

Services Trade Data Help Tell The Asia-Pacific Story

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SINGAPORE (S&P Global Ratings) Sept. 26, 2016--Services trade in Asia-Pacific has a significant and growing role in the region, said S&P Global Ratings in a report published today titled "How Well Do Services Trade Data Tell The Asia-Pacific Story?"

Our study of Asia-Pacific services trade data showed they are an essential complement to goods trade developments, and are therefore a necessary part of the macro and credit analysis toolkit.

Export competitiveness in services is rising in all key economies and in most key services trade categories in Asia-Pacific. But the region has only recently caught up with the global averages. Moreover, competitiveness lines up well with general levels of economic development.

"The services trade picture fits nicely into Asia-Pacific's macro rebalancing," said Paul Gruenwald, S&P Global Ratings' Asia-Pacific chief economist. "Industrialization and moving up the goods value chain will still be important, but the rise of services as the region continues to converge with the advanced economies looks likely to gain steam despite slower growth."

Trade in services will flow naturally from the ongoing macroeconomic

developments in the region, the report argues. This is in contrast to Asia-Pacific's trade in goods, which was identified (and actively supported) by policymakers across the region as the driver of growth.

On the credit side, the prospects from this are mainly positive as well. Services are a less credit intensive form of activity than goods (whether traded or not). Hence, the movement toward more services intensive growth and trade as the region continues to experience rising income and an expanding middle class should be a source of comfort in terms of financial sustainability.

"Despite the growth of services trade, the overinvestment in mostly state-controlled firms stemming from over-borrowing may continue as policymakers cling to the old model. There does appear to be a trade-off between more control in the form of industrial and state-led growth, and more sustainability in the form of less credit intensive but less centralized, services-led growth," Mr. Gruenwald said.

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