

Asia Macro Outlook

May 2020

Renee Chen

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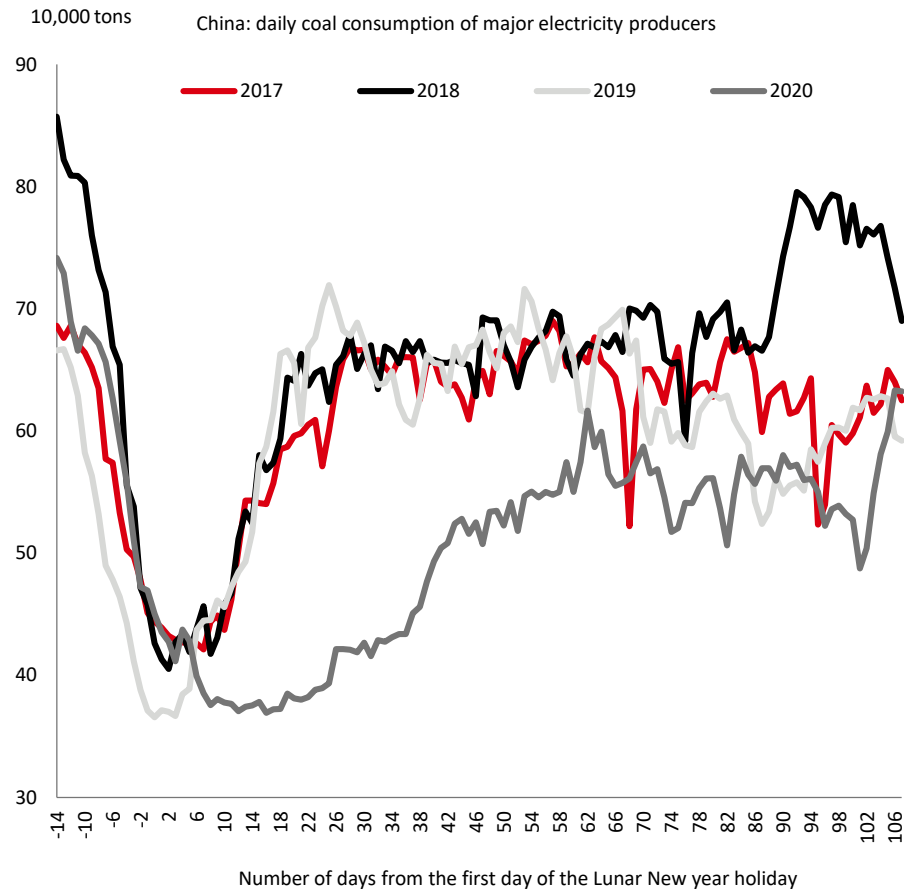
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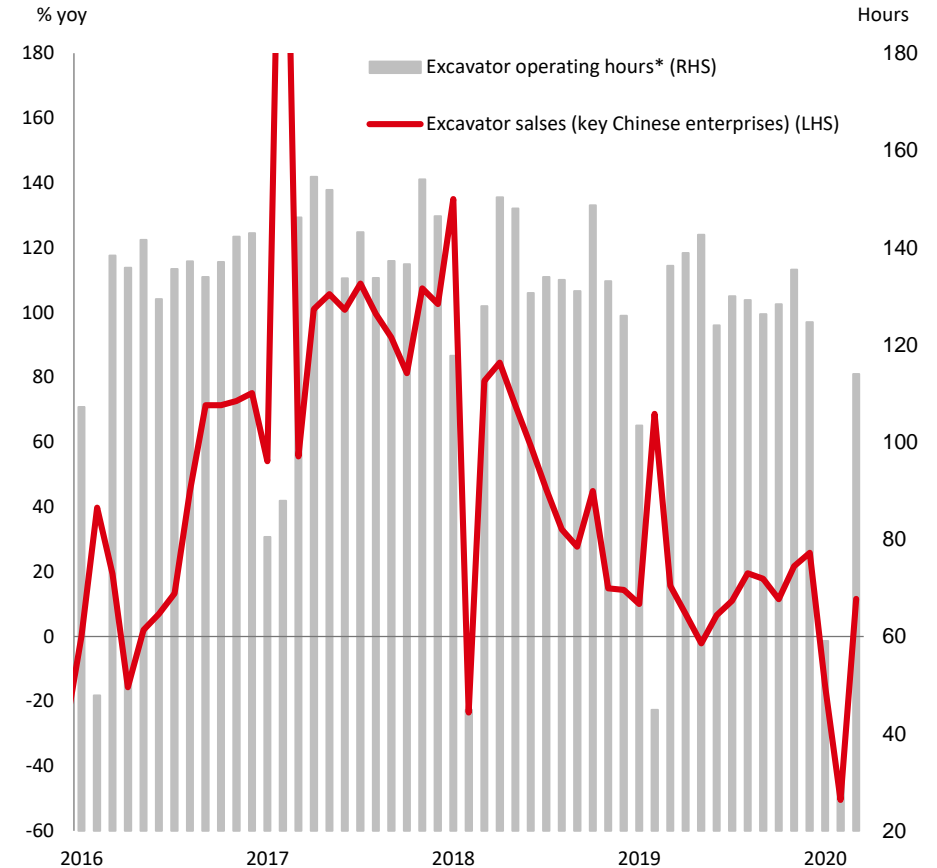
China leads in economy reopening with continued production/construction recovery

But it is not out of woods yet

China's ongoing recovery of production and construction activities



The jump in March excavator sales may indicate a recovery in infrastructure investment in China



Note: * include mining and mini equipment. Source: Bloomberg, CEIC, WIND, HSBC Global Asset Management, as of April 2020.

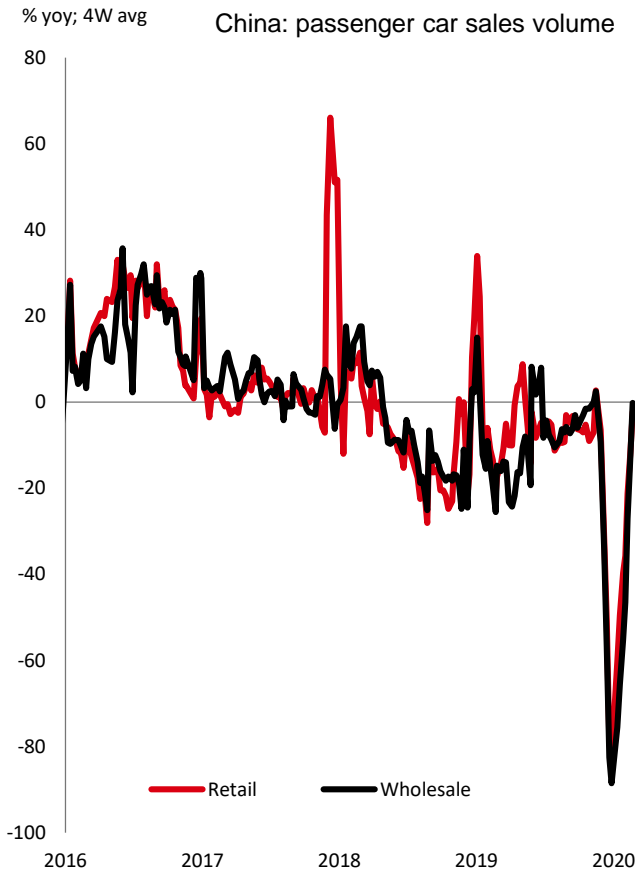
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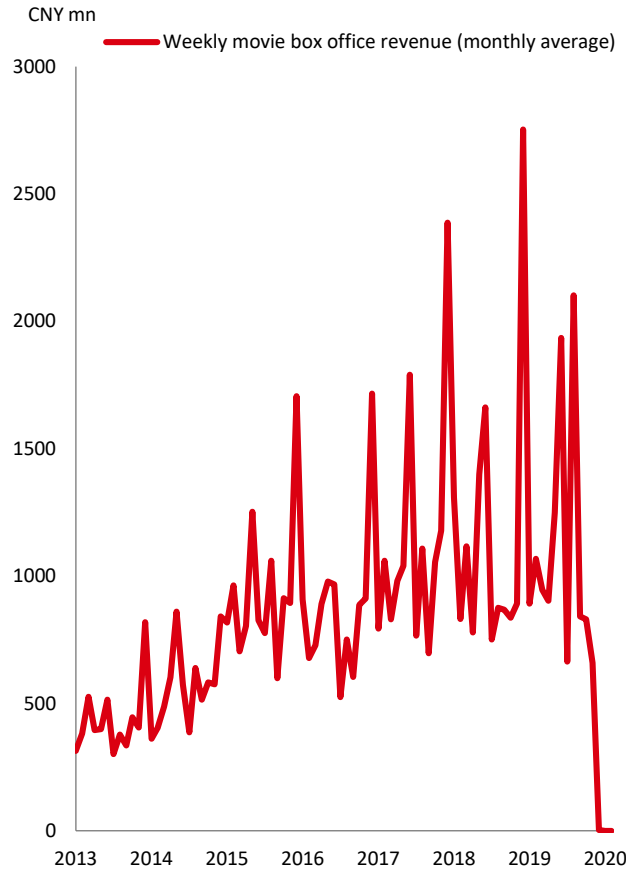
China's uneven recovery: offline, discretionary service consumption lags

But further relaxations of social distancing measures support a gradual consumption recovery

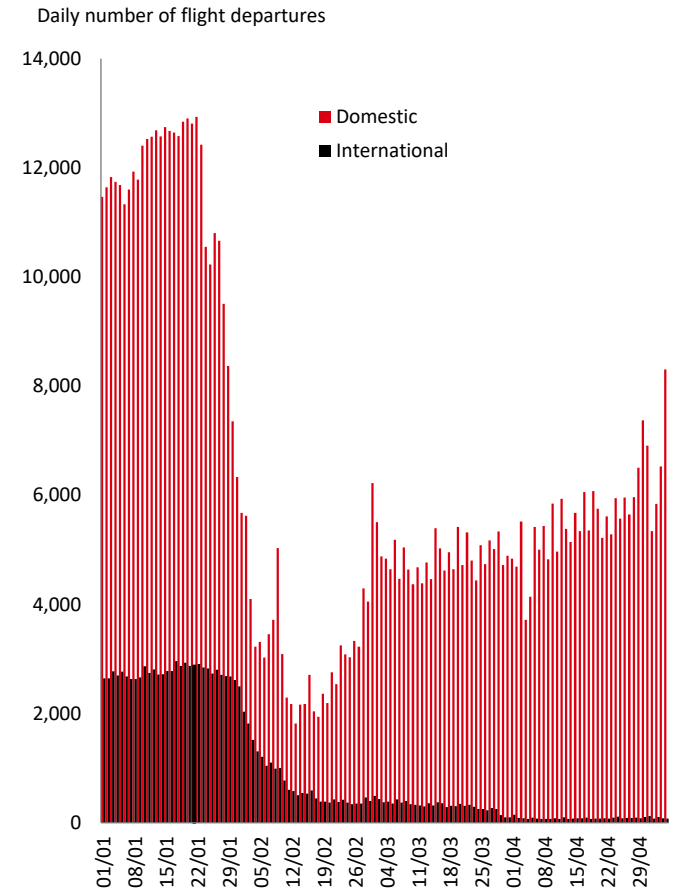
Passenger car sales volume bottoms out; measures to support auto demand introduced



Movie box office revenue remained depressed in April



International flights ground to a halt; domestic flights recover slowly



Source: Bloomberg, WIND, HSBC Global Asset Management, as of April 2020.

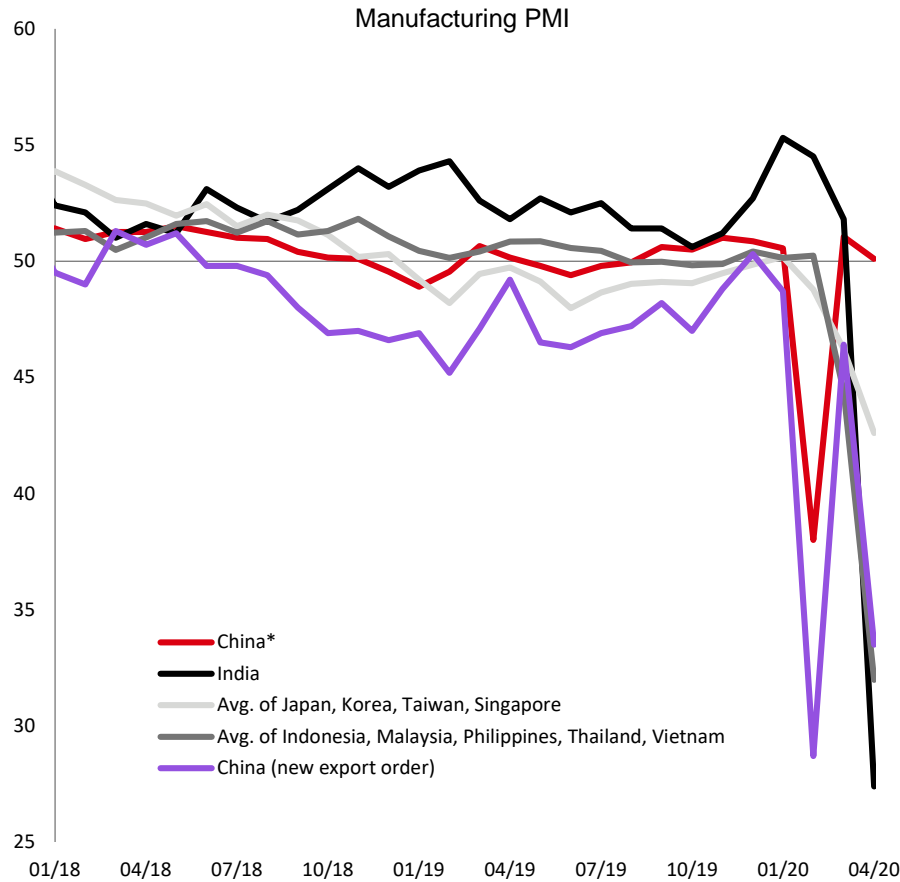
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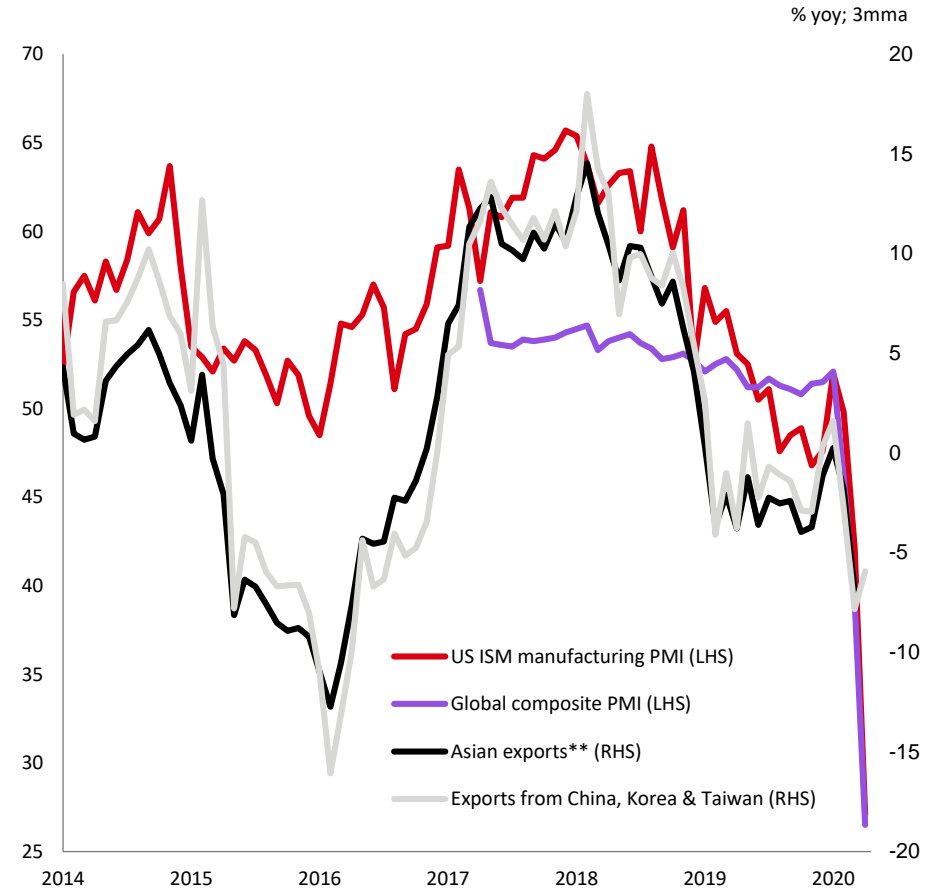
Asia faces global demand and supply-chain shocks from the COVID-19 pandemic

Amid domestic social distancing policies; policy support and effectiveness key to S-T outlook

Sharp decline in manufacturing business sentiment



Risk from an impending export downshift/slowdown



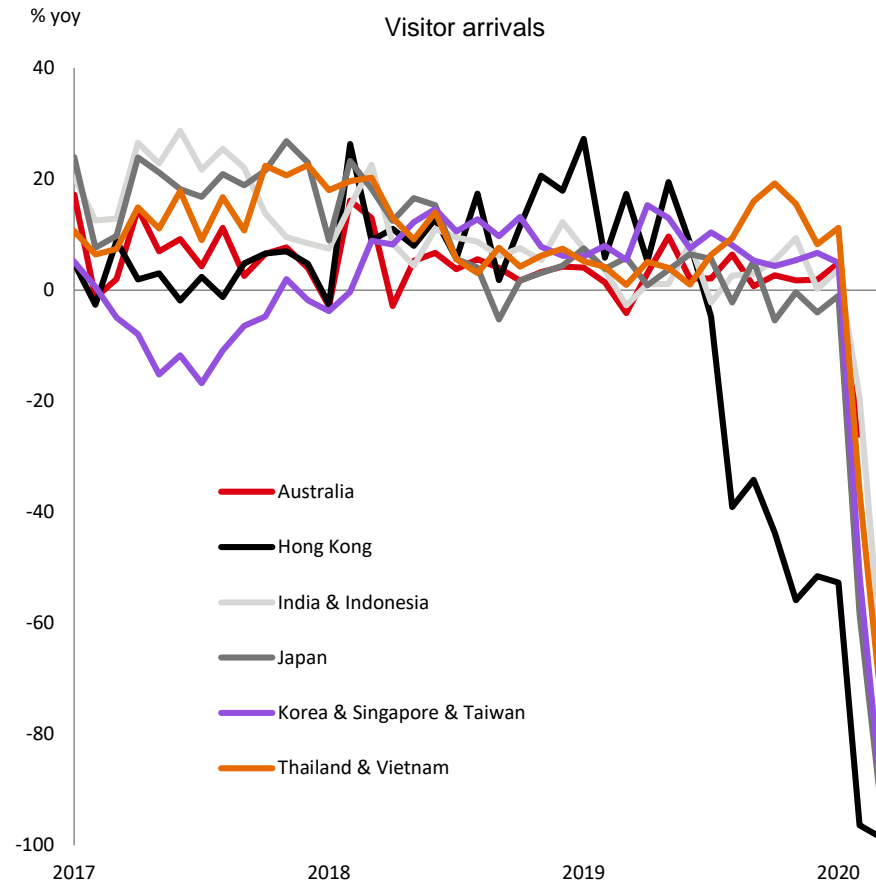
Note: * Average official and Caixin readings for China; ** Include China, HK, India, Indonesia, Korea, Malaysia, Philippines, Singapore, Taiwan and Thailand
 Source: Bloomberg, CEIC, WIND, HSBC Global Asset Management, as of April 2020.

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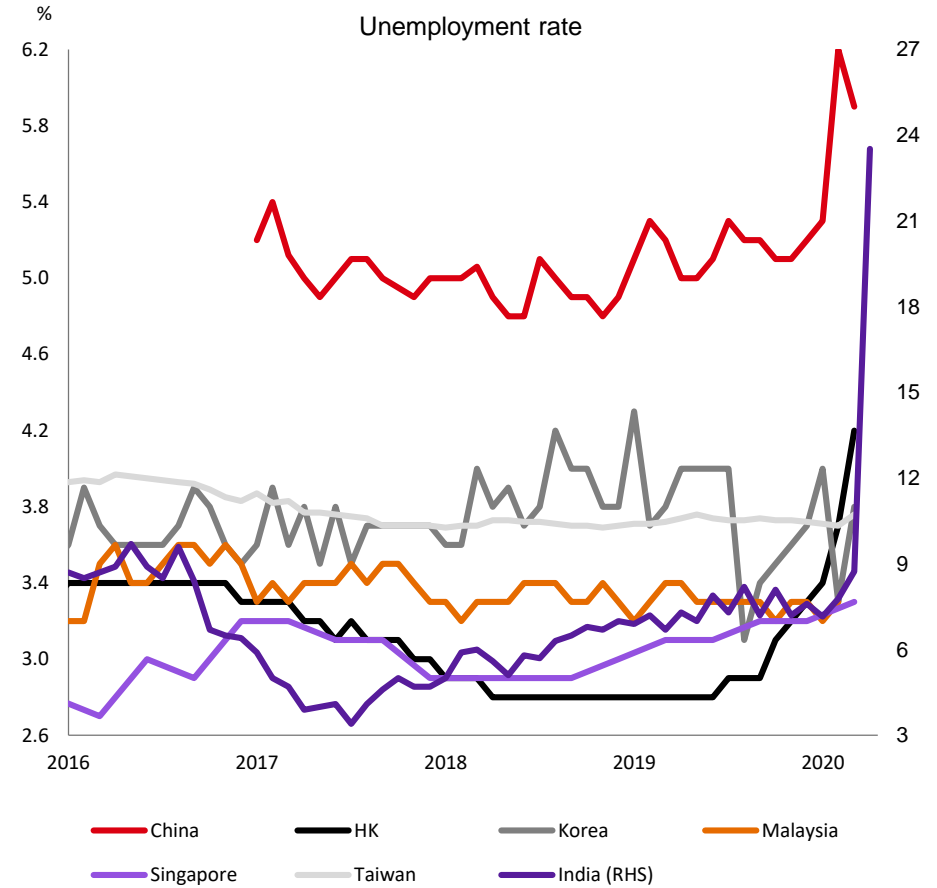
Cross-border/international tourism/travels hit hard by the global pandemic

Watch the second round risk from job & income losses and lingering “public fear” factor

Plunges in tourism amid travel restrictions



Signs of labour market weakness



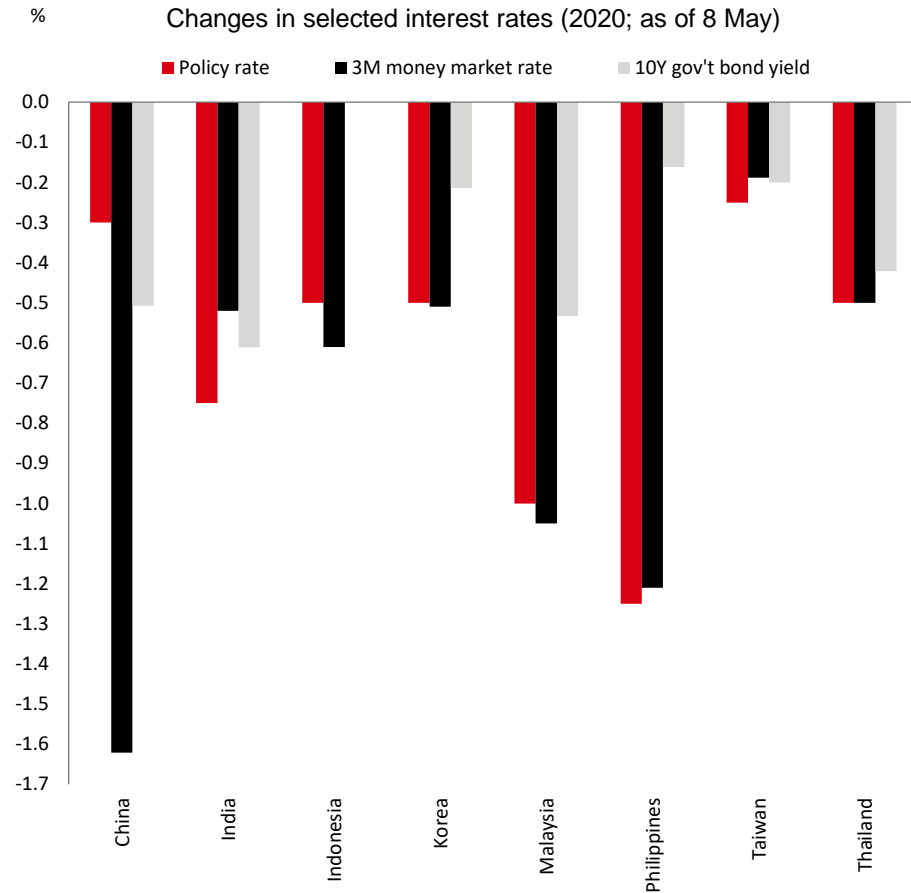
Source: Bloomberg, CEIC, WIND, HSBC Global Asset Management, as of April 2020.

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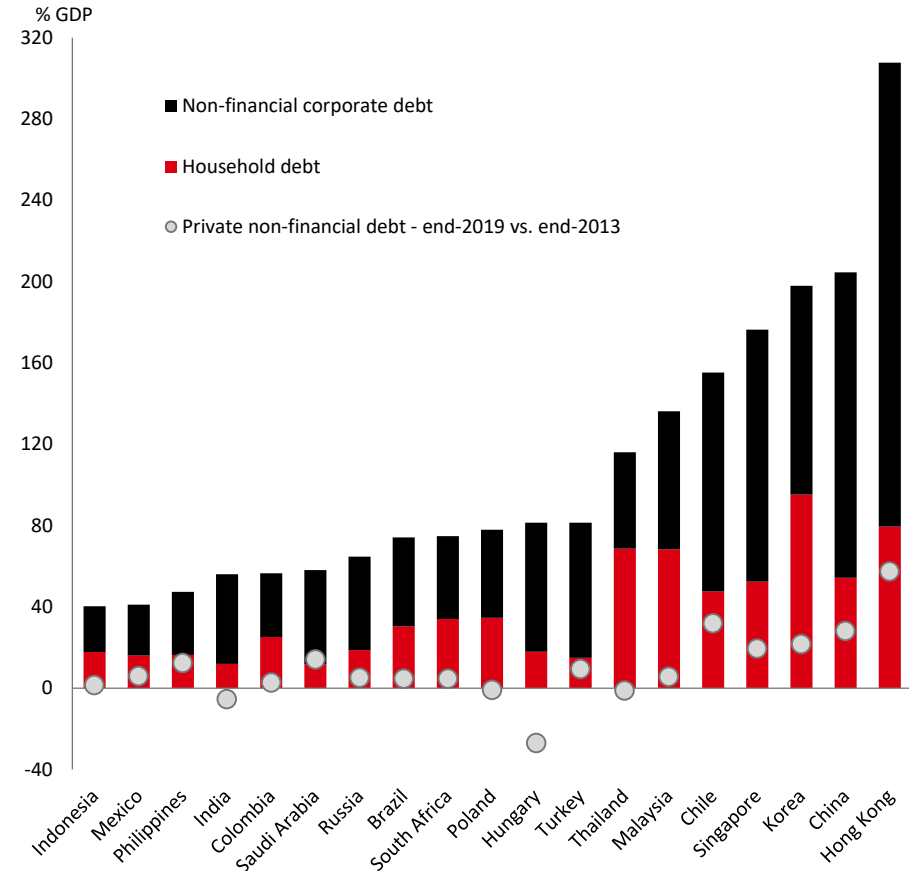
Monetary/credit policy easing helps contain liquidity or financial instability risks

Space for further (targeted) actions remain; leverage is a concern for some

An extended monetary easing cycle



Relatively high private sector leverage in parts of Asia



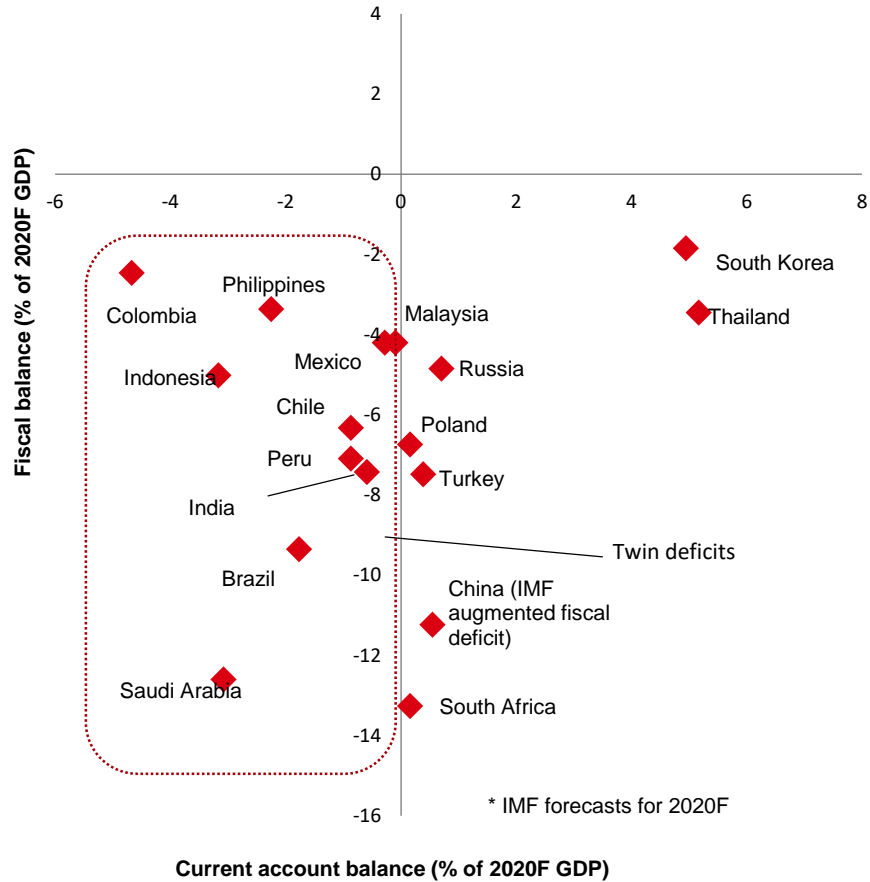
Source: IIF, Bloomberg, CEIC, HSBC Global Asset Management, as of April 2020.

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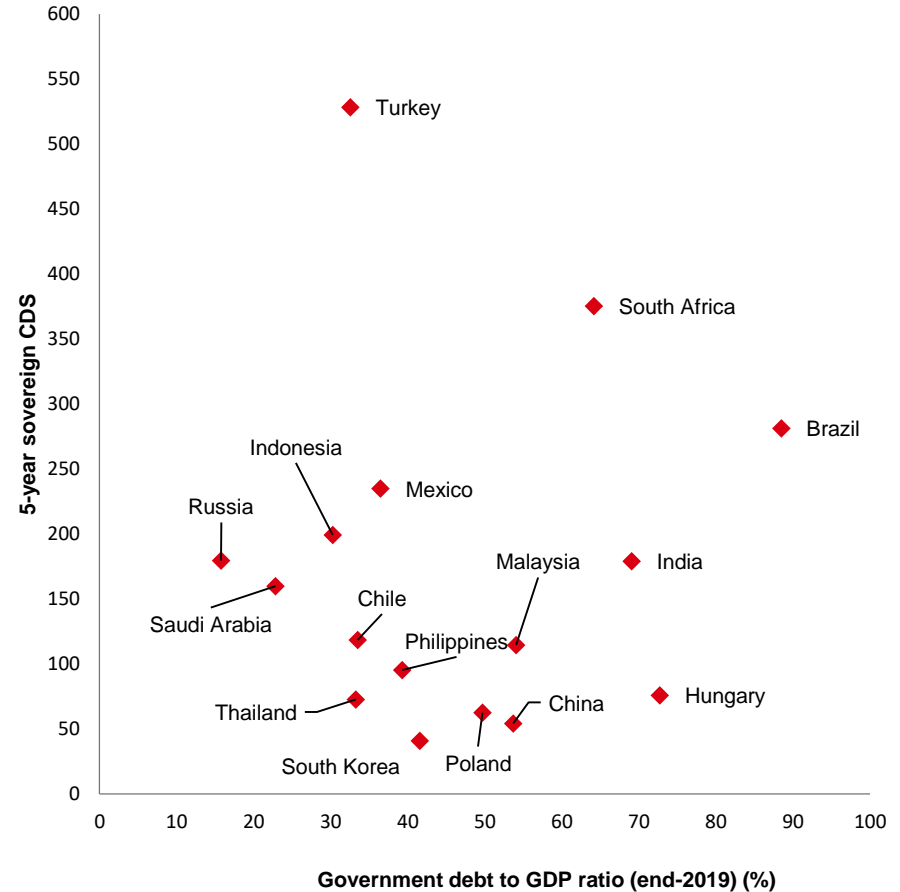
Asia's relative economic resilience

Despite likely material deterioration in fiscal balances and public finance challenges

Asia generally fares better in the “twin deficit” challenges



Asia's relatively sound public finances vs. other EMs



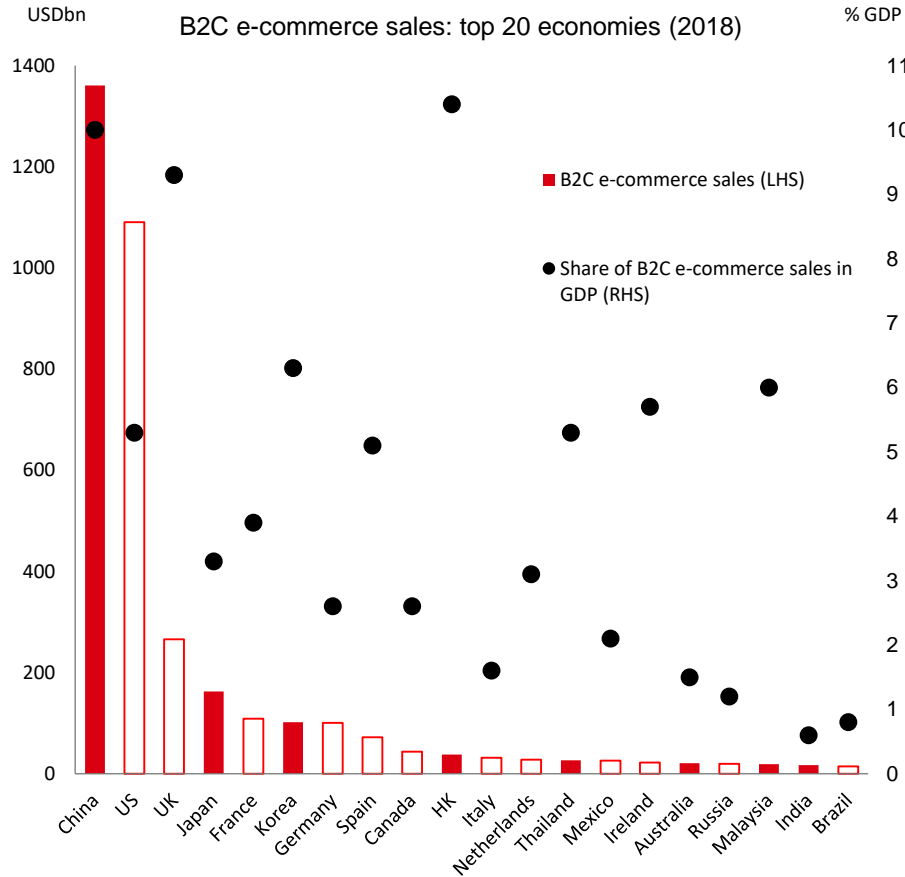
Source: IMF, IIF, Bloomberg, HSBC Global Asset Management, as of April 2020.

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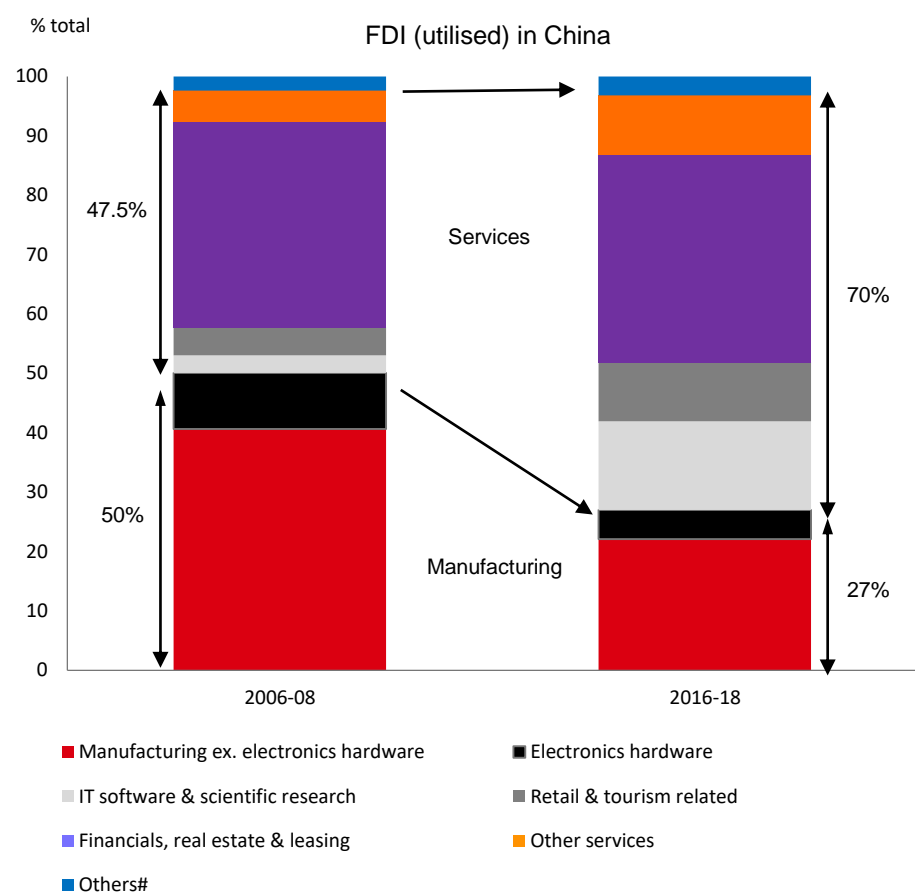
Higher online penetration in consumption and entertainment provides a growth lift

Supply-chain migration post COVID-19; China's role is unlikely to be reduced rapidly

China/Asia continued to lead the global e-commerce market



Structural shift in FDI in China from towards services



Source: UNCTAD, CEIC, HSBC Global Asset Management, as of April 2020.

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