

## Bored of the pandemic...

...but sadly, it's still the only game in town. Increasingly though, economic data will come back to prominence as politicians and scientists argue about ending lockdowns



Boredom

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### Today, I will be mainly talking about the pandemic, again

I have to write a message to my Dad in the UK today, he has a birthday coming up. And like this note, it is going to be a struggle to write. I'd normally fill it up with newsy stuff about what the family has been doing, places we've visited, nice meals out, people we've seen. Chuck in a couple of photos of the kids. Of course, I have none of that to offer today, having been nowhere, seen no-one, and done nothing.

And it is much the same with work too. There really is still only one game in town - the pandemic and how it is shaping up in various geographies. In Europe, real progress does seem to be being made, and as I noted last week, pioneers in the re-opening field, Austria and Denmark, are illustrating how it could go. Austria's new case numbers are still trending lower, so it looks good so far. Denmark's are holding up between 150 and 200, but their active cases are falling, so if they consider the capacity of their health service to cope as a key metric for re-opening, then it is still on track.

The arguments for opening up states in the US is turning uglier, with Governors on both sides of the political divide noting the inadequacy of testing as a major constraint for them when it comes to re-opening. You could still probably argue that new cases in the US look to have peaked, which should mean the daily death tally should also soon begin to ease back, but the decline is still pretty marginal, and looks highly vulnerable to policy mistakes.

The UK is also having to deal with an increasingly tetchy public, with rebuttals of claims that a re-opening may occur as soon as May 11, and of newspaper criticisms of early UK policy towards the virus outbreak.

Here in Asia, there is no one-size-fits-all remark that can be levied on how it is going. China is having to respond to new outbreaks in Heilongjiang with lockdowns in the town of Suifenhe, according to the Financial Times. And of course, we are still digesting last week's negative GDP figures. Korea gets to show how it has coped under the crisis, with its GDP release this week. The consensus is for a relatively modest 1.5%QoQ decline in GDP, which would be a remarkably good outcome if it is close to the mark. This could show what could have been done when testing capacity is aggressively ramped up early on in a pandemic - Korea has not had any *mandatory* lockdowns (Daegu was voluntary, though well followed). That said, it is a bit like showing losing contestants on a TV game-show what they could have won if they hadn't gambled their [paltry winnings on the big prize.](#)

Increasingly, we will turn back again to economic data like this to see how badly lockdowns have affected our countries, and to throw into the hat alongside clinical and epidemiological requirements for any re-opening. Like it or not, there will be a trade-off between the state of an economy and the lives of its citizens that politicians will implicitly, and often behind closed-doors, explicitly be making. And the worse the economic numbers, the greater the pressure on them to bow to public demands for a relaxation of controls. So there is still a purpose to being an economist, even if it hasn't felt like that for many weeks.

## Asia today

Later this morning, the PBOC will release its new figures for the Loan Prime Rate: Iris Pang in Hong Kong writes, "The PBoC is widely expected to cut 1Y LPR by 20 bps. A smaller or deeper cut will surprise the market. The next question is then how many more cuts can the PBoC perform given that it does not agree with ultra-low interest rate policy. We believe that there will be hints on this question from the PBoC Q&A or statement".

And we've already had 1Q20 New Zealand CPI, which at 2.5%YoY (+0.8%QoQ), has exceeded the midpoint of its inflation target mandate (1-3%). Its a bit ironic now they've cut policy rates to their effective lower bound and started Quantitative Easing - but much of the increase appears to be related to indirect taxes, and the biggest rises from a year ago are cigarettes and alcohol. The coming quarters will almost certainly pare back these increases taking inflation back below or close to its midpoint. But the message here may be, NZ could be one of the first countries to start normalising policies as it exits its own very successful lockdown programme.

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