



## **East and South Asian economies face increasing headwinds, according to UN flagship economic report**

***Weakness in external demand, tight financial conditions and debt sustainability risks weigh on regional economic prospects and sustainable development***

**Bangkok/New Delhi, xx January** – Economic growth in East and South Asian economies is slowing, amid weaker global demand, tight global financial conditions and debt vulnerabilities, according to the **UN World Economic Situation and Prospects (WESP) 2024**.

The UN's flagship economic report presents a sombre global economic outlook for the near term. Persistently high interest rates, further escalation of conflicts, sluggish international trade, and increasing climate disasters, pose significant challenges to global growth. Global economic growth is projected to slow from an estimated 2.7 per cent in 2023 to 2.4 per cent in 2024, trending below the pre-pandemic growth rate of 3.0 per cent.

The prospects of a prolonged period of tighter credit conditions and higher borrowing costs present strong headwinds for a world economy saddled with debt, while in need of more investments to resuscitate growth, fight climate change and accelerate progress towards the [Sustainable Development Goals \(SDGs\)](#).

“2024 must be the year when we break out of this quagmire. By unlocking big, bold investments we can drive sustainable development and climate action, and put the global economy on a stronger growth path for all,” said António Guterres, United Nations Secretary-General. “We must build on the progress made in the past year towards an SDG Stimulus of at least \$500 billion per year in affordable long-term financing for investments in sustainable development and climate action.”

### **Growth prospects in East Asia**

The East Asian economies are projected to experience a moderate slowdown, with GDP growth falling from 4.9 per cent in 2023 to 4.6 per cent in 2024. In most economies, private consumption growth is expected to remain firm, supported by easing inflationary pressure and steady recovery in the labour market. While recovery of services exports – particularly tourism

– has been robust, a slowdown in global demand will likely depress merchandise exports, which has been the major driver of growth for many economies in the region.

China’s economic recovery is facing headwinds. After GDP growth recovered to an estimated 5.3 per cent in 2023, a combination of weaknesses in the property sector, softer external demand and trade tensions will nudge growth towards 4.7 per cent in 2024. The Government has stepped up policy support to stabilize and stimulate growth, reducing policy rates and mortgage rates and increasing public sector investments financed with new bonds.

### **Growth prospects in South Asia**

South Asia’s economic growth is forecast to remain robust at 5.2 per cent in 2024, albeit slightly lower than the estimated 5.3 per cent in 2023, driven by a strong expansion in India, which remains the fastest-growing large economy in the world. Growth in India is projected at 6.2 per cent in 2024, following 6.3 per cent growth in 2023, supported by robust domestic demand and buoyant manufacturing and services sectors.

Tight financial conditions and fiscal and external imbalances will continue to weigh on growth in South Asia in the near term. In addition, geopolitical tensions – including the ongoing war in Ukraine and the conflict in Western Asia – will expose net-oil-importing countries in the region to the risk of sudden spikes in oil prices.

### **Easing inflation in East and South Asia**

Inflation in East Asia is forecast to moderately rise to 1.9 per cent in 2024 from 1.2 per cent in 2023. In South Asia, inflation is projected to ease to 9.2 per cent in 2024 from an estimated 13.4 per cent in 2023 as domestic demand softens, international commodity prices stabilize, and local currency depreciations ease. However, potential increases in commodity prices and the adverse impact of extreme weather events could disrupt the pace of disinflation and increase risks of food insecurity in the region.

### **Mounting headwinds ahead**

Risks to the outlook remain largely tilted to the downside. Possible “higher-for-longer” interest rates in major developed countries could lead to tighter global financial conditions, pushing up borrowing costs and increasing the risks of debt distress and balance-of-payments crises, particularly in a few South Asian economies. More frequent and intense climate disasters could also lead to rising economic damages, with a disproportionate impact on the most vulnerable population groups.

### **Monetary and fiscal policies to revive growth and boost long-term sustainability**

Amid lower inflationary pressures, most central banks in East and South Asia slowed the pace of or paused interest rate hikes in 2023, while some started rate cuts to support growth. However, monetary authorities are expected to remain cautious, as the path of inflation remains uncertain due to risks of food and fuel price increases. Central banks will continue to seek a delicate balancing act in 2024 as they strive to manage inflation, revive growth, and ensure financial stability.

Limited fiscal space in many East and South Asian economies requires Governments to implement revenue enhancing reforms, including expanding the tax base and improving tax compliance. On the expenditure side, countries will need to improve spending efficiency. This would require reorienting spending towards protecting vulnerable groups and increasing physical and human capital for long-term sustainability, focusing on enhancing economic infrastructure, deepening digitalization, and strengthening social protection systems. For countries facing the prospects of debt distress, credible medium-term national fiscal frameworks are needed to ensure debt sustainability, especially in a few South Asian economies.

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***The full report will be available on 4 January 2024, 12:30 pm EST at:***

<https://desapublications.un.org/>

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