Global Economic Prospects June 2024

Recent developments: Growth in the South Asia (SAR) region is estimated to have increased to 6.6 percent in 2023, largely driven by faster growth in India. In early 2024, while private sector activity picked up in several countries, including Pakistan and Sri Lanka, it remained weak. Industrial activity was disrupted in Bangladesh partly due to ongoing import restrictions.

In India, growth is estimated to have picked up in FY2023/24 (April 2023 to March 2024). Industrial activity, including manufacturing and construction, was stronger than expected, alongside resilient services activity, which helped offset a slowdown in agricultural production partly caused by monsoons.

In Bangladesh, growth is set to slow in FY2023/24 (July 2023 to June 2024). Elevated inflation has dampened real wage growth and weighed on private consumption, and higher borrowing costs have weighed on demand.

Although it remains subdued, activity in Pakistan has improved, as industrial production picked up in late 2023 to early 2024 after import controls were relaxed. In Sri Lanka, activity has strengthened, and tourism and remittances have also recovered, though they have remained below pre-pandemic levels. Growth in Bhutan and Nepal is also set to rise, partly reflecting recoveries in tourism and remittances.

Outlook: Growth in SAR is projected to slow to 6.2 percent in 2024 and stay at that rate over 2025-26, mainly reflecting steady growth in India. The projections for 2024-25 are higher than expected in January, primarily because of an upward revision in investment growth by 0.9 percentage point, on average, over these two years. Growth in the region excluding India is expected to pick up to 3.9 percent in 2024 and to 4.4 percent in 2026.

In India, growth of 6.7 percent per year, on average, is projected for the three fiscal years beginning in FY2024/25. Despite a moderation from a high base, investment growth is expected to be stronger than previously envisaged and remain robust over the forecast period, with strong public investment anticipated to be accompanied by private investment.

In Bangladesh, growth is projected to increase slightly to 5.7 percent in FY2024/25 and 5.9 percent in FY2025/26. In addition to an increase in private consumption because of easing inflation, the implementation of large investment projects will support a pickup in overall investment. Growth is also projected to rise in Bhutan and Nepal, partly reflecting strong output in the hydropower sector. Strengthened activity in Maldives will be supported by the expansion of an international airport in 2025.

Growth in Pakistan is expected to pick up to 2.3 percent in FY2024/25 (July 2024 to June 2025) and 2.7 percent in FY2025/26. It is expected that industrial activity and confidence will increase as a result of easing import restrictions and implementation of reform packages. In Sri Lanka, the economy is expected to expand by 2.2 percent in 2024 and then reach 3 percent in 2026, assuming successful debt restructuring negotiations and the implementation of structural reforms. In contrast, the economy of Afghanistan is set to remain fragile, with high unemployment, food insecurity, and poverty.

Risks: Downside risks to the baseline forecast include commodity price spikes resulting from supply disruptions caused by the possible escalation of geopolitical tensions and intensification of armed conflicts. In countries with elevated government indebtedness, abrupt fiscal consolidation could cause larger adverse effects on growth. Some countries also run the risk of financial instability because of the large holdings of sovereign debt by domestic banks. Climate-change-related natural disasters and weaker-than-projected growth in major trading partners are additional downside risks. Upside risks include stronger-than-expected growth in the United States and a faster-than-expected slowdown in global inflation that is not associated with weaker activity.

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South Asia Country Forecasts

(Annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
GDP at market prices (average	e 2010-19 US	5)				
Calendar year basis						
Afghanistan ^a	-20.7	-6.2				
Maldives	37.7	13.9	4.0	4.7	5.2	4.1
Sri Lanka	4.2	-7.3	-2.3	2.2	2.5	3.0
Fiscal year basis ^b	2021/22	2022/23	2023/24e	2024/25f	2025/26f	2026/27f
India	9.7	7.0	8.2	6.6	6.7	6.8
	2020/21	2021/22	2022/23	2023/24e	2024/25f	2025/26f
Bangladesh	6.9	7.1	5.8	5.6	5.7	5.9
Bhutan	-3.3	4.8	4.6	4.9	5.7	6.0
Nepal	4.8	5.6	1.9	3.3	4.6	5.3
Pakistan ^c	5.8	6.2	-0.2	1.8	2.3	2.7

Source: World Bank.

Note: e = estimate; f = forecast. World Bank forecasts are frequently updated based on new information and changing (global) circumstances. Consequently, projections presented here may differ from those contained in other Bank documents, even if basic assessments of countries' prospects do not significantly differ at any given moment in time.

- a. Data beyond 2022 are excluded because of a high degree of uncertainty.
- b. Please see regional annex for details on fiscal year reporting.
- c. Data are reported on a factor cost basis.