| **China** |
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| **Context**  1. **Economic Growth**: China’s economy rebounded post-COVID, with real GDP growth estimated around 5% for 2023, driven by domestic demand. 2. **Policy Priorities**: Emphasis on macroeconomic support and structural reforms for sustainable growth and risk mitigation.  **Recent Developments**  1. **Economic Performance**:    * Real GDP grew at 5.2% in the first three quarters of 2023.    * Consumption rebounded, contributing significantly to growth.    * Headline inflation turned negative due to declining food and energy prices.    * Current account surplus declined to 1.6% of GDP in the first three quarters of 2023. 2. **Labor Market**:    * Urban unemployment rate declined to pre-pandemic levels.    * Youth unemployment remains high due to structural factors and high graduation rates. 3. **Fiscal Policy**:    * Fiscal support focused on tax relief and investment in disaster prevention.    * Total debt-to-GDP increased, driven by local government (LG) debt and off-budget debt. 4. **Monetary Policy**:    * The PBC eased monetary policy, including reducing reserve requirements and interest rates.    * Financial conditions remain tight for distressed property developers and LG financing vehicles (LGFVs). 5. **Property Sector**:    * Continued weakening with a significant contraction in residential investment.    * Slumping home sales and the default of major developers worsened market conditions. 6. **Financial Sector**:    * Elevated vulnerabilities with rising credit risks and declining bank profitability.    * Banks face asset quality deterioration due to the property market downturn and pandemic-related losses.  **Outlook and Risks**  1. **Growth and Inflation**:    * Growth projected to slow to 4.6% in 2024 due to property sector weakness.    * Core inflation expected to increase gradually to 1.3% in 2024.    * Medium-term growth projected to decline to about 3.5% by 2028 due to structural headwinds. 2. **Risks**:    * Downside risks include deeper property sector contraction, weaker external demand, and geopolitical tensions.    * Upside risks involve stronger-than-expected policy support and faster property sector restructuring.  **Economic Policies**  1. **Property Sector**:    * Accelerate exit of nonviable property developers.    * Support housing completion and balance sheet repair for viable developers.    * Allow greater market-based price adjustment and provide alternative investment options for households. 2. **Fiscal Policy**:    * Implement a central government-led strategy to reduce LG debt.    * Increase transfers to households to support consumption.    * Strengthen the social safety net to reduce precautionary savings. 3. **Financial Sector**:    * Strengthen prudential policies and remove forbearance measures.    * Address risks from sectors with unsustainable debt through corporate restructuring and insolvency mechanisms.    * Enhance crisis management framework and financial safety nets. 4. **Monetary Policy**:    * Ease monetary policy to support near-term recovery.    * Reform monetary policy framework to improve transmission.    * Increase exchange rate flexibility to absorb external shocks. 5. **Structural Reforms**:    * Boost productivity through pro-market reforms and SOE reforms.    * Improve labor market policies and education to mitigate skill mismatches.    * Increase retirement age to address labor force decline. 6. **Industrial Policies and Trade**:    * Minimize distortive elements of industrial policy programs.    * Avoid trade and investment restrictions to reduce fragmentation pressures. 7. **Climate**:    * Accelerate efforts to peak emissions and decarbonize.    * Implement power sector reforms and use market-based electricity pricing.  **Authorities' Views**  1. **Growth and Recovery**:    * Authorities confident in reaching the growth target of about 5% in 2023.    * Emphasis on high-quality growth driven by consumption and the service sector. 2. **Risks and Outlook**:    * Authorities highlight external factors as key risks, including global slowdown and geopolitical tensions.    * Expectation of real estate sector stabilization and continued policy support for robust growth. 3. **External Sector**:    * Authorities agree with the IMF’s assessment of China’s external position.    * Confidence in the normalization of capital flows as the economic recovery proceeds.  **Tables and Figures**  1. **Selected Economic Indicators**:    * Real GDP growth, inflation rates, current account balance, augmented debt. 2. **Labor Market**:    * Urban unemployment rate, youth unemployment rate. 3. **Property Sector**:    * Residential investment, home sales, property price adjustments. 4. **Fiscal Data**:    * General government fiscal data, debt-to-GDP ratio. 5. **External Sector**:    * Balance of payments, trade balance, capital and financial account.  **Recommendations**  1. **Economic Transition**:    * Support property market adjustment and sustainable LG public finances.    * Implement structural reforms for higher-quality growth. 2. **Fiscal and Monetary Policies**:    * Fiscal consolidation to manage debt levels.    * Monetary easing to support recovery and reform of policy framework. 3. **Financial Sector**:    * Strengthen prudential policies and crisis management framework.    * Address vulnerabilities in banks and nonbank financial intermediaries. 4. **Structural Reforms**:    * Boost productivity and ensure competitive neutrality.    * Expand social safety net to support balanced growth. 5. **Climate and Trade**:    * Accelerate decarbonization efforts and minimize trade distortions.    * Strengthen multilateral economic cooperation and address global challenges. |
| **Japan** |
| **Context**  1. **Economic Growth**: Japan's economy is growing post-pandemic with broad-based price increases after three decades of low inflation. 2. **Policy Priorities**: The Kishida administration focuses on a "new form of capitalism" and children-related policies, increasing the fiscal burden.  **Recent Developments**  1. **Economic Performance**:    * Real GDP surpassed pre-pandemic levels in 2023.    * The recovery is uneven; exports are strong, but private consumption and investment lag.    * Headline inflation has been above 2% since April 2022.    * The current account surplus rose to 3.4% of GDP in 2023. 2. **Labor Market and Wages**:    * Labor market tight with high participation and low unemployment.    * Nominal wage growth started picking up, influenced by strong annual wage negotiations (Shunto). 3. **Fiscal Stimulus**:    * A new fiscal stimulus package announced in November 2023 includes income tax cuts, cash transfers, and subsidies.    * Japan's primary deficit remains high, contributing to a debt-to-GDP ratio of around 252%. 4. **Monetary Policy**:    * BoJ ended its negative interest rate policy and overhauled its monetary policy framework in March 2024.    * BoJ now targets a short-term policy rate and has ceased asset purchases under Quantitative and Qualitative Easing (QQE). 5. **Financial Sector**:    * The financial system is broadly resilient but faces vulnerabilities from high foreign currency exposures and real estate market overheating.    * BoJ's balance sheet remains large but is set to reduce as JGB purchases stabilize.  **Outlook and Risks**  1. **Growth and Inflation**:    * Growth expected to decelerate to 0.9% in 2024, with consumption picking up later in the year.    * Core inflation projected to stay above 2% until the second half of 2025.    * Long-term challenges include an aging population and low productivity growth. 2. **Risks**:    * Downside risks include global economic slowdown, geoeconomic fragmentation, and domestic labor shortages.    * Upside risks involve stronger-than-expected wage growth and tourism recovery.  **Economic Policies**  1. **Fiscal Policy**:    * Emphasis on fiscal consolidation to ensure debt sustainability.    * New spending should be offset by higher revenues or savings elsewhere.    * Proposals include increasing the consumption tax rate and rationalizing allowances in personal income taxation. 2. **Monetary Policy**:    * Gradual rate hikes to anchor inflation at the 2% target.    * Effective communication strategy crucial for smooth policy transitions.    * Continued accommodative conditions until inflation expectations are well-anchored. 3. **Financial Stability**:    * Enhanced oversight of financial institutions and real estate markets.    * Potential vulnerabilities in the real estate sector require close monitoring.    * Strengthening macroprudential policies and systemic risk assessment is necessary. 4. **Structural Reforms**:    * Focus on fertility, female leaders, startups, and green economy.    * Expansion of childcare facilities and labor market reforms to close gender gaps.  **Authorities' Views**  1. **Growth and Inflation**:    * Authorities align with the IMF's growth projections and expect inflation to decline in 2024.    * Emphasis on the importance of domestic factors driving inflation. 2. **Fiscal and Monetary Policies**:    * Committed to medium-term fiscal consolidation.    * Gradual rate hikes anticipated to maintain accommodative conditions. 3. **Financial Sector**:    * Agree on the need for enhanced risk management and oversight.    * Acknowledged the resilience of Japanese banks to foreign currency funding risks.  **Tables and Figures**  1. **Economic Indicators (2020-2025)**:    * Real GDP growth, inflation rates, government revenue and expenditure, current account balance. 2. **Monetary and Credit Conditions**:    * Trends in base and broad money, credit to the private sector, and interest rates.  **Recommendations**  1. **Fiscal Discipline**:    * Targeted spending and revenue mobilization crucial for long-term sustainability.    * Strengthening the medium-term fiscal framework and budgetary controls. 2. **Monetary Policy**:    * Gradual rate adjustments aligned with economic data.    * Maintain flexibility in JGB purchases to manage yield fluctuations. 3. **Financial Sector**:    * Enhance supervision and crisis management frameworks.    * Address vulnerabilities in real estate and foreign currency exposures. 4. **Structural Reforms**:    * Labor market reforms to boost productivity and support demographic challenges.    * Policies to encourage green economy initiatives and female labor participation. |
| **India** |
| **Context**  1. **Economic Growth**: India’s economy has rebounded strongly from the pandemic, becoming a significant driver of global growth. 2. **Policy Priorities**: Focus on replenishing fiscal buffers, securing price stability, maintaining financial stability, and accelerating inclusive growth through structural reforms.  **Recent Developments**  1. **Economic Performance**:    * Real GDP grew at 7.2% in FY2022/23, supported by robust consumption and investment.    * Headline inflation moderated but remains volatile due to food price shocks.    * The current account deficit widened to 2% of GDP in FY2022/23. 2. **Labor Market**:    * Employment surpassed pre-pandemic levels, with informal sector dominance and ongoing formalization.    * The labor force participation rate increased to 54.6% in AY2022/23. 3. **Fiscal Policy**:    * Fiscal deficit narrowed in FY2022/23 due to expenditure compression and buoyant revenues.    * Total debt-to-GDP remains elevated, driven by central and state government debts. 4. **Monetary Policy**:    * RBI tightened monetary policy, raising the policy rate by 250 bps since May 2022.    * Liquidity management remains crucial to support productive sectors while preserving financial stability. 5. **Financial Sector**:    * Financial sector remains resilient with improved balance sheets and stronger capital buffers.    * Bank credit growth reached the highest level since 2013, driven by lending to personal borrowers and MSMEs. 6. **External Sector**:    * The rupee’s exchange rate remained within a narrow range, supported by FX interventions.    * FX reserves stood at US$587 billion as of end-September 2023, covering more than 7 months of imports.  **Outlook and Risks**  1. **Growth and Inflation**:    * Growth projected at 6.3% for FY2023/24 and FY2024/25, supported by investment and infrastructure spending.    * Inflation expected to decline gradually, converging to the RBI’s 4% target over the medium term. 2. **Current Account**:    * CAD projected to narrow to 1.8% of GDP in FY2023/24, with resilient services exports and lower oil import costs. 3. **Medium-term Growth**:    * Potential growth estimated at 6.3%, with higher contributions from labor and human capital if reforms are implemented. 4. **Risks**:    * Downside risks include global growth slowdown, supply disruptions, and domestic weather shocks.    * Upside risks involve stronger consumer demand, private investment, and further foreign investment liberalization.  **Economic Policies**  1. **Fiscal Policy**:    * Ambitious medium-term consolidation to lower debt and support inclusive growth.    * Revenue mobilization through GST rationalization and improved tax administration.    * Expenditure efficiency through targeted subsidies and digital infrastructure. 2. **Monetary Policy**:    * Data-dependent approach to ensure price stability and guide inflation towards the 4% target.    * Greater exchange rate flexibility to absorb external shocks and mitigate risks. 3. **Financial Sector**:    * Continued supervision and use of prudential tools to manage emerging vulnerabilities.    * Strengthen regulatory and supervisory frameworks, enhance bank governance, and deepen capital markets. 4. **Structural Reforms**:    * Focus on high-quality job-rich growth, labor market reforms, and female labor force participation.    * Investment in infrastructure, health, education, land, and agriculture to boost potential growth.    * Removal of trade restrictions to support growth and improve global food supply.    * Climate policies to achieve net-zero emissions target.  **Authorities' Views**  1. **Economic Outlook**:    * Authorities project growth at 6.5% for FY2023/24, driven by infrastructure investment and robust consumption.    * Inflation expected to moderate to 4.5% in FY2024/25. 2. **Fiscal and Monetary Policies**:    * Commitment to fiscal deficit target of 4.5% of GDP by FY2025/26.    * Monetary policy actions to remain data-dependent and transparent. 3. **Financial Sector**:    * Authorities emphasize the need for vigilant supervision and resilience in the financial sector.    * Support for public banks to continue building capital buffers and improve governance. 4. **Structural Reforms**:    * Focus on leveraging favorable demographics through structural reforms.    * Emphasis on climate policies and international cooperation to achieve development goals.  **Tables and Figures**  1. **Economic Indicators**:    * Real GDP growth, inflation rates, fiscal balance, and current account balance. 2. **Labor Market**:    * Labor force participation rate, employment sectors, and wage dynamics. 3. **Financial Sector**:    * Bank credit growth, non-performing assets, and capital buffers. 4. **External Sector**:    * FX reserves, exchange rate movements, and trade restrictions.  **Recommendations**  1. **Fiscal Discipline**:    * Enhance revenue mobilization and expenditure efficiency to lower debt and support growth.    * Develop a robust medium-term fiscal framework to promote transparency and accountability. 2. **Monetary Policy**:    * Maintain a data-dependent approach to achieve price stability.    * Use FX interventions judiciously to address disorderly market conditions. 3. **Financial Sector**:    * Strengthen prudential policies and regulatory frameworks.    * Promote resilience in financial institutions and manage emerging risks. 4. **Structural Reforms**:    * Implement comprehensive reforms to boost productivity and inclusive growth.    * Enhance labor market policies, increase female labor force participation, and improve social infrastructure.    * Accelerate climate policies to meet emissions targets and promote sustainable development. 5. **International Cooperation**:    * Foster bilateral trade agreements and liberalize the FDI regime.    * Strengthen global economic cooperation and address common challenges. |
| **South Korea** |
| **Context**  1. **Economic Challenges**: Korea faced inflation and a growth slowdown post-pandemic, with growth starting to slow in mid-2022 due to weak global demand for electronics and weakening domestic demand. 2. **Policy Priorities**: Focus on managing inflation, supporting economic recovery, ensuring financial stability, and addressing long-term challenges from an aging population.  **Recent Developments**  1. **Economic Performance**:    * Real GDP grew by 2.6% in 2022, down from 4.3% in 2021.    * Growth is recovering with a 0.6% increase in Q3 2023, driven by exports and moderate improvements in consumption and investment.    * Headline inflation peaked at 6.3% in mid-2022, declining to 3.7% in September 2023.    * Core inflation decreased from 4.3% in November 2022 to 3.3%. 2. **Labor Market**:    * Unemployment rate dropped to 2.6% in September 2023.    * Wage growth has moderated, especially in manufacturing, easing inflationary pressures. 3. **Fiscal Policy**:    * Fiscal support for small businesses was withdrawn in 2022H2.    * The central government fiscal deficit stood at 3% of GDP in 2022, with debt around 48% of GDP. 4. **Monetary Policy**:    * Bank of Korea (BoK) held the policy rate at 3.5% since February 2023 after cumulative hikes of 300 bps. 5. **Financial Sector**:    * Policies eased liquidity stress in corporate debt markets.    * Housing market stabilized, but household debt increased to about 101.7% of GDP in 2023Q2.    * Credit cooperatives faced liquidity stress, which subsided after policy measures. 6. **External Sector**:    * Current account surplus narrowed to 1.8% of GDP in 2022.    * Foreign exchange reserves were $414 billion in August 2023.    * Exchange rate moderately recovered in 2023, with reduced FX intervention.  **Outlook and Risks**  1. **Growth and Inflation**:    * Growth expected to reach 1.4% in 2023 and 2.2% in 2024.    * Inflation projected to decline to 3% by end-2023 and approach 2% target by end-2024. 2. **Current Account**:    * Expected to gradually recover to 4% of GDP in the medium term. 3. **Risks**:    * Downside risks include weak global growth, tighter monetary policy, and geopolitical tensions.    * Upside risks involve faster global semiconductor demand recovery and declining global inflation.  **Economic Policies**  1. **Monetary Policy**:    * Maintain restrictive policy stance to address inflation.    * FX intervention should remain limited to preventing disorderly market movements. 2. **Fiscal Policy**:    * Continue fiscal normalization to limit public debt rise and support disinflation.    * Align domestic energy prices with international prices to ensure financial health of public utilities. 3. **Financial Sector**:    * Keep financial support measures temporary and targeted.    * Strengthen financial institutions’ liquidity and loss absorption capacities. 4. **Structural Reforms**:    * Implement labor market reforms to increase flexibility and reduce gender gaps.    * Foster innovation and productivity growth, especially in the service sector.    * Advance pension reforms to ensure long-term sustainability.  **Authorities' Views**  1. **Economic Outlook**:    * Authorities expect gradual economic recovery and alignment with IMF's growth projections. 2. **Monetary and Fiscal Policies**:    * Commitment to maintaining restrictive monetary policy.    * Emphasis on non-distortionary, open trade policies. 3. **Financial Sector**:    * Focus on addressing vulnerabilities in NBFIs and strengthening regulatory frameworks.    * Plans to tighten mortgage support programs and manage household debt.  **Tables and Figures**  1. **Selected Economic Indicators**:    * Real GDP growth, inflation rates, fiscal balance, and current account balance. 2. **Financial Sector**:    * Bank credit growth, non-performing assets, and capital buffers. 3. **External Sector**:    * FX reserves, exchange rate movements, and trade restrictions.  **Recommendations**  1. **Monetary and Fiscal Policies**:    * Stay the course on restrictive monetary policy.    * Limit FX intervention to disorderly market conditions.    * Continue fiscal consolidation to manage debt levels and support disinflation. 2. **Financial Sector**:    * Enhance liquidity and loss absorption capacities of financial institutions.    * Keep financial support measures temporary and targeted. 3. **Structural Reforms**:    * Implement labor market reforms to reduce rigidity and gender gaps.    * Strengthen innovation policies and productivity growth in the service sector.    * Ensure climate policies align with ambitious mitigation goals. |
| **Indonesia** |
| **Context**  1. **Economic Growth**: Indonesia’s economy showed strong performance in 2022 with a growth rate of 5.3%, driven by domestic demand and solid export performance. 2. **Policy Priorities**: Emphasis on fiscal discipline, monetary tightening to control inflation, and structural reforms to promote a resilient and inclusive growth trajectory.  **Recent Developments**  1. **Economic Performance**:    * **GDP Growth**: Indonesia’s GDP grew by 5.3% in 2022, supported by high global commodity prices and recovery in domestic demand.    * **Inflation**: Inflation peaked at 6% in 2022 but is expected to fall within Bank Indonesia’s target range (3±1%) by the second half of 2023.    * **Current Account Balance**: Stood at 1% of GDP in 2022 but is projected to turn into a small deficit in 2023. 2. **Fiscal Policy**:    * **Deficit Reduction**: Achieved a 3% deficit ceiling one year earlier than envisaged, with a deficit of 2.4% of GDP in 2022.    * **Revenue and Expenditure**: Revenue mobilization and energy subsidy reforms are key focus areas to maintain fiscal discipline. 3. **Monetary Policy**:    * **Rate Hikes**: Bank Indonesia (BI) raised the policy rate by 225 basis points to 5.75% to address inflation.    * **FX Reserves**: FX reserves were US$137 billion at the end of 2022, deemed adequate. 4. **Financial Sector**:    * **Bank Resilience**: Indonesian banks are well-capitalized, with a regulatory capital ratio of 26% as of February 2023.    * **Non-performing Loans**: The ratio of non-performing loans declined to 2.4% by December 2022.  **Outlook and Risks**  1. **Growth Projections**:    * **GDP Growth**: Projected to moderate slightly to 5% in 2023 due to tighter domestic policy settings and normalization of commodity prices.    * **Inflation**: Expected to return to the target range in the second half of 2023 and fall to 3% by mid-2024. 2. **Risks**:    * **Downside Risks**: Include global economic slowdown, lower commodity prices, and volatility in global financial markets.    * **Upside Risks**: Stronger-than-expected recovery in China, robust domestic demand, and lower global inflation.  **Policy Recommendations**  1. **Fiscal Policy**:    * **Medium-term Strategy**: Emphasis on a concrete medium-term fiscal strategy, revenue mobilization, and energy subsidy reforms.    * **Social Protection**: Expand and improve social protection programs to support vulnerable households and facilitate subsidy reforms. 2. **Monetary Policy**:    * **Neutral Stance**: Maintaining a broadly neutral monetary policy stance to bring inflation within the target range.    * **FX Intervention**: Use of FX interventions to smooth excessive volatility, allowing the exchange rate to act as a shock absorber. 3. **Financial Sector**:    * **Supervision**: Tighten regulatory forbearance measures and enhance supervision to mitigate risks from higher interest rates.    * **Reforms**: Continued implementation of the Financial Sector Omnibus Law to strengthen financial resilience and efficiency. 4. **Structural Reforms**:    * **Economic Diversification**: Promote downstream activities in priority sectors to increase value-added in exports.    * **Labor Market**: Enhance labor market flexibility and address skill mismatches.    * **Climate Policies**: Reform energy subsidies and introduce carbon pricing to facilitate a green transition.  **Authorities' Views**  1. **Economic Outlook**:    * **Growth and Inflation**: Authorities project growth at 5% for 2023, with inflation expected to return to the target range by mid-2023.    * **Policy Mix**: Emphasize maintaining fiscal discipline and a neutral monetary policy stance. 2. **Financial Sector**:    * **Resilience**: Authorities highlight the banking system’s resilience and readiness to respond to external shocks.    * **Regulatory Measures**: Commitment to not extending regulatory forbearance beyond 2024. 3. **Structural Reforms**:    * **Industrial Policy**: Focus on increasing value-added in exports through downstream activities.    * **Green Economy**: Support for renewable energy transition and private financing mobilization for climate goals.  **Tables and Figures**  1. **Selected Economic Indicators**: Real GDP growth, inflation rates, fiscal balance, and current account balance. 2. **Labor Market**: Employment rates, wage dynamics, and sectoral performance. 3. **Financial Sector**: Capital ratios, non-performing loans, and credit growth. 4. **External Sector**: FX reserves, trade balances, and exchange rate movements. |
| **Taiwan (Expelled from IMF due to dispute with China)** |
| **Thailand** |
| **Context**  1. **Economic Recovery**: Thailand’s economic recovery is slowing amid decelerating inflation. Growth moderated to 1.9% in 2023Q1-Q3 despite robust private consumption and a tourism recovery.  **Recent Developments**  1. **Economic Performance**:    * **GDP Growth**: Expanded by 2.6% in 2022; moderated to 1.9% in 2023Q1-Q3.    * **Inflation**: Decelerated significantly from 7.9% in August 2022 to -0.4% in November 2023.    * **Current Account Balance**: Registered a small surplus as of September 2023, aided by tourism recovery and import compression. 2. **Fiscal Policy**:    * **Deficit Reduction**: General government deficit estimated at 3.2% of GDP in FY23, down from 4.5% in FY22.    * **Energy Subsidies**: Broad-based energy subsidies and tax cuts are slowing fiscal consolidation. 3. **Monetary Policy**:    * **Rate Adjustments**: The Bank of Thailand (BOT) implemented 8 consecutive 25 bps increments in the policy rate between August 2022 and September 2023. 4. **Financial Sector**:    * **Resilience**: Banking system is well-capitalized, liquid, and profitable with declining NPLs.    * **Private Debt**: Household debt declined to 90.7% of GDP as of mid-2023, corporate debt remained stable at 87.9% of GDP.  **Outlook and Risks**  1. **Growth Projections**:    * **GDP Growth**: Expected to accelerate to 4.4% in 2024 before slowing to 2% in 2025.    * **Inflation**: Projected to mildly accelerate to 1.7% in 2024. 2. **Current Account**:    * Expected to return to a surplus in 2023 and further strengthen in 2024. 3. **Risks**:    * **Domestic Risks**: Lack of fiscal discipline and substantial minimum wage increases could undermine macro stability. High private sector debt is a threat to financial stability.    * **External Risks**: Abrupt global slowdown, deeper geoeconomic fragmentation, commodity price hikes, and tighter global financial conditions.  **Economic Policies**  1. **Fiscal Policy**:    * **Near-term**: A more neutral fiscal stance with targeted support for vulnerable groups is recommended.    * **Medium-term**: High-quality fiscal consolidation supported by revenue mobilization and spending reallocations. 2. **Monetary Policy**:    * Maintain a neutral stance but be ready to tighten if inflationary risks materialize. 3. **Financial Sector**:    * **Debt Management**: Implement comprehensive measures to address elevated private debt.    * **Prudential Measures**: Strengthen financial institutions’ liquidity and risk management frameworks. 4. **Structural Reforms**:    * **Labor Market**: Upskill/reskill the labor force and enhance employment opportunities.    * **Competition**: Liberalize the services sector and remove regulatory barriers to enhance competition.    * **Social Protection**: Reform the social protection system to make it more inclusive and sustainable.    * **Climate Policies**: Implement effective carbon pricing to meet climate goals.  **Authorities' Views**  1. **Economic Outlook**:    * Authorities aim to stimulate the economy through targeted fiscal measures while maintaining fiscal prudence. 2. **Monetary and Financial Policies**:    * BOT committed to maintaining a flexible exchange rate regime and gradual liberalization of capital flows.    * Authorities focus on addressing household debt through responsible lending guidelines and restructuring measures. 3. **Structural Reforms**:    * Government emphasizes enhancing competition, upskilling the labor force, reducing vulnerabilities to geoeconomic fragmentation, and improving social safety nets. 4. **Climate Policies**:    * Authorities committed to meeting Thailand’s climate pledges and implementing necessary reforms for a sustainable economy.  **Tables and Figures**  1. **Economic Indicators**:    * Real GDP growth, inflation rates, fiscal balance, and current account balance. 2. **Financial Sector**:    * Bank capitalization, non-performing loans, and private sector credit growth. 3. **External Sector**:    * FX reserves, exchange rate movements, and trade balances. 4. **Structural Reforms**:    * Labor market reforms, social protection improvements, and climate policy measures. |
| **Singapore** |
| **Context**  1. **Economic Recovery**: Singapore’s economy recovered strongly from the pandemic, with real GDP growth reaching 7.6% in 2021. The recovery was uneven, with tourism, consumer-facing, and construction sectors lagging. 2. **Policy Response**: Effective vaccination campaign and decisive policy support were crucial in managing the pandemic and supporting the economy.  **Recent Developments**  1. **Economic Performance**:    * **GDP Growth**: Real GDP growth reached 7.6% in 2021, surpassing pre-COVID levels.    * **Inflation**: Headline inflation rose to 5.4% in April 2022 due to higher costs of private transport and housing.    * **Current Account Surplus**: Increased to 18.1% of GDP in 2021, driven by robust exports. 2. **Labor Market**:    * **Unemployment**: Declined from 3.6% in October 2020 to 2.2% in March 2022.    * **Wages**: Median gross wage increased by 3.2% in 2021. 3. **Fiscal Policy**:    * **Support Measures**: Fiscal deficit narrowed to 2.3% of GDP in FY2021 from 2.9% in FY2020. Targeted support continued for sectors and households impacted by the pandemic. 4. **Monetary Policy**:    * **Tightening Measures**: MAS tightened monetary policy in October 2021 and January 2022 by adjusting the S$NEER policy band to curb inflation. 5. **Financial Sector**:    * **Resilience**: Banks remained well-capitalized with a total regulatory capital to risk-weighted assets ratio of 16.5% in Q1 2022.    * **Non-performing Loans**: Remained low at 1.4% of total non-bank loans.  **Outlook and Risks**  1. **Growth Projections**:    * **GDP Growth**: Expected to grow by 3.7% in 2022, driven by pent-up demand and easing border restrictions.    * **Inflation**: Projected to rise to 4.8% in 2022, driven by external factors and domestic cost pressures. 2. **Current Account**:    * Expected to remain strong, with a surplus projected at around 13% of GDP in 2022. 3. **Risks**:    * **External Risks**: Include the impact of the war in Ukraine, slower growth in China, and tighter global financial conditions.    * **Domestic Risks**: Potential for higher inflation and financial stability risks from rising household debt.  **Policy Recommendations**  1. **Fiscal Policy**:    * **Normalization**: Gradual normalization while maintaining targeted support for vulnerable groups.    * **Spending Needs**: Address medium- to long-term spending needs for aging, climate change, and infrastructure. 2. **Monetary Policy**:    * **Tightening Stance**: Continue tightening to manage inflation, with a focus on data-dependent decisions. 3. **Financial Sector**:    * **Monitoring Risks**: Enhance monitoring of corporate and household balance sheets to manage vulnerabilities.    * **Macroprudential Measures**: Maintain a tight stance and adjust as needed to contain systemic risks. 4. **Structural Reforms**:    * **Green Economy**: Accelerate transition to a greener economy with carbon tax and green infrastructure investments.    * **Digital Transformation**: Promote digital adoption and support innovation to enhance productivity.    * **Inclusiveness**: Enhance social safety nets and address inequality through targeted fiscal measures.  **Authorities' Views**  1. **Economic Outlook**:    * Authorities are optimistic about growth and concur with the need for targeted fiscal support and monetary tightening to manage inflation. 2. **Fiscal and Monetary Policies**:    * Emphasis on maintaining fiscal prudence and continuing monetary tightening to manage price stability. 3. **Financial Sector**:    * Commitment to monitoring risks and ensuring the resilience of the financial system through robust regulatory frameworks. 4. **Structural Reforms**:    * Focus on transitioning to a green economy, promoting digitalization, and enhancing social inclusiveness to support long-term sustainable growth.  **Tables and Figures**  1. **Selected Economic Indicators**:    * Real GDP growth, inflation rates, fiscal balance, and current account balance. 2. **Financial Sector**:    * Bank capitalization, non-performing loans, and private sector credit growth. 3. **External Sector**:    * FX reserves, trade balances, and exchange rate movements. 4. **Structural Reforms**:    * Labor market reforms, social protection improvements, and climate policy measures. |
| **Philippines** |
| **Context**  1. **Economic Recovery**: The Philippines' growth momentum moderated after a strong post-pandemic recovery due to external headwinds, fiscal underspending, and normalization of pent-up demand.  **Recent Developments**  1. **Economic Performance**:    * **GDP Growth**: Moderated from 7.6% in 2022 to 4.3% in Q2 2023.    * **Inflation**: Headline inflation decelerated to 4.9% in October from 8.7% in January; core inflation remained elevated at 5.3%.    * **Current Account Deficit**: Narrowed due to lower imports and strong service sector recovery.    * **Financial Conditions**: Tightened due to stringent credit standards and a weaker exchange rate. 2. **Labor Market**:    * **Unemployment**: Normalized at 4.5%, with a strong service sector performance.    * **Underemployment**: Decreased to 10.7%. 3. **Fiscal Policy**:    * **Deficit Reduction**: National government deficit narrowed to 7.2% of GDP in 2022.    * **Debt Levels**: Stable at around 61% of GDP. 4. **Monetary Policy**:    * **Rate Hikes**: BSP raised policy rate by 425 bps in 2022 and early 2023, with an additional 25 bps hike in October 2023.  **Outlook and Risks**  1. **Growth Projections**:    * **GDP Growth**: Expected to reach 5.3% in 2023 and 6.0% in 2024.    * **Inflation**: Projected to approach the target in early 2024. 2. **Risks**:    * **Downside Risks**: High global and local inflation, uncertain global economic environment.    * **Upside Risks**: Higher commodity prices and potential second-round effects.  **Policy Recommendations**  1. **Monetary Policy**:    * **Maintain Restrictive Stance**: Continue tight monetary policy until inflation returns to target.    * **FX Intervention**: Limited interventions to ensure orderly market conditions. 2. **Fiscal Policy**:    * **Consolidation**: Continue fiscal consolidation under the medium-term fiscal framework.    * **Revenue Mobilization**: Introduce additional tax measures and improve expenditure efficiency. 3. **Financial Sector**:    * **Monitor Vulnerabilities**: Close monitoring of banks' exposure to real estate and leveraged corporates.    * **Regulatory Framework**: Strengthen financial supervision, regulation, and the bank resolution framework. 4. **Structural Reforms**:    * **Infrastructure and Education**: Reduce gaps to boost productivity and inclusivity.    * **Digital Economy**: Promote digitalization to support service sector growth and financial inclusion.    * **Climate Policies**: Increase public investment in resilient infrastructure and introduce carbon pricing.  **Authorities' Views**  1. **Economic Outlook**:    * Authorities optimistic about growth targets but recognize downside risks.    * Emphasize the role of public spending and supply-side measures in supporting growth and reducing inflation. 2. **Monetary and Fiscal Policies**:    * Support restrictive monetary stance and fiscal consolidation efforts.    * Highlight the importance of maintaining order in FX markets. 3. **Financial Sector**:    * Acknowledge real estate vulnerabilities but believe existing regulations are adequate.    * Committed to addressing AML/CFT deficiencies and improving bank resolution frameworks. 4. **Structural Reforms**:    * Focus on enhancing governance, promoting foreign investment, and supporting digitalization.    * Committed to social protection programs and improving poverty reduction efforts.  **Tables and Figures**  1. **Economic Indicators**:    * Real GDP growth, inflation rates, fiscal balance, and current account balance. 2. **Financial Sector**:    * Bank capitalization, non-performing loans, and private sector credit growth. 3. **External Sector**:    * FX reserves, trade balances, and exchange rate movements. 4. **Structural Reforms**:    * Labor market reforms, social protection improvements, and climate policy measures. |
| **Pakistan** |
| **Context**  1. **Economic Recovery**: Pakistan's economy rebounded strongly from the COVID-19 pandemic, supported by expansionary fiscal and monetary policies. However, this has led to a widening current account deficit and rising inflationary pressures.  **Recent Developments**  1. **Economic Performance**:    * **GDP Growth**: Real GDP grew by 3.9% in FY2021, recovering from a contraction of 0.5% in FY2020.    * **Inflation**: Averaged 8.9% in FY2021, with end-of-period inflation at 9.7%.    * **Current Account Deficit**: Narrowed to 0.6% of GDP in FY2021 from 1.7% in FY2020, supported by record remittances. 2. **Fiscal Policy**:    * **Deficit Reduction**: Fiscal deficit narrowed to 7.1% of GDP in FY2021 from 8.0% in FY2020.    * **Debt Levels**: General government debt declined to 88.6% of GDP in FY2021 from 93.2% in FY2020. 3. **Monetary Policy**:    * **Rate Adjustments**: The State Bank of Pakistan (SBP) maintained a market-determined exchange rate and raised the policy rate to achieve positive real interest rates. 4. **Financial Sector**:    * **Resilience**: Banking sector remained stable, with a capital adequacy ratio of 18.3% and non-performing loans (NPLs) at 8.9%.  **Outlook and Risks**  1. **Growth Projections**:    * **GDP Growth**: Projected to be 4% in FY2022, driven by investment and consumption.    * **Inflation**: Expected to average 9.4% in FY2022 before stabilizing around 6.5% over the medium term. 2. **Current Account**:    * **Deficit**: Forecasted to widen to 4% of GDP in FY2022 due to strong import growth and higher commodity prices. 3. **Risks**:    * **Domestic Risks**: Policy slippages, socio-political pressures, and weak implementation of structural reforms.    * **External Risks**: Global economic slowdown, geopolitical tensions, and climate change.  **Policy Recommendations**  1. **Fiscal Policy**:    * **Consolidation**: Gradual fiscal adjustment to improve debt sustainability and create space for social and infrastructure spending.    * **Revenue Mobilization**: Implement reforms to broaden the tax base and enhance revenue collection. 2. **Monetary Policy**:    * **Tightening Stance**: Maintain a tight monetary policy to control inflation and support a market-determined exchange rate.    * **FX Intervention**: Limit interventions to prevent disorderly market conditions and rebuild reserves. 3. **Financial Sector**:    * **Regulation**: Strengthen financial supervision and regulation to ensure banking sector resilience.    * **AML/CFT Framework**: Improve the effectiveness of the Anti-Money Laundering/Combating the Financing of Terrorism framework. 4. **Structural Reforms**:    * **Energy Sector**: Implement reforms to reduce circular debt and improve financial viability.    * **SOE Governance**: Enhance the governance and transparency of state-owned enterprises.    * **Business Climate**: Promote private sector development and reduce corruption.  **Authorities' Views**  1. **Economic Outlook**:    * Authorities are committed to maintaining fiscal discipline and ensuring macroeconomic stability.    * Emphasis on enhancing growth through investment in infrastructure and social sectors. 2. **Monetary and Fiscal Policies**:    * Support for a data-driven monetary policy and continuation of fiscal consolidation efforts. 3. **Financial Sector**:    * Commitment to strengthening the financial sector and ensuring compliance with international standards. 4. **Structural Reforms**:    * Focus on improving the business environment, reducing vulnerabilities, and addressing climate change challenges.  **Tables and Figures**  1. **Selected Economic Indicators**:    * Real GDP growth, inflation rates, fiscal balance, and current account balance. 2. **Financial Sector**:    * Bank capitalization, non-performing loans, and private sector credit growth. 3. **External Sector**:    * FX reserves, trade balances, and exchange rate movements. 4. **Structural Reforms**:    * Labor market reforms, social protection improvements, and climate policy measures. |
| **Vietnam** |
| **Context**  1. **Economic Recovery and Headwinds**: After a robust post-pandemic recovery in 2022, Vietnam's economy faced significant headwinds in late 2022 and the first half of 2023. GDP rose by 8% in 2022, the highest since the 1990s, driven by strong domestic and external demand. However, growth decelerated significantly to an expected 4.7% in 2023 due to a sharp deterioration in external demand, financial stress in the real estate sector, and a slowdown in the corporate bond market.  **Recent Developments**  1. **Economic Performance**:    * **GDP Growth**: GDP growth slowed to 3.7% y-o-y in the first half of 2023.    * **Inflation**: Average inflation was kept at 3.2% in 2022, below the 4% target, though price pressures increased during the year.    * **Current Account Deficit**: Reduced to 0.3% of GDP in 2022 due to strong external demand. 2. **Financial Sector**:    * **Real Estate and Corporate Bond Market**: Financial stress emerged due to tighter funding conditions, a slowdown in sales, and legal hurdles. The corporate bond market froze amidst a loss of investor confidence.    * **Banking Sector**: Experienced liquidity pressures, with the fifth largest bank by assets suffering a deposit run in October 2022 and being placed under the State Bank of Vietnam’s (SBV) control. 3. **Monetary Policy**:    * **Interest Rates**: The SBV raised policy rates in 2022 to counter inflation and exchange rate pressures but reduced them by 150-200 basis points in 2023 to support economic activity. 4. **Fiscal Policy**:    * **Public Investment**: The government focused on speeding up public investment implementation and expanding social safety nets to support vulnerable groups.  **Outlook and Risks**  1. **Growth Projections**:    * **GDP Growth**: Expected to slow to 4.7% in 2023 but could return to higher rates over the medium term with structural reforms.    * **Inflation**: Expected to remain contained below the 4.5% ceiling. 2. **Risks**:    * **Domestic Risks**: Further deterioration in financial conditions, especially in the real estate sector.    * **External Risks**: Weakness in global demand and geopolitical tensions.  **Policy Recommendations**  1. **Monetary Policy**:    * **Cautious Approach**: Maintain a cautious monetary policy stance due to limited room for further easing and risks of exchange rate depreciation.    * **Exchange Rate Flexibility**: Promote greater exchange rate flexibility and modernize the monetary policy framework. 2. **Fiscal Policy**:    * **Lead Role in Support**: Fiscal policy should take the lead in supporting economic activity, with a focus on public investment and social safety nets.    * **Revenue Mobilization**: Strengthen the fiscal framework and increase revenue mobilization to support the development agenda. 3. **Financial Sector**:    * **Strengthen Resilience**: Bolster capital buffers, phase out regulatory forbearance, and address rising non-performing loans.    * **Crisis Management**: Enhance the toolkit for preventing and managing banking crises and revise the law on credit institutions. 4. **Structural Reforms**:    * **Business Environment**: Improve the business environment, step up critical infrastructure investments, and invest in human capital.    * **Climate Goals**: Implement the Power Development Plan and Emissions Trading System to achieve climate goals and promote energy security.  **Authorities' Views**  1. **Economic Outlook**:    * Authorities are optimistic about a strong rebound in the second half of 2023 and maintain growth targets of 6-6.5% for the year. 2. **Monetary and Fiscal Policies**:    * Support maintaining a cautious monetary policy stance and implementing fiscal measures to support demand and protect vulnerable groups. 3. **Financial Sector**:    * Acknowledge the need to address real estate sector distress and enhance financial stability through regulatory reforms. 4. **Structural Reforms**:    * Committed to improving governance, addressing climate challenges, and enhancing the business environment to support long-term growth.  **Tables and Figures**  1. **Economic Indicators**: Real GDP growth, inflation rates, fiscal balance, and current account balance. 2. **Financial Sector**: Bank capitalization, non-performing loans, and private sector credit growth. 3. **External Sector**: FX reserves, trade balances, and exchange rate movements. 4. **Structural Reforms**: Labor market reforms, social protection improvements, and climate policy measures. |
| **Bangladesh** |
| **Context**  1. **Economic Challenges**: Bangladesh faces multiple economic challenges exacerbated by the COVID-19 pandemic, Russia's war in Ukraine, and global financial tightening, affecting macroeconomic stability. 2. **Structural Issues**: Long-standing structural issues and climate change vulnerabilities need addressing for sustained growth and development.  **Recent Developments**  1. **Economic Performance**:    * **GDP Growth**: Real GDP growth slowed to 6% in FY23 from 7% in FY22.    * **Inflation**: Headline inflation peaked at 9.9% y-o-y in August 2023.    * **Current Account Deficit**: Narrowed to 0.7% of GDP in FY23 from 4.1% in FY22. 2. **Fiscal Policy**:    * **Deficit Reduction**: Fiscal deficit remained at 4.6% of GDP in FY23.    * **Debt Levels**: Public debt increased to 39.8% of GDP in FY23 from 37.9% in FY22. 3. **Monetary Policy**:    * **Tightening Measures**: The central bank raised policy rates by 250 basis points since May 2022.    * **Exchange Rate**: Greater exchange rate flexibility and unified exchange rates were introduced. 4. **Financial Sector**:    * **Resilience**: Banking sector stable with capital adequacy ratio at 11.2%, but high NPLs in state-owned commercial banks (SoCBs).  **Outlook and Risks**  1. **Growth Projections**:    * **GDP Growth**: Projected at 6% in FY24, driven by exports.    * **Inflation**: Expected to moderate to 7.2% y-o-y by end-FY24. 2. **Current Account**:    * **Deficit**: Expected to remain compressed at around 0.8% of GDP in FY24. 3. **Risks**:    * **Downside Risks**: Include global commodity price volatility, geopolitical shocks, and delayed policy adjustments.    * **Upside Risks**: Prompt reform implementation could boost growth potential.  **Policy Recommendations**  1. **Fiscal Policy**:    * **Revenue Mobilization**: Increase tax revenues through policy and administration reforms.    * **Expenditure Rationalization**: Reduce subsidies and enhance spending efficiency. 2. **Monetary Policy**:    * **Tightening Stance**: Maintain tight monetary policy to control inflation.    * **Exchange Rate Flexibility**: Gradually transition to a more flexible exchange rate regime. 3. **Financial Sector**:    * **Vulnerability Management**: Strengthen banking regulation and supervision, address high NPLs.    * **Capital Market Development**: Implement reforms to mobilize financing for growth. 4. **Structural Reforms**:    * **Trade and Investment**: Liberalize trade and improve the investment climate to attract FDI.    * **Productivity and Gender**: Enhance human capital, address gender disparities in the workforce. 5. **Climate Policy**:    * **Climate Resilience**: Strengthen institutions and mobilize climate financing to build resilience.  **Authorities' Views**  1. **Economic Outlook**:    * Authorities expect improvement in near-term economic outlook, projecting 7.5% growth in FY24.    * Inflation expected to moderate to 6% by June 2024. 2. **Policy Commitment**:    * Commitment to monetary and fiscal policies to ensure macroeconomic stability.    * Focus on structural reforms to support long-term growth and climate resilience.  **Tables and Figures**  1. **Economic Indicators**: Real GDP growth, inflation rates, fiscal balance, and current account balance. 2. **Financial Sector**: Bank capitalization, non-performing loans, and private sector credit growth. 3. **External Sector**: FX reserves, trade balances, and exchange rate movements. 4. **Structural Reforms**: Labor market reforms, social protection improvements, and climate policy measures. |
| **Malaysia** |
| **Context**  1. **Economic Growth**: Malaysia’s growth momentum is slowing, driven by strong domestic demand but weakened exports due to a slowdown in major trading partners. 2. **Policy Response**: Malaysia's macroeconomic policy frameworks, including fiscal prudence and credible monetary policy, have been essential in navigating economic challenges.  **Recent Developments**  1. **Economic Performance**:    * **GDP Growth**: Estimated at 4% in 2023, down from 8.7% in 2022.    * **Inflation**: Average inflation fell to 2.5% in 2023, down from 3.4% in 2022.    * **Current Account Surplus**: Slightly increased due to a rebound in public spending and tourism recovery. 2. **Fiscal Policy**:    * **Deficit Reduction**: Budget deficit targeted to decline from 5% of GDP in 2023 to 4.3% in 2024.    * **Subsidy Reforms**: Ongoing subsidy reforms aim to reduce untargeted spending. 3. **Monetary Policy**:    * **Rate Adjustments**: Bank Negara Malaysia (BNM) increased the overnight policy rate to 3.0% but maintained a broadly neutral stance since May 2023. 4. **Financial Sector**:    * **Resilience**: Banking sector remains healthy with a total capital adequacy ratio of 18.1% and non-performing loans at 1.7%.  **Outlook and Risks**  1. **Growth Projections**:    * **GDP Growth**: Projected to slightly accelerate to 4.3% in 2024, driven by private consumption and investment.    * **Inflation**: Expected to pick up to 2.9% in 2024. 2. **Risks**:    * **Downside Risks**: Global economic slowdown, geopolitical tensions, and volatile commodity prices.    * **Domestic Risks**: Fiscal risks from contingent liabilities and potential political uncertainty.  **Policy Recommendations**  1. **Fiscal Policy**:    * **Revenue Mobilization**: Strengthen revenue collection through credible and durable measures.    * **Spending Prioritization**: Focus on targeted support for vulnerable groups and high-quality investment in development. 2. **Monetary Policy**:    * **Tightening Stance**: Maintain a cautious stance to control inflation and support a data-dependent approach.    * **FX Intervention**: Use FX interventions to smooth excessive volatility but avoid leaning against fundamental-driven pressures. 3. **Financial Sector**:    * **Monitoring Risks**: Enhance surveillance of household and corporate balance sheets, particularly among highly leveraged households and small firms.    * **Macroprudential Measures**: Develop and expand macroprudential tools to pre-emptively address financial vulnerabilities. 4. **Structural Reforms**:    * **Labor Market**: Improve labor market outcomes and increase wages through productivity-linked policies.    * **Green Economy**: Promote the green transition, enhance digitalization, and improve governance and anti-corruption frameworks.    * **Pension System**: Ensure sustainability through comprehensive reforms, including raising retirement savings and improving coverage.  **Authorities' Views**  1. **Economic Outlook**:    * Authorities are optimistic about near-term growth, projecting 4-5% growth in 2024.    * They expect inflation to remain contained but acknowledge risks associated with subsidy reforms. 2. **Fiscal and Monetary Policies**:    * Support a cautious monetary policy stance and continued fiscal consolidation.    * Emphasize the importance of maintaining exchange rate flexibility and adequate FX reserves. 3. **Financial Sector**:    * Authorities recognize the need for continued vigilance over financial stability and are committed to enhancing the AML/CFT frameworks. 4. **Structural Reforms**:    * Focus on implementing productivity-linked wage policies and comprehensive pension reforms.    * Prioritize the MADANI Economy Framework to support long-term growth and development.  **Tables and Figures**  1. **Selected Economic Indicators**: Real GDP growth, inflation rates, fiscal balance, and current account balance. 2. **Financial Sector**: Bank capitalization, non-performing loans, and private sector credit growth. 3. **External Sector**: FX reserves, trade balances, and exchange rate movements. 4. **Structural Reforms**: Labor market reforms, social protection improvements, and climate policy measures. |
| **Hong Kong** |
| **Context**  1. **Economic Recovery**: Hong Kong SAR’s economic recovery stalled in 2022 due to a major COVID outbreak and U.S. monetary policy tightening. Real GDP is projected to grow by 3.5% in 2023, supported by the normalization of tourism services and domestic economic activity.  **Recent Developments**  1. **Economic Performance**:    * **GDP Growth**: After contracting by 3.5% in 2022, GDP is projected to grow by 3.5% in 2023.    * **Inflation**: CPI inflation is expected to gradually rise to about 2.25% by the end of 2023.    * **Housing Prices**: Declined by about 16% by end-2022 from the peak in September 2021 but started to recover in early 2023. 2. **Fiscal Policy**:    * **Deficit Reduction**: Gradual fiscal consolidation is recommended to secure a sustained and inclusive recovery.    * **Social Safety Nets**: Expansion of social safety nets, including the introduction of a dedicated unemployment benefit system, is suggested to enhance fiscal policy’s automatic stabilizer role. 3. **Monetary Policy**:    * **Interest Rates**: Hong Kong dollar (HKD) interest rates have increased amid U.S. monetary policy tightening. The Linked Exchange Rate System continues to function smoothly. 4. **Financial Sector**:    * **Resilience**: The financial system remains resilient with significant buffers, supported by strong institutional frameworks and substantial capital and liquidity buffers.    * **Banking System**: The system-wide common equity tier-1 capital ratio is at 16.2%, and the system-wide Liquidity Coverage Ratio (LCR) is at 162.3%.  **Outlook and Risks**  1. **Growth Projections**:    * **GDP Growth**: Expected to grow by 3.5% in 2023 and 3.1% in 2024.    * **Inflation**: Expected to remain moderate given the large slack in the economy. 2. **Current Account**:    * **Surplus**: Projected to narrow to 8% of GDP in 2023 as domestic demand normalizes. 3. **Risks**:    * **Downside Risks**: Include a sharper-than-expected global growth slowdown and escalation of regional conflicts.    * **Upside Risks**: A smoother and more rapid post-pandemic transition could lead to a faster-than-expected economic recovery.  **Policy Recommendations**  1. **Fiscal Policy**:    * **Consolidation**: Gradual fiscal consolidation to return to a balanced budget in the medium term.    * **Tax Reform**: Comprehensive tax reform to broaden the tax base and provide a stable source of revenue. 2. **Monetary Policy**:    * **Tightening Stance**: Maintain a cautious monetary policy stance to control inflation. 3. **Financial Sector**:    * **Regulation**: Strengthen financial supervision and regulation to ensure banking sector resilience.    * **AML/CFT Framework**: Improve the effectiveness of the Anti-Money Laundering/Combating the Financing of Terrorism framework. 4. **Structural Reforms**:    * **Housing Market**: Increase housing supply to resolve the structural supply-demand imbalance.    * **Innovation**: Promote innovation and technological development to provide additional growth engines.  **Authorities' Views**  1. **Economic Outlook**:    * Authorities are optimistic about a strong rebound in 2023, projecting 3.5% to 5.5% growth.    * They expect inflation pressure to remain moderate. 2. **Fiscal and Monetary Policies**:    * Support for a cautious monetary policy stance and gradual fiscal consolidation.    * Emphasis on maintaining exchange rate flexibility and adequate FX reserves. 3. **Financial Sector**:    * Authorities highlight the importance of maintaining financial sector resilience and strengthening the AML/CFT frameworks. 4. **Structural Reforms**:    * Commitment to improving the business environment, addressing climate challenges, and enhancing social inclusiveness.  **Tables and Figures**  1. **Selected Economic Indicators**: Real GDP growth, inflation rates, fiscal balance, and current account balance. 2. **Financial Sector**: Bank capitalization, non-performing loans, and private sector credit growth. 3. **External Sector**: FX reserves, trade balances, and exchange rate movements. 4. **Structural Reforms**: Labor market reforms, social protection improvements, and climate policy measures. |
| Kazakhstan |
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| **Myanmar** |
| **Context**  1. **Economic Challenges**: Myanmar's economy is facing significant challenges, including weak domestic demand, slowing credit growth, and a correction in real estate prices. 2. **Policy Response**: The government is implementing fiscal stimulus and monetary policy measures to support economic stability and growth.  **Recent Developments**  1. **Economic Performance**:    * **GDP Growth**: Growth is expected to be subdued at 6.5% in FY2018/19, up slightly from 6.4% in FY2017/18.    * **Inflation**: Headline inflation stood at 8.6% at end-September due to higher electricity tariffs, and food and fuel prices.    * **Current Account Deficit**: Narrowed to 0.7% of GDP in FY2018/19 from 4.1% in FY2017/18 due to lower imports and resilient exports. 2. **Fiscal Policy**:    * **Deficit**: Fiscal deficit estimated at 3.5% of GDP in FY2018/19, up from 3% in FY2017/18.    * **Spending**: Increased spending on infrastructure and public services, with higher net Central Bank of Myanmar (CBM) financing. 3. **Monetary Policy**:    * **Monetary Financing**: CBM financing of the fiscal deficit spiked towards the end of FY2018/19.    * **Exchange Rate**: The kyat remained stable due to the market-determined reference exchange rate mechanism. 4. **Financial Sector**:    * **Banking Sector**: Facing systemic risks due to high non-performing loans (NPLs) and weak capital positions.    * **Credit Growth**: Continued to slow, with private bank deleveraging.  **Outlook and Risks**  1. **Growth Projections**:    * **GDP Growth**: Expected to moderate to 6.4% in FY2019/20.    * **Inflation**: Projected to fall to the 6-7% range in the medium term. 2. **Risks**:    * **Domestic Risks**: Rising NPLs, undercapitalized private banks, renewed conflict, and limited progress on the refugee crisis.    * **External Risks**: Global trade tensions, higher crude oil prices, a slowdown in China, and natural disasters.  **Policy Recommendations**  1. **Fiscal Policy**:    * **Stimulus**: Appropriate near-term fiscal stimulus to support growth.    * **Revenue Mobilization**: Strengthen revenue collection and public financial management to scale up sustainable development goals (SDG)-related spending. 2. **Monetary Policy**:    * **Tightening**: Maintain a cautious stance to anchor inflation and external stability.    * **Interest Rate Liberalization**: Gradually liberalize interest rates to improve monetary transmission. 3. **Financial Sector**:    * **Banking Reforms**: Strengthen financial supervision and regulation, enhance monitoring and diagnostics, and prepare a comprehensive financial sector restructuring strategy.    * **Asset Quality Reviews**: Conduct independent reviews of bank asset quality to assess capital needs. 4. **Structural Reforms**:    * **Economic Diversification**: Promote investment in infrastructure and human capital, enhance governance and anti-corruption measures, and address gaps in the anti-money laundering/counter-terrorism financing framework.  **Authorities' Views**  1. **Economic Outlook**:    * Authorities expect an improvement in near-term economic outlook and are optimistic about growth targets.    * Committed to maintaining fiscal discipline and ensuring macroeconomic stability. 2. **Fiscal and Monetary Policies**:    * Support a cautious monetary policy stance and continued fiscal consolidation.    * Emphasize the importance of maintaining exchange rate flexibility and adequate FX reserves. 3. **Financial Sector**:    * Authorities recognize the need to address banking sector vulnerabilities and are committed to implementing necessary reforms. 4. **Structural Reforms**:    * Focus on enhancing the business environment, improving corporate governance, and investing in critical infrastructure projects.  **Tables and Figures**  1. **Selected Economic Indicators**: Real GDP growth, inflation rates, fiscal balance, and current account balance. 2. **Financial Sector**: Bank capitalization, non-performing loans, and private sector credit growth. 3. **External Sector**: FX reserves, trade balances, and exchange rate movements. 4. **Structural Reforms**: Labor market reforms, social protection improvements, and climate policy measures. |
| **Cambodia** |
| **Context**  1. **Economic Recovery**: Cambodia's economy is on a recovery trajectory post-pandemic, with GDP growth of 5.2% in 2022. The manufacturing sector has been the cornerstone of this recovery.  **Recent Developments**  1. **Economic Performance**:    * **GDP Growth**: Achieved 5.2% growth in 2022, projected 5.3% in 2023.    * **Inflation**: Volatile, with a rebound to 3.9% in October 2023 due to higher food and fuel prices.    * **Current Account Deficit**: Narrowed due to reduced gold imports and strong tourism recovery. 2. **Fiscal Policy**:    * **Deficit**: Widening in 2023 due to social support measures, SEA Games spending, and infrastructure projects.    * **Revenue**: Improvement in 2022 due to stronger-than-expected revenue performance. 3. **Monetary Policy**:    * **Policy Adjustments**: Central bank gradually unwinding pandemic-era support measures, increasing reserve requirements for foreign currencies. 4. **Financial Sector**:    * **Resilience**: Banking sector remains stable with significant buffers and strong institutional frameworks.  **Outlook and Risks**  1. **Growth Projections**:    * **GDP Growth**: Expected to reach 5.3% in 2023, driven by tourism and non-garment exports.    * **Inflation**: Expected to moderate in 2024 as commodity prices stabilize. 2. **Risks**:    * **Downside Risks**: Weaker-than-expected growth in the U.S. and China, high private debt levels, geopolitical tensions, trade policy uncertainties, and climate events.  **Policy Recommendations**  1. **Fiscal Policy**:    * **Consolidation**: Gradual consolidation starting from 2024, scaling back temporary support measures while protecting vulnerable groups.    * **Revenue Mobilization**: Strengthen tax and customs administration, broaden the tax base. 2. **Monetary Policy**:    * **Normalization**: Continue normalization of monetary policy towards pre-pandemic settings.    * **FX Policy**: Enhance monetary transmission and support de-dollarization by modernizing FX policy operations. 3. **Financial Sector**:    * **Supervision**: Strengthen financial supervision and risk-based supervision, address high NPLs, and enhance AML/CFT framework. 4. **Structural Reforms**:    * **Diversification**: Diversify trade and investment partners, invest in renewable energy, improve governance and anti-corruption measures.    * **Development Strategy**: Formulate a comprehensive strategy to achieve upper-middle-income status, focusing on new growth drivers.  **Authorities' Views**  1. **Economic Outlook**:    * Optimistic about achieving 6.5% growth in 2024, with strong tourism and agricultural performance.    * Acknowledged the need for continued fiscal consolidation and revenue mobilization. 2. **Monetary and Fiscal Policies**:    * Support cautious monetary policy stance and emphasize maintaining exchange rate flexibility.    * Committed to improving governance and addressing financial sector vulnerabilities. 3. **Structural Reforms**:    * Focus on governance reforms, enhancing public investment management, and improving social protection systems.  **Tables and Figures**  1. **Economic Indicators**: Real GDP growth, inflation rates, fiscal balance, and current account balance. 2. **Financial Sector**: Bank capitalization, non-performing loans, and private sector credit growth. 3. **External Sector**: FX reserves, trade balances, and exchange rate movements. 4. **Structural Reforms**: Labor market reforms, social protection improvements, and climate policy measures. |
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| **Afghanistan** |
| **Context**  1. **Economic Challenges**: Afghanistan remains a poor, fragile country with ongoing conflict since the 1980s, high security spending, and significant poverty and inequality.  **Recent Developments**  1. **Economic Performance**:    * **GDP Growth**: Projected to grow by 3% in 2019, up from 2.7% in 2018, driven by agricultural recovery.    * **Inflation**: Expected to rise to 2% in 2019, from an average of 0.6% in 2018, and gradually increase to 5% in the medium term.    * **Current Account Deficit**: Improved to 2% of GDP in 2019 from 9.6% in 2018 due to grant inflows. 2. **Fiscal Policy**:    * **Deficit**: Fiscal deficit remained at 3.5% of GDP in FY2018/19, with increased spending on infrastructure and public services.    * **Debt Levels**: Public debt low at around 7% of GDP. 3. **Monetary Policy**:    * **Exchange Rate**: The Afghani remained stable due to the market-determined reference exchange rate mechanism. 4. **Financial Sector**:    * **Banking Sector**: Faced systemic risks with high non-performing loans (NPLs) and weak capital positions.  **Outlook and Risks**  1. **Growth Projections**:    * **GDP Growth**: Expected to moderate to 3.5% in 2020 and stabilize at 4% in the medium term.    * **Inflation**: Projected to rise gradually to 5% in the medium term. 2. **Risks**:    * **Downside Risks**: Deterioration in security, heightened political tensions, significant drop in aid, and reform slippages.    * **Upside Risks**: Durable peace could boost confidence and economic activity.  **Policy Recommendations**  1. **Fiscal Policy**:    * **Revenue Mobilization**: Increase tax revenues through policy and administration reforms.    * **Expenditure Rationalization**: Reduce subsidies and enhance spending efficiency. 2. **Monetary Policy**:    * **Tightening**: Maintain a cautious monetary policy stance to control inflation.    * **Interest Rate Liberalization**: Gradually liberalize interest rates to improve monetary transmission. 3. **Financial Sector**:    * **Banking Reforms**: Strengthen financial supervision and regulation, enhance monitoring and diagnostics, and prepare a comprehensive financial sector restructuring strategy.    * **Asset Quality Reviews**: Conduct independent reviews of bank asset quality to assess capital needs. 4. **Structural Reforms**:    * **Economic Diversification**: Promote investment in infrastructure and human capital, enhance governance and anti-corruption measures, and address gaps in the anti-money laundering/counter-terrorism financing framework.  **Authorities' Views**  1. **Economic Outlook**:    * Authorities expect improvement in near-term economic outlook and are optimistic about growth targets.    * Committed to maintaining fiscal discipline and ensuring macroeconomic stability. 2. **Fiscal and Monetary Policies**:    * Support a cautious monetary policy stance and continued fiscal consolidation.    * Emphasize the importance of maintaining exchange rate flexibility and adequate FX reserves. 3. **Financial Sector**:    * Authorities recognize the need to address banking sector vulnerabilities and are committed to implementing necessary reforms. 4. **Structural Reforms**:    * Focus on enhancing the business environment, improving corporate governance, and investing in critical infrastructure projects.  **Tables and Figures**  1. **Selected Economic Indicators**: Real GDP growth, inflation rates, fiscal balance, and current account balance. 2. **Financial Sector**: Bank capitalization, non-performing loans, and private sector credit growth. 3. **External Sector**: FX reserves, trade balances, and exchange rate movements. 4. **Structural Reforms**: Labor market reforms, social protection improvements, and climate policy measures. |
| Bhutan |
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| **Timor-Leste** |
| **Context**  1. **Economic Progress**: Timor-Leste has made significant progress since independence in 2002 but remains a fragile post-conflict state with substantial development needs. 2. **Fiscal Dependence**: The economy heavily relies on the public sector, financed mainly by oil and gas revenues, which are depleting.  **Recent Developments**  1. **Economic Performance**:    * **GDP Growth**: Non-oil real GDP growth reached 4% in 2022, driven by post-pandemic reopening and fiscal expansion, but slowed to 1.5% in 2023.    * **Inflation**: Surged to above 8% in 2023 due to food and transport costs but fell to 4.3% y-o-y in January 2024.    * **Fiscal Deficit**: Estimated to have declined to 41% of non-oil GDP in 2023 from 58% in 2022 due to reduced expenditure surrounding the elections. 2. **Fiscal Policy**:    * **Budget Execution**: Issues with budget execution led to a fiscal drag in 2023.    * **Recurrent Expenditures**: High at 67.9% of GDP in 2023. 3. **Monetary Policy**:    * **Exchange Rate**: The currency remained stable due to a market-determined reference exchange rate mechanism. 4. **Financial Sector**:    * **Banking Sector**: Remains stable with high capital and liquidity levels but faces systemic risks due to high NPLs and weak capital positions.  **Outlook and Risks**  1. **Growth Projections**:    * **GDP Growth**: Expected to recover to 3.5% in 2024.    * **Inflation**: Projected to moderate to 3.5% in 2024 as global commodity prices ease. 2. **Risks**:    * **Downside Risks**: Include a global recession, commodity price volatility, and natural disasters.    * **Upside Risks**: Developing the Greater Sunrise oil field could significantly boost growth.  **Policy Recommendations**  1. **Fiscal Policy**:    * **Consolidation**: Gradual fiscal consolidation to avoid depleting the Petroleum Fund and secure fiscal sustainability.    * **Revenue Mobilization**: Strengthen revenue collection through tax reforms, including the introduction of VAT and improving tax administration. 2. **Monetary Policy**:    * **Tightening**: Maintain a cautious monetary policy stance to control inflation.    * **FX Policy**: Enhance exchange rate flexibility and modernize FX policy operations. 3. **Financial Sector**:    * **Regulation**: Strengthen financial supervision and regulation, address high NPLs, and enhance the AML/CFT framework.    * **Financial Deepening**: Promote financial inclusion and digital financial services. 4. **Structural Reforms**:    * **Diversification**: Remove bottlenecks in agriculture and tourism, invest in digital infrastructure, and improve governance and the business environment.    * **Human Capital**: Prioritize education and vocational training to leverage the demographic dividend.  **Authorities' Views**  1. **Economic Outlook**:    * Authorities are optimistic about growth, projecting 3.5% to 5.5% growth in 2024, and committed to fiscal consolidation. 2. **Fiscal and Monetary Policies**:    * Support gradual fiscal consolidation and cautious monetary policy to maintain stability. 3. **Financial Sector**:    * Emphasis on strengthening financial supervision, promoting financial inclusion, and addressing AML/CFT deficiencies. 4. **Structural Reforms**:    * Focus on improving governance, enhancing public investment management, and investing in climate-resilient infrastructure.  **Tables and Figures**  1. **Selected Economic Indicators**: Real GDP growth, inflation rates, fiscal balance, and current account balance. 2. **Financial Sector**: Bank capitalization, non-performing loans, and private sector credit growth. 3. **External Sector**: FX reserves, trade balances, and exchange rate movements. 4. **Structural Reforms**: Labor market reforms, social protection improvements, and climate policy measures. |