

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



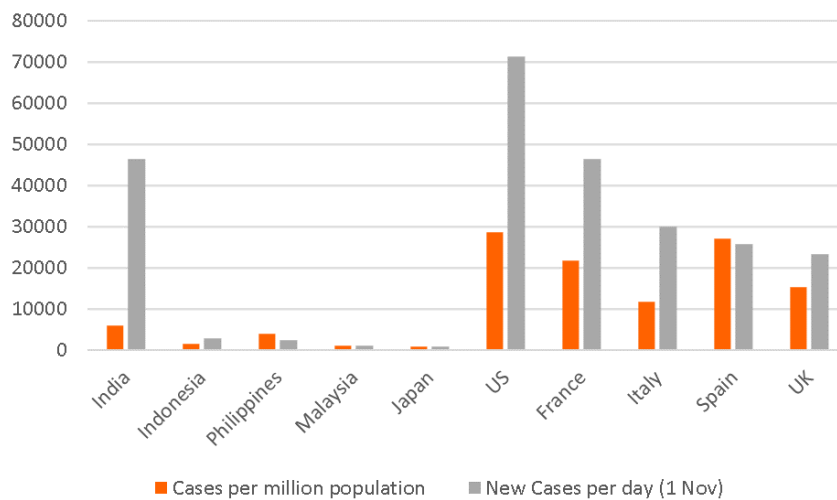
Shoppers in a market in South Korea

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

Olivia Grace

Editor

olivia.grace@ing.com

Julian Geib

Junior Economist, Global Trade

julian.geib@ing.de

Zoltán Homolya

Economic research trainee

zoltan.homolya@ing.com

Amrita Naik Nimbalkar

Economist, Global Macro

amrita.naik.nimbalkar@ing.com

Mateusz Sutowicz

Senior Economist, Poland

mateusz.sutowicz@ing.pl

Alissa Lefebvre

Economist

alissa.lefebvre@ing.com

Deepali Bhargava

Regional Head of Research, Asia-Pacific

Deepali.Bhargava@ing.com

Ruben Dewitte

Economist

+32495364780

ruben.dewitte@ing.com

Kinga Havasi

Economic research trainee

kinga.havasi@ing.com

Marten van Garderen

Consumer Economist, Netherlands

marten.van.garderen@ing.com

David Havrlant

Chief Economist, Czech Republic

420 770 321 486

david.havrlant@ing.com

Sander Burgers

Senior Economist, Dutch Housing

sander.burgers@ing.com

Lynn Song

Chief Economist, Greater China

lynn.song@ing.com

Michiel Tukker

Senior UK & Eurozone Rates Strategist

michiel.tukker@ing.com

Michal Rubaszek

Senior Economist, Poland

michal.rubaszek@ing.pl

This is a test author

Stefan Posea

Economist, Romania

tiberiu-stefan.posea@ing.com

Marine Leleux

Sector Strategist, Financials

marine.leleux2@ing.com

Jesse Norcross

Senior Sector Strategist, Real Estate
jesse.norcross@ing.com

Teise Stellema
Research Assistant, Energy Transition
teise.stellema@ing.com

Diederik Stadig
Senior Economist, Healthcare & Technology
diederik.stadig@ing.com

Diogo Gouveia
Sector Economist
diogo.duarte.vieira.de.gouveia@ing.com

Marine Leleux
Sector Strategist, Financials
marine.leleux2@ing.com

Ewa Manthey
Commodities Strategist
ewa.manthey@ing.com

ING Analysts

James Wilson
EM Sovereign Strategist
James.wilson@ing.com

Sophie Smith
Digital Editor
sophie.smith@ing.com

Frantisek Taborsky
EMEA FX & FI Strategist
frantisek.taborsky@ing.com

Adam Antoniak
Senior Economist, Poland
adam.antoniak@ing.pl

Min Joo Kang
Senior Economist, South Korea and Japan
min.joo.kang@ing.com

Coco Zhang
ESG Research

coco.zhang@ing.com

Jan Frederik Slijkerman

Senior Sector Strategist, TMT

jan.frederik.slijkerman@ing.com

Katinka Jongkind

Senior Economist, Services and Leisure

Katinka.Jongkind@ing.com

Marina Le Blanc

Sector Strategist, Financials

Marina.Le.Blanc@ing.com

Samuel Abettan

Junior Economist

samuel.abettan@ing.com

Franziska Biehl

Senior Economist, Germany

Franziska.Marie.Biehl@ing.de

Rebecca Byrne

Deputy Global Head of Editorial and Supervisory Analyst

rebecca.byrne@ing.com

Mirjam Bani

Sector Economist, Commercial Real Estate & Public Sector (Netherlands)

mirjam.bani@ing.com

Timothy Rahill

Credit Strategist

timothy.rahill@ing.com

Leszek Kasek

Senior Economist, Poland

leszek.kasek@ing.pl

Antoine Bouvet

Head of European Rates Strategy

antoine.bouvet@ing.com

Jeroen van den Broek

Global Head of Sector Research

jeroen.van.den.broek@ing.com

Edse Dantuma

Senior Sector Economist, Industry and Healthcare

edse.dantuma@ing.com

Francesco Pesole

FX Strategist

francesco.pesole@ing.com

Rico Luman

Senior Sector Economist, Transport and Logistics

Rico.Luman@ing.com

Jurjen Witteveen

Sector Economist

jurjen.witteveen@ing.com

Dmitry Dolgin

Chief Economist, CIS

dmitry.dolgin@ing.de

Nicholas Mapa

Senior Economist, Philippines

nicholas.antonio.mapa@asia.ing.com

Egor Fedorov

Senior Credit Analyst

egor.fedorov@ing.com

Sebastian Franke

Consumer Economist

sebastian.franke@ing.de

Gerben Hieminga

Senior Sector Economist, Energy

gerben.hieminga@ing.com

Nadège Tillier

Head of Corporate Sector Strategy

nadege.tillier@ing.com

Charlotte de Montpellier

Senior Economist, France and Switzerland

charlotte.de.montpellier@ing.com

Laura Straeter

Behavioural Scientist

+31(0)611172684

laura.Straeter@ing.com

Valentin Tataru

Chief Economist, Romania
valentin.tataru@ing.com

James Smith
Developed Markets Economist, UK
james.smith@ing.com

Suvi Platerink Kosonen
Senior Sector Strategist, Financials
suvi.platerink-kosonen@ing.com

Thijs Geijer
Senior Sector Economist, Food & Agri
thijs.geijer@ing.com

Maurice van Sante
Senior Economist Construction & Team Lead Sectors
maurice.van.sante@ing.com

Marcel Klok
Senior Economist, Netherlands
marcel.klok@ing.com

Paolo Pizzoli
Senior Economist, Italy, Greece
paolo.pizzoli@ing.com

Marieke Blom
Chief Economist and Global Head of Research
marieke.blom@ing.com

Raoul Leering
Senior Macro Economist
raoul.leering@ing.com

Maarten Leen
Head of Global IFRS9 ME Scenarios
maarten.leen@ing.com

Maureen Schuller
Head of Financials Sector Strategy
Maureen.Schuller@ing.com

Warren Patterson
Head of Commodities Strategy
Warren.Patterson@ing.com

Rafal Benecki

Chief Economist, Poland
rafal.benecki@ing.pl

Philippe Ledent
Senior Economist, Belgium, Luxembourg
philippe.ledent@ing.com

Peter Virovacz
Chief Economist, Hungary
peter.virovacz@ing.com

Inga Fechner
Senior Economist, Global Trade
inga.fechner@ing.de

Dimitry Fleming
Senior Data Analyst, Netherlands
Dimitry.Fleming@ing.com

Ciprian Dascalu
Chief Economist, Romania
+40 31 406 8990
ciprian.dascalu@ing.com

Muhammet Mercan
Chief Economist, Turkey
muhammet.mercan@ingbank.com.tr

Iris Pang
Chief Economist, Greater China
iris.pang@asia.ing.com

Sophie Freeman
Writer, Group Research
+44 20 7767 6209
Sophie.Freeman@uk.ing.com

Padhraic Garvey, CFA
Regional Head of Research, Americas
padhraic.garvey@ing.com

James Knightley
Chief International Economist, US
james.knightley@ing.com

Tim Condon
Asia Chief Economist
+65 6232-6020

Martin van Vliet

Senior Interest Rate Strategist

+31 20 563 8801

martin.van.vliet@ing.com

Karol Pogorzelski

Senior Economist, Poland

Karol.Pogorzelski@ing.pl

Carsten Brzeski

Global Head of Macro

carsten.brzeski@ing.de

Viraj Patel

Foreign Exchange Strategist

+44 20 7767 6405

viraj.patel@ing.com

Owen Thomas

Global Head of Editorial Content

+44 (0) 207 767 5331

owen.thomas@ing.com

Bert Colijn

Chief Economist, Netherlands

bert.colijn@ing.com

Peter Vanden Houte

Chief Economist, Belgium, Luxembourg, Eurozone

peter.vandenhoute@ing.com

Benjamin Schroeder

Senior Rates Strategist

benjamin.schroeder@ing.com

Chris Turner

Global Head of Markets and Regional Head of Research for UK & CEE

chris.turner@ing.com

Gustavo Rangel

Chief Economist, LATAM

+1 646 424 6464

gustavo.rangel@ing.com

Carlo Cocuzzo

Economist, Digital Finance

+44 20 7767 5306

carlo.cocuzzo@ing.com

