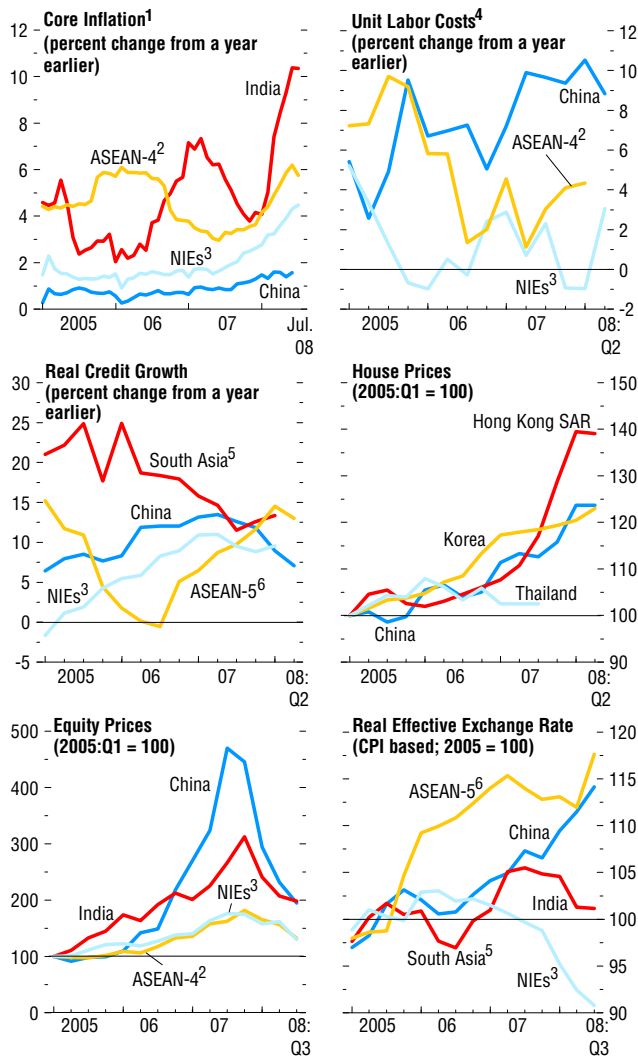


Figure 2.4. Emerging Asia: Remaining Inflation Concerns

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.



Sources: Haver Analytics; IMF, *International Financial Statistics*; and IMF staff calculations.

¹The definition of core inflation varies across countries, though it generally excludes food and energy prices from overall consumer price index (CPI).

²Indonesia, Malaysia, Philippines, and Thailand.

³Newly industrialized Asian economies (NIEs) comprise Hong Kong SAR, Korea, Singapore, and Taiwan Province of China.

⁴Calculated as overall compensation divided by GDP, except for China, where wages are used instead of compensation, and Indonesia and Malaysia, where calculations cover only the manufacturing sector. Data for China need to be treated with caution because of their partial coverage, biased toward large state-owned manufacturing enterprises.

⁵Bangladesh, India, Maldives, Nepal, Pakistan, and Sri Lanka.

⁶ASEAN-4 and Vietnam.