

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.

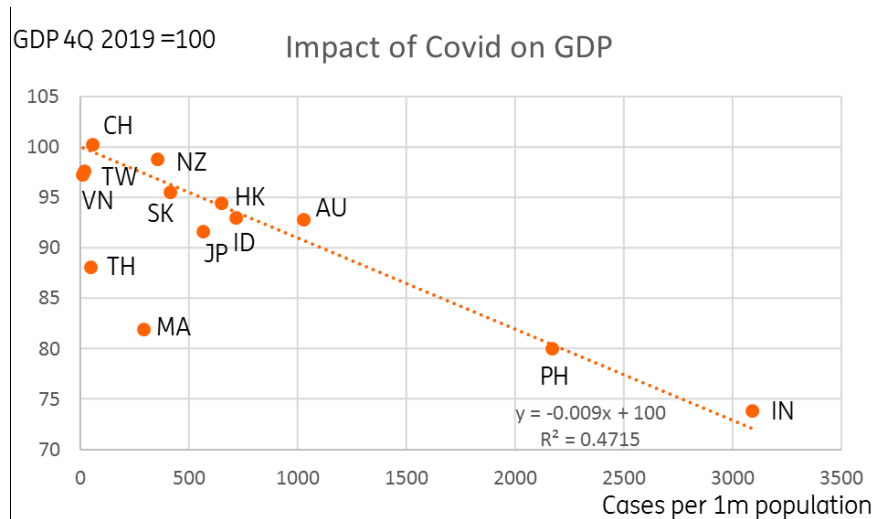
For every 1000 cases per million of the population in Asia, GDP has declined by about 10 percentage points

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

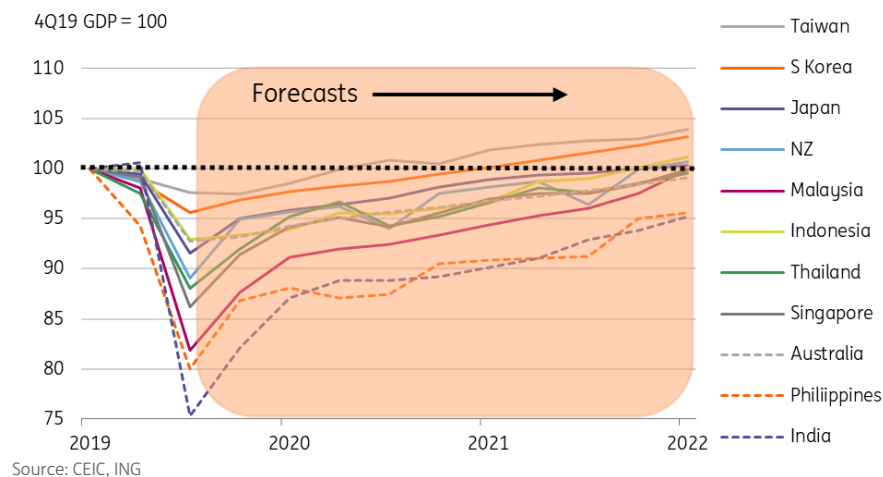
The next chart shows how seasonally adjusted GDP looks like an index where 4Q19 (BC - Before Covid-19) =100.

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.

Author

Robert Carnell

Regional Head of Research, Asia-Pacific

robert.carnell@asia.ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. (“ING”) solely for information purposes without regard to any particular user’s investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* 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 authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. 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.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.