EAST ASIA and PACIFIC

Regional growth is expected to ease further to 6.7 percent in 2015 and remain flat thereafter. This reflects a continued slowdown in China that is offset by a pickup in the rest of the region. As a net hydrocarbon importer, the region is expected to benefit from low fuel prices. In 2015, headwinds from tighter fiscal policy (Malaysia, Vietnam) and macroprudential regulation (China, Malaysia, and Thailand) are expected to be largely offset by gradual recovery of investment and manufacturing exports associated with a global recovery and continued low financing cost. Softer commodity prices have affected commodity exporting countries like the Lao People's Democratic Republic and Indornesia. Risks to this outlook remain tilted to the downside. Policy makers, especially in economies with a high share of U.S. dollar-denominated debt, will find it increasingly challenging to balance the needs of supporting growth and preserving export competitiveness against maintaining financial stability amidst an appreciating U.S. dollar and prospects of rising U.S. interest rates.

Recent Developments

Growth in the East Asia and Pacific (EAP) region slowed, as expected, by 0.2 percentage points to 6.9 percent in 2014 (Figure 2.1 and Table 2.1). Fiscal and macroprudential policy tightening in the major regional economies, political problems in Thailand, monetary tightening and election-related uncertainty in Indonesia, and budget execution bottlenecks in the Philippines (World Bank 2015a) contributed to weaker economic activity. Investment continued to ease from the credit-fueled high rates of the post-crisis years. The main offset to these negatives came from consumption, on the back of tight labor markets and accommodative monetary policies. Rising exports to recovering high-income countries, especially to the United States, are providing additional support.

In China—where policy measures guided a gradual decline of growth to 7.4 percent in 2014—economic activity continues to slow in 2015, although continued policy easing has moderated the deceleration. Investment remains constrained by overcapacity in heavy industries, an on-going decline in the housing sector, and regulatory tightening of non-traditional lending. Data on industrial prices, imports (particularly of commodities), and lead indicators of manufacturing activity point to further weakness. The size of stimulus programs to support activity has gradually declined. Policy support has become more cautious and increasingly implemented by conventional tools—monetary policy easing, through targeted cuts in required reserve ratios and in policy rates, and fiscal support for infrastructure projects. Low fuel prices and stronger global demand provided a boost, offsetting some of the weakness in investment. The on-going shift from industry to services (including private services) continues to support dynamic job creation and robust consumption growth.[1] While low oil prices have reduced inflation, core inflation remained stable in the first quarter of 2015, reflecting robust private consumption and policy easing.

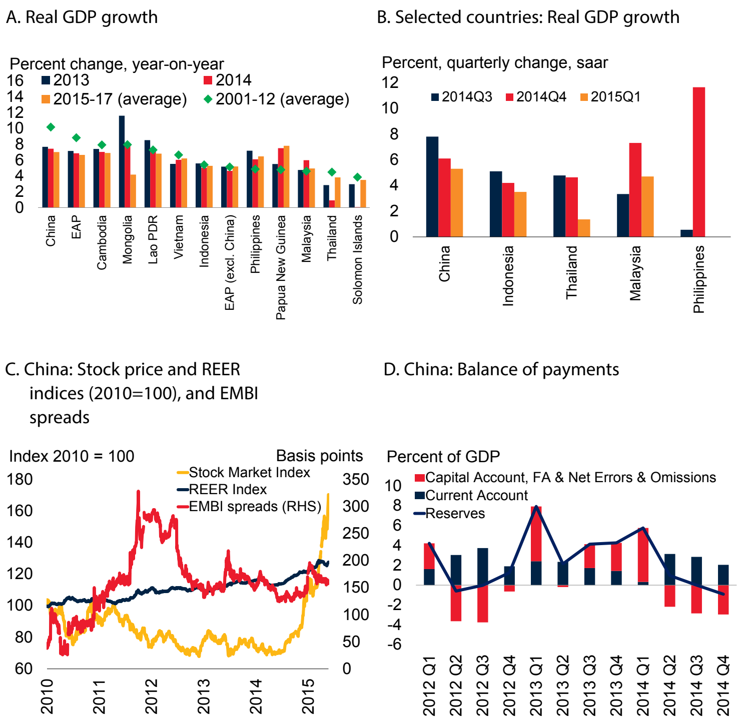
China's current account surplus remains at around 1.8 percent of GDP, helped by a sustained improvement in terms of trade. However, net capital inflows have reversed. Since the second quarter of 2014, portfolio and other capital outflows have increased sharply and were only partially offset by record high FDI inflows into the services sector. Capital out-

The main author of this section is Ekaterine Vashakmadze.

[1]From 2007 through 2012, private enterprises and household businesses added a total of 41.5 million jobs in the services sector, more than four times the jobs that state-owned firms added during this period (Rutkowski 2015).

FIGURE 2.1 East Asia and Pacific: Regional growth and performance in China

Growth in East Asia and Pacific region slowed by a modest 0.2 percentage points to 6.9 percent in 2014, as expected, largely because on a continued slowdown in China. China's growth decelerated further in the first quarter of 2015. Beyond China, growth in the first quarter of 2015 slowed in Indonesia, Malaysia, and Thailand reflecting continued adjustment to lower commodity prices, weak external demand, and still weak confidence in Thailand.



Sources: World Bank, Haver, CEIC, IMF IFS, J.P. Morgan, Bloomberg.
C. J.P. Morgan Emerging Market Bond Index global sovereign spreads.

flows have been driven by changing domestic and external conditions. These include:

(i) a move toward two-way exchange-rate fluctuations and receding expectations of persistent renminbi appreciation;[2]

(ii) a narrowing interest rate differential to the United States as a result of domestic policy easing and expectations of policy tightening by the Fed, and greater volatility in cross-border flows;

(iii) improved global growth prospects, in contrast to weakening growth and a housing price correction in China; and possibly

(iv) capital flight related to the ongoing anti-graft campaign.

Foreign-currency reserves declined by an estimated US$263 billion (7 percent of total) between June 2014 and March 2015. This was largely driven by valuation effects (about 2/3 of the decline).[3] Notwithstanding this decline, China's foreign exchange reserves remain solid (about 38 percent of GDP and 24 times monthly imports). The renminbi depreciated sharply in mid-March against the U.S. dollar, after several months of steady appreciation. This signaled the PBC's intention to deter speculators who had been betting on one-way appreciation of the Chinese currency. Nevertheless, in real effective terms, the renminbi has appreciated by around 6 percent since end-2014, and by 27.4 percent since 2010.

Despite the slowdown in China, economic activity elsewhere in the region accelerated sharply in the last quarter of 2014, partly helped by lower fuel prices and more accommodative policies**.** For 2014 as a whole, growth was 4.7 percent, in line with the Global Economic Prospects (GEP) projection in January 2015, but nevertheless lower than in 2013 (5.2 percent). Domestic demand, especially consumption, remains the main driver of regional growth. Lower fuel prices, dynamic capital and labor markets, robust inflows of remittances and capital, and accommodative monetary policies boosted growth. Implementation of large public projects provided additional support to growth in Malaysia and the Philippines in the last quarter of 2014 (World Bank 2015b), but investment in general remains much weaker than in earlier periods.

Low oil prices, tighter macrofinancial policies, and stronger exports, have contributed to improving current account balances, except in commodity-exporting countries (Figure 2.2). Current account surpluses continue to widen, especially in the Philippines and Thailand. In contrast, earlier large surpluses have unwound in fuel-exporting Malaysia. In Indonesia, the current account remains in deficit as the economy adjusts to a 40 percent drop in the prices of key export commodities from their 2011 peaks (World Bank 2015c). In Indonesia, and Mongolia, external financing requirements remain elevated as a result of

[2]Corporations are increasingly holding on to their foreign currency proceeds (both onshore and offshore) and hedging their foreign currency exposures.

[3]Related to the weakening of non-US$ currencies (including euro and yen depreciation, which account for about 40 percent of China's foreign exchange reserves) (Miner 2015).

persistent fiscal and sizeable current account deficits.[4] However, reserve coverage of imports and short-term debt remains solid in most countries in the region.

Headline inflation (core inflation plus food and energy costs) has dropped to very low levels in several countries (Malaysia and Thailand, Figure 2.3). However, there is little risk of deflation, except perhaps in Thailand where the core and headline rates are well below the official target rate. In contrast to other countries in the region, the high rate of inflation in Indonesia remains a challenge for policymakers.

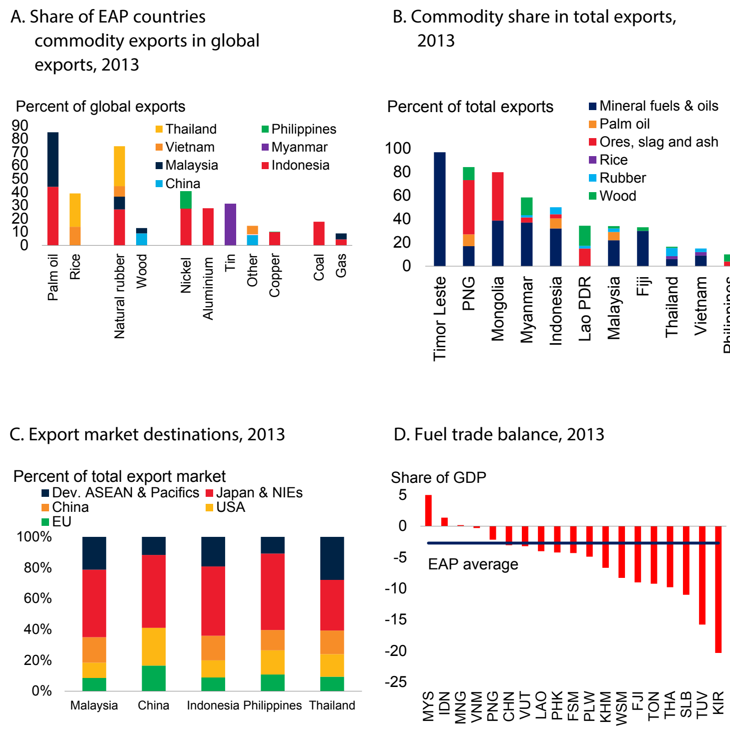
The majority of regional currencies depreciated against the U.S. dollar, but appreciated against the euro and yen and in real effective terms, affecting export competitiveness. Those countries with external debt above 50 percent of GDP and deteriorating terms of trade (Malaysia, Mongolia, and Papua New Guinea) saw their currencies depreciate strongly over the past 18 months.[5] The strengthening U.S. dollar creates significant balance-sheet pressures for corporations with large dollar-denominated liabilities.

With the notable exception of Malaysia, capital flows to the region have rebounded in 2015, reflecting quantitative easing in the Euro Area, and lingering demand for higher-yielding, emerging markets debt.[6] Malaysia is at risk of further portfolio outflows due to a narrowing current account surplus because of declining fuel prices, sizable short-term bank external debt, and significant foreign holdings of local-currency denominated government debt.

Credit growth in the region appeared to recover, but the pace remains far below earlier elevated levels (Figure 2.4). Borrowing has slowed, reflecting tighter lending policy in Indonesia and stricter prudential measures in Malaysia. Domestic debt-to-GDP ratios (across all sectors) exceed pre-crisis levels in several countries, and are above 150 percent in China, Malaysia, and Thailand. The post-crisis debt build-up

FIGURE 2.2 Key exports

EAP countries are the world's largest producers of palm oil, rice and natural rubber and have significant global market shares in other commodities. Some are heavily dependent on exports of a few commodities. Except for Indonesia and Malaysia, all are net fuel importers. The largest trading partner is Japan, followed by China and the United States.



Sources: UN Comtrade, World Bank.
B. Includes coal and petroleum gases.
C. NIE are Newly Industrialized Economies. Dev. ASEAN (Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Thailand, Vietnam) and Pacifics (Fiji, PNG, East-Timor, other smaller Island States; here also includes Australia and New Zealand).
D. Includes hydrocarbons and coal. Excludes Timor-Leste, which has large positive fuel trade balance.

was particularly marked in the non-financial corporate sector and increasingly driven by bond financing—a shift away from more traditional bank borrowing. Although emerging and developing countries of the region have increasingly relied on domestic credit markets for finance, private external debt exceeds 30 percent of GDP in Lao PDR, Papua New Guinea, and Mongolia.[7]

Most countries made efforts to reduce fiscal deficits in 2014. Fiscal balances improved particularly in Malaysia (to 3.4 percent of GDP in 2014, from 6.7 percent in 2009), Lao PDR (to 4.3 percent of GDP in 2014, from 6 percent in 2013), and the Philippines. Despite reforms to rationalize fuel subsidies and raise fuel taxes, deficits continued to rise in Indonesia, largely because of weak revenue. In Mongolia and Vietnam, fiscal deficits remain elevated, whereas

[4]In Malaysia, external financing requirement is related to the short-term debt refinancing needs.

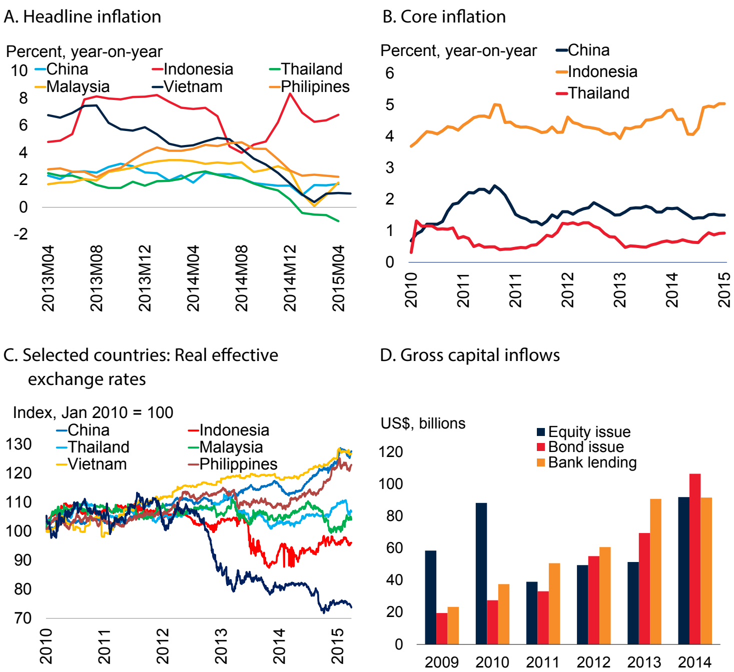
[5]External debt includes non-resident holdings of locally-denominated debt securities. In Malaysia total external debt, including non-resident holdings of local currency denominated debt was estimated at 69.6 percent of GDP at end-2014, while debt to GDP ratio excluding non-resident holdings stood at 34.3 percent of GDP.

[6]Quantitative easing in Japan has significantly less impact on cross-border capital flows due to its inward orientated nature.

[7] In Mongolia, a sizeable share of external debt represents intra-company debt.

FIGURE 2.3 Inflation and real exchange rates

Lower oil prices have reduced headline inflation but core inflation has remained stable and, in Indonesia, elevated. In real trade-weighted terms, most currencies have appreciated against the U.S. dollar, while strong capital inflows into the region.



Sources: Haver, IMF IFS, BIS, World Bank WDI, Dealogic.
B. Excludes food and energy prices.
C. CPI-deflated real effective exchange rates. An increase denotes an appreciation.

Cambodia and Lao PDR are making progress toward debt reduction, despite declining donor grants. In Pacific Island countries, fiscal positions generally improved, reflecting strong revenues from taxes on tourism and from donor grants. Across the region, tax revenue collection remains relatively low. Government spending in several countries (especially Indonesia and Malaysia) have tended to be correlated with commodity-related exports (Figure 2.5) reflecting also the earlier relatively large fuel subsidies.

Outlook

Regional growth is expected to ease to 6.7 percent in 2015 and remain stable thereafter. The continued slowdown in China should be gradually offset by a pickup in the rest of the region, which is benefiting from the strengthening recovery in advanced countries, low energy prices, improved political stability, and ample liquidity in global financial markets despite an expected gradual tightening in the United States. EAP countries will mostly benefit from low fuel prices, but the impact will vary across countries, reflecting the magnitude of net fuel imports, energy intensity of production, and the share of oil and gas in energy consumption.

In China, growth is projected to moderate to 7.1 percent in 2015 and 6.9 percent in 2017, reflecting policy efforts to achieve a more sustainable growth path. Continuing measures to contain local government debt, curb shadow banking, and tackle excess capacity may reduce investment and industrial output. Measures aimed at curbing energy consumption and reducing pollution may have the same effect. Low oil prices will soften the impact of these reforms, and targeted policy measures are expected to be applied as needed to ensure a gradual slowdown.

In the region excluding China, the forecast is for growth to reach 4.9 percent in 2015 and 5.4 percent in 2017, driven by the large ASEAN economies (Table 2.2).

- In Indonesia, which continues to adjust to lower commodity prices, growth will moderate further to 4.7 percent in 2015 before picking up to 5.5 percent in 2016-17, supported by a recovery of investment and stronger exports.
- In Thailand, real GDP growth is projected at 3.5 percent in 2015, with exports picking up slightly. However, domestic demand will remain weak, despite increased social stability. Growth is expected to strengthen in 2016-17 to 4 percent, as commodity prices remain low and the recovery in high-income economies strengthens.
- In Malaysia, growth will likely slow to 4.7 percent in 2015, as low oil prices dampen investment in the oil and gas sector and credit growth continues to slow. In addition, private consumption will moderate as a result of the introduction of the Goods and Services Tax (GST, a value-added tax) in April 2015 (World Bank 2015d). Capital expenditures in the oil and gas sector, a key driver of strong investment growth in the past three years, will be delayed by lower oil prices. An acceleration in growth to 5 percent is expected in 2016-17, as some normalization occurs.
- In Vietnam, GDP growth is forecast at 6 percent in 2015, rising gradually to 6.5 percent in 2017 on the back of continued strong performance of the manufacturing sector, exports, and foreign investment.

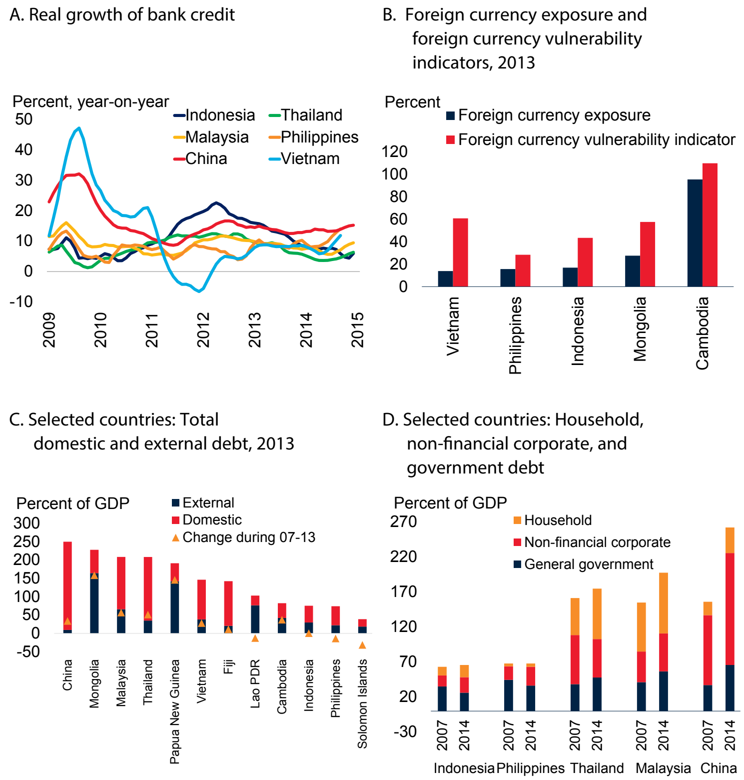
- Growth in the Philippines is projected to remain strong, benefitting from a recovery in Japan and from low fuel prices.

Growth will decelerate in several smaller economies due to low oil prices and measures to unwind financial vulnerabilities. In Mongolia, weak world prices for copper and coal will reduce mining production. In Cambodia, growth will remain slightly below 7 percent in 2015–17, reflecting weaker prices for agricultural commodities and slower improvements in crop yields, constrained garment exports amid real currency appreciation and competition from new entrants, and concerns whether the recent rapid growth in tourism will continue. In Lao PDR, growth will ease to 6.4 percent in 2015 due to lower public spending and efforts to reduce credit growth, and recover to 7 percent over the medium term, led by electricity exports, with mining production remaining flat.

Growth in the smaller Pacific Island countries will be supported by rising trade, tourism, and remittances, and generally positive country-specific developments. In Papua New Guinea, however, growth will decline sharply after a temporary 16 percent spike in 2015. The economic gains from liquefied natural gas (LNG) exports, which began in May 2014 and increased rapidly, will more than offset the completion of LNG-related construction work. In Timor-Leste, government spending is expected to help non-oil growth to gradually strengthen to 7 percent by 2017, while low prices dampen oil output.

FIGURE 2.4 Debt

Despite a recent slowdown, debt remains significantly above 2007 levels and in China, Malaysia, and Thailand more than 150 percent of GDP. A modest share of non-financial corporate and household debt is denominated in U.S. dollars.



Sources: Moody's Statistical Handbook. Haver, IMF IFS, BIS, World Bank WDI, Debt database, McKinsey.
B. Foreign currency exposure is measured as total foreign currency deposits in the domestic banking system/ total deposits in the domestic banking system. Foreign currency vulnerability indicator is defined as (total foreign currency deposits in the domestic banking system)/(official foreign exchange reserves + foreign assets of domestic banks).
C. Includes both public and private-sector debt. Includes local currency denominated debt held by foreigners (large part of external debt in Malaysia). Ratios for Malaysia will improve with the rebased GDP. In Mongolia, a large share of external debt represents intra-company debt.

Risks

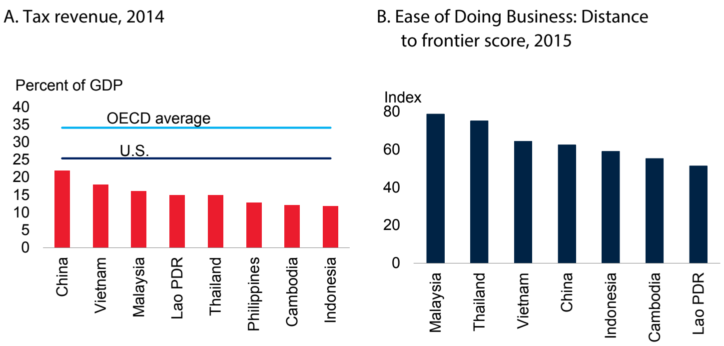
Risks, both external and internal to the region, remain tilted to the downside, but less so than in January. Although the probability is low, the risk of a hard landing in China remains. Since the region's economies are very open, they are vulnerable to trading partner slowdowns and large exchange rate shifts, including further U.S. dollar appreciation. Low fuel prices, if sustained, present an upside risk for the regional outlook.

Financial market volatility or sharply tightening financing conditions pose significant risk to the outlook. This may take the form of asynchronous monetary policy tightening in major economies, or geopolitical risks. Abrupt increases in bond yields and exchange rate volatility could result, as investors reassess growth prospects and policies. Debt stands at high levels in several countries. Although it remains predominantly local currency-denominated, corporations have borrowed large amounts in foreign currencies. High debt stocks expose countries to risks from rising borrowing costs, or credit shut-offs.[8] Exchange rate adjustments may cause balance sheet strains in some countries. The combination of high debt levels and currency mismatches creates

[8] Debt levels in China, Malaysia, and Thailand are now at the level of some advanced economies (averaging 280 percent of GDP, compared with 121 percent for developing countries). Credit is vital for economic activity and high levels of debt in the EAP region largely reflect financial deepening and better demographic and growth prospects than in other developing regions. However, policies should remain focused on maintaining prudent frameworks and financial stability objectives given a very rapid build-up of debt in the region and the previous boom-bust episodes.

FIGURE 2.5 Policy issues

Across the region, tax revenue collection remains low by advanced country standards, and dependence on commodity/fuel related exports cause procyclical fiscal pressures in several countries (e.g. Indonesia, Malaysia).



Source: WDI. OECD. IMF, Fiscal Monitor, WEO. World Bank. Doing Business indicators.
B. The distance to frontier score aids in assessing the absolute level of regulatory performance and how it improves over time. This measure shows the distance of each economy to the "frontier," which represents the best performance observed on each of the indicators across all economies in the Doing Business sample since 2005. This allows users both to see the gap between a particular economy's performance and the best performance at any point in time and to assess the absolute change in the economy's regulatory environment over time as measured by Doing Business. An economy's distance to frontier is reflected on a scale from 0 to 100, where 0 represents the lowest performance and 100 represents the frontier. For example, a score of 75 in DB 2014 means an economy was 25 percentage points away from the frontier constructed from the best performances across all economies and across time. A score of 80 in DB 2015 would indicate the economy is improving. In this way the distance to frontier measure complements the annual ease of doing business ranking, which compares economies with one another at a point in time.

systemic risk and the possibility of sharp increases in country risk premiums.

A weaker-than-expected recovery in high-income countries, especially in the United States, the Euro Area, Japan, and the Newly Industrialized Economies would weaken global and regional trade and impair the region's exports. High-income country exports account for about 60 percent (Thailand) to 90 percent of the region's exports.

A sharp slowdown in China, while unlikely, would have spillover effects on regional trading partners and commodity exporters. A hard landing could originate from:

- a steep decline in property prices that forces developers and banks to deleverage quickly and investment in real estate to contract sharply;
- a sharp slowdown in infrastructure investment following the implementation of the local government debt framework;
- bankruptcies in primary and heavy industries (now suffering from overcapacity); or
- a decline in shadow banking activity that causes a sharp cutback in credit availability.

Finally, as the surge in China's stock market continues, the financial and economic consequences from a possible correction will increase. Should it materialize, a sharp slowdown in China could usher in a prolonged period of slow growth as the economy heals, and would have regional and global spillovers (World Bank, 2014a). A one-time 1 percentage point decrease in China's growth relative to the baseline (a 2 percentage point decrease in investment growth) would reduce growth in the region by approximately 0.2 percentage points (World Bank, 2014a). The impact would vary across countries, with commodity exporters with less diversified economies and regional supply chain economies affected the most (Ahuja and Nabar, 2012). Nevertheless, China is in a strong fiscal position with policy buffers that appear adequate to contain risk related to financial sector distress.

Policy Challenges

In China, the key policy challenge is to put growth on a sustainable path, while improving financial stability. The authorities have initiated several programs to implement the comprehensive structural reform agenda announced in November 2013 (World Bank, 2014a). The objective is to increase the role of markets and to facilitate resource reallocation to sectors with high returns. The key policy challenge is to shift growth towards more sustainable sources in the medium-term, while avoiding a sharp slowdown, or financial distress, in the short-term. A couple of areas stand out as candidates for early action:

- fiscal reforms to place local government finances on a more solid footing and facilitate a shift from investment to consumption; and
- financial sector reforms to improve resource allocation, strengthen market discipline, and contain a further buildup of financial sector vulnerabilities.

Next in line would be reform of state-owned enterprises, land ownership, and labor markets. Such changes would help maintain growth and lift employment (World Bank and Development Research Center of the State Council, the People's Republic of China, 2014).

The authorities have made some progress in implementing their comprehensive reform agenda. Increasingly, the business tax is being replaced with value-added taxation (e.g. in railways from January 2014; in telecommunications from June 2014), environmental taxes have been increased, and the introduction of a reformed national property tax is planned (Lam and Wingende 2015). A revised budget law and new rules on local borrowing were introduced to swap local government debt into lower-cost government bonds. Pilot property tax systems have been rolled out in a few cities. The deposit rate ceiling was raised and deposit insurance (a prerequisite for further interest rate liberalization) was introduced on May 1, 2015. The exchange rate band was widened from 1 to 2 percent, and the Shanghai-Hong Kong Stock Connect program is promoting some international capital flows. Specifics of gradual reforms to the hukou system were announced, including the granting of some social benefits to some 100 million migrant workers over the next seven years and a relaxation of residency requirements in smaller towns.[9] A pilot program was started under which farmers can turn their land-use rights into shares in farming enterprises or cooperative societies. This pilot is part of a series of reforms to privatize the land rights to protect farmers' interests. The process of documenting farmers' land use rights has been initiated. China accelerated administative reform, including by streamlining and centralizing preconstruction approvals, and simplifying court proceedings to facilitate contract enforcement.

Falling world fuel prices create an opportunity to eliminate fuel subsidies, which have strained public finances and weakened current accounts in both fuel exporters and importers. Energy taxes should also be reformed for the same purposes. Recent steps to reduce such distortions have gathered momentum, which now needs to be sustained. Broadening the revenue base and improving the effectiveness of public spending remains a priority across much of the region. In most large economies, expenditures could be rationalized to focus on effective productivity-enhancing or poverty-reducing programs. Some countries have no option but to consolidate to control a buildup of debt (Mongolia, Lao PDR, Vietnam) or safeguard fiscal buffers (Myanmar). The Pacific Island countries face significant medium-term fiscal sustainability challenges.

Monetary and exchange rate policies have to adjust to soft commodity prices and to the likelihood of somewhat tighter global financial conditions (Indonesia, Mongolia, Papua New Guinea). Strong regulation and supervision to protect financial stability may also require proactive use of macroprudential policies to moderate the effects of the financial cycle on asset prices, credit, and aggregate demand (IMF 2015a). In Malaysia, the GST, introduced in April, will broaden the base of federal revenues and diversify it away from volatile oil and gas revenues. The vast majority of the budget subsidies have been eliminated. Policies should focus on building the mechanisms to avoid re-introducing subsidies when oil prices go up. In Indonesia, moderate fiscal consolidation should be underpinned by a broadened tax base. In Thailand, fiscal support may be appropriate in the short-term to boost the economy. However, support measures should be framed within a medium-term fiscal plan to strengthen revenue, increase investment, and bolster fiscal institutions.

Across the region, structural reforms are required to mitigate the effects of slowing productivity growth, and aging populations. Development of human capital and physical infrastructure remains a key medium-term priority. In Thailand, for example, reforms to state enterprises, rice and rubber price-support schemes, infrastructure procurement, and tax administration and expenditures would improve transparency, investor confidence, and fiscal sustainability. For hydrocarbon producers like Indonesia and Malaysia, the decline in fuel prices underscores the need to enhance fiscal institutions to better manage volatile natural-resource rents. Furthermore, the accumulation of foreign assets during good times can prevent currencies from appreciating to the point that non-energy activities become non-competitive. Other measures to promote economic diversification include ensuring high-quality education, increasing the integration and depth of domestic financial markets, providing infrastructure to remove bottlenecks, and creating competition regimes that remove special privileges for established sectors or enterprises. Energy importers have an opportunity to enact efficiency-promoting changes. Finally, a more supportive trade and investment climate would expand the export base, stimulate job creation, and raise potential growth.

[9]A hukou is a record in the system of household registration required by law in China.

Increasing competitiveness in services through further regional integration will be necessary for ASEAN economies to sustain growth in the long run. Recognizing this, the ASEAN members have committed to liberalizing and integrating their services markets, in the context of the formation of the ASEAN Economic Community at end-2015. However, progress has been modest so far, and ASEAN remains among the most restrictive regions in the world with respect to trade in services. Correcting this will require a focus on promoting regulatory cooperation and coordination through harmonization or mutual recognition, together with the development of regulatory capacity (World Bank 2015b).

TABLE 2.1 East Asia and Pacific forecast summary

(Annual percent change unless indicated otherwise)

	00-10[a]	2011	2012	2013	2014e	2015f	2016f	2017f
GDP at market prices[b]	9.0	8.3	7.4	7.1	6.9	6.7	6.7	6.6
(Average including countries with full national accounts and balance of payments data only)[c]								
GDP at market prices[c]	9.0	8.3	7.4	7.1	6.9	6.7	6.7	6.6
GDP per capita (units in US$)	8.2	7.6	6.7	6.5	6.2	6.1	6.1	6.1
PPP GDP	8.8	8.1	7.3	7.0	6.7	6.6	6.6	6.5
Private consumption	6.7	9.1	7.7	6.7	6.8	7.4	7.6	7.6
Public consumption	8.4	8.9	8.3	7.9	6.5	7.4	7.5	7.4
Fixed investment	11.9	8.6	9.4	8.7	6.7	6.7	6.8	6.7
Exports, GNFS[d]	11.5	9.8	5.8	7.4	6.5	7.7	7.3	7.0
Imports, GNFS[d]	11.3	11.2	7.4	8.7	6.6	8.3	8.1	8.3
Net exports, contribution to growth	0.4	–0.1	–0.3	–0.2	0.1	0.0	–0.1	–0.3
Consumer prices (annual average)	2.6	5.6	2.8	3.0	2.6	...	...	...
Fiscal balance (percent of GDP)	–1.6	0.2	–0.3	–1.3	-2.3	-2.5	–2.5	–2.5
Memo items: GDP								
East Asia excluding China	5.1	4.8	6.3	5.2	4.7	4.9	5.4	5.4
China	10.5	9.3	7.7	7.7	7.4	7.1	7.0	6.9
Indonesia	5.3	6.2	6.0	5.6	5.0	4.7	5.5	5.5
Thailand	4.5	0.8	7.3	2.8	0.9	3.5	4.0	4.0

Source: World Bank.
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 differ at any given moment in time.
a. Growth rates over intervals are compound weighted averages; average growth contributions, ratios and deflators are calculated as simple averages of the annual weighted averages for the region.
b. GDP at market prices and expenditure components are measured in constant 2010 U.S. dollars.
c. Sub-region aggregate excludes Fiji, Myanmar and Timor-Leste, for which data limitations prevent the forecasting of GDP components or Balance of Payments details.
d. Exports and imports of goods and non-factor services (GNFS).

TABLE 2.2 East Asia and Pacific country forecasts

(Real GDP growth at market prices in percent, unless indicated otherwise)

	00-10[a]	2011	2012	2013	2014e	2015f	2016f	2017f
Cambodia	8.0	7.1	7.3	7.4	7.0	6.9	6.9	6.8
China	10.5	9.3	7.7	7.7	7.4	7.1	7.0	6.9
Fiji	1.6	2.7	1.7	4.6	3.8	2.5	2.4	2.6
Indonesia	5.3	6.2	6.0	5.6	5.0	4.7	5.5	5.5
Lao PDR	7.1	8.0	8.0	8.5	7.5	6.4	7.0	7.0
Malaysia	4.4	5.3	5.5	4.7	6.0	4.7	5.0	5.1
Mongolia	6.5	17.5	12.4	11.6	7.8	4.4	4.2	3.9
Myanmar	10.3	5.9	7.3	8.3	8.5	8.5	8.2	8.0
Philippines	4.8	3.7	6.8	7.2	6.1	6.5	6.5	6.3
Papua New Guinea[b]	3.5	10.7	8.1	5.5	7.5	16.0	5.0	2.4
Solomon Islands	2.9	10.7	4.9	3.0	0.1	3.5	3.5	3.5
Thailand	4.5	0.8	7.3	2.8	0.9	3.5	4.0	4.0
Timor-Leste[c]	4.3	14.7	7.8	5.4	6.6	6.8	6.9	7.0
Vietnam	6.8	6.2	5.2	5.5	6.0	6.0	6.2	6.5

Source: World Bank.
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.
Samoa; Tuvalu; Kiribati; Democratic People's Republic of Korea; Marshall Islands; Micronesia, Federated States; N. Mariana Islands; Palau; and Tonga are not forecast owing to data limitations.
a. GDP growth rates over intervals are compound average; current account balance shares are simple averages over the period.
b. The start of production at Papua New Guinea Liquefied Natural Gas (PNG-LNG) is expected to boost GDP growth to 16 percent and shift the current account to a surplus in 2015.
c. Non-oil GDP. Timor-Leste's total GDP, including the oil economy, is roughly four times the non-oil economy, and highly volatile, sensitive to changes in global oil prices and local production levels.