

ASEAN: Prospects and Challenges

Hoe Ee Khor, Chief Economist
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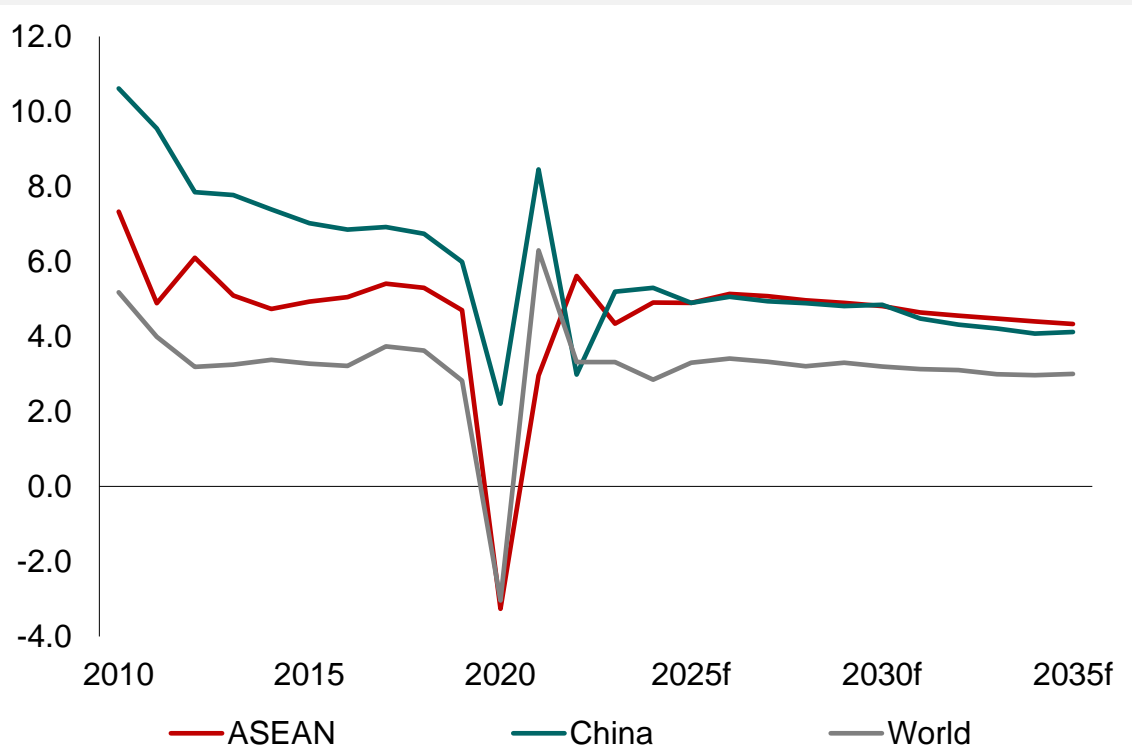


ASEAN is well-positioned to be a global growth driver

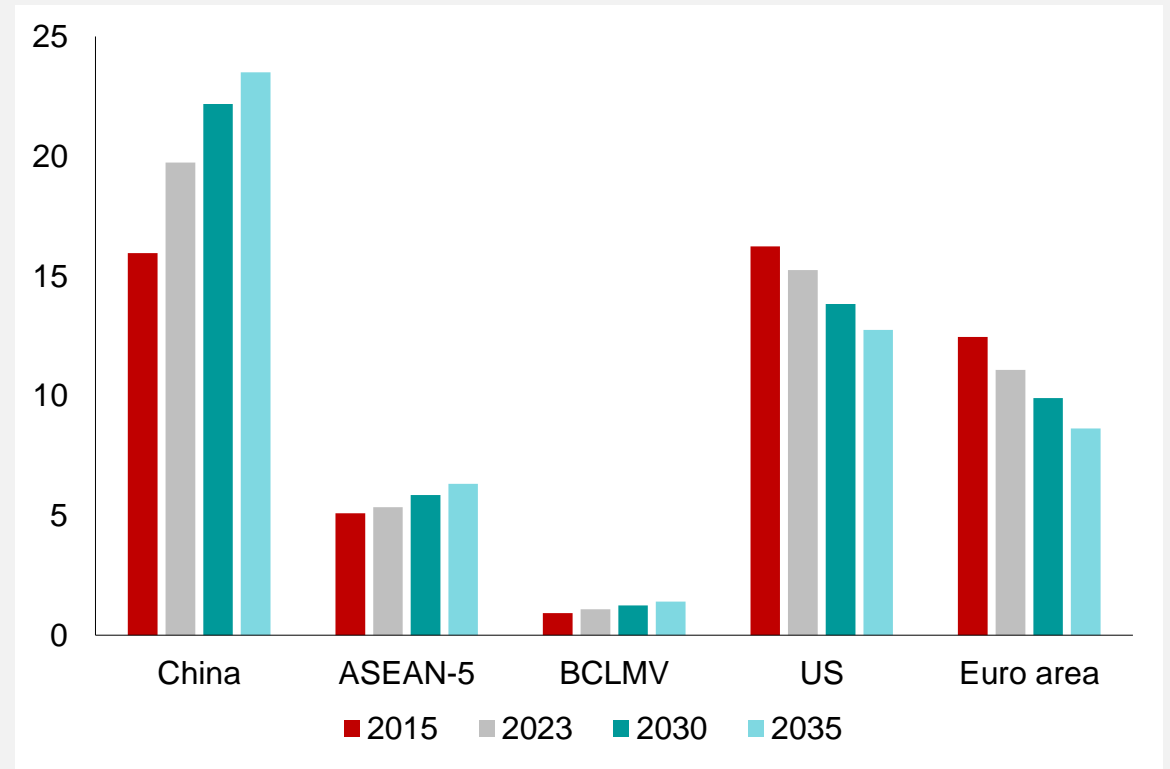
Growth in ASEAN is expected to outpace the world economy

ASEAN would account for almost 10 percent of world GDP by 2040

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



World: Real GDP on PPP Basis
(Percent share)



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

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

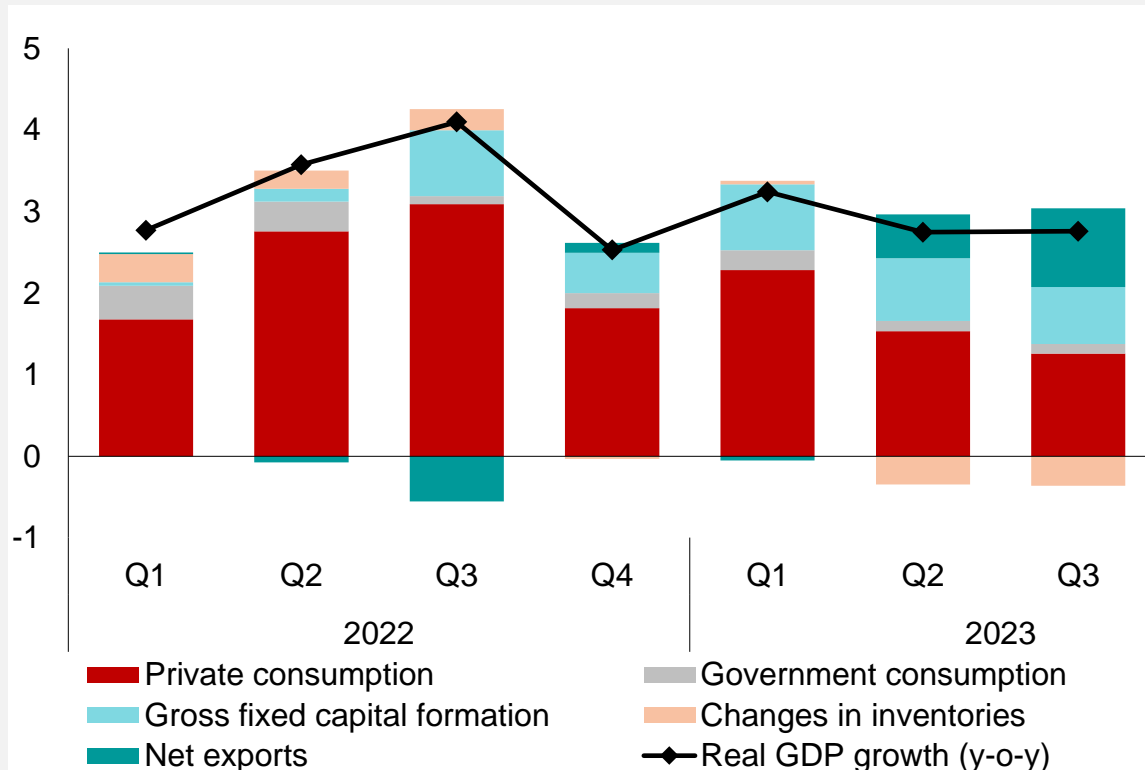
Source: National authorities via Haver Analytics.

Growth will be driven by resilient domestic demand and improving external demand

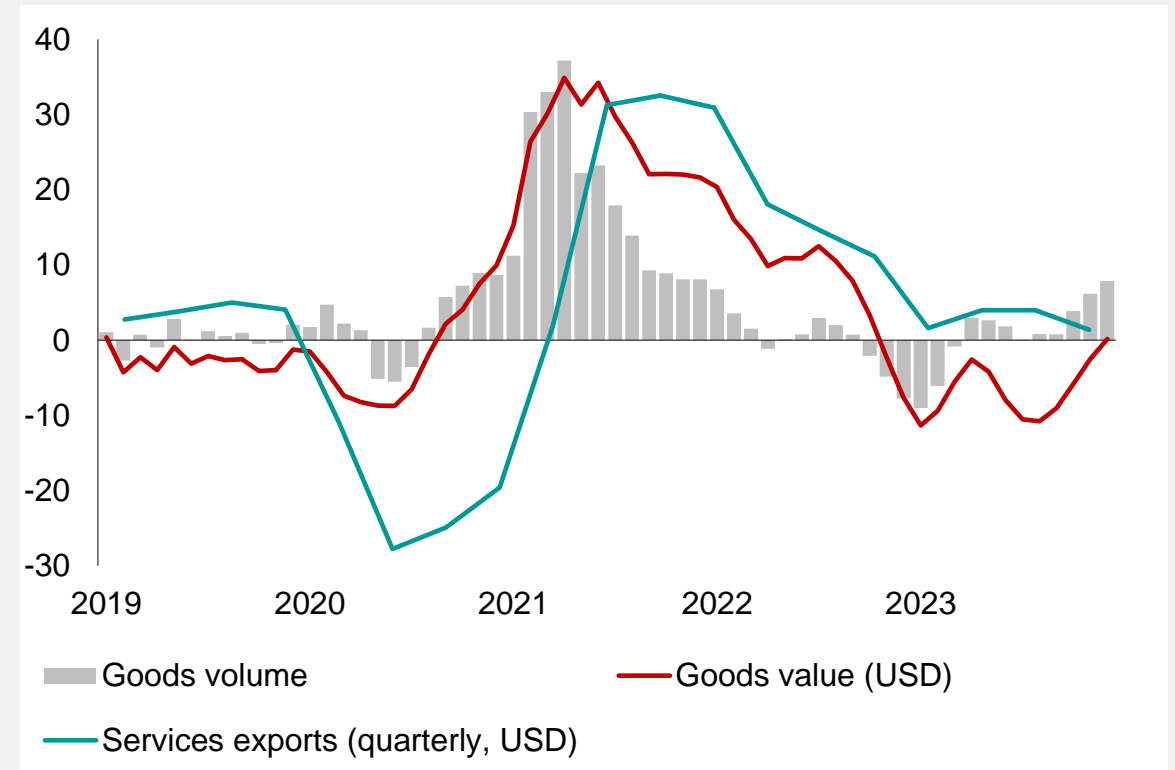
Domestic demand would remain the anchor of growth

Exports recovery will provide additional lift to growth

Selected ASEAN+3: Contribution to Real GDP Growth
(Percent, year-on-year)



Selected ASEAN+3: Goods and Services Export Growth
(Percent, year-on-year, three-month moving average)



Source: National authorities via Haver Analytics; AMRO calculations.
Note: Statistical discrepancies are not shown. Excludes Cambodia, China, Lao PDR, Myanmar, and Vietnam due to data unavailability.

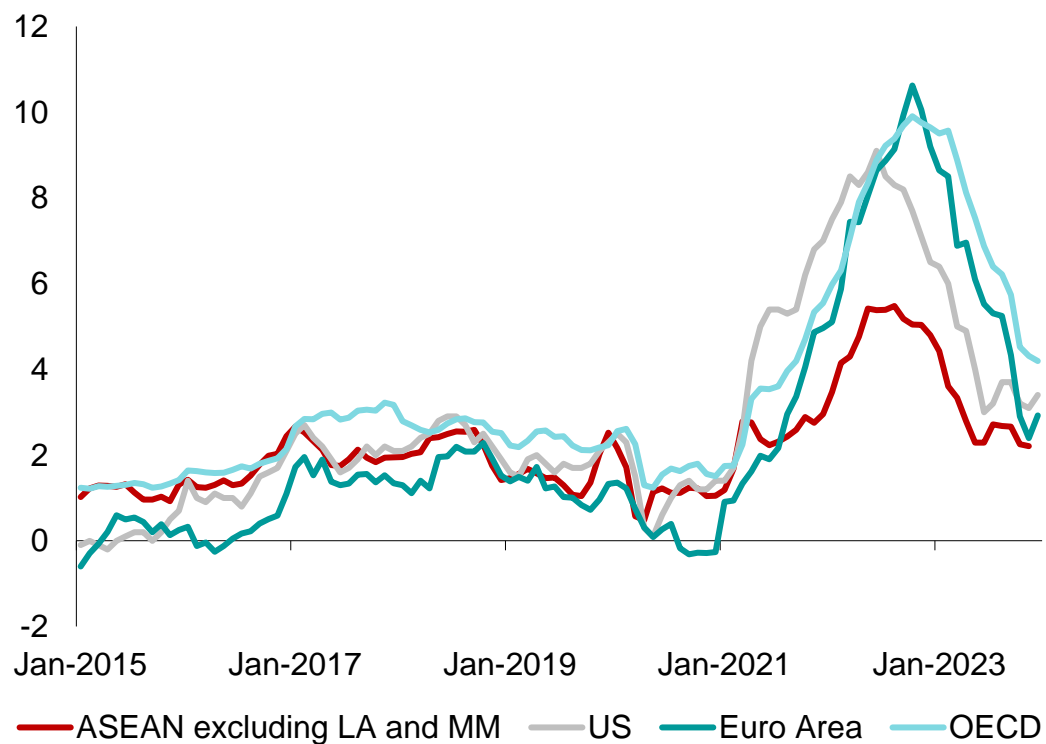
Source: National authorities via Haver Analytics; AMRO staff calculations.
Note: Goods exports data are not available for Brunei, Cambodia, Lao PDR, and Myanmar. Services exports data are not available for Brunei and Myanmar.

Gradual disinflation with supply factors increasingly impacting prices

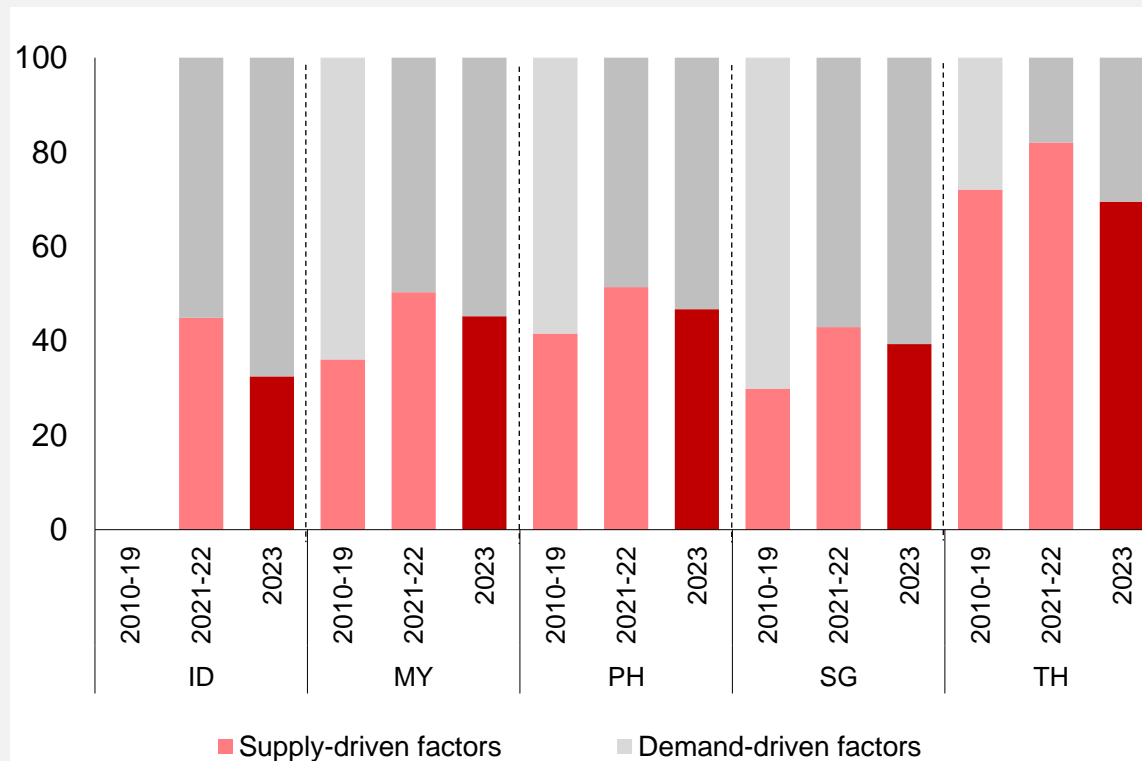
Inflation peaked at a lower level in ASEAN and has moderated along with other major economies

Supply-factors are playing a larger role in driving core inflation post-pandemic

Selected Economies: Headline Inflation
(Percent, year-on-year)



Selected ASEAN: Contribution to Core Inflation
(Percent share)



Source: National authorities via Haver Analytics; AMRO staff calculation.
Note: OECD excludes US, euro area and ASEAN+3 economies to avoid double counting. Turkiye is also omitted from OECD to avoid distortion due to the sharp lira depreciation.

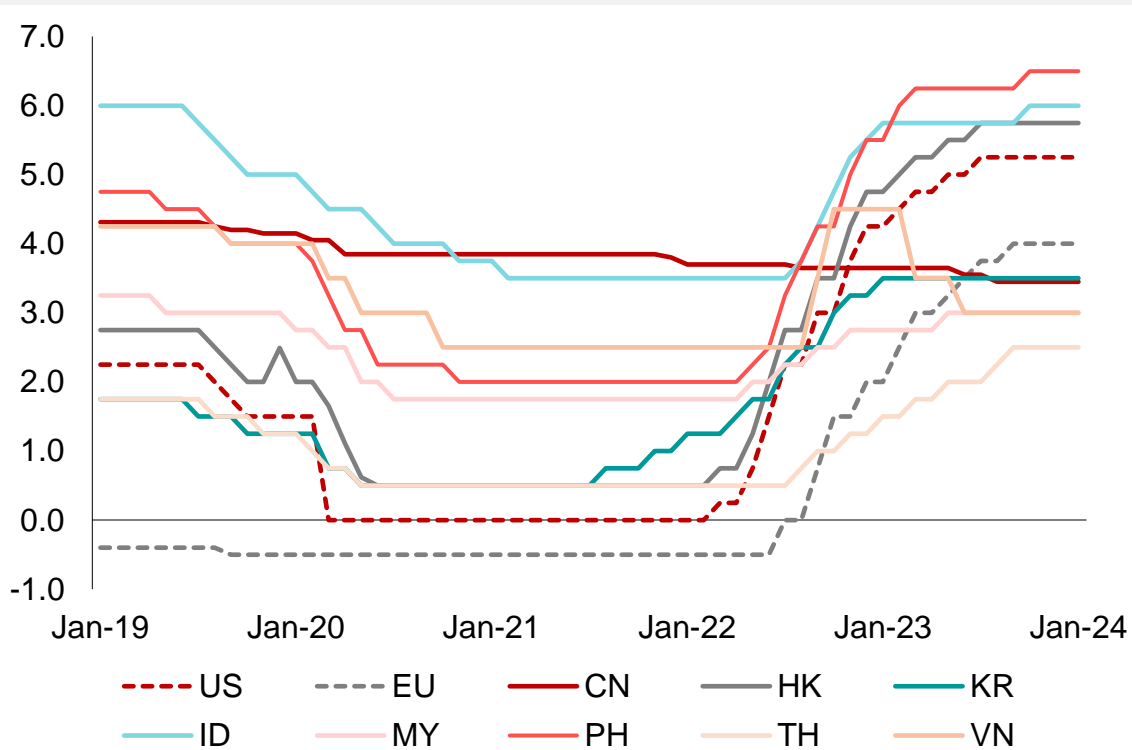
Source: National authorities via Haver Analytics; AMRO staff calculation.
Note: For more details, please refer to AMRO's Analytical Note on Changing Dynamics of Core Inflation (February 2024).

Inflation expectations remain well-anchored and growth prospects remain sound despite higher interest rate

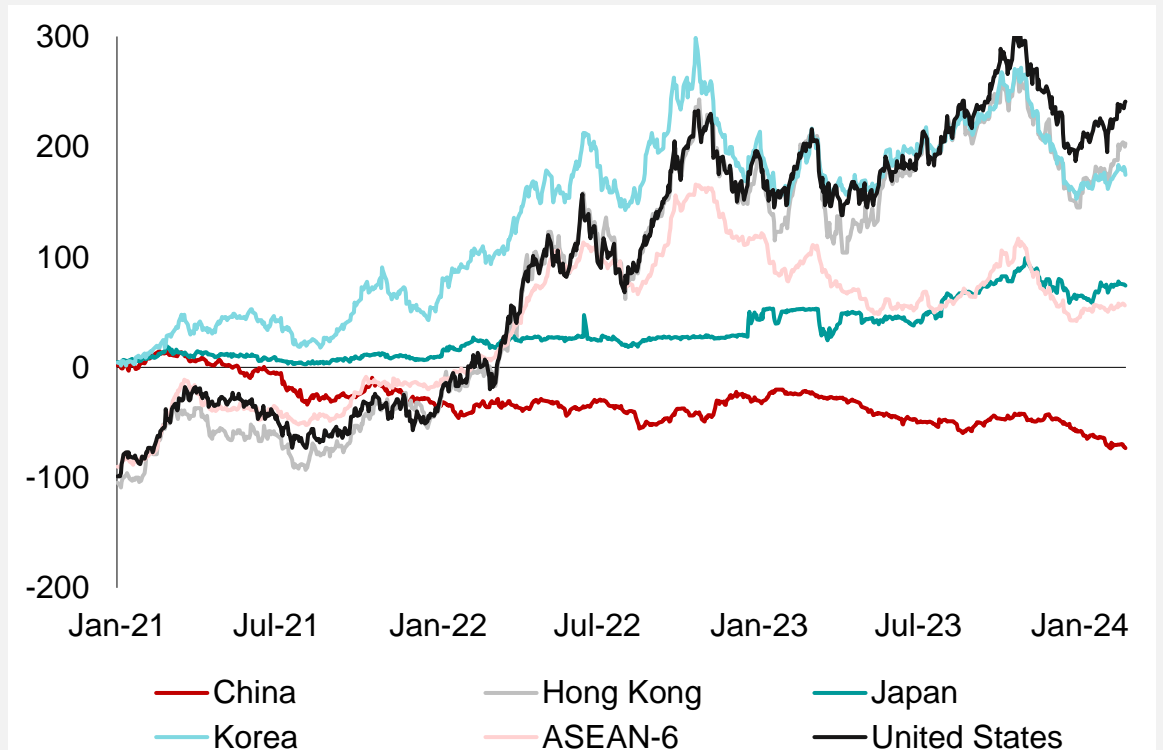
Interest rate has returned or exceeded pre-pandemic levels for most economies

However, unlike in the US, bond yields have not surged

Selected Economies: Policy Interest Rates
(Percent)



Selected ASEAN+3: 10-year Government Bond Yields
(Basis point change from Dec 31, 2019)



Source: National authorities via Haver Analytics.

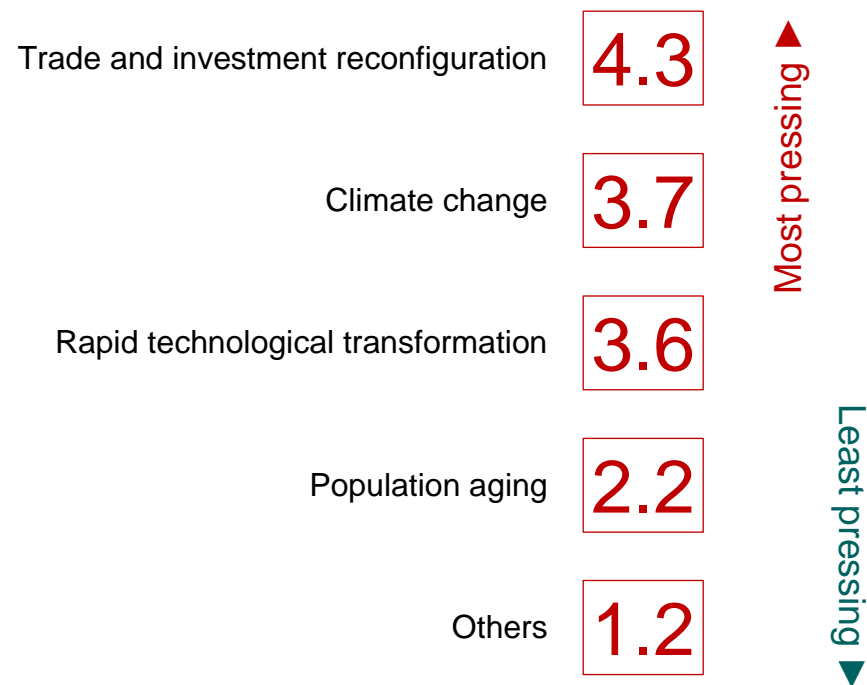
Source: National authorities via Haver Analytics and AMRO staff calculations.
Note: ASEAN-6 (average) is the simple mean of changes for Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Vietnam.

Geoeconomic fragmentation is a major concern for the region's policymakers

The region is facing multiple structural challenges, most pressing of which is the ongoing reconfiguration in trade and investment

Increasing fragmentation may lead to an overall slowdown of the global economy, with impact on ASEAN trade prospects

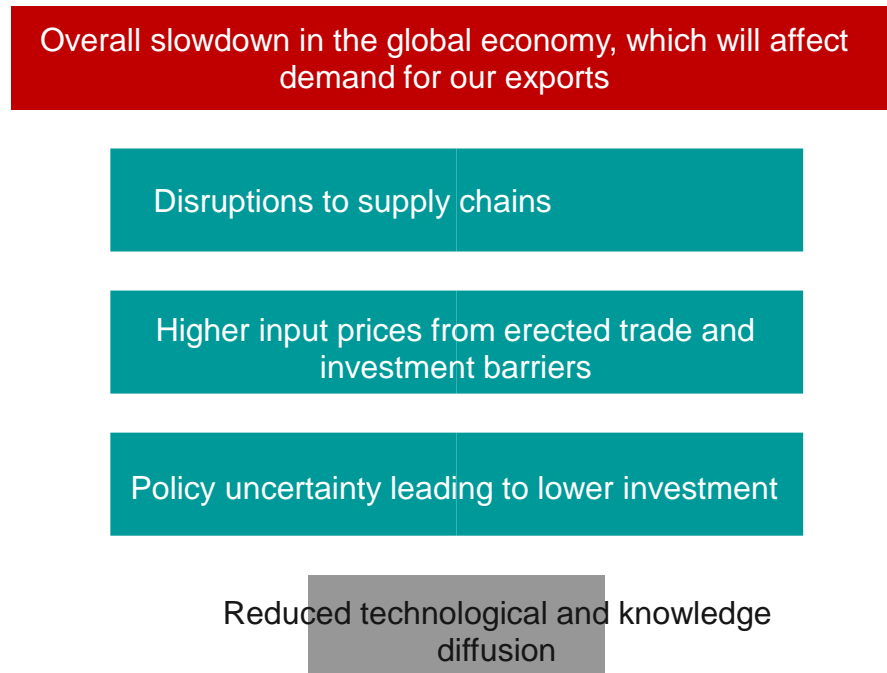
AMRO October 2023 Survey: Top Long-Term Structural Trends Concerning ASEAN+3 Policymakers



Source: AMRO staff.

Note: Numbers presented are the weighted average of all responses, where a higher “score” indicates higher priority.

AMRO October 2023 Survey: Top Risks to the Economy From Increasing Geoeconomic Fragmentation



Source: AMRO staff.

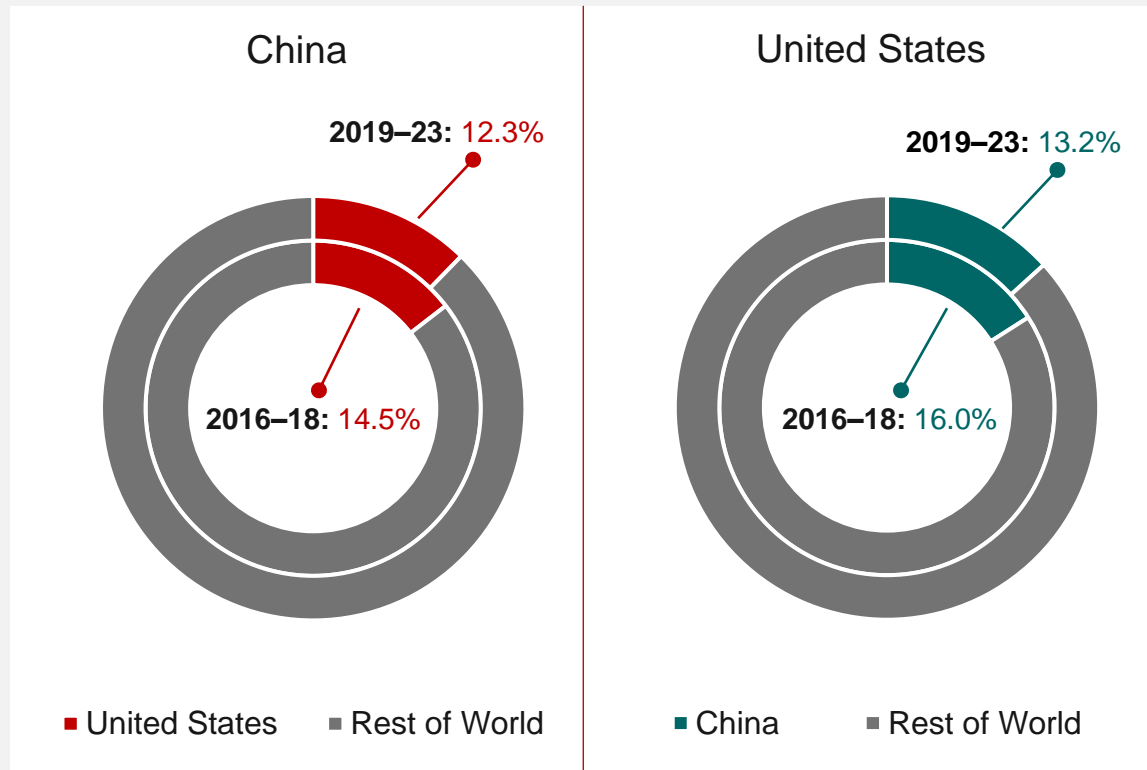
Note: The size of the bar represents the overall percentage share to total responses.

Geopolitics is increasingly realigning global trade patterns

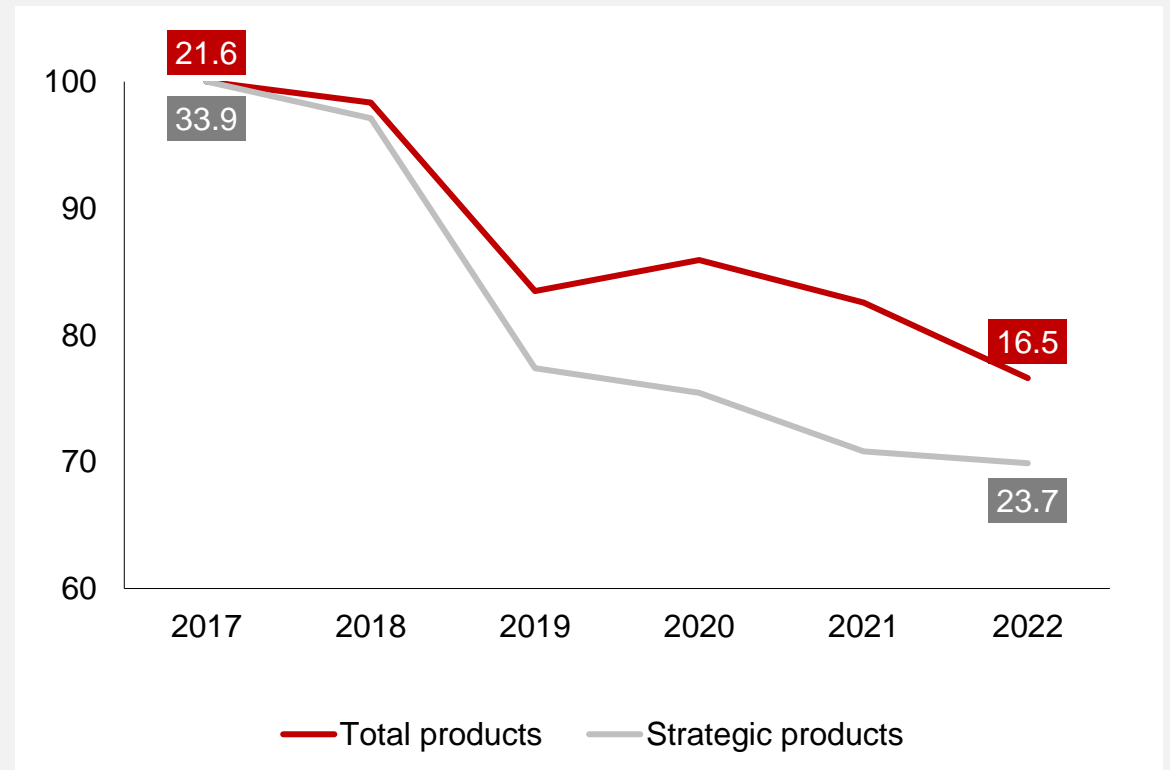
Total trade between the United States and China continues to slow, with spillover effects to the rest of the world

China's share of US imports has been declining consistently since 2018, especially in advanced technology products

China and United States: Trade Shares, by Partner
(Percent of total trade)



China: Change in Share to US Imports, by Product Type
(Index, 2017 = 100)



Source: IHS Markit; AMRO staff calculations.

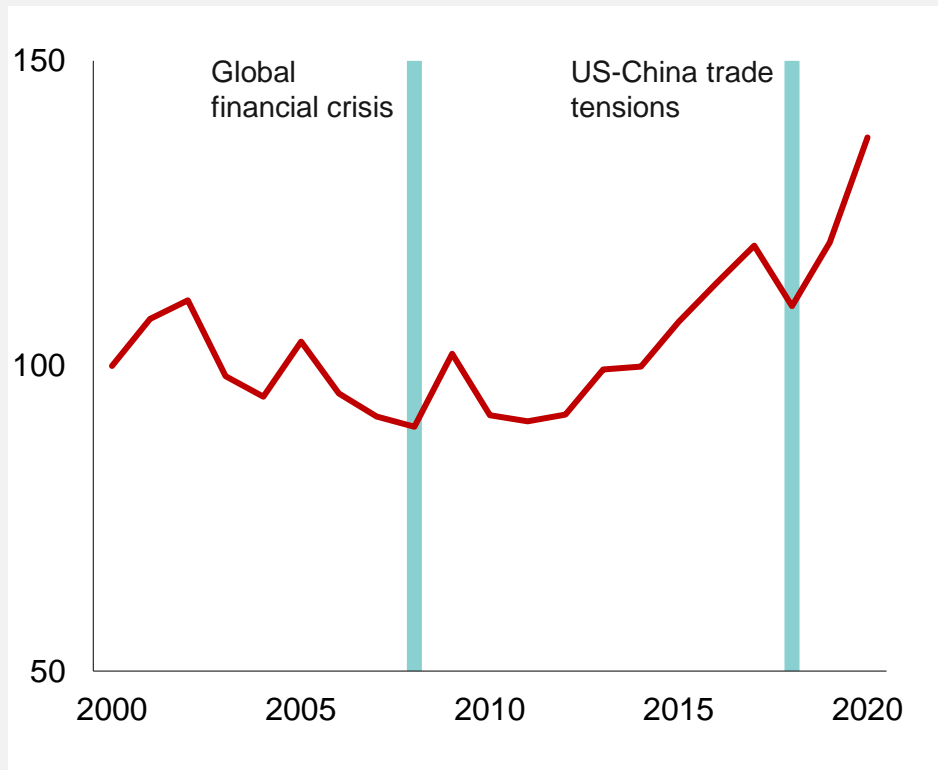
Source: IHS Markit; AMRO staff calculations.

Note: "Strategic products" corresponds to the 644 commodities listed by US Census Bureau (2022) as "Advanced Technology Products." Numbers in boxes correspond to China's respective shares (in percent) for each product type for that period.

ASEAN has managed to position themselves well in the ongoing realignment in global trade

The region is accounting for a larger share of the “indirect linkages” between China and the US

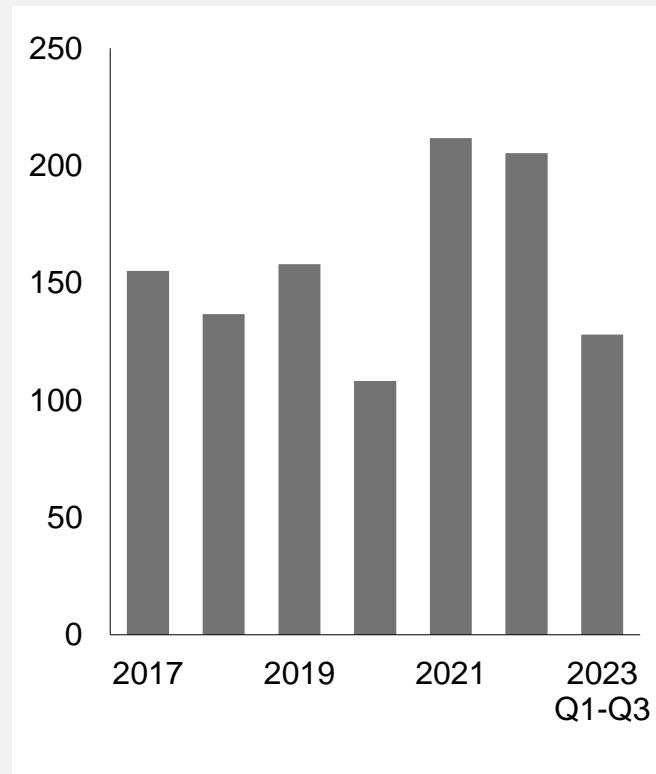
ASEAN: China’s Domestic Value-Added Exported to the United States via the Region
(Share, 2000 = 100)



Source: OECD; AMRO staff calculations.
Note: “Share” corresponds to the value-added of China that is exported by ASEAN+3 to the United States, as percent of the value-added of China that is exported via all third-party economies to the United States.

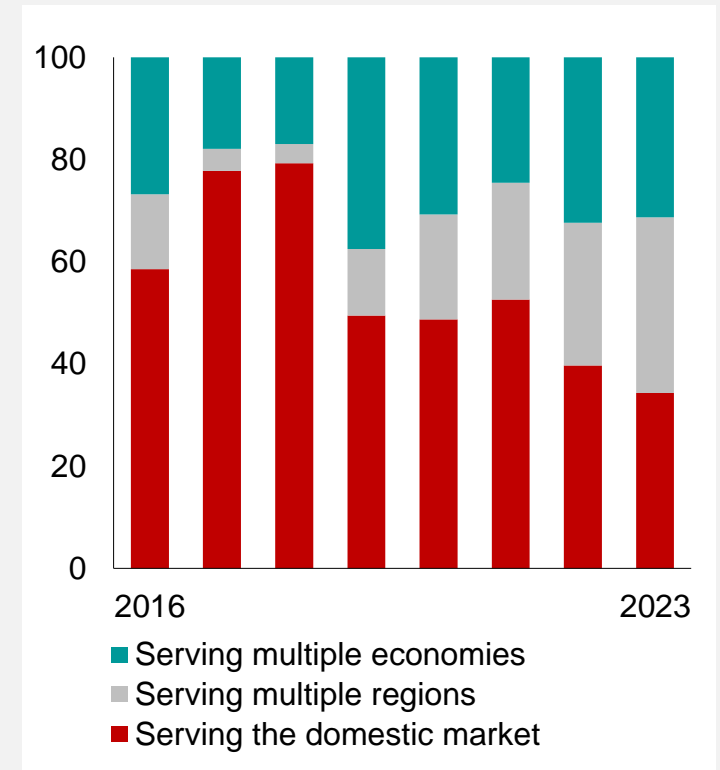
FDI flows remain robust, while planned projects suggest that more investors are taking advantage of the region’s “connective” role

ASEAN: Foreign Direct Investment
(Billions of US dollars)



Source: Orbis; national authorities via Haver Analytics; AMRO staff calculations.

China: FDI Announcements for ASEAN+3, by Project Motive
(Percent of total announcements)

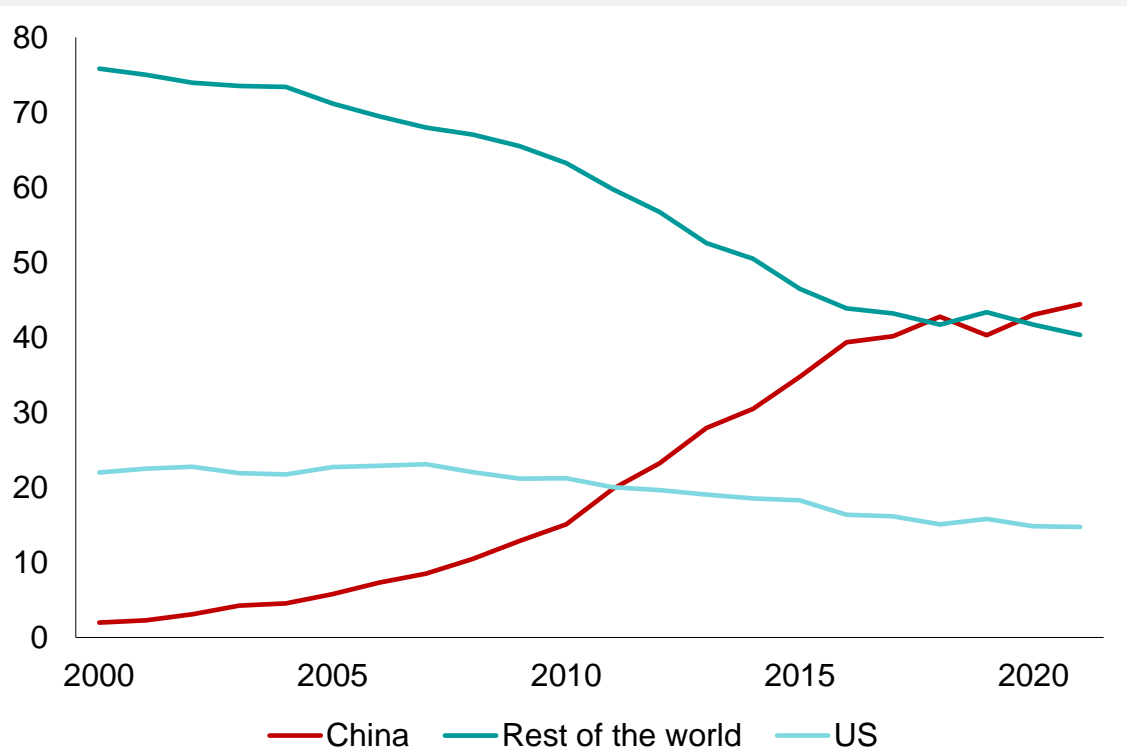


Despite risks, shifting global ties present the region with opportunities to find new sources of growth

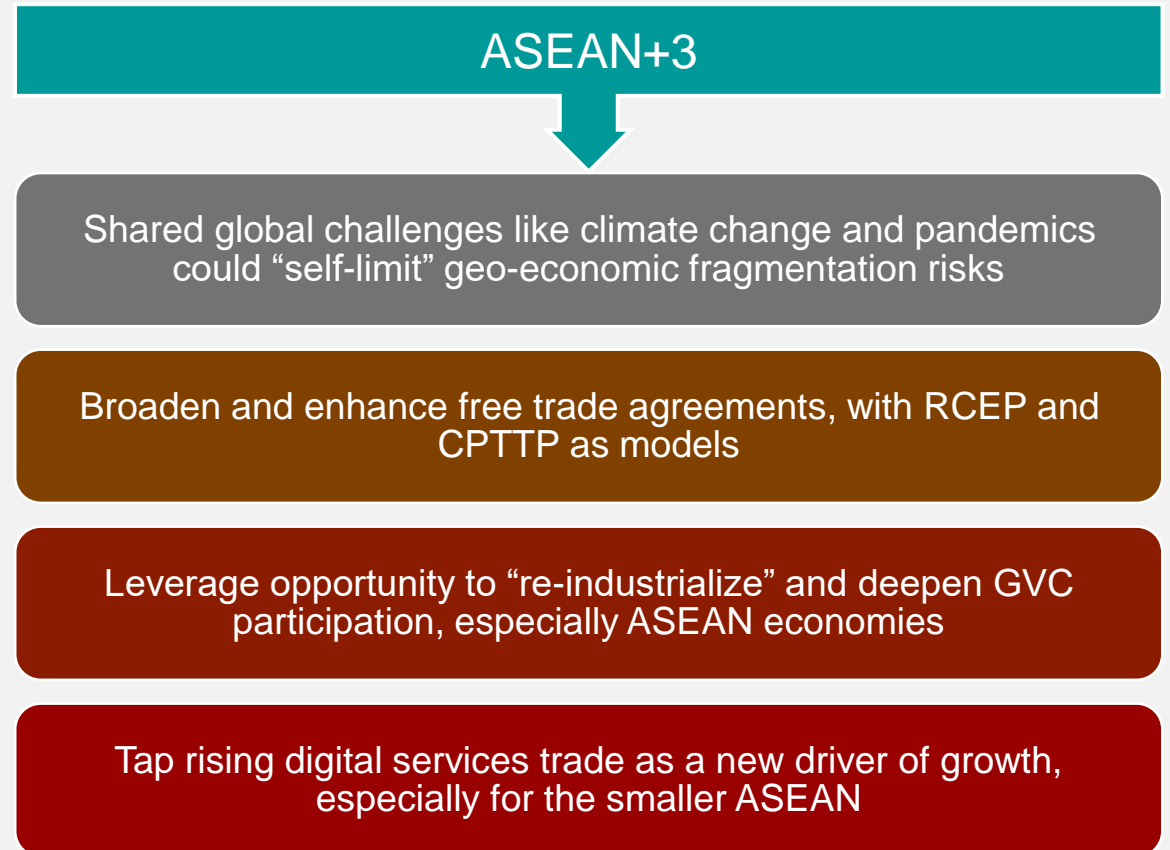
ASEAN+3 can leverage its tech capabilities and strong regional ties to manage risks from geoeconomic fragmentation...

...as well as other mitigating factors to ensure economic progress regardless of how the future global order unfolds

World: Patent Applications
(Percent of world total)



Source: World Intellectual Property Organization (2023).
Note: Data refers to total number of patent applications by applicant's origin.



Source: AMRO staff.

Thank you



Contact Us

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

Tel: +65 6323 9844

Email: RegionalTeam@amro-asia.org

Website: www.amro-asia.org