

Asia: Shut that door!

Bucking the global trend in economic re-opening, Asia has recently been restricting movements again, which is leading us to trim many of our growth forecasts. If China goes further down this track, then we will have to do more than just trim



Anti Covid-19 restrictions are being strongly enforced across Asia; indoor dining in Thailand can be a miserable affair

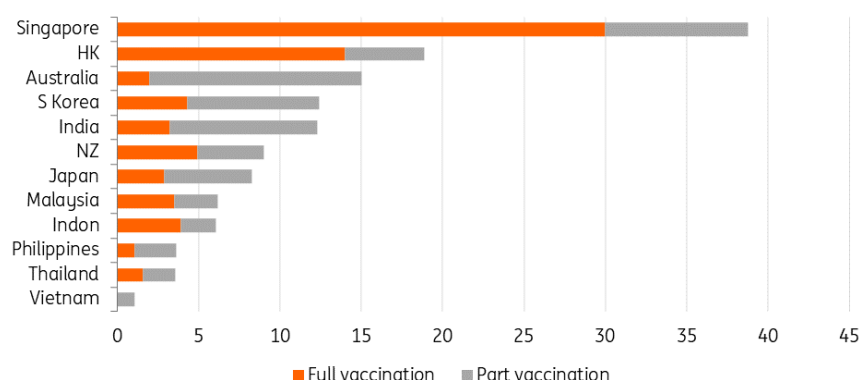
Asia's differential response to Covid

The relatively mild pandemics experienced by much of Asia (India excluded) have not delivered the economic dividend you might have anticipated. This is mainly because the authorities' reaction functions in Asia have been quite different to those in the West.

Where a few thousand daily cases of Covid, most of them asymptomatic, would be a green light to re-opening economies in most European countries and American states, in Asia, it is cause for aggressive and in many cases protracted lockdowns.

Coupled with the very weak vaccine rollouts across most of the region, as you can see in the chart below, the last month has seen Asia bucking the global trend towards reducing its daily infection count, as well as bucking the trend towards economic re-opening.

Asia share of population vaccinated by dose % (as at 03/06/21)



Source: Our World in Data

Response by authorities has been aggressive in many cases

The increase in daily cases in Asia is still comparatively small, though they are increasingly of the "new" delta virus variant. Sentiment in the region may well have been affected by the harrowing images of mass funeral pyres in India. In any event, small increases in daily case counts have often led to substantial additional restrictions to movements.

We've outlined the current state of play for countries in our region in the table below. Whether you view these as disproportionate or not, the recent lesson from India is that you can move from a situation of "under control" to "catastrophe" in about four weeks. So some caution is certainly warranted.

Current state of restrictions

Economy	Latest restricitons other measures
Japan	States of Emergency Extended in Tokyo, Osaka and 7 other prefectures from May 31 to June 20
Thailand	State of Emergency extended until July 31
Taiwan	Suspension of mass gatherings, in-restaurant dining, limits on indoor family/social gathering, entry to gyms, libraries, cafes etc
Singapore	Working from home the norm, no in-restaurant dining, limit on social gathering size to two, occupancy limits for malls reduced - measures reviewed by June 13
Malaysia	National Movement control order - increases working from home, reduces capacity of public transport, reduced opening hours of food establishments, ban for non-essential inter-state and inter-district travel
Indonesia	Expanded and extended restrictions (PPKM) until at least June 14, in all 34 provinces.
Philippines	Relaxed Metro Manila capital region to medium level restrictions (GCQ) until June 14 but elevated restrictions in 14 provinces to upper medium restrictions (MECQ)
Hong Kong	Some relaxation of restrictions, e.g. schools open for half day
India	Phased unlocking started May 31 in Delhi, Tamil Nadu extends but relaxes measures, Uttar Pradesh relaxes in some districts, West Bengal extends to June 15, but relaxes measures, Madhya Pradesh announces phased unlocking from 1 June, Pune Withdraws weekend lockdown.

Source: ING, National sources

Restrictions do most of the economic damage

As we have highlighted elsewhere, it is the restrictions on movement that do most of the damage to economies, and recent increases and extensions in such restrictions have led us to trim many of our growth forecasts.

India has seen the biggest cut to our GDP forecasts for 2021, but we have also cut our forecasts for Japan, Thailand, Taiwan and the Philippines. A number of other economies are under review for GDP downgrades (Malaysia, Singapore) and what we do here will depend on whether current measures are eased, or extended/tightened.

Elsewhere, where the news on the economy and on Covid has been better (Korea, Australia) we are holding back some of the upgrades we would ordinarily have put in place, at least until vaccine rollouts have progressed further and the risk of a new Covid wave has retreated. However, these economies are the exception rather than the rule.

Covid-19 has forced some revisions this month

Economy	Previous forecast	Revision
India	9.2%	7.8% ↓
Japan	3.5%	1.2% ↓
Thailand	2.8%	2.1% ↓
Taiwan	4.9%	4.1% ↓
Philippines	5.0%	4.7% ↓
Singapore	4.9%	Under review for downgrade
Malaysia	5.3%	Under review for downgrade
Korea	3.1%	3.8% Scope for upgrade
Australia	4.4%	5.2% ↑

Source: ING

If China goes down the same route, trimming GDP will not be enough

Please see the separate article by Iris Pang for comments on China. But she will not mind me saying that if the recent increase in cases of the delta variant in Guangdong become more widespread, and China's response to this is expanded, then the impact on the rest of Asia's exports, which have benefited substantially from China's relative domestic strength, will result in us having to do much more than just trim our other Asian GDP forecasts.

Author

Robert Carnell

Regional Head of Research, Asia-Pacific

robert.carnell@asia.ing.com

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