Over the past few years, the global economy has been sluggish and its growth far below what that in the mid-2000s. Although the world economy has mostly recovered from the 2009 recession, it still lacks the strong growth that characterized the first decade of the post-Cold War era. The world economy posted a 3.0 percent growth rate in 2013, with emerging and developing economies growing at a 4.7 percent rate and advanced economies growing at a 1.3 percent rate (Chart 1). The Asia Pacific region, made up of both advanced economies and emerging and developing economies, posted much stronger growth in 2013—a 6.8 percent rate.

A Mild Acceleration in Asia Pacific Economic Activity

In 2013, Asia Pacific economic activity expanded by 6.8 percent, the lowest growth rate it has seen since 2009, when most of the world’s advanced economies were in recession (Chart 2). The Asia Pacific economy is expected to see a slight acceleration in its growth over the next couple of years with growth rates of 7.0 percent in 2014 and 7.5 percent in 2015.

Chart 1. Growth Rate of Real Global Economic Activity

Sources: International Monetary Fund; Center for Business and Economic Research, UNLV

Chart 2. Growth Rate of Asia Pacific Real GDP

Note: Gross domestic product is based on purchasing-power-parity (PPP) valuation of country GDP
Sources: International Monetary Fund; Center for Business and Economic Research, UNLV
Australia

In 2013, Australia reached a gross domestic product (GDP) equivalent to 1 trillion U.S. dollars (based on purchasing power parity). Compared to the rest of Asia Pacific, and befitting its status as an advanced economy, Australia has seen lower rates of economic growth. Unlike much of advanced economies, Australia avoided recession in 2009, although it did see much slower growth.

In 2013, Australia suffered a 1.5 percentage point decline in its economic growth rate, slipping from 5.4 percent in 2012 to 3.9 percent in 2013 (Chart 3). Consistent with the rest of Asia Pacific, Australian economic activity should gradually accelerate over the next few years—reaching a growth rate of 4.5 percent in 2015.

China

China remains the largest economy in the Asia Pacific region with an estimated GDP equivalent to 14 trillion U.S. dollars (based on purchasing power parity). China’s economic growth rate peaked in 2007 with a growth rate of 17.0 percent (Chart 4). Despite the sharp 5.0 percent drop in growth rate between 2007 and 2008, China still continues to have the strongest economic growth rate of any country in the Asia Pacific region. China’s economy can be expected to grow at a fairly consistent annual pace of around 9.0 percent until 2015, when its GDP will reach the equivalent of 16 trillion U.S. dollars.
Hong Kong

Hong Kong’s economy has seen slower growth rates than the rest of the Asia Pacific region. Hong Kong experienced recession in 2009 with a decline in output of 1.8 percent (Chart 5).

Hong Kong’s economy has not recovered nearly as well as most of the other countries in Asia Pacific. The growth rate of its economy was a modest 4.5 percent in 2013. The growth of Hong Kong’s economy is expected to increase to 5.3 percent in 2014 and 5.7 percent in 2015.

India

India has experienced some of the highest growth rates in the Asia Pacific region, and as a result, it now has the second largest GDP in Asia Pacific. In 2013, Indian GDP was just over the equivalent of 5 trillion U.S. dollars (based on purchasing power parity), giving it a slight edge over Japan. While the economies of most countries saw very weak or declining economic activity in 2009, the growth rate of India’s economy was over 9.0 percent (Chart 6). With its strong growth rates, India surpassed Japan as the second largest economy in Asia Pacific in 2011.

Like most Asia Pacific economies, India’s saw slower growth in 2013—with a growth rate of 5.9 percent. Nonetheless, the gap between India’s and Japan’s economies will continue to widen in the next few years, as India will likely see its growth rates accelerate to 7.0 percent in 2014 and 8.0 percent in 2015.
Indonesia

Indonesia is one of the few countries in Asia Pacific that has seen consistently strong economic growth since 2000. In 2009, when many countries were experiencing declining output or sluggish growth, the Indonesian economy still grew by more than 5.0 percent (Chart 7). In 2013, Indonesia had a growth rate of 7.4 percent. We expect Indonesia will continue to see strong growth with rates of 7.0 percent in 2014 and 7.7 percent in 2015.

Japan

Over the past decade, Japan’s economy has been one the slowest growing of the major countries in Asia Pacific. Of the Asia Pacific countries, Japan was hit the hardest during 2009, with a GDP declining by 1.0 percent (Chart 8). In 2013, Japan’s economy expanded by 3.0 percent, the lowest rate of any of the major countries in the region. We expect that Japanese economic activity will remain sluggish—with growth rates of 2.9 percent in 2014 and 2.7 percent in 2015.
Korea

The Korean economy has been one of the fastest growing in Asia Pacific. In 2013, its GDP reached the equivalent of 1.6 trillion U.S. dollars (based on purchasing power parity). Korea has experienced a slowing rate of GDP growth from 2010 to 2012 (Chart 9). The growth rate of GDP is currently 4.3 percent and is expected to increase over the next two years. We expect Korea’s economy to expand by 5.3 percent in 2014 and 5.6 percent in 2015.

Malaysia

Except for the 2009 recession, the growth rate of the Malaysian economy remained fairly consistent from 2001 through 2013. Unlike many other Asia Pacific countries, the growth rates of the Malaysian economy over the past few years have been similar to those seen prior to 2009 (Chart 10).

In 2013, the growth rate of Malaysian GDP was 6.2 percent. We expect a mild acceleration of Malaysian economic activity with growth rates of 6.8 and 6.9 percent, respectively.
New Zealand

New Zealand has the smallest economy of the major countries in the Asia Pacific region. Its GDP in 2013 was only equivalent to 136 billion U.S. dollars (based on purchasing power parity). For 2013, the estimated growth of New Zealand’s GDP was only 4.0 percent (Chart 11). We expect to see faster growth over the next two years with GDP growing by 4.8 percent in 2014 and 2015.

Philippines

The Philippines has seen some of the strongest and most consistent economic growth in the entire Asia Pacific region. Moreover, the growth rates in recent years have been just as strong as the growth rates prior to 2009 (Chart 12). The growth rates of Philippine GDP were 8.9 percent, 5.6 percent, 8.7 percent and 8.8 percent in 2010, 2011, 2012 and 2013, respectively. We expect the growth rate of the Philippine economy will remain in the 8 percent range for 2014 and 2015, with growth rates of 8.0 percent and 8.4 percent, respectively.
Singapore

Compared to the rest of Asia Pacific, Singapore has experienced relatively low and inconsistent rates of growth. Despite the slow economic growth, Singapore remains the richest country in Asia Pacific, with a GDP per capita equivalent to 64,000 U.S. dollars (based on purchasing power parity). The Singapore economy expanded by 5.6 percent in 2013 (Chart 13). Similar growth rates can be expected in 2014 and 2015, at 5.2 percent and 5.5 percent, respectively.

Taiwan

Compared to the rest of Asia Pacific, the Taiwanese economy has maintained a relatively low rate of growth. The Taiwanese economy experienced recession in 2009 but recovered quickly in 2010 with a 12.0 percent growth rate (Chart 14). The economic growth has since slipped with the economy expanding by only 3.6 percent in 2013. We can expect increasing growth rates in Taiwanese economic activity over the next couple of years with real GDP growing by 4.7 percent in 2014 and 5.7 percent in 2015. If this forecast is realized, Taiwanese GDP will reach the equivalent of 1 trillion U.S. dollars (based on purchasing power parity) in 2015.
Thailand

Thailand was another Asia Pacific country hit hard by recession in 2009 (Chart 15). The Thai economy recovered quickly with a growth rate over 9 percent in 2010. In recent years, the Thai economy has taken on a stop-and-go appearance, with sharp decelerations and accelerations. In 2013, Thai GDP increased by 4.4 percent. We expect the growth in Thailand’s economy to slow mildly to 4.0 percent in 2014 before accelerating to 5.6 percent in 2015.

Vietnam

The Vietnamese economy has been among the fastest growing of the Asia Pacific countries. In 2004, the Vietnamese economy expanded at a 21.0 percent rate—the highest seen by any Asia Pacific country in the past ten years. Although its growth slowed after 2004, the Vietnamese economy continues to see consistently strong growth rates (Chart 16).

In 2013, the growth rate of Vietnam’s GDP was 7.0 percent. We can expect a mild acceleration in 2014 and 2015 with growth rates of 7.2 percent and 7.5 percent, respectively.
Risks to the Asia Pacific Economic Outlook

The overall growth of the U.S. and the European economies will affect the export-dependent Asia Pacific economies. As the United States sees improved growth, the global real interest rate will rise, and Asian countries will have to tighten financial conditions. Asia Pacific countries with high inflation and a heavy reliance on global finance and trade will be affected by such tightening.

The Chinese economy is the biggest risk for Asia Pacific economic conditions because it is the largest economy in the Asian Pacific region. China has seen a rapid expansion of debt since 2011, and the debt could continue rising. China’s increased debt could disrupt the financial markets in China and other nearby regions.

Japan’s planned policy to raise the consumption tax by an additional 10.0 percent could have a negative impact on the pace of its economic activity. Given its size, a slowing Japanese economy could create negative spillover effects for the economies in other Asia Pacific countries that trade heavily with Japan.

India and Indonesia will have elections within the next two years, and changes in administration could bring about drastically different economic policies. The changes could cause trade disruptions or have a negative impact on economic growth.