

# Week Ahead Economic Preview

## Global overview

- Flash PMIs for US, Japan, Eurozone and Australia
- China's first quarter GDP
- Key US data releases to add Fed guidance

With concern growing about a global economic slowdown, the coming week sees some important data releases to add guidance for the world's largest economies.

Updates to flash PMIs for April will provide particularly useful clues as to the pace of manufacturing growth at the start of the second quarter. [Flash eurozone PMI™](#) numbers for March caused steep financial market declines, fuelled in particular by growing alarm regarding the extent of the downturn in Germany's manufacturing sector. Manufacturing PMIs for Japan, the US, and Australia also disappointed, having highlighted the intensifying impact of weakened trade flows on the global economy.

Hitherto resilient flash service sector PMIs will also be scoured for any signs of the slowdown spreading beyond the factory sector. The [March surveys](#) showed the global economy largely reliant on the service sector to sustain growth.

The release of first quarter GDP for China will meanwhile be eyed for confirmation that recent stimulus measures are reviving the economy after Caixin PMI data showed business conditions improving in March. New loans data are likewise eagerly awaited.

Other key releases include US industrial production, trade, housing starts and retail sales data which, alongside the PMIs, will help frame Fed policymaking. The Fed has stepped back from hiking rates this year but remains data dependent, albeit under increasing political pressure to stimulate the economy.

The extent of any impact from Brexit uncertainty on the UK economy will meanwhile be assessed from updates to the labour market, retail sales and inflation.

Euro area and Japanese trade data will also be gleaned for signs of global trade malaise.

Other key events include the Indonesian general election and South Korea's central bank meeting.

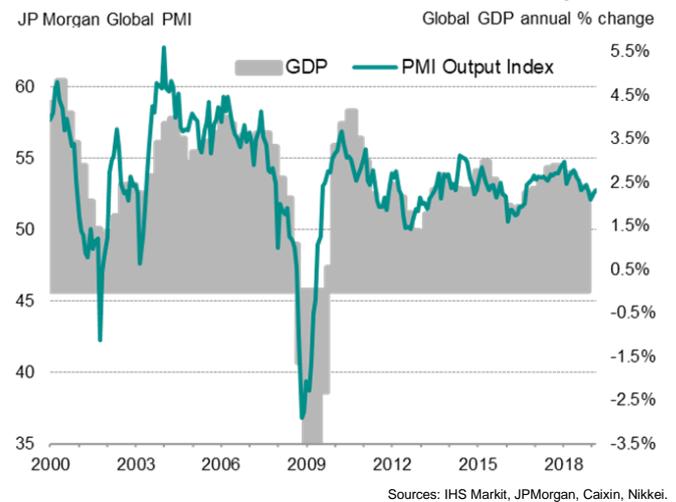
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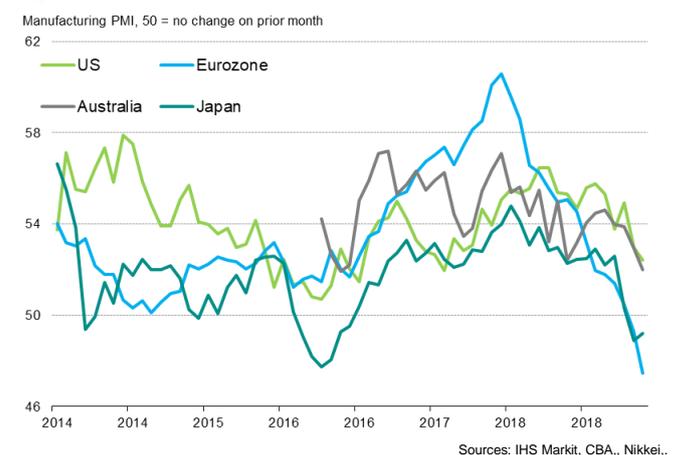
### Special reports

- 6 Asia Focus: APAC Green Bond Market Buoyed by UN Climate Change Agreement and ESG

### Flash PMI data will provide an insight to global economic conditions at the start of the second quarter



### Flash manufacturing PMI surveys either weakened or signalled decline in March



## Key diary events

### Monday 15 April

Indonesia trade (Mar)  
India WPI (Mar)  
China new yuan loans, total social financing, M2 (Mar)  
US NY Empire State manufacturing index (Apr)  
Russia industrial production (Mar)

### Tuesday 16 April

RBA meeting minutes  
China house price index (Mar)  
UK employment change (Jan), jobless rate, average earnings (Feb), claimant count change (Mar)  
Euro area and Germany ZEW surveys (Apr)  
Euro area construction output (Feb)  
US industrial production (Mar), NAHB housing market index (Apr)

### Wednesday 17 April

Indonesia general election  
Japan trade (Mar), industrial production (final, Feb)  
Singapore NODX exports and trade balance (Mar)  
China GDP (Q1), industrial output, fixed asset investment, retail sales (Mar)  
UK inflation, Visa consumer spending index (Mar), IPA Bellwether Report (Q1)  
Euro area trade balance (Mar) and inflation (final, Mar)  
US trade, wholesale inventories (Feb)

### Thursday 18 April

Flash PMI surveys for Australia, Japan, US, Eurozone, Germany and France (Apr)  
South Korea monetary policy decision  
Australia employment change, jobless rate (Mar)  
Hong Kong unemployment rate (Mar)  
India monetary policy meeting minutes  
UK retail sales (Mar)  
US retail sales, Philly Fed manufacturing index (Mar), business inventories (Apr)

### Friday 19 April

Japan inflation (Mar)  
Italy business and consumer confidence (Apr)  
US building permits, housing starts (Mar)

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# United States Week Ahead

Industrial production data, plus flash US PMIs give insight at start of Q2

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The release of the latest industrial production and flash PMI data are the highlights in the US calendar, with all eyes on a widening gap between the struggling manufacturing sector and a relatively robust service sector performance as we head into the second quarter of 2019.

## Flash US PMI surveys

An early insight into the progress of the US economy in the second quarter will be provided by April data from the IHS Markit flash PMI surveys. The surveys showed resilient growth in the first quarter, albeit reliant on the service sector. However, forward-looking indicators from the PMI's sub-indexes in March suggest that easing domestic and foreign demand for US goods and services will continue to impact output and hiring over the coming months.

The GDP tracker produced by IHS Markit's US economists, utilizing a wide range of economic indicators, points towards 2.1% GDP growth in the first quarter, slowing to 1.5% in the second quarter. A big question is whether the service sector can sustain robust growth in the face of a wilting goods-producing sector.

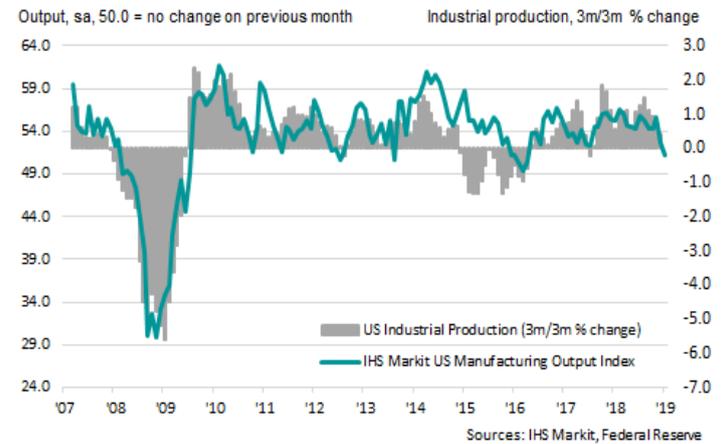
## Industrial production release

As has been seen across large swathes of the global economy, the US goods-producing sector reported a weaker overall performance in the March PMI survey, suggesting the official data on factory production could likewise signal a deteriorating trend. The manufacturing expansion has been on a downward trajectory since October according to official statistics, but a solid service sector upturn has propped up recent GDP figures.

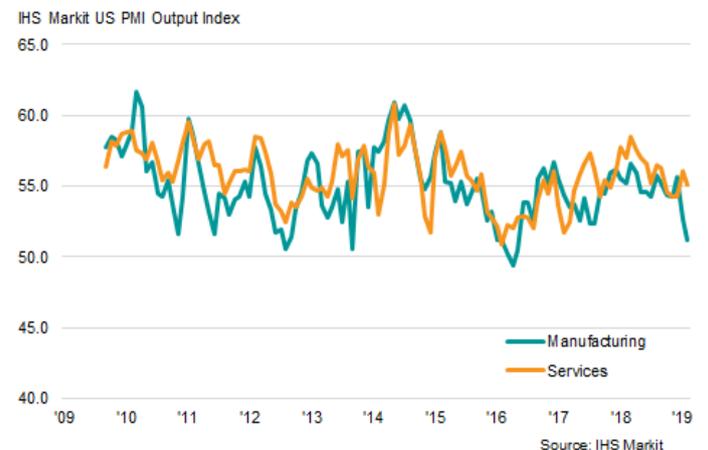
Other key data releases include trade, wholesale and business inventories, retail sales, the Philly Fed and NY Empire State surveys, as well as the NAHB housing market index.

The latest developments in the economy will be closely watched ahead of the Fed meeting at the end of April, especially as the latest CPI came in below consensus, adding to expectations that the Fed will remain in hold in 2019, albeit data dependent.

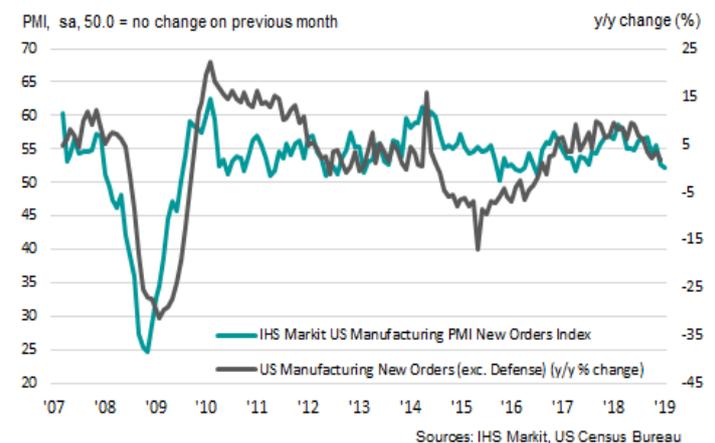
### US manufacturing production under pressure



### Largest gap between manufacturing and services PMI output gauges since February 2014



### US manufacturing demand stalls



# Europe Week Ahead

Inflation and labour market updates plus flash Eurozone PMI surveys

By **Joe Hayes**

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Flash PMI estimates for the eurozone lead the bill for next week's round of key macroeconomic data releases in Europe. Inflation and trade statistics for the single-currency area will also add an extra layer of colour to underlying economic conditions.

Away from Brexit-related news, data on inflation, employment, wages and retail sales are all due for the UK in the coming week.

## Eurozone PMI

The first gauge of economic activity for the eurozone for April comes in the coming week with the release of flash PMI data. The survey has signalled a marked slowdown across the euro-area, raising concern with policymakers and reinforcing a dovish tilt by the European Central Bank.

The manufacturing component of the surveys also took an especially marked dive in March, with Germany observing the sharpest fall in production for over six years. The PMIs will provide further signals as to whether the manufacturing sector is to continue along this downward trajectory, and whether the malaise has spread to services.

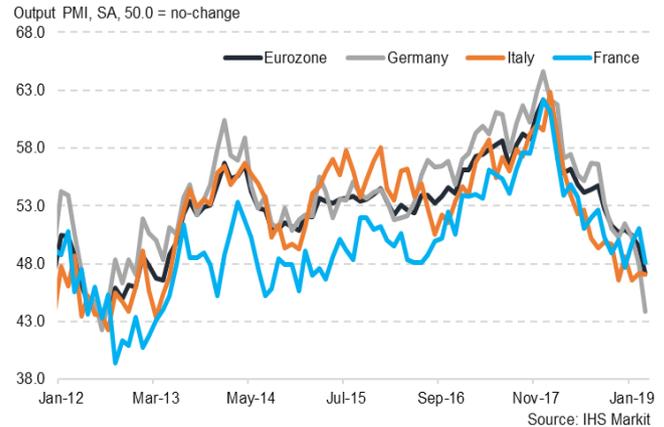
The eurozone trade balance for February is also due which, despite ticking up in January, remained subdued. Latest data will be used to assess the on-going impact from trade tensions and weaker global economic growth. Lastly, updated inflation numbers are expected to signal continued weakness in price pressures across the euro-area.

## Away from Brexit

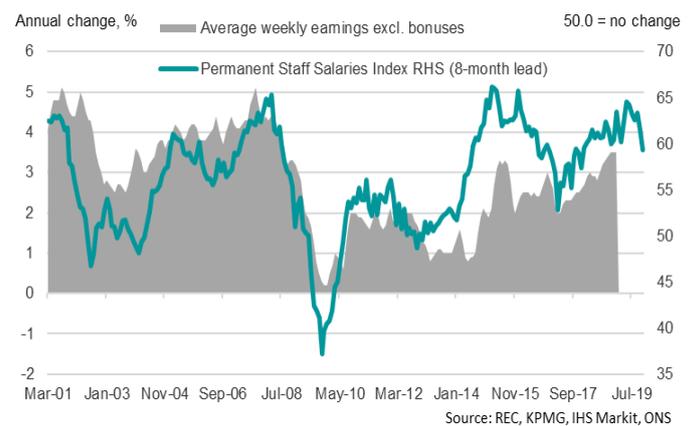
Turning attention away from Brexit, a slew of UK macroeconomic data starts with labour market data on Tuesday. Survey data have hinted at a softening of jobs growth as Brexit uncertainty intensified, but average weekly earnings will likely remain the key focus, as analysts look for signs of further wage pressures to support household spending. Growth in real earnings has been one of few upsides for the UK recently.

Next week will also bring UK inflation data for March, as well as official retail sales numbers. Survey data suggest price pressures have moderated.

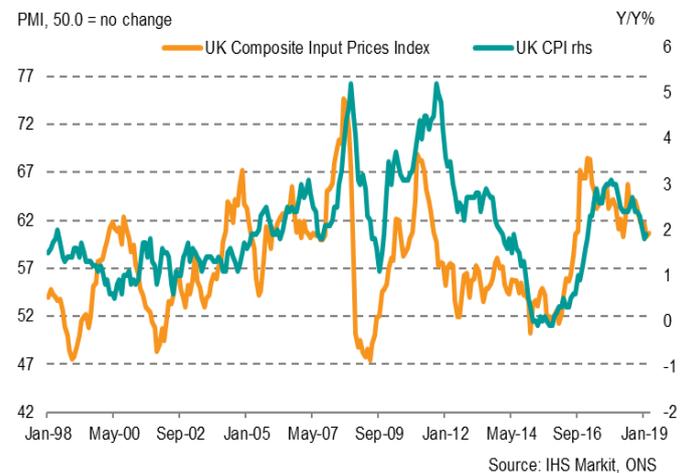
### ECB take dovish tilt amid falling euro-area PMIs



### Surveys suggest further UK wage pressures lie ahead



### UK real pay growth boosted by weaker inflation



# Asia Pacific Week Ahead

China GDP, Indonesia election plus flash Australia and Japan PMIs

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In addition to flash PMIs for Japan and Australia, a major highlight of the week will be China's first quarter GDP figures, plus a clutch of other economic data for China including credit, investment and retail sales. Other key data releases include trade figures from Japan, Singapore and Indonesia, while South Korea decides on monetary policy. Meanwhile, Indonesia will hold its general election.

Our special report this week looks at the recent factors that have buoyed the APAC green bond market.

## China GDP

China's GDP update will be in focus with analysts keen to assess the impact of recent fiscal stimulus measures. [Caixin PMI surveys](#), compiled by IHS Markit, pointed to the strongest growth in Chinese business conditions in nine months in March, providing evidence to suggest that recent fiscal support measures are beginning to work. Nevertheless, further economic growth slowdown is widely expected, with IHS Markit projecting annual GDP rate coming in at 6.3% in the first quarter. Other data releases include bank lending, fixed asset investment and industrial production.

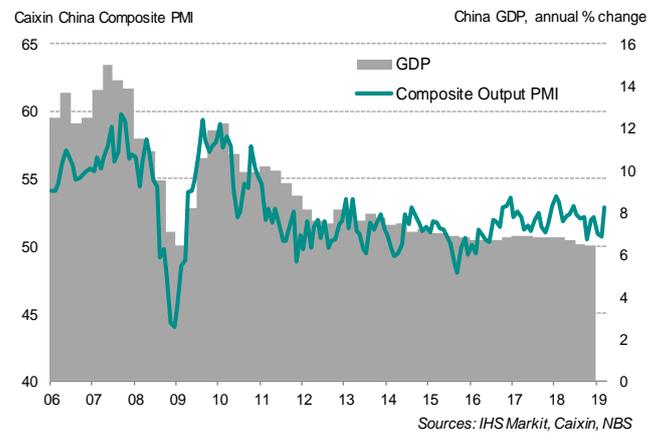
## Indonesia election

Indonesians go to the polls on 17<sup>th</sup> April for presidential and parliamentary elections, with [most polls](#) favouring incumbent president Jokowi. However recent polls do show that the presidential race is getting tighter. The Indonesian [PMI data](#) have pointed to improving manufacturing conditions, with the latest consistent with annual GDP rates of around 5%.

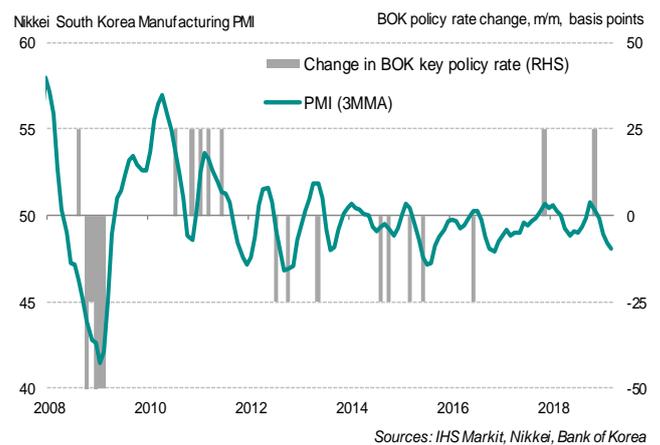
## South Korea sets monetary policy

Expectations in the bond markets are tilting towards a rate cut in South Korea, but central bank governor [Lee Ju-yeol](#) recently commented that the current situation doesn't yet merit an easing in policy rates. That said, recent official economic data have been disappointing, with exports falling for a fourth straight month in March, while the [latest PMI survey](#) continued to flag challenging manufacturing conditions amid a further dip in export sales.

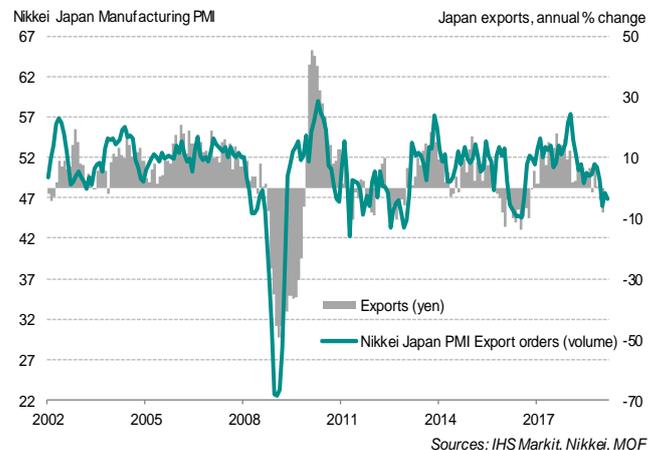
### China PMI and GDP



### South Korea PMI and monetary policy



### Japan manufacturing PMI export orders index



# Asia Pacific Special Focus

## APAC Green Bond Market Buoyed by UN Climate Change Agreement and ESG Principles

By **Rajiv Biswas**

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*The global green bond market has grown at a rapid pace since the first global green bond was issued in 2007. Globally, the total new issuance of green bonds was estimated at USD 167 billion in 2018. The rapid growth of the green bond market has been boosted by the policy commitments of an estimated 195 sovereign governments to the UN COP-21 Paris Agreement on Climate Change in 2015, which has accelerated the shift of national policy priorities in many nations towards sustainable development and greater use of clean energy.*

*In the Asia-Pacific region, there has also been rapidly-growing issuance of green bonds, driving the growth of the Asian green bond market. China has been leading the Asia-Pacific shift towards green bond financing, with an estimated USD 31 billion of new green bonds originated by Chinese issuers in 2018.*

### The APAC green bond market

Total new issuance of green bonds in the Asia-Pacific region rose from an estimated USD 43 billion in 2017 to around USD 50 billion in 2018, amounting to around 30% of total global green bond issuance in 2018. The rapid growth of green bond issuance in the Asia-Pacific has been driven by the large scale of new green bond issuance in China during 2017 and 2018. China is by far the largest issuer of green bonds amongst global emerging markets.

Total Chinese green bond issuance in 2018 was estimated at USD 31 billion, based on international standards for defining eligible green bonds, amounting to around 19% of total global green bond issuance in 2018.

In addition to fast-growing green bond issuance in mainland China, Hong Kong has emerged as an Asian capital markets hub for green bond issuance, with an estimated USD 11 billion of green bonds issued in

Hong Kong in 2018. This represented a very large increase compared with just USD 3 billion in 2017.

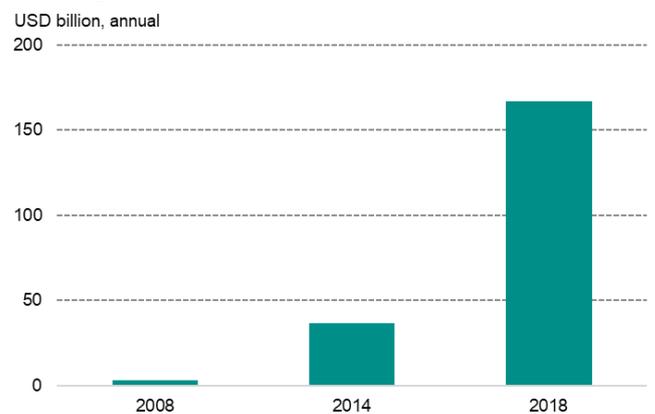
Mainland Chinese firms are also playing an important role in boosting Hong Kong's position as an international market, since an increasing number of non-Hong Kong entities choose Hong Kong for their green bond issuance.

However, the ASEAN region is also starting to play a more significant role in the green bond market, with ASEAN Green Bond Standards having been introduced in 2017, facilitating green bond issuance. Indonesia issued a USD 1.25 billion sovereign green sukuk bond in 2018, with a Thai issuer also having placed a green bond that year. Following the success of its sovereign green sukuk issue in 2018, Indonesia has issued another sovereign green sukuk bond in February 2019, for USD 750 million with a tenor of five and a half years.

The major capital markets of Australia and Japan are also among the largest sources of issuances of green bonds in the Asia-Pacific region. The Treasury Corporation of New South Wales, a state government issuer, successfully placed an AUD 1.8 billion (USD 1.3 billion) 10-year green bond in November 2018, which was heavily subscribed by domestic investors as Environmental, Social and Governance (ESG) mandates become increasingly important for the asset allocation strategies of Australian asset managers. Treasury Corporation Victoria, another Australian state government issuer, successfully raised an AUD 300 million green bond in 2016.

Also in 2018, the Auckland Council became the first local government in New Zealand to issue a green bond, with a successful NZD 200 million issue raised in order to fund investment in electric trains and associated infrastructure.

### Global green bond new issuance



Source: IHS Markit.

### ASEAN launches green finance facility

The decision taken by ASEAN Finance Ministers at their meeting in Chiang Mai on 4<sup>th</sup> April to launch a USD 1 billion ASEAN Catalytic Green Finance Facility in partnership with the Asian Development Bank (ADB) highlights the increasing momentum in the Asia-Pacific region to mobilize increased green financing for sustainable development.

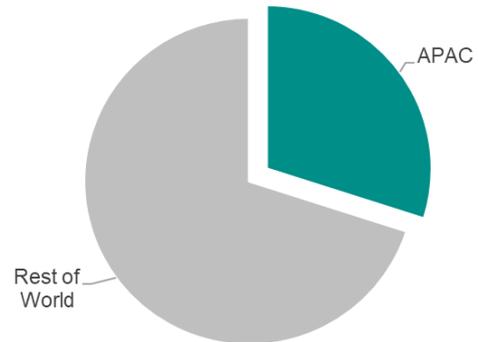
The facility will mobilize a total of USD 1 billion, which will include USD 75 million from the ASEAN Infrastructure Fund (AIF), USD 300 million from ADB, Euro 300 million (USD 336 million) from KfW, Euro 150 million from the European Investment Bank, and Euro 150 million from Agence Française de Développement. The financing facility will be used to fund green and environmentally sustainable infrastructure projects such as clean energy and water sanitation.

ASEAN institutional investors are also gradually adopting the ESG principles in their investment strategies, which will accelerate the development of the ASEAN green bond market. For example, in Malaysia, two of the largest fund managers, Employees Provident Fund (EPF) and Kumpulan Wang Persaraan (KWAP), have adopted the ESG principles. Thailand's largest pension fund, Government Pension Fund, has also decided to establish a Thai Baht 1 billion ESG fund that will invest in Thai companies listed on the Stock Exchange of Thailand that meet sustainable investment guidelines. The Stock Exchange of Thailand has established Sustainability Reporting Guidelines with ESG qualitative and quantitative indicators that cover climate change, human rights and innovation issues.

### India's green bond market

India has been a relatively late entrant to the green bond market, with its first green bond only having been issued in 2015. In 2016, the Indian Securities Exchange Board of India released guidelines relating to disclosures required for listing green bonds, helping to create the foundations for the further development of the green bond market. Total cumulative green bond issuances in India have grown significantly in 2017 and 2018, exceeding USD 7 billion, as India became a leading global green bond issuer in 2017. The policy shift under Prime Minister Modi towards ambitious renewables energy targets has also helped to boost the domestic green bond market. In 2018, India's largest public sector bank, the State Bank of India, launched its first green bond, raising USD 650 million.

### APAC green bond new issues, 2018



Source: IHS Markit

### Outlook for the APAC green bond market

The growth of the Asia-Pacific green bond market has been boosted by the impact of significant shifts in government policies towards sustainable development and reducing carbon emissions in order to meet the Paris Climate Change Agreement CO2 emissions targets. Amongst APAC nations, China has been at the forefront of using green bonds to finance sustainable development. ASEAN nations have meanwhile been intensifying efforts to develop an ASEAN green bond market. At the same time, increasing numbers of major institutional investors in the APAC region are adopting ESG guidelines for their investment strategies, putting increasing pressure on governments and private sector issuers to issue green bonds that meet international best practice ESG standards, notably the UN Principles for Responsible Investment.

Consequently, the momentum for the further growth of the APAC green bond market is likely to increase rapidly over the medium-term. The APAC green bond market is estimated to exceed a total cumulative issuance size of over USD 200 billion by 2019, and is likely to exceed USD 500 billion by 2025.

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