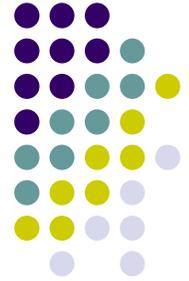


# **Economic Crisis and Asia: An Opportunity for Rebalancing Growth**



**President Haruhiko Kuroda  
Asian Development Bank**

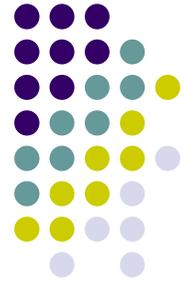
**Institute for International Monetary Affairs**

Tokyo, Japan

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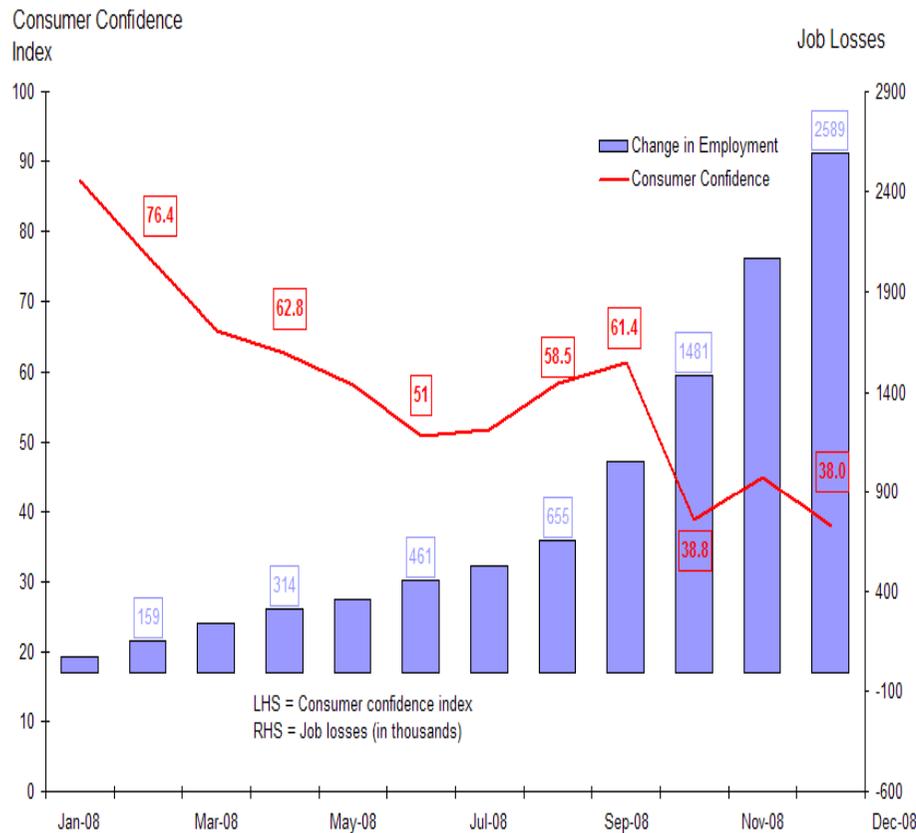
# Outline



1. The Crisis and Asia
2. ASEAN
3. Rebalancing Growth
4. ADB's Role

# 1. The Crisis and Asia

Global downturn could be deep and prolonged...

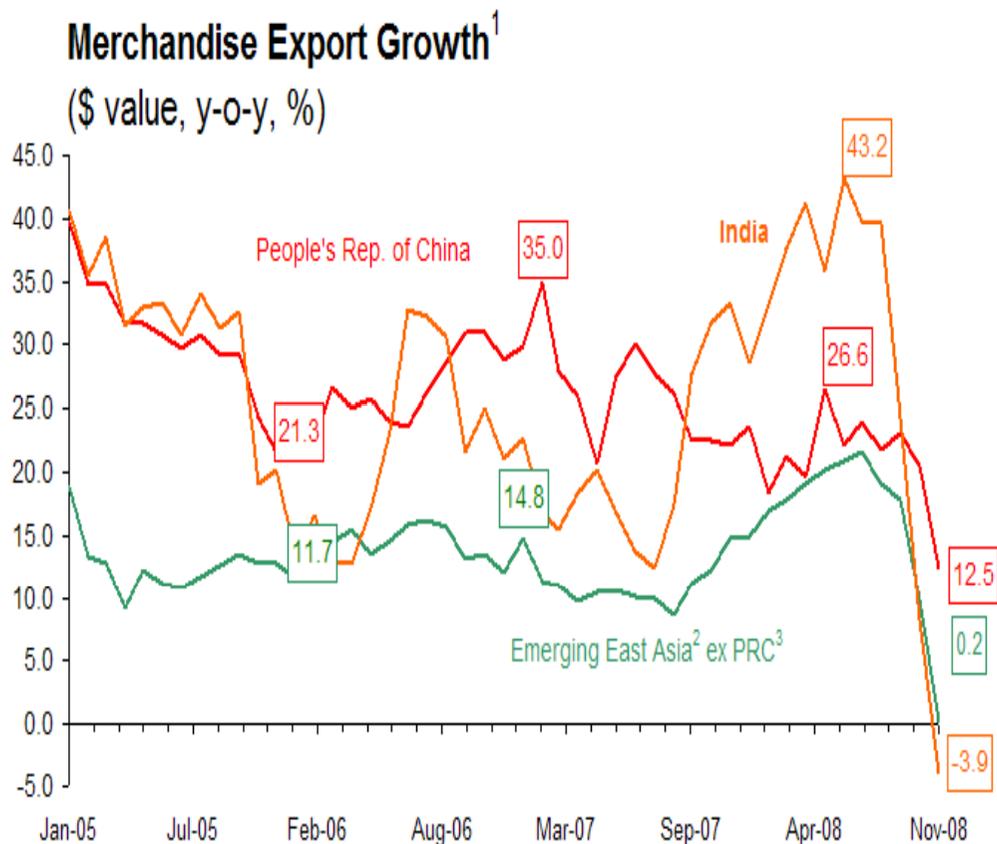


Source: Staff calculations based on US Department of Labor Bureau of Labor Statistics data and Bloomberg data.

- G3 already in recession: IMF predicts 2009 world growth at 0.5% (lowest since World War II)
- Over 2.5 million in the US alone lost jobs in 2008—devastating US consumer confidence



# ...with Asian exporters hit hard



- All major developing Asian economies suffer decline in export growth
- Falling external and domestic demand slow growth in industrial production

<sup>1</sup>3-month moving average.

<sup>2</sup>Refers to NIEs, and ASEAN-4, it does not include Brunei Darussalam, Cambodia, Lao People's Democratic Republic, Myanmar, and Viet Nam for which monthly data are not available up to November 2008.

<sup>3</sup>PRC = People's Rep. of China

Source: DREI staff calculations based on CEIC data.

# GDP growth to slow further in 2009



## Annual GDP Growth Rates (%)

			ADB Forecasts December 2008		IMF Forecasts January 2009	
	2006	2007	2008	2009	2009	2010
<b>Developing Asia</b>	8.9	9.0	6.9	5.8	3.1	5.9
<b>Emerging East Asia</b>	8.7	9.0	6.9	5.7	2.7	5.8
China, People's Rep. of	11.6	11.9	9.5	8.2	6.7	8.0
NIEs-4	5.5	5.6	3.5	2.4	-3.9	3.1
ASEAN-5	5.7	6.3	5.2	3.8	2.7	4.1
<b>South Asia</b>	8.9	8.6	6.8	6.1	...	...
India	9.6	9.0	7.0	6.5	5.1	6.5
Pakistan	5.8	6.8	5.8	3.8	...	...
<b>Central Asia</b>	13.4	11.6	7.3	7.7	...	...
<b>Pacific</b>	2.2	2.4	4.8	3.4	...	...
<b>Japan</b>	2.0	2.4	0.5	-0.2	-2.6	0.6
<b>US</b>	2.9	2.2	1.4	-0.7	-1.6	1.6
<b>eurozone</b>	2.8	2.6	1.2	-0.5	-2.0	0.2

... = not available

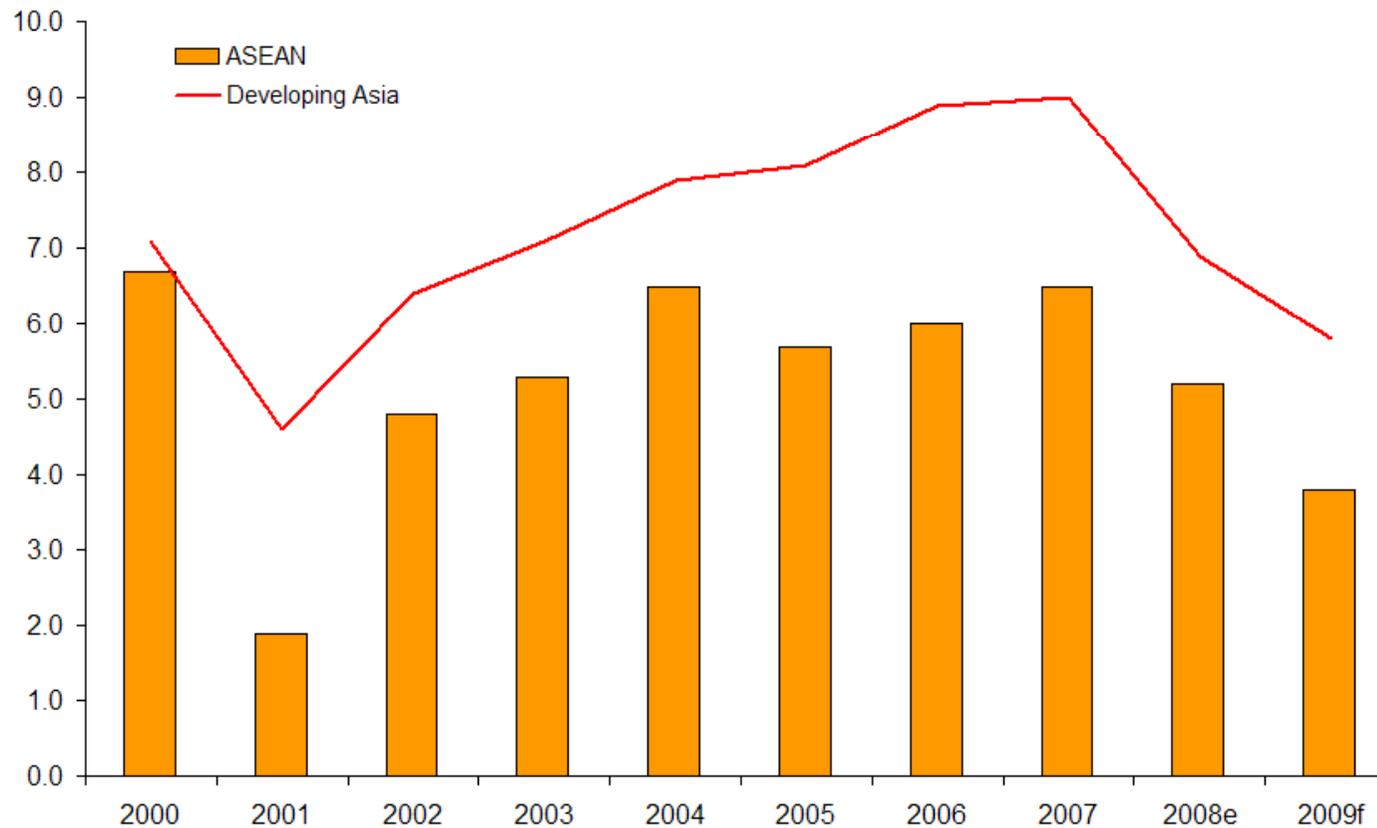
Sources: Asian Development Bank; World Economic Outlook Update, International Monetary Fund (January 2009); and various national government sources.

# 2. ASEAN

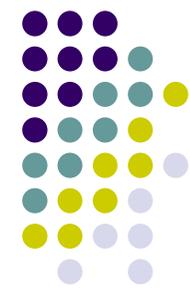
## A hub for regional cooperation and integration



### ASEAN GDP Growth (%)

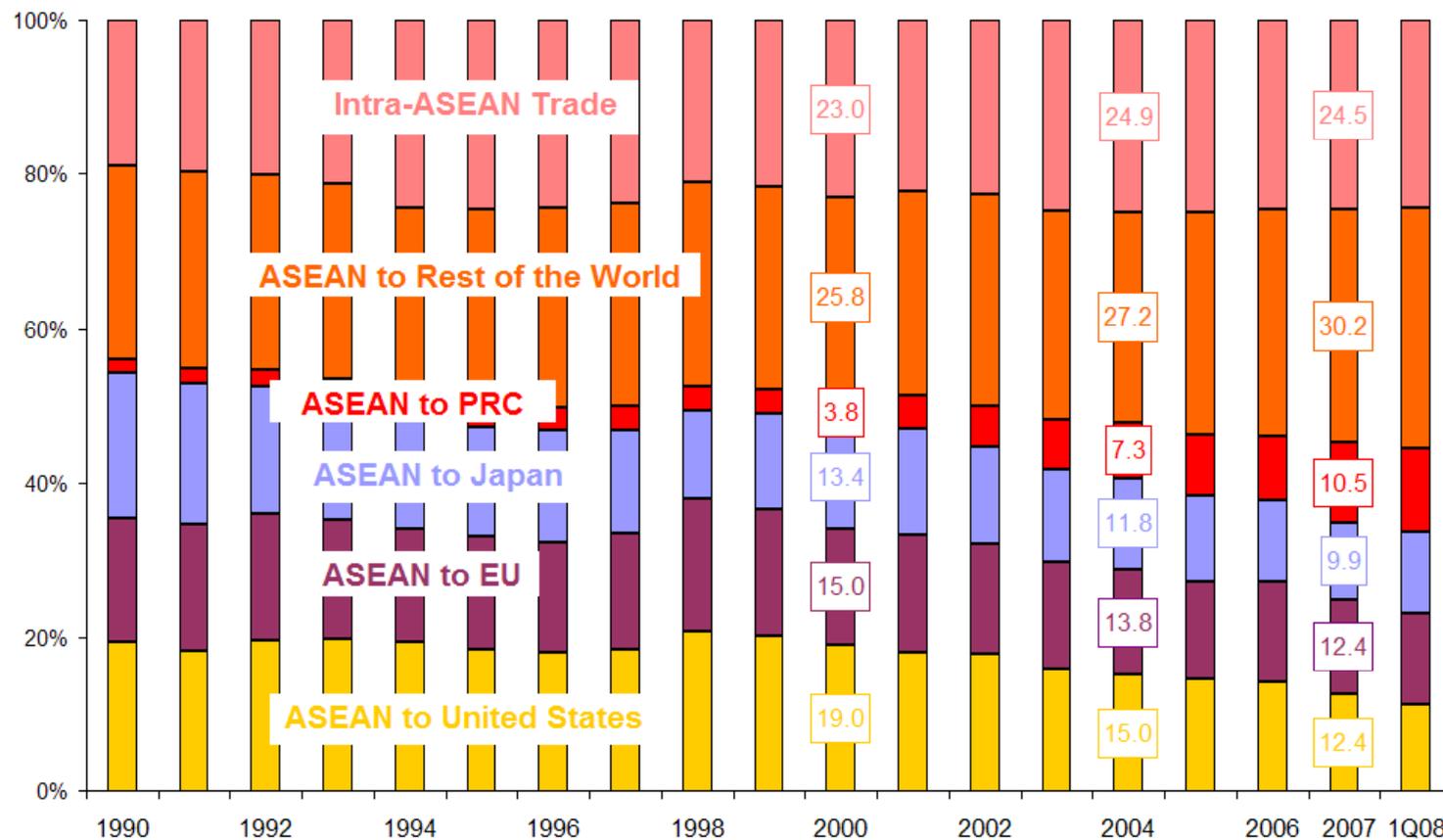


Source: Asian Development Outlook, Asian Development Bank (various years).



# Intra-ASEAN trade continues to rise

**ASEAN Trade links**  
(Total Exports of ASEAN, %)



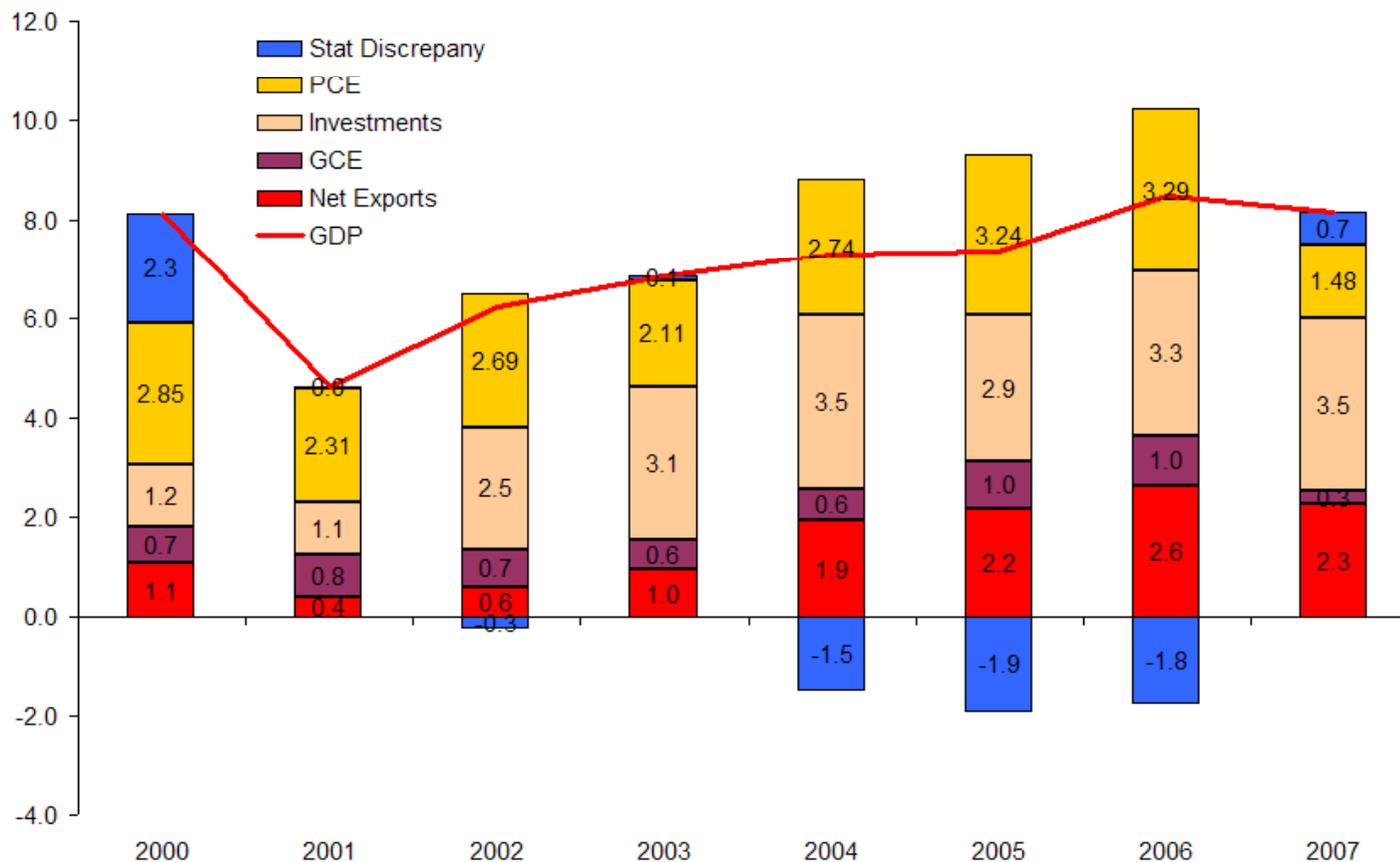
Source: Staff calculations using Direction of Trade Statistics, IMF.

# 3. Rebalancing Growth

## Asia still relies heavily on exports...



Contributions to GDP Growth Developing Asia ex. Pacific (y-o-y, %)

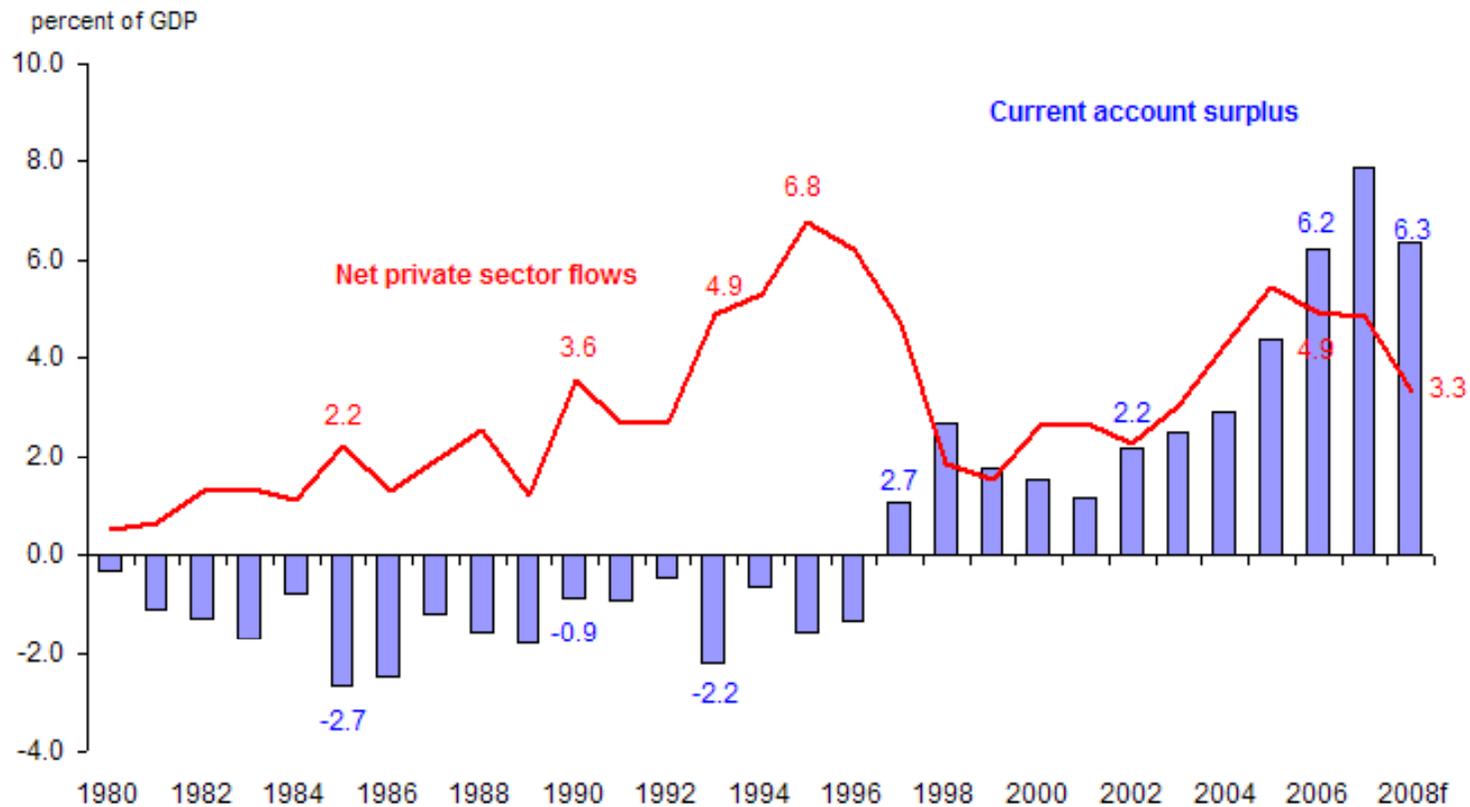


Source: Data sourced from World Development Indicators, World Bank

# Net private capital flows slow while current account surplus decline



## Net private capital flows to Emerging Asia



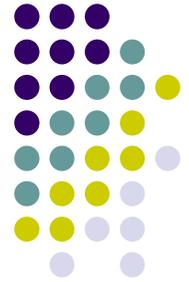
Source: Staff calculations using Institute of International Finance database.

## ...thus the need to rebalance growth



- Prioritize infrastructure and social spending to increase economic capacity
- Improve investment climate to attract private capital
- Promote SME to strengthen domestic demand
- Strengthen financial systems for better and more efficient resource allocation

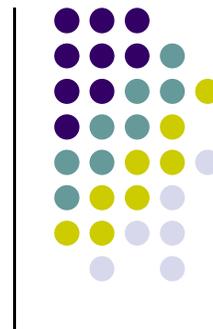
# 4. ADB's Role



- Support Crisis Management
  - Operations and funding support for DMCs
  - Regional initiatives and ADB policy dialogue
- Secure Long-term Development
  - ADB Strategy 2020

# Securing long-term development: ADB Strategy 2020





**Thank you**