

Recent developments: Following a sharp slowdown in 2022, growth in the East Asia and Pacific (EAP) region is recovering, supported by strong activity in China following the reopening of its economy and a rapid decline in COVID-19 infections. Growth in China recovered strongly in early 2023, underpinned by a release of pent-up demand that bolstered consumption. Retail sales surged alongside a more modest uptick in industrial production growth. Activity was supported by a rebound in contact-intensive service sectors and strong Chinese New Year-related spending and travel, and the rapid return of migrant workers to workplaces. Infrastructure-related stimulus, which ramped up in 2022, helping to offset weaknesses in the property sector. More recently, the property sector—which has been weighed down by high debts—has shown tentative signs of emerging from a protracted slump. Policies to ensure the completion of unfinished projects and restore confidence in the sector have helped to lift prices of properties in an increasing number of cities.

Elsewhere in EAP, growth slowed around the turn of the year in a number of economies as the boost from earlier reopening faded (Malaysia, Philippines, Vietnam). While consumption growth remained firm, goods trade decelerated before stabilizing, reflecting weak global demand and tepid activity in goods-trade-intensive sectors in China. However, services trade benefited from a continued recovery in global tourism, boosted by tourists from China taking advantage of the reopening of borders.

Outlook: Growth in the EAP region is projected to strengthen to 5.5 percent in 2023, with a recovery in China offsetting moderating growth in several other economies. In 2024 and 2025, growth in EAP is expected to edge down to 4.6 percent and 4.5 percent respectively, as growth in China slows alongside broadly stable growth in the rest of the region. Compared with January projections, growth in EAP is expected to be 1.2 percentage points higher in 2023 and 0.3 percentage point lower in 2024. The revisions primarily reflect the earlier-than-expected reopening of China, where growth has been revised up by 1.3 percentage points in 2023 but down by 0.4 percentage point in 2024.

In China, growth is projected to rebound to 5.6 percent in 2023, as the reopening, together with accumulated excess savings, supports household spending, particularly on services. Growth is then projected to moderate to 4.6 percent in 2024 and 4.4 percent in 2025, as reopening effects fade. Investment growth is expected to pick up modestly this year, supported by infrastructure-related stimulus and a gradual recovery in the property sector. Inflation is expected to remain below target given economic slack, including in labor markets.

In EAP, (excluding China), growth is expected to be 4.8 percent in 2023 as the tailwinds from reopening and pent-up demand fade. Positive spillovers from China's recovery are expected to be limited given its concentration on domestic services activity. Furthermore, these positive spillovers are likely to be outweighed in some cases by domestic headwinds, particularly elevated inflation and the continued effects of domestic monetary policy tightening. While both core and headline inflation are expected to ease through 2023, in the near term, headline inflation is likely to remain above central bank targets in some countries (Mongolia, Philippines), owing to the delayed pass-through of increases in global commodity prices and domestic supply shocks. Moderating commodity prices will help reduce headline inflation this year but it will also weaken the terms of trade of commodity exporters, including Indonesia.

Risks: The baseline projection for the region is subject to several downside risks, including tighter-than-expected domestic and global financial conditions, persistently high inflation, continued weakness in China's property sector, and a faster-than-anticipated fading of the post-pandemic rebound in China. An intensification of geopolitical tensions presents a further downside risk, as do natural disasters, including extreme weather events related to climate change, which can impose particularly large costs on the small Pacific Island economies.

Download *Global Economic Prospects:* <https://bit.ly/GEPJune2023FullEN>

East Asia and Pacific Country Forecasts

(Annual percent change unless indicated otherwise)

	2020	2021	2022e	2023f	2024f	2025f
GDP at market prices (average 2010-19 US\$)						
Cambodia	-3.1	3.0	5.2	5.5	6.1	6.3
China	2.2	8.4	3.0	5.6	4.6	4.4
Fiji	-17.0	-5.1	16.1	5.0	4.1	3.5
Indonesia	-2.1	3.7	5.3	4.9	4.9	5.0
Kiribati	-1.4	7.9	1.2	2.5	2.4	2.3
Lao PDR	0.5	2.5	2.7	3.9	4.2	4.4
Malaysia	-5.5	3.1	8.7	4.3	4.2	4.2
Marshall Islands	-2.2	1.1	1.5	1.9	2.1	2.3
Micronesia, Fed. Sts.	-1.8	-3.2	-0.6	2.9	2.8	1.3
Mongolia	-4.4	1.6	4.7	5.2	6.3	6.8
Myanmar^a	3.2	-18.0	3.0	3.0
Nauru	0.7	1.5	3.0	1.0	2.0	2.5
Palau	-8.9	-13.4	-2.8	12.3	9.1	4.7
Papua New Guinea	-3.2	0.1	4.5	3.7	4.4	3.1
Philippines	-9.5	5.7	7.6	6.0	5.9	5.9
Samoa	-3.1	-7.1	-6.0	5.0	3.4	3.3
Solomon Islands	-3.4	-0.6	-4.1	2.5	2.4	3.0
Thailand	-6.1	1.5	2.6	3.9	3.6	3.4
Timor-Leste	-8.3	2.9	3.5	3.0	3.2	3.2
Tonga	0.5	-2.7	-2.0	2.5	2.8	2.6
Tuvalu	-4.9	0.3	0.6	4.2	3.1	2.6
Vanuatu	-5.0	0.6	1.9	0.5	4.0	3.9
Vietnam	2.9	2.6	8.0	6.0	6.2	6.5

Source: World Bank.

Note: 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.

a. Forecast for Myanmar beyond 2023 are excluded because of a high degree of uncertainty.