

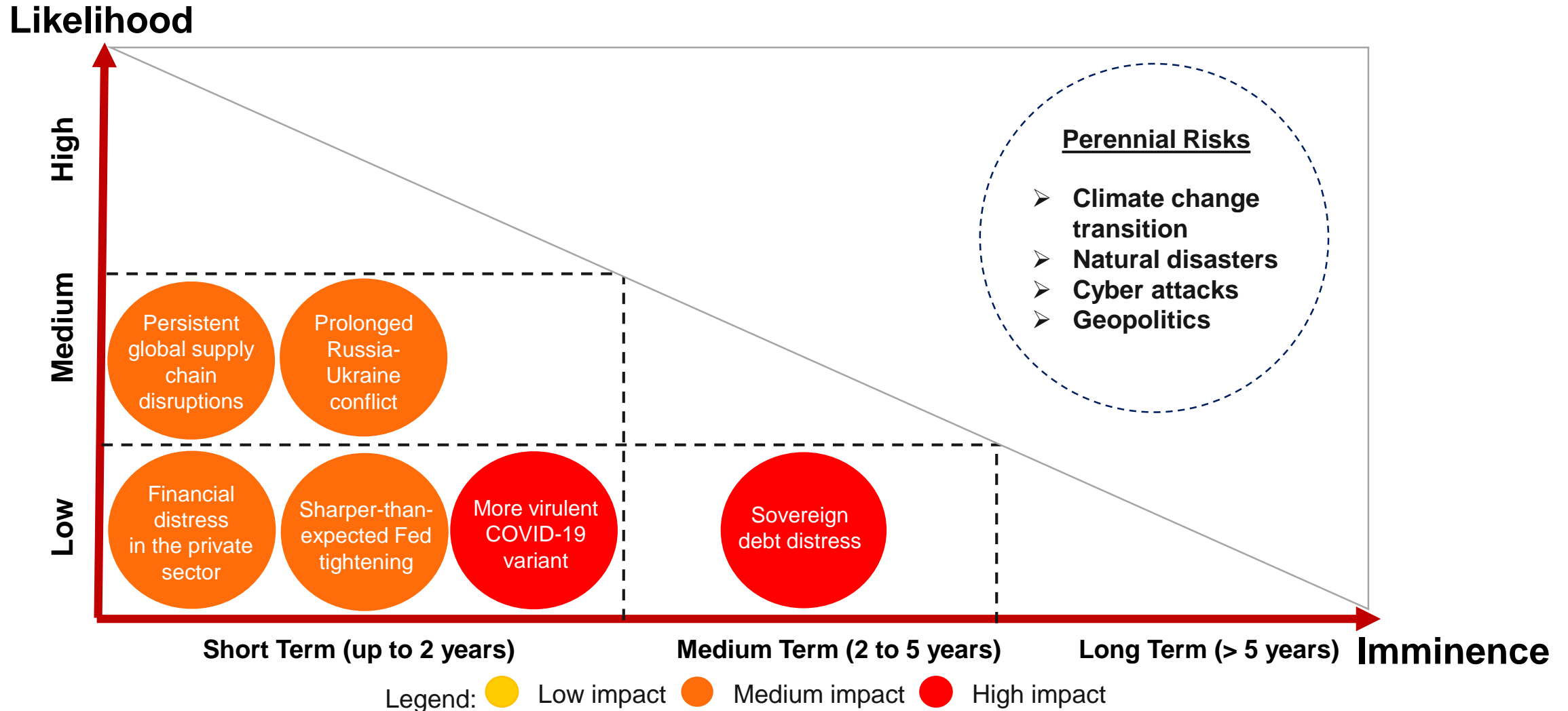
# ASEAN+3 Regional Economic Outlook 2022

Dr. Hoe Ee Khor  
Chief Economist  
AREO 2022 Launch  
April 12, 2022



# Growth outlook for the ASEAN+3 region in 2022 will be challenging

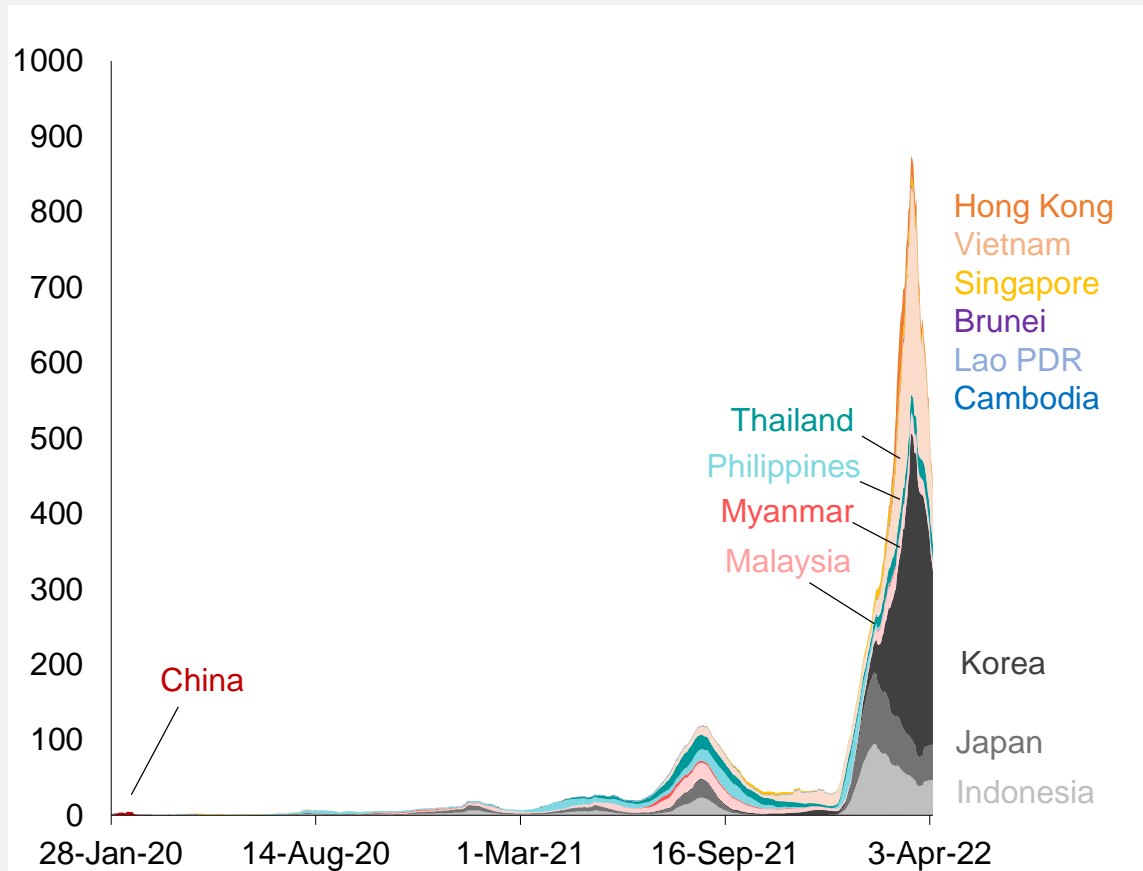
Regional Risk Map, AREO 2022



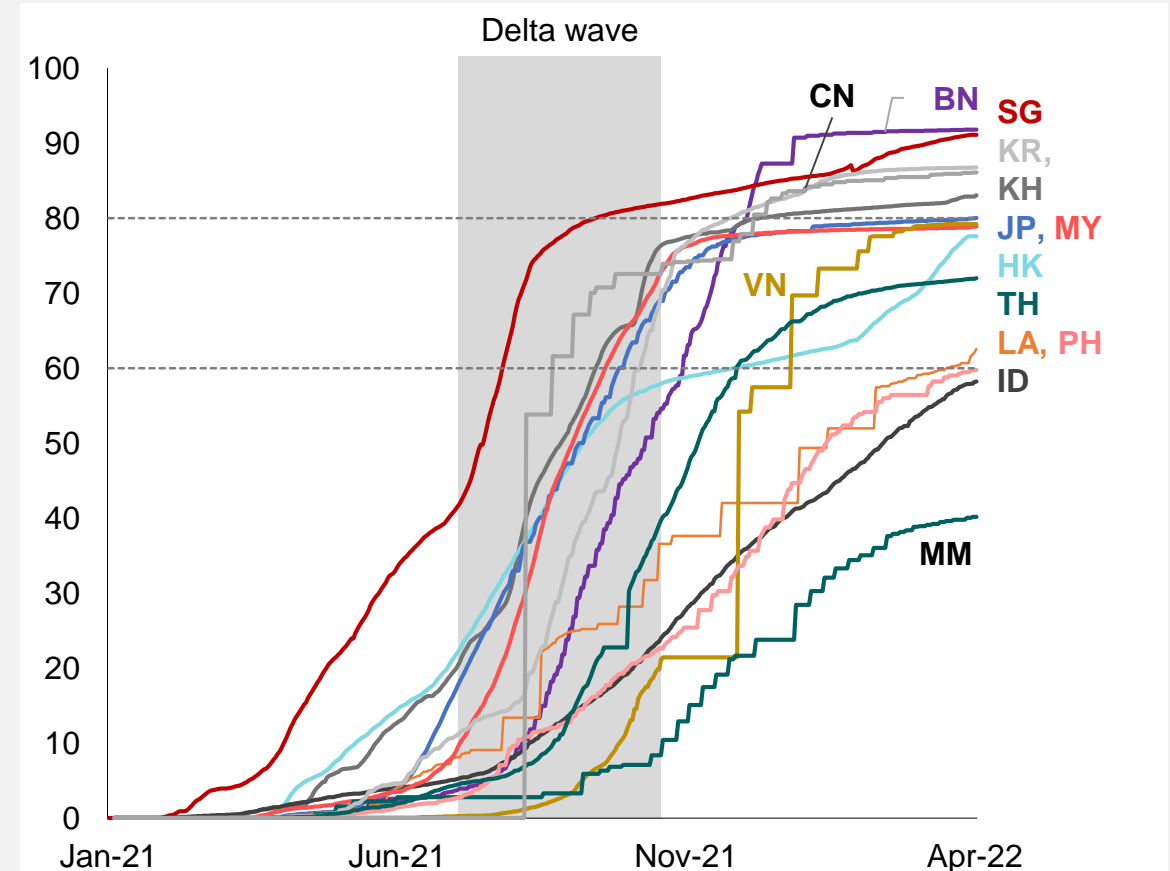
Source: AMRO staff estimates.

*While the pandemic remains a risk, high vaccination coverage has allowed the region to gain some ground in the fight against COVID-19*

**ASEAN+3: Confirmed COVID-19 Cases**  
(7-day average, thousand persons)



**ASEAN+3: Fully Vaccinated Population**  
(Percent of population)

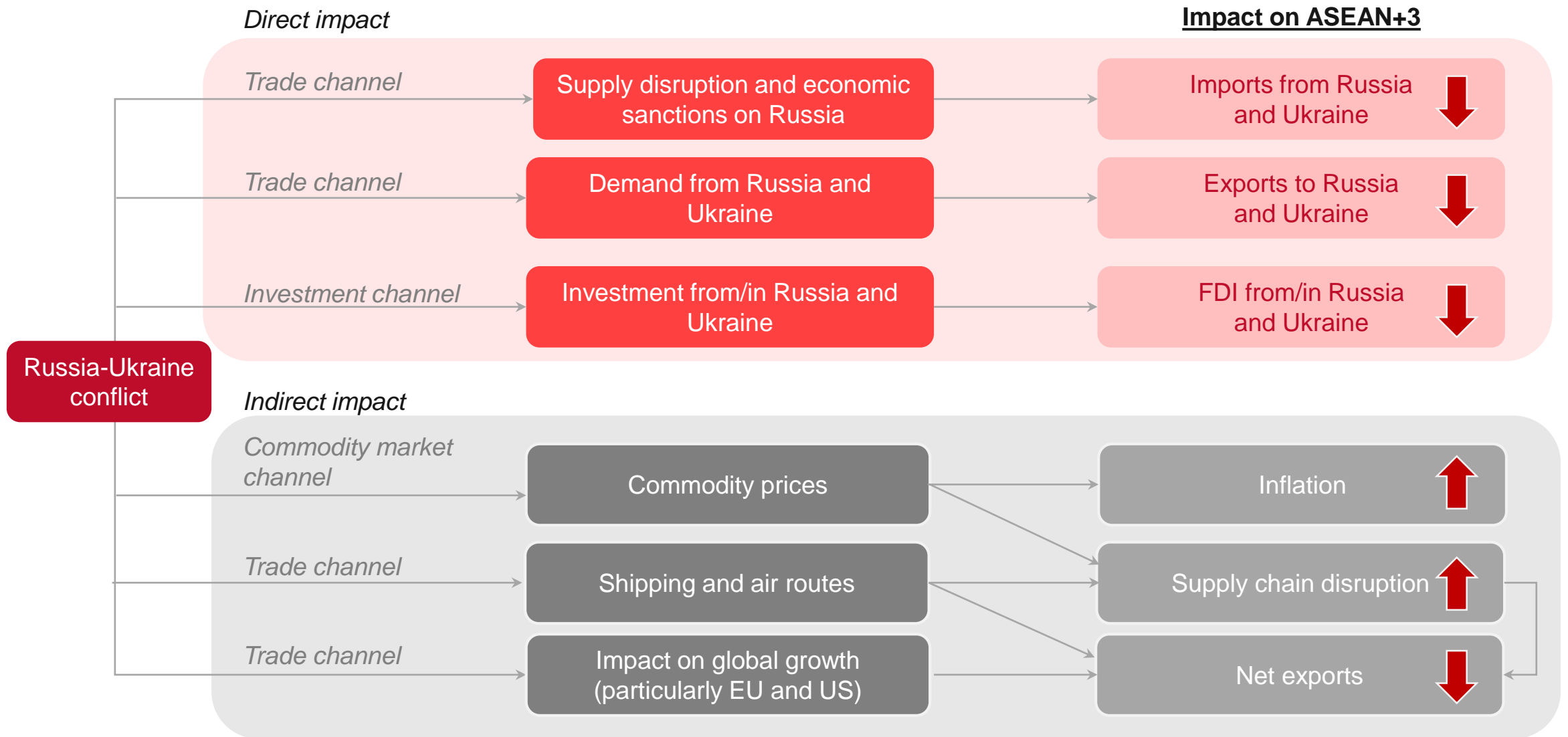


Sources: Johns Hopkins University via Haver Analytics; and AMRO staff calculations.

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

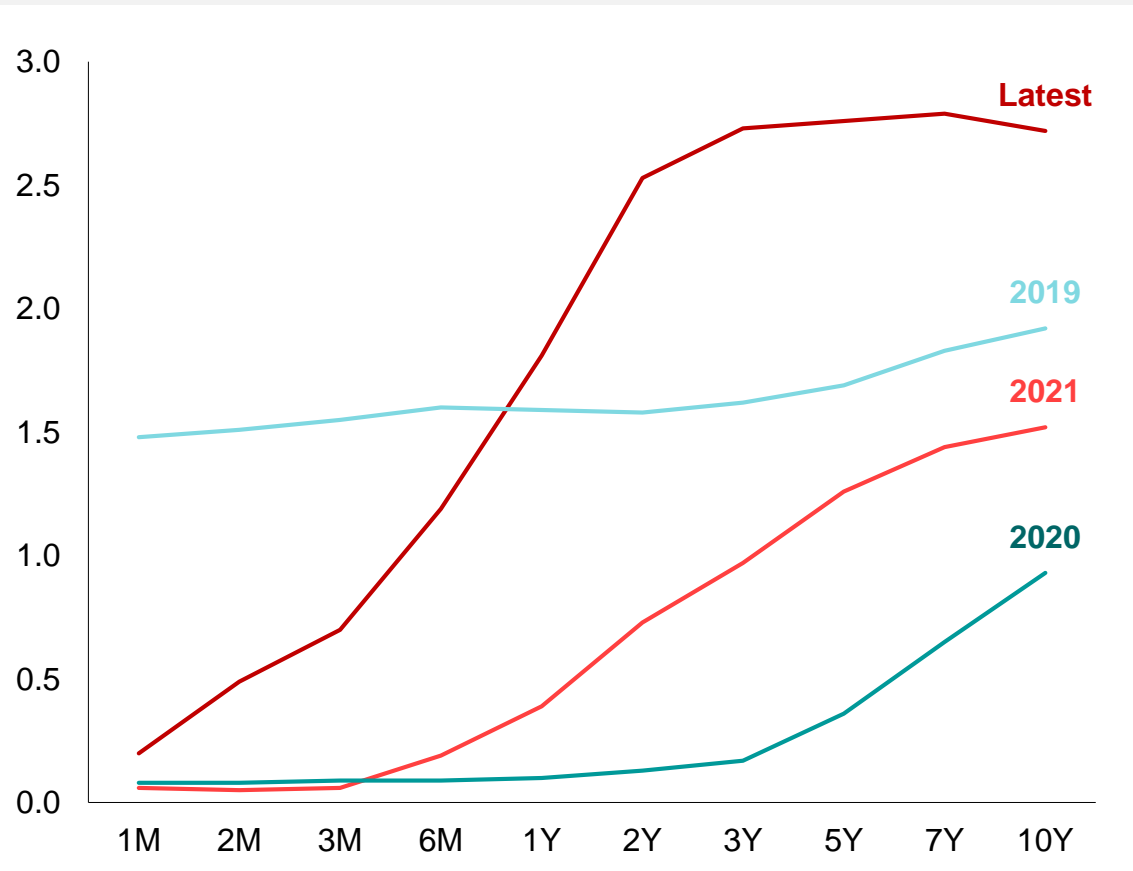
Note: "Fully vaccinated population" refers to the proportion of the population that has received all doses prescribed by the vaccination protocol (e.g., one dose of a single-dose vaccine, or two doses of a two-dose vaccine).

# The war in Ukraine will affect the region through trade and commodity price channels

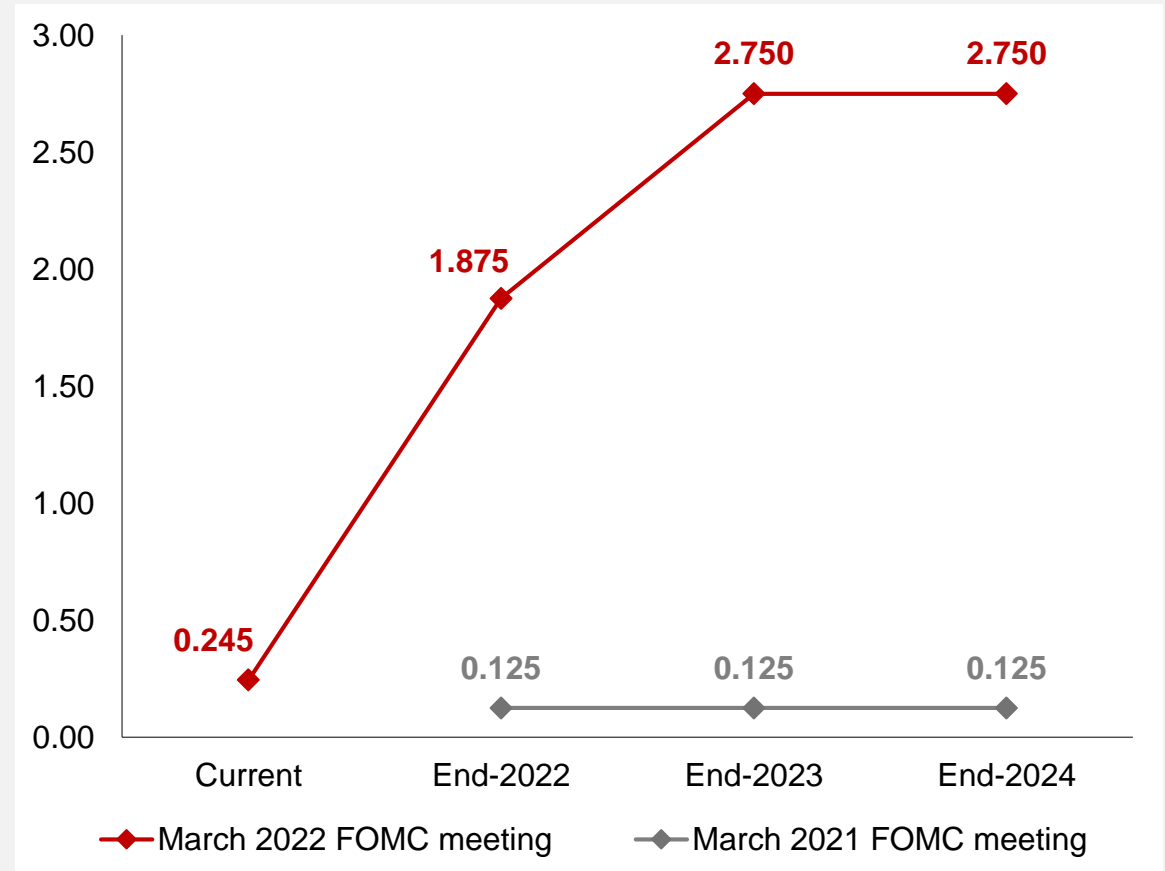


# Fed policy surprises will have implications for interest rates and capital flows in the region

United States: 10Y US Treasury Yield Curves and Inflation  
(Percent; Percent year-on-year)



United States: Median Projection for Federal Funds Rate  
(Percent)

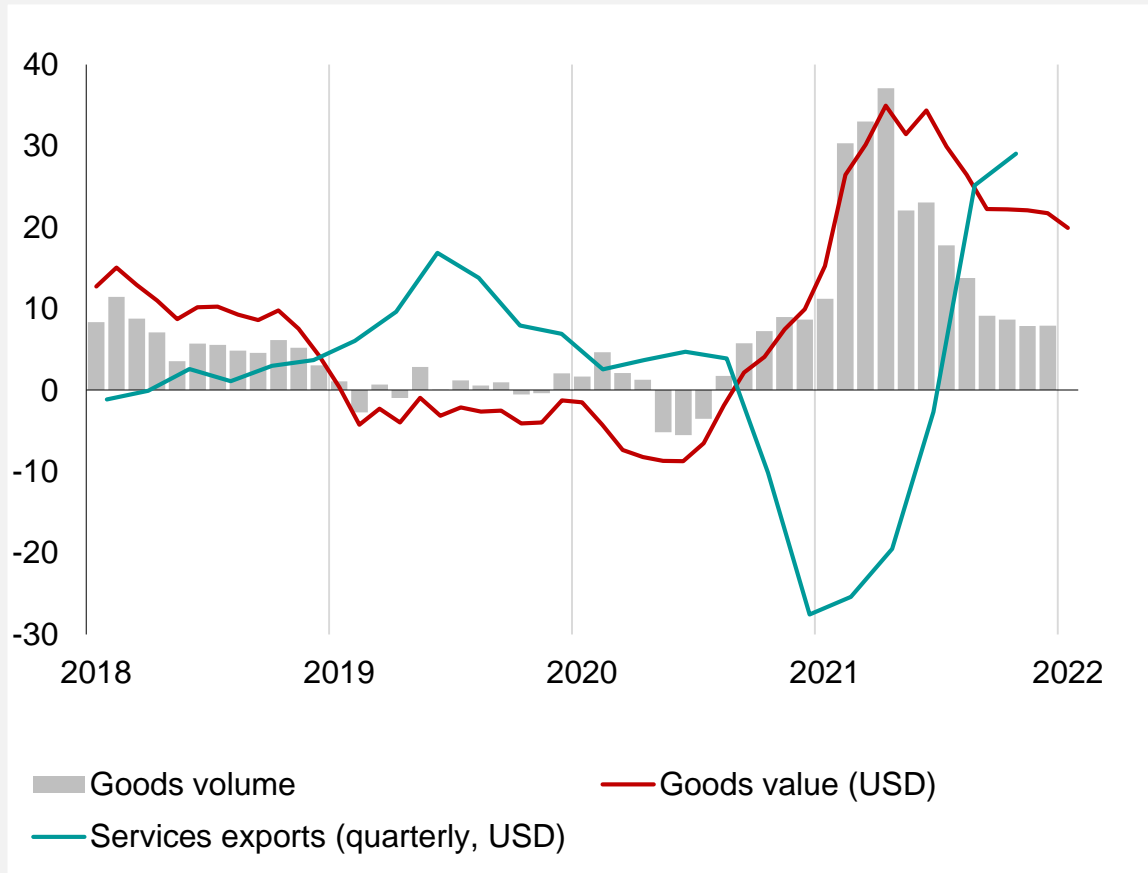


Sources: US Treasury and Bureau of Labor Statistics, both via Haver Analytics.  
Notes: Yearly yield curves refer to the yield curves as of December 31 of each year, while the latest yield curve is as of April 8, 2022. Inflation data refers to year-on-year change in monthly Consumer Price Index from January 2019 to February 2022.

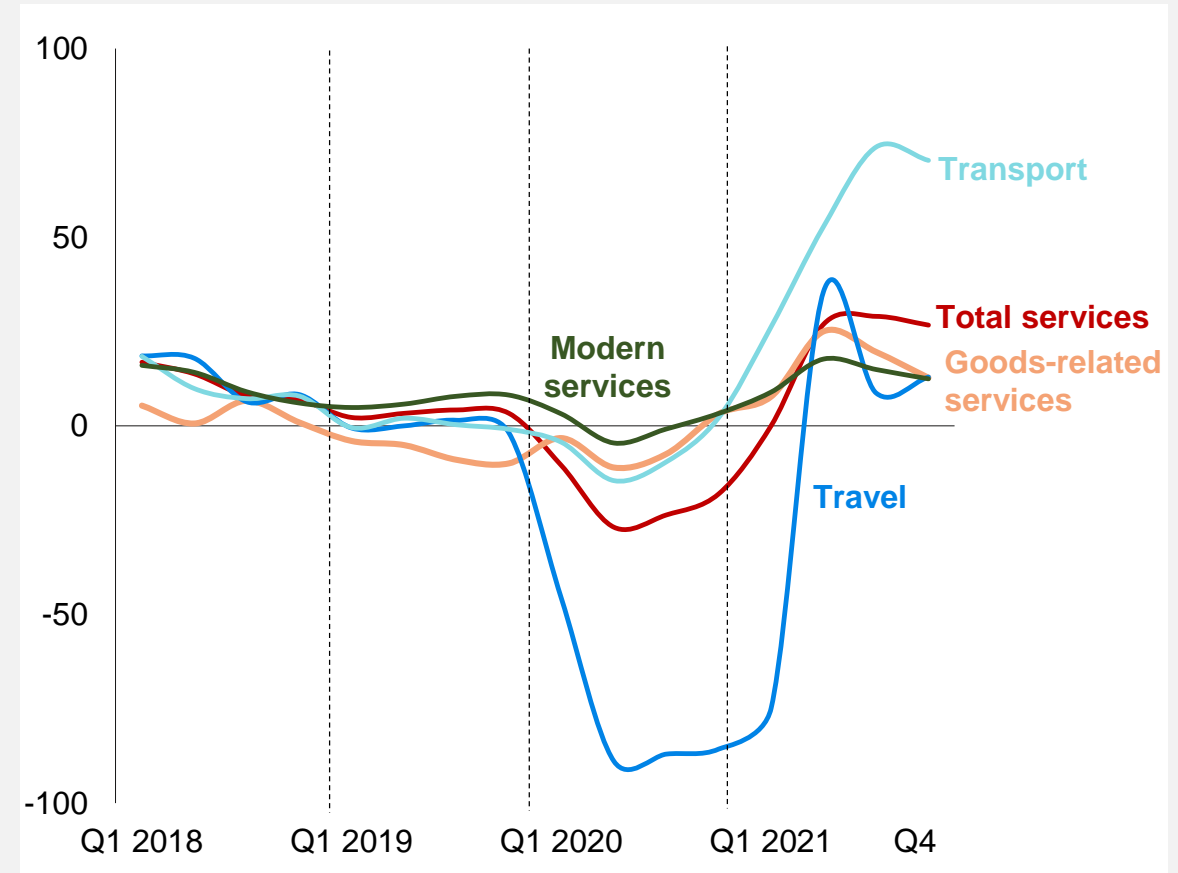
Sources: US Federal Reserve.  
Note: Current period refers to data as of March 2022.

# Notwithstanding the risks, external demand has recovered and remains robust

**Selected ASEAN+3: Goods and Services Exports**  
(Percent, year-on-year, 3-month moving average)



**ASEAN+3: Quarterly Exports of Services by Category**  
(Percent, year-on-year)



Sources: National authorities via Haver Analytics; and AMRO staff calculations.  
Notes: For goods exports, selected ASEAN+3 include all Plus-3 and ASEAN-6 economies. For services exports, selected ASEAN+3 include all Plus-3, ASEAN-6 economies, Cambodia and Lao PDR.

Sources: National authorities via Haver Analytics.

# Manufacturing activity has improved significantly since mid-2021

**Manufacturing PMI**  
(Seasonally adjusted; diffusion index)

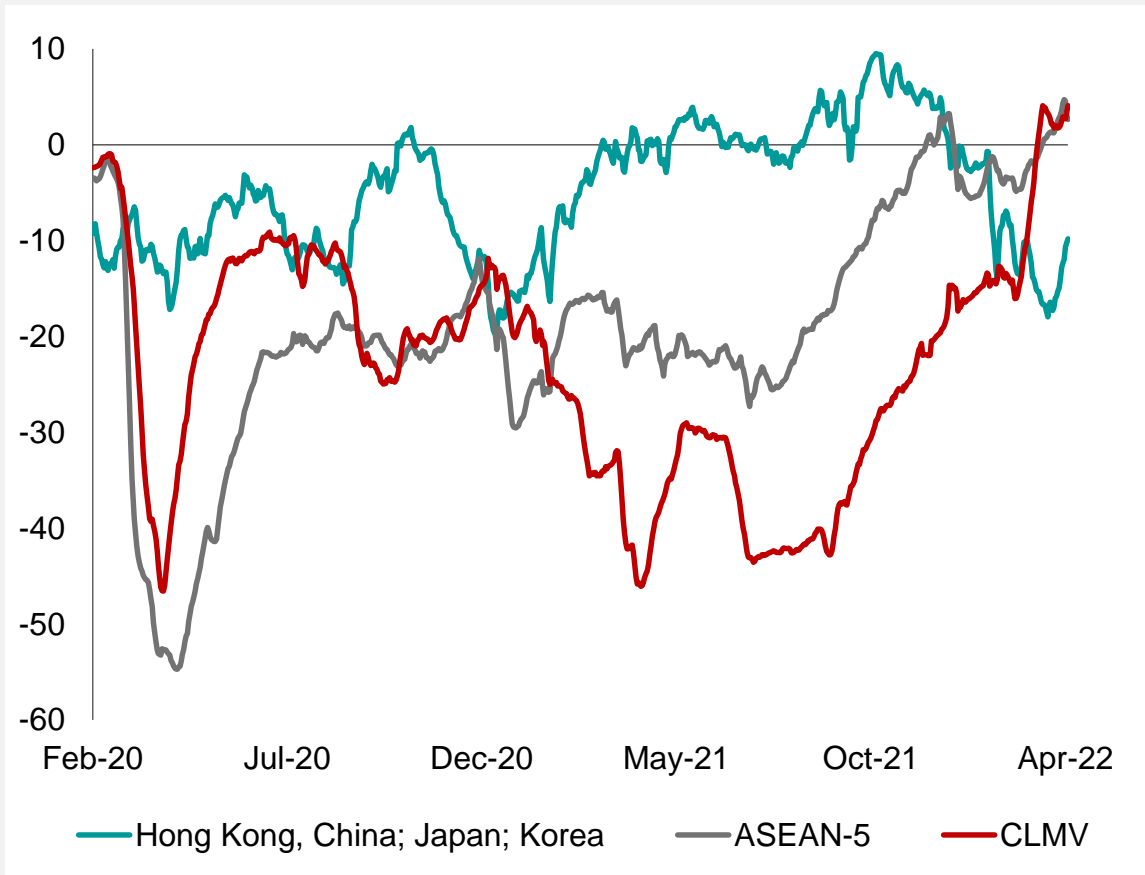
Economy	2020 Jan to Dec	2021 Jan to Dec	2022 Jan to Mar
<b>Global</b>			
<b>Developed Markets</b>			
United States			
United Kingdom			
Eurozone			
<b>Emerging Markets</b>			
<b>PLUS-3</b>			
China			
Hong Kong*			
Japan			
Korea			
<b>ASEAN</b>			
Indonesia			
Malaysia			
Philippines			
Singapore*			
Thailand			
Myanmar			
Vietnam			

Source: IHS Markit.

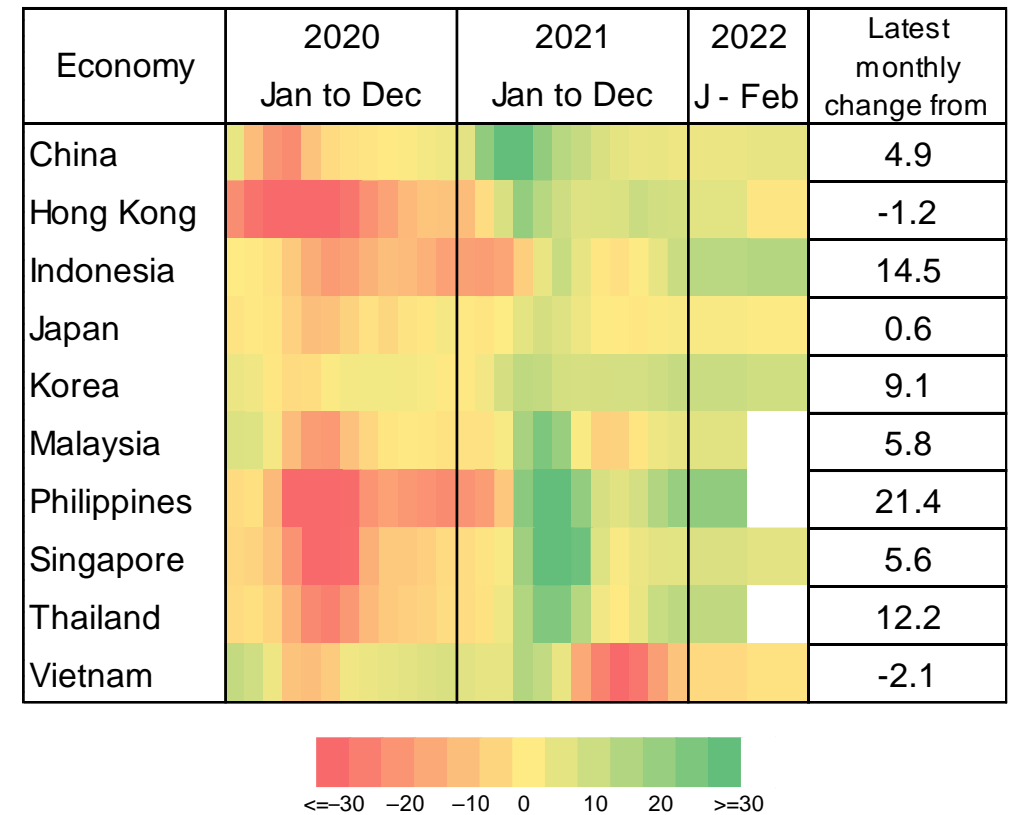
Note: The PMI headings are coded by colors. The deeper the red the further below (< 40) from the diffusion level of 50; greener denotes the further above (> 60) from 50. A PMI reading above 50 denotes an increase in business activity over previous month, and a reading below 50 denotes otherwise.

# Domestic demand will be boosted by further economic reopening

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



**Selected ASEAN+3: Retail Sales Growth**  
(Percent, year-on-year, 3-month moving average)



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

Note: "Baseline" refers to the median value of the corresponding day in the period January 3–February 6, 2020. "Non-residential" refers to the aggregated mobility data for places such as groceries and pharmacies, retail and recreation facilities, transit stations, and workplaces. ASEAN-5 = Indonesia, Malaysia, the Philippines, Thailand, and Singapore. CLMV = Cambodia, Lao PDR, Myanmar, and Vietnam.

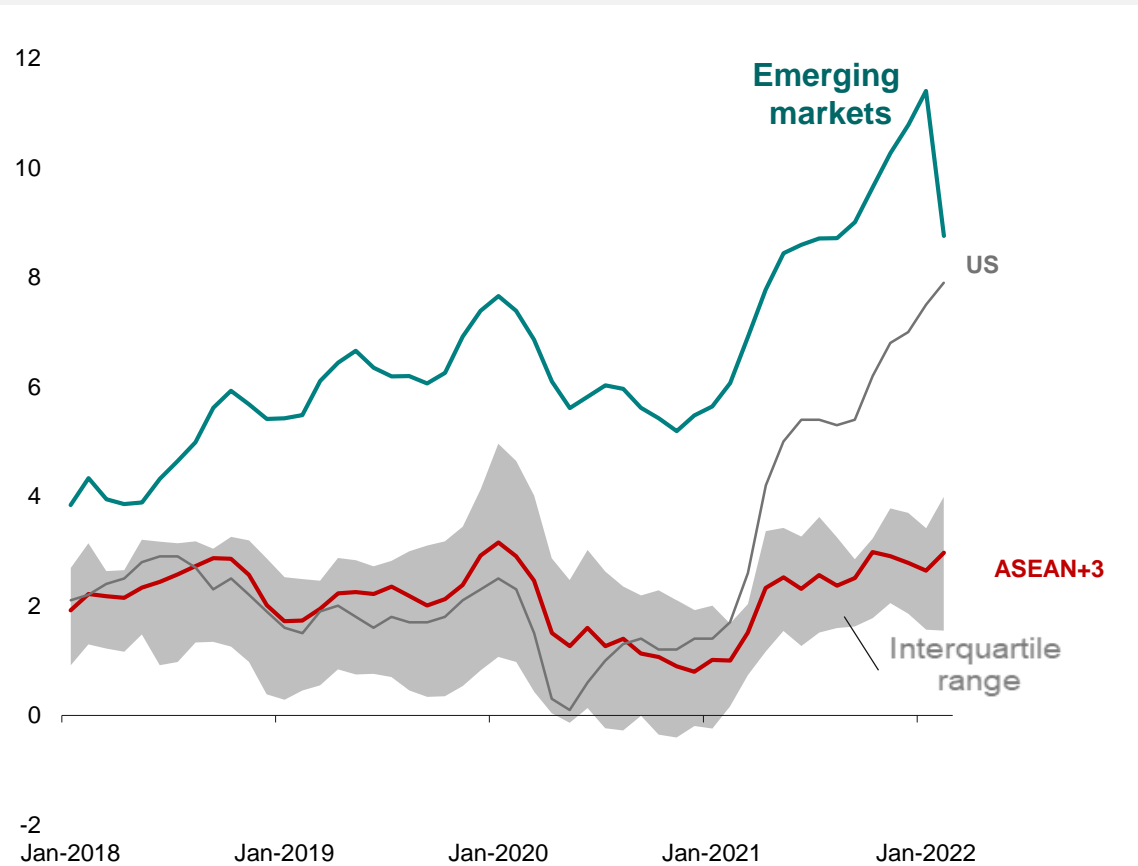
Sources: National authorities via Haver Analytics; and AMRO staff calculations.

Note: Calculated based on local currency values for all economies excluding Indonesia and Thailand (volume). Colors indicate the size and direction of change: the deeper the shade of red, the larger the negative change (with the darkest shade indicating a decrease of more than 30 percent year-on-year); the deeper the shade of green, the larger the positive change (with the darkest shade indicating an increase of more than 30 percent year-on-year).

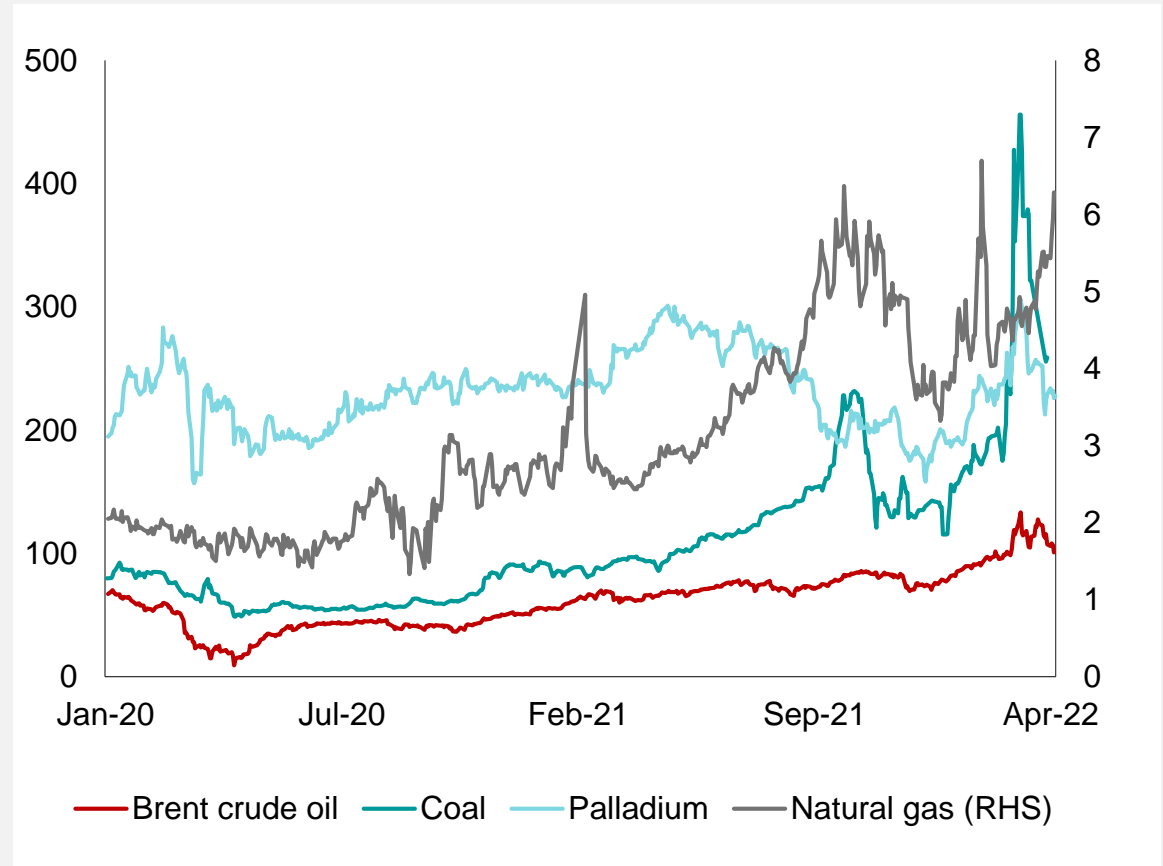


# Inflation has stayed low so far

**Headline Inflation**  
(Percent, year-on-year)



**World: Prices of Selected Raw Materials**  
(USD per barrel; USD per metric ton; USD10 per troy ounce; USD per mmbtu)

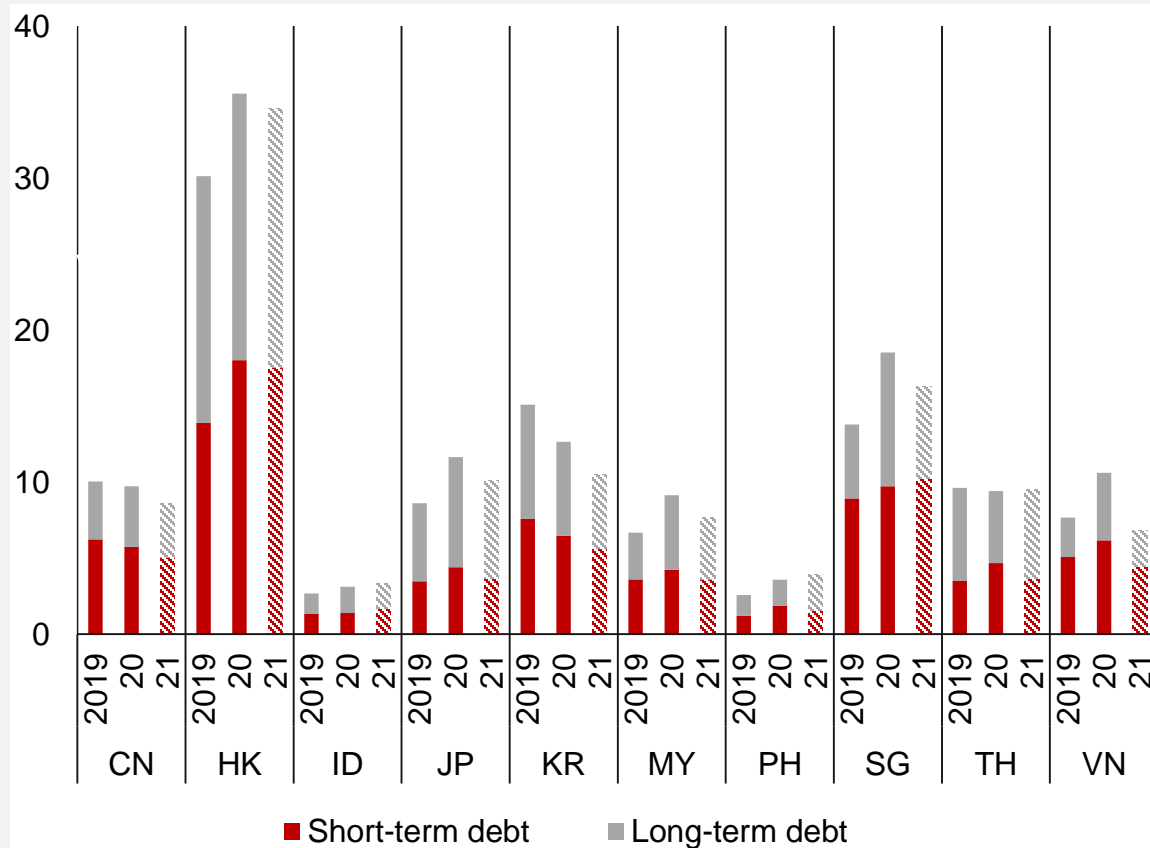


Sources: National authorities via Haver Analytics; and AMRO staff calculations.  
Notes: The headline inflation of emerging market economies is calculated by Haver Analytics and refer to 51 countries in Emerging Europe, Latin America, Middle East, Africa and Asia Pacific. The average headline inflation for ASEAN+3 refers to the trim mean, which, refers to the simple average of the Consumer Price Index for ASEAN+3 economies after excluding the highest and lowest 15 percentile of data.

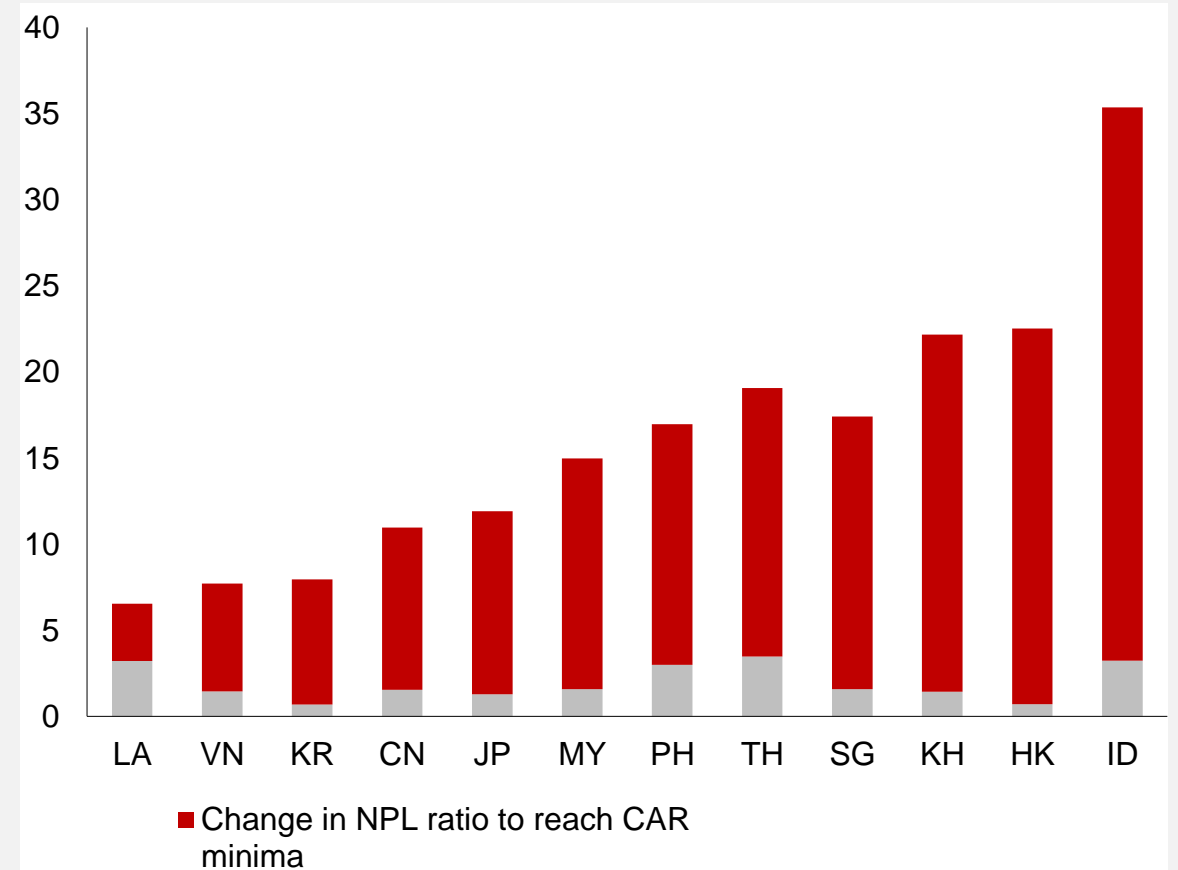
Sources: Energy Information Agency, Financial Times, Johnson Matthey via Haver Analytics; and AMRO staff calculations.  
Notes: Palladium price refers to the Johnson Matthey Base Price. USD = US dollar; mmbtu = metric million British thermal unit.

# Financial risks remain elevated, but banks are well-capitalized

**Selected ASEAN+3: Actual and Projected Debt-at-Risk, including Availability of Quick Assets**  
(Percent of GDP)



**ASEAN+3: Change in NPL Ratio to Reach Regulatory Minima, All Banks**  
(Percentage points; 2020 Position)



Sources: Ho and Ong (2020).

Notes: Firms with debt service ratio <1 and without sufficient quick assets to cover short-term obligations are classified as having debt-at-risk (DAR). DAR for 2021 is projected using actual data in the first half of 2021.

Sources: BankFocus; and AMRO staff estimates.

Note: Data are from individual banks' financial statements for 2020. "All banks" comprise those available in BankFocus. Minimum capital adequacy is defined as 10.5 percent for banking systems that have adopted Basel III (ASEAN-5, China, Hong Kong, Korea, and Japan) and 8 percent for those that have adopted or are transitioning to Basel II (Cambodia, Lao PDR, and Vietnam).

## ASEAN+3 to grow by 4.7% in 2022, with inflation at 3.5%

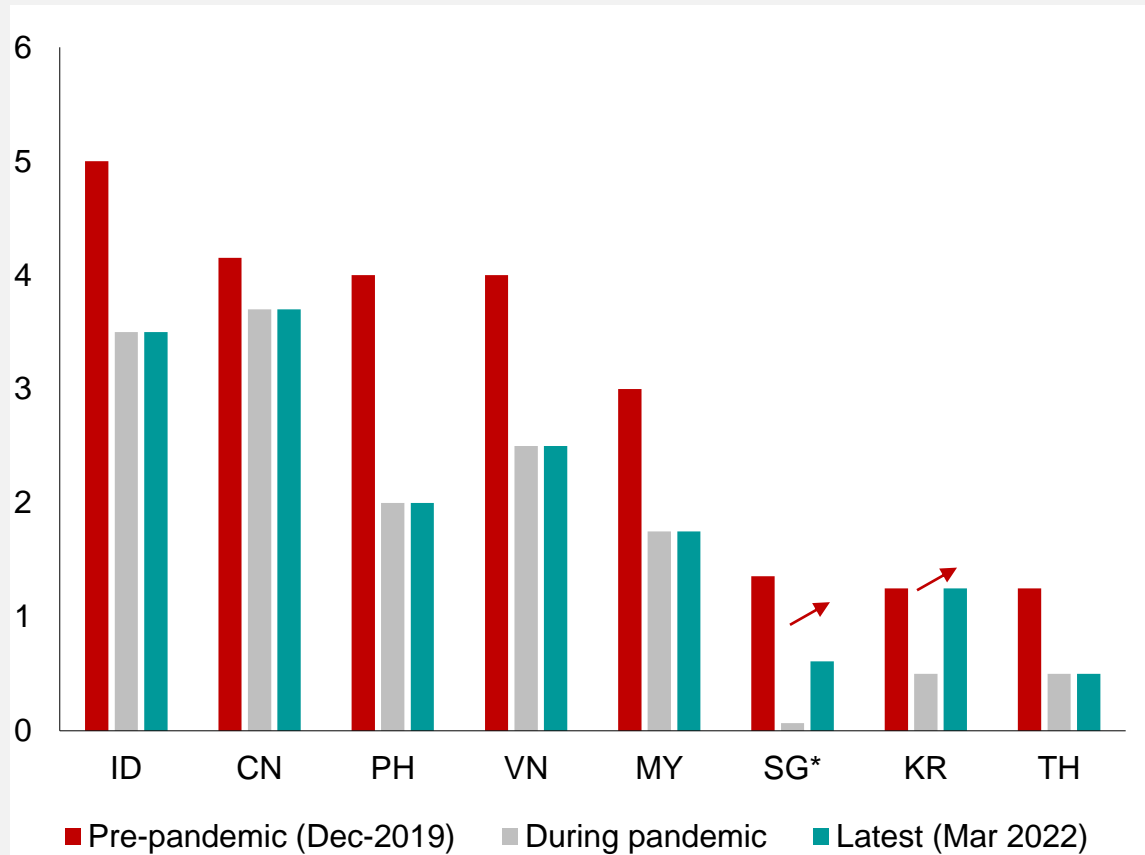
Economies	GDP Growth			Inflation		
	2021e	2022f	2023f	2021e	2022f	2023f
<b>ASEAN+3</b>	<b>5.9</b>	<b>4.7</b>	<b>4.6</b>	<b>2.1</b>	<b>3.5</b>	<b>2.3</b>
<b>Plus-3</b>	<b>6.7</b>	<b>4.6</b>	<b>4.4</b>	<b>1.2</b>	<b>2.1</b>	<b>1.7</b>
China	8.1	5.2	5.3	0.9	2.2	2.0
Hong Kong	6.4	2.8	3.2	1.6	2.0	2.3
Japan	1.6	2.9	1.2	-0.3	1.1	0.5
Korea	4.0	3.0	2.6	2.5	2.9	1.9
<b>ASEAN</b>	<b>2.9</b>	<b>5.1</b>	<b>5.2</b>	<b>2.5</b>	<b>4.1</b>	<b>2.6</b>
Brunei	0.2	4.1	2.3	1.7	1.3	1.3
Cambodia	2.9	5.2	6.1	2.9	5.0	3.7
Indonesia	3.7	5.2	5.3	1.6	2.8	3.0
Lao PDR	2.6	3.9	5.9	3.8	5.0	3.5
Malaysia	3.1	6.0	5.0	2.5	2.7	2.0
Myanmar	-18.7	1.5	–	3.6	9.5	–
Philippines	5.6	6.5	6.5	3.9	4.1	3.5
Singapore	7.6	4.0	2.6	2.3	3.3	2.0
Thailand	1.6	3.4	5.2	1.2	4.2	1.8
Vietnam	2.6	6.5	7.0	1.8	3.4	3.0

Source: AMRO staff estimates.

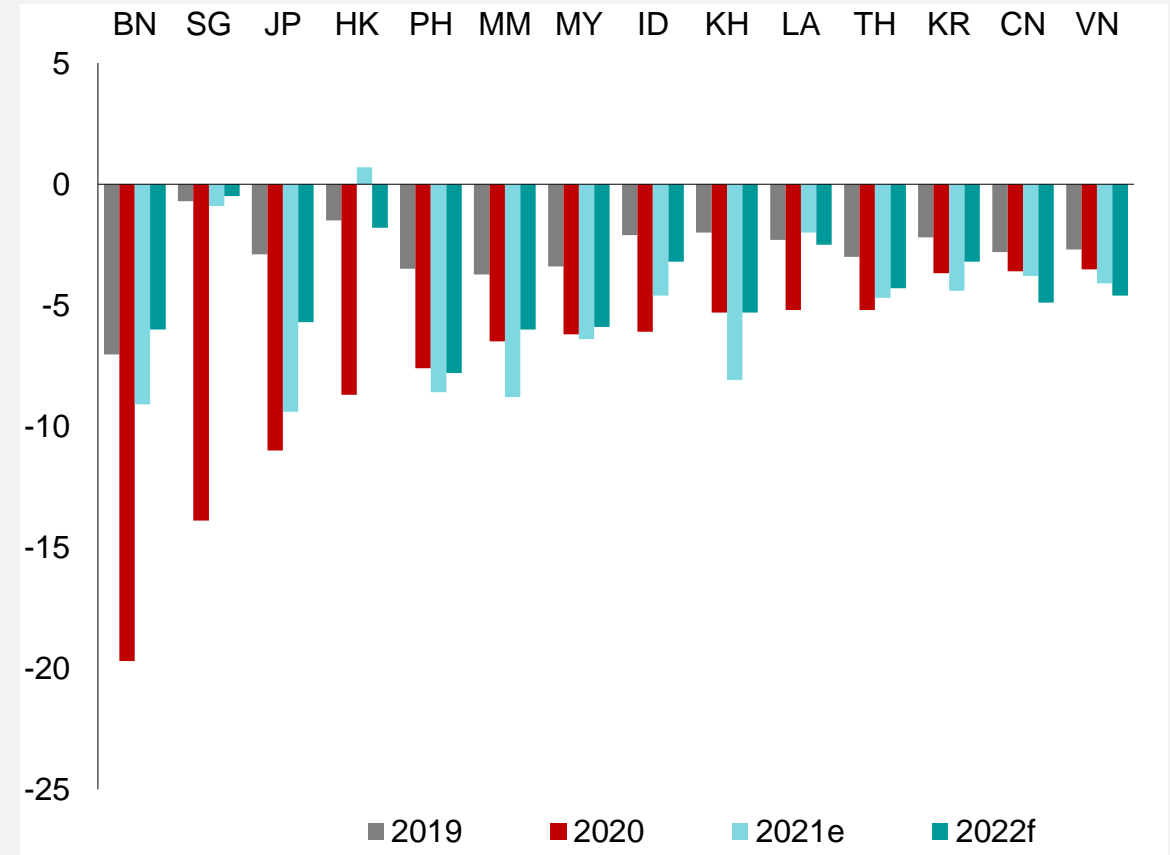
Note: e = estimates, f = forecast. Regional aggregates for growth are estimated using the weighted average of 2020 GDP on purchasing power parity basis; regional aggregates for inflation are computed using simple averaging.

# Macroeconomic policy remains accommodative, but policy normalization has begun in some ASEAN+3 economies

**Selected ASEAN+3: Policy Interest Rates**  
(Percent)



**ASEAN+3: Fiscal Balance**  
(Percent of GDP)



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

Note: Asterisk (\*) indicates that data used are monthly average market-based rates instead of end-of-period rates. "Policy interest rates" vary across economies and could refer to the policy rate, the refinancing rate, the discount rate, the overnight repo rate, among others.

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

# Policymakers need to tread a fine line between supporting economic recovery and rebuilding policy space

## ASEAN+3: AMRO Staff Assessment of Current Policy Stance and Recommendations

	Fiscal Policy				Monetary Policy			Prudential Policy				
	2021	2022	2022	Recommended	Current Policy	2022	Recommended	Macprudential Policy		Credit Policy		
	Policy Stance	Policy Stance	Policy Space					Policy Direction	Stance/Condition	Policy Space	Policy Direction	
Brunei*	Yellow	Yellow	Ample	↔	Green	Limited	↔	Green	↔	Green	↔	Brunei*
Cambodia	Green	Yellow	Moderate	↔	Green	Limited	↔	Green	↓	Green	↔	Cambodia
China	Yellow	Green	Moderate	↔	Green	Moderate	↔	Yellow	↔	Green	↔	China
Hong Kong*	Yellow	Green	Ample	↔	Green	Limited	↔	Yellow	↔	Green	↔	Hong Kong*
Indonesia	Grey	Yellow	Moderate	↔	Green	Moderate	↔	Green	↔	Green	↔	Indonesia
Japan*	Yellow	Yellow	Limited	↔	Green	Limited	↔	Green	↔	Green	↔	Japan*
Korea	Green	Yellow	Moderate	↔	Green	Moderate	↓	Yellow	↔	Green	↔	Korea
Lao PDR	Yellow	Yellow	Limited	↔	Green	Limited	↔	Green	↔	Green	↑	Lao PDR
Malaysia	Green	Grey	Moderate	↔	Green	Moderate	↓	Grey	↔	Green	↔	Malaysia
Myanmar*	Green	Yellow	Limited	↑	Yellow	Limited	↔	Grey	↔	Grey	↔	Myanmar*
Philippines	Green	Grey	Moderate	↔	Green	Moderate	↔	Green	↔	Green	↔	Philippines
Singapore*	Yellow	Yellow	Ample	↔	Green	Moderate	↓	Yellow	↔	Green	↓	Singapore*
Thailand*	Green	Yellow	Moderate	↔	Green	Moderate	↔	Green	↔	Green	↔	Thailand
Vietnam	Grey	Grey	Moderate	↑	Green	Moderate	↔	Grey	↔	Green	↔	Vietnam

### Legend:

#### AMRO's assessment of current policy stance

<span style="display:inline-block; width:15px; height:15px; background-color: #28a745; border: 1px solid black;"></span>	Expansionary/accommodative
<span style="display:inline-block; width:15px; height:15px; background-color: #6c757d; border: 1px solid black;"></span>	Neutral
<span style="display:inline-block; width:15px; height:15px; background-color: #ffc107; border: 1px solid black;"></span>	Contractionary/tight

#### AMRO's recommendation

##### Expand

<span style="display:inline-block; width:15px; height:15px; background-color: #28a745; border: 1px solid black;"></span>	Expand more
<span style="display:inline-block; width:15px; height:15px; background-color: #28a745; border: 1px solid black;"></span>	Expand less
<span style="display:inline-block; width:15px; height:15px; background-color: #28a745; border: 1px solid black;"></span>	Maintain current expansion

##### Tighten

<span style="display:inline-block; width:15px; height:15px; background-color: #ffc107; border: 1px solid black;"></span>	Tighten more
<span style="display:inline-block; width:15px; height:15px; background-color: #ffc107; border: 1px solid black;"></span>	Tighten less
<span style="display:inline-block; width:15px; height:15px; background-color: #ffc107; border: 1px solid black;"></span>	Maintain tightening

##### Neutral

<span style="display:inline-block; width:15px; height:15px; background-color: #6c757d; border: 1px solid black;"></span>	Easing bias
<span style="display:inline-block; width:15px; height:15px; background-color: #6c757d; border: 1px solid black;"></span>	Tightening bias
<span style="display:inline-block; width:15px; height:15px; background-color: #6c757d; border: 1px solid black;"></span>	Maintain neutral

Sources: AMRO staff estimates.

Note: "\*" denotes fiscal year of April 1 to March 31. For Brunei, Cambodia, and Hong Kong, current monetary stance refers to the state of monetary conditions; "Credit Policy" refers to policies relating to credit extended to the real and property sectors, as well as to regulatory forbearance for banks.

## ***Key Messages***

- As the COVID-19 pandemic recedes, economies can look forward to opening up further.
- The war in Ukraine is an emerging risk—if prolonged, the conflict can amplify existing risks, derailing the region's recovery prospects.
- The region is forecast to grow at 4.6–4.7% in 2022-23.
- Unwinding of policy support is necessary to rebuild policy space, but without jeopardizing economic recovery.

Thank you.



***Contact Us***

**Add:** 10 Shenton Way, #15-08/9, Singapore 079117

**Tel:** +65 6323 9844

**Email:** [RegionalTeam@amro-asia.org](mailto:RegionalTeam@amro-asia.org)

**Website:** [www.amro-asia.org](http://www.amro-asia.org)