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The 2019 edition of the Economic Outlook for Southeast Asia, China and India covers four main topics related to Emerging Asia: the regional economic outlook to 2023 (Chapter 1), towards smart urban transportation – the thematic focus of this edition (Chapter 2), country notes on key structural policy challenges (Chapter 3), and recent developments in regional integration (Chapter 4).

Economic outlook to 2023

Gross domestic product (GDP) growth in Emerging Asia – Southeast Asia, China and India – has held up in 2018 despite external and domestic headwinds. GDP in Emerging Asia is estimated to grow by an average of 6.1% during 2019-23. Southeast Asia is forecast to continue to grow solidly at 5.2% annually during 2019-23, slightly faster than the rate posted in 2012-16. While China's economic growth will gradually slow, GDP growth in India is expected to remain robust.

Overall, the resilient private consumption story in the region continues, underpinned by stability in labour markets and overseas transfers in some cases. Growth in gross exports has withstood trade policy uncertainties rather well. Several monetary authorities in the region have raised interest rates to address monetary normalisation in advanced economies as well as price and exchange rate pressures. At the same time, some of them have introduced other liquidity measures to support growth. Fiscal positions in the region are generally stable, although the persistence of deficits in current account and fiscal position in some countries could dampen growth momentum.

The region's economic prospects face several challenges. To foster inclusive and sustainable growth, efforts will be needed to maximise the opportunities (e.g. through deeper financial inclusion) and mitigate the risks of financial technology (Fintech). Policy makers need to address issues related to regulatory risk management, financial literacy and cybersecurity. Furthermore, strengthening export performance amidst rising protectionism and lessening natural disaster risks are also key for the region's development. In addition, the pace of monetary policy in advanced economies, geopolitical tensions and global oil price trends need to be carefully monitored. Mitigating the downsides of broadening trade protectionism requires continued progress in structural reforms. These include reforms to make it easier to secure documentary requirements for investment, reforms to the logistics infrastructure, and reforms to make more predictable the regulatory environment. Progress in existing and pending free trade agreements will be just as crucial. Natural disasters pose serious risks to Emerging Asia, although they vary substantially according to type and size. There are high human costs. As well, natural disasters often inflict high economic costs by damaging infrastructure, physical capital, inventories, agricultural and natural resources, and by disrupting normal economic activity. Natural disaster response mechanisms before and after the event need to be further strengthened, in the region. These include undertaking a long-term and comprehensive view of preparedness, disaster response and rebuilding, ensuring coordinated risk assessment, capacity building, and planning that takes into account ground conditions.

Towards smart urban transportation

Cities are growing rapidly in Emerging Asia. Urban population growth, rising incomes and limited transportation alternatives have all contributed to growing automobile use in the region. The estimated

number of motor vehicles in use increased between 2005 and 2015 in Emerging Asian countries for which data were available, with the regional total expanding by an average of 13% per year.

Transportation challenges – particularly traffic congestion – in Emerging Asian cities are already imposing significant economic, social and environmental costs, and are likely to become more serious in future. Addressing these issues is therefore critical to realising the potential benefits of urbanisation for growth and development.

Policy priorities could include expanding and upgrading public transportation systems; the use of price-based (e.g. taxes and charges, road pricing and parking fees) and non-price-based tools (e.g. licence quotas and road rationing) to affect demand for vehicle ownership and use; and the use of technologies and data in traffic management. The promotion of flexible work arrangements (FWAs), such as flexible working hours and teleworking, as well as new approaches to urban planning, including the effective use of special economic zones and the relocation of some government functions from large cities, could also ease the congestion problem. Implementation of these policy options varies largely across the countries in the region. Bus rapid transit (BRT) systems are found across the region, and new metro and light rail systems are being constructed. Taxes on the purchase of vehicles were employed in many countries, while congestion charges are applied in Singapore. The framework for FWAs exists in the Philippines and Singapore, but most other Emerging Asian governments have not taken clear steps to foster their use. Both Malaysia and Myanmar have relocated government functions.

Policy makers at local and central levels of government should co-operate in the development and implementation of these actions to ensure that they are part of a coherent strategy. It will be necessary to consider the combined effects of various interventions on transportation. For example, disincentives to private transportation should be accompanied by greater availability of other modes of transport such as public transit systems. The goal is to not adversely affect mobility and efficiency in cities.

Key structural policy challenges

Domestic structural reform is necessary to improve prospects for inclusive and sustainable growth in Emerging Asia. The Outlook's structural policy country notes highlight structural policy challenges in Emerging Asian countries, covering policy areas including education and training, tourism, financial inclusion, taxation, digitalization, challenges of the Eastern Economic Corridor, SMEs, energy, innovation, and FDI.

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