

Good MornING Asia - 30 September 2020

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In this bundle



Asia recovering

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By Robert Carnell



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Still confused by time zones

I have to confess, I had not checked the timing of the US Presidential debate when I wrote about it yesterday, and it should be starting at about the same time you get today's note, 9am SGT. I'm not going to go over old ground here ([here's a piece from our US economist, James Knightley](#)), though it sounds as if China will be a hot topic of debate which will provide some local interest.

I'm still struggling with the idea of watching this. This is possibly a harder view than even the worst reality TV show for those with a really low cringe-threshold like myself. If I have the TV on in my sitting room, I can just see it from my desk on the balcony but probably not hear it, which may be a good compromise. I can follow the headline remarks online. That should spare me the worst.

Plenty going on at home in Asia

But it's not like there is nothing going on here in Asia today. For once, the release calendar is quite full. Top of the bill is **China's** September PMI data, the official numbers for which are just out.

The headline figures confirm ongoing recovery for both the Chinese manufacturing and non-manufacturing sectors. Both figures were also a little stronger than expectations and up from the previous month. The official manufacturing PMI was 51.5, an improvement from 51.0 in August. And the non-manufacturing PMI also beat expectations and rose from the August figure with a reading of 55.9 (was 55.2 in August).

The Caixin manufacturing sector PMI is also released slightly later this morning at 0945 SGT and will probably tell much the same story.

China has been in the lead in terms of the Asia recovery story, but there is little doubt that its recovery also helps pull the rest of Asia along in its wake, so this is relatively good news for all of the APAC region.

Elsewhere in Asia, we have already had some reasonable **Japanese** industrial production data. The monthly figures are all over the place, but the headline year-on-year rate is moving slowly towards the zero-line, registering -13.3%YoY in August, a little less bad than the -15.5% growth rate that preceded it. This is a pedestrian recovery, but the direction is still good. Retail sales data for August in Japan were also slightly less negative, reaching -1.9%YoY in August, from -2.9% in July.

Australian August building approvals are also due later this morning, and **New Zealand** has already reported its August building permit data, which delivered a modest increase of only 0.3% MoM, though still an improvement on the -4.5% decline the month before. Something along similar lines in Australia later would not be a big surprise. Japan rounds off the morning's construction and housing data with the further batch of figures at 1300 SGT today, and a similar pattern of slightly less negative year-on-year figures would fit the modest recovery story that appears to be unfolding.

And Prakash Sakpal picks up on similar themes from the data releases due from Thailand and Singapore below:

Thailand: The August manufacturing and balance of payments data are due today. A moderate export fall in August should translate into a moderate manufacturing fall (ING forecast -10.6% YoY vs. -14.7% in July). Weak domestic demand remains a key drag on output growth. It has been a key driver for large trade and current account surpluses as well. August's \$4.3 billion customs-basis trade surplus was the second-highest ever. This should more than offset continued net services outflows and widen the current account surplus also released later today (ING forecast \$2.4 billion vs. \$1.8 billion in July). That said, the THB is set to end another month today as an Asian underperformer, a status it is likely to hold over the remainder of the year. We are reviewing our end-2020 USD/THB forecast of 31.50 for upward revision (spot 31.63).

Singapore: August monetary data due today should repeat the same pattern as in recent months – strong money supply (M2) growth but falling bank lending. Record stimulus has buoyed liquidity and pushed M2 growth to its fastest pace of 12.2% YoY in July since the global financial crisis. But weak business confidence has dented demand for cheap funds, while interest rates continue to be the lowest since the GFC. July bank lending was down 0.3% YoY. We think this pattern should continue through the end of the year, maybe well into 2021".

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ASEAN Morning Bytes

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EM Space: Investors will remain in holding pattern and take direction from China activity data

- **General Asia:** Asian market players will take their cue from China PMI data set for release later on Wednesday with China reporting both manufacturing and services sector data. The focus will also be on political developments in the US with Biden and Trump squaring off for their first presidential debate while US lawmakers attempt to hammer out another round of stimulus.
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- **Philippines and Indonesia:** The World Bank revised growth projections for both Indonesia and the Philippines, citing their inability to get the spread of the virus under control as one of the main reasons for the revision. Indonesia is expected to contract between 1.6 to 2.0% percent in 2020 while the Philippines is expected to post a contraction between 6.9 to 9.9% under a baseline and worst-case scenario. Indonesia has refrained from full lockdown measures for the most part although the capital city and surrounding provinces are currently under partial restrictions while the Philippine capital has been under some form of lockdown since mid-March. We continue to expect Indonesia and the Philippines to struggle to recover given the still-elevated number of daily infections of Covid-19.

What to look out for: China PMI and Covid-19 developments

- China manufacturing and non-manufacturing PMI (30 September)
- Thailand trade (30 September)
- Hong Kong retail sales (30 September)
- US ADP employment and 2Q GDP revisions (30 September)
- Regional PMI manufacturing (1 October)
- Indonesia CPI inflation (1 October)
- Bangko Sentral ng Pilipinas policy meeting (1 October)
- US initial jobless claims, core PCE inflation and ISM PMI manufacturing (1 October)
- Singapore PMI (2 October)
- US non-farm payrolls, factory orders, durable goods orders, consumer sentiment (2 October)

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