

Our view on next week's key events

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In this bundle



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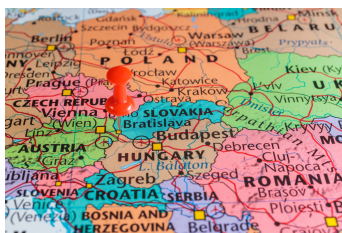
By James Smith and James Knightley



Asia week ahead

Asia week ahead: Central banks in the spotlight, again

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By Muhammet Mercan and Peter Virovacz

Article | 1 May 2020

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Source: Shutterstock

US: One number says it all

The economic pain from Covid-19 containment measures can be summed up in one statistic – more than 30 million Americans have filed for unemployment benefits in the past six weeks.

The official April jobs report is published on Friday 8 May, but we have to remember the data is collected in the week of the 12th so the past two weeks of initial claims data will correspond with the May jobs report, published early June, not next week's. If we assume unemployment has risen by 21 million in April, that would push the unemployment rate to around 16%. An additional 12 million unemployed in May and we are looking at an unemployment rate of around 22%.

Thankfully, this is below the 24.9% peak experienced in 1933, but we have to remember that one third of Americans aged 18-65 are not classified as employed or unemployed – they are students, early retirement, homemakers, carers or sick. This leads us to yet another sobering statistic – that less than half of working age Americans will be earning a wage next month. In an election year, this means that the call for politicians to re-open the economy is only going to get louder, irrespective of the health advice.

Canada's exposure to oil and trade makes it vulnerable

Canada will also release its jobs report and we look for a further 2.5 million people to have lost their jobs after unemployment rose by 1 million last month. Canada's heavy exposure to international trade and commodities, particularly oil, make it very vulnerable in this economic downturn.

Bank of England to take stock of emergency measures

Like the Federal Reserve and European Central Bank, we'd expect the Bank of England to use its meeting next week to take stock – we aren't expecting anything new. Like other central banks, the BoE has been adept at acting between meetings, and with rates close to zero, and a vast QE package in place, policymakers are 'all in' for the time being. Instead, focus will be on the Bank's new forecasts which, like other central banks, will likely take the form of scenarios. At ING, our base case assumes a 10-15% peak-to-trough fall in GDP (although clearly there's scope for a lower figure), but more importantly, we don't expect the economy to reach its pre-virus size until at least 2022. With that in mind, there's certainly scope for some of the BoE's purchasing programmes to be expanded later in the year if needed.

Country	Time Data/event	ING	Survey	Prev.
Monday 4 May				
US	1500 Mar F Durable Goods Orders (MoM%)	-14.4	-	-14.4
	1500 Mar F Durable Goods Orders (ex. Transport, MoM%)	-0.2	-	-0.2
Eurozone	0900 Apr F Markit Manufacturing PMI	33.6	-	33.6
Norway	0900 Apr DNB/NIMA Manufacturing PMI	-	-	41.93
Tuesday 5 May				
US	1330 Mar Trade Balance (US\$bn)	-45	-35	-39.932
	1500 Apr ISM Non-manufacturing	34	41	52.5
	1900 Fed's Bostic and Bullard speak			
UK	0930 Apr F Markit/CIPS Services PMI	12.3	11	12.3
	0930 Apr F Markit/CIPS Composite PMI	12.9	-	12.9
Australia	0530 RBA Cash Rate Target	0.25	0.25	0.25
Wednesday 6 May				
US	1315 Apr ADP Employment Change ('000's)	-20000	-21000	-26.6
Eurozone	0900 Apr F Markit Services PMI	11.7	-	11.7
	0900 Apr F Markit Composite PMI	13.5	-	13.5
	1000 Mar Retail Sales (MoM%)	-7	-/-	0.9
Germany	0700 Mar New Orders (MoM%/YoY%)	-2.0/-4.0	-/-	-1.4/1.5
Australia	0230 Mar Retail sales (MoM%)	-3.8	-	0.5
Sweden	0730 Apr Swedbank/Silf Services PMI	-	-	46.9
Thursday 7 May				
Japan	0050 Apr Monetary base (JPY tr)	514.5	-	509.8
	0050 Bank of Japan meeting minutes			
Europe	1000 EU Commission Economic Forecasts			
Germany	0700 Mar Industrial Production (MoM%/YoY%)	-5.0/-8.0	-/-	0.3/-1.2
UK	1200 BoE Policy Rate	0.1	0.1	0.1
Australia	0230 Mar Trade balance (A\$m)	4030	-	4361
Norway	0900 Deposit Rates	0.25	-	0.25
Friday 8 May				
US	1330 Apr Change in Nonfarm Payrolls ('000s)	-21000	-22000	-701
	1330 Apr Unemployment Rate (%)	15.8	16.3	4.4
	1330 Apr Average Hourly Earnings (MoM%/YoY%)	1.0/3.9	0.4/3.4	0.4/3.1
	1330 Apr Participation Rate	61.6	-	62.7
Japan	0030 Mar Labor cash earnings (YoY%)	-	-	0.7
	0030 Mar Household spending (YoY%)	-7.2	-	-0.3
Germany	0700 Mar Trade Balance (€bn)	15	-	20.6
UK	- Public holiday (Markets closed)			
Canada	1330 Apr Net Change in Employment	-2500	-	-1010.7
	1330 Apr Unemployment Rate (%)	12.6	-	7.8
Norway	0700 Mar Industrial Production (MoM%/YoY%)	-/-	-/-	2.6/5.4

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Asia week ahead: Central banks in the spotlight, again

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Source: Shutterstock

➔ Better for some, bad for other

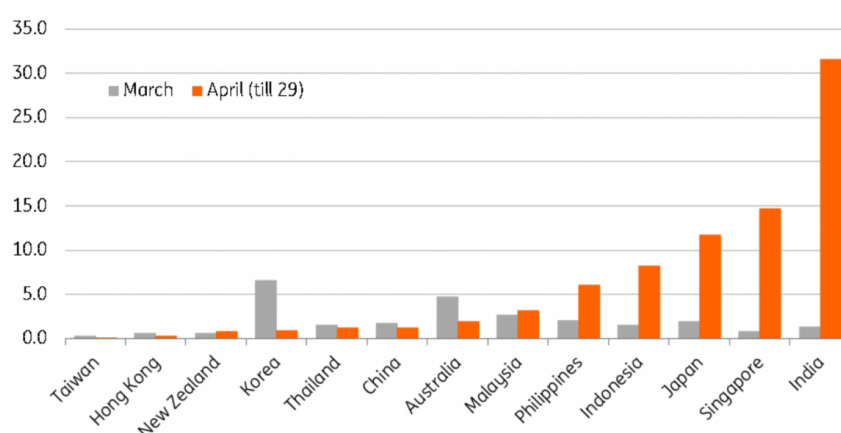
Next week kicks off with the April Purchasing Manufacturing Index (PMIs), providing some clues about the state of Asian economies coming into the second quarter. [China PMIs have provided temporary relief](#) for the market in that both manufacturing and services activity expanded for a second straight month in April. We may see similar PMI results for some more, but not all, economies as the accelerated spread of Covid-19 and tighter movement restrictions dented activity further this month. India and some Southeast Asian countries seem to be a lot worse (see

graph).

Trade figures from China, Korea, Taiwan, Malaysia, and the Philippines will underscore a significant hit to global demand in the ongoing pandemic. And, retail sales data in Australia, Hong Kong, and Singapore will inform about the dent to consumer spending as will Japan's household spending data, though this might go unnoticed in the golden week holiday. Price pressures continue to abate with weakening demand. Inflation in some countries has already drifted into negative territory. Look out for consumer price data in Korea, Indonesia, the Philippines, and Thailand.

The GDP release season is also in full swing, with first-quarter data due in Hong Kong, Indonesia, and the Philippines. As with everywhere else, these will probably be the worst figures in nearly a decade, with a fall of as much as 10% in Hong Kong compared to a year ago.

Monthly rise in number of Covid-19 infections in Asia



Source: Worldometers in ascending order of April data

➔ Still, worrisome for central banks

Central bank policy meetings in Australia and Malaysia are the highlights of the week. It could be a mixed bag of events though, more likely a non-event in Australia and accelerated policy easing in Malaysia.

In an off-cycle easing move in March, the Reserve Bank of Australia nudged its policy rate to an all-time low of 0.25%, leaving no room for it to fall further. At the same time, the RBA also launched a quantitative easing (QE) programme to inject more cash into the economy. These moves suggest there's not much scope for action next week given that the country has also managed to bring the Covid-19 spread under control. Moreover, the pause in the RBA's bond purchases this week even raise the question of whether it will stay the course ahead, while Governor Philip Lowe has ruled out a move to negative interest rates.

This shifts the spotlight onto Bank Negara Malaysia's policy meeting. We have long been calling for a 50 basis point cut in the BNM's overnight policy rate to 2.00% at the May meeting, bringing it to the previous low seen during the 2009 global financial crisis. Given a far bigger scale of the current crisis than the GFC though, we would anticipate a much bigger response. The 50bp rate cut since January 2020 compares with a 150bp cut in the span of less than three months at the height of the GFC. We don't think the central bank can afford to wait much longer, as GDP is heading for the steepest fall this quarter since the 1998 Asian crisis and inflation has already moved into negative

territory. We don't think the BNM will stop at a 50bp cut next week, especially with protracted deflation ahead keeping real interest rates high.

Key events

Country	Time Data/event	ING	Survey	Prev.
Monday 4 May				
India	0600 Apr Nikkei Manufacturing PMI	-	-	51.8
Hong Kong	0930 1Q A GDP (Q) (YoY%)	-10.0	-	-2.9
	0930 1Q A GDP (Q) (QoQ% SA)	-	-	-0.3
Malaysia	0500 Mar Exports (YoY%)	-10.0	-3.0	11.8
	0500 Mar Imports (YoY%)	-8.0	-1.4	11.3
	0500 Mar Trade balance (RM bn)	11.6	-	12.6
Indonesia	0500 Apr CPI core (YoY%)	-	2.9	2.9
	0500 Apr CPI (YoY%)	2.8	2.9	3.0
Philippines	0130 Apr Nikkei Manufacturing PMI	-	-	39.7
Singapore	1400 Apr Purchasing Managers Index	-	-	45.4
Taiwan	0130 Apr Nikkei Manufacturing PMI	49.8	-	50.4
South Korea	0000 Apr CPI (MoM%/YoY%)	-/-	-0.2/0.4	-0.2/1
	0130 Apr Nikkei Manufacturing PMI	-	-	44.2
Tuesday 5 May				
Hong Kong	0930 Mar Retail sales value (YoY%)	-80.0	-	-44.0
	0930 Mar Retail sales volume (YoY%)	-83.0	-	-46.7
Malaysia	0800 Overnight Policy Rate	2.0	-	2.5
Indonesia	0500 1Q GDP (YoY%)	4.0	4.5	5.0
	0500 1Q GDP (QoQ%)	-	-	-1.7
Philippines	0200 Apr CPI (YoY%)	2.0	-	2.5
Singapore	0600 Mar Retail sales value (YoY%)	-16.0	-	-8.6
	0600 Mar Retail sales value (MoM% SA)	-4.4	-	-8.9
Taiwan	- Apr Forex Reserves (US\$bn)	481.5	-	480.4
Thailand	0430 Apr CPI (YoY%)	-2.0	-	-0.5
	0430 Apr Core-CPI (YoY%)	0.3	-	0.5
Wednesday 6 May				
India	0600 Apr Nikkei Services PMI	-	-	49.3
Hong Kong	0130 Apr Nikkei PMI	-	-	34.9
Philippines	0200 Mar Trade balance (US\$mn)	-1817.0	-	-1656.0
	0200 Mar Exports (YoY%)	-18.3	-	2.8
	0200 Mar Imports (YoY%)	-6.1	-	-11.6
Taiwan	0900 Apr WPI (YoY%)	-9.1	-	-7.3
	0900 Apr CPI (YoY%)	-1.5	-	0.0
Thursday 7 May				
China	- Apr Exports (YoY%)	-9.5	-10.0	-6.6
	- Apr Imports (YoY%)	11.0	-11.4	-1.0
	- Apr Trade Balance (US\$bn)	-10.1	9.1	19.9
	- Apr Forex Reserves (US\$bn)	3090.0	-	3060.6
Hong Kong	- Apr Forex Reserves (US\$bn)	-	-	437.5
Philippines	0300 1Q GDP (YoY%)	3.9	-	6.4
	0300 1Q GDP (Q) (QoQ% SA)	-	-	2.2
Friday 8 May				
China	- 1Q20 Current account balance (US\$bn)	40.5	-	40.5
Indonesia	- Apr Forex reserves (US\$bn)	121.3	-	121.0
Malaysia	0500 Mar Industrial production (YoY%)	-5.0	-	5.8
	0800 Apr 30 Forex reserves (US\$bn)	-	-	102.0
Taiwan	0900 Apr Exports (YoY%)	1.7	-	-0.6
	0900 Apr Imports (YoY%)	10.1	-	0.5
	0900 Apr Trade balance (US\$bn)	1.8	-	2.8

Source: Bloomberg ING

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Source: Shutterstock

Hungary

Next week's data releases will deliver a somewhat clearer picture about Hungary's economic activity in the first quarter. We see retail sales posting another double-digit growth rate on the back of continued panic buying and the preparations for working from home, which will support non-food shops too. The risks are tilted to the downside on fuel sales. Due to the closure of factories, we expect industrial production to shrink by 5% on a monthly basis, but the PMI will improve in April, reflecting that manufacturers restarted production in late-April. Measuring inflation is hard if not close to impossible with the closure of shops and services. Our expectation is that fuel will have a major impact on the headline reading, pushing it to a 2.4% year-on-year level, a rate last seen in early 2018.

Czech Rep

March data will reveal the negative impact of restrictive measures to combat the Covid-19 outbreak. We expect a double digit YoY fall in both retail sales and industrial production, bearing in mind that only the second half of March was impacted, and the decline in April will be about twice as bad.

We expect the Czech National Bank to further cut interest rates by 50 basis points on Thursday next week, though recent CNB communication was not very specific about the intensity of further rate reductions, so some surprise might emerge. Quantitative easing will be mentioned again only as a financial stability tool, so the bar for starting QE anytime soon remains high.

Turkey

We expect April inflation to come in at 0.7%, pulling the annual figure down to 10.8% from 11.9% a month ago. This is due to the impact of falling energy prices, sluggish demand factors and a supportive base effect while the pass-through from recent currency weakness poses a risk to the outlook.

Country	Time Data/event	ING	Survey	Prev.
Monday 4 May				
Turkey	0800 Apr Markit/ISO Manufacturing PMI	-	-	48.1
	0800 Apr CPI (YoY%)	10.8	10.66	11.86
	0800 Apr Core CPI (MoM%/YoY%)	-/-	0.6/10.71	0.57/10.49
	0800 Apr Domestic PPI (MoM%/YoY%)	-/-	-/-	0.87/8.5
Poland	0800 Apr Markit Manufacturing PMI	34.1	35.3	42.4
Czech Rep	0830 Apr Markit Manufacturing PMI	30	-	41.3
Hungary	0800 Apr Manufacturing PMI	40	-	29.1
Romania	- Apr FX Reserves (€bn, Net)	-	-	39005.5
Kazakhstan	- Apr CPI (MoM%/YoY%)	-/-	-/-	0.9/6.4
	- Apr PPI (MoM%/YoY%)	-/-	-/-	-1.7/-1.7
South Africa	1000 Apr Kagiso PMI	-	39.5	48.1
	- Apr NAAMSA Vehicle Sales (YoY%)	-	-85	-29.7
Israel	1100 Feb Industrial Production (SA, MoM%)	-	-	2.6
Tuesday 5 May				
Romania	0700 Mar PPI (MoM%/YoY%)	-/-	-/-	-0.86/2.9
Israel	- Mar Leading 'S' Indicator (MoM%)	-	-	0.26
Brazil	1300 Mar Industrial Production (YoY%)	-7.5	-	-0.4
Wednesday 6 May				
Czech Rep	0800 Mar Retail Sales (YoY%)	-19	-	3.6
	0800 Mar Retail Sales Excl. Motor Vehicles (YoY%)	-11	-	7.4
Hungary	0800 Mar Retail Sales (YoY%)	12.3	-	11.3
Romania	0700 Mar Retail Sales (MoM%/YoY%)	-/-	-/-	0.8/10.5
Kazakhstan	- Apr International Reserves (US\$bn)	-	-	30
South Africa	0815 Apr HSBC PMI SA	-	-	44.5
Brazil	- Selic Rate	3.25	3.25	3.75
Thursday 7 May				
Russia	1400 Apr CPI (YoY%)	-	3.1	2.5
	1400 Apr CPI (MoM%/YoY%)	-/-	0.8/3.1	0.6/2.6
Poland	1300 Apr Official Reserves Total	-	-	120893.6
Czech Rep	0800 Mar Construction Output (YoY%)	-	-	5.3
	0800 Mar Trade Balance (CZKmn)	-	-	22.368
	0800 Mar Industrial Output (YoY%)	-16	-	-0.9
	0900 Apr International Reserves (US\$bn)	-	-	146.8
	1200 Repo Rate	-	-	1
Hungary	0800 Mar Industrial Production (MoM%/YoY%)	-5.0/-4.5	-/-	0.16/1.68
Serbia	1100 Apr HPPI (YoY%)	-	-	-0.7
	1100 Apr HPPI (MoM%)	-	-	-0.7
	1100 Repo rate (%)	1.25	-	1.5
Croatia	1000 Apr PPI (MoM%/YoY%)	-/-	-/-	-2.67/-2.7
South Africa	1030 Apr SACCI Business Confidence	-	-	89.9
Israel	- Apr Foreign Currency Balance (US\$bn)	-	-	126
Mexico	1200 Apr CPI (MoM%/YoY%)	-0.1/3.1	-/-	-0.05/3.25
Friday 8 May				
Hungary	0800 Apr CPI (MoM%/YoY%)	-0.6/2.4	-/-	0.2/3.9
	1000 Apr Budget Balance (YTD)	-1100	-	-831.9
Ukraine	- Apr CPI (MoM%/YoY%)	0.7/1.8	-/-	0.8/2.3
Bulgaria	0900 Mar Industrial Production (YoY%)	-	-	0.12
	0900 Mar Industrial Production (MoM%)	-	-	1.1
	0900 Mar Retail Sales (MoM%/YoY%)	-/-	-/-	0.9/5.5
Croatia	1000 Feb Trade Balance (HRK m)	-	-	-5572.1
	1000 Mar Tourism arrivals (YoY%)	-	-	5.39
South Africa	0700 Apr Gross Reserves (US\$bn)	-	-	52.43
	0700 Apr Net Open Foreign Currency Position (US\$bn)	-	-	44.77
Brazil	1300 Apr Inflation (IPCA) (MoM%)	-0.15	-	0.07
	1300 Apr Inflation (IPCA) (YoY%)	2.56	-	3.3

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