

June 2019

**Recent developments:** Growth in East Asia and Pacific is slowing, largely due to a deceleration in China, and is projected to ease to 5.9% in 2019. This is the first time since the 1997-1998 Asian financial crisis that growth in the region has dropped below 6%.

In China, growth is expected to decelerate from 6.6 percent in 2018 to 6.2 percent in 2019, reflecting softening manufacturing activity and trade amid domestic and external headwinds. Fiscal and monetary policy have eased, helping to offset the impact of external and domestic headwinds.

Regional trade has plummeted amid weakening global investment, higher tariffs, and elevated trade policy uncertainty related to the U.S.-China trade dispute. Domestic demand, however, has been resilient across the region, largely offsetting the impact of decelerating exports on growth.

Growth in the rest of the region is also expected to moderate to 5.1% this year, in the wake of weaker export growth. Growth among commodity importing economies of the region has been robust but has continued to moderate, reflecting weakening export activity even as domestic demand remains resilient. In commodity exporters, the cyclical recovery is maturing, and the pace and composition of growth increasingly reflect country-specific factors.

**Outlook:** Regional growth is projected at 5.9% in 2020, slightly below the January forecast, reflecting weakening trade.

China is projected to slow to 6.1% next year, predicated on a deceleration in global trade, broadly stable commodity prices, supportive global financial conditions, and the ability of authorities to calibrate monetary and fiscal policies to address external challenges and other headwinds.

Regional growth excluding China is forecast to decline to 5.1% in 2019 before inching up to 5.2 percent in 2020-21 as global trade rebounds. Growth among commodity importers is expected to moderate, while growth in commodity exporters will remain broadly stable. Domestic demand will continue to benefit from favorable financing conditions amid low inflation and rising capital flows in Cambodia, the Philippines, Thailand, and Vietnam. Regional economies will continue to benefit from pan-Asian infrastructure investments and expanding intra-regional trade. Thailand and the Philippines will profit from large public infrastructure projects coming onstream in 2020-21. Growth in Indonesia is expected to accelerate marginally to 5.3% in 2020, reflecting continued support from strong infrastructure spending and robust private consumption. In Malaysia, growth is expected to remain steady at 4.6% next year with weakening export activity offset by strong domestic demand in an environment of favorable financing conditions and low inflation.

**Risks:** Risks to the outlook are tilted to the downside and have intensified amid re-escalation of trade tensions. They include the possibility of a sharper-than-expected downturn in major economies, including China, a further deceleration of global trade, intensification of trade disputes, or an abrupt change in global financing conditions and investor sentiment.

Non-financial sector debt in China is at high levels and high corporate indebtedness in sectors with weak profitability is a concern. Policy uncertainty around unresolved trade disputes between the United States and China remains high, and further escalation of trade tensions could have global and regional consequences. The region could further be negatively impacted by a disorderly U.K. separation from the European Union as the United Kingdom is an important trading partner for several regional economies, especially Cambodia and Malaysia.

Elevated debt levels in China, Lao PDR, Mongolia and Vietnam, sizeable fiscal deficits in Cambodia, Lao PDR, Mongolia and Vietnam, and significant reliance on potentially volatile capital flows in Cambodia and Indonesia leave some economies of the regional vulnerable to risks related to abrupt changes in global financial conditions.

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### East Asia and Pacific Country Forecasts

(Annual percent change unless indicated otherwise)

	2016	2017	2018e	2019f	2020f	2021f
GDP at market prices (2010 US\$)						
<b>Cambodia</b>	7.0	7.0	7.5	7.0	6.9	6.8
<b>China</b>	6.7	6.8	6.6	6.2	6.1	6.0
<b>Fiji</b>	0.7	3.0	3.2	3.4	3.3	3.3
<b>Indonesia</b>	5.0	5.1	5.2	5.2	5.3	5.3
<b>Lao PDR</b>	7.0	6.9	6.5	6.6	6.7	6.6
<b>Malaysia</b>	4.2	5.9	4.7	4.6	4.6	4.6
<b>Mongolia</b>	1.4	5.4	6.9	7.2	6.9	6.2
<b>Myanmar</b>	5.9	6.8	6.2	6.5	6.6	6.8
<b>Papua New Guinea</b>	4.1	2.3	-0.3	5.6	3.1	3.5
<b>Philippines</b>	6.9	6.7	6.2	6.4	6.5	6.5
<b>Solomon Islands</b>	3.3	3.0	3.5	2.9	2.8	2.7
<b>Thailand</b>	3.4	4.0	4.1	3.5	3.6	3.7
<b>Timor-Leste</b>	5.1	-3.5	-0.7	3.9	4.6	5.0
<b>Vietnam</b>	6.2	6.8	7.1	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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