and remain the single most important driver of economic growth. Low costs of borrowing — with lending rates below the real rate of economic expansion — also contribute to this expectation. Overall, growth in China is projected to moderate to 9.3 percent in 2008.

India

The advanced estimate of expenditures on real GDP during 2007-08 pegs growth of the Indian economy at 8.7 percent as compared to growth of 9.7 percent in 2006-07[7]. Expenditures on capital formation were up 15.7 percent in real terms while consumer expenditures advanced 6.8 percent. Both real exports and real imports increased by 6.4 percent in 2007-08. Growth slowed in the second half as consumption cooled in response to tighter monetary policy[8]. India's real GDP slowed to 8.4 percent in October-December 2007. This was the slowest quarterly growth rate in three years. With the release of the full-year advance estimate by the Indian Central Statistical Organisation, it would appear that growth slowed even more in the final quarter of 2007-08[9].

India's level of trade dependency is among the lowest in Asia, so despite the outlook for a U.S.-led global slowdown, real GDP in India is likely to be only somewhat affected by these events. Nevertheless, the U.S. is India's largest export market and the U.S. recession will hurt some Indian exporters, such as those in the textile sector. However, other major export markets, notably China, will remain buoyant. The onset of the U.S. subprime lending crisis in August 2007 helped to temper the surge in capital inflows into India. Nonetheless, India remains an attractive location for investors and investment will continue to be the fastest-growing component of GDP. The capital inflows will continue to put upward pressure on the rupee. Private consumption will remain strong, propped up by strong growth in real wages. Net exports will exert a drag on economic growth as imports of goods and services continue to outpace exports. Overall, growth in the Indian economy is projected to expand by a little under 8 percent for the forthcoming year.

Newly Industrialized Asian Economies (NIEs)

This composite region is made up of Korea, Taiwan, Hong Kong (China), and Singapore. Collectively growth in the NIEs was unchanged between 2006 and 2007, at 5.6 percent. Declines in GDP growth from Hong Kong (down 0.7 percentage points to 6.3 percent), Singapore (down 0.5 percentage points to 7.7 percent), and Korea (down 0.1 percentage points to 5.0 percent) were offset by an increase of 0.8 percentage points (to 5.7 percent) for Taiwan. Looking forward to 2008, growth is projected to fall to 4.0 percent for the region as most of the economies grow in the range of 4.0 percent to 4.3 percent. The exception to this is Taiwan, which is expected to post only a 3.4 percent rate of economic expansion in 2008. Consumption should moderate across all four economies in the region while investment remains flat, as gains accruing to Hong Kong are offset by a decline for Singapore.

Inflation in 2007 for the NIEs was fairly low, ranging from 1.8 percent for Taiwan to 2.5 percent for Korea. The pace of inflation is expected to increase for Korea (from 2.5 percent to 3.4 percent) and to increase significantly for Hong Kong (from 2.0 percent to 3.6 percent) and Singapore (from 2.1 percent to 4.7 percent). For Taiwan, the rate of price increase is expected to slow to 1.5 percent.

ASEAN-5

The ASEAN-5 (Indonesia, Thailand, Philippines, Malaysia, and Vietnam) collectively grew by 6.3 percent in 2007, up from 5.7 percent the year before. Growth was led by Vietnam (at 8.5 percent) and the Philippines (at 7.3 percent). Indonesia and Malaysia

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7 Real GDP at market prices. The Central Statistical Organisation (CSO) reports data on a financial year basis that runs from the start of April in one year to the end of March in the next year. Data taken from *Press Note: Advance Estimate of National Income 2007-08*. Press Information Bureau. Government of India. 7 February, 2008.

8 IMF World Economic Outlook, April 2008.

9 According to the Economist Intelligence Unit's *India Monthly Report* for April 2008, India's Chief Statistician noted that "the Indian economy was slowing to a trend rate of growth around 8-8.5 percent".