

Good Morning Asia - 29 April 2020

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

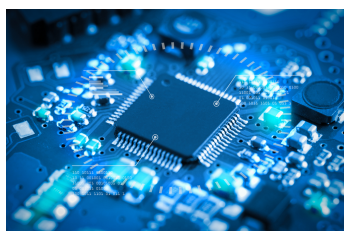
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EM Space: Governments continue to plan gradual reopening

- **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)

Author

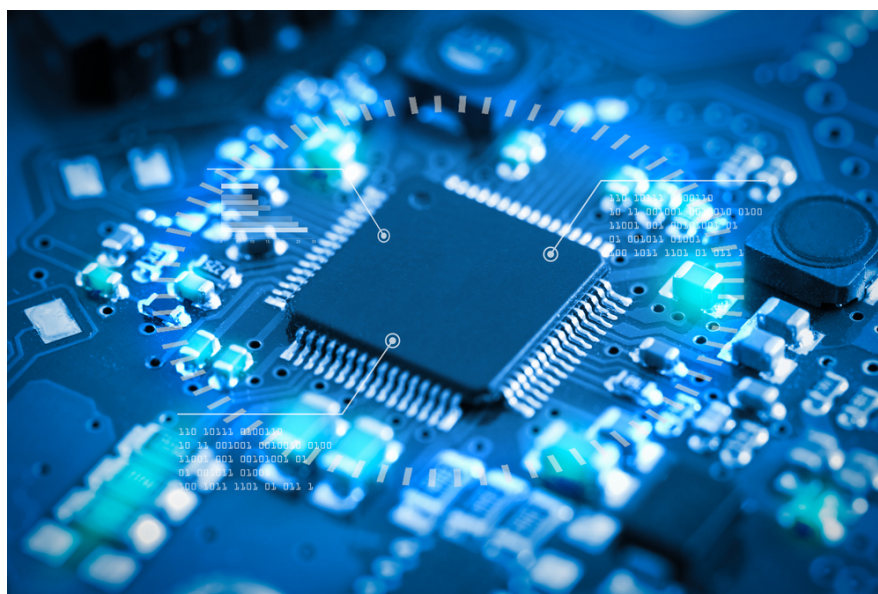
Nicholas Mapa

Senior Economist, Philippines

nicholas.antonio.mapa@asia.ing.com

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.

Author

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 Kloek

Senior Economist, Netherlands
marcel.kloek@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

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