

Recent developments: Growth in South Asia (SAR) is estimated to have slowed slightly to 5.7 percent in 2023, yet it remains the fastest among emerging market and developing economy regions. This is largely attributed to a robust expansion in India, which accounted for more than three-fourths of the regional output in 2023. Excluding India, however, activity was more subdued.

In India, despite some slowing, a strong performance in 2023 was driven by robust public investment growth and vibrant services activity. Merchandise exports slowed due to weak external demand, but domestic demand for consumer services and exports of business services sustained India's economic growth.

In Bangladesh, growth is estimated to have slowed in FY2022/23 (July 2022 to June 2023), as activity was hampered by import restrictions and rising material and energy costs, as well as mounting external and financial pressures. The impact of earlier import restrictions, which were subsequently lifted, along with previous monetary policy tightening, weighed on growth in Nepal.

Output in Pakistan is estimated to have contracted during FY2022/23 (July 2022 to June 2023). Inflation remained elevated, partly reflecting large currency depreciation in early 2023. However, towards the end of 2023, Pakistan's currency exhibited signs of stabilization. Output in Sri Lanka is also estimated to have declined in 2023, while there has been progress in sovereign debt restructuring. In Afghanistan, despite declining food prices in 2023, poverty rates remained high, exacerbated by strong earthquakes in October 2023.

Outlook: Growth in SAR is expected to edge slightly lower to a still-robust 5.6 percent pace in 2024, before firming to 5.9 percent next year. Domestic demand, including public consumption and investment, will remain major drivers of economic growth. A pickup in external demand, albeit still subdued, is also expected to contribute to growth.

In India, growth is expected to edge up to 6.4 percent in FY2024/25 (April 2024 to March 2025) after softening to 6.3 percent in FY2023/24. Investment is envisaged to decelerate marginally but remain robust, supported by higher public investment and improved corporate balance sheets.

In Bangladesh, growth is forecast to slow to 5.6 percent in FY2023/24. Inflation is likely to remain elevated, weighing on private consumption. Import restrictions are expected to continue and impede private investment. In contrast, growth is projected to pick up in Nepal, with monetary policy easing and the delayed effects of lifting import restrictions.

The outlook in Pakistan remains subdued for FY2023/24. Monetary policy is expected to remain tight to contain inflation, while fiscal policy is also set to be contractionary. The outlook in Sri Lanka remains uncertain, amid debt restructuring negotiations, particularly with private creditors.

Investment related to the tourism sector will support growth in Maldives, while the commissioning of a new hydro plant in Bhutan is expected to contribute to a pickup in growth in the next fiscal year.

Risks: Risks to the forecast remain tilted to the downside, with the most pressing concerns revolving around higher energy and food prices caused by an escalation of the conflict in the Middle East and adverse spillovers stemming from larger-than-expected increases in policy rates in advanced economies. In addition, elevated external and fiscal financing needs, the growing frequency and severity of extreme weather events, and sharper-than-expected growth slowdown in trading partners also pose risks to the region. Heightened uncertainty around elections in 2024 in some countries is also a downside risk in the region. However, the implementation of growth-friendly policies after elections could improve growth prospects.

Download *Global Economic Prospects*: <https://www.worldbank.org/gep>.

South Asia Forecasts

(Annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f
GDP at market prices (average 2010-19 US\$)					
Calendar Year Basis ^a					
Afghanistan ^b	-20.7
Maldives	37.7	13.9	6.5	5.2	5.5
Sri Lanka	3.5	-7.8	-3.8	1.7	2.4
<hr/>					
Fiscal Year Basis ^a	2020/21	2021/22	2022/23e	2023/24f	2024/25f
Bangladesh	6.9	7.1	6.0	5.6	5.8
Bhutan	-3.3	4.8	4.6	4.0	4.6
Nepal	4.8	5.6	1.9	3.9	5.0
Pakistan (factor cost)	5.8	6.2	-0.2	1.7	2.4
<hr/>					
	2021/22	2022/23	2023/24e	2024/25f	2025/26f
India	9.1	7.2	6.3	6.4	6.5

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. Please see regional annex for details on fiscal year reporting.

b. Data for Afghanistan beyond 2021 are excluded because of a high degree of uncertainty.