

Asia week ahead: Covid-19 disrupts most things in China

Next week's busy data calendar will provide an early gauge of the impact of Covid-19 on economies around the region as central banks move down the easing route to soften the blow



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➔ Covid-19 destabilises everything

The Covid-19 is destabilising many things in China, including the most significant annual rite of spring - the National People's Congress, which usually takes place between 5 - 15 March. This is the platform the Communist party uses to announce economic targets and policies for the year. As things stand, the event will not begin next week and for now, no date has been pencilled for the

future. What matters the most right now is reducing economic damage from the virus.

Talking about damage, we should be able to begin to gauge the extent from China's purchasing manager index (PMI) due on 29 February, and the Caixin measure out next Monday. A prolonged shutdown of factories for most of February spells the worst for manufacturing, and services as most of these like logistics and transports are driven by manufacturing.

➔ ... and elsewhere in Asia

Lots of PMI data from the region is due next week, and are likely to follow in the footsteps of China, however hard data like trade, inflation, retail sales will be more significant than soft data and there are plenty of those in the pipeline next week.

We will have first two months' of trade data from Korea providing a sense of a toll the disease has taken on the economy so far. China absorbs one-fourth of Korea's total exports and that market has been virtually shut since the New Year holiday in January. As such the consensus median of about 3% export growth in February sounds a little too optimistic. We expect around 3% fall.

The first thing to take a beating from an epidemic is consumption. Hong Kong's retail sales data and a slew of consumer price inflation figures elsewhere will be worth watching in this respect. Besides weak spending, the lower oil price will be weighing down consumer price inflation around the region. Korea, Taiwan, Indonesia, Philippines and Thailand will release CPI data for February.

➔ Malaysian central bank to ease again

Low inflation keeps doors open for central bank policy easing to support growth. Central banks of Australia and Malaysia are deciding their policies next week. [We expect Australia's central bank to leave policy on hold.](#)

There will be more interest in Malaysia's central bank meeting given prime minister Mahathir's sudden resignation earlier this week, leaving the Bank to do more heavy-lifting to soften the economic impact of the virus. While there isn't much fiscal policy leeway for the government, Mahathir, who's currently interim prime minister, went ahead to announce an MYR 20 billion (about 1.3% of 2019 GDP) support package for sectors affected by the virus.

But, the implementation remains up in the air with no government in place just yet. Hence our forecast of a 25 basis point cut to 2.50% - the second easing move by BNM this year.

Asia Economic Calendar

| Country | Time Data/event | ING | Survey | Prev. |
|-----------------------------|---|---------|---------|---------|
| Saturday 29 February | | | | |
| China | 0100 Feb Manufacturing PMI | 46.0 | 45.1 | 50 |
| | 0100 Feb Non-manufacturing PMI | 52.0 | 51.5 | 54.1 |
| Sunday 1 March | | | | |
| South Korea | 0000 Feb Imports (YoY%) | 5.6 | -3.6 | -5.4 |
| | 0000 Feb Exports (YoY%) | -3.2 | 4.3 | -6.3 |
| | 0000 Feb Trade balance (US\$mn) | 500 | 1300 | 535 |
| Monday 2 March | | | | |
| China | 0145 Feb Caixin Manufacturing PMI | 46.5 | 47.0 | 51.1 |
| India | 0500 Feb Nikkei Manufacturing PMI | - | - | 55.3 |
| Hong Kong | 0830 Jan Retail sales value (YoY%) | -12.2 | - | -19.4 |
| | 0830 Jan Retail sales volume (YoY%) | -12.1 | - | -21 |
| Indonesia | 0400 Feb CPI core (YoY%) | - | - | 2.9 |
| | 0400 Feb CPI (YoY%) | 2.9 | - | 2.7 |
| Philippines | 0030 Feb Nikkei Manufacturing PMI | 51.2 | - | 52.1 |
| Taiwan | 0030 Feb Nikkei Manufacturing PMI | 48.0 | - | 51.8 |
| South Korea | 0030 Feb Nikkei Manufacturing PMI | 49.3 | - | 49.8 |
| | 2300 4Q F GDP (QoQ/YoY%) | -/- | 1.2/2.2 | 1.2/2.2 |
| | 2300 Feb CPI total (YoY%) | 1.5 | - | 1.5 |
| | 2300 Feb CPI core (YoY%) | 0.8 | - | 0.9 |
| | 2300 4Q19 GDP revised (QoQ/YoY%) | 1.2/2.2 | -/- | 1.2/2.2 |
| Tuesday 3 March | | | | |
| Malaysia | 0700 Overnight Policy Rate | 2.50 | 2.75 | 2.75 |
| Singapore | 1300 Feb Purchasing Managers Index | - | - | 50.3 |
| Wednesday 4 March | | | | |
| India | 0500 Feb Nikkei Services PMI | - | - | 55.5 |
| Hong Kong | 0030 Feb Nikkei PMI | - | - | 46.8 |
| Malaysia | 0400 Jan Exports (YoY%) | -5.2 | - | 2.7 |
| | 0400 Jan Imports (YoY%) | -2.9 | - | 0.9 |
| MALAYSIA | 0400 Jan Trade balance (RM bn) | 9.1 | - | 12.6 |
| Thursday 5 March | | | | |
| India | - 4Q Current account balance (US\$bn) | - | - | -6.3 |
| Korea | - Jan Current account balance (US\$bn) | 3.8 | - | 4.3 |
| Taiwan | - Feb Forex reserves (US\$bn) | 477.0 | - | 479.1 |
| Philippines | 0100 Feb CPI (YoY%) | 3.0 | - | 2.9 |
| Thailand | 0330 Feb CPI (YoY%) | 0.8 | - | 1.1 |
| | 0330 Feb Core-CPI (YoY%) | 0.5 | - | 0.5 |
| Friday 6 March | | | | |
| Hong Kong | - Feb Forex Reserves (US\$bn) | - | - | 445.9 |
| Malaysia | 0700 Forex reserves- Month end (US\$bn) | - | - | 104.3 |
| Philippines | - Feb Forex reserves (US\$bn) | 87.1 | - | 86.9 |
| Indonesia | - Feb Forex reserves (US\$bn) | 130.9 | - | 131.7 |
| Taiwan | 0800 Feb WPI (YoY%) | -0.4 | - | -3.1 |
| | 0800 Feb CPI (YoY%) | -6.3 | - | 1.9 |

Source: ING, Bloomberg, *GMT