

## Asia week ahead: 2Q GDP season kicks off

Central bank meetings in Japan Indonesia and Korea next week and second-quarter 2020 GDP releases make it an interesting week in Asia. We think GDP downturn might have bottomed by now as well as the central bank easing cycle



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### ➔ China and Singapore GDP report card

China and Singapore are the first Asian countries to release their second-quarter GDP figures next week. Consistent with their Covid-19 journeys, expectations are of a moderating slump in China but an accelerated downturn in Singapore.

However, the consensus view of a sharp positive swing in China's growth (+2.5% YoY vs. -6.8%) is optimistic given the lingering impact of the disease on both domestic demand and exports amid

the renewed spread in Beijing and surrounding provinces. Our house view is another quarter of contraction by 3.1% YoY. In addition, trade, retail sales, fixed-asset investment, industrial production, and home prices numbers will be released too – all likely highlighting a rather weak state of the economy.

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*Our house view is another quarter of Chinese GDP contraction by 3.1% YoY*

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In Singapore, the Covid-19 circuit-breaker started in early April and spanned over almost the entire second quarter, which has resulted in a significant hit to domestic demand, judging from the 46% YoY retail sales crash in the first two months of the quarter. External demand was firm though. Non-oil domestic exports eked out about 2% growth in April-May (look out for June data next week, ING forecast +1.5% YoY), and by virtue of that manufacturing held ground. This leaves construction and services as the industry-side sources of GDP slump, which will probably be the steepest ever and our forecast is -9.2% YoY while the consensus is -10.5%.

## ➔ Central bank meetings

The central banks of Indonesia, Japan and Korea hold their monetary policy meetings.

The worst of the Covid-19-induced GDP contraction might be over, and we think so is much of the Asian central bank easing cycle – the view that's likely to gain support from all three central banks reviewing their policies. We don't see any of them changing policy next week, however, the easing bias will prevail for a long time to come.

Still, Bank Indonesia meeting may attract some interest as steadily falling inflation and the strong currency could tip the central bank towards more rate cuts, while growth is taking a beating from the increasing spread of the pandemic. If not next week, we still have pencilled in one 25 basis point rate cut by Indonesia's central bank by the end of this quarter.

## ➔ What else?

We noted earlier China will be reporting its trade figures for June along with India and Indonesia – both likely to show large export declines of the order of 23% YoY.

India's CPI release for June will be worth watching, provided the national statistics agency releases the data, as it didn't release CPI figures for April and May on the basis that Covid-19 lockdown distorted the data. Anyhow, we see inflation staying above 5%, as food prices remain a key force behind high inflation and the retail fuel price hike in June was an added whammy.

## Asia Economic Calendar

| Country                  | Time | Data/event  | ING      | Survey | Prev.     |
|--------------------------|------|---|----------|--------|-----------|
| <b>Monday 13 July</b>    |      |   |          |        |           |
| India                    | 1300 | Jun CPI (YoY%)                                    | 5.3      | 5.3    | 5.8       |
| <b>Tuesday 14 July</b>   |      |   |          |        |           |
| China                    |      | - Jun Exports (YoY%)                              | -0.3     | -1.4   | -3.3      |
|                          |      | - Jun Imports (YoY%)                              | -19.0    | -8.6   | -16.7     |
|                          |      | - Jun Trade Balance (US\$bn)                      | 79.9     | 58.4   | 62.9      |
| India                    | 0730 | Jun WPI (YoY%)                                    | -2.3     | -2.4   | -3.2      |
| Singapore                | 0100 | 2Q A GDP (Q) (YoY%)                               | -9.2     | -10.3  | -0.7      |
|                          | 0100 | 2Q A GDP (QoQ Annualised %)                       | -30.6    | -34.8  | -4.7      |
| <b>Wednesday 15 July</b> |      |   |          |        |           |
| India                    |      | - Jun Trade deficit (US\$bn)                      | -4.5     | -      | -3.2      |
|                          |      | - Jun Exports (YoY%)                              | -23.0    | -      | -36.5     |
|                          |      | - Jun Imports (YoY%)                              | -42.0    | -      | -51.1     |
| Indonesia                | 0500 | Jun Exports (YoY%)                                | -22.7    | -      | -29.0     |
|                          | 0500 | Jun Trade balance (US\$mn)                        | 789.1    | -      | 2091.7    |
|                          | 0500 | Jun Imports (YoY%)                                | -18.7    | -      | -42.2     |
| Philippines              |      | - May OCW remittances (YoY%)                      | -        | -      | -4.7      |
|                          |      | - May OCW remittances (YoY%)                      | -        | -      | -4.7      |
| South Korea              | 0000 | Jun Unemployment rate (% SA)                      | 4.6      | -      | 4.5       |
| <b>Thursday 16 July</b>  |      |   |          |        |           |
| China                    | 0230 | Jun New home prices (YoY%)                        | 4.8      | -      | 4.9       |
|                          | 0300 | Jun Industrial Production (YoY%)                  | 4.6      | 4.8    | 4.4       |
|                          | 0300 | 2Q GDP (YoY%)                                     | -3.1     | 2.5    | -6.8      |
|                          | 0300 | 2Q GDP (Q) (QoQ% SA)                              | -        | 9.6    | -9.8      |
|                          | 0300 | Jun Retail Sales (YoY%)                           | 0.5      | 0.4    | -2.8      |
|                          | 0300 | Jun Fixed asset investment (YTD, YoY%)            | -6.1     | -3.4   | -6.3      |
| Indonesia                | 0820 | Jul 16 BI policy decision (7-day reverse repo, %) | 4.25     | -      | 4.25      |
| South Korea              |      | - 7-Day Repo Rate                                 | 0.50     | -      | 0.50      |
| <b>Friday 17 July</b>    |      |   |          |        |           |
| Singapore                | 0130 | Jun Non-oil domestic exports (MoM/YoY%)           | -6.0/1.5 | -/-    | -4.5/-4.5 |

Source: ING, Bloomberg, \*GMT