# ASIAN DEVELOPMENT OUTLOOK 2014 UPDATE

## ASIA IN GLOBAL VALUE CHAINS

## HIGHLIGHTS

ASIAN DEVELOPMENT BANK

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# ADO 2014 Update—Highlights

Developing Asia is continuing along a stable growth path. Regional growth is forecast to pick up from 6.1% in 2013 to 6.2% in 2014 and further to 6.4% in 2015.

Asian financial markets have taken the winding down of unconventional United States monetary policy in stride. Although US policy could still surprise markets if growth there sped ahead of expectations and pushed the Federal Reserve toward an early interest rate increase, the effect on developing Asia would be modest next to the shock caused in 2013 by anticipated tightening.

Demand does not threaten to reignite inflation, as regional economies continue to produce somewhat below capacity. This and benign international commodity prices will keep inflation in developing Asia moderate at 3.4% in 2014 and 3.7% in 2015.

Many regional economies have in recent decades spurred their income and employment growth by connecting with global value chains. Strengthening these links with cross-border production networks can further cement developing Asia's reputation as the world's workshop.

# Maintaining growth momentum

## *Developing Asia sustains its growth path*

- **Developing Asia is continuing along a stable growth path**. Although the major industrial economies underperformed in the first half of the year, the region's GDP is expected to expand by 6.2% in 2014 and 6.4% in 2015. As envisaged in *ADO 2014*, published in April, this pace is a slight pickup from the 6.1% growth recorded in 2013.

  » **Growth in the major industrial economies slipped in the first half of 2014.** Severe winter weather in the US caused GDP to contract in the first quarter, as did Japan's value-added tax hike in the second quarter, such that both economies recorded virtually no growth in the first half of the year. With recovery even shakier in the euro area, the major industrial economies are now forecast to expand by 1.5% collectively in 2014, down 0.4 percentage points from the *ADO 2014* forecast, before growth picks up to 2.1% next year.

  » **Targeted measures to stabilize investment helped the PRC sustain growth.** Following first quarter growth at 7.4%, steady consumption and improved external demand edged second quarter growth up to 7.5%. The authorities deployed targeted monetary easing and a mini fiscal stimulus to keep growth from decelerating further from the 7.7% recorded in 2013, while keeping credit growth in check. The PRC appears on track to meet *ADO 2014* growth forecasts of 7.5% in 2014 and 7.4% in 2015.

  » **India shows new promise of a turnaround.** After winning a decisive parliamentary election victory, the new government is better positioned than the old to pursue the reform necessary to unlock the economy's growth potential. Reform to stimulate investment, the timely award of environmental clearances, and measures to control inflation are expected to augment firming export demand from the major industrial economies to boost economic growth. This *Update* maintains the 5.5% growth forecast for 2014 but upgrades by 0.3 percentage points to 6.3% the forecast for 2015, when reform can begin to bear fruit.

  » **Growth slows in the main economies of Southeast Asia.** Despite some common strengths in the five large economies of the Association of Southeast Asian Nations (ASEAN), and Malaysia's surprising growth acceleration, aggregate growth is moderating in 2014, slowed by stabilization policy and weaker commodity export prices in Indonesia, political disruption in Thailand, a government spending slowdown in the Philippines, and soft domestic demand in Viet Nam. Aggregate growth in the ASEAN-5 is now expected to be 4.8% in 2014—0.4 percentage points off the pace in 2013 and *ADO 2014*—before recovery at 5.6% next year.

- **Weakening food prices and stable oil prices keep inflation in check.** Consumer prices in the region are forecast to rise by 3.4% in 2014, the same pace as in 2013, but pick up a bit to 3.7% in 2015. Most governments have maintained their policy rates in line with the low inflation environment. However, Malaysia raised its key interest rate in July to curb the risk of inflation and financial imbalances, and the Philippines increased its policy rates in July and September as inflation accelerated. Indonesia's inflation rate is likely to reach 6.9% in 2015 as the government scales back fuel subsidies.

- **Developing Asia's current account balance remains stable.** While demand for the region's exports is improving, the trend in the current account balance is forecast to be flat. The region will maintain a current account surplus equal to 2.1% of regional GDP in 2014, the same as in 2013, and 2.0% in 2015.

## *Embracing tighter global liquidity*

- **Financial markets take the winding down of US quantitative easing in stride.** Market reaction to the actual slowing of US Federal Reserve asset purchases stands in stark contrast to the reaction to the talk in May 2013 of a possible start to tapering. Back then, stock market and currency values plummeted and risk premiums rose in emerging markets—including those in developing Asia—as investors rebalanced portfolios toward safe havens. This year, financial markets in the region have reacted calmly to actual US tapering that began in January 2014.

- **Asia seems prepared for the eventual US monetary tightening.** Taper talk in 2013 took the region's policy makers by surprise. Today, they seem to have factored in the upcoming tightening of US monetary policy by keeping policy rates elevated, limiting the risk that a surprise factor will worsen any financial turbulence, as it did in the second half of last year. In addition, while interest rate premiums and stock prices in developing Asia have largely returned to their May 2013 levels, they have done so without large inflows of short-term capital, which reduces the risk of large outflows.

- **Changes to US monetary policy may still surprise markets, but with modest impact on Asia.** A sustained jump in US growth could induce the Federal Reserve to tighten monetary policy sooner than anticipated to preempt unwanted inflationary consequences from its quantitative easing policies. A US interest rate shock should prompt developing Asia's policy makers to raise their interest rates to forestall large capital and exchange rate movements, though this would increase the domestic cost of capital and limit the scope for growth. Model simulations suggest that policy response in the region adequate to avoid these disruptions should not derail growth.

## *Will demand reignite inflation?*

- **Developing Asia has enjoyed moderate inflation since the global financial crisis.** Inflation plummeted to 1.4% in 2009 from 6.6% a year earlier and has hovered around 3.5% since 2012. The global crisis brought about external and internal conditions that have combined to keep price pressures in check. The drop in global demand tempered international food and fuel prices, weakening their influence on consumer prices. Within developing Asia, economies have been producing below their potential over the past 2 years following the collapse of demand in the major industrial countries for regional exports, leaving slack production capacity.

- **The shock from the global financial crisis reduced the region's potential GDP growth.** In the larger economies of East and Southeast Asia plus India, potential growth is estimated to have fallen by more than 1 percentage point on average since 2008. The drop was largest in Thailand and Hong Kong, China, where potential growth nearly halved. Even so, the region has been operating below its potential capacity. Other than in 2010, when crisis-response fiscal stimulus helped growth rebound sharply, the output gap has been negative, estimated in 2013 at –0.5% of GDP.

- **Demand-side price pressures in developing Asia will remain subdued in 2014 and 2015.** At projected growth rates, the region is closing the output gap. Absent negative shocks, the newly industrialized economies—Hong Kong, China; the Republic of Korea; Singapore; and Taipei,China—will approach their potential output next year, but most economies will not reach potential within the forecast horizon. Inflationary pressure from domestic demand is therefore expected to remain muted for the region as a whole.

## *Building the ASEAN economic community*

- **ASEAN members are progressing toward establishing an economic community.** Yet many challenges must be overcome for the ASEAN Economic Community to become a reality as scheduled at the end of 2015. Indonesia, Malaysia, the Philippines, Singapore, and Thailand in particular can claim noteworthy achievements in tariff reduction, trade facilitation, and investment liberalization, but the newer members—Cambodia, the Lao People's Democratic Republic, Myanmar, and Viet Nam—are lagging. Progress has slowed since negotiations progressed to the more difficult reforms: eliminating nontariff barriers, liberalizing service trade, improving the business climate and competition policy, strengthening the protection of intellectual property rights, and narrowing development gaps.

- **While unlikely to meet the 2015 launch deadline, ASEAN will benefit from the steps taken.** The theme chapter of this *Update* emphasizes that cross-border production networks thrive where the direct and indirect costs of moving goods between countries are low. Reforms undertaken to establish the ASEAN Economic Community are dismantling trade barriers, facilitating the movement of goods, and harmonizing standards and regulations. These efforts will strengthen ASEAN members' existing ties with global value chains and help them forge new links.

## Outlook by subregion

- **Stable growth for the region as a whole masks shifting fortunes across subregions.** Growth in developing Asia largely reflects local dynamics, which are a mixed bag. Upward adjustments to South Asia's growth projections will be counterbalanced by likely slowdowns in Central Asia and Southeast Asia.

- **East Asia will maintain stable growth.** GDP growth in East Asia will remain at 6.7% in 2014 and 2015, as moderation in the PRC and Hong Kong, China—and a slowdown in Mongolia—are offset by upswings in the Republic of Korea and Taipei,China as both benefit from rising exports. A shrinking workforce and a sluggish property sector will tamp down growth in the PRC, but economic stimulus and rising external and internal demand are expected to contain the impact, with GDP growth slipping from 7.7% in 2013 to 7.5% in 2014 and 7.4% in 2015. GDP growth in Mongolia will fall sharply below the *ADO 2014* forecast for 2014 and 2015 as foreign direct investment plummets and mining projects suffer delays. Inflation in East Asia will remain subdued at 2.4% in 2014 but likely creep up to 2.9% in 2015, mainly reflecting the trend in the PRC. Mongolia will be the outlier, recording rising and double-digit inflation in 2014, followed by a smaller price hike in 2015.

- **South Asia is performing better than expected.** The subregional growth forecast for 2014 is edged up slightly to 5.4% in 2014. The improvement reflects strengthening in Bangladesh on export growth and in Pakistan on higher remittances. Growth in India in 2014 is expected to revive to 5.5% as previously forecast, after 2 disappointing years below 5%. Growth in South Asia will pick up to 6.1% in 2015, 0.3 percentage points faster than previously forecast. India's 2015 growth projection is raised to 6.3% on the expectation that the newly elected government will begin to implement long-delayed reforms to deal with investment bottlenecks, fiscal imbalances, and other structural deficiencies. Growth forecasts for Pakistan and Bangladesh are also edged up in 2015, but efforts to improve the climate for private investment are key in both cases. Forecasts for subregional inflation are trimmed since April by about a third of a percentage point to 6.1% in 2014 and 5.9% in 2015.

- **Southeast Asia will see growth pick up next year after a surprisingly soft 2014.** Growth in this subregion is now projected at 4.6%, down from the 5.0% forecast in April and actual growth of 5.0% in 2013. Domestic demand has moderated in some of the bigger economies, with GDP forecasts trimmed for Indonesia, Thailand, the Philippines, Viet Nam, and Singapore. By contrast, a rebound in exports from Malaysia has helped to propel considerably stronger economic growth there. Next year, better performance in the major industrial economies and Thailand's recovery from its slump will spur Southeast Asian growth to 5.3%. Subregional inflation is still seen at 4.1% in 2014, slightly lower than expected in April, but the forecast for 2015 is upgraded to 4.7%, mainly on an anticipated increase in Indonesian fuel prices.

- **Central Asia is hobbled by a slowdown in the Russian Federation.** Underperforming *ADO 2014* projections, growth in the subregion is now projected to decelerate to 5.6% in 2014 as growth slows in Armenia, Kazakhstan, the Kyrgyz Republic, Turkmenistan, and Uzbekistan, and the forecast for 2015 is lowered to 5.9% on revisions for Armenia, Georgia, Kazakhstan, the Kyrgyz Republic, and Uzbekistan. These lower growth projections reflect a stagnant Russian Federation (a key source of trade and remittances) and a sharp industrial slowdown in Kazakhstan. This *Update* reduces the subregion's inflation projections to 7.6% in 2014 and 7.0% in 2015 to reflect mainly slower growth in Kazakhstan and easing inflation in Turkmenistan.

- **The Pacific has its growth projections trimmed.** Prospects have dimmed because of damage caused by torrential rains in Solomon Islands in early 2014, disappointing business activity in Timor-Leste, and a downturn in construction and tourism in Palau. Economic growth in Timor-Leste is now predicted to stay sluggish in 2015, more than offsetting slightly higher forecasts for Kiribati and Tonga. Inflation projections for the Pacific are revised down from *ADO 2014* forecasts of 5.9% in 2014 and 5.1% in 2015 to 4.5% in both years. The largest revisions are for Timor-Leste, where change in how inflation is calculated is an important factor. That said, 2014 has brought significant reductions in inflation forecasts for the Cook Islands, Papua New Guinea, and Samoa—where deflation is now expected in 2014—but also increases for Palau, Solomon Islands, and Tonga.

# Asia in global value chains

## *The rise of global value chains*

- **Liberalized trade and modern communications ushered in cross-border production networks.** Global value chains (GVCs) have blossomed since the late 1980s, distributing production steps across boundaries as tariffs and shipping costs fell and advances in information and communication technology facilitated more complex production arrangements. Stages of factory production formerly performed in advanced economies have been relocated to the developing world to benefit from cheap labor and other locational advantages. This helped expand developing economies' share of global output from 33% in 1988 to 50% in 2010.

- **The emergence of GVCs alters the global trade map.** Traditional trade statistics count the value of parts and components each time intermediate goods clear customs along a GVC. When value is properly attributed to the economy in which it was added, the composition of trade by industry and the relative importance of trading partners can change radically. For example, the trade surplus with the US maintained by the PRC, a final assembler in many product lines, is 41% smaller when measured in value-added terms than as gross trade. Conversely, Japan's trade surplus with the US is 40% larger in value-added terms.

- **Services are the dominant source of value in goods produced by global networks.** From initial product conception to after-sales support, services add value to final goods. Yet trade statistics underestimate their role because services are intangible, which makes them difficult to identify and count, and their inputs become embedded in the final goods. Cost breakdowns have shown services contributing 65%–80% of total value in mass-produced consumer goods. For specialty goods like designer clothing, the share is even higher. Firms profitably differentiate their products through the services bundled with them. By integrating services with goods to emphasize their unique strengths, producers can reach new market segments and command higher prices.

- **GVC production has boosted the economies of those involved.** Economies that have found their niche within global production networks have reaped income and employment dividends. While being part of a GVC exposes an economy to potential contagion from adverse shocks that hit others in the chain, the benefits seem to outweigh the costs.

- » **Rapid output and income expansion accompanies GVC trade increase.** Even more than trade in final goods, specializing in a particular stage of production can bolster productivity and enhance economic growth. Industries in which GVC trade doubled during 1995–2008 saw output grow 19% more quickly than did other industries. Economies whose GVC trade doubled in the same period enjoyed a 12% increase in real per capita income.

- » **Industries with more extensive links to GVCs create more jobs.** Higher industrial productivity arising from specialization in cross-border production enhances employment. Industries that doubled their GVC trade during 1995–2008 saw employment rise by 10%.

- » **Risks to economies from shocks that hit others in the GVC exist but are limited.** The 2011 earthquake in Japan and floods in Thailand, for example, had repercussions along their value chains. But a shock in the real economy to one member of a supply chain need not become a macroeconomic shock to the rest. Flexible labor and capital markets can help contain the impact within the affected sector. Further, a shock to one economy may become an opportunity for others in the network as they temporarily replace production disrupted when their competitor was affected.

## *Asia's links to global value chains*

- **Asia is the region that has benefited most from the rise of cross-border production networks.** Regional production networks appeared in the 1980s as Japanese conglomerates invested in East and Southeast Asia to benefit from such locational advantages as lower labor costs. Once established, production networks attracted multinationals from other developed economies, turning regional networks global. Declining trade barriers in East and Southeast Asia—particularly since the PRC's accession in 2001 to the World Trade Organization (WTO)—made these subregions even more attractive to foreign investment. From 1995 to 2008, the share of Asia's GVC trade in worldwide manufacturing exports almost doubled, from 8.6% to 16.2%. GVCs have grown most quickly in Asia, evolving into increasingly complex arrangements.

- **Yet GVC benefits are largely concentrated in East and Southeast Asia.** The economies of East and Southeast Asia including Japan accounted for the bulk of the region's GVC trade in 2008. While the surge in GVCs in Asia reflects the PRC's growing role as the regional hub for final assembly, the underlying reality is more complex. The core components in the final goods exported to affluent markets, and hence the bulk of added value, originate mainly in the industrialized East Asian economies—Japan; the Republic of Korea; and Taipei,China—and in the more advanced Southeast Asian economies such as Malaysia and Thailand.

- **Few countries in Central Asia, South Asia, or the Pacific have found their GVC niche.** These economies face multiple challenges to linking with GVCs, some of them beyond the reach of policy.

  » **Remote location can preclude involvement in GVCs.** A remote Pacific economy's high transport costs would be magnified by a GVC that required frequent shipments of intermediate goods between production stages.

  » **Underdeveloped transport infrastructure exacerbates geographic disadvantages.** In the World Economic Forum's Global Competitiveness Index 2013–2014, East Asia's transport infrastructure scored 5.0 on a scale of 6.0, and Southeast Asia scored 4.0. In contrast, the Pacific scored only 2.1, Central Asia 3.3, and South Asia 3.4.

  » **Regulatory hurdles and policy deficiencies further erode an economy's appeal.** Red tape and burdensome procedures delay the movement of goods. While exporters in East or Southeast Asia need to complete six documents on average, exporters in Central and South Asia must deal with nine. The combination of poor infrastructure and red tape is deadly for GVCs. Whereas exporting standard cargo takes only 18 days from Southeast Asia or 19 days from East Asia, it takes nearly 50 days from Central Asia.

- **All Asian economies face the challenge of strengthening links to dynamic production chains.** GVCs present opportunities to policy makers and industrialists to reevaluate their domestic comparative advantages in a new light, with the focus on being competitive at selected stages of production rather than over the whole process. Actors need to be attuned to both opportunities and challenges.

## *Forging stronger links with global value chains*

- **Falling tariff, logistics, and transport costs nurture cross-border production, but more can be done.** Simulations of simple two-stage chains in Southeast Asia show that GVCs magnify trade costs by as much as 80%. As chains become more complex, they further amplify the costs of moving intermediate goods between customs territories. Savings from small reductions in costs are similarly amplified and therefore offer outsized benefits for production network growth. Public policy can help connect an economy to cross-border production networks or fortify existing ties.

- **GVCs thrive only where tariffs are low and predictable.** The PRC, for example, allowed processing firms to import components duty-free. This policy helped boost growth and productivity in the processing sector, supporting firms' efforts to shift quickly from simple labor-intensive manufactures to more sophisticated high-technology goods. Yet, even if tariffs are low today, uncertainty about future rates can dissuade firms from investing in GVCs. The authorities can make tariffs more predictable by normalizing trade relations with partners, lowering bound tariffs under the WTO, and eschewing temporary trade measures. As with tariffs, low and predictable rates for other taxes, including value-added taxes collected at the border, benefit GVCs.

- **Better logistics and transport infrastructure may cut trade costs even more than tariff reduction.** Delays in moving goods from inland factories to the coast, through customs facilities, or through ports themselves add to shipping costs. Trade delays are significant: 9 days for imports into East Asia and 19 days into South Asia. In parts and components trade, each day in transit equates to an ad valorem tariff of 0.6%–2.1%. Infrastructure investment can ease port congestion and speed inland transport. Streamlining customs procedures to eliminate unnecessary paperwork further trims shipping times. International cooperation—such as investment in regional transport corridors or WTO trade facilitation—can complement national efforts.

- **Process and product standards must not be hijacked as barriers to trade.** As with tariffs, GVCs magnify costs from nontariff measures such as product standards. With production lines spanning more jurisdictions, harmonized standards gain importance. Harmonization is less a question of eliminating standards than of ensuring that they are appropriate, because standards are crucial to public policy. Regulations and conformity assessments should not discriminate or unduly add costs, but ensuring compliance does require investment in laboratories and other facilities for calibration, accreditation, certification, and conformity assessment.

- **Asia can boost income and employment by building on its reputation as the world's workshop.** Over the past 2 decades, the region has established itself as a global leader in GVC development and manufacturing—accruing the dividends of faster output, income, and employment growth as a result. Policies that enhance free trade in goods and services, and that foster the integration of regional markets for goods and their components, can further cement this reputation. Looking ahead, Asia is well positioned to deepen, broaden, and upgrade its role in global production networks.

**Growth rate of GDP** (% per year)

| Subregion/Economy | 2013 | 2014 | | 2015 | |
|---|---|---|---|---|---|
| | | ADO 2014 | Update | ADO 2014 | Update |
| **Central Asia** | **6.5** | **6.5** | **5.6** | **6.5** | **5.9** |
| Azerbaijan | 5.8 | 5.0 | 5.0 | 4.8 | 4.8 |
| Kazakhstan | 6.0 | 6.0 | 4.5 | 6.4 | 5.2 |
| **East Asia** | **6.7** | **6.7** | **6.7** | **6.7** | **6.7** |
| China, People's Rep. of | 7.7 | 7.5 | 7.5 | 7.4 | 7.4 |
| Hong Kong, China | 2.9 | 3.5 | 2.5 | 3.6 | 3.2 |
| Korea, Rep. of | 3.0 | 3.7 | 3.7 | 3.8 | 3.8 |
| Taipei,China | 2.1 | 2.7 | 3.4 | 3.2 | 3.3 |
| **South Asia** | **4.7** | **5.3** | **5.4** | **5.8** | **6.1** |
| Bangladesh | 6.0 | 5.6 | 6.1 | 6.2 | 6.4 |
| India | 4.7 | 5.5 | 5.5 | 6.0 | 6.3 |
| Pakistan | 3.7 | 3.4 | 4.1 | 3.9 | 4.2 |
| Sri Lanka | 7.3 | 7.5 | 7.5 | 7.5 | 7.5 |
| **Southeast Asia** | **5.0** | **5.0** | **4.6** | **5.4** | **5.3** |
| Indonesia | 5.8 | 5.7 | 5.3 | 6.0 | 5.8 |
| Malaysia | 4.7 | 5.1 | 5.7 | 5.0 | 5.3 |
| Philippines | 7.2 | 6.4 | 6.2 | 6.7 | 6.4 |
| Singapore | 3.9 | 3.9 | 3.5 | 4.1 | 3.9 |
| Thailand | 2.9 | 2.9 | 1.6 | 4.5 | 4.5 |
| Viet Nam | 5.4 | 5.6 | 5.5 | 5.8 | 5.7 |
| **The Pacific** | **5.0** | **5.4** | **5.3** | **13.3** | **13.2** |
| Fiji | 4.6 | 2.8 | 3.3 | 3.0 | 3.0 |
| Papua New Guinea | 5.1 | 6.0 | 6.0 | 21.0 | 21.0 |
| **Developing Asia** | **6.1** | **6.2** | **6.2** | **6.4** | **6.4** |
| **Major industrial economies** | **1.2** | **1.9** | **1.5** | **2.2** | **2.1** |

*Notes:* Developing Asia refers to the 45 members of the Asian Development Bank. Central Asia comprises Armenia, Azerbaijan, Georgia, Kazakhstan, the Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan. East Asia comprises the People's Republic of China; Hong Kong, China; the Republic of Korea; Mongolia; and Taipei,China. South Asia comprises Afghanistan, Bangladesh, Bhutan, India, the Maldives, Nepal, Pakistan, and Sri Lanka. Southeast Asia comprises Brunei Darussalam, Cambodia, Indonesia, the Lao People's Democratic Republic, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Viet Nam. The Pacific comprises the Cook Islands, Fiji, Kiribati, the Marshall Islands, the Federated States of Micronesia, Nauru, Papua New Guinea, Palau, Samoa, Solomon Islands, Timor-Leste, Tonga, Tuvalu, and Vanuatu.

*(continued on the next page)*

**Inflation** (% per year)

| Subregion/Economy | 2013 | 2014 | | 2015 | |
|---|---|---|---|---|---|
| | | ADO 2014 | Update | ADO 2014 | Update |
| **Central Asia** | **6.0** | **9.0** | **7.6** | **7.4** | **7.0** |
| Azerbaijan | 2.4 | 4.0 | 4.0 | 3.5 | 3.5 |
| Kazakhstan | 5.8 | 11.5 | 8.7 | 8.8 | 7.7 |
| **East Asia** | **2.4** | **2.5** | **2.4** | **2.9** | **2.9** |
| China, People's Rep. of | 2.6 | 2.6 | 2.4 | 3.0 | 3.0 |
| Hong Kong, China | 4.3 | 3.8 | 3.8 | 3.7 | 3.7 |
| Korea, Rep. of | 1.3 | 2.1 | 2.0 | 2.5 | 2.4 |
| Taipei,China | 0.8 | 1.1 | 1.4 | 1.3 | 1.5 |
| **South Asia** | **6.2** | **6.4** | **6.1** | **6.2** | **5.9** |
| Bangladesh | 6.8 | 7.5 | 7.4 | 6.5 | 6.5 |
| India | 6.0 | 6.0 | 5.7 | 5.8 | 5.5 |
| Pakistan | 7.4 | 9.0 | 8.6 | 9.2 | 8.2 |
| Sri Lanka | 6.9 | 5.0 | 5.0 | 6.0 | 6.0 |
| **Southeast Asia** | **4.2** | **4.3** | **4.1** | **4.0** | **4.7** |
| Indonesia | 6.4 | 5.7 | 5.8 | 4.8 | 6.9 |
| Malaysia | 2.1 | 3.2 | 3.3 | 3.5 | 3.6 |
| Philippines | 3.0 | 4.3 | 4.4 | 4.0 | 4.1 |
| Singapore | 2.4 | 3.0 | 2.0 | 2.9 | 2.3 |
| Thailand | 2.2 | 2.4 | 2.2 | 2.6 | 2.6 |
| Viet Nam | 6.6 | 6.2 | 4.5 | 6.6 | 5.5 |
| **The Pacific** | **4.5** | **5.9** | **4.5** | **5.1** | **4.5** |
| Fiji | 2.9 | 3.0 | 3.0 | 3.5 | 3.5 |
| Papua New Guinea | 4.0 | 6.5 | 6.0 | 5.0 | 5.0 |
| **Developing Asia** | **3.4** | **3.6** | **3.4** | **3.7** | **3.7** |
| **Major industrial economies** | **1.3** | **1.6** | **1.6** | **1.6** | **1.6** |

*(continued from the previous page)*

Major industrial economies comprise the United States, the euro area, and Japan.

Data for Bangladesh, India, and Pakistan are recorded on a fiscal-year basis. For India, the fiscal year spans the current year's April through the next year's March. For Bangladesh and Pakistan, the fiscal year spans the previous year's July through the current year's June.

## Asian Development Outlook 2014 Update Highlights

The full report is available on the ADB website at www.adb.org/ado2014update

### 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 approximately two-thirds of the world's poor: 1.6 billion people who live on less than $2 a day, with 733 million struggling on less than $1.25 a day. 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.

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