

World Bank cuts growth forecast for East Asia and Pacific

Reuters

The World Bank has cut its growth forecast for East Asia and the Pacific for 2022 to reflect the economic impact of Russia's invasion of Ukraine, warning the region could lose further momentum if conditions worsen.

The Washington-based lender said in a report yesterday it expected 2022 growth in the developing East Asia and Pacific region, which includes China, to expand by 5 per cent, lower than its 5.4 per cent forecast in October.

But growth could slow to 4 per cent if conditions worsened and government policy responses were weaker, World Bank said.

China's economy was expected to grow by 5 per cent this year, down from a previous estimate of 5.4 per cent, it said, noting the central government's capacity to provide stimulus to offset adverse shocks.

"The region confronts a triad of shocks which threaten to undermine its growth momentum," said World Bank East Asia and Pacific chief economist Aaditya Mattoo.

The war between Russia and Ukraine, which Mattoo said was the "most serious risk" to the region's growth outlook, is leading to food and fuel price increases, financial volatility and reduced confidence all over the world. Mattoo said Russia's invasion of

Ukraine was more worrying given that the region was still contending with the effects of the coronavirus pandemic, a structural slowdown on the mainland and faster inflation that could prompt quicker monetary tightening in the United States.

The war's impact on economies in East Asia and the Pacific would vary depending on their exposure and resilience, Mattoo said.

Excluding China, output for the rest of the region was projected to expand by 4.8 per cent this year.

"Just as the economies of East Asia and the Pacific were recovering from the pandemic-induced shock, the war in Ukraine is weighing on growth momentum," World Bank vice-president for East Asia and Pacific Manuela Ferro said.

"The region's largely strong fundamentals and sound policies should help it weather these storms."

5%

The World Bank expects 2022 growth in East Asia and the Pacific region to expand by this much, lower than its 5.4 per cent forecast in October