ASIAN DEVELOPMENT OUTLOOK 2018 UPDATE

MAINTAINING STABILITY AMID HEIGHTENED UNCERTAINTY

HIGHLIGHTS

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6 ADB Avenue, Mandaluyong City, 1550 Metro Manila, Philippines
Tel +63 2 632 4444; Fax +63 2 636 2444
www.adb.org

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ADO 2018 Update—Highlights

Growth in developing Asia has so far held up against external headwinds. While the region is expected to meet the *Asian Development Outlook 2018* forecast of 6.0% growth in 2018, the projection for 2019 has been trimmed by 0.1 percentage points to 5.8%. Excluding Asia's high-income newly industrialized economies, the region is expected to expand by 6.5% this year and 6.3% in 2019.

The forecast for rising inflation is tempered despite higher global fuel and food prices. Consumer prices are projected to rise by 2.8% in both 2018 and 2019, or by 0.1 percentage points less than earlier forecast.

Downside risks to the outlook are intensifying. Any escalation of the trade conflict could disrupt cross-border production links. If tightened more than investors expect, US monetary policy could accelerate capital outflow from Asian economies and put further depreciation pressure on regional currencies. Most economies remain robust, but policy makers must be ready to respond.

The changing global landscape poses challenges to macroeconomic stability in developing Asia. Policy makers have at their disposal an array of policy tools with which to manage pockets of vulnerability and maintain stability, but they must be applied carefully. Continued efforts are needed to promote sound fiscal policies, the independence of central banks with careful internal policy coordination, strong financial sectors, market-oriented structural reform, and adequate social safety nets.

Yasuyuki Sawada
Chief Economist
Asian Development Bank

Cross-currents test Asia's resilience

External forces cast uncertainty on growth

- **Growth in the region has so far prevailed over external challenges.** This *Update* maintains the 2018 forecasts from *Asian Development Outlook 2018* (*ADO 2018*) of growth at 6.0% for developing Asia as a whole and at 6.5% excluding the high-income newly industrialized economies. Robust domestic demand supported the region's large economies, and oil prices above expectations boosted prospects for many oil and gas exporters. The growth forecast for 2019 is trimmed by 0.1 percentage points to 5.8% regionwide and to 6.3% excluding the newly industrialized economies. Escalating trade tensions and tighter global liquidity are causes for concern in the coming year.

  » **Growth in the industrial economies has held up.** The aggregate growth forecast for the major industrial economies of the United States, the euro area, and Japan are retained at 2.3% in 2018 and 2.0% in 2019. Growth in the US remains robust, supported by strong private spending, fiscal expansion, and job creation. However, recovery in the euro area and Japan stalled somewhat in the early part of the year, prompting slight downward revisions to their 2018 growth projections. The US and euro area are expected to gradually normalize monetary conditions to preempt inflation.

  » **Growth in Asia's largest economy is on track but with clouds looming.** The 2018 growth forecast for the People's Republic of China (PRC) remains unchanged at 6.6%. Growth is bolstered by strong economic performance in the first half of the year, notably robust domestic consumption and solid expansion of services. The forecast for 2019 is revised down from 6.4% to 6.3% in light of slower demand growth and the implementation of US tariffs and PRC countermeasures. Supply-side reform amid monetary and fiscal support will nevertheless ensure that growth remains on track.

  » **India's growth rebound is solidifying.** With economic activity recovering as expected from the temporary effects of the demonetization of large banknotes and the introduction of a national goods and services tax, growth forecasts remain unchanged at 7.3% for 2018 and 7.6% for 2019. Robust domestic demand and growing exports, particularly manufactures, counteract import growth driven in large part by rising oil prices. The changing external environment poses some challenges ahead for India. Depreciation of the rupee, volatile external financial markets, and risks of inflation will require vigilance from monetary authorities, but tighter fiscal policy will help to quell inflationary pressures.

  » **Growth is moderating in 6 of the 10 economies in Southeast Asia.** The subregion is now expected to grow by 5.1% in 2018, or 0.1 percentage points less than forecast in *ADO 2018*. Investment in Malaysia was weaker than expected in the first half amid a transition to a new government, and policies going forward are expected to favor consumption over investment. Net exports moderated growth in Indonesia, the Philippines, Thailand, and Viet Nam as imports surged to support government investments in infrastructure.

The growth forecast of 5.2% for 2019 is maintained as prices for export commodities recover and infrastructure investment rises.

- » **Paths diverge for large Central Asian and Pacific commodity exporters.** This *Update* raises the growth forecast this year for Central Asia by 0.1 percentage points to 4.1%. Higher global oil prices boosted oil and natural gas production in Kazakhstan, adding to already positive contributions to growth from exports and investment. In contrast, the Pacific is now projected to expand by just 1.1%, half the rate forecast in *ADO 2018*. An earthquake in February in Papua New Guinea, the largest Pacific economy, temporarily interrupted liquefied natural gas production there, while shortfalls in fiscal spending undercut growth in Timor-Leste.

- **The inflation forecast is tempered despite rising global fuel and food prices.** Prices in developing Asia should rise from 2.2% in 2017 on higher global fuel costs (with oil expected to average $74 per barrel in 2018), currencies weakening against the dollar in the first half of 2018, and disrupted food supply. Yet country-specific factors have kept the regional average in check such that aggregate forecasts are revised down by 0.1 percentage points to 2.8% in both 2018 and 2019. These domestic factors include relatively moderate food price inflation in India and the PRC, fuel subsidies in Indonesia and Malaysia, and currency stabilization in Tajikistan and Uzbekistan. However, inflation was higher than expected in the Philippines, prompting the central bank to tighten monetary policy there.

- **The regional current account surplus will narrow.** Strong import growth caused the PRC to record a current account deficit in the first half of 2018, the first such deficit since it joined the World Trade Organization 18 years ago. Meanwhile, rising demand for capital and consumption goods widened trade deficits in some of the region's other larger economies. Developing Asia's current account surplus is now forecast to drop to the equivalent of 1.0% of GDP in 2018, or 0.4 percentage points lower than in *ADO 2018*, despite upwardly revised industry forecasts for manufactured exports such as electronics. Currency depreciation will support some economies' exports next year, but uncertainty from intensifying trade conflict may drag on growth in intermediate trade. This *Update* forecasts the current account surplus narrowing further to 0.7% in 2019.

- **The region faces risks to its outlook from financial and trade shocks.** If the US economy shows signs of overheating, the Federal Reserve might raise interest rates beyond market expectations, which could intensify capital outflow from Asian economies, putting further pressure on regional currencies. Moreover, if interest rates in Asia rise further, economies with a lot of private debt could see more vulnerability in their financial sectors. Exchange rate turbulence in emerging markets outside of developing Asia could spill over into the region as well. Oil prices made volatile by geopolitical developments such as the US withdrawal from the multilateral deal with Iran deepen uncertainty about demand and heighten jitters in financial markets. However, the most prominent risk, analyzed below, comes from the disruption of international production linkages that could result from escalation in the trade conflict. While regional economies have responded to external shocks so far with resilience, policy makers must remain vigilant.

The impact of the trade conflict on developing Asia

- **Trade conflict is escalating, especially between the PRC and the US.** *ADO 2018* reported that import tariffs the US imposed globally in January 2018—30% on solar panels, 20% on washing machines, 25% on steel, and 10% on aluminum—so far had little impact on growth in developing Asia. Subsequently, the US imposed 25% tariffs on $50 billion worth of imports from the PRC in two phases, to which the PRC retaliated with 25% tariffs on an equal value of imports from the US. In September, the US levied 10% tariffs on an additional $200 billion worth of PRC imports, to be raised to 25% in January 2019, further stating that it has under consideration targeting an additional $267 billion worth of goods. The PRC responded with a 10% tariff on $60 billion worth of US goods, also to be raised to 25% at end-year. Meanwhile, both sides are also tightening investment restrictions.

- **Further conflict between the US and PRC would spread through cross-border production networks.** Estimates show a moderate impact from measures implemented or proposed by 24 September, lowering GDP in the PRC by 0.5 percentage points and in the US by 0.1 percentage points but having a negligible effect on the rest of developing Asia. However, any further escalation, such as 25% tariffs on all bilateral trade between the US and PRC, would have greater consequences. The immediate impact would be particularly hard on the PRC, estimated to shave 1.0 percentage point off GDP, while the US would suffer a 0.2 percentage point shortfall. Other economies in developing Asia would initially feel the pinch as production slowed across global value chains. However, these players may gain over the medium term as trade is redirected within global supply chains to economies producing similar goods, benefitting in particular Southeast Asia and the newly industrialized economies. With the trade conflict escalation, the US trade deficit with the PRC would shrink, but the overall US trade deficit would not change much as US imports would be redirected to other countries while US exports to the PRC declined.

- **Prolonged trade conflict can damage confidence and deter investment.** This indirect fallout will be large for many economies in the region and globally, especially if automobiles and other parts become embroiled in the trade conflict. Estimates of impacts do not fully capture possible disruption to production units as overseas business networks are severed and investment plans are cancelled amid a reallocation of global production, nor do they gauge the negative impact of heightened economic uncertainty more generally. Such disruptions could be substantial as the conflict drags on, escalates, or spills over into financial markets. Ongoing efforts by Asian governments to forge trade agreements within the region and beyond are welcome.

Outlook by subregion

- **Revisions to growth forecasts for developing Asia are roughly balanced.** Growth projections for 45 regional economies in 2018 are upgraded from April forecasts in *ADO 2018* for 14 economies, downgraded for 16, and unchanged for 15. Looking ahead to 2019, the balance tips toward downward adjustment, with moderation in East Asia weighing on the regionwide average.

- **East Asia remains buoyant amid escalating trade tensions.** Subregional GDP will expand by 6.0% in 2018, as forecast in April, and by only 5.7% in 2019, slightly lower than the *ADO 2018* projection. Growth in the PRC will slow from 6.9% in 2017 to 6.6% in 2018, unchanged from the previous forecast, and to 6.3% in 2019, revised down from 6.4% because of slower demand growth and a worsening trade conflict with the US. In Hong Kong, China and in Taipei,China, growth will be higher in 2018 than earlier projected but unchanged in 2019, with domestic demand supporting growth. Surging consumption and exports raise growth prospects in Mongolia substantially beyond earlier forecasts, but growth in the Republic of Korea will be lower in both years as exports suffer under higher tariffs imposed by two of its largest trade partners. Meanwhile, consumer inflation will be, at 2.1% in both 2018 and 2019, slightly lower than forecast in April. In the PRC, slow recovery for food prices and only mild pass-through from currency depreciation will hold inflation at 2.2% in both years, less than previously forecast.

- **South Asia sustains its growth momentum.** This *Update* retains subregional growth forecasts published in April at 7.0% for 2018 and 7.2% for 2019. Similarly, it retains for India growth forecasts at 7.3% for 2018 and 7.6% for 2019 despite growth much faster than expected in the April–June first quarter of fiscal 2018. Pakistan is estimated to have grown by 5.8% in the fiscal year to June 2018, higher than forecast in *ADO 2018*, but the outlook is clouded by a large budget deficit, a deteriorating current account deficit, and falling foreign exchange reserves. In Bangladesh and Nepal, robust investment pushed estimated growth in fiscal 2018 higher than forecast, but in Bhutan and Sri Lanka weaker domestic demand lowers growth expectations for both 2018 and 2019. Drought and scant improvement in security appears to hold growth in Afghanistan below the forecast for 2018, and slower tourism requires a downgrade to the 2019 forecast for Maldives. Subregional inflation forecasts are revised up from 4.7% to 4.9% for 2018 and from 5.1% to 5.2% for 2019 on closing output gaps, weakening currencies, and higher global oil prices, with a sharper upward revision for India in 2018.

- **Southeast Asian growth is now forecast to dip slightly this year.** Subregional growth is expected at 5.1% in 2018. This is slightly slower than the *ADO 2018* forecast as a combination of factors— moderation in export growth, softer domestic demand, subdued agriculture, higher inflation, net capital outflow, and a worsening balance of payments—dim the growth outlook for this year in 6 of the 10 economies in the subregion: Indonesia, the Lao People's Democratic Republic (Lao PDR), Malaysia, Myanmar, the Philippines, and Viet Nam. Brunei Darussalam and Thailand, by contrast, look set to outperform earlier forecasts, while Cambodia and Singapore will likely meet April projections. Growth is still forecast to return in 2019 to the 2017 rate of

5.2%. Subregional inflation is now projected marginally lower at 2.9% this year and next, the forecast revised down by 0.1 percentage points despite inflation pressures far stronger than projected in *ADO 2018* in Brunei Darussalam, the Lao PDR, the Philippines, Thailand, and Viet Nam.

- **Central Asia benefits from higher oil prices and remittances.** The growth forecast for the subregion in 2018 is revised up by 0.1 percentage points to 4.1%. In the first half of the year, higher oil prices and petroleum production boosted growth in Kazakhstan, and Armenia and Georgia also exceeded growth expectations. By contrast, 2018 forecasts are now lower for the Kyrgyz Republic as mining output slows, for Turkmenistan in the expectation of fiscal tightening, and for Uzbekistan with protracted adjustment to a new exchange rate regime. The subregional growth projection for 2019 remains at 4.2%, with upgrades for Armenia, Georgia, and Kazakhstan offsetting lower forecasts for Turkmenistan and Uzbekistan. The inflation forecast for 2018 is cut by 0.1 percentage points to 8.4% as improved exchange rate stability has helped contain price pressures in Azerbaijan. Inflation below expectations in the first half of 2018 motivates lower 2018 forecasts for Georgia, the Kyrgyz Republic, and Tajikistan. With extended favorable conditions in Azerbaijan, the inflation forecast for 2019 is trimmed from 7.9% to 7.7%.

- **Pacific growth prospects remain positive despite a setback in 2018.** The growth forecast for 2018 is reduced from *ADO 2018* after a growth slowdown in Papua New Guinea caused by an earthquake in February exceeded earlier assumptions. Projected growth is also lower in Palau, with a decline in tourism, and substantially lower in Timor-Leste as continuing political uncertainty undermines government expenditure and investment. The forecast for 2019 is slightly higher on projected recovery in Papua New Guinea, the largest economy in the subregion. Forecasts for most other economies in 2019 are unchanged from *ADO 2018*, the exceptions being lower forecasts for Timor-Leste and Palau and a higher forecast for Tuvalu in light of increased government spending. Inflation is now projected to be marginally higher in 2018 with several economies expecting higher food and fuel prices and Fiji raising taxes on alcohol and tobacco. The inflation forecast for 2019 is unchanged.

Maintaining stability amid heightened uncertainty

Gathering clouds of uncertainty and vulnerability

- **Developing Asia has enjoyed a good run since the Asian financial crisis.** Most remarkable is how well it weathered the global financial crisis of 2008–2009 (GFC). As an engine of the global economy, developing Asia now accounts for more than 60% of global growth. With growth averaging 6.8% since the GFC, and moderating trends for inflation and output volatility since the Asian financial crisis of 1997–1998 (AFC), the region has created stable economic conditions that reinforce development and poverty reduction. Sound domestic macroeconomic fundamentals and buoyant external conditions have contributed to these trends.

  - » **Restructuring and reform strengthened resilience after the AFC.** The region's macroeconomic fundamentals improved with its moves toward greater exchange rate flexibility and central bank independence, and with its implementation of financial and fiscal reform. When the GFC struck, Asian economies were able to endure its impact with timely fiscal and monetary countermeasures to stimulate growth. The PRC's large fiscal stimulus, in particular, supported the region.

  - » **Buoyant external conditions further lifted Asia's performance.** Rapid growth in the volume of global trade before the GFC provided strong external demand for Asian exports. After the GFC, unprecedented easing of monetary policy in the advanced economies, in the form of sustained low interest rates and sizeable direct asset purchases by central banks, sent investors in search of higher yields and, consequently, large-scale capital flows into developing Asia. This fueled credit growth in the region that further supported the good run and boosted asset market valuations.

- **Changing external circumstances may disrupt the good run.** As the US and other advanced economies unwind their asset purchase programs and normalize their interest rates, the end of the era of super-low interest rates could reverse capital flow heretofore into the region. In addition, new risks previously unforeseen, notably escalating global trade tensions, now loom on the horizon. These factors could combine to undermine future growth and stability.

- **Internal and external conditions interact to expose pockets of vulnerability.** Complex interactions in the current environment that entwine the financial sector, the real economy, domestic policy, and the external sector pose new challenges to the maintenance of macroeconomic stability, necessitating careful monitoring as they generate tradeoffs between stabilization in the short term and sustainability over the long run. The theme chapter of this *Update* explores the key pockets of vulnerability and the policy options available to manage them.

Pockets of vulnerability

- **Sudden capital flow reversals may disrupt financial and economic stability.** Net capital inflow to developing Asia increased rapidly post-AFC, reversed sharply during the GFC, rebounded quickly in the GFC aftermath to reach a peak of $391 billion in 2010, and declined from 2013, after which outflow started to outpace inflow. Such volatility is closely associated with pressure on exchange rates and domestic credit cycles that often generate vulnerability in the economy.

- **Regional currencies are under pressure from changes in global liquidity.** Emerging economies are susceptible to steep currency depreciation caused by financial shocks, the extent of the pressure determined partly by their dependence on short-term capital. Large and abrupt changes in liquidity flow can translate into volatility in foreign exchange and financial markets, run down finite foreign currency reserves, and constrain monetary policy options.

- **Unsustainable private debt buildups can weigh on the real economy.** The ratio of debt to GDP in Asia stood at 186% in 2016, driven mainly by a rapid accumulation of private debt, which increased in the preceding decade by over 60 percentage points in an environment of low interest rates, strong growth, and financial deepening. Changes in global liquidity conditions may curtail access to credit and raise borrowing costs, causing nonperforming loans to proliferate. Empirical analysis showed that slowdowns preceded by rapid buildups of private debt tended to be more severe than normal slowdowns, the effect being stronger in emerging economies than in advanced ones.

- **Elevated housing prices threaten severe growth downturns if prices reverse abruptly.** Analysis showed escalating ratios of house purchase price to rent in major Asian cities, notably in Hong Kong, China; Malaysia; the PRC; the Republic of Korea; and Taipei,China. Contributing to such price spikes are such factors as economic booms, rural-to-urban migration, banks loosening credit policies, accommodative monetary conditions, and, more recently, capital inflow surges. Housing prices that have undergone sharp and sudden reversals, empirical studies showed, tended to be associated with longer and deeper slowdowns.

- **Heightened contagion and spillover compound susceptibility to shocks.** Asian trade and financial markets have grown in the past 20 years in both absolute and relative terms, with deeper integration both globally and within the region. The issues of volatility transmission and the risk of contagion during periods of stress have come to the fore. Evidence shows rising financial market spillover from the PRC and the US, both between each other and to other Asian economies. This underlines the region's greater susceptibility to spillover from shocks through portfolio investment, balance sheets, or trade.

Tools available for maintaining stability

- **Policy must be implemented carefully to manage multiple risks.** Policy makers have at their disposal a range of tools, from conventional fiscal, monetary, and exchange rate policies that target aggregate economic activity, to less conventional macroprudential policy and capital flow management that aim to control systemic risks. Customized and hybrid policy tools have evolved to tackle country-specific issues. How effectively these tools stabilize an economy depends on many factors: the economy's structure, its financial sector development, the phase of its economic cycle, and the nature, size, and duration of the shocks prompting the response.

- **Effective countercyclical fiscal policy requires ample fiscal space.** Responsible policy preserves fiscal space during economic booms to allow countercyclical interventions during downturns. Procyclical fiscal policy, by contrast, amplifies vulnerability to shocks by consuming fiscal space in the good times, leaving little for the bad times when it is needed. To enable discretionary countercyclical fiscal policy, governments should expand fiscal space by reducing debt and widening the tax base—and further by investing in countercyclical fiscal buffers like sovereign wealth funds, as many resource-rich economies do, and ensuring that they are well governed. Equally important are improvements in economic, social, and political fundamentals that underpin broad macroeconomic management, as well as social safety nets that protect the most vulnerable.

- **Monetary policy should pay attention to both credit and business cycles.** Monetary policy is a powerful tool to navigate macroeconomic currents. In some Asian economies, there were negative correlations between the credit and the business cycles. Monetary policy focused solely on stabilizing business cycles risks amplifying swings in the credit cycle that can induce another wave of instability in the business cycle. When business cycles and credit cycles are not synchronized, monetary policy may be more effective if combined with appropriate microprudential and macroprudential policies.

- **A more flexible exchange rate better insulates against shocks.** The exchange rate regime matters. Research shows that a fully flexible exchange rate regime tends to insulate the domestic economy from adverse external shocks more effectively than either a fixed exchange rate regime or an intermediate regime. In particular, economies with less flexible regimes tend to suffer greater deterioration in financial conditions and economic growth induced by global financial shocks than do economies with fully flexible regimes. In practice, regardless of the type of exchange rate regime formally espoused, monetary authorities have acted to smooth volatility caused by external shocks and thereby manage market sentiment.

- **Capital flow management can contain volatility from external shocks.** Asian economies have managed capital flow by selectively using the measures available. Some of them are more effective than others at influencing flow volume and composition. Capital flow management can, however, lead to substitution and complementary effects between different components of capital flow, both within an economy and across borders, that may have unintended effects on the volume of untargeted capital flows. Policy makers need to bear in mind the risk of unintended consequences. For instance, when they try to stabilize bank lending, they may inadvertently undermine foreign direct investment if the two forms of capital are complementary. Policy makers may nevertheless consider restrictions on capital flow to mitigate pressure on the exchange rate or to achieve greater monetary policy independence.

- **Macroprudential policies have gained popularity since the GFC.** Microprudential regulation became the norm in the region after the AFC, but regulations specific to firms or institutions do not guarantee the stability of the entire financial system. For example, requiring a minimum capital adequacy ratio can enhance the financial viability of an individual bank, but reducing the lending ability of many banks can end up curbing credit supply across the economy inviting systemic risk. To address such risk, a policy framework has evolved that includes macroprudential measures such as caps on the loan-to-value ratio and on the debt-to-income ratio, as well as capital adequacy and liquidity requirements for systematically important financial institutions. Since 2008, Asia has relied more than any other region on macroprudential measures, especially policies to stabilize housing markets.

Safeguarding Asia against heightened uncertainty

- **Macroeconomic management requires close monitoring of vulnerability.** Pockets of vulnerability—such as volatile capital flows, elevated debt levels, large and unexpected changes in exchange rates, sharp housing price increases, and contagion between economies—are risks to macroeconomic and financial stability that require careful and constant monitoring. Such vigilance facilitates preemptive measures to mitigate existing imbalances and new ones as they arise.

- **Policy tools are plentiful, but favorable results require coordination.** The application of different policy tools may entail tradeoffs and complementarities, both domestically and across borders. Taking these factors into account may improve policy performance.

  - **Domestic policy coordination to boost effectiveness and target conflicting objectives.** Close links between business and financial cycles mean that effective responses depend critically on domestic policy coordination. Countercyclical fiscal policy, for instance, benefits from accommodative monetary policy to promote private investment and enhance growth. Similarly, macroprudential policy is more effective when coordinated with monetary policy. When lowering the interest rate to stimulate economic activity, for example, tighter macroprudential measures on housing can prevent overly rapid home price escalation. When, on the other hand, monetary policies are tightened to counter excessive borrowing or economic overheating, governments can consider measures for financial inclusion to avoid imposing onerous constraints on smaller borrowers.

  - **Cross-border cooperation to avoid unwanted external spillover.** One country implementing capital flow measures can alter net flows in other economies. With cross-border cooperation, the authorities can productively raise awareness of the unwanted consequences of policy spillover. Considering the cross-border effects of their own policies enables governments to help promote global stability. While monetary policy is generally understood to be oriented toward domestic objectives such as price stability and a sound financial system, the authorities, in particular those in larger economies, should be mindful of cross-border spillover.

- **Stabilization policies work best where fundamentals are strong.** To maintain stability under the current environment of heightened uncertainty, Asia may need to deploy the full range of policy tools at its disposal. These policies work best when fundamentals that support economic, social, and political stability are strong. Continued efforts are needed to promote sound fiscal policies, independent central banks, strong financial sectors, market-oriented structural reform, and adequate social safety nets.

GDP growth rate and inflation, % per year

	Growth rate of GDP					Inflation				
	2017	2018		2019		2017	2018		2019	
		ADO 2018	Update	ADO 2018	Update		ADO 2018	Update	ADO 2018	Update
Central Asia	**4.3**	**4.0**	**4.1**	**4.2**	**4.2**	**9.2**	**8.5**	**8.4**	**7.9**	**7.7**
Armenia	7.5	4.0	5.3	4.2	4.5	1.0	2.7	2.7	2.2	2.5
Azerbaijan	0.1	1.7	1.7	2.0	2.0	12.9	7.0	4.5	8.0	5.0
Georgia	5.0	4.5	4.9	4.7	5.0	6.0	3.5	3.0	3.0	3.0
Kazakhstan	4.1	3.2	3.7	3.5	3.9	7.4	6.8	7.0	6.2	6.5
Kyrgyz Republic	4.6	3.5	2.5	4.0	4.0	3.2	4.0	3.8	4.5	4.5
Tajikistan	7.1	6.0	6.0	6.5	6.5	6.7	7.5	6.5	7.0	7.0
Turkmenistan	6.5	6.5	6.2	6.7	6.0	8.0	8.0	9.4	8.0	8.2
Uzbekistan	5.3	5.5	4.9	5.6	5.0	14.4	16.0	16.0	14.0	14.0
East Asia	**6.3**	**6.0**	**6.0**	**5.8**	**5.7**	**1.6**	**2.3**	**2.1**	**2.2**	**2.1**
Hong Kong, China	3.8	3.2	3.7	3.0	3.0	1.5	2.2	2.3	2.1	2.2
Mongolia	5.3	3.8	6.4	4.3	6.1	4.3	8.0	7.2	7.0	7.0
People's Republic of China	6.9	6.6	6.6	6.4	6.3	1.6	2.4	2.2	2.3	2.2
Republic of Korea	3.1	3.0	2.9	2.9	2.8	1.9	1.9	1.8	2.0	1.8
Taipei,China	2.9	2.9	3.0	2.8	2.8	0.6	1.1	1.4	1.1	1.3
South Asia	**6.5**	**7.0**	**7.0**	**7.2**	**7.2**	**4.0**	**4.7**	**4.9**	**5.1**	**5.2**
Afghanistan	2.5	2.5	2.2	2.5	2.5	5.0	5.0	3.5	5.0	5.0
Bangladesh	7.3	7.0	7.9	7.2	7.5	5.4	6.1	5.8	6.3	6.3
Bhutan	7.5	7.1	6.7	7.4	7.1	4.3	4.6	3.6	5.4	4.9
India	6.7	7.3	7.3	7.6	7.6	3.6	4.6	5.0	5.0	5.0
Maldives	6.9	6.7	6.7	6.8	6.4	2.8	3.1	1.2	3.0	1.7
Nepal	7.4	4.9	5.9	5.5	5.5	4.5	5.5	4.2	6.0	6.0
Pakistan	5.4	5.6	5.8	5.1	4.8	4.2	4.5	3.9	4.8	6.5
Sri Lanka	3.1	4.2	3.8	4.8	4.5	7.7	5.2	4.5	5.0	4.7
Southeast Asia	**5.2**	**5.2**	**5.1**	**5.2**	**5.2**	**2.8**	**3.0**	**2.9**	**3.0**	**2.9**
Brunei Darussalam	1.3	1.5	2.0	2.0	2.0	–0.2	0.1	0.2	0.1	0.2
Cambodia	6.9	7.0	7.0	7.0	7.0	2.9	3.2	2.6	3.5	3.0
Indonesia	5.1	5.3	5.2	5.3	5.3	3.8	3.8	3.4	4.0	3.5
Lao People's Dem. Rep.	6.9	6.8	6.6	7.0	6.9	0.8	2.0	2.5	2.5	3.1
Malaysia	5.9	5.3	5.0	5.0	4.8	3.8	2.6	1.4	1.8	2.0
Myanmar	6.8	6.8	6.6	7.2	7.0	4.0	6.2	6.2	6.0	6.0
Philippines	6.7	6.8	6.4	6.9	6.7	2.9	4.0	5.0	3.9	4.0
Singapore	3.6	3.1	3.1	2.9	2.9	0.6	0.9	0.7	1.4	1.4
Thailand	3.9	4.0	4.5	4.1	4.3	0.7	1.2	1.3	1.3	1.4
Viet Nam	6.8	7.1	6.9	6.8	6.8	3.5	3.7	4.0	4.0	4.5
The Pacific	**2.4**	**2.2**	**1.1**	**3.0**	**3.1**	**4.2**	**4.1**	**4.2**	**3.9**	**3.9**
Cook Islands	3.5	3.5	3.5	3.0	3.0	–0.1	0.5	0.5	1.0	1.0
Federated States of Micronesia	2.0	2.0	2.0	2.0	2.0	0.5	1.0	1.0	1.0	1.0
Fiji	3.9	3.6	3.6	3.3	3.3	3.3	3.0	3.5	3.0	3.0
Kiribati	2.5	2.3	2.3	2.3	2.3	2.2	2.5	3.0	2.5	2.7
Marshall Islands	3.6	2.5	2.5	2.5	2.5	0.0	1.0	1.0	1.0	1.0
Nauru	4.0	–4.0	–3.0	0.5	0.5	5.0	2.0	2.0	2.0	2.0
Palau	–3.7	3.0	1.0	3.0	1.0	0.9	1.5	1.5	1.5	1.5
Papua New Guinea	3.0	1.8	0.5	2.7	3.0	5.4	5.0	5.0	4.5	4.5
Samoa	2.5	0.5	0.5	2.0	2.0	1.4	2.0	3.5	3.0	3.0
Solomon Islands	3.2	3.0	3.2	3.0	3.0	0.1	2.5	2.5	3.0	3.0
Timor-Leste	–5.3	3.0	0.6	5.5	4.5	0.6	2.0	2.0	3.0	3.0
Tonga	2.8	–0.3	–0.3	1.9	1.9	7.4	3.8	5.5	0.5	3.0
Tuvalu	3.2	3.0	3.8	3.0	3.5	4.4	2.5	4.0	2.8	3.4
Vanuatu	3.5	3.2	3.2	3.0	3.0	3.1	4.8	3.0	2.5	2.5
Developing Asia	**6.1**	**6.0**	**6.0**	**5.9**	**5.8**	**2.2**	**2.9**	**2.8**	**2.9**	**2.8**
Developing Asia excluding the NIEs	**6.6**	**6.5**	**6.5**	**6.4**	**6.3**	**2.3**	**3.0**	**2.9**	**3.0**	**3.0**

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

Asian Development Outlook 2018 Update

Maintaining Stability amid Heightened Uncertainty

The full report is available on the ADB website at https://www.adb.org/ado2018-update.

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ASIAN DEVELOPMENT BANK
6 ADB Avenue, Mandaluyong City
1550 Metro Manila, Philippines
www.adb.org