

## Our view on next week's key events

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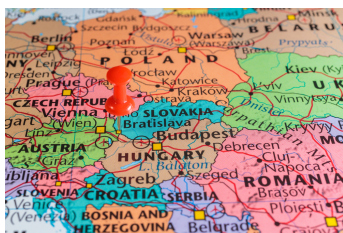
By Bert Colijn, James Smith and James Knightley



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By Muhammet Mercan and Dmitry Dolgin

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## Key events in developed markets next week

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### US: Attention turns from jobless claims to unemployment numbers

Up until last week, the only US economic report worth watching was the weekly jobless claims. However, we have now started to see other data in the form of retail sales and manufacturing, and the trend of bad numbers will likely continue in the coming week.

Jobless claims should slow (maybe to 3.5-4 million) as the initial reaction to shutdowns starts to fade, but unemployment is still rising at a truly alarming rate. This leads us to believe that the April employment report will show that all the jobs created since the Global Financial Crisis will have been lost within just two months. Unemployment itself is likely to rise well above 15% by May and given any re-opening is likely to be staggered, with social distancing remaining a key theme, it will be slow to fall back.

The devastation in the labour market will continue to weigh on (University of Michigan) confidence although the recent rebound in equities may help stem the bleeding. Durable goods orders will plunge though, given the horrible manufacturing data and the devastation in the oil and gas sector caused by collapsing prices and the steep declines in commodity prices. With spare capacity

growing by the day, the need for capex has been dramatically reduced and will prompt much lower durable goods orders. This narrative remains consistent with our GDP growth forecast of -6% annualised for 1Q20 and -40% annualised for 2Q20.

## **Eurozone: Looking out for survey indicators**

Next week brings the April update of the eurozone survey indicators and it's probably best to sit down for these numbers. The March data for consumer confidence and the PMI were already dismal, but those surveys were still conducted before the most severe restrictions were introduced in most countries. April is therefore expected to come in worse still and will probably give a fairer comparison between countries. Also look out for the Eurosummit next week, which continues the Eurogroup discussion on an EU fund to boost the recovery. The question of funding will be particularly key here – will Eurobonds see the light of day after all? It would be a huge surprise if that were the outcome of next week's meeting.

## **UK data to give first real insight into post-lockdown economic hit**

There's little doubt that the scale of the economic impact of the coronavirus in the UK is likely to be both larger, and much more rapid, than that of the Global Financial Crisis. That's likely to be the theme of next week's UK retail sales figures, which we expect to fall by around 10%, although clearly the figure could be much larger based on other spending indicators already available. Likewise, the PMIs will point to a steep decline in activity.

But the bigger question now is what the recovery will look like – and that will depend on two things. Firstly, how successful the lockdown unwinding process is – and whether testing can be stepped up quickly enough to help manage future outbreaks without having to use to strict shutdowns again. Secondly, the success of government fiscal measures. These have undoubtedly been bold, although there are teething problems – most visibly with the loan guarantee schemes for small businesses. Firms are likely to begin receiving funds from the government's job retention scheme over the next week or so, which should help shore up cashflow.

But with some firms unfortunately unlikely to emerge from the crisis in the same shape as before, we think the overall economic recovery will be a gradual one and we don't expect the size of the UK economy to reach its pre-virus size until 2022 or later.

Country	Time	Data/event	ING	Survey	Prev.
<b>Monday 20 April</b>					
Japan	0050	Mar Exports (YoY%)	-	-	-1
	0050	Mar Imports (YoY%)	-	-	-13.9
Eurozone	1000	Feb Trade Balance (€bn)	11245	-	17316.1
<b>Tuesday 21 April</b>					
US	1500	Mar Existing Home Sales	5.2	5.4	5.77
Germany	1000	Apr ZEW Current Situation Index	-55	-	-43.1
UK	0700	Feb Weekly Earnings (3M avg)	3.0	-	3.1
	0700	Feb Weekly Earnings ex Bonus (3M avg)	3.1	-	3.1
	0700	Feb ILO Unemployment Rate (3M avg.)	4.0	-	3.9
	0700	Feb Employment Change (3M/3M)	110	-	184
Sweden	0830	Mar Unemployment Rate (%)	-	-	8.2
<b>Wednesday 22 April</b>					
Eurozone	1500	Apr A Consumer Confidence	-20	-	-11.6
UK	0700	Mar CPI (MoM%/YoY%)	0.1/1.6	-/-	0.4/1.7
	0700	Mar Core CPI (YoY%)	1.7	-	1.7
Canada	1330	Mar CPI (MoM%/YoY%)	-/-	-/-	0.4/2.2
<b>Thursday 23 April</b>					
US	1330	US initial jobless claims ('000s)	-	-	5245
Japan	0600	Feb F Leading economic index	-	-	92.1
EU	-	EU leaders meet to discuss economic response to Covid-19			
Eurozone	0900	Apr P Markit Manufacturing PMI	36	-	44.5
	0900	Apr P Markit Services PMI	21	-	26.4
	0900	Apr P Markit Composite PMI	23	-	29.7
UK	0700	Mar Retail Sales ex Auto Fuel (MoM%/YoY%)	-10/-10.7	-/-	-0.5/0.5
	0700	Mar Public Finances (PSNCR)	-	-	1.38
	0700	Mar PSNB ex Banks (Ebn)	-	-	0.331
	0930	Apr P Markit/CIPS Manufacturing PMI	40	-	47.8
	0930	Apr P Markit/CIPS Services PMI	22	-	34.5
	0930	Apr P Markit/CIPS Composite PMI	24	-	36
Norway	0700	Feb Unemployment Rate AKU	-	-	3.6
Sweden	0800	Apr Economic Tendency Indicator	-	-	92.4
<b>Friday 24 April</b>					
Global	-	Various European sovereign ratings (incl Italy, UK)			
US	1330	Mar P Durable Goods Orders (MoM%)	-15	-10	1.2
	1330	Mar P Durable Goods Orders (ex. Transport, MoM%)	-7	-4	-0.6
	1500	Apr F U. of Mich. Sentiment Index	70	68.1	71
Japan	0030	Mar National CPI (YoY%)	-	-	0.4
	0030	Mar CPI ex-food, energy (YoY%)	-	-	0.6
	0530	Feb All industry activity index (MoM%)	-	-	0.8
Germany	0900	Apr IFO Business Climate	82	-	86.1
	0900	Apr IFO Expectations	75	-	79.7
	0900	Apr IFO Current Assessment	88	-	93

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# Asia week ahead: Fine-tuning 1Q GDP estimates

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Source: Shutterstock

## ➔ Asia: Trade and manufacturing releases

The fact that some Asia countries have been reporting firmer exports than we expected in March suggests the rapid spread of Covid-19 hasn't completely broken the back of economic activity in its entirety.

We anticipate the same from the trade and manufacturing releases from the region next week. The lockdowns to combat the pandemic were just beginning in the second half of March and were loosely implemented in most countries in the region. This kept some activity going, while a raft of

stimulus announcements ensured that businesses continue operations during this period.

These releases will also help us to refine our estimates of first-quarter GDP growth for these countries. However, this is just the beginning of what's likely to be a deep and prolonged economic slump, not just in Asia but around the world.

## ➔ Korea: Keeping afloat

Korea's resilient export performance in the first quarter is a surprise but this is probably because the pandemic was yet to grip the US - its leading trading partner and demand from China was also beginning to recover. The 1.1% year-on-year fall in Korean exports in 1Q was a marked improvement over the 12% YoY fall in 4Q19, although some of that firmness was due to the low base effect.

As Korea reports 1Q20 GDP data next week, we believe GDP growth will remain in the positive territory, albeit slow down to 1.2% YoY from 2.2% in the previous quarter. As noted above, the worst is ahead as significant destruction of global demand takes a toll on Korean exports and potentially pushes GDP growth into the negative territory.

However, the return of the incumbent government of President Moon in the Assembly elections held this week should pave way for increased fiscal policy support to prevent further GDP slide.

Country	Time Data/event	ING	Survey	Prev.
<b>Monday 20 April</b>				
Taiwan	0900 Mar Export orders (YoY%)	-6.0	-	-0.77
<b>Tuesday 21 April</b>				
South Korea	2200 Mar PPI (YoY%)	-	-	0.7
<b>Wednesday 22 April</b>				
Malaysia	0500 Mar CPI (YoY%)	0.6	-	1.3
	0800 Apr 15 Forex reserves- Month end (US\$bn)	-	-	101.7
Thailand	0430 Mar Exports (Cust est, YoY%)	-6.0	-	-4.47
	0430 Mar Imports (Cust est, YoY%)	-10.0	-	-4.3
<b>Thursday 23 April</b>				
Singapore	0600 Mar CPI (YoY%)	-0.5	-	0.3
	0600 Mar CPI core (YoY%)	-0.6	-	-0.1
Hong Kong	0930 Mar CPI (YoY%)	2.0	-	2.2
Taiwan	0900 Mar Industrial production (YoY%)	17	-	20.34
South Korea	0000 1Q P GDP (YoY%)	1.2	-	2.3
	0000 1Q P GDP (QoQ%)	-	-	1.3
<b>Friday 24 April</b>				
Philippines	- Mar Budget balance (PHP bn)	-	-	-37.595
Singapore	0330 1Q Jobless rate (Q) (%), SA)	2.7	-	2.3
	0600 Mar Industrial production (MoM%/YoY%)	-2.8/-7.8	-/-	-22.3/-1.1
Taiwan	0920 Mar Money supply (M2) (YoY%)	4.4	-	4.35

Source: Bloomberg, ING

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## Poland

We expect a relatively modest slowdown in the Polish economy in March – both industrial production and retail sales should remain in positive territory owing to calendar effects. The high frequency indicators showed a very decent turnover in ELIXIR payment transfer systems. Also, the loss in energy generation is much lower in Poland compared to eurozone economies. The full blown crisis should be visible in the April figures.

On the labour market front, we expect some stabilisation in the unemployment rate and lower employment dynamics. Labour protection rights should delay the full impact of the pandemic on the labour market to May. Google Trends suggests that the number of queries regarding layoffs is 1.5x higher than during the Global Financial Crisis and the number of queries for temporary forced leave is very high.

## Turkey

The Central Bank of Turkey cut the policy rate to single digit figures for the first time since mid-2018 in an unscheduled meeting last month. At the April meeting, we expect the Bank to reduce the policy rate by 75bp to 9%. The Bank seems to be determined to mitigate downside risks



to growth while a supportive shift in global policies amid Covid-19 concerns and a widening in the output gap- which is weighing on inflation-should provide room for the CBT to act.

## Russia

Russia's central bank is likely to cut the key rate from 6.0% to 5.5% on 24 April. The CBR made a strong dovish shift in its communication on 17 April, strongly suggesting that a cut is not only the primary option but that it may also exceed the standard 25bp. This comes despite the acknowledgment of accelerating CPI and deteriorating inflationary expectations. We believe the shift was triggered by a combination of factors, including:

- Stabilisation on global markets, which helped assure a 2% recovery in USD/RUB and an almost 140bp drop in local 10-year state bonds (OFZ) yields;
- Experience of other emerging market central banks, which have cut policy rates by 25-300 bp in March-April, according to the IIF;
- Deterioration of Russian GDP growth expectations, with the likelihood of the lockdown being extended from April into May potentially costing another 2.5% of annual GDP in addition to the 2.5% YoY drop expected by us earlier;
- Very modest fiscal support in the face of Covid-19 challenges, as the 2.8% of GDP announced by the Russian Ministry of Finance earlier includes 0.5% GDP of state guarantees and a redistribution of previously planned spending of up to 1% of GDP.

Comparing Russia's real key rate based on 12M expected CPI (currently at 1-2% based on 4-5% CPI consensus range) to its direct EM/commodity peers (ranging from -0.5% in Saudi Arabia and South Africa to +1% in Malaysia and Indonesia), the near-term downside to the nominal key rate is 50-100bp. While a more aggressive cut can not be excluded, the near-term risks to the rouble and deposit outflows we mentioned earlier may limit the CBR's room for manoeuvre.

Country	Time Data/event	ING	Survey	Prev.
<b>Monday 20 April</b>				
Russia	1400 Mar Retail Sales (YoY%)	5.0	1.8	4.7
	1400 Feb Real wages (YoY%)	3.7	5.6	6.5
Poland	0900 Mar Avg Gross Wages (YoY%)	4.7	6.4	7.7
	0900 Mar Employment (YoY%)	0.7	0.8	1.1
Croatia	1000 Mar Unemployment Rate (%)	-	-	8.3
	1000 Feb Real Wages (YoY%)	-	-	2.3
<b>Tuesday 21 April</b>				
Poland	0900 Mar Industrial Output (YoY%)	0.5	-2.1	4.9
	0900 Mar PPI (YoY%)	-0.7	-0.5	0.1
Czech Rep	0800 Mar PPI (Industrial) (MoM%)	-	-	-0.7
	0800 Mar PPI (Industrial) (YoY%)	-	-	1.4
South Africa	0800 Feb Leading Indicator	-	-	103.5
<b>Wednesday 22 April</b>				
Turkey	1200 Benchmark Repurchase Rate	-	-	9.75
Poland	0900 Mar Retail Sales (YoY%)	3.0	-2.0	7.3
Kazakhstan	- 4Q F GDP YTD YoY	-	-	4.5
<b>Thursday 23 April</b>				
Poland	1300 Mar M3 Money Supply (MoM%/YoY%)	9.6	9.3	9.4
	- Mar Budget Level (YTD)	-	-	-3312.1
	1300 National Bank of Poland Publishes Minutes of Rate Meeting			
Ukraine	1200 Apr 23 Key Rate (%)	9.0	-	10
Israel	1100 Mar Trade Balance (US\$m)	-	-	-2075.9
Mexico	1200 Feb Retail Sales (YoY%)	4.5	-	2.7
<b>Friday 24 April</b>				
Russia	1130 Key Rate (%)	5.50	5.75	6.00
	1300 Bank of Russia Governor Nabiullina holds news conference			
Turkey	0800 Apr Real Sector Confidence Index SA	-	-	98.6
	0800 Apr Capacity Utilization (%)	-	-	75.3
Poland	0900 Mar Unemployment Rate (%)	5.5	5.6	5.5
Czech Rep	0800 Apr Business Confidence	-	-	5.8
	0800 Apr Consumer & Business Confidence	-	-	3.4
	0800 Apr Consumer Confidence	-	-	-6.3
Kazakhstan	- Mar M3 Money Supply (MoM%)	-	-	-2.5
Serbia	1100 Feb Real Wages (YoY%)	-	-	7.8
Brazil	1330 Mar C/A Balance (\$mn)	-900	-	-3904



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