

ASEAN+3 Growth Strategy in the Pandemic's Wake

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ASEAN+3 Regional Economic Outlook 2022 Webinar

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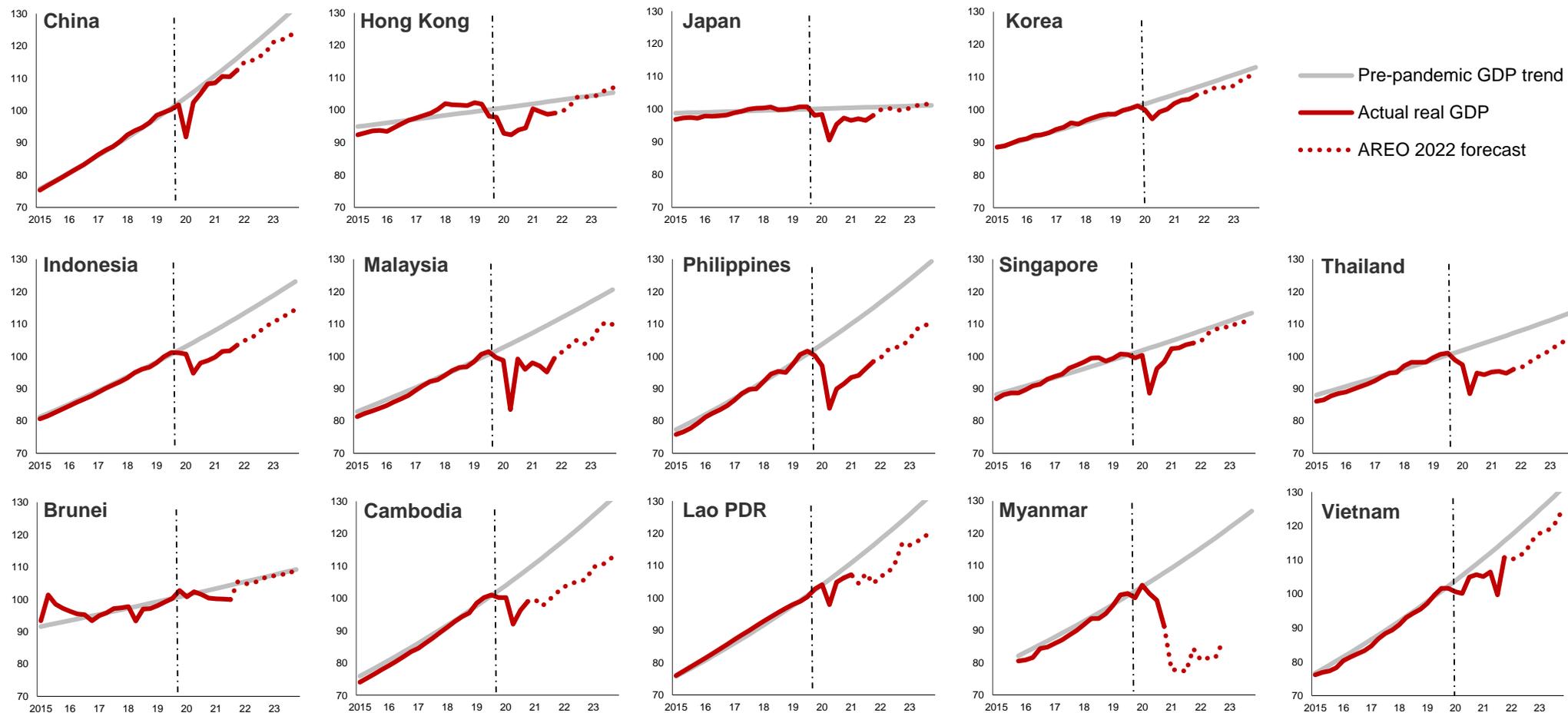


Outline

- 01 Has COVID-19 damaged ASEAN+3's output potential?
- 02 Will the pandemic brighten or dim the potential of services as an engine of ASEAN+3 growth?
- 03 What will the pandemic do to the ASEAN+3 manufacturing-for-export strategy?

**1: Has COVID-19 damaged ASEAN+3's
output potential?**

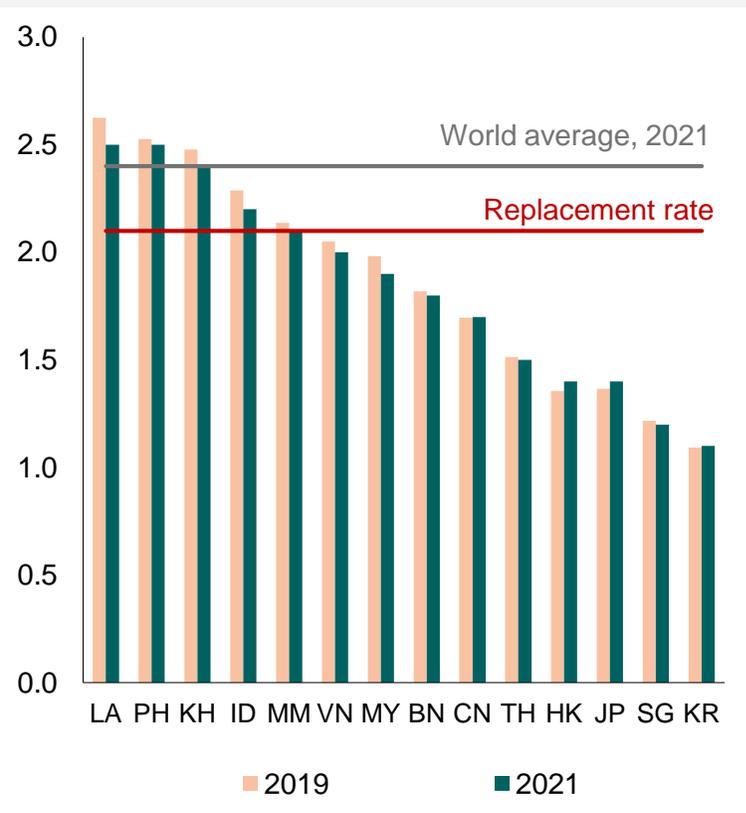
The longer the pandemic stretches out, the higher the likelihood of scarring



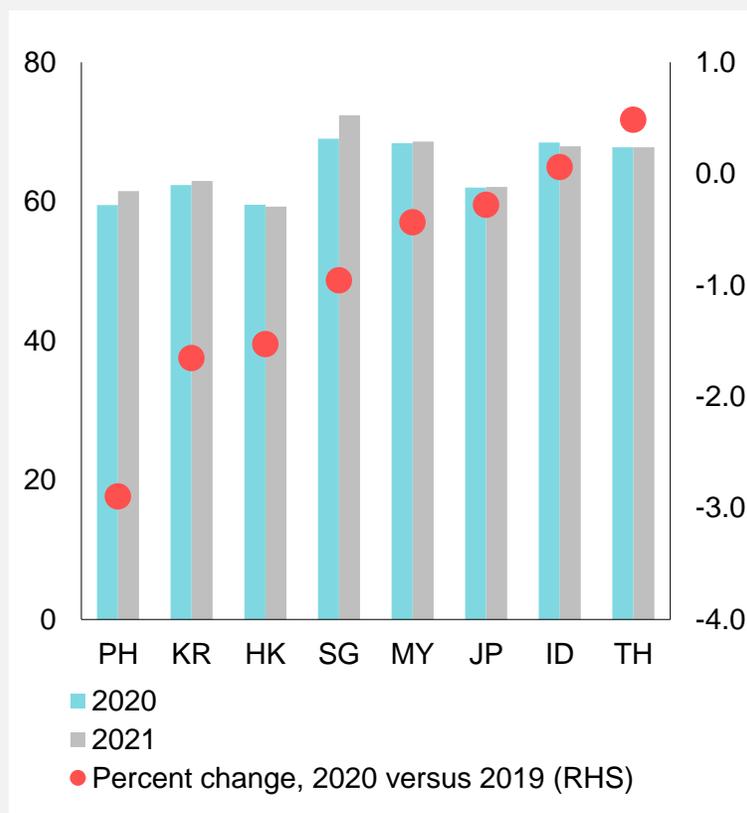
Sources: National authorities via Haver Analytics; and AMRO staff estimates and projections.

Scarring of the labor supply will be felt most strongly in the region's aging economies

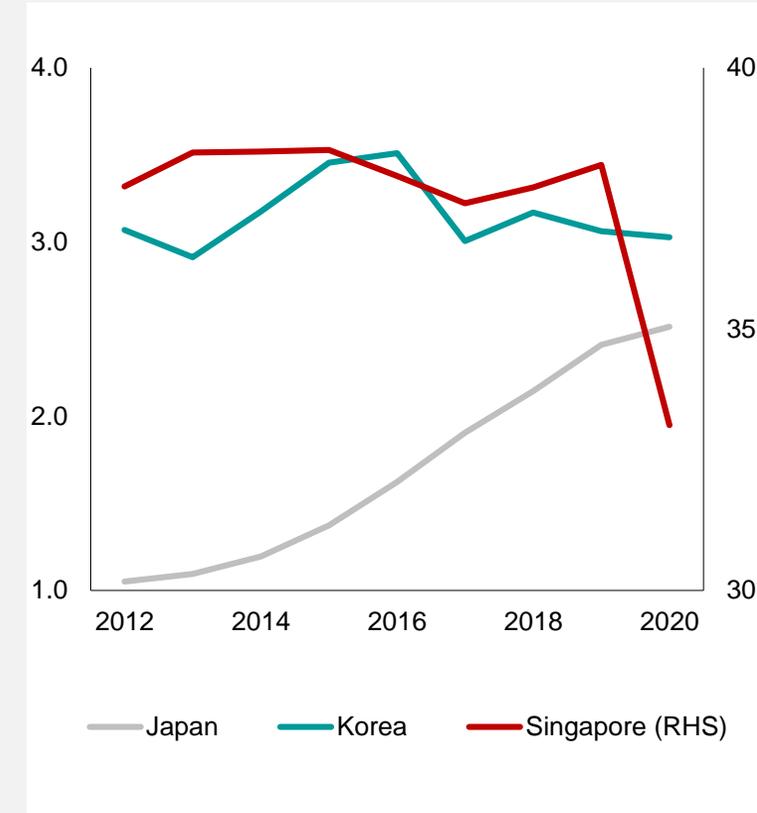
ASEAN+3: Fertility Rates (Per woman)



ASEAN+3: Labor Force Participation Rate (Percent; Percent year-on-year)



Selected ASEAN+3: Foreign Workers (Percent of labor force)



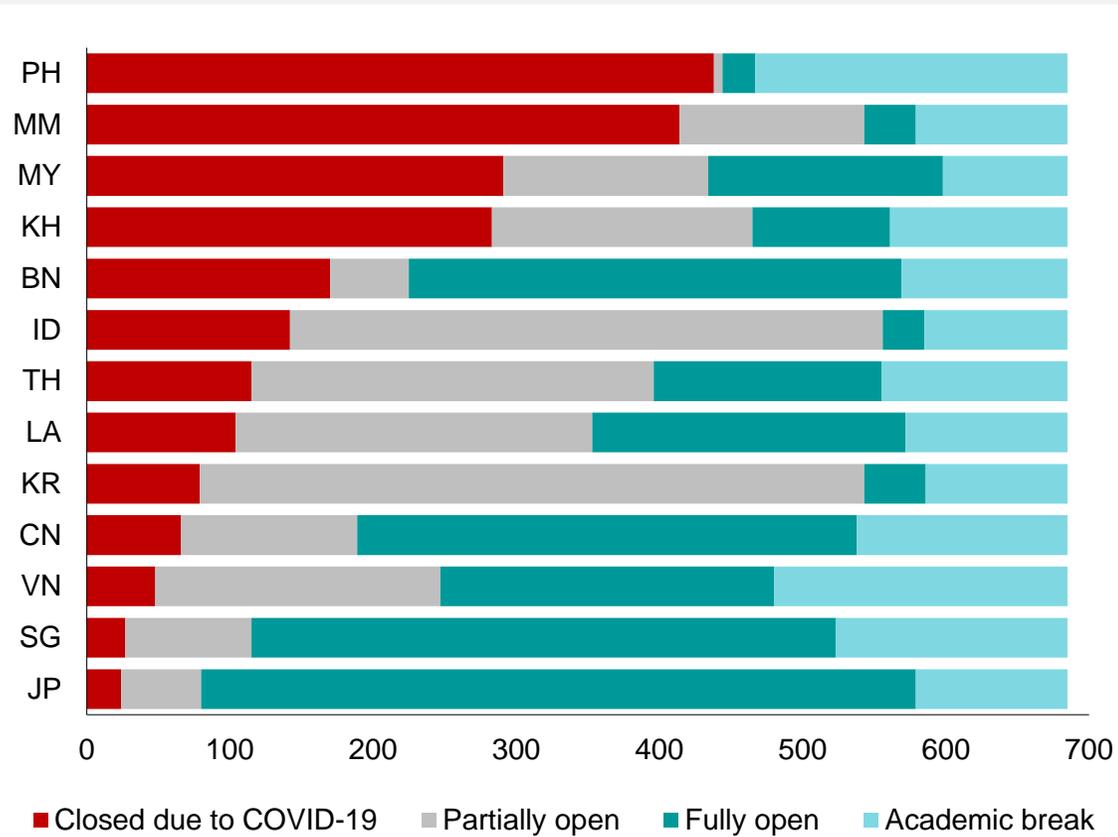
Sources: World Development Indicators, World Bank; United Nations Population Fund (estimates); and AMRO staff calculations.

Sources: National authorities via Haver analytics; and AMRO staff calculations.

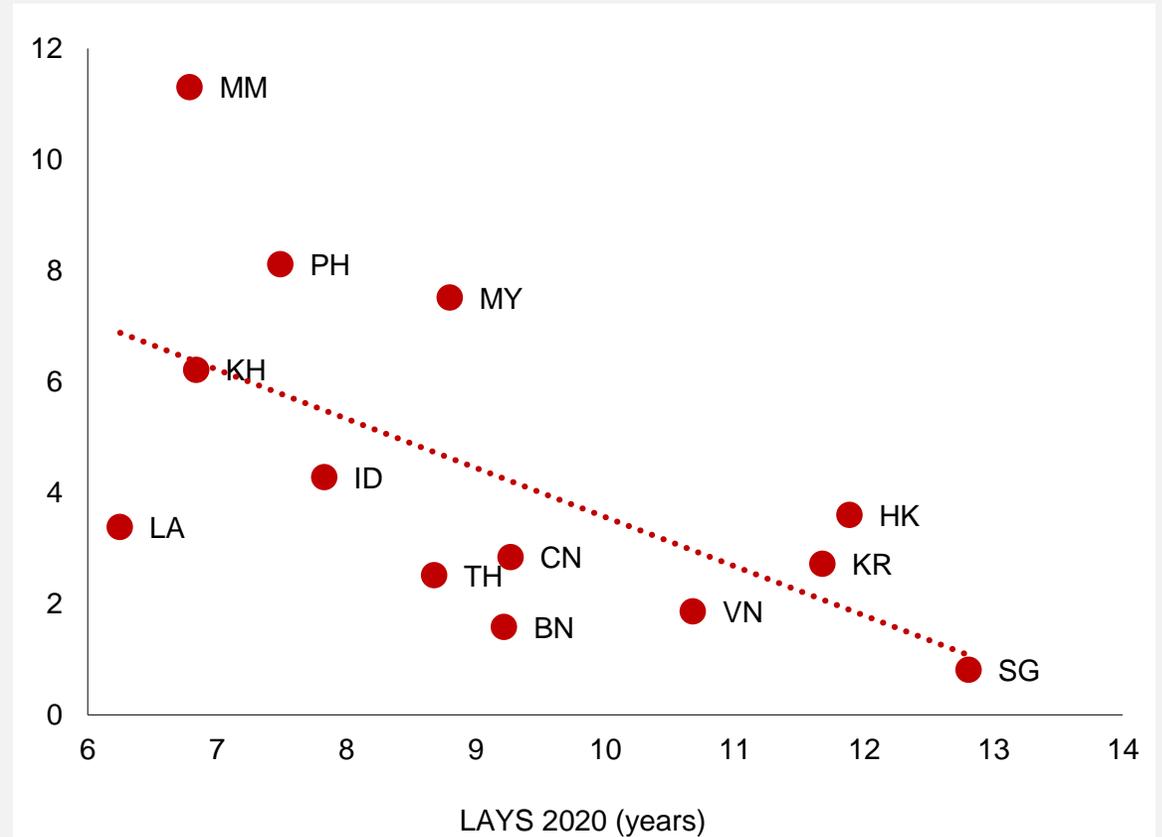
Sources: National authorities via Haver Analytics; Statistics Korea; and AMRO staff calculations.

The unprecedented disruption to education due to the pandemic has likely eroded future human capital and labor productivity

ASEAN+3: School Closures and Remote Learning Modalities
(16 February 2020–31 December 2021, number of days)



ASEAN+3: Learning Losses due to COVID-19
(Percent decline in learning-adjusted years of schooling versus 2020 baseline)

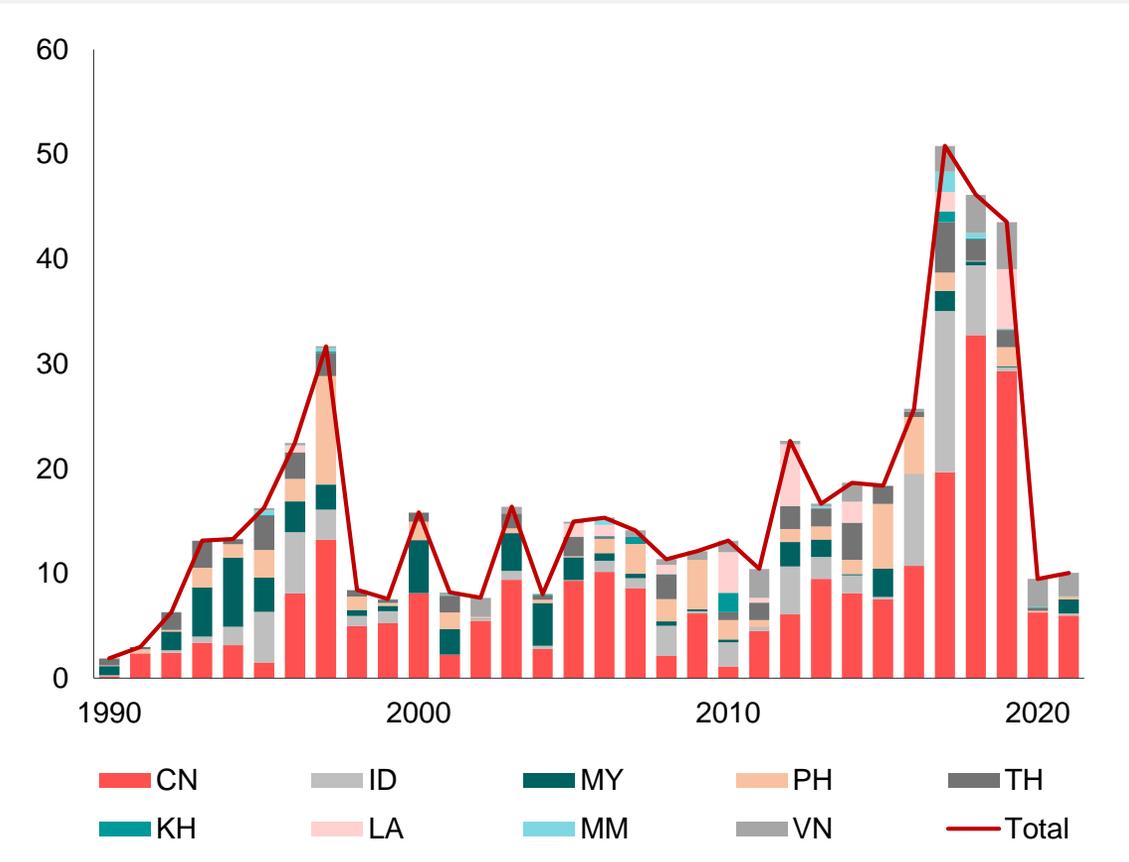


Source: United Nations Educational, Scientific and Cultural Organization.

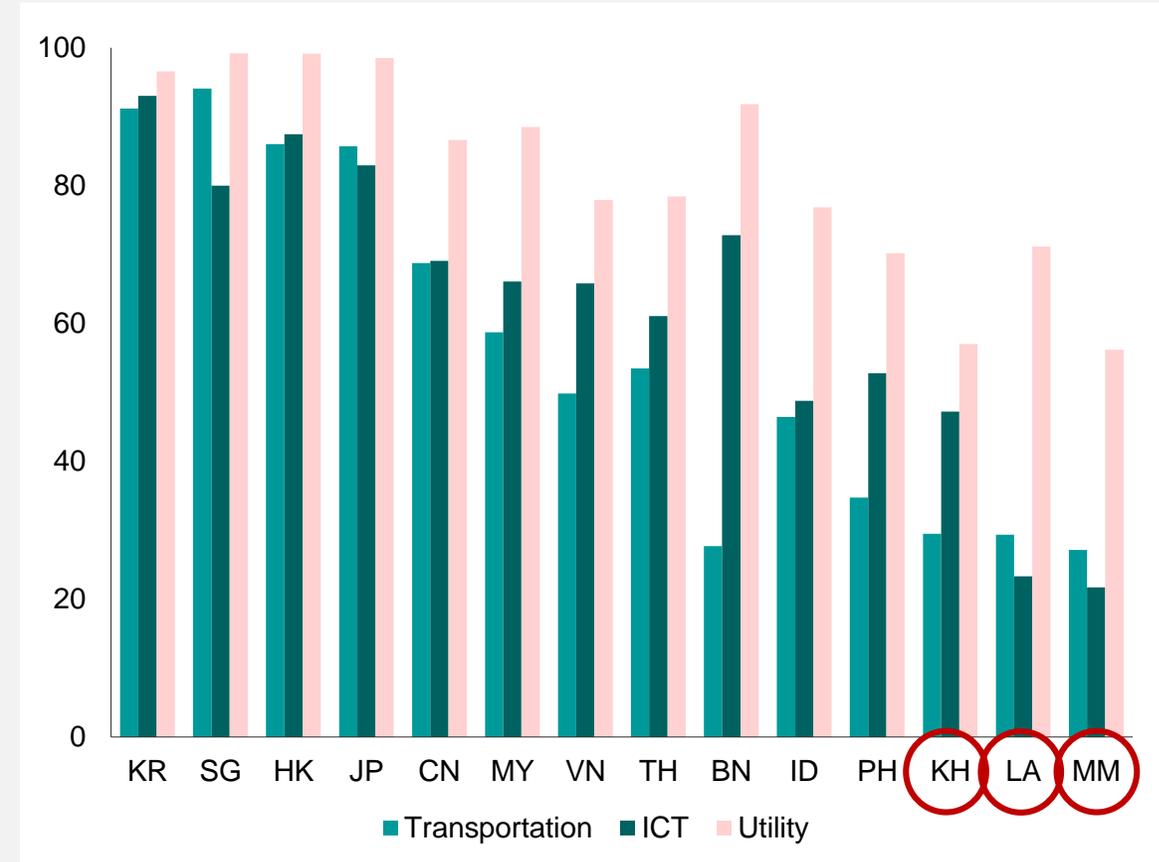
Sources: Human Capital Index, World Bank; and Asian Development Bank.

Scarring of the capital stock will affect the region's emerging market and developing economies with large infrastructure gaps

Selected ASEAN+3: PPP Investment Commitments
(Billions of US dollars)



ASEAN+3: Infrastructure Competitiveness, 2019
(0 = lowest; 100 = highest)

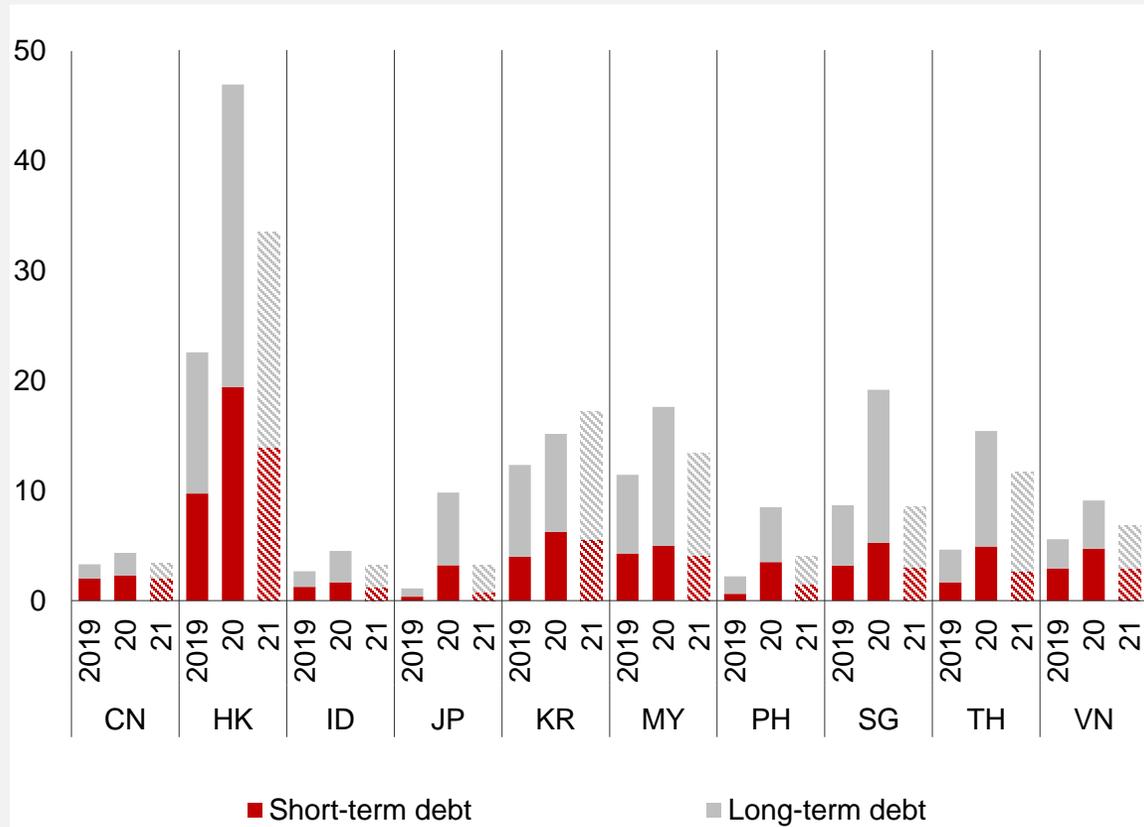


Sources: Private Participation in Infrastructure, World Bank; International Monetary Fund Investment and Capital Stock Database (ICSD); and AMRO staff estimates.

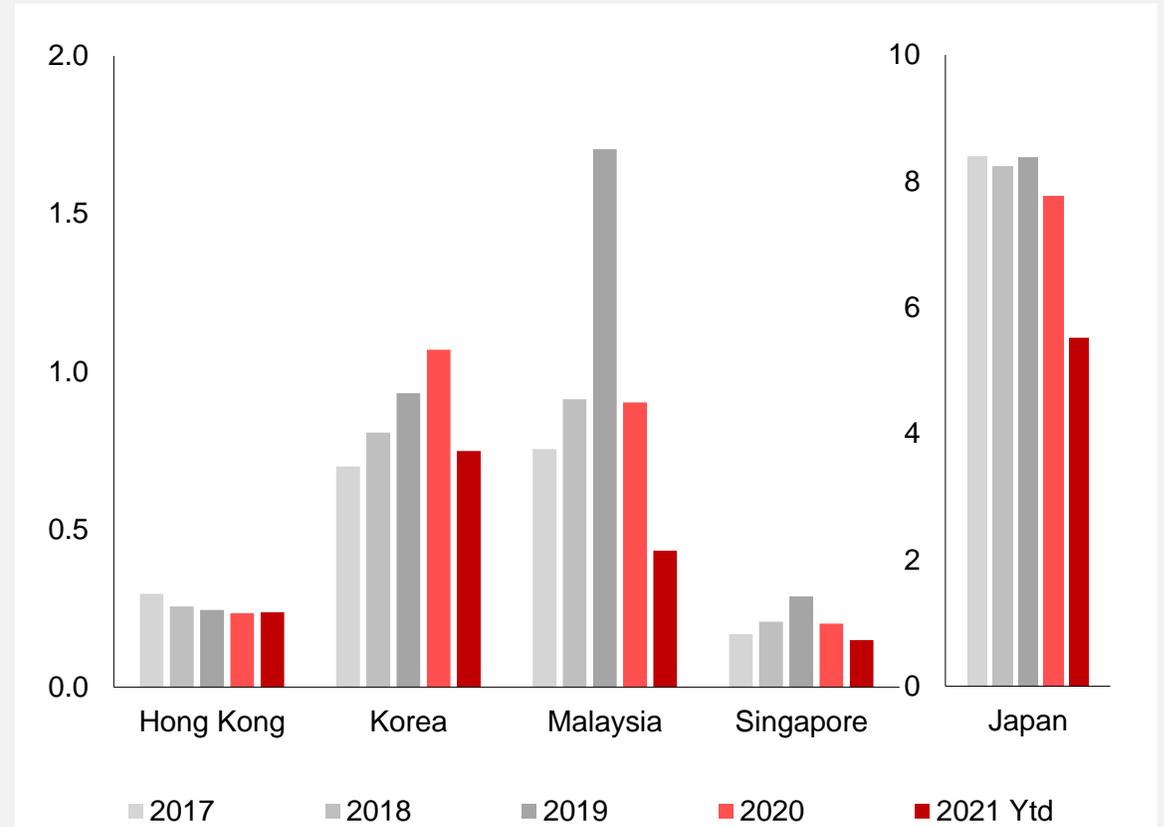
Sources: World Economic Forum, Global Competitiveness Report 2019; and AMRO staff calculations.

Investment and productivity could suffer due to debt overhang when pandemic support is withdrawn, or due to zombie firms if pandemic support is prolonged

Selected ASEAN+3: Actual and Projected Debt-at-Risk
(Percent of GDP, end of period)



Selected ASEAN+3: Corporate Bankruptcies, 2017–21
(Thousands of companies)



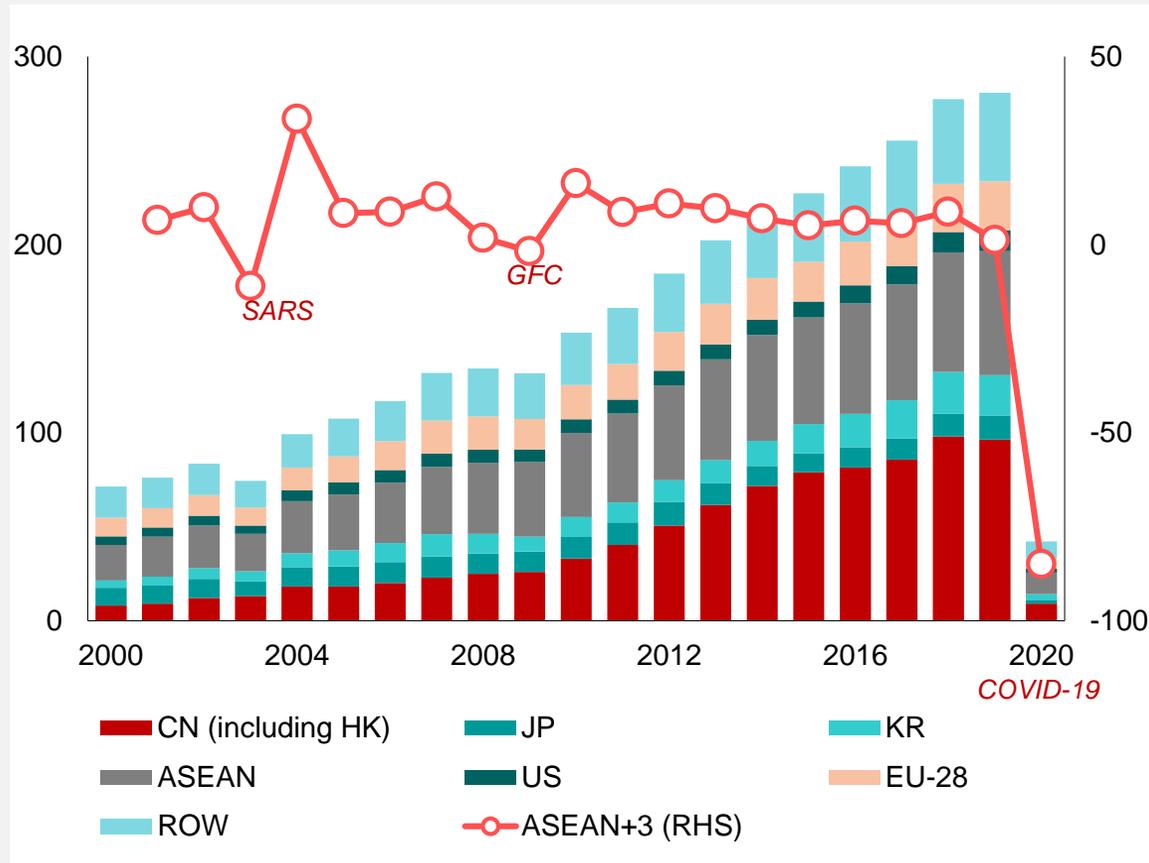
Source: Ho, Yin Fai, and Li Lian Ong. 2022. "The COVID-19 Pandemic and ASEAN+3 Corporate Debt-at-Risk." AMRO Working Paper, ASEAN+3 Macroeconomic Research Office, Singapore.

Sources: National authorities; and Tokyo Shoko Research.

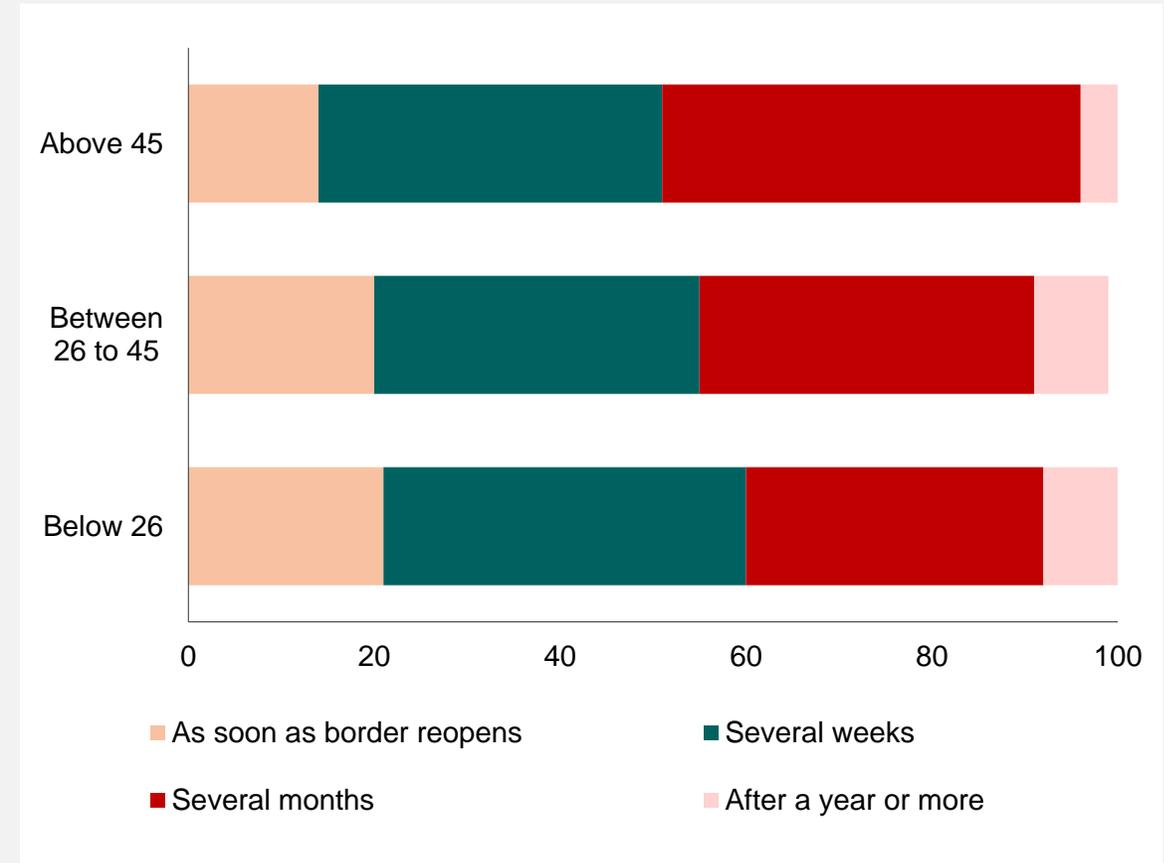
2: Will the pandemic brighten or dim the potential of services as an engine of ASEAN+3 growth?

Recovery of travel and tourism will hinge on building traveler confidence, starting at the domestic level

ASEAN+3: Inbound Tourist Arrivals by Source Country
(Millions of tourist arrivals; percent year-on-year)



China: Chinese Tourists' Intent to Travel Post-Pandemic
(Percent of respondents by age group)

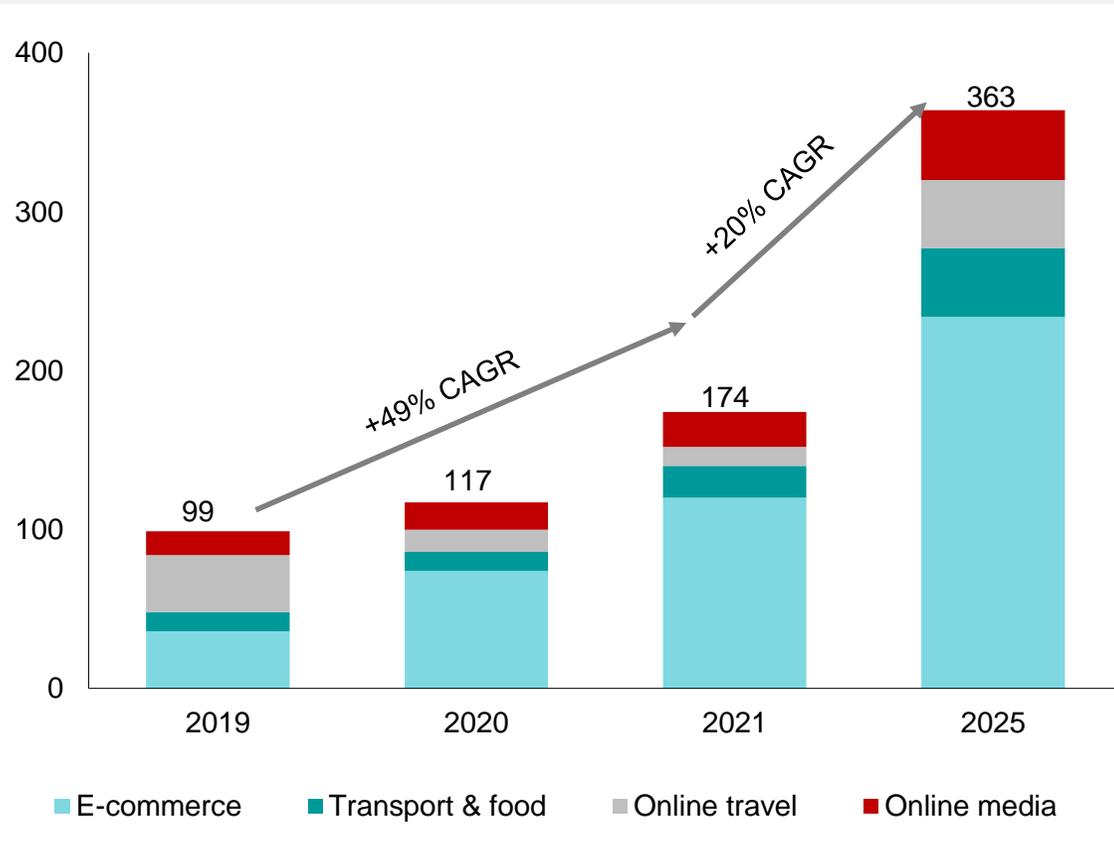


Sources: ASEANstats; National authorities; United Nations World Tourism Organization; and AMRO staff calculations.

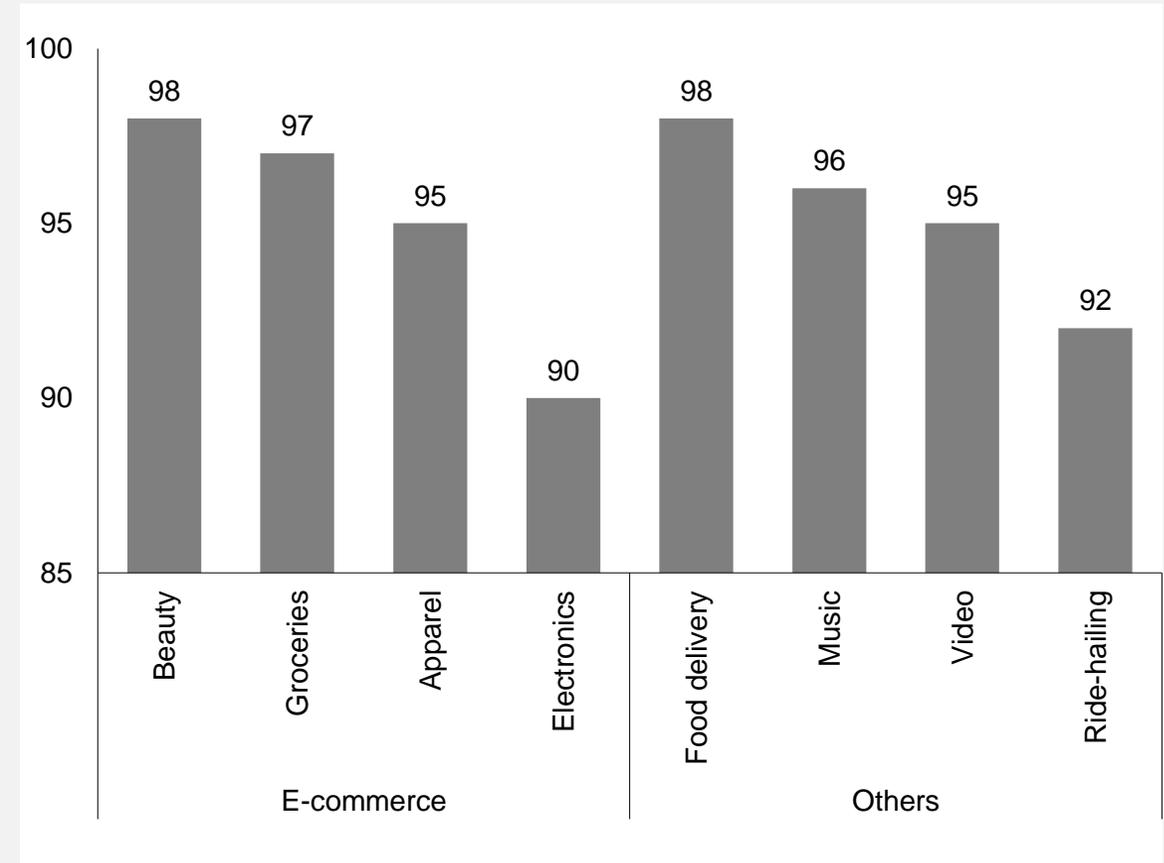
Source: Penhirin, Jacques, and Imke Wouters. 2021. "When and Where Will We See Chinese Travelers Again?" *Insights*, Oliver Wyman, Hong Kong, April.

Businesses should capitalize on the strong uptake of e-commerce, especially as users have become accustomed to using digital services

ASEAN-6: Gross Merchandise Value of Digital Economy Sectors
(Billions of US dollars)

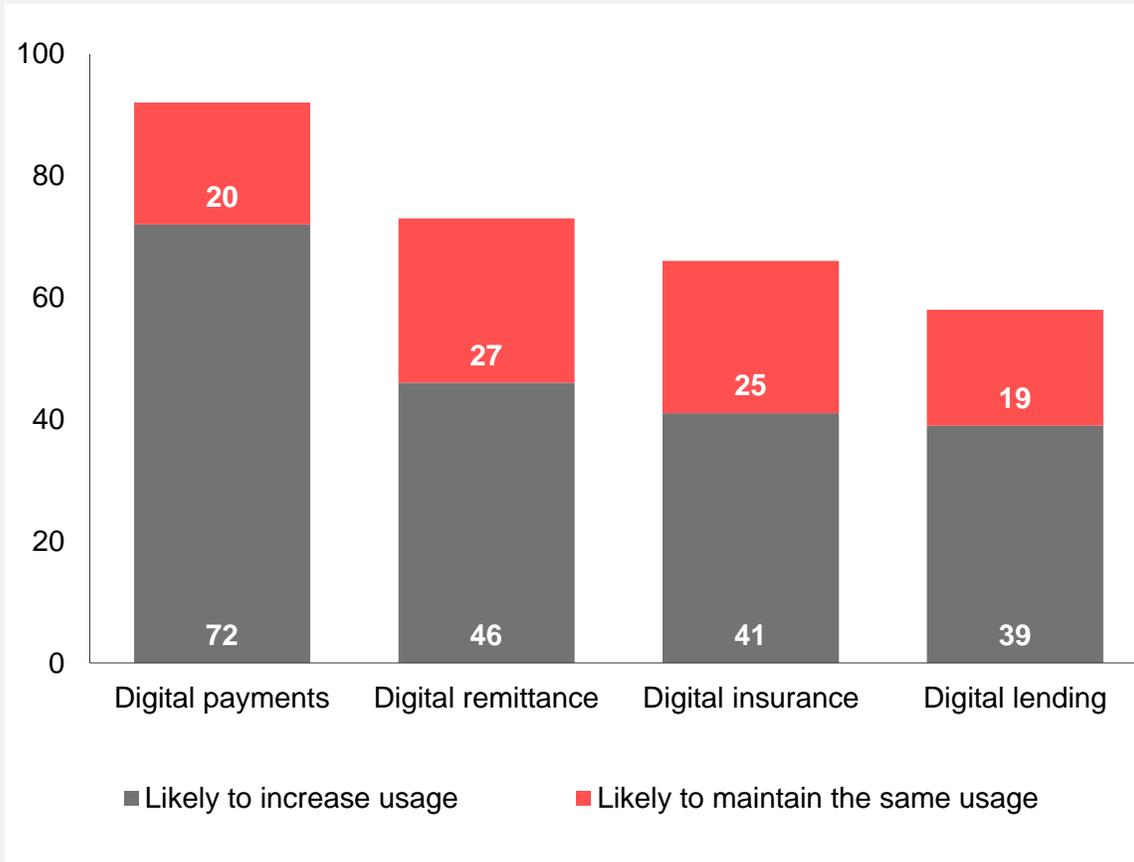


ASEAN-6: New Consumers in 2020 Who Continued Using Digital Services in 2021
(Percent of consumers surveyed)



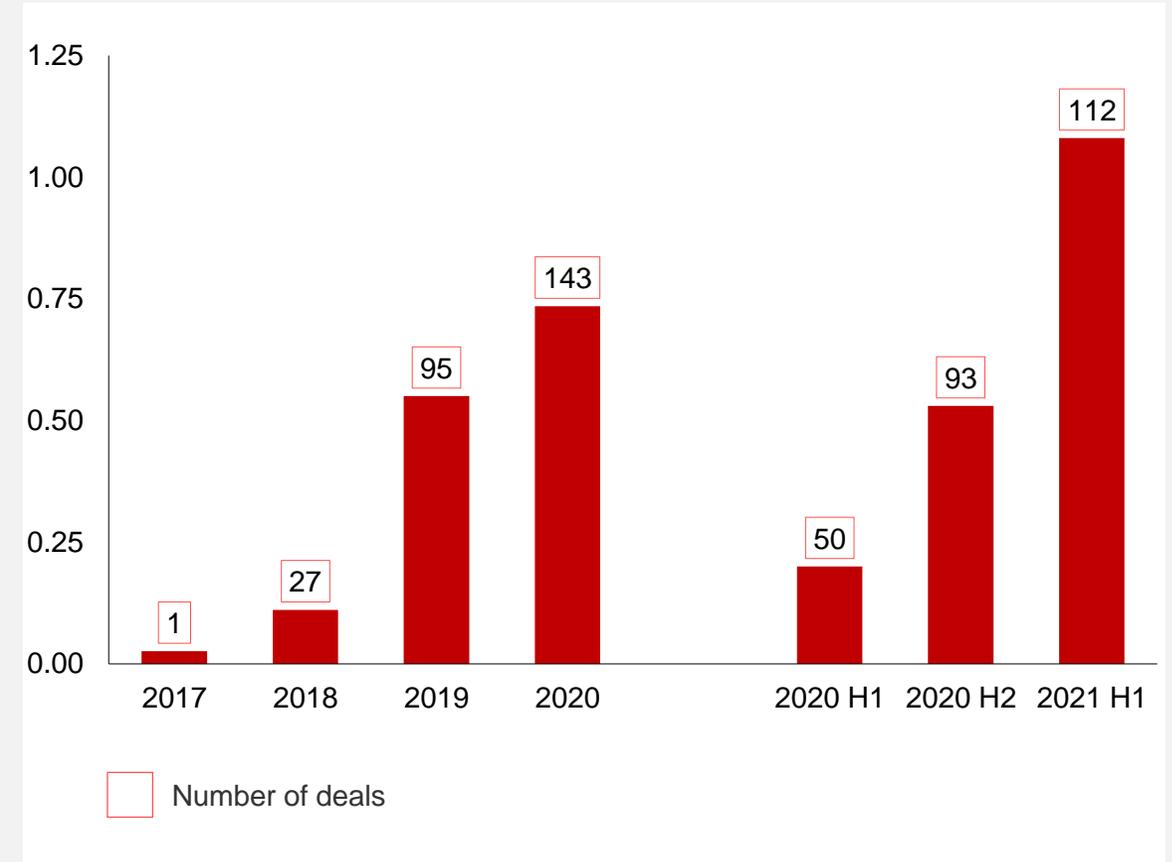
Supportive regulatory frameworks will unlock the potential of digital banking and telemedicine as growth drivers

ASEAN-6: Likely Usage of Digital Financial Services in the Next 1–2 Years
(Percent of digital merchants surveyed)



Source: Google, Temasek, Bain & Company. 2021. *E-conomy SEA 2021*. Singapore, November.

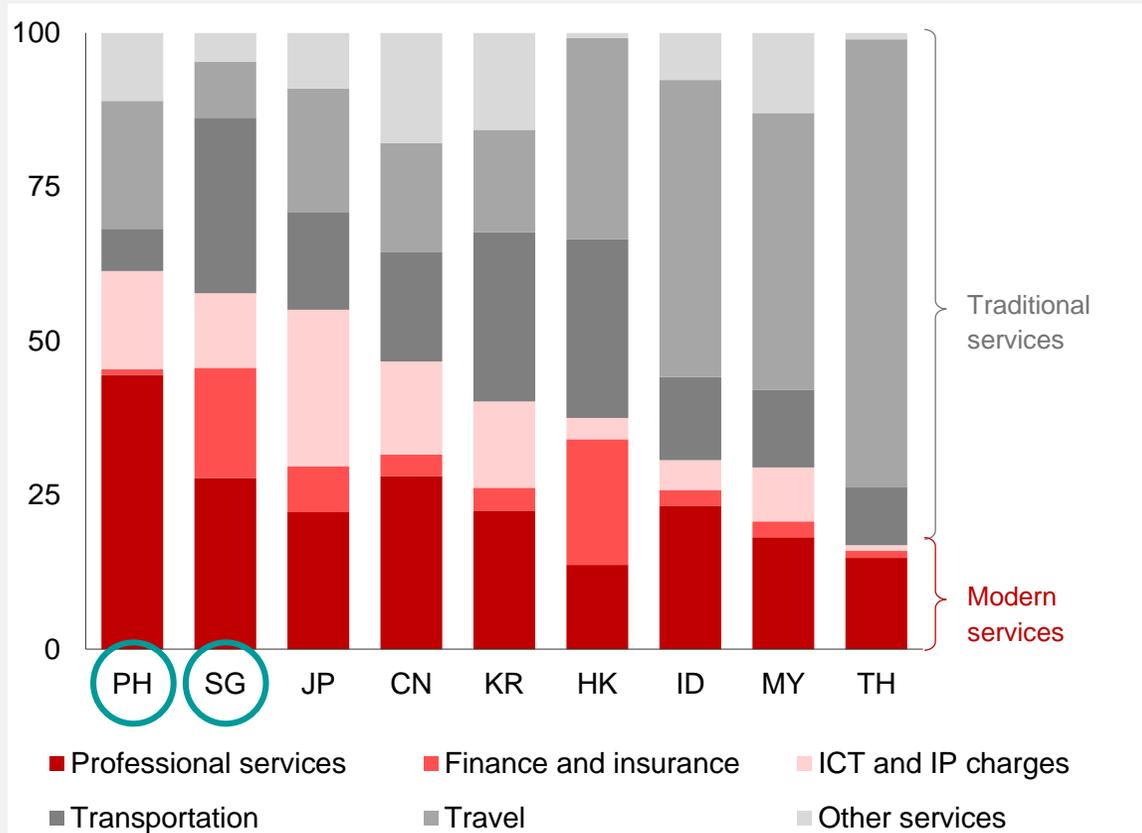
ASEAN-6: Value and Number of Total Healthtech Deals
(Billions of US dollars)



Source: Google, Temasek, Bain & Company. 2021. *E-conomy SEA 2021*. Singapore, November.

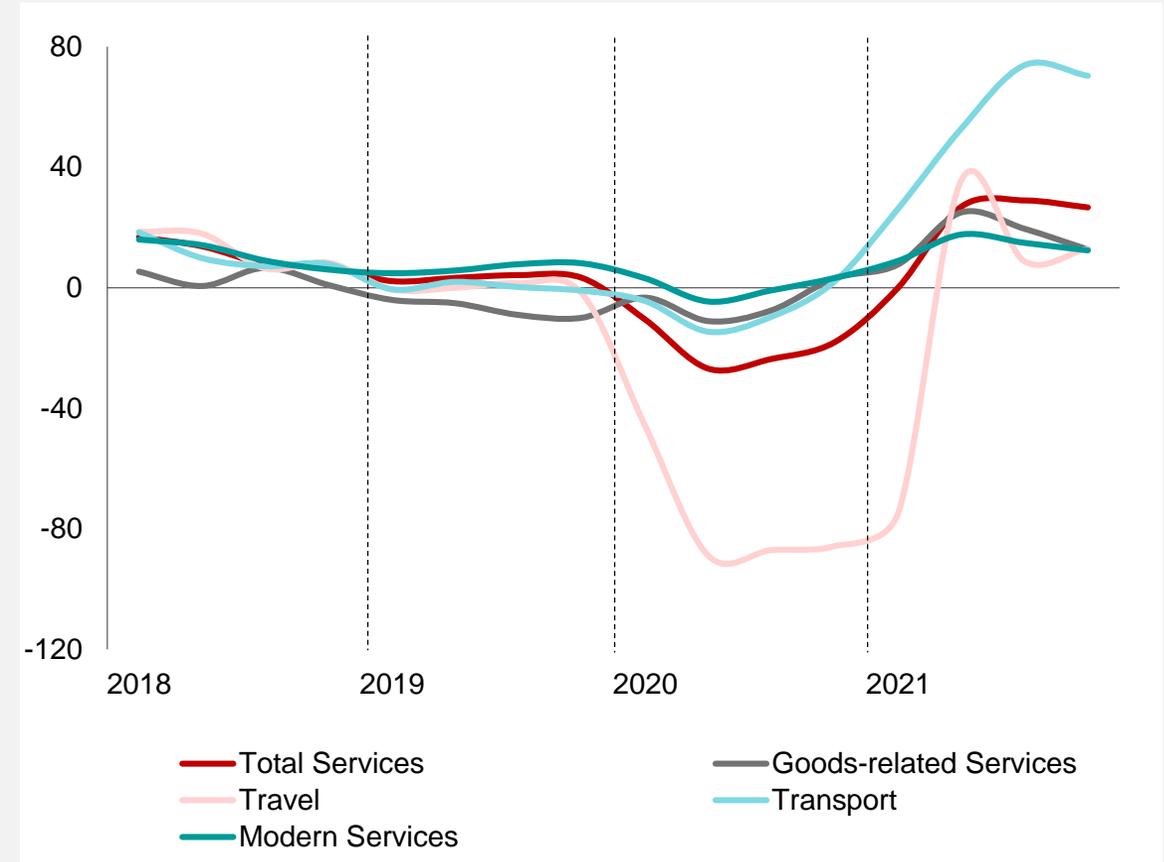
The region would need to constantly upgrade and innovate to develop modern services exports as a pillar of growth

Selected ASEAN+3: Exports of Modern and Traditional Services, 2016–20
(Average percent share of total services exports)



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

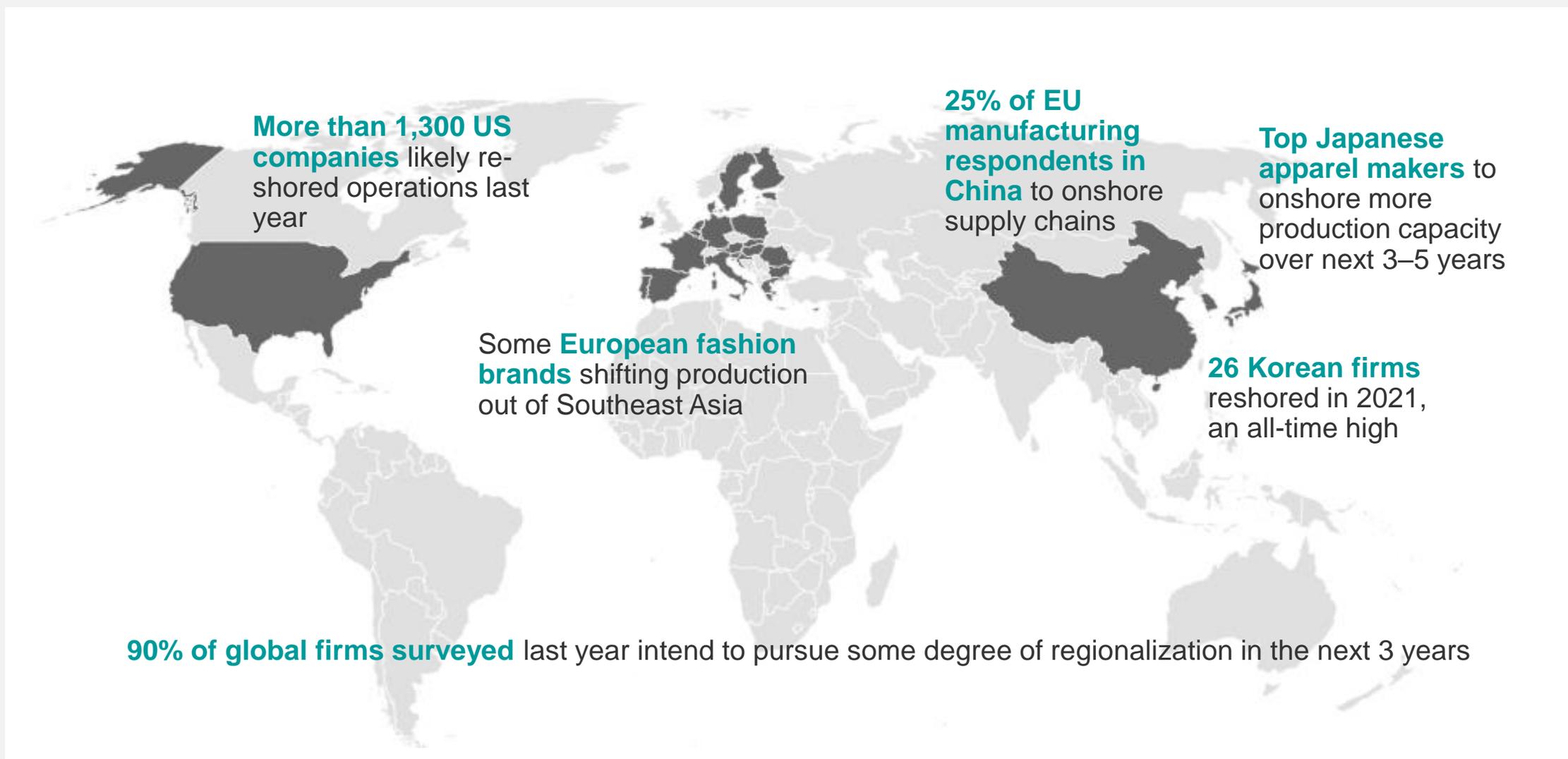
Selected ASEAN+3: Quarterly Exports of Services (Percent year-on-year)



Source: National authorities via Haver Analytics.

3: What will the pandemic do to the ASEAN+3 manufacturing-for-export strategy?

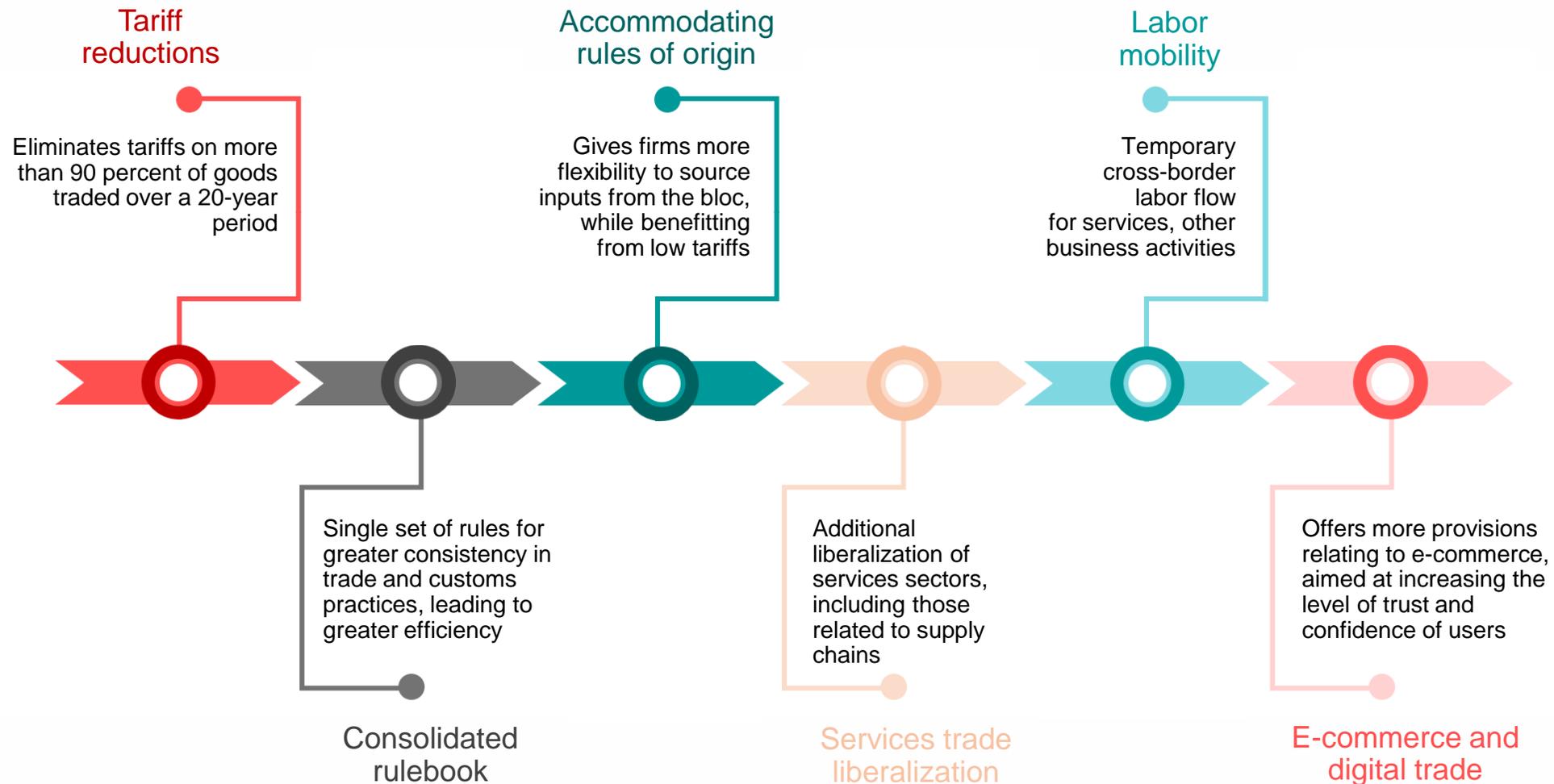
With the pandemic's disruption to supply chains, reshoring and nearshoring intentions and activities have gained some traction globally



Source: AMRO staff compilation from various surveys and media reports.

Note: Boundaries, colors, and other information shown on the above map do not imply any judgment on the part of AMRO concerning the legal status of any territory or the endorsement or acceptance of such boundaries.

RCEP holds promise for promoting supply chains in the ASEAN+3 region through harmonized and more accommodating rules of origin provisions



Key takeaways

- Some extent of scarring is unavoidable
 - Scarring of the labor supply in aging economies
 - Scarring of the capital stock in economies with narrow fiscal space and high debt
 - Scarring of productivity from extended school closures and zombie firms
- Travel and tourism will take time to recover
- E-commerce and digitally supplied services have the potential to become future growth drivers
- The pandemic has brought home the importance of strengthening intra-regional links

Thank you.



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