HSBC Global Research

12 November 2020

ASEAN COVID-19 tracker

Pricing in a recovery?

Free to View
Economics - ASEAN

- Recent news of a potential vaccine raised investors' hope for a quick recovery, boosting equity markets across the region
- The SG-HK travel bubble is set to begin on 22 November, but flights are limited and testing requirements remain onerous
- New cases in Malaysia continue to rise, forcing the government to extend and expand lockdown restrictions

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What's in the price?

News of a potential vaccine lifted equity markets across ASEAN this week as investors price in a potential recovery. Vaccine aside, however, things do appear to be improving on the ground. Daily new cases continue to decline in most countries, with the exception of Malaysia. People's mobility, on average, also continues to see moderate improvements. *Google* data show that people's mobility remains the most restricted in the Philippines, despite a reduction in new COVID-19 cases in the country. This suggests that the government has scope to further ease restrictions, which would be a welcome development. 3Q GDP data from the Philippines and Indonesia showed that lockdowns during the quarter continued to weigh on their economic recovery, so a further loosening of those restrictions should help boost growth as the year comes to a close.

The SG-HK travel bubble

The Singapore-Hong Kong "air travel bubble" will begin on 22 November. This marks the first travel bubble resulting from the pandemic. But it is nowhere near a return to normalcy. There will be only one designated flight a day in each direction, with a quota of 200 passengers per flight. Flights will increase to two a day each way from 7 December. But travellers from both cities must undergo up to three COVID-19 tests at various stages of the journey, which includes at least a four hour wait for test results upon arrival at Hong Kong International Airport (*South China Morning Post*, 11 November 2020). The three tests would also cost passengers around USD240. These limitations underline the continued constraints that travellers face despite borders re-opening and further highlight the need for a vaccine.

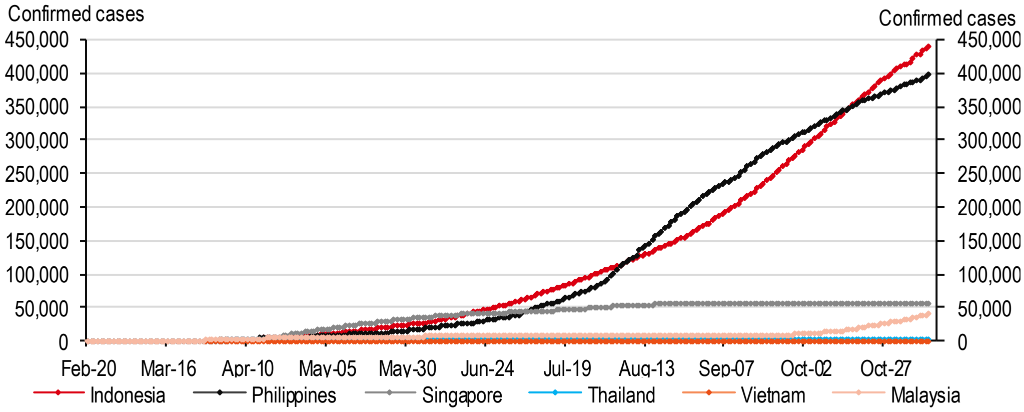
Malaysia's rising cases

Malaysia has extended and expanded its partial lockdown measures as COVID-19 cases continue to hit record highs. Interstate travel is not allowed and schools are closed as part of the lockdown. However, all other economic activities (industrial and business activities) are allowed to operate, with strict adherence to social distancing guidelines (*Reuters*, 7 November 2020). The restrictions, which apply to Kuala Lumpur and most states within the country, will remain in place until 6 December. To offset the effects of the lockdown, the government recently announced an expansionary budget for 2021, setting aside its previous fiscal consolidation plans.

This is a redacted version of the report published on 12-Nov-20. Please contact your HSBC representative or email AskResearch@hsbc.com for information.

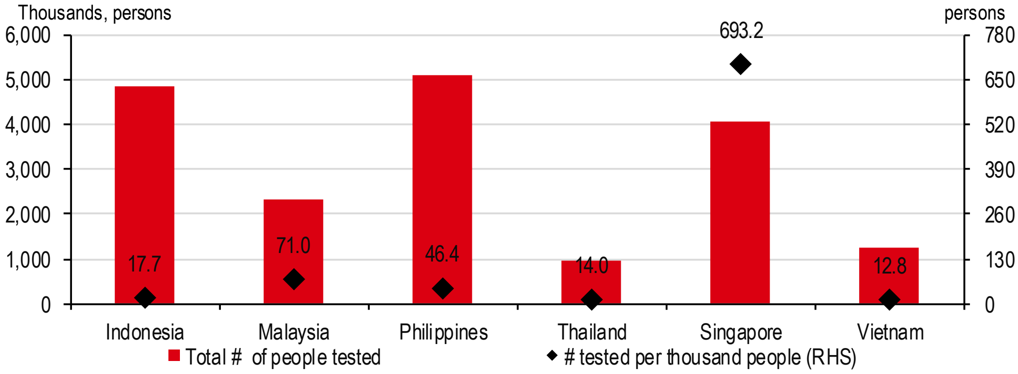
COVID-19 in ASEAN

Chart 1: Total infections in Indonesia tops the region at nearly 450,000 confirmed cases



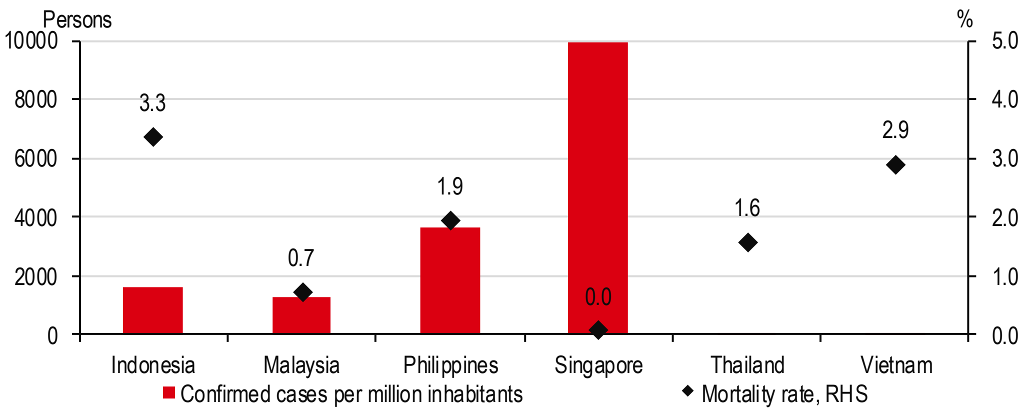
Source: CEIC, HSBC

Chart 2: Testing continues to rise across all countries



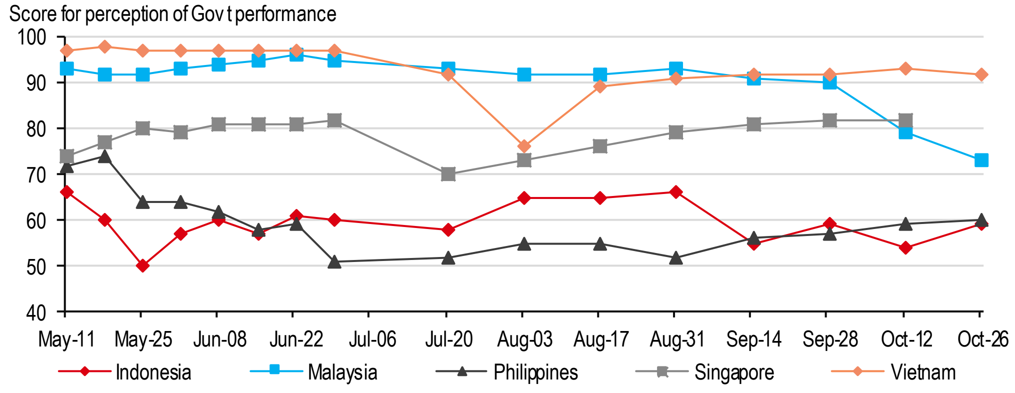
Note: Latest data: 11 November 2020.
Source: Worldometer, HSBC

Chart 3: The mortality rate has declined across all countries, although it remains relatively high in Indonesia



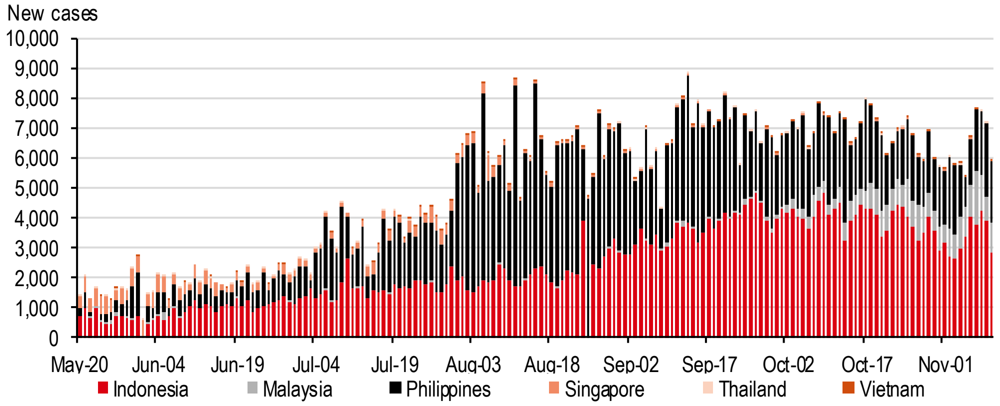
Source: CEIC, HSBC

Chart 4: Perception of government performance in Malaysia has declined substantially



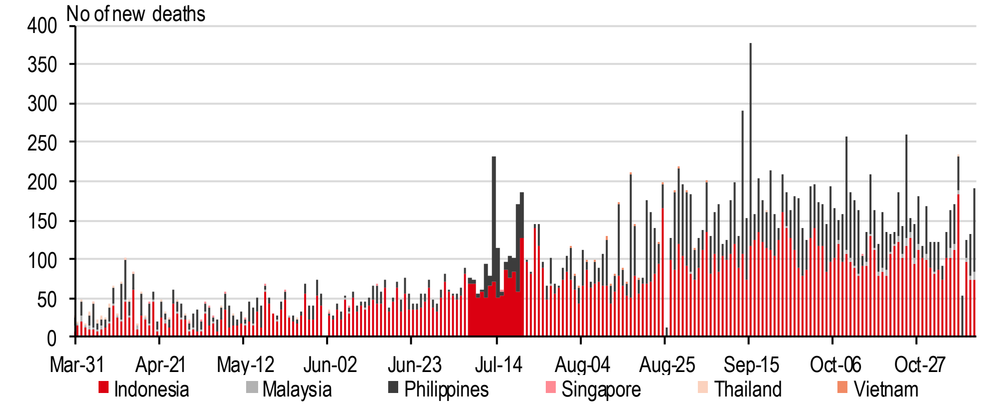
Source: YouGov survey, HSBC

Chart 5: Total new daily cases in ASEAN now appears to be declining, despite recent spikes



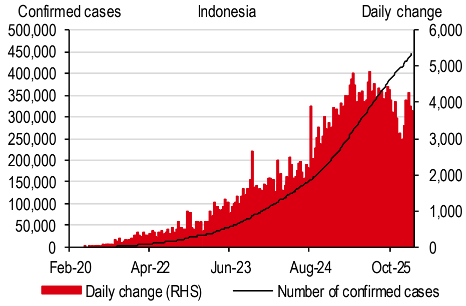
Source: CEIC, HSBC

Chart 6: The number of daily fatalities also appears to be abating



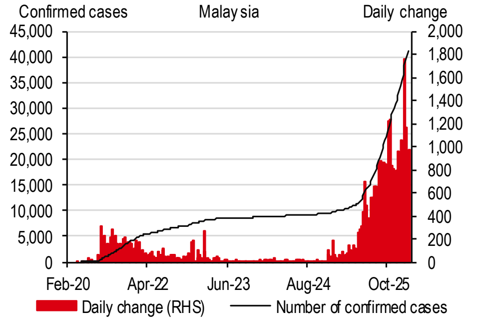
Source: CEIC HSBC

Chart 7: New cases in Indonesia remain stable at around 4,000 per day



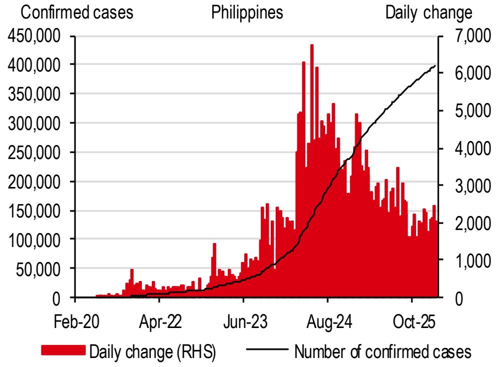
Source: CEIC, HSBC

Chart 8: Malaysia's new cases are still on the rise



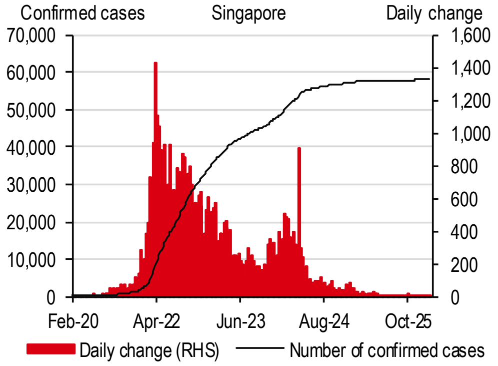
Source: CEIC, HSBC

Chart 9: New cases in the Philippines continue to trend downwards



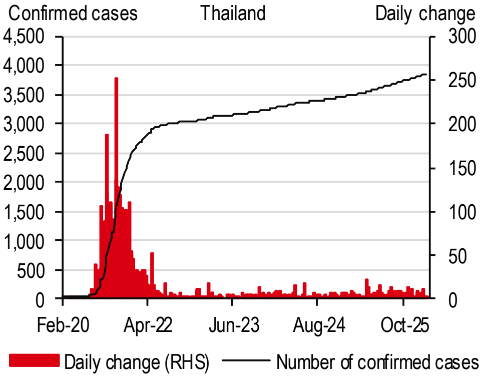
Source: CEIC, HSBC

Chart 10: New cases in Singapore now appear to be broadly contained



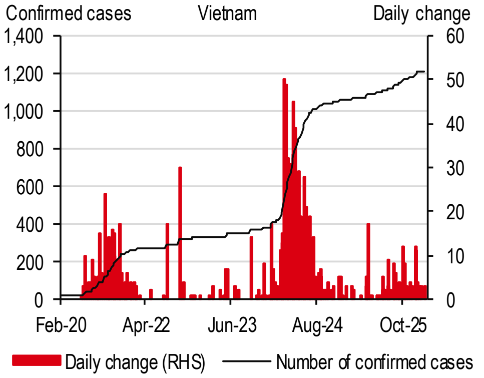
Source: CEIC, HSBC

Chart 11: Thailand's daily new cases remain in single digits



Source: CEIC, HSBC

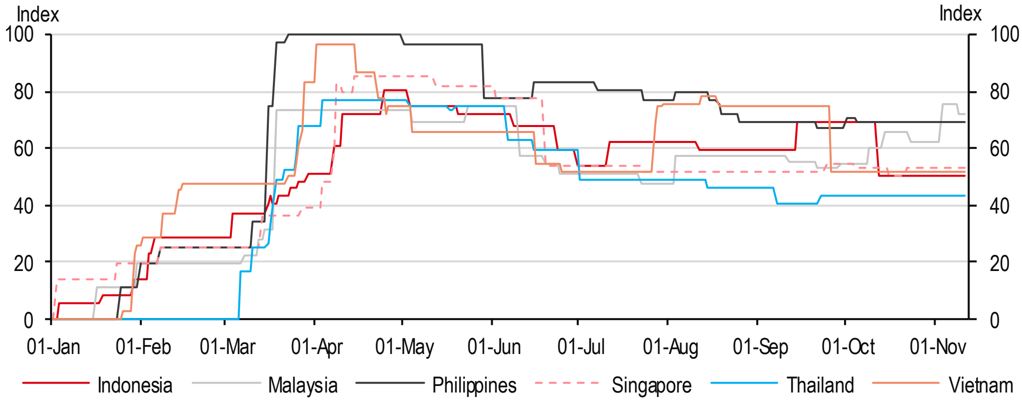
Chart 12: Vietnam's new cases have mostly been imported



Source: CEIC, HSBC

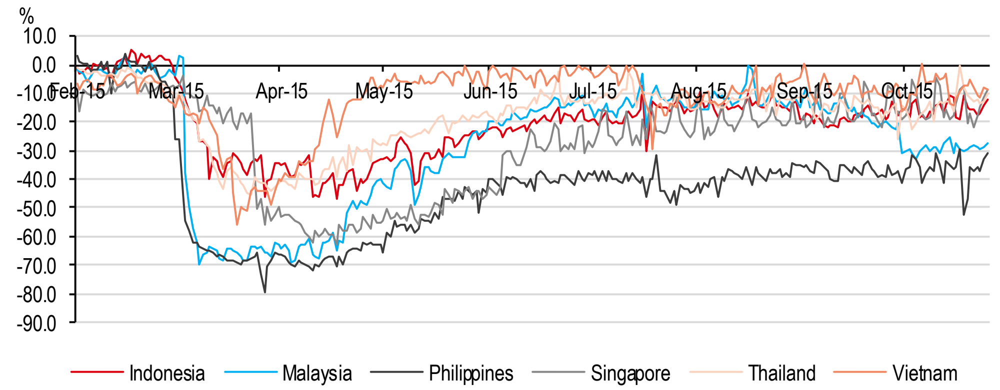
Economic indicators

Chart 13: Stringency measures continue to vary across the region, with Thailand having the fewest number of restrictions



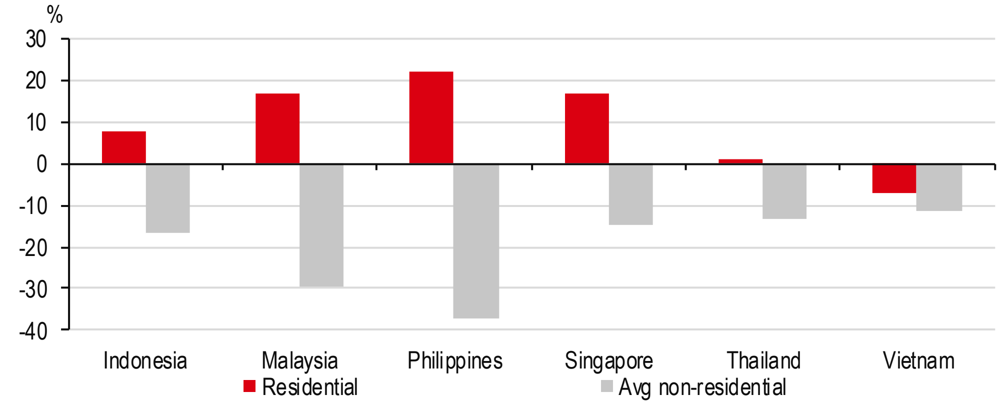
Note: Data as of 10 November 2020.
Source: Oxford COVID-19 Government Response Tracker

Chart 14: People's mobility, on average, continues to see moderate improvements in most countries (except in Malaysia)



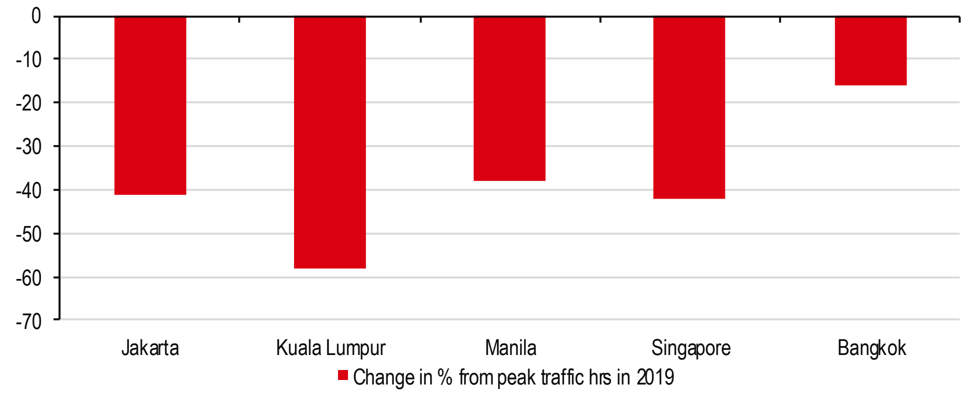
Note: Comparison to Google baseline. The baseline is the median value, for the corresponding day of the week, during the five-week period of 3 January 2020-6 February 2020.
Source: Google COVID-19 Community Mobility Report

Chart 15: People's mobility, on average, in the Philippines is still the most restricted in ASEAN



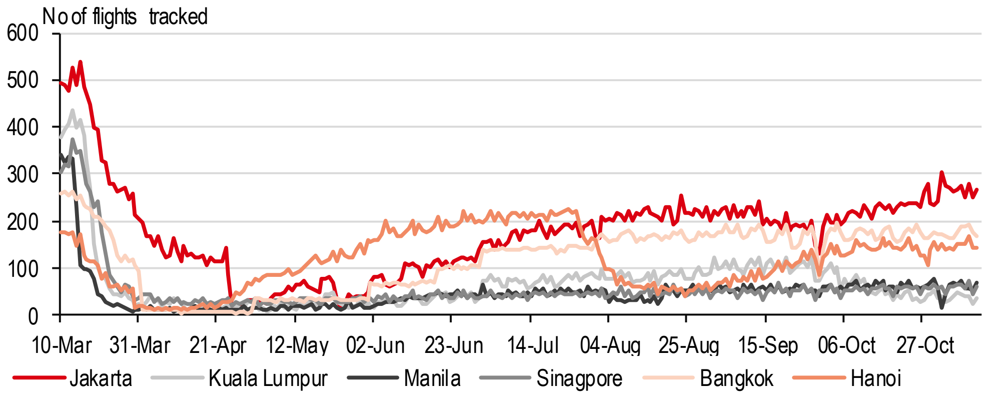
Note: Comparison to Google baseline. The baseline is the median value, for the corresponding day of the week, during the five-week period of 3 January 2020-6 February 2020.
Source: Google COVID-19 Community Mobility Report

Chart 16: Traffic congestion in Kuala Lumpur and Jakarta have declined most in the region



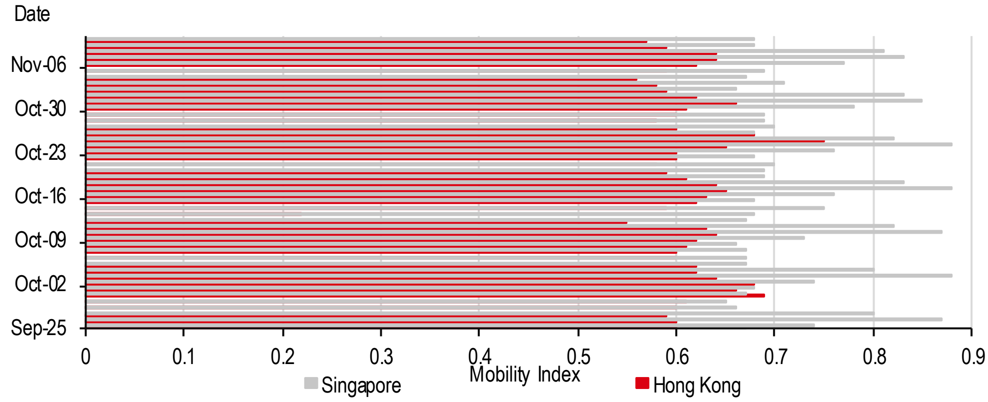
Source: TomTom, HSBC

Chart 17: Air traffic in Indonesia is steadily rising; relatively constant elsewhere in the region



Source: Flight Tracker, HSBC

Chart 18: Mobility in Singapore and Hong Kong are almost back to pre-pandemic levels



Source: Citymapper, HSBC

Policy responses to COVID-19

Table 1: Lockdown measures in Indonesia have been eased beginning 1 June

Measure	Details
Lockdown restrictions	Indonesia temporarily banned domestic air and sea travel beginning on 24 April until early June to stop non-essential travel during Ramadan. These measures have now been eased. There is no country-wide lockdown implemented, but regional governments have imposed their own social restrictions, known as PSBB, from mid-April. On 10 September, it was announced that Jakarta is re-implementing PSBB measures, which lasted until 25 October.
Fiscal stimulus	The government temporarily removed the deficit limit and will target a deficit of 6.3% this year. It has provided a fiscal package of IDR405trn (2.4% of GDP), which includes support for both households and businesses. Households will receive increased non-cash and food subsidies (0.7% of GDP). Businesses will receive tax breaks, import credits, and lower electricity and fuel costs (0.4% of GDP). Health sector workers will receive incentives and death benefits (0.4% of GDP). President Jokowi also tabled the 2021 budget targeting a deficit of 5.5% of GDP keeping in mind the recovery strategy.
Monetary policy	Bank Indonesia (BI) has reduced its policy rate by 100bp to 4.00% so far this year. It has also cut the reserve requirement ratio (RRR) by 200bp, with IDR10.2bn of fresh liquidity directed into the government bond market. BI will also increase its purchases of government bonds through term repos as part of open market operations (OMOs). It has been making outright purchases of government bonds (GBs) in the secondary market as part of its triple intervention to support the currency and financial market amid outflows. We expect another 25bp of policy rate cuts this year and a further 100bp RRR cut.

Source: IMF, HSBC

Table 2: Malaysia's total fiscal package ranks the highest in the region at 19.5% of GDP

Measure	Details
Lockdown restrictions	The Movement Control Order (MCO) was put in place for 18-31 March and subsequently extended twice –first until 14 April and until 9 June. All border checkpoints (including with Singapore) are closed. Inter-district travel has been banned and non-essential businesses have been shut within Sabah following an outbreak after a regional election on 26 September. The government also imposed movement restrictions in Kuala Lumpur, Putrajaya, and Selangor beginning 13 October.
Fiscal stimulus	The government announced a total package of MYR305bn (c20% of GDP), including c3.8% of GDP of fresh federal expenditure to be spent on cash handouts, wage subsidies, and tax breaks. This includes cash handouts worth 2% of GDP mostly targeted at lower-income households and affected workers. Non-federal expenditure includes a reduction in mandatory pension contributions to inject 0.7% of GDP into the economy, subsidised loans for SMEs, broad discounts for business costs, and subsidised wage costs for businesses. Also, an additional 0.2% of GDP in rural infrastructure spending is to be disbursed imminently.
Monetary policy	Bank Negara Malaysia (BNM) has lowered the Overnight Policy Rate (OPR) by 125bp this year, taking it to a record low of 1.75%. It has also cut banks' reserve requirement by 150bp (since November 2019), injecting a total of MYR22bn of liquidity into the market. We forecast a further 25bp rate cut to 1.50% by the end of 1Q21.

Source: IMF, HSBC

Table 3: The Philippines awaits passage of fiscal stimulus after GDP contracted in 1Q20

Measure	Details
Lockdown restrictions	On 16 March, the authorities placed Luzon Island, including the Metro Manila area, in a month-long "enhanced community quarantine", which involved travel restrictions, the cancellation of public gatherings, and an 8pm to 5am curfew. The strictest quarantine measures have been loosened in less affected areas beginning 15 May. Lockdown measures in Metro Manila were also loosened beginning 1 June but have been reinstated from early to mid-August as a result of the recent surge in new cases. As of 19 August, the lockdown in Metro Manila was eased back into a general community quarantine.
Fiscal stimulus	The government has announced a PHP27.1bn fiscal package (0.2% of GDP), which includes measures to purchase additional COVID-19 test kits and protection for vulnerable workers. In addition, the government is proposing a PHP1.5trn stimulus programme (8% of GDP), which includes wage subsidies, credit guarantees for affected businesses, loan assistance, tax extensions, and health-related expenditures, just to name a few. The government expects the fiscal deficit to widen to 5.3% of GDP in 2020 from 3.5% in 2019.
Monetary policy	The Bangko Sentral ng Pilipinas (BSP) has reduced its policy rate by a total of 175bp so far in 2020 to 2.25%, and we expect an additional 25bp cut in 1Q21. In March, the BSP purchased PHP300bn of government bonds directly from the Bureau of Treasury (BTr) under a three-month repurchase agreement (extendable for another three months) to both help finance the government's additional borrowing needs and to supply much-needed liquidity to the government bond market. The BSP has also announced several relief measures for the banking sector, including a temporary relaxation on compliance regulations and easier access to the BSP's rediscounting facility. On 30 March, the BSP reduced the reserve requirement ratio (RRR) for banks by 200bp, bringing it down to 12%. We forecast an additional 200bp of RRR cuts this year.

Source: IMF, HSBC

Table 4: Singapore's "Circuit Breaker" measures have been lifted

Measure	Details
Lockdown restrictions	The government imposed a "Circuit Breaker" period from 7 April to 4 May and subsequently extended it until 1 June. From 10 April, all returnees (Singapore citizens, PR (permanent residents), or long-term passholders) were required to serve their Stay-Home Notice in government-designated facilities. All short-term visitors are not allowed to enter or transit through Singapore, effective 23 March. Restrictions on some businesses and services have been gradually eased from 5 May. A three-phased re-opening plan commenced on 2 June.
Fiscal stimulus	Since February, the government announced four stimulus packages close to 20% of GDP, including wage subsidies (up to 75% of wage cost) and corporate rebates for businesses, as well as direct cash handouts and GST vouchers for households. Additional wage subsidies and foreign labour levy and rebates are given in response to the extended "Circuit Breaker".
Monetary policy	On 14 October, the MAS kept its monetary policy settings unchanged. The MAS announced a USD60bn swap facility to inject USD liquidity. We forecast no monetary policy change throughout 2021.

Source: IMF, HSBC

Table 5: Bank of Thailand has employed considerable measures to support the economy

Measure	Details
Lockdown restrictions	The government imposed a month-long state of emergency, beginning 26 March (up to 30 April), which was extended thrice to 31 July. A state of emergency allows the government to impose more stringent restrictions on people's everyday life, such as curfews. Following recent political protests, a state of emergency was reinstated in Bangkok on 15 October but was lifted a week later on 22 October. The government has now eased much of its movement restrictions and is in the early stages of forming "travel bubbles" with countries that have successfully contained the virus.
Fiscal stimulus	The government has announced three rounds of fiscal stimulus totaling at least 8.9% of GDP, or THB1.5trn. It includes THB600bn for health-related measures, THB400bn to support the broader economy, and support for individuals and businesses through soft loans, just to name a few. While part of the stimulus would be financed within the original FY20 budget, THB1trn in additional borrowing has also been authorised by Royal Decree for FY20 and FY21.
Monetary policy	The Bank of Thailand (BoT) has reduced the benchmark rate by 75bp so far this year to 0.50%. We expect no further rate cuts barring a second wave of COVID-19 cases and/or a double-dip in economic activity. The BoT has implemented several measures to support the economy, including: (1) soft loans to financial institutions, amounting to THB500bn; and (2) a relaxation of repayment conditions for businesses. Moreover, the BoT has implemented several unprecedented/rare measures to support financial market stability, such as: (1) the establishment of a THB400bn (USD12bn) Corporate Bond Stabilisation Fund, which enables the BoT to purchase high-quality corporate bonds in the primary market; (2) its greater purchase of government bonds to ensure the normal functioning of the bond market; (3) the reduction/cancellation of BoT bill issuances; and (4) the establishment of a facility to provide liquidity for bond mutual funds.

Source: IMF, HSBC

Table 6: Vietnam started to ease some of its lockdown measures on 23 April

Measure	Details
Lockdown restrictions	A nationwide lockdown was put in place from 1 April to 22 April. From 23 April, Vietnam started to ease social distancing measures but some restrictions remain. It has temporarily banned all foreigners (including overseas Vietnamese and their non-citizen spouses and children who have visa exemptions) from entering, effective 22 March. Vietnamese carriers resumed all domestic operations, with national carrier Vietnam Airlines launching six new domestic routes. Following successful containment, Vietnam plans to resume international flights with Guangzhou, Seoul, Tokyo, Taipei, Phnom Penh, and Vientiane, with further details to be released. On 21 October, Vietnam and Japan agreed to waive the quarantine requirement for certain groups of short-term travelers (e.g. business), effective from 1 November.
Fiscal stimulus	The government introduced a stimulus package worth 4.4% of GDP, with tax cuts (VAT, CIT, and PIT) and land rental payment deferrals for five months' worth 2.8% of GDP. Affected firms and workers are also allowed to defer their contribution for up to 12 months to the pension fund without incurring interest penalties. In addition, the government has introduced a USD2.6bn (0.8% of GDP) direct cash handout for poor households.
Monetary policy	The State Bank of Vietnam (SBV) has cut its benchmark policy rate by 200bp so far in 2020, lowering it to 4.00%. We forecast no rate cuts throughout 2021.

Source: IMF, HSBC

Disclosure appendix

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