

# ASEAN+3 Regional Economic Outlook – October 2023 Update

*Trade Turnaround to Support ASEAN+3 Growth in 2024  
Amid Rising Inflation Risks*

Hoe Ee Khor, Chief Economist

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# Growth in the US and euro area remain resilient

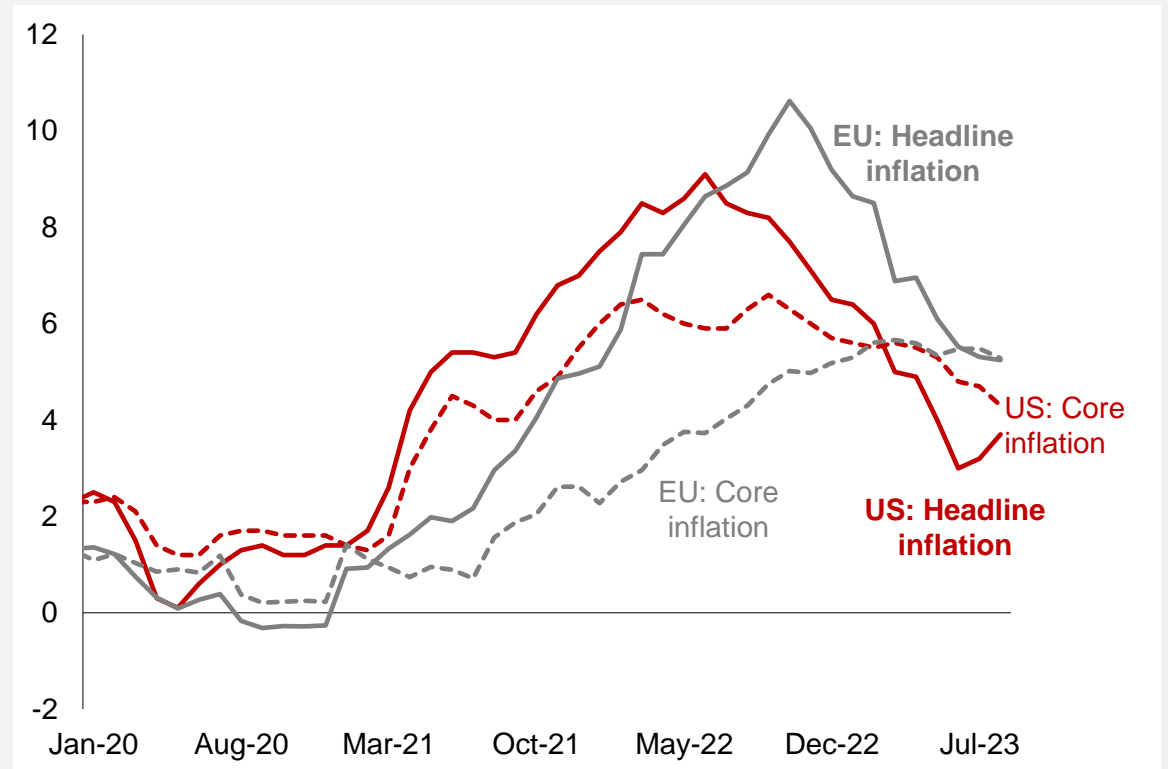
*Spending on durables has picked up, offsetting the moderating demand for services*

*Core inflation continues to moderate, while headline inflation picked up following higher global commodity prices*

**United States and euro area: Manufacturing and Services PMI, and US Retail Sales of Motor Vehicles**  
(Index, seasonally adjusted)



**United States and Euro Area: CPI Inflation**  
(Percent, year-on-year)



Source: S&P Global and US Bureau of Economic Analysis via Haver Analytics, and AMRO staff calculations.  
Note: A reading above 50 indicates an expansion in activities, while a reading below 50 indicates a contraction. Reading represents the simple average of PMI for US and euro area. Retail sales of motor vehicles is indexed to average monthly sales in 2019.

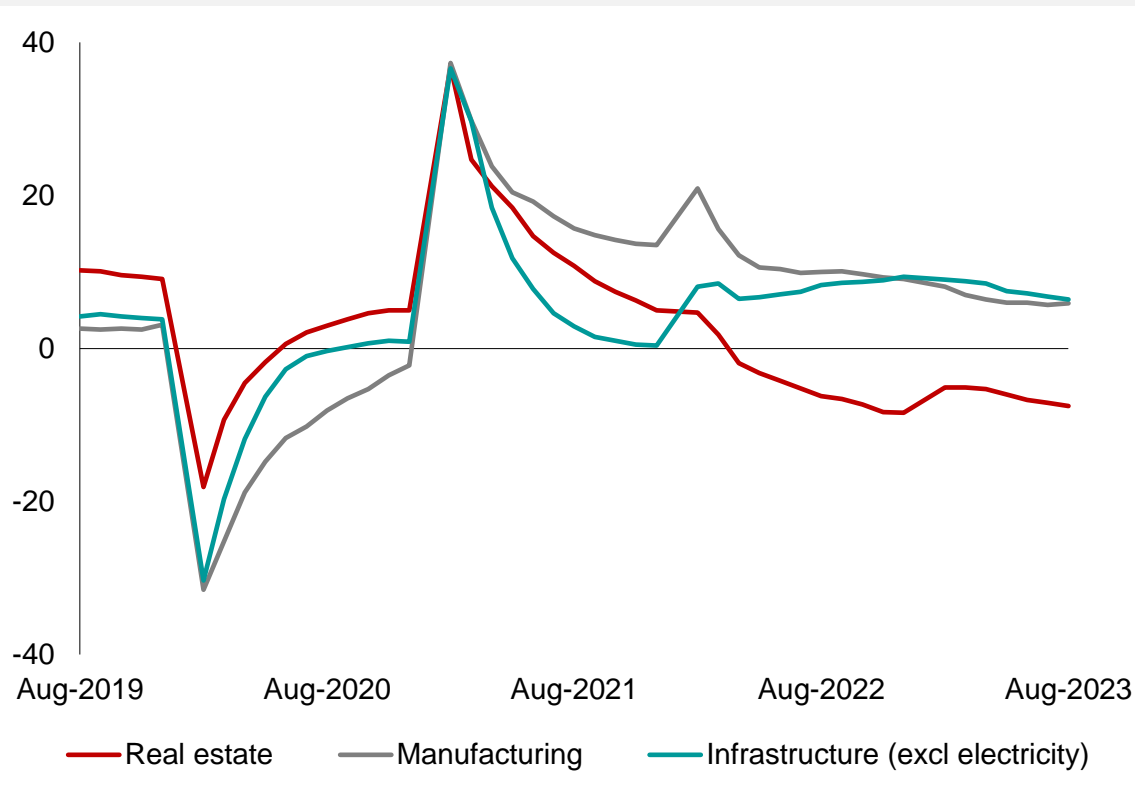
Source: S&P Global via Haver Analytics.  
Note: A reading above 50 indicates an expansion in activities, while a reading below 50 indicates a contraction.

# Distressed real estate sector weighed on China's growth

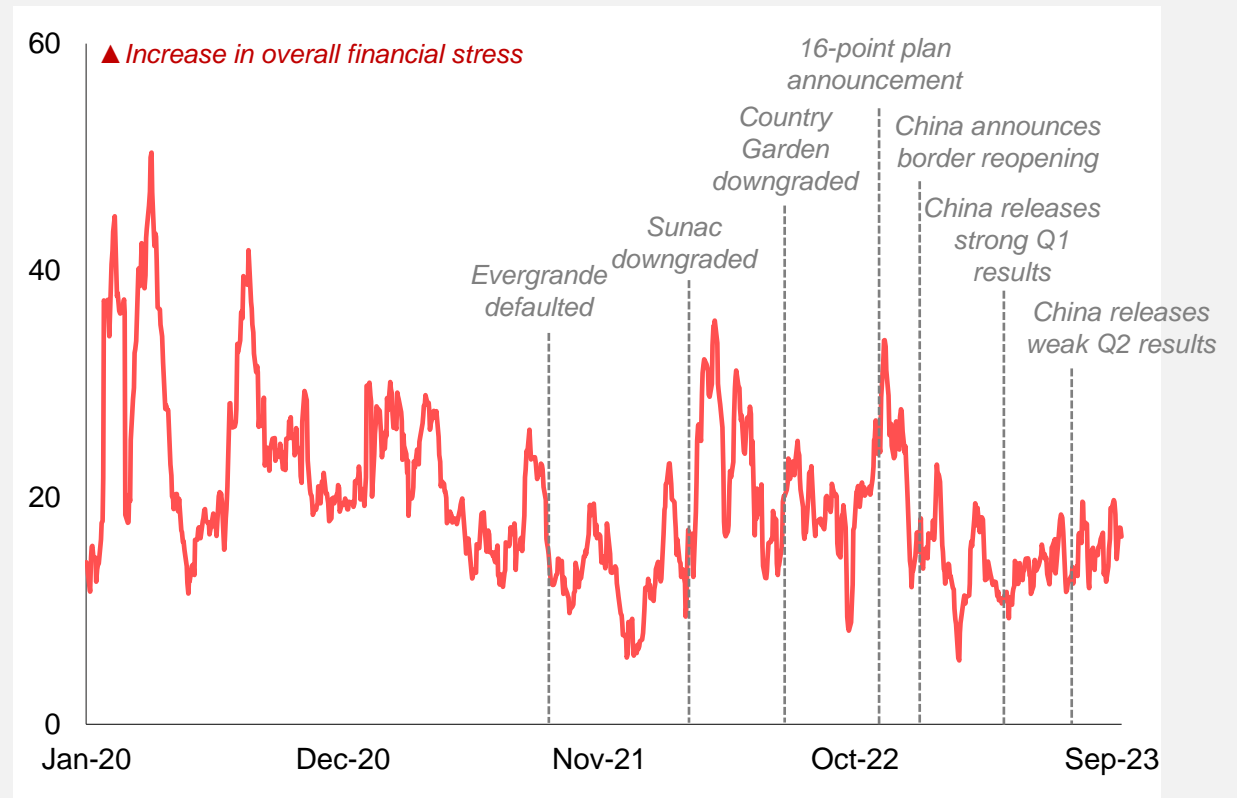
Except real estate, fixed asset investment continued to expand

Swift announcement of wide-ranging government policies has eased financial market uncertainty

China: Fixed Asset Investment  
(Percent, year-on-year)



China: Daily Financial Stress Index  
(z-score)



Source: National authorities via Haver Analytics.

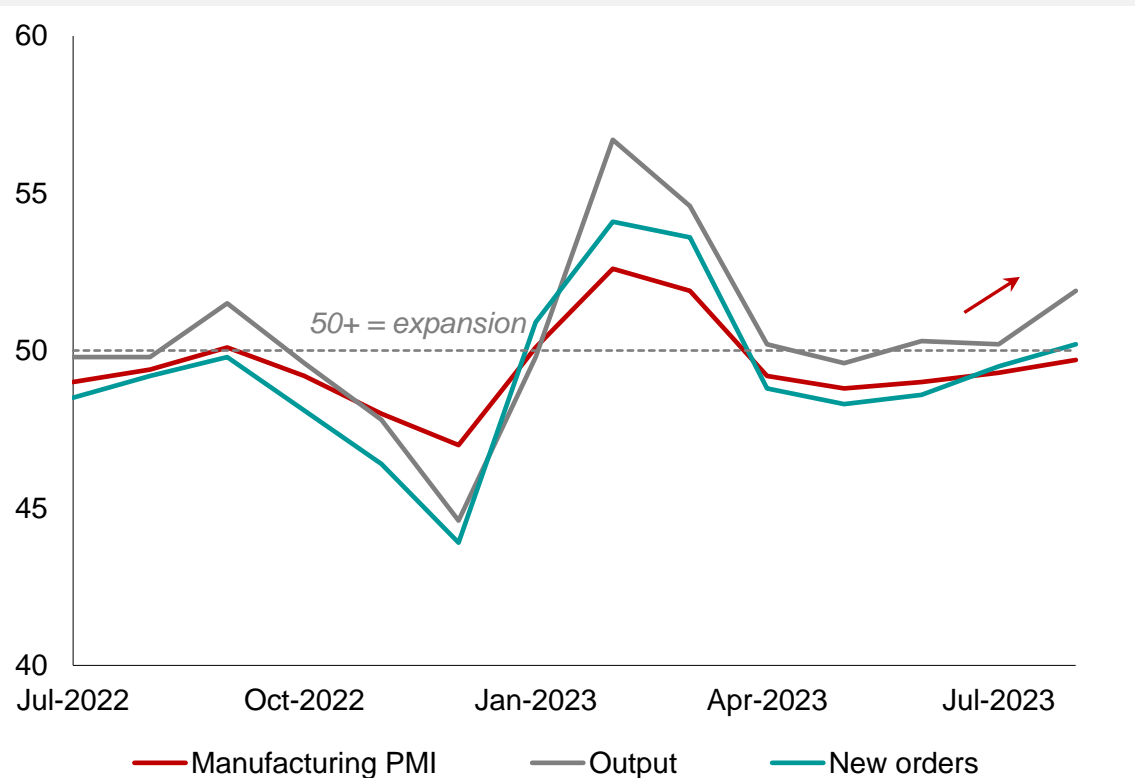
Source: National University of Singapore Credit Research Initiative and AMRO staff estimates.

# However, gradual improvement in manufacturing activities and firm consumer spending would support growth in China

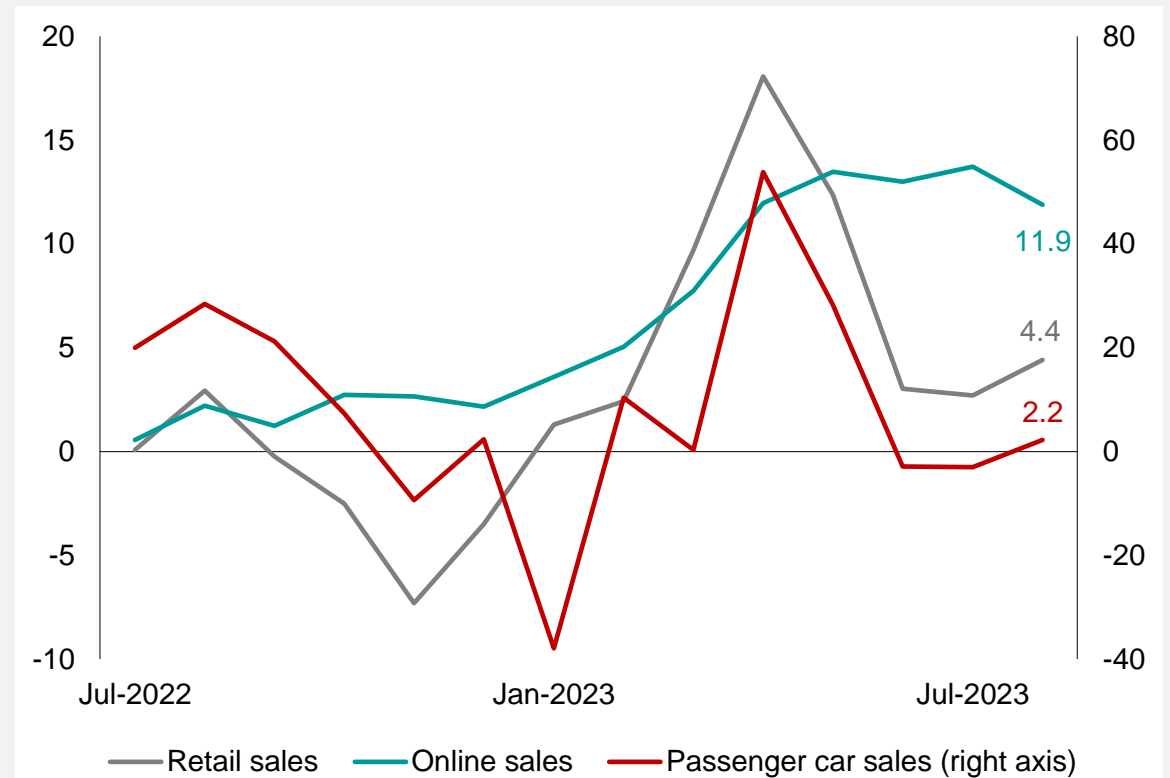
Manufacturing production is improving

Consumer spending for durable goods and retail products remain firm

**China: Manufacturing PMI**  
(Index, seasonally adjusted; 50+ = expansion)



**China: Real Consumer Spending**  
(Percent year-on-year)



Source: National authorities via Haver Analytics.  
Note: A reading above 50 indicates an expansion in activities, while a reading below 50 indicates a contraction.

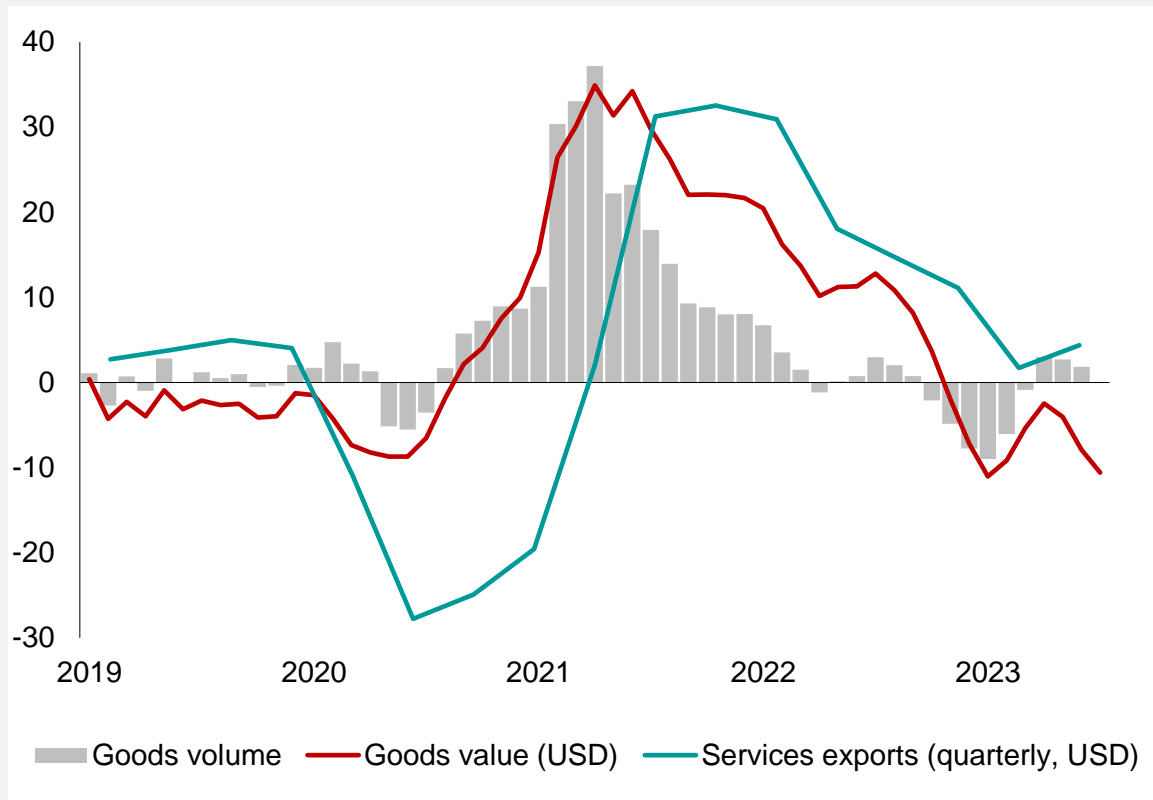
Source: National authorities via Haver Analytics.  
Note: Real retail sales and online sales are estimated by deflating nominal sales with the consumer price index. Passenger car sales refer to units of passenger cars sold.

# The worst may soon be over for ASEAN+3 goods exports

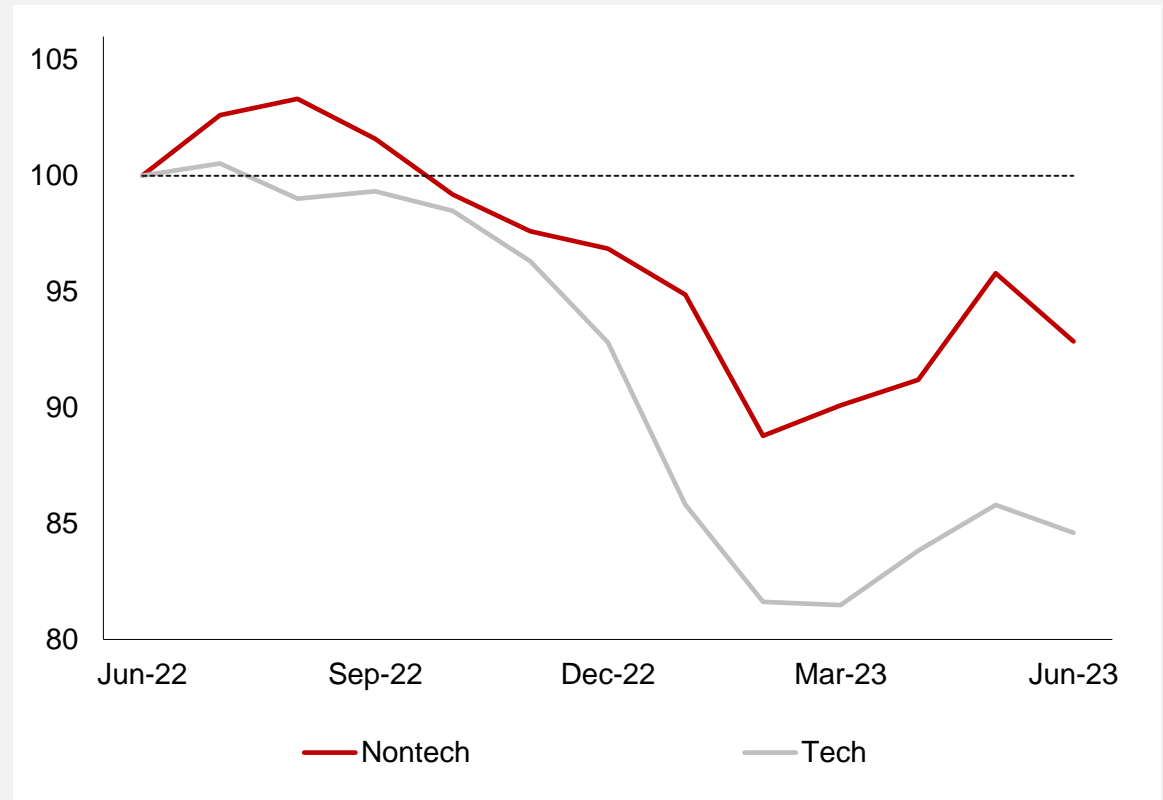
Export contraction is gradually easing

Lower contraction in non-tech exports mitigate the weakness in chips-related exports

**Selected ASEAN+3: Export Growth**  
(Percent, year-on-year)



**Selected ASEAN+3: Export Growth, by Product Type**  
(Index, Q2 2022 = 100)



Source: National authorities via Haver Analytics; AMRO staff calculations.  
Note: Goods exports data are up to July 2023 and are 3-month moving averages; services exports data (quarterly) are up to Q1 2023.

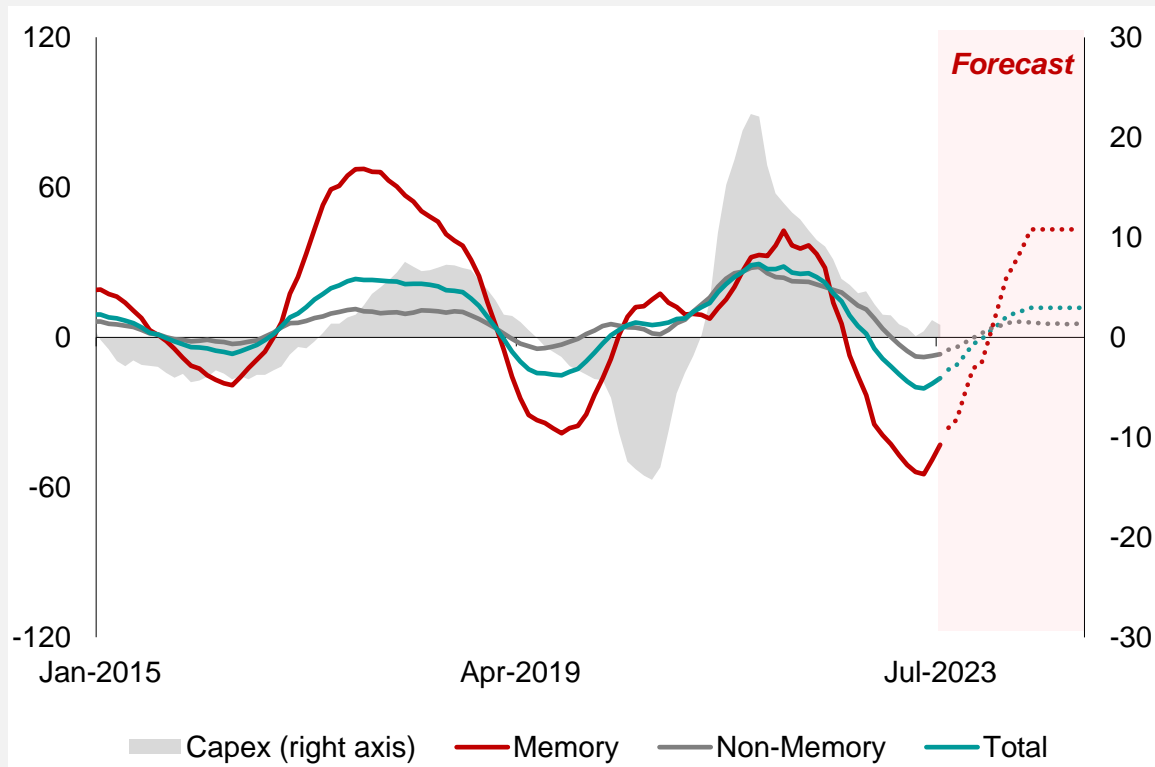
Source: IHS Markit; and AMRO staff calculations.  
Note: Data refers to export values in US dollars. "Tech" covers goods that fall under HS codes 8541-42 and 8486 (all semiconductor-related). Data excludes Cambodia, Myanmar, and Lao PDR.

# Exports will benefit from the expected turnaround in the global tech cycle amid continued recovery in tourism

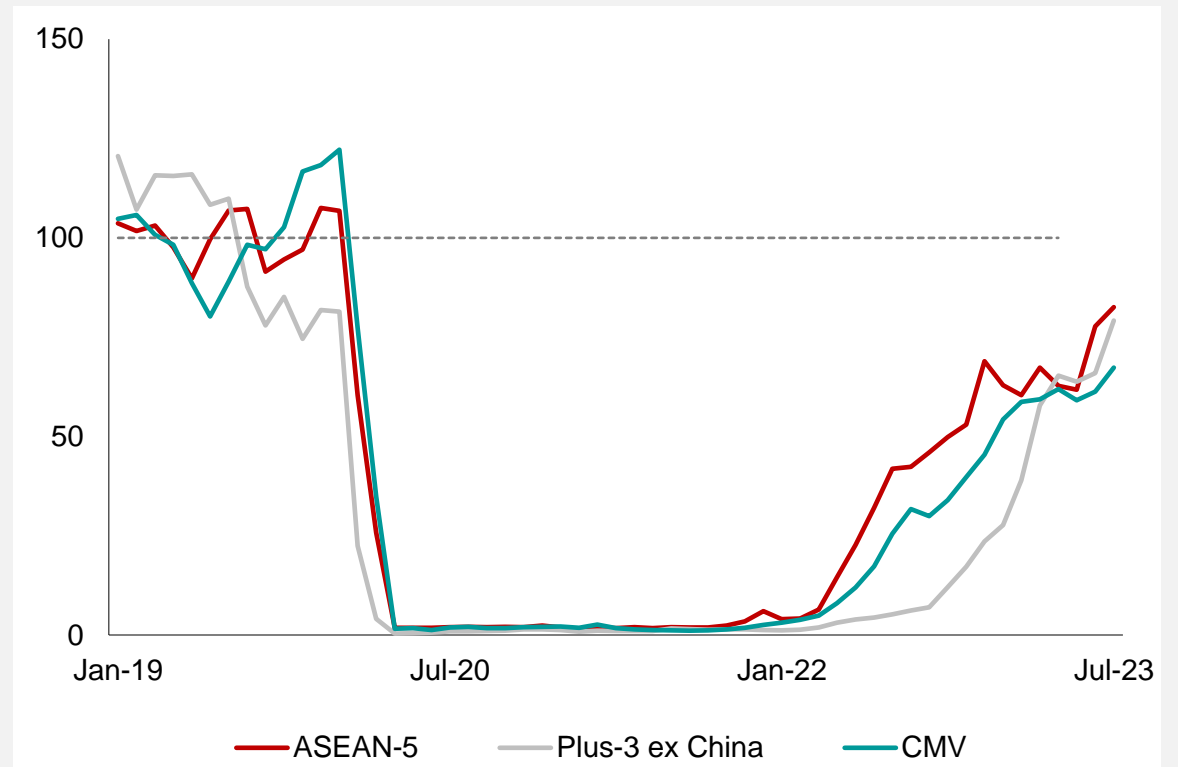
*Chips exports should be an additional growth driver next year as the global semiconductor cycle gradually improves*

*Brisk tourism activity continues to lift the region's service exports*

**Global Semiconductor and Capital Expenditure (Capex) Cycles**  
(Percent, year-over-year, 6-month moving average)



**Selected ASEAN+3: Tourist Arrivals**  
(Index, 2019 = 100)



Source: Haver Analytics; WSTS Inc.; and AMRO staff estimates.

Note: Semiconductor data represent actual global billings up to July 2023 and estimated monthly billings next year using WSTS forecasts. Capex data are for the Germany (as proxy for euro area), Japan, and the United States.

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

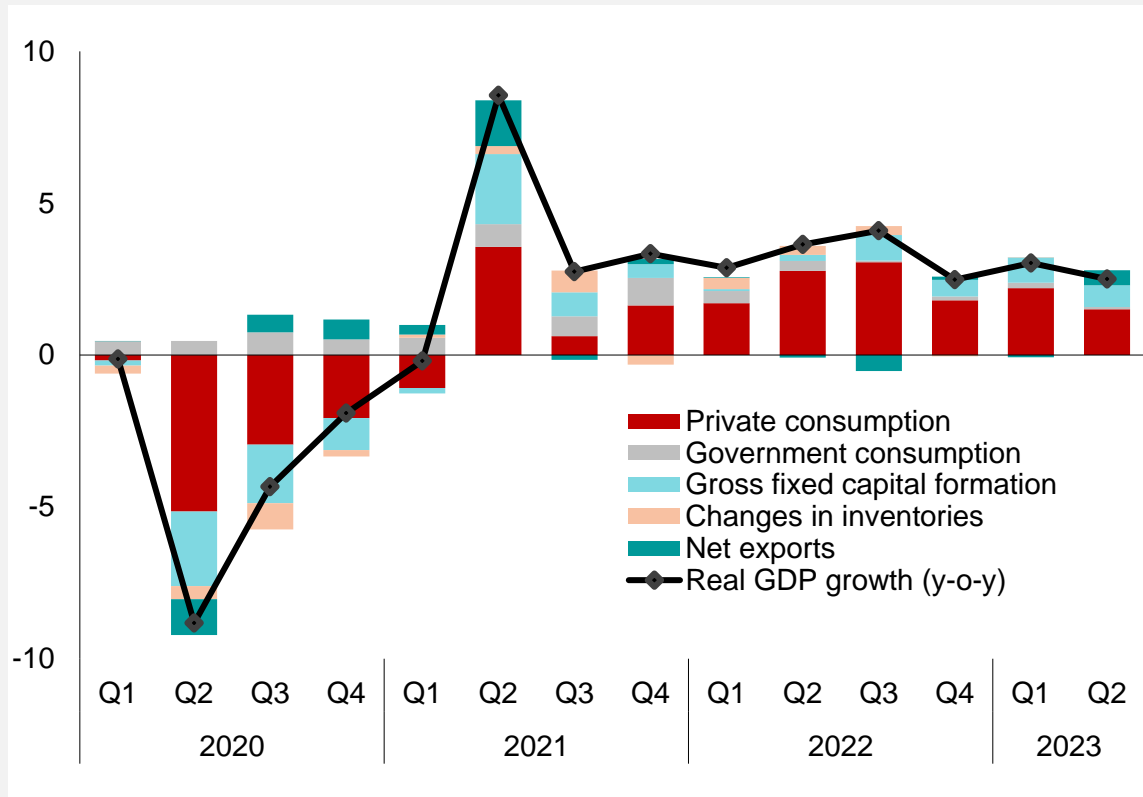
Note: Excludes Lao PDR due to data unavailability. ASEAN-5 = Indonesia, Malaysia, Philippines, Singapore and Thailand. CMV = Cambodia, Myanmar and Vietnam. June-July 2023 arrivals data for Malaysia and Myanmar are AMRO staff estimates.

# Domestic demand remains the main engine of growth

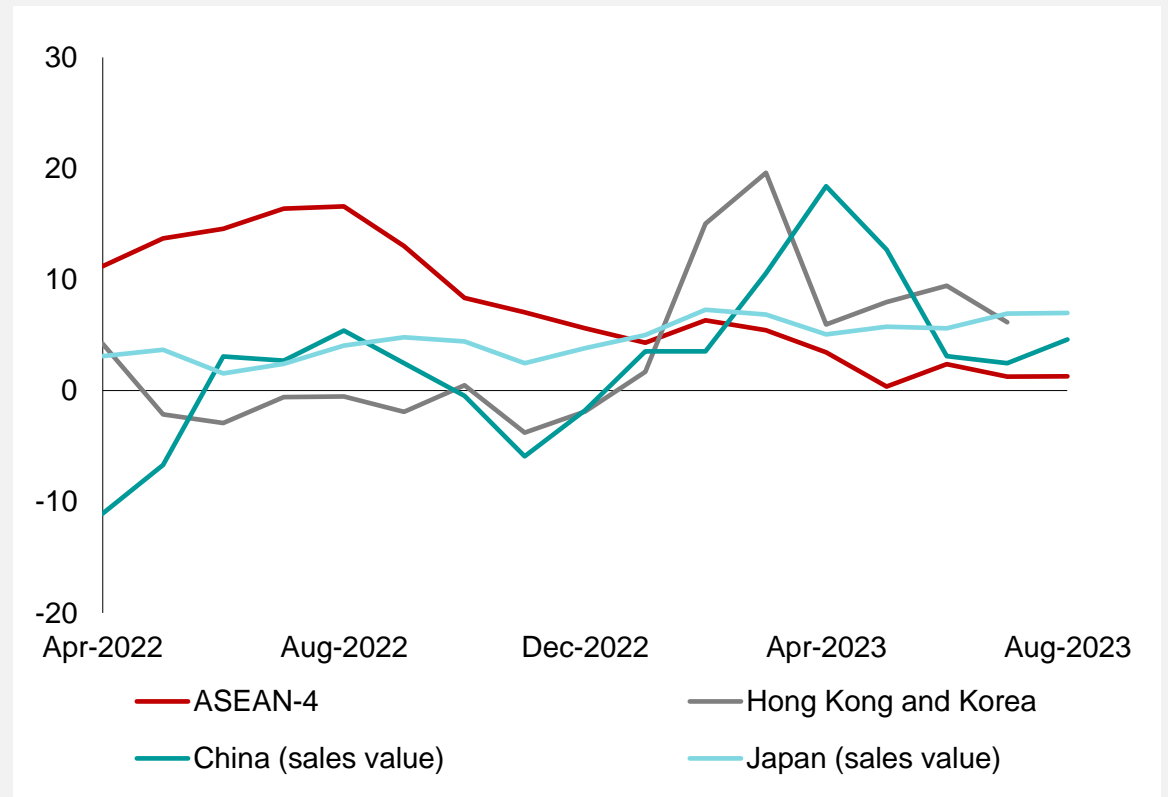
*Firm household spending was underpinned by strong employment conditions and improving household income*

*Retail sales has also been bolstered by the robust recovery in travel and tourism*

**Selected ASEAN+3: Contribution to Real GDP Growth**  
(Percent, year-on-year)



**Selected ASEAN+3: Retail Sales Volume**  
(Percent, year-on-year)



Source: National authorities via Haver Analytics; AMRO calculations.  
Note: Statistical discrepancies are not shown. Excludes Cambodia, China, Lao PDR, Myanmar, and Vietnam due to data unavailability.

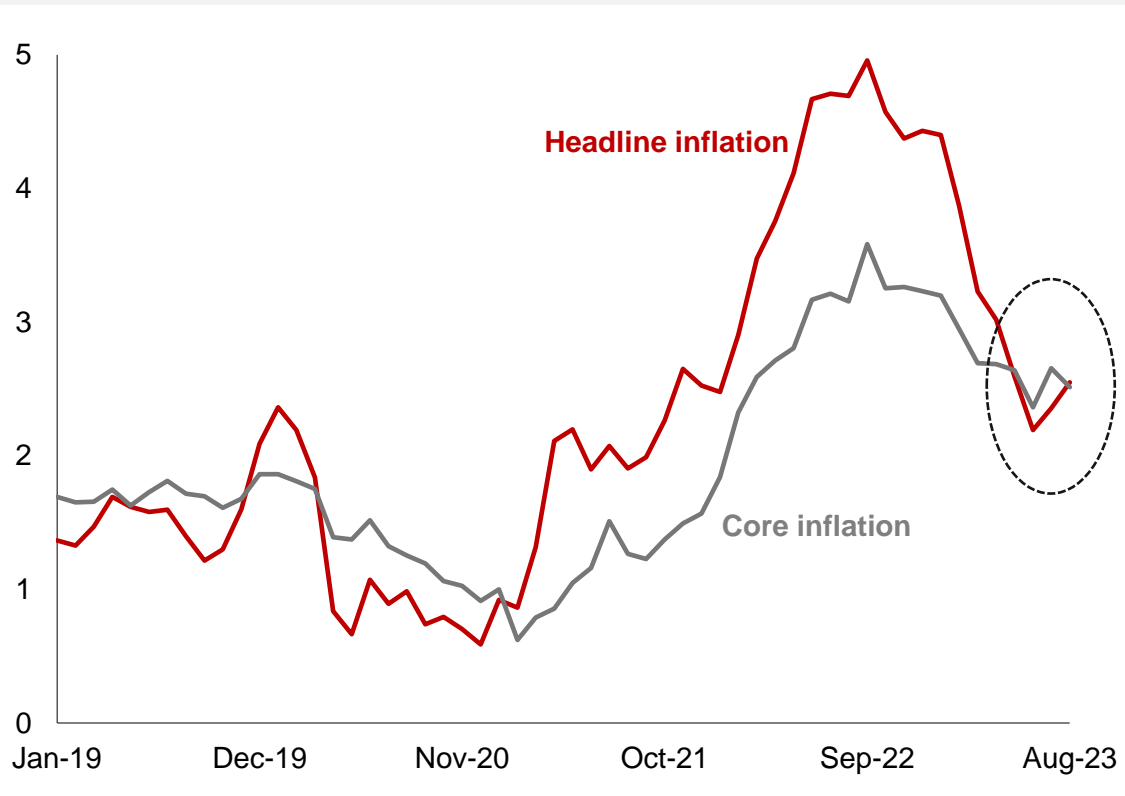
Source: National authorities via Haver Analytics; AMRO staff calculations.  
Note: ASEAN-4 includes Indonesia, Malaysia, Singapore, and Thailand.

# Headline inflation rose recently following the increase in global commodity prices

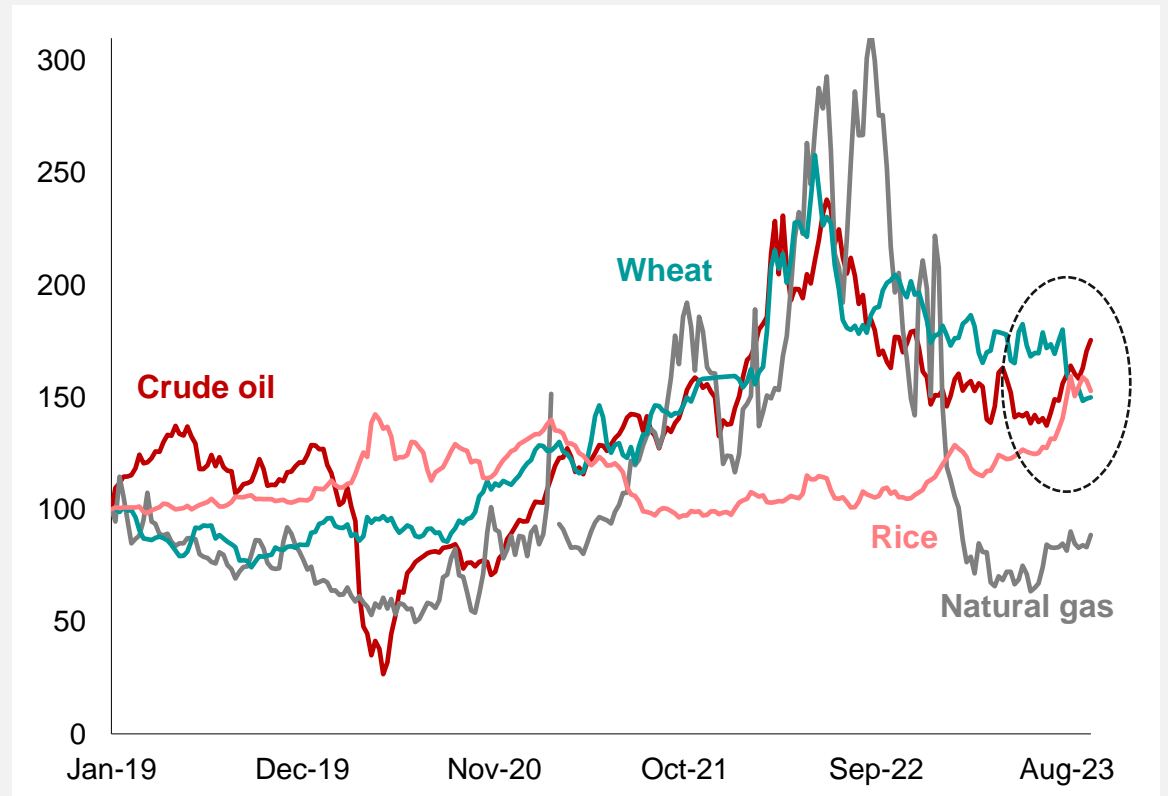
*Inflation across the region rose towards the end of the third quarter...*

*...driven mainly by higher energy and food prices*

**ASEAN+3: Average Headline and Core Inflation**  
(Percent, year-on-year)



**World: Commodity Prices**  
(Index, 4 January 2019 = 100)



Source: National authorities via Haver Analytics; AMRO staff calculation.  
Note: Core inflation excludes food and energy. For Singapore, core inflation refers to the MAS core inflation.  
Data excludes Lao PDR and Myanmar, are up to August 2023, except Brunei and Cambodia (up to June 2023).

Source: Energy Information Administration; Wall Street Journal; Thai Rice Exporters Association, via Haver Analytics; AMRO staff calculations.



# Regional markets have come under renewed pressure on concerns about China and the global interest rate outlook

*Equity markets weakened amid fears of a systemic crisis in China*

*Most regional currencies depreciated against a strong US dollar*

*Bond yields increased following interest rate hikes in advanced economies*

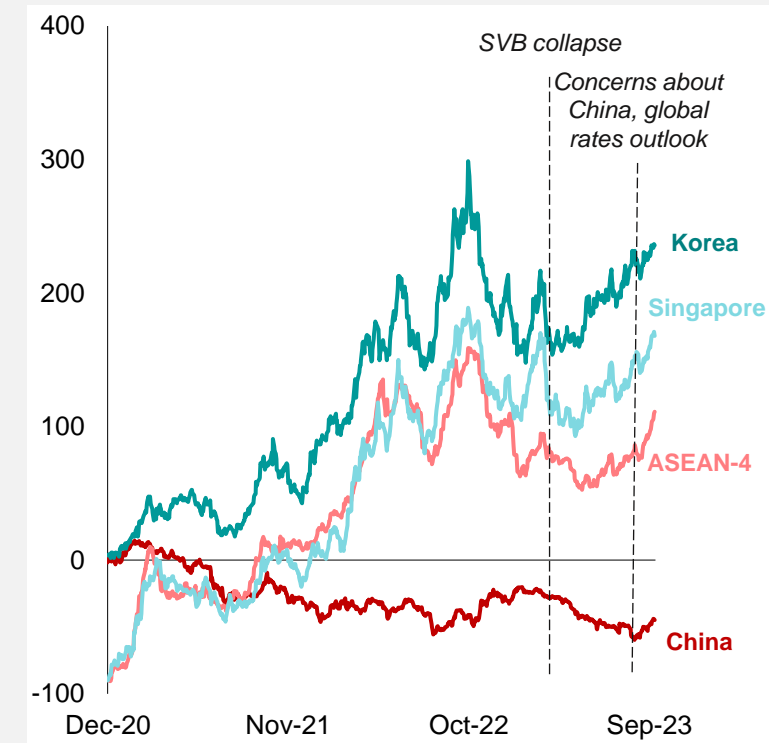
**Selected ASEAN+3: Equity Market Indices**  
(Change in index from Dec 31, 2019)



**Selected ASEAN+3: Currencies against USD**  
(Percentage change from Dec 31, 2019)



**Selected ASEAN+3: 10-year Government Bond Yields**  
(Basis point change from Dec 31, 2019)



Source: National authorities via Haver Analytics and AMRO staff calculations.  
Note: ASEAN-5 (average) is simple mean of returns since December 31, 2019 in benchmark equity indices of Indonesia, Philippines, Malaysia, Thailand and Singapore. Data as of September 28, 2023.

Source: National authorities via Haver Analytics and AMRO staff calculations.  
Note: ASEAN-4 (average) is the simple mean of changes in bilateral exchange rate against the US dollar of Indonesia, Malaysia, the Philippines, and Thailand. Data as of September 28, 2023.

Source: National authorities via Haver Analytics and AMRO staff calculations.  
Note: ASEAN-4 (average) is the simple mean of changes for Indonesia, Philippines, Malaysia, and Thailand. Data as of September 28, 2023.

# Growth will strengthen in 2024

## AMRO Staff Baseline Growth Estimates and Forecasts, 2023–24

Economy	Gross Domestic Product (Percent year-on-year)				
	2022 <sup>e</sup>	AREO 2023 Quarterly Update (July 2023)		AREO 2023 Quarterly Update (October 2023)	
		2023 <sup>e</sup>	2024 <sup>f</sup>	2023 <sup>e</sup>	2024 <sup>f</sup>
<b>ASEAN+3</b>	3.2	4.6	4.5	4.3	4.5
<b>Plus-3</b>	2.6	4.6	4.3	4.3	4.4
China	3.0	5.5	5.2	5.0	5.3
Hong Kong, China	-3.5	5.2	3.0	4.7	3.3
Japan	1.0	1.4	1.1	1.9	1.1
Korea	2.6	1.4	2.3	1.3	2.4
<b>ASEAN</b>	5.6	4.5	5.1	4.4	5.0
Brunei Darussalam	-1.6	1.0	2.2	1.1	2.0
Cambodia	5.2	5.7	6.2	5.3	6.2
Indonesia	5.3	5.0	5.3	5.0	5.2
Lao PDR	4.4	4.8	5.0	4.8	5.0
Malaysia	8.7	4.2	5.2	4.2	5.2
Myanmar	1.2	2.2	2.8	2.2	2.8
Philippines	7.6	6.2	6.5	5.9	6.5
Singapore	3.6	1.3	2.9	1.0	2.9
Thailand	2.6	3.9	4.0	3.5	3.9
Vietnam	8.0	4.4	6.4	4.7	6.0

● Revised upwards from July    ● Revised downwards from July    ● Maintained from July

Source: AMRO staff estimates.

Notes: e = estimates, f = forecast. Regional aggregates for growth are estimated using the weighted average of 2022 GDP on purchasing power parity basis. Myanmar's numbers are based on its fiscal year which runs from October 1 of the previous year to September 30 of the current year.

# Inflation is expected to be slightly higher next year

## AMRO Staff Baseline Inflation Estimates and Forecasts, 2023–24

Economy	Inflation (Percent year-on-year)				
	2022 <sup>e</sup>	AREO 2023 Quarterly Update (July 2023)		AREO 2023 Quarterly Update (October 2023)	
		2023 <sup>e</sup>	2024 <sup>f</sup>	2023 <sup>e</sup>	2024 <sup>f</sup>
<b>ASEAN+3</b>	<b>6.5</b>	<b>6.3</b>	<b>3.4</b>	<b>6.5</b>	<b>3.8</b>
<i>ASEAN+3 ex. LA and MM</i>	4.1	3.0	2.4	2.9	2.6
<b>Plus-3</b>	<b>2.9</b>	<b>2.4</b>	<b>2.0</b>	<b>2.4</b>	<b>2.0</b>
China	2.0	1.2	1.8	0.6	1.4
Hong Kong, China	1.9	2.3	2.5	2.3	2.5
Japan	2.5	2.9	1.6	3.1	1.9
Korea	5.1	3.2	2.2	3.4	2.3
<b>ASEAN</b>	<b>7.9</b>	<b>7.8</b>	<b>4.0</b>	<b>8.2</b>	<b>4.5</b>
<i>ASEAN ex. LA and MM</i>	4.7	3.3	2.6	3.2	2.8
Brunei Darussalam	3.7	0.9	0.7	1.0	1.1
Cambodia	5.4	2.8	3.0	2.3	2.7
Indonesia	4.2	3.9	2.8	3.8	2.8
Lao PDR	23.0	25.7	8.0	30.0	11.2
Malaysia	3.3	3.1	2.6	3.1	2.6
Myanmar	18.2	26.0	11.0	26.0	11.0
Philippines	5.8	5.9	3.8	5.5	3.8
Singapore	6.1	5.4	3.6	5.2	4.1
Thailand	6.1	1.9	1.8	1.6	2.0
Vietnam	3.2	2.9	2.7	3.3	3.4

● Revised upwards from July    ● Revised downwards from July    ● Maintained from July

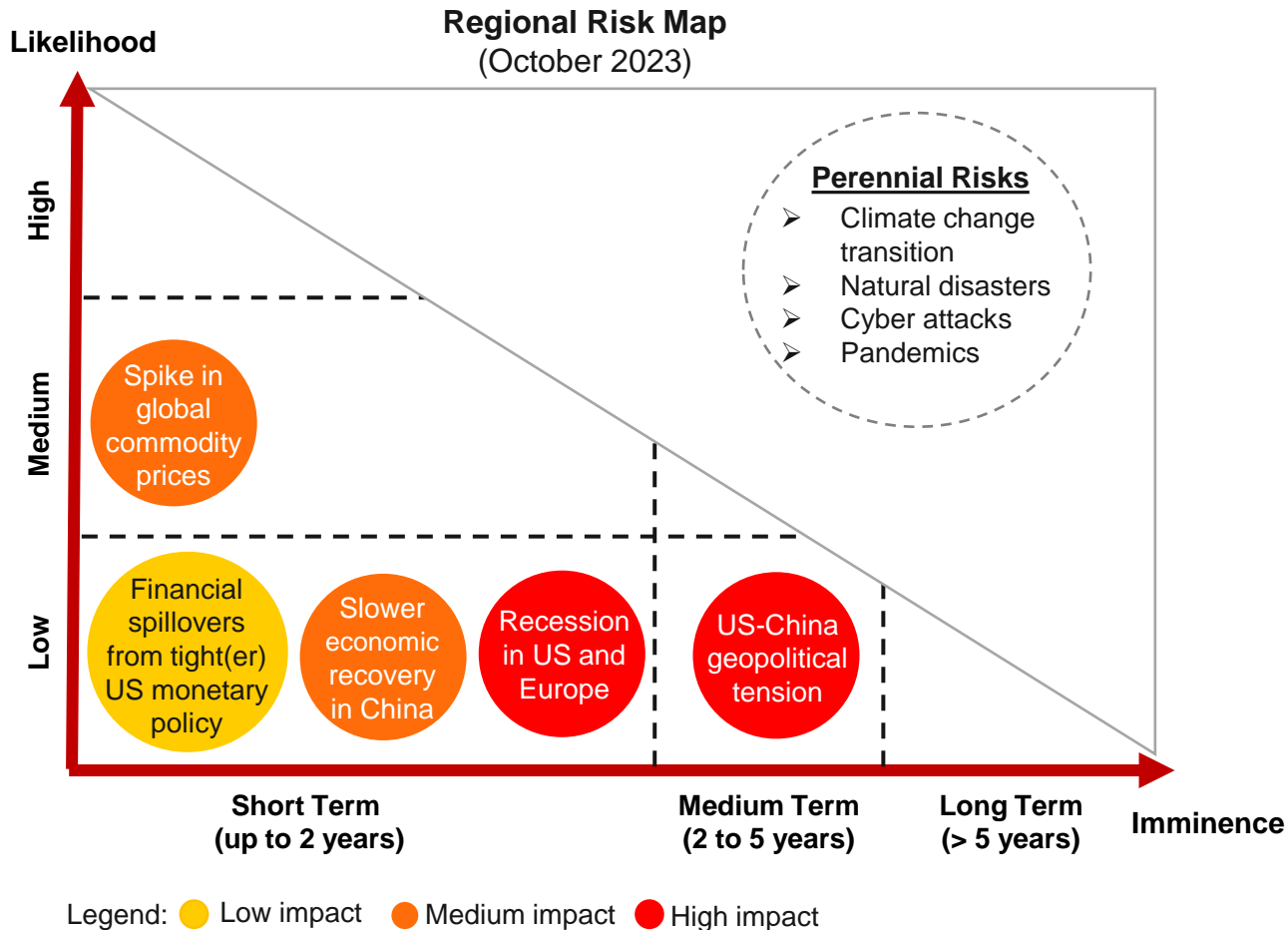
Source: AMRO staff estimates.

Notes: e = estimates, f = forecast. Regional aggregates for inflation are computed using simple averaging. Myanmar's numbers are based on its fiscal year which runs from October 1 of the previous year to September 30 of the current year.

# Some risks could impact the 2023–24 baseline forecasts

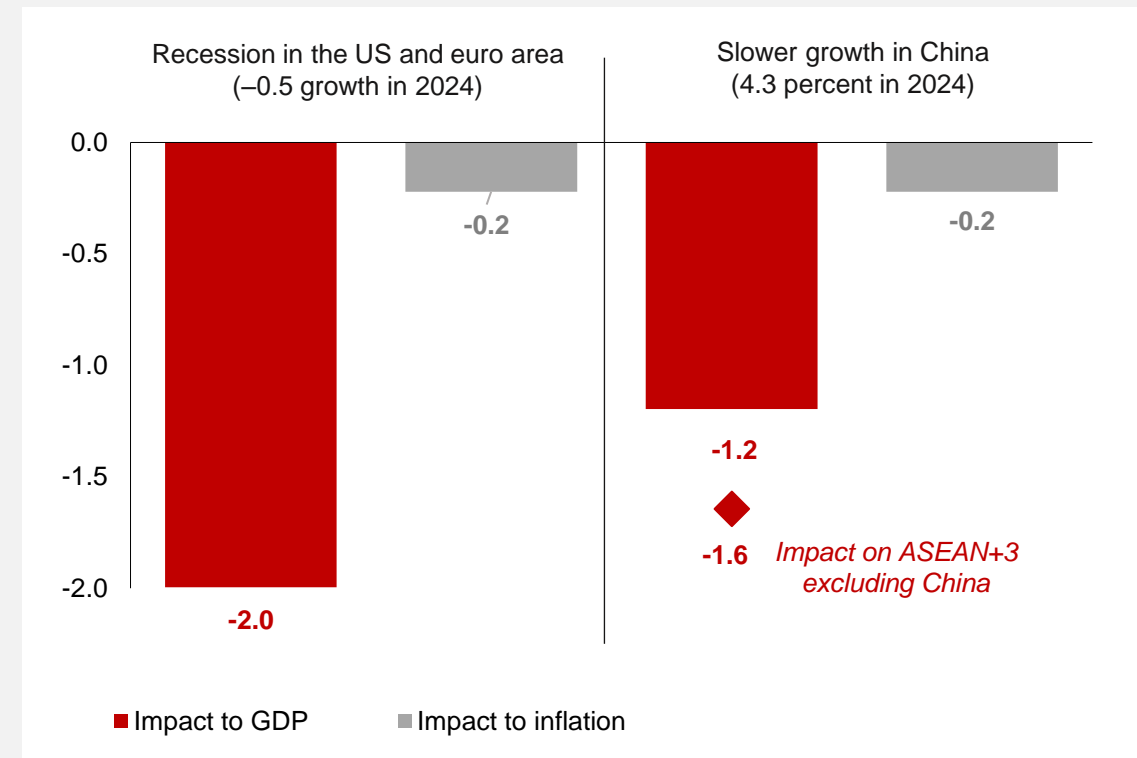
Slower growth in major trading partners and spike in commodity prices could impact growth and inflation

GDP for ASEAN+3 could dip below 3 percent—lowest in two decades outside pandemic slowdown—if major adverse risks materialize



Source: AMRO staff.

**ASEAN+3: Impact of Selected Adverse Scenarios on 2024 GDP Growth and Inflation**  
(Percentage point deviation from baseline)



Source: Oxford Economics Global Economics Model, and AMRO staff estimates.

Note: Selected ASEAN+3 refers to Plus-3 and ASEAN-5. Other economies are omitted due to data unavailability. Impact to GDP is presented as the 2022 PPP-weighted average while impact to inflation is a simple average of the selected economies.

## Key messages

- Growth for ASEAN+3 is weighed down by weak manufacturing exports in 2023 but is expected to strengthen in 2024, underpinned by resilient domestic demand and a recovery in the manufacturing sector.
- Growth in China should gain momentum as domestic activities stabilize and recently announced policy support measures gain traction.
- Export growth—which has been supported by tourism recovery thus far—will be further lifted by the expected turnaround in goods exports.
- Downside risks remain, with the risk of higher inflation becoming more salient.

# Thank you



## ***Contact Us***

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

**Tel:** +65 6323 9844

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

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