Recent developments: Economic conditions in developing **East Asia and Pacific** have for the most part remained favorable in 2018, including robust global trade, mostly contained borrowing costs, and sustained capital inflows. Growth across the region remains solid and exports have surged in both volume and value terms. Private consumption has been supported by strong consumer confidence and rising household wealth in an environment of moderate inflation. Investment spending in the region has also been strong.

Regional financial markets have generally remained buoyant, despite volatility in early and mid-2018 related to the prospects of faster monetary policy tightening in advanced economies and escalating trade tensions. Bond spreads in some countries have increased, following bouts of volatility in stock markets, but remain close to the low levels that prevailed in 2017. Domestic monetary conditions have tightened somewhat and tighter prudential policies have kept credit growth in check.

Domestic demand in China has been solid in 2018, reflecting robust consumption growth and recovering private fixed asset investment. The stock of corporate debt has continued to decline as a percent of GDP in the first half of 2018, but remains high by international standards. China recorded its first current account deficit since 2001 in the first quarter of 2018, consistent with external rebalancing.

Among commodity exporting economies of the region, an investment-led cyclical recovery has continued in response to higher commodity prices, improved confidence, and low financing costs. Indonesia has continued to register strong growth this year, and growth continues to recover in Mongolia. Growth moderated in Malaysia but remains robust and broad-based.

Among commodity importing economies excluding China, economic activity remains strong and in line with underlying potential growth rates. Thailand experienced solid economic activity in the first half of the year, supported by a pickup in exports. Growth in Vietnam and the Philippines remains robust, but high capacity use rates may limit further expansion.

Outlook: Growth in developing East Asia and Pacific is projected to ease from an upwardly revised 6.3 percent in 2018 to 6.1 percent in 2019. The modest slowdown in regional growth is largely due to the gradual structural slowdown in China. Excluding China, activity in the region is expected to slow from 5.4 percent in 2018 to 5.3 percent next year. The outlook is predicated on moderately higher commodity prices, strong but gradually moderating global demand, and incremental tightening of global financing conditions.

Growth in China is projected to slow from 6.5 percent in 2018 to 6.3 percent next year. Regulatory and macroprudential policies are expected to tighten, and fiscal policy is anticipated to become less accommodative.

Among commodity exporters, Indonesia is projected to grow at 5.2 percent this year and 5.3 percent in 2019 as private consumption strengthens in line with wage gains. Growth is seen moderating in Malaysia from 5.4 percent this year to 5.1 percent in 2019 toward its potential.

Among commodity importing economies, economic activity in Thailand is anticipated to expand at an upwardly revised 4.1 percent rate in 2018 due to stronger exports and edge down to 3.8 percent in 2019 as slack dissipates. Vietnam is forecast to expand by 6.8 percent in 2018 before moderating to 6.5 percent in 2019 as capacity constraints become more binding.

Risks: While upside surprises to global activity could lead to stronger-than-expected regional growth, risks to the outlook remain tilted to the downside. Increased protectionist tendencies in some large economies continue to create uncertainty about future trading relationships. The imposition of trade restrictions by advanced economies would hit the more open economies of the region the hardest. While the economic impact of tariffs on imports to China, which are being considered by the U.S. administration, would likely be manageable, an escalation could lead to disruptions that would have significant regional effects.

A faster-than-expected tightening of global financing conditions and associated stress could reduce capital inflows, heighten financial market volatility, and put pressure on regional exchange rates and asset prices. If a combination of downside risks were to materialize, it could trigger a sharper-than-expected slowdown in regional growth. Domestic vulnerabilities—elevated domestic debt and large external financing needs in some countries—would amplify the impact of external shocks, especially where policy buffers are limited, and dampen growth.

East Asia and Pacific Country Forecasts
(Annual percent change unless indicated otherwise)

	2015	2016	2017e	2018f	2019f	2020f
GDP at market prices (2010 US$)						
Cambodia	7.0	7.0	6.8	6.9	6.7	6.6
China	6.9	6.7	6.9	6.5	6.3	6.2
Fiji	3.6	0.4	3.8	3.5	3.4	3.3
Indonesia	4.9	5.0	5.1	5.2	5.3	5.4
Lao PDR	7.3	7.0	6.7	6.6	6.9	6.9
Malaysia	5.0	4.2	5.9	5.4	5.1	4.8
Mongolia	2.4	1.5	5.1	5.3	6.4	6.5
Myanmar	7.0	5.9	6.4	6.7	6.9	7.1
Papua New Guinea	5.3	1.9	2.2	-1.7	4.0	3.0
Philippines	6.1	6.9	6.7	6.7	6.7	6.6
Solomon Islands	3.7	3.5	3.2	3.0	2.9	2.8
Thailand	3.0	3.3	3.9	4.1	3.8	3.8
Timor-Leste	4.0	5.3	-1.8	2.2	4.2	4.0
Vietnam	6.7	6.2	6.8	6.8	6.6	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.