

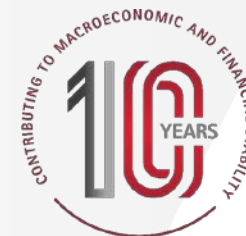
ASEAN+3 Regional Economic Outlook 2021

Li Lian Ong

Group Head, Financial & Regional Surveillance

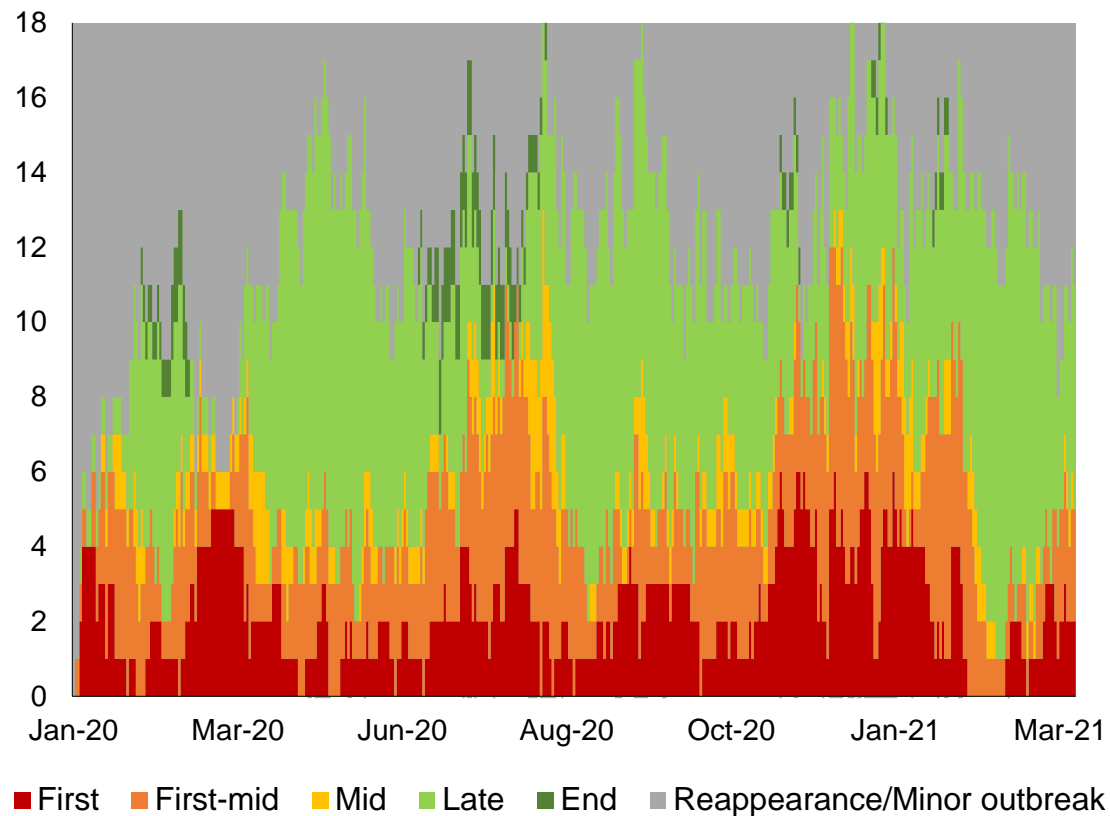
AREO 2021 Launch

March 31, 2021

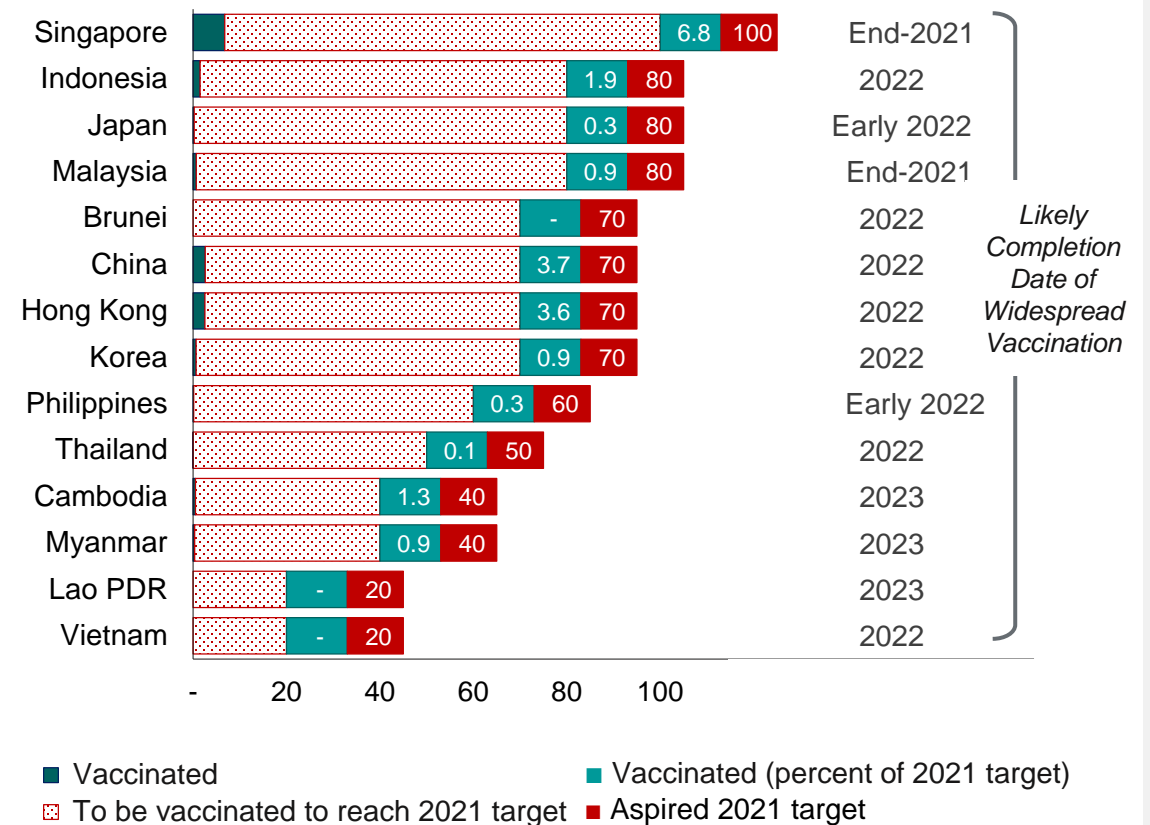


Waves of COVID-19 infections remain pervasive, but vaccinations offer hope for achieving herd immunity

ASEAN+3: Cycle Heatmap Stages and Infection Waves
(Number of economies, as of March 22, 2021)



ASEAN+3: Vaccinations versus Aspired Population Coverage
(Percent of population covered)

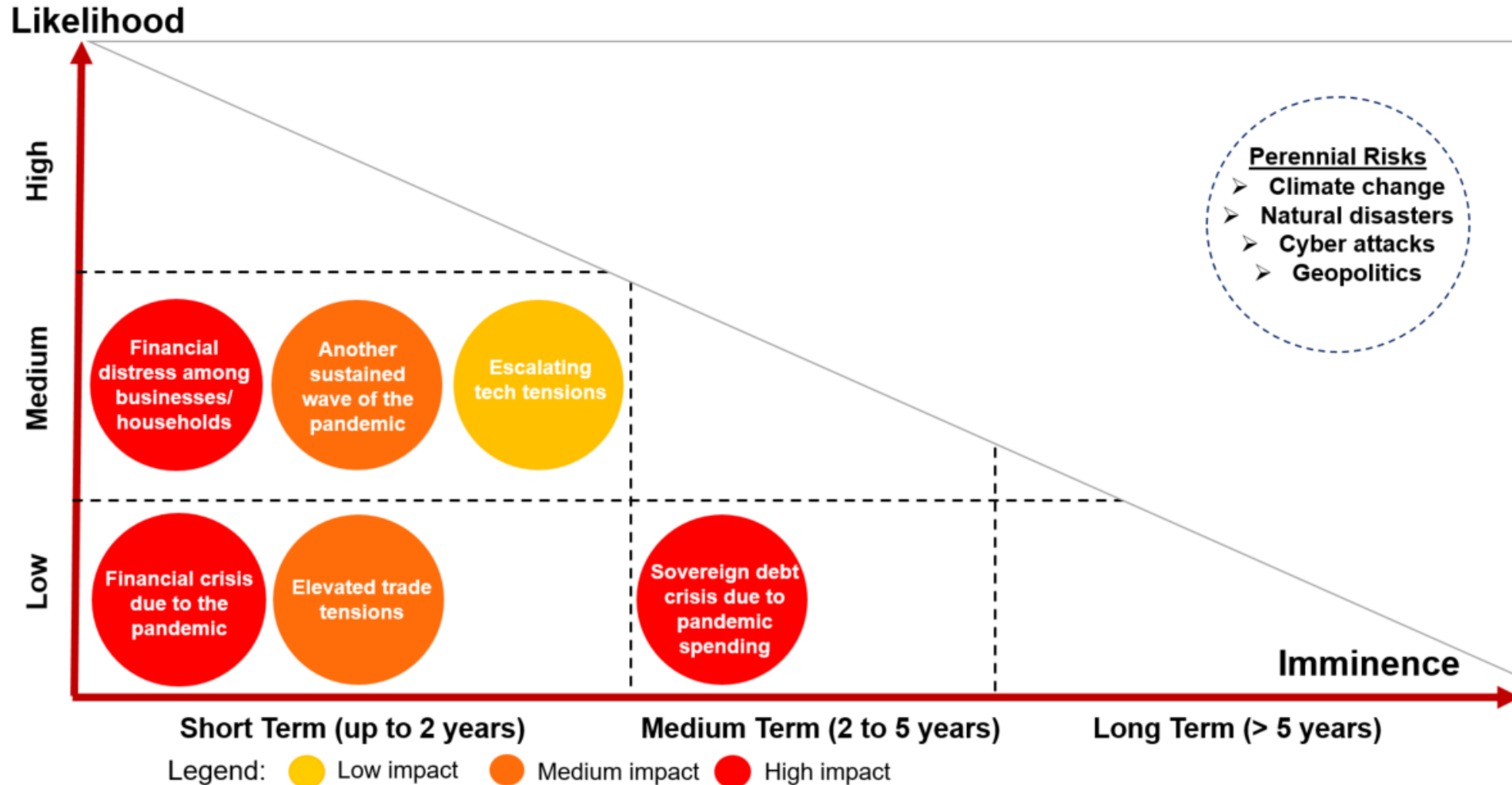


Sources: Johns Hopkins University via Haver Analytics; and AMRO staff calculations.
Note: See "Box 1.1: The Covid-19 Pandemic One Year Later" in AREO 2021 for more details.

Sources: Our World in Data via Haver Analytics; various media sources; Economist Intelligence Unit; AMRO staff estimates and calculations.
Note: Percent of population vaccinated shows total administered doses divided by two to reflect the two-dose regime of most vaccines—it does not necessarily reflect the actual number of fully vaccinated people. Aspired 2021 targets and completion dates of widespread vaccination are goals, forecasts, or estimates.

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

Global Risk Map, February 2021



Source: AMRO staff estimates.

ASEAN+3 growth is projected to rebound strongly in 2021 and then moderate in 2022

ASEAN+3: AMRO Growth Projections for 2020–22
(Percent year-over-year)

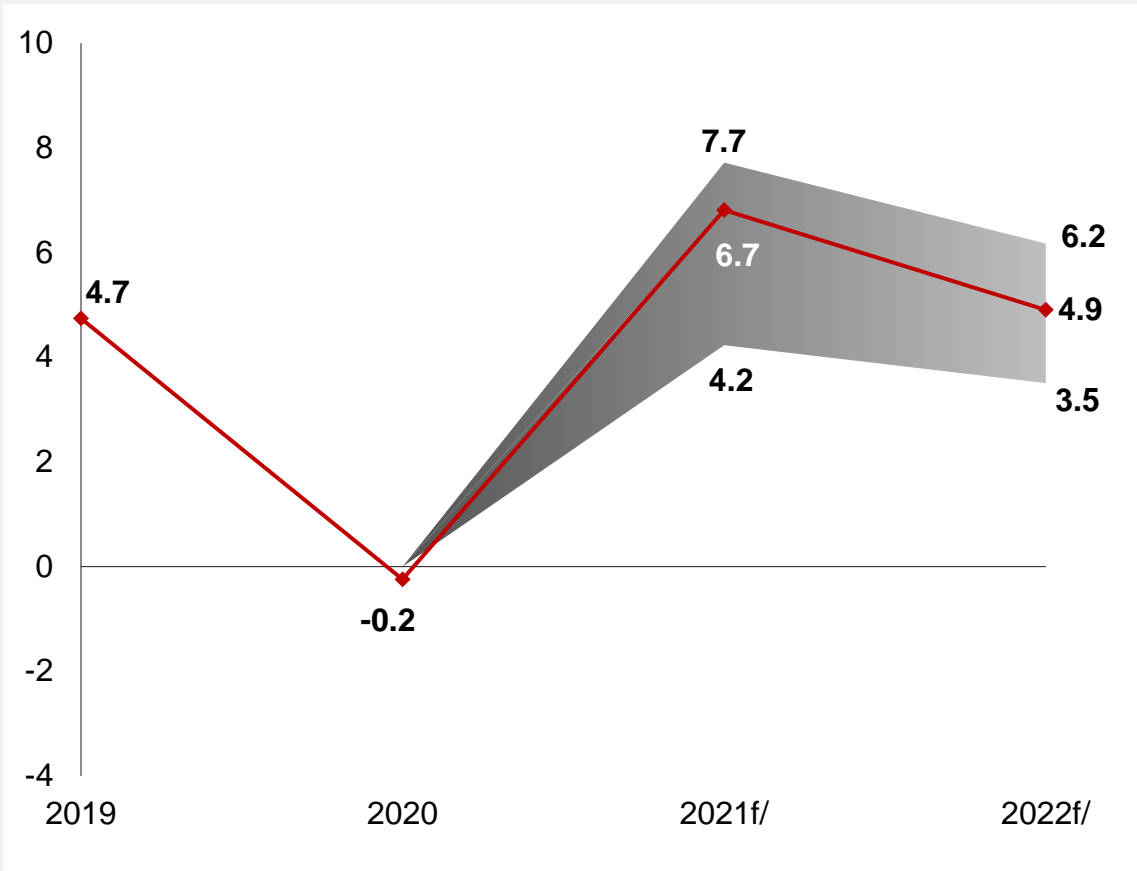
Economy	AREO 2020		AREO 2021		
	2020e/	2021p/	2020e/	2021p/	2022p/
ASEAN+3	4.2	5.0	-0.2	6.7	4.9
Plus-Three	4.2	5.0	0.7	7.2	4.7
China	5.3	6.1	2.3	8.7	5.5
Hong Kong, China	0.5	1.8	-6.1	4.8	6.5
Japan	0.1	0.6	-4.8	2.7	1.8
Korea	2.0	2.6	-1.0	3.2	3.0
ASEAN	4.4	5.0	-3.4	4.9	5.7
Brunei Darussalam	3.5	2.9	0.9	3.1	4.0
Cambodia	6.2	6.9	-3.0	4.7	6.1
Indonesia	4.9	5.2	-2.1	4.9	5.3
Lao PDR	6.1	6.5	0.5	4.6	4.8
Malaysia	4.0	4.6	-5.6	5.6	6.2
Myanmar	6.0	6.9	3.2	-2.6	4.5
Philippines	6.2	6.6	-9.5	6.9	7.8
Singapore	0.8	2.6	-5.4	6.0	4.7
Thailand	1.5	3.2	-6.1	2.3	4.8
Vietnam	6.6	6.8	2.9	7.0	6.8

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

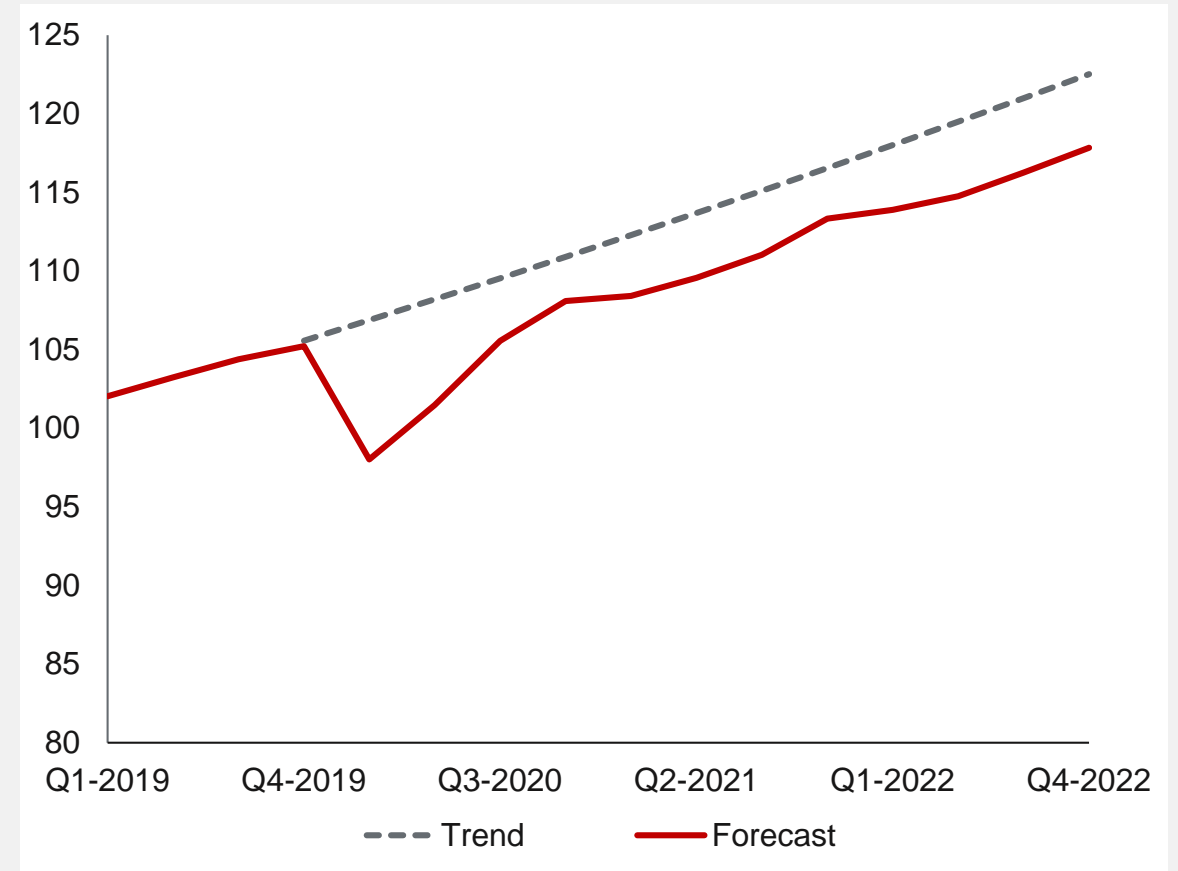
Note: e/ refers to AMRO staff estimates, and p/ refers to AMRO staff projections. Myanmar's growth numbers are based on its fiscal year, from October 1 to September 30.

Risks to growth are tilted to the downside in 2021, with output losses from economic scarring expected to persist

ASEAN+3: GDP Growth Forecasts under AMRO Staff Scenarios
(Percent year-over-year)



ASEAN+3: Projected Real GDP Levels and Trend
(Index; 2019 = 100)

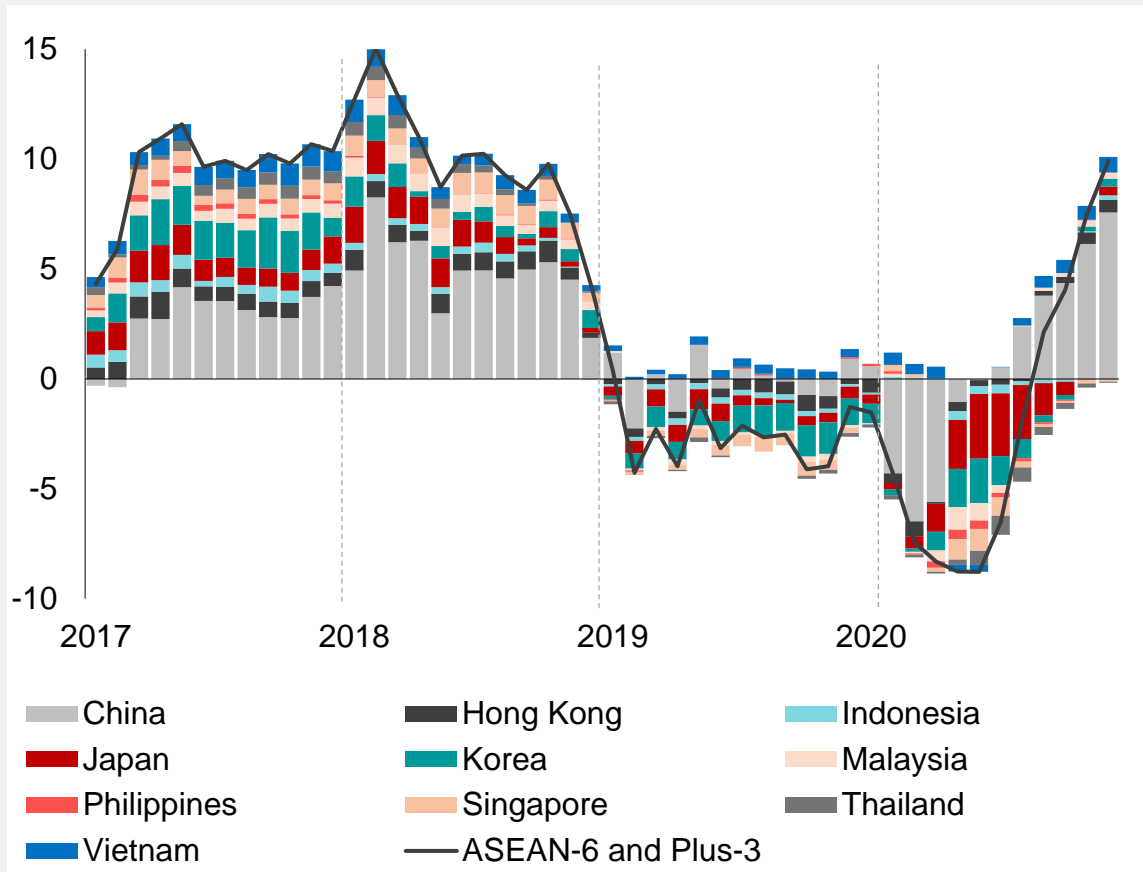


Sources: National authorities via Haver Analytics; and AMRO staff estimates
Note: See "Box 1.2: A Wary Recovery" in AREO 2021 for more details.

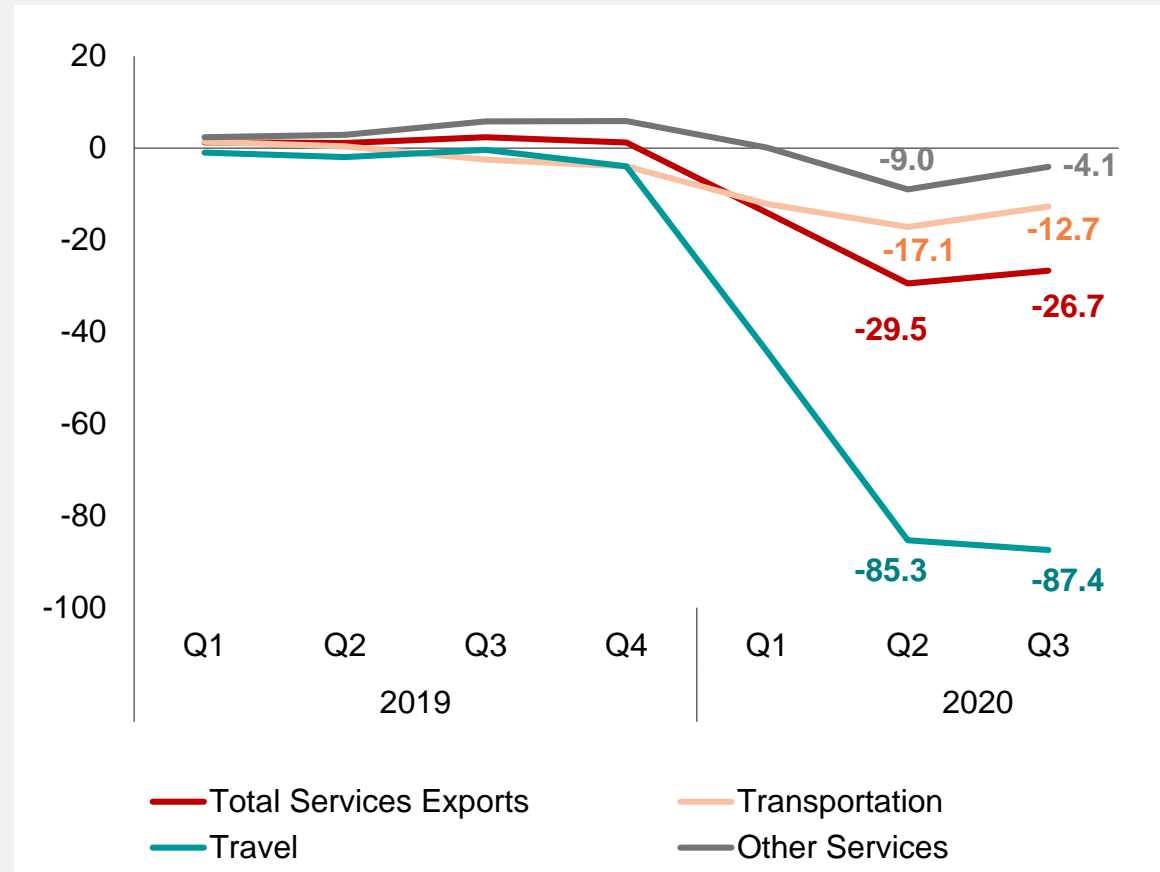
Sources: National authorities via Haver Analytics; and AMRO staff estimates
Note: See "Box 1.3: Economic Loss in the Wake of the Pandemic" in AREO 2021 for more details.

Goods exports have begun to normalize but services exports remain moribund

Selected ASEAN+3: Contributions to Goods Export Growth by Exporter
(Percentage points, year-over-year)



Selected ASEAN+3: Export of Services by Type
(Percent year-over-year)



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

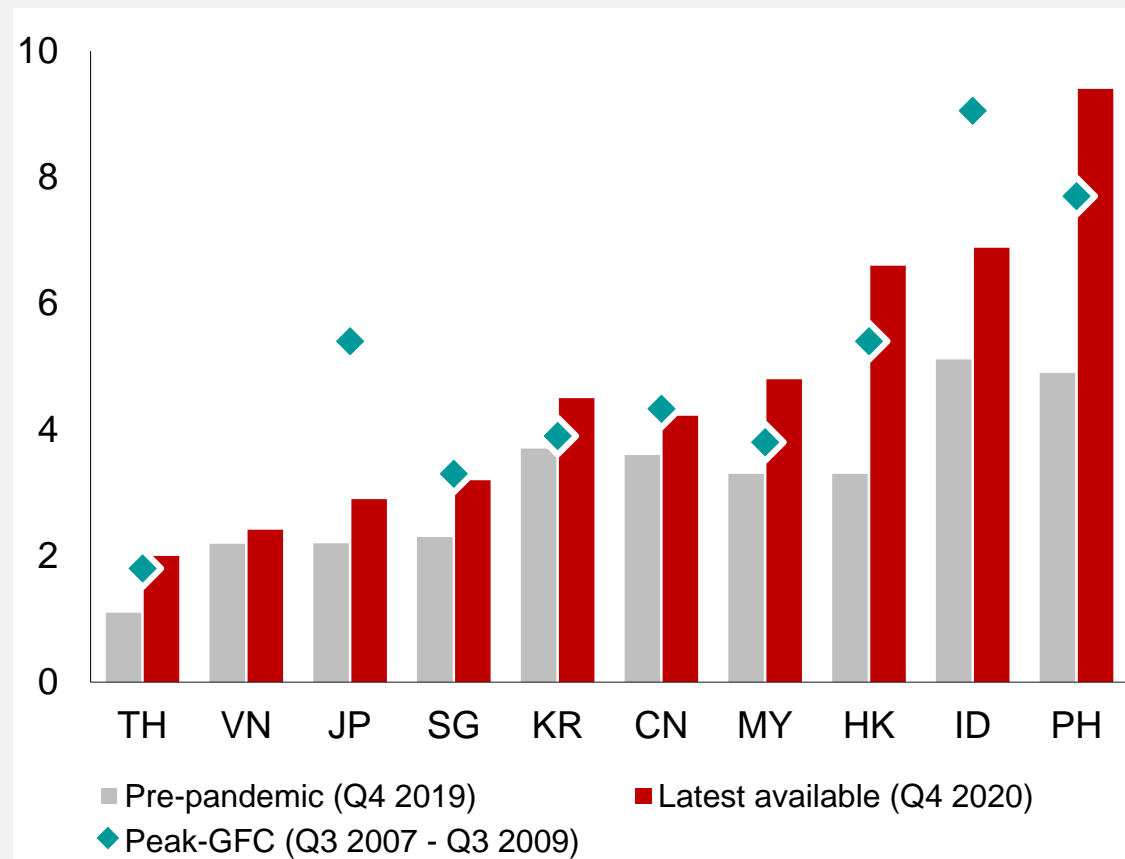
Sources: National authorities via Haver Analytics; and AMRO staff calculations.
Note: Brunei, Lao PDR, Myanmar, and Vietnam, for which quarterly data are unavailable, are excluded.

Consumer spending is slowly improving but labor markets are still weak, with elevated unemployment rates

Selected ASEAN+3: Total Retail Sales
(Percent year-over-year, 3-month moving average)

Economy	2018 Jan – Dec	2019 Jan – Dec	2020 Jan – Dec	Latest change from previous year
China				3.2
Hong Kong				-9.0
Indonesia				-16.6
Japan				-0.7
Korea				-0.5
Malaysia				-1.9
Philippines				-11.5
Singapore				-4.6
Thailand				-3.8
Vietnam				6.1

Selected ASEAN+3: Unemployment Rates
(Percent, seasonally-adjusted)

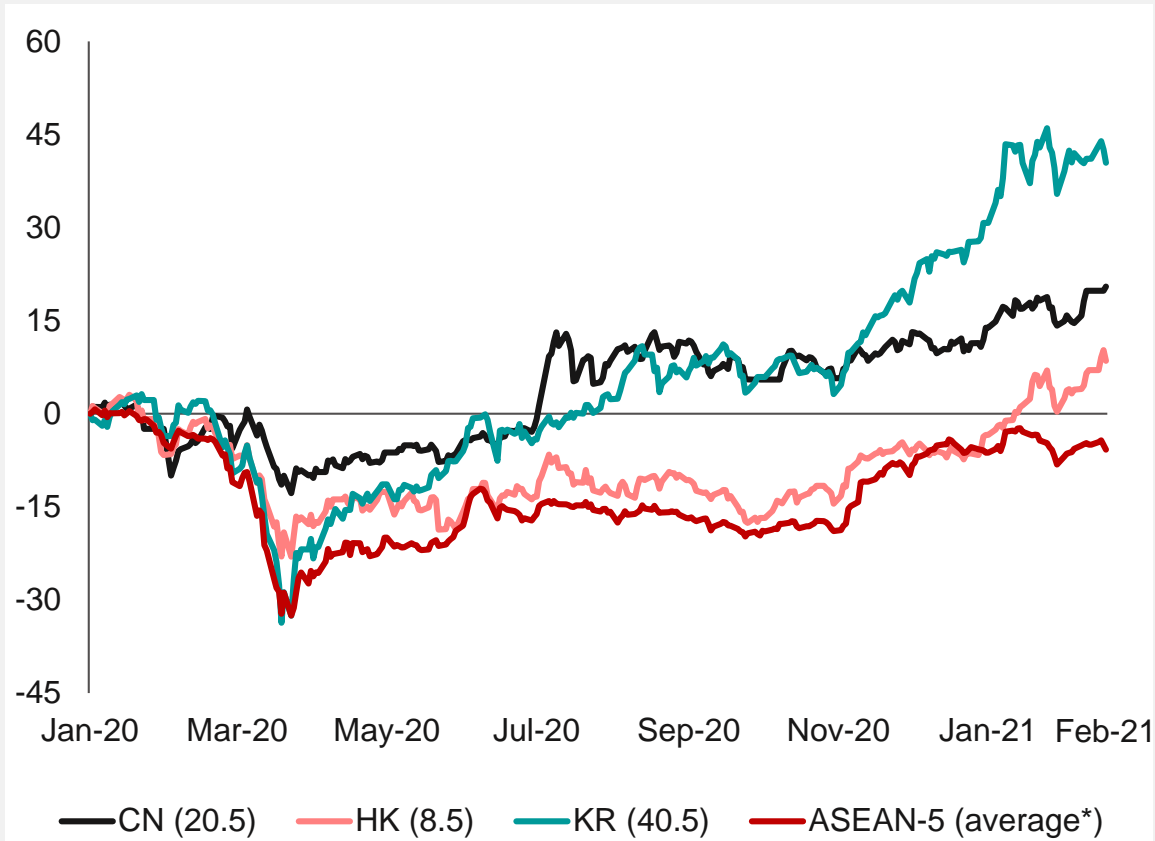


Sources: National authorities via CEIC Data and Haver Analytics; and AMRO staff calculations.

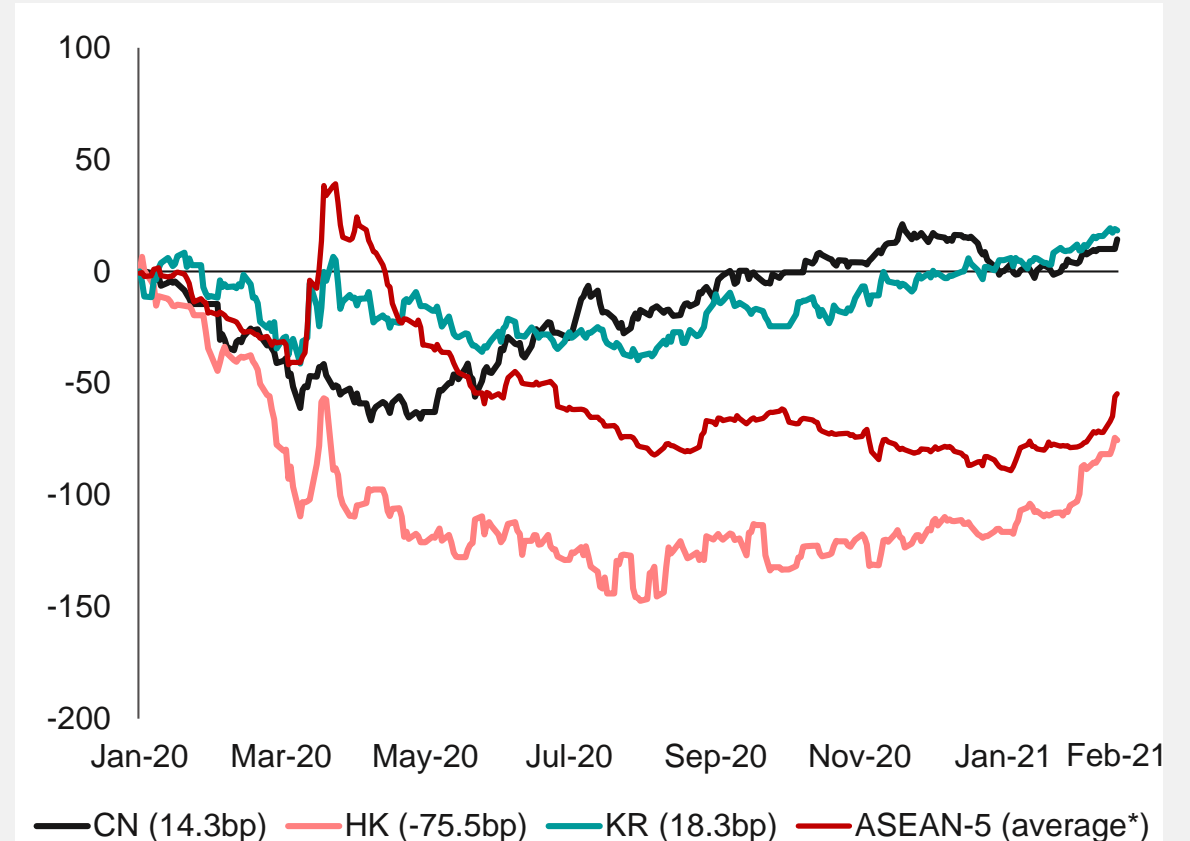
Sources: National authorities via Haver Analytics.
Note: Pre-pandemic refers to Q4 2019 except for Indonesia (Q1 2020). Latest available data refer to Q4 2020, except for Indonesia (Q3 2020). Peak-GFC refer to different times between Q3 2007 and Q3 2009. Peak-GFC data for Vietnam is not available.

Investors have returned to markets, buoyed by extraordinary policy support and positive vaccine developments

Selected ASEAN+3: Equity Market Indices
(Index, January 1, 2020 = 100)



Selected ASEAN+3: 10-year Government Bond Yields
(Basis point change)



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

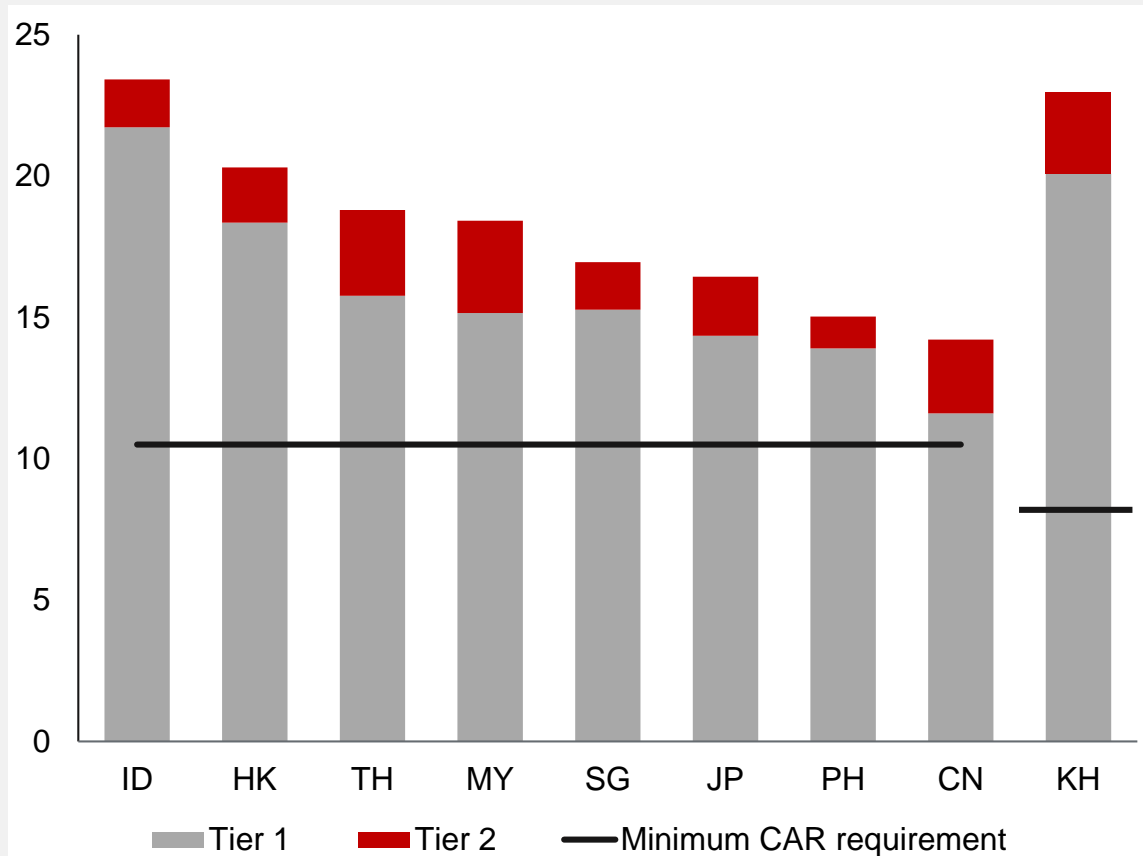
Note: Figures in parentheses refer to returns since December 31, 2019. ASEAN-5 (average) is simple mean of returns since December 31, 2019 in benchmark equity indices of Indonesia, Philippines, Malaysia, Thailand and Singapore. Data as of February 28, 2021.

Sources: Bloomberg Finance L.P.

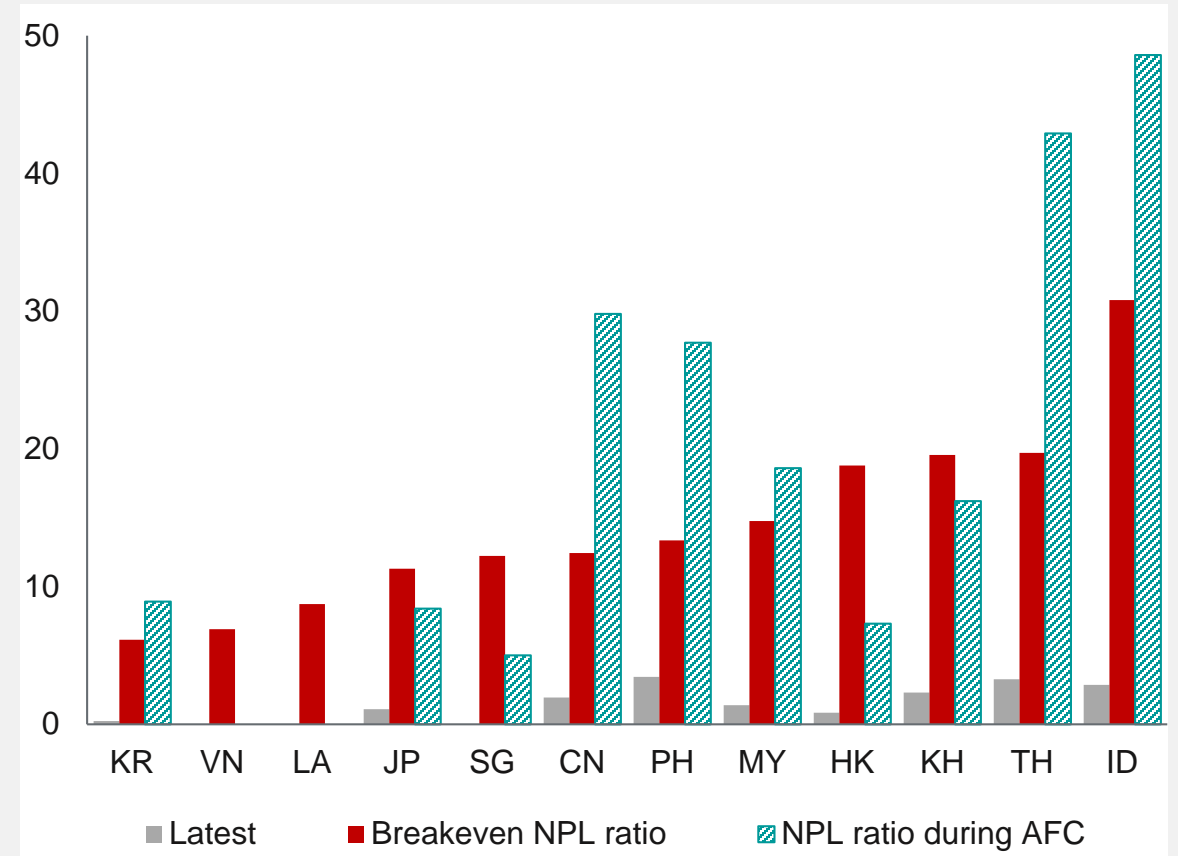
Note: Figures in parentheses refer to changes in 10-year government bond yields since December 31, 2019 in basis points (bp). ASEAN-5 (average) is the simple mean of changes since December 31, 2019 in 10-year government bond yields of Indonesia, Philippines, Malaysia, Thailand and Singapore in bp. Data as of February 28, 2021.

Bank credit risks have risen but regional banking systems are well-buffered

Selected ASEAN+3: Bank Capitalization Ratios
(Percent of risk-weighted assets, 2020 latest)



ASEAN+3: Latest NPL and Breakeven NPL Ratios
(Percent)



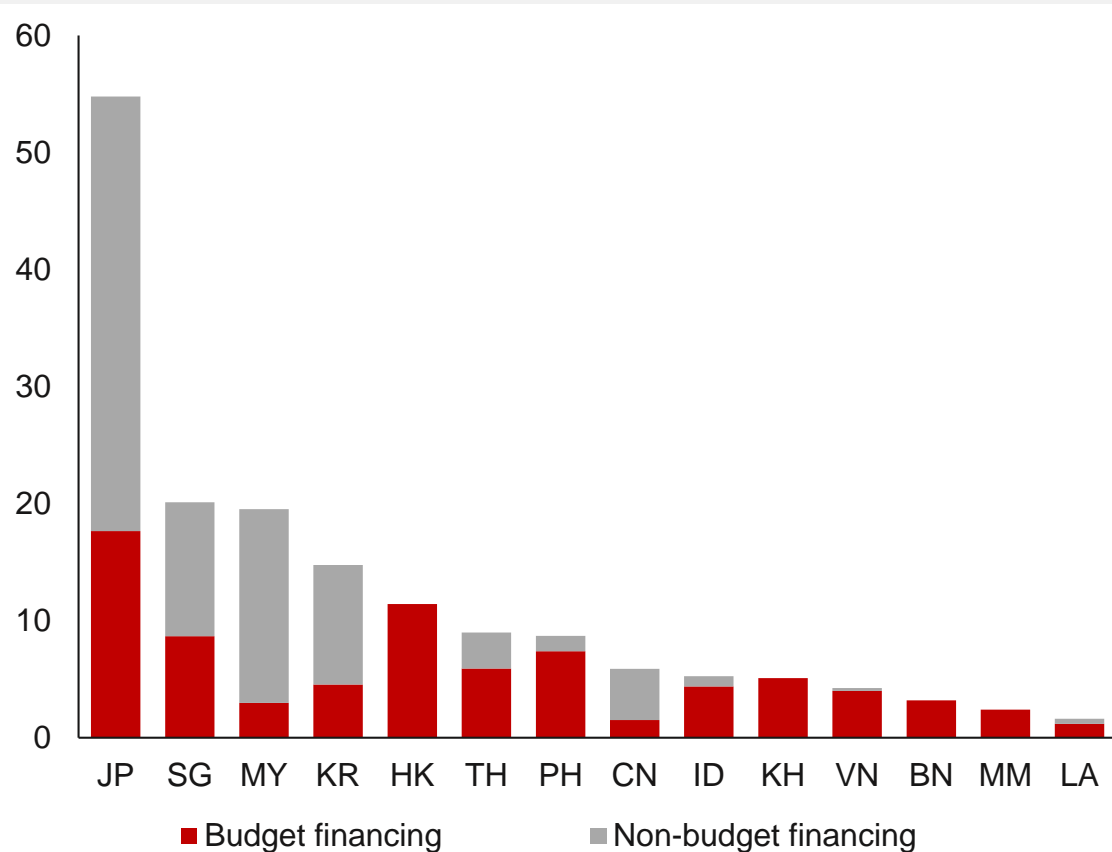
Sources: International Monetary Fund via Haver Analytics; and AMRO staff calculations.

Sources: BankFocus; International Monetary Fund via Haver Analytics; and AMRO staff estimates.

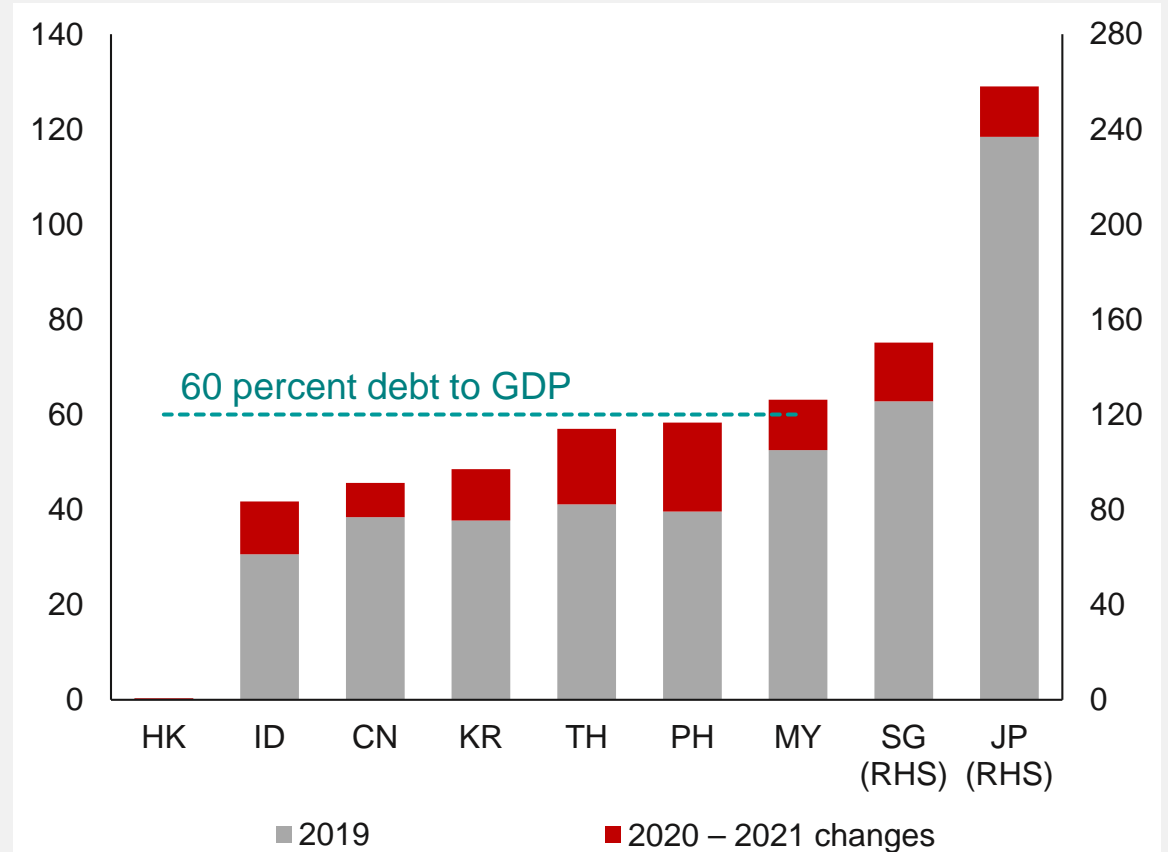
Note: Latest NPL ratio refers to NPL for the banking system as a whole. Data for all economies are as of 3Q 2020, except Japan (1Q 2020), China and Korea (2Q 2020). Breakeven NPL ratio was estimated using banks that are available in BankFocus. Quarterly NPL and NPL ratio during AFC were unavailable for Vietnam and Lao PDR.

Swift and sizeable policy responses have been crucial but have increased government debt markedly

ASEAN+3: Economic Stimuli
(Percent of GDP)



Selected ASEAN+3: Government Debt Projections
(Percent of GDP)



Sources: National authorities via Haver Analytics; AMRO staff estimates
Note: From February 1, 2020 to February 28, 2021. Based on governments' announced stimulus packages across regional economies. The non-budget financing component corresponds to the fraction of governments' announced economic relief/stimulus packages financed by non-budget resources, for example, funding from public funds, public financial institutions or entities, or fiscal reserves.

Sources: National authorities via Haver Analytics; AMRO staff projections
Note: The 2020-21 projections are based on the information available up to February 28, 2021.

Most regional economies still have sufficient policy space to provide additional support, if necessary

Policy space		Fiscal		
		Ample	Moderate	Limited
Monetary	Ample		Philippines Vietnam	
	Moderate	Korea Singapore Thailand	China Indonesia Malaysia Myanmar Philippines Thailand Vietnam	
	Limited	Brunei Cambodia Hong Kong	Brunei	Japan Lao PDR

Source: AMRO staff estimates, based on Poonpatpibul and others (2020).

Note: The economies in grey font represent their policy space positions during the pre-COVID period, which are assessed to have shifted to their respective new positions in black font.

Policies should remain accommodative for as long as possible to ensure that recovery becomes entrenched

ASEAN+3: AMRO Staff Assessment of Current Policy Stance and Recommendations

	Fiscal Policy				Monetary Policy			Prudential Policy				
	2020	2021	2020	Recommended	Current Policy	2020	Recommended	Macropprudential Policy		Credit Policy		
	Policy Stance	Policy Stance	Policy Space					Policy Direction	Policy Stance	Policy Direction	Policy Stance	
Brunei*	Green		Moderate	Down	Green	Limited	Neutral	Green	Neutral	Green	Neutral	Brunei*
Cambodia	Green	Green	Ample	Neutral	Green	Limited	Neutral	Green	Neutral	Green	Neutral	Cambodia
China	Green		Moderate	Down	Green	Moderate	Down	Yellow	Right	Green	Down	China
Hong Kong*	Green	Yellow	Ample	Right	Green	Limited	Neutral	Yellow	Right	Green	Neutral	Hong Kong*
Indonesia	Green	Grey	Moderate	Neutral	Green	Moderate	Neutral	Green	Neutral	Green	Neutral	Indonesia
Japan*	Green		Limited	Down	Green	Limited	Neutral	Grey	Neutral	Green	Neutral	Japan*
Korea	Green	Grey	Ample	Neutral	Green	Moderate	Neutral	Yellow	Right	Green	Neutral	Korea
Lao PDR	Green	Yellow	Limited	Up	Green	Limited	Neutral	Green	Neutral	Green	Neutral	Lao PDR
Malaysia	Green	Grey	Moderate	Neutral	Green	Moderate	Neutral	Grey	Neutral	Green	Neutral	Malaysia
Myanmar	Green	Green	Moderate	Neutral	Green	Moderate	Neutral	Grey	Neutral	Green	Neutral	Myanmar
Philippines	Green	Green	Moderate	Up	Green	Moderate	Neutral	Green	Neutral	Green	Up	Philippines
Singapore*	Green	Yellow	Ample	Right	Green	Moderate	Neutral	Yellow	Right	Green	Neutral	Singapore*
Thailand	Green	Green	Moderate	Neutral	Green	Moderate	Neutral	Green	Neutral	Green	Neutral	Thailand
Vietnam	Green	Grey	Moderate	Up	Green	Moderate	Neutral	Grey	Neutral	Green	Neutral	Vietnam

Legend:

AMRO's assessment of current policy stance

Green	Expansionary/Accommodative
Grey	Neutral
Yellow	Contractionary/Tight

AMRO's recommendation

Expand

Up Arrow	Expand more
Down Arrow	Expand less
Double Arrow	Maintain current expansion/accommodation

Tighten

Down Arrow	Tighten more
Up Arrow	Tighten less
Double Arrow	Maintain tightening

Neutral

Up Arrow	Easing bias
Down Arrow	Tightening bias
Double Arrow	Maintain neutral

Sources: AMRO staff estimates.

Note: "*" denotes fiscal year of April 1 to March 31. For Brunei, Cambodia, and Hong Kong, current monetary stance refers to the state of monetary conditions; "Credit Policy" refers to policies relating to credit extended to the real and property sectors, as well as to regulatory forbearance for banks.

Eventual exit from stimulus measures needs to be gradual, coordinated, and well-communicated to avoid cliff effects

ASEAN+3: Vulnerability to Pandemic Policy Exit Risks (Rating)

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

Stronger rating Weaker rating

Sources: AMRO staff estimates

Note: Ratings are assigned as follows: (1) red – weaker; (2) orange – less weak; (3) yellow – less strong; (4) green – stronger. Healthcare capacity refers to the availability of hospital beds and the quality of healthcare; Economic diversity (structural) 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; Size of domestic market (structural) refers to the economy's import-adjusted GDP; Remaining policy space (conjunctural) is as defined in Slide 14; Degree of policy support (conjunctural) is based on the extent of actual policy support provided since the start of the pandemic; Recovery rate is proxied by AMRO staff's projection of the output gap as of end-2021; Reserve coverage is based on the ERP Matrix Scorecard percentile.

Thank you



Contact Us

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

Tel: +65 6323 9844

Email: ong.lilian@amro-asia.org

Website: www.amro-asia.org