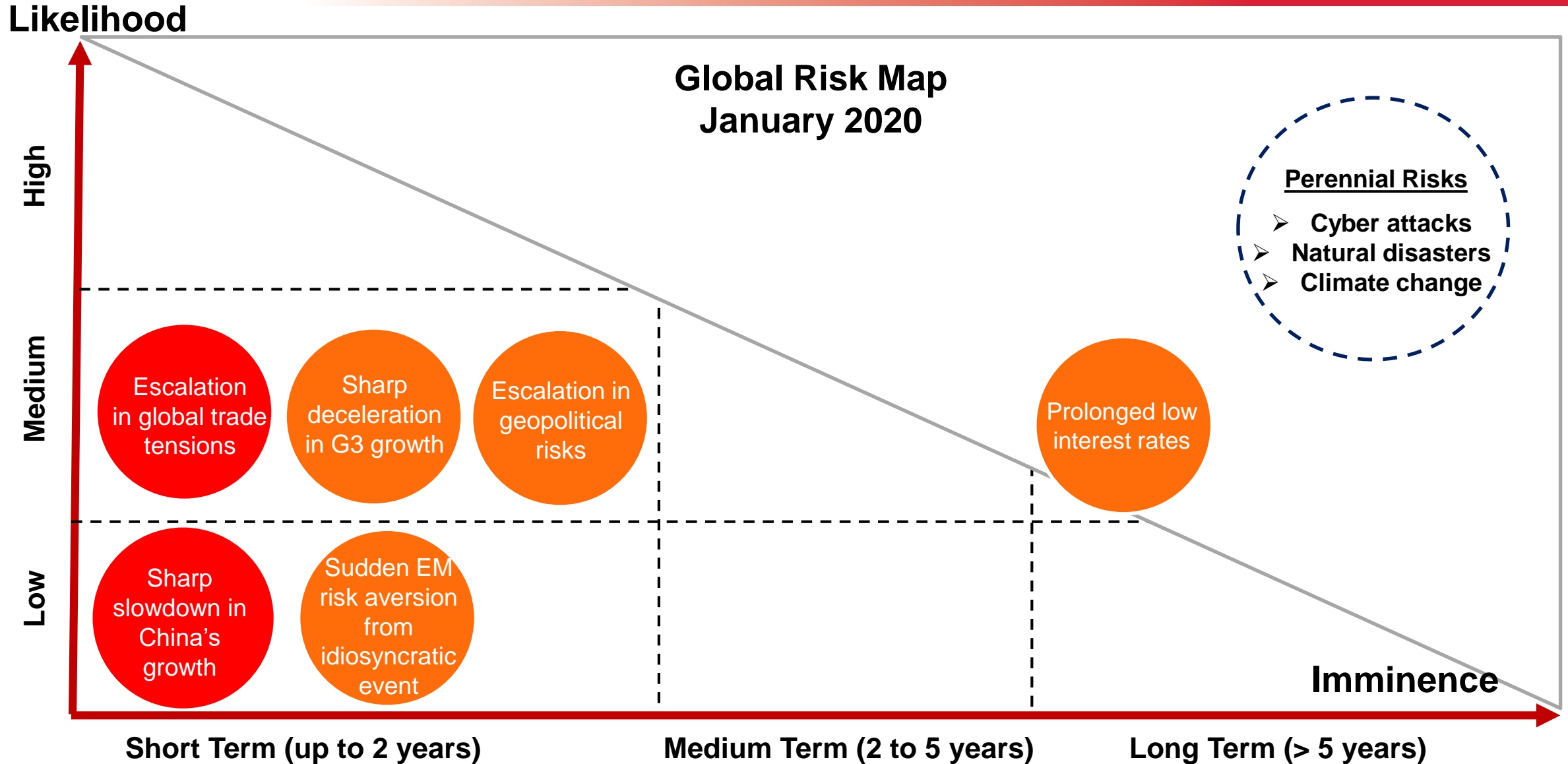
















ASEAN+3 Regional Economic Outlook 2020

Singapore
January 17, 2020



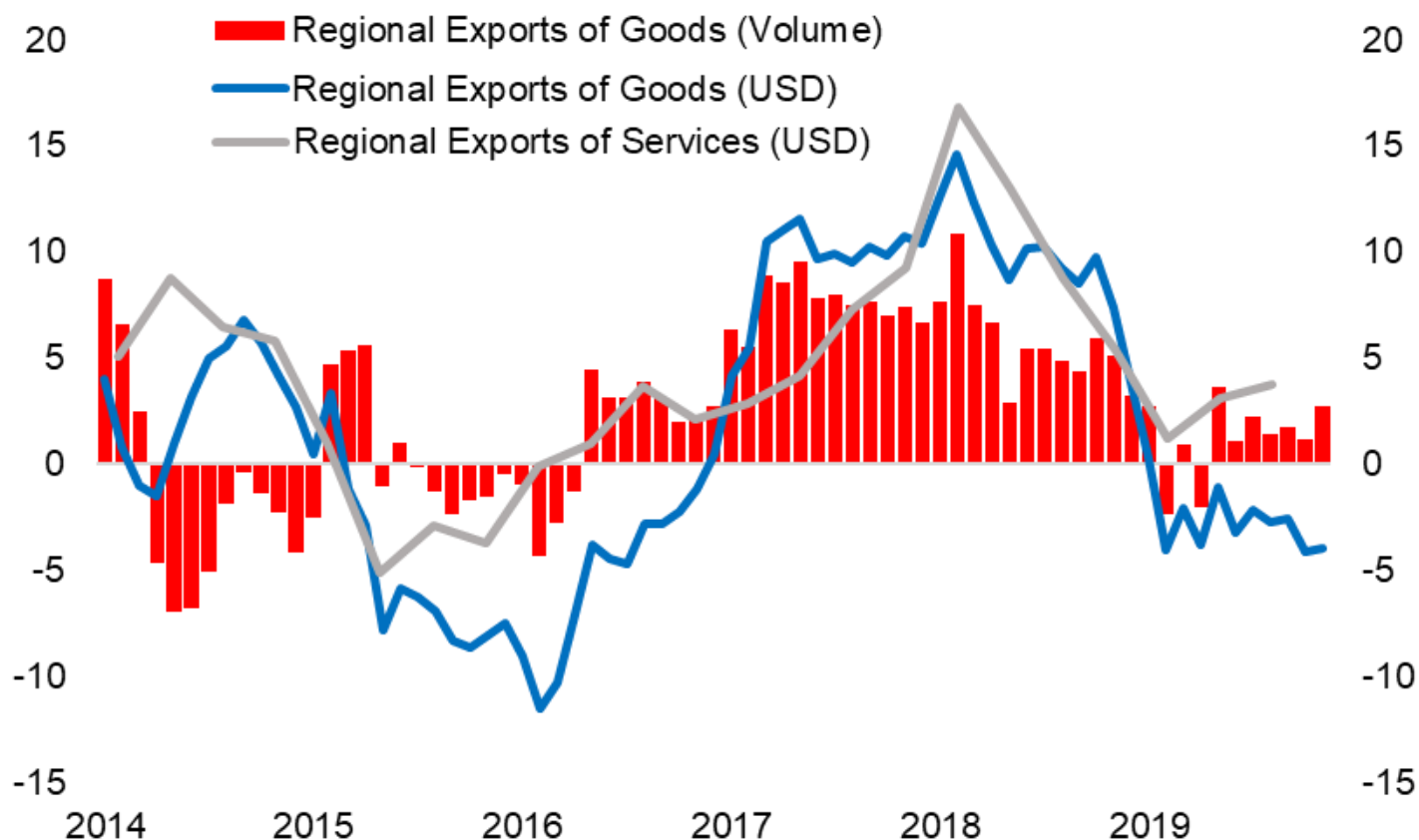
Compared to December 2019, the outlook for the region's economies has improved amid moderating headwinds

AMRO Growth Projections December 2019 versus January 2020

Member	2018	December 2019		January 2020	
		2019 e/	2020 p/	2019 e/	2020 p/
China	6.6	6.2	5.9	6.1 	6.1 
Japan	0.8	0.8	0.2	1.1 	0.5 
Korea	2.7	1.9	2.2	1.9 	2.4 
ASEAN-4 & VN	5.2	4.9	5.0	4.9 	5.0 
BCLM	6.4	6.5	6.8	6.5 	6.8 
HK & SG	3.1	-0.3	0.8	-0.2 	1.2 
ASEAN+3	5.3	4.9	4.7	4.9 	4.9 

As anticipated, aggregate regional exports have been hurt by the US-China trade tensions, although growth in services exports is still positive

ASEAN+3: Regional Export Performance (Percent year-on-year, 3-month moving average)

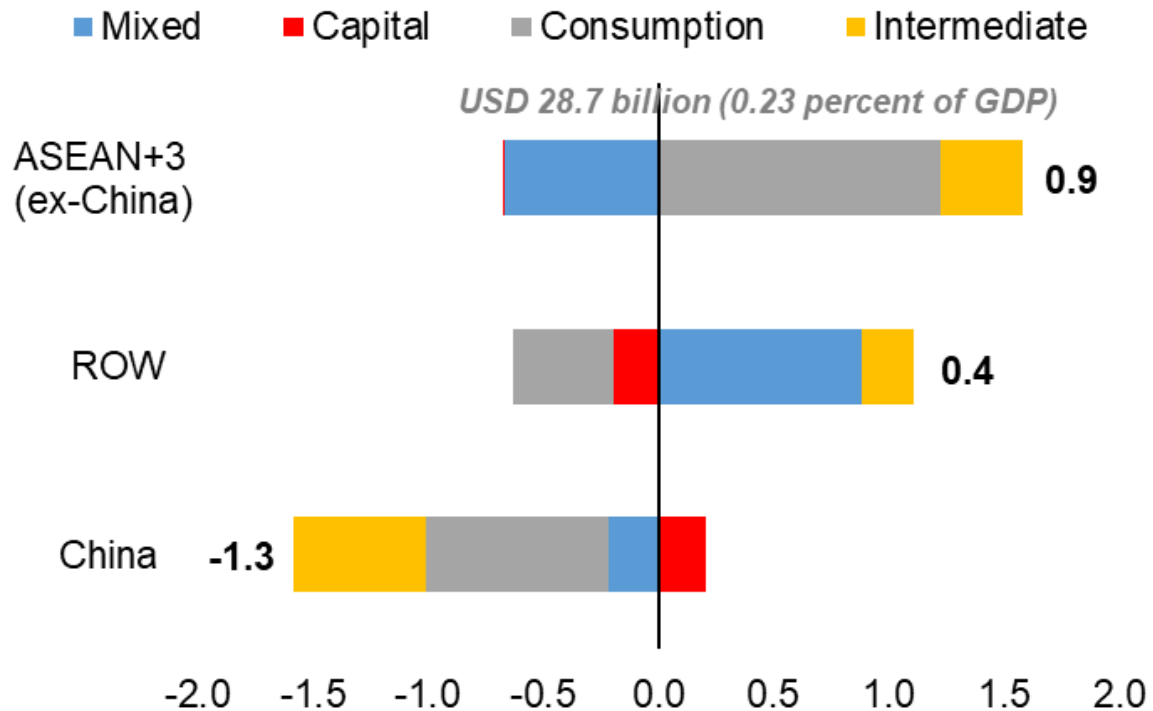


%yoy	Jan-Nov '18	Jan-Nov '19
Goods	+10.1	-3.0
Volume	+6.1	+1.6

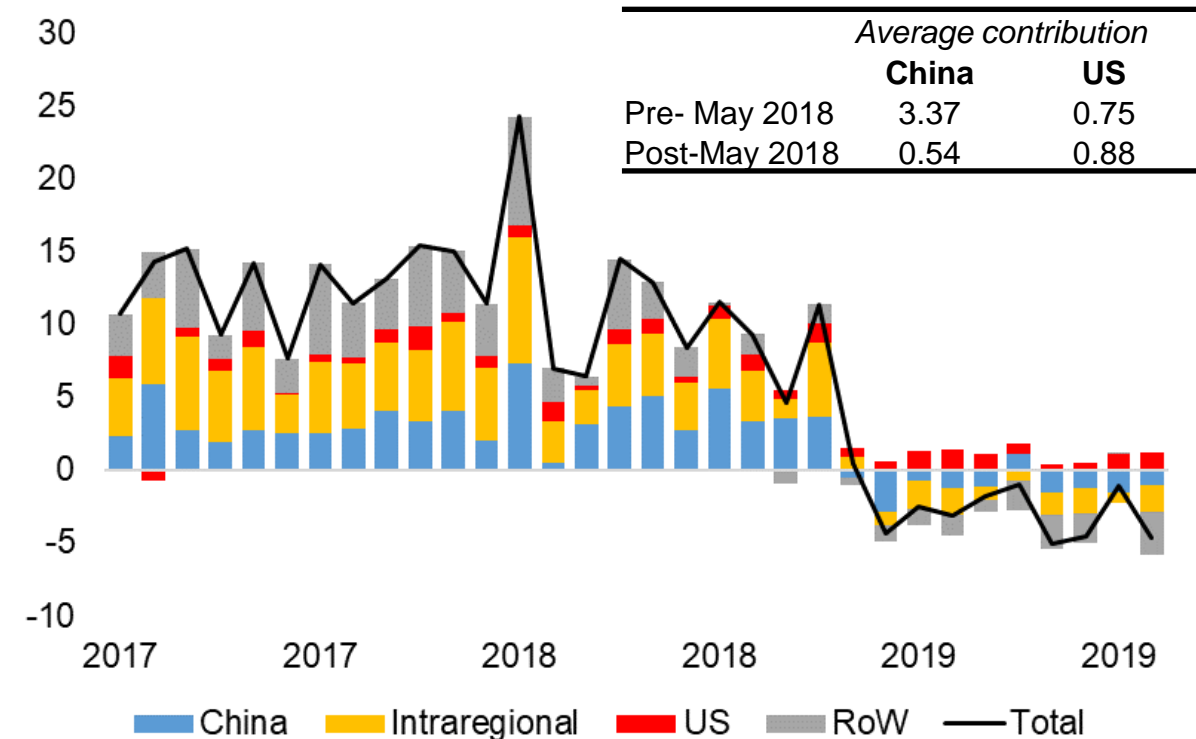
%yoy	Jan-Sep '18	Jan-Sep '19
Services	+12.8	+2.7

Other regional economies have benefited from trade diversion, as evidenced by continuing positive US demand for the region's exports...

United States: Change in Share of Imports by Source and Tariff-hit Product Categories (Percentage points)



ASEAN+3 (ex-China): Contributions to Export Growth (Percentage points)

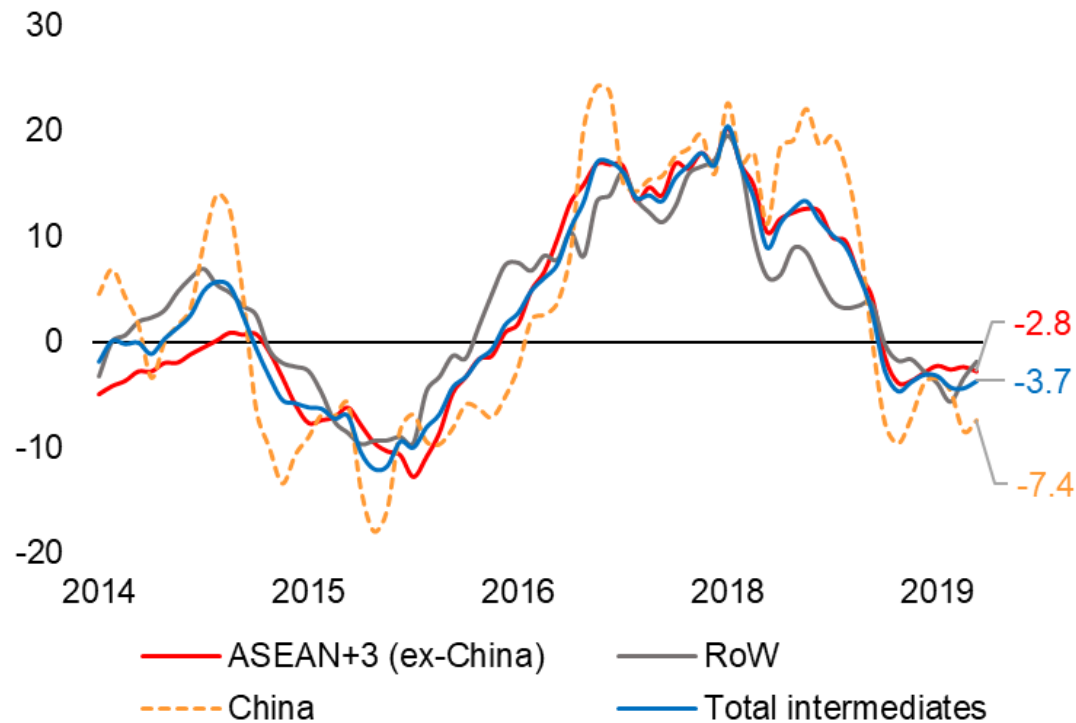


...and the intra-regional demand for intermediate goods by some economies is consistent with supply chain re-routing

ASEAN+3 (ex-China): Intermediate Goods

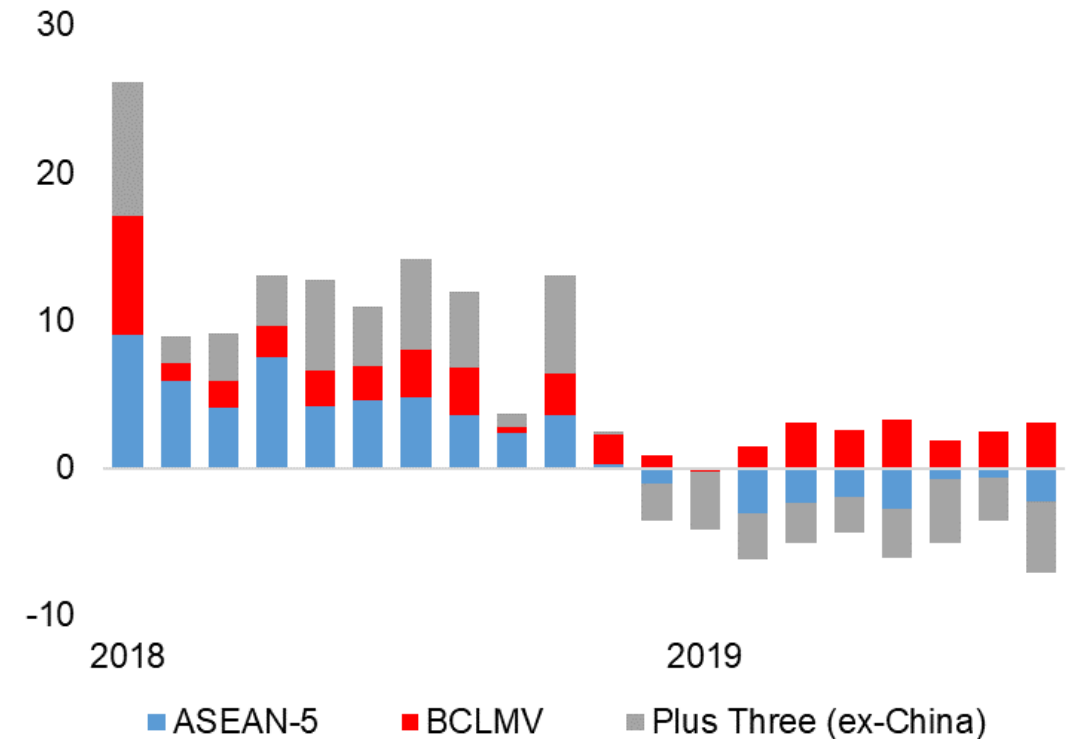
Exports

(Percent year-on-year, 3-month moving average)



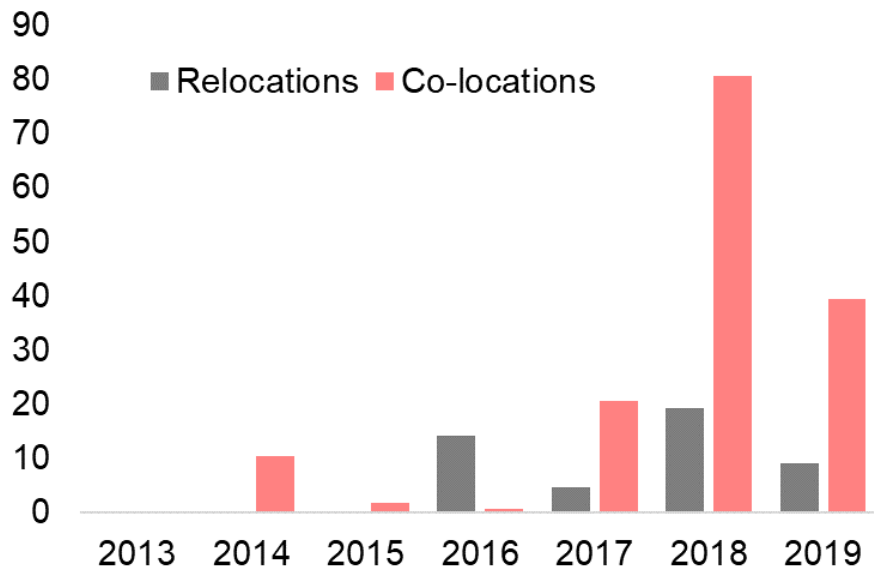
Contributions to Intra-regional Demand

(Percentage points)

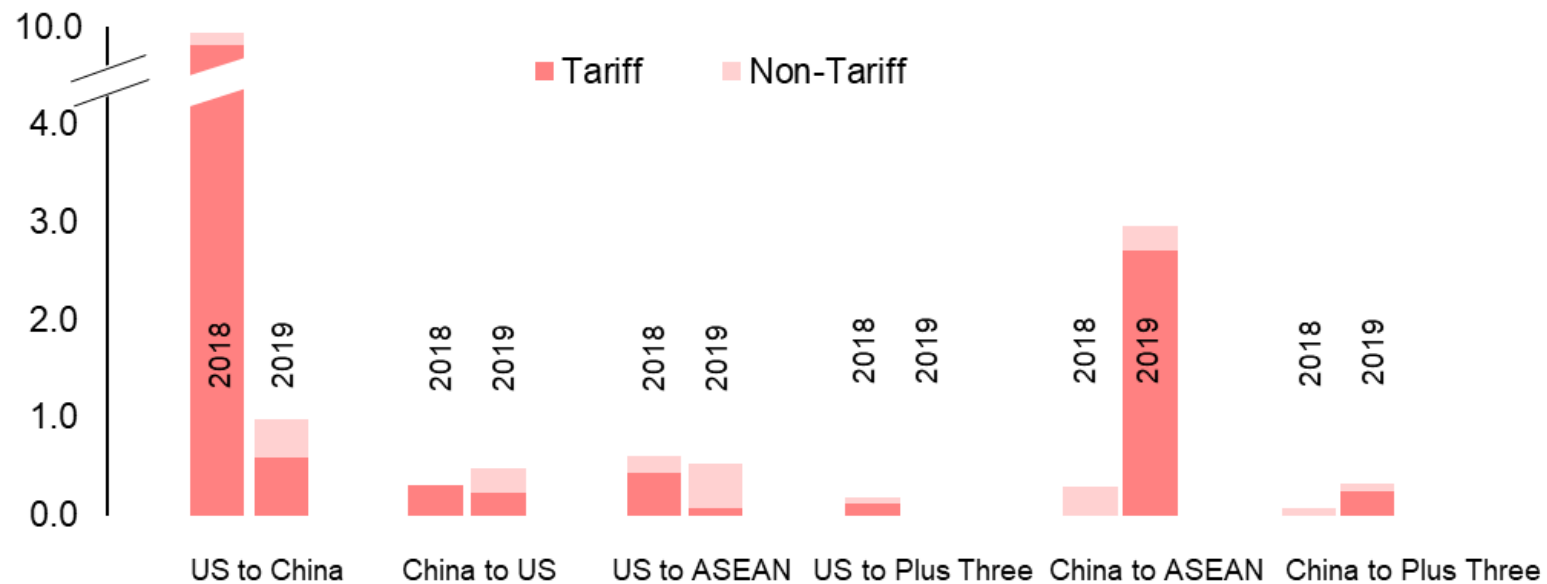


Meanwhile, there are also indications of FDI diversion in tariff-hit sectors, predominantly through co-locations

Global Trend in Relocations and Co-locations (Announced, billions of US dollars)



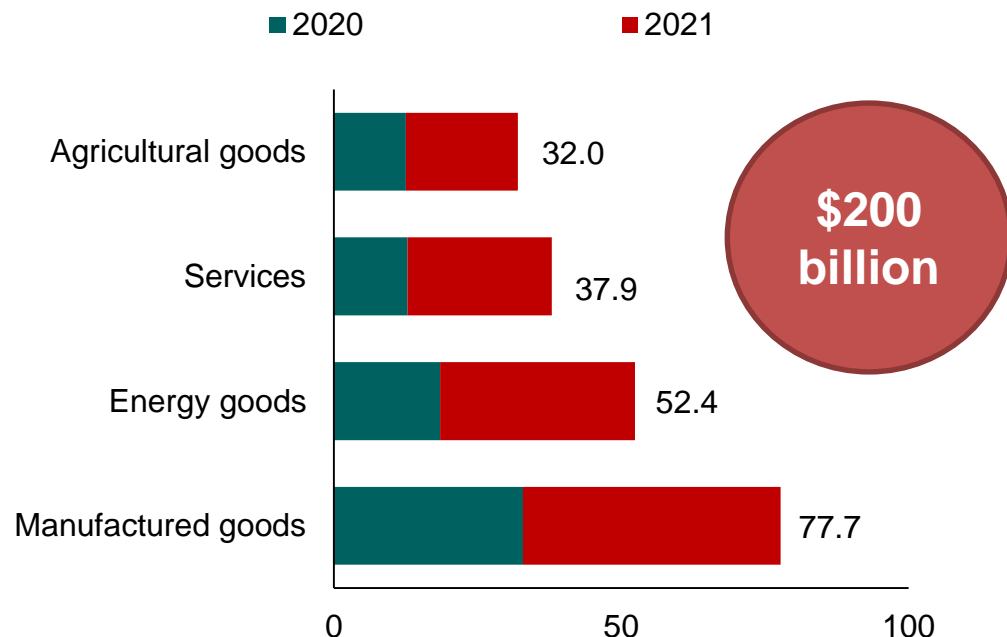
Global Co-locations by FDI Direction (Announced, billions of US dollars)



Source: Orbis, (2019) Orbis, Bureau van Dijk. [Online]. Available at: <https://orbis2.bvdep.com/> (Accessed: November 25, 2019).

Note: Relocation refers to a project that has been relocated from one location to another. Co-location is the moving of operations to complement the activity in an existing location. FDI data include announcements and reports of relocations and co-locations.

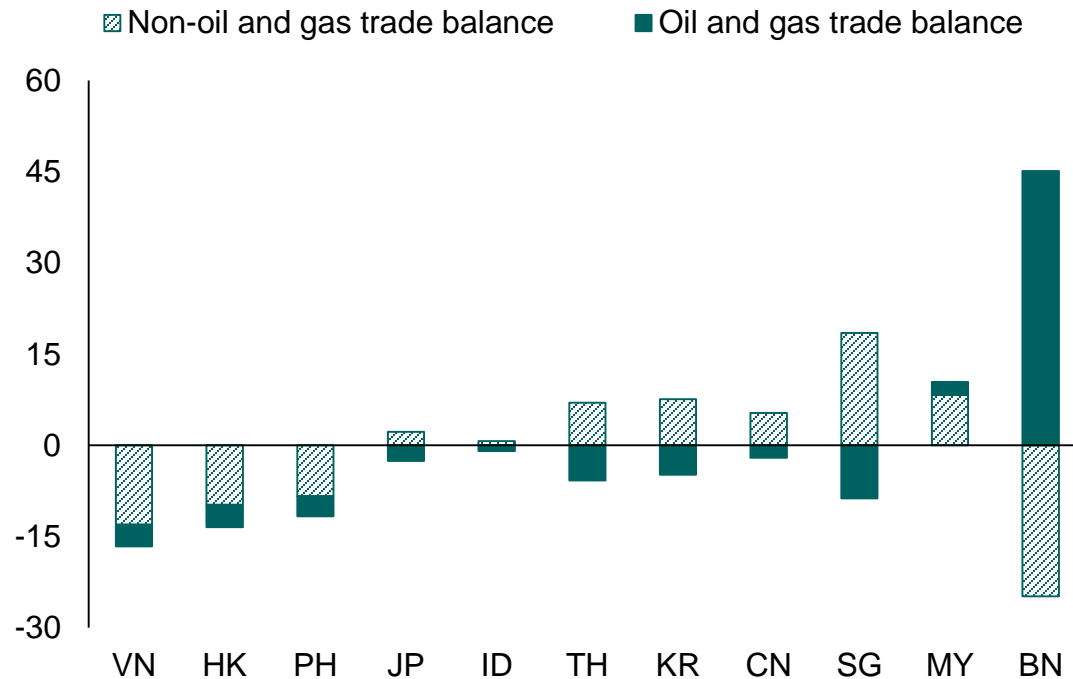
China: Additional Imports from the United States over the Next Two Years (Billions of US dollars)



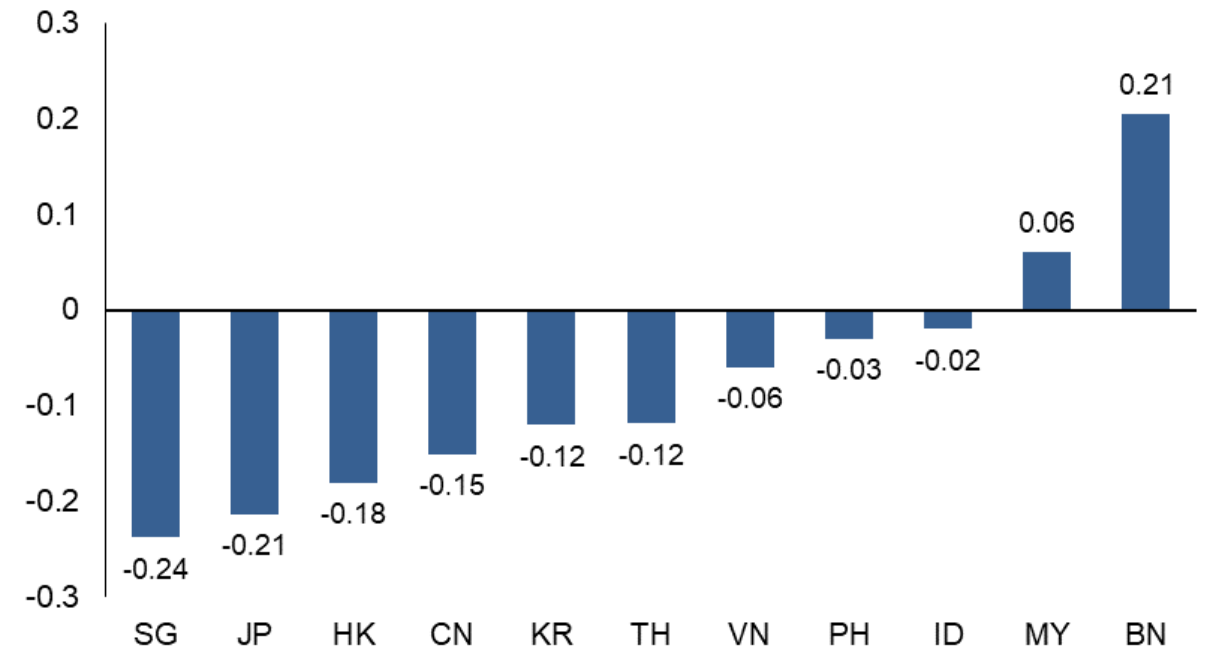
China and the United States: Key Commitments under the Phase One Deal

- The United States to lower tariffs on \$120 billion of Chinese products from 15.0 percent to 7.5 percent; tariff plans on \$160 billion of Chinese goods are shelved.
- China to lower non-trade barriers on several agricultural sectors (including dairy, poultry, beef).
- China to impose penalties on trade secret theft and prohibit forced disclosure of technology from US firms.
- China to lift regulations on US-owned financial firms and create improved process to allow US companies into e-payment sector.
- Both sides agree on a new enforcement mechanism that allows for bilateral consultations prior to retaliating or complaining to the WTO.

ASEAN+3: Non-oil and Gas and Oil and Gas Trade Balances (Percent of GDP)



ASEAN+3: Impact on GDP Growth from a 10 Percent Rise in Oil Prices (Percentage points)



Sources: IHS Markit Global Trade Atlas; International Monetary Fund; and AMRO staff calculations.

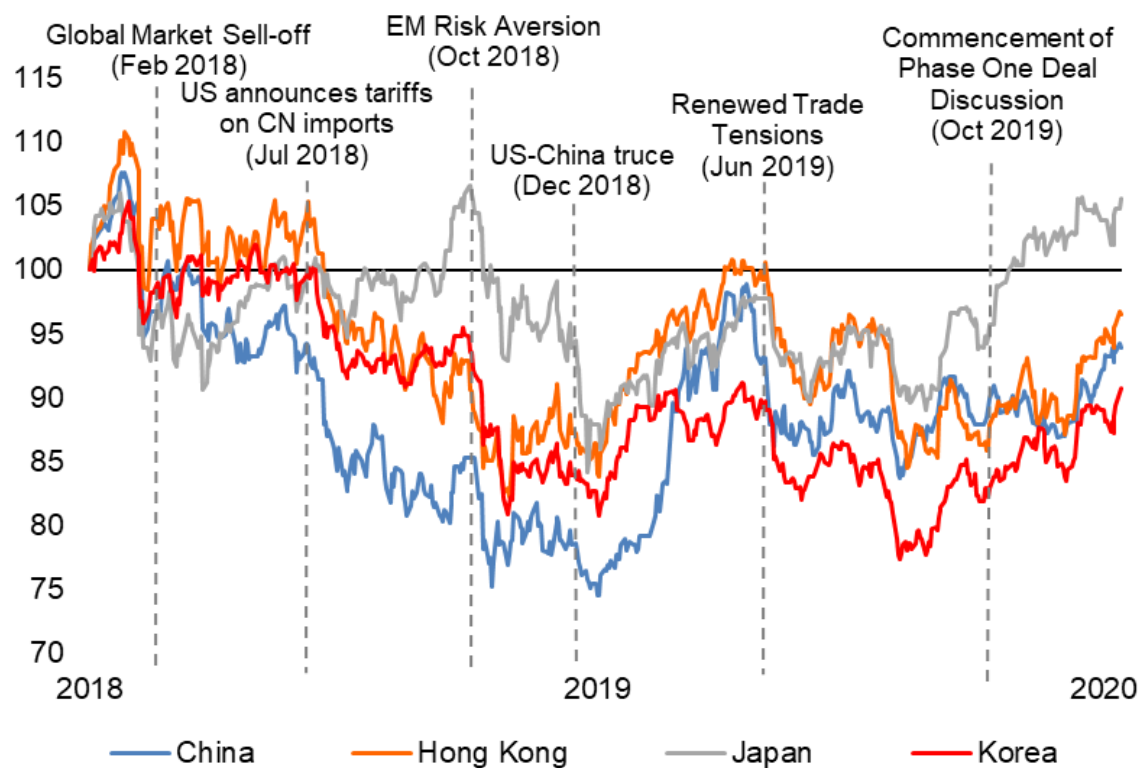
Note: Covers January to October 2019. Oil and gas trade balance refers to exports less imports of products under HS 2709 to 2711.

Source: AMRO staff estimates from GVAR and Oxford Economics models.

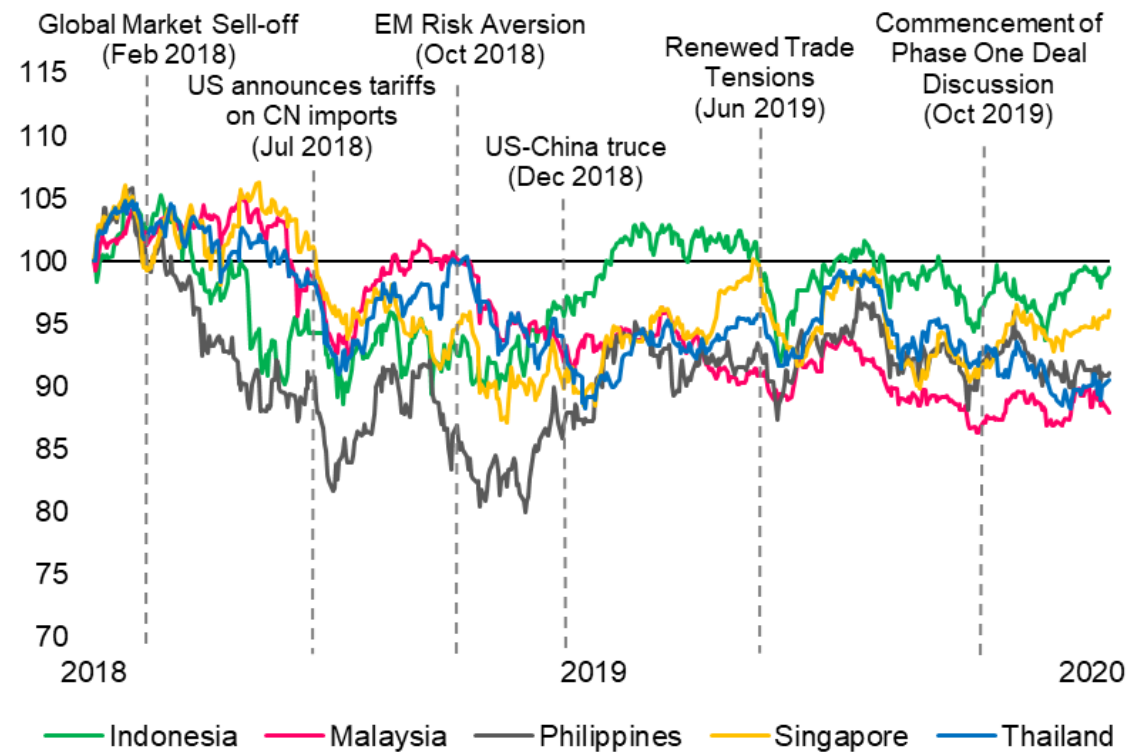
Following the deterioration in 2018, some regional stock markets had begun to pick up by late-2019...

Stock Performance (Index, 1 January 2018 = 100)

Plus-3

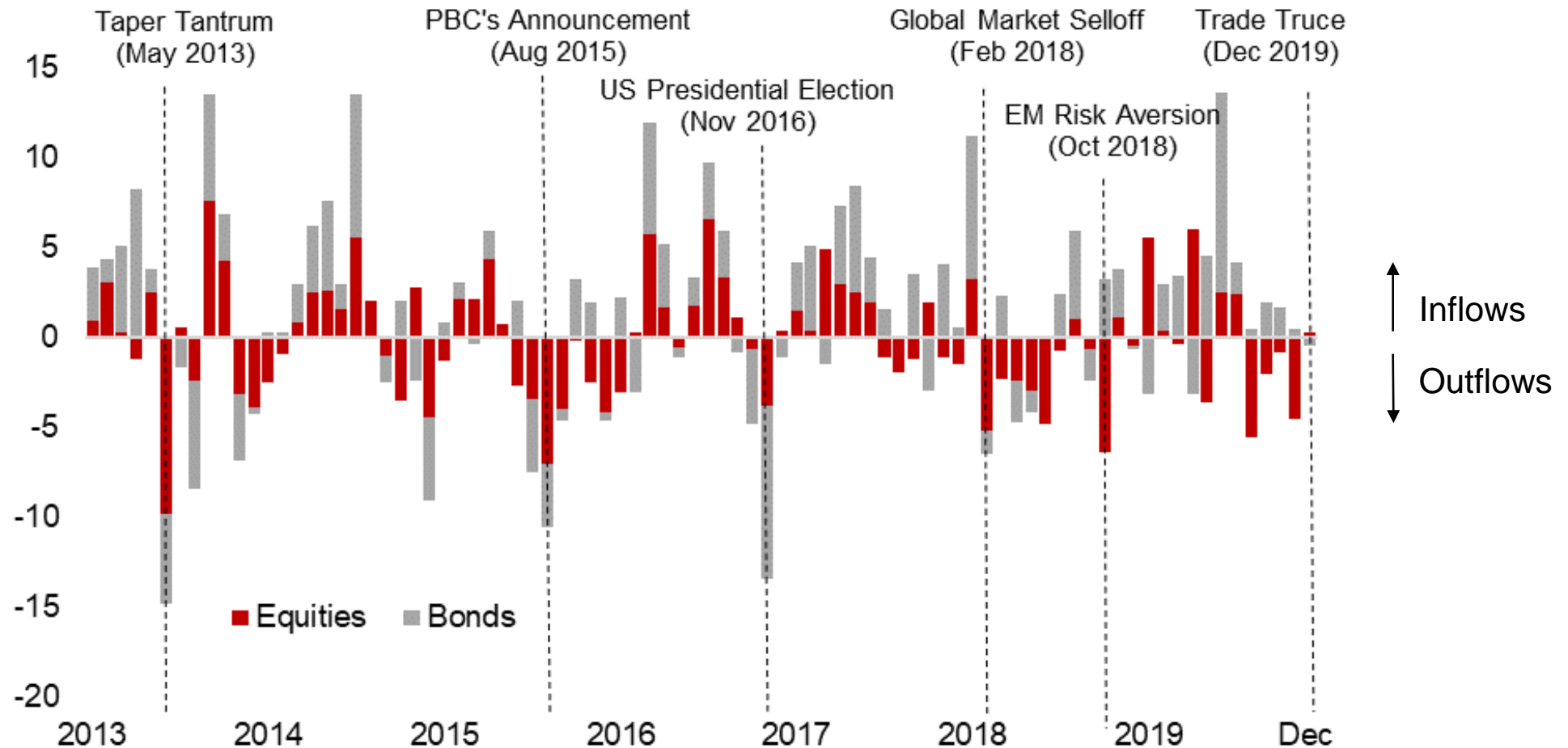


ASEAN-5



...while the region's EM bonds are expected to remain attractive to investors given EM resilience and the continuing search for yield

ASEAN-4, Korea and Vietnam: Net Foreign Portfolio Capital Flows (Billions of US dollars)



ASEAN+3: Purchasing Managers' Index - Manufacturing

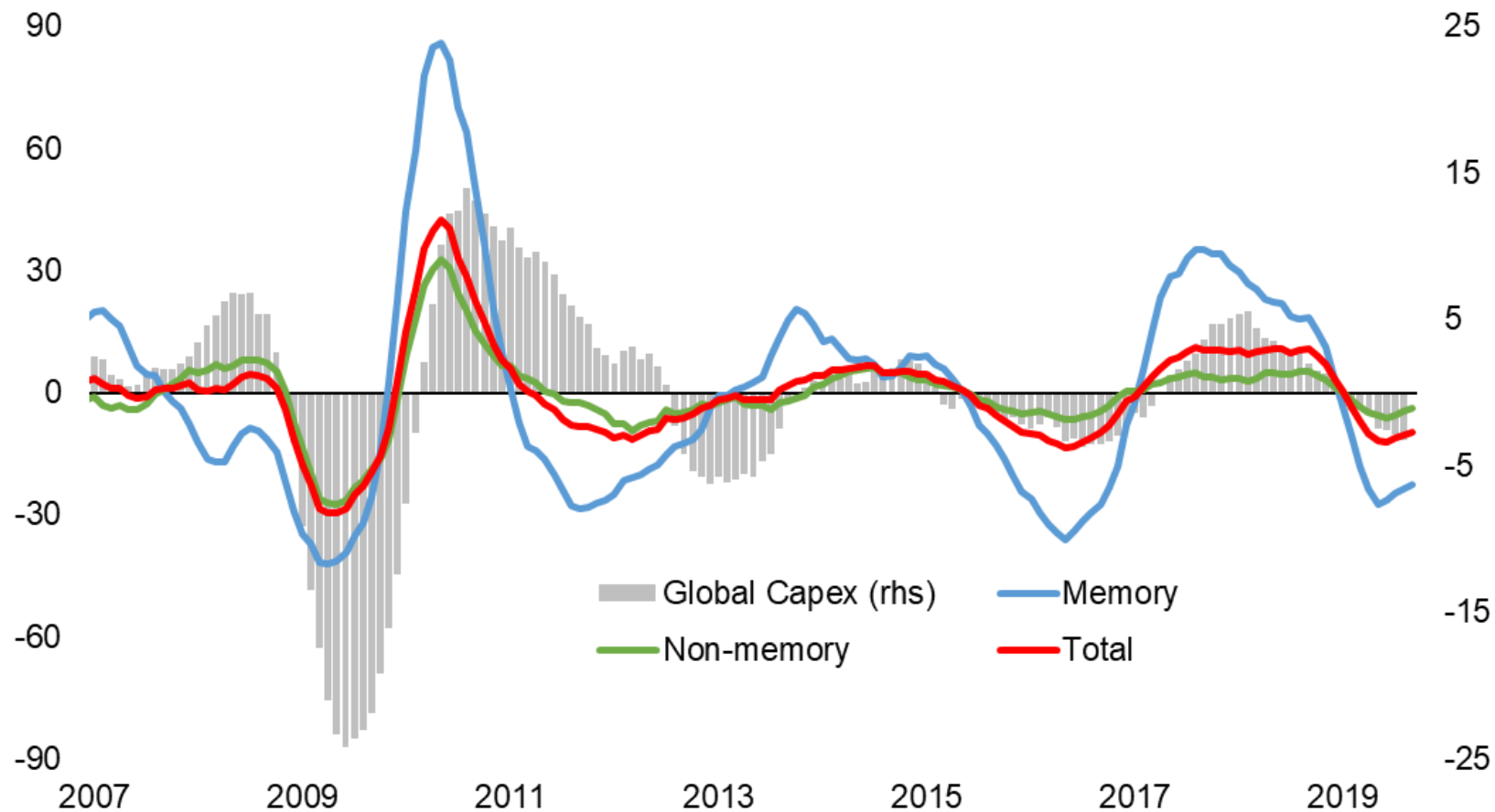
Economies	2017 Jan to Dec	2018 Jan to Dec	2019 Jan to Dec	Change from Prev Month
PLUS-3				
China				↓ -0.2
Hong Kong*				↓ -0.3
Japan				↑ 3.6
Korea				↓ -0.5
				↑ 0.7
ASEAN				
Indonesia				↑ 0.6
Malaysia				↑ 1.3
Philippines				↑ 0.6
Singapore*				↑ 0.3
Thailand				↑ 0.6
Myanmar				↑ 0.8
Vietnam				↓ -0.7
				↓ -0.2

Source: IHS Markit.

Note: The PMI readings are coded by colors: The redder denotes the further below (< 45) from the diffusion level of 50 while the greener denotes the further above (> 55) from 50. Hong Kong and Singapore PMI denotes whole economy PMI.

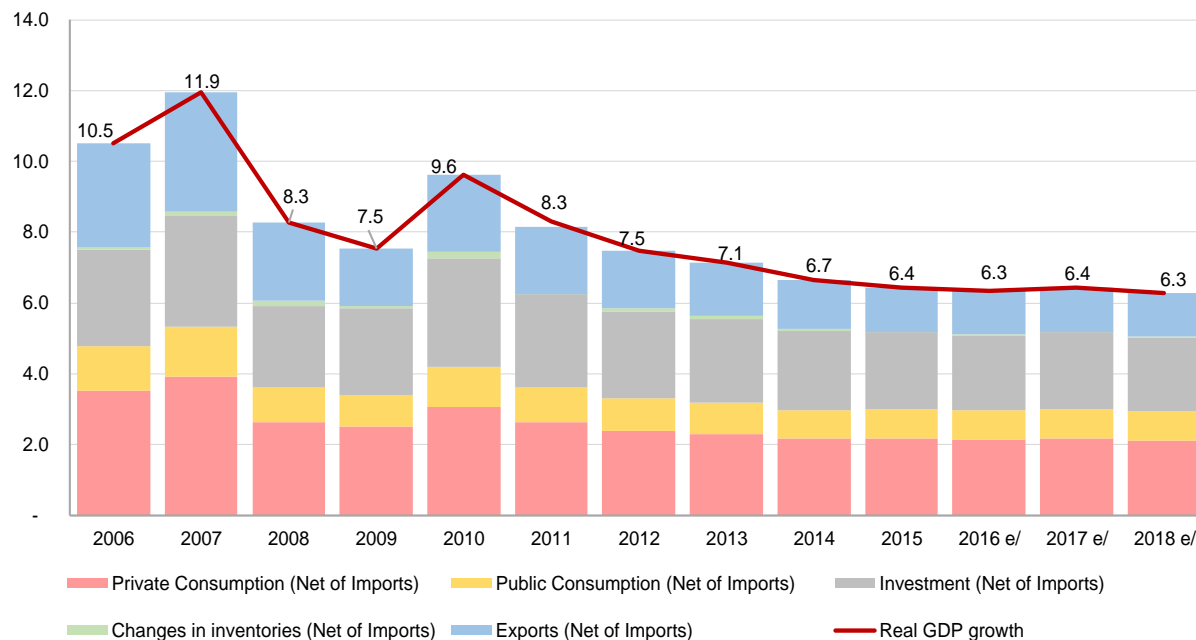
...and the bottoming of the global semiconductor cycles augurs well for capex, if previous trends were to continue

Global Semiconductor and Global Capex Cycles (Percent year-on-year, 6-month moving average)

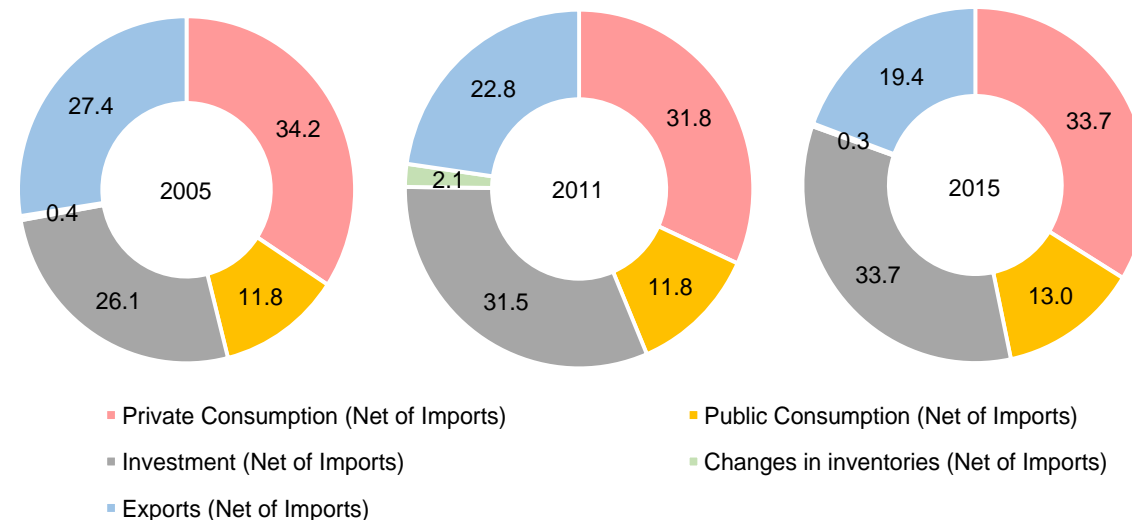


ASEAN-4, Vietnam, China: Contributions to Growth, Import-adjusted Method (Percentage points)

% point contribution to growth

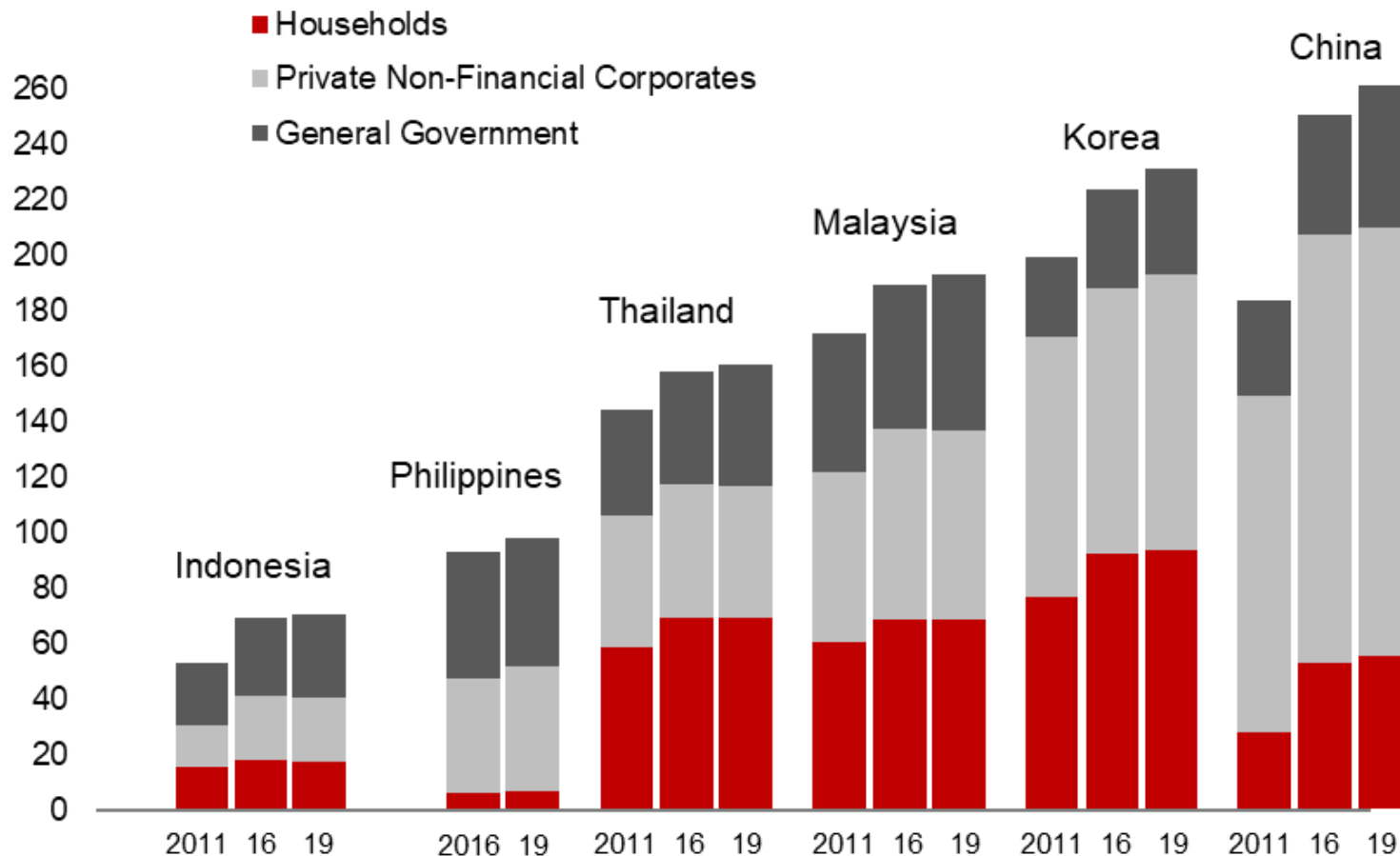


ASEAN-4, Vietnam, China: Share of GDP Components, Import-adjusted Method (Percent)



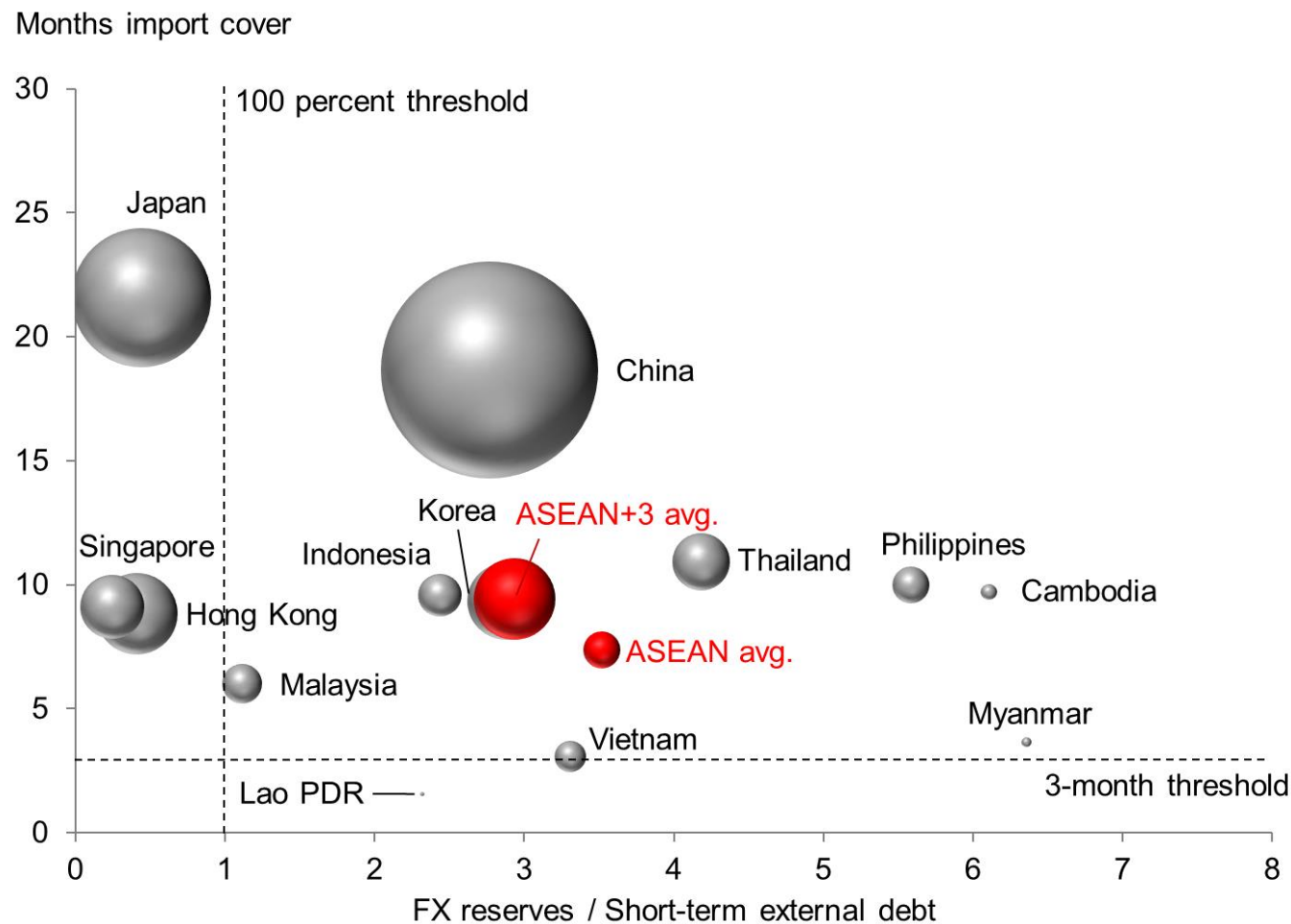
Although debt is continuing to rise, the pace of growth has slowed in most countries...

Regional EMs and Korea: Household, Non-Financial Corporate and Government Debt (Percent of GDP)



...and reserve buffers are generally comfortable for many in the region

ASEAN+3: Reserve Coverage, 2019

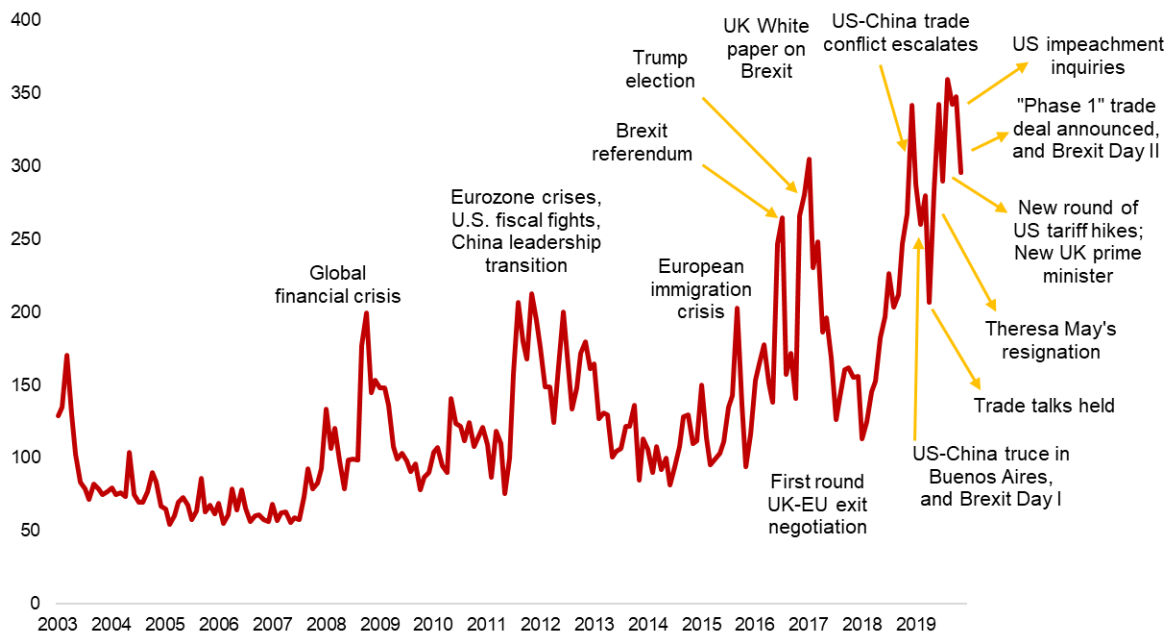


Source: Haver Analytics; National Authorities; World Bank; and AMRO staff calculations.

Note: Size of bubble denotes to individual economy's FX reserves in USD billion. Data for reserves, imports and short-term external are of latest available in 2019.

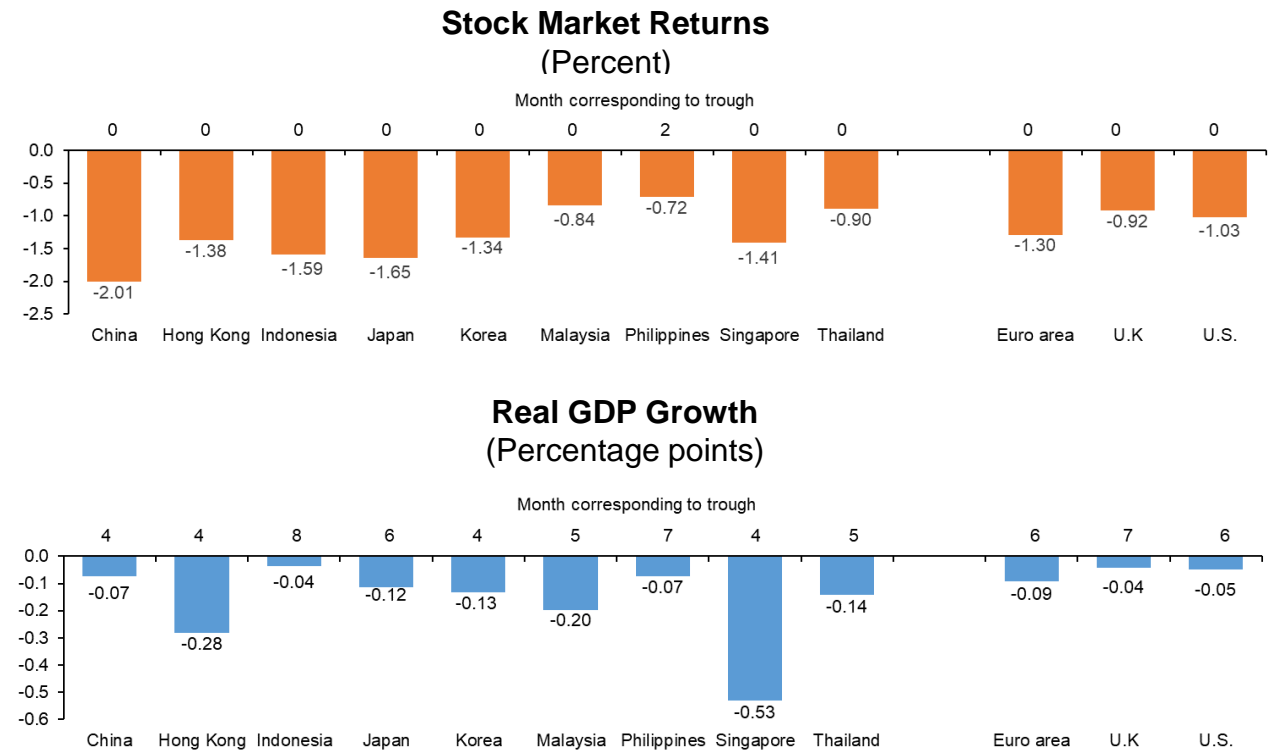
However, the uncertainty around global policymaking from mercurial trade developments tends to affect both market sentiment and economic activity

Global Policy Uncertainty Index



Source: Economic Policy Uncertainty, <http://policyuncertainty.com>

GVAR: Responses to a Shock to Global Policy Uncertainty



Source: Haver Analytics; and AMRO staff estimates.

Note: Estimates derived from the Generalized Impulse Responses to a 1 standard error shock to Global Economic Policy Uncertainty Index of a monthly GVAR model using 2003:7-2019:6 data; Variables in real terms.

ASEAN+3: Summary of Suggested Policy Mix

Policy Area	Recommendation
Monetary	<ul style="list-style-type: none"> • Some room to ease policy given benign inflation • Hold current policy settings in economies with external vulnerabilities
Fiscal	<ul style="list-style-type: none"> • Maintain supportive policy to sustain growth • Reprioritize spending, where fiscal rule is binding
Macroprudential	<ul style="list-style-type: none"> • Maintain current tight policy to guard against build-up of financial imbalances
Structural	<ul style="list-style-type: none"> • Build capacity and connectivity to foster future growth potential and resilience • Upgrade labour and technology to enhance existing comparative advantages, and embrace the new/digital economy to achieve high growth

- ***Silver lining for ASEAN+3 growth.*** Given the progress in the US-China trade talks, supportive domestic demand, and improving economic activity indicators, the regional economy is expected to grow at 4.9 percent in 2020, an upward revision compared to our projections in December 2019.
- ***Downside risks remain on the horizon.*** These risks include a re-escalation in global trade tensions, a sharper-than-expected slowdown in the G3, increasing geopolitical risks (with implications for oil prices), and prolonged low interest rates.
- ***The rise of trade diversion.*** While some regional economies have been hit hard, others have benefited from the US-China trade tensions. Recent data suggest some diversion in trade and FDI away from China and toward some of the other economies in the region.
- ***No room for complacency.*** Regional policymakers have some room to adopt more accommodative monetary and fiscal policies but they need to maintain tight macroprudential policy to safeguard growth and financial stability.



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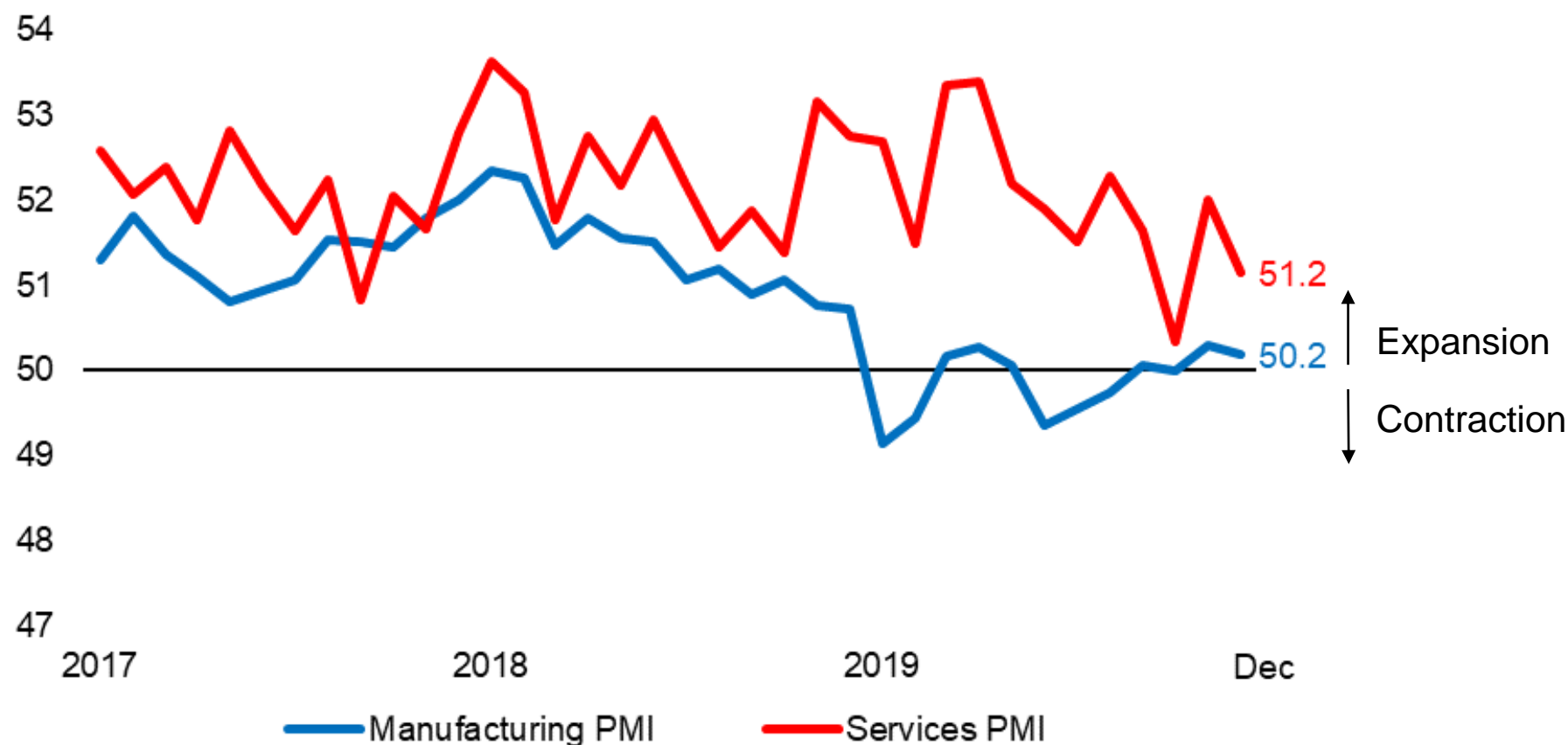
Annex

ASEAN+3: GDP and Inflation Baseline Projections by Economy

Member	GDP Growth (Percent year-on-year)			
	2018	2019 e/	Dec '19	Jan '20
			2020 p/	2020 p/
ASEAN+3	5.3	4.9	4.7	4.9
Brunei	0.1	2.8	3.7	3.7
Cambodia	7.5	7.1	7.0	7.0
China	6.6	6.1	5.9	6.1
Hong Kong	3.0	-1.3	0.6	0.5
Indonesia	5.2	5.1	5.1	5.1
Japan	0.8	1.1	0.2	0.5
Korea	2.7	1.9	2.2	2.4
Lao PDR	6.3	6.3	6.5	6.5
Malaysia	4.7	4.5	4.3	4.5
Myanmar	6.8	6.8	7.1	7.1
Philippines	6.2	6.0	6.4	6.4
Singapore	3.1	0.7	1.0	1.7
Thailand	4.1	2.7	3.1	3.1
Vietnam	7.1	7.0	6.8	6.9

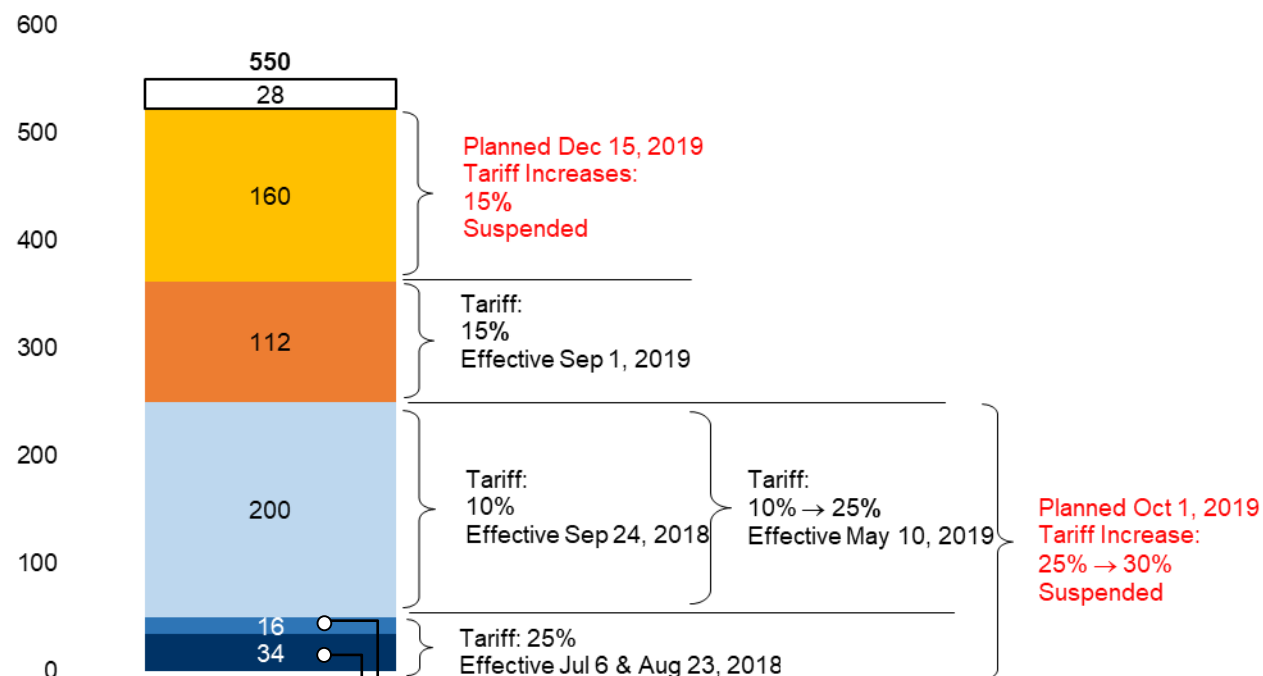
Member	Inflation (Percent year-on-year; Period Average)			
	2018	2019 e/	Dec '19	Jan '20
			2020 p/	2020 p/
ASEAN+3	2.5	2.2	2.4	2.3
Brunei	0.2	-0.4	0.2	0.1
Cambodia	2.5	1.9	2.5	2.1
China	2.1	2.8	2.5	2.4
Hong Kong	2.4	3.2	2.7	2.5
Indonesia	3.1	3.0	3.3	3.0
Japan	1.0	0.5	0.6	0.5
Korea	1.5	0.4	0.7	0.9
Lao PDR	2.0	3.3	2.4	2.4
Malaysia	1.0	0.7	2.5	2.0
Myanmar	8.8	8.6	9.0	7.9
Philippines	5.3	2.5	2.9	3.0
Singapore	0.4	0.5	0.7	1.1
Thailand	1.1	0.8	1.0	1.0
Vietnam	3.5	2.8	2.5	3.3

ASEAN+3: Manufacturing and Services PMI (Index, 50 = Breakeven level)



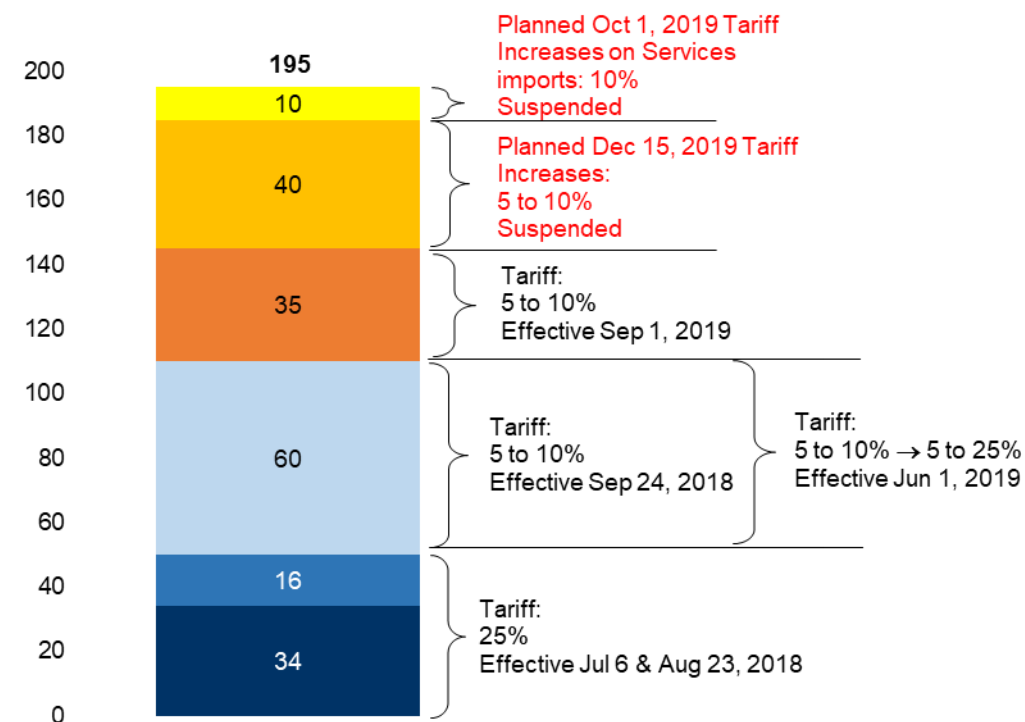
Sino-US Trade Tensions: Tariff Developments

US Tariffs on Chinese Imports (Billions of US dollars)

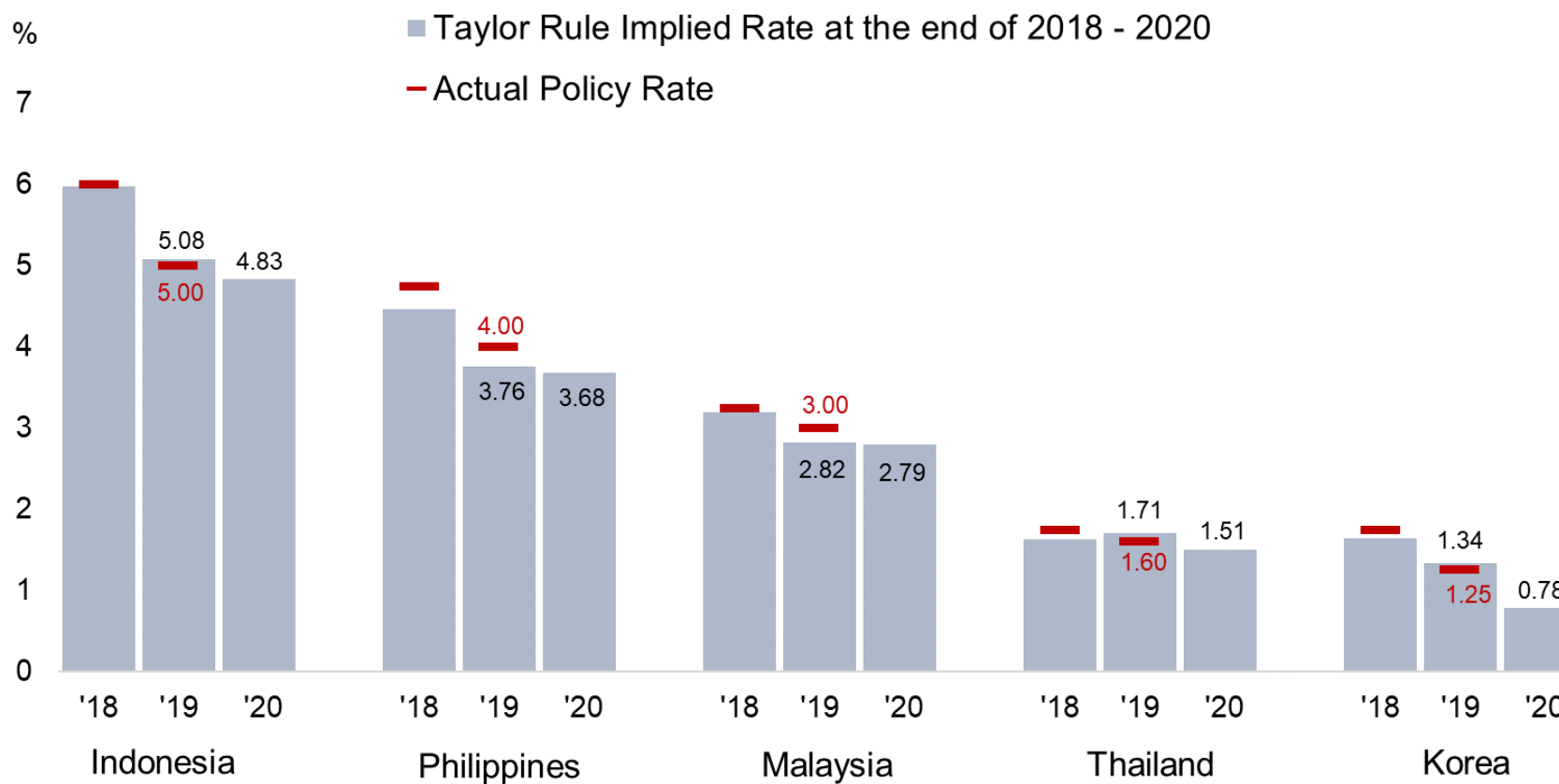


- Accumulated tariff excluded imports amount to 1.3% of the 16 billion list
- Accumulated tariff excluded imports amount to 9.7% of the 34 billion list

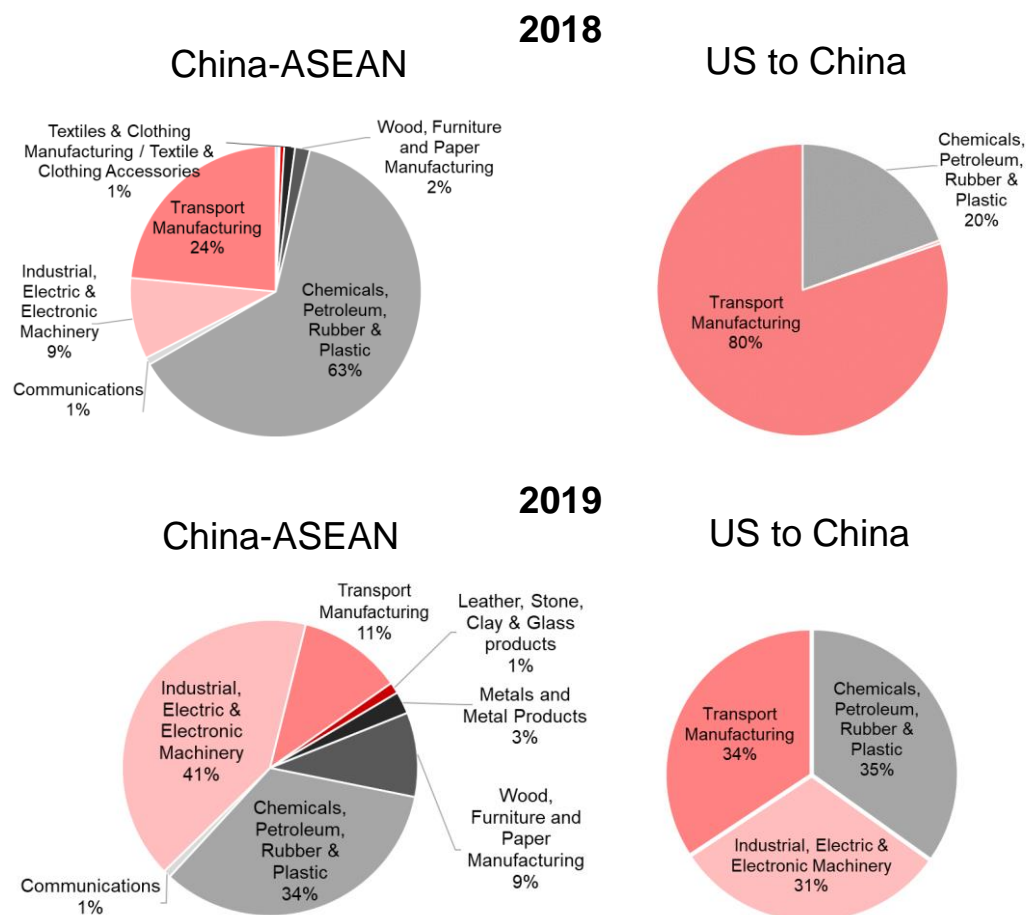
China Tariffs on US Imports (Billions of US dollars)



ASEAN-4 and Korea: Current Policy Rates Compared to Taylor Rule Estimates (Percent)



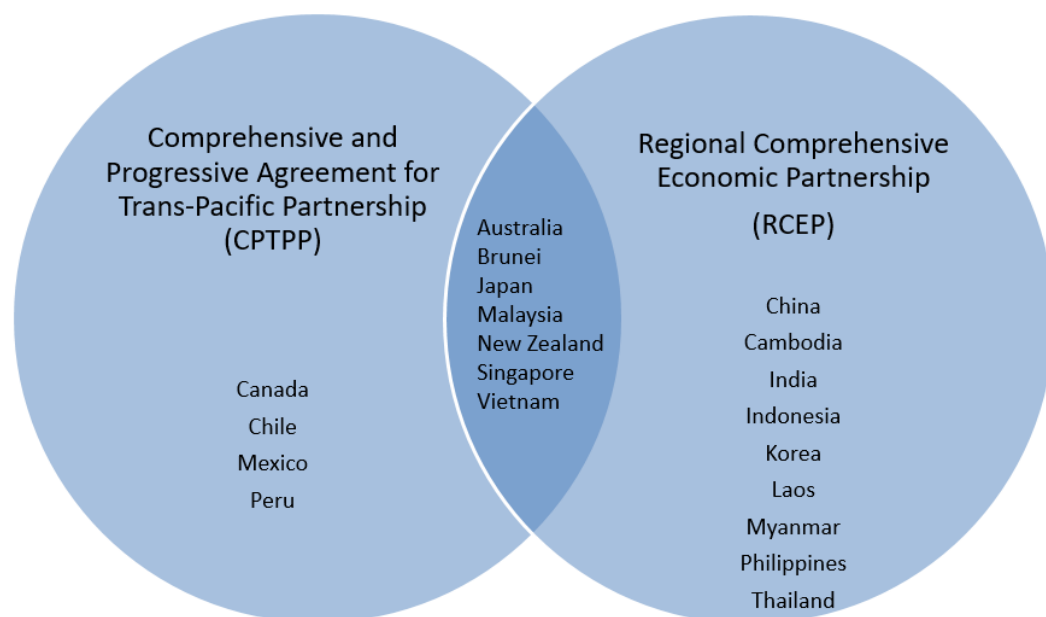
Share of Co-locations by Tariff-Hit Sectors (Announced, billions of US dollars)



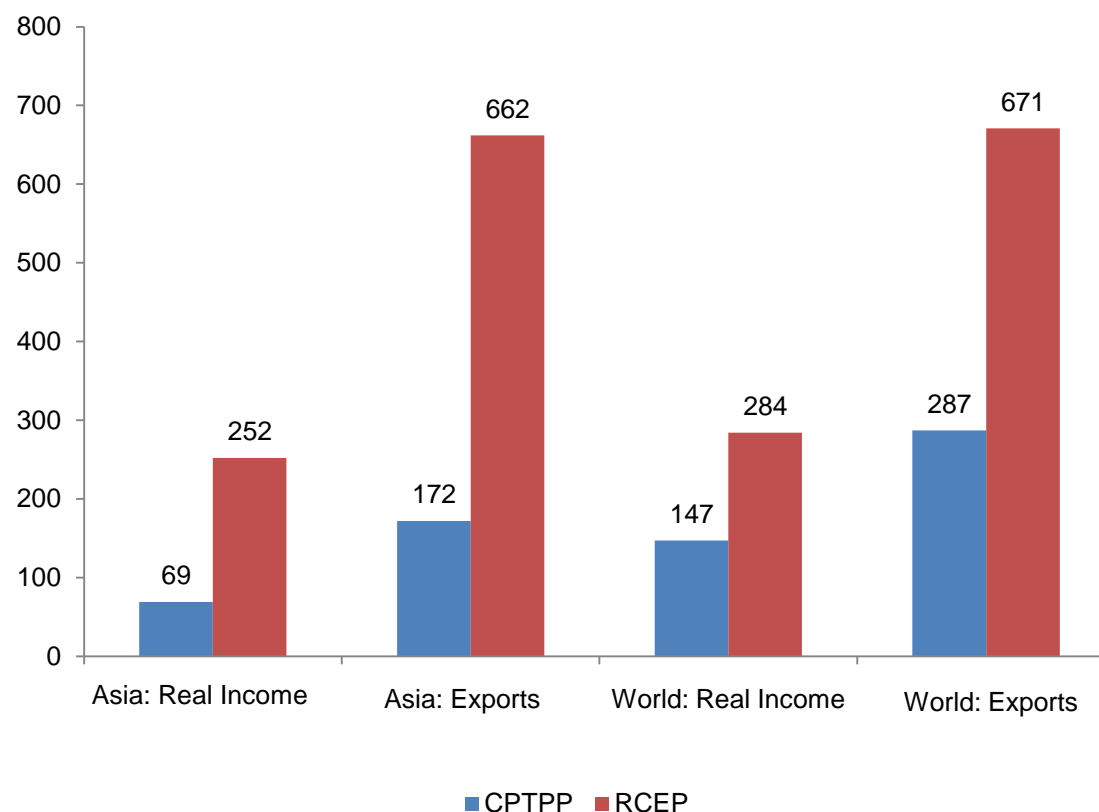
Source: Orbis, (2019) Orbis, Bureau van Dijk. [Online]. Available at: <https://orbis2.bvdep.com/> (Accessed: November 25, 2019).

Note: Co-location is the moving of operations to complement the activity in an existing location. FDI data include announcements and reports of relocations and co-locations.

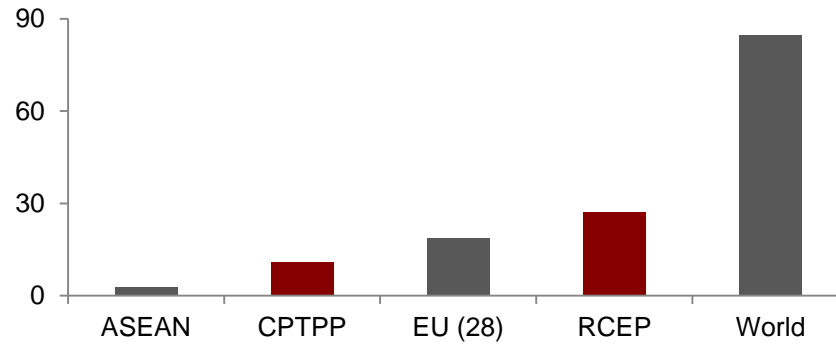
CPTPP and RCEP Member Countries



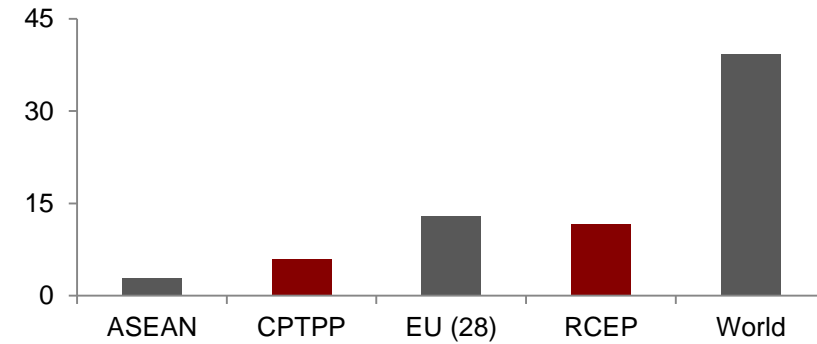
Real Income and Exports Effects of CPTPP and RCEP (Billions of US dollars, 2030 levels)



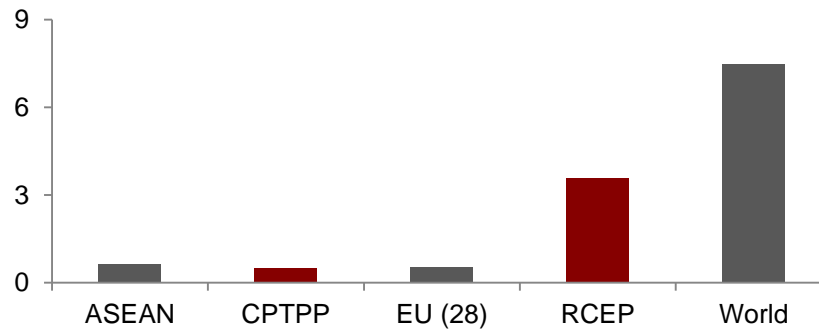
GDP
(Trillions of US dollars)



Goods Trade
(Trillions of US dollars)



Population
(Billions)



FDI Inflows
(Billions of US dollars)

