

ASEAN+3: Economic & Financial Trends, and Headwinds

Indonesia Financial Group International Conference

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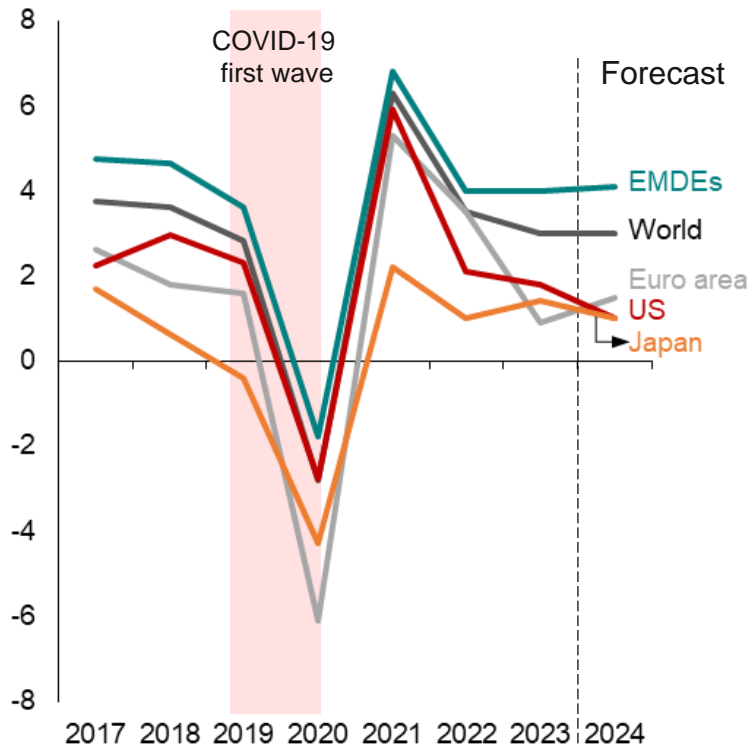
1. Recent Economic and Financial Developments

2. Risks/Challenges and Outlook Ahead

Global macro backdrop:

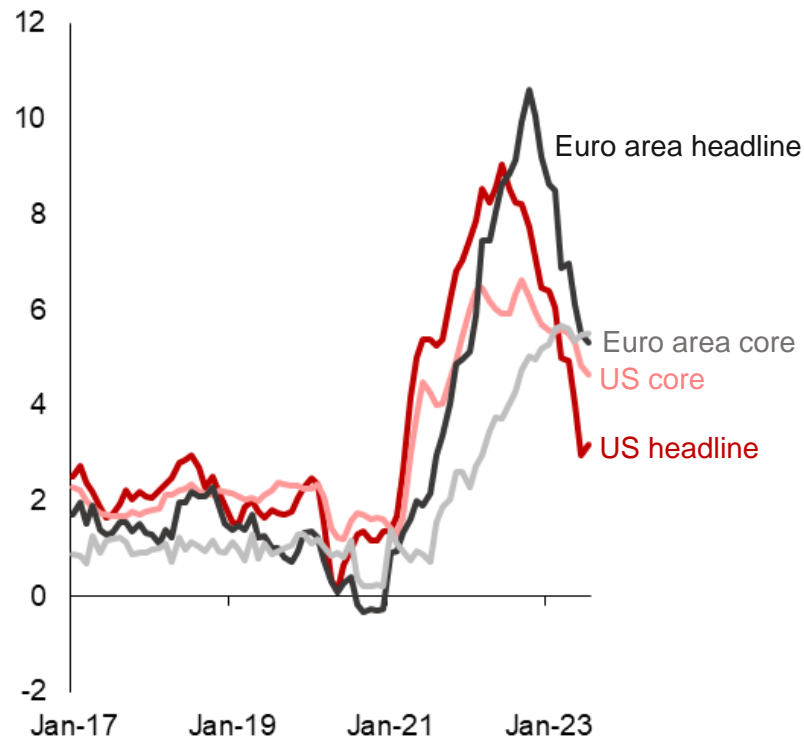
The global economy is performing better than anticipated when 2023 began, easing recessionary fears

Real GDP Growth
(Percent, year-on-year)



Source: IMF WEO (July 2023)

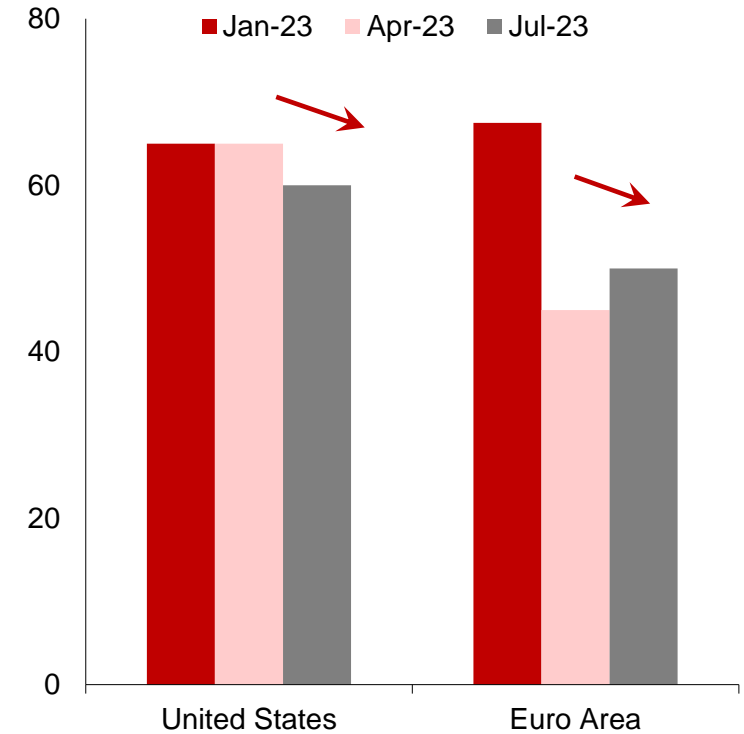
United States and Euro Area: CPI Inflation
(Percent, year-on-year)



Source: National authorities via Haver Analytics

Note: Core inflation in the euro area refers to the change in the harmonized indexes of consumer prices excluding energy, food, alcohol and tobacco.

United States and Euro Area: Probability of Recession
(Percent)

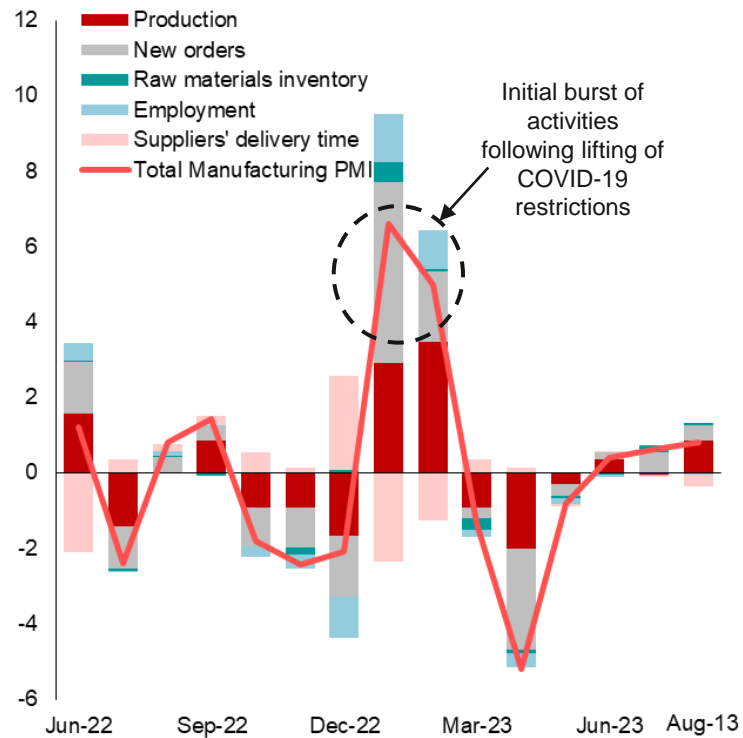


Source: Bloomberg

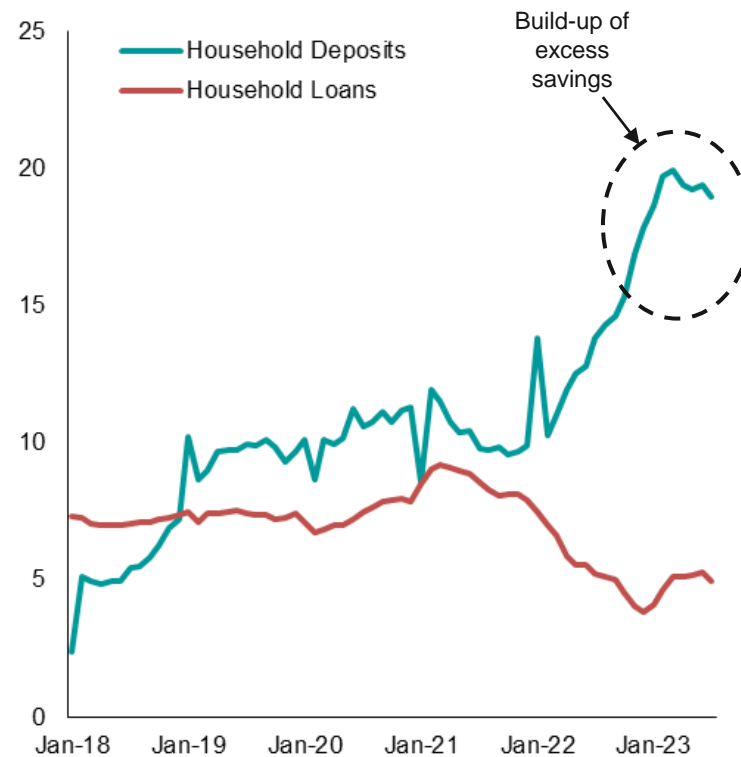
Note: Data refer to the median forecasted probability of recession in the next 12 months, derived from economist surveys conducted by Bloomberg and from forecasts submitted by various banks.

In China, the recovery has not been as strong as expected

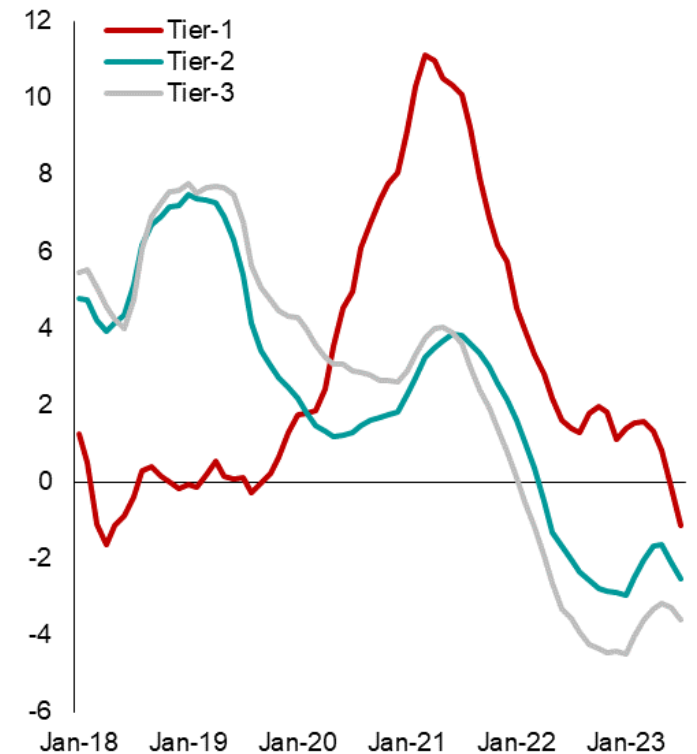
**Manufacturing PMI:
Drivers of Month-on-Month Change
(Percent)**



**Household Deposits and Loans
(Annual change, RMB trillion)**



**Residential Property Prices (Resale):
By Tier Cities
(Percent, year-on-year)**



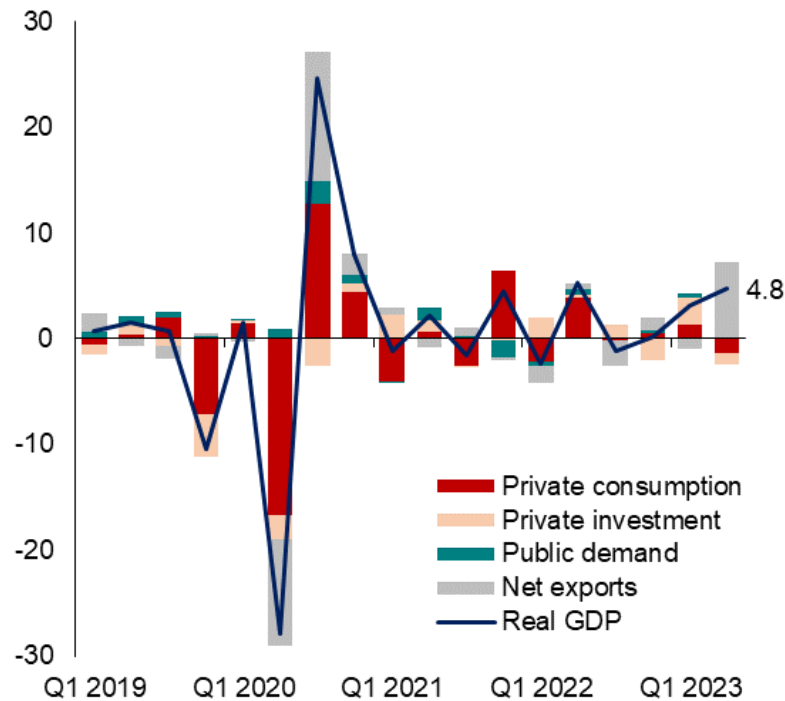
Source: National authorities via Haver Analytics; AMRO staff calculation.

Source: National authorities via Haver Analytics.

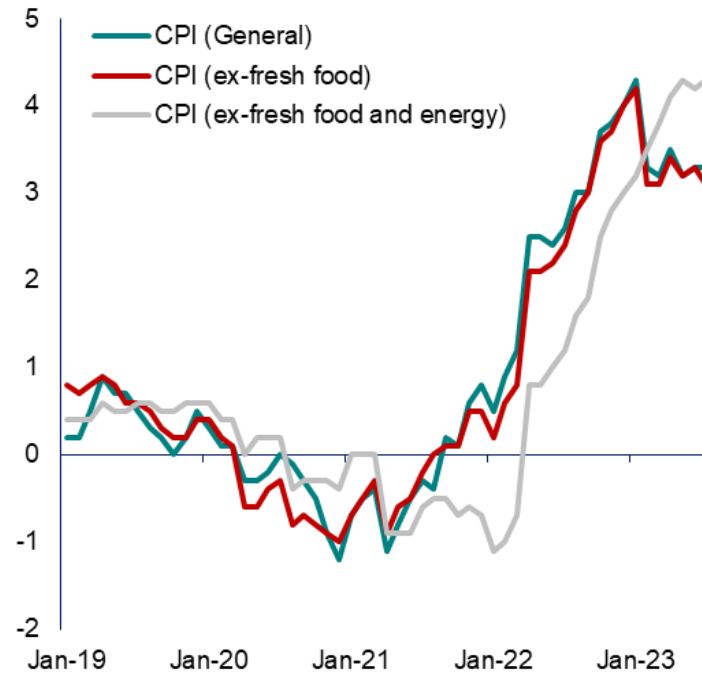
Source: National authorities via Haver Analytics.

In contrast, in Japan, economic activities have been sustained, so far

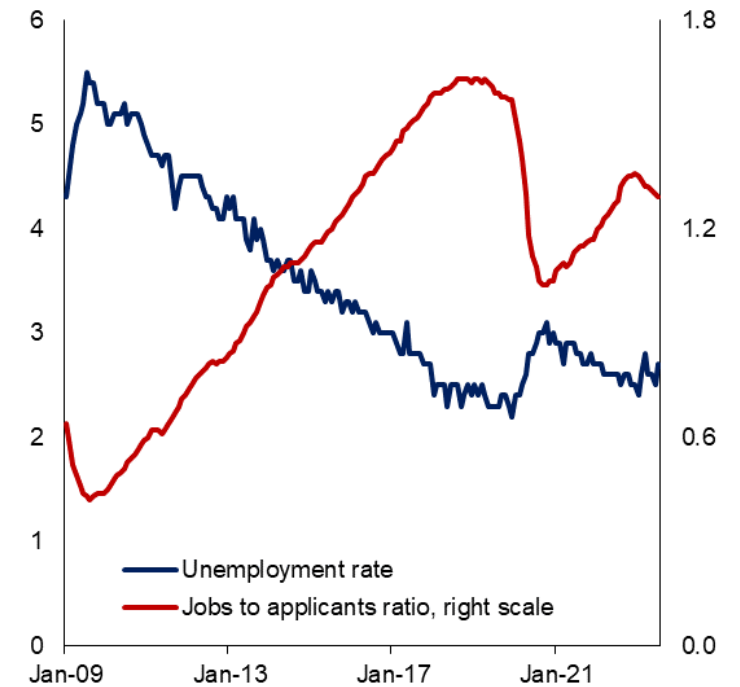
Real GDP Growth
(Percent, seasonally-adjusted annualized rate)



CPI Inflation
(Percent, year-on-year)



Selected Labor Market Indicators
(Percent; Ratio)



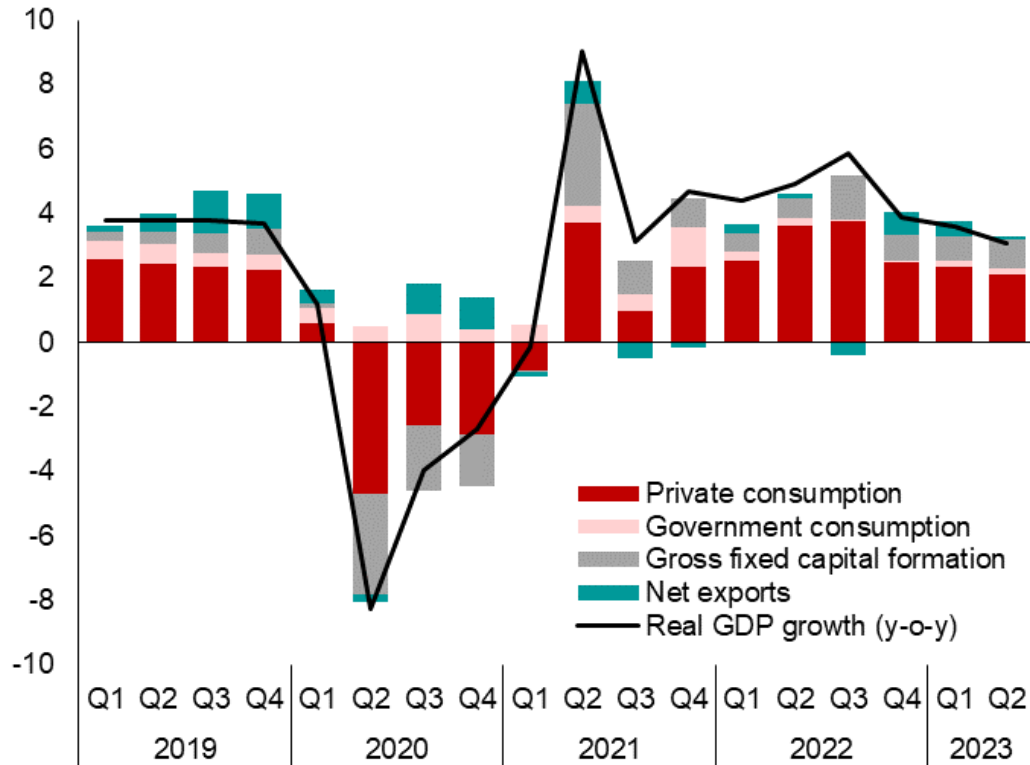
Source: Cabinet Office of Japan.

Source: Ministry of Internal Affairs and Communication.

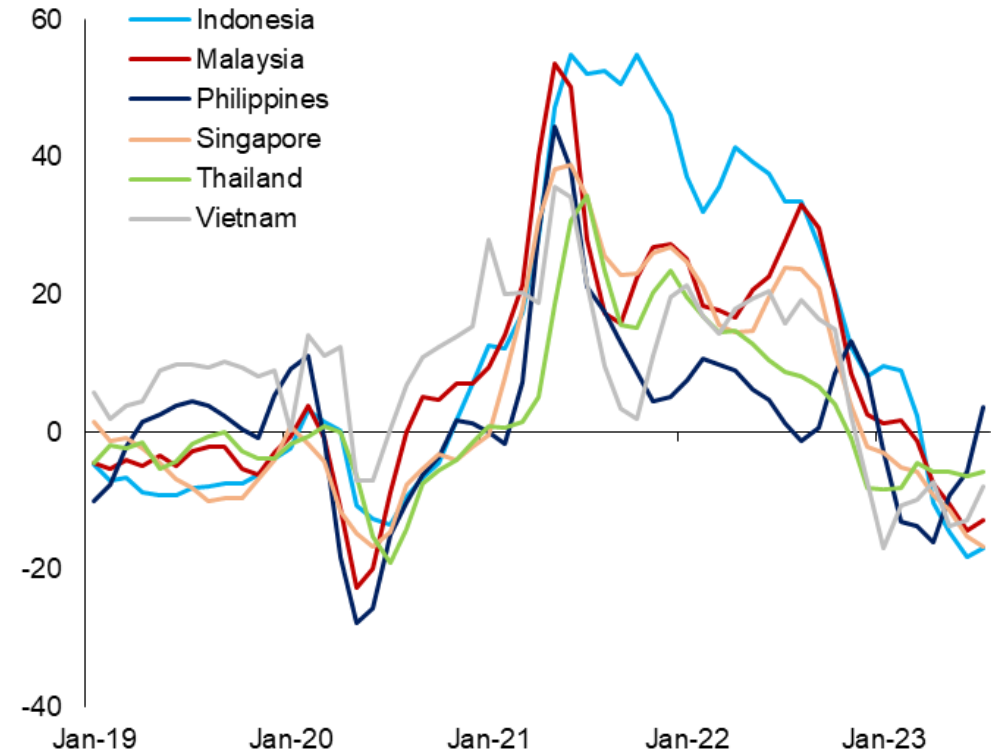
Source: Ministry of Health, Labor and Welfare.

In ASEAN, growth remains anchored by domestic demand amid weaker global demand

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



Selected ASEAN: Goods Exports
(Percent, year-on-year)

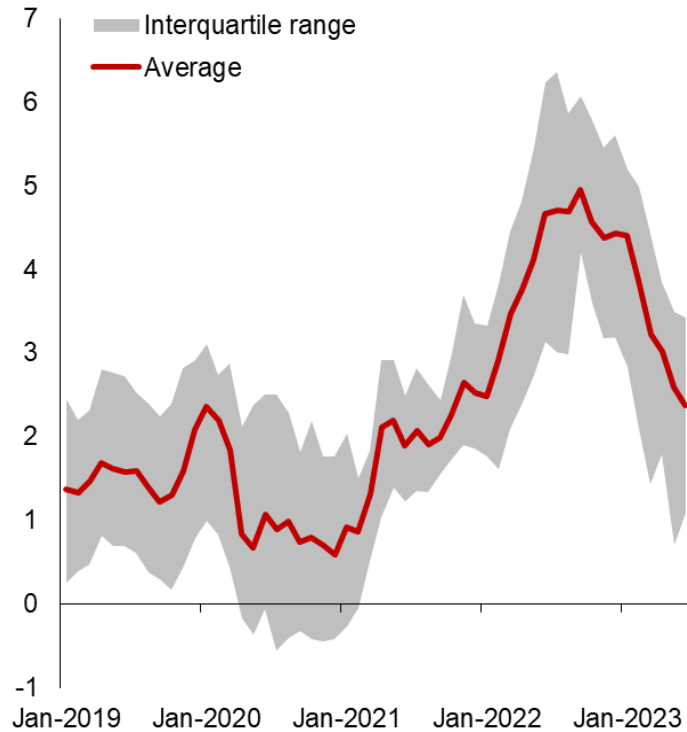


Source: National authorities via Haver Analytics; AMRO calculations.
Note: Selected ASEAN refers to Indonesia, Malaysia, the Philippines, Thailand and Singapore. Statistical discrepancies are not shown in the chart.

Source: National authorities via Haver Analytics; AMRO staff calculations.
Note: Calculated on a 3-month moving average basis, in USD terms.

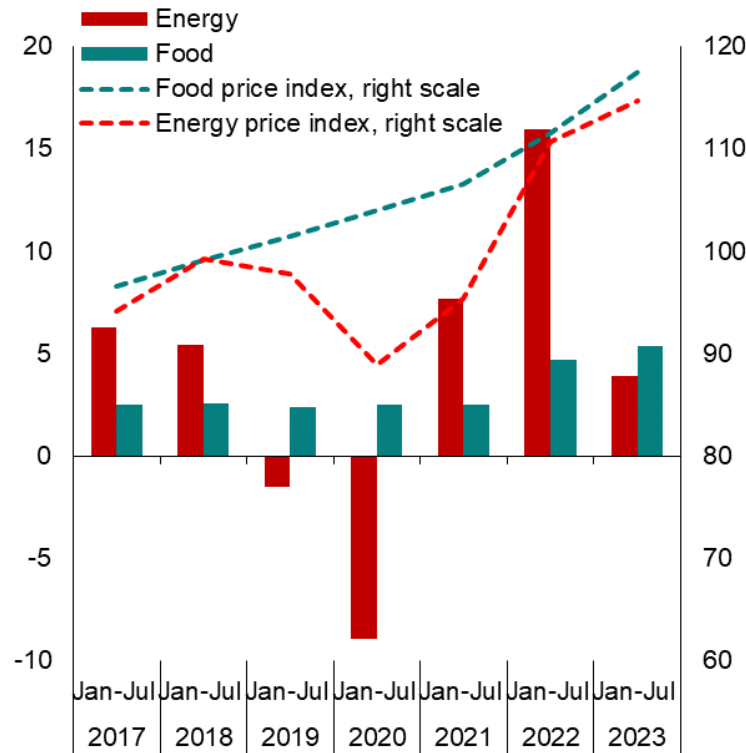
Headline inflation has fallen sharply due to lower energy prices; food prices remain elevated—a key concern as some economies are net food importers

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



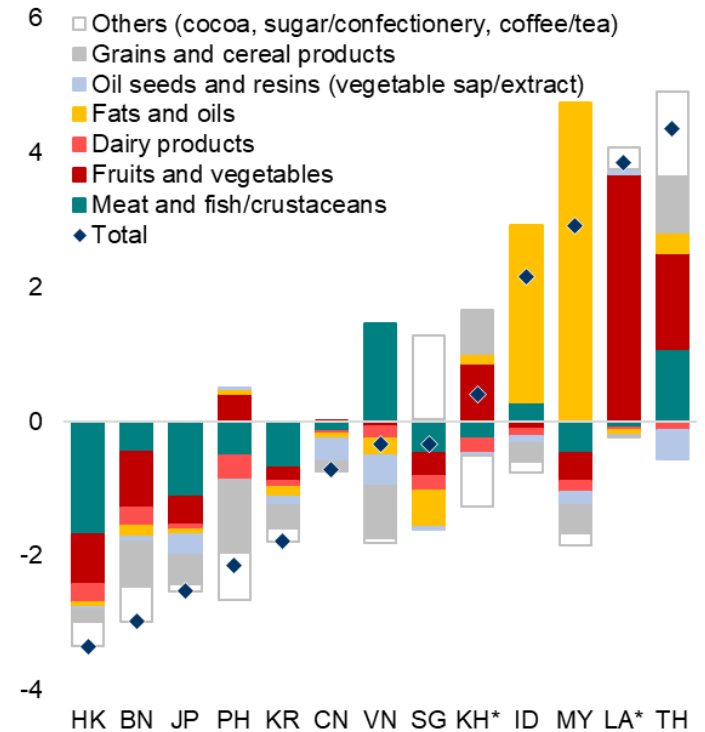
Source: National authorities via Haver Analytics, and AMRO staff calculations
Note: Data are up to July 2023, except Cambodia (up to June) and Brunei (up to May) and excludes Lao PDR and Myanmar.

ASEAN+3: Food and Energy Inflation
(Percent, year-on-year; Index 2018=100)



Source: National authorities via Haver Analytics, and AMRO staff calculations
Note: Data covers Hong Kong, Korea, Indonesia, Thailand, Malaysia, the Philippines and Singapore.

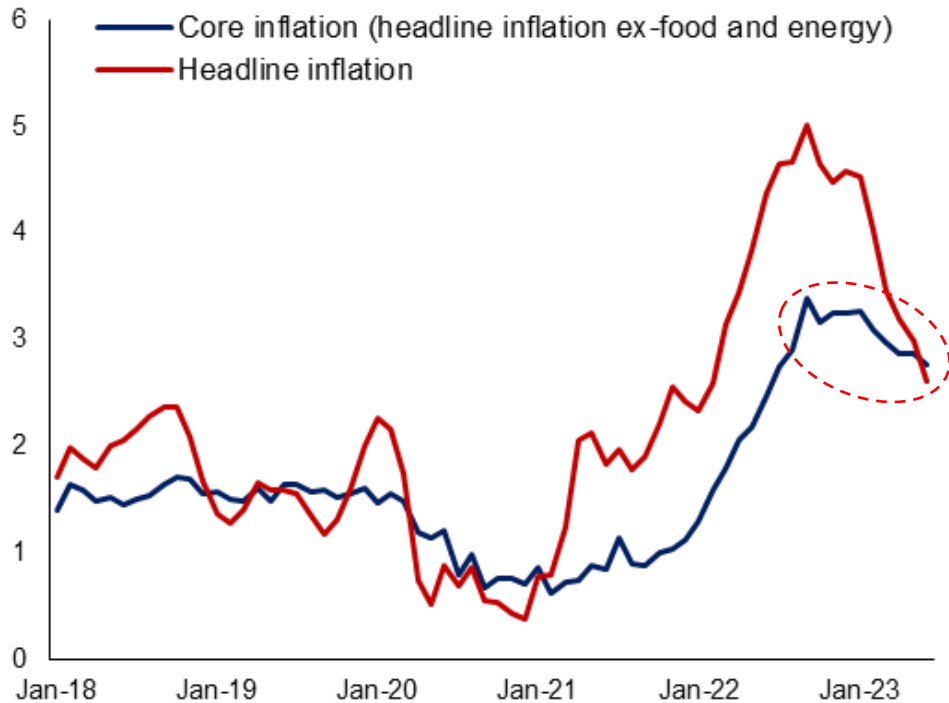
ASEAN+3: Net Food Trade Balance
(Decomposition by Key Items)
(% of GDP, 2022)



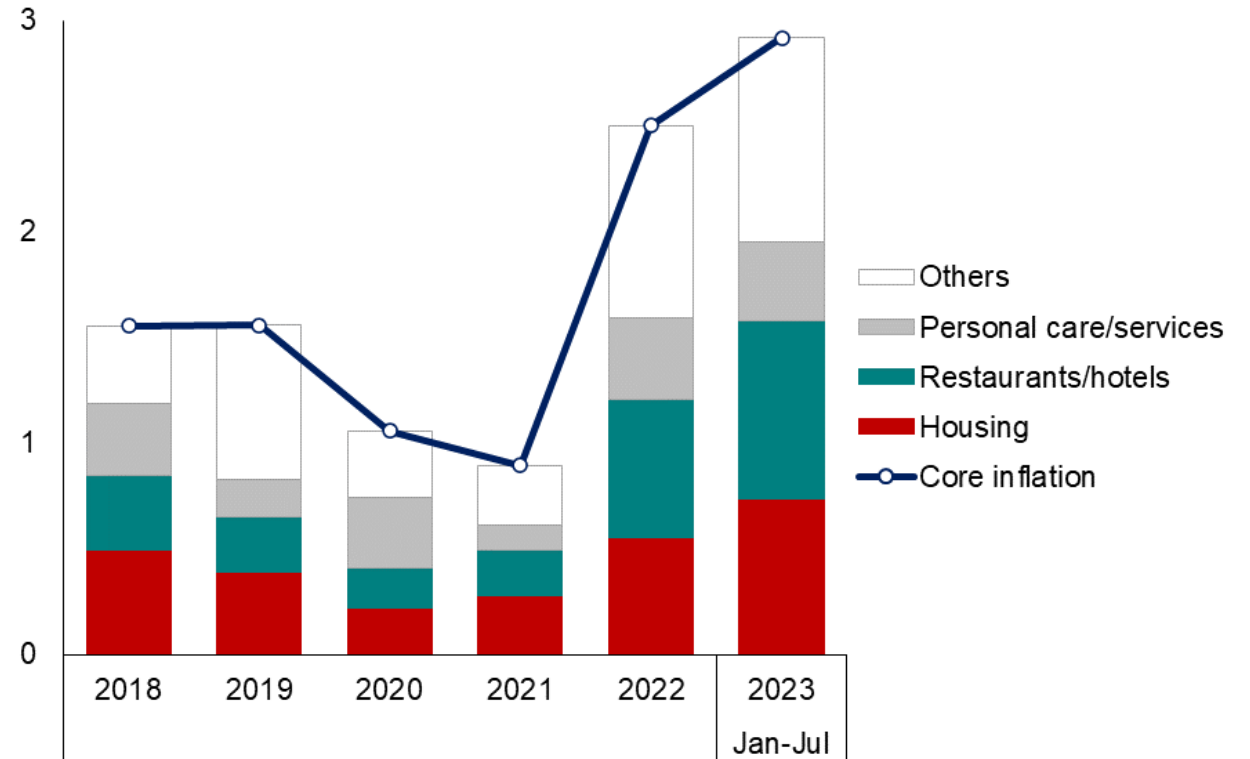
Source: National authorities via Haver Analytics, and AMRO staff calculations.
Note: * refers to 2021. Food refers to agriculture/fishery produce and food products. Data excludes Myanmar.

Despite the easing of headline inflation, core inflation continues to be sticky, reflecting sustained domestic demand amid the closing of output gaps

ASEAN+3: Average Consumer Price Inflation (Headline vs Core Inflation)
(Percent, year-on-year)



ASEAN+3: Drivers of Core Inflation
(Percent points contributions to year-on-year inflation)

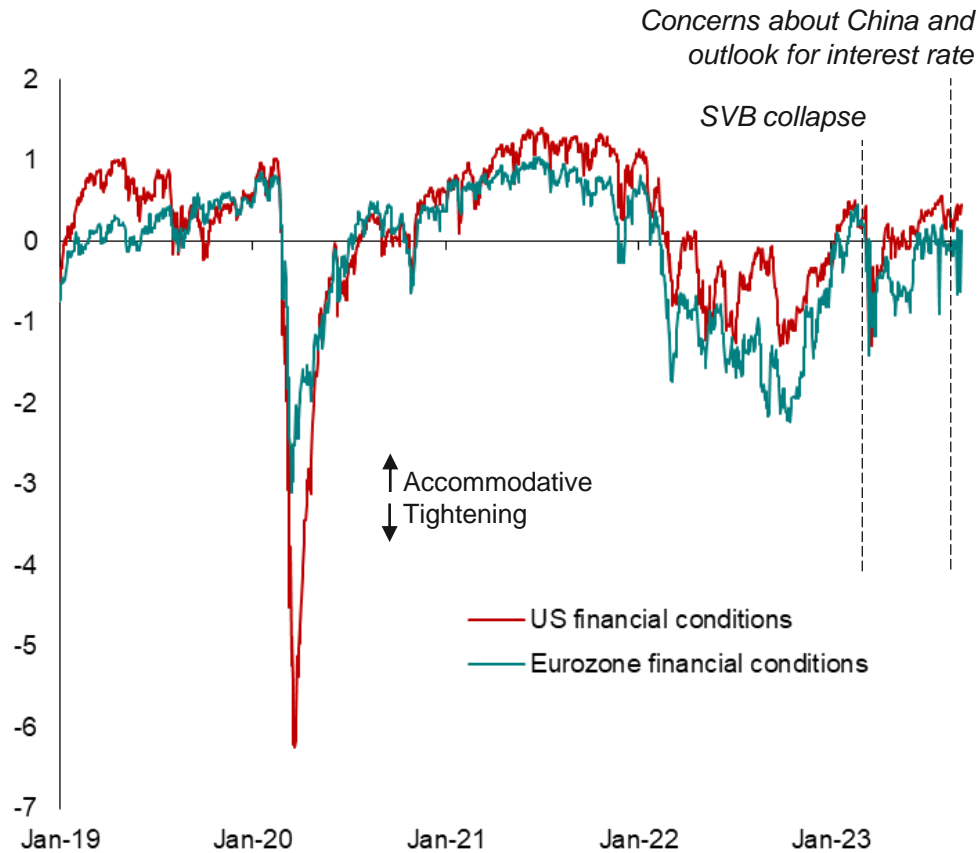


Source: National authorities via Haver Analytics, and AMRO staff calculations
Note: Average headline and core inflation refer to the respective trim means, which exclude outliers. Core inflation refers to headline inflation excluding food and energy. Data are up to July 2023, except Brunei (up to May 2023). Data excludes Cambodia, Lao PDR and Myanmar.

Source: National authorities via Haver Analytics, and AMRO staff calculations
Note: Data excludes Cambodia, Lao PDR and Myanmar.

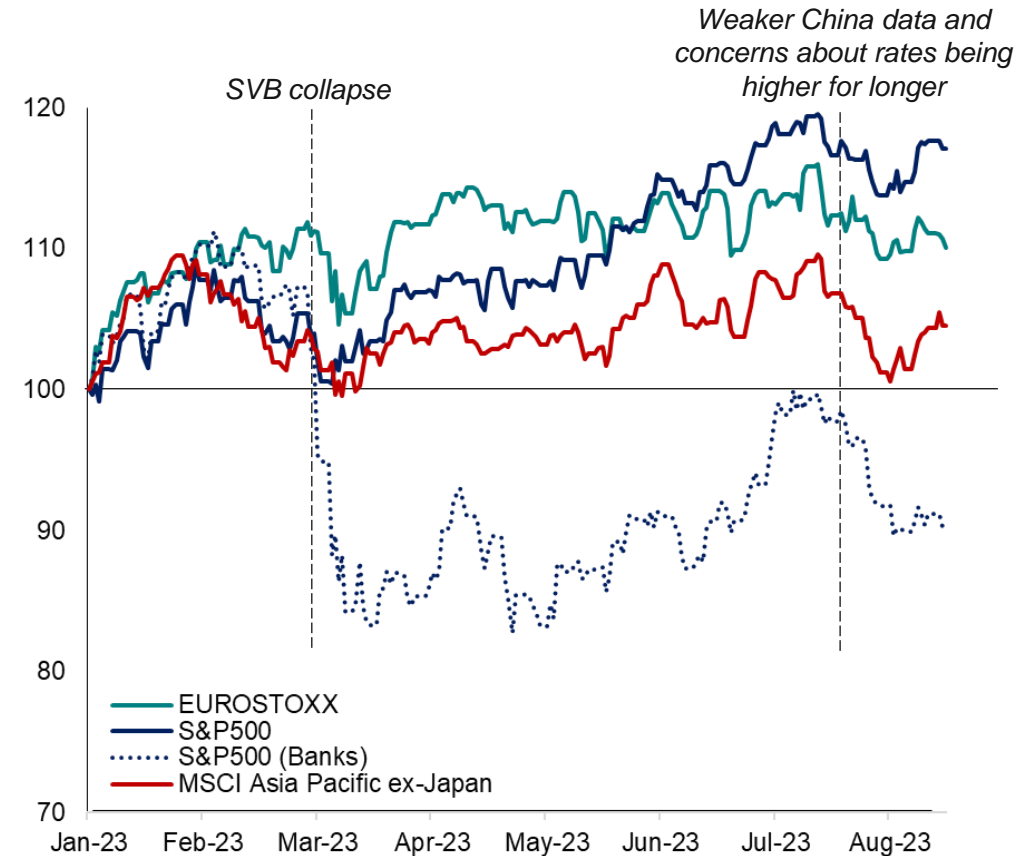
After a brief reprieve from the SVB shock, global financial conditions tightened in August as stock markets came under renewed selling pressure

Global Financial Conditions
(Normalized Index)



Source: Bloomberg

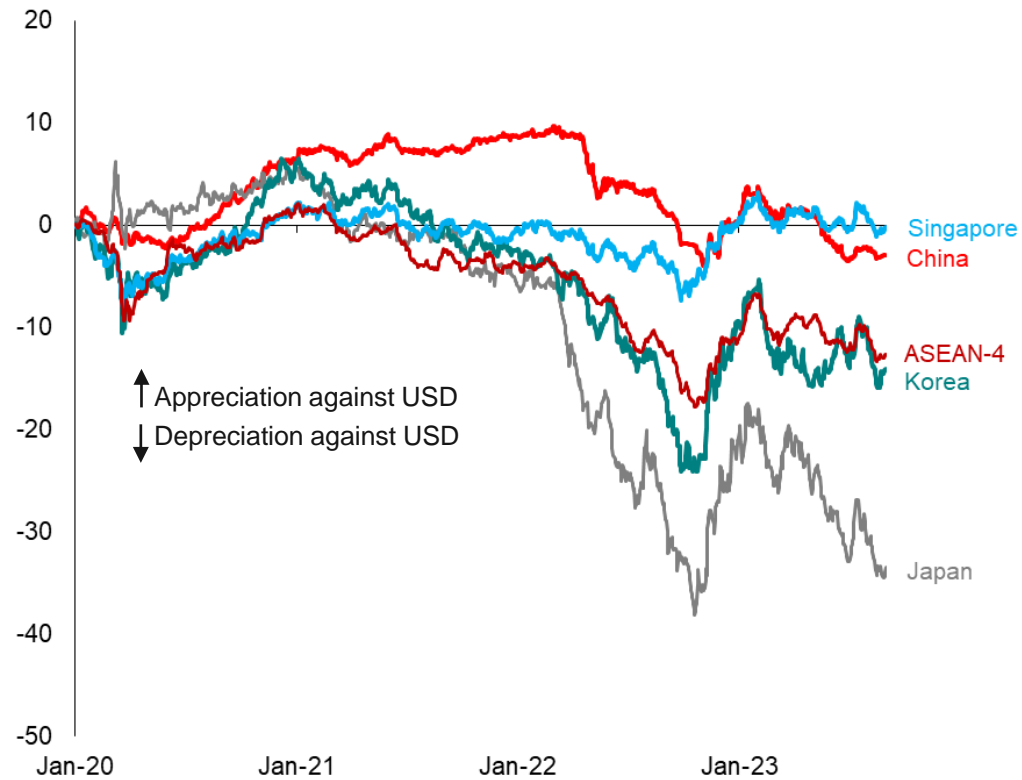
Selected Stock Market Indices
(2 January 2023 = 100)



Source: Bloomberg

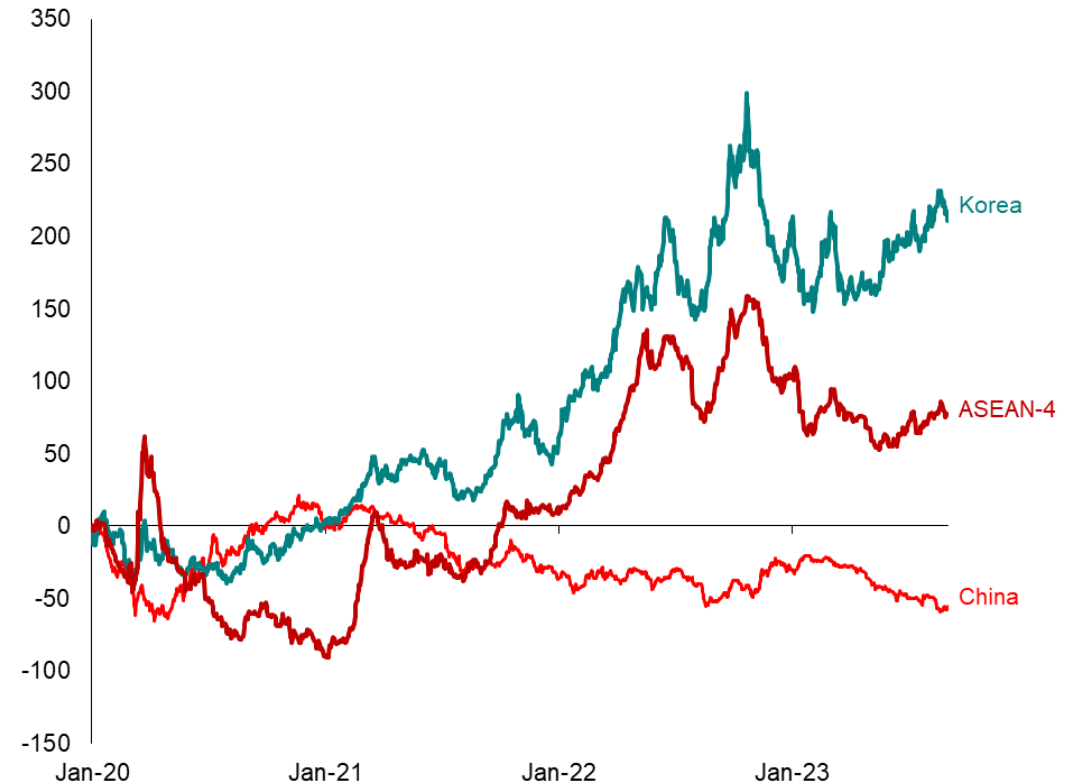
Regional currencies weakened in recent weeks on expectations that the Fed may keep rates high(er) for longer, supporting a strong US dollar

Selected ASEAN+3 Currencies against USD
(Percentage change from 31 Dec 2019)



Source: Haver analytics.
 Note: ASEAN-4 refers to Indonesia, Malaysia, Thailand and the Philippines.

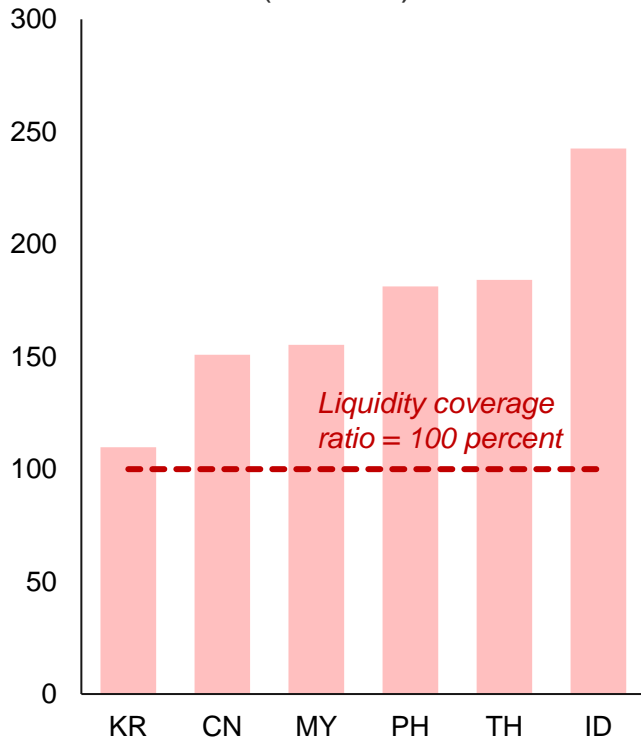
Selected ASEAN+3: 10-year Local Currency Sovereign Bond Yields
(Change from 31 Dec 2019, basis points)



Source: Haver analytics.
 Note: ASEAN-4 refers to Indonesia, Malaysia, Thailand and the Philippines.

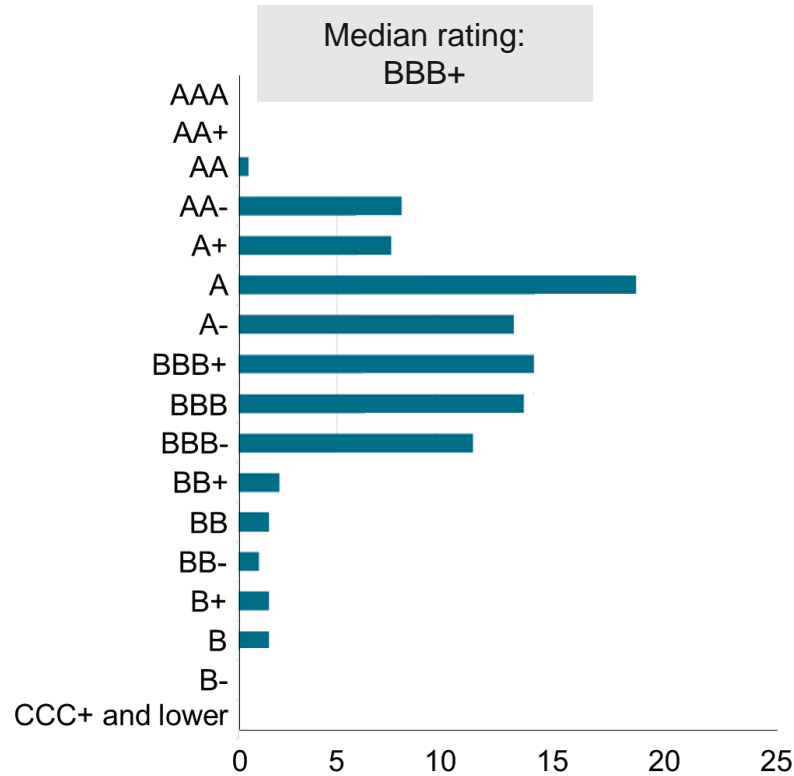
So far, banks in the region have weathered the recent banking sector turmoil relatively well, and remain in good shape

**Selected ASEAN+3:
Liquidity Coverage Ratio (LCR)
(Percent)**



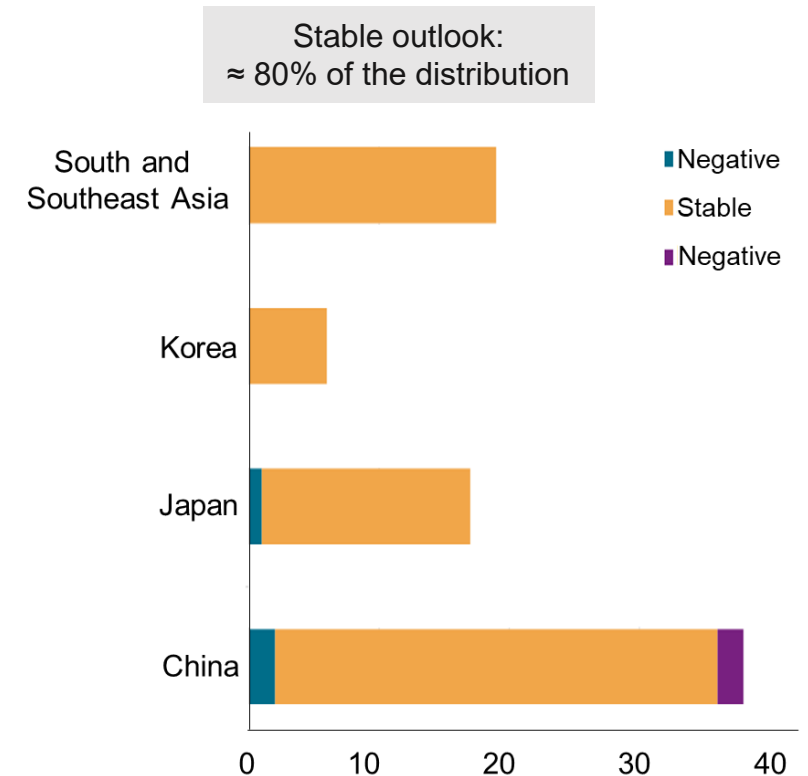
Source: International Monetary Fund via Haver Analytics.
Note: Data as of Jan 2023 (Malaysia and Thailand), December 2022 (China and Indonesia), and June 2022 (Korea and Philippines).

**Asia: Banks' Rating Distribution
(Percent)**



Source: S&P Global Ratings.
Note: Rating distribution as of 21 July 2023.

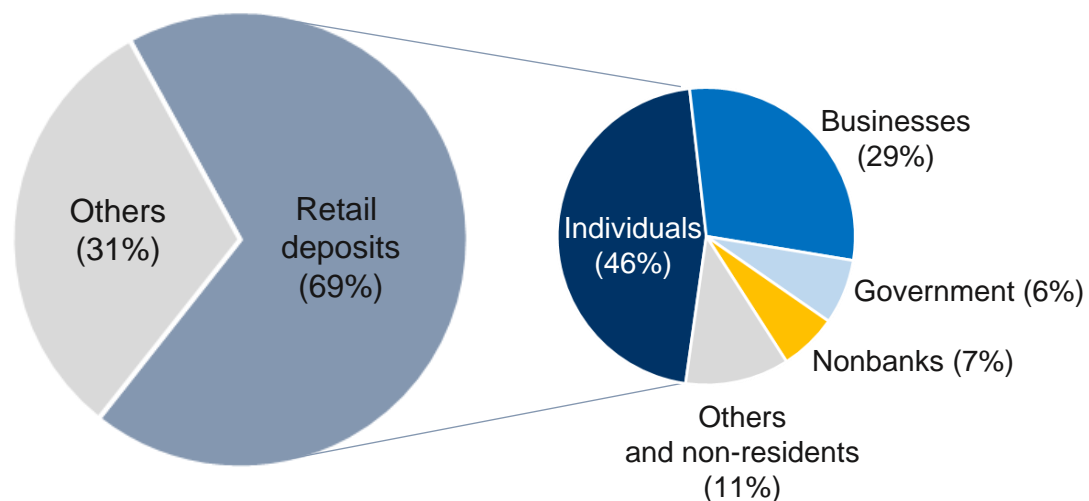
**Asia: Banks' Outlook Distribution
(Percent)**



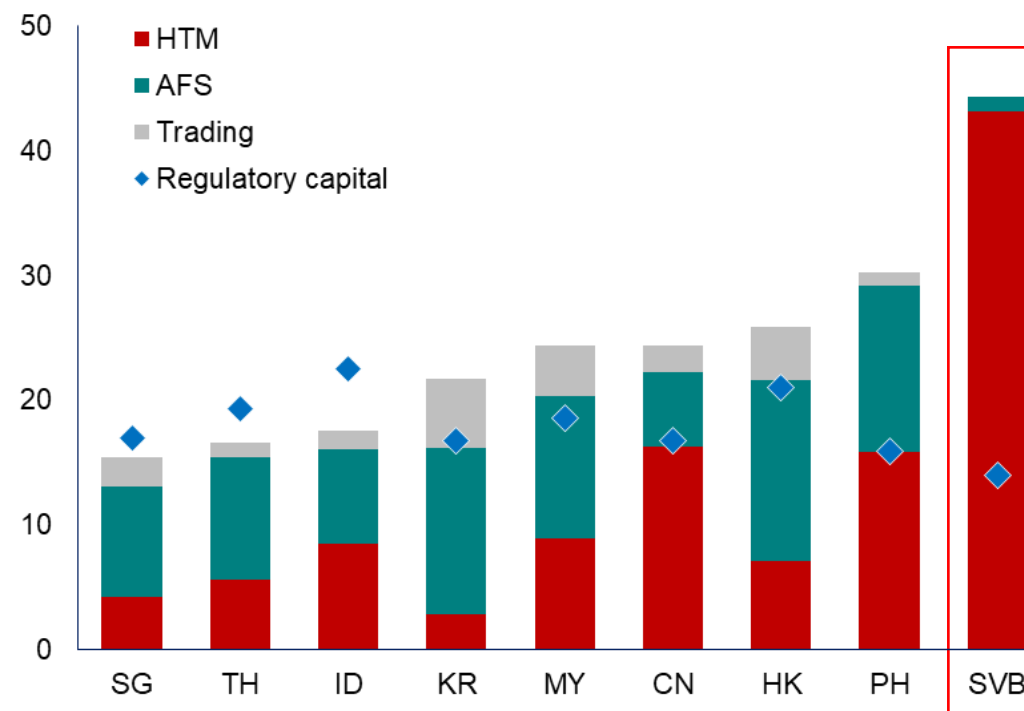
Source: S&P.
Note: Outlook distribution: "Stable" means that a rating is not likely to change; "Negative" means a rating may be lowered; and "Positive" means that a rating may be raised.

Banks in the region are predominantly funded by deposits, with a diversified base; securities account for a smaller share of total assets

**Selected ASEAN+3:
Composition of Bank Deposits
(December 2022)**



Selected ASEAN+3: Bank Securities Portfolios and Regulatory Capital
(Percent of total bank assets as of December 2022;
percent of risk-weighted assets)



Source: National authorities via Haver Analytics.

Note: Selected ASEAN+3 refers to Indonesia, Malaysia, the Philippines, Thailand and Singapore.

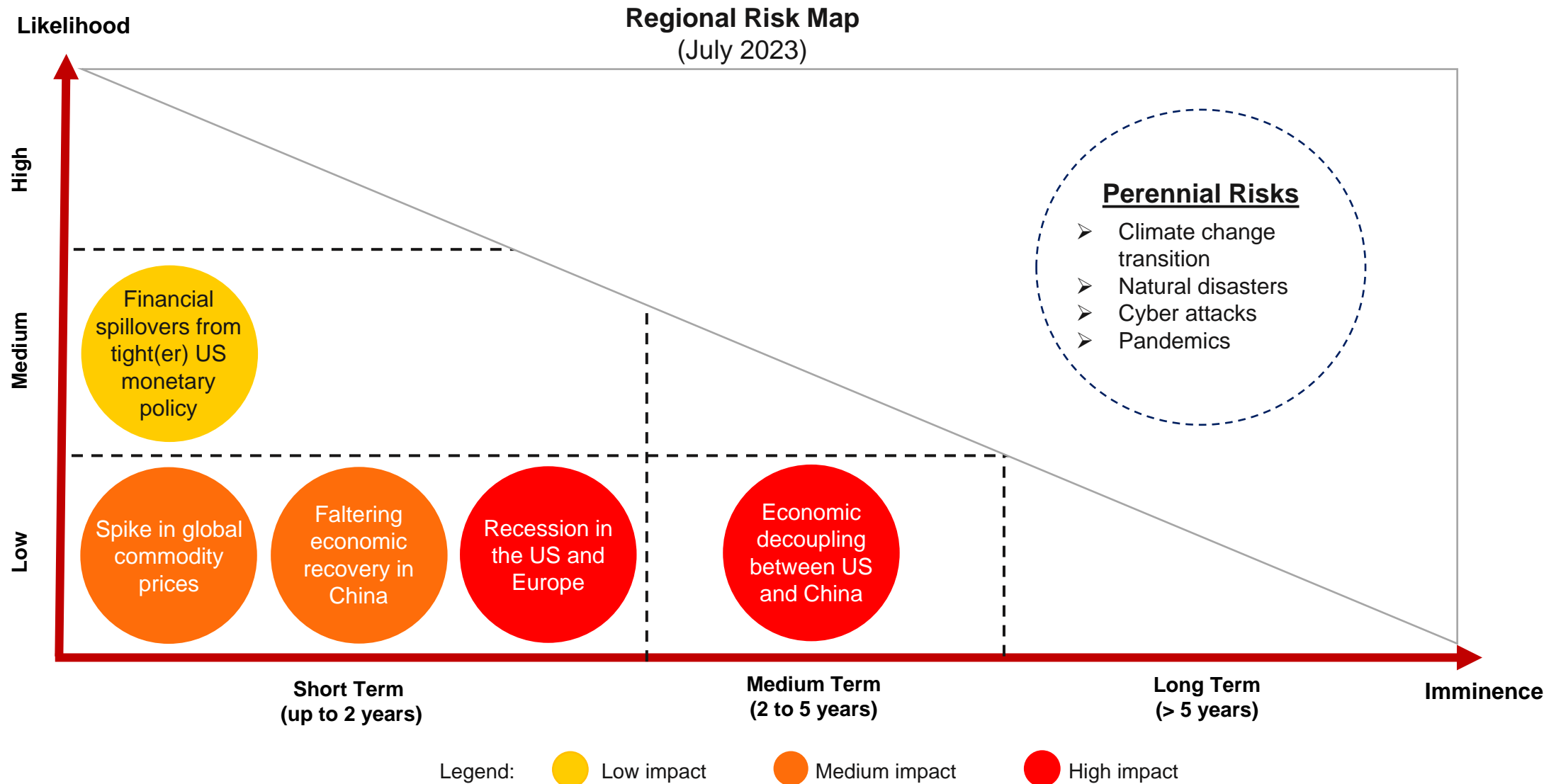
Others refers to borrowings and funds from other financial institutions (e.g., from interbank borrowings).

Source: Moody's Investor Service; and AMRO staff calculations.

Note: Data refers to the top 5 banks, except Singapore (top 3 banks). AFS = available for sale;

HTM = held to maturity

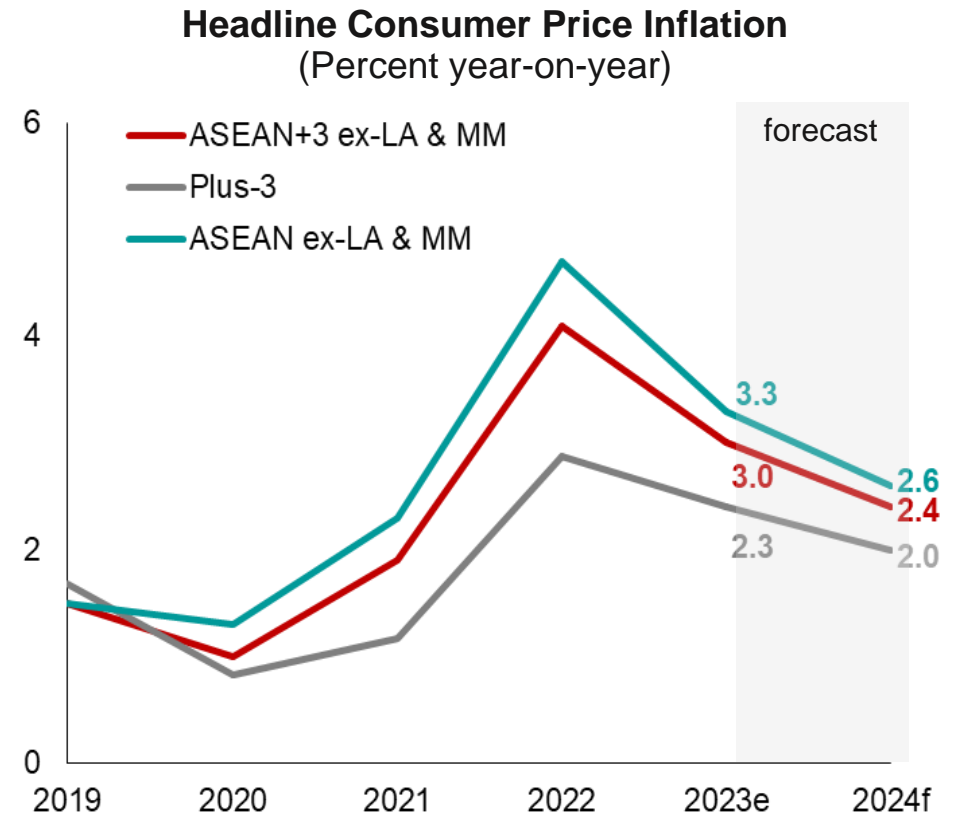
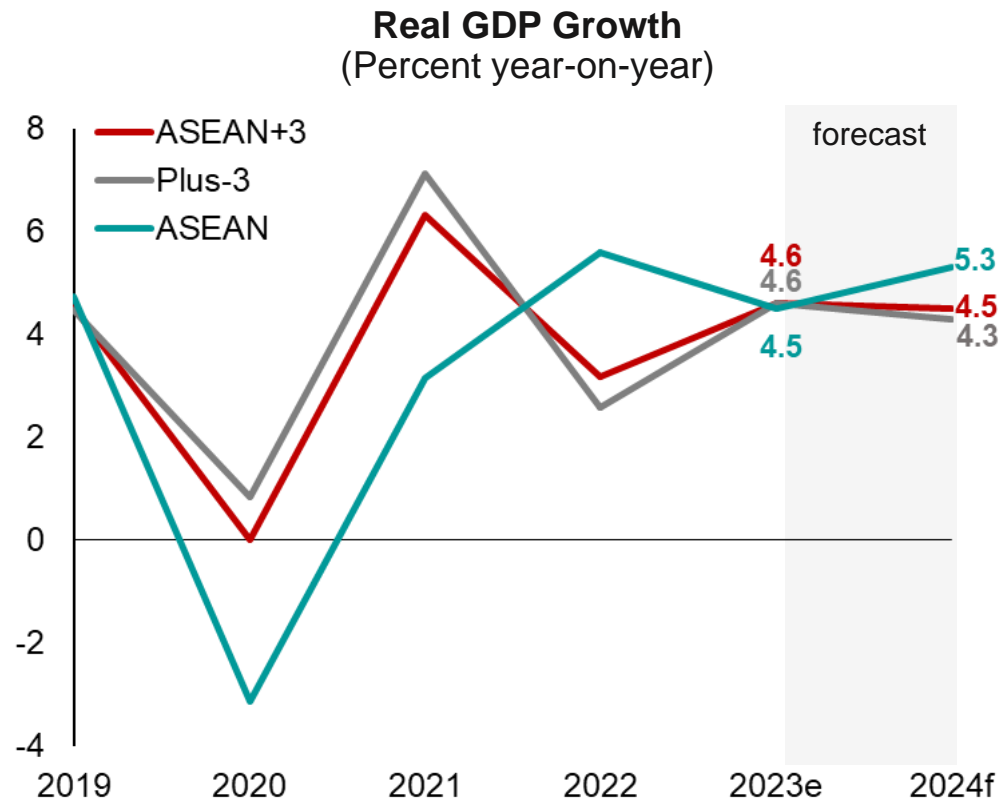
Risks/Challenges confronting the region



Source: AMRO Staff

ASEAN+3 to grow by mid-4 percent level in 2023-24, with inflation expected to moderate further

Baseline Growth and Inflation Projections (July 2023)



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: AMRO staff estimates.
 Note: f = forecast. Regional aggregates are computed using simple averaging. LA = Lao PDR, MM = Myanmar.

Marginal upward revision in growth for Plus-3, and downward revision for ASEAN

AMRO Staff Baseline Growth Estimates and Forecasts, 2023–24

Economy	Gross Domestic Product (Percent year-on-year)				
	2022 ^e	AREO 2023 (April 2023)		AREO 2023 Quarterly Update (July 2023)	
		2023 ^f	2024 ^f	2023 ^f	2024 ^f
ASEAN+3	3.2	4.6	4.5	4.6	4.5
Plus-3	2.6	4.5	4.3	4.6 ↑	4.3
China	3.0	5.5	5.2	5.5	5.2
Hong Kong, China	−3.5	4.3	3.0	5.2 ↑	3.0
Japan	1.0	1.2	1.1	1.4 ↑	1.1
Korea	2.6	1.7	2.3	1.4 ↓	2.3
ASEAN	5.6	4.9	5.2	4.5 ↓	5.3 ↑
Brunei Darussalam	−1.6	2.8	2.6	1.0 ↓	2.2 ↓
Cambodia	5.2	5.9	6.7	5.7 ↓	6.2 ↓
Indonesia	5.3	5.0	5.3	5.0	5.3
Lao PDR	4.4	4.1	5.0	4.8 ↑	5.0
Malaysia	8.7	4.2	5.2	4.2	5.2
Myanmar	1.2	2.2	2.8	2.2	2.8
Philippines	7.6	6.2	6.5	6.2	6.5
Singapore	3.6	2.0	2.6	1.3 ↓	2.9 ↑
Thailand	2.6	4.1	4.3	3.9 ↓	4.0 ↓
Vietnam	8.0	6.8	7.1	4.4 ↓	7.6 ↑

Source: AMRO staff estimates.

Notes: e = estimates, f = forecast. Regional aggregates for growth are estimated using the weighted average of 2022 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 forecast has been revised downwards for most economies

AMRO Staff Baseline Inflation Estimates and Forecasts, 2023–24

Economy	Inflation (Percent year-on-year)				
	2022 ^e	AREO 2023 (April 2023)		AREO 2023 Quarterly Update (July 2023)	
		2023 ^f	2024 ^f	2023 ^f	2024 ^f
ASEAN+3	6.5	4.7	3.0	6.3 ↑	3.4 ↑
<i>ASEAN+3 ex. LA and MM</i>	4.1	3.4	2.5	3.0 ↓	2.4 ↓
Plus-3	2.9	2.3	2.1	2.4 ↑	2.0 ↓
China	2.0	2.0	2.5	1.2 ↓	1.8 ↓
Hong Kong, China	1.9	2.3	2.5	2.3	2.5
Japan	2.5	1.5	1.1	2.9 ↑	1.6 ↑
Korea	5.1	3.3	2.2	3.2 ↓	2.2
ASEAN	7.9	5.7	3.4	7.8 ↑	4.0 ↑
<i>ASEAN ex. LA and MM</i>	4.7	3.9	2.7	3.3 ↓	2.6 ↓
Brunei Darussalam	3.7	2.5	1.7	0.9 ↓	0.7 ↓
Cambodia	5.4	3.3	3.1	2.8 ↓	3.0 ↓
Indonesia	4.2	4.6	3.0	3.9 ↓	2.8 ↓
Lao PDR	23.0	11.4	4.2	25.7 ↑	8.0 ↑
Malaysia	3.3	3.2	1.9	3.1 ↓	2.6 ↑
Myanmar	18.2	14.0	8.0	26.0 ↑	11.0 ↑
Philippines	5.8	5.9	3.8	5.9	3.8
Singapore	6.1	5.8	3.7	5.4 ↓	3.6 ↓
Thailand	6.1	2.8	2.1	1.9 ↓	1.8 ↓
Vietnam	3.2	3.0	2.5	2.9 ↓	2.7 ↑

Source: AMRO staff estimates.

Notes: e = estimates, 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.

Recap of Key Messages

- The ASEAN+3 region is expected to grow around the mid-4 percent level in 2023-24.
 - Growth will be anchored by domestic demand.
 - Recovery in tourism would partially offset weak goods exports.
- Headline inflation is expected to moderate further in 2023-24; food prices continue to stay elevated.
- Despite lingering uncertainties in the financial markets, ASEAN+3's financial sector is currently assessed to be resilient.

Thank you



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