APEC Regional Trends Analysis

- GDP Growth Outlook
- Inflation and Monetary Policy
- Merchandise Trade
- Trade Measures
- Commercial Services Trade
- FDI and Greenfield Investments
APEC economic growth is expected to pick up in the short-term, but downside risks continue to weigh on recovery.

Food and energy prices remain elevated, but inflation is starting to moderate as synchronised monetary policy hikes take effect.

APEC merchandise trade growth slowed in 2022, but travel and tourism are back on track.

Regional cooperation is crucial to achieve growth that benefits all people and takes care of the environment.
DOWNSIDE RISKS remain, but have moderated:
- Inflation
- Higher interest rates
- Higher debt
- Reduced investments
- Geopolitical issues
- New waves of COVID-19 infections

UPSIDE OPPORTUNITIES
- Reopening of borders and businesses
- Increased private consumption
- Targeted fiscal support

GDP Growth: Global, APEC and ROW (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>Global Economy</th>
<th>APEC Region</th>
<th>Rest of the World (ROW)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>6.2</td>
<td>6.1</td>
<td>6.3</td>
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<tr>
<td>2022</td>
<td>3.4</td>
<td>2.6</td>
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<tr>
<td>2023</td>
<td>2.9</td>
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<td>3.4</td>
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Source: International Monetary Fund (IMF) World Economic Outlook (WEO) October 2022 and January 2023; Economy sources; APEC PSU (Policy Support Unit) Staff calculations
Monetary Policy Rate (%)

APEC Average Inflation (% y-o-y)

Monetary policy tightening is starting to take effect

Barring any supply-demand shocks, inflation is expected to moderate in 2023-2024

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: International Monetary Fund (IMF) World Economic Outlook (WEO) October 2022 and January 2023; Economy sources; APEC PSU Staff calculations
Escalating energy and food prices in 2022 largely due to supply shocks

Energy Prices (% y-o-y)

FAO Food Price Index (index points)

Downward trend in 2023, but prices are expected to remain elevated

Source: World Bank Commodity Price (for energy prices); Food and Agriculture Organization of the United Nations (FAO) (for food prices); APEC PSU staff calculations
RISING UNCERTAINTY in the second half of 2022 resulted in the slowdown of merchandise trade

Trade volume adversely affected by economic moderation in 2022

Trade values remained strong due to relatively high energy prices in 2022

Source: United Nations Conference on Trade and Development (UNCTAD) for trade volume; World Trade Organization (WTO) for trade value; APEC PSU Staff calculations
APEC trade growth is projected to weaken in 2023 due to multiple headwinds, in tandem with the world.

Brighter prospects for trade are expected in 2024.

Source: International Monetary Fund (IMF) World Economic Outlook (WEO) April 2022, October 2022 and January 2023; World Trade Organization April 2022 and October 2022; APEC PSU Staff calculations.
Between mid-Oct 21 and mid-Oct 22, trade-facilitating measures outnumbered trade-restrictive measures.

- 41 measures on reduction or elimination of import tariffs and export duties
- 39 measures on termination of anti-dumping investigations
- 21 measures on initiation of anti-dumping investigations

**STRONG** expansion in commercial services trade in the first half of 2022

- **60%** increase in travel services, due to reopening of borders and relaxing of COVID-19 measures
- **30%** increase in transport services, due to high shipping rates

Source: World Trade Organization (WTO); APEC PSU Staff calculations
62% surge in FDI to APEC in 2021 from 2020, and higher by 32% compared to pre-pandemic level in 2019

17% decline in announced greenfield investments heading to APEC in 2021 relative to 2019 levels

Highly uncertain environment requires clear, consistent and coordinated policies.
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.

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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/.