

**South Asia positioned to remain the fastest-growing region amid a prolonged episode of slow global growth: UN report**

***Growth to benefit from robust domestic demand and a supportive macroeconomic environment***

**New Delhi, 18 January** – South Asia is exhibiting the fastest growth among all regions, even as the global economy continues to be trapped in a prolonged period of slow economic growth, according to the United Nations World Economic Situation and Prospects (WESP) 2017 Report released today.

The report shows that world gross product grew by just 2.2 per cent in 2016, marking its slowest pace of expansion since the Great Recession of 2009. Global growth is projected to see a moderate improvement to 2.7 per cent in 2017 and 2.9 per cent in 2018, but this is more an indication of economic stabilization than a signal of a robust revival of global demand.

Against this backdrop, South Asia will continue to grow more rapidly than other regions. Regional GDP is estimated to have expanded by 6.7 per cent in 2016. Supported by robust consumption, a moderate pickup in investment and a supportive macroeconomic environment, growth is projected to accelerate to 6.9 per cent in 2017 and 2018. While monetary policy stances are generally accommodative across the region, fiscal policy remains moderately tight but with some degree of flexibility.

***Growth prospects for the larger economies***

India has positioned itself as one of the most dynamic emerging economies. Growth is projected to reach 7.7 per cent in 2017 and 7.6 per cent in 2018 amid strong private consumption. Investment demand is expected to pick up slightly, supported by monetary easing, government efforts towards infrastructure investments and public-private partnerships, and domestic reforms.

The outlook for the Islamic Republic of Iran has strengthened considerably. This can be attributed to the expansion of oil exports, increasing business confidence and a surge in foreign investments. GDP growth is estimated to have accelerated to 4.3 per cent in 2016, with a further pickup expected in 2017 and 2018.

In Pakistan, growth is projected to remain robust, above 5.0 per cent. Economic activity will be driven by strong consumption, a supportive monetary policy stance and rising investment.

Similarly, the Bangladesh economy continues to expand at a vigorous pace, driven by strong domestic demand and a more proactive fiscal stance. Growth is projected to remain robust at 6.8 and 6.6 per cent in 2017 and 2018, respectively.

***Downside risks and policy challenges***

The report cautions that there are significant downside risks to the global and the regional outlook. Among other issues, the report highlights the high degree of uncertainty in the international policy environment and elevated foreign currency-denominated debt levels as key downside risks that may derail global growth.

For South Asia, potential renewed episodes of high financial volatility, including a sudden surge in external borrowing costs and large capital outflows, could significantly increase the difficulties to roll over debt. The ongoing economic reform agenda might also experience some setbacks, while political instabilities could dampen investment prospects. From a medium-term perspective, a key fiscal challenge for the region involves improving tax revenues and promoting a supportive environment for the private sector, which together can enhance the capacity to implement counter-cyclical policies.

Given the close linkages between demand, investment, trade and productivity, the extended episode of weak global growth may prove self-perpetuating, especially in the absence of concerted policy efforts to revive investment and foster a recovery in productivity. Under those circumstances, the report calls for a more balanced policy approach – one that goes beyond over-reliance on monetary policy- to not only restore robust growth in the medium term, but also to achieve greater progress on sustainable development.

**About the report:** *The World Economic Situation and Prospects report is the UN's flagship publication on expected trends in the global economy. WESP is produced annually by the UN Department of Economic and Social Affairs (DESA), the UN Conference on Trade and Development (UNCTAD), the five UN regional commissions and the World Tourism Organisation (UNWTO).*

For more information, please visit: <http://www.un.org/en/development/desa/policy/wesp/>

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