

GDP data - a taste of things to come

This week, advance 1Q20 GDP from the US will show how the lockdown is affecting the world's biggest economy, and give a glimpse into how bad things could get in the G-7 in 2Q20. Taiwan GDP provides more insight within Asia



Are we getting used to bad data yet?

Despite surging initial claims data, US stocks seem to be finding more comfort in the amount of stimulus that has been unleashed from various sources than discomfort at the likely path of the US economy, and therefore, corporate earnings. The 1Q20 GDP consensus is -3.9%, which would be fairly dreadful. That would not be as bad as the 4Q2008 GDP 8.4% drop. Our James Knightley is looking for a -6.0% figure for 1Q20. But the consensus is very broad, with a -1.0% high (from a credit card company, they may have some proprietary data that gives them insight...), to -10%, which suggests that there is a lot of wet-finger waving going on (more than usual) with these estimates.

However, about all we will really learn from these numbers is the ceiling for 2Q20 GDP growth. Because whatever the number for 1Q20, 2Q20 is bound to be worse, given the timing of the lockdowns.

In our part of the world, we get Taiwan 1Q20 GDP. Taiwan has taken a very different approach to the virus outbreak than most other parts of the world, including Mainland China, avoiding

widescale lockdowns and instead, taking a technology-based aggressive track, trace and quarantine approach, in particular to overseas arrivals, and including early border closures.

With only 429 confirmed cases and 6 related deaths, Taiwan's Covid-19 experience has been even more successful than that of South Korea, which registered a 1.5%QoQ decline in GDP in its release at the end of last week (still leaving GDP up year-on-year). The consensus 1.7%YoY increase in GDP for Taiwan would imply something of the order of a 0.2pp QoQ (not annualised) decrease, so about -0.8% annualised. Not bad if they come anywhere close to that.

Its all about re-opening

Elsewhere in the world, the conversation is still all about re-opening. Spain and Italy will outline their plans to re-open this week, following Germany, which re-opened some shops last week. Some of Australia's states are also moving towards re-opening, following successful lockdowns. Case numbers in Australia have been consistently low for some time now, making a cautious re-opening look well worth a try.

NY's Governor, Andrew Cuomo, is also floating a possible May 15th re-start for building and manufacturing. And we wait with bated breath to see if Georgia's audacious reopening last Friday is going to work, or if it was premature. It's too early to say yet, and the US' stepped-up testing is making their daily case tally look worse, even though this is really possibly just the result of greater testing. The motivation for re-opening was highlighted by reports that due to meat-packing shutdowns, America is running close to running out of meat.

The UK new case tally remains stubbornly high, and the death rate also. It may be some time before they can re-open. Though the return of PM Boris Johnson to work today after his Covid-19 infection may shed some more light on that. I wish him well on his recuperation.

N Korea leader mystery

Otherwise, Asia's news will probably continue to be coloured by speculation that something serious has happened to N Korea's leader, given the continued absence of any news. While optimists may talk of unification possibilities in the event of his demise or incapacitation, the more plausible story of power vacuum and chaos may be the one that dominates market sentiment.

China data today

Besides the likelihood of an uneventful BoJ meeting today, we have some Chinese industrial profit data today before the long holidays and reopening in China create the potential for some improved consumer activity. Iris Pang in HK writes: "We expect inbound tourism will come back but on a much smaller scale compared to previous years for the May Golden Week holidays in China (starting from 1st May). Catering businesses may not benefit a lot from the Golden Week as social distancing measures in restaurants are still very strict. Spending will not be strong as consumers worry about their job and wage prospects".

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