

ASEAN+3 Regional Economic Outlook 2021 – Update

*Recovering from Covid-19: Transitioning Smoothly
From Pandemic to Endemic New Normal*

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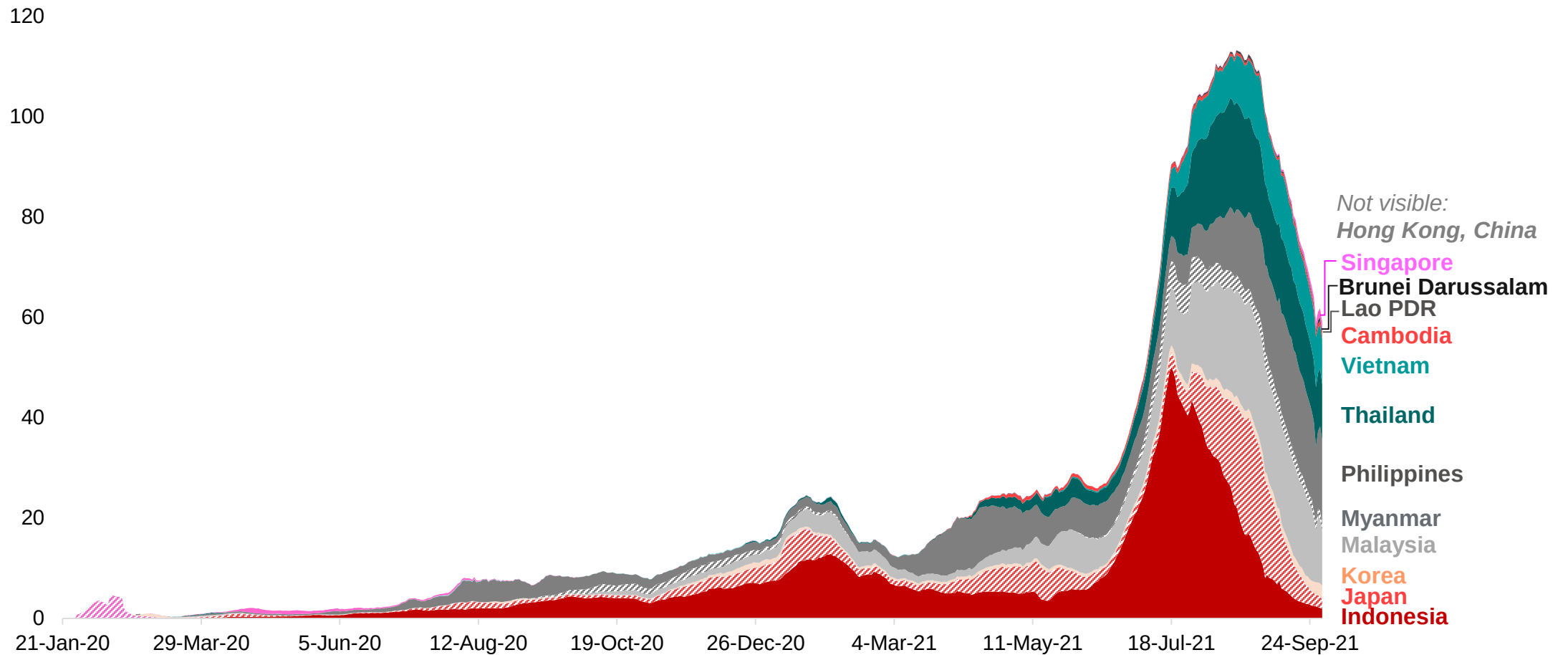
AREO 2021 Update

October 7, 2021



Covid infections have declined in recent weeks

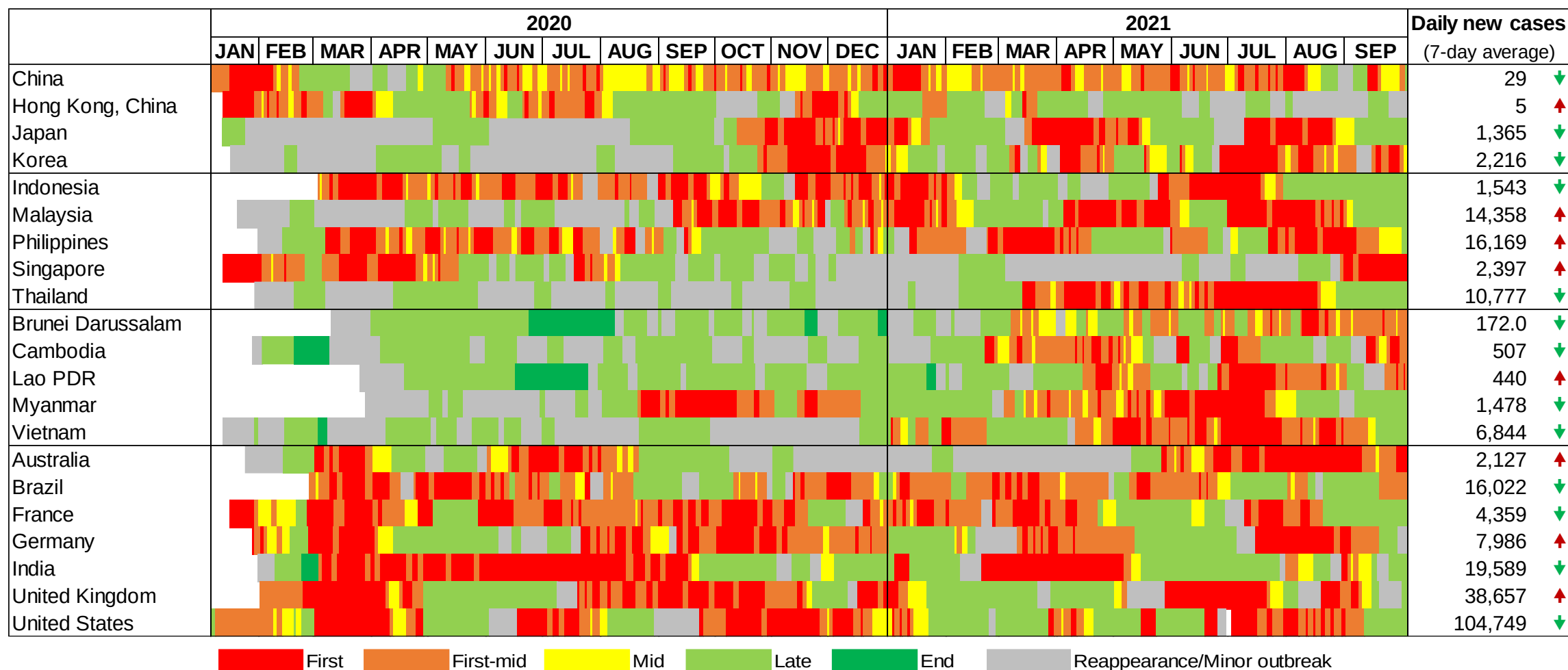
ASEAN+3: Daily New Cases
(7-day average; thousands of cases)



AMRO's Covid Cycle shows an improving trend globally



ASEAN+3 and Selected Economies: Covid Cycle Heatmap
(7-day average)

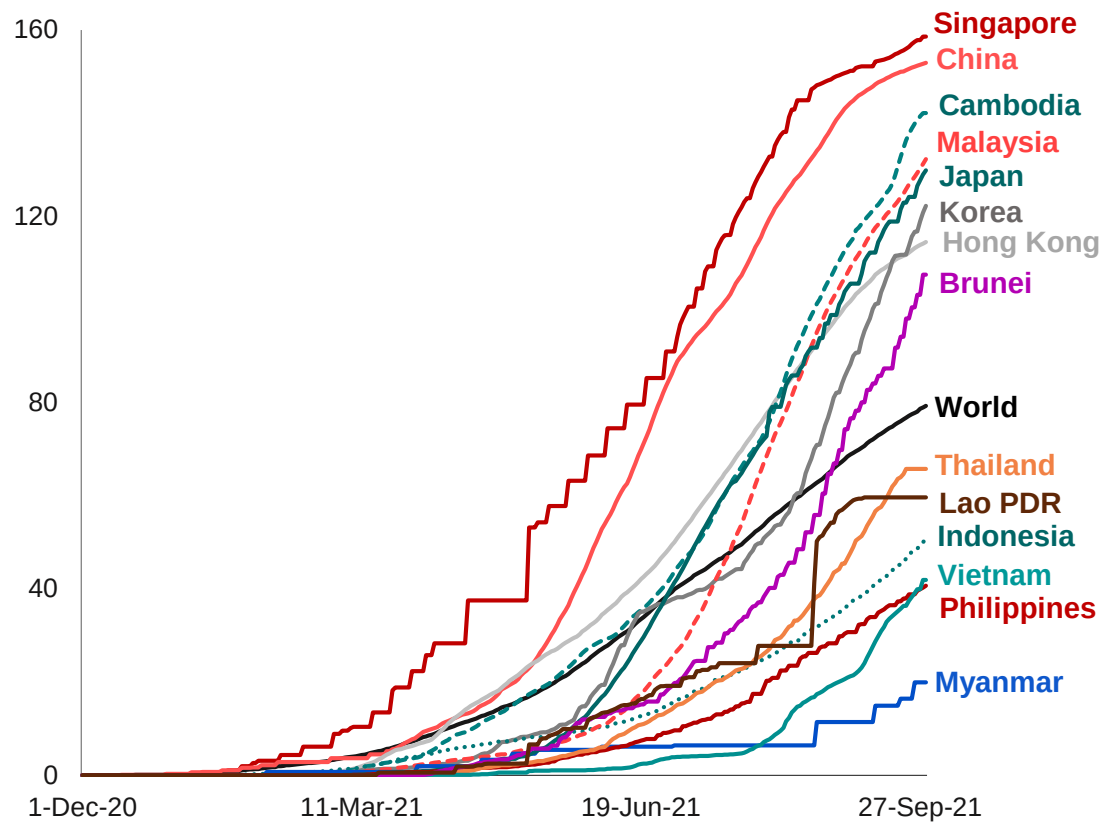


Sources: Haver Analytics, sourced from Johns Hopkins University; AMRO staff calculations.

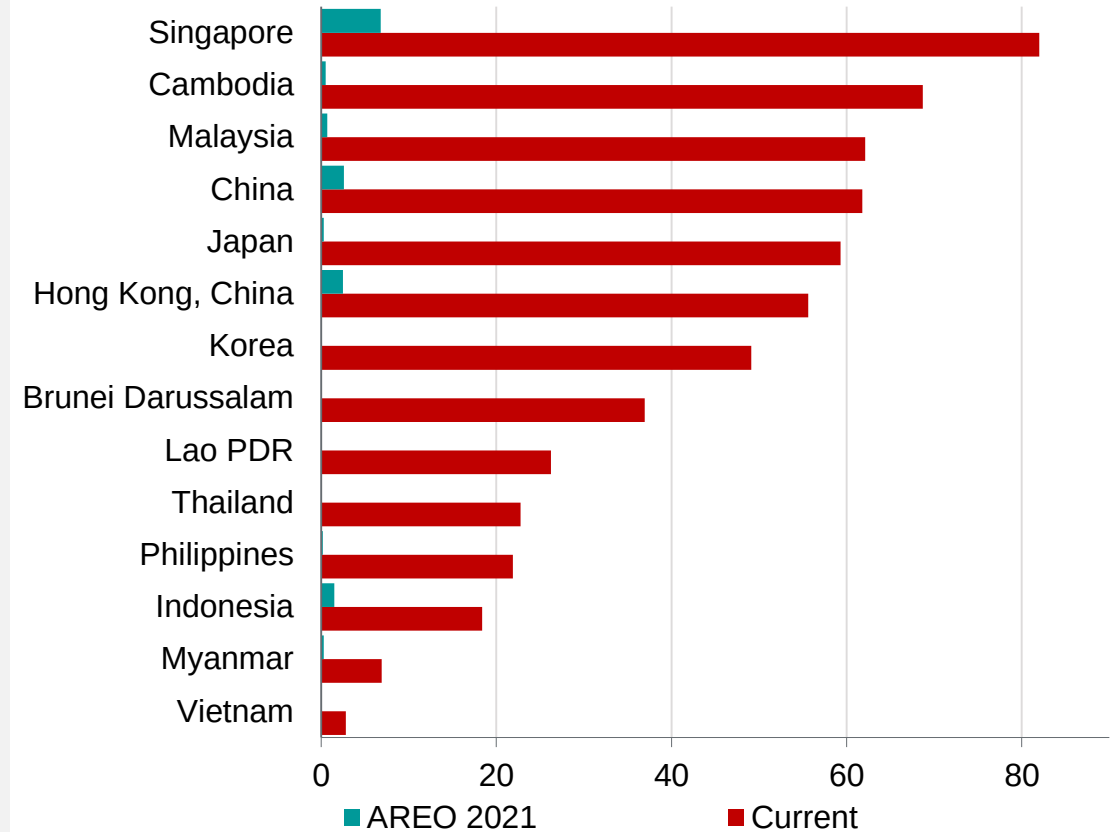
Notes: Data as of September 30, 2021. Minor outbreaks are classified as outbreaks in the bottom 75th percentile of a country's 7-day average daily new cases or outbreaks with less than 15 daily new cases in a country's 7-day average. Outbreaks can retroactively be reclassified as non-minor if a later date breaches the 75th percentile or 15-daily cases threshold.

Vaccination rates are rising strongly

Selected Economies: Total Vaccines Administered
(Per 100 population)



Selected Economies and ASEAN+3: Fully Vaccinated Population
(Percent of population)



Sources: Our World in Data via Haver Analytics; and AMRO staff calculations.

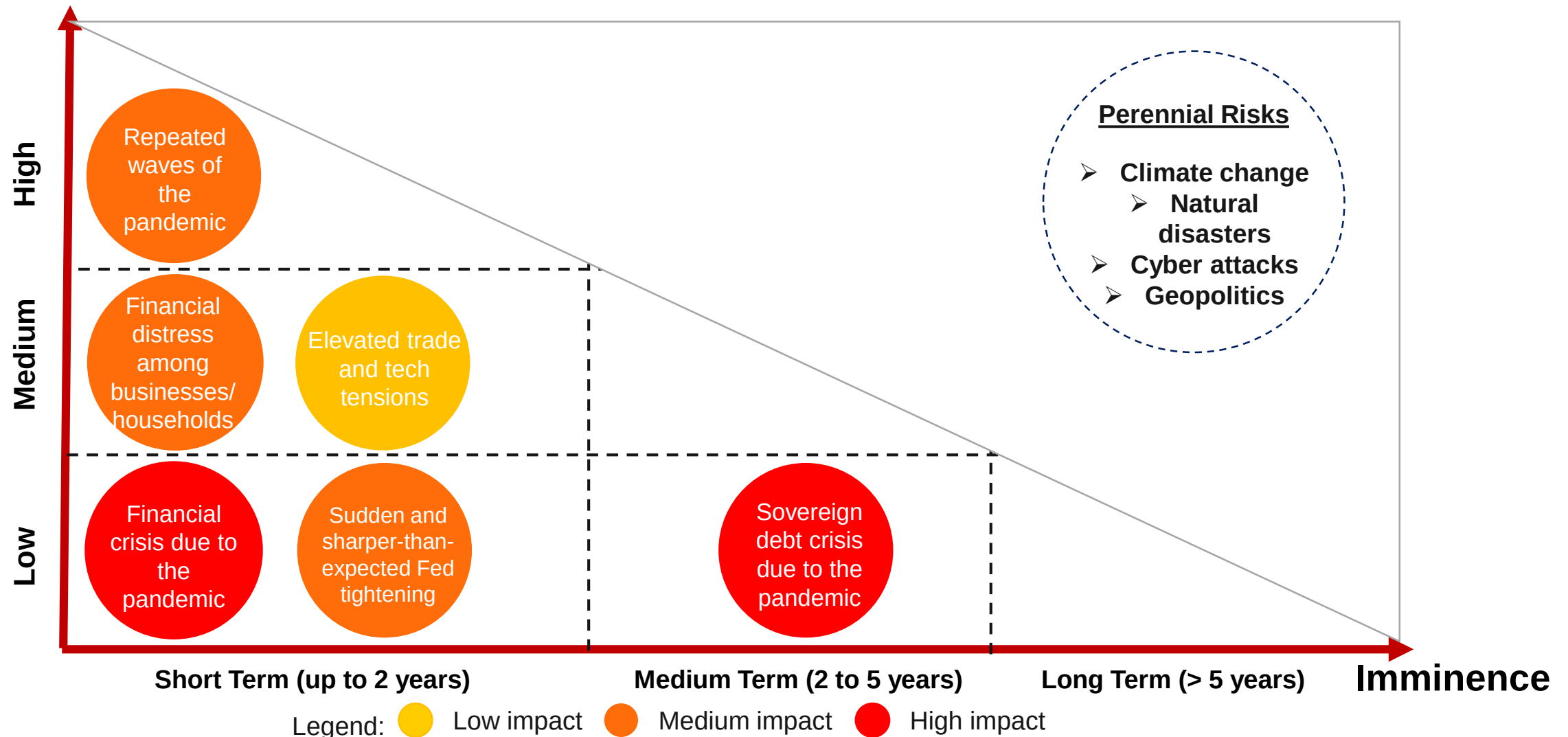
Note: Data as of September 29, 2021.

Sources: Our World in Data via Haver Analytics; and AMRO staff calculations.

However, the pandemic still poses downside risks

Global Risk Map (GRiM)
October 2021 (AREO 2021 Update)

Likelihood



Economic recovery remains uneven

Manufacturing PMI (Seasonally adjusted; diffusion index)

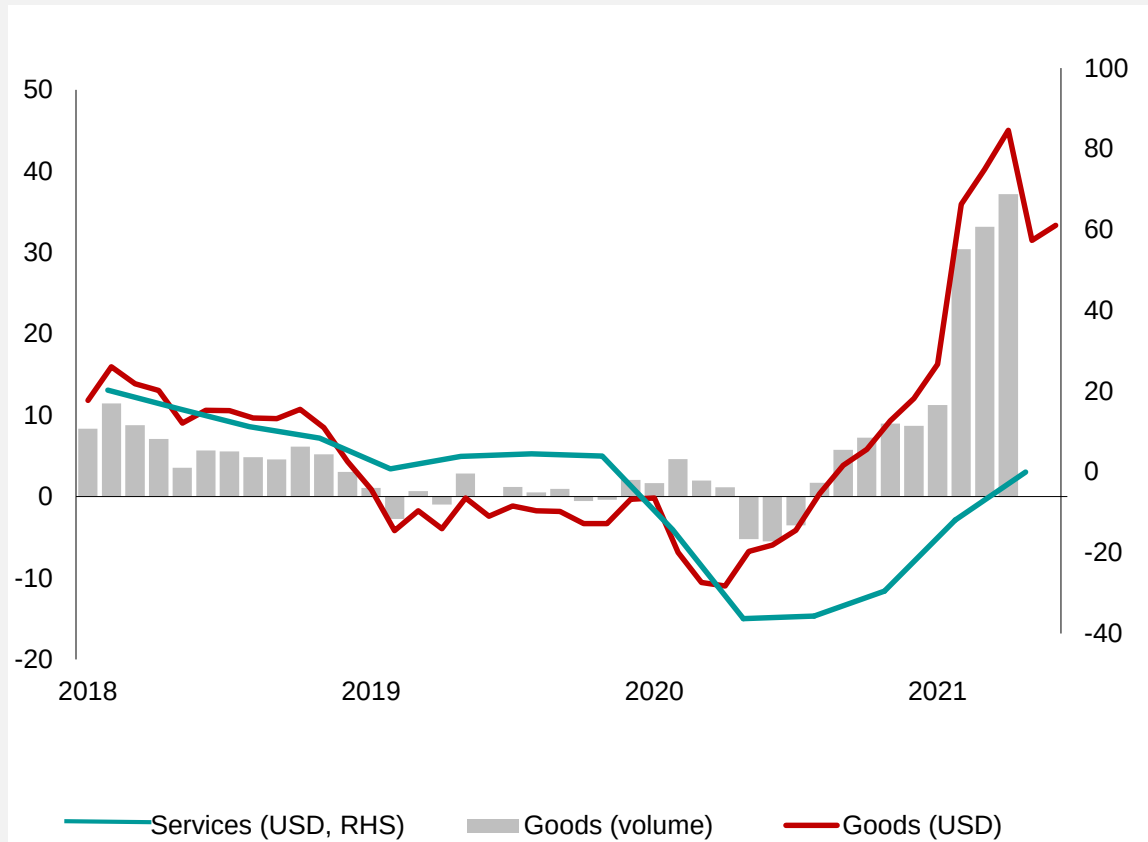
Economy	2019 Jan to Dec	2020 Jan to Dec	2021 Jan to Sep	Change from Prev Month
Global				↓ 0.0
Developed Markets				↓ -1.2
United States				↓ -0.3
United Kingdom				↓ -3.2
Eurozone				↓ -2.8
Emerging Markets				↑ 1.2
PLUS-3				↑ 0.1
China				↑ 0.7
Hong Kong*				↓ -1.6
Japan				↓ -1.2
Korea				↑ 1.3
ASEAN				↑ 5.5
Indonesia				↑ 8.5
Malaysia				↑ 4.7
Philippines				↑ 4.5
Singapore*				↑ 1.6
Thailand				↑ 0.6
Myanmar				↑ 4.6
Vietnam				↓ 0.0

Source: IHS Markit.

Note: The PMI headings are coded by colors. The deeper the red the further below (< 40) from the diffusion level of 50; greener denotes the further above (> 60) from 50. A PMI reading above 50 denotes an increase in business activity over previous month, and a reading below 50 denotes otherwise.

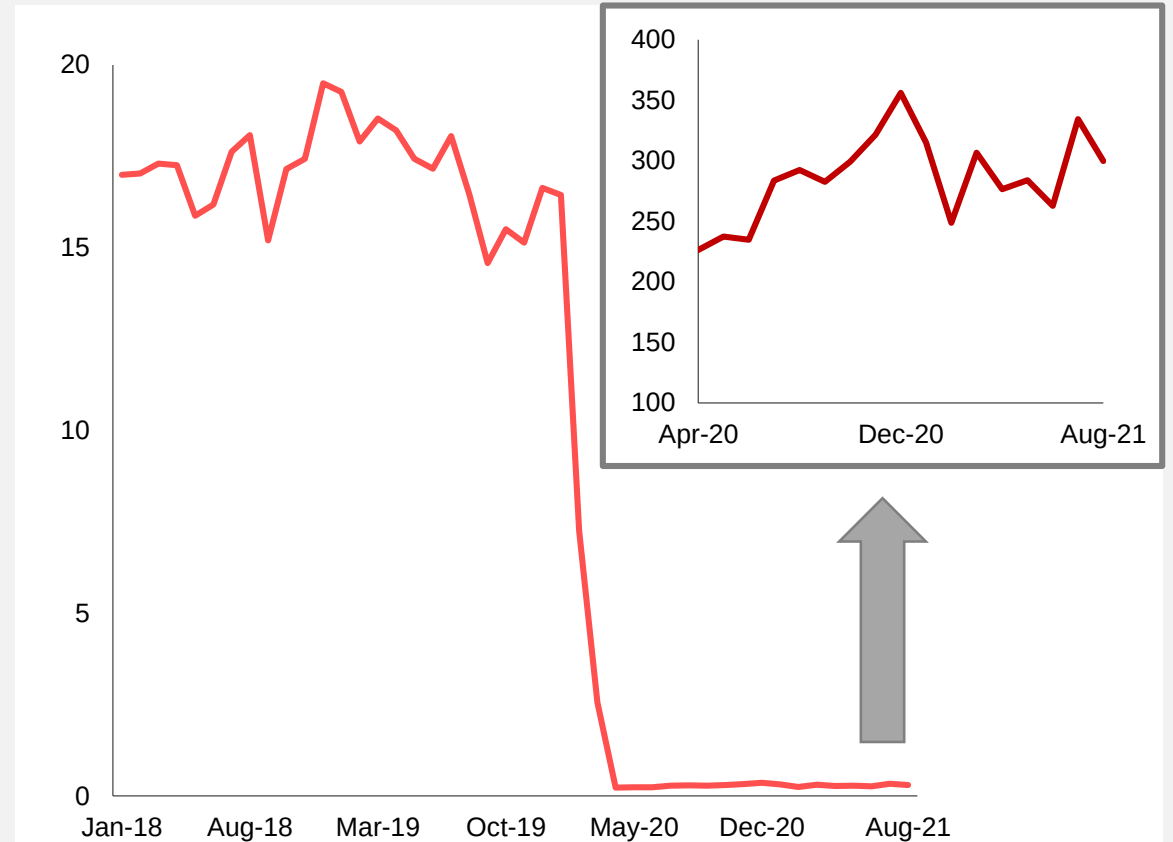
Improvement in goods exports have outpaced services

ASEAN+3: Goods and Services Exports
(Percent year-over-year; 3-month moving average)



Sources: National authorities via Haver Analytics; and AMRO staff calculations.

Selected ASEAN+3: Aggregate Tourist Arrivals
(Millions of persons)

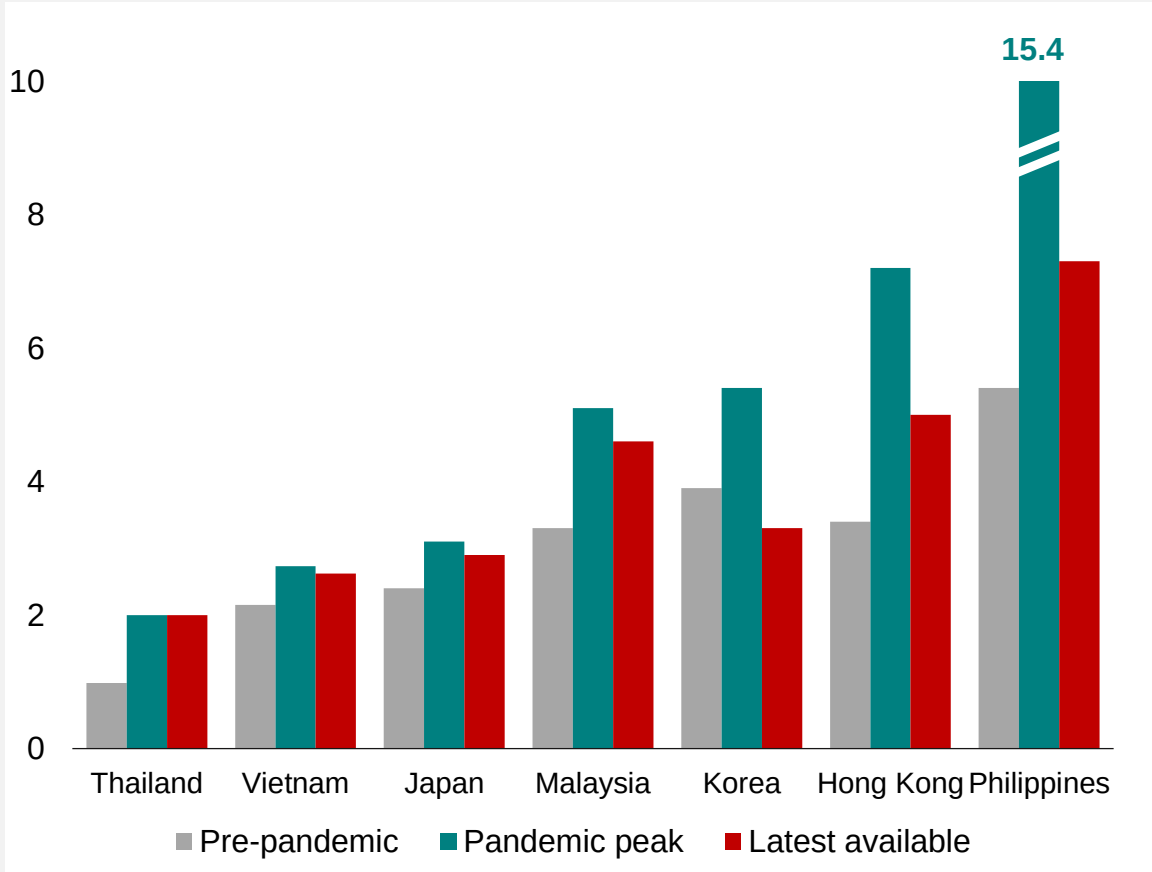


Sources: National authorities via Haver Analytics; and AMRO staff calculations.

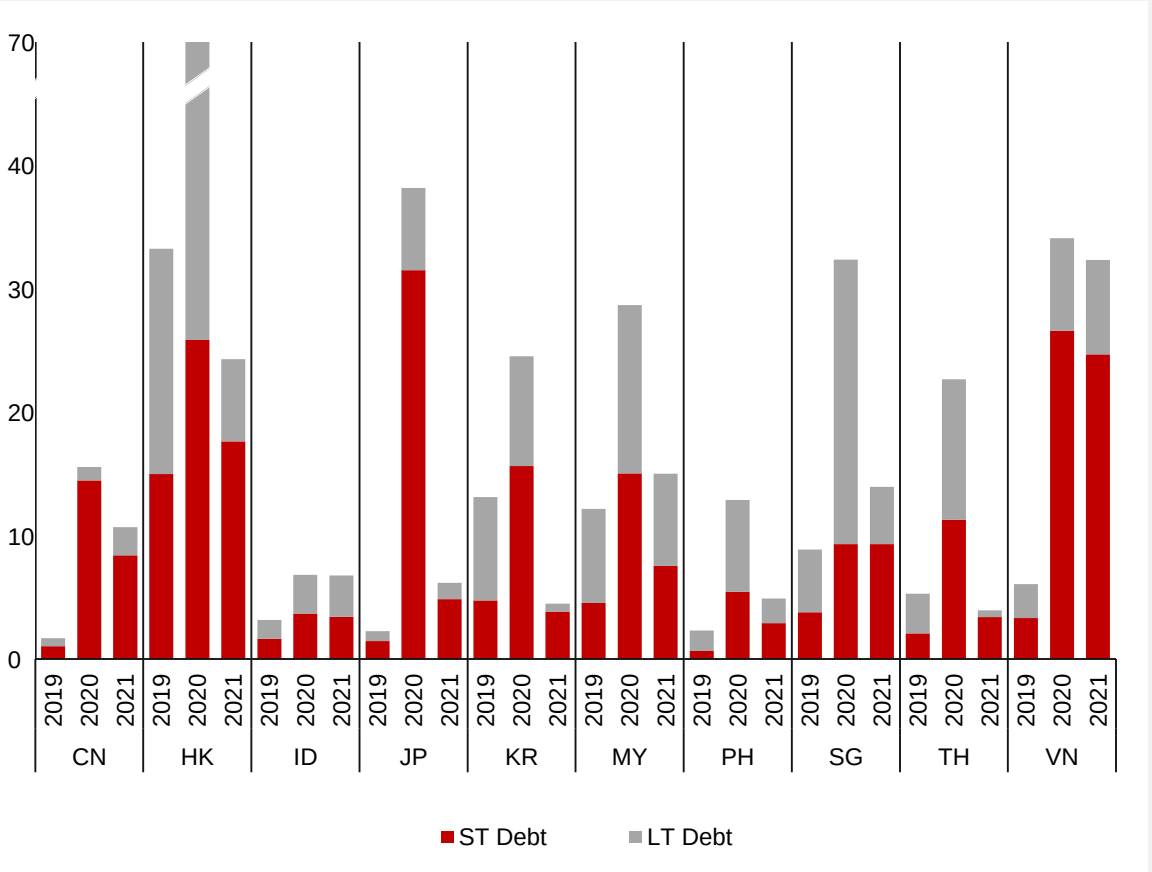
Note: Data include Cambodia, Hong Kong, Indonesia, Japan, Korea, Singapore, Thailand, and Vietnam.

Labor market conditions and corporate balance sheets have not yet recovered

Unemployment Rate
(Percent, seasonally-adjusted)



Selected ASEAN+3: Debt-at-Risk of Listed Firms
(Percent of GDP)



Sources: National authorities via Haver Analytics; and AMRO staff calculations.

Note: Pre-pandemic data refers to January 2020 for Japan, Korea, Hong Kong and Malaysia; and Q4-2019 for the Philippines and Vietnam. Pandemic peak refers to the maximum unemployment rate between February 2020 and March 2021. Latest data refers to July 2021 for Hong Kong and Korea; June 2021 for Japan and Malaysia; Q1-2021 for Thailand; and Q2-2021 for the Philippines and Vietnam.

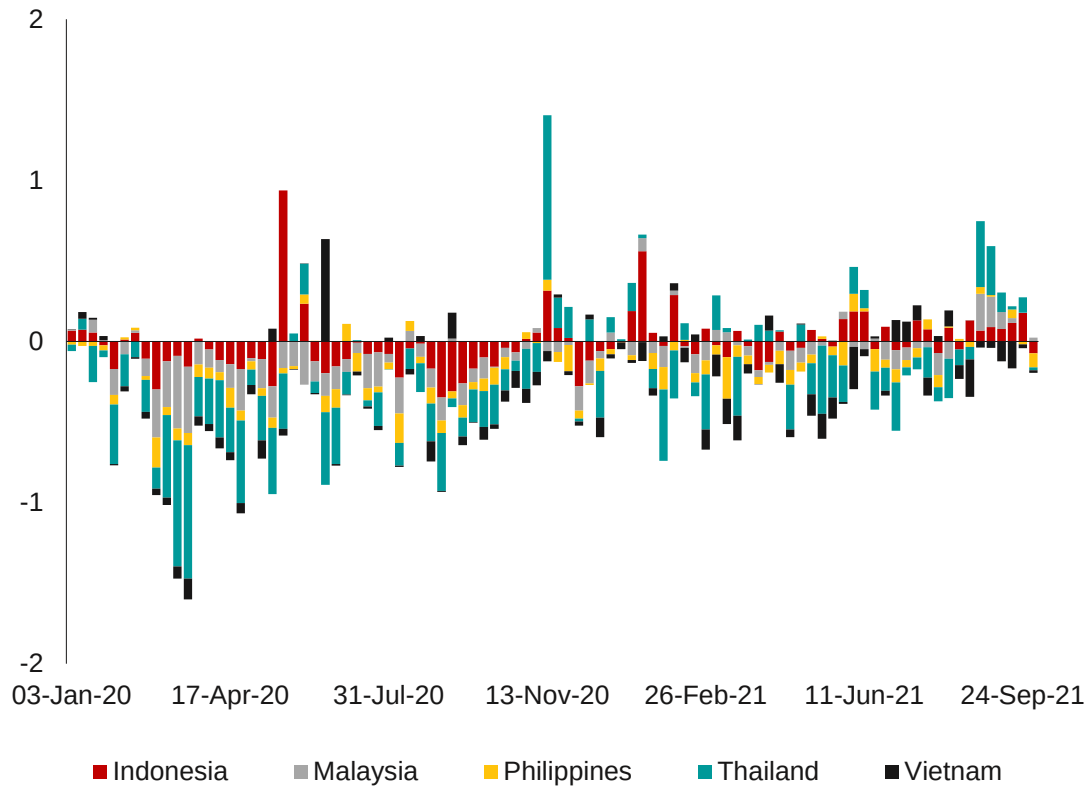
Sources: Bloomberg L.P.; national authorities via Haver Analytics; and Ho and Ong (forthcoming).

Note: The Debt-at-Risk ratios for 2021 are projected using actual data on the first half of 2021.

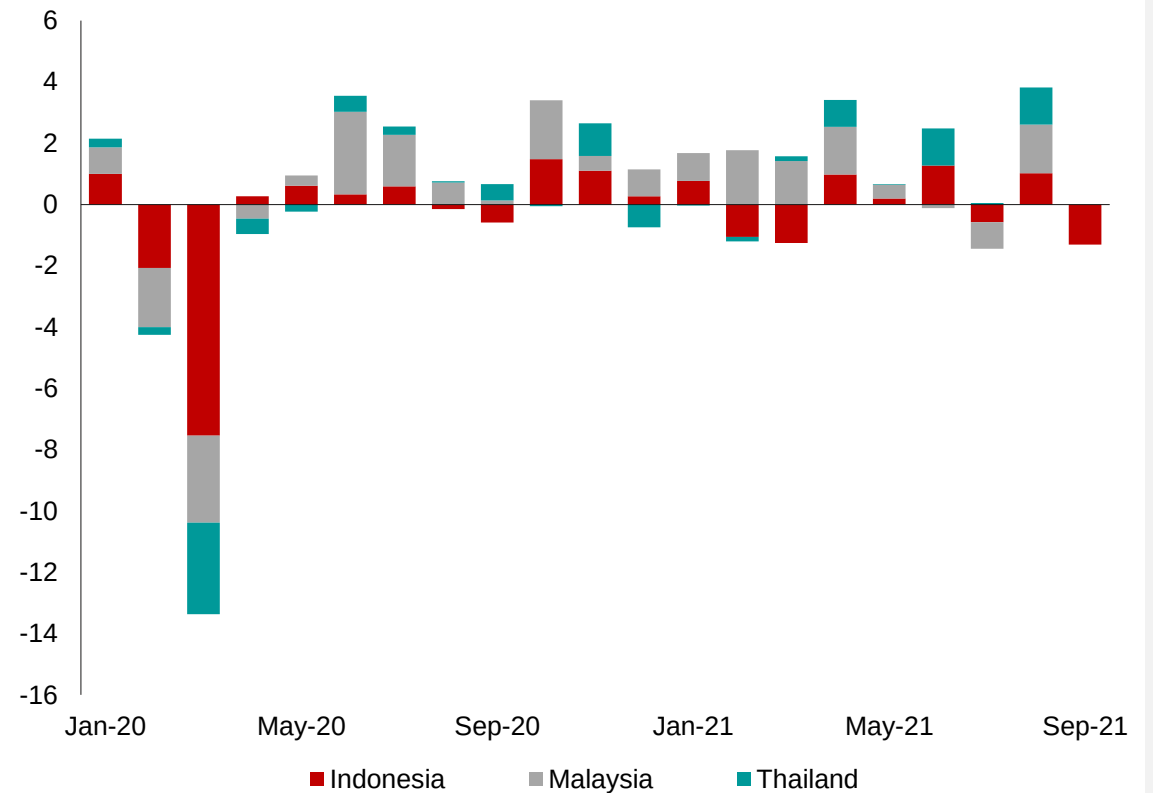
Equity and debt flows remain volatile

ASEAN-4 and Vietnam: Net Foreign Portfolio Capital Flows (Billions of US dollars, as of September 30, 2021)

Equities



Bonds



Sources: Bloomberg Finance L.P. and AMRO staff calculations.

Sources: National authorities via Haver Analytics; and AMRO staff calculations.

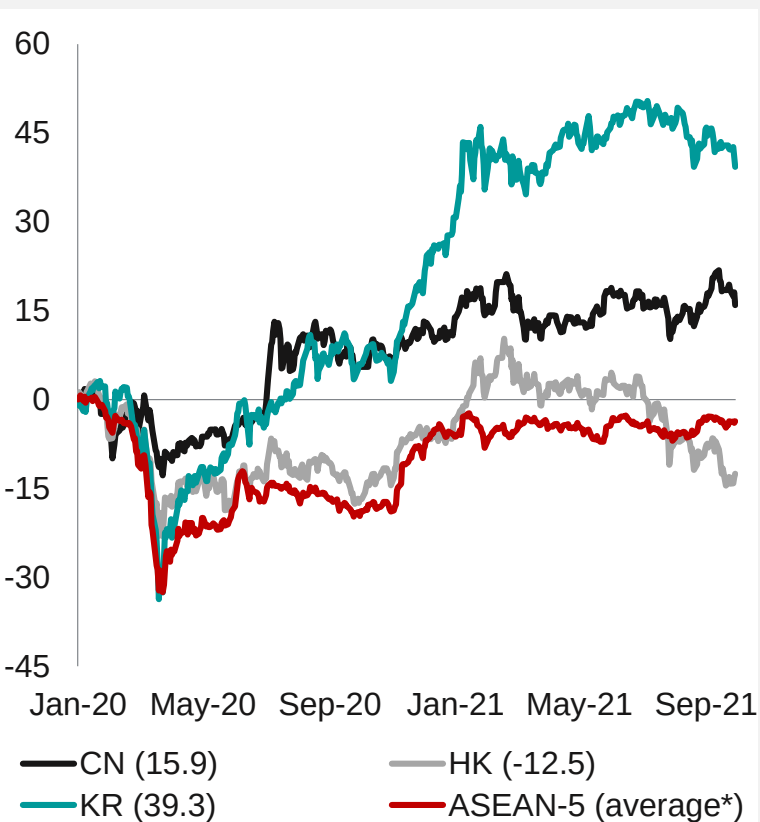
Note: Flows data for Malaysia and Thailand for the month of September 2021 are unavailable.

Diverging trends in equity, bond and foreign exchange markets



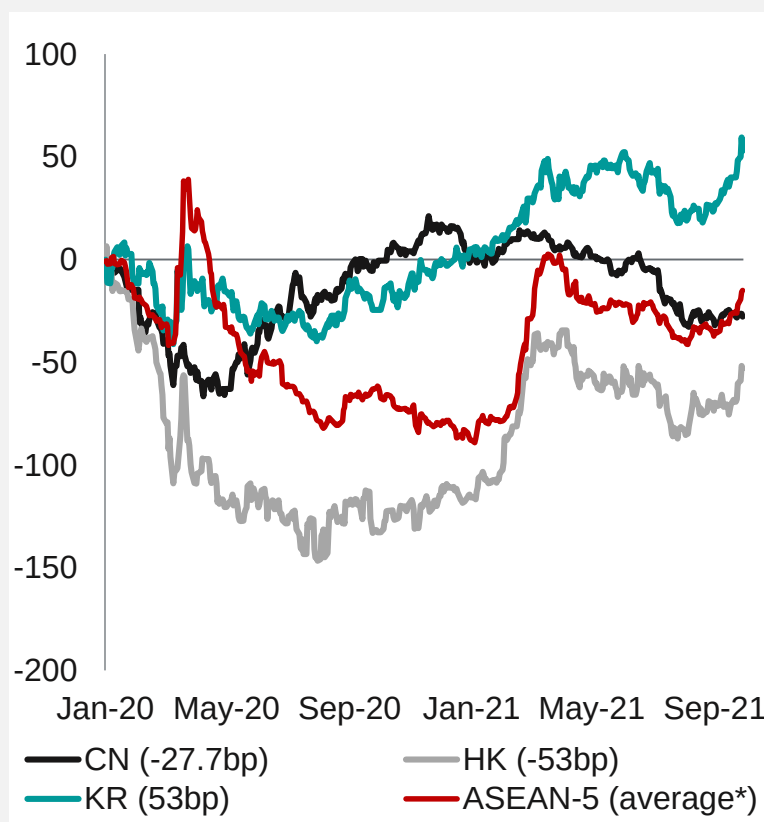
Selected ASEAN+3: Equity Market Indices

(Index, January 1, 2020 = 100)



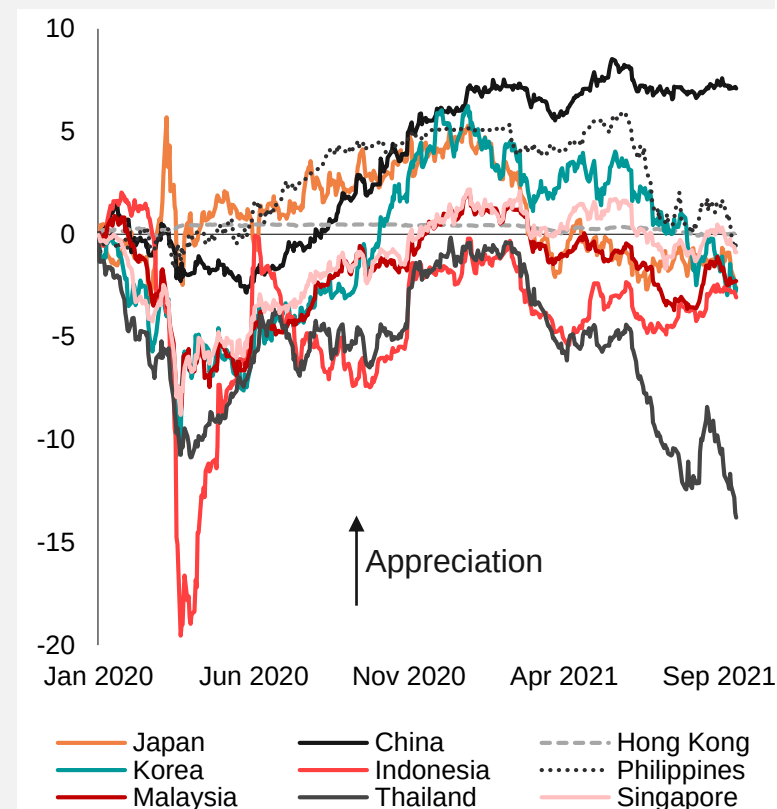
Selected ASEAN+3: 10-year Government Bond Yields

(Basis point change)



Selected ASEAN+3 Currencies against USD

(Percentage change from Dec 31, 2019)



Sources: Bloomberg Finance L.P. and AMRO staff calculations.

Note: Figures in parentheses refer to returns since December 31, 2019. 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 30, 2021.

Sources: Bloomberg Finance L.P. and AMRO staff calculations.

Note: Figures in parentheses refer to changes in 10-year government bond yields since December 31, 2019 in basis points (bp). ASEAN-5 (average) is the simple mean of changes since December 31, 2019 in 10-year government bond yields of Indonesia, Philippines, Malaysia, Thailand and Singapore in bp. Data as of September 30, 2021.

Sources: Bloomberg Finance L.P.

Note: Data as of September 30, 2021.

Some economies are better placed to withdraw policy support

ASEAN+3: Vulnerability to Exit Risks, as of September 2021

Indicator	Rating													
	ASEAN										Plus-3			
	BN	KH	ID	LA	MY	MM	PH	SG	TH	VN	CN	HK	JP	KR
Healthcare capacity (low → high)														
Size of domestic market (small → large)														
Economic diversity (narrow → diverse)														
Remaining policy space (limited → ample)														
Degree of policy support (significant → limited)														
Recovery rate (to 2021) (weak → strong)														
External buffers (limited → significant)														
Overall vulnerability rating														

Source: AMRO staff estimates.

Note: Ratings are assigned as follows: (1) red – weaker; (2) orange – less weak; (3) yellow – less strong; (4) green – stronger. The overall vulnerability rating is a simple average of the individual ratings. “Healthcare capacity” refers to the availability of hospital beds and the quality of healthcare, the latter of which draws on AMRO staff judgment; “Size of domestic market” refers to the economy’s import-adjusted GDP; “Economic diversity” refers to the relative size of key economic sectors (e.g., agriculture, manufacturing, services), overlaid by AMRO staff judgment about the diversity of industries within each sector; “Remaining policy space” is based on the methodology presented in Poonpatpibul and others (2020); “Degree of policy support” is based on the extent of actual policy support provided since the start of the pandemic assessed by AMRO staff; “Recovery rate” is proxied by AMRO staff’s projections of the output gap as of end-2021; “External buffers” are the reserve coverage indicator based on the ERPD Matrix Scorecard percentile. BN = Brunei Darussalam; CN = China; HK = Hong Kong; ID = Indonesia; JP = Japan; KH = Cambodia; KR = Korea; LA = Lao PDR; MY = Malaysia; MM = Myanmar; PH = Philippines; SG = Singapore; TH = Thailand; and VN = Vietnam.

ASEAN+3 to grow by 6.1% in 2021 and 5.0% in 2022



ASEAN+3: AMRO Growth and Inflation Projections, 2021–22

Economy	Gross Domestic Product (year-over-year)					Consumer Price Index (year-over-year)				
	2020 (Actual)	AREO 2021 (March 2021)		AREO 2021 Update (October 2021)		2020 (Actual)	AREO 2021 (March 2021)		AREO 2021 Update (October 2021)	
		2021 ^p	2022 ^p	2021 ^p	2022 ^p		2021 ^p	2022 ^p	2021 ^p	2022 ^p
ASEAN+3	0.0	6.7	4.9	6.1	5.0	1.8	2.2	2.3	2.4	2.9
Plus-3	0.9	7.2	4.7	6.9	4.8	0.8	1.1	1.4	1.1	1.6
China	2.3	8.7	5.5	8.2	5.5	2.5	1.5	2.0	1.3	2.0
Hong Kong, China	−6.1	4.8	6.5	6.5	4.0	0.3	2.0	2.0	1.7	2.0
Japan	−4.6	2.7	1.8	2.6	2.4	0.0	−0.1	0.3	−0.5	0.4
Korea	−0.9	3.2	3.0	3.9	3.0	0.5	1.0	1.3	1.9	1.9
ASEAN	−3.3	4.9	5.7	2.7	5.8	2.1	2.6	2.6	3.0	3.5
Brunei Darussalam	1.1	3.1	4.0	2.1	3.2	1.9	1.2	1.0	1.6	1.0
Cambodia	−3.1	4.7	6.1	2.8	6.6	2.9	3.5	2.4	3.3	2.3
Indonesia	−2.1	4.9	5.3	3.8	5.6	2.0	2.5	3.0	1.6	2.7
Lao PDR	3.3	4.6	4.8	2.9	5.0	5.1	3.5	4.0	4.0	5.2
Malaysia	−5.6	5.6	6.2	4.1	6.7	−1.1	2.0	2.2	2.5	2.2
Myanmar	3.2	−2.6	4.5	−18.7	0.0	5.8	5.0	5.5	6.7	12.4
The Philippines	−9.6	6.9	7.8	4.3	6.7	2.6	3.8	3.3	4.3	3.2
Singapore	−5.4	6.0	4.7	6.3	4.0	−0.2	0.5	0.7	1.6	1.3
Thailand	−6.1	2.3	4.8	0.8	5.8	−0.8	0.8	0.9	0.8	1.0
Vietnam	2.9	7.0	6.8	2.6	7.5	3.2	3.2	3.2	3.2	3.2

Source: AMRO staff estimates.

Note: AREO = ASEAN+3 Regional Economic Outlook report. p = projections. Regional aggregates for growth are estimated using the weighted average of 2020 GDP on purchasing power parity basis; regional aggregates for inflation are computed using simple averaging.

Key messages



- COVID-19 pandemic is receding across the region toward becoming endemic
- Rapid vaccinations and targeted containment measures should allow countries to open up safely in the endemic new normal
- Policy support should be phased out in a gradual and well-communicated manner to avoid cliff effects
- Targeted policy measures should continue to support the hard hit sectors, minimize scarring effects, and facilitate the transition to the new digital economy
- ASEAN+3 economies are gaining recovery momentum and are expected to grow strongly next year

Thank you



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The economic recovery is fraught with uncertainties, dominated by pandemic-related risks

