

ASEAN+3 Regional Economic Outlook – July 2022 Update

ASEAN+3 Poised for Robust Growth Despite Threats from Ukraine War and Tighter Financial Conditions

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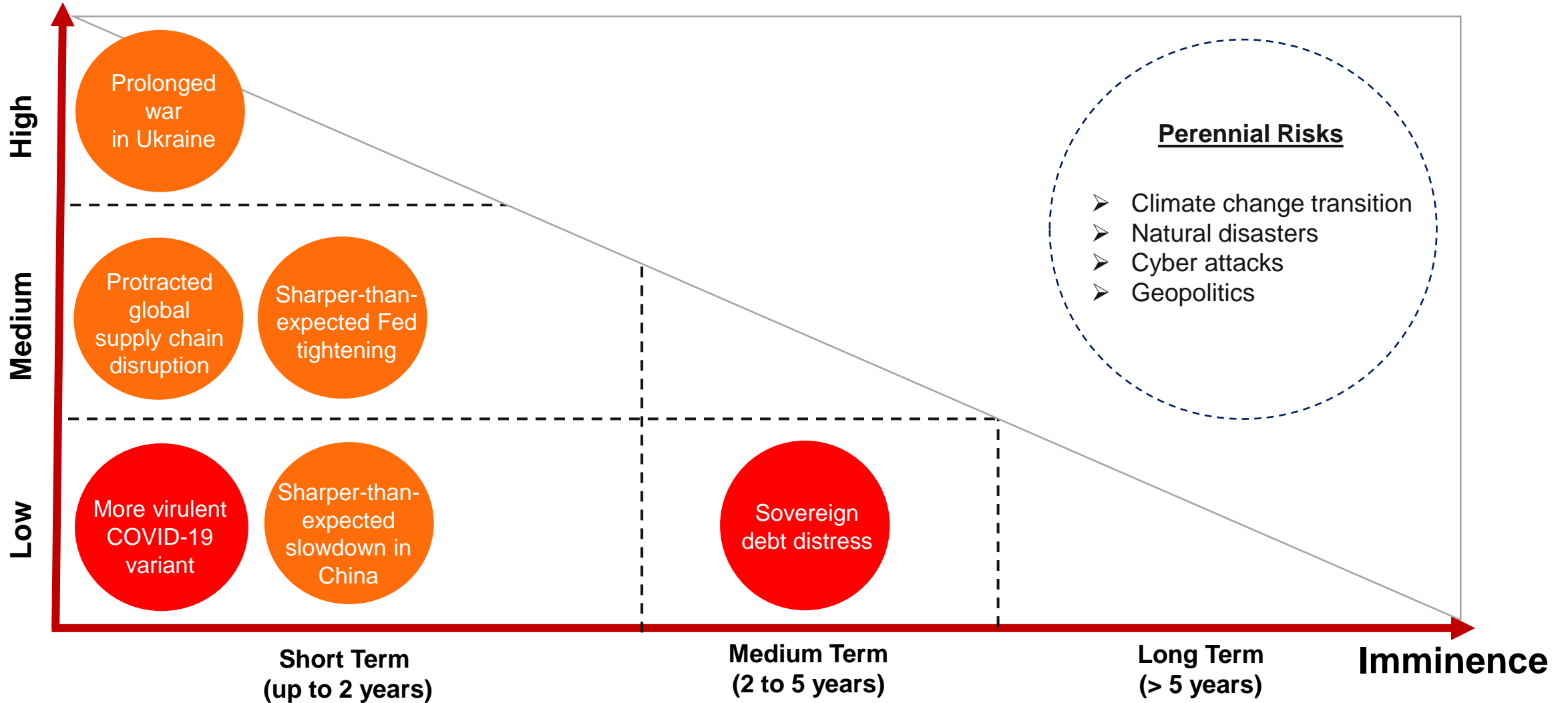
AREO July 2022 Update

July 5, 2022

As compared to April, risks to the region's growth outlook have increased

Regional Risk Map
AREO July 2022 Update

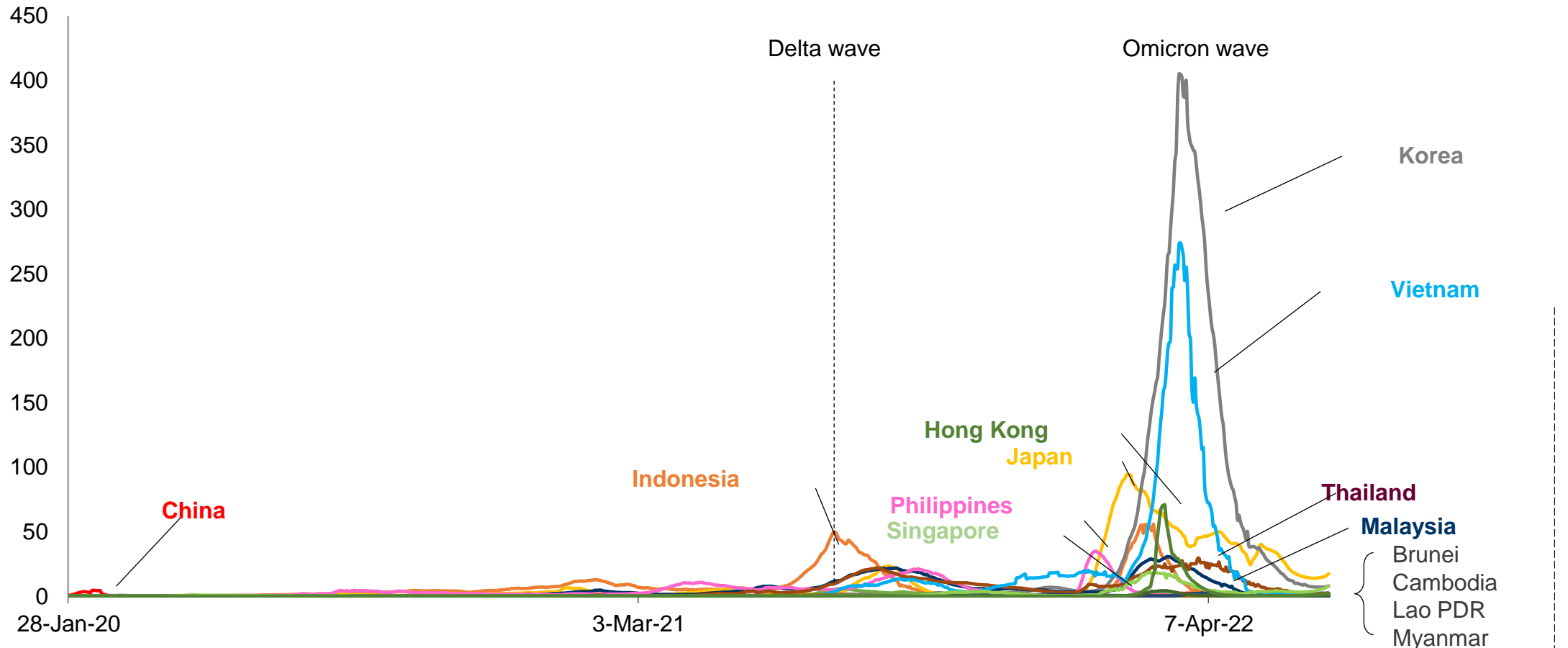
Likelihood



Legend: ● Low impact ● Medium impact ● High impact

The total caseload has plunged since March as infectious Delta and Omicron waves have subsided within the region

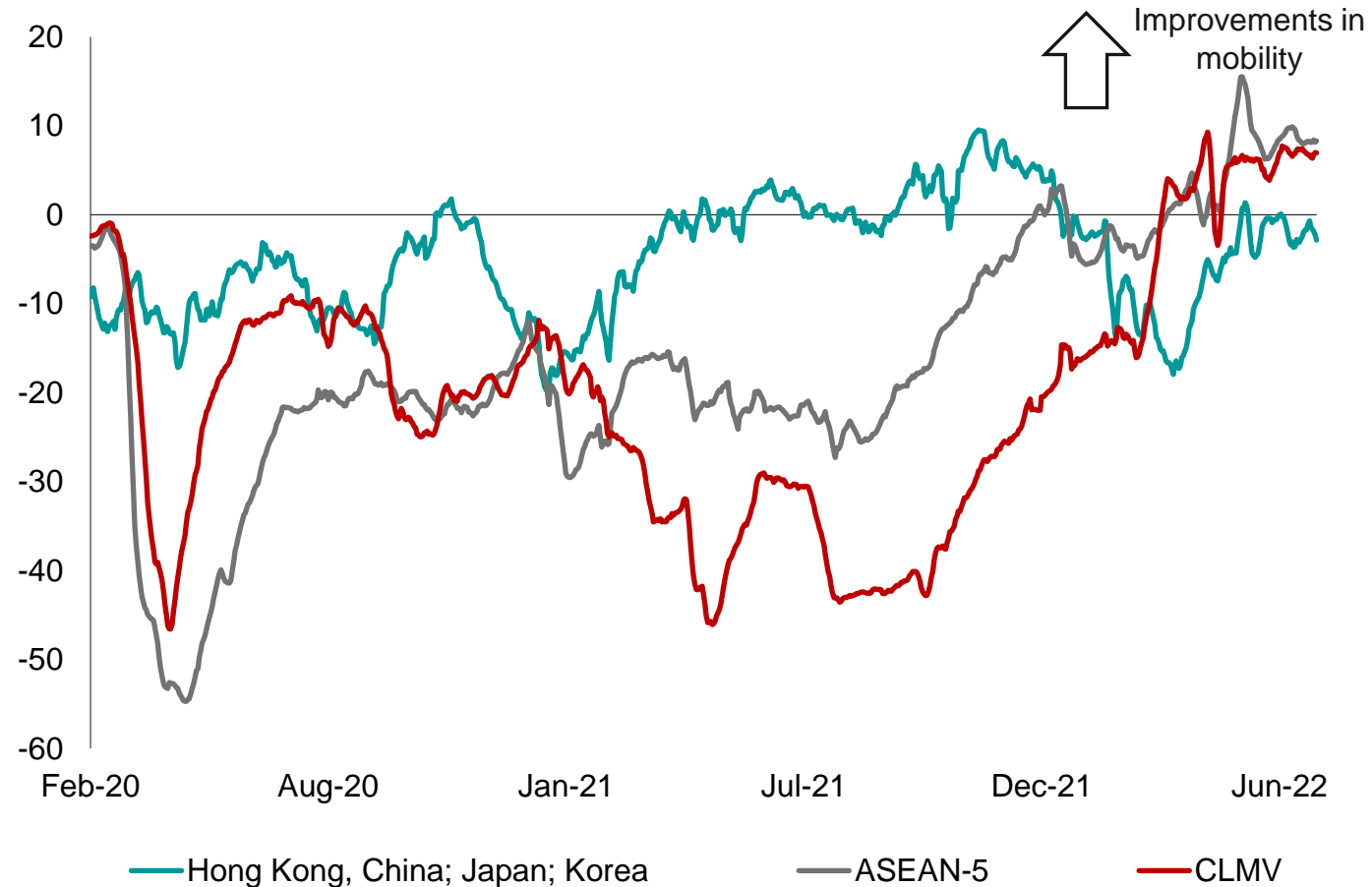
ASEAN+3: Daily COVID-19 Cases
(7-Day average; thousand persons)



Sources: Our World in Data via Haver Analytics; and AMRO staff calculations

More regional economies are relaxing restrictions and allowing a fuller resumption of economic activities

Selected ASEAN+3: Aggregate Non-Residential Mobility
(Percentage change from baseline; 5-day moving average)



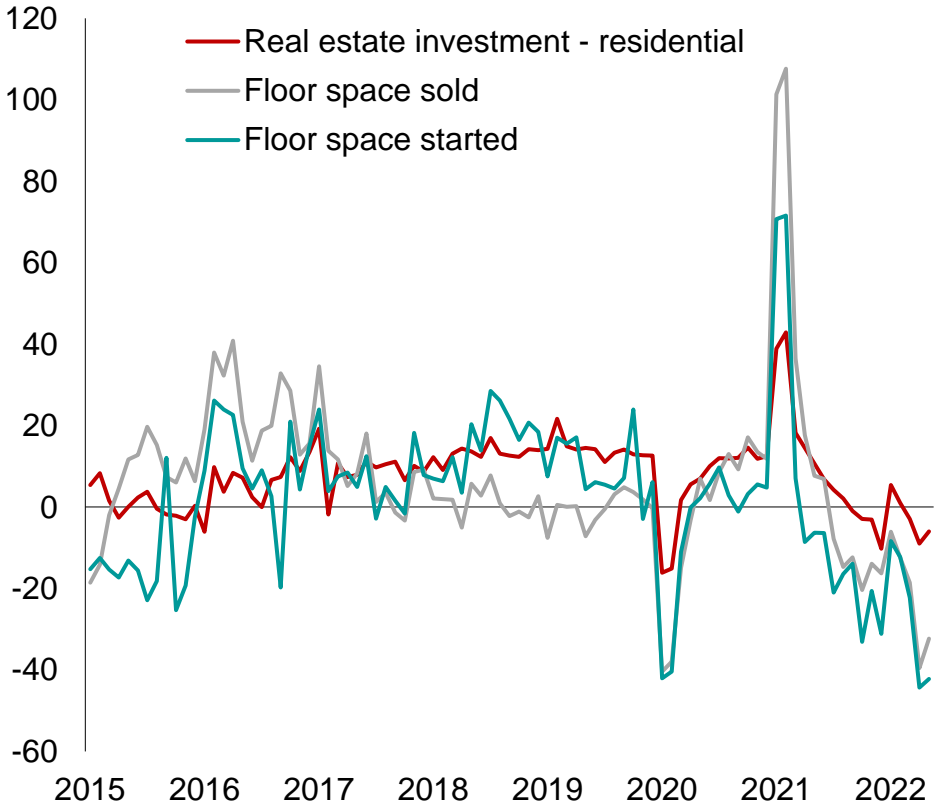
Source: Google COVID-19 Community Mobility reports via Haver Analytics; and AMRO staff calculations.

Notes: Baseline refers to the median value of the corresponding day in the period 3 January–6 February 2020. Non-residential mobility refers to mobility data to and from places such as groceries and pharmacies, retail and recreation facilities, transit stations, and workplaces.

Concerns exist about China's possible lockdown and economic slowdown

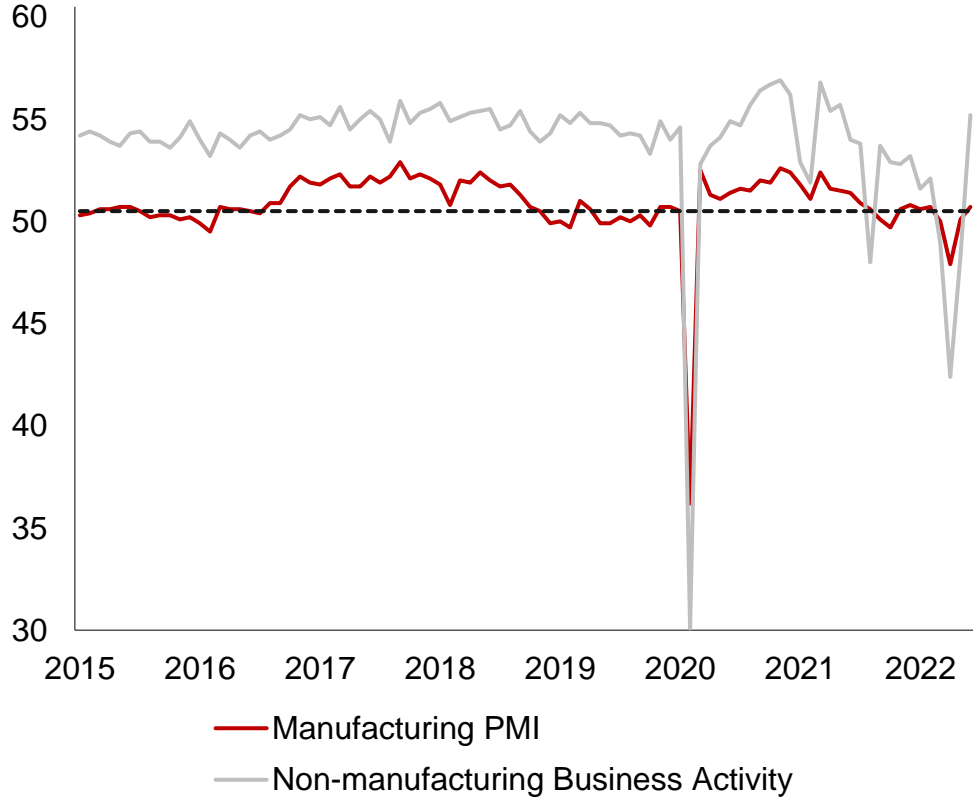


China: Selected Real Estate Activity Indicators (Percent, year-on-year)



Source: National authorities via Haver Analytics

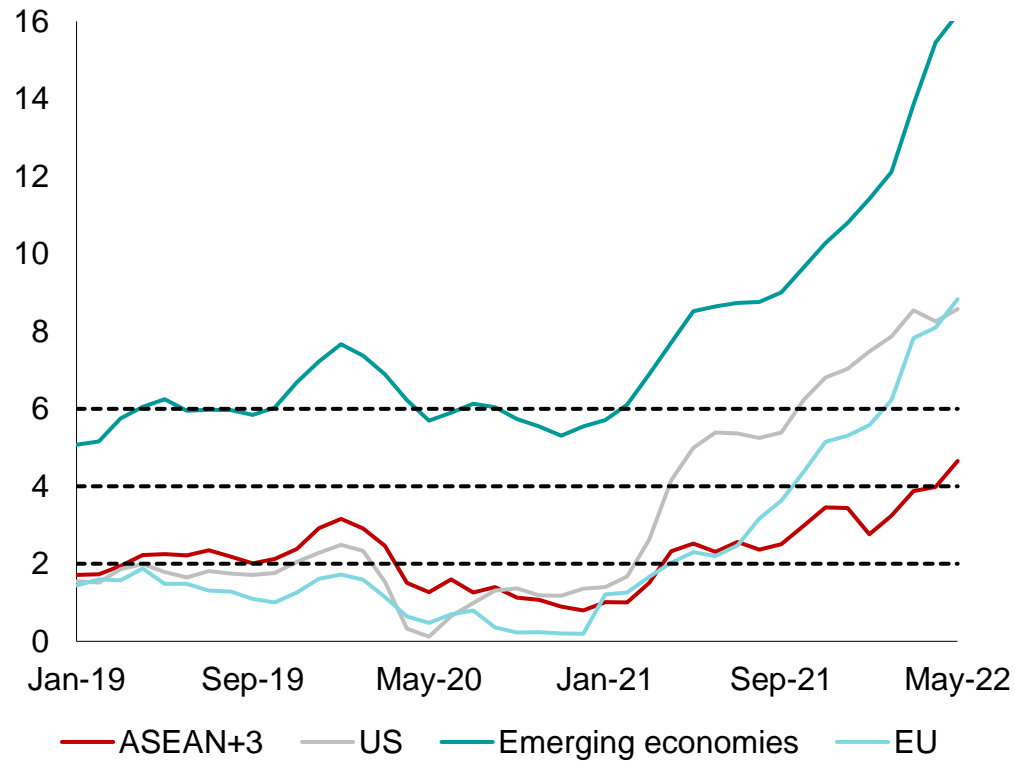
China: Purchasing Managers' Index



Source: China's National Bureau of Statistics via Haver Analytics.

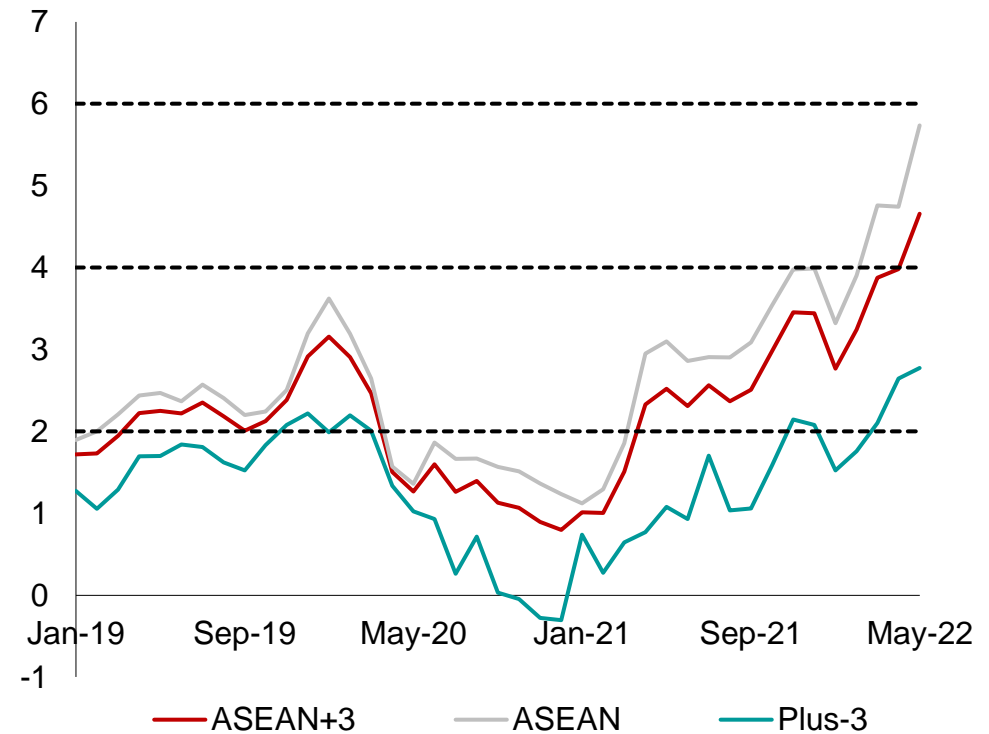
The war in Ukraine has pushed up commodity prices and world inflation

ASEAN+3 and Selected Economies: Headline Consumer Price Inflation
(Percent, year-on-year)



Source: National authorities, and AMRO staff calculations.
 Note: CPI data for Myanmar January to May, Brunei March to May, and Cambodia April to May are not available, and thus not included in the calculation of ASEAN+3 average CPI.

ASEAN+3: Headline Consumer Price Inflation
(Percent, year-on-year)

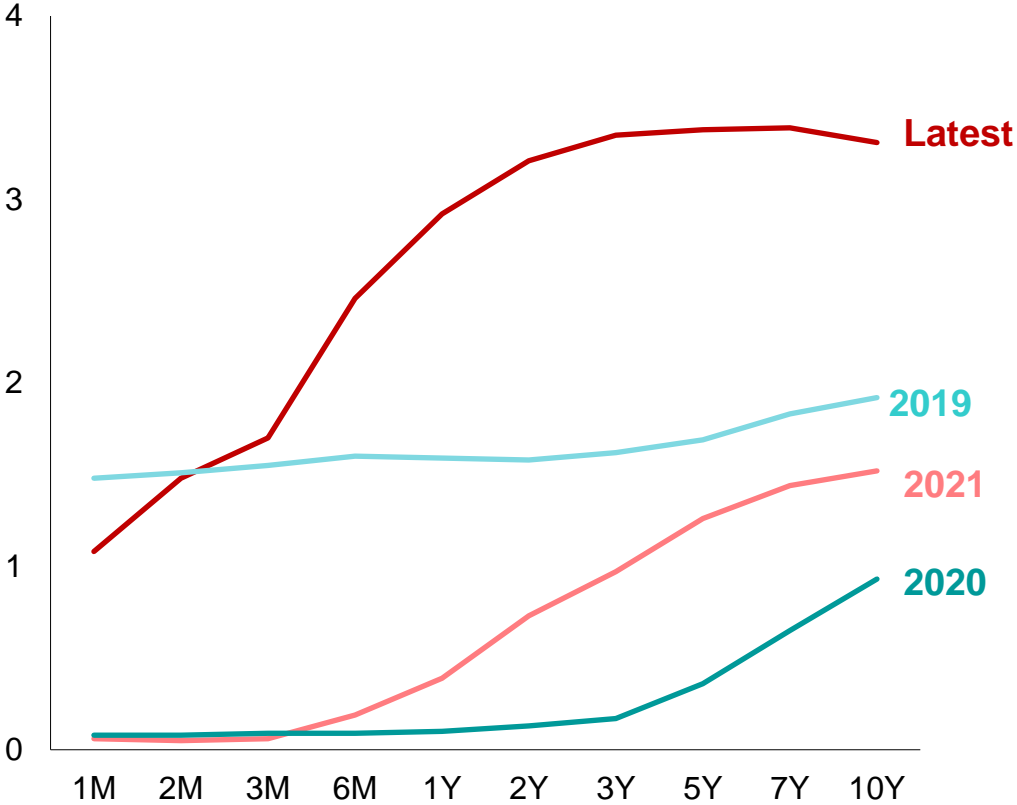


Source: National authorities, and AMRO staff calculations.
 Note: CPI data for Myanmar January to May, Brunei March to May, and Cambodia April to May are not available, and thus not included in the calculation of ASEAN+3 average CPI.

Risks of more aggressive Fed tightening and U.S. recession are higher now

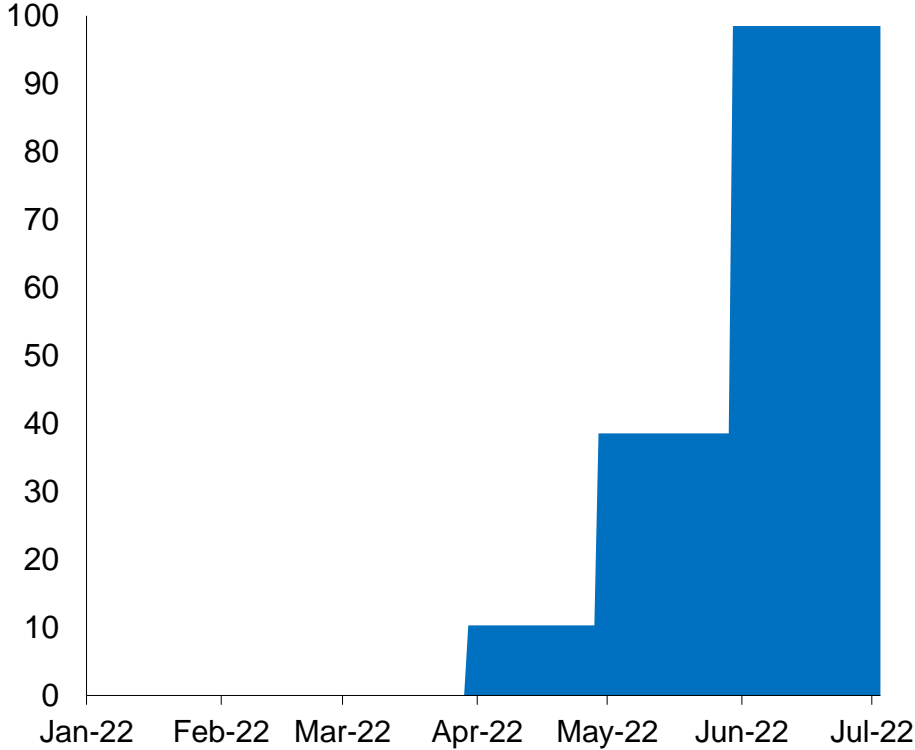


US: 10Y Treasury Yield Curves
(Percent)



Sources: US Treasury.
Notes: Yearly yield curves refer to the yield curves as of December 31 of each year, while the latest yield curve is as of June 21, 2022.

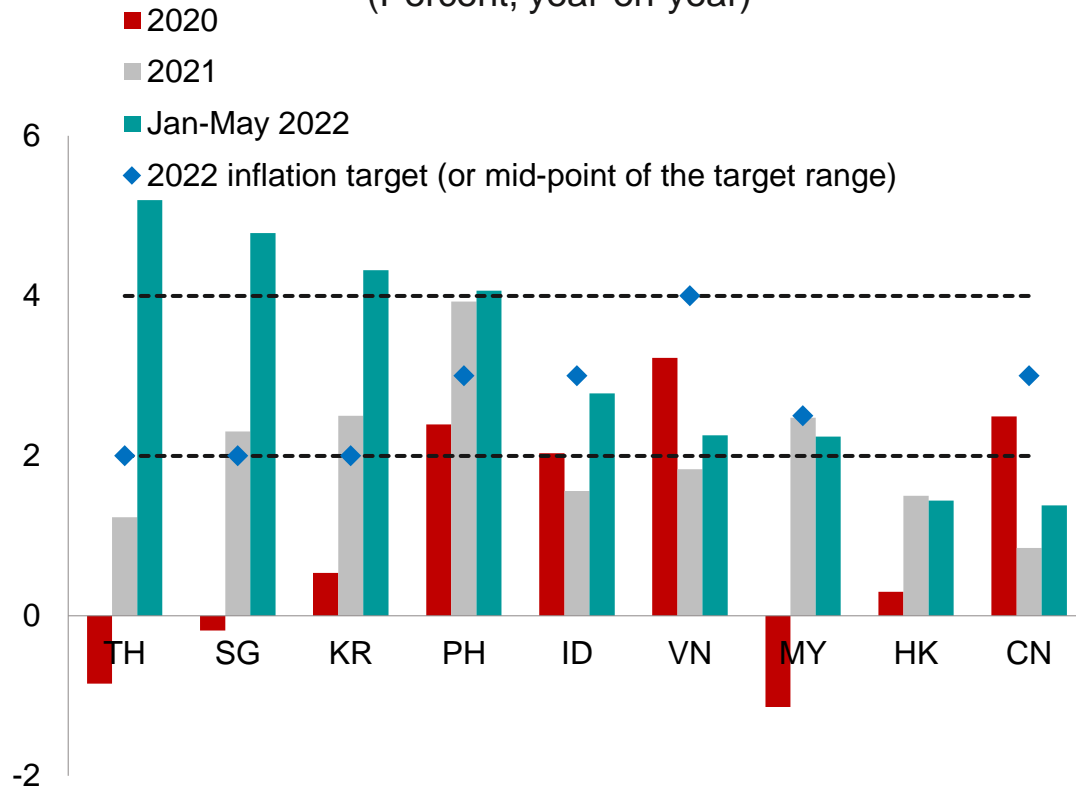
US: Probability of Recession within 24 Months
(NSA, Percent)



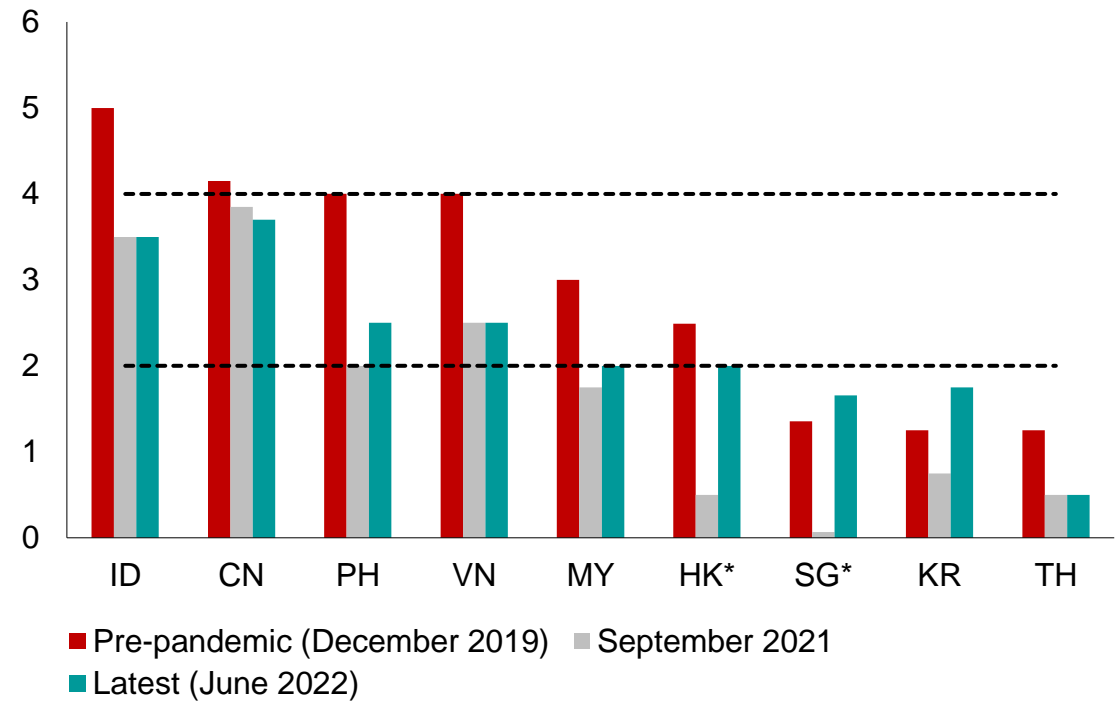
Source: Bloomberg Economics.
Notes: Bloomberg Economics U.S. recession probability model shows the chance of a downturn within the next 24-months. The model uses a range of financial market, real economy, and economic imbalance indicators to gauge the 24-month risk of recession.

Rising inflation put pressure to normalize monetary policies

Selected ASEAN+3: Headline CPI
(Percent, year-on-year)



Selected ASEAN+3: Key Interest Rates
(Percent)



Sources: National authorities via Haver Analytics.

Notes: Malaysia is not an inflation targeting country--datapoint refers to an implicit target range of 2 to 3 percent. For Hong Kong, there is no inflation target. CN = China; HK = Hong Kong; ID = Indonesia; KR = Korea; MY = Malaysia; PH = Philippines; SG = Singapore; TH = Thailand; and VN = Vietnam.

Source: National authorities via Haver Analytics; and AMRO staff calculations.

Note: Economies with an asterisk uses the monthly average of market-based rates, instead of end-of-period rates. The definition of key interest rate varies across economies, and could mean the policy rate, the refinancing rate, the discount rate, the overnight repo rate, among others. Brunei and Cambodia are excluded from the sample given the current design of their respective monetary policies. CN = China; HK = Hong Kong; ID = Indonesia; KR = Korea; MY = Malaysia; PH = Philippines; SG = Singapore; TH = Thailand; and VN = Vietnam.

Regional PMIs recovered in 2022

Selected ASEAN+3: Manufacturing PMI (Seasonally adjusted)

Economy	2020 Jan to Dec	2021 Jan to Dec	2022 Jan to Jun	Change from Prev Month
Global				↓ -0.1
Developed Markets				↓ -2.5
United States				↓ -4.2
United Kingdom				↓ -1.8
Eurozone				↓ -2.5
Emerging Markets				↑ 2.2
PLUS-3				↑ 1.2
China				↑ 3.6
Hong Kong*				↑ 3.2
Japan				↓ -0.6
Korea				↓ -0.4
ASEAN				↓ -0.3
Indonesia				↓ -0.6
Malaysia				↑ 0.2
Philippines				↓ -0.2
Singapore*				↑ 2.7
Thailand				↓ -1.3
Myanmar				↓ -1.7
Vietnam				↓ -0.7

Sources: IHS Markit; and JPMorgan.

Notes: These seasonally adjusted PMI readings are coded by colors:

- Darker shades of red in the reading denote readings further below (< 45) the diffusion level of 50; conversely, greener shades in the readings denote readings further above (> 55) the diffusion level of 50.
- The trend lines shown in the right-most column represent the PMI readings since January 2015, the red dots denote minimum and maximum points in that period.
- Global PMI is as aggregated by JP Morgan. PLUS-3 PMI is calculated by AMRO and weighted by individual's GDP. China's PMI refers to Caixin/ Markit PMI.
- (*) denotes whole economy PMI.

Developments in domestic demand and exports

Selected ASEAN+3: Retail Sales Growth

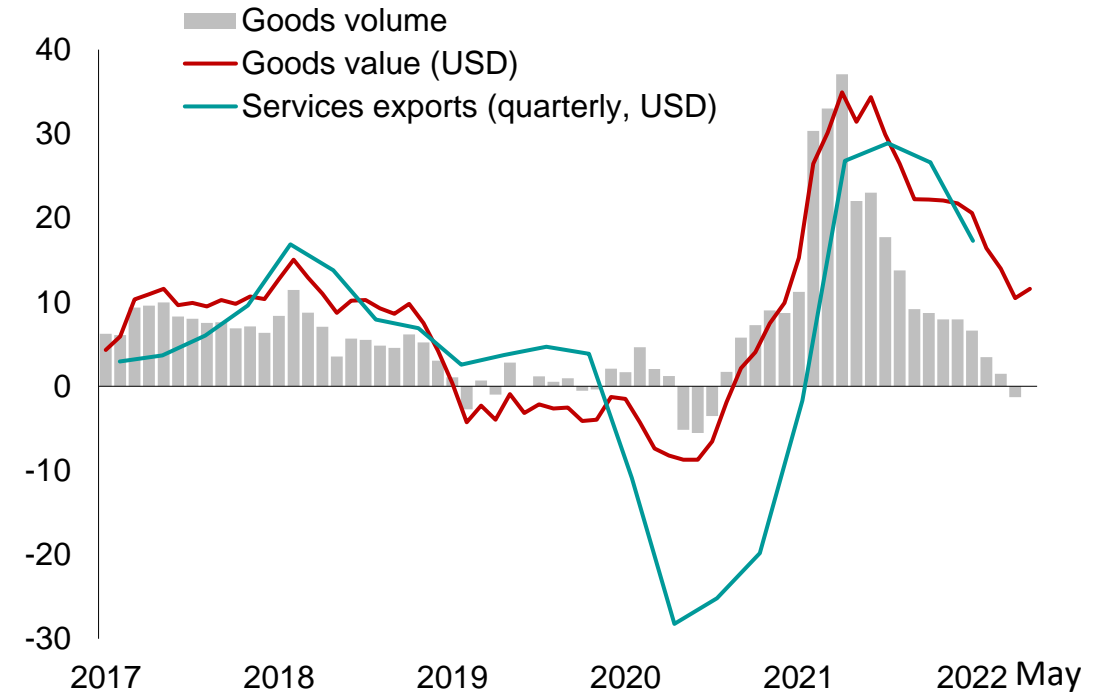
(Percent, year-on-year, 3-month moving average)

Economy	2020 Jan to Dec	2021 Jan to Dec	2022 Jan to Jun	Latest monthly change from previous year
China				-7.0
Hong Kong				-1.4
Indonesia				7.6
Japan				2.4
Korea				7.6
Malaysia				13.9
Philippines				21.0
Singapore				6.0
Thailand				7.2
Vietnam				19.7

Sources: National authorities via Haver Analytics; and AMRO staff calculations.
 Note: The data are calculated based on local currency values, except for Indonesia and Thailand (volume). The changes in retail sales are coded by colors: The deeper the red, the larger the negative change (< -20 percent year-on-year); greener indicates greater positive change (> 20 percent year-on-year).

Selected ASEAN+3: Exports

(Percent, year-on-year)



Source: National authorities; and AMRO staff calculations.
 Note: Services exports data for Q1 2022 excludes Brunei and Myanmar.

ASEAN+3 to grow by 4.3% in 2022, with inflation at 5.2%

Economy	Gross Domestic Product (Percent year-on-year)					Consumer Price Index (Percent year-on-year)				
	2021 (Actual)	AREO 2022 Update (April 2022)		AREO 2022 Quarterly Update (July 2022)		2021 (Actual)	AREO 2022 Update (April 2022)		AREO 2022 Quarterly Update (July 2022)	
		2022 ^p	2023 ^f	2022 ^p	2023 ^f		2022 ^p	2023 ^f	2022 ^p	2023 ^f
ASEAN+3	6.0	4.7	4.6	4.3	4.9	2.1	3.5	2.3	5.2	2.8
Plus-3	6.8	4.6	4.4	4.1	4.9	1.2	2.1	1.7	2.7	2.0
China	8.1	5.2	5.3	4.8	5.7	0.9	2.2	2.0	2.2	2.0
Hong Kong, China	6.4	2.8	3.2	1.1	3.7	1.6	2.0	2.3	2.0	2.3
Japan	1.6	2.9	1.2	1.8	2.0	-0.3	1.1	0.5	1.8	1.0
Korea	4.1	3.0	2.6	2.5	2.6	2.5	2.9	2.1	4.6	2.6
ASEAN	3.1	5.1	5.2	5.1	5.2	2.5	4.1	2.6	6.2	3.2
Brunei Darussalam	-1.6	4.1	2.3	3.0	3.9	1.7	1.3	1.3	3.2	1.8
Cambodia	3.0	5.2	6.1	4.9	5.8	2.9	5.0	3.7	6.4	4.4
Indonesia	3.7	5.2	5.3	5.1	5.4	1.6	2.8	3.0	3.4	3.6
Lao PDR	2.6	3.9	5.9	3.5	4.9	3.8	5.0	3.5	14.3	4.6
Malaysia	3.1	6.0	5.0	6.0	5.0	2.5	2.7	2.0	3.0	2.2
Myanmar	-18.7	1.5	-	1.5	-	3.6	9.5	-	12.0	-
The Philippines	5.6	6.5	6.5	6.9	6.5	3.9	4.1	3.5	4.4	3.8
Singapore	7.6	4.0	2.6	3.9	2.4	2.3	3.3	2.0	5.2	3.7
Thailand	1.6	3.4	5.2	3.2	4.9	1.2	4.2	1.8	6.3	1.2
Vietnam	2.6	6.5	7.0	6.3	6.5	1.8	3.4	3.0	3.5	3.3

Source: AMRO staff estimates.

Note: AREO = ASEAN+3 Regional Economic Outlook report. p = projections, f = forecast. Regional aggregates for growth are estimated using the weighted average of 2021 GDP on purchasing power parity basis; regional aggregates for inflation are computed using simple averaging.

Key messages

- The ASEAN+3 is opening up and recovering robustly after two long years of battle against COVID-19
- The protracted war in Ukraine, supply chain disruptions, and high and persistent inflation are posing major challenges
- Global financial conditions have tightened reflecting a faster pace of monetary policy tightening by the Fed. As a result, fear of a recession in the US has heightened and risk aversion has spiked.
- ASEAN+3's growth for 2022 has been revised downwards to 4.3%, reflecting slower growth in Plus 3. ASEAN's growth is expected to remain strong at 5.1 percent this year.
- Inflation is expected to be higher at 5.2 percent this year but moderate to 2.8 percent next year.

Thank you



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