

## East Asia and Pacific Economic Update, April 2023

### Key Findings

- Growth in developing East Asia and Pacific (EAP) is projected to accelerate from 3.5% in 2022 to 5.1% in 2023, driven by China.
  - China is projected to rebound sharply to 5.1% in 2023, following the economy's swift reopening.
  - Growth in the rest of the region is projected to slow to 4.9% in 2023 as both external and domestic demand weaken.
- Most major economies in the region have recovered from recent shocks and are growing.
  - China's economy grew by 3.0% in 2022, slower than 8.4% in 2021.
  - The rest of the region grew by 5.8% in 2022, faster than 2.6% in 2021.
  - The recovery has been uneven across the region, with output still below pre-pandemic levels in most of the Pacific Island Countries.
  - Private consumption and exports supported the revival of economic activity.
- This year, slowing global growth, elevated commodity prices and financial market developments will affect the region's economies.
- Over the last two decades, most countries in the EAP region have seen higher and more stable growth than economies in other regions which contributed to a striking decline in poverty. But convergence with high-income countries has recently stalled.
  - After the Asian Financial Crisis (AFC), sound macroeconomic management helped support growth and reduce volatility.
  - But the pace of structural reform has slowed over the 2000's in the region, and in recent years, the pattern of structural change has not contributed to productivity growth.
  - Addressing the significant "reform gap," especially in services, could magnify the impact of the digital revolution and boost productivity in sectors from retail and finance to education and health.
- Looking ahead EAP countries face the major challenges of de-globalization, aging, and climate change
  - The region is benefiting from trade diversion due to China-US tensions, but policy uncertainty and deeper decoupling could inhibit trade, investment, and knowledge flows
  - The region is aging faster and the working age populations will peak at lower levels of income per capita than was the case in rich countries.
  - The region's growth is contributing to and highly exposed to the impacts of climate change.
- Four types of policy action are necessary.
  - Macro-financial reforms to support recovery today and inclusive growth tomorrow.
  - Structural reforms to boost innovation and productivity across the economy.
  - Climate-related reforms to enhance resilience through efficient adaptation.
  - International cooperation on climate mitigation, and to ensure openness to trade, investment, and technology flows, ideally multilaterally, but also regionally and bilaterally.

	2020	2021	2022	October 2022 forecast for 2023	April 2023 forecast for 2023
<b>East Asia &amp; Pacific</b>	1.3	7.5	3.5	4.6	5.1
<b>East Asia &amp; Pacific (excluding China)</b>	-3.7	2.6	5.8	5.0	4.9
<b>ASEAN-5</b>	-3.9	3.4	6.0	5.1	4.9
<b>Pacific Island Countries</b>	-9.9	-3.2	6.7	5.7	4.3
<b>China</b>	2.2	8.4	3.0	4.5	5.1
<b>Indonesia</b>	-2.1	3.7	5.3	5.1	4.9
<b>Malaysia</b>	-5.5	3.1	8.7	4.2	4.3
<b>Philippines</b>	-9.5	5.7	7.6	5.8	5.6
<b>Thailand</b>	-6.2	1.6	2.6	4.1	3.6
<b>Vietnam</b>	2.9	2.6	8.0	6.7	6.3
<b>Cambodia</b>	-3.1	3.0	5.2	5.2	5.2
<b>Lao PDR</b>	0.5	2.5	2.7	3.8	3.9
<b>Mongolia</b>	-4.4	1.6	4.7	5.5	5.2
<b>Myanmar</b>	3.2	-18.0	3.0		3.0
<b>Papua New Guinea</b>	-3.2	0.1	4.5	4.2	3.7
<b>Timor-Leste</b>	-8.3	2.9	3.5	3.0	3.0
<b>Palau</b>	-8.9	-13.4	-2.8	18.2	12.3
<b>Fiji</b>	-17.0	-5.1	16.1	7.8	5.0
<b>Solomon Isl.</b>	-3.4	-0.6	-4.1	2.6	2.5
<b>Tuvalu</b>	-4.9	0.3	0.6	3.5	4.2
<b>Marshall Isl.</b>	-2.2	1.1	1.5	2.2	1.9
<b>Vanuatu</b>	-5.0	0.6	1.9	3.4	3.5
<b>Kiribati</b>	-1.4	7.9	1.2	2.3	2.5
<b>Tonga</b>	0.5	-2.7	-2.0	3.2	3.0
<b>Samoa</b>	-3.1	-7.1	-6.0	2.0	5.0
<b>Micronesia</b>	-1.8	-3.2	-0.6	3.0	2.9
<b>Nauru</b>	0.7	1.5	3.0	1.9	1.0

Source: World Bank; World Bank estimates and projections.

Notes: Percent growth of GDP at market prices. Values for 2022 for the small island economies refer to GDP growth estimates. ASEAN-5 comprises Indonesia, Thailand, the Philippines, Malaysia, and Vietnam. Values for Timor-Leste represent non-oil GDP. For the following countries, values correspond to the fiscal year: Federal states of Micronesia, Palau, and Republic of the Marshall Islands (October 1–September 30); Nauru, Samoa, and Tonga (July 1–June 30). Myanmar growth rates refer to the fiscal year from October to September.