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## Econote No. 94: A snapshot of Asian economies: A very diverse performance 7/9/2020


### Summary

The partially justified G3-centricity of media coverage of the economic impact of CV19 has left out the very diverse developments in Asia. We show here that both backward looking indices, such as GDP and exports growth as well as the forward ones, such as PMI, yield a kaleidoscopic picture of trends from the very good to the downright terrible. This diversity of performance 9 months into the outbreak of the pandemic, is not necessary optimistic, but allows for a differentiated appraisal of what has happened. This report is meant to be a snapshot at a moment in time and nothing more.

### Investment conclusions

The two extremes of the good performance of China to the very poor one of India, and of the whole range of in-between performances, may allow some investment conclusions, albeit based on the unstable link between macro and equity performance. A simple ranking on the basis of the three metrics used here, point to a good macro and equity performance at this moment in time, for China and Taiwan. The same rankings have India and Philippines at the bottom of the scale for macro and equity performance.


### Basics first

The table in Fig. 1 below shows YoY% GDP growth for 10 major and minor Asian economies as available for 4Q.19, 1Q.20 and 2Q.20 to allow for a "trend" comparison. The countries are ranked from the highest to lowest on their most recent data. We do not show QoQ annualized GDP growth not only because it is utterly meaningless and but also because not all Asians publish QoQ figures. Some countries had positive GDP growth rates before the latest number available, usually 2Q.20 or earlier. China, Taiwan, S.Korea, Indonesia and Hong Kong did as well or better than the G3 economies during 2Q.2020 The EU and Japan registered negative GDP growth during 1Q.2020 whereas 4 Asian economies registered positive, (Taiwan, S.Korea, Indonesia and Malaysia) and India also had a positive 4Q.2019 versus its steep negative in 1Q.2020 Allowing for very significant differences in their economic structures, and the simple statistics used here, GDP YoY growth, half of Asia was doing as well as or better than the G3. Economies during 2Q.2020.The reasons why China was doing overall better and India worse is not too difficult to explain. China entered earlier the pandemic, including the first total lockdown of a major city, Wuhan, and hence it is exiting earlier and with the economy rapidly opening up. India's also extreme lockdown caused, a reportedly, 140 million migratory workers to lose their jobs and forced them back to their villages in abject poverty, while causing extreme disruption in the economy of urban centers.

**Fig 1: Asia and G3, GDP YoY %, 4Q.2019 to 2Q.2020** (Bloomberg )

| | 4Q.2019 | 1Q.2020 | 2Q.2020 |
|---|---|---|---|
| China | | -6.8 | 3.2 |
| Taiwan | | 2.2 | -0.6 |
| S.Korea | | 1.4 | -2.7 |
| Indonesia | | 3.0 | -5.3 |
| Hong Kong | | -9.1 | -9.0 |
| Thailand | | -2.0 | -12.2 |
| Singapore | | -0.3 | -13.2 |
| Philippines | | -0.7 | -16.5 |
| Malaysia | | 0.7 | -17.1 |
| India | 3.0 | -23.9 | — |
| **FOR COMPARISON** | | | |
| USA | | 0.3 | -9.1 |
| EU | | -3.1 | -15.0 |
| JAPAN | | -1.8 | -9.9 |

## Exports and expectations

The role of exports in Asia's growth has acquired a near talismanic status despite all the evidence that for economies claimed to be "export-driven", such as China, the contribution of net exports to GDP growth has been historically very small indeed compared to that of consumption and investment.Nonethless , the FactBox below shows three month's worth of exports' performance, with the countries ranked from the highest to the lowest most recent exports growth rate, with one extra months added to show a "trend".Major exporters such as Singapore and S.Korea have done poorly as supply chains were disrupted.China, Malaysia and Taiwan have done better.The very small time sample can not, of course, establish a trend but it shows, once again, the extreme divergences between different Asian economies.The expectational data are shown in Fig. 2

**FACTBOX: Asia, exports YoY %, June-August 2020.**

| Exports Yoy% | June | July | Aug. |
|---|---|---|---|
| China | 0.5 | 7.2 | - |
| Malaysia | 8.0 | 3.1 | - |
| Taiwan | -3.8 | 0.4 | - |
| Hong Kong | -1.3 | -3.0 | - |
| Singapore | -4.3 | -7.9 | - |
| Indonesia | | +2.1 | -9.9 |
| S.Korea | | -7.1 | -.9.9 |
| India | -12.4 | -10.2 | - |
| Thailand | -24.6 | -11.9 | - |
| Philippines | May -26.9 | June -13.3 | |

Source: Bloomberg

which contains mostly Markit-type PMI for the whole business sector with 50 being the pivot point between expansion and contraction. The countries, as usual, are ranked from the highest August index to the lowest. Of the eight countries, which have PMI indices, four, Taiwan, China, Indonesia and Singapore are registering 50.0 or above, an encouraging sign defying the fact that CV19 is by no means under control. Hong Kong's poor rating is not surprising given the twin blows to confidence from the restrictions necessary for the control of CV19 and the continuing political uncertainty of the postponed elections and the introduction of National Security Law. Blending together these three, and completely different, indices yield some basic but interesting results.

## Fig. 2 Asia Expectations, July-August 2020

Source: Bloomberg

| PMI or equivalent | J July | August |
|---|---|---|
| Taiwan | 50.6 | 52.2 |
| China | 51.1 | 51.0 |
| Indonesia | 46.9 | 50.8 |
| Singapore | 50.2 | 50.1 |
| S.Korea | 46.9 | 48.5 |
| India | 37.2 | 46.0 |
| Thailand | 42.9 | 45.7 |
| Hong Kong | 44.5 | 44.0 |
| Malaysia | N/A | N/A |
| Philippines | N/A | N/A |

## Conclusions: Very obvious, Asian countries are very different !

The ten economies covered here, and keeping in mind that Malaysia and the Philippines do not have PMI indices to be ranked with, two economies China and Taiwan occupied consistently any of top three positions. On the other extreme, two economies, India and the Philippines occupied consistently any of the bottom three positions. Keeping in mind the simplicity of the metrics used here and the "snapshot" nature of the time involved, it is encouraging to see a degree of consistency in the rankings. Despite the disconnect between macro and equities, here the link appears to be working. The Shanghai Comp is the best Asian performer with 10.0% YTD in USD, followed by Taiwan with 7.3%. Mumbai's Sensex is at -9.3% and Philippines at -21.0 % but there are other Asian markets which are worse performers such as Singapore's Straight Times with -23.0% (all data as of 7/9/2020). Using the economists' best friend and escape clause, " all other things being equal", China and Taiwan are doing overall best both in terms of macro and in terms of equities performance.

Andrew Freris (writing completed on 7/9/2020)