.geijer@ing.com)

**Maurice van Sante**

Senior Economist Construction & Team Lead Sectors  
[maurice.van.sante@ing.com](mailto:maurice.van.sante@ing.com)

**Marcel Klok**

Senior Economist, Netherlands  
[marcel.klok@ing.com](mailto:marcel.klok@ing.com)

**Piotr Poplawski**

Senior Economist, Poland

[piotr.poplawski@ing.pl](mailto:piotr.poplawski@ing.pl)

**Paolo Pizzoli**

Senior Economist, Italy, Greece

[paolo.pizzoli@ing.com](mailto:paolo.pizzoli@ing.com)

**Marieke Blom**

Chief Economist and Global Head of Research

[marieke.blom@ing.com](mailto:marieke.blom@ing.com)

**Raoul Leering**

Senior Macro Economist

[raoul.leering@ing.com](mailto:raoul.leering@ing.com)

**Maarten Leen**

Head of Global IFRS9 ME Scenarios

[maarten.leen@ing.com](mailto:maarten.leen@ing.com)

**Maureen Schuller**

Head of Financials Sector Strategy

[Maureen.Schuller@ing.com](mailto:Maureen.Schuller@ing.com)

**Warren Patterson**

Head of Commodities Strategy

[Warren.Patterson@asia.ing.com](mailto:Warren.Patterson@asia.ing.com)

**Rafal Benecki**

Chief Economist, Poland

[rafal.benecki@ing.pl](mailto:rafal.benecki@ing.pl)

**Philippe Ledent**

Senior Economist, Belgium, Luxembourg

[philippe.ledent@ing.com](mailto:philippe.ledent@ing.com)

**Peter Virovacz**

Senior Economist, Hungary

[peter.virovacz@ing.com](mailto:peter.virovacz@ing.com)

**Inga Fechner**

Senior Economist, Germany, Global Trade

[inga.fechner@ing.de](mailto:inga.fechner@ing.de)

**Dimitry Fleming**

Senior Data Analyst, Netherlands

[Dimitry.Fleming@ing.com](mailto:Dimitry.Fleming@ing.com)

**Ciprian Dascalu**

Chief Economist, Romania

+40 31 406 8990

[ciprian.dascalu@ing.com](mailto:ciprian.dascalu@ing.com)

**Muhammet Mercan**

Chief Economist, Turkey

[muhammet.mercan@ingbank.com.tr](mailto:muhammet.mercan@ingbank.com.tr)

**Iris Pang**

Chief Economist, Greater China

[iris.pang@asia.ing.com](mailto:iris.pang@asia.ing.com)

**Sophie Freeman**

Writer, Group Research

+44 20 7767 6209

[Sophie.Freeman@uk.ing.com](mailto:Sophie.Freeman@uk.ing.com)

**Padhraic Garvey, CFA**

Regional Head of Research, Americas

[padhraic.garvey@ing.com](mailto:padhraic.garvey@ing.com)

**James Knightley**

Chief International Economist, US

[james.knightley@ing.com](mailto: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](mailto:martin.van.vliet@ing.com)

**Robert Carnell**

Regional Head of Research, Asia-Pacific

[robert.carnell@asia.ing.com](mailto:robert.carnell@asia.ing.com)

**Karol Pogorzelski**

Senior Economist, Poland

[Karol.Pogorzelski@ing.pl](mailto:Karol.Pogorzelski@ing.pl)

**Carsten Brzeski**

Global Head of Macro

[carsten.brzeski@ing.de](mailto:carsten.brzeski@ing.de)

**Viraj Patel**

Foreign Exchange Strategist  
+44 20 7767 6405  
[viraj.patel@ing.com](mailto:viraj.patel@ing.com)

**Owen Thomas**  
Global Head of Editorial Content  
+44 (0) 207 767 5331  
[owen.thomas@ing.com](mailto:owen.thomas@ing.com)

**Bert Colijn**  
Chief Economist, Netherlands  
[bert.colijn@ing.com](mailto:bert.colijn@ing.com)

**Peter Vanden Houte**  
Chief Economist, Belgium, Luxembourg, Eurozone  
[peter.vandenhoute@ing.com](mailto:peter.vandenhoute@ing.com)

**Benjamin Schroeder**  
Senior Rates Strategist  
[benjamin.schroeder@ing.com](mailto:benjamin.schroeder@ing.com)

**Chris Turner**  
Global Head of Markets and Regional Head of Research for UK & CEE  
[chris.turner@ing.com](mailto:chris.turner@ing.com)

**Gustavo Rangel**  
Chief Economist, LATAM  
+1 646 424 6464  
[gustavo.rangel@ing.com](mailto:gustavo.rangel@ing.com)

**Carlo Cocuzzo**  
Economist, Digital Finance  
+44 20 7767 5306  
[carlo.cocuzzo@ing.com](mailto:carlo.cocuzzo@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](http://www.ing.com).