Figure 2.4. Emerging Asia: Remaining Inflation Concerns

Underlying inflation pressures rose across emerging Asia in recent quarters. Wage increases, despite productivity improvements, have contributed to a buildup in inflation in some cases. In part owing to a rapid expansion of bank loans, house prices have continued to trend upward. In contrast, an extended run-up in equity prices ended with a sharp correction in early 2008, triggered by global financial turmoil. Exchange rates have failed to provide much respite for inflation, because currencies have either appreciated too little or weakened.