

World Bank maintains East Asia growth at 7.1%
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World Bank said today developing countries in East Asia will grow 7.1% in 2014 as they benefit from a stabilising global economy and withstand the impact of US stimulus cuts.

The estimate for gross domestic product (GDP) expansion remains unchanged from last year, making East Asia the world's fastest-growing region, the bank said in its East Asia and Pacific Economic Update report.

However, the 7.1% forecast growth rate for this year represents a slowdown from an average growth rate of 8.0% from 2009 to 2013.

Growth in regional powerhouse China will ease to 7.6% from 7.7% as it undergoes structural reforms.

Excluding China, the developing countries in the region will grow by 5.0%, down from 5.2% last year.

"East Asia Pacific has served as the world's main growth engine since the global financial crisis," said Axel van Trotsenburg, World Bank East Asia and Pacific regional vice president.

"Stronger global growth this year will help the region expand at a relatively steady pace while adjusting to tighter global financial conditions," he added in a statement.

The bank said the region's reaction to the US Federal Reserve's decision to begin scaling back its quantitative easing programme demonstrated how "flexible currencies will help East Asia deal with external shocks including potential capital-flow reversals".

"In addition, most countries have adequate reserves to cover temporary trade and external shocks," it said.

Despite a major sell-off in emerging markets earlier this year, Asia-Pacific economies have withstood the initial capital outflow risks resulting from the Fed's move.

"The tailwinds from improving global trade will offset the headwinds from the tightening of global financial markets," the report said.

Bert Hofman, the World Bank's East Asia and Pacific chief economist, said risks remain for the region.

"A slower-than-expected recovery in advanced economies, a rise in global interest rates, and increased volatility in commodity prices on account of recent geo-political tensions in Eastern Europe serve as reminders that East Asia remains vulnerable to adverse global developments," he said.

The report said larger Southeast Asian economies, including Indonesia and Thailand, will face tougher global financial conditions and higher levels of household debt.

Growth in the Philippines could slow to 6.6%, but accelerating reconstruction spending is likely to offset the drag on consumption following a series of major natural disasters in 2013, the bank said. The Philippine economy grew 7.2% in 2013, according to government figures. – AFP, April 7, 2014.

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