APEC Regional Trends Analysis

- GDP Growth and Outlook
- Inflation and Monetary Policy
- Global Uncertainties
- Trade Performance
- Fiscal Space
- Suggested Policy Options

Global Uncertainties
Trade Performance
Fiscal Space
Suggested Policy Options

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APEC GDP is estimated to have grown by 3.5% in 2023, up from 2.6% in 2022, in tandem with the global economy.

Merchandise trade contracted in 2023 and services trade growth decelerated, while measures restricting trade rose.

Global uncertainties and weather-related conditions delay shipping, extend trade routes and drive up costs, posing threats to trade and inflation.

High debt levels require fiscal consolidation, but excessive tightening could stifle economic growth.
GDP Growth Outlook: Global, APEC and ROW (% y-o-y)

**Downside Risks**
- Trade Protectionism
- Elevated Debt
- Geopolitical Issues

**Upside Opportunities**
- Consumption and Tourism
- Productivity-enhancing Technologies
- Trade Facilitation

Consumer spending and tourism are propelling growth

Potential spikes in commodity prices, geoeconomic fragmentation and trade-disruptive measures, including discriminatory policies could weigh on economic prospects.

Source: International Monetary Fund (IMF) World Economic Outlook (WEO) January 2024; Economy sources; APEC PSU staff calculations.
APEC Average Inflation (% y-o-y)

<table>
<thead>
<tr>
<th>Month</th>
<th>Inflation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dec-22</td>
<td>6.1</td>
</tr>
<tr>
<td>Jan-23</td>
<td>5.4</td>
</tr>
<tr>
<td>Feb-23</td>
<td>4.1</td>
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<tr>
<td>Mar-23</td>
<td>3.3</td>
</tr>
<tr>
<td>Apr-23</td>
<td>3.3</td>
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<tr>
<td>May-23</td>
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<tr>
<td>Jun-23</td>
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<td>Nov-23</td>
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<tr>
<td>Dec-23</td>
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Source: Economy sources; Google Finance; APEC PSU staff calculations

Exchange Rate Movement

While inflation is going down, authorities need to keep an eye on exchange rate fluctuations.

The pace and timing of interest rate adjustments can influence exchange rate movements.

6% depreciation is the average decline among APEC currencies against the USD from 1 Feb 2023 to 1 Feb 2024.

- **17 APEC currencies** depreciated against the USD between -1.3% and -22.6%
- **3 APEC currencies** appreciated against the USD between 0.3% and 7.7%

Weaker currencies complicate inflation management and give rise to currency mismatch affecting debt/credit payments.
Synchronised and successive policy rate hikes have played an active role to curb inflation

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: Economy sources; APEC PSU staff calculations
Sluggish demand for oil and improved supply of cereals and sugar have contributed to lower inflation.
Incidents affecting safety of certain vessels in the Red Sea and the drought in the Panama Canal have raised shipping costs that could heighten inflation risk.

Source: Drewry World Container Index, Drewry Supply Chain Advisors; APEC PSU staff calculations.
Protectionism remains a problem in APEC as trade restrictions and remedies grow.

Source: World Trade Organization (WTO) Trade Monitoring Database; APEC PSU staff calculations
Merchandise trade contracted in Jan-Sep 2023 as global demand waned and prices for non-fuel commodities and manufactures fell

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

International travel receipts buoyed commercial services amid a slowdown from double-digit growth.

Source: WTO Time Series; APEC PSU staff calculations
Government revenue and expenditure in APEC (% of GDP)

Stringent measures to manage debt could stifle economic growth; a delicate balancing act is key

Source: IMF WEO October 2023; APEC PSU staff calculations
SWIFT MONETARY POLICY
Monetary authorities must stay vigilant against inflationary risks, ready to implement timely policy rate adjustments as necessary

STRATEGIC FISCAL POLICY
Fiscal managers must prioritise consolidation and rebuild fiscal buffers to cushion against future shocks

Balanced mix of monetary and fiscal policies as well as multilateral coordination are key to an open, dynamic, resilient and peaceful Asia-Pacific community

STRENGTHENED REGIONAL COOPERATION
Multilateral coordination must continue to promote and strengthen regional cooperation to keep trade open and address multiple challenges
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.

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