

# World Economic Situation and Prospects

## Weekly Highlights

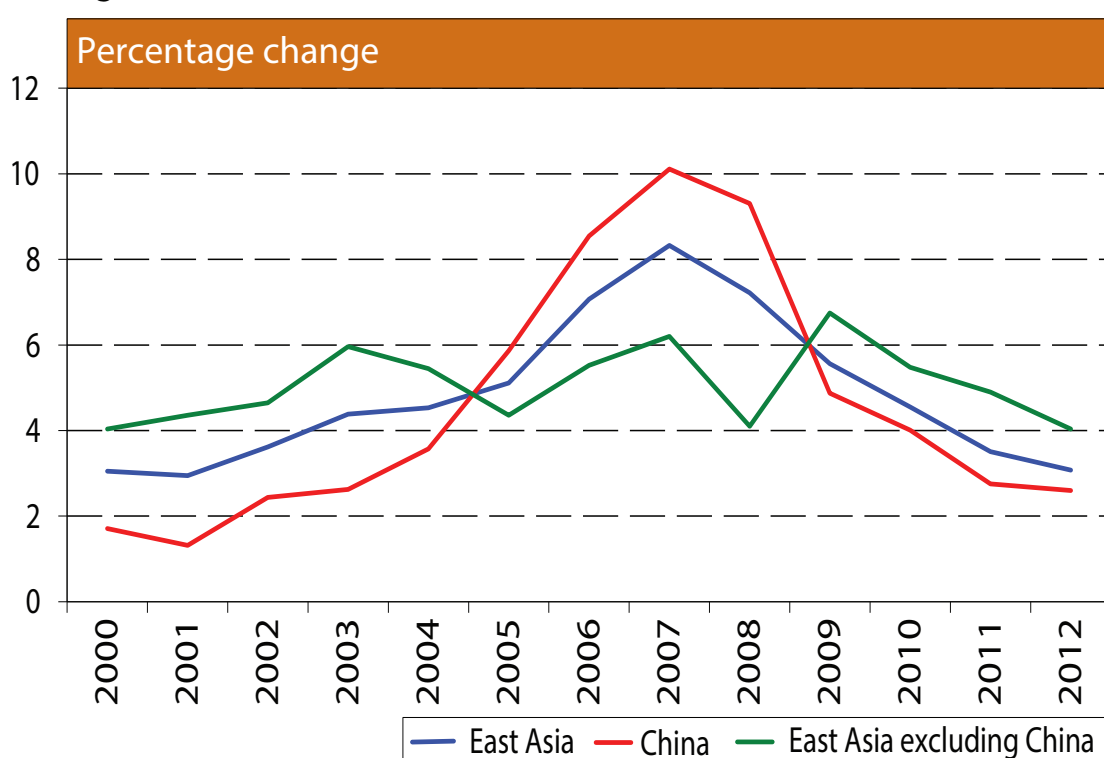
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### Behind East Asia's narrowing external surplus

After increasing steadily in the period prior to the global financial crisis, East Asia's external surpluses have declined notably over the past few years (figure 1).<sup>1</sup> In 2012, the combined current-account surplus of the region stood at 3.1 per cent of GDP, about the same level as in 2000 and down from 8.3 per cent in 2007. The rapidly falling surplus in China accounts for much of this trend, but several other East Asian economies, such as Hong Kong Administrative Region of China, Malaysia, the Philippines and Thailand have also seen a significant decline since 2009 (figure 2). Indonesia registered its first annual trade deficit ever in 2012 and recorded a current-account deficit of 2.7 per cent of GDP.

Figure 1: Current-Account Balances in East Asia, 2000-2012

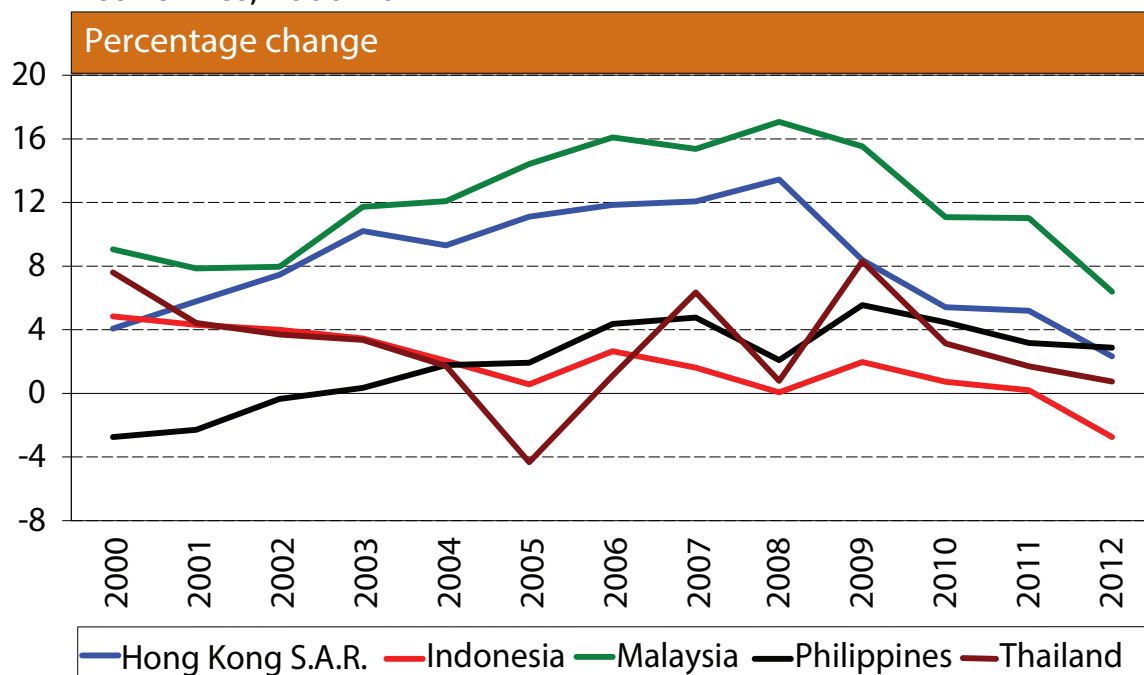


Source: UN/DESA, based on data from the IMF World Economic Outlook Database, April 2013.

<sup>1</sup> In this analysis, East Asia comprises the following 10 economies: China, Hong Kong Special Administrative Region of China, Indonesia, Malaysia, the Philippines, Republic of Korea, Singapore, Taiwan Province of China, Thailand and Viet Nam.

The narrowing trade and current-account surpluses in East Asia are the result of a range of factors, both cyclical and structural. On the one hand, from a cyclical standpoint, the fragile recovery in developed economies, and in particular in the European Union, has weighed heavily on East Asia's exports. Import demand, by contrast, has grown at a relatively strong pace in most of the region's economies as investment (including for infrastructure projects) was boosted by sizeable fiscal stimulus measures, while domestic consumption was supported by robust labour markets. Changes in the terms-of-trade have also played a role, with prices of many imported commodities rising or remaining high and prices of major export items, such as machinery and equipment, moderating. On the other hand, some contributing factors are more structural and longer-term in nature. These factors include the gradual real appreciation of the Chinese renminbi and increased efforts of some East Asian Governments to reduce the reliance on exports and strengthen domestic growth sources (by raising minimum wages, expanding social safety nets and promoting investment, for example).

Figure 2: Current-Account Balances in Selected East Asian Economies, 2000-2012



Source: UN/DESA, based on data from the IMF World Economic Outlook Database, April 2013.