



# MACROECONOMIC ECONOMIC PERSPECTIVES AND KEY STRUCTURAL POLICIES IN EMERGING ASIA

*KIEP-OECD-MOFA Joint Seminar, session 1*

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# Structure of Outlook

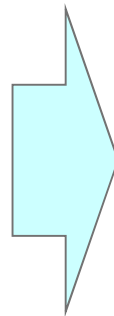
**1. Economic Outlook  
(Macro)**

**2. Thematic Focus**

**3. Structural Policy  
Country Note**

**Appendix:**

Statistics and summary of key  
policy challenges (SEARP)



## Thematic focus of the Outlook

**2010: Infrastructure  
development**

**2011/12: Green growth**

**2013: Narrowing development  
gaps**

**2014: Beyond the middle-  
income trap**

**2015: Strengthening  
institutional capacity**

**2016: Enhancing regional ties**

**2017: Addressing energy  
challenges (working title)**



# Outline

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- **Growth prospects and 4 risks to the Outlook**
- **Structural policy challenges**



# Growth shows mild moderation but will remain robust

## Real GDP growth of ASEAN, China and India (Annual percentage change)

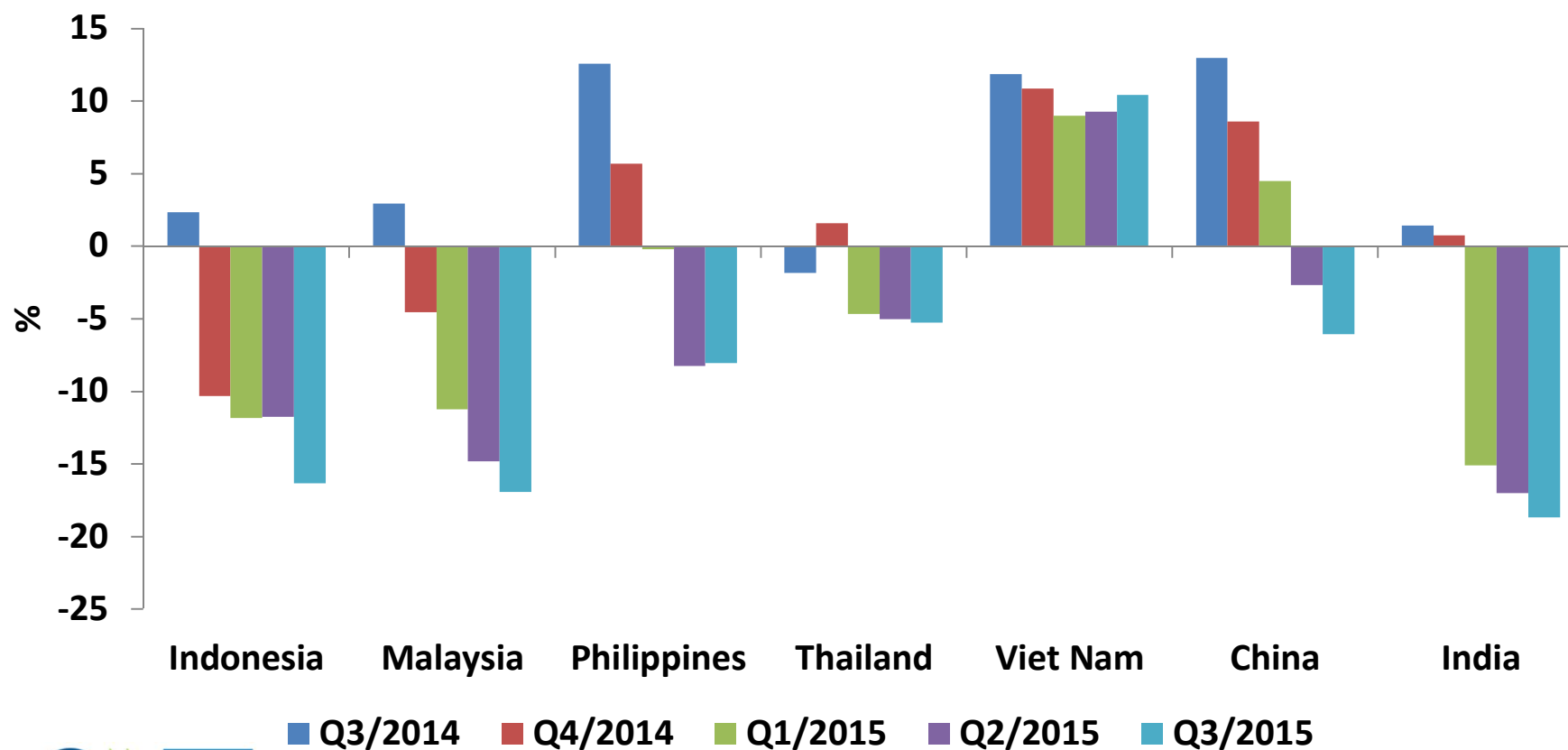
Country.	2014	2015	2016	2016-20 (average)	2011-13 (average)
<b>ASEAN-5</b>					
Indonesia	5.0	4.7	5.2	5.5	6.2
Malaysia	6.0	4.6	4.6	5.0	5.2
Philippines	6.1	5.9	6.0	5.7	5.9
Thailand	0.9	2.7	3.1	3.6	3.2
Viet Nam	6.0	6.4	5.9	6.0	5.6
<b>Brunei Darussalam and Singapore</b>					
Brunei Darussalam	-2.3	-1.4	0.5	1.8	0.9
Singapore	2.9	2.1	2.4	2.6	4.1
<b>CLM countries</b>					
Cambodia	7.0	7.0	7.1	7.3	7.3
Lao PDR	7.4	6.9	7.0	7.3	8.1
Myanmar	7.7	8.2	8.2	8.3	6.9
<b>China and India</b>					
China	7.3	6.8	6.5	6.0	8.2
India	7.3	7.2	7.3	7.3	5.5
<b>Average of ASEAN 10 countries</b>	<b>4.6</b>	<b>4.6</b>	<b>4.9</b>	<b>5.2</b>	<b>5.4</b>
<b>Average of Emerging Asia</b>	<b>6.7</b>	<b>6.5</b>	<b>6.4</b>	<b>6.2</b>	<b>7</b>



# Overall, exports have been deteriorating, recently

## Recent trend of export growth in Emerging Asia

Year-on-year percentage change

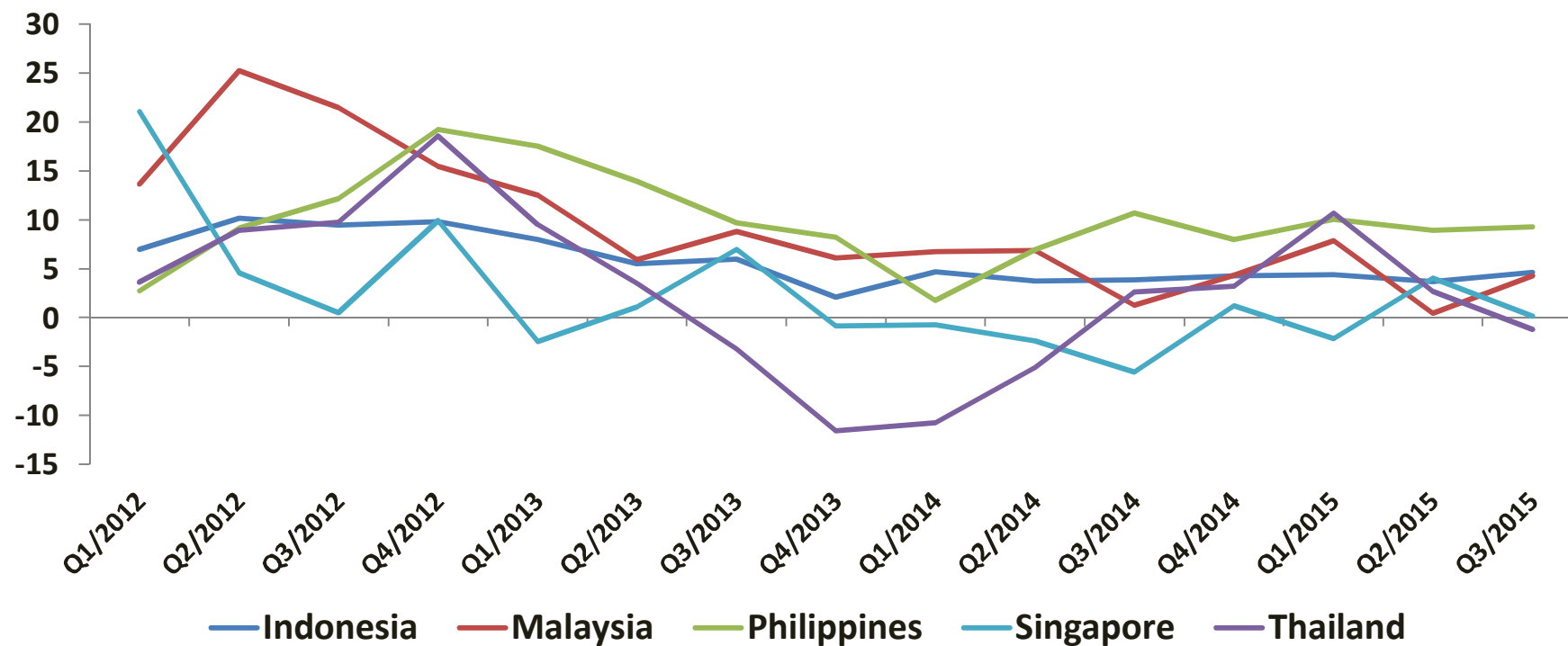




# Sluggish investment hinders growth in some countries

## Fixed capital formation growth in Selected Asian Countries

Percentage



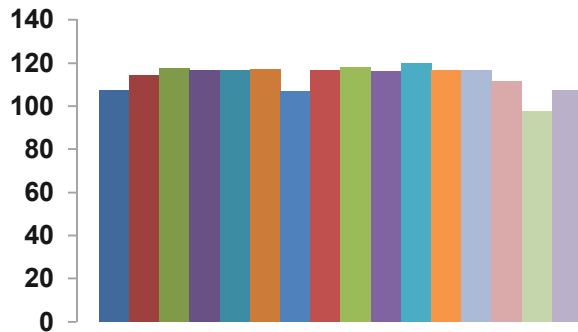


# Consumption prospects are different by countries

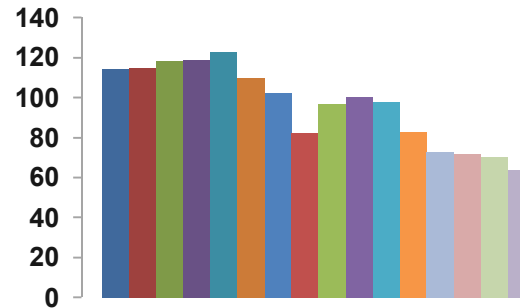
## Consumer confidence index in Emerging Asia

indices are adjusted so that 100 is neutral confidence point

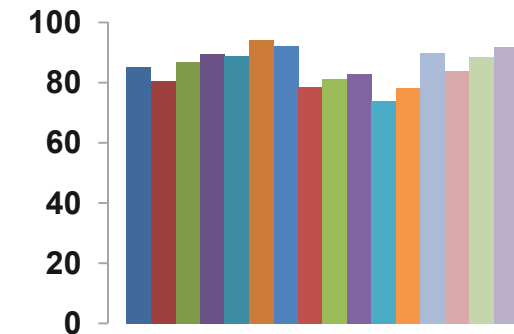
### Indonesia



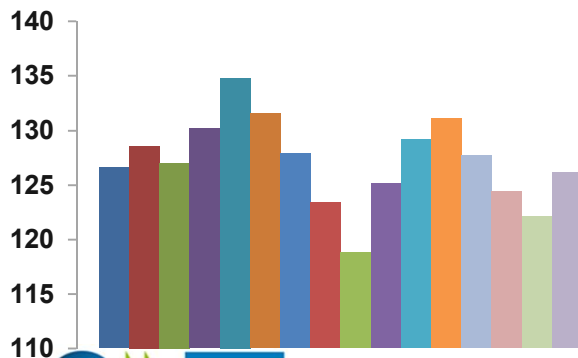
### Malaysia



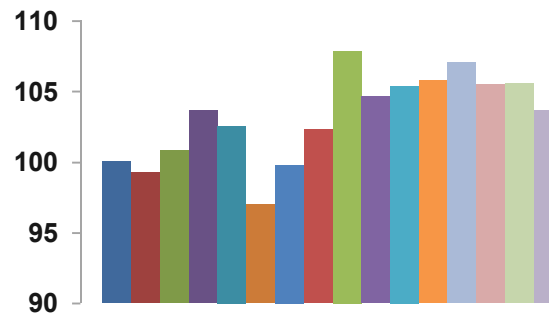
### Philippines



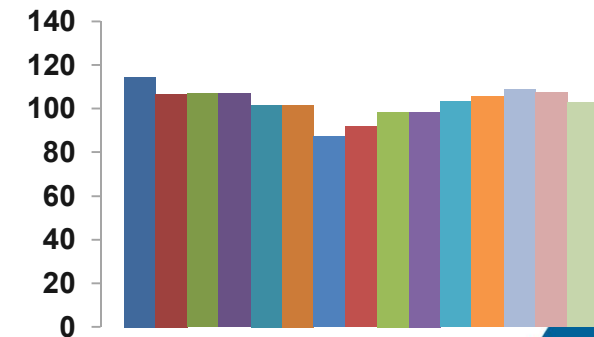
### Thailand



### China

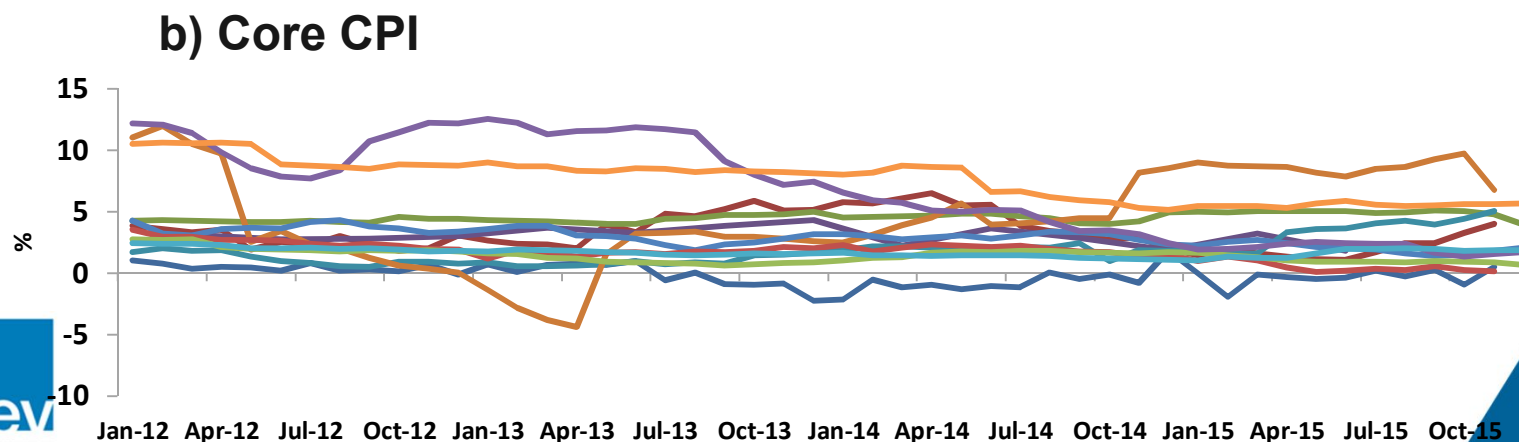
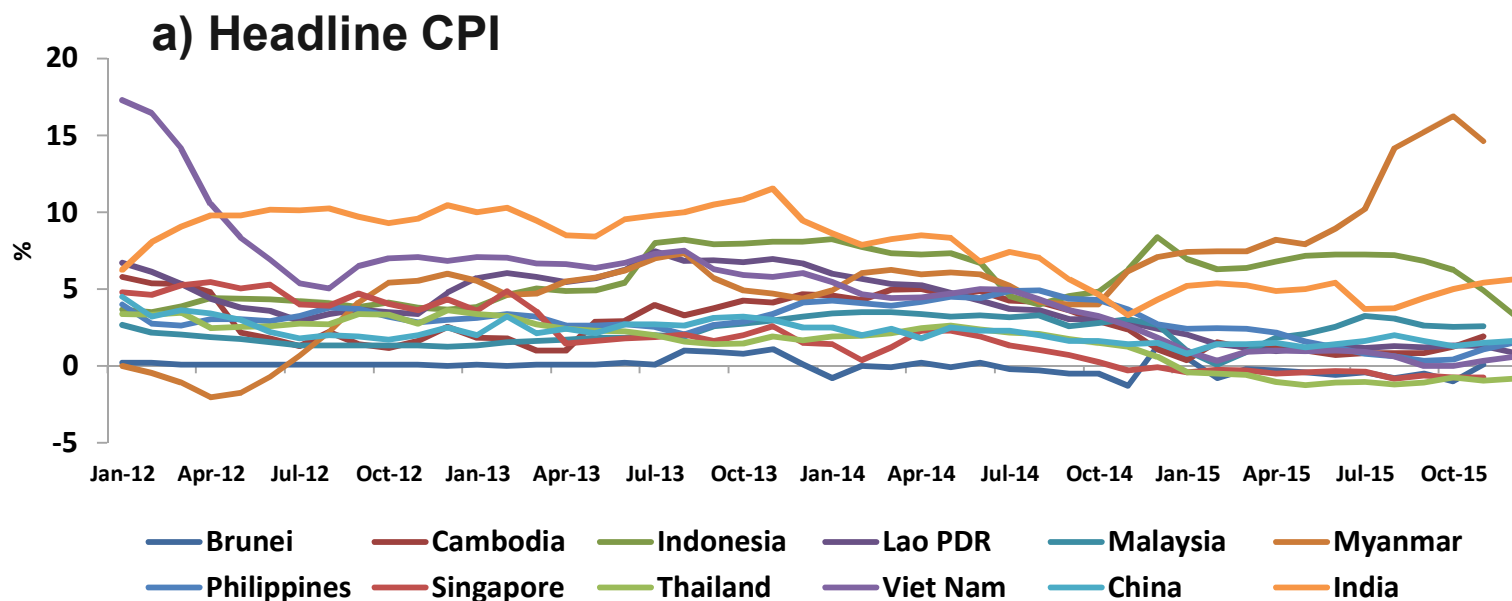


### India





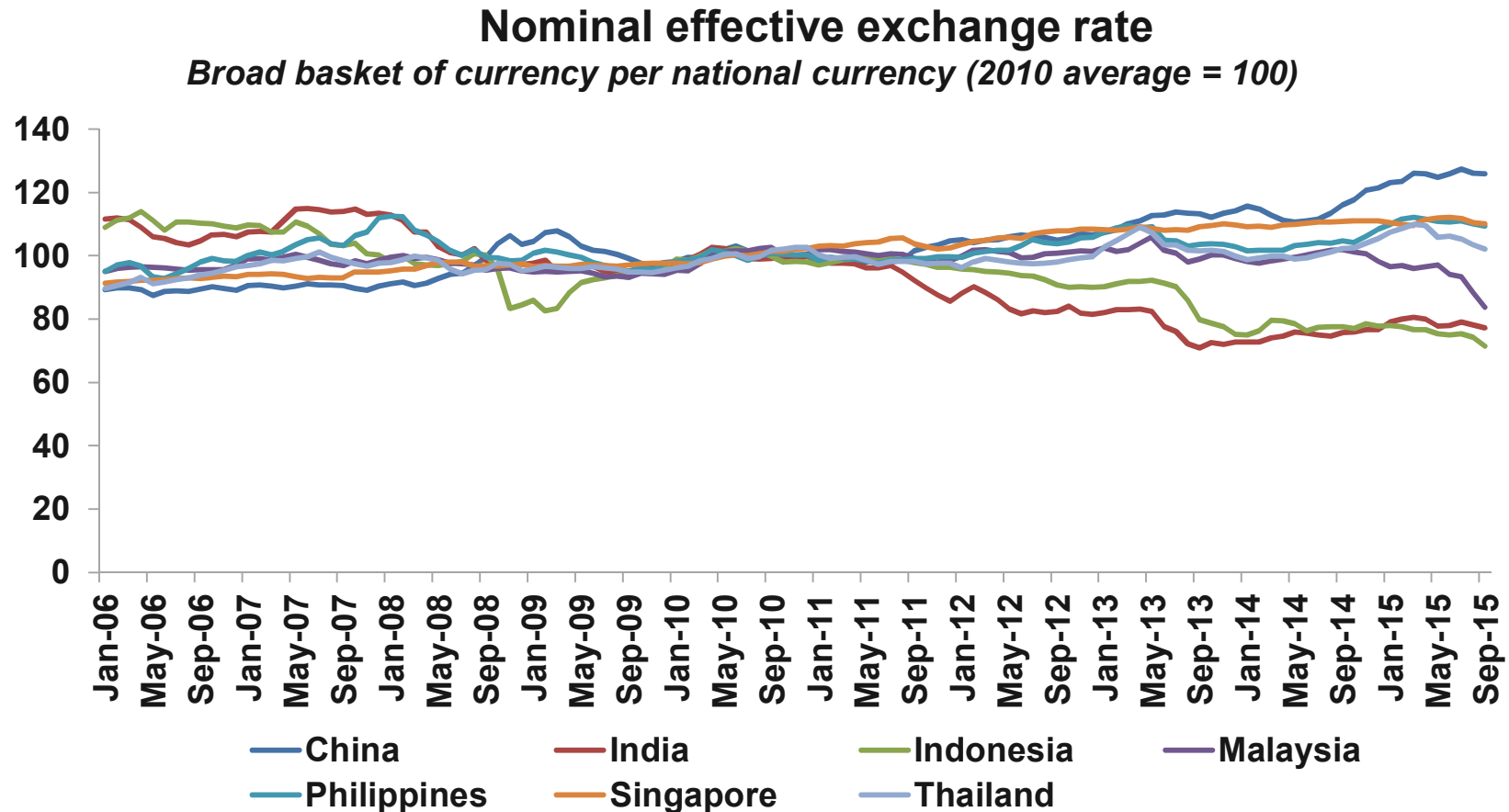
# Scope for macroeconomic policy support has increased with falling inflation







# The exchange rate trend is diverse





## Risk1: Effects of China's slowdown

The effects of China's slowdown will be observed through various channels...

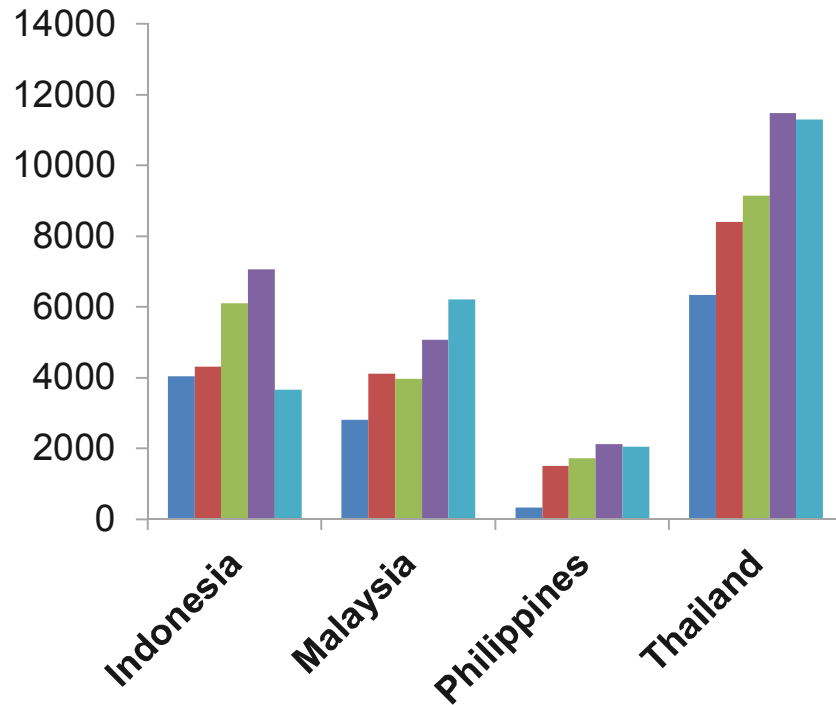
- **Exports** are the primary channel through which the effects of China's slowdown are being transmitted to the ASEAN region.
- **FDI inflows** from China into ASEAN have increased rapidly since 2009 and have become an important overall source of foreign investment (particularly in Malaysia and Thailand).
- The financial repercussions of China's slowdown may also impact domestic **financial markets** in ASEAN countries.
- Over the longer term, China's slowdown and the conditions accompanying it are likely to affect the **structure of output** in many ASEAN countries.



# Impact of China's growth slowdown: export and FDI channel

**Exports to China by major product  
Items by selected ASEAN countries**

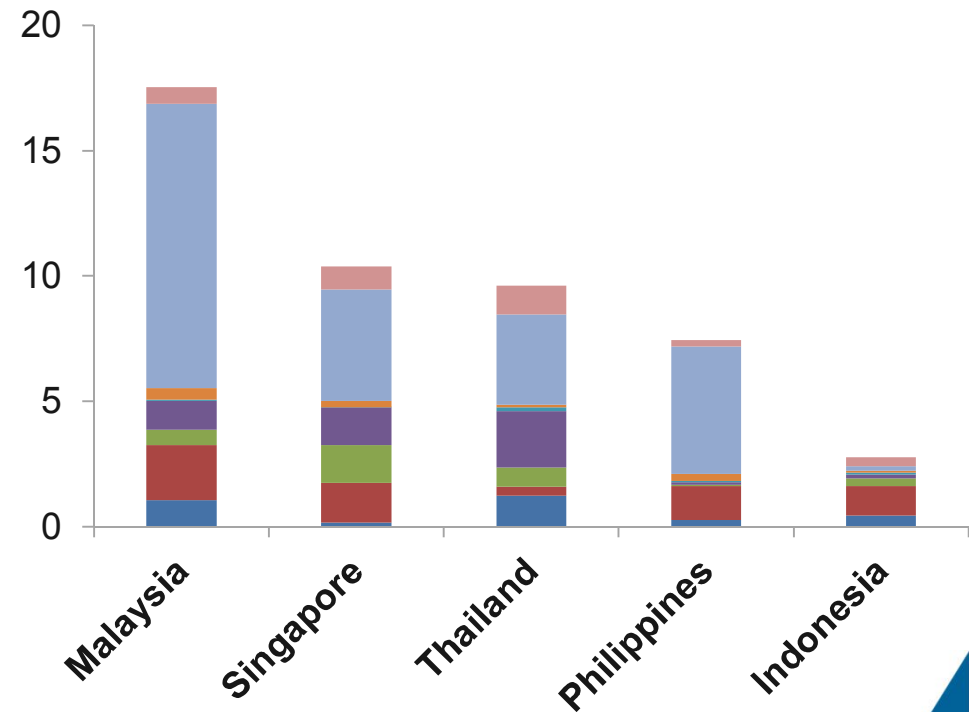
Percentage of GDP



■ 2009 ■ 2010 ■ 2011 ■ 2012 ■ 2013

**China FDI flows to ASEAN countries**

Million USD

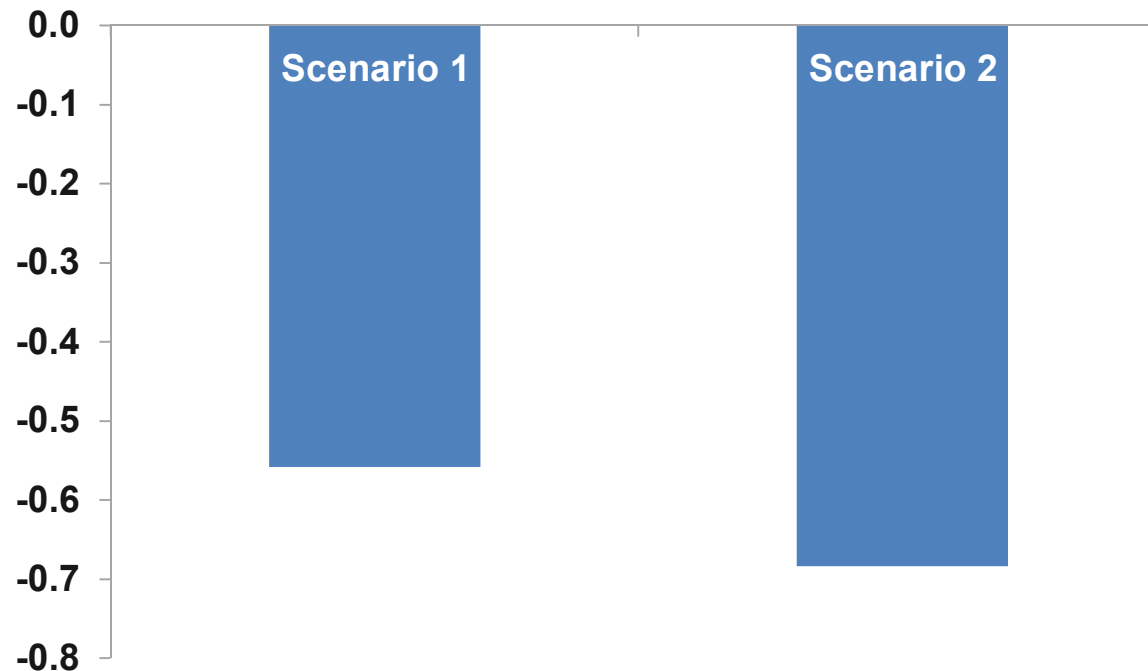


■ Others  
■ Machinery and Electrical Equipment  
■ Base Metals and Articles  
■ Textiles and Textile Articles  
■ Plastic, Rubber and other Articles



## Risk 2: Impact of US monetary normalization

Impact of US monetary normalization on GDP growth in  
ASEAN-5 for 2015-2017  
Percentage (annual average)



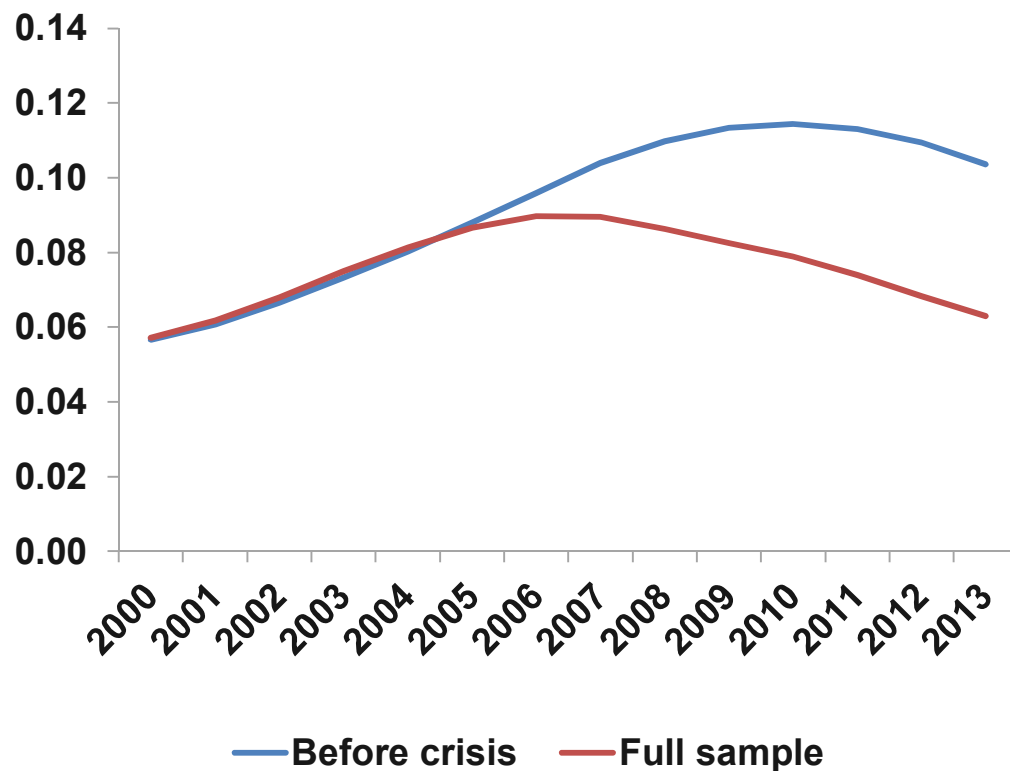
- The tightening has been widely anticipated and is unlikely to significantly surprise markets.
- The GDP of ASEAN-5 as a whole may be lowered by as much as 0.56% - 0.68% of GDP.

Source: OECD Development Centre estimate,  
Note: impacts are estimated by DSGE approach

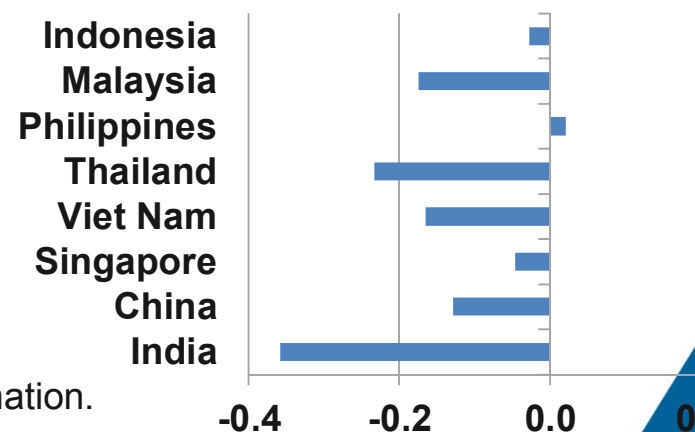
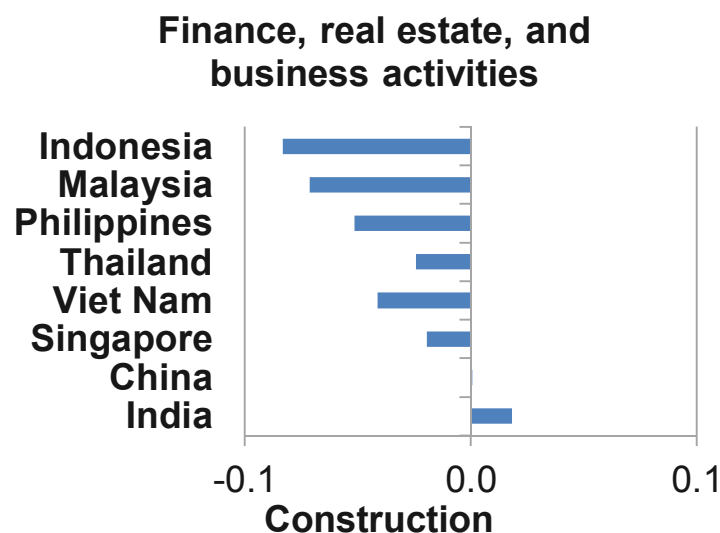


# Risk 3: Slowing potential growth and productivity

**Figure a) Potential GDP in ASEAN, China and India**  
(Log annual growth)



**Figure b) Relative labour productivity**  
(Log annual growth)

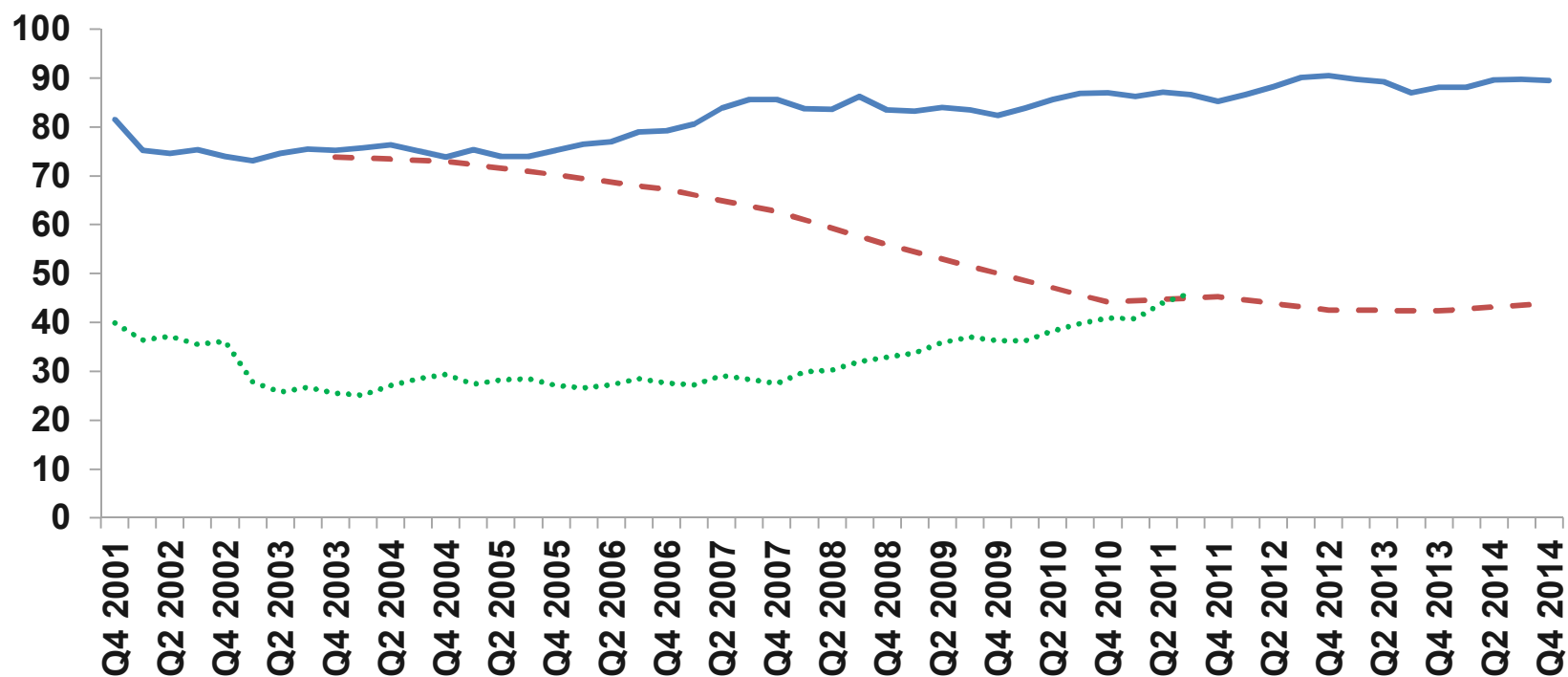




## Risk 4: Challenges for CLM- Dollarization

### Dollarisation in Cambodia, Lao PDR and Myanmar

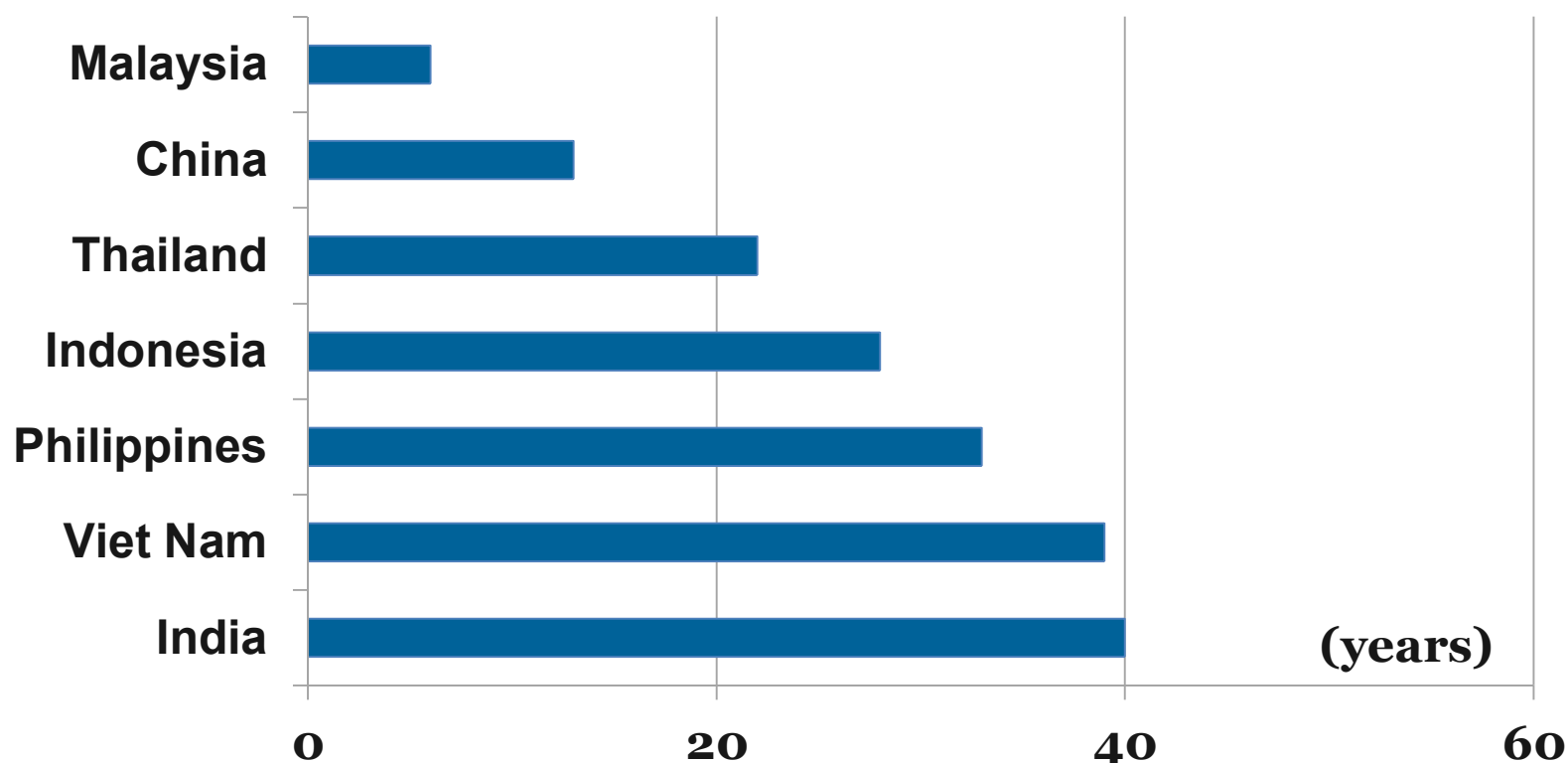
Ratio of foreign currency deposits to M2





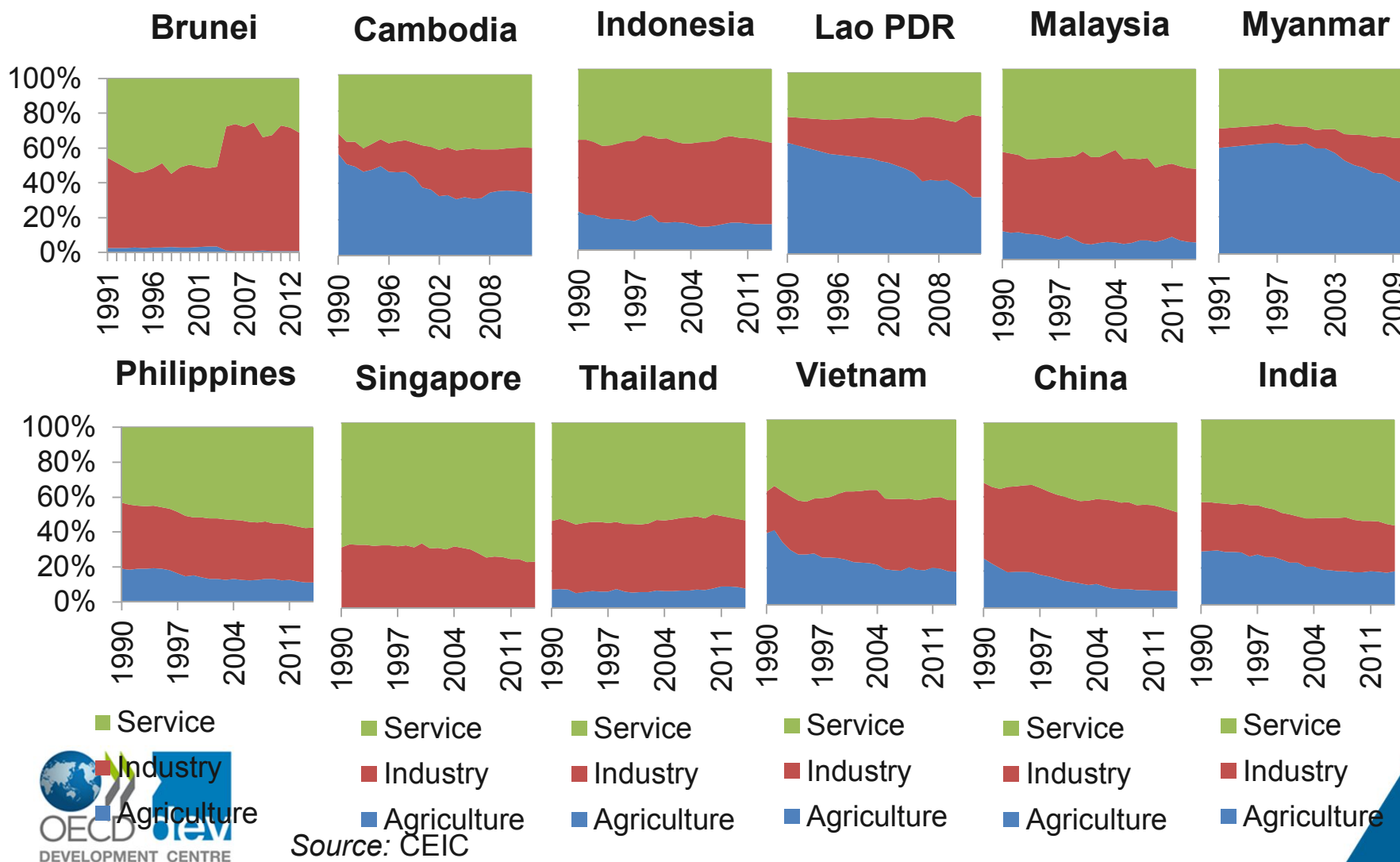
# Approx. 20-40 years more required to reach high-income level

Updated best-scenario simulation of estimated time required to become high income countries for selected Asian middle income countries (years) from 2015





# The Structure of Economy by Industry for ASEAN Countries (Percentage) 1991-2012







# Medium-term policy challenges and responses in Emerging Asia

Country	Topics	Policy focus
<b>ASEAN-5</b>		
<b>Indonesia</b>	Infrastructure	Build infrastructure for maritime connectivity
	Social security	Reform the national social security system
	Food security	Improve food security
<b>Malaysia</b>	SMEs	Raise SME productivity
	Education	Upgrade education to meet industry needs
	Urban green growth	Promote urban green growth
<b>Philippines</b>	Job creation	Encourage faster job creation
	Infrastructure	Strengthen infrastructure and the transport sector
	Disaster risk management	Improve disaster risk management
<b>Thailand</b>	Macroeconomic performance	Use macroeconomic policies to revive growth
	Tourism	Strengthen sustainable tourism
<b>Viet Nam</b>	Infrastructure	Improve infrastructure to support growth
	SOEs	Reform and restructure SOEs
	Job creation	Promote job creation and productivity growth
<b>Brunei Darussalam and Singapore</b>		
<b>Brunei Darussalam</b>	FDI	Encourage foreign direct investment inflows
	Private sector	Reform the business sector to promote diversification
	Public finance	Reform public finance
<b>Singapore</b>	Ageing population	Strengthen labour market and social policies for ageing population
	Infrastructure (land use)	Leverage data to build a smart, energy-efficient



# Medium-term policy challenges and responses in Emerging Asia

Country	Topics	Policy focus
<b>CLM</b>		
<b>Cambodia</b>	Education (TVET)	Improve competitiveness by strengthening TVET
	Tourism	Address complex challenges in developing tourism
<b>Lao PDR</b>	Natural resources	Manage the natural resource boom
	SMEs	Foster SME development
	Tourism	Promote travel and tourism
<b>Myanmar</b>	Agriculture	Upgrade and modernising agriculture
	Education	Develop human capital
	Finance	Finance development
<b>China and India</b>		
<b>China</b>	Environment	Strengthen environmental regulations to improve quality of growth
	Education and skills	Upgrade human capital to facilitate transition to a higher value-added economy
	Rural development	Boost rural development to ensure robust growth of incomes
<b>India</b>	Financial education	Strengthen financial education initiatives
	Education	Enhance education access and quality



# Indonesia: Developing connectivity with international lines and the eastern regions

**Table. Container volumes through Indonesia's top 10 ports in 2009**

Thousand twenty-foot equivalent units (TEU)

	International			Domestic			Total
	Imports	Exports	Sub-total	Imports	Exports	Sub-total	
Tanjung Priok	1 605	1 485	3 090	328	505	833	3 923
Tanjung Perak	630	576	1 206	256	282	538	1 744
Belawan	302	309	611	180	98	278	889
Tanjung Emas	291	253	544	17	15	32	576
Panjang	137	139	276	14	11	25	301
Makassar	2		2	144	104	248	250
Banjarmasin			0	61	57	118	118
Pontianak			0	70	29	99	99
Samarinda	0		0	50	45	95	95
Pekanbaru	11	32	43	16	13	29	72

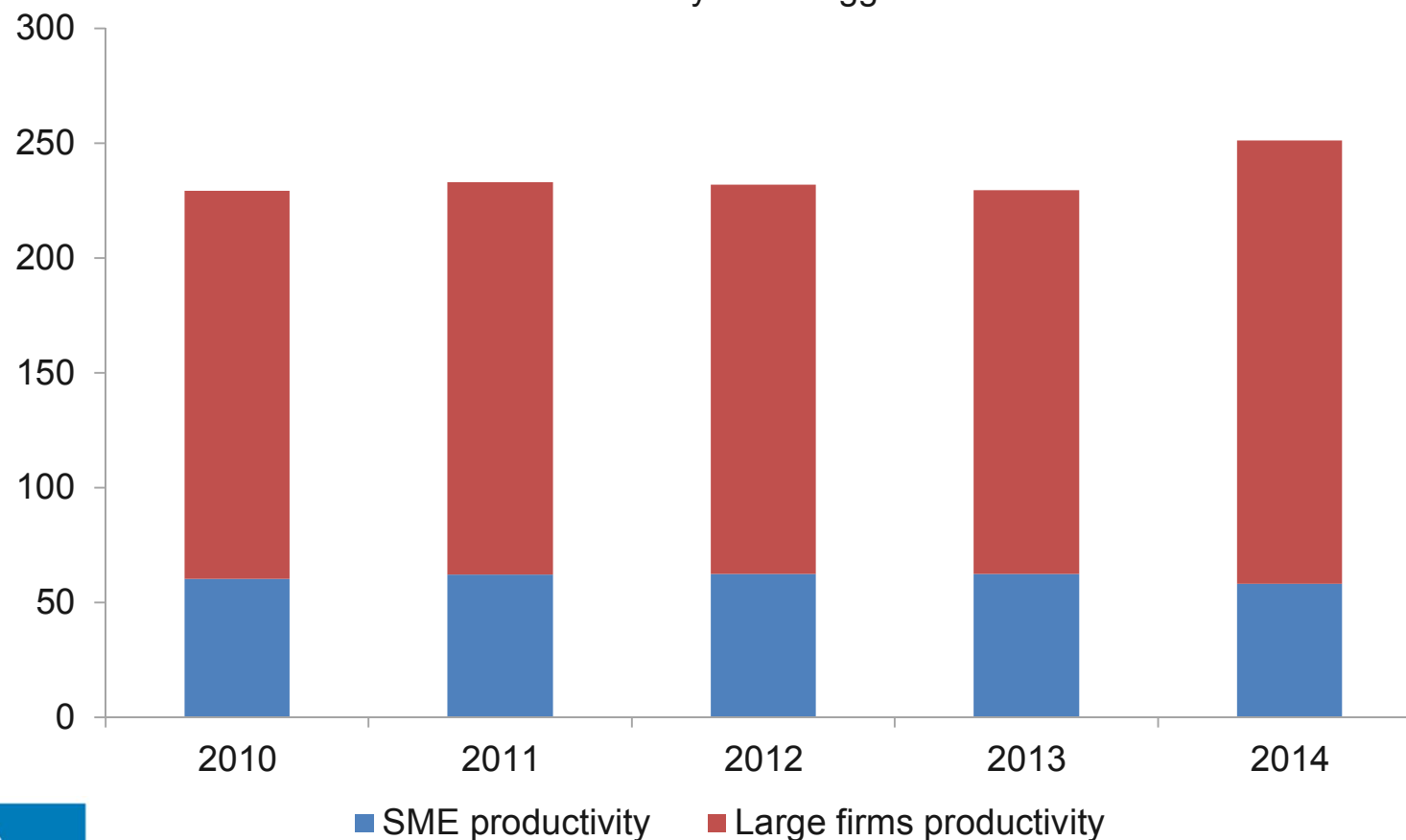
Source: OECD (2012), "Regulatory and competition issues in ports, rail and shipping"



# Malaysia: Raising SME productivity

**Figure. SME and Large firms' productivity in Malaysia, 2010-14**

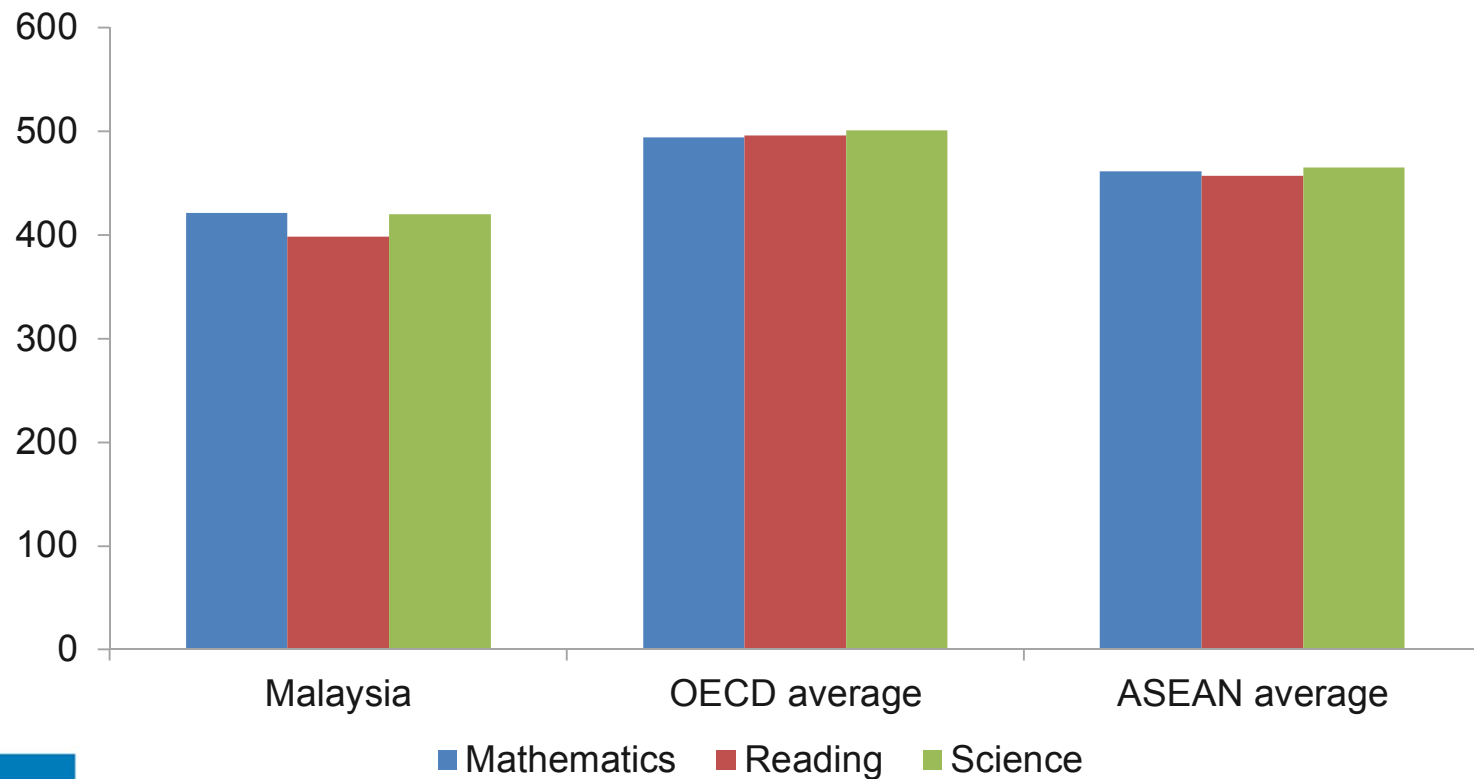
Thousand Malaysian Ringgit





# Malaysia: Upgrading education to meet industrial needs

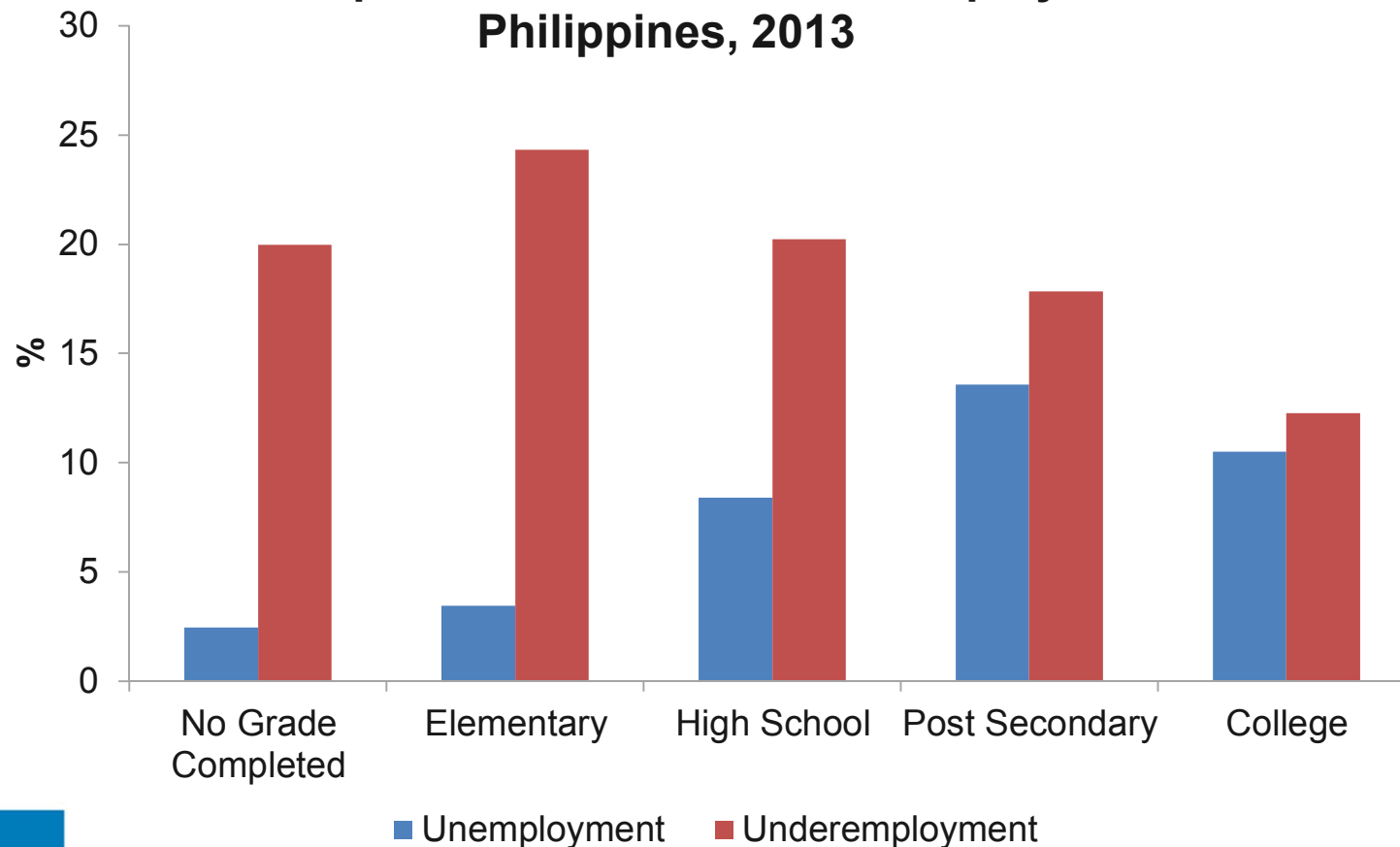
**PISA scores in OECD member countries and Southeast Asian countries**  
(Score)





# Philippines: Encourage job creation

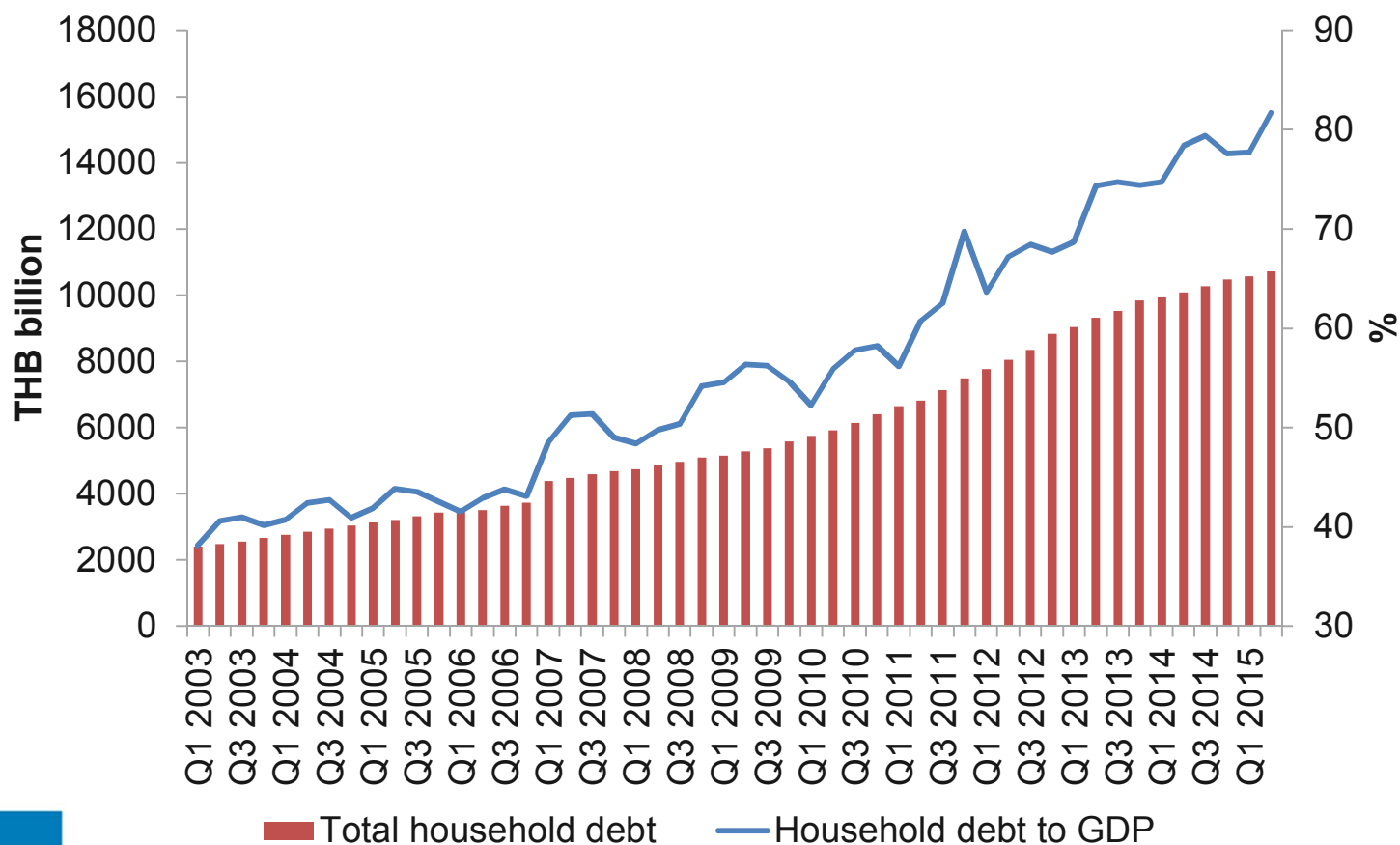
**Unemployment and underemployment by highest level of education completed as shares of total employment in the Philippines, 2013**





# Thailand: Use macroeconomic policies to revive growth

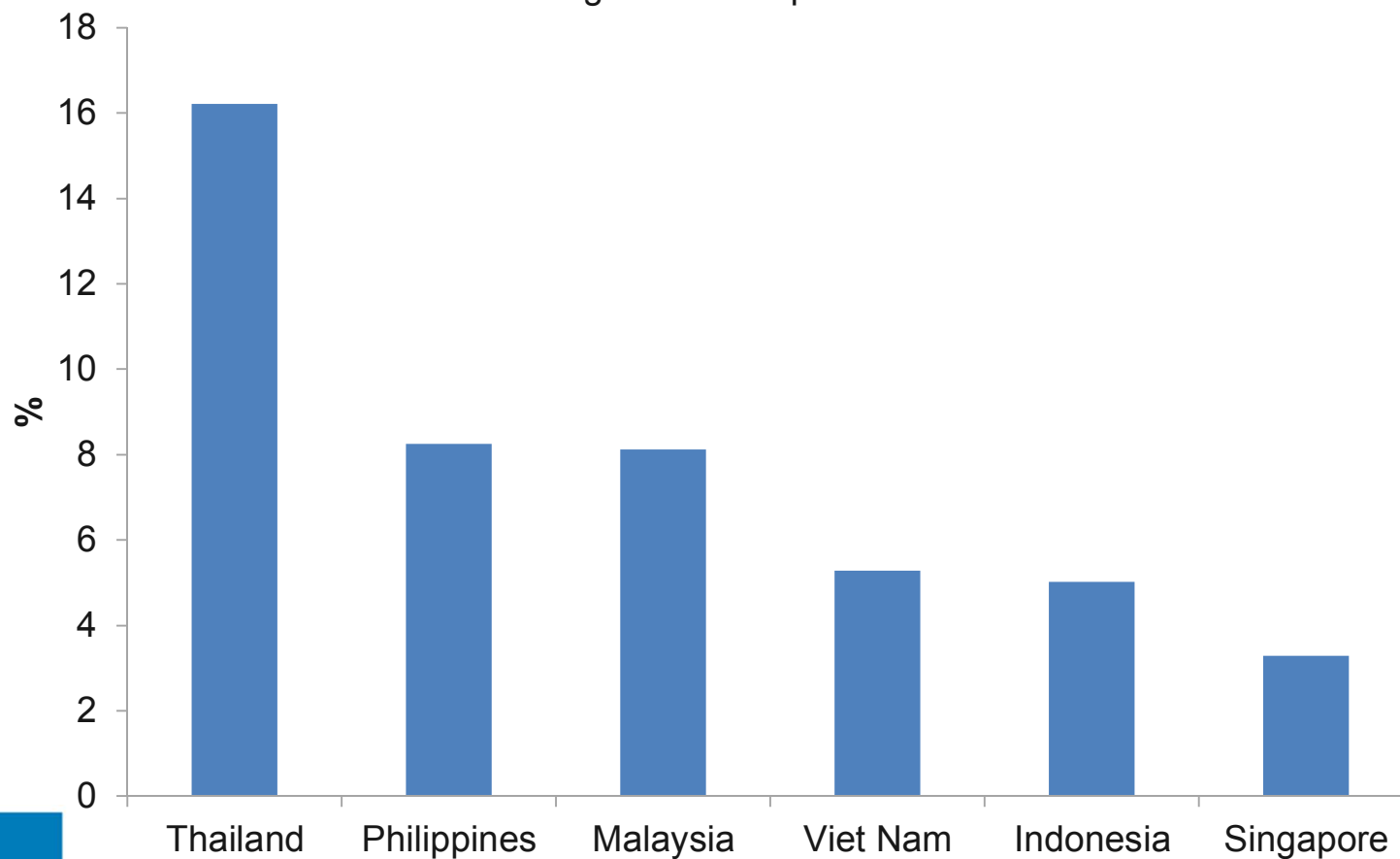
Household debt in Thailand



# Thailand: Strengthen sustainable tourism

## International tourism receipts of Thailand, 2013

Percentage of total exports

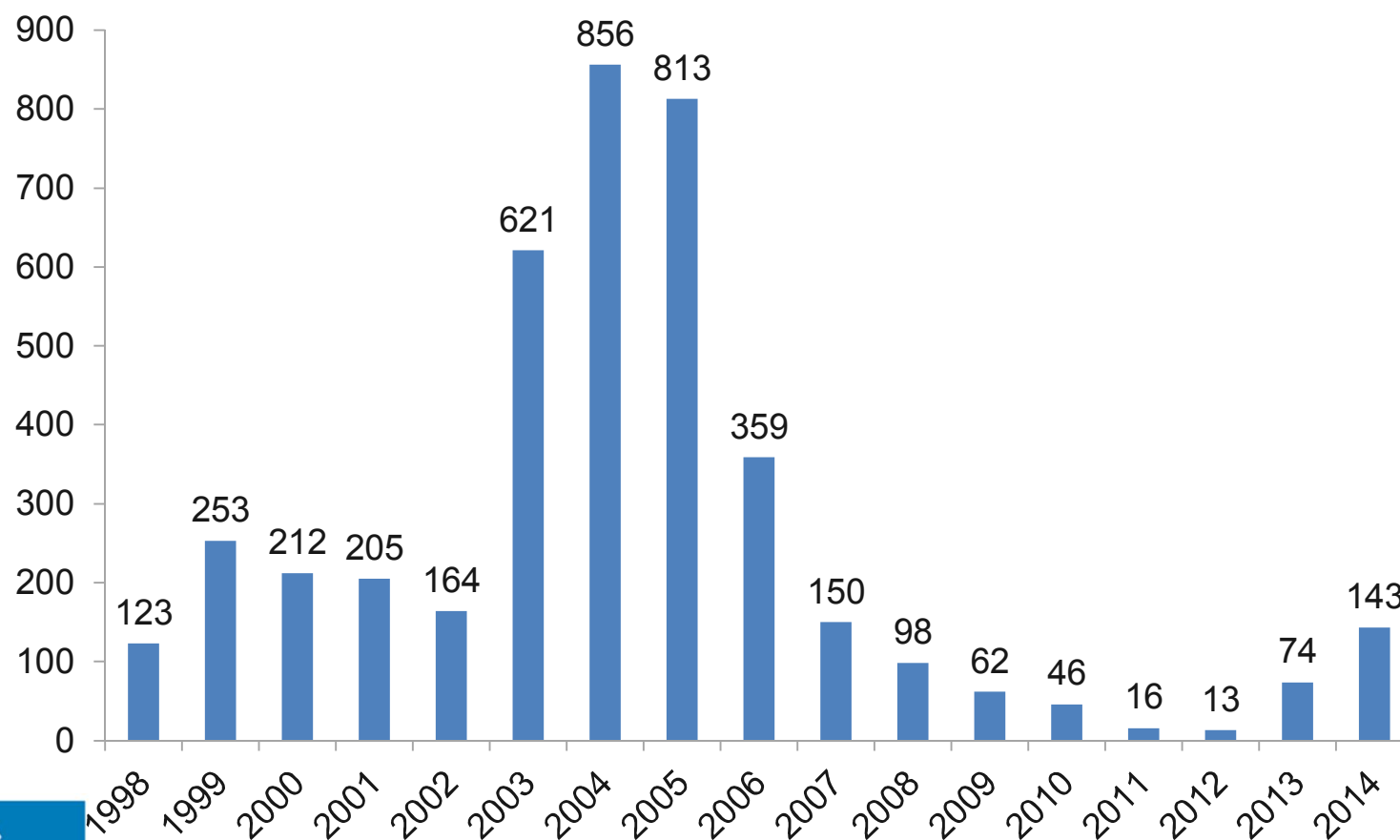






# Viet Nam: Reform and restructure state-owned enterprises

Number of organised SOEs in Viet Nam



# Lao PDR: Promote travel and tourism

## Intra- and extra-ASEAN tourism in ASEAN countries

Percentage

Country	Intra-ASEAN	Extra-ASEAN
Brunei Darussalam	54.57	45.43
Cambodia	43.50	56.50
Indonesia	39.95	60.05
Lao PDR	80.47	19.53
Malaysia	74.30	25.70
Myanmar	24.29	75.71
Philippines	9.02	90.98
Singapore	39.28	60.72
Thailand	27.91	72.09
Viet Nam	19.02	80.98
ASEAN	44.11	55.89

Source: ASEAN-Tourism Statistics