



ASIAN DEVELOPMENT OUTLOOK UPDATE

A Precarious Path to Recovery

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#ADO2020

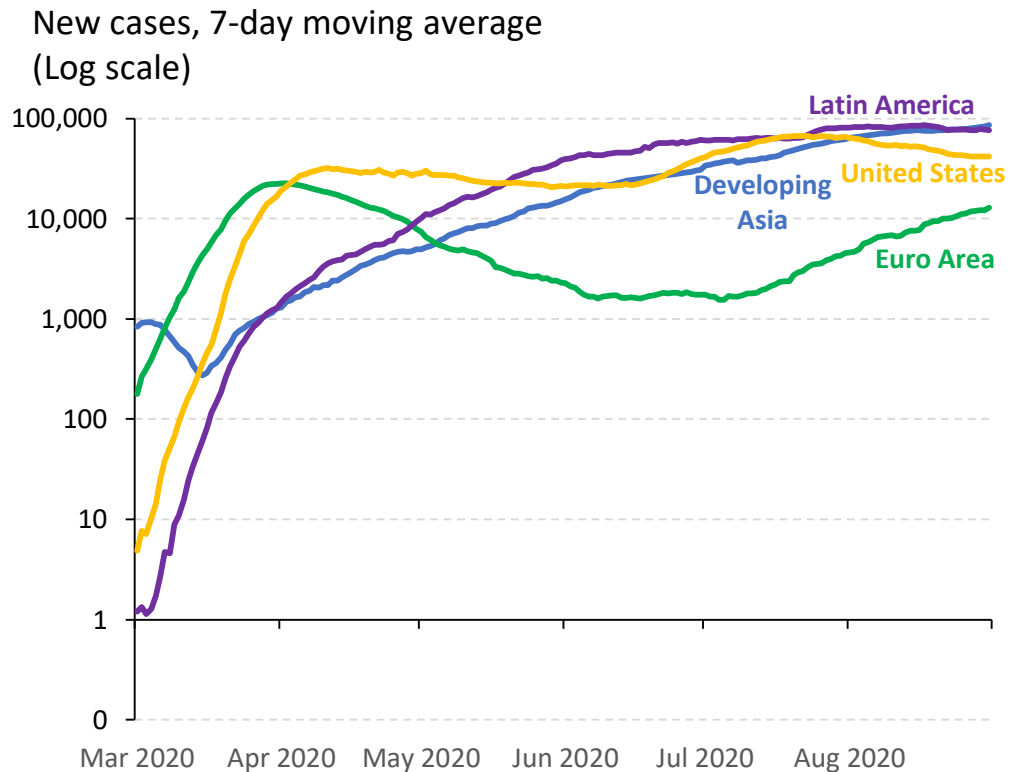
ADB

Key messages

- Developing Asia's growth forecast is revised down to **-0.7%** in 2020 due to the continuing COVID-19 pandemic, but will rebound to **6.8%** in 2021
- Three out of four economies are expected to contract this year, with the PRC bucking the trend
- Depressed demand and low oil-prices will trim regional inflation to **2.9%** in 2020, and further to **2.3%** in 2021
- The main risk *was* the prospect of a prolonged COVID-19 pandemic, which could derail the recovery, but this risk is receding due to excellent vaccine news.

The global pandemic persists, and is at varying stages in developing Asia

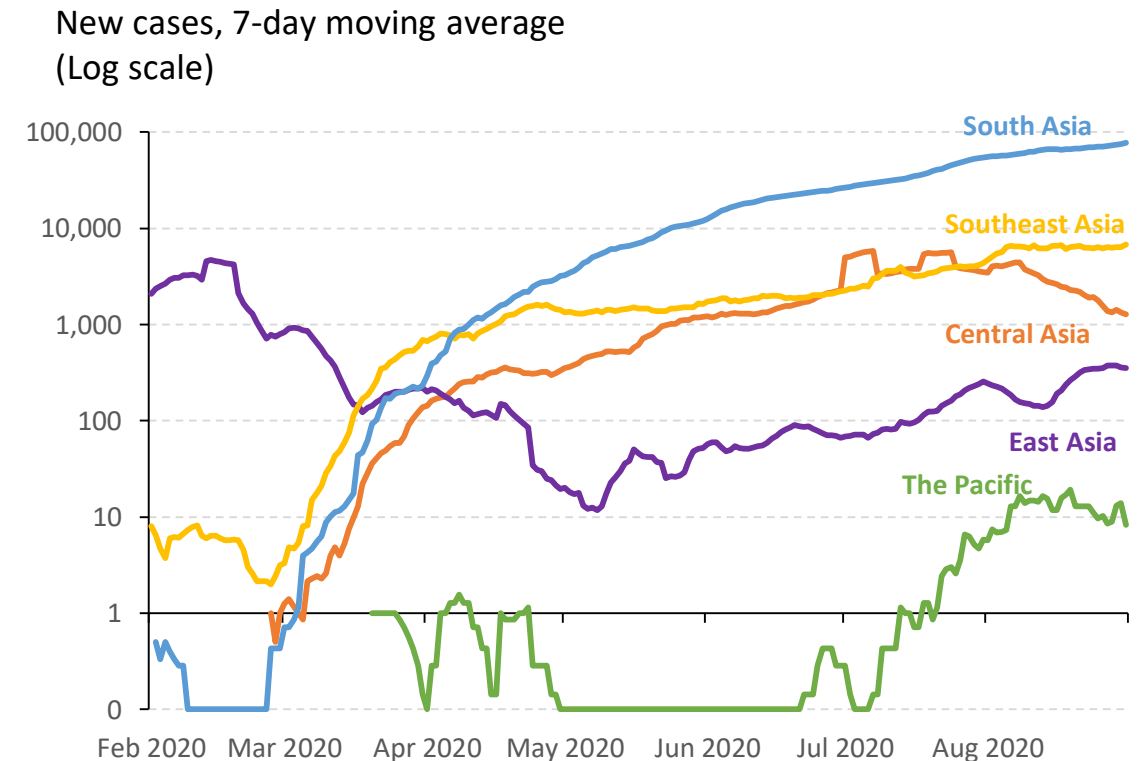
The virus continues to spread globally...



Note: Latin American includes Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay, Venezuela.

Sources: European Centre for Disease Prevention and Control, Johns Hopkins University, Telegraph UK, and Worldometer (accessed on 8 September 2020).

...with South Asia being the epicenter of the pandemic in developing Asia.



Sources: European Centre for Disease Prevention and Control, Johns Hopkins University, Telegraph UK, and Worldometer (accessed on 8 September 2020).

Coronavirus Situation Update, 17 November 2020

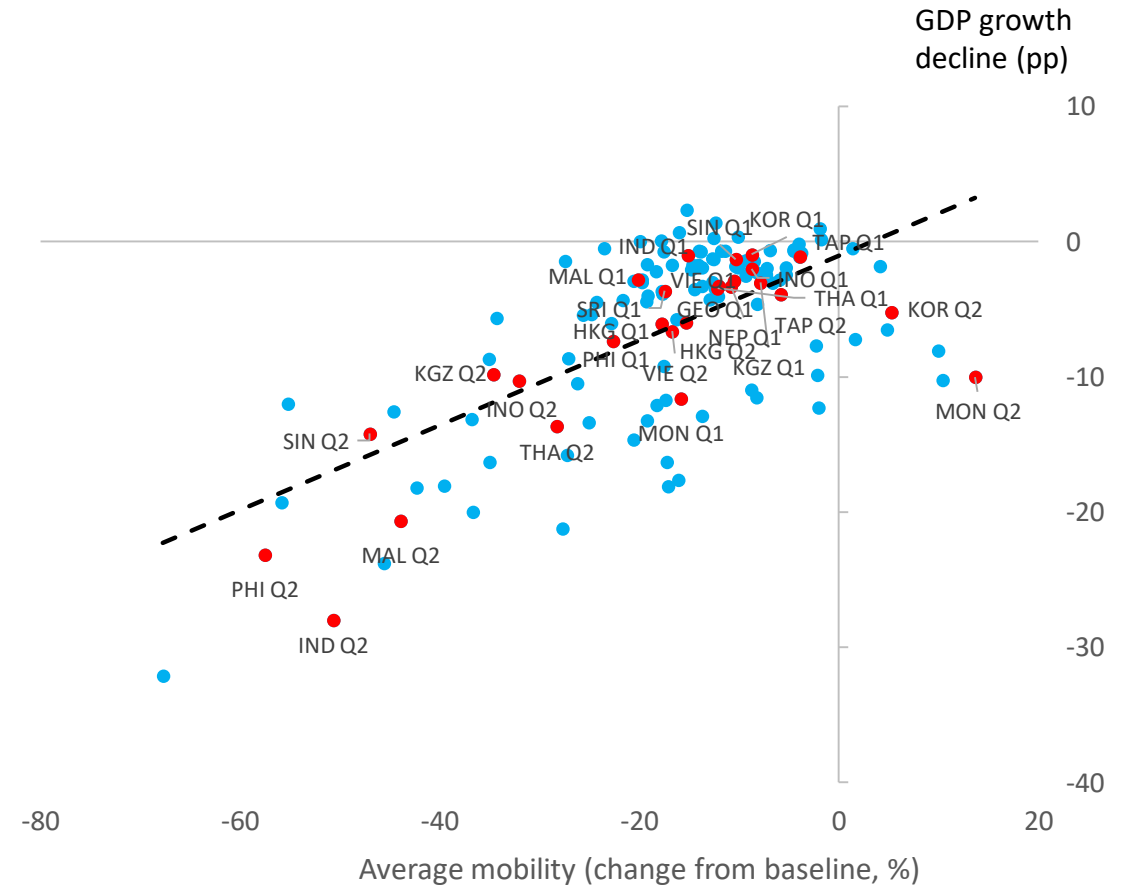
Source: <https://www.worldometers.info/coronavirus/>?

Country (Rank)	Number of cases	Number of deaths
World	55,350,000	1,330,000
USA (1)	11,540,000	253,000
India (2)	8,874,000	130,000
Brazil (3)	5,880,000	166,000
France (4)	1,990,000	45,000
Russia (5)	1,950,000	33,000
Indonesia (21)	470,000	15,000
Bangladesh (24)	430,000	6,200
Philippines (26)	410,000	7,800
Pakistan (28)	360,000	7,200
Nepal (35)	210,000	1,200
Kazakhstan (48)	122,000	1,900
Japan (50)	118,000	1,900
China (63)	86,000	4,600
Korea (91)	29,000	494

The outbreak and containment measures restricted mobility and domestic activity...

Stringent containment measures in Asia are now being eased...

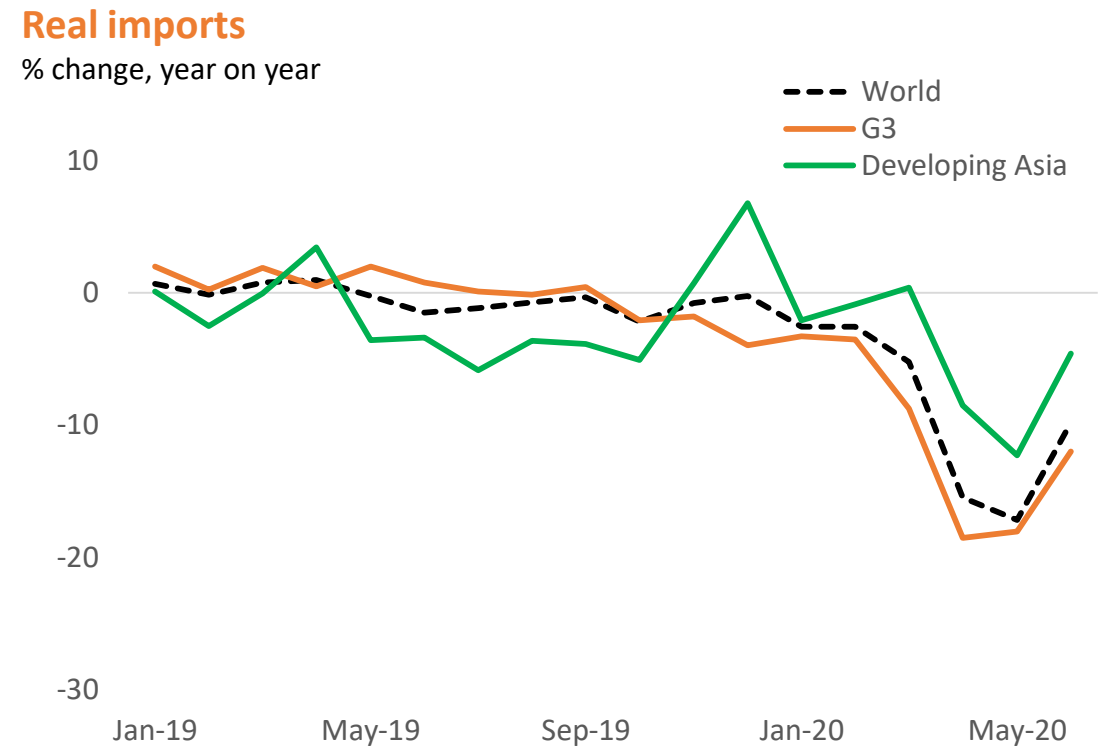
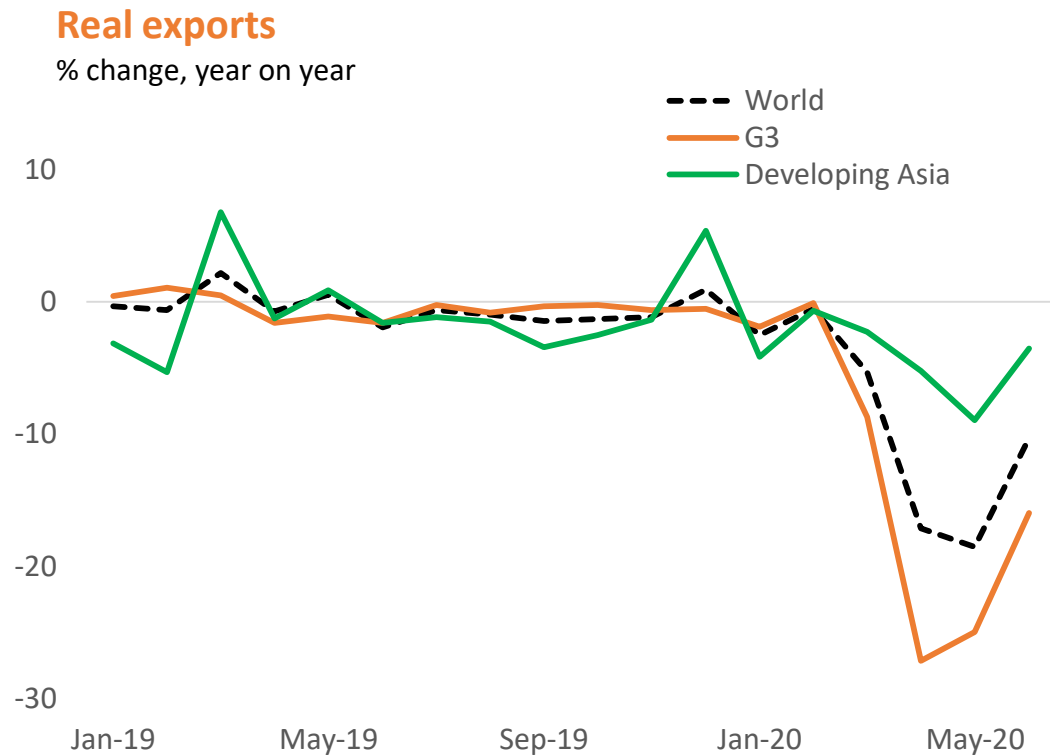
...but the mobility reductions led to steep GDP growth declines



Note: The Government Response Stringency index is a composite measure of nine response indicators including school closures, workplace closures, and travel bans, rescaled to a value from 0 to 100, with 100 being the strictest response. Source: University of Oxford. (accessed 28 August 2020).

Notes: Red dots are ADB developing member economies. Year-on-year GDP growth relative to GDP growth in Q4 of 2019. Sources: CEIC database; Oxford University; and Google.

...while trade plummeted and bottomed out—with Asia's trade falling by less than global trade

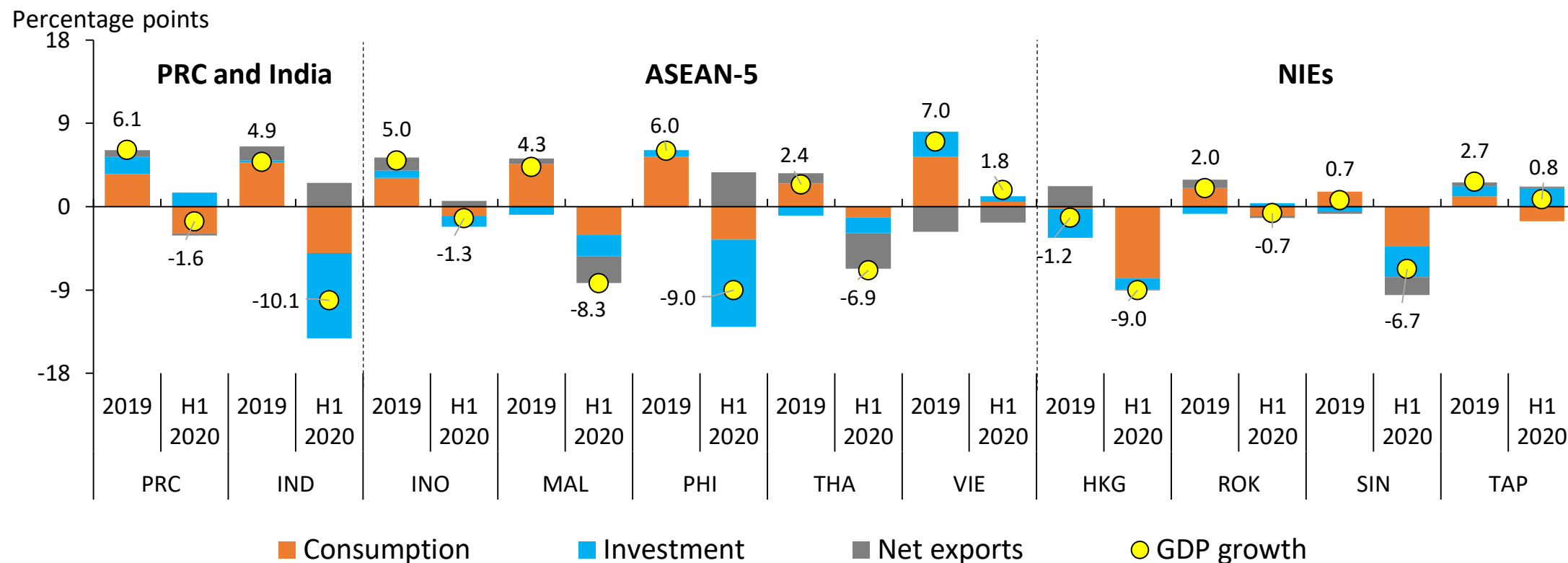


Notes: G3 refers to the weighted average of US, Japan, and Euro area. *Developing Asia* refers to the weighted average of PRC; Hong Kong, China; India; Indonesia; Republic of Korea; Malaysia; Pakistan; Philippines; Singapore; Taipei, China; Thailand; and Viet Nam.

Source: CPB Netherlands Bureau for Economic Policy Analysis. Available: <https://www.cpb.nl/en/worldtrademonitor> (accessed 26 August 2020).

As a result, growth slumped in the first half of 2020

Growth and demand-side contributions to growth, 2019 and 2020H1, selected economies

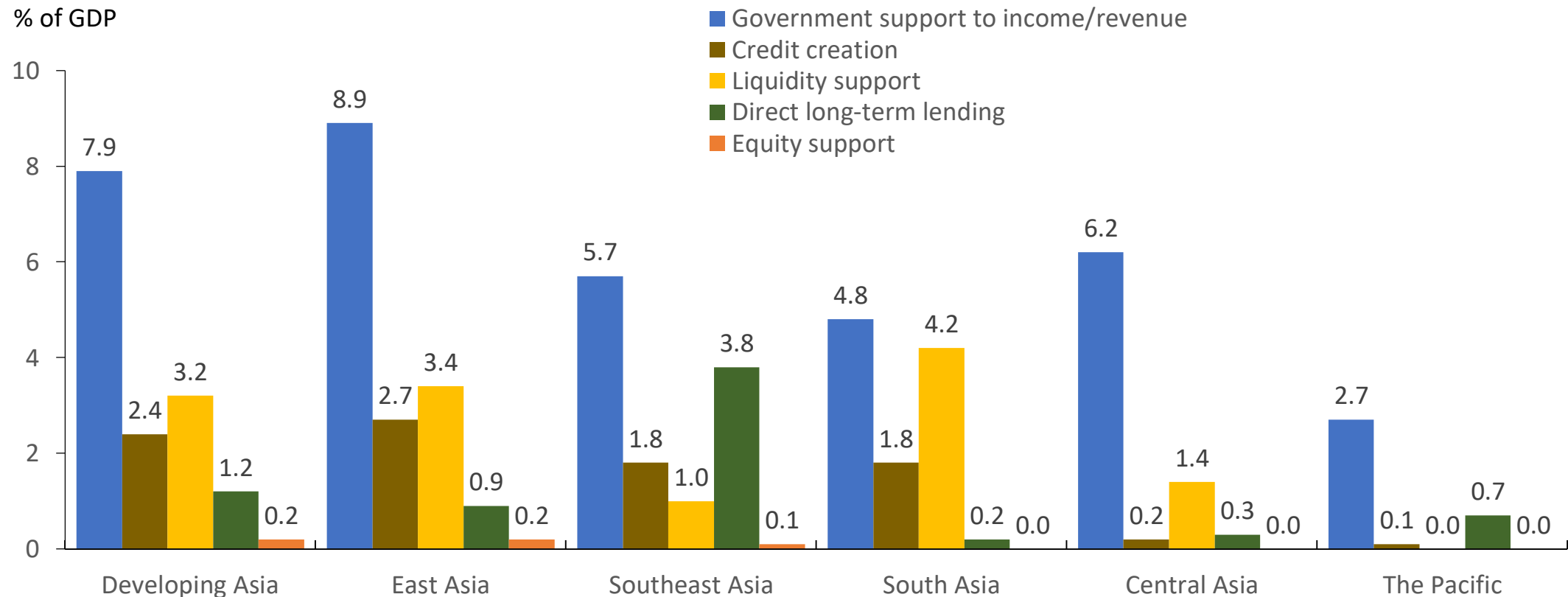


Note: Data for all economies (including India) are on calendar year basis, i.e., calendar year 2019 and calendar H1 2020 (March and June quarters of 2020). Details may not add up to total due to statistical discrepancy.

Sources: Haver Analytics; CEIC Data Company (both accessed 31 August 2020); ADB estimates.

Asian governments stepped in with a wide-ranging crisis response...

Policy packages in developing Asia



Note: Data as of 24 August 2020.

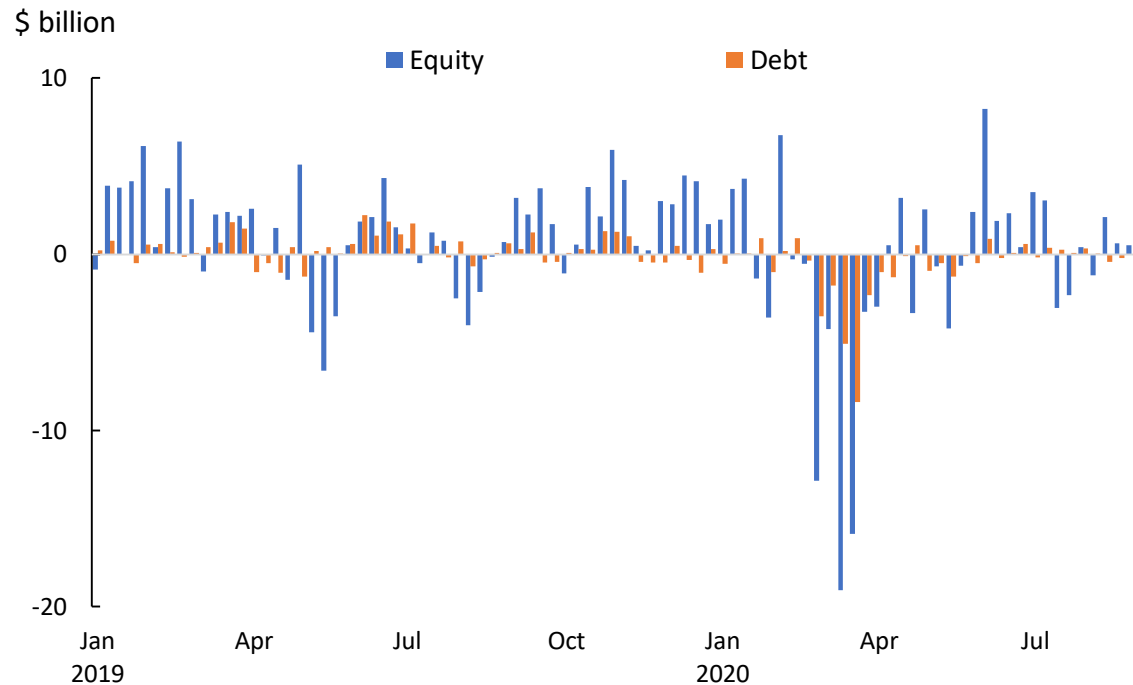
Source: Compiled from ADB COVID-19 Policy Database, <https://covid19policy.adb.org/> (accessed on 8 September 2020).

...which helped capital flows and financial markets recover after an initial nosedive

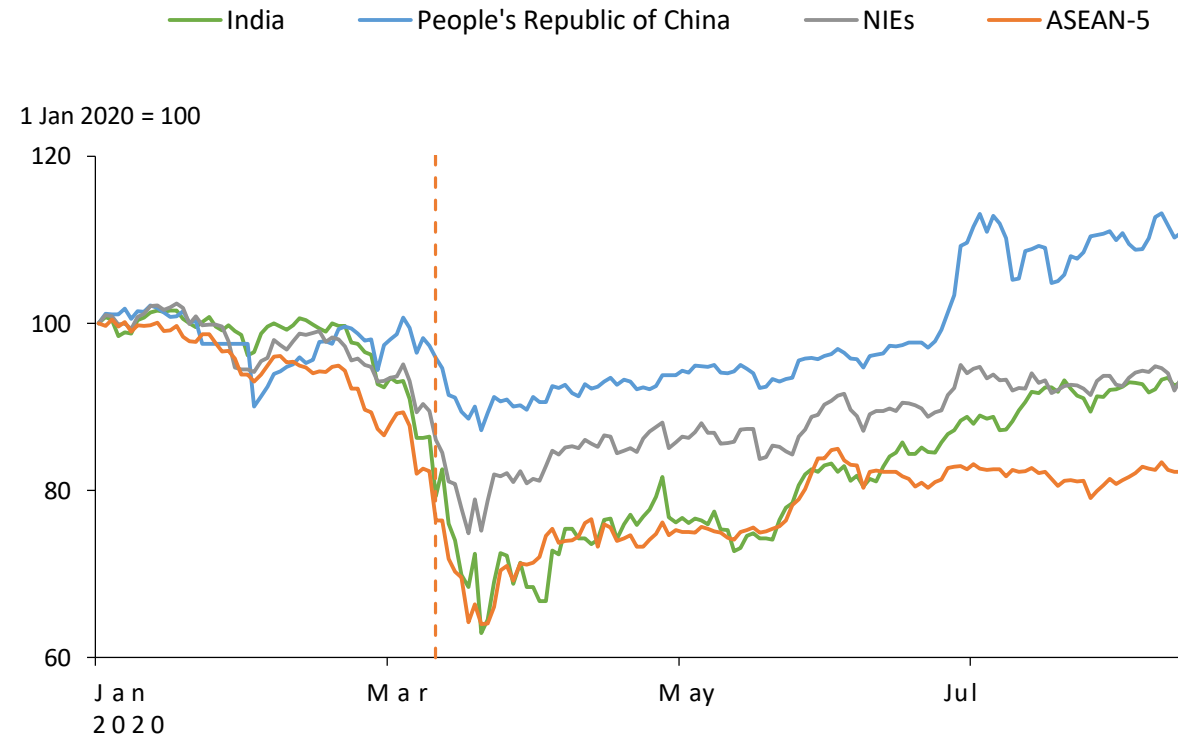
After substantial outflows in March, foreign portfolio flows returned...

...and financial market recovered, to varying degrees.

Portfolio flows



Equity index



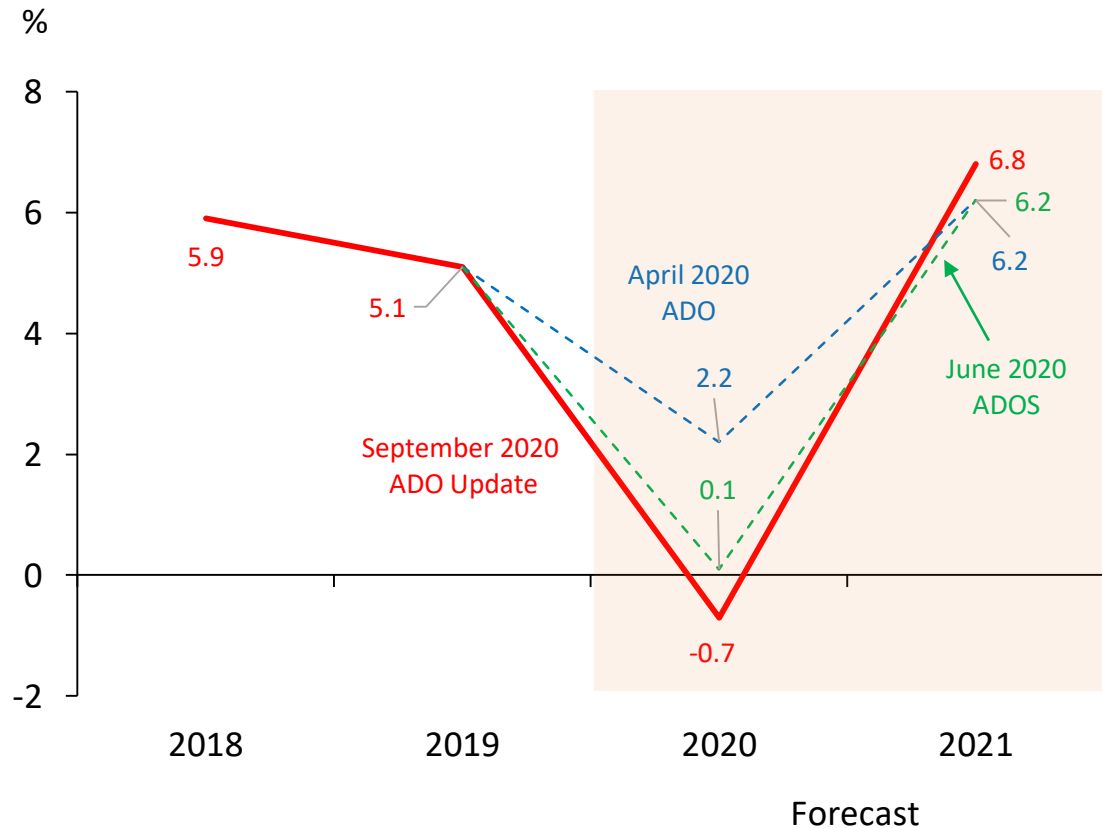
Note: Total equity flows includes economies of the People's Republic of China; India; Indonesia; Pakistan; Philippines; Republic of Korea; Sri Lanka; Taipei, China; Thailand; and Viet Nam. Total debt flows includes economies of India, Indonesia, and Thailand only.

Source: Institute of International Finance Capital flow tracker database (accessed 31 August 2020)

Source: CEIC Data Company; Bloomberg (both accessed 31 August 2020).

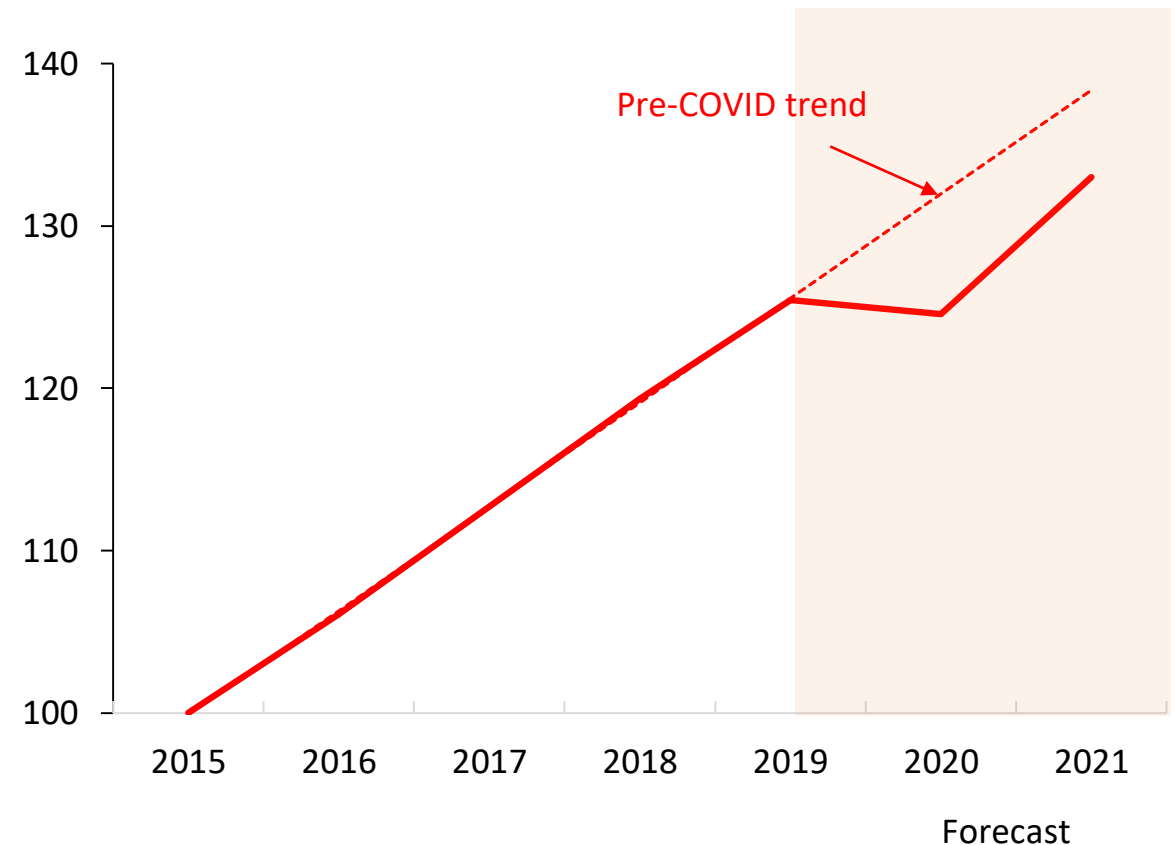
Regional GDP will contract this year, for the first time in nearly 6 decades...

GDP growth in developing Asia



GDP levels in developing Asia

GDP level, 2015 = 100



...and the decline is broad-based, affecting most economies.

	2020		2021			2020		2021	
	ADO	ADOU	ADO	ADOU		ADO	ADOU	ADO	ADOU
East Asia	2.0	1.3 ▼	6.5	7.0 ▲	South Asia	4.1	-6.8 ▼	6.0	7.1 ▲
Hong Kong, China	-3.3	-6.5 ▼	3.5	5.1 ▲	Bangladesh	7.8	5.2 ▼	8.0	6.8 ▼
PRC	2.3	1.8 ▼	7.3	7.7 ▲	India	4.0	-9.0 ▼	6.2	8.0 ▲
Republic of Korea	1.3	-1.0 ▼	2.3	3.3 ▲	Pakistan	2.6	-0.4 ▼	3.2	2.0 ▼
Taipei,China	1.8	0.8 ▼	2.5	3.5 ▲					
Southeast Asia	1.0	-3.8 ▼	4.7	5.5 ▲	Central Asia	2.8	-2.1 ▼	4.2	3.9 ▼
Indonesia	2.5	-1.0 ▼	5.0	5.3 ▲	Azerbaijan	0.5	-4.3 ▼	1.5	1.2 ▼
Malaysia	0.5	-5.0 ▼	5.5	6.5 ▲	Kazakhstan	1.8	-3.2 ▼	3.6	2.8 ▼
Philippines	2.0	-7.3 ▼	6.5	6.5					
Singapore	0.2	-6.2 ▼	2.0	4.5 ▲	The Pacific	-0.3	-6.1 ▼	2.7	1.3 ▼
Thailand	-4.8	-8.0 ▼	2.5	4.5 ▲	Fiji	-4.9	-19.8 ▼	3.0	1.0 ▼
Viet Nam	4.8	1.8 ▼	6.8	6.3 ▼	Papua New Guinea	0.8	-2.9 ▼	2.8	2.5 ▼
Developing Asia	2.2	-0.7 ▼	6.2	6.8 ▲	Excluding NIEs	2.4	-0.5 ▼	6.7	7.2 ▲

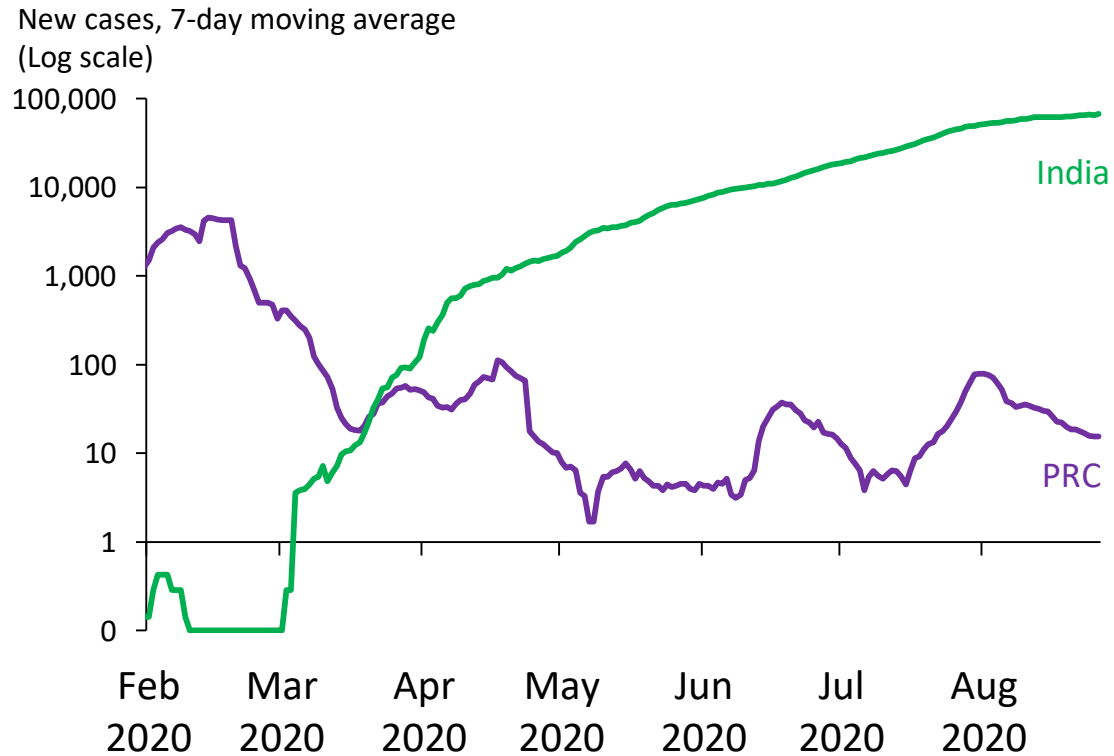
▲ = upgraded forecast, ▼ = downgraded forecast, no sign = unchanged.

The region's two giants are on divergent paths.

While COVID-19 has been contained in the PRC, India is now the epicenter of the pandemic in the region...

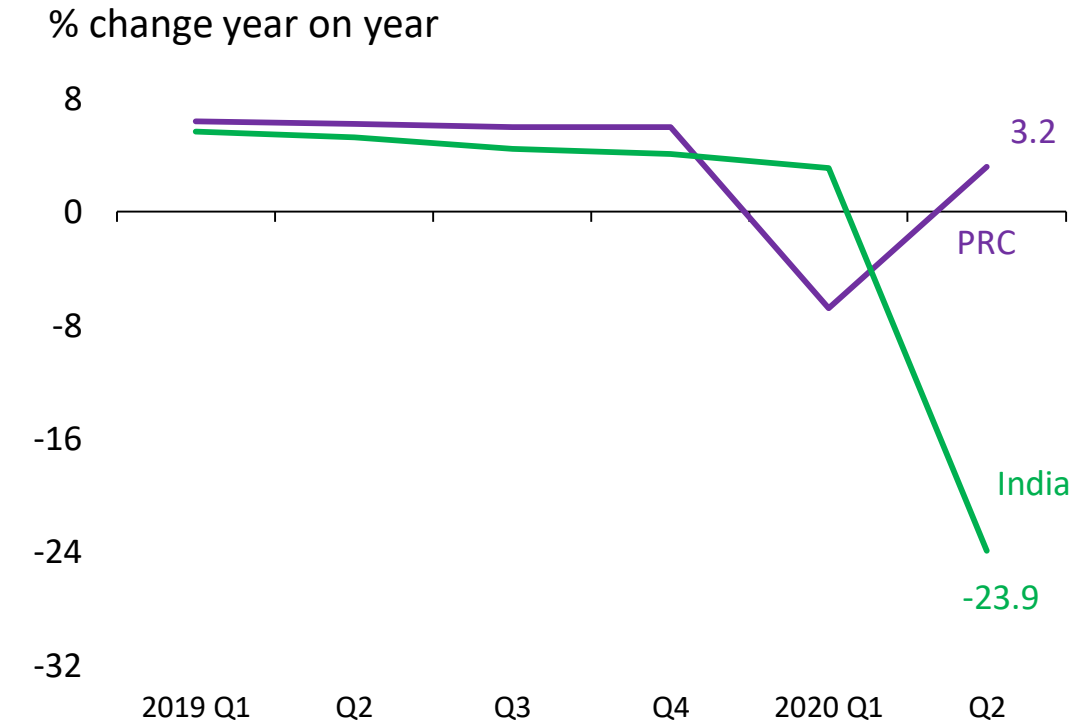
...so while growth is rebounding in the PRC, recovery in India will take longer

COVID-19 daily cases



Source: Johns Hopkins University.

Growth in India and PRC

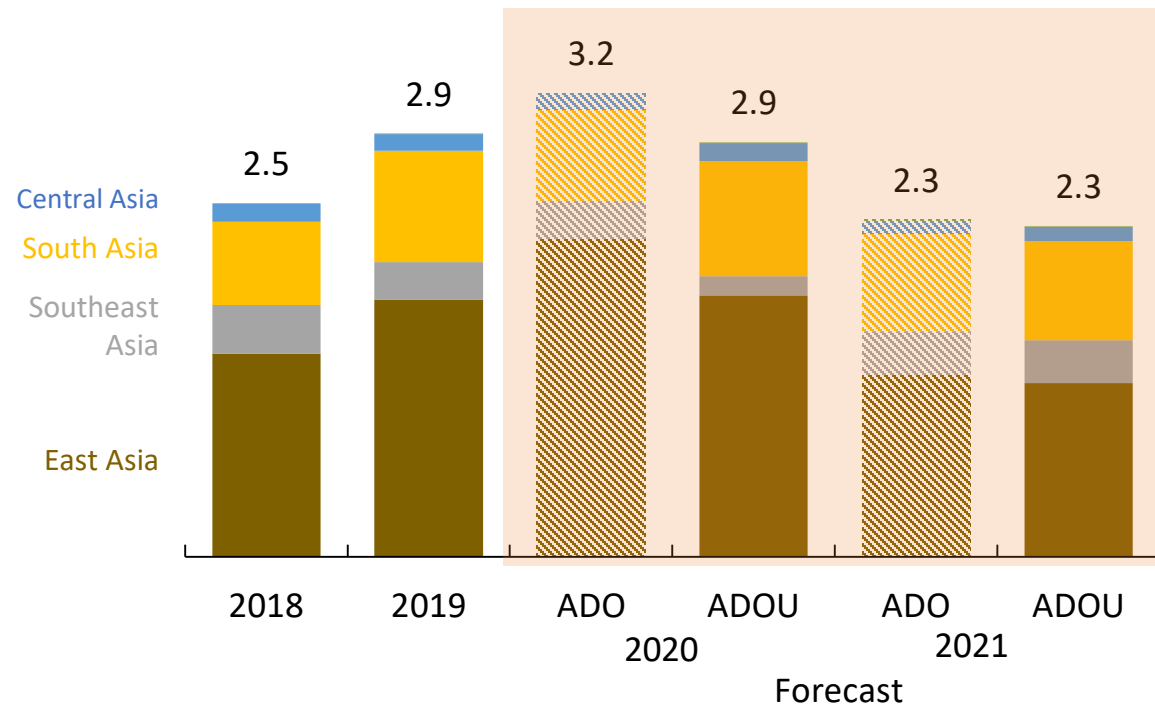


Sources: CEIC Data Company (accessed 10 August 2020); ADB estimates.

Depressed demand and lower oil prices will keep regional inflation muted

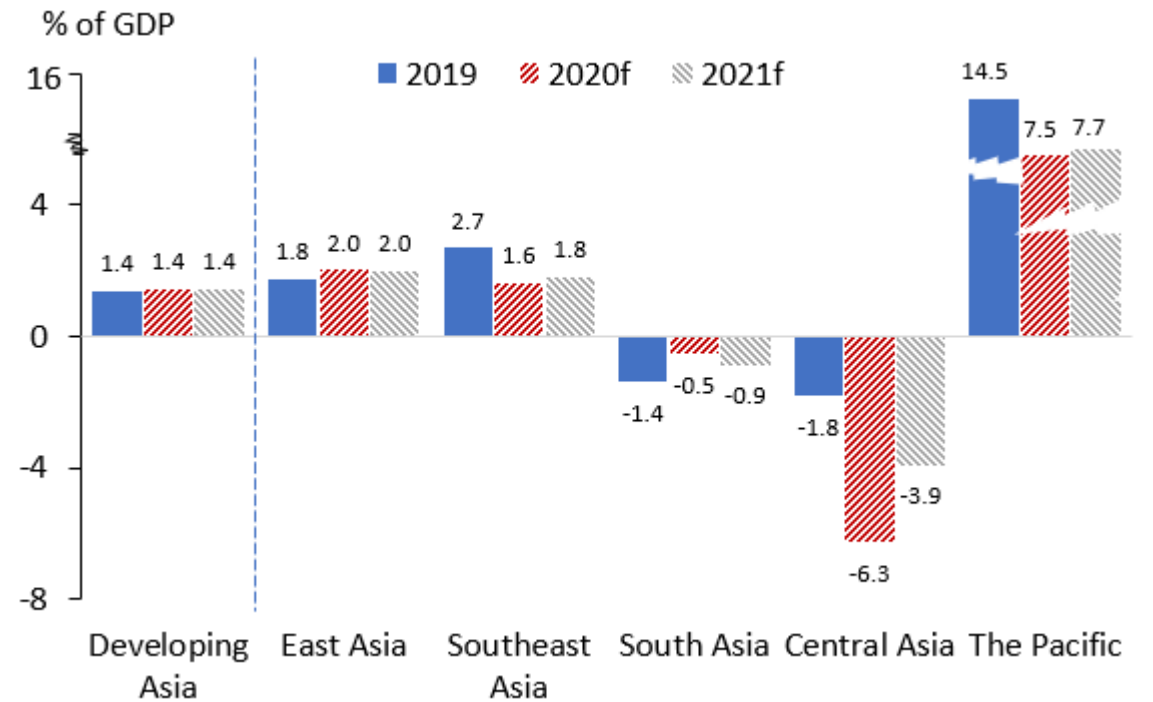
Weak demand and low oil prices will dampen inflationary pressures... ...while current accounts will largely stabilize across the region

Inflation (%)



Source: Asian Development Outlook database.

Current account balance (% of GDP)



Source: Asian Development Outlook database.

Risks are improving from negative to neutral

- The main risk *was* centered on COVID-19
 - A prolonged pandemic could lead to protracted containment measures, with further supply and demand disruptions
 - Protracted weakness induced by COVID-19 could trigger crises in some countries with debt sustainability issues or financial vulnerabilities
 - But the risk is receding due to the development of vaccine
- Worsening geopolitical tensions are another risk, most notably potential for US–PRC friction over trade and technology to intensify

Key messages

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