

INTERNATIONAL MONETARY FUND

# REGIONAL ECONOMIC OUTLOOK

## ASIA AND PACIFIC

Steady Growth amid  
Diverging Prospects

**2024**  
APR



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# Definitions

In this *Regional Economic Outlook: Asia and Pacific*, the following groupings are employed:

- “ASEAN” refers to Brunei Darussalam, Cambodia, Indonesia, Lao P.D.R., Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam, unless otherwise specified.
- “ASEAN-5” refers to Indonesia, Malaysia, the Philippines, Singapore, and Thailand.
- “Advanced Asia” refers to Australia, Hong Kong SAR, Japan, Korea, New Zealand, Singapore, and Taiwan Province of China.
- “Emerging Asia” refers to China, India, Indonesia, Malaysia, the Philippines, Thailand, and Vietnam.
- “Asia” refers to ASEAN, advanced Asia, Bangladesh, Bhutan, China, India, Maldives, Nepal, and Sri Lanka, and other Asian economies.

The following conventions are used:

- In figures and tables, shaded areas show IMF projections.
- “Basis points” refer to hundredths of 1 percentage point (for example, 25 basis points are equivalent to  $\frac{1}{4}$  of 1 percentage point).
- “Billion” means a thousand million; “trillion” means a thousand billion.

As used in this report, the term “country” does not in all cases refer to a territorial entity that is a state as understood by international law and practice. As used here, the term also covers some territorial entities that are not states but for which statistical data are maintained on a separate and independent basis.

# Executive Summary

With rapid disinflation and resilient growth, Asia and the Pacific is closing in on a soft landing. At the same time, significant heterogeneity has emerged within the region regarding the pace of disinflation, the level and the drivers of growth, and the cyclical position. Hence, policies need to be carefully calibrated to country-specific needs and circumstances.

Economic activity in Asia and the Pacific outperformed expectations in the second half of 2023, despite a challenging environment characterized by still-tight monetary policies and muted external demand. The region grew by 5.0 percent last year, 0.4 percentage point stronger than forecast in October. Upside surprises were concentrated in emerging markets, driven primarily by robust domestic demand. Still, headline inflation has continued to decline, especially in emerging Asia, reflecting timely monetary tightening in 2022 and early 2023, retreating commodity prices, lower global manufactured goods price inflation, and supply capacity coming back onstream following the COVID-19 pandemic. The pace and degree of disinflation has differed among Asian economies, however, with some still seeing sustained price pressures and others facing deflationary risks.

Most activity data for early 2024 have been encouraging. For the year as a whole, growth in Asia and the Pacific is projected to slow modestly to 4.5 percent—an upward revision of 0.3 percentage point from last October, reflecting, among other things, carryover from stronger 2023 outturns and policy support. The region is expected to remain the world's most dynamic, contributing about 60 percent of global growth. Provided countries stay the course on macroeconomic policies, inflation trajectories are projected to converge: price pressures would ease in economies where inflation is above target and pick up in economies where inflation is low. Growth in 2025 is projected to moderate further to 4.3 percent, with the structural slowdown in China a key factor.

Near-term risks are now broadly balanced. Retreating inflation and, consequently, the prospect of earlier monetary easing have increased the likelihood of a soft landing, both in Asia and globally. Stronger-than-expected growth in Europe and the United States is an upside risk for Asia's exporters. At the same time, increased geoeconomic fragmentation and geopolitical tensions continue to pose serious downside risks to medium-term growth in the region. In China, a deeper-than-anticipated property sector correction is a downside risk, while greater-than-expected policy support is an upside risk—both could be sources of spillovers to China's neighbors. Japan's exit from negative interest rate policy has proceeded smoothly thus far, easing previous concerns about spillovers from sudden repricing.

Central banks should ensure that inflation returns smoothly to target, both in countries experiencing persistent price pressures and in countries facing deflationary risks. Policymakers should continue to focus firmly on domestic price stability and avoid making policy decisions overly dependent on anticipated interest rate moves by the Federal Reserve. Higher debt levels and interest costs weigh on public balance sheets—a renewed effort to advance fiscal consolidation is thus in order, especially as addressing medium-term structural challenges—including from aging populations and climate change—will require additional fiscal space. As the tighter monetary policies of the last two years are still passing through to corporate and household balance sheets, supervisors should continue to vigilantly monitor the buildup of risks.





# Asia and Pacific: Steady Growth amid Diverging Prospects

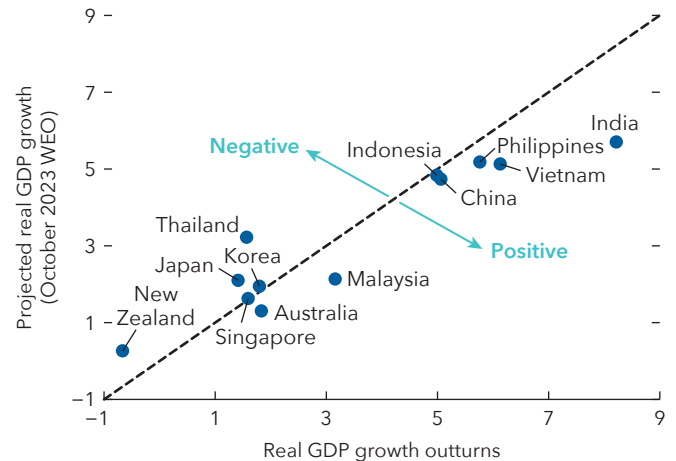
## Recent Developments: Resilient Growth and Disinflation

As in the rest of the world, growth in Asia and the Pacific has been surprisingly resilient—despite still elevated monetary policy rates, a feeble external environment, and the prospect of spillovers from China’s property sector correction. The region remained the world’s most dynamic in 2023 and contributed nearly two-thirds of global growth, with domestic consumption remaining the main driver of activity, especially in emerging Asia. At the same time, inflation has retreated, helped by timely monetary tightening in 2022 and early 2023 and by falling commodity and goods prices—although the speed of disinflation varied significantly between economies. For most countries, this conjuncture improves the prospects of a “soft landing” in 2024, by strengthening purchasing power and paving the way for possible monetary easing later in the year. This said, some economies are now at risk of undershooting their inflation targets and need to watch potential deflationary pressures.

Growth in Asia and the Pacific surprised on the upside in the second half of 2023, reaching 5.0 percent for the year as whole—significantly stronger than the outcome in 2022 (3.9 percent), and 0.4 percentage point higher than projected in the October 2023 *Regional Economic Outlook: Asia and Pacific. Emerging Asia* accounted for the bulk of positive growth surprises, including in Malaysia, the Philippines, Vietnam, and, most notably, India (Figure 1). By contrast, growth outcomes in *advanced economies* were mostly in line with October projections, except in New Zealand, which has entered into technical recession.

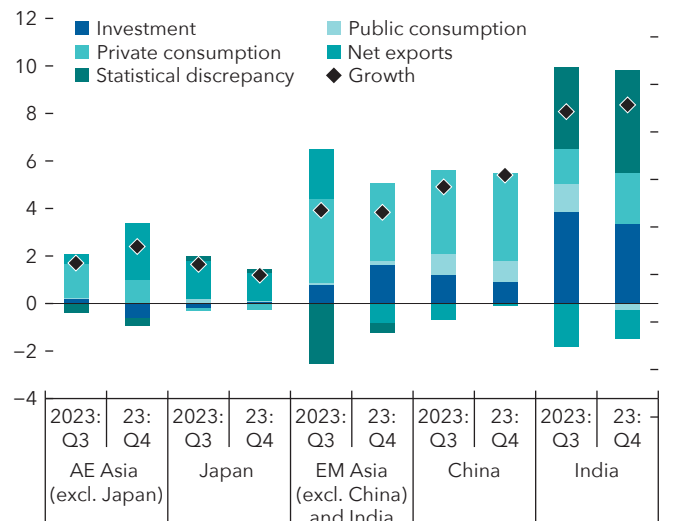
In emerging markets, growth was supported primarily by strong private demand (Figure 2). In China and, especially, India, public investment made an important contribution. Countries in the region generally faced weak export demand, partly reflecting the normalization in the demand for goods relative to services after the COVID-19 pandemic (Figure 3). Technology products from advanced Asia

**Figure 1. Growth Outturns in the Second Half of 2023**  
(Year-over-year growth; percent)



Sources: Haver Analytics; IMF, World Economic Outlook database; and IMF staff calculations.  
Note: WEO = *World Economic Outlook*.

**Figure 2. Contributions to Growth**  
(Year-over-year growth; percentage points)



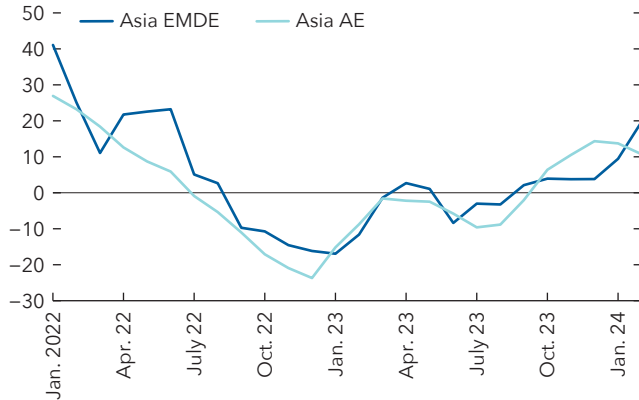
Sources: Haver Analytics; and IMF staff calculations.  
Note: AE Asia includes Australia, Hong Kong SAR, Korea, New Zealand, Singapore, and Taiwan Province of China. EM Asia includes Indonesia, Malaysia, the Philippines, and Thailand. Changes in inventories are included in the statistical discrepancy. AE = advanced economies; EM = emerging markets.

**Figure 3. Growth Drivers in Asia and the Pacific**

Weak demand from trading partners depressed exports for most of 2023. Exports improved recently ...

**1. Sequential Asia USD Export (FOB) Growth Rates**

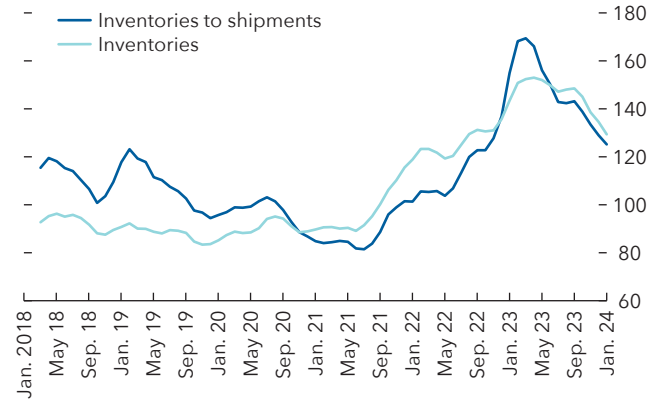
(three month over three month, percent; annualized)



... as demand for advanced semiconductor exporters strengthened.

**2. Semiconductors Inventories**

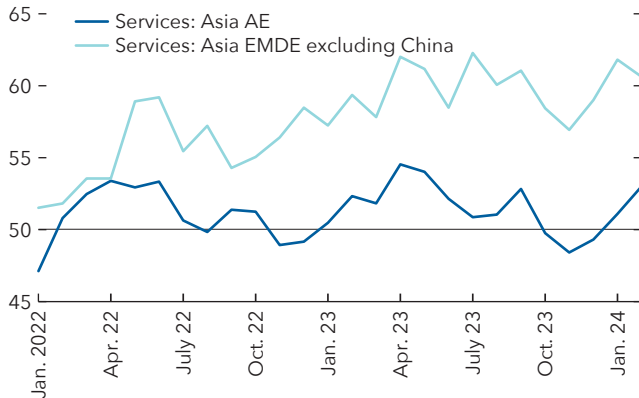
(Index, 2015 = 100)



Strong demand for services supported growth in Asia's emerging markets ...

**3. Asia: Service Sector PMI**

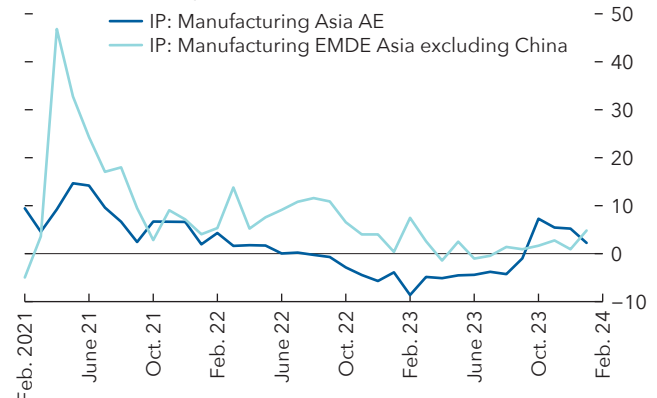
(Diffusion index, 50 = no change)



... while manufacturing struggled to regain momentum.

**4. Industrial Production**

(Year-over-year percent change)



Sources: Haver Analytics; Markit Economics; and IMF staff calculations.

Note: Asia AEs include Australia, Hong Kong SAR, Japan, Korea, New Zealand, Singapore, and Taiwan Province of China. Asia EMDEs include China, India, Indonesia, Malaysia, the Philippines, Thailand, and Vietnam. In panel 2, the sample includes Japan, Korea, and Taiwan Province of China. AEs = advanced economies; EMDEs = emerging market and developing economies; FOB = free on board; IP = industrial policies; PMI = purchasing managers' index.

were a notable exception, arguably benefiting from a surge in demand for high-end semiconductors related to artificial intelligence applications in the fourth quarter. Consistent with these trends, service sector activity was generally stronger than industrial activity in emerging markets. In advanced economies, growth in services sector activity slowed, while industrial production began to pick up in the fourth quarter.

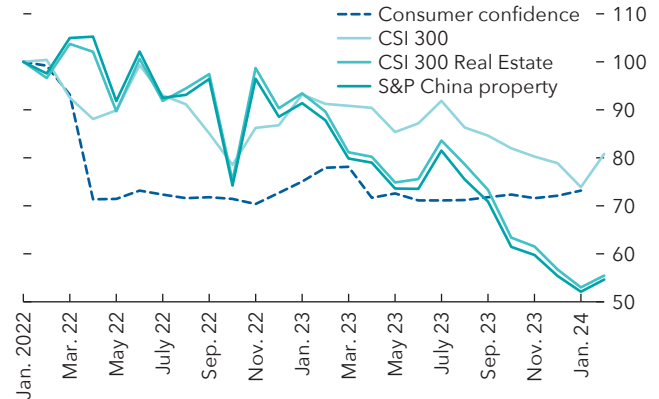
In China, the economy struggled to sustain the post-reopening momentum of early 2023, as the property sector correction deepened (Figure 4). Housing starts and sales continued to decline. Broader activity indicators were also lackluster, with weak manufacturing and services purchasing managers' indexes in the second half of 2023. Outbound tourism remained significantly below prepandemic levels. Nonetheless, 2023 growth, at 5.2 percent, was 0.2 percentage point higher than forecast in the October 2023 *Regional Economic Outlook: Asia and Pacific*, with activity benefiting from a fiscal stimulus package announced in October that will also carry over into 2024.

**Figure 4. Recent Developments in China***Amid a deepening property sector correction ...***1. Real Estate Sector Indicators**

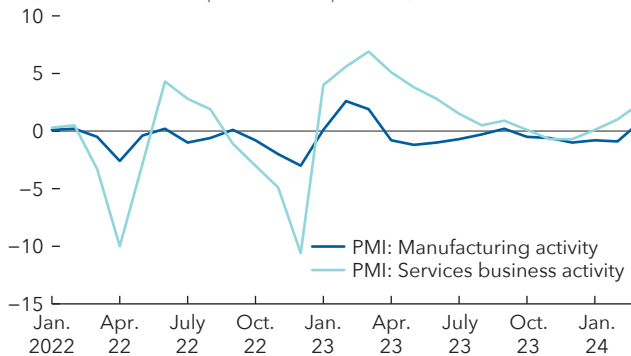
(Percent, 12-month moving average, year-over-year change)

*... market confidence remains weak.***2. China: Market Price Indices and Consumer Confidence**

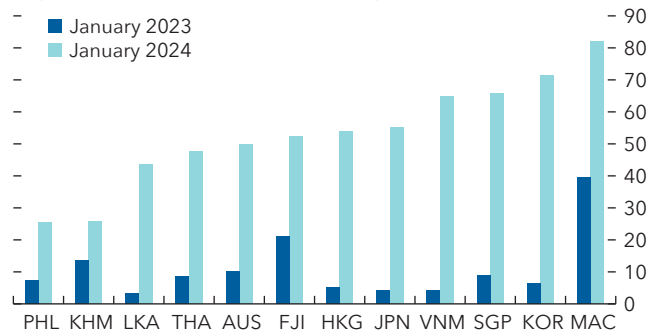
(Index, January 2022 = 100)

*Services and manufacturing PMIs remain sluggish ...***3. China: Manufacturing and Services Indexes**

(PMI less than 50; positive = expansion)

*... and outbound tourism is still far from a full recovery.***4. Latest Monthly Chinese Tourist Arrivals**

(Percent of 2019 same month level)



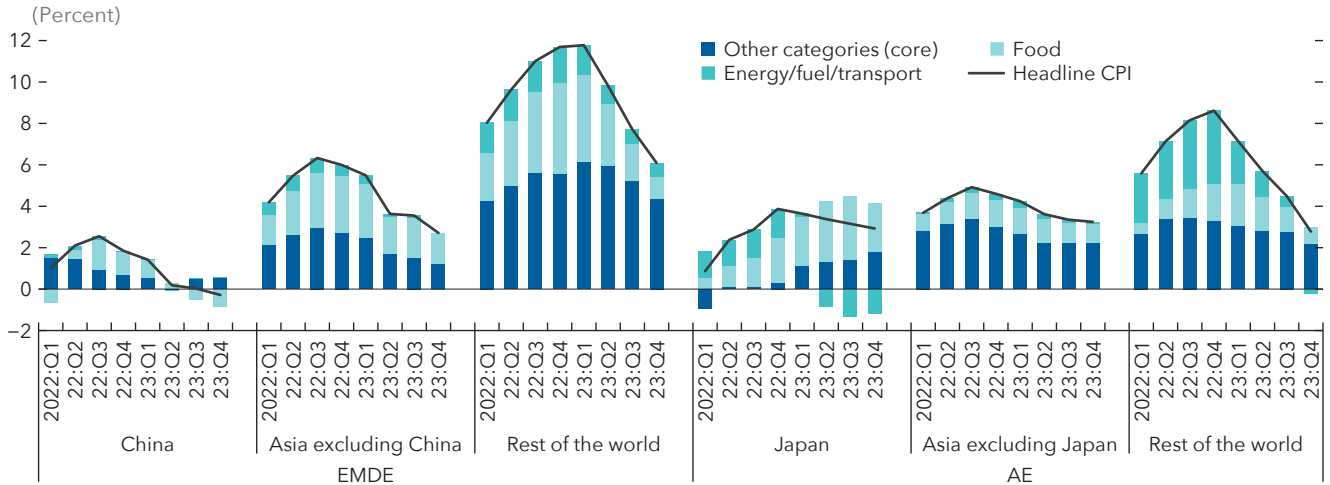
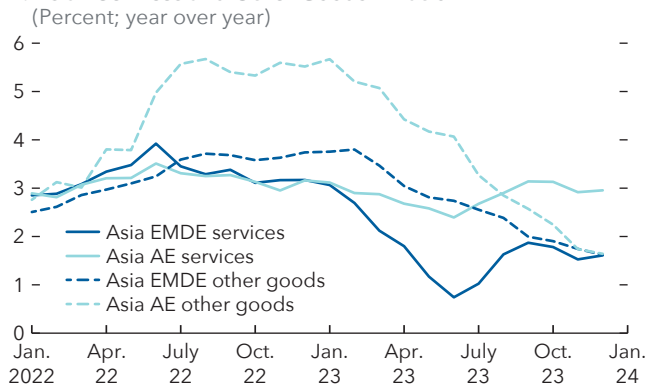
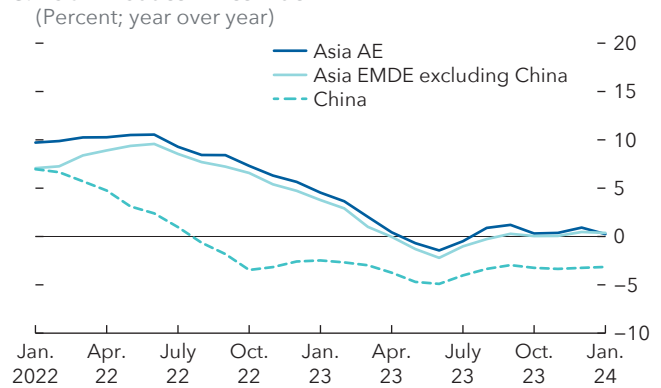
Sources: Bloomberg Finance L.P.; China National Bureau of Statistics; Haver Analytics; and IMF staff calculations.

Note: Data labels in panel 4 use International Organization for Standardization (ISO) country codes. PMI = purchasing managers' index.

For much of the region, prospects appear to have improved further in the early months of 2024. Export growth has been picking up, benefiting, among other things, from stronger import demand from the United States. Industrial production has ticked up in emerging markets, and the services sectors has returned to positive growth rates in advanced economies. In China, equity markets picked up slightly in February following market interventions by the authorities, and purchasing managers' index readings improved in March. Housing sector indicators have remained subdued.

## Inflation

Price pressures in Asia and the Pacific are easing and remain lower than in the rest of the world (Figure 5). Post-COVID-19 inflation in the region peaked at around half the levels seen elsewhere, reflecting timely monetary tightening as well as temporary price controls and subsidies that contained commodity price pressures (see Chapter 2 of the October 2023 *Regional Economic Outlook: Asia and Pacific*). In 2023, headline inflation in the region fell sharply, especially in emerging Asia. A sustained decline in commodity prices helped, but core inflation also retreated despite robust domestic demand, as supply capacity came back onstream following the COVID-19 pandemic. Goods prices disinflated across the region, against the backdrop of mostly flat producer prices since early 2023—except in China, where producer prices have been declining. Services inflation, on the other hand, displayed considerable stickiness in advanced economies and contributed to persistent price pressures.

**Figure 5. Drivers of Inflation****1. Contributions to Headline Inflation****2. Asian Services and Other Goods Inflation****3. Asian Producer Price Index**

Sources: Haver Analytics; and IMF staff calculations.

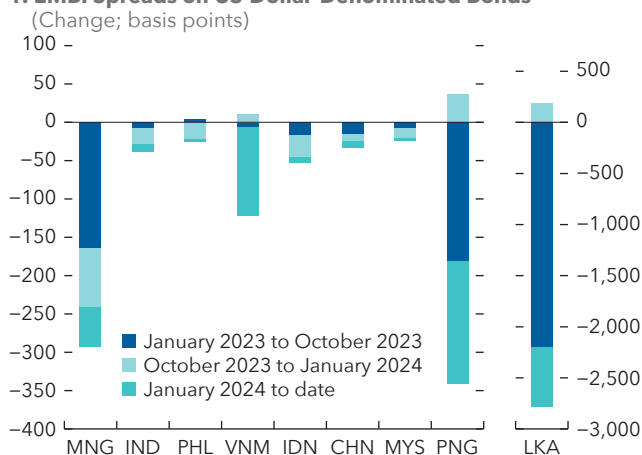
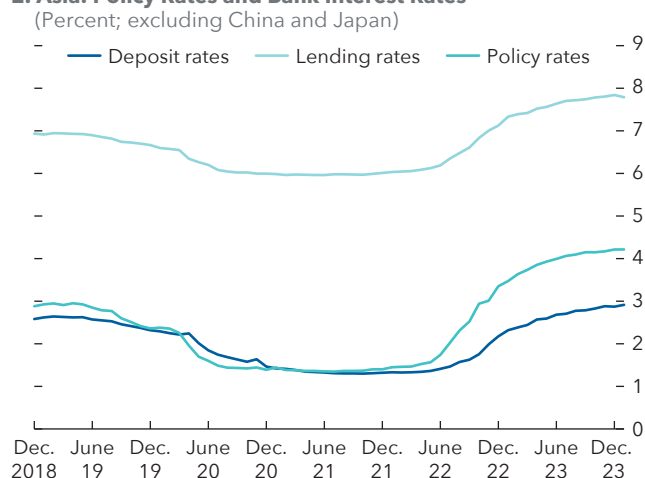
Note: In panel 1, core refers to CPI basket excluding food and energy, fuel, and transport; the exact categories used in the decomposition of these categories varies across countries. Asia AE includes Australia, Hong Kong SAR, Japan, Korea, Macao SAR, New Zealand, Singapore, and Taiwan Province of China. Asia EMDE includes China, India, Indonesia, Malaysia, the Philippines, Thailand, and Vietnam. Rest of the world AE includes Belarus, Canada, France, Germany, Italy, The Netherlands, Sweden, Switzerland, the United Kingdom, and the United States; rest of the world EMDE includes Brazil, Chile, Colombia, Hungary, Mexico, and South Africa. AE = advanced economies; CPI = consumer price index; EMDE = emerging market and developing economies.

At a more granular level, in one group of countries, including Australia, Korea, and New Zealand, inflation was still substantially above target in late 2023, owing in part to sustained price pressures from services. In a second group—consisting of emerging markets and Japan—headline inflation has returned close to central bank target ranges and core inflation has been broadly contained. In a third group of countries, notably China and Thailand, falling commodity prices—and, in the case of Thailand, the extension of energy subsidies—have pushed consumer price inflation into negative territory, while core inflation has remained positive but is low.<sup>1</sup>

## Monetary and Financial Conditions

Financial conditions in Asia and the Pacific eased in the second half of 2023 (Figure 6). Expectations of monetary easing in both Asia and the United States supported a sizable reduction in borrowing costs, while increased global appetite for emerging market assets reduced sovereign spreads, especially in frontier markets. By

<sup>1</sup> In China, headline inflation turned negative in October 2023 but returned to positive territory in February, owing in part to an uptick in core inflation around the Lunar New Year.

**Figure 6. Financial Sector Developments****1. EMBI Spreads on US-Dollar-Denominated Bonds****2. Asia: Policy Rates and Bank Interest Rates**

Sources: Bloomberg Finance L.P.; Haver Analytics; and IMF staff calculations.

Note: In panel 1, data labels in the figure use International Organization for Standardization (ISO) country codes. In panel 2, the sample includes Australia, Hong Kong SAR, India, Indonesia, Japan, Korea, Malaysia, New Zealand, the Philippines, and Singapore. EMBI = Emerging Markets Bond Index.

contrast, bank lending rates have been slow to follow and have remained close to the levels reached during the peak of monetary tightening in the first half of 2023. Banks also increased the intermediation spread between lending and deposit rates, thus bolstering bank profitability.

Policy rates in Asia have been unusually low relative to the United States, reflecting Asia's more benign inflation outcomes. Together with shifting regional economic prospects, this has been a driver of sharp exchange rate movements vis-à-vis the US dollar (Figure 7). For example, depreciation pressures on Asian currencies abated in the fourth quarter, when the Federal Reserve signaled a shift to a more accommodative policy stance, only to pick up again in the last few months, as strong employment and inflation figures in the United States dampened expectations of an imminent monetary loosening.

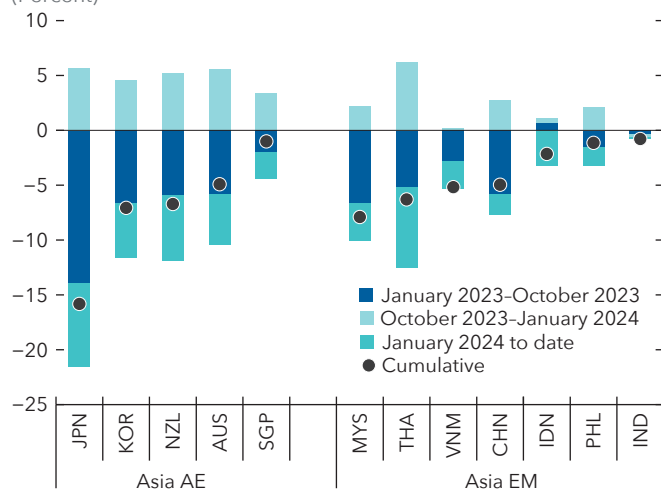
## Factors Shaping the Outlook

Much like in the rest of the world, economies in Asia and the Pacific are expected to benefit from continued disinflation in the near term, as well as from gradually more accommodative monetary and financial conditions. In the medium term, growth in Asia and the Pacific is expected to slow, reflecting aging populations and subdued productivity growth.

In 2024, growth in Asia and the Pacific is projected to slow slightly to 4.5 percent—an upward revision of 0.3 percentage point relative to the October 2023 *Regional Economic Outlook: Asia and Pacific*, which partially reflects carryover from strong growth outcomes in the second half of 2023. In China, an upward revision of 0.4 percentage point also reflects stimulus measures announced in October, with public spending forecast to be a significant contributor to growth (Figure 8). Investment remains an important growth driver in India. In emerging Asia outside China, growth is expected to be driven mainly by private consumption. The outlook for exports is improving only gradually, owing to the shift in demand from traded goods to domestically produced services in the aftermath of the COVID-19 pandemic, which constrains trade. For 2025, growth in the region is projected at 4.3 percent—unchanged from October.

**Figure 7. Exchange Rates****Exchange rate movement against the US dollar**

(Percent)

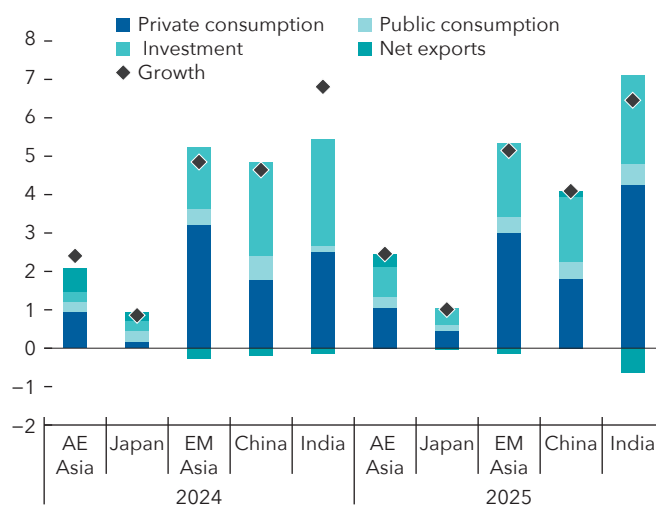


Source: Bloomberg Finance L.P.

Note: Data labels in the figure use International Organization for Standardization (ISO) country codes. AE = advanced economies; EM = emerging markets.

**Figure 8. Contributions to Growth**

(Year-over-year growth; percentage points)



Sources: IMF, World Economic Outlook database; and IMF staff calculations.

Note: AE = advanced economies; EM = emerging markets.

## Advanced Asia

Growth in Asia's advanced economies is projected to slow marginally to 1.6 percent in 2024, from 1.7 percent in 2023. In 2025, growth is forecast to pick up slightly to 1.8 percent.

- In Japan, growth is expected to slow from 1.9 to 0.9 percent in 2024, as one-off factors that boosted activity in 2023 fade—notably strong exports and a surge in tourism. Robust wage settlements during the recent shunto wage negotiations are expected to support a recovery in consumption.
- In Australia and New Zealand, monetary policy may need to remain tighter for longer, given stubborn inflationary pressures. The stance is expected to contribute to a growth decline from 2.1 percent to 1.5 percent in Australia and to subdued growth of about 1.0 percent in New Zealand in 2024.
- By contrast, in Korea and Singapore, inflation has declined more sharply, and demand is expected to strengthen. Growth is projected to increase from 1.4 to 2.3 percent in Korea and from 1.1 to 2.1 percent in Singapore. Both economies are also benefiting from the rebound in high-end electronics exports.

## Emerging Asia

Growth in China is projected to slow from 5.2 percent in 2023 to 4.6 percent in 2024 and further to 4.1 percent in 2025, reflecting continued weakness in the property sector and declining potential growth amid subdued productivity growth and an aging population.

India and the Philippines have been the source of repeated positive growth surprises, supported by resilient domestic demand. For 2024, growth projections have been revised upward relative to the October 2023 *Regional Economic Outlook: Asia and Pacific* by 0.5 percentage point to 6.8 percent for India and by 0.3 percentage point to 6.2 percent in the Philippines. There is substantial heterogeneity in the rest of Association of Southeast Asian Nations economies. Growth is expected to remain strong and steady in Indonesia (at 5.0 and 5.1 percent in 2024 and 2025, respectively) and in Malaysia (at about 4.4 percent), but to be more subdued in Thailand (at 2.7 percent in 2024), where prospects for the implementation of a fiscal stimulus package have dimmed.

## Frontier Markets and Small States

Growth in Bangladesh is projected to slow mildly to 5.7 percent this year (from 6 percent in 2023), reflecting a tighter policy stance. In Mongolia, growth for 2024 has been revised up to 6.5 percent—from 4.5 percent forecast in October—reflecting strong coal exports and fiscal stimulus.

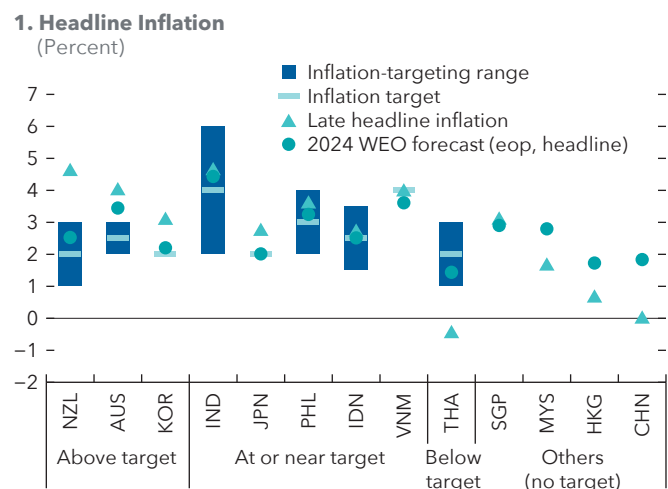
The post-COVID-19 recovery in Pacific island countries was delayed relative to the rest of the region, but is finally underway in all economies. Growth is forecast to strengthen to 4.0 percent in 2024, from 3.3 percent in 2023, supported by a continued rebound in tourism. There is significant divergence in prospects between economies, however, with the strength of the recovery depending on various one-off factors.

## Inflation

Inflation is projected to converge to central bank targets by the end of 2024 in most of the region while output gaps are also expected to narrow (Figure 9). The forecast is conditional on macro-economic policies staying the course.

- In economies where inflation is still materially above central bank targets and output gaps were positive at the end of 2023—including Australia and New Zealand—disinflation is expected to be supported by tight monetary and fiscal policies and declining commodity prices, which are also expected to bring down output relative to potential.
- By contrast, in China and Thailand, where inflation is low and output gaps were negative at the end of 2023, an accommodative policy stance would boost demand, help close output gaps, and push inflation firmly back into positive territory.
- In emerging markets where inflation is already at or close to target, there is heterogeneity in inflation drivers going forward. Core inflation is largely expected to remain contained. As for headline inflation, several economies may experience further reductions due to lower energy prices while in others (for example, India), food price pressures—especially for rice—may slow headline disinflation.
- In Japan, inflation is expected to stabilize about 2 percent in the coming years amid solid wage growth, which will partly offset downward pressures on the headline consumer price index from the phasing out of energy subsidies.

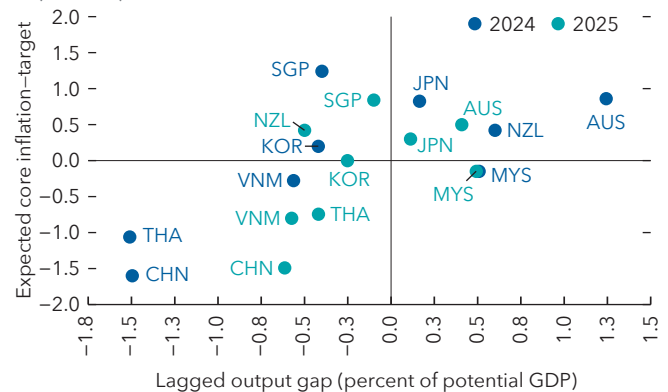
**Figure 9. Inflation Prospects**



Source: IMF staff calculations.

Note: Data as of April 15, 2024. Some countries do not have explicit inflation-targeting regimes or target, while target ranges apply to core inflation in some countries. Data labels in the figure use International Organization for Standardization (ISO) country codes. eop = end of period; WEO = *World Economic Outlook*.

**2. Core Inflation and Output Gaps**  
(Percent)



Source: IMF, World Economic Outlook database.

Note: 2025(2024) bubbles = expected core inflation 2025(2024) and output gap 2024(2023). Data labels in the figure use International Organization for Standardization (ISO) country codes.



## Risks Are Broadly Balanced

Near-term risks have improved relative to October 2023 and are now broadly balanced. Disinflation has increased the prospect of more accommodative monetary policies and has made a soft landing more likely. Stronger growth momentum in China, Europe, or the United States would benefit Asian exporters.

### Risks Surrounding China's Property Sector Correction

A larger and more prolonged slump in real estate investment could diminish consumer confidence, intensify disinflationary pressures, and further compromise the balance sheets of local governments. As economic weakness becomes more entrenched, broader deflationary pressures could take hold, which would weigh on domestic demand and revalue debt levels. Weaker activity in China could trigger spillovers to the region along several dimensions. First, weaker demand from China would cloud prospects for the region's exporters. Second, declining Chinese export prices would put pressure on the profit margins of China's competitors and, potentially, provoke retaliatory measures. IMF staff analysis suggests that price pressures from China reduce both export prices and export quantities of neighboring countries, especially in those with a similar export structure (Box 1).

On the upside, greater-than-expected fiscal and monetary policy support could boost growth both in China and in neighboring countries. Containing property sector risks calls for a comprehensive policy package that accelerates the exit of nonviable property developers, promotes the completion of housing projects, and manages debt risks of local governments. Measures to support household income would be called for if private domestic demand weakens further. By contrast, policies that further boost supply—such as investment subsidies to specific firms and sectors—would contribute to overcapacity and therefore reinforce deflationary pressures.

### External Risks: Disruptions to Trade and Commodity Price Shocks

Attacks on cargo ships in the Red Sea have provoked a rerouting of trade between Asia and Europe around the Cape of Good Hope, driving up shipping costs and increasing transport times, even though both have remained below previous surges (Figure 10). Continued disruptions could raise the costs of trade and complicate disinflation (see Carrière-Swallow and others 2023). Longer shipping times could also reduce trade volumes, given that shipping capacity is rigid in the short term. Disruptions to shipping could be especially detrimental for Pacific island countries, which are both highly import dependent and poorly connected to global shipping networks. The spread of the Gaza-Israel conflict to neighboring countries or a further escalation of Russia's war in Ukraine could also trigger spikes in commodity prices.

### Disinflation and Monetary Policy

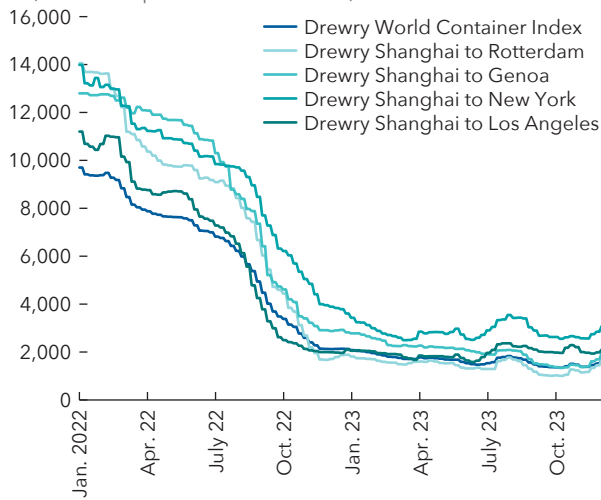
*Sticky inflation in advanced economies.* Slower-than-expected disinflation in the United States could postpone policy rate cuts, which would increase borrowing costs in Asia and put pressure on equity valuations (Arbatli-Saxegaard and others 2024). It would also mean that policy rates in Asia remain unusually low relative to the federal funds rate, harboring the potential for sharp exchange rate movements. External turbulence could affect domestic macroeconomic stability, including by potentially inducing Asian central banks to delay monetary easing.

*Inflation undershooting.* In economies where inflation is already below central bank targets, a further weakening of external or domestic demand could lead to a period of prolonged low inflation or deflation. Deflationary pressures would, in turn, elevate real interest rates, weigh on growth, and increase debt burdens and real debt servicing costs. Timely macroeconomic policy easing would be essential if indications of undershooting emerge.

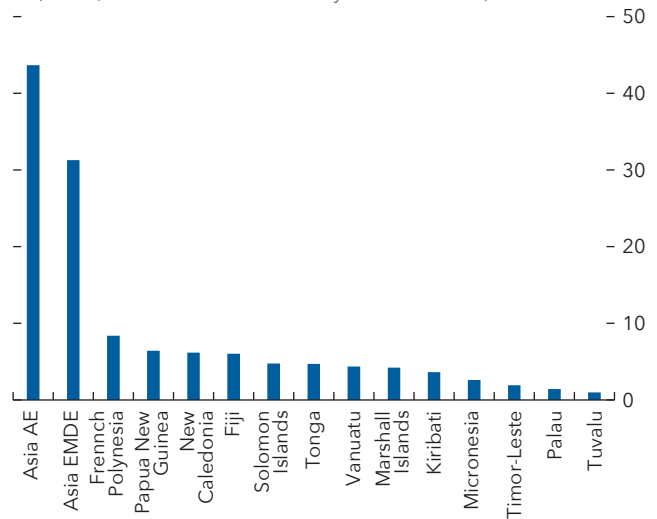
*Full impact of monetary tightening yet to be felt.* Staff analysis suggests that for many Asian firms, the impact of monetary tightening on debt service costs has been offset thus far by higher interest earnings on short-term corporate assets (Box 2). The full impact is likely to be felt only in two to three years, given the maturity structure of corporate liabilities—many of them bank loans that are not benefiting from looser financial market conditions.

**Figure 10. Shipping Costs and Trade Disruptions****1. Container Prices**

(US dollars per 40-foot container)

**2. Liner Shipping Connectivity**

(Index, most connected country in 2023 = 100)



Sources: Haver Analytics; UN Conference on Trade and Development; and IMF staff calculations

Note: The Liner Shipping Connectivity Index captures how well economies are connected to global shipping networks based on number of ships, their container-carrying capacity, maximum vessel size, number of services, and number of companies that deploy container ships in an economy's ports. AE = advanced economies; EMDE = emerging market and developing economies.

*Spillovers from Japan's monetary policy normalization.* In mid-March, the Bank of Japan increased short-term rates, ending an eight-year period of negative interest rates. It also abolished yield curve control, transitioning back to a more standard monetary policy framework. Market reaction has been muted, with no significant repricing of Japanese bonds, as the policy shift was well communicated and widely anticipated. As a result, the risk of cross-border financial spillovers from Japan's monetary policy normalization appears diminished relative to last October.

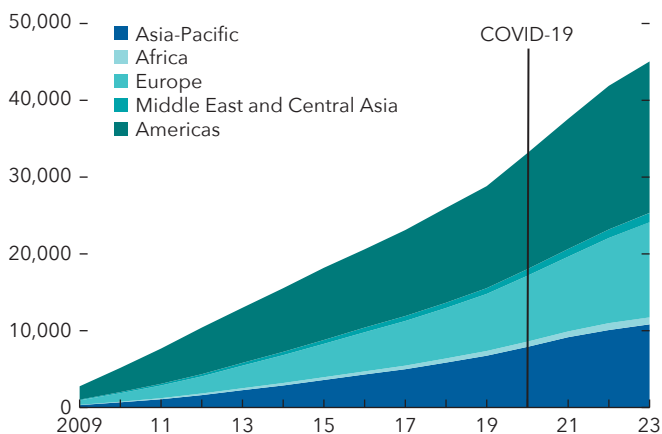
## Geoeconomic Fragmentation

Restrictions on trade and cross-border movements of capital and technology are a risk especially to Asia, given many economies' deep integration into global value chains. Numerous new trade restrictions continue to be imposed both in the region and outside (Figure 11). Trade between China and the United States has declined, although there is evidence that some trade is being rerouted through other countries, resulting in an inefficient and costly lengthening of supply chains (Alfaro and Chor 2023; Qiu, Shin, and Zhang 2023). IMF research suggests that a further acceleration in geopolitical fragmentation would reduce foreign direct investment and portfolio flows and slow the pace of innovation and technology adoption. The risk of geopolitical frictions is especially high in the current environment of political uncertainty, with many countries around the globe holding elections in 2024.

## Artificial Intelligence

While the potential consequences of artificial intelligence remain to be fully assessed, it is likely to bring both growth opportunities and economic and social challenges. IMF research suggests that Asia's emerging markets may be somewhat better prepared for these challenges than peers in other regions, albeit with significant heterogeneity. This reflects, among other things, a better digital infrastructure and innovation climate and a better equipped labor force.

**Figure 11. Harmful Trade Restrictions Imposed**  
(Number, cumulative)



Source: Global Trade Alert database.

Note: Cumulative measures implemented since 2009. Measures by supranational bodies with binding consequences for its member states are counted only once and not as one measure per member.

- In economies where inflation is already at or close to target, near-term inflation expectations are stable, and real interest rates are elevated, room to shift monetary policy to a more neutral stance may emerge in the course of 2024.
- In economies where inflation is low, maintaining or moving to a less restrictive stance is called for to avoid deflationary expectations taking hold.

Market expectations around central bank policies in 2024 and 2025 are broadly consistent with these objectives.

Divergent monetary policy stances within Asia and vis-à-vis central banks in advanced economies could engender capital flow movements and exchange rate volatility—similar to the depreciation pressures on Asian currencies in 2022 and 2023. During these episodes, several Asian central banks allowed exchange rates to adjust and refrained from large foreign exchange interventions. The increase in domestic investor participation in emerging Asian sovereign debt markets of recent years may have strengthened resilience to capital flow volatility and increased the degrees of freedom for central banks (Figure 13).

Looking ahead, Asian central banks should continue to focus firmly on domestic price stability and avoid making policy decisions overly dependent on anticipated interest rate moves by the Federal Reserve—even if the latter could reduce exchange rate volatility. Expectations of Federal Reserve loosening have shifted repeatedly in recent months and in ways unrelated to Asian price stability needs. Tying domestic policy too closely to the Federal Reserve therefore risks that central banks fall behind (or move ahead of) the “curve” and de-anchor inflation expectations. Allowing exchange rates to adjust would also be an effective response to possible disinflationary pressures from China and other countries.

## Fiscal Policy

A renewed focus on fiscal consolidation is called for to curb public debt and rebuild buffers, after large fiscal policy interventions during the pandemic period. In 2023, consolidation in Asia and the Pacific fell well short of staff projections. Moreover, as new debt was issued at higher interest rates in the past two years, interest payments are absorbing a growing share of revenues, which risks crowding out critical investments and other priority spending.

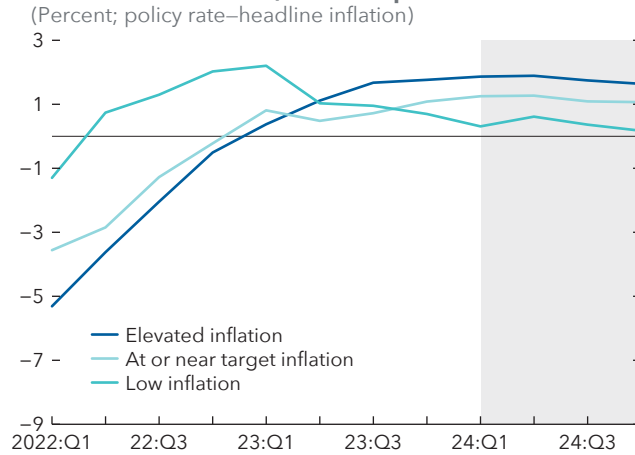
## Policies

The near-term priority for central banks remains ensuring that inflation returns smoothly to target, both in countries experiencing persistent price pressures as well as in those facing deflationary risks. Moreover, a renewed effort to advance medium-term fiscal consolidation is in order.

### Monetary and Exchange Rate Policy

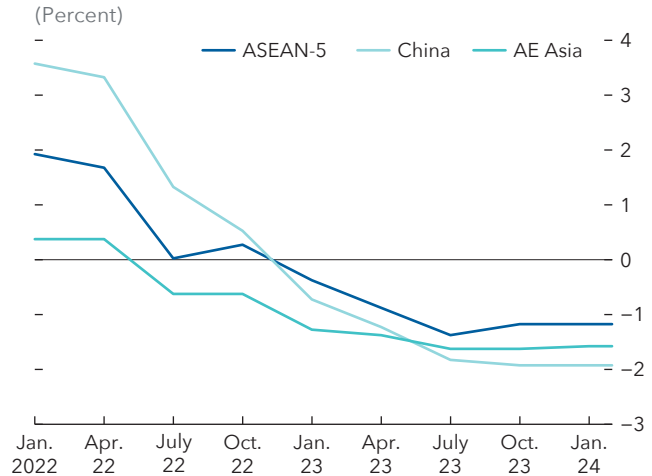
With disinflation having made significant strides in 2023, the challenges for central banks now diverge (Figure 12).

- In economies where core inflation remains above target, it may be necessary to keep policies tighter for longer, to achieve higher real policy rates that ensure a sustainable return to price stability.

**Figure 12. Monetary Policy****1. Asia Ex Ante Real Rates, Market Implied**

Sources: Bloomberg Finance L.P.; and IMF, World Economic Outlook database.

Note: Simple average of real interest rates. "Elevated inflation" includes Australia, Korea, and New Zealand. "At or near target" includes India, Japan, and the Philippines. "Low inflation" includes China and Thailand. Shaded area is the start of projections and are based on market implied policy rates. Data as of April 2, 2024.

**2. Interest Rate Differential versus the United States**

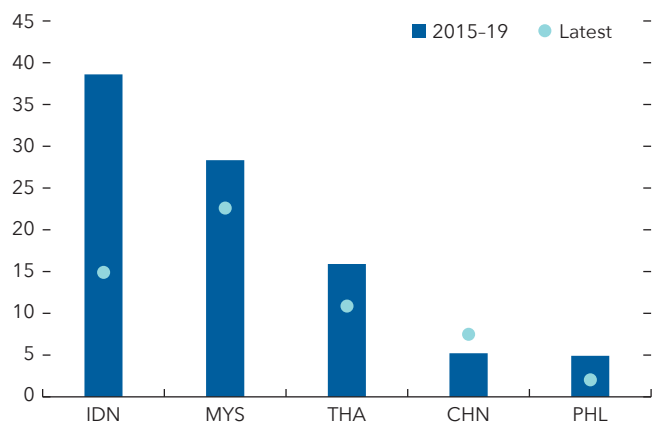
Sources: Bank for International Settlements; Haver Analytics; and IMF staff calculations.

Note: AE Asia excludes Singapore and Taiwan. Latest through February 2024. AE = advanced economies; ASEAN-5 = Indonesia, Malaysia, Philippines, Singapore, and Thailand.

The adjustment implied in IMF staff projections for the next three years would suffice to stabilize debt-to-GDP ratios in most economies—except in countries where cyclical considerations may indeed suggest a more accommodative stance in the near term (Figure 14). However, the outlook for fiscal policies remains highly uncertain,<sup>2</sup> and even with the envisaged consolidation, government debt would remain well above prepandemic levels—especially in Pacific island countries. Reforms that target revenue mobilization and expenditure rationalization—including reductions in costly fuel subsidies (see the October 2023 *Regional Economic Outlook: Asia and Pacific*)—are critical to reduce debt levels, contain debt service costs, and free up budgetary space to fund development needs, social safety nets, and climate adaptation.

## Financial Supervision

Financial supervisors should closely monitor the buildup of financial vulnerabilities. While banking sectors feature ample capital buffers and rising profitability, the full effect of post-COVID-19 monetary tightening has not yet passed through to most countries' corporate sectors—hence policymakers should stay vigilant

**Figure 13. Foreign Holding of Local Currency Bonds**  
(Percent of total government bonds)

Sources: Asian Bonds Online; and IMF staff calculations.

Note: Latest: China, Japan, Korea, and Thailand (September 30, 2023); Indonesia, Malaysia, the Philippines, and Vietnam (December 31, 2023). Data labels in the figure use International Organization for Standardization (ISO) country codes.

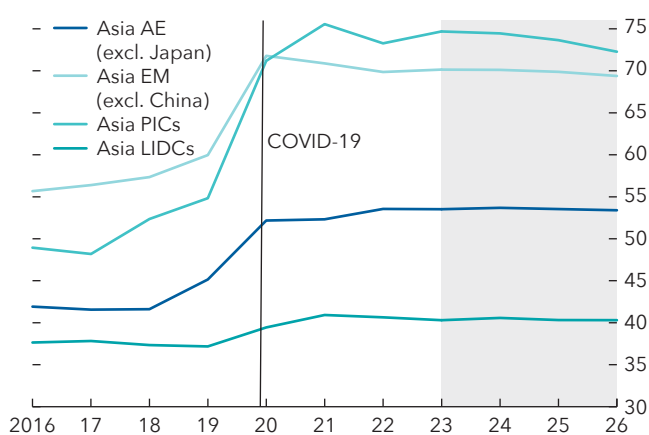
<sup>2</sup> Fiscal deficits generally rise during election years—see Brender and Drazen (2007) and de Haan, Ohnsorge, and Yu (2024).

**Figure 14. Fiscal Consolidation****1. Fiscal Consolidation and Debt**

(Cumulative rise in primary balance to GDP ratio between 2023 and 2026, percentage points)

**2. Debt Ratios**

(Percent of fiscal year GDP, weighted average)



Source: IMF, World Economic Outlook database.

Note: Analysis incorporates staff projections based on announced policies. In panel 1, consolidation needed to stabilize debt at 2026 levels is illustrative and not intended as a policy recommendation. Data labels in the figure use International Organization for Standardization (ISO) country codes. AE = advanced economies; EMDE = emerging market and developing economies; EM = emerging markets; LIDCs = low-income and developing countries; PICs = Pacific island economies.

and be ready to act if loan delinquencies increase. Moreover, debt-at-risk metrics remain above prepandemic levels for the real estate sector, where earnings have failed to keep up with interest costs (Figure 15).<sup>3</sup> While commercial real estate has not yet seen significant pressures, supervisors should continue to monitor the sector.

## Securing Durable Medium-Term Growth

Asia and the Pacific is facing significant structural challenges in the years to come. Global economic fragmentation is affecting many Asian economies disproportionately, given their deep integration into global trade and supply chains. Climate change is threatening activity in many sectors, and tends to affect emerging markets, low-income countries, and—in particular—small island economies disproportionately. In many Asian economies, populations are aging rapidly, exerting downward pressure on potential growth and stretching social security systems (Figure 16). New technologies—such as artificial intelligence—come with new growth opportunities, but also with economic and social challenges.

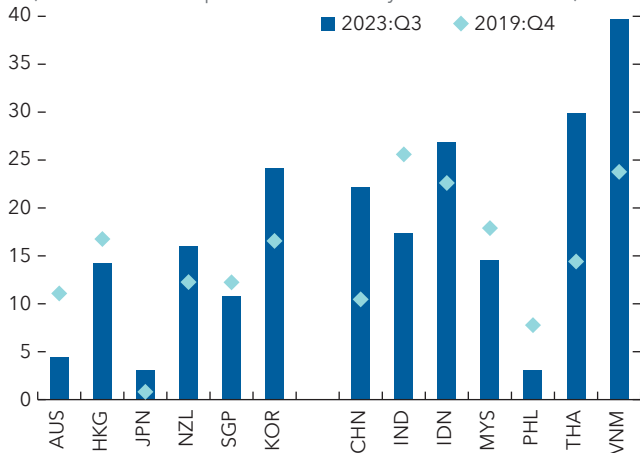
The adequate policies to address such challenges differ from country to country. However, key areas common to many countries include reducing inefficiencies in labor market and credit markets, entitlement reform and modernizing immigration policies, streamlining cumbersome business regulation and restrictions on trade, and transitioning to cleaner energy sources, including by raising the cost to fossil fuels. Harnessing the potential of artificial intelligence will require investment in capital and in workforce skills.

As in other parts of the world, the use of industrial policies has greatly increased in Asia and the Pacific in recent years. Even though such measures tend to target broader policy objectives, they often contain trade-distorting elements, which may undermine policy effectiveness and reinforced fragmentation. Industrial policies can be appropriate measures when they address clearly identifiable externalities or important market failures; however, such policies need to be consistent with World Trade Organization rules (Box 3).

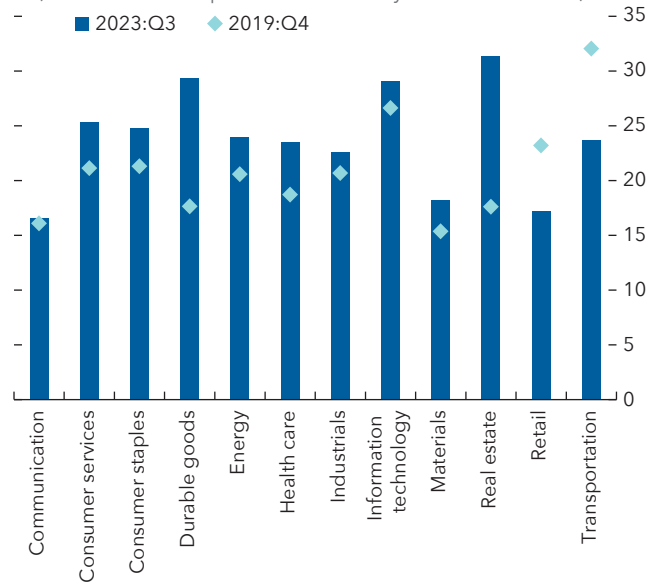
<sup>3</sup> Debt at risk is defined as the share of corporate debt held by firms with interest coverage ratios below one.

**Figure 15. Debt at Risk****1. Debt at Risk, by Country**

(Share of total corporate debt held by firms with ICR &lt; 1)

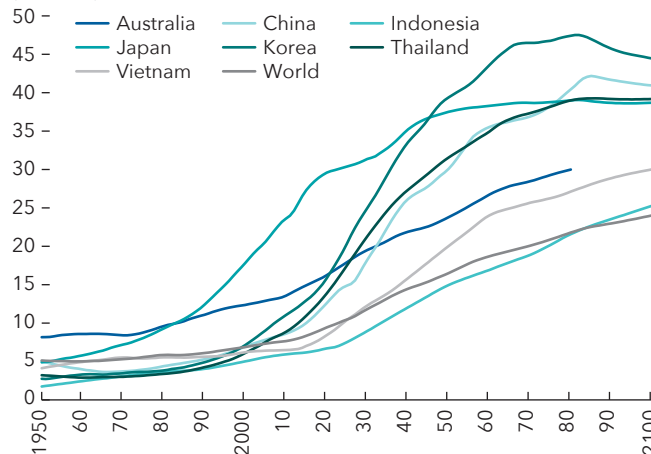
**2. Debt at Risk, by Sector**

(Share of total corporate debt held by firms with ICR &lt; 1)



Sources: Capital IQ; and IMF staff calculations.

Note: ICR defined as the ratio of EBIT to net interest cost over the previous four quarters. State-owned enterprises are excluded from analysis. In panel 2, for each sector, the simple average of debt at risk in each country with data available is shown, and country sectors with fewer than 10 firms are excluded. Data labels in the figure use International Organization for Standardization (ISO) country codes. EBIT = earnings before interest and taxes; ICR = interest coverage ratio.

**Figure 16. Aging Population****Share of populations 65 or older**  
(Percent)

Source: UN Population Division.

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### Box 1. Transmission of Renminbi Shocks to Other Asian Economies

*The importance of the Chinese renminbi in Asia has grown steadily, ever since the Chinese authorities allowed limited exchange rate flexibility starting around 2010. This raises the question of how important currency fluctuations of the renminbi have become for neighboring countries. The box studies spillovers from large renminbi depreciation events to other Asian currencies and economies.*

Asian currencies depreciated sharply against the US dollar in 2023 (Box Figure 1.1), triggered in part by monetary tightening of the Federal Reserve that increased US interest rates relative to the interest rate levels prevailing in Asia. The Chinese renminbi also depreciated, although domestic factors may have been at play here that were absent in other countries, such as the contraction of China's real estate sector and rising geopolitical risks.

The unconditional correlation of most Asian currencies with renminbi is high, but this could reflect both spillovers between currencies and common factors, such as elevated US interest rates and heightened global uncertainty. This box seeks to estimate how shocks to the renminbi affect other Asian currencies and economies.

We focus on episodes of large renminbi depreciations. Anecdotal evidence suggests that such depreciations relate predominately to domestic events in China.<sup>1</sup> Moreover, they are typically short-lived, lasting only a few months. We use the local projections approach of Jordà (2005) while controlling for a host of global factors.<sup>2</sup> Our panel comprises currencies from nine emerging Asian economies plus Korea and Taiwan Province of China. It starts in 2010, when China started to allow for more exchange rate flexibility.

The results suggest that large renminbi depreciations trigger substantial but short-lived depreciation pressure on other Asian currencies. Our estimates indicate about 50 percent exchange rate pass-through in the short term on average (Box Figure 1.2). However, the impact fizzles out after about six months. This is markedly different from the adjustment of Asian currencies to depreciation shocks to the Japanese yen, which is followed by more permanent currency depreciations (not displayed here).

One possible transmission channel is export competition: renminbi depreciations can worsen the terms of trade of Asian exporters and hence reduce demand for their currencies. To test whether this channel matters in practice, we construct an export similarity index following the same approach in the October 2011 *Regional Economic Outlook: Asia and Pacific*, which identifies Korea, Malaysia, and Vietnam as having the most similar export structure to China. Difference-in-difference local projections show that these countries' currencies come indeed disproportionately under pressure in the wake of renminbi depreciations (Box Figure 1.2).

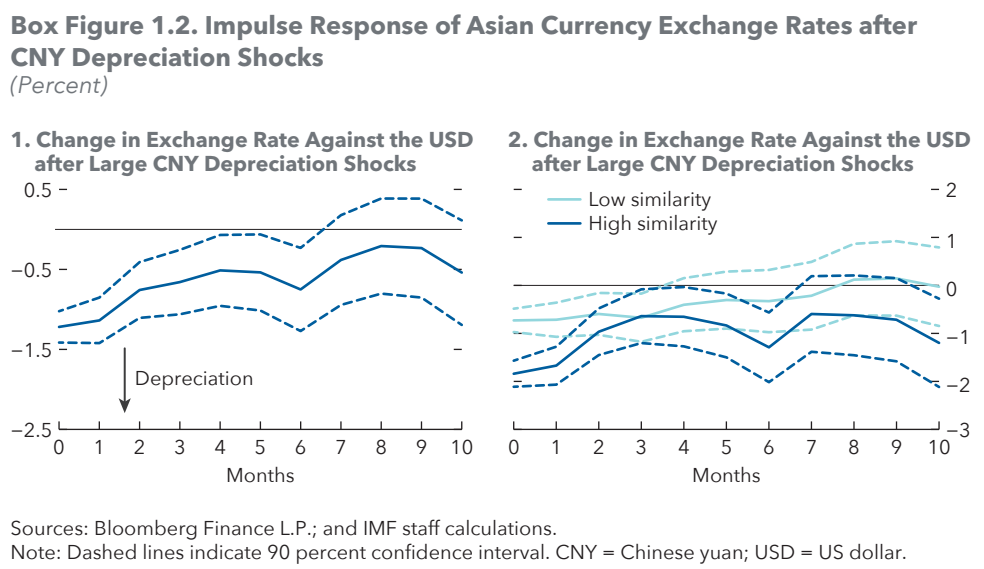
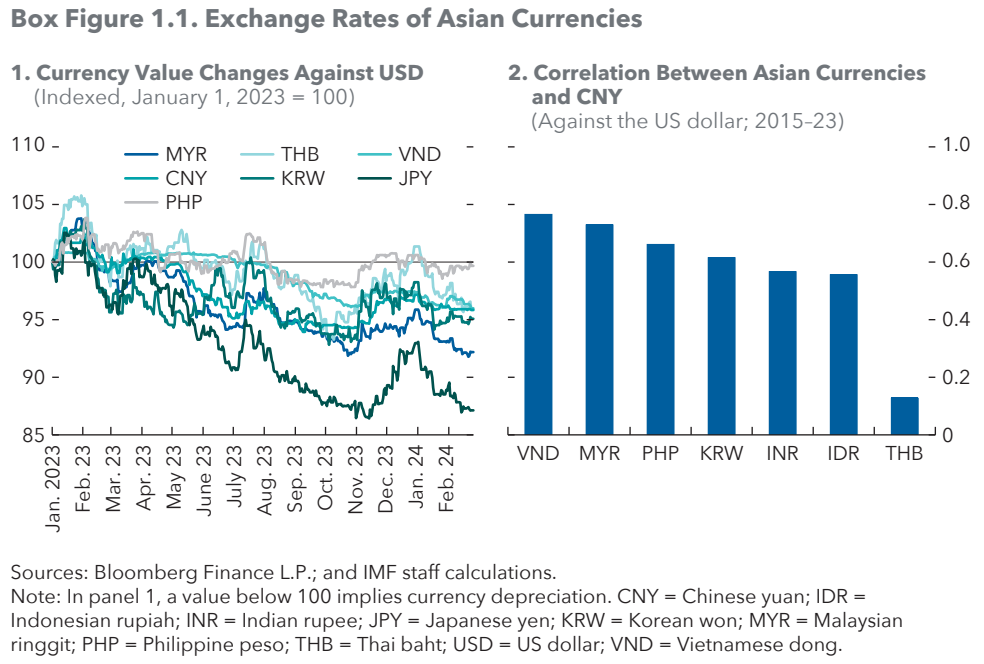
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This box was prepared by Chris Redl and Yizhi Xu.

<sup>1</sup> Large depreciations are defined as larger than a standard deviation or 2.7 percent depreciations against the US dollar in a month. Such events occurred in response to the doubling of the renminbi trading band in June 2012, devaluation surprises by the People's Bank of China in 2014, the stock market crash of 2015, growth slowdowns and People's Bank of China devaluations in 2015, US-China trade disputes in 2018, and real estate sector and domestic demand weakness in 2021-23.

<sup>2</sup> Global risk aversion as measured by the Chicago Board Options Exchange Volatility Index, a US dollar index to control for global dollar strength, countries' interest rate differentials with China and the United States, China's domestic inflation rate, and lagged exchange rates for the past four quarters.

**Box 1. (continued)**

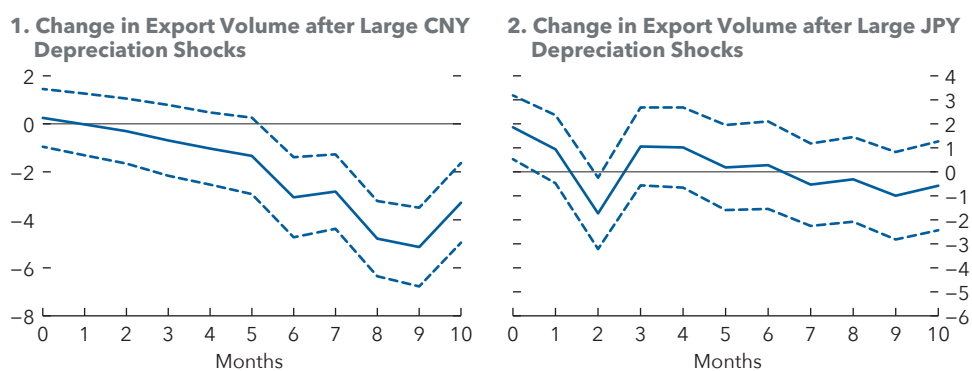


### Box 1. (continued)

We also test whether renminbi depreciation shocks affect the export volumes of neighboring countries. Export volumes tend to contract some six months after a large renminbi depreciation (Box Figure 1.3)—thus, renminbi depreciations have a real economic impact. Again, this contrasts with Japan, where depreciation shocks appear to get absorbed largely by neighboring countries' exchange rates, and not export prices or volumes—hence yen depreciations do not generate significant negative spillovers to other countries' exports.

**Box Figure 1.3. Impulse Response of Asian Export Columes after CNY or JPY Depreciation Shocks**

(Percent)



Sources: Bloomberg Finance L.P.; and IMF staff calculations.

Note: Dashed lines indicate 90 percent confidence interval. CNY = Chinese yuan; JPY = Japanese yen.

## Box 2. The Impact of Monetary Tightening on Corporate Interest Costs

The monetary policy rate hikes of 2022 and early 2023 have had, thus far, only a limited impact on corporate net interest costs in the Asia-Pacific region. In principle, Asian firms' debt structures would predispose them to rapid monetary policy transmission: high reliance on short-term debt necessitates fast rollover, and limited capital market development makes firms more dependent on bank loans, precluding them from taking advantage of favorable global market conditions (Box Figure 2.1). Both factors suggest that firms in the region might see their interest costs react rapidly to changes in monetary policies (Alder, Coimbra, and Szczerbowicz 2023; Jungherr and others 2022). However, net effective interest rates—that is, net interest costs as a share of the stock of debt<sup>1</sup>—have increased by substantially less than policy rates to date.

The high corporate savings in the region is key to explaining this puzzle. First, firms can draw down cash reserves to avoid issuance of expensive new debt, at least temporarily. Second, corporate savings also generate interest earnings. In the last two years, corporate interest earnings (as share of liquid assets) have increased in advanced economies and in some emerging markets in the Asia-Pacific region; in many cases, these increases were greater than the increases in interest paid (as a share of debt). As corporate savings tend to have shorter maturities than corporate debt, they react more quickly to changes in borrowing costs.

As a result, the cooling effects of the Asian monetary tightening cycle are still being passed through to the corporate sector. Firms have continued to gradually roll over debt while policy rates have remained elevated in much of the region. Analysis using local projection methods from Jordà (2005) suggests that the impact of a monetary policy tightening shock<sup>2</sup> on gross effective interest rates is small and positive initially, and then peaks after one year. The impact on net effective interest rates, on the other hand, is negative at first, turning positive only after around two years. This implies that the squeeze on corporate balance sheets from monetary tightening would still phase in over the coming months—even if policy rates start to decline.<sup>3</sup> As a result, financial supervisors in the region should continue to closely monitor highly leveraged sectors, and remain alert to the buildup of financial vulnerabilities within the corporate sphere.

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This box was prepared by Julia Estefania-Flores and Monica Petrescu. Analysis is based on publicly listed firms, which represent the largest and most systemic corporates.

<sup>1</sup> Net interest cost is defined as interest paid on liabilities less interest earned on assets.

<sup>2</sup> Monetary policy shocks as identified by Deb and others (2023).

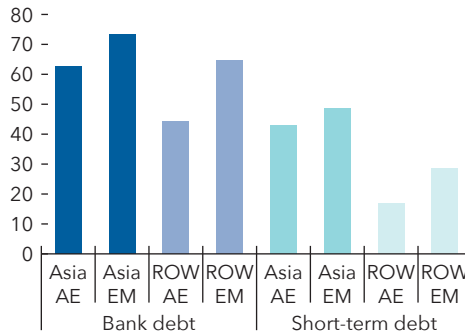
<sup>3</sup> If policy rates decline, earned interest is also expected to decline rapidly.

## Box 2. (continued)

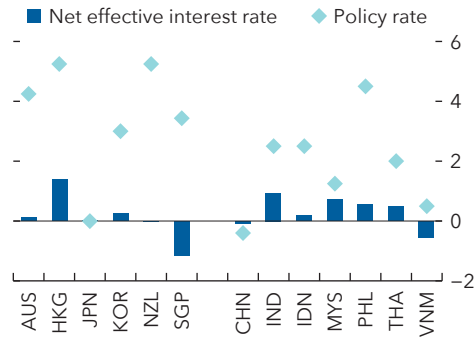
Box Figure 2.1. Corporate Interest Costs and Savings

## 1. Corporate Bank Debt, Short-Term Debt, and Savings

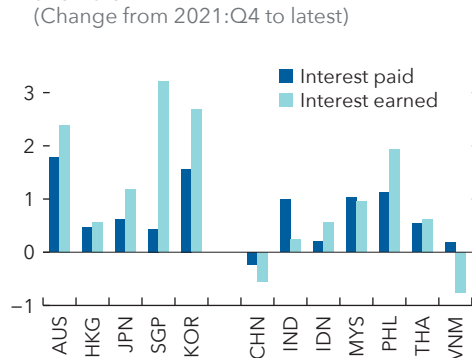
(Percent of total corporate debt, median firm, 2023)



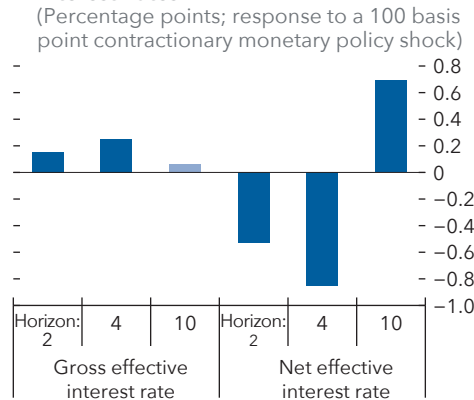
## 2. Change in Interest Rates (2021:Q4–23:Q3)



## 3. Change in Effective Interest Rate Earned and Paid (Change from 2021:Q4 to latest)



## 4. Monetary Policy Shocks Effect on Interest Rates (Percentage points; response to a 100 basis point contractionary monetary policy shock)



Sources: Capital IQ; and IMF staff calculations.

Note: In panel 3, gross and net interest costs as percent of debt; interest earned as percent of cash and short-term assets. In panel 4, impulse response function based on local projection methods following Jordà (2005) using firm-level quarterly data from 10 Asian countries for the period 1996:Q3 to 2023:Q2. Estimates based on the regression:  $g_{n,c,s,t+k} - g_{n,c,s,t-1} = a_{csq} + m^k MP\ shock_{c,t} + \sum_{j=1}^4 q^j MP\ shock_{c,t-j} + \sum_{j=1}^4 C^k \Delta g_{n,c,s,t-j} + \sum_{j=1}^4 Y^k C_{n,c,s,t-j} + e_{n,c,s,t}$  for different horizons  $k$ , where  $g_{n,c,s,t}$  is the gross (net) effective interest rate for firm  $n$  in country  $c$  and sector  $s$  at time  $t$  over the next  $k$  quarters,  $MP\ shock_{c,t}$  are monetary policy shocks from Deb and others (2023),  $a_{csq}$  are country-sector-quarter fixed effects and  $Y$  is a control for firm size. The regression is estimated separately for different horizons  $k$  over a 16-quarter period. The bars show the point estimate for  $m^k$  for different horizons  $k$ , light shaded bars indicate that the effect is not significant at 68 percent confidence interval. Standard errors are clustered by firm and country-time. Data coverage is limited to publicly listed firms. Data labels in the figure use International Organization for Standardization (ISO) country codes. AE = advanced economies; EM = emerging markets; ROW = rest of the world.

### Box 3. Industrial Policies in Asia

The last decade has seen a wave of “new” industrial policies (IP) across the globe,<sup>1</sup> against a backdrop of complex challenges ranging from climate change, aging and automation, to rising geopolitical and geoeconomic rivalry (IMF 2024). Unlike the “old” IP, the new IP are, therefore, not exclusively driven by growth and development aspirations, but sometimes also by geopolitical and national security concerns, potentially linked to geoeconomic fragmentation processes.

Newly available data allow for a systematic characterization of IP across countries and over time.<sup>2</sup> Comparing Asia-Pacific to the rest of the world reveals the following stylized facts (Box Figure 3.1):

- IP in Asia-Pacific have surged as in the rest of the world, as risks of geoeconomic fragmentation have ramped up. The data suggest that 2017 was an inflection point, thereafter the number of IP measures globally rose sharply. This coincides with the timing of the sharp increase in the risk of geoeconomic fragmentation. Furthermore, in Asia-Pacific, both advanced economies and emerging markets have been very active in deploying IP measures. This contrasts with the rest of the world, where advanced economies have taken a clear lead (Juhász and others 2023).
- Most IP measures deployed recently for both the region and the rest of the world, regardless of the IP objective stated, are likely to distort trade, and hence may contribute to fragmentation.<sup>3</sup>
- Subsidies (for example, financial grants, state guarantees, loans, and aid) are the dominant class of IP instruments globally (consistent with findings of Rotunno and Ruta 2024). Asia-Pacific implements a larger share of IP measures via traditional trade tools (trade tariffs and nontariff barriers, including trade bans/quotas/licensing and localization requirements) than the rest of the world.
- Compared to the rest of the world, Asia-Pacific leans more toward IP that target critical minerals, semi-conductors, or advanced technology products—products that are often considered strategic and tend to be at the center of geoeconomic fragmentation concerns. Advanced technology products are the most targeted product class after military/civilian dual use and “other” products in Asia-Pacific, and are a close third in the rest of the world, accounting for about 15 percent of all IP measures in Asia-Pacific and a slightly lower 12 percent in the rest of the world.

This box was prepared by Rahul Giri.

<sup>1</sup> Definitions vary, but, broadly, IP can be defined as targeted government interventions (“vertical policies”) aimed at supporting specific domestic firms, industries, or economic activities to achieve certain objectives (economic or noneconomic).

<sup>2</sup> We rely on data developed by Juhász and others (2023) and on the New Industrial Policy Observatory database by Evenett and others (2024). Both databases are built from the Global Trade Alert database and provide a count of IP measures categorized by country/jurisdiction, sector, and policy tool. The “count” approach calls for caution on interpretation, including because it is difficult to assess the economic impact of each measure (and hence all measures are counted equally, even if their economic relevance may actually differ). Juhász and others (2023) comprise annual data for 175 jurisdictions (31 in the Asia-Pacific region) and allow for a long-term view (2009–22) of the evolution of IP. The New Industrial Policy Observatory database offers a monthly count for the period of January 2023 to January 2024 and documents measures implemented by 75 jurisdictions (14 in the Asia-Pacific region), with details on targeted sectors, policy tools, and motives.

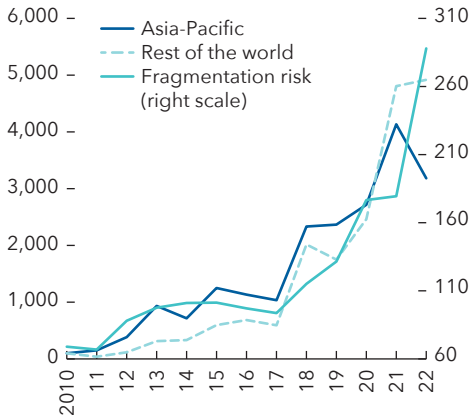
<sup>3</sup> The Global Trade Alert database records actions as either “distortive” to trade or of a “liberalizing” nature. Distortive measures generally discriminate against foreign commercial interests by restricting market access or by altering the conditions in favor of local firms. Liberalizing measures tend to enhance market access on a nondiscriminatory (that is, most favored nation) basis or improve the transparency of a relevant policy. The difference between Asia-Pacific and rest of the world is essentially attributable to the uncategorized motive of “Other,” with Asia-Pacific and rest of the world looking remarkably similar for other motives.

Box 3. (continued)

Box Figure 3.1. Industrial Policies in Asia

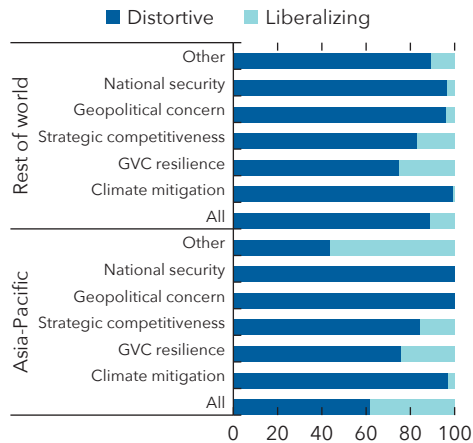
1. IP Interventions and Fragmentation Risk

(Number of IP measures, 2010 = 100, left scale; fragmentation index, 2013-15 = 100, right scale)



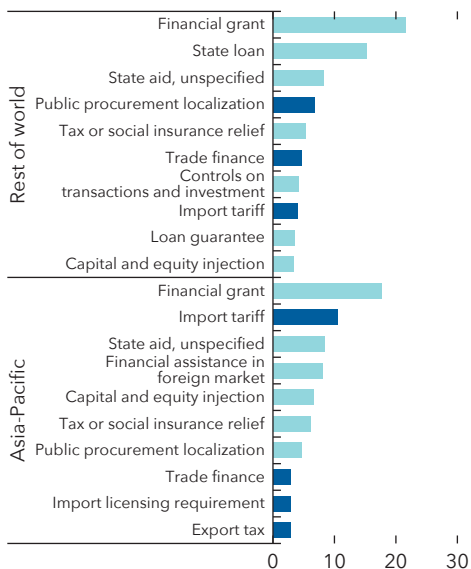
2. Trade Restrictive and Liberalizing IP, by Motive, 2023

(Percent of measures for each objective)



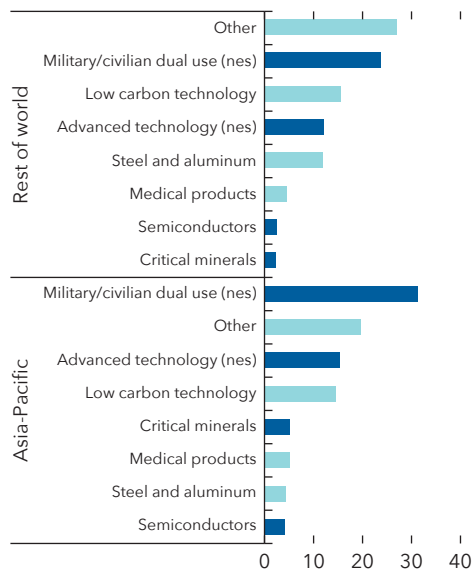
3. IP Tools, 2023

(Percent of all measures by region)



4. IP by Targeted Sector, 2023

(Percent of all measures by region)



Sources: Hassan and others (2019); Juhász and others (2023); New Industrial Policy Observatory database; NL Analytics, Inc.; and IMF staff calculations.

Note: In panel 1, fragmentation risk index measures the average number of sentences, per thousand earnings calls, that mention at least one of the following keywords: deglobalization, reshoring, onshoring, nearshoring, friend-shoring, localization, regionalization. Direct trade tools and strategic sectors colored in dark blue. GVC = global value chain; IP = industrial policies; nes = not elsewhere specified.

**Box 3. (continued)**

Given the potentially large costs of geoeconomic fragmentation (Aiyar and others 2023; April 2023 *World Economic Outlook*; October 2023 *Regional Economic Outlook: Asia and Pacific*), these findings underscore the need to carefully consider the implementation of IP and prevent an adverse feedback loop between IP and geoeconomic fragmentation. New IP enacted as a defensive or adaptive measure may be perceived by others as an escalation and invite a counterresponse. Sound IP design should target well-identified market failures, be time-bound and cost-effective, and be anchored by cost-benefit analysis and strong governance, so as to minimize rent-seeking and resource misallocation (Cherif and others 2022). Horizontal structural reforms usually need to complement sound IP or even represent an alternative. A rapid pace of IP interventions that overlap several sectors, objectives, and policy tools is likely to provoke opacity and distortions, while making the cost-benefit assessment of IP more intractable. Importantly, IP will need to respect international obligations, including World Trade Organization rules (IMF 2024; McDonald, Ruta, and Van Heuvelen 2024).



**Table 1. Asia: Real GDP***(Year-over-year change; percent)*

|   | Actuals and Latest Projections |            |            |            |            | Difference from<br>October 2023 WEO |             |            |
|---|--------------------------------|------------|------------|------------|------------|-------------------------------------|-------------|------------|
|   | 2021                           | 2022       | 2023       | 2024       | 2025       | 2023                                | 2024        | 2025       |
| <b>Asia</b>   | <b>7.0</b>                     | <b>3.9</b> | <b>5.0</b> | <b>4.5</b> | <b>4.3</b> | <b>0.4</b>                          | <b>0.3</b>  | <b>0.0</b> |
| <b>Advanced Economies</b>                                   | <b>4.3</b>                     | <b>1.8</b> | <b>1.7</b> | <b>1.6</b> | <b>1.8</b> | <b>0.0</b>                          | <b>-0.1</b> | <b>0.2</b> |
| Australia   | 5.6                            | 3.8        | 2.1        | 1.5        | 2.0        | 0.3                                 | 0.3         | 0.0        |
| New Zealand   | 5.6                            | 2.4        | 0.6        | 1.0        | 2.0        | -0.5                                | 0.0         | -0.1       |
| Japan   | 2.6                            | 1.0        | 1.9        | 0.9        | 1.0        | -0.1                                | -0.1        | 0.4        |
| Hong Kong SAR   | 6.5                            | -3.7       | 3.2        | 2.9        | 2.7        | -1.2                                | 0.0         | -0.2       |
| Korea   | 4.3                            | 2.6        | 1.4        | 2.3        | 2.3        | 0.0                                 | 0.1         | 0.0        |
| Taiwan Province of China <sup>1</sup>                       | 6.6                            | 2.6        | 1.4        | 3.1        | 2.7        | 0.6                                 | 0.1         | -0.1       |
| Singapore   | 9.7                            | 3.8        | 1.1        | 2.1        | 2.3        | 0.1                                 | 0.0         | -0.2       |
| <b>Emerging Market and Developing Economies<sup>2</sup></b> | <b>7.7</b>                     | <b>4.4</b> | <b>5.6</b> | <b>5.2</b> | <b>4.9</b> | <b>0.4</b>                          | <b>0.4</b>  | <b>0.0</b> |
| Bangladesh  | 6.9                            | 7.1        | 6.0        | 5.7        | 6.6        | 0.0                                 | -0.3        | 0.0        |
| Brunei Darussalam   | -1.6                           | -1.6       | 1.4        | 2.4        | 2.5        | 2.2                                 | -1.1        | -0.3       |
| Cambodia  | 3.1                            | 5.1        | 5.0        | 6.0        | 6.1        | -0.6                                | -0.1        | -0.3       |
| China   | 8.4                            | 3.0        | 5.2        | 4.6        | 4.1        | 0.2                                 | 0.4         | 0.0        |
| India <sup>3</sup>  | 9.7                            | 7.0        | 7.8        | 6.8        | 6.5        | 1.5                                 | 0.5         | 0.2        |
| Indonesia   | 3.7                            | 5.3        | 5.0        | 5.0        | 5.1        | 0.0                                 | 0.0         | 0.1        |
| Lao P.D.R.  | 2.1                            | 2.3        | 3.7        | 4.0        | 4.0        | -0.3                                | 0.0         | -0.1       |
| Malaysia  | 3.3                            | 8.7        | 3.7        | 4.4        | 4.4        | -0.3                                | 0.1         | 0.0        |
| Myanmar   | -10.5                          | -4.0       | 2.5        | 1.5        | 2.0        | -0.1                                | -1.1        | -0.5       |
| Mongolia  | 1.6                            | 5.0        | 7.0        | 6.5        | 6.0        | 1.5                                 | 2.0         | 2.5        |
| Nepal   | 4.8                            | 5.6        | 0.8        | 3.1        | 5.2        | 0.0                                 | -1.9        | 0.0        |
| Philippines   | 5.7                            | 7.6        | 5.6        | 6.2        | 6.2        | 0.3                                 | 0.3         | 0.1        |
| Sri Lanka   | 3.5                            | -7.8       | -          | -          | -          | -                                   | -           | -          |
| Thailand  | 1.5                            | 2.5        | 1.9        | 2.7        | 2.9        | -0.8                                | -0.5        | -0.2       |
| Vietnam   | 2.6                            | 8.1        | 5.0        | 5.8        | 6.5        | 0.3                                 | 0.0         | -0.4       |
| <b>Pacific Island Countries<sup>4</sup></b>                 | <b>-0.5</b>                    | <b>2.2</b> | <b>3.3</b> | <b>4.0</b> | <b>3.5</b> | <b>0.1</b>                          | <b>0.2</b>  | <b>0.0</b> |
| Fiji  | -4.9                           | 20.0       | 8.0        | 3.0        | 3.4        | 0.5                                 | -0.9        | -0.3       |
| Kiribati  | 8.5                            | 3.9        | 4.2        | 5.8        | 4.1        | 1.6                                 | 3.4         | 1.8        |
| Marshall Islands  | 1.1                            | -0.7       | 3.0        | 3.0        | 2.0        | 0.0                                 | 0.0         | 0.0        |
| Micronesia  | 3.0                            | -0.9       | 0.8        | 1.1        | 1.7        | -1.8                                | -2.0        | -0.2       |
| Nauru   | 7.2                            | 2.8        | 0.6        | 1.6        | 1.3        | 0.1                                 | 0.3         | -1.1       |
| Palau   | -13.4                          | -2.0       | 0.8        | 12.4       | 11.9       | 0.0                                 | 0.0         | 0.0        |
| Papua New Guinea  | -0.8                           | 5.2        | 2.7        | 4.5        | 3.7        | -0.3                                | -0.5        | 0.6        |
| Samoa   | -7.1                           | -5.3       | 8.0        | 5.4        | 3.4        | 0.0                                 | 1.8         | 0.0        |

|  | Actuals and Latest Projections |            |            |            |            | Difference from<br>October 2023 WEO |            |            |
|--|--------------------------------|------------|------------|------------|------------|-------------------------------------|------------|------------|
|  | 2021                           | 2022       | 2023       | 2024       | 2025       | 2023                                | 2024       | 2025       |
| Solomon Islands                        | 2.6                            | 2.4        | 3.0        | 2.4        | 2.5        | 0.5                                 | 0.0        | -0.5       |
| Tonga <sup>5</sup>                     | -2.7                           | -2.0       | 2.6        | 2.5        | 2.4        | 0.0                                 | 0.0        | 0.2        |
| Tuvalu                                 | 1.8                            | 0.7        | 3.9        | 3.5        | 2.5        | 0.0                                 | 0.0        | 0.1        |
| Vanuatu                                | -1.6                           | 1.9        | 2.2        | 3.0        | 3.5        | 0.7                                 | 0.4        | 0.0        |
| <b>ASEAN<sup>6</sup></b>               | <b>3.4</b>                     | <b>5.5</b> | <b>4.2</b> | <b>4.6</b> | <b>4.8</b> | <b>0.0</b>                          | <b>0.0</b> | <b>0.0</b> |
| <b>ASEAN-5<sup>7</sup></b>             | <b>4.1</b>                     | <b>5.5</b> | <b>4.1</b> | <b>4.5</b> | <b>4.6</b> | <b>-0.1</b>                         | <b>0.0</b> | <b>0.1</b> |
| <b>EMDEs excluding China and India</b> | <b>3.4</b>                     | <b>5.4</b> | <b>4.6</b> | <b>4.9</b> | <b>5.2</b> | <b>0.0</b>                          | <b>0.0</b> | <b>0.0</b> |

Sources: IMF, World Economic Outlook database; and IMF staff estimates and projections.

Note: ASEAN = Association of Southeast Asian Nations; EMDEs = emerging market and developing economies; WEO = *World Economic Outlook*.

<sup>1</sup> Taiwan Province of China forecast data source is Consensus Forecast.

<sup>2</sup> EMDEs exclude Pacific island countries and other small states.

<sup>3</sup> India's data are reported on a fiscal year basis. Its fiscal year starts on April 1 and ends on March 31.

<sup>4</sup> Pacific island countries aggregate is calculated using simple average; all other aggregates are calculated using weighted average.

<sup>5</sup> Tonga's data are reported on a fiscal year basis. Its fiscal year starts on July 1 and ends June 30.

<sup>6</sup> ASEAN comprises Brunei Darussalam, Cambodia, Indonesia, Lao P.D.R., Malaysia, Myanmar, the Philippines, and Singapore.

<sup>7</sup> ASEAN-5 comprises Indonesia, Malaysia, the Philippines, Singapore, and Thailand.

