

## 2019 ECONOMIC DEVELOPMENTS

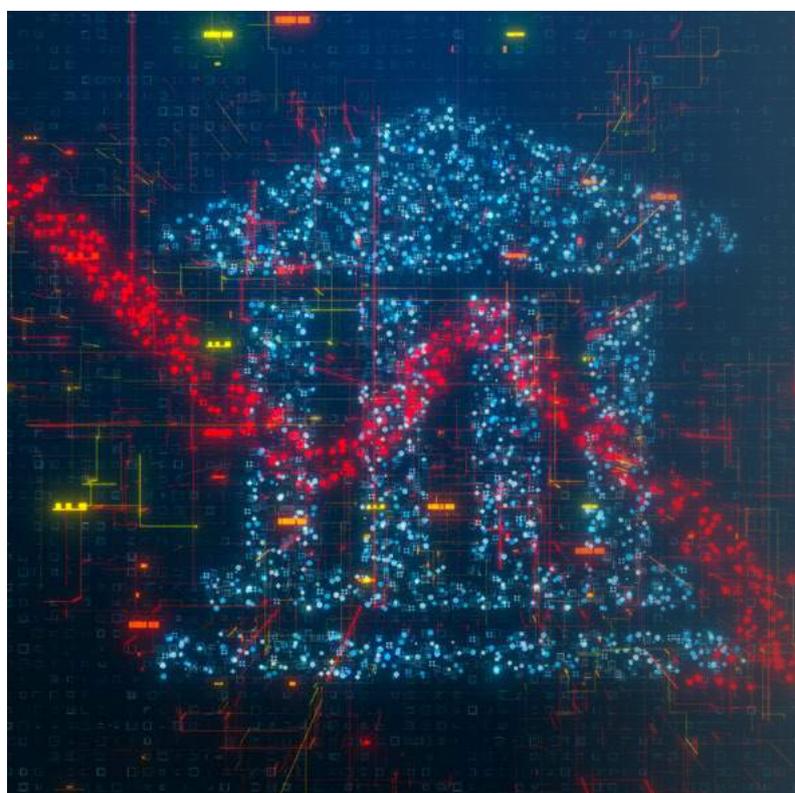


### U.S.-CHINA TRADE TENSIONS

- With U.S.-China trade tensions exerting a big drag on global economic activity, particularly on trade and investment, the conflict invariably presented one of the largest risks for the ASEAN+3 region.
- Uncertainty over global policymaking remained high.
- A sharp fall in China's exports to the United States, especially those subject to tariffs, weighed on regional exports through global value chains. While some regional economies benefited from trade diversion, overall export performance suffered with economic activity weakened in many economies.
- U.S.-China Phase One trade deal announced at the end of 2019 represented a de-escalation of tensions, alleviating business concerns and boosting market sentiment. However, it was largely perceived to be limited and fragile.

### A RESILIENT ASEAN+3

- Domestic demand in the form of consumption and investment in the region was the main driver of ASEAN+3 growth and held up well with the judicious use of policy space to mitigate some of the external negative impact.
- In several regional economies, infrastructure investment was motivated by efforts to enhance capacity and connectivity, which will also help to sustain the region's growth momentum in the long run.
- ASEAN+3 remained the fastest growing region in the world, with growth estimated at 4.9 percent, albeit down from 5.4 percent in 2018.





## EASING GLOBAL FINANCIAL CONDITIONS

- Amid a slowdown in world growth and dimmer prospects, leading central banks, including the U.S. Federal Reserve, have shifted to a more accommodative policy stance at the beginning of 2019.
- The subsequent decline in global interest rates and weakening of U.S. dollar afforded ASEAN+3 central banks more room to ease monetary policy to support growth. This was accompanied by tighter macroprudential measures, where needed, to help maintain financial stability.
- Fiscal policies also became more expansionary, especially for economies with fiscal space that were badly affected by spillovers from the trade conflict.

## LOOKING AHEAD

- The external environment is expected to remain challenging, amplified by concerns over the impact of the COVID-19 pandemic.
- The region remains highly open and vulnerable to trade protectionism, geopolitical risks, and a sharper than expected slowdown in the major economies, despite sound macro fundamentals and relatively strong growth.
- Regional policymakers are commended for the continued implementation of sound macroeconomic policies, while pressing ahead with structural reforms to enhance growth potential and bolster resilience.

