Light at the end of the tunnel

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

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 $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.

Robert Carnell
Regional Head of Research, Asia-Pacific
+65 6232 6020
robert.carnell@asia.ing.com
Disclaimer

"THINK Outside" is a collection of specially commissioned content from third-party sources, such as economic think-tanks and academic institutions, that ING deems reliable and from non-research departments within ING. ING Bank N.V. ("ING") uses these sources to expand the range of opinions you can find on the THINK website. Some of these sources are not the property of or managed by ING, and therefore ING cannot always guarantee the correctness, completeness, actuality and quality of such sources, nor the availability at any given time of the data and information provided, and ING cannot accept any liability in this respect, insofar as this is permissible pursuant to the applicable laws and regulations. This publication does not necessarily reflect the ING house view. This publication has been prepared solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice. The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is deemed authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. The nature and extent of consumer protections may differ from those for firms based in the UK. Details of the Temporary Permissions Regime, which allows EEA-based firms to operate in the UK for a limited period while seeking full authorisation, are available on the Financial Conduct Authority’s website. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.