

January 2019

Recent developments: Growth in East Asia and Pacific is estimated to have slowed to 6.3 percent in 2018 in line with June forecasts. This slower growth largely reflects a structural moderation in China. In much of the region, growth was supported by robust domestic demand in the face of slowing exports. East Asia and Pacific remains one of the world's fastest-growing developing regions. Several large economies in the region, including China, Indonesia, Malaysia, the Philippines, and Thailand, saw capital outflows, currency depreciations, equity market corrections, and reductions in foreign reserves.

Growth in China is estimated to have slowed to 6.5 percent in 2018, with resilient domestic demand helping offset a slowdown in exports. In the Philippines, activity slowed as rising inflation, capacity constraints, and currency pressures have prompted authorities to raise interest rates. Booming exports helped growth in Vietnam, but authorities have tightened fiscal policy as part of efforts to reduce the economic role of the state. A cyclical recovery continues in Thailand but is moderating in response to tighter fiscal policies and softer global demand, which has weighed on exports. Growth in Indonesia was led by rising investment spurred by accelerated infrastructure spending. Slowing public investment weighed on growth in Malaysia as several infrastructure projects were completed and more prudent approach was taken toward new ones.

Outlook: Regional growth is expected to moderate to 6 percent in 2019, assuming broadly stable commodity prices, moderating global growth, slowing trade, and a gradual tightening of global financial conditions. Inflation pressures are expected to intensify for commodity importing and exporting economies in the region alike, reflecting exchange rate pass through and domestic demand pressures.

Growth in China is expected to slow to 6.2 percent this year as domestic and external rebalancing continue. Authorities in China have shifted to looser monetary and fiscal policies in response to a more challenging external environment, including escalating trade tensions. These policy steps are expected to largely offset the direct negative impact of higher tariffs on China's exports.

The rest of the region is expected to grow at 5.2 percent in 2019 as resilient domestic demand offsets the negative impact of slowing exports. Growth in the Philippines is anticipated to accelerate modestly to 6.5 percent from 6.4 percent in the year just ended. Thailand is anticipated to slow to 3.8 percent from 4.1 percent in 2018. Growth in Vietnam is project to ease to 6.6 percent from 6.8 percent in 2018.

Indonesia's economic expansion is projected to hold steady at 5.2 percent while Malaysia is expected to maintain a 4.7 percent growth rate in 2019.

Risks: Risks to the outlook are tilted to the downside and have intensified. Heightened trade tensions raise questions about the future of trading relationships, and a disruption of trade would have a strong impact on the more open economies of the region. The cost of rising import tariffs could be magnified through the extensive integration of many regional economies in global value chains. Additional efforts by China to offset the effect of U.S. tariffs could undermine efforts to contain credit growth and limit risks to corporate and bank balance sheets. A significant disruption to activity in China would have substantial effects on the rest of the region.

Risks of disorderly financial market developments have also intensified. A further tightening of global financial conditions could pressure regional exchange rates and asset prices. High debt levels and external vulnerabilities in some countries in the region could amplify the effect of external shocks such as a sudden fall in capital flows or a rise in borrowing costs.

East Asia and Pacific Country Forecasts

(Annual percent change unless indicated otherwise)

	2016	2017	2018e	2019f	2020f	2021f
GDP at market prices (2010 US\$)						
Cambodia	6.9	7.0	7.1	6.8	6.8	6.7
China	6.7	6.9	6.5	6.2	6.2	6.0
Fiji	0.4	3.8	3.5	3.4	3.3	3.3
Indonesia	5.0	5.1	5.2	5.2	5.3	5.3
Lao PDR	7.0	6.9	6.5	6.6	6.7	6.6
Malaysia	4.2	5.9	4.7	4.7	4.6	4.6
Mongolia	1.4	5.4	5.9	6.6	6.3	6.2
Myanmar	5.9	6.8	6.2	6.5	6.6	6.8
Papua New Guinea	2.6	2.8	0.3	5.1	3.1	3.4
Philippines	6.9	6.7	6.4	6.5	6.6	6.6
Solomon Islands	3.5	3.5	3.4	2.9	2.8	2.7
Thailand	3.3	3.9	4.1	3.8	3.9	3.9
Timor-Leste	5.3	-4.7	0.8	3.3	4.9	5.0
Vietnam	6.2	6.8	6.8	6.6	6.5	6.5

Source: World Bank.

Notes: e = estimate; f = forecast. World Bank forecasts are frequently updated based on new information and changing (global) circumstances. Consequently, projections presented here may differ from those contained in other Bank documents, even if basic assessments of countries' prospects do not significantly differ at any given moment in time.

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