

Economic and Social Survey of Asia and the Pacific 2025

Understanding the macroeconomic implications
of climate change

SN DOMINGO

Comments

- **Breaching the 1.5-degree target set forth in the Paris Agreement is but certain with last year's global temperature reaching record heights.**
 - Climate change mitigation is falling short globally
 - Although long-term warming measured over decades remains below 1.5°C, the past 10 years are warmest on record, and warming appears to accelerate
 - Socio-economic impacts are greater than previous estimates
 - Climate change and its impacts are real and upon us
- **Climate-disaster-economic nexus: climate change-induced disasters and their economic impacts.**
 - Extreme weather and climate events lead to massive economic and human losses
 - CC is exacerbating the frequency and severity of natural disasters, leading to significant economic losses through damage to infrastructure, disruption of trade, and impacts on various industries, including agriculture, fisheries and tourism

Comments

- **Macroeconomic impacts of climate change are multifaceted**

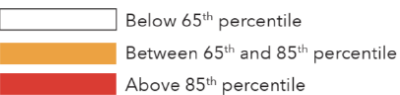
- Risk drivers: economic structure, geographical exposure and adaptive capacity
- L&D Estimates: USD 300-500 billion per year, reaching 20% of collective GDPs; almost 600B/yr needed by 2030.
- Climate adaptation costs and disaster recovery exacerbate fiscal concerns and reduce labor productivity
- Long-term human and economic losses are much larger than immediate losses

- **Need for tailored mitigation and adaptation strategies**

- Investments in CC-DRR, such as physical infrastructure improvements and risk transfer mechanisms, can yield multiple economic benefits beyond disaster mitigation.
- Short-term costs are offset by but long-term gains toward avoiding losses, providing economic stimulus, and reducing volatility.
- Mitigate headwinds (climate and disaster impacts, geopolitics, trade disruptions, demographic challenges) and capitalize on tailwinds (public spending and investment, digitalization and innovation, resurging economy)

ESCAP 2025: Philippines not among the more exposed; and considered with high coping ability

11 countries in Asia-Pacific are considered more exposed

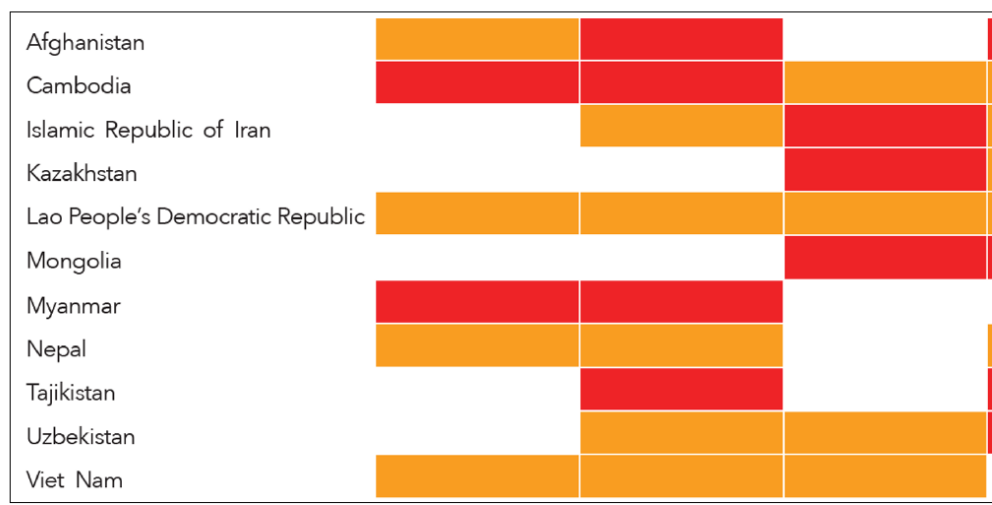


Average annual loss as percentage of GDP

Agricultural value added at risk as percentage of GDP

Carbon intensity

Inflationary impact due to climate change



Most more-exposed countries also have lower coping ability



Higher coping ability →

More exposed, lower coping ability

- Afghanistan
- Cambodia
- Islamic Rep. of Iran
- Lao PDR
- Myanmar
- Nepal
- Tajikistan
- Uzbekistan

More exposed, higher coping ability

- Kazakhstan
- Mongolia
- Viet Nam

Less exposed, lower coping ability

- Armenia
- Azerbaijan
- Bangladesh
- Bhutan
- Fiji
- Kyrgyzstan
- Pakistan
- Papua New Guinea
- Sri Lanka
- Turkmenistan

Less exposed, higher coping ability

- China
- Georgia
- India
- Indonesia
- Malaysia
- Philippines
- Republic of Korea
- Thailand
- Türkiye

Less exposed ↓

Source: ESCAP.

• But the World Risk Report 2024 highlights that the Philippines remains the most at-risk country globally for the 16th consecutive year, indicating highest exposure and vulnerability to natural disasters.



Enhance our domestic **CC-DRR-Economy** policy and action alignment

Some climate-aligned macroeconomic policies and practices are already in place in Asia-Pacific



1. Manage climate-induced economic risks

Examine fiscal impacts of post-disaster needs and energy transition

Flexible fiscal rules in the event of disaster shocks

Climate risk disclosure by financial institutions

By fiscal authorities

By monetary authorities

2. Foster climate action

Influence firms and consumers

Carbon taxes

Tax benefits for electric vehicles

National green taxonomies

Concessional green financing

Adjust own policy frameworks

Climate budgeting

Green public procurement

Invest official reserves in green bonds

- Strengthen national and subnational institutions.
- Enhance method and tool acquisition, and stakeholder retraining
- Promote ownership of CC/DRR plans and action, and address suboptimal funding facility, and fund availment and use particularly among local governments and affected communities
- Promote complementation with private sector and CSOs; and tap regional/global cooperation platforms for CC/DRR
- Adapt to dynamic /evolving methodologies: Needs assessment vs Risk assessment
- Augment monitoring and evaluation and reporting systems
- Optimize rehabilitation and rebuilding



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