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**Recent developments:** The East Asia and Pacific region has experienced the continued cooling of domestic demand in China in addition to sizable external headwinds. These include weakening global demand and heightened trade policy uncertainty related to the trade dispute between China and the United States, which has led to significantly higher tariffs. In addition, trade tensions between Japan and the Republic of Korea, a maturing electronics cycle, and disruptions caused by rapid shifts in technological and emission standards, have also weighed on regional manufacturing and trade.

In China, growth has further decelerated amid tighter financing conditions for non-banking segments of the economy and heightened trade policy uncertainty for most of 2019. The negative shock to exports and output from challenging external conditions has been partly offset by fiscal policy measures, currency depreciation, price adjustments, some reshoring of production, and the redirection of exports to other countries.

In the rest of the region, some commodity importers operating at or above capacity have experienced a cyclical moderation of activity, such as Cambodia, the Philippines, and Thailand. Weak export growth has added to the slowdown, especially in the economies that are deeply integrated into global and regional production networks, including Thailand and the Philippines.

**Outlook:** Growth in the region is projected to ease to 5.7% in 2020, reflecting a further moderate slowdown in China to 5.9%. These developments reflect continued domestic and external headwinds, including the lingering impact of trade tensions, despite the phase one agreement between China and the United States. This outlook is predicated on no renewed escalation of trade tensions between China and the United States and a gradual stabilization in global trade. It also assumes that authorities in China continue to implement monetary and fiscal policies to offset the negative impact of weakening exports.

Regional growth excluding China is projected to recover slightly to 4.9%, as domestic demand benefits from generally supportive financial conditions amid low inflation and robust capital flows in some countries, including Cambodia, the Philippines, Thailand, and Vietnam, and as large public infrastructure projects come onstream in the Philippines and Thailand. Regional growth will also benefit from the reduced global trade policy uncertainty and a moderate, even if still subdued, recovery of global trade. Growth in Malaysia is expected to inch down to 4.5%, with weak export growth partly offset by strong domestic demand, underpinned by favorable financing conditions, a rebound in investment, stable labor market conditions, and low inflation.

Growth in Indonesia, which depends less on export growth than other regional economies, is projected to tick up to 5.1% reflecting continued support from private consumption, a pickup in investment, growth of the working-age population, and improving labor markets.

**Risks:** The balance of risks to the outlook has improved but is still tilted to the downside. Downside risks include a sharp slowdown in global trade due to a re-escalation of trade tensions; a sharper-than-expected slowdown in major economies; and a sudden reversal of capital flows due to an abrupt deterioration in financing conditions, investor sentiment, or geopolitical relations. An upside risk to the forecast is that the recent trade agreement between China and the United States could lead to a sustained reduction in trade uncertainty, resulting in a stronger-than-expected recovery of regional investment and trade.

Even though most large countries have generally sound economic fundamentals—track records of solid growth, fast labor productivity growth, large consumer bases, diversified economies, sound policy frameworks, and strong policy buffers—the region remains vulnerable to risks related to abrupt changes in global financial conditions.

**East Asia and Pacific Country Forecasts**

(Annual percent change unless indicated otherwise)

	2017	2018	2019e	2020f	2021f	2022f
GDP at market prices (2010 US\$)						
<b>Cambodia</b>	7.0	7.5	7.0	6.8	6.8	6.8
<b>China</b>	6.8	6.6	6.1	5.9	5.8	5.7
<b>Fiji</b>	5.2	4.2	1.0	1.7	2.9	3.0
<b>Indonesia</b>	5.1	5.2	5.0	5.1	5.2	5.2
<b>Lao PDR</b>	6.9	6.3	5.2	5.8	5.7	5.6
<b>Malaysia</b>	5.7	4.7	4.6	4.5	4.5	4.5
<b>Mongolia</b>	5.3	7.2	5.7	5.5	5.2	5.5
<b>Myanmar</b>	6.8	6.5	6.6	6.7	6.8	6.8
<b>Papua New Guinea</b>	3.5	-0.8	5.6	2.9	2.9	3.0
<b>Philippines</b>	6.7	6.2	5.8	6.1	6.2	6.2
<b>Solomon Islands</b>	3.0	3.5	2.9	2.8	2.8	2.7
<b>Thailand</b>	4.0	4.1	2.5	2.7	2.8	2.9
<b>Timor-Leste</b>	-3.5	-1.1	4.2	4.6	4.9	5.0
<b>Vietnam</b>	6.8	7.1	6.8	6.5	6.5	6.4

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.