

ASEAN+3 Regional Economic Outlook 2024

Navigating Tomorrow



Presentation outline

01 Macroeconomic Prospects and Challenges

- Developments and outlook
- Policy recommendations
- Special feature
- Key takeaways

02 Navigating Tomorrow

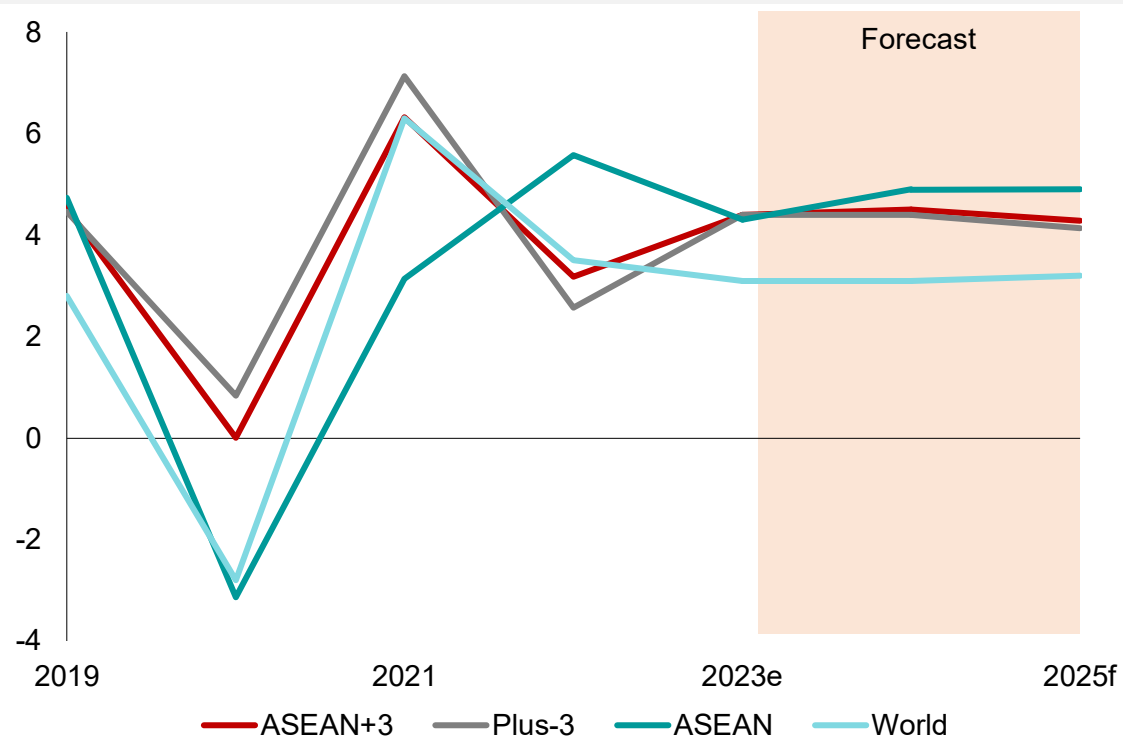
- Aging
- Global trade reconfiguration
- Technological change
- Policy recommendations
- Key takeaways

ASEAN+3 growth to strengthen this year with continued moderating inflation, but uncertainties remain.

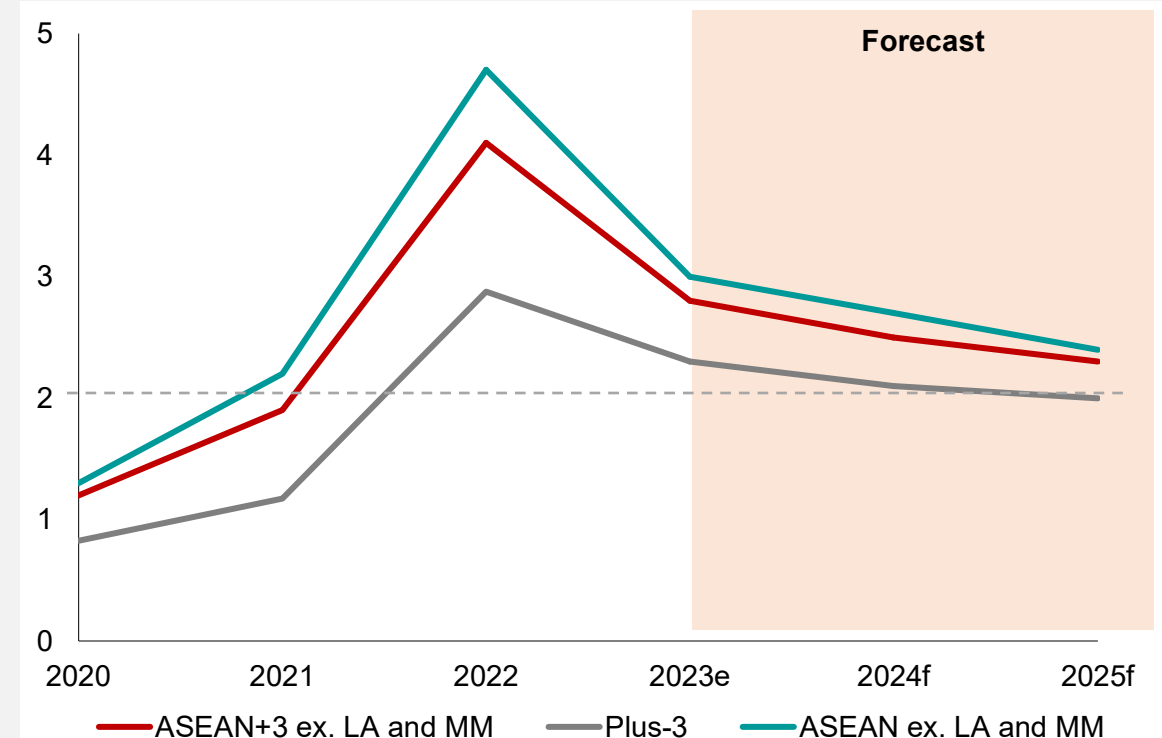
Growth in ASEAN+3 is forecast to strengthen this year and to remain robust going forward

Inflation in the region set to continue to moderate but with slower pace of disinflation

World: Real GDP Growth on PPP Basis
(Percent, year-on-year)



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



Source: National authorities via Haver Analytics; Oxford Economics; IMF World Economic Outlook January Update 2024; AMRO staff calculations.

Note: f = forecast. Real GDP is forecast in local currency and converted to purchasing power parity (PPP).

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

Note: f = forecast. Regional aggregates for inflation are computed using simple averaging.

ASEAN+3 growth to strengthen this year with continued moderating inflation, but uncertainties remain.

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ASEAN+3: AMRO Staff Baseline GDP Forecast
(Percent, year-on-year)

Economy	2023 ^e	2024 ^f	2025 ^f
ASEAN+3	4.3	4.5	4.2
Plus-3	4.4	4.4	4.1
China	5.2	5.3	4.9
Hong Kong, China	3.2	3.5	3.0
Japan	1.9	1.1	1.0
Korea	1.4	2.3	2.1
ASEAN	4.2	4.8	4.9
Brunei Darussalam	1.4	2.7	2.9
Cambodia	5.3	6.2	6.4
Indonesia	5.0	5.2	5.2
Lao PDR	4.3	4.7	4.9
Malaysia	3.7	5.0	4.7
Myanmar	3.4	3.2	3.2
Philippines	5.6	6.3	6.5
Singapore	1.1	2.6	1.9
Thailand	1.9	2.9	3.1
Vietnam	5.1	6.0	6.5

ASEAN+3: AMRO Staff Baseline Inflation Forecast
(Percent, year-on-year)

Economy	2023 ^e	2024 ^f	2025 ^f
ASEAN+3	6.3	4.3	3.7
ASEAN+3 ex. LA, MM	2.8	2.5	2.3
Plus-3	2.3	2.1	2.0
China	0.2	1.0	1.6
Hong Kong, China	2.1	2.5	2.3
Japan	3.3	2.5	2.1
Korea	3.6	2.5	2.0
ASEAN	8.0	5.2	4.4
ASEAN ex. LA, MM	3.0	2.7	2.4
Brunei Darussalam	0.4	1.4	1.0
Cambodia	2.1	3.1	2.8
Indonesia	3.7	2.8	2.5
Lao PDR	31.2	14.3	9.3
Malaysia	2.5	2.5	3.0
Myanmar	24.4	16.1	15.8
Philippines	6.0	3.6	2.9
Singapore	4.8	3.0	2.5
Thailand	1.2	1.2	1.9
Vietnam	3.3	3.6	2.7

Source: National authorities via Haver Analytics, and AMRO staff estimates.

Note: f = forecast. Regional aggregates for growth are estimated using the weighted average of 2022 GDP on purchasing power parity basis.

Source: National authorities via Haver Analytics, and AMRO staff estimates.

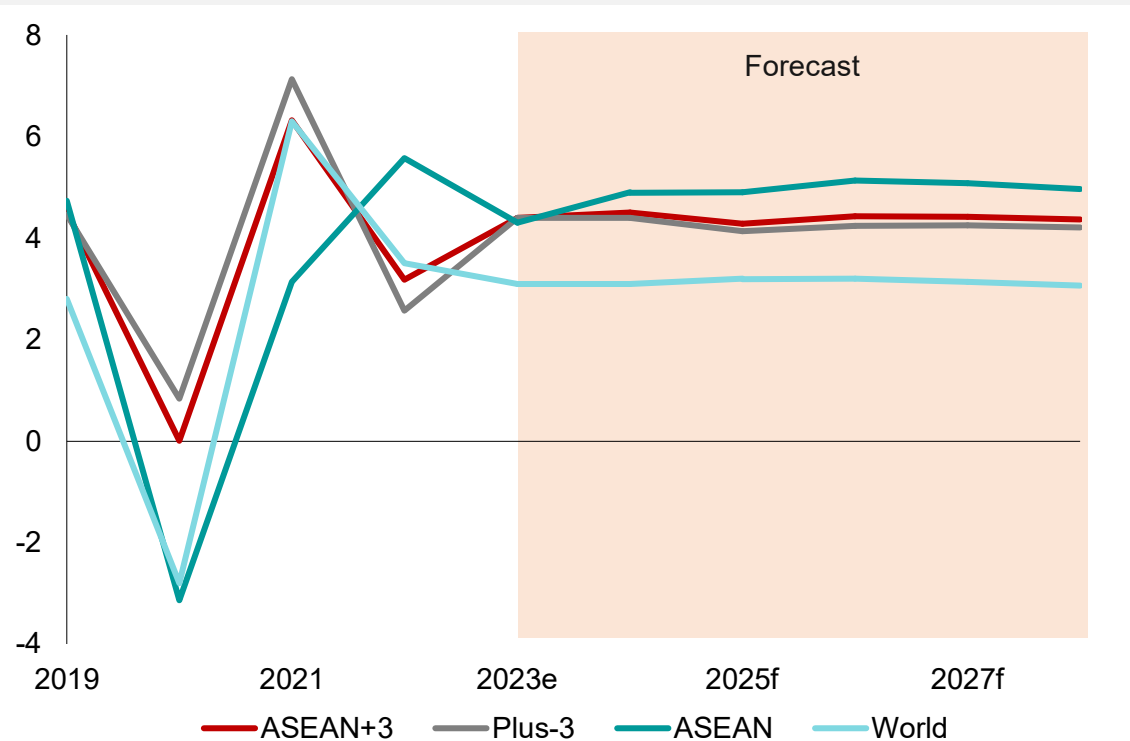
Note: f = forecast. Regional aggregates are computed using simple averaging. LA refers to Lao PDR, MM refers to Myanmar, and covers the period of 1 April to 31 December for 2023.

ASEAN+3 is well-positioned to be a global growth driver.

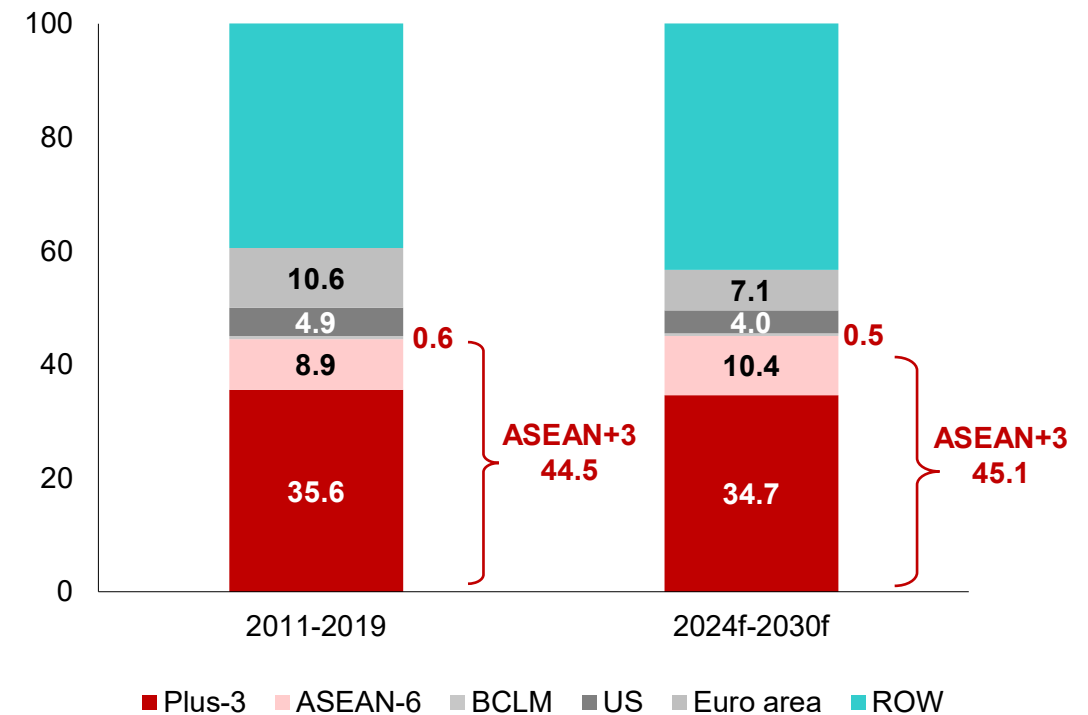
In the longer term, growth in ASEAN+3 is expected to outpace the world economy

ASEAN+3 will remain a major driver of global growth

World: Real GDP Growth on PPP Basis
(Percent, year-on-year)



World: Contribution to Real GDP Growth on PPP Basis
(Percent share)



Source: National authorities via Haver Analytics; Oxford Economics; IMF World Economic Outlook January Update 2024; AMRO staff calculations.

Note: f = forecast. Real GDP is forecast in local currency and converted to purchasing power parity (PPP).

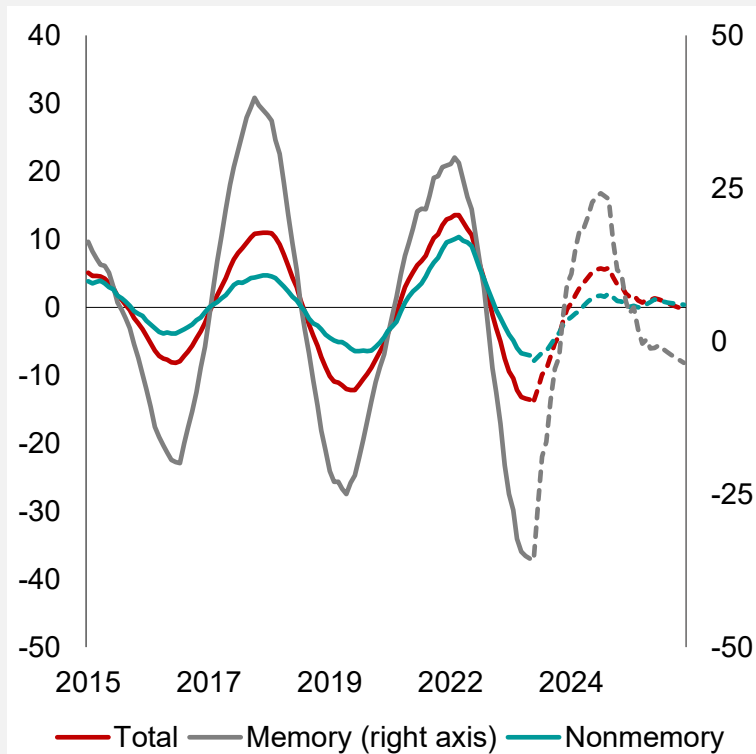
Source: National authorities via Haver Analytics; Oxford Economics; IMF World Economic Outlook January Update 2024; AMRO staff calculations.

Note: f = forecast. Real GDP is forecast in local currency and converted to purchasing power parity (PPP).

Exports are forecast to improve in 2024.

Exports will be boosted by the turnaround in semiconductor cycle...

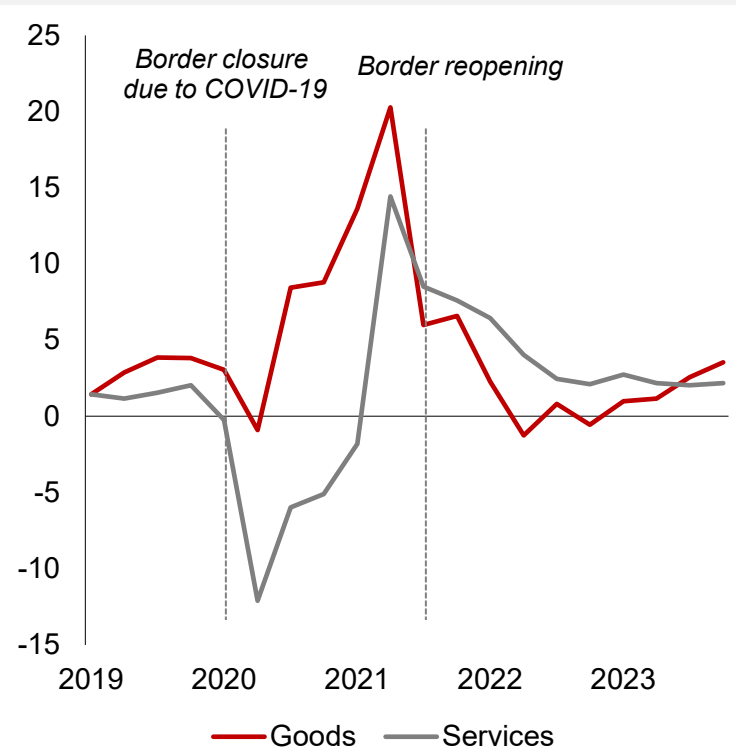
World: Global Semiconductor Cycles
(Percent, year-on-year; 18-month moving average)



Source: AMRO staff estimates using data from WSTS Inc.
Note: The underlying data for the dashed lines are WSTS (annual) projections, extrapolated by AMRO staff to derive the monthly cycle estimates.

...continued strength in goods consumption in the United States...

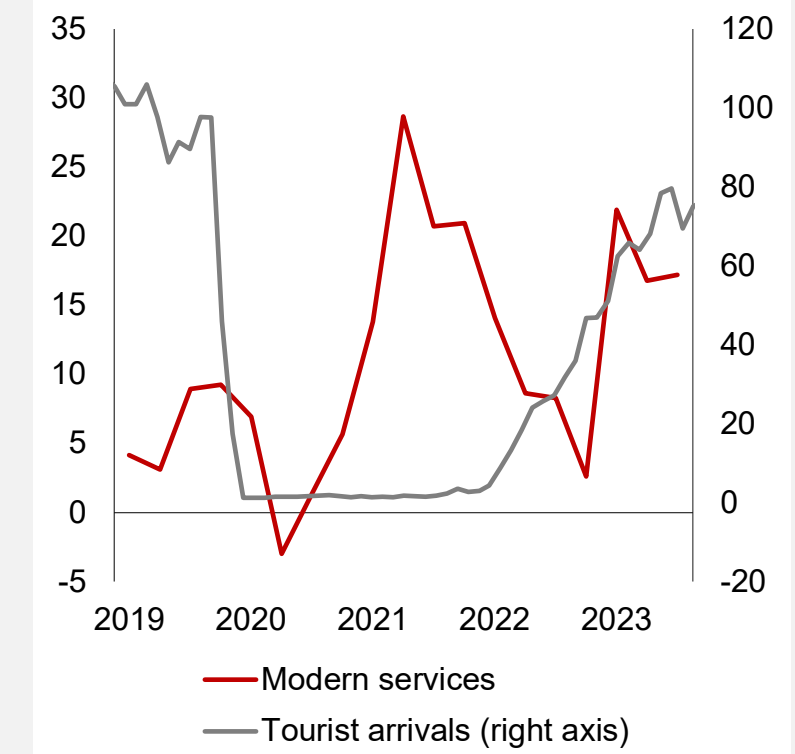
United States: Private Consumption Expenditure
(Percent year-on-year)



Source: National authority via Haver Analytics.

...and robust demand for travel and modern services

ASEAN+3: Export of Services and Tourist Arrivals
(Percent, year-on-year; index, 2019 = 100)



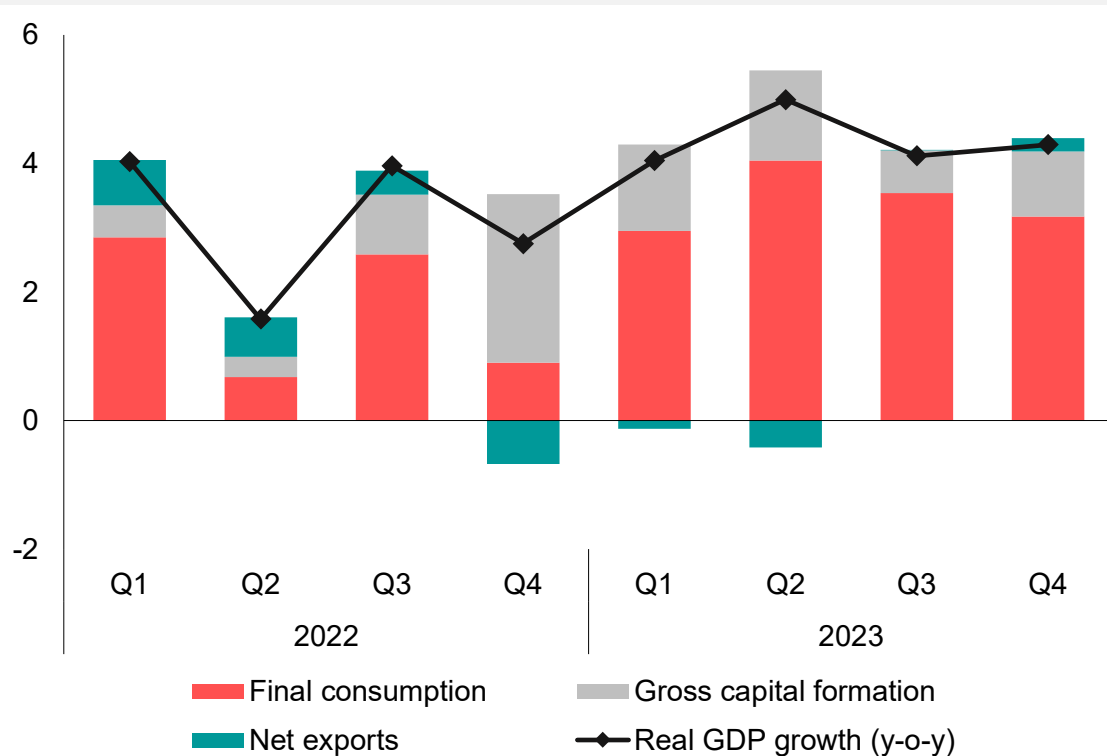
Source: National authorities via Haver Analytics; AMRO staff calculations.
Note: Modern services data excludes Brunei, Lao PDR, and Myanmar. Tourist arrivals data excludes Brunei, China, and Lao PDR due to data unavailability.

Domestic demand would remain the anchor of growth.

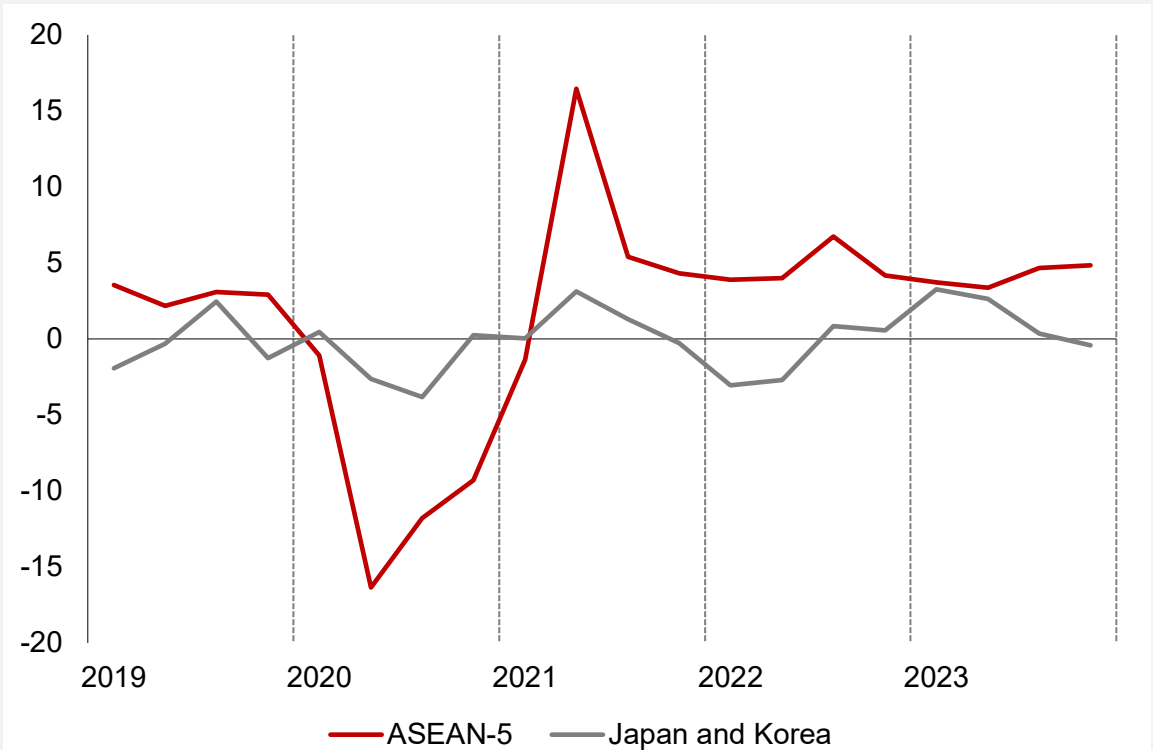
Household spending is expected to remain robust, underpinned by strong employment conditions and improving household income

Investment activity should also gradually recover

Selected ASEAN+3: Aggregate Real GDP Growth, by Expenditure
(Percentage points, year-on-year)



Selected ASEAN+3: Real Gross Fixed Capital Formation and Contribution to GDP Growth
(Percent, year-on-year; percentage points, year-on-year)



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

Note: Statistical discrepancies are not shown. Excludes Cambodia, Lao PDR, Myanmar, and Vietnam due to data unavailability.

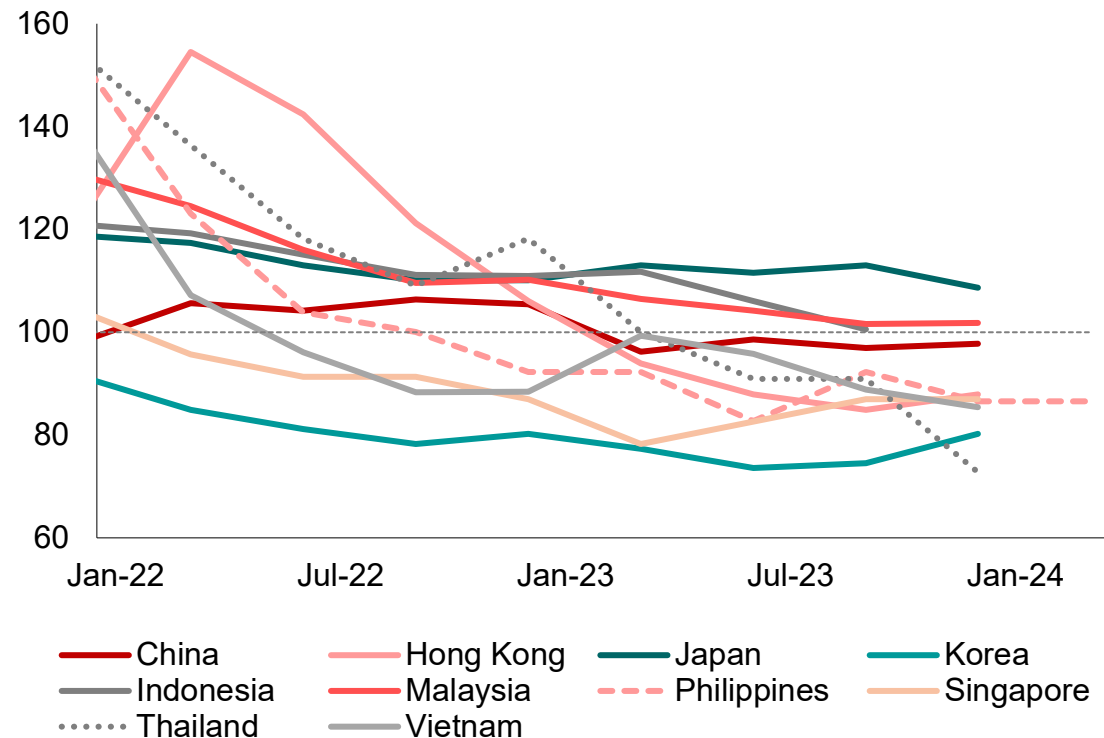
Source: National authorities via Haver Analytics; AMRO staff calculations.

Note: Data for China refer to the contribution of gross fixed capital formation to year-on-year GDP growth. ASEAN-5 = Indonesia, Malaysia, the Philippines, Singapore, and Thailand.

Resilient private consumption would be underpinned by improving labor market conditions.

Unemployment rates have fallen below pre-pandemic levels for most economies

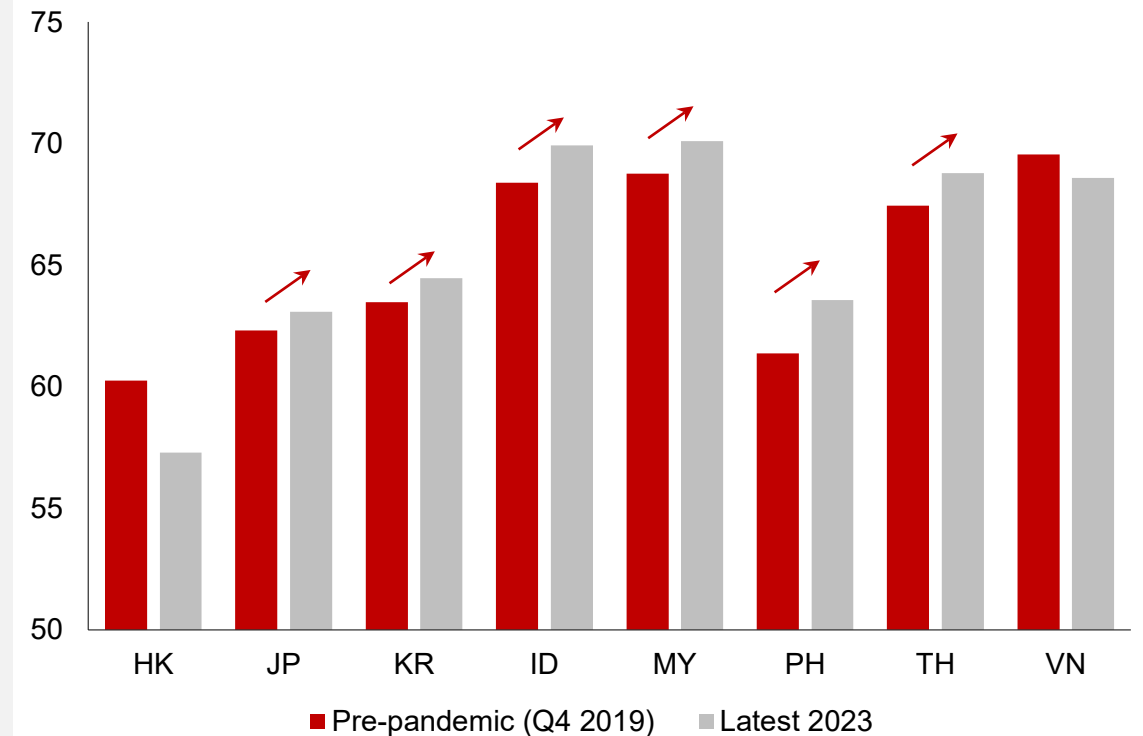
Selected ASEAN+3: Unemployment Rate
(Index, Q4 2019 = 100, seasonally adjusted)



Source: National authorities via Haver Analytics.
Note: Data are up to Q4 2023, except for Indonesia (Q3 2023).

Labor force participation has exceeded pre-pandemic levels

Selected ASEAN+3: Labor Force Participation Rate
(Percent of working-age population, seasonally adjusted)



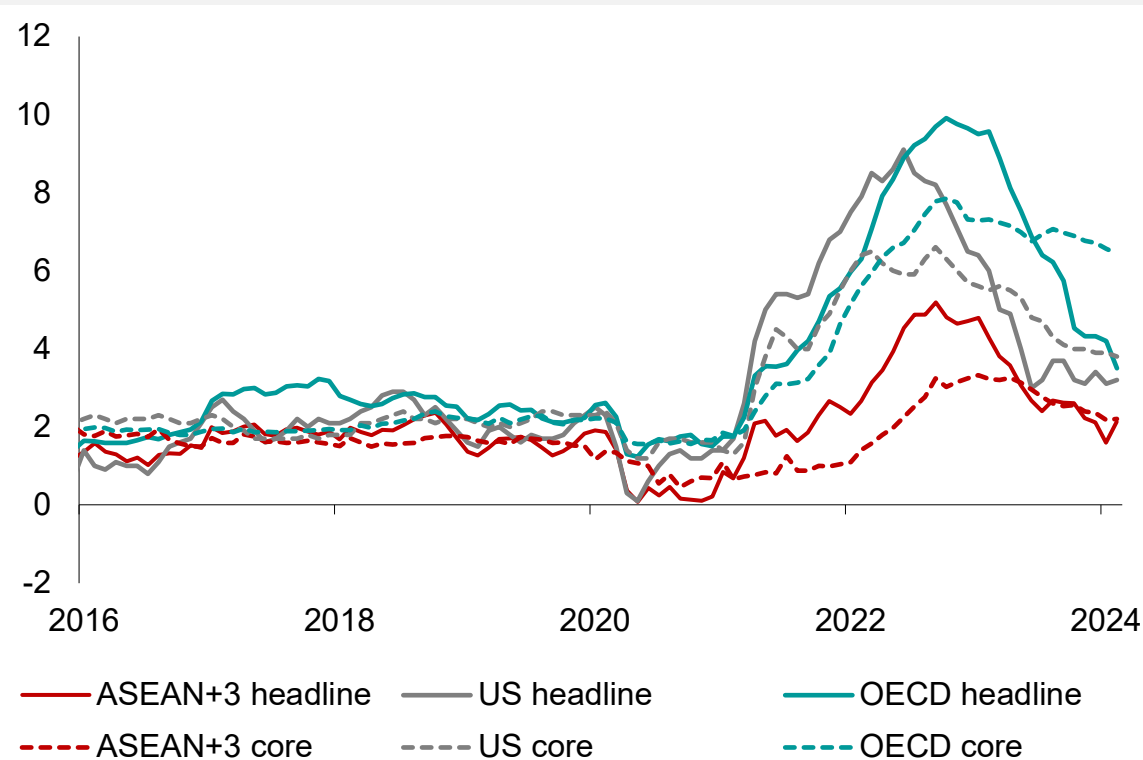
Source: National authorities via Haver Analytics.
Note: HK = Hong Kong; JP = Japan; KR = Korea; ID = Indonesia; MY = Malaysia; PH = the Philippines; TH = Thailand; VN = Vietnam. Latest 2023 data are for Q4, except for Indonesia (Q3 2023).

Inflation has moderated from its peak, but underlying dynamics are experiencing some changes.

Both core and headline inflation have declined from their peaks, but core inflation remains relatively sticky

Compared to before the pandemic, supply factors have emerged as a more important driver of core inflation for most economies

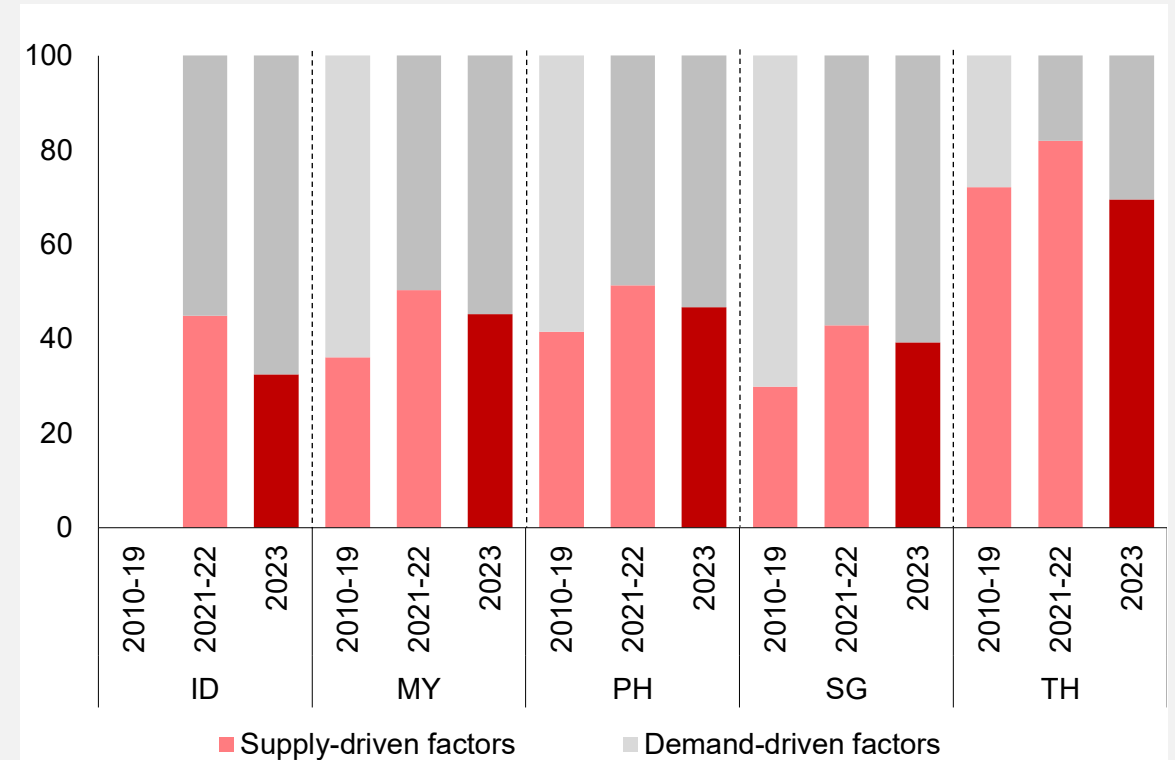
ASEAN+3, United States, and OECD: Headline and Core Inflation
(Percent, year-on-year)



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

Note: ASEAN core inflation includes Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Vietnam. OECD excludes United States, the euro area, ASEAN+3, and Türkiye.

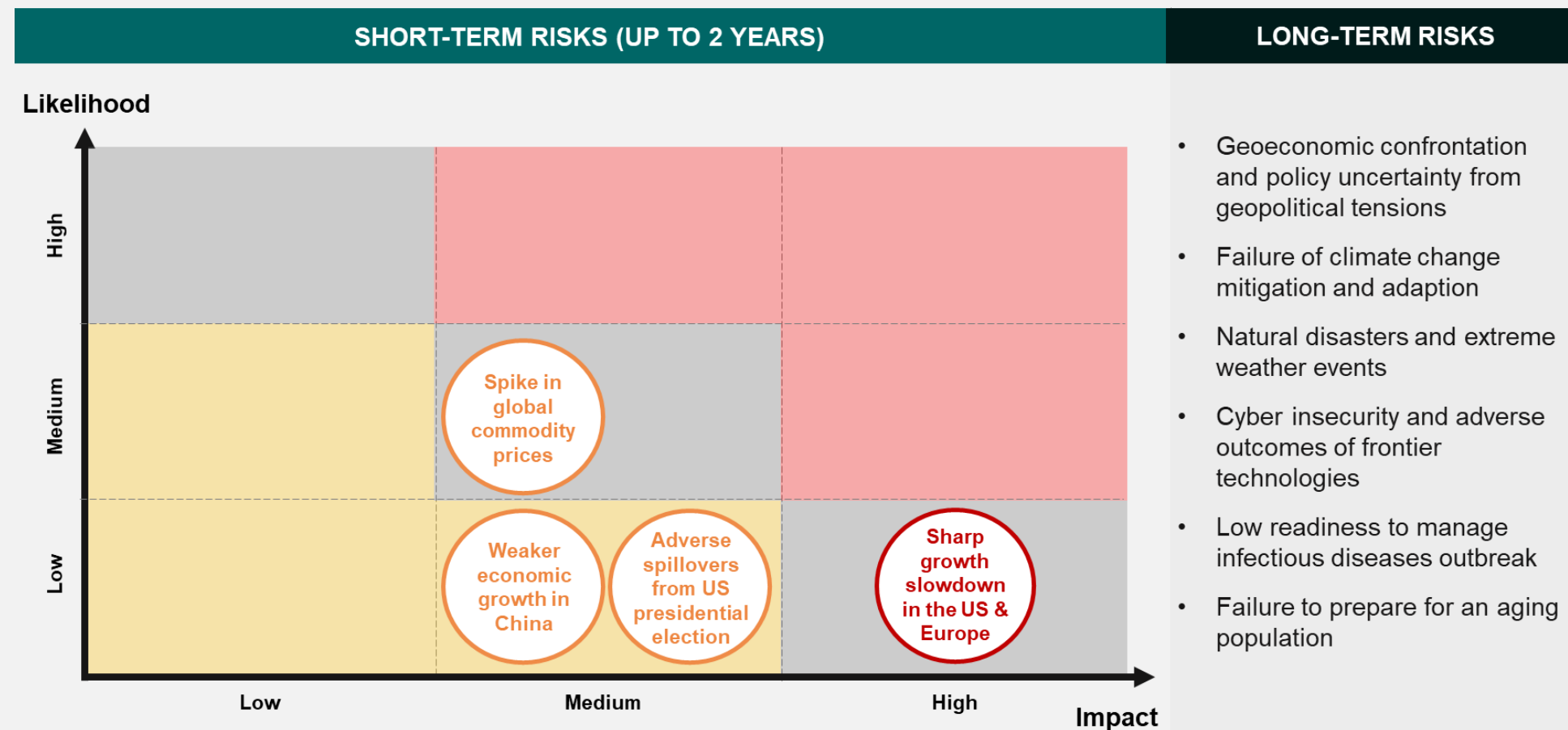
ASEAN-5: Average Contribution to Core Inflation
(Percent share)



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

Risks to the outlook remain.

Regional Risk Map, April 2024

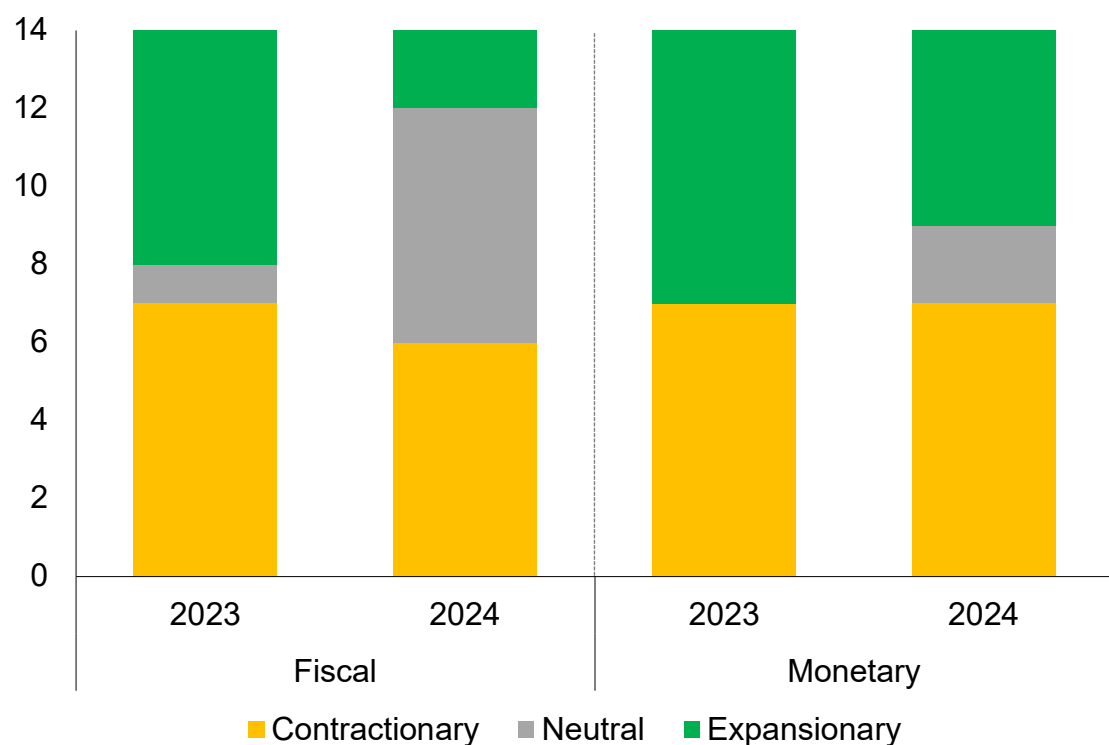


Positive growth prospects provide timely opportunity for the region to rebuild policy space.

In 2024, most economies are consolidating fiscal positions, while monetary policy is focused on anchoring inflation expectations

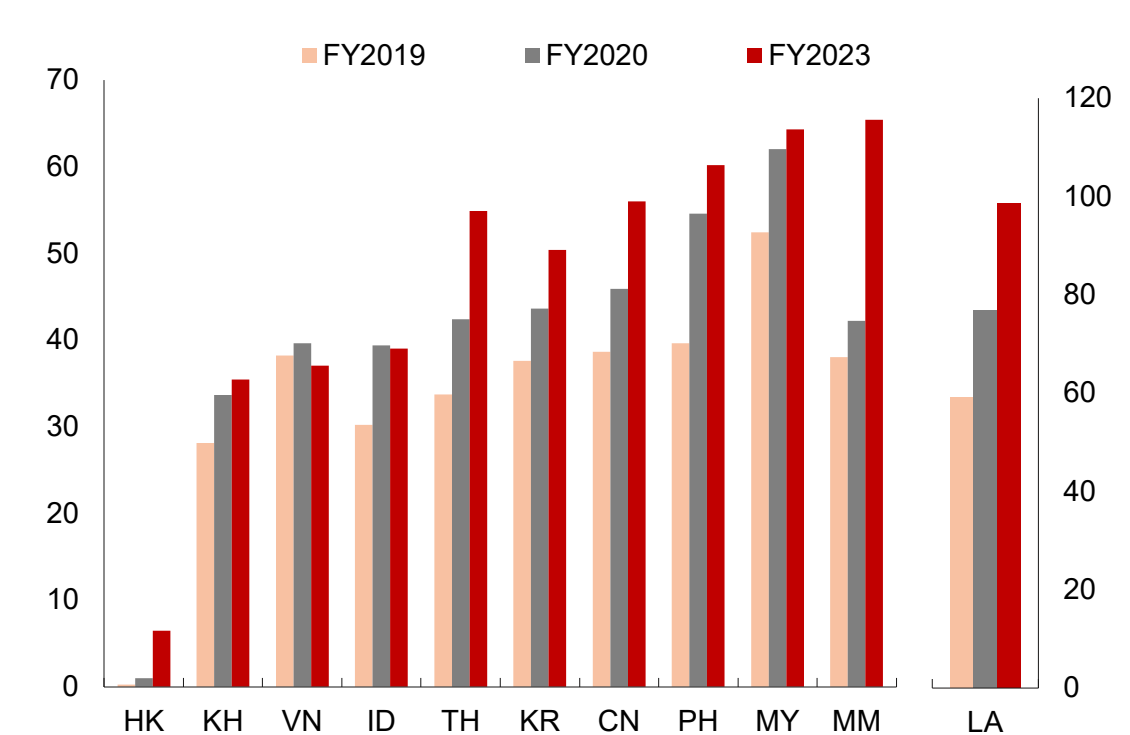
Public debt has increased sharply for most regional economies due to pandemic-related spending and revenue shortfall

ASEAN+3: Policy Stance
(Number of economies)



Source: AMRO staff.

ASEAN+3: Gross Government Debt
(Percent of GDP)



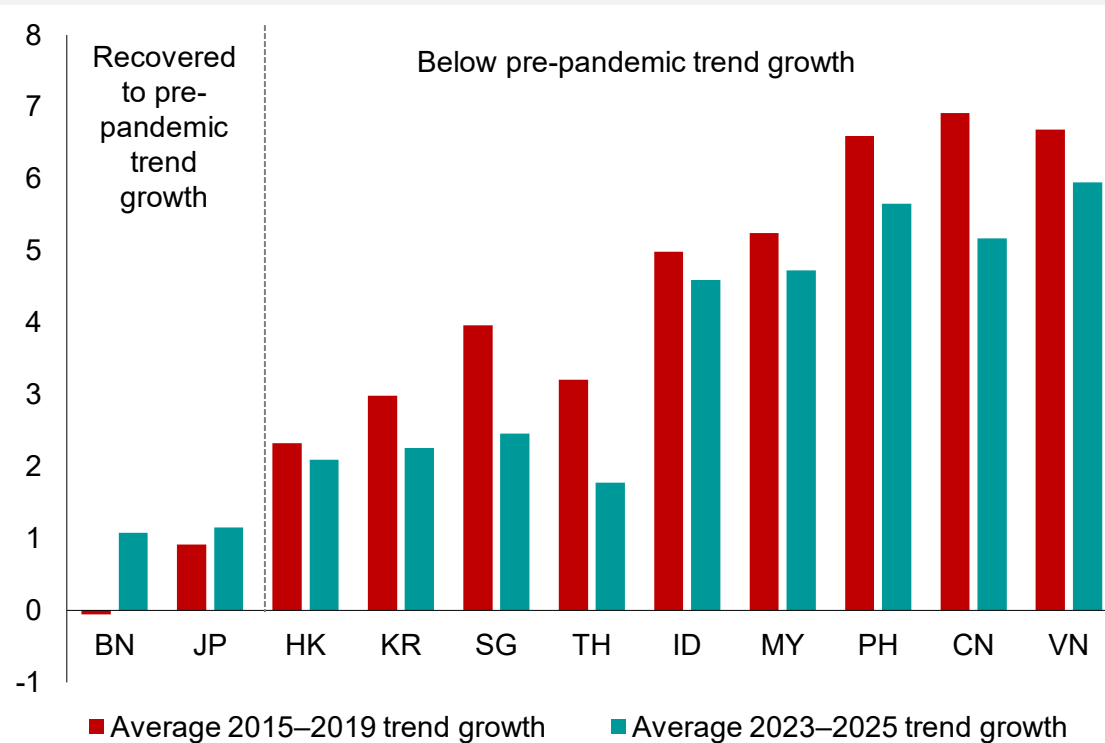
Source: AMRO staff.

Note: Brunei is omitted as it has negligible public debt, while Japan and Singapore are omitted as the economies' public debt is issued for domestic market development purposes.

Trend growth—particularly for investment—has not fully recovered since the pandemic.

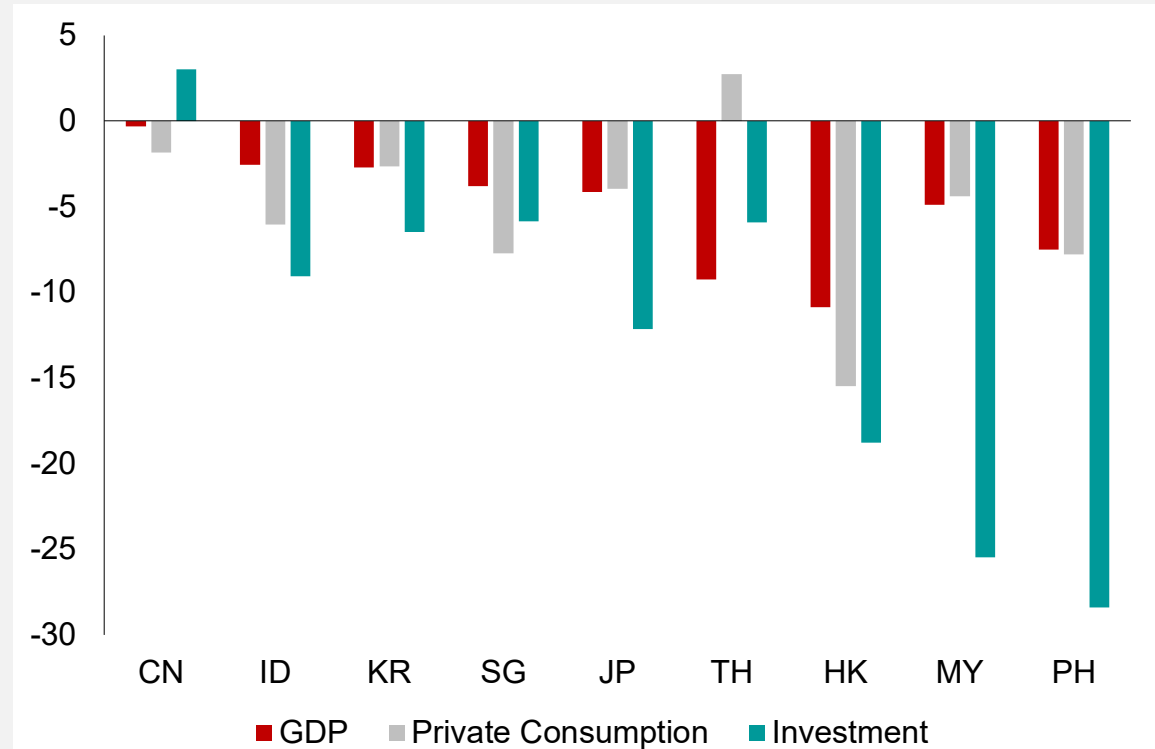
Trend growth for most ASEAN+3 economies is lower than before the pandemic

Selected ASEAN+3: GDP Trend Growth
(Percent)



Investment declined more than sharply than overall GDP and private consumption

Selected ASEAN+3: Deviation of GDP, Investment and Private Consumption from Pre-pandemic Trend Level
(Percent of pre-pandemic trend, 2023)



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

Note: GDP trend growth refers to the average year-on-year growth of HP-filter detrended GDP. Cambodia, Lao PDR and Myanmar are excluded due to data unavailability.

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

Note: Deviation is calculated as percentage difference between post-pandemic trend and pre-pandemic trend for 2023 average quarterly data (2023 yearly data for Investment and Private Consumption of China). Brunei, Cambodia, Lao PDR, Myanmar, and Vietnam are excluded due to data unavailability.

Key takeaways

- ASEAN+3 growth to strengthen, underpinned by resilient domestic demand and improving external demand.
- Exports are forecast to improve, benefitting from the global semiconductor upcycle, strengthening goods consumption from the US, and the continued recovery in tourism.
- Inflation is on track to moderate but shifting drivers of inflation warrant closer scrutiny.
- Policy should be focused on rebuilding fiscal buffers and anchoring inflation expectations.
- GDP growth remains below pre-pandemic trend, with the recovery in investment particularly weak. Policies to support investment in productivity- and resilience-enhancing areas are crucial to steer growth back toward pre-pandemic trend.

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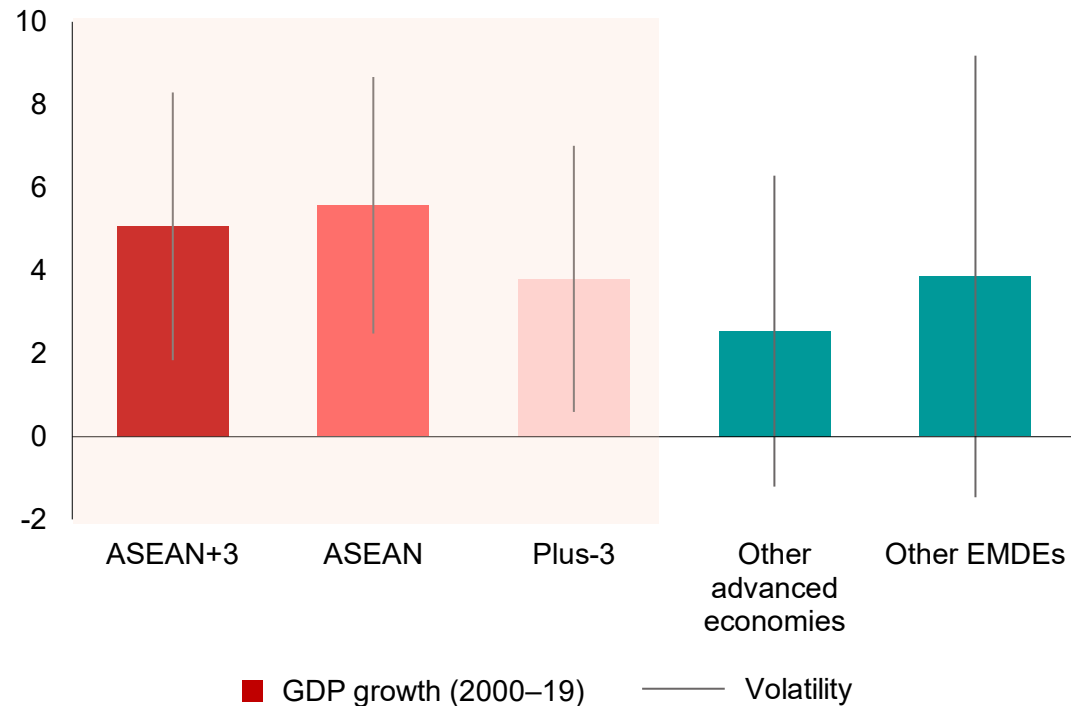
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The ASEAN+3 region has experienced immense economic progress in the past two decades.

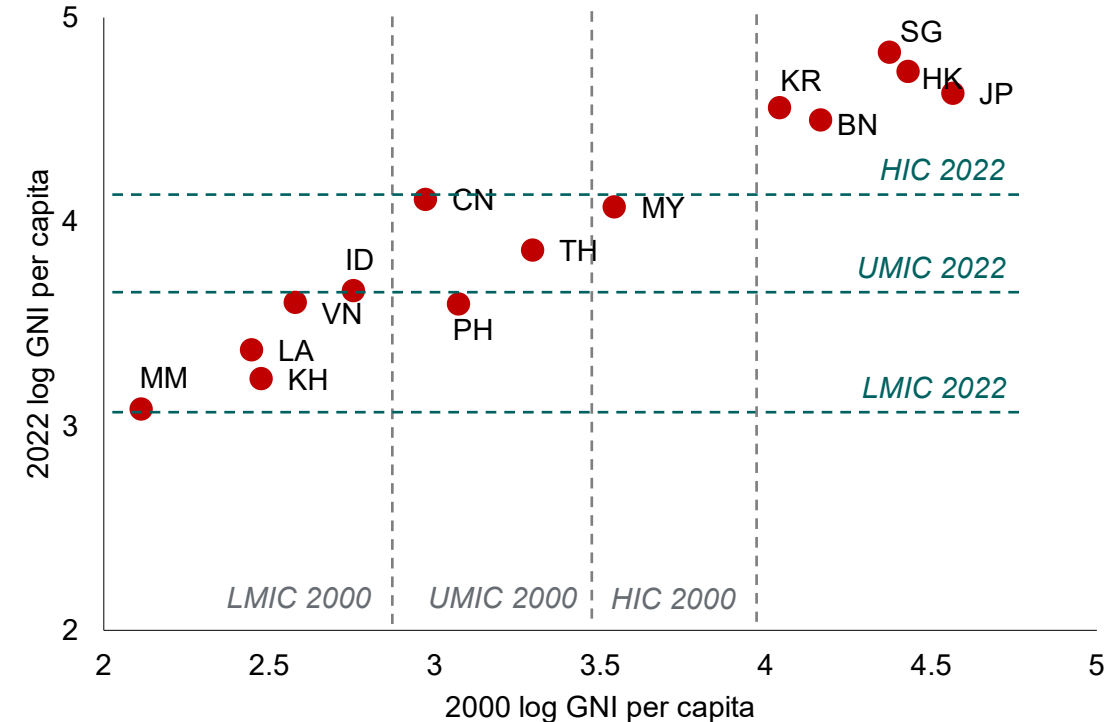
The region has expanded faster than advanced economies and other developing peers, and with less volatile growth overall

All economies have moved to and beyond middle-income status, with a few more set to become high-income by end of this decade

ASEAN+3: 2000–19 GDP Growth and Growth Volatility
(Percent, year-on-year)



ASEAN+3: Gross National Income per Capita, 2000 versus 2022
(Current US dollars)



Source: Penn World Tables; AMRO staff calculations.

Note: The calculation of average annual GDP growth rate exclude 2008 and 2009; whiskers show average standard deviation.

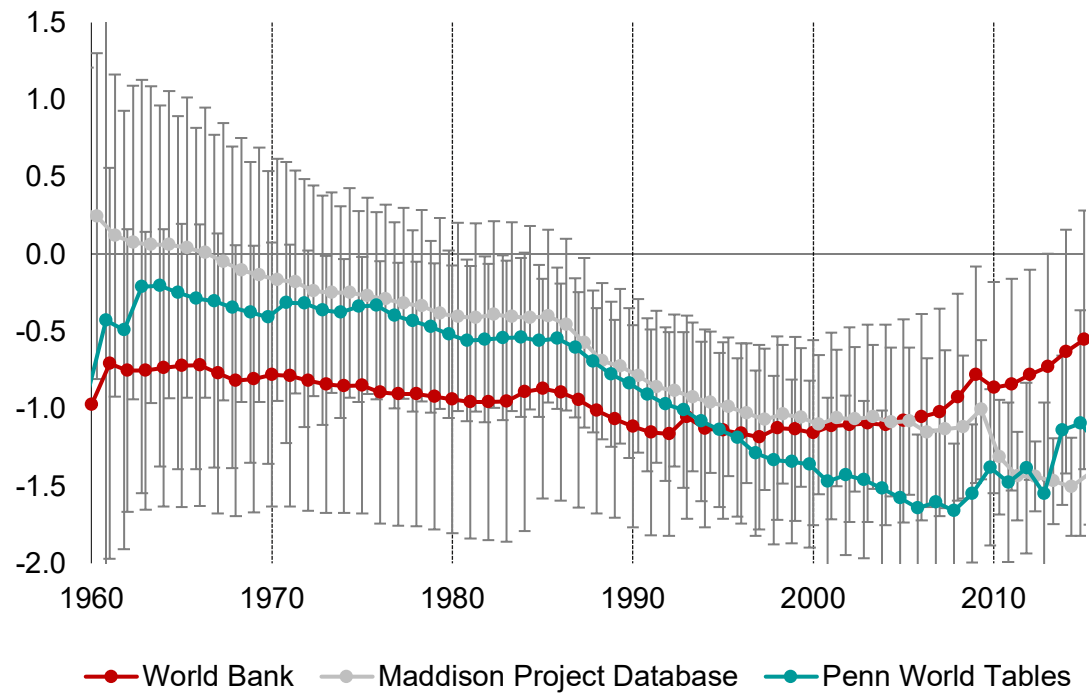
Source: World Bank via Haver Analytics; AMRO staff calculations.

However, the pace of growth and productivity gains has been slowing since the 2008 crisis.

The ASEAN+3 region's income "catch-up" with richer peers has weakened since the global financial crisis

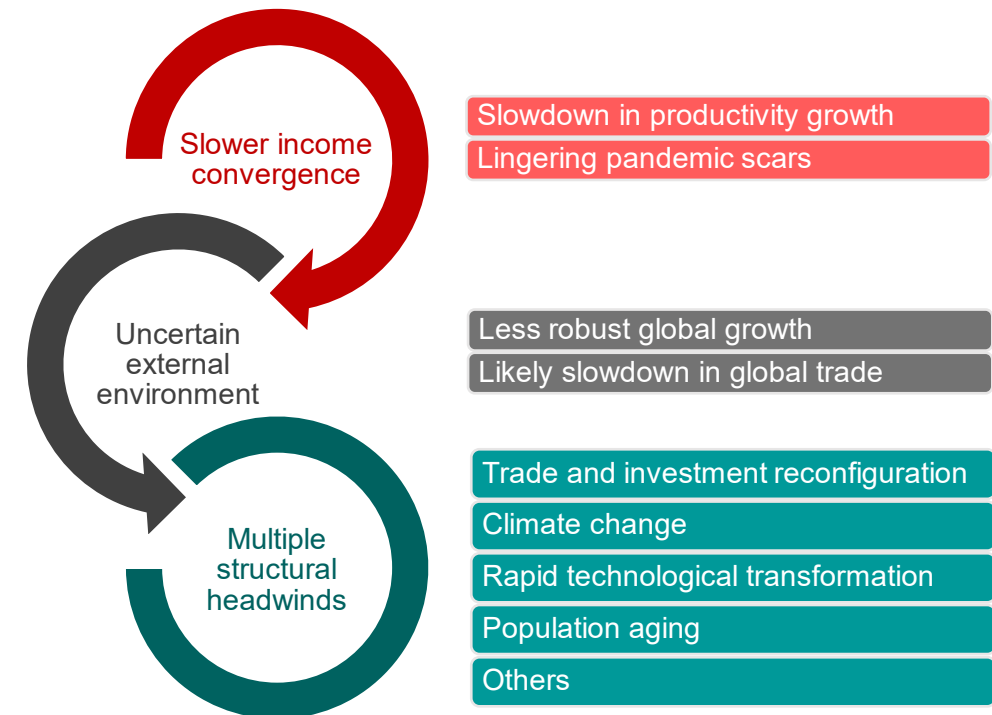
This slowdown is happening in an environment increasingly beset by longer-term challenges to growth and stability

ASEAN+3: β -coefficient of Unconditional Convergence



Source: World Bank; Penn World Table; Maddison Project Database; AMRO staff calculations.
Note: The more negative the beta (β)-coefficient, the faster the speed of convergence or catch-up.

ASEAN+3: Current Economic Landscape



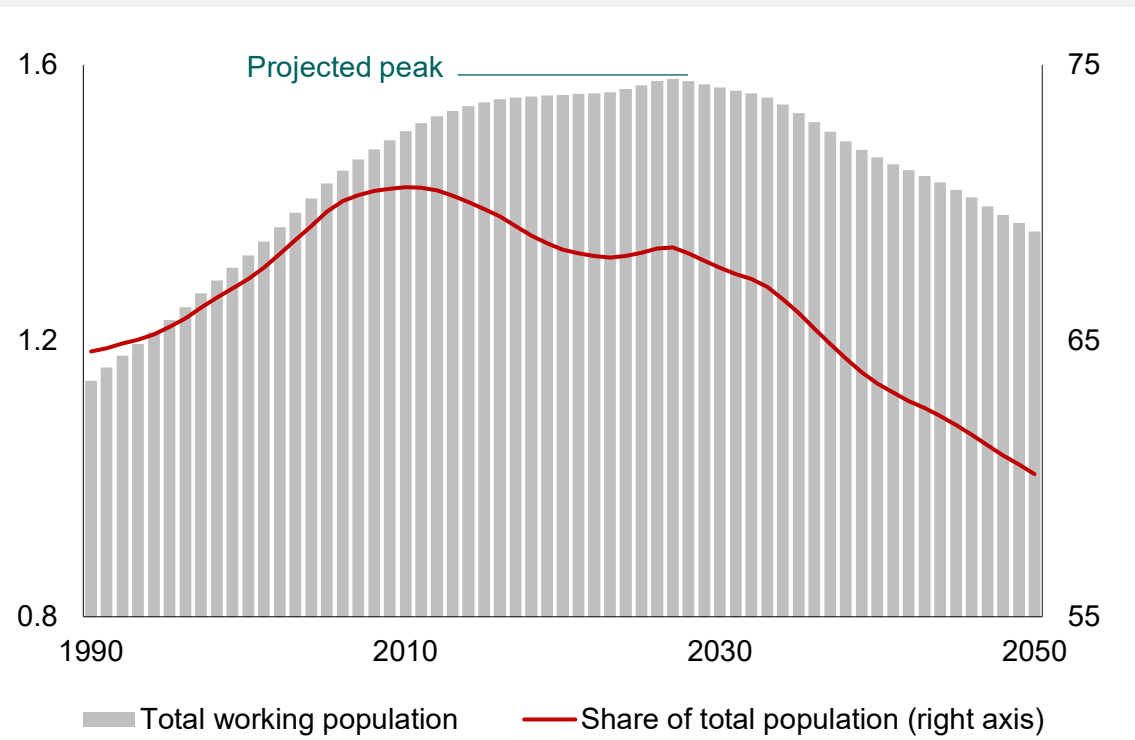
Source: AMRO staff.

The ASEAN+3 region currently stands on the cusp of significant demographic shifts.

The region's total working population is projected to start shrinking by the second half of this decade

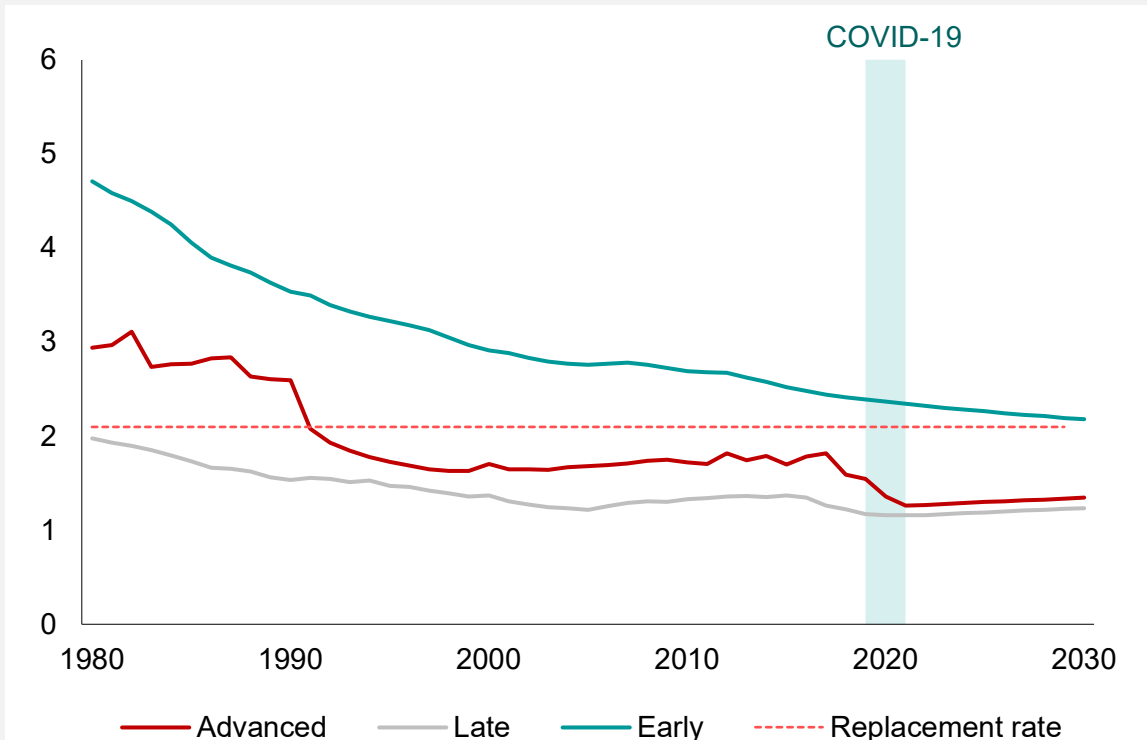
ASEAN+3's aggregate fertility rate, at 1.4 births per woman, is well-below the present replacement level

ASEAN+3: Working Age Population
(Billions of people; percent)



Source: United Nations Department of Economic and Social Affairs, Population Division; AMRO staff calculations.
Note: Figures after 2021 are UN estimates (medium variant).

ASEAN+3: Fertility Rates, by Demographic Group
(Live births per woman)



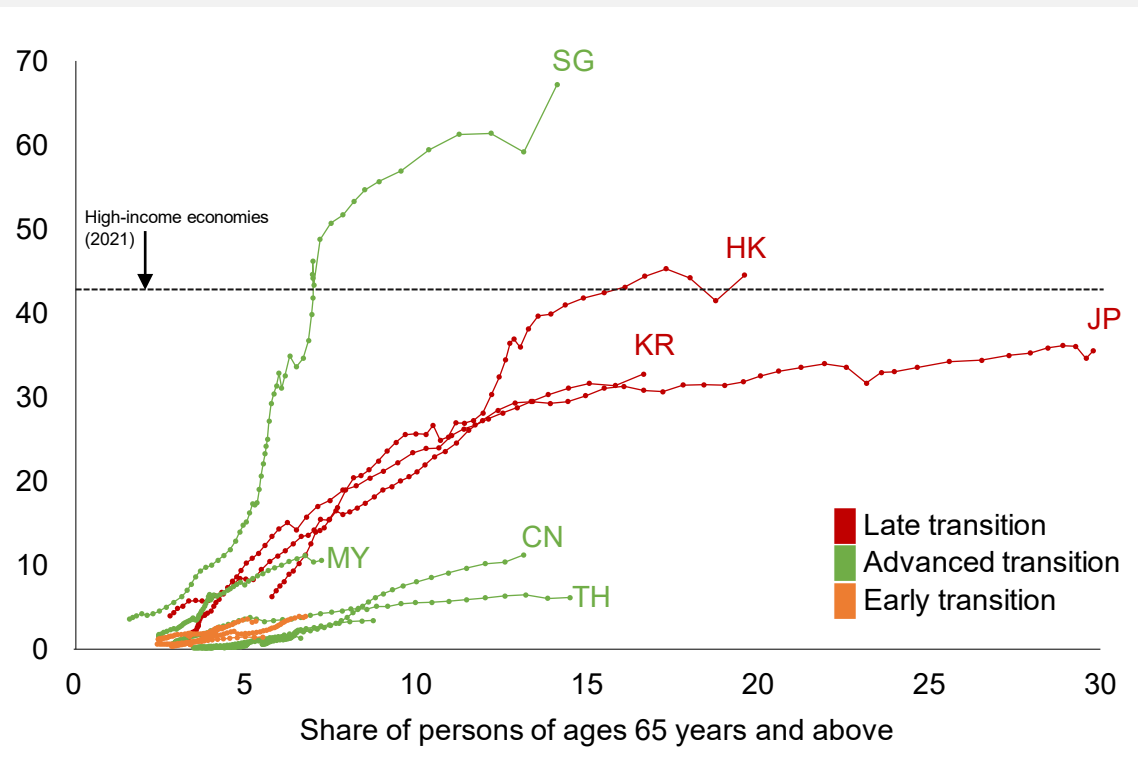
Source: United Nations Department of Economic and Social Affairs, Population Division; AMRO staff calculations.
Note: Figures after 2021 use UN estimates (medium variant) and are population-weighted averages for each group.

With the region's pace of aging, becoming “old before rich” is a pressing challenge.

Many economies that are ahead in the demographic transition are still at relatively lower levels of income

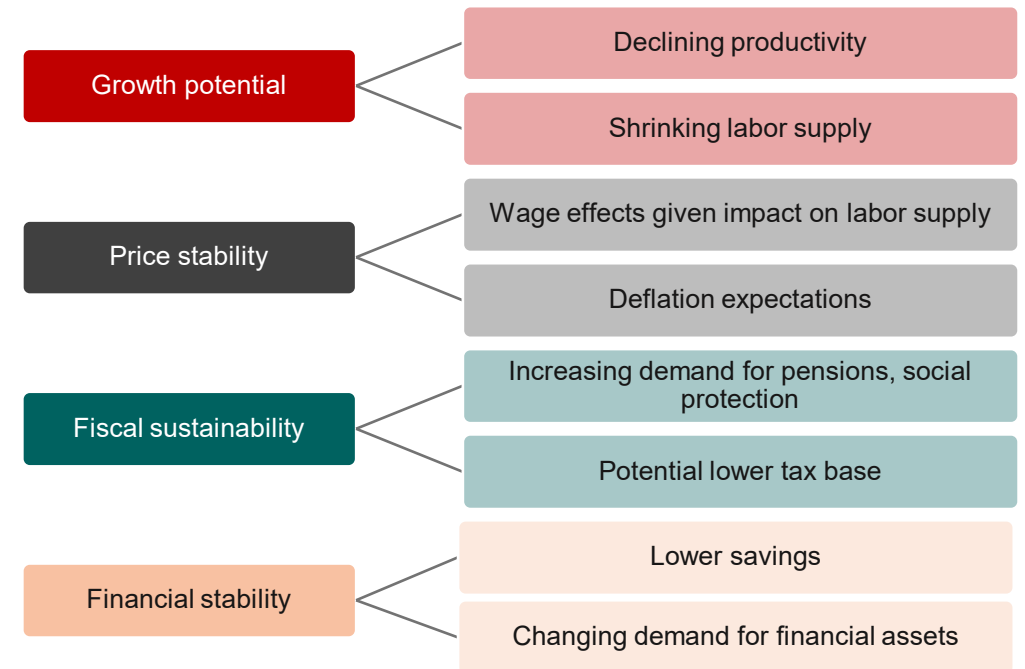
Rapid aging can weigh on the region's growth potential, macroeconomic stability, and fiscal sustainability

ASEAN+3: Income Levels versus Share of Old Persons, 1960–2021
(GDP per capita in thousands of constant 2015 US dollars)



Source: United Nations Department of Economic and Social Affairs, Population Division; World Development Indicators, World Bank; AMRO staff calculations.

ASEAN+3: Selected Macroeconomic Implications of Aging



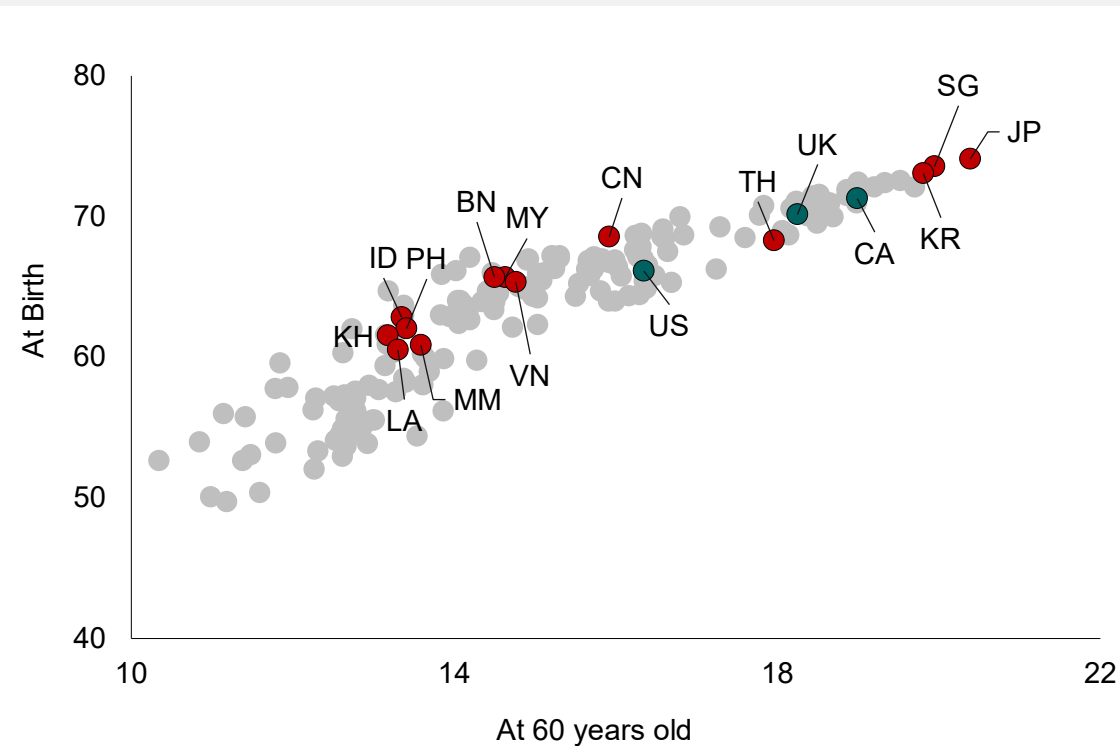
Source: AMRO staff.

However, these consequences are not pre-determined—especially if the population is allowed to age productively.

Responding to aging requires a shift from a “chronological” to a “prospective” view that reflects dynamic life changes

Leveraging the longevity dividend could see about 200 million workers re-included in the ASEAN+3 workforce by 2050

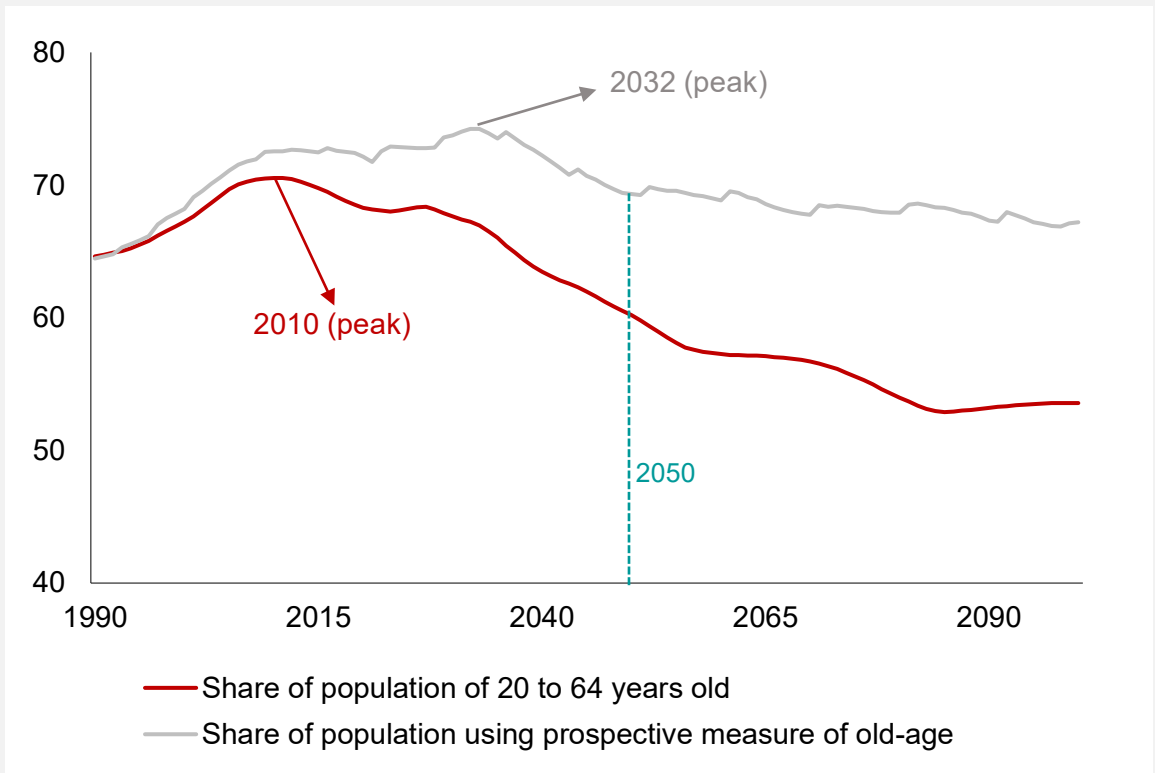
World: Healthy Life Expectancy, 2019
(Number of years)



Source: World Health Organization.

Note: Healthy life expectancy refers to the average number of years that a person can expect to live in “full health” by taking into account years lived in less than full health due to disease and/or injury. Gray dots correspond to other economies.

ASEAN+3: Prospective versus Retrospective Measures of Working-Age Population
(Percent of total population)



Source: United Nations Department of Economic and Social Affairs, Population Division; AMRO staff calculations.

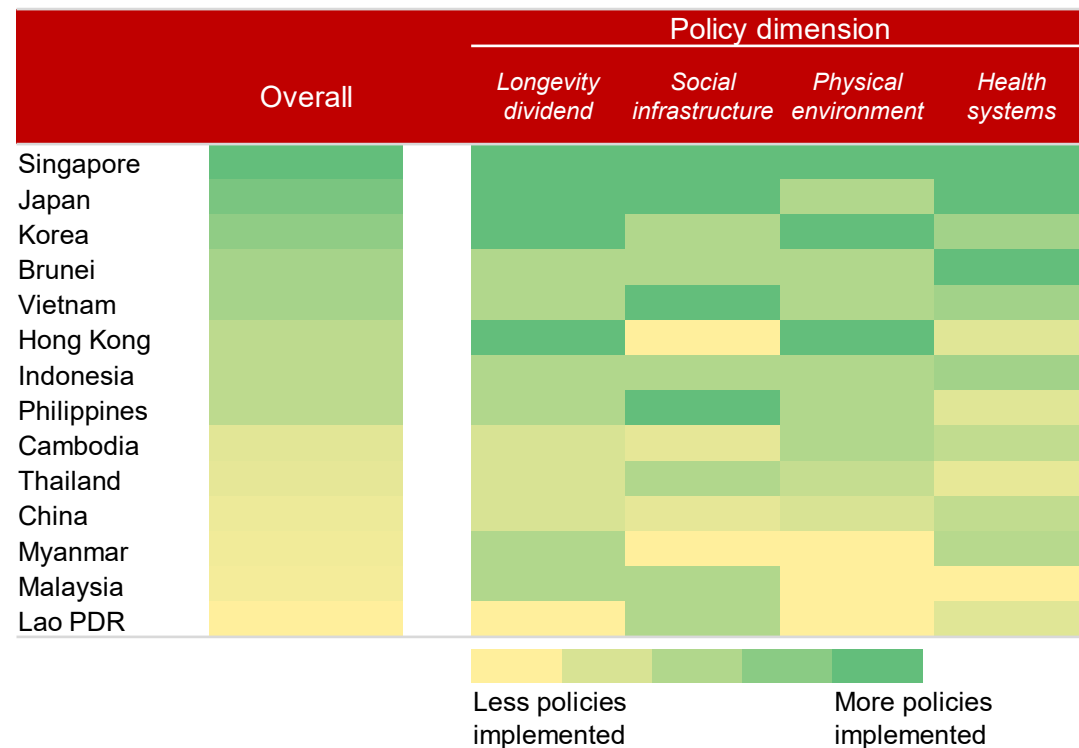
Note: Figures after 2021 use UN estimates (medium variant).

Policy focus must shift from merely responding to the challenges of aging, to maximizing the benefits of a larger, healthier workforce.

This requires a multipronged, multifaceted approach that encompasses all aspects of public policy

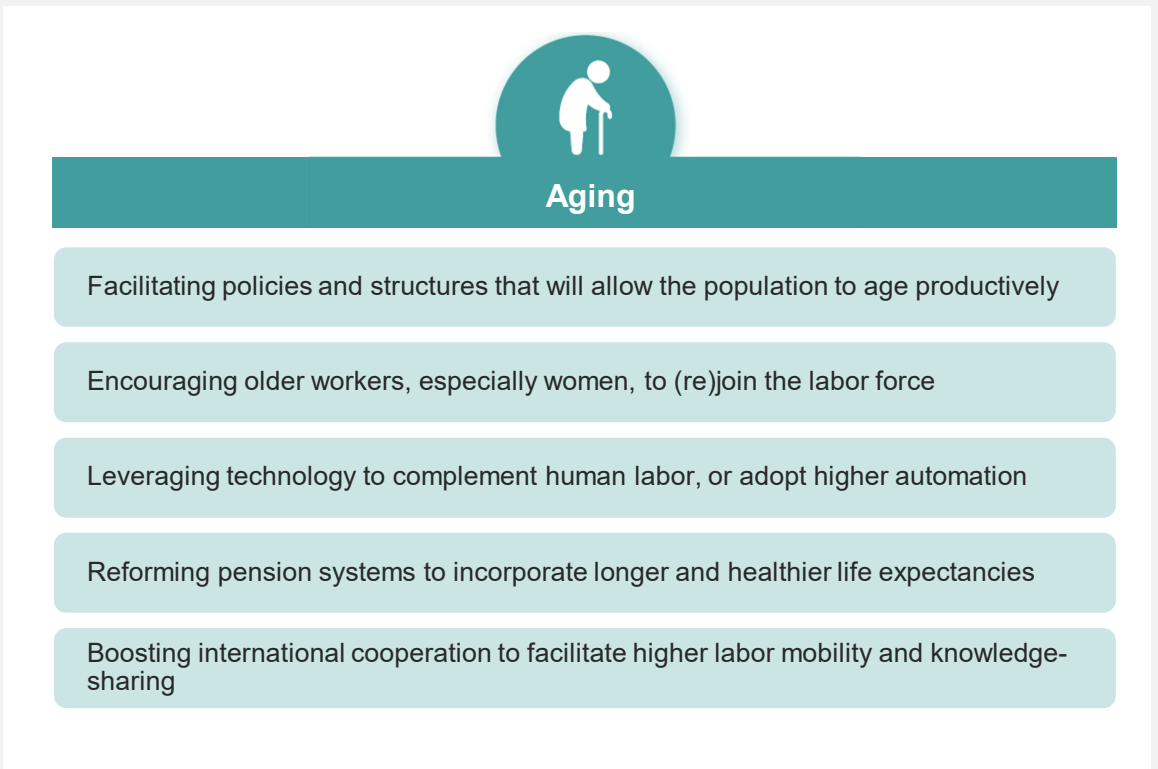
Policies and structures that allow for productive aging will be required for “longevity” dividends to materialize

ASEAN+3: Aging-Related Policy Responses (Greener = more policies implemented)



Source: AMRO staff, following policy recommendations by National Academy of Medicine (2022).
Note: Policies include those that are in the process of implementation, although these are given a lower weight compared to policies that are already implemented by the economy.

Policy Considerations for ASEAN+3

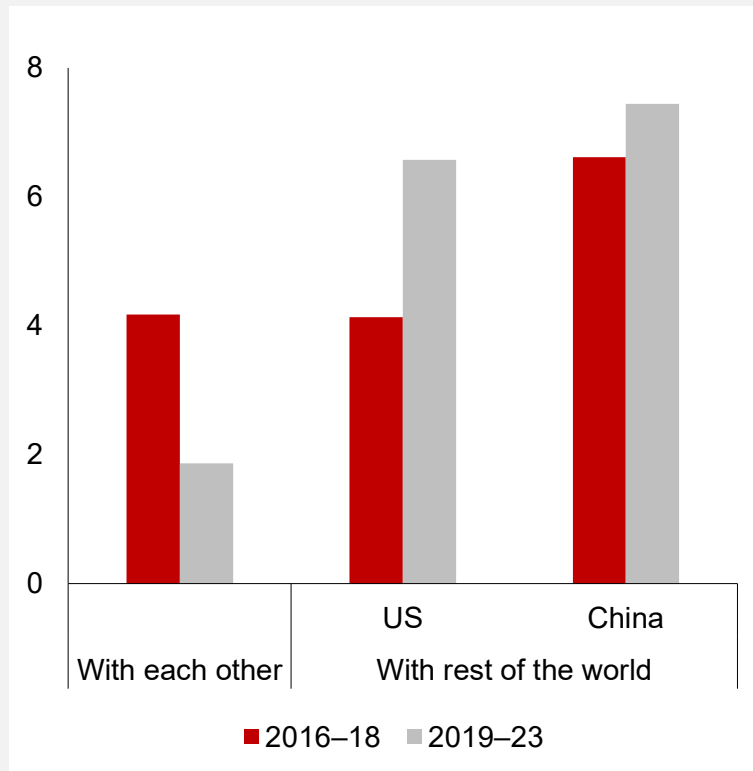


Source: AMRO staff.

The ongoing reconfiguration in global trade carries key implications for the ASEAN+3 region's time-tested export strategies.

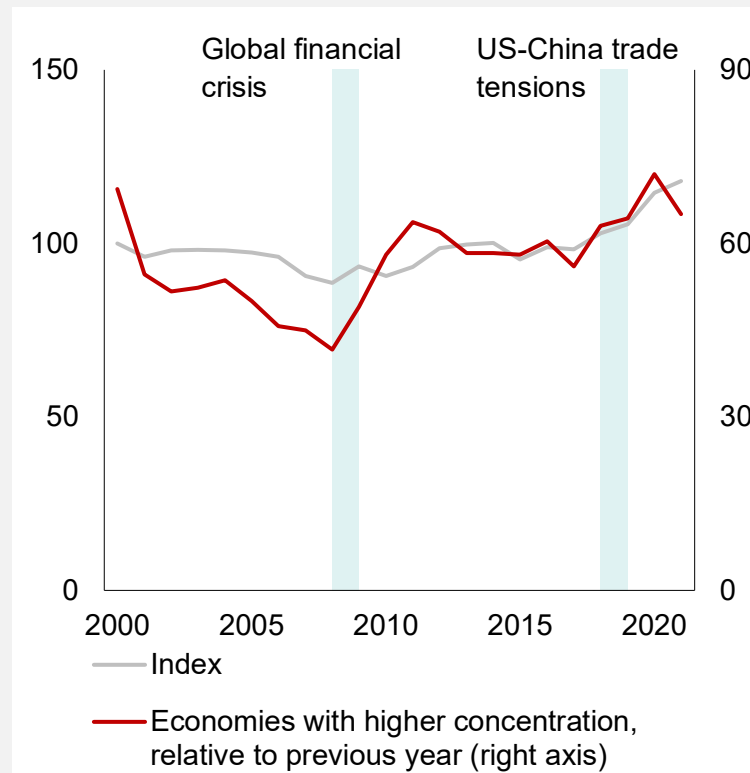
Globally, three key trends are rising: the role of geopolitics, the degree of trade concentration, and the importance of cross-border services

China and United States: Growth of Total Trade, by Partner
(Percent)



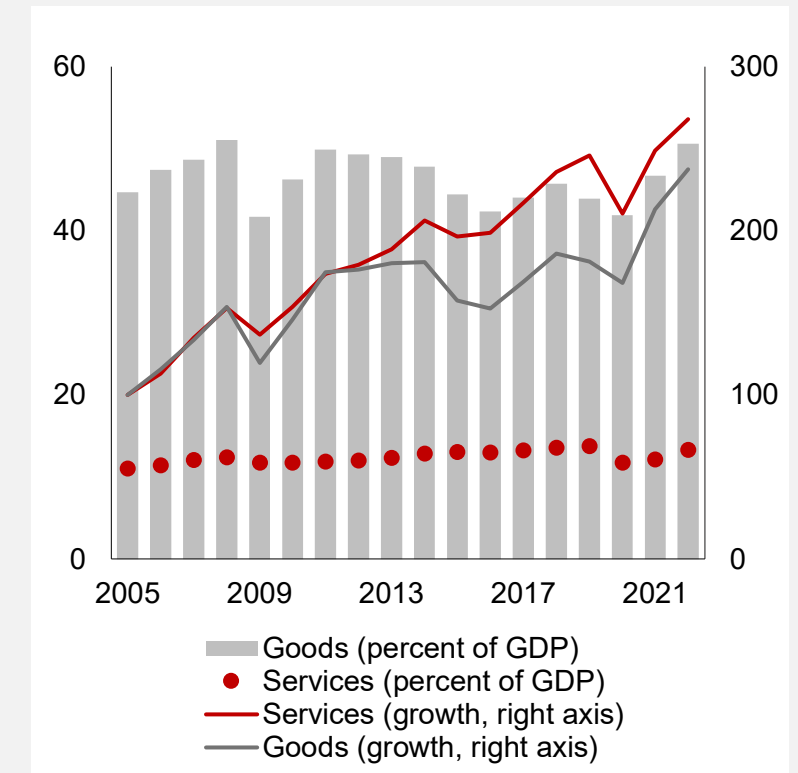
Source: IHS Markit; AMRO staff calculations.

World: HH Market Concentration of Trade
(Index, 2000 = 100; number)



Source: World Integrated Trade Solution, World Bank; AMRO staff calculations.

World: Goods and Services Trade
(Percent of GDP; index, 2005 = 100)

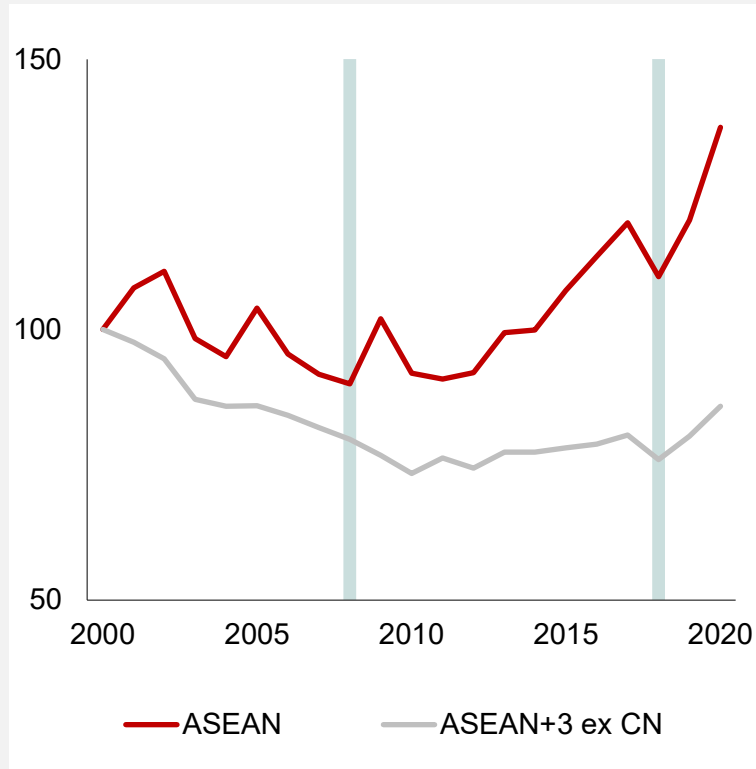


Source: United Nations Department of Economic and Social Affairs, Population Division; International Labour Organization; AMRO staff calculations.

The ongoing reconfiguration in global trade carries key implications for the ASEAN+3 region's time-tested export strategies.

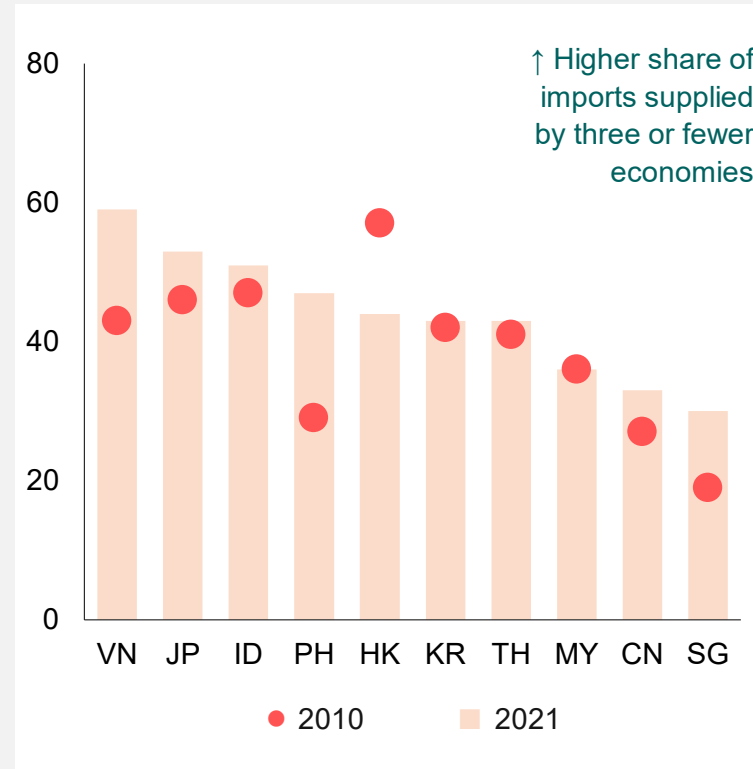
Each of these trends are also manifesting in the ASEAN+3, in various degrees, and they present both risks and opportunities

ASEAN+3: China's Domestic Value-Added Exported to the United States via the Region
(Share, 2000 = 100)



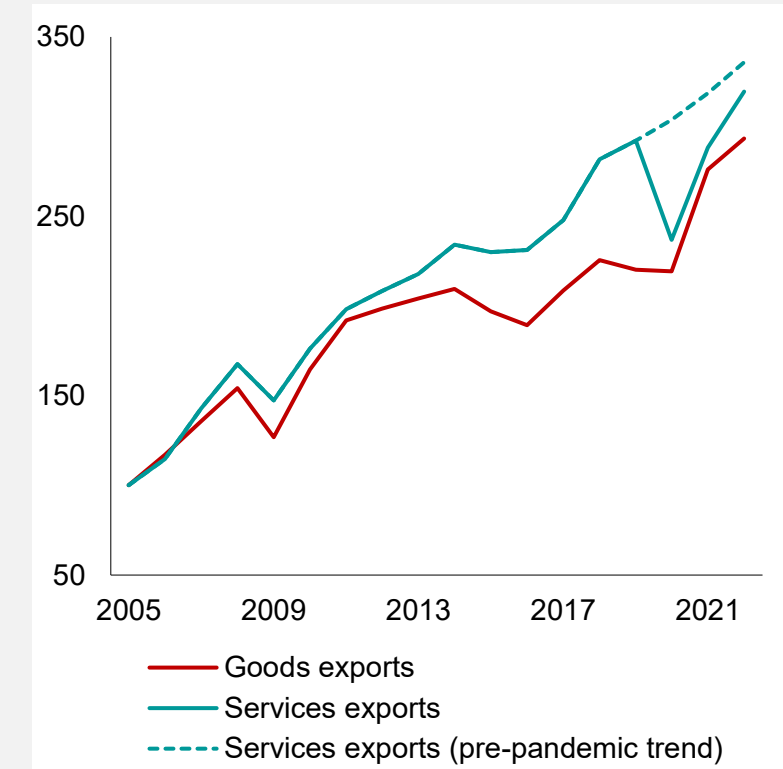
Source: Organization for Economic Cooperation and Development Trade in Value-Added database 2023; AMRO staff calculations.

Selected ASEAN+3: Import Concentration, by Economy
(Percent)



Source: McKinsey Global Trade Explorer; AMRO staff calculations.

ASEAN+3: Goods and Services Exports
(Index, 2005 = 100)



Source: United Nations Conference on Trade and Development; AMRO staff calculations.

The different potential scenarios on the future of global trade highlight the need for policies that could reinforce growth and resilience—regardless of how future events unfold.

With the future highly uncertain, policies that perform reasonably well under various contingencies will be invaluable

Globalization at a Crossroads: Potential Scenarios

Current state

Stalled globalisation, with reconfiguration of global supply chains, regionalization and trends toward friendshoring and reshoring. High degree of bottleneck products, affecting supply chain resilience. Constant geopolitical tensions and uncertainty.

Fragmented

Security-based fragmented world. Economic ties reshaped along geopolitical blocs. Weaker global economic environment, with emerging markets and developing economies especially vulnerable. Less secure world, with less global cooperation on global challenges.

Reglobalized

Rules-based integration. Deeper and broader global integration, with more diversified global chains for resilience, access to trade-led development for more economies, and higher cross-border cooperation to global challenges.



“Robust” Strategies for Trade Reconfiguration

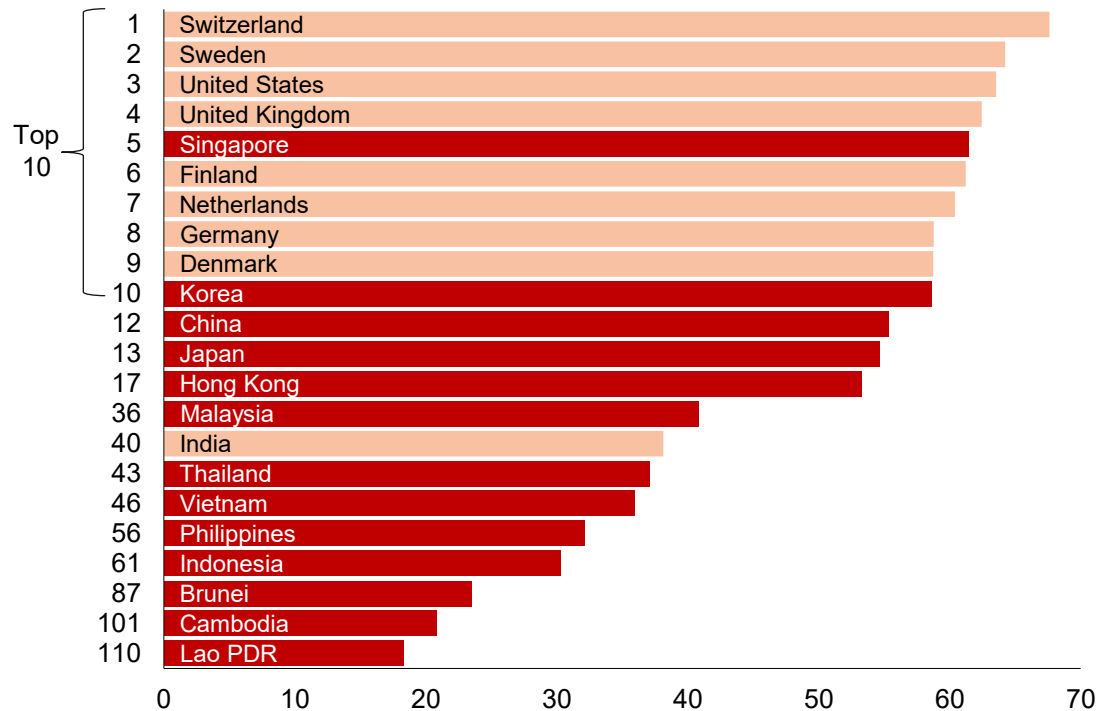
- Intensifying regional cooperation on shared, mutual challenges
- Furthering the liberalization of services trade and minimizing existing barriers
- Fostering higher competition and revitalizing industrial capabilities
- Pursuing broader economic diversification to reach new markets and explore new types of exports

Technological change has long driven productivity gains in the region, but significant heterogeneity exists across economies.

ASEAN+3 is home to some of the most innovative and technologically-advanced economies globally

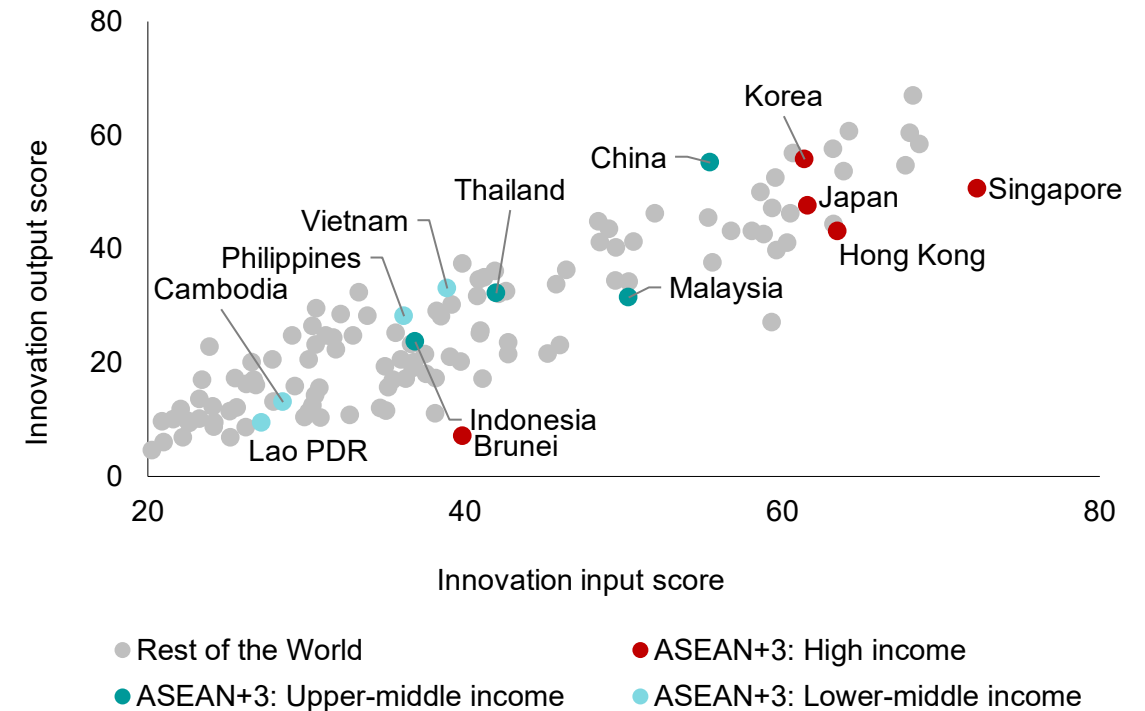
Outside of leading ASEAN+3 economies, the broader impact of innovation in the region remains limited

Selected Economies: Global Innovation Index, 2023
(Score)



Source: World Intellectual Property Organization (2023).

World: Innovation Inputs and Outputs Subindexes, 2023
(Score)



Source: World Intellectual Property Organization (2023).

Supported by the right policies, technology will provide continuous growth benefits to the region.

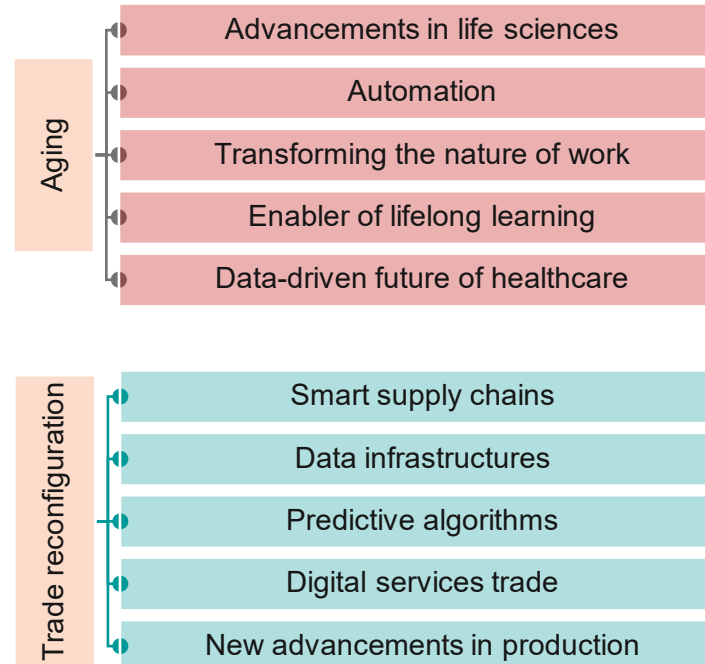
It will unlock many solutions to help navigate aging, the ongoing trade reconfiguration, and other pressing structural challenges

Frontier Technologies' Implications on ASEAN+3



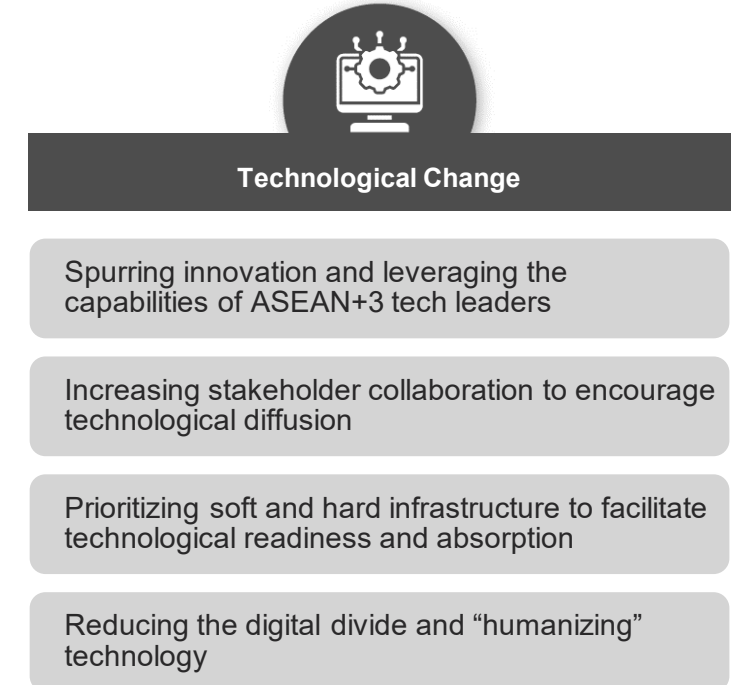
Source: AMRO staff.

Technology Solutions for Aging and Trade Reconfiguration



Source: AMRO staff.

Policy Considerations

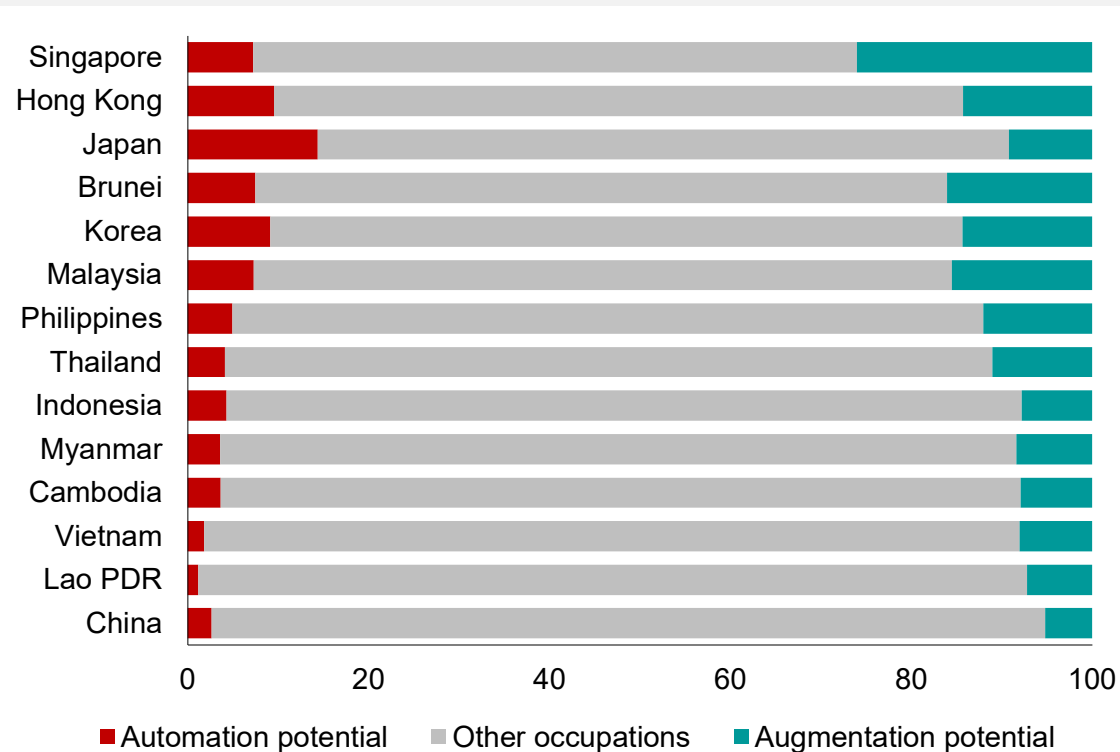


Source: AMRO staff.

Progress in generative artificial intelligence (Gen AI) offers a case of qualified optimism in augmenting productivity growth in the region.

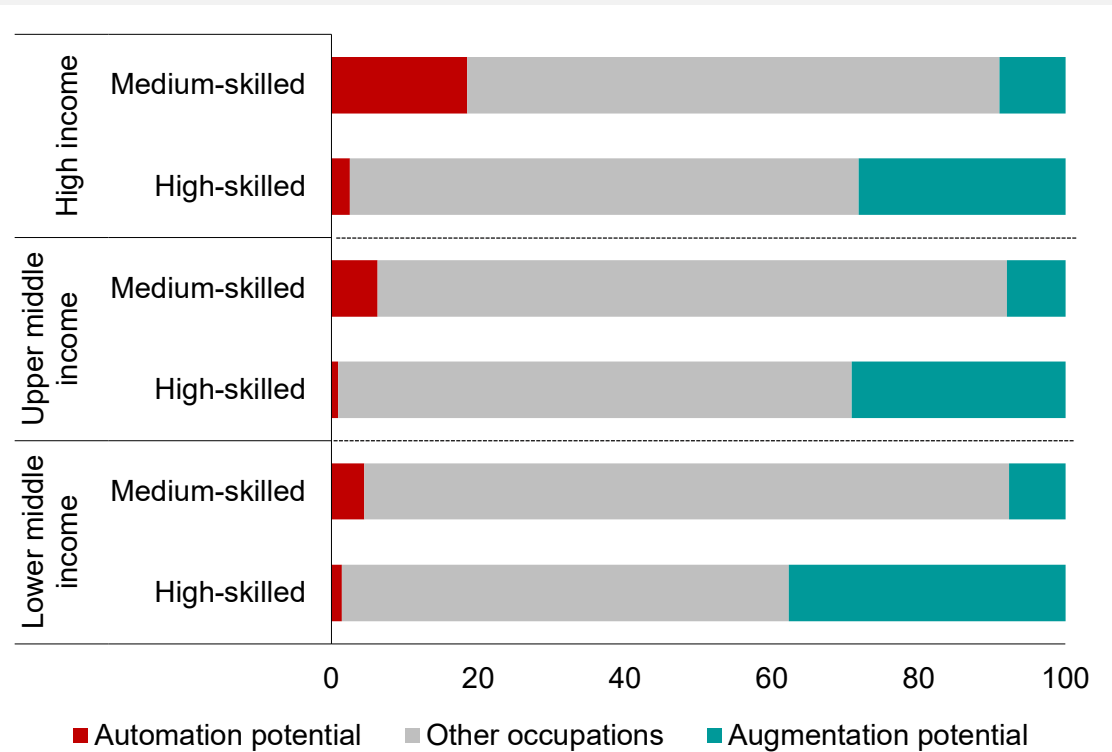
A higher proportion of jobs have the potential to be augmented—rather than displaced—by Gen AI

ASEAN+3: Share of Employment with Automation and Augmentation Potential
(Percent)



High-skilled workers will benefit the most from job augmentation, especially those in the lower-middle income ASEAN





ASEAN+3: Share of Employment with Augmentation and Automation Potential, by Income Group and Skill Level
(Percent of jobs within each skill category)




Amid these three major secular trends, the ASEAN+3 region's growth landscape has never been more complex.

The region's long-term growth prospects will be premised on its ability to navigate the risks and opportunities these trends bring





AGING

-  Two-thirds of ASEAN+3 are in the advanced stages of the demographic transition.
-  The demographic dividend will soon dissipate as the working population shrinks.
-  The rapid speed of aging raises doubts about ASEAN+3 long-term growth prospects.
-  Yet, when viewed *prospectively*, the region has a new and expanding resource—a healthy population who can live longer, productive lives.

TRADE RECONFIGURATION

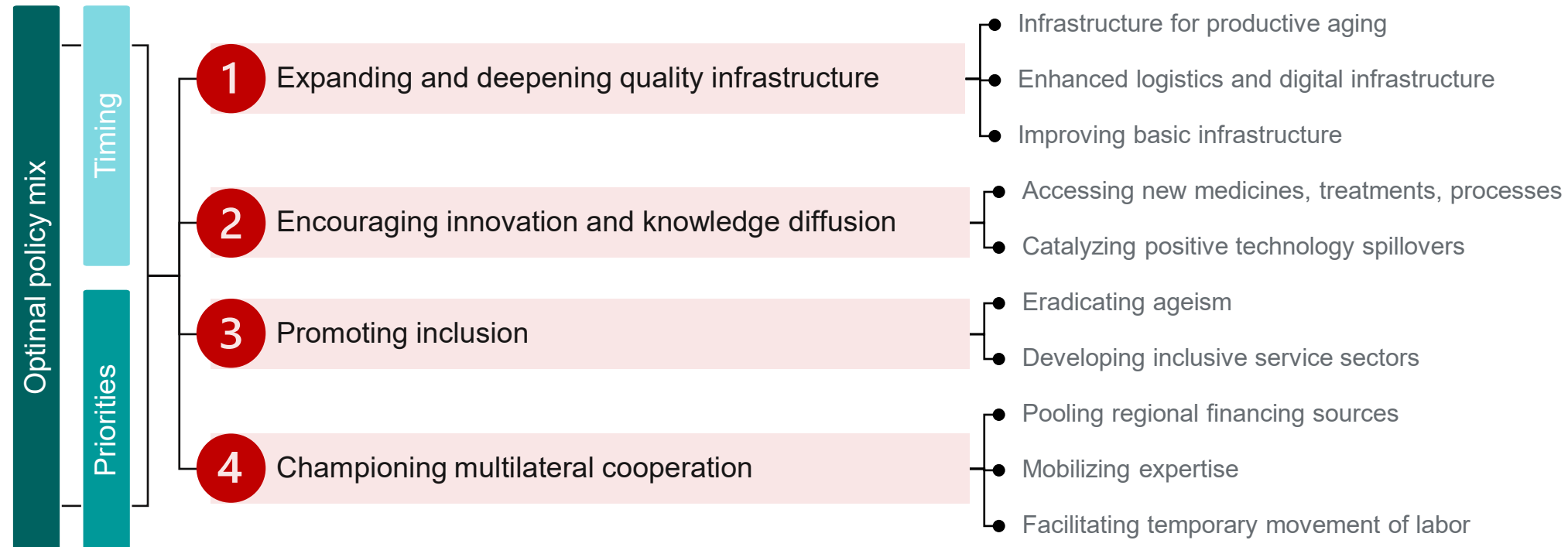
-  Geopolitics are increasingly realigning trade relationships.
-  ASEAN+3 economies have been able to position themselves well within this trade realignment.
-  The region's trade has become more concentrated, with implications on security.
-  Global services trade, while gaining importance, has yet to be fully harnessed by ASEAN+3.

TECHNOLOGICAL CHANGE

-  Technology will continue to play a dual role in ASEAN+3's long term growth.
-  It will unlock solutions to the region's structural challenges and generate new growth drivers.
-  Many new technologies can be initially disruptive, especially on the ASEAN+3 workforce.
-  An approach of “qualified optimism,” especially for Gen AI, would be sensible at the current juncture.

Well-designed policies can transform the potential risks into opportunities, helping secure growth—no matter how the future global economic order unfolds.

These principles help reinforce the foundation upon which more economy- or sector-specific policies can be built



Thank you.



Contact Us

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

Tel: +65 6323 9844

Email: Regional.Team@amro-asia.org

Website: www.amro-asia.org

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