ASIAN DEVELOPMENT OUTLOOK 2017 UPDATE

SUSTAINING DEVELOPMENT THROUGH PUBLIC–PRIVATE PARTNERSHIP

HIGHLIGHTS

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Publication Stock No. FLS179054-3
DOI: http://dx.doi.org/10.22617/FLS179054-3

Notes:
In this publication, "$" refers to US dollars.
Corrigenda to ADB publications may be found at http://www.adb.org/publications/corrigenda

ADO 2017 Update—Highlights

Growth prospects for developing Asia are looking up, bolstered by a revival in world trade and strong momentum in the People's Republic of China. The region is forecast to expand by 5.9% in 2017 and 5.8% in 2018, a slight upgrade from *Asian Development Outlook 2017*. Excluding the newly industrialized economies, the region is expected to grow by 6.4% this year and 6.3% in 2018.

Rebounds in international food and fuel prices are gentler than expected, helping to contain consumer price pressures. Inflation is likely to dip to 2.4% in 2017, or 0.1 percentage points off the 2016 rate, and pick up to 2.9% in 2018.

Risks to the outlook have become more balanced, as the advanced economies have so far avoided sharp, unexpected changes to their macroeconomic policies. Further, the fuel price rise is providing fiscal relief to oil exporters but is measured enough not to destabilize oil importers.

Looking ahead, developing Asia must mobilize $1.7 trillion annually to meet its infrastructure needs. Public–private partnership can help fill the financing gap by allocating risk to the party best able to manage it. The success of the approach depends on governments identifying projects suitable for it, engaging qualified private partners, and instituting the right process.

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Confident resurgence in developing Asia

Trade strength lifts regional prospects

- **The short-term growth outlook for developing Asia is heartening**. This *Update* looks forward to stable economic growth, not the growth moderation forecast in April in *Asian Development Outlook 2017* (*ADO 2017*). Gross domestic product (GDP) in the region is now expected to grow by 5.9% in 2017, a slight uptick from 5.8% in 2016 and 0.2 percentage points higher than the earlier forecast. The region is benefiting from a rebound in global trade, which is supported by firm recovery in the major industrial economies, and strong domestic investment demand. Growth in the People's Republic of China (PRC) that exceeds expectations is also lifting regional prospects. Developing Asia is forecast to maintain its growth momentum in 2018, expanding by 5.8% as strong trade linkages reinforce gains stemming from domestic demand. The forecast for growth excluding the newly industrialized economies is adjusted up by 0.1 percentage points to 6.4% in 2017 and 6.3% in 2018.

  » **Recovery in the industrial economies beats earlier expectations.** The forecast for aggregate growth in the United States, the euro area, and Japan is revised up by 0.1 percentage points to 2.0% for both 2017 and 2018. With rising consumption, US growth in the second quarter more than doubled the first quarter pace. Growth in Japan exceeded expectations, spurred by a combination of improving consumer confidence and business sentiment. Absent a major interruption of global trade, growth should expand further this year and next. Recovery in the euro area appears to be broadly supported by expansive fiscal and monetary policies, easing political uncertainty, and robust market confidence, which should keep growth momentum going through 2018.

  » **Growth has picked up slightly more than expected in the PRC.** GDP growth is now forecast 0.2 percentage points higher, at 6.7% in 2017 and 6.4% in 2018, with growth led by expansionary fiscal policy and unanticipated external demand. Supply-side reform is moving forward, but eventual success hinges on a careful balancing of the role of the market and the state during the current economic transition.

  » **Transitory challenges temper India's strong growth prospects.** With sluggish consumption and dampened business investment, GDP growth is now expected to dip from 7.1% in 2016 to 7.0% in 2017. Demonetization last November suppressed small businesses and private credit, and adjustment to the new national goods and services tax muted manufacturing. However, short-term disruption is expected to dissipate, allowing these initiatives to generate growth dividends over the medium term. Expansion is forecast to accelerate to 7.4% in 2018.

  » **Growth in Southeast Asia strengthened in the first half of 2017.** First-half performances in the subregion vary across economies but remain solid. The growth forecast is upgraded for Singapore and Malaysia, boosted by rising electronics exports, and for the Philippines, on the strength of higher domestic demand. Projections for Indonesia and Thailand are retained as first-half 2017 performance met earlier expectations, but weakness in mining triggers a slight downward adjustment for Viet Nam. Southeast Asia as a whole is expected to grow by 5.0% in 2017, 0.2 percentage points higher than *ADO 2017* forecasts, and by 5.1% in 2018.

» **External factors lift Central Asia as growth stalls in the Pacific.** This *Update* revises up growth forecasts for Central Asia this year and next amid moderately rising oil prices, improving prospects for the Russian Federation, and increasing remittances. Meanwhile, the Pacific outlook is retained for 2017 but adjusted slightly downward for 2018 as prospects for two of the larger Pacific economies—Papua New Guinea and Timor-Leste—are unchanged.

- **Inflation remains broadly in check amid firming oil prices.** This *Update* revises downward the forecast for average inflation in the region, from 3.0% to 2.4% in 2017 and from 3.2% to 2.9% in 2018. Stable oil prices in the first half of 2017 helped to soften domestic fuel prices in the region, prompting downward revisions to inflation projections for some of the larger commodity importers. The inflation forecast is revised up for Central Asia boosted by further currency depreciation in Azerbaijan and Uzbekistan. Inflationary pressures are largely contained elsewhere in the region.

- **Developing Asia and the rest of the world enjoy a revival in trade.** The dollar value of the region's exports surged by 11% in the first 5 months of 2017 over the same period in the previous year, and the value of its imports rose by 17%. The pickup follows 2 consecutive years of contracting export values caused by falling commodity prices and subdued external demand for manufactures. Excluding the PRC, the eight largest regional developing economies saw real manufacturing exports rebound, particularly in electronics, where foreign direct investment has been strengthening. The strong showing for exports comes hand-in-hand with a surge in intermediate goods moving through cross-border manufacturing supply chains. Further, as the PRC rebalances toward domestic demand, supply chains have evolved with some processes shifting to other regional manufacturing hubs, consequently boosting trade within the region.

- **Yet the regional current account surplus is set to contract.** Developing Asia's current account surplus is forecast to narrow from 2.3% of GDP in 2016 to 1.5% in 2017 and 1.4% in 2018. This is because the regional rebound in import values so far in 2017 has been higher than that of exports. In particular, imports to the PRC and India, which together receive 38% of developing Asia's total, grew by 23% in the first 5 months of 2017. However, the projected moderate rise in oil prices will help net oil importers in the region keep external balances under control.

- **Risks to the outlook become more balanced, upside and down.** Oil prices are lower than the baseline forecast in *ADO 2017.* More softening would benefit oil importers but deliver a further fiscal hit to oil exporters. Sudden changes in US monetary policy could induce large capital outflows from developing Asia, but advance communication from the Federal Reserve of its intentions has helped avert market overreaction. The path of US fiscal policy remains uncertain. While tax reform and spending on public works could have positive global spillover, political stalemate over budget details could unsettle business plans.

Finally, economic disruption from a geopolitical or weather-related disaster, though less than likely, could impede the recent trade rebound, particularly for high-tech goods that depend heavily on global production chains.

Risks from unwinding quantitative easing

- **The Federal Reserve will start normalizing its balance sheet in October 2017.** From November 2008 to October 2014—bookends for the US Federal Reserve bond-purchasing program—the Fed's securities holdings ballooned from under $0.5 trillion to $4.2 trillion. In March 2017, the Fed had indicated that it would start to unwind the mass of debt securities added to its balance sheet, though the pace would be contingent on continued macroeconomic strength. Balance sheet normalization is part of a broader US monetary policy of normalization, which has so far included four modest interest rate hikes since December 2015.

- **Market response to the Fed's planned normalization has been muted.** In the "taper tantrum" of May–June 2013, volatility hit global and Asian financial markets in the wake of the Fed's unexpected hint that it would taper down its securities purchases. To cite one resulting imbalance, while yields on 10-year government bonds issued by the US shot up by 81 basis points during that episode, those issued by India soared by 163 basis points. The Fed's clear and transparent communication this time about its normalization plans allows markets to prepare. Bond yields in the US and Asia alike reacted much less in February–April 2017.

- **Policy makers still need to brace for the end of easy global liquidity.** Data suggest that the Fed's asset unwinding may drain capital from the region, which would challenge Asia's financial stability in different ways. Tighter global liquidity could push down asset prices and thus strain the balance sheets of banks and corporations in the region. Further, higher bond yields in the US may spill over into Asia, pushing up the region's long-term financing costs. Finally, higher rates in the US will strengthen the US dollar and likely cause even more capital outflow from the region. The debt that piled up in Asia during the recent period of low global interest rates may pose a risk to financial stability. Because long-term interest rates in many Asian economies are closely linked to those in the US, policy makers need to strengthen their financial positions further and monitor debt levels and asset prices.

Gauging Asia's business cycles

- **Many Asian economies are in an accelerating phase of the business cycle.** Knowing where an economy is in its cycle helps determine whether macroeconomic stimulus is needed or if it would cause overheating. Analysis of emerging Asian economies with sufficient data shows that since 1993 all have experienced multiple cycles, defined as fluctuations in output around the trend. The duration of the current upturn, which started after 2013, has so far been shorter than past episodes for Malaysia and Taipei,China, but has already stretched beyond the past average for the Republic of Korea (ROK), the Philippines, India, Indonesia, and Thailand. However, the pace is slower than the average in previous episodes for all economies except the Philippines.

- **Monetary policy has sought to minimize the cycle's ups and downs.** The same analysis pointed that different national monetary authorities have, however, targeted different macroeconomic indicators in the last decade. In Indonesia, the Philippines, and the ROK, monetary policy has responded mostly to price fluctuations. In Taipei,China, monetary policy stabilized vacillations in the growth rate. In India, Malaysia, and Thailand, monetary policy was used to stabilize prices and output simultaneously.

- **Room for additional policy support varies across the region.** A boost from accommodative policy designed to spur activity would be welcome to make the expansion less tepid. Some economies, like Indonesia, Malaysia, Thailand, and Taipei,China, retain room for policy maneuver. In others, such as the Philippines and the ROK, the case for stimulus may be less clear because the growth upturn is protracted and price pressures are intensifying. One option is to aim to raise the output trend by removing constraints on productivity improvement, notably by closing infrastructure gaps. Apart from purely government initiatives, the private sector should be encouraged to participate in infrastructure development through public–private partnership.

Outlook by subregion

- **The outlook is improving for most economies in developing Asia.** Growth forecasts are upgraded from projections in *ADO 2017* for 22 of the 45 regional economies. Better prospects for Central Asia, East Asia, and Southeast Asia more than offset the downward revision in the growth outlook for South Asia, while the Pacific remains largely on track to meet projections.

- **East Asia benefits from a rebound in global trade.** GDP in the subregion will expand by 6.0% in 2017 and 5.8% in 2018, higher than forecast in *ADO 2017*. On top of the unexpected boost to the subregion from export demand, expansionary fiscal policy in the PRC will push growth there to 6.7% in 2017 and 6.4% in 2018. Government spending is similarly boosting growth in the Republic of Korea and Taipei,China, while rising business confidence is strengthening the outlook in Hong Kong, China. The growth forecast is upgraded for Mongolia, bolstered by rising coal production and mining-related services. Inflation in East Asia will be lower than forecast in April, at 1.7% in 2017 and 2.3% in 2018. The PRC will see prices rise by 1.7% in 2017 and 2.4% in 2018, less than previously forecast because recovery will likely be slow for sharply lower food prices. In contrast, the inflation forecast is revised up for the Republic of Korea on higher growth, lingering drought, and impending wage hikes.

- **South Asia's economic recovery is delayed until 2018.** The subregional growth forecast is downgraded to 6.7% in 2017, 0.3 percentage points lower than envisaged in *ADO 2017* but the same rate as in 2016. Growth remains strong in India despite temporary drag from adjustments to policy reform. Manufacturers there sold off inventory in response to a goods and service tax introduced in July 2017, which moderates growth in that sector. Most other South Asian economies are expected to meet or exceed April growth forecasts, but not Sri Lanka, because of adverse weather, or Bhutan, where geological problems have constrained construction on two large hydropower projects. Growth in Nepal surged in fiscal 2017 on earthquake recovery but is slowing as the pace of reconstruction eases and agriculture struggles following floods. In 2018, a pickup in Indian growth to 7.4% will buoy expansion in South Asia to 7.0%, which is still 0.2 percentage points off the earlier forecast. The subregional inflation forecast is lowered to 4.2% for 2017 and 4.7% for 2018. Expectations of favorable global commodity prices, generally good harvests, and prudent macroeconomic are all in play.

- **Southeast Asia is poised to surpass earlier growth forecasts.** Projections for subregional growth are revised up to 5.0% for 2017 and 5.1% for 2018, both higher than the *ADO 2017* projections of 4.8% and 5.0%. Some common growth drivers across the subregion are a pickup in global electronics trade, stronger inflows of foreign direct investment, and higher agricultural production. Broad expansion in demand underpins faster growth in Malaysia and the Philippines, while stronger exports spur higher growth in Singapore. Elsewhere, growth rates are sustained in line with forecasts by strengthening investment and exports in Indonesia and by higher exports and foreign direct investment in Cambodia, the Lao People's Democratic Republic, and Myanmar. Mining sector weaknesses cloud prospects for Brunei Darussalam and Viet Nam. Unexpectedly modest increases in international fuel and food prices help the subregion keep average inflation at 3.1% this year and the next, less than the *ADO 2017* forecasts of 3.3% and 3.5%. However, inflation will be slightly higher than foreseen in Viet Nam, which hiked administered prices and minimum wages, and in Malaysia following a spike in transport prices.

- **Central Asia sees growth boosted by better prospects in Kazakhstan.** This *Update* raises the 2017 growth forecast for Central Asia from 3.1% in *ADO 2017* to 3.3% as stable oil prices, a better outlook for the Russian Federation, and rising remittances improve projections for Kazakhstan, the largest economy in the subregion, as well as Armenia, Georgia, the Kyrgyz Republic, and Tajikistan. In contrast, cuts in oil production are delaying recovery in Azerbaijan. The factors supporting the growth upgrade in 2017 look set to continue, so the subregional forecast for 2018 is raised as well, from 3.5% in *ADO 2017* to 3.9%. Inflation in a few economies is picking more sharply than expected in April, taking the inflation forecast for Central Asia up by 1.1 percentage points to 8.9% in 2017 and by 0.5 percentage points to 7.8% in 2018. Foreign exchange restrictions and expectations of further currency depreciation have stoked inflation in Azerbaijan, and the large currency devaluation in Uzbekistan in September 2017 will push up prices for traded goods.

- **Pacific growth forecasts are on track despite mixed prospects.** The growth forecast of 2.9% for 2017 is unchanged from *ADO 2017*, but the pickup forecast for 2018 is adjusted down slightly to 3.2%. Papua New Guinea, the predominant economy in the subregion, remains on track to meet its *ADO 2017* growth projection. In Fiji, the second largest economy, recovery in sugar production in 2017 slightly lifts forecasts this year, but the higher base will marginally reduce the rate in 2018. In Palau, growth this year is now expected to be considerably lower than projected in April because of a decline in tourism and delays affecting public investment projects. Domestic supply constraints in some economies will push inflation in the Pacific to 5.4% in 2017, marginally higher than previously forecast. It will maintain that pace in 2018.

Sustaining development through public–private partnership

Applying public–private partnership to Asia's infrastructure challenge

- **Asia's infrastructure needs dwarf traditional sources of finance.** Over 400 million Asians live without electricity, 300 million without safe drinking water, and a staggering 1.5 billion without basic sanitation. The region will need to invest an estimated $1.7 trillion annually through 2030 to maintain its growth momentum, reduce poverty, and respond to climate change. Further, the financing gap to meet these investment needs currently approaches $500 billion per year. While state funds currently finance 92% of the region's infrastructure investment, some economies struggle to meet these needs, constrained by high fiscal deficits and deepening public debt. Even factoring in funds saved through public finance reform or received from multilateral agencies, a significant infrastructure financing gap remains.

- **Public–private partnership has potential to fill the infrastructure gap.** Bridging the infrastructure gap demands improved infrastructure delivery. Public–private partnership (PPP) transforms how the public and private sectors collaborate to deliver public infrastructure and services. PPP effectively marshals the private sector's most valued strengths—incentivized finance, operational efficiency, and capacity to innovate—to meet public sector's objectives. Moreover, PPP can be a conduit for infrastructure finance by institutional investors such as insurance funds and pensions.

    - **Where appropriately implemented, PPP yields superior results.** Private partners innovate when risk-sharing provides incentive to avoid failure and deliver, in a timely and cost-effective manner, high-quality infrastructure and associated services. Other modalities lack this incentive.

    - **PPP improves access to infrastructure.** Doubling PPP investment from 0.5% of GDP in 2015 to 1.0% could bring safe drinking water to 12 million people among the 300 million who currently lack it and provide electricity to 14 million of the 400 million without. Improving access to infrastructure, when coupled with public sector reform, enhances productivity and competitiveness across the economy. The same doubling of the ratio of PPP investment to GDP is projected to add 0.1 percentage points to GDP growth per capita across Asia and the Pacific.

- **Project delivery through PPP rose fourfold in Asia in 25 years.** Analysis of the Private Participation in Infrastructure database shows that the number of PPP projects in developing Asia grew by 11% annually from 1991 to 2015. The region accounts for half of all projects in 139 developing economies worldwide, followed by Latin America and the Caribbean with 30%. However, the distribution of PPPs is uneven across economies and sectors within the region.

    - **PPP transactions are heavily concentrated in East and South Asia.** More than 70% of PPPs in developing Asia are in East and South Asia, and 90% of that portion are in the PRC and India. PPPs are gaining ground in Southeast Asia, however, particularly in the larger economies of Indonesia, Malaysia, the

Philippines, Thailand, and Viet Nam. Central Asia and the Pacific together account for only 2% of the region's PPPs.

- » **PPPs in the two largest economies reveal different approaches to this modality.** In the PRC, energy sector projects make up 50% of the transactions, followed by water supply and sanitation projects with 34%. Local governments and banks often partner with state-owned enterprises. In India, more than half of the PPP transactions are in the transport sector. Though PPP transport investments declined significantly after 2013, recent initiatives to mitigate revenue uncertainty are expected to boost these transactions again.

- » **More than half of PPPs are in energy, and a third in transport.** This concentration of PPP projects in two sectors reflects the region's development needs. A similar sectoral distribution is found in Latin America and the Caribbean.

- » **Most PPPs in developing Asia literally break new ground.** Such new infrastructure projects, so-called greenfield projects, account for almost 70% of all PPPs in terms of both the number of projects and their committed investment. Projects that improve and expand existing assets, so-called brownfield projects, account for only 23% by number.

- **If successfully pursued, a PPP offers something for everyone.** Different as their motives and needs may be, all stakeholders in PPPs can expect a fair share of benefits. The state expands its capacity through a flexible development mechanism, the private sector gets profitable investment opportunities, and end users enjoy adequate and efficient infrastructure and services.

Hurdles to public–private partnership

- **Terminated PPP contracts create large losses in efficiency.** This disruption may discourage private investment and disrupt the delivery of infrastructure and services. From 1991 to 2015, PPP projects with $41.6 billion in initial committed investment were cancelled, affecting 6.3% of all committed PPP investment in developing Asia. Project survival is more assured with socioeconomic stability, government support through subsidies and guarantees, and strategies for proper planning, preparation, and implementation.

- **Governance remains a stumbling block.** In its Global Competitiveness Report 2016–2017, the World Economic Forum found developing Asia scoring low on the quality of its legal and institutional environment. According to businesses in the region, the most pressing issues were insecurity issues due to law and order situation, governmental inefficiency, corruption, and instability.

- **Institutional structures and capacity are lacking.** More than half of the economies in developing Asia lack dedicated PPP units. The World Bank reports a high positive correlation between efficient national PPP units and successful PPP programs.

- **PPP laws and policies are inadequate.** Hindering the whole PPP process are legal gaps, incoherent policies, redundant processes, and laws and regulations that discriminate or change unpredictably. They confuse and discourage investors. Robust regulatory and market institutions are important starting points for the development of successful PPP programs. Further, ratings agencies consider the adequacy of the national legal framework when rating a country's investment potential and thereby determining how attractive it is to investors.

- **Country and sovereign risks hamper PPP financing.** Infrastructure investors are concerned about the creditworthiness of PPP projects, so they are less likely to be implemented where country and sovereign risks are high. In developing Asia, 59% of economies are unrated and would therefore be considered risky by international lenders. Another 26% are rated below investment grade, leaving only 15% at or above investment grade.

Financing public–private partnership

- **The success of PPP depends on the optimal allocation of risk.** Project finance for infrastructure extends beyond construction and well into the useful life of the asset. It depends entirely on cash flow generated by the project through user charges or revenues paid by the government. By allocating risk to the party best able to manage it, project finance aligns private profit incentive with the public interest. This makes project finance the preferred financing and governance structure for successful PPP.

- **The main sources of project finance are equity and debt.** The choice of financing method depends on project requirements and risks, the amount of capital available for direct investment as equity, and the quality of the financing consortium. Debt is the largest component of PPP financing, commonly more in the form of bank loans than bonds. Bonds are more desirable, though, as they allow for long-term financing. More financing can become available for infrastructure PPPs if bond issues allow access to abundant institutional savings, but this requires that project risks be appropriately mitigated.

- **The infrastructure financing gap is essentially a risk gap.** The large infrastructure gap in Asia coexists with a substantial pool of long-term savings that can be mobilized if offered the appropriate balance of risk and return. Credit enhancement mechanisms can mitigate certain risks from PPPs to make them more attractive to a wider range of capital providers. These instruments include partial credit or revenue guarantees, off-take guarantees, subordinated debt, pooling and tranching, and infrastructure debt or equity funds. Multilateral development banks can do much more to promote credit-enhancement products, unlock potential in private capital markets around the world, and bridge the risk gap.

Toward better-performing partnership

- **PPP success depends on the Three Ps: Project, Partner, and Process.** Projects considered for selection must stand to benefit from the strengths of PPP, be pursued by partners possessing complementary abilities, and adhere to a process that reinforces strengths and mitigates risks toward ensuring that all stakeholders enjoy their intended benefits.

  » **Implement PPP only if the project is suitable.** Not all projects can be implemented through PPP, nor are all projects best implemented through PPP. Key features must exist for a project to be appropriate for PPP. A suitable project should provide net social benefit to all stakeholders. It should have scope for innovation and real efficiency gains in service delivery, as well as performance indicators that can be stipulated in the contract, readily measured, and rectified as needed. A project should be ring-fenced to manage risk effectively, uphold service provider accountability, and ensure viability.

  » **Engage only qualified private partners.** A qualified partner should possess, in addition to traditional skills connected with construction, operation, and technology, higher-level skills in contracting, finance, and good corporate governance. Prospective partners should have access to private finance through banks and capital markets. A winning partner should emerge from a competitive process. Because the PPP approach is predicated on the optimal allocation of risk, prospective private partners should be sufficiently large, experienced, and reputable to bear risk credibly and reliably.

  » **Institute the right process.** Governments should ensure a level playing field to encourage competitive private participation. An effective regulatory process must ensure that contracts are effective, binding, and enforceable with regard to technical, safety, and economic safeguards. Public institutions must monitor PPPs vigilantly to ensure that performance targets are met and risks appropriately allocated to the party best suited to manage them. PPPs should not be pursued to procure infrastructure as an easy way of off-budget financing. Fiscal rules must be established to maintain sound and stable fiscal management. Putting together successful PPPs requires a dedicated unit able to help design effective contracts and serve as the intermediary between the government and the market. Appropriate mechanisms to provide guarantees, manage contingent liabilities, and resolve disputes as appropriate through negotiation, mediation, or arbitration can help bridge the last mile between prudent private investment and durable public benefit.

- **PPP can be an innovative tool to meet Asia’s infrastructure needs.** In sum, a suitable project, pursued with qualified private partners, and overseen through the right processes is the surest combination for the efficient and effective delivery through PPP of public infrastructure and the services it enables.

GDP growth rate and inflation, % per year

	Growth rate of GDP					Inflation				
	2016	2017		2018		2016	2017		2018	
		ADO 2017	*Update*	*ADO 2017*	*Update*		*ADO 2017*	*Update*	*ADO 2017*	*Update*
Central Asia	**2.2**	**3.1**	**3.3**	**3.5**	**3.9**	**11.0**	**7.8**	**8.9**	**7.3**	**7.8**
Armenia	0.2	2.2	3.8	2.5	3.0	–1.4	1.2	1.2	1.8	1.8
Azerbaijan	–3.8	–1.1	–1.3	1.2	1.0	12.4	9.0	14.0	8.0	10.0
Georgia	2.7	3.8	4.2	4.5	4.5	2.1	4.2	5.7	4.5	4.0
Kazakhstan	1.1	2.4	2.7	2.2	3.0	14.6	8.0	8.0	7.0	7.0
Kyrgyz Republic	3.8	3.0	4.0	3.5	4.0	0.4	5.0	3.5	4.0	5.0
Tajikistan	6.9	4.8	5.0	5.5	5.5	6.1	8.0	8.0	7.0	7.5
Turkmenistan	6.2	6.5	6.5	7.0	6.5	6.0	6.0	5.7	6.0	5.5
Uzbekistan	7.8	7.0	6.8	7.3	7.5	8.0	9.5	11.5	10.0	12.0
East Asia	**6.0**	**5.8**	**6.0**	**5.6**	**5.8**	**1.9**	**2.3**	**1.7**	**2.6**	**2.3**
China, People's Rep. of	6.7	6.5	6.7	6.2	6.4	2.0	2.4	1.7	2.8	2.4
Hong Kong, China	2.0	2.0	3.6	2.1	3.2	2.4	2.0	1.7	2.1	1.8
Korea, Rep. of	2.8	2.5	2.8	2.7	2.8	1.0	1.7	1.8	1.8	1.9
Mongolia	1.0	2.5	4.0	2.0	3.0	1.1	3.5	3.0	3.9	3.4
Taipei,China	1.5	1.8	2.0	2.2	2.2	1.4	1.3	1.1	1.2	1.2
South Asia	**6.7**	**7.0**	**6.7**	**7.2**	**7.0**	**4.5**	**5.2**	**4.2**	**5.4**	**4.7**
Afghanistan	2.0	2.5	2.5	3.0	3.0	4.4	5.5	5.5	5.8	5.8
Bangladesh	7.1	6.9	7.2	6.9	6.9	5.9	6.1	5.4	6.3	6.0
Bhutan	6.4	8.2	6.9	9.9	8.0	3.3	4.9	4.3	5.4	5.4
India	7.1	7.4	7.0	7.6	7.4	4.5	5.2	4.0	5.4	4.6
Maldives	3.4	3.8	4.2	4.1	4.4	0.5	2.1	3.1	2.3	2.8
Nepal	0.0	5.6	6.9	5.4	4.7	9.9	6.0	4.5	6.5	6.5
Pakistan	4.5	5.2	5.3	5.5	5.5	2.9	4.0	4.2	4.8	4.8
Sri Lanka	4.4	5.0	4.5	5.0	5.0	4.0	6.0	7.0	6.0	4.0
Southeast Asia	**4.6**	**4.8**	**5.0**	**5.0**	**5.1**	**2.1**	**3.3**	**3.1**	**3.5**	**3.1**
Brunei Darussalam	–2.5	1.0	0.0	2.5	1.0	–0.7	0.1	-0.3	0.1	0.1
Cambodia	7.0	7.1	7.1	7.1	7.1	3.0	3.4	3.0	3.5	3.2
Indonesia	5.0	5.1	5.1	5.3	5.3	3.5	4.3	4.0	4.5	3.7
Lao People's Dem. Rep.	6.8	6.9	6.9	7.0	7.0	1.6	2.5	1.5	3.0	1.5
Malaysia	4.2	4.4	5.4	4.6	5.4	2.1	3.3	3.7	2.7	2.7
Myanmar	5.9	7.7	7.7	8.0	8.0	6.8	7.0	7.0	7.5	7.5
Philippines	6.9	6.4	6.5	6.6	6.7	1.8	3.5	3.2	3.7	3.5
Singapore	2.0	2.2	2.7	2.3	2.7	–0.5	1.0	1.0	1.5	1.5
Thailand	3.2	3.5	3.5	3.6	3.6	0.2	1.8	0.7	2.0	1.5
Viet Nam	6.2	6.5	6.3	6.7	6.5	2.7	4.0	4.5	5.0	5.5
The Pacific	**2.4**	**2.9**	**2.9**	**3.3**	**3.2**	**4.5**	**5.2**	**5.3**	**5.4**	**5.3**
Cook Islands	8.8	5.0	5.0	5.0	5.0	–0.1	0.5	–0.1	1.2	0.5
Fiji	0.4	3.5	3.6	4.0	3.9	3.9	2.5	3.5	2.5	2.5
Kiribati	1.8	2.0	2.0	1.5	2.3	0.7	2.0	2.0	2.0	2.0
Marshall Islands	1.9	4.0	4.0	2.5	2.5	–1.5	1.5	0.5	1.5	1.0
Micronesia, Fed. States of	–0.1	2.5	2.0	2.5	2.0	–1.0	1.5	1.5	2.0	2.0
Nauru	10.4	4.3	4.0	–4.5	–4.0	8.2	5.7	6.0	1.8	2.0
Palau	1.9	3.0	0.5	5.5	3.5	–1.3	1.5	1.5	2.0	2.0
Papua New Guinea	2.0	2.5	2.5	2.8	2.8	6.7	7.5	7.5	7.5	7.5
Samoa	7.1	2.0	3.0	1.5	1.0	0.1	2.0	1.4	2.0	2.0
Solomon Islands	3.2	3.0	3.0	2.8	3.0	1.1	1.8	0.5	2.2	1.0
Timor-Leste	5.4	4.0	4.0	6.0	6.0	–1.4	1.2	1.2	3.0	3.0
Tonga	3.1	2.6	2.8	2.6	3.5	2.5	2.5	2.5	2.5	2.5
Tuvalu	4.0	3.0	3.2	3.0	3.0	3.5	2.0	2.9	2.0	2.5
Vanuatu	4.0	4.3	4.5	3.8	4.0	0.8	2.4	2.8	2.6	3.3
Developing Asia	**5.8**	**5.7**	**5.9**	**5.7**	**5.8**	**2.5**	**3.0**	**2.4**	**3.2**	**2.9**
Developing Asia excluding the NIEs	**6.3**	**6.3**	**6.4**	**6.2**	**6.3**	**2.7**	**3.2**	**2.5**	**3.5**	**3.1**

Note: The newly industrialized economies (NIEs) are the Republic of Korea, Singapore, Taipei,China, and Hong Kong, China.

Asian Development Outlook 2017 Update Highlights

Sustaining Development through Public–Private Partnership

The full report is available on the ADB website at https://www.adb.org/ado2017-update

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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 a large share of the world's poor. ADB is committed to reducing poverty through inclusive economic growth, environmentally sustainable growth, and regional integration.

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