

ASEAN Morning Bytes

US and China set to discuss trade next week as economies move to gradually reopen



EM Space: US payroll report expected to show another round of substantial job losses

- **General Asia:** The US and China may meet next week via teleconference to revisit the “phase one deal” with Trump threatening to cancel the deal should China miss their target for US imports. Investor sentiment should remain fragile after poor industrial output data out from major European markets although China managed to post growth for its export sector on Thursday. Friday’s highlight will be the US jobs report which should show another round of substantial job destruction as lockdowns in the US continue to disrupt economic activity.
- **Malaysia:** March industrial production (IP) data today is the last element in our 1Q20 GDP estimate. We expect a 4.9% YoY IP fall, a negative swing from 5.8% growth in February as the Covid-19 lockdown starting in mid-March dented activity. This result would still deliver slightly positive quarterly IP growth. Both exports and manufacturing held their ground in 1Q, but were outweighed by a sharp slump in services due to stalled tourism and movement restrictions. We expect a 4.2% YoY GDP fall in 1Q20 (data is due next week, 13 May).
- **Philippines:** Philippine 1Q GDP dropped into contraction, catching almost all analysts by

surprise as the growth numbers showcased the early onset of the Covid-19 virus and the detrimental impact of lockdowns on output. 1Q GDP fell to -0.2% with all signs pointing to a recession by 2Q as most of the country has been under quarantine for roughly 2 months. The dismal outlook was enough to prod Fitch to revise its outlook for the Philippines to stable from positive. We expect PHP to come under some pressure on Friday as corporates move to secure dollars ahead of the possible gradual reopening of the economy scheduled for 15 May.

What to look out for: US jobs report and Covid-19 developments

- Philippines remittances (8 May)
- Malaysia industrial production (8 May)
- Taiwan trade (8 May)
- US non-farm payrolls (8 May)