REGIONAL ECONOMIC OUTLOOK

ASIA AND PACIFIC

ASIA AND PACIFIC DEPARTMENT

Recent developments & economic outlook

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INTERNATIONAL MONETARY FUND
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Key Takeaways: The 4 R's

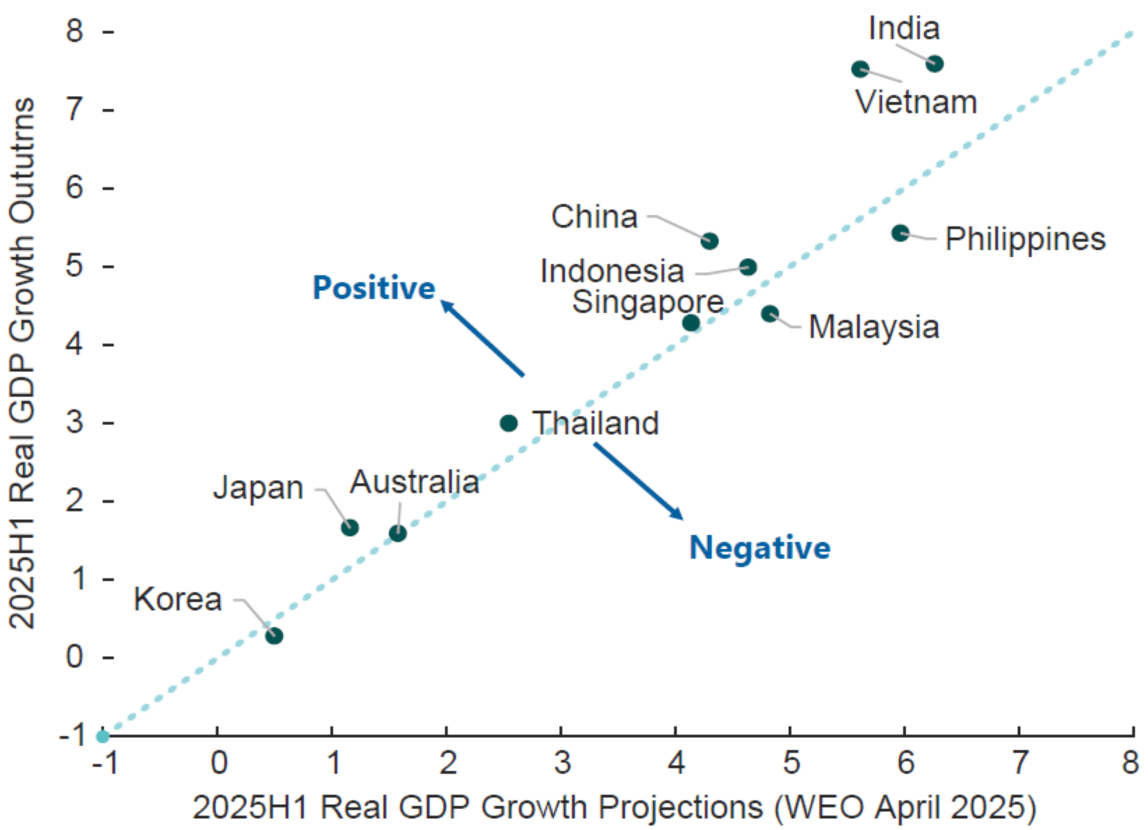
1. Asia-Pacific has shown Resilience in 2025…
2. …but Risks caution against complacency.
3. Need to Rebalance growth towards domestic demand and Renew Productivity Growth…
4. …and deepen Regional Integration to make growth durable and inclusive.

1. Asia-Pacific has shown **Resilience** in 2025…

Growth in 2025H1 has been Resilient

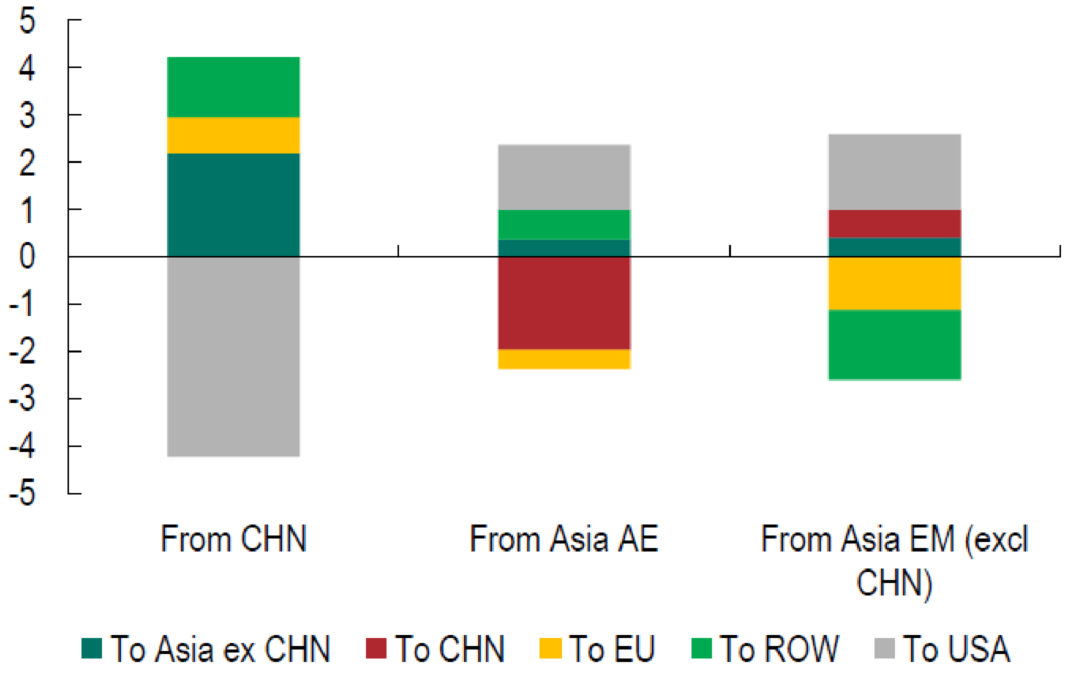
GDP growth has held up driven by robust exports, AI demand & policy easing

2025H1: Growth Surprised to the Upside
(Year-on-year growth, in percent)



Intra-regional trade has increased: loss in China's exports to the US were picked up by other countries

Change in Export Shares, April-June 2025 vs. 2024
(percent, simple average)



Source: Trade Data Monitor; and IMF staff calculations.
Note: Chart shows the change in average export shares, comparing the full year 2024 average to April-June 2025 average. Asia AE excludes Hong Kong.

Growth is Projected to Moderate

	World	Asia	AEs	EMDEs	China	Japan	India	Korea	Australia	PICs
2024	3.3	4.6	1.6	5.3	5.0	0.1	6.5	2.0	1.0	3.6
2025	3.2	4.5	1.6	5.2	4.8	1.1	6.6	0.9	1.8	2.9
Revisions since April 2025 WEO	0.4	0.6	0.3	0.6	0.8	0.5	0.4	-0.1	0.2	-0.2
2026	3.1	4.1	1.4	4.7	4.2	0.6	6.2	1.8	2.1	2.9
Revisions since April 2025 WEO	0.1	0.1	0.1	0.1	0.2	0.1	-0.1	0.4	0.1	0.2

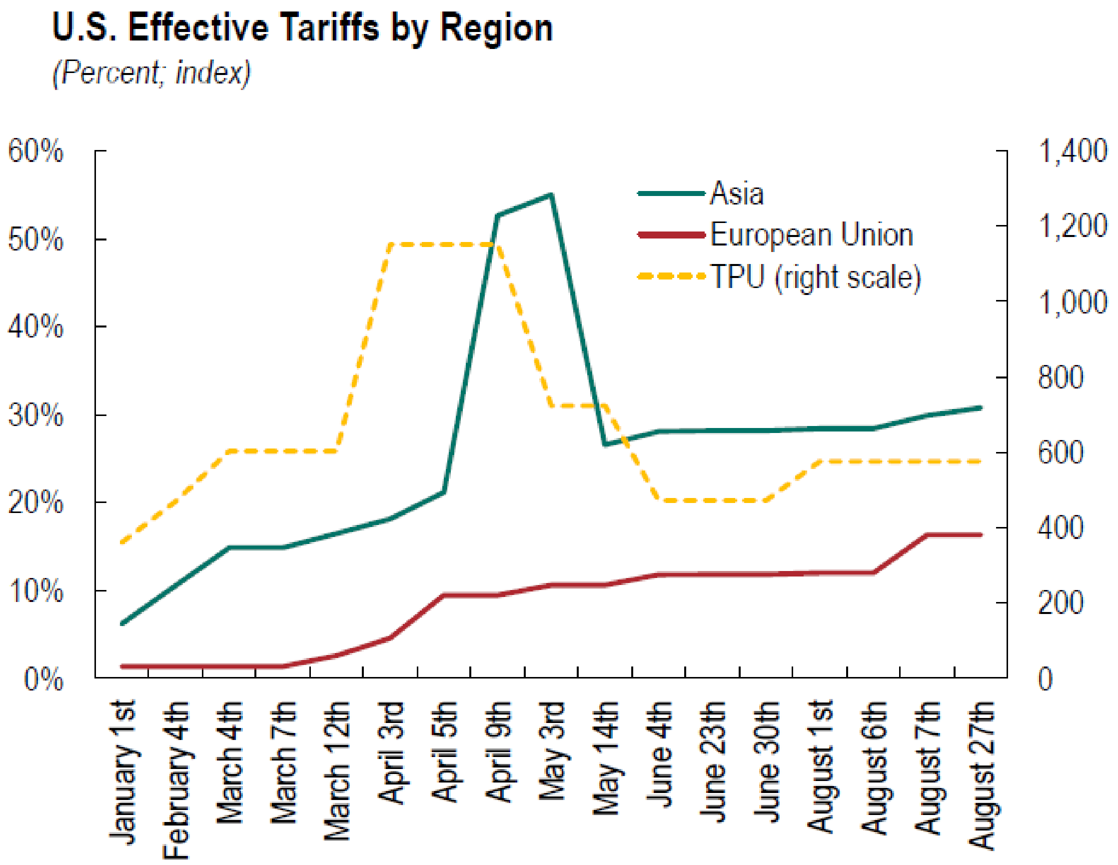
Source: 2025 October World Economic Outlook.

2. Risks present no room for complacency

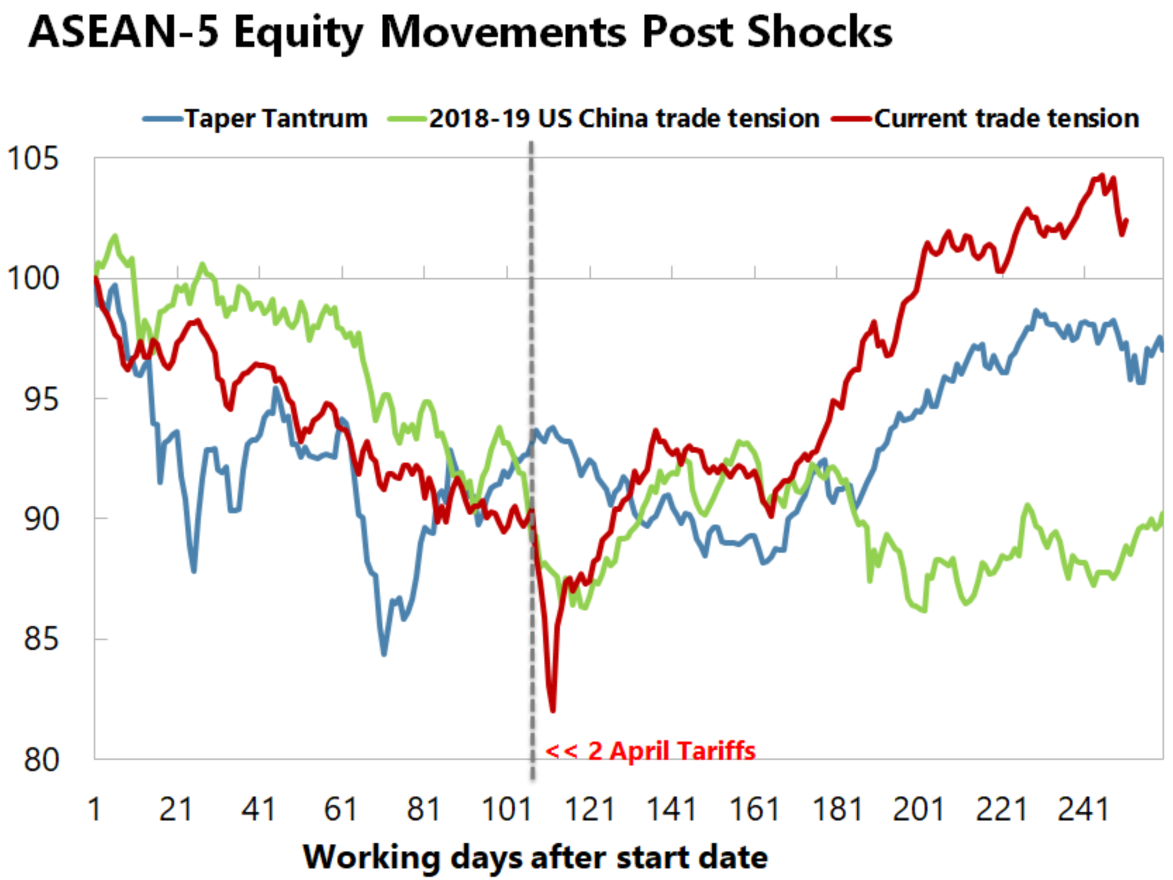
Risks to the Downside

Escalation in protectionist measures is a major downside risk

Tightening of financial conditions could amplify trade shocks



Sources: WTO; Haver Analytics; Caldara et al. (2020); and IMF staff calculations.
Note: Effective tariffs rates are weighted by the affected trade value (US imports by country, USD).



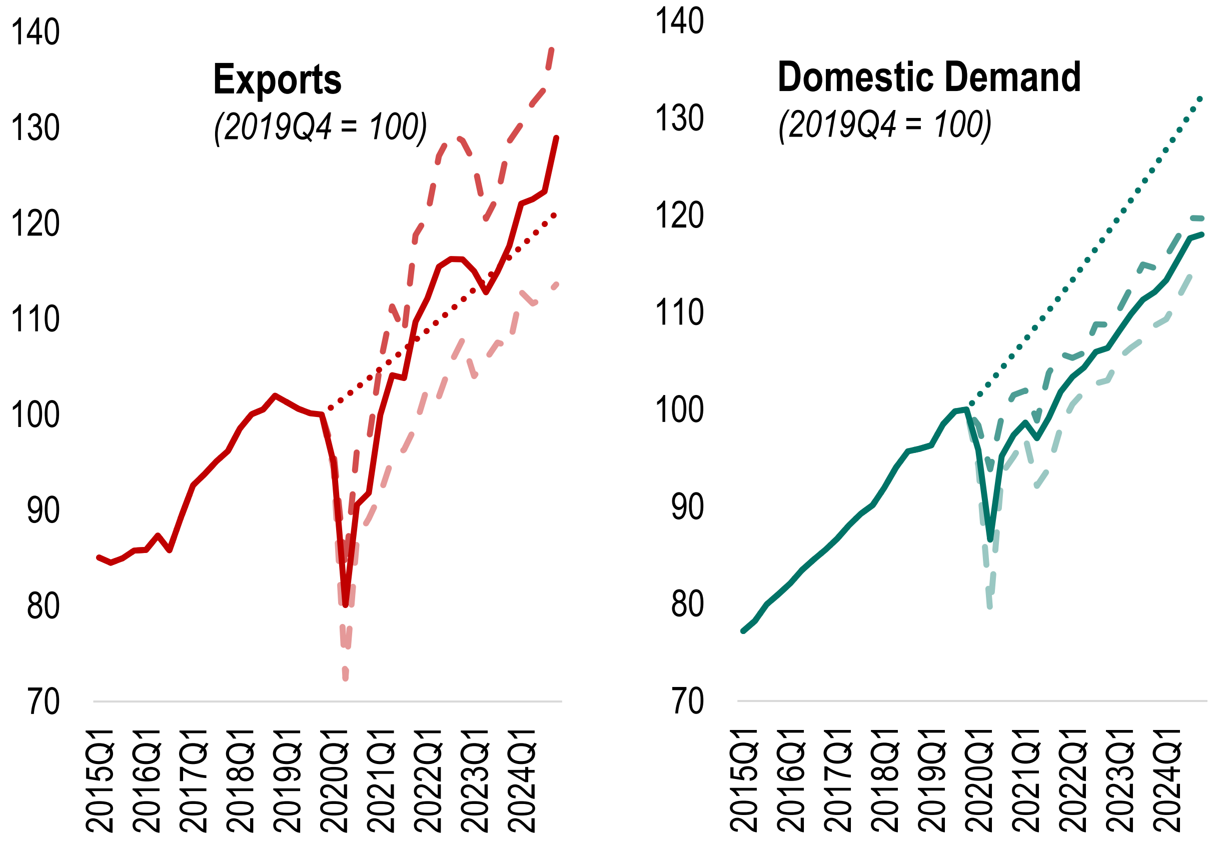
Sources: Bloomberg, IMF Staff Calculations.

3. Rebalance & Renew Growth

Domestic Demand Remains Below Pre-Pandemic Trend

Domestic demand in EMs has not fully recovered from the pandemic scarring, while exports caught up quickly.

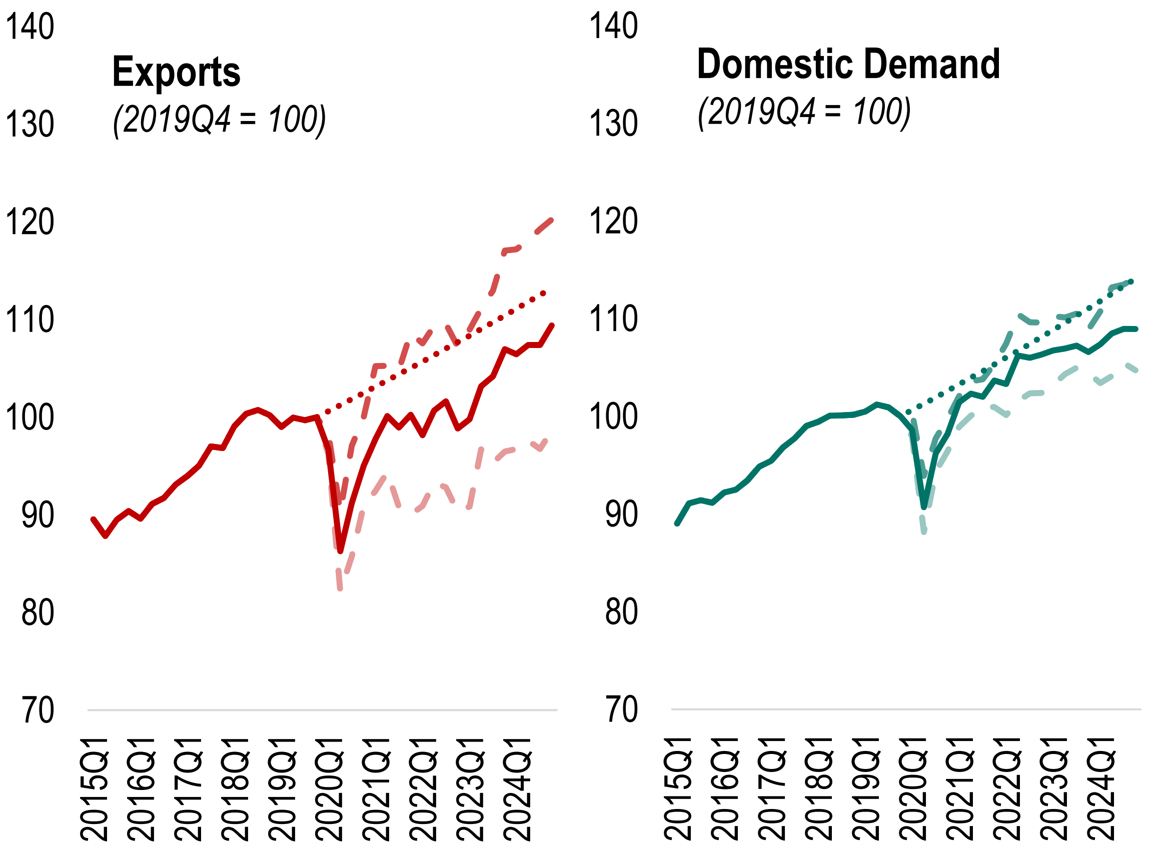
Emerging Asia



Source: Haver Analytics and IMF staff calculations.
Note: Emerging Asia = CHN, IND, IDN, PHL, THA and MYS. Dotted lines represent 5-year pre-pandemic trend. Dashed lines represent the first and third quantiles.

AEs has made up most pandemic damage, before the recent slack set in.

Advanced Asia

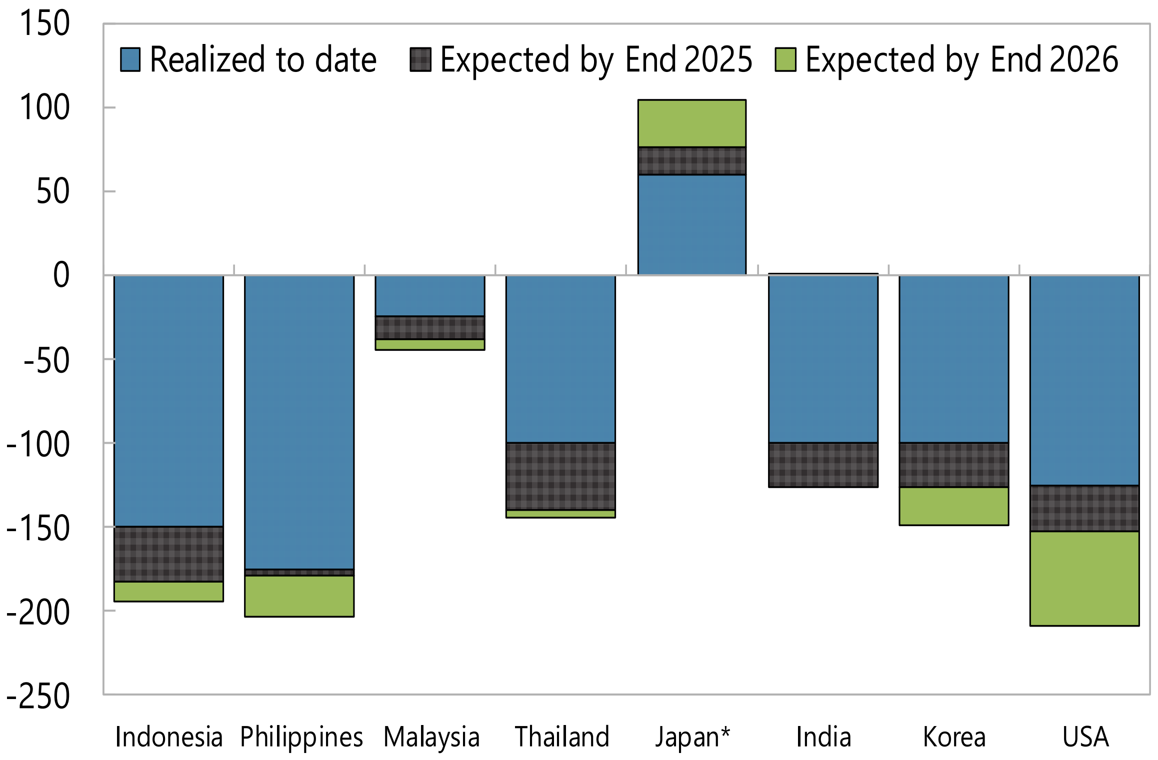


Source: Haver Analytics and IMF staff calculations.
Note: Advanced Asia = AUS, NZL, JPN, KOR, HKG and SGP. Dotted lines represent 5-year pre-pandemic trend. Dashed lines represent the first and third quantiles.

Targeted Fiscal & Monetary Support to Smooth the Impact of Trade Shocks in the Near-term…

Accommodative monetary policy likely to continue

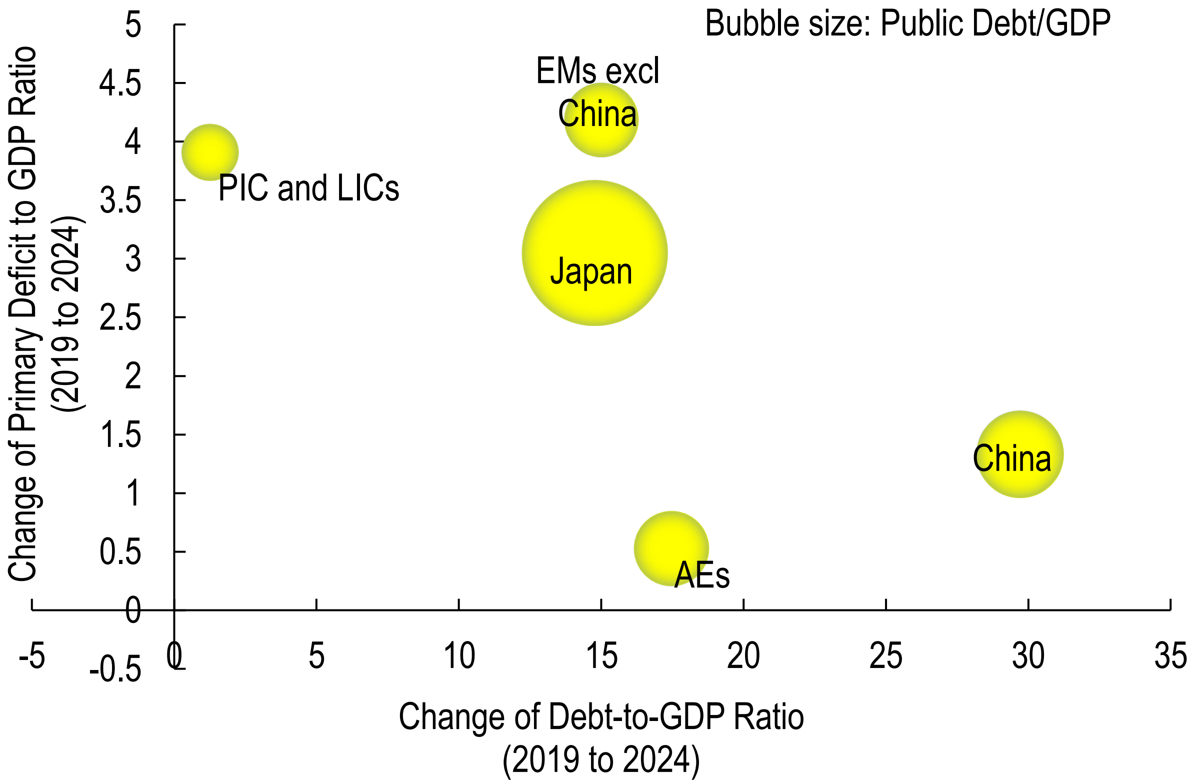
Cumulative Policy Rate Changes since Peak
(Percentage points change)



Sources: Bloomberg, IMF Staff Calculations. Note: Japan* is from trough amid hiking cycle. Expected based on median analysts forecasts.

Temporary and well-targeted fiscal support should be balanced with medium-term consolidation plans

Change of Debt and Primary Balance Ratios
(Percent of fiscal year GDP, simple average, from 2019 to 2024)

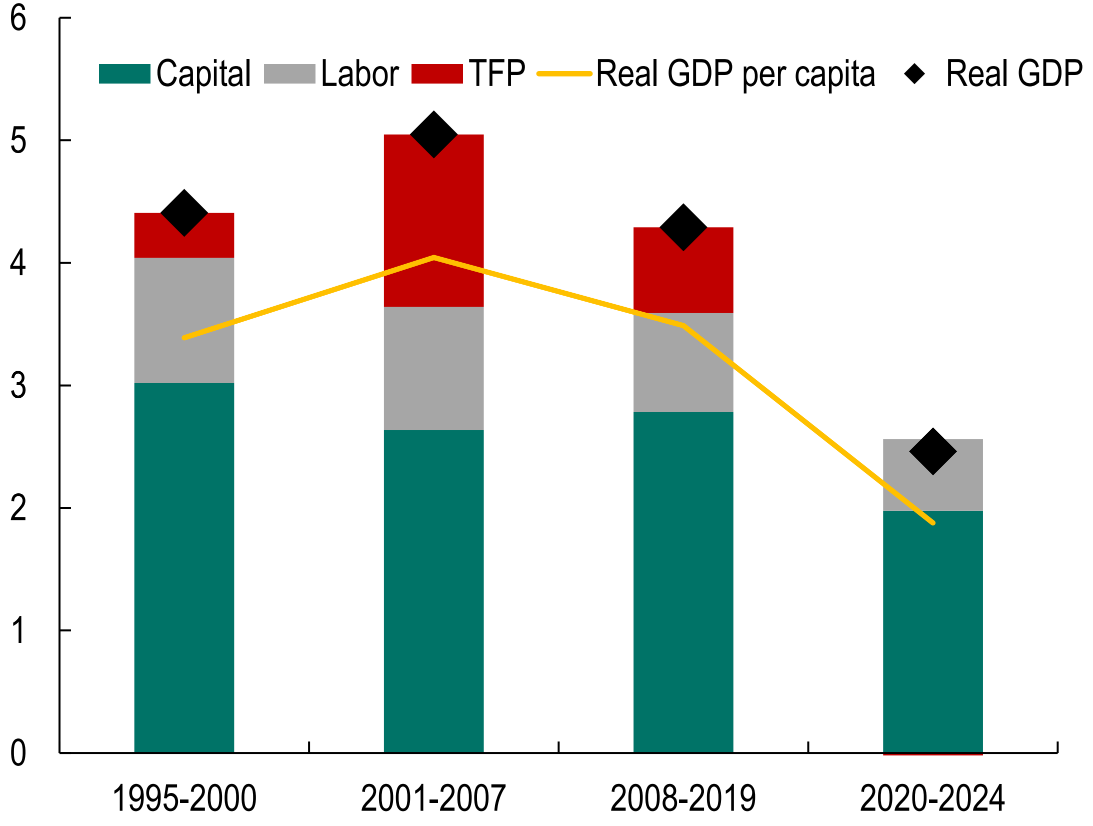


Source: Fiscal Monitor
Note: AE = advanced economies; EMs = emerging market, LICs= low -income countries; PICs= pacific island countries.

...Combined with Structural Reforms to Boost Productivity

Productivity growth slowed and remained sluggish

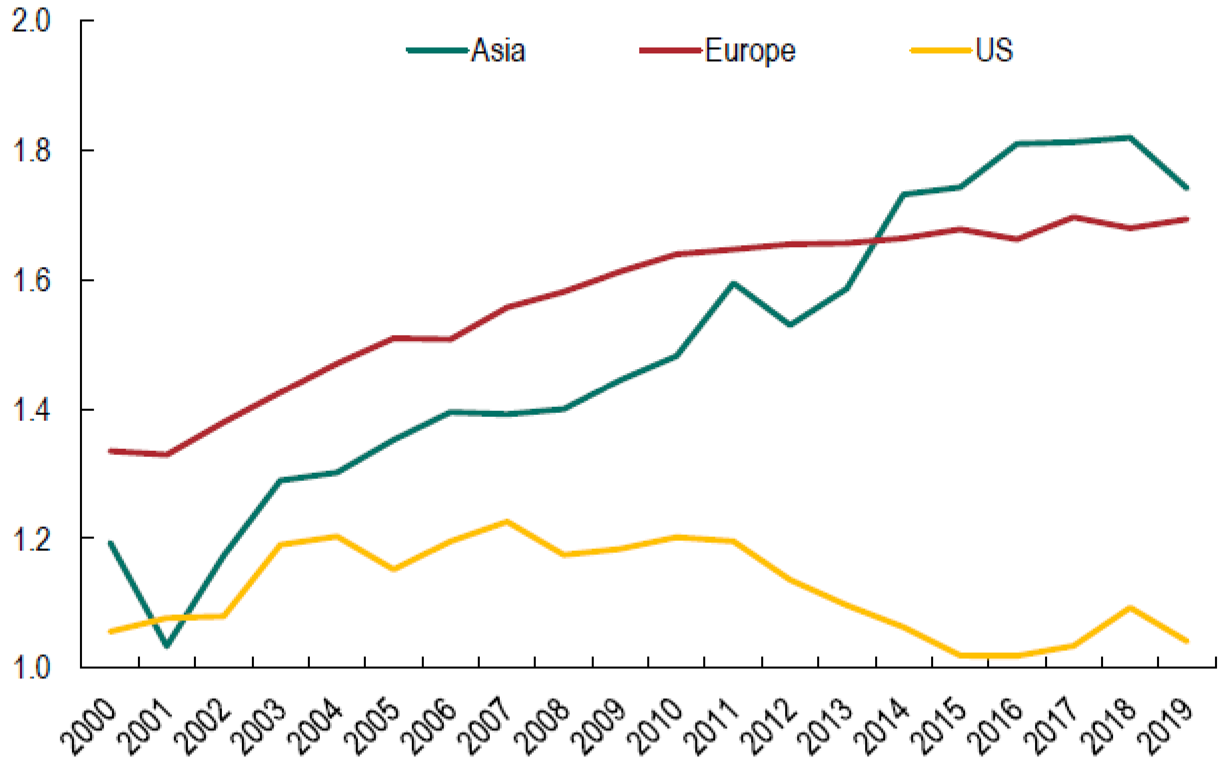
Real GDP Growth Drivers
(in Percent)



Source: Penn Table. .

Misallocation of capital across firms within sectors is higher in Asia

Capital Misallocation
(std. dev. of log marginal revenue product of capital)



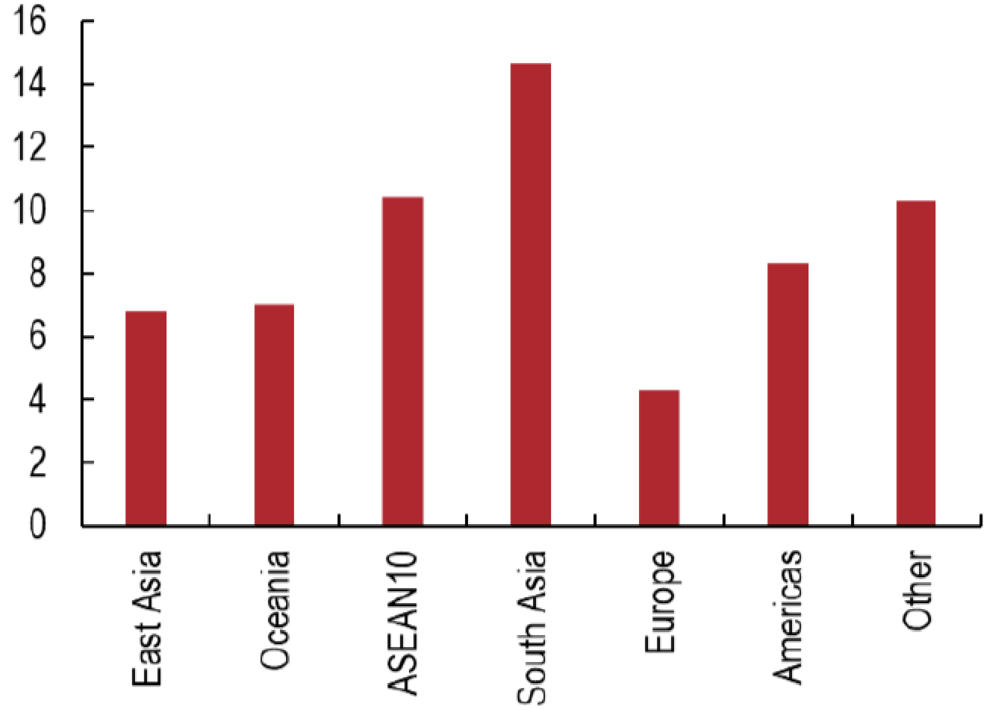
Source: Orbis and IMF staff calculations

4. Deepen Regional Integration

Deeper Regional Integration can Spur Growth

Non-tariff trade barriers are more extensive in Asian economies

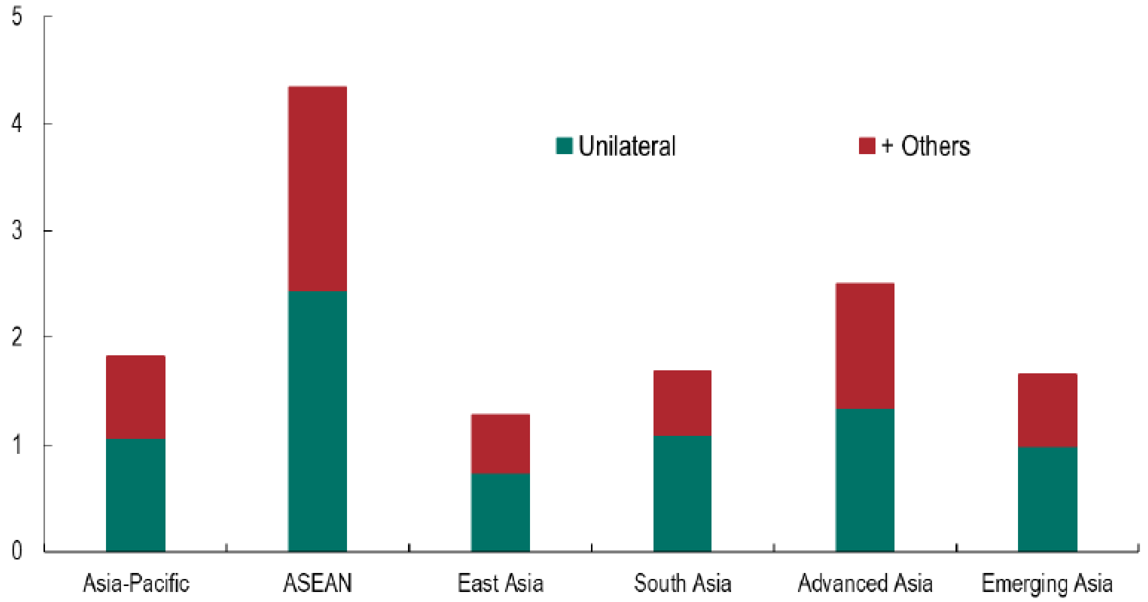
Non-Tariff Trade Restrictions, 2022
(Index, 0-20)



Source: Measure of Aggregate Trade Restrictions (MATR) and IMF staff calculation.
Notes: Simple averages across countries in each group. The index ranges from 0 to 20. A higher number indicates existence of restrictions in a wider set of categories related to exchange and trade restrictions.

Lowering trade barriers would generate sizable economic gains, even if done unilaterally

Real GDP gains by opening regionally
(percent; scenario targets maximum depth)



Source: IMF staff estimation.
Note: Scenario reflects Asia-Pacific economies targeting integration to the maximum depth scores in trade agreements within region.

Thank You