

Executive summary

At a time of global uncertainty over trade, geopolitics and the climate, economic growth in Emerging Asia is forecast to moderate in the near-term. Growth in the region is expected to remain buoyant over the medium term though less impressive than the previous years. The OECD's *Economic Outlook for Southeast Asia, China and India 2020* presents the growth picture for the region over the next five years. This year's Outlook also focuses on a challenge for Emerging Asia: boosting economic prospects by upgrading education to take advantage of the new opportunities offered by the digital era. In the Country Notes, it discusses structural policy changes needed in the region's 12 economies across a range of areas.

Economic outlook to 2024

Emerging Asia is expected to grow at a slower pace than projected in the July 2019 Outlook *Update*. The current medium-term forecast for the region as a whole predicts gross domestic product (GDP) growth of 5.7% in 2020-24, down from 6.7% in 2013-17. In Southeast Asia, growth is projected to reach 4.9% during the period, compared to 5.0% in 2013-17. China's anticipated growth will taper further, to 5.6%, as structural reform continues, while India's expected growth, at 6.6%, will also be more modest in the medium term as the banking sector regains its footing.

Emerging Asia's growth is anchored by the resilience of private consumption, as in the past. The region's exports were affected by the broadening economic weakness in advanced economies, compounded by the US-China trade tensions and uncertainties over Brexit. Policy signals are still mixed and risks remain high, even for countries where export growth is stabilising. Some countries in the region may benefit from trade diversion and deflection as a result of the trade tensions in the near term.

As exports cave in to trade tensions, real fixed investment growth is pulling back and cautiousness in business sentiment rises. Nonetheless, current account positions remain solid amid the trade uncertainties. The region's lacklustre export earnings have been offset by a pullback in import payments. Volatility in financial flows has been contained, as has movement in exchange rates and equity prices. Overall, the fiscal stance of many Emerging Asian economies is favouring contained expansion in the near term.

Against a backdrop of benign inflationary pressures, monetary authorities are easing liquidity conditions to lift consumer and investment sentiment. Enhancing the effectiveness of monetary policy in a changing economic environment is a challenge in this context. The flattening of the Phillips curve, which indicates a weakening linkage between inflation and the labour market, merits consideration. In view of the current environmental and climate risks, strengthening local government participation and capacity in disaster resilience initiatives is another challenge facing the region, given its exposure to natural disasters.

Upgrading education for the digital era

Digitalisation is bringing important developments for businesses and the workforce, but these changes present risks as well as opportunities. New industries requiring advanced and specialised digital skills are arising. New technologies are restructuring the workplace, requiring employees to upskill and reskill as automation causes jobs to disappear and digitalisation creates new forms of work. For Emerging Asian countries to be internationally

competitive in the digital era, they need to upgrade their education systems to provide the necessary skills in information and communications technology (ICT).

Specific challenges need to be addressed by countries in the region to ensure that the labour force is equipped with digital skills. Cambodia, Lao PDR and Myanmar need to address a lack of ICT infrastructure and increase access to ICT tools. In countries where infrastructure is relatively better, including Thailand, Brunei Darussalam and Singapore, teachers' digital skills need more attention. Countries like Malaysia and China need to resolve a mismatch between demand for skills and supply of talent. Women in Emerging Asia continue to face challenges due to a gender digital divide. In the Asia-Pacific region, the estimated gender gap in Internet use was 17% in 2017, compared to 7.9% in Europe. In order to boost the participation of women in the modern economy, the region's countries need to develop strategies for increasing the digital skills of girls and women and improving their access to ICT.

Alternative paths to education can provide digital skills while taking inclusion into account, and these also need upgrading in Emerging Asia. Technical and vocational education and training (TVET) has great potential in the digital era, but it suffers from an image problem in the region. TVET can be made more attractive by offering flexible programmes, encouraging private-sector involvement and publicising its benefits to students and their parents. Another alternative path is lifelong learning, which can also provide the opportunity to acquire new digital skills. However, effective policy on adult education requires an extensive information base of good quality. Better data collection and monitoring are essential.

Key structural policy challenges

The Country Notes highlight key structural policy challenges in Emerging Asian countries. In order to improve prospects for inclusive and sustainable growth, structural reforms are necessary. This edition of the Outlook discusses policy areas including education, small and medium-sized businesses, social safety nets, digital trade, start-up ecosystems, agriculture, infrastructure, investment and urban transportation. The Country Notes cover the ASEAN economies – Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Viet Nam – as well as China and India.



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