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EM Space: Biden's aggressive fiscal blueprint to push growth narrative

- **General Asia:** Asian markets may tiptoe higher, nudged on by hopes for faster global growth as US President Biden unveils his ambitious fiscal blueprint later on Friday. Biden will propose a sizeable spending plan over the next few years which, although largely aspirational, could give a glimpse into directives to bolster growth for the US and in turn the global economy. Investors will await the release of the US fiscal plan while also looking to personal spending and sentiment reports for more direction.
- **Malaysia:** The April trade report is due today. The seasonal 20% MoM bounce in March pushed monthly exports above the Malaysian ringgit (MYR) 100 billion level for the first time ever. Keeping with the seasonal pattern some retracement is in order in April, though low base effects continued to flatter year-on-year growth (ING forecast 44% YoY vs. 31% in March). Electronics have been the leading export product as the upswing in the global demand is met by chip shortages. Meanwhile, pandemic-hit domestic demand has been depressing imports and widening the trade surplus this year. Our estimate of an MYR 17 billion surplus in April implies the year-to-date surplus would be MYR 41 billion above the level a year ago. This is positive for the MYR. However, the MYR has taken a beating in May from the unabating Covid-19 spread. Daily new virus cases scaled fresh records yesterday hitting 7,857. A complete nationwide lockdown cannot be ruled out, with some state rulers urging the Federal government to do this.

- **Indonesia:** President Jokowi implemented partial lockdown measures across all 34 provinces in Indonesia as new Covid-19 infections spiked to 6,300 per day. Mobility restrictions will be in effect from 1 June until 14 June with the recent spike in cases tagged to a recent holiday and associated travel. Authorities had banned travel during the last Eid holiday period, however citizens were still able to head home despite these curbs. The partial lockdown measures (called PPKM in Indonesia) will likely weigh on the economic recovery with authorities aiming for GDP to expand between 7.1-8.3%, aided by base effects.
- **Philippines:** S&P ratings retained the Philippines' BBB+ credit rating with a stable outlook citing improving growth prospects and an improvement in the government's fiscal position once the pandemic is under control. The local stock market charged 5.1% higher on Thursday with foreign investors helping prop up the index, which in turn helped support PHP to a strong finish by Thursday's close. S&P based its decision on a GDP forecast of 7.9% for 2021 and mentioned that a rating downgrade was still possible should growth disappoint.

What to look out for: Covid-19 developments

- Malaysia trade balance (28 May)
- US personal spending and University of Michigan sentiment (28 May)

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Asia week ahead: India in the spotlight

A big data week in Asia will offer central banks a glimpse into unfolding growth-inflation risks as two of them meet next week. India will take the spotlight for fourth quarter FY20-21 GDP report as well as the Reserve Bank of India meeting



Source: Shutterstock

➔ Start-of-the month activity data

The usual Asian calendar highlights at the start of the new month are the purchasing manager indices and inflation figures for the previous month.

The advance PMIs for May from developed economies (the US, Eurozone and Japan) painted a mixed picture – the US and Eurozone’s revealed firmer activity in both manufacturing and non-manufacturing areas, whereas Japan showed weakness in both sectors. Big swings, however, were observed in services PMIs, and it looks like these are driven by the Covid-19 situation, which has been stabilising in the US and Europe but worsening in Japan.

We expect the PMIs from the rest of Asia to follow the same course – improving in countries with falling Covid-19 cases and weaker in those with rising infections. The most market-sensitive PMI data will be from China, which are expected to be solid like the US and Eurozone, while PMI data from Malaysia, Singapore and Taiwan should be in the weak camp.

Korea's exports for May, the first export data for this month from the region, will be an interesting watch for what it says about the global semiconductor cycle and provide further insight into the export-led recovery in Asia. A 26% year-on-year rise in Korean chip exports in the first 20 days of the month was good news that the full-month data should confirm.

Lots of consumer price indices will reinforce elevated inflation pressure, though that mostly comes off the sharp inflation fall a year ago instead of any underlying demand strength currently. And the fact that this is going to be a brief phase of high inflation suggests that this data won't work up the markets.

➔ Monetary policy spotlight on India

All this data offers a glimpse into unfolding growth-inflation risks for regional economies, though we don't think this will sway central banks into altering the current easy policy settings just yet. This is because the downside growth risk from persistent global pandemic continues to outweigh upside inflation risk while the latter will be transitory anyway. Hence our view of on-hold policies by two regional central banks meeting next week – the Reserve Bank of Australia and the Reserve Bank of India. Not just us, but it's also the consensus view.

The unchanged policy forecasts may render these policy meetings non-events. Yet, we anticipate some market interest in the Indian central bank meeting next Thursday (3 June) as the economy took a further beating from the second wave of Covid-19. Coming just days ahead of the RBI meeting, India's GDP report for January-March 2021 or the last quarter of FY20-21 due on Monday (31 May) will be the timely input for the policymakers, although that's not going to reflect the true damage from the second wave. We are looking for a 1.7% YoY GDP growth in the reporting quarter, up from 0.4% in the previous quarter and helped mainly by low base effects.

It's the delicate policy balance the RBI ought to strike to revive growth without further stoking inflation. As the elevated inflation prevents the RBI from cutting policy interest rates further, the targeted easing remains their option. This is what underlined Governor Shaktikanta Das's unscheduled announcement earlier this month (5 May) of additional liquidity support for the healthcare and small business sectors. We believe Governor Das will reaffirm that support next week, though without any recovery in business confidence all that may be in vain.

Asia Economic Calendar

Country	Time	Data/event	ING Survey	Prev.
Sunday 30 May				
South Korea	0000	Apr Industrial Output (MoM/YoY%)	2.0/17.6	-0.8/4.7
	0000	Apr Service Sector Output Growth	-	1.2
	0000	Apr Industrial Output Growth	-	-0.8
Japan	0050	Apr Industrial O/P Prelim (MoM/YoY%)	-14.3/9.3	1.7/1.0
	0050	Apr Retail Sales (YoY%)	13.3	5.2
Monday 31 May				
China	0200	May NBS Non-Manufacturing PMI	56.0	54.9
	0200	May NBS Manufacturing PMI	51.1	51.1
	0200	May Composite PMI	-	53.8
India	1300	Q4 GDP Quarterly (YoY%)	1.7	0.4
Hong Kong	0930	Apr Money Supply M3	-	9.1
Malaysia	0800	Apr Money Supply (YoY%)	-	6.1
Indonesia	0500	Apr M2 Money Supply (YoY%)	-	6.9
Thailand	0800	Apr Manufacturing Prod (YoY%)	14.0	4.1
	0830	Apr Current Account balance (\$bn)	-1.4	-0.8
Tuesday 1 June				
Japan	0050	May Monetary Base (JPY bn)	662.0	655.5
Australia	0230	Q1 Business Inventories	-	0.0
	0230	Q1 Current Account Balance SA	-	14.5
	0530	Jun RBA Cash Rate	0.1	0.1
China	0245	May Caixin Manufacturing PMI Final	51.9	51.9
India	0600	May IHS Markit Manufacturing PMI	-	55.5
		- May Trade Deficit Govt -USD Prelim	-	15.1
		- May Imports - USD Prelim	-	45.7
		- May Exports - USD Prelim	-	30.6
Hong Kong	0930	Apr Retail Sales (YoY%)	14.5	20.1
	0930	Apr Retail Sale Vol (YoY%)	14.1	19.8
Malaysia	0130	May IHS Markit Manufacturing PMI	-	53.9
Philippines	0130	May Manufacturing PMI SA	49.5	49.0
Taiwan	0130	May IHS Markit Manufacturing PMI	60.0	62.4
Thailand	0130	May Manufacturing PMI SA	-	50.7
South Korea	0100	May Export (YoY%)	45.0	41.2
	0100	May Import (YoY%)	37.3	33.9
	0100	May Trade Balance (\$bn)	2.9	0.4
	0130	May IHS Markit Manufacturing PMI	54.9	54.6
	0000	May CPI (YoY%)	2.9	2.3
	0000	May Core CPI (YoY%)	1.5	1.4
Wednesday 2 June				
Australia	0230	Q1 Real GDP (QoQ/YoY%)	1.1/0.3	3.1/-1.1
Indonesia	0130	May IHS Markit PMI	-	54.6
		- May Inflation (YoY%)	1.7	- 1.4
Singapore	1400	May Manufacturing PMI	50.2	50.9
Thursday 3 June				
Australia	0230	Apr Retail Sales (MoM%)	0.1	1.1
	0230	Apr Trade Balance (A\$bn)	6.5	5.574
China	0245	May Caixin Services PMI	-	56.3
India	0600	May IHS Markit Services PMI	-	54.0
Hong Kong	0130	May IHS Markit PMI	-	50.3
Thailand	0400	May Consumer Confidence Index	-	46.0
Friday 4 June				
India	0715	Cash Reserve Ratio	3.5	3.5
	0715	Repo Rate	4.0	4.0
	0715	Reverse Repo Rate	3.4	3.4
Philippines	0200	May CPI (YoY%)	4.5	4.5
Singapore	0600	Apr Retail Sales (MoM/YoY%)	-8.9/41.7	3/6.2
Taiwan	0900	Q1 GDP Final (YoY%)	-	8.2
	0920	May Foreign Exchange Reserve	535.0	541.1
Thailand		- May CPI Headline Inflation (YoY%)	3.4	3.4
		- May CPI Core Inflation (YoY%)	0.4	0.3

Source: ING, Refinitiv, *GMT

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