

Asia escapes fresh Covid waves and remains in better shape

From Asia, the pandemic situation in Europe and the US looks bad and threatens the regions' exports. But the absence of a second wave (or third where that has already happened) in most countries means domestic economies are not in such a bad shape. Our Asia-Pacific forecasts are mostly still within our base case scenario for the pandemic



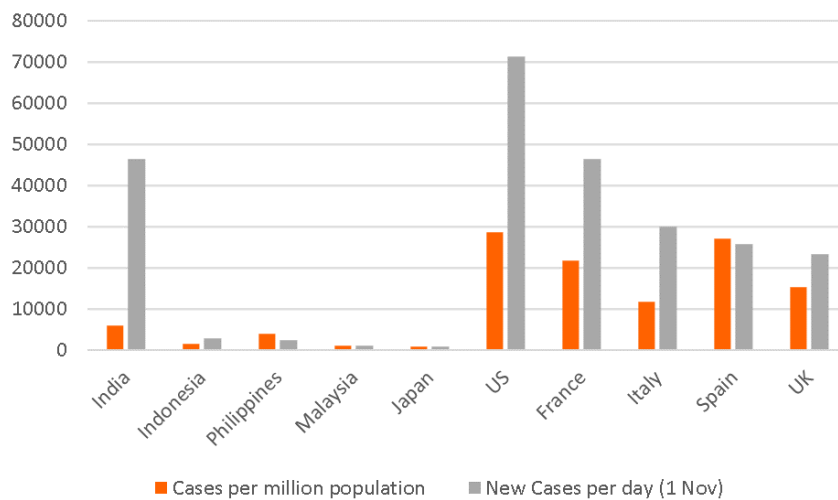
Shoppers in a market in South Korea

Domestic demand holding up

The domestic demand backdrop in Asia remains reasonable - not great, but given the backdrop, reasonable. And in large part, this is because few countries are suffering particularly badly from Covid-19. In fact, in some cases, it is virtually absent except for the few cases cropping up in quarantined arrivals.

Even the worst affected countries in APAC don't look all that bad when viewed against the US or selected European countries. By far the worst affected country is India, with daily cases averaging between 40-50,000. That's about the same as France today. Adjusted for population, India's 5,944 cases per million of the population looks small compared to Spain's 27,042, or the UK's 15,218, though one might quibble over the comparability of the data.

How Asia's worst Covid-19 affected economies compare internationally



Source: Worldometer
Asia Covid-19

Asia's worst-affected economies aren't too badly hit

The two other countries in Asia that have not been having “good” pandemics are Indonesia and the Philippines. Indonesia has already had more than 400,000 confirmed cases in total and the daily case tally is still running at about 3,000. But this is down from its peak of just under 5,000. The Philippines averages something close to 2,000 cases per day, for a total of about 380,000 cases so far. Like Indonesia, although the daily case numbers remain “high”, they are well down from their earlier peaks, of over 6,000, and don’t look too bad on an international basis. Social distancing restrictions remain relatively tight in both countries on a regionally targeted basis, but should both ease this month.

This has the makings of a third wave and will need close watching

Japan has never had a particularly bad outbreak of Covid-19, with just over 100,000 cases in total, and a daily peak during the second wave of just under 2,000. Cases have since dropped, though are heading slowly higher again at about 750 per day. This has the markings of a third wave and will need to be watched closely particularly as its marked seasonality means Japan may have more in common with Europe than with South East Asia.

But Malaysia has also had a second wave of Covid, which is a helpful reminder for other countries in the region that a nice climate is not necessarily strong protection against the virus, though it probably does offer some advantages to colder and wetter countries in the Northern hemisphere. Average daily Covid-19 counts topped 1,200 in Malaysia in October, but are now below 1,000 and trending lower.

For some, Covid-19 is barely a problem

Outside of these countries, the numbers remain extremely low. South Korea has a low level but fairly steady daily new case-count slightly in excess of 100. China's seven-day average of confirmed cases is less than 30, and in Singapore, Hong Kong, Thailand, Taiwan, Australia and New Zealand, average daily cases are in single digits, or virtually zero. Where they do occur, they are usually confined to imported cases for quarantined travellers and pose little or no transfer risk to the broader population.

In Japan's case, the numbers never really rose high enough to merit the sort of national lockdown response that has been required in other parts of the world

Where cases remain on the high side in the region, lockdowns and other restrictions have typically been put in place quite slowly and often have just chased regional outbreaks with regional mobility restrictions, in much the same way that Europe has been doing until recently. In Japan's case, the numbers never really rose high enough to merit the sort of national lockdown response that has been required in other parts of the world, though they seem to have been particularly lucky, rather than particularly skilful in stemming the tide of the virus. The national emergency Japan implemented was itself a recommendation rather than mandatory or backed by legal enforcement.

Elsewhere, no single policy seems to have been critical to a successful outcome, though a combination of strong test, trace and isolation capabilities, strict lockdowns when required, strong border controls (being an island helps) backed by effective and enforced quarantines, rapid implementation of all such policies when required, and only slow and phased relaxation seem to provide some factors that other economies might wish to emulate.

Our forecasts remain within the base case scenario

It looks as if most of Asia-Pacific will avoid a second wave, and for those that have already had one, a third wave.

GDP per capita disparities are likely to widen further over the coming few years of recovery

That means that for the most part, we can stick with our original base case views for economic activity for the economies of the region. And that is for a continued gradual recovery towards 4Q19 levels somewhere between the end of 2021 and 2022. The timing of this being primarily dependent on how bad a pandemic each economy has had, how long and how weak external demand remains (the international environment), and how much and how effective local fiscal support measures are to offset the economic ravages of the pandemic.

Effective governance to stem the spread of the virus has typically been associated with the higher income-per-capita countries of the region, and so too (not surprisingly) have fiscal support measures. This implies that GDP per capita disparities are likely to widen further over the coming few years of recovery.

A snapshot of current social distancing requirements and restrictions

Korea – Lowest of three-tier social distancing except for Metropolitan Seoul which remains on tier two for some elements (tier two bans indoor gatherings of 50 or more or outdoor events of 100 or more).

Australia – Varies by state. Melbourne, which has been the worst affected, entered stage three restrictions on 27 October, which removed restrictions on reasons for leaving your home following the strict lockdown in the city. Rules are due to be relaxed further on 8 November.

Japan – Largely voluntary calls for social distancing, and use of “warning levels” and appeals for limiting opening hours of Karaoke bars and restaurants.

New Zealand – No national or local measures since Auckland lifted its restrictions to combat a second wave in October. Restrictions on international arrivals.

China – Still using the health code app to scan potential Covid infections, which has been effective, so locations without any Covid cases have limited social distancing measures. Cross provincial travel allowed with a green health code.

Hong Kong – Maximum number of people gathering (6 for restaurants, 4 for bars). Longer operation hours to 2am. After the initial relaxation, the government says further relaxation is difficult. Cross border travel still faces quarantine, including to and from Mainland China.

Taiwan – From 24 September, a Mainland China spouse can apply for entry to Taiwan again but needs 14 days quarantine. It is more relaxed in general, but like Japan, most measures adhered to on a voluntary basis.

India – Restrictions vary by state depending on the severity of Covid-19. Reopening of public transport in main cities such as Delhi and Mumbai as well as colleges and entertainment places in some states. Easing of restrictions on social gatherings with up to 200 people in some states. Restaurants and bars operating at 50% seating capacity.

Thailand – Extended Covid-19 state of emergency until end-November even as borders are being opened for foreign visitors with the commitment of at least 30 days of stay.

Malaysia – Tighter restrictions in Federal territories of Kuala Lumpur and Putrajaya and states of Sabah, Selangor and Johor, which were declared “red zones” recently. The measures include banning of inter-district travel other than for work and closure of schools, public parks, recreational centres, and places of worship.

Singapore – Opening of borders for travellers from select countries (Australia, Brunei, China, New Zealand, and Vietnam). More people are allowed to return to their workplaces, with

staggered working hours, as well as to attend work-related gatherings. Limited pilot-programmes under consideration for the safe reopening of bars, karaoke and nightclubs.

Indonesia - In effect until mid-November, Jakarta, Banten and 5 other regions in West Java currently under partial lockdown. 11 identified industries (food, medical services etc) allowed to operate at 100% capacity, others encouraged to work from home or operate at 50%. Restaurants and recreational facilities may operate at 50% capacity with contact tracing conducted for in-person dining. Public transportation operating with social distancing guidelines. Frequency of trips controlled.

The Philippines - In effect until the end of November, General community quarantine (GCQ) is in effect in the capital region, surrounding provinces and select areas with a high density of infection. Movement for citizens aged 21 and younger and 60 and older prohibited as are gatherings of more than 10 people. Public transportation operating at 50% capacity. "Essential industries" (power, food, etc) operating at 100% capacity. Other sectors at 50% capacity. Mall operations are limited. Recreational facilities and hotels not operating except for quarantine centres.

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>.