



PHD Research Bureau
PHD Chamber of Commerce and Industry



Asian Development Outlook 2022: India's GDP growth estimated at 8.9% for FY 2022, projected at 7.5% for FY 2023 and 8% for FY 2024

According to Asian Development Outlook 2022, April 2022, the Russian invasion of Ukraine has upended the global economic outlook and greatly amplified uncertainty for a world economy still contending with COVID-19. The war's outbreak in late February severely disrupted global economic conditions. Shockwaves have been felt in financial and commodity markets, and energy and food prices have spiked sharply and threaten to remain elevated or rise further. The highly uncertain outcome of the invasion is an additional hurdle for developing Asia's economies, many of which are still grappling with COVID-19.

Developing Asia's economy rebounded by 6.9% in 2021, but the recovery is still largely incomplete in most of the region. Expansion in the Caucasus and Central Asia, supported by higher commodity prices, nevertheless left gross domestic product (GDP) at 4% below its pre-pandemic trend. In South Asia, the gap remained at about 8%, despite strong growth led by a surge in consumption and investment in India. Southeast Asia's gap was 10% and the Pacific's 12%. The recovery in these subregions was delayed by severe pandemic-containment restrictions on domestic activity and international travel, which especially hampered tourism-dependent economies. East Asia bucked the trend on buoyant external demand; its gap was just 1% below the pre-pandemic trend.

Outlook for Asia

GDP growth in developing Asia is expected to stay strong, at 5.2% in 2022 and 5.3% in 2023. The pace of the recovery, however, varies across subregions. But in general, regional growth is being supported by a robust recovery in domestic demand in economies that are continuing to catch up with their pre-pandemic trend, particularly in South Asia. Here growth will remain strong in 2022 at a forecast 7.0%, accelerating to 7.4% in 2023. East Asia converged to its pre-pandemic trend in 2021 and growth rates are expected to normalize to 4.7% in 2022 and 4.5% in 2023. Growth rates in the other subregions will return to their pre-pandemic averages this year or next.

Inflation in developing Asia stayed below the global trend in 2021, but is expected to rise. Because of relatively low food inflation, less severe supply disruptions, and the incomplete recovery, regional inflation remained moderate at 2.5% last year. Price pressures were less broad-based than in advanced economies, including the US where inflation averaged 4.3%, and emerging economies in Latin America and the Caribbean, and Sub-Saharan Africa, where prices increased by 9.3% and 10.7%, respectively. Inflation in developing Asia this year and next will be driven by continuing recovery and elevated energy and commodity prices.

The regional inflation rate is forecast to rise to 3.7% in 2022, before dipping to 3.1% in 2023. Headline inflation is expected to accelerate in all subregions but the Caucasus and Central Asia. Monetary authorities should keep a close watch for incipient inflationary pressures.

Developing Asia's current account surplus is forecast to narrow from 1.3% of GDP in 2021 to 0.9% this year and inch up to 1.0% in 2023. Export volumes from the PRC stabilized last year, but continued to rise in the rest of the region to reach 18% above pre-pandemic levels in December.

Over the forecast horizon, slower growth rates and a shift in consumption back toward services in advanced economies will temper demand for developing Asia's exports, while imports will rise as economies recover. East Asia's current account surpluses will continue to shrink, while deficits will widen in South Asia. Commodity-exporting economies, such as those in the Caucasus and Central Asia, will mostly see current accounts improving this year. Several downside risks cloud developing Asia's outlook.

Escalating global geopolitical tensions arising from the Russian invasion of Ukraine could spill over to the region, particularly via sharper-than-expected increases in commodity prices and heightened financial stability risks, as discussed in this report's Special Topic on the economic impact of the war. Aggressive monetary policy tightening in the US may trigger financial market volatility, rapid capital outflows, and sharp currency depreciations. COVID-19 remains a threat, as more deadly variants could still emerge, and the PRC's current Omicron outbreaks could jeopardize regional growth and supply chains. In the medium-term, scarring from the pandemic poses significant risks, including learning losses from continued school closures that could further exacerbate economic inequality, as highlighted in the Special Topic on the effects of COVID-19 school closures.

GDP growth rate and inflation, % per year								
	GDP growth				Inflation			
	2020	2021	2022	2023	2020	2021	2022	2023
Developing Asia	-0.8	6.9	5.2	5.3	3.2	2.5	3.7	3.1
Caucasus and Central Asia	-2.0	5.6	3.6	4.0	7.7	8.9	8.8	7.1
Armenia	-7.4	5.7	2.8	3.8	1.2	7.2	9.0	7.5
Azerbaijan	-4.3	5.6	3.7	2.8	2.8	6.7	7.0	5.3
Georgia	-6.8	10.6	3.5	5.0	5.2	9.6	7.0	4.0
Kazakhstan	-2.5	4.0	3.2	3.9	6.8	8.0	7.8	6.4
Kyrgyz Republic	-8.4	3.6	2.0	2.5	6.3	11.9	15.0	12.0
Tajikistan	4.5	9.2	2.0	3.0	9.4	8.0	15.0	10.0
Turkmenistan	...	5.0	6.0	5.8	10.0	12.5	13.0	10.0
Uzbekistan	1.9	7.4	4.0	4.5	12.9	10.7	9.0	8.0
East Asia	1.8	7.6	4.7	4.5	2.2	1.1	2.4	2.0
Hong Kong, China	-6.5	6.4	2.0	3.7	0.3	1.6	2.3	2.0
Mongolia	-4.6	1.4	2.3	5.6	3.7	7.1	12.4	9.3
People's Republic of China	2.2	8.1	5.0	4.8	2.5	0.9	2.3	2.0
Republic of Korea	-0.9	4.0	3.0	2.6	0.5	2.5	3.2	2.0
Taipei, China	3.4	6.4	3.8	3.0	-0.2	2.0	1.9	1.6
South Asia	-5.2	8.3	7.0	7.4	6.5	5.7	6.5	5.5
Afghanistan	-2.4	...	...	...	5.6	5.2	...	...
Bangladesh	3.4	6.9	6.9	7.1	5.7	5.6	6.0	5.9
Bhutan	-10.1	3.5	4.5	7.5	5.6	7.4	7.0	5.5
India	-6.6	8.9	7.5	8.0	6.2	5.4	5.8	5.0
Maldives	-33.5	31.6	11.0	12.0	-1.4	0.5	3.0	2.5
Nepal	-2.1	2.3	3.9	5.0	6.2	3.6	6.5	6.2
Pakistan	-1.0	5.6	4.0	4.5	10.7	8.9	11.0	8.5
Sri Lanka	-3.6	3.7	2.4	2.5	4.6	6.0	13.3	6.7
Southeast Asia	-3.2	2.9	4.9	5.2	1.5	2.0	3.7	3.1
Brunei Darussalam	1.1	-1.5	4.2	3.6	1.9	1.7	1.6	1.0
Cambodia	-3.1	3.0	5.3	6.5	2.9	2.9	4.7	2.2
Indonesia	-2.1	3.7	5.0	5.2	2.0	1.6	3.6	3.0
Lao People's Dem. Rep.	-0.5	2.3	3.4	3.7	5.1	3.7	5.8	5.0
Malaysia	-5.6	3.1	6.0	5.4	-1.1	2.5	3.0	2.5
Myanmar	3.2	-18.4	-0.3	2.6	5.7	3.6	8.0	8.5
Philippines	-9.6	5.6	6.0	6.3	2.4	3.9	4.2	3.5
Singapore	-4.1	7.6	4.3	3.2	-0.2	2.3	3.0	2.3
Thailand	-6.2	1.6	3.0	4.5	-0.8	1.2	3.3	2.2
Timor-Leste	-8.6	1.8	2.5	3.1	0.5	3.8	2.6	2.7
Viet Nam	2.9	2.6	6.5	6.7	3.2	1.8	3.8	4.0

The Pacific	-6.0	-0.6	3.9	5.4	2.9	3.1	5.9	4.7
Cook Islands	-5.2	-29.1	9.1	11.2	0.7	2.2	4.3	4.0
Federated States of Micronesia	-3.8	-1.2	2.2	4.2	-2.9	2.0	4.6	2.0
Fiji	-15.2	-4.1	7.1	8.5	-2.6	0.2	4.5	4.0
Kiribati	-0.5	1.5	1.8	2.3	2.3	1.0	5.0	3.7
Marshall Islands	-2.2	-3.3	1.2	2.2	-0.8	1.0	4.1	4.0
Nauru	0.8	1.5	1.0	2.4	0.9	1.2	2.3	2.2
Niue	...	...	...	...	2.7	...	...	...
Palau	-9.7	-17.1	9.4	18.3	0.7	0.5	4.3	4.2
Papua New Guinea	-3.5	1.3	3.4	4.6	4.9	4.5	6.4	5.1
Samoa	-2.6	-8.1	0.4	2.2	1.5	-3.0	8.9	3.2
Solomon Islands	-4.5	-0.5	-3.0	3.0	3.0	-0.2	5.0	4.0
Tonga	0.7	-3.0	-1.2	2.9	0.2	1.4	7.6	4.2
Tuvalu	1.0	1.5	3.0	3.0	1.6	6.7	3.8	3.3
Vanuatu	-7.5	-1.0	1.0	4.0	5.3	2.1	4.8	3.2

... = unavailable, GDP = gross domestic product.

Notes: Some historical data for Turkmenistan are not presented for lack of uniformity. A fluid situation permits no estimates or forecasts for Afghanistan in 2021–2023.

Source: PHD Research Bureau, PHDCCI, compiled from ADB

Outlook for India

Growth in India is forecasted at 7.5% for FY2022-23 and 8.0% in FY2023-24, driven by strong investment growth over the forecast horizon. The economy rebounded strongly in fiscal 2021 following a contraction in fiscal 2020. Easing supply chain disruptions softened inflation, despite rising global oil prices, and rising domestic demand turned the current account surplus into a deficit. Growth will moderate in fiscal 2022, but remain strong, buoyed by investment.

Inflation will accelerate and the current account deficit widen due to the surge in global oil prices. Improving the domestic resource mobilization of the states is a key policy challenge for sustained and inclusive growth. The Indian economy recovered in fiscal year 2021 (FY2021, ended 31 March 2022) after a severe contraction in FY2020. The recovery was despite two waves of COVID-19, especially of the Delta variant, which severely strained the country's health infrastructure. GDP is forecast to grow by 8.9% in FY2021 based on available data up to the third quarter (Q3, October–December) and in some instances beyond. The economic impact of the Delta variant hit services hard in Q1, but the sector rebounded in Q2 and Q3 as COVID-19 subsided.

Trade, hotels, and transport services were the initial drivers of services growth in Q2 and financial, real estate, and professional services picked up strongly in Q3. In these quarters, industry growth was supported mainly by construction, the country's largest employer after agriculture, and manufacturing. Agricultural production was stable. With the spread of Omicron variant, new COVID-19 cases started surging in the first week of January 2022, peaking at some 500,000 cases by the 14th. Cases have since declined. No nationwide lockdown was imposed in FY2021, although several states imposed weekend and night curfews, and closed restaurants and bars. The impact of these restrictions, coupled with the geopolitical fallout from the Russian invasion of Ukraine, may marginally lower growth in the last quarter (January–March) of the current fiscal year.

Please find appended the link to access the detailed document on the same.

<https://www.adb.org/sites/default/files/publication/784041/ado2022.pdf>

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Warm Regards,

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