Slowing exports, particularly to Europe, are dampening Asia’s growth prospects. But Chinese demand provides a buffer to the region’s commodity exporters, and domestic demand remains strong in some parts of developing Asia. Market turmoil in late 2011 was greater for countries with closer links to euro area banks. Inflation has moderated in many economies, but there is less fiscal room now than in 2007.

Figure 2.9. Asia: Growth Is Moderating

Slow exports, particularly to Europe, are dampening Asia’s growth prospects. But Chinese demand provides a buffer to the region’s commodity exporters, and domestic demand remains strong in some parts of developing Asia. Market turmoil in late 2011 was greater for countries with closer links to euro area banks. Inflation has moderated in many economies, but there is less fiscal room now than in 2007.