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Our view on this week's key events

Discover what ING analysts are looking for this week in our global economic calendars

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Key events in developed markets next week

Weekly initial jobless claims has been the indicator to watch in the US over the past few weeks. But a broader range of figures will help quantify the...

Source: Shutterstock

Gauging the depth

Weekly initial jobless claims has been the key indicator to watch as we measure the economic effects resulting from Covid-19 containment measures. They will again be closely followed, but from this week we will get a broader range of figures to quantify the impact with the release of March retail sales, industrial production and housing starts numbers.

We know the retail sales figures will be unprecedented. The city and state shutdowns have spread across the country over recent weeks with traditional bricks and mortar stores, aside from grocery and pharmacies, largely now closed. Millions of Americans have lost their jobs with rapidly rising unemployment compounding the weakness in consumer spending.

Data on credit and debit card usage released by Bank of America show that spending has fallen by around 15%YoY on average through the month with it deteriorating to more than 30%YoY down in the final week of March. However, even this probably underplays the downturn. While some physical cash spending that would have been done in-store has been switched to online electronic payments - here we would focus on clothing, furniture - lots of that physical cash spending also wouldn't have been moved online – restaurants and bars for example. Furthermore, we know that auto volume sales fell 32% in the month. As such we are conservatively estimating a 20%MoM drop in retail sales for March. The core "control" group that excludes the volatile food, auto, building material and gasoline station sales, maybe marginally weaker given it excludes grocery, which has experienced booming sales as panic buying kicked in during mid-month.

Industrial production is likely to post a less sizeable fall. The ISM manufacturing production index dropped to 47.7 from 50.3, which is historically consistent with a fall in manufacturing production of "only" 3%YoY. We are a little sceptical of this relationship right now. Many factories have remained open, but reduced orders and supply constraints will have led to a cut in output and there were job losses in the sector. We are forecasting a 5%MoM fall for manufacturing with industrial production dragged even lower by mining and drilling given price developments.

Housing activity is also likely to have slowed dramatically, in part due to rising unemployment and economic worries, but also because of a spike in mortgage rates that was caused by distress in financial markets towards the beginning of the month. None of this should come as a shock to financial markets who instead appear to be focusing on more positive news about the path of the virus and the potential for a gradual re-opening of the economy from May.

Nonetheless, it is important to remember that the scale of the downturn – which we estimate will be around three times greater than the global financial crisis – will mean many businesses will not survive with unemployment likely to be much slower to come down versus its rapid spike higher. A return to "normality" is not likely soon with the output lost in the downturn unlikely to be recouped before mid-2022 at the earliest.

Bank of Canada meeting likely to be a non-event

The Bank of Canada meeting is likely to be something of a non-event given rates have already been cut to the lower bound of 0.25% and the Bank has initiated quantitative easing for the first time.

Country	Time	Data/event	ING	Survey	Prev.
		Wednesday 15 April			
US	1330	Mar Advance Retail Sales (MoM%)	-20	-6.4	-0.5
	1330	Mar Retail Sales ex. Auto and Gas (MoM%)	-12	-	-0.2
	1415	Mar Industrial Production (MoM%)	-6	-4.1	0.55
Italy	0900	Mar F HICP (YoY%)	-	-	0.1
Spain	0800	Mar F HICP (MoM%/YoY%)	-/-	-/-	0.7/0.2
Canada	1500	Bank of Canada Policy Rate	0.25	0.25	0.25
Sweden	0500	Mar PES Unemployment Rate	-	-	4
	0830	Mar CPI (MoM%/YoY%)	-/-	-0.1/0.6	0.5/1
	0830	Mar CPIF (MoM%/YoY%)	-/-	-0.25/0.55	0.5/1
		Thursday 16 April			
Eurozone	1000	Feb Industrial Production (WDA, (YoY%)%)	-	-2	-1.9
Germany	0700	Mar F CPI (MoM%/YoY%)	.1/1.4	0.1/1.4	0.1/1.4
Australia	0200	Apr CPI expectations (YoY%)	-	-	4
	0230	Mar Employment change ('000)	-	-30	26.7
	0230	Mar Unemployment rate (%)	-	5.4	5.1
		Friday 17 April			
Japan	0530	Feb Tertiary industry index (MoM%)	-	-0.5	0.8
	0530	Feb F Industrial production - Prel (MoM%/YoY%)	-/-	-/-	0.4/-4.7
Eurozone	1000	Mar F CPI (YoY%)	-	0.7	0.7
	1000	Mar F CPI (MoM%/YoY%)	-/-	0.5/1	0.5/1

Author

James Knightley
Chief International Economist, US
james.knightley@ing.com

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Asia week ahead: How bad was 1Q20 for China's economy?

China's GDP report for the first quarter will provide some sense of the damage the pandemic has inflicted on economies in that part of the world

Source: Shutterstock

China – 1Q20 report card arrives

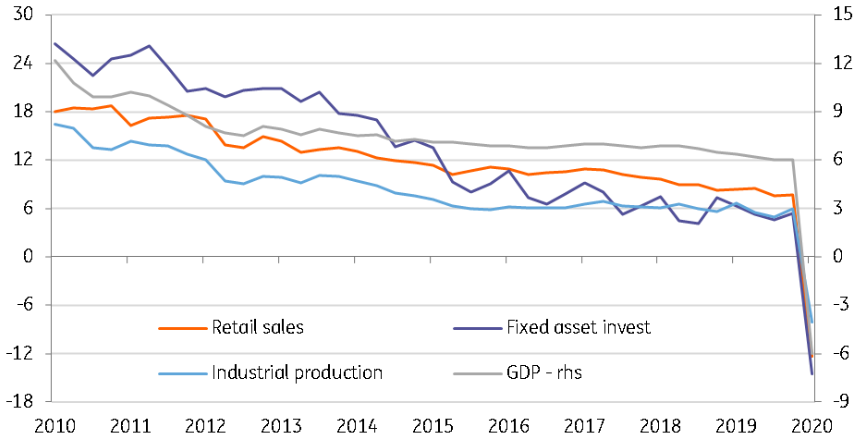
While the economic data for March substantiates this view of the Chinese economy getting somewhat back on its feet, China's GDP report for the first quarter of the year due next week on 17 April will come as a testimony of the real dent to the economy due to the pandemic.

The consensus at the time of writing this is 6% year-on-year GDP fall, the country's worst performance in six decades. This is drawn out from expectations of continued contraction in key indicators – industrial production, retail sales and fixed asset investment, for which March data also is due alongside the GDP release. In contrast, our Greater China Economist, Iris Pang, sees GDP growth staying in the positive territory, albeit a sharp slowdown to 3.6% YoY from 6% in 4Q19. This is based on her view that fiscal stimulus prevented a pronounced recession.

However, the key unknown here is a drop in overseas demand for Chinese goods, which with the ongoing global spread of the disease will remain a key drag on GDP growth for the remainder of the year. Read here what Iris thinks about China's recovery roadmap.

China draws a recovery roadmap

China: GDP and other key indicators (% year-on-year, quarterly data)



Source: Bloomberg, ING

Bloomberg consensus estimates for 1Q20.

Rest of Asia – Trade figures, policy dominate

Trade figures from India, Indonesia and Singapore will be assessed for the Covid-19 impact. A sharp decline in exports is our base case, at least for India and Singapore with close to 20% YoY plunge, as movement restrictions depressed activity. Singapore's non-oil domestic exports will be a test of the resilient manufacturing in the first quarter with only 0.5% YoY fall in the advance GDP data for the quarter.

In India, the government is expected to announce additional stimulus for small businesses severely affected by the ongoing lockdown. The market talk is about $13 billion (0.5% of GDP), taking the total stimulus to about 3.2% of GDP which is no comparison to the 10-20% figure, we've seen in some other Asian countries. We don't think it will make much of a difference to the economy. We expect GDP growth to fall by as much as 5% YoY in the current quarter, but we won't rule out more too.

Meanwhile, India's consumer price data for March may be scrutinised for the easing options the Reserve Bank of India is left with after the 75 basis point emergency rate cut last month, which was despite high inflation above the RBI's 6% policy limit. We expect high food prices, amid a surge in demand, possible hoarding, and supply bottlenecks during the lockdown to continue to exert upward pressure. This counter disinflationary effect of falling global oil price on utility and transport components. That said, we don’t see inflation stopping the RBI from cutting rates again. We anticipate an additional 25-50bp rate cut in this quarter.

Will Indonesia’s central bank cut rates at the next policy meeting? We're not forecasting one, but won't be surprised if we get another 25bp cut from the current 4.5%. Weak currency with over 13% year-to-date depreciation, the most in Asia, complicates BI policymaking when the economy is demanding greater policy accommodation.

Country	Time	Data/event	ING	Survey	Prev.
		Monday 13 April			
India	1300	Mar CPI (YoY%)	6.3	5.92	6.58
Malaysia	0500	Feb Industrial production (YoY%)	-	1.2	0.6
		Tuesday 14 April			
China	-	Mar Exports (YoY%)	-4.15	-14	7.9
	-	Mar Imports (YoY%)	-4.0	-9.8	16.5
	-	Mar Trade Balance (US$bn)	30	19.44	47.294
India	0730	Mar WPI (YoY%)	2.3	1.33	2.26
Indonesia	0820	Apr 14 BI policy decision (7-day reverse repo, %)	4.5	4.25	4.5
		Wednesday 15 April			
India	-	Mar Trade deficit (US$bn)	-7.2	-7000	-9850
	-	Mar Exports (YoY%)	-18	-	2.91
	-	Mar Imports (YoY%)	-22	-	2.48
Indonesia	0500	Mar Trade balance (US$mn)	718	900	2335.9
	0500	Mar Exports (YoY%)	-1.6	-6	11
	0500	Mar Imports (YoY%)	-2	-4.8	-5.11
Philippines	-	Feb OCW remittances (YoY%)	3.1	3.1	6.6
		Thursday 16 April			
China	0230	Mar New home prices (YoY%)	5.5	-	0.02
		Friday 17 April			
China	0300	1Q GDP (YoY%)	3.6	-6	6
	0300	1Q GDP (Q) (QoQ% SA)	-17	-9.75	1.5
	0300	Mar Industrial Production (YoY%)	-5	-5.4	6.9
	0300	Mar Retail Sales (YoY%)	3	-10	8
	0300	Mar Fixed asset investment (YTD, YoY%)	5	-15	-24.5
Singapore	0130	Mar Non-oil domestic exports (MoM%/YoY%)	-26/-21	-3.7/-1.7	-4.8/3
S Korea	0000	Mar Unemployment rate (% SA)	-	-	3.3

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Key events in EMEA and Latam next week

More of the same story as data across the EMEA region reflect the economic cost of Covid-19. Core inflation is expected to fall as a result of falling...

Source: Shutterstock

In **Poland**, the Central Statistical office (GUS) will provide the first CPI reading after the country lockdown. We expect a solid slide from 4.7% to 4.1% YoY on fuel prices and core inflation. Major retailers announced stronger than usual discounts for clothing and recreation equipment. Secondly, this reading will be dominated by problems with price collection – a lot of services e.g. gyms, hairdressers did not work at all.

Czech Republic: We see March inflation slowing down in Europe amid a fall in oil prices. The same happened in the Czech economy, with fuel prices falling by 5% MoM in March. Though there is a huge uncertainty related to food prices dynamics, which likely accelerated, or package holidays or other services amid Covid-19 measures, we expect CPI to slow-down slightly from 3.7% to 3.5%.

Country	Time	Data/event	ING	Survey	Prev.
		Monday 13 April			
Turkey	0800	Feb C/A (US$mn)	-1.3	-1.1	-1.804
	0800	Feb Industrial Production (MoM%/YoY%)	-/6.5	-/-	-0.21/7.9
Serbia	1100	Mar CPI (YoY%)	-	-	1.9
	1100	Mar CPI (MoM%)	-	-	0.6
		Tuesday 14 April			
Poland	1300	Feb C/A (€mn)	201	676	2265
	1300	Feb Trade Balance (€mn)	188	244	330
	1300	Feb Exports (€)	19113	19360	19267
	1300	Feb Imports (€)	18925	18971	18937
Czech Rep	0800	Mar CPI (MoM%/YoY%)	0.0/3.5	0.1/3.5	0.3/3.7
	0800	Feb Export Price Index (YoY%)	-	-	-2.1
	0800	Feb Import Price Index (YoY%)	-	-	-1.5
	0900	Feb C/A (CZKbn)	-	15.4	18.49
Romania	0700	Feb Industrial Production (MoM%/YoY%)	-/-	-/-	2/-3.1
	0700	Feb Industrial Sales (MoM%/YoY%)	-/-	-/-	0.96/6.02
	-	Feb C/A YTD (€m)	-	-	149
Israel	1630	Mar CPI (MoM%/YoY%)	-/-	0.3/-0.1	-0.1/0.1
		Wednesday 15 April			
Russia	1400	Mar Industrial Production (YoY%)	3.5	-0.4	3.3
Poland	0900	Mar CPI (YoY%)	4.1	4.4	4.7
Bulgaria	0900	Mar CPI (MoM%/YoY%)	-/-	-/-	0.1/3.7
		Thursday 16 April			
Russia	1400	Mar PPI (YoY%)	-	-1.8	-1.1
	1400	Mar PPI (MoM%)	-	-1	-0.6
Poland	1300	Mar Core Inflation (YoY%)	3.1	3.5	3.6
Serbia	-	Feb C/A (€mn)	-	-	-102.5

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