

Recent developments: Growth in the **East Asia and Pacific** region slowed to an estimated 6.4 percent in 2015 from 6.8 percent the previous year, because of continued growth deceleration in China and in commodity exporters, including Indonesia and Malaysia. Despite the slowdown in commodity exporters, growth in the region excluding China was broadly flat (4.6 percent in 2015), thanks to strong performance in commodity importers, especially in Vietnam and the Philippines, and a moderate recovery in Thailand.

In China, the largest economy of the area, policies aimed at rebalancing growth and reducing debt in some sectors of the economy contributed to an easing of growth to 6.9 percent in 2015 from 7.3 percent in 2014. The slowdown was especially pronounced in the real estate and manufacturing sectors, while activity in the services sectors held up well. This was accompanied by episodes of financial market volatility and a steep stock market correction over the summer.

Despite accommodative monetary policy in advanced economies, external financing conditions tightened in EAP countries in 2015, particularly for commodity exporters and countries with significant financing needs.

Outlook: Growth in the East Asia and Pacific region is projected to slow to 6.3 percent in 2016, with China's expansion expected to ease to 6.7 percent. The region excluding China is anticipated to see growth accelerate modestly in 2016 to 4.8 percent.

Slowing growth in China is expected to offset a modest pickup in growth among members of the Association of Southeast Asian Nations (ASEAN) this year. The region is expected to benefit from the strengthening recovery in advanced economies, low energy prices, improved political stability, and continued favorable conditions in global financial markets, despite anticipated monetary policy tightening in the United States.

Growth in Indonesia is projected to pick up to 5.3 percent in 2016 from 4.7 percent, provided reforms are implemented to encourage investment and boost productivity. Growth in Malaysia could slow to 4.5 percent in 2016 from 4.7 percent on slowing domestic demand. Growth in Thailand is expected to slow to 2 percent in 2016 from 2.5 percent in 2015 as high household debt holds back consumption and export growth is subdued.

Growth in the Philippines is expected to accelerate to 6.4 percent in 2016 from 5.8 percent in 2015 as public-private partnerships and government spending spur activity. Vietnam is projected to grow at a faster 6.6 percent from 6.5 percent in 2015 due to rapid investment growth, consumption growth, and export growth.

Risks: Risks to the outlook include a faster-than-expected slowdown in China. The possibility of greater financial market volatility and restricted credit are also risks to growth. A steep appreciation of the value of the U.S. dollar and a slower-than-expected acceleration of high income economies would also dent growth prospects in the region.

For policy makers in China, a key short-term challenge is to rebalance the economy towards a more consumption- and services-based growth model while limiting financial vulnerabilities. Countries that are heavily reliant on trade with China may need to diversify their economies.

Some countries in the region, such as Mongolia, Papua New Guinea, and Vietnam, will need to deal with high budget deficits. Countries such as Indonesia, Malaysia, and Mongolia would benefit from lesser reliance on commodity-related revenues. State-owned enterprise reforms, including measures to strengthen transparency and governance, would reduce contingent fiscal risks in China, Thailand and Vietnam. Deepening regional trade and investment would boost economic activity and create jobs. The Trans-Pacific Partnership trade accord, if implemented, would lift trade and growth in the region.

East Asia and Pacific forec:

(annual percent change unless indicated otherwise)

	2013	2014	Est. 2015	Forecast 2016	2017	2018
GDP at market prices (2010 US\$)						
Cambodia	7.4	7.0	6.9	6.9	6.8	6.8
China	7.7	7.3	6.9	6.7	6.5	6.5
Fiji	4.6	4.3	4.0	3.5	3.1	3.0
Indonesia	5.6	5.0	4.7	5.3	5.5	5.5
Lao PDR	8.5	7.5	6.4	7.0	6.9	6.9
Malaysia	4.7	6.0	4.7	4.5	4.5	5.0
Mongolia	11.7	7.8	2.3	0.8	3.0	6.4
Myanmar	8.5	8.5	6.5	7.8	8.5	8.5
Papua New Guinea	5.5	8.5	8.7	3.3	4.0	3.8
Philippines	7.1	6.1	5.8	6.4	6.2	6.2
Solomon Islands	3.0	1.5	3.3	3.0	3.5	3.4
Thailand	2.8	0.9	2.5	2.0	2.4	2.7
Timor-Leste	2.8	7.0	6.8	6.9	7.0	7.0
Vietnam	5.4	6.0	6.5	6.6	6.3	6.0

Source: World Bank.

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