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

UNESCAP Expert Group Meeting 1 November 2023, Bangkok, Thailand
Growth in Emerging Asia will remain resilient, ASEAN will weaken.

Real GDP growth of Emerging Asia and ASEAN, 2022-24

<table>
<thead>
<tr>
<th>Year</th>
<th>Emerging Asia</th>
<th>ASEAN</th>
</tr>
</thead>
<tbody>
<tr>
<td>2022</td>
<td>5.6</td>
<td>4.4</td>
</tr>
<tr>
<td>2023</td>
<td>5.3</td>
<td>4.2</td>
</tr>
<tr>
<td>2024</td>
<td>5.5</td>
<td>4.7</td>
</tr>
</tbody>
</table>


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

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

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)

Exports by Emerging Asia to regional and global destinations

Imports by Emerging Asia from regional and global destinations

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)

- ASEAN: 23%
- China: 15%
- United States: 14%
- EU: 9%
- Japan: 7%
- India: 4%
- Rest of the world: 28%

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

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

**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

Travel and tourism contribution to economy (2019, 2020, 2021)

Note: Contribution includes direct, indirect and induced impacts.
Source: Authors’ compilation from WTTC’s data (2022).
Diversifying tourist sources builds resilience

Inbound arrivals to ASEAN by region (2019)
Arrivals by region, thousands

Source: Authors' calculation from UNWTO data (2021).
Diversifying tourist sources builds resilience

A. Intra-ASEAN inbound travel (2019)

- Brunei
- Malaysia
- Indonesia
- Singapore
- Thailand
- Myanmar
- Lao PDR
- Cambodia
- Viet Nam
- Philippines

Number of arrivals from ASEAN

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

B. ASEAN arrivals by mode of transport (2019)

(Thousands)

- Air
- Water
- Land

Number of visitor arrivals

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

Environmental sustainability in countries of Emerging Asia (WEF Pillar 15)
Sustainability 1-7 (best)

<table>
<thead>
<tr>
<th>Country</th>
<th>Sustainability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Singapore</td>
<td>4.0</td>
</tr>
<tr>
<td>Indonesia</td>
<td>3.9</td>
</tr>
<tr>
<td>Cambodia</td>
<td>3.9</td>
</tr>
<tr>
<td>Lao PDR</td>
<td>3.8</td>
</tr>
<tr>
<td>China</td>
<td>3.8</td>
</tr>
<tr>
<td>Malaysia</td>
<td>3.7</td>
</tr>
<tr>
<td>Viet Nam</td>
<td>3.7</td>
</tr>
<tr>
<td>Philippines</td>
<td>3.7</td>
</tr>
<tr>
<td>Thailand</td>
<td>3.6</td>
</tr>
<tr>
<td>India</td>
<td>3.3</td>
</tr>
</tbody>
</table>

Note: *OECD* denotes OECD average, excluding Norway (data not available).
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)

Note: "OECD" denotes OECD average, excluding Norway (data not available).
Source: Authors’ compilation from WEF (2021), Travel & Tourism Competitive Index (dataset), https://www.weforum.org/reports/travel-andtourism-development-index-2021/downloads-510eb47e12.
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