

Asia slides back towards lockdown

One of the key takeaways from our recent ["What went wrong in India?"](#) note was that this could easily happen elsewhere in Asia. With [Taiwan](#) and [Singapore](#) increasing restriction measures, and Japan extending its regional states of emergency - this could be playing out as we had feared...



Vaccine

Source: Shutterstock

The numbers of daily cases in Asia are still extremely low

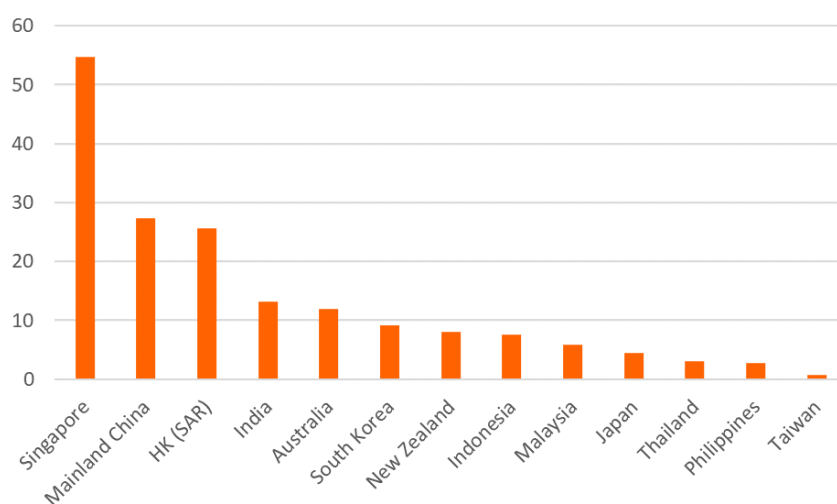
To those viewing the situation from Europe or the US, the handful of new community cases in Taiwan and Singapore may seem like a weak basis for ramping up social distancing measures and movement restrictions. But Asia can't be viewed in quite the same light as countries in these other parts of the world.

Firstly, unlike the US, UK and increasingly Europe after its slow start, most countries in Asia have made little progress in vaccinating their populations. Singapore is in better shape than most, with about 55 vaccinations per 100 population. But it has focussed on fully vaccinating the more vulnerable groups, so its numbers represent a large proportion of fully vaccinated people and a smaller proportion of the population with at least one vaccination than comparable countries in Europe. Taiwan, in contrast, has barely vaccinated anyone, for a variety of reasons, some of which relate to political tensions with Mainland China. Japan, which is also struggling with daily Covid-19 cases close to its previous daily highs, is also lagging well behind international norms in terms of vaccination.

Secondly, Asia has a very low political tolerance for Covid-19, compared to most places in the West. Where a few thousand daily cases in the UK may represent a cause for optimism and re-opening the economy, a far smaller proportionate number of daily cases in Asian countries will lead governments to clamp down harder on transmission. Look at the extended lockdowns in the Philippines for example. This may represent previous experience with diseases such as SARS. It may just reflect a different perspective. For Europe, the central objective seems to have been to prevent the health services from becoming overwhelmed. In some countries in Asia-Pacific, including Australia and New Zealand, a more ambitious objective seems to be being employed.

Thirdly, as we saw from India, the lead time taken to move from a relatively manageable number of daily cases to medical and economic catastrophe is about a month. The emerging evidence on the B.1.617 variants is that they are indeed more transmissible, even if no more deadly on average, though they do seem to hit younger members of the population more too, throwing up new issues for social distancing for this vector group. In short, if the numbers are going up, even if they are still low, you don't have much time to nip this in the bud before you could be dealing with an India-like situation.

Asia-Pacific vaccinations per 100 population



Source: Our World in Data

Outlook for the economy

It is early days yet, and the impact on the economies of the region will depend in large part on how successful the measures now being rolled out end up being. Successful, and governments will be able to withdraw restrictions earlier, enabling economic rebound to return. Ineffective, or just too slow, and we are likely to see restrictions tightened and extended. At this stage, all we can say is that our current forecasts for 2021 GDP growth for Singapore (4.9%), Taiwan (also 4.9%), and Japan (3.5%) are under more downside than upside revision risk.

And these economies are not alone. Indeed, Malaysia was already operating under new Movement Control Orders (MCOs) amidst rising cases. Thailand also imposed new restrictions at the end of April to try to curb rising daily cases. And Indonesia is still operating under a partial lockdown, as is the Philippines, where we anticipate official GDP projections being scaled back this week.

We wrote recently that [Korea's impressive recovery](#) so far this year is also at risk from rising cases and tighter movement control restrictions, and we are holding back on further upgrades to our 2021 GDP forecast (currently 3.6% for 2021) as we evaluate how it is holding up against the latest regional wave.

Were China to show more community cases, then we would have more of a regional demand issue to deal with and would require broader downgrades, irrespective of local conditions. So far, that hasn't happened. But although China is making vaccine progress, with a population of 1.3bn, and some questions about the effectiveness of local vaccines compared with some of the others being rolled out globally, any sense of calm could be misplaced.

In short, and subject to a big caveat about new more transmissible and more vaccine-resistant variants, while some parts of the world seem to be making good progress towards fully vaccinated populations and re-opened economies, Asia, lagging well behind the vaccination race, may see its return to normality delayed weighing on its GDP growth prospects this year.

Author

Robert Carnell

Regional Head of Research, Asia-Pacific

robert.carnell@asia.ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.