

## Asia-Ex China: Slow recovery

Shinzo Abe's resignation as Japan's Prime Minister has grabbed the headlines this month. Elsewhere, recovery continues across the region, with North Asia outpacing the rest



Japanese prime minister Shinzo Abe bows to the national flag as he announces his resignation due to health concerns.

Source: Shutterstock

### Abe's resignation has not hurt the yen

The news of the month in Asia excluding China is the resignation of Japan's PM Shinzo Abe on health grounds.

Abe has been Japan's leader since 2012 and was the country's longest-serving Prime Minister. This latest stint was his second as PM – he also took the role briefly between 2006 and 2007. The coming days will see potential candidates jockeying for position.

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*Markets are already registering they don't necessarily see a new round of stimulus plans coming from the Bank of Japan*

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And while this might ordinarily have you wondering about a new round of stimulus plans to provide a smooth initiation period for any incoming PM, markets are already registering that they

don't necessarily see this as coming from the Bank of Japan, given several candidates have been open critics of Japan's central bank in the past. This is one reason why the Japanese yen rallied on the Abe news when normally, you would have expected it to depreciate.

Furthermore, with Japan claiming a 40% (GDP equivalent) fiscal stimulus in response to Covid-19 (probably the world's highest on "claimed" figures), this will also be hard to top.

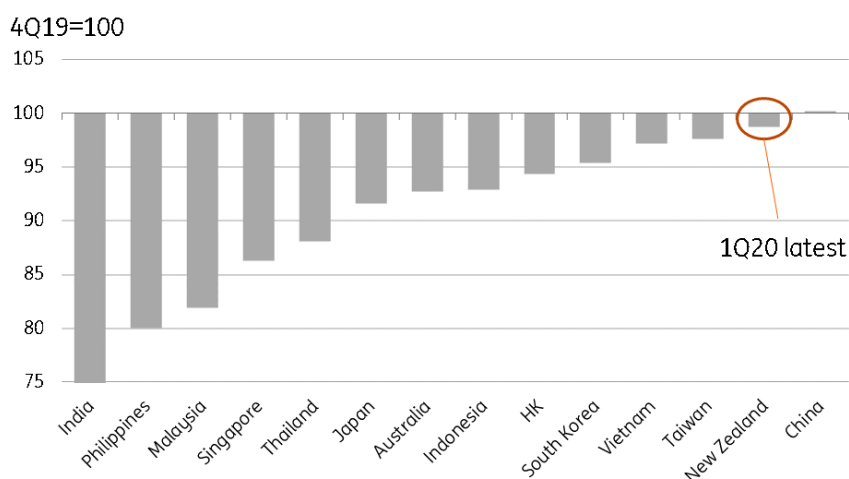
## North Asia leads the pack

Elsewhere in the region, GDP figures have been drifting out, with more just out from Australia (-7.0%QoQ).

These show the extent of the Covid-19 damage, with India along with ASEAN countries, Philippines, Malaysia, Singapore and Thailand, at the bottom of the pack (measured in the chart below as an index where pre-Covid 4Q 2019 = 100), and North Asian economies, such as Japan, South Korea, and Taiwan (which probably benefit more from economic and geographic proximity to fast-growing China) registering smaller declines.

The relative outperformance of semiconductor demand is also disproportionately helping these economies. New Zealand is still to register 2Q20 GDP.

## Asian GDP (4Q 2019 = 100)



Source: CEIC, ING  
Asian GDP

## Second wave back under control

Monthly data on industrial production, either the figures themselves or the manufacturing PMI series (where no hard data has yet been released), are painting a patchy picture for output in 3Q20. On balance, it looks as if the recovery continues, but it isn't robust across the entire region and is more consistent with the sort of slow recovery through 2020 and 2021 that reflects our baseline case, than any sort of V-shaped notion.

Helpfully, recent Covid-19 spikes, registered in countries such as South Korea, Australia, and New Zealand, now seem to be coming back under control again, thanks to swift actions by the respective authorities, though the second waves are likely to keep re-opening at a very cautious

pace, weighing on the pace of recovery in 3Q and 4Q20.

Recent experience also shows how easily and rapidly Covid-19 can get out of control and is a lesson against complacency in other countries.

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