

Institute for International Monetary Affairs (IIMA) Symposium
Tokyo, Japan, 22 February 2018

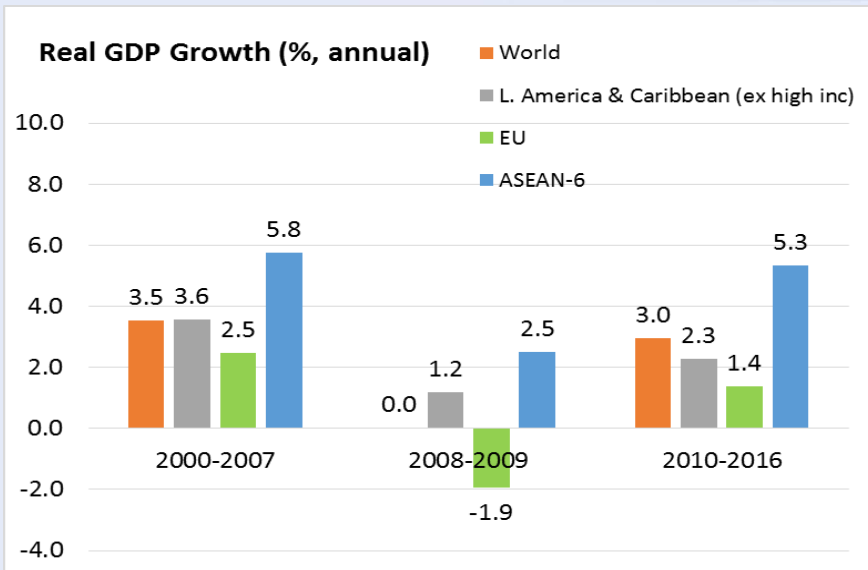
***ASEAN Progress and Lessons:
Forging Cooperation in a
Highly Integrated World***

Diwa C. Guinigundo
Deputy Governor
Monetary Stability Sector



BANGKO SENTRAL NG PILIPINAS

Continuous Progress in ASEAN

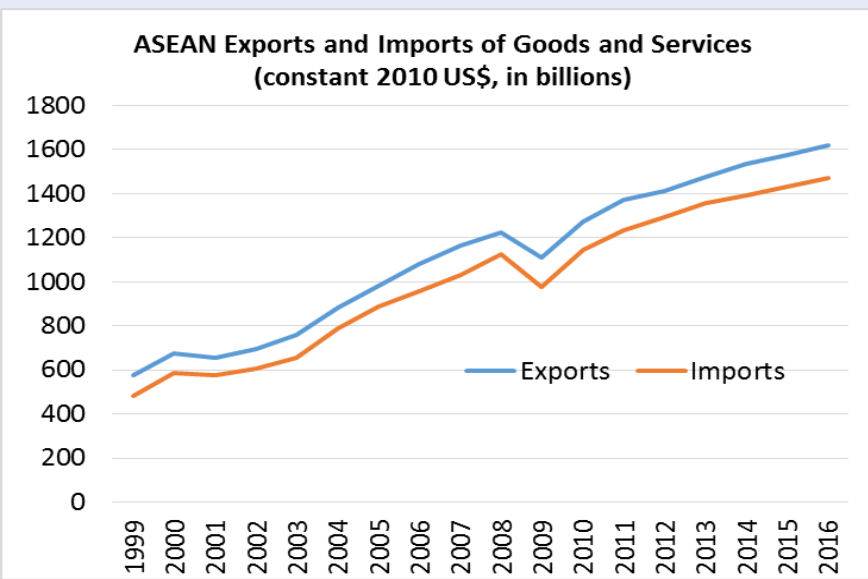


Source: World Development Indicators

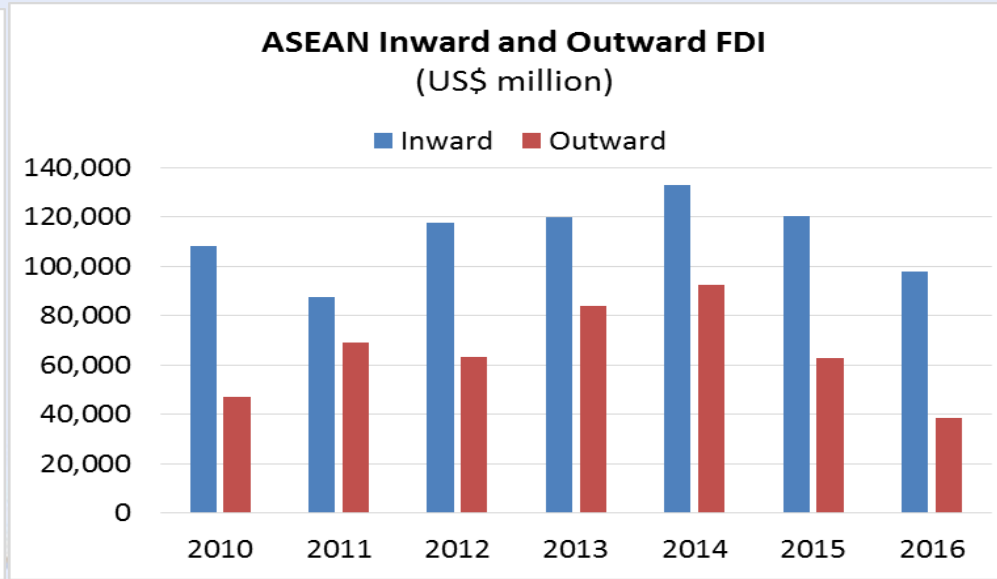
*In 2016, the ASEAN Economy was:
5th largest in the world and
3rd largest in Asia*



Source: World Development Indicators



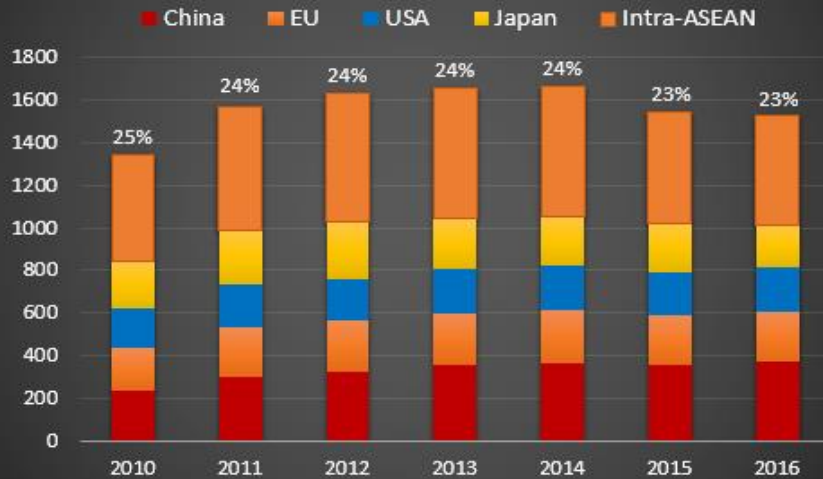
Source: World Development Indicators



Source: ASEAN Secretariat and IMF

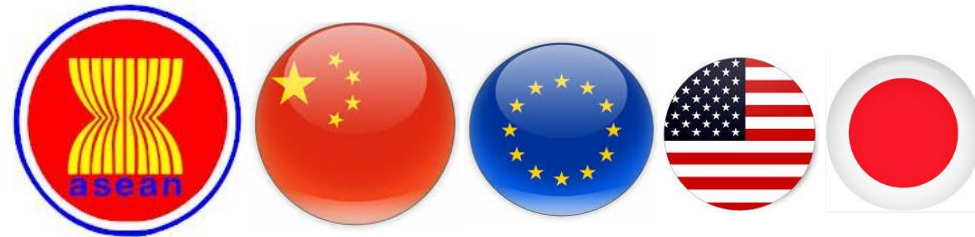
Intra-ASEAN relations remain a strength

ASEAN Total Trade in Goods
(US\$ billion)



In 2016, Intra-ASEAN trade accounted for 23% of total ASEAN trade.

Top ASEAN Trade Partners



Source: ASEAN Secretariat Database

ASEAN FDI Net Inflows
(US\$ millions)



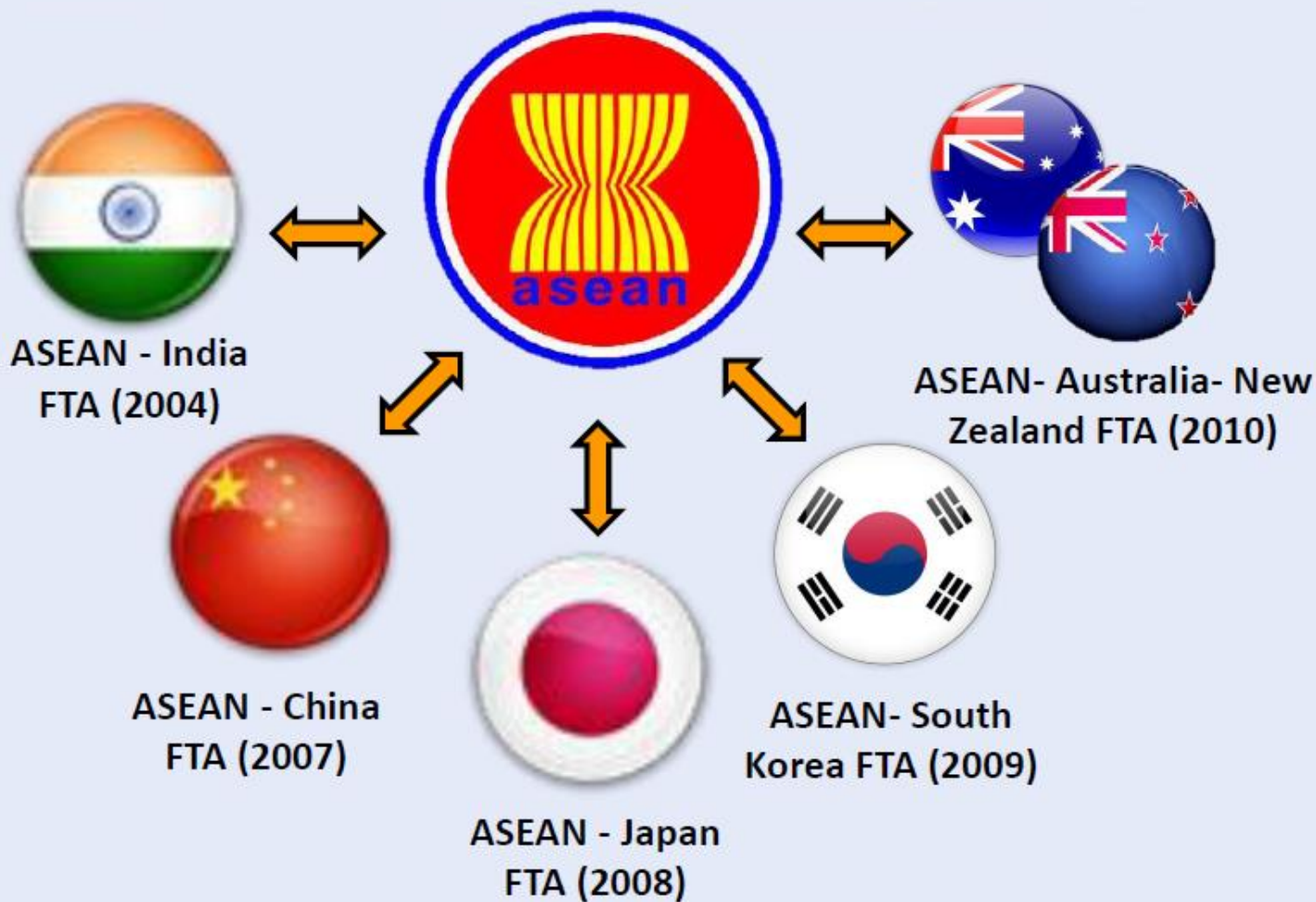
In 2016, Intra-ASEAN FDI accounted for 25% of total ASEAN FDI.

Top Sources of ASEAN FDI



Source: ASEAN Secretariat Database

Extra-ASEAN relations benefitted the region

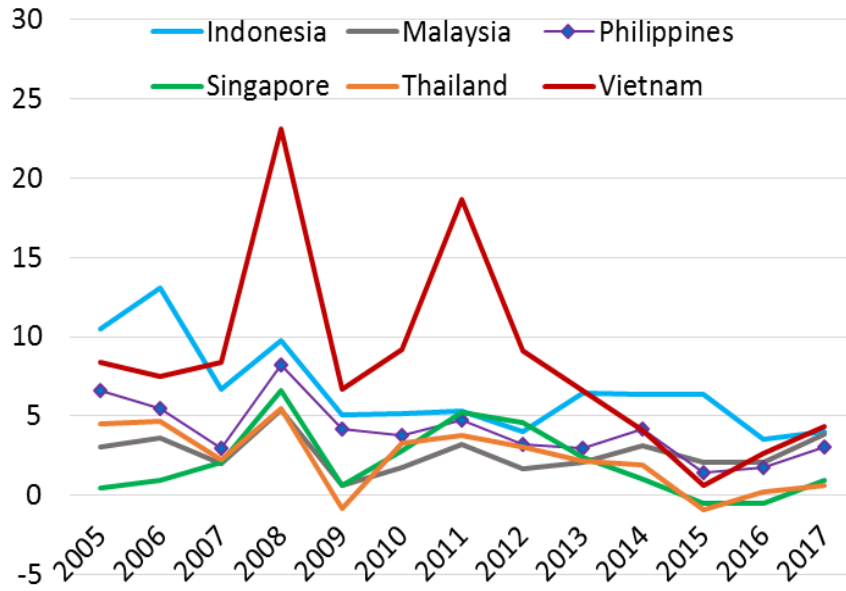


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Policy refinements supported growth

Benign inflation, given well-anchored inflation expectations

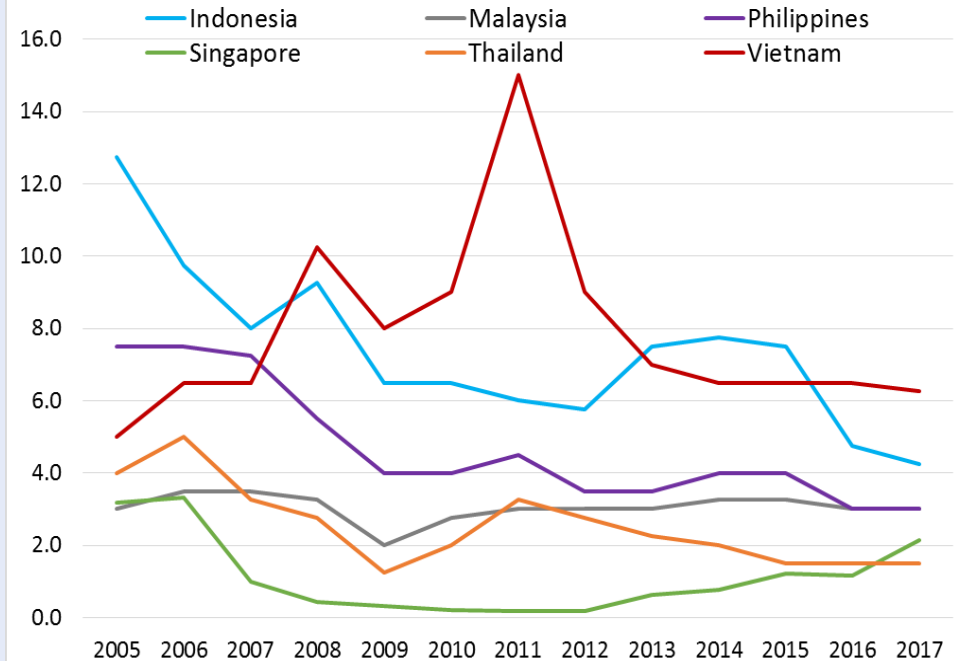
Selected ASEAN Countries: Headline Inflation (annual, average % change)



Note: 2017 values – IMF estimates
Source: IMF October 2017 WEO Database

Accommodative monetary policy supports growth

Selected ASEAN Countries: Central Bank Policy Rate



Note: IMF and Central Bank Websites

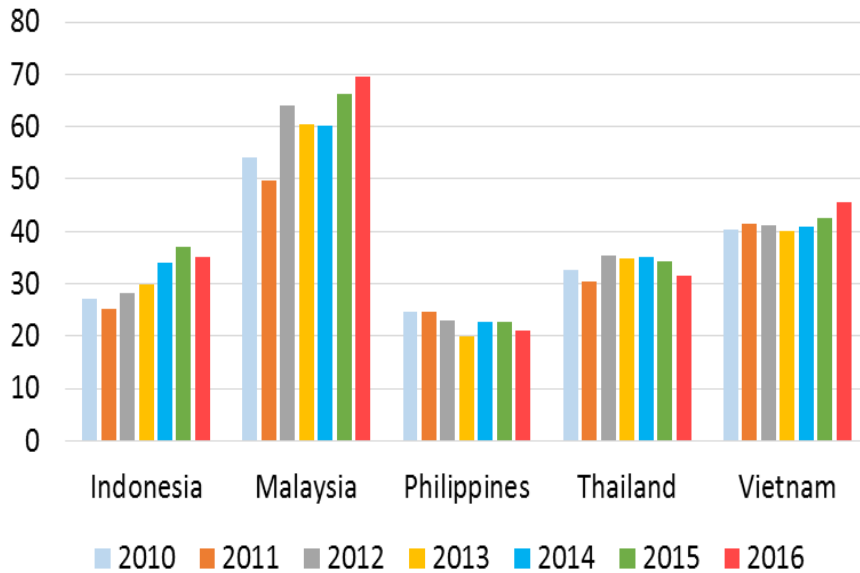


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Policy refinements increased resiliency

Sustainable external debt

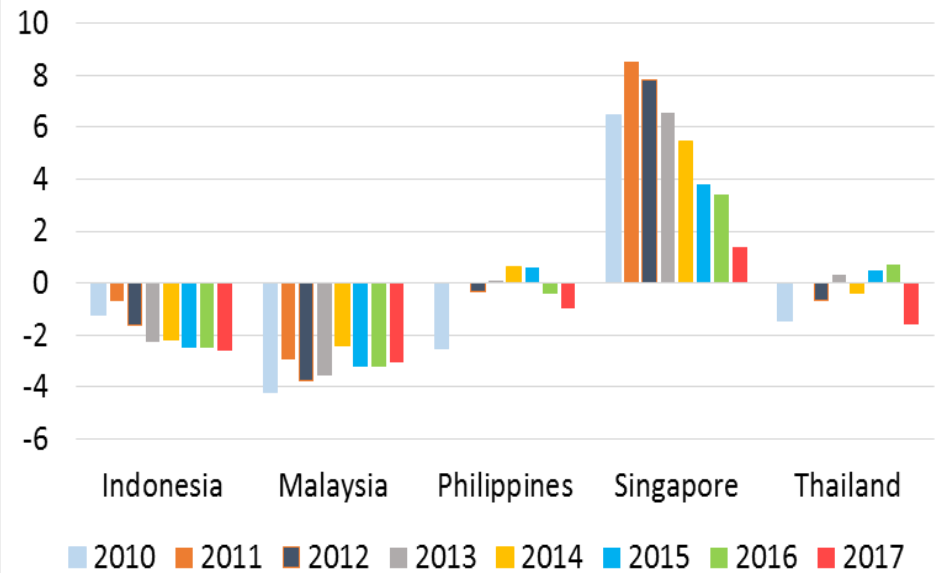
Selected ASEAN Countries: External Debt Stock
(as % of GNI)



Source: IMF October 2017 WEO Database

Manageable fiscal balance

Selected ASEAN Countries: Fiscal Balance*
(as % of GDP)



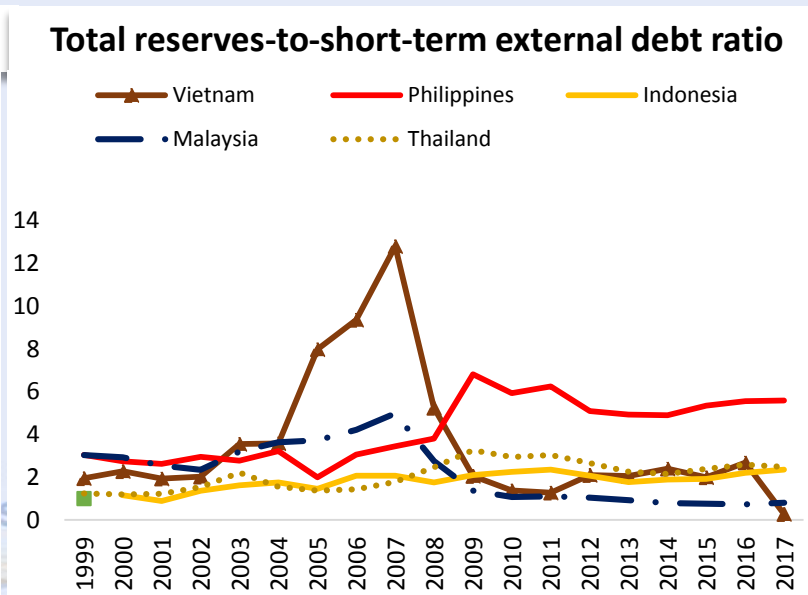
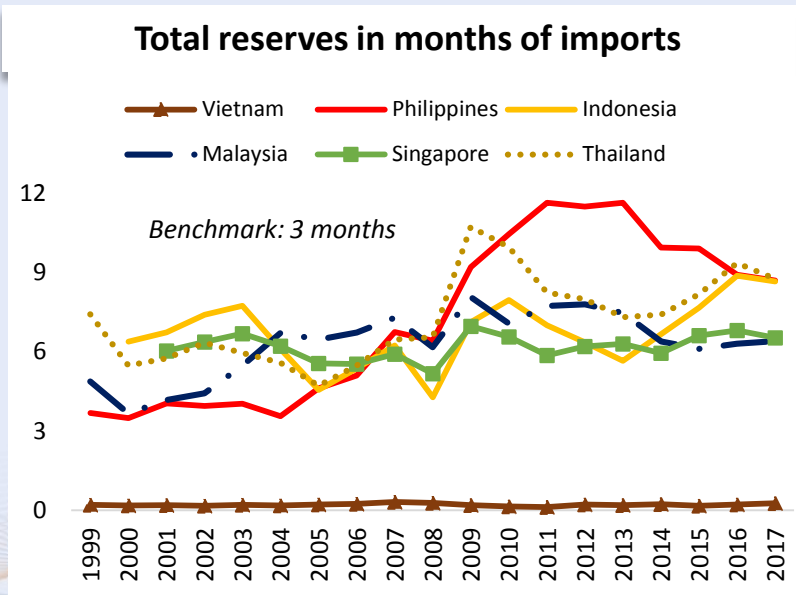
Note: *Cyclically Adjusted Fiscal Balance (% of Potential GDP); 2017 values – IMF estimates
Source: IMF October 2017 WEO Database



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Policy refinements increased resiliency

Broadly adequate foreign reserves underpin investor confidence

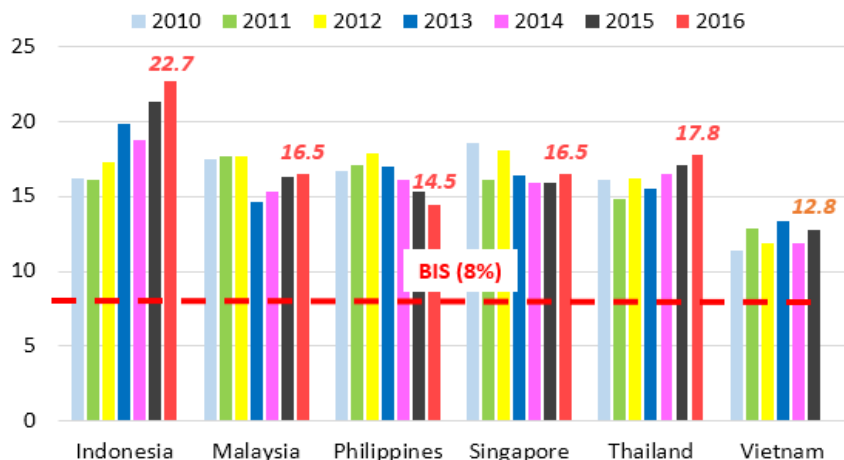


Sources of basic data: Bangko Sentral ng Pilipinas; International Monetary Fund Assessing Reserve Adequacy (ARA) database

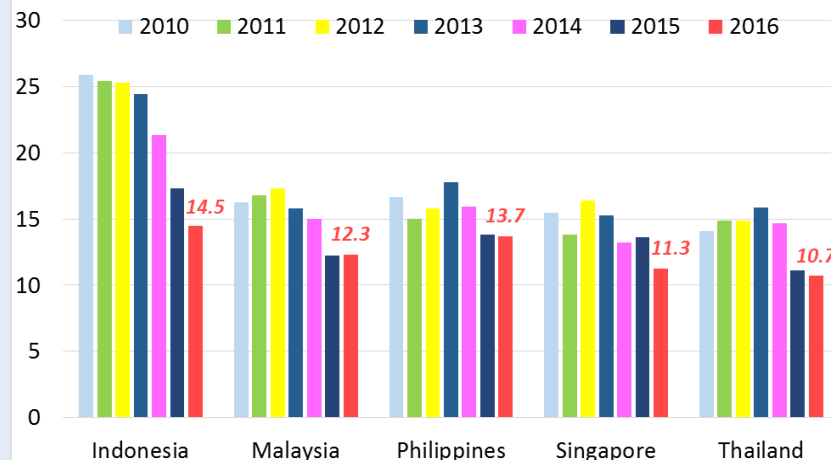
Policy refinements increased resiliency

Prudential measures safeguard banking system stability and profitability

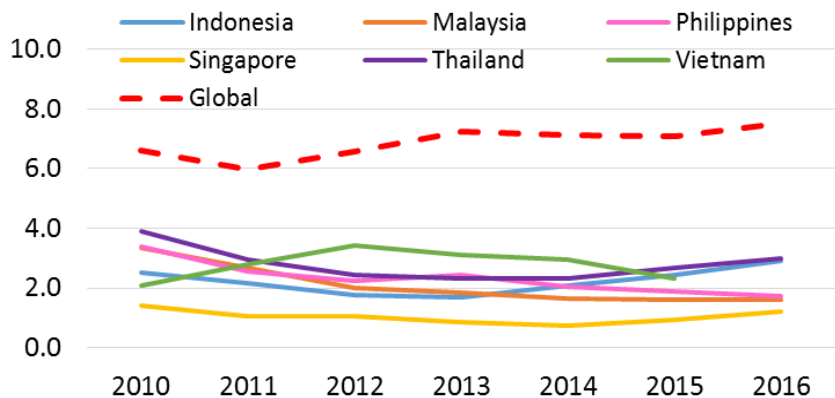
Selected ASEAN Countries: Capital Adequacy Ratio (in %)



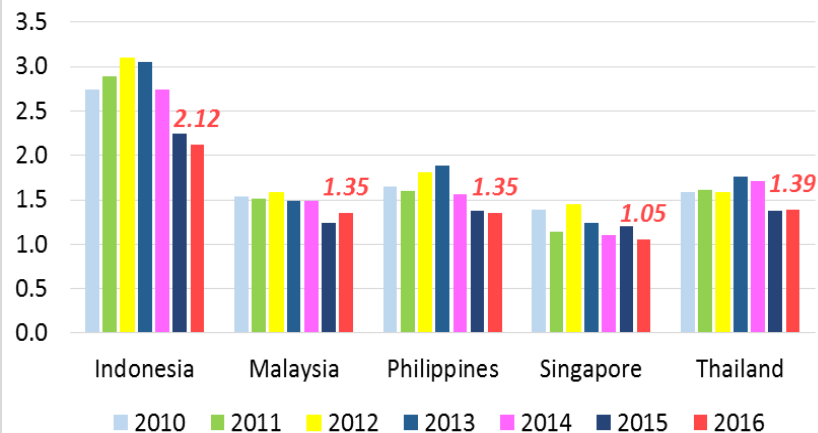
Selected ASEAN Countries: Return on Equity (in %)



Selected ASEAN Countries:
Non-Performing Loans to Total Gross Loans (%)



Selected ASEAN Countries: Return on Assets (in %)



Foundations of ASEAN's Progress and Resiliency

Greater
Monetary Policy
Independence

More flexible
exchange rates

Foreign
exchange
reserve
accumulation

Increased
economic
integration

Better external
debt
management

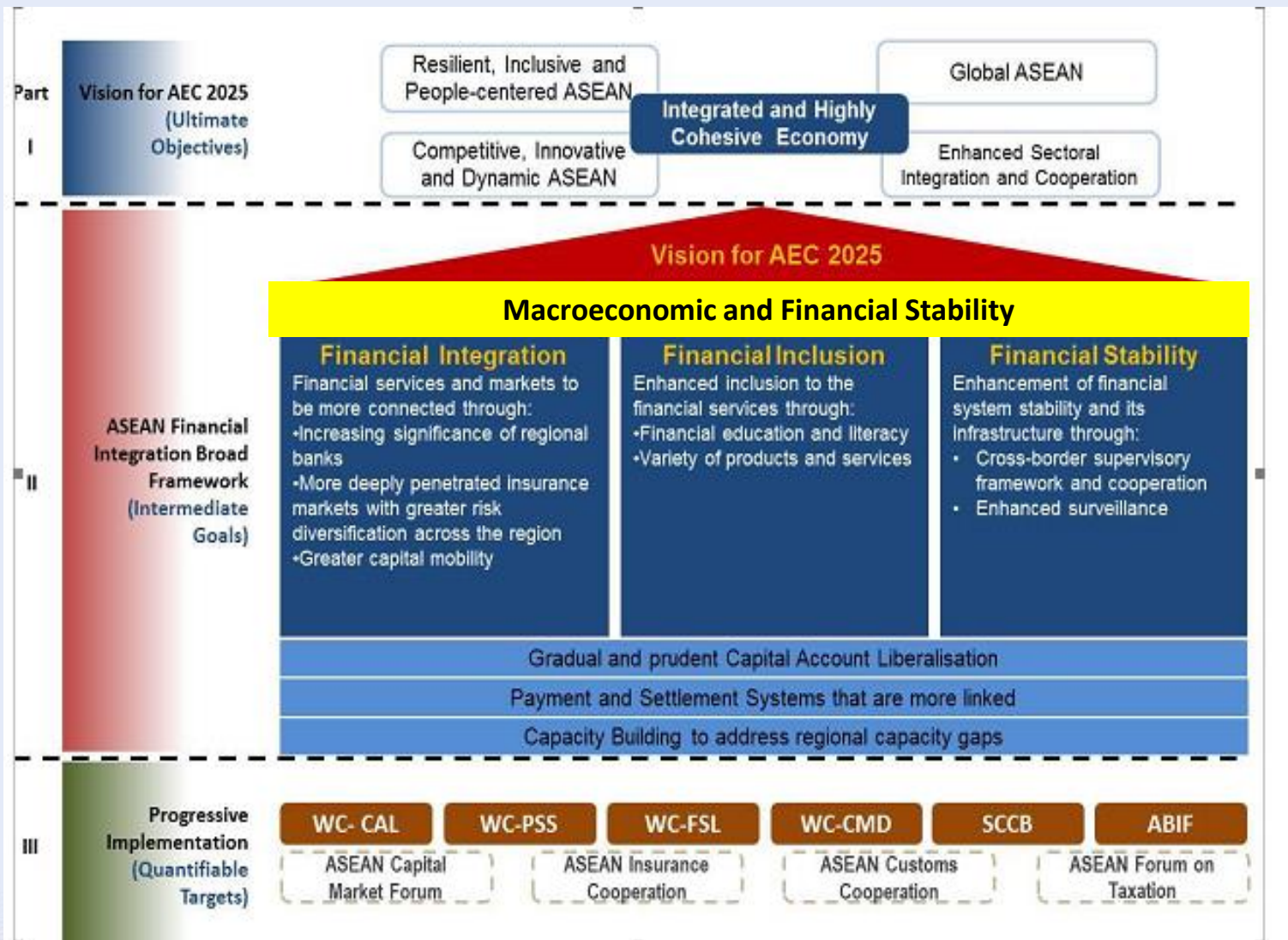
Manageable
fiscal balance

Timely and apt
prudential
measures



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ASEAN Vision



Mechanisms to amplify ASEAN's resiliency

Enhance surveillance and capacity building



Revisit regional financial arrangements



Fortify support to existing regional initiatives



Expand regional cooperative arrangements



Challenges Ahead

**Uncertainty over
pace of US Fed
policy normalization**

**Spillovers from
Chinese economy**



**Bouts of financial
volatility**

**Threat of
inward-looking
policies**

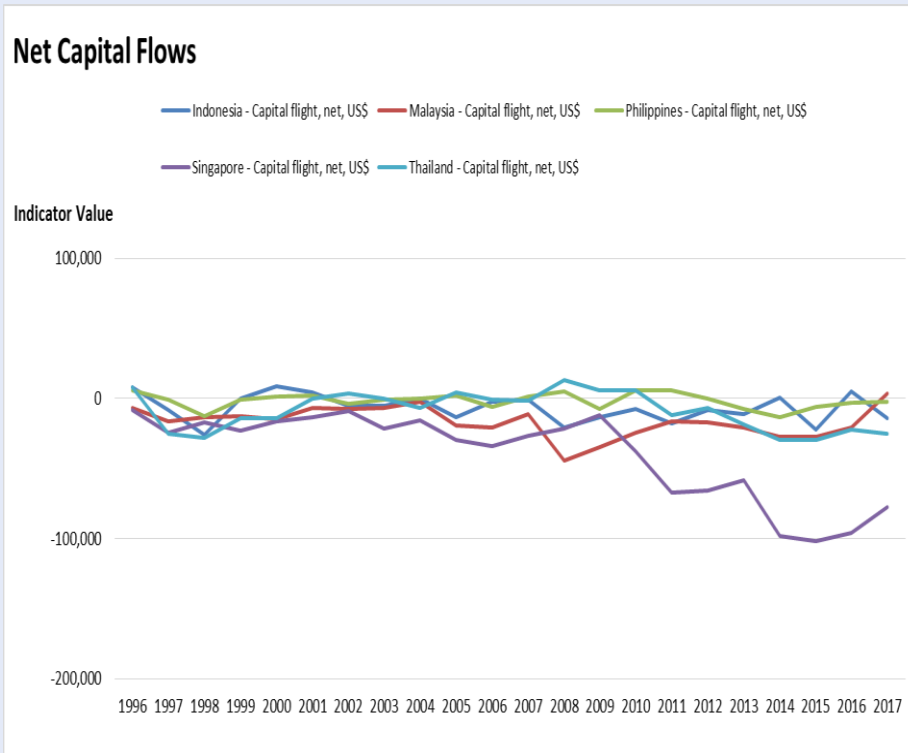
**Geopolitical
tensions**



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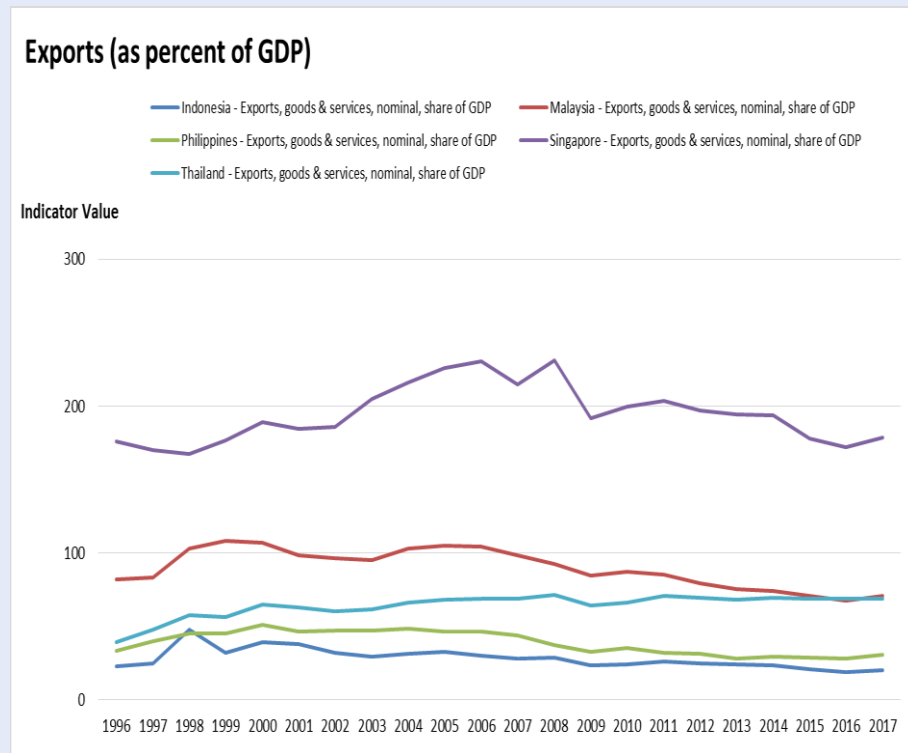
What are the risks and vulnerabilities?

Tighter global financial conditions could accentuate capital outflow risks from ASEAN economies



Source: Oxford Economics

Restrictive policies on trade could hurt ASEAN growth



Source: Oxford Economics

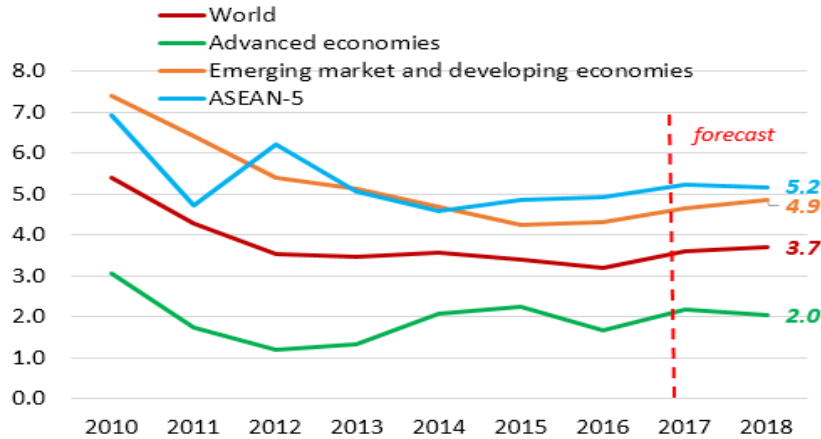


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ASEAN stand in good stead to face global headwinds

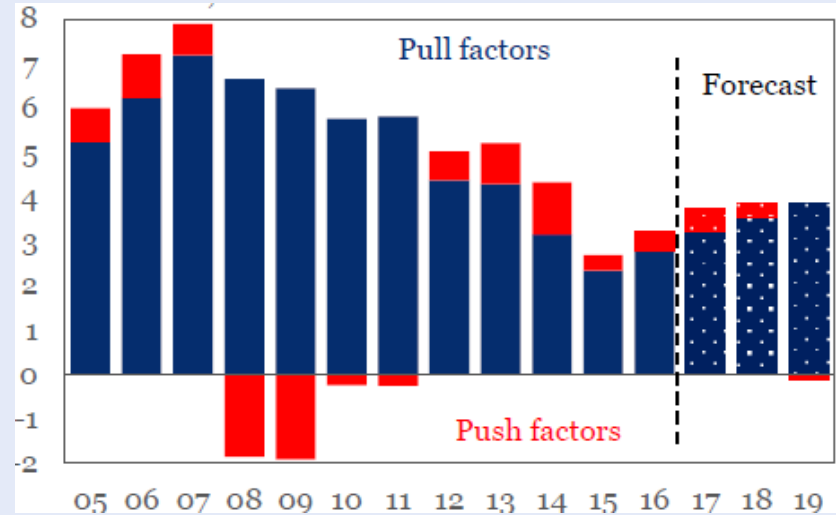
ASEAN: A key driver of global growth

Real GDP Growth (% annual change)



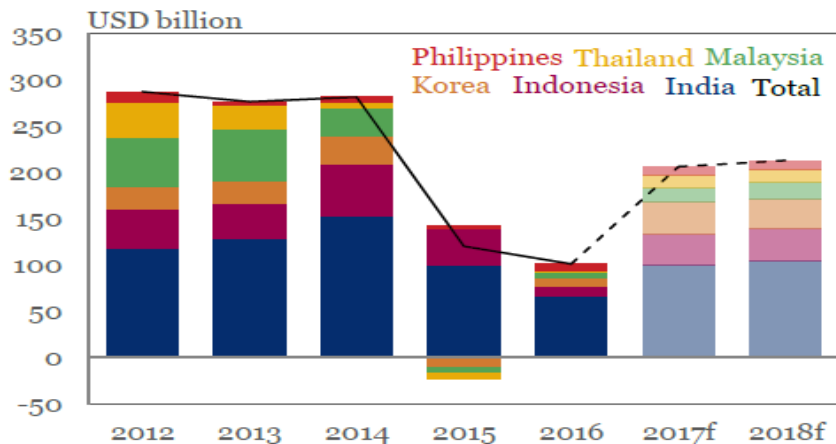
Source: IMF WEO October 2017 Database

EM-AE growth difference: a significant determinant of non-resident EM portfolio flows



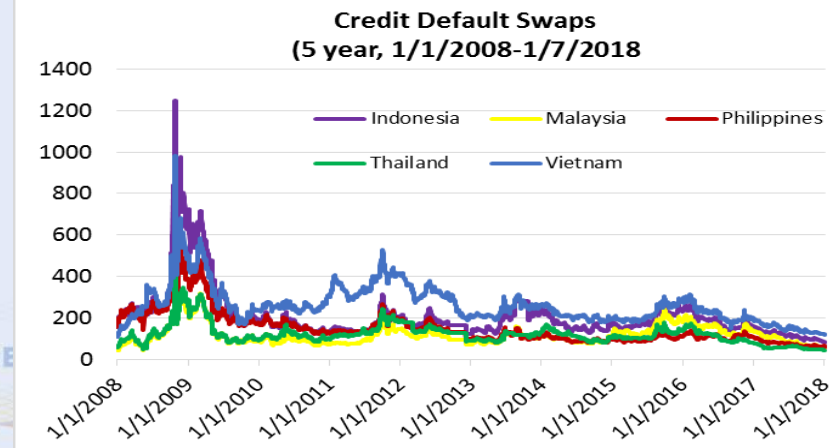
Source: Institute of International Finance, 3 October 2017

Revived non-resident capital inflows



Source: Institute of International Finance, 3 October 2017

Muted risk of sudden stop



Source: Bloomberg

Key Take-Aways

- ✓ *Refinements to policy framework underpin resilience of ASEAN*
- ✓ *Adoption of more flexible exchange rate regime, macroprudential policies, accumulation of foreign reserves cushion against build-up of vulnerabilities*
- ✓ *Continuous close monitoring of developments, calibration of policy instruments, and tighter cooperation among peers are indispensably necessary.*



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