

ASEAN+3 Regional Economic Outlook 2023

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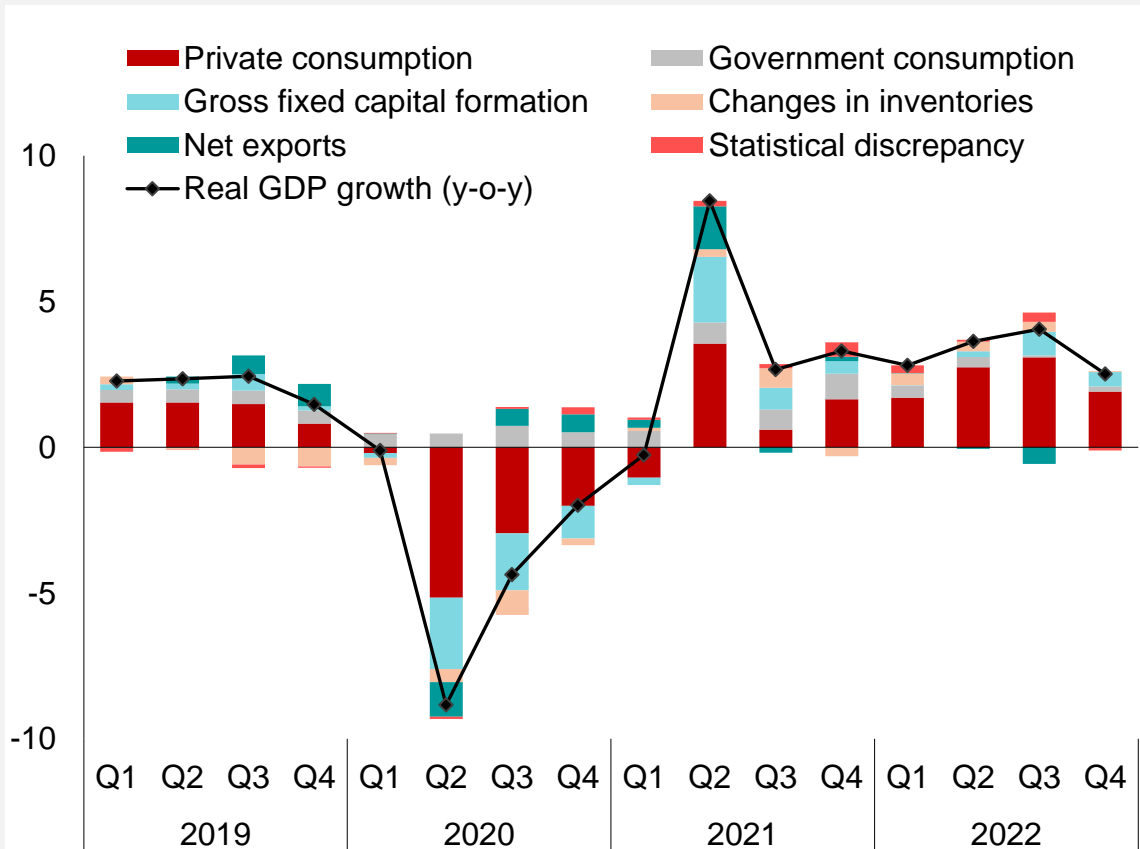
AREO 2023 Launch (Press Briefing)

April 6, 2023

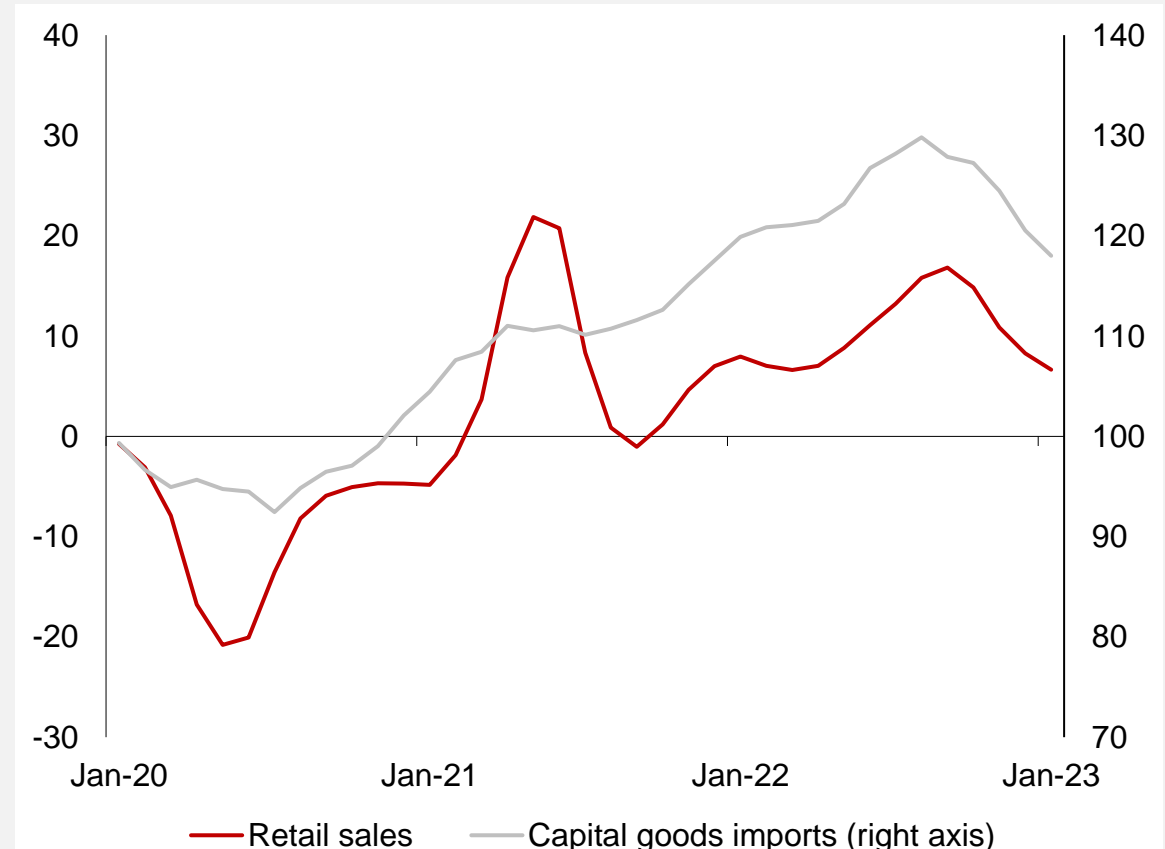


Growth in ASEAN+3 has generally been robust, anchored by domestic demand

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



Selected ASEAN+3: Retail Sales and Volume of Capital Goods Imports
(Percent, year-on-year; Index Jan 2020 = 100)

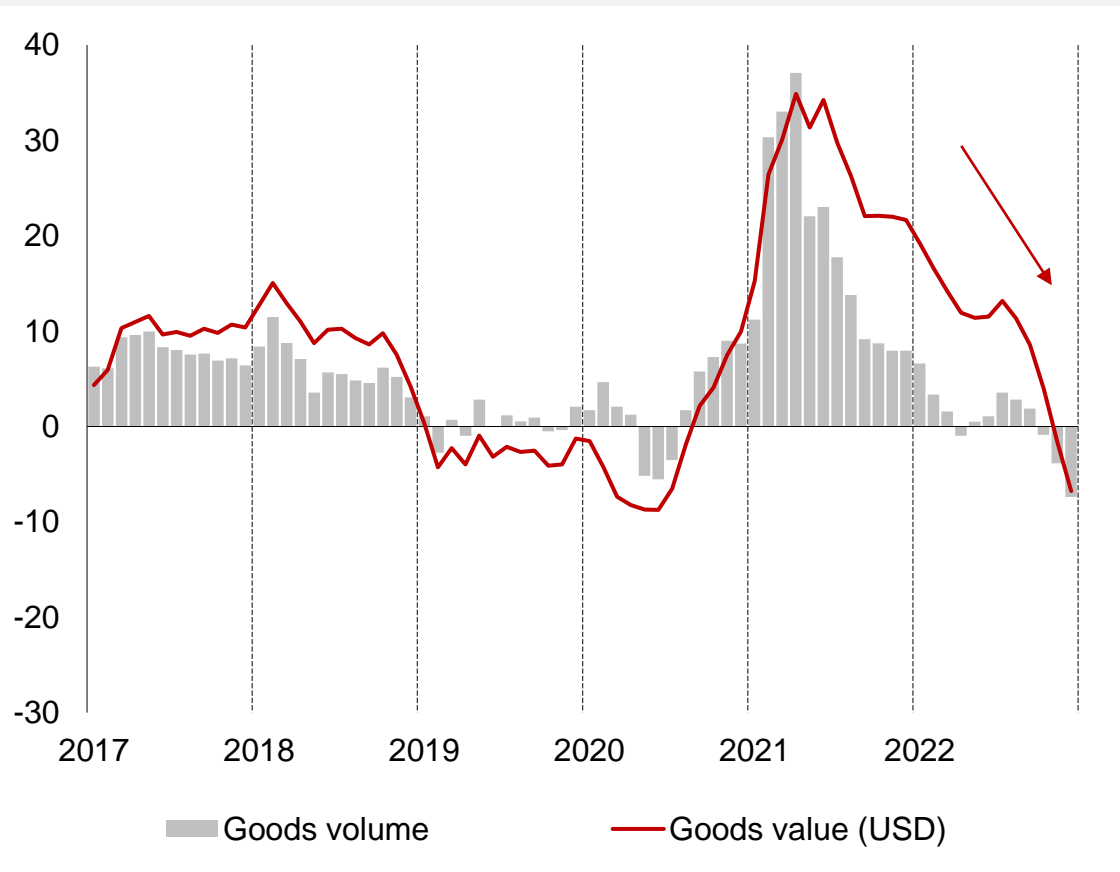


Source: National authorities via Haver Analytics; AMRO staff estimates and calculation.
Note: Selected ASEAN+3 includes Brunei, Hong Kong, Indonesia, Japan, Korea, Malaysia, the Philippines, Singapore, and Thailand. Q4 2022 data for Brunei are estimated by AMRO staff.

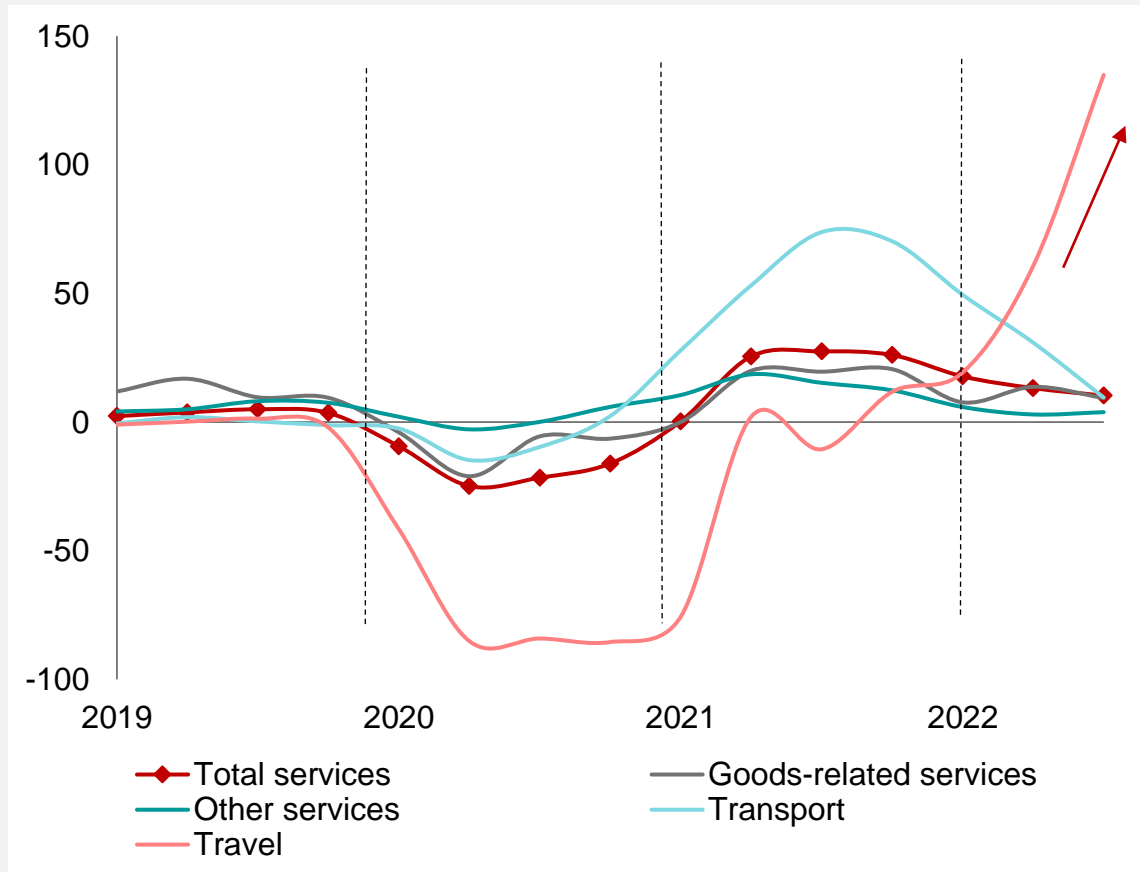
Source: National authorities via Haver Analytics; AMRO staff calculations.
Note: Calculated on a 3-month moving average basis, based on local currency values for all economies except Indonesia and Thailand (volume). Retail sales data includes ASEAN-6, Japan, and China; capital goods imports includes Malaysia, Korea, Thailand, and Japan.

Export growth continues to weaken on slowing global trade, but travel would be a bright spot

Selected ASEAN+3: Goods Exports
(Percent, year-on-year, three-month moving average)



Selected ASEAN+3: Services Exports
(Percent, year-on-year)

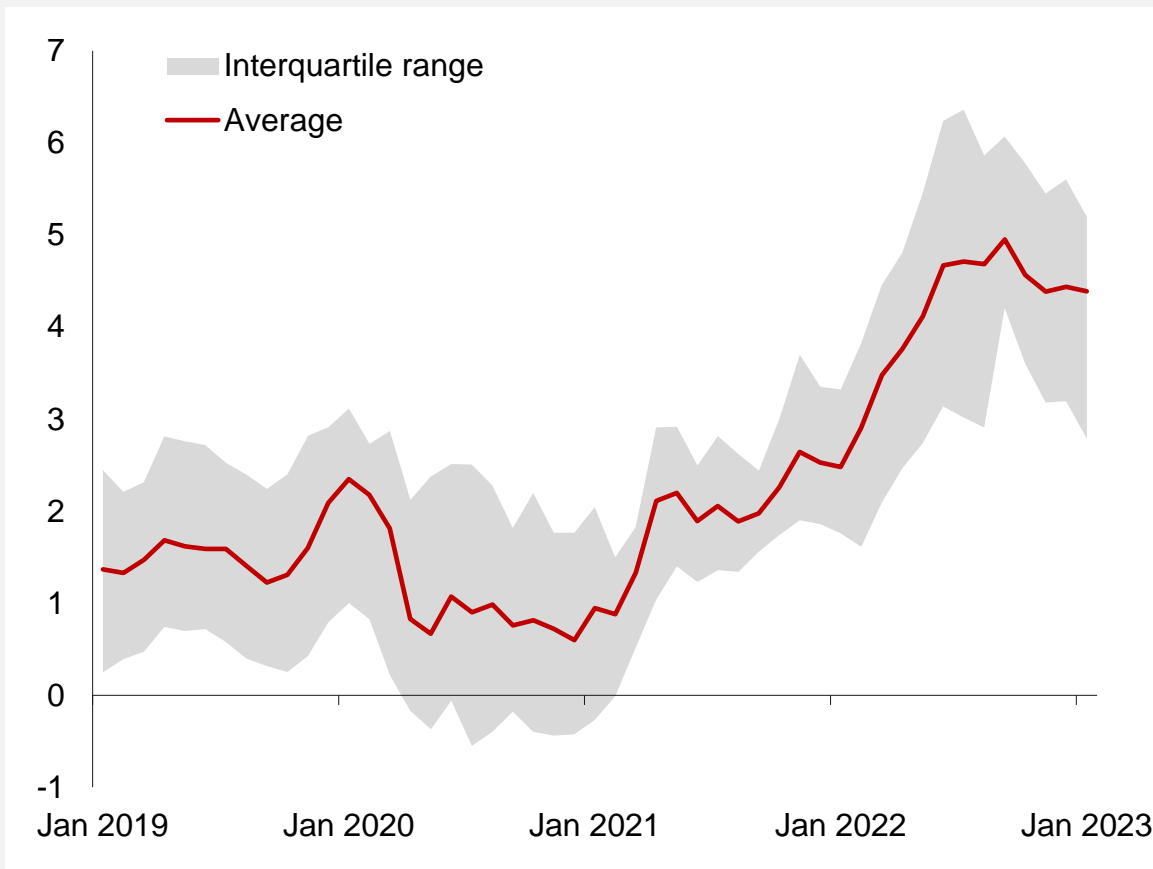


Source: National authorities via Haver Analytics; AMRO staff calculations.
Note: Goods exports data are not available for Brunei, Cambodia, Lao PDR, and Myanmar. Services exports data are not available for Brunei and Myanmar.

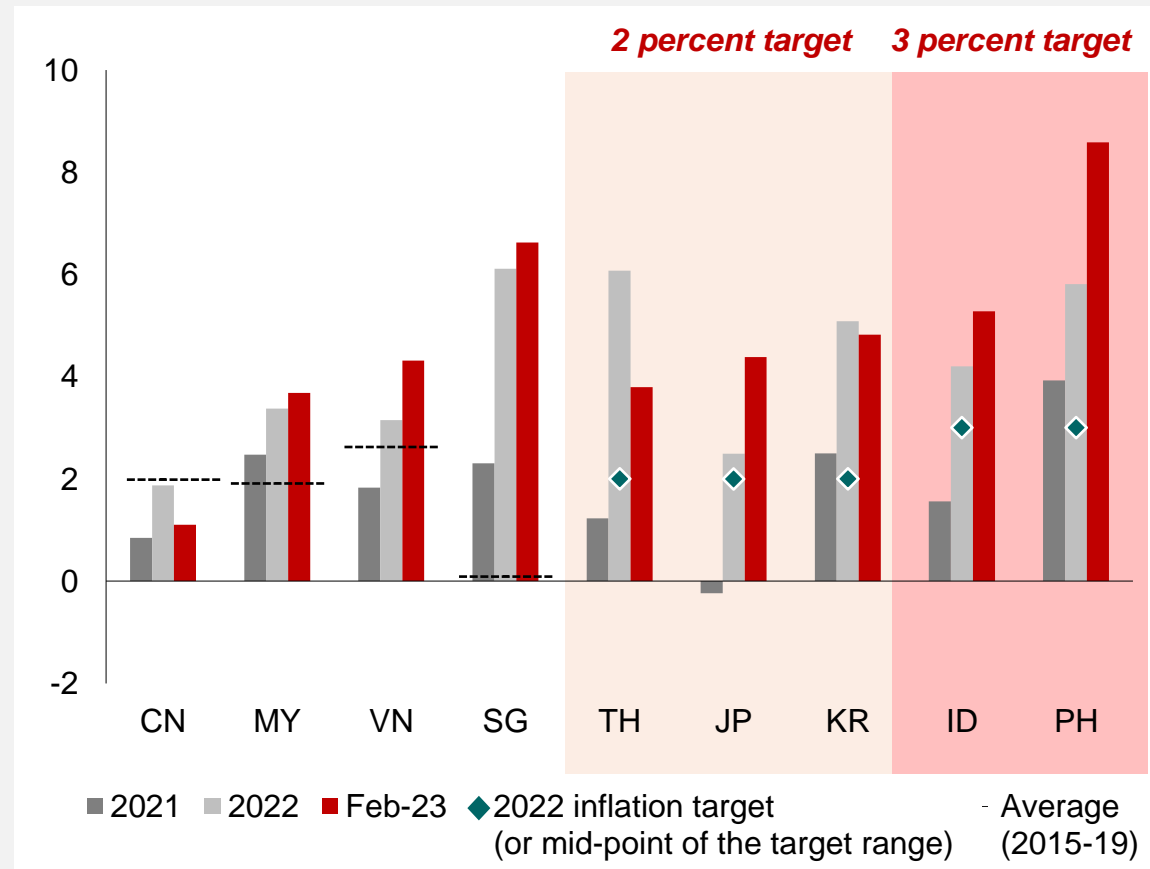
Source: UNCTADstat; AMRO staff calculations.
Note: Exports of travel services cover goods and services (excluding transport services) that are acquired from an economy by nonresidents during visits to that economy. Data for Brunei, Cambodia, Myanmar, and Vietnam are not available.

Inflation appears to have peaked in most ASEAN+3 economies

**ASEAN+3 (excluding Lao PDR and Myanmar):
Headline Consumer Price Inflation**
(Percent, year-on-year)



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



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

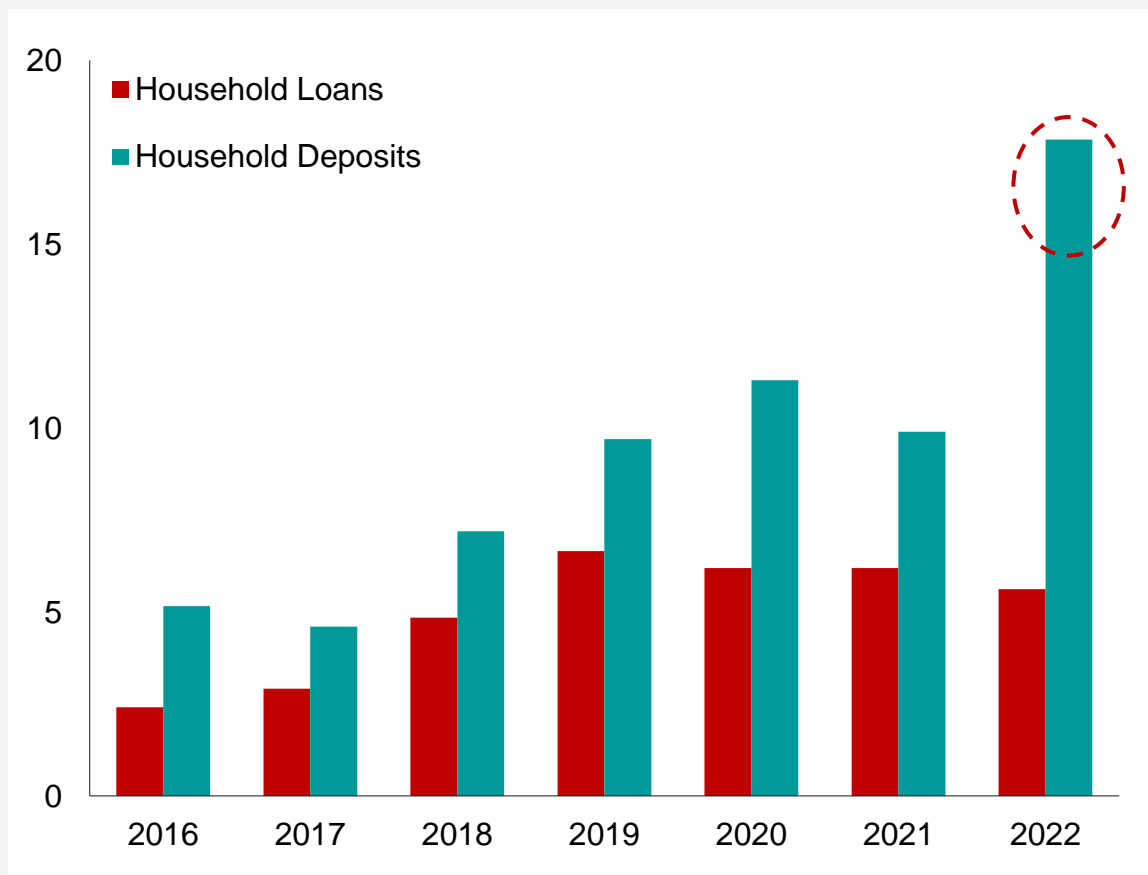
Note: Aggregate consumer price inflation is calculated as a simple average of individual economies' data series. Data are up to February 2023, except for Brunei (January 2022).

Source: National authorities via Haver Analytics.

Note: China, Malaysia, Singapore, and Vietnam are not inflation-targeting economies. Data for 2023 are up to February, except for Japan, Malaysia, and Singapore (January 2023).

China's reopening offers a timely boost to the region's growth

China: Household Excess Deposits/Savings
(Annual change, RMB trillion)



Source: National authorities via Haver Analytics.

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

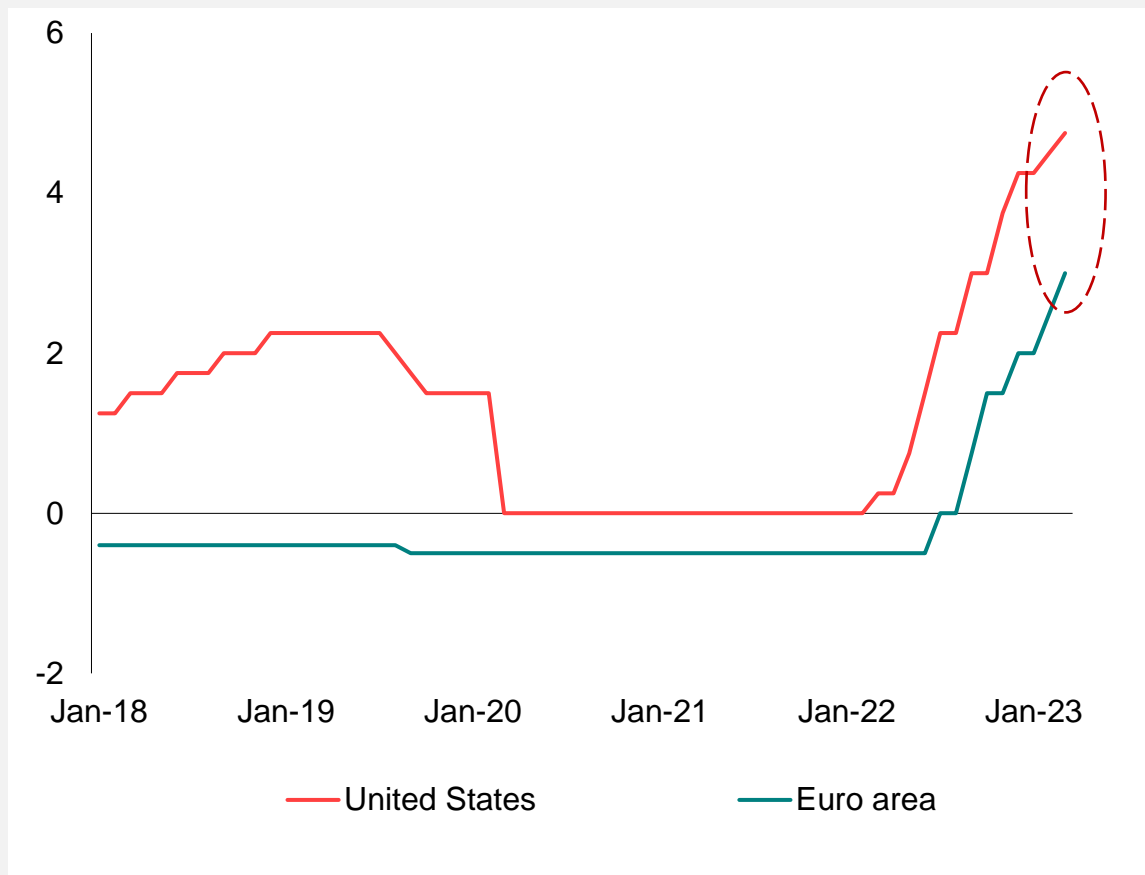
Economy	2021 Jan to Dec	2022 Jan to Dec	2023 J-Feb
PLUS-3	[Heatmap showing PMI trends for Plus-3 region]		
China	[Heatmap showing PMI trends for China]		
Hong Kong*	[Heatmap showing PMI trends for Hong Kong]		
Japan	[Heatmap showing PMI trends for Japan]		
Korea	[Heatmap showing PMI trends for Korea]		
ASEAN	[Heatmap showing PMI trends for ASEAN region]		
Indonesia	[Heatmap showing PMI trends for Indonesia]		
Malaysia	[Heatmap showing PMI trends for Malaysia]		
Philippines	[Heatmap showing PMI trends for Philippines]		
Singapore*	[Heatmap showing PMI trends for Singapore]		
Thailand	[Heatmap showing PMI trends for Thailand]		
Myanmar	[Heatmap showing PMI trends for Myanmar]		
Vietnam	[Heatmap showing PMI trends for Vietnam]		

Source: IHS Markit; and JPMorgan.

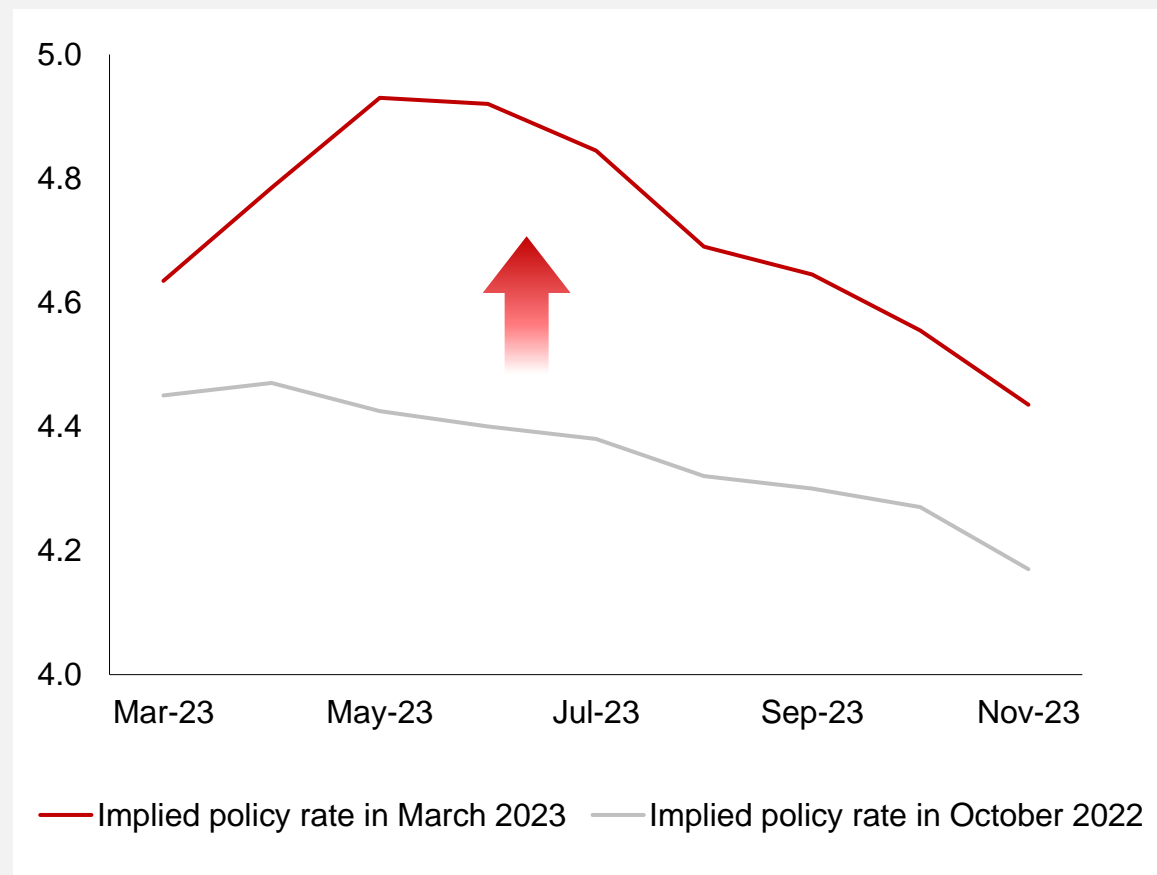
Notes: *Denotes both manufacturing and services combined. PMI readings are coded by colors: darker shades of red denote readings further below the diffusion level of 50 (darkest red denotes: 45); conversely, greener shades denote readings further above the diffusion level of 50 (darkest green denotes 55). Data as 26 March 2023.

In the United States and euro area, policymakers continue to hike policy rates to rein-in inflationary pressure

United States and Euro Area: Policy Interest Rates (Percent)



United States: Market Implied Path of (Effective) Fed Funds Rate (Percent)

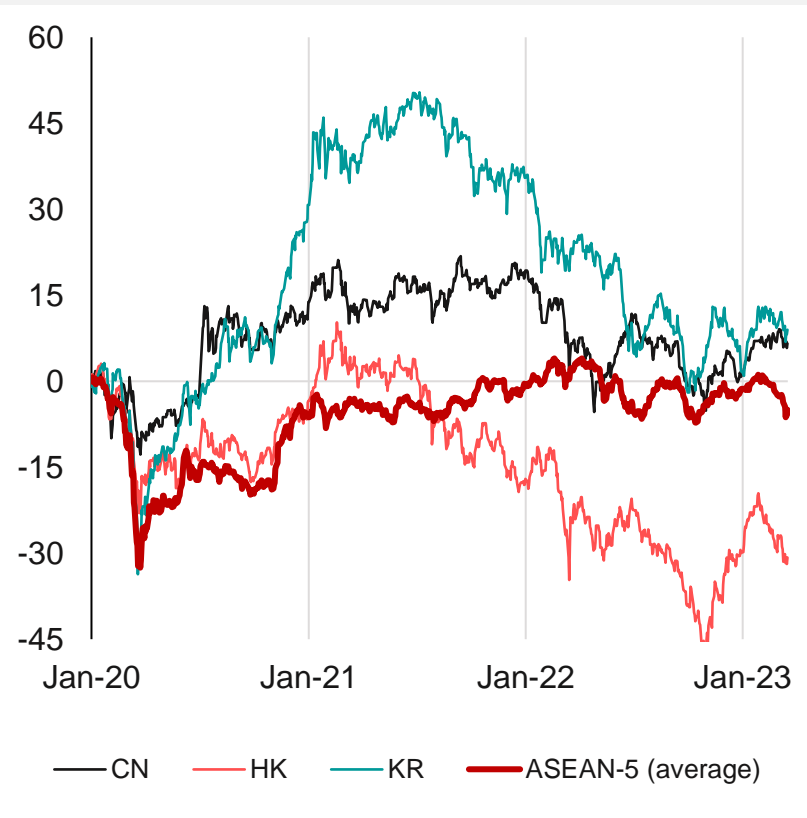


Source: National authorities via Haver Analytics. Euro area policy rate refers to deposit facility rate.
Note: Data are up to 22 March 2023.

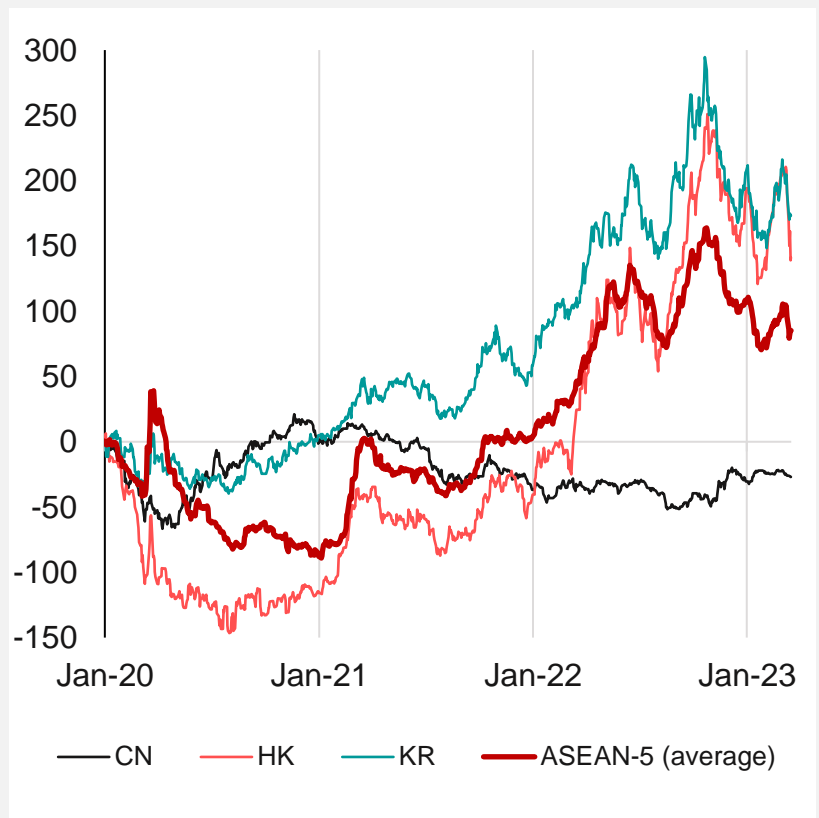
Source: Bloomberg.
Note: March 2023 pricing as of 22 March 2023.

Regional asset prices weakened in recent weeks, but overall market performance has improved since early-2020

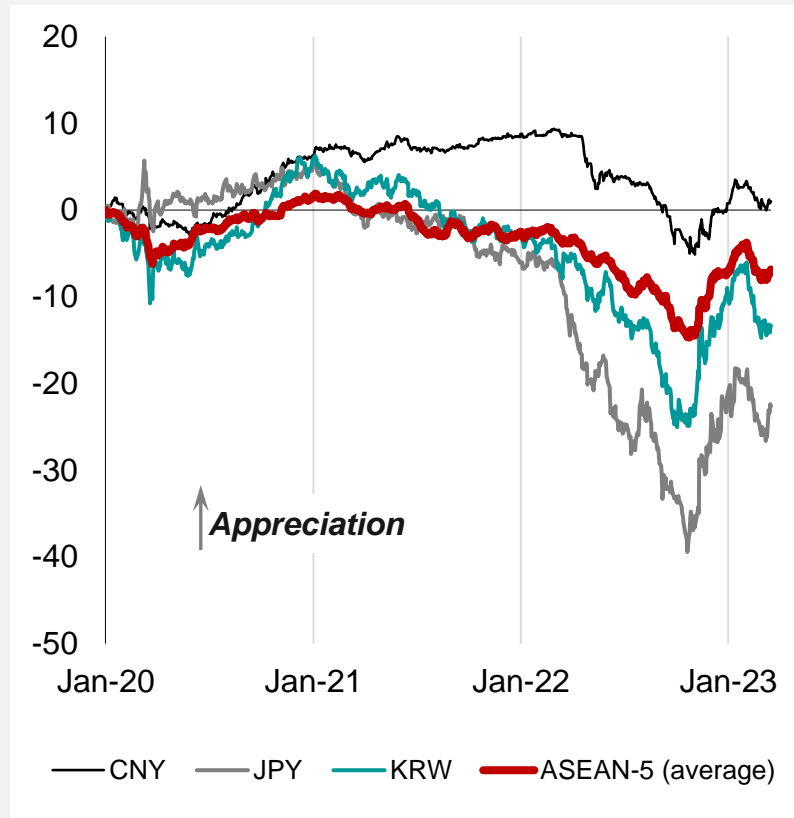
**Selected ASEAN+3:
Equity Market Indices**
(Index, January 1, 2020 = 100)



**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 March 17, 2023.

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 March 17, 2023.

Sources: Bloomberg Finance L.P.
Note: ASEAN-5 (average) is the simple mean of changes since December 31, 2019 in bilateral exchange rate against the US dollar of Indonesia, Malaysia, the Philippines, Thailand and Singapore. Data as of March 17, 2023.

Growth is on track to improve in 2023 and sustained in 2024...

AMRO Staff Baseline Growth Estimates and Forecasts, 2023–24

Economy	Gross Domestic Product (Percent year-on-year)			
	2021	2022 ^e	AREO 2023	
			2023 ^f	2024 ^f
ASEAN+3	6.3	3.2	4.6 ↑	4.5
Plus-3	7.1	2.6	4.5 ↑	4.3
China	8.4	3.0	5.5 ↑	5.2
Hong Kong, China	6.4	-3.5	4.3	3.0
Japan	2.1	1.0	1.2	1.1
Korea	4.1	2.6	1.7	2.3
ASEAN	3.1	5.6	4.9	5.2
Brunei Darussalam	-1.6	-1.2	2.8	2.6
Cambodia	3.0	5.0	5.9	6.7
Indonesia	3.7	5.3	5.0	5.3
Lao PDR	3.5	4.0	4.1	5.0
Malaysia	3.1	8.7	4.2	5.2
Myanmar	-18.7	1.2	2.2	2.8
Philippines	5.7	7.6	6.2	6.5
Singapore	8.9	3.8	2.0	2.6
Thailand	1.5	2.6	4.1	4.3
Vietnam	2.6	8.0	6.8	7.1

Source: National authorities via CEIC and Haver Analytics; and AMRO staff estimates and forecasts.

Note: Myanmar's growth numbers are based on its fiscal year, which runs from 1 October to 30 September. e = estimates; f = forecast

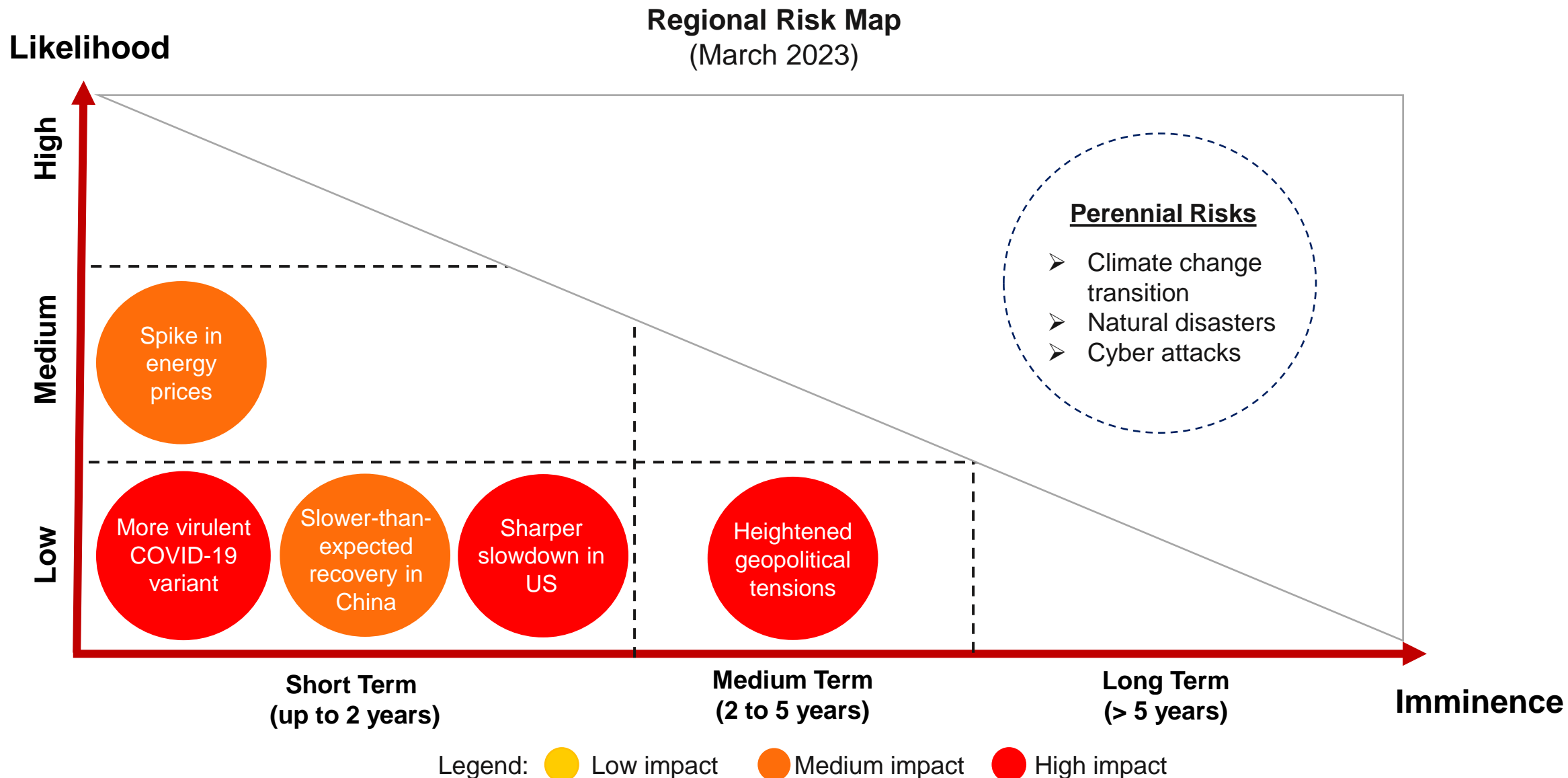
...while inflation is expected to moderate going forward

AMRO Staff Baseline Inflation Estimates and Forecasts, 2023–24

Economy	Inflation (Percent year-on-year)			
	2021	2022 ^e	AREO 2023	
			2023 ^f	2024 ^f
ASEAN+3	2.1	6.5	4.7 ↓	3.0
<i>ASEAN+3 excluding LA and MM</i>	<i>1.9</i>	<i>4.1</i>	<i>3.4</i>	<i>2.5</i>
Plus-3	1.2	2.9	2.3 ↓	2.1
China	0.9	2.0	2.0	2.5
Hong Kong, China	1.6	1.9	2.3	2.5
Japan	-0.3	2.5	1.5	1.1
Korea	2.5	5.1	3.3	2.2
ASEAN	2.5	7.9	5.7 ↓	3.4
Brunei Darussalam	1.7	3.7	2.5	1.7
Cambodia	2.9	5.4	3.3	3.1
Indonesia	1.6	4.2	4.6	3.0
Lao PDR	3.8	23.0	11.4	4.2
Malaysia	2.5	3.3	3.2	1.9
Myanmar	3.6	18.2	14.0	8.0
Philippines	3.9	5.8	5.9	3.8
Singapore	2.3	6.1	5.8	3.7
Thailand	1.2	6.1	2.8	2.1
Vietnam	1.8	3.2	3.0	2.5

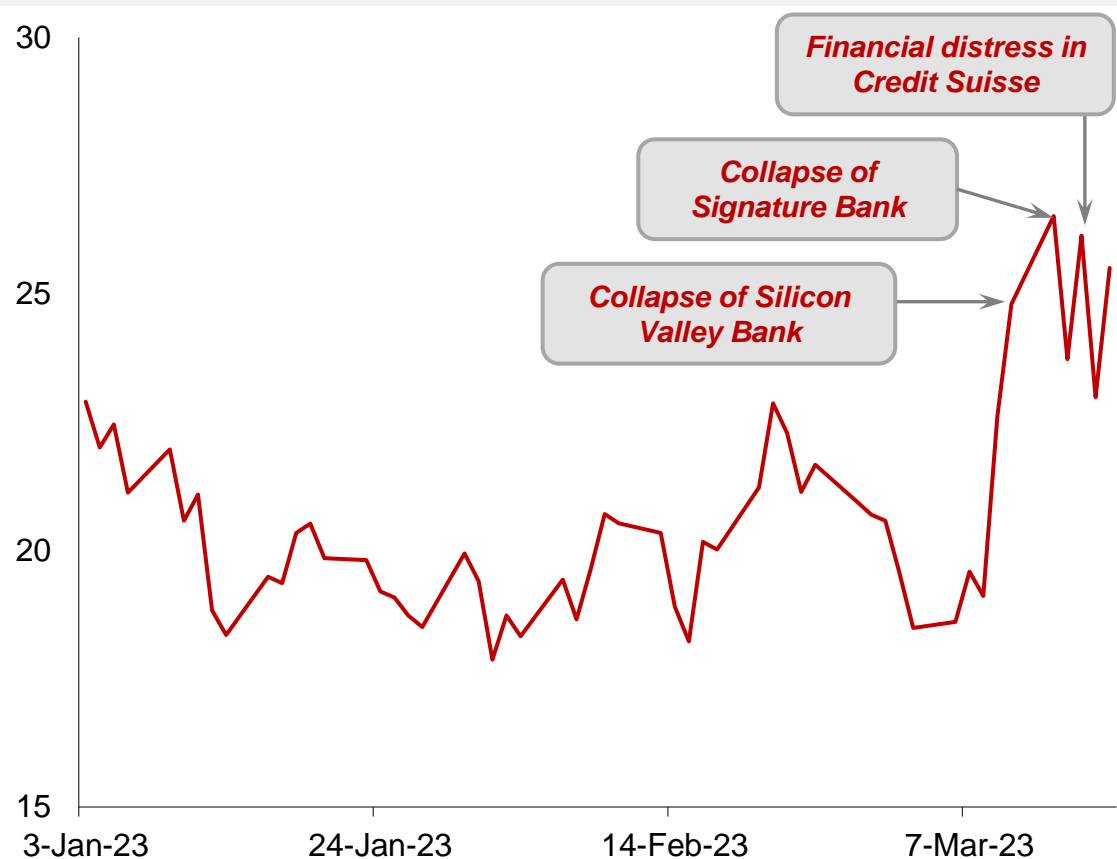
Source: National authorities via CEIC and Haver Analytics; and AMRO staff estimates and forecasts.

The baseline forecast is subject to multiple risks



Banking sector distress in the United States and Europe have amplified global market volatilities

CBOE Market Volatility Index
(Index)



Implications for ASEAN+3

Direct Exposure

- **Limited exposure** of regional banks.
- Regional tech startups may have deposits in Silicon Valley Bank.

Tech Sector

- Collapse highlights **slowdown in the sector**.
- Tighter lending conditions.

Banks

- Investors will likely **scrutinize bank risk profiles**.
- Exposure to interest rate sensitive investments.

Fed's Policy

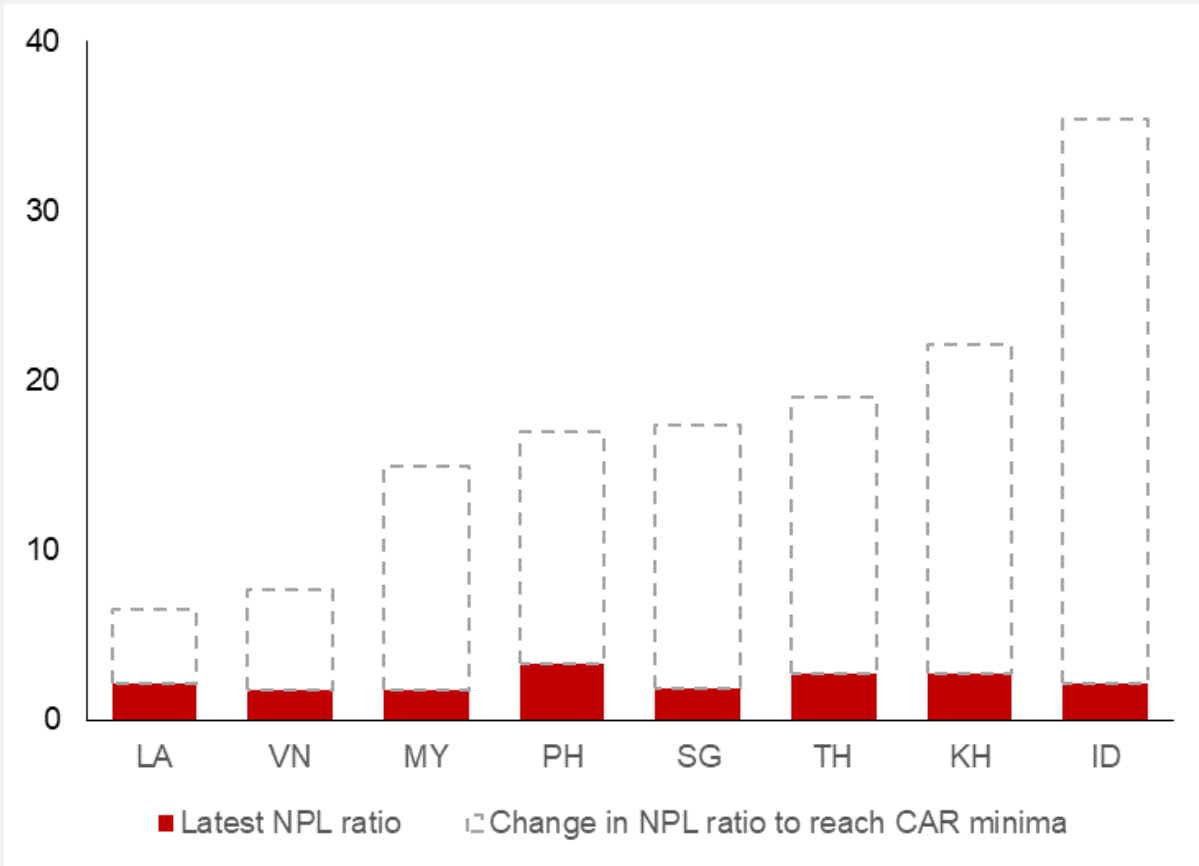
- Expectations of **Fed easing its hawkish stance**.
- If materializes, it will be positive for risk assets once volatility subsides.

Source: Chicago Board Options Exchange.

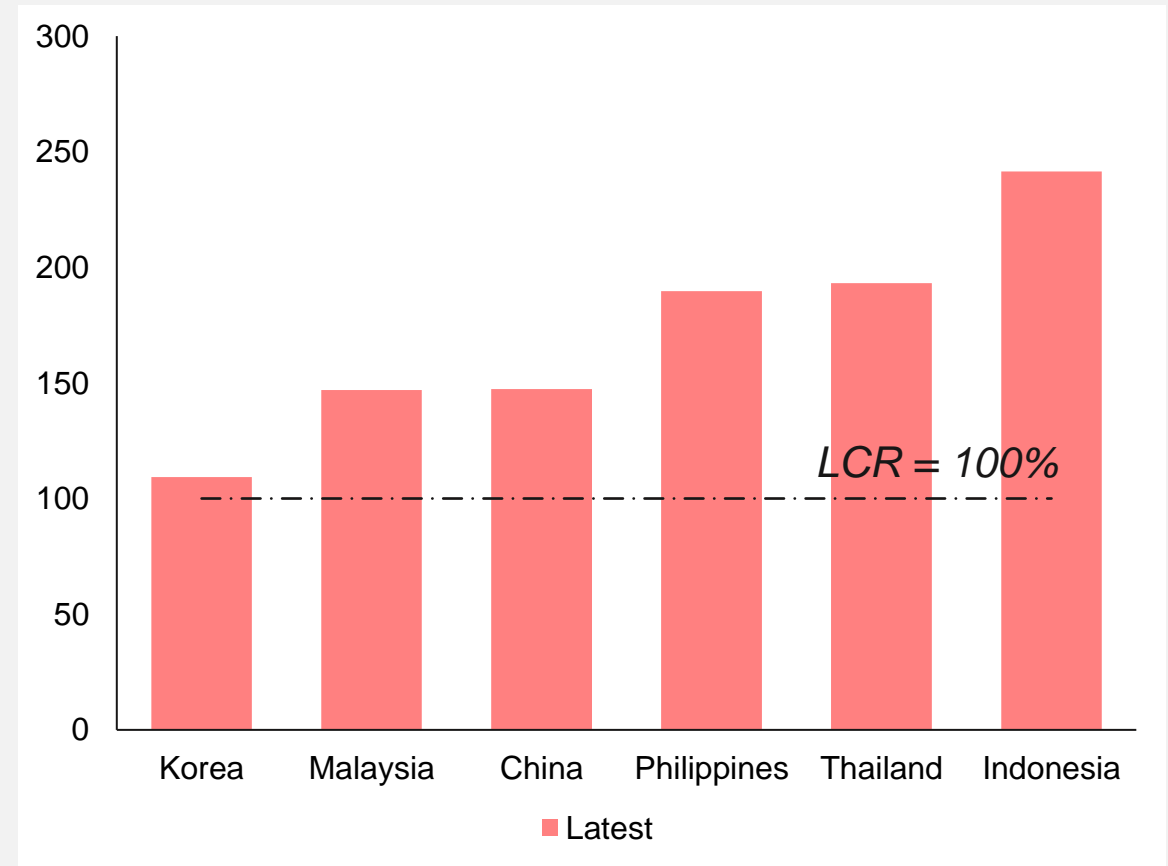
Note: Index refers to daily closing values. The CBOE Volatility Index, is a real-time market index representing the market's expectations for volatility over the coming 30 days.

Most banks in the ASEAN+3 region are well-capitalized and have ample liquidity

Selected ASEAN+3: Nonperforming Loan Ratio
(Percent, end-2022)



Selected ASEAN+3: Liquidity Coverage Ratio
(Percent)

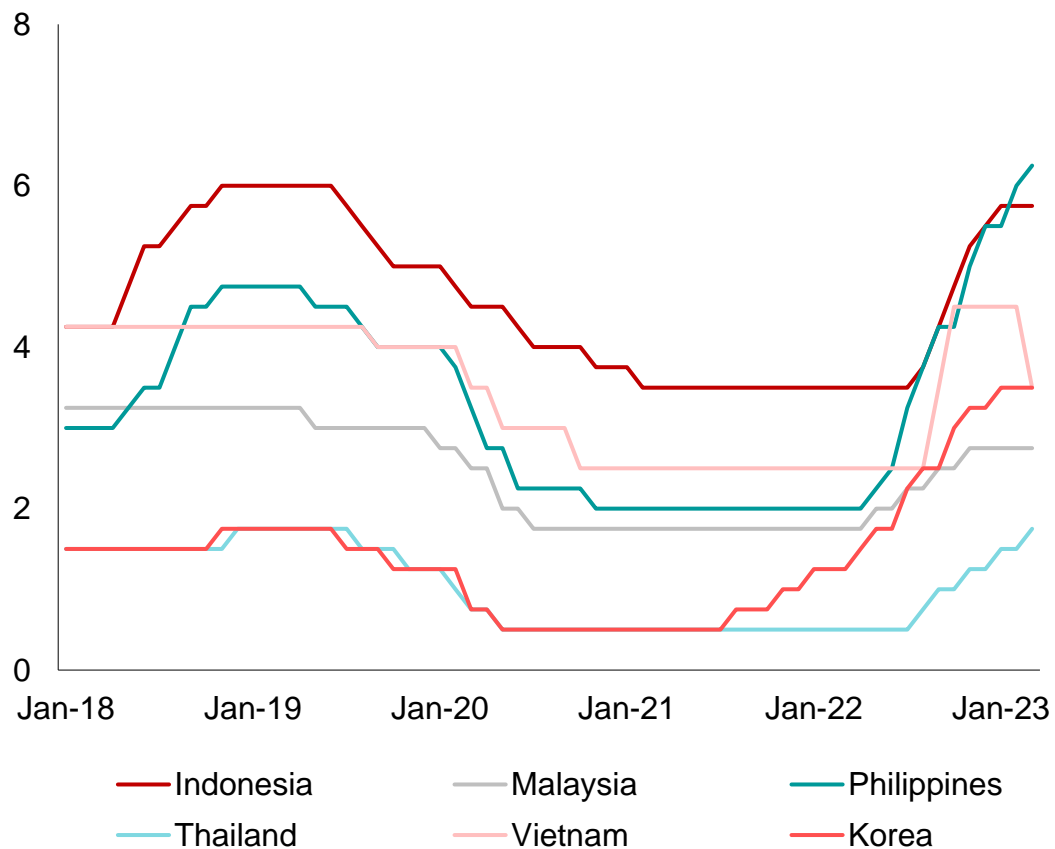


Source: National authorities via CEIC; BankFocus; and AMRO staff estimates.
Note: NPL data as of Q4 2022, except for Lao PDR, Malaysia, Philippines, and Vietnam (Q3 2022). The minimum NPL needed to breach the regulatory capital adequacy ratio (CAR) is estimated via a reverse stress test, using data in 2020.

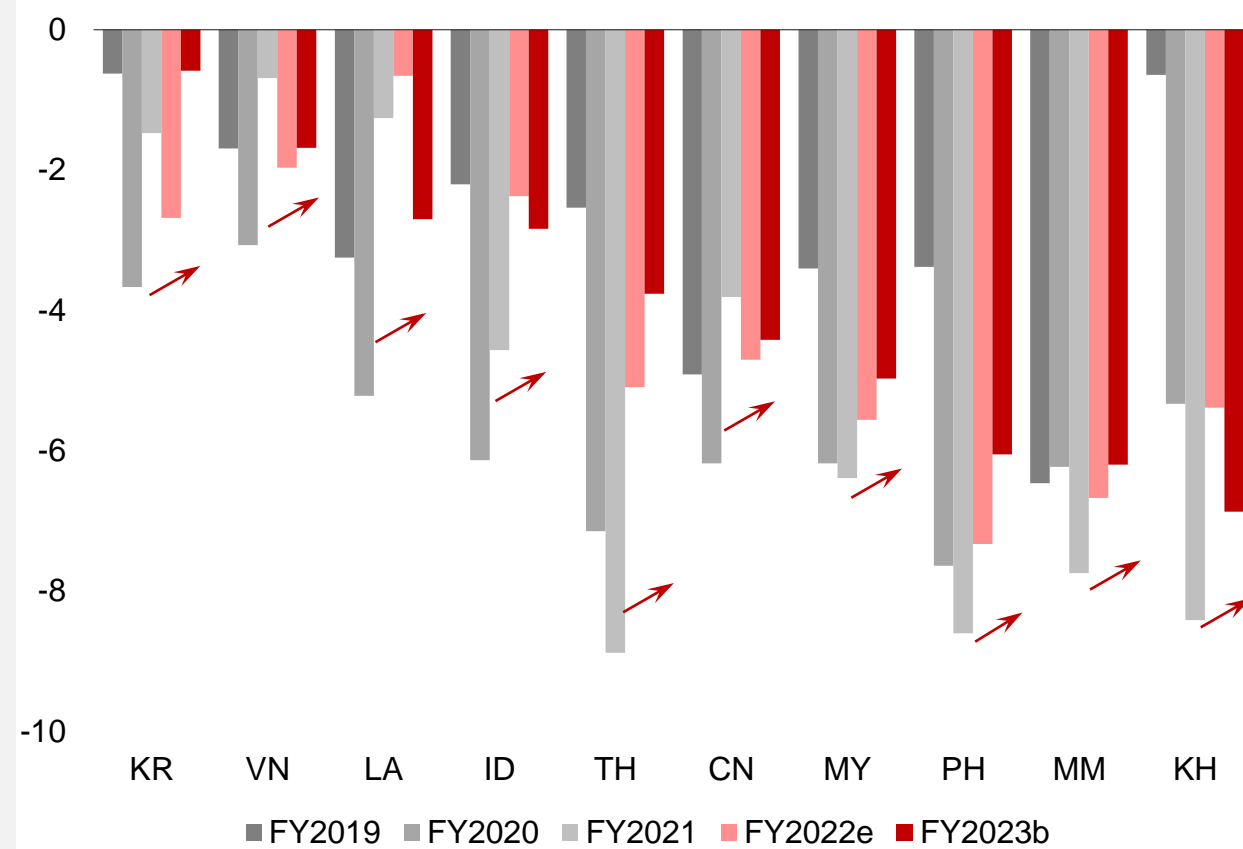
Source: International Monetary Fund via Haver Analytics.
Note: Data as of Jan 2023 (Malaysia and Thailand), December 2022 (China and Indonesia), and June 2022 (Korea and the Philippines).

Regional authorities have raised policy rates to safeguard price stability, and moving toward restoring fiscal space

Selected ASEAN+3: Key Policy Interest Rates (Percent)



Selected ASEAN+3: Fiscal Balances (Percent of GDP)



Source: National authorities via Haver Analytics.
Note: Data are up to 22 March 2023.

Source: National Authorities via CEIC and Haver Analytics; AMRO staff estimates.
Note: Fiscal year (FY) is October to September for Thailand and Myanmar; January to December for the other economies; e = estimates; b = budgeted.

Polycymakers must tread a fine balance between securing growth and building resilience

Fiscal Policy

	Policy Stance	
	2022	2023
Brunei*	Expansionary	Contractionary
Cambodia	Expansionary	Contractionary
Hong Kong*	Contractionary	Expansionary
Japan*	Contractionary	Expansionary
Korea	Contractionary	Expansionary
Malaysia	Contractionary	Expansionary
Myanmar*	Contractionary	Expansionary
China	Contractionary	Neutral
Singapore*	Contractionary	Neutral
Vietnam	Contractionary	Neutral
Thailand*	Expansionary	Contractionary
Indonesia	Expansionary	Neutral
Lao PDR	Expansionary	Neutral
Philippines	Neutral	Expansionary

Legend:

- Expansionary (Green)
- Neutral (Grey)
- Contractionary (Yellow)

- Fiscal policy stance in 2023 is assessed to be contractionary or broadly neutral across most regional economies, which is appropriate.
- Targeted fiscal support should continue to be provided to vulnerable groups/sectors lagging in the recovery.
- Beyond the short-term, it is crucial to rebuild fiscal buffers to prepare for future shocks and to address longer-term challenges.

Policymakers must tread a fine balance between securing growth and building resilience

Monetary Policy

Monetary policies should aim at containing inflationary pressure while supporting growth.

- Monetary policy should remain tight in economies where inflation is above-target (KR, PH, SG).
- Monetary conditions can remain accommodative where there is economic slack, with inflation under control (ID, TH).
- Authorities can consider easing monetary policy, in the event downside risk to growth materializes (VN).

Prudential Policies

Prudential forbearance policies should be withdrawn, with targeted credit support to some hard hit sectors.

- Most central banks/regulators have phased out forbearance measures with the recovery of the economies.
- Targeted credit support for hard-hit but viable business in lagging sectors should remain, alongside careful monitoring.

Key Messages

- Growth in ASEAN+3 remains robust, anchored by domestic demand.
- While goods exports would continue to weaken, services exports are expected to strengthen as the travel sector rebounds.
- China's reopening provides a timely boost to the region's growth.
- Regional growth is on track to improve in 2023 (+4.6 percent) and sustained in 2024 (+4.5 percent).
- Regional inflation is projected to moderate to 4-percent level in 2023-24.

Thank you.



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