



**Asia-Pacific  
Economic Cooperation**

# **APEC Regional Trends Analysis**

**May 2023 • Policy Support Unit**



GDP Growth  
and Outlook



Inflation and  
Monetary Policy

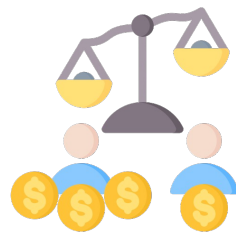


Downside  
Risks

## APEC Regional Trends Analysis



Trade Performance  
and Outlook



Income and Wealth  
Inequality



Suggested Policy  
Options

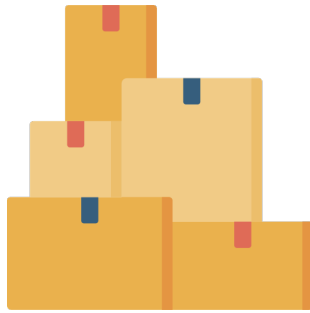
## KEY POINTS



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



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



Trade activity has decelerated due to weaker global production and demand.



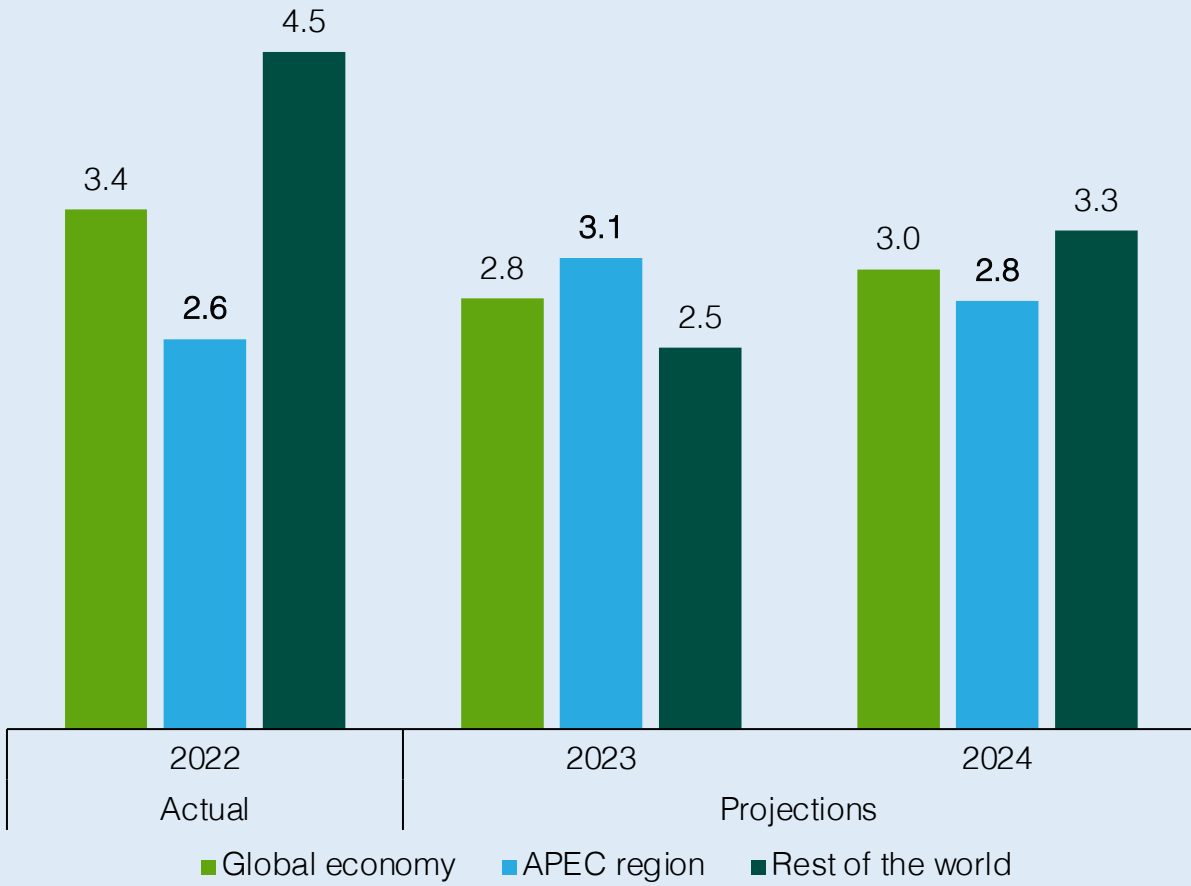
Rising inequality exacerbated by the pandemic as APEC tracks a fragile recovery path.



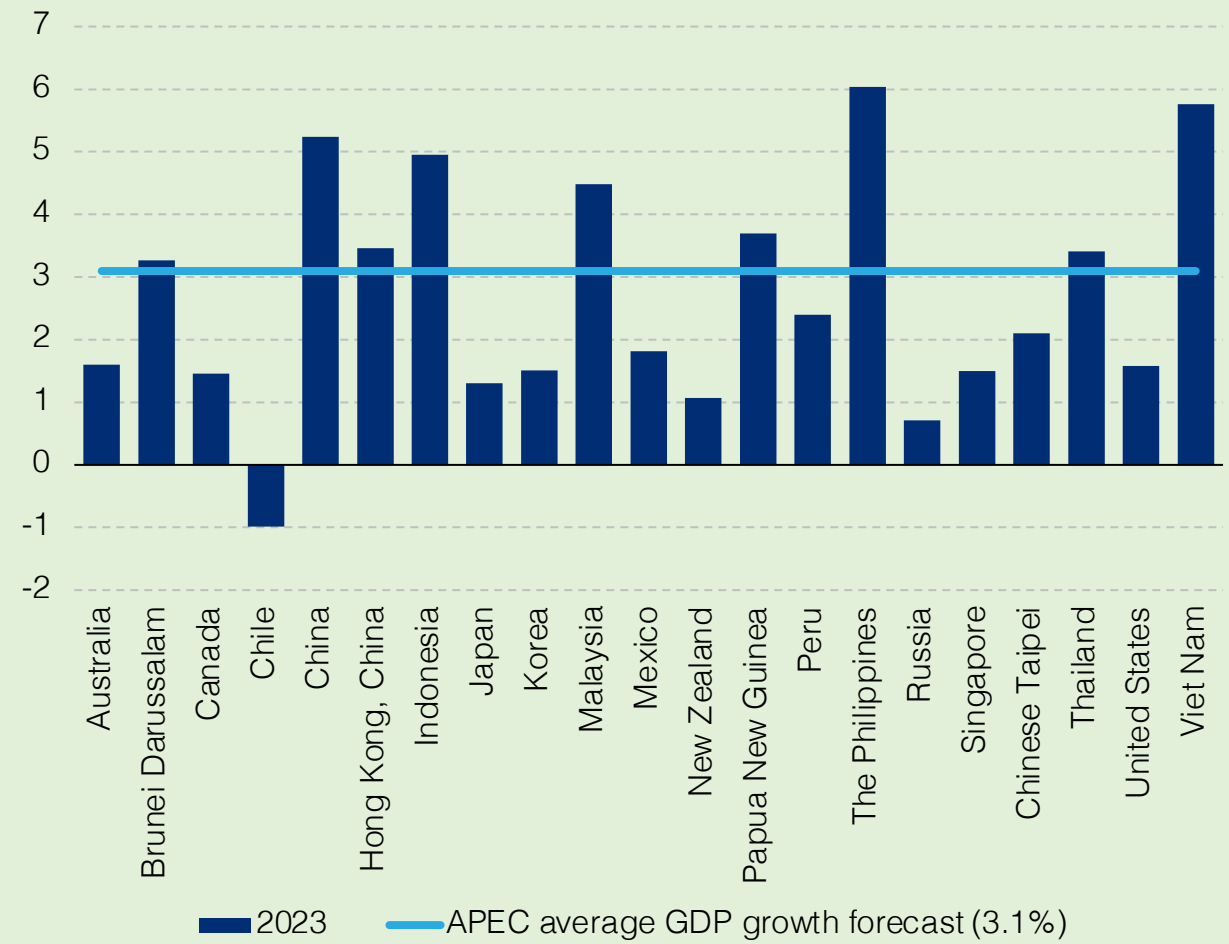
Policymakers need to remain vigilant to preserve macroeconomic and financial stability.



## GDP Growth: Global, APEC and ROW (%)



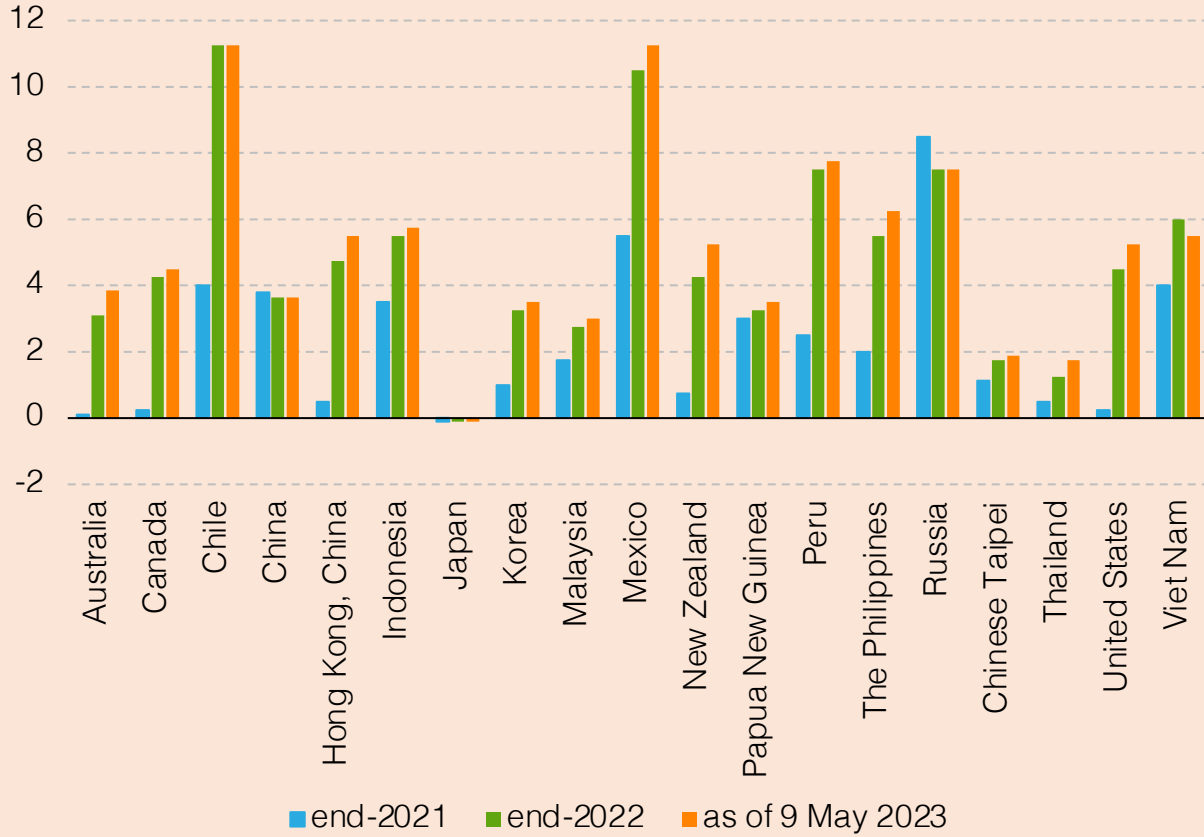
## GDP Growth Outlook: APEC Economies (%)



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

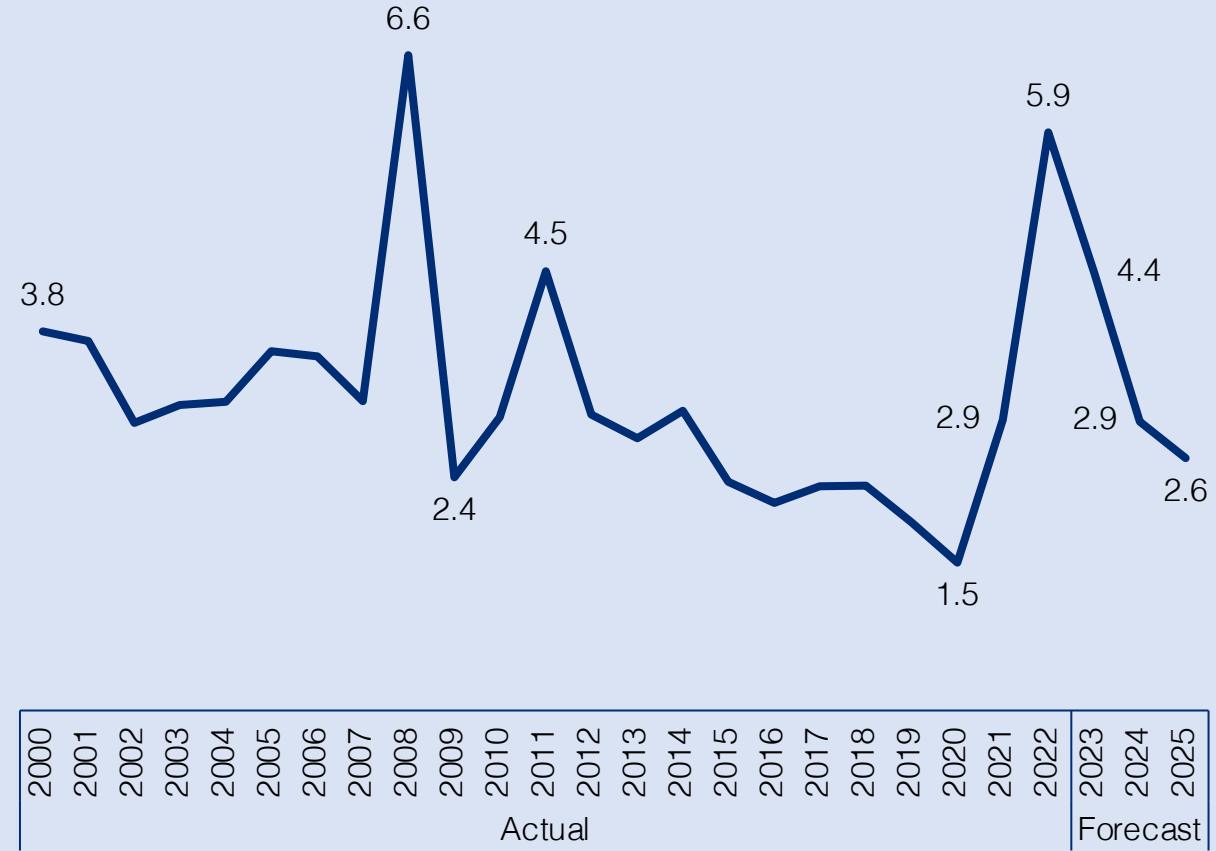


## Monetary Policy Rate (%)



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.

## APEC Average Inflation (% , y-o-y)

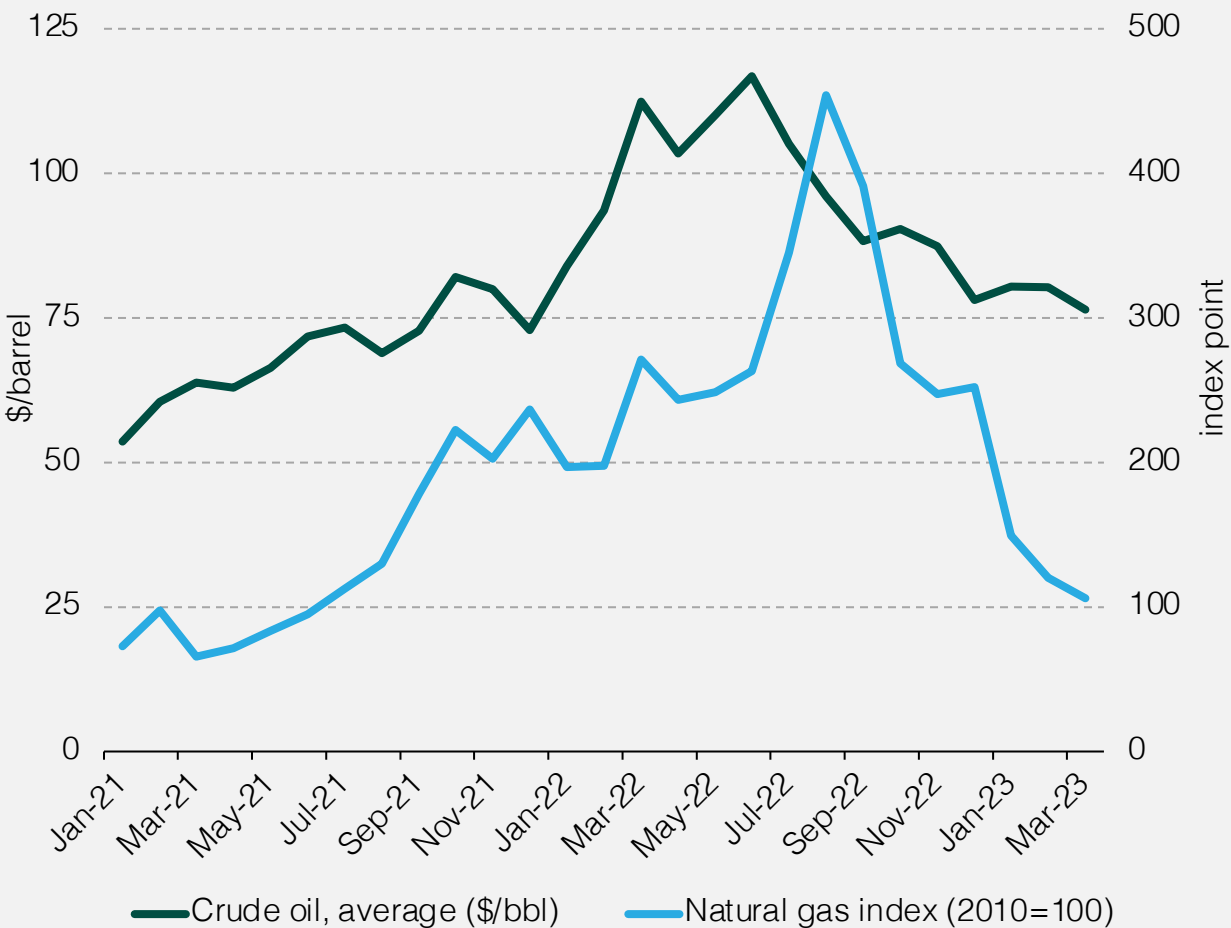


**Q1 2023 Inflation Rate: 5.4%**

**Synchronised and successive monetary policy hikes are expected to rein in inflation; but forecasts revised upwards**

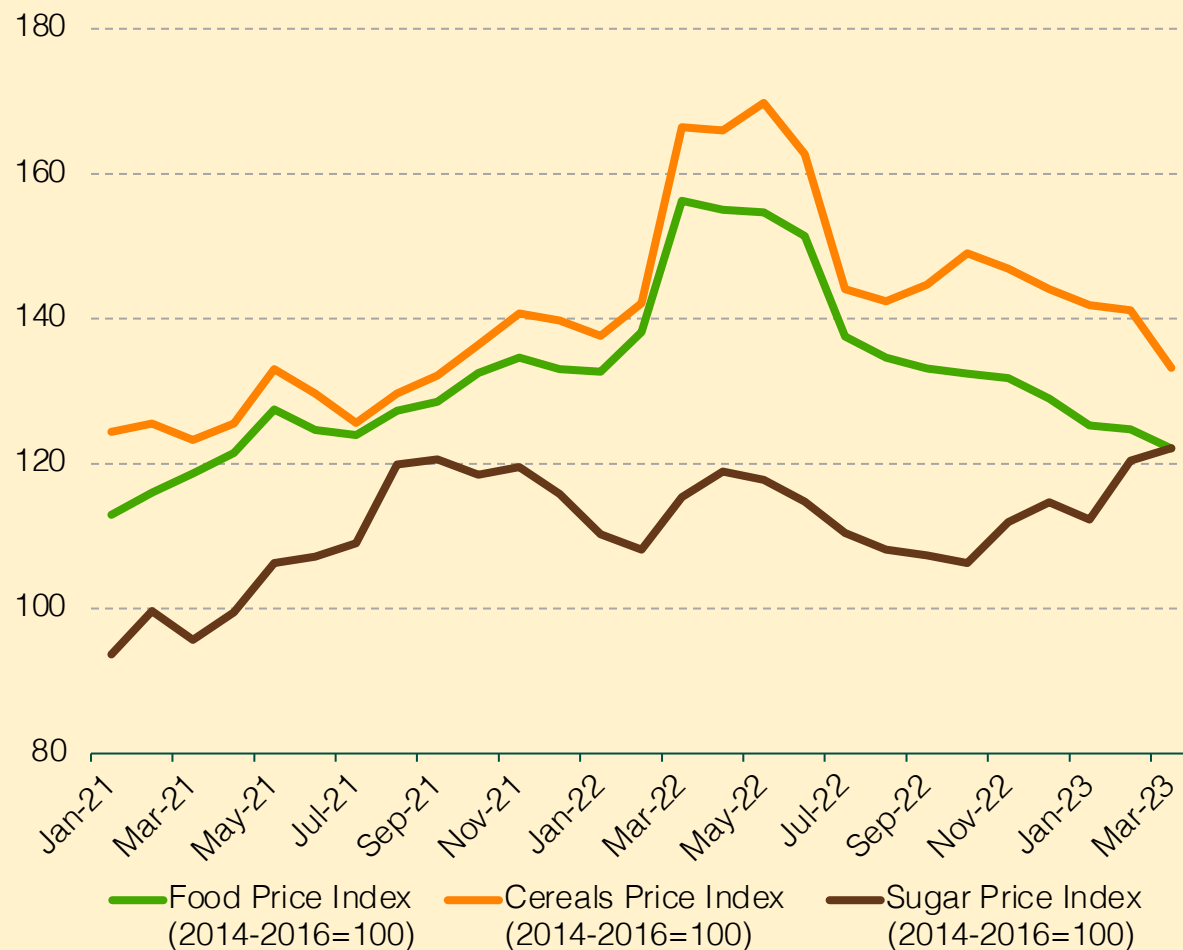


## Energy Prices (\$/barrel, index point)

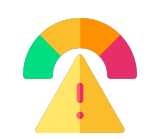


**Energy prices plunged as global uncertainty weighs on demand but leading oil exporters' production cuts could push prices anew**

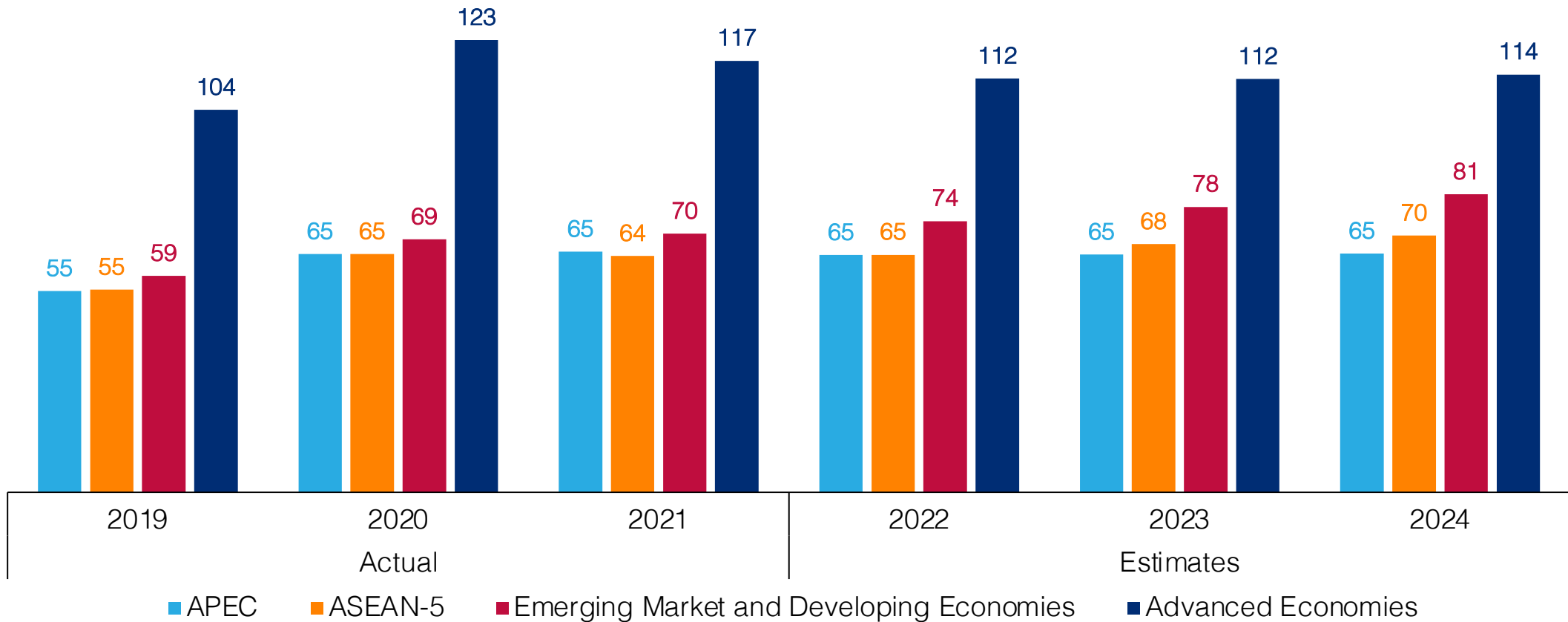
## FAO Food Price Indices (index point)



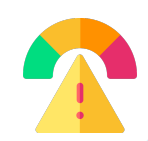
**General increase in agricultural output pulled down food prices despite the upward trend in sugar**



## General Government Gross Debt (% of GDP)

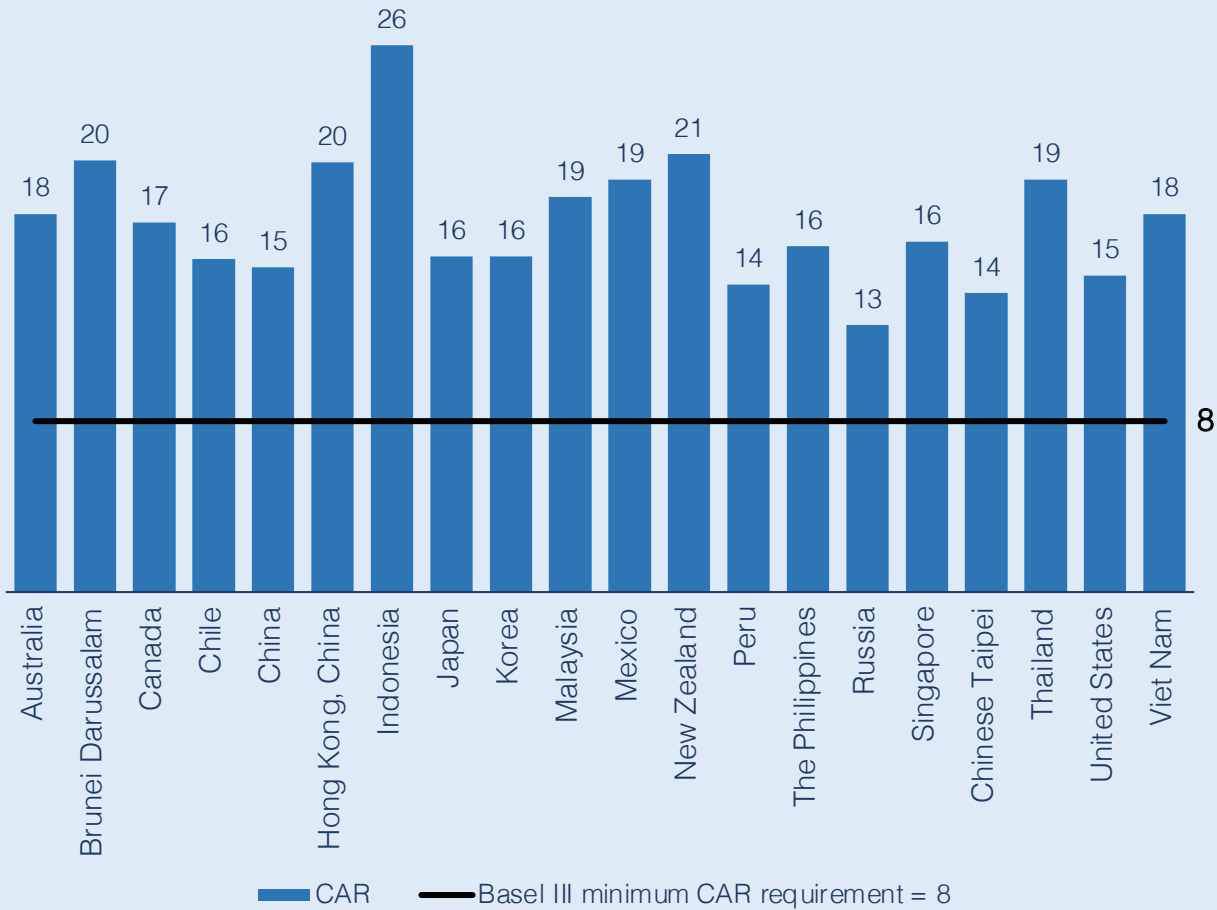


**Higher interest payments and reduced fiscal space loom as debts continue to rise**



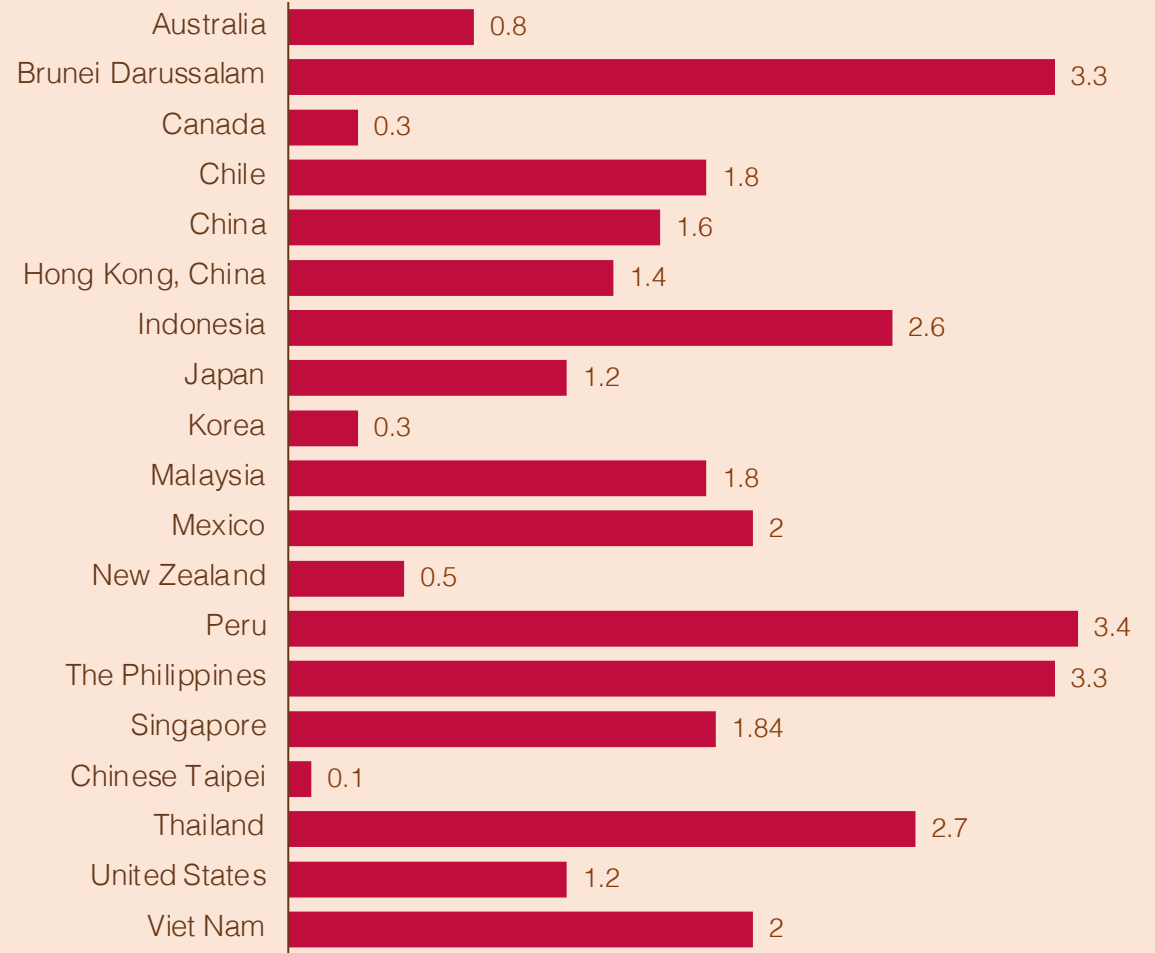
# Banking sector in APEC has remained stable and sound amid multiple headwinds

## Capital Adequacy Ratio (%)



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

## Non-performing Loan Ratio (%)



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

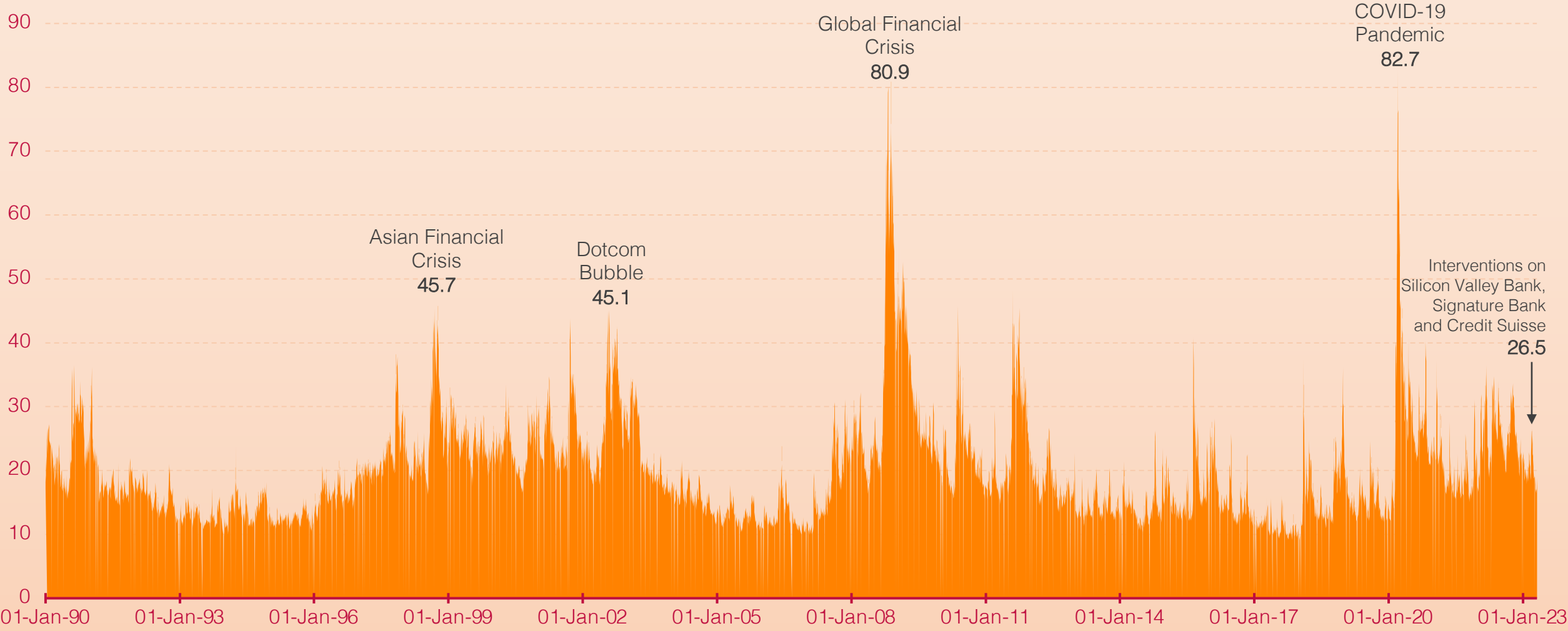
# Swift and strong response by authorities have served to calm markets





# Volatility Index (index point)

Month-ahead stock market expectations for volatility

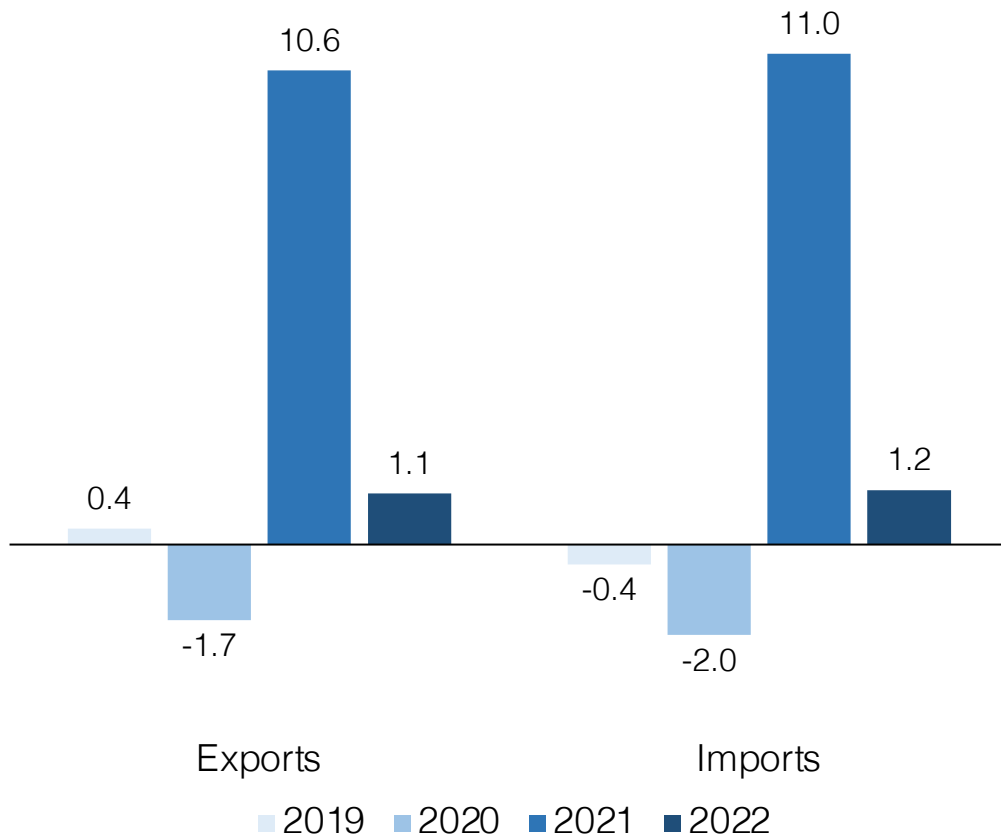


**VIX remained relatively subdued amid bank rescues in the US and Europe**

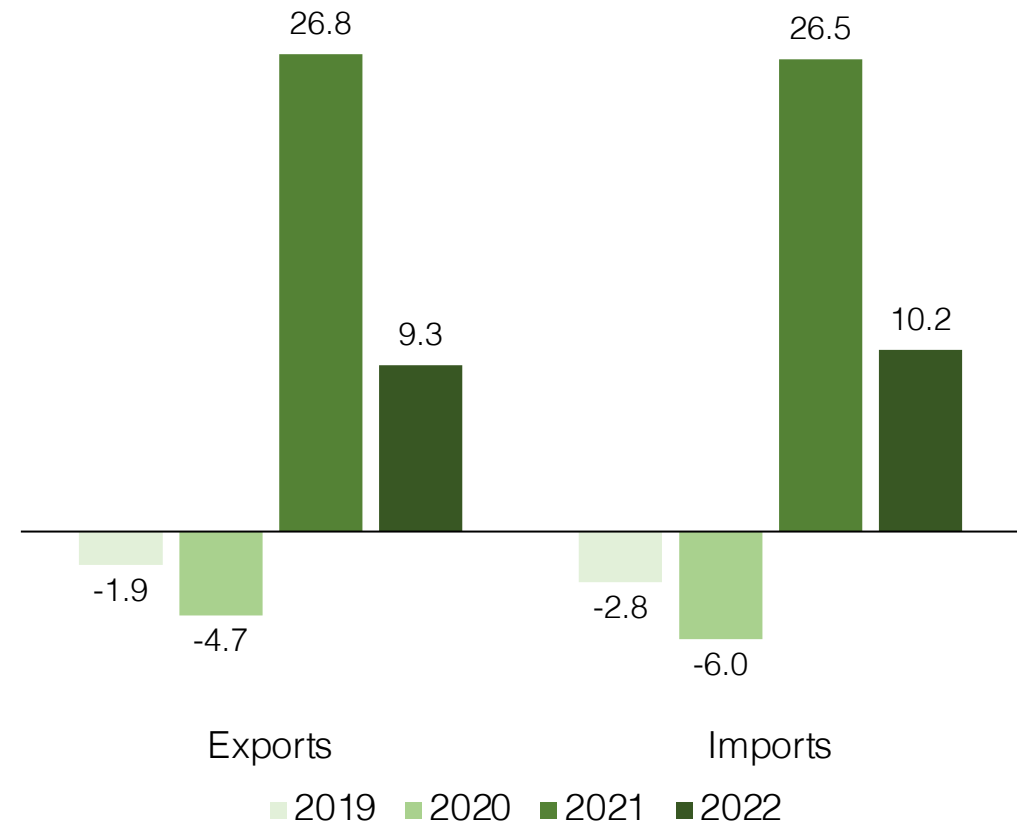
Source: Chicago Board Options Exchange, CBOE Volatility Index: VIX, retrieved from FRED, Federal Reserve Bank of St. Louis; APEC PSU staff calculations



### APEC Growth in Volume of Merchandise Trade (% , y-o-y)



### APEC Growth in Value of Merchandise Trade (% , y-o-y)

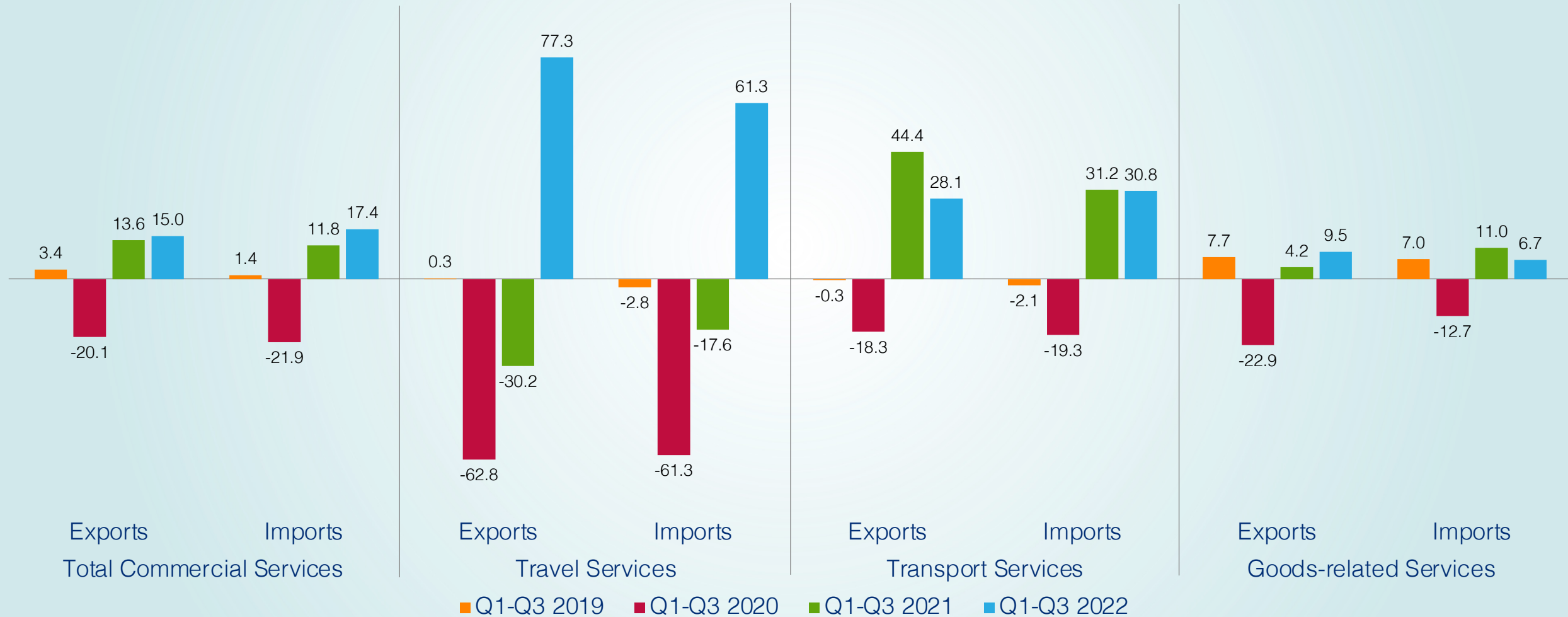


**Trade decelerated as pandemic-related recovery momentum faded while global demand weakened**



## Easing of cross-border travel restrictions buoyed commercial services

### APEC Growth in Value of Trade in Commercial Services (% , y-o-y)





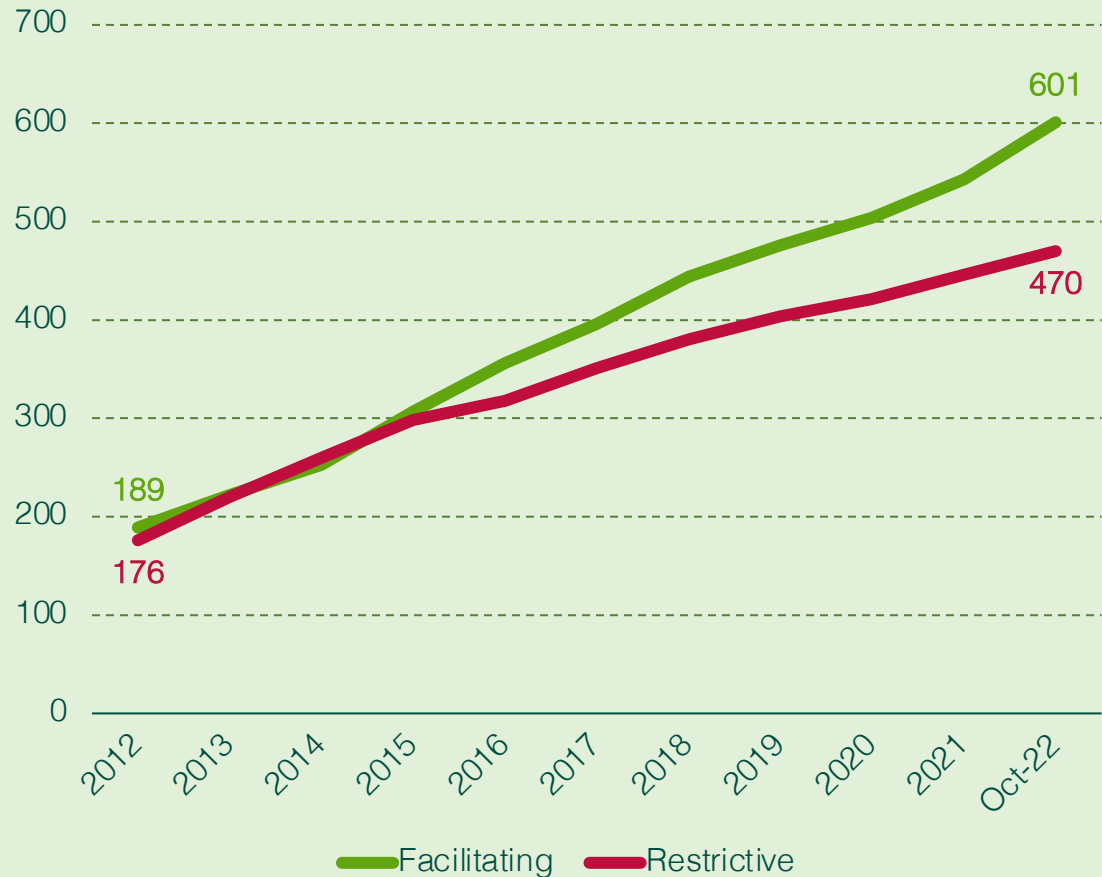
## APEC Trade Volume Growth Outlook (% , y-o-y) Forecast (2023-2025)



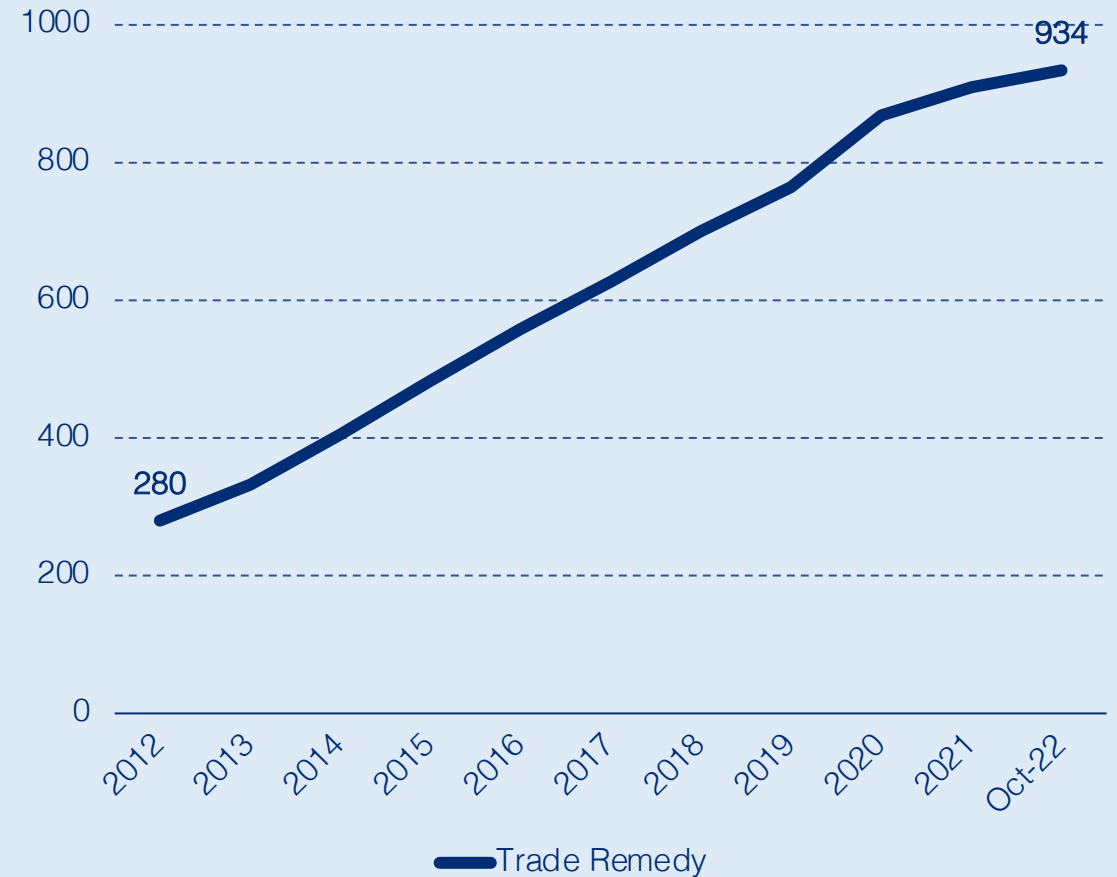
**Sluggish trade growth due to substantial global risks, including geoeconomic fragmentation**



## Trade-facilitating and trade-restrictive measures in force in APEC economies (accumulated number)



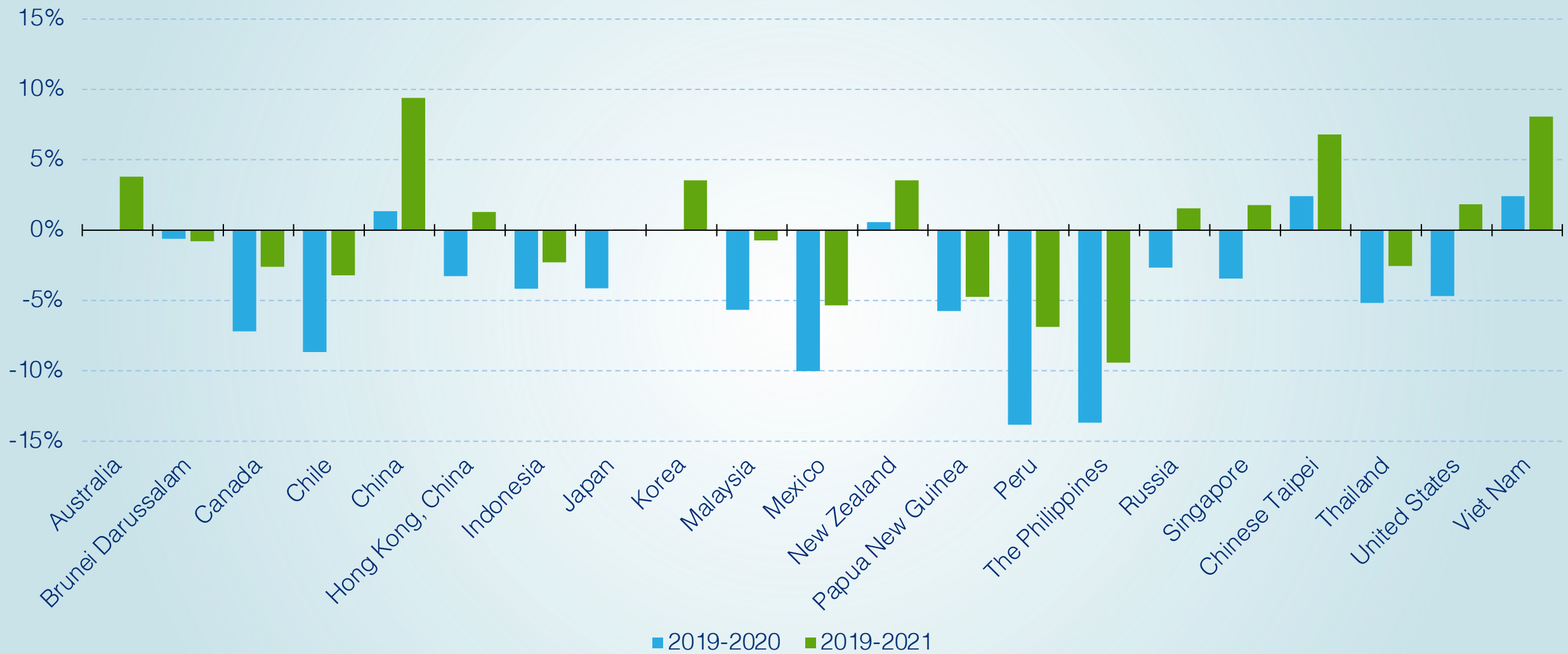
## Trade remedies in force in APEC economies (accumulated number)



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



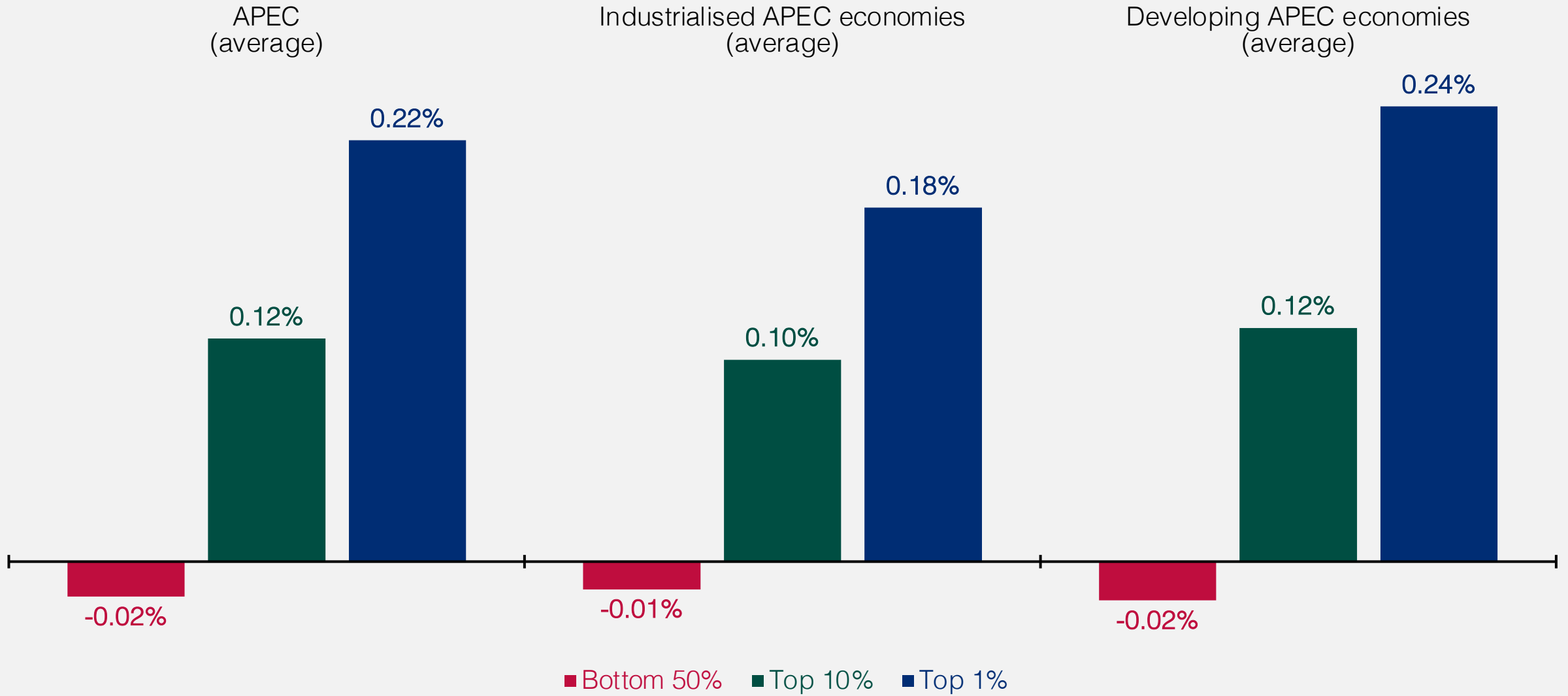
## Change in Average Income, 2019–2021 (%)



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



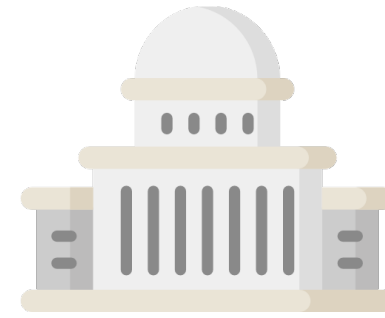
## Change in Share of Net Personal Wealth, by income group, 2019–2021 (%)



**Across the region, the affluent thrived while the vulnerable dived amidst the pandemic tide**



**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.

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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/>.



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