

Sectoral Risks in Asia

December 2016

Asia: Sectoral Challenges

- Asia will remain the main engine for global growth, with regional GDP forecast to rise more than 5% in 2017. India and China will see growth of 6-7%, while other emerging economies will expand 4-6% next year. Unemployment is a significant concern in Indonesia and the Philippines.
- Trade volumes rebounded in 2016, after steep declines in 2015. Current accounts are largely in surplus, except for oil-dependent Indonesia. FX reserves of more than 4 months imports provide a comfortable cushion for all emerging Asia; only Australia and New Zealand face capital flow risks.
- Fiscal space is abundant in Asia with very modest budget deficits and low net public debt. Japan and India pose major concerns on each dimension.
- Banking indicators are within comfortable ranges, with low NPLs and strong deposit/loan ratios. Credit growth remains too high in China, even though the authorities have taken measures to constrain the “shadow banking” industry.

External Risks in Asia

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