

## Asia Pacific - Held back by the lack of vaccines

Asia may have had a better pandemic compared to the rest of the world, but it is lagging well behind in the push to roll out vaccines. With the political tolerance of Covid-19 very low, this means the removal of restrictions is likely to be slow, and this will weigh on growth this year



An army doctor prepares to inject the Sinovac vaccine from China during a vaccination at Fort Bonifacio, Metro Manila, Philippines

Source: Shutterstock

### A different appetite for Covid-19 and a lack of vaccines is a bad mix

With many times the daily confirmed cases of the Philippines', the UK is mulling a slow reopening plan for its economy. In contrast, in metro-Manila, the unwinding of the lockdown has been pushed out once again, meaning that it will have lasted a full year by the middle of this month.

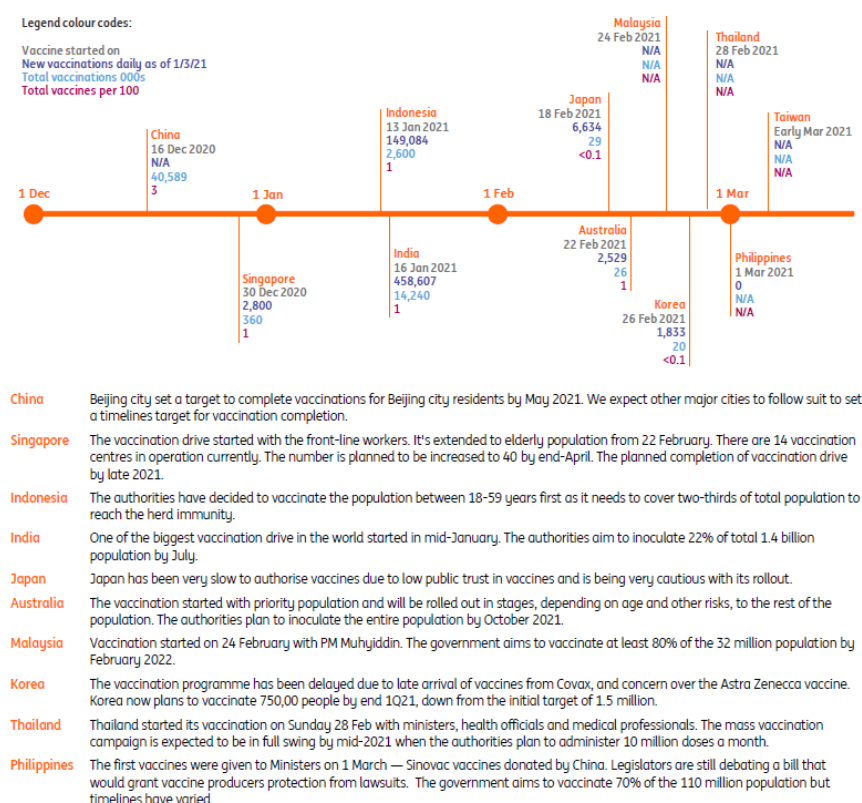
The Philippines may be an extreme example of Asian governments' reactions to Covid-19, but it is not totally out of line with the rest of the region. Singapore, for example, which has averaged less than one community case a day in recent weeks, has said that it is not about to move out of phase three restrictions any time soon, at least until more widespread vaccinations have been

rolled out across the population, their effectiveness has been proved, and the rest of the world has Covid-19 under control.

With much of the region taking a similarly cautious approach and resting the case for any reopening on the vaccine rollout, this has highlighted a glaring problem. That is that Asia has, for the most part, been extremely slow to roll out its vaccination programme.

Even compared to the dithering and mismanagement evident in Continental Europe, Asia is lagging globally. Japan, for example, had, as of 1 March, vaccinated fewer than 30,000 of its population. For comparison, the latest United Kingdom figures showed a daily vaccination total of 530,000 the day before.

## Vaccine rollout



Source: ING

## Why the delay?

There are several reasons why Asia is lagging behind the rest of the world in vaccinating its populations. Here are our top four:

- **Queue jumping by others**

There has, without much doubt, been a degree of queue jumping by some countries. Those at the very front of the queues argue to have taken a risk in paying up for vaccines before they were even proven. This gamble seems to have paid off, with countries like the UK, UAE and Israel getting access to the vaccines they paid up for in advance, especially as many of them achieved successful phase three trials and received accelerated regulatory approval by local medical

bodies.

- **Lack of locally produced vaccines**

The US and UK also benefited from having substantial vaccine production facilities within their countries which surely helps. But so do India and China, yet they are still falling behind (though India is having a fairly decent go at rolling out vaccines to their population). With billion-plus populations, their goal is admittedly a more challenging one than for most European countries. Europe too has extensive vaccine production facilities on-site, so there is a limit to how much weight we can put on this excuse. We have to look elsewhere for the causes of failure.

- **Widespread vaccine mistrust/anxiety**

Population mistrust of vaccines is arguably a bigger problem in Asia than in some other parts of the world. Japan has endured a fraught history of alleged and real adverse reactions to various vaccines over the years, including the combined MMR vaccine. And the government has variously supported the vaccines' safety before withdrawing them and then re-introducing them. Not surprisingly, faith in government advice on vaccines is very low, with people more prepared to get their advice from friends and the internet. In the Philippines, Sanofi's Denvaxia vaccine for Dengue fever, a mosquito-borne killer in the tropics, was approved and then subsequently linked to the deaths of children and subsequently withdrawn. That vaccine had been in the works for 20 years. Understandably, there may be anxiety about vaccines that have been cooked up in less than a year combined with a lack of trust in government advice.

- **Legal framework for litigation of side-effects**

The vulnerability of vaccine makers to class action lawsuits in the event of real or alleged serious side-effects means that not only have the medical regulatory bodies been languid to provide their approval for vaccines, but the developers have also been in no rush to deliver physical vaccines to a region with relatively low Covid-prevalence, matched with an equally low appetite for vaccine risk. In some countries, the rollout has been delayed while legislation is passed to protect the vaccine companies from litigation in problems.

## Central banks to sit on their hands all year

With Asia's economies likely to remain at least partially restricted for much of the year, the outlook for monetary policy in the region remains mostly one of inaction.

At one end of the spectrum, the normally hawkish Bank of Korea (BoK) may be one of the first central banks in the region to start unwinding emergency accommodation, with background concerns over house price growth and household debt accumulation the main reasons for normalisation. But the BoK will be very unlikely to make any move towards tightening policy until next year at the earliest. Despite potentially viewing a repricing of Korean Treasury Bond yields as a reasonable market response that could help rebalance the economy, they did intervene recently to try to stem the rise in local government bond yields, suggesting that on balance, they would prefer any such adjustment to be very gradual indeed.

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*bank in Asia looks like wanting to be either the first in the region to normalise or to steal a march on the US Fed*

The same economic imbalance criticisms could also be levelled at a central bank at the opposite end of the hawk-dove spectrum, the Reserve Bank of Australia (RBA). Yet they have committed to no tightening until 2024 at the earliest - which looks like a fairly obvious attempt to sound no more hawkish and probably a little bit more dovish than the US Federal Reserve. The RBA has been hard at work fighting the recent bond sell-off by upping their pace of general bond purchases under their QE scheme and driving their target 3-year bond yield back below its 0.1% target.

Bank Indonesia recently cut rates, so they are in no sense likely to reverse their policy stance any time soon. That said, Governor Perry Warjiyo has been hinting lately that despite ongoing problems tackling Covid-19 in Indonesia and extended movement restrictions, this is it as far as rate cuts go. Bank Negara Malaysia is also probably done with easing now that inflation has troughed and will likely return to positive territory in the coming months. But they won't be in a hurry to hike rates while Malaysia struggles more than most in the region with the pandemic. The tepid macroeconomy of Thailand and insipid Philippine recovery should also keep both the Bank of Thailand (BoT) and Bangko Sentral ng Pilipinas (BSP) inactive this year too.

Singapore's neutral nominal effective exchange rate index target will also almost certainly be left alone at the MAS April meeting. And the Bank of Japan (BoJ) will most likely resort to its usual playbook of talking about the potential for actions to stem unwelcome market moves but actually doing almost nothing of any substance. BoJ Governor Haruhiko Kuroda, as recently as January, seemed to suggest allowing benchmark Japanese Government Bond (JGB) yields to fluctuate in a wider band. However, there doesn't seem much appetite for that right now.

Unsurprisingly, given recent market gyrations, no central bank in Asia looks like wanting to be either the first in the region to normalise or to steal a march on the US Fed.

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