

Asia week ahead: Gleaning the trade impact

The plummeting Chinese PMIs don't bode for well for hard activity indicators out next week. Trade figures from several Asian countries should provide a glimpse of the pain Covid-19 is inflicting. Things are likely to get worse before they get better



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China

A sharp plunge in China's manufacturing and non-manufacturing purchasing manager indexes in February means hard activity data is set to reveal the impact of Covid-19 on the economy starting with trade figures over the weekend, followed by inflation and monetary indicators over the course

of next week.

We agree with the consensus of a double-digit trade contraction in the first two months of the year in comparison to the same period last year, and inflation above 5%. Meanwhile, market expectations of a sharp slowdown in new yuan loans and aggregate financing in February stems from virtually stalled economic activity, though we're not ruling out the risk of these indicators surprising on the upside as a result of the recent monetary stimulus.

The rate of new infections is abating and factories are gradually re-opening, which is good news for the economy. However, markets are unlikely to relax just yet, as the data might show recent exceptional weakness in economic activity persists for months before it gets better.

➔ Taiwan, Korea, Malaysia and India

Trade reports also are due in Taiwan and the Philippines, while Korea releases its jobs report and Malaysia its manufacturing data – all will be under scrutiny for the Covid-19 impact. However, data may not provide a good sense of the impact as the epidemic rapidly began to spread beyond China only in the second half of February.

Lastly, India's elevated consumer price inflation above 7% will continue to be the main headwind for central bank easing amid the rising threat of the virus to GDP growth. Making matters worse is the latest acceleration currency depreciation, which saw the Indian rupee weakening above 74 against the US dollar this week.

It's going to be a challenge for Governor Shaktikanta Das as he struck a dovish chord after the Fed's surprise rate cut.

Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Saturday 7 March					
China	0300	Jan-Feb Exports (YoY%)	-14.1	-17	7.9
	0300	Jan-Feb Imports (YoY%)	-28.8	-15	16.5
	0300	Jan-Feb Trade Balance (US\$bn)	64.4	29.9	47.21
	0200	Feb Forex Reserves (US\$bn)	3110	3105	3115.5
India	1200	4Q19 Current account balance (US\$bn)	-	-	-6.3
Monday 9 March					
Taiwan	0800	Feb Exports (YoY%)	-	-	-7.6
	0800	Feb Imports (YoY%)	-	-	-17.7
Indonesia	1000	Feb BI consumer confidence index	119.6	-	121.7
Taiwan	1600	Feb Exports (YoY%)	-25.8	-	-7.6
	1600	Feb Imports (YoY%)	-33.8	-	-17.7
	1600	Feb Trade balance (US\$bn)	5.0	-	3.5
Tuesday 10 March					
China	0130	Feb PPI (YoY%)	-0.3	-0.3	0.1
	0130	Feb CPI (YoY%)	5.5	5.2	5.4
	0200	Feb Money supply (M2) (YoY%)	8.4	8.45	8.4
	0200	Feb Aggregate finance (Yuan bn)	5000	-	5070
	0200	Feb Financial institution loans (Yuan bn)	3400	-	3340
India	-	Holi Festival - Market holiday			
Philippines	0100	Jan Trade balance (US\$bn)	-	-2.9	-2.5
	0100	Jan Exports (YoY%)	-	4.1	21.4
	0100	Jan Imports (YoY%)	-	-5	-7.6
South Korea	2300	Feb Unemployment rate (SA%)	-	-	4
Wednesday 11 March					
Korea	2300	Feb Unemployment Rate (SA%)	4.2	-	4.0
Thursday 12 March					
India	1200	Feb CPI (YoY%)	7.3	-	7.59
	1200	Jan Industrial production (YoY%)	-1.7	-	-0.3
	-	Feb Trade deficit (US\$bn)	-	-	-15170
	-	Feb Exports (YoY%)	-	-	-1.66
	-	Feb Imports (YoY%)	-	-	-0.75
Singapore	0500	Jan Retail sales value (MoM SA/YoY%)	-/-	-/-	-1./-3.4
Friday 13 March					
Malaysia	0400	Jan Industrial production (YoY%)	-	-	1.3
	0900	Jan Exports (YoY%)	1.4	-	21.4
	0900	Jan Imports (YoY%)	-1.2	-	-7.6
	0900	Jan Trade balance (US\$m)	3744.2	-	-2478
Philippines	-	Jan Budget balance (PHP bn)	-	-	-251.1

Source: ING, Bloomberg, *GMT