



**Asia-Pacific
Economic Cooperation**

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Agenda Item: 13.2

APEC Economic Trends and Outlook: Growth Moderates As Uncertainties Persist

Purpose: Information

Submitted by: Policy Support Unit, APEC Secretariat



**First Committee on Trade and Investment Meeting
Lima, Peru
28-29 February 2016**



Asia-Pacific Economic Cooperation

Advancing Free Trade for Asia-Pacific Prosperity


APEC Economic Trends and Outlook: Growth moderates as uncertainties persist

First Meeting of the APEC Committee on Trade and Investment (CTI1)
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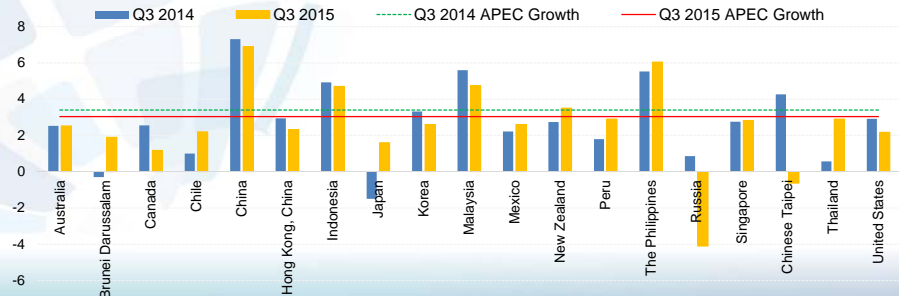
Growth in the APEC region proceeds but at a moderate pace in Q3 2015



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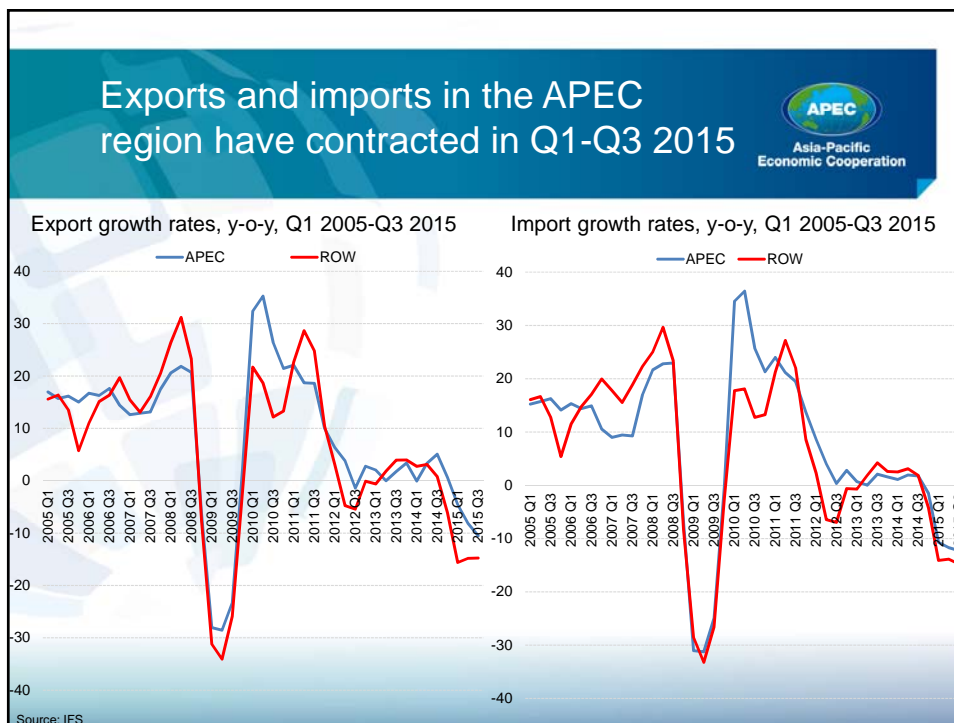
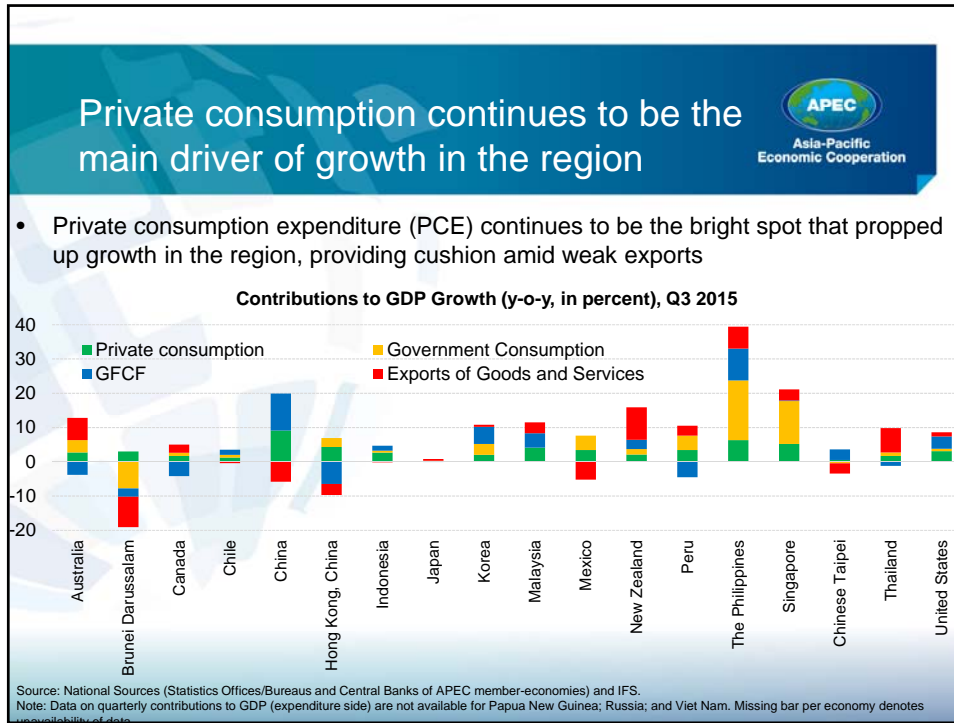
- APEC as a whole grew by 3.0 percent in Q3 2015, lower than the GDP growth rates of 3.3 percent in Q3 2014 and 3.1 percent in Q2 2015 due to prevailing uncertainties about the health of emerging market and developing economies and the pace of upward adjustments of the US monetary policy rate

GDP Growth Rates, year-on-year (y-o-y)



Economy	Q3 2014 (%)	Q3 2015 (%)
Australia	2.5	2.5
Brunei Darussalam	-0.5	2.0
Canada	2.5	1.5
Chile	1.0	2.0
China	7.5	7.0
Hong Kong, China	2.5	2.5
Indonesia	4.5	4.5
Japan	-1.0	1.5
Korea	3.5	2.5
Malaysia	5.5	4.5
Mexico	2.5	2.5
New Zealand	2.5	3.5
Peru	2.0	2.0
The Philippines	5.5	6.0
Russia	1.0	-5.0
Singapore	2.5	2.5
Chinese Taipei	4.0	0.0
Thailand	1.0	2.5
United States	2.5	2.0

Source: IMF International Financial Statistics and Statistics Offices of APEC member-economies; data not available for Papua New Guinea and Viet Nam.



APEC Growth is affected by the slowdown in emerging market and developing economies along with continued global uncertainties



- Emerging market and developing economies account for around 70% of global growth so that their continued weakness impact adversely on growth via the trade and investment channels
- Global uncertainties persist
 - on the timing and magnitude of the US monetary policy tightening
 - on the future performance of the Chinese economy as well as its exchange rate and stock markets
 - on the downward trend of commodity prices, particularly oil

Global Implications of US Monetary Policy Tightening



- Increases financial market volatility
- Increases dollar-denominated debt which could translate into credit or liquidity problems
- Induces capital outflows from emerging market and developing economies as US financial instruments become more attractive
- Diverging monetary policy settings of advanced economies could have financial and trade spillovers
- Nonetheless, economies today are better-equipped to manage risks:
 - Larger foreign exchange reserves buffer
 - Generally free-floating exchange rate regimes
 - Stronger banking supervisory and regulatory frameworks
 - More sound and transparent monetary policy frameworks
 - Generally improved fiscal management

China is a major trade partner of APEC economies so that its ongoing rebalancing may have repercussions



Top Ten APEC Trade Partners

EXPORTS	Jan-Aug 2015		IMPORTS	Jan-Aug 2014	
	Jan-Aug 2015	Jan-Aug 2014		Jan-Aug 2015	Jan-Aug 2014
China	18.5	16.8	United States	18.6	17.6
United States	12.6	11.9	China	11.5	12.2
Japan	6.5	6.4	Japan	5.6	6.2
Korea	5.2	4.9	Hong Kong, China	5.4	5.2
Hong Kong, China	4.9	4.4	Canada	4.7	4.7
Canada	4.9	5.0	Mexico	4.4	4.1
Mexico	4.5	4.1	Korea	3.5	3.6
Singapore	3.7	3.8	Singapore	2.7	2.9
Germany	3.7	3.9	Germany	2.7	2.9
Malaysia	2.1	2.2	Netherlands	2.3	2.5

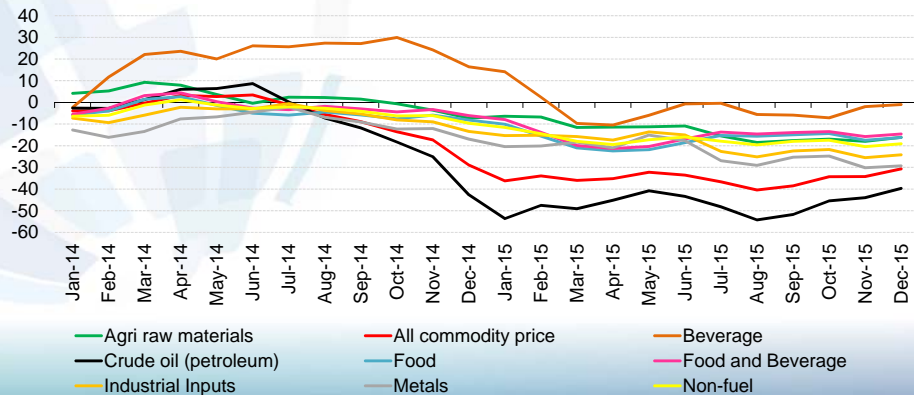
Source: IMF Direction of Trade Statistics

Oil and non-oil commodity prices record year-on-year declines as of Dec 2015

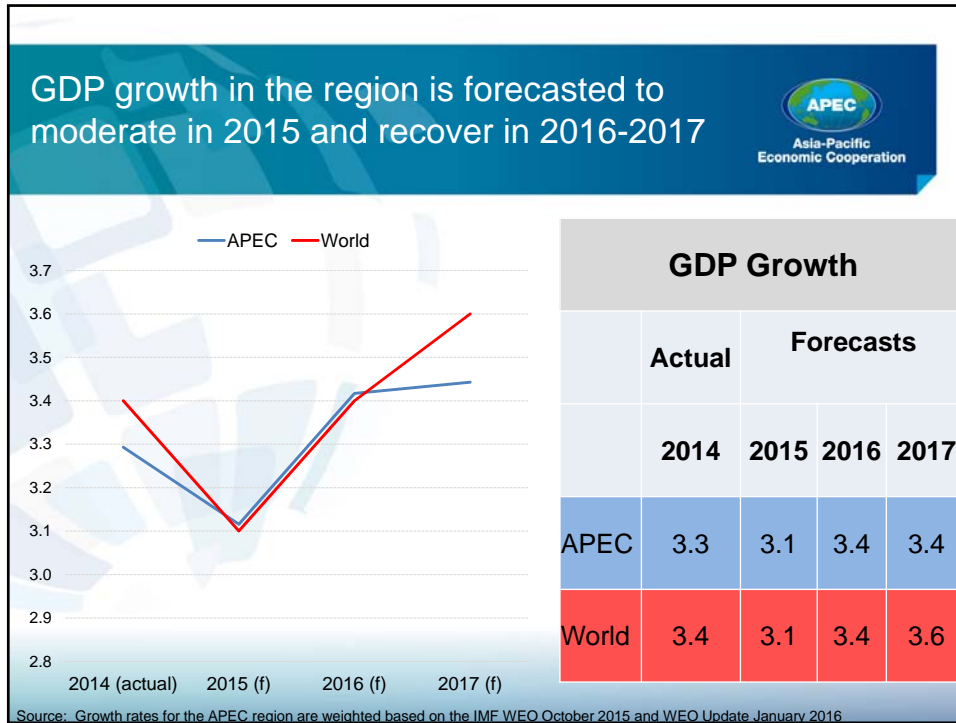


- As of December 2015, the all-commodity price index shrunk by 31 percent from a year ago, dragged down by the 40 percent decline in crude oil

Commodity price indices, growth rates, y-o-y, Jan 2014-Dec 2015



Source: IMF External Data on Commodity Price Indices



Some Concluding Remarks

- APEC needs to strengthen its commitment to move forward with a regional policy agenda that supports sustainable, equitable, and inclusive growth
- Policy priorities should take into account domestic economic conditions:
 - In the **short-term**, a low-interest rate environment and fiscal support are needed to support households and businesses
 - In the **medium-term**, structural reforms, regional integration, and human development need to be pursued

APEC 2016 four priority areas



- Advancing Regional Integration and Quality Growth
- Enhancing the Regional Food Market
- Towards the Modernization of MSMEs in the Asia-Pacific
- Developing Human Capital

Renewed Structural Reform Agenda



- APEC has identified its structural reform priorities with the Renewed APEC Agenda for Structural Reform (RAASR, 2016-2020) following the earlier LAISR (2004-2010) and the ANSSR (2011-2015).
- The RAASR aims to implement measures that are in line with the following three pillars:
 1. more open, well-functioning, transparent and competitive markets;
 2. deeper participation in those markets by all segments of society, including micro, small and medium enterprises (MSMEs), women, youth, older workers and people with disabilities; and
 3. sustainable social policies that promote social development objectives (mentioned above), enhance economic resiliency, and are well-targeted, effective, and non-discriminatory.

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