



Asia-Pacific
Economic Cooperation

APEC Regional Trends Analysis

February 2024 • Policy Support Unit



GDP Growth
and Outlook

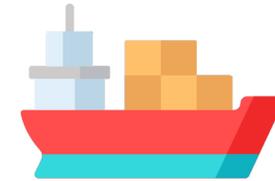


Inflation and
Monetary Policy



Global
Uncertainties

APEC Regional Trends Analysis



Trade
Performance



Fiscal
Space



Suggested Policy
Options

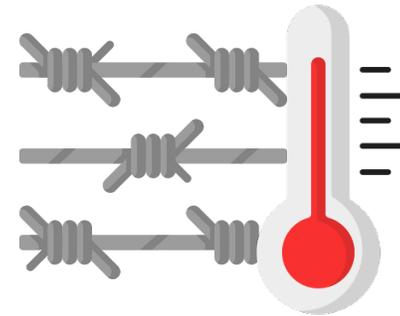
KEY POINTS



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



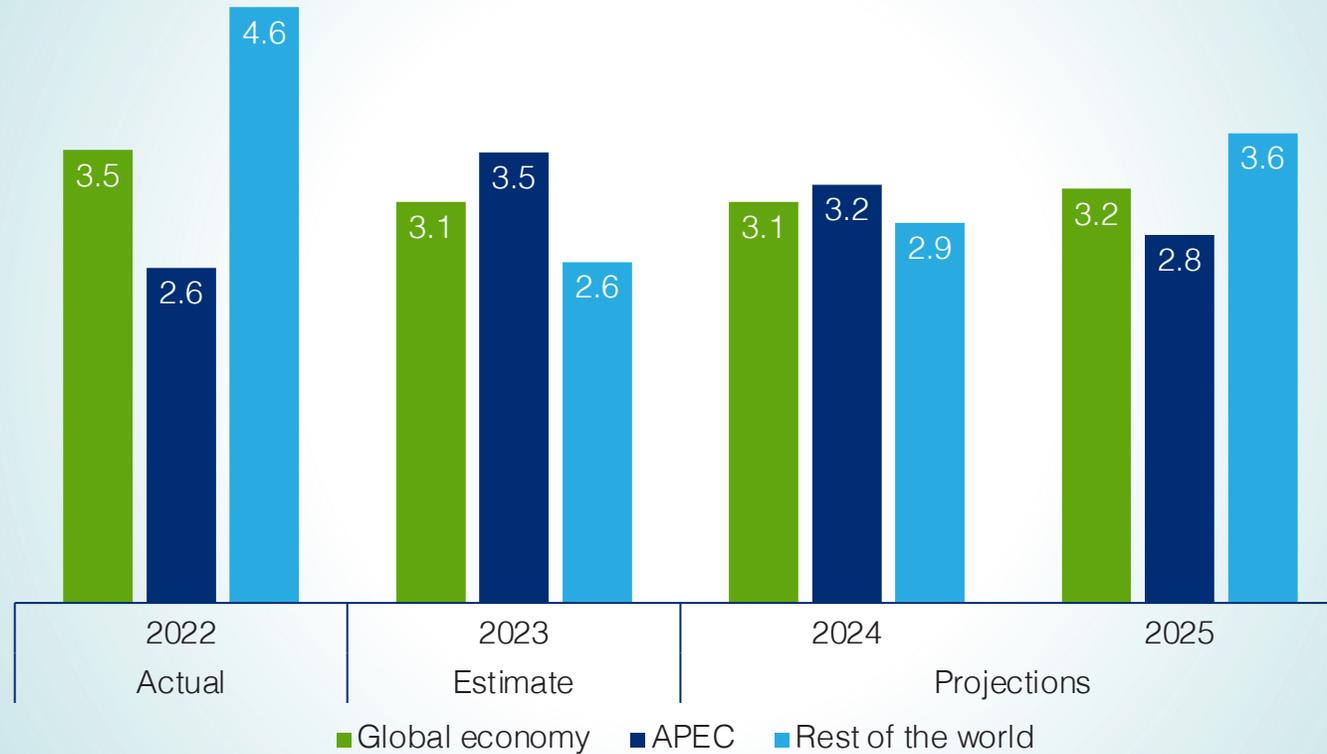
High debt levels require fiscal consolidation, but excessive tightening could stifle economic growth

GDP Growth Outlook: Global, APEC and ROW (% , y-o-y)

DOWNSIDE RISKS



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

UPSIDE OPPORTUNITIES



Consumption and Tourism



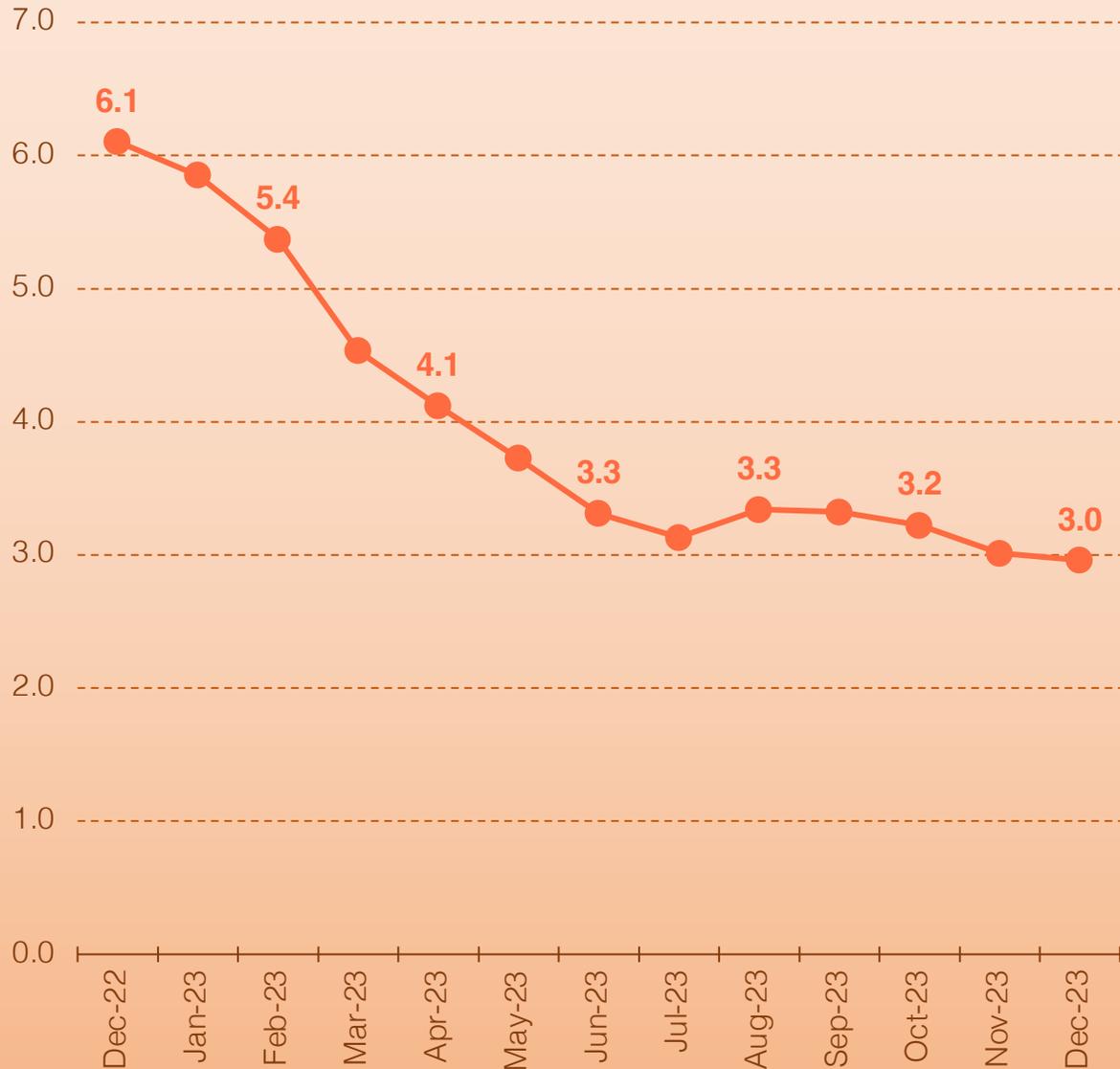
Productivity-enhancing Technologies



Trade Facilitation



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



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%

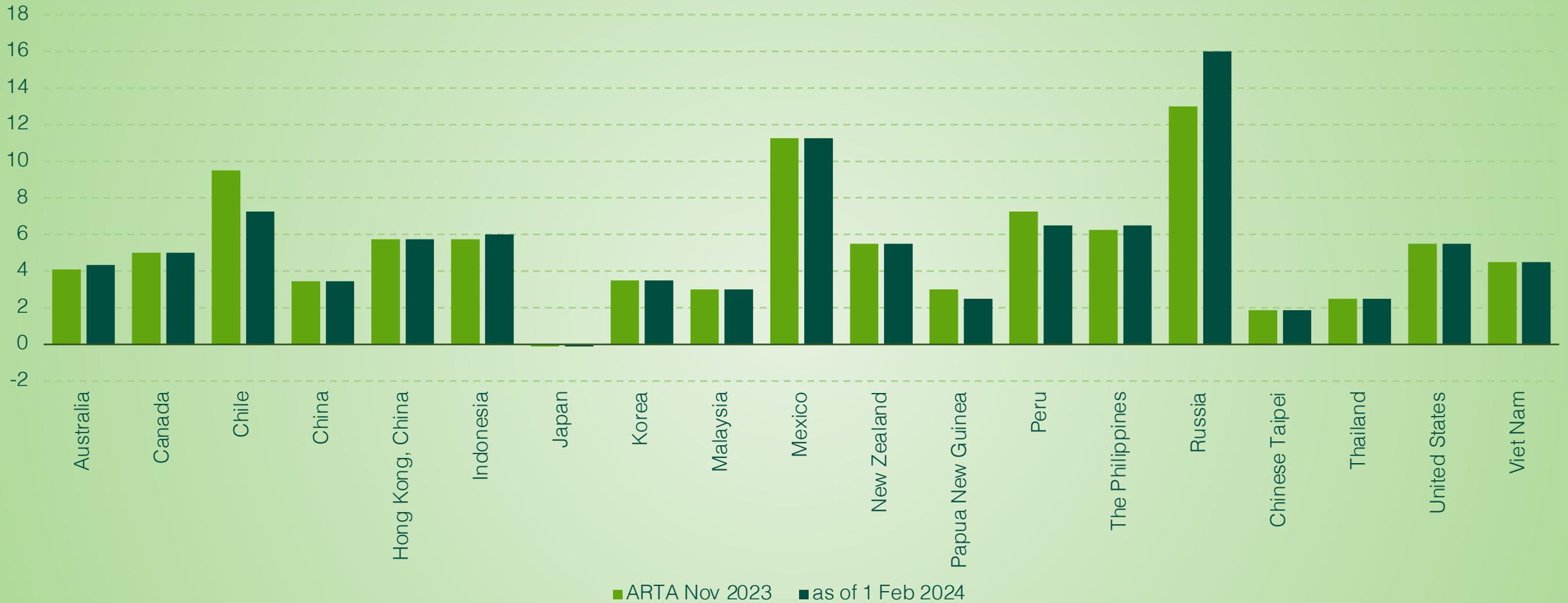


3 APEC currencies appreciated against the USD between 0.3% and 7.7%

Weaker currencies complicate inflation management and give rise to currency mismatch affecting debt/credit payments



Monetary Policy Rate (%)

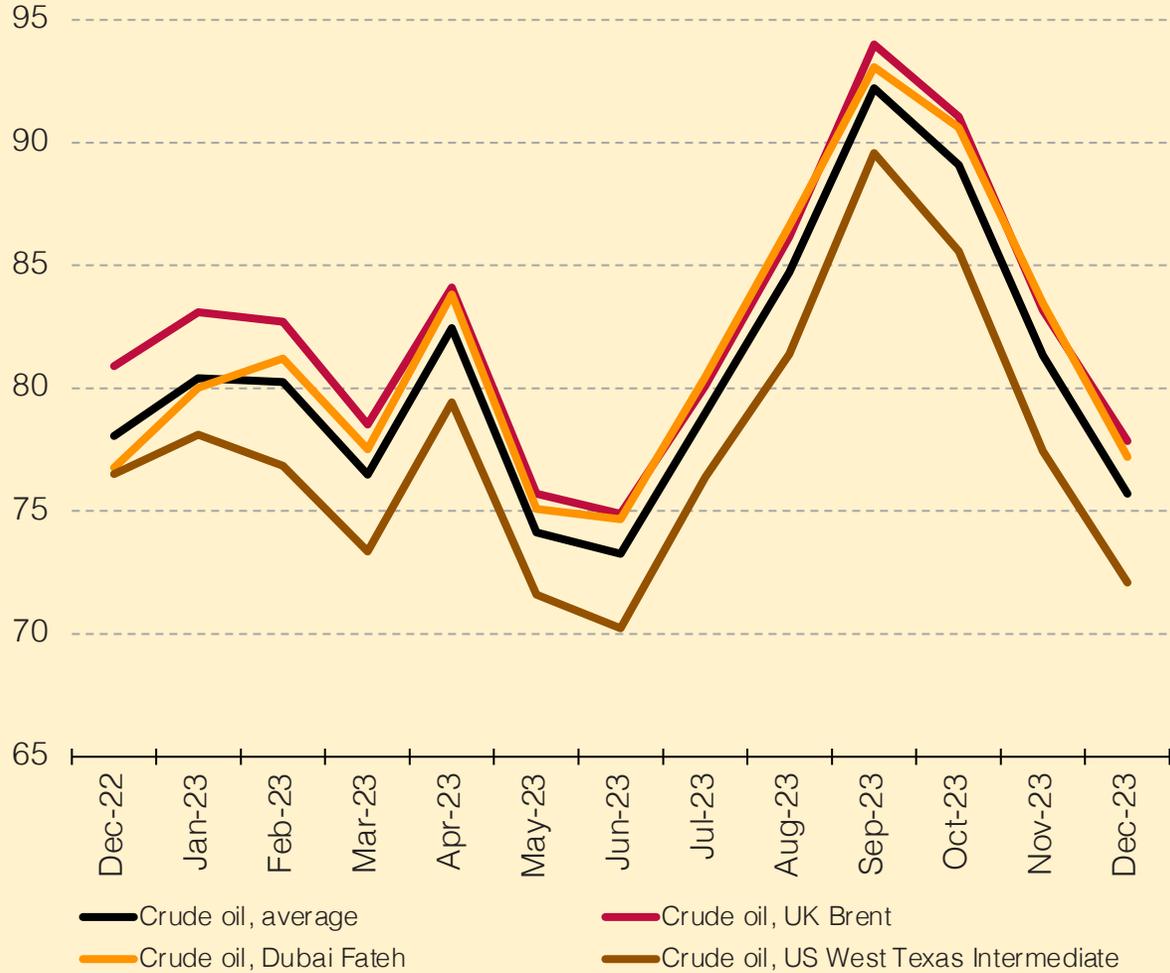


Note: The monetary policy framework in Brunei Darussalam is based on a currency board system, with the Brunei dollar anchored to the Singapore dollar at par. For Singapore, monetary policy is conducted through the trade-weighted exchange rate, which is allowed to fluctuate within a policy band.

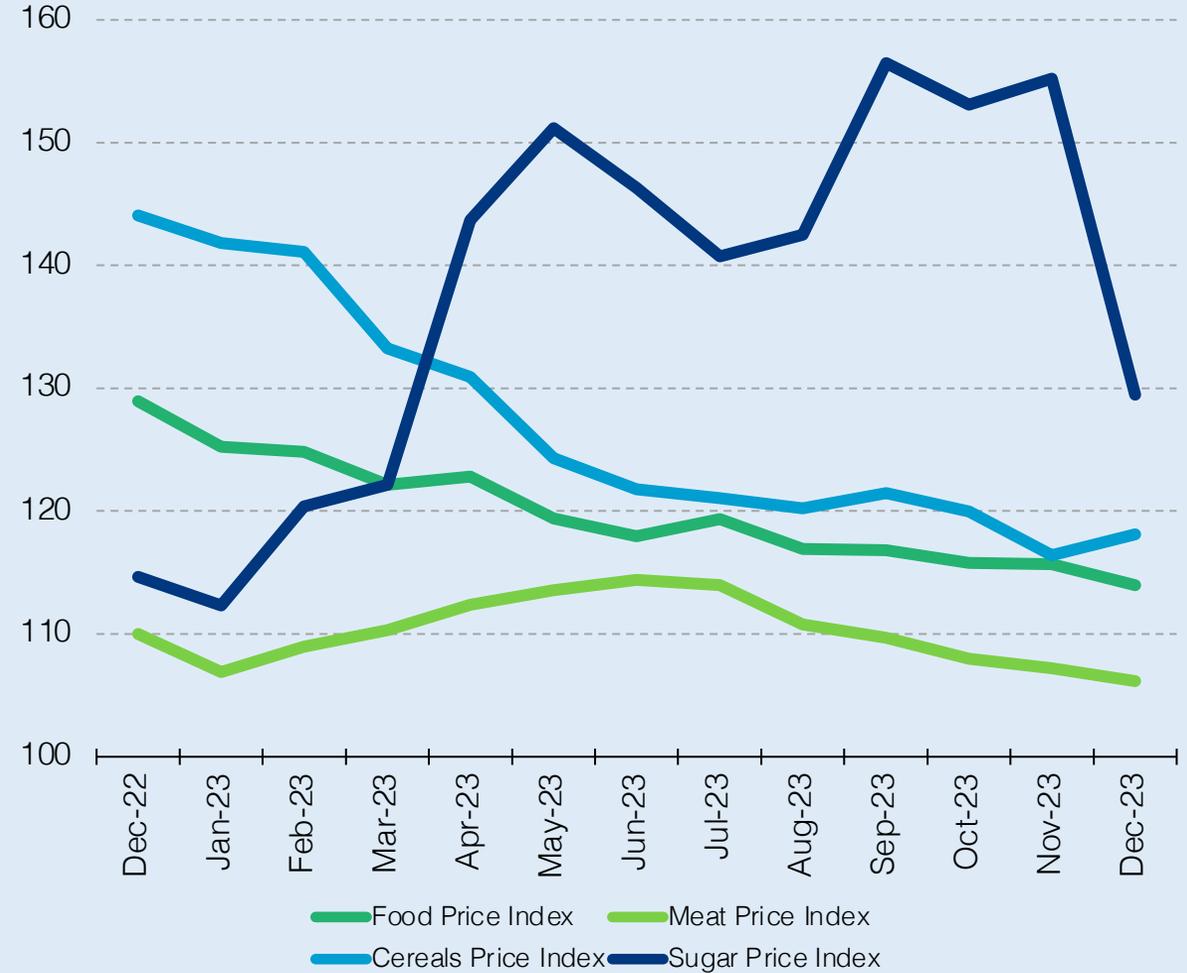
Synchronised and successive policy rate hikes have played an active role to curb inflation



Energy Prices (\$/barrel)



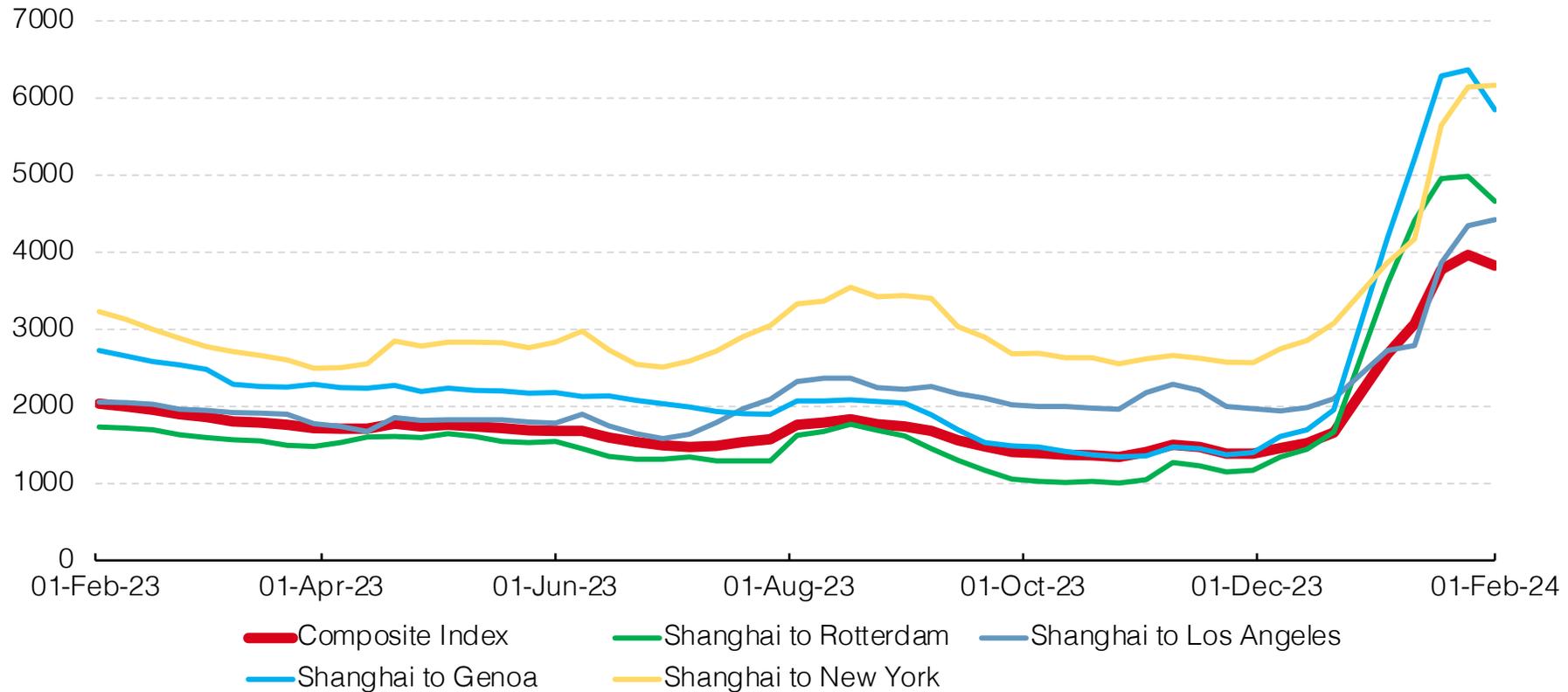
FAO Price Indices (2014-2016=100)



Sluggish demand for oil and improved supply of cereals and sugar have contributed to lower inflation



Drewry World Container Index (\$/40ft)

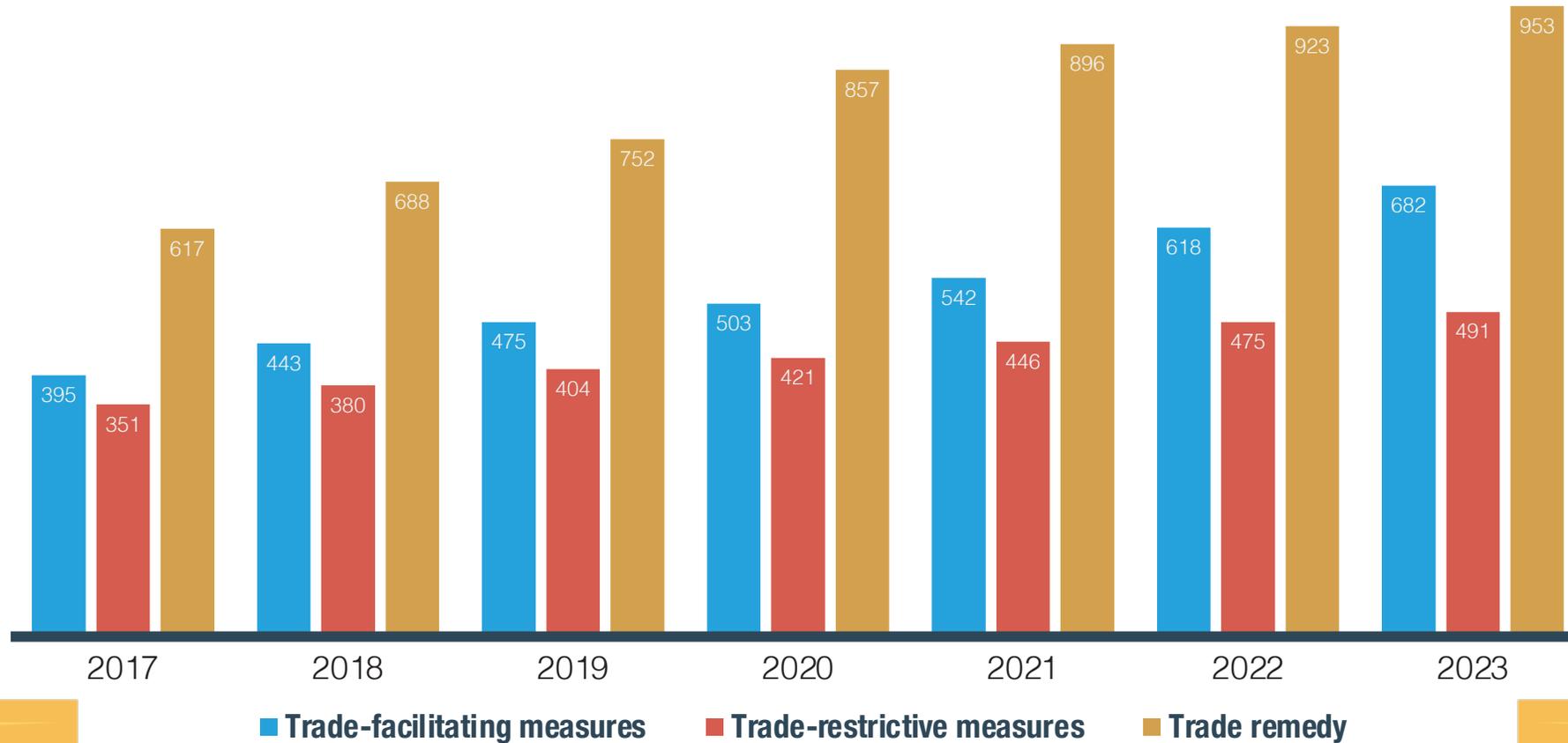


These issues have resulted in extended sailing times by 1 to 2 weeks, causing container and vessel shortages, and potential port congestion.

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



Trade measures in force in APEC (accumulated number)



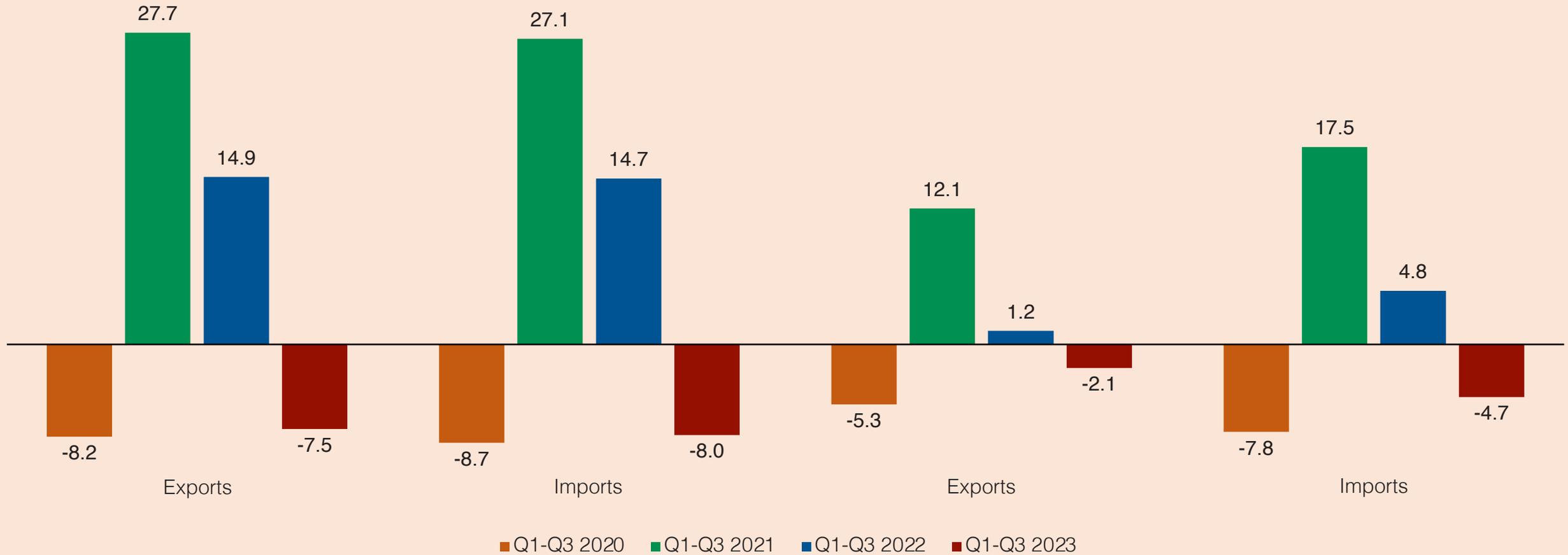
**Protectionism remains a problem in APEC
as trade restrictions and remedies grow**





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

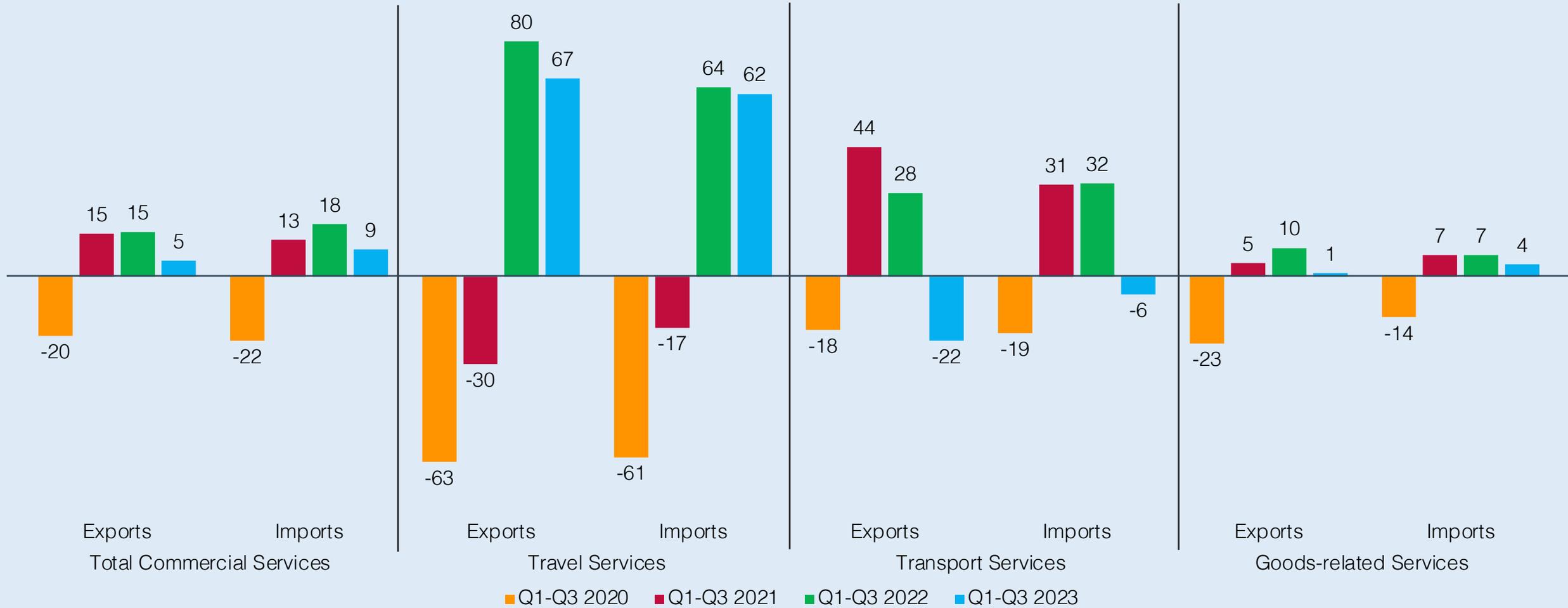
APEC Growth in Volume of Merchandise Trade (% , y-o-y)



Merchandise trade contracted in Jan-Sep 2023 as global demand waned and prices for non-fuel commodities and manufactures fell



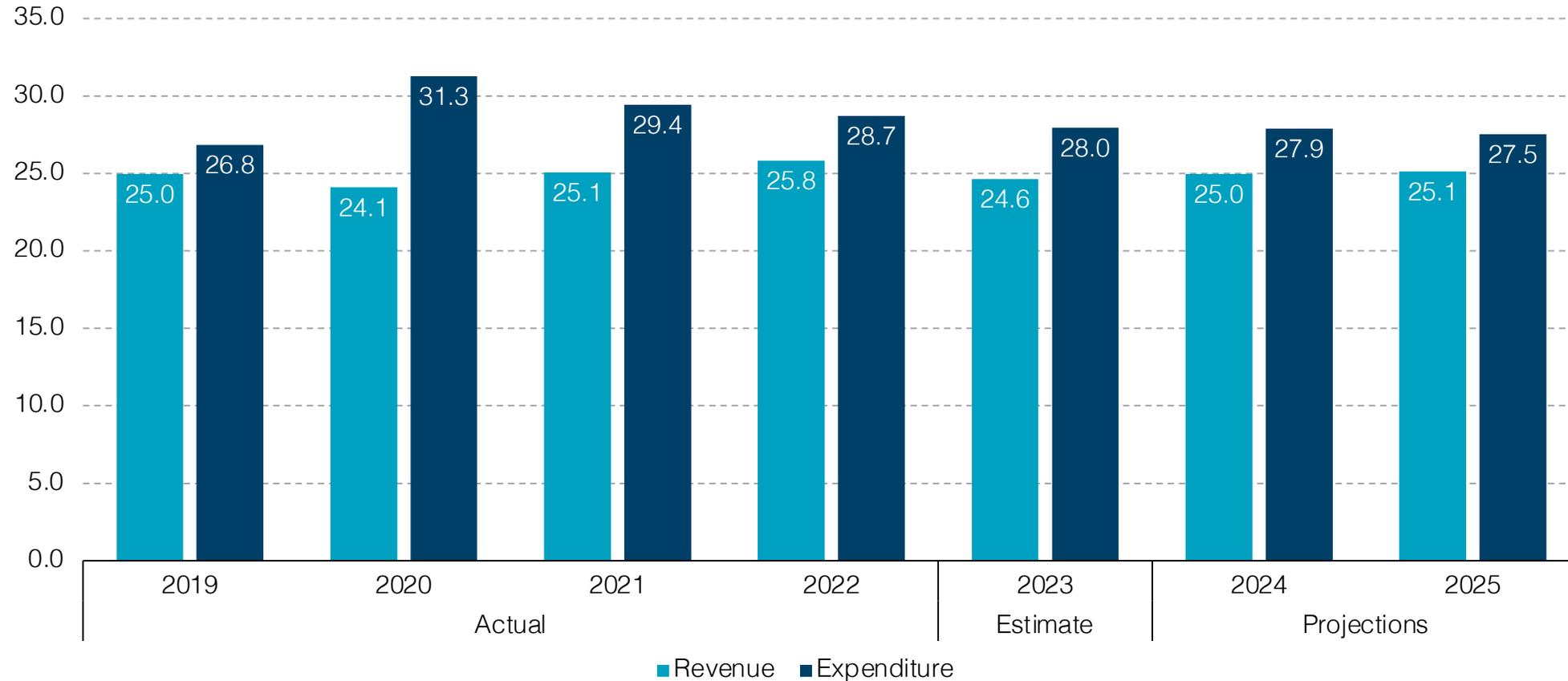
APEC Growth in Value of Trade in Commercial Services (% , y-o-y)



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



Government revenue and expenditure in APEC (% of GDP)

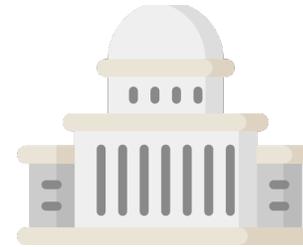


**Stringent measures to manage debt could stifle economic growth;
a delicate balancing act is key**



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.

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**, Analyst and Researcher, 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 4.0 International License. To view a copy of this license, visit <https://creativecommons.org/licenses/by-nc-sa/4.0/deed.en>.



**Asia-Pacific
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