











ASEAN is facing a crisis like never before – from disrupted supply chains to plunging stock markets, the region is in for a difficult run for at least a year, according to the more optimistic forecasts.<sup>1</sup> As Covid-19 traced its way through the region from early February, all ASEAN members had to enter different degrees of lockdown. Today, the ASEAN toll stands at 40,741 cases and 1,444 fatalities – with the worst hit countries being Indonesia, Philippines and Malaysia in terms of fatalities per total number of cases.

Unfortunately, the shockwaves caused by the pandemic affect more than just the healthcare sectors – and the economic impacts will linger long after the cases go down. The WTO predicts a 13-32% slump in global merchandise trade due to Covid-19, particularly in sectors with complex value chains. Taking into account the revisions of all but one ASEAN Member States (AMS) growth forecasts in Table 1, the ADB revised its overall growth forecast for the entire Southeast Asian region from 4.7% in December 2019, to 1% in April 2020. These revisions take into account the widespread impacts of the pandemic on tourism, exports, remittances and consumption – especially considering the fact that China is ASEAN’s biggest external trade partner and investor, with a 17.1% share in total trade and 6.5% contribution to ASEAN FDI inflows in 2019. It is important to note that this is one of the more optimistic predictions, with several national governments predicting negative growth in 2020, such as Singapore’s prediction of -4% growth.

<b>Country</b>	<b>Initial GDP Growth Forecast - 2019</b>	<b>Revised Forecast – 2020 – ADB</b>	<b>Revised Forecast 2020 -World Bank (Baseline)</b>
 Brunei Darussalam	1.5%	2.0% *anticipation of increased exports as new refineries commence operations	-
 Cambodia	6.8%	2.3%	2.5%
 Indonesia	5.3%	2.5%	2.1%

<sup>1</sup> Several private forecasts maintain negative growth rates through 2021, as well as the lower-bound growth rate forecasted by World Bank. Summary can be found [here](#).

	Lao PDR	6.2%	3.5%	3.6%
	Malaysia	4.8%	0.5%	-0.1%
	Myanmar	6.8%	4.2%	3.0%
	Philippines	6.5% to 7.5%	2.0%	3.0%
	Singapore	2.5%	0.2%	0.1%
	Thailand	2.7% to 3.7%	-4.8%	-3.0%
	Viet Nam	6.8%	4.8%	4.9%

Source: [ADB Development 2020 Outlook- Covid-19 Edition, WB – East Asia & Pacific 2020](#)

There are several channels through which the economic impacts of Covid-19 trickle through the integrated ASEAN economies



- Investor uncertainty saw a rapid capital outflow through the regions' stock markets, wiping out a fourth of stock market values in Indonesia, Philippines and Thailand and Vietnam. Consequently, key currencies in the region considerably depreciated, especially the Indonesian Rupiah by 19.8% between January to March 2020.



- Goods flow has also been curbed – which disrupts the export-heavy economies of Indonesia (palm-oil exports to China and India dropped by 57% and 22% each) and Viet Nam. All electronic and machinery exporters felt the hit strongest due to the temporary closure of China's industrial hub Hubei, which disrupted the region's supply chain.



- Similarly, the tourism dependent economies of Thailand (which gets a fifth of its GDP from tourism revenue), and Cambodia, experienced a 70% and 60% drop in tourist arrivals in February, and are likely to see dismal revenues all through 2020.



- Moreover, the drop in domestic demand in AMS as a result of the lockdown and wage losses is expected to have large multiplier effects, since consumption constitutes 60% of the GDP of ASEAN (excluding Singapore).

Though national governments have enacted several quantitative easing measures including stimulus packages, cutting loan rates, rolling over debt contingencies and adjusting loan repayment periods – they are limited by sizable debts (30% of GDP) and fiscal deficits. While these developments seem bleak, a silver lining can be found in the IMF and ADB projections of strong ASEAN growth rate rebounds by 2021 of +7.8% and +4.7% respectively.

That is because ASEAN can shore up capacity through a coordinated regional approach, building on its experiences responding jointly to SARS, H1N1 and the 1997 Asian Financial Crisis. Steps are being taken in the right direction, such as the Declaration of the Special ASEAN Summit on Covid-19 signed by ASEAN+3 at a virtual summit this month. The Leaders pledged to adopt a ‘whole of ASEAN community approach’ through keeping trade routes open to protect food and medical supplies, sharing national information and strategies and coordinating trade and travel restrictions. There are also discussions of developing a joint post-pandemic recovery plan and setting up an ASEAN Response Fund to pool resources and expertise. Other avenues to be explored include concluding the RCEP, promotion of digital payment, online delivery systems and digital documentation to minimize inefficiencies, and accelerating the development of the ASEAN Economic Community. But words still need to be turned into action. Through targeted support to cushion the worst-hit sectors and maintaining an outward looking policy framework, ASEAN can weather this crisis, and emerge stronger.