Monthly Update of the ASEAN+3 Regional Economic Outlook (AREO)

ASEAN+3 Macroeconomic Research Office (AMRO)

Singapore

June 2019

This Monthly Update of the AREO was prepared by Anthony Tan, Vanne Khut and Edmond Choo (Regional Surveillance team), reviewed by Li Lian Ong (Group Head) and approved by Hoe Ee Khor (Chief Economist).

Unless otherwise indicated, the analysis in this report is based on information available up to 20 June 2019. For the sake of brevity, “Hong Kong, China” will be referred to as “Hong Kong” in the text and figures.

Global Economic Developments

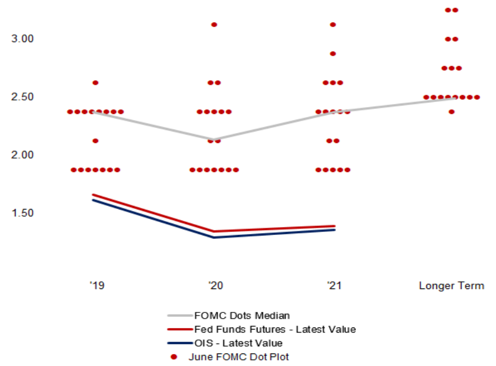
The U.S. Fed held its policy rate steady in the range of 2.25-2.5 percent at the June 19 FOMC meeting, but opened the door for a rate cut before the end of the year. The central bank's 2019 growth outlook remains unchanged at 2.1 percent, but the Fed noted that "uncertainties about this outlook have increased." The outlook has become quite divided among the 17-member committee, with 8 suggesting at least one rate cut by the end of 2019, and one in favor of a rate hike (Figure 1).

The Fed's decision to hold was in part attributed to its view that economic activity is still "rising at a moderate rate." U.S. growth accelerated in Q1, beating market expectations. The economy expanded at 3.1 percent qoq, the best start of the year since 2015 (Figure 2). Net exports became the biggest growth driver for the first time since Q2 2009, followed by private domestic investment and personal consumption (although contracting imports may be an early sign of softening domestic demand).

The FOMC statement noted that the U.S. labor market remains strong but that it would continue to monitor conditions relative to its employment objective. The U.S. unemployment rate remained at 3.6 percent for the second consecutive month, in May, even as average hourly earnings continued to fall (Figure 3). However, non-farm payrolls expanded by only 75,000 jobs in May, down from 224,000 in April, hinting at a moderation in economic activity.

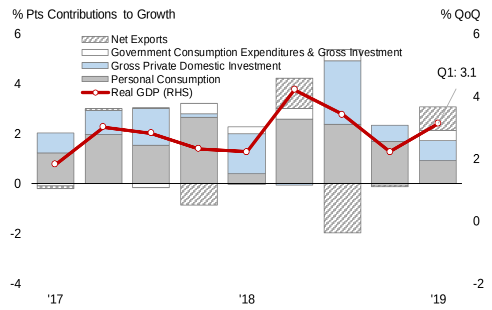
Weakening PMI and capital goods orders also point to a softer outlook of the U.S. economy. The ISM Manufacturing PMI composite index continued to fall from 52.8 in April to 52.1 in May—its lowest level since October 2016 (Figure 4). Likewise, non-defence capital goods orders slowed further in April, to 2.3 percent yoy, from 2.6 percent in March.

Figure 1. United States: FOMC Dot Plot



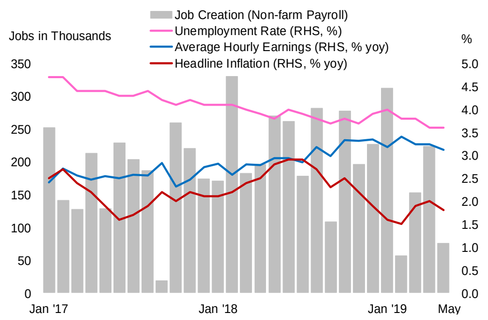
Source: U.S. Federal Reserve.

Figure 2. United States: Real GDP Growth and Contribution to Growth



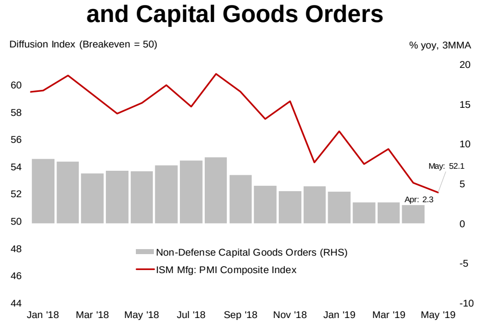
Sources: U.S. Bureau of Economic Analysis (BEA) ; and AMRO staff calculations.

Figure 3. United States: Job Creation, Unemployment Rate, Earnings, and Inflation



Sources: Haver Analytics; and AMRO staff calculations.

Figure 4. United States: ISM Manufacturing PMI and Capital Goods Orders



Sources: Haver Analytics; and AMRO staff calculations.

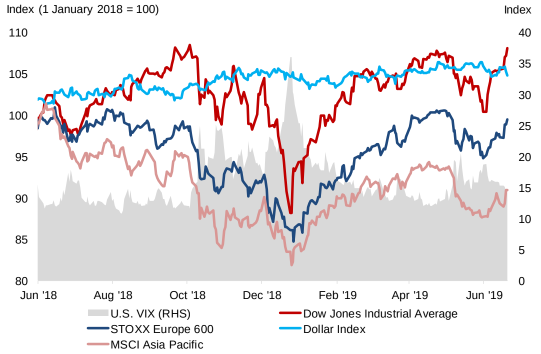
Following the Fed announcement, the U.S. dollar index slipped slightly, while treasury yields fell to their lowest since 2017, from 2.4 percent a month ago to 2.0 percent. Global stock markets rallied, after their tumble into the first week of June, which was driven by the renewed U.S.-China trade tension (Figure 5). Market sentiment improved on the back of the accommodative tone adopted by the the ECB at the G20 Meeting in Fukuoka, which was subsequently reinforced by the FOMC.

The ECB revised down its economic projections at the latest Governing Council meeting. Growth for 2019 was raised to 1.2 from 1.1, but 2020 growth was cut to 1.4 from 1.6 previously (Figure 6). Similarly, inflation was revised up for 2019 from 1.2 to 1.3 percent, but reduced from 1.5 to 1.4 percent for 2020. Industrial production in the Eurozone registered a contraction of -0.5 percent yoy in April, down from 0.4 percent yoy in March. Retail sales fell by 0.5 percentage point to 1.4 percent in April, in the face of subdued domestic demand.

In the United Kingdom, uncertainty over Brexit is contributing to an already weak growth outlook. Although GDP growth expanded slightly in Q1, by 0.5 percent qoq, business investment continued to decline, to -1.4 percent yoy. Already major car manufacturers have warned about possible plant closures and job losses from Brexit. Exports of goods to EU also plummeted to -4.75 percent yoy in April, down from 11.3 percent in March (Figure 7).

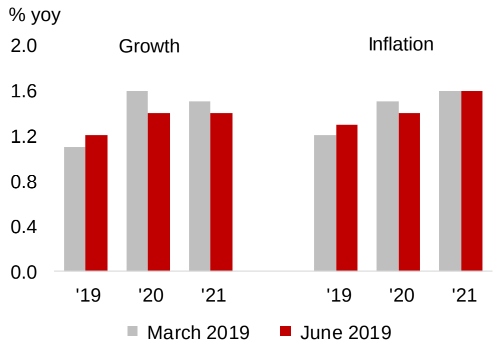
Oil prices have fallen sharply, underpinned by a rise in U.S. inventories and slowing global demand (Figure 8)**.** Despite OPEC supply cuts and escalating Middle East tensions from Iran's shooting down of a U.S. military drone, Brent oil prices dropped to around USD 65 per barrel, from USD 72 in May. Palm oil prices remain close to its historical lows following the EU's ban on its use in biofuels from 2021.

Figure 5. Global Stock Markets, U.S. Volatility, and Dollar Index



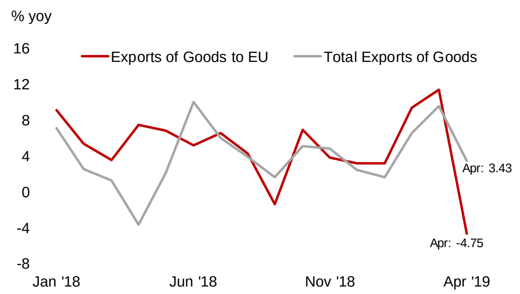
Sources: Haver Analytics; and AMRO staff calculations.

Figure 6. Eurozone: Growth and Inflation Forecast



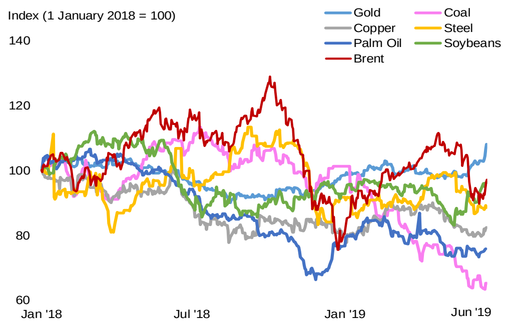
Source: ECB.

Figure 7. United Kingdom: Value of Goods Exports to EU and Toal Export Value



Sources: Haver Analytics.

Figure 8. Global Commodities Prices

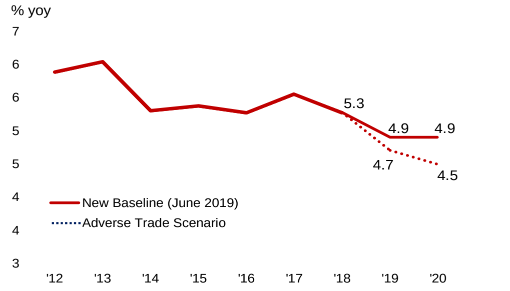


Sources: Haver Analytics; and AMRO staff calculations.

Regional Economic Developments

AMRO staff have revised their regional growth projections downwards in the wake of the escalation in U.S. trade tensions. Baseline growth has been cut from 5.1 to 4.9 percent in 2019 and 2020 (Figure 9)**.** In the event that the adverse trade scenario (25 percent tariff on U.S. imports from China) were to materialize, growth would slow to 4.7 percent in 2019 and 4.5 percent in 2020. Regional economies with greater GVC participation oriented towards final demand outside the region will be more affected.

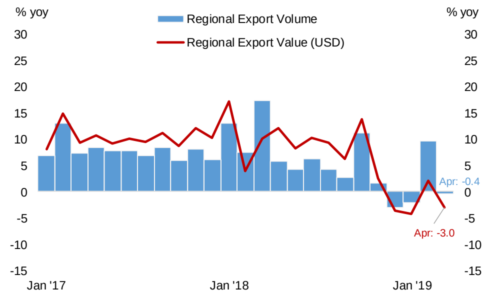
Figure 9. ASEAN+3: Revised Growth Forecast



Source: AMRO staff estimates and projections.

The downward shift in staff forecasts is underpinned by the sharp weakening in regional exports. With the exception of Vietnam and the Philippines, export values contracted across the region, led by China and Japan (Figure 10 and Annex 3). China reported a decline in exports of 2.7 percent yoy in April. The downturn in export activity since October is reflected in the general deterioration in the region's PMI (Annex 1).

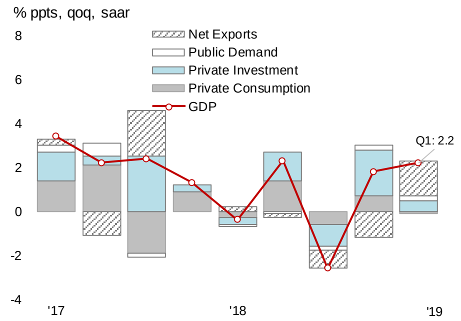
Figure 10. Selected Regional Economies: Total Exports



Sources: National authorities; and AMRO staff calculations.

Japan was a bright spot in Q1 2019. Capital spending continued to surge, driven by chemical products, machinery and goods rentals. Business spending rose by 6.1 percent yoy in Q1, from 5.7 percent in the previous quarter (Figure 11). Japanese firms also reported a spike in Q1 profits to USD 202 billion, up 10.3 percent yoy, compared to the same period of last year.

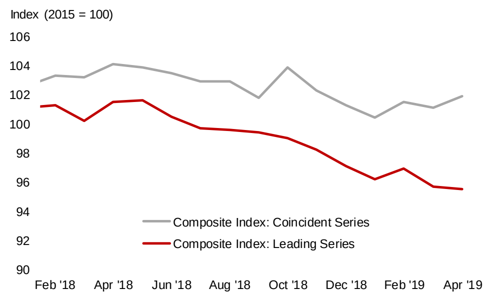
Figure 11. Japan: Real GDP Growth and Contributions to Growth



Sources: National authority; and AMRO staff calculations.

However, Japan's monthly indices of business conditions signal a weaker outlook going into Q2. The results of the survey are consistent with the Japanese government's monthly economic assessment, which has changed to "worsening" since March, from "signaling a possible turning point" early this year following a "weakening" warning in Q4 2018.

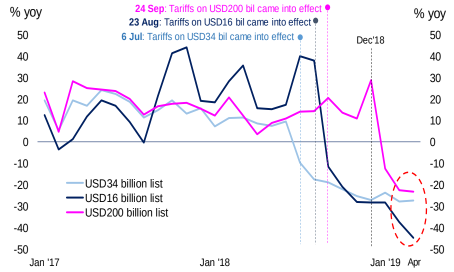
Figure 12. Japan: Monthly Indices of Business Conditions



Sources: Economic and Social Research Institute.

China's monthly indicators point to dimmer growth. The new export orders diffusion index decreased from 49.2 in April to 46.5 in May, and retail sales slowed to 7.2 percent yoy in April, from 8.7 percent the previous month. China's exports to the United States have been hard hit since the unilateral tariff increases came into effect, with goods on the USD 200 billion list falling sharply, in the wake of those on the USD 16 and 34 billion lists (Figure 13).

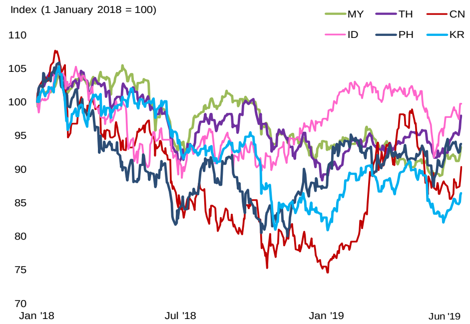
Figure 13. China: Exports to the U.S. Subject to Tariff Increases



Sources: National authority; and AMRO staff calculations.

In tandem with global markets, regional equity markets have rebounded (Figure 14). All Asian markets reported positive performance, rising by an average 5.2 percent over the past month. Markets were boosted by indications from the major central banks that they would ease monetary policy if the outlook for growth continued to deteriorate.

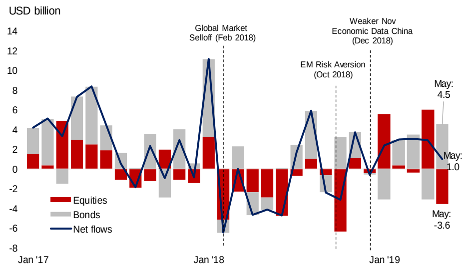
Figure 14. ASEAN-4, China and Korea: Equity Markets



Sources: Haver Analytics; and AMRO staff calculations.

Regional EMs continue to see positive net capital inflows on the back of strong foreign demand for bonds. Equity outflows from the region of USD 3.6 billion in May were more than offset by inflows into bond markets, which hit a record high of USD 4.5 billion (Figure 15). Investor interest was mostly focused on Korea's debt securities, which are also generally perceived as safe-haven assets (Annex 4).

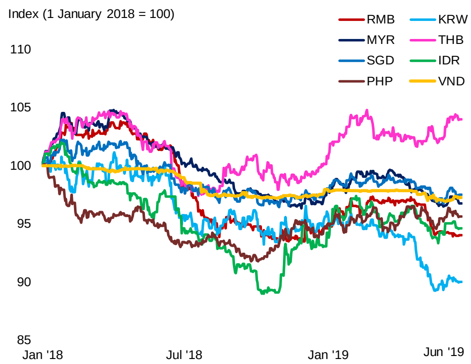
Figure 15. Capital Flows into Regional EM Equity and Bond Markets



Sources: National authorities; and AMRO staff calculations.
Notes: Equity markets include ASEAN-4, Korea and Vietnam. Bond markets include ASEAN-4 and Korea.

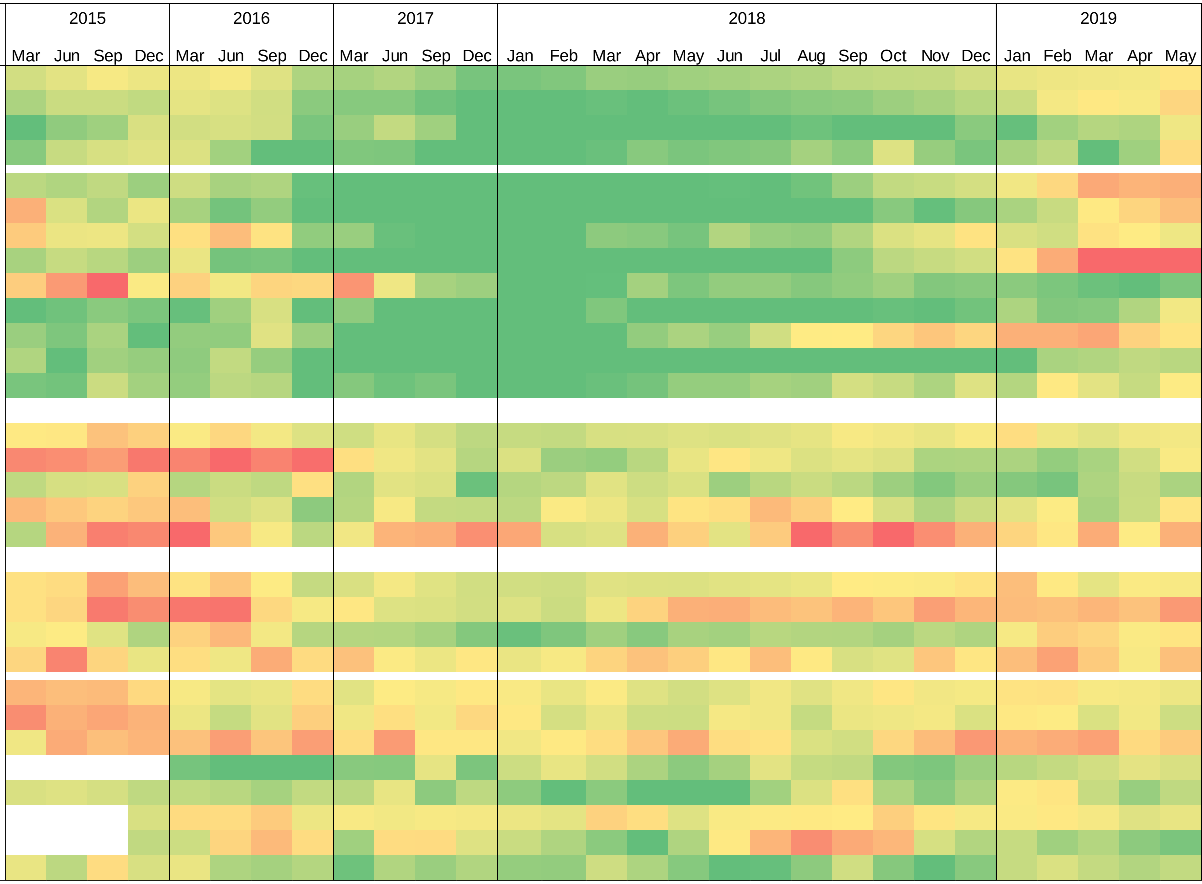
Despite the Fed's dovish stance, most regional currencies depreciated on the back of concerns over the global trade tension and the addition to the U.S. currency manipulation watchlist of several Asian countries. In May, Singapore and Malaysia were added to the the U.S. currency manipulation watchlist, which already includes China, Japan, Korea and Vietnam. The Thai baht was the best performer, compared to other regional EM currencies, driven in part by foreign inflows into its stock and bond markets.

Figure 16. Regional EM Currencies



Sources: Haver Analytics; and AMRO staff calculations.

Annex 1: Global Manufacturing PMI Heatmap



Economies	Change from Prev Month
Global	-0.6
Developed Markets	-1.0
U.S.	-2.1
U.K.	-3.7
Eurozone	-0.2
Austria	-0.8
France	0.5
Germany	-0.1
Greece	-2.4
Ireland	-2.1
Italy	0.7
Netherlands	0.2
Spain	-1.8
Emerging Markets	-0.1
Brazil	-1.3
India	0.9
Russia	-2.0
South Africa*	-2.3
China	0.1
Hong Kong*	-1.6
Japan	-0.4
Korea	-1.9
ASEAN	0.2
Indonesia	1.2
Malaysia	-0.6
Philippines	0.4
Singapore*	-1.2
Thailand	-0.3
Myanmar	0.6
Vietnam	-0.5

Trend (with min and max pts)

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. China's PMI refers to Caixin/ Markit PMI.
- (*) denotes whole economy PMI.

Global manufacturing activity contracted in May and registered its lowest PMI level since October 2012. The manufacturing sector in some of the major advanced economies, notably, the United States, the United Kingdom and Germany, simultaneously slowed. The U.S. PMI posted its lowest reading (50.5) since September 2009, on the back of falling domestic and external demand, signaling a likely drag on production and employment going forward. In Europe, manufacturing activity continued to soften—high inventory levels at U.K. companies resulted in production being pushed back while new orders by German manufacturers continued to contract.

PMI indicators are also deteriorating in the ASEAN+3 region. Manufacturing activity in China in May was marginally higher than the 50.2 in April, with the rise in new orders contrasting with weaker business confidence going forward, amid intensifying trade tension with the United States. Hong Kong's private sector PMI fell further, from 48.4 in April to 46.9 in May, the lowest reading for the last three years. This development confirms AMRO staff's analysis in the *ASEAN+3 Regional Economic Outlook 2019* that Hong Kong is one of the most vulnerable to the U.S-China trade conflict. Elsewhere, Korea's manufacturing PMI fell back to contractionary territory in May, following a month of expansion, underscoring the strong trade headwinds faced by automobile and semiconductor makers.

Two additional sets of indicators, derived from the Markit Manufacturing PMI data, confirm the weakening in manufacturing activity: They comprise:

- Changes in relative activity levels (Figure A2). Globally, the average number of economies with PMIs above 50 over those below 50 has decreased sharply in 2019, compared to 2018 H1, when trade protectionist sentiment ignited. The same pattern is observed for the ASEAN+3 region and the Eurozone, albeit markedly larger for the latter, suggesting that the slowdown over the past year has hit the Eurozone relatively harder. That said, the ASEAN+3 region has not been performing as well as the Eurozone, with a lower percentage of economies recording PMIs above 50 a year ago.
- Degree of unevenness in activity levels (Figure A3). Within the ASEAN+3 region, the average range between the maximum and minimum PMI readings is 5.6 index points as of May 2019, significantly narrower than the difference at the global level, as well as the differences for developed and other emerging markets. The historically smaller difference for this region suggests that manufacturing activities are more closely linked through the regional supply chains, compared to other regions.

Figure A2. Change in Relative Activity Levels
(Ratio of countries ">50" less "<50" to total)

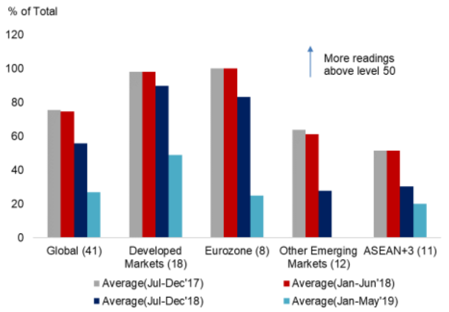
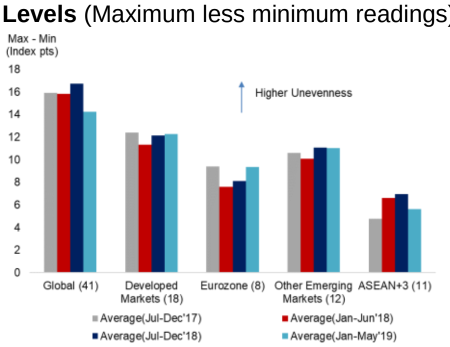


Figure A3. Degree of Unevenness in Activity Levels (Maximum less minimum readings)



Sources: IHS Markit; and AMRO staff calculations.
Notes:
LHS: This indicator shows the relative change in activity levels in a particular group of countries; it is calculated by subtracting the number of economies whose readings are above 50 by the number of economies whose readings are lower than 50, all divided by the total number of economies for that particular region.
RHS: This indicator shows the degree of unevenness in manufacturing activity across a particular region; it is calculated by subtracting the minimum reading among countries in the region from the minimum reading.

Annex 2: GDP Growth and Inflation for Selected ASEAN+3 Economies

% year-on-year	2018				2019
	Q1	Q2	Q3	Q4	Q1
Brunei Darussalam					
Real GDP Growth	2.8	-2.6	-1.1	1.0	-
Inflation	0.1	0.2	0.2	0.1	-0.1
Cambodia					
Real GDP Growth	NA	NA	NA	NA	NA
Inflation	2.2	2.7	2.5	2.4	1.9
China					
Real GDP Growth	6.8	6.7	6.5	6.4	6.4
Inflation	2.2	1.8	2.3	2.2	1.8
Hong Kong, China					
Real GDP Growth	4.6	3.6	2.8	1.2	0.6
Inflation	2.4	2.1	2.5	2.6	2.2
Indonesia					
Real GDP Growth	5.1	5.3	5.2	5.2	5.1
Inflation	3.3	3.3	3.1	3.2	2.6
Japan					
Real GDP Growth (Fiscal Year)	1.3	1.5	0.1	0.3	0.9
Inflation (Fiscal Year)	1.3	0.6	1.1	0.9	0.3
Korea					
Real GDP Growth	2.8	2.9	2.1	2.9	1.7
Inflation	1.1	1.5	1.5	1.8	0.5
Lao PDR					
Real GDP Growth (Fiscal Year)	NA	NA	NA	NA	NA
Inflation	1.5	2.0	2.7	1.9	1.6
Malaysia					
Real GDP Growth	5.3	4.5	4.4	4.7	4.5
Inflation	1.8	1.3	0.5	0.3	-0.3
Myanmar					
Real GDP Growth (Fiscal Year)	NA	NA	NA	NA	NA
Inflation	5.3	6.1	8.1	8.0	6.9
The Philippines					
Real GDP Growth (Fiscal Year)	6.5	6.2	6.0	6.3	5.6
Inflation	3.9	4.8	6.2	5.9	3.8
Singapore					
Real GDP Growth	4.6	4.2	2.6	1.3	1.2
Inflation	0.2	0.3	0.7	0.5	0.5
Thailand					
Real GDP Growth	5.0	4.7	3.2	3.6	2.8
Inflation	0.6	1.3	1.5	0.8	0.7
Vietnam					
Real GDP Growth	7.5	6.7	6.9	7.3	6.8
Inflation	2.8	3.8	4.1	3.4	2.6

Sources: National authorities; and AMRO staff estimates and projections.
Notes: GDP Growth: refers to calendar year, unless otherwise stated. Inflation: refers to period average headline inflation; in calendar year unless otherwise indicated. For Myanmar, 2018 annual fiscal year refers to new fiscal year starting from October 2018 – September 2019.

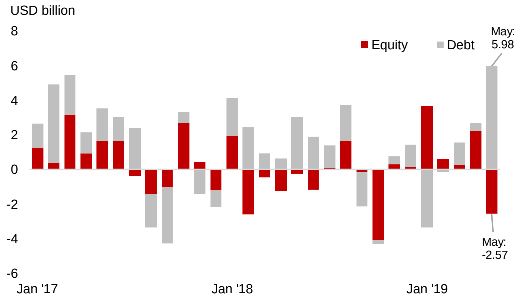
Annex 3: Regional Exports

Volume, Monthly Growth (% YoY)	2018												2019			
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
China	5.4	38.9	12.9	27.7	2.5	2.6	5.0	3.7	9.4	9.8	2.6	-4.9	10.3	-23.9	18.7	-0.8
Hong Kong	15.7	-0.4	5.4	5.5	13.0	0.7	7.5	10.5	1.9	11.9	-2.8	-7.5	-2.1	-8.7	-3.0	-4.2
Korea	14.7	-1.1	2.8	6.0	11.8	6.9	10.6	9.5	-6.3	23.7	0.6	-1.3	-0.4	-4.3	-3.3	2.4
Japan	8.8	1.6	3.2	8.2	3.2	2.6	1.7	0.8	0.5	3.7	-2.7	0.0	-6.1	-0.5	-1.0	-3.1
Malaysia	17.4	-1.5	2.6	14.9	2.9	5.4	6.0	-3.4	3.0	13.9	-1.4	2.3	1.7	-6.6	-2.3	-1.0
Singapore	11.6	0.9	-0.6	9.6	5.8	1.9	6.1	5.9	3.5	9.6	1.6	-3.8	-0.3	-0.6	-6.5	-4.0
Thailand	12.6	4.0	2.6	10.6	8.9	6.2	4.8	3.1	-7.7	5.9	-1.3	-2.4	-5.0	-2.0	-4.7	-3.2
Philippines	-58.3	-4.5	-24.8	-20.3	-10.1	7.3	-11.7	-12.4	-31.3	-3.8	20.7	-9.4	19.4	-14.5	18.7	-
Indonesia	10.6	22.9	9.5	7.1	17.4	24.5	20.9	2.1	4.3	11.6	6.9	7.5	14.6	6.0	10.0	10.2
Vietnam	76.0	-11.0	17.2	26.3	23.8	10.7	11.2	3.5	-7.5	15.9	5.9	-2.4	14.3	14.5	2.5	12.0
Value, Monthly Growth (% YoY)	**2018**												**2019**			
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
China	10.6	43.5	-3.0	11.9	11.9	10.7	11.6	9.5	13.9	14.3	3.9	-4.6	9.3	-20.8	13.8	-2.7
Hong Kong	17.2	0.9	7.0	7.1	15.0	2.7	9.4	12.7	4.2	14.1	-1.1	-5.8	-0.7	-7.2	-1.3	-2.6
Korea	22.3	3.1	5.5	-2.0	12.8	-0.4	6.1	8.7	-8.1	22.5	3.6	-1.7	-6.2	-11.3	-8.4	-2.1
Japan	16.3	6.5	8.7	10.2	10.6	7.6	4.7	5.4	-2.5	8.4	-0.4	-3.2	-6.8	-3.4	-6.9	-5.9
Malaysia	32.8	11.0	15.9	28.6	13.0	15.5	15.9	4.4	8.3	19.7	1.3	2.8	-1.0	-9.2	-4.8	-4.4
Singapore	18.0	6.0	5.8	16.9	14.6	10.8	14.0	12.8	9.6	16.4	4.6	-4.2	-1.7	-0.2	-5.8	-3.5
Thailand	19.2	10.6	7.9	11.5	9.5	5.7	5.5	6.8	-4.6	8.3	-2.6	-1.5	-5.4	6.0	-7.0	-2.8
Philippines	1.1	1.3	0.4	-1.9	1.7	3.7	2.3	4.0	1.1	6.7	1.0	-12.2	-6.7	-0.1	-1.8	0.4
Indonesia	8.8	12.0	5.4	9.2	13.0	11.0	19.6	4.5	2.6	4.3	-3.1	-3.9	-4.4	-11.2	-9.0	-12.9
Vietnam	40.6	9.0	23.0	5.3	11.6	11.6	16.9	18.3	9.3	10.8	8.7	0.3	8.9	-3.3	7.2	10.4

Sources: National authorities; and AMRO staff calculations.

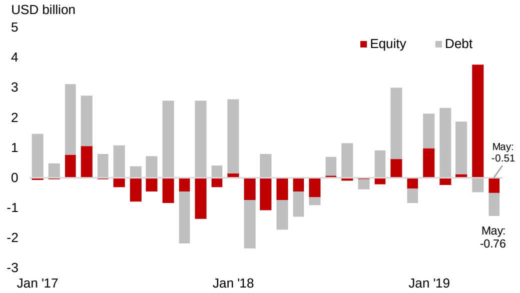
Annex 4: Capital Flows into Regional Equity and Bond Markets, Selected ASEAN+3 Economies

Korea



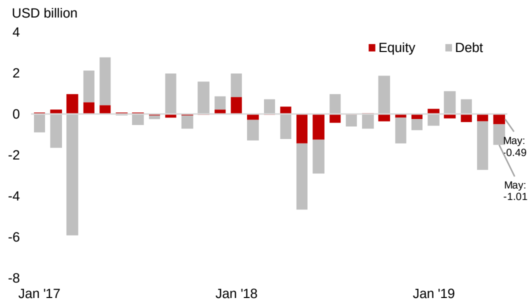
Sources: National authorities; and AMRO staff calculations.

Indonesia



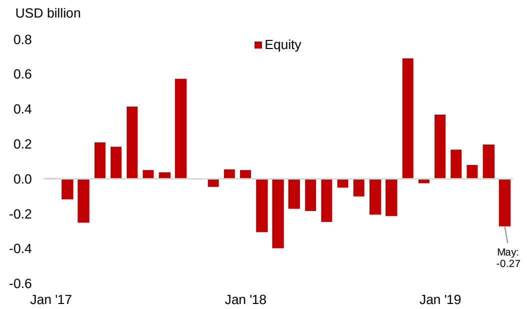
Sources: National authorities; and AMRO staff calculations.

Malaysia



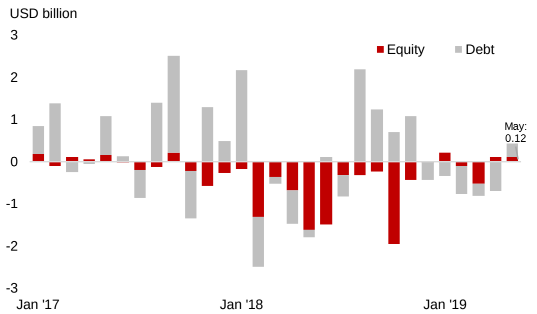
Sources: National authorities; and AMRO staff calculations.

Philippines



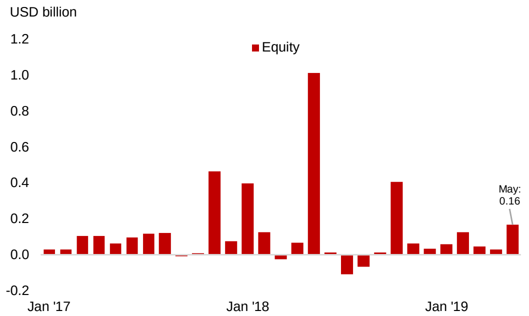
Sources: National authorities; and AMRO staff calculations.

Thailand



Sources: National authorities; and AMRO staff calculations.

Vietnam



Sources: National authorities; and AMRO staff calculations.

Annex 5: Market Data

Foreign Currency Exchange Rates

Countries	% change (21-24 June)	2019 YTD (% change)
China	0.01	0.16
Hong Kong, China	0.01	0.24
Indonesia	0.00	1.66
Japan	-0.03	2.18
Korea	0.42	-4.13
Malaysia	0.10	-0.28
Philippines	-0.03	1.96
Singapore	0.07	0.64
Thailand	0.15	5.00
Vietnam	0.00	-0.56
Lao PDR	0.05	-1.28
Cambodia	0.70	-0.24
Myanmar	0.00	1.25
Brunei	0.04	1.21
U.S. Dollar Index	-0.09	-0.04

Sources: Haver Analytics; and AMRO staff calculations.
Note: Negative values indicate depreciation and positive values indicate appreciation.

Stock Market Index

Stock Markets	% change (21-24 June)	2019 YTD (% change)
China (SSE Composite)	0.08	20.5
Hong Kong, China (Hang Seng)	-0.26	9.9
Indonesia (JCI)	0.00	2.0
Japan (Nikkei 225)	-0.27	5.9
Korea (KOSPI 200)	0.13	4.3
Malaysia (FBMKLCI)	-0.22	-0.7
Philippines (PSEi)	0.36	8.3
Singapore (STI)	-0.45	7.8
Thailand (SET)	0.00	9.8
Vietnam (VNINDEX)	0.00	7.5

Sources: Haver Analytics; and AMRO staff calculations.

Lending Rate

Countries	Overnight Lending Rate (bps change, 21-24 June)	3-Month Interbank Lending Rate (bps change, 21-24 June)
China	-10.00	0.00
Hong Kong, China	0.00	0.00
Indonesia	0.00	0.00
Japan	0.00	0.00
Korea	0.00	0.00
Malaysia	0.00	0.00
Philippines	0.00	0.00
Singapore	0.00	0.00
Thailand	0.00	0.00
Vietnam	0.00	0.00

Sources: Haver Analytics; and AMRO staff calculations.

Credit Default Swap

Countries	bps change (20-21 June)
China	-3.53
Hong Kong, China	-0.32
Indonesia	0.00
Japan	0.00
Korea	0.00
Malaysia	-4.35
Philippines	-3.32
Thailand	0.00
Vietnam	5.65

Sources: Haver Analytics; and AMRO staff calculations.
Notes: Negative values indicate lower pricing of risk and positive values indicate higher pricing of risk. Latest data are available with a one-day lag.

Credit Ratings

Countries	S&P	Moody's	Fitch
China	A+	A1	A+
Hong Kong, China	AA+	Aa2	AA+
Indonesia	BBB	Baa2	BBB
Japan	A+	A1	A
Korea	AA	Aa2	AA-
Malaysia	A	A3	A-
Philippines	BBB+	Baa2	BBB
Singapore	AAA	Aaa	AAA
Thailand	A-	Baa1	BBB+
Vietnam	BB	Ba3	BB

Sources: Haver Analytics.
Note: Investment grade begins at Baa3 for Moody's and BBB minus for both S&P and Fitch.

External Liquidity Ratios

International Reserves	Import Cover (No. of Months)	Reserve over Short-term Debt
China	15.3	2.5
Hong Kong, China	7.7	0.4
Indonesia	6.9	2.5
Japan	20.6	0.4
Korea	7.9	3.1
Malaysia	5.8	1.0
Philippines	7.8	6.3
Singapore	5.9	0.2
Thailand	8.8	3.7
Vietnam	2.7	2.5
Lao PDR	1.4	1.3
Cambodia	5.7	4.9
Myanmar	3.9	6.3
Brunei	10.8	na.

Sources: Haver Analytics; and AMRO staff calculations.
Notes: Short-term debts are liabilities due in 1 year or less. International Reserve of Cambodia does not include restricted reserve for foreign currency deposits. Import cover is computed by dividing international reserves by trailing average 12-month worth of imports of goods and services using latest available data from balance of payments statistics.

Sovereign Bond Rates (%, 10-Year Sovereign)

Countries	bps change (21-24 June)	2019 YTD (bps)
China	0.995	-6.260
Hong Kong, China	-0.391	-49.176
Indonesia	3.855	-51.667
Japan	0.400	-15.300
Korea	0.000	-38.600
Malaysia	0.200	-42.650
Philippines	-1.816	-192.433
Singapore	1.176	-5.572
Thailand	0.000	-33.345
Vietnam	0.000	-30.000

Sources: Haver Analytics; and AMRO staff calculations.

Annex 6: Major Policy Developments (15 March – 20 June 2019)

China	[13 May 2019] The People's Bank of China (PBC) and the Monetary Authority of Singapore (MAS) announced the renewal of the Bilateral Currency Swap Arrangement (BCSA). The agreement will strengthen regional economic resilience and financial stability. [10 June 2019] 4 ministries, including the ministry of finance, put forward the "Notice on Local Government Special Bond Issuance and Project Supporting Financing". This new policy stipulates that for certain large public investment projects, proceedings from local government special bonds can be treated as project capital, and additional market financing is allowed.
Japan	[25 April 2019] The Policy Board of the Bank of Japan decided to maintain the policy rates and the guidelines for asset purchases unchanged. It also clarified its forward guidance policy to maintain the current extremely low interest rate levels at least through around spring 2020, while announcing of the expansion of eligible collateral for the Bank's provision of credit. [20 June 2019] The Policy Board of the Bank of Japan maintained its short-term rate target at -0.1 percent and a pledge to guide 10-year government bond yields around zero percent.
Korea	[18 April 2019] The Monetary Policy Board of the Bank of Korea (BOK) decided to maintain the base rate at 1.75 percent. [31 May 2019] The Monetary Policy Board of the Bank of Korea (BOK) decided to maintain the base rate at 1.75 percent.
Cambodia	[8 May 2019] The Royal Government of Cambodia adopted 3 strategic documents, including Revenue Mobilization Strategy II (2019 – 2025), Procurement System Reform Strategy (2019 – 2025), and Sub-National Budget System Reform Strategy (2019 – 2025), which is a significant milestone in the Public Financial Management Reform of the Kingdom.
Indonesia	[16 May 2019] Bank Indonesia agreed on 15-16 May 2019 to hold its 7-Day Reverse Repo Rate at 6.00 percent, while also maintaining the Deposit Facility and Lending Facility rates at 5.25 percent and 6.75 percent, respectively. [20 June 2019] Bank Indonesia agreed on 19-20 June to hold its 7-day reverse repo rate at 6.00 percent, while also maintaining the Deposit Facility and Lending Facility rates at 5.25 percent and 6.75 percent, respectively. However, Bank Indonesia has decided to lower the rupiah reserve requirement for conventional and Islamic banks by 50 bps to 6.0 percent and 4.5 percent respectively, with the average reserve requirements remaining at 3.0 percent, effective from 1 July 2019.
Lao PDR	[3 April 2019] The Ministry of Finance of Lao PDR disseminated the regulation regarding the issuance of tax payment certificates, aiming at ensuring that business units are registered under the tax net and paying proper taxes. To encourage tax payment, the tax payment certificate will now be one of the requirements that businesses need to present when conducting transactions with the government. [13 June 2019] The Lao Securities Commission has endorsed the amendment of two regulations under the Law on Securities which are

	the Regulation on Custodian Banks and Regulation on the Issuance of Corporate Bond. The amendments aim to facilitate investments in bonds, promote operations of securities activities, enhance the mobilization of funding in the Lao PDR and ensure that such activities are operated in an orderly, transparent, and efficient manner.
Malaysia	[7 May 2019] The Monetary Policy Committee (MPC) of Bank Negara Malaysia decided to reduce the Overnight Policy Rate (OPR) to 3.00 percent. The ceiling and floor rates of the corridor for the OPR are correspondingly reduced to 3.25 percent and 2.75 percent respectively.
Myanmar	[17 May 2019] The Central Bank of Myanmar allows foreign banks to set up local subsidiaries in the country to help local businesses gain access to financing.
Philippines	[9 May 2019] The Monetary Board of the Bangko Sentral ng Pilipinas reduced the overnight borrowing rate by 25 basis points to 4.5 percent, the first reduction since an operational adjustment to the rate in 2016. [23 May 2019] The Monetary Board expanded coverage of reduction in reserve requirements: • The Monetary Board complemented the reduction in reserve requirements for universal and commercial banks (U/KBs) with a phased 200-basis-point reduction in the reserve requirements for thrift banks (TBs) and non-bank financial institutions with quasi-banking functions (NBQBs), as well as a 100-basis-point reduction for demand deposits and NOW accounts of rural and cooperative banks to be effective on 31 May 2019. • Moreover, long-term negotiable certificates of time deposit issued by all banks and NBQBs will have reduced and uniform reserve requirement ratio of 4.0 percent. • The reductions on reserve requirements will take effect for U/KBs, TBs, and NBQBs on the reserve weeks beginning 31 May 2019, 28 June 2019, and 26 July 2019. The lower ratios shall apply to all reservable liabilities except bonds and mortgage/chattel mortgage certificates as the BSP continues to assess the impact of a reduction in the reserve requirements on said instruments. [20 June 2019] The Monetary Board decided to keep the interest rate on the BSP's overnight reverse repurchase (RRP) facility unchanged at 4.50 percent. The interest rates on the overnight lending and deposit facilities were likewise held steady.
Thailand	[20 March 2019] The Monetary Policy Committee of the Bank of Thailand (BOT) decided to keep the policy interest rate unchanged at 1.75 percent. [8 May 2019] The Monetary Policy Committee of the Bank of Thailand (BOT) decided to keep the policy interest rate unchanged at 1.75 percent.

Source: National authorities.