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## INDIA

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### Vedanta submits initial bid to buy govt's stake in BPCL

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India | Nov 18, 15:30

- **The move was meant to evaluate potential synergies with the company's existing oil and gas business**

Metals-to-oil conglomerate Vedanta Group said it submitted a preliminary expression of interest (EoI) for buying government's stake in Bharat Petroleum Corp Ltd. (BPCL), media reported citing the company's spokesperson. Vedanta's interest in the state-owned refiner and the country's second-largest fuel retailer is to evaluate potential synergies with its existing oil and gas business, it added. "The EoI is at a preliminary stage and exploratory in nature", it noted.

The government is selling its entire 52.98% stake in BPCL and the last date to submit the EoI was November 16. Without revealing the identity of the bidders, the government at the close of bidding [stated](#) that it received multiple EoIs. The government is aiming to raise INR 600-750bn through the BPCL's stake sale.

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### AirAsia Group likely to exit India over financial losses

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India | Nov 18, 11:28

- **AirAsia Group owns 49% stake in the airline's Indian arm, with the rest owned by Tata Sons**

Malaysia's flagship budget carrier AirAsia could exit India as its operations in the country have been draining cash and adding to the group's financial stress, media reported citing a statement from AirAsia Group. Last month, AirAsia shut its operations in Japan for similar reasons. The Malaysian firm owns a 49% stake in AirAsia India, a joint venture with Tata Sons. Tata Sons is [reportedly](#) in discussion to buy rest of the stake from AirAsia Group.

According to the Directorate General of Civil Aviation [data](#), AirAsia occupied 6.9% market share in the country's domestic air traffic during Jan-Sep period of 2020, lower than that of Air India, Spice Jet and IndiGo and at par with that of Go Air and Vistara.

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### Telangana opts for Centre's Option 1 to meet GST shortfall

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India | Nov 18, 10:00

- **As part of the terms of Option 1, Telangana has also been granted permission to raise additional INR 50.2bn from the market**

The Telangana government has accepted [Option 1](#) out of the two options suggested by the FinMin to meet the shortfall in revenue arising out of goods and services tax (GST) implementation, the FinMin said in a statement. With this, Telangana joined 22 other states, including [Rajasthan](#), and 3 Union Territories (UTs) who have opted for Option 1.

The central government has so far borrowed INR 180bn on behalf of the states in three instalments and has passed it on to states and UTs on Oct 23, Nov 2 and Nov 9. Now Telangana will receive funds raised through this special window, estimated at INR 23.8bn by the FinMin. The next instalment of borrowings is likely to be released on Nov 23.

Furthermore, the central government also permitted Telangana to raise additional INR 50.2bn from the market. Under the terms of Option 1, besides the special borrowing window, states are also entitled to get unconditional permission to borrow the final instalment of 0.5% of state GDP out of the 2% additional borrowings permitted by the Centre [under Aatmanirbhar Abhiyaan](#). This is over and above the special window of INR 1.1tn.

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## Delhi govt asks Centre to allow it to shut markets amid rising Covid cases

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India | Nov 18, 09:03

- **A local lockdown will be imposed in those marketplaces that may emerge as Covid-19 hotspots**

Delhi government has sought permission from the central government to permit it to shut markets in the state in the wake of rising COVID-19 infections, CM Arvind Kejriwal said at a media briefing. He added that while such harsh measures will not be required, a local lockdown will be imposed in those marketplaces that may emerge as Covid-19 hotspots. The request was sought as a state government cannot impose any lockdowns without permission from the Centre, Kejriwal noted.

India's capital is in a Covid-19 crisis as it has reported over 7,400 cases on average over the past one week, up from less than 3,000 per day a month ago, according to the government [data](#). Meanwhile, India's overall numbers have dropped below 30,000 as on Nov 17 for the first time since around mid-July, bringing the country's total to more than 8.9mn, second only to the US. The improving situation has led the government to lift the Covid-related restrictions almost completely across the country

According to media reports, traders body in Delhi have vehemently opposed the proposal of shutting down marketplaces in the capital, urging the state government to take a call only after discussing with traders, given any such step without consultation could be counterproductive.

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## INDONESIA

### Chinese battery manufacturer CATL to invest USD 5.1bn in Indonesia

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- **Indonesia holds about 25% of the proven world reserves of nickel**

Chinese battery manufacturer CATL will invest USD 5.1bn in building a factory in Indonesia, the head of the Investment Coordination Board (BKPM) Bahlil Lahadahlia said. CATL and the Indonesian government signed agreement during the latest bilateral meeting, while the groundbreaking will start in 2021. The investment will help Indonesia become a major player on the battery and EV production market, Bahlil concluded.

We remind that Indonesia holds about 25% of the proven world reserves of nickel, which is the main component for the production of batteries. CATL is one of the largest EV battery producers worldwide as it supplies batteries to major carmakers like Hyundai, Honda, Tesla, Toyota, BMW, Volkswagen and Volvo. The company is already investing in Indonesia as part of a consortium, which invested in the production of battery-grade nickel chemicals in Central Sulawesi worth USD 700mn.

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## Govt places IDR 24.6tn short-, long-term debt

Indonesia | Nov 18, 09:59

- **Yields declined across the board as the tabled bids reached IDR 104.7tn**
- **Treasury to hold Sukuk bond auction on Nov 24**

The government placed IDR 24.6tn short-term and long-term debt at its auction, according to an official press release. The placement fell towards the lower end of the Treasury's IDR 20-40tn target range. The auction was oversubscribed as the submitted bids reached IDR 104.7tn.

In more details, the Treasury offered 3-month, 1-year, 6-year, 10-year, 15-year, 20-year and 28-year bonds. The bulk of the placement was tilted towards the 6-year, 10-year and 15-year bonds, though the 20-year and 28-year bonds also attracted strong demand. As a result, yields declined across the board.

Looking forward, the Treasury plans to hold a Sukuk bond auction on Nov 24, aiming to raise IDR 10tn. On a related note, the Treasury sold IDR 2tn Sukuk bond at a private placement on Nov 17.

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## EconMin projects GDP growth at -1.6% y/y to 0.6% y/y in Q4

Indonesia | Nov 18, 09:51

- **If investment picks up, the economy should improve in Q4 - Airlangga**
- **We expect the GDP contraction to moderate to 1-2% y/y in Q4**

EconMin Airlangga Hartarto projects GDP growth in the range of -1.6% y/y to 0.6% y/y in Q4, he said in a webinar reported by Reuters. If investment increases, the economy should improve in Q4, Airlangga added. The forecast comes after the economy contracted by 5.32% y/y in Q2 and 3.49% y/y in Q3, entering the first technical recession since the Asian crisis.

All in all, the government's forecasts this year have proven on the optimistic side with GDP growth disappointing in every quarter, even before the COVID-19 outbreak. Initially, the government expect a mild economic expansion in

Q4, which is still reflected in the possibility for up to 0.6% y/y growth, but we think that the more likely scenario is for the GDP contraction to ease to the 1-2% y/y range in Q4.

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## Jokowi not to revoke omnibus bill on job creation

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Indonesia | Nov 18, 09:38

- **Jokowi to accommodate some of the concerns of trade unions**
- **Trade unions want the bill revoked until a Constitutional Court ruling**

President Joko Widodo, popularly known as Jokowi, said he would not revoke the omnibus bill on job creation. The government has been long preparing the job creation bill, while it was deliberated in the parliament for eight months, the president added. He acknowledged that the bill cannot please all parties, but he pledged to accommodate some of the concerns of trade unions.

Jokowi's comments come after trade unions urged him to revoke the bill until the Constitutional Court rules on the trade unions' appeal. The trade unions' concern is mostly about the labour market reforms, which make hiring and firing easier, reduce compensation packages for workers and reduce trade unions' bargaining power in various sectors.

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## MALAYSIA

### EPF to take “all necessary measures” to ensure liquidity

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Malaysia | Nov 18, 17:36

- **EPF to set aside between MYR 11bn and MYR 15bn for new 1-Sinar facility**

The Employees Provident Fund (EPF), Malaysia's state-owned pension fund, will take all the necessary measures to ensure liquidity during the times when contributors are starting to tap into their savings in the plan as way to cope with financial difficulties caused by COVID-19, the Fund said in a statement. To note, EPF announced a new 1-Sinar facility this week under which contributors can receive 10% of their balances over a period of five months. However, EPF members will have to replenish their accounts later on as the 1-Sinar payments will be advances rather than withdraws from the Fund. There is no timeline for the replenishment of funds, however.

The EPF estimates that between MYR 11bn and MUYSR 15bn will be needed to finance the new 1-Sinar facility. The EPF fund will have to liquidate some of its assets in order to ensure there is enough liquidity for the facility. Meanwhile, the government has announced plans in Budget 2021 to allow EPF members to withdraw MYR 500 from their EPF accounts per month for a period of one year, which don't have to be returned later on. Overall, the EPF fund is being used as a way to compensate for the lackluster safety net system in Malaysia, which in turn jeopardizes retirement payments in later years.

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## King declares emergency situation in Batu Sapi, postponing by-election

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Malaysia | Nov 18, 17:15

- **PM Muhyiddin stresses by-election had to be avoided due to dangers to public health**
- **By-election to be held once the pandemic ends**

The King declared an emergency situation in the Batu Sapi constituency after consulting with the government which wanted to avoid the by-election in the constituency, which is located in Sabah and is at high risk of COVID-19 spread, local media reported. The by-election would have been scheduled on Dec 5 following the death of incumbent Batu Sapi MP Liew Vui Keong on Oct 2. The government stressed that the by-election needs to be avoided as it poses dangers to public health. In addition, PM Muhyiddin admitted that the Sabah state snap elections on Sep 26 were responsible for the third wave of COVID-19 infections as cumulative cases in the region spiked after the Sep 26 polls. The by-election will be held once the pandemic ends, Muhyiddin stated. Meanwhile, he reassured that the emergency situation declared in Batu Sapi would not affect daily life as there will be no curfew or a military-style administration.

We remind that the government has tried to influence the King to declare a national emergency a few weeks ago in order to ensure that its budget 2021 is passed through parliament amid growing divisions within the government. This time around, the government managed to convince the King to postpone the by-election, which suggests he is willing to suppress democratic elections in order to protect public health, at least in the short-term. Last but not least, the cancellation of the by-election should be beneficial for the government since the constituency was held by the opposition Warisan party which likely won't support the budget.

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## Some 2,713 companies have closed in March-October – minister

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Malaysia | Nov 18, 09:59

- **Only 221 of bankrupted employers have received wage subsidy payments**

Some 2,713 companies have closed down in the March-October period since the introduction of the COVID-19 lockdowns in its various phases, HR minister Saravanan said during question time in parliament. At the same time, some 221 employers who went out of business have received wage subsidy payments but nonetheless were forced to shut down. The minister did not reveal information on the number of bankrupted individuals, but the government has raised the debt ceiling for those seeking bankruptcy to MYR 100,000 from MYR 50,000. In addition, the minister said that the government is investigating some 388 complaints by employees towards employers who have retrenched their workforce despite receiving wage subsidy payments. To note, one of the conditions for receiving wage subsidies is not to lay off workers and cut salaries.

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## Pejuang requires 30% salary cut for ministers to support Budget 2021

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Malaysia | Nov 18, 09:42

- **Party places 12 conditions to support Budget 2021**

The small opposition Pejuang party formed by former PM Mahathir has requested a 30% salary cut for ministers

and deputy ministers as part of 12 conditions placed in order to back Budget 2021, Mahathir Mohamad's son Mukhriz Mahathir said in parliament. Unless the 12 conditions are fulfilled, Pejuang will vote against the budget. Pejuang also requires the extension of the blanket loan moratorium for SMEs and individuals and the removal of the withdrawal of limits on the withdrawal of money from the pension fund EPF accounts. The last 2 conditions are similar to what the co-ruling UMNO has requested from the government in order to approve the budget. At any rate, Pejuang remains a relatively small player in parliament with just 4 seats so we are sceptical that the government will try to woo them specifically to approve Budget 2021. The big question remains whether UMNO and the government will manage to solve their differences to approve budget 2021.

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## PAKISTAN

### Textile exports reach over nine-year high in October

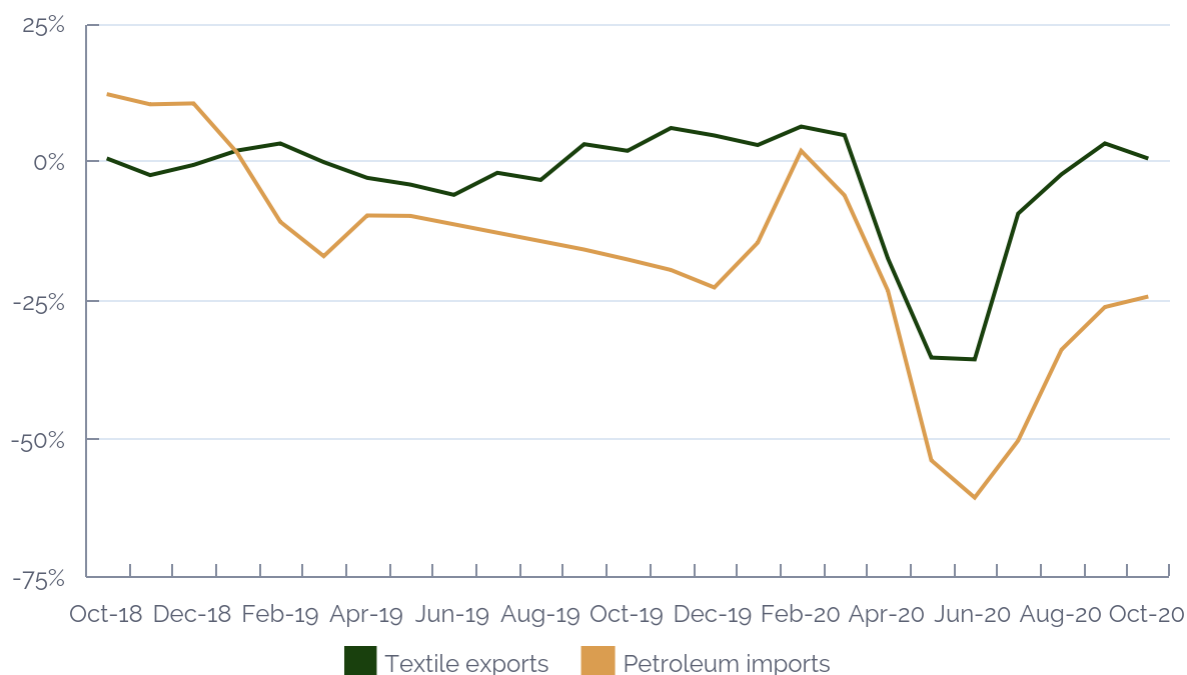
Pakistan | Nov 18, 15:24

- Meanwhile, petroleum imports contracted for the eighth consecutive month during the month
- Pakistan's goods trade deficit fell by 14.5% y/y to USD 1.7bn in October

Pakistan's textile exports, which contribute nearly two-thirds to the total exports, surged for the second straight month by 6.2% y/y to over nine-year high of USD 1.3bn in October, decelerating from an 11.3% y/y growth in September, according to the detailed trade statistics released by the Pakistan Bureau of Statistics. The expansion came on the back of rise in the outbound shipments of knitwear and bedwear. The increase in textile exports, along with that of chemicals and pharmaceutical products, helped the country's overall exports to grow by 4.2% y/y to USD 2.1bn in October.

#### Textile exports and petroleum imports, 3m ma (% y/y)

Source | Pakistan Bureau of Statistics



It is noteworthy that the import of textile machinery also increased by a whopping 69.2% y/y to USD 46.2mn in October, indicating that the sector undertook expansion or modernization projects during the month.

Meanwhile, petroleum imports contracted for the eighth consecutive month by 18.3% y/y to USD 825mn in October, though the pace of decline was the slowest in this sequence. The contraction primarily came on account of petroleum crude as both the quantity imported and global Brent price fell during the month. According to the World Bank data, global crude oil prices decreased by 31.8% y/y in October. On the other hand, food imports rose for the fifth month in a row by 15.1% y/y to USD 560mn mainly due to higher inbound shipments of wheat and sugar. Overall, contraction in petroleum imports coupled with a sharp decline in the imports of machinery (32.2% y/y to USD 525mn) led the country's overall imports to fall by 3.6% y/y to USD 3.9bn in October.

We note here that the government has been importing wheat and sugar to bridge the shortfall in the country that has led the prices of the commodities to skyrocket in recent months. Wheat production stood at 25.3mn tonnes in the crop year 2019-20 against the target of 27.0mn tonnes, prompting the government to import 1.8mn tonnes.

All in all, Pakistan's goods trade deficit fell by 14.5% y/y to USD 1.7bn in October.

#### External goods trade, USD mn

	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20
<b>EXPORTS</b>	<b>1,598.9</b>	<b>2,000.8</b>	<b>1,583.8</b>	<b>1,889.2</b>	<b>2,104.0</b>
Food	305.9	314.5	221.1	273.9	325.0
o/w rice	151.0	148.8	99.2	112.2	139.3
<b>Textile</b>	<b>959.1</b>	<b>1,272.6</b>	<b>1,007.6</b>	<b>1,189.7</b>	<b>1,289.9</b>
o/w cotton cloth	130.2	149.4	145.3	162.3	167.8
knitwear	221.4	315.7	248.6	296.4	322.8
bedwear	166.3	243.2	181.0	227.3	248.1
readymade garments	185.0	274.2	203.0	224.2	246.0
Other manufactures	216.9	276.5	231.8	273.5	302.6
o/w chemicals and pharmaceutical products	71.4	75.0	65.7	83.0	107.8
cement	16.9	22.9	21.6	27.8	33.2
<b>IMPORTS</b>	<b>3,718.9</b>	<b>3,673.9</b>	<b>3,323.8</b>	<b>4,321.4</b>	<b>3,906.9</b>
Food	520.6	529.3	451.7	731.4	559.7
o/w palm oil	136.6	205.9	146.8	226.3	82.4
Machinery	939.0	678.4	646.9	782.4	525.0
Transport	114.4	156.3	106.3	151.9	200.8
o/w road motor vehicles	111.3	115.3	99.0	111.5	149.6
<b>Petroleum</b>	<b>613.1</b>	<b>752.5</b>	<b>770.6</b>	<b>805.1</b>	<b>825.3</b>
o/w petroleum products	303.8	387.7	362.7	375.7	374.5
Petroleum crude	135.0	203.3	240.5	248.9	183.6
Liquified natural gas	165.6	128.3	145.0	146.6	221.8
Textile	195.9	173.4	218.4	285.1	270.4
Agri. & other chemicals	665.1	651.8	548.7	722.5	667.6
Metal	326.1	392.7	279.4	412.6	382.2



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## Govt allocates USD 100mn for procurement of coronavirus vaccine

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Pakistan | Nov 18, 11:29

- **The government has shortlisted two companies and soon advance payment will be deposited**

PM Khan approved a USD 100mn allocation for procurement of the coronavirus vaccine, government officials said while talking to Dawn. Parliamentary Secretary on National Health Services (NHS) Nausheen Hamid said that the government has shortlisted two companies and soon advance payment will be deposited, adding healthcare workers, senior citizens and people suffering from chronic diseases will be prioritized in administering the vaccine.

Recently, US based Pfizer (along with German based BioNTech) and Moderna have announced that the phase-III clinical trials of their vaccines had shown over 90% efficacy in preventing the disease among those who have not contracted the virus. Thus, it is probable that Hamid was talking about these two companies from which the government may make a purchase deal.

Meanwhile, Chairman of the National Vaccine Committee Asad Hafeez said while the government was close to finalize the process for the procurement of the vaccine, it would take a few more months to get the vaccine.

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## IMF program will soon be on track – FinMin

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Pakistan | Nov 18, 09:16

- **Bringing about reforms in tax machinery and power system are the two sticking points in the discussion between two sides**

Pakistan's IMF program would be fully on track as officials from the Fund are expected to arrive in the country in a few weeks to give formal structure to ongoing discussions between the two sides, FinMin Hafeez Shaikh said at a news conference after a federal cabinet meeting. He further said that bringing about reforms in tax machinery and power system are the two sticking points in the discussion between two sides.

We note that the IMF has reportedly been pushing the government to impose new taxation measures to achieve the ambitious PKR 5.0tn tax target in FY21 as well as raise electricity tariff to contain the rapidly rising [power sector circular debt](#). Besides, the Fund is also seeking to amend the State Bank of Pakistan Act to give complete autonomy to the central bank. Moreover, it is also urging the government to amend the National Electric Power Regulatory Authority (Neptra) Act to give the regulator the power to notify new electricity prices without government's interference.

Pakistan had entered into a USD 6bn IMF program in July 2019 and has received USD 1.4bn in two tranches so far. The third tranche worth USD 450mn was to be released in April this year but the program derailed after the government refused to introduce a mini-budget and increase power tariffs.

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## BSP expected to hold policy rate at 2.25% on Nov 19 – consensus poll

Philippines | Nov 18, 15:26

- **Hold decision expected by nine out of 11 economists**
- **The remaining two project a 25bp policy rate cut**

A strong majority of nine out of 11 economists polled by Reuters expect that the BSP's Monetary Board (MB) will maintain the policy rate at the all-time low of 2.25% in its meeting on Thursday. This is going to be a third consecutive hold decision, following the ones made in August and October. Two analysts project a 25bp rate cut. There will be one more MB Meeting this year, scheduled for Dec 17.

It should be noted that the BSP has implemented considerable monetary easing recently. Since May 2019, the BSP has reduced the policy rate by 250bps. This figure includes 175bps in cuts so far this year. Earlier this year, the Philippine central bank also reduced the reserve requirement ratio for banks.

The GDP dropped by 11.5% y/y in Q3, after decreasing by revised 16.9% y/y in Q2. The median forecast in a Reuters' poll was for an annual contraction by 9.8% in Q3. The economic recession in the Philippines has hence continued. CPI inflation accelerated to 2.5% y/y in October from 2.3% y/y in September. The CPI climbed 2.5% y/y in Jan-Oct. The central bank's target range is 3.0% ± 1pp.

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## New financial stability report suggests ways to help transition to New Economy

Philippines | Nov 18, 09:32

- **Banking industry remains strong, PDIC president claims**
- **FSR suggests defining the market landscape, impact on policies**
- **FSCC also recommends managing risk aversion, engaging all stakeholders on emerging systemic risks**

The financial stability coordination council (FSCC) issued the second-semester financial stability report (FSR), the BSP said on Wednesday. The FSCC is an inter-agency body comprising the BSP, the department of finance (DOF), the insurance commission (IC), the Philippine deposit insurance commission (PDIC) and the SEC. The FSR highlighted the FSCC's assessment of the systemic risks that the Philippines is facing currently due to the COVID-19 pandemic. PDIC President Roberto B. Tan asserted that 'the good news for the banking industry is that it remains strong despite COVID-19.'

The report has also defined initiatives to mitigate the impact of the pandemic and take the Asian country to the 'New Economy.' The FSR suggested a number of actions to be taken by the authorities to address the uncertainties on the road towards the New Economy, such as defining the market landscape for the New Economy and its impact on how fiscal, monetary, banking and economic policies are framed and executed. Another recommendation is institutionalizing the interconnections between industries and between firms.

The FSCC also suggests the distinguishing of welfare support expenditures from conventional fiscal policy accounting, as well as evaluating the practicability of a multi-year perspective for the fiscal policy stance. The

council also recommends managing risk aversion 'by addressing the uncertainty premium by institutionalizing spot yields which can be used in either credit or securities markets,' as well as broad-based engagement on emerging systemic risks, 'including the need for more timely and granular data as well as the more frequent exchange of information.'

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## SOUTH KOREA

### CBW BOK likely to stay on hold on Nov 26 as housing market concerns loom

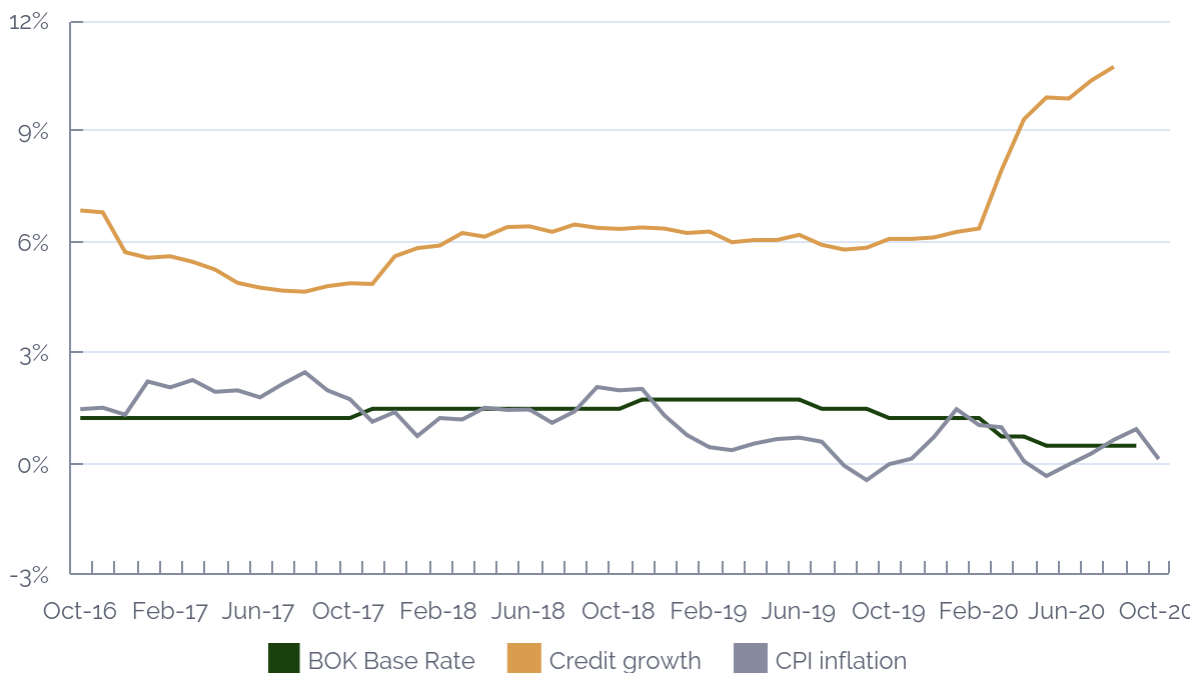
South Korea | Nov 18, 15:33

- **Next policy meeting: Nov 26**
- **Current policy stance: 0.50%**
- **Our forecast: Hold**
- **Rationale: BOK not to risk further stimulus because it can fuel housing inflation**

BOK will likely hold its Base Rate at 0.50% at the upcoming meeting on Nov 26 after delivering cumulative rate cuts worth 75bps since the beginning of the year, in our view. Most recently, the BOK decided unanimously to hold the Base Rate at 0.50% at the previous meeting on Oct 14. In our view, the current stance of monetary policy is appropriate since further easing might risk exacerbating housing market inflation. In addition, the solid GDP growth of 1.9% q/q in Q3 led by exports removes pressure from BOK to act in the near term.

#### Key interest rate, credit growth and inflation

Source | BOK



In the minutes from the Oct 14 meeting, all MPC members indicated that they consider the current key interest rate of 0.50% to be appropriate. The minutes also confirmed that most MPC members remain concerned about the

rising household debt and housing prices. In our view, the BOK acknowledges that the ongoing housing price melt-up has been worsened by the coronavirus-induced monetary policy easing and the injection of extra liquidity into the banking system.

Meanwhile, the coronavirus pandemic in South Korea is once again worsening, but the situation seems still under control. Most recently, the government decided to tighten the social distancing measures to Level 1.5 on Oct 17 in the Seoul area, introducing further restrictions for businesses. However, the impact on the economy will remain relatively small at least until the government raises them further to Level 2 under the current five-tier social distancing system.

If the BOK decides that the economy needs a substantial amount of monetary stimulus this will likely come in the form of a bond purchase programme, in our view. BOK governor Lee reiterated on Jul 16 that the central bank may start a bond purchase programme if further monetary policy loosening is needed considering that the current rate is close to the lower bound. The BOK hasn't engaged in QE programme in contrast to the other major central banks even though it provided unlimited liquidity to banks through repo operations and performed several purchases of KTB bonds through auctions.

Bank lending growth remained elevated at 10.9% y/y in September which raises concerns about the sustainability of household debt in particular. Meanwhile, CPI inflation moderated to 0.1% y/y in October from 1.0% y/y in September due to communications fee subsidies implemented by the government. Core inflation also eased notably to -0.3% y/y in October, but should bounce back in the following months as the communications subsidies were just a one-off. PPI deflation recently moderated to -0.4% y/y in September from -0.5% y/y in August, confirming that deflationary forces peaked in May.

The latest economic forecasts made by BOK on Aug 27 are for a -1.3% fall in 2020 followed by a 2.8% rebound in 2021, which is a downgrade from the previous forecasts for -0.2% contraction in 2020. The BOK reaffirmed the August forecast in the latest Oct 14 meeting minutes. The latest export data for September and October remains encouraging due to robust growth of exports to China, however, exports to US and Western Europe will likely weaken in Q4 driven by the reintroduction of lockdowns.

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## Seoul city government to more than quintuple COVID-19 contact tracing team

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South Korea | Nov 18, 09:16

- **City government deems it is critical to ensure social distancing won't go to Level 2**
- **COVID-19 cases breach 300 mark on Nov 18**

The Seoul city government will increase more than five-fold its contact tracing team, which identifies people who came into close contact with COVID-19 patients, to 190 from 30, local media reported. If the team find a person who had a close contact with an infected individual they place them under quarantine within 24 hours of a

confirmed infection. The bolstering of the contract tracing team arrives after Seoul raised its social distancing level by one notch to Level 1.5 under the five-tier system employed by the government. The Level 1.5 measures impose stricter social distancing rules, such as increasing distance between tables in entertainment facilities, but still allow most establishment to continue operating. The Seoul city government stated that it is crucial that the government makes effort to prevent the social distancing level to be raised to 2 which would have much bigger impact on the economy.

Meanwhile, COVID-19 cases in the country breached to 300 mark for the first time since Aug 29, amounting to 313 on Nov 18. Thus, the country is potentially bracing for another wave of COVID-19 cases, but this time the infection clusters are much smaller and there is no single large cluster responsible for most cases as it happened in the previous virus spikes in late February and mid-August. We remind that a church in Daegu was responsible for the first wave of COVID-19 cases, whereas a conservative rally on Aug 15 in Seoul was mainly responsible for the second wave.

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## Listed companies' net profit rises sharply in Q3

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South Korea | Nov 18, 09:05

- **Earnings rebound led by shopping, auto and steel industries**
- Market capitalization of KOSPI and KOSDAQ reaches record high

The combined net profit of 590 out of the 655 firms listed on the main KOSPI bourse rose by 81.3% q/q to KRW 25.6tn in Q3, according to data released by Korean Exchange. Moreover, combined revenue increased by 12.2% q/q to KRW 503.1tn and their combined operating profit rose by 57.8% q/q to KRW 36.4tn. The earnings recovery was driven by retail, auto and steel industries which were particularly hard hit by the COVID-19 pandemic. Some 74.92% of companies that reported earnings on KOSPI managed to turn a profit, whereas 148 firms posted losses. In the first nine months of the year, however, net profit was down by 9.44% to KRW 51.0tn.

Meanwhile, on the secondary KOSDAQ bourse, the combined net profit of 958 out of 1,088 firms rose by 51.7% q/q to KRW 2.24tn. KOSDAQ mainly consists of smaller technology stocks which were less affected by the COVID-19 pandemic. Operating profit of KOSDAQ companies increased by 16.0% q/q to KRW 3.55tn, while sales increased by 10.6% q/q to KRW 50.7tn. The combine net profit of KOSDAQ companies decreased by 15.0% y/y to KRW 4.84tn in Jan-Sep.

Meanwhile, the total market capitalization of KOSPI and KOSDAQ markets reached a new record high of KRW 2,032tn on Nov 11, breaching the previous record from Jan 29, 2018, propped up by huge inflows of foreign investment funds into Asian countries and the weakening of the USD.

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## Government unveils KRW 10tn plan to nurture biohealth industry

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South Korea | Nov 18, 08:45

- **Government expects some 9,300 new jobs to be created in biohealth industry**
- **Government to raise biohealth R&D budget by 30% in 2021**

The government unveiled a KRW 10tn plan to nurture the biohealth industry and make an even stronger future growth engine, Yonhap reported. The plan foresees that some 36 pharmaceutical makers and five venture capital firms will invest a combined KRW 10tn by 2023, of which KW 8.4tn will be spent on developing new drugs, and KRW 1.4tn in investing in start-ups. At the same time, the government will sharply increase its R&D budget for the biohealth industry by 30% to KRW 1.7tn in 2021. The government is supporting a number of projects in the biohealth sector, such as the establishment of a world-class biohealth ecosystem with the Yonsei University which will produce 2,000 skilled workers per year from 2024, provide support for medical equipment makers and establishing an AI-based medicine manufacturing innovation centre to help with the development of new drugs.

Based on the investment plan, the government hopes that the biohealth industry will grow at a 20% annualized rate until 2023 and create some 9,300 new jobs. Medicine and medical equipment exports rose sharply to USD 10.8bn as of end-October compared to USD 8.9bn in 2019 due to shipments of coronavirus test kits.

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## THAILAND

### **CBW** BOT's MPC likely to hold policy rate at 0.50% on Dec 23

Thailand | Nov 18, 17:04

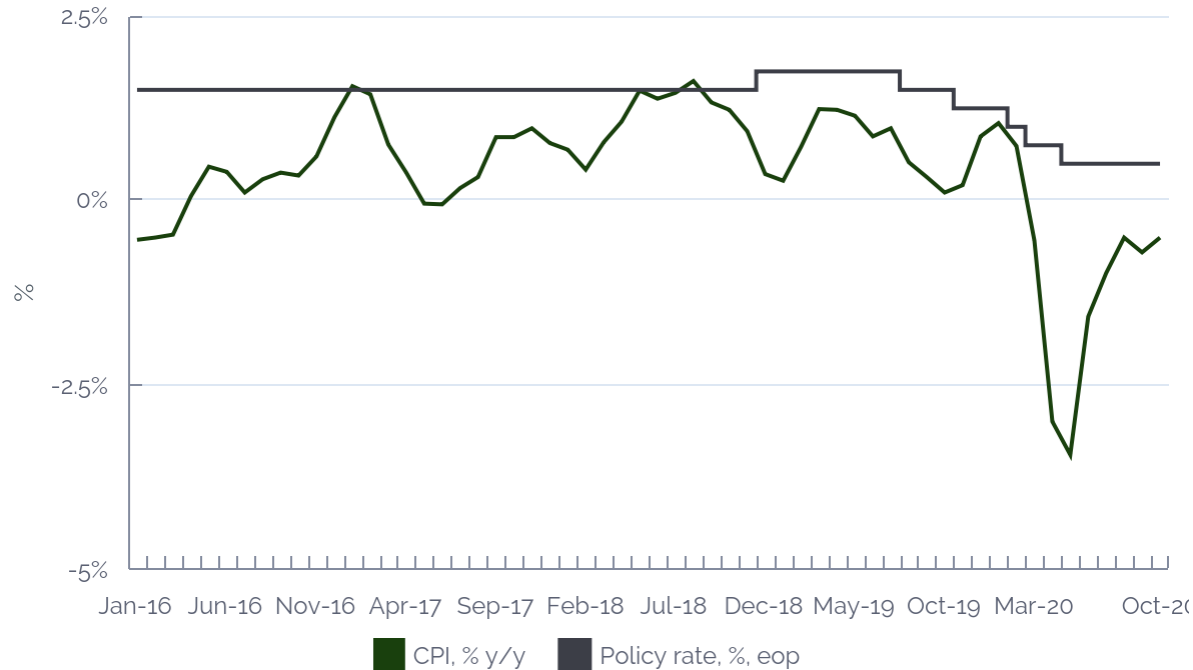
#### **BOT's MPC likely to hold policy rate at 0.50% on Dec 23**

- **Next monetary policy meeting: Dec 23**
- **Current policy rate: 0.50%**
- **Expected decision: Hold**
- **Rationale: Limited policy space; emphasis on more targeted measures**

We expect that the BOT's Monetary Policy Committee (MPC) will maintain the policy interest rate at the all-time low of 0.50% in its Dec 23 meeting, the last one for 2020. Thailand's central bank has limited space with regard to the policy rate level. On Nov 18, the MPC voted unanimously to maintain the policy rate at 0.50%. The decision was in line with market expectations. The MPC made it in order to support economic recovery, while emphasizing more targeted measures. There have been three 25bp cuts so far this year. However, the MPC voted unanimously to hold the policy rate at 0.50% in its last four meetings, in June, August, September and November. A policy rate cut is the second most likely scenario for the December meeting, in our view.

## Inflation vs. main policy rate (%)

Source | Ministry of Commerce, BOT



The GDP decreased by a real 6.4% y/y in Q3, following a revised 12.1% y/y decline in Q2, the office of the national economic and social development council said on Monday. The latest result is better than consensus expectations of an 8.6% y/y contraction, according to a Reuters poll. In seasonally adjusted terms, GDP rose by 6.5% q/q in Q3, after falling by 9.9% q/q in Q2. The NESDC improved its estimate of economic performance in 2020. The council now expects an economic contraction by 6.0%. In August, the NESDC saw this year's growth in the range from -7.8% to -7.3%. With regard to 2021, the NESDC forecasts economic expansion in the range 3.5-4.5%.

Consumer prices fell by 0.5% y/y in October, decelerating from a 0.7% y/y decline in September, according to data from the ministry of commerce. The October outcome was in line with consensus expectations. Consumer prices fell for the eighth month in a row, though the contraction remains relatively muted compared to Q2. Core inflation eased to 0.19% y/y from 0.25% y/y in September. On Nov 18, the MPC said, 'Meanwhile, headline inflation would be less negative in line with increasing energy prices and would stay close to the lower bound of the target range [1.0-3.0%] in 2021. Medium-term inflation expectations remained anchored within the target.'

The MPC also expressed concerns over the fast appreciation of the baht against the US dollar, because it affected the fragile economic recovery. The Thai central bank will hold a briefing on the baht situation and measures on Friday, assistant governor Titanun Mallikamas said as quoted by Reuters.

### Further reading

[MPC decision of Nov 18](#)

[Schedule of MPC meetings](#)

[Edited minutes of MPC meetings](#)

[Monetary policy report](#)

**HIGH** BOT's MPC holds policy rate at 0.50%, in line with expectations

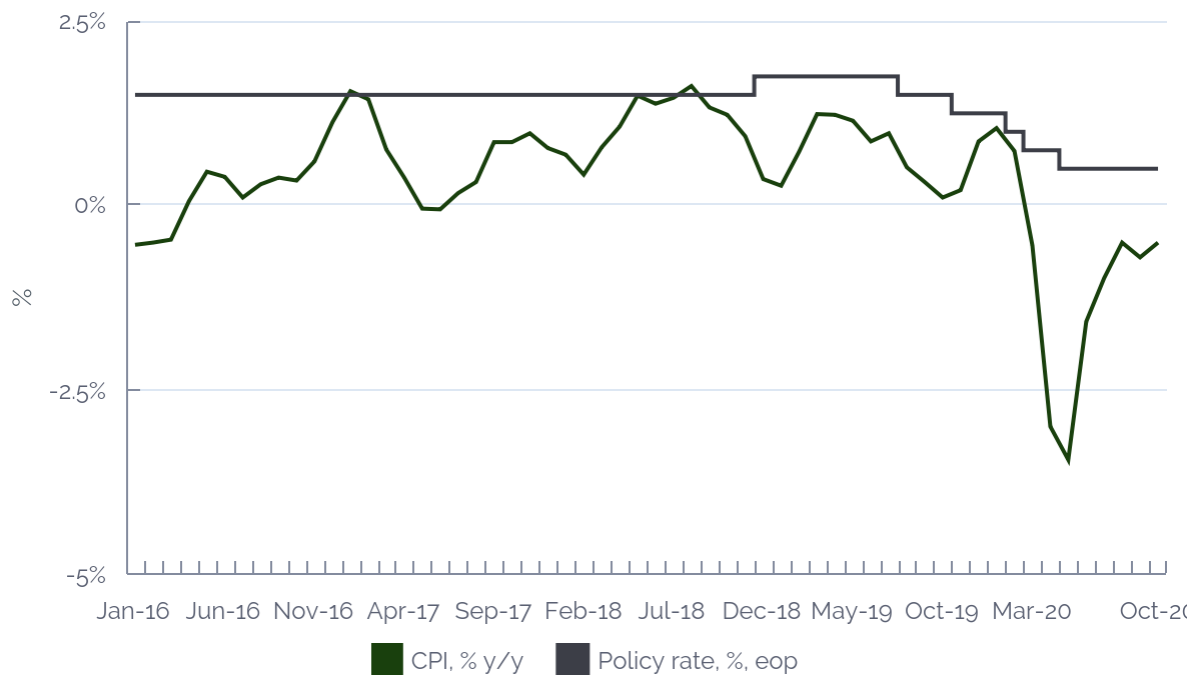
Thailand | Nov 18, 14:13

- **Decision preserves the limited policy space**
- **Key considerations included uneven distribution of liquidity, appreciation of the baht, fragile labour incomes**
- **The BOT to hold a briefing on the baht situation and measures on Friday**

BOT's Monetary Policy Committee (MPC) voted unanimously to maintain the policy rate at 0.50% in its meeting on Nov 18, the BOT said. The decision is in line with market expectations. The MPC made it in order to support economic recovery, while emphasizing more targeted measures. 'The Committee assessed that despite the recent better-than-expected outturn, the Thai economy would recover slowly and need support from the continued low policy rate,' the press release said. However, the economic recovery is expected to continue to be fragile and highly uncertain. Today's hold decision hence also preserves the limited policy space, enabling the MPC to act at the most appropriate time.

### Inflation vs. main policy rate (%)

Source | Ministry of Commerce, BOT



The MPC noted the better-than-expected performance of the economy in Q3. Nonetheless, the recovery is seen to stay slow and vary significantly across economic sectors. The body forecasts that overall economic activities will return to the pre-pandemic level in about two years. One of the MPC's key considerations was that despite a better-than-expected labour market recovery, labour incomes remained fragile, especially for self-employed workers in the service sector. Headline inflation is now expected to be less negative in line with rising energy prices, and will stay near the lower bound of the target range next year. The BOT's inflation target range is 1.0-3.0%. Medium-term inflation expectations continued to be anchored within the target, the BOT said.



The MPC noted that despite ample liquidity in the financial system and record-low interest rates in the financial markets, distribution of liquidity remained uneven because of increased credit risk. In particular, some businesses, especially SMEs, and households that needed liquidity could not access credits. The MPC also expressed concerns over the fast appreciation of the baht against the US dollar, because it affected the fragile economic recovery. The Thai central bank will hold a briefing on the baht situation and measures on Friday, assistant governor Titanun Mallikamas said as quoted by Reuters.

Going forward, the view of the MPC is that policy coordination among government agencies will be crucial to support the economic recovery. According to the body, monetary policy must continue to be accommodative, whereas financial and credit measures should accelerate a targeted and timely liquidity distribution to the affected groups. Furthermore, financial institutions should speed up debt restructuring. With regard to the government, the MPC recommends accelerated budget disbursement and assistance extension to the vulnerable target groups. The committee also sees a need for speeding up the implementation of supply-side policies.

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## At least 55 people injured in most violent protests so far this year

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Thailand | Nov 18, 07:43

- **Pro-democracy demonstrators clash with the police, royalist counter-protesters**
- **Police use water cannon again, but deny using live ammunition or rubber bullets**
- **Police are investigating who used firearms, as there are six persons with gunshot wounds**
- **Parliament to decide today whether to deliberate constitutional amendment bill proposed by iLaw**

At least 55 people were hurt on Tuesday, as anti-government protesters clashed with the police and supporters of the monarchy, Reuters reported. In a bid to reach the parliament, the pro-democracy demonstrators penetrated razor-wire barricades and removed concrete barriers outside the building. The police used water cannon repeatedly, and often the liquid was laced with a tear-gas solution. The capital city's Erawan Medical Centre said at least 55 people were injured. The number includes at least 32 people affected by tear-gas, as well as six persons with gunshot wounds. The police denied using live ammunition or rubber bullets. They are investigating who fired the shots.

The protests took place in front of the parliament, because the lawmakers are discussing changes to the constitution. Amending the constitution has been one of the key demands of the pro-democracy demonstrations since they started in July. On Wednesday, the parliament will decide whether to deliberate a proposed constitutional amendment prepared by civil group Internet Law Reform Dialogue (iLaw). The protesters demand the adoption of iLaw's bill, the Nation reported. There are six more constitution amendment bills, which are sponsored by government and opposition parties. The other two key demands of the pro-democracy protests are the resignation of PM Prayut Chan-o-cha and reforming the monarchy.

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