

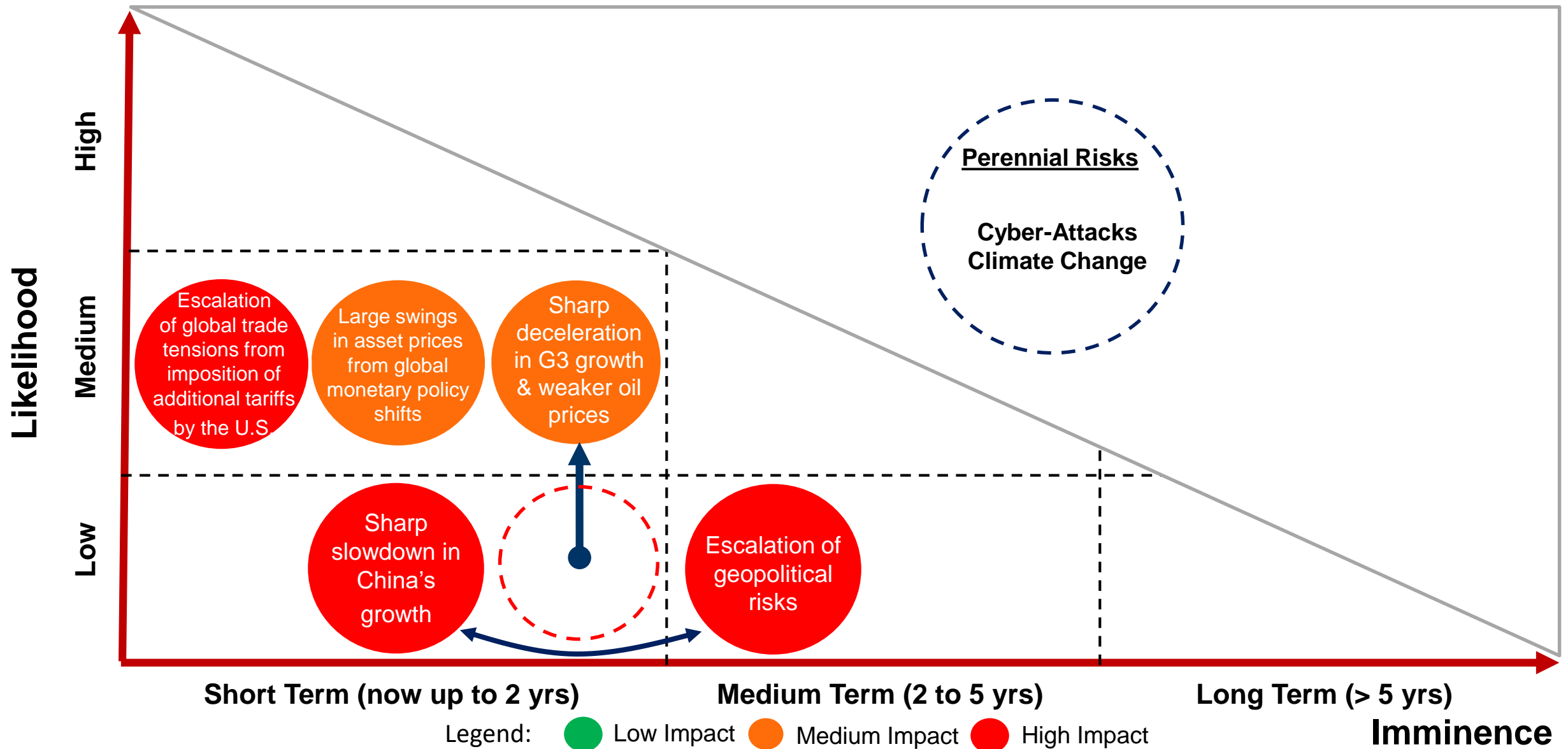
ASEAN+3 Regional Economic Outlook (AREO) 2019

Theme: Building Capacity and Connectivity for the New Economy

Report Launch
1 May 2019, Nadi, Fiji

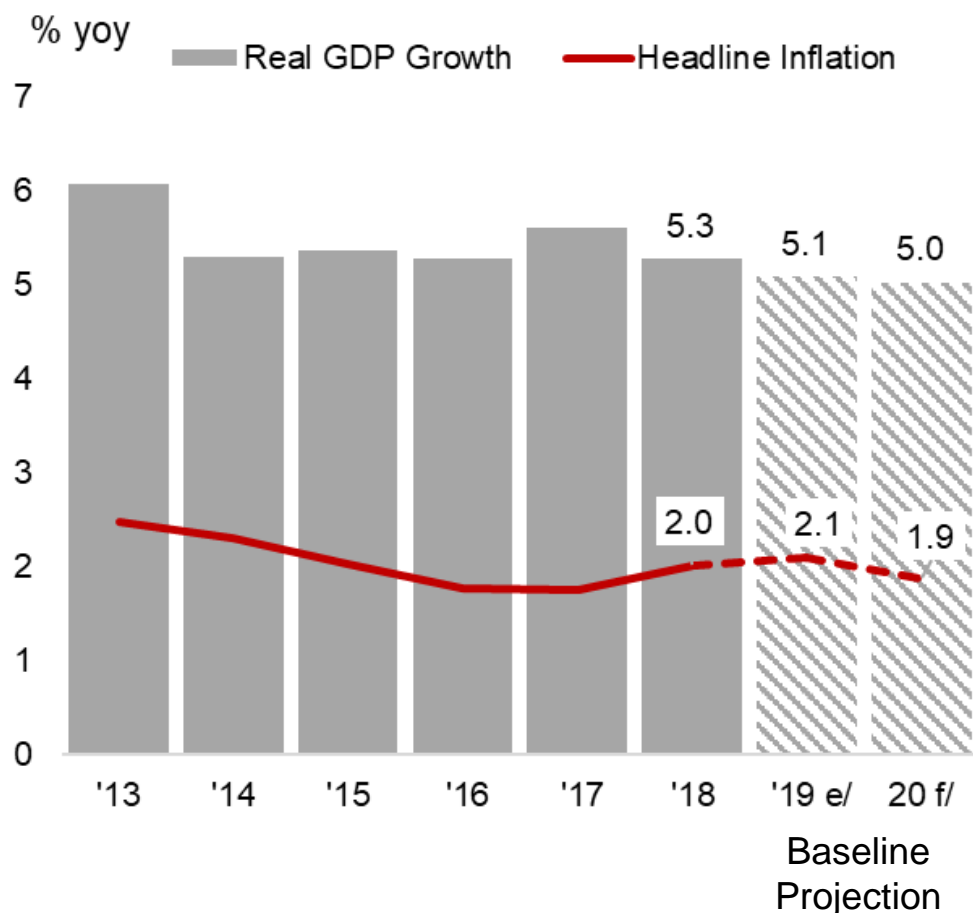
- 1 | Macroeconomic Prospects & Challenges**
- 2 | Theme: Building Capacity and Connectivity for the New Economy**

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Baseline regional growth in 2019-20 to remain steady at the 5% level, with low inflation

AMRO's Baseline 2019-20 Growth and Inflation Projections

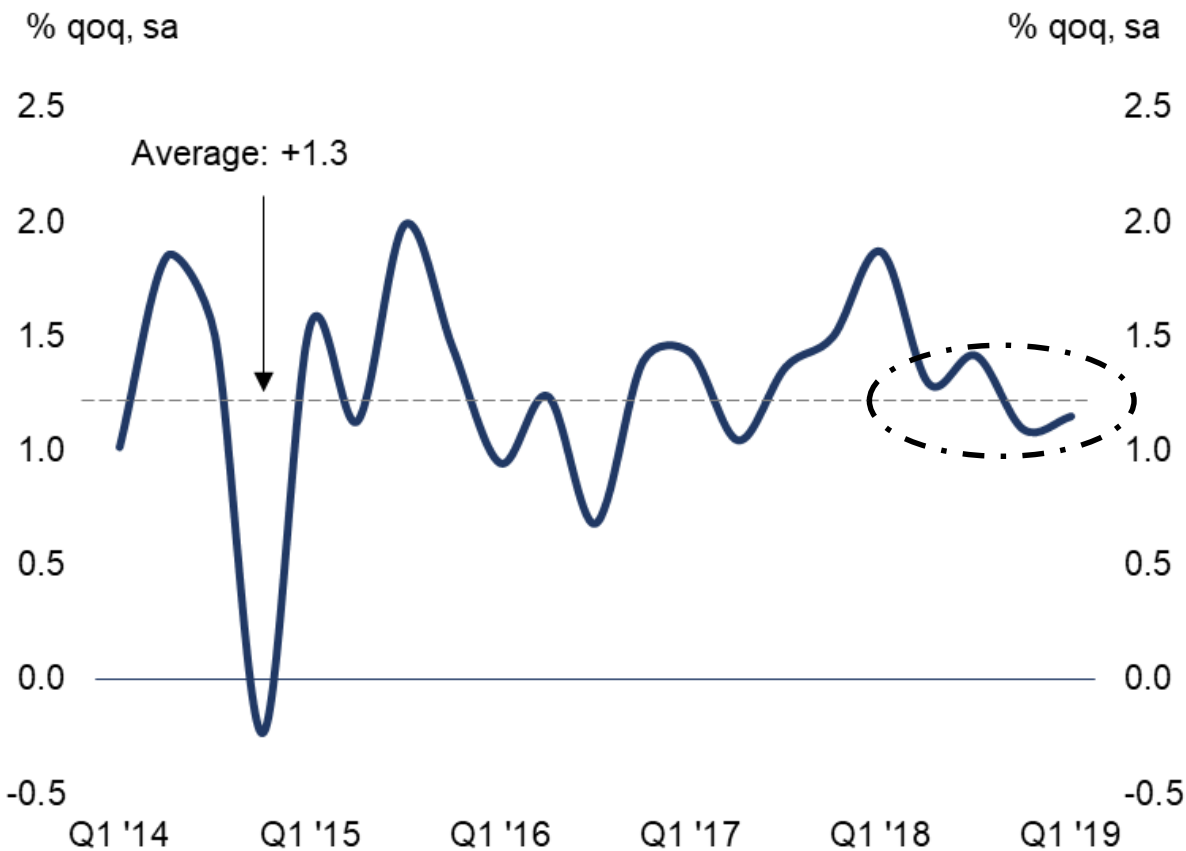


Real GDP Growth (% y/y)	'18	'19 e/	'20 p/	Average '19 – '20
		Apr '19		Adverse Trade Scenario
China	6.6	6.3 ▲	6.2	5.7
Japan (FY)	0.6	0.6 ▼	0.5	0.4
Korea	2.7	2.6 ▬	2.6	2.2
ASEAN-4 & VN	5.1	5.1 ▼	5.1	4.8
BCLM	6.7	6.9 ▬	6.9	6.8
HK & SG	3.1	2.6 ▬	2.6	1.9
ASEAN+3	5.3	5.1 ▬	5.0	4.6

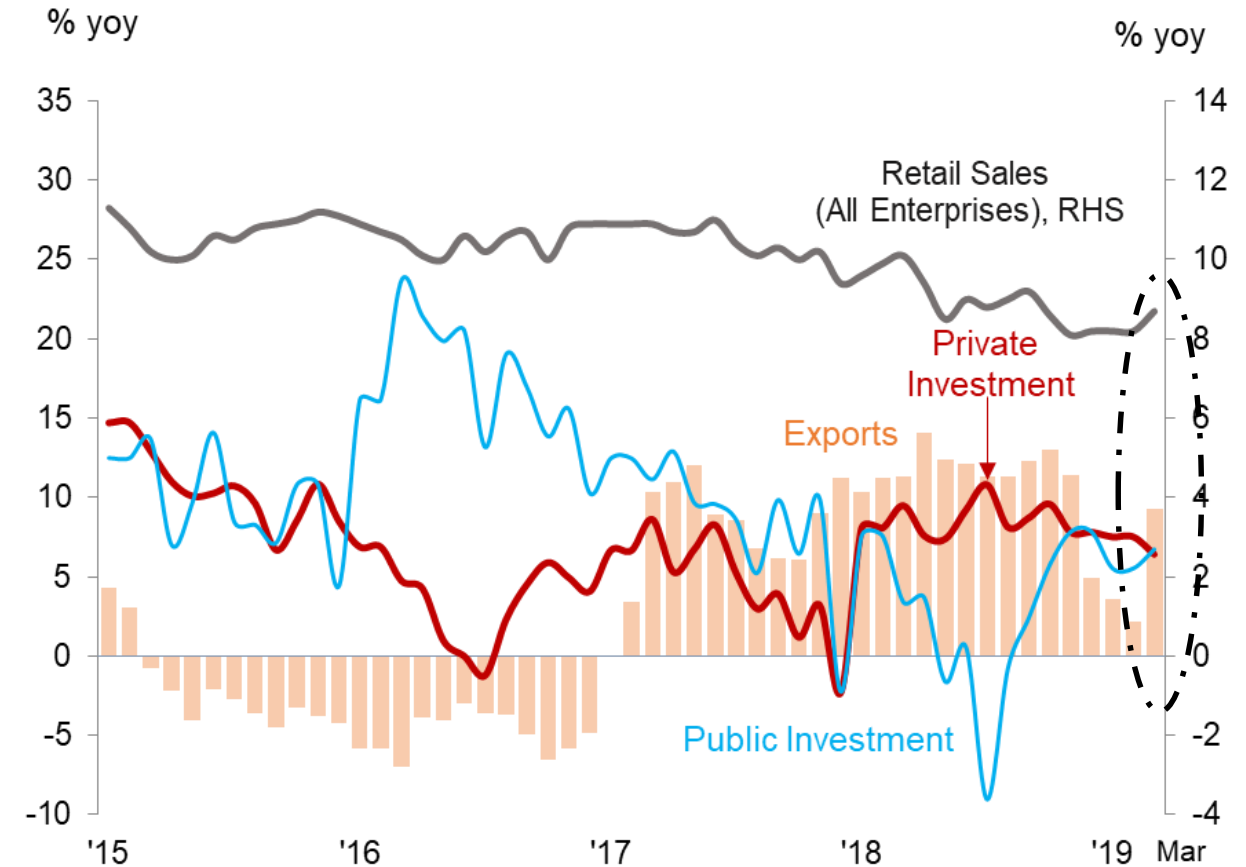
Legend: ▲ Upward revision from Jan '19
▼ Downward revision from Jan '19
▬ No change from Dec '19

Domestic demand has moderated to trend growth in 2018, after a robust 2017. The outlook is expected to be stable in 2019-20

ASEAN-4 and Korea: Aggregate Domestic Demand

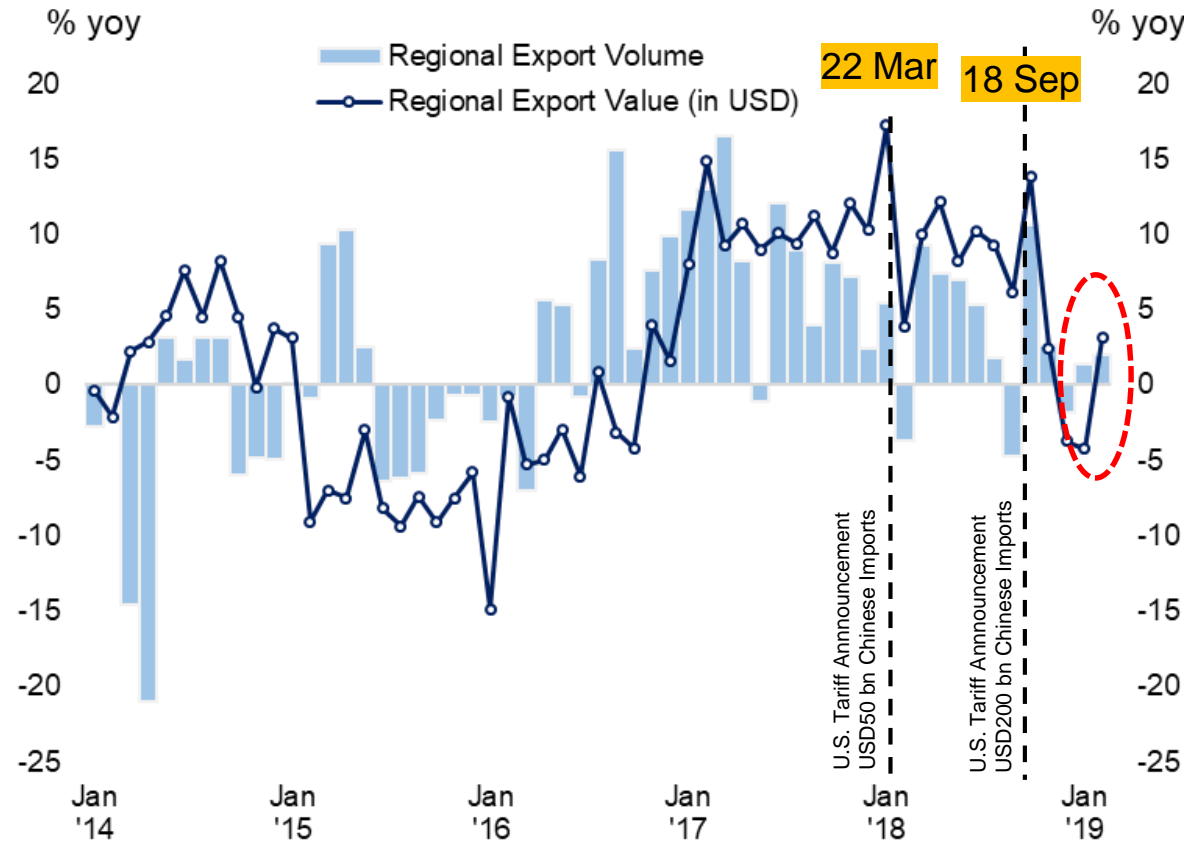


China: Domestic Demand Indicators

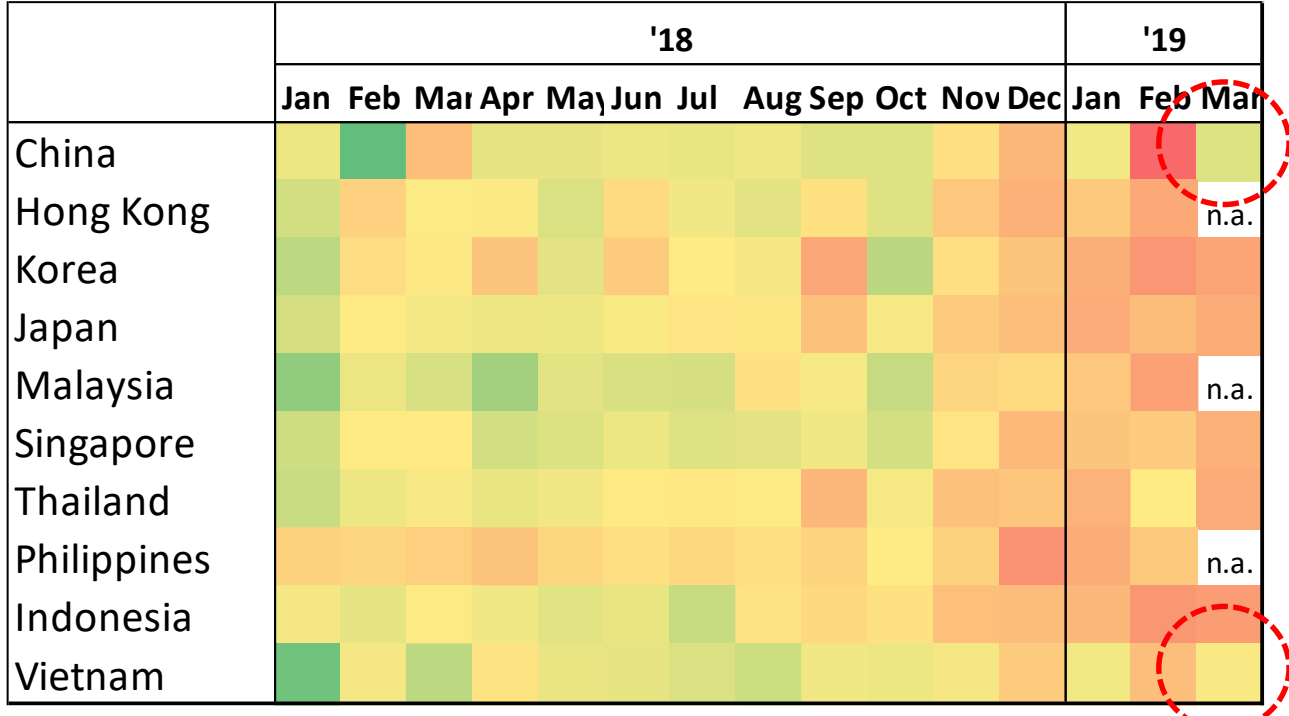


After a sharp deceleration, regional exports recovered in March '19, led by China and Vietnam

Regional Exports (Volume and in USD Terms)



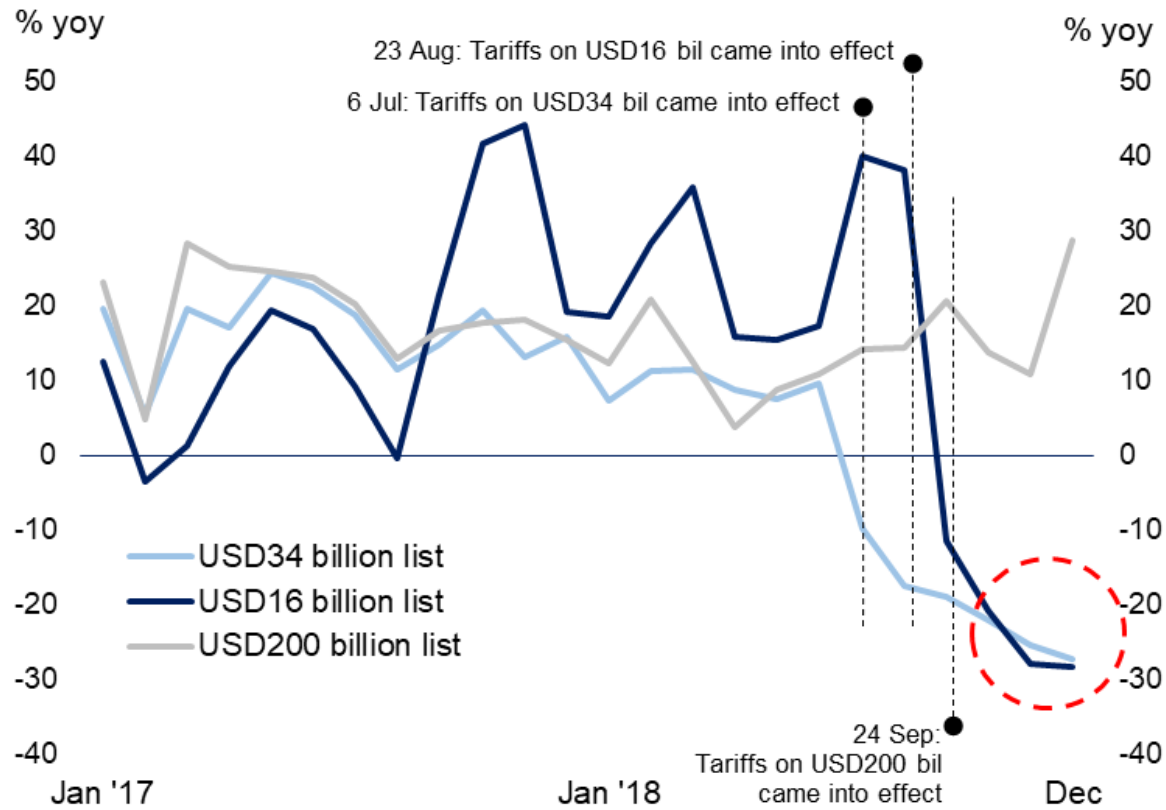
Heatmap of Export Performance Selected Economies (% yoy in USD Terms)



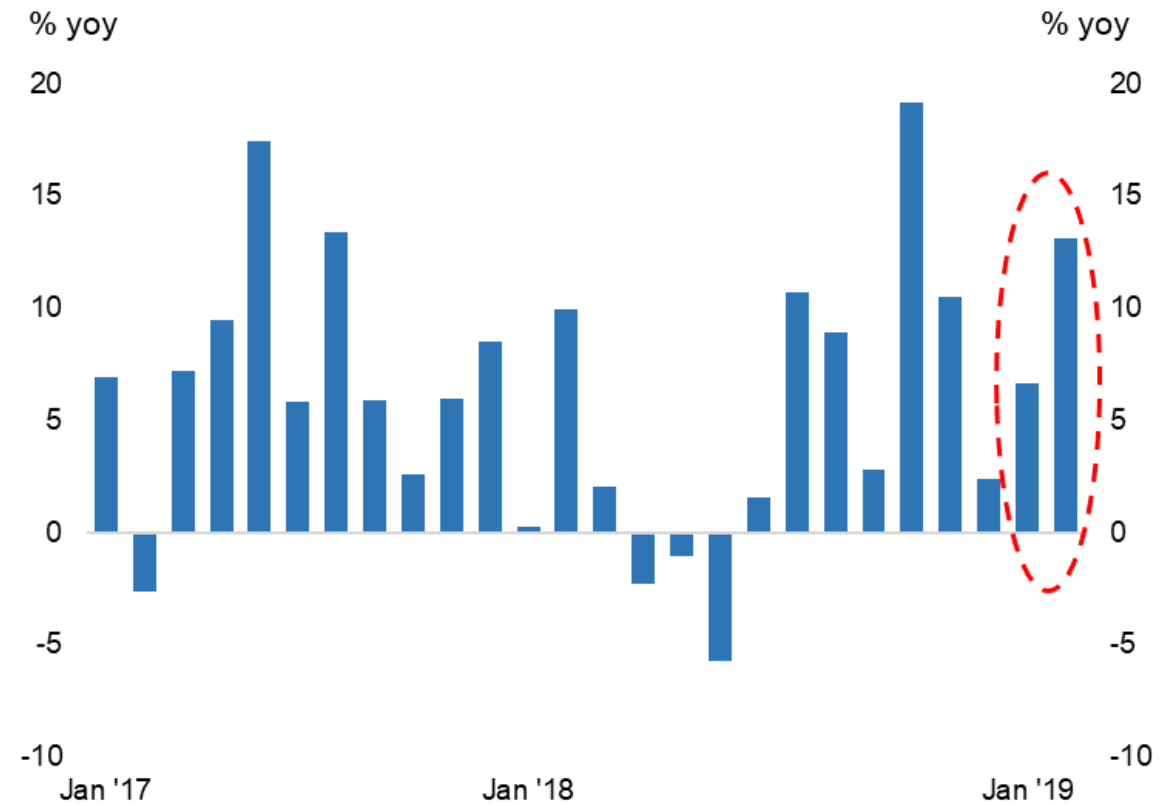
Note: The colors represents how far the readings are away from mid-point. The redder the readings, the further the negative reading, while the greener, the greater the positive reading.

China's exports to the U.S. remain negatively affected by the tariff measures, while exports to the European Union saw some recovery

China's Exports to the U.S. (by Tariff Categories)

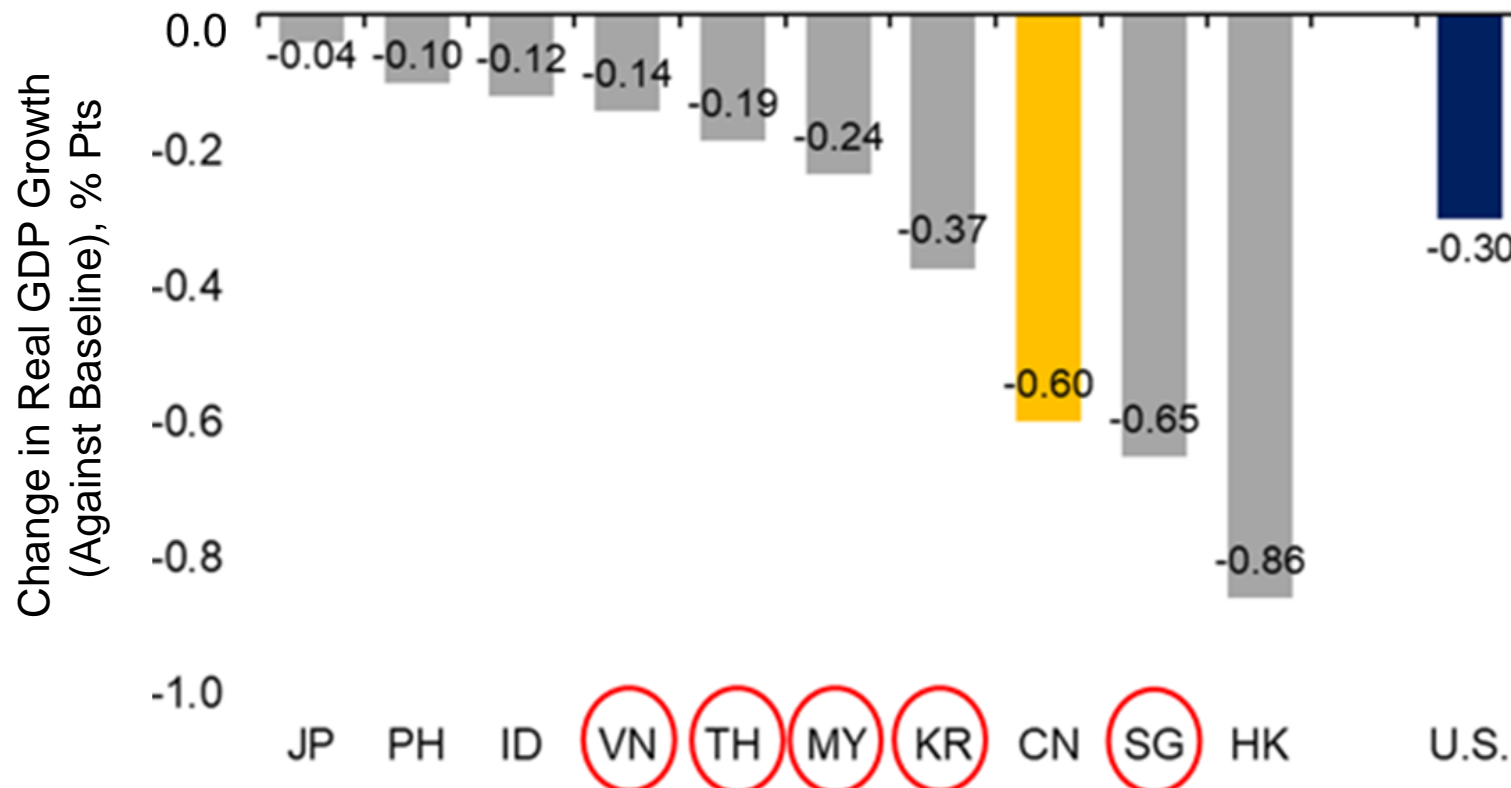


China's Exports to the EU



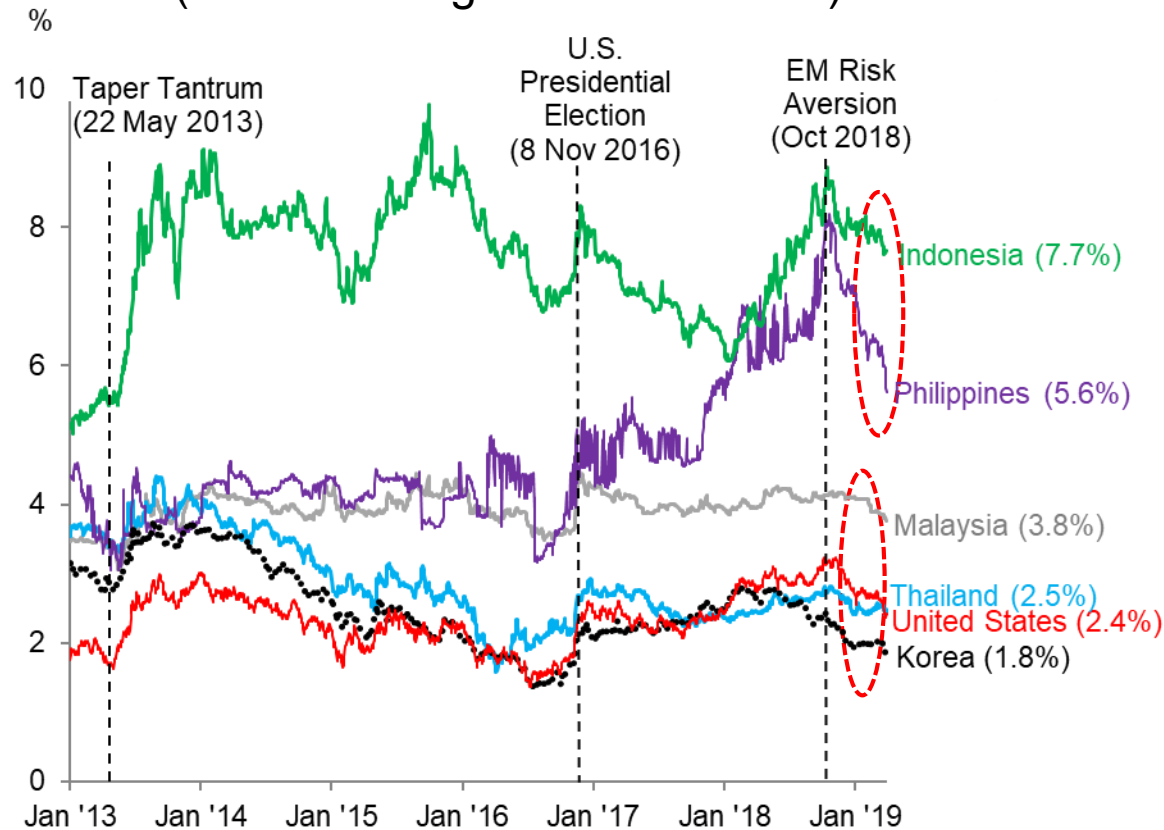
Regional economies with greater GVC participation & linkages with China that are oriented towards final demand outside the region are more vulnerable to trade protectionism risks

Absolute Impact, Adverse Trade Scenario (Average Change 2019-20), in % Pts

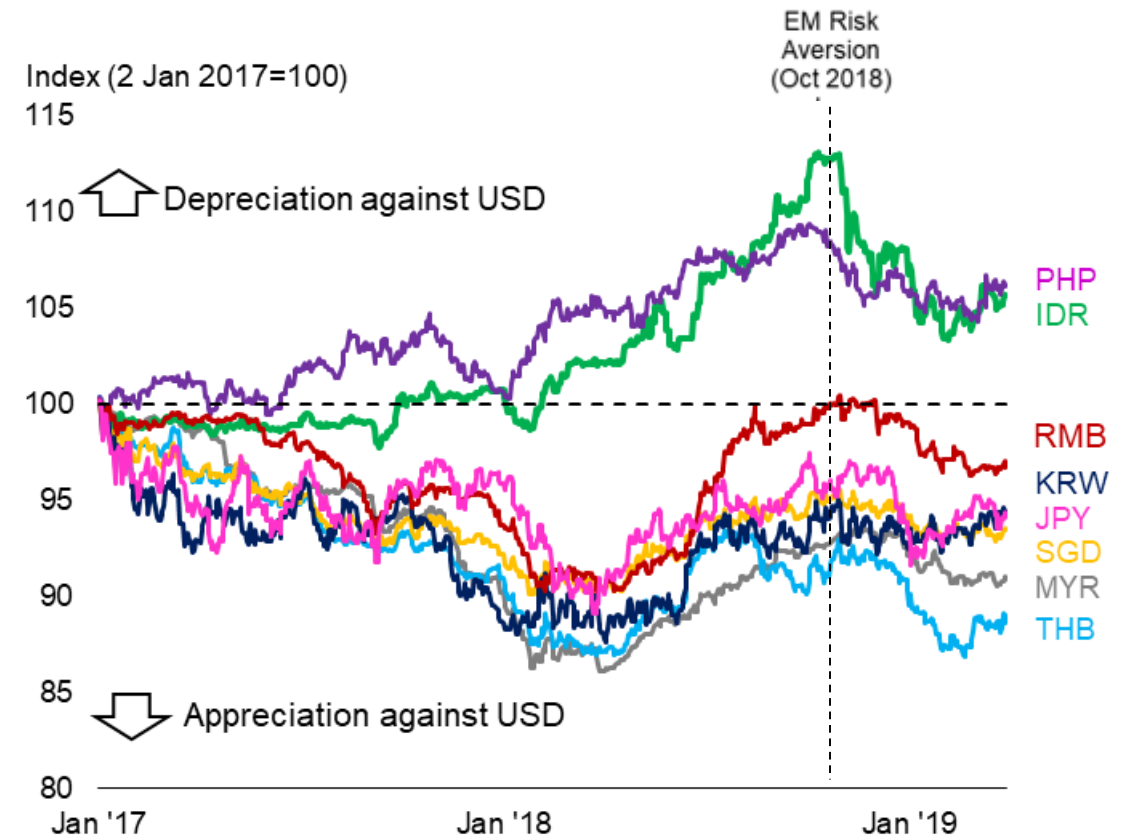


Financial conditions in the region have eased in recent months amid global monetary policy shifts, but the region remains susceptible to volatility shocks

10Y Sovereign Yields (Selected Regional Economies)



FX Performance (Selected Regional Economies)



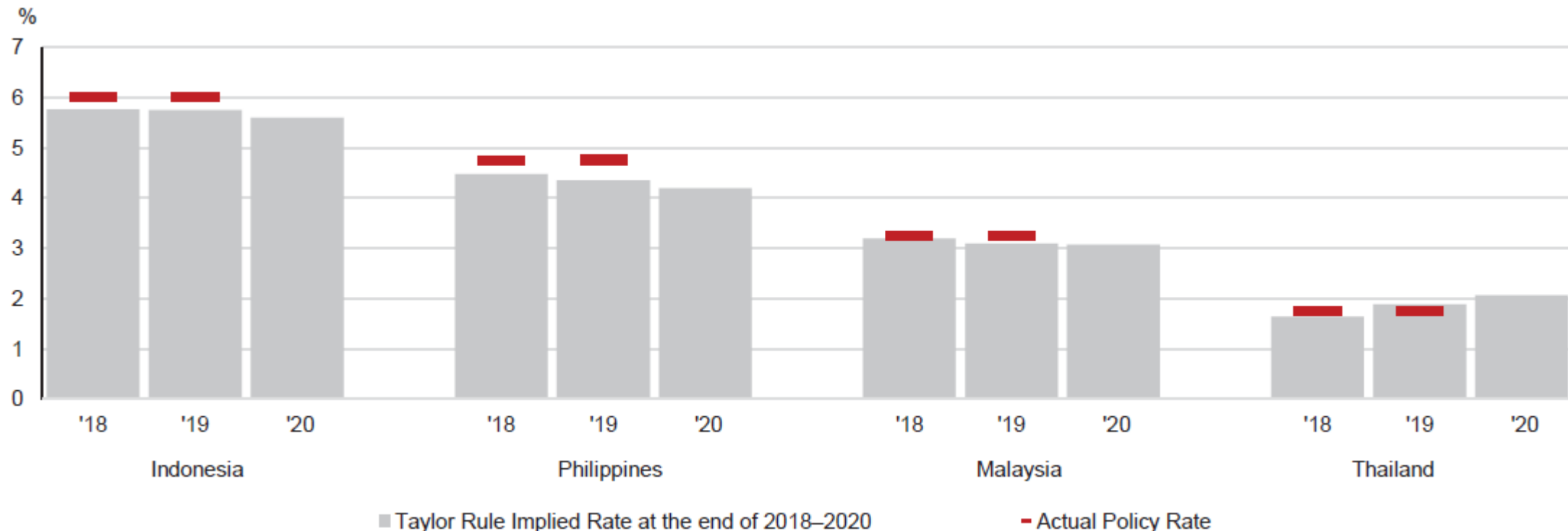
Most economies are in the mid-phase of the business cycle, with slowing phase of the credit cycle and moderate property valuation cycle

		Business Cycle					
		Early	Mid	Late	Downturn		
Credit Cycle	Recovery		Indonesia			Low	Property Valuation Cycle
			Malaysia Thailand China			Moderate	
		Brunei Myanmar	Cambodia			High	
						N.A.	
	Expansionary						
	Slowing		Philippines Singapore Vietnam	Japan		Moderate	
			Korea Hong Kong			High	
			Lao PDR			N.A.	
Contractionary							

Source: AMRO staff estimates.

Note: In Korea's case, the analysis on property valuations focuses on Seoul and its surrounding areas, which has recorded high year-on-year growth in prices.

Benign inflation environment and relatively less tight global financial conditions provide some space for monetary policy to support growth



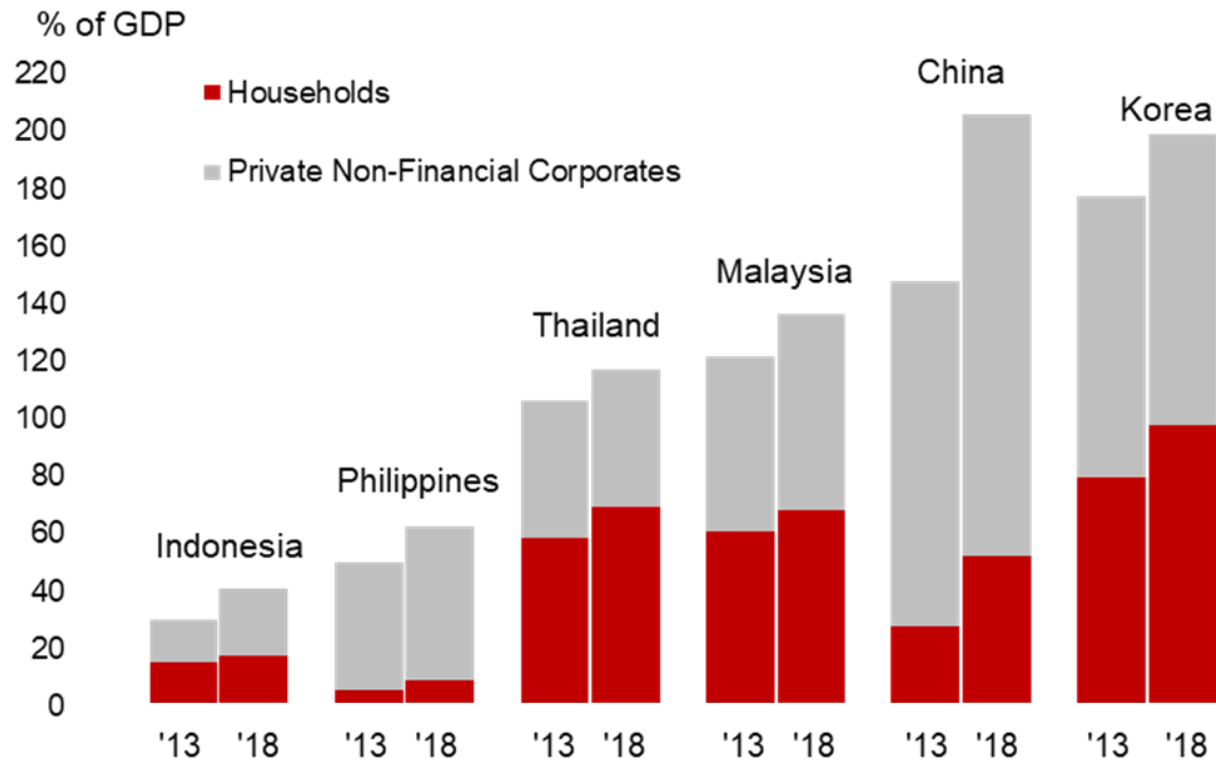
Notes: End-2018 - 2020 Taylor Rule implied rates are computed based on AMRO's GDP and inflation projections.

2018 actual policy rate refers to the latest policy rate announced in 2018: Indonesia (20 December 2018), Malaysia (25 January 2018), the Philippines (13 December 2018), Thailand (19 December 2018), and Korea (30 November 2018). 2019 actual policy rate refers to the latest policy rate announced in early 2019: the Philippines (7 February), Korea (28 February), Malaysia (5 March 2019), Thailand (20 March 2019), and Indonesia (21 March 2019).

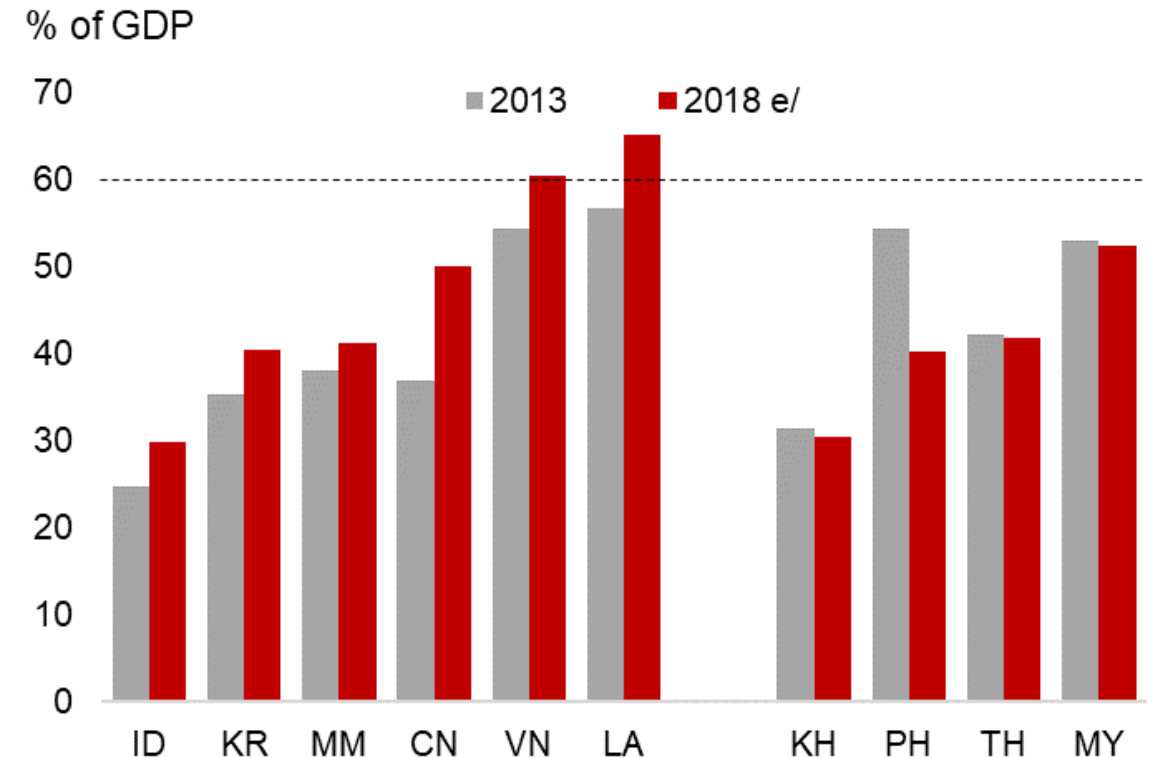
Source: National authorities, AMRO staff estimates and projections

However, the level of indebtedness across the region is high, which could potentially constrain the conduct of policy

Private Sector Debt (Selected Economies)



General Government Debt (Selected Economies)



Policy mix is broadly appropriate with some recalibration to support growth

Suggested Policy Mix

Monetary

- Some room to ease policy given benign inflation
- For economies with external vulnerabilities, to hold current policy settings

Fiscal

- Maintain supportive policy to sustain growth
- Reprioritizing spending, where fiscal rule is binding

Macroprudential

- Maintain current tight policy to guard against build up of financial imbalances

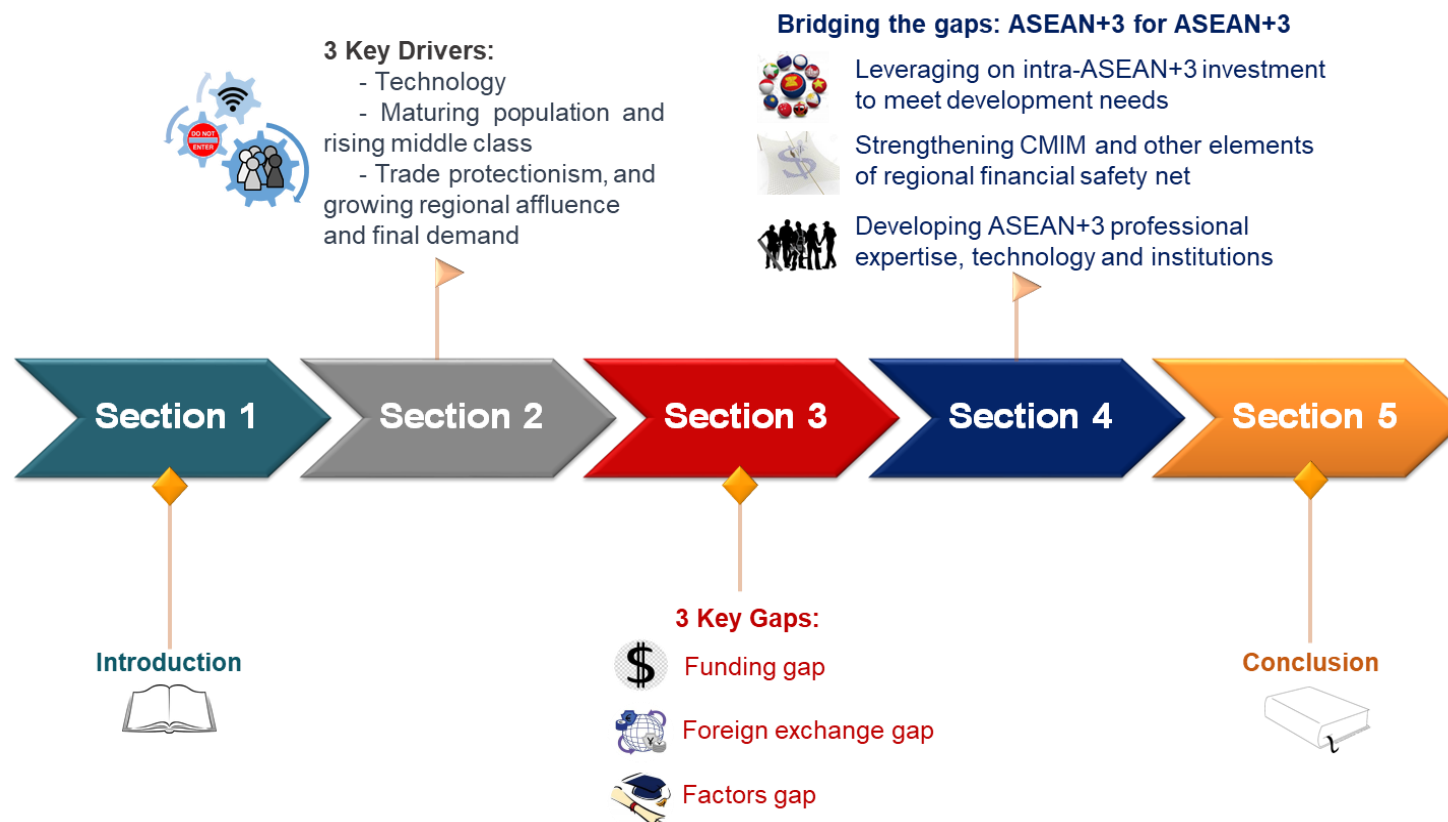
Structural

- Building capacity and connectivity to foster future growth potential and resilience

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2019 AREO thematic chapter: builds on 2017 narrative of economic consolidation and rebalancing after the Asian Financial Crisis (AFC), and 2018 message of resilience and growth

Summary of 2019 Thematic Chapter



Thank You

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