THE NEW ABNORMAL

Navigating the post-pandemic world

June 2020

Pauline Loong
Politics, policies and risk

asia analytica
Risks and opportunities

- CHINA: Back in business (soon)
- ASEAN: In a sweet spot
- Worldwide: The new abnormal
Risks and opportunities

The talk
De-globalization

The reality
Shackled together
Risks and opportunities: China 2020

Negative shock

GDP Jan-Mar: -6.8% yoy
Consumption Jan-Mar: -9.5% yoy
FAI Jan-Mar: -16.1% yoy
Exports Jan-Mar: -9.3% yoy
Tax receipts Jan-April: -16.7% yoy
Risks and opportunities: China 2020

LOW VISIBILITY

“We have not set a specific target for economic growth this year. This is because our country will face some factors in its development that are difficult to predict due to the great uncertainty regarding the covid-19 pandemic and the world economic and trade environment.”

Premier Li Keqiang’s Work Report to the legislature on May 20, 2020
Risks and opportunities: China 2020

Six Priorities

Employment
People’s livelihood
Development of market entities
Food and energy security
Industrial and supply chain stability
Smooth community functioning

Premier Li Keqiang’s Work Report to the NPC on May 22, 2020
## Risks and opportunities: China 2020

### Six Priorities
- Employment
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### Six Kisses 六稳（吻）
- Employment
- Finance
- Foreign trade
- Foreign Investment
- Investment (domestic)
- Market expectations

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Risks and opportunities: China 2021

FORGET 2020, WATCH 2021

China GDP growth

GDP Growth

- 2001: GDP Growth 6%
- 2007: GDP Growth 14%
- 2008: GDP Growth 15%

Fiscal stimulus
12.5% of 2008 GDP

Fiscal stimulus
3.5% of 2019 GDP

China joins WTO

Party’s centenary

2020Q1 GDP: -6.8%

Source: National Bureau of Statistics, Asia-analytica
Risks and opportunities: ASEAN

ASEAN SELLS ITSELF SHORT
## Risks and opportunities: ASEAN

### ASEAN

<table>
<thead>
<tr>
<th></th>
<th>ASEAN Exports</th>
<th>ASEAN Imports</th>
</tr>
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<tbody>
<tr>
<td>ASEAN</td>
<td><strong>24.12%</strong></td>
<td><strong>21.91%</strong></td>
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<td><strong>13.85%</strong></td>
<td><strong>20.51%</strong></td>
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<td><strong>7.40%</strong></td>
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Source: ASEANstats.org; Asia-analytica
Risks and opportunities: ASEAN

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**FDI into ASEAN 2018**

- ASEAN: 15.18%
- EU: 14.15%
- Japan: 13.7%
- China: 6.51%
- United States: 5.46%

Source: ASEANstats.org; Asia-analytica
Risks and opportunities: ASEAN

**ASEAN’s sweet spot**

Supply chain

diversification, regionalisation

Investment

Neutral destination

Manufacturing

CHINA Plus One
Risks and opportunities: ASEAN

**ASEAN’s sweet spot**

Supply chain

diversification, regionalisation

<table>
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<tr>
<th>Trade financing</th>
<th>Travel</th>
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<tr>
<td>Trade insurance</td>
<td>Telecommunications</td>
</tr>
<tr>
<td>Shipping</td>
<td>Technology</td>
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<tr>
<td>Warehousing</td>
<td>In-country consumer demand</td>
</tr>
</tbody>
</table>
Risks and opportunities: ASEAN

**ASEAN’s sweet spot**

**Investment**

**Neutral destination**

The 10-member bloc attracted $177 billion in FDI last year – breaking its 2018 record of $155 billion and surpassing China’s take of $140 billion.

Onward bounce: funds from initial destination to other member nations in ASEAN
Risks and opportunities: ASEAN

ASEAN’s sweet spot

Investment

Neutral destination

If you can keep your FDI when all about you are losing theirs and blaming it on you ...
Then clearly you are doing something right

– Not Rudyard Kipling
Risks and opportunities: ASEAN

ASEAN’s sweet spot

Manufacturing

CHINA Plus One
Risks and opportunities: Global outlook

**SHORT SHARP SHOCK**

**OR**

**PROLONGED ECONOMIC PAIN**
## Risks and opportunities: Global outlook

### Latest World Economic Outlook Growth Projections

The COVID-19 pandemic will severely impact growth across all regions.

<table>
<thead>
<tr>
<th>Real GDP, annual percent change</th>
<th>PROJECTIONS</th>
<th></th>
<th></th>
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<tbody>
<tr>
<td></td>
<td>2019</td>
<td>2020</td>
<td>2021</td>
</tr>
<tr>
<td>World Output</td>
<td>2.9</td>
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<tr>
<td>Advanced Economies</td>
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<td>4.5</td>
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<tr>
<td>United States</td>
<td>2.3</td>
<td>-5.9</td>
<td>4.7</td>
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<tr>
<td>Euro Area</td>
<td>1.2</td>
<td>-7.5</td>
<td>4.7</td>
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<tr>
<td>Germany</td>
<td>0.6</td>
<td>-7.0</td>
<td>5.2</td>
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<tr>
<td>France</td>
<td>1.3</td>
<td>-2.7</td>
<td>4.5</td>
</tr>
<tr>
<td>Italy</td>
<td>0.3</td>
<td>-9.1</td>
<td>4.8</td>
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<tr>
<td>Spain</td>
<td>2.0</td>
<td>-8.0</td>
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<tr>
<td>Japan</td>
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<td>United Kingdom</td>
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<tr>
<td>Canada</td>
<td>1.6</td>
<td>-5.2</td>
<td>4.2</td>
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<tr>
<td>Other Advanced Economies</td>
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<tr>
<td>Emerging Markets and Developing Economies</td>
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<td>4.6</td>
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<tr>
<td>Emerging and Developing Asia</td>
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<tr>
<td>China</td>
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<td>1.2</td>
<td>9.2</td>
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<tr>
<td>India</td>
<td>4.2</td>
<td>1.9</td>
<td>7.4</td>
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<tr>
<td>ASEAN-5</td>
<td>4.8</td>
<td>-0.6</td>
<td>7.8</td>
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<tr>
<td>Emerging and Developing Europe</td>
<td>2.1</td>
<td>-5.2</td>
<td>4.2</td>
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<tr>
<td>Russia</td>
<td>1.3</td>
<td>-5.5</td>
<td>3.5</td>
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<tr>
<td>Latin America and the Caribbean</td>
<td>0.1</td>
<td>-5.2</td>
<td>3.4</td>
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<tr>
<td>Middle East and Central Asia</td>
<td>1.2</td>
<td>-2.8</td>
<td>4.0</td>
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<td>Saudi Arabia</td>
<td>0.3</td>
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<td>2.9</td>
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<tr>
<td>Sub-Saharan Africa</td>
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<td>4.1</td>
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<tr>
<td>Nigeria</td>
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<td>-3.4</td>
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<td>South Africa</td>
<td>0.2</td>
<td>-5.8</td>
<td>4.0</td>
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<tr>
<td>Low-Income Developing Countries</td>
<td>5.1</td>
<td>0.4</td>
<td>5.6</td>
</tr>
</tbody>
</table>

**IMF forecast April 2020**

- **Global**: -3.0%  +5.8%
- **US**: -5.9%  +4.7%
- **Euro Area**: -7.5%  +4.7%
- **UK**: -6.5%  +4.0%
- **China**: +1.2%  +9.2%
- **ASEAN-5**: -0.6%  +7.8%
Risks and opportunities: Global outlook

<table>
<thead>
<tr>
<th>Region</th>
<th>2020</th>
<th>2021</th>
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World Bank forecast June 2020
Risks and opportunities: Global outlook

... it depends

... profound uncertainty

... multiple scenario forecasting

... some countries will recover first

... needs coordinated global action

WE DON’T KNOW
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