ECONOMIC PERSPECTIVES AND CHALLENGES IN EMERGING ASIA

OECD ECONOMIC OUTLOOK FOR SOUTHEAST ASIA, CHINA AND INDIA *MARCH AND SEPTEMBER UPDATE 2023*

Kensuke Molnar-Tanaka, Head of Asia Desk, OECD Development Centre

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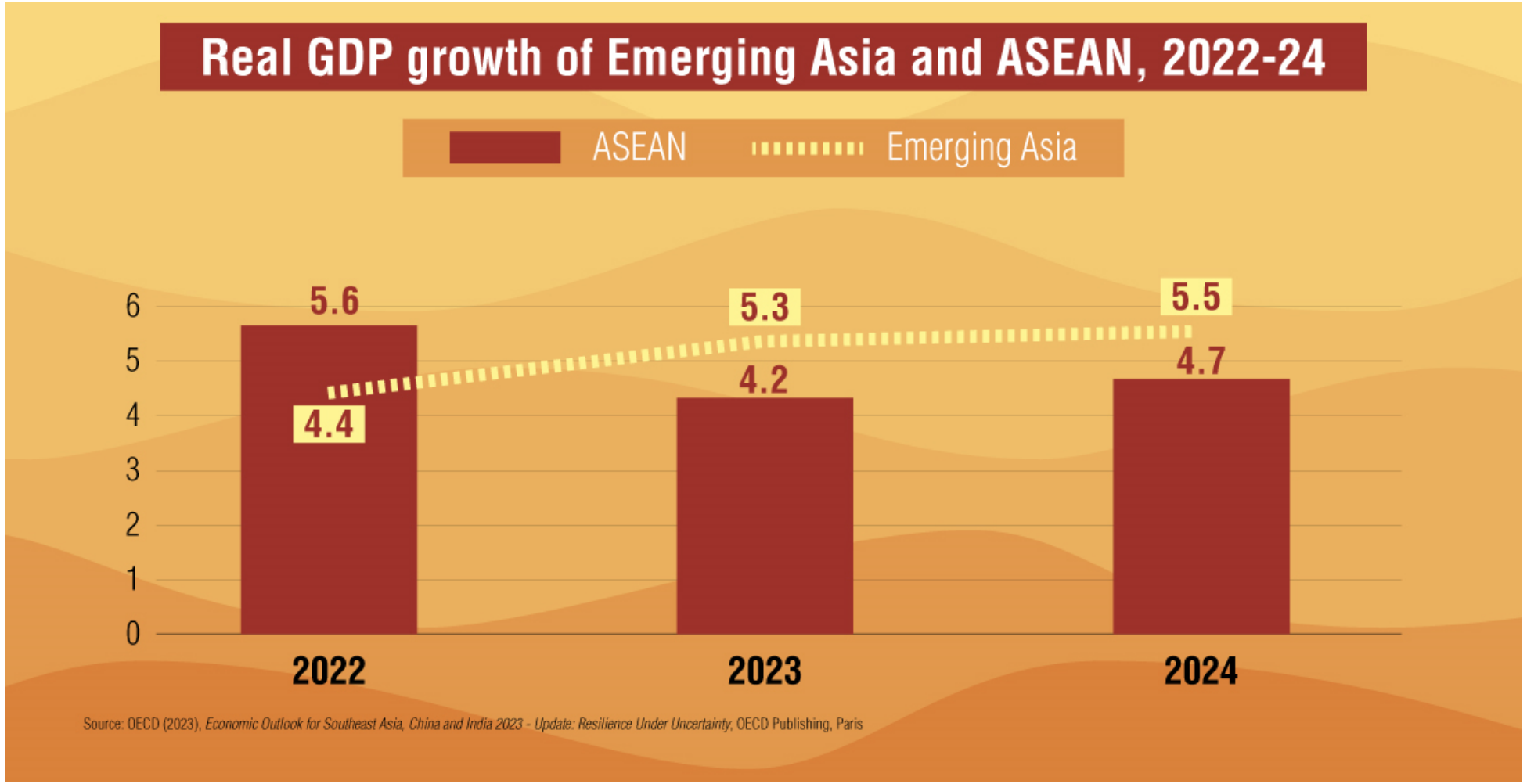
Growth in Emerging Asia will remain resilient, ASEAN will weaken



Note: Data cut-off date is 25 August 2023.
Source: OECD Development Centre projections.

Growth in Emerging Asia varies by country

Real GDP growth in Emerging Asia and ASEAN, 2022-2024

Percentage

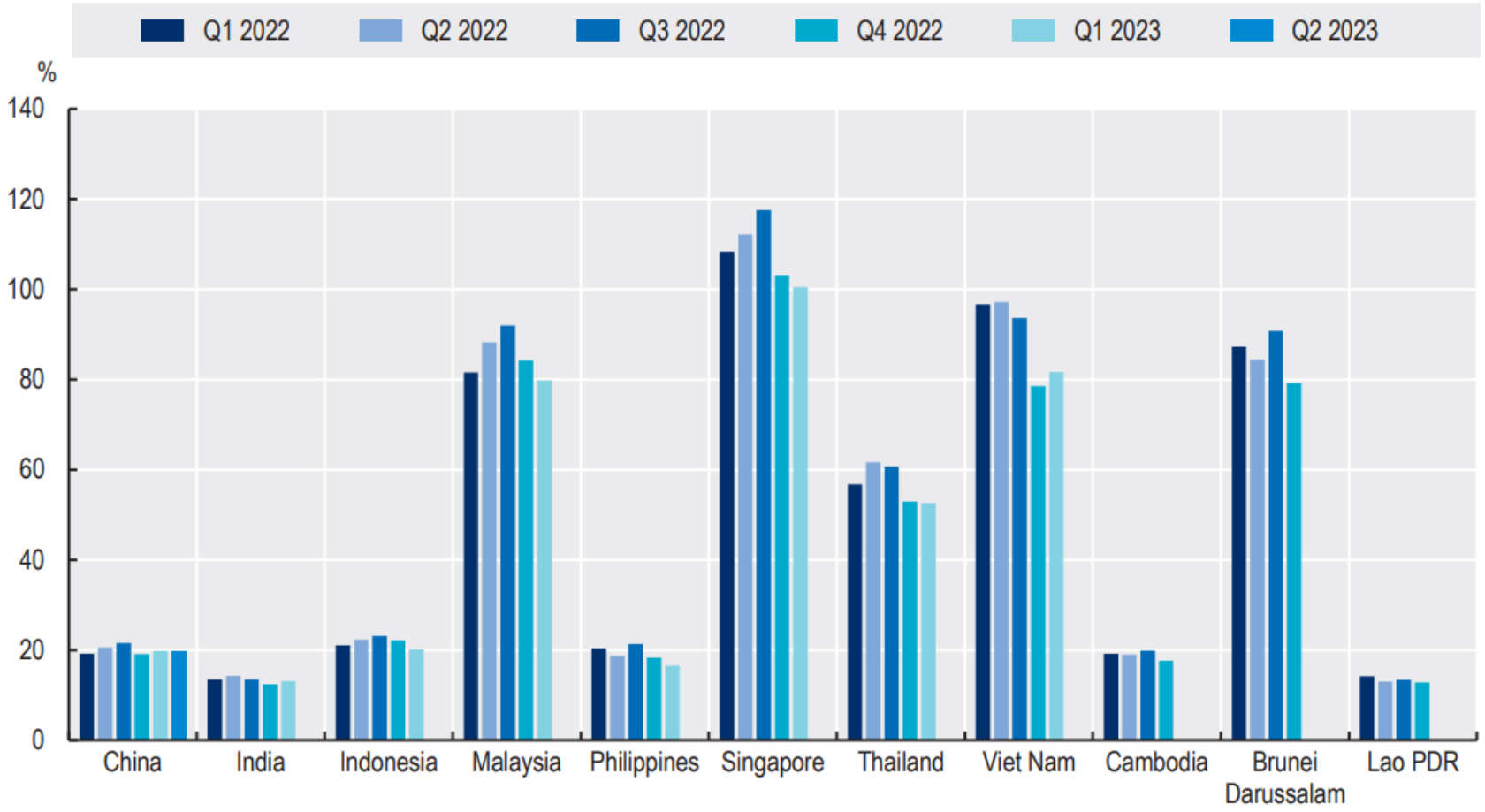
	2022	2023	Changes from the previous forecast (March 2023)	2024	Changes from the previous forecast (March 2023)
ASEAN-5					
Indonesia	5.3	4.7	-	5.1	-
Malaysia	8.7	3.9	↓	4.2	-
Philippines	7.6	5.6	↓	6.1	-
Thailand	2.6	2.8	↓	3.5	↓
Viet Nam	8.0	4.9	↓	5.9	↓
Brunei & Singapore					
Brunei Darussalam	-1.5	2.1	↓	2.3	↓
Singapore	3.6	1.4	↓	2.5	-
CLM countries					
Cambodia	5.1	5.1	↓	5.9	-
Lao PDR	3.1	3.4	↓	3.8	-
Myanmar	2.0	2.0	-	*	
China and India					
China	3.0	5.4	↑	5.1	↑
India	6.9	6.0	↑	7.0	↓
Average of ASEAN 10	**5.6**	**4.2**	↓	**4.7**	↓
Average of Emerging Asia	**4.4**	**5.3**	-	**5.5**	↑

Note: Data cut-off date is 25 August 2023.
Source: OECD Development Centre projections.

Export growth contracted due to the decline in export demand

Exports in selected Emerging Asian economies, Q1 2022-Q2 2023

(% of GDP)

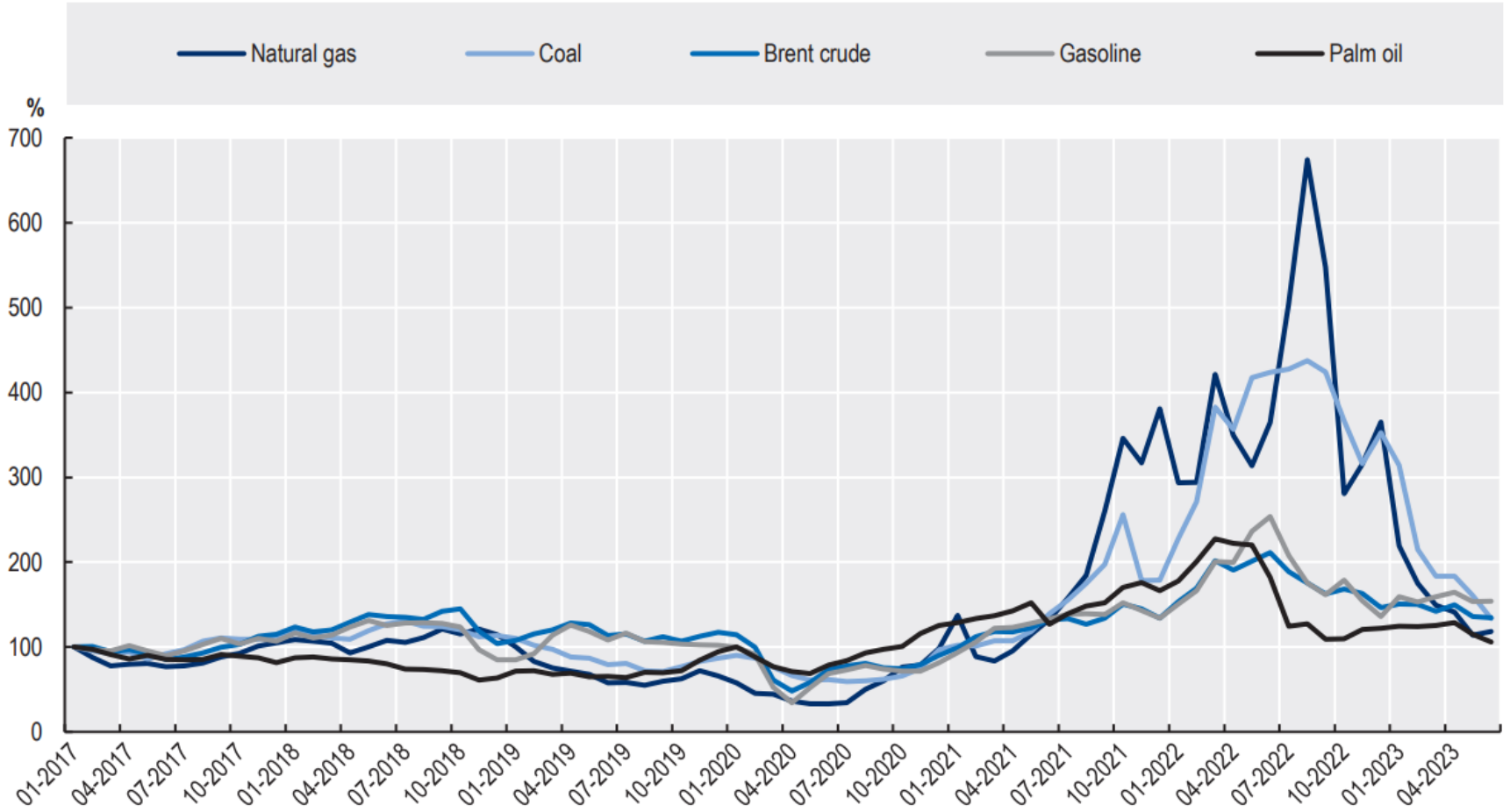


Note: Data as of 02 August 2023.
Source: Authors' calculations based on data from CEIC.

Commodity price volatility can disrupt export earnings

Evolution of selected primary commodity prices, January 2017 to June 2023

(2017 = 100)

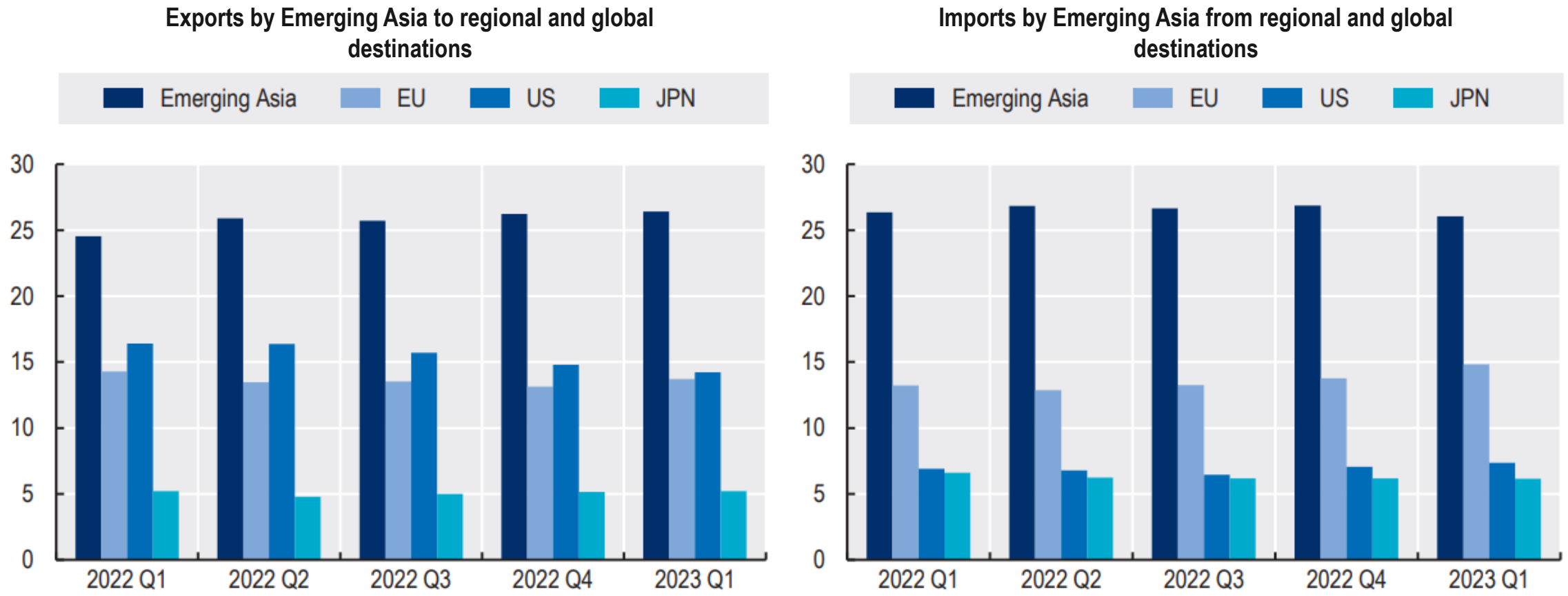


Note: Data as of 02 August 2023.
Source: IMF, Primary Commodity Price System database.

Robust regional demand will sustain export activity amid global downside risks

Emerging Asia's exports to and imports from regional and global destinations

(% of total)

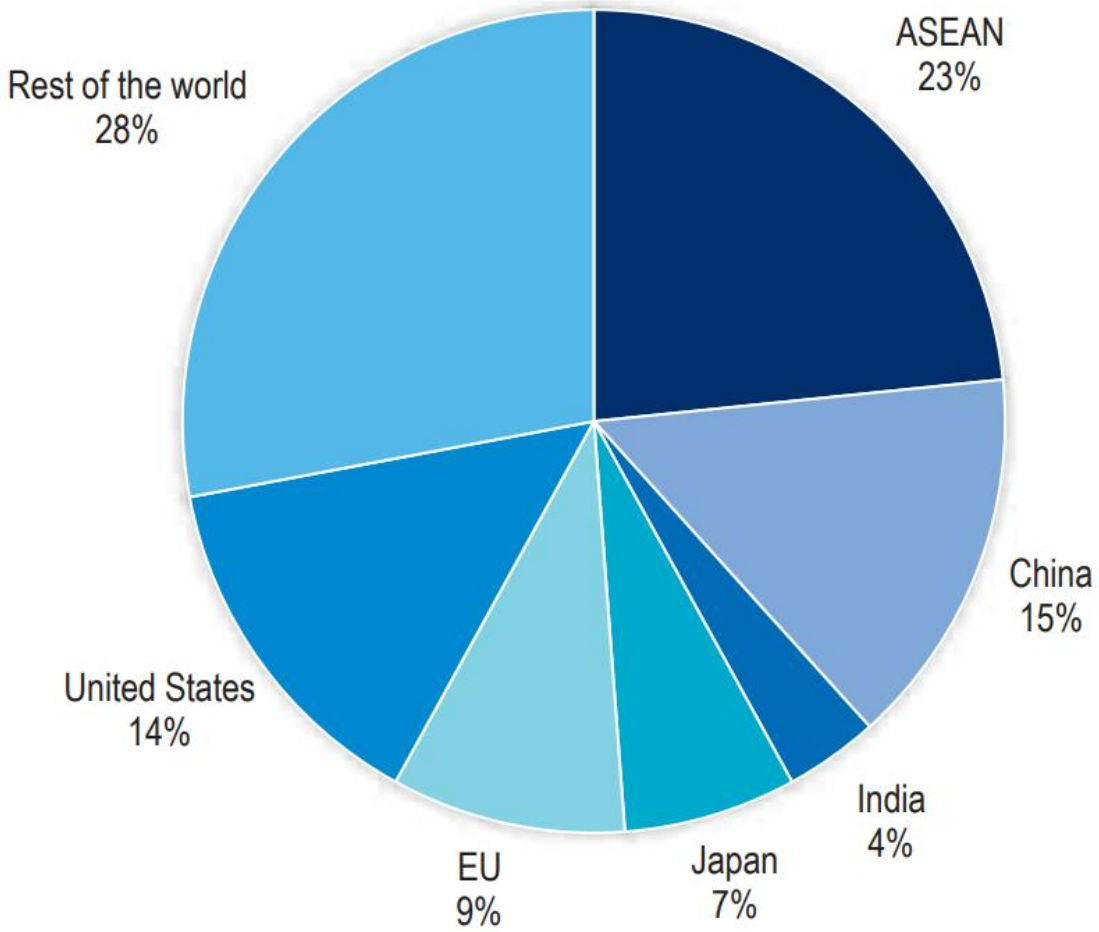


Note: Data as of 02 August 2023.
Source: Authors' calculations based on data from CEIC.

ASEAN records an even larger share of exports to Emerging Asia

ASEAN exports to selected Asian and global destinations

(% of total)

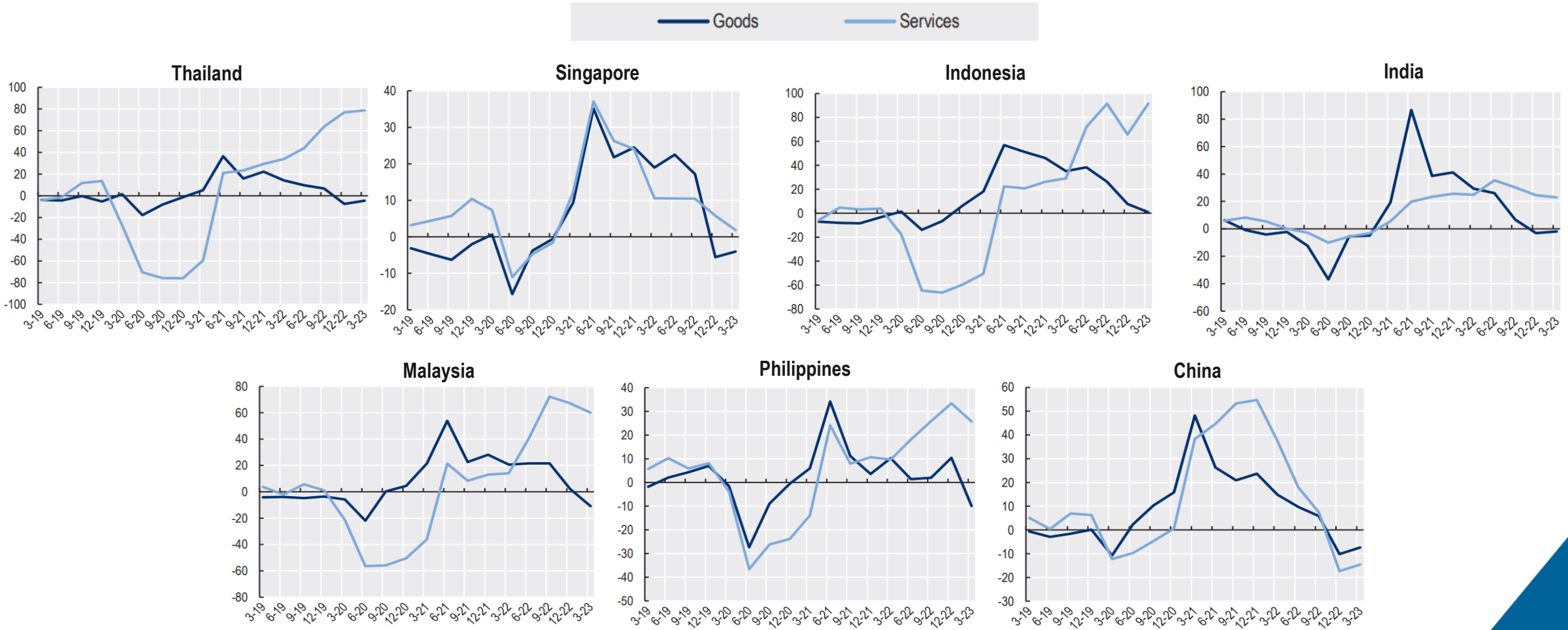


Note: Data as of 02 August 2023.
Source: Authors' calculations based on data from CEIC.

Growth in services exports has overtaken growth in goods exports

Export growth in goods vs. services in selected Emerging Asian countries

(% year-on-year)



Note: Data as of 02 August 2023.
Source: Authors' calculations based on data from CEIC.

Inflationary pressures in the OECD and Emerging Asia

Consumer price inflation and core inflation in the OECD and Emerging Asia, July 2023

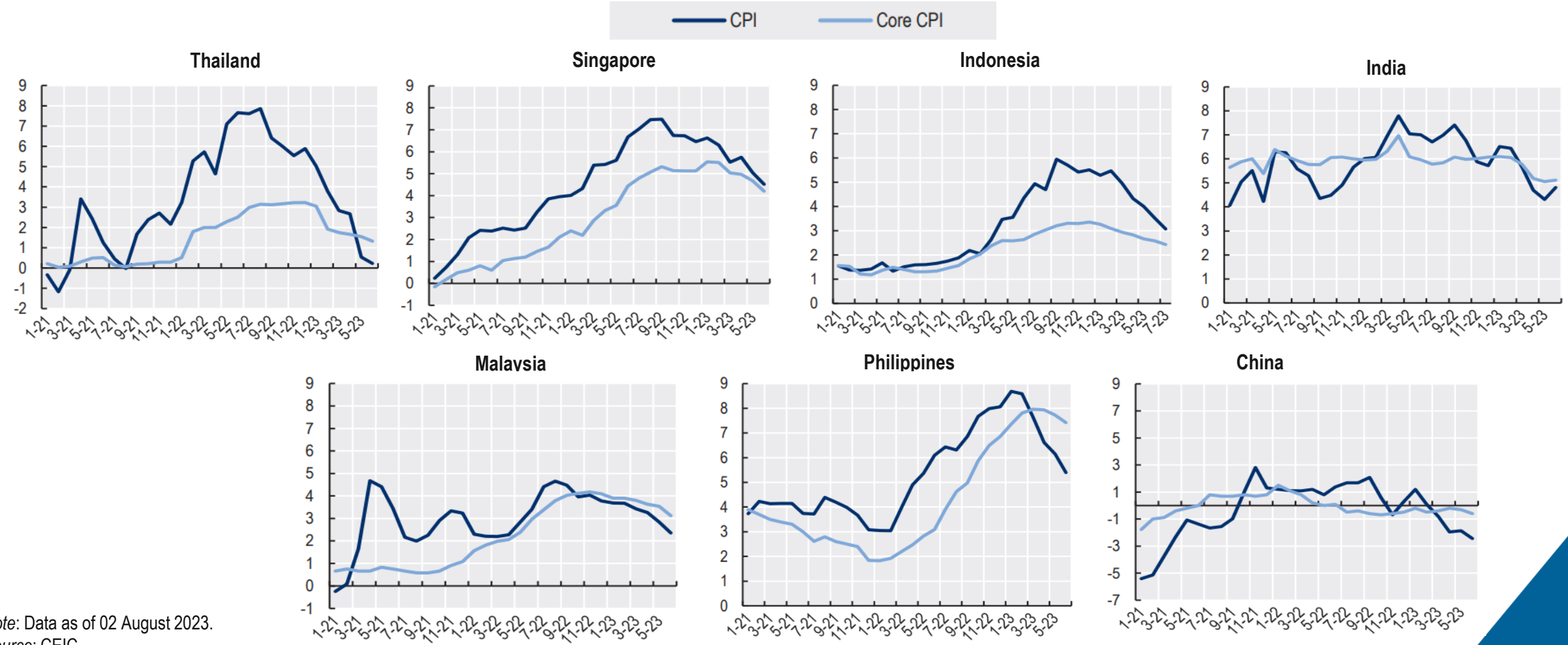
Percentage

	Consumer price inflation (%)	Core inflation (%)
OECD average	5.7	6.6
ASEAN-5		
Indonesia	3.1	2.4
Malaysia	2.0	2.8
Philippines	4.7	6.7
Thailand	0.4	0.9
Viet Nam	2.1	2.6
Brunei Darussalam and Singapore		
Brunei Darussalam	0.8	–
Singapore	4.1	3.8
CLM countries		
Cambodia	0.1	0.6
Lao PDR	27.8	–
Myanmar	19.5	–
China and India		
China	-2.9	0.0
India	7.4	5.1

Note: Data as of 23 August 2023.
Source: CEIC.

Headline inflation is declining but core inflation proves stickier

Consumer Price Index and core inflation in selected Emerging Asian countries, January 2021 to July 2023 (%)

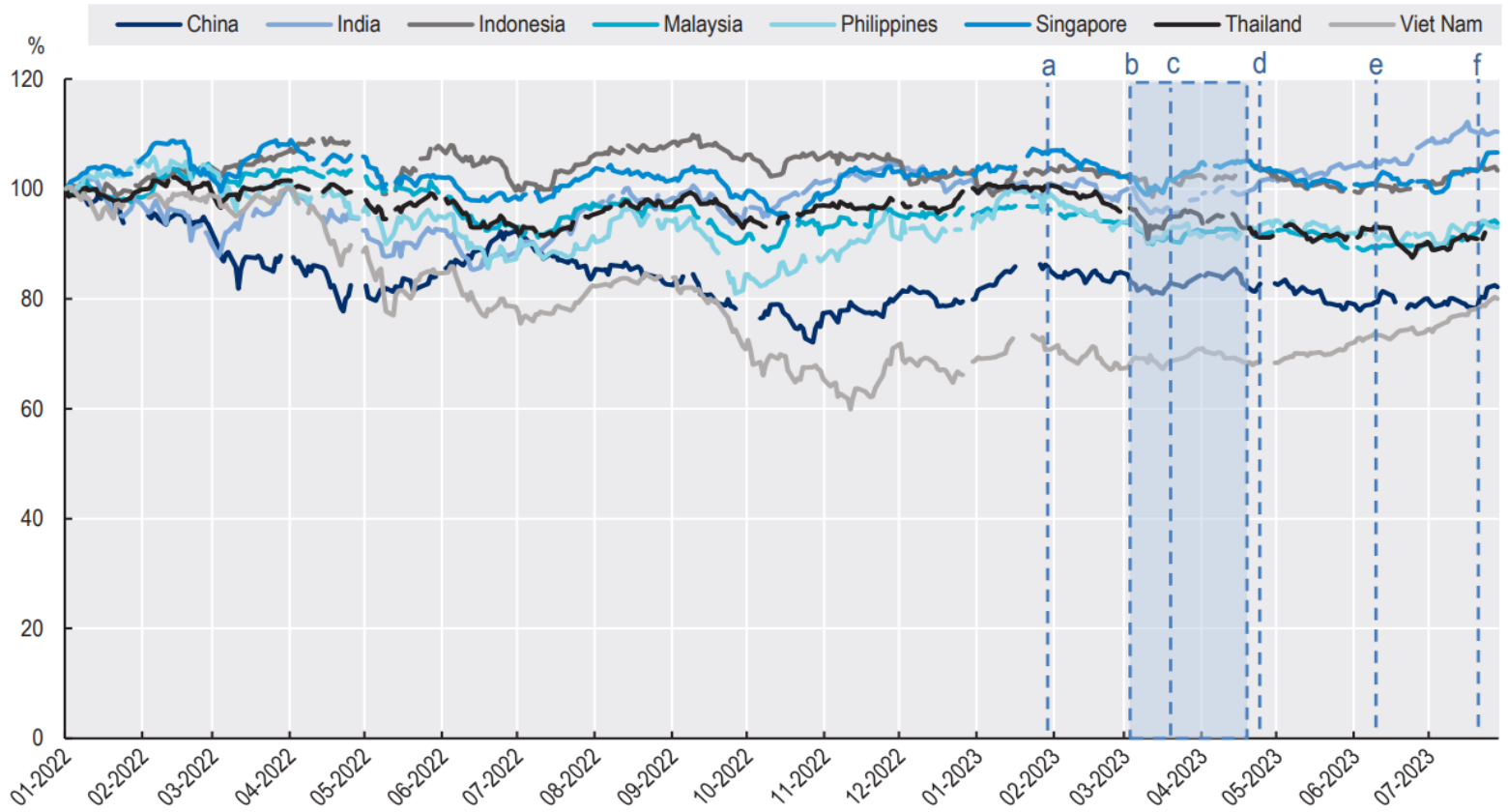


Note: Data as of 02 August 2023.
Source: CEIC.

Equity markets show mild volatility but remain relatively stable

Benchmark stock market indices of selected Emerging Asian economies, January 2022 to August 2023

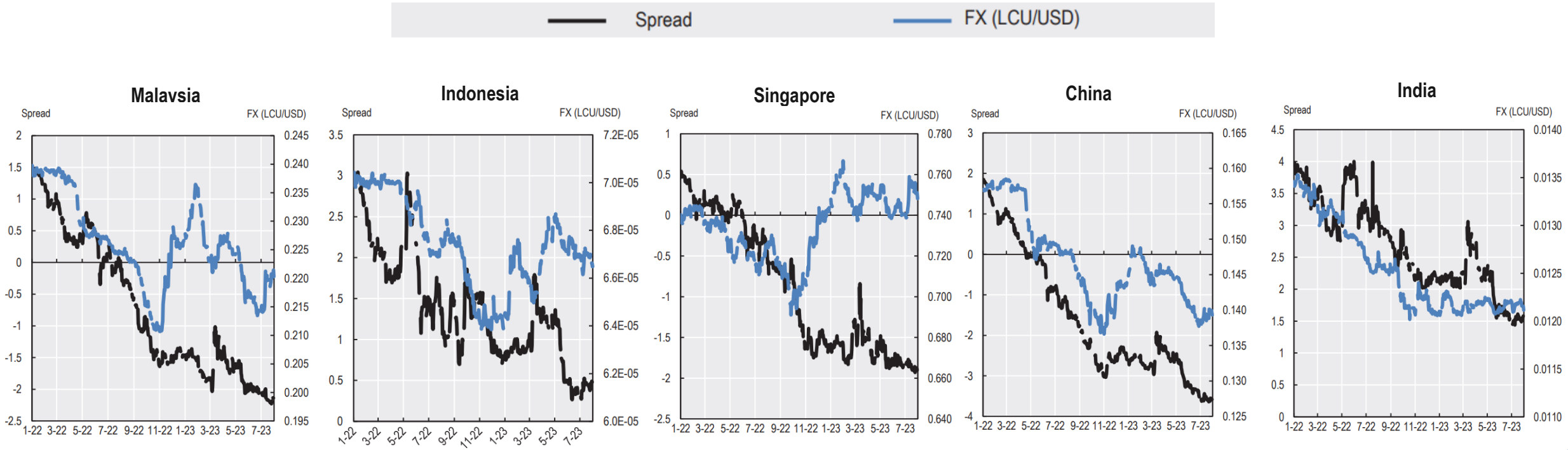
(5 Jan 2022=100)



Note: a) The Fed raised interest rates by 25 basis points on 1 February 2023. b) A banking crisis in the United States that began in March triggered reaction on markets worldwide. c) the Fed raised interest rates by 25 basis points on 22 March 2023; d) the Fed raised interest rates by 25 basis points on 3 May 2023; e) the Fed maintained interest rates on 14 June 2023; f) the Fed raised interest rates by 25 basis points on 26 July 2023. Data as of 01 August 2023.
Source: CEIC.

Portfolio outflows in some economies will weaken local currencies

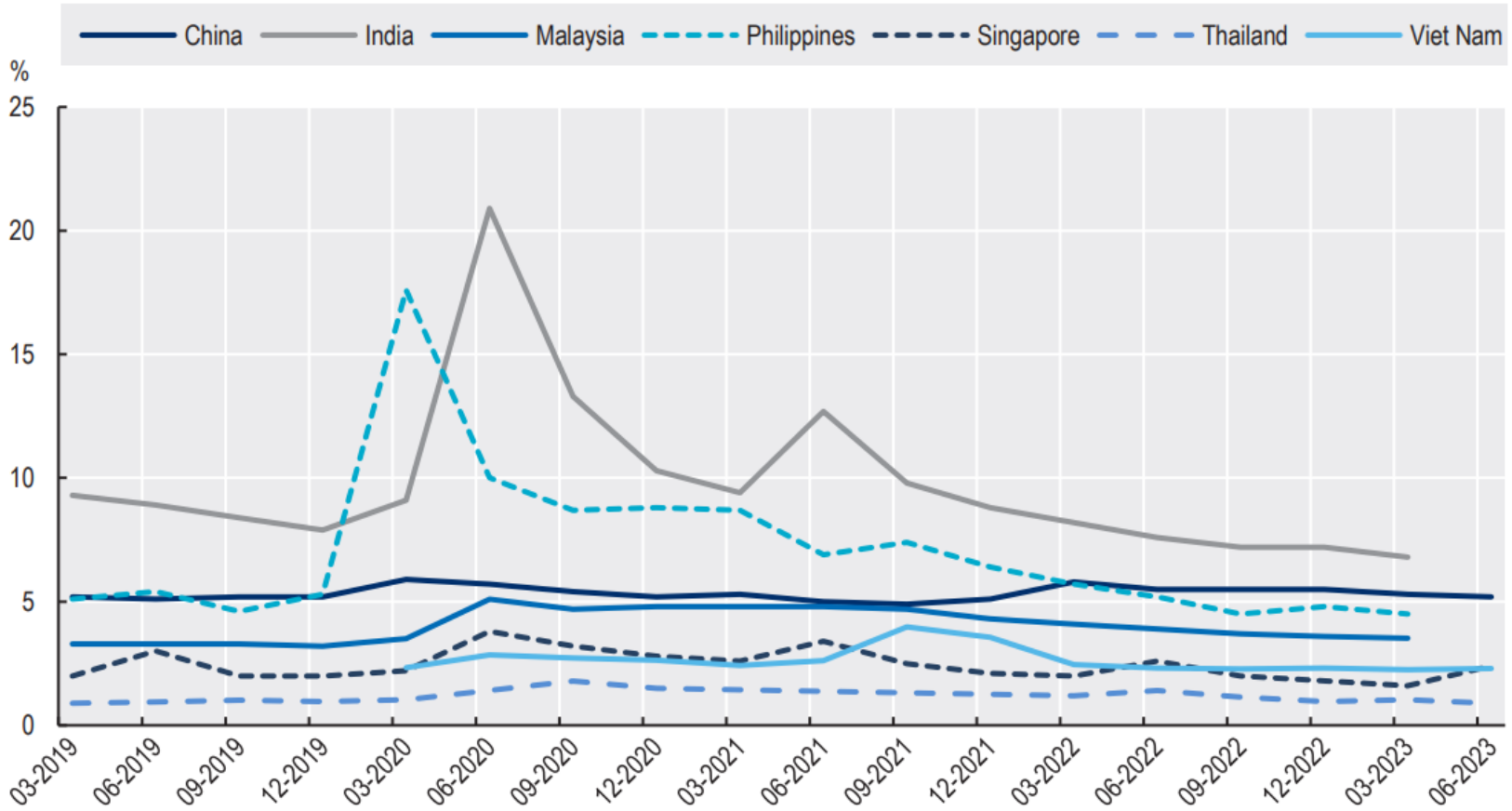
1-year government bond yield spread and foreign exchange rates in selected Emerging Asian economies, January 2022 to August 2023



Note: Bond yield spread refers to the difference between 1-year US government bond yield and 1-year local bond yield. The drop in yield spreads signifies the narrowing of yield differentials between 1Y US bonds and 1Y Asian bonds at the end of the period, 2 August 2023. A positive value for the foreign exchange rate, FX (LCU/USD), indicates appreciation of the local currency against the US dollar. Data as of 02 August 2023.
Source: Authors' calculations based on data from CEIC.

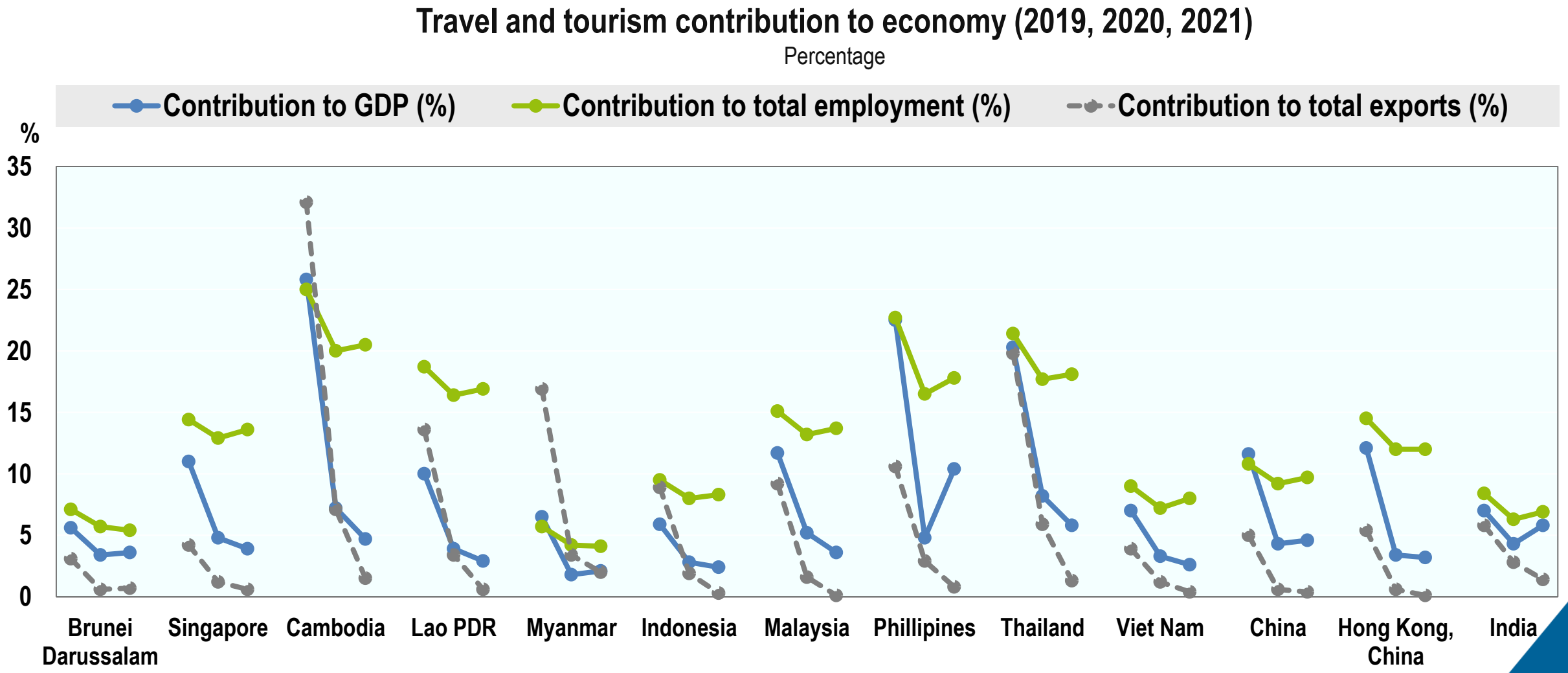
Labour markets show steady recovery

Unemployment rate in selected Emerging Asian economies, Q2 2019 to Q2 2023 (%)



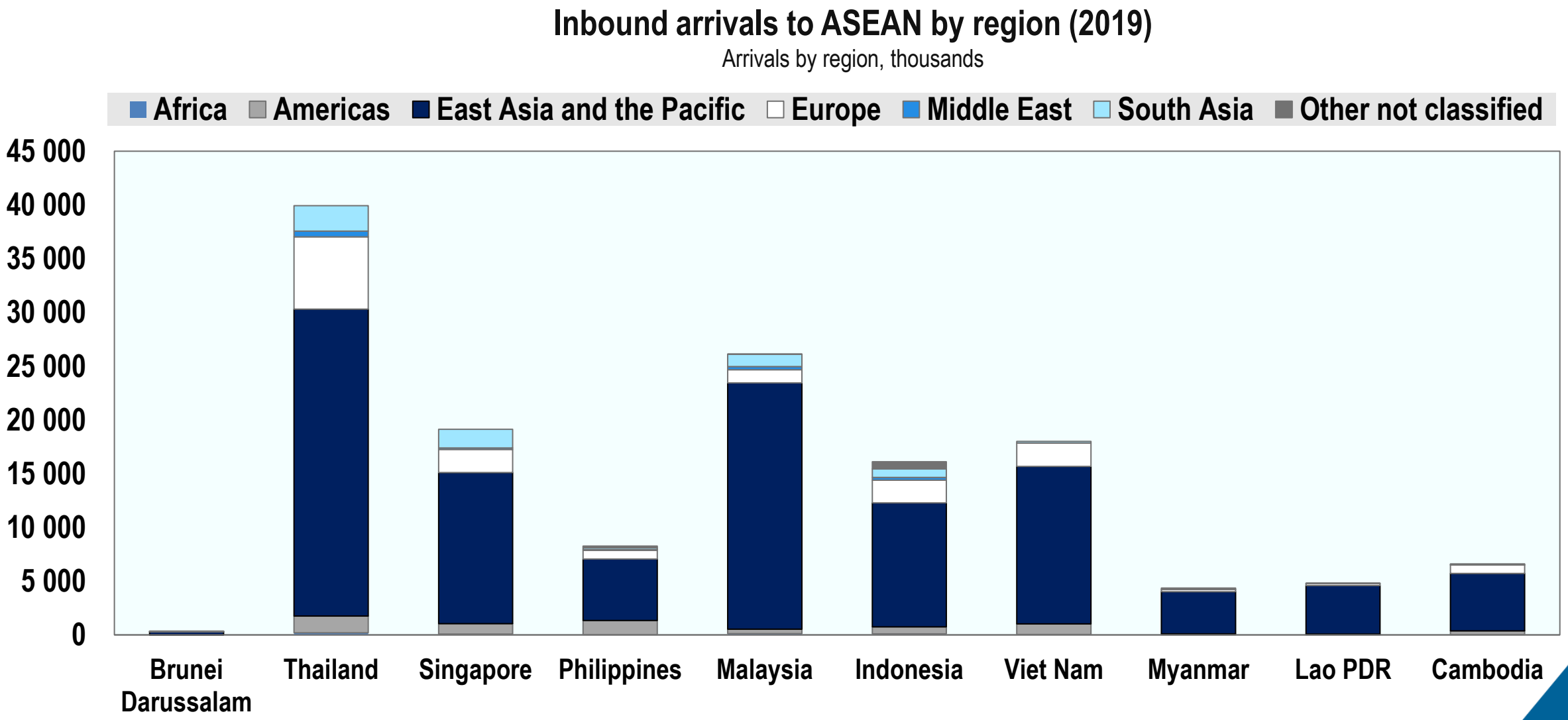
Note: Data as of 02 August 2023.
Source: CEIC.

Tourism began recovering as restrictions were lifted



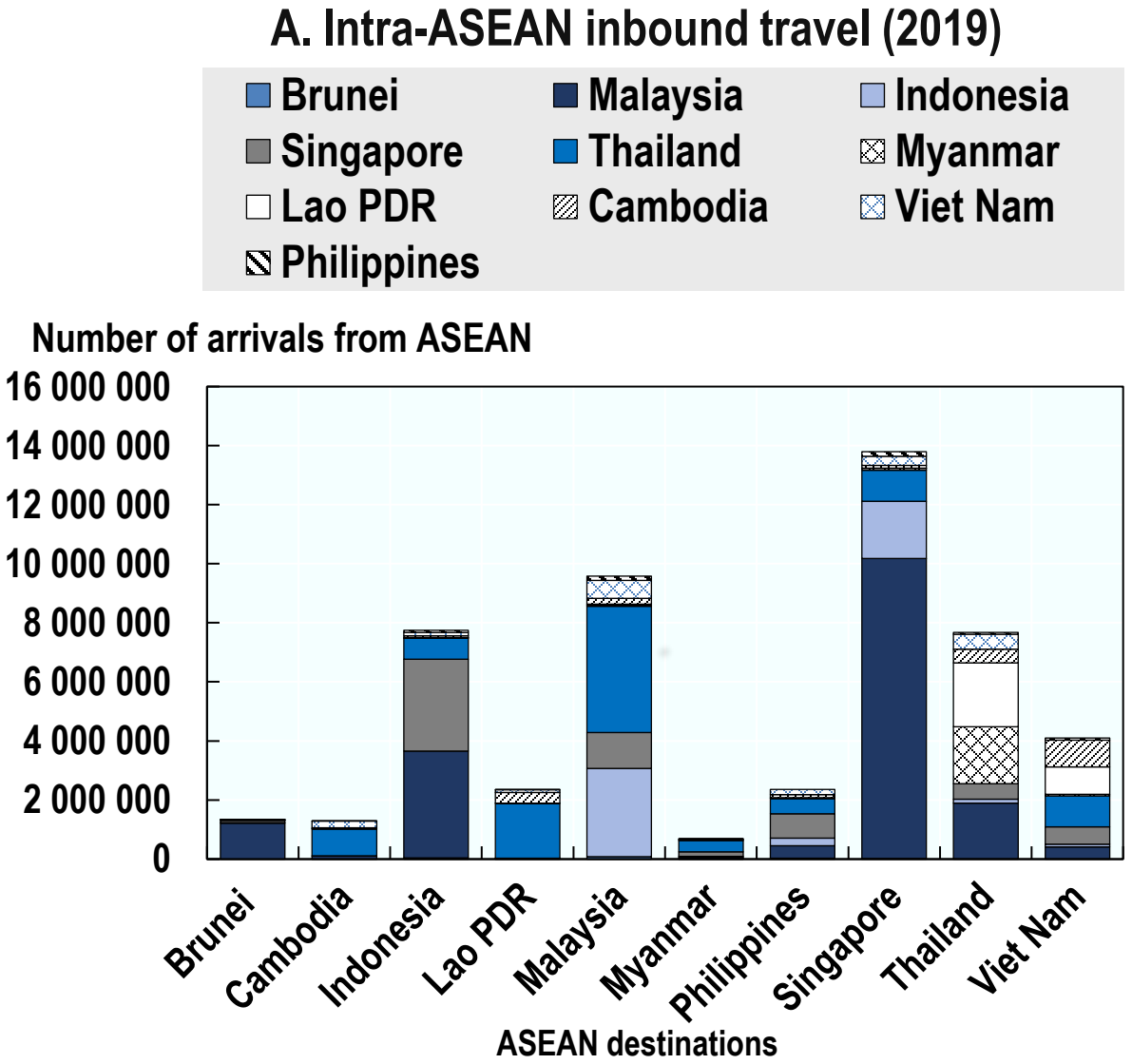
Note: Contribution includes direct, indirect and induced impacts.
Source: Authors' compilation from WTTC's data (2022).

Diversifying tourist sources builds resilience

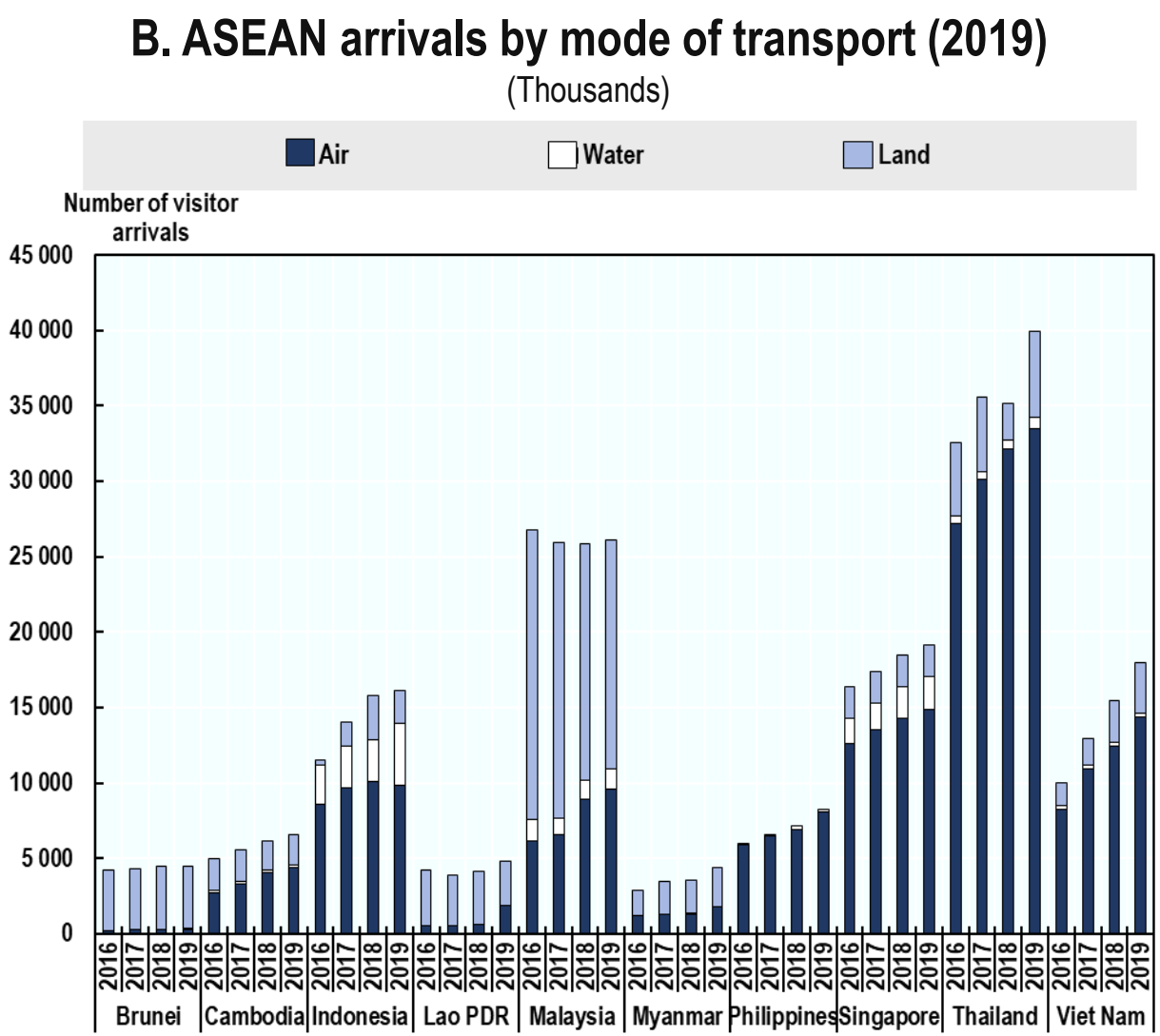


Source: Authors' calculation from UNWTO data (2021).

Diversifying tourist sources builds resilience

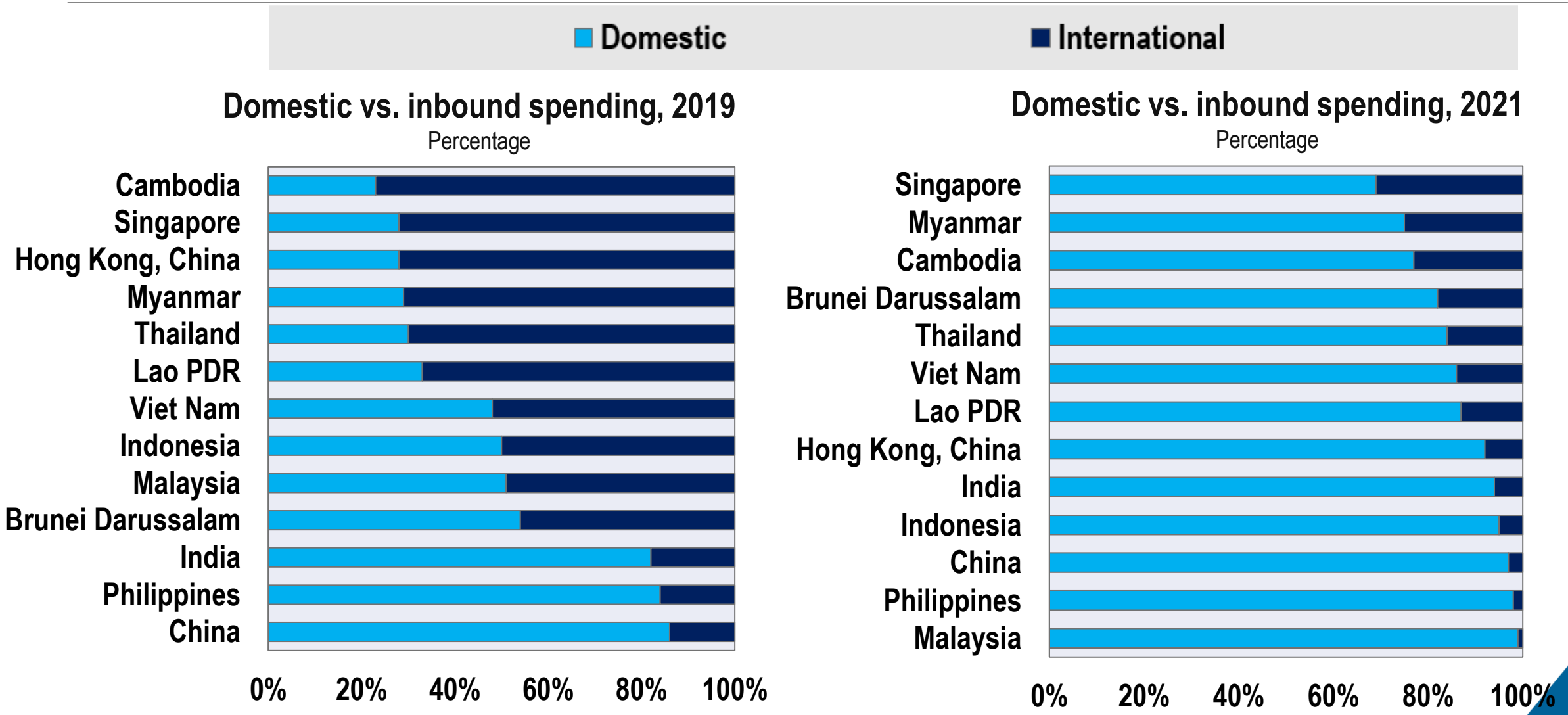


Source: Authors' calculation from UNWTO data (2021).



Source: Authors' compilation based on UNWTO (2021), Compendium of Tourism Statistics, Data 2015–2019.

Domestic tourism grew during the pandemic and should continue being fostered



Source: Authors' compilation from WTTC (2022), accessed on 20 March 2023.

Labour market challenges need to be addressed

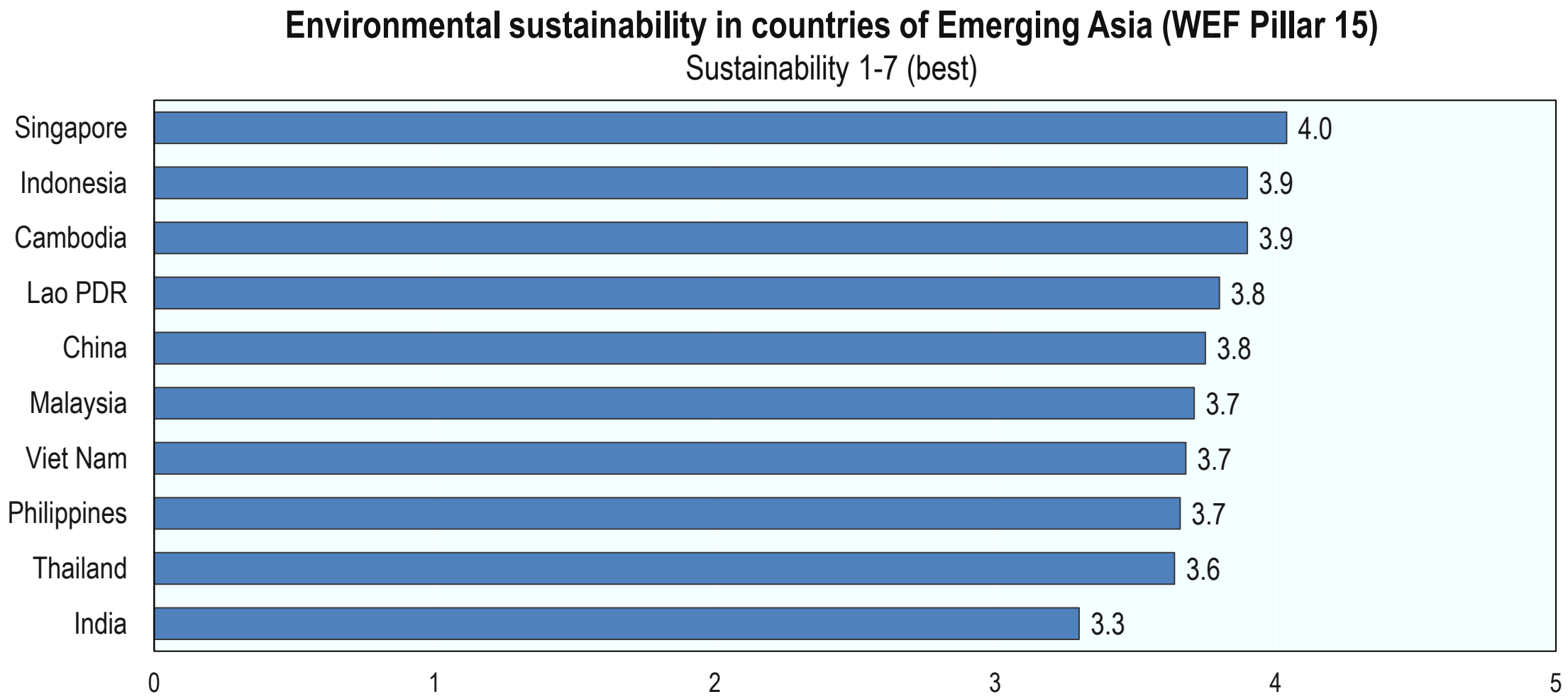
- Supporting MSMEs
- Protecting vulnerable workers
- Empowering local communities
- Strengthening skills
- Providing clear paths for career advancement

Tourism must adapt to return to being an engine of growth

Adapting to new travel preferences post pandemic:

- Local travel and rediscovery
- Nature-based destinations
- Health and wellness tourism

Sustainability in Emerging Asia is growing, but there is room for improvement



Note: "OECD" denotes OECD average, excluding Norway (data not available).
Source: WEF (2021), Travel & Tourism Competitive Index, data from 2015-21, https://www.weforum.org/reports/travel-and-tourismdevelopment-index-2021/downloads-510eb47e12.

Towards sustainable tourism

Sustainable tourism is the way forward

- Environmentally sustainable activities
- Green and blue economy
  - ✓ Ecotourism
- Community-based approach

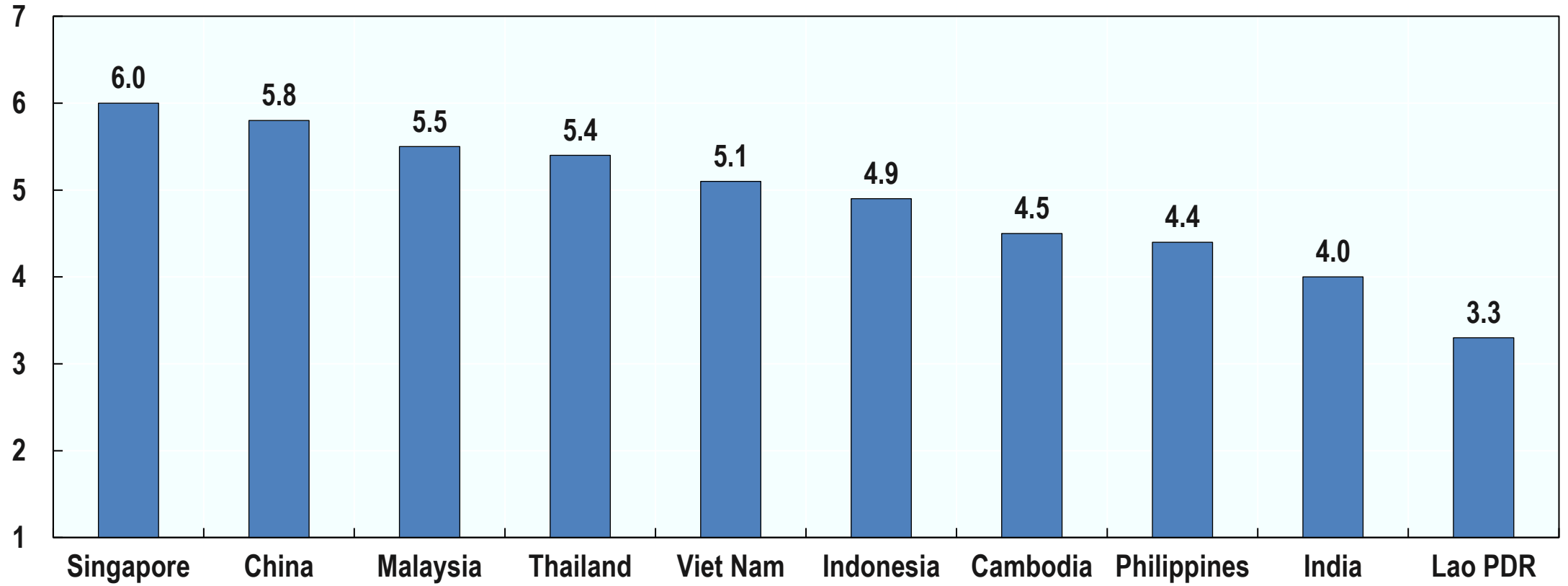
Accelerating digitalisation

- Digital platforms
- E-commerce and contactless payment
- Virtual travel
- Automation and smart tourism
- Social media

Addressing challenges of digitalisation

ICT readiness in selected countries of Emerging Asia

Readiness 1-7 (best)



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Key messages of Outlook 2023

- Economic growth in Emerging Asia will remain resilient in the face of many challenges
- Challenges to growth include persistent inflation, global economic slowdown. This is expected to be offset to some extent by China's reopening. Financial markets need to be carefully monitored, though showing resilience.
- For tourism to return to being a growth driver, it must adapt to a new environment
- Promoting sustainable tourism is crucial
- Tourism will benefit from digitalisation, but challenges need to be overcome

Thank you very much!

Contact: kensuke.molnar-tanaka@oecd.org



