

Recent developments: Growth in developing **East Asia and Pacific** continued to be robust in the first half of 2017, in line with expectations. A continued modest pickup in growth in the region is offsetting the gradual slowdown in China. Regional financial markets stabilized after a period of volatility in late 2016, net capital outflows declined, and regional currencies and asset prices firmed.

In China, output expanded at a 6.9 percent year-on-year rate in the first quarter, helped by robust consumption and a recovery of exports. Rebalancing from investment to consumption resumed as state-driven investment growth slowed and private sector investment growth remained weak.

Growth strengthened in commodity-exporting economies in the region. In Indonesia, investment climate reforms and recovering commodity prices have supported a recovery of private investment and exports. In Malaysia, stabilizing commodity prices have lifted consumer and business sentiment.

Growth in commodity-importing economies continued to be strong, as accommodative policies supported solid domestic demand growth. In the Philippines, expansionary fiscal policy has boosted capital formation, and remittances, credit growth, and low inflation have bolstered private consumption. In Thailand, domestic demand is gradually recovering from several years of subdued performance, although policy uncertainties continue to weigh on growth.

Outlook: Growth in developing East Asia and Pacific is projected to ease to 6.2 percent in 2017 and to 6.1 percent in 2018. The continued gradual slowdown in China will slightly offset a pickup in the rest of the region led by a rebound among commodity exporters. Growth in China is anticipated to slow to 6.5 percent this year and 6.3 percent in 2018. Fiscal support is expected to continue to offset monetary tightening. Government policies are anticipated to support growth, contain financial risks, and encourage a rebalancing of the economy to more of a focus on consumption. Excluding China, growth in the region is seen advancing slightly more rapidly at 5.1 percent in 2017 and 5.2 percent in 2018.

Growth among commodity-exporting economies in the region is forecast to pick up gradually. Indonesia's growth is anticipated to rise to 5.2 percent in 2017 and 5.3 percent in 2018 as the effects of fiscal consolidation dissipate and as private activity picks up, supported by modestly rising commodity prices, improving external demand, and increased confidence due to reforms. Growth in Malaysia is expected to accelerate sharply to 4.9 percent in 2017 and remain steady in 2018, bolstered by income support measures, infrastructure spending, and improved exports.

Among commodity importers, growth in the Philippines is forecast to hold steady at 6.9 percent this year and the next, led by a pickup in public and private investment. Thailand should similarly maintain 3.2 percent growth in 2017, rising to 3.3 percent next year, supported by greater public investment and recovering private consumption. Vietnam is expected to see growth rise to 6.3 percent in 2017 and to 6.4 percent in 2018 helped by strong exports.

Risks: Risks are tilted to the downside and are mainly external. They include heightened policy uncertainty in the United States, where trade, immigration, and fiscal policies are under review and in Europe, where the exit of the United Kingdom from the European Union carries risks that could weigh on investor confidence. Rising protectionist sentiment in major advanced economies creates uncertainty about the future of established trading relationships. A faster-than-expected tightening of global financing conditions could set back regional growth and exacerbate existing financial vulnerabilities. Domestic vulnerabilities relate to elevated domestic debt in China, Malaysia and Thailand, and to large external financing needs in Indonesia, Malaysia, and Mongolia.

East Asia and Pacific Country Forecasts

(annual percent change unless indicated otherwise)

	2014	Est. 2015	Forecast 2016	2017	2018	2019
GDP at market prices (2010 US\$)						
Cambodia	7.1	7.0	6.9	6.9	6.9	6.7
China	7.3	6.9	6.7	6.5	6.3	6.3
Fiji	5.6	3.6	2.0	3.7	3.5	3.3
Indonesia	5.0	4.9	5.0	5.2	5.3	5.4
Lao, PDR	7.5	7.4	7.0	7.0	6.8	7.2
Malaysia	6.0	5.0	4.2	4.9	4.9	5.0
Mongolia	6.9	2.2	1.0	-0.2	1.9	8.0
Myanmar	8.0	7.3	6.5	6.9	7.2	7.3
Papua New Guinea	7.4	6.8	2.4	3.0	3.2	3.4
Philippines	6.1	6.1	6.9	6.9	6.9	6.8
Solomon Islands	2.0	3.3	3.0	3.3	3.0	3.0
Thailand	0.9	2.9	3.2	3.2	3.3	3.4
Timor-Leste	5.9	4.3	5.1	4.0	5.0	6.0
Vietnam	6.0	6.7	6.2	6.3	6.4	6.4

Source: World Bank.

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.