

## Asia week ahead: Central banks in the spotlight, again

A flood of economic releases will make for an extremely busy week in Asian markets, though central bank policy will likely take centre stage given that the Covid-19 crisis is deepening in some countries



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### ➡ Better for some, bad for other

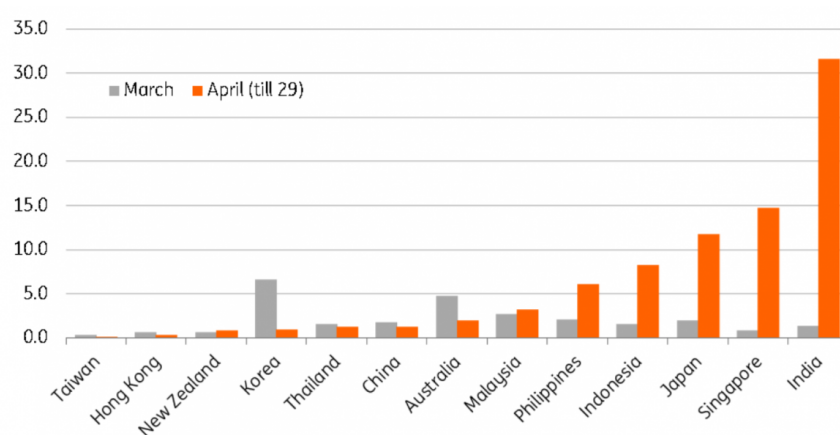
Next week kicks off with the April Purchasing Manufacturing Index (PMIs), providing some clues about the state of Asian economies coming into the second quarter. [China PMIs have provided temporary relief](#) for the market in that both manufacturing and services activity expanded for a second straight month in April. We may see similar PMI results for some more, but

not all, economies as the accelerated spread of Covid-19 and tighter movement restrictions dented activity further this month. India and some Southeast Asian countries seem to be a lot worse (see graph).

Trade figures from China, Korea, Taiwan, Malaysia, and the Philippines will underscore a significant hit to global demand in the ongoing pandemic. And, retail sales data in Australia, Hong Kong, and Singapore will inform about the dent to consumer spending as will Japan's household spending data, though this might go unnoticed in the golden week holiday. Price pressures continue to abate with weakening demand. Inflation in some countries has already drifted into negative territory. Look out for consumer price data in Korea, Indonesia, the Philippines, and Thailand.

The GDP release season is also in full swing, with first-quarter data due in Hong Kong, Indonesia, and the Philippines. As with everywhere else, these will probably be the worst figures in nearly a decade, with a fall of as much as 10% in Hong Kong compared to a year ago.

## Monthly rise in number of Covid-19 infections in Asia



Source: Worldometers in ascending order of April data

## ➔ Still, worrisome for central banks

Central bank policy meetings in Australia and Malaysia are the highlights of the week. It could be a mixed bag of events though, more likely a non-event in Australia and accelerated policy easing in Malaysia.

In an off-cycle easing move in March, the Reserve Bank of Australia nudged its policy rate to an all-time low of 0.25%, leaving no room for it to fall further. At the same time, the RBA also launched a quantitative easing (QE) programme to inject more cash into the economy. These moves suggest there's not much scope for action next week given that the country has also managed to bring the Covid-19 spread under control. Moreover, the pause in the RBA's bond purchases this week even raise the question of whether it will stay the course ahead, while Governor Philip Lowe has ruled out a move to negative interest rates.

This shifts the spotlight onto Bank Negara Malaysia's policy meeting. We have long been calling for a 50 basis point cut in the BNM's overnight policy rate to 2.00% at the May meeting, bringing it to the previous low seen during the 2009 global financial crisis. Given a far bigger scale of the current crisis than the GFC though, we would anticipate a much bigger response. The 50bp rate cut since January 2020 compares with a 150bp cut in the span of less than three months at the height of

the GFC. We don't think the central bank can afford to wait much longer, as GDP is heading for the steepest fall this quarter since the 1998 Asian crisis and inflation has already moved into negative territory. We don't think the BNM will stop at a 50bp cut next week, especially with protracted deflation ahead keeping real interest rates high.

## Key events

Country	Time Data/event	ING	Survey	Prev.
<b>Monday 4 May</b>				
India	0600 Apr Nikkei Manufacturing PMI	-	-	51.8
Hong Kong	0930 1Q A GDP (Q) (YoY%)	-10.0	-	-2.9
	0930 1Q A GDP (Q) (QoQ% SA)	-	-	-0.3
Malaysia	0500 Mar Exports (YoY%)	-10.0	-3.0	11.8
	0500 Mar Imports (YoY%)	-8.0	-1.4	11.3
	0500 Mar Trade balance (RM bn)	11.6	-	12.6
Indonesia	0500 Apr CPI core (YoY%)	-	2.9	2.9
	0500 Apr CPI (YoY%)	2.8	2.9	3.0
Philippines	0130 Apr Nikkei Manufacturing PMI	-	-	39.7
Singapore	1400 Apr Purchasing Managers Index	-	-	45.4
Taiwan	0130 Apr Nikkei Manufacturing PMI	49.8	-	50.4
South Korea	0000 Apr CPI (MoM%/YoY%)	-/-	-0.2/0.4	-0.2/1
	0130 Apr Nikkei Manufacturing PMI	-	-	44.2
<b>Tuesday 5 May</b>				
Hong Kong	0930 Mar Retail sales value (YoY%)	-80.0	-	-44.0
	0930 Mar Retail sales volume (YoY%)	-83.0	-	-46.7
Malaysia	0800 Overnight Policy Rate	2.0	-	2.5
Indonesia	0500 1Q GDP (YoY%)	4.0	4.5	5.0
	0500 1Q GDP (QoQ%)	-	-	-1.7
Philippines	0200 Apr CPI (YoY%)	2.0	-	2.5
Singapore	0600 Mar Retail sales value (YoY%)	-16.0	-	-8.6
	0600 Mar Retail sales value (MoM% SA)	-4.4	-	-8.9
Taiwan	- Apr Forex Reserves (US\$bn)	481.5	-	480.4
Thailand	0430 Apr CPI (YoY%)	-2.0	-	-0.5
	0430 Apr Core-CPI (YoY%)	0.3	-	0.5
<b>Wednesday 6 May</b>				
India	0600 Apr Nikkei Services PMI	-	-	49.3
Hong Kong	0130 Apr Nikkei PMI	-	-	34.9
Philippines	0200 Mar Trade balance (US\$mn)	-1817.0	-	-1656.0
	0200 Mar Exports (YoY%)	-18.3	-	2.8
	0200 Mar Imports (YoY%)	-6.1	-	-11.6
Taiwan	0900 Apr WPI (YoY%)	-9.1	-	-7.3
	0900 Apr CPI (YoY%)	-1.5	-	0.0
<b>Thursday 7 May</b>				
China	- Apr Exports (YoY%)	-9.5	-10.0	-6.6
	- Apr Imports (YoY%)	11.0	-11.4	-1.0
	- Apr Trade Balance (US\$bn)	-10.1	9.1	19.9
	- Apr Forex Reserves (US\$bn)	3090.0	-	3060.6
Hong Kong	- Apr Forex Reserves (US\$bn)	-	-	437.5
Philippines	0300 1Q GDP (YoY%)	3.9	-	6.4
	0300 1Q GDP (Q) (QoQ% SA)	-	-	2.2
<b>Friday 8 May</b>				
China	- 1Q20 Current account balance (US\$bn)	40.5	-	40.5
Indonesia	- Apr Forex reserves (US\$bn)	121.3	-	121.0
Malaysia	0500 Mar Industrial production (YoY%)	-5.0	-	5.8
	0800 Apr 30 Forex reserves (US\$bn)	-	-	102.0
Taiwan	0900 Apr Exports (YoY%)	1.7	-	-0.6
	0900 Apr Imports (YoY%)	10.1	-	0.5
	0900 Apr Trade balance (US\$bn)	1.8	-	2.8

Source: Bloomberg ING