

Recent developments: Growth in East Asia and Pacific (EAP) rebounded to an estimated 7.1 percent in 2021, but the speed of recovery differed considerably among countries. In China, GDP expanded by an estimated 8 percent in 2021, led by manufacturing and exports. This was about 2 percentage points higher than the country's trend growth rate, but 0.5 percentage point less than projected in June—reflecting faster-than-expected withdrawal of macroeconomic support and regulatory tightening. Growth in the region excluding China also recovered in 2021, but by a modest 2.5 percent—1.5 percentage point slower than projected in June and about half the trend growth rate, reflecting the severe COVID-19 resurgence in mid-2021.

A series of significant disruptions caused by the pandemic resulted in weaker-than-expected growth in several large economies in 2021. The damage to activity from the lockdowns and extended border closures was especially evident in tourism-dependent economies where the projected recovery was insufficient to restore output to its pre-pandemic level in 2019. Activity was also disrupted in some cases by natural disasters, including the effects of severe cyclones (the Philippines, the South Pacific islands).

Following fiscal tightening and the imposition of property and financial market curbs in the first half of 2021, fiscal and monetary policies were eased in China in the second half of last year to stabilize activity. In the rest of the region, the recovery has gained momentum on stronger domestic activity, as social distancing measures eased and vaccination rollouts accelerated. Goods export growth softened as global growth and trade peaked amid persistent supply disruptions. Services trade remained subdued, reflecting remaining travel restrictions amid a resurgence of the pandemic. EAP countries, especially the ones reliant on inflows from Australia, New Zealand, and the United States (Fiji, the Solomon Islands, Tonga, the Philippines), have continued to benefit from resilient flow of remittances.

Outlook: Growth in EAP is projected to decelerate to 5.1 percent in 2022, reflecting a slowdown in China. Growth in China is forecast to slow to 5.1 percent in 2022, near estimates of potential growth, due to the lingering effects of the pandemic and tighter regulations on certain segments of the economy. In the region excluding China, growth is expected to accelerate to 5 percent as domestic demand and vaccination rates increase. The region is expected to face a steady decline in global demand, as growth in major economies moderate. International travel is projected to remain below pre-pandemic levels over the forecast horizon amid the lingering pandemic.

Indonesia's growth is expected to rebound to 5.2 percent in 2022, supported by stronger domestic demand and elevated commodity prices, and is expected to reach 5.1 percent in 2023. Thailand's economy is expected to recover gradually over the next two years, with growth picking up in 2022 and strengthening to 4.3 percent in 2023. Growth is projected to be 5.9 percent in the Philippines in 2022, supported by sustained public investment and recovering household consumption, and then moderate to 5.7 percent in 2023. Growth in Malaysia will rebound to 5.8 percent in 2022 as domestic demand improves amid high vaccination rates, but then ease to 4.5 percent in 2023 due to fading support from exports and tightening fiscal and monetary policies. A revival of activity because of better vaccination in Vietnam is expected to lead to a growth of 5.5 percent in 2022.

Tourism-dependent economies are not expected to recover to pre-pandemic levels until 2022 (Cambodia, Malaysia, the Philippines) or 2023 (Thailand). In countries facing significant fiscal consolidation needs, the recovery may extend beyond the forecast horizon (Fiji, Palau). Among the small Pacific Island countries, per capita incomes are expected to decline, and in many other countries in the region per capita income growth is projected to fall short of that in advanced economies.

Risks: Downside risks to the regional outlook predominate. The share of vaccinated people in many economies in the region is expected to surpass 70 percent by mid-2022, but the region is vulnerable to renewed outbreaks of COVID-19. Mobility restrictions in the context of pandemic resurgence, incomplete vaccinations, and inadequate testing especially in the face of the highly transmissible Omicron variant, may disrupt the recovery of the tourism and travel industry and weigh on consumer confidence. Financial risks

have risen with the growth of indebtedness. The economies of small islands are particularly vulnerable to disruptions from natural disasters and weather-related events.

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East Asia and Pacific Country Forecasts

(Annual percent change unless indicated otherwise)

	2019	2020	2021e	2022f	2023f
GDP at market prices (average 2010-19 US\$)					
Cambodia	7.1	-3.1	2.2	4.5	5.5
China	6.0	2.2	8.0	5.1	5.3
Fiji	-0.4	-15.7	-4.1	7.8	6.9
Indonesia	5.0	-2.1	3.7	5.2	5.1
Kiribati	3.9	-1.9	3.0	2.6	2.4
Lao PDR	5.5	0.5	2.2	4.5	4.8
Malaysia	4.4	-5.6	3.3	5.8	4.5
Marshall Islands	6.6	-2.2	-2.5	3.5	2.5
Micronesia, Fed. Sts.	1.2	-1.8	-3.2	1.0	3.0
Mongolia	5.5	-4.4	3.5	5.1	6.2
Myanmar^a	6.8	3.2	-18.0
Nauru	1.0	0.7	1.6	0.9	0.8
Palau	-1.8	-9.7	-16.0	12.0	14.0
Papua New Guinea	4.5	-3.5	1.0	4.0	3.0
Philippines	6.1	-9.6	5.3	5.9	5.7
Samoa	3.6	-2.7	-8.1	1.5	3.0
Solomon Islands	1.2	-4.3	2.0	4.5	4.4
Thailand	2.3	-6.1	1.0	3.9	4.3
Timor-Leste	1.8	-8.5	1.9	3.7	4.3
Tonga	0.7	0.7	-3.2	2.6	3.3
Tuvalu	13.9	1.0	2.5	3.5	3.8
Vanuatu	3.9	-6.8	1.2	3.0	4.1
Vietnam	7.0	2.9	2.6	5.5	6.5

Source: World Bank.

Note: e = estimate; f = forecast. 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.

a. Forecast for Myanmar beyond 2021 are excluded because of a high degree of uncertainty.