

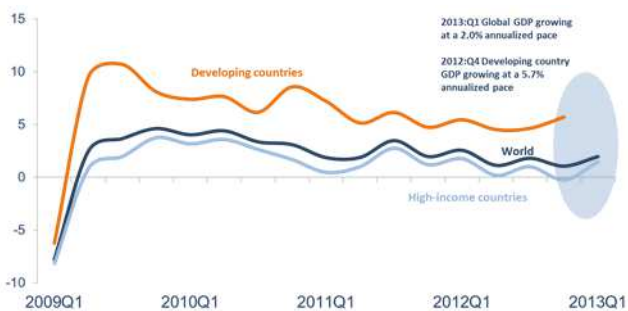
Development Outlook in East Asia and Pacific

Presentation at the Timor Leste & Development Partners Meeting
 June 19, 2013
 Bert Hofman, World Bank Group

THE SHORT RUN

Global growth is picking up

Quarterly GDP growth, annualized



Source: World Bank.

East Asia and Pacific Continues to Outpace Others



Source: World Bank, Global Economic Prospects 2013B.

Short Term Risks

Old Ones are Fading

- Eurozone
- Fiscal Cliff

New Ones Emerging

- Strong capital flows and asset bubbles
- Impact of Abenomics
- Quantitative Easing Phase Out
- China slowdown and Commodity Prices

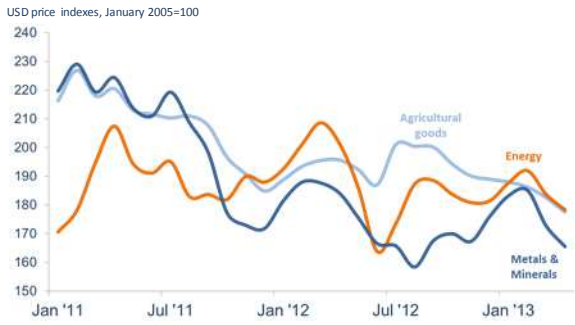
Capital flows to developing countries have rebounded

Gross international capital flows to developing countries, billions USD



Source: World Bank, Dealogic.

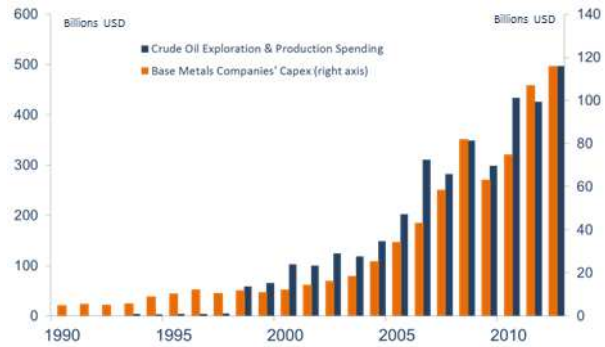
Industrial commodity prices are easing due to new supply



Source: World Bank Global Economic Prospects 2013.

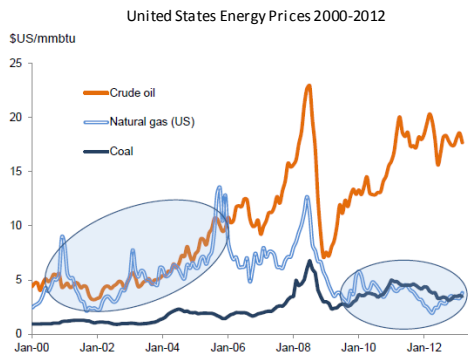
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Global commodity supply is responding to resource investments



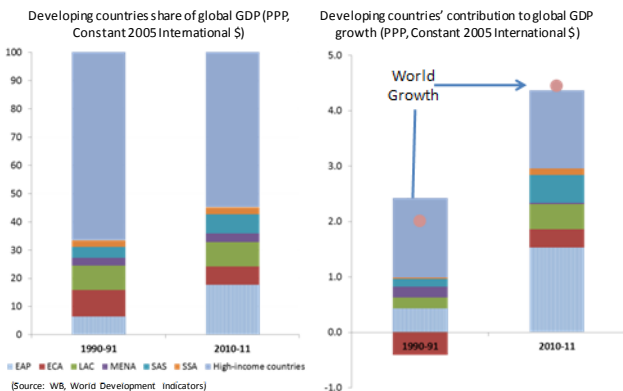
Source: World Bank, Bloomberg.

Will shale gas come to Asia?

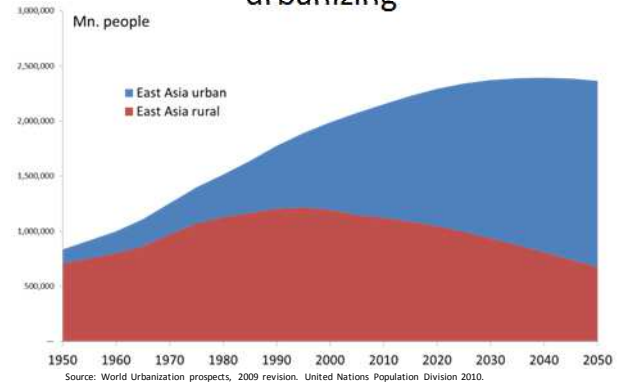


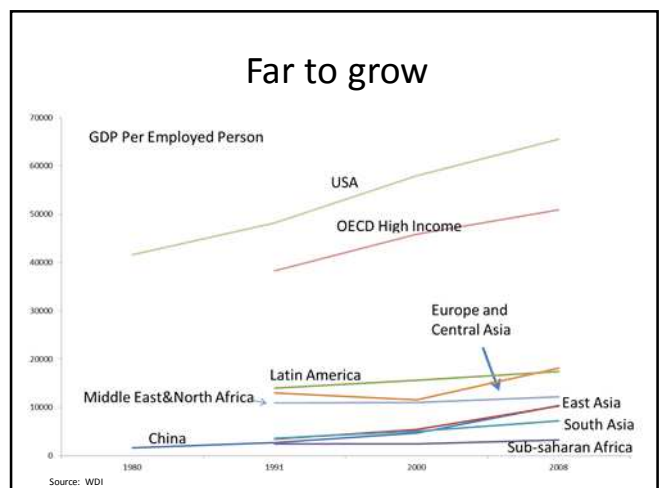
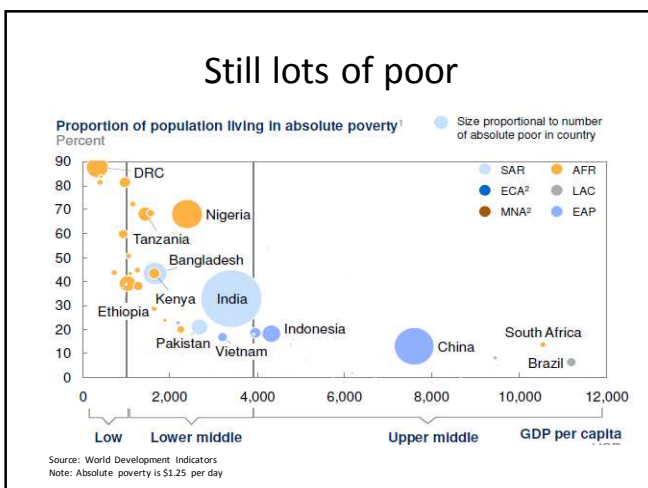
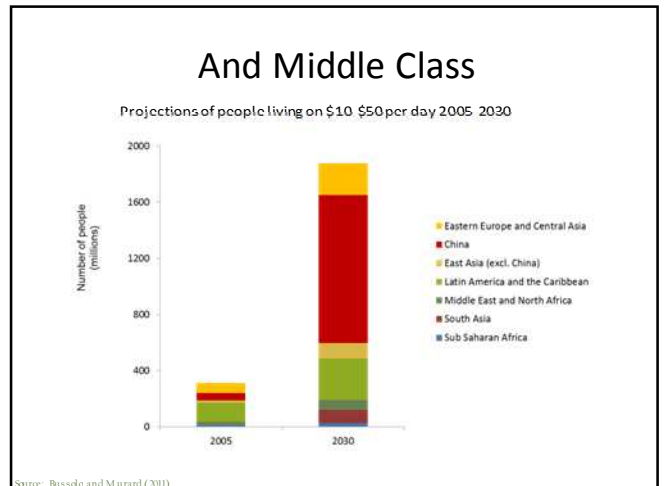
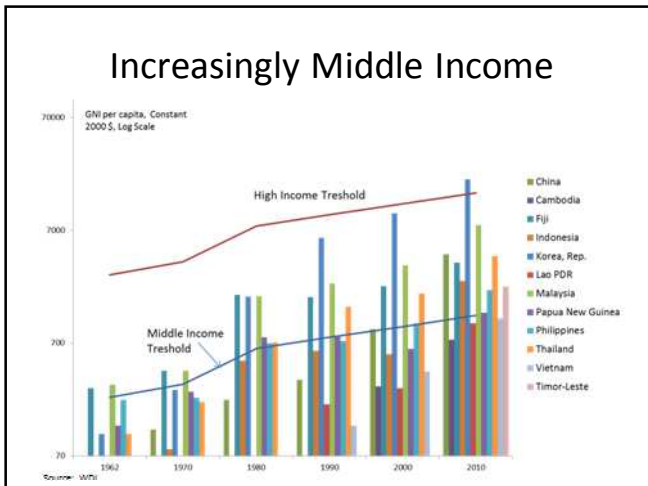
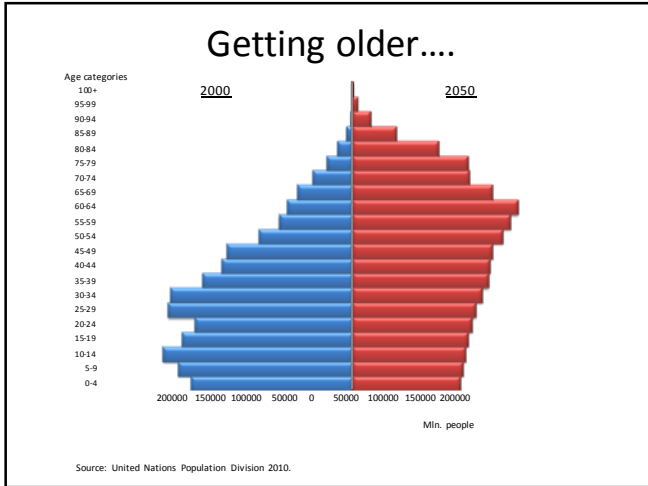
THE LONG RUN

A Changing World

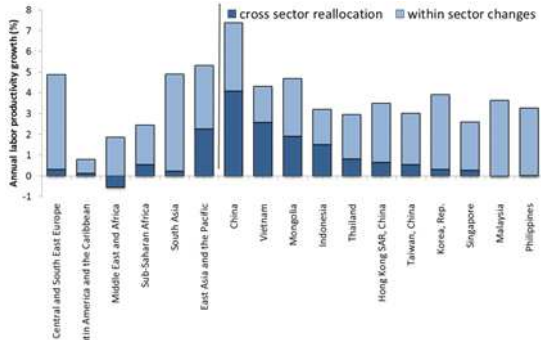


East Asia and Pacific most rapidly urbanizing



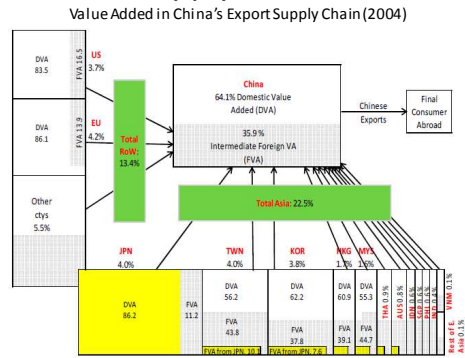


Structural Change key for Rapid Rise in Labor Productivity



Source: World Bank: At Work in East Asia and Pacific, forthcoming 2013

Countries are increasingly tied into supply chains



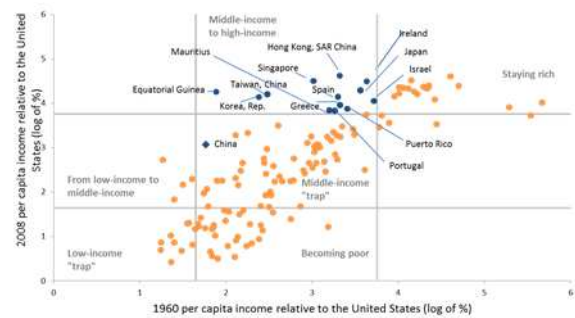
Source: IMF (2011) China Spillover Report, as Adapted from Koopman et al. (2010), "Give Credit Where Credit is Due: Tracing Value Added in Global Production Chains," NBER WP 16426 Note: DVA refers to Domestic Value Added, while FVA refers to Intermediate Foreign Value Added.

The Challenge of Distance



Few middle income economies became rich, but many of those are in EAP

(Per capita income relative to the United States, 1960 and 2008)



Source: World Bank and Development Research Center 2012, China 2030

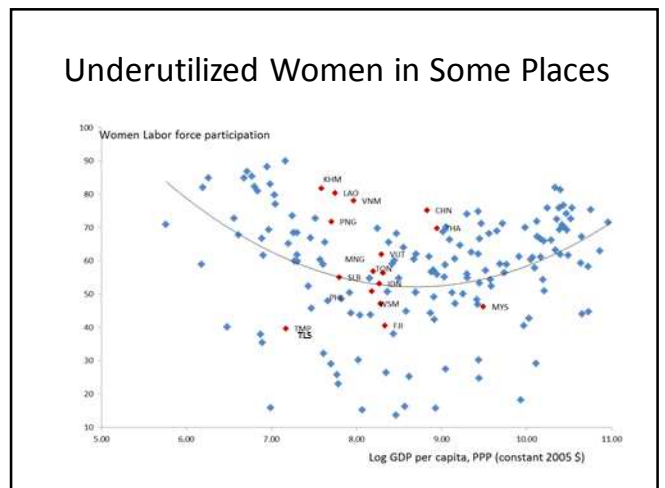
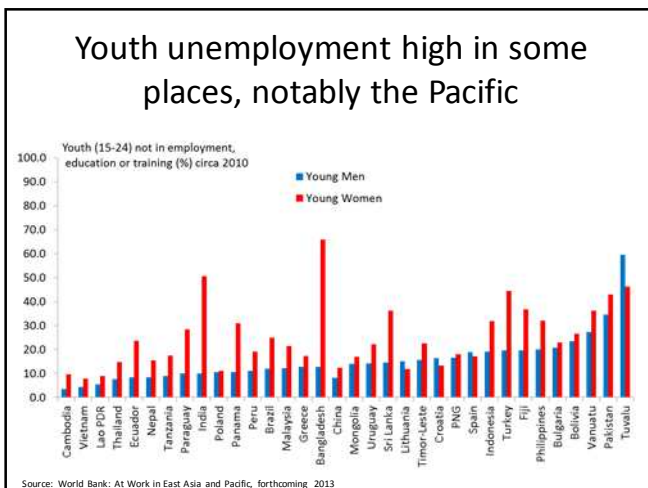
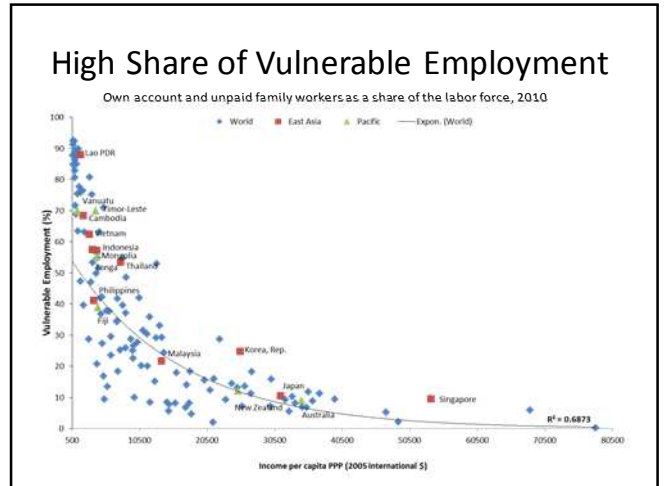
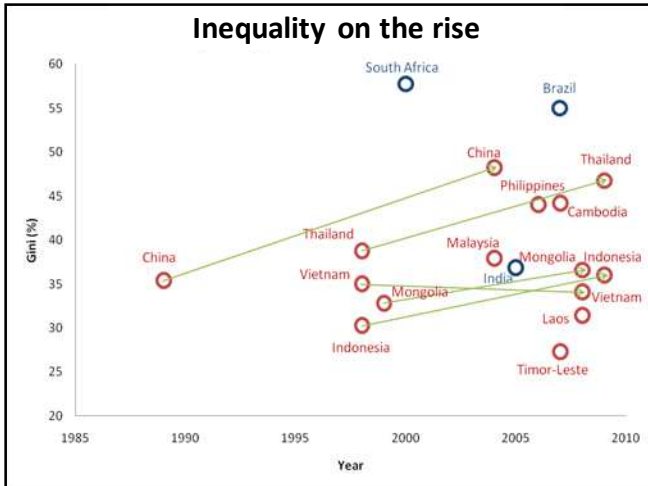
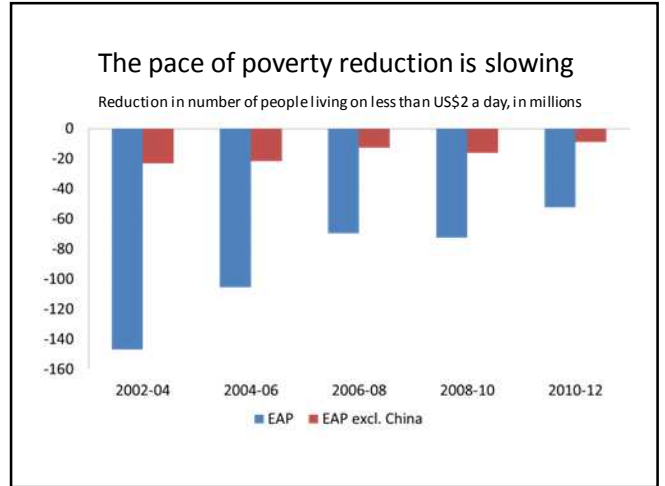
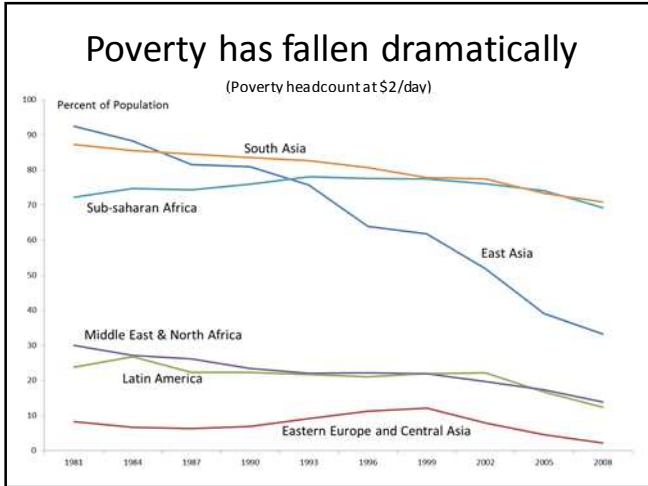
China Rising, and Changing

China: Projected growth pattern assuming steady reforms and no major shock

Indicator	1995-2010	2011-2015	2016-20	2021-25	2026-30
GDP growth (percent per year)	9.9	8.6	7.0	5.9	5.0
Labor growth	0.9	0.3	-0.2	-0.2	-0.4
Labor productivity growth	8.9	8.3	7.1	6.2	5.5
Structure of economy (end of period, %)					
Investment/GDP ratio	46.4	42	38	36	34
Consumption/GDP ratio	48.6	56	60	63	66
Industry/GDP ratio	46.9	43.8	41.0	38.0	34.6
Services/GDP ratio	43.0	47.6	51.6	56.1	61.1
Share of employment in agriculture	38.1	30.0	23.7	18.2	12.5
Share of employment in services	34.1	42.0	47.6	52.9	59.0

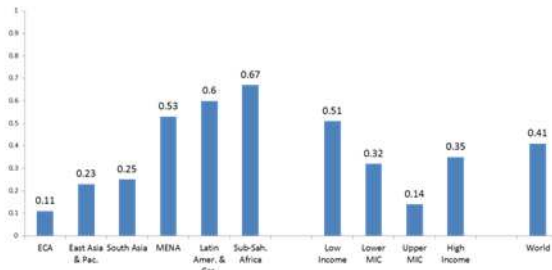
Source: DRC.

THE CHALLENGE OF SOCIAL COHESION



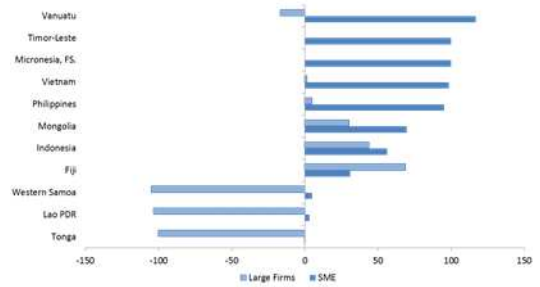
Growth has created jobs, although less in EAP than in some other regions

Long-term employment elasticity to GDP growth



Source: Chell, E., C. Fucini and J. Toujas-Bermeo (2012)

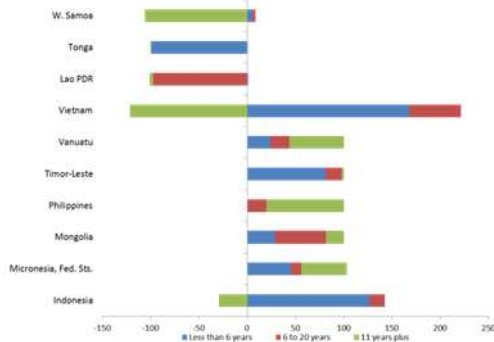
Small and Medium Enterprises Create most jobs



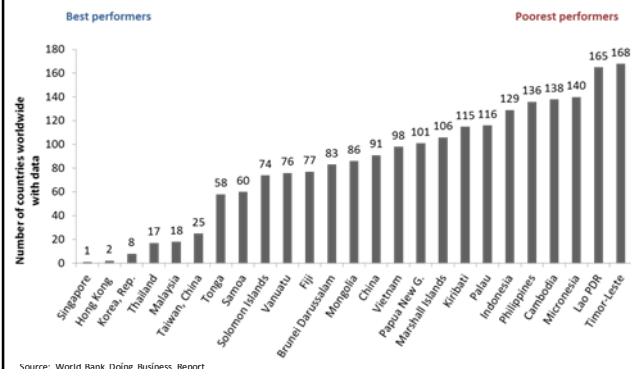
Source: Ayyagari, Demirgüç-Kunt and Maksimovic (2011) based on World Bank enterprise surveys 2006-2010.

New Businesses Create Lots of Jobs

Employment Creation 2006-10 by age of the firms as share of total employment change



Not always easy doing business



Source: World Bank Doing Business Report

Summing Up

- East Asia and Pacific is likely to grow rapidly for a considerable time to come
- It is likely to become a rapidly growing market for final consumption
- Demographics and a rising China offers opportunities for young countries
- Connectivity, business environment and human capital key to success in a changing world