ASIAN DEVELOPMENT OUTLOOK 2015

FINANCING ASIA'S FUTURE GROWTH

HIGHLIGHTS

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ADO 2015—Highlights

Developing Asia will grow at a steady 6.3% in 2015 and 2016—the same pace as 2014—supported by a strengthening recovery in the major industrial economies and soft global commodity prices.

The drop in international oil prices is taking pressure off of consumer prices. Inflation will slow from 3.1% in 2014 to 2.6% this year. As oil prices gradually rebound, inflation will pick up to 3.0% in 2016.

As low oil prices are supporting growth in developing Asia, a sudden sharp reversal could undermine the outlook and require policy response. Similarly, while capital inflows to the region have been beneficial for growth, policy makers must carefully manage credit expansion to ensure that it does not lead to excessive leverage and asset price bubbles.

Developing Asia needs a deep, robust financial sector to sustain growth. Policy makers will be challenged to ensure that financial sector development is inclusive, providing broad access to households and firms. Financial stability must also be maintained to enhance growth and equity.

Oil in the gears of growth

Steady growth and stable prices in developing Asia

- **Growth in developing Asia maintains a steady pace.** Gross domestic product (GDP) in the region is forecast to expand by 6.3% in 2015 and 2016, as in 2014. Soft commodity prices and recovery in the major industrial economies generally aid the region's growth momentum. The expected pickup in India and in most members of the Association of Southeast Asian Nations (ASEAN) could help balance gradual deceleration in the region's largest economy, the People's Republic of China (PRC).

  » **Growth in the United States leads the major industrial economies.** The US recovery seems to have turned a corner, with strengthening conditions allowing for the normalization of monetary policy from mid-2015. While signs are somewhat mixed in the euro area and Japan, soft oil prices and accommodative monetary policy will support growth there. The major industrial economies are collectively forecast to expand by 2.2% in 2015, up 0.6 percentage points from 2014, and accelerate further to 2.4% the following year.

  » **Targeted support will guide the PRC gradually to its new normal.** Growth decelerated in 2014 as investment in the PRC slowed, particularly in real estate. Weaker investment is expected to further curtail growth to 7.2% in 2015 and 7.0% in 2016. This is a much more moderate rate than the average growth of 8.5% recorded in the period since the global financial crisis but still in line with the government's loose target of about 7.0%.

  » **Structural reform is expected to boost India's prospects.** The initial phase of the government's effort to remove structural bottlenecks is lifting investor confidence. With the support of stronger external demand, India is set to expand by 7.8% in FY2015 (ending 31 March 2016), a sharp uptick from 7.4% growth recorded in FY2014. This momentum is expected to build to 8.2% growth in FY2016, aided by the expected easing of monetary policy in 2015 and a pickup in capital expenditure.

  » **Growth picks up as the ASEAN Economic Community approaches.** The combined GDP of the 10 ASEAN economies is forecast to expand by 4.9% in 2015, lifted from 4.4% in 2014 by recovery in Indonesia and Thailand. Though outcomes vary widely among the economies in the subregion because of their diverse circumstances, collectively the group is expected to enjoy further growth acceleration to 5.3% in 2016, the inaugural year of the ASEAN Economic Community.

- **Developing Asia has been the main source of global growth since the crisis.** From the trough of the global financial crisis in 2009, the region contributed 2.3 percentage points to global GDP growth—nearly 60% of the world's annual 4.0% pace. Eight economies in the region posted growth exceeding 7.0% in nearly every year of the post-crisis period, including the PRC, the Lao People's Democratic Republic, and Sri Lanka. However, the oil and mineral exporters among those with consistently rapid growth may see their fortunes turn in the coming years as commodity prices stumble.

- **Falling international commodity prices have contained inflation.** Regional inflation is forecast to slow from 3.1% in 2014 to 2.6% in 2015 before bouncing back to 3.0% in 2016. Global commodity prices are expected to stay moderate in the forecast horizon, removing price pressure on consumer items. Tamed inflation provides space for monetary policy to shore up weak domestic demand if necessary. Central Asia is an exception, as depreciating currencies are expected to exacerbate inflation in the next 2 years.

- **Lower import bills will temporarily widen the current account surplus.** The drop in commodity prices, for oil in particular, will enlarge developing Asia's current account surplus by 0.2 percentage points to 2.5% of GDP in 2015. However, as food price declines flatten out and the price of crude picks up, the current account balance will revert to 2.3% of GDP in 2016. While the trend reflects the region's position as a net oil importer, oil exporters like those in Central Asia will see their surpluses whittled away, with Kazakhstan even falling into current account deficit.

- **Reversals in an otherwise supportive environment could dampen growth.** If the PRC falters as it adjusts to its new normal, or if India reforms less decisively than anticipated, their slower growth could spill over to others in developing Asia. Outside the region, the Greek debt crisis and deepening recession in the Russian Federation may have global consequences. The impending rise in US interest rates may reverse capital flows to the region, requiring monetary responses to maintain stability. Finally, the benefits flowing from the low price of crude oil could evaporate if geopolitical tensions push it sharply higher.

How lower oil prices affect Asia

- **Low oil prices have been a boon for the global recovery and growth in Asia.** An environment of low oil prices fuels higher economic growth globally, particularly in the major industrial economies. It slows inflation and hence enhances the scope for lower interest rates that can continue stimulating economic activity. Policy makers should take advantage of this moment to pursue structural reform. For oil importers, falling oil prices present an opportunity for governments to eliminate costly fuel subsidies or even raise fuel taxes with minimal disruption to household and business budgets. Oil exporters may similarly find that the time is ripe to pursue subsidy and tax reform to ease the strain on their public finances, as well as take steps to diversify their economies.

- **A spike in oil prices could unsettle Asia's stable growth prospects.** Simulations using a global macroeconomic model show that the impact of a sharp rebound in oil prices would be stronger in Asia than elsewhere. Were the oil price to return to $100 per barrel in a year, growth in Asia could slow by as much as 1 percentage point in 2016. Differences between advanced economies' interest rates—which remain low in the baseline—and those in developing Asia play a part in the region's steeper slowdown. This suggests that monetary easing in the region could soften the blow to output.

- **How oil prices affect inflation differs widely across the region.** The immediate impact of an oil price change on consumer price inflation is small in all economies across the region. It is largest in Thailand, where a 10% drop in the crude oil price slows inflation by less than 0.2 percentage points after 1 month. The impact is even lower in economies where prices at the pump are not determined by the market. While consumer prices in all economies adjust somewhat, eventually, if a change in the international price persists, the overall effect on inflation is lower in major oil-producing economies.

Is Asia's rising debt a threat to growth?

- **Asia has experienced rapid credit growth since the global financial crisis.** From 2009 to 2013, proliferating bank loans and bonds in the 14 large economies of developing Asia almost doubled total domestic debt from $18.3 trillion to $34.1 trillion. While the banking sector remains the largest part of the financial system, bonds have been gaining ground as sources of finance. A large portion of the growth in debt comes from rapid credit expansion in the PRC, which accounted for two-thirds of total debt in 2013. Most of the new debt is in the private sector, where indebtedness more than doubled from 2009 to 2013, while government debt increased by just 58%.

- **Credit expansion supports growth, but excessive debt exposes economies to financial crises.** Debt naturally grows as economies expand their financial systems, which is a positive development for growth. However, when credit expands too quickly, lending standards can give way, potentially allowing excessive leverage and asset price bubbles. While some economies have experienced rapid credit growth recently, their debt remains manageable so far.

- **Policy makers need to carefully manage credit growth.** The surge in capital inflows has helped to ease regional liquidity. Monetary policies in the region have been relatively expansionary in response to weaker global economic conditions and low inflation. These conditions have helped fuel rises in asset prices. Macroprudential policy can be applied to directly tackle excessive credit to certain sectors. For example, policy makers have slowed credit to the property sector by requiring higher down payment percentages for mortgages.

- **Macroprudential policy can mitigate risks to financial stability from credit growth.** More broadly, as explored in the theme chapter, a sound, efficient, and well-regulated financial system can help sustain the region's growth momentum without jeopardizing stability. Further, an inclusive financial system that broadens access to finance is a cornerstone of more inclusive growth.

Outlook by subregion

- **Steady growth in developing Asia masks divergent paths in its subregions.** As the PRC and India both pursue reform to square their economies for long-term growth, the upshot in the short run is very different for the two giants. The external environment supports growth in most subregions. The exception is Central Asia, a major oil and gas exporter, hit by soft commodity prices and recession in its common partner for trade and remittances. The prospects for individual economies across heterogeneous developing Asia differ as political tensions and reconciliation ebb and flow, and as natural disasters follow their whims.

- **East Asia pauses as the PRC adjusts to its new normal of moderate growth.** Economic growth in East Asia will slow from 6.6% in 2014 to 6.5% this year and 6.3% in 2016. The subregional average reflects growth moderation in the PRC to 7.2% and then 7.0% as the authorities implement reform and rein in credit growth to build a sounder foundation for future growth. Mongolia will see growth decelerate sharply in 2015 as foreign direct investment dries up and fiscal and monetary policies are tightened to resist pressure on the balance of payments, but growth should rebound somewhat in 2016 as restrictive policies are eased. Growth will be stable in Taipei,China but accelerate in the rest of the subregion, reflecting rising domestic demand and an improving global economy. Inflation will stay subdued in East Asia except in Mongolia, where it will remain high despite some relief. It is forecast to slow from 1.9% in 2014 to 1.7% this year and bounce back to 2.2% in 2016.

- **South Asia advances steadily as economic policy reform bears fruit.** Growth in the subregion accelerated to 6.9% in 2014 and is projected to trend higher to 7.2% in 2015 and 7.6% in 2016. These figures reflect the heavy weighting of India, where a recently released GDP series suggests growth edging up to 7.8% this year and 8.2% in 2016 as reform to overcome long-standing structural inefficiencies begins to lift investment from its deep slump. Both Bangladesh and Pakistan are following through with wide-ranging economic reforms that include efforts to overcome power shortages, though the headwinds of street politics may limit progress in 2015. Postwar economic recovery in Sri Lanka is expected to moderate in 2015 as investors await clarity on the new administration's plans for governance reform and economic policy. Inflation in South Asia fell sharply to 7.1% last year, reflecting strong monetary action in India and the large drop in prices for oil and other commodities. The subregion will continue to benefit from soft commodity prices, with inflation projected to average 5.1% in 2015 and 5.6% in 2016.

- **Southeast Asia is poised for a growth rebound in 2015.** The member economies of ASEAN experienced a second year of decelerating growth as 7 of the 10 recorded slowdowns that edged the subregional average down to 4.4% in 2014. Indonesia and Thailand, the two biggest members of ASEAN, were both among those decelerating for a second consecutive year, Indonesia weighed down by stabilization policy and sluggish exports and Thailand by political disruptions. By contrast, Brunei Darussalam, Malaysia, and Viet Nam lifted their performances last year. Aggregate growth is seen rebounding to 4.9% in 2015 and 5.3% in 2016 as recovery in Indonesia and Thailand leads the way, and with most of the subregion expected to trend up and benefit from rising exports and lower inflation. However, Malaysia will see growth this year more subdued than last. Southeast Asia's inflation rate in 2014 was, at 4.1%, little changed from the previous year. Inflation is forecast to subside to 3.1% in the next 2 years in line with lower global oil and commodity prices.

- **Central Asia is stymied by weak oil prices and recession next door.** The factors that slowed average growth by 1.5 percentage points to 5.1% in 2014 are poised to affect 2015 GDP as well. Growth will slacken in Kazakhstan, Turkmenistan, and Uzbekistan as lower petroleum exports constrain domestic spending. The weak economy in the Russian Federation will curb export and remittance flows, slowing growth in Armenia, Georgia, the Kyrgyz Republic, and Tajikistan. Average growth in the subregion is expected to fall further to 3.5% in 2015 as a result. Expected recovery in the Russian Federation should restore average growth in the subregion to 4.5% in 2016. Inflation in Central Asia, which declined slightly to 5.7% in 2014 from 5.8% in 2013, is projected to jump to 6.7% in 2015 as local currencies sag along with the weakening ruble, worsening the consequences for prices in every economy except Kazakhstan. Inflation is projected to ease slightly to 6.6% in 2016.

- **The Pacific picks up the pace as natural gas flows from Papua New Guinea.** Reaching 6.1%, average GDP growth accelerated in 2014 for the first time in 3 years as natural gas exports began in Papua New Guinea (PNG), the subregion's largest economy, and expansion picked up in most other economies. The notable exception was Solomon Islands, which suffered severe flooding. In 2015, the first full year of gas production in PNG, growth in the Pacific is expected to peak at 10.7%. Lower commodity prices will support further expansion in most economies. However, output in Vanuatu will likely contract in the wake of a cyclone in March 2015, and a drop in public spending will weigh on prospects in Timor-Leste. Subregional growth is expected to halve to 4.5% in 2016, with only a few economies growing faster than in the previous year. High inflation in PNG, driven by government spending and currency depreciation, lifted the subregional average in 2014 to 5.8% despite falling energy and commodity prices. Inflation should slow to 5.5% in 2015 and 4.1% in 2016.

Financing Asia's future growth

The case for further developing the financial sector

- **Developing Asia needs a deep, robust financial sector to sustain growth.** After policy makers saw questionable financial practices and products in the advanced economies snowball into the global financial crisis of 2008–2009, many became cautious of expanding the sector, even in underleveraged emerging economies. Yet developing Asia's bank deposits equal only 60% of regional GDP, compared with the average of 110% among members of the Organisation for Economic Co-operation and Development, and its bond markets equal less than half of GDP, a third of the 140% found in the advanced economies. Developing Asia may be somewhat more financially developed than Latin America, but it still endures relatively costly capital and difficult access to finance. This may inhibit future growth.

- **Empirical evidence points to growth benefits from closing the finance gap.** For example, boosting developing Asia's average ratio to GDP of liquid liabilities—currency plus checking and interest-bearing accounts in financial institutions—from about 65% to 75% adds almost 0.4 percentage points to average annual GDP growth per capita. The evidence indicates that growth can come from developing either banks or capital markets.

- **Yet one cannot assume that all such growth will be inclusive.** Worsening inequality has emerged as a concern for regional policy makers. Financial deepening can either widen the income gap, if its benefits accrue largely to the wealthy by enhancing returns to capital or the earnings of senior finance professionals, or it can narrow the gap if the poor gain greater access to financial services or jobs. Empirical evidence reflects this dichotomy. While financial development tends to alleviate inequality in its early stages, inclusion does not come automatically as financial development deepens.

- **Financial stability must be maintained to enhance growth and equity.** However, beneficial financial development, innovation, and liberalization generally are, they sometimes destabilize financial systems. Financial instability can seriously undermine economic growth, especially when financial crises result. As the Asian financial crisis peaked in 1998, for example, Indonesia suffered GDP contraction by 13%, Thailand by 11%, Malaysia by 7%, and the Republic of Korea by 6%. Further, the inclusiveness of growth depends on financial stability because the poor are disproportionately defenseless against financial crises. After the global financial crisis, the unemployment rate doubled in many European Union economies—and tripled in the hardest hit.

- **Financial sector reform priorities differ in developing and advanced economies.** In financially well-developed advanced countries, the key challenge is to safeguard financial stability to prevent disruptions such as the global financial crisis. Financially backward developing countries, on the other hand, must strive to leverage financial development for growth while maintaining financial stability.

Financial development for growth

- **High quantity and efficient finance boosts investment, productivity, and growth.** Underdeveloped financial sectors in the region, especially in lower-income economies, channel too little credit to firms. Inefficient sectors typically have high interest rate spreads that raise the cost of finance. In some cases, the over-allocation of credit to state-owned firms at the expense of the more dynamic private sector erodes the link between finance and growth.

- **In developing Asia, banks underlie sound and efficient financial systems.** Banks continue to dominate the financial landscape across the region despite the rapid growth of capital markets in middle-income countries. On average, a 10 percentage point increase in developing Asia's average ratio of private credit to GDP is associated with higher growth in GDP per capita by about 0.3 percentage points per year. Therefore, a well-tuned banking subsector that efficiently channels resources to investment and other productive activities is indispensable for sustaining growth.

- **Capital built by long-term finance is vital for productivity growth and innovation.** Despite Asia's large pool of savings, it offers only limited instruments for the long-term finance that is indispensable for building capital, both tangible and intangible. Top priorities to address barriers to long-term finance are to build deeper and more liquid capital markets, resist short-term biases when allocating the assets of investors willing to invest for the long term, and foster a long-term investor base that is broader and more diverse.

- **Bond market development in particular deepens the pool of long-term financing.** Asia leads other developing regions in bond market development, but with big differences across countries. While markets in the Republic of Korea, Malaysia, and some other countries are relatively well-developed—and others are expanding rapidly, notably in the PRC, India, and Thailand—markets remain largely underdeveloped in many other regional economies. Markets for corporate bonds are less developed than those for sovereigns. Local currency bond markets are developing rapidly, and this trend will reduce vulnerability to exchange rate shocks. Despite good progress, the current state of bond market development in Asia leaves substantial room for further growth.

- **The approach to developing the financial sector must fit each country's circumstances.** The region's low-income economies have financial systems based heavily on banks. They can benefit from banking system reform that mobilizes domestic savings, lowers the cost of credit, improves access, and promotes the allocation of credit to the most productive sectors. The successful reform of state-owned banks in the PRC is a case in point. Middle-income economies can reap productivity gains by deepening their financial markets. Policies that further develop their equity and bond markets can lower the cost of long-term capital to facilitate investment and innovation.

Financial access for inclusion

- **Growth from financial development is inclusive only if the poor have access.** Despite having a deeper financial sector than other developing regions, Asia lags its peers in meeting the financing needs of households and firms.

    » **Personal bank accounts are rare in parts of Asia.** While nearly all adults in the Republic of Korea and Singapore have an individual or joint account at a formal institution, fewer than 5% do in Cambodia, the Kyrgyz Republic, Tajikistan, or Turkmenistan. Across developing Asia, fewer than 27% of adults have a bank account. This is well below the global median of 38%.

    » **Asian firms lack bank services, especially credit.** Only 84% of firms in developing Asia have a checking or savings account, which is comparable to Africa but trails Latin America's 89% and emerging Europe's 92%. Only 33% of firms in developing Asia have a line of credit or loan from a financial institution—far fewer than Latin America's 54% and emerging Europe's 41%.

- **A range of barriers impede Asian household and corporate access to finance.** More than simply a lack of money holds Asian households back from opening bank accounts. Household surveys find that account fees, difficult geographic access, and stiff documentation requirements get in the way.

For Asian firms, the major deterrents to borrowing are unfavorable interest rates, complex application procedures, and high collateral requirements.

- **Innovations and policies to improve financial inclusion in Asia must address cost and risk.** The fixed costs of extending traditional financial services, such as establishing a branch in a rural area, often make it prohibitively expensive to reach the poor. More cost-effective delivery channels, such as mobile phones and banking agents, can reduce costs by as much as 19%. Further, serving clients with no steady income flow, formal property title, or even personal identification entails high risk. However, biometric identification initiatives such as India's Aadhaar program, for example, can address the lack of proper identification and facilitate access for the poor to financial services.

Financial stability to safeguard inclusive growth

- **External and domestic risks demand vigilant monitoring of financial stability.** Asia's financial systems have become much healthier since reform following the Asian financial crisis of 1997–1998. Even so, external shocks have the power to unsettle local markets, as they did in May 2013, when news of a possible change in US monetary policy decimated Asian stock prices and currency values in the so-called taper tantrum. Lurking in the background, meanwhile, are such homegrown risks as large shadow banking systems in some economies and unrestrained household debt expansion in others.

- **Bank regulation is the first line of defense against financial shocks in Asia.** International experience during the global financial crisis provides valuable lessons for Asian bank regulators. Above all, the crisis underlined that sound and effective bank regulation is vitally important to financial stability. The crisis reflected the failure of the regulatory authorities to keep pace with financial innovation. The sobering lesson for Asia is that even financially advanced economies are susceptible to risks from lax regulation and reckless lending.

- **Macroprudential policies have potential for shoring up regional financial stability.** Macroprudential policies seek to mitigate risks that could undermine the entire financial system by imposing, for example, capital requirements and limits on foreign currency borrowing that apply to all banks. They are designed to complement microprudential regulation, which monitors risks specific to individual institutions. Evidence indicates that macroprudential policies can indeed manage and mitigate macroeconomic risk in Asian economies.

- **Foreign direct investment and diverse foreign funding can cushion external financial shocks.** The literature offers ample evidence that a higher share of foreign direct investment in foreign liabilities stabilizes financial markets. Empirical analysis across economies further shows that those with more diversified foreign funding when the taper tantrum struck suffered less exchange rate depreciation. When borrowing foreign currency, it is prudent to minimize currency mismatch.

Toward finance that fosters stable and inclusive growth

- **Financial sector development can foster inclusive growth in Asia.** Finance has a generally positive effect on growth. The benefits of growth will be even larger if finance promotes a more market-based allocation of resources. Experience in the PRC shows, for example, that the entry of private foreign banks can enhance the efficiency of state-owned banks. But the impact of finance on equity is uncertain. To safeguard inclusive growth, further sector development must be accompanied by steps to ensure broad access to finance for households and firms.

- **Regulators will be challenged, however, to find the right balance.** The region's financial institutions are well placed to meet the more stringent regulatory standards being adopted globally, as many already surpass requirements under Basel III. Yet regulators must act to strengthen financial institution governance and clamp down on inefficient and inequitable practices like crony lending and insider trading. They must appreciate how strong regulation protects stability by preventing the accumulation of systemic risks, but weigh it against the potential benefits of flexible regulation that promotes investment, productivity, innovation, and economic growth.

Growth rate of GDP (% per year)

Subregion/Economy	2012	2013	2014	2015	2016
Central Asia	**5.6**	**6.6**	**5.1**	**3.5**	**4.5**
Azerbaijan	2.2	5.8	2.8	3.0	2.8
Kazakhstan	5.0	6.0	4.3	1.9	3.8
East Asia	**6.6**	**6.8**	**6.6**	**6.5**	**6.3**
China, People's Rep. of	7.7	7.7	7.4	7.2	7.0
Hong Kong, China	1.7	2.9	2.3	2.8	2.9
Korea, Rep. of	2.3	3.0	3.3	3.5	3.7
Taipei,China	2.1	2.2	3.7	3.7	3.6
South Asia	**5.1**	**6.5**	**6.9**	**7.2**	**7.6**
Bangladesh	6.5	6.0	6.1	6.1	6.4
India	5.1	6.9	7.4	7.8	8.2
Pakistan	3.8	3.7	4.1	4.2	4.5
Sri Lanka	6.3	7.2	7.4	7.0	7.3
Southeast Asia	**5.8**	**5.1**	**4.4**	**4.9**	**5.3**
Indonesia	6.0	5.6	5.0	5.5	6.0
Malaysia	5.6	4.7	6.0	4.7	5.0
Philippines	6.8	7.2	6.1	6.4	6.3
Singapore	3.4	4.4	2.9	3.0	3.4
Thailand	6.5	2.9	0.7	3.6	4.1
Viet Nam	5.2	5.4	6.0	6.1	6.2
The Pacific	**6.0**	**4.1**	**6.1**	**10.7**	**4.5**
Fiji	1.8	4.6	4.2	4.0	4.0
Papua New Guinea	7.7	5.1	8.0	15.0	5.0
Developing Asia	**6.2**	**6.5**	**6.3**	**6.3**	**6.3**
Major industrial economies	**1.2**	**1.2**	**1.6**	**2.2**	**2.4**

Notes: Developing Asia refers to the 45 members of the Asian Development Bank. Central Asia comprises Armenia, Azerbaijan, Georgia, Kazakhstan, the Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan. East Asia comprises the People's Republic of China; Hong Kong, China; the Republic of Korea; Mongolia; and Taipei,China. South Asia comprises Afghanistan, Bangladesh, Bhutan, India, the Maldives, Nepal, Pakistan, and Sri Lanka. Southeast Asia comprises Brunei Darussalam, Cambodia, Indonesia, the Lao People's Democratic Republic, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Viet Nam. The Pacific comprises the Cook Islands, Fiji, Kiribati, the Marshall Islands, the Federated States of Micronesia, Nauru, Papua New Guinea, Palau, Samoa, Solomon Islands, Timor-Leste, Tonga, Tuvalu, and Vanuatu.

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Inflation (% per year)

Subregion/Economy	2012	2013	2014	2015	2016
Central Asia	**5.1**	**5.8**	**5.7**	**6.7**	**6.6**
Azerbaijan	1.1	2.4	1.4	6.0	5.5
Kazakhstan	5.1	5.8	6.7	6.0	6.2
East Asia	**2.6**	**2.4**	**1.9**	**1.7**	**2.2**
China, People's Rep. of	2.6	2.6	2.0	1.8	2.3
Hong Kong, China	4.1	4.3	4.4	3.3	3.4
Korea, Rep. of	2.2	1.3	1.3	1.3	2.1
Taipei,China	1.9	0.8	1.2	0.5	1.0
South Asia	**10.1**	**9.0**	**7.1**	**5.1**	**5.6**
Bangladesh	8.7	6.8	7.4	6.5	6.2
India	10.2	9.5	7.0	5.0	5.5
Pakistan	11.0	7.4	8.6	5.8	5.8
Sri Lanka	7.9	6.9	3.3	2.0	5.0
Southeast Asia	**3.8**	**4.2**	**4.1**	**3.1**	**3.1**
Indonesia	4.0	6.4	6.4	5.5	4.0
Malaysia	1.7	2.1	3.1	3.2	2.9
Philippines	3.2	3.0	4.1	2.8	3.3
Singapore	4.6	2.4	1.0	0.2	1.5
Thailand	3.0	2.2	1.9	0.2	2.0
Viet Nam	9.1	6.6	4.1	2.5	4.0
The Pacific	**4.3**	**3.4**	**5.8**	**5.5**	**4.1**
Fiji	3.4	2.9	0.5	2.5	2.5
Papua New Guinea	2.2	4.0	8.3	7.0	5.0
Developing Asia	**4.1**	**3.8**	**3.1**	**2.6**	**3.0**
Major industrial economies	**2.0**	**1.3**	**1.5**	**0.7**	**1.9**

(*continued from the previous page*)

Major industrial economies comprise the United States, the euro area, and Japan.

Data for Bangladesh, India, and Pakistan are recorded on a fiscal-year basis. For India, the fiscal year spans the current year's April through the next year's March. For Bangladesh and Pakistan, the fiscal year spans the previous year's July through the current year's June.

Asian Development Outlook 2015 Highlights

The full report is available on the ADB website at http://www.adb.org/ado2015

About the Asian Development Bank

ADB's vision is an Asia and Pacific region free of poverty. Its mission is to help its developing member countries reduce poverty and improve the quality of life of their people. Despite the region's many successes, it remains home to approximately two-thirds of the world's poor: 1.6 billion people who live on less than $2 a day, with 733 million struggling on less than $1.25 a day. ADB is committed to reducing poverty through inclusive economic growth, environmentally sustainable growth, and regional integration.

Based in Manila, ADB is owned by 67 members, including 48 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.

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