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World Bank cuts 2022 East Asia growth outlook, cites China slowdown

Reuters

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A participant stands near a logo of World Bank at the International Monetary Fund - World Bank Annual Meeting 2018 in Nusa Dua, Bali, Indonesia, October 12, 2018. REUTERS/Johannes P. Christo



MANILA, Sept 27 (Reuters) - Economic growth in East Asia and the Pacific will weaken sharply in 2022 due to China's slowdown, but the pace of expansion will pick up next year, the World Bank said on Tuesday.

The Washington-based lender said in a report it expected 2022 growth in the East Asia and Pacific region, which includes China, to slow to 3.2%, down from its 5.0% forecast in April, and the previous year's growth of 7.2%.

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strict zero COVID rules that have disrupted industrial production, domestic sales and exports, the World Bank said.

China, which constitutes 86% of the 23-country region's economic output, was projected to grow 2.8% this year, a significant deceleration from the bank's previous forecast of 5.0%. In 2021, China's economy expanded 8.1%, its best growth in a decade.

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For 2023, the world's second-largest economy was seen growing at 4.5%.

"As they prepare for slowing global growth, countries should address domestic policy distortions that are an impediment to longer term development," World Bank East Asia and Pacific Vice President Manuela Ferro in a statement.

Another risk to the region's outlook was aggressive interest rate hikes that central banks across the world are undertaking to combat soaring inflation. These have caused capital outflows and currency depreciations, the World Bank said.

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The multilateral aid agency cautioned policymakers on imposing price controls by way of subsidies, warning these measures would only benefit the wealthy and draw government spending away from infrastructure, health and education.

"Controls and subsidies muddy price signals and hurt productivity," World Bank East Asia and Pacific Economist Aaditya Mattoo, said in a statement.

Reporting by Karen Lema; Editing by Kanupriya Kapoor



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