ASIAN DEVELOPMENT OUTLOOK

JULY 2023
Developing Asia’s growth remains robust as inflation moderates

• Developing Asia’s outlook remains cautiously optimistic, as the PRC reopening and domestic consumption and investment continue to underpin growth in the region.

• Industrial activity in export-oriented economies has weakened, as global demand slows.

• The regional growth forecast is maintained at 4.8% for 2023 and marginally revised downward to 4.7% for 2024.

• Headline inflation is returning to pre-pandemic averages, as supply-side pressures from energy and food prices wane.

• Risks to the outlook are balanced. Higher-for-longer interest rates in the US and other advanced economies could dent growth prospects.
Weak global demand held back industrial production in export-oriented economies

Industrial output fell from last year’s levels in major manufacturing economies

Manufacturing remained weak in key technology exporters but remained resilient elsewhere

Manufacturing Purchasing Managers’ Index
(>50 improvement; <50 worsening)

<table>
<thead>
<tr>
<th>Economy</th>
<th>2022 Q3</th>
<th>2022 Q4</th>
<th>2023 Q1</th>
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Source: CEIC Data Company.

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.
Goods exports fell, but the tourism recovery is in full swing

**PRC exports have weakened again after a spike, as suppliers filled order backlogs**

Nominal Goods Exports

Tourism continues to converge toward pre-pandemic levels

Visitor Arrivals

Key technology exporters = Singapore, Republic of Korea, Taipei, China.

Sources: CEIC Data Company, CPB World Trade Monitor.

Note: The sample is restricted to economies where tourism accounted for at least 5% of gross domestic product in the latest year with available data. Sources: CEIC Data Company, national sources.
Rate hikes have slowed as inflationary pressures wane, but monetary policy remains tight

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

Policy Interest Rate Decisions, Selected Regional Economies

Note: Economies included are 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 conditions improved since March

Equity markets recovered from the losses inflicted in March by poor investor sentiment during the banking turmoil in the US and Europe.

Equity Market Performance

After broad weakening in 2022, most currencies have remained stable against the US dollar in first half 2023.

Exchange Rate Movements

Index, 3 January 2022 = 100

Global commodity prices are levelling off, albeit at higher than pre-COVID-19 levels

Oil and gas prices expected to pick up gradually... ...as food prices remain above pre-pandemic levels.

### Fossil Fuel Prices

- **Brent crude spot price**
- **ADO July Brent crude forecast**

### Food Prices

- Rice (Thailand)
- Palm oil (Malaysia)
- Corn (US)
- Wheat (US)

% change from 31 December 2019

**Sources:** Bloomberg; CEIC Data Company; Investing.com; World Bank. Commodity Markets, Pink Sheet data.
The PRC's recovery and healthy domestic demand elsewhere will support growth in the region

GDP growth is projected to return to pre-pandemic rates...

...with some variation across economies.

Source: Asian Development Outlook database.
Inflation is forecast to moderate, to varying degrees across the region

Regional inflation is projected to decelerate...

...but price pressures will vary across economies in 2023.

Source: Asian Development Outlook database.
Risks to regional growth are balanced

• Persistently high inflation and interest rates in the US and other advanced economies could hinder the region’s recovery.

• Financial stability risks have heightened and will need to be monitored.

• Escalation of the Russian invasion of Ukraine could renew energy and food security challenges and rekindle inflation pressure.

• Other challenges include global fracturing and climate change.