A caveat to the analyses in the 2020 ASEAN+3 Regional Economic Outlook (AREO)

The AREO 2020 is based on information available as of March 16, 2020. It was prepared prior to the publication of much of members’ macroeconomic data for February, when the impact of the COVID-19 epidemic was starting to manifest. Therefore, it does not include substantial in-depth analysis on the impact of what has become a global pandemic, nor many of the related policy responses that were subsequently announced by member authorities. The COVID-19 pandemic has significantly increased the uncertainty and downside risks around the global and regional outlook. AMRO staff will continue to update their analyses and projections, taking into account new data releases and policy responses.
Launch Presentation
ASEAN+3 Regional Economic Outlook 2020 (AREO)

Singapore
April 7, 2020
“You don't make the timeline, the virus makes the timeline.”

Anthony S. Fauci
Director, US National Institute of Allergy and Infectious Diseases
A GRiM Outlook
Global risks to the region have evolved significantly since December 2019…

Global Risk Map (GRiM)
December 2019

Low Impact
Medium Impact
High Impact

Legend:
- Low Impact
- Medium Impact
- High Impact

Perennial Risks
- Cyber attacks
- Climate change

Likelihood

Imminence

High
Medium
Low

Short Term (up to 2 years)
- Escalation in global trade tensions
- Sharp slowdown in China’s growth
- Sudden EM risk aversion from idiosyncratic event

Medium Term (2 to 5 years)
- Sharp deceleration in G3 growth
- Escalation in geopolitical risks

Long Term (> 5 years)
- Prolonged low interest rates

Source: AMRO staff estimates.

December 2019

Global Risk Map (GRiM)

Perennial Risks
- Cyber attacks
- Climate change
…with the COVID-19 pandemic representing the (unravelling) thread that ties many of the key risks together.

Global Risk Map (GRiM) April 2020

- **COVID-19 pandemic**
- **Marked deceleration in G3 growth**
- **Sharp slowdown in China’s growth**
- **Re-escalation in global trade tensions**
- **Prolonged low interest rates**

**Perennial Risks**
- Cyber attacks
- Natural disasters
- Climate change

**Legend:**
- Low impact
- Medium impact
- High impact

Source: AMRO staff estimates.
2 Trade Trepidations
Until the coronavirus outbreak, there were early signs that the region’s manufacturing sector and exports were turning the corner…

### ASEAN+3: Purchasing Managers’ Index for Manufacturing

<table>
<thead>
<tr>
<th>Economy</th>
<th>2018 Jan to Dec</th>
<th>2019 Jan to Dec</th>
<th>2020 Jan to Mar</th>
<th>Change from Prev Month</th>
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<tbody>
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<td>PLUS-3</td>
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<td>China</td>
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<td>Hong Kong</td>
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<td>Vietnam</td>
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<td>-4.5</td>
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### ASEAN+3: Total Merchandise Exports (Percent year-on-year)

<table>
<thead>
<tr>
<th>Economy</th>
<th>2018 Jan to Dec</th>
<th>2019 Jan to Dec</th>
<th>2020 Jan to Mar</th>
<th>Change from Prev Month</th>
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<tr>
<td>Vietnam</td>
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<td>-8.0</td>
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</tbody>
</table>

Sources: National authorities; and AMRO staff calculations.
Strong demand for smart phones and cloud services
Declining sales of personal computers
Weak Chinese demand following trade tensions
Apple production cut, slow demand from China
Falling chip inventories, signs of increasing demand due to 5G, easing trade tensions

Global Semiconductor and Capex Cycles
(Percent year-over-year; 6-month moving average)

Global Demand for Semiconductor Products
(Percent year-over-year; 3-month moving average)

Sources: WSTS Inc.; and AMRO staff calculations.
However, the downturn in recent global shipping activity highlights the pandemic’s disruption to intra-regional and global trade in goods…

ASEAN+3: Goods and Services Exports
(Percent year-over-year; 3-month moving average)

Baltic Dry Index: Headline and Sub-indices
(January 1, 2019 = 100)

Sources: National authorities; and AMRO staff calculations.

Sources: Baltic Exchange; and AMRO staff calculations.
China locks down Wuhan

Airlines around the world begin cancelling flights to China

Korea reports largest number of cases outside China

Japan restricts inbound travel

US issues “Do Not Travel” advisory to US citizens

...and there are strong indications that services have also been severely affected, particularly those related to the key travel and tourism sector.

ASEAN+3: Travel and Tourism Contribution to GDP, 2000 versus 2018 (Percent)

International Flights: Number of Departures (Percent year-on-year)

Sources: World Travel and Tourism Council; World Bank; and AMRO staff calculations.

Sources: Official Aviation Guide; and AMRO staff calculations.
Fear in Financial Markets
The global spread of COVID-19 has decimated global financial markets in recent weeks...

ASEAN+3: Performance of Equity, Exchange Rate and Government Bond Markets, as of March 27, 2020

Sources: Haver Analytics; and AMRO staff calculations.

Note: All indicators indexed to their levels on January 1, 2020. Numbers in brackets are the change since then.
...leading to heavy outflows from the region’s equity and bond markets, as global risk aversion rose sharply.

ASEAN-4, Korea and Vietnam: Daily Net Foreign Portfolio Capital Flows
(Billions of US dollars, as of March 27, 2020)

Sources: National authorities; and AMRO staff calculations.
However, continuing weakness in oil prices should help mitigate the impact of the pandemic on the region’s oil importing economies.

Oil Markets: Spot and Futures Prices
(US dollars per barrel)

ASEAN+3: Non-oil, and Oil and Gas Trade Balances
(Percent of GDP)

Source: Bloomberg Finance L.P.
Sources: IHS Markit Global Trade Atlas; International Monetary Fund; and AMRO staff calculations.
Severe Growing Pains
AMRO projects that growth in the region will be very hard hit in 2020, with several economies going into recession...

### AMRO Growth Estimates and Projections, 2019–2021
(Percent)

<table>
<thead>
<tr>
<th>Member</th>
<th>2018</th>
<th>January 2020</th>
<th>AREO 2020</th>
<th>April 2020</th>
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<tr>
<td></td>
<td></td>
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<td>2020&lt;sup&gt;p&lt;/sup&gt;</td>
<td>2019&lt;sup&gt;e&lt;/sup&gt;</td>
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<td>4.2</td>
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<td>CLMV</td>
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<td>6.4</td>
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<td>HK &amp; SG</td>
<td>3.1</td>
<td>−0.2</td>
<td>1.2</td>
<td>−0.2</td>
</tr>
</tbody>
</table>

### ASEAN+3: Projected Quarterly Growth Profile for 2020
(Percent)

<table>
<thead>
<tr>
<th></th>
<th>Q1 2019</th>
<th>Q2 2019</th>
<th>Q3 2019</th>
<th>Q4 2019</th>
<th>Q1 2020</th>
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<th>Q3 2020</th>
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<td>1.9</td>
<td>1.7</td>
<td>4.0</td>
<td>2.6</td>
</tr>
</tbody>
</table>

Sources: National authorities; and AMRO staff projections.

Sources: Haver Analytics; Wind; and AMRO staff calculations.
...before rebounding in 2021, although risks are assessed to be tilted to the downside...

**AMRO Growth Estimates and Projections, 2019–2021**
(Percent)

**ASEAN+3: Spillovers from a Global Recession**
(Percentage points deviation from baseline)

Sources: Bloomberg Finance L.P.; and AMRO staff calculations.

Sources: Haver Analytics; policyuncertainty.com; and AMRO staff calculations.
5 Pandemic Policies
Fortunately, substantial reserve buffers should help cushion the region against the anticipated large shocks...

ASEAN+3: Adequacy of Foreign Exchange Reserves

Selected ASEAN+3: Reserves over Reserve Adequacy Metric (Percent)

Sources: Haver Analytics; National Authorities; World Bank; and AMRO staff calculations.

Note: Size of bubble denotes to individual economy's FX reserves in USD billion.

Sources: IMF; and national authorities.
...and regional economies will be relying on strong policy support that is already underway, with more expected to come.

Selected Economies: COVID-19 Confirmed Cases
(log scale, as of April 2, 2020)

ASEAN+3: Selected Policy Measures

**Households**
- Cash payouts
- Suspension of loan and interest payments
- Unemployment benefits
- Shopping vouchers
- Tax deferrals, waivers and rebates
- Exemption from government fees

**Corporates**
- Extension of soft loans
- Direct subsidies
- Lifting of import restrictions on local producers
- Moratorium on debt payments
- Subsidies for maintaining employment
- Tax deferrals, waivers and rebates
- Temporary financing lines to manage cash flow

**Financial institutions**
- Intervention in markets to ease liquidity
- Government guarantees
- Regulatory forbearance

**Social distancing**
**Community quarantines**
**Lockdowns**

Sources: Haver Analytics, sourced from John Hopkins University; and AMRO staff calculations.

Sources: AMRO staff.