

Question : What do we know so far about the impact of the Covid 19 on Asia's GDP growth?

Answer: To 16 May 2020 , not a great deal



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Respecting data rather than beliefs, impressions or expectations

Please note that “not a great deal” does not mean that Covid 19 had little or no effect on Asian GDP growth; it means we have few or no official data to date for about half of the Asian economies surveyed here.

Consider the data we do have for 11 Asian economies including Japan, **for the first quarter of 2020 (1Q.20)**. To make life more difficult , some Asian economies supply QoQ data (but see below as to themisleading information this statistic provides...), as well as YoY, but several provide only YoY thus making consistent inter-country comparisons difficult or impossible. As it is widely agreed that two consecutive negative QoQ GDP growth rates signify “recession”, we follow the convention and focus on QoQ data as being the important ones, right now, in signaling GDP growth trends rather than YoY data. We also concentrate on 1Q.20 as this was the time period that Covid 19 was

recognized as pandemic and the strict policy measures started being implemented. For economies such as Hong Kong, which was already in recession in 1Q.20, the story is a lot more complex in filtering out the Covid 19 impact alone.

1.Countries with negative 1.Q20 QoQ: Hong Kong -5.3 %, S.Korea -1.4% Singapore -10.6 %, Malaysia -7.0%, Indonesia -2.4 %, Philippines -5.1%.

2.Countries with NO data at all, for now, for 1.Q20: Japan, India and Thailand

3.Countries with 1.Q20 YoY: China: -6.8 %, Philippines -0.2%, Taiwan +1.5 %, S.Korea +1.3 %, Malaysia +0.7%

In sum. For 3 countries we have no data for 1Q.20 at all for now, for 6 countries we have negative QoQ data, for 2 countries we have negative YoY and for 3 countries positive YoY. In other words taking the QoQ data only 6 out of the 11 countries have clear evidence of GDP shrinkage while 2 have YoY shrinkage (Philippines, both !). We could therefore say that for 8 economies (6 +2) we have evidence of shrinking GDP in either QoQ or YoY or both.

Respecting the data

1.GDP growth data is universally used in judging what is happening in an economy, despite the well-known shortcoming of this statistic. However GDP growth is backwards looking and tells little or nothing about the future, except if we make assumptions about the trend.

2.QoQ measurement is a very poorly understood statistic, especially in the form usually presented, that is annualized (and wait for it...seasonally adjusted !). Take a deep breath now. Annualized means that **IF** GDP growth as measured from one quarter to the next, continues to grow at that exact rate but compounded for three more quarters, **THEN** GDP growth for that year will be X.0 %. It is blindingly obvious that the chances that GDP growth will do just that, grow for three more quarters at the same compounded rate as it did in the first, are next to zilch. Then the best that QoQ annualized will tell us is a vague annual trend based on totally unlikely assumptions. Aha, but then we seasonally adjust the quarterly measurements on the correct assumption that GDP can vary depending the period of the year (cold or hot weather, Xmas or Chinese New Year etc). The result is, as indicated, a concocted term about annual GDP growth, and nothing else. The QoQ term on its own is fine as a simple short-term trend measurement indicating GDP growth, but nothing else, except a little more "honest" than annualized !

3.A personal aside. My secret dream, when I retire from Investment Banking and Consulting, is that I will open a car dealership, which will offer special terms to economists and economic statisticians. On being asked how much this car does to the gallon (or to a kilowatt or something similar

if it is an electric car), I will simply reply:

“Per Ottoman Imperial liquid kantar (44 liquid okas) it does twenty thousand Anglo-Saxon furlongs per lunar month at a constant speed of one nautical league per hour”

If clients can understand and use QoQ annualized and seasonally adjusted, then this measurement will present no challenge to them.

In conclusion

1.For about half of the economies we have data for QoQ (6 from the 11) the news are bad, especially for Hong Kong (but please note that this is the FOURTH quarter of negative growth, so let's not blame it all on the poor virus). China's number is a YoY negative, and strictly speaking not comparable to QoQ, but still impressively poor. Taiwan, S.Korea and Malaysia have a positive sign so far, but on YoY only.

2.There is little doubt that when we get the numbers for the rest 3 economies, which have not yet published their data, and Japan in particular, the picture is hardly likely to be different or bright.

3.However ,the USA-centric wailing and woes of the “worst depression ever in the history of the total galactic universe” **should be confined to the US only for the time being**. Until we have the full picture for Asia ,and in the immortal words of Samuel Goldwyn, “include me out”.



Plain vanilla, useful for long term views



Taking strictly into account the limitations and assumptions of QoQ annualised-see text above.Useful for short term views.

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