APEC Regional Trends Analysis

- GDP Growth and Outlook
- Inflation and Monetary Policy
- Downside Risks
- Trade Performance and Outlook
- Income and Wealth Inequality
- Suggested Policy Options
Trade activity has decelerated due to weaker global production and demand.

Synchronised monetary policy hikes and increased agricultural output have helped rein in inflation.

Rising inequality exacerbated by the pandemic as APEC tracks a fragile recovery path.

APEC economic growth has become slower and more uneven amid heightened uncertainty.

Policymakers need to remain vigilant to preserve macroeconomic and financial stability.
GDP Growth: Global, APEC and ROW (%)

Rising interest rates, unwinding of massive fiscal support and stubborn inflation dampen growth

Source: International Monetary Fund (IMF) World Economic Outlook (WEO) April 2023; Economy sources; APEC PSU (Policy Support Unit) staff calculations
Synchronised and successive monetary policy hikes are expected to rein in inflation; but forecasts revised upwards.

Note: The monetary policy framework in Brunei Darussalam is based on a currency board system, with the Brunei dollar anchored to the Singapore dollar at par. For Singapore, monetary policy is conducted through the trade-weighted exchange rate, which is allowed to fluctuate within a policy band.

Source: IMF WEO April 2023; Economy sources; APEC PSU staff calculations
Energy prices plunged as global uncertainty weighs on demand but leading oil exporters' production cuts could push up prices anew.

General increase in agricultural output pulled down food prices despite the upward trend in sugar.

Source: World Bank Commodity Markets Outlook; Food and Agriculture Organization of the United Nations (FAO); APEC PSU staff calculations.
Higher interest payments and reduced fiscal space loom as debts continue to rise

Source: IMF WEO April 2023; Economy sources; APEC PSU staff calculations
Banking sector in APEC has remained stable and sound amid multiple headwinds.

Capital Adequacy Ratio (%)

Non-performing Loan Ratio (%)


Australia: 0.8, Brunei Darussalam: 3.3, Canada: 0.3, Chile: 1.8, China: 1.6, Hong Kong, China: 1.4, Indonesia: 2.6, Japan: 1.2, Korea: 0.3, Malaysia: 1.8, Mexico: 2.0, New Zealand: 0.5, Peru: 1.2, The Philippines: 1.84, Singapore: 3.4, Chinese Taipei: 3.3, Thailand: 2.7, United States: 1.2, Viet Nam: 2.0

Note: Based on latest available data; data for Papua New Guinea and Russia are not available.

Swift and strong response by authorities have served to calm markets.

Source: Economy sources; APEC PSU staff calculations
Volatility Index (index point)
Month-ahead stock market expectations for volatility

- Asian Financial Crisis: 45.7
- Dotcom Bubble: 45.1
- Global Financial Crisis: 80.9
- COVID-19 Pandemic: 82.7
- Interventions on Silicon Valley Bank, Signature Bank, and Credit Suisse: 26.5

VIX remained relatively subdued amid bank rescues in the US and Europe

Source: Chicago Board Options Exchange, CBOE Volatility Index: VIX, retrieved from FRED, Federal Reserve Bank of St. Louis; APEC PSU staff calculations
Trade decelerated as pandemic-related recovery momentum faded while global demand weakened.

Source: World Trade Organization (WTO) Time Series; APEC PSU staff calculations.
### APEC Growth in Value of Trade in Commercial Services (% y-o-y)

<table>
<thead>
<tr>
<th></th>
<th>Exports Q1-Q3 2019</th>
<th>Exports Q1-Q3 2020</th>
<th>Exports Q1-Q3 2021</th>
<th>Exports Q1-Q3 2022</th>
<th>Imports Q1-Q3 2019</th>
<th>Imports Q1-Q3 2020</th>
<th>Imports Q1-Q3 2021</th>
<th>Imports Q1-Q3 2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Commercial Services</td>
<td>3.4</td>
<td>13.6</td>
<td>11.8</td>
<td>17.4</td>
<td>1.4</td>
<td>11.8</td>
<td>17.4</td>
<td>15.0</td>
</tr>
<tr>
<td>Travel Services</td>
<td>-20.1</td>
<td>-21.9</td>
<td>-62.8</td>
<td>-30.2</td>
<td>-2.8</td>
<td>-61.3</td>
<td>-17.6</td>
<td>-2.1</td>
</tr>
<tr>
<td>Transport Services</td>
<td>77.3</td>
<td>61.3</td>
<td>44.4</td>
<td>31.2</td>
<td>7.7</td>
<td>4.2</td>
<td>9.5</td>
<td>7.0</td>
</tr>
<tr>
<td>Goods-related Services</td>
<td>-2.8</td>
<td>-17.6</td>
<td>-18.3</td>
<td>-28.1</td>
<td>-22.9</td>
<td>-12.7</td>
<td>-19.3</td>
<td>-19.3</td>
</tr>
</tbody>
</table>

Source: WTO Time Series; APEC PSU staff calculations

Easing of cross-border travel restrictions buoyed commercial services.
APEC Trade Volume Growth Outlook (% y-o-y)
Forecast (2023-2025)

<table>
<thead>
<tr>
<th></th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exports (Goods only)</td>
<td>1.3</td>
<td>4.4</td>
<td>4.3</td>
</tr>
<tr>
<td>Imports (Goods only)</td>
<td>3.0</td>
<td>4.2</td>
<td>4.1</td>
</tr>
<tr>
<td>Exports (Goods and Services)</td>
<td>3.5</td>
<td>5.2</td>
<td>4.5</td>
</tr>
<tr>
<td>Imports (Goods and Services)</td>
<td>3.9</td>
<td>4.4</td>
<td>4.1</td>
</tr>
</tbody>
</table>

Sluggish trade growth due to substantial global risks, including geoeconomic fragmentation

Source: IMF WEO April 2023; APEC PSU staff calculations
Trade-facilitating and trade-restrictive measures in force in APEC economies (accumulated number)

Trade remedies in force in APEC economies (accumulated number)

Trade-facilitating measures outnumbered trade-restrictive measures but trade remedies are on the rise

Source: WTO Trade Monitoring Database; APEC PSU staff calculations
Change in Average Income, 2019–2021 (%)

Rising inequality exacerbated by the pandemic as nearly half of APEC economies still seek recovery

Source: World Inequality Database; APEC PSU staff calculations
Across the region, the affluent thrived while the vulnerable dived amidst the pandemic tide.

Source: World Inequality Database; APEC PSU staff calculations.
Monetary policy to bring down inflation and promote financial stability

Fiscal policy to support inflation objectives and target the vulnerable to mitigate rising inequality

Structural reforms to invest in human capital development and improve product, labor and financial markets

Role of regional cooperation is crucial to encourage inclusive dialogue and concerted efforts towards sustainable and inclusive growth
Asia-Pacific Economic Cooperation (APEC) was established in 1989. The 21 member economies are Australia; Brunei Darussalam; Canada; Chile; China; Hong Kong, China; Indonesia; Japan; Korea; Malaysia; Mexico; New Zealand; Papua New Guinea; Peru; the Philippines; Russia; Singapore; Chinese Taipei; Thailand; the United States; and Viet Nam.

APEC Policy Support Unit (PSU) was set up in 2008 as the policy research and analysis arm for APEC. It supports APEC members and fora in improving the quality of their deliberations and decisions and promoting policies that support the achievement of APEC’s goals by providing objective and high quality research, analytical capacity, and policy support capability.

APEC Regional Trends Analysis (ARTA) is a serial publication of the PSU which provides an overview of the region’s economy through an analysis of recent macroeconomic, trade and investment trends. It tracks recent trade and investment measures implemented around the region, and discusses risks and opportunities to the region’s economic outlook.

This report was prepared by Rhea C. Hernando and Glacer Niño A. Vasquez, Senior Researcher and Consultant, respectively, at the PSU. The views expressed in the APEC Regional Trends Analysis are those of the authors and do not necessarily represent those of the APEC member economies. This work is licensed under the Creative Commons Attribution-NonCommercial-ShareAlike 3.0 Singapore License. To view a copy of this license, visit http://creativecommons.org/licenses/by-nc-sa/3.0/sg/.