

## Good Morning Asia - 29 April 2020

Asian markets to trade cautiously on Wednesday ahead of the US GDP report and Fed meeting

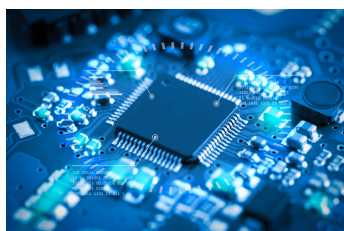
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## ASEAN Morning Bytes

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### EM Space: Governments continue to plan gradual reopening

- **General Asia:** Select countries in Europe continue to map out a gradual reopening of their economies even as investors continue to monitor the trends on new infections at potential new hotspots around the world. US GDP is slated for release later in the session which should continue to give investors a glimpse on the Covid-19 economic impact. Caution should continue to dominate trading on Wednesday with energy prices still depressed while the Fed and ECB meet on Thursday to discuss additional policy measures.
- **Singapore:** The Monetary Authority of Singapore warned about a “worst-ever recession” with a deeper GDP contraction this year than the -4.0% official worst-case view. The warning came as part of the central bank’s semiannual Macroeconomic Review released yesterday, which also painted a grim outlook for the labour market that today’s 1Q20 jobs data should testify to. We expect a rise in the jobless rate to 2.7% (seasonally adjusted) from 2.3% in 4Q19. An unprecedented economic slump means the jobless rate this year will not only dwarf the 3.3% peak reached during the 2009 global financial crisis but it could potentially breach the 4.8% record during the SARS pandemic in 2003.
- **Thailand:** The manufacturing data for March is due today. We expect a steeper output fall (-6.7% YoY) than the 5.2% fall in February, as weak tourism and domestic spending outweigh firmer exports. Prime Minister, Prayuth Chan-Ocha, announced an extension of Thailand’s state of emergency until the end of May. The government also announced \$4.6

billion (0.9% of GDP) of cash handouts for farmers, taking the total cash handouts so far to about 4.7% of GDP. The increasing policy support comes against a backdrop of record-low consumer and business confidence, keeping the economy on course for a deep slump this year.

- **Philippines:** President Duterte continued to hint at a gradual easing of restrictions for areas currently under lockdown as economic activity has ground to a halt. Manufacturing and service-sector activity has remained dormant for almost 2 months now which will likely push 2Q GDP into negative territory. Meanwhile, the Philippines successfully issued roughly \$2.4 bn worth of 10-year and 25-year bonds on Tuesday with the fresh inflow of Dollars from the issuance likely to help support the PHP in the near term.
- **Indonesia:** The Ministry of Finance announced it had raised up to IDR62.2 Tr (\$4bn) worth of bonds through private placements with banks to help fund the Covid-19 rescue plan. Bank Indonesia had recently relaxed reserve requirement ratios with the central bank, asking banks to buy up bonds with the liquidity freed up by the move. Finance Minister Indrawati also announced it was in talks to borrow up to \$750 mn from multilateral agencies to help build the war chest in the fight against Covid-19.

## What to look out for: GDP data, central bank meetings and Covid-19 developments

- Philippines remittances and GIR (29 April)
- Singapore unemployment (29 April)
- US GDP and pending home sales (29 April)
- FOMC meeting (30 April)
- China PMI manufacturing and non-manufacturing (30 April)
- Thailand trade (30 April)
- Taiwan GDP (30 April)
- ECB meeting (30 April)
- US personal spending and core PCE (30 April)
- US ISM PMI manufacturing (1 May)

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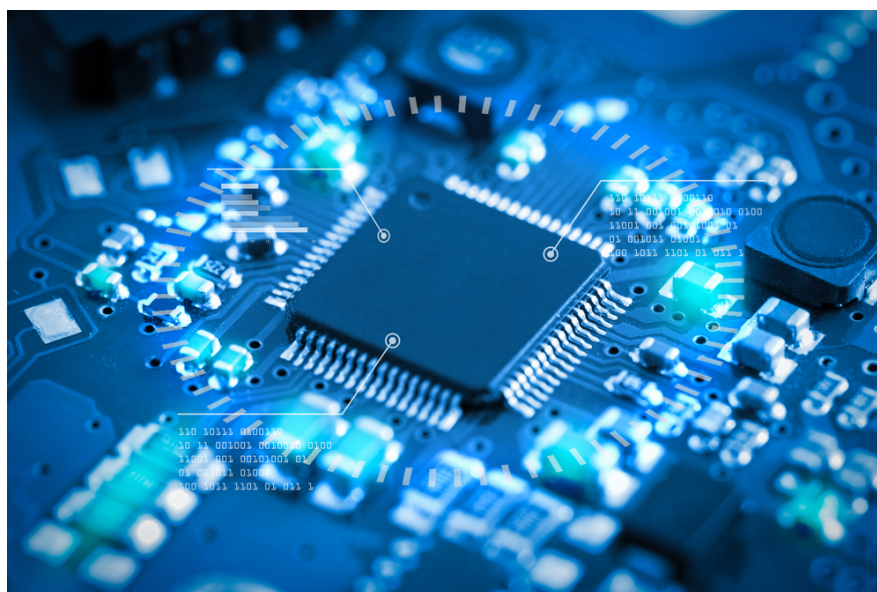
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## Korean production picks up in March

The headline index for production including mining, and utilities, rose 4.6%MoM in March. Services remain the weak spot in the economy, but we are still revising our GDP forecast for 2020 higher.



### Rare release

We won't get too many positive reports on activity in Asia over the coming months, [so we should probably make the most of this one from Statistics Korea.](#)

Industrial Production rose 4.6%MoM in March. We don't have any further breakdown of the underlying components within the manufacturing component of this, but our guess is that the semiconductor industry underpins today's positive report.

It was not just output that was positive. Capacity utilization increased a little too, and inventories also declined a small amount - results consistent with a genuine and ongoing improvement, not just a data blip.

Adding to the positive theme, equipment investment and domestic machinery orders received also rose. And construction completed also increased, even if orders for construction declined sharply.

### Its not all good though

Though the manufacturing sector seems to be showing some very encouraging signs of life, the

same is not true yet of the services sector. This is a sign of the damage that the Covid-19 outbreak can have even in one of Asia's poster-children for how to deal with the outbreak.

There is no lockdown in Korea, and there has never been a mandatory lockdown anywhere in the country during this outbreak. So the 4.4%MoM decline in March services is the result of voluntary social distancing more than of any heavy-handed government interference. There is some chance that this will improve in April though.

## GDP revised to a positive outlook for 2020

These industrial production data come on top of the 1.4%QoQ decline in GDP already published for 1Q20 and could suggest some scope for a small upward revision to that preliminary release.

2Q20 could even register some overall growth, which would indicate that our full-year -0.3% GDP forecast also needs nudging up to a small positive figure. We'll tentatively shift this to +0.3% for now, and we will finesse this number further in the upcoming forecasting round.

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