

Developing Asia's Economic Outlook

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ASIAN DEVELOPMENT OUTLOOK
SEPTEMBER 2023



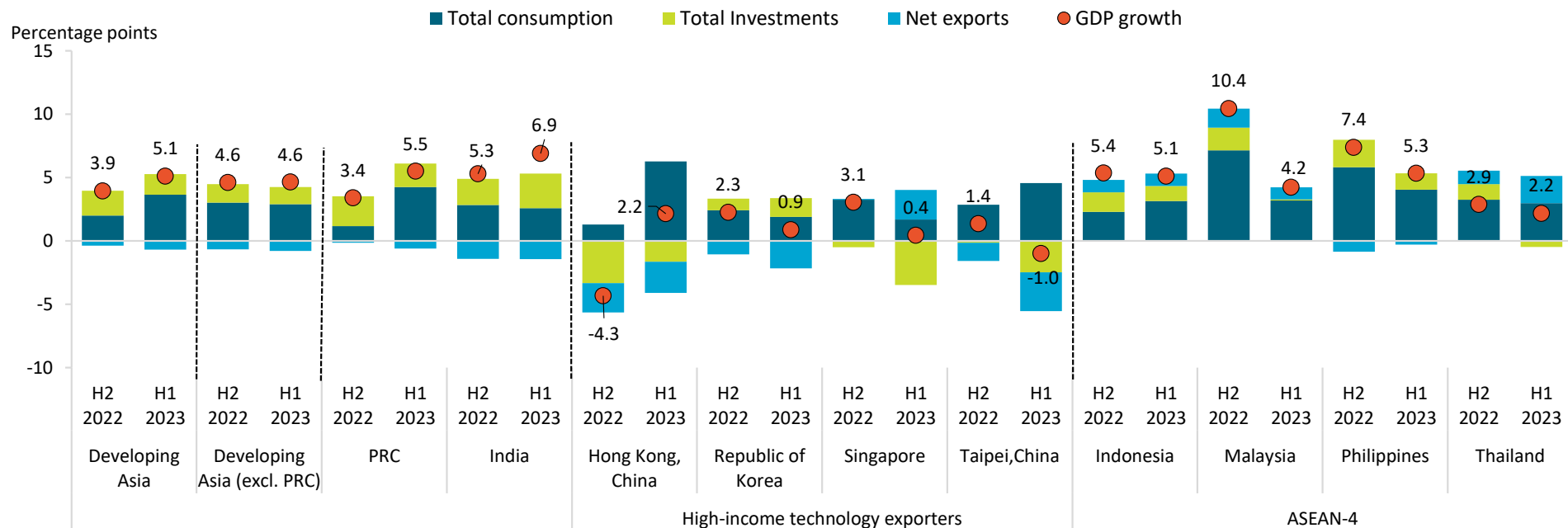
Continued growth and moderating inflation but risks are rising

- Developing Asia's growth has been upbeat, driven by healthy domestic demand.
- Weak external demand and property market concerns in the PRC weigh on the outlook.
- The regional forecast is revised down to 4.7% for 2023 and maintained at 4.8% for 2024.
- Inflation is projected to decline from 4.4% in 2022 to 3.6% in 2023 and 3.5% in 2024, as energy and food prices moderate.
- Risks have intensified with weaknesses in the PRC's property sector, and financial stability concerns are elevated.

Healthy domestic demand continued to drive the region's growth in the first half of 2023

Consumption and investment remain robust in many economies.

Demand-side contributions to real GDP growth



H = half, PRC = People's Republic of China, ASEAN = Association of Southeast Asian Nations

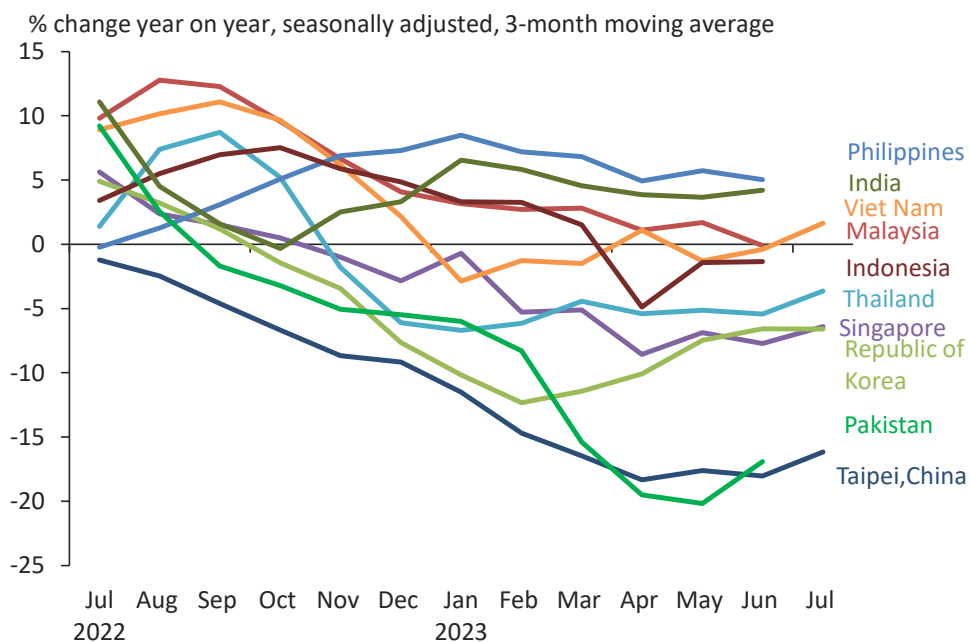
Note: Components do not add up to total due to statistical discrepancy and chain-linking method of GDP estimation and reporting. The regional average is calculated using GDP PPP shares as weights. All data are in calendar years and in non-seasonally adjusted terms.

Source: Staff calculations using data from Haver Analytics.

External sector weakness held back manufacturing, while services remained robust

Soft external demand held back industrial production

Industrial production index



Source: CEIC Data Company.

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Manufacturing PMI indices diverged, and services remained strong

Purchasing Managers' Index (>50 improvement; <50 worsening)

Economy	2023							
	Q1			Q2			Q3	
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Manufacturing PMI, seasonally adjusted								
India	55.4	55.3	56.4	57.2	58.7	57.8	57.7	58.6
Indonesia	51.3	51.2	51.9	52.7	50.3	52.5	53.3	53.9
PRC	49.2	51.6	50.0	49.5	50.9	50.5	49.2	51.0
Viet Nam	47.4	51.2	47.7	46.7	45.3	46.2	48.7	50.5
Singapore	49.8	50.0	49.9	49.7	49.5	49.7	49.8	49.9
Philippines	53.5	52.7	52.5	51.4	52.2	50.9	51.9	49.7
Thailand	54.5	54.8	53.1	60.4	58.2	53.2	50.7	48.9
Republic of Korea	48.5	48.5	47.6	48.1	48.4	47.8	49.4	48.9
Malaysia	46.5	48.4	48.8	48.8	47.8	47.7	47.8	47.8
Taipei,China	44.3	49.0	48.6	47.1	44.3	44.8	44.1	44.3
Services PMI, seasonally adjusted								
India	57.2	59.4	57.8	62.0	61.2	58.5	62.3	60.1
PRC	52.9	55.0	57.8	56.4	57.1	53.9	54.1	51.8
Services PMI, not seasonally adjusted								
Sri Lanka	50.2	48.7	55.1	49.6	53.5	56.7	59.5	...
Philippines	53.7	54.9	53.4	56.9	54.0	53.0	48.2	...

... = not available, PRC = People's Republic of China, Q = quarter.
 Note: Pink to red indicates worsening (<50) and white to green indicates improvement (>50). Series for Singapore is not seasonally adjusted.
 Source: CEIC Data Company.

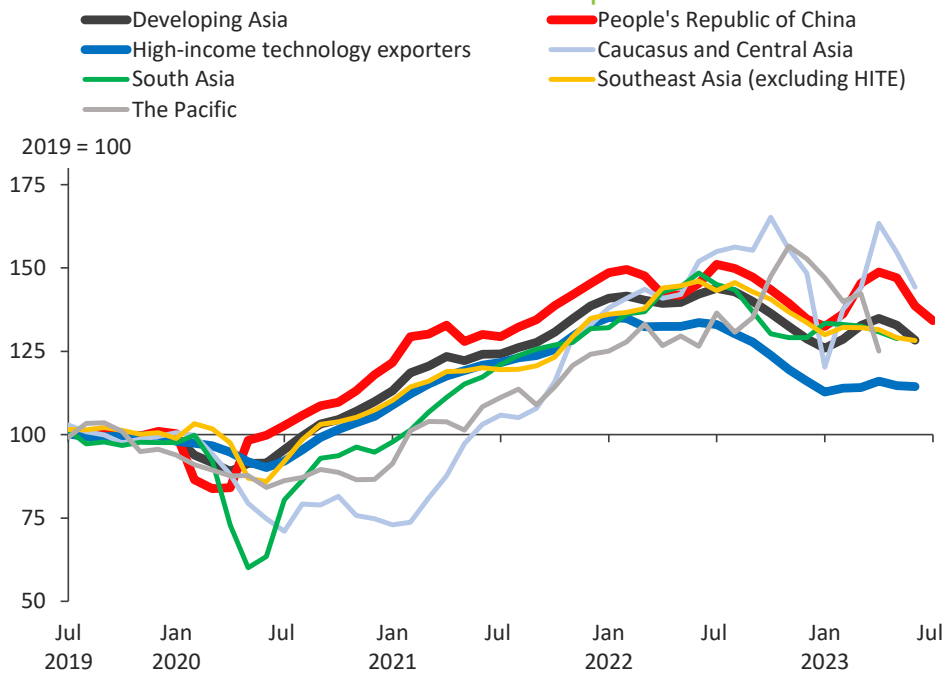
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Goods exports are showing some signs of bottoming out

Exports growth decelerated but shows some signs of stabilizing

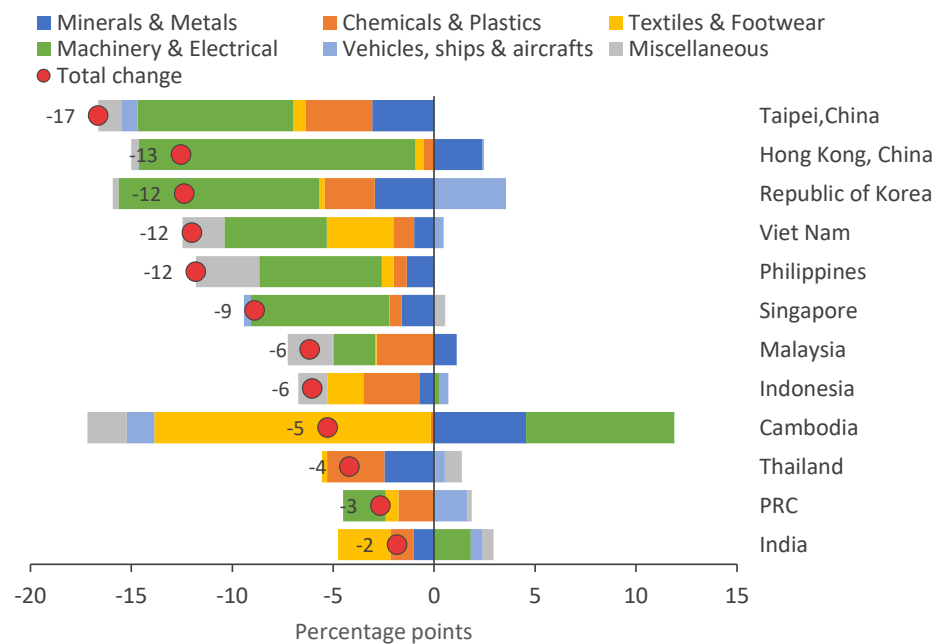
Nominal Goods Exports



3-month moving averages.
High-income technology exporters = Singapore, Republic of Korea, Taipei, China, Hong Kong, China.
Sources: CEIC Data Company.

Exports of electronics and garments declined the most

Contributions to Exports Growth by Product



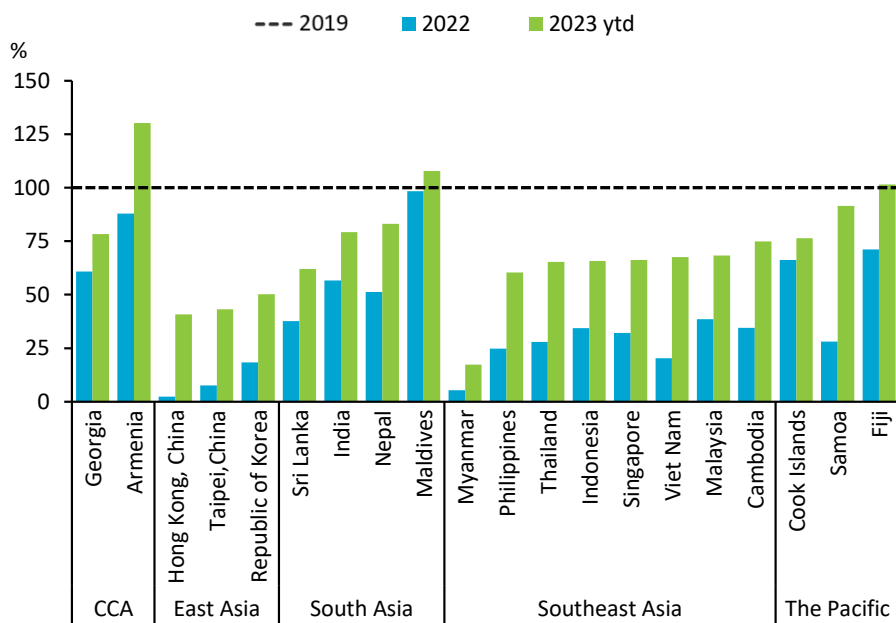
PRC = People's Republic of China
Year-to-date contributions to exports growth. Timing varies by economy.
Sources: International Trade Centre, CEIC Data Company.

Tourism continues recovering, and money transfers to the region are robust

Tourist arrivals continue recovering toward pre-pandemic levels

Money transfers remain large for most economies

Tourist Arrivals by Subregion, relative to 2019

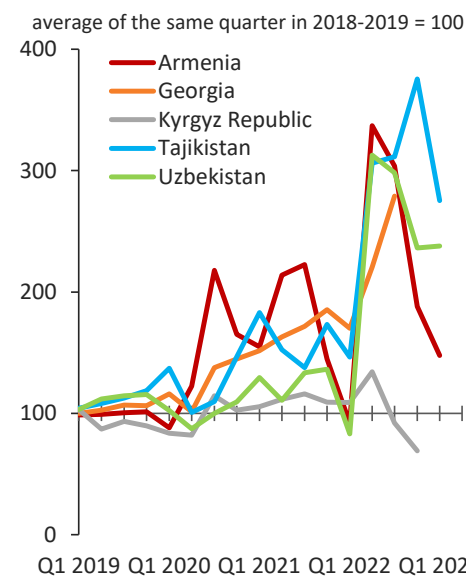
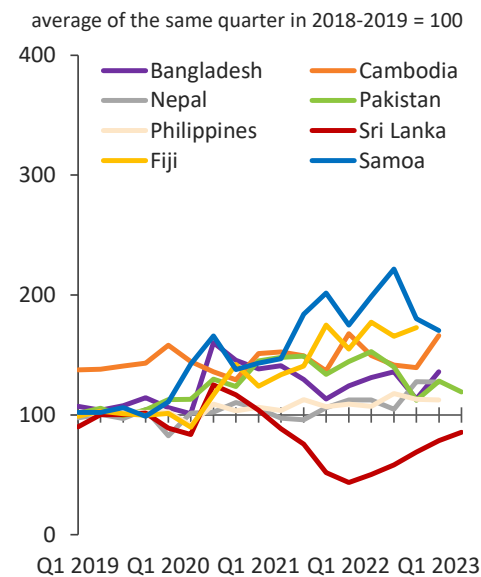


CCA = Caucasus and Central Asia
 Notes: Year-to-date figures for 2023 compared to same months in 2019.
 Sources: CEIC Data Company, official national sources.

Net Personal Transfers

A. South Asia, Southeast Asia, and the Pacific

B. Caucasus and Central Asia

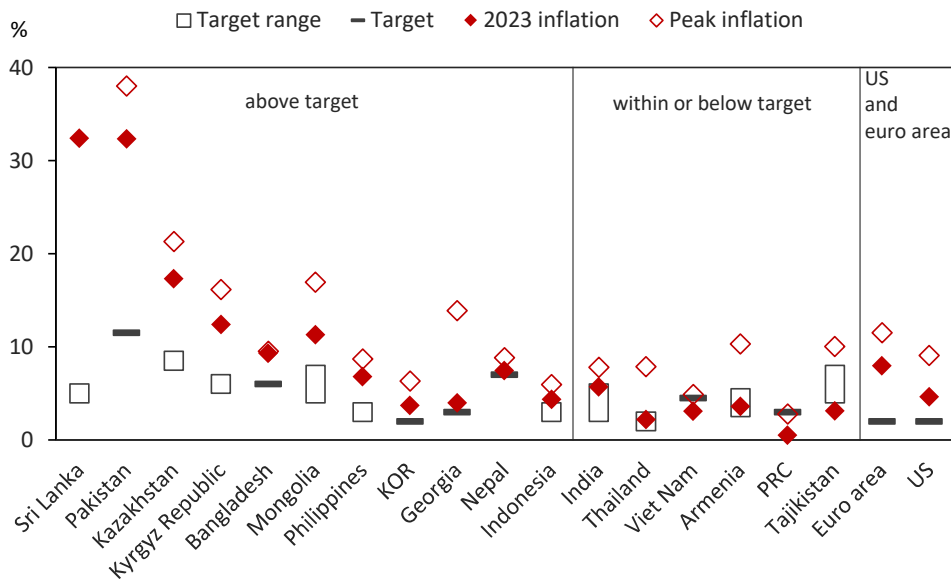


Sources: CEIC Data Company; official national sources.

Monetary policy tightening has paused in many economies

Inflation is slowing and is within or close to targets for several economies

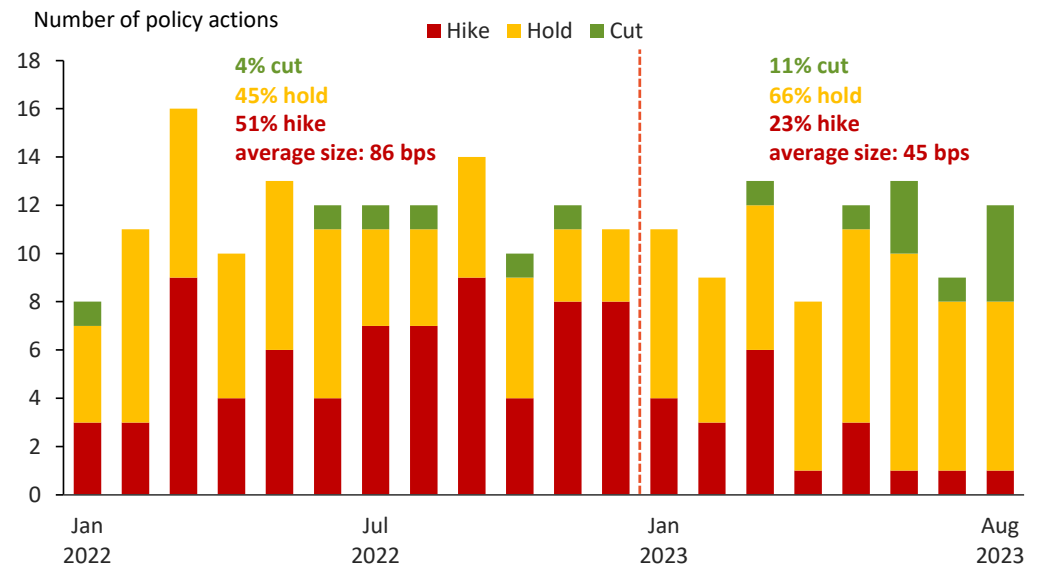
Inflation and Inflation Targets



PRC = People's Republic of China, KOR = Republic of Korea, US = United States.
 Notes: Graph is sorted by the size of the gap between 2023 inflation and inflation target. Peak inflation refers to the highest point since January 2021; Sri Lanka peak inflation was 73% and omitted for scale. Inflation refers to the average for January to July 2023. Inflation targets are the central bank point targets or target ranges.
 Source: CEIC Data Company.

Most central banks continued to hold, some have started to loosen

Policy Interest Rate Decisions

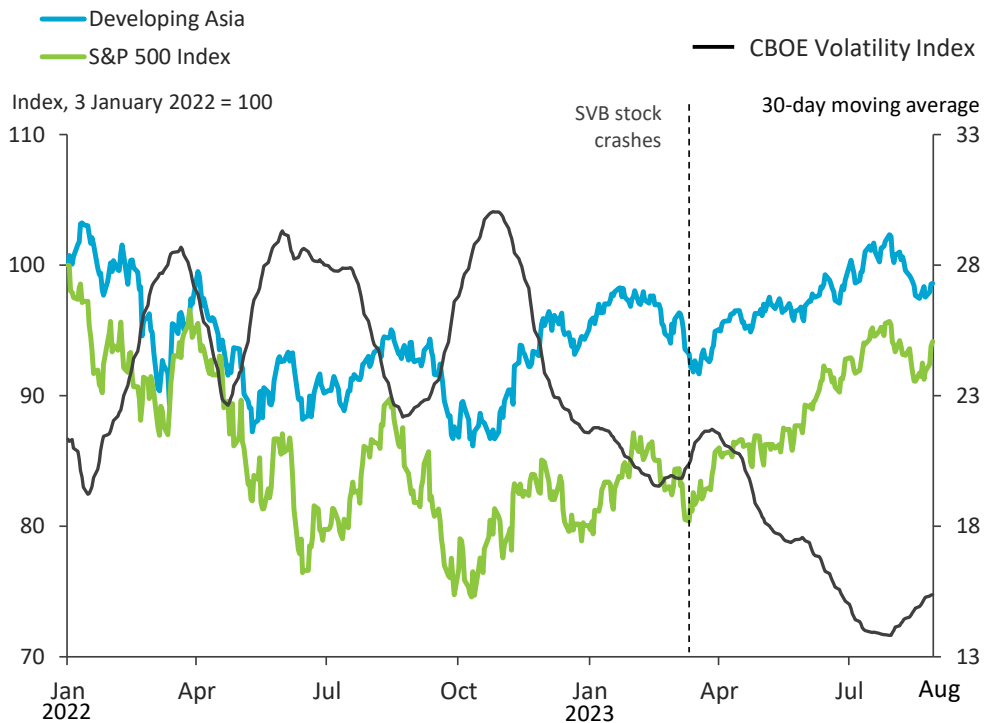


bps = basis points.
 Note: The figure covers Armenia; Azerbaijan; Georgia; Hong Kong, China; India; Indonesia; Kazakhstan; Kyrgyz Republic; Malaysia; Mongolia; Pakistan; Philippines; People's Republic of China; Republic of Korea; Sri Lanka; Tajikistan; Taipei, China; Thailand; and Uzbekistan.
 Source: Trading Economics.

Financial market conditions have improved after a rough start to 2023

Equity markets have rallied since March on improved sentiments

Equity Market Performance

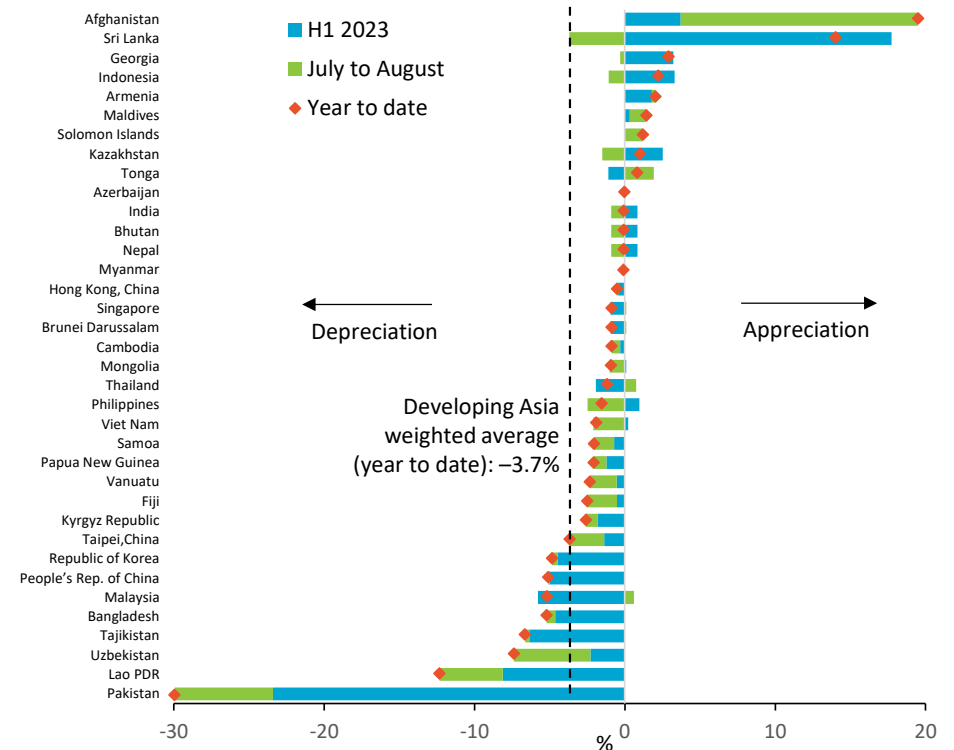


CBOE = Chicago Board Options Exchange, SVB = Silicon Valley Bank.
Source: Bloomberg.

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Regional currencies marginally depreciated against US dollar so far this year

Exchange Rate Movement relative to USD



H = half, Lao PDR = Lao People's Democratic Republic.
Source: Bloomberg.

Global demand will slow less than expected

Global growth is now forecast to decelerate more gradually this year

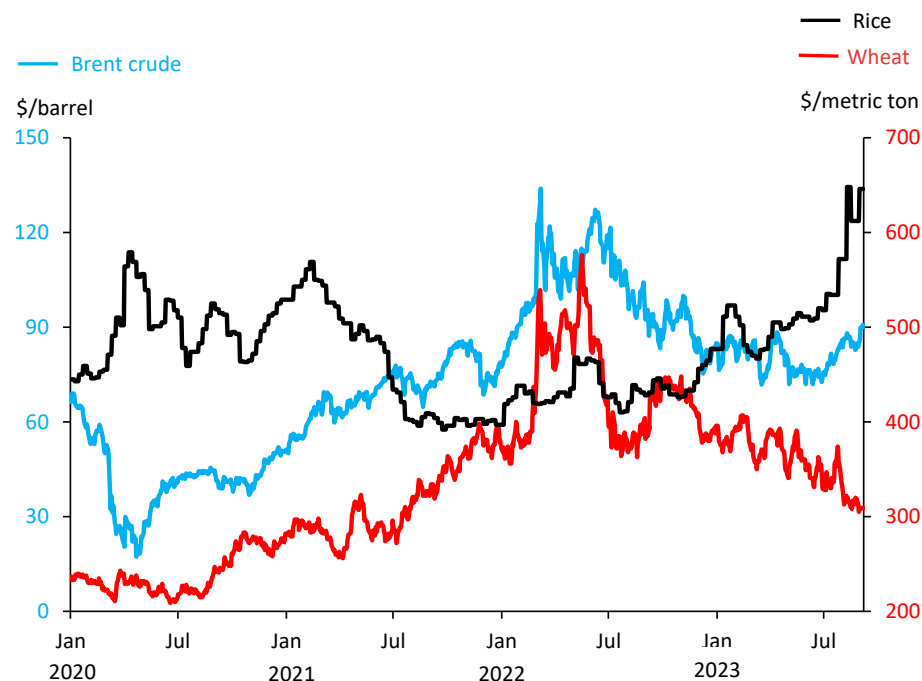
Energy prices came down, but rice prices are at a 15-year high

Baseline Assumptions on the International Economy

	2022	2023		2024	
	Actual	ADO April	ADO September	ADO April	ADO September
GDP growth, %					
Major advanced economies	2.5	0.7	1.4	1.3	0.9
United States	2.1	0.9	1.9	1.3	0.8
Euro area	3.5	0.5	0.7	1.4	1.1
Japan	1.0	0.8	1.7	0.8	0.5
Inflation, %					
Major advanced economies	7.5	4.4	4.5	2.4	2.3
United States	8.0	4.0	4.0	2.4	2.4
Euro area	8.4	5.7	5.7	2.5	2.5
Japan	2.3	2.0	2.9	1.9	1.5
Brent crude spot price, average, \$/barrel	100	88	83	90	86

Sources: Bloomberg; CEIC Data Company; Haver Analytics; IMF World Economic Outlook; Asian Development Bank estimates.

Commodity Prices



Source: Bloomberg.

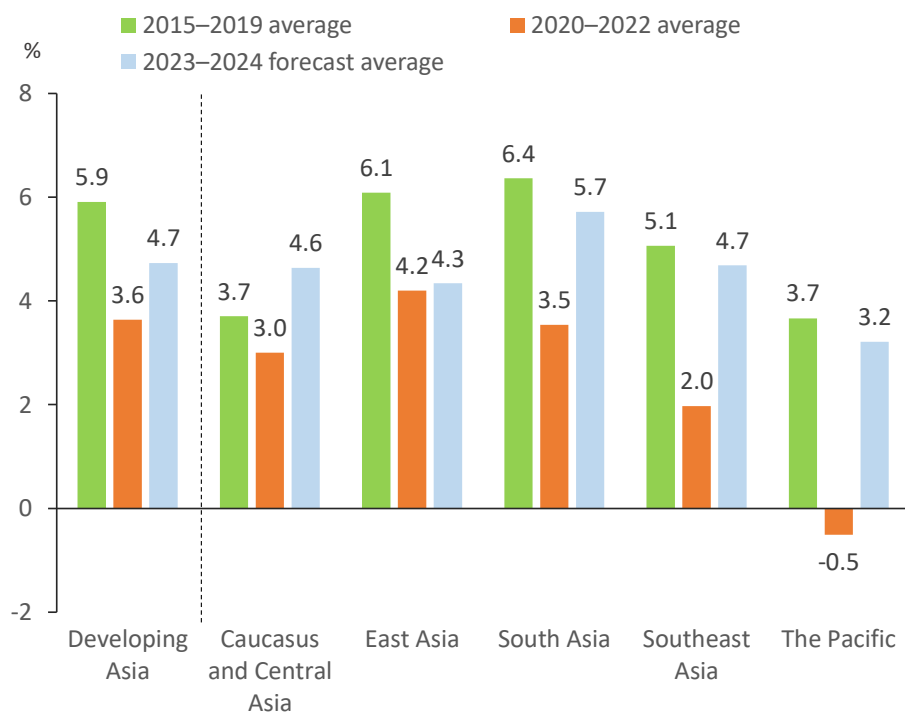
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The regional growth forecast is revised down to 4.7% for 2023 and maintained at 4.8% for 2024

GDP growth is returning to pre-pandemic rates...



Source: Asian Development Outlook database.

...and converging across subregions

	2022	2023		2024	
		Apr ADO	Sep ADO	Apr ADO	Sep ADO
Developing Asia	4.3	4.8	4.7	4.8	4.8
Developing Asia excluding the PRC	5.5	4.6	4.5	5.1	5.0
Caucasus and Central Asia	5.1	4.4	4.6	4.6	4.7
Armenia	12.6	6.5	7.0	5.5	5.5
Georgia	10.1	4.5	6.0	5.0	5.0
Kazakhstan	3.2	3.7	4.1	4.1	4.3
Uzbekistan	5.7	5.0	5.5	5.0	5.5
East Asia	2.8	4.6	4.4	4.2	4.2
Hong Kong, China	-3.5	3.6	4.3	3.7	3.3
People's Republic of China	3.0	5.0	4.9	4.5	4.5
Republic of Korea	2.6	1.5	1.3	2.2	2.2
Taipei, China	2.4	2.0	1.2	2.6	2.7
South Asia	6.7	5.5	5.4	6.1	6.0
India	7.2	6.4	6.3	6.7	6.7
Pakistan	6.1	0.6	0.3	2.0	1.9
Sri Lanka	-7.8	-3.0	-3.0	1.3	1.3
Southeast Asia	5.6	4.7	4.6	5.0	4.8
Indonesia	5.3	4.8	5.0	5.0	5.0
Malaysia	8.7	4.7	4.5	4.9	4.9
Philippines	7.6	6.0	5.7	6.2	6.2
Singapore	3.6	2.0	1.0	3.0	2.5
Thailand	2.6	3.3	3.5	3.7	3.7
Viet Nam	8.0	6.5	5.8	6.8	6.0
The Pacific	6.1	3.3	3.5	2.8	2.9
Fiji	20.0	6.3	8.3	3.0	3.7
Papua New Guinea	3.2	2.4	2.0	2.6	2.6

Source: Asian Development Outlook database.

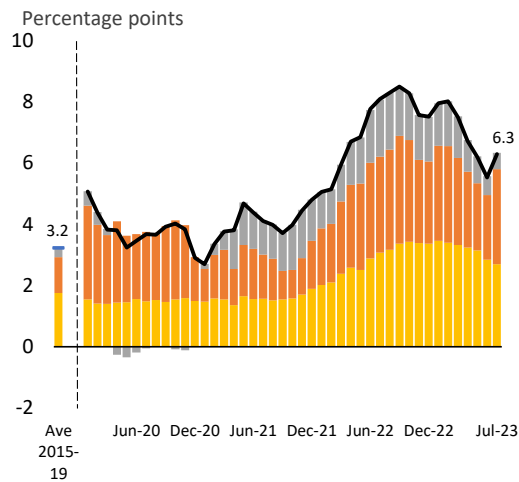
Inflation is forecast to further come down

The drivers of inflation are receding

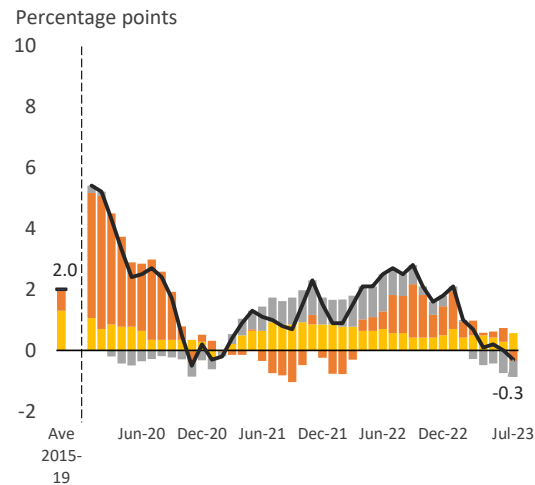
Contributions to Inflation

Energy-related
 Food and nonalcoholic beverages
 Core inflation
 Headline inflation

A. Developing Asia excluding the People's Republic of China



B. People's Republic of China



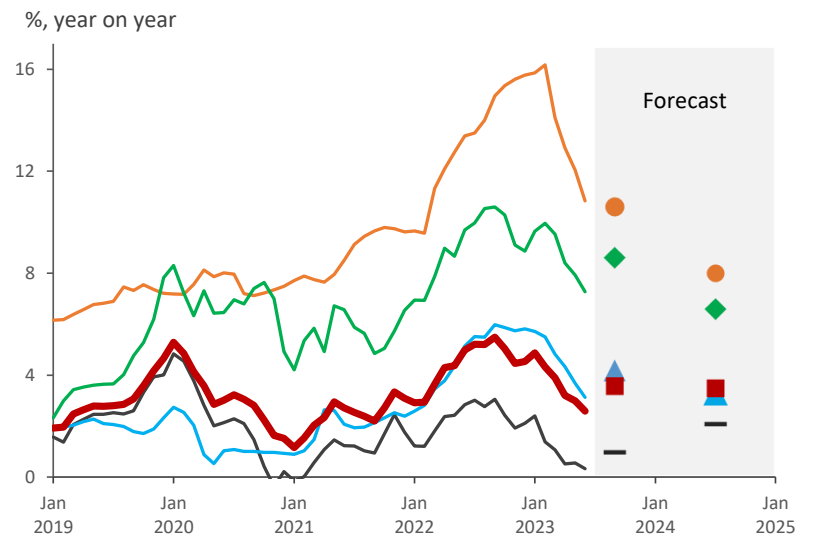
Note: Core inflation excludes volatile components, i.e. energy and fuel. Regional average is calculated using GDP PPP shares as weights and covers 22 economies.

Sources: Staff calculations using data from Haver Analytics; CEIC Data Company; national sources.

Prices are expected to further moderate

Monthly Inflation and ADO Annual Forecasts

Caucasus and Central Asia
 South Asia
 Developing Asia
 East Asia
 Southeast Asia



Sources: Asian Development Outlook database; CEIC Data Company.

Risks to the outlook have intensified

- The PRC's weak property sector poses a risk to its already fragile recovery and could hold back growth.
- Financial stability risks remain elevated.
- El Niño has heightened food security risks.
- The stance of monetary policy in advanced economies is also key in shaping the region's outlook.