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Q4

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- Asian Q4 sentiment index 62 vs 53 in Q3
- One half polled say lingering COVID-19 cases top risk to outlook
- Broad recovery gathers speed in latest quarter from last one

Thomson Reuters/INSEAD Asian Business Sentiment Survey

Asian business confidence gains steam, pandemic still top risk



Vaccinators wear protective masks as they get their temperature checked, during an anti-polio campaign, in a low-income neighborhood as the spread of the coronavirus disease (COVID-19) continues, in Karachi, Pakistan July 20, 2020. **REUTERS/AKHTAR SOOMRO**

BY ANSHUMAN DAGA

Asian firms turned most optimistic in the fourth quarter this year, a Thomson Reuters/INSEAD survey showed, as business activity picked up in the region and COVID-19 vaccines started rolling out in Western countries ahead of their Asian launch.

The outlook for Asian companies in the next six months tracked by the Thomson Reuters/INSEAD Asian Business Sentiment Index jumped to 62 this quarter from 53 in the third quarter.

The latest number according to the survey of 101 firms across 11 Asia-Pacific countries was the highest since the fourth quarter of 2019. A reading above 50 indicates a positive outlook.

“There’s a sense of optimism going forward,” said Antonio Fatas, Singapore-based economics professor at global business school INSEAD.

“Things are getting better but they are getting better with still a dose of uncertainty. The effect of the crisis is very different across sectors,” he added, noting the weakness in the transport sector due

to curbs on global travel.

Still, more than half the respondents polled flagged persistent cases of the novel coronavirus as well as the possible scarcity of vaccines in parts of the world – at least initially – as their biggest risk.

While the United States and Britain have already started vaccinating their populations, few Asian countries expect to get significant amounts of coronavirus vaccines in coming weeks.

Some Asian countries are still running their own late-stage trials of vaccines, while others are allowing time to check



Vials of AstraZeneca's COVISHIELD, coronavirus disease (COVID-19) vaccine, are seen before they are packaged inside a lab at Serum Institute of India, Pune, India, November 30, 2020.

REUTERS/FRANCIS MASCARENHAS

for any side effects in people inoculated elsewhere.

A quarter of the companies in the survey, which was conducted between Dec. 4-18, were most concerned about businesses cutting jobs, which would hurt consumption.

Yet others flagged as their top risks a withdrawal of stimulus by central banks, and newly elected United States President Joe Biden keeping a tough line on China.

The coronavirus pandemic has brought on the worst global economic slowdown since the Great Depression, with millions of jobs lost and industries brought to their knees.

Still, Asia, which has had greater success in controlling the virus than Europe and the United States, is leading hopes of an economic recovery.

YEAR OF THE PHOENIX

“After a year marked by economic contraction, 2021 stands to be the ‘year of the phoenix’, with a strong rebound in global gross domestic product and

corporate earnings in 2021 thanks to the unrolling of vaccines and substantial policy support,” said Cesar Perez Ruiz, chief investment officer at Pictet Wealth Management.

A recovery to pre-pandemic levels in China, the world’s second-largest economy, has fuelled revival hopes. Equity markets in China, South Korea and Taiwan are up at least 20% this year,

leading the region’s gains.

According to the Thomson Reuters INSEAD survey, some 44% of the companies polled in the fourth quarter were positive about their outlook for the next six months, up sharply from 28% in the third quarter and nearly 8% in the second.

About 58% of the firms said they did not hire or lay off people this quarter, and a fifth said staffing levels were lower. This was similar to numbers in the third quarter. In the second quarter, 62% of the companies said they had cut jobs.

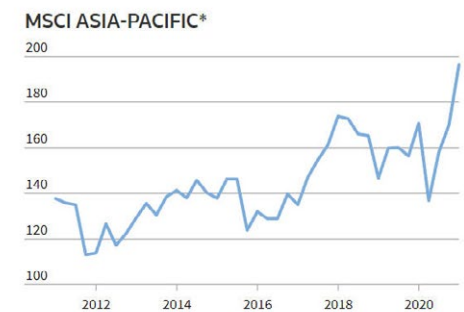
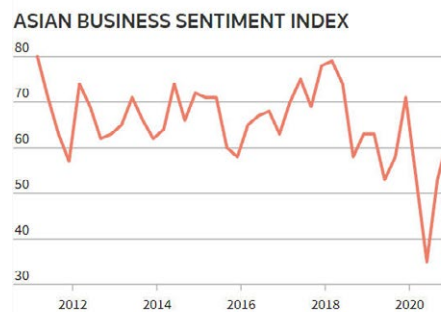
“While I still see some uncertainty, the numbers are good,” said Fatas. “It looks like a recovery that is taking speed and where more businesses feel confident.”

Companies polled included India’s Housing Development Finance Corp Ltd, Japanese car maker Suzuki Motor Corp, and Thai electronics company Delta Electronics (Thailand) PCL.

Note: Companies surveyed can change from quarter to quarter.

For an interactive graphic on the business sentiment index, see: <https://tmsnr.rs/3mAggWQ>

Business sentiment in Asia vs share performance



*MSCI International All Country Asia Pacific Price Index USD
Source: Thomson Reuters/INSEAD
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Links

Previous surveys



Q4
2 0 1 9

- Sentiment index 71 in Q4 vs 58 in Q3
- Companies cite trade war as chief risk to six-month outlook

Thomson Reuters/INSEAD
Asian Business Sentiment Survey

December 2019



Q1
2 0 2 0

- Sentiment index 53 in Q1 2020 vs 71 in Q4 2019
- Companies cite coronavirus pandemic as chief risk to six-month outlook

Thomson Reuters/INSEAD
Asian Business Sentiment Survey

March 2020



Q2
2 0 2 0

- Q2 sentiment index 35 vs 53 in Q1
- Worsening pandemic main risk to six-month outlook

Thomson Reuters/INSEAD
Asian Business Sentiment Survey

JUNE 2020



Q3
2 0 2 0

- Q3 sentiment index 53 vs 35 in Q2
- Over two-thirds flag COVID-19 as the top risk to outlook

Thomson Reuters/INSEAD
Asian Business Sentiment Survey

SEPTEMBER 2020

FOR MORE INFORMATION, PLEASE CONTACT:

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COVER PHOTO: A man works in a laboratory of Chinese vaccine maker Sinovac Biotech, developing an experimental coronavirus disease (COVID-19) vaccine, during a government-organized media tour in Beijing, China, September 24, 2020. **REUTERS/THOMAS PETER**



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