

Asian Economic Outlook

Juzhong Zhuang

Deputy Chief Economist and Deputy Director General
Economic Research and Regional Cooperation Department
Asian Development Bank

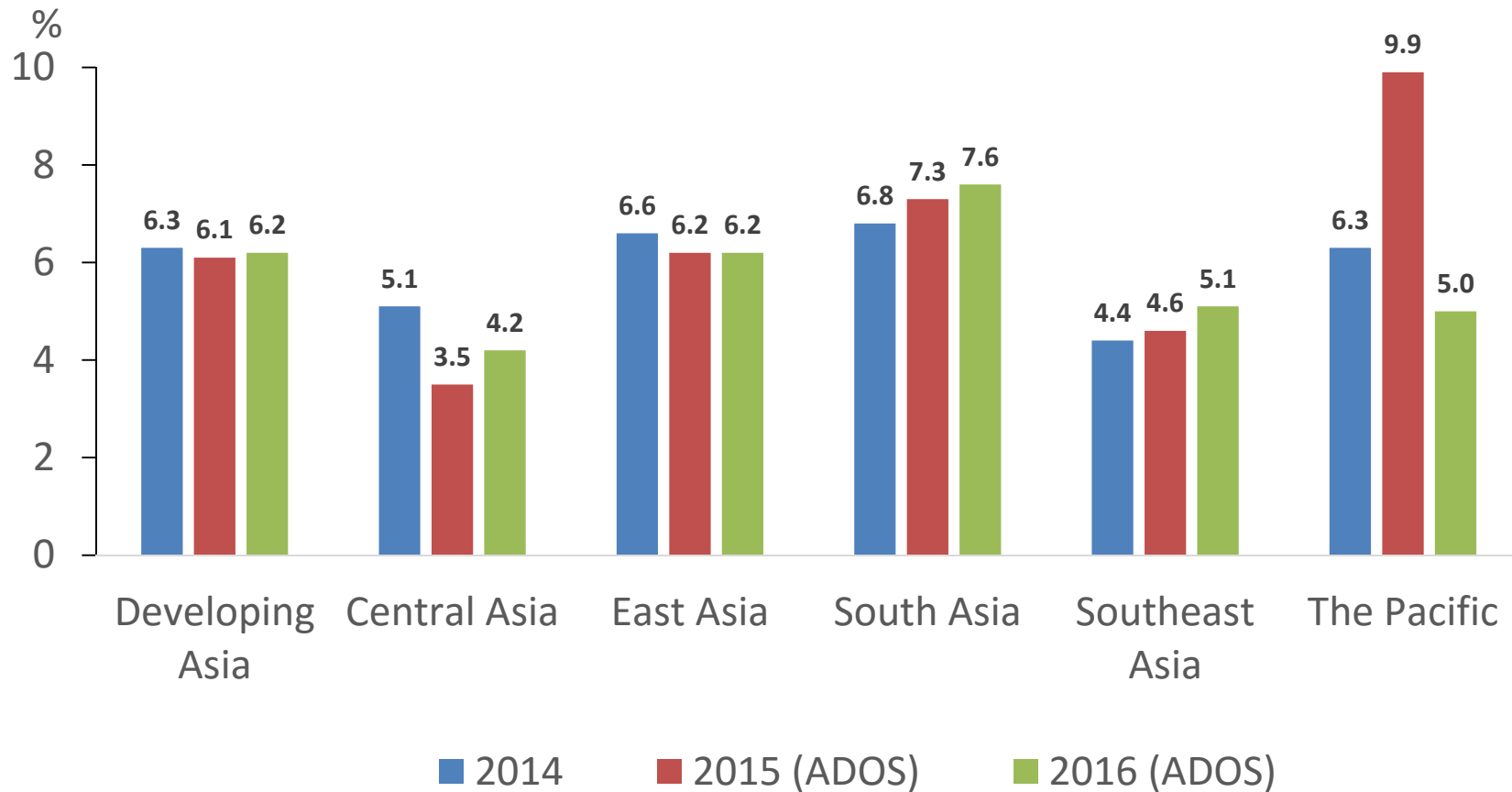
Presentation at the ADB-Asian Think Tank Development Forum 2015 “Advancing Innovation and Inclusion for a Prosperous Asia”, Sept 8-9, 2015
Kuala Lumpur, Malaysia

Growth of the major industrial economies is expected to be moderately higher this year than 2014 and further pick up in 2016

GDP growth (%)	2014 Actual	2015f ADOS	2016f ADOS
Major industrial economies	1.6	1.6 ↑	2.3
United States	2.4	2.2 ↑	2.9
Euro area	0.9	1.1 ↑	1.4
Japan	-0.1	1.1 ↓	1.7

ADOS = Asian Development Outlook Supplement, July 2015
f: forecast

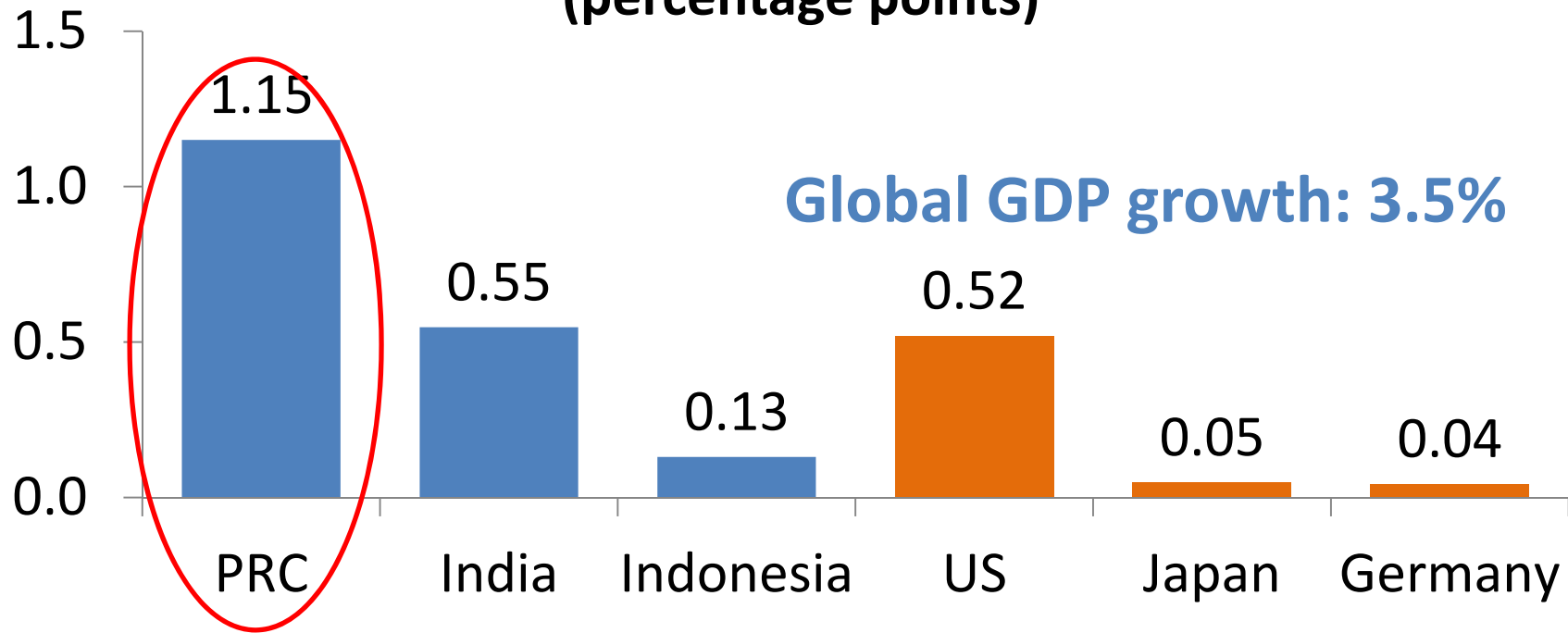
Developing Asia is to grow 6.1% in 2015 and 6.2% in 2016, with large variations across sub-regions



ADOS = Asian Development Outlook Supplement, July 2015

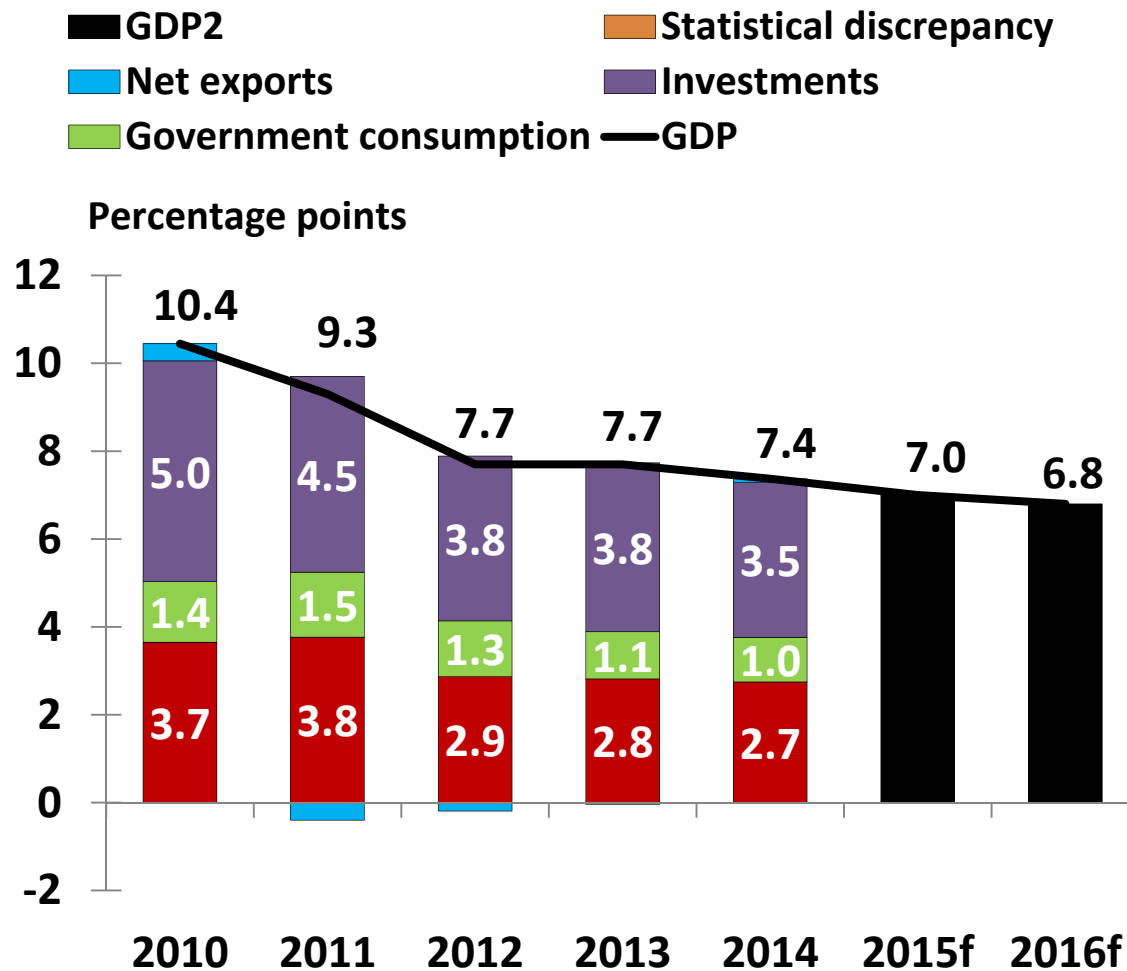
Major Asian economies large contributors to global GDP growth

Contributions to global GDP growth, 2015
(percentage points)



⇒ *Asia accounts for about 60% of global growth; still fastest-growing region*

A number of factors underlie PRC's growth moderation



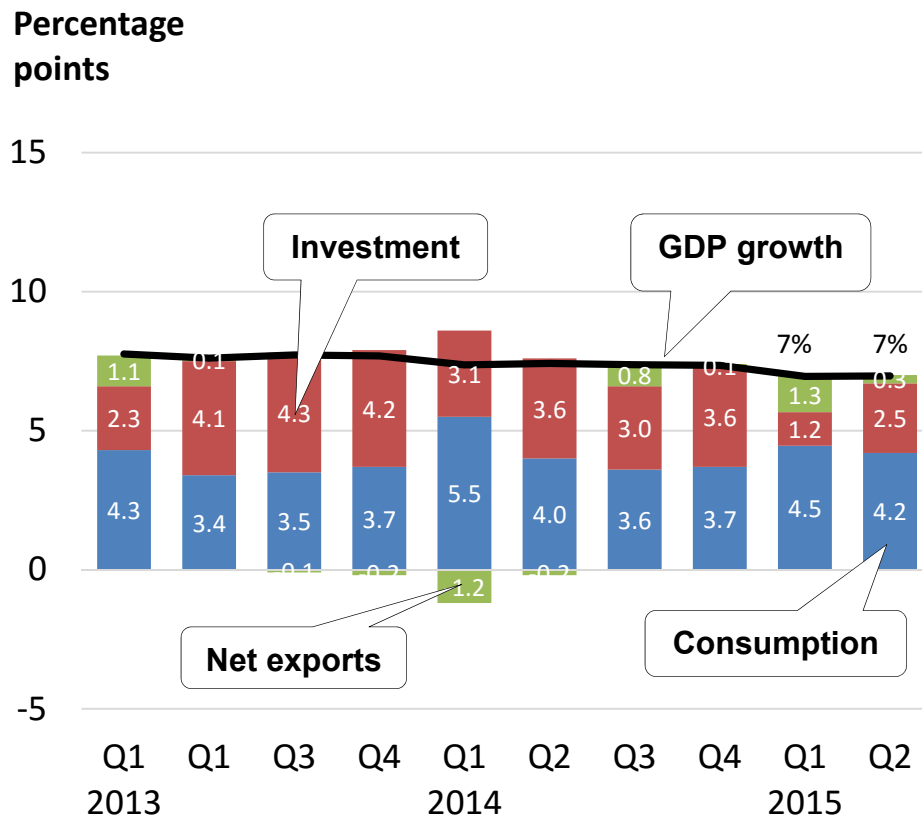
f: ADOS 2015 forecast

Factors underlying growth moderation:

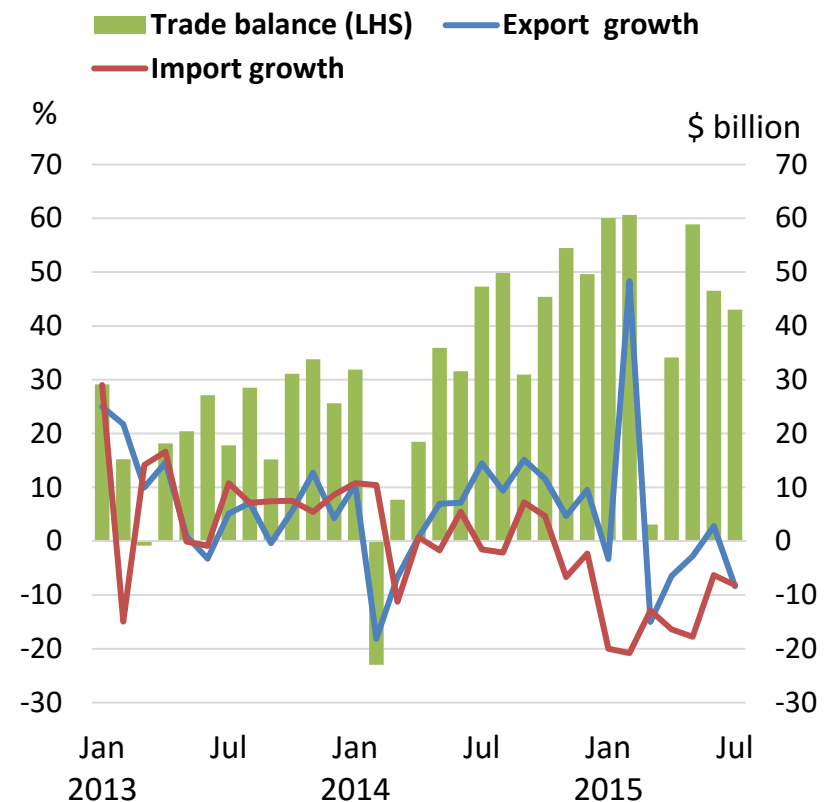
- Rising real wages
- Shift toward consumption and services
- Weaker external demand
- Government conscious efforts to improve quality of growth
- Convergence effect

In the first half of 2015, PRC's consumption was strong, but investment and exports relatively weak

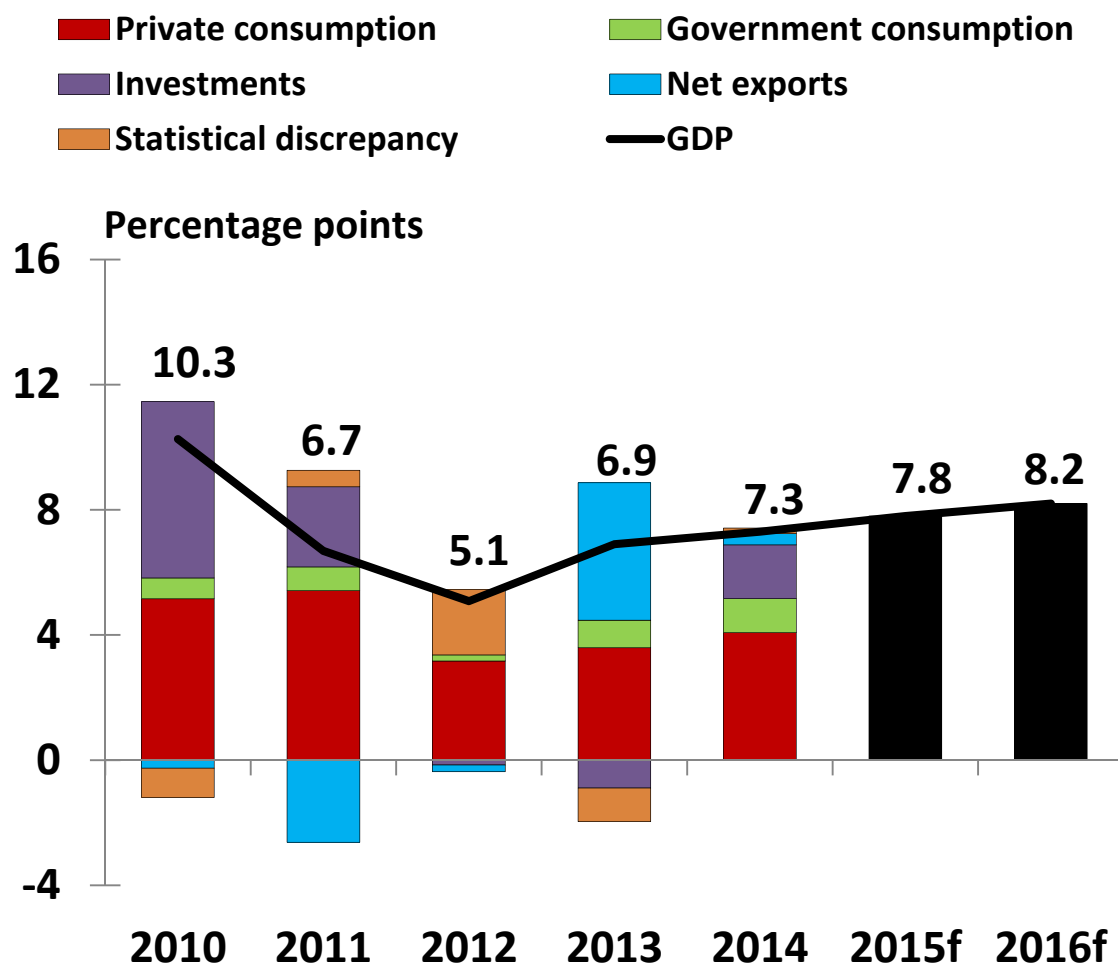
Demand-side contributions to growth



Trade indicators



Structural reforms are to push India's growth higher



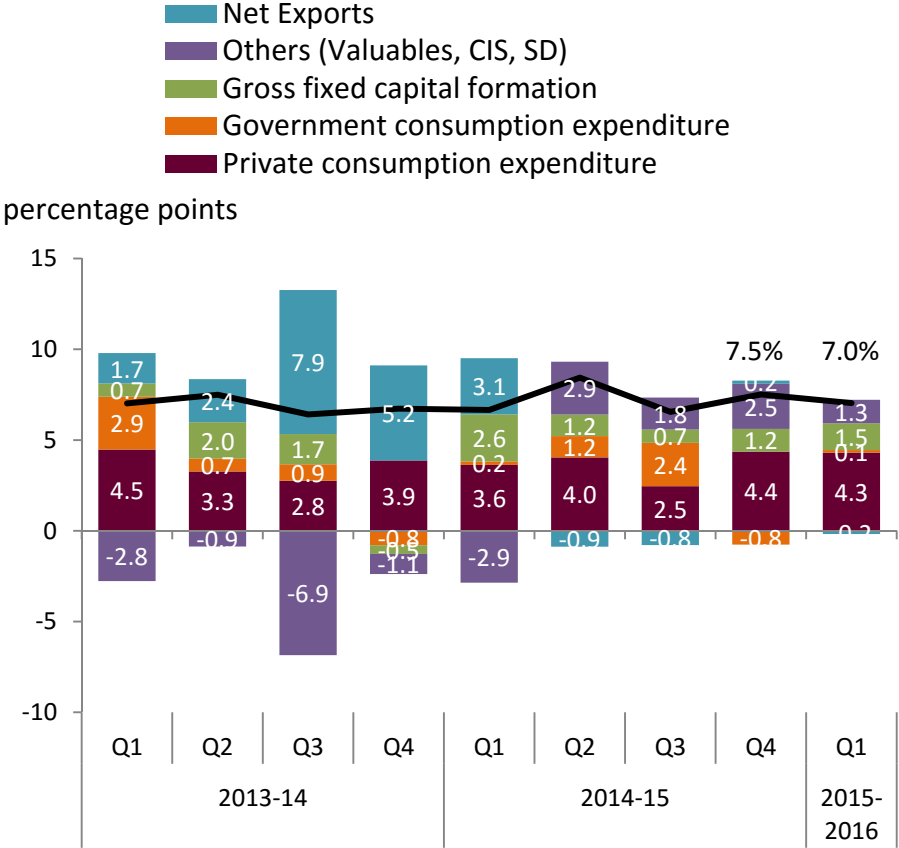
Fiscal year. f: ADOS 2015 forecast

Planned structural reforms:

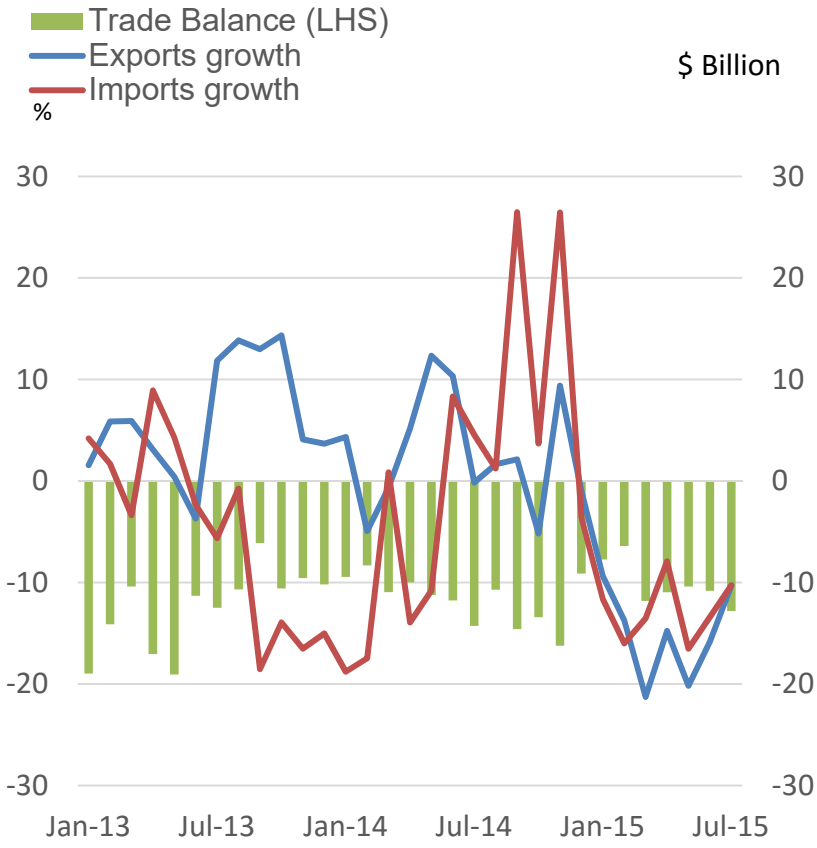
- Scaling up Infrastructure investment
- Easing doing business
- Better labor regulation
- Tax reform (GST)

Increasing investment is key to sustaining growth in India

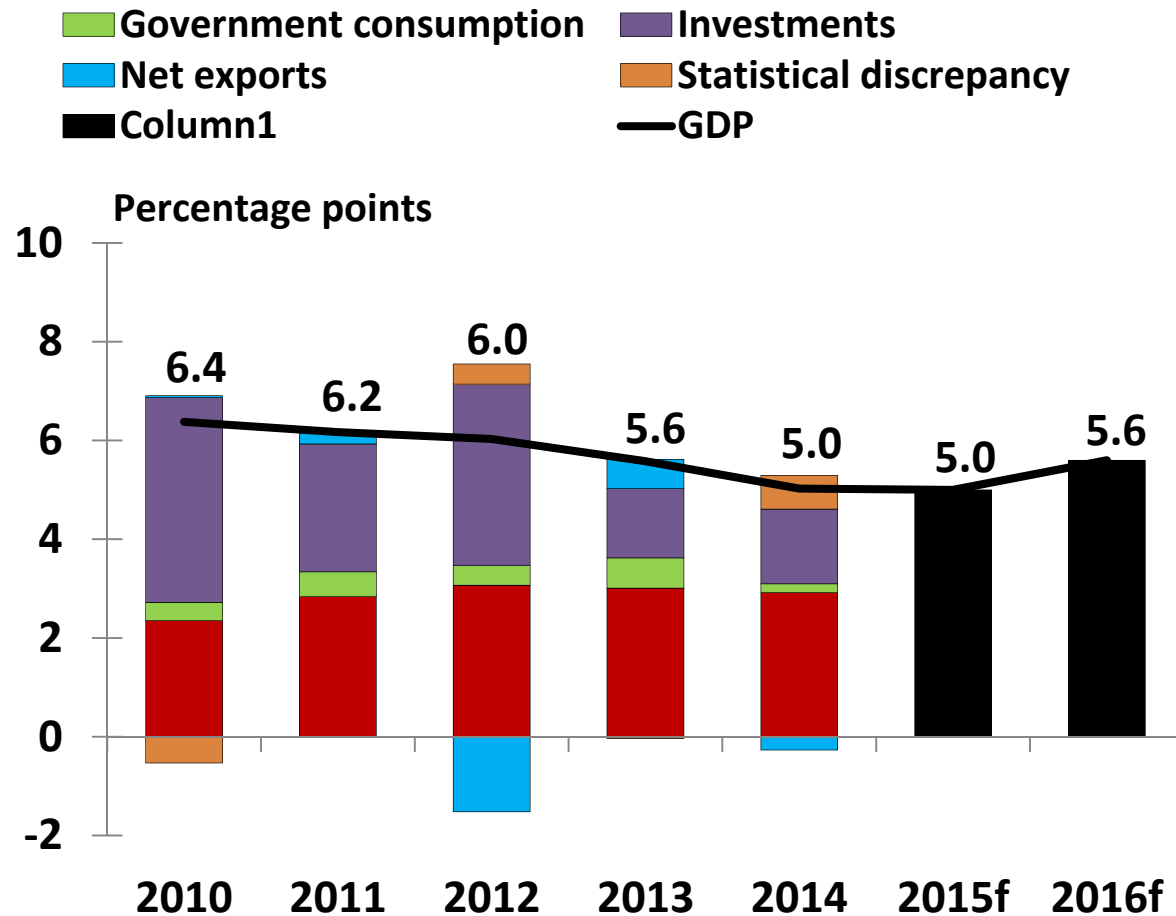
Demand-side contributions to growth



Trade Indicators



Indonesia' growth is to consolidate this year before picking up in 2016

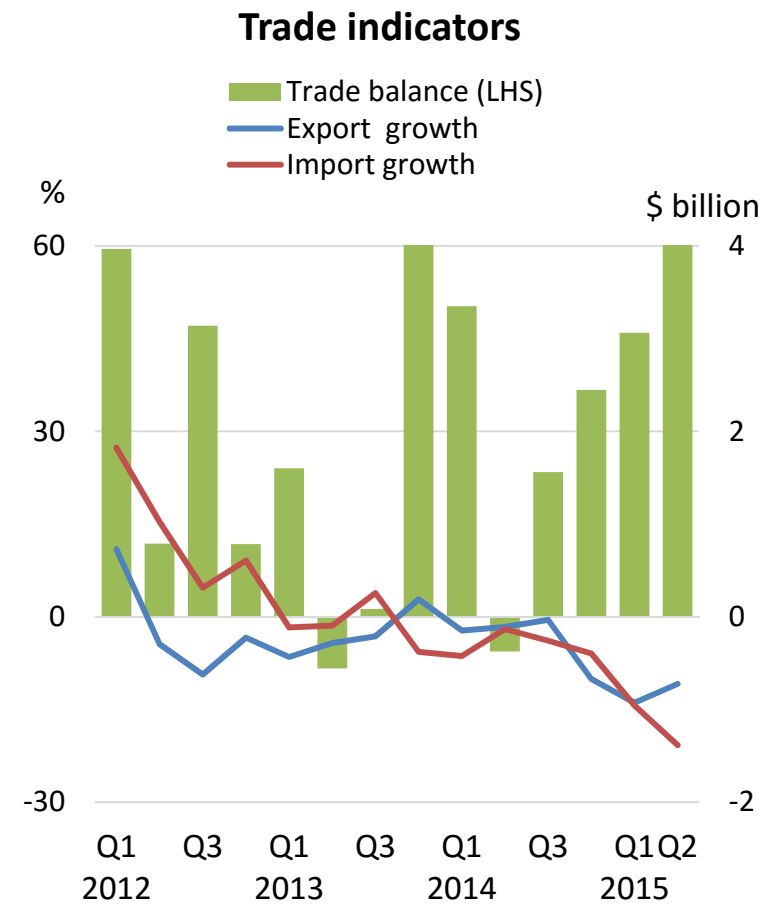
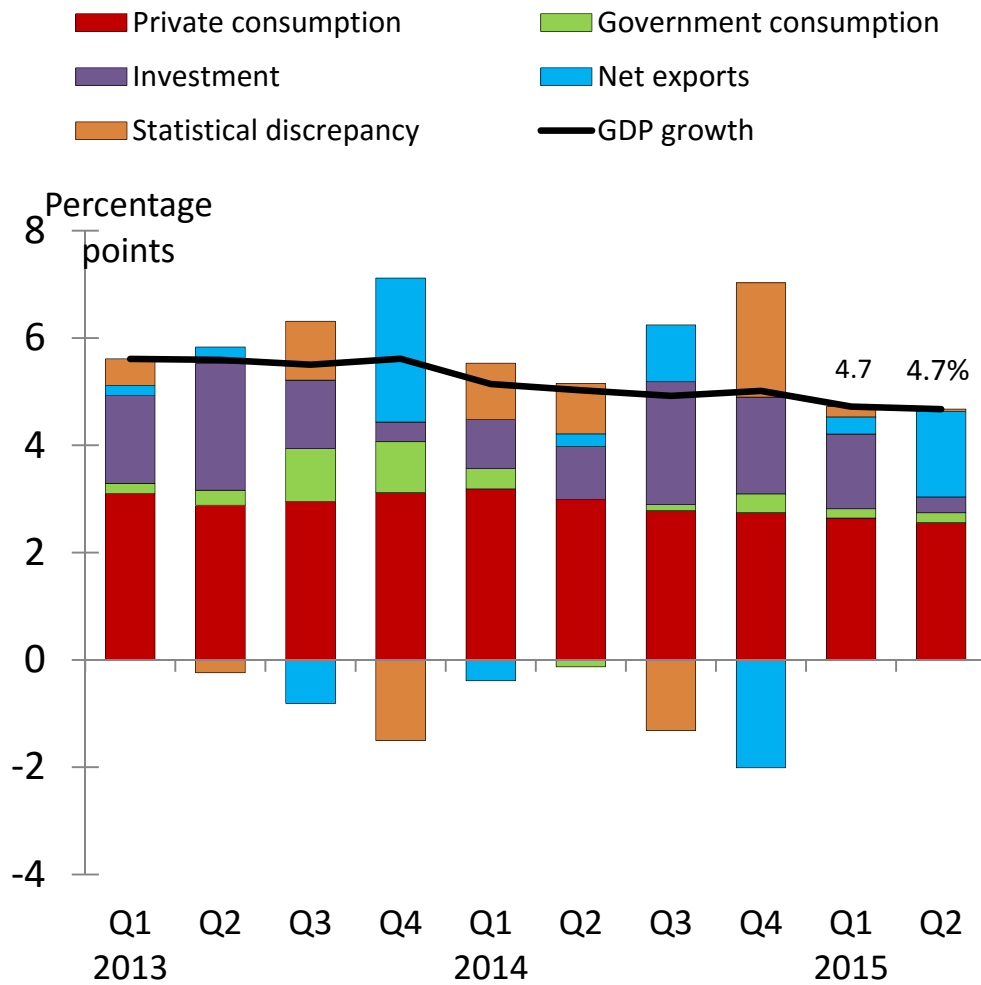


f: ADOS 2015 forecast

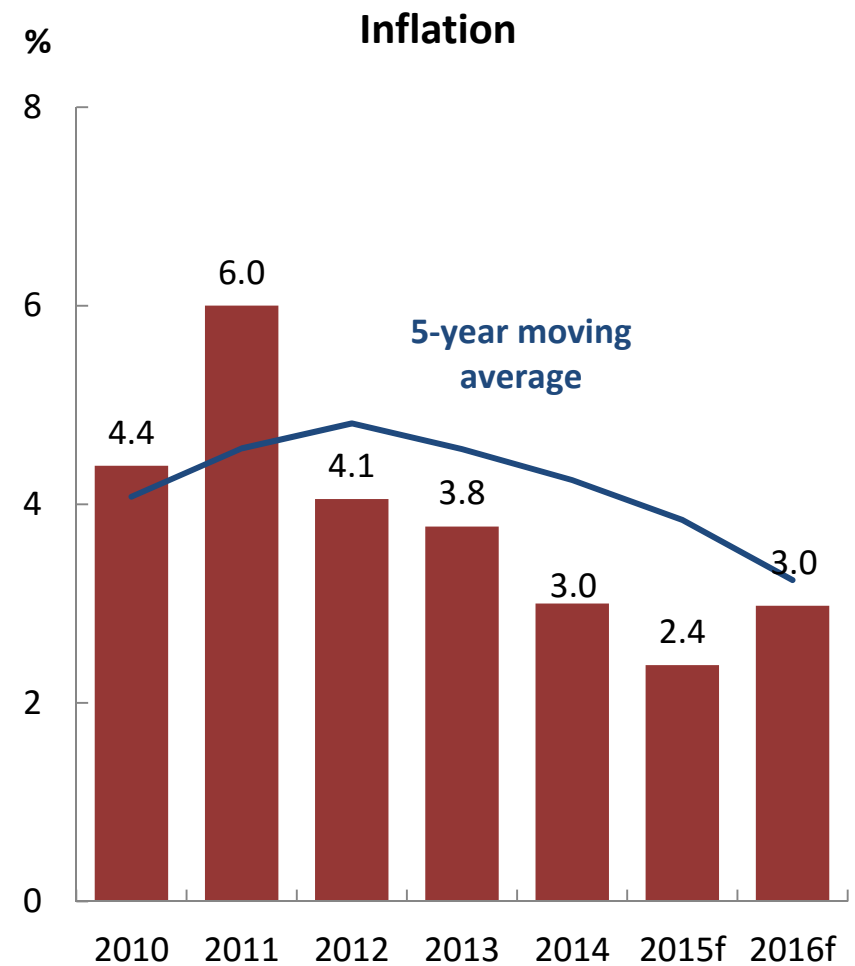
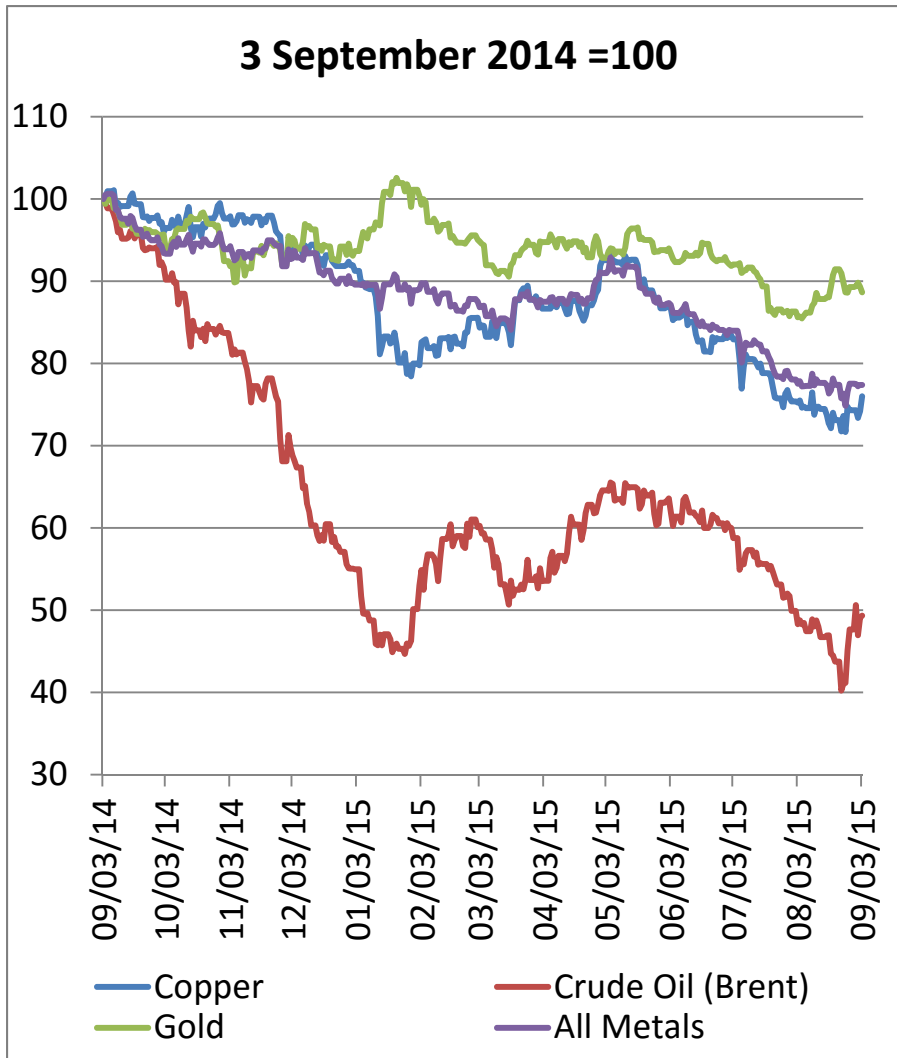
Recent key reforms

- Reducing fuel subsidies
- Scaling up infrastructure investment
- Improving business environment

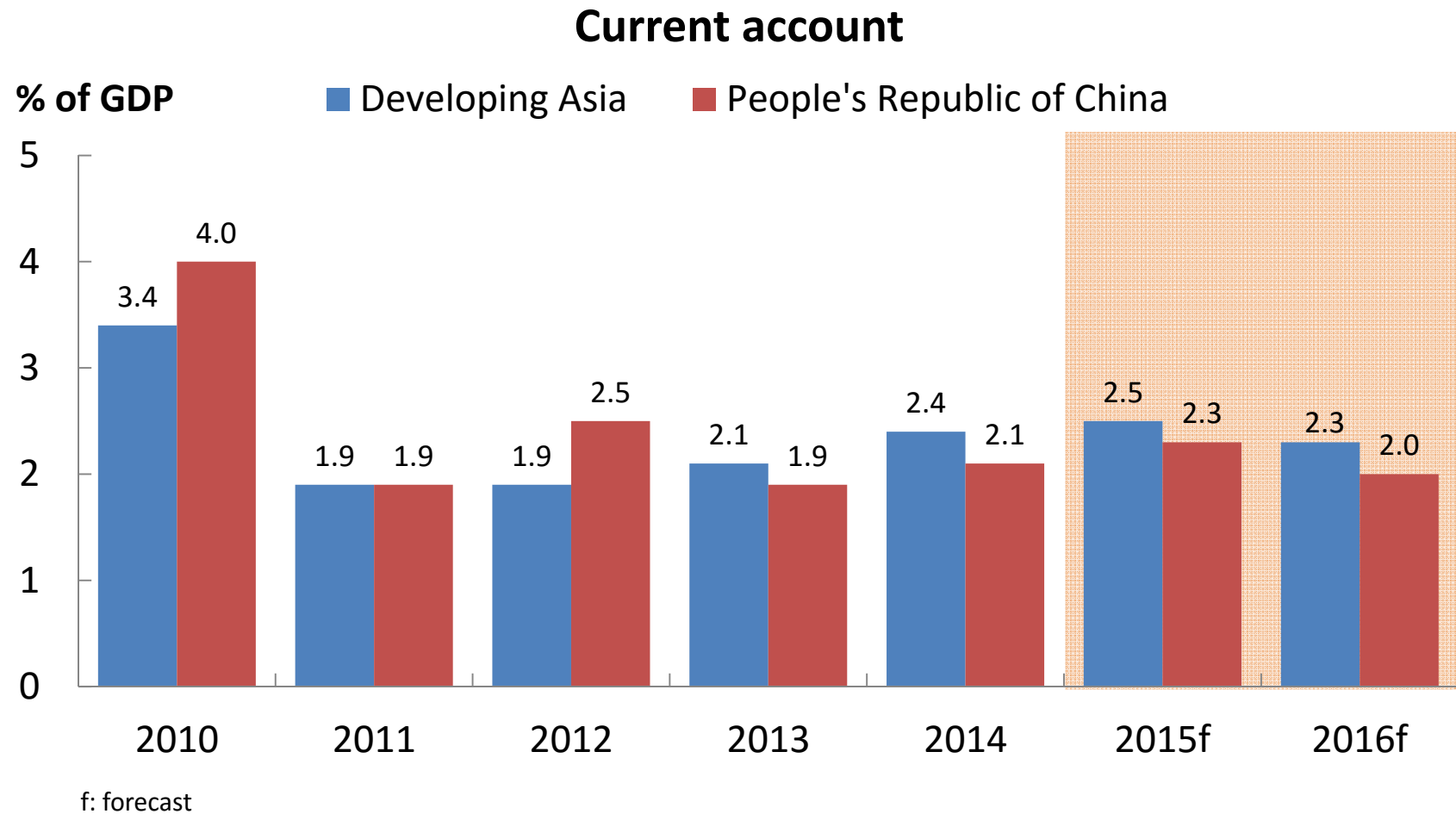
But Indonesia's investment in Q2 was weak



Falling commodity prices reduce inflationary pressure



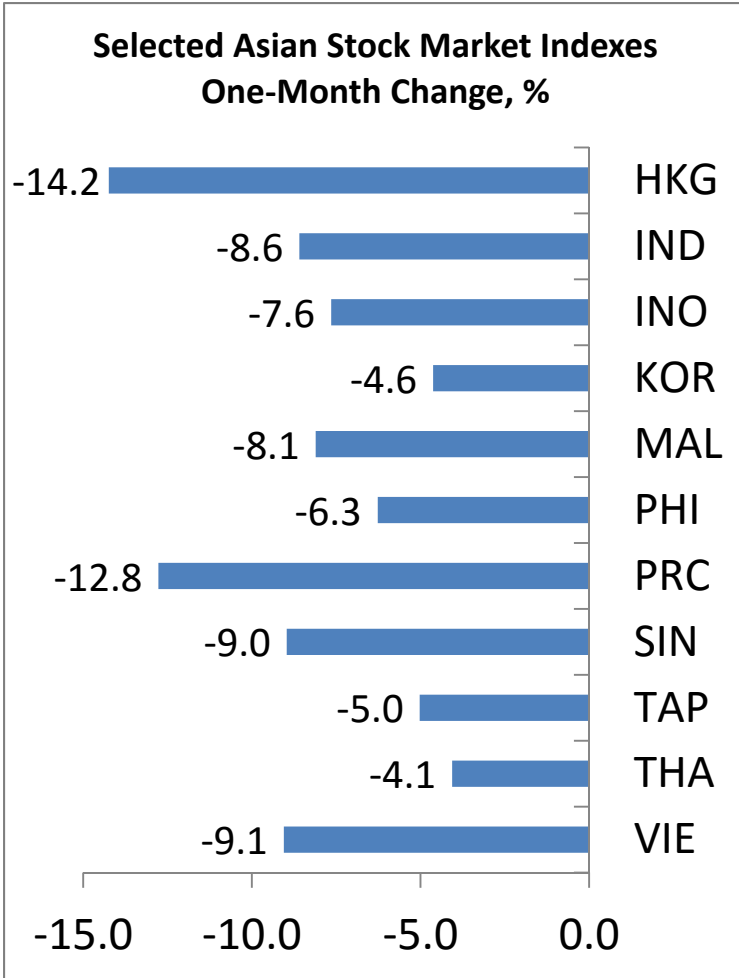
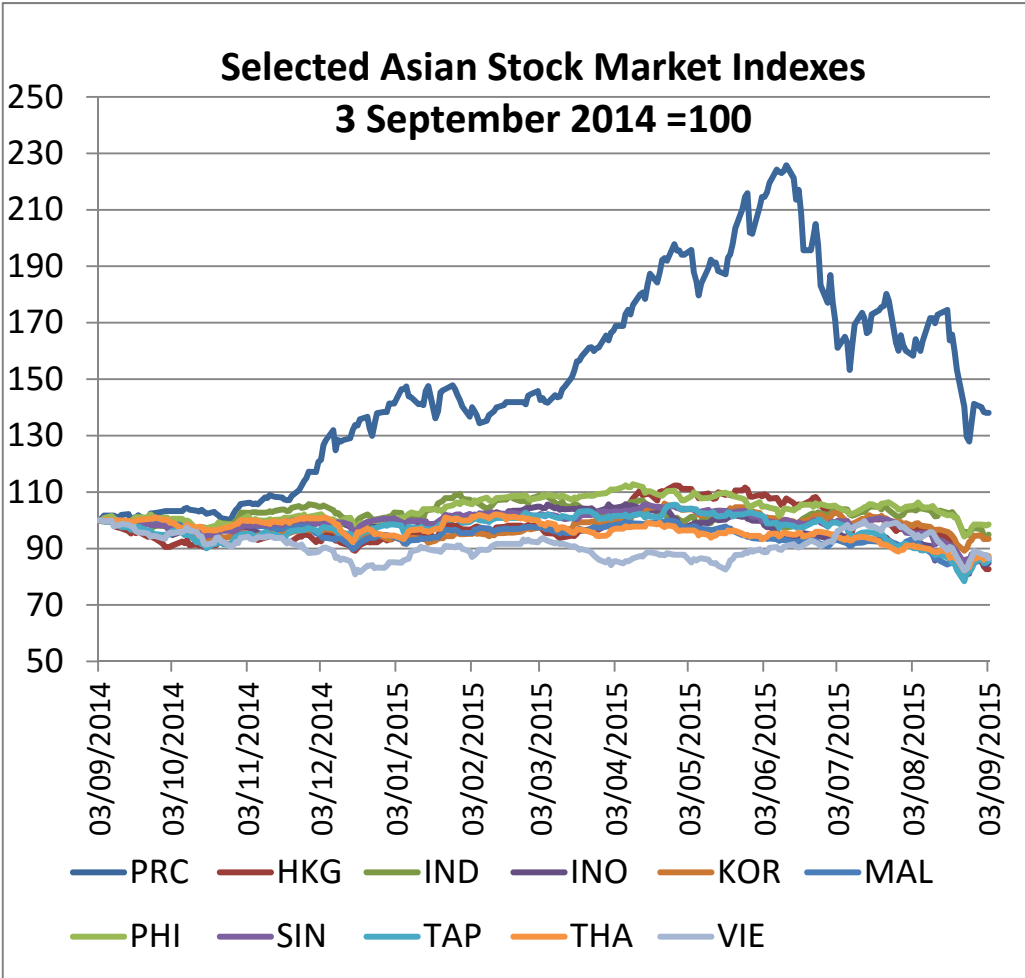
Current account surplus remains steady



Risks to the outlook

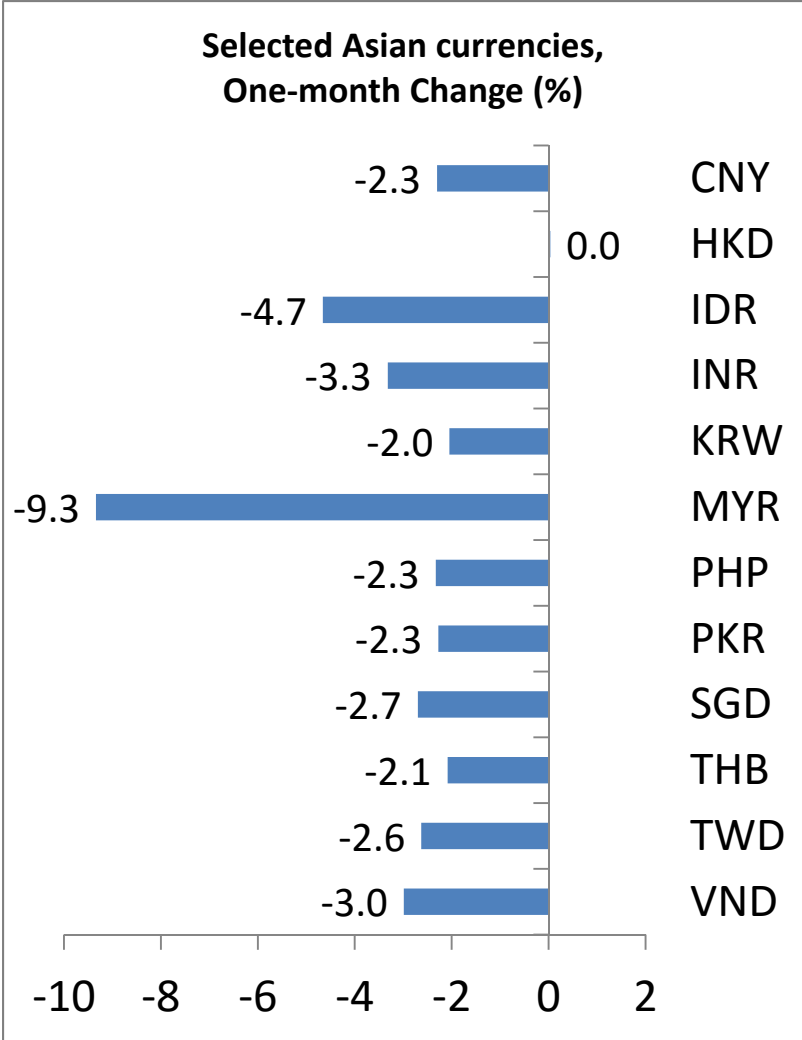
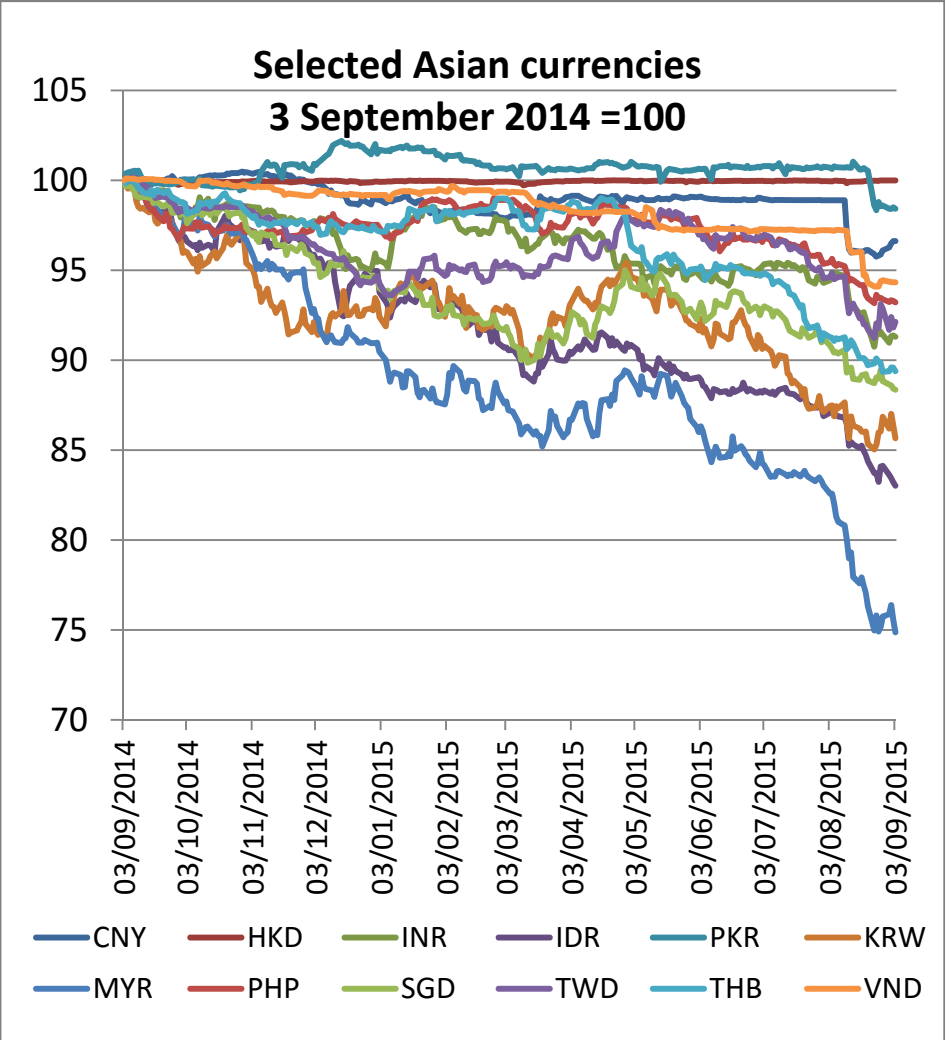
- Financial market volatility
- Weaker than expected recovery in advanced countries
- Greater than expected moderation in PRC's growth and slower than expected growth in India

The region's stock markets have experienced large volatility in recent months

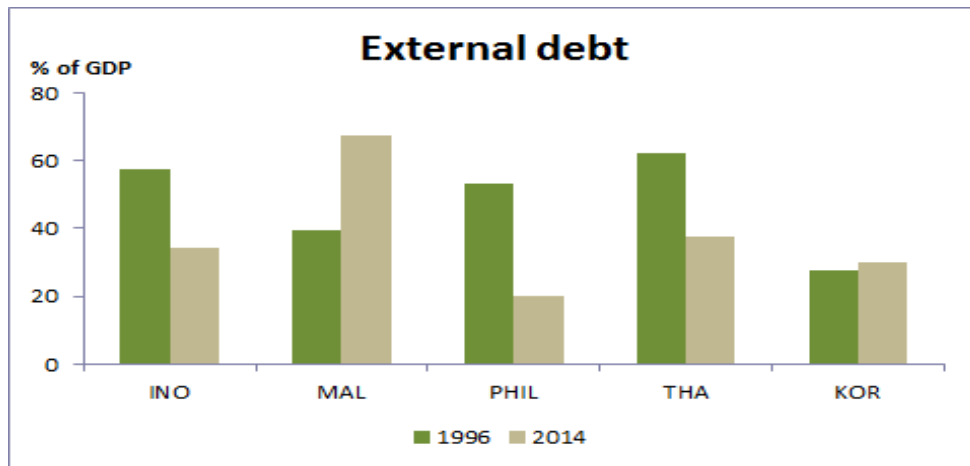
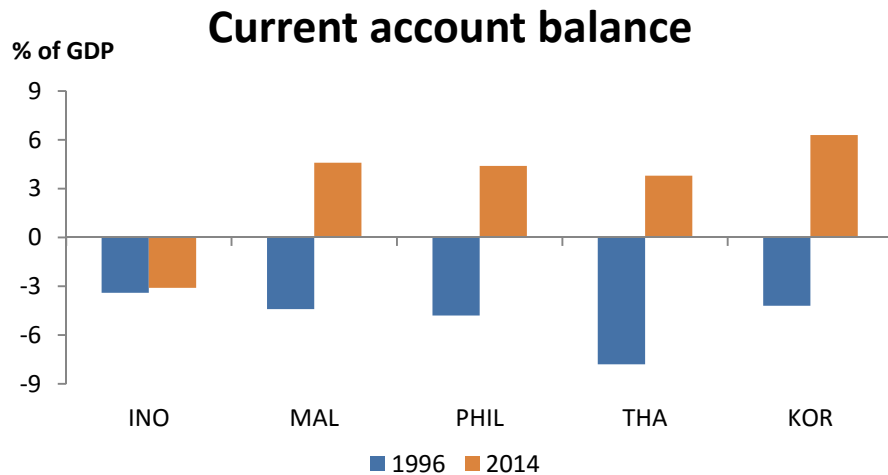


Note: As of latest closing (3 September 2015).
Source: Bloomberg.

Many Asian currencies are under pressure

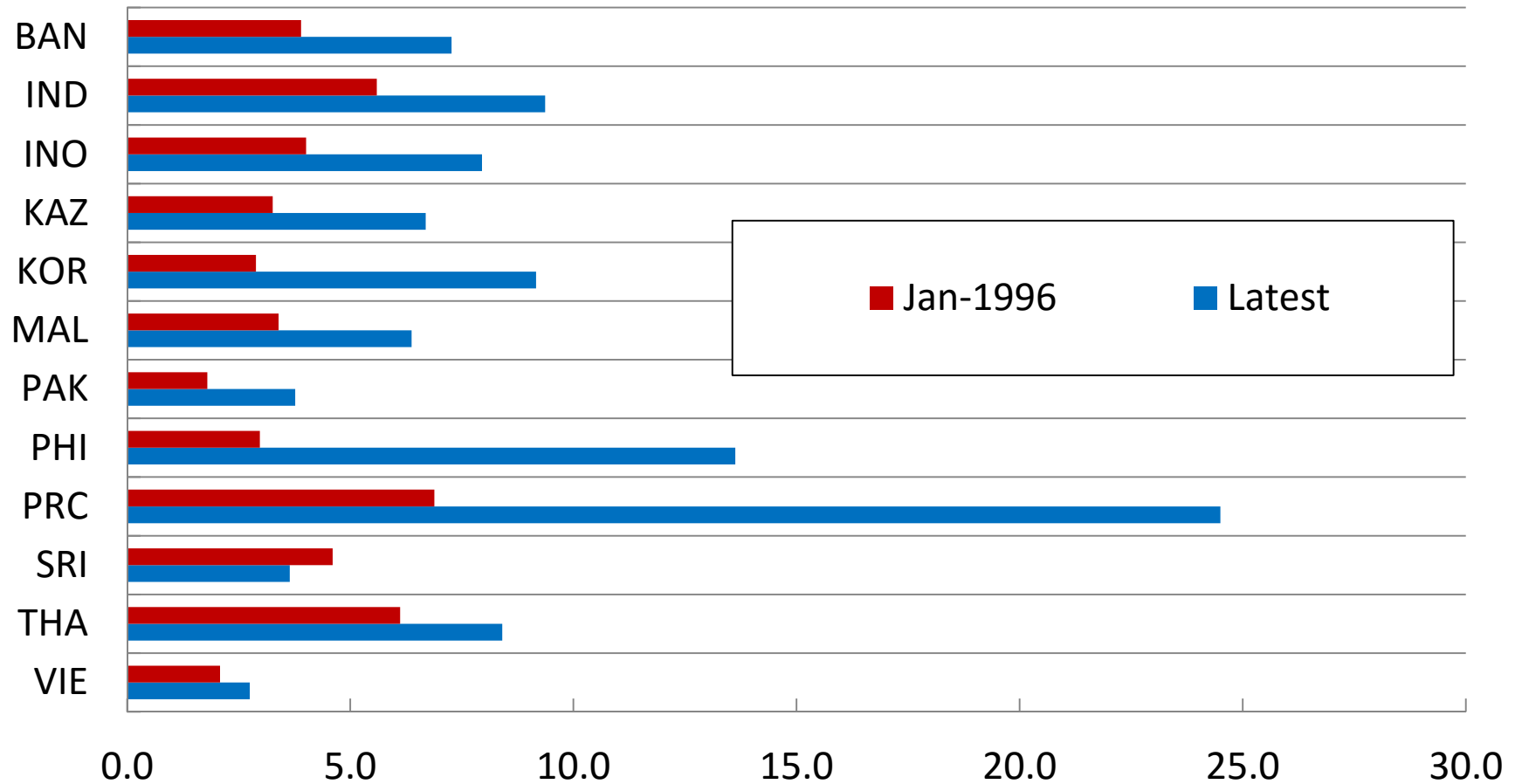


While the financial volatility is a risk, it is still manageable at this stage; but the governments should remain vigilant



- The US interest rate hike is likely to be gradual
- The region is in a much stronger position to weather shocks
- The governments in the region are talking actions

Foreign reserves: Import Cover



Note: Import cover refers to number of months of import that can be covered by official reserves; computed as reserves (excluding gold) divided by 12-month moving average of imports (cost of insurance, freight). For PRC and Indonesia, 1996 values were drawn from IMF DOTS. Kazakhstan figures begin at Sept 1996, while Viet Nam figures begin at Dec 1997. Latest figures are as of June 2015, with the exception of PRC, Indonesia, and Thailand (July 2015); Sri Lanka (May 2015); and Viet Nam (Dec 2014). Source: ADB calculation using data from CEIC (National sources and IMF DOTS).

Thank you!