

June 2019

**Recent developments:** South Asia growth remains robust despite headwinds from weakening global trade and manufacturing. Regional growth is expected to expand 6.9% in 2019, underpinned by strong domestic demand. Private consumption and investment remained robust in much of the region, offsetting a slowdown in Pakistan.

India, the largest economy of the region, is estimated to have grown 7.2 percent in fiscal year 2018/19, which ended March 31. A slowdown in government consumption was offset by solid investment, which benefitted from public infrastructure spending.

Pakistan's growth is estimated to decelerate to 3.4% in FY 2018/19, which ends July 15, reflecting a broad-based weakening of domestic demand amid monetary and fiscal policy tightening. Financial assistance from Gulf countries and China and an International Monetary Fund program have helped rebuild confidence. Bangladesh is estimated to expand by 7.3% in FY 2018/19, which ends June 30, on a recovery in remittances, public investment, and a jump in exports.

**Outlook:** The outlook for the region is expected to remain solid, picking up to 7% in 2020 and 7.1% in 2021. Domestic demand is expected to grow robust with support from monetary and fiscal policy, in particular in India.

Growth in India is projected to accelerate to 7.5% in FY 2019/20, which begins April 1. Private consumption and investment will benefit from strengthening credit growth in an environment of more accommodative monetary policy, and with inflation below the Reserve Bank of India's target. Pakistan's growth is expected to slow further to 2.7% in FY2019/20, which begins July 16, as domestic demand remains depressed and as current account and fiscal deficits diminish only gradually.

Bangladesh's growth is projected to pick up to 7.4% in FY 2019/20, which begins July 1, underpinned by strong infrastructure spending and solid private investment. Sri Lanka is forecast to accelerate to 3.6% in 2020 supported by a pickup in services sector activity and solid infrastructure investment. Economic activity in Afghanistan is forecast to expand 2.4% in 2019, Nepal's GDP is projected to grow 6.4% in FY 2019/20, which begins July 16, and Bhutan is expected to hold steady at 5.4% in FY 2019/20, which begins July 1.

**Risks:** Risks to the outlook include a re-escalation of domestic political turbulence amid elections in Afghanistan and Sri Lanka, fiscal slippages as public spending expands, and a resurgence of non-bank financial sector funding issues. A rise in political uncertainty in months leading up to elections in Sri Lanka, and recent security-related incidents, could weigh on business confidence and dampen investor sentiment.

Fiscal deficits continue to exceed official targets in India and Pakistan, and supply bottlenecks and business climate obstacles could hold back investment potential in the region. In addition, nonperforming assets in the region remain high. A sharper-than expected deceleration of growth in major economies or an intensification of trade frictions could have spillover effects for the region. South Asia, an oil importing region and where a number of economies have preferential trade arrangements with the United Kingdom, would be vulnerable to a turbulent U.K. exit from the European Union or an oil price spike.

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### 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>	2.3	2.7	1.0	2.4	3.2	3.6
<b>Maldives</b>	7.3	6.9	7.9	5.7	5.2	5.3
<b>Sri Lanka</b>	4.5	3.3	3.2	3.5	3.6	3.7
<b>Fiscal Year Basis<sup>a</sup></b>						
	<b>16/17</b>	<b>17/18</b>	<b>18/19e</b>	<b>19/20f</b>	<b>20/21f</b>	<b>21/22f</b>
<b>Bangladesh</b>	7.3	7.9	7.3	7.4	7.3	7.3
<b>Bhutan</b>	6.3	5.8	5.4	5.4	5.2	5.2
<b>India</b>	8.2	7.2	7.2	7.5	7.5	7.5
<b>Nepal</b>	8.2	6.7	7.1	6.4	6.5	6.5
<b>Pakistan (factor cost)</b>	5.4	5.8	3.4	2.7	4.0	4.7

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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