

January 2019

**Recent developments:** South Asia is the world's economically fastest growing region. Growth is estimated to have accelerated to 6.9 percent in 2018 as domestic demand strengthened in India. Throughout the region, private consumption was robust and investment picked up. India's growth is estimated to have advanced an estimated 7.3 percent in Fiscal Year 2018/19 (April 2018 - March 2019).

Pakistan have expanded an estimated 5.8 percent in FY2017/18 (July 16 - July 15) with contributions from consumption and investment. Activity was supported by strengthening of agricultural and industrial sectors and an acceleration in the services sector. Bangladesh grew 7.9 percent in FY 2017/18 (July 1 - June 30), driven mainly by private consumption and supported by remittance inflows. Activity in Sri Lanka picked up to 3.9 percent in the year just ended, supported by recovery in the agriculture and service sectors.

Economic activity in Nepal expanded by a solid 6.3 percent in FY2017/18 (July 16 - June 15), as strong remittances and robust infrastructure growth offset weakness in agricultural activity. Bhutan grew an estimated 4.6 percent in FY2017/18 (July 1 - June 30) as infrastructure projects supported investment. Afghanistan's growth decelerated to 2.4 percent as subdued business confidence and security challenges weighed on growth.

**Outlook:** Regional growth is expected to accelerate to 7.1 percent in 2019, underpinned by strengthening investment and robust consumption. The region's relatively low exposure to international trade will mitigate the impact of slowing global trade.

India is forecast to accelerate to 7.3 percent in FY 2018/19 as consumption remains robust and investment growth continues, and as activity benefits from recent policy reforms and a rebound in credit. Growth in Pakistan is anticipated to slow to 3.7 percent in FY2018/19 as financial conditions tighten in the face of rising inflation and external vulnerabilities.

Bangladesh is expected to moderate to 7 percent in FY2018/19 as activity is supported by strong private consumption and infrastructure spending. Sri Lanka is anticipated to speed up slightly to 4 percent in 2019, supported by robust domestic demand and investment boosted by infrastructure projects. Nepal's post-earthquake momentum is forecast to ease, and growth should slow to 5.9 percent in FY2018/19.

Bhutan is project to pick up to a 7.6 percent pace in FY 2018/19 and Afghanistan is expected to expand at a faster 2.7 percent rate.

**Risks:** Risks to the outlook are tilted to the downside. South Asian economies have high levels of public debt. Fiscal slippage could worsen already precarious public debt positions and raise already elevated interest payments. The upcoming election cycle next year elevates political uncertainty in the region. The challenging political environment could adversely affect the ongoing reform agenda and economic activity in some countries

Persistent current account deficits and high levels of external debt make the region more vulnerable to a faster-than-expected tightening of global financial conditions. In addition, South Asia is one the most vulnerable regions to natural disasters.

## South Asia Country Forecasts

(Annual percent change unless indicated otherwise)

	2016	2017	2018e	2019f	2020f	2021f
<b>GDP at market prices (2010 US\$)</b>						
<b>Calendar Year Basis<sup>a</sup></b>						
<b>Afghanistan</b>	2.4	2.7	2.4	2.7	3.2	3.2
<b>Maldives</b>	6.2	7.1	8.0	6.3	5.6	5.6
<b>Sri Lanka</b>	4.5	3.3	3.9	4.0	4.1	4.1
<b>Fiscal Year Basis<sup>a</sup></b>						
<b>Bangladesh</b>	7.3	7.9	7.0	6.8	6.8	6.8
<b>Bhutan</b>	5.8	4.6	7.6	6.4	6.4	6.4
<b>India</b>	7.1	6.7	7.3	7.5	7.5	7.5
<b>Nepal</b>	7.9	6.3	5.9	6.0	6.0	6.0
<b>Pakistan (factor cost)</b>	5.4	5.8	3.7	4.2	4.8	4.8

Source: World Bank.

Notes: e = estimate; f = forecast. World Bank forecasts are frequently updated based on new information and changing (global) circumstances. Consequently, projections presented here may differ from those contained in other Bank documents, even if basic assessments of countries' prospects do not significantly differ at any given moment in time.

a. Please see regional annex for details on fiscal year reporting.

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