

India's GDP growth forecast revised downward to 5.1% for 2019 and 6.5% for 2020: Asian Development Outlook Supplement, December 2019

According to Asian Development Outlook Supplement, December 2019, growth projections in developing Asia have been revised downward to 5.2% in both 2019 and 2020, given the challenging global environment. Regional inflation projections are revised up to 2.8% for 2019 and 3.1% for 2020 as African swine fever continues to elevate pork prices. Elusive trade conflict resolution weighs on sentiment and activity in the region, with further delay still the foremost downside risk to the forecasts.

Gross Domestic Product Growth (%)

	2019		2020	
	ADO	ADOS	ADO	ADOS
Developing Asia	5.4	5.2	5.5	5.2
Developing Asia excluding the NIEs	6.0	5.7	6.0	5.7
Central Asia	4.4	4.6	4.3	4.5
Kazakhstan	3.7	4.1	3.4	3.8
East Asia	5.5	5.4	5.4	5.2
Hong Kong, China	0.3	-1.2	1.5	0.3
People's Republic of China	6.2	6.1	6.0	5.8

Republic of Korea	2.1	2.0	2.4	2.3
Taipei, China	2.2	2.2	2.0	2.0
South Asia	6.2	5.1	6.7	6.1
India	6.5	5.1	7.2	6.5
Southeast Asia	4.5	4.4	4.7	4.7
Indonesia	5.1	5.1	5.2	5.2
Malaysia	4.5	4.5	4.7	4.7
Philippines	6.0	6.0	6.2	6.2
Singapore	0.7	0.6	1.4	1.2
Thailand	3.0	2.6	3.2	3.0
Viet Nam	6.8	6.9	6.7	6.8
The Pacific	4.2	4.0	2.6	2.5

Source: PHD Research Bureau, PHDCCI compiled from Asian Development Outlook Supplement, December 2019. Note: ADO- Asian Development Outlook 2019 Update; ADOS- Asian Development Outlook Supplement, December 2019; NIEs- Newly Industrialised Economies (Hong Kong, China; Republic of Korea; Singapore; and Taipei, China).

Highlights

- Growth forecasts for East Asia are downgraded to 5.4% in 2019 and 5.2% in 2020 as the People's Republic of China and the Republic of Korea endure continuing trade tensions and slowing domestic investment—as does Hong Kong, China, where political unrest is another factor.
- Growth projections for South Asia are lowered to 5.1% in 2019 and 6.1% in 2020. Southeast Asia's growth forecast is revised down slightly to 4.4% for 2019, as economic weakening in Singapore and Thailand prompts downward adjustments to their growth forecasts. Projected sub-regional growth in 2020 is maintained at 4.7%.
- An improved outlook in Kazakhstan encourages upward revisions to 2019 and 2020 growth projections for Central Asia, but forecasts for the Pacific are lowered as expansion in Fiji falls short of earlier projections.
- Notwithstanding subdued global oil and food prices, regional inflation projections are revised up to 2.8% for 2019 and 3.1% for 2020 as African swine fever continues to elevate

pork prices.

- Elusive trade conflict resolution weighs on sentiment and activity in the region, with further delay still the foremost downside risk to the forecasts.

Outlook for India

- Growth in India is expected to slow to 5.1% in 2019 as the foundering of a major nonbanking financial company in 2018 led to a rise in risk aversion in the financial sector and a credit crunch. Also, consumption was affected by slow job growth and rural distress aggravated by poor harvest.
- Some tentative signs have emerged that the Indian economy is stabilizing in the second half of FY2019. Growth is expected to benefit from government policy measures in recent months—notably a corporate tax cut, divestment from some state-owned enterprises, capital injections into public banks, and policy rate reduction by a total of 135 basis points—with further measures possible in the coming months.
- Growth in FY2020 is likely to recover due to this support, low oil prices, and a weakening rupee, but risks to the projections remain tilted to the downside. Policy support will help growth recover to 6.5% in 2020.

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