

India's GDP growth forecast revised to 6.5% for 2019 and 7.2% for 2020: Asian Development Outlook Update, September 2019

According to Asian Development Outlook Update, September 2019- Fostering Growth and Inclusion in Asia's Cities, growth in Developing Asia is moderating but remains robust. As global trade slows and investment weakens, regional growth forecasts are trimmed from Asian Development Outlook 2019 by 0.3 percentage points for 2019 and by 0.1 points for 2020. Expansion in the region is projected to slow from 5.9% in 2018 to 5.4% this year, recovering somewhat to 5.5% next year. Excluding high income newly industrialized economies, regional growth is expected to slow from 6.4% last year to 6.0% this year and next.

Gross Domestic Product Growth (%)

	2019		2020	
	ADO	ADO Update	ADO	ADO Update
Developing Asia	5.7	5.4	5.6	5.5
Developing Asia excluding the NIEs	6.2	6.0	6.1	6.0
Central Asia	4.2	4.4	4.2	4.3
Kazakhstan	3.5	3.7	3.3	3.4
East Asia	5.7	5.5	5.5	5.4
Hong Kong, China	2.5	0.3	2.5	1.5
People's Republic of China	6.3	6.2	6.1	6.0

Republic of Korea	2.5	2.1	2.5	2.4
Taipei, China	2.2	2.2	2.0	2.0
South Asia	6.8	6.2	6.9	6.7
India	7.2	6.5	7.3	7.2
Southeast Asia	4.9	4.5	5.0	4.7
Indonesia	5.2	5.1	5.3	5.2
Malaysia	4.5	4.5	4.7	4.7
Philippines	6.4	6.0	6.4	6.2
Singapore	2.6	0.7	2.6	1.4
Thailand	3.9	3.0	3.7	3.2
Viet Nam	6.8	6.8	6.7	6.7
The Pacific	3.5	4.2	3.2	2.6

Source: PHD Research Bureau compiled from Asian Development Outlook Update, September 2019.

Note: ADO- Asian Development Outlook 2019; NIEs- Newly Industrialised Economies (Hong Kong, China; Republic of Korea; Singapore; and Taipei, China).

The trade conflict between the United States and the People's Republic of China could escalate further or even spread beyond trade and the two economies. The risk of deeper malaise in the global economy, and uncertainty over how policy makers around the world will respond to weaker global growth, may stoke volatility in global financial markets. Proliferating private debt in some regional economies could pose another challenge to financial stability.

Along with the weakening trend in trade, the Developing Asia region suffered slower growth in domestic investment. The contribution of investment to GDP growth fell in the first quarter of 2019 and is expected to continue declining throughout this year. And while foreign direct investment (FDI) inflows by non-residents continue, developing Asia is investing more abroad, leading to net FDI outflows for the region. Slower domestic investment, if sustained, means less new productive capacity going forward which has implications for regional growth prospects.

Projections for India:

India's growth forecast for fiscal year 2019 is lowered to 6.5% after growth slowed markedly to 5.0% in Q1, April–June. Abrupt declines in manufacturing and investment reflected uncertainty ahead of general elections, subdued lending by banks and other financial institutions, stress in the rural economy, and a weakening external outlook. India is expected to rebound to 7.2% growth in fiscal 2020 and join most other sub-regional countries in performing at or near their ADO 2019 growth forecasts for next year.

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