



ASIAN DEVELOPMENT OUTLOOK 2017

TRANSCENDING THE MIDDLE-INCOME CHALLENGE

HIGHLIGHTS

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ADO 2017—Highlights

Developing Asia continued to perform well even as recovery in the major industrial economies remained weak. The region is forecast to expand by 5.7% in 2017 and 2018, nearly the 5.8% growth achieved in 2016, as moderation in the People's Republic of China is balanced by a healthy pickup in most other economies in the region.

Inflation revived to 2.5% in 2016, on the back of strong consumer demand and rebounding global commodity prices. The pace will accelerate further to 3.0% in 2017 and 3.2% in 2018, still below the average rate for the past 10 years.

The region faces risks from uncertain policy direction in the advanced economies, including the pace of interest rate normalization in the United States. While short-term risks seem manageable, regional policy makers should remain vigilant to respond to possible spillover through capital flows and exchange rate movements.

Decades of rapid growth transformed developing Asia from a low-income region to middle income. Sustaining growth to power the transition into high income will depend on much greater improvement to productivity. Innovation, human capital, and infrastructure are the three pillars of productivity growth. Supportive institutions and policies, underpinned by macroeconomic stability, can strengthen all three pillars. Asia's dynamic track record suggests that the journey to high income, while challenging, is achievable.



Chief Economist
Asian Development Bank

Solid growth despite policy uncertainty

Asia tacks to shifting headwinds

- **Continued expansion helps developing Asia deliver more than 60% of global growth.** Gross domestic product (GDP) for the region as a whole is expected to grow by 5.7% in 2017 and 2018, a tick down from the 2016 outcome of 5.8% as the controlled moderation of growth in the People's Republic of China (PRC) is balanced by expected healthy growth elsewhere. Excluding the high-income newly industrialized economies—the Republic of Korea, Singapore, Taipei, China, and Hong Kong, China—regional growth is expected to reach 6.3% in 2017 and 6.2% in 2018. Growth is picking up in 30 of the 45 economies in developing Asia, supported by higher external demand and rebounding global commodity prices.
- » **The industrial economies are gathering some growth momentum.** After slowing in the first half of 2016, the United States, the euro area, and Japan are forecast to grow collectively by 1.9% in both 2017 and 2018. Recovery in the US is solid as unemployment has declined to 4.7%, and as consumer and business confidence soar, but confidence depends on the policy directions under the new administration. In the euro area as well, recovery is evident but more fragile in light of the uncertain future of the economic union. In Japan, the recovery will continue but may lose some steam unless export growth maintains its new momentum.
- » **The PRC continues to rebalance, depending more on consumption to drive growth.** A further shift of economic activity from industry to services shows rebalancing progressing as planned. Growth in the PRC now relies more on internal demand and less on exports. Moderate deceleration of growth to 6.5% is expected in 2017, within the government's target range, and further to 6.2% in 2018. The authorities are likely to emphasize the maintenance of financial and fiscal stability and accept the cost of marginally lower growth.
- » **India's expansion will bounce back from a temporary liquidity squeeze.** The decision to demonetize high-denomination banknotes in November 2016 quelled cash-intensive economic activity, but the impact is expected to be short lived. Government deregulation and reform of taxes on goods and services, among other areas, should improve confidence and thus business investment and growth prospects. Growth is expected to edge up to 7.4% in 2017 and 7.6% in 2018.
- » **Growth in Southeast Asia is forecast to accelerate further.** After rising 0.1 percentage points to 4.7% in 2016, growth will continue to improve to 4.8% in 2017 and 5.0% in 2018, with nearly all Southeast Asian economies showing an upward trend. Recovery for global food and fuel prices and in agricultural output will help commodity producers such as Indonesia, Malaysia, and Viet Nam. Indonesia, the largest economy in the subregion, should see fiscal and structural reforms boost domestic demand.
- » **Prospects for Central Asia and the Pacific rise along with commodity prices.** Higher oil prices will support fiscal spending in Azerbaijan and Kazakhstan, and one-off currency depreciation in these economies has already improved net exports. Growth in Central Asia is projected to accelerate to 3.1% in 2017 and 3.5% in 2018,

though individual economies are growing at significantly different rates. In the Pacific, rising commodity prices are taking some pressure off a fiscal crunch in Papua New Guinea. With Fiji and Vanuatu recovering from natural disasters suffered in 2015, the Pacific subregion as a whole will grow by 2.9% in 2017 and 3.3% in 2018.

- **Strong consumer demand and rising global commodity prices will boost inflation.** After rising 0.3 percentage points to 2.5% in 2016, regional inflation is projected to accelerate further to 3.0% in 2017 and 3.2% in 2018. The pickup also reflects the temporary effects of the large devaluations in some Central Asian economies. Overall, price rises are still reasonable, below the 10-year average of 3.9%, and unlikely to alter Asian expectations of relatively stable prices.
- **The region's current account surplus will narrow even as exports recover.** As a share of world GDP, developing Asia's current account surplus is forecast to narrow from 0.7% in 2016 to less than 0.5% in both 2017 and 2018. Recent data suggest improved exports from many Asian economies, particularly traditional exporters of manufactured goods, yet the recovery in imports is even stronger. At the same time, though, rebalancing is progressing in the PRC as it relies more on private consumption for growth.
- **Uncertain policy directions abroad could undermine the regional outlook.** While baseline assumptions have factored in gradual increases in US interest rates, sharper-than-expected US monetary tightening could have further consequences for developing Asia. Economies in the region with high corporate or household debt would be particularly vulnerable to financial shock. Possible shifts in trade and tax policies, especially policy changes being discussed in the US, could create uncertainty for business investment and export growth in developing Asia. While a potential boon to the region's oil importers, weaker-than-expected oil price trends could delay recovery in the oil and gas exporters in Central Asia and the Pacific.

Risk of sharper US interest rate hikes

- **The US Federal Reserve is unlikely to raise interest rates sharply.** As Asia braces for higher US interest rates, the question is how much higher? A recent surge in US inflation may accelerate the tightening cycle for interest rates that is now under way. However, interest rate increases sharper than the expected gradual rise would have to be accompanied by more acceleration in US economic growth than is currently forecast. Such a scenario could be envisaged under a possible fiscal stimulus later in 2017, but even then, any pickup in US growth would take time to materialize.
- **The consequences would differ across Asia depending on exchange rate regime.** US monetary tightening would put pressure on Asian currencies to depreciate against the dollar, but the impact would depend on how the exchange rate is managed. Absent monetary policy response from regional authorities, economies with more open capital accounts would tend to experience deeper currency depreciation. Economies where the authorities intervene to maintain a stable currency would tend to forfeit export price competitiveness to those with more flexible exchange rate regimes. However, inflation could intensify under flexible arrangements, imperiling domestic macroeconomic stability. In this case, the authorities might find it necessary to tighten domestic liquidity to contain pressures on exchange rates and consumer prices.

Capital flows and financial risks

- **Economies in emerging Asia are already experiencing net capital outflows.** The PRC drives the overall direction of flows in the region, and outflows from its banking activities and portfolio investments generated net outflows of \$35 billion beginning in the second quarter of 2014 that expanded to exceed \$130 billion in the third quarter of 2016. Even foreign direct investment has turned to net outflow since the second half of 2015 as PRC investment abroad has risen and inflows declined. Despite the negative trend in net flows overall, some variation persists, with India, Indonesia, and Viet Nam notable among those still capitalizing on net inflows of foreign direct investment.
- **Net outflow from economies in emerging Asia is expected to continue next year.** As the global economy starts to pick up, uncertainty will become a key theme for investors in 2017. Continuing US economic improvement, as marked by normalization of its monetary policy, will be a pull factor for capital to flow out of the region. Other major risks to financial markets in emerging Asia are policy and political uncertainty in the US and the euro area, as well as possible further currency depreciation in the PRC.
- **Global liquidity conditions mitigate the risk of destabilizing capital outflows.** Although US monetary policy normalization raises the prospect of outflows from developing Asia, the continuation of accommodative monetary policies in other advanced economies limits the tightening of overall global liquidity. Since this eases the pressure on central banks to raise interest rates to manage capital movements, they still retain some scope for supporting the region's growth momentum.
- **One risk is mounting household debt in some Asian economies.** The ratio of debt to GDP has surged in several economies, notably rising in the Republic of Korea from 74% in late 2008 to nearly 91% in the third quarter of 2016, and to about 71% in Malaysia and Thailand. So far the risk from high household leverage in the region is contained by favorable growth and employment conditions, fairly stable asset prices, and well capitalized banking sectors with low nonperforming loan ratios. However, there is scope to further bolster macroprudential policy, such as tightening ratios of debt to income and of loans to asset values. Policy makers may also have to stress-test their banking sectors regularly to track bank exposure and identify needs for special reserves. They may have to intervene more decisively in housing markets as well to cool speculative demand and head off asset bubbles.

Outlook by subregion

- **Average growth in developing Asia slows, upstaging higher projections for most economies.** Growth is forecast to accelerate in two-thirds of the region's economies and in all of the subregions except East Asia. The external environment generally supports growth. A projected mild rise in commodity prices will help oil and gas exporters but not at the expense of importers. Demand for the region's exports in general will benefit from an expected pickup in the major industrial economies and the Russian Federation. However, country-specific factors still generate considerable diversity in expected growth and inflation across the region.
- **East Asia's growth slowdown reflects continued moderation in the PRC.** Subregional growth dipped by 0.1 percentage points to 6.0% in 2016. The PRC slowed to 6.7% despite fiscal and monetary support as private investment weakened. Growth also dipped in Mongolia as construction faltered and in Hong Kong, China as tourist arrivals dropped. The rate is projected to moderate further in the PRC to 6.5% this year and 6.2% next as structural reform continues and the authorities emphasize financial stability. This will push the subregional average down to 5.8% in 2017 and 5.6% in 2018. Yet large government outlays will lift growth in Taipei, China and Hong Kong, China this year and the next. Mining investment will buoy growth in Mongolia, and the return of political stability in the Republic of Korea should pay a mild growth dividend in 2018. Inflation accelerated in East Asia last year but slowed in Mongolia on lower meat prices. It is expected to pick up modestly from 1.9% in 2016 to 2.3% in 2017 and 2.6% in 2018.
- **South Asia resumes faster growth after a brief pause.** Subregional growth dropped by 0.5 percentage points to 6.7% in 2016 on account of slowing growth in India. Despite stronger government consumption and external demand, growth faltered in India to 7.1% from 7.9% in 2015 as fixed investment languished and demonetization temporarily stymied commerce. Growth in South Asia is forecast to rebound to 7.0% in 2017 and pick up further to 7.2% in 2018. India will see growth reaccelerate to 7.4% in fiscal 2017 and 7.6% in 2018 despite drag caused by excessive corporate investment in the past and bank lending currently constrained by a heavy load of stressed assets. Elsewhere, growth will be lifted by spending on earthquake reconstruction in Nepal, hydropower investment and output in Bhutan, and economic corridor investment from the PRC in Pakistan. Inflation in South Asia has trended lower in recent years, easing to 4.6% in 2016 as buyers benefited from low prices for oil and other commodities. With these prices turning upward over the forecast period, inflation in South Asia is projected to revive to 5.2% in 2017 and 5.4% in 2018.
- **Southeast Asian prospects brighten with buoyant growth across the subregion.** Economic expansion accelerated by 4.7% in 2016, up by 0.1 percentage points from the previous year, as growth edged higher in several larger economies: Indonesia, the Philippines, Singapore, and Thailand. With normal weather supporting agriculture and steady recovery in the major industrial economies boosting exports, growth will pick up in nearly all of the economies in the subregion, nudging average growth to 4.8% in 2017 and 5.0% in 2018. The only exception is the Philippines, where growth will moderate from its record 6.8% in 2016 to a pace approximating 6.5% this year and next. While higher infrastructure investment will provide an additional impetus to growth in Brunei

Darussalam, Indonesia, the Lao People's Democratic Republic, the Philippines, and Thailand, record foreign direct investment will be a key factor supporting growth in Viet Nam. Strengthening growth and rising international oil prices will mean higher inflation and a narrower current account surplus for the subregion. Average inflation is forecast to rise from 2.1% in 2016 to 3.3% this year, edging up further to 3.5% next year.

- **Central Asia looks forward to a modest growth rebound.** Continued low oil prices, recession in the Russian Federation, and weakness in other trading partners cut growth in Central Asia to 2.1% in 2016 from 3.1% a year earlier. Declining oil revenues hit Kazakhstan and Azerbaijan particularly hard, with the latter falling into recession. Anticipated recovery for international oil prices and for growth in the Russian Federation are projected to boost expansion in the subregion to 3.1% in 2017. Growth will accelerate further to 3.5% in 2018 as every economy except Kazakhstan improves its performance. The lagged effects of currency depreciation in Azerbaijan and Kazakhstan, and to a lesser extent in Tajikistan, stoked inflation by almost 5 percentage points to 11.1% in 2016, even as inflation slowed in Georgia, the Kyrgyz Republic, Turkmenistan, and Uzbekistan and sank into deflation in Armenia. As the effects from currency depreciation abate, inflation is projected to decelerate to 7.8% in 2017 and 7.3% in 2018.
- **The Pacific will see growth revive on developments in Papua New Guinea.** Growth slowed substantially to 2.6% in 2016 as contraction hit the oil and gas sector in Papua New Guinea, slashing the growth rate in the subregion's predominant economy by 10.0 percentage points to 2.0%. Elsewhere, growth picked up in 2016 in most Pacific economies—by more than 4 percentage points in Nauru, Samoa, and Vanuatu. Increased mining and agriculture output is forecast to spur a mild recovery in Papua New Guinea, which will translate into a modest rebound for the subregion to 2.9% growth this year and 3.3% next. Steady or slower growth is expected in most other economies, with declines in public expenditure inducing relatively sharp slowdowns in Nauru, Samoa, and Timor-Leste. Although inflation eased in most economies in 2016, the aggregate inflation rate rose by 0.6 percentage points to 4.6%, driven by rising consumer prices in Papua New Guinea. Rising oil and food prices will push inflation higher in most of the economies this year. Subregional inflation is expected to be 5.2% in 2017 and 5.4% in 2018.

Transcending the middle-income challenge

Sustaining growth at middle income

- **Rapid growth has lifted most economies in developing Asia to middle income.** The rise of Asia's newly industrialized economies in the 1970s and 1980s was well documented. Less publicized was that more than 90% of the people in the region still lived in low-income economies in 1991, half again the global average of less than 60%. By 2015, the story had changed. Propelled by the rising fortunes of the most populous Asian economies—the PRC, India, and Indonesia—more than 95% of the population lived in middle-income economies. The question now is how a largely middle-income region can build on its past success.
- **Global experience suggests that the jump to high income can be difficult.** The rapid transition of the Republic of Korea and Taipei, China, which moved from middle income to high in barely a quarter of a century, raised hopes for the region's current middle-income cohort. However, the experience of most developing economies globally threatens to put these hopes on hold. Brazil and Colombia, for example, have been middle income for more than half a century. Middle-income economies face a difficult task in sustaining growth sufficiently to clear the hurdle to high income.
- **As economies evolve from low to middle income, so do their growth drivers.** While accumulating physical and human capital remains important for growth in middle-income economies, these economies have already significantly expanded their stocks of both. The median number of years of schooling for middle-income economies is 6.1, more than double the 2.5 years for low-income economies. Similarly, middle-income economies have more capital per worker and better-developed financial systems than do low-income economies. Total factor productivity improvement, or growth in production not derived from higher use of inputs, plays a bigger role in growth for middle-income economies, particularly those successfully reaching high income.
- **The successful middle-income growth model emphasizes productivity.** Innovation becomes more important when economies already reap the benefits of efficiently using existing resources. Even as they accumulate more physical and human capital, the focus shifts to areas with more positive productivity spillover, like advanced infrastructure and higher education. Finally, the whole process must be underpinned by a supportive policy environment and a stable macroeconomic environment.

Innovation for diversifying and upgrading production

- **Innovation matters more as economies approach the technological frontier.** A more central role in productivity growth falls to innovation with the decline of other sources, such as labor's migration from agriculture to manufacturing. Middle-income economies that have graduated to high income have more than 2.5 times the research and development stock per worker as other middle-income economies. Risk-taking entrepreneurs take the lead in fostering innovation, and these individuals respond to incentives that are either strengthened or weakened by economic policies and institutions. Governments can promote innovative entrepreneurship through stronger intellectual property protection and rule of law, better access to finance, and effective competition policies.

- **Entrepreneurship turns new ideas or technology into innovation-based growth.** As economies become more sophisticated, opportunity-driven entrepreneurship, which is often built on new ideas or technology, increasingly outweighs necessity-driven entrepreneurship, which responds to existing market needs. The ratio of opportunity-driven to necessity-driven entrepreneurship is 1.6 times higher in high-income economies than in middle-income ones. Therefore, to reach high income, middle-income economies should encourage and nurture new business entries that pursue new business opportunities and provide products or services novel to the market.
- **Graduation to high income requires a diverse and sophisticated product mix.** In addition to producing a wider range of goods, middle-income economies must aim to produce more complex goods, such as sophisticated machinery and modern chemicals and alloys, that support higher productivity and better wages. Noteworthy is the experience of the PRC, which ranked for product complexity at only 48 in the mid-1990s but at 19 in 2014. Enhanced human capital is the foundation for a transition to a more diverse and complex product mix.

Human capital for emerging workplace needs

- **Human capital accumulation can promote both growth and equity.** Estimates indicate that a 20% increase in human capital spending per capita can raise labor productivity by up to 3.1% and narrow labor income inequality by up to 4.5%. The bonus in income growth is more salient among poorer families, which may explain the income-equalizing effect. Public education in particular enhances equity, yet some regional economies spend less per child than other economies at the same income. Evidence shows that higher public spending on education need not harm public finances. Augmented labor incomes expand the tax base and hence tax revenues. Finally, as regional populations age, enhancing worker quality can help compensate for the shrinking share of the working-age population.
- **The emphasis needs to be on ramping up the quality of education.** Increasing the average years of schooling a young person receives can boost growth but less so than improving the quality of education and enhancing cognitive skills like math and science. Economies with relatively high cognitive skills benefit from having a critical mass of students likely to become innovators. Research indicates that, as economies move closer to the technological frontier, the returns on research-oriented innovation pick up tangibly. Consequently, middle-income Asia needs to strengthen its research-oriented education while sustaining its achievements in basic education.
- **Middle-income economies need to close education gaps with high-income economies.** While differences in educational attainment remain substantial, especially in tertiary education, gaps in the quality of education offered by different education systems are spectacular. In globally standardized math and science tests, the proportion of top-performing 15-year-old students in the advanced economies is on average 4–5 times the proportion in middle-income economies, while the share of low performers in middle-income economies is more than 2 times the advanced average. An exception like Viet Nam, which ranks at 8 among the 72 economies covered, appears to demonstrate that the gap can be closed with sound education policies.

Infrastructure investment for facilitating structural change

- **Economies prioritize different types of infrastructure as they develop.** ADB reported this year that developing Asia has large investment needs across all types of infrastructure—from water supply and sanitation to transport, power, and telecommunications. But infrastructure needs shift as an economy becomes more complex and sophisticated. Low-income economies focus first on such basic needs as water supply, sanitation, and a transportation network to get goods and people to market. As basic needs are met and economic structures evolve, more importance is attached to electricity supply and advanced infrastructure such as information and communication technology.
- **Advanced infrastructure can help sustain growth in middle-income economies.** The fastest-growing middle-income economies differ from their slower-growing peers in a couple of important ways. They invest more in infrastructure and tend to have more of certain types of infrastructure. Mobile telephone and broadband networks, for example, are vital tools for creating and disseminating knowledge. Middle-income economies that graduate to high income have 18 more internet users and 31 more mobile phone subscriptions per 100 people than their peers. Investment in advanced infrastructure can boost growth by promoting both innovation and human capital. The nexus of advanced infrastructure, highly developed skills, and innovation can help sustain growth enough to ensure a successful transition to high income.
- **Investment in infrastructure boosts output, not least in middle-income economies.** Analysis using a sample of developing economies shows that a one-time increase in public infrastructure investment that equals 1.0% of GDP immediately lifts output by 0.3% of GDP and by nearly 1.2% after 7 years. Notably, this significantly positive effect, both in the short term and over the long run, is still robust when the sample is narrowed to middle-income economies. This underscores the potential benefits of an infrastructure push.

Reaching toward high income

- **Sound policies and institutions are vital to transformative growth.** The role of government necessarily evolves as an economy progresses, becoming more nuanced as the private sector develops. Government must shape an environment conducive to innovative entrepreneurship by promoting investment in education and infrastructure. As shown by Thailand's successful experience with industry-government coordination in the automobile industry, direct government intervention can, if selective and well targeted, foster an output mix that is more diverse and sophisticated. The case for intervention is stronger when a government has adequate institutional capacity.
- **An environment conducive to growth needs macroeconomic stability.** Empirical estimates show that when a country reaches middle income, its growth rate is more vulnerable to indicators affecting macroeconomic stability—such as whether the country faces a banking or currency crisis, the extent of capital inflows other than foreign investment, and government debt as a share of GDP. The region should continue to protect macroeconomic stability, as it has done very well in the past.

■ **Sustaining rapid growth is not easy but is within reach for middle-income Asia.**

Many norms that served the region well at low income, such as macroeconomic stability and high investment, still serve it well at middle income. At the same time, the pattern of growth will have to evolve if Asia is to sustain rapid growth and eventually reach high income. In particular, education, innovation, and infrastructure all have vital roles to play. The region's dynamic track record encourages optimism that governments can adapt their growth models to meet the middle-income challenge.

GDP growth rate and inflation, % per year										
	Growth rate of GDP					Inflation				
	2014	2015	2016	2017	2018	2014	2015	2016	2017	2018
Central Asia	5.2	3.1	2.1	3.1	3.5	5.9	6.3	11.1	7.8	7.3
Armenia	3.6	3.0	0.2	2.2	2.5	3.0	3.7	-1.4	1.2	1.8
Azerbaijan	2.8	1.1	-3.8	-1.1	1.2	1.4	4.0	12.4	9.0	8.0
Georgia	4.6	2.9	2.7	3.8	4.5	3.1	4.0	2.1	4.2	4.5
Kazakhstan	4.2	1.2	1.0	2.4	2.2	6.7	6.6	14.6	8.0	7.0
Kyrgyz Republic	4.0	3.9	3.8	3.0	3.5	7.5	6.5	0.4	5.0	4.0
Tajikistan	6.7	6.0	6.9	4.8	5.5	6.1	5.1	6.1	8.0	7.0
Turkmenistan	10.3	6.5	6.2	6.5	7.0	6.0	6.4	6.0	6.0	6.0
Uzbekistan	8.1	8.0	7.8	7.0	7.3	9.1	8.5	8.4	9.5	10.0
East Asia	6.6	6.1	6.0	5.8	5.6	1.9	1.3	1.9	2.3	2.6
China, People's Rep. of	7.3	6.9	6.7	6.5	6.2	2.0	1.4	2.0	2.4	2.8
Hong Kong, China	2.8	2.4	1.9	2.0	2.1	4.4	3.0	2.4	2.0	2.1
Korea, Rep. of	3.3	2.6	2.7	2.5	2.7	1.3	0.7	1.0	1.7	1.8
Mongolia	7.9	2.4	1.0	2.5	2.0	12.8	6.6	1.1	3.5	3.9
Taipei, China	4.0	0.7	1.5	1.8	2.2	1.2	-0.3	1.4	1.3	1.2
South Asia	6.7	7.2	6.7	7.0	7.2	6.3	4.9	4.6	5.2	5.4
Afghanistan	1.3	0.8	2.0	2.5	3.0	4.7	-1.5	4.5	5.5	5.8
Bangladesh	6.1	6.6	7.1	6.9	6.9	7.3	6.4	5.9	6.1	6.3
Bhutan	4.0	6.1	6.4	8.2	9.9	9.6	6.6	3.3	4.9	5.4
India	7.2	7.9	7.1	7.4	7.6	6.0	4.9	4.7	5.2	5.4
Maldives	6.0	2.8	3.4	3.8	4.1	2.1	1.0	0.5	2.1	2.3
Nepal	5.7	2.3	0.8	5.6	5.4	9.1	7.2	9.9	6.0	6.5
Pakistan	4.1	4.0	4.7	5.2	5.5	8.6	4.5	2.9	4.0	4.8
Sri Lanka	5.0	4.8	4.4	5.0	5.0	3.3	3.8	4.0	6.0	6.0
Southeast Asia	4.6	4.6	4.7	4.8	5.0	4.1	2.8	2.1	3.3	3.5
Brunei Darussalam	-2.5	-0.4	-2.5	1.0	2.5	-0.2	-0.4	-0.7	0.1	0.1
Cambodia	7.1	7.0	7.0	7.1	7.1	3.9	1.2	3.0	3.4	3.5
Indonesia	5.0	4.9	5.0	5.1	5.3	6.4	6.4	3.5	4.3	4.5
Lao People's Dem. Rep.	7.5	6.7	6.8	6.9	7.0	4.2	1.3	1.6	2.5	3.0
Malaysia	6.0	5.0	4.2	4.4	4.6	3.1	2.1	2.1	3.3	2.7
Myanmar	8.0	7.3	6.4	7.7	8.0	5.9	11.4	6.5	7.0	7.5
Philippines	6.2	5.9	6.8	6.4	6.6	4.1	1.4	1.8	3.5	3.7
Singapore	3.6	1.9	2.0	2.2	2.3	1.0	-0.5	-0.5	1.0	1.5
Thailand	0.9	2.9	3.2	3.5	3.6	1.9	-0.9	0.2	1.8	2.0
Viet Nam	6.0	6.7	6.2	6.5	6.7	4.1	0.6	2.7	4.0	5.0
The Pacific	9.6	8.3	2.6	2.9	3.3	3.5	4.0	4.6	5.2	5.4
Cook Islands	4.5	4.8	5.5	5.0	5.0	1.6	3.0	-0.1	0.5	1.2
Fiji	5.6	3.6	2.0	3.5	4.0	0.6	1.4	3.9	2.5	2.5
Kiribati	2.4	3.5	1.8	2.0	1.5	2.1	0.6	0.7	2.0	2.0
Marshall Islands	-0.9	0.6	1.5	4.0	2.5	1.1	-2.2	-1.3	1.5	1.5
Micronesia, Fed. States of	-2.4	3.7	3.0	2.5	2.5	0.7	-0.2	-0.3	1.5	2.0
Nauru	36.5	2.8	7.2	4.3	-4.5	3.0	11.4	7.2	5.7	1.8
Palau	4.8	11.6	2.2	3.0	5.5	4.0	2.2	-1.3	1.5	2.0
Papua New Guinea	13.3	12.0	2.0	2.5	2.8	5.2	6.0	7.0	7.5	7.5
Samoa	1.2	1.6	6.6	2.0	1.5	-1.3	1.9	0.1	2.0	2.0
Solomon Islands	2.0	2.9	3.2	3.0	2.8	5.2	-0.5	1.1	1.8	2.2
Timor-Leste	5.9	3.5	5.4	4.0	6.0	0.7	0.6	-1.4	1.2	3.0
Tonga	2.0	3.7	3.1	2.6	2.6	2.5	-1.0	2.0	2.5	2.5
Tuvalu	2.2	2.6	3.0	3.0	3.0	1.1	3.2	2.0	2.0	2.0
Vanuatu	2.3	-1.0	3.8	4.3	3.8	1.0	2.5	0.9	2.4	2.6
Developing Asia	6.3	6.0	5.8	5.7	5.7	3.0	2.2	2.5	3.0	3.2
Developing Asia excluding the NIEs	6.8	6.6	6.3	6.3	6.2	3.2	2.4	2.7	3.2	3.5

Note: The newly industrialized economies (NIEs) are the Republic of Korea, Singapore, Taipei, China, and Hong Kong, China.



Asian Development Outlook 2017 Highlights

Transcending the Middle-Income Challenge

The full report is available on the ADB website at <http://www.adb.org/ado2017>

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