

Our view on next week's key events

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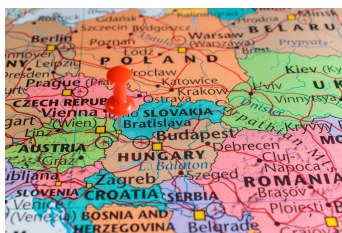
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By Peter Virovacz

Article | 24 April 2020

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US: GDP figure to highlight the extent of the economic downturn

The first-quarter GDP will be the headline figure to watch and is likely to highlight the gravity of the economic downturn.

After a very strong January and February, activity has ground to a halt in March with the economy having lost the best part of 27 million jobs in the past five weeks. Retail activity outside of groceries has practically collapsed and manufacturing surveys have reported plummeting activity. Given this situation, we look for the economy to have contracted 6% annualised in Q1 with much worse to come in 2Q. We look for a 40% annualised fall in output between March and June even if other US states follow the lead of Georgia, Tennessee, Florida and South Carolina and start re-opening their economies in the next two to four weeks.

Other data to watch will, of course, include those jobless claims numbers. We are hoping that after three consecutive declines in jobless claims we will see a much sharper fall this week given some states are starting to re-open. However, set against that is the spreading weakness in manufacturing and business services, which are likely to see more job losses nationally. The horror show that is the jobs market means that consumer confidence will fall sharply while business activity as reported by the ISM manufacturing survey will also plunge given what we have already

seen from regional indicators.

Rounding out the US schedule we also have a Federal Reserve policy meeting, but given the stabilisation in financial markets and the ongoing support, their previously announced aggressive actions are providing, we don't expect to hear any new meaningful policy measures. They may choose to give more colour on their QE strategy given the purchases of assets have been dramatically scaled back over the past couple of weeks. We expect them to re-affirm their views that they will not reverse course on their policy stance until they are certain the economy is on the path to recovery

A massive week for Eurozone data

We get inflation, GDP, unemployment and economic sentiment and all of them will have relevant "post-corona" data. For GDP, the question will be how bad the Q1 data is.

Lockdowns were in place across the Eurozone for at least the last two work weeks, but estimates of the decline in GDP still differ significantly. For inflation, April data will provide information on prices during the lockdown, but can it really provide credible insights? How do you measure prices when stores have shut? The number will have to be taken with more than a pinch of salt for sure.

There's no doubt that this shock's initial impact on prices is deflationary, as oil price developments have shown. Finally, unemployment will show whether March layoffs have already pushed the unemployment rate up. Short-time work schemes and a more rigid labour market than the US will mitigate some of the impact, but how much of the economic shock can be absorbed?

As European leaders couldn't agree on a pan-European fiscal policy reaction beyond the EIB-ESM-SURE triplet, pressure on the ECB to step up its QE programme will increase. We expect the ECB to significantly increase the PEPP programme. Whether this will already be the case next week, will mostly depend on market developments over coming days.

Swedish Riksbank – will they cut rates back into negative?

Like other central banks, the Swedish Riksbank has thrown a large amount of ammunition at this crisis. It has increased QE to account for a further SEK300bn of assets, and for the moment that gives it plenty of capacity to continue making purchases. But one thing it hasn't done is lower the repo rate.

Of course, it was only in December 2019 that policymakers took the historic step to lift the repo rate out of the negative territory, and wary about the costs if it were to be perceived as a long-standing policy stance, the central bank has been reluctant to go back there. But the economy is taking a severe hit, even though its virus containment measures are less severe than other places.

Some board members have hinted rates could move lower again, but for now we narrowly we think the Bank will make no change next week.

Country	Time	Data/event	ING	Survey	Prev.
Tuesday 28 April					
US	1500	Apr Consumer Confidence	80	90	120
Japan	-	- Policy Rate	-0.1	-	-0.1
		- BoJ 10-year yield target (%)	-	-	0.0
Norway	0700	Mar Retail Sales (Ex. Motor vehicles MoM%)	-	-	2.0
Sweden	0830	Riksbank Interest Rate	0.0	-	0.0
	0830	Mar Retail sales (Ex. Fuel, MoM%)	-	-	0.18
	0830	Mar Retail Sales (Ex. Fuel, YoY%)	-	-	2.8
Wednesday 29 April					
US	1330	1Q A GDP (QoQ Annualised %)	-6.0	-3.0	2.1
	1900	FOMC Rate Decision (Upper bound)	0.25	0.25	0.25
Eurozone	0900	Mar M3 Money Supply (YoY%)	5.7	-	5.5
	1000	Apr Economic Confidence	82	-	94.5
Germany	1300	Apr P CPI (MoM%/YoY%)	-0.5/0.9	-/-	0.1/1.4
Australia	0230	1Q CPI (QoQ%/YoY%)	-0.3/1.4	-/-	0.7/1.8
Sweden	0830	Mar Household Lending (YoY%)	-	-	5.2
Thursday 30 April					
US	1330	Initial jobless claims ('000s)	3000	-	4427
Japan	0050	Mar Retail trade (MoM%/YoY%)	-0.6	-/-	0.5/1.6
	0050	Mar P Industrial production (MoM%/YoY%)	8.5/-14.8	-/-	-0.3/-5.7
	0600	Apr Consumer confidence index	-	34.2	30.9
Eurozone	1000	Mar Unemployment Rate (%)	7.7	-	7.3
	1000	1Q A GDP (QoQ%/YoY%)	-4.0/-3.5	-/-	0.1/1
	1000	Apr P CPI (YoY%)	0.2	-/-	0.7
	1000	Apr P Core CPI (YoY%)	0.7	-	1.0
	1245	ECB Main Refinancing Rate	0.0	-	0.0
	1245	ECB Marginal Lending Facility	0.25	-	0.25
	1245	ECB Deposit Facility Rate	-0.5	-	-0.5
Germany	0855	Apr Unemployment Change (000's)	-	-	1.0
	0855	Apr Unemployment Rate (%)	5.1	-	5.0
Italy	1000	Apr P HICP (YoY%)	-0.1	-	0.1
	1100	1Q P GDP (YoY%)	-4.7	-	0.092
	1100	1Q P GDP (QoQ%)	-4.6	-	-0.301
Spain	0800	Apr P HICP (MoM%/YoY%)	-/-	-/-	0.6/0.1
Canada	1330	Feb GDP (MoM%/YoY%)	-/-	0/1.7	0.1/1.8
Norway	0700	Mar Credit Indicator (YoY%)	-	-	4.8
Friday 1 May					
US	1500	Apr ISM Manufacturing	35	39	49.1
Australia	0230	1Q PPI (Q) (YoY%)	0.7	-	1.4
	0230	1Q PPI (Q) (QoQ%)	-0.4	-	0.3

Authors

James Smith

Developed Markets Economist, UK

james.smith@ing.com

James Knightley

Chief International Economist, US

james.knightley@ing.com

Carsten Brzeski

Global Head of Macro

carsten.brzeski@ing.de

Bert Colijn

Senior Economist, Eurozone

bert.colijn@ing.com

Asia week ahead: Extension, extension, extension

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Source: Shutterstock

➔ Southeast Asia's Covid-19 plight

This week governments in Singapore, Malaysia, Indonesia and the Philippines extended ongoing movement restrictions further as the spread of the pandemic shows few signs of abating and, in fact, has become significantly worse in places like Singapore and Indonesia.

Thailand maybe the next ASEAN country to face more restrictive movement measures. Even though the disease spread in Thailand seems to be under control, as seen from the fifth straight day of falling new cases through Thursday and steadily falling active cases, government officials

have called for extending the state of emergency which currently lasts until the end of next week, 30 April. Prime Minister Prayuth Chan-Ocha will announce a decision about extending the state of emergency on Monday, 27 April.

In Japan, prime minister Shinzo Abe may be mulling an extension to the state of emergency beyond 6 May next week. But, the key question for markets would be whether the Bank of Japan will steps up its stimulus efforts on 27 April. We are sceptical. This is a central bank that has been practising unorthodox monetary easing since 2001 and is unlikely to discover untapped sources of stimulus now.

([read more here](#)).

[Why Japan's central bank has limited room to manoeuvre](#)

➔ Deeper economic slump ahead

All this boils down to suggestions that we are likely to see a much deeper economic slump in the region this quarter and a more stretched out recovery than we thought earlier. China's 6.8% YoY GDP fall in the first quarter provides a sense of what we should be expecting from the rest of the region. Hopefully, the worst of the outbreak is behind us in both China and Korea but that doesn't guarantee their economic situations normalising just yet, especially not when there has been a significant amount of demand destruction globally weighing down exports.

China's purchasing manager index and Korea's trade figures for April, (due on 1 May), will provide a glimpse of where things are headed in the second quarter. Our house forecasts suggest China PMI slipping back into the negative territory and an accelerated decline in Korean exports. Meanwhile, March manufacturing data from Japan and Thailand will be the last straws of estimation for first-quarter GDP performance. Finally, Taiwan reports preliminary GDP growth and Singapore releases the unemployment rate for the first quarter too.

No prizes for guessing all of these could be the worst readings in recent history.

Key events

Country	Time Data/event	ING	Survey	Prev.
Monday 27 April				
China	0230 Mar Industrial profits (YTD, YoY%)	-	-	-6.3
Hong Kong	0930 Mar Exports (YoY%)	-15.5	-	4.3
	0930 Mar Imports (YoY%)	-31.2	-	-0.1
	0930 Mar Trade balance (HK\$ bn)	13.3	-	-38.6
S Korea	2200 Apr BOK Consumer Sentiment Index	81.4	-	78.4
Tuesday 28 April				
S Korea	2200 May BOK Business Survey Index, mfg	57	-	54
	2200 May BOK Business Survey Index, non-mfg	53	-	52
Wednesday 29 April				
South Korea	0000 Mar Industrial production (MoM%/YoY%)	1.5/-4.2	-/-	-3.8/11.4
Singapore	0230 1Q20 Jobless rate (% SA)	2.7	-/-	2.3
Thailand	0330 Mar Industrial production (YoY%)	-6.7	-/-	-5.2
Thursday 30 April				
China	0200 Apr Manufacturing PMI	49.5	-	52
	0200 Apr Non-manufacturing PMI	49	-	52.3
Taiwan	0900 1Q P GDP (YoY%)	-	-	3.31
Friday 1 May				
S Korea	0100 Apr Imports (YoY%)	-14	-	0.3
	0100 Apr Exports (YoY%)	-19	-	-0.7
	0100 Apr Trade balance (US\$m)	1000	-	4594

Source: Bloomberg, ING

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Key events in EMEA and Latam next week

The key event in Hungary is the central bank's rate-setting meeting. We don't expect any change in rates, but we might get some details on the...



Source: Shutterstock

Hungarian central bank meeting

The key event in Hungary is the central bank's rate-setting meeting next week.

We don't expect any change now as the central bank made a major overhaul regarding its toolkit three weeks ago. However, it will reveal the details regarding its government bond purchase program. We expect it to be a conditional, financial stability focused program to mitigate its impact on the forint.

The so far introduced central bank measures have had a clear stabilising effect on HUF rates and Hungarian government bonds. The financial stability focused quantitative easing should add more to it.

Country	Time	Data/event	ING	Survey	Prev.
Monday 27 April					
Russia	1400	Mar Retail Sales (YoY%)	5.0	1.8	4.7
	1400	Feb Real wages (YoY%)	3.7	5.6	6.5
Kazakhstan	1000	Apr 27 Key Policy Rate (%)	-	-	9.5
Mexico	1200	Mar Unemployment Rate SA (%)	3.9	-	3.69
Tuesday 28 April					
Hungary	1300	Policy Rate (%)	0.9	-	0.9
	1300	Overnight Deposit Rate (%)	-0.05	-	-0.05
		- Hungary's Central Bank to Announce Details of QE Program			
Wednesday 29 April					
Hungary	0800	Mar PPI (MoM%/YoY%)	-0.5/3.3	-/-	-0.2/3.8
Thursday 30 April					
Russia	0700	Apr Markit Manufacturing PMI	-	-	47.5
Turkey	0800	Mar Trade Balance (US\$bn)	-5.4	-	-2.98
	0900	Mar Foreign Tourist Arrivals (YoY%)	-	-	3.8
Hungary	0800	Feb Avg Gross Wages (YoY%)	8.4	-	9.2
	0800	Feb F Trade Balance (€mn)	1118	-	1117.91
Romania	0700	Mar Unemployment Rate Total	-	-	3.9
Serbia	1100	Mar Retail Sales (YoY%)	-	-	13.3
	1100	Mar Industrial Production (YoY%)	-	-	7.6
	1100	Mar Trade Balance (€m)	-	-	-557.2
Croatia	1000	Mar Retail Sales (YoY%)	-	-	4.9
	1000	Mar Industrial Production (SA, YoY%)	-	-	-2.1
		- Mar M1 Money Supply (HRKmn)	-	-	139302.29
South Africa	0700	Mar M3 Money Supply (YoY%)	-	-	7.69
	0700	Mar Private Sector Credit (YoY%)	-	-	5.09
	1300	Mar Trade Balance (ZARbn)	-	-	14.15
	1300	Mar National Budget Balance (ZARbn)	-	-	2.15
Israel	1100	Mar Trade Balance (US\$m)	-	-	-2075.9
	1100	Mar Monthly Unemployment Rate (%)	-	-	3.4
Brazil	1300	Mar Unemployment Rate (%)	11.9	-	11.6
Mexico	1200	1Q P GDP (YoY%)	-2.5	-	-0.49
Friday 1 May					
Czech Rep	1300	Apr Budget Balance (CZKbn)	-	-	-44.71
South Africa	1000	Apr Kagiso PMI	-	-	48.1
		- Apr NAAMSA Vehicle Sales (YoY%)	-	-	-29.7

Author

Peter Virovacz

Senior Economist, Hungary

peter.virovacz@ing.com

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