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PREPARED FOR DELIVERY

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Distinguished speakers

1 Good morning. It is a pleasure to be here to present the prospects and challenges in the ASEAN+3 region.

2 From the Great Depression in the 1930s, to the more recent Asian and Global Financial Crises, the COVID-19 pandemic will likely be the “black swan” event of our lifetime.

COVID-19 Pandemic in ASEAN+3

3 [Slide 2] Now in its fifth month, the outbreak has infected over 3 million people and caused more than 250,000 deaths. It has inflicted great economic damage, disrupting trade, travel and tourism, and led to the crash of global financial markets.

4 In response to this pandemic, the ASEAN+3 governments have taken unprecedented measures to contain the virus, and in many cases, locked down entire countries.

Economic Snapshot of ASEAN+3 region

5 [Slide 3] Let me give a snapshot of where the ASEAN+3 economy stands today. As governments attempt to contain the virus and enact bailout packages to save their economies, the COVID-19 pandemic has triggered several tail risks confronting the ASEAN+3 region, namely a sharp G3 downturn, a marked slowdown in China, and a re-escalation of trade tensions.

2020 ASEAN+3 Outlook

6 Our initial assumption that COVID-19 would be more regional and short-lived turned out to be wrong. Within a few months, the virus spread from Asia to the whole world. Instead of being a regional economic shock with a V-shaped recovery, we now see a standstill in global economic activities and the worst global recession since the Great Depression.

7 [Slide 4] As a result, AMRO has reduced our forecast for the region. We now expect growth to slow sharply to 0.2 percent this year, with a gradual U-shaped recovery, led by China and the manufacturing sector.

8 [Slide 4] While China will lead the recovery, we project its economy to grow at 2.0 percent this year as it faces strong external headwinds. Meanwhile, Japan and Korea are expected to register negative growth.

9 [Slide 4] Growth of the 10 ASEAN economies are expected to decline to negative 0.6 percent, with almost half the members contracting.

10 [Slide 4] On a more optimistic note, we expect the region to start picking up from the second half of 2020, expanding by 6.2 percent in 2021.

Impact on the Region

11 What is the impact of COVID-19 on the ASEAN+3 economies?

12 This pandemic will disrupt ASEAN+3 supply chain as well as the services sector, given strong intra-regional links. Derived demand within the region will also be affected.

13 [Slide 5] Before the outbreak, while regional exports were hurt by the US-China trade conflict, the external sector was supported partly by the demand for services; particularly the tourism industry. Over the past decade, the tourism sector's contributions to GDP for economies such as Cambodia, Hong Kong, Thailand and the Philippines increased significantly. Unfortunately, the outbreak has thrown tourism and travel into chaos, and these economies will likely be hardest hit.

14 Before the outbreak, there were early signs that the region's exports and manufacturing sector were turning the corner. The semiconductor cycle was also turning around. The outbreak will adversely affect the recovery of these sectors.

15 [Slide 6] On a brighter note, the ASEAN+3 economies remain fundamentally strong and resilient. Following the Asian Financial Crisis, these economies have strengthened their governance, regulation and supervision of financial and non-financial corporates. By building up adequate reserves and policy buffers, they are able to introduce stimulus packages and ease monetary policy to support their economies against shocks.

Longer-term Prospects & Policy Implications

16 We might ask if the region should continue strengthening regional trade ties, given that it has been badly affected as a result of growing inter-dependence on trade and tourism.

17 The answer is yes. Regional cooperation and integration should continue as a counter-weight against the rise of protectionism globally. The region should affirm its strong commitment to the rules-based multilateral trading system which is under stress.

18 [Slide 7] ASEAN+3 economies have successfully leveraged the manufacturing-for-exports strategy to move up the value chain and income ladder. Besides being the factory of the world, it is also now the region with the fastest-growing spending power. Along with the accelerated adoption of e-commerce and digital technology arising from lockdowns, this brings on a new development paradigm for the region.

19 The region should continue to tap on the new economy by improving the regulatory framework for cross border trade and payments, and increasing factor mobility for skilled labor to pursue opportunities for development. Likewise, there is a need to strengthen the social safety net for workers, especially those in the gig economy.

AMRO's Role during the Pandemic

20 This leads me to the role of the ASEAN+3 Macroeconomic Research Office. As the international organization responsible for economic surveillance in this region, AMRO has intensified our efforts in providing timely risk assessments and policy advice.

21 One of AMRO's core functions is to support the implementation of the Chiang Mai Initiative Multilateralisation (or CMIM) as a regional financial safety net. To this end, we are working closely with our member authorities to enhance the operational readiness of the CMIM.

22 [Slide 8] Recognizing the sheer size of this crisis, AMRO, together with the International Monetary Fund and other peer institutions, recently pledged our cooperation to mitigate the impact on the global economy and contribute to its recovery. In this spirit, we will step up our efforts as one of the key-coordinators for the CMIM.

Conclusion – A Spirit of Collaboration

23 Let me conclude. At the moment, we do not know when this pandemic will end, or what the post-COVID-19 world will be like.

24 It feels like we are at the deep end of the pool where our feet cannot quite touch the bottom. But we somehow need to keep our heads above water and focus on saving lives, supporting livelihoods and salvaging the economy.

25 We all have a role to play and together, we can overcome this threat. Thank you and good health.

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