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Contents

WORKING PAPERS

The Strength of the Inflation-output Link in China (BIS Working Papers No 1353, BIS)

We systematically investigate the relationship between China's inflation, economic slack, and expectations through the lens of New Keynesian Phillips Curves (NKPC). Extending existing research, we employ inflation expectations from Consensus Economics over recent samples and assess the stability of the estimates. Despite China's unique and evolving institutions, NKPC estimates are stable and show significant roles for both the output gap and inflation expectations in contrast to previous findings. Incorporating open-economy variables marginally enhances the models performance. Our results suggest that the New Keynesian framework can be adopted to China without adjustments for specific institutional features.

The Geography of AI Firms (BIS Working Papers No 1343, BIS)

In this paper, we trace the geography and economic characteristics of firms that produce artificial intelligence (AI) products and services. Many economies around the world are evaluating their strategic priorities in AI, yet relatively little is documented about the global distribution of AI production. We construct a new database that identifies 1,246 AI-producing firms across 32 economies. We map these firms in each economy into the five layers of the AI supply chain: compute, cloud and related infrastructure, data tools, AI models and AI applications. The biggest markets for AI production are China and the US. Most economies specialise only in a few supply chain layers and many focus largely on compute. AI firms in all economies exhibit strong home bias in investment activity, with a focus on downstream applications. Finally, we find that venture capital inflows are strongly correlated with the presence and density of AI firms in a given economy.

Harnessing the Gig Economy: A Systems Approach to Inclusive Growth in Asia and the Pacific Region (UNDP Asia and the Pacific)

The gig economy in Asia and the Pacific is entering a period of rapid transformation, driven by automation, Artificial Intelligence (AI), and mobility technologies. While it offers flexible work arrangements, platform-enabled efficiency, and additional income opportunities, it also exposes workers to rising costs, economic volatility, fraudulent platforms and limited social protection. This report proposes a systems-based approach to governing the gig economy integrating labor regulation, social protection, digital governance, and fiscal reform into forward-looking regulatory framework that can evolve with technological change while safeguarding workers' rights, economic inclusion, and national development priorities.

Military Escalation in the Middle East: Human Development Impacts Across Asia and the Pacific (UNDP Asia and the Pacific)

The military escalation in the Middle East poses significant risks to economic stability and human development across Asia and the Pacific through its effects on energy markets, trade, and global financial conditions. This report provides a preliminary assessment of these transmission channels and their implications for human development outcomes in the region.

Asia–Pacific Trade Facilitation Report 2026: Harnessing Artificial Intelligence in Trade Facilitation (Economic and Social Commission for Asia and the Pacific)

Trade facilitation in Asia and the Pacific is entering a new phase of digital transformation driven by artificial intelligence (AI) and machine learning (ML). Building on earlier advances such as electronic data interchange, single window systems, and cross-border paperless trade, AI is enabling more adaptive, data-driven approaches to managing trade processes. Recent developments in Generative AI (GenAI) have further expanded opportunities to automate document-intensive tasks and improve decision-making across trade value chains. Using the Buy–Ship–Pay framework, this report examines how AI is being applied across commercial, border, and financial processes. AI supports trade documentation, compliance preparation, risk assessment, document verification, nonintrusive inspection, and trade finance operations. Evidence from case studies shows that AI can improve efficiency, accuracy, and compliance while strengthening risk management. However, successful deployment depends on high-quality data, human oversight, and integration across agencies and digital systems. Findings from the ESCAP–ADB Survey on Artificial Intelligence in Trade Facilitation show that AI adoption remains at an early stage, with utilization below 15% across the region and significant variation across subregions. The survey also reveals a gap between data readiness and actual AI deployment, suggesting that many economies have yet to translate digital foundations into operational AI applications. The most significant barriers to adoption are shortages of AI-related skills and high infrastructure costs, followed by institutional fragmentation, data challenges, and regulatory uncertainty. To address these constraints, the report proposes three mutually reinforcing priorities: strengthening human capacity and institutional readiness, building integrated data and digital infrastructure, and enhancing governance and regulatory frameworks. Together, these measures can help economies scale AI-enabled trade facilitation and realize its potential to support more efficient, resilient, and inclusive trade.

Digital and Sustainable Trade Facilitation in Asia and the Pacific 2025 (Economic and Social Commission for Asia and the Pacific)

The Asia-Pacific report is part of a global effort on the implementation of trade facilitation and paperless trade measures, undertaken jointly by the five United Nations regional commissions – for Africa (ECA), Europe (ECE), Asia and the Pacific (ESCAP), Latin America and the Caribbean (ECLAC) and Western Asia (ESCWA) – as well as United Nations Trade and Development (UNCTAD). Based on the 2025 United Nations Global Survey on Digital and Sustainable Trade Facilitation, this report examines the progress of trade facilitation reforms across 48 economies in the Asia-Pacific region. The analysis covers 62 trade facilitation measures and reaffirms the substantial benefits that digital trade facilitation measures can bring to countries in the region.

Artificial Intelligence in Trade Facilitation in Asia and the Pacific: a Survey on the State of Play, Readiness and Challenges (Economic and Social Commission for Asia and the Pacific)

Artificial Intelligence (AI) offers major opportunities to streamline trade procedures, lower costs, and strengthen compliance across Asia and the Pacific. This first ESCAP-ADB Survey on Artificial Intelligence in Trade Facilitation (the Survey) evaluates AI adoption in trade facilitation among customs and other government agencies (OGAs) in 48 Asia-Pacific countries. The Survey evaluates AI adoption in trade facilitation through 4 pillars: Use of AI in operational processes, Legal framework and AI governance, Capacity to adopt AI, and Data management and quality. The Asia-Pacific regional average AI in trade facilitation implementation and readiness level across the 4 pillars stands at 20%, indicating AI adoption in trade facilitation remains at an early stage. The average implementation rate for pillar 1 on the actual use of AI in trade facilitation is only 13%, with legal framework readiness barely reaching 20%. In contrast, the average readiness in terms of organizational and technical capacity to adopt AI (pillar 3) and data management and quality (pillar 4) for AI stands at 24% and 40%, respectively. This points to significant potential but also to challenges in translating readiness into actual implementation. Significant gaps exist among countries and sub-regions, with East and North-East Asia implementation and readiness exceeding 50%, while Pacific Island Developing Economies (PIDEs) lag below 10%. The East and North-East Asia region leads in the use of AI in operational processes (41% vs. 15% average of other sub-regions). The

Survey confirms that AI is most used for fraud/smuggling detection and cargo inspection/image analysis, with Customs well ahead of Other Government Agencies in the application of AI in trade facilitation. The use of AI for predictive analytics in trade operations remains very limited. Over the past 12 months, many countries have prioritized and made most progress in AI applications for risk management and cargo inspection. Only limited data could be gathered on the benefits from AI implementation through the Survey, with reduced processing times and better fraud/risk detection most often cited by respondents. The most significant barrier to implementation identified across the developing Asia-Pacific region is the lack of AI and Machine Learning expertise and skills, along with coordination challenges and high costs.

Putting People at the Center of Asia Pacific's Clean Energy Future (Economic and Social Commission for Asia and the Pacific)

The success of the Asia-Pacific region's energy transition depends not only on infrastructure, policy, and technology but also on ensuring it is inclusive, just, and socially sustainable. Building a resilient energy future requires shifting from infrastructure-led approaches to people-centered transformation, embedding human capital into all aspects of energy policy—through education, reskilling, social protection, and inclusive workforce participation. This transition requires coordinated action among governments, industry, education systems, and regional partners, with a focus on cross-border skills development and labor mobility. The pathway "from policy to people" reflects the need for policies that empower individuals and communities, aligning economic transformation with workforce development and social inclusion. This paper reveals that the region must urgently invest in workforce reskilling, inclusive labor market institutions, and portable social protection to keep pace with rapid renewable expansion. Placing people at the center is not a secondary concern — it is the foundation of a resilient and equitable energy future.

Why do Some Governments in Asia and the Pacific Pay Higher Borrowing Costs than Others? (Economic and Social Commission for Asia and the Pacific)

This paper examines the determinants of government borrowing costs in Asia and the Pacific using both 10-year sovereign bond yields and spreads over United States Treasury bills. At a time when many countries face rising debt burdens and large investment needs to achieve the Sustainable Development Goals (SDGs), understanding the drivers of borrowing costs is critical for maintaining fiscal sustainability and expanding public investment. The paper contributes to the literature by focusing on the Asia-Pacific region, where debt vulnerabilities and development financing needs remain significant. It provides empirical evidence on how macroeconomic conditions, fiscal policy and international market conditions shape sovereign yields and spreads. The findings offer practical insights for policymakers seeking to manage public debt and mobilize affordable financing for sustainable development.

The Macroeconomic, Social and Environmental Implications of the Conflict in the

Middle East for Asia and the Pacific (ESCAP Policy Paper, Economic and Social Commission for Asia and the Pacific)

This policy paper examines how the ongoing conflict in the Middle East could affect longer-term macroeconomic, social and environmental outcomes in Asia and the Pacific and discusses how the region could strengthen its resilience in coping with shocks.

Green Finance Development in CAREC Countries: Challenges and Possibilities (ADB Briefs No. 390, Asian Development Bank)

Green finance represents both a critical challenge and a transformative opportunity for CAREC countries. In this publication, alignment of financial systems with climate and sustainability objectives is explored, focusing on how this can boost long-term economic stability. The possibilities created by a regional approach, with harmonized regulations and expanded use of instruments such as green bonds and tax incentives to mobilize private capital, are discussed in context of global best practices. A 10-year phased, coherent regional approach is presented as the pathway to shift investment flows to low-carbon and climate-resilient sectors.

Adaptation and Disaster Risk Financing in Asia: Toward an Integrated Climate Risk Management Framework (ADBI Policy Brief No. 2026-8, Asian Development Bank)

With climate risks increasing in Asia, effective disaster risk financing requires a multifaceted approach to ensure fiscal sustainability, infrastructure resilience, and macro-financial stability.

The Impact of the Middle East Conflict on Asia and the Pacific: An Updated Analysis (ADB Briefs No. 388, Asian Development Bank)

This brief sets out updated estimates of the potential impact of the 2026 Middle East conflict on developing Asia and the Pacific, based on scenarios of more prolonged energy supply constraints than anticipated in March.

Enhancing Digital Services Trade: The Case of the People's Republic of China (Economics Working Papers No. 855, Asian Development Bank)

This paper examines the drivers of digital services trade in the People's Republic of China and the role of regulatory reforms in shaping services competitiveness. Using new data on bilateral trade and foreign affiliate sales, the paper assesses the impact of information and communication technology (ICT) regulatory reforms and the implementation of the Regional Comprehensive Economic Partnership. Results show that both reforms would benefit Asian economies, with the largest effects stemming from reforms in the ICT sector.

Measuring the Digital Economy of Mongolia (ADB Briefs No. 398, Asian Development Bank)

Analyzing the development of Mongolia's digital economy, this brief shows how experimental digital supply and use tables were used to measure the extent of digitalization from 2015–2019 and provide insights to support the country's economic growth. Focusing on digitally enabling industries, it explains the digital economy made up 1.6% of Mongolia's gross domestic product (GDP) for 2015-2019. A separate input-output based value flow methodology indicates it contributed around 1.9% of GDP for the period. It explains how tackling data gaps, reinforcing survey and administrative data, and boosting statistical capacity will help Mongolia design evidence-based strategies that use digitalization to drive diversification.

Maritime Disruptions and the Pass-Through of Oil Prices (ADBI Working Paper No. 1539, Asian Development Bank)

Disruptions in vessel movements and maritime transportation networks may provide early signals of future pressure on fuel prices and inflation. We examine the effect of the Iran war on retail fuel prices and the underlying mechanism through disruptions in maritime oil transportation. We find large and significant increases in retail fuel prices following the onset of the conflict. By week four of the event, gasoline prices had increased by about USD 0.22 per liter and diesel prices had increased by about USD 0.49 per liter relative to the counterfactual. We use automatic information system (AIS) shipping data from the Strait of Hormuz to identify the disruption of maritime activity. The results show a sharp contraction in maritime activity immediately after the onset of the war. Our back-of-the-envelope welfare analysis shows a consumer surplus loss of about USD 3.17 billion per day from gasoline and diesel price increases alone.

Simplifying Compliance: Cleaning Up Policy Sludge with Trained AI Tools (ADB Briefs No. 394, Asian Development Bank)

Policy sludge is the buildup of overlapping, inconsistent, and fragmented rules. This brief outlines how harnessing artificial intelligence (AI) can help reduce such sludge to streamline reporting requirements and unlock resources. Regulations and supervisory frameworks have expanded since the global financial crisis, often without review of existing requirements and how they interact. This has created policy sludge, which adds unnecessary compliance burdens, obscures risks, and drains resources from regulators and regulated institutions. This brief explains how regulators and supervisory agencies can use AI-enabled tools to identify, prioritize, and reduce sludge. Emphasizing the need for human oversight, it recommends creating sludge maps, integrating sludge reviews into policy workflows, and capturing lessons in practical tool kits.

Rebalancing Growth (China Economic Update, July 2026, World Bank)

This edition highlights that China's economy maintained solid growth at the start of the year, with high-tech investment and exports offsetting subdued consumption. Momentum softened in the second quarter on the heels of the global energy supply shock, though the impact on China's economy was mitigated by large oil reserves, diversified fuel imports, a high share of renewables, and policy measures. Growth is projected to moderate to 4.4 percent in 2026 amid persistent domestic demand headwinds. Near-term macroeconomic policy will need to remain supportive of growth while structural reforms are phased in to address the deeper drivers of weak domestic demand and accelerate rebalancing. The Economic Update also examines how China's low-carbon transition is reshaping its labor market. Demand for green technical skills and transferable competencies such as systems thinking and adaptive learning is expanding beyond narrowly defined low-carbon sectors. These skills are associated with sizable wage premiums of around 22 to 25 percent, yet skill mismatches are constraining inclusive employment gains. Realizing the full employment benefits of the transition will require a proactive, coordinated approach to workforce development on two tracks: in the short term, strengthening on-the-job training, reskilling, and labor mobility support; and over the longer term, reforming education curricula and strengthening labor market institutions.

Pacific Jobs Pathway - Special Focus: Water as an Essential Foundation for Jobs (Pacific Economic Update, May 2026, World Bank)

Pacific Island countries are entering the rest of the decade in a still-turbulent world— marked by recurrent global shocks and heightened uncertainty. A succession of shocks since 2000—most recently the Middle East conflict's global spillovers—underscores that turbulence has become the new normal, with shocks transmitting rapidly to small island economies acutely exposed to forces far beyond their control. Yet, the PIC-11 currently have a narrow but meaningful opportunity to reshape their growth path. In a rapidly aging EAP region, the PIC-11's younger demographic profile stands out as a rare advantage. Resilience today requires not only managing shocks, but also enabling young people to participate productively and build income over time, strengthening the foundations of future growth. That strength is realized only when more young people are engaged in productive activities and move up the earnings ladder, which requires a fundamental shift in how growth is generated and supported. Accordingly, this PEU refocuses from cyclical fixes to people-centered policies and institutional changes that raise productivity and expand opportunity, so demographic potential is converted into more and better jobs and rising incomes, providing a critical buffer against persistent and compounding external shocks, even as external turbulence persists.

Navigating the Age of AI: Implications for Poland's Economy - What AI Means for Growth, Firms and Jobs (World Bank)

Artificial Intelligence (AI) and particularly generative AI (genAI) is a general-purpose technology with the potential to reshape economies and societies, through its effects on productivity, labor markets, and production structures. Unlike previous technologies, AI extends automation beyond physical and routine tasks to cognitive, linguistic, and decision-making functions. White-collar tasks face growing displacement pressure as capabilities expand into language and reasoning. Value creation is increasingly concentrated in intangible assets - software, research and development (R&D) and organizational capital - as reflected in their rising share of business investment and firm valuations across advanced economies. Depending on the pace and extent of AI diffusion, these effects can translate into economy-wide implications for growth, jobs, inequality, and structural transformation.

[Reduced Profitability of Green Bond Issuance: Evidence from China]() (Working Paper No. 2026/082, International Monetary Fund)

This paper uses a multi-time period difference-in-differences model to evaluate the effect of green bond issuance on the profitability of heavy-polluting enterprises listed on China's A-share market. Results reveal that the average treatment effect of green bond issuance on heavy-polluting firms' ROE is significantly negative. Therefore, it suggests that green bond issuance requires issuing firms to give up a large amount of their profitability to develop green project and achieve green transformation. Heterogeneity analyses demonstrate that such issuance has a negative effect on firms' profitability, which varies across different ownership, regions, and industries. Overall, these results are consistent with the concept that green bond issuance binds heavy-polluting companies to be more mindful of their polluting activities.

Assessing Macrofinancial Linkages in China Using a Machine-Learned Parsimonious VAR Model (Working Paper No. 2026/134)

This paper examines macro financial linkages between property developers, financial institutions, and macroeconomic outcomes in China. Using a parsimonious vector autoregressive (VAR) model enabled by a machine learning algorithm, it quantifies how idiosyncratic shocks can propagate and be amplified across sectors, with potential implications for financial stability. Stress originating from privately owned developers and regionally focused financial institutions—though relatively limited in scale—can generate persistent spillovers through lending relationships, common exposures, shared markets, and changes in market sentiment. A decline in property prices may undermine investment, weaken consumer confidence, and adversely affect the health of both the property and financial sectors, thereby disrupting financial intermediation and weighing on broader economic growth. Policy considerations should take into account these feedback loops. Market- and exposure-based tools can be helpful for monitoring macrofinancial linkages and assessing the transmission of shocks.

A New Wave of Industrial Policy in Asia-Pacific: Could Resurgence Lead to Structural Transformation? (Working Paper No. 2026/101)

This paper provides a first comprehensive assessment of industrial policy (IP) across Asia-Pacific and its potential to enable structural transformation. Building an IP database for 2009–2024, paired with a rich dataset, the paper documents a large wave of IP interventions. Subsidies dominate, followed by import-limiting measures. Novel applications of machine-learning and clustering approaches to assess IP targeting suggest that, ex-ante, about three-quarters of IP could align with structural transformation strategies, including relatively safe ("safe-bets") and risky ("moonshots") strategies promoting technological upgrading and diversification, and strategies to alleviate market-frictions and distortions in key sectoral nodes. IP's ex-post linkages to trade, competitiveness, and domestic firms' indicators are small and short-lived; sustained gains that could lead into structural transformation appear only sporadically. Our findings underscore the need for a more parsimonious and carefully-designed IP—anchored to targeting clear market-failure rationales and complemented by ambitious structural reforms—potentially enhancing effectiveness and lowering net costs.

Public Administration Digitalization and Microenterprise Productivity in India (Working Paper No. 2026/086)

We find that public administration digitalization, carried out state-by-state in India between 2010 and 2015, led to an improvement in micro-enterprise productivities, based on the Unincorporated Non-Agricultural Enterprises Surveys. We categorize the digitalization of public administration into six groups: tax filing and payments, construction permits, environment and labor regulations, inspections, commercial disputes, and single-window systems. States are ranked according to the subsets of digitalization carried out by them. Using the difference-in-difference estimations with propensity score matching, we find that the average firm-level productivities have risen in the states carrying out more digitalization. There, also, dispersions in productivities have become narrower.

Bank Loans, Trade Credit and Export Prices: Evidence from Exchange Rate Shocks in China (Working Paper No. 2026/084)

This paper examines the impact of trade credit and bank loans on firms' exchange rate passthrough. Using a comprehensive dataset combining customs transaction records and balance sheet data for Chinese exporters during 2000–2011, we document that firms that more intensively extend trade credit to their buyers exhibit more complete exchange rate pass-through. Further empirical investigation sheds light on the underlying mechanism. First, the use of trade credit is positively correlated with exporters' dependence on bank loans. Second, firm-level bank loan interest rates decline following home currency depreciation. Motivated by these findings, we develop a theoretical model in which exporters constrained by working capital simultaneously extend trade credit to buyers and rely on bank borrowing. The model shows that home currency depreciation improves exporters' profitability, lowers default risk, and reduces borrowing costs, ultimately enhancing exchange rate pass-through. By endogenizing the interest rate through firm-level default risk, the model reveals a novel channel through which firms' financial activities shape the dynamics of exchange rate pass-through.

Climate Finance and Adaptation Needs in Pacific Island Countries (Working Paper No. 2026/083)

Pacific Island Countries (PICs) face acute and rising climate adaptation needs due to high exposure to sea-level rise, natural disasters, and structural vulnerabilities associated with small size and geographic remoteness. This paper develops a unified framework to produce the first region-wide, internally consistent estimates of climate adaptation financing needs for PICs. A metadata analysis harmonizes country-level assessments into comparable annual measures, while a complementary machine-learning approach generates synthetic estimates for data-deficient countries using economic, geographic, and climate-vulnerability indicators, subject to differences in sectoral definitions and coverage embedded in the underlying source studies. The results show that adaptation needs are large, highly uneven across countries, and exceptionally high relative to GDP, particularly for atoll nations where physical risks dominate. The paper also examines climate adaptation finance flows to PICs over the past decade, distinguishing between commitments and estimated disbursements, and finds that current financing levels fall well short of projected needs. Disbursement ratios vary substantially across financing channels, reflecting differences in institutional capacity and project implementation. Taken together, the findings highlight substantial adaptation financing gaps in PICs and underscore the importance of strengthening institutional capacity and improving the effectiveness and accessibility of climate finance mechanisms.

Labor Supply Effects of Monetary Policy: Evidence from Australian Mortgage Holders (Working Paper No. 2026/071)

Macroeconomic models largely preclude a labor supply response to monetary policy shocks, and this view of monetary policy is reflected in explicit statements by major central banks. Our paper contributes to an emerging literature that challenges this view by providing evidence of a labor supply channel in monetary transmission. We study how Australian workers adjust labor supply in response to the Reserve Bank of Australia's 2022–23 monetary policy tightening, exploiting administrative data covering the universe of employed workers. Because most Australian mortgages are floating-rate, higher policy rates quickly translate into higher mortgage repayments, allowing us to measure household exposure to the tightening using pre-tightening debt service ratios. We find that highly exposed individuals respond to higher interest payments by increasing labor supply, with sizable effects on employment probabilities, the number of jobs held, and labor earnings. The effects are strongest among those without children, consistent with childcare constraints limiting labor supply responses, but the discrepancy diminishes following a policy reform that increased the generosity of childcare subsidies, highlighting an interaction between fiscal policy and monetary transmission. Together, these findings provide causal evidence that liquidity pressures from higher mortgage repayments can transmit monetary policy to the labor market through house-hold labor supply decisions.

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