

# Part 1: Asian Economic Crisis: An Overview of Economic and Labour Market Developments

## 1. Brief Overview of the Crisis

The financial crisis which has hit several Asian economies began in June, 1997 when the Thai baht was forced to float and a dramatic depreciation followed. Subsequently, Hong Kong, China; Indonesia; Korea; and Malaysia experienced significant currency pressures. Within one year, not only economies in Asia, but also in North America and Europe were adversely affected by the crisis.

Table 1 presents the annual real Gross Domestic Product (GDP) growth rates for the 21 APEC economies for the 1994–98 period and, where available, forecasts for 1999. Since the beginning of the crisis, GDP growth rates have been falling in almost all APEC economies. In particular, Hong Kong, China; Indonesia; Japan; Korea; Malaysia; New Zealand; Russia; and Thailand experienced negative growth in 1998 (see Figure 1). In 1999, it is expected that GDP growth rates will improve for most economies affected by the crisis. The last column of Table 1 presents the forecasts of GDP growth rates for some member economies in 1999 by the *Asian Development Bank*, which indicates that of the economies experiencing negative growth in 1998 only three of them will have negative or no growth in 1999. They are Hong Kong, China; Indonesia; and Thailand. The improvement expected in Korea and Malaysia is particularly impressive.

**Table 1: Real GDP rates of growth for APEC economies, 1994–99**

	1994	1995	1996	1997	1998	1999*
Australia	5.14	4.24	3.61	3.62	5.10	n.a.
Brunei	1.80	2.00	3.50	4.00	1.80	n.a.
Canada	4.73	2.61	1.21	3.80	2.99	n.a.
Chile	5.71	10.63	7.37	7.06	3.30	n.a.
China	12.60	10.50	9.60	8.80	7.80	7.0
Hong Kong, China	5.40	3.89	4.50	5.28	-5.10	-0.5
Indonesia	7.54	8.22	7.98	4.65	-13.70	0.0
Japan	0.64	1.47	5.05	1.43	-2.82	n.a.
Korea	8.58	8.94	7.06	5.51	-5.50	2.0
Malaysia	9.30	9.36	8.60	7.70	-6.77	0.7
Mexico	4.42	-6.17	5.18	6.98	4.90	n.a.
New Zealand	5.96	4.00	3.12	2.11	-0.32	n.a.
Papua New Guinea	4.44	-2.92	3.47	-5.36	3.75	n.a.
Peru	13.10	7.34	2.49	7.16	1.53	n.a.
Philippines	4.39	4.68	5.85	5.17	-0.48	2.4
Russia	-12.60	-4.10	-3.50	0.80	-4.82	n.a.
Singapore	10.52	8.92	7.52	7.99	1.49	1.0
Chinese Taipei	6.54	6.03	5.67	6.76	4.90	4.9
Thailand	8.61	8.83	5.52	-0.43	-8.00	0.0
United States	3.46	2.28	3.45	3.93	3.88	n.a.
Viet Nam	8.84	9.54	9.34	8.80	3.50	3.7

Sources: All except Brunei; IMF World Economic Outlook database, April 1999; Brunei: APEC homepage - Member Economies.

\*The 1999 figures are from the *Asian Development Outlook*, 1999.

**Figure 1: APEC economies: GDP growth rates in 1998**

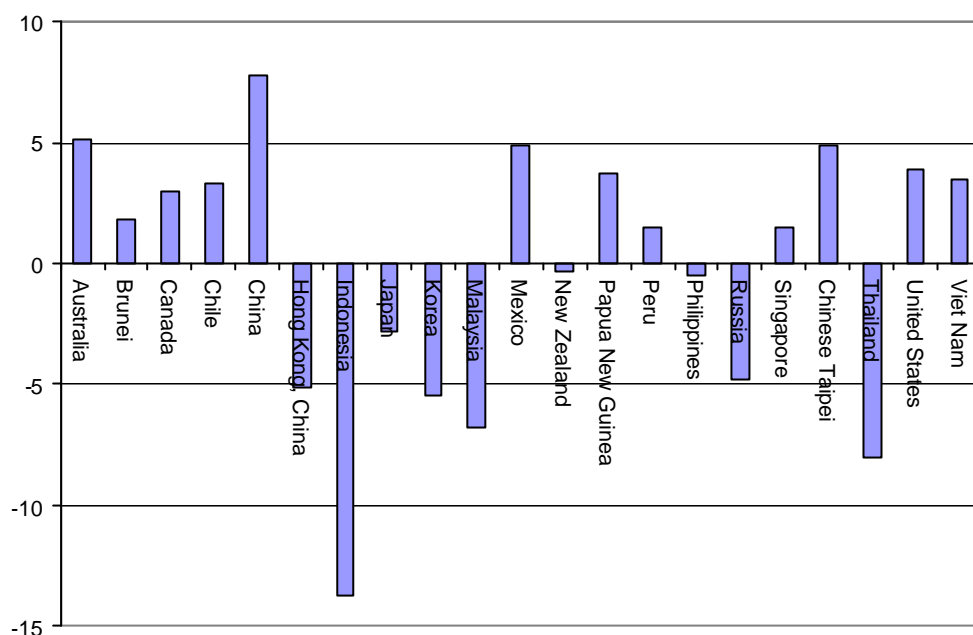
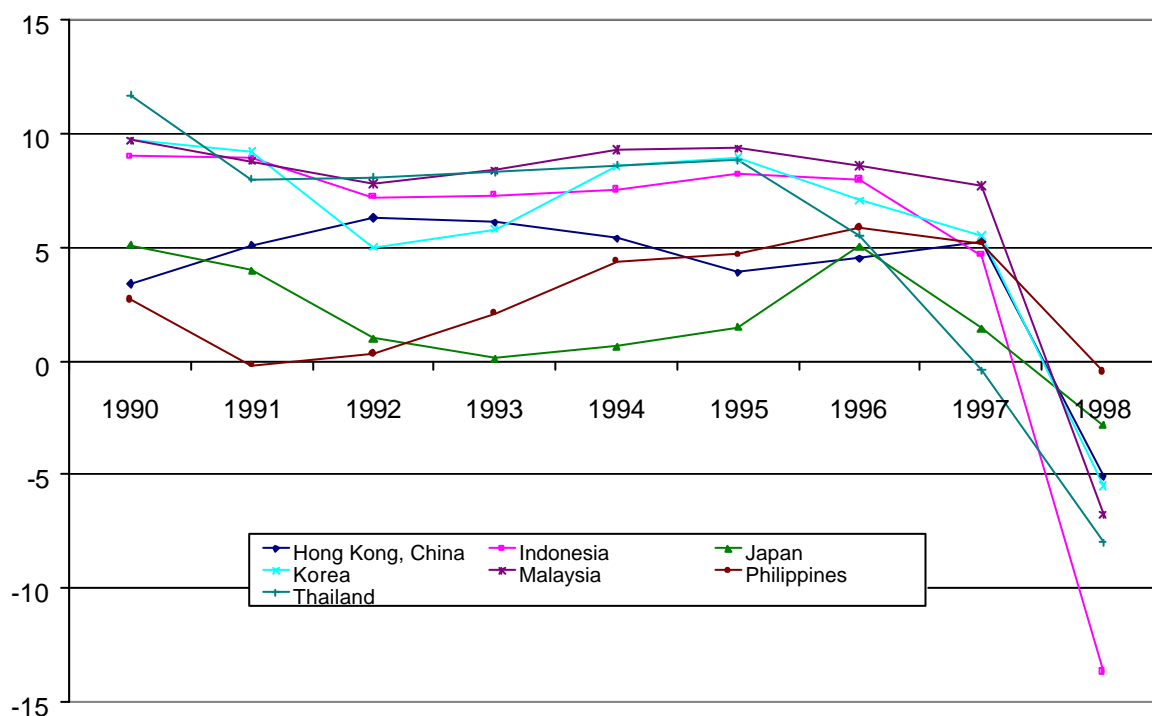


Figure 2 presents real GDP growth rates over the 1990–98 period for the seven Asian economies which experienced negative growth in 1998. Of the seven, Hong Kong, China; Indonesia; Korea; Malaysia; and Thailand experienced the most dramatic declines in GDP growth.

**Figure 2: Real GDP growth rates in seven Asian economies, 1990–98**



Sources: Data for 1990–93 are from Garnaut (1998); for 1994–98 the data sources are the same as for Table 1.

Figure 2 shows that these five economies had consistently fast economic growth for a long period before the Asian crisis. The average real GDP growth in the first half of

the 1990s for Indonesia; Korea; Malaysia; and Thailand was above 7.5 per cent, while Hong Kong, China, averaged 5 per cent growth. Even the Philippines, which previously experienced more modest growth, began to register reasonably strong growth from 1994 onwards, and by 1996 its real GDP growth reached 5.5 per cent. Japan is an exception among the seven economies with an average growth rate of 1.3 per cent over the period of 1990–95. The GDP growth for all seven economies, however, declined in 1997 and fell further in 1998.

One of the questions that arises in the aftermath of the crisis is the extent to which the crisis has affected the labour market situation—employment, unemployment, and earnings—and, in turn, how has it affected the social and economic well-being of the people in these economies. Although GDP growth in most crisis-affected economies is picking up in 1999, it may take a long time for the socioeconomic effects of the crisis to disappear.

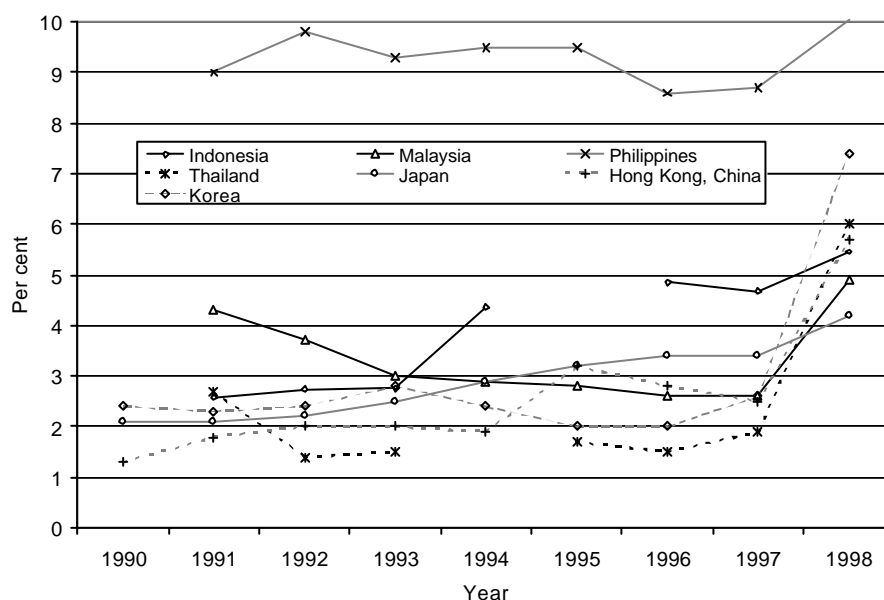
## 2. The Social Impacts of the Crisis and Labour Market Adjustment

The economic contraction provoked by the crisis has caused widespread social distress in the seven most badly affected economies.

### *Unemployment*

As a result of the declining economic growth, unemployment in all seven economies has increased sharply (see Figure 3). The reported changes in Hong Kong, China; Indonesia; Korea; and Thailand are very dramatic.

**Figure 3: Changes in the unemployment rate, 1990–98**



*Sources* (1) International Monetary Fund, *International Financial Statistics*, January and March 1999.  
 (2) Data for Hong Kong, China for 1997 and 1998 are from Hong Kong, China, Census and Statistic Department website.  
 (3) Data for Thailand for 1998 is from ILO (1998).

*Note:* The unemployment rates for Indonesia, Malaysia, and Thailand for September 1998 are estimates.