

## Asia week ahead: China's Twin Sessions dominate

A couple of central bank policy meetings and GDP releases will make the financial headlines next week. But China's annual National People's Congress seems to be the key risk event for markets



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### ➔ China's Twin Sessions

China's annual rite of spring, which was delayed by more than two months due to the Covid-19 outbreak, will finally take place next week. The first of the two annual meetings, the Chinese People's Political Consultative Conference (CPPCC), starts on Thursday, 21 May. The second meeting, the National People's Congress (NPC), begins a day after with Premier Li Keqiang's work

report.

Premier Li's report typically lays out economic targets for 2020 and the policy framework to achieve those. This year it's going to be a challenging task given an unprecedented economic crisis brought on by Covid-19. The economy has suffered its worst-ever contraction in 1Q20 by 6.8% over a year ago. Although the worst of the country's outbreak is over (hopefully), a significant global demand slump will continue to undermine the recovery in the rest of the year. Adding to the woes is a growing spat with the US, carrying with it the risk of a re-escalation in the trade war between two countries.

Against such a backdrop, it looks like the government might take in stride whatever comes its way rather than hard and fast economic targeting. Obviously, it will spare no effort in keeping the economy afloat with increasingly stimulatory policies. Just ahead of the Twin Sessions the People's Bank of China (PBOC) will decide on the next move in its Loan Prime Rates for 1 and 5-year tenors. In the 1Q monetary policy report, [the PBOC has signalled aggressive monetary stimulus](#). Our Greater China Economist, Iris Pang, expect a 20 basis point LPR cut next week.

[China signals more aggressive monetary stimulus](#)

[China: Challenges shift from supply chain to global demand](#)

## ➔ Further central bank easing

The central banks in Indonesia and Thailand will be busy deciding on monetary policy. With growth taking a beating from the global pandemic, and inflation grinding lower, further policy rate cuts are on the table.

Besides growth and inflation, a key policy consideration for Bank Indonesia is currency stability. The Indonesia rupiah (IDR) has been appreciating since April and has clawed back nearly half the losses it incurred against the US dollar in the first quarter of the year. We believe this should provide BI with some space for another 25bp rate cut next week. Moreover, BI's 50bp rate cut in 1Q came despite the weak currency, suggesting that growth has taken greater prominence in policymaking. If so, the 3% GDP growth rate in 1Q, a nearly two decade low, makes an additional 25bp rate cut a done deal next week.

Thailand will put out its 1Q GDP report on Monday, 18 May, significant data for the Bank of Thailand's monetary policy decision two days later (20 May). We anticipate a sharp negative swing in GDP, to -5.1% YoY from +1.6% in 4Q19. That would make a strong argument for easing by an otherwise hawkish central bank. We have pencilled in a 25bp cut in the BoT policy rate to 0.50%. However, considering the extent of the slump we wouldn't rule out a 50bp cut, while the [steepest price fall in over a decade](#) also allows for a big cut.

[Thailand: Steepest price fall since the financial crisis reflects huge drop in demand](#)

## ➔ Some more 1Q GDP reports

Among other economic releases, Japan is due to release a provisional estimate of 1Q GDP on Monday, 18 May, while Singapore might put out a revised one sometime during the week. Given only partial, less stringent Covid-19 movement restrictions in both countries, the GDP loss is likely

to be relatively small. We expect a 1.6% YoY fall in Japan. The advance estimate puts Singapore GDP growth in 1Q at -2.2% YoY. However, surprisingly strong manufacturing in March suggests an upward revision is more likely than not. We estimate a revision to -0.8%.

The full impact of the pandemic on these economies will only be realised in the current quarter. Their trade figures for April should provide some glimpse into that.

### Asia: Lockdowns work, they also hurt

## Key events

Country	Time Data/event	ING	Survey	Prev.
<b>Monday 18 May</b>				
China	0230 Apr New home prices (YoY%)	5.6	-	5.4
Singapore	0130 Apr Non-oil domestic exports (MoM%/YoY%)	-21.5/-6.7	-/-	12.8/17.6
Thailand	0330 1Q GDP (QoQ%/YoY%)	-5.8/-5.1	-/-	0.2/1.6
<b>Tuesday 19 May</b>				
Indonesia	0820 BI policy decision (7-day reverse repo, %)	4.25	4.25	4.50
Singapore	- 1Q F GDP (QoQ /YoY%)	-5.4/-0.8	-/-	-10.6/-2.2
<b>Wednesday 20 May</b>				
Malaysia	0500 Apr CPI (YoY%)	-1.8	-	-0.2
Hong Kong	0900 Apr CPI (YoY%)	1.5	-	2.3
Taiwan	0900 Apr Export orders (YoY%)	2.0	-	4.3
	0920 1Q Current account balance (US\$bn)	14.0	-	17.0
Thailand	0805 Benchmark Interest Rate	0.5	-	0.8
S Korea	2200 Apr PPI (YoY%)	-	-	-0.5
<b>Friday 22 May</b>				
China	- National People's Congress begins			
Malaysia	0800 May 15 Forex reserves- Month end (US\$bn)	-	-	102.5
Thailand	0430 Apr Exports (Cust est, YoY%)	-6.0	-	4.2
	0430 Apr Imports (Cust est, YoY%)	-16.0	-	7.3
Taiwan	0900 Apr Unemployment rate (%)	3.8	-	3.8

Source: Bloomberg, ING

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