

Asian Development Outlook, December 2021

**Developing Asia is projected to grow by 7 % in 2021
India to grow at a rate of 9.7 % in 2021 and 7.5 % in 2022**

Projected Economy Growth for Developing Asia : (+) 7% in 2021 and (+)5.3 % in 2022

- According to the flagship report of Asian Development Bank - '**Asian Development Outlook – Supplement** ', the Asian Economy is projected to expand by (+) 7 % in 2021 and (+) 5.3 % in 2022 (**Table 2**). This is majorly due to the recent emergence of highly mutated virus variants and a global rise in infections
- There has been a resurgence in regional trade with developing Asia's merchandise exports continuing to strengthen , outpacing expansion in global trade . However , tourism has yet to recover as continued outbreaks and restrictions curtailed international travel .

Projected Growth : South Asia (+8.6 %) , East Asia (+7.5 %) , South East Asia (+ 3 %) , Central Asia (+) 4.7 % and Pacific (- 0.6 %) in 2021

- **South Asian Economies** are projected to expand by (+) 8.6 % in 2021
- **East Asian Economies** are projected to expand by 7.5 % in 2021 which include Hong Kong (+6.4 %), China (+8%), and the Republic of Korea (+ 4 %) (Table 2)
- **South East Asian Economies** are projected to expand by 3 % in 2021 which includes Indonesia (+ 3.5 %), Malaysia (+3.8 %) , Singapore (+ 6.9%), Thailand (+1 %), and Vietnam (+2 %)
- The group of **Central Asian Economies** is projected to expand by (+) 4.7 % in 2021
- **India is expected to record high growth of 9.7 % in 2021 and 7.5 % in 2022.**

Other observations of the report

- The ADB states the biggest risk to the outlook remains a resurgence in COVID-19 cases. It has been observed that extensive virus outbreaks can occur even in highly vaccinated countries and force governments to retighten mobility restrictions. Thus , emergence of the highly mutated Omicron variant brings additional uncertainty to the outlook .
- Persistent global supply disruption could constrain export performance and recovery

- ➔ Another risk is rising inflation, which could induce the US to tighten monetary policy earlier than expected and trigger financial volatility.
- ➔ Developing Asia is expected to sustain strong rebound . However , the growth forecasts for East ,South and South -East Asia have been downgraded after renewed outbreaks of coronavirus disease
- ➔ Declining cases and vaccine progress have allowed many economies in developing Asia to start reopening. As a result, forward-looking purchasing managers' indexes (PMIs) rebounded in October from a sluggish third quarter (Q3), which was held back by virus outbreaks and associated restrictions (Table 1)
- ➔ The demand for goods has frequently outrun supply with increase in global activity . PMI supply delivery time, to measure supply disruptions , has steadily increased this year with delays caused by shipping bottlenecks and shortages of key parts such as semiconductors .However , supply disruptions has been less severe and not been much of an issue in Developing Asia .

India's Growth Outlook

Indian economy is expected to grow by 9.7 % in 2021 as against the 10 % in September 2021 majorly on account of slower growth in manufacturing sector caused by supply chain issues that are affecting industry . The country registered a strong 20.1 % growth rebound in Q1 of fiscal year which was followed in Q2 by growth moderation to 8.4 % marginally below expectations as chip shortage hindered the production and sales of the automobiles and electronic goods .

However , GDP growth remained strong driven by growth in private consumption at 8.6 % and in investment at 17.2 % . Growth was broad bases on the supply side driven by strong expansion in services especially public administration and defence and mining . The Agricultural sector remained resilient at 4.5 % while the manufacturing growth moderated to 5.5 % . Supply chain factors such as chip shortages and rising semiconductor prices is expected to suppress economic growth as reflected in the double digit contraction in motor vehicle sales in October and in e-way bills in November 2021.

India's manufacturing and services sector as measured by the PMI index after a strong growth in Q1 2021 has witnessed declining growths in Q2 and Q3 respectively with the advent of the second wave of covid-19 in April 2021 . However , economic activity picked up rapidly in the end of Q3 leading to robust growth in Q4 2021 .

Table 1 - Purchasing managers' indexes

2021											
Manufacturing purchasing managers index , seasonally adjusted											
Economy	Q1			Q2			Q3			Q4	
	Jan	Feb	March	April	May	June	July	August	Sept	Oct	Nov
PRC	51.5	50.9	50.6	51.9	52	51.3	50.3	49.2	50	50.6	49.9
India	57.7	57.5	55.4	55.5	50.8	48.1	55.3	52.3	53.7	55.9	57.6
Indonesia	52.2	50.9	53.2	54.6	55.3	53.5	40.1	43.7	52.2	57.2	53.9
Malaysia*	51.9	50.7	52.9	56.9	54.3	42.9	43.1	46.4	51.1	55.2	55.3
Philippines	52.5	52.5	52.2	49	49.9	50.8	50.4	46.4	50.9	51	51.7
Republic of Korea	53.2	55.3	55.3	54.6	53.7	53.9	53	51.2	52.4	50.2	50.9
Taipei ,China	60.2	60.4	60.8	62.4	62	57.6	59.7	58.5	54.7	55.2	54.9
Thailand	49	47.2	48.8	50.7	47.8	49.5	48.7	48.3	48.9	50.9	50.6
Vietnam	51.3	51.6	53.6	54.7	53.1	44.1	45.1	40.2	40.2	52.1	52.2
Services purchasing manager index , seasonally adjusted											
PRC	52	51.5	54.3	56.3	55.1	50.3	54.9	46.7	53.4	53.8	52.1
India	52.8	55.3	54.6	54	46.4	41.2	45.4	56.7	55.2	58.4	58.1

Source: CEIC Data Company

PRC = People's Republic of China, Q = quarter. *For Malaysia, the series is adjusted by adding 3 points, as historical experience suggests that an index value above 47 is consistent with expansion. PMI <50 indicates contraction (< 50) and while > 50 indicates expansion

In India, inflation in the first 7 months of FY2021 averaged at 5.2%, but some pressure is expected to build as chip shortages drive up semiconductor prices. The projection for the whole year is increased marginally to 5.6% .

Indian economy ,notwithstanding the slowdown towards the end of Q2 , is expected to rebound strongly in FY 2021 by 9.7 % in 2021 and grow moderately by 7.5 % in 2022 as domestic demand normalises . Decline in covid -cases in latter part of 2021 and government's initiatives to vaccinate the population with at least one dose are some other positive developments that can push economic growth in the country further in coming year .

Table 2
GDP Growth Rate ,% per year
(% change)

Particulars	2020	Projections	
		2021	2022
Major advanced economies	-4.6	4.8	4
USA	-3.4	5.5	3.0
Euro Area	-6.5	4.8	4.5
Japan	-4.7	2.1	2.9
Developing Asia	-0.1	7	5.3
Central Asia	-1.9	4.7	4.4
Kazakhstan	-2.6	3.7	3.9
East Asia	1.8	7.5	5
Hong Kong, China	-6.1	6.4	3.4
People's Republic of China	2.3	8	5.3
Republic of Korea	-0.9	4	3.1
Taipei, China	3.1	6.2	3
South Asia	-5.6	8.6	7
India	-7.3	9.7	7.5
South East Asia	-4	3	5.1
Indonesia	-2.1	3.5	5
Malaysia	-5.6	3.8	5.9
Philippines	-9.6	5.1	6
Singapore	-5.4	6.9	4.1
Thailand	-6.1	1	4
Vietnam	2.9	2	6.5
The Pacific	-5.3	-0.6	4.7

Source: Asian Development Bank

ADO = Asian Development Outlook, ADOS = ADO Supplement, GDP = gross domestic product, NIEs = newly industrialized economies of Hong Kong, China; the Republic of Korea; Singapore; and Taipei, China. Note: Developing Asia refers to the 46 members of the Asian Development Bank listed below. Central Asia comprises Armenia, Azerbaijan, Georgia, Kazakhstan, the Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan. East Asia comprises Hong Kong, China; Mongolia; the People's Republic of China; the Republic of Korea; and Taipei, China. South Asia comprises Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka. Southeast Asia comprises Brunei Darussalam, Cambodia, Indonesia, the Lao People's Democratic Republic, Malaysia, Myanmar, the Philippines, Singapore, Thailand, Timor-Leste, and Viet Nam. The Pacific comprises the Cook Islands, the Federated States of Micronesia, Fiji, Kiribati, the Marshall Islands, Nauru, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu.

Analysis By: GJEPC Statistics Team
