

The *Asia Economic Monitor* (AEM), which replaces the *Asia Recovery Report*, is a quarterly review of East Asia's growth and recovery, financial and corporate sector reforms, and social developments. Originally focusing on the five countries most affected by the crisis, coverage has now been expanded to include all 10 Association of Southeast Asian Nations member countries plus the People's Republic of China and Republic of Korea. The analysis is supported by high-frequency indicators compiled from the ARIC Indicators section of the Asian Development Bank's Asia Recovery Information Center web site. This issue also features a theme chapter on corporate restructuring in East Asia.

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Highlights

- The global economic slowdown, which began more than a year ago, is turning out to be deeper, longer, and more broad-based than expected.
- The 11 September attacks and subsequent events have introduced an additional element of uncertainty to an already weakening global economy. Although events are still unfolding, it appears that
 - the short-term impacts will be manageable
 - the longer-term impacts are, however, uncertain because they depend mainly on noneconomic factors. With the fall of Kabul and other areas, however, these impacts appear to have diminished somewhat.
- The current economic slowdown in East Asia is expected to deepen and prolong further. Growth might pick up toward the middle of next year, rather than late this year or early next year as anticipated earlier.
- This year, the region is expected to experience the second slowest growth in decades. Next year's rebound in growth is likely to be more subdued than was previously expected and below-trend.
- The London-based Consensus Economics Inc.¹ now projects East Asia's average GDP growth to be 3.9 percent in 2001 and 4.7 percent in 2002. Compared to the forecasts made just before the 11 September attacks, growth is projected to be lower by 0.5 percentage point in 2001 and by 1 percentage point in 2002.
- Recovery in the five crisis-affected countries has been set back somewhat—real per capita incomes in 2002 will be lower than in 1997 in three of the five crisis-affected countries, and the pace of financial and corporate reforms and reduction in poverty is slowing in several of these countries.
- Various prudential indicators, however, suggest that East Asia's vulnerability to a 1997-type capital account crisis has been reduced.
- The past half decade or so represents the most turbulent period in East Asia's recent economic history. Rapid growth up to 1996 was followed by a severe recession in 1998.

¹A private institution that collates forecasts from 200 economic and financial forecasters from more than 70 countries around the world.

Acronyms, Abbreviations, and Notes

ADB	Asian Development Bank
ADO	Asian Development Outlook (ADB)
AEM	Asia Economic Monitor
AMC	asset management company
ARIC	Asia Recovery Information Center
ARR	Asia Recovery Report
ASEAN	Association of Southeast Asian Nations
bp	basis point
CAR	capital adequacy ratio
CDRC	Corporate Debt Restructuring Committee
ECB	European Central Bank
EU	European Union
FDI	foreign direct investment
FY	fiscal year
GDP	gross domestic product
IBRA	Indonesian Bank Restructuring Agency
IIF	Institute of International Finance
IMF	International Monetary Fund
IT	information technology
JCI	Jakarta Composite Index
KAMCO	Korea Asset Management Corporation
KLCI	Kuala Lumpur Composite Index
KOSPI	Korean Stock Price Index
Lao PDR	Lao People's Democratic Republic
M&As	mergers and acquisitions
NASDAQ	National Association of Securities Dealers Automated Quotation
NPL	nonperforming loan
PCOMP	Philippine Stock Exchange Composite Index
PRC	People's Republic of China
REMU	Regional Economic Monitoring Unit (ADB)
ROA	return on assets
ROE	return on equity
SBI	Sertifikat Bank Indonesia
SBV	State Bank of Viet Nam
SESALL	Singapore All Equities Index
SET	Stock Exchange of Thailand
SME	small and medium enterprise
SOCB	state-owned commercial bank
SOE	state-owned enterprise
TAMC	Thai Asset Management Corporation
B	baht
Br\$	Brunei dollar
D	dong
MK	kyat
RM	ringgit
Rp	rupiah
S\$	Singapore dollar
W	won
Y	yuan
q-o-q	quarter-on-quarter
y-o-y	year-on-year

Note: In this publication, "\$" denotes US dollars, unless otherwise specified.

After a faster than expected recovery in 1999 and 2000 has now come a sharp economic slowdown, which has been worsened by the 11 September attacks on the US.

- The lessons to be learned from the volatility and turbulence being experienced by the region is that, in a rapidly globalizing world, countries have to remain vigilant. Globalization enhances the benefits of good policies just as it magnifies the impacts of bad ones.
 - East Asia cannot remain complacent about the unfinished structural reform agenda and spend its way out of the slowdown.
 - At the regional level, efforts to enhance monetary and financial cooperation together with trade cooperation must be continued.

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