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