

Asian Development Outlook, April 2022

**Developing Asia is projected to grow by 5.2 % in 2022
India to grow at a rate of 7.5 % in 2022 and 8 % in 2023**

Projected Economy Growth for Developing Asia : (+) 5.2 % in 2022 and (+)5.3 % in 2023

- According to the flagship report of Asian Development Bank - '**Asian Development Outlook 2022 – Mobilizing taxes for development**', the Asian Economy is projected to expand by (+) 5.2 % in 2022 and (+) 5.3 % in 2023 driven by solid exports and strong domestic demand . (Table 1)
- The pace of the recovery, however, varies across subregions but regional growth is being supported by a robust recovery in domestic demand in economies that are continuing to catch up with their pre-pandemic trend, particularly in South Asia.
- However, the Russian invasion of Ukraine has heightened geopolitical uncertainty and rattled commodity and financial markets amid a continuing global pandemic. COVID-19's Omicron variant has had a milder impact than other variants and progress on vaccination has allowed economies across developing Asia to remain more open than in previous COVID-19 waves.

Projected Growth : South Asia (+ 7 %) , East Asia (+4.7 %) , South East Asia (+ 4.9 %) , Caucasus & Central Asia (+) 3.6 % and Pacific (- 3.9 %) in 2022

- **South Asian Economies** are projected to expand by (+) 7 % in 2022
- **East Asian Economies** are projected to rise by 4.7 % in 2022 which include Hong Kong (+2%), China (+5 %), and the Republic of Korea (+ 3 %) (Table 1)
- **South East Asian Economies** are projected to grow by 4.9 % in 2022 which includes Indonesia (+ 5 %), Malaysia (+6 %) , Singapore (+ 4.3 %), Thailand (+3 %), and Vietnam (+6.5 %)
- The group of **Central Asian Economies** is projected to expand by (+) 3.6 % in 2022
- **India is expected to record stable growth of 7.5 % in 2022 and 8 % in 2023.**

Economic growth outlook of Indian Economy

1. India's GDP is forecasted to grow by 7.5% in FY2022 and 8.0% in FY2023, driven by strong investment growth, with public investment helping crowd-in private investment. The forecast assumes the severity of the COVID-19 pandemic subsiding and vaccination rates rising and the impact of Russian invasion of Ukraine, which will be largely felt indirectly through higher oil prices.
2. Fiscal policy is expected to be supportive of growth. The higher capital spending is expected to improve the efficiency of India's logistics infrastructure, among others, crowd-in private investment, generate jobs in construction, and sustain growth. Economic activity in FY2022 will be driven by investment, with public investment playing a catalytic role. Financial and technical assistance to states will also be increased to facilitate investment projects.
3. Private investment is expected to get a push in FY2022 and especially FY2023 from improvements in the ease of doing business, bank deleveraging, and cleaning up of banks' balance sheets, and improvements in logistics and further reforms planned to reduce logistics costs. FDI inflows are projected to decline over the forecast horizon amid rising global uncertainty and a tightening in global economic and financial conditions.
4. The manufacturing purchasing manager's index softened in January 2022, but was above 50, indicating expansion. Government policies are expected to facilitate industrial production and domestic production especially through production-linked incentive schemes. Tariffs on certain products have been raised to encourage production but it will be important to ensure that tariff increases do not become entrenched as this would raise the overall cost structure of production and discourage the greater integration of firms into global value chains.
5. Monetary policy is expected to remain accommodative given the global uncertainties. The central bank will strive to keep the policy rate unchanged to sustain economic growth, but a tightening in the federal funds rate and rising oil prices may put pressure on it to increase policy rates in the later part of the current fiscal year.
6. The growth of exports and imports of goods and services will moderate in FY2022 and FY2023 in line with the slower growth of global demand. Rising oil prices are likely to increase the import bill, widening the trade deficit. However, rising oil and commodity prices, as well as a depreciating Indian rupee, may provide an impetus to exports, especially petroleum products and food products. Export growth will remain strong in FY2023 as some reform initiatives take effect, including production-linked incentive schemes and investments to improve logistics infrastructure. Import growth will ease on softer oil prices.
7. The main risks to the economic outlook are the uncertain global economic conditions, renewed COVID-19 outbreaks and new variants, monetary policy tightening in the US, and unexpected and sharp rises in commodity prices. The Russian invasion of Ukraine could lead to even higher oil prices and supply disruptions, pushing up prices of commodities and further raising the inflation rate.

Other major observations of the report

- The Downwards risks to outlook includes escalating global geopolitical tensions arising from the Russian invasion of Ukraine could spill over to the region, particularly via sharper-than-expected increases in commodity prices and heightened financial stability risks. Aggressive monetary policy tightening in the US may trigger financial market volatility, rapid capital outflows, and sharp currency depreciations. COVID-19 remains a threat, as more deadly variants could still emerge, and the PRC's current Omicron outbreaks could jeopardize regional growth and supply chains. In the medium-term, scarring from the pandemic poses significant risks, including learning losses from continued school closures that could further exacerbate economic inequality.
- The Russian invasion of Ukraine has upended the global economic outlook and greatly amplified uncertainty for a world economy still contending with COVID-19. The war's outbreak in late February severely disrupted global economic conditions and shockwaves have been felt in financial and commodity markets, and energy and food prices have spiked sharply and threaten to remain elevated or rise further
- Omicron's less severe health impact, coupled with increased immunity, allowed developing Asia to remain relatively open in early 2022. This ensured that regional economies fared better during the Omicron wave than previous COVID-19 outbreaks. Manufacturing and services continued to expand in January and February, albeit at a slightly slower pace than in the fourth quarter of last year in some economies
- Developing Asia's economy rebounded in 2021 but the recovery is still largely incomplete in most of the region. Expansion in the Caucasus and Central Asia, supported by higher commodity prices, nevertheless left gross domestic product (GDP) at 4% below its pre-pandemic trend. In South Asia, the gap remained at about 8%, despite strong growth led by a surge in consumption and investment in India. Southeast Asia's gap was 10% and the Pacific's 12%. The recovery in these subregions was delayed by severe pandemic-containment restrictions on domestic activity and international travel, which especially hampered tourism-dependent economies. East Asia bucked the trend on buoyant external demand; its gap was just 1% below the pre-pandemic trend
- Fiscal and monetary policies in developing Asian economies remain broadly accommodative, but the region may be on the cusp of a tightening cycle. While fiscal policy remained supportive even after substantial loosening to cushion the impact of COVID-19 in 2020 and 2021, authorities are expected to start unwinding pandemic emergency measures and gradually shift to fiscal consolidation this year and next.
- Inflation in developing Asia stayed below the global trend in 2021 but is expected to rise. Regional inflation remained moderate due to relatively low food inflation, less severe supply disruptions, and the incomplete recovery.

Table 1
GDP Growth Rate ,% per year
(% change)

Particulars	2020	2021	Projections	
			2022	2023
Major advanced economies	-4.7	5	3.5	2.4
USA	-3.4	5.7	3.9	2.3
Euro Area	-6.5	5.3	3.3	2.6
Japan	-4.5	1.7	2.7	1.8
Developing Asia	-0.8	6.9	5.2	5.3
Caucasus & Central Asia	-2	5.6	3.6	4
Kazakhstan	-2.5	4	3.2	3.9
East Asia	1.8	7.6	4.7	4.5
Hong Kong, China	-6.5	6.4	2	3.7
People's Republic of China	2.2	8.1	5	4.8
Republic of Korea	-0.9	4	3	2.6
Taipei, China	3.4	6.4	3.8	3
South Asia	-5.2	8.3	7	7.4
India	-6.6	8.9	7.5	8
South East Asia	-3.2	2.9	4.9	5.2
Indonesia	-2.1	3.7	5	5.2
Malaysia	-5.6	3.1	6	5.4
Philippines	-9.6	5.6	6	6.3
Singapore	-4.1	7.6	4.3	3.2
Thailand	-6.2	1.6	3	4.5
Vietnam	2.9	2.6	6.5	6.7
The Pacific	-6	-0.6	3.9	5.4

Source: Asian Development Bank Notes: Some historical data for Turkmenistan are not presented for lack of uniformity. A fluid situation permits no estimates or forecasts for Afghanistan in 2021–2023

Analysis By: GJEPC Statistics Team
