

ASIAN DEVELOPMENT OUTLOOK

BASED ON ADO APRIL & SEPTEMBER 2023

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UN-ESCAP Expert Group Meeting | 1 November 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 in the PRC weigh on the outlook.
- The region's growth forecast is revised down to 4.7% for 2023 and kept at 4.8% for 2024.
- Inflation is forecast 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 PRC's property sector weaknesses.

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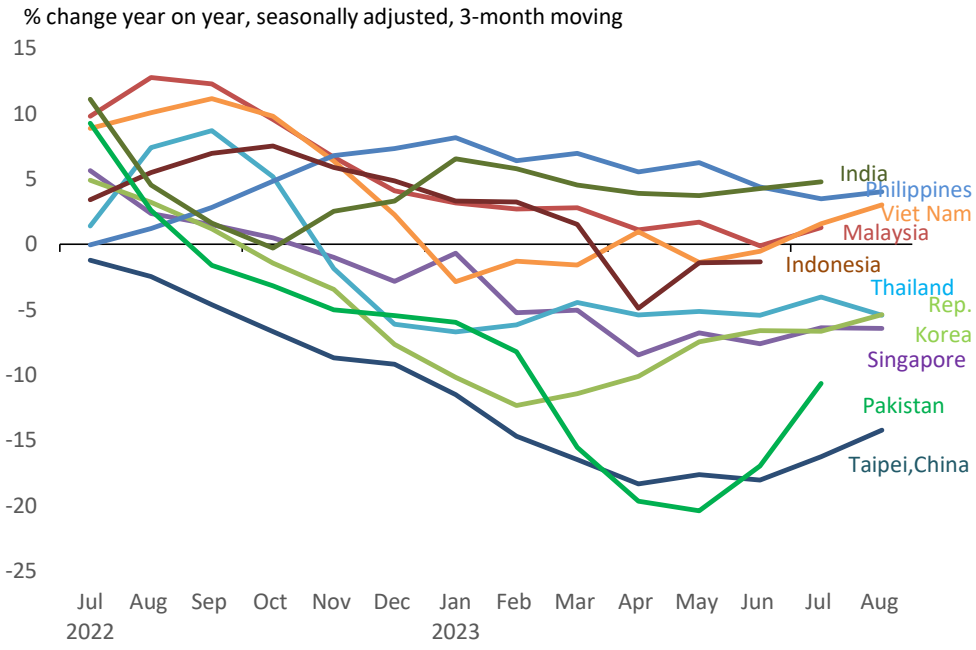
External sector weakness held back manufacturing, while services remained robust

Soft external demand held back industrial production

Industrial production index



Source: CEIC Data Company.

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	Sep
India	55.4	55.3	56.4	57.2	58.7	57.8	57.7	58.6	57.5
Indonesia	51.3	51.2	51.9	52.7	50.3	52.5	53.3	53.9	52.3
PRC	49.2	51.6	50.0	49.5	50.9	50.5	49.2	51.0	50.6
Philippines	53.5	52.7	52.5	51.4	52.2	50.9	51.9	49.7	50.6
Singapore	49.8	50.0	49.9	49.7	49.5	49.7	49.8	49.9	50.1
Republic of Korea	48.5	48.5	47.6	48.1	48.4	47.8	49.4	48.9	49.9
Viet Nam	47.4	51.2	47.7	46.7	45.3	46.2	48.7	50.5	49.7
Thailand	54.5	54.8	53.1	60.4	58.2	53.2	50.7	48.9	47.8
Malaysia	46.5	48.4	48.8	48.8	47.8	47.7	47.8	47.8	46.8
Taipei,China	44.3	49.0	48.6	47.1	44.3	44.8	44.1	44.3	46.4
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	50.2
Services PMI, not seasonally adjusted									
Sri Lanka	50.2	48.7	55.1	49.6	53.5	56.7	59.5	57.6	...
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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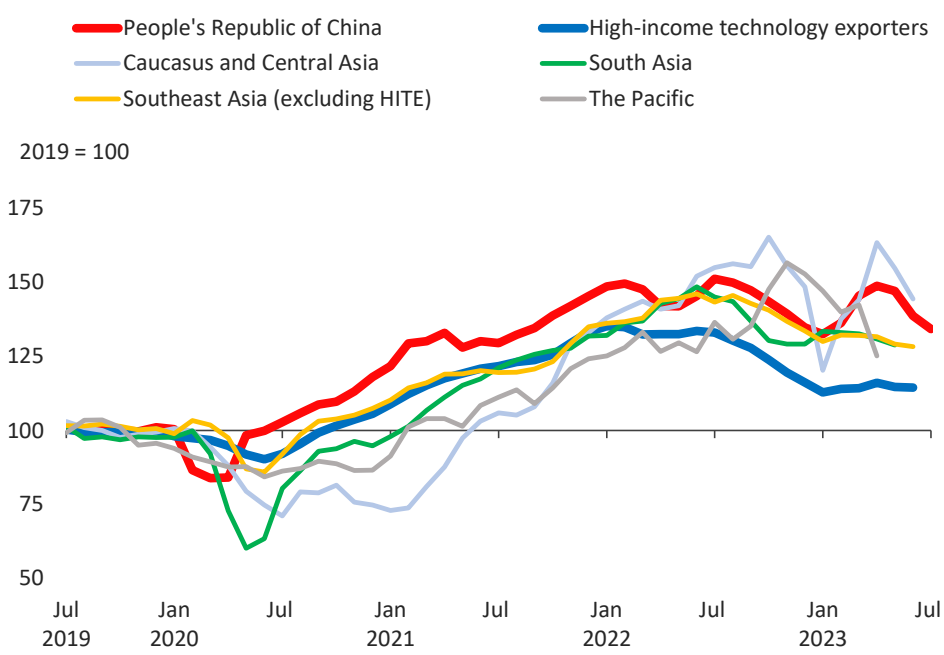
Goods exports are showing signs of bottoming out

Exports growth decelerated but shows some signs of stabilizing

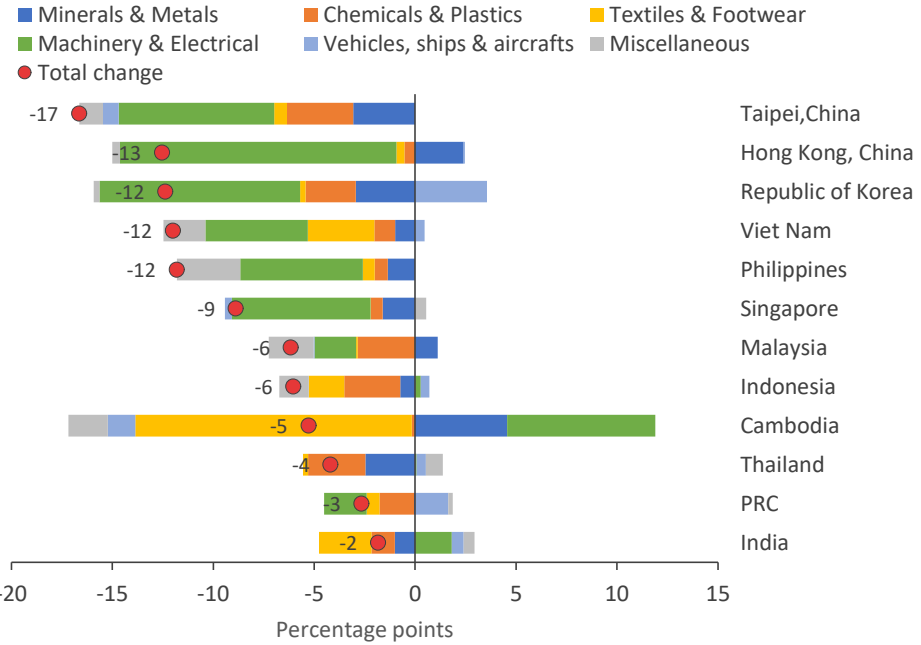
Nominal Goods Exports



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.

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The rise in exports to Russia was mostly driven by goods not covered by the EU export ban

The export surge was sharpest from Kazakhstan, Armenia, and Uzbekistan...

Nominal Export Growth to Russia, Jul–Dec 2022



...but in proportional terms, the rise was the sharpest for Armenia and Kyrgyzstan.

Changes in Export to Russia, Jul–Dec 2022



Note: G*oods potentially in the EU export ban to Russia* includes goods listed in Annex XVIII of EU Council Regulation No. 833/2014, which fall under the export ban if their unit values exceed product-specific thresholds making them luxury goods.
Source: Authors' calculations based on data from European Union, Kazakhstan's State Revenue Committee, Kazakhstan's Bureau of National Statistics, National Statistical Committee of the Kyrgyz Republic, and United Nations Comtrade database.

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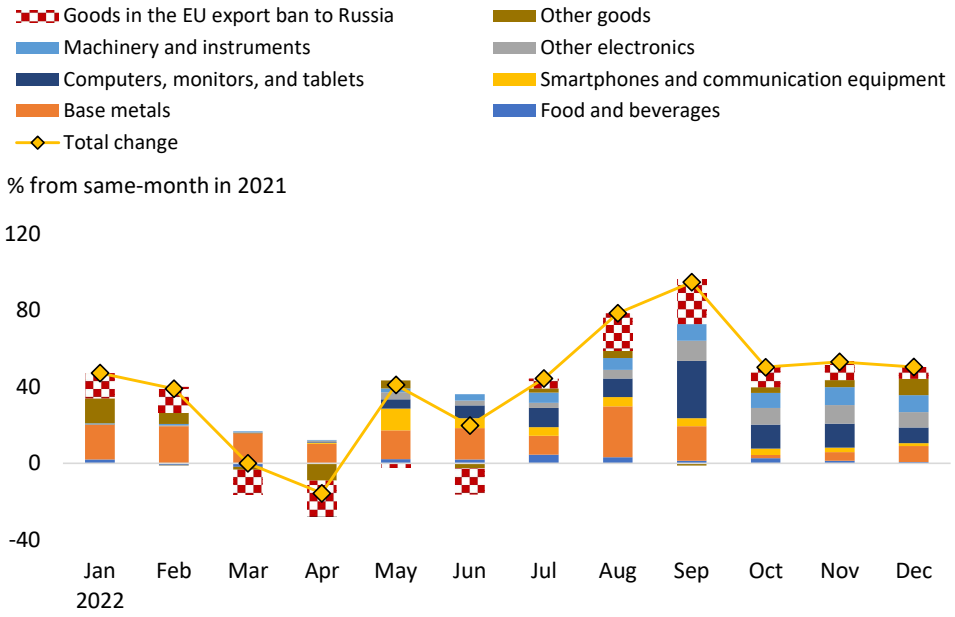
The surge in exports to Russia was mostly driven by cars and electronics

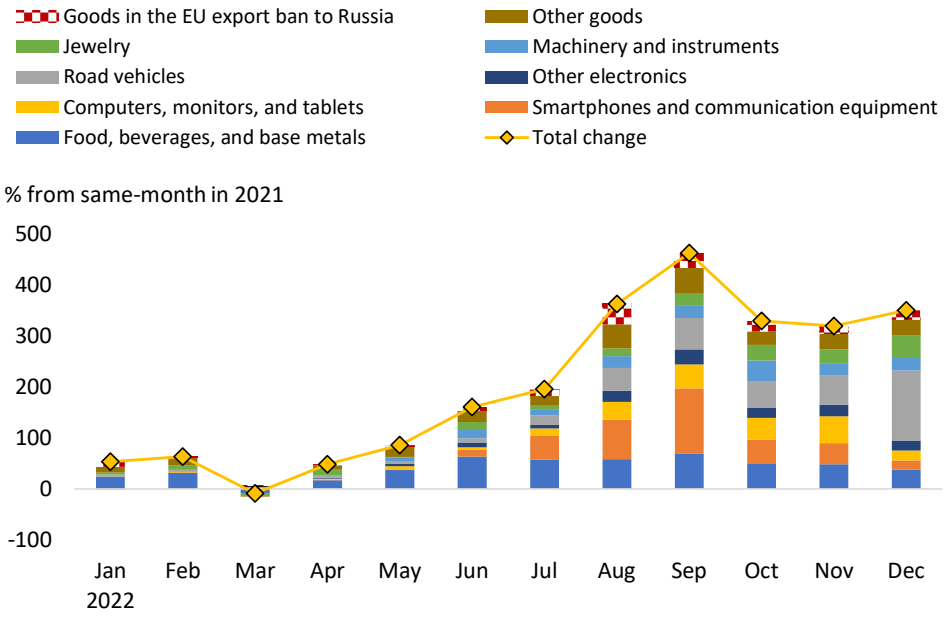
Rising exports from Kazakhstan were mostly driven by base metals and electronics.

Nominal Export Growth to Russia: Kazakhstan



Rising exports from Armenia were mostly driven by cars and electronics.

Nominal Export Growth to Russia: Armenia



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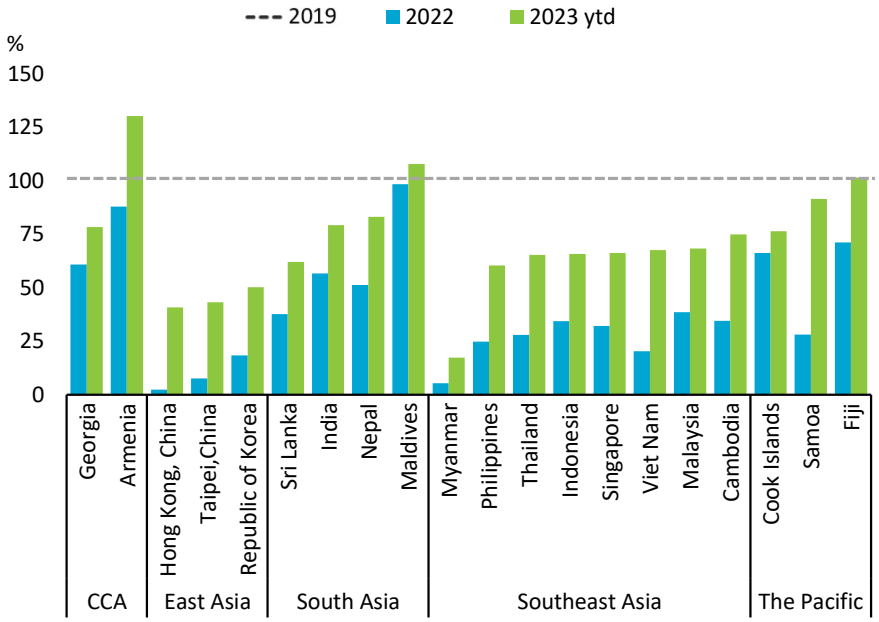
Tourism continues recovering, and money transfers to the region are robust

Tourist arrivals continue recovering toward pre-pandemic levels

Tourist Arrivals by Subregion, relative to 2019

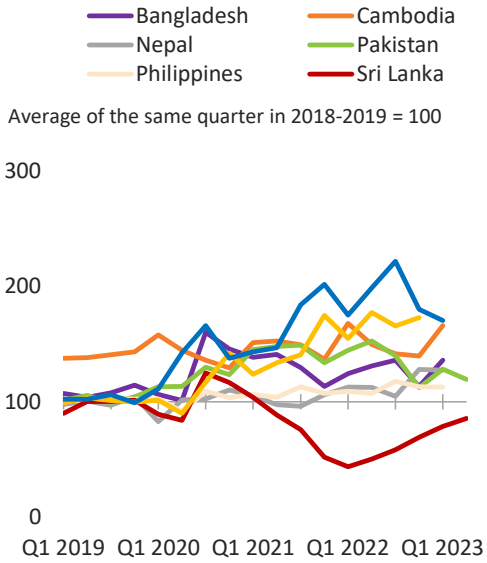


CCA = Caucasus and Central Asia
Notes: Year-to-date figures for 2023 compared to same months in 2019.
Sources: CEIC Data Company, official national sources.

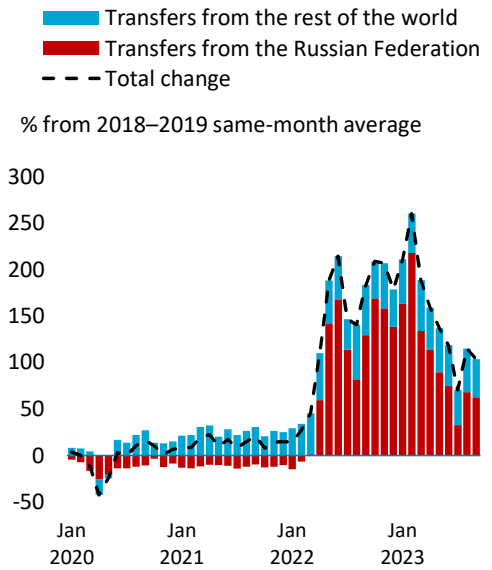
Money transfers remain large for most economies

Net Personal Transfers

A. South Asia, Southeast Asia, and Pacific



B. Caucasus and Central Asia



Sources: CEIC Data Company; official national sources.

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Global demand will slow less than expected

Global growth is now forecast to decelerate more gradually this year

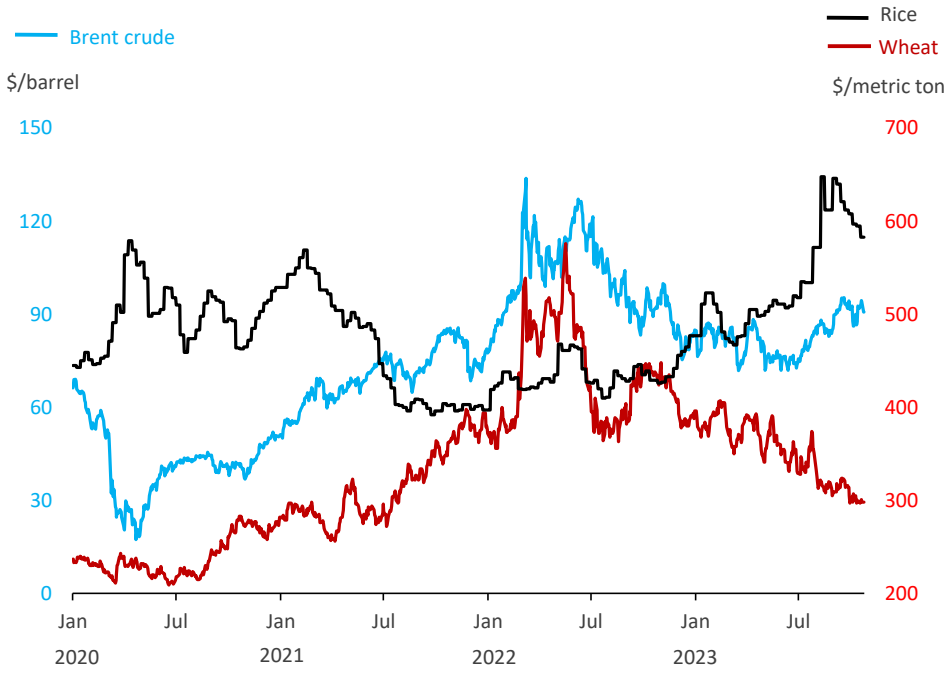
Baseline Assumptions on the International Economy

	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.

Energy prices up as rice prices remain high

Commodity Prices



Source: Bloomberg.

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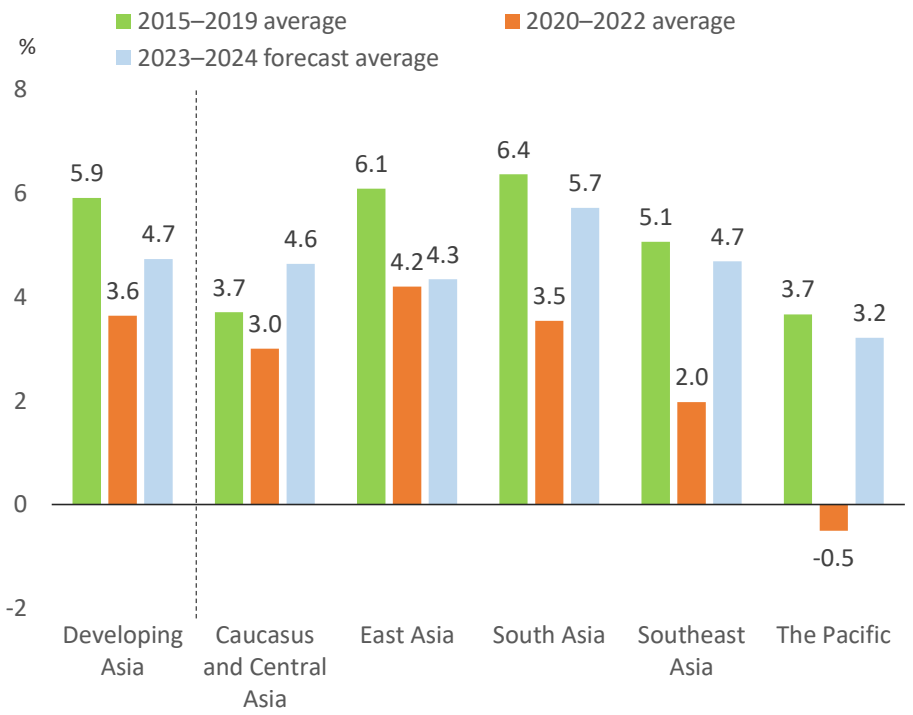
The regional growth forecast is revised down to 4.7% for 2023 and maintained at 4.8% for 2024

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.

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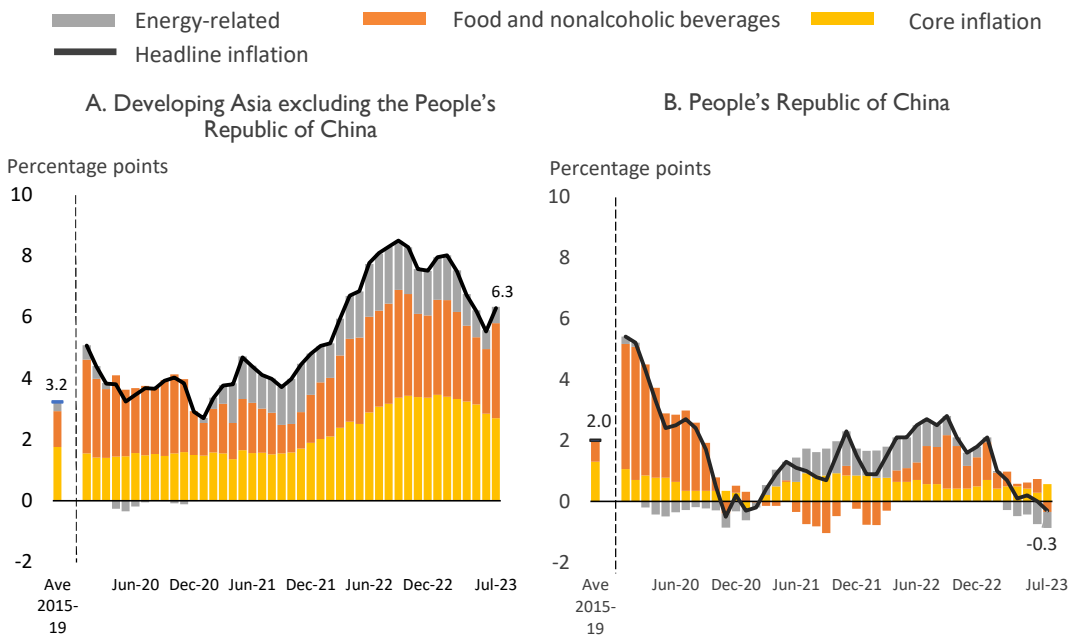
Inflation is forecast to further come down

The drivers of inflation are receding

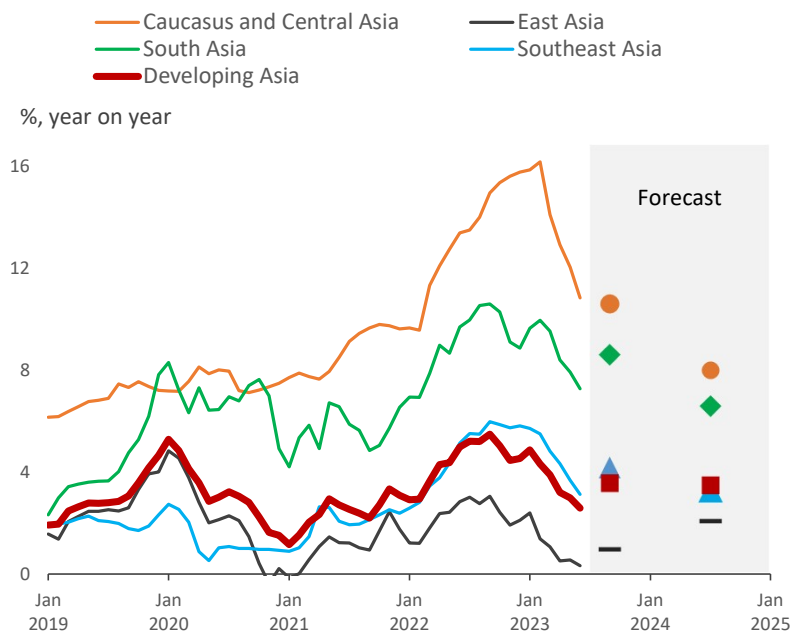
Contributions to Inflation



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



Sources: *Asian Development Outlook* database; CEIC Data Company.

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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.
- Monetary policy in advanced economies is also key in shaping the region's outlook.

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20 September 2023

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SEPTEMBER 2023

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Rice prices have come down but remain at a 15-year high



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Oil prices have come down from ~$95 to ~$85 as global supply eases and concerns re- the Israel–Hamas war fade



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