

Executive summary

Growth in Emerging Asia shows resilience in 2023, but needs to manage risks

Emerging Asia has shown resilience in the face of global uncertainty, with growth set to rise in 2023. The region's economies – the ten ASEAN countries, China and India – have stood up well to the challenges presented by the COVID-19 pandemic, the war in Ukraine and a global economic slowdown. The export sector helped boost the region's economic growth in 2022, though there are some recent signs of slowing down. The banking sector needs to be carefully monitored in the current high-inflation environment, even though it is showing resilience.

Countries in the region will need to manage various risks. They face persistent inflationary pressures, including higher food and energy prices. The combination of inflationary pressures and increasing interest rates in advanced economies have put pressure on capital flows and local currencies in the region. The global economic slowdown is expected to weaken external demand. Food security for specific items could also be a concern, with supply-side bottlenecks causing further difficulties and higher prices for goods and services, which could affect both domestic and external demand.

The pandemic has significantly impacted the service accounts of regional economies, and the sector may not return quickly to pre-pandemic levels. The tourism and transport industries, including airline companies, may struggle to cope with the surging demand for travel, though China's abandonment of zero-COVID policy is a positive element for growth in the region.

Tourism recovery, adaptation and challenges

Prior to the pandemic, emerging Asia enjoyed a booming travel and tourism industry. In 2019, travel and tourism contributed 11.7% of GDP and 13.2% of employment to the Southeast Asian economy, with jobs for 41.8 million people. Restrictions brought the sectors to a near halt, but when they were lifted, travel and tourism rebounded. However, reviving the tourism sector requires to address several challenges, including diversifying and expanding inbound markets, boosting domestic tourism and addressing labour market challenges, while also adapting to the new preferences of tourists.

Diversifying the sources of inbound tourists could be done by increasing intra-ASEAN tourism and by targeting largely untapped markets, such as Indian visitors and expatriates. During the pandemic, domestic tourism helped greatly keep the sector alive. Even though cross-border travel restrictions are gone, the demand for local travel and "rediscovery" is growing. Domestic tourism should thus remain a priority, with the added benefits that it reduces both dependency on international arrivals, and the sector's carbon footprint.

Addressing challenges in the tourism labour market is also crucial. The sector is characterised by a large share of micro, small and medium-sized enterprises, and faces challenges such as high degree of informality and vulnerable workers. The sector needs support to acquire, train and maintain a skilled workforce. Solutions include training tourism workers in relevant skills, such as languages, digital skills and

hospitality management; support for local MSMEs; empowering local communities to participate; and increasing workforce diversity.

The COVID-19 pandemic and related restrictions have also modified tourist preferences. People who lived through lockdowns and want more personal space are increasingly attracted to nature-based tourism destinations, while many others now place more focus on health and wellness, increasing the demand for these services.

Strengthening sustainable tourism and accelerating digitalisation

Lessons learned from the pandemic are an opportunity to update the tourism and hospitality sectors by adopting more sustainable practices and integrating them more fully within the green and blue economies.

Visitor management strategies can help address overtourism, which damages sites and local environments, and disrupts the lives of residents. Offering alternative niche forms, such as ecotourism, can also help promote more sustainable practices and diversify the sector. Community-based tourism programmes, which allow for upskilling residents and revive local cultures, have also emerged as an alternative to mass tourism. Planning should focus on strengthening linkages, where businesses work together for mutual benefit, while plugging leakages, which occur when revenue is sent outside the community.

The increasing use of digital technology in travel and tourism, spurred by pandemic restrictions and health concerns, also requires the attention of policy makers. The tourism sector has embraced digital tools, such as online booking platforms and e-commerce, as well social media and virtual- or augmented-reality experiences. Challenges for Emerging Asia include the need to improve infrastructure for information and communications technology, cybersecurity, digital skills gaps and a lack of harmonised tourism statistics.

Country-specific tourism challenges in Emerging Asia

The *Outlook* includes a series of country notes highlighting the policy challenges facing Emerging Asian countries. These include preserving tourist sites and the environment, developing infrastructure and human capital, and distributing benefits of tourism to local communities. The country notes also explore recent initiatives to develop and promote niche tourism offerings in response to preferences changing during the COVID-19 pandemic, such as ecotourism, community-based tourism, and medical and wellness tourism.