

INTERNATIONAL MONETARY FUND

REGIONAL ECONOMIC OUTLOOK

ASIA AND PACIFIC

Resilient Growth but Higher Risks

2024
NOV



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Definitions

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

- “ASEAN” or “ASEAN-10” refers to Brunei Darussalam, Cambodia, Indonesia, Lao People’s Democratic Republic (Lao PDR), 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 Special Administrative Region (Hong Kong SAR), Japan, Korea, New Zealand, Singapore, and Taiwan Province of China, unless otherwise noted.
- “Emerging Asia” refers to China, India, Indonesia, Malaysia, the Philippines, Thailand, and Vietnam, unless otherwise noted.
- “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

Short-term prospects for Asia and the Pacific are somewhat more favorable than described in the April 2024 *Regional Economic Outlook: Asia and the Pacific*, even though growth is still expected to moderate in 2024 and 2025. The region is forecast to contribute roughly 60 percent to global growth in 2024. At the same time, risks have increased, reflecting rising geopolitical tensions, uncertainty about the strength of global demand, and potential for financial volatility. Demographic change will act increasingly as a brake on activity, though structural shifts into high-productivity sectors such as tradable services hold promise to sustain robust growth.

In the first half of 2024, growth slightly exceeded the April forecast. Although exports picked up for the entire region—supported by a surge in demand for technology products—the picture was more nuanced for domestic demand: consumption and investment expanded at a robust pace in much of emerging Asia, but consumption weakened in advanced Asia, reflecting in part the impact of past monetary tightening. In China, adjustment of the property market continued to weigh on private demand. The regional growth forecast for 2024 has been marked up to 4.6 percent from 4.5 percent in April, largely reflecting the overperformance in the first half of the year. In 2025, more accommodative monetary conditions are expected to support activity, resulting in a slight upward growth revision to 4.4 percent from 4.3 percent in April.

Inflation has retreated in much of the region. Low goods price inflation has been key, as global demand shifted from goods to services in the wake of the COVID-19 pandemic. In most emerging Asian economies, inflation returned to target already by the end of 2023. Disinflation in advanced Asia has been slower—as wage pressures stymied services disinflation—but, in most countries, inflation is expected to return to policy targets by early 2025.

In early August, financial markets suffered a spike in volatility when expectations about the Federal Reserve's policy rate path shifted downward; it also occurred soon after a policy rate increase by the Bank of Japan. The yen appreciated sharply as yen-funded carry trade positions unwound, with pressures spilling over into other Asian currencies. Stock markets sold off but recovered quickly. Markets now expect most Asian central banks to ease, though to a lesser degree than the Federal Reserve, whereas the Bank of Japan remains on a gradual tightening path. Data surprises could affect these expectations and trigger more market volatility.

Notwithstanding recent robust growth, risks to the outlook have increased, and the balance of risks is now tilted to the downside. A near-term risk is a weaker external environment, if the lagged impact of global monetary tightening in 2021–23 bites more than expected, trade tensions or conflicts escalate further, or if the slowdown in China deepens. Cautious and nimble policy management will be needed to steer Asia's economies through the period ahead. Central banks should focus on domestic monetary stability needs—which can mean delaying policy easing in economies where inflation remains persistently above target, but also providing monetary support where core inflation is undesirably low. For many economies, fiscal consolidation is a priority, given high debt levels and medium-term challenges that will require additional fiscal space, such as aging populations and climate change. As lagged effects of past monetary tightening pass through to corporate and household balance sheets, supervisors should monitor risks vigilantly.

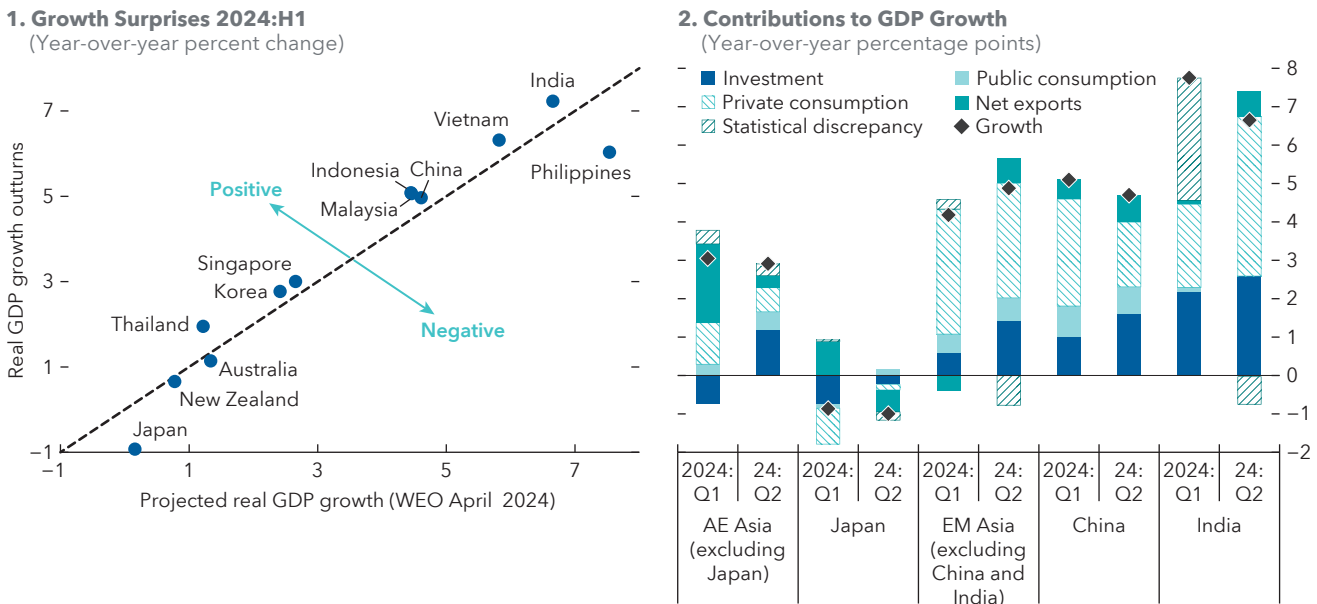
Trade restrictions continue to be implemented at a rapid pace across the globe. In past decades, Asian economies took advantage of global economic integration and developed competitive tradable sectors—hence, rising tensions are dangerous for the region. The analytical note accompanying this outlook, *Asia's Structural Transformation: The Past and Prospects*, analyzes the longer-term growth prospects for Asian economies and how these would be affected by a shift to a more services-oriented economy. The note finds that, while growth in Asia is likely to slow, this reflects mostly demographic factors. At the same time, a gradual transition toward tradable services has not only been ongoing for decades already, it also promises to generate new opportunities to reinvigorate growth rather than harming it. However, success requires supporting policies, including education and training to adapt to new technologies.

Outlook for Asia and the Pacific: Resilient Growth but Higher Risks

Recent Developments

Growth in Asia and the Pacific remained robust in the first half of 2024. Outturns surprised mostly on the upside (Figure 1, panel 1), even though growth drivers differed: in advanced Asia, activity was heavily reliant on exports, whereas in emerging Asia, both domestic and external demand contributed to growth (Figure 1, panel 2). Disinflation made progress: in much of emerging Asia, inflation has already returned to—or is close to—central bank targets, whereas in parts of advanced Asia, sticky services prices initially slowed disinflation but have started to recede.

Figure 1. Growth Developments



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

Note: For panel 2, the data are not seasonally adjusted. AE Asia 2024:Q1 includes Australia, Hong Kong SAR, South Korea, New Zealand, Singapore, and Taiwan Province of China. EM Asia includes Indonesia, Malaysia, the Philippines, and Thailand. AE Asia for 2024:Q2 excludes New Zealand. China data are from October 2024 *World Economic Outlook*. AE = advanced economy; EM = emerging economy.

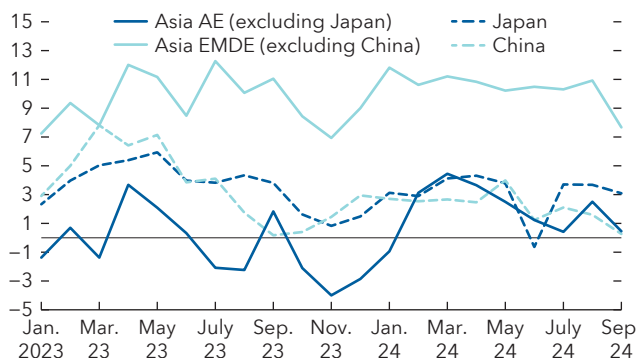
Almost all of Asia benefited from robust export demand in the first half of 2024, but private consumption weakened in advanced economies.

- In *advanced Asia* excluding Japan, private consumption retreated, possibly reflecting the impact of tight monetary conditions (Figure 2, panels 1 and 2). Growth received a welcome boost from manufacturing activity and exports, however (Figure 2, panels 3 and 4), with strong demand from the United States and emerging markets (Figure 2, panel 5).
- In *Japan*, growth in the first half of 2024 disappointed amid domestic supply disruptions, but real earnings have turned positive, and forward-looking indicators suggest that growth will return to above potential.

Figure 2. High-Frequency Indicators

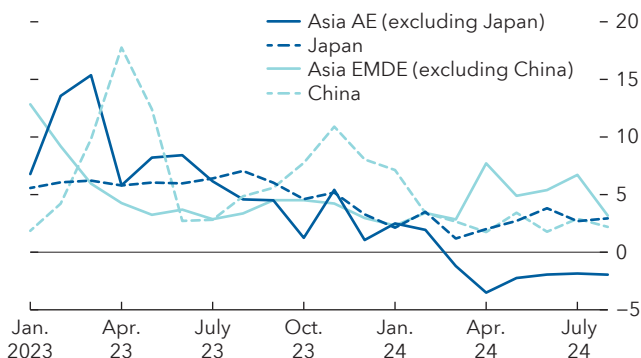
1. Services PMI

(Diffusion index, deviation from 50, + = expansion)



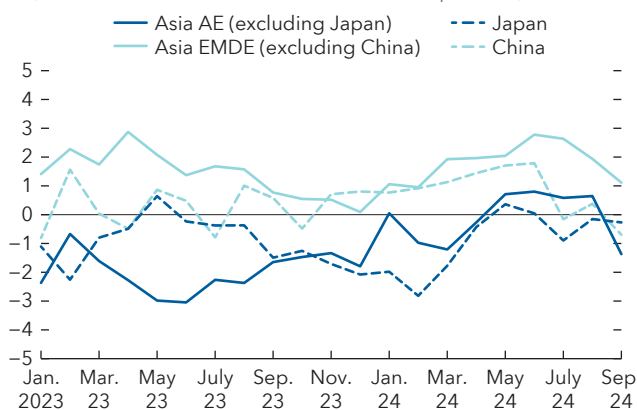
2. Retail Sales

(Year-over-year percent change)



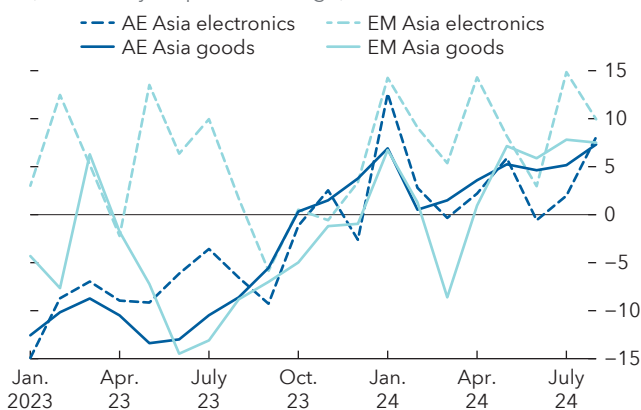
3. Manufacturing PMI

(Diffusion index, deviation from 50, + = expansion)



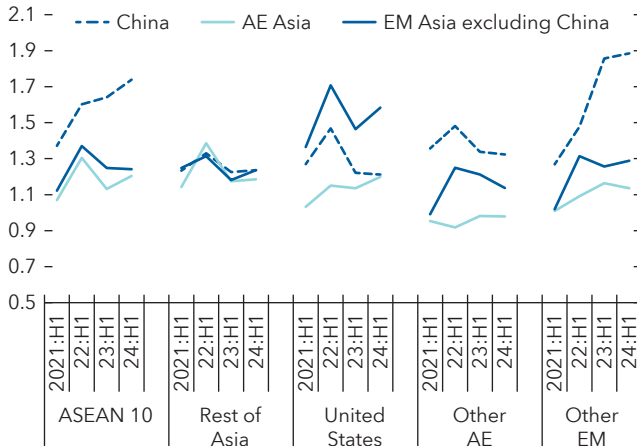
4. Asia Electronics and Total Goods Exports

(Year-over-year percent change)



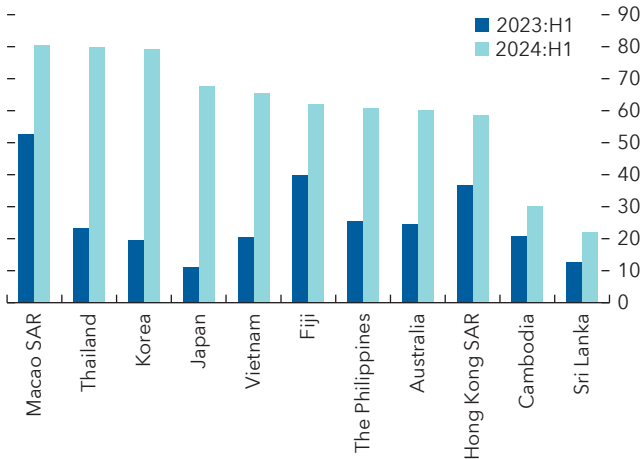
5. Asia Exports by Recipient

(Value in US dollar; index 2019:H1 = 1)



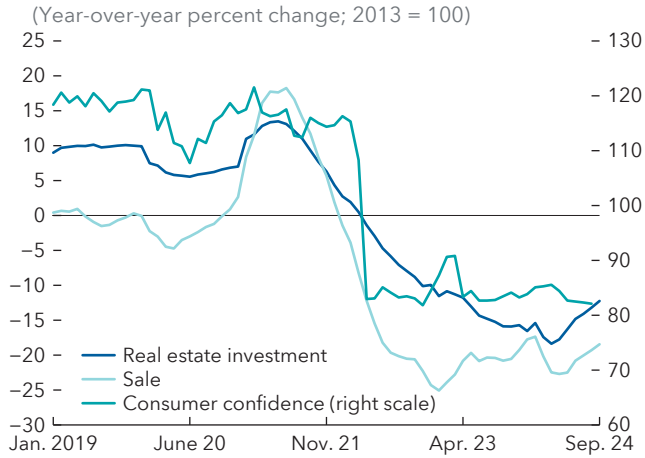
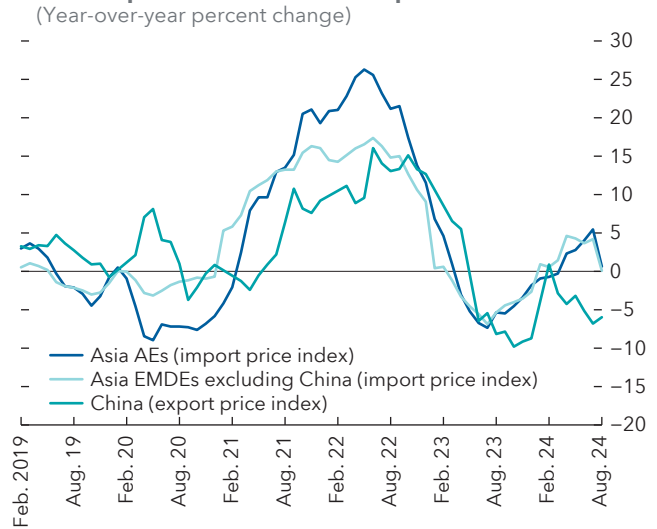
6. Chinese Tourist Arrivals

(Percent of 2019:H1)



Sources: Haver Analytics; IMF Direction of Trade Statistics; and IMF staff calculations.

Note: For panel 1 and 3, China's services and manufacturing PMI data are from Caixin. For panel 2, Asia AE includes Hong Kong Special Administrative Region, Korea, Singapore, Taiwan Province of China, and New Zealand and Asia EMDE includes Indonesia, India, Malaysia, Thailand, Philippines, and Vietnam. New Zealand and Thailand data are missing for May 2024 observation. For panel 4, AE Asia includes Australia, Hong Kong Special Administrative Region, Japan, Korea, New Zealand, Singapore, and Taiwan Province of China; EM Asia includes China, Indonesia, Malaysia, Philippines, Thailand, and Vietnam. Indonesia missing data since May 2024. AE = advanced economies; EM = emerging markets, EMDE = emerging and developing economies; Hong Kong SAR = Hong Kong Special Administrative Region; Macao SAR = Macao Special Administrative Region; and PMI = Purchasing Managers' Index.

Figure 3. China**1. China: Real Estate Sector and Consumer Confidence****2. Asian Import Prices and China's Export Prices**

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

Note: For panel 1, the data are in 12-month moving averages, except consumer confidence. For panel 2, Asia EMDEs include India, Indonesia, Malaysia, the Philippines, Thailand, and Vietnam; Asia AEs include Australia, Korea, Hong Kong SAR, New Zealand, Singapore, and Taiwan Province of China. The data are year-over-year percent changes, seasonally adjusted. August 2024 data unavailable for India, Vietnam, the Philippines, Australia, and New Zealand. AE = advanced economies; EMDE = emerging and developing markets.

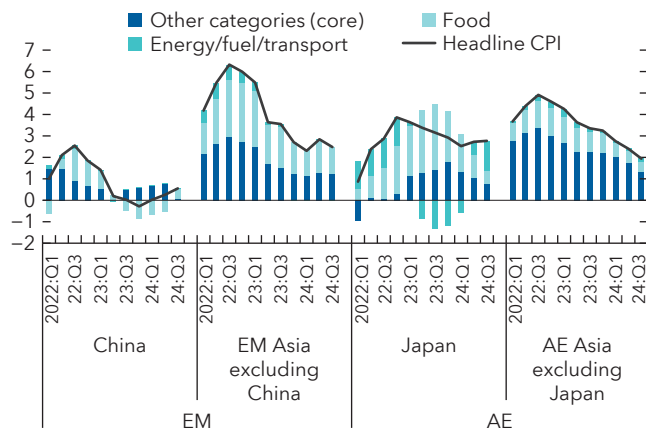
- Different from advanced economies, growth in *emerging Asia* excluding China has remained broad-based. Both exports—especially for technology products—and domestic demand underpinned activity. Many emerging market economies are also benefiting from a recovery in tourism from China (Figure 2, panel 6). In India, strong growth has been driven by investment and private consumption.
- *China's* growth weakened after the first quarter of this year, as private consumption, private investment, and local government finances continued to suffer from China's drawn-out real estate sector correction (Figure 3, panel 1). Exports have grown solidly, with rising demand from emerging markets—both within and outside Asia—substituting for weaker demand from advanced economies (Figure 2, panel 5).

Disinflation advanced further across Asia, even though some advanced economies took time to complete the last stage of disinflation (Figure 4, panels 1 and 2).

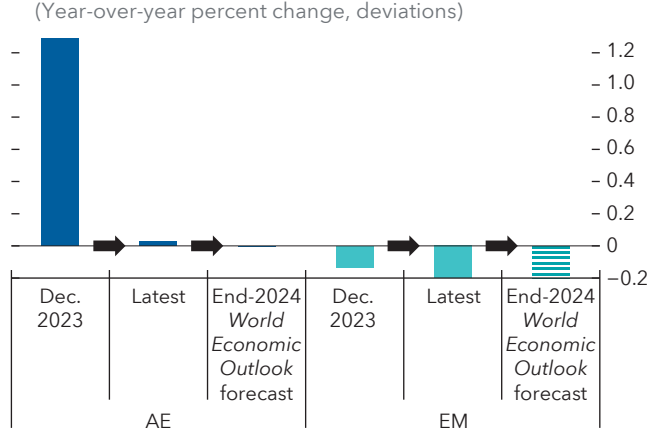
- In *advanced Asia* excluding Japan, inflation exceeded, on average, policy targets by more than a percentage point at the beginning of the year, but the overshoot has since evaporated. Rapid disinflation for goods prices has been key, as global demand shifted from goods to services in the aftermath of the COVID-19 pandemic and fewer supply disruptions occurred (Figure 4, panel 3). By contrast—and similar to other advanced economies—services inflation remained above prepandemic levels until recently, lifted by wage pressures that often reflect the attempt to recuperate real income losses endured in 2021–23 (Figure 4, panels 5 and 6; Chapter 1 of the October 2024 *World Economic Outlook Report*). However, in recent months, services inflation has also started to retreat.
- In *Japan*, headline inflation remains above target (2.5 percent in September), and core inflation has edged up recently, reflecting broad-based price increases.
- In *Asian emerging markets* excluding China, disinflation has advanced faster than in other emerging markets around the world (Chapter 1 of the October 2024 *World Economic Outlook Report*). Inflation rates had reached pre-COVID-19 levels already at the end of 2023 and remain at or—in some cases—even below policy targets (Figure 4, panel 2).

Figure 4. Inflation

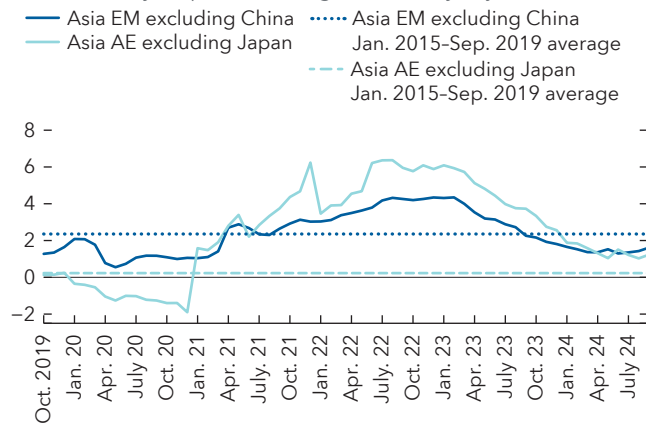
1. Contributions to Headline Inflation
(Year-over-year percent change)



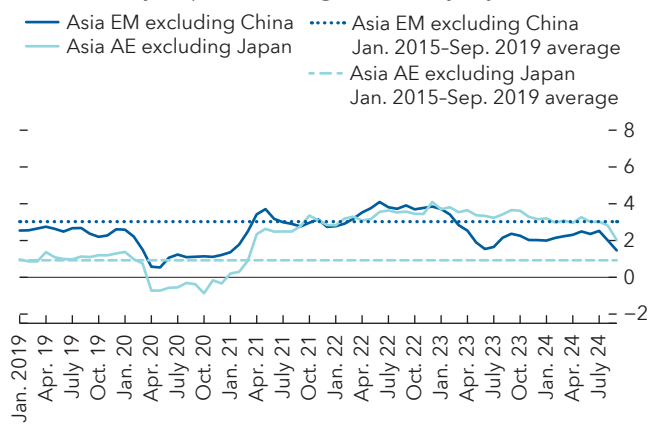
2. Headline Inflation: Average Deviations from Targets or Historical Averages
(Year-over-year percent change, deviations)



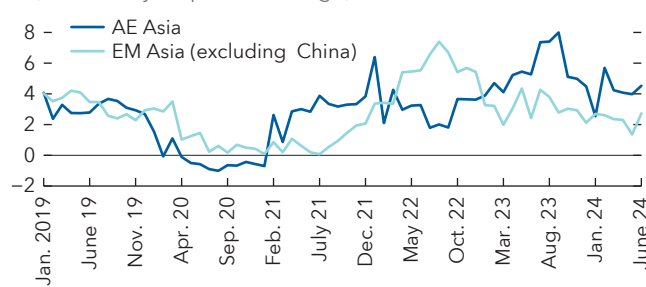
3. Asian Goods Inflation
(Year-over-year percent change, seasonally adjusted)



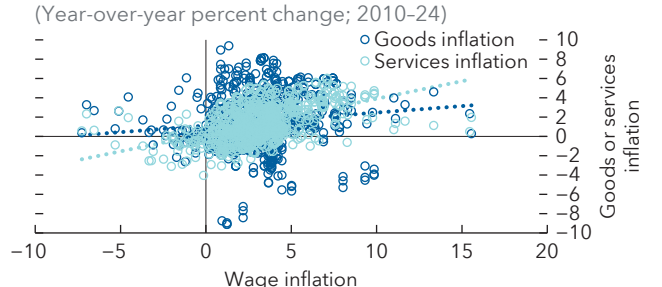
4. Asian Services Inflation
(Year-over-year percent change, seasonally adjusted)



5. Asian Wage Inflation
(Year-over-year percent change)



6. Correlation of Goods/Services Inflation with Wage Inflation for Advanced Asian Economies
(Year-over-year percent change; 2010-24)

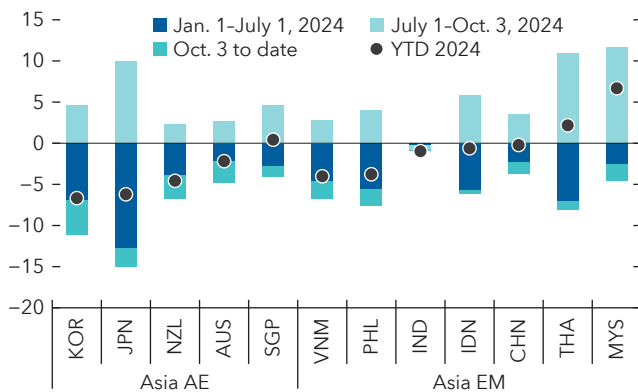


Sources: Haver Analytics; and IMF staff calculations.

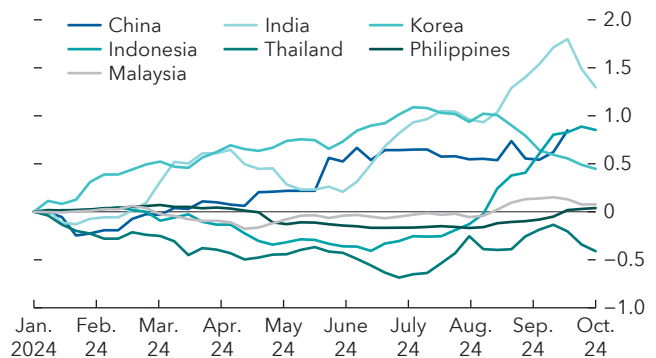
Note: AE Asia includes Australia, Hong Kong Special Administrative Region, Korea, Macao Special Administrative Region, New Zealand, Singapore, and Taiwan Province of China. EM Asia includes Indonesia, India, Malaysia, the Philippines, and Thailand. For panel 1, core refers to the consumer price index basket excluding food and energy, fuel, and transport. The exact categories used in the decomposition vary across economies. The September headline CPI data point is not available for Macao Special Administrative Region. For panel 2, AE excludes Macao Special Administrative Region. The latest data for AE and EM Asia are from September 2024, except the latest for Australia is June 2024. For economies with ranges, midpoints are used. For economies without targets, historical averages are used over the period from 2010 to 2019. For panels 3 and 4, Asia Advanced Economies excludes Macao Special Administrative Region. Asia Emerging and Developing Economies includes Vietnam. Data are seasonally adjusted. The latest data are as of September 2024 except for Australia. For panel 5, AE Asia excludes Taiwan Province of China. EM Asia (excluding China) excludes the Philippines. The June 2024 data point for Indonesia is not available. For panel 6, the chart reflects AE Asia excluding Macao Special Administrative Region and Taiwan Province of China. AE = advanced economies; EM = emerging markets.

Figure 5. Exchange Rates, Interest Rates, and Capital Flows

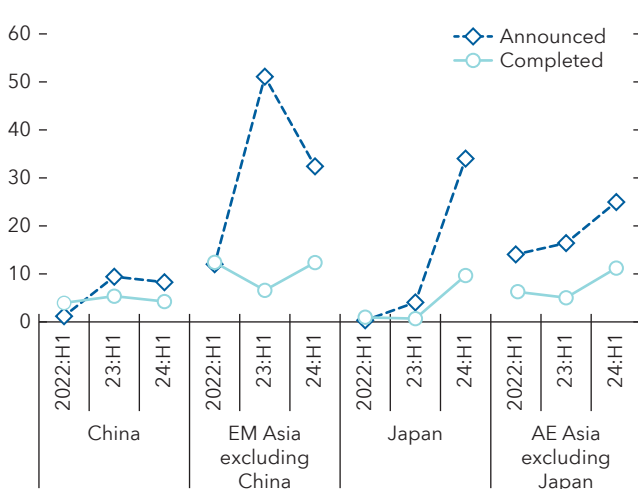
1. Exchange Rate Movements vis-à-vis the US Dollar
(Percent change; + = appreciation)



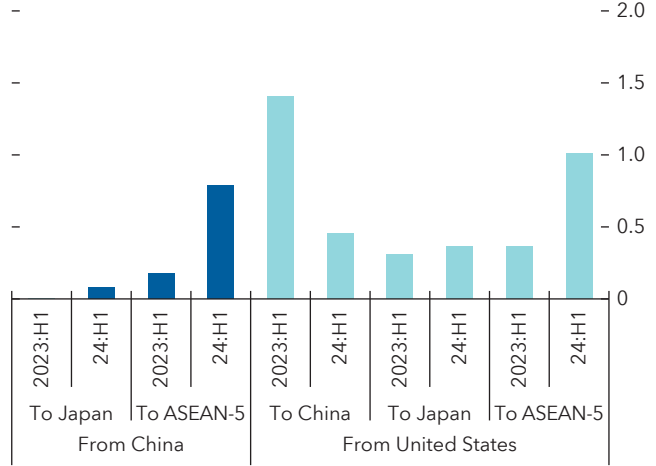
2. Net Portfolio Flows to Asia
(Percent of IIP liabilities)



3. Foreign Direct Investment (Announced and Completed)
(First half of 2022, 2023, and 2024; billion of dollars)



4. Foreign Direct Investment Flows from China and the US: Selected Economies (Completed)
(First half of 2023 and 2024; billion of US dollars)



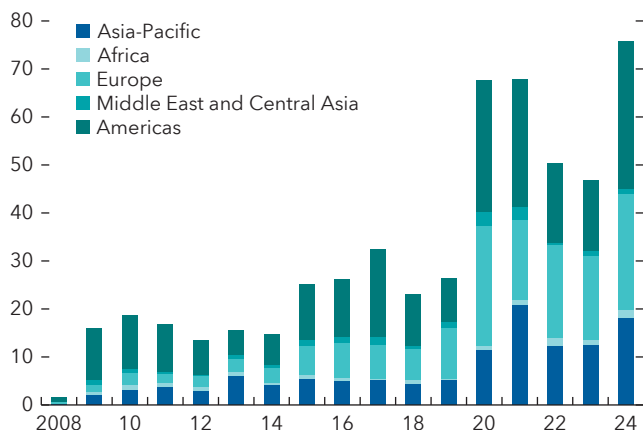
Sources: Bloomberg Finance L.P.; Haver Analytics; BIS; Institute of International Finance; Orbis Database; and IMF staff calculations. Note: For panel 1, data as of October 21, 2024. For panel 2, all countries include equity and debt flows with the exception of Korea and the Philippines where debt data are unavailable. Latest data through October 11, 2024. For panel 3, AE Asia includes Australia, Hong Kong Special Administrative Region, Japan, Korea, and New Zealand. Latest data till July 2024. For panels 3 and 4, the figure includes the number of greenfield projects, expansions, and relocations, by source and destination countries. For panel 4, ASEAN-5 includes Indonesia, the Philippines, Malaysia, Thailand, and Vietnam. Data labels in the figure use International Organization for Standardization (ISO) country codes. AE = advanced economies; EM = emerging markets; and IIP = International Investment Position.

- In *China*, consumer price inflation recovered somewhat but remained low, at 0.4 percent in September 2024 (Figure 4, panel 1). Moreover, export prices continued to decline (Figure 3, panel 2).

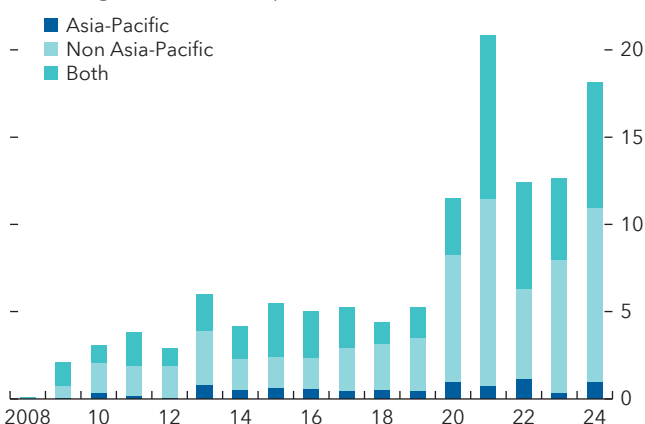
In early August, global and regional financial markets briefly turned volatile as expectations about monetary policy shifted. In the first half of the year, many Asian currencies had still been under substantial depreciation pressures, reflecting unusually compressed or even negative interest differentials vis-à-vis the Federal Reserve (Box 1). These pressures partially reverted when weaker US inflation and labor market data triggered a shift in expectations about imminent and sustained policy easing by the Federal Reserve (Figure 5, panel 1). The reversal was especially pronounced for the Japanese yen, where it triggered an unwinding of carry trade positions with the yen as funding currency, following a policy rate hike by the Bank of Japan on July 31. Asian equity markets also sold off but recovered quickly.

Figure 6. Trade Restrictions**1. Trade Restrictions Imposed**

(Average new measures per month)

**2. Trade Restrictions Imposed by Asian Countries, by Targeted Countries**

(Average new measures per month)



Sources: Global Trade Alert; and IMF staff calculations.

Note: For panel 2, Asia-Pacific and Non-Asia-Pacific include measures exclusively targeted at these groups of economies, respectively. "Both" reflects measures that either affect both groups or when bilateral information is not available.

Consistent with the renewed strength of Asian currencies, net portfolio inflows have ticked up for several economies, although in some cases from a low base (Figure 5, panel 2). There are also signs of stronger foreign direct investment inflows into the region, with the notable exception of China, where foreign direct investment inflows turned negative in the second quarter of 2024 (Figure 5, panels 3 and 4).

Countries around the globe adopted numerous new trade restrictions (Figure 6, panel 1). Some measures reflect efforts to strengthen supply chain resiliency and diversification in critical sectors (for example, high-tech and green products), while others have a retaliatory character.¹ While few of the measures implemented in Asia appear to target intra-regional trade, (Figure 6, panel 2), many Asian countries have implemented industrial policies that contain trade-distorting elements (Box 3 from the April 2024 *Regional Economic Outlook: Asia and the Pacific*).

The Outlook: Resilient Growth in a Challenging Environment

While growth in Asia is forecast to slow in 2024 and 2025—reflecting fading support from the pandemic recovery and secular factors like population aging—short-term prospects are somewhat more favorable than expected in April. Regional growth in 2024 has been revised up marginally by 0.1 percentage point to 4.6 percent, primarily reflecting the robust performance early in the year (Table 1). With this, the Asia and Pacific region is expected to contribute roughly 60 percent to global growth this year. Strength remains concentrated in emerging market economies. By contrast, growth in advanced economies is sluggish, owing to less buoyant private consumption and temporary production disruptions in Japan in early 2024. For 2025, growth for the region has also been marked up by 0.1 percentage point to 4.4 percent, as looser global and domestic monetary conditions are expected to boost private demand, especially in advanced economies. This said, the outlook is subject to sizable economic and geopolitical uncertainties (see the "Risks: Tilted to the Downside" section).

¹ The number of restrictions is an imperfect indicator for their severity and comparison across years. For example, the 2024 US Section 301 tariff increase on Chinese exports targeted roughly \$18 billion in goods, compared with the increase on roughly \$250 billion of Chinese exports in the 2018-19 rounds of Section 301 tariffs, which largely remain in place.

Advanced Economies

Growth in advanced Asia is forecast to slow to 1.6 percent in 2024 from 2.0 percent in 2023, but to recover to 1.9 percent in 2025 as domestic demand strengthens.

- *Japan's* 2024 growth forecast has been revised down to 0.3 percent—a shift of –0.6 percentage point relative to April, due in part to temporary supply disruptions. Growth is expected to recover to 1.1 percent in 2025, as robust real wage growth supports private consumption.
- *Korea* and other advanced Asian economies are benefiting from strong global demand for technology products. *Korea's* 2024 growth projection has been marked up by 0.2 percentage point relative to April to 2.5 percent. A slightly lower growth rate at 2.2 percent is expected for 2025, amid gradual rebalancing from external to domestic demand.
- In *Australia* and *New Zealand*, headwinds from tight monetary policy stances are weighing on growth. *Australia's* 2024 growth rate has been marked down by 0.3 percentage point relative to April to 1.2 percent, while growth in *New Zealand* is projected to stall. In 2025, private demand is expected to firm as real income growth strengthens.

Emerging Market Economies

Growth in Emerging Asia is projected to slow somewhat, but at a less rapid pace than previously forecast.

Relative to April, emerging Asia's growth has been revised up by 0.1 percentage point for 2024 and 2025, to 5.3 percent and 5.0 percent, respectively.

- For *China*, 2024 growth was revised up to 5 percent in July at the conclusion of the 2024 China Article IV consultation, reflecting stronger-than-expected private consumption in the first quarter. However, after disappointing domestic demand in the second quarter, it is now forecast at 4.8 percent—which is still broadly in line with the authorities' growth target. High frequency data suggest that consumer demand has remained subdued, while exports are performing well. Stronger-than-anticipated policy support later in the year could provide upside risks to the forecast. For 2025, opposing forces are at work: the property market is expected to bottom out, which should support domestic demand, but potential growth would retreat in view of population aging and slowing productivity growth. Overall, the 2025 forecast has been marked up by 0.4 percentage point to 4.5 percent relative to April.
- Growth in 2024 for *India* has been revised up by 0.2 percentage point to 7.0 percent relative to the April forecast, as rural consumption is benefiting from an improved agricultural season, and as public infrastructure investment continues to expand. These trends are expected to continue in 2025. With this, India remains the world's fastest growing major economy.
- Growth for the countries belonging to the Association of Southeast Asian Nations (ASEAN) is forecast at a robust 4.6 percent in 2024 and at 4.7 percent in 2025, largely supported by strong domestic demand and exports. *Indonesia*, the *Philippines*, and *Vietnam* are all projected to grow robustly, while activity in *Thailand* remains more subdued.

Frontier Economies and Small States

Bangladesh's short-term prospects have been affected negatively by recent political turbulence, with growth projected to slow to 5.4 percent in 2024 from 5.8 percent last year. *Mongolia* is forecast to grow at a robust 5.5 percent in 2024 and at 7.0 percent in 2025, as mining sector activity is strengthening. Growth in *Nepal* is also expected to improve, from 3.1 percent in 2024 to 4.9 percent in 2025, on the back of higher capital spending, a good harvest, and supportive monetary policy.

Many Pacific island countries are expected to continue benefiting from a recovery in tourism, even though the impact on growth is expected to fade in 2025. Pacific island economies also face unique challenges, including vulnerability to climate shocks and undiversified economies, resulting in a high degree of uncertainty around their growth paths. As a group, growth in Pacific island countries is expected to decline from 3.9 in 2024 to 3.3 percent in 2025.

Inflation

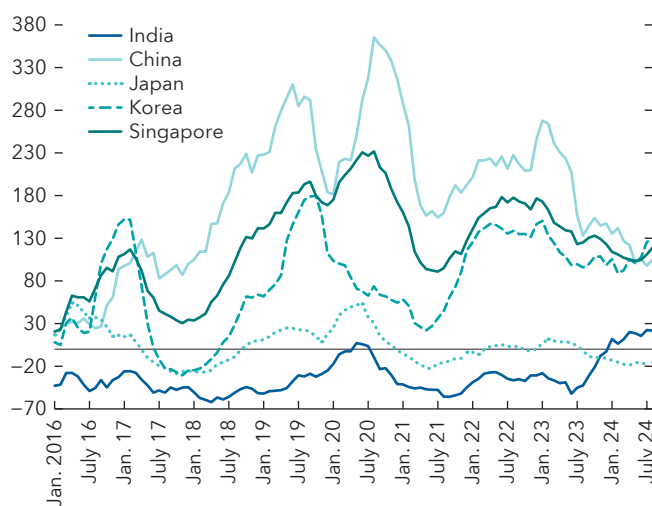
Average inflation is projected to drop to 2.2 percent in 2024, before a mild resurgence to 2.6 percent in 2025.

- In *advanced Asia* excluding Japan, disinflation is projected to continue as the lagged impact of past monetary tightening weighs on wage growth and reins in services inflation. For 2024, average inflation of 2.5 percent is expected, receding further to 2.3 percent in 2025.
- In *Japan*, after the successful exit from unconventional monetary policy, the 3.5-percent boost in nominal wages from the Shunto wage negotiations is expected to support re-anchoring inflation at the Bank of Japan's target. Inflation rates of 2.2 percent and 2.0 percent are forecast for 2024 and 2025, respectively.
- In *emerging Asia*, average 2024 inflation is projected at 2.1 percent—the lowest rate in almost 25 years. In 2025, inflation is expected to recover somewhat to 2.7 percent, largely reflecting the gradual normalization of inflation rates in *China* and *Thailand*, which are currently at very low levels.

Risks: Tilted to the Downside

Figure 7. Economic Policy Uncertainty: Deviation from Historic Averages

(Indexed differences from averages)



Sources: Baker and others (2016); Davis (2016); Davis and others (2019); Saxegaard and others (2022); and IMF staff calculations. Note: Seven-month moving averages; long-term historical averages based on data for 2006 to 2015.

Notwithstanding robust growth in the first half of 2024, the risk landscape has deteriorated since April, as worsening geopolitical tensions, China's ongoing property market correction, and the possibility of more financial market turbulence are all complicating the economic environment. Risks are now tilted to the downside. This shift occurs in the context of already elevated policy uncertainty for several countries (but not all) in the region (Figure 7). In some countries, social and political tensions have also increased.

A More Difficult External Environment

External demand could be weaker than forecast if the impact of past global monetary tightening is stronger than anticipated. Until recently, monetary policy has been on hold in much of the world, but with inflation retreating, real policy rates have increased—which could weigh on global activity and therefore on prospects for exports. Moreover, escalating international tensions and conflicts could impact Asia and the Pacific negatively, especially if there are spillovers

to commodity and financial markets, or if tensions increase trade costs. In advanced Asia, domestic demand could also suffer from the after-effects of past tightening, especially if regional central banks need to maintain a tight stance for longer to complete the disinflation process.

A Drawn-out Drag from China’s Real Estate Correction

A longer and larger-than-expected slowdown in China would be harmful for both the region and the global economy. As discussed in the April 2024 *Regional Economic Outlook: Asia and the Pacific*, persistent downward price pressures from China can undermine the competitiveness of sectors in countries with similar export structures to China and provoke trade tensions. China’s policy response is critical in this context: measures to stimulate manufacturing and exports could worsen tensions, while additional efforts to facilitate property sector adjustment and strengthen private consumption would support both regional and global growth.

Geoeconomic Fragmentation and a Further Increase in Trade Tensions

An acute risk is the escalation in tit-for-tat retaliatory tariffs between major trading partners. This would ultimately affect growth prospects for all countries, including connector countries that may benefit from a rewiring of supply chains in the short term (see Box 2). Adjustments to trade fragmentation are already evident in the data: whereas the ASEAN-10 countries have been able to expand trade with both the United States and China, China’s exports are increasingly directed toward emerging markets, while exports to advanced economies have fallen in importance—including to advanced Asian economies (Figure 8). As discussed in the April 2024 *Regional Economic Outlook: Asia and the Pacific*, changes in nominal trade patterns tend to be more pronounced than changes in traded value added, suggesting that some of the re-orientation represents an economically inefficient lengthening of supply chains (see also Alfaro and Chor 2023 and Qiu and others 2023).

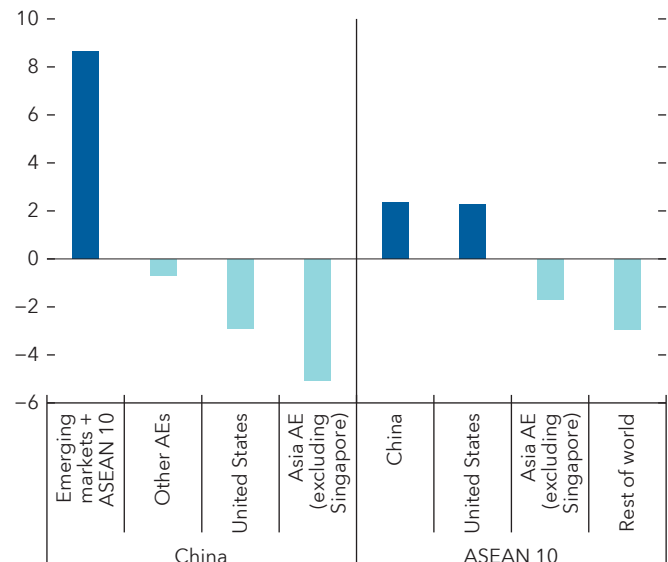
Market Turbulence

Recent market turbulence could foreshadow future bouts of volatility. Financial markets are now pricing in additional, large rate cuts by the Federal Reserve in late 2024 and 2025 (Figure 10, panel 3) and similar but significantly smaller cuts by Asian central banks, as the latter are typically closer to a neutral monetary position than the Federal Reserve. At the same time, the Bank of Japan is expected to continue to gradually increase policy rates. Sudden changes in expectations of these policy paths could cause exchange rates to adjust sharply, with spillovers into other financial market segments. Although volatility by itself would not necessarily be harmful, it could undermine consumer confidence and investment (see Chapter 1 of the October 2024 *Global Financial Stability Report*).

Transition Risks and New Technologies

Structural challenges are discussed in detail in the analytical note accompanying this outlook. Population aging will affect many Asian economies in the coming decades, weighing on potential growth and raising fiscal challenges. A shift to a services-oriented economy can create new growth opportunities, especially if economies invest in tradable services such as business services and finance, but success requires accompanying education

Figure 8. Changes in Export Market Shares (2024:H1 versus 2019:H1)
(Percentage points)



Sources: IMF Direction of Trade Statistics and IMF staff calculations.
Note: Export values in billion USD. AE = advanced economies. ASEAN 10: members of the Association of Southeast Asian Nations.

and labor market policies. Similarly, new technologies can not only trigger higher productivity and growth but also provoke worker dislocation and displacement—especially for countries with low levels of preparedness (Box 1 of *Asia’s Structural Transformation: The Past and Prospects*).

Climate Change

Many Asian economies are vulnerable to global warming, which can cause both immediate and long-lasting economic impacts such as supply chain disruptions, damages to infrastructure, food insecurity, and internal and cross-border migration. In Pacific island countries, as well as in several low- and middle-income countries, large shares of the population are exposed to climate-related disasters (IMF 2016). Larger and more frequent climate shocks would also exacerbate fiscal burdens, impair financial instability, and ultimately lead to lower growth.

Macroeconomic Policies

Cautious and nimble macroeconomic management will be needed to steer Asia’s economies through the period ahead. Key are efforts to strengthen fiscal sustainability, monetary management that focuses on safeguarding domestic monetary stability while preserving the capacity to react rapidly to changing circumstances, and vigilant financial supervision.

Fiscal Policy

Public debt and debt servicing ratios in Asia remain well above prepandemic levels (Figure 9, panels 1 and 2), rendering growth-friendly fiscal consolidation an urgent priority, especially for many Pacific island countries and emerging markets. Although public sector debt ratios would stabilize or even fall in most economies based on current projections, consolidation plans have fallen behind schedule repeatedly, especially in advanced Asia (Figure 9, panels 3 and 4). As discussed in prior Regional Economic Outlooks, reforms should target revenue mobilization and growth-friendly expenditure rationalization. More systematic taxation of greenhouse gas emissions would both raise more revenue and advance the transition of Asian economies to a low-carbon mode of production.

Monetary and Exchange Rate Policy

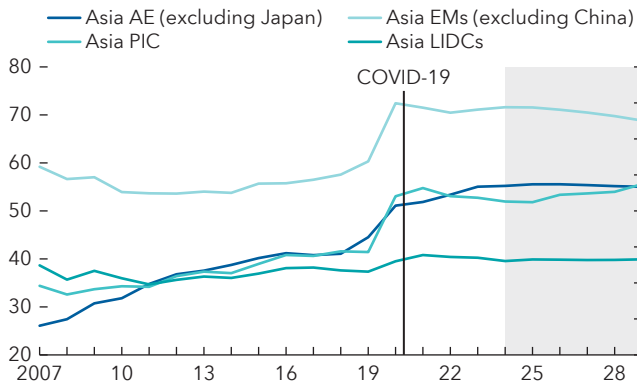
Asia’s success with combating the postpandemic inflation surge speaks well of the capacity of the region’s central banks to safeguard stable monetary conditions. As inflation pressures have ebbed off, room has emerged to cut rates and move to a more neutral stance. This said, in a few economies where inflation is still above target, aggressive loosening should wait until inflation and wage expectations are firmly re-anchored (Figure 10, panel 1). In a few economies, inflation is uncomfortably low; here, maintaining accommodative monetary conditions or policy easing is warranted. At the same time, central banks should stand ready to adjust their policy stance if the risks discussed above materialize.

In the first half of 2024, most Asian central banks kept policy rates on hold—arguably reflecting concern about depreciation pressures if they were to cut before the Federal Reserve. The recent downward shift in the Federal Reserve’s interest rate expectations and start of its easing cycle have loosened this constraint and should grant Asian central banks more scope to adjust policy in line with domestic needs, as some central banks have begun doing (Figure 10, panels 2 and 3). IMF staff research shows that, in the past three decades, Asian capital markets have deepened, balance sheet dollarization has receded, and foreign reserves coverage has improved: all factors that should have increased the degrees of freedom for Asian central banks to focus on domestic conditions and let exchange rates adjust (Box 3).

Figure 9. Fiscal Policy

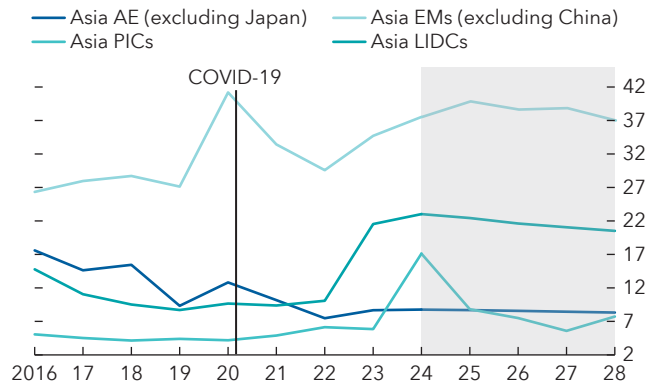
1. Debt Ratios

(Percent of fiscal year GDP, weighted average; simple average for Asia PICs)



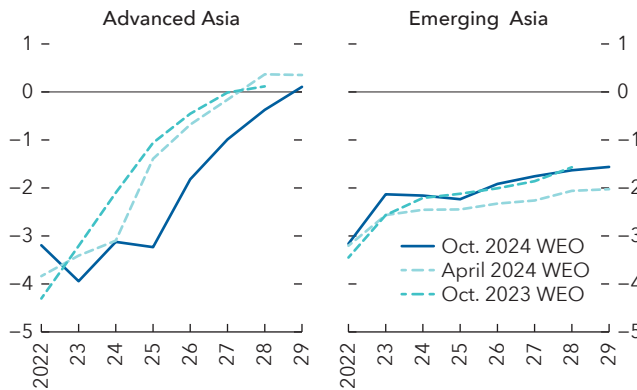
2. Debt Service Ratios

(Percent of general government revenue, weighted average; simple average for Asia PICs)



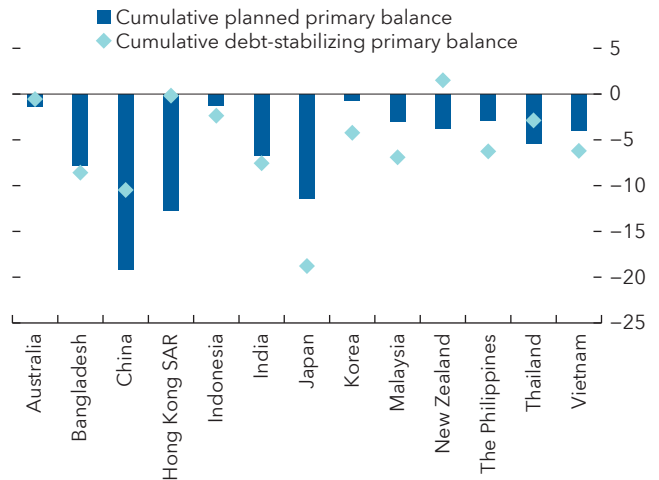
3. Cyclically Adjusted Primary Balance Forecasts

(Percent of GDP; simple average)



4. Forecast versus Debt-Stabilizing Cumulative Primary Balances 2024-26

(Percent of GDP)



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

Note: For panels 1 and 2, Pacific island countries' aggregates (PICs) show the simple average, not the weighted average. For panel 4, debt is assumed to be stabilized at 2023 levels for calculating the debt-stabilizing estimates. AE = advanced economies; EM = emerging economies; PICs = Pacific Island Countries; LIDC = Low-income developing countries. Each group includes all countries with available data in *World Economic Outlook* database, grouped according to *World Economic Outlook* classifications. WEO = World Economic Outlook; and Hong Kong SAR = Hong Kong Special Administrative Region.

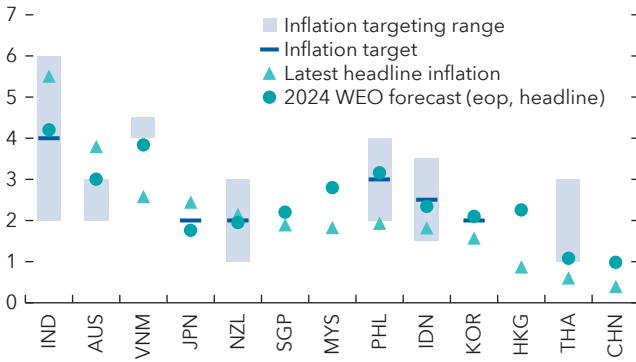
Financial and Macprudential Policies

Given the prospect of monetary and financial easing in many Asian economies, financial regulators and supervisors should monitor risks closely and, if needed, use macroprudential tools to address pockets of vulnerability, for example in real estate markets and other high-risk credit segments, to prevent the build-up of systemic risks. For example, household debt levels remain above peer averages in many regional advanced and emerging market economies (Figure 10, panel 4).

Figure 10. Inflation and Monetary Policy

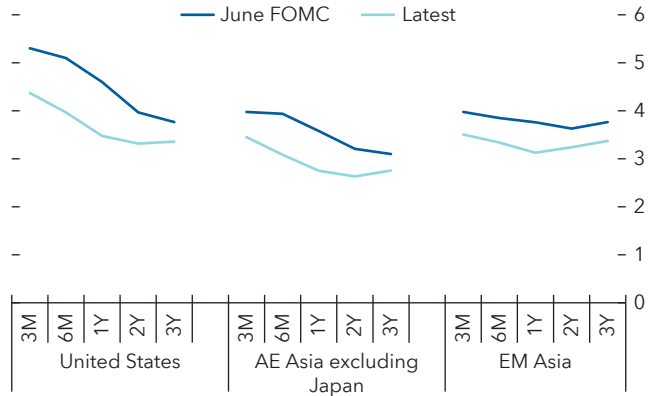
1. Headline Inflation

(Percent, year-over-year)



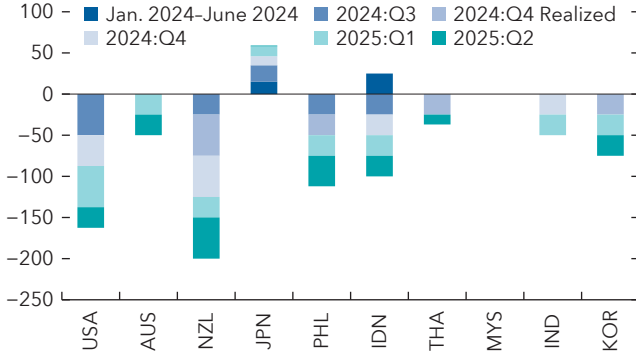
2. Market-Implied Policy Rates

(Percent)



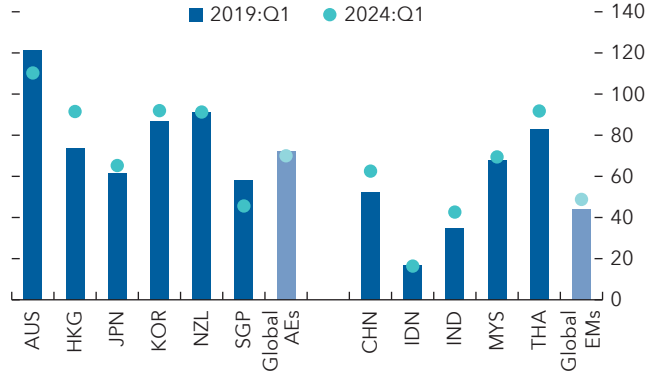
3. Policy Rates and Forecasts

(Percent change)



4. Household Debt-to-GDP Ratio

(Percent)



Sources: IMF, World Economic Outlook database; Bloomberg Finance L.P.; Haver Analytics; BIS; and IMF staff calculations.

Note: For panel 1, the latest headline inflation data are as of September 2024, except for Australia, which has June 2024 data, available as of October 28, 2024. For panel 2, AE Asia includes Australia, New Zealand, Korea, and Hong Kong Special Administrative Region. EM Asia includes China, India, Malaysia, the Philippines, and Thailand. Latest data are as of October 18, 2024. For panel 3, 2024:Q4, 2025:Q1, and 2025:Q2 data are from Bloomberg median forecasts. Data as of October 25, 2024. Data labels in the figure use International Organization for Standardization (ISO) country codes. AE = advanced economies; EM = emerging markets; and FOMC = Federal Open Market Committee.

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Box 1. Exchange Rate Developments in the Asia-Pacific

Asia-Pacific currencies have experienced significant movements in recent years. In 2022 and 2023, most regional currencies depreciated against the US dollar, in the context of much stronger monetary policy tightening by the Federal Reserve relative to Asian central banks. In the first half of 2024, depreciation pressure persisted despite no further Federal Reserve rate hikes, as the Federal Reserve still communicated a relatively hawkish stance. Then, around mid-year and ahead of the start of the Federal Reserve's easing cycle in September, currency movements reversed sharply, and currencies regained much of the ground lost earlier in the year. At the same time, currency movements have varied considerably: the Japanese yen, for example, depreciated by almost 14 percent in the first half of 2024, which is twice as much as the Thai baht, the Korean won, the New Zealand dollar, or the Indonesian rupiah. Depreciation of other Asian currencies has been even less.

Generally, Asian exchange rates have moved in tandem with interest rate differentials vis-à-vis the United States. For many regional economies, differentials narrowed sharply or even turned negative in 2022–24 (Box Figure 1.1, panel 1), as the Federal Reserve increased policy rates sharply in response to intense inflationary pressures, while both inflation and the monetary policy response in Asia were more subdued. Staff analysis shows that regional exchange rates vis-à-vis the US dollar depreciated on average by 7 percent for a one percentage point change in the policy rate differential during the postpandemic period (Box Figure 1.1, panel 2).¹ In the first half of 2024, actual differentials were essentially constant, with both the Federal Reserve and Asian central banks on hold. However, differentials on market-implied policy rates and yields on longer-duration government bonds—that capture policy rate expectations—first compressed further, reflecting the hawkish Federal Reserve stance early in the year, before reversing from about May (Box Figure 1.1, panel 3).

This said, both exchange rates and interest rate differentials are endogenous and driven by other factors, such as macroeconomic fundamentals. For example, inflation differentials with the US affect both currency valuations and interest rates. Empirical analysis also identifies trade exposure and foreign reserves positions as influential factors—the latter possibly proxying for a country's international financial strength.² Stylized facts also suggest a role for growth dynamics and financial external exposure to the United States (Box Figure 1.1, panel 4).

The authors of this box are Anne Oeking and Haruki Seitani (both at the Regional Office for Asia and the Pacific).

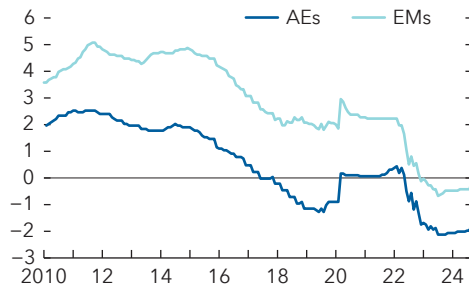
¹ Figure 1, panel 2 uses the local projections approach, controlling for the following factors as domestic economic fundamentals: year-over-year real GDP growth rate, year-over-year CPI inflation rate, monetary policy-related interest rates, reserve assets per GDP, general government debt per GDP (central government debt per GDP for countries where general government figures are not available), and the current account position relative to GDP. Our panel comprises currencies from 12 countries in the Asia-Pacific region. It starts in 2010 and is based on quarterly data.

² The analysis uses a panel fixed effects regression model with monthly data. Covariates include market-implied interest rate differentials to the US and changes in this differential, changes in the inflation differential with the US, changes in the trade balance, and changes in foreign exchange reserves to proxy for a country's external position. The panel comprises eight regional economies for the period from January 2021 to June 2024.

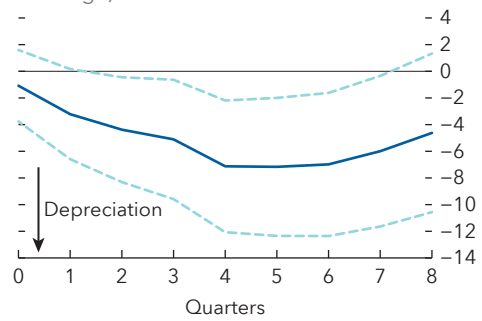
Box 1. (continued)

Box Figure 1.1. Exchange Rate Developments

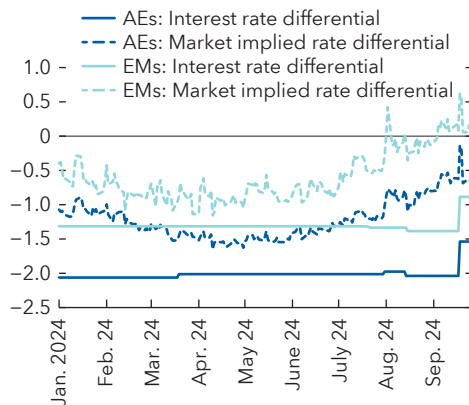
1. Interest Rate Differential against US Rates
(Average in percent)



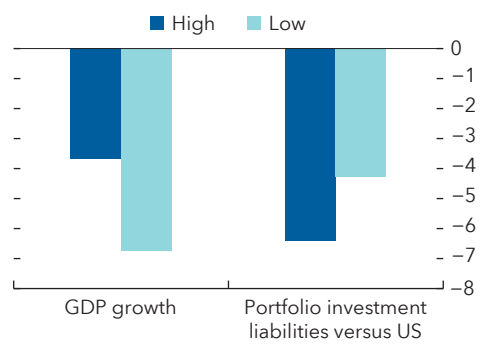
2. Impulse Response of Asian Exchange Rates to US Interest Rate Differential Shock
(Percent, response to one percentage point change)



3. Market-Implied Rate Differentials with US
(Percent)



4. Maximum Exchange Rate Depreciation by Determinant
(Percent)



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

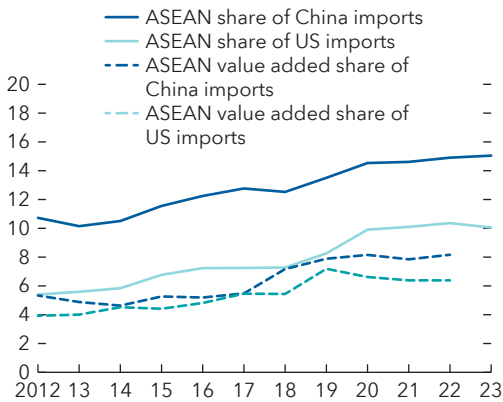
Note: Panel 1: Asian AEs include Australia, Japan, Korea, and New Zealand. Asian EMs include India, Indonesia, Malaysia, the Philippines, and Thailand. Panel 2: Dashed lines indicate 90-percent confidence interval. Panel 3: Market-implied policy rates shown here at one-year horizon, calculated as difference relative to US rates. Panel 4: The maximum average cumulative exchange rate movements in 2024 against the US dollar, with each economy's fundamentals grouped relative to the average determinant at end-2023 (with High = above average and Low = below average). AE = advanced economies; EM = emerging markets.

Box 2. Geoeconomic Fragmentation: How ASEAN Economies Have Been Adapting

How have economies in the Association of Southeast Asian Nations (ASEAN) navigated the China-US trade tensions that intensified from 2018? ASEAN economies have benefited from decades of global integration and maintain strong trade links with both China and the United States. This box takes a closer look at both the impact of the China-US trade tensions on ASEAN economies and on the broader trends for the region's integration in the global economy in the context of rising global fragmentation.

Box Figure 2.1. ASEAN Exports to China and the US

(Percent of total imports)



Sources: IMF Direction of Trade Statistics; ADB MRIO; and IMF staff calculations.

Note: Value added shares series exclude Myanmar. ASEAN = Association of Southeast Asian Nations: Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam.

Despite geopolitical tensions, ASEAN has continued to strengthen trade and investment links with both China and the US. Since 2018, the ASEAN countries have increased their market share of Chinese and US goods imports, with both China and the US absorbing a higher share of the region's value added (Box Figure 2.1). The ASEAN economies have also continued to attract foreign direct investment from both China and the US (see Figure 5, panel 4).

Moreover, the ASEAN economies appear to have found ways to capture export opportunities generated by Chinese and US tariffs. Employing the approach of Fajgelbaum and others (2024), empirical analysis shows that in several ASEAN economies, exports of products targeted by Chinese or US tariffs grew faster than exports of untargeted products. Moreover, the ASEAN economies increased exports in targeted goods to third countries, suggesting that they exploited not only trade diversion opportunities but also realized economies of scale (Box Figure 2.2, panel 1).¹

Countries that are integrated into global value chains and with less restrictive foreign direct investment regimes appear to have been especially successful in gaining from trade diversion (Box Figure 2.2, panel 2).² These suggestive results offer some crude support to the hypothesis made by Fajgelbaum and others (2024) that some countries invested in "new plants, trade infrastructure, or facilitation, with these investments benefiting exports to all destinations, or that some countries were already well integrated

The authors of this box are Giovanni Donato, Ashique Habib, and Emmanouil Kitsios.

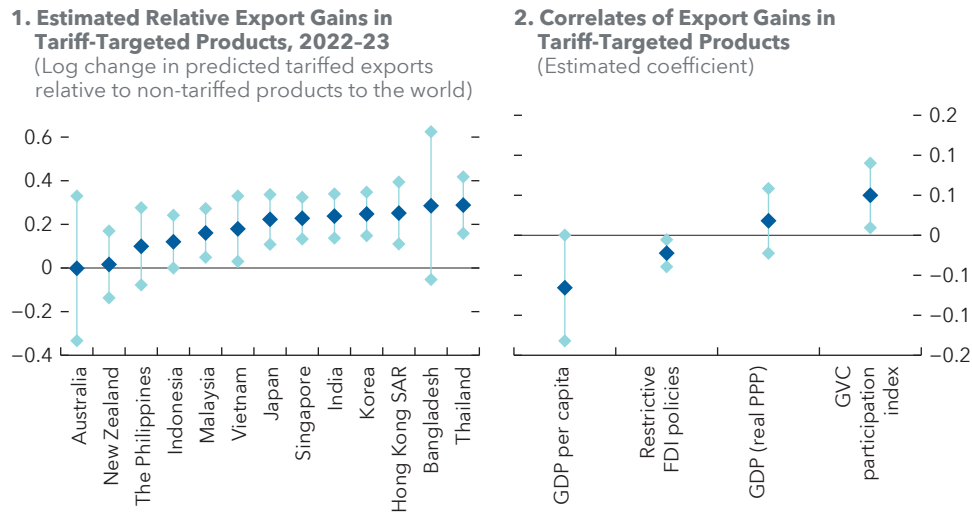
¹ The sample includes the top 50 exporters (excluding oil producers) and compares the exports of the most recent period (2022/23) to the exports prior to 2018. The following difference-in-difference identification strategy allows for an estimation of the causal effect of the China-US 2018-19 tariffs on bystanders' exports to three $n = \text{US, CHN, ROW}$ destinations, as tariffs have not significantly changed since then:

$$(1) \Delta \ln X_{i\omega}^n = \beta_{1i\omega}^n \Delta \ln T_{(\text{CH},\omega)}^{\text{US}} + \beta_{2i\omega}^n \Delta \ln T_{(\text{US},\omega)}^{\text{CH}} + \beta_{3i\omega}^n \Delta \ln T_{(i,\omega)}^{\text{US}} + \beta_{4i\omega}^n \Delta \ln T_{(i,\omega)}^{\text{CH}} + \alpha_{i(j(\omega))}^n + \Omega^n \text{SIZE}_{i\omega} + \pi^n \Delta \ln X_{i\omega,t-1}^n + \varepsilon_{i\omega}^n,$$

where the growth rate of country i 's export of product ω to destination n is regressed on four sets of different tariff changes ($\Delta \ln T$) imposed respectively by the US on China, by China on the US, and by the US or China on country i belonging to the rest of the world (ROW). Aggregating the estimated coefficient betas allows us to predict country i 's export growth of variety ω to the world relative to non-targeted varieties and calculate the aggregate export growth of targeted varieties.

(2) $(\Delta \ln X_{i\omega}^n) = \Sigma \omega \Sigma \omega = \text{US, CHN, ROW} [\lambda]_{i\omega}^n (\beta_{1i\omega}^n \Delta \ln T_{(\text{CH},\omega)}^{\text{US}} + \beta_{2i\omega}^n \Delta \ln T_{(\text{US},\omega)}^{\text{CH}} + \beta_{3i\omega}^n \Delta \ln T_{(i,\omega)}^{\text{US}} + \beta_{4i\omega}^n \Delta \ln T_{(i,\omega)}^{\text{CH}})$, where $[\lambda]_{i\omega}^n$ is the share of (pre-tension) export values for continuing products divided by total country exports.

² The extent of restrictive foreign direct investment policies is based on the "red"-classified actions from the Global Trade Alert, which signify interventions that are almost certain to discriminate against foreign interests.

Box 2. (Continued)**Box Figure 2.2. Relative Export Gains from US-China Tariffs and Correlated Drivers**

Sources: CEPII-BACI; Trade Data Monitor; EORA; Global Trade Alert; IMF World Economic Outlook database; and IMF staff calculations.

Note: Panel 1 plots each economy's (log) change in predicted exports of products tariffed by China or the US during 2018-19 relative to other products to the world. The 90-percent confidence intervals (teal dots) were constructed using 50 bootstrap samples as in Fajgelbaum and others (2024). A positive coefficient (blue dots) indicates that an economy's exports to the world in tariff-targeted relative to untariffed products have increased because of the tariffs. FDI = foreign direct investment; GVC = global value chain; Hong Kong SAR = Hong Kong Special Administrative Region; PPP = purchasing power parity.

with the global trading system and could take advantage of the new exporting opportunities across multiple sectors." Examining the mechanisms by which ASEAN countries were able to seize such trade gains offers fertile ground for future research.

More broadly, ASEAN managed to strengthen global and regional integration post-2018, although there is significant heterogeneity across sectors and economies. The ASEAN region increased its share of inward foreign direct investment, world exports, and global value added (Box Figure 2.3, panels 1 and 2). Intra-ASEAN trade has also increased. At the same time, it is worth noting that the trade reallocation gains from the China-US tariffs have not necessarily translated into stronger overall exports across all ASEAN members. Whereas some members experienced strong export growth (for example, Vietnam), in others, exports growth slowed (Thailand) or stagnated (for example, the Philippines and Singapore) relative to the global average since 2018.

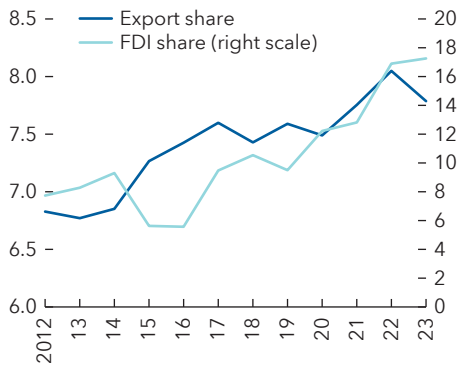
Overall, a nuanced picture of the impact of fragmentation on ASEAN emerges. ASEAN's integration with the global economy has continued, despite global fragmentation, and the region has even been able to take advantage of trade diversion opportunities caused by US-China trade tensions. At the same time, a further intensification of geopolitical pressures could still harm the region, as fragmentation policies are

Box 2. (Continued)

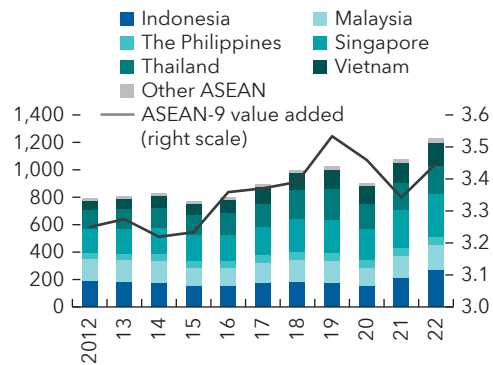
likely to reduce activity in major trading partners—and thus lower external demand for ASEAN’s exports. Put differently, even if bystander economies such as ASEAN gain export share, they may still be worse off because of a smaller global economy (October 2023 *Regional Economic Outlook: Asia and the Pacific*).

Box Figure 2.3. ASEAN’s Global Integration

1. ASEAN Share of Global Exports and FDI (Percent)



2. ASEAN’s Global Value Added Contribution (Billions of US dollars; percent of world value added, right scale)



Sources: IMF Direction of Trade Statistics; ADB MRIO; and IMF staff calculations.

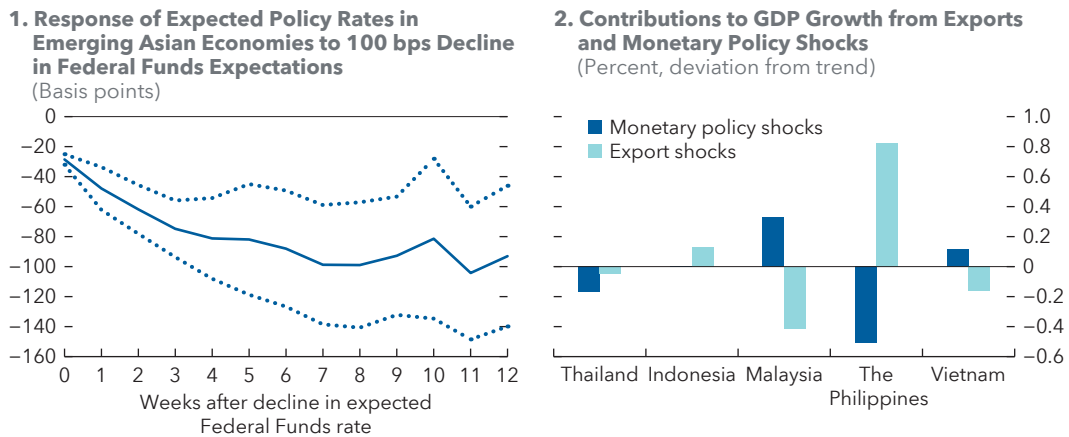
Note: Panel 2: Summed values of value added embedded in exports and shares of total value added for the Association of Southeast Asian Nations, excluding Myanmar. FDI = foreign direct investment.

Box 3. What Drives Monetary Policy in Emerging Asia?

Disinflation in Asia and the Pacific is well on track. As noted in the main text, some advanced Asian economies are still coping with sticky services and wage inflation, which had complicated the last stage of needed disinflation. In most emerging Asian economies, however, inflation returned already at the end of 2023 to rates (headline and core) at or even below policy targets and prepandemic levels. Moreover, in many emerging Asian economies, output is discernably below the prepandemic trend.

Taken together, this suggests that conditions may have been in place in early 2024 to start reversing some of the monetary tightening from 2021 to 2023. However, in the first half of 2024, most central banks in emerging Asia kept rates on hold. There are several possible and complementary explanations. First, central banks may have sought to limit currency fluctuations and hence oriented monetary policy on global interest rates. We find that expectations for regional policy rates shifted almost one-to-one with expectations for the Federal Funds rate (Figure 3.1, panel 1). Second, as monetary policy tightening in Asia was relatively modest in 2021-23 compared to other regions (see Box 1), the drag on growth from the monetary stance has been relatively muted, thereby reducing the cost of delaying interest rate cuts (Figure 3.1, panel 2).¹

Box Figure 3.1. Responses to Changes in Expected Federal Reserve Policy Rates and the Impact of Export and Monetary Policy Shocks on Growth



Sources: Haver Analytics; and IMF staff calculations.
 Note: In panel 1, the emerging Asian economies include China, India, Malaysia, the Philippines, and Thailand. Weekly data covers from August 20, 2023 to August 9, 2024. Solid blue line represents mean; dotted lines are 1-standard-deviation confidence intervals. In panel 2, bars represent average contribution from monetary policy and export growth from the first quarter of 2023 to the first quarter of 2024. Decomposition is estimated from a recursive SVAR model in GDP, core CPI inflation, commodity prices, US interest rates, domestic monetary policy rate, nominal effective exchange rates, and export growth.

The literature on optimal monetary policy suggests that exchange rate flexibility would often be helpful for emerging markets, by creating greater monetary policy space for addressing domestic conditions. If financial markets are well developed and integrated globally, but producer prices are sticky in local currency, flexible exchange rates would eliminate price dispersion between foreign and local goods.

The authors of this box are Chris Redl and Yizhi Xu.

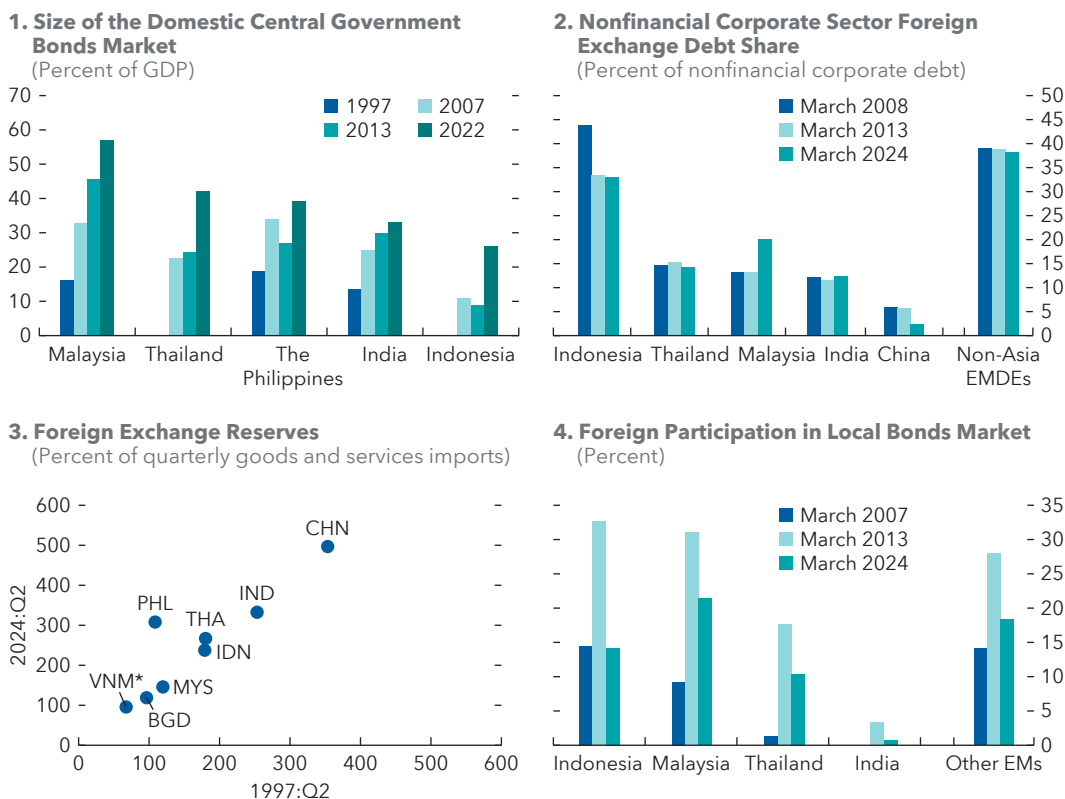
¹ Only the Philippines displays evidence of a modest drag, which has been overcompensated by favorable export developments, however.

Box 3. (Continued)

It would then be desirable for the central bank to focus only on ensuring low and stable inflation, as it would in a closed economy, rather than responding to global shocks (Clarida, Galí, and Gertler 2002; Benigno and Benigno 2006). This result no longer holds when financial frictions and foreign exchange (FX) invoicing is present (Basu and others 2020; IMF 2023). However, in that case, central banks should still respond to global conditions only partially, to leave space for addressing domestic monetary needs.

Several indicators suggest that financial market frictions are less present in today's operating environment for emerging Asian central banks than in previous decades. Local capital markets have grown and deepened rapidly (Figure 3.2, panel 1), enhancing their capacity to absorb shocks. Dollarization of Asian debt has decreased and is now lower than that of peers in other regions, while foreign exchange reserve buffers have improved (Figure 3.2, panels 2 and 3). Participation by non-residents in domestic bond markets is lower than a decade ago (Figure 3.2, panel 4), and often lower than in other regions—which likely mitigates inward spillovers from external financial shocks. However, higher foreign participation could enhance market depth, potentially leading to greater liquidity and more efficient price discovery.

Box Figure 3.2. Indicators of Financial Market Development



Sources: Haver; CEIC; and IMF staff calculations.

Note: Panel 2: Non-Asia emerging market and developing economies include Argentina, Brazil, Chile, Colombia, Hungary, Mexico, Peru, Poland, Russia, Saudi Arabia, South Africa, and Türkiye. Panel 3: For Indonesia, foreign exchange reserves are reported in percent of goods imports because of the lack of historical data on services imports. Vietnam's latest foreign exchange reserves are observed in 2024:Q1. Data labels in the figure use International Organization for Standardization (ISO) country codes. BGD = Bangladesh, IDN = Indonesia, THA = Thailand, MYS = Malaysia, IND = India, CHN = China, and VNM = Vietnam.

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

	Actuals and Latest Projections			Difference from April 2024 WEO		
	2023	2024	2025	2023	2024	2025
Asia	5.0	4.6	4.4	0.0	0.1	0.1
Advanced Economies (AEs)	2.0	1.6	1.9	-0.2	-0.1	0.1
Australia	2.0	1.2	2.1	-0.1	-0.3	0.1
New Zealand	0.6	0.0	1.9	0.0	-1.0	-0.1
Japan	1.7	0.3	1.1	-0.2	-0.6	0.1
Hong Kong SAR	3.3	3.2	3.0	0.1	0.3	0.3
Korea	1.4	2.5	2.2	0.0	0.2	-0.1
Taiwan Province of China ¹	1.3	3.7	2.7	-0.1	0.6	0.0
Singapore	1.1	2.6	2.5	0.0	0.5	0.2
Macao SAR	80.5	10.6	7.3	0.0	-3.3	-2.3
Emerging Markets and Developing Economies (EMDEs)	5.7	5.3	5.0	0.1	0.1	0.1
Bangladesh	5.8	5.4	4.5	-0.2	-0.3	-2.1
Brunei Darussalam	1.4	2.4	2.5	0.0	0.0	0.0
Cambodia	5.0	5.5	5.8	0.0	-0.5	-0.3
China	5.2	4.8	4.5	0.0	0.2	0.4
India ²	8.2	7.0	6.5	0.4	0.2	0.0
Indonesia	5.0	5.0	5.1	0.0	0.0	0.0
Lao P.D.R.	3.7	4.1	3.5	0.0	0.1	-0.5
Malaysia	3.6	4.8	4.4	-0.1	0.4	0.0
Myanmar	2.5	1.0	1.1	0.0	-0.5	-0.9
Mongolia	7.4	5.5	7.0	0.4	-1.0	1.0
Nepal	2.0	3.1	4.9	1.2	0.0	-0.3
Philippines	5.5	5.8	6.1	-0.1	-0.4	-0.1
Sri Lanka	-	-	-	-	-	-
Thailand	1.9	2.8	3.0	0.0	0.1	0.1
Vietnam	5.0	6.1	6.1	0.0	0.3	-0.4
Pacific Island Countries³	2.7	3.9	3.3	-0.6	-0.1	-0.2
Fiji	7.5	3.0	3.4	-0.5	0.0	0.0
Kiribati	4.1	5.8	4.1	-0.1	0.0	0.0
Marshall Islands	-3.9	5.0	3.5	-6.9	2.0	1.5
Micronesia	0.8	1.1	1.7	0.0	0.0	0.0
Nauru	0.6	1.5	1.4	0.0	-0.1	0.1
Palau	0.9	8.1	8.5	0.1	-4.3	-3.4
Papua New Guinea	2.9	4.6	3.7	0.2	0.1	0.0
Samoa	8.0	9.7	4.2	0.0	4.3	0.8

	Actuals and Latest Projections			Difference from April 2024 WEO		
	2023	2024	2025	2023	2024	2025
Solomon Islands	3.1	2.3	2.5	0.1	-0.1	0.0
Tonga ⁴	2.0	1.8	2.4	-0.6	-0.7	0.0
Tuvalu	3.9	3.5	3.0	0.0	0.0	0.5
Vanuatu	2.2	0.9	1.5	0.0	-2.1	-2.0
ASEAN⁵	4.1	4.6	4.7	-0.1	0.0	-0.1
ASEAN-5⁶	4.0	4.5	4.5	-0.1	0.0	-0.1
EMDEs excluding China and India	4.5	4.8	4.8	-0.1	-0.1	-0.4

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

Note: AE = advanced economy; ASEAN = Association of Southeast Asian Nations; EMDE = emerging market and developing economy.

¹ Taiwan Province of China forecast data source is Consensus Forecast.

² India's data are reported on a fiscal year basis. Its fiscal year starts from April 1 and ends on March 31.

³ Pacific island countries aggregate is calculated using simple average; all other aggregates are calculated using weighted average.

⁴ Tonga's data are reported on a fiscal year basis. Its fiscal year starts from July 1 and ends June 30.

⁵ ASEAN comprises Brunei Darussalam, Cambodia, Indonesia, Lao P.D.R., Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam.

⁶ ASEAN-5 comprises Indonesia, Malaysia, Philippines, Singapore, and Thailand.