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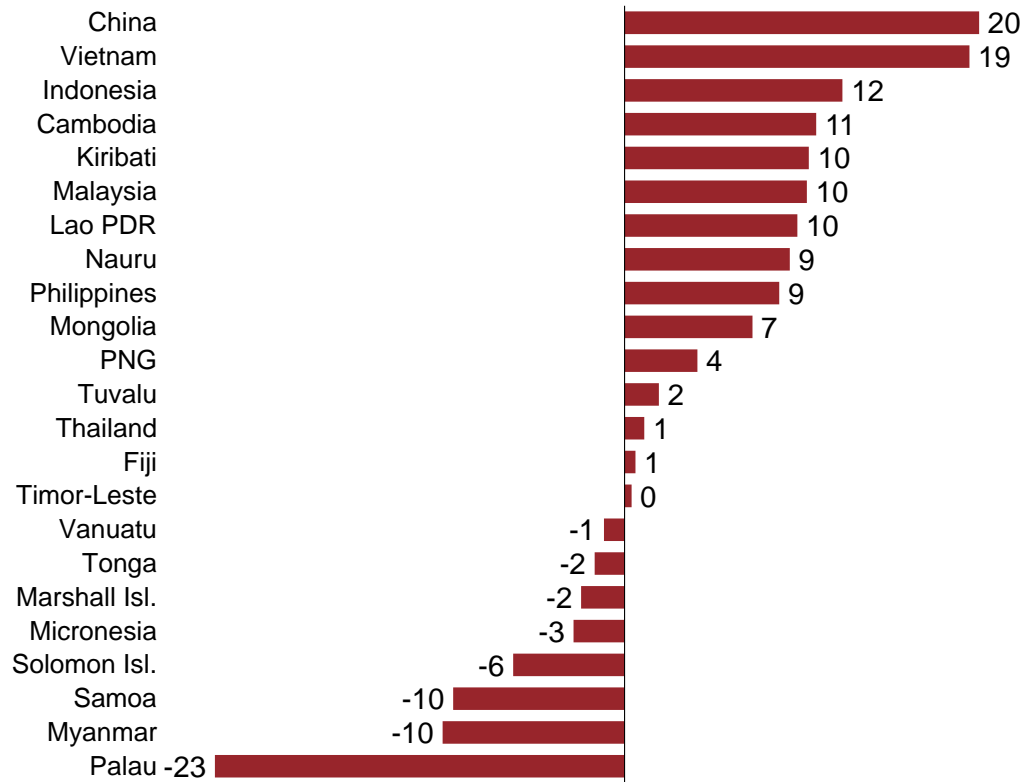
East Asia & Pacific

East Asia and Pacific Economic Update, October 2023

Services for Development

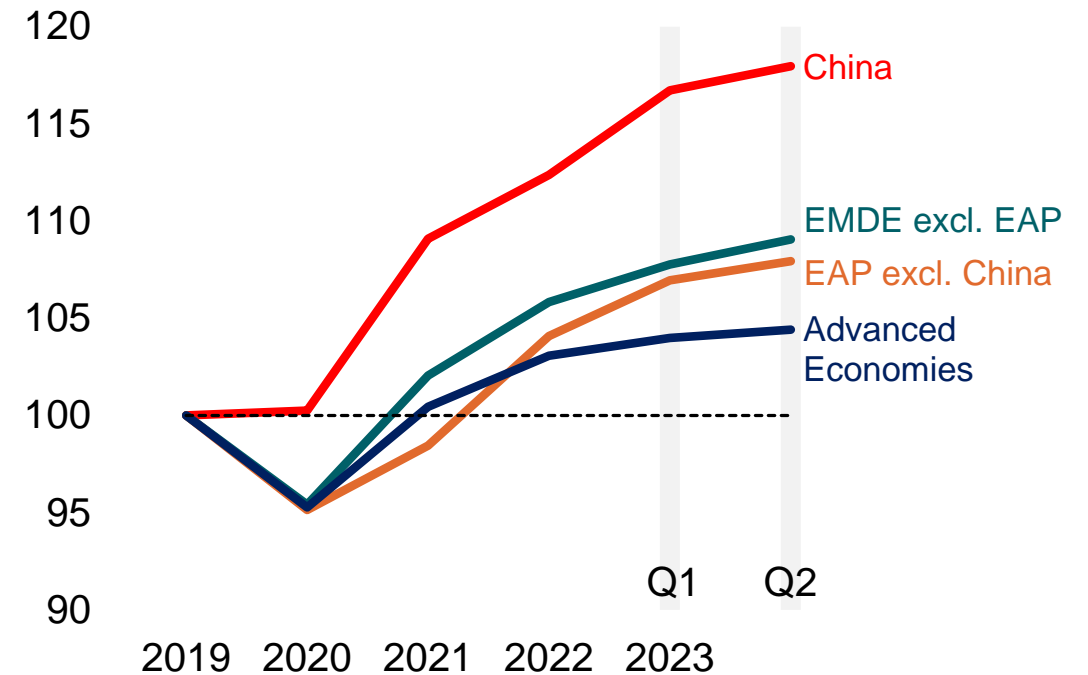
Most major EAP economies have recovered and are growing, but at a slower rate

GDP relative to pre-pandemic levels (%)



GDP growth in EAP and other regions

Index: 100 = 2019Q4

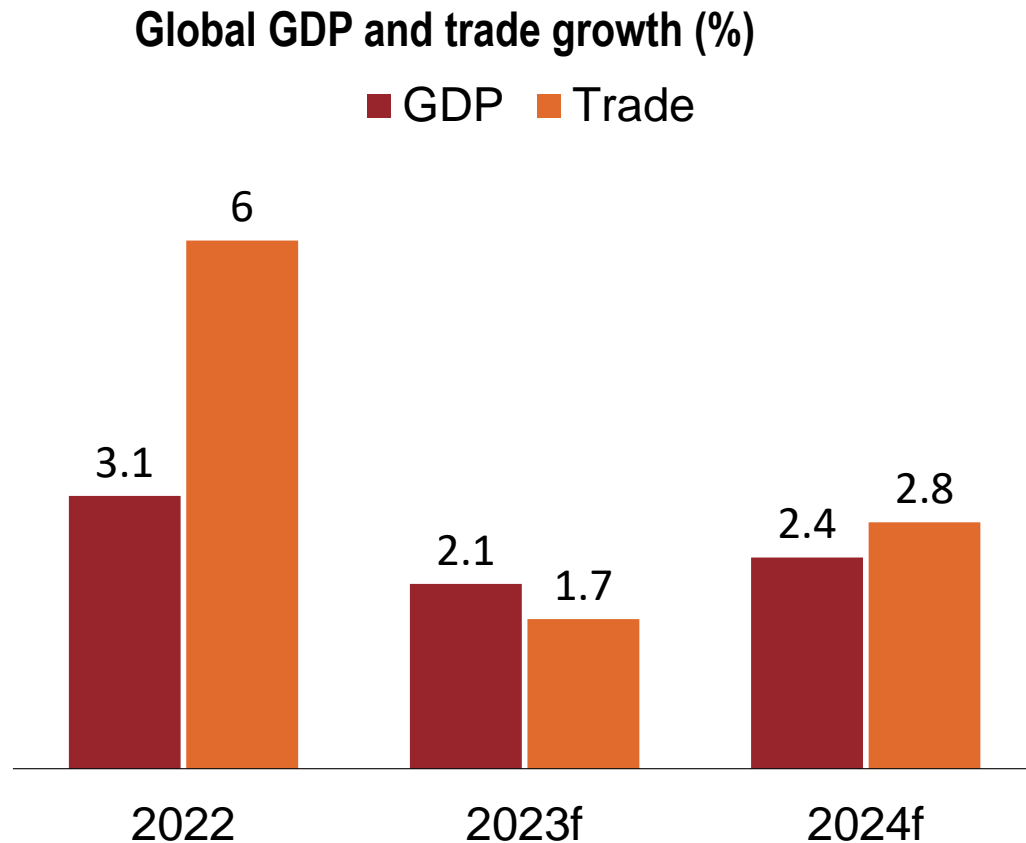


Source: World Bank, Haver Analytics

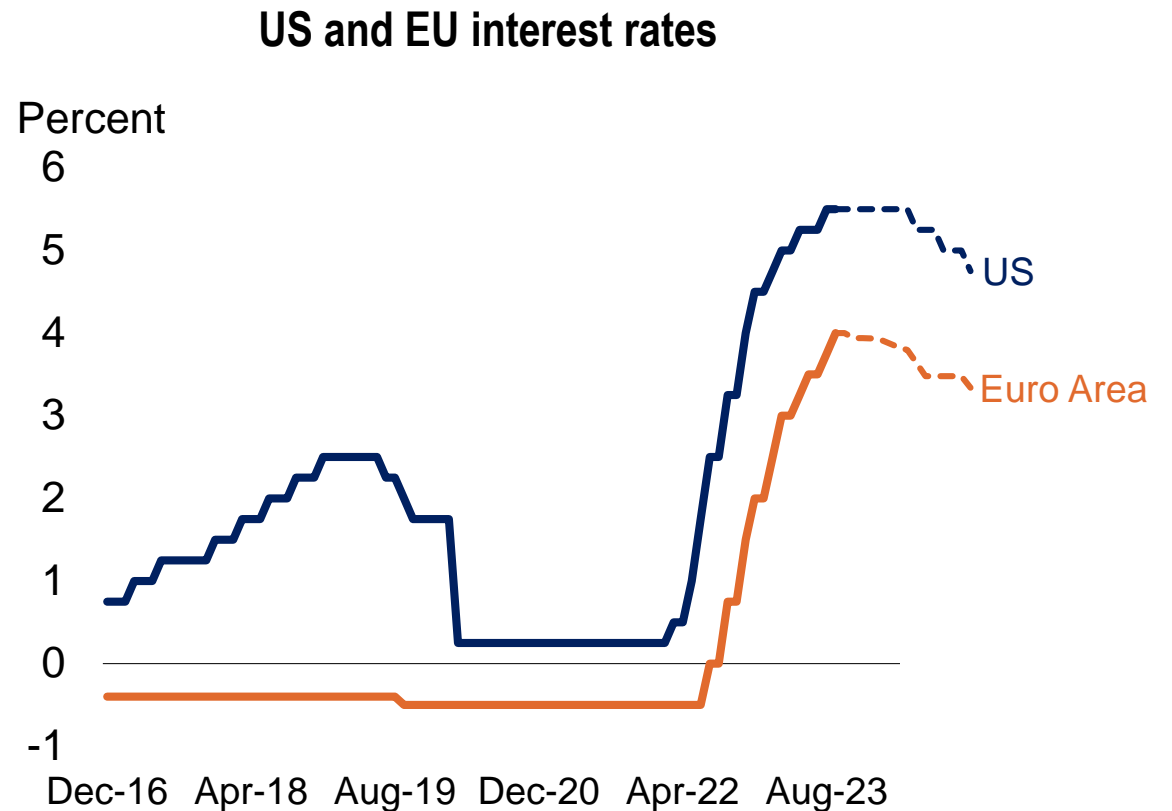
Note: B. Bars show GDP forecast in 2023 relative to 2019 level. EAP: East Asia and Pacific.

The external environment is shaping near term economic performance

Global growth slowdown in 2023 and expected recovery in 2024



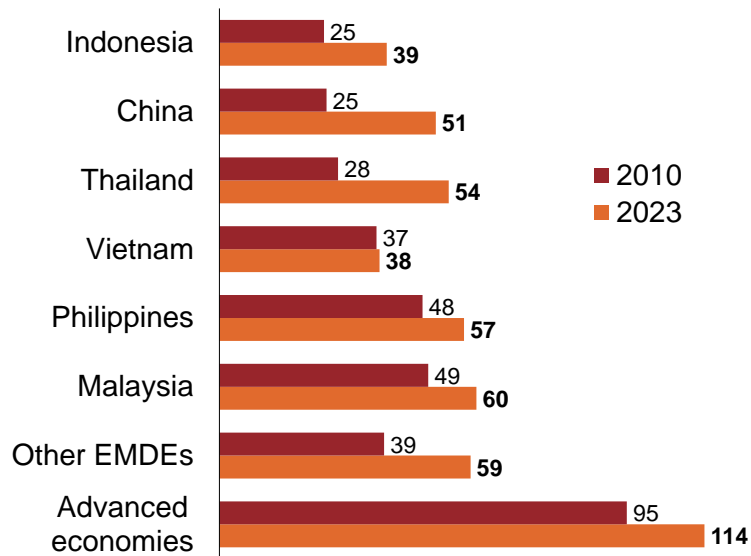
Financial tightening in 2023 and expected easing in 2024



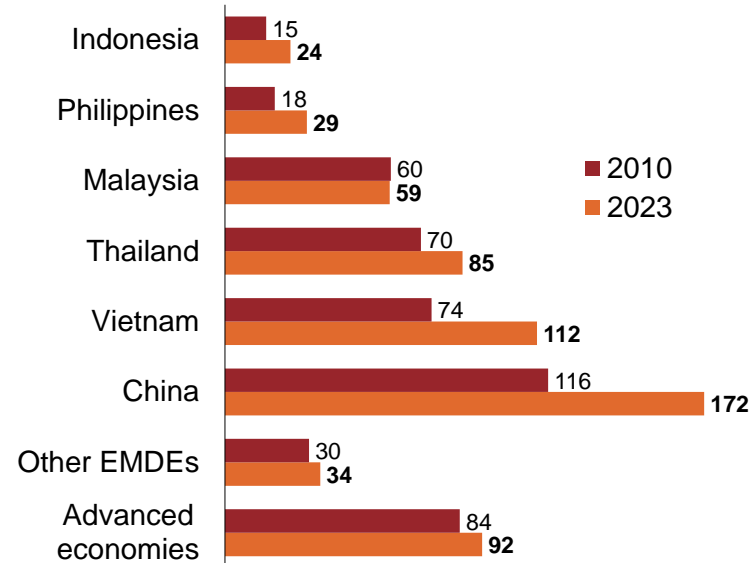
Concern 1: Increased indebtedness

Government and private debt have increased across the region

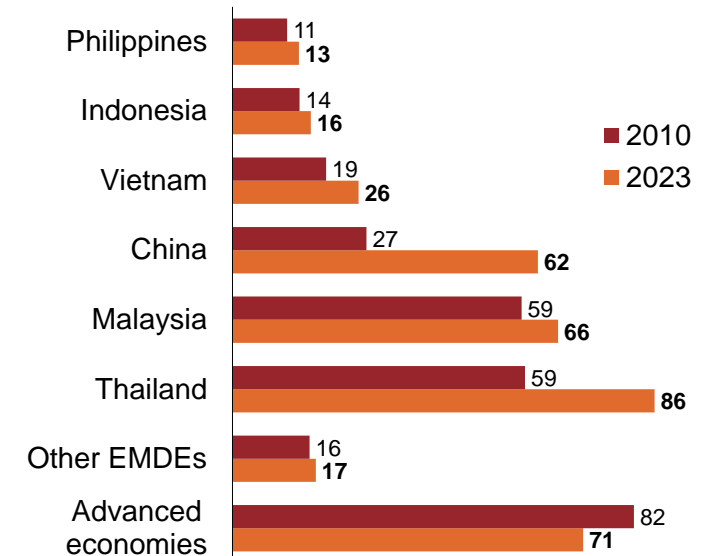
Government debt (% of GDP)



Nonfinancial corporate debt (% of GDP)



Household debt (% of GDP)

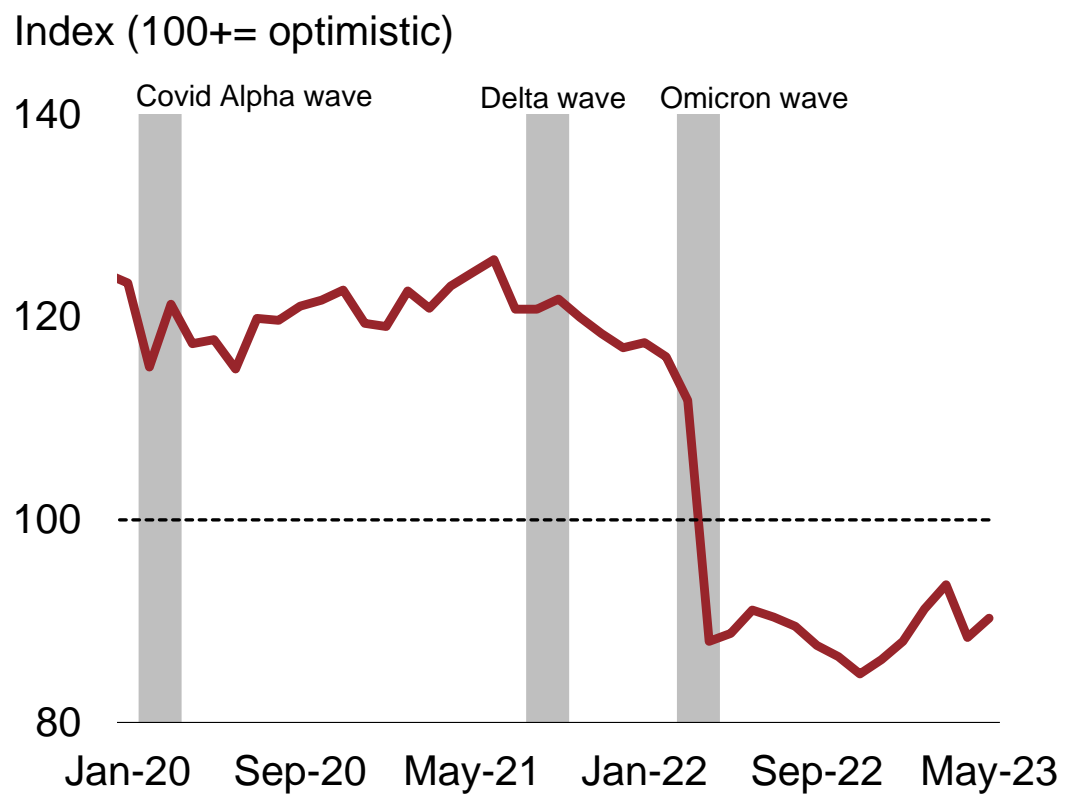


Source: Institute of International Finance, World Bank

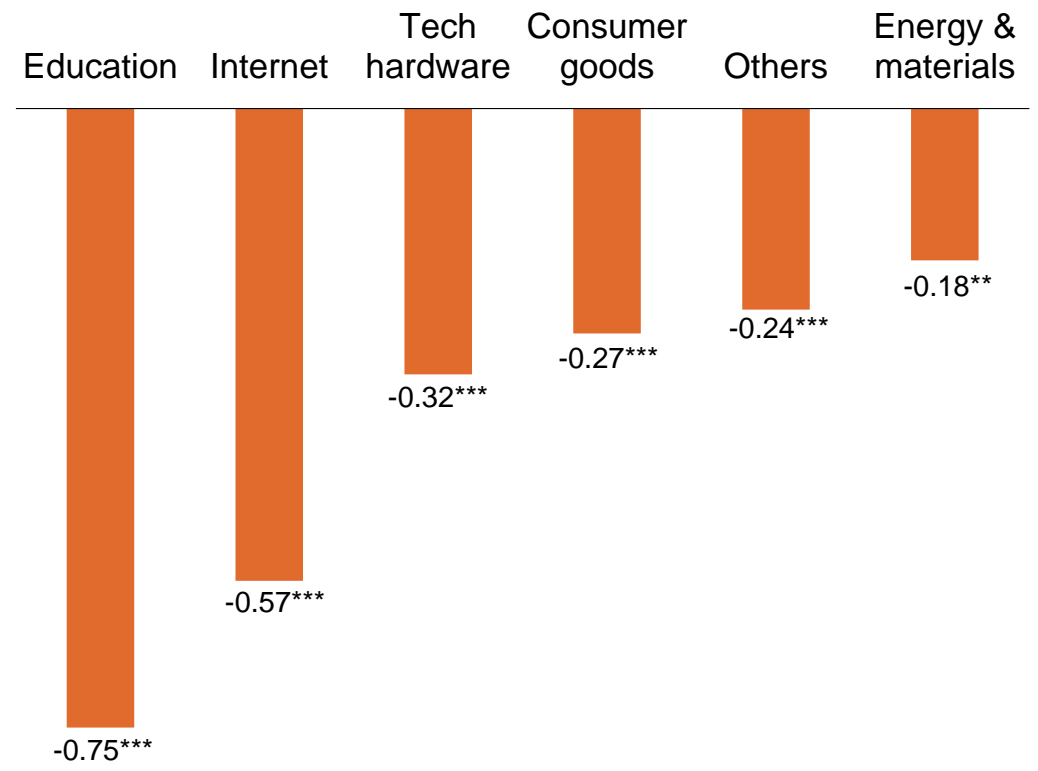
Concern 2: China slowdown

In China, consumer confidence has declined; economic policy uncertainty has hurt investment in specific sectors

Consumer confidence index



Impact of economic policy uncertainty on corporate investment growth



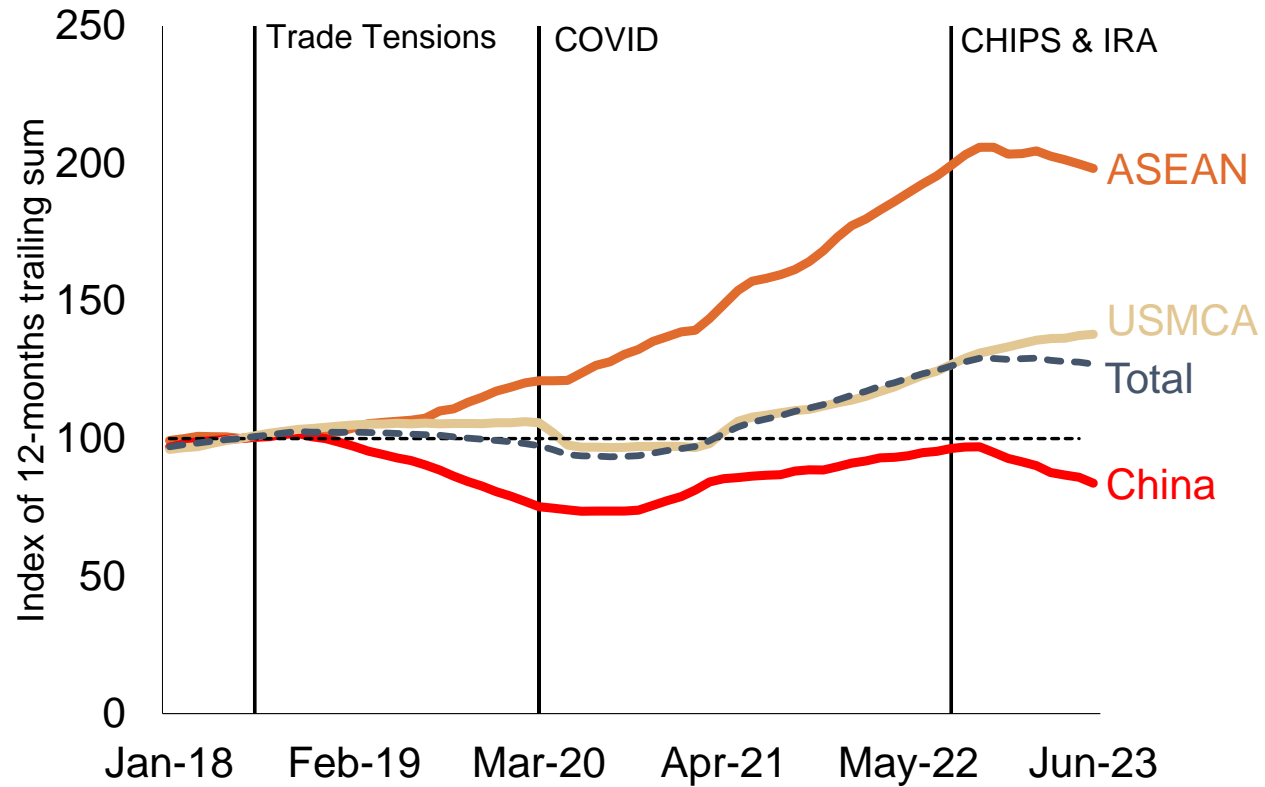
Source: NBS; Haver Analytics; CSMAR database; World Bank staff estimates.

Note: Right panel: Coefficient estimates from regressing corporate investment growth on a standardized index of economic policy uncertainty (EPU).

Concern 3: Trade and industrial policies

Exports of China and ASEAN to the US declined after the introduction of CHIPS and IRA Acts

Electronics and Machinery Exports to the US by origin



Source: US Census Bureau

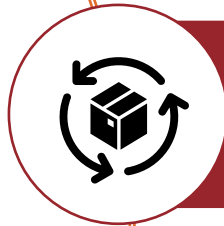
The opportunity: Services for development

Harnessing the digital revolution through reform

Services are playing a growing role in EAP economies



Services now account for at least about half of employment and value-added in most EAP economies



Services contributed more than manufacturing to labor productivity growth in all major EAP economies over the last decade

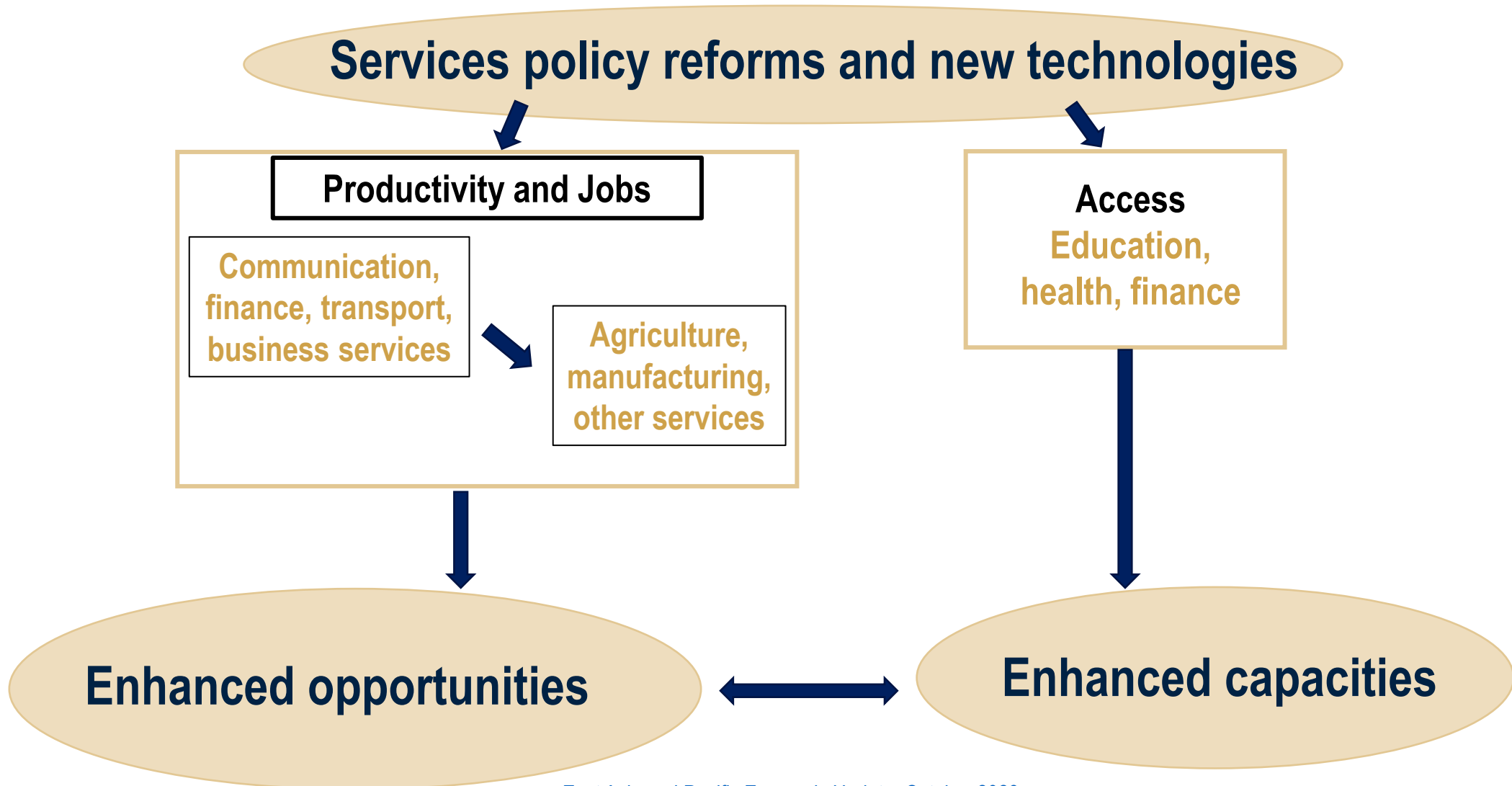


Exports and FDI have grown faster in services than in manufacturing



Services are more skill-intensive, more female labor-intensive, and less carbon-intensive than manufacturing

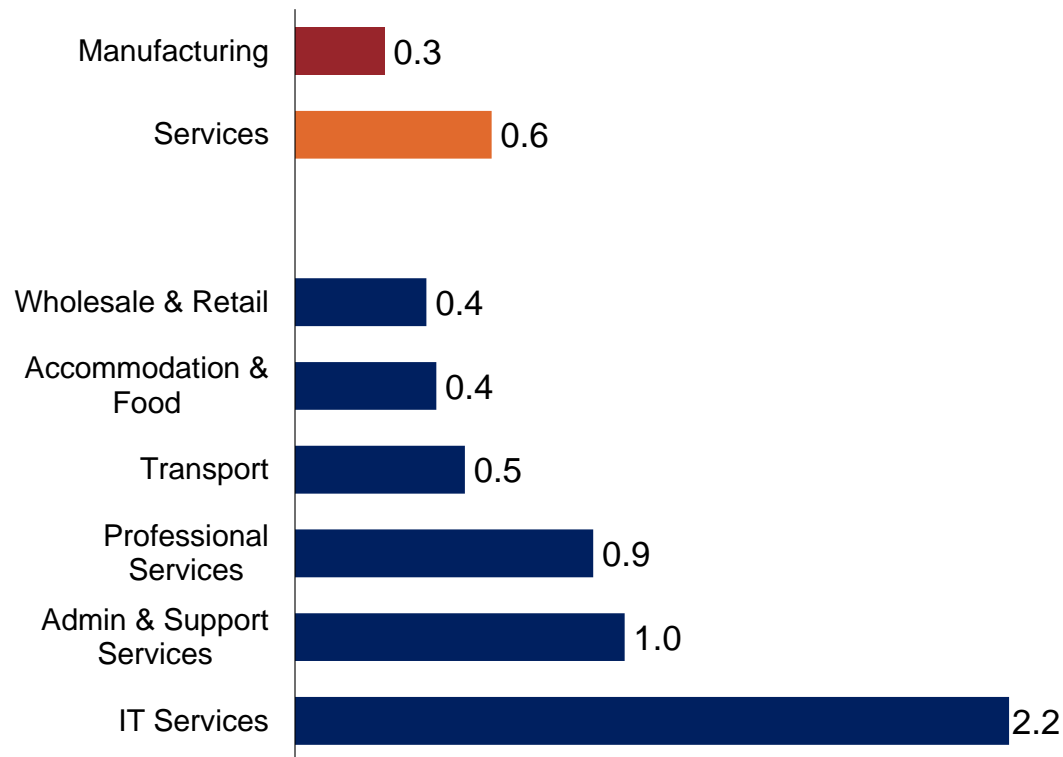
Services for development- the virtuous cycle of opportunity and capacity



In the Philippines, services firms use more digital technologies; the adoption of digital technologies boosted productivity

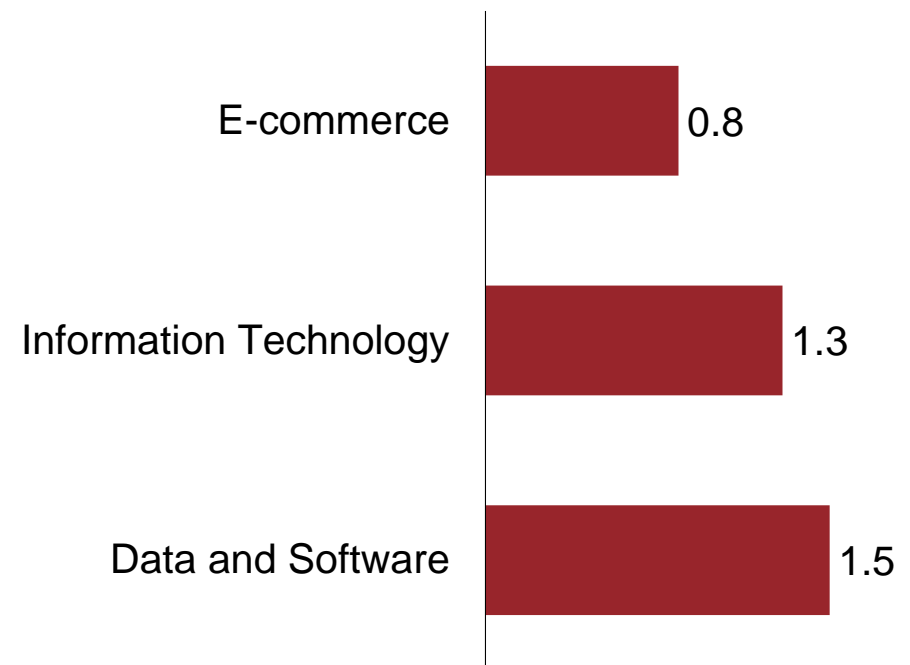
Use of digital technologies by sector

Data and Software per Worker



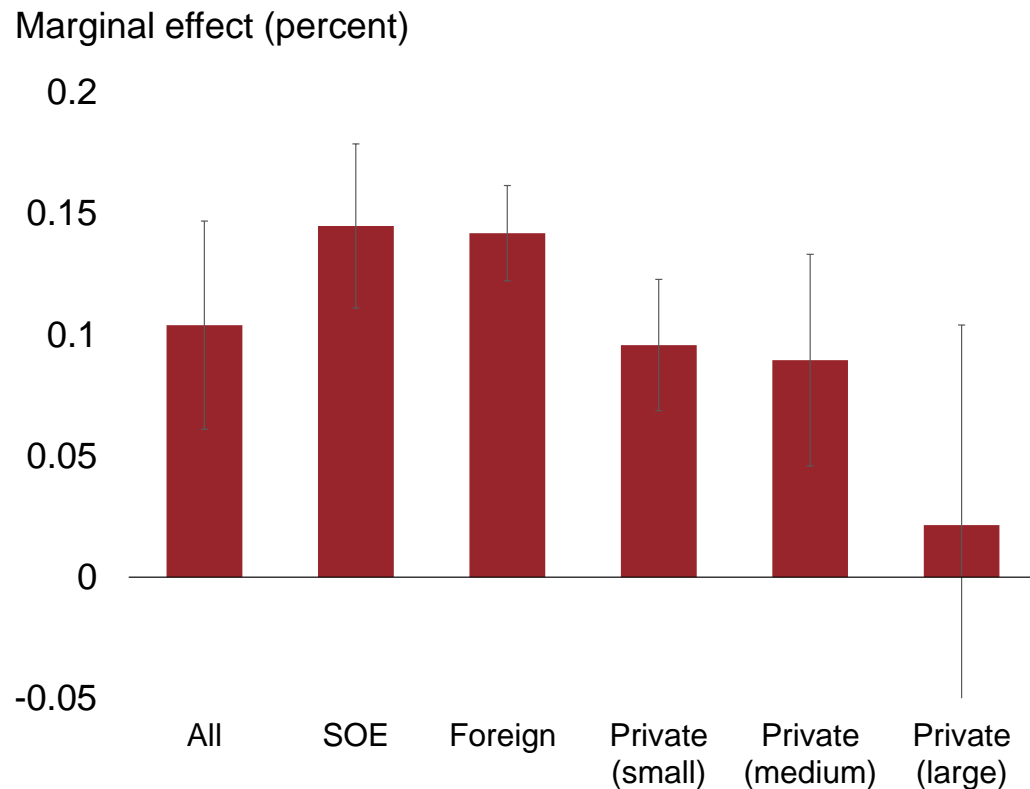
Impact of use of digital technologies on productivity

Total factor productivity (%)

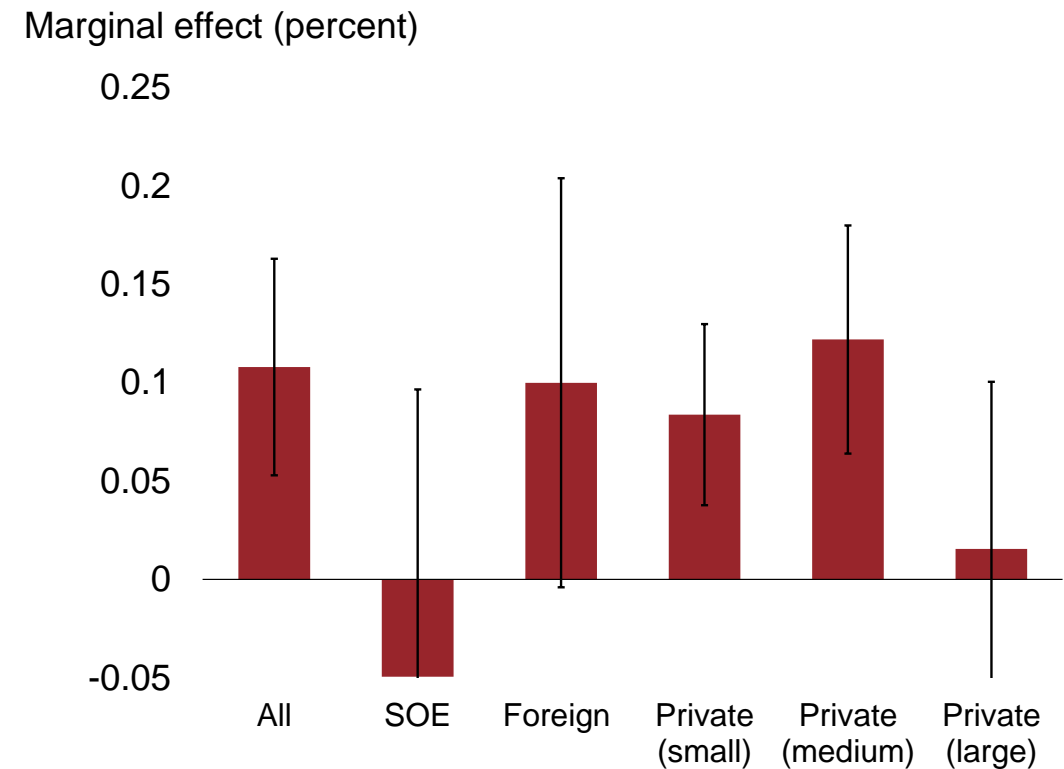


In Vietnam, removing barriers to entry and competition increased labor productivity of services firms, as well as manufacturing firms

Productivity effects of services liberalization on services firms (direct effect)

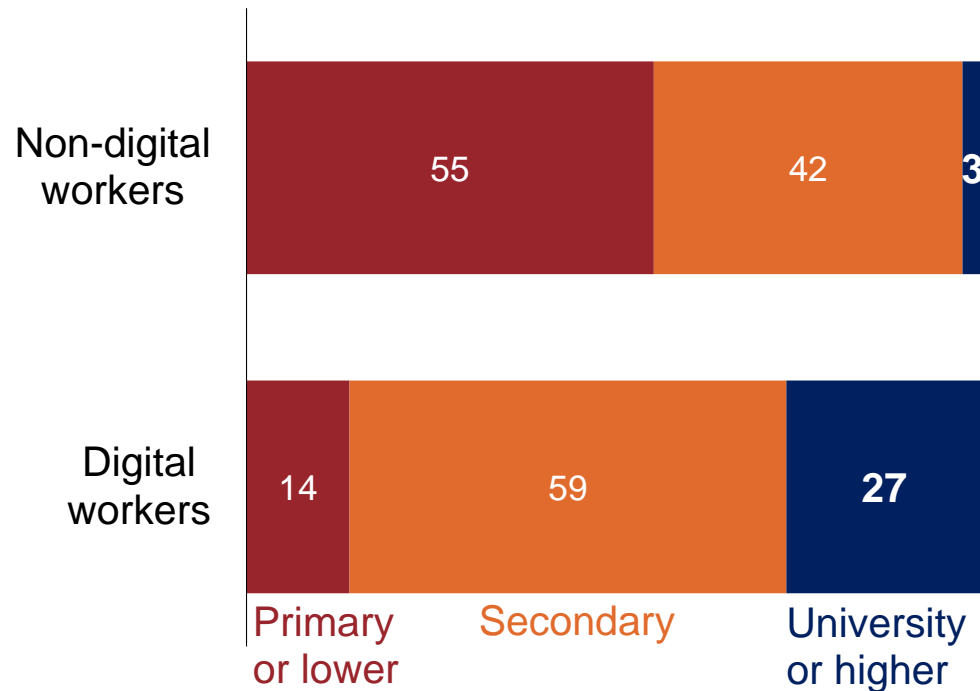


Productivity effects of services liberalization on manufacturing firms (downstream effect)

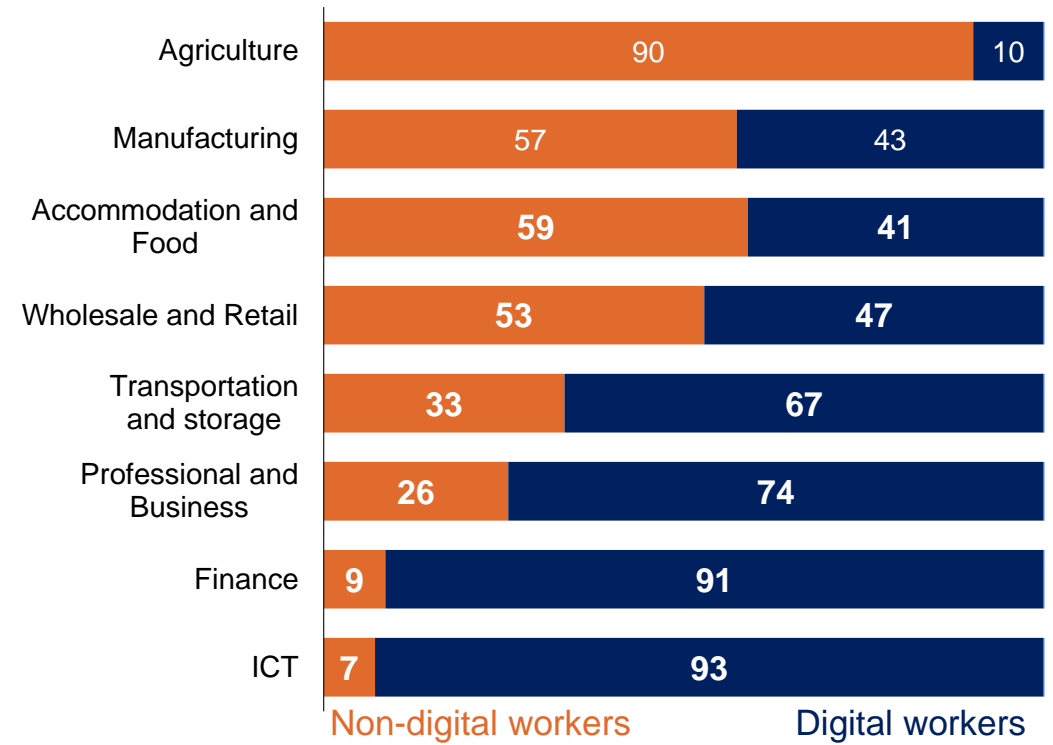


In Indonesia, digital jobs often require higher levels of education and dominate the more technical service sectors

Share of educational levels, by employment type



Share of jobs involving digital technologies, by sector

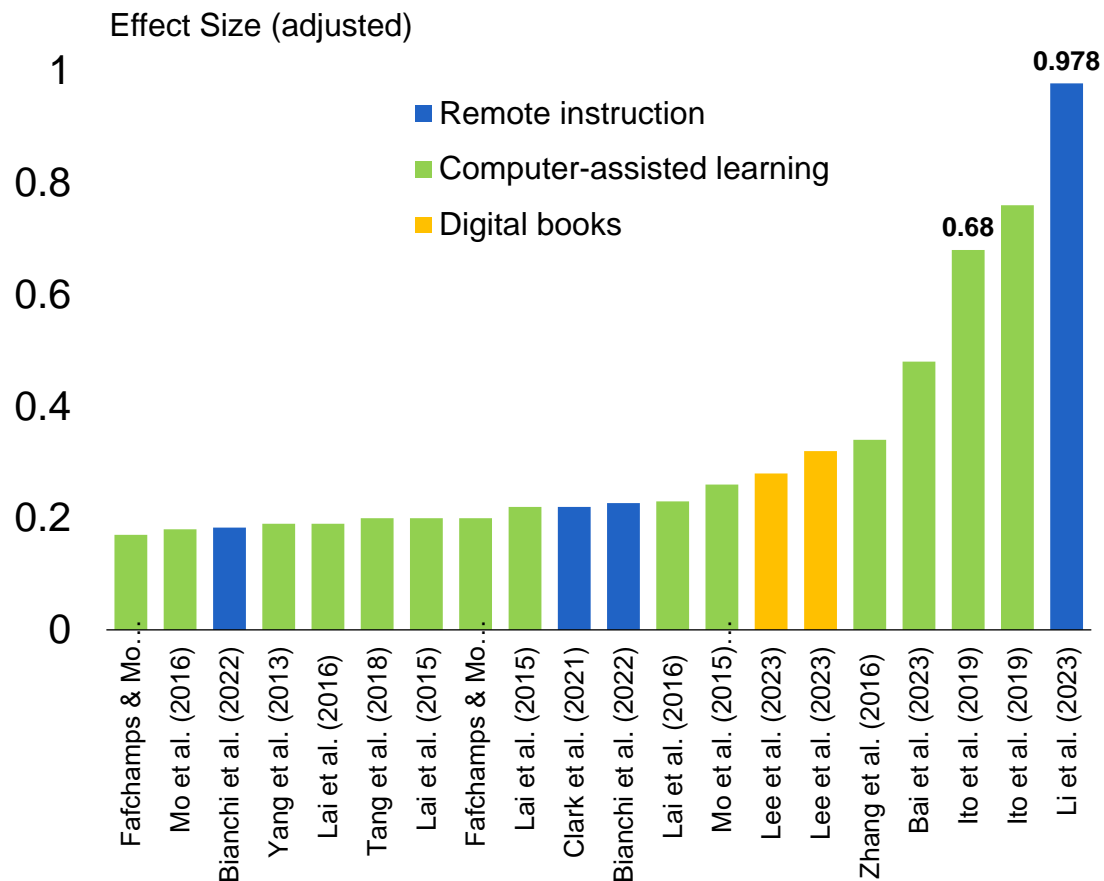


Source: Indonesia's LFS 2022

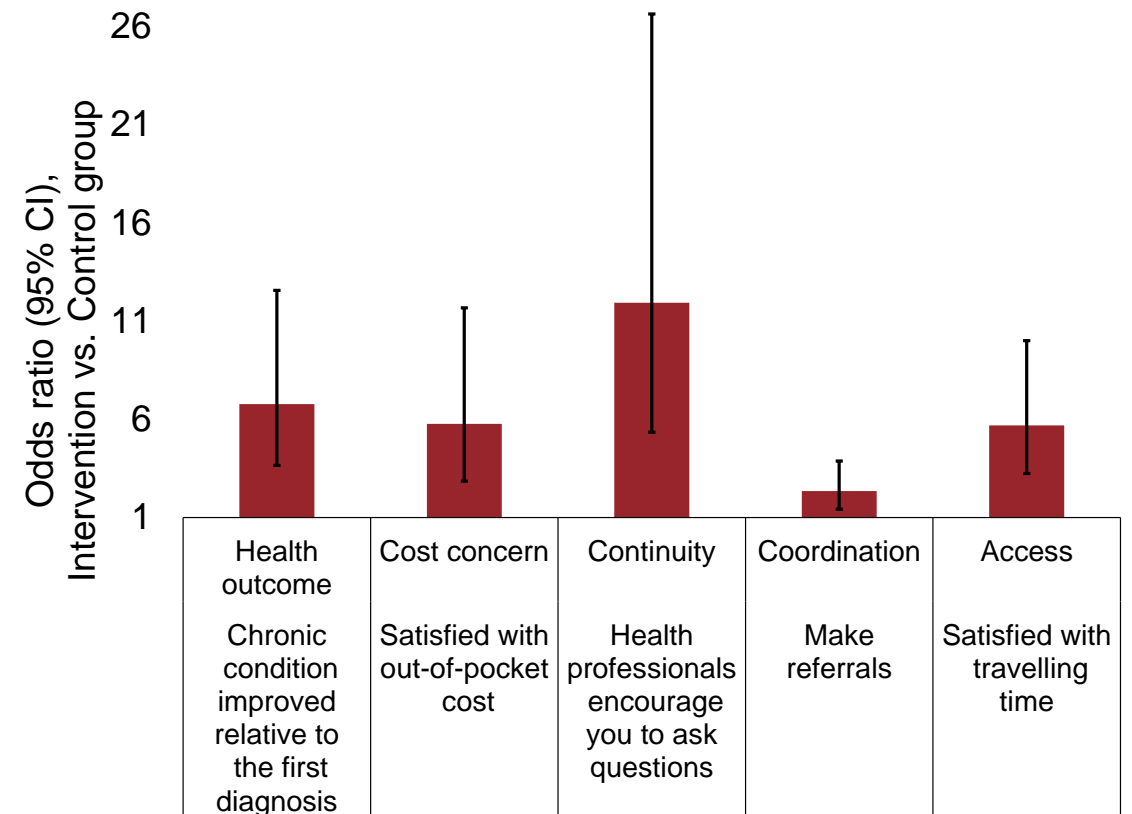
Note: Digital workers are defined as workers who use digital technologies and internet for work in primary job.

Digital technologies and reform help improve outcomes in education and health

Impact of EdTech programs on student learning (selected studies)

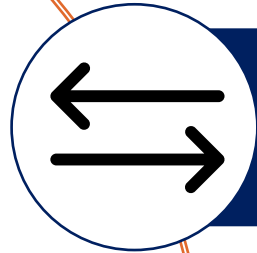


Impact of the integrated care delivery in Henan province, China

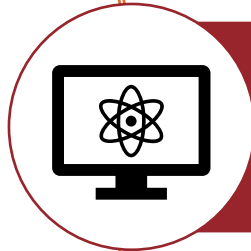


Source: Yarrow et al. (forthcoming), Shi et al. (2015), Findex (2022)

Reforms to harness opportunities



Liberalization and regulation



Skills and infrastructure gaps



Cooperation on data and decarbonization

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Services for Development



Thank You

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