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HIGH LEVEL DIALOGUE
ON ASEAN ITALY
ECONOMIC RELATIONS

HIGH LEVEL DIALOGUE ON ASEAN ITALY ECONOMIC RELATIONS

1° Digital Round Table
July 2, 2020

PRESENTATION BY RAMESH SUBRAMANIAM

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**High Level Dialogue on ASEAN
Italy Economic Relations
2 July 2020**

Ramesh Subramaniam
Director General, Southeast Asia
Department, ADB

Outline of Discussion

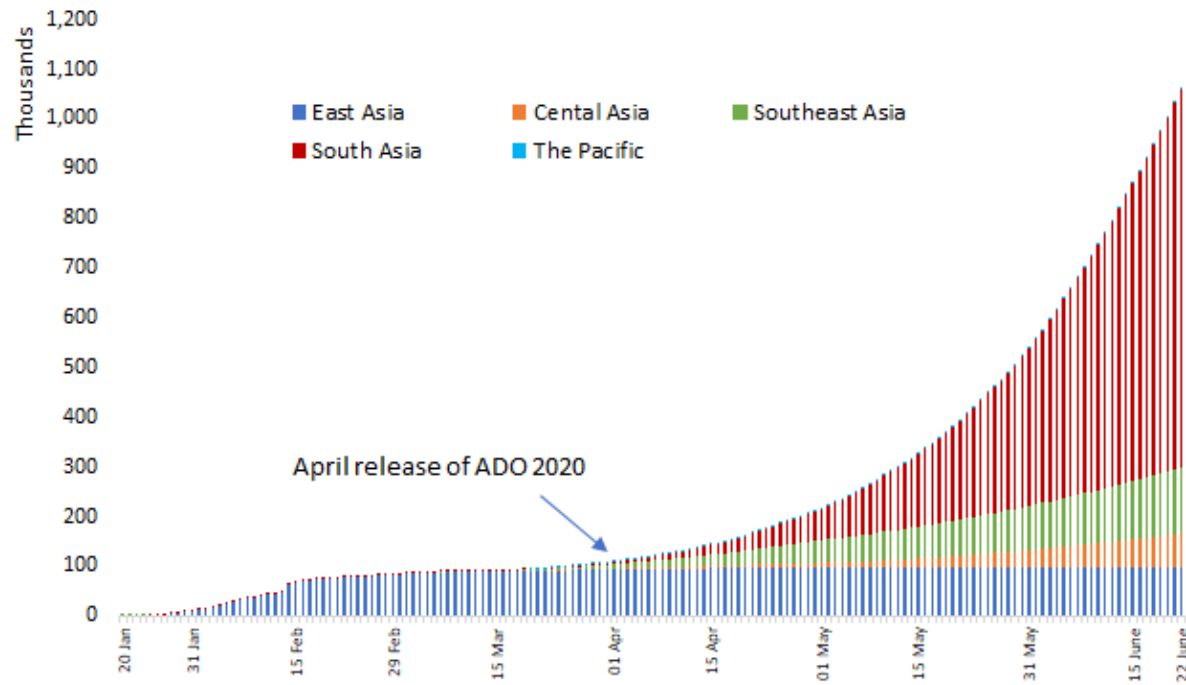
1. ASEAN Health Sector Overview
2. Macroeconomic Outlook after COVID-19
3. GVC after COVID-19

1.ASEAN Health Sector Overview

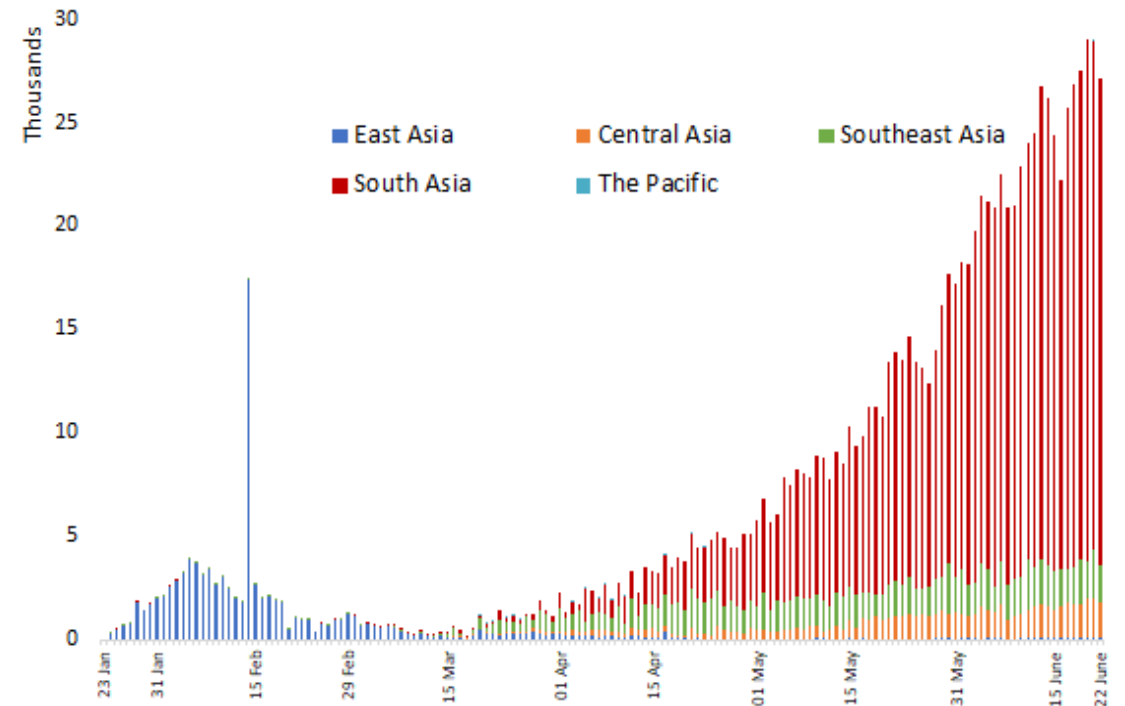
COVID-19 continues to spread across much of developing Asia

Domestic outbreaks have occurred in more economies in the region, with 21 of the ADB's 46 developing members recording more than 1,000 cases each

COVID-19 cases by subregion, cumulative

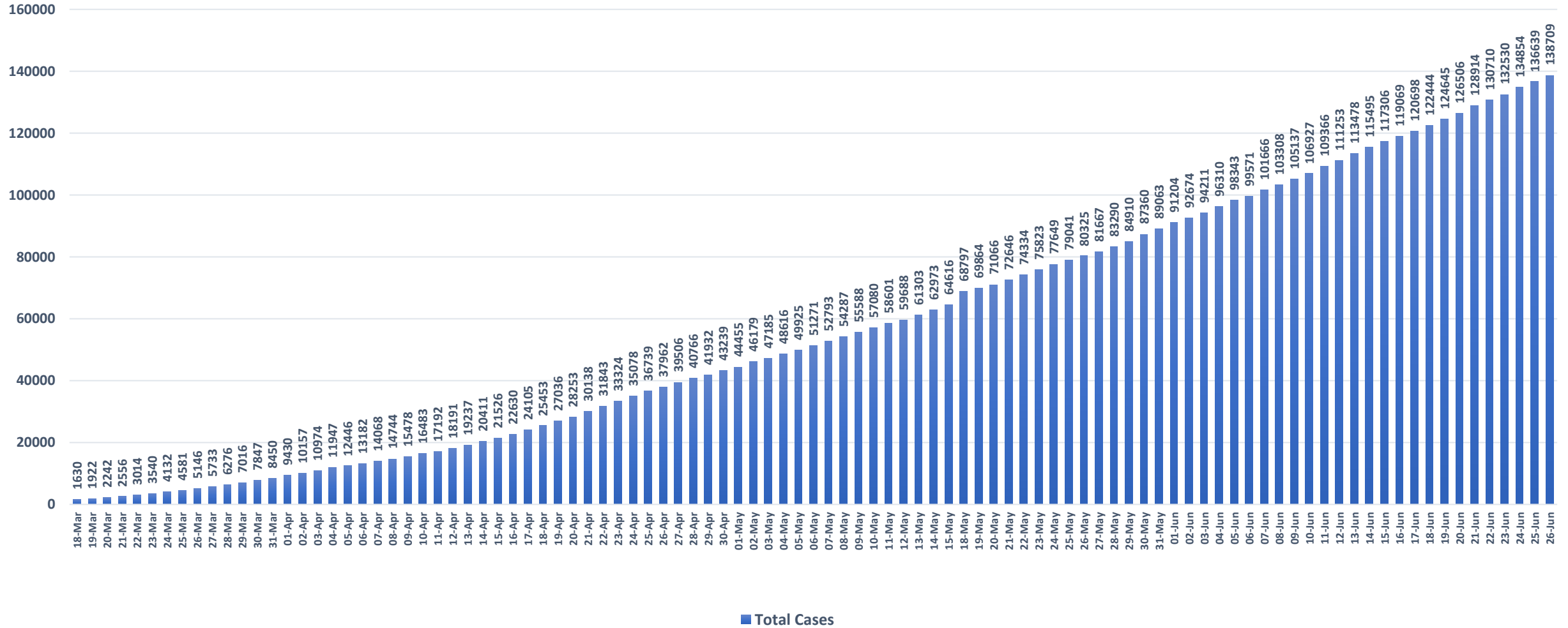


COVID-19 cases by subregion, new cases daily

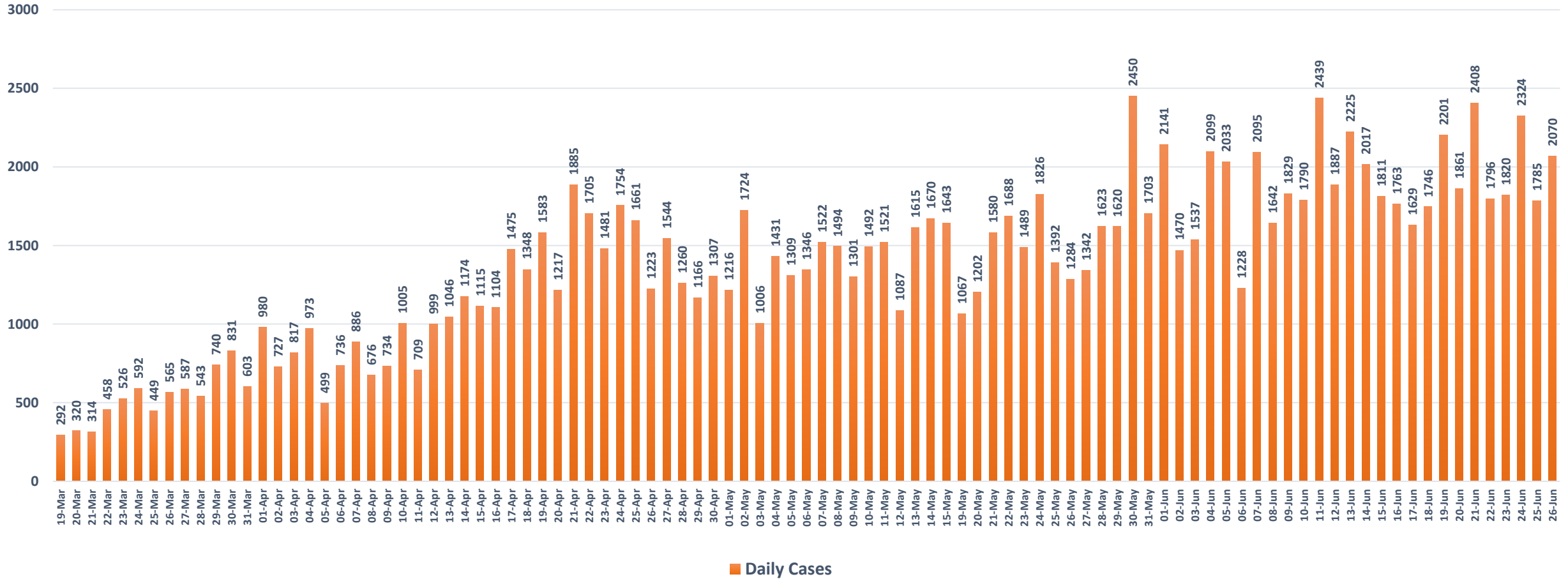


Sources: CEIC Data Company; World Health Organization (accessed 14 June 2020).

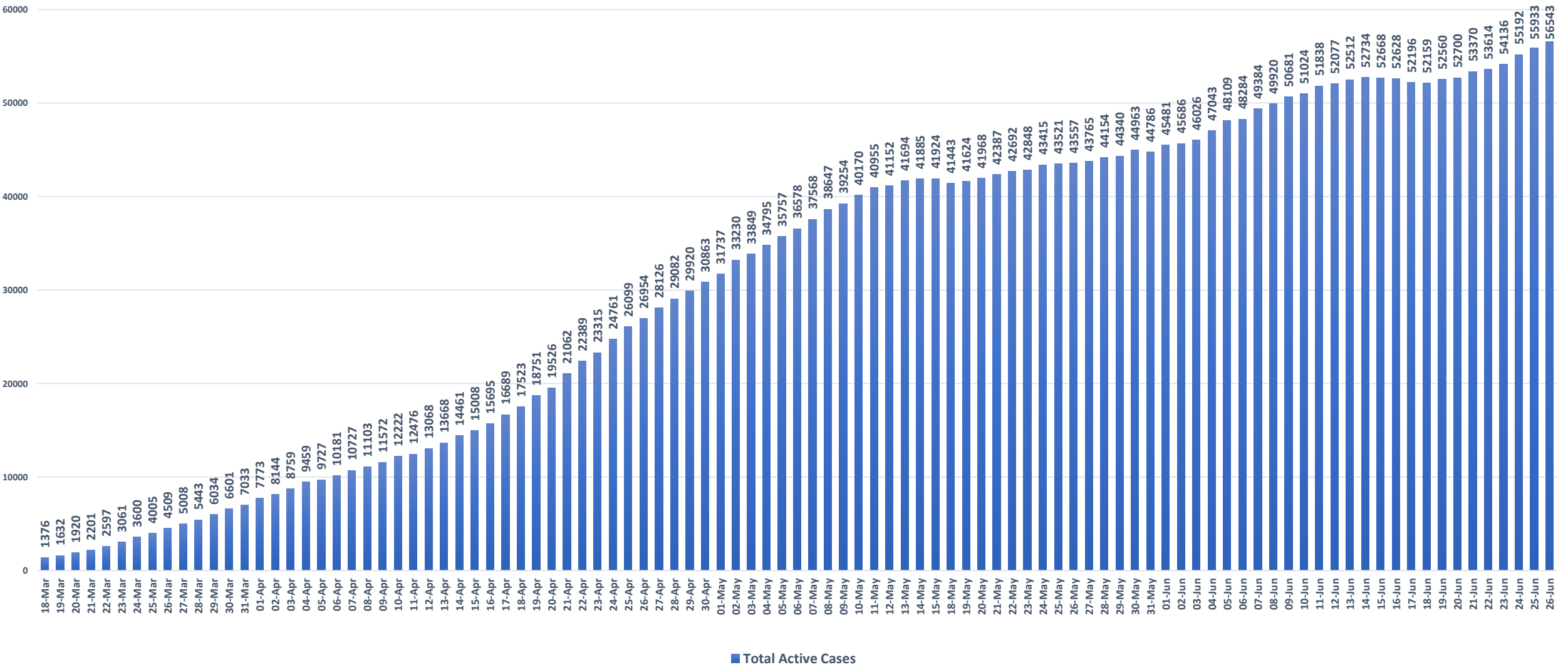
COVID-19 Confirmed Total Cases in Southeast Asia



COVID-19 Confirmed Daily Cases in Southeast Asia



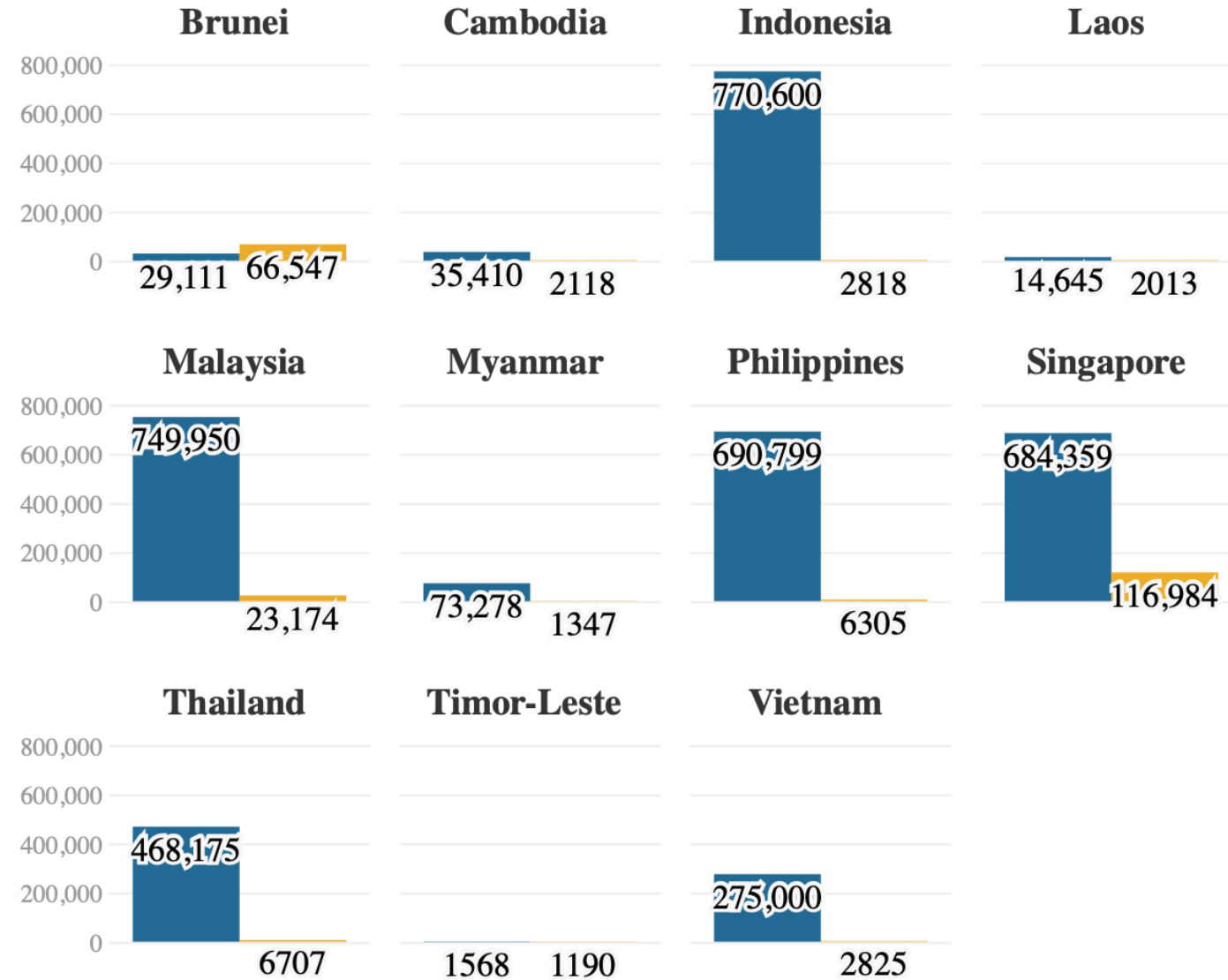
COVID-19 Confirmed Total Active Cases in Southeast Asia



COVID-19 testing by country

As of June 29

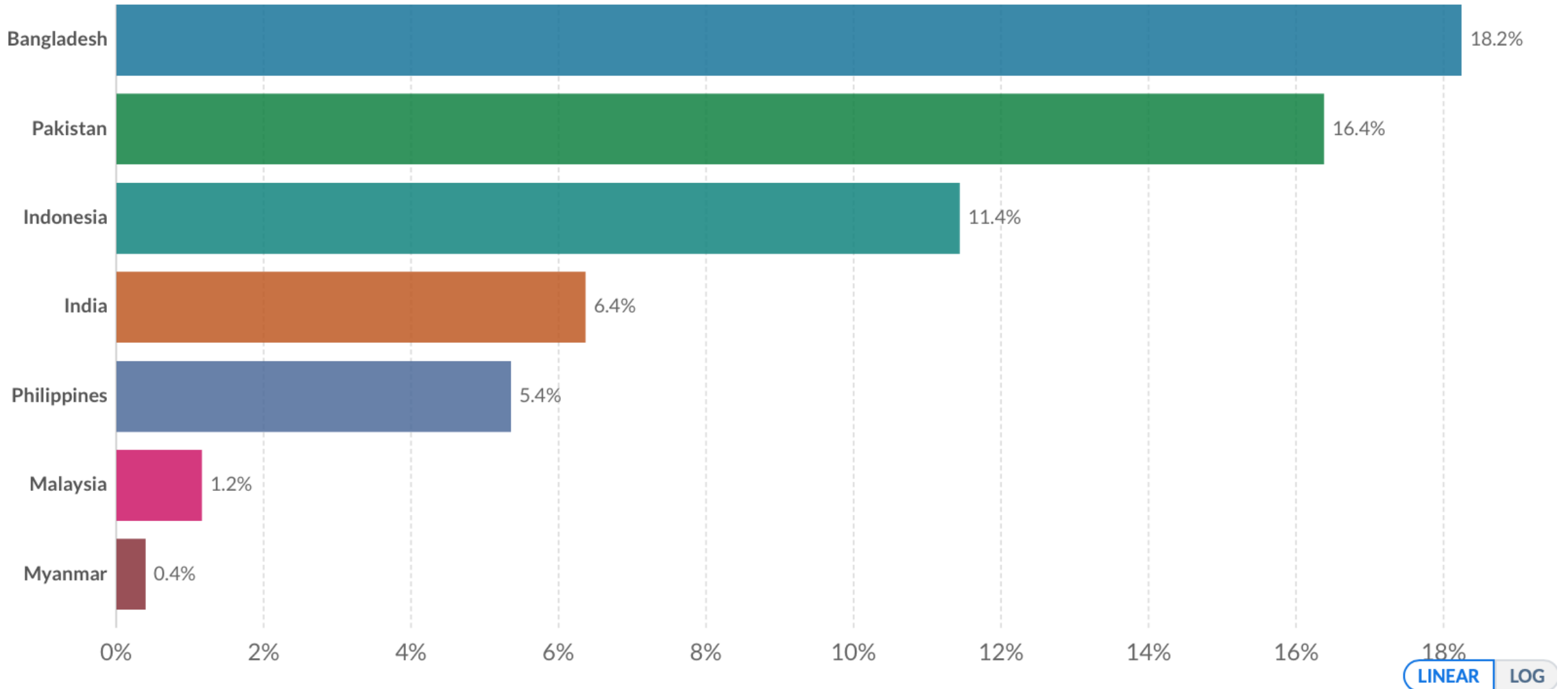
■ Total tests ■ Tests per million population



Sources: [Worldometer](#) • Created by Yvonne T. Chua

The share of COVID-19 tests that are positive , Jun 27, 2020

The number of confirmed cases divided by the number of tests, expressed as a percentage. Tests may refer to the number of tests performed or the number of people tested – depending on which is reported by the particular country.



Source: Official data collated by Our World in Data - Data last updated 1st Jul, 17:33 (GMT+08:00)

Prevention: risk communications and societal involvement

- Viet Nam's success story
 - Public loudspeakers
 - Mass organization networks (eg Women's Union, Farmers' Association, Youth Union)
 - Door-to-door messaging
 - Use of mass media
 - Compulsory mask use in public



Detection: testing

- All countries have a **policy on testing**, including testing criteria and prices to be charged where applicable
- **Burden of cost** falls differently depending on nationality, citizenship/residency, availability of social protection schemes like insurance
- **Type of test (and when administered)** also differs
- Depending on type of test and administrative capacities, **waiting time** for results also differs

COVID-19 Testing

How It's Done in Southeast Asia*

	Policy on Testing	Cost	Type of Test	Waiting Time for Results
Brunei	Free testing for nationals, permanent residents and foreigners if they were in close contact with sick people, or have recent travel history.	-	Nasopharyngeal swab (media reports say tests are done by labs in Singapore)	A day or more
Cambodia	Free testing (and treatment) for nationals and foreigners.	-	Nasal and throat swab, "fast test kits"	-
Indonesia	Free testing (and coverage of all health services related to COVID-19)	2.7 MN IDR (167,62 USD)	PCR (Polymerase chain reaction) test, "rapid" test using blood serum	About 2 days for PCR
Lao PDR	Testing reported on 53 people, including tourists and returning nationals, as of Mar 5. No cases of COVID-19 sickness reported officially.	-	-	-
Malaysia	Testing free if person fulfills certain criteria; Private on-demand testing (medical team collects sample from home) has a cost.	700-950 MYR (164-222 USD)	RT-PCR (Reverse transcription polymerase chain reaction) test (nasopharyngeal swabs)	24 hours
Myanmar	Testing reported on travellers. Kits given by China, Singapore (3,000). More than 100 tested, news reports say. No cases of COVID-19 sickness reported officially.	-	Nasopharyngeal swab	-
Philippines	Testing free, for those covered by Philippine Health Insurance Corp.	1,320 PHP (26 USD) for local kit	RT-PCR test (swab of throat, nasopharyngeal area)	2-3 days
Singapore	Testing free. Treatment free for citizens and long-term residents. Short-term visitors are required to pay.	200 SGD (141 USD)	HTX Covid-19 test kit (nasal swab test), used at immigration checkpoints	3 hours vs 8 hours for hospital tests
Thailand	Testing free if person meets certain criteria, including for foreign residents. Tourists pay own costs. Private testing has to be paid for.	3,000-14,000 THB (94-440 USD)	RT-PCR test (nasal, throat swab), with sputum tests if needed	A few days
Vietnam	Testing free. Treatment free for citizens; visitors need to pay	350,000 VND (15 USD)	Reverse Transcription Loop-mediated Isothermal Amplification (RT-LAMP) kits, RT-PCR kits	Slightly over an hour with RT-LAMP kits

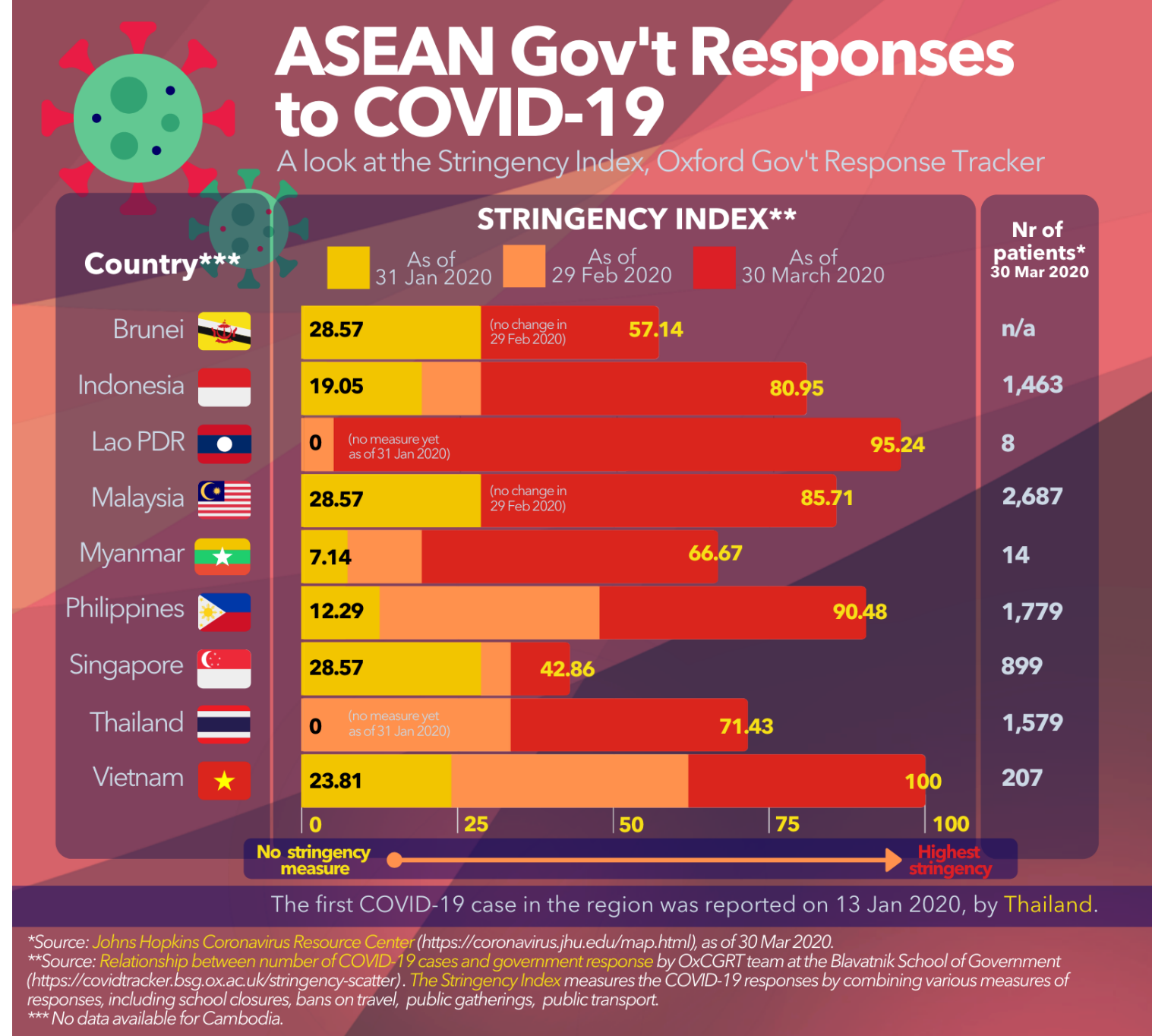
*A compilation of data compiled from reliable media outlets and gov't agencies in ASEAN countries as of 19 March 2020. Please check official sources for more information.
Sources: Borneo Bulletin, Brunei health ministry, Phnom Penh Post, Myanmar Times, Tuoi Tre, VNExpress, Vietnam Investment Review, Straits Times, Asiasone, ABS-CBN News, Philhealth, The Jakarta Post, Tempo, Antara news agency, Xinhuanet, Malaysiakini

<https://www.reportingasean.net/poster-covid-19-testing-done-southeast-asia/>

Response: how strict were governments?

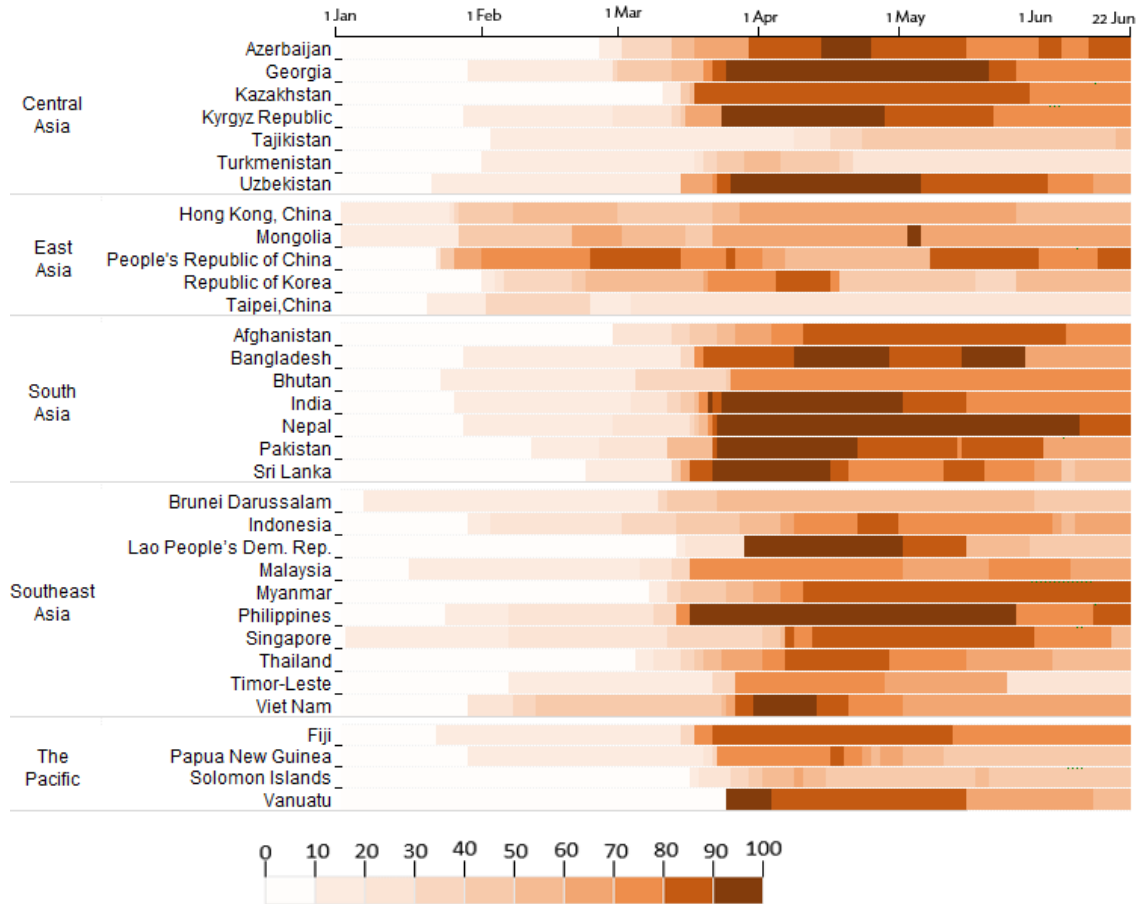
- **Stringency Index** (Oxford University) shows when and which restrictions the governments took
- Countries have taken **different actions** on mobility, physical distancing (school closures, mall closures etc), border controls and so on at different times (yellow, orange, red bars)
- As of end March 2020, three countries with the highest level of stringency were **Viet Nam, Lao PDR and Philippines**
- **Effectivity of implementation** is varied - therefore stringency may not necessarily be directly linked to number of cases or deaths

<https://www.reportingasean.net/asean-countries-restrictions-amid-covid-19/>



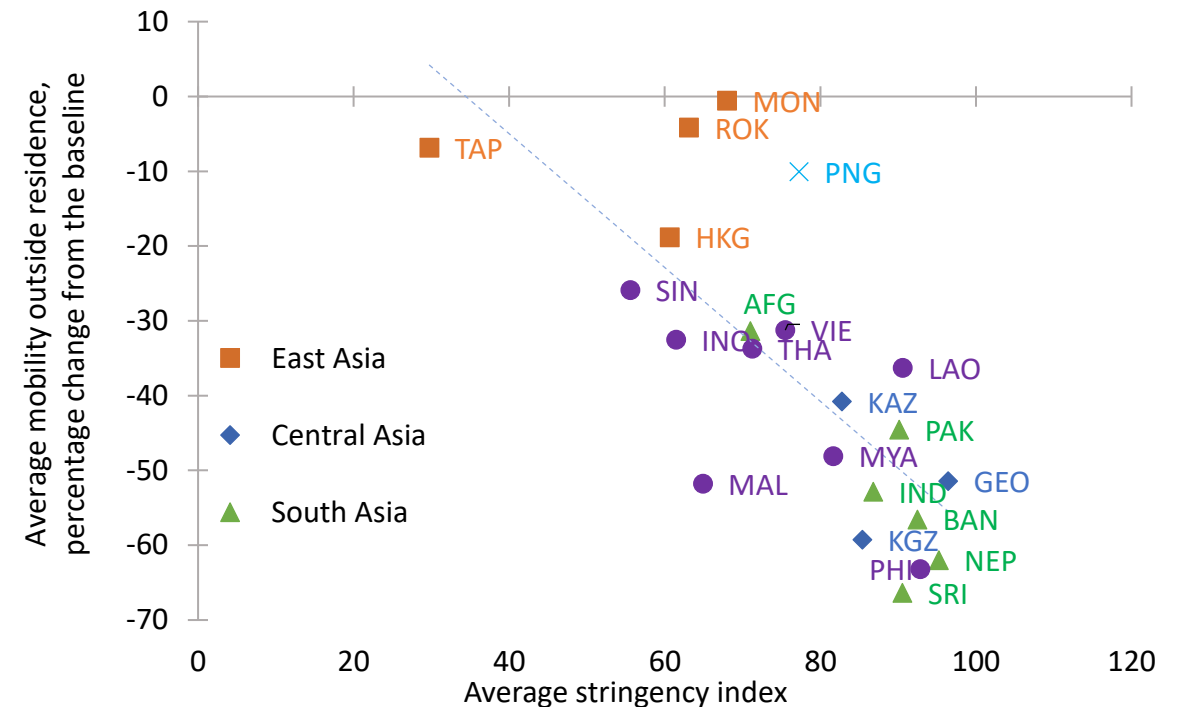
Governments imposed containment measures of varying stringency, which have reduced mobility

COVID-19 Government Response Stringency Index



Note: The Government Response Stringency index is a composite measure of nine response indicators including school closures, workplace closures, and travel bans, rescaled to a value from 0 to 100, with 100 being the strictest response
Source: University of Oxford.

Stringency and mobility in developing Asia



AFG = Afghanistan, BAN = Bangladesh, GEO = Georgia, HKG = Hong Kong, China, IND = India, INO = Indonesia, KAZ = Kazakhstan, KYR = Kyrgyz Republic, LAO = Lao People's Democratic Republic, MAL = Malaysia, MON = Mongolia, MYA = Myanmar, NEP = Nepal, PAK = Pakistan, PNG = Papua New Guinea, PHI = Philippines, ROK = Republic of Korea, SIN = Singapore, SRI = Sri Lanka, TAP = Taipei,China, THA = Thailand, VIE = Viet Nam.

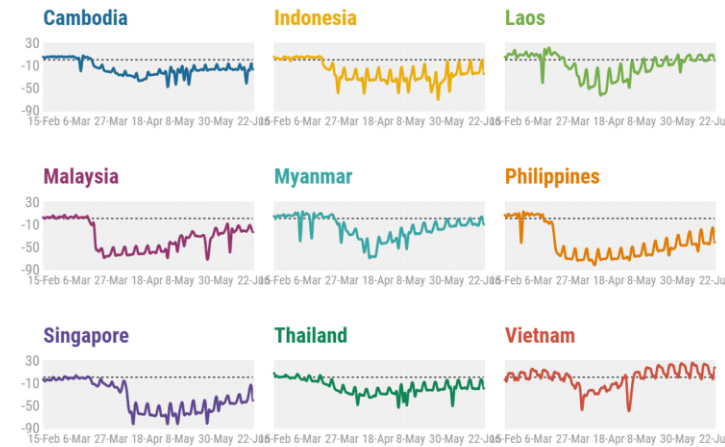
Sources: ADB estimates using data from University of Oxford. *Our World in Data*. <https://ourworldindata.org/grapher/covid-stringency-index>; Google. *Community Mobility Reports*. <https://www.google.com/covid19/mobility/>.

Response: how successful were restrictions?

- Changes in mobility peaked in March and April
- Curves show from May, movements are going back up

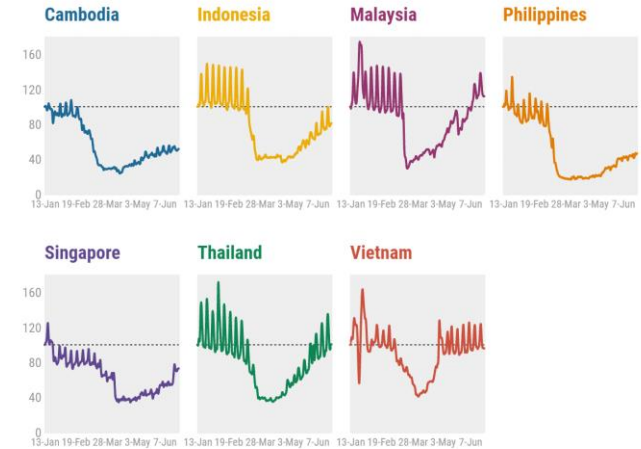
WORKPLACES

Percentage change from baseline: Median value for the corresponding day of the week during Jan 3–Feb 6



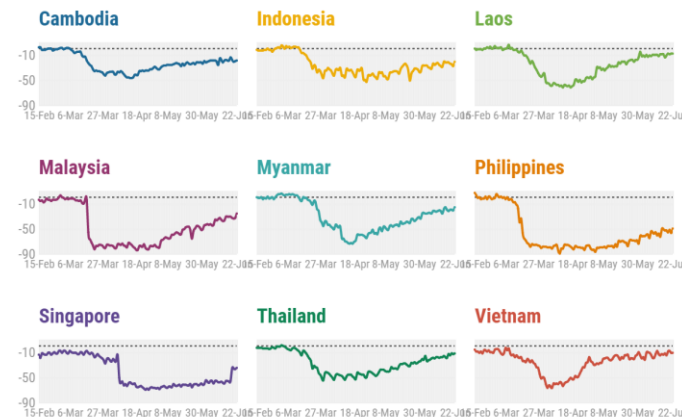
DRIVING

Percentage change from baseline: Jan 13 = 100



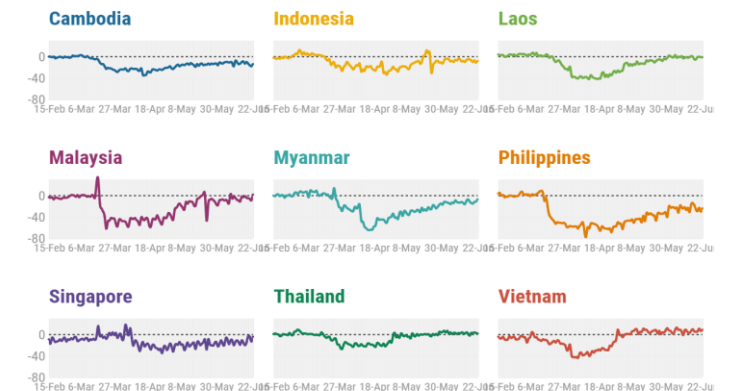
RETAIL AND RECREATION

Percentage change from baseline: Median value for the corresponding day of the week during Jan 3–Feb 6



GROCERY AND PHARMACY

Percentage change from baseline: Median value for the corresponding day of the week during Jan 3–Feb 6



Response: In some cases, health facilities managed well and not overwhelmed

- The relatively advanced health systems (e.g. Malaysia, Singapore & Thailand are very good examples)
 - Quick diagnosis and cautious approach: Malaysia took an unusual step to admit everyone who tests positive (regardless of whether they need treatment) to hospital
 - Buying time: with early and quick quarantine in place, the government strategized to prepare for a few and manageable number of cases, by buying PPE, ensuring sufficient personnel etc, rather than immediately concentrating on complete virus eradication

Response: social protection nexus between health and the economy

- On 13 May, Italy passed a law allowing undocumented workers to apply for 6-month residency permits as part of a 55b euro stimulus package
 - Allows Italy to fill its employment gap while starting to give some additional rights to migrant workers
 - The start of regularization process?

<https://www.csmonitor.com/World/Europe/2020/0521/Lacking-seasonal-workers-Italy-elevates-its-long-shunned-migrants>

The ASEAN's responses to COVID-19: A policy sciences analysis

Preprint - May 2020

DOI: 10.31234/osf.io/8347d

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- Early measures taken by each member state were key to curbing spread of virus
- ASEAN has used its existing health regional mechanism to encourage cohesion in response
- Further work is needed to ensure multi-sectoral, multi-stakeholder response

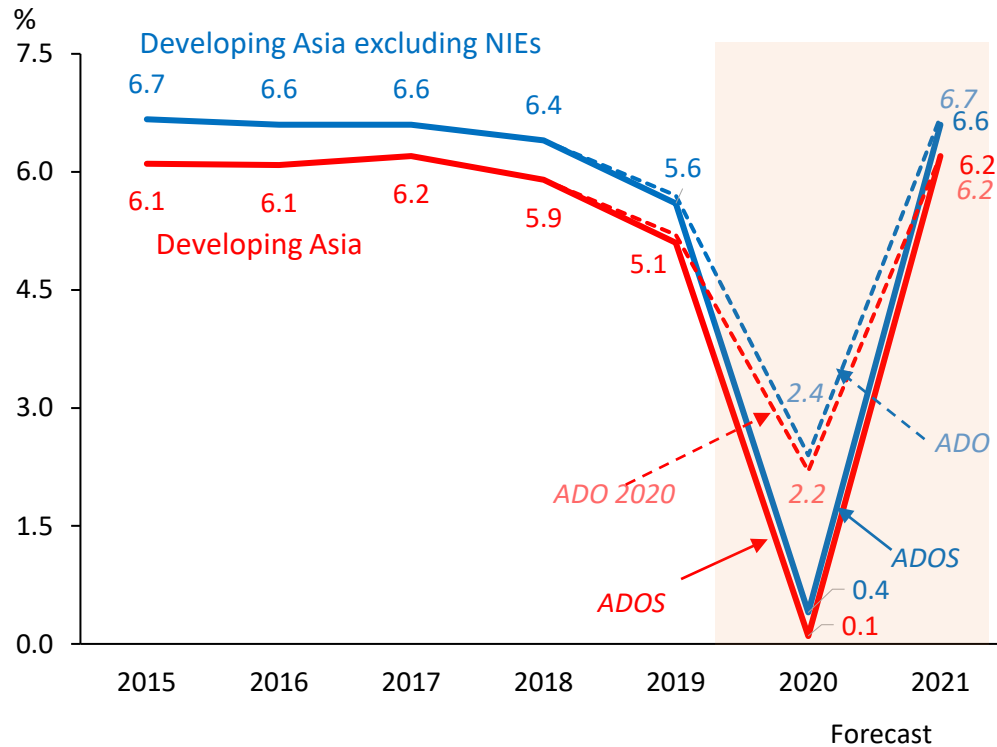
2. Macroeconomic Outlook after COVID-19

Developing Asia will see its lowest growth since 1961, and recovery of GDP levels in 2021 will not be V-shaped

While GDP growth rates will recover in 2021, it will not be enough to fully offset the sharp drop in 2020...

...and GDP levels will be below what they would have been without COVID, in 2021 and possibly beyond.

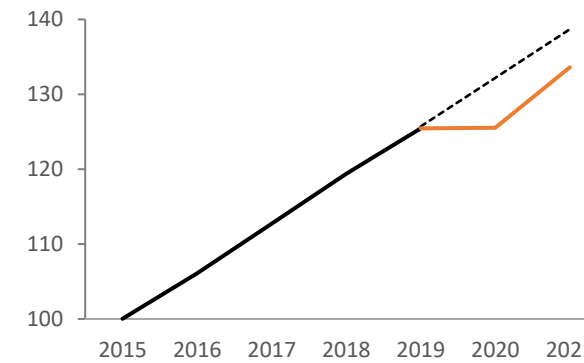
GDP growth outlook in developing Asia



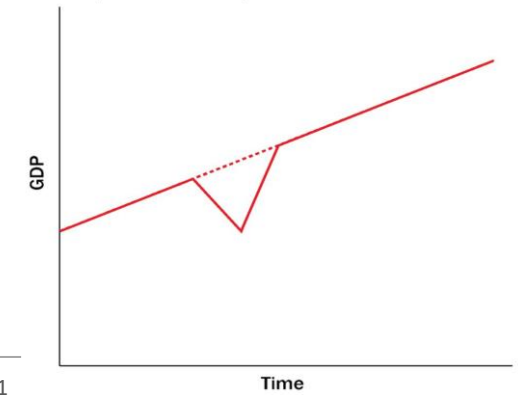
Source: Asian Development Outlook database.

Developing Asia recovery path

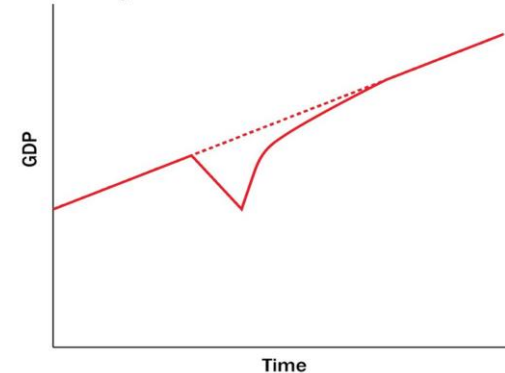
GDP levels, 2015=100



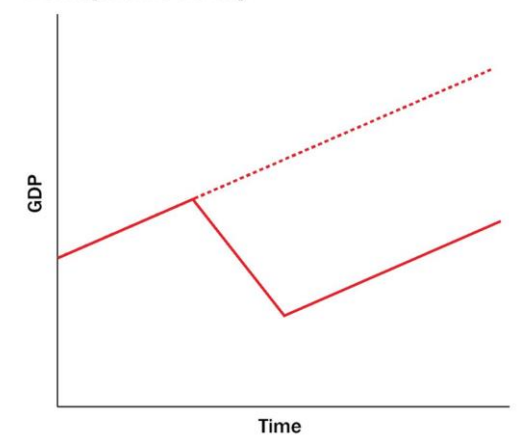
V-Shaped Recovery



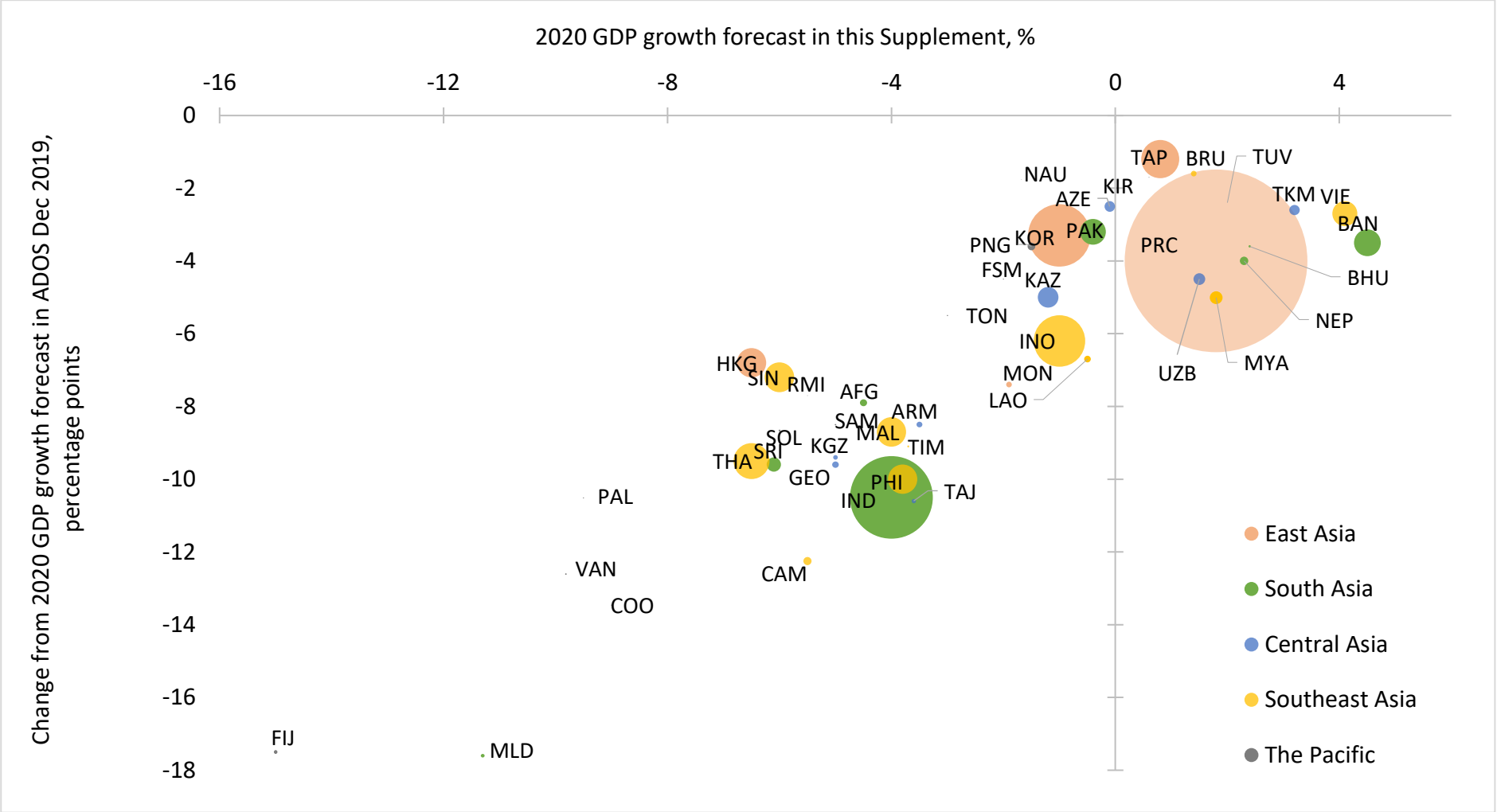
Swoosh-Shaped Recovery



L-Shaped Recovery



Contractions in activity are now expected in most economies



Note: Bubble size indicates the value of 2019 nominal GDP.
 Source: Asian Development Outlook database.

Growth forecasts for all economies have been downgraded

	2020		2021			2020		2021	
	ADO	ADOS	ADO	ADOS		ADO	ADOS	ADO	ADOS
East Asia	2.0	1.3 ▼	6.5	6.8 ▲	South Asia	4.1	-3.0 ▼	6.0	4.9 ▼
Hong Kong, China	-3.3	-6.5 ▼	3.5	5.1 ▲	Bangladesh	7.8	4.5 ▼	8.0	7.5 ▼
People's Rep. of China	2.3	1.8 ▼	7.3	7.4 ▲	India	4.0	-4.0 ▼	6.2	5.0 ▼
Republic of Korea	1.3	-1.0 ▼	2.3	3.5 ▲	Pakistan	2.6	-0.4 ▼	3.2	2.0 ▼
Taipei, China	1.8	0.8 ▼	2.5	3.5 ▲	Central Asia	2.8	-0.5 ▼	4.2	4.2
Southeast Asia	1.0	-2.7 ▼	4.7	5.2 ▲	Azerbaijan	0.5	-0.1 ▼	1.5	1.2 ▼
Indonesia	2.5	-1.0 ▼	5.0	5.3 ▲	Kazakhstan	1.8	-1.2 ▼	3.6	3.4 ▼
Malaysia	0.5	-4.0 ▼	5.5	6.5 ▲	The Pacific	-0.3	-4.3 ▼	2.7	1.6 ▼
Philippines	2.0	-3.8 ▼	6.5	6.5	Fiji	-4.9	-15.0 ▼	3.0	-0.7 ▼
Singapore	0.2	-6.0 ▼	2.0	3.2 ▲	Papua New Guinea	0.8	-1.5 ▼	2.8	2.9 ▲
Thailand	-4.8	-6.5 ▼	2.5	3.5 ▲	Excluding NIEs	2.4	0.4 ▼	6.7	6.6 ▼
Viet Nam	4.8	4.1 ▼	6.8	6.8					
Developing Asia	2.2	0.1 ▼	6.2	6.2					

▲ = upgraded forecast, ▼ = downgraded forecast, no sign = unchanged.

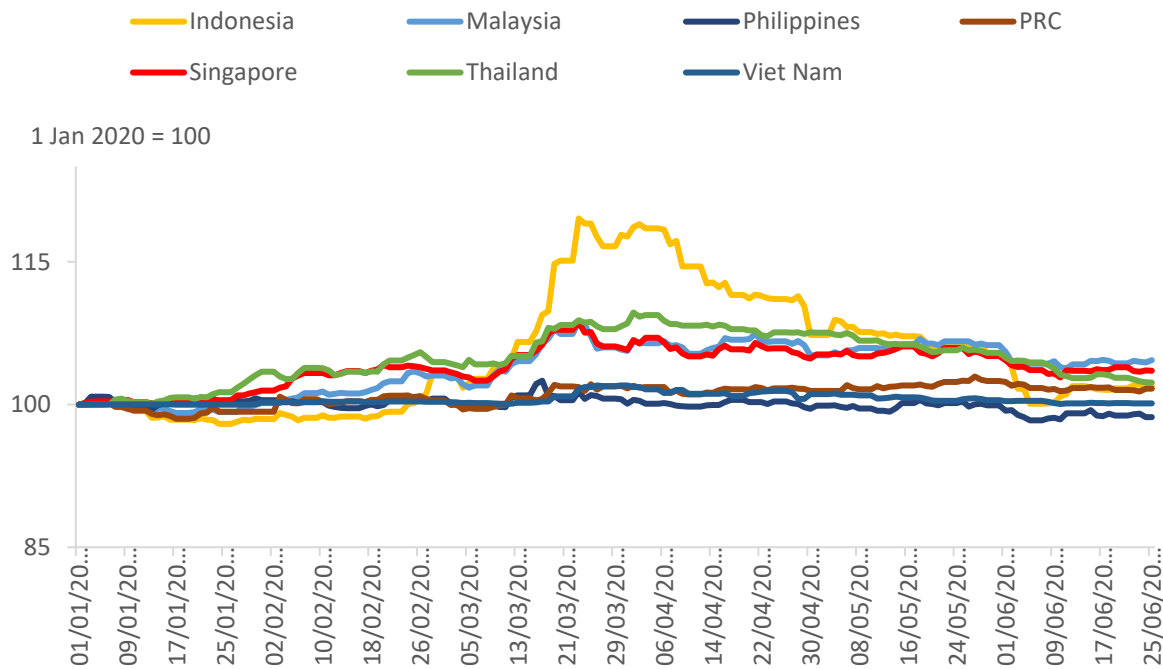
Source: Asian Development Outlook database.

Since the market turmoil in early March, exchange rates and capital flows have recovered...

Exchange rates have not depreciated by much...

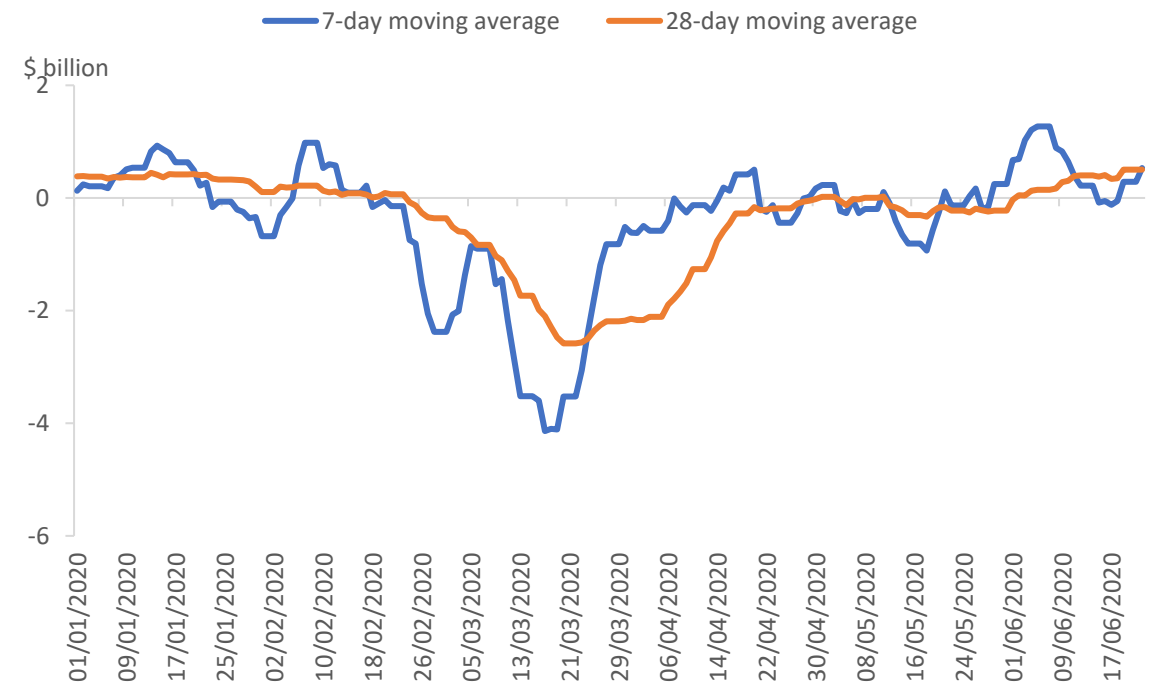
...and portfolio flows to the region have stabilized.

Exchange rate movement in the PRC and Southeast Asia



Source: Bloomberg (accessed June 25, 2020).

Portfolio flows to Emerging Asia



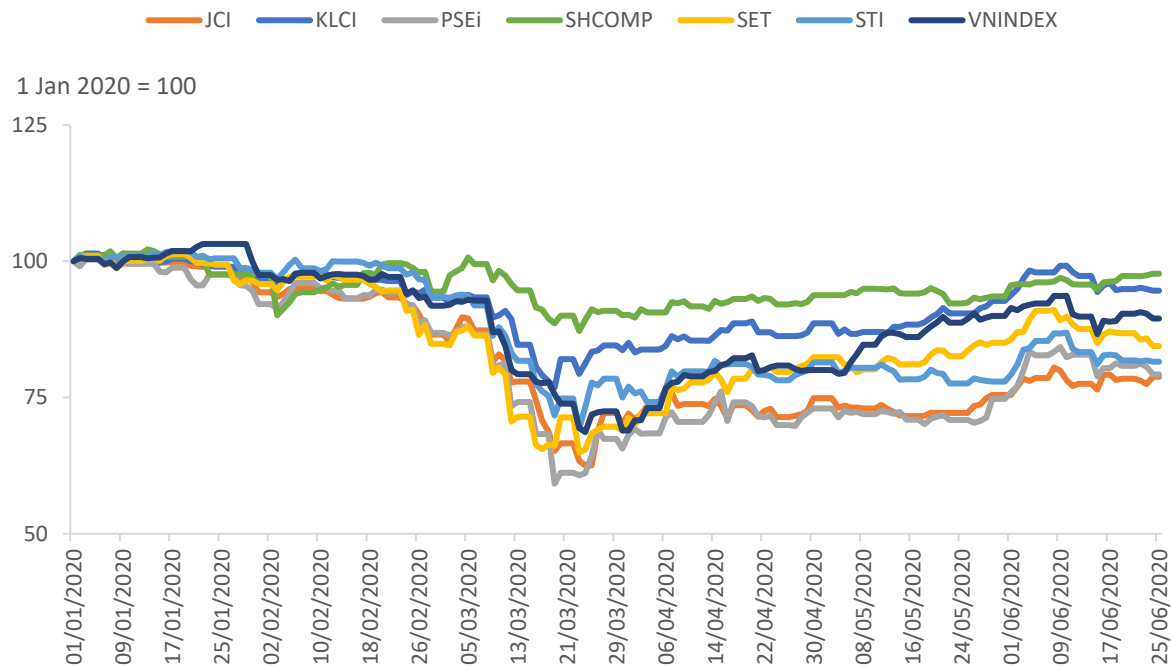
Source: Institute of International Finance.

...as have equity and bond markets.

Many equities have recovered well from their lows...

...and bond spreads in the region have narrowed since March.

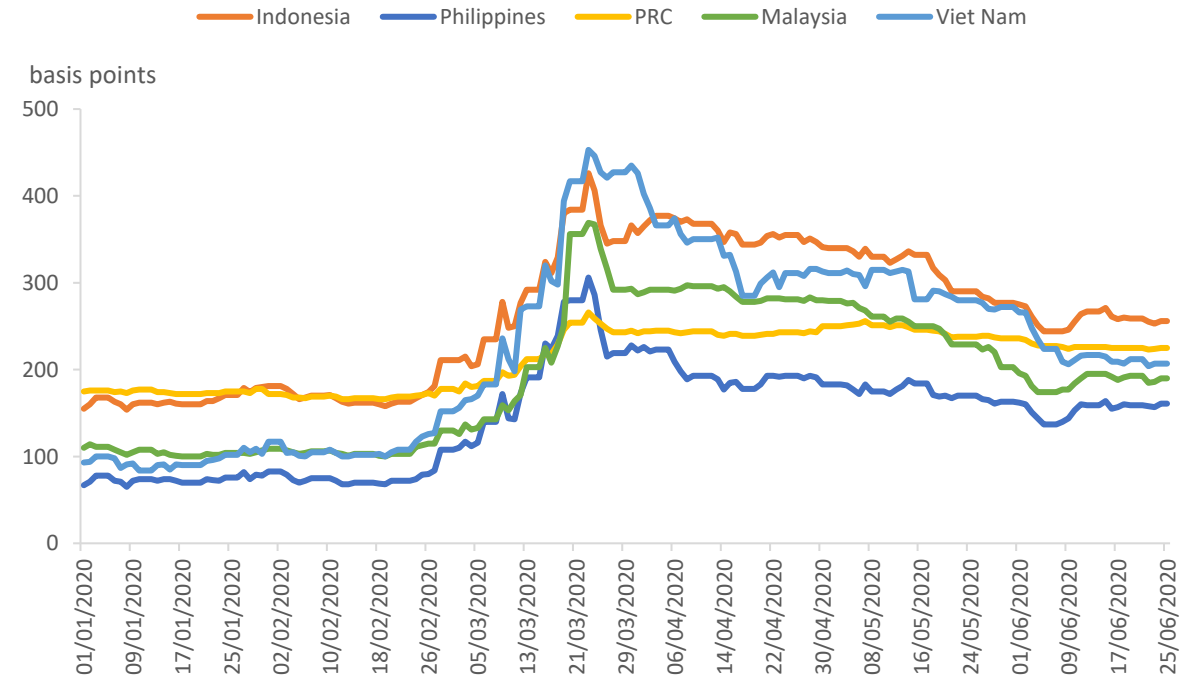
Equity market indexes in the PRC and Southeast Asia



Notes: Notes: JCI = Jakarta Stock Exchange Composite Index; KLCI = Kuala Lumpur Composite Index; PSEi = Philippine Stock Exchange Index; SET = Stock Exchange of Thailand Index; SHCOMP = Shanghai Stock Exchange Composite Index; STI = Singapore Strait Times Index; and VNINDEX = Vietnam Ho Chi Minh Stock Index.

Source: Bloomberg (accessed June 25, 2020).

JP Morgan EMBI stripped spreads in the PRC and Southeast Asia



Notes: The stripped spread is the yield on sovereign dollar-denominated bonds relative to comparable US Treasuries, and stripped of any collateral effect and other potential enhancements.

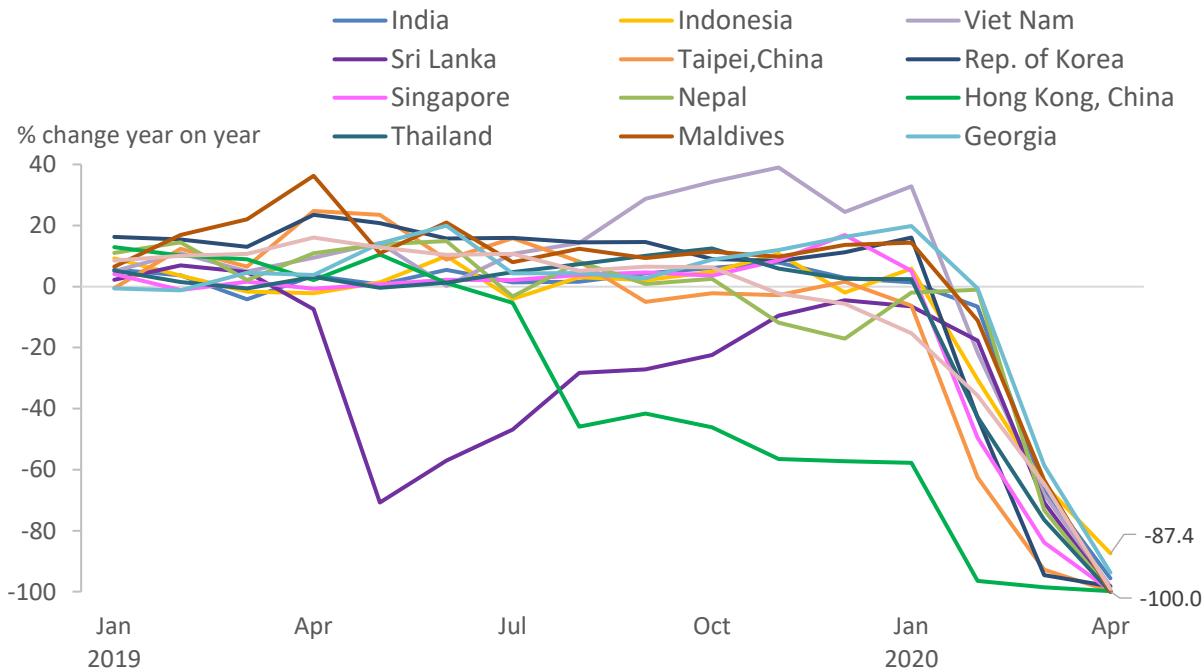
Source: Bloomberg (accessed June 25, 2020).

We are in the midst of a global tourism collapse...and a full recovery in travel and tourism will take time

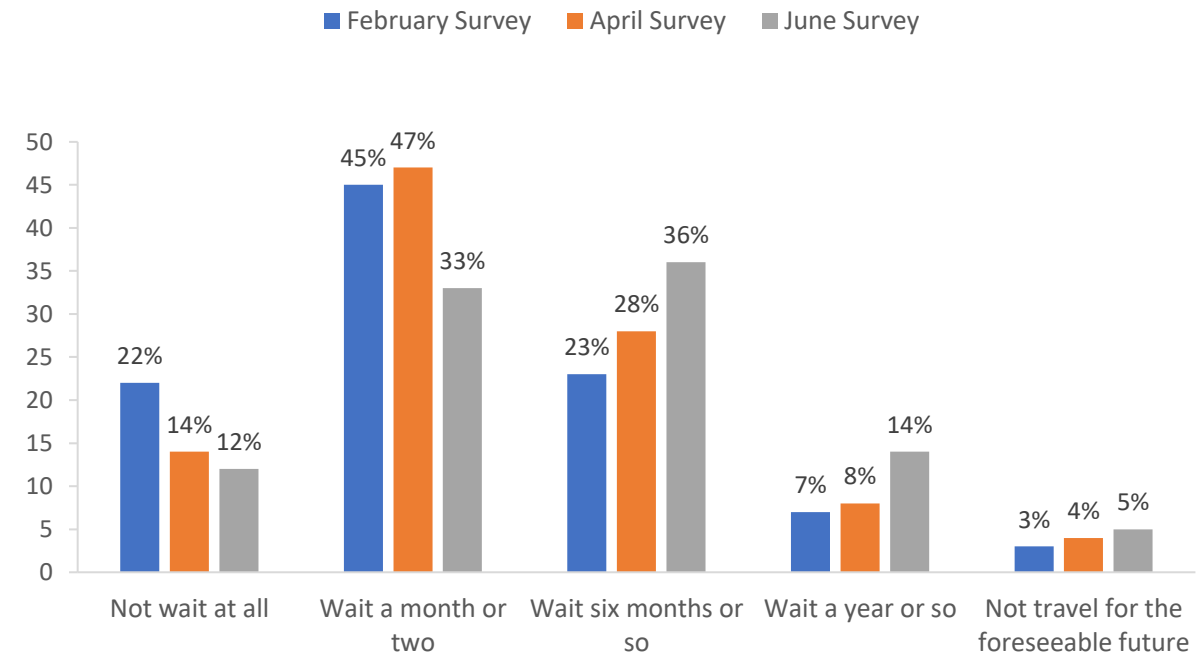
For the 24 economies with tourist arrivals data available for April, the year-on-year decline in arrivals ranges from 87% to 100%.

55% of respondents said that even after travel restrictions are lifted, they would wait six months to a year or more before traveling—or they had set aside travel plans altogether.

Decline in tourist arrivals, selected developing Asian economies



Travel plans after bans are lifted

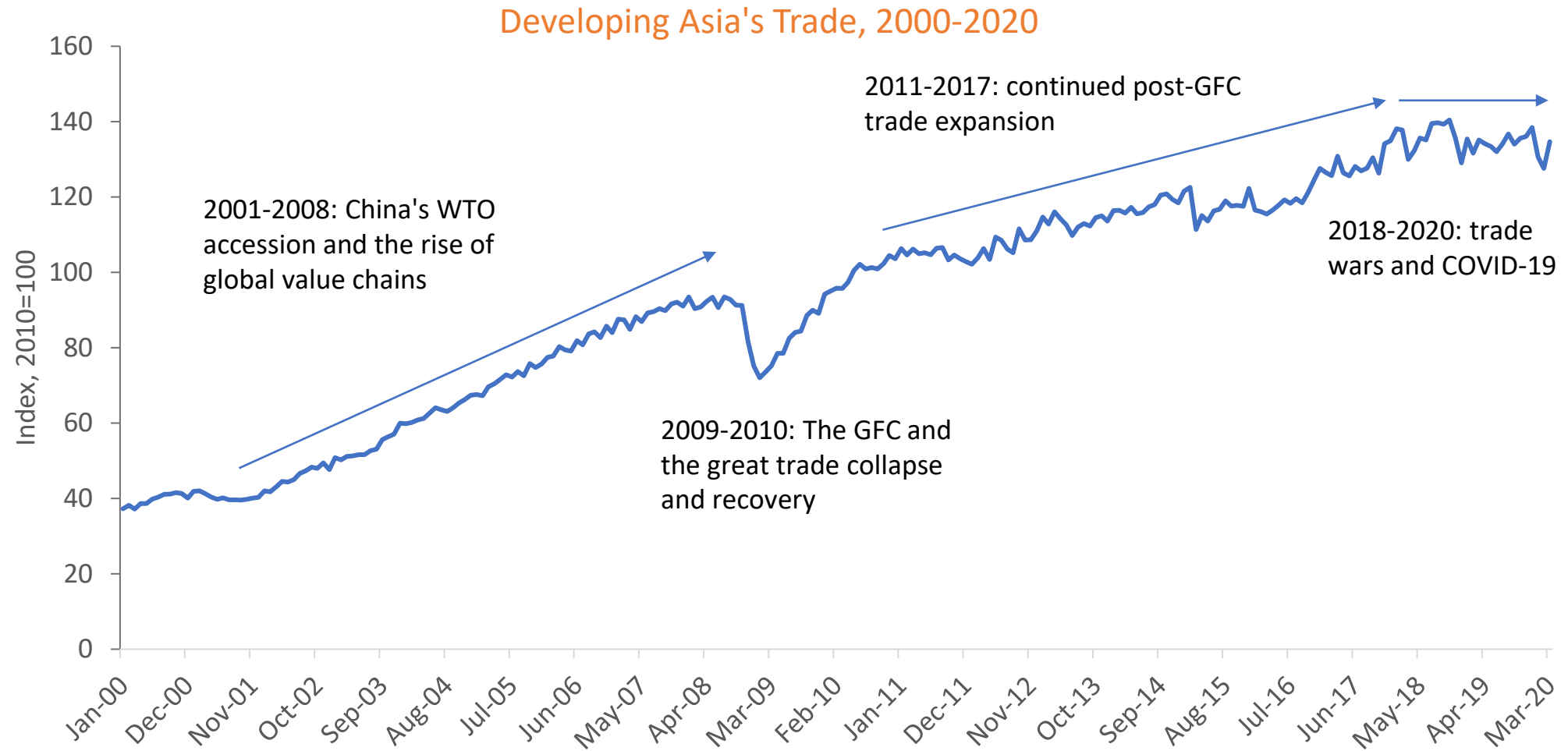


Note: April data for Cook Islands is a mirror data of arrivals from AUS/NZL.
Sources: CEIC Data Company; IMF Tourism Tracker; and country official sources.

Source: IATA

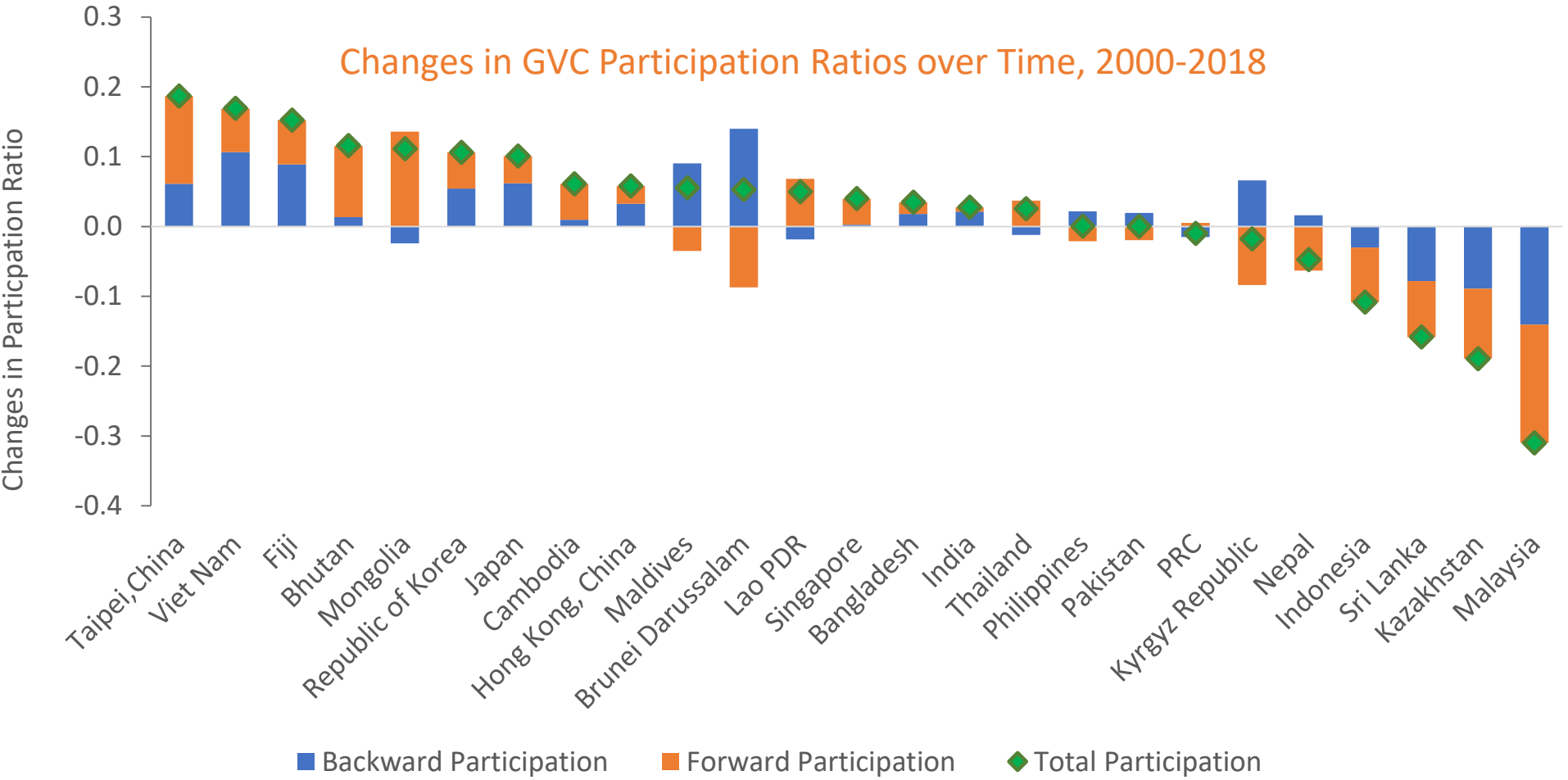
3. Trade and GVC after COVID-19

Asia's trade has stagnated since the US-China war...



Source: CPB Netherlands Bureau for Economic Policy Analysis' World Trade Monitor

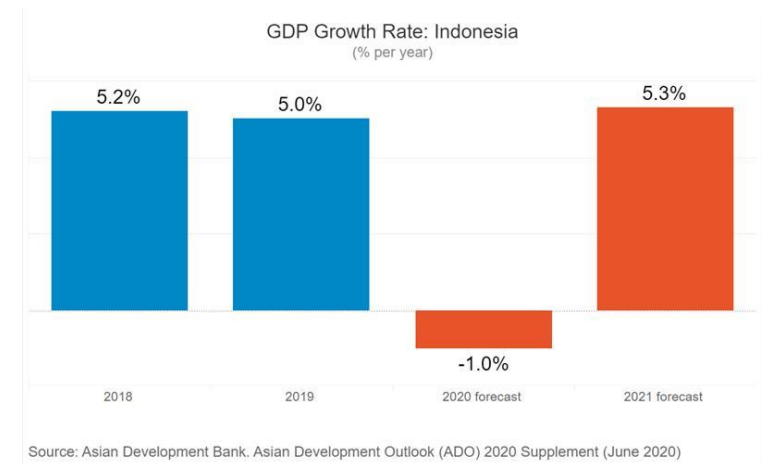
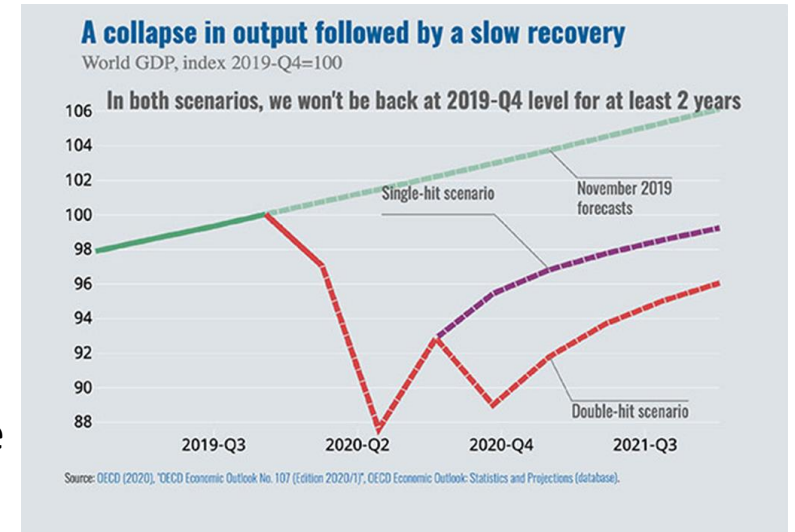
With implications for global value chains



Lao PDR=Lao People's Democratic Republic, PRC=People's Republic of China
 Source: ADB estimates; and Asian Development Bank Multiregional Input-Output Tables 2000 and 2018

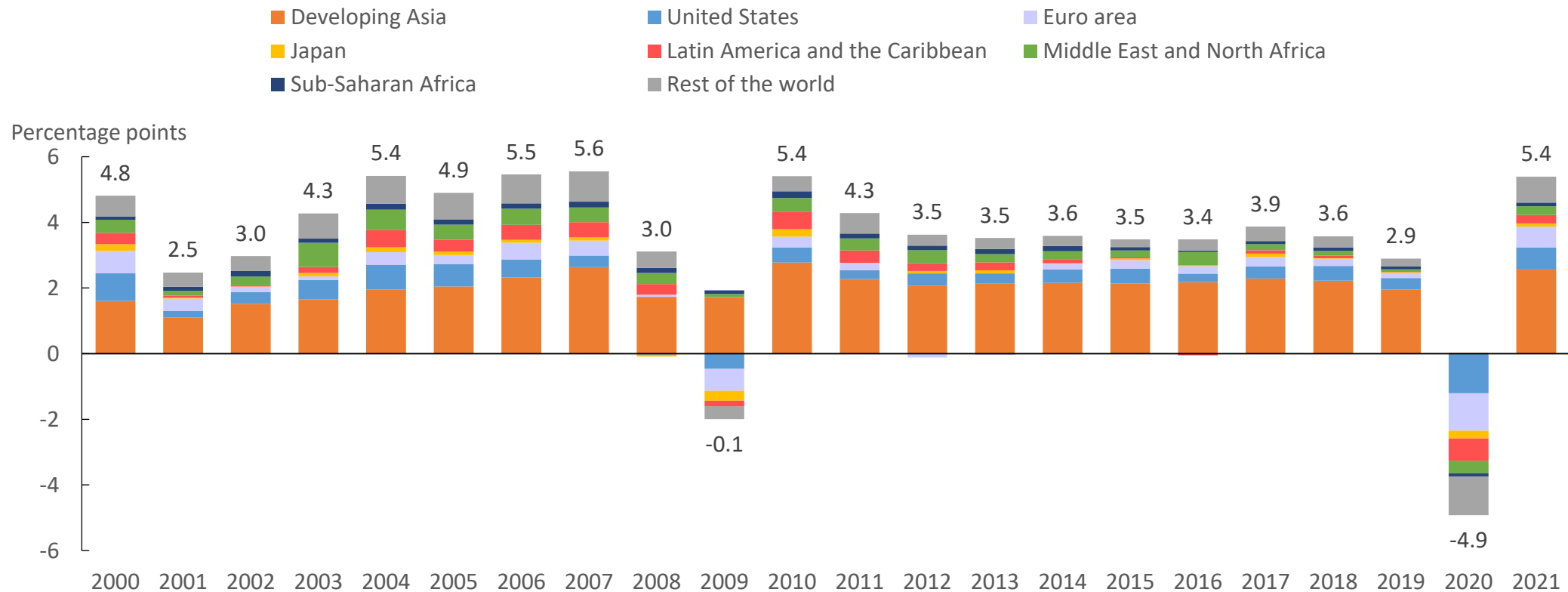
Many SE Asian economies face an uncertain medium-term outlook from the pandemic plus acceleration of megatrends

- Developing Asia will see its lowest growth since 1961, with recovery of GDP levels in 2021 only partial
- Many economies are forecast to contract in 2020 - for the first time since Asian financial crisis [Indonesia, as an illustration, is shown in graphs]
- A multidimensional crisis on health and social well-being, lower household income and rising inequality, and disruption to business activities
- Successive waves of outbreak of the disease, and the economic disruption it will cause, tilt the risk to the downside, while global availability of vaccine present upside risk to the outlook
- Several large and mid-sized economies could seize the opportunity and undertake deep structural reforms to propel endogenous sources of growth (human capital, innovation, knowledge, competitiveness, green economy)



Developing Asia will still drive global growth post-COVID

Contributions to global growth



Source: Asian Development Outlook database; World Economic Outlook database, April 2020.

THANK YOU!

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