

Growth in Asia:

Temporary Blip, Slowdown, or Abrupt Adjustment

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A heterogeneous and fast-growing region

- Size and per capita incomes vary across the region
- BBVA outlook for the region is bright, with growth projected to rise in the next 5-10 years

Asian economies' GDP, USD 2011

Source: WEO, CEIC and BBVA Research



Selected Indicators

Source: WEO, CEIC and BBVA Research

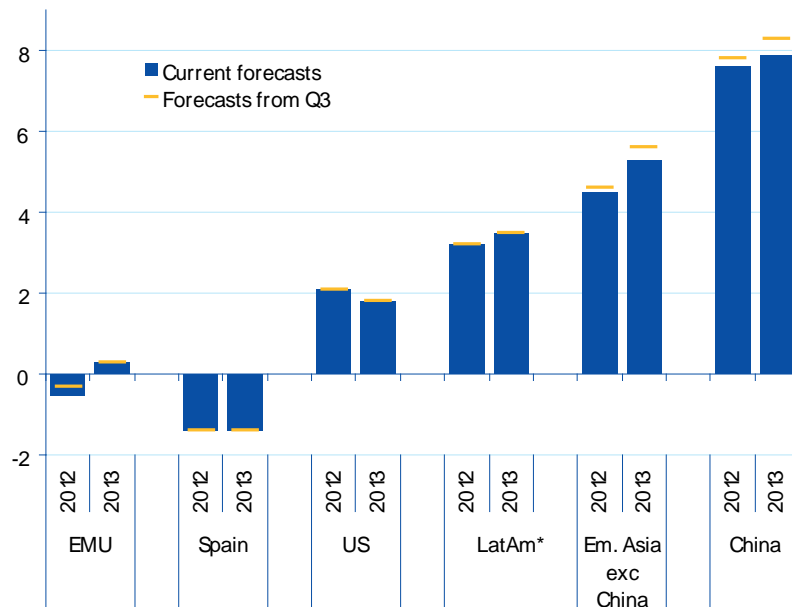
	Population (Mil)	GDP per capita (PPP)	Avg GDP Growth 2001-2011 (%)	Potential Growth 2016-2020 (%)
China	1,321	8,700	10.4	7.2
India	1,202	3,800	7.5	7.9
Indonesia	246	4,600	5.3	6.7
Japan	127	34,700	0.6	1.4
Philippines	102	3,800	4.7	4.8
Vietnam	89	3,400	7.1	7.7
Thailand	68	8,800	4.0	5.0
S. Korea	50	30,200	4.1	4.0
Malaysia	29	16,000	4.7	4.8
Australia	23	41,000	3.0	3.4
Hong Kong	7	32,400	4.2	4.5
Singapore	5	47,400	5.7	4.6

Asia as an engine for global growth

- Even with the slowdown, emerging markets are the global growth engine, and Asia leads the pack
- The region's larger economies—China, India, and Indonesia—have propelled growth in recent years, with China accounting for around one-third of global growth
- Asia has strong fundamentals—solid fiscal positions, high reserves, and sound banking systems

GDP growth forecasts have been lowered...

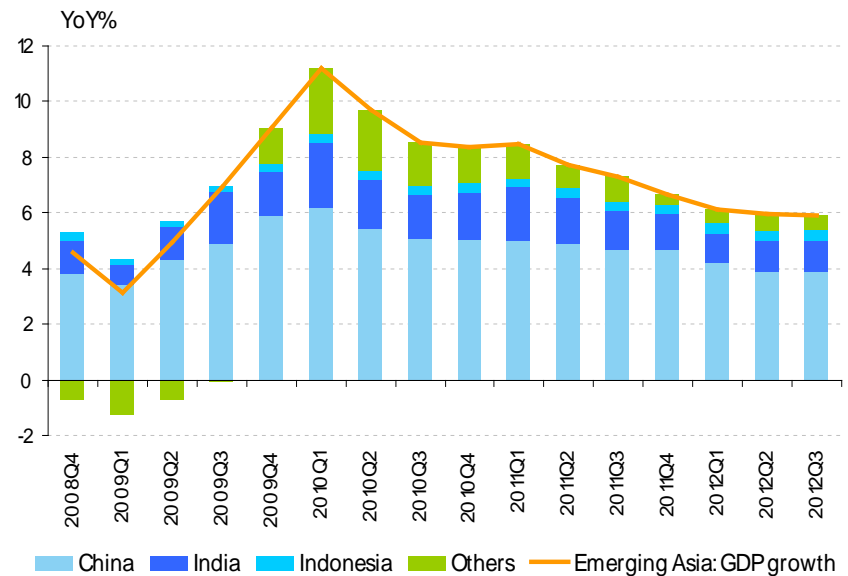
Source: CEIC and BBVA Research



* LatAm: Arg, Bra, Chi, Col, Mex, Per, Ven

...but Asian growth remains relatively high

Source: CEIC and BBVA Research

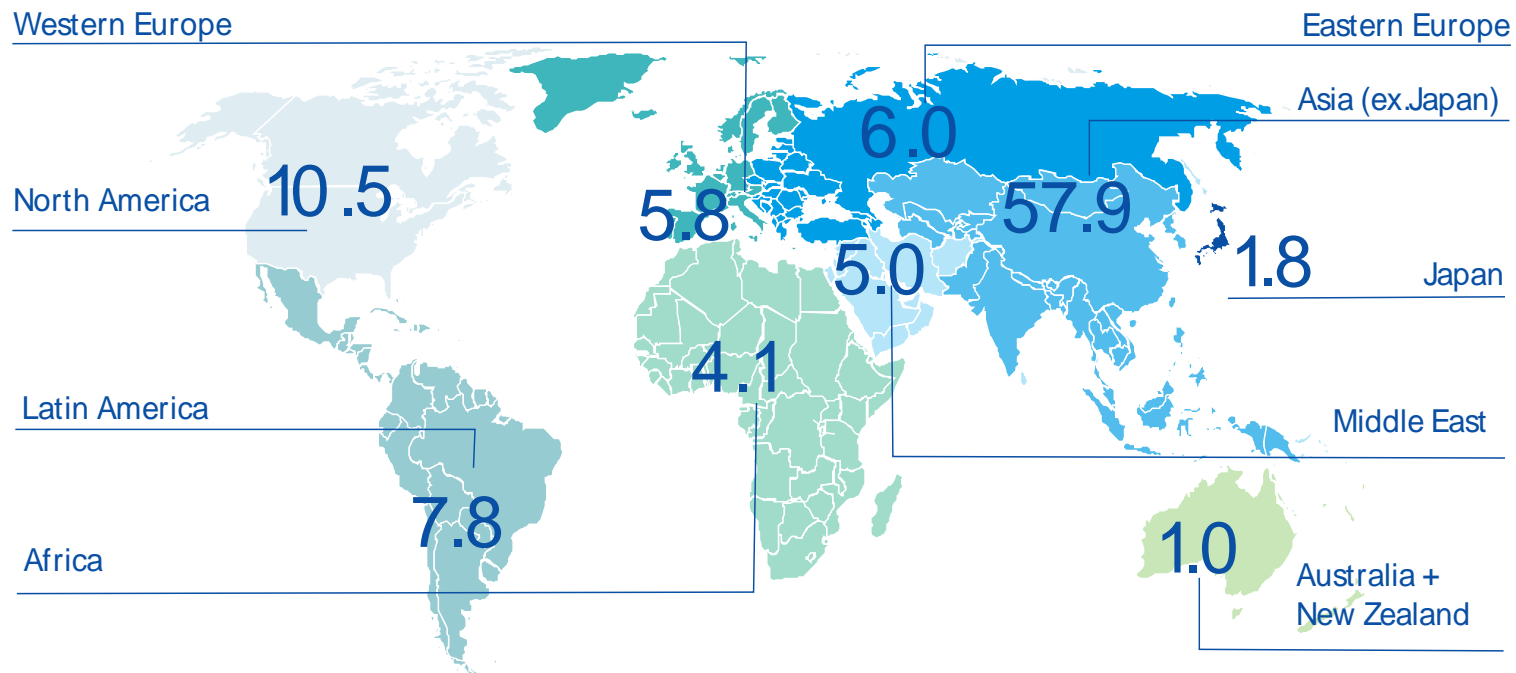


The global economy is Asia-centric

- Emerging Asian economies to contribute 58% to global growth in next 10 years
- China is the largest contributor at 34% of global growth followed by India at 12%
- 5 of the 9 EAGLE economies are located in Asia

Contribution to global economic growth by region, 2011-2021 (%)

Source: BBVA Research and IMF WEO

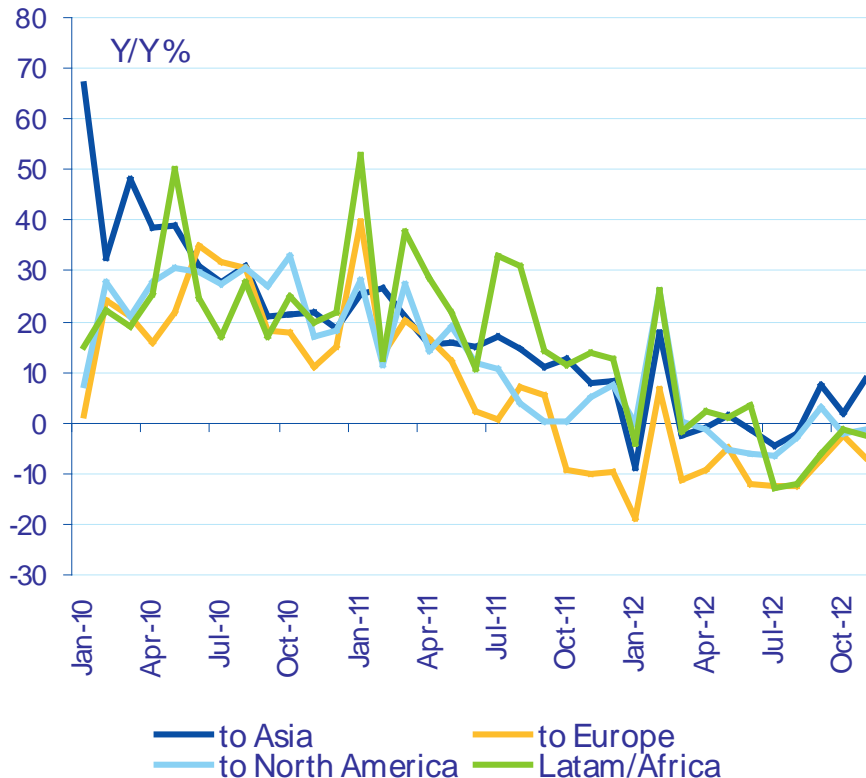


Intraregional trade is providing support

- Export growth started to pick up in the fourth quarter, as expected
- Intra-regional trade has been the key support, with sustained global headwinds
- China has become an important source of final demand for the region's exports

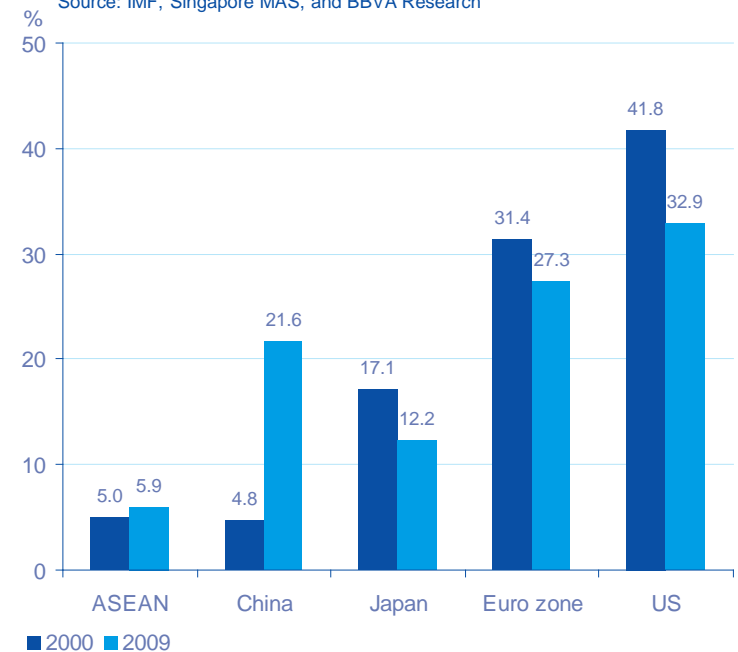
Intraregional trade is boosting the region

Source: CEIC and BBVA Research



Asian export market shares based on final demand

Source: IMF, Singapore MAS, and BBVA Research

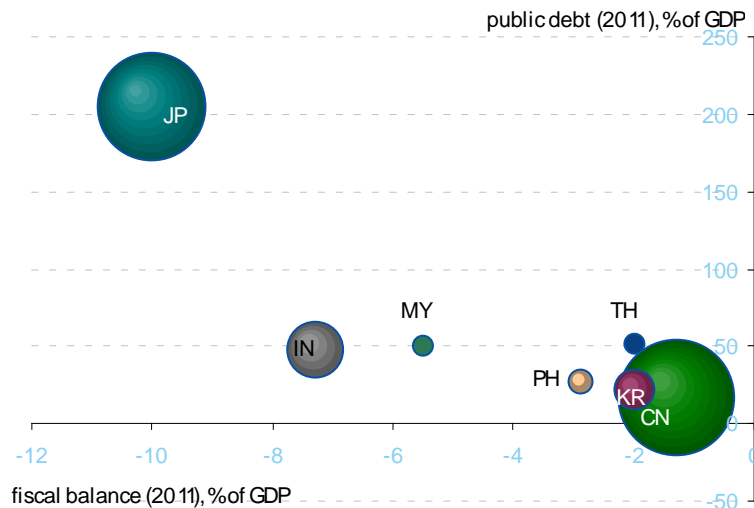


Room for policy support

- Policymakers have been making use of the room for fiscal and monetary policy support, and there is room for more if the global environment falters
- Domestic demand has been a factor in sustaining growth, especially in Southeast Asia

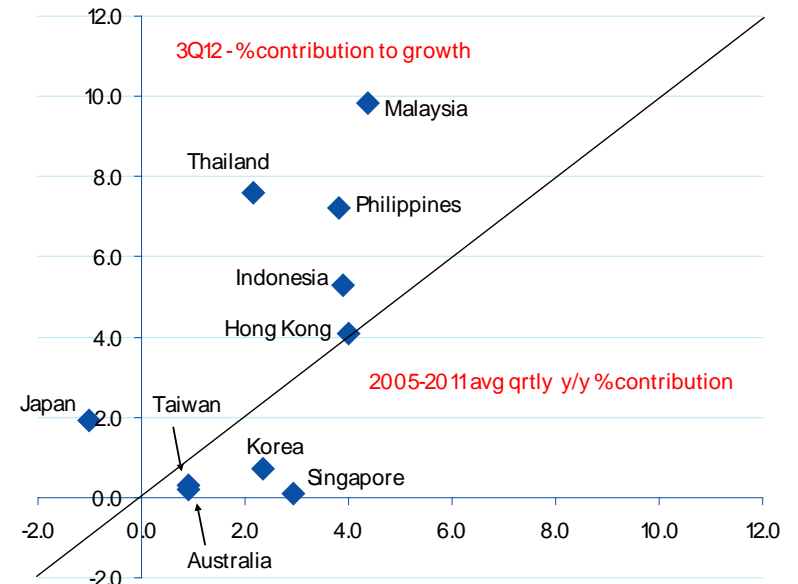
Most countries have room for fiscal support

Source: CEIC and BBVA Research



Southeast Asia is being driven by robust domestic demand

Source: CEIC and BBVA Research

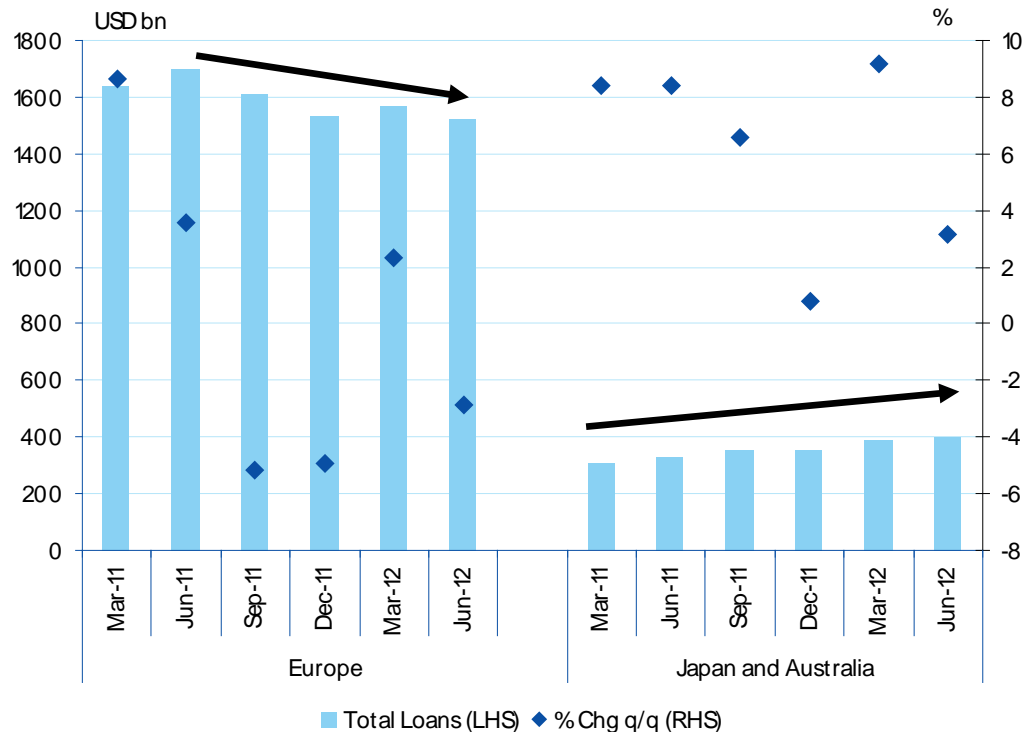


Asia's exposure to European bank deleveraging

- Asian banks are well capitalized and have aggressively expanded lending

Local banks are filling the gap from European bank deleveraging

Source: CEIC and BBVA Research

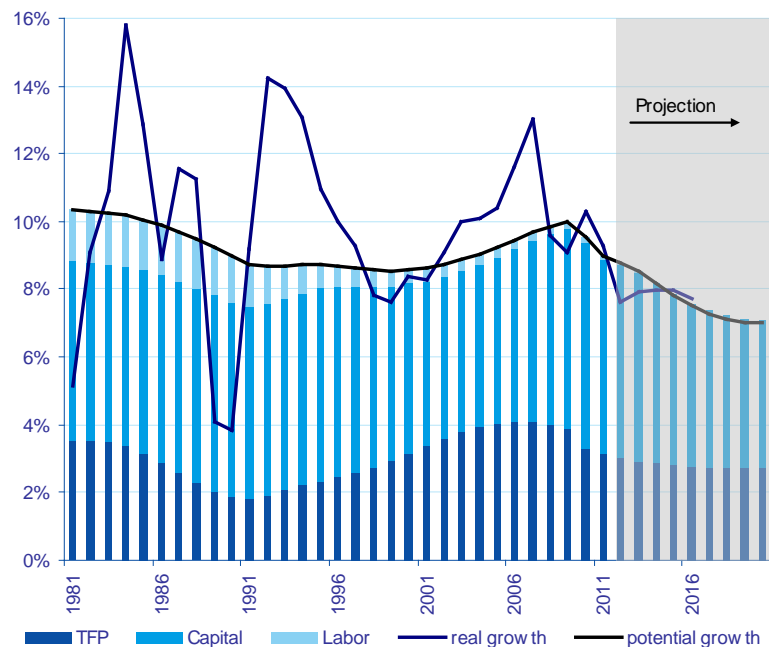


China's potential growth is decelerating

- High potential growth in the past, due to capital accumulation, labor growth, and total factor productivity
- Potential growth will decelerate in the coming decade, to 7.0% by 2020, from 8.8% at present
- The decline is due to a combination of lower TFP, decelerating investment, and stagnant labor force growth
- The estimates are a “good” scenario, based on continued progress in economic reforms and rebalancing toward domestic consumption

Declining potential growth ...

Source: BBVA Research



... as the contribution of labor and total factor productivity diminish

Source: BBVA Research

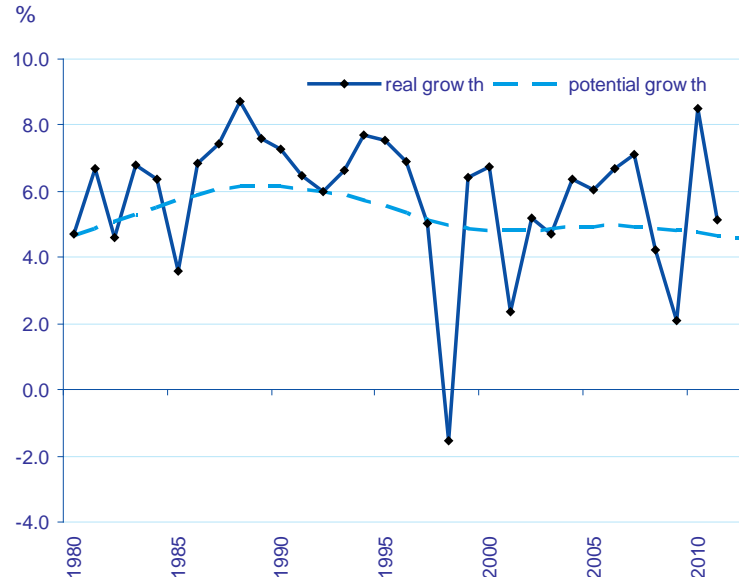
Contribution by factors	TFP	Capital	Labor	Potential growth	real growth
1981-1990	2.9%	5.5%	1.5%	9.8%	9.3%
1991-2000	2.4%	5.5%	0.7%	8.7%	10.5%
2001-2010	3.8%	5.2%	0.3%	9.3%	10.2%
2011-2020	2.9%	5.0%	0.0%	7.8%	--

Emerging Asia: potential growth

- Emerging Asia has had a relatively high growth potential in the past three decades
- ...but growth has been susceptible to external shocks, with evidence that its potential growth is slowing

Emerging Asia ex -China: potential growth (HP filter, 1980-2011)

Source: CEIC and BBVA Research



Note: include Hong Kong, Korea, Singapore, Taiwan, India, Indonesia, Malaysia, Philippines, Thailand, and Vietnam.