

Asia: Lockdowns work, they also hurt

There is a really wide spectrum of experience for Asia in terms of the Covid-19 outbreak, the responses, the state of the economy and the proximity to a reopening of the economy where it has been closed



Workers produce protective masks at a factory.

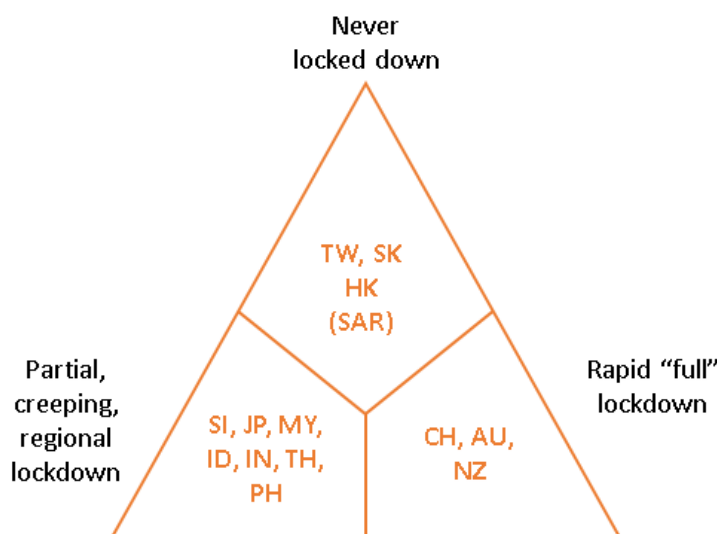
Source: Shutterstock

Asia can be split into three groups

In terms of the pandemic, the response, and the state of the economy, you can split Asia into three main groups. :

1. Didn't go into complete lockdown – South Korea, and Taiwan
2. Locked down quickly, and with vigour – (China), Australia, New Zealand
3. Gradually locked down, partial lockdowns, or late lockdowns – everyone else

Asia Pacific and the pandemic



Source: ING
Asia and the Pandemic

No lockdown sees the smallest GDP loss

Both Taiwan and Korea are not far from a domestic “business as usual” setting, except for the fact that they are “islands” in a world where almost everyone else is locked down.

But both are seeing some mixed signs in manufacturing, though the true magnitude is only likely to be evident with the release of April data. Trade figures have been extremely weak. But domestic demand, though depressed, is beginning to come back.

Economic recovery will only come with an end to lockdowns and a moderation in the local aspects of the pandemic

In the vigorous lockdown group, these countries are already largely out of the most severe forms of lockdown, and phasing to less restrictive forms, with greater freedom of movement and more retail opportunities. Both Australia and New Zealand, like China, show very low daily new Covid-19 case. Further opening of the economy will likely be phased, and quickly reversible. Policy measures have largely been taken and whilst reversal is not on even the medium term calendar, it is hard to see further substantive monetary or fiscal easing. Nonetheless, recovery is likely to be slow. Forget V-shaped.

The final group includes the late/partial/incremental lock-downers, into which you can put most of the ASEAN, including Singapore, as well as Japan (though not technically a lockdown in either).

In some cases, progress with the outbreak is being made, with daily new cases numbers trending

lower. In others (Japan) the trends are upwards. But a lack of reliable testing makes it impossible to generalise about this group or make coherent comparisons. Many lockdowns are being extended into May. Singapore and Japan will probably be in lockdown until early June. Indonesia may have to adopt tougher measures after the end of Ramadan. Also in this group is India, where easing restrictions seems premature given the Covid-19 backdrop.

Lockdowns work, they also hurt

While lockdowns remain in place, the economies of these countries will continue to suffer extreme stress in terms of business failure, household spending and employment shocks. Fiscal measures have already been implemented on a large scale where possible, and monetary policy likewise (though with less direct impact).

Some modest further easing is likely on an ongoing basis where available, but in a few cases will this be substantial or definitive. Economic recovery will only come with an end to lockdowns and a moderation in the local aspects of the pandemic.

In time, global pick up also lends a hand.

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