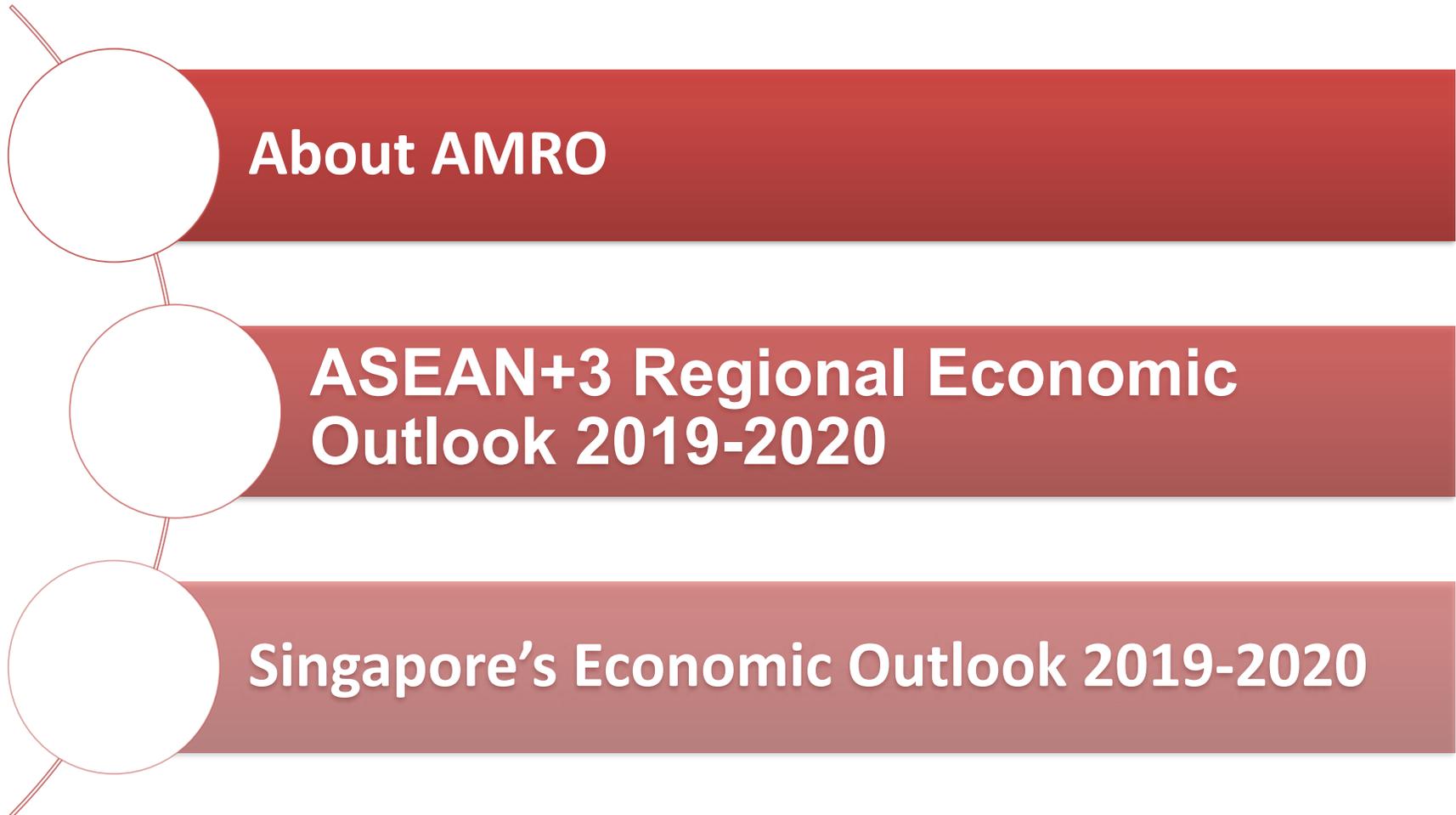


ASEAN+3 Region: Resilience amid Rising External Headwinds

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8 November 2019
Singapore

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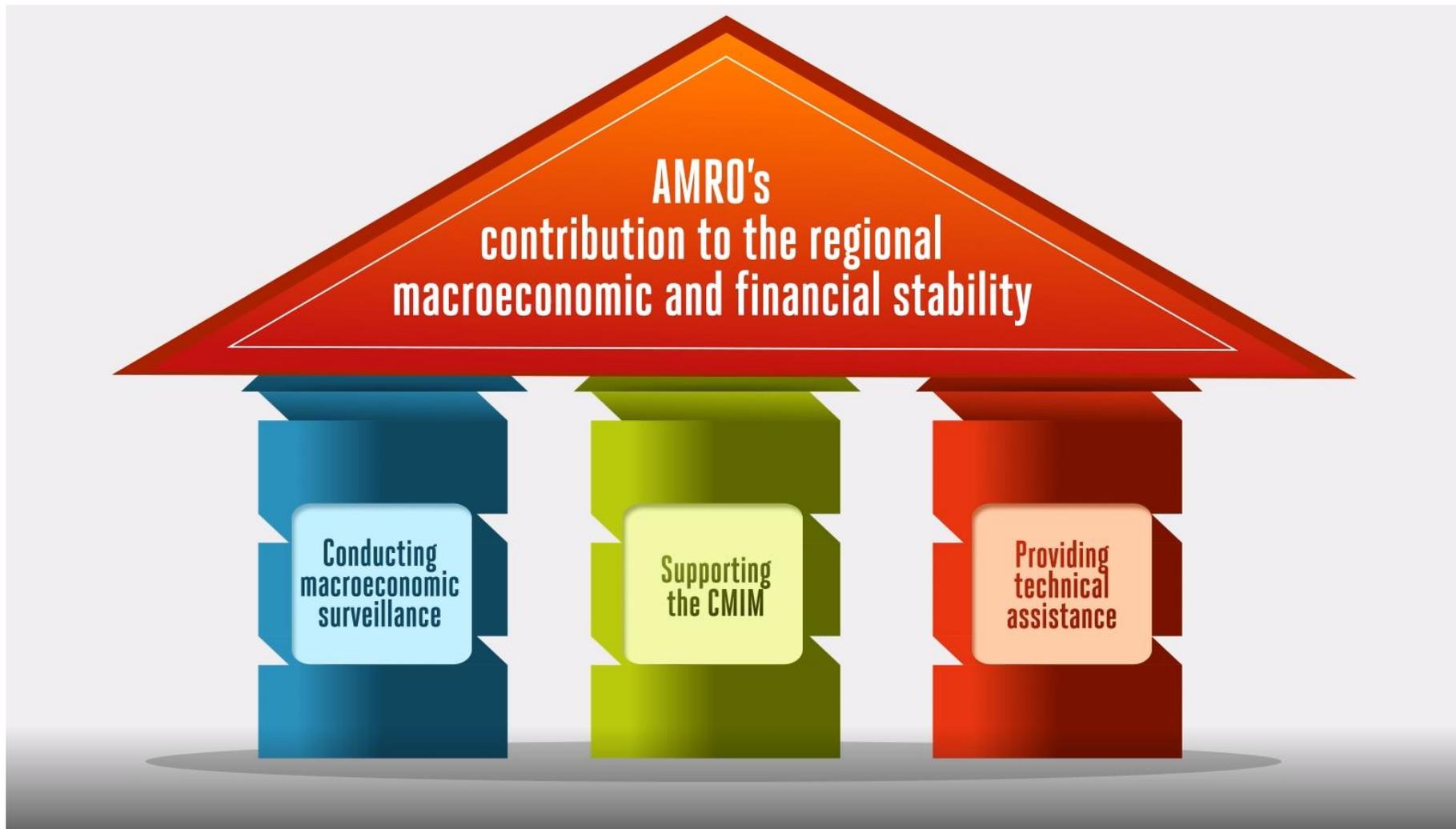


An Introduction to the ASEAN+3 Macroeconomic Research Office



Watch the video: <https://www.youtube.com/watch?v=05eGbanFpc4>

AMRO envisions to be an independent, credible and professional regional organization acting as a trusted policy advisor to members in the ASEAN+3 region.



The Chiang Mai Initiative Multilateralisation (CMIM) provides its members with an insurance against crisis risks



Membership

10 ASEAN member countries plus China (including Hong Kong), Japan and Korea



Objectives

To provide USD liquidity in response to urgent short-term USD liquidity difficulties and/or balance of payments difficulties.



Size and Financing Structure

USD 240 billion of self-managed reserve pooling



Facilities

- Crisis prevention: CMIM Precautionary Line (PL)
- Crisis resolution: CMIM Stability Facility (SF)



Mechanism

USD liquidity is provided through swap transactions with the requesting member's local currency

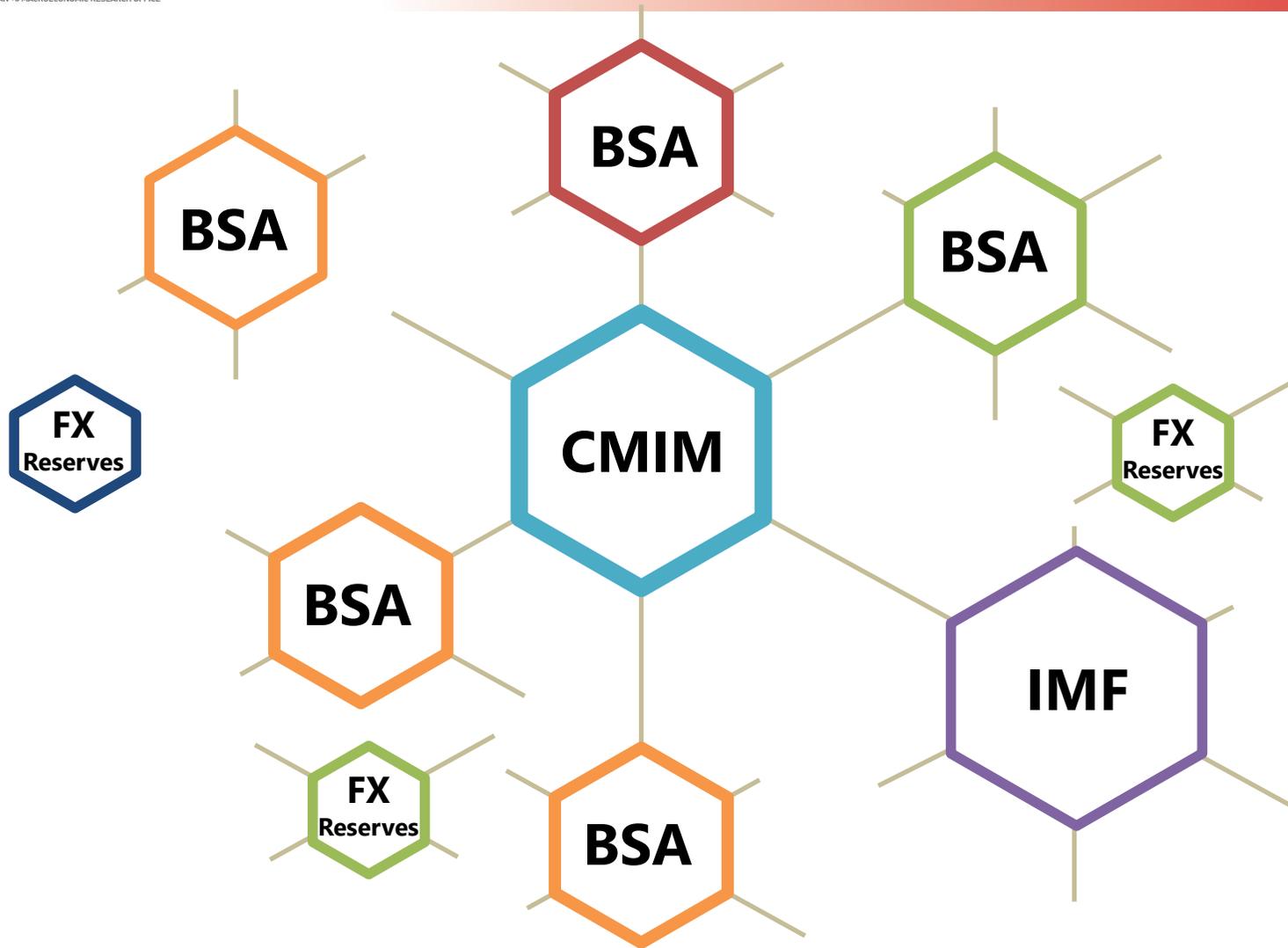


Coordination and Surveillance Function

Operationalization of the CMIM is coordinated by the two coordinating countries with the support of AMRO, the surveillance arm of the CMIM

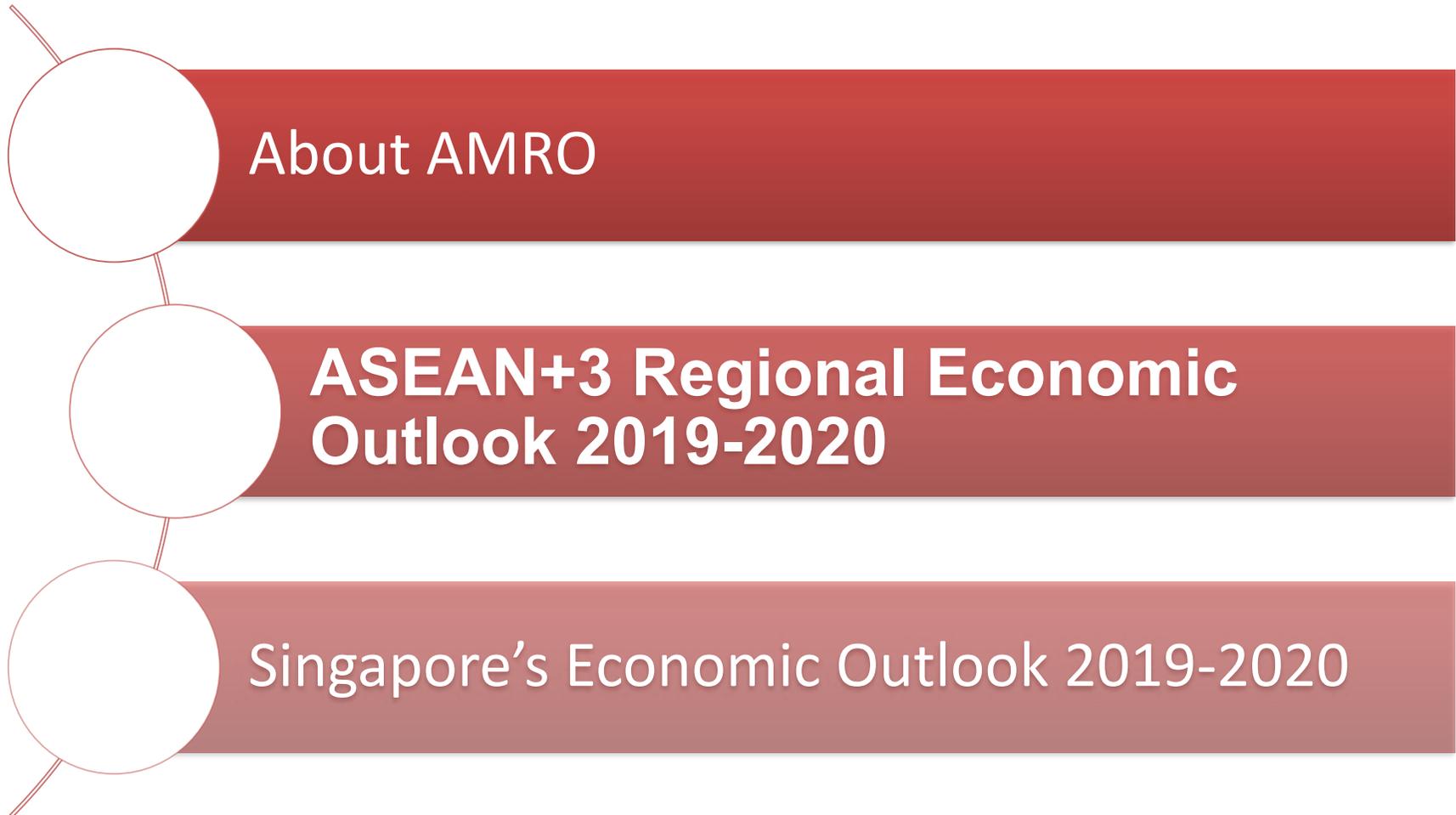


The CMIM stands at the center of ASEAN+3 regional financial safety net



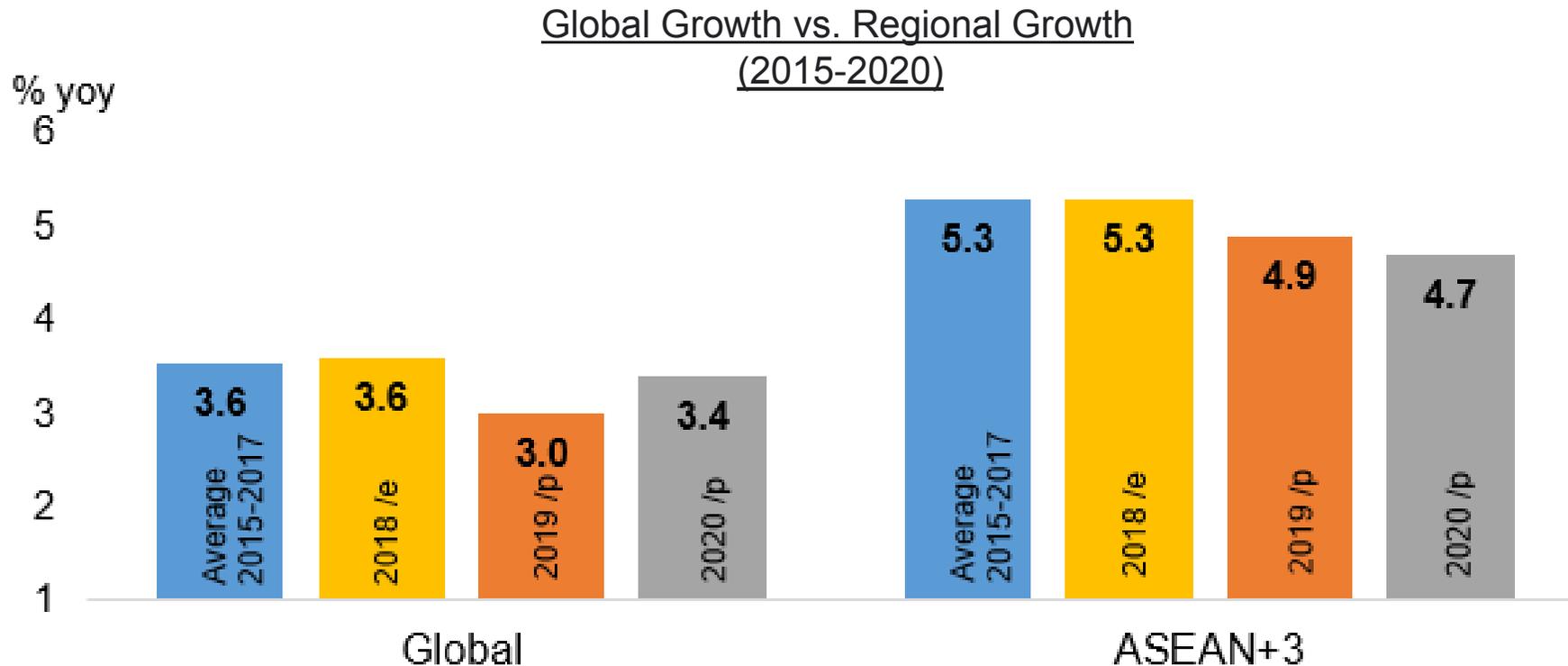
With the support of the ASEAN+3 Macroeconomic Research Office (AMRO), the CMIM is expected to play a role in maintaining regional/global financial stability.

Currently the CMIM is complemented by the network of bilateral swap arrangements in the region amounting to more than USD 320 billion



The ASEAN+3 Region Has Been Resilient

ASEAN+3 is one of the fastest-growing regions in the world, with growth rates in the past years sustaining at 5-percent level, considerably higher than global average.

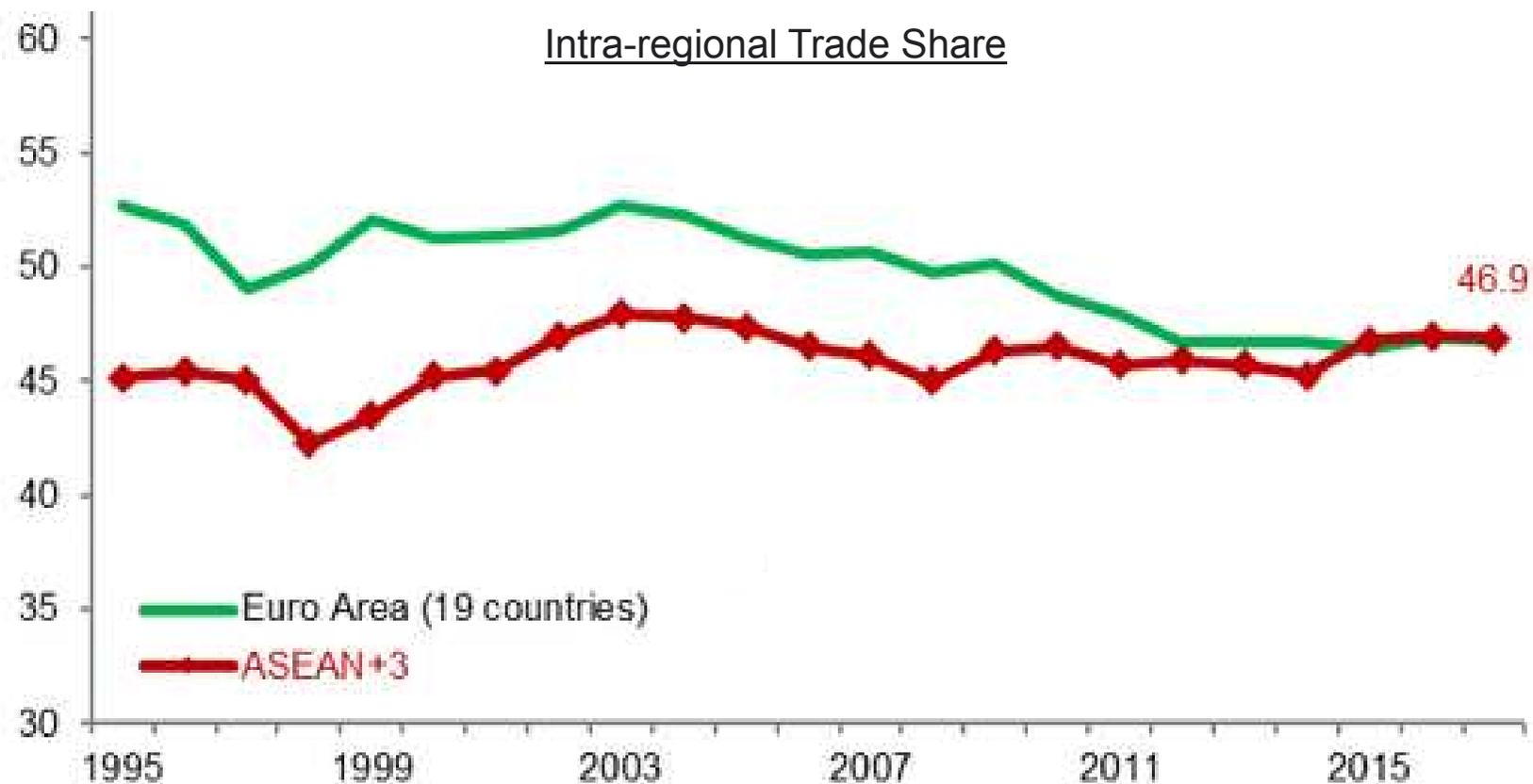


/e refers to estimation; /p refers to projection

Source: IMF, AMRO

ASEAN+3 Region is Highly Integrated in Terms of Trade and Investment

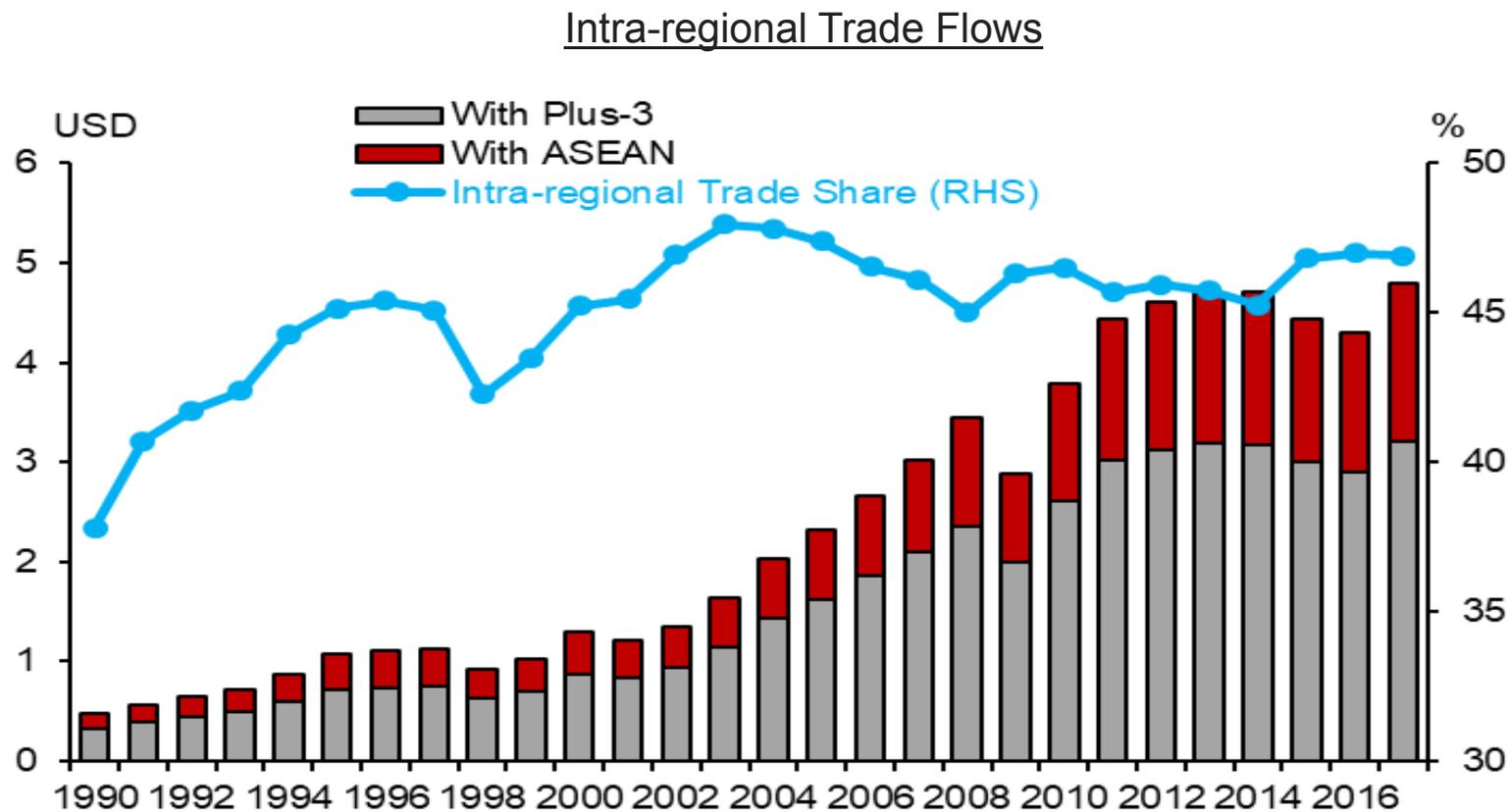
Intra-regional trade among the ASEAN+3 region accounts for nearly half of its total trade in 2017, which is comparable to that of the Eurozone.



Note: The percentage of intra-regional trade to the region's total trade.

Source: IMF DOTS; AMRO staff calculations.

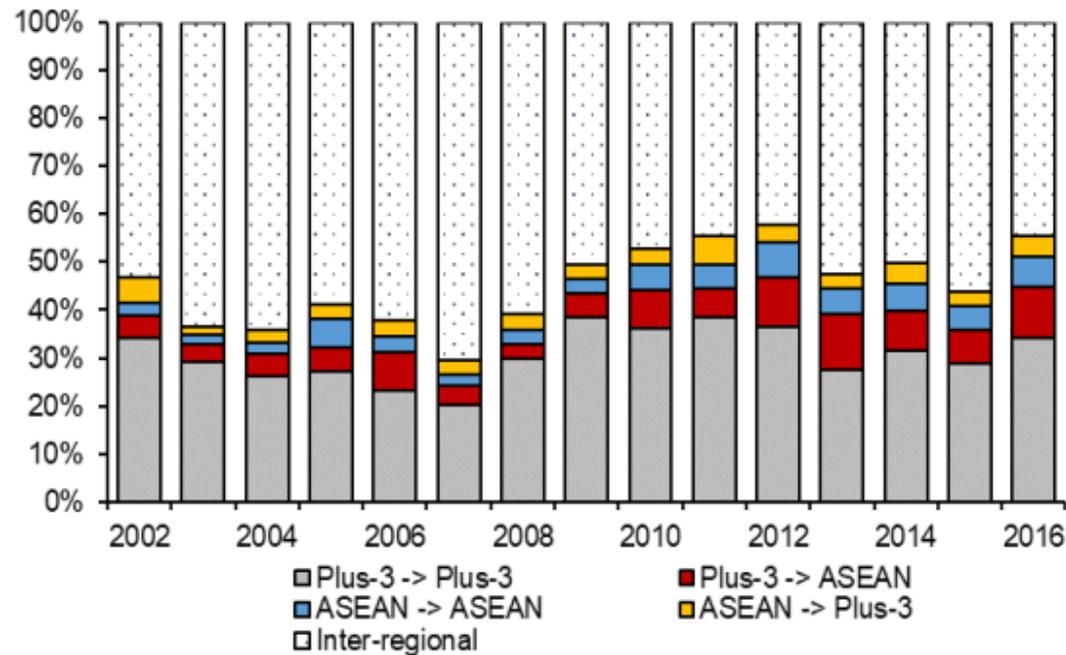
The size of intra-regional trade has expanded to over USD4 trillion over the past three decades.



Regional integration: Foreign Direct Investment (FDI)

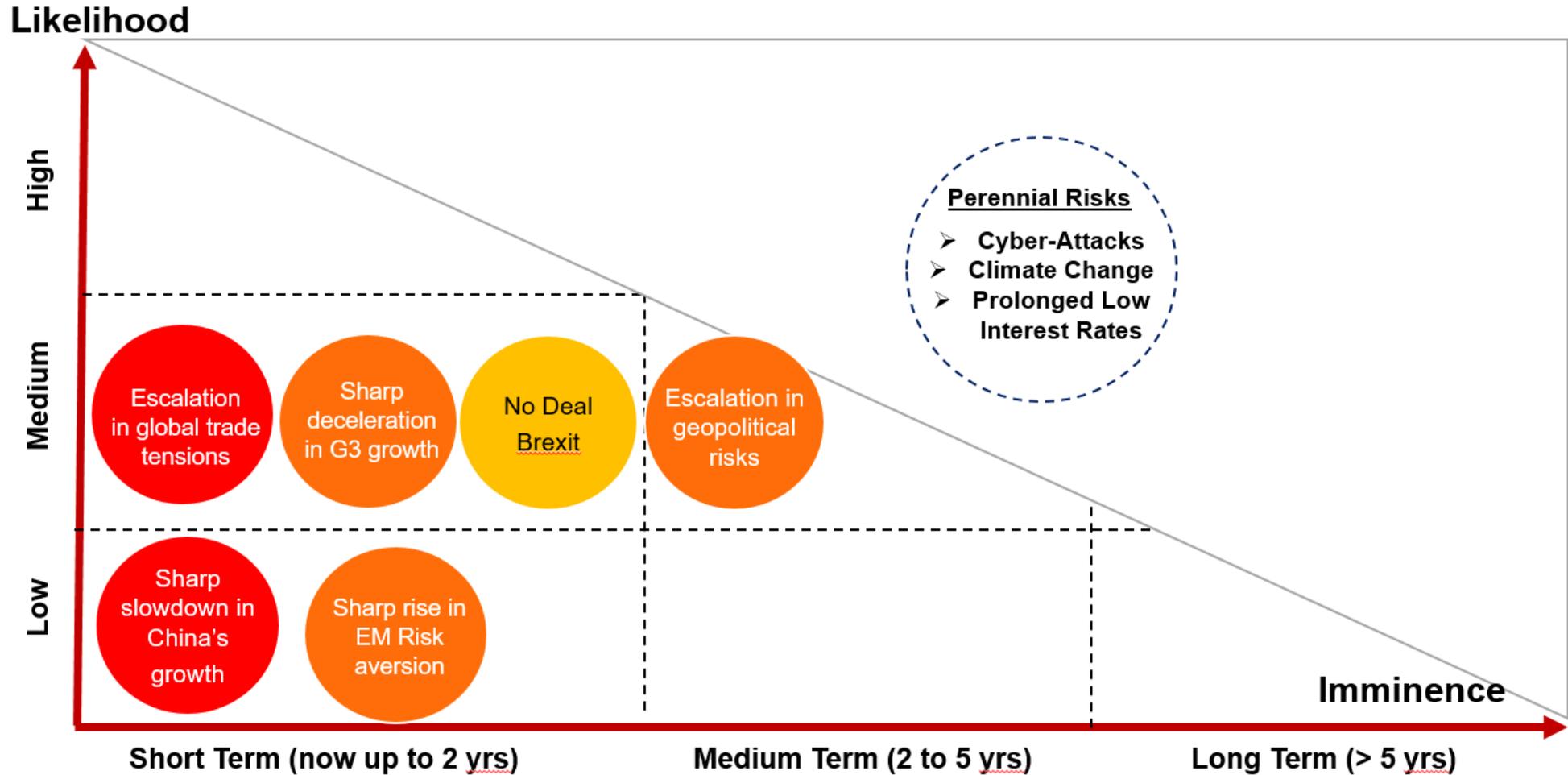
The share of intra-regional FDI inflows in the ASEAN+3 region increased from 46.8 percent in 2002 to 55.4 percent in 2016.

Intra-regional FDI shares



Source: ADB ARIC Database; AMRO staff calculations

Global Risk Map – Risks Faced by ASEAN+3 Region



Regional Growth Outlook: Downward Revisions

In view of heightened external headwinds, AMRO revised downward regional growth by 0.2 ppts in 2019 and 0.3 ppts in 2020.

Growth Revisions: October 2019

Real GDP Growth (% y/y)	2018	2019 e/		2020 p/	
		October '19			
China	6.6	6.2	↓	5.9	↓
Japan	0.8	0.8	↑	0.2	↓
Korea	2.7	1.9	↓	2.2	↓
ASEAN-4 & VN	5.2	4.9	↓	5.0	↓
BCLM	6.4	6.7	↓	6.8	↓
HK & SG	3.1	0.5	↓	0.9	↓
ASEAN+3	5.3	4.9	↓	4.7	↓

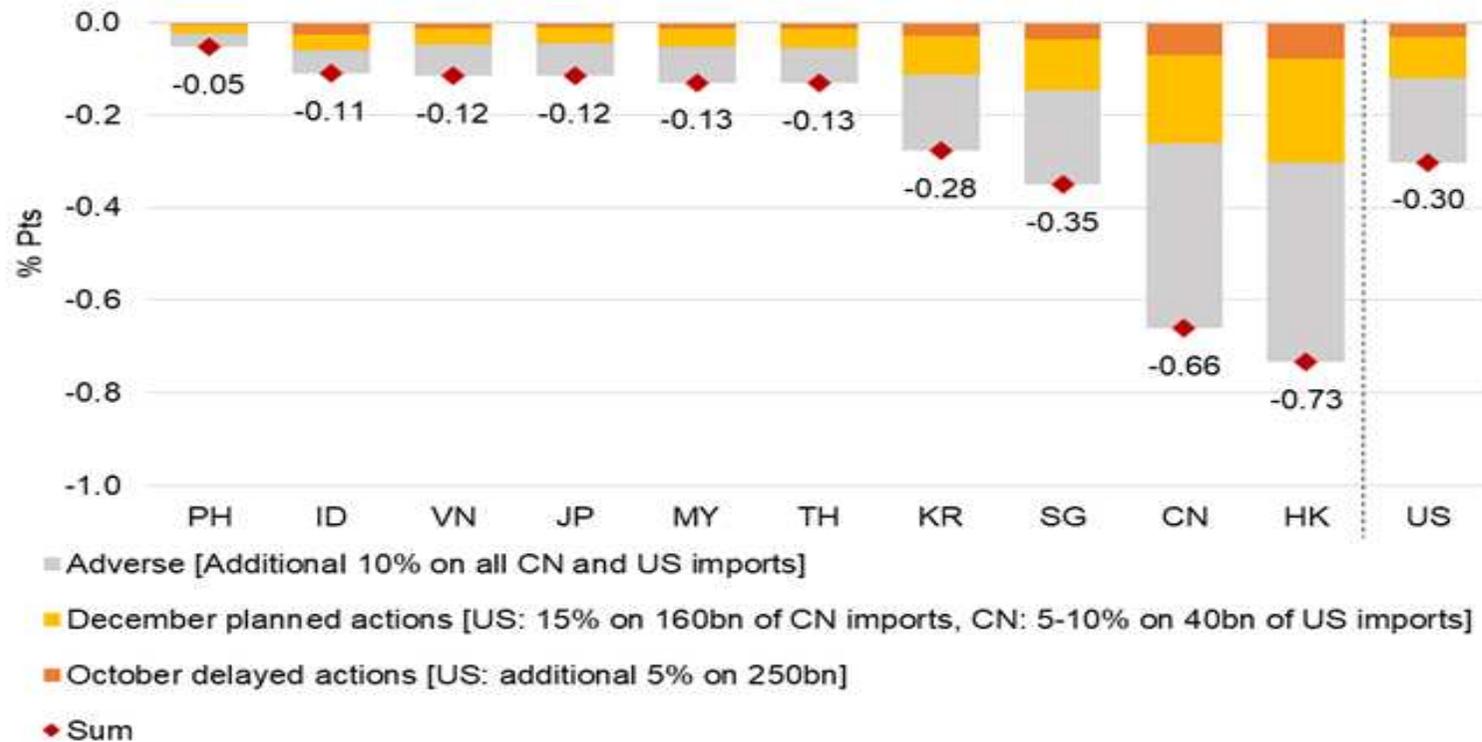
Legend:  Upward revision from AREO 2019 (May)
 Downward revision from AREO 2019 (May)
 No change from AREO 2019 (May)

Sources: National Authorities, and AMRO staff projections and calculations.
 Note: Data refers to period averages. e/ refers to AMRO estimates and p/ refers to AMRO projections.

Spillovers from Trade Tensions: Adverse Scenario

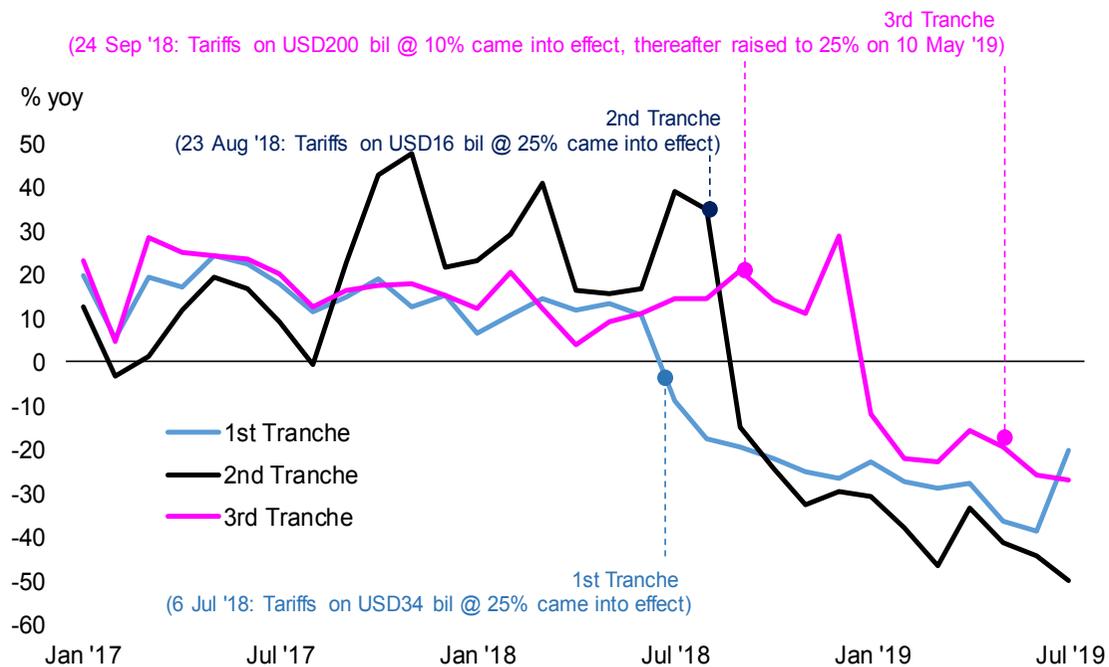
The further escalating trade conflict will significantly impact trade-dependent regional economies.

Estimates of Impact on Real GDP Growth



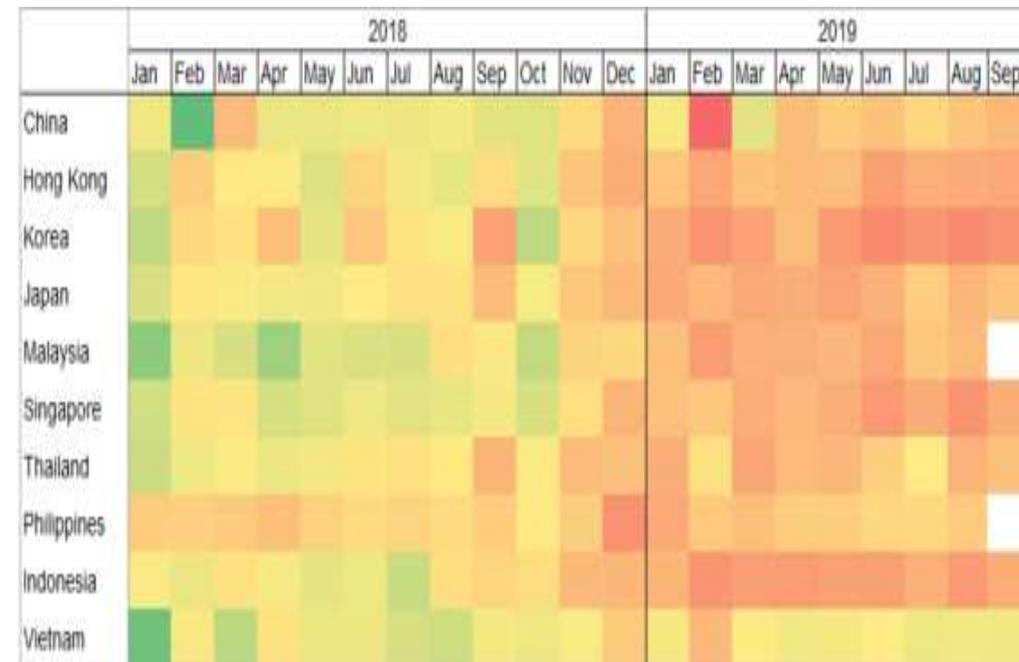
China's exports to the U.S. that are subject to tariffs have continued to weaken, weighing on intra-regional export performance

China's Exports to the U.S.: By Tariff Categories



Source: USITC, AMRO staff calculations

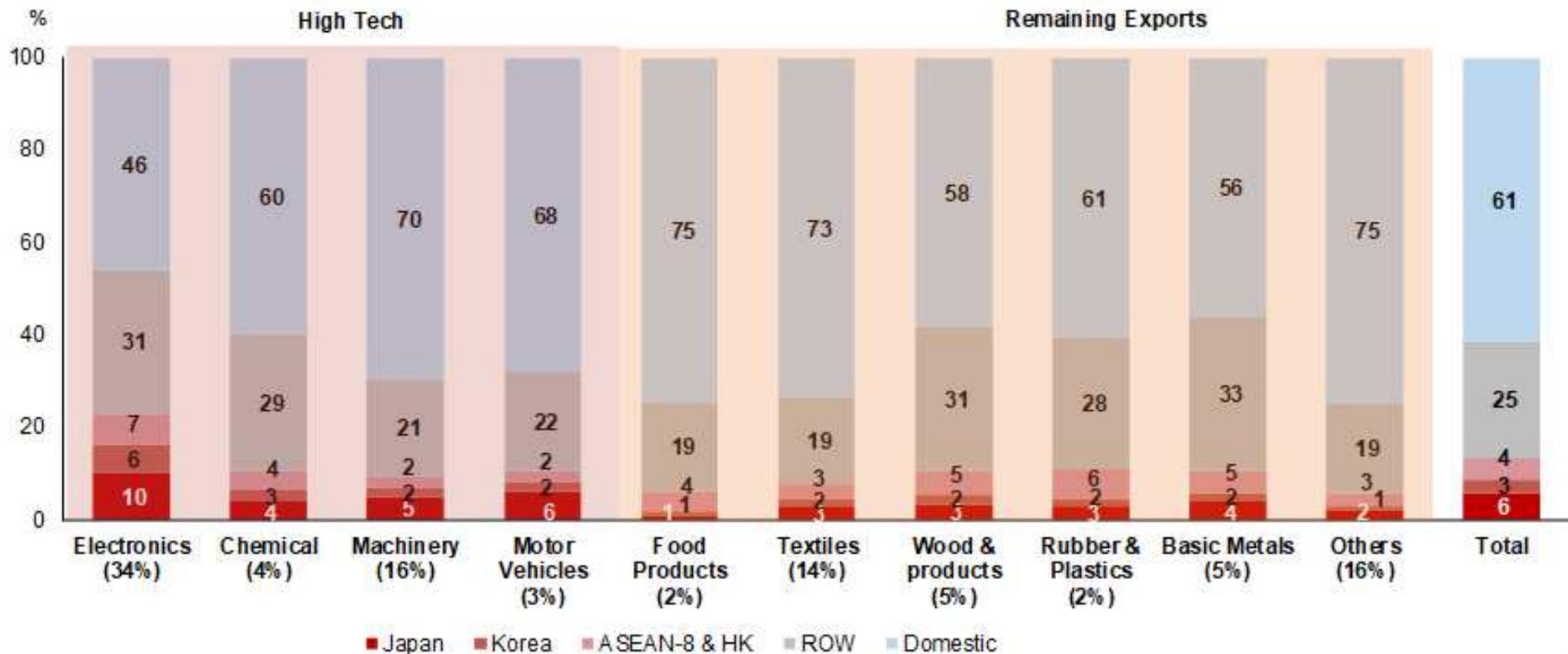
Heatmap: Regional Export Growth (in USD)



Sources: National authorities; and AMRO staff calculations.

Spillovers from Trade Tensions: Global Value Chains

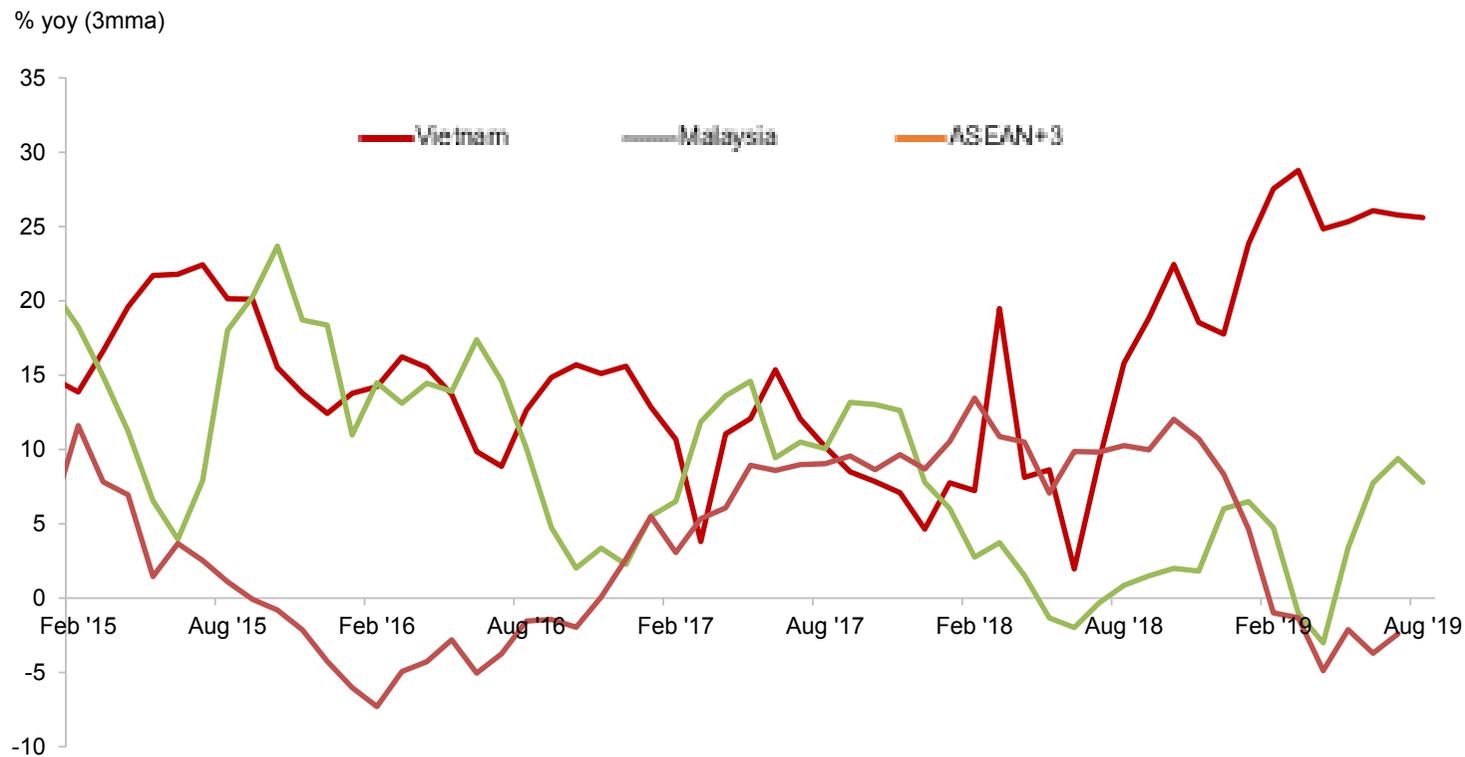
Origin of Value-Added of China's Exports to the United States (Percentage of total exports)



Sources: National authorities; and AMRO staff calculations.

Several countries are benefitting from the trade and investment diversion from China.

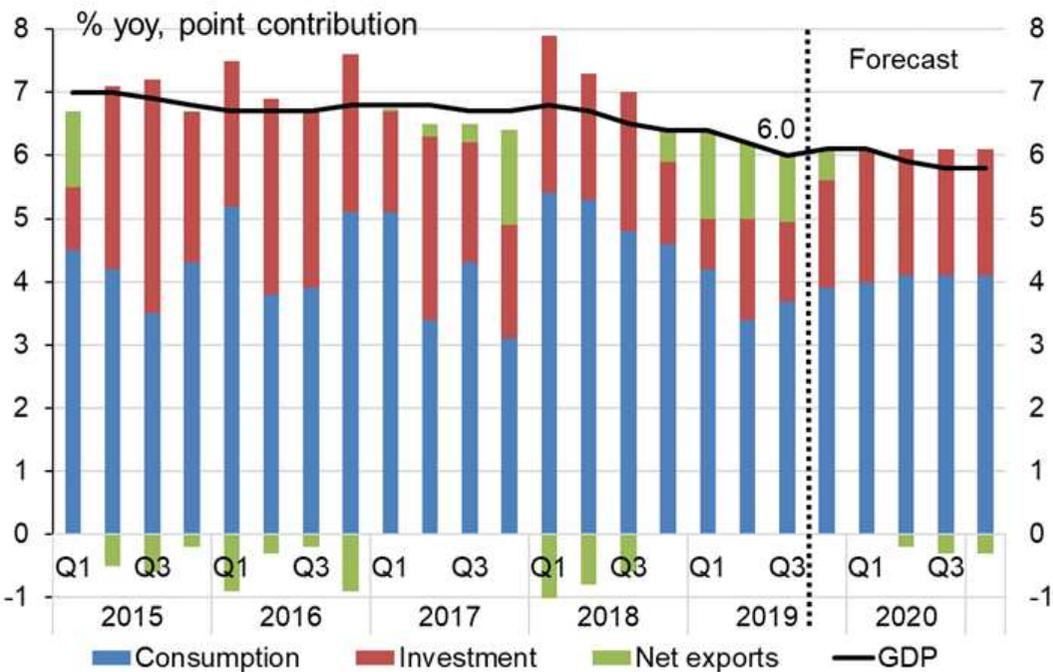
Monthly Growth of Exports to the US: Selected Economies



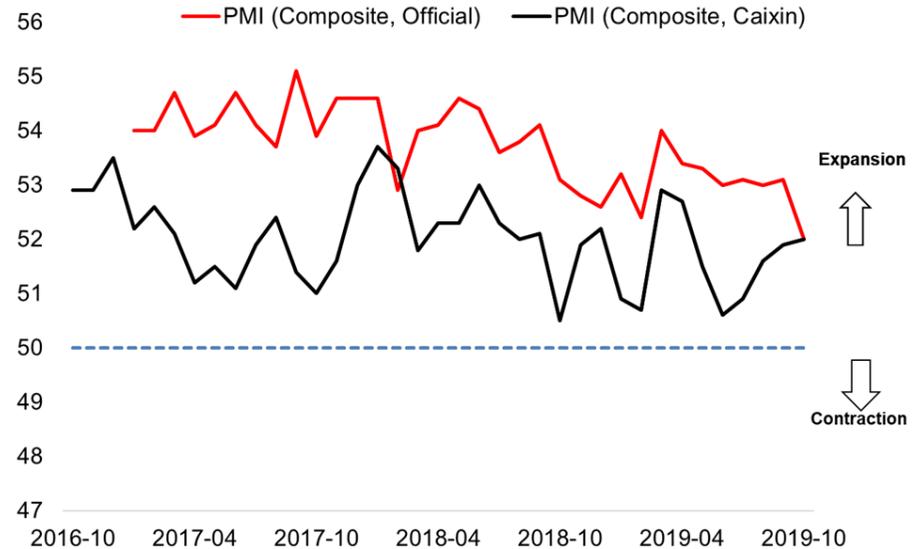
Chinese economy has been moderating but still held up well due to the stimulus measures. Risks are still tilted to the downside but there are signs of improvements.

China's GDP Growth

PMI



Source: National Bureau of Statistics of China (NBS), AMRO staff estimate

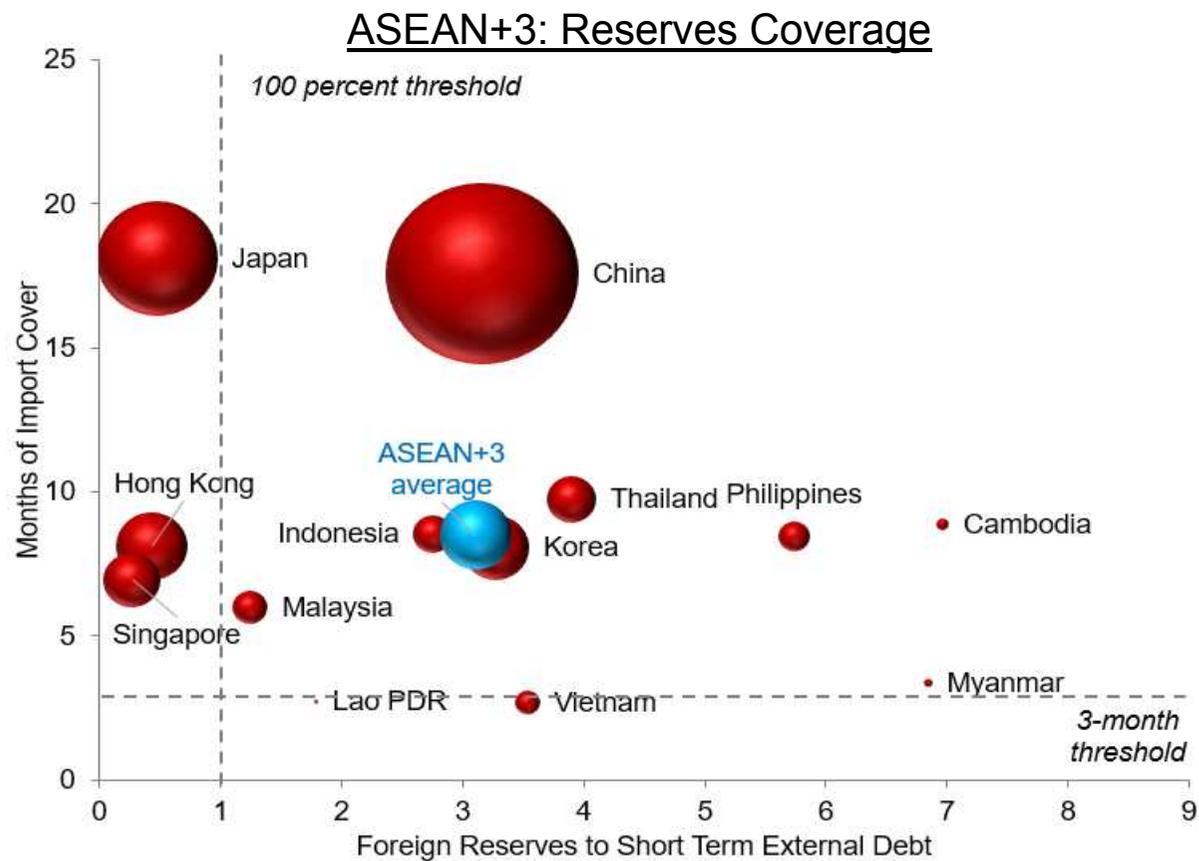


Sources: NBS, Caixin

Source: NBS, Caixin

Buffers: The Region's Foreign Reserves Remain Adequate

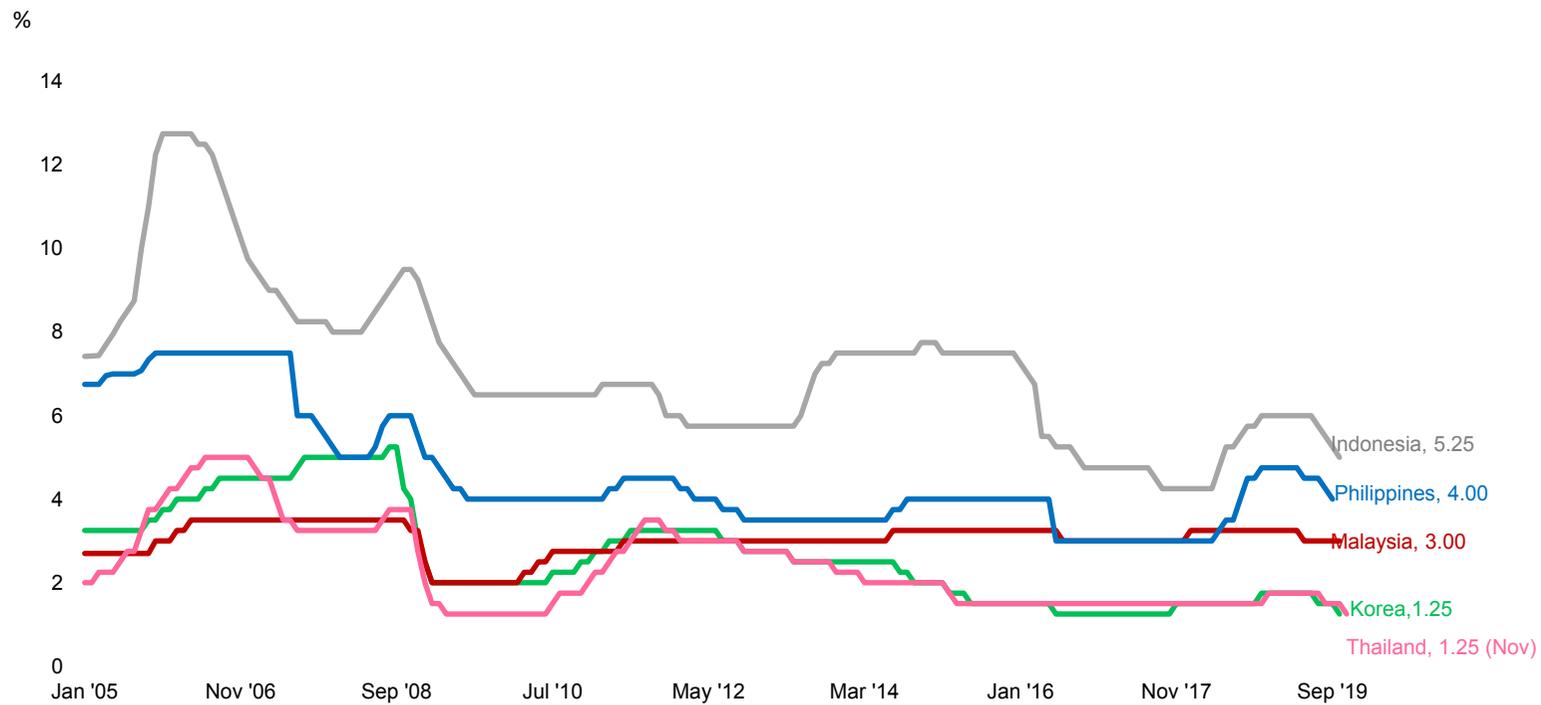
The region's fundamentals are strong, with adequate reserves.



Notes: The size of the bubbles show the relative amounts of foreign reserves size across countries. Brunei data are not shown given no data on short term external debt.
Sources: National Authorities, IMF, World Bank, AMRO staff calculations

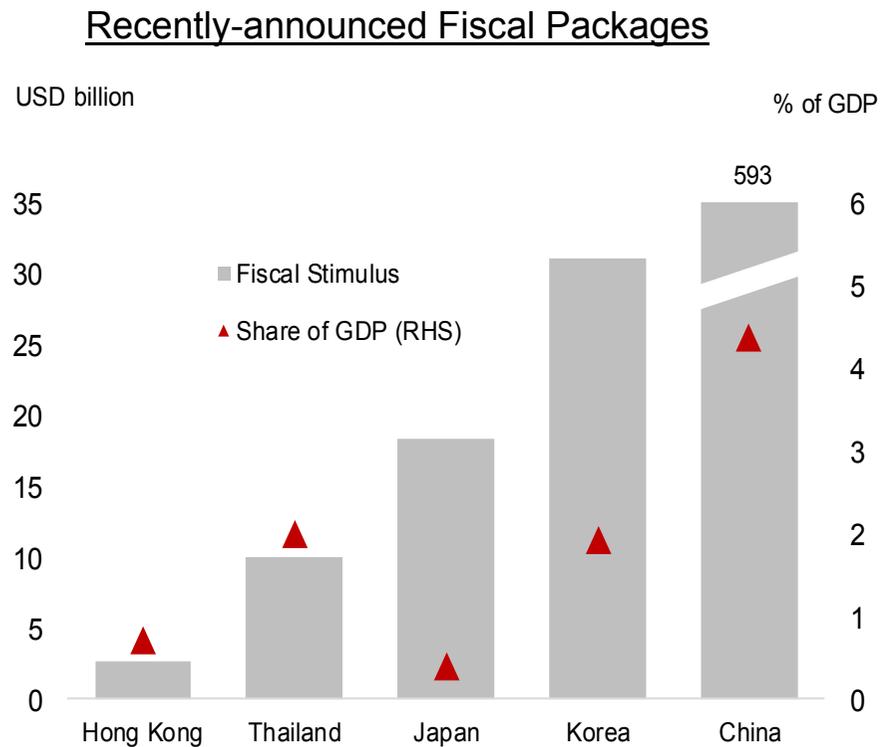
In view of the rising downside risks to growth, policy interest rate has been reduced across major EMs in the region.

Policy Interest Rates



Sources: National authorities, and AMRO staff calculations.

Fiscal policies have become more expansionary, especially for economies badly affected by spillovers from the trade conflict.



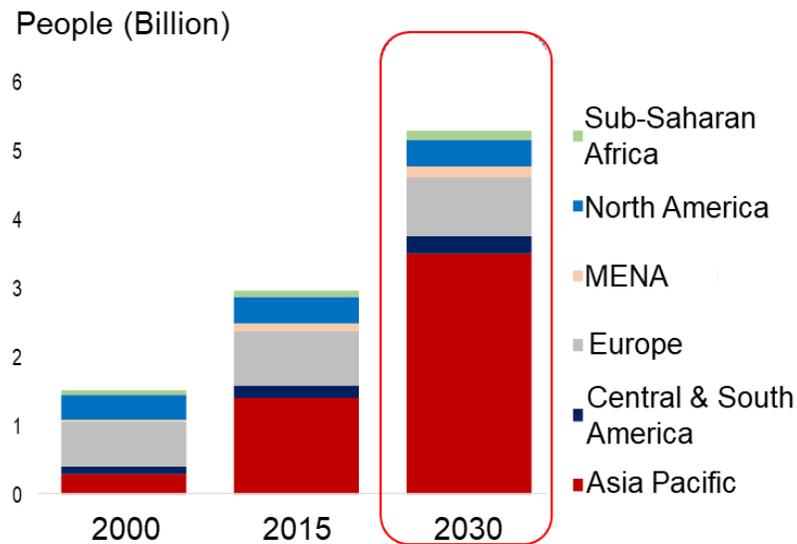
Sources: National authorities; and AMRO staff calculations.

Note: China's fiscal stimulus includes RMB 2.0 trillion for tax and fee cuts, and RMB 2.15 trillion for special bonds for infrastructure.

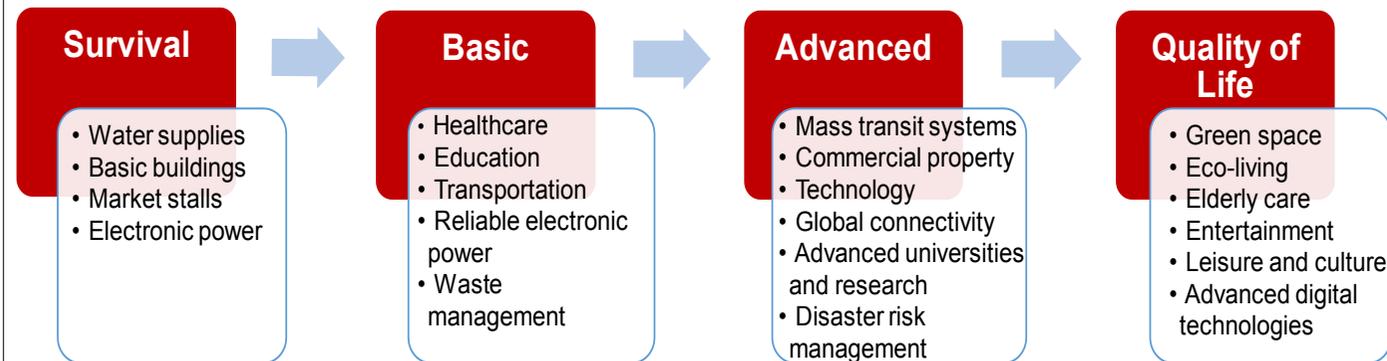
Longer-term Prospect: New Growth Drivers - Rising middle class

Rising middle class and maturing population in the region will drive new demand, providing the impetus for future growth

Global Middle Class Population

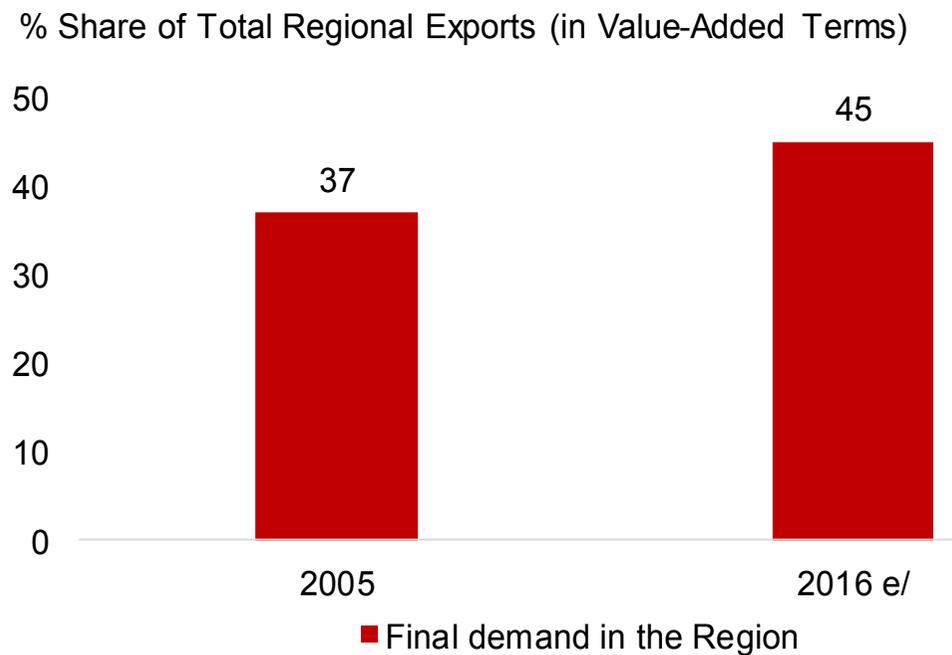


Infrastructure Needs for Demographic Shifts
Alongside Economic Development



The region has become more integrated, driven by rapid growth and economic rebalancing after the Global Financial Crisis

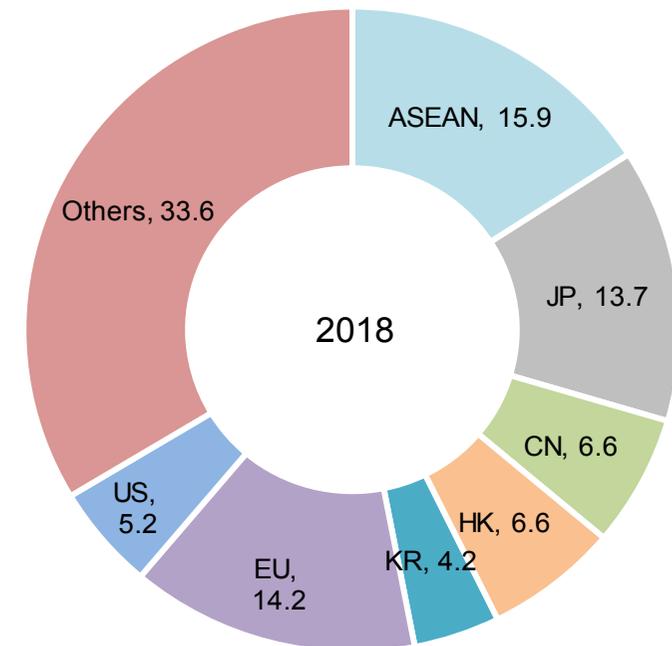
Final Demand in the Region



Sources: OECD TIVA; and AMRO staff estimates.

FDI Inflows into ASEAN by Major Countries

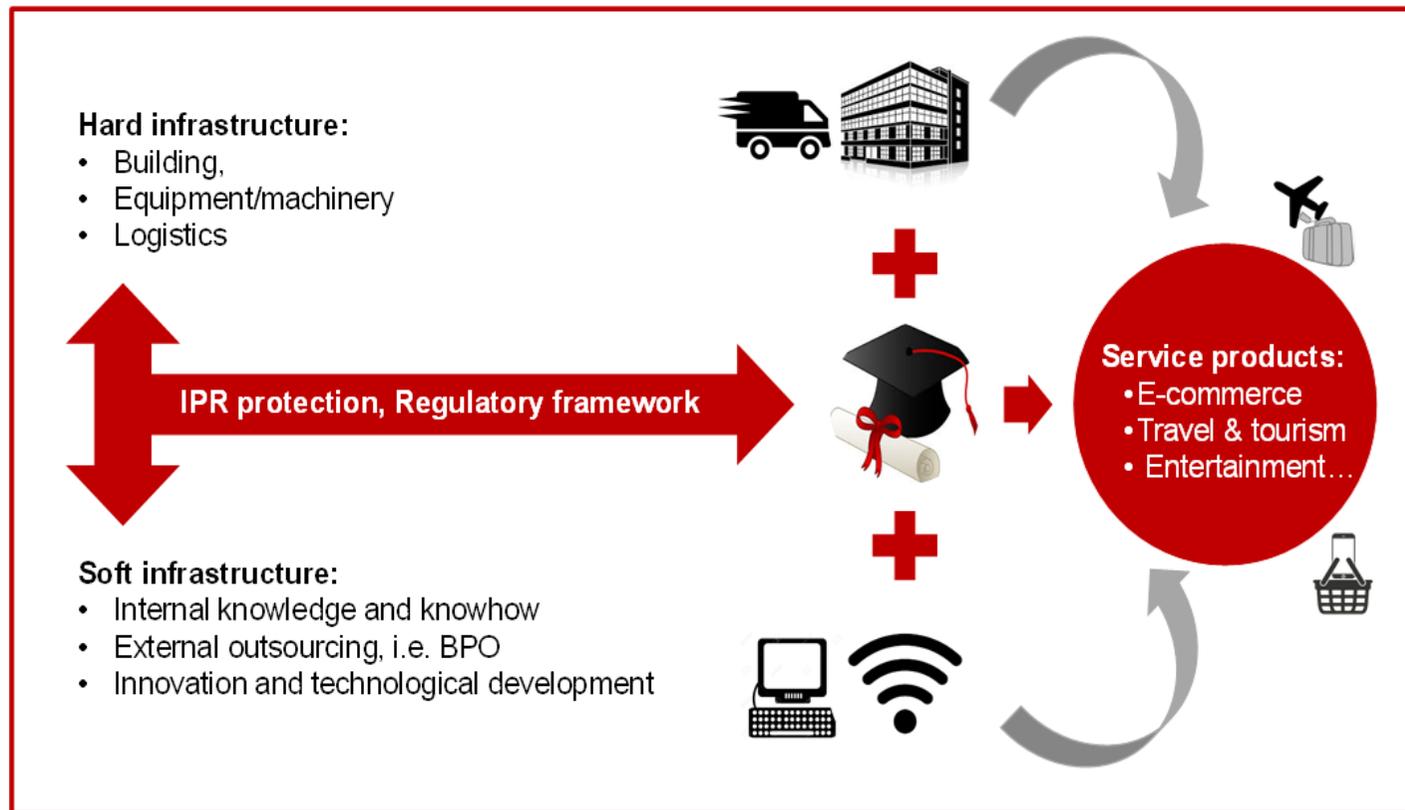
% of Total FDI Inflows into ASEAN



Sources: ASEAN Stats Data Portal; AMRO staff calculations

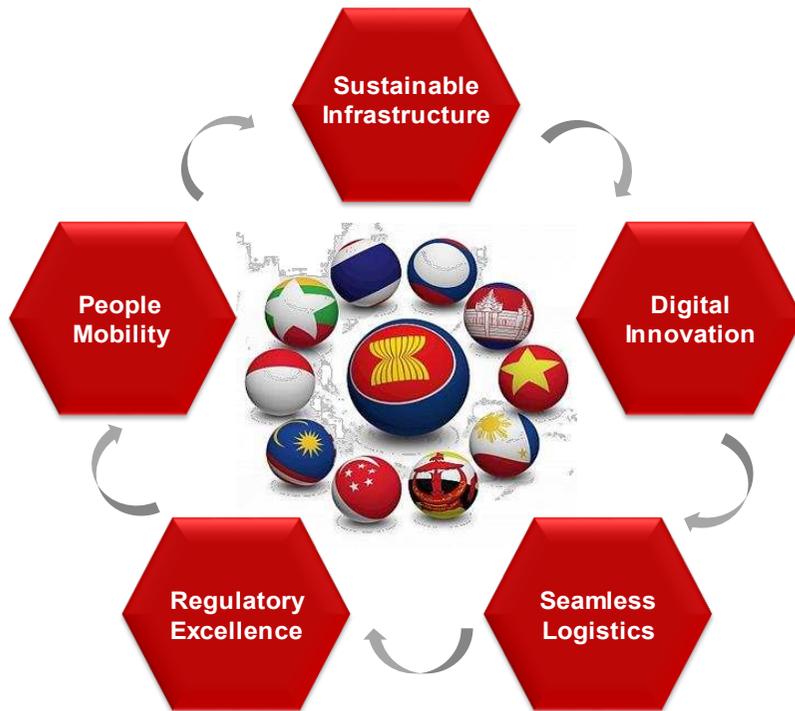
New technology is an enabler of services, reconfigures and creates new value chains

Services Value Chains in the New Economy

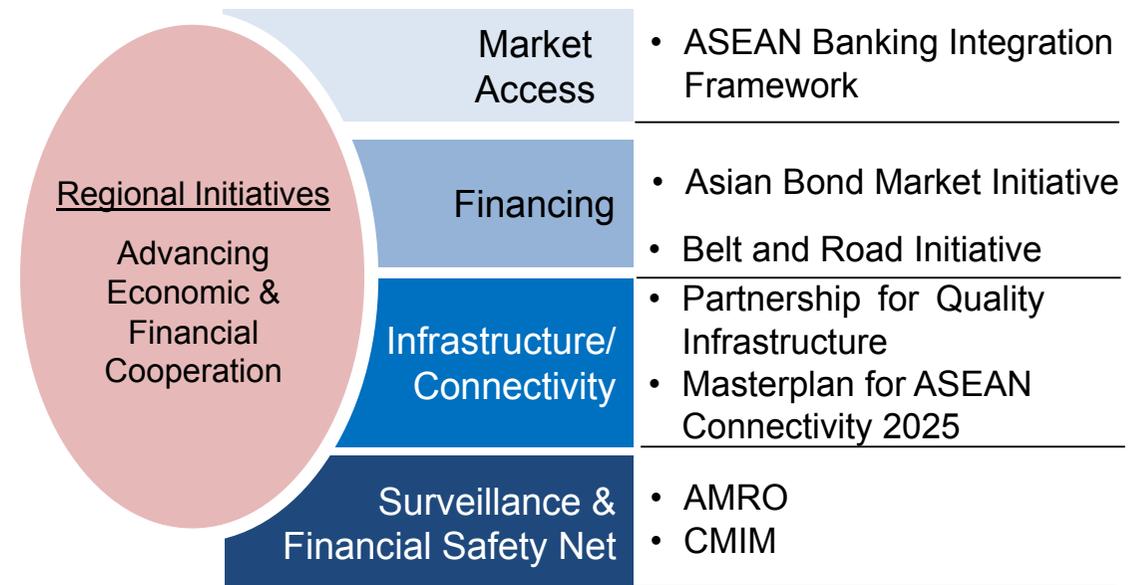


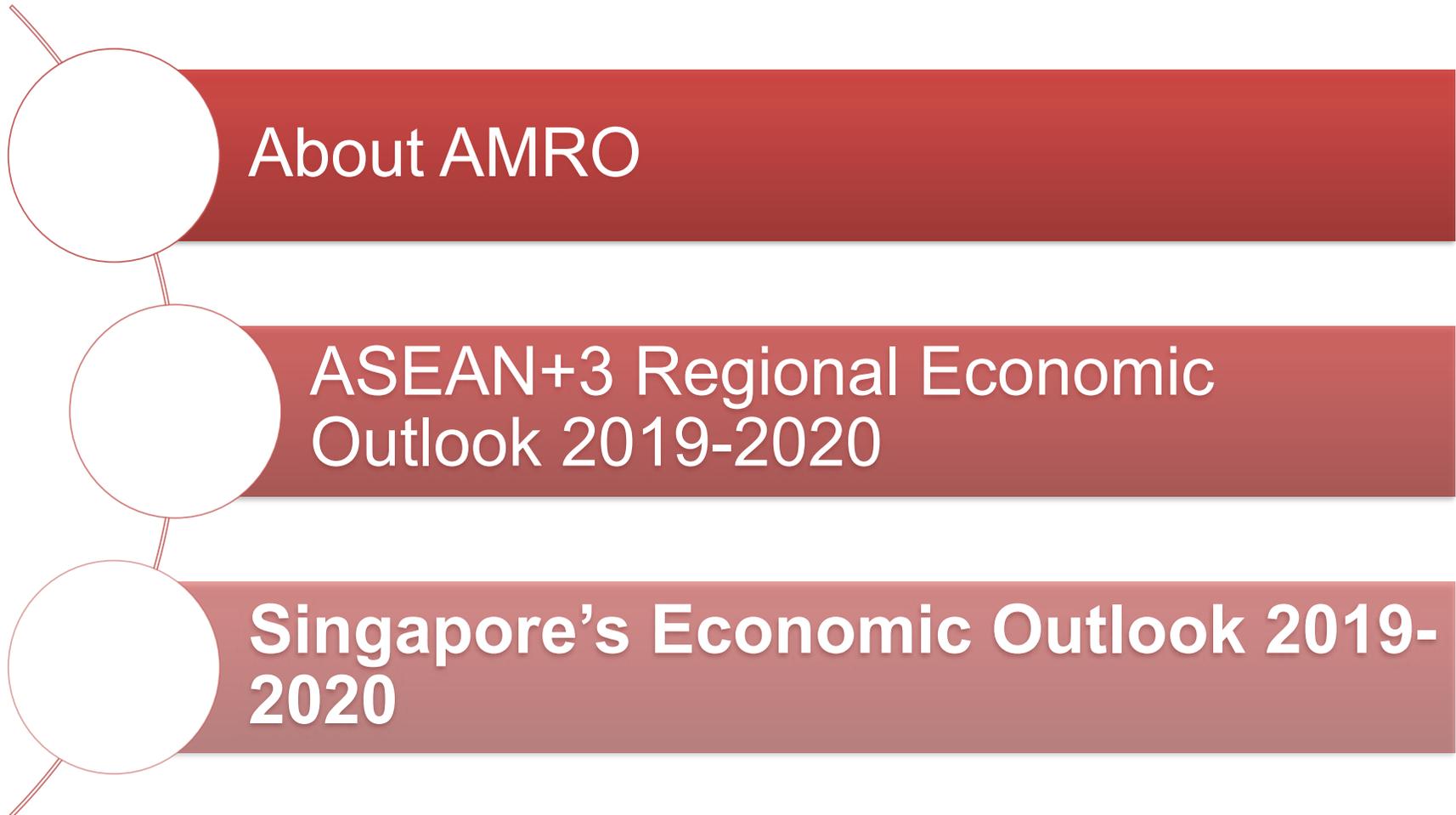
The various initiatives to strengthen regional integration will further lay the foundation for resilience.

ASEAN: Master Plan for ASEAN Connectivity



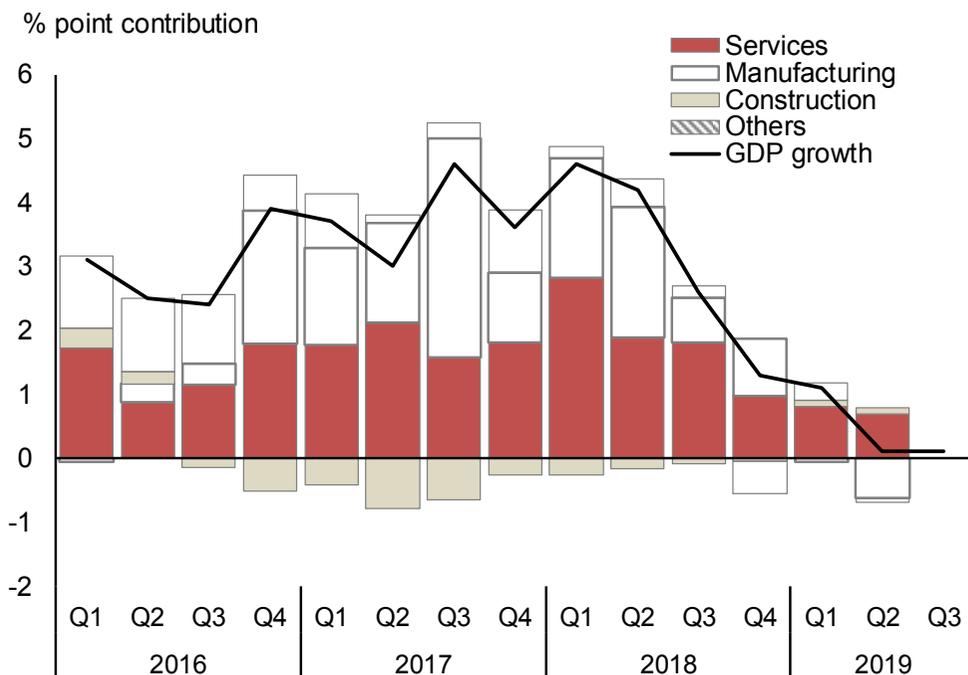
ASEAN+3: Regional Economic and Financial Cooperation



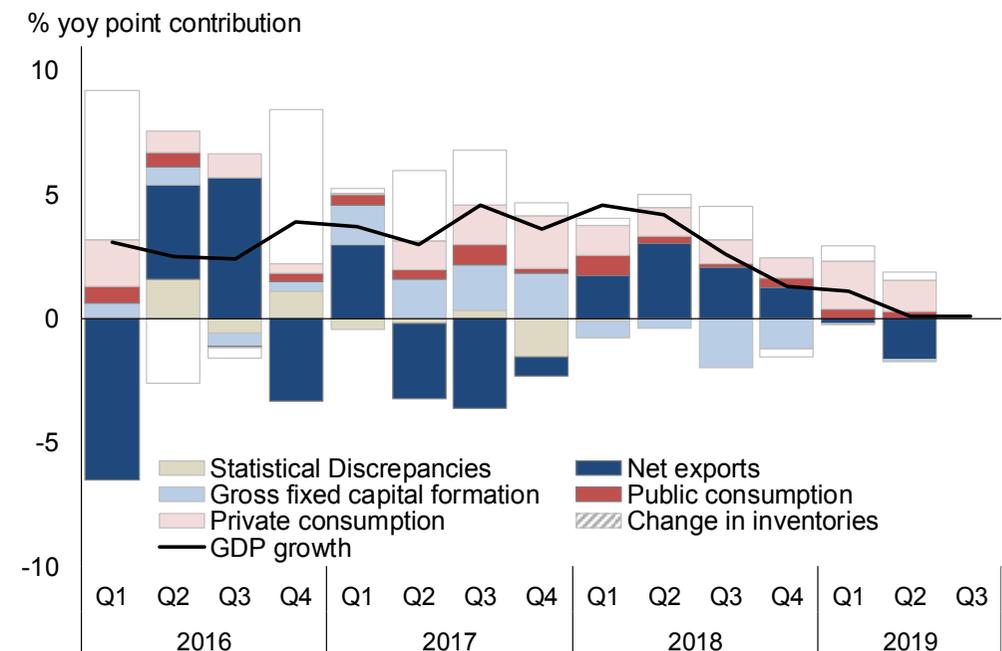


Singapore's growth slowed sharply to 0.1% in Q3 2019 from 3.1% in 2018 due to the contraction in the manufacturing sector and net exports.

Real GDP Growth, Production Side

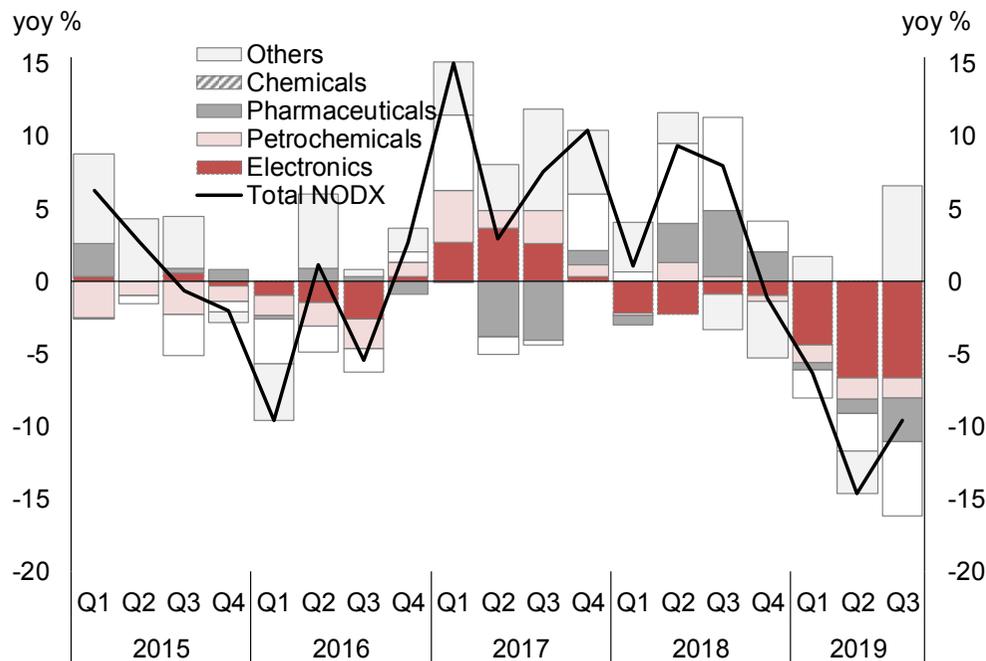


Real GDP Growth, Demand Side

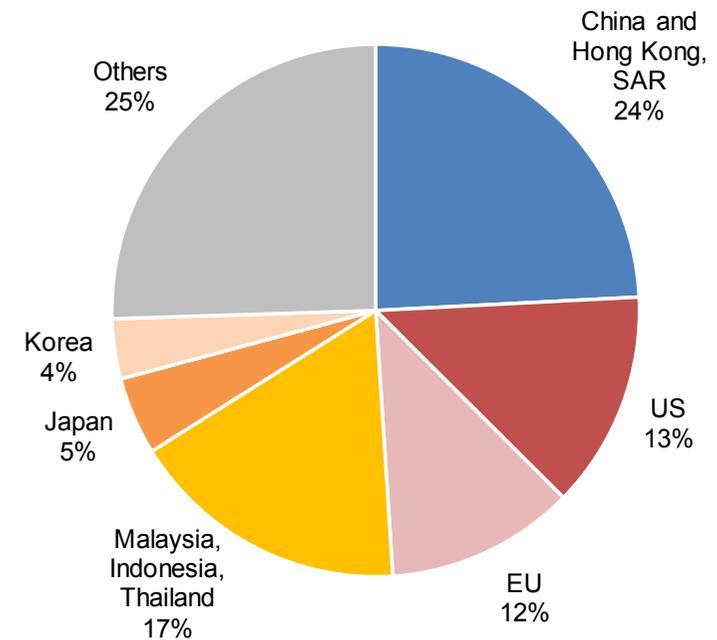


Exports have contracted significantly, led by electronics and chemicals.

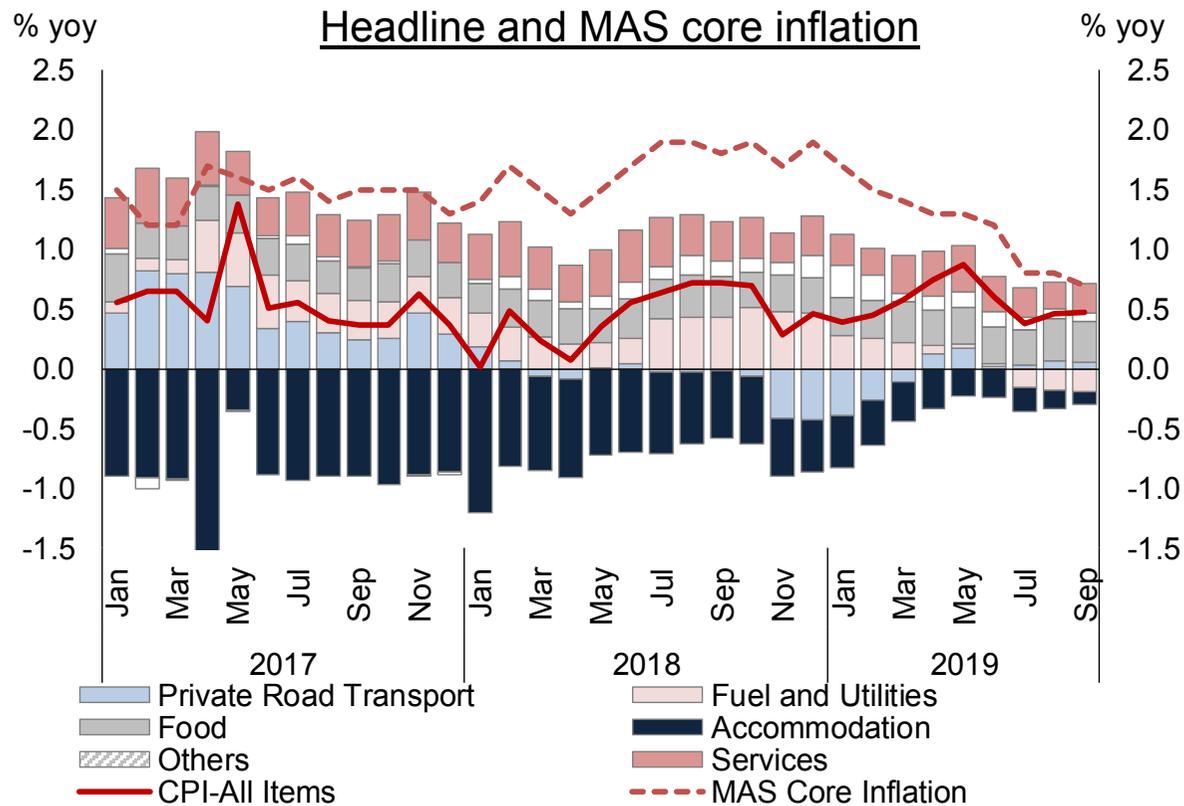
Growth of non-oil domestic exports (NODX) by products



NODX share, 2019-to-date

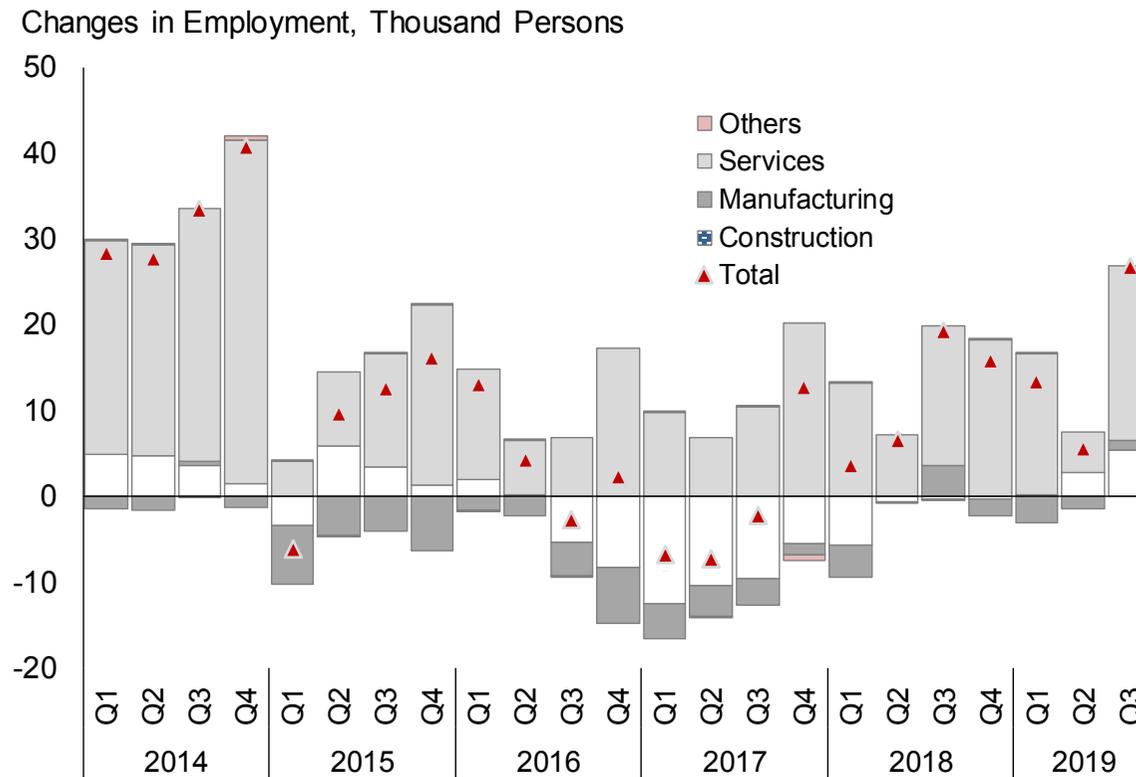


Inflation has continued to decline since early this year due to the slowing growth and the decline in fuel and utilities.

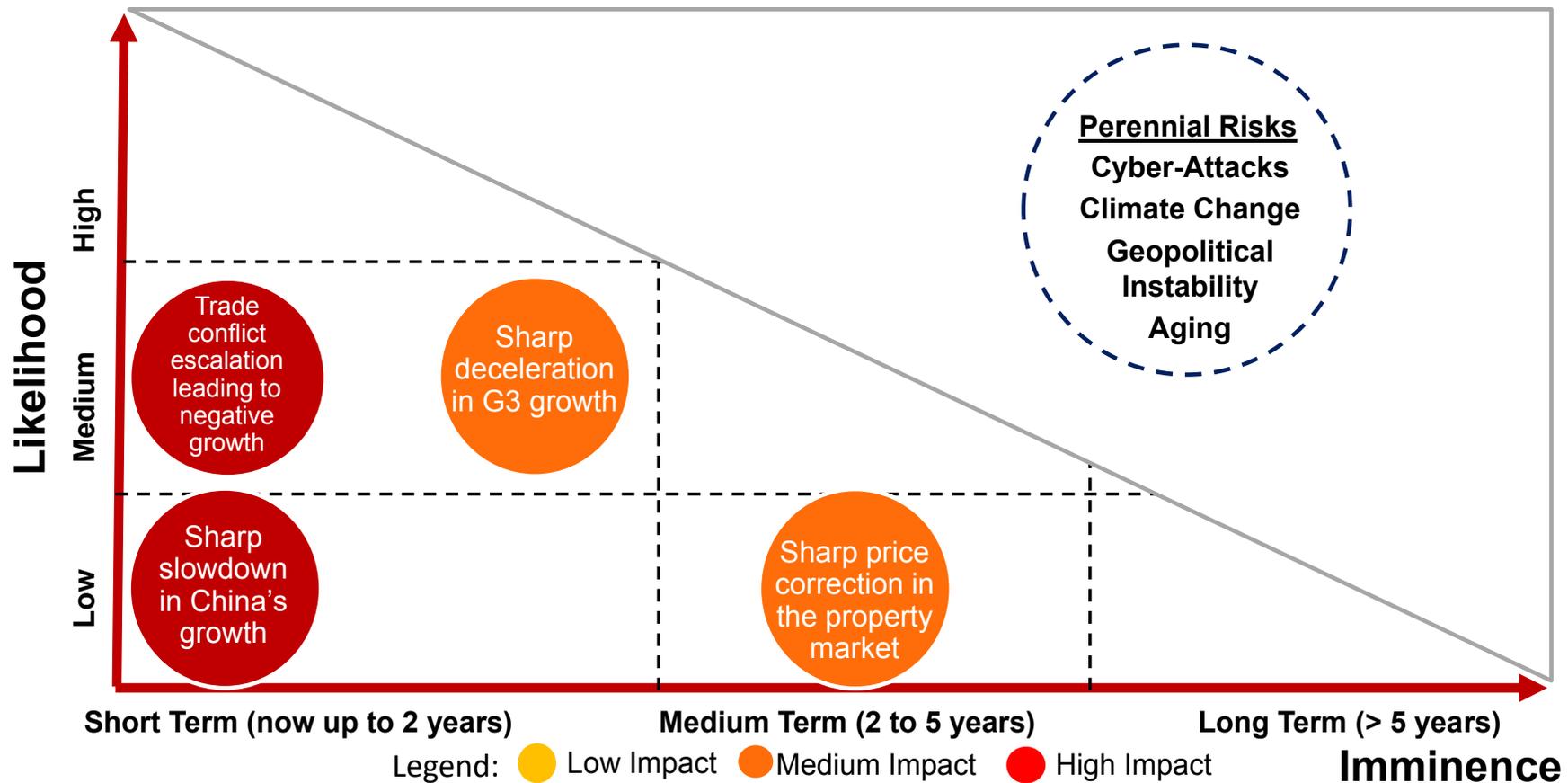


Total employment change remained strong in 2019, led by services and a turnaround in the construction sector.

Net Change in Employment by Sector

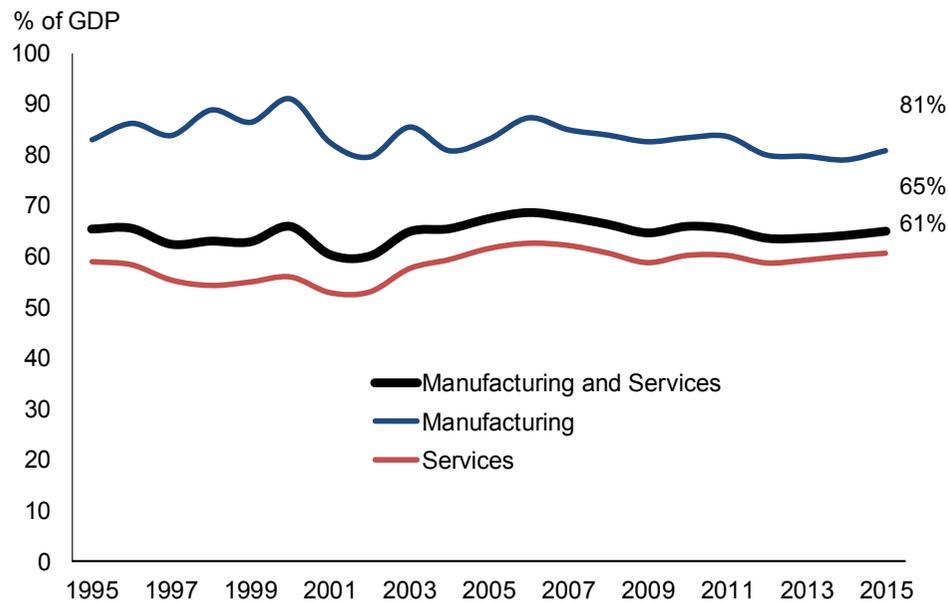


The U.S.-China trade tensions and a sharp slowdown in the global economy are still the key near-term risks to Singapore.

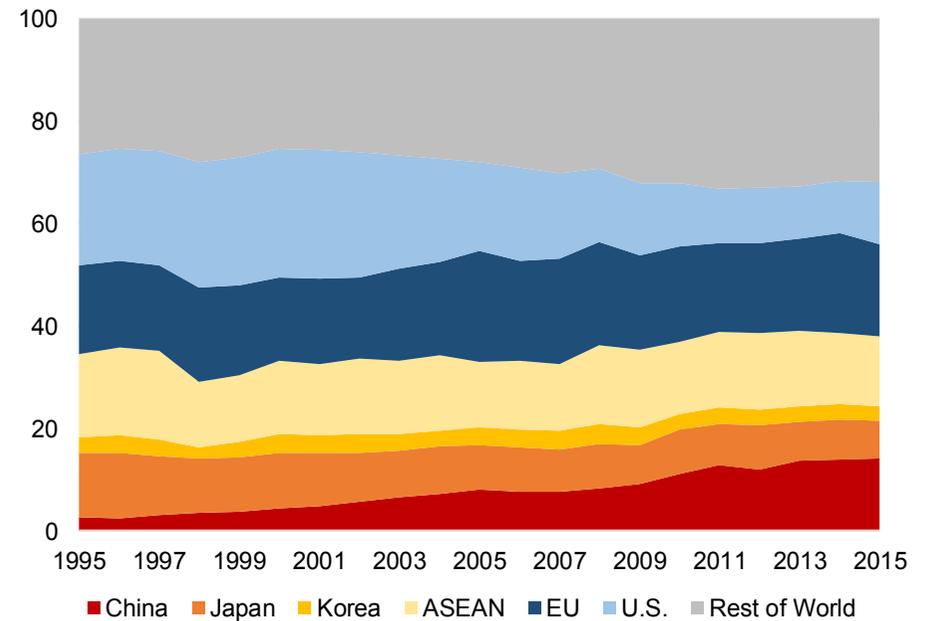


A further trade conflict escalation and sharp global slowdown can have a large impact on Singapore given that 65% of its manufacturing and services value-added are derived from external demand.

Share of VA from external demand, % GDP

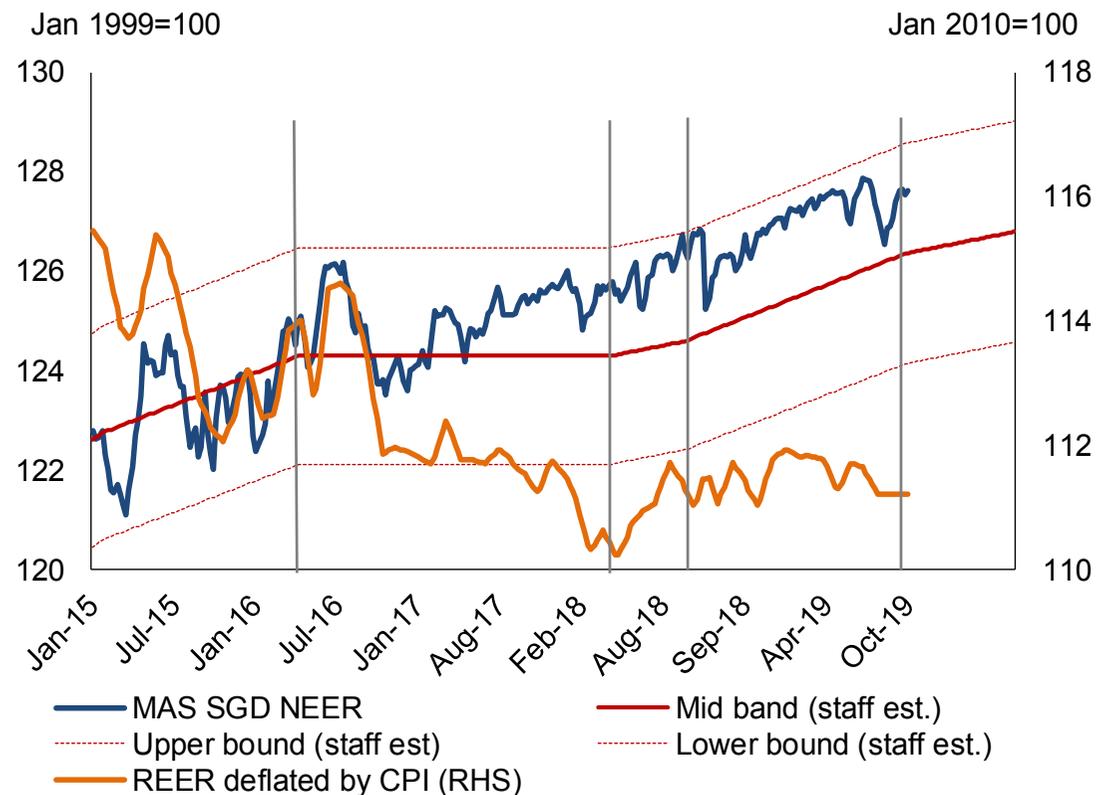


Value-added in manufacturing and services exports by country of final demand



MAS recently eased monetary policy slightly by reducing the rate of appreciation of the SGD NEER.

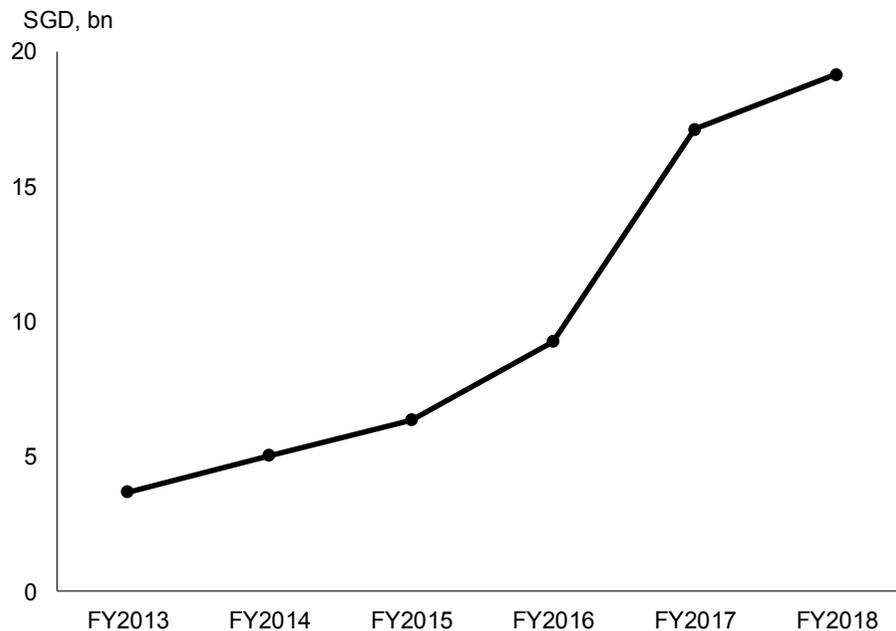
SGD NEER and the Estimated Exchange Rate Policy Band



Source: MAS, Department of Statistics, CEIC, AMRO staff calculations

As growth is expected to be low, targeted fiscal stimulus could be deployed to help hard-hit sectors.

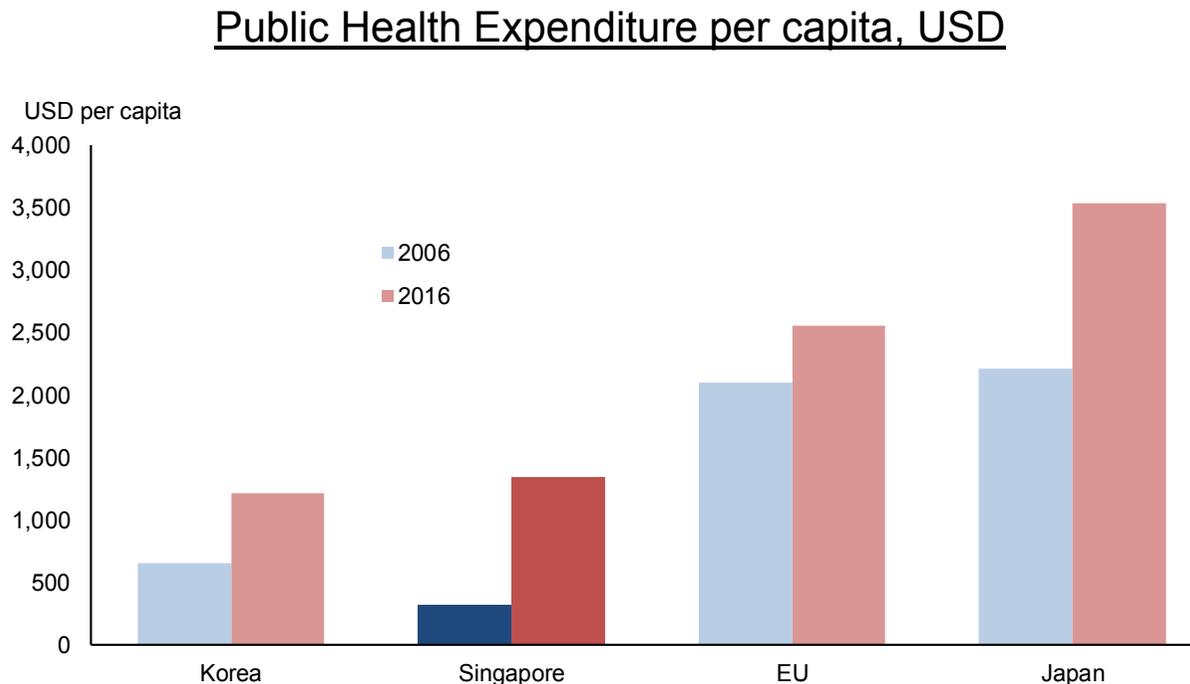
Cumulated Fiscal Reserves since FY2013



Potential Fiscal Measures to support the economy

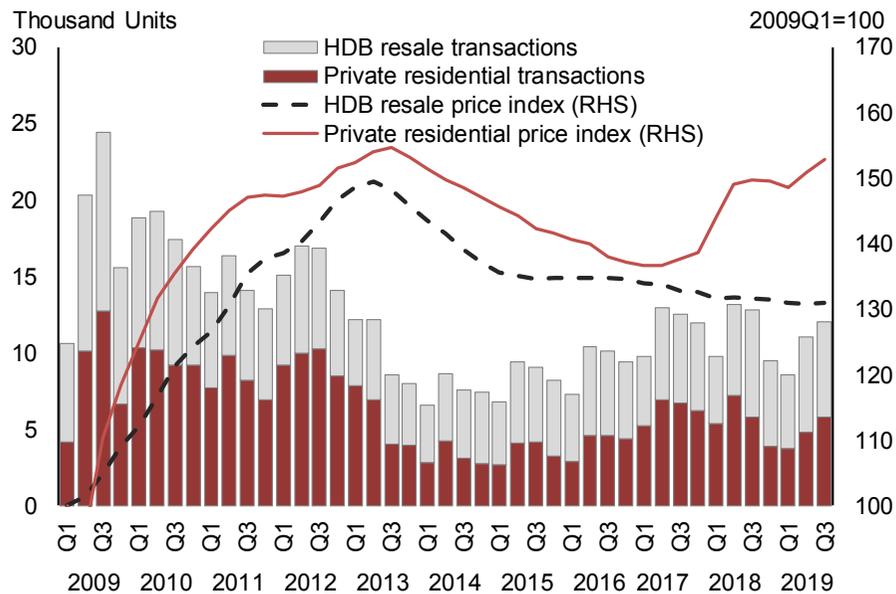
- 1 Extend tax rebates for businesses
- 2 Lower employers' CPF contributions
- 3 Bring forward infrastructure projects
- 4 Accelerate reskilling efforts

Over the longer-term, there is room to support structural adjustments and enhance welfare, including through greater healthcare spending.

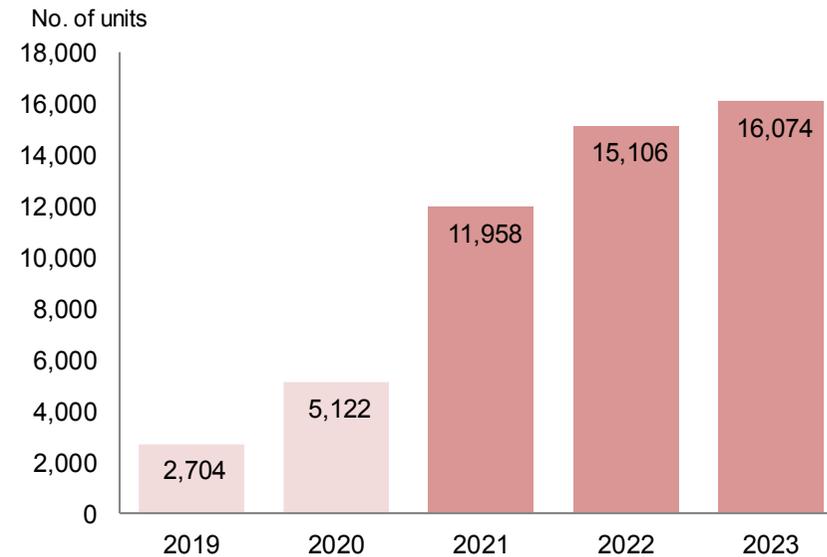


Authorities should continue to maintain a tight macroprudential policy stance given the recent pickup in property prices and the large supply in the coming years.

Private residential property prices and transaction volumes



Supply in the pipeline as at 3Q 2019



Continued efforts to develop Singapore's digital capabilities can further strengthen its position as a digital and technology hub.

SINGAPORE AS A SERVICES 4.0 HUB



A Launchpad for Services 4.0

A #Service40Hub where
#EveryBusinessADigitalBusiness and
#EmpoweringPossibilities for Businesses

Companies



A Competitive Workforce Augmented with Technology

A #DigitalTalentHub where there is a
#BotForEveryWorker and
#EmpoweringPossibilities for Workers

Workers



A Vibrant ICM Ecosystem where Emerging Tech is made easily Accessible

#EmpoweringPossibilities
with #GoCloudNative

ICM Ecosystem

1

Regional growth has slowed down amid heightened external headwinds

- Downward revised baseline growth: 4.9% and 4.7% for 2019 & 2020
- Learn to live and get prepared for a prolonged uncertainty, which will likely continue.

2

The region remains resilient in the times of uncertainty

- Strong economic fundamentals and buffer, and covered by regional financial safety nets
- Longer-term prospects remain positive, supported by increasing domestic and intra-regional demand, greater integration, and the adoption of new technology.

3

Stronger regional financial safety nets and greater regional integration is key to safeguard regional economic and financial stability

4

Singapore is well-positioned to weather the external headwinds

- Policymakers have ample policy space and are well prepared to support the economy.

Thank You

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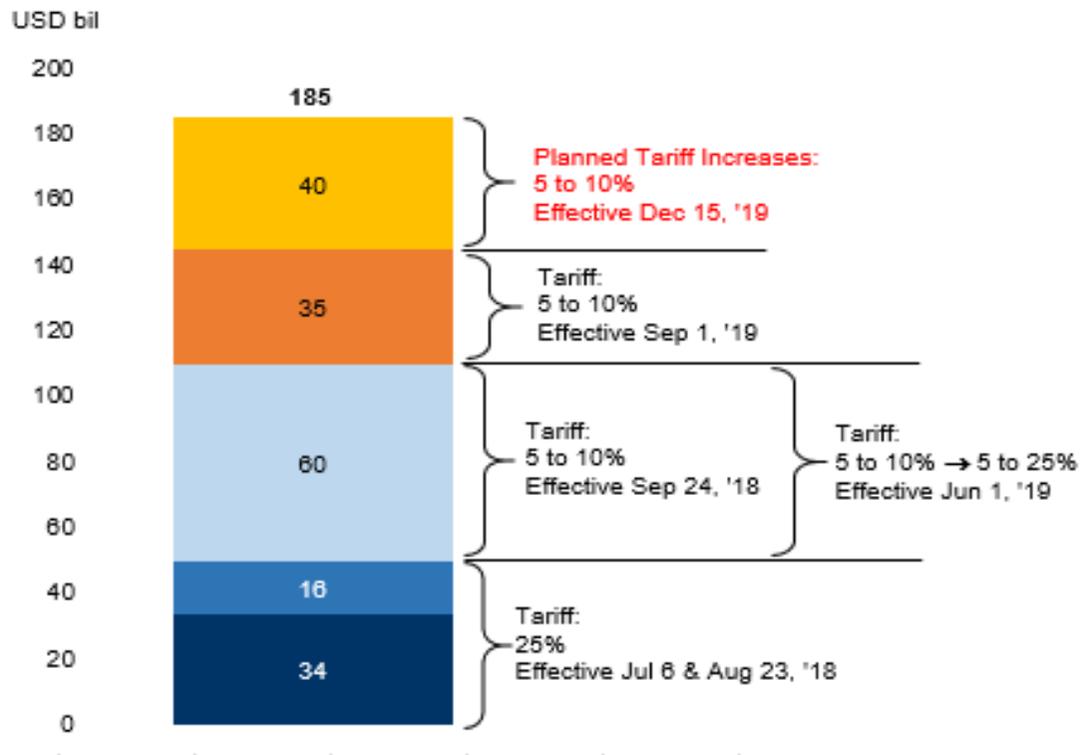
Website : www.amro-asia.org

LinkedIn : <https://www.linkedin.com/company/amro-asia>



U.S.-China Trade Tensions: Tariff Developments

U.S.' Tariffs on Chinese Imports



China's Tariffs on U.S. Imports

