

Economics

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Asia Macro Flash

Who Benefits the Most from the CMIM Regional Safety Net?

■ Given recent market volatility, we assess the impact of recently expanded CMIM.

In early May, the Finance Ministers of ASEAN+3 announced new initiatives to strengthen the Chiang Mai Initiative Multilateralisation (CMIM) – multilateral currency swap arrangements of ASEAN+3 countries – as part of enhancing regional safety net during times of external liquidity crisis. CMIM evolved from the Chiang Mai Initiative (CMI) initiated in 2000 in the aftermath of the Asian crisis. To this day, CMI/CMIM is an “untapped”/ “un-tested” facility. There are three important developments: 1) CMIM was doubled in size to US\$240bn; 2) the amount that can be drawn without an IMF program (i.e. we think the only part of the swap line that we think is *politically feasible*) was raised to 30% from 20% in 2012, with plans to raise it to 40% by 2014; and 3) the swap tenor for the IMF de-linked portion was extended from 90 days to 6 months, with supporting period of up to 2 years (versus 1 year previously).

■ The biggest potential beneficiary will be Vietnam – then Philippines & Indonesia.

These three countries are eligible to draw down the largest IMF-de-linked swap amount relative to their FX reserves. However, as Philippines’ FX reserve coverage is already very strong, it is less likely to really need the insurance. Vietnam, which has more recently been rebuilding FX reserves from weak levels could benefit the most – Indonesia’s reserve coverage ratios only improve mildly from the potential swap line, though relative to others, is also a potential beneficiary.

■ Unfortunately, the South Asian countries that may need it can’t avail of it. Taiwan and South Asia is excluded from CMIM – we doubt Taiwan would need it but we think the South Asians could given weaker FX reserve ratios (e.g. Sri Lanka & India).

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Figure 1. Latest FX Reserves and Potential Liquidity Support from the CMIM Swap Line

Country	Latest Gross FX Reserve (in US\$b)	Latest Fwd Book (in US\$b)	Contrib'n to CMIM (in US\$b)	Purchasing Multiple	Maximum CMIM Swap Amount (US\$b)	Amt de- linked from an IMF program	% of FX Reserves	Official FX Res+ Fwd Book/ST Debt By Remaining Maturity	Expanded Res/ST Debt by Remaining Maturity	Official FX Res+Fwd Book/Total Ext Fin Req	Expanded FX Reserves/T otal Ext Fin Req
Plus 3											
JN	1289.5	0	76.8	0.5	38.4	11.5	0.9%	--	--	--	--
CN	3305.0	0	68.4	0.5	34.2	10.3	0.3%	5.9	5.9	8.4	8.4
HK	295.6	0	8.4	2.5	21	6.3	2.1%	--	--	--	--
KR	316.8	31	38.4	1	38.4	11.5	3.3%	1.8	1.9	2.0	2.0
ASEAN			48								
ID	116	-1	9.104	2.5	22.76	6.8	5.9%	1.7	1.8	1.5	1.6
MY	136	9	9.104	2.5	22.76	6.8	4.7%	2.1	2.2	3.8	4.0
PH	76.0	7.4	9.104	2.5	22.76	6.8	8.2%	4.8	5.2	8.7	9.4
SG	246.1	117.0	9.104	2.5	22.76	6.8	1.9%	--	--	--	--
TH	178.4	30	9.104	2.5	22.76	6.8	3.3%	3.1	3.2	2.9	3.0
VN	20	0	2	5	10	3	15.0%	2.2	2.6	1.9	2.1
Others ASEAN (Camb, Myan, Brunei, Lao)			0.48								
TOTAL			240.0								
IN	295.4	-3	0			0		3.4	--	1.8	--
LK	5.9	0	0			0		1.6	--	0.8	--
TW	395.1	--	0			0		3.7	--	6.3	--

Source: ASEAN Macroeconomic Research Office, CEIC, Citi Investment Research and Analysis

Note: Expanded reserves only incorporate the IMF de-linked CMIM swap facility

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