East and South Asia remain the world’s most dynamic regions: UN report

Robust domestic demand and accommodative macroeconomic policies to support regional growth

Bangkok, 13 December – An upturn in the global economy—now growing by about 3 per cent—paves the way to reorient policy towards longer-term issues such as addressing climate change, tackling existing inequalities and removing institutional obstacles to development, according to the United Nations World Economic Situation and Prospects (WESP) 2018 Report, launched today.

According to the report, in 2017, world economic growth has reached 3 per cent—the highest growth since 2011— as crisis-related fragilities and the adverse effects of other recent shocks subside. The improvement is widespread, with roughly two-thirds of countries worldwide experiencing stronger growth in 2017 than in the previous year. Global growth is expected to remain steady at 3.0 per cent in 2018 and 2019.

Growth prospects in East and South Asia

Against this backdrop, East and South Asia will remain the world’s most dynamic and fastest-growing regions. In 2017, regional GDP expanded by 6.0 per cent, outpacing the rest of the world. Supported by growth in China, robust private consumption, higher exports and accommodative macroeconomic policies, the economy is projected to remain relatively steady at 5.8 per cent in 2018 and 5.9 per cent in 2019.

In 2017, China grew at a faster pace of 6.8 per cent, marking its first acceleration in annual growth in six years. Looking ahead, growth is expected to remain solid, supported by robust domestic demand and accommodative fiscal measures. The pace of growth, however, will moderate gradually to 6.5 per cent in 2018 and 6.3 per cent in 2019, in light of ongoing economic rebalancing efforts.

The East Asian economy is projected to expand at a robust pace of 5.7 per cent in 2018 and 5.6 per cent in 2019, following growth of 5.9 per cent in 2017. Private consumption will remain the key driver of growth, supported by modest inflationary pressures, low interest rates and healthy labour market conditions. Public investment is also expected to remain strong as governments embark on large infrastructure projects. While the strong export growth seen in 2017 is expected to temper, favourable external demand conditions will continue to provide support to the regional outlook.

In South Asia, the economic outlook remains steady and favourable, driven by robust private consumption and sound macroeconomic policies. The positive outlook will contribute to further gradual progress in labour market indicators and a reduction in poverty rates. Monetary policy stances are moderately accommodative, while fiscal policies maintain a strong emphasis on infrastructure investment. Regional GDP growth is expected to strengthen to 6.5 per cent in 2018 and 7.0 per cent in 2019, after posting an estimated 6.3 per cent in 2017. Regional inflation is expected to remain stable and at relatively low levels.

Despite a slowdown observed in early 2017, the outlook for India remains positive, underpinned by strong private consumption, robust public investments and structural reforms. GDP growth is projected to accelerate
from 6.7 per cent in 2017 to 7.2 per cent in 2018 and 7.4 per cent in 2019. Yet, the anaemic performance of private investment remains a key macroeconomic concern.

**Risks and policy challenges**

Despite the improved short-term outlook, the global economy continues to face risks—including changes in trade policy, a sudden deterioration in global financial conditions and rising geopolitical tensions.

The world economy also faces longer-term challenges. The report highlights four areas where the improved macroeconomic situation opens the way for policy to address these challenges: increasing economic diversification, reducing inequality, supporting long-term investment and tackling institutional deficiencies. The report notes that reorienting policy to address these challenges can generate stronger investment and productivity, higher job creation and more sustainable medium-term economic growth.

For East and South Asia, potential renewed stress in global financial markets could result in a sharp tightening of liquidity conditions in the region. In East Asia, risks to financial stability are exacerbated by high corporate debt in several countries, including China. Given the high trade openness of the East Asian economies, an escalation in trade protectionism measures would also adversely affect growth prospects. In South Asia, the reform agenda might also experience some setbacks, while political instabilities could dampen investment prospects.

The current macroeconomic environment in the region is conducive for policymakers to address longer-term issues and to achieve greater progress on structural reforms. Policy strategies geared towards raising productivity growth are important to boost the region’s dynamism and medium-term growth prospects.

**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).


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