Toyota adds Suzuki to web of partners
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Asia makes fiscal push after rate cuts

From S. Korea to Thailand, authorities have either allocated or pledged extra spending and cut taxes to offset the damage of trade war

SINGAPORE • Asian governments are trickling out fiscal stimulus amid a deepening exports slump, bolstering central banks' efforts to shore up their economies as the global mood darkens.

From South Korea to Thailand, authorities have this month either allocated or pledged extra spending and cut taxes to offset the damage the US-China trade war is inflicting on the world's manufacturing region.

With relatively low public debt compared to peers globally, governments in South Korea and Indonesia are targeting record spending next year, while in Hong Kong, a raft of stimulus measures have been announced to prevent the economy tipping into recession.

Yet, the room to manoeuvre is mixed. While countries like China and Singapore have space to spend more, others, like Indonesia and India, are constrained by fiscal and current account deficits. In any case, rolling out effective fiscal policy isn't easy given bureaucratic lags and the risk of choosing inefficient programmes.

"After watching the fiscal stimulus response over the last two decades, what you learn is that it's often the right move, but it's slow," said Chua Hak Bin, an economist at Maybank Kim Eng Research Pte Ltd in Singapore. "For the most part, it often falls short of the plans."

The fiscal push comes as central banks run up against policy limits in their rush to cut interest rates. With borrowing costs already low in most places, central bankers like Bank of Korea governor Lee Ju-yeol are calling for fiscal levers to be deployed as well.

Yet, even concerted fiscal and monetary stimulus may not be enough to offset the drag of uncertainty caused by the deepening US-China trade war.

"Fiscal stimulus, where it is an available option, won't be much of a cushion to counter trade war effects. Within South-East Asia, for example, net exports amount to about a quarter of Singapore's economy and about 9% for Thailand.

Bloomberg

The Singapore central business district. While countries like China and Singapore have space to spend more, others, like Indonesia and India, are constrained by deficits

With the exception of Japan, governments in Asia typically have smaller fiscal deficits and debt loads relative to their advanced-economy peers. That leaves them better positioned to respond with additional government spending when growth is slowing, said Tuuli McCully, head of Asia-Pacific economics at Scotiabank in Singapore.

China is rolling out around two trillion yuan (RM1.18 trillion) in tax cuts, and has room to spend more after loosening its deficit targets for 2019, though the government is grappling with a rapid build-up in corporate debt.

Slower growth means weaker tax revenues, and for economies like India, which is targeting a fiscal deficit of 3.3% of GDP for this year, authorities are being forced to look for additional funding sources. The central bank agreed on Monday to transfer a record 1.76 trillion rupees (RM102.48 billion) to the government to help spur the economy.

While Japan has the world's largest government debt pile among developed nations, it's tipped to step up spending as a planned sales tax hike in October risks hurting consumption. Prime Minister Shinzo Abe has said he won't hesitate to take agile measures if needed and Finance Minister Taro Aso has signalled a readiness for more spending.

In South-East Asia, Indonesia has pledged record spending for its 2020 budget and is readying emergency measures if global conditions worsen. Thailand has approved more than US$10 billion (RM42 billion) in government outlays and loans. Singapore's officials have said they stand ready to provide fiscal aid if conditions worsen. — *Bloomberg*

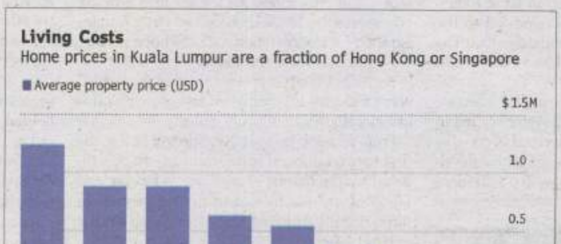
Hong Kong investors shun Singapore for homes in M'sia, Taiwan

HONG KONG • Singapore's housing market isn't turning out to be the beneficiary many may have thought from Hong Kong's increasingly fraught protests. Instead, investors are looking to cheaper property markets like Malaysia, Thailand and Taiwan.

"People here tend to think there are only two cities in the world — Hong Kong and Singapore," said Alan Cheong, a Singapore-based ED of research and consultancy at Savills plc. "They think if people flee Hong Kong, they'll all automatically come to Singapore. But everyone isn't Li Ka-shing. Most are just ordinary salaried workers," he said, referring to Hong Kong's richest billionaire.

As anti-government demonstrations approach their fourth month, many people with the means in Hong Kong have been looking at contingency plans. They can range from shifting funds abroad to physically moving from the city. Hong Kong has held the title of the world's least affordable real estate for nine years in a row now, and unhappiness over property prices is one factor fuelling the unrest.

In Malaysia, for instance, "a property in central Kuala Lumpur (KL) could cost RM1,500 per sq ft," Cheong said. "An apartment in a similar area of Singapore would be S$1,500 (RM4,536) or more." Thailand, meanwhile, is popular for its touristy allure, he said.



Singapore is particularly expensive when extra costs, like additional buyer's stamp duty, are factored in. Foreigners buying residential property in the city-state since July 2018 pay additional stamp duty of 20%, up from 15% before the government cooling measures were introduced.

Hong Kong citizens purchased just 12 apartments in Singapore in the first half of 2019, down from 32 in the first six months of 2018. From July through mid-August, when street protests turned violent, there were four sales, data from ERA Research & Consultancy show.

Nicholas Mak, the Singapore-based head of research at APAC Realty Ltd unit ERA, said Taiwan made the grade due to its relative ease of assimilation — both locations use traditional Chinese as opposed to simplified characters on the mainland. Further afield, Canada or Australia are popular, although not for those wanting to remain close to Hong Kong with a view to perhaps one day moving back.

"Taiwan is also majority Chinese, so it's similar, whereas places in the West are attractive for those wanting to get away from China or Asia generally," Mak said.

The interest from Hong Kong has seen several foreign developers fly agents and staff to the former British colony for seminars and sales events. Malaysia's Mah Sing Group Bhd said it had been doing personalised consultations for prospects in Hong Kong, encouraged by significant sales in the past of apartments along the Penang seafront and in KL.

"We received a strong response as people here are already familiar with the Mah Sing brand and confident about our products," group MD Tan Sri Leong Hoy Kum said. "This time, we're introducing products from Johor as well, to give a variety of options for buyers."

Leong said based on the feedback received, Hong Kong buyers are attracted to Malaysia due to the country's "tropical weather, cleaner air, good education system, attractive properties and mix of Asian values and Western infrastructure."

Singaporean developers are also trying to get in on the action. Oxley Holdings Ltd said it had been actively engaging property agents in Hong Kong to market a recently launched Singapore condo, Mayfair Modern. M+S Pte Ltd — a venture between Singapore's Temasek Holdings Pte Ltd and Malaysia's Khazanah Nasional Bhd — had its Marina One Residences project marketed last weekend in Hong Kong by Centaline, the project's sole agent in the city.

To be sure, it isn't that Hong Kong buyers are actively avoiding Singapore, just that many simply don't have the money to move to a city where property is also quite pricey. For those who can afford it, they like Singapore's active resale market, Mak said. He also said Singapore developers were sometimes viewed as more reliable, with better quality projects.

"Professionals are interested in Singapore because it's politically stable and safe," said David Hui, a Hong Kong-based GM at Centaline who was at the Sunday event. "They're mostly in "finance or law, or owners of businesses over 35".

Yet even Hui said for all the talk of relocating to Singapore, it was the Malaysian apartments selling, with transaction volumes in some areas up as much as 50%.

Alex Wong, a project sales manager for international properties at Midland Realty (Global) Ltd in Hong Kong, agreed.

"Malaysia is very popular now — we get inquiries every day," he said. "It's the option for more ordinary people as property prices are much lower."

"The Hong Kong protests are like hitting a beehive with a stick," Savills' Cheong said. "The bees buzz out of the hive, but they're not all flying to Singapore. They're going everywhere else instead." — *Bloomberg*