

Southeast Asia Braces for Spillover Hit from Coronavirus

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China's isolation may be growing as it seeks to contain the deadly coronavirus, but Southeast Asia is bracing for the economic spillover from an outbreak it is now feared could bite deeper than the 2003 SARS epidemic.

ASEAN nations are also having to weigh the short-term costs of imposing travel and trade restrictions on China against a possible future blowback from Beijing, which is threatening consequences for nations that "overreact" to the epidemic.

Indonesia was cautioned this week against "exaggerated measures" after it announced a suspension of flights and live animal exports from China and flagged possible restrictions on food and beverage imports.

"Doing so will result in a negative impact on relations between the two countries and future co-operation, and result in consequences that neither party will want to see," China's envoy to Jakarta, Xiao Qian, said late on Tuesday as the death toll from the outbreak climbed past 630.

Most ASEAN nations have now evacuated citizens from worst-affected Hubei province though many were slow to impose travel restrictions on China, the region's superpower and economic engine.

Cambodia has outright refused to take action, citing confidence in Beijing to manage the crisis, despite the region having the largest number of patients outside China.

But with more than 50 million people in virtual lockdown across Hubei province, the Chinese central government imposing widespread travel restrictions and thousands of weekly flights in and out of mainland China suspended, the region is already feeling the pinch from a dramatic fall in Chinese tourism.

Some 134 million Chinese travelled abroad last year, many of them to Southeast Asia, which has seen a ten-fold increase in Chinese visitors since the 2003 SARS epidemic, according to a report by research firm Capital Economics.

That market has virtually ground to a halt in the past month, eating into the region's most tourism-dependent economies such as Thailand (where the industry accounts for some 17 per cent of the economy and Chinese visitors a quarter of annual arrivals), Vietnam, and Singapore, where tourism contributes 10 per cent of the GDP.

Singapore has already bridging loans and licence fee waivers for hotels and other tourism-related businesses during what the government has predicted could be a more prolonged downturn than that caused by the SARS virus.

A recent estimate by the Union Bank of Philippines' Economic research Unit put the potential losses to that country's tourism sector this year from the coronavirus outbreak at "a minimum \$126m".

Doan Thi Thanh Ha, an economist with the Economic Research Institute of ASEAN and East Asia (ERIA), says Chinese visitors account for some 30 per cent of tourist income across ASEAN, an industry that the region has been trying to grow.

“We expect there will be significant pain for the economy in the short term, at least,” especially given the timing of the outbreak was just ahead of the high-spending Chinese New Year holiday, Dr Doan said.

But there are also fears a prolonged outbreak could have a far broader regional impact.

Frederico Gil Sanders, chief economist for the World Bank’s Indonesia office, says: “If China’s growth takes a hit, that will have an impact on commodities prices.

“China is a much larger source of demand for commodities such as coal, metallic minerals and oil than it was during the SARS (epidemic of 2003),” so any downturn in China’s transportation or services sectors will have an impact on commodity prices and supply chains.

China’s contribution to world economic output has almost quadrupled since then to 16.3 per cent, according to the International Monetary Fund, which estimated in a 2016 study that a 1 per cent growth slowdown in China could shave an average quarter per cent off those of Indonesia, Thailand, Malaysia and The Philippines.

Early predictions suggest real economic growth in the January to March quarter could slow to 5 per cent, down 1 per cent on the preceding quarter, according to research by the government-linked Chinese Academy of Social Sciences cited this week in China’s –financial press.

Companies in locked-down Hubei province, an industrial powerhouse known as the Chicago of the east, have already extended their Lunar New Year holiday until at least February 13, slowing production in everything from smartphones to car parts.

Dr Doan says a slowdown in China’s transport or manufacturing sectors could hurt crude oil exporters Thailand, Malaysia and Brunei, while Vietnam, as an importer of Chinese intermediates, was vulnerable to supply-chain disruption.