

Recovery - but what sort?

Promising signs from the US provide cause for optimism, but let's not get carried away



Stronger US data

Here are some must-read notes from James Knightley on [the state of the US recovery](#), and also last Friday's [eye-popping payrolls figures](#).

So, OK, you can take issue with the latest US labour numbers, but then you always can. What I think we can now say is that at the moment the US economy began to re-open, the economy began to improve.

This is the flip side of my lockdown mantra, which is that "lockdown's work, but they also hurt". Further easing will likely see further improvements across a broad range of indicators.

But before you get too carried away, this is hardly an endorsement of V-shaped recovery, though as JK also notes, this is the experience for the new homes markets, and auto sales are also looking fairly buoyant too. Elsewhere, the continued existence of social distancing rules, plus the "permanent" job losses associated with the lockdowns mean that it will likely be some time before that lost output is made up. If it took 14 quarters to recoup the losses of the global financial crisis (as Knightley also points out), will we really see a much quicker recovery from Covid-19? And what even constitutes a "V" in this context? A two quarter recovery? Three?

Honestly, I think the whole discussion of what letter shape the recovery will be is so flawed and prone to misinterpretation and abuse, that this is literally going to be the last time I mention it in these notes (this feels like a promise I know I am not going to be able to keep, but I'll try).

To finish this section, I saw a nice tweet over the weekend on this, noting that the early gains once the recovery takes hold (as it now appears to have done) could be strong. This is because some of the jobs and output lost were only loosely dislocated. The middle section could be more difficult, and the final part is likely to be very hard indeed. Intuitively, this seems a sensible summary of what we are likely to face. If so, we may still have a month or two of decent recovery to come before the gains start to slow.

China trade - not so buoyant

If the latest US labour data were unbelievably good, the latest Chinese trade data were credibly weak. [Iris Pang expands on this here](#). And not only are they weak, but the forward indicators for Chinese trade remain very soft. Even with a recovery in China underway, and Covid-19 largely under control, this is a decent reminder to those piling into risk assets that there is a long hard slog ahead, which rising China-US tensions over technology are likely to make worse. In other words, enjoy these US numbers, because the global picture remains extremely tough.

Today in Asia - Lite

There's not much on the calendar today in Asia, Prakash Sakpal notes this from Malaysia from the end of last week though, "On Friday, Prime Minister Muhyiddin Yassin announced a fourth stimulus package worth MYR 35 billion, including MYR 10 billion of direct fiscal thrust via wage subsidies and skills development programmes, and the rest in the form of tax exemptions. While this brings the total stimulus so far up to 20% of GDP, we estimate a real thrust (excluding easy credit, loan moratoriums, bank guarantees, etc. form the total package) of only 5.6%. This is poised to boost the fiscal deficit to a record high level, though the official view of the deficit doubling to 6% of GDP this year appears to be optimistic. Our deficit forecast before the latest package was 6.3% of GDP (3.4% in 2019). Local markets are on holiday today for the King's birthday".

Revised 1Q20 GDP data in Japan this morning were a bit below consensus, though improved on the previous iteration of the release, coming in at -0.6%QoQ, or -2.2% on an annualised basis. The changes are driven by some weaker consumer spending, which was more than offset by stronger business investment. It is very unlikely that we will revise our current -4.9% forecast for 2020 on the back of these numbers after such a small revision. These forecasts just aren't that mechanical, nor do we literally intend you to take seriously anything after the decimal point (but people fixate on this stuff and wouldn't be happy if we just said "very negative").

Author

Amrita Naik Nimbalkar

Junior Economist, Global Macro
amrita.naik.nimbalkar@ing.com

Alissa Lefebre

Economist
alissa.lefebvre@ing.com

Deepali Bhargava

Regional Head of Research, Asia-Pacific

Deepali.Bhargava@ing.com

Ruben Dewitte

Economist

+32495364780

ruben.dewitte@ing.com

Kinga Havasi

Economic research trainee

kinga.havasi@ing.com

Marten van Garderen

Consumer Economist, Netherlands

marten.van.garderen@ing.com

David Havrlant

Chief Economist, Czech Republic

420 770 321 486

david.havrlant@ing.com

Sander Burgers

Senior Economist, Dutch Housing

sander.burgers@ing.com

Lynn Song

Chief Economist, Greater China

lynn.song@asia.ing.com

Michiel Tukker

Senior European Rates Strategist

michiel.tukker@ing.com

Michal Rubaszek

Senior Economist, Poland

michal.rubaszek@ing.pl

This is a test author

Stefan Posea

Economist, Romania

tiberiu-stefan.posea@ing.com

Marine Leleux

Sector Strategist, Financials

marine.leleux2@ing.com

Jesse Norcross

Senior Sector Strategist, Real Estate

jesse.norcross@ing.com

Teise Stellema

Research Assistant, Energy Transition

teise.stellema@ing.com

Diederik Stadig

Sector Economist, TMT & Healthcare

diederik.stadig@ing.com

Diogo Gouveia

Sector Economist

diogo.duarte.vieira.de.gouveia@ing.com

Marine Leleux

Sector Strategist, Financials

marine.leleux2@ing.com

Ewa Manthey

Commodities Strategist

ewa.manthey@ing.com

ING Analysts

James Wilson

EM Sovereign Strategist

James.wilson@ing.com

Sophie Smith

Digital Editor

sophie.smith@ing.com

Frantisek Taborsky

EMEA FX & FI Strategist

frantisek.taborsky@ing.com

Adam Antoniak

Senior Economist, Poland

adam.antoniak@ing.pl

Min Joo Kang

Senior Economist, South Korea and Japan

min.joo.kang@asia.ing.com

Coco Zhang

ESG Research
coco.zhang@ing.com

Jan Frederik Slijkerman
Senior Sector Strategist, TMT
jan.frederik.slijkerman@ing.com

Katinka Jongkind
Senior Economist, Services and Leisure
Katinka.Jongkind@ing.com

Marina Le Blanc
Sector Strategist, Financials
Marina.Le.Blanc@ing.com

Samuel Abettan
Junior Economist
samuel.abettan@ing.com

Franziska Biehl
Senior Economist, Germany
Franziska.Marie.Biehl@ing.de

Rebecca Byrne
Senior Editor and Supervisory Analyst
rebecca.byrne@ing.com

Mirjam Bani
Sector Economist, Commercial Real Estate & Public Sector (Netherlands)
mirjam.bani@ing.com

Timothy Rahill
Credit Strategist
timothy.rahill@ing.com

Leszek Kasek
Senior Economist, Poland
leszek.kasek@ing.pl

Oleksiy Soroka, CFA
Senior High Yield Credit Strategist
oleksiy.soroka@ing.com

Antoine Bouvet
Head of European Rates Strategy
antoine.bouvet@ing.com

Jeroen van den Broek

Global Head of Sector Research
jeroen.van.den.broek@ing.com

Edse Dantuma
Senior Sector Economist, Industry and Healthcare
edse.dantuma@ing.com

Francesco Pesole
FX Strategist
francesco.pesole@ing.com

Rico Luman
Senior Sector Economist, Transport and Logistics
Rico.Luman@ing.com

Jurjen Witteveen
Sector Economist
jurjen.witteveen@ing.com

Dmitry Dolgin
Chief Economist, CIS
dmitry.dolgin@ing.de

Nicholas Mapa
Senior Economist, Philippines
nicholas.antonio.mapa@asia.ing.com

Egor Fedorov
Senior Credit Analyst
egor.fedorov@ing.com

Sebastian Franke
Consumer Economist
sebastian.franke@ing.de

Gerben Hieminga
Senior Sector Economist, Energy
gerben.hieminga@ing.com

Nadège Tillier
Head of Corporates Sector Strategy
nadege.tillier@ing.com

Charlotte de Montpellier
Senior Economist, France and Switzerland
charlotte.de.montpellier@ing.com

Laura Straeter

Behavioural Scientist
+31(0)611172684
laura.Straeter@ing.com

Valentin Tataru
Chief Economist, Romania
valentin.tataru@ing.com

James Smith
Developed Markets Economist, UK
james.smith@ing.com

Suvi Platerink Kosonen
Senior Sector Strategist, Financials
suvi.platerink-kosonen@ing.com

Thijs Geijer
Senior Sector Economist, Food & Agri
thijs.geijer@ing.com

Maurice van Sante
Senior Economist Construction & Team Lead Sectors
maurice.van.sante@ing.com

Marcel Klok
Senior Economist, Netherlands
marcel.klok@ing.com

Piotr Poplawski
Senior Economist, Poland
piotr.poplawski@ing.pl

Paolo Pizzoli
Senior Economist, Italy, Greece
paolo.pizzoli@ing.com

Marieke Blom
Chief Economist and Global Head of Research
marieke.blom@ing.com

Raoul Leering
Senior Macro Economist
raoul.leering@ing.com

Maarten Leen
Head of Global IFRS9 ME Scenarios
maarten.leen@ing.com

Maureen Schuller

Head of Financials Sector Strategy

Maureen.Schuller@ing.com

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@asia.ing.com

Rafal Benecki

Chief Economist, Poland

rafal.benecki@ing.pl

Philippe Ledent

Senior Economist, Belgium, Luxembourg

philippe.ledent@ing.com

Peter Virovacz

Senior Economist, Hungary

peter.virovacz@ing.com

Inga Fechner

Senior Economist, Germany, Global Trade

inga.fechner@ing.de

Dimitry Fleming

Senior Data Analyst, Netherlands

Dimitry.Fleming@ing.com

Ciprian Dascalu

Chief Economist, Romania

+40 31 406 8990

ciprian.dascalu@ing.com

Muhammet Mercan

Chief Economist, Turkey

muhammet.mercan@ingbank.com.tr

Iris Pang

Chief Economist, Greater China

iris.pang@asia.ing.com

Sophie Freeman

Writer, Group Research

+44 20 7767 6209

Sophie.Freeman@uk.ing.com

Padhraic Garvey, CFA

Regional Head of Research, Americas

padhraic.garvey@ing.com

James Knightley

Chief International Economist, US

james.knightley@ing.com

Tim Condon

Asia Chief Economist

+65 6232-6020

Martin van Vliet

Senior Interest Rate Strategist

+31 20 563 8801

martin.van.vliet@ing.com

Karol Pogorzelski

Senior Economist, Poland

Karol.Pogorzelski@ing.pl

Carsten Brzeski

Global Head of Macro

carsten.brzeski@ing.de

Viraj Patel

Foreign Exchange Strategist

+44 20 7767 6405

viraj.patel@ing.com

Owen Thomas

Global Head of Editorial Content

+44 (0) 207 767 5331

owen.thomas@ing.com

Bert Colijn

Chief Economist, Netherlands

bert.colijn@ing.com

Peter Vanden Houte

Chief Economist, Belgium, Luxembourg, Eurozone

peter.vandenhoute@ing.com

Benjamin Schroeder

Senior Rates Strategist

benjamin.schroeder@ing.com

Chris Turner

Global Head of Markets and Regional Head of Research for UK & CEE

chris.turner@ing.com

Gustavo Rangel

Chief Economist, LATAM

+1 646 424 6464

gustavo.rangel@ing.com

Carlo Cocuzzo

Economist, Digital Finance

+44 20 7767 5306

carlo.cocuzzo@ing.com