ASEAN+3 REGIONAL ECONOMIC OUTLOOK 2020

I. MACROECONOMIC PROSPECTS AND CHALLENGES

Regional Outlook
ASEAN+3 growth is expected to slow further due to the COVID-19 outbreak...

<table>
<thead>
<tr>
<th>Year</th>
<th>Average 2016-2018</th>
<th>2019/e</th>
<th>March projections</th>
<th>April projections</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020/p</td>
<td>5.4</td>
<td>4.8</td>
<td>4.2</td>
<td>2.0</td>
</tr>
<tr>
<td>2021/p</td>
<td>5.0</td>
<td>5.5</td>
<td></td>
<td></td>
</tr>
</tbody>
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/e refer to estimation; /p refer to projection
The ASEAN+3 regions comprise 10 ASEAN members; China; Hong Kong, China; Japan and Korea

Baseline Risks
....which could trigger the realization of other risks

Perennial Risks
- Cyber attacks
- Natural disasters
- Climate change

What short-term policies can economies adopt?
Capitalize on available policy space to support growth while adopting physical containment measures

- Implement appropriate containment measures to stop spread of virus
- Intervene judiciously and allow exchange rate to move flexibly to cushion external shocks
- Prioritize financial assistance to support workers and businesses
- Ease monetary policy to support economic activity

Source: ASEAN+3 Regional Economic Outlook 2020: ASEAN+3 in the Global Value Networks
II. ASEAN+3 IN THE GLOBAL VALUE NETWORKS

The transition to the "new economy" poses a quandary for the region:

- It is unfolding in a world increasingly interconnected but also riveted by protectionist tendencies.
- It is heavily driven by technological advancement.
- It substantially changes cross-border production and delivery of goods and services.
- It is pervasive across sectors of the economy.

Old maxims remain relevant:

- Extract the maximum out of manufacturing-led growth.
- Continue to boost investment and upgrade human capital.
- Focus on technology, productivity and job creation.

Some newer ideas are worth considering:

- Develop services in parallel, widening the range of services offered globally – diversification is key.
- Policies to plug into global value chains should be increasingly targeted: different sectors, different entry points.
- Focus on efforts which can strengthen virtuous feedback between Factory Asia and Shopper Asia.
- Beware the downside of global value chains and connectedness: spillovers across countries, between sectors.

Recommendations
Play a part in enhancing openness

- Supply side: enhance sector-specific efforts alongside broad enablers.
- Pervasive transition to tech-driven growth: capacity to apply if not originate.
- Development strategy: manufacture-for-exports still relevant, especially in Cambodia, Lao PDR, Myanmar and Vietnam.
- Openness: hard/soft infrastructure, connectivity, regulatory frameworks.
- Human capital: new economy skillsets – innovation, creativity, soft skills.
- Demand side: maximize global demand for newer goods and services.

Source: ASEAN+3 Regional Economic Outlook 2020: ASEAN+3 in the Global Value Networks