

External conditions worsen: ADB

Pakistan's external conditions have worsened in the past few months with foreign exchange reserves continuing to fall in the first quarter of fiscal year 2019 (ending 30 June 2019) and the local currency depreciating by 14 percent from July to October, says Asian Development Bank (ADB). The ADB in its report "Asian Development Outlook Supplement" states that consumer price inflation in Pakistan accelerated to 6.8 percent in October, raising the average in the first 4 months of fiscal year 2019 to 5.9 percent.

Inflation in Bangladesh remained stable in the first four months of fiscal year 2019, but with headline inflation declining to 5.4 percent in October from six percent a year earlier.

In the first seven months of fiscal year 2018, inflation in India averaged only 4.2 percent, but with economic activity remaining robust, inflation is forecast to rise gradually to 4.7 percent in fiscal year.

In Sri Lanka, inflation has slowed more than anticipated in the Update, largely because of falling food prices, to average 2.4 percent annually from January to October. Inflation in Bhutan, Maldives, and Nepal moderated somewhat in recent months as food inflation eased. The sub-regional inflation forecast for 2019 is revised down from 5.2 percent to five percent.

Still the fastest-growing sub-region in developing Asia, South Asia is on track to meet the Update growth forecast of seven percent for 2018, but the forecast for 2019 is revised down marginally from 7.2 percent projected in September to 7.1 percent. Bangladesh has maintained its growth momentum with exports growing by 19 percent in the first four months of fiscal year 2019 (fiscal year 2019, ending 30 June 2019), remittances also growing strongly in the period, and import growth slowing in Q1.

The report states that despite challenges brought about by trade conflict, growth forecasts for developing Asia remain unchanged at six percent for 2018 and 5.8 percent for 2019, as envisaged in September in Asian Development Outlook 2018 Update.

East Asia and the Pacific are on track to meet growth projections. Unexpectedly strong expansion in Central Asia offsets small downward revisions for South and Southeast Asia in 2019. Excluding the newly industrialized economies of Hong Kong, China, Republic of Korea, Singapore, and Taipei, China, the regional growth outlook is maintained at 6.5 percent for 2018 and 6.3 percent for 2019.

The collective growth projections for the major industrial economies of the United States (US), the euro area, and Japan are retained in the Update. Favorable outcomes in the US and the euro area confirm that the major industrial economies will realize growth forecasts in the Update at 2.3 percent for 2018 and 2.1 percent for 2019, though an unexpected contraction in Japan in the third quarter warrants a slight downgrade to its 2018 growth projection, maintained in the report.

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