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## **Assessing ASEAN Economic Policy Responses in a Pandemic**

Zulhibri, Muhamed and Sinay, Joy Blessilda

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## KEY POINTS

- Business and consumer confidence across the ASEAN region diminished as the impact of the COVID-19 pandemic mounted.
- Responding to the crisis, the AMS rolled out numerous fiscal stimulus packages, monetary policy and financial measures, and sector-specific measures and interventions. The fiscal packages combined add up to USD318.2 billion (10.1% of ASEAN GDP in 2019), with a large portion allocated to strengthening the capacity of the health sector and as subsidies to households.
- Amid uncertainties, the AMS need to carry on with systematic interventions and economic remedies to push the economy forward. In particular, i) continue the broad-based fiscal stimulus and other targeted socio-economic measures; ii) ensure that firms could return to their pre-COVID-19 pandemic production and employment levels; iii) formulate a regional socio-economic recovery plan post-COVID-19 to facilitate regional growth; and iv) reinvigorate multilateralism to ensure global resilience and sustainability post-COVID-19.

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## Assessing ASEAN Economic Policy Responses in a Pandemic

Muhammed Zulkhibri  
Joy Blessilda Sinay\*

As the COVID-19 global pandemic continued to spread, countries around the world are bracing for a deep downturn. In a worst case scenario, the International Monetary Fund (IMF) predicted the pandemic to shrink the global economy by 3%,<sup>1</sup> while the World Trade Organization (WTO) projected the world trade volumes to tumble by 32% this year.<sup>2</sup> In ASEAN, growth is expected to fall to a measly 1%,<sup>3</sup> although this may change as the severity of the pandemic remains uncertain. Already there are costly spillovers. Since the outbreak, and as lockdowns and quarantines were enforced in some ASEAN Member States (AMS), job losses and business closures have mounted. This led to a sharp fall in productive economic activities particularly in hardest hit sectors. Most authorities have taken swift actions to introduce and implement measures to cushion the economic shock. However, as the virus spreads, more economic remedies might be needed.

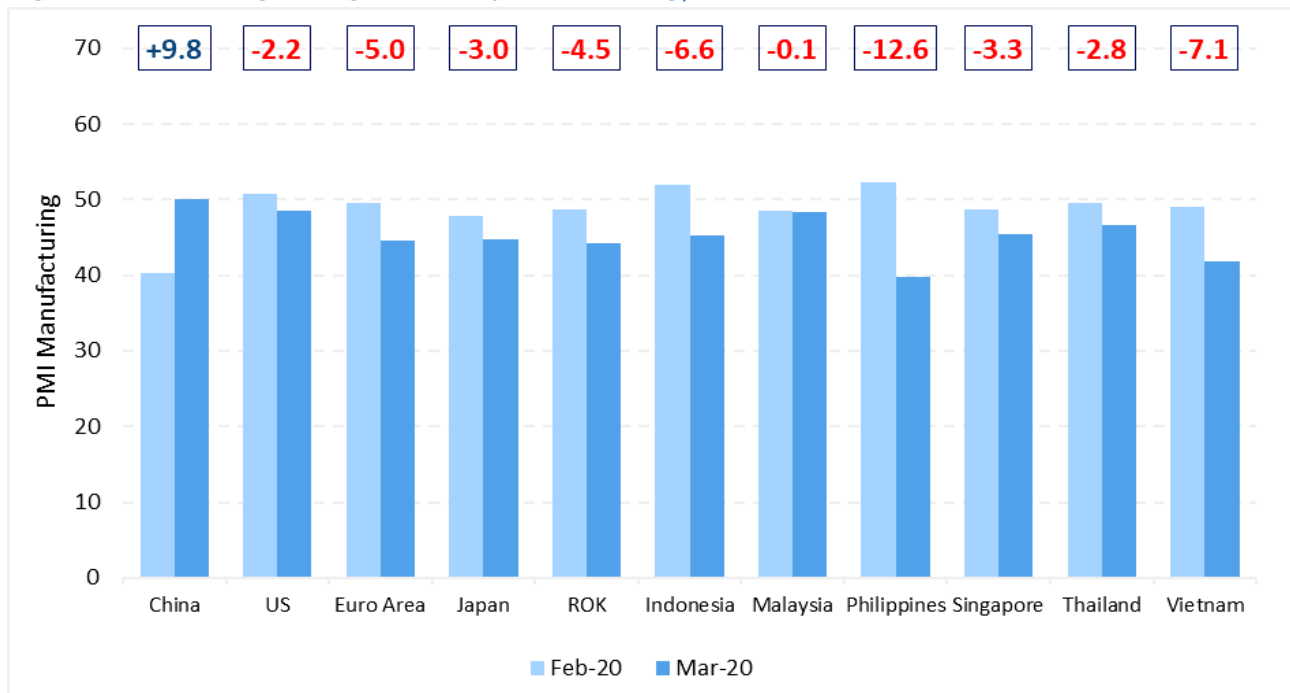
### Overall Impact on Businesses and Consumers in ASEAN

Across the world, the widespread impact of the pandemic has adversely impacted households and businesses, bringing business and consumer confidence at historic lows. The Purchasing Managers Index (PMI)<sup>4</sup>, an indicator of the manufacturing sector's performance (Figure 1), fell in March as the outbreak accelerated across the US, Europe, and other parts of Asia. The global decline in March was less severe than in February, offset by stabilising output in China after a record slump. The PMI picked up in China as the lockdown was gradually lifted.

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Figure 1. Purchasing Managers Index (Manufacturing)



Note: ROK – Republic of Korea  
 Source: Trading Economics ([www.tradingeconomics.com](http://www.tradingeconomics.com))

The sense of uncertainty and supply chain disruptions associated with the COVID-19 pandemic have led to businesses’ reluctance to spend and postponement of major expansion. A decline in PMI was also observed across AMS, indicating a decline in business confidence that would likely act as a drag on economies in the first quarter, albeit at different levels.

The unprecedented erosion of business confidence is indicative of the unique set of circumstances that has impacted almost every aspect of business activities due to the COVID-19 pandemic.

The pandemic also led to further deterioration of consumer expectations across the region, as economic conditions and prospects waned. One bright spot that stands out is Viet Nam, where consumers remain upbeat (Figure 2). Viet Nam has been deemed effective in containing the virus, and no COVID-19 related death has been reported to date; it has also started to ease restrictions. Meanwhile, Indonesia’s outlook was also positive in the first quarter, but consumer confidence declined in the second quarter. Indonesia has introduced large scale social restrictions (LSSR) in some areas and prohibited the annual exodus from LSSR-applied regions; the efficacy of these measures remains to be seen.

<sup>1</sup> IMF, World Economic Outlook, April 2020. This is a revised version of an earlier published ASEAN Policy Brief on 28 May 2020.

<sup>2</sup> WTO, Press Release 855. April 2020. [https://www.wto.org/english/news\\_e/pres20\\_e/pr855\\_e.htm](https://www.wto.org/english/news_e/pres20_e/pr855_e.htm)

<sup>3</sup> ADB, ASEAN Development Outlook. April 2020

<sup>4</sup> A PMI above 50 means an expansion of the manufacturing sector compared to the previous month; below 50 means a contraction; 50 is neutral. See <https://tradingeconomics.com/philippines/manufacturing-pmi> for more details.

<sup>5</sup> For details on business confidence and consumer confidence surveys in the AMS, see <https://tradingeconomics.com/country-list/consumer-confidence>, and <https://tradingeconomics.com/country-list/business-confidence>, and <https://tradingeconomics.com/country-list/business-confidence>.

<sup>6</sup> Consumer confidence index above 0.