Global Economic Prospects January 2011:
Navigating strong currents
Regional Annex

East Asia and the Pacific

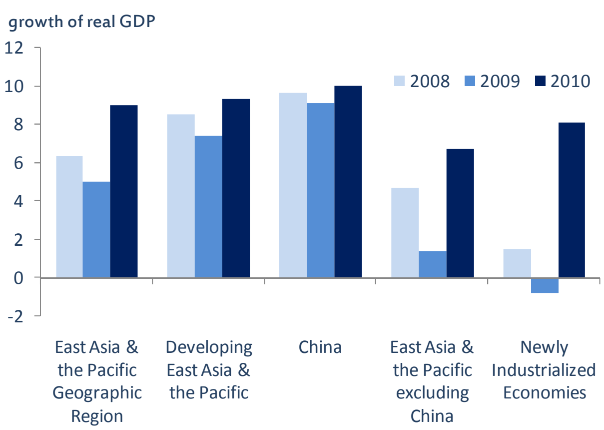
Recent developments

The East Asia and Pacific region led the global recovery from the deepest recession since the 1930s over 2009 and 2010. The recovery was led by robust 10 percent GDP gains in China, where fiscal and monetary support measures contributed almost a percentage point to growth (Figure R1.1 and Table R1.1).[1] For the ASEAN countries and smaller island economies, growth picked up sharply from 1.5 percent in 2009 to 6.8 percent in 2010, partly reflecting strong stimulus-related import demand from China. Overall, GDP of the developing East Asia and Pacific region increased 9.3 percent in 2010 up from a resilient 7.4 percent pace in 2009.[2]

Sources of growth. For China, domestic demand contributed some 7.8 percentage points to overall growth of 10 percent in 2010, with net trade contributing the remainder. With real imports expanding at a 35 percent pace, China's demand served as a powerful impetus for exports from the East Asia region and beyond. GDP growth in the rest of the developing region was underpinned largely by domestic demand, especially private consumption (accounting for 3.2 points of growth) and fixed investment (2.5 points), as stimulus measures continued to carry positive effects. Reflecting strong internal demand, imports for the group expanded at a 30 percent pace, and though exports advanced 25 percent, net trade offered a drag to GDP; 'gross' exports however, provided support for production, jobs and incomes. Robust regional import demand played a role in spurring recovery in the high-income countries, as well as helping to reduce overall global imbalances (see main text).

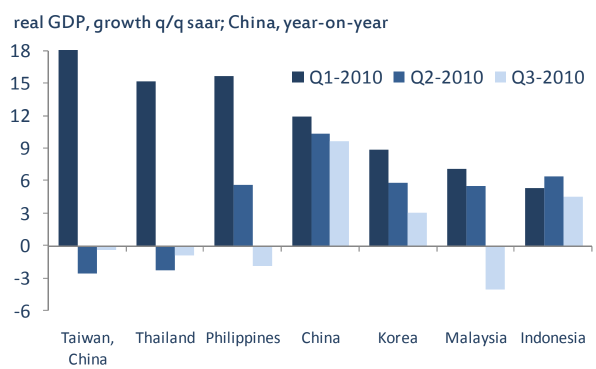
Setting the stage. Available GDP data and high-frequency indicators suggest that growth in the region hit a soft patch in the second half of 2010 (Figure R1.2). But outturns across countries vary substantially, reflecting different fiscal and monetary stances, varying exposures to external trade and financial markets, and greater or lesser trade linkage with China. In general, growth was strong through the first quarter, and began the adjustment toward more sustainable rates in

Figure R1.1 Developing East Asia grew robustly in 2010



Source: World Bank

Figure R1.2 GDP growth easing quickly in second-half 2010



Source: Haver Analytics

the second and third quarters.

Many countries in the region saw a surge in international capital inflows during the second half of 2010, evidenced in rising equity values and appreciating currencies, with the potential—as increased liquidity moved through local economies—to trigger higher inflation, or to sow the seeds of asset bubbles.

The industrial production cycle in East Asia was more pronounced than in other developing regions in the year, as the region was particularly hard hit by the global collapse in demand for capital-, IT- and consumer durables (e.g. autos). However when global recovery set in, the production of these goods also registered sharpest rebounds, and regional output quickly regained previous peaks (Figure R1.3).

The variation in the speed of post-crisis recovery within the region reflects underlying trend growth rates, and China's industrial output stood some 34 percent above pre-crisis peak levels - versus 3.5 percent-above for the rest of the region in October. Differences in remaining spare capacity are less stark. World Bank estimates suggest that China's spare manufacturing capacity is effectively at trend rates at present, as it is broadly for the remainder of the region. But the structure of economies in developing East Asia differs widely with respect to external accounts, with many focused on manufacturing-, others commodities, and still other economies upon remittances and service incomes, notably tourism receipts.

Developments across larger countries. China's growth moderated over the course of 2010 with domestic demand (particularly consumption and investment) cooling gradually as stimulus faded and the monetary stance tightened. With domestic demand easing, import growth slowed, while stronger export performance helped to maintain growth at high levels and contributed to an increase in the trade surplus. While growth

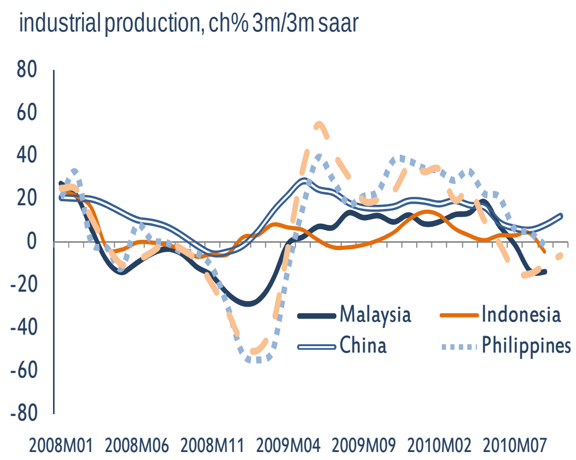
Table R1.1 East Asia and Pacific forecast summary
(annual percent change unless indicated otherwise)

					Est.	Forecast	
	95-06 [a]	2007	2008	2009	2010	2011	2012
GDP at market prices (2005 US$) [b]	7.4	12.3	8.5	7.4	9.3	8.0	7.8
GDP per capita (units in US$)	6.4	11.4	7.6	6.5	8.5	7.2	7.0
PPP GDP [c]	7.4	12.2	8.4	7.4	9.3	8.0	7.9
Private consumption	5.7	8.9	7.4	7.2	8.9	7.4	7.3
Public consumption	7.9	10.7	8.6	6.7	8.0	8.6	7.5
Fixed investment	0.7	12.4	9.1	19.1	10.1	9.9	8.2
Exports, GNFS [d]	12.9	15.4	7.1	-10.5	31.8	11.7	13.7
Imports, GNFS [d]	10.4	11.3	4.6	-2.1	33.4	11.2	12.1
Net exports, contribution to growth	0.7	2.8	1.6	-4.2	1.2	1.0	1.6
Current account bal/GDP (%)	2.2	9.1	8.1	5.8	5.2	4.8	5.2
GDP deflator (median, LCU)	5.4	5.0	7.8	3.5	4.9	4.2	4.6
Fiscal balance/GDP (%)	-2.1	0.4	-0.5	-3.1	-2.9	-2.2	-1.6
Memo items: GDP							
East Asia excluding China	3.5	6.3	4.7	1.5	6.8	5.2	5.8
China	9.2	14.2	9.6	9.1	10.0	8.7	8.4
Indonesia	2.7	6.3	6.0	4.5	5.9	6.2	6.5
Thailand	2.7	4.9	2.5	-2.3	7.5	3.2	4.2

a. Growth rates over intervals are compound average; growth contributions, ratios and the GDP deflator are averages.
b. GDP measured in constant 2005 U.S. dollars.
c. GDP measured at PPP exchange rates.
d. Exports and imports of goods and non-factor services (GNFS).
e. Estimate.
f. Forecast.

Source: World Bank

Figure R1.3 Production adjusting down post-recovery



Source: World Bank

prospects are bright, further normalization of the macro stance is likely required to guard against asset price increases, strained local government finances and a buildup of non-performing loans in the banking system. Authorities have started to raise interest rates and are making administrative changes designed to tighten liquidity. China experienced significant upward pressure on equity prices and the exchange rate in the fall months of 2010, the latter of which was mitigated through market intervention, leading to a further large build-up of reserves.

Among ASEAN economies,[3] *Indonesia* was least affected by the global financial crisis and recession, in part given earlier reforms to its financial system as well as an export mix (commodities) less affected than manufactures by the falloff in OECD demand. By the first half of 2010 growth patterns had largely normalized with GDP advancing a strong 6.2 percent in the second quarter (year-on-year), largely driven by household consumption, which benefited from low inflation and better consumer confidence; and by private investment associated with improved growth prospects. In *Thailand*, despite an escalation of political crisis and the onset of global recession, the manufacturing sector helped the economy consolidate recovery. However, following robust 15 percent growth in the first quarter (saar), GDP declined in both the second and third quarters, as the political turmoil of April and May adversely affected tourism arrivals and services exports. Nonetheless Thailand is likely to have registered 7.5 percent growth in 2010 on the strength of its initial rebound. And in *Malaysia* the recovery was smoother, with government- household- and investment spending driving the rebound, but with net trade continuing to disappoint. In response to rising demand pressures, the central bank raised policy interest rates 75 basis points between March and July.

External accounts. Goods export volumes for East Asia recovered strongly from the depths of the 2009 recession to double digit growth during the first months of 2010. China's export volumes peaked at 80 percent growth in February 2010 (3m/3m saar). For the region excluding China, peaks were closer to 50 percent (saar) in late 2009 with stronger performance in Indonesia and Malaysia (80 percent) than in the Philippines and Thailand (40 to 50 percent), driven in part by vibrant import demand in China. China's import share in the exports of the rest of developing East Asia advanced from 16.2 percent at the start of 2008 to 18 percent by fall 2010.[4]

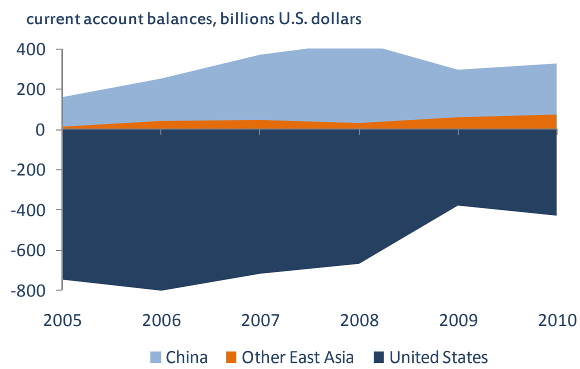
As global inventories of capital- and durable goods were replenished and business conditions began to "normalize"—based in part on expectations for only moderate growth in high-income country demand—the momentum of East Asian exports began to wane by spring 2010. Downward adjustment in export growth from exceptionally high peaks continued more rapidly into autumn of the year, such that by October, China's exports were *falling* at a 15.7 percent annualized pace (saar), with exports for the region excluding China declining by 11.2 percent.

Imports traced a different course over 2009-2010. After recovering in dramatic fashion beginning in mid-2009 (once more reflecting Chinese stimulus programs), East Asian merchandise import growth slowed to near zero by October, reflecting a global overshooting of industrial production (see main text). Indications are that the global industrial and trade cycle is picking up momentum in the fourth quarter of 2010, and East Asian import growth is expected to pick up momentum in-line with still robust demand growth in the region (Figure R1.4). Overall, net exports are likely to be modestly supportive or neutral for growth in 2010, and recent increases in trade balances in dollar terms should ease in coming quarters.

The surge in domestic demand underpinned by public sector stimulus served to reduce the region's current account surplus by 4 percent of regional GDP between 2007 and 2010, with that of China narrowing from 10.6 percent to 5.5 percent (Figure R1.5). While some of this adjustment is likely cyclical in nature, it also reflects potential longer-term changes, including higher savings rates in the United States, which have translated into lower import levels, and in East Asia, policy driven increases in the share of domestic demand in GDP.

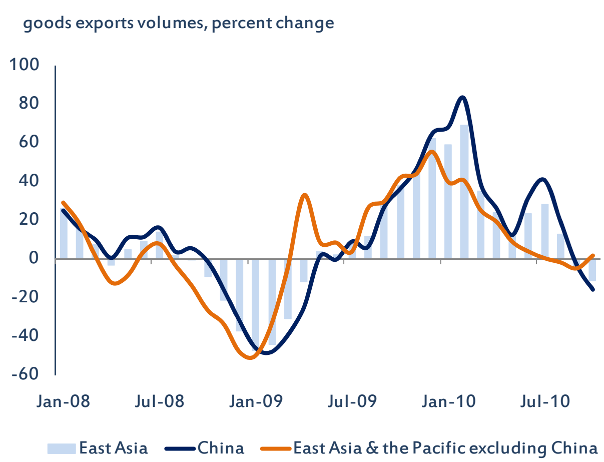
Capital flows and financial market developments. Net capital flows from private sources flowing into the developing East Asia region[5] surged by 52 percent during 2010, carrying the total of portfolio-equity and foreign direct investment to $187 billion—yet still more than 10 percent below the previous peak ($212 billion) of 2007. Improved international market conditions (despite European sovereign debt tensions) permitted strong bond issuance; IPO offerings from China continued on an impressive scale and foreign direct investment (FDI) increased by 47 percent in the year to $150 billion (Table R1.2, and Figure R1.6). The surge is being driven by improved East Asian growth prospects, strong investor sentiment and large differentials between East Asia and the high-income economies in both growth and interest rates. FDI flows have been dominated by China, accounting for $110 billion of the region's $150 billion inflow in the year (see Financial Markets appendix for more information).

Figure R1.5 Imbalances narrowed during 2009 recession



Source: U.S. Department of Commerce, World Bank

Figure R1.4 East Asia's export volumes decline as bounce-back factors fade; imports recovered earlier, but have flattened to no growth



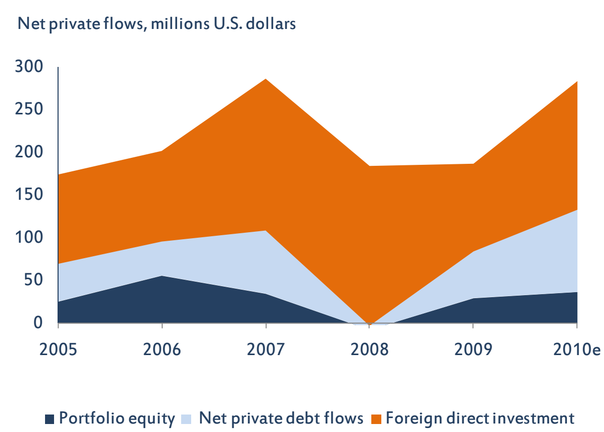
Source: World Bank

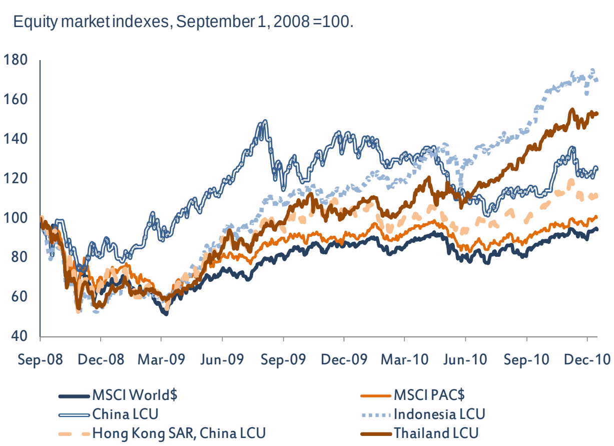
In the third quarter of 2010 there was a sharp acceleration of international capital flows, driven by the carry trade, in which investors borrow money in low-interest countries and invest in higher yielding economies. Investor's cash entered East Asian financial markets directly, into equity markets or local currency bonds, the issuance of which surged over the last 12 months, or indirectly through mutual funds and other vehicles. Inflows were particularly strong for Indonesia, Malaysia and Thailand (nevertheless, to the extent that overall foreign liquidity is what is relevant, the large current account surpluses in countries like China and the Philippines are equally relevant). Indonesia's local stock market index increased 3-fold from March 2009 to end-November 2010; Thailand's bourse was up 150 percent, which dwarfs the still-impressive 75 percent increase in the MSCI World equity index. In the fourth quarter inflows have eased somewhat, with the escalation of sovereign fiscal/debt problems in the Euro Area and a rebound in the dollar.

The inward flow of capital placed upward pressure on regional currencies. Since the start of 2010 through recent peaks in early November, the Thai baht jumped 13 percent against the greenback and 10 percent in real-effective terms; the Malaysian ringgit 10.8 percent (with a decline of 1.2 percent in real effective terms), and the Philippines peso 7 percent, with a sharp 5.5 percent falloff in its real effective exchange rate (Figure R1.7). In-step with equity markets through mid-December 2010, currencies lost about a percentage-point and a half of the appreciation witnessed up to November peaks, as international investors moved out of local markets selling local currencies for dollars. Some countries had intervened heavily to resist upward exchange rate pressures, accelerating the accumulation of international currency reserves. To the extent that these interventions were not fully sterilized, they could contribute to rising inflation, which like nominal appreciation has the effect of reducing external competitiveness and inducing real appreciation (see Main text).

A large role for service exports and remittances in East Asia. Tourism is a source of substantial foreign currency revenue for a number of countries in the region, amounting to $92 billion in 2009 (during recession) from peak receipts of $104 billion in 2008. In that year, tourism represented 1.4 percent of regional GDP. The United Nation's World Tourism Organization reports that in 2009, global international tourist arrivals dropped 4.2 percent (the worst year for the industry within memory).[6] But for the first six months of 2010 arrivals advanced 7 percent (year-on-year) driven by more robust performance in developing economies. The rebound in arrivals occurred across all world regions, but East Asia and the Pacific, the second

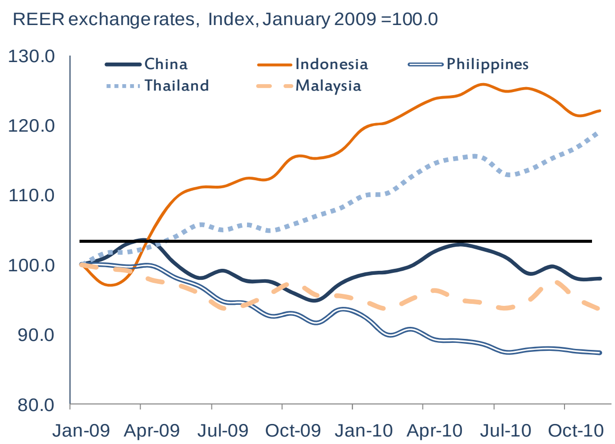
Figure R1.6 East Asian private inflows almost set fresh record in 2010 and strong capital inflows lofted local bourses across the region





Source: World Bank, Thomson-Datastream

Figure R1.7 Real effective appreciation extensive for Indonesia and Thailand



Source: JP Morgan-Chase through Thomson-Datastream

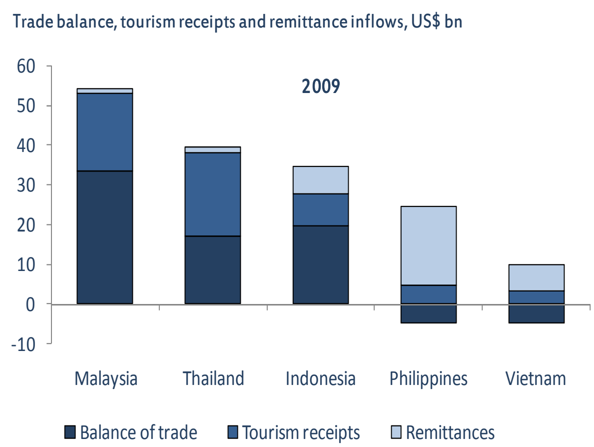
most visited region globally, led the upturn with a 14 percent jump in arrivals during the first half of the year.

Estimates for full year 2010 suggest that arrivals to East Asian destinations grew 7.6 percent to 114 million. This was driven by a pick-up in arrivals to China of near 5 percent, exceptionally robust gains in Indonesia (11 percent) reflecting in part local cross-border movements, a strong showing for Thailand (10 percent) and the Philippines (4 percent). Receipts for the region dropped by 11.4 percent in 2009, but are likely to have revived over the course of 2010. East Asia accounts for fully 50 percent of tourism revenues for the aggregate of developing countries (Table R1.3, bottom panel).

Since 2000, arrivals to East Asian tourism destinations have advanced within a range of 5- to 10 percent per year. Tourism expenditures in host countries have grown closer to 10 percent annually. Such revenues are critical for small Pacific islands, and for destinations such as Malaysia (8.5 percent of GDP) and Thailand (6.5 percent) where incremental receipts from tourism bolster current account positions while serving to support domestic employment and demand (Figure R1.8).[7] The UNWTO anticipates that tourism prospects are encouraging for East Asia, with arrivals advancing 6.5 percent per year through 2020 (see Trade Annex).

Worker remittances are also critical for a number of countries in East Asia (Table R1.3, top panel), where such income flows from the expatriate labor force can amount to substantial shares of GDP. Inflows continued during the worst of the recession in 2009, and are estimated to have increased 6.4 percent for developing East Asia in 2010. Although China leads the remittances table in the region, such flows account for only 0.9 percent of the country's GDP. In contrast, remittances amount to 11 percent of GDP in the

Figure R1.8 Remittances and tourism are key for a number of East Asian economies



Source: World Bank, United Nations World Tourism Organization

Philippines, 7 percent in Vietnam and 3.5 percent for Fiji. The World Bank's Migration and Remittances Unit sees a pickup from 6 percent gains for all developing countries in 2010 to 6.3- and 8.1 percent for 2011 and 2012 respectively to reach $375 billion by the latter year.[8]

Medium-term outlook

East Asia is well positioned to enjoy further years of strong- albeit more moderate- growth over the period to 2012. Increasingly, domestic demand will be the major driver for regional gains. Due to projected weaker activity among high-income countries, regional export volumes are expected to expand at a 12 percent pace in 2011-12 versus the 15 percent rate recorded

Table R1.2 Net capital flows to East Asia and the Pacific
$ billions

	2003	2004	2005	2006	2007	2008	2009	2010e	2011f	2012f
Current account balance	69.9	88.1	175.3	298.7	425.0	470.1	358.0	359.3	379.1	420.5
as % of GDP	3.1	3.4	5.8	8.3	9.4	8.5	5.8	5.1	4.7	4.7
Financial flows:										
Net private and official inflows	76.4	127.0	171.0	192.4	282.2	183.2	190.6	287.0		
Net private inflows (equity+debt)	83.6	132.2	174.2	201.7	286.1	184.3	186.9	283.3	300.9	294.2
..Net private inflows (% GDP)	3.7	5.0	5.8	5.6	6.3	3.3	3.0	4.0	3.8	3.3
Net equity inflows	69.3	89.7	130.0	161.9	212.2	179.3	132.3	187.2	199.4	234.2
..Net FDI inflows	56.8	70.4	104.3	105.7	177.1	186.6	102.5	150.2	164.4	202.2
..Net portfolio equity inflows	12.5	19.3	25.7	56.2	35.1	-7.3	29.9	37.0	35.0	32.0
Net debt flows	7.1	37.3	40.9	30.6	70.0	3.9	58.3	99.8		
..Official creditors	-7.2	-5.2	-3.2	-9.3	-3.8	-1.1	3.7	3.7		
....World Bank	-1.5	-1.9	-0.6	-0.4	-0.3	1.2	2.2	1.8		
....IMF	-0.5	-1.6	-1.6	-8.5	0.0	0.0	0.1	0.1		
....Other official	-5.2	-1.7	-1.0	-0.4	-3.5	-2.3	1.4	1.8		
..Private creditors	14.3	42.5	44.2	39.9	73.9	5.0	54.5	96.1	101.5	60.0
....Net M-L term debt flows	-9.8	9.1	9.3	14.8	18.5	16.2	-0.8	22.9		
......Bonds	1.8	9.6	10.1	3.9	0.7	0.2	8.4	16.4		
......Banks	-8.5	1.7	1.6	12.2	18.1	18.3	-8.7	6.5		
......Other private	-3.1	-2.1	-2.3	-1.3	-0.3	-2.3	-0.5	0.0		
....Net short-term debt flows	24.1	33.4	34.8	25.1	55.4	-11.2	55.4	73.2		
Balancing item /a	-6.5	22.0	-128.6	-196.0	-166.3	-220.9	-13.8	-306.8		
Change in reserves (- = increase)	-139.8	-237.1	-217.7	-295.1	-541.0	-432.4	-534.8	-339.5		
Memorandum items										
Workers' remittances	32.3	40.0	50.3	57.4	71.1	85.5	85.7	91.2	98.0	106.0

Source: World Bank.
Note:
e = estimate
f = forecast
/a Combination of errors and omissions and transfers to and capital outflows from developing countries

during the boom. Nevertheless, trade will continue to grow faster than GDP, as intra-regional interconnectivity continues to expand.

Policies which foster increased productivity, growth of domestic incomes and a wider provision of services, can help to broaden the base for consumer spending in many countries, improving development prospects for the poor. Regional per-capita GDP growth is expected to step-up to 7 percent growth in 2011-12 from 6.3 percent during the 2000-2007 pre-crisis interval, with the investment share of GDP moving higher to 41.4 percent by 2012 from 35.5 percent over 2000-2007.

Growth in *China* is likely to ease from the 10 percent pace of 2010—due in part to the unwinding of fiscal stimulus, restrictions placed on over-heating sectors (e.g. housing) and a general tightening of monetary conditions in the face of rising inflation pressures. Nevertheless, industry-led, capital intensive growth is likely to keep GDP gains near 8.5 percent over the period, with net exports contributing smaller shares of growth than in the pre-crisis years, closer to 0.5 to 1 points of growth. China will remain the focal point of regional activity, with East Asian exports of materials and semi-finished manufactures to China for final processing and export to high-income destinations likely to intensify (Figure R1.9).

GDP gains for the aggregate of the *ASEAN countries* are anticipated to ease from 6.8 percent in 2010 to 5.2 percent in 2011, partly reflecting the slowdown in quarterly growth in the second half of 2010. GDP should then revive to a 5.8 percent pace in 2012—in-line with historic performance. Normalization of fiscal and monetary policy remains a key challenge for the group. In *Malaysia* for example, fiscal consolidation is expected to contribute to a slowing from 7.4 percent growth in 2010 to 4.8

percent in 2011, before expanding 5.7 percent by 2012. And in the *Philippines*, an end to election-year spending should see GDP growth slow into the second half of 2010, while activity settles into a medium term path of 5-to 5.5 percent, grounded in remittance-supported household spending and further government support for infrastructure development. Fiscal deficits for the region are expected to halve from 3.1 percent of GDP in 2009 to 1.6 percent by 2012.

Following the global financial and economic crisis, *Vietnam's* economy recovered rapidly, in part due to government's prompt decision to implement a large, effective stimulus package. Growth recovered to 6.7 percent in 2010 from 5.3 percent the previous year, on buoyant private investment and construction spending. However, the current account deficit remains high, and the currency—despite being devalued twice in the course of the year—remains under pressure. While the real economy has managed to restore pre-crisis growth momentum, investors remain concerned about the ability of Vietnam to achieve a soft landing. In the medium term, improved non-oil exports should complement domestic demand to maintain growth at 6.5 to 7 percent, close to Vietnam's historic record, but still below its long-term growth potential.

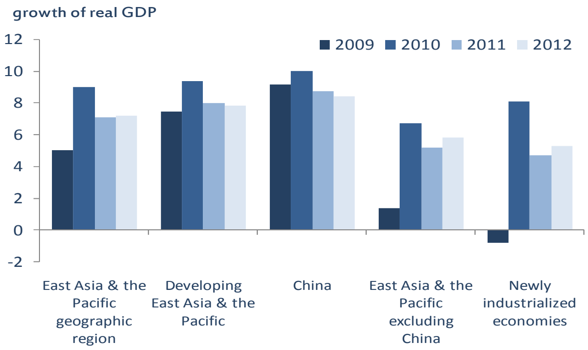
On balance, GDP gains for developing East Asia are expected to decelerate to 8 percent in 2011, from 9.3 percent in 2010 (see Table R1.1). In 2012, growth for the overall region moves down moderately to 7.8 percent, a stability that masks further moderation of growth in China, and a firming elsewhere in the region. From 2009 through 2012, the region's current account surplus position is anticipated to decline by about one-half percentage point of GDP. Still, the surplus will expand in dollar terms, coming to average $390 billion over 2011-12.

Table R1.3 East Asia and Pacific, remittances and tourism-related revenues, 2000-2010e

	2000	2005	2007	2008	2009	2010e
Remittances inflows ($mn)						
East Asia Region	**15,806**	**50,300**	**71,073**	**85,465**	**85,685**	**91,160**
growth per year (%)		**26.1**	**18.9**	**20.2**	**0.3**	**6.4**
share of GDP (%)	**0.92**	**1.65**	**1.56**	**1.49**	**1.35**	**1.26**
China	5,237	24,102	38,791	48,524	48,729	51,000
Philippines	6,961	13,556	16,302	18,642	19,766	21,311
Vietnam	…	4,000	5,500	7,200	6,626	7,215
Indonesia	1,190	5,420	6,174	6,794	6,793	7,139
Thailand	1,697	1,187	1,635	1,898	1,637	1,788
Malaysia	342	1,117	1,570	1,329	1,110	1,576
Cambodia	121	200	353	325	338	364
Other East Asia	258	718	748	753	686	767
Memo items: EAP ex China	10,569	26,198	32,282	36,941	36,956	40,160
growth per year (%)		19.9	11.0	14.4	0.0	8.7
EAP share of global remittances	19.5	26.2	25.5	26.3	27.9	28.0
Tourism arrivals and revenues						
East Asia Region						
Arrivals - Thousands	**61,443**	**88,840**	**107,048**	**107,486**	**105,947**	**114,018**
Tourism expenditure in the country - US$ Mn	**41,382**	**65,950**	**95,653**	**104,228**	**92,353**	…
growth of arrivals per year (%)		**7.7**	**9.8**	**0.4**	**-1.4**	**7.6**
growth of revenues per year (%)		**9.8**	**7.7**	**9.0**	**-11.4**	…
Tourism arrivals						
China	31,229	46,809	54,720	53,049	50,875	54,742
Malaysia	10,222	16,431	20,973	22,052	23,646	24,261
Thailand	9,579	11,567	14,464	14,584	14,145	15,560
Indonesia	5,064	5,002	5,506	6,234	6,324	7,020
Vietnam	2,140	3,468	4,244	4,236	3,747	4,496
Philippines	1,992	2,623	3,092	3,139	3,017	3,231
Cambodia	466	1,422	2,015	2,001	2,046	2,251
Other East Asia	751	1,518	2,034	2,191	2,147	2,457
Memo items: EAP ex China						
Arrivals - Thousands	30,214	42,031	52,328	54,437	55,072	59,276
Tourism expenditure in the country - US$ Mn	24,064	34,108	54,527	60,098	50,914	…
growth of arrivals per year (%)		6.8	11.6	4.0	1.2	7.6
growth of revenues per year (%)		7.2	26.4	10.2	-15.3	…

Source: Remittances: World Bank; Tourism: United Nations World Tourism Organization and World Bank estimates

Figure R1.9 Developing East Asia growth to moderate



Source: World Bank

Risks

East Asia's trade and financial linkages to the global economy are broad and intensifying; hence shocks emanating from financial markets, from OECD trade partners as well as oil and other commodity markets can carry adverse effects to the region quickly. At this juncture there are three primary risks to the baseline projections for the region.

- Continued reliance on export trade as a source of growth (though as noted, domestic demand is moving quickly to the fore) leaves

Table R1.4 East Asia and Pacific country forecasts
(annual percent change unless indicated otherwise)

	95-06 [a]	2007	2008	2009	Est. 2010	Forecast 2011	2012
Cambodia							
GDP at market prices (2005 US$) [b]	8.3	10.2	6.7	-2.0	4.9	6.0	6.5
Current account bal/GDP (%)	-4.4	-5.8	-10.2	-7.9	-8.6	-11.0	-11.2
China							
GDP at market prices (2005 US$) [b]	9.2	14.2	9.6	9.1	10.0	8.7	8.4
Current account bal/GDP (%)	2.6	10.6	9.7	6.0	5.5	5.3	5.7
Fiji							
GDP at market prices (2005 US$) [b]	2.3	-0.9	0.2	-3.0	0.1	0.9	1.0
Current account bal/GDP (%)	-3.3	-14.4	-12.8	-10.1	-4.7	-2.9	-1.4
Indonesia							
GDP at market prices (2005 US$) [b]	2.7	6.3	6.0	4.5	5.9	6.2	6.5
Current account bal/GDP (%)	1.5	2.4	0.0	2.0	2.6	-0.1	2.3
Lao PDR							
GDP at market prices (2005 US$) [b]	6.2	7.6	7.3	6.4	7.7	7.5	7.5
Current account bal/GDP (%)	-7.7	3.3	2.1	-0.3	-0.9	0.0	-0.1
Malaysia							
GDP at market prices (2005 US$) [b]	4.8	6.5	4.7	-1.7	7.4	4.8	5.7
Current account bal/GDP (%)	6.5	16.0	17.2	16.8	14.7	17.8	13.3
Mongolia							
GDP at market prices (2005 US$) [b]	5.2	10.2	8.9	-1.6	8.5	7.0	6.0
Current account bal/GDP (%)	-3.4	6.7	-14.0	-9.8	-13.9	-22.9	-18.0
Papua New Guinea							
GDP at market prices (2005 US$) [b]	0.7	7.2	6.7	5.5	7.5	5.5	5.0
Current account bal/GDP (%)	3.3	0.9	9.1	9.1	-16.1	-18.5	-16.1
Philippines							
GDP at market prices (2005 US$) [b]	4.2	7.0	3.5	1.1	6.8	5.0	5.4
Current account bal/GDP (%)	-1.4	4.9	2.2	5.5	5.3	4.5	3.5
Thailand							
GDP at market prices (2005 US$) [b]	2.7	4.9	2.5	-2.3	7.5	3.2	4.2
Current account bal/GDP (%)	1.9	6.3	0.8	8.3	6.0	4.3	4.9
Vanuatu							
GDP at market prices (2005 US$) [b]	2.3	6.7	6.3	3.6	4.5	5.5	5.5
Current account bal/GDP (%)	-8.9	-9.9	-8.2	-4.6	-3.9	-4.2	-3.6
Vietnam							
GDP at market prices (2005 US$) [b]	7.2	8.5	6.2	5.3	6.7	6.5	7.0
Current account bal/GDP (%)	-2.5	-20.1	-12.3	-8.7	-15.5	-12.5	-11.6

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.
American Samoa; Kiribati; Korea, Democratic People's Republic; Marshall Islands; Micronesia, Federate States; Mongolia: Myanmar; N. Mariana Islands; Palau; Solomon Islands; Timor-Leste; and Tonga are not forecast owing to data limitations.
a. Growth rates over intervals are compound average; growth contributions, ratios and the GDP deflator are averages.
b. GDP measured in constant 2005 U.S. dollars.
c. Estimate.
d. Forecast.

Source: World Bank

China and other manufactures exporters at risk, as key export markets adjust to a environment of more moderate growth. High -double-digit export volume performance is unlikely to characterize the coming two years.

- A challenge for all policymakers is to achieve a balance in stance required to (i) begin the fundamental shift of easing stimulus efforts while planning for further medium term budgetary consolidation; at the same time (ii) financial markets (and in some cases earlier domestic overheating) are generating contingencies for potential short term asset-price bubbles, emerging inflation pressures, exchange rate appreciation—and in the medium term a loss of export competitiveness.

- Food price increases underway have—as of December 2010—not exceeded their real values during the food/fuel crisis of 2008. Still, as international investors continue to explore new avenues for higher returns, commodities may become an attractive alternative to financial instruments and staple foods could be bid up further. Terms of trade would be adversely affected for a number of countries in the region (see Main text). The pickup of inflation in China is tied in large part to higher food prices; and for a number of countries import bills would escalate substantially.

Notes:

1. See "China Quarterly Update". November, 2010. Beijing Office. World Bank.

2. See "Robust Recovery, Rising Risks". East Asia and Pacific Economic Update, 2010, Volume 2. October, 2010. World Bank. East Asia and Pacific Region.

3. See East Asia and Pacific Economic Outlook, October 2010, for a complete coverage of all EAP country developments and prospects.

4. For the high-income NIEs (Hong Kong SAR, China, Singapore, and Taiwan, China) the shift was greater, rising from 22.5 percent to 25 percent.

5. Countries covered in the summary of aggregate East Asian capital flows include: Cambodia, China, Fiji, Indonesia, Lao PDR, Malaysia, Mongolia, Burma (Myanmar), Papua New Guinea, Philippines, Samoa, Thailand, Tonga, Vanuatu and Vietnam. Of course, part of these flows are intra-regional.

6. 'World Tourism Barometer', Update, August 2010. United Nations World Tourism Organization, Madrid. 2010.

7. Though Malaysia has attracted more tourists than has Thailand, structurally this is a very different story. Half of all arrivals in Malaysia are from Singapore alone (70% if adding Thailand and Indonesia). According to Malaysian authorities, many Singaporeans visit Malaysia on a daily basis to buy less expensive basic items. Though this boosts retail sales, the multiplier effects of tourism are smaller for Malaysia than might otherwise be the case.

8. Migrant remittances are defined as the sum of workers' remittances, compensation of employees, and migrants' transfers. Workers' remittances, as defined by the International Monetary Fund (IMF) in the Balance of Payments Manual, 6th edition (IMF 2010a), are current private transfers from migrant workers who are considered residents of the host country to recipients in the workers' country of origin.4 If the migrants live in the host country for one year or longer, they are considered residents, regardless of their immigration status. If the migrants have lived in the host country for less than one year, their entire income in the host country should be classified as compensation of employees.