Recent developments: Growth in **South Asia** slowed to a still strong 6.5 percent in 2017, in part reflecting businesses' adjustment in India to the country's new Goods and Services Tax and to the adverse impacts of natural disasters across the region.

India is estimated to grow 6.7 percent in fiscal year 2017/18, which ends March 31, slightly down from the 7.1 percent of the previous fiscal year. This is due in part to the effects of the introduction of the Goods and Services Tax, but also to protracted balance sheet weaknesses—including corporate debt burdens and non-performing loans in the banking sector—weighing down private investment.

Pakistan's growth is forecast to tick up to 5.5 percent in FY 2017/18, which ends June 30, with strong activity in construction and services, a recovery in agricultural production, and robust domestic demand supported by strong credit growth and investment projects. However, the current deficit widened to 4.1 percent of GDP, amid weak exports and buoyant imports.

In Sri Lanka, activity expanded at an estimated 4.1 percent in 2017, slightly below expectations as a result of severe weather disruptions. Bangladesh's growth for FY 2017/18, which ended June 30, is anticipated to slow to 6.4 percent from 7.2 percent in the preceding fiscal year.

Outlook: Growth in the region is forecast to accelerate to 6.9 percent in 2018. Consumption is expected to stay strong, exports are anticipated to recover, and investment is on track to revive as a result of policy reforms and infrastructure upgrades.

India is expected to pick up to 7.3 percent growth in FY 2018/19, which begins April 1, and to 7.5 percent in FY 2019/20, supported by strong private consumption and public spending on wage increases and infrastructure investments. Private investment is expected to revive as the private sector adjusts to the Goods and Services Tax and a global trade recovery lifts exports.

Excluding India, growth in the region is projected to pick up to 5.8 percent in 2018 and to 5.9 percent the following year as domestic demand remains robust and exports recover. Pakistan is expected to accelerate to 5.8 percent in FY 2018/19, which begins July 1. Bangladesh will grow at 6.7 percent in FY 2018/19, benefitting from strong domestic demand and strengthened exports. Sri Lanka is forecast to accelerate to 5 percent in 2018, mainly reflecting strong private consumption and investment growth.

Risks: Risks to the outlook are mainly domestic. Setbacks to reform efforts in the corporate and financial sectors, disruptions due to natural disasters, and challenges that weaken domestic demand could subdue growth prospects. Increasing liabilities across the region could also derail fiscal consolidation efforts, with weaker debt sustainability dampening financial market confidence. Externally, an upswing in global financial volatility could slow growth. However, on the upside, stronger-than-expected global growth could result in faster growth than anticipated in the more open economies in the region.

South Asia Country Forecasts

(Annual percent change unless indicated otherwise)

	2015	2016	2017e	2018f	2019f	2020f
GDP at market prices (2010 US$)						
Calendar Year Basis[a]						
Afghanistan	1.1	2.2	2.6	3.4	3.1	3.1
Maldives	3.3	4.7	4.8	4.9	5.0	5.0
Sri Lanka	4.8	4.4	4.1	5.0	5.1	5.1
Fiscal Year Basis[a]	**15/16**	**16/17**	**17/18e**	**18/19f**	**19/20f**	**20/21f**
Bangladesh	7.1	7.2	6.4	6.7	6.7	6.7
Bhutan	6.6	8.0	6.7	6.9	7.6	7.6
India	8.0	7.1	6.7	7.3	7.5	7.5
Nepal	0.4	7.5	4.6	4.5	4.5	4.5
Pakistan (factor cost)	4.5	5.3	5.5	5.8	6.0	6.0

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.