

## Light at the end of the tunnel

European countries begin to mull easing of restrictions, though worries about second waves persist



light at the end of the tunnel

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### Good news or just to prop up morale?

If the people of Europe are feeling anything like the cabin fever I'm struggling with, then the prospect of some gradual easing of restrictions will help to keep spirits buoyed and movement restrictions adhered to. If it seems a bit early to be considering deconfinement, it probably is. But the thinking might be that you can't keep extending lockdowns and expecting there not to be some sort of pushback or some crumbling of adherence.

In any case, the FT is suggesting that France, Spain, Belgium, and Finland may be actively looking at formulating a plan for deconfinement. In addition, Denmark, Germany, Italy, and the UK are apparently looking into this, though perhaps not wanting to distract attention from the current message, which remains to comply with lockdowns.

The relevance of this is that it could indicate the end in sight for the deep economic trough being ploughed by some economies. Though the very cagey steps being discussed re-emphasize that any improvement may be very gradual, and there remains a high risk that even these easing restrictions could result in second waves of the disease, which would doubtless result in countries returning quickly to lockdown.

If that turns out to be the case, this would be more like the third [\(and second-worst scenario in our latest monthly - if you haven't yet had a chance to read it, please give it a look\)](#).

## US cases still on upward path

Though the numbers of new cases in Europe does indeed seem to be on a downward path, this is far from a straight line, and the occasional huge spike, as recorded in France over the weekend is going to keep policy setters from proceeding too rapidly. But even this jerky improvement is better than the current picture in the US, where the numbers of new cases is steadily and relentlessly climbing. At the regional level, there are some positive developments, and New York, the epicentre of the US epidemic, might be in the early stages of peaking. Nationally though, a peak in new cases still looks weeks away, with the death count lagging one to two weeks behind that.

That means the economic shock to the US caused by widening and deepening restrictions on movement is running behind that in Europe, so the economy will continue to deteriorate while Europe's numbers find a floor.

That provides scope for further, even worse figures than those we saw last Friday with the release of the March jobs report. [I've linked to James Knightley's note here](#). But note Knightley's comment that things are likely to get much, much worse, with the jobless rate next month potentially already exceeding that reached during the height of the global financial crisis. If that doesn't put all this into perspective, I don't know what does.

## Singapore tightens social distancing measures

Singapore's new case count isn't running away, but neither is it falling, and the weekend saw a record number of new cases. It is probably no coincidence that the new [social distancing circuit breaker measures introduced by the government](#) will fall as thousands of returning Singaporeans and ex-pats from overseas see their stay-at-home (SHN) notices come to an end. This includes my eldest son, so the condo pool will be out of bounds for him the moment he is allowed to leave the apartment to use it. A second X-box will hopefully ease some of his pain.

On the new Singapore measures and additional stimulus plans, Prakash Sakpal writes "Finance Minister Heng Swee Keat is due to announce the third stimulus package today. Coming less than two weeks after the second package of S\$48 billion, the new package will enhance the existing job support program. Despite increasing policy support, the month-long social distancing and movement restricting "circuit-breaker" means a significant dent to GDP growth in the current quarter, probably more than our -4.5% YoY forecast.

Thailand: Deputy Prime Minister Somkid Jatusripitak has signalled additional stimulus worth THB 1.68 trillion (10% of GDP) to be tabled for Cabinet approval on Tuesday (7 April). The package will be funded with fresh borrowing and reallocation of the existing budget. It also includes executive decrees for the Bank of Thailand to implement the stimulus, empowering the central bank to directly extend soft loans to SMEs and purchase corporate debt that's being rolled over. We continue to expect an additional 50bp of rate cuts from the BoT in the current quarter.

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