



THE STRAITS TIMES

**Web Radio**

April 1, 2008

» Midday Update

April 1, 2008 Tuesday

Subscribe today: [Print Edition](#) | [Online](#)[Home](#) > [Latest News](#) > [Asia](#)

April 1, 2008



Rising prices more pressing problem for E. Asia than financial turmoil: World Bank

EAST Asian nations must act promptly to ease the burden of mounting food and fuel prices on the region's poor, the World Bank said. Inflation poses a greater challenge to the region's economies than the current financial turmoil, it said.

In its half-yearly update on the region's outlook, the bank said on Tuesday growth in developing East Asian economies could slip by 1 to 2 percentage points this year to 8.5 per cent as the United States credit crisis unfolds, damping demand for exports.

But it warned that food and fuel prices that have soared in recent years are a more pressing problem for governments to tackle.

Since 2003, oil and many other commodity prices have more than tripled and doubled, respectively.

'While the subprime crisis will have its impacts - possibly on some countries more than others - the more immediate concern is that in virtually every East Asian country, inflation is climbing to uncomfortable levels,' Mr Jim Adams, vice-president of the World Bank's East Asia and the Pacific region, was quoted as saying in a release.

The urban poor and landless rural workers who devote between a third and two thirds of their expenditures on food are seeing their real incomes decline substantially, the report said.

Similarly, 'while higher fuel prices hurt everyone, the poor are hurt disproportionately', it said.

The region could suffer an aggregate income loss of about 1 per cent of gross domestic product in 2008 from the effect of higher food prices and additional increases in oil and metals prices, the bank said.

The report noted that some economies that are net exporters of commodities are enjoying gains in overall national income and that

Home
 Latest News
 Free Stories
 Print Edition
 Prime News
 Singapore
 Asia
 Money
 World
 Review
 Insight
 Sports
 ST Forum
 Life!
 F.Y.I

Podcast
 Vodcast
 Columnists
 Saturday
 Special Report
 Most Read
 Stories
 Discussion
 Board

Jobs
 Cars
 Property
 Shops

Mind Your Body
 Digital Life
 Urban
 Correspondents

News In
 Pictures
 Photo Essays

Increase font

Other Latest News Stories Asia

- Rising price more press problem for Asia than financial turmoil: World Bank
- Mother of M'sian prod sues for divorce
- Ex-husband M'sian prod shocked
- M'sia's ruler party dissidents launch atta on PM Abdullah
- University c Massachus the first foreign college to offer classe in China
- M'sian supermarke chain calls i boycott of Dutch good
- M'sian Chinese try ensure their ancestors dress well i afterlife
- China prem assures HK Macau rice supply
- 16-year-olc

higher food prices do help some farmers - although small farmers are usually hurt because they tend to be net consumers of food.

The bank warned that controlling prices to temporarily curb inflation distorts market signals and encourages black markets over the long term.

East Asian governments have dealt with such challenges in the past with a variety of solutions that include targeted subsidies, conditional cash handouts or school lunch programmes, the report said.

'These programmes now need to be considered again and reintroduced before the problem becomes too acute,' it said.

Growth of 8.5 per cent would be the lowest for developing East Asia since 2002, and down from 10.2 per cent last year.

'East Asian economies will face testing times in 2008,' said the bank, which based its forecast on expected US growth of between 0.5-1.4 per cent in 2008, down from 2.2 per cent last year, and to be followed by a recovery in the 1 to 2 per cent range next year.

China's growth is expected to dip to 8.6 per cent after five years at rates of above 10 per cent, mainly due to lower export growth.

In Indonesia, Malaysia, Thailand and the Philippines, economic growth is expected to ease more modestly to the 5 to 6 per cent range.

Growth in the economies of Hong Kong, Singapore, Taiwan and South Korea is forecast to slow slightly to around 4.6 per cent, as a group.

Still, despite the US credit crisis, the region's economies are likely to stay buoyant as investments in sound macroeconomic policy and structural reforms over the past decade have brought greater resilience and flexibility, the bank said.

The region's high levels of foreign exchange reserves, economic momentum and diversification of trade and financial flows afford it some room to manoeuvre in adjusting to the impending global slowdown, the report said.

East Asian exporters have benefited in recent times from trade both within the region and beyond to markets other than the US, the report said.

The World Bank defines East Asia as comprising China, Indonesia, Japan, Malaysia, the Philippines, Thailand, Vietnam, Hong Kong, South Korea, Singapore, Taiwan, and some smaller economies such as Cambodia, Laos and those of the Pacific islands. -- AP

Read also [Hungry crowds spell trouble for world leaders](#)

- [crowned pe spinning kir in Japan](#)
- [Talks on global warming pa open in Thailand](#)
- [Bumbling Chinese bai robbers executed](#)
- [India cuts duties, ban rice exports ease prices](#)
- [China overtakes France in international art stakes](#)
- [N. Korea lashes out ; South's new president](#)
- [India confident o Olympic tor as Tibetans protest](#)

Ads by Google

[Asia Economy](#)

Take a Free Trial to the Latest Analysis & Forecasts Online.
www.businessmonitor.com/Asia

[Fund Forum Asia 2008](#)

Leading Pan-Asia Fund Distribution, Marketing & Product Design Event.

www.ICBI-UK.com/FundForumAsia

[The World Oil Crisis](#)

Why Oil's Prognosis Is Terminal & Where the Future Stands. New Report
www.EnergyAndCapital.com/Oil_Crisis

[Asia Sentinel Consulting](#)

Offering a uniquely experienced insight into Asia
consulting.asiasentinel.com

[Data Quality Asia-Pacific](#)

Align strategy and technology Sydney, May 2008
www.DQasiapacific.com

Best viewed at 1152x864 resolution with IE 6.0 or FireFox 2.0 and above
Copyright © 2007 Singapore Press Holdings Ltd. Co. Regn No. 198402868E | [Privacy Statement](#) | [Terms & Conditions](#)