

Asia week ahead: New month, new week, new risks

There will be plenty of economic data next week to mull over and scrutinise as to which Asian economy responded best to the Covid-19 crisis. But US-China tensions will continue to rule market sentiment as the new trading month kicks off



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From policy to reality

Economic policies have been dominating headlines since the start of China's 'two sessions' last week bringing in some fresh stimulus for the economy. This was followed by a spike in US-China tensions over Hong Kong's autonomy and potential sanctions against the territory. Singapore also

stepped up its Covid-19 stimulus with the fourth package to preserve jobs, and the Bank of Korea went on with another policy rate cut.

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The US-China row will continue to rule market sentiment next week, but there is plenty of data in the pipeline for investors to mull over and analyse how regional economies have been coping with Covid-19 restrictions.

Setting the tone for markets next week will be China's purchasing managers index for May arriving over the weekend (31 May) and the consensus expects a slight rise in manufacturing and non-manufacturing PMIs, which should be positive for markets. Likewise, PMIs from the rest of the region should show some recovery from their record lows in April. After all, PMIs are soft data, subject to respondents' sentiment at the time of the survey, and surprises on either side are likely.

Hard data like exports, retail sales and inflation should help to assess the real impact, and, there are lots of those on the calendar next week. Korea's trade figures for May are out on 1 June - the first trade numbers for the month from the region and probably the world should serve as a leading indicator of global demand. We expect a continued steep fall in exports in excess of 20% YoY. We aren't alone; that's also the consensus view.

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April retail sales from Hong Kong and Singapore will be interesting for what they say about domestic consumption in the month when the Covid-19 restrictions were at their tightest ever. We anticipate the worse, as much as a 37% plunge in sales from a year ago, led largely by non-essential buying. A surge in online sales may have picked up some slack but it's unlikely to come as any meaningful support in an environment of depressed economic confidence. Online sales in Singapore gained some traction in recent months, though at 8.5% of total sales in March, they are far too small.

Weak demand should be further reflected by falling inflation. We are seeing steeper fall in CPI inflation in most countries reporting May data next week (Korea, Taiwan, Indonesia, Philippines, and Thailand). Thailand has been leading the way down with a further fall from -3.0% YoY in April to -4.2% in May.

Anything on the policy side?

The next policy event in the pipeline is the Reserve Bank of Australia's policy decision, but it will likely pass as a non-event. With the worst of Australia's Covid-19 spread behind us, the

economy should be on a recovery path. We see the RBA keeping its policy rate unchanged at 0.25%, which is already the lowest it has ever been.

With a record stimulus already released, we think fiscal and monetary policies around the region and globally have nearly reached their limits. All that seems to be left now is the wait for the disease to die its own death and confidence to return before the unprecedented policy loosening starts to bear fruits.

This means increasing attention on economic activity data in the weeks and months ahead for signs of bottoming of the downturn.

Asia Economic Calendar

Country	Time Data/event	ING	Survey	Prev.
Sunday 31 May				
China	0200 May Manufacturing PMI	49.8	51	50.8
	0200 May Non-manufacturing PMI	53.5	53.5	53.2
Monday 1 June				
China	0245 May Caixin Manufacturing PMI	49.0	49.8	49.4
India	0600 May Nikkei Manufacturing PMI	-	-	27.4
Hong Kong	0930 Apr Retail sales value (YoY%)	-37.0	-	-42
	0930 Apr Retail sales volume (YoY%)	-40.0	-	-43.8
Philippines	0130 May Nikkei Manufacturing PMI	21.2	-	31.6
Taiwan	0130 May Nikkei Manufacturing PMI	42.0	-	42.2
South Korea	0100 May Imports (YoY%)	-15.0	-20.5	-15.8
	0100 May Exports (YoY%)	-22.0	-25.5	-25.1
	0100 May Trade balance (US\$mn)	-	-699	-1393
	0130 May Nikkei Manufacturing PMI	42.6	-	41.6
Tuesday 2 June				
Indonesia	0500 May CPI core (YoY%)	-	-	2.85
	0500 May CPI (YoY%)	2.2	-	2.67
South Korea	0000 1Q F GDP (QoQ/YoY%)	-1.4/1.3	1.3/-	1.3/-1.4
	0000 May CPI (YoY%)	0.0	-	0.1
Wednesday 3 June				
India	0600 May Nikkei Services PMI	-	-	5.4
Hong Kong	0130 May Nikkei PMI	-	-	36.9
Singapore	1400 May Purchasing Managers Index	-	-	44.7
Thursday 4 June				
Malaysia	0500 Apr Exports (YoY%)	-19.0	-	-4.7
	0500 Apr Imports (YoY%)	-22.0	-	-2.7
	0500 Apr Trade balance (RM bn)	11.0	-	12.3
South Korea	0000 Apr Current account (US\$bn)	5.0	-	6.2
Friday 5 June				
India	- 1Q Current account balance (Q) (US\$bn)	-	-	-1.4
Hong Kong	- May Forex Reserves (US\$bn)	-	-	441.2
Malaysia	0800 Forex reserves- Month end (US\$bn)	-	-	102.6
Philippines	0200 May CPI (YoY%)	2.4	-	2.2
	- Apr Unemployment rate (%)	10.0	-	5.3
	0800 Forex reserves- Month end (US\$bn)	90.2	-	89.0
Singapore	0600 Apr Retail sales value (MoM/YoY%)	-27.0/-36.5	-/-	-1.3/-13.3
Taiwan	0900 May WPI (YoY%)	-11.3	-	-10.8
	0900 May CPI (YoY%)	-1.1	-	-1.0
	0800 Forex reserves- Month end (US\$bn)	481.5	-	481.8
Thailand	0430 May CPI (YoY%)	-4.2	-	-3.0
	0430 May Core-CPI (YoY%)	0.2	-	0.4

Source: ING, Bloomberg, *GMT