

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

Author

Amrita Naik Nimbalkar

Junior Economist, Global Macro

amrita.naik.nimbalkar@ing.com

Mateusz Sutowicz

Senior Economist, Poland

mateusz.sutowicz@ing.pl

Alissa Lefebre

Economist

alissa.lefebvre@ing.com

Deepali Bhargava

Regional Head of Research, Asia-Pacific

Deepali.Bhargava@ing.com

Ruben Dewitte

Economist

+32495364780

ruben.dewitte@ing.com

Kinga Havasi

Economic research trainee

kinga.havasi@ing.com

Marten van Garderen

Consumer Economist, Netherlands

marten.van.garderen@ing.com

David Havrlant

Chief Economist, Czech Republic

420 770 321 486

david.havrlant@ing.com

Sander Burgers

Senior Economist, Dutch Housing

sander.burgers@ing.com

Lynn Song

Chief Economist, Greater China

lynn.song@asia.ing.com

Michiel Tukker

Senior European Rates Strategist

michiel.tukker@ing.com

Michal Rubaszek

Senior Economist, Poland

michal.rubaszek@ing.pl

This is a test author

Stefan Posea

Economist, Romania

tiberiu-stefan.posea@ing.com

Marine Leleux

Sector Strategist, Financials

marine.leleux2@ing.com

Jesse Norcross

Senior Sector Strategist, Real Estate

jesse.norcross@ing.com

Teise Stellema

Research Assistant, Energy Transition

teise.stellema@ing.com

Diederik Stadig

Sector Economist, TMT & Healthcare

diederik.stadig@ing.com

Diogo Gouveia

Sector Economist

diogo.duarte.vieira.de.gouveia@ing.com

Marine Leleux

Sector Strategist, Financials

marine.leleux2@ing.com

Ewa Manthey

Commodities Strategist

ewa.manthey@ing.com

ING Analysts

James Wilson

EM Sovereign Strategist

James.wilson@ing.com

Sophie Smith

Digital Editor

sophie.smith@ing.com

Frantisek Taborsky

EMEA FX & FI Strategist

frantisek.taborsky@ing.com

Adam Antoniak

Senior Economist, Poland

adam.antoniak@ing.pl

Min Joo Kang

Senior Economist, South Korea and Japan
min.joo.kang@asia.ing.com

Coco Zhang
ESG Research
coco.zhang@ing.com

Jan Frederik Slijkerman
Senior Sector Strategist, TMT
jan.frederik.slijkerman@ing.com

Katinka Jongkind
Senior Economist, Services and Leisure
Katinka.Jongkind@ing.com

Marina Le Blanc
Sector Strategist, Financials
Marina.Le.Blanc@ing.com

Samuel Abettan
Junior Economist
samuel.abettan@ing.com

Franziska Biehl
Senior Economist, Germany
Franziska.Marie.Biehl@ing.de

Rebecca Byrne
Senior Editor and Supervisory Analyst
rebecca.byrne@ing.com

Mirjam Bani
Sector Economist, Commercial Real Estate & Public Sector (Netherlands)
mirjam.bani@ing.com

Timothy Rahill
Credit Strategist
timothy.rahill@ing.com

Leszek Kasek
Senior Economist, Poland
leszek.kasek@ing.pl

Oleksiy Soroka, CFA
Senior High Yield Credit Strategist
oleksiy.soroka@ing.com

Antoine Bouvet

Head of European Rates Strategy
antoine.bouvet@ing.com

Jeroen van den Broek
Global Head of Sector Research
jeroen.van.den.broek@ing.com

Edse Dantuma
Senior Sector Economist, Industry and Healthcare
edse.dantuma@ing.com

Francesco Pesole
FX Strategist
francesco.pesole@ing.com

Rico Luman
Senior Sector Economist, Transport and Logistics
Rico.Luman@ing.com

Jurjen Witteveen
Sector Economist
jurjen.witteveen@ing.com

Dmitry Dolgin
Chief Economist, CIS
dmitry.dolgin@ing.de

Nicholas Mapa
Senior Economist, Philippines
nicholas.antonio.mapa@asia.ing.com

Egor Fedorov
Senior Credit Analyst
egor.fedorov@ing.com

Sebastian Franke
Consumer Economist
sebastian.franke@ing.de

Gerben Hieminga
Senior Sector Economist, Energy
gerben.hieminga@ing.com

Nadège Tillier
Head of Corporates Sector Strategy
nadege.tillier@ing.com

Charlotte de Montpellier

Senior Economist, France and Switzerland
charlotte.de.montpellier@ing.com

Laura Straeter
Behavioural Scientist
+31(0)611172684
laura.Straeter@ing.com

Valentin Tataru
Chief Economist, Romania
valentin.tataru@ing.com

James Smith
Developed Markets Economist, UK
james.smith@ing.com

Suvi Platerink Kosonen
Senior Sector Strategist, Financials
suvi.platerink-kosonen@ing.com

Thijs Geijer
Senior Sector Economist, Food & Agri
thijs.geijer@ing.com

Maurice van Sante
Senior Economist Construction & Team Lead Sectors
maurice.van.sante@ing.com

Marcel Klok
Senior Economist, Netherlands
marcel.klok@ing.com

Piotr Poplawski
Senior Economist, Poland
piotr.poplawski@ing.pl

Paolo Pizzoli
Senior Economist, Italy, Greece
paolo.pizzoli@ing.com

Marieke Blom
Chief Economist and Global Head of Research
marieke.blom@ing.com

Raoul Leering
Senior Macro Economist
raoul.leering@ing.com

Maarten Leen

Head of Global IFRS9 ME Scenarios

maarten.leen@ing.com

Maureen Schuller

Head of Financials Sector Strategy

Maureen.Schuller@ing.com

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@asia.ing.com

Rafal Benecki

Chief Economist, Poland

rafal.benecki@ing.pl

Philippe Ledent

Senior Economist, Belgium, Luxembourg

philippe.ledent@ing.com

Peter Virovacz

Senior Economist, Hungary

peter.virovacz@ing.com

Inga Fechner

Senior Economist, Germany, Global Trade

inga.fechner@ing.de

Dimitry Fleming

Senior Data Analyst, Netherlands

Dimitry.Fleming@ing.com

Ciprian Dascalu

Chief Economist, Romania

+40 31 406 8990

ciprian.dascalu@ing.com

Muhammet Mercan

Chief Economist, Turkey

muhammet.mercan@ingbank.com.tr

Iris Pang

Chief Economist, Greater China

iris.pang@asia.ing.com

Sophie Freeman

Writer, Group Research

+44 20 7767 6209

Sophie.Freeman@uk.ing.com

Padhraic Garvey, CFA

Regional Head of Research, Americas

padhraic.garvey@ing.com

James Knightley

Chief International Economist, US

james.knightley@ing.com

Tim Condon

Asia Chief Economist

+65 6232-6020

Martin van Vliet

Senior Interest Rate Strategist

+31 20 563 8801

martin.van.vliet@ing.com

Karol Pogorzelski

Senior Economist, Poland

Karol.Pogorzelski@ing.pl

Carsten Brzeski

Global Head of Macro

carsten.brzeski@ing.de

Viraj Patel

Foreign Exchange Strategist

+44 20 7767 6405

viraj.patel@ing.com

Owen Thomas

Global Head of Editorial Content

+44 (0) 207 767 5331

owen.thomas@ing.com

Bert Colijn

Chief Economist, Netherlands

bert.colijn@ing.com

Peter Vanden Houte

Chief Economist, Belgium, Luxembourg, Eurozone

peter.vandenhoute@ing.com

Benjamin Schroeder

Senior Rates Strategist

benjamin.schroeder@ing.com

Chris Turner

Global Head of Markets and Regional Head of Research for UK & CEE

chris.turner@ing.com

Gustavo Rangel

Chief Economist, LATAM

+1 646 424 6464

gustavo.rangel@ing.com

Carlo Cocuzzo

Economist, Digital Finance

+44 20 7767 5306

carlo.cocuzzo@ing.com