

Asia: 50 shades of swoosh

The recovery continues in Asia, but it certainly cannot be described as a "V"-shaped recovery, more of a Nike swoosh, with the depth of the drop and speed of subsequent uptick largely determined by the extent of the pandemic within each country



Source: Shutterstock

Covid-19 still calling the shots for the economy

Asian countries, excluding China, continue to show signs of improvement, but there are still problems. For such an open trade-dependent region, lingering global weakness continues to weigh on manufacturing production with exports remaining soft even where domestic demand has recovered more strongly.

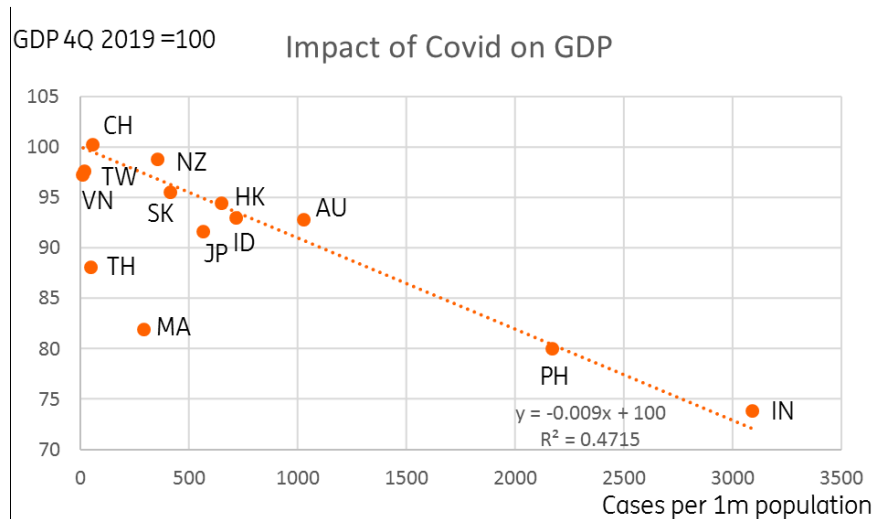
For every 1000 cases per million of the population in Asia, GDP has declined by about 10 percentage points

The pandemic is also clearly still a problem for some economies – Indonesia, Philippines, India, where lockdowns persist despite many months of preventative measures. And the recent flare-ups

in Korea, Australia and New Zealand remind us that Asia is not likely to be able to fully normalise until vaccines become widely distributed.

The first chart below shows how important the virus has been for Asia, with the drop in GDP strongly correlated to the extent of the outbreak. For every 1000 cases per million of population, GDP has declined by about 10 percentage points.

Impact of Covid-19 on cumulative GDP loss (1Q-2Q20)



Source: CEIC, ING
Impact of Covid on GDP

Recovery to pre-Covid levels of GDP could take years

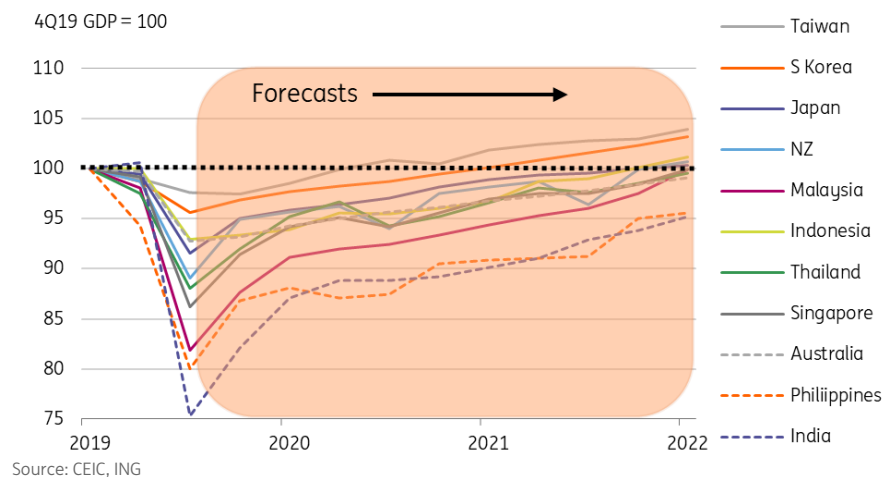
The next chart shows how seasonally adjusted GDP looks like an index where 4Q19 (BC - Before Covid-19) =100.

In all Asian cases, the recovery profile resembles more of the so-called Nike swoosh rather than a V-shape

Both the drop in GDP, and our projection of the subsequent rate of recovery are closely linked to the economies' experience with the virus. For example, South Korea and Taiwan, both see shallow declines and recover pre-Covid levels of GDP earlier than say, India, or the Philippines, where the virus has hit harder and proved tougher to eradicate.

But in all cases, the recovery profile resembles more of the so-called Nike swoosh rather than a V-shape, and for about half of all the economies in the region, GDP remains below pre-Covid levels still by the end of 2022, with only a few pushing above these levels by end-2021.

Asia GDP (seasonally adjusted) profile



It would be worse without a tech upturn

There is also some evidence that the region’s semiconductor sales are driving most of the pick-up in production and exports, though it is less obvious that this is fuelling an increase in unit prices against the backdrop of weak global demand, and non-tech sectors remain weak.

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