

Asia week ahead: Gauging the depth of India's economic slump

A busy Asian economic calendar and policy directives will keep markets on toes next week. However, the key focus will be India's GDP report



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A busy data pipeline

Chinese purchasing manager index for August will kick off next week and at the time of writing, the consensus for is stable manufacturing and non-manufacturing PMIs at their July levels - 51.1 and 54.2 respectively.

PMIs from other parts of the region, due a day or two after China are likely to gain more attention

given most of them were still in the sub-50 contractionary region in July. We don't have much hope for India, Indonesia, Philippines or Korea, where Covid-19 infections accelerated in August, but PMIs may not drift very far from the threshold of 50 in Malaysia, Singapore and Taiwan either.

Meanwhile, hard data on manufacturing in July from Japan and Korea will give some idea of GDP growth in the next quarter. The broad-based slump in both exports and domestic demand suggests the negative GDP trend is here to stay for the rest of the year. Look out for Korea's export figures for August for more insight too.

Inflation numbers for August from Korea, Indonesia and the Philippines are due too. Subdued inflation remains the baseline view for most Asian economies this year. Any further dip in inflation in Indonesia and the Philippines should make way for more rate cuts by the central bank as rising Covid-19 cases dampen growth further. Jobs data in the Philippines will be an interesting watch from this perspective.

July retail sales from Australia, Japan, Hong Kong, and Singapore will shed light on the recovery of private consumption. Automobiles are helping the recovery in Singapore's retail sales, while consumers in other countries continue to reel under Covid-19 restrictions.

How bad was the Covid-19 hit to the Indian economy?

The key question of the week ahead will be how much has Covid-19 impacted the Indian economy? The answer comes on Monday with the country's GDP report for the April-June quarter - the first quarter of the fiscal year 2020-21. Our last stab at forecasting this was a 17.8% year-on-year contraction while the consensus is 19.2%.

Although this might be the low point in the ongoing crisis, the rapid increase in infections this quarter provide no hope of a near-term recovery. Less than a week ago total Covid-19 cases reached the 3-million mark. Currently, the number is over 3.3 million, suggesting that the next milestone isn't probably far off. We also believe that the macro policy has hit a snag amid stretched public finances and rising inflation. This means pretty much nothing can save the economy from continued deep declines for the rest of the year. We have also cut our forecast of India's full-year GDP growth from -5.2% to -8.6%, erasing the gains over the last two years.

Australia also reports its 2Q20 GDP. A recession is certain with our -5.5% QoQ seasonally adjusted forecast, down from -0.3% in 1Q (consensus -6.1%). The economy continues to be under stress from the recent surge in Covid-19 infections in Victoria and over 25,000 cases nationwide so far.

Just a day ahead of the GDP release comes will be the central bank meeting and we expect no change to the cash rate target of 0.25%.

Asia Economic Calendar

| Country | Time Data/event | ING | Survey | Prev. |
|------------------------------|--|----------|--------|-----------|
| Monday 31 August | | | | |
| China | 0200 Aug Manufacturing PMI | 51.2 | 51.2 | 51.1 |
| | 0200 Aug Non-manufacturing PMI | 54.3 | - | 54.2 |
| India | 1300 2Q GDP (Q) (YoY%) | -17.8 | -19.75 | 3.10 |
| | - Jul Fiscal deficit (INR crore) | - | - | 196020 |
| South Korea | 0000 Jul Industrial production (MoM/YoY%) | 1.2/-1.0 | -/- | 7.2/-0.5 |
| Thailand | - Jul Current account (US\$mn) | 750 | - | -247 |
| Tuesday 1 September | | | | |
| China | 0245 Aug Caixin Manufacturing PMI | 52.7 | 52.5 | 52.8 |
| India | 0600 Aug Nikkei Manufacturing PMI | - | - | 46.0 |
| Hong Kong | 0930 Jul Retail sales value (YoY%) | -21.9 | - | -24.8 |
| | 0930 Jul Retail sales volume (YoY%) | -24.1 | - | -25.4 |
| Indonesia | 0500 Aug CPI core (YoY%) | - | - | 2.07 |
| | 0500 Aug CPI (YoY%) | 1.6 | - | 1.54 |
| Philippines | 0130 Aug Nikkei Manufacturing PMI | 49.8 | - | 48.4 |
| Taiwan | 0130 Aug Nikkei Manufacturing PMI | 50.5 | - | 50.6 |
| South Korea | 0000 2Q F GDP (QoQ/YoY%) | - | - | -3.3/-2.9 |
| | 0100 Aug Exports (YoY%) | 0.1 | - | -7.1 |
| | 0100 Aug Imports (YoY%) | -13.0 | - | -11.6 |
| | 0100 Aug Trade balance (US\$mn) | 7090 | - | 4134 |
| | 0130 Aug Nikkei Manufacturing PMI | 48.3 | - | 46.9 |
| Wednesday 2 September | | | | |
| South Korea | 0000 Aug CPI (YoY%) | 0.2 | - | 0.3 |
| Thursday 3 September | | | | |
| India | 0600 Aug Nikkei Services PMI | - | - | 34.2 |
| Hong Kong | 0130 Aug Nikkei PMI | - | - | 44.5 |
| Singapore | 1400 Aug Purchasing Managers Index | - | - | 50.2 |
| Friday 4 September | | | | |
| India | - 2Q Current account balance (Q) (US\$bn) | - | - | 0.58 |
| South Korea | 0000 Jul Current account (US\$bn) | 7.2 | - | 6.88 |
| Malaysia | 0800 Aug 28 Forex reserves- Month end (US\$bn) | - | - | 104.3 |
| Philippines | 0200 Aug CPI (YoY%) | 2.7 | - | 2.7 |
| Philippines | - July unemployment rate (%) | 22.9 | - | 17.7 |
| Singapore | 0600 Jul Retail sales value (YoY%) | -11.3 | - | -27.8 |
| | 0600 Jul Retail sales value (MoM% SA) | 23.3 | - | 51.1 |
| Taiwan | 0800 Aug Forex reserves (US\$bn) | 497.6 | - | 496.2 |

Source: ING, Bloomberg, *GMT