International Labour Organization

ILO brief

World Employment and Social Outlook 2025: Asia and the Pacific May Update

May 2025

Key points

- There is a moderate deterioration in the employment outlook that is being driven by, among others, geopolitical tensions and trade disruptions.
- Prior to recent trade uncertainty, employment in Asia and the Pacific was set to grow by 1.9 per cent (or 38 million) in 2025. Recent estimates by the ILO now indicate that employment in the region is set to grow at a pace of 1.7 per cent (or 34 million).
- Despite the downward revision in the employment outlook, the pace of job growth in Asia and the Pacific is expected to remain the highest across ILO regions.
- The region is susceptible to changing trading patterns, with nearly 3 per cent of total employment (or more than 55 million jobs) linked to final demand in the United States of America through trade and supply chains, with manufacturing accounting for nearly half of that figure.
- As workers and enterprises face heightened risks of disruption, efforts to improve worker and enterprise resilience by expanding and diversifying markets, improving social protection schemes and bolstering active labour market policies, such as reskilling opportunities in in-demand occupations, among others, will be needed.

Macroeconomic environment characterized by uncertainty

The global macroeconomic outlook for 2025 is marked by considerable uncertainty, driven by ongoing geopolitical tensions, trade disruptions and systemic transitions related to climate, technology and demographics.[1]

Global gross domestic product (GDP) growth for 2025 is projected at 2.8 per cent, a downward revision from earlier forecasts, reflecting the unpredictability associated with the first part of the year.

Asia and the Pacific remains the fastest-growing region; however, given the exposure of the region's economy to the recent trade uncertainty, economic growth for 2025 has been revised downwards. According to the International Monetary Fund (IMF), growth is set to expand by 3.9 per cent in 2025 and by 4.0 per cent in 2026. This is in comparison to growth of 4.6 per cent in 2024 (and previously forecasted 4.4 per cent growth for 2025).[2] Moreover, the risks are towards the downside, given the region's vulnerability to the uncertain – and evolving – trade environment. This is largely due to the rather substantial size of exports as a percentage of GDP. Exports often account for a third or more of GDP in a number of countries in the region, such as Cambodia (67 per cent), the Republic of Korea (44 per cent), Thailand (65 per cent) and Viet Nam (87 per cent).[3]

Employment outlook has worsened, but remains positive

Following the reduction in economic growth projected by the IMF, the ILO has downgraded its forecast of global employment growth by 7 million jobs in 2025, from 60 million to 53 million.

The downward revision to employment growth is driven in large part by developments in the Asia and the Pacific region, accounting for more than half (4 million) of the revised estimates.

[1] ILO, *World Employment and Social Outlook, May Update*, ILO Brief, May 2025.

[2] IMF, *Regional Economic Outlook for Asia and the Pacific*, April 2025.

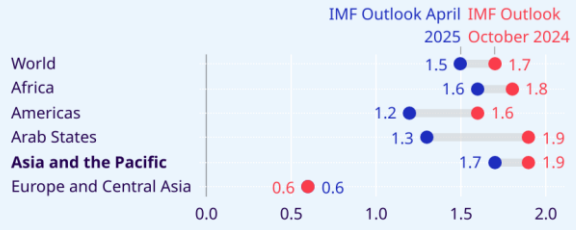
[3] Figures according to World Bank estimates (2023).

Employment growth remains strong but is anticipated to slow in comparison to previous estimates

The ILO – based on the IMF's *World Economic Outlook* in October 2024 – estimated employment in the Asia and Pacific region would grow at an annual pace of 1.9 per cent in 2025 – the fastest across all ILO regions (figure 1). However, with the IMF's downward revision in GDP growth for 2025, the ILO now estimates that employment will grow at 1.7 per cent.

While the 1.7 per cent annual employment growth for the region remains the highest among ILO regions, it still represents a steep decline in the estimated number of jobs expected for the region in 2025. In particular, prior to the recent economic uncertainty, employment was expected to grow in Asia and the Pacific by approximately 38 million in 2025, but has since been revised down to 34 million.

▶ **Figure 1. 2025 employment growth rates under old and new GDP forecasts, by region (percentage)**



Note: Projected employment growth rates for 2025 are based on forecasts from the October 2024 and April 2025 editions of the IMF's *World Economic Outlook*.

Source: Authors' calculations using ILO harmonized microdata, ILO modelled estimates, and IMF GDP forecasts.

Trade-exposed jobs

The deterioration in the both the economic and employment outlooks is in part a result of the number of jobs that are associated with trade, notably trade with the United States.

At the global level, among 71 countries with available data, 4.3 per cent of employment is directly or indirectly linked to final demand through supply chains and trade in the United States (see Appendix).[4] While this link is notably high in Canada and Mexico (a little more than 17 per cent), in Asia and the Pacific the figure stands at 2.9 per cent of total employment (see the table below).[5] That represents a little more than 55 million jobs in the region linked to final demand in the United States.

The manufacturing sector[6] is the most directly linked, accounting for almost half of these jobs, or just over 27 million. Within the sector, this represents close to 9 per cent of manufacturing employment in the region. And while non-manufacturing[7] employment accounts for more than 28 million jobs linked to final demand in the United States, it represents less than 2 per cent of employment among these other sectors.

All subregions are linked to final demand in the United States, but to different degrees and with some variation in the subsector that is most reliant on US final demand. For instance, considering its comparative size, East Asia accounts for the largest, at least in terms of volumes of jobs, linked to final demand in the United States. In fact, close to 15 million manufacturing jobs are linked to final demand in the United States, notably in relation to electrical and optical equipment. In addition, nearly 11 million non-manufacturing jobs in East Asia are linked to final demand in the United States.

In South-East Asia, the manufacturing sector, as a share of total employment in the sector, is acutely reliant on US final demand. Almost 14 per cent of employment in the manufacturing sector is directly or indirectly linked to final demand in the United States, primarily as it relates to textiles and textile products. Whereas in South Asia and in the Pacific, 6.9 and 5.4 per cent of manufacturing employment, respectively, is directly linked to final demand in the United States, which represents less than 1 per cent of total employment. In these two cases, the subsectors most reliant are textiles and textile products

[4] ILO, *World Employment and Social Outlook, May Update*, ILO Brief, May 2025.

[5] The analysis for Asia and the Pacific covers data from 25 countries that account for 95 per cent of total employment in the region. See also Appendix.

[6] Among the 35 sectors, manufacturing accounts for 14 subsectors. See Appendix.

[7] Among the 35 sectors, non-manufacturing (or "other" in the table below) includes a range of broad sectors of activity, such as agriculture, wholesale and retail trade, and so on. See Appendix.

(South Asia) and basic metals and fabricated metal (the Pacific).

▶ Table 1. Employment linked to US final demand through trade and supply chains, 2023

	Manufacturing			Other		
	Employment (millions)	Within sector share (%)	Share in total (%)	Employment (millions)	Within sector share (%)	Share in total (%)
East Asia	14.9	8.2	1.7	10.8	1.6	1.3
South Asia	6.3	6.9	0.9	10.5	1.6	1.4
South-East Asia	6.4	13.8	2.0	6.6	2.5	2.1
The Pacific	0.1	5.4	0.4	0.3	2.2	2.0
Asia and the Pacific	**27.7**	**8.6**	**1.4**	**28.3**	**1.8**	**1.5**

Note: Employment estimates are based on input–output analysis covering 25 countries in the region.

Source: Authors' calculation based on ADB multi-region input-output tables.

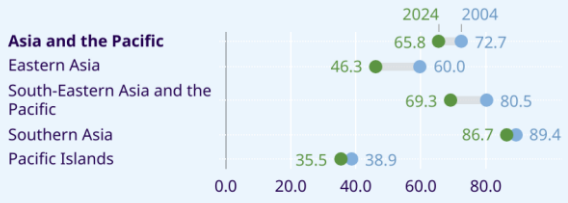
Slow employment growth could impede reductions in informal employment

While employment growth is expected to remain positive, at 34 million in 2025, there remains considerable pressure to address persistently high levels of informality.

Asia and the Pacific is home to around 1.3 billion informal workers, representing approximately 66 per cent of total employment in the region (see figure 2).[8] Moreover, more than eight in ten enterprises in the region are informal.

Within the region, there is noticeable variation in the incidence of informal employment, ranging from nearly 87 per cent in South Asia to as low as 35 per cent in the Pacific Islands (East Asia is also considerably low, at around 27 per cent if China is excluded). In terms of patterns over the past two decades, there have been gains across the subregions, although in the Pacific Islands improvements have slow. Indeed, while there has been notable progress towards formalization over the past two decades, improvements have stalled since the onset of COVID-19. Further slowdowns in employment growth as a consequence of ongoing uncertainty risks exacerbating the important challenge of creating formal employment in the region.

▶ Figure 2. Share of informal employment in total employment in Asia and the Pacific (percentage)



Source: ILOSTAT, ILO modelled estimates, November 2024.

[8] ILO, *Innovative approaches to formalization in Asia and the Pacific*, April 2025.

Next steps

A number of measures – where fiscal space permits – should be considered to bolster formal employment creation and support workers and employers in the face of uncertainty and heightened risks of disruption.

For instance, properly designed and funded social protection systems can soften the adverse impacts of job transitions through much needed income support. Moreover, shock-resilient social protection systems can enhance the resilience of all, especially those most vulnerable to adverse changes brought about by technology, climate change and evolving macroeconomic conditions.

Together with social protection, a wide range of active labour market policies can be bolstered to support workers in the face of uncertainty, including efforts to improve job matching through employment facilitation. Additional efforts to ensure that workers have access to training and reskilling programmes to support their transition across occupations and sectors as economic conditions shift are of paramount importance.

In the face of heightened uncertainty and ongoing structural challenges, enterprises also need support to access new opportunities, expand their market base (such as through intra-regional trade) and make strides towards formalization.

To that end, the ILO is working with constituents to provide practical insights and develop policy solutions to foster resilience among workers and enterprises and to facilitate transitions to sustainable and inclusive forms of work.

▶ Appendix. Methodology and country coverage regarding employment exposure to trade

The estimate of employment related to trade with the United States is based on input–output modelling. Multi-country, multi-sector input–output tables allow for the estimation of the value added required throughout the domestic and foreign supply chain to satisfy a certain final demand. The methodology involves multiplying the technical requirement matrix, also called Leontief inverse, with an appropriate demand vector[9] (as per Timmer et. al 2015). For each country and sector, the method yields the share of value added required to satisfy total private and public consumption and investment in the United States. For all countries outside of the United States, this value-added share is linked to the United States through international trade. The analysis in this report uses the multiregional input–output tables of the Asian Development Bank (ADB) in its 72 economies version for the year 2023. The 35 sectors included in the analysis are:

- Agriculture
- Mining and quarrying
- Manufacturing of food, beverages and tobacco
- Manufacturing of textiles and textile products
- Manufacturing of leather, leather products and footwear
- Manufacturing of wood and products of wood and cork
- Manufacturing of pulp, paper, paper products; printing and publishing
- Manufacturing of coke, refined petroleum and nuclear fuel
- Manufacturing of chemicals and chemical products
- Manufacturing of rubber and plastics
- Manufacturing of other non-metallic minerals
- Manufacturing of basic metals and fabricated metal
- Manufacturing of machinery, nec
- Manufacturing of electrical and optical equipment
- Manufacturing of transport equipment
- Manufacturing, nec; recycling
- Electricity, gas and water supply
- Construction
- Sale of motor vehicles and motorcycles
- Wholesale trade and commission trade, except of motor vehicles and motorcycles; repair of household goods
- Retail trade, Except of motor vehicles and motorcycles
- Hotels and restaurants
- Inland transport
- Water transport
- Air transport
- Other supporting and auxiliary transport activities; activities of travel agencies
- Post and telecommunications
- Financial intermediation
- Real estate activities
- Renting of machinery and equipment and other business activities
- Public administration and defence; compulsory social security
- Education
- Health and social work
- Health and social work activities
- Other community, social and personal services

The ADB database can be found at: https://kidb.adb.org/globalization.

The share of employment linked through trade to the United States within each of the 35 sectors included in the ADB database is assumed to be the same as the share of value added that has been established to be linked through trade. This assumption implies equal productivity between jobs linked to trade and those not linked to trade within a sector and country. Unfortunately, no database of productivity differentials with appropriate coverage exists. There is some evidence that exporting firms are more productive, which would imply an overestimate of employment linked through trade. It should be noted though that many firms might only supply locally to larger exporting firms, a fact that renders it very difficult to achieve a proper estimation of productivity differentials. Employment per sector is derived from the ILO harmonized microdata repository, with missing values estimated using an equivalent methodology used for ILO modelled estimates.[10]

In terms of country coverage with respect to Asia and the Pacific, the following countries/territories were examined: East Asia: China, Hong Kong (China), Japan, Republic of Korea, Mongolia, Taiwan (China); South Asia: Bangladesh, Bhutan, India, Sri Lanka, Maldives, Nepal and Pakistan; South-East Asia: Brunei Darussalam, Indonesia, Cambodia, Lao People's

[9] As per Marcel P. Timmer et al., "An Illustrated User Guide to the World Input–Output Database: The Case of Global Automotive Production", in *Review of International Economics* 25, No. 3 (2015): 575–605.

[10] As per ILO, *ILO Modelled Estimates: Methodological Overview*, January 2025.

Democratic Republic, Malaysia, Philippines, Singapore, Thailand and Viet Nam; and Pacific: Australia, Fiji and New Zealand.

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