ASIAN DEVELOPMENT OUTLOOK 2016

ASIA'S POTENTIAL GROWTH

HIGHLIGHTS

ASIAN DEVELOPMENT BANK

ASIAN DEVELOPMENT OUTLOOK 2016

ASIA'S POTENTIAL GROWTH

HIGHLIGHTS

ASIAN DEVELOPMENT BANK

6 ADB Avenue, Mandaluyong City, 1550 Metro Manila, Philippines
Tel +63 2 632 4444; Fax +63 2 636 2444
www.adb.org; openaccess.adb.org

Printed in the Philippines.

Publication Stock No. FLS167957-3

Cataloging-In-Publication Data

Asian Development Bank.
Asian development outlook 2016 highlights.
Mandaluyong City, Philippines: Asian Development Bank, 2016.

1. Economics. 2. Finance. 3. Asia. I. Asian Development Bank.

Note: In this publication, "$" refers to US dollars.

ADO 2016—Highlights

Developing Asia is projected to grow at 5.7% in both 2016 and 2017, down slightly from 5.9% in 2015, due chiefly to considerable global headwinds and moderating growth in the People's Republic of China.

Commodity price declines dragged inflation down to 2.2% in 2015. Regional inflation will revive to 2.5% in 2016 as domestic demand strengthens, and rise further to 2.7% in 2017 as global commodity prices recover.

Risks are tilted to the downside as tightening US monetary policy may heighten financial volatility, further moderation in the People's Republic of China could spill over into its neighbors, and producer price deflation may undermine growth in some economies.

Reform to raise labor productivity can invigorate developing Asia's potential growth.

Shang-Jin Wei

Shang-Jin Wei
Chief Economist
Asian Development Bank

Rescuing growth in uncertain times

Slow going in a tough global environment

- **Growth in developing Asia is forecast to dip slightly.** Gross domestic product (GDP) in the region will expand by 5.7% in 2016 and 2017, decelerating from 5.9% in 2015 in a difficult and uncertain global environment. Solid growth in India and a pickup in aggregate growth in the Association of Southeast Asian Nations (ASEAN) will help balance continued growth moderation in the People's Republic of China (PRC). Despite the slight dip, the region will contribute around 60% of global growth in the next 2 years, close to its contribution in the past 5 years.

  » **Growth in the industrial economies is unlikely to pick up this year.** Aggregate growth in the major industrial economies—the United States (US), the euro area, and Japan—will stay at 1.8% in 2016 before inching up to 1.9% in 2017. In the US, expanding private consumption and investment will be tempered by weak external demand. While recovery in the euro area is gradually gaining ground, domestic and external risks abound, keeping growth from breaking out of its slow 2015 pace. Japan's growth will improve slightly, helped by a pickup in private consumption this year in anticipation of a value-added tax increase next year.

  » **The PRC continues to shift away from its reliance on investment and exports.** Growth slowed further last year as exports faltered, labor shortages began to bite, and the short-term adverse impact of supply-side reform took its toll. Reduced investment in industries with excess capacity will be another factor moderating growth still further to 6.5% (within the government's target range of 6.5%–7.0%) and to 6.3% next year.

  » **Strong public investment boosted growth in India despite weak exports.** Reform geared to attract more foreign direct investment progressed, and the authorities worked to repair corporate and bank balance sheets. While macroeconomic fundamentals are strong, progress on major structural reform is expected to be gradual. Growth momentum will be sustained at 7.4% in 2016 before picking up to 7.8% in 2017 with measures to fund stalled projects and an uptick in bank credit.

  » **Stronger growth is seen for ASEAN.** Aggregate growth in the 10 ASEAN economies is forecast to accelerate steadily from 4.4% in 2015 to 4.5% in 2016 and 4.8% in 2017. Growth will be led by Indonesia as it ramps up investment in infrastructure and implements policy reform that spurs private investment. Solid consumption and investment will provide a lift to the Philippine economy. Thailand's recovery is expected to gather momentum, and Viet Nam will sustain vigorous expansion. In contrast, Malaysian growth will slip further with low oil prices and weak external demand.

  » **Low commodity prices weigh on growth prospects in Central Asia and the Pacific.** Continued low oil prices are exerting pressure on fiscal spending in Azerbaijan, Kazakhstan, Papua New Guinea, and Timor-Leste, slowing subregional growth in Central Asia and the Pacific. While the expected pickup in oil prices will bring some relief in 2017, growth is expected to remain below the 5-year average pace to the forecast horizon.

- **Most Asian economies benefit from low international food and fuel prices.** The large fall in oil and food prices tempered inflation. The regional rate eased from 3.0% in 2014 to 2.2% in 2015 as global oil prices fell by 47% and average food prices by 15%. Regional inflation will revive to 2.5% in 2016 as domestic demand strengthens and rise further to 2.7% in 2017 as global commodity prices recover.

- **The regional current account surplus will narrow this year and next.** Subdued demand for manufacturing exports and continued low commodity prices will trim developing Asia's current account surplus from the equivalent of 2.9% of regional GDP in 2015 to 2.6% in 2016 and further to 2.4% in 2017. Yet the region's increasing global economic weight means its surplus will widen slightly to 0.7% of world GDP in 2016, up 0.1 percentage points from last year.

- **Risks to the regional growth forecast remain tilted to the downside.** Future interest rate hikes by the US Federal Reserve may tighten global financing conditions. This, combined with broader weakness in emerging markets, could heighten investors' risk aversion and intensify global financial market volatility. A sharper-than-forecast growth slowdown in the PRC would further dim the global outlook and directly hurt regional exports and growth. Tepid prices for oil and other commodities cast a shadow over the prospects of Asia's commodity-dependent economies. Finally, El Niño looms as a major weather risk for economies that rely on agriculture. While consumer price inflation is generally low but positive, producer price deflation has emerged as a new spoiler in the PRC and other Asian economies.

Spillover from the People's Republic of China

- **Growth moderation in the PRC weighs on regional growth.** Simulations estimate that the drop in PRC growth may have shaved as much as 0.3 percentage points from developing Asia's outlook. The PRC effect is largely centered on Asia, reflecting strong regional trade and production links. In contrast, the impact on the US and the euro area through trade is largely offset by the benefit of lower commodity prices. The unlikely event of a sharp growth decline in the PRC triggered by some type of financial shock would be significant, however, lopping nearly 1.8 percentage points off global growth. Simulations of such a scenario show oil prices down by 10%–25% relative to the baseline, while growth in Japan would lose 1.5 percentage points and in developing Asia 1.8 points.

- **Ongoing structural change in the PRC is affecting its import structure.** Contributing to its growth moderation, the PRC is currently undergoing a structural transformation from growth led by exports and investment to growth grounded on domestic consumption. As a result, while investment was the main growth driver since 2001—peaking at a 86% contribution to growth in 2009—consumption now contributes more than half. The PRC role in global value chains is also changing as rising wages shunt some activities to lower-cost economies and technological upgrades shift the PRC into activities that add more value. These structural changes are reflected in the sharp drop in the share of parts and components in PRC imports since the mid-2000s and a slight rise in the share of consumer goods.

- **How PRC structural change affects an economy depends on the relationship.** Spillover from PRC restructuring into particular economies will differ depending on whether they are exporters of consumer goods, parts of the same production chain, or competitors, either current or potential. For example, the Republic of Korea has lost market share as the PRC increasingly mastered high technology, but Viet Nam has increased its share of parts and components in PRC imports as it has taken over from the PRC lower-skilled tasks within production chains. Other Asian economies may benefit too as the PRC withdraws from labor-intensive pursuits. Bangladesh, for one, has taken up garment manufacturing to become the world's second-largest garment exporter.

Emergent producer price deflation

- **The PRC and some other Asian economies recently experienced producer price deflation.** Slowing economic growth has combined with sharply lower oil prices to push producer price inflation into negative territory, though consumer price inflation remains mostly positive. In 2015, the PRC saw producer prices contract by 5.2% and, by February 2016, it had endured 48 consecutive months of producer price deflation. Deflation in the PRC may be transmitted to its neighbors through lower export prices, especially if the renminbi depreciates. In fact, producer prices fell in 2015 by 9.1% in Singapore, 6.7% in the Philippines, and 4.8% in Malaysia—and by smaller margins in India, the Republic of Korea, Thailand, and Hong Kong, China.

- **Commodity price shocks get diluted along distribution chains before affecting consumers.** The pass-through of oil and food prices thus tends to be lower for consumer prices than for producer prices. In the PRC, for example, the cumulative pass-through of a 1% drop in global oil prices after 4 quarters reached 14 basis points for producer prices but only 3 basis points for consumer prices. In Thailand, the cumulative pass-through of a 1% drop in global food prices reached 21 basis points for producer prices but only 7 basis points for consumer prices. The lower rate of consumer price pass-through may explain why episodes of producer price deflation are less rare.

- **Historically, falling producer prices are more common than declines in consumer prices.** An empirical study of 38 economies found 389 episodes of producer price deflation from 1947 to 2014 but only 145 episodes of consumer price deflation. In theory, deflation can spark a vicious cycle of weakening demand and falling prices, but evidence from episodes of declining consumer prices is mixed. Deflation in the postwar era cannot be accurately assessed by looking only at consumer prices because they may not adequately capture the pressures on firms.

- **Producer price deflation is associated with lower economic growth.** Average GDP growth per capita was lower in an 1870–2014 study sample during deflationary episodes than during inflationary ones. This held whether producer or consumer prices were considered, but regression analysis found stronger evidence of an inverse association for producer prices than for consumer prices. While the correlation of growth with consumer price deflation held only during the Great Depression, significant growth associations with producer price deflation held up for the full sample period, including the postwar subperiod 1947–2014. Income grew 1.4 percentage points faster during moderate producer price inflation than during producer price deflation in 1870–2014.

- **Restrained investment is one channel by which producer price deflation hampers growth.** The producer price index measures price changes from the viewpoint of producers and thus affects producer decisions such as on investment. In fact, producer price deflation tended to be followed by investment contractions, as 71% of economies that experienced significant deflation suffered investment decline.

Deflation can compound producers' debt burdens and thus discourage investment. A mix of higher debt and lower prices reduced investment in 45% of economies that experienced both.

- **Policy makers should be aware of deflation's potential to harm economic growth.** Long-run historical comparisons do not rule out the possibility that deflation, especially producer price deflation, is negatively associated with growth. The data clearly show that high inflation as well as deflation can adversely affect growth. Because producer prices tend to be more volatile than consumer prices, and producer price deflation may therefore inflict greater damage on the economy, policy makers should monitor not only the consumer price index but also the producer price index.

Outlook by subregion

- **Slowing growth is widespread across developing Asia.** Weak recovery in the major industrial economies, moderating growth in the PRC, and recession in the Russian Federation are hampering growth in other economies with strong ties to them through trade, investment, and remittances. Meanwhile, sharply lower global commodity prices are undermining growth in the region's oil producers, even as a presumed reciprocal boost to growth in oil importers remains elusive. Only Southeast Asia is forecast to see growth pick up in 2016, however modestly. The expected easing of these impediments to growth within the forecast horizon points to general improvement in 2017.

- **East Asia will see growth drift lower as growth in the PRC moderates further.** Subregional growth slowed to 6.0% in 2015—a 0.6 percentage point drop from the previous year—as all economies slowed. The rate is expected to decline further to 5.7% in 2016. In the PRC, efforts to rein in debt accumulation, adverse short-term effects from supply-side reform, and emerging labor shortages will tamp down growth from 6.9% in 2015 to 6.5% this year and 6.3% in 2017. The Republic of Korea will have stable growth this year, and Taipei,China will accelerate on higher government investment. Meanwhile, declines in mining output will push growth in Mongolia below 1%, and lower tourism flows will slow growth in Hong Kong, China. Although rising domestic demand and an improving global economy will lift growth rates slightly higher in 2017 across most of the subregion, continued moderation in the PRC will weigh down the subregional average to 5.6% in 2017. Inflation fell to 1.3% last year with lower prices for oil and other commodities but will rise moderately to 1.6% this year and 2.0% in 2017 as domestic demand rebounds and commodity prices recover.

- **South Asia is forecast to post the most rapid growth in developing Asia.** Growth in the subregion accelerated to 7.0% in 2015 and will accelerate further to 7.3% in 2017 after a hesitation at 6.9% this year. The subregion's prospects reflect heavy weighting for India, where growth is expected to dip marginally to 7.4% in 2016 as exports decline and both public and private investment slows, and then pick up to 7.8% in 2017 as investment revives. Apart from weakness in export demand, other economies in the subregion face unique challenges to growth: a devastating earthquake and a political standoff in Nepal, a drop in high-end tourism in the Maldives, and much-needed fiscal reform to deal with a buildup of excessive debt in Sri Lanka. Both Bangladesh and Pakistan see continued moderate growth benefitting from sustained progress toward macroeconomic and structural reform. Subregional inflation fell to 5.0% in 2015, benefitting from low oil and commodity prices, but is projected to revive to 5.2% in 2016 and 5.7% in 2017.

- **Southeast Asia is seen reversing its growth slowdown in the next 2 years.** Growth slowed in 7 of the 10 ASEAN economies, edging down the subregional average to 4.4% in 2015. In Indonesia, growth moderated for a fourth year in a row. In Malaysia, soft global demand and low oil prices cut growth by a full percentage point. Thailand's recovery from a slump in 2014 was sluggish, while bad weather hurt agriculture in many economies. In contrast, foreign direct investment in manufacturing and robust construction propelled Viet Nam to its strongest expansion in 7 years. Aggregate growth is forecast to pick up to 4.5% in 2016 and 4.8% in 2017. Infrastructure investment is seen boosting growth in Indonesia, while Myanmar rebounds from devastating floods in 2015. Malaysia, on the other hand, faces another year of decelerating growth. Southeast Asia's aggregate inflation rate eased to 2.7% in 2015 in line with lower food and fuel prices. Inflation is forecast to edge higher in most economies this year and next, but decelerating inflation in Indonesia will hold the ASEAN average to 2.6% in 2016 and 2.9% in 2017.

- **Central Asia's growth slowdown is forecast to deepen this year.** Plunging petroleum prices, recession in the Russian Federation, and weakness in other trading partners took their toll on Central Asia, where average growth plummeted to 2.9% in 2015 from 5.3% a year earlier. Forecasts of even lower petroleum prices and continued recession in the Russian Federation prompt a projection that average growth in the subregion will slow further in 2016 to 2.1%, with contraction forecast for Azerbaijan and growth at only 0.7% for Kazakhstan. Growth is projected to recover somewhat to 2.8% in 2017 on the strength of an improved external outlook and somewhat higher petroleum prices. Steep currency depreciation in several economies helped push average inflation to 6.2% in 2015 from 5.7% last year. The lagged inflation effects of depreciation in 2015 and possible further currency weakness in some economies are projected to propel average inflation to 10.8% in 2016 as acceleration occurs in all economies, with inflation reaching double digits in Azerbaijan, Kazakhstan, the Kyrgyz Republic, and Uzbekistan. Expected exchange rate stabilization should help rein in average inflation in the subregion to 5.9% in 2017.

- **The Pacific is poised for lower growth as the economy slows in Papua New Guinea.** Growth in the Pacific held strong at 7.0% in 2015. This was largely attributable to developments in Papua New Guinea, the predominant economy in the subregion, where new liquefied natural gas production and exports powered high growth. The only other economy to achieve high growth was Palau, where tourism drove expansion. GDP contracted in Nauru because of damage to port facilities and in Vanuatu because of a severe cyclone early in the year, while in energy-exporting Timor-Leste growth plunged as oil and gas prices fell. Average growth across the subregion is expected to fall to 3.8% in 2016 and further to 3.1% in 2017. In Fiji, cyclone damage is dragging growth down to 2.7% in 2016, but the economy should rebound to 4.5% in 2017. Inflation remained steady in 2015 at 3.4%, though Nauru experienced high inflation as problems at the port affected trade. Inflation is expected to rise slightly to 4.5% in 2016 and 4.7% in 2017.

Asia's potential growth

Understanding the growth slowdown

- **Growth momentum has flagged in developing Asia since the global financial crisis.** From an average of 8.3% during 2006–2010, GDP growth in the region fell to 5.9% in 2015. This decline is likely to have repercussions for the region and the rest of the world. Developing Asia's success in lifting 1 billion individuals out of poverty during 1990–2012 hinged on its ability to sustain high rates of economic growth. Moreover, since the region currently accounts for more than a quarter of world GDP as valued at market exchange rates, a persistent slowdown in developing Asia threatens to undermine the fragile global recovery.

- **The right policy response depends on the nature of the region's slowdown.** Is it a temporary—albeit prolonged—effect of the business cycle? Or are more persistent changes under way? If weaker growth reflects slack demand such as softening export orders or a downturn in private investment, then fiscal or monetary stimulus may be needed for temporary support. But if supply-side factors are at play, and the growth moderation stems from slowing expansion of the region's productive capacity, then any revival of growth prospects may depend on structural policy reform.

- **Distinguishing temporary from persistent effects depends on gauging "potential growth."** Potential growth is the pace at which an economy is deemed able to expand with full employment and stable inflation—that is, when it is operating at its productive capacity. The idea of potential growth is not immutable, as it is influenced by the policies and institutions that characterize the particular economy.

  - **Deviations from potential come at the cost of macroeconomic stability.** Operating above potential stokes inflation, while producing below potential generates unemployment. Economies tend toward their potential in the long run, making potential growth essentially a speed limit on the pace of long-term poverty reduction.

  - **Structural reform can yield higher potential growth from given resources.** "Frontier potential growth" is the rate above potential growth that an economy could achieve if global best-practice policies and institutions prevailed. By lowering barriers to efficient labor and capital allocation, an economy can move closer to this conceptual maximum while maintaining macroeconomic stability.

- **Falling potential growth explains much of the region's post-crisis growth slowdown.** Estimated average potential growth for a sample of 22 Asian economies, which accounted for 98% of GDP in developing Asia in 2014, fell by almost 2.0 percentage points from its 2007 peak of 8.4%. Falling potential growth accounts for about 40% of the moderation in actual growth since the global financial crisis.

  - **Falling potential growth is widespread in the region.** When compared with average potential growth in 2000–2007, the post-crisis period 2008–2014 saw declines in 14 of the economies sampled, down by 1.1 percentage points in the PRC and by 2.1 points in the Republic of Korea.

» **Yet some economies sustained or improved their potential growth.** From the 2000–2007 average, potential growth in 2008–2014 picked up in economies as diverse as Indonesia (by 0.9 percentage points), Pakistan (0.9), the Philippines (0.5), and Uzbekistan (2.2). Bangladesh, Fiji, and India have maintained pre-crisis potential growth into the post-crisis period.

- **Future gains in living standards and poverty elimination rest on a grasp of potential growth.** Identifying the institutional and policy constraints that keep an economy from achieving its frontier potential growth will be critical to counteract the current slowdown. Knowing which factors have driven potential growth in the past can guide policy makers' efforts to meet today's growth challenge.

Determinants of potential growth

- **Shifting demographics and labor productivity growth determine potential growth.** Potential growth is the sum of growth in the labor force plus growth in potential labor productivity, or output per worker. Of these two factors, labor productivity growth accounted for about 80% of average potential growth from 2000 to 2014 in the 22 Asian economies studied. However, demographic changes have had significant effects in some economies. For example, working-age population growth explains about 50% of potential growth in Malaysia, 64% in Pakistan, and 47% in Singapore. Empirical estimates show that taking 1 percentage point off working-age population growth shaves 1 percentage point from potential growth. With demographic changes turning less favorable in most Asian economies, understanding what determines labor productivity growth is paramount to boosting future potential growth.

- **Capital accumulation affects potential growth by lifting labor productivity.** Low-income economies can grow faster during the transition to their long-run potential growth rate by upgrading their equipment and infrastructure and by adopting existing technologies. However, this "advantage of backwardness" fades over the course of development as economies gain on their more advanced peers and eventually converge. Estimates indicate that an additional $1,000 dollars of initial income per capita lowers potential growth by 0.3 percentage points.

- **A range of productivity-enhancing factors are amenable to policy interventions.** Estimates show that gains in tertiary education enrollment and trade openness can boost potential growth—especially in economies with the most room for improvement. Integrating into international financial markets can be beneficial, but the relationship depends on the economy's regulatory quality. Improvements to a range of institutional variables, which proxy for such things as government effectiveness and labor market flexibility, can also lift potential growth.

- **Potential growth depends on a stable macro economy.** A volatile gap between actual growth and potential growth has, with consequent bouts of rising inflation or deepening unemployment, a significantly negative effect on potential growth. Reducing this volatility by 1.0 percentage point is estimated to pay a potential growth dividend of nearly 0.2 percentage points. Policies to push actual growth persistently above its potential have only a temporary effect on the economy's productive capacity.

- **Removing obstacles to efficient factor allocation supports economic dynamism.** An economy's frontier potential growth can be realized only when capital and labor are allocated to the most productive firms. Analysis of over 10,000 firms in 13 developing economies in Asia confirms that obstacles like judicial bias, unequal access to finance, excessive labor regulation, poor electricity supply, and corruption impede the efficient allocation of factors across firms, which makes them too large or too small, or too labor or capital intensive. Reform to remove these obstacles can enhance firms' efficiency, thus moving economies toward their frontier potential growth.

A "new normal" for potential growth?

- **Potential growth since the global financial crisis differs sharply from before it.** After accounting for changes in the determinants of potential growth, developing Asia's average potential growth still declined by 2.2 percentage points in 2008–2014 from its historical trend. Is this a new normal for Asia? It is true that the decline is slightly smaller than the 2.7 percentage point drop in global potential growth. However, without structural reform, potential growth in many countries in the region will slide further due to unfavorable demographics, convergence with advanced economies, and spillover from growth moderation in the PRC.

- **The demographic drag on developing Asia's potential growth will intensify.** The region previously benefited from a favorable age structure—the so-called demographic dividend—but slowing population growth and aging populations are turning this dividend into a burden. The United Nations projects that growth in the region's working-age population will be lower in 2015–2020 than in 2008–2014; this demographic effect alone could depress developing Asia's potential growth by 0.4 percentage points. Less favorable demographics span the region, with working-age population growth forecast higher among the sample economies only in Sri Lanka.

- **Developing Asia's past success has narrowed the gap with the advanced economies.** The advantage of backwardness, which allowed developing economies in Asia to grow by adopting existing technologies, is fading as they converge in sophistication with the advanced economies. Less scope for playing catch-up with the advanced economies will make some other determinants of potential growth, such as tertiary education and trade, more important to future growth. On the other hand, low- and middle-income economies still have scope to benefit from the convergence effect.

- **Moderating growth in the PRC is spilling over to other economies.** Ripples from slower growth in the PRC, one of the largest economies in the world, are spreading globally, and strong trade and investment ties with close neighbors make the regional impact much more pronounced. Empirical analysis controlling for other determinants of potential growth shows a 1.0 percentage point decline in the actual growth rate in the PRC associated with a 0.2 percentage point reduction in potential growth worldwide and a 0.5 point decline in other Asian economies. As the PRC rebalances toward a more sustainable, consumption-driven growth model, its pace of expansion is forecast to ease further. However, if other economies can lift their potential growth, they can counteract some of the effect of PRC growth moderation.

Policies to invigorate potential growth

- **Policy changes can partly offset the labor squeeze.** Measures to increase female participation rates and extend the working age can boost the share of workers in the population. Especially for economies facing the most severe demographic changes, more flexible immigration policies may help firms that struggle to attract skilled labor.

- **The recipe for higher labor productivity has three ingredients.** They are a mix of public and private investment, policy and institutional reform, and sound macroeconomic management.

  » **Capital investment is crucial to catch up with the advanced economies.** High on the list is government investment in infrastructure, an important public good. As the needs are large, governments must find creative financing solutions such as public–private partnership. To facilitate private investment, policy can incentivize companies to purchase new assets by, for example, accelerating depreciation.

  » **Reform can move current potential toward the frontier.** Effective policy and higher-quality institutions can shore up Asia's long-term growth. If, over the next decade, the 22 sampled economies lifted their current scores on productivity-enhancing factors enough to close half of the gap to the best possible scores, their average annual potential growth could increase by almost 1.0 percentage point. Reforms that, for example, rationalize financial and labor markets, render rules that govern access to land more transparent, and improve governance and the business environment can boost potential growth by making firms more dynamic over time.

  » **Sound macroeconomic management is the foundation for growth.** Implementing policies that lower the volatility of actual growth with respect to potential growth by 25% can add 0.1 percentage points to the region's potential growth.

- **The new normal today need not be developing Asia's future normal.** To ensure a healthy future for potential growth, Asia must employ the full range of policy responses to augment labor supply, improve labor productivity, enhance institutional quality, and maintain macroeconomic stability.

GDP growth rate and inflation, % per year

	Growth rate of GDP					Inflation				
	2013	2014	2015	2016	2017	2013	2014	2015	2016	2017
Central Asia	**6.6**	**5.3**	**2.9**	**2.1**	**2.8**	**5.8**	**5.7**	**6.2**	**10.8**	**5.9**
Armenia	3.3	3.5	3.0	2.0	2.3	5.8	3.0	3.7	3.8	4.0
Azerbaijan	5.8	2.8	1.1	–1.0	1.0	2.4	1.4	4.0	12.0	5.2
Georgia	3.3	4.6	2.8	2.5	3.5	–0.5	3.1	4.0	5.0	4.0
Kazakhstan	6.0	4.3	1.0	0.7	1.0	5.8	6.7	6.6	12.6	4.6
Kyrgyz Republic	10.9	4.0	3.5	1.0	2.0	6.6	7.5	6.5	10.0	8.0
Tajikistan	7.4	6.7	6.0	3.8	4.0	5.0	6.1	5.1	8.5	7.5
Turkmenistan	10.2	10.3	6.5	6.5	7.0	6.8	6.0	6.0	6.6	6.0
Uzbekistan	8.0	8.1	8.0	6.9	7.3	11.2	8.4	9.0	10.0	11.0
East Asia	**6.8**	**6.6**	**6.0**	**5.7**	**5.6**	**2.4**	**1.9**	**1.3**	**1.6**	**2.0**
China, People's Rep. of	7.7	7.3	6.9	6.5	6.3	2.6	2.0	1.4	1.7	2.0
Hong Kong, China	3.1	2.6	2.4	2.1	2.2	4.4	4.4	3.0	2.5	2.7
Korea, Rep. of	2.9	3.3	2.6	2.6	2.8	1.3	1.3	0.7	1.4	2.0
Mongolia	11.6	7.9	2.3	0.1	0.5	9.9	12.8	6.6	3.0	7.0
Taipei,China	2.2	3.9	0.7	1.6	1.8	0.8	1.2	–0.3	0.7	1.2
South Asia	**6.2**	**6.7**	**7.0**	**6.9**	**7.3**	**9.3**	**6.8**	**5.0**	**5.2**	**5.7**
Afghanistan	3.7	1.3	1.5	2.0	3.0	7.4	4.6	–1.5	3.0	3.5
Bangladesh	6.0	6.1	6.6	6.7	6.9	6.8	7.3	6.4	6.2	6.5
Bhutan	3.6	3.8	5.9	6.4	6.1	8.8	9.6	6.6	4.0	5.0
India	6.6	7.2	7.6	7.4	7.8	9.8	6.7	5.0	5.4	5.8
Maldives	4.7	6.5	1.5	3.5	3.9	2.3	2.1	1.0	1.2	1.4
Nepal	3.8	5.1	3.0	1.5	4.8	9.8	9.1	7.2	10.5	8.2
Pakistan	3.7	4.0	4.2	4.5	4.8	7.4	8.6	4.5	3.2	4.5
Sri Lanka	3.4	4.9	4.8	5.3	5.8	6.9	3.2	3.8	4.5	5.0
Southeast Asia	**5.0**	**4.5**	**4.4**	**4.5**	**4.8**	**4.2**	**4.1**	**2.7**	**2.6**	**2.9**
Brunei Darussalam	–2.1	–2.3	–1.1	1.0	2.5	0.4	–0.2	–0.4	0.2	0.4
Cambodia	7.4	7.1	7.0	7.0	7.1	3.0	3.9	1.2	2.5	3.0
Indonesia	5.6	5.0	4.8	5.2	5.5	6.4	6.4	6.4	4.5	4.2
Lao People's Dem. Rep.	7.8	7.5	6.7	6.8	7.0	6.4	4.2	1.3	1.8	2.5
Malaysia	4.7	6.0	5.0	4.2	4.4	2.1	3.1	2.1	2.7	2.5
Myanmar	8.4	8.7	7.2	8.4	8.3	5.7	5.9	11.0	9.5	8.5
Philippines	7.1	6.1	5.8	6.0	6.1	3.0	4.1	1.4	2.3	2.7
Singapore	4.7	3.3	2.0	2.0	2.2	2.4	1.0	–0.5	–0.6	0.4
Thailand	2.7	0.8	2.8	3.0	3.5	2.2	1.9	–0.9	0.6	2.0
Viet Nam	5.4	6.0	6.7	6.7	6.5	6.6	4.1	0.6	3.0	4.0
The Pacific	**3.8**	**9.4**	**7.0**	**3.8**	**3.1**	**4.9**	**3.5**	**3.4**	**4.5**	**4.7**
Cook Islands	–1.7	–1.2	–0.5	0.0	0.2	2.6	1.6	3.0	1.8	2.0
Fiji	4.7	5.3	4.0	2.7	4.5	2.9	0.6	1.4	3.0	3.0
Kiribati	2.4	3.8	3.0	1.8	2.0	–1.5	2.1	1.4	0.3	0.8
Marshall Islands	1.9	–1.0	–0.5	1.5	2.0	1.9	1.1	0.5	2.0	2.5
Micronesia, Fed. States of	–3.6	–3.4	–1.5	2.5	3.5	2.2	0.7	–1.1	–0.3	0.3
Nauru	15.4	17.5	–10.0	3.0	15.0	0.5	3.0	11.4	6.6	1.7
Palau	–1.7	4.7	6.7	3.0	7.0	2.8	4.0	2.2	1.5	2.5
Papua New Guinea	5.0	13.3	9.9	4.3	2.4	5.0	5.2	5.1	6.0	6.0
Samoa	–1.9	1.2	1.4	2.0	0.5	–0.2	–1.2	1.9	2.0	2.0
Solomon Islands	2.8	2.0	3.2	3.0	2.8	5.4	5.2	–0.3	4.4	5.7
Timor-Leste	2.8	6.0	4.1	4.5	5.5	9.5	0.7	0.6	2.0	3.0
Tonga	–3.1	2.0	3.4	2.8	2.7	0.8	2.1	–0.7	–0.3	0.5
Tuvalu	1.3	2.0	2.0	3.5	3.0	2.0	1.1	2.0	3.5	2.0
Vanuatu	2.0	2.3	–1.0	2.5	3.8	1.4	1.0	2.5	1.9	2.4
Developing Asia	**6.4**	**6.3**	**5.9**	**5.7**	**5.7**	**3.8**	**3.0**	**2.2**	**2.5**	**2.7**

Asian Development Outlook 2016 Highlights

Asia's Potential Growth

The full report is available on the ADB website at http://www.adb.org/ado2016

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 the majority of the world's poor. 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.

ADB

ASIAN DEVELOPMENT BANK
6 ADB Avenue, Mandaluyong City
1550 Metro Manila, Philippines
www.adb.org