

**EAST ASIAN ECONOMIES STILL BUOYANT AMID FALTERING GLOBAL ECONOMY, SAYS WORLD BANK'S SIX-MONTHLY REVIEW**

**Tokyo, 1 April, 2008**---Growth in developing East Asia will decline by around one to two percentage points to around 8.5% in 2008 as a result of the unfolding financial turmoil in the US and the resulting global slowdown, says the World Bank's latest six-monthly review of the East Asia and Pacific region's economies.

But despite the likely drop from recent double-digit levels, overall growth remains healthy across the region and most countries are well positioned to navigate the global slowdown because of the investments they've made in the last 10 years in structural reforms and putting sound macroeconomic policies in place, the report says.

In fact, according to the latest *East Asia & Pacific Update\**, East Asia and especially China have increasingly become a "growth pole" in the world economy – acting as a counterweight to the slowing industrial economies.

The report finds that most East Asian countries continued to see strong rates of economic activity through 2007 and into early 2008, despite falling US import growth, and rising volatility in global financial markets.

China, which is expected to drop from its 11.4 percent growth rate in 2007 to 9.4 percent in 2008, continues to perform strongly because of rising domestic investment and consumption growth. Stronger remittance flows to the Philippines supported robust consumption growth while in Indonesia, growth accelerated to a 10-year high of 6.3 percent mainly because of booming private investment and consumption. Even in Thailand, which saw private consumption and investment weaken because of unsettled political conditions, growth still came in at a respectable 4.8 percent.

Part of the reason for the continuing buoyancy is that East Asian exporters have benefited in recent times from trade both within the region and beyond to markets other than the US. The

**Table 1. East Asia Economic Growth**

	2006	2007	2008	2009
Emerging East Asia	8.4	8.7	7.3	7.4
Develop. E. Asia	9.8	10.2	8.6	8.5
S.E. Asia	5.5	6.1	5.6	6.0
Indonesia	5.5	6.3	6.0	6.4
Malaysia	5.9	6.3	5.5	5.9
Philippines	5.4	7.3	5.9	6.1
Thailand	5.1	4.8	5.0	5.4
Transition Econ.				
China	11.1	11.4	9.4	9.2
Vietnam	8.2	8.5	8.0	8.5
Small Economies	7.2	6.6	6.4	6.1
Newly Ind. Econ.	5.6	5.6	4.6	5.0
Korea	5.0	4.9	4.6	5.0
3 other NIEs	6.1	6.2	4.6	5.0
Japan	2.2	2.1	1.5	2.0

*World Bank East Asia Region; March 2008 Consensus Forecasts for NIEs.*

region has recorded export growth at levels as high as 17 per cent to developing country markets outside East Asia.

“Domestic demand is now playing a much bigger role in driving growth in the East Asia region,” **says Vikram Nehru, the World Bank’s chief economist for the East Asia & Pacific.** “East Asia has also been able to diversify its export markets so, even though there is a significant decline in demand from the United States, East Asia has been able to compensate by exporting larger amounts to Europe and to other developing countries.”

But the report warns that the real challenge for governments of the region is the inflationary effect of mounting food and fuel prices especially because of the harsh burden this imposes on the poor.

“While the sub-prime crisis will have its impacts – possibly on some countries more than others – the more immediate concern is that in virtually every East Asian country, inflation is climbing to uncomfortable levels,” **said Jim Adams, Vice President of the World Bank’s East Asia & Pacific region.** “We are already seeing real incomes of poor people living in rural and urban areas decline substantially as a result of higher food prices.”

In Thailand, the challenge this year is to sustain the strong export growth and strengthen domestic demand. The slowdown of the global economy could make it difficult for Thai exports to repeat the robust performance of 2006 and 2007, while higher inflation could dampen domestic consumption” **said Kirida Bhaopichitr, the Bank’s Country Economist in Bangkok.** While short-term measures are in place to mitigate the risks this year, long-term policies to promote greater productivity and competitiveness are also needed, she added. This is to ensure that Thailand will be able to maintain strong growth in the face of intensifying global competition.

In its latest **Thailand Economic Monitor**, the World Bank also increased its forecast for Thailand’s 2008 GDP growth to 5% from the previous 4.6%, citing the expected recovery in domestic demand and the Thai Government’s short-term economic stimulus measures as the main factors. However, the Bank also warns that there are significant risks that this growth might not be achieved, particularly because of the uncertain global environment and the rise in food as well as energy prices.

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- The *East Asia and Pacific Update* is the World Bank's comprehensive review of the region's economies. It is published twice yearly and is available for free on our website at <http://www.worldbank.org/eapupdate>.
- **Thailand Economic Monitor** is the comprehensive bi-annual review of the Thai economy by the World Bank. It is available for download at <http://www.worldbank.or.th>.