

ASEAN+3 think tank cuts economic growth forecasts

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THE ASEAN+3 Macroeconomic Research Office (AMRO) has revised downward its Philippine economic growth forecast for 2020 to 6.5% from its previous outlook of 6.6% in May, according to the July Monthly Update of the ASEAN+3 Regional Economic Outlook released on Tuesday that showed the 2019 projection retained at the 6.3% pencilled in June but down from 6.4% in May.

“AMRO has revised Philippines’ GDP (gross domestic product) growth forecast slightly downward to 6.3% for 2019 and 6.5% for 2020 due to a gloomier global growth prospect and a sharp slowdown in Q1 2019 of the Philippines economy,” AMRO Chief Economist Hoe Ee Khor said in an e-mail.

“The country’s GDP growth rate dropped to 5.6% in Q1 2019, the lowest since Q1 2015, due partly to the delay of budget approval which constrained government spending, in addition to the weakening external demand,” Mr. Khor added.

“Looking ahead, economic growth is expected to recover significantly, as the government started to ramp up spending and ease monetary policy.”

For the whole ASEAN+3 region — which groups the 10 Association of Southeast Asian Nations (ASEAN) members plus China, Japan and Korea — AMRO cut its economic growth projection to 4.9% for this year and 2020, from May projections of 5.1% and five percent, respectively, due to “continuing weakness in manufacturing and export outturns.”

Asked what AMRO expects of the Philippines in the second half of President Rodrigo R. Duterte’s six-year term, Mr. Khor replied, “The Philippines’ economic growth is expected to recover going forward.”

“The spillovers from US-China trade conflicts on the Philippines economy may not be significant. However, a further escalation of the trade conflicts could lead to a sharper global slowdown which could drag down the Philippines’ economic growth,” he said.

“In this context, the policy emphasis should be oriented more towards supporting growth, while avoid undermining macro-stability. The government should keep up the reform agenda to continue enhancing the growth potential.”

AMRO — initially formed as a company in April 2011 and transformed into an international organization in February 2016 — conducts macroeconomic surveillance and supports implementation of the Chiang Mai Initiative Multilateralization currency swap arrangement which the 10 ASEAN members, as well as China, Japan and South Korea adopted to help avert any financial crunch.