krungsri Research

A member of MUFG a global financial group

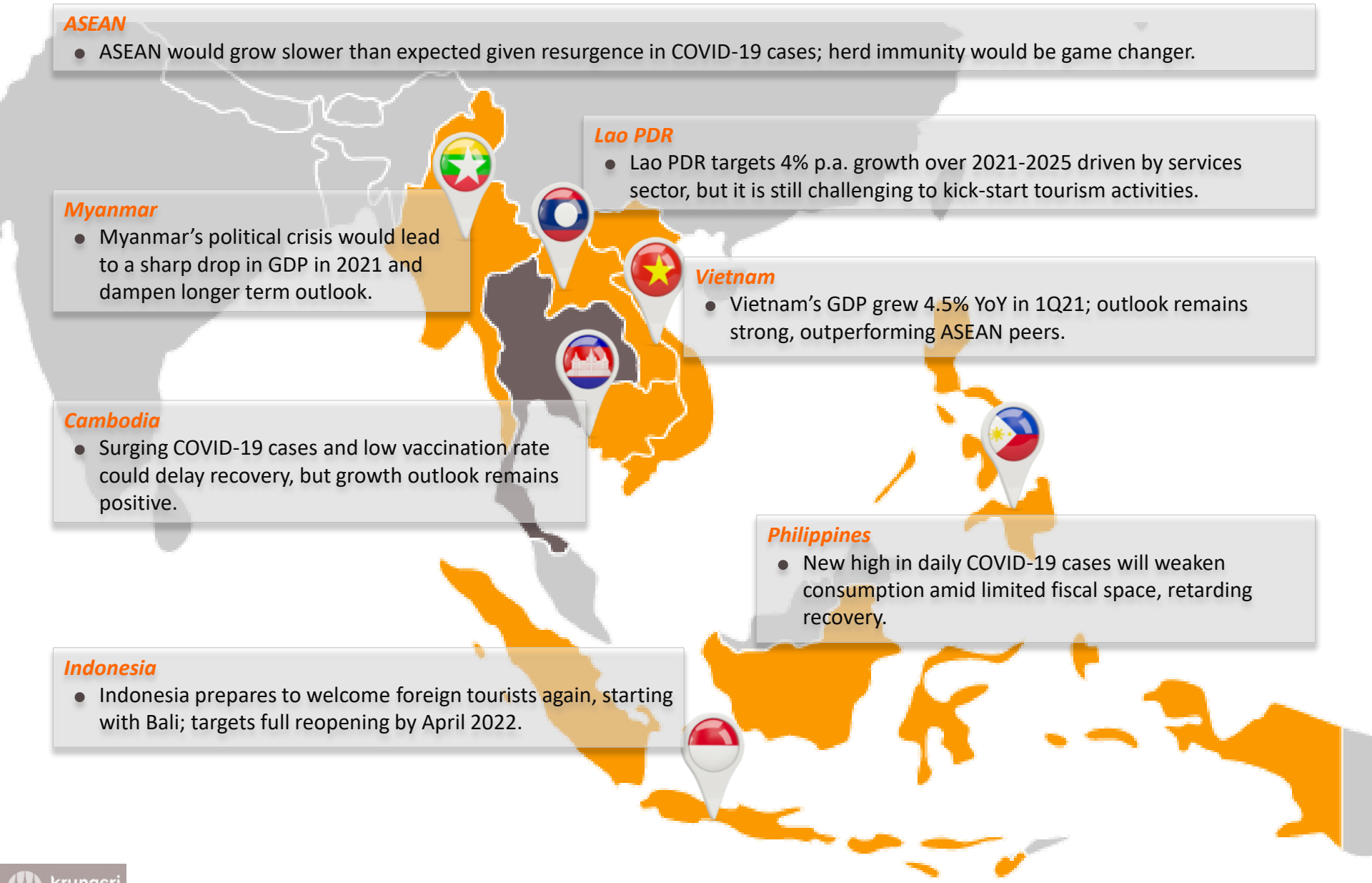
MONTHLY REGIONAL UPDATE

April 2021



Krungsri Research

Regional Economic and Policy Developments in April



ASEAN

- ASEAN would grow slower than expected given resurgence in COVID-19 cases; herd immunity would be game changer.

Lao PDR

- Lao PDR targets 4% p.a. growth over 2021-2025 driven by services sector, but it is still challenging to kick-start tourism activities.

Myanmar

- Myanmar's political crisis would lead to a sharp drop in GDP in 2021 and dampen longer term outlook.

Vietnam

- Vietnam's GDP grew 4.5% YoY in 1Q21; outlook remains strong, outperforming ASEAN peers.

Cambodia

- Surging COVID-19 cases and low vaccination rate could delay recovery, but growth outlook remains positive.

Philippines

- New high in daily COVID-19 cases will weaken consumption amid limited fiscal space, retarding recovery.

Indonesia

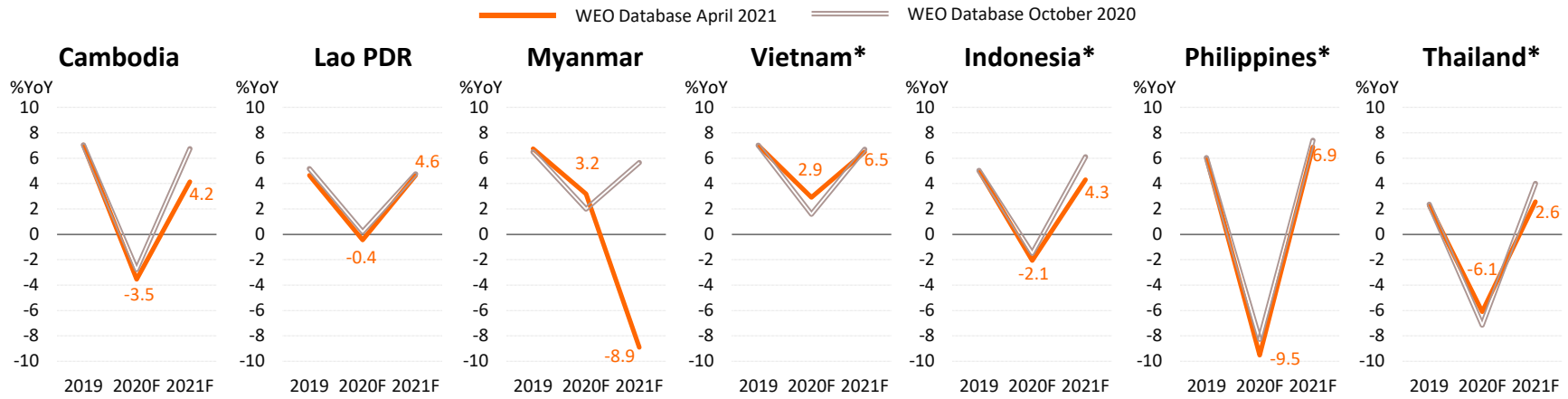
- Indonesia prepares to welcome foreign tourists again, starting with Bali; targets full reopening by April 2022.

ASEAN would grow slower than expected given resurgence in COVID-19 cases; herd immunity could be game changer

Krungsri Research's view

- ASEAN economy is expected to rebound. The IMF forecasts most countries would grow by more than 4% in 2021. However, the growth projection for each country is lower than its previous forecast (in October 2020).
- **Our forecast for most countries is in line with IMF's latest projection. Economic growth in the Philippines and Cambodia could be weaker than expected because of the latest COVID-19 outbreak** that included the discovery of mutant strains. Some countries could face vaccine shortages and delays, which would delay the full reopening of their borders. In addition, vaccine-resistant strains could be a risk as they would reduce the effectiveness of current vaccines and trigger another wave of infections. **Achieving herd immunity could be a game changer for these economies.**
- We expect **Vietnam** to continue to experience strong economic recovery after posting +2.9% GDP growth in 2020. They are not only benefitting from recovering global demand, but also resilient domestic demand. **Indonesia** could deliver outstanding growth because of good progress in the vaccination program. Domestic consumption is expected to improve gradually to support growth. Pinning hopes on herd immunity, the country plans to kick-start the tourism sector by reopening its largest tourist destination, Bali, to foreigners. **Cambodia**'s economy would also rebound driven by the improving external sector and investment, but at a slower pace than we previous expected due to the latest outbreak amid slow progress in its vaccination program. **The Philippines**' GDP would expand but only to close to the lower end of the government's target as the country has the highest number of new cases among ASEAN (77 per 1,000 population vs 36 for ASEAN). **Laos** would find it challenging to achieve its 4% official growth target given weak economic stability. **Myanmar** would register the deepest contraction in its history given the political unrest.

IMF's Real GDP growth projection (2019-2021)

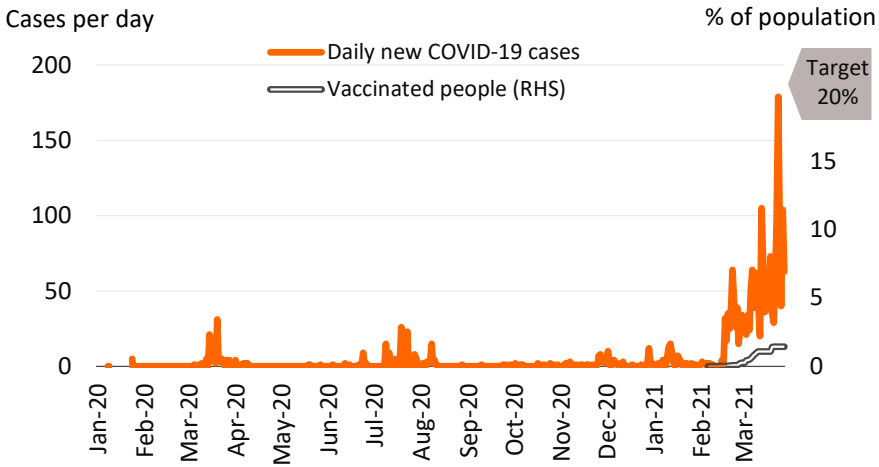


Note: F = Forecast, * April 2021 data for 2020 is actual.

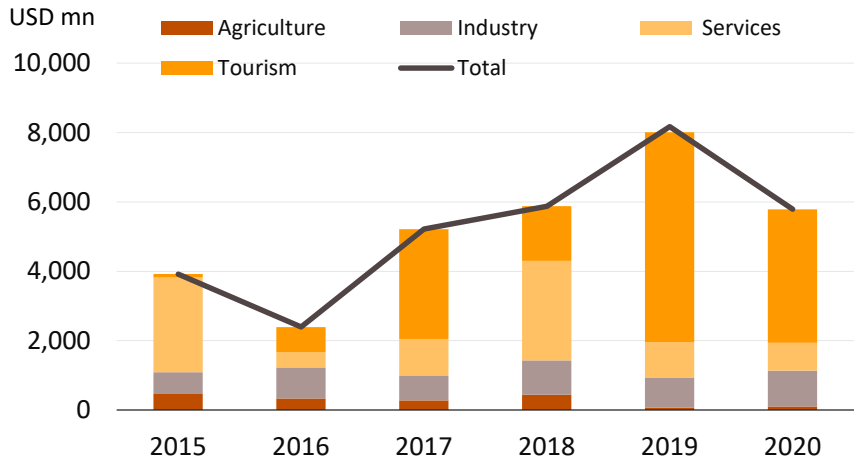
Source: IMF's World Economic Outlook (WEO) Database, Krungsri Research

Cambodia: Surging virus cases and slow vaccination could delay recovery, but growth outlook remains positive

Daily new COVID-19 cases and vaccinated people



Cambodia: FDI by sector



Source: WHO, Trademap, CEIC, Krungsri Research

Cambodia's exports by major product (% YoY)

Products	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20
Total exports	25.5	22.7	-15.3	-0.5	24.9	40.4	50.2	11.5	29.3	13.1	-6.6	20.7
Garment	16.9	9.3	-13.3	-13.2	-26.2	-17.7	-7.8	-27.0	-15.9	-8.0	-20.0	0.5
Footwear	5.2	3.0	-1.9	-0.6	-2.5	-1.4	-0.3	-3.0	-1.8	-1.1	-3.6	-2.1
Electrical parts	0.8	1.3	0.8	-0.5	1.3	5.0	7.8	6.2	6.9	3.1	2.8	4.2
Vehicle parts	0.2	0.1	0.2	0.4	0.1	0.4	0.4	0.1	0.5	0.6	0.5	0.5
Bicycle	-0.4	1.3	0.1	1.4	1.6	1.4	1.0	-0.2	1.2	0.7	0.7	1.0

Cambodia's exports by major market (% YoY)

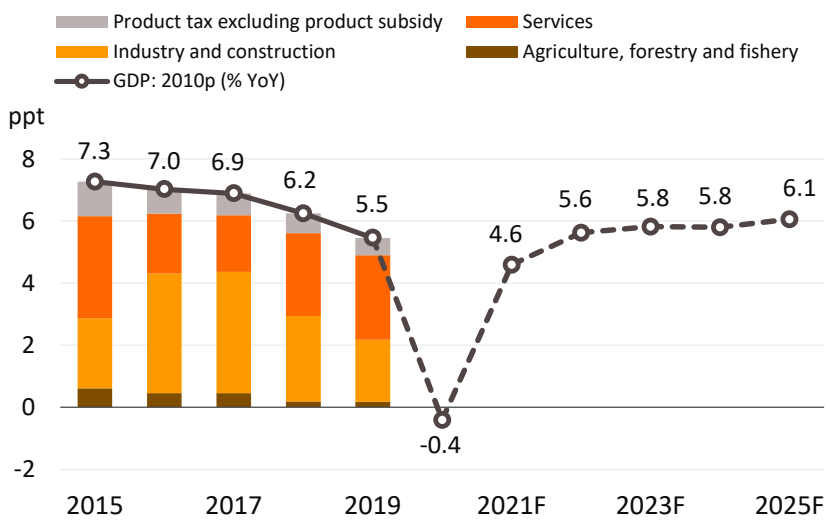
	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20
US	40.9	58.8	34.1	16.7	-13.9	7.4	26.9	12.1	20.2	15.7	30.3	28.4
EU	-11.1	-19.3	-8.9	-26.2	-26.2	-10.1	-4.1	-7.8	-26.9	-36.4	-27.5	-10.4
China	49.9	84.3	23.3	-12.4	-33.8	-24.4	-24.3	-12.2	45.5	29.8	34.9	41.5
Japan	3.7	1.1	8.0	5.4	-31.9	4.8	-17.8	-36.5	-51.2	-58.0	-53.1	-36.4
Canada	-9.8	-13.0	-18.8	-22.2	-36.0	-27.4	-36.2	-5.8	4.9	6.8	32.9	4.8

Krungsri Research's view

- Cambodia is experiencing a surge in daily new COVID-19 cases, from an average of 30 cases in late-February to about 70 in early April. The country has started its vaccination program in February and plans to inoculate 20% of the population by end 2021.
- **We anticipate the economy to continue to grow, but slower than previous expectation. Given the recovery in the US and China – Cambodia's major export markets which account for combined 45% of total exports, we expect exports to continue to improve. Major products that could see growth include electrical parts, vehicle parts and bicycles. These would be supported by work-from-home trend.**
- **We also expect positive outlook for investment in Cambodia,** supported by (i) better infrastructure, (ii) revision to the investment law which is expected to take effect within months, as well as (iii) benefits from free trade agreements (FTAs) led by the Cambodia-China Free Trade Agreement (CCFTA), Cambodia-Korea Free Trade Agreement (CKFTA), and recently-signed Regional Comprehensive Economic Partnership (RCEP). In addition, the country is expected to gain as an alternative destination to meet relocation demand from investors in neighboring countries such as Myanmar. **Investment in manufacturing would increase and cover a broader range of sectors, and in logistics and other services to facilitate industrial activities.**

Lao PDR targets 4% p.a. growth over 2021-2025 driven by services sector, but tourism sector remains weak

Laos: Real GDP growth



Laos' target and priorities in 2021-2025

Growth targets	• GDP +4% p.a. • Agriculture +2.5% • Industrial and trade +4.1% • Services +6.0% • Customs and tax +5.8%
Graduation from Least Developed Countries (LDC) status	• By 2025 • 3 criteria and threshold include: - Gross National Income (GNI) per capita: USD1,242 (Laos: USD1,996) - Human Assets Index (HAI): 66 or above (Laos: 72.8) - Economic Vulnerability Index (EVI): 32 or below (Laos: 33.7)
Urgent issues	• Increase revenue and address chronic public debt level • Focus on economic recovery amid the Covid-19 pandemic and create more jobs • Address economic vulnerability, focusing on quality growth and reducing reliance on the ineffective extraction of natural resources • Address weaker Kip by boosting exports and reducing imports • Reduce development disparities between urban and rural areas • Focus on human resource development • Address social problems such as corruption, drug trafficking

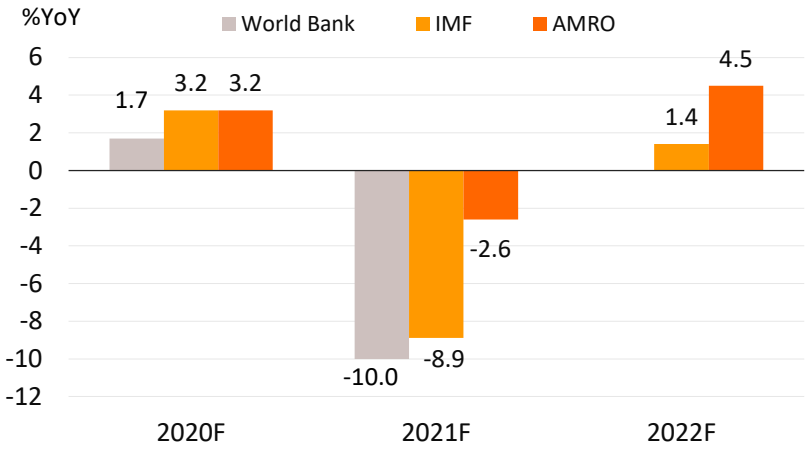
Krungsri Research's view

- The Laos' National Assembly recently approved the country's 5-year socio-economic development plan (2021-2025). The plan targets 4% annual growth over the next five years, driven by services, industrial and trade.
- Economic and financial developments in Laos have been worsening. GDP growth is projected to contract by 0.4% in 2020 vs +6.5% pre-COVID forecast, as services and industry sectors have been hurt badly. Given still-rising COVID-19 cases worldwide and the country's limited vaccination program (20% of total population in 2021), **the country would face major challenges to revive the economy which is driven by the services sectors – led by wholesales & retail and tourism – as planned for the next few years**. Meanwhile, growth of the industry sector is likely to be supported by construction activities – led by Chinese investment projects.
- **We welcome the urgent issues addressed by the officials, especially economic vulnerability and high debt levels, However, the country needs economic reforms and several years to meet the targets. In addition, its graduation from least-developed countries status could also reduce grants awarded to the country, which could cause the economy to struggle to seek revenues to meet expenditures.**

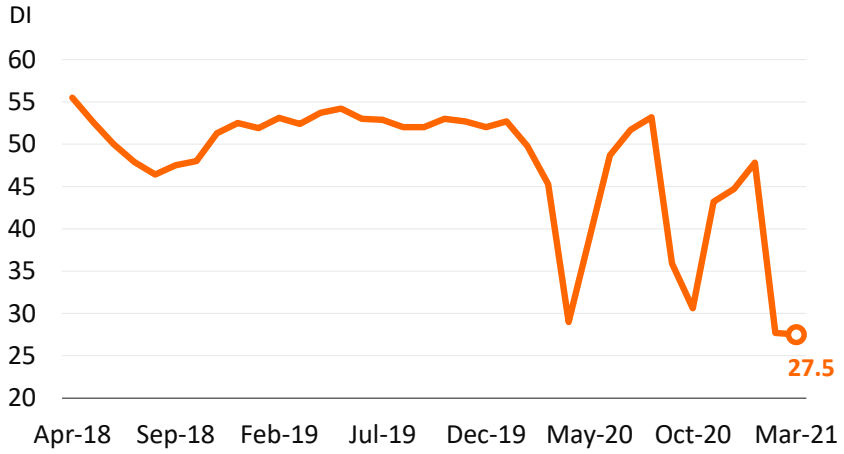
Source: IMF, news media, CEIC, Krungsri Research

Myanmar's political crisis would lead to a sharp drop in GDP in 2021 and dampen longer term outlook

Myanmar: GDP growth projections



Myanmar: IHS Markit Manufacturing PMI Index



Myanmar: Sanctions and business suspensions

Sanctions	• **US:** Treasury sanctions military-owned companies (Myanma Economic Holdings Public Company Limited (MEHL) and Myanmar Economic Corporation Limited (MEC); : Suspends trade deal with Myanmar until elected government returns • **EU:** Sanctions 11 people over the military coup and ensuing repression in Myanmar • **New Zealand:** Suspends ties with Myanmar, imposed travel ban on military leaders after coup • **Japan**: Suspends infrastructure support and new aid programs to Myanmar
Foreign businesses that are temporarily suspended	• Kirin (Japanese drink maker); • H&M (Swedish multinational clothing-retail company) • Amata (Thai industrial estate developer) • Petronas (Malaysia's oil & gas company)

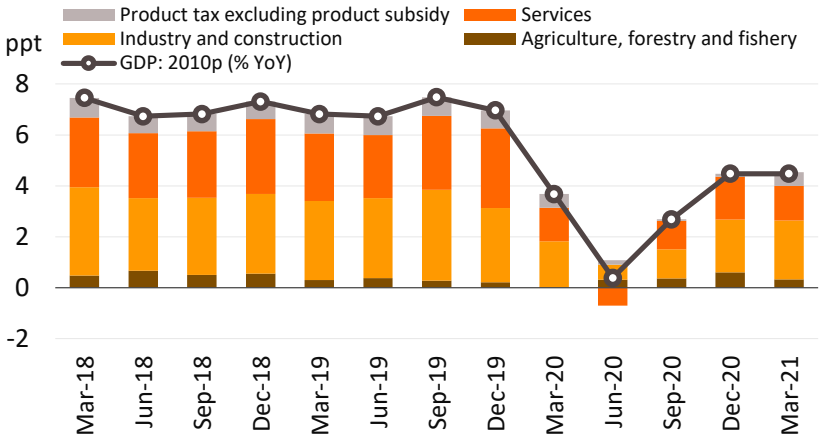
Source: World Bank, IMF, AMRO, IHS, news media, CEIC, Krungsri Research

Krungsri Research's view

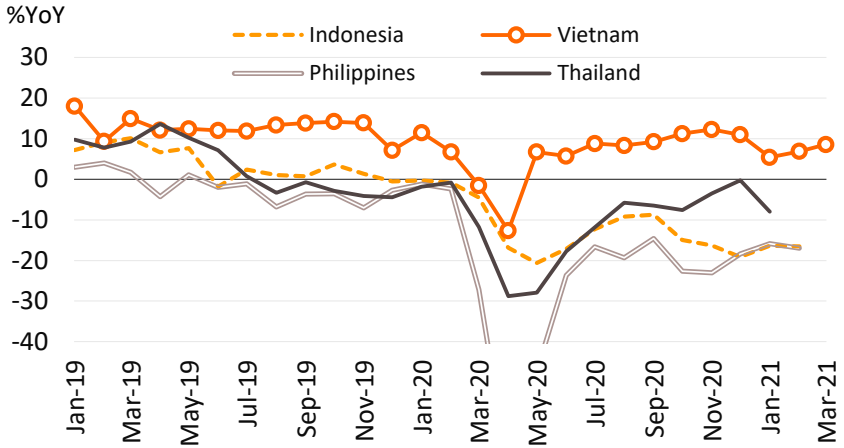
- International organizations have trimmed growth outlook for Myanmar. For 2021, the World Bank estimates GDP would contract by 10% -- the worst in its history (and vs previous estimate of +2%), IMF projects -8.9% (instead of +5.7%) and AMRO forecasts the economy would shrink by 2.6% (instead of +6.2%).
- **Myanmar's major economic drivers will be dragged by the political crisis. Recent developments have resulted in more severe sanctions, the suspension of several foreign investment projects, and a halt in export orders and production activities. Looking ahead, we anticipate the economy would suffer more than expected. Ten of Myanmar's major rebel groups have recently thrown their support behind the country's anti-coup movement, which had led to several attacks. This could turn into a broader conflict. Given that, the country would take longer time to resume reforms and development, especially to regain the trust of investors.**

Vietnam's GDP grew 4.5% YoY in 1Q21; outlook remains strong, outperforming ASEAN peers

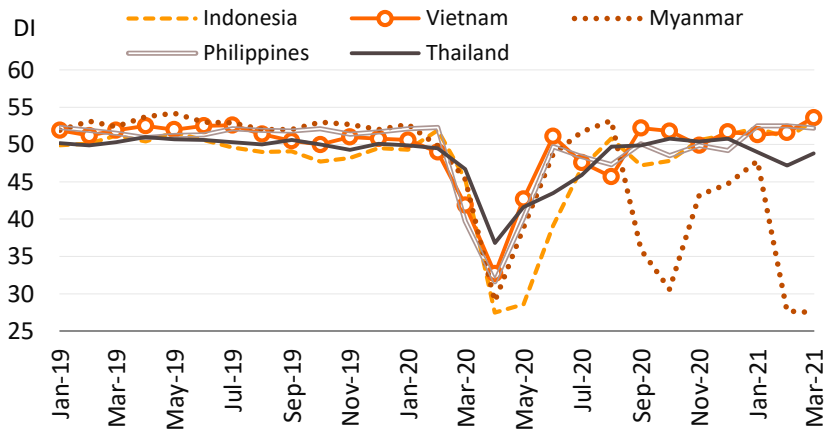
Vietnam: GDP growth



Growth of retail sales in selected ASEAN countries



IHS Manufacturing PMI Index in selected ASEAN countries



Note: * The European Union - Vietnam FTA (EVFTA), The UK-Vietnam FTA (UKVFTA), The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), The Regional Comprehensive Economic Partnership (RCEP)

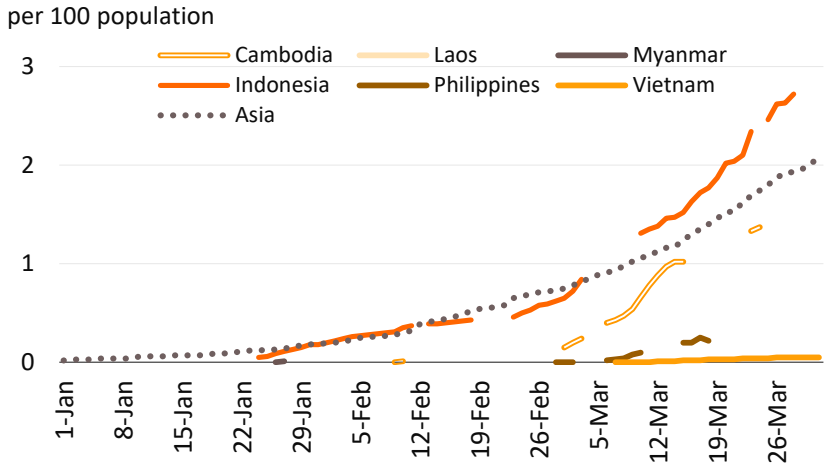
Source: General Statistics Office, IHS, CEIC, Krungsri Research

Krungsri Research's view

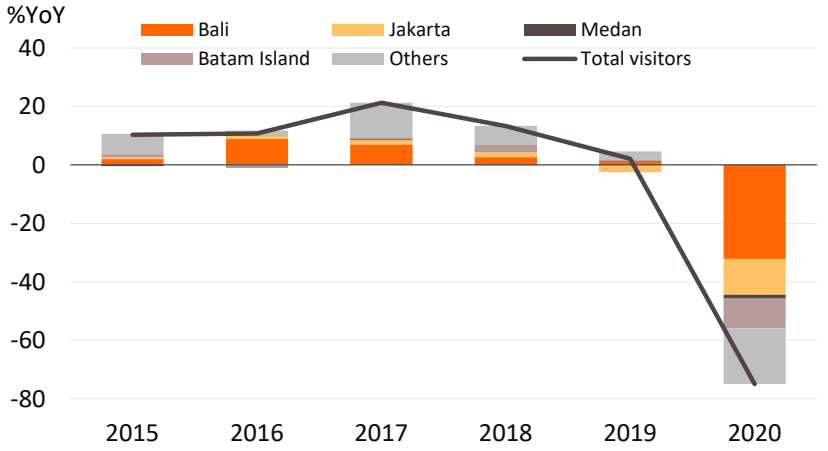
- Vietnam's economy grew 4.5% YoY in 1Q21 driven by strong exports and resilient retail sales. Looking ahead, we estimate 2021 GDP growth would be able to meet its +6% official target.
- **Vietnam's economic recovery should remain on track, supported by an expansion in both export and domestic demand. Recent developments in Vietnam's manufacturing data reveals the strongest recovery in production activities in ASEAN region.** This would be supported by (i) the improving global economy – especially US and China, (ii) several trade deals*, namely EVFTA, UKVFTA, CPTPP, and RCEP, and (iii) more diversified manufacturing products - led by hi-tech products – fueled by supportive government policies.
- **Domestic demand in Vietnam is also relatively more resilient than peers.** Most recent data show the country's retail sales have continued to improve, after a small drop in January partly due to the resurgence of COVID-19 cases. However, the situation is contained.

Indonesia prepares to welcome foreign tourists starting with Bali; targets full reopening by April 2022

Vaccinated people



Indonesia: Visitors by major destination



Note: *green zones: pilot areas where travelers can visit and stay, a part of "COVID-19 Safe Travel" strategy.

Source: Central Bureau of Statistics, news media, CEIC, Krungsri Research

Bali's green zones* and reopening plan

3 towns classified as "green zones" in Bali	Ubud, Sanur and Nusa Dua
Reopening plan	**Three phases** • **Phase 1**: **reopening the green zones which starts from March to June 2021** while the vaccine rollout is being distributed to tourism workers • **Phase 2**: To implement strict supervision to all locals moving in and out of the green zones between July to December 2021 • **Phase 3**: **To reopen the border to the select countries from January to March 2022** as a simulation program before **fully reopening the border to all international tourists in April 2022**

2020												2021			
Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
			Phase 1			Phase 2						Phase 3			

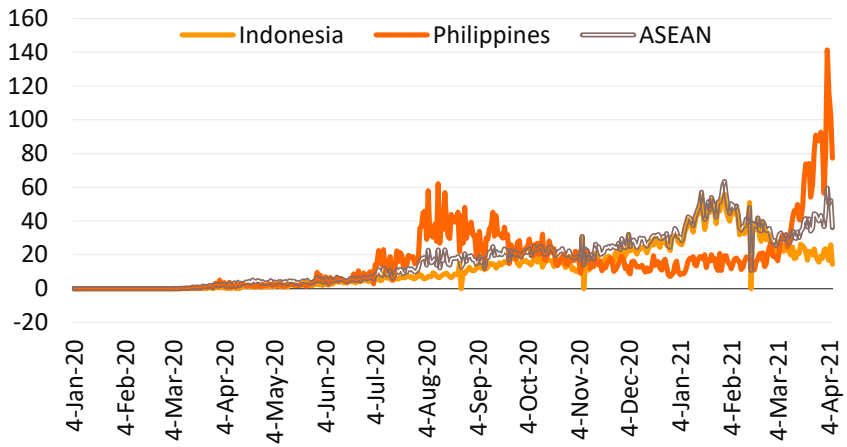
Krungsri Research's view

- Indonesia is planning to reopen Bali to foreign tourists in July, and plans to fully reopen Bali to foreign tourists by April 2022.
- **They plan to align with the country's vaccination program to vaccinate 79% of the population by April 2022. Indonesia has inoculated 3.3 people per 100 persons, the highest in the region. The country is working to reopen the economy by targeting sectors and zones, led by tourism.** That is the worst-hit sector, which accounted for up to 6.1% of GDP in 2019. The country saw a 75% decline in foreign tourists in 2020.
- We also welcome Bali's reopening plan as it is Indonesia's most popular tourist destination – attracting up to 40% of the country's tourist arrivals. To support the plan, the government aims to vaccinate at least 70% of Bali's 4.4 million residents in the coming months to build up international confidence. **Bali's reopening would also attract interest from major tourist groups, including from China, Malaysia, and Singapore.**

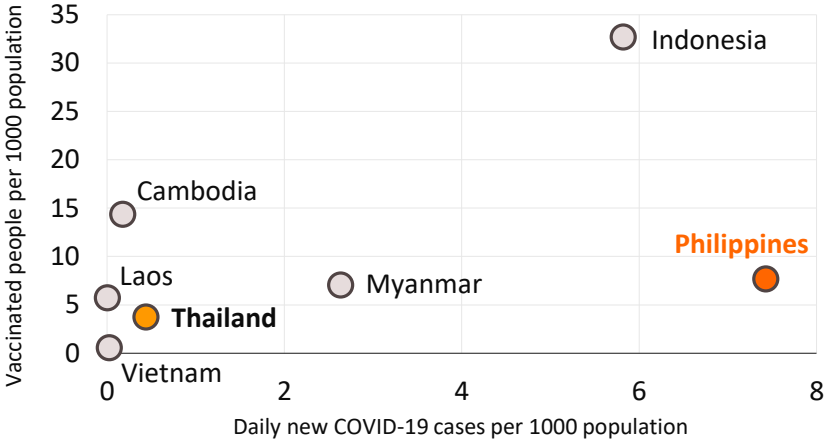
Philippines: New high in daily COVID-19 cases will dampen consumption amid limited fiscal space, disrupting recovery

Daily new COVID-19 cases

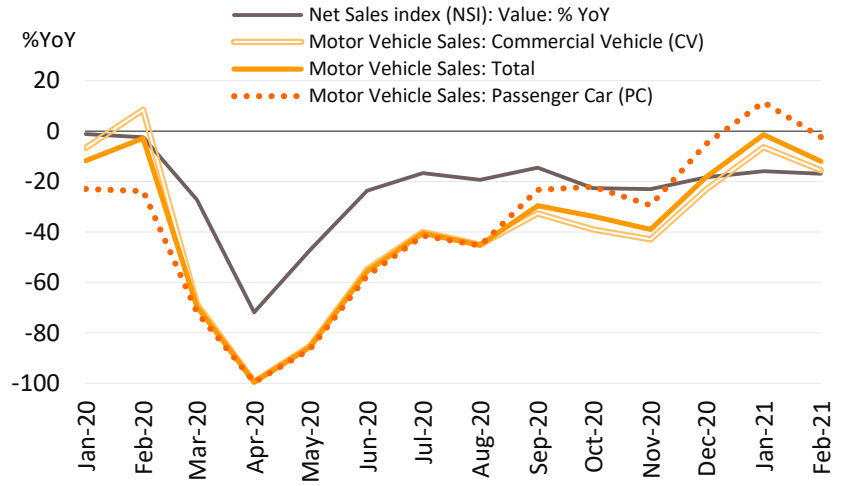
Cases per a million population



Daily new COVID-19 cases and vaccinated people



Philippines: Net Sales Index and Motor Vehicle Sales



Source: WHO, Philippine Statistics Authority, CEIC, Krungsri Research

Krungsri Research's view

- Philippines currently has the higher number of new COVID-19 cases within ASEAN, with 77 cases per million population vs 14 in Indonesia. (as at 6 April)
- **We expect the Philippines' economic recovery to be disrupted by the latest outbreak.** The pull factors include still-weak domestic demand as *Net Sale Index (NSI)* growth is still far below pre-pandemic level, relatively slow progress in the vaccination program, extended strict lockdown measures, limited new stimulus measures this year (0.6% of GDP under Bayanihan 2), and delayed disbursements as well as narrow monetary policy space. In addition, exports is slow (-2.3% in February) and is likely to remain weak as the stricter lockdown would disrupt production activities.
- Officials have recently revised the country's 2020 GDP contraction to 9.6%, from initial estimate of -9.5%. Given several headwinds, **we expect economic recovery to be slow pace and forecast 2021 GDP growth would be near the low-end of the official target of 6.5-7.5%.**

KRUNGSRI RESEARCH

Somprawin Manprasert, Ph.D.	**Head of Research Division and Chief Economist**
Phornphan Phoksuphat	Head of Macroeconomic and Industry Research

Macroeconomic Team

Sujit Chaivichayachat	Head of Macroeconomic Research
Chamadanai Marknual, Ph.D.	Senior Economist
Churailuk Pholsri	Senior Economist (Forecasting)
Soison Lohsuwannakul	Senior Economist (Regional Economy)
Sathit Talaengsatya	Senior Economist (Regional Economy)

Industry Team

Sarun Sunansathaporn	Head of Industry Research
Taned Mahattanalai	Senior Analyst (Digital)
Poonsuk Ninkitsaranont	Senior Analyst (Healthcare, Mobile Operators)
Piyanuch Sathapongpakdee	Senior Analyst (Transport & Logistics)
Narin Tunpaiboon	Senior Analyst (Power Generation, Modern Trade, Chemicals, Medical Devices)
Puttachard Lunkam	Analyst (Hotels, Construction Contractors, Construction Materials, Industrial Estate)
Patchara Klinchuanchun	Analyst (Real Estate)
Wanna Yongpisanphob	Analyst (Automobile, Electronics & Electrical Appliances, Food & Beverages)
Chaiwat Sowcharoensuk	Analyst (Agriculture)
Aphinya Khanunthong	Analyst (Energy, Petrochemicals)

Intelligence Team

Pimnara Hirankasi, Ph.D.	Head of Intelligence Team
Punjaphut Prasitdechsakul	Senior Analyst
Rachot Leingchan	Analyst
Arpakorn Nopparattayaporn	Analyst
Chutipha Klungjaturavet	Analyst

MIS and Reporting Team

Suratchanee Somprasong	Administrator
Thamon Sernsuksakul	Administrator
Chirdsak Srichaiton	MIS Officer
Wongsagon Keawuttung	MIS Officer

Subscribe Us

For research subscription, contact

krungsri.research@krungsri.com

Disclaimer

All material presented in this report, unless specifically indicated otherwise, is under copyright to Krungsri Research. None of the material, nor its content, nor any copy of it, may be altered in anyway, or copied to any other party, without the prior express written permission of Krungsri Research. This document is based on public information believed to be reliable. Nevertheless, Krungsri Research would not affirm the accuracy and completeness of this information. We accept no liability whatsoever for any direct or consequential loss arising from any use of this document or its content. Information, opinions and estimates contained in this report are our own, which are not necessarily the opinions of Bank of Ayudhya Public Company Limited and its affiliates. It reflects a judgment at its original date of publication by Krungsri Research and are subject to change without notice.