

# ASEAN+3 Regional Economic Outlook – January 2023 Update

*China's Reopening Should Bring Timely Boost to ASEAN+3*

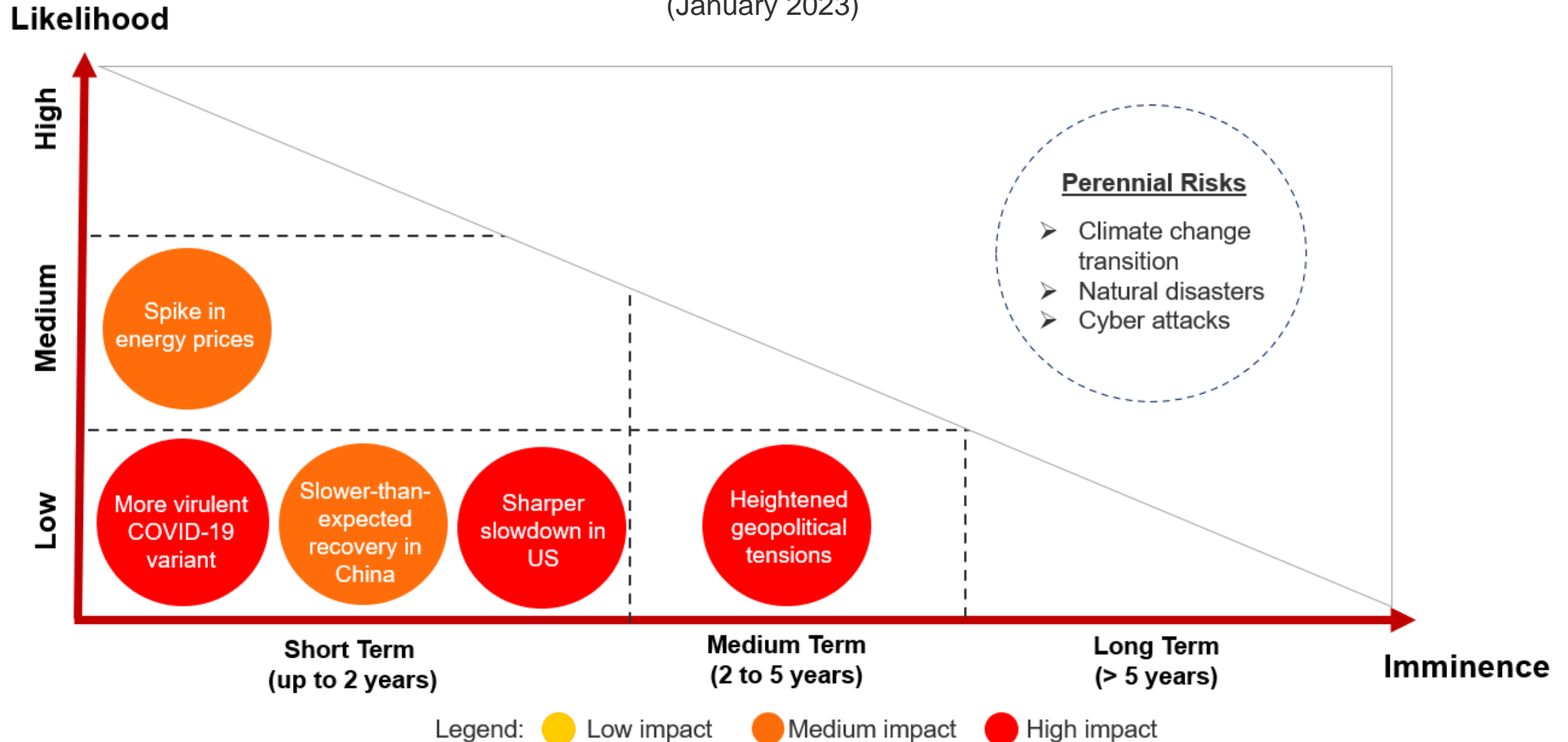
Hoe Ee Khor, Chief Economist

January 17, 2023



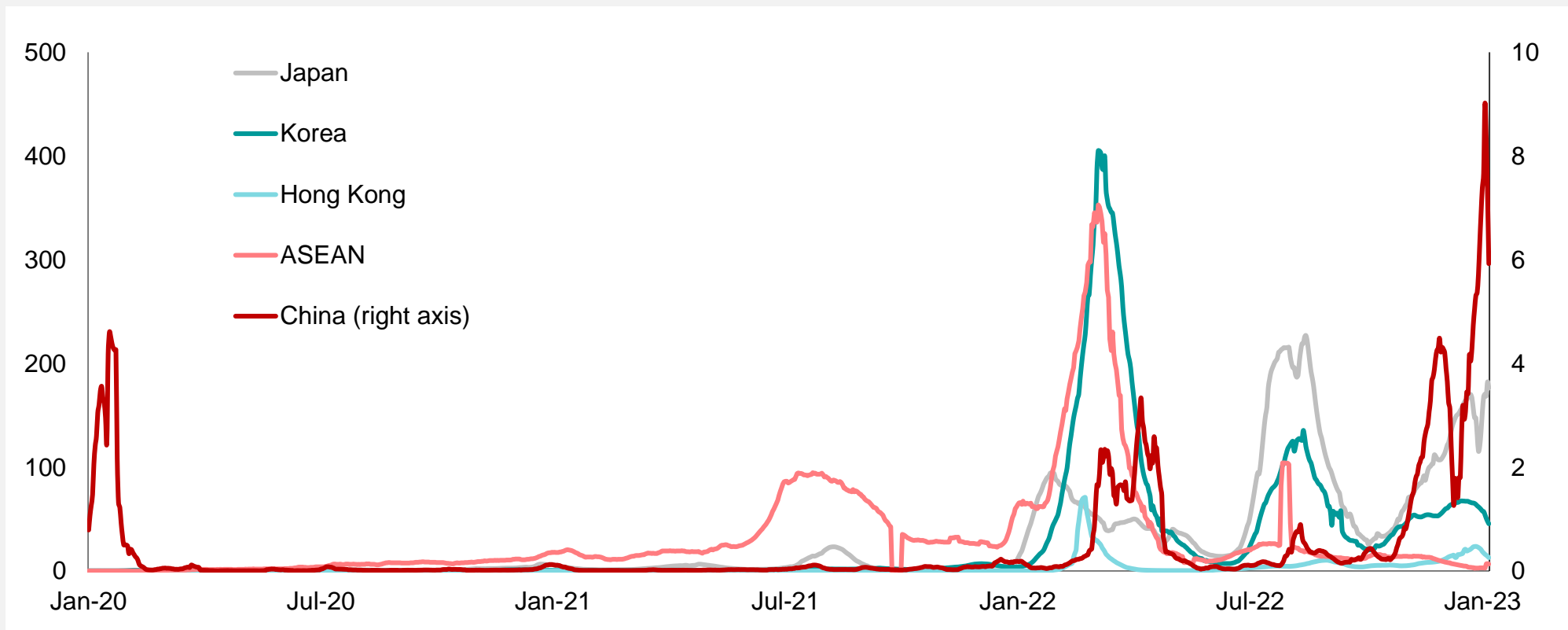
# ASEAN+3 continue to face mounting headwinds to growth

**Regional Risk Map**  
(January 2023)



# *Daily new COVID-19 cases in ASEAN+3 have picked-up since summer 2022 (mostly in Japan and Korea)*

**ASEAN+3: Daily COVID-19 Cases**  
(7-day average, thousand persons)

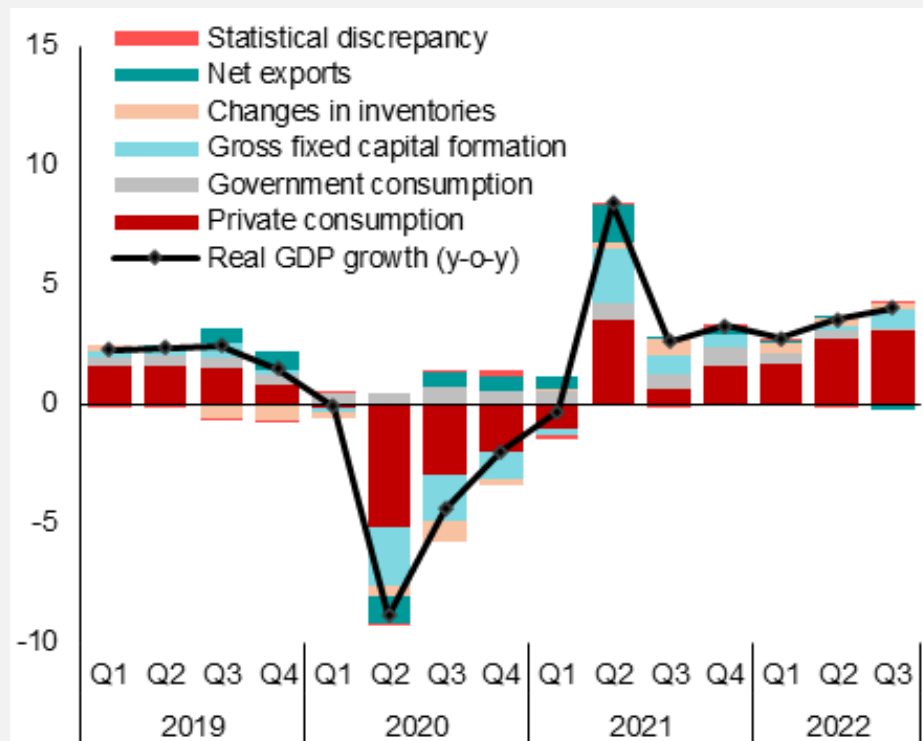


Source: Our World in Data via Haver Analytics; and AMRO staff calculations.  
Note: Data up to January 12, 2023.

# ASEAN+3 grew strongly in the third quarter of 2022, as economic re-opening gained traction

*Domestic demand largely offset the drag on growth from weak exports*

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



**Selected ASEAN+3: Manufacturing PMI**  
(Index, seasonally adjusted)



Source: National authorities via Haver Analytics; AMRO calculations.

Note: y-o-y = year-on-year Cambodia, China, Lao PDR, Myanmar, and Vietnam are excluded due to data unavailability.

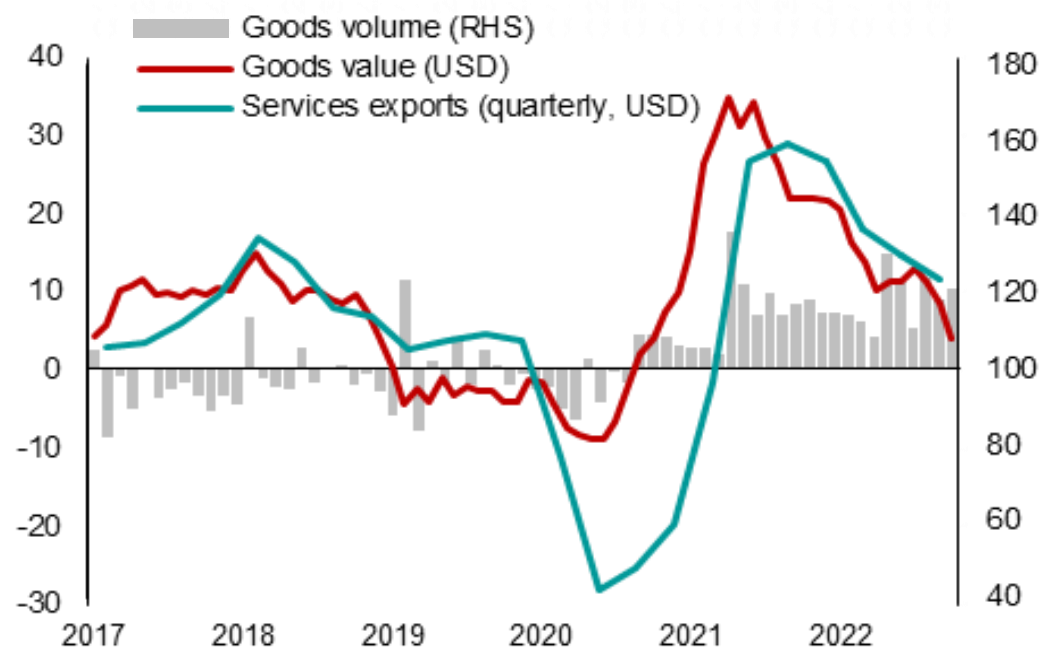
Source: IHS Markit; and JPMorgan.

Notes: \* Denotes both manufacturing and services combined. PMI readings are coded by colors: darker shades of red denote readings further below the diffusion level of 50 (darkest red denotes: 45); conversely, greener shades denote readings further above the diffusion level of 50 (darkest green denotes 55). Data as January 13, 2022.

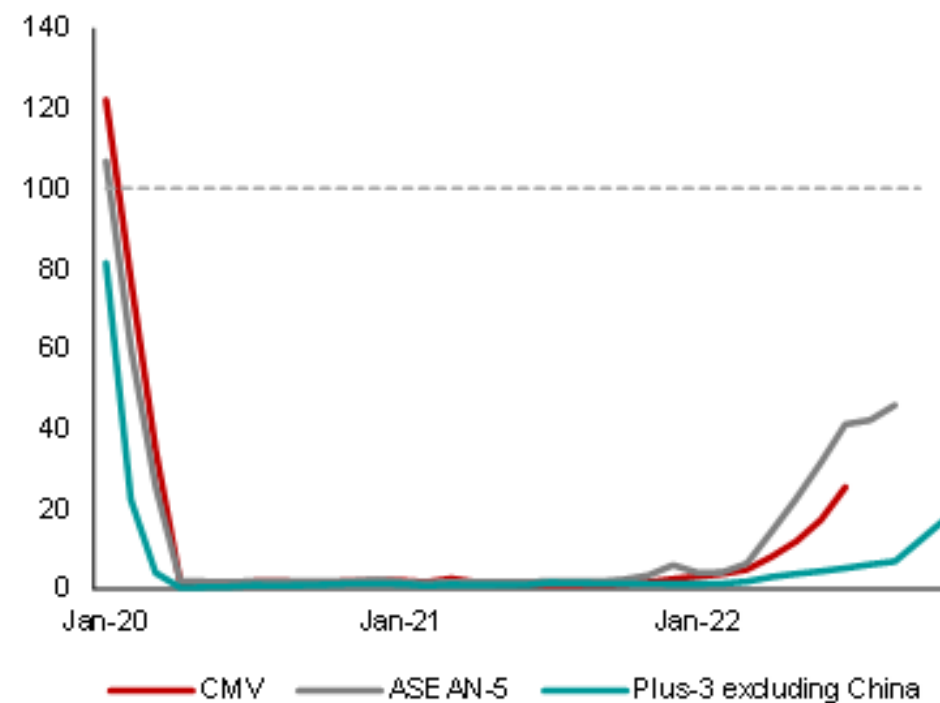
# *The resumption of tourism should offer some reprieve for the region's export growth*

*ASEAN+3 exports lost momentum in the second half of 2022*

**ASEAN+3: Goods and Services Export Growth**  
(Percent, year-on-year; Index, 2019 = 100)



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

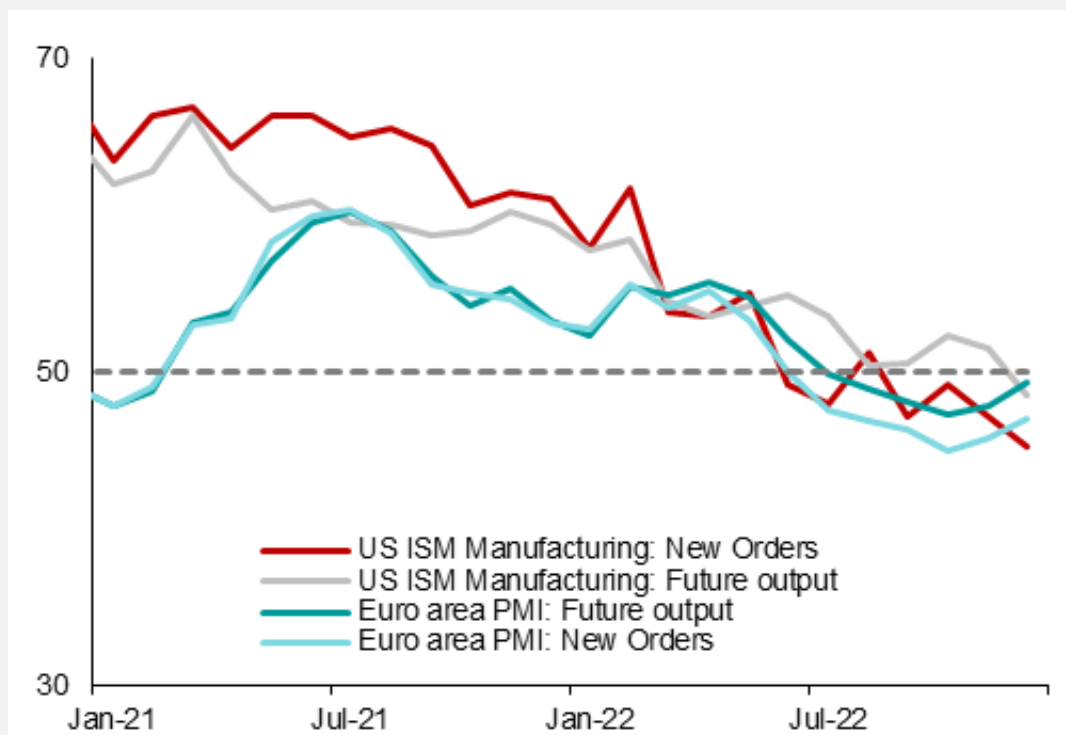


Source: National authorities via Haver Analytics; and AMRO staff calculations.

Source: National authorities via Haver Analytics; AMRO staff calculations.  
Note: Data as of July 2022 for CMV, November 2022 for ASEAN-5, and December 2022 for Plus-3 excluding China. CMV = Cambodia, Myanmar, and Vietnam. ASEAN-5 = Indonesia, Malaysia, the Philippines, Singapore, and Thailand.

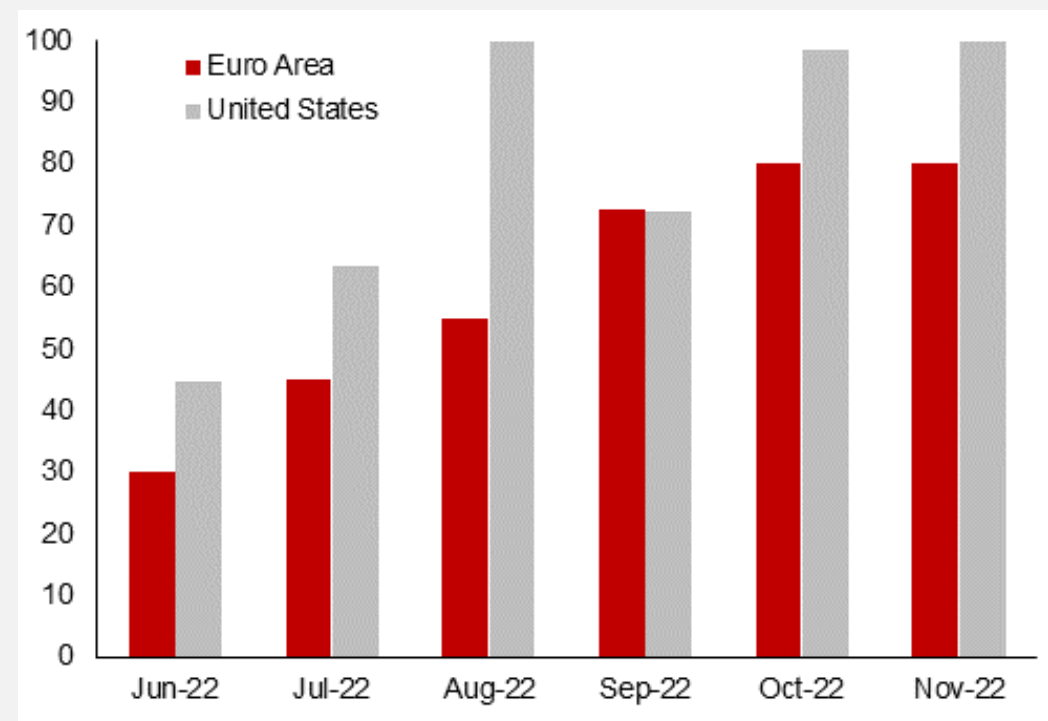
# Risks of recession are rising in the United States and the euro area

**United States and Euro Area: Selected Leading Indicators**  
(Index; 50 and above = expansionary)



Source: HIS Markit

**United States and Euro Area: Probability of Recession in the Next 12–18 Months**  
(Percent)



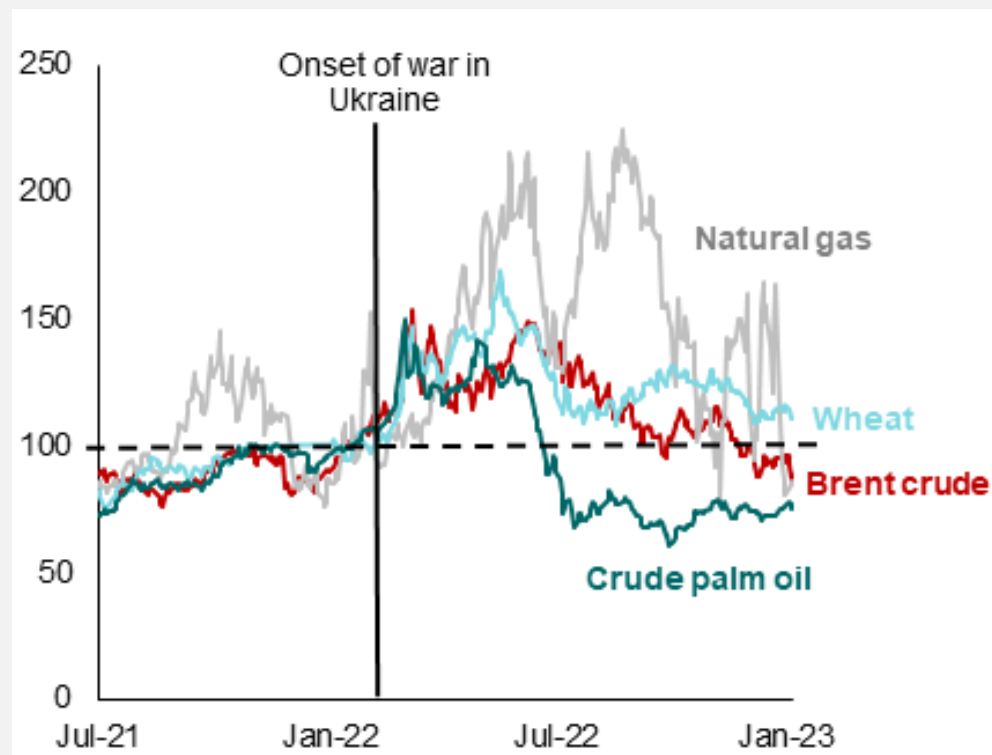
Source: Bloomberg.

Notes: Probabilities for the United States (US) are taken from Bloomberg Economics' US recession model, which uses a range of financial-market, real-economy, and economic-imbalance indicators to gauge the risk of recession in the next 18 months. Probabilities for the euro area are based on Bloomberg surveys to assess the chance of a downturn in the next 12 months.

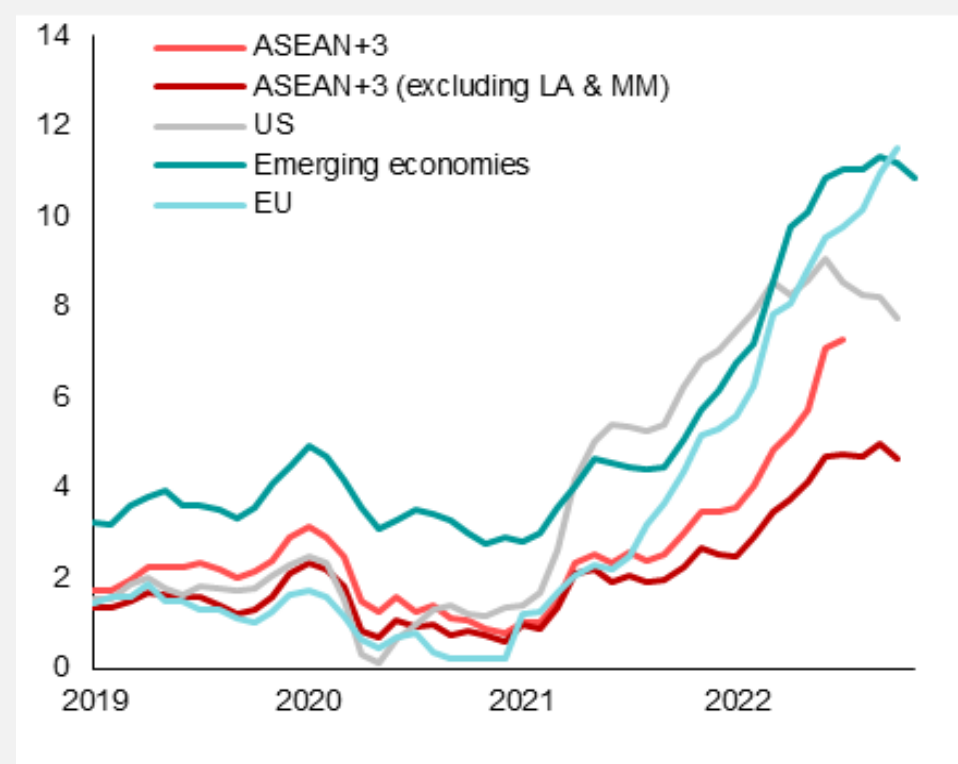
# Inflation has moderated ...

*Commodity prices have largely returned to levels before the war in Ukraine*

**World: Selected Commodity Prices**  
(Index, January 2022 = 100)



**Headline Consumer Price Inflation**  
(Percent, year-on-year)



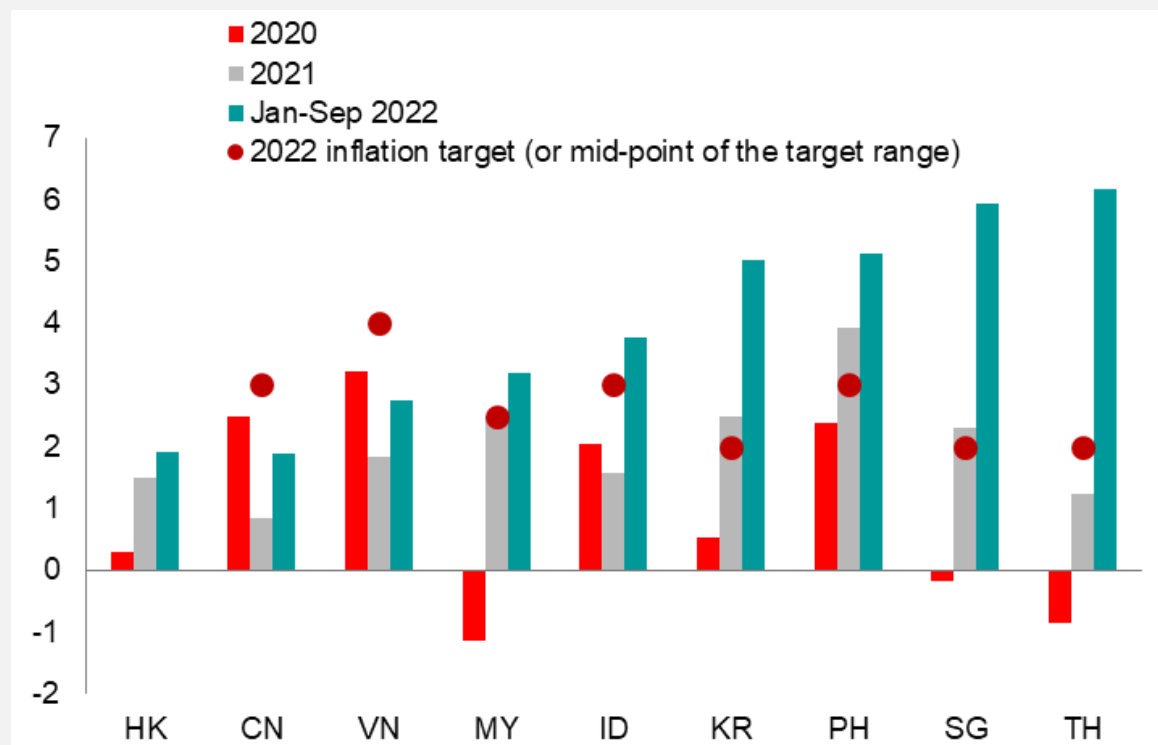
Source: Bank Negara Malaysia, Financial Times, Johnson Matthey, US Energy Information Administration, Wall Street Journal, and World Bank, via Haver Analytics.  
Note: Wheat price refers to Kansas City wheat price.

Source: National authorities via Haver Analytics; and AMRO staff calculations.  
Note: The ASEAN+3 and Selected ASEAN+3 series are calculated by taking simple average of monthly inflation series for included economies. EU = European Union; LA = Lao PDR; MM = Myanmar; US = United States.

*... but remains above-target in many economies*

*Central banks in the region continue to tighten monetary policy*

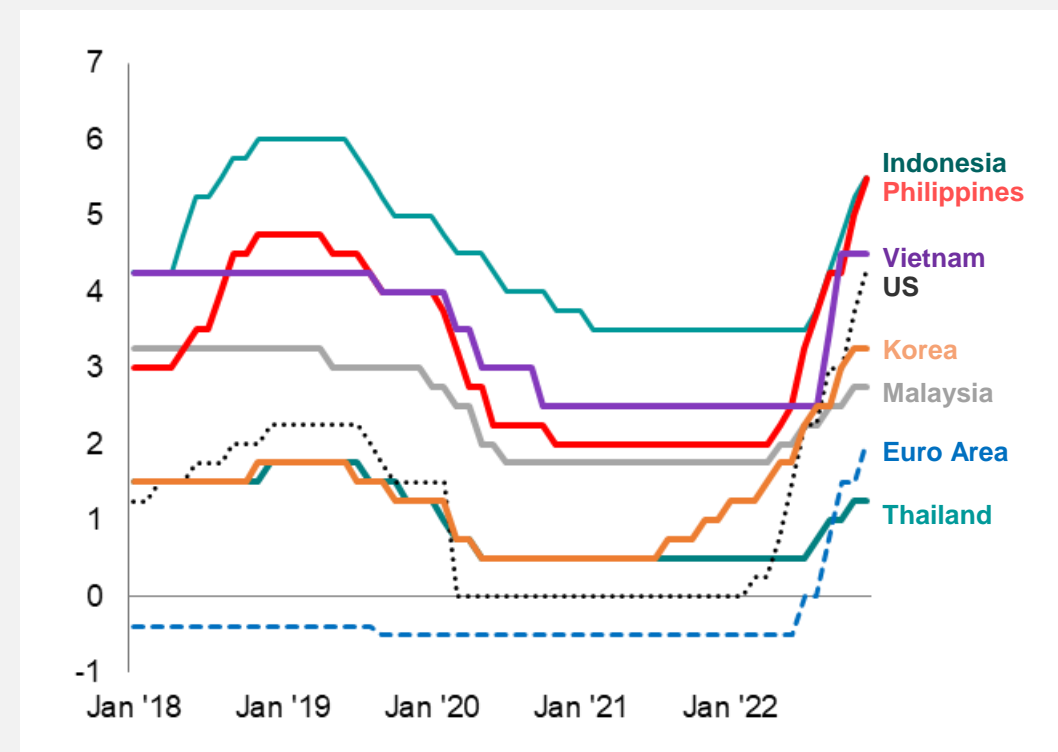
**Selected ASEAN+3: Headline Consumer Price Inflation**  
(Percent, year-on-year)



Source: National authorities via Haver Analytics.

Notes: Malaysia is not an inflation-targeting country, the data point refers to an implicit target range of 2.5 percent. For Hong Kong, there is no explicit or implicit inflation target.

**Selected ASEAN+3, US, and Euro Area: Policy Interest Rates**  
(Percent)



Source: National authorities via Haver Analytics.

Notes: Data up to December 2022. For the US, data refers to the upper range of the Fed funds rate. For the Euro Area, data refers to the deposit facility rate.

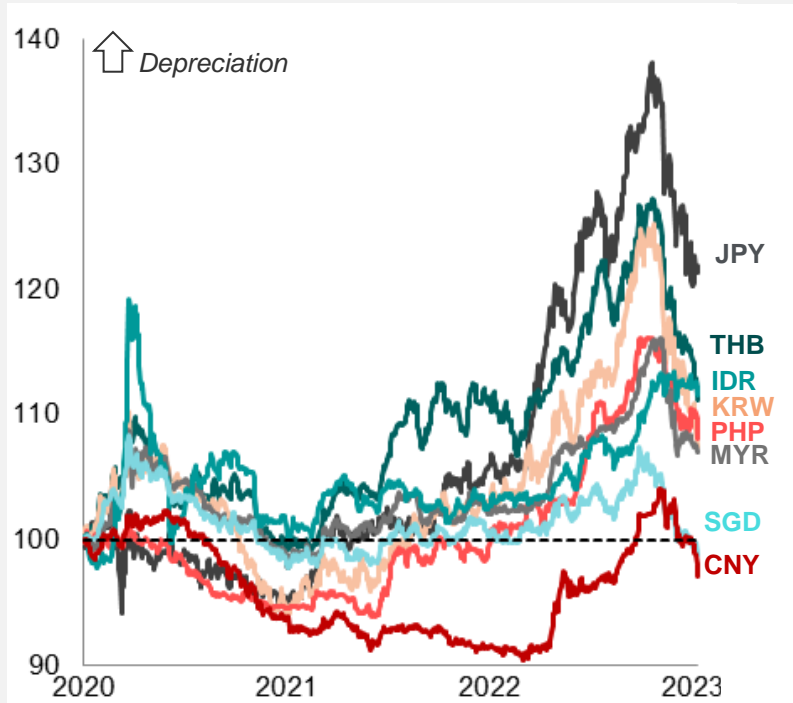


# Optimism in financial markets grew in recent months on hopes that major central banks would slow the pace of monetary tightening

*Regional currencies and stock markets have rebounded from their weakest point in mid-October, while bond yields have declined*

## Selected ASEAN+3: Exchange Rate against USD

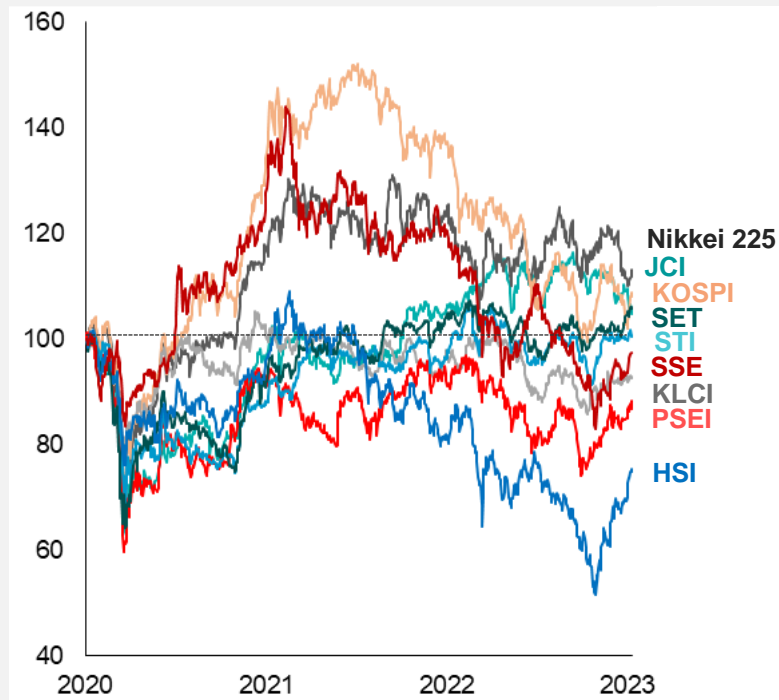
(Index, 2 Jan 2020 = 100)



Source: National authorities via Haver Analytics.  
Note: Data up to January 12, 2023.

## Selected ASEAN+3: Stock Market Indices

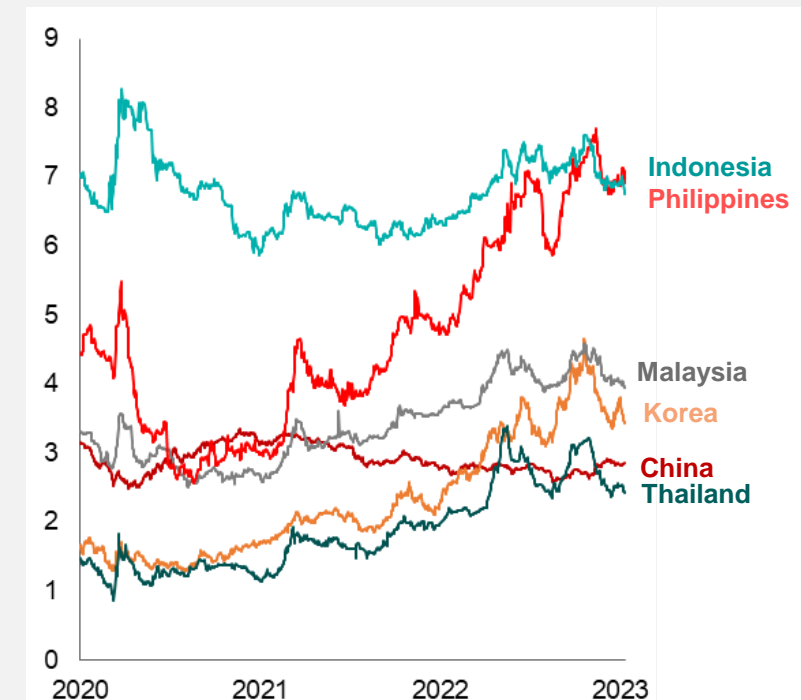
(Index, 2 Jan 2020 = 100)



Source: Haver Analytics.  
Note: Data up to January 12, 2023.

## Selected ASEAN+3: 10Y Sovereign Bond Yields

(Percent)



Source: Haver Analytics.  
Note: Data up to January 12, 2023.

# Projected GDP growth rates for 2022 and 2023 are slightly lower than in the October 2022 AREO Update

## AMRO Staff Baseline Growth Estimates and Forecasts, 2022–23

Economy	Gross Domestic Product (Percent year-on-year)				
	2021 (Actual)	AREO 2022 Quarterly Update (October 2022)		AREO 2022 Quarterly Update (January 2023)	
		2022 <sup>e</sup>	2023 <sup>f</sup>	2022 <sup>e</sup>	2023 <sup>f</sup>
<b>ASEAN+3</b>	<b>6.1</b>	<b>3.7</b>	<b>4.6</b>	<b>3.3</b>	<b>4.3</b>
<b>Plus-3</b>	<b>6.9</b>	<b>3.3</b>	<b>4.5</b>	<b>2.6</b>	<b>4.2</b>
China	8.1	3.8	5.3	3.0	5.0
Hong Kong, China	6.3	0.3	3.9	-2.5	4.3
Japan	2.1	1.6	1.6	1.4	1.2
Korea	4.1	2.4	2.3	2.6	1.9
<b>ASEAN</b>	<b>3.1</b>	<b>5.3</b>	<b>4.9</b>	<b>5.6</b>	<b>4.8</b>
Brunei Darussalam	-1.6	0.7	3.0	-1.2	2.8
Cambodia	3.0	5.0	5.4	5.0	5.4
Indonesia	3.7	5.2	5.1	5.3	5.0
Lao PDR	2.6	4.0	3.9	4.0	3.9
Malaysia	3.1	7.3	4.2	8.4	4.0
Myanmar	-18.7	1.2	–	1.2	2.2
The Philippines	5.7	6.9	6.3	7.3	6.2
Singapore	7.6	3.1	2.0	3.8	1.8
Thailand	1.6	3.2	4.8	3.2	3.9
Vietnam	2.6	7.0	6.5	8.0	6.8

Source: AMRO staff estimates.

Notes: AREO = ASEAN+3 Regional Economic Outlook report. e = estimate, f = forecast. Regional aggregates for growth are estimated using the weighted average of 2021 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 projection is largely unchanged for 2022, revised upwards for 2023

## AMRO Staff Baseline Inflation Estimates and Forecasts, 2022–23

Economy	Consumer Price Index (Percent year-on-year)				
	2021 (Actual)	AREO 2022 Quarterly Update (October 2022)		AREO 2022 Quarterly Update (January 2023)	
		2022 <sup>e</sup>	2023 <sup>f</sup>	2022 <sup>e</sup>	2023 <sup>f</sup>
<b>ASEAN+3</b>	<b>2.1</b>	<b>6.2</b>	<b>3.4</b>	<b>6.3</b>	<b>4.5</b>
<b>Plus-3</b>	<b>1.2</b>	<b>2.8</b>	<b>2.1</b>	<b>2.9</b>	<b>2.2</b>
China	0.9	2.2	2.0	2.0	2.0
Hong Kong, China	1.6	2.0	2.3	2.0	2.3
Japan	−0.3	2.1	1.1	2.5	1.5
Korea	2.5	5.0	3.0	5.1	3.0
<b>ASEAN</b>	<b>2.5</b>	<b>7.6</b>	<b>4.0</b>	<b>7.7</b>	<b>5.4</b>
Brunei Darussalam	1.7	3.5	2.0	3.7	2.5
Cambodia	2.9	5.3	3.0	5.3	3.0
Indonesia	1.6	4.4	5.0	4.2	4.6
Lao PDR	3.8	20.2	9.7	22.6	11.4
Malaysia	2.5	3.5	2.5	3.4	2.6
Myanmar	3.6	18.0	–	16.0	14.0
The Philippines	3.9	5.1	4.0	5.8	4.3
Singapore	2.3	5.9	4.1	6.1	6.0
Thailand	1.2	6.3	2.5	6.2	2.6
Vietnam	1.8	3.5	3.3	3.2	3.0

Source: AMRO staff estimates.

Notes: AREO = ASEAN+3 Regional Economic Outlook report. e = estimate, 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.

## *Key Messages*

- Growth in the Plus-3 economies weakened while economic activity in ASEAN remained robust in the fourth quarter of 2022 and into 2023.
- Rising recession risks in the United States and Europe are a headwind for the region.
- Economic reopening in China and the resumption of international tourism could potentially help to offset slowing external demand.
- ASEAN+3 growth is projected at 3.3 percent in 2022 and 4.3 percent in 2023. Inflation is projected at 6.3 percent in 2022 and 4.5 percent in 2023.

# Thank you



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