



ASIAN DEVELOPMENT ASIAN DEVELOPMENT OUTLOOK

Special Session:
Economic Outlook of Asia and the Pacific
ADB-Asian Think Tank Network Forum
26 September 2023



ADB

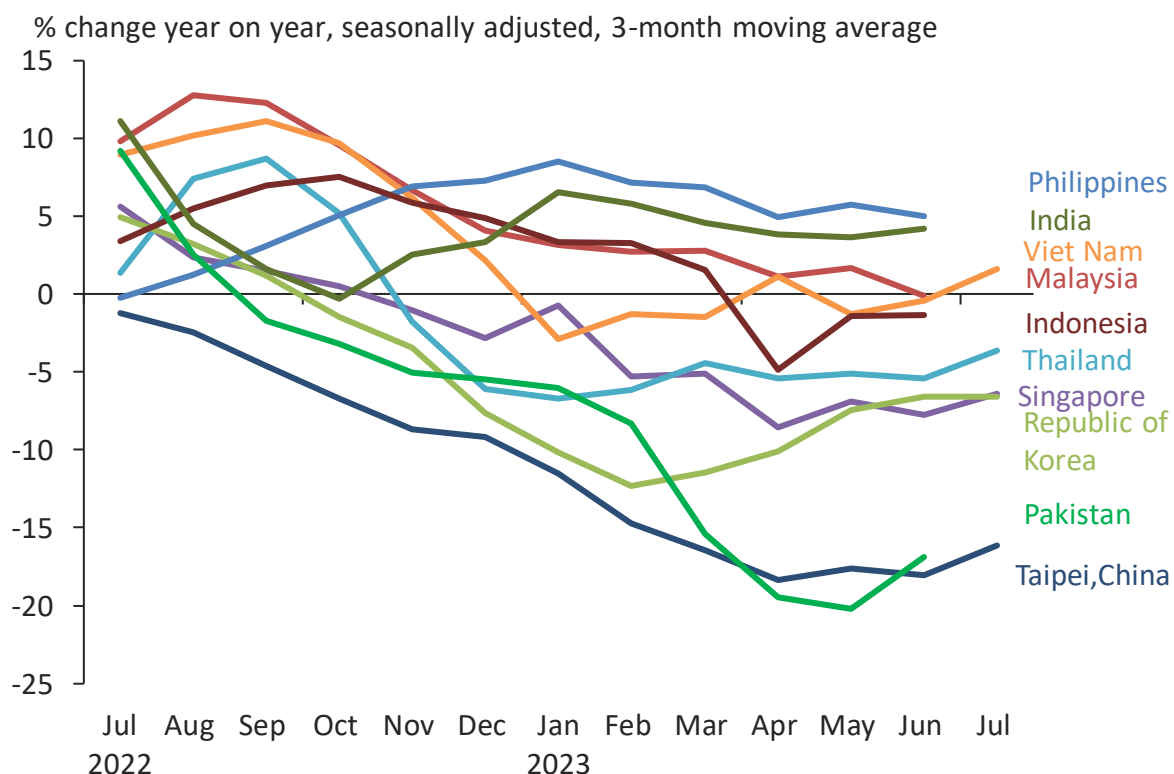
Key Messages: Continued growth and moderating inflation but risks are rising

- Developing Asia's growth has been upbeat, driven by healthy domestic demand.
- Weak external demand and property market concerns in the PRC weigh on the outlook.
- The regional forecast is revised down to 4.7% for 2023 and maintained at 4.8% for 2024.
- In the Pacific, tourism recovery and resumption of infrastructure projects are supporting growth.
- Inflation is projected 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 weaknesses in the PRC's property sector, and financial stability concerns are elevated.

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
Manufacturing PMI, seasonally adjusted								
India	55.4	55.3	56.4	57.2	58.7	57.8	57.7	58.6
Indonesia	51.3	51.2	51.9	52.7	50.3	52.5	53.3	53.9
PRC	49.2	51.6	50.0	49.5	50.9	50.5	49.2	51.0
Viet Nam	47.4	51.2	47.7	46.7	45.3	46.2	48.7	50.5
Singapore	49.8	50.0	49.9	49.7	49.5	49.7	49.8	49.9
Philippines	53.5	52.7	52.5	51.4	52.2	50.9	51.9	49.7
Thailand	54.5	54.8	53.1	60.4	58.2	53.2	50.7	48.9
Republic of Korea	48.5	48.5	47.6	48.1	48.4	47.8	49.4	48.9
Malaysia	46.5	48.4	48.8	48.8	47.8	47.7	47.8	47.8
Taipei, China	44.3	49.0	48.6	47.1	44.3	44.8	44.1	44.3
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
Services PMI, not seasonally adjusted								
Sri Lanka	50.2	48.7	55.1	49.6	53.5	56.7	59.5	...
Philippines	53.7	54.9	53.4	56.9	54.0	53.0	48.2	...

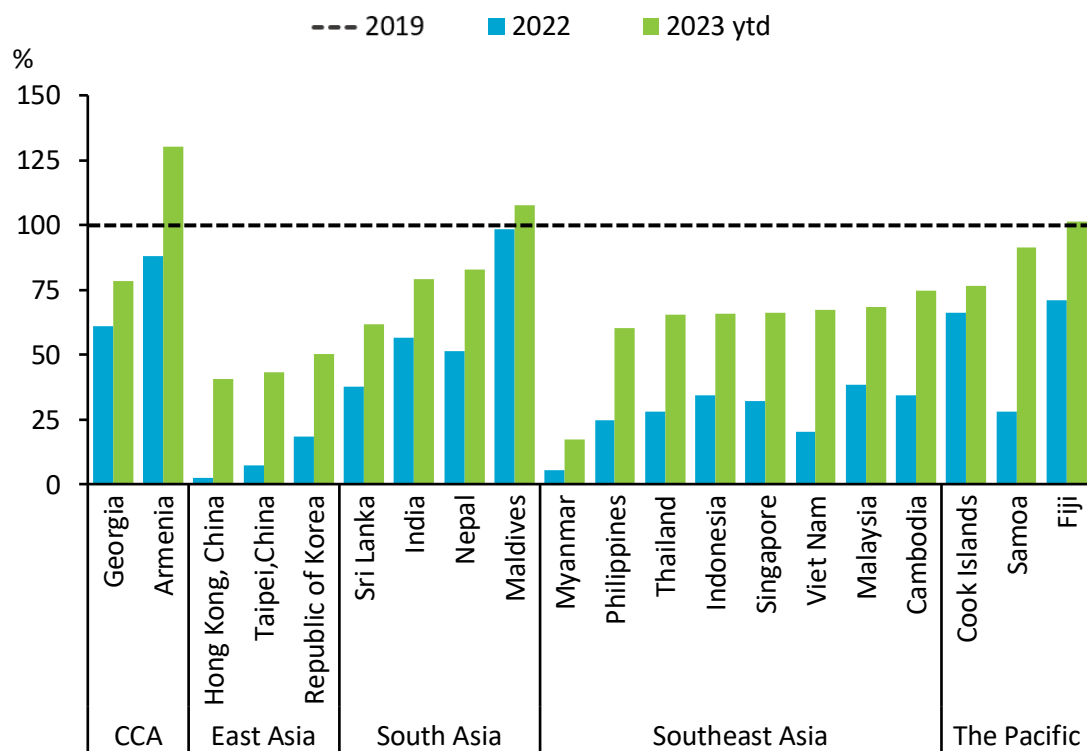
... = not available, PRC = People's Republic of China, Q = quarter.
 Note: Pink to red indicates worsening (<50) and white to green indicates improvement (>50). Series for Singapore is not seasonally adjusted.
 Source: CEIC Data Company.

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

Tourist arrivals continue recovering toward pre-pandemic levels

Money transfers remain large for most economies

Tourist Arrivals by Subregion, relative to 2019



CCA = Caucasus and Central Asia

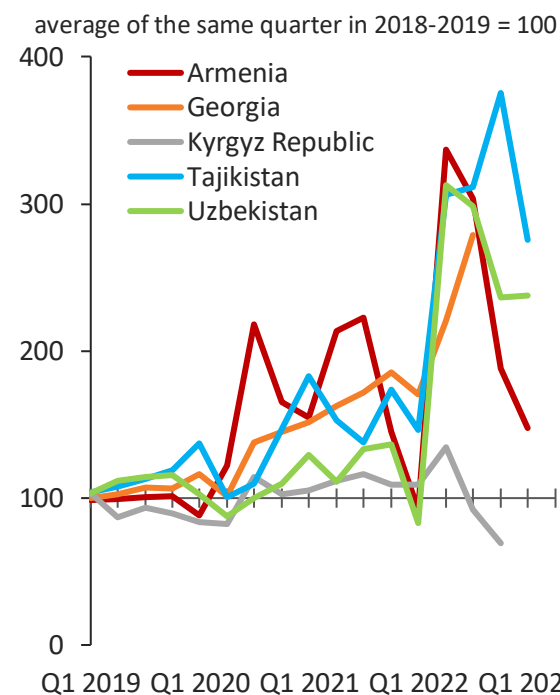
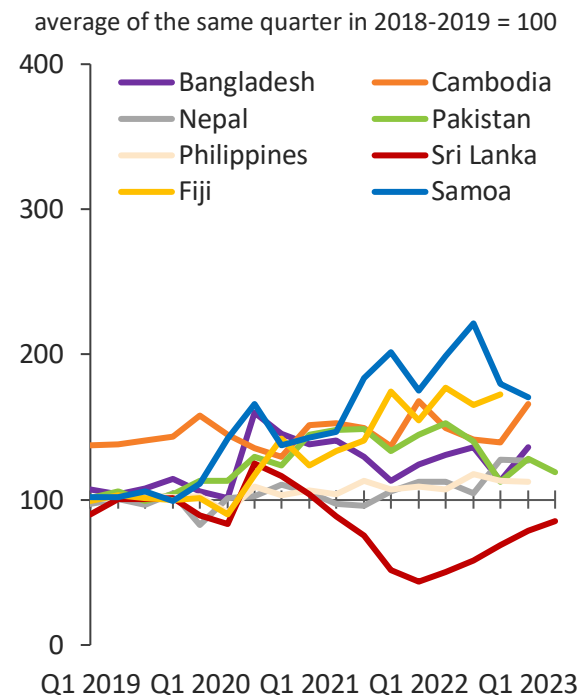
Notes: Year-to-date figures for 2023 compared to same months in 2019.

Sources: CEIC Data Company, official national sources.

Net Personal Transfers

A. South Asia, Southeast Asia, and the Pacific

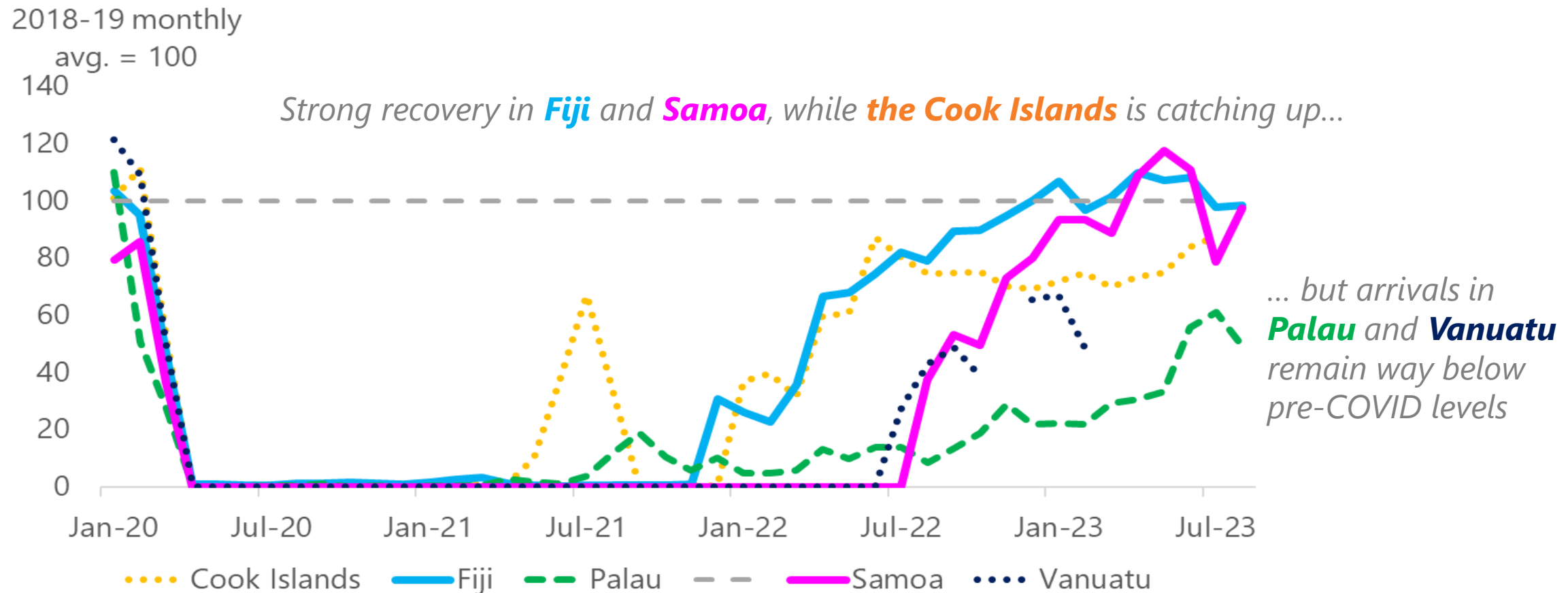
B. Caucasus and Central Asia



Sources: CEIC Data Company; official national sources.

Divergent performance among tourism-reliant Pacific economies

Visitor arrivals, relative to pre-pandemic levels



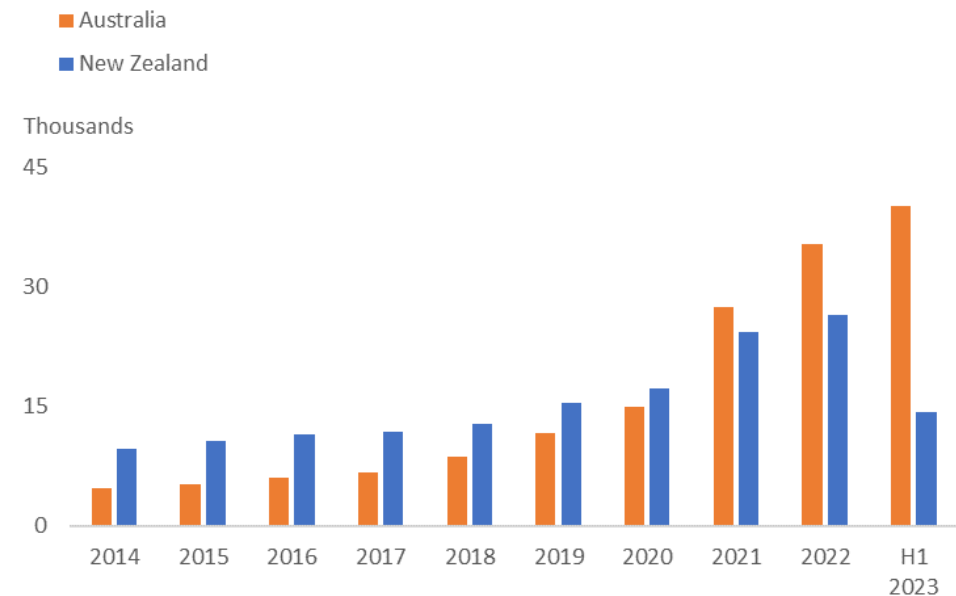
Sources: Asian Development Outlook and Pacific Economic Monitor databases.

Accelerating Labor Migration from the Pacific: Short-term Blessing, Long-term Challenge?

- Increased labor migration due to pandemic's economic impacts
- Growing remittances, dwindling local labor supply
- Likely further constraints from expanded mobility schemes
- Need to bridge local labor gaps, sustain remittances

Work visa approvals for Pacific workers increased sharply from 2019 to 2022.

Pacific Approvals for All Categories of Work Visas to Australia and New Zealand, 2014–June 2023



H = half.

Notes: New Zealand data excludes the Cook Islands and Niue, whose citizens can freely enter and exit New Zealand under free association arrangements.

Sources: New Zealand data from Ministry of Business, Innovation and Employment. Migration Data Explorer; Australian data from Department of Home Affairs. Temporary Visa Holders in Australia.

Outlook: Global demand will slow less than expected

Global growth is now forecast to decelerate more gradually this year

Energy prices came down, but rice prices are at a 15-year high

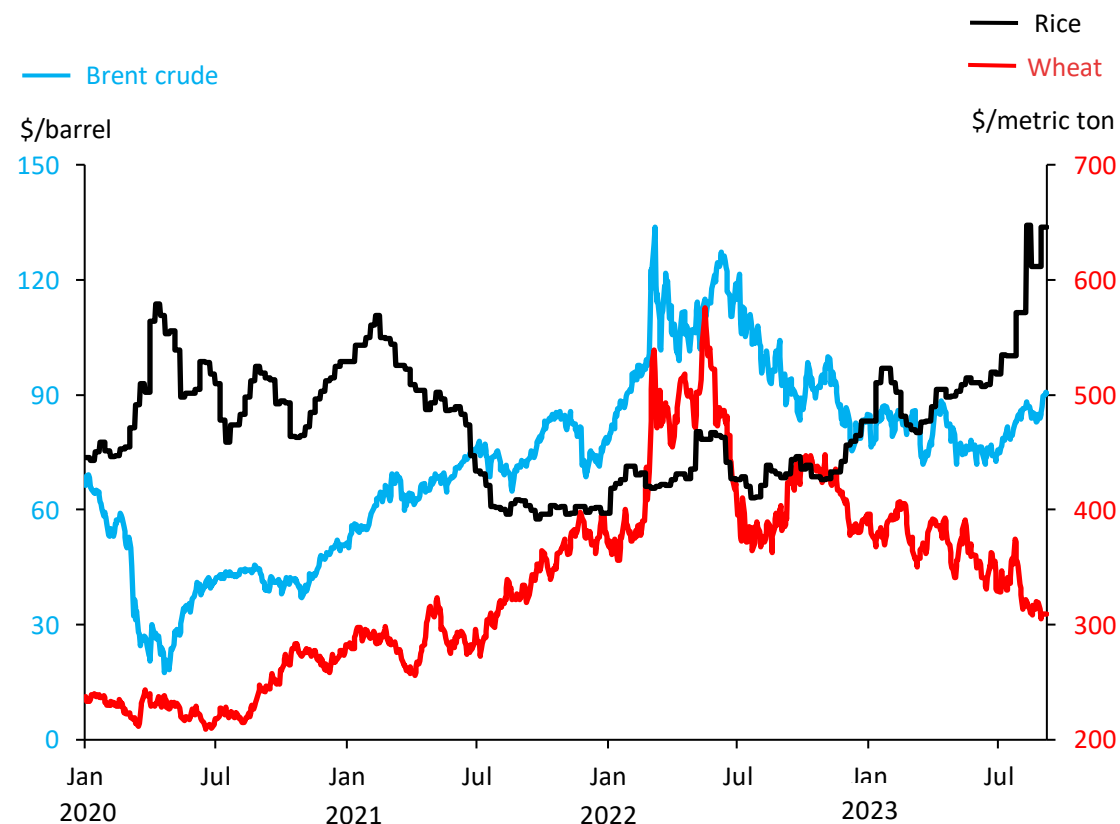
Baseline Assumptions on the International Economy

	2022	2023		2024	
	Actual	April	September	April	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
Australia	3.7	1.6	1.5	1.7	1.3
New Zealand	2.7	0.9	0.6	1.1	1.3
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
Australia	6.6	5.5	5.6	3.0	3.2
New Zealand	7.2	5.6	5.4	2.9	2.8
Brent crude spot price, average, \$/barrel	100	88	83	90	86

Note: Major advanced economies include the US, euro area, and Japan.

Sources: Bloomberg; CEIC Data Company; Consensus Forecasts; Haver Analytics; IMF World Economic Outlook; Asian Development Bank estimates.

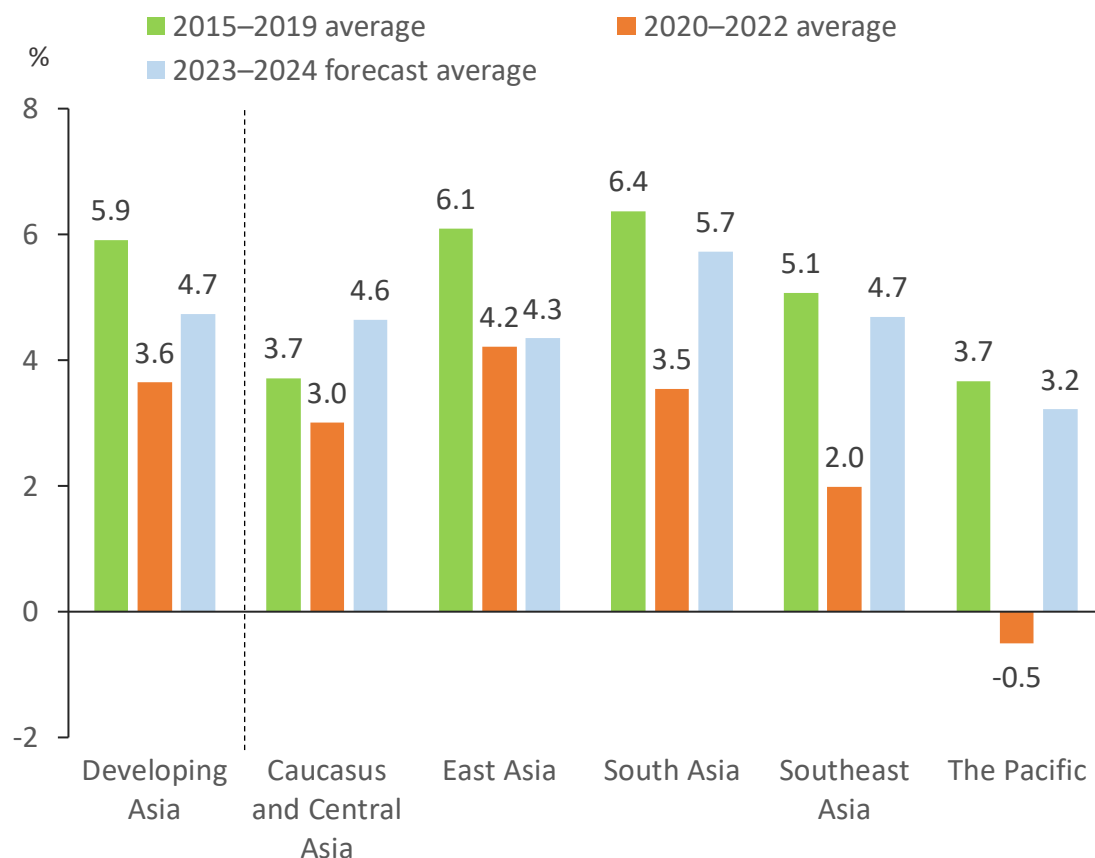
Commodity Prices



Source: Bloomberg.

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...



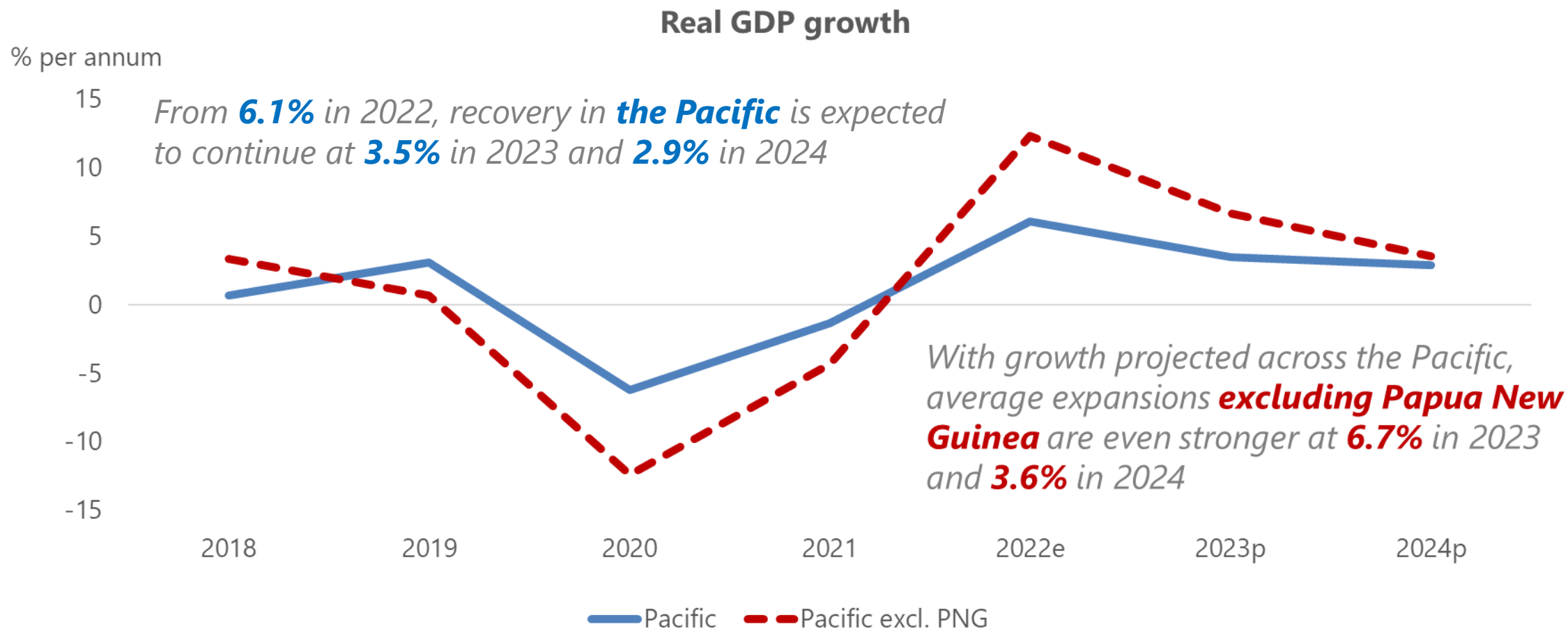
Source: Asian Development Outlook database.

...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	5.3	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

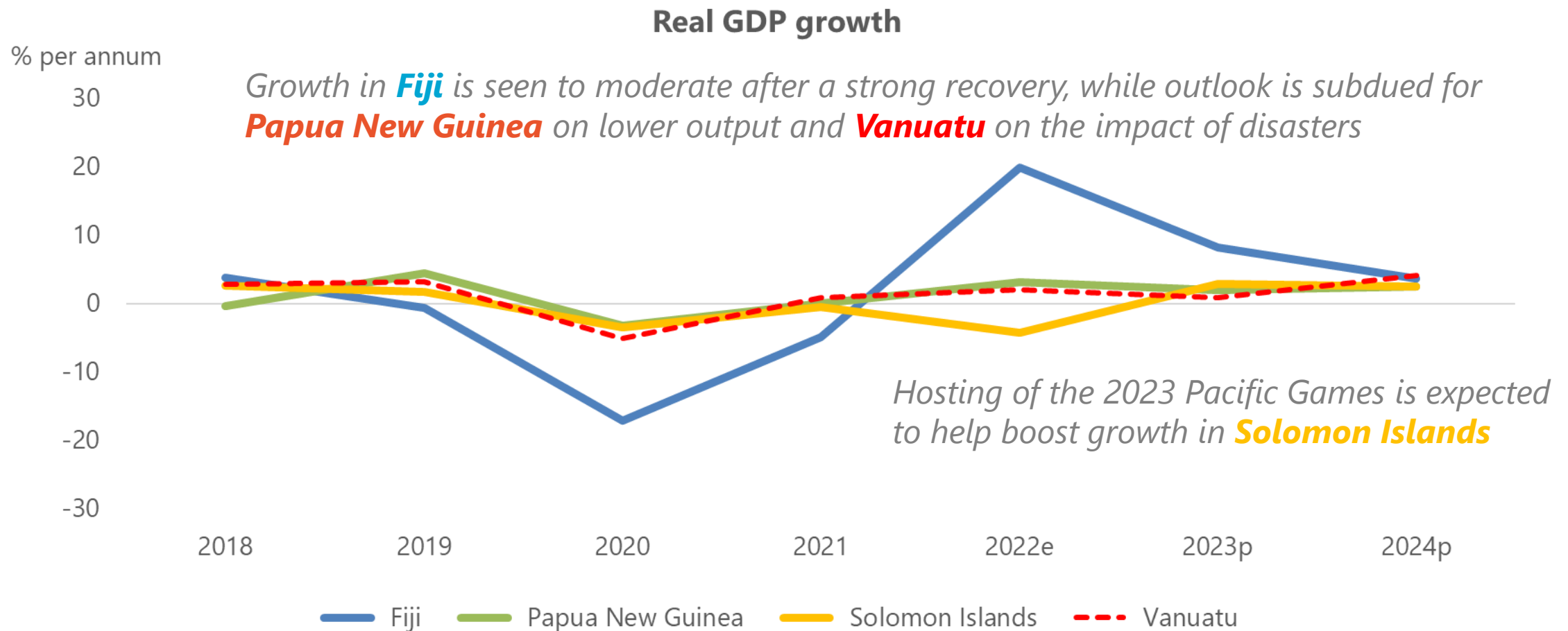
Source: Asian Development Outlook database.

Pacific recovery to continue



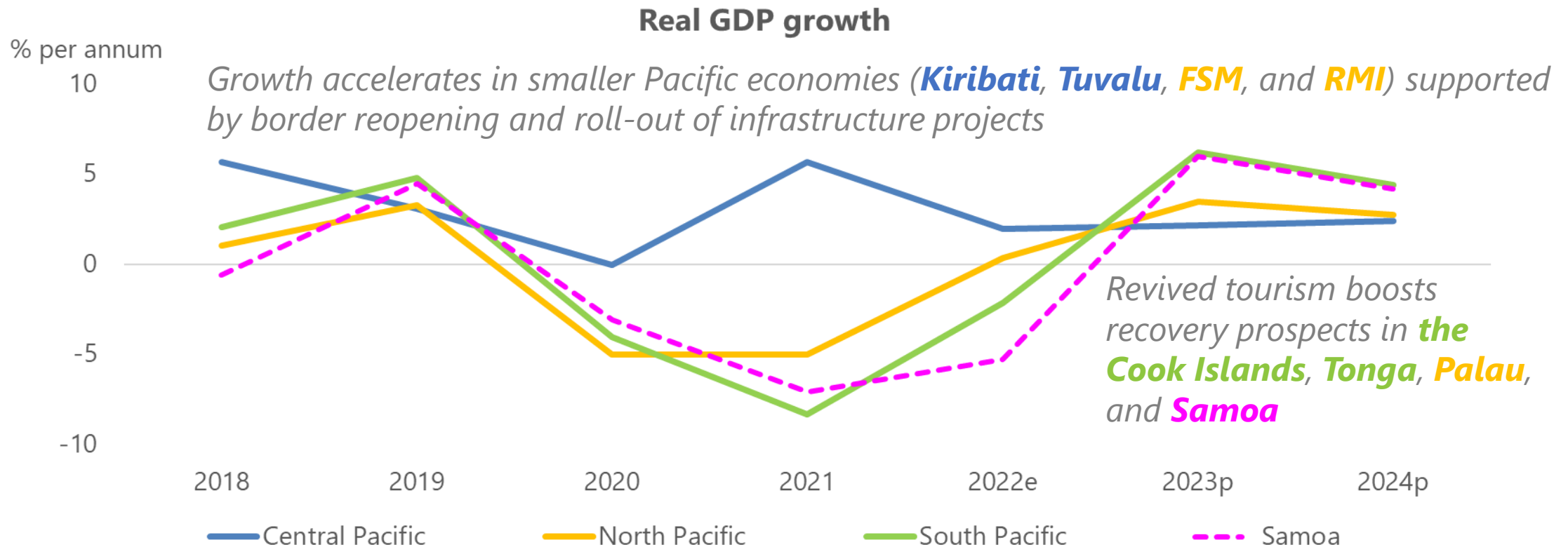
Sources: Asian Development Outlook September 2023 and Pacific Economic Monitor databases.

Slower growth in most of the larger economies



Sources: Asian Development Outlook September 2023 and Pacific Economic Monitor databases.

Faster growth elsewhere as infrastructure and tourism rebound



Notes:

1. Central Pacific comprises Kiribati, Nauru, and Tuvalu.
2. North Pacific comprises the Federated States of Micronesia, the Marshall Islands, and Palau.
3. South Pacific comprises the Cook Islands, Samoa, and Tonga. Data for Niue is not available.

Sources: Asian Development Outlook September 2023 and Pacific Economic Monitor databases.

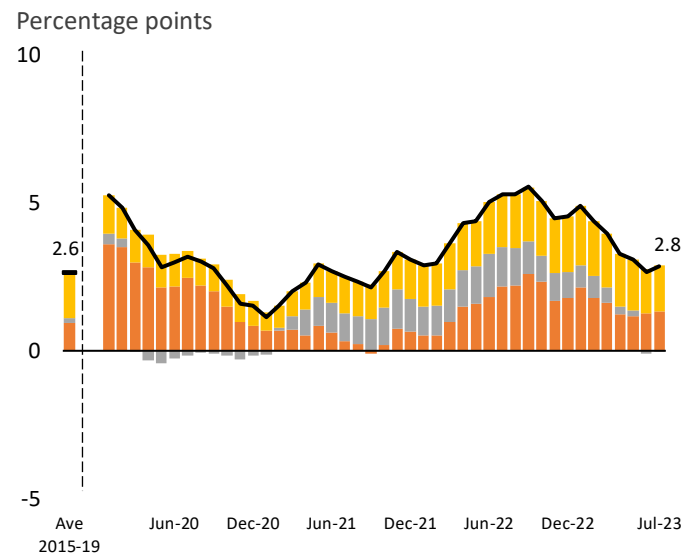
Inflation is forecast to further come down

The drivers of inflation are receding

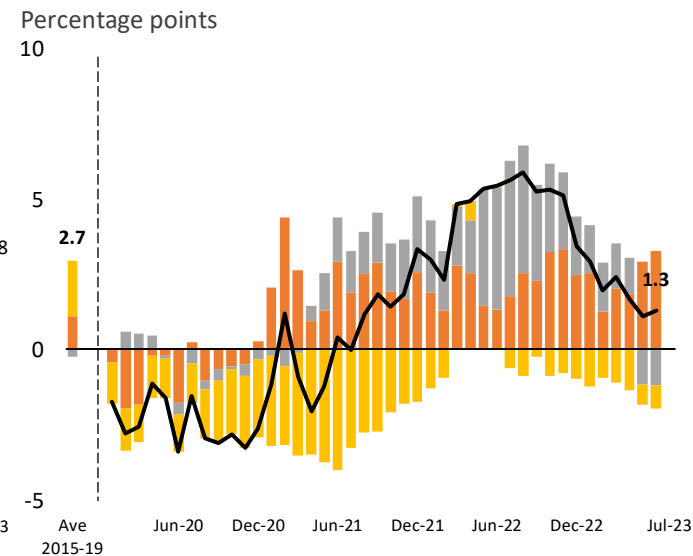
Contributions to Inflation

Energy-related Food and nonalcoholic beverages Core inflation
Headline inflation

A. Developing Asia



B. The Pacific



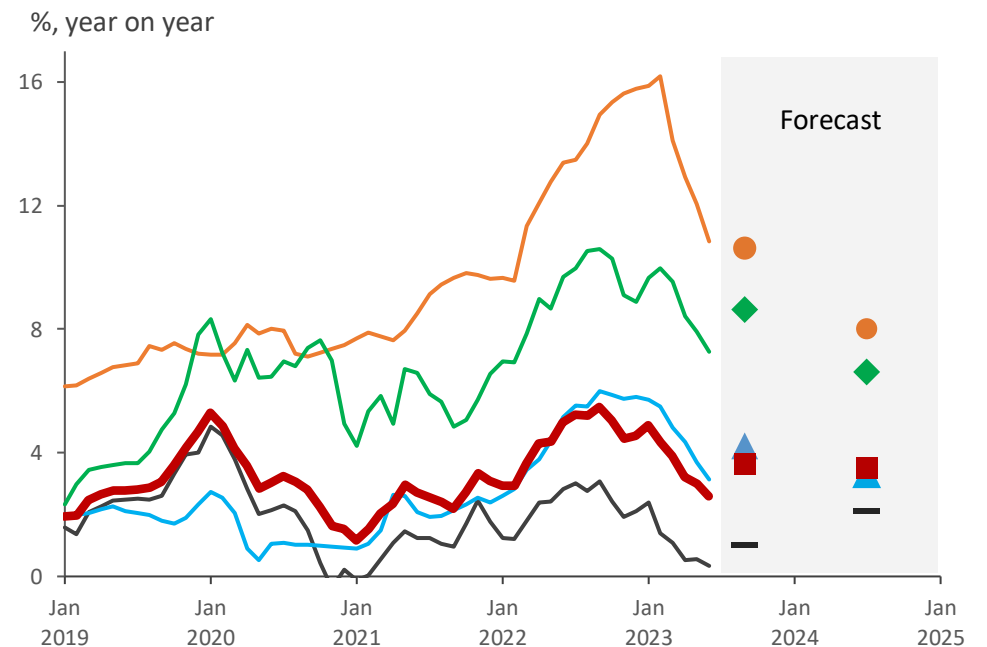
Note: Core inflation excludes volatile components, i.e., energy and fuel. Regional average is calculated using GDP PPP shares as weights and covers 22 economies. Data for the Pacific are as of June 2023 and covers only Fiji and Tonga.

Sources: Staff calculations using data from Haver Analytics; CEIC Data Company; national sources.

Prices are expected to further moderate

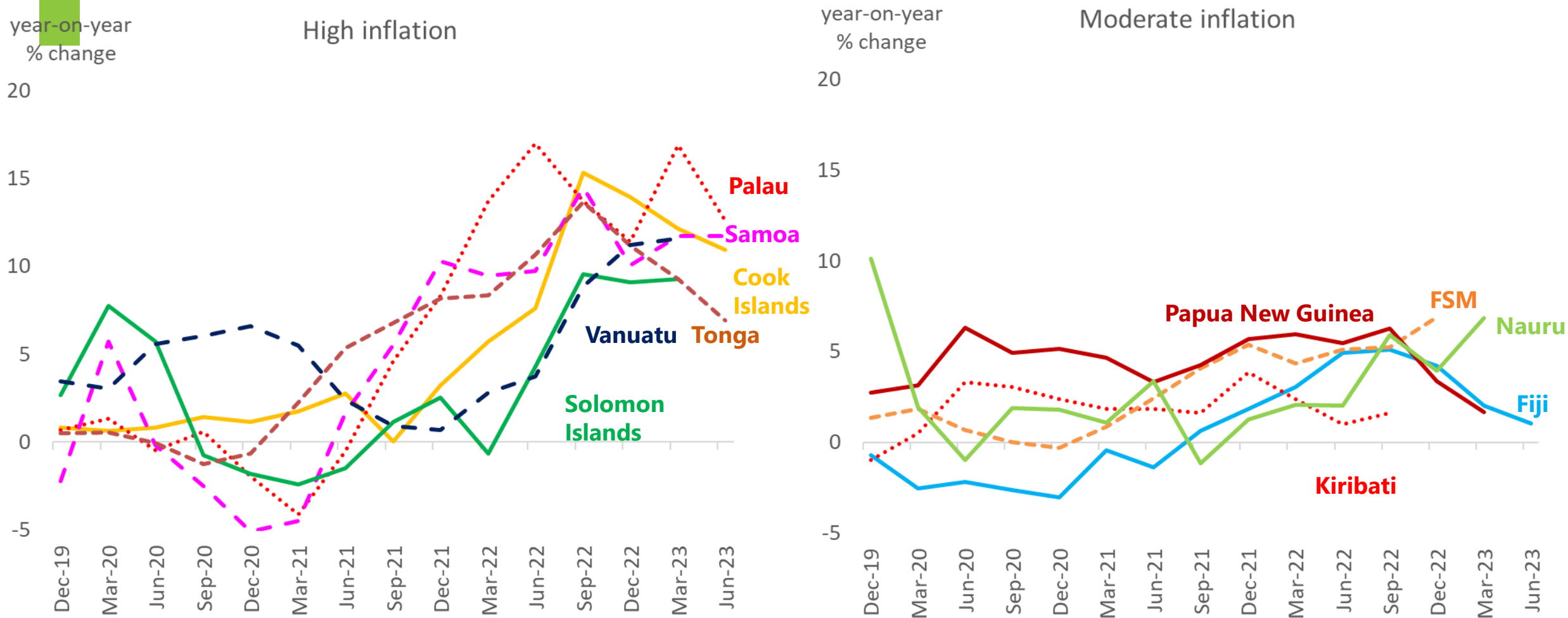
Monthly Inflation and ADO Annual Forecasts

Caucasus and Central Asia East Asia
South Asia Southeast Asia
Developing Asia



Sources: Asian Development Outlook database; CEIC Data Company.

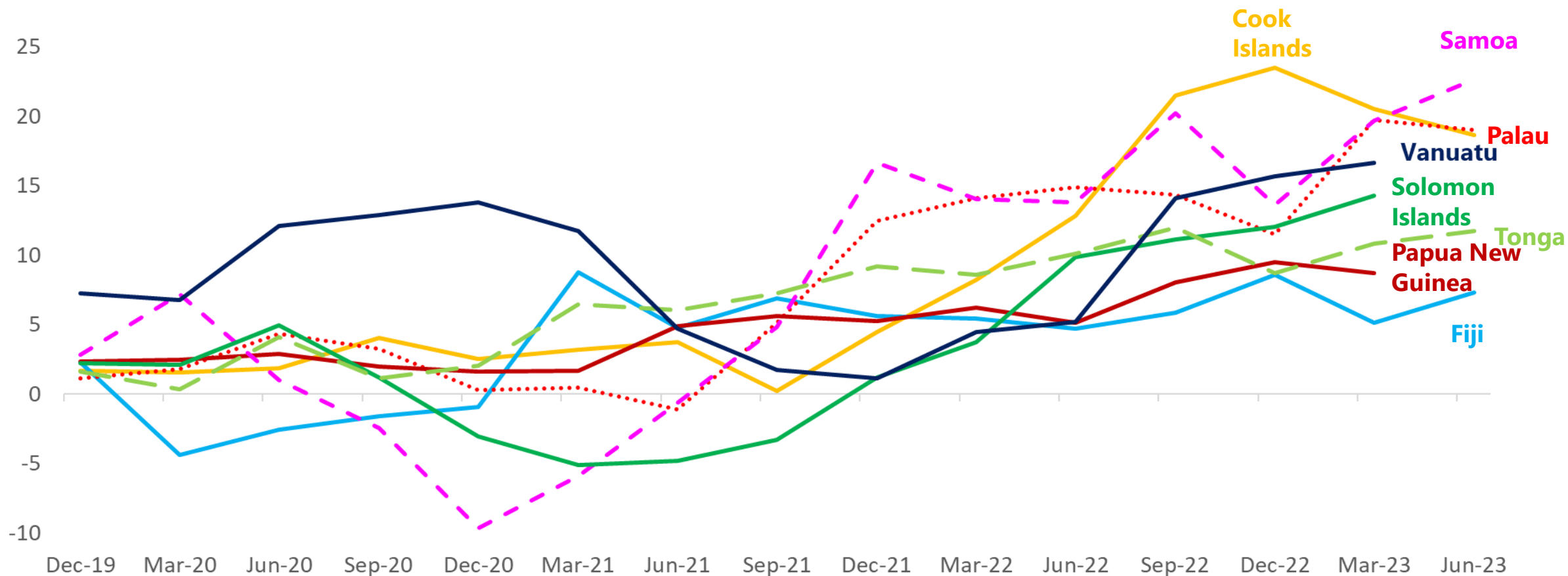
Pacific inflation remains elevated



Sources: Asian Development Outlook and Pacific Economic Monitor databases.

High food price inflation threatens food security

year-on-year % change



Sources: Asian Development Outlook and Pacific Economic Monitor databases.

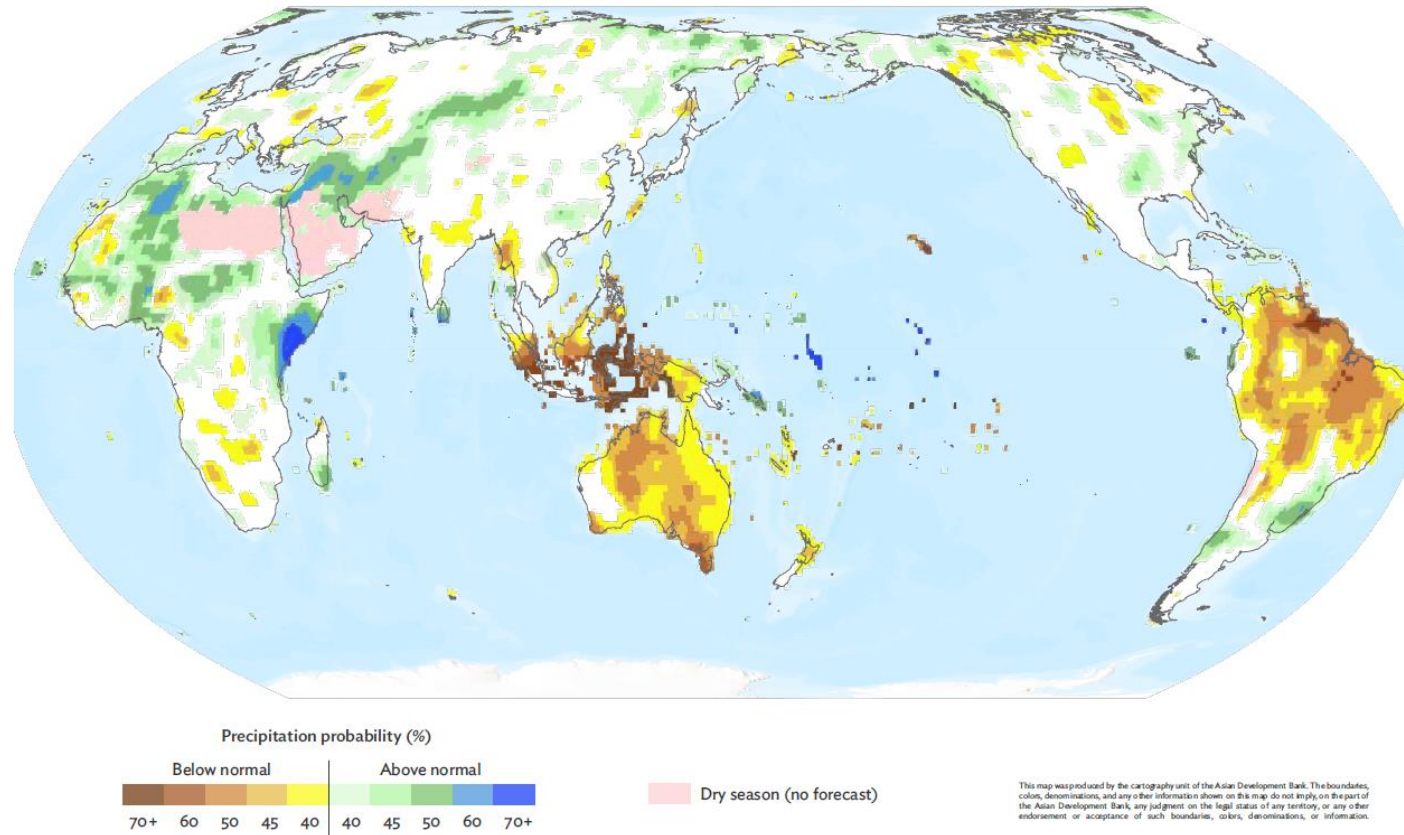
Risks to the outlook have intensified

- 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.
- The stance of monetary policy in advanced economies is also key in shaping the region's outlook.

El Niño's Looming Impact on Developing Asia

El Niño shifts rainfall patterns in different parts of the world.

Forecast Precipitation September-November 2023





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MNL/SIN/HKG time
20 September 2023

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SEPTEMBER 2023

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