

What can we learn from Asia's pandemic?

Asia is really diverse, so it will come as no surprise that we have learned very different things from different economies during the Covid-19 pandemic



Asian class

Source: Shutterstock

First: Chuck out all the wrong ideas

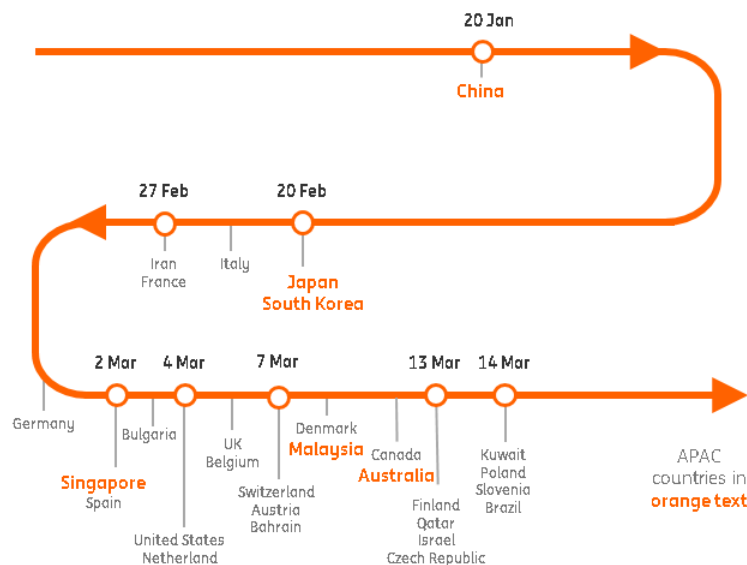
Before considering learning points from Asia's pandemic, there are firstly some "false truths" to be dispelled. The main one of these is that as Asia was first in (to the outbreak), so it will be first out.

This is wrong on two levels:

- China, South Korea and Japan may have been the first three countries to register 100 confirmed cases, but the first 20 countries to reach 100 confirmed cases are dominated by Europe (see chart).
- Of the early Covid-19 movers, some (Singapore and Japan), are still only mid-way through their own outbreak.

[This note updates and draws on a larger piece published recently](#)

100-up: Timeline of countries reaching 100 confirmed Covid-19 cases



Source: ING, WHO
100 up

Three learning points

More importantly, what we have learned can be summarised by the three statements below. These are generalisations, and there are exceptions. But they are good working rules and most likely hold true for other parts of the world too:

1. Lockdowns work
2. Lockdowns hurt
3. There was an alternative

There was an alternative

Neither South Korea nor Taiwan endured a mandatory lockdown (Hong Kong too, though it has other problems). Taiwan was quick to close its borders and impose quarantine. Together with tech-based tracing and extensive testing, kept the outbreak from ever gaining a serious foothold.

There was an alternative for almost any developed economy with a sufficiently advanced biotech industry and access to social distancing and tracing apps

South Korea was a little slower off the mark, but it too responded to its outbreak with aggressive testing, tracing and isolation. Korea quickly ramped up its testing capacity to front-run the virus, not just to respond to outbreaks.

So, there was an alternative for almost any developed economy with a sufficiently advanced biotech industry and access to social distancing and tracing apps. But it had to be employed very early. Instead, most economies outside Asia assumed Covid-19 was an Asia-only disease until it clearly wasn't.

So our learning point, that there was an alternative seems to be overtaken by the more realistic learning point that, "given the opportunity to procrastinate, most countries will do so".

Lockdowns work

Practically all of Asia is under some form of lockdown now or has been under some form of lockdown. What we observe is that countries that implemented their lockdowns early, and fully, saw their new case counts peak quickly, and were able to begin the process of reopening more quickly. In this group, we would place Australia and New Zealand alongside China.

All three countries have now eased movement restrictions and we are seeing a slow resumption of economic activity.

In Asia, lockdowns seemed to work most effectively when they were implemented rigorously and in the early stages of an outbreak. When implemented gradually, they simply chased the outbreak higher, or if regionally, chased it geographically, taking longer to bring outbreaks under control.

Table of Asia Pacific lockdowns, extensions, easing

| Country | Date of "lockdowns" or equivalent | Scope of lockdown or alternatives | Start of easing/ extensions |
|-----------------|--|--|--|
| Japan | 7-Apr | No Lockdown as such due to constitutional issues. But Schools closed on Feb 27. State of emergency declared on 7 April for 7 prefectures including Tokyo and Osaka, but still essentially voluntary. Sports venues and Karaoke bars shut, but restaurants open, public transport still | State of Emergency extended until 30 May |
| Mainland China | 23-Jan | Wuhan forcibly locked down, Hubei province on lockdown soon after. Parts of Guangdong also put under lockdown. Partial lockdown in Wenzhou in Zhejiang, on 2 Feb, followed by some other cities in Zhejiang. No lockdown in Beijing or Shanghai | Wuhan lockdown ends 8 April. Elsewhere, restrictions being gradually relaxed. Some further restrictions (lockdowns) imposed in smaller cities close to Russian border to contain local outbreak. |
| Hong Kong (SAR) | No lockdown, but strict social distancing since 28 March | No groups of 4 or more allowed to meet in public places subject to fines or imprisonment. Self isolation / working from home being practiced. 1.5m distancing rule practiced. | From 3 April, pubs, nightclubs, Karaoke closed. Restaurants can operate at 50% capacity. Restrictions due to be relaxed from 8 May |
| China (Taiwan) | No lockdowns but social distancing measures introduced | Im outdoor social distancing rule proposed (1.5m indoor). Fines for non-wearing of masks on public transport | No end date specified |
| South Korea | N/A | Spike in cases in Southern City of Daegu in late Feb. No mandatory lockdown, voluntary restraint used. Backed up with huge scale testing and isolation of positive cases. Case tracking. Use of technology to aid social distancing | |
| Singapore | 7-Apr | Circuit-breaker notionally until May 4. | Extended in 2nd week of circuit breaker until 1 June. Some very limited easing from 5 May and further easing 12 May. No extension anticipated. |
| Philippines | 15-Mar | Enhanced community quarantine for Island of Luzon. Also Lockdowns in Cebu, Davao, and Socoosksargen. Strictly enforced curfews. Essential services only | Initially until 15 April, extended until 30 April, and then again in capital region and neighbouring provinces until 15 May. Expected to be eased then. |
| Malaysia | 18-Mar | Movement control order. Originally for two weeks | Extended in three phases until 12 May, some minor relaxations on 4 May |
| Indonesia | 10-Apr | Partial lockdown initially only in Jakarta and in Tegal. Social distancing measures enhanced. But substantial movement still allowed. | Measures tightened and expanded on 15 April. Initial lockdown then extended to 22 May. We anticipate further tightening or extensions possible. |
| Thailand | 26-Mar | State of Emergency: coming in stages starting with shutdown of non-essential establishments in Bangkok since the state of emergency on 26 March, following by Phuket shutdown starting 30 March, and Koh Samui from 7 April, etc. | Easing of restrictions started 3 May. No further extensions anticipated. |
| India | 25-Mar | Nationwide lockdown for 3 weeks. Migrant workers fleeing back to native homes from big cities has significantly blunted the impact of the nationwide lockdown that might well be extended in the hotspots like | Lockdown extended until 3 May, with further extension in hotspots until 17 May with tighter restrictions. Further extensions possible given low recovery rate. |
| Australia | 23-Mar | National Lockdown but brought in at State level so rules vary - but generally entail strict limits on reasons for leaving accommodation, including exercise and grocery shopping. Enforced by police. Internal quarantine between States. | Victoria still in lockdown, but some easing of movement, visiting restrictions in other States from 2 May |
| New Zealand | 26-Mar | 4-week national lockdown - all non essential services closed. People to stay in homes except for good reasons including supermarket shopping, exercise. | 27 April. Travel to work allowed, restrictions on outside time eased and takeaway food orders resume |

Source: ING

Table of lockdowns

Lockdowns hurt

Although we can't really make any qualitative assessment just yet, mainly due to the different timing of different country's outbreaks and lockdowns within 1Q20 and 2Q20, there are a few observations that we can make.

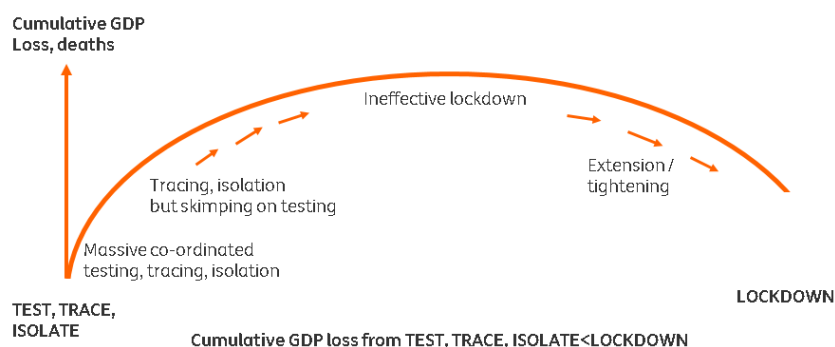
Quarter-on-quarter seasonally adjusted GDP growth for China, Korea and Taiwan was all negative. For Korea, it fell 1.4%, Taiwan fell 1.5%, China fell 9.8%. That's quite a difference. We also have preliminary GDP for Singapore, which was down 2.2%, though, in 1Q20, Singapore only had soft social distancing.

Cumulatively, once we add in the big losses for 2Q20, the losses in this group are likely to be more than those for China (and of course Australia and New Zealand) although the pain has been spread over several quarters.

So refining our earlier learning points:

- Lockdowns work, but result in a smaller cumulative loss of output if done early and fully
- There is an alternative, but only if you are quick

The cost of dithering



Source: ING
Lockdown smile

And finally, on policy responses/stimulus

There are also some policy learning points from Asia.

The dangers of doing too much of either policy are probably believed to be dwarfed by the dangers of doing too little. That is probably correct in our view

In a pandemic, countries will spend on fiscal support what they can afford (more if richer, less if poorer), or whatever they can get away with (Japan is already so indebted that a little more can't hurt), or whatever they need to (less for Korea and Taiwan as both avoided lockdowns). Though as this spending is only ever buying an option on the eventual recovery, the question, "Is it enough?" is not relevant.

Where there are more fiscal constraints, fiscal packages will be fluffed up with off-budget

measures to inflate headline support (Malaysia, Japan). More constraints, more fluff.

All central banks will do whatever they can, knowing that it won't make much difference to the economic outcome, but in the knowledge that the more important fiscal policy response may face considerable constraints.

The dangers of doing too much of either policy are probably believed to be dwarfed by the dangers of doing too little. That is probably correct in our view.

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