

South Asia positioned to remain the world's fastest-growing region: UN report

Steady growth outlook supported by robust private consumption and sound macroeconomic policies

New Delhi, 11 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 South Asia

The economic outlook for South Asia 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.

Meanwhile, GDP growth in the Islamic Republic of Iran remained relatively robust in 2017 at 5.3 per cent. In 2018 and 2019, growth is expected to reach at least 5.0 per cent. However, the outlook is contingent on the capacity to attract foreign investments and is subject to significant geopolitical risks.

Economic activity in Pakistan is expected to remain vigorous, with GDP growth projected to reach 5.5 per cent in 2018 and 5.2 per cent in 2019. However, a rising current account deficit coupled with a recent deterioration of fiscal accounts, pose risks to the baseline projection.

The Bangladesh economy is projected to continue expanding at rapid pace, underpinned by strong domestic demand, especially large infrastructure projects. GDP growth is expected to remain above 7.0 per cent in 2018 and 2019.

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 South Asia, the region faces several downside risks that can significantly alter the projected growth trajectory. On the domestic front, the reform agenda could experience setbacks in some countries, while heightened geopolitical tensions might also restrain investment projects. On the external front, the monetary normalization process in the United States also poses risks to financial stability across the region.

To promote a more sustained and inclusive development path in the medium term, the South Asian economies need to address several structural constraints. First, strengthening the fiscal accounts constitutes a key challenge in most economies. Second, the region needs to tackle large infrastructure gaps in areas such as energy, telecommunications, sanitation and water access, as well as transport and connectivity. Promoting private investment in infrastructure projects should be a key policy priority through a range of measures, including public investments that include private investments, better implementation capacities in public sector, regulatory changes and structural reforms.

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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