

## No one-size-fits-all narrative for Asia

There is a broad spectrum of performance and policy reaction in Asia, though if you have to pick a central theme, it is still the influence of Covid-19



South Korea's President, Moon Jae-in, governs a country that is outperforming others in Asia as far as vaccinations are concerned

### GDP forecasts have been raised, then cut

Our Asia GDP forecasts this year have whipped around. Like many forecasters, we underestimated the bounce in the first quarter of the year, which most countries participated in. Japan missed out, implementing "states of emergency" at this time - possibly to try to get ahead of the virus in advance of the Tokyo Olympics. That didn't go to plan. The current daily tally is well over 20,000, by far the highest yet.

For most of the rest of the region, a promising start has given way to a slide back into lockdowns or other restrictions on movement. New pandemic waves have struck, thanks mainly to the Delta variant. While possibly no deadlier than some of the other variants, Delta's greater transmissibility has shown the weaknesses in Covid defences built around border closures and test/trace/isolation. With no such thing as a 100% virus-proof seal, Delta has so far always found a way around firewalls. And once in, has almost always spread rapidly.

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*Learning to live with Covid is a luxury that in Asia, only Singapore*

*seems in a position to embrace*

For those economies in Asia which have made solid progress with vaccinations (there are only two), this has not been a massive issue. Learning to live with Covid is a luxury that in Asia, only Singapore seems in a position to be able to embrace, though the adjustment to an endemic disease is a slow and cautious one.

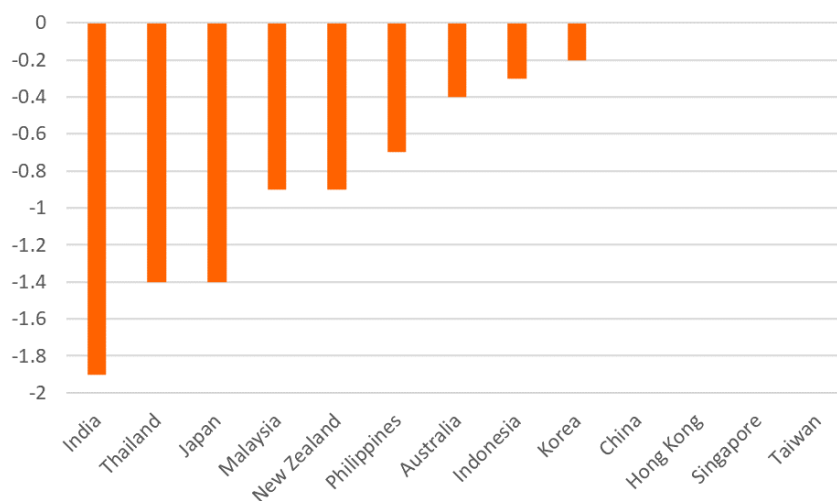
Outside China, which has its own unique approach to the pandemic, Korea is towards the higher end of the Asia pack in terms of vaccination, though it remains mid-ranking in global terms. The Bank of Korea (BoK) has nonetheless managed to address surging household debt and ballooning property prices by being the first economy in Asia to hike rates. The BoK raised its 7-day repo-rate by 25bp to 0.75% on 26 August.

In doing so, the BoK beat the Reserve Bank of New Zealand to this honour. The RBNZ had also flagged a hike some time ago, but it felt compelled to delay an anticipated rise in the cash rate as its Covid strategy unravelled against a very weak vaccination backdrop. The Reserve Bank of Australia (RBA) is doing its best to stay dovish relative to the US Federal Reserve, so Australia's own relatively slow vaccination progress is less of an impediment to the RBA's policy intentions. Instead, it plays nicely into the RBA's narrative of "nothing for ages" in terms of monetary policy, despite some solid progress in the labour market and rising inflation.

We've also seen some hits to China's growth stemming from the closure of ports and airports due to Covid outbreaks, though this is likely to be temporary, and we haven't had to revise our full-year 2021 forecasts, mainly as earlier strength is likely to offset second-half weakness (see also China section).

## Revisions of 2021 GDP forecasts

% from peak forecast



Source: ING

## South and South East Asia look bad

Singapore aside, our forecasts have been trimmed the most - and may still need further topiary - in South and South-East Asia. Very low vaccination rates and reliance on a stock of arguably less-effective vaccines (no brand names for obvious reasons) coupled with porous, regional, creeping, incremental lockdowns has all contributed to a feeble defence against the Delta variant and new damaging waves for these countries.

Tracking what is going on is difficult since we don't have any faith in the daily cases reported from many of these countries. These seem mainly to be a function of (often inadequate) testing rates. The daily death tally, however, may offer more insight, as it is less prone (though not immune) to underestimation, though it has the drawback of being a lagging indicator. That means it is probably a better indicator of "scale" than it is of "direction".

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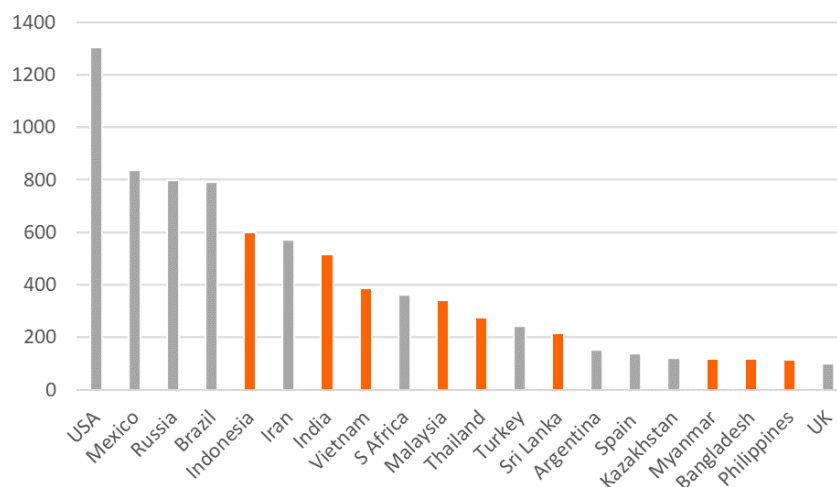
### *Asian countries still feature too prominently in the global top-20 for deaths*

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Nonetheless, Asian countries (shaded orange) still feature too prominently in the global top-20 for deaths. Indonesia has been one of the worst affected in the region during the latest wave. But adjusted for population size, the death counts in Malaysia and Thailand are not much less discouraging.

The Philippines has done slightly better, but not well enough to escape the attention of one of the rating agencies. Fitch Ratings has revised its outlook for the Philippines long-term foreign currency debt to negative from stable, citing "scarring" effects on the economy from the pandemic - or what economists might call "hysteresis" (permanent effects on potential output from temporary shocks). We think that any actual rating downgrade may not happen until next year, but it raises question marks for other sovereigns on the borderline of investment-grade, such as Indonesia - you can read more about that [here](#) - and only solid vaccination progress is likely to improve that outlook.

## Daily Deaths from Covid-19



Source: Worldometer

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