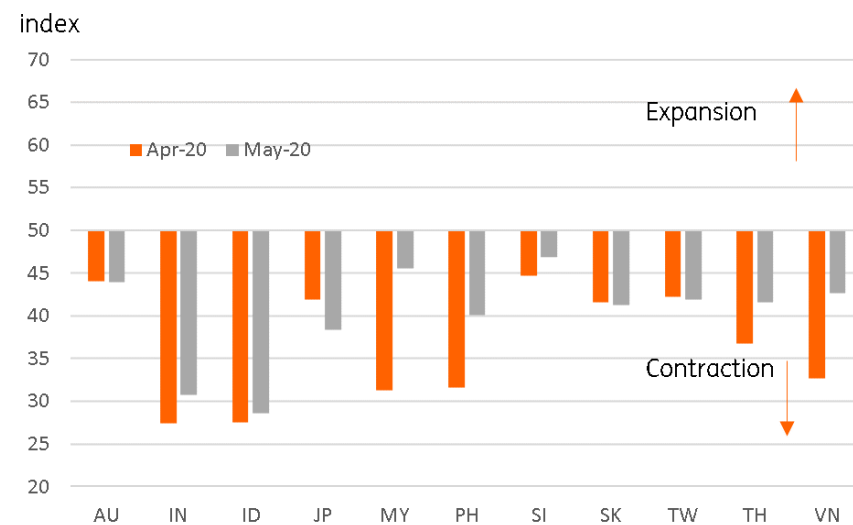


## Asia Ex-China - still slowing

The release of May Purchasing managers indices provides a helpful snapshot of where Asian economies stand following the sharp declines in April, which marked the first full month for many of these economies under movement controls, and in some cases, picked up on the early stages of re-opening



## Asia Ex-China Purchasing Manager Indices



Source: Bloomberg, ING  
Mfg PMIs

## The fiscal packages keep on coming

There is still a tendency for governments across the region to allow fiscal policy to take the strain off the economy. Scope to do this rests on a number of factors – how fiscally secure an economy is, how much of a ratings buffer exists to burn in letting the deficit widen, and whether this is accompanied by a current account deficit too, in which case, the currency may come under pressure.

Japan can hardly be described as a paragon of fiscal virtue, with a debt-to-GDP ratio that will exceed 220% this year. But as a case in point, they recently announced a second supplementary budget to help lift the economy totalling a quite incredible 40% of GDP.

Like some other economies in the region (Malaysia for example, with its claimed 20% boost to the economy), Japan's headlines haven't attracted a great deal of market attention from cynical investors used to government smoke and mirror tactics (double-counting, soft loans, accrued spending etc). Indeed, it is unclear who the intended audience is for these announcements, as the general public must also be totally aware of the game being played. But there is also some genuine stimulus underlying all the fluff. Not enough, in our opinion, to make us want to revise any of our growth forecasts higher. But enough to improve the prospects for recovery post-Covid19 lockdowns.

Still, as first-mover China is showing clearly, while the end of lockdowns is a necessary condition for recovery, it doesn't guarantee much strength, especially for the more export focussed economies.

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