SOUTH ASIA

Growth in South Asia is expected to reach 7.1 percent in 2016, and to strengthen to 7.3 percent by 2018, underpinned by robust domestic demand. In the near term, consumption spending continues to benefit from low oil prices and modest inflation rates, although these effects will wane in the medium term. An accommodative monetary stance, public investments in infrastructure, and progress on the structural reform agenda should support growth. Risks to the forecast are weighted to the downside. On the external front, volatility in financial markets could lead to large capital outflows from the most vulnerable emerging market economies in the region. Lower remittance inflows could dampen consumption spending and the growth outlook in the region's smaller economies. Domestic risks include slower-than-expected progress in structural reform, vulnerabilities in bank and corporate balance sheets, and fiscal challenges. Reforms to strengthen macroeconomic stability, address business environment deficiencies (including energy shortages), and resolve non-performing loans problems will improve the region's prospects for growth and for further poverty reduction.

Recent developments

Economic activity in South Asia has remained resilient despite headwinds from the global economy. GDP growth reached 7 percent in 2015 (Table 2.5.1), making it the fastest-growing developing region. Robust domestic demand momentum (Figure 2.5.1), the main growth driver, continued through the first half of 2016. India is the region's largest and fastest-growing economy, but Pakistan, Bangladesh, and Bhutan also show strengthening activity. Most South Asian economies have benefitted from the decline in oil prices and the resulting benign inflationary environment and steady remittance flows. Monetary policies have been accommodative. Some economies have benefitted from a pick-up in the pace of reform or from improvements in the security situation. Nonetheless, to varying degrees, weak external demand, a challenging business environment (e.g., energy and infrastructure constraints), fiscal pressures, and poor weather have encumbered activity in some of the region's economies.

Growth in India picked up to 7.6 percent in FY2015/16, a 0.4 percentage point increase over FY2014/15 (Table 2.5.2), driven largely by domestic demand. Partly thanks to the ongoing liberalization of India's foreign direct investment (FDI) regime, FDI to India surged 37 percent from the launch of the "Make in India" campaign in October 2014 to February 2016, with the computer software and automotive sectors attracting the bulk of this investment. Manufacturing activity, though dampened by weak external demand, accelerated 9.3 percent in the final quarter of FY15/16. Relative to other large emerging economies, purchasing manager indices for India reflect more buoyant sentiment (Figure 2.5.2). Business start-ups are on the rise, particularly in the e-commerce and financial services sector.[1] The ensuing job creation from strengthening economic activity and boost to real income from low inflation and increase in wages[2] are lifting urban consumption. Furthermore, increased public investment in power generation, roads, railways and urban infrastructure is

Note: The author of this section is Allen Dennis. Research assistance was provided by Yiruo Li.

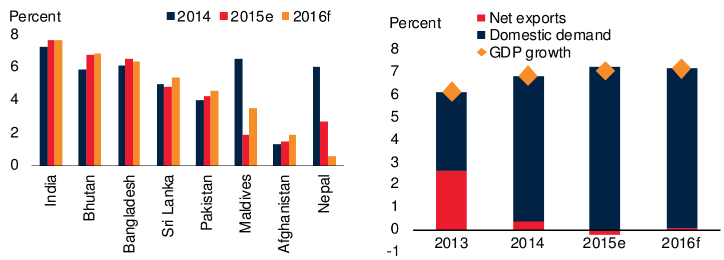
[1]In January 2016, there were 19,400 technology-enabled startups, of which 5000 were started in 2015.

[2]According to firm-level survey data from the Reserve Bank of India, staff costs rose by an average of 15.4% in FY2014/15 and FY2015/16.

FIGURE 2.5.1 Domestic growth

Domestic demand is the main driver of the region's growth.

A. GDP growth by country **B. Contribution to regional growth by domestic demand and net exports**

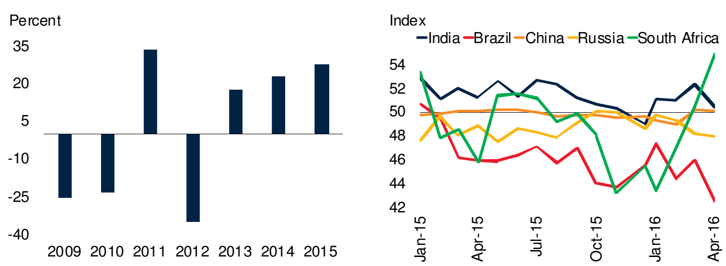


Source: World Bank.
A. GDP data for 2015 is estimated and GDP data for 2016 is a forecast. For Bangladesh, Bhutan, India, Nepal, and Pakistan (factor cost), fiscal year real GDP growth figures are used.
B. GDP data for 2015 is estimated and GDP data for 2016 is a forecast.

FIGURE 2.5.2 Foreign direct investment and PMIs

The opening up of more sectors for foreign participation, along with other reforms, has supported the rise in FDI to India. Relative to most other large emerging market economies, India's PMIs have been higher in recent months.

A. Growth in foreign direct investment to India **B. Manufacturing PMI**



Source: Haver Analytics.
B. Index numbers greater than 50 represent an expansion and vice versa.

contributing to an improved business environment and reduced supply-side constraints. Nonetheless, India faces notable headwinds. Rural consumption has been hard-hit by two years of poor monsoons (rainfall in 2015/16 was 14 percent below the historical average). Despite five interest rate cuts since 2015, credit growth to the corporate sector remains sluggish because of stressed asset quality in the banking sector (especially for claims on the aviation, infrastructure, iron, and steel sectors) Weak exports also weigh on growth – February marked the 15th consecutive month of decline.

In Pakistan, GDP growth picked up to 4.2 percent (at factor cost) in FY 2015/16 –its highest pace in seven years. This pickup was supported by several positive factors: an improving security situation, lower oil prices, higher remittances, an acceleration in credit growth, and rising public investment. The country's Extended Fund Facility arrangement with the IMF remains on track. The fiscal deficit was reduced to 5.3 percent of GDP in 2015, from 8.4 percent in 2013, as revenues improved and recurrent expenditures were curtailed. Ongoing security concerns (even if improving) and chronic energy deficiencies have weakened FDI, but a pick up is expected with the commencement of the China Pakistan Economic Corridor program. Nonetheless, domestic investment remains weak.

In Bangladesh, growth is estimated to have reached 6.5 percent in FY2015/16, supported by increased public investment, public sector wage increases, and steady remittance flows. Despite the contraction in global trade, Bangladeshi exports expanded by 15.5 percent in FY2015/16, with rapid growth in garment exports, where it holds a significant labor cost advantage. However, private investment continues to be held back by a poor business environment, inadequate infrastructure, energy bottlenecks, weak bank balance sheets, and occasional civil unrest. Economic activity in Sri Lanka steadied at 4.8 percent in 2015 supported by robust consumption, and strong growth in the services and agricultural sectors. However, earlier loose monetary policy and rising fiscal deficits have led to a deterioration in the current account balance and gross external reserves position. Sri Lanka is discussing a program with the IMF – in April 2016 it reached a staff level agreement for a $1.5 billion Extended Fund Facility.

Inflation. Low global oil and food prices, tightening fiscal policy (India, Pakistan), easing electricity bottlenecks (India, Pakistan), reduction of administered food and energy prices (Sri Lanka), and in some countries benign weather conditions for food production (Bangladesh) have, to various degrees, reduced inflationary pressures across the region.[3] Headline and core inflation

[3]The impact of lower oil prices on GDP growth ranges from 0.5 to 3.6 percentage points in South Asia (World Bank 2015f; Afshin and Zahran 2015).

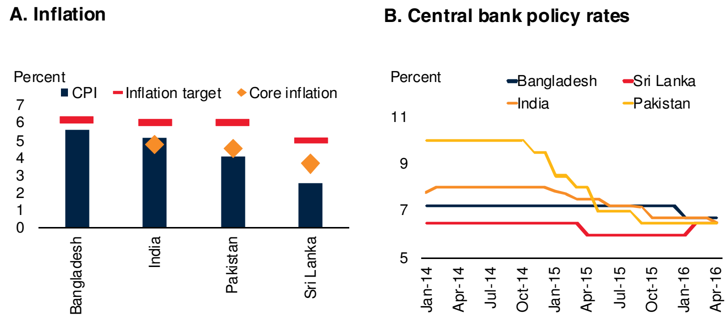
remains below target levels for most of the region's economies (Figure 2.5.3). In contrast, inflation in Nepal was elevated on account of supply disruptions after the earthquake in 2015, trade disruptions with India, and poor monsoon rains.

Fiscal Policy. The fiscal situation remains diverse across the region. India and Pakistan are on a path of fiscal consolidation, whereas fiscal deficits are on the rise in Bangladesh and Sri Lanka (Figure 2.5.4). Fiscal consolidation in India has been supported by an increase in excise duties, simplification of the tax regime, including the removal of tax exemptions, better expenditure control, and rationalization of some subsidies (in India, fuel subsidies fell to 0.1 percent of GDP in 2015 from 0.75 percent; see IMF 2016g). Notwithstanding delays to the Goods and Services Tax (GST) reform, other measures underway in India include: further fiscal decentralization as the states are to receive greater share of revenues from the central government; better targeting of transfers through the use of direct benefit transfers; higher rates of indirect taxes; and improvements in tax administration (including expanding the use of electronic platforms to assess and file taxes and measures to reduce uncertainty and litigation in the paying of taxes). The package of measures should support the objective in the FY2016 Union Budget to reduce the fiscal deficit by 0.4 percentage point. In Pakistan, fiscal consolidation has been supported by the rolling back of tax exemptions and increases to petroleum and excise taxes (IMF 2016h). If the planned divestment from state-owned enterprise materializes in both India and Pakistan, it will contribute to further fiscal consolidation.

In Bangladesh, above-inflation public sector wage increases and below-target revenue collection (due to weakness in tax administration) widened the deficit. The under-execution of budgeted public investment projects eased fiscal pressures in Bangladesh and Nepal, but may set back long-run growth. In Sri Lanka, an expansionary fiscal policy has contributed to the increased deficit and debt levels. Efforts are underway to address the deterioration in public finances, including the increase in the VAT rate from 11 to 15 percent. Government debt levels in South Asia are higher

FIGURE 2.5.3 Inflation

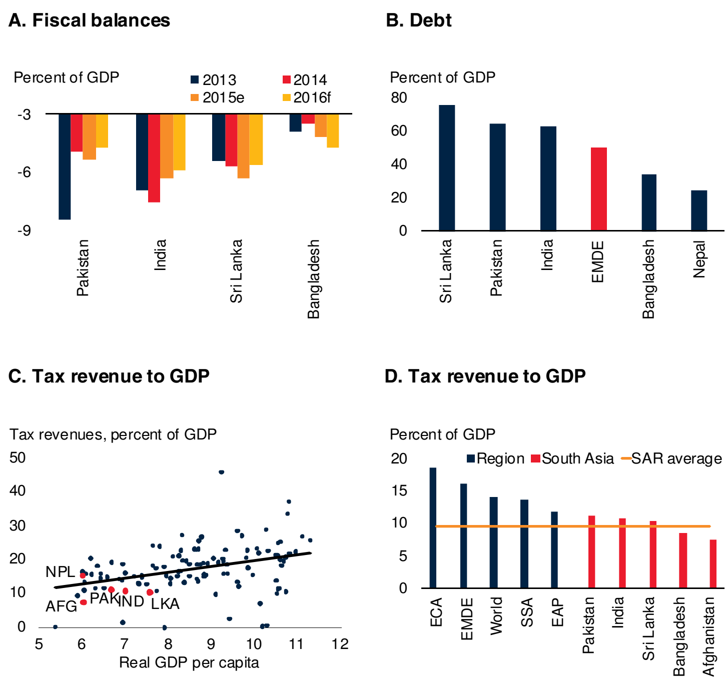
Inflation is generally below targets, in part because of the drop in energy prices. Core inflation is also low. Interest rates have been cut or sustained at moderate levels for most economies in the region.



Sources: World Bank, Central Bank News, Haver Analytics, Central Bank of Sri Lanka.
A. CPI data are year-on-year headline inflation for the average of the latest three months. The inflation target for Sri Lanka is indicative. The inflation targets of Bangladesh and Pakistan are for FY2016 . In Bangladesh the upper limit of the target is shown. The inflation target of India was 6 percent by January 2016 and is 4 percent by FY2016/17. Core inflation is on a year-on-year basis for the latest 3 months.

FIGURE 2.5.4 Fiscal indicators

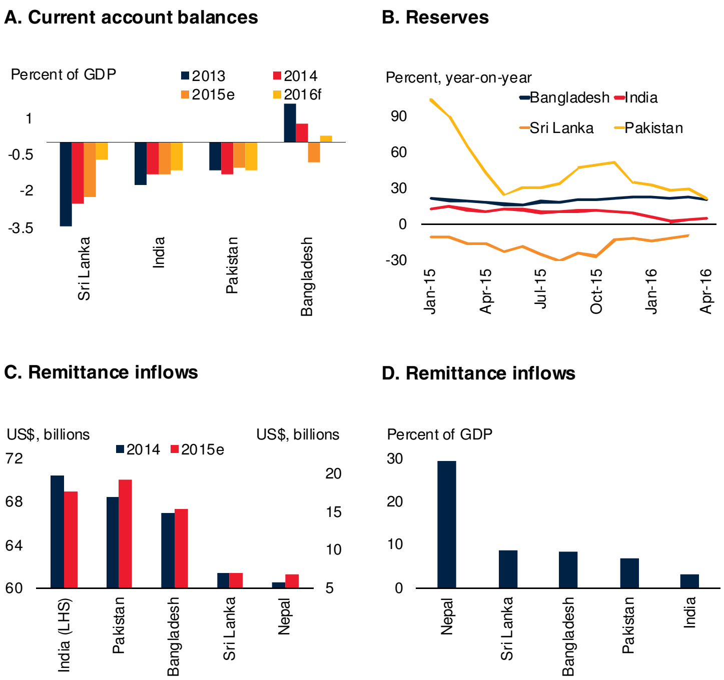
Except in India, fiscal deficits widened in 2015. The revenue base remains relatively low in comparison to other emerging markets and developing (EMDE) regions.



Source: World Bank.
A. Data for 2015 is estimated and data for 2016 is forecasted.
B. Debt refers to the general government gross debt in percent of GDP. EMDE is the unweighted average for emerging markets and developing economies.
C. The data used is for 2012, except for Canada, Mali, Nepal, Pakistan, Rwanda, United Arab Emirates and the United States where 2013 data are used. AFG = Afghanistan, IND = India, LKA = Sri Lanka, NPL= Nepal, and PAK = Pakistan. Logarithm of real GDP per capita in U.S dollars.
D. EAP = East Asia and Pacific, ECA = Europe and Central Asia, EMDE = emerging markets and developing economies, SSA = Sub-Saharan Africa, and SAR = South Asia. The SAR and EMDE average is the unweighted average of the latest available tax-to-GDP ratio data.

FIGURE 2.5.5 Current account balances and remittances

The decline in oil prices and resilient remittance flows have supported the improvement in current account balances, notwithstanding weak export demand.



Sources: World Bank, Migration and Remittances database; International Monetary Fund; Haver Analytics; Central Bank of Sri Lanka.
A. Data for 2015 is an estimate and data for 2016 is forecasted.
C. Data for 2015 is an estimate. 2016 forecast numbers are not available by individual country. However, for the region as a whole, remittances are expected to increase by 4.6 percent.
D. Data are taken from Migration and Remittances database, April 2016.

than in other developing regions. In Bhutan, Maldives and Sri Lanka, government debt levels are above 70 percent of GDP. In Afghanistan, where the debt-to-GDP ratio is low, fiscal pressures are mounting as aid inflows decline and the deteriorating security situation puts pressure on military expenses.

Current Account. Notwithstanding weak trading-partner growth, current account balances have improved for most of the region's economies, in large part due to the decline in oil prices (Figure 2.5.5). Remittance flows have been broadly steady in Bangladesh and Sri Lanka, and increased in Pakistan, as a result of rising migrant populations and a gradual improvement in some destination economies (e.g., in Europe). In contrast, Bhutan's current account deficit widened to 30 percent in FY2015/16 as a result of capital imports for large hydropower projects. These projects are being funded by India; upon their completion, they are expected to increase Bhutan's electricity exports to that country.

Gross International Reserves. Reserve buffers remain comfortable or improved in most countries in the region, compared to a year ago. In Pakistan, increased disbursements from the IMF and other multilateral and bilateral sources have contributed to the build-up of its gross international reserves. Reserves are also higher in Bangladesh, India, and Maldives. In contrast, along with its fiscal situation, import cover ratios in Sri Lanka deteriorated to an estimated 3.5 months. Reflecting improved macroeconomic fundamentals, capital outflows from India were limited during the global financial market turmoil earlier this year. However, Sri Lanka, along with other emerging and frontier market economies, experienced significant capital outflows. Gross official reserves in Sri Lanka fell to $6.3 billion in March 2016 from $7.3 billion in December 2015.

Outlook

Growth in South Asia is expected to remain robust at 7.1 percent in 2016, picking up to 7.3 percent in 2018 (Table 2.5.1). This represents, a downward revision from the January forecast, mainly due to external factors. Weaker-than-expected growth in advanced economies will dampen export growth. Fiscal consolidation in GCC countries will slow remittance flows, mainly affecting the outlook for the smaller economies that rely heavily on remittances (Bangladesh, Nepal and Sri Lanka). Gradually tightening financing conditions will increase external borrowing costs for economies with access to international capital markets (notably corporate borrowing in India and public sector borrowing in Sri Lanka). Poor monsoons in India continue to have a negative impact on rural incomes, and on output in agriculture-intensive sectors. In some countries, these factors will be mitigated, at least in the short run, by various developments. Public investment is on the rise in Bhutan, India, Sri Lanka; public sector wages are increasing in Bangladesh and India; and market-friendly reforms are in progress in India and Pakistan. A normalization of weather conditions (as El Niño subsides) will lift agricultural output in Bangladesh and India.

India will continue to grow faster than its large emerging market peers, with growth rates of 7.6-7.7 percent from FY2016/17 to FY2018/19.[4] Rural incomes and spending should improve with the return to normal monsoons, as the benefits of direct transfers through the rolling out of the mobile banking initiative (Jan Dhan Aadhaar Mobile) are realized and improvements in agricultural productivity improve. New sectors will continue to attract FDI. As of December 2015 some $45.7 billion (2.2 percent of GDP) had been pledged under the "Make in India" campaign. Private domestic investment is expected to benefit from an accommodative monetary policy. In addition, the government's planned investment in infrastructure, and the streamlining of business procedures and of the tax regime, are expected to alleviate some constraints, and crowd-in private investment (Bahal, Raissi, and Tulin 2015). Nonetheless, private investment will still be held back by infrastructure bottlenecks, a challenging regulatory environment, and by tight credit amidst the ongoing resolution of stressed assets in the banking sector. If implemented as planned, continued fiscal consolidation from 2016 onwards should support investor confidence in India through future bouts of turmoil in global financial markets.

Pakistan will benefit from expected improvements in power supply and to its security situation. Investments under the China Pakistan Economic Corridor project will provide a boost to demand in the short run, and over time alleviate transportation bottlenecks and energy shortages. Ongoing monetary accommodation will support an expansion of credit for domestic borrowers. Pakistan is expected to continue on its path of fiscal consolidation. Sri Lanka's growth is expected to pick-up to 5.3 percent over the forecast period, despite monetary and fiscal tightening. Growth will be supported by infrastructure spending financed by sizable FDI flows as part of the government's Port City and Western Province Megapolis initiatives. Also, recent policy measures to curb imports will contribute to growth. In Bangladesh, growth is expected to ease to 6.3 percent in FY2016/17, as a result of poor harvests and slowing credit, before rising to 6.8 percent in FY2017/18 on the back of rising public sector wages and improving harvests. Growth in Afghanistan will be subdued. Security problems hinder private investment, especially FDI into the minerals sector, and a decline in aid inflows exacerbates the fiscal situation. In Bhutan, construction of large hydropower projects and their subsequent exports will boost incomes. An expected pick-up in tourism, and supportive fiscal stance, will also contribute to a strengthening of economic activity.

Risks

Risks to the forecast are weighted to the downside and predominantly domestic.

Domestic risks to growth and fiscal positions include setbacks in reform implementation. These include reforms affecting the allocation of labor, land and capital, including the removal of impediments to productivity (Shah and Chadha 2016). Reforms delays may be related to entrenched political obstacles to privatization (Pakistan), and land and tax reforms (India). Delays would compromise future productivity and dampen growth prospects and, in some instances, increase fiscal pressures (in both India and Pakistan, the budget projections take into account proceeds from strategic disinvestments).

Although the region's systemic banks do not rely heavily on wholesale funding, vulnerabilities in bank balance sheets may lead to financial stress and weigh on lending. Several banks must raise their capital adequacy ratios to meet Basel III requirements. Some corporate borrowers, particularly state-owned enterprises, are facing sizable losses, which could eventually turn into nonperforming bank loans and contingent government liabilities (e.g., India, Pakistan). However, in India stress tests suggest that the government is adequately resourced to recapitalize public sector banks were they to face a severe

[4] FY2016/17 Consensus forecasts for India range from 7.0 to 7.9 percent with a median of 7.6 percent, and for FY 2017/18 it ranges from 6.7 to 8.2 percent with a median forecast of 7.8 percent.

deterioration in asset quality (Lindner and Jung 2014).

External risks include weaker-than-expected global trade and an unexpected tightening of global financing conditions. South Asian economies will not be immune to such developments, even though the region is less integrated with global markets than other developing regions. Heightened volatility in financial markets could lead to a reversal of capital flows and debt rollover difficulties. Countries in the region with weaker buffers and exposure to international capital markets are likely to be the most adversely affected. If the ongoing fiscal consolidation in GCC countries is sharper than expected, remittance flows to the region could slow sharply, in particular to Bangladesh, Nepal, and Sri Lanka (World Bank 2016f; Wickramasekara 2016, Kelegama 2011). Furthermore, while the baseline forecast assumes that oil prices will recover only gradually over the forecast horizon, supply shocks (for instance, due to a geopolitical event) could lead to a spike in prices. Since the region is a net oil importer, this would weaken incomes and output growth.

As an upside risk, weather patterns could be better than expected. India has been through two poor monsoons in a row, due to the El Niño phenomenon. Historically, El Niño years are often followed by La Niña, which is associated with bumper harvests (NOAA 2016). Hence the possibility of La Niña could yield an upswing to agricultural output, rural income and spending, and lower food inflation. Average GDP growth in India for La Niña years has been 8.4 percent (India Ministry of Finance 2016), well above the current projection through 2018.

Policy challenges

Growth in South Asia has been remarkably strong, and with it, a steep decline in poverty rates over the past two decades.[5] However, some of the tailwinds that have supported South Asia's recent strong performance (e.g., significantly lower oil prices) are likely to fade over the medium term (World Bank 2016n). South Asian economies need to pursue macroeconomic policies that address areas of vulnerability and implement reforms to raise efficiency and productivity (Rajan 2016).

Against the backdrop of a fragile global economy, the priority for fiscal policy is to build fiscal buffers and reduce debt. This will give policy makers some flexibility to respond to future shocks with fiscal stimulus. Measures to raise direct tax revenues, which are low even by emerging market and developing country standards (India Ministry of Finance 2016), will free fiscal space for much-needed public investment. Such measures include the introduction and implementation of a GST tax (India), broadening the tax base (India and Sri Lanka), reducing exemptions (Sri Lanka) strengthened fiscal responsibility legislation (Pakistan), and improved tax administration (Bangladesh, India, Pakistan, Sri Lanka).

Efforts to raise revenue would benefit if they are complemented with better quality of spending. To this end, appropriate measures include strengthened public financial management (Bangladesh, Sri Lanka), and a shift from recurrent spending to spending on physical capital (roads, ports, energy infrastructure) and human capital (health and education). Such investments lay a long-term foundation for growth (Mallick 2016; Leduc and Wilson 2012; Pereira and Pereira 2015). To contain fiscal spending and inflationary pressures, subsidies could be further reduced (Bangladesh, India) and proposed public sector wage increases (Bangladesh, India) could receive additional scrutiny.

Easing inflation pressures have allowed some central banks (Bangladesh, India) to cut policy rates and others (Pakistan) to maintain their accommodative policy stances. Since the drop in energy prices is responsible for only part of the decline in inflation, as evidenced by the low rate of core inflation, policy easing has been warranted. In contrast, in Sri Lanka, rising core inflation and high credit growth have compelled the central

[5] South Asia's poverty rate fell from about 51 percent in 1990 (574 million poor) to 19 percent in 2012 (309 million poor; World Bank 2015d).

bank to tighten policy. Once oil prices stabilize or eventually begin to rise, monetary policy rate tightening may also be required elsewhere in the region if inflation rises above targets or more sharply than consistent with macroeconomic stability.

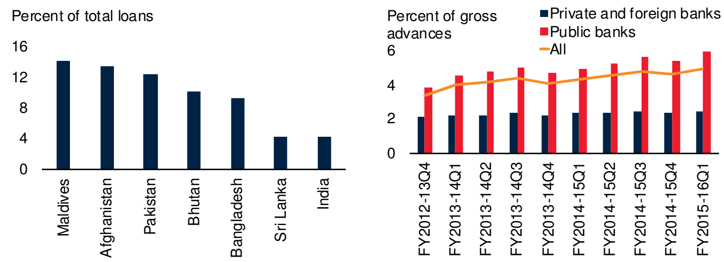
Stressed assets in the banking sector implies some impairment of bank capital, hence the need for a swift recapitalization of systemically important banks to restore buffers against future contingences (Rajan 2016). In India, the share of stressed assets (non-performing loans plus restructured loans) has risen by over 1.5 percentage points since 2013. Public sector banks (which represent about 76 percent of total banking system assets) account for most of the problem. A resolution of the issue would facilitate easier access to loans by credit-worthy borrowers, and thereby boost investment. In Afghanistan, Bangladesh, Bhutan and Pakistan non-performing loans amount to between 9 and 13 percent of the total loan portfolio (Figure 2.5.6).

Sound insolvency legislation and procedures encourage bank lending and support the reallocation of resources to the most productive uses. Bankruptcy processes in South Asia are among the most challenging, with insolvency processes that take an average of two and half years, and recovery rates of only about 32 cents on the dollar (Doing Business Indicators 2016). Such barriers to legal resolution of debts delay the exit of unviable firms, and hinder productivity gains from reallocation of resources to more productive firms (Bloom et al. 2011). Slow exit and factor reallocation may partly account for low total factor productivity in the Indian manufacturing sector, which estimates place at 40-60 percent below potential (Hsieh and Klenow 2009). In this regard, the recent passing of India's new bankruptcy law, which introduces time limits to the recovery of debts, should help improve the business regulatory environment and a more efficient allocation of resources.

FIGURE 2.5.6 Banking sector vulnerabilities

Non-performing loans remain high, and are rising in some countries.

A. Non-performing loans **B. Non performing assets in India**



Sources: Reserve Bank of India, World Bank.
A. The chart shows the latest observation of each country. For Afghanistan, Bhutan, India, Maldives, Pakistan, and Sri Lanka the latest year is 2015. For Bangladesh, the latest year is 2014.
B. Public sector banks account for 76 percent of total bank assets, and private and foreign banks account for 24 percent.

Addressing energy bottlenecks in South Asia remains critical for sustaining the region's long-term growth (Wijayatunga and Fernando 2013). In Pakistan, which has an annual energy deficit of about 5000MW, power shortages may have shaved off about 4 percentage points of GDP growth per year (Kugelman 2015). Similar shortages are reported in Bangladesh. These can be addressed with a combination of institutional reforms, additional generation capacity, privatization of state-owned generation and distribution companies, rationalization of utility tariffs, improved tariff collection, and measures to conserve energy (Sethi 2015). Some success is evident in India, where the peak electricity deficit in India declined to its lowest level on record (2.4 percent) in 2015, thanks to ongoing government investment and reforms that have increased generation capacity. Further, unrestricted cross-border electricity trading within the sub-region holds great potential, saving up to some $9 billion per annum of electricity costs (Singh et al. 2015; Timilsina et al. 2015)

TABLE 2.5.1 South Asia forecast summary

(Real GDP growth at market prices in percent, unless indicated otherwise)

	2013	2014	2015e	2016f	2017f	2018f	2015e	2016f	2017f	2018f
							(percentage point difference from January 2016 projections)			
EMDE South Asia, GDP[a, b]	**6.1**	**6.8**	**7.0**	**7.1**	**7.2**	**7.3**	**0.0**	**-0.2**	**-0.3**	**-0.2**
(Average including countries with full national accounts and balance of payments data only)[c]										
EMDE South Asia, GDP[c]	6.1	6.8	7.1	7.2	7.3	7.3	0.1	-0.1	-0.2	-0.3
GDP per capita (U.S. dollars)	4.7	5.4	5.7	5.8	5.9	6.0	0.1	-0.2	-0.3	-0.2
PPP GDP	6.1	6.8	7.1	7.1	7.2	7.3	0.1	-0.2	-0.3	-0.2
Private consumption	5.7	6.0	6.0	6.7	6.8	6.5	-0.5	0.1	0.5	0.3
Public consumption	1.6	9.7	9.6	6.6	6.5	6.6	1.5	-0.9	-0.1	0.2
Fixed investment	3.9	4.7	7.2	7.1	8.1	8.8	2.5	-2.0	-3.3	-2.7
Exports, GNFS[d]	6.8	2.6	-2.9	2.7	5.9	7.5	-5.2	-1.3	0.9	1.8
Imports, GNFS[d]	-2.4	0.7	-1.8	1.6	5.0	6.3	-3.4	-3.0	-0.8	-0.2
Net exports, contribution to growth	2.6	0.4	-0.2	0.1	-0.1	0.0	-0.3	0.4	0.3	0.5
Memo items: GDP[b]	**13/14**	**14/15**	**15/16e**	**16/17f**	**17/18f**	**18/19f**	**15/16e**	**16/17f**	**17/18f**	**18/19f**
South Asia excluding India	4.9	5.4	5.3	5.3	5.5	5.4	-0.4	-0.5	-0.5	-0.6
India	6.6	7.2	7.6	7.6	7.7	7.7	0.3	-0.2	-0.2	-0.2
Pakistan (factor cost)	3.7	4.0	4.2	4.5	4.8	5.1	0.0	0.0	0.0	0.3
Bangladesh	6.0	6.1	6.5	6.3	6.8	6.0	0.0	-0.4	0.0	-0.8

Source: World Bank.

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 differ at any given moment in time.

a. EMDE refers to emerging market and developing economy. GDP at market prices and expenditure components are measured in constant 2010 U.S. dollars.

b. National income and product account data refer to fiscal years (FY) for the South Asian countries, while aggregates are presented in calendar year (CY) terms. The fiscal year runs from July 1 through June 30 in Bangladesh, Bhutan, and Pakistan, from July 16 through July 15 in Nepal, and April 1 through March 31 in India. 2014 data for Bangladesh, India, and Pakistan cover FY2014/15.

c. Sub-region aggregate excludes Afghanistan, Bhutan, and Maldives, for which data limitations prevent the forecasting of GDP components.

d. Exports and imports of goods and non-factor services (GNFS).

TABLE 2.5.2 South Asia country forecasts

(Real GDP growth at market prices in percent, unless indicated otherwise)

(percentage point difference from January 2016 projections)

	2013	2014	2015e	2016f	2017f	2018f	2015e	2016f	2017f	2018f
Calendar year basis [a]										
Afghanistan	2.0	1.3	1.5	1.9	2.9	3.6	-0.4	-1.2	-1.0	-1.4
Bangladesh	6.1	6.3	6.4	6.6	6.4	6.0	-0.2	-0.2	-0.4	-0.8
India	6.4	7.1	7.5	7.5	7.6	7.7	0.2	-0.2	-0.3	-0.2
Maldives	4.7	6.5	1.9	3.5	3.9	4.6	-2.5	0.4	-0.3	0.1
Nepal	4.9	4.4	1.7	2.7	4.5	4.4	-0.9	-1.0	-0.6	-0.1
Sri Lanka	3.4	4.9	4.8	5.3	5.3	5.3	-0.5	-0.3	-0.7	-0.7
	13/14	**14/15**	**15/16e**	**16/17f**	**17/18f**	**18/19f**	**15/16e**	**16/17f**	**17/18f**	**18/19f**
Fiscal year basis [a]										
Bangladesh	6.0	6.1	6.5	6.3	6.8	6.0	0.0	-0.4	0.0	-0.8
Bhutan	3.9	5.8	6.7	6.8	8.0	8.0	-0.1	-0.4	2.4	2.0
India	6.6	7.2	7.6	7.6	7.7	7.7	0.3	-0.2	-0.2	-0.2
Nepal	3.8	6.0	2.7	0.6	4.7	4.4	-0.7	-1.1	-1.1	-0.1
Pakistan (factor cost)	3.7	4.0	4.2	4.5	4.8	5.1	0.0	0.0	0.0	0.3

Source: World Bank.
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. Historical data are reported on a market price basis. National income and product account data refer to fiscal years (FY) for the South Asian countries with the exception of Afghanistan, Maldives and Sri Lanka, which report in calendar year (CY). The fiscal year runs from July 1 through June 30 in Bangladesh, Bhutan, and Pakistan, from July 16 through July 15 in Nepal, and April 1 through March 31 in India. 2014 fiscal year data, as reported in the table for India, Pakistan, Bangladesh, Nepal, cover FY2014/15. GDP figures presented in calendar years (CY) terms for Bangladesh, Nepal, and Pakistan are calculated taking the average growth over the two fiscal year periods to provide an approximation of CY activity. Historical GDP data in CY terms for India are the sum of GDP in the four calendar quarters.

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