



Taking stock of the recovery and emerging challenges for sustaining dynamism of Asia-Pacific

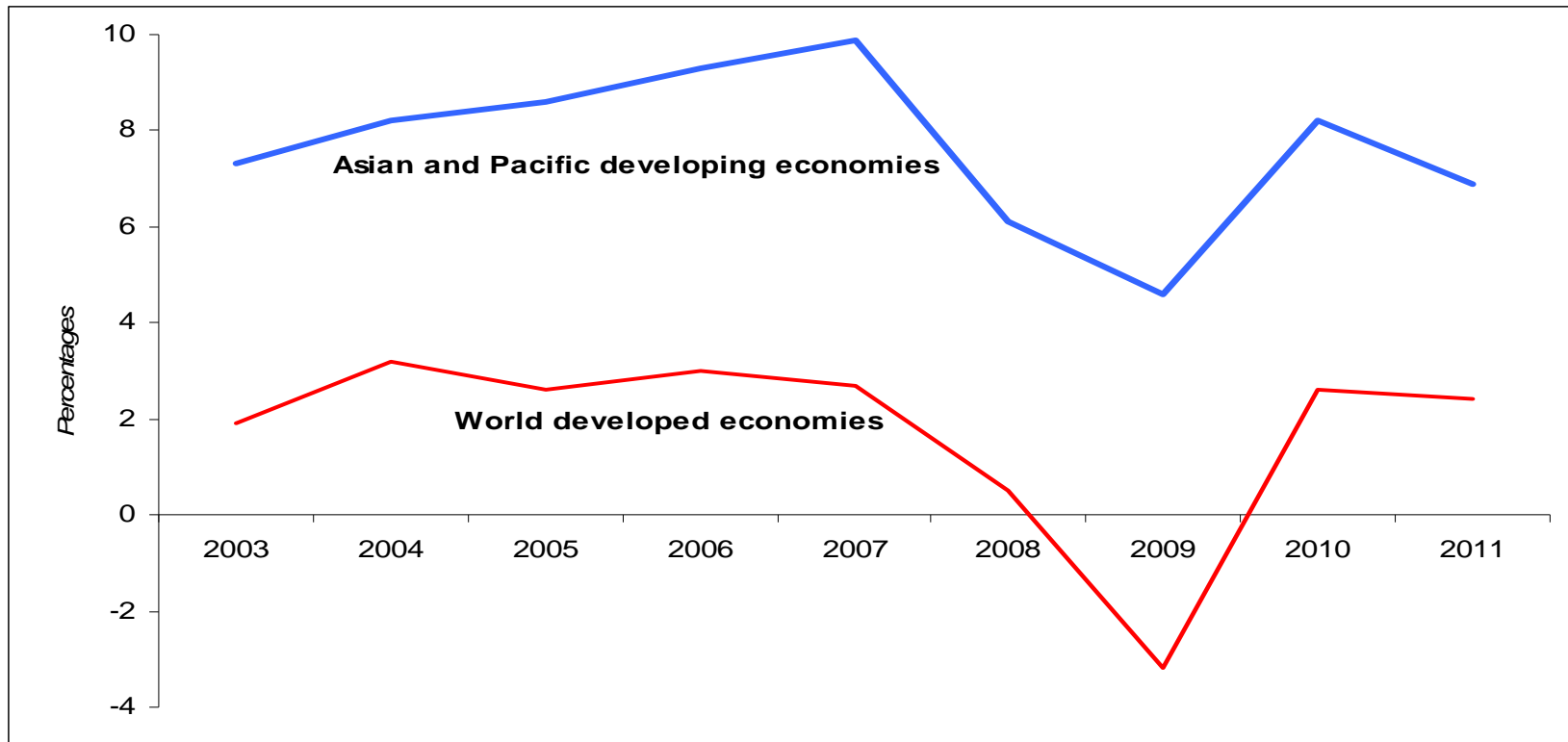
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and Development Challenges in the ESCAP Region*
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Recovery and Slowdown in Asia-Pacific

- Swift recovery in 2010
- Slow down in 2011 resulting from sluggish developed world demand





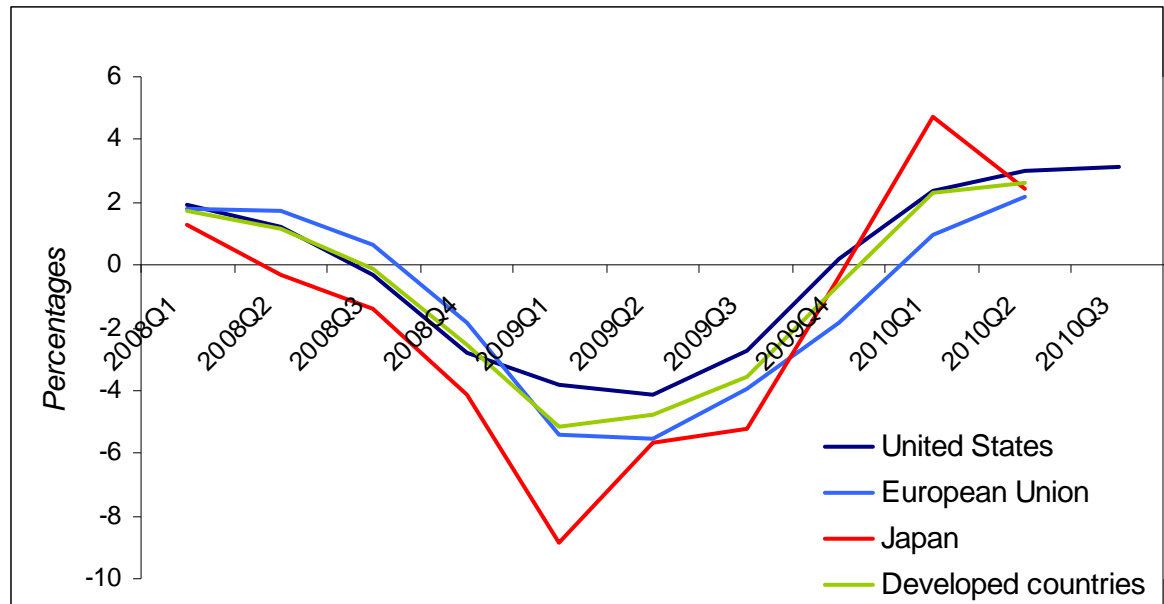
Sluggish growth in Advanced Economies

Lack of fiscal space due to debt crisis

Stimulus packages curtailed

Monetary easing not effective to revive the sentiment, but causing problems elsewhere

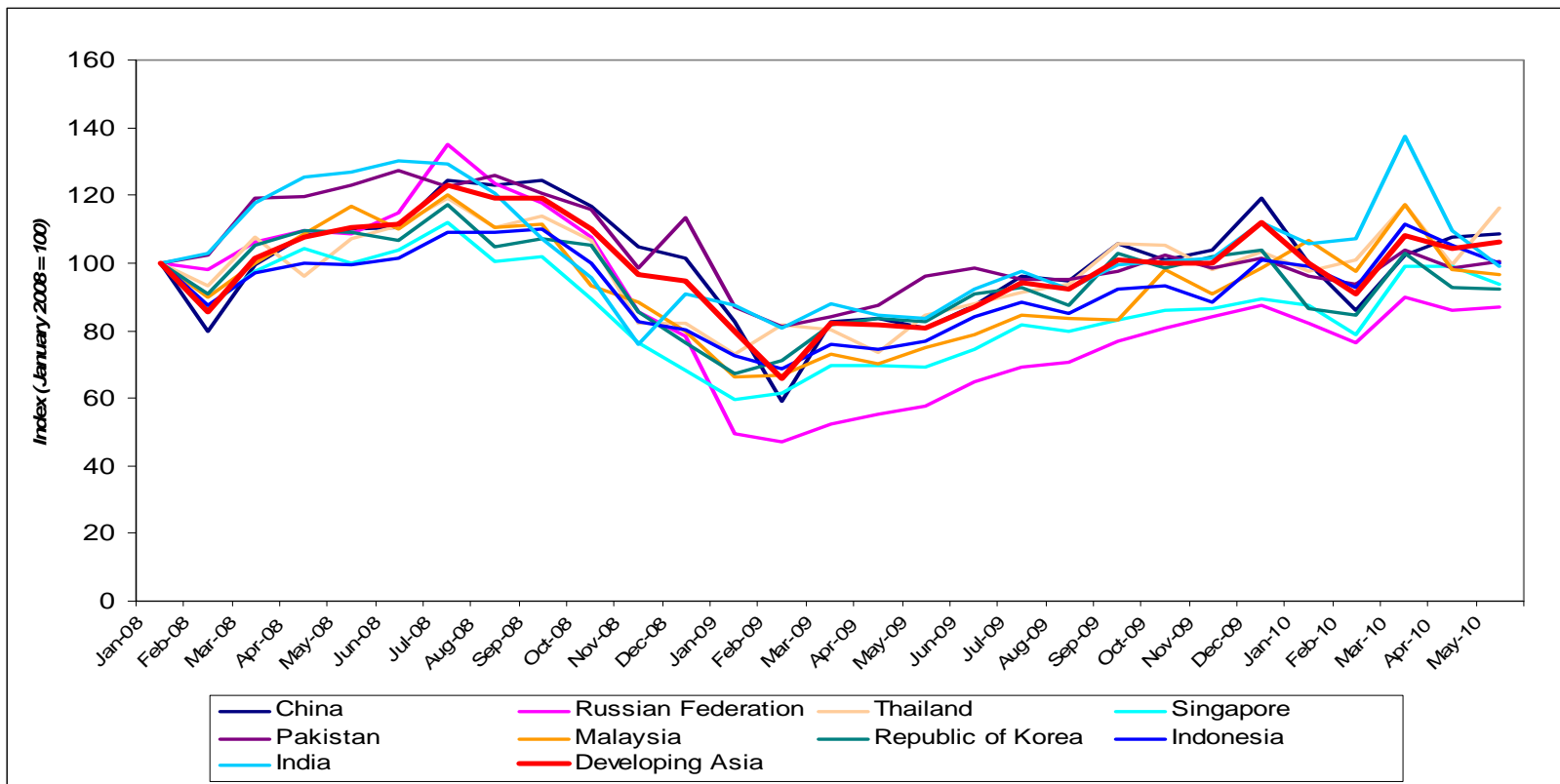
Real GDP growth by quarter, year-on-year, of major developed economies





Exports recover in 2010 but beginning to be hit

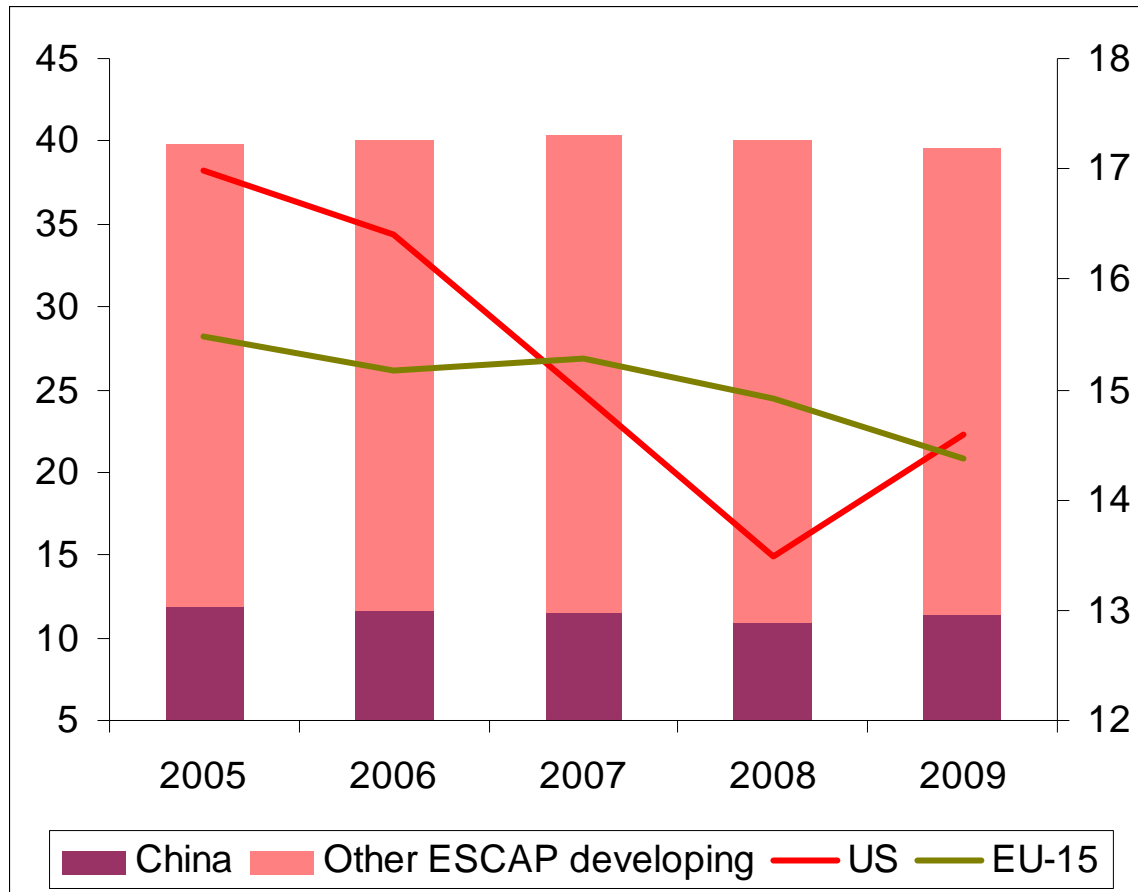
- Export slowdown in recent quarters, after strong recovery in 2009-10
- Intraregional demand was important in recovering from crisis and can help replace expected slow exports growth to developed countries





Share of exports from developing countries in the ESCAP region to main trading partners

as a % of total exports from developing countries in the region





Outlook 2011 for Key Countries

Rates of economic growth of selected developing ESCAP economies

<i>Country or area</i>	<i>2009</i>	<i>2010</i>		<i>2011</i>
		<i>15 April 2010</i>	<i>Current forecast</i>	<i>Forecast</i>
Bangladesh	5.7	6.0	6.0	6.2
China	9.1	9.5	9.8	9.0
India	7.4	8.3	8.7	8.7
Indonesia	4.5	5.5	6.0	6.5
Kazakhstan	1.2	2.0	5.8	5.5
Malaysia	-1.7	5.0	6.8	5.0
Pakistan	1.2	3.2	4.1	2.5
Philippines	1.1	3.5	6.3	4.6
Republic of Korea	0.2	5.2	6.1	4.2
Singapore	-1.3	7.0	14.0	5.0
Thailand	-2.2	4.0	7.5	4.5
Viet Nam	5.3	5.8	6.5	6.8
Hong Kong, China	-2.8	4.5	6.0	4.3
Developing ESCAP economies	4.6	7.0	8.3	7.0



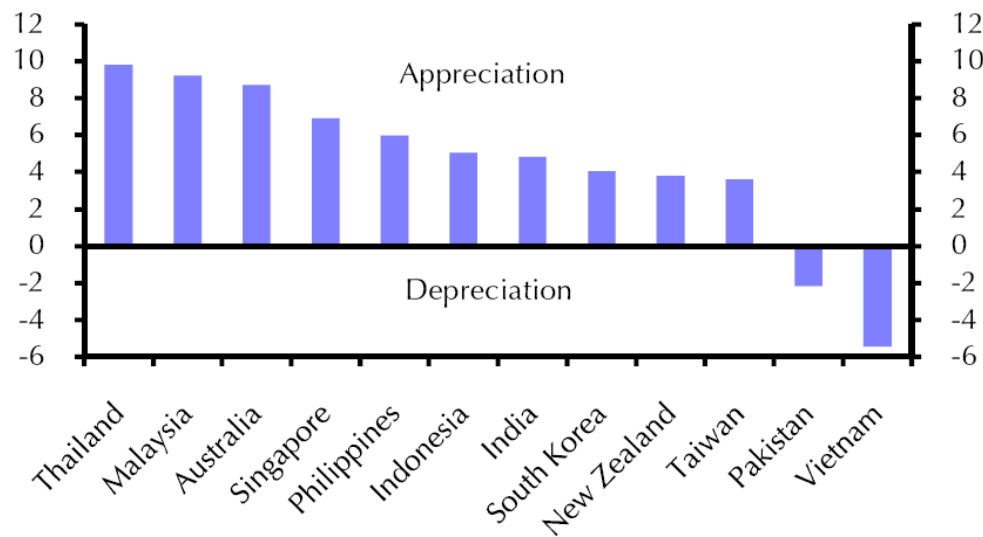
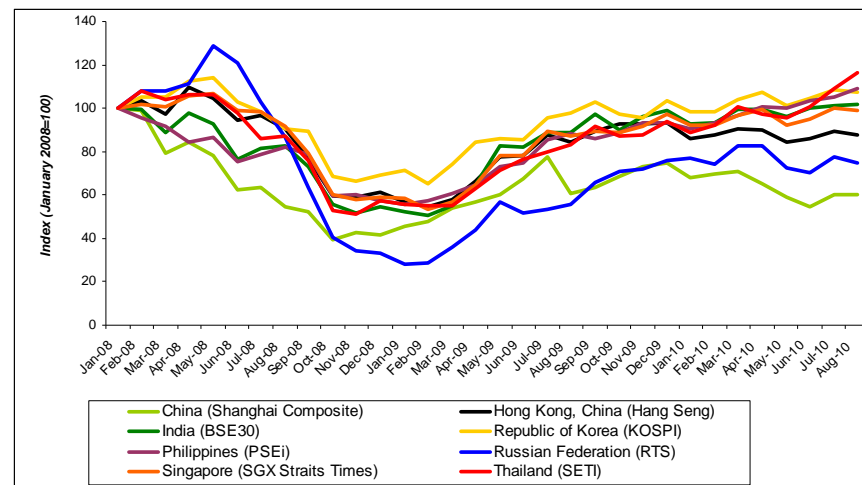
Downside risks and policy challenges

- Sustaining recovery in the face of declining exports to advanced economies
- Possible contagion of European debt crisis
- Quantitative easing leading to capital flows
 - Asset price bubbles
 - Inflationary pressures
 - Exchange rate appreciation
 - Financial instability
- Sustaining dynamism in the medium term



Capital inflows, asset bubbles and exchange rates

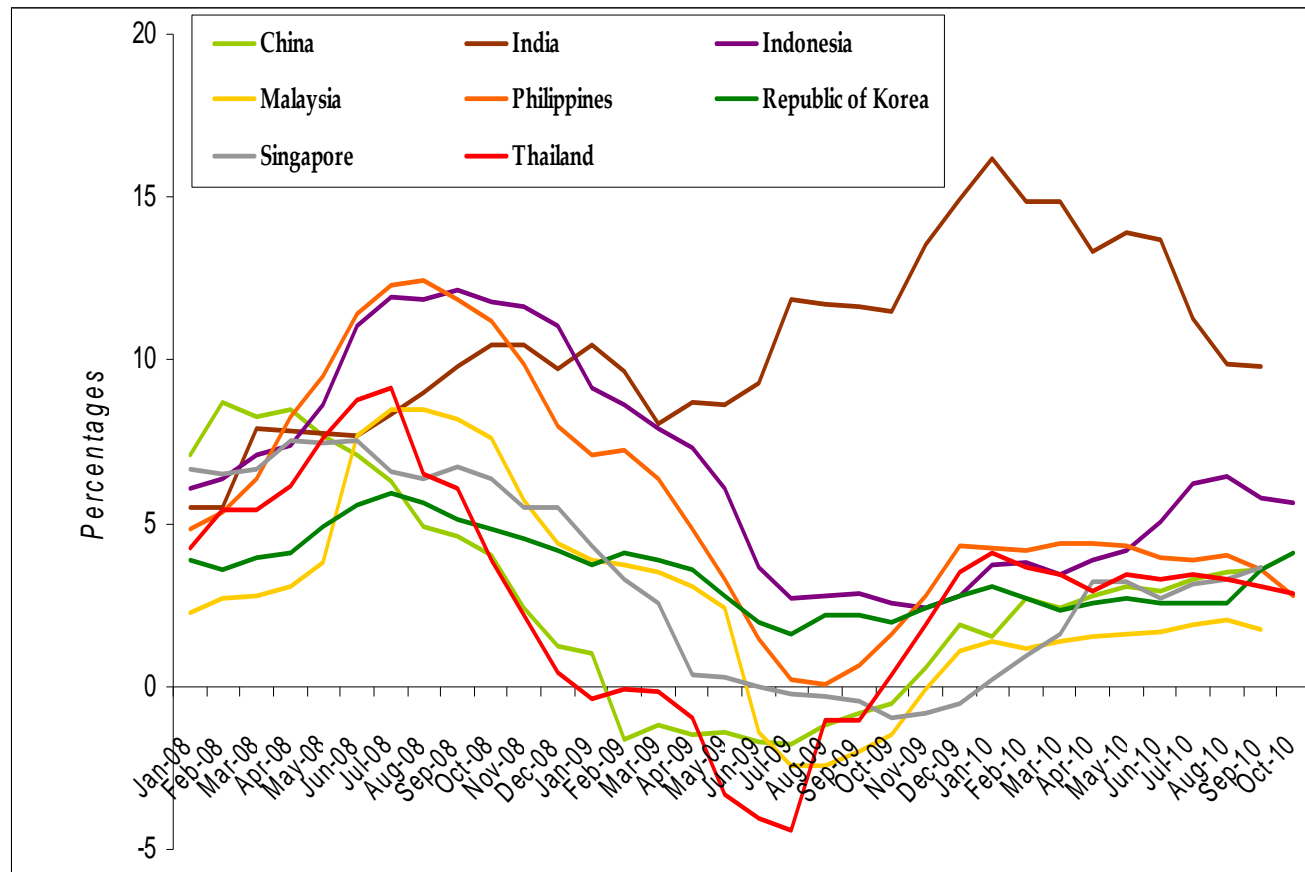
- Excess foreign liquidity leading to currency appreciation and asset bubbles
- Exchange rates have risen rapidly since mid-2009
- Concern is export competition with neighbours
- Countries mainly managing capital inflows through reserves accumulation
- Capital controls are being applied by some countries





Rising prices with growth recovery

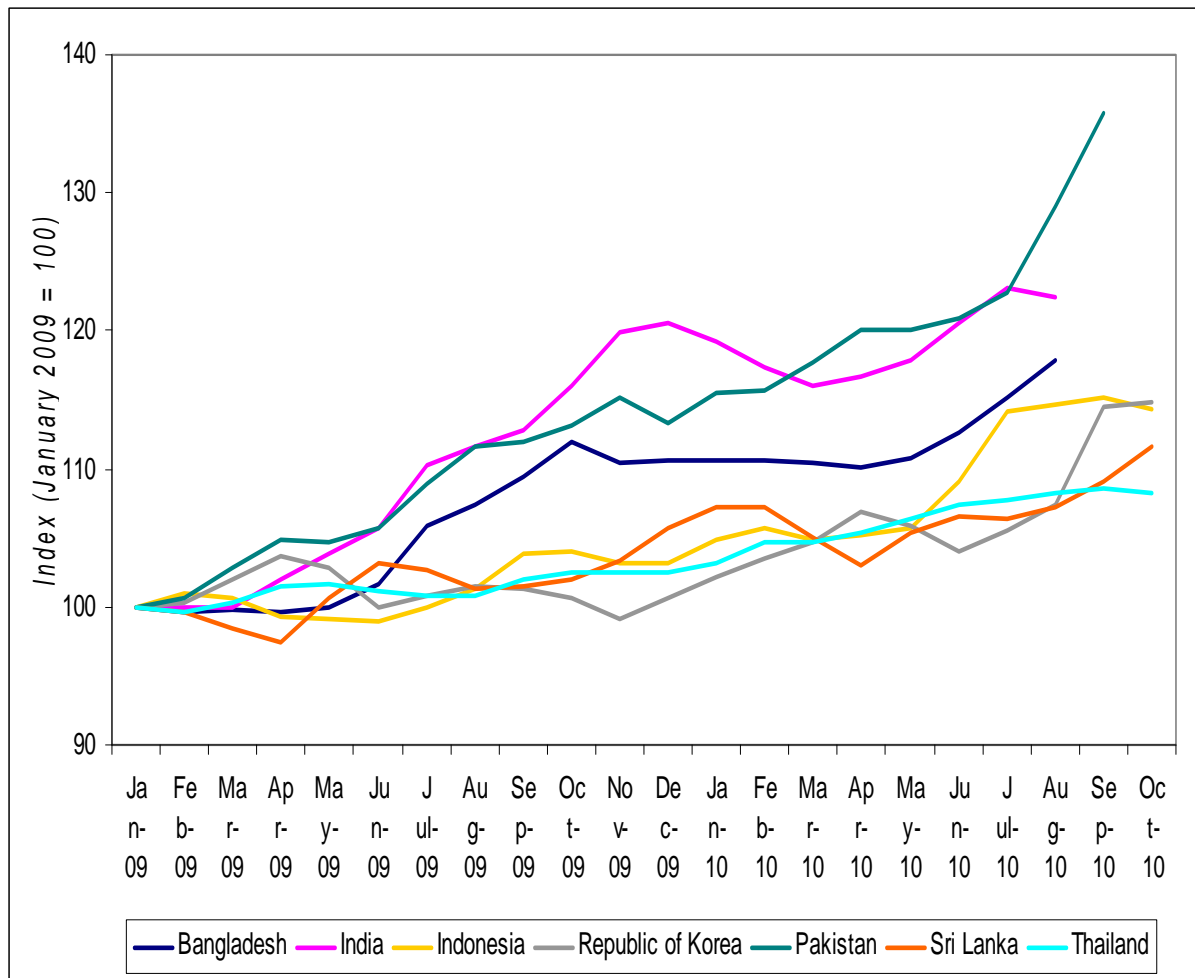
- Rising inflationary pressures with recovery
- Domestic demand led economies seeing greater rises
- Food price inflation is greatest concern for the poor





Policy challenges: Rising food prices

- Food price rises spurred by speculation and loose monetary policy in developed countries
- International action required on speculation through financial markets regulations
- Monetary policy blunt tool to deal with food price inflation in A-P
- Targeted measures to reduce food prices through using buffer stocks, price controls and social protection in short-run, and greater emphasis to agriculture in long-run



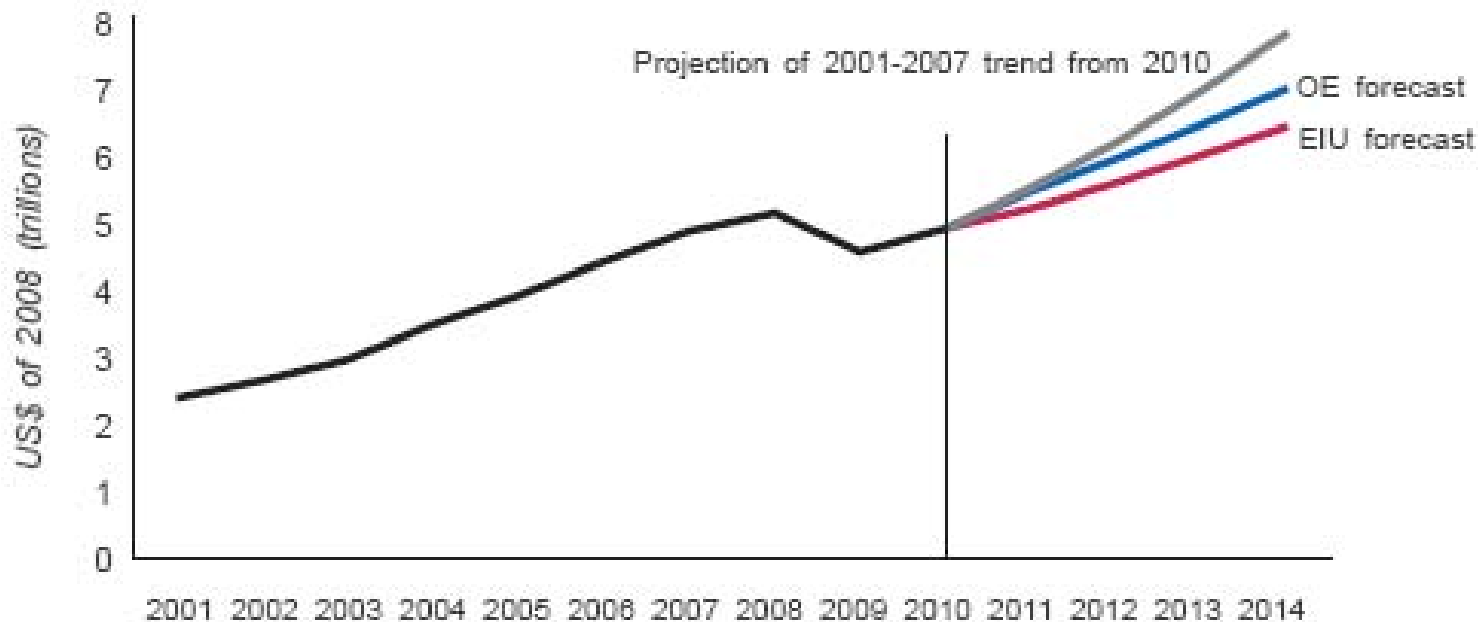


Sustaining the dynamism in medium term

Return to business as usual scenario difficult

- Debt fuelled consumption not sustainable in the US; a return to the pre-crisis trend of export demand is unlikely even with a recovery
- need for rebalancing Asian economies towards domestic and regional consumption and investment

FIGURE 21. Real exports of 11 major Asian economies

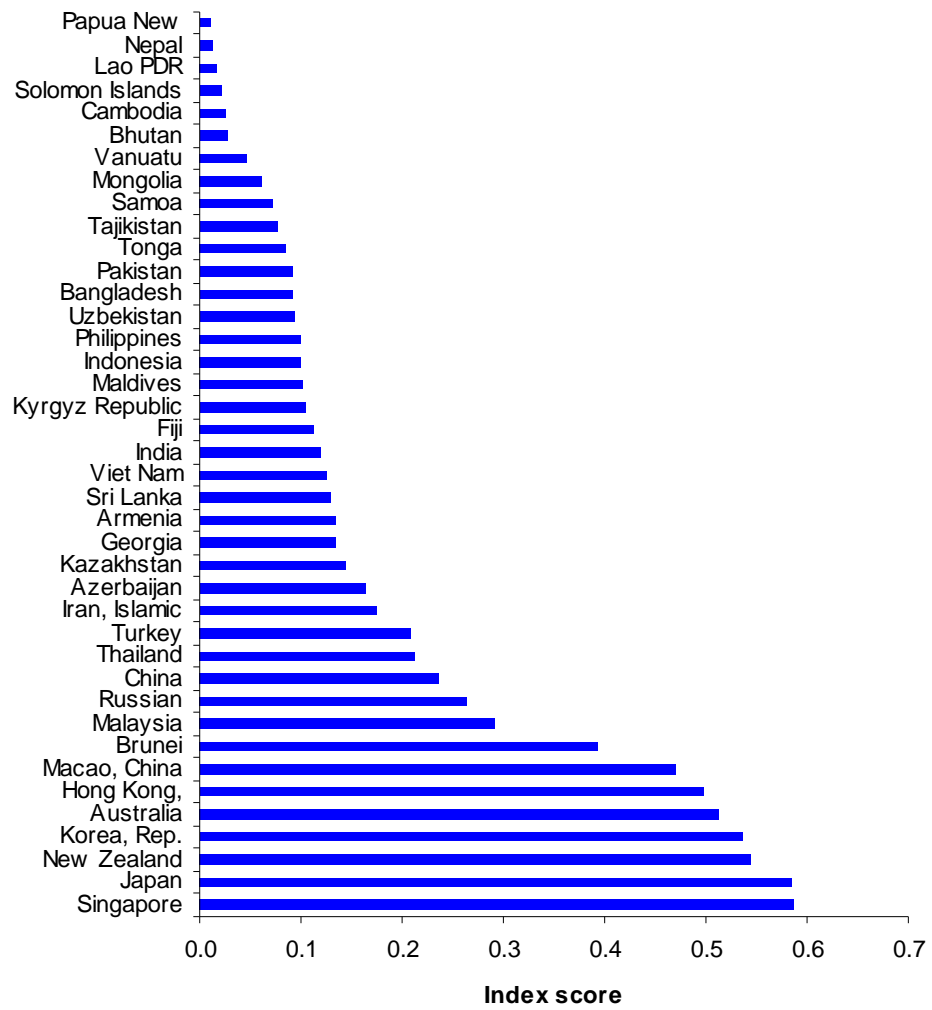




Poverty, MDGs and Infrastructure Gaps

- With 950 million people in poverty, Asia-Pacific region has large headroom for expanding aggregate demand and thus reducing dependence on external consumption
- Asia-Pacific region also lagging in terms of achieving many other MDG targets
- Wide infrastructure gaps in the region also provide an additional potential of generating demand in the region

Infrastructure Composite Scores in Asia-Pacific, 2007





Closing the infrastructural and MDG gaps requires huge investments

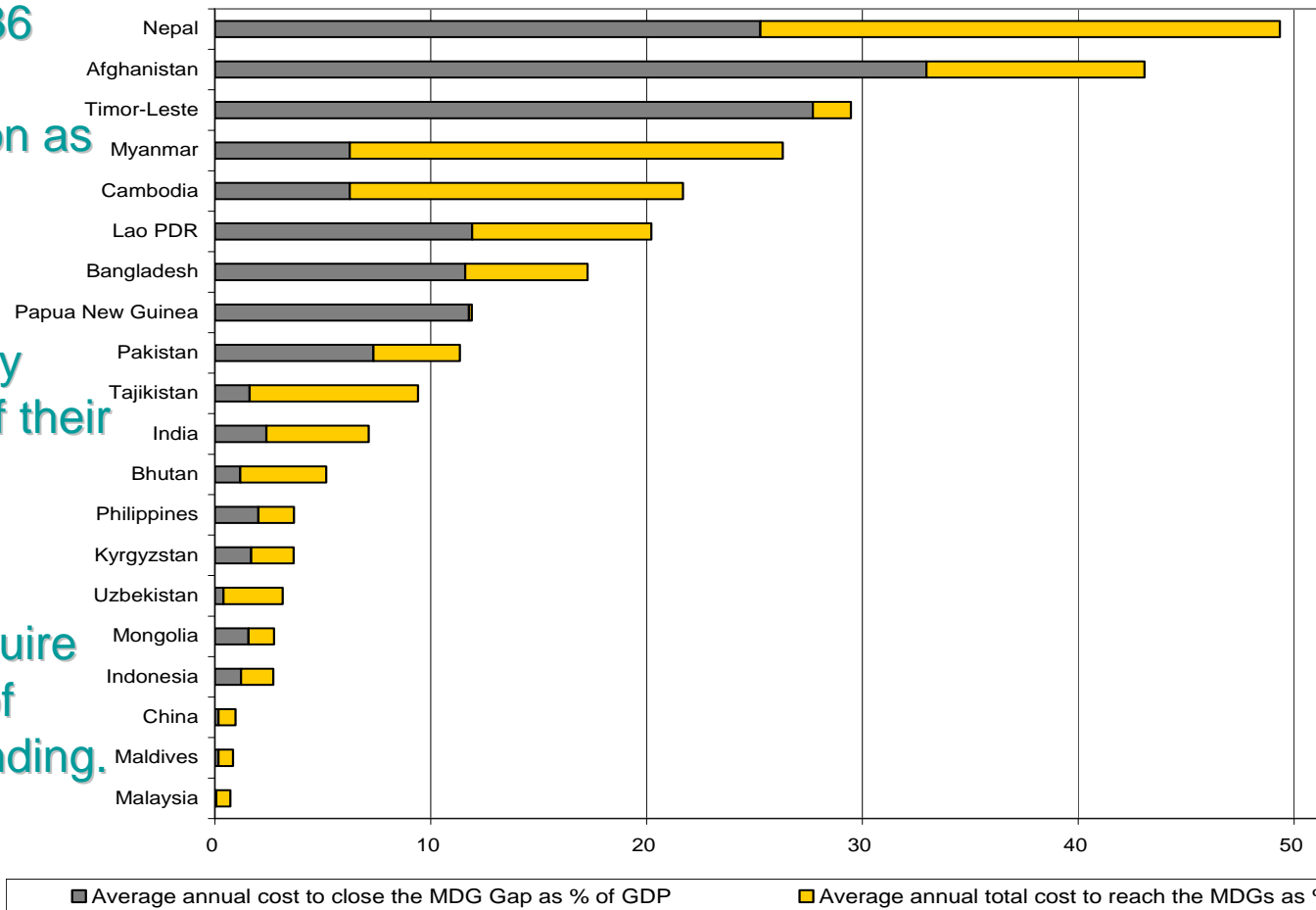
Infrastructure gaps alone require US\$ 800 billion of investment p.a.

Overall cost of closing MDG gaps at US\$ 636 billion may not seem daunting for the region as a whole.

But for some of the poorest countries they represent a high % of their GDP.

Role of ODA

In most countries require more than doubling of current levels of spending.





A policy agenda for enhancing domestic and regional consumption and investment

- Promoting agriculture and rural development
- Strengthening social protection
- Promoting financial inclusion
- Exploiting the potential of regional economic integration
 - Towards a broader seamless market
 - Integrated trade and transport policies for improved connectivity



Development of a regional architecture to exploit the potential of financial cooperation

- **Covering different financing needs of the diverse and growing region**
 - **Crisis response and management**
 - **Chiang-Mai Initiative and Beyond**
 - **Development finance and integration of capital markets**
 - **Cooperation among the trade financing agencies**
 - **Exchange rate cooperation**
 - **Evolving a regional perspective on reform of international financial architecture**



Thank you



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