

October 2024

South Asia Development Update

Women, Jobs, and Growth



Three Questions

What is the growth outlook for South Asia?

What is the untapped potential of openness to global trade and investment?

What is the untapped potential of working women?

Three Questions

What is the growth outlook for South Asia? *Better than expected six months ago, almost across the board, but with downside risks from climate, policy missteps, social unrest.*

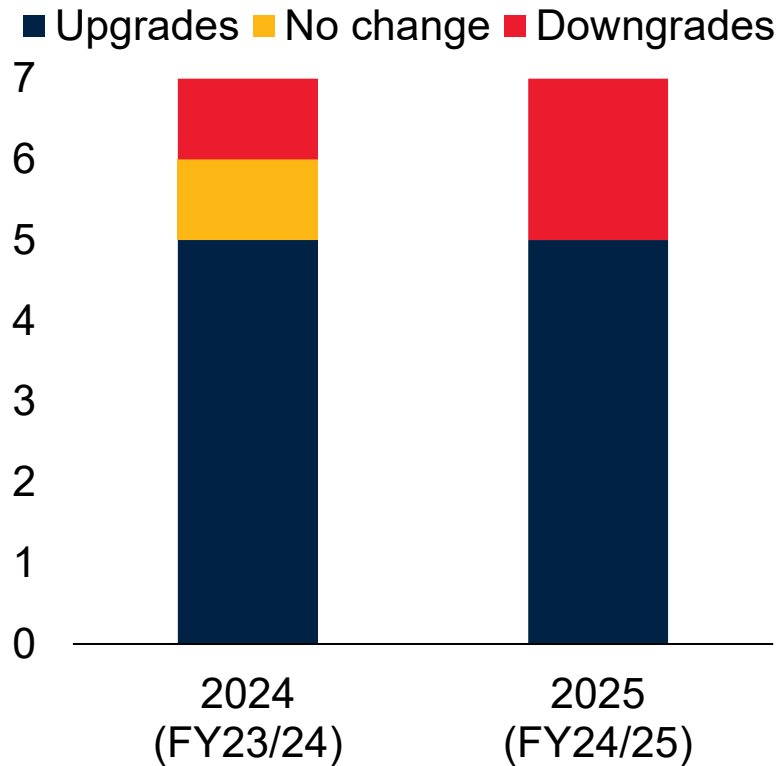
What is the untapped potential of openness to global trade and investment?

What is the untapped potential of working women?

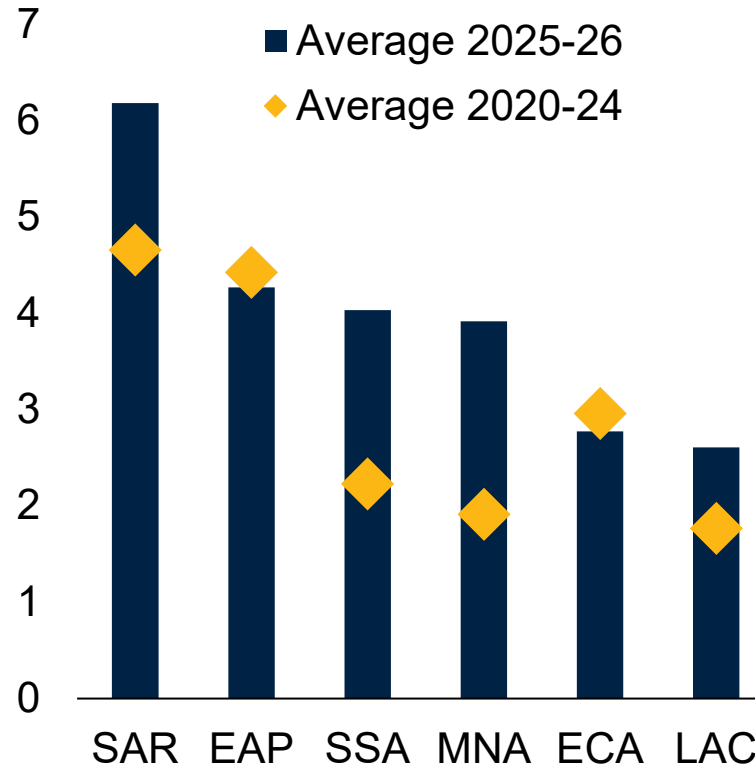
Growth Outlook for South Asia

Broad-Based Forecast Upgrades, Fastest Growing EMDE Region

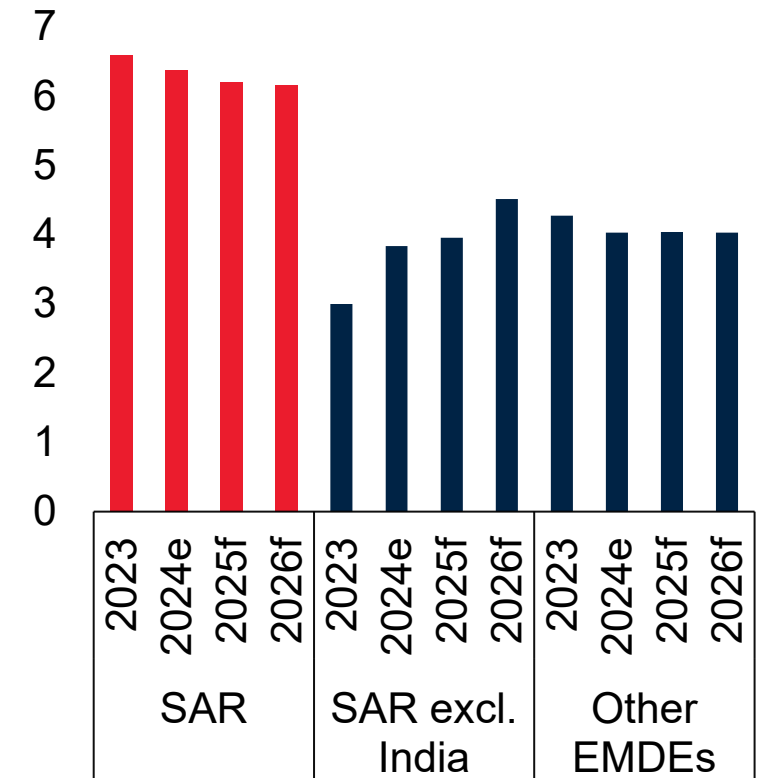
Forecast changes
(Number of SAR countries)



Regional output growth
(Percent)



Output growth in South Asia
(Percent)



Sources: Macro Poverty Outlook (World Bank); World Bank.

4 Left Panel: Number of SAR countries with forecast upgrades and downgrades. Center Panel: Aggregates computed using real GDP weights at 2015 prices and market exchange rates. Right Panel: Aggregates computed using real GDP weights at 2015 prices and market exchange rates.

Outlook

Broad-Based Forecast Upgrades, Except In Bangladesh and Maldives

| Country fiscal year | | Real GDP growth (percent) | | | | Revision to forecast from April 2024 (percentage points) | |
|--|----------------------|---------------------------|-----------------|-----------------|-----------------|--|-----------------|
| | | 2023 | 2024(f) | 2025(f) | 2026(f) | 2024(f) | 2025(f) |
| Calendar year basis | | | | | | | |
| South Asia region (excluding Afghanistan) | | 6.6 | 6.4 | 6.2 | 6.2 | 0.4 | 0.1 |
| Maldives | January to December | 4.1 | 4.7 | 4.7 | 4.6 | 0.0 | -0.5 |
| Sri Lanka | January to December | -2.3 | 4.4 | 3.5 | 3.1 | 2.2 | 1.0 |
| Fiscal year basis | | 22/23 | 23/24(e) | 24/25(f) | 25/26(f) | 23/24(e) | 24/25(f) |
| Bangladesh | July to June | 5.8 | 5.2 | 4.0 | 5.5 | -0.4 | -1.7 |
| Bhutan | July to June | 5.0 | 5.3 | 7.2 | 6.6 | 0.4 | 1.5 |
| India | April to March | 7.0 | 8.2 | 7.0 | 6.7 | 0.7 | 0.4 |
| Nepal | mid-July to mid-July | 2.0 | 3.9 | 5.1 | 5.5 | 0.6 | 0.5 |
| Pakistan | July to June | -0.2 | 2.4 | 2.8 | 3.2 | 0.6 | 0.5 |

Sources: World Bank Macro Poverty Outlook (World Bank); World Bank staff calculations.

Note: (e) = estimate; (f) = forecast. GDP measured in average 2010-19 prices and market exchange rates. Pakistan is reported at factor cost. National accounts statistics for Afghanistan are not available. To estimate forecasts for regional aggregates in the calendar year, fiscal year forecasts are converted to the calendar year by taking the average of two consecutive fiscal years for Bangladesh, Bhutan, Nepal, and Pakistan because quarterly GDP forecasts are not available.

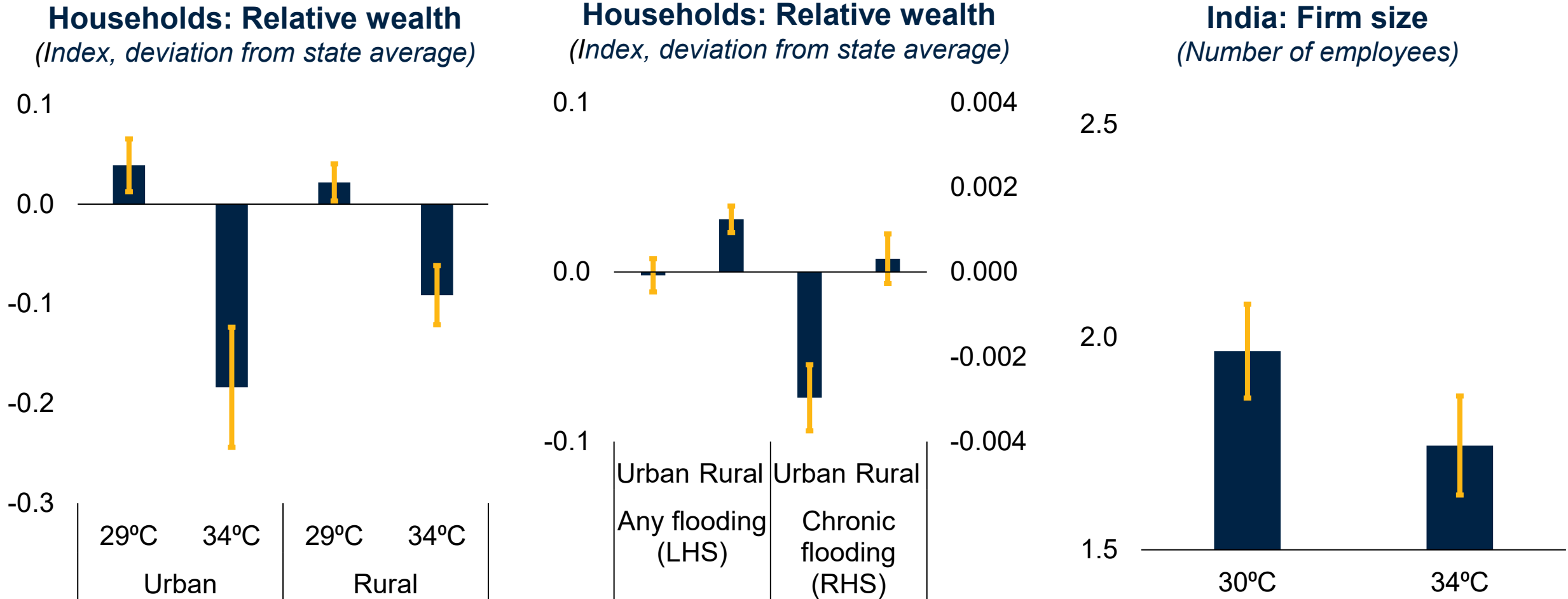
Risks to Baseline Growth Forecasts

Tilted to the Downside

- **Climate shocks**
- **Reform slippages**
- **Delayed debt restructuring**
- **Other policy errors**
- **Social unrest**

Climate Risks in South Asia

Poorer Households, Smaller Indian Firms More Exposed to Heat, Floods



Sources: Chi et al.. (2022); ERA5, Economic Census of India 2013 (databases), Relative Wealth Index (database); World Bank.

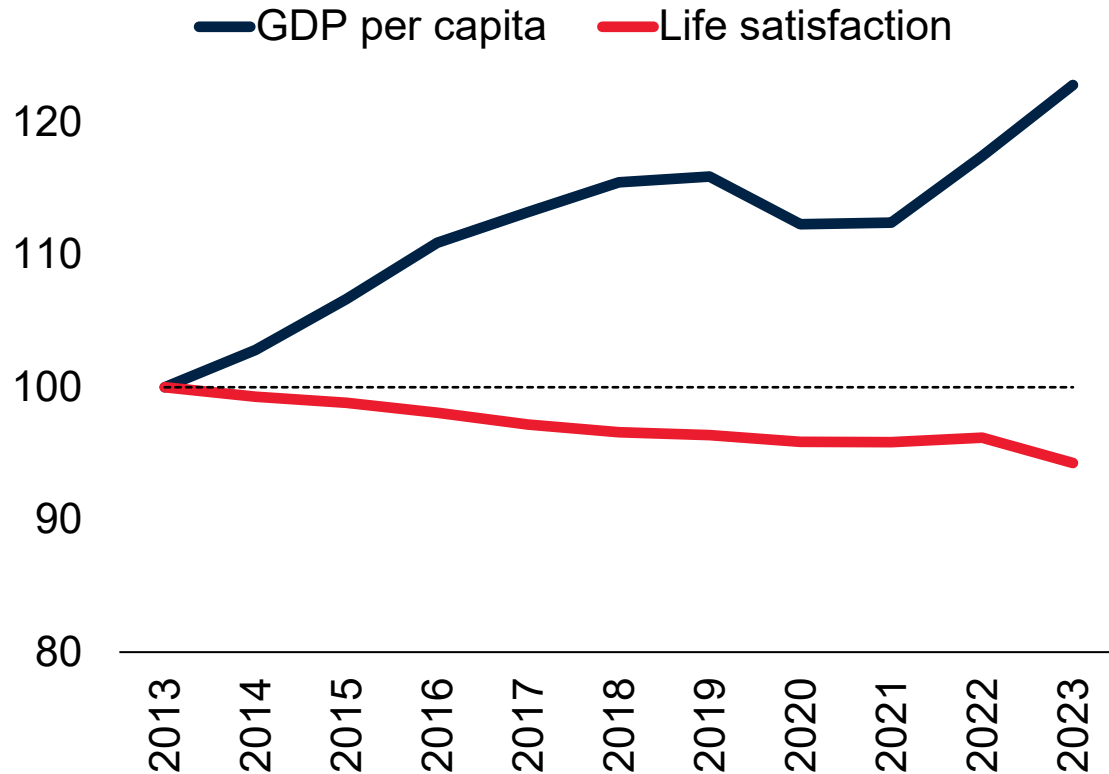
Note: Urban = places within 10 minutes from cities with more than 10,000 people. Left Panel: Coefficient estimates from fixed effects panel regression of relative wealth index on dummies for temperatures bins ranging from below 29 and 36 degrees Celsius. Center Panel: Coefficient estimates from fixed effects panel regression of relative wealth index on dummy for “any flooding” or for the number of floods between 2000 and 2018 (“chronic flooding”). The relationship between the number of floods and relative wealth is estimated on the sample of areas that have been flooded at least once. Standard errors clustered at the district level. Right Panel: Coefficient estimate from fixed effect panel regression of firm size on dummy for temperature bins ranging from below 29 and 35 degrees Celsius. Only non-agricultural private firms from the Indian Economic Census 2013 are included.

Social Unrest in South Asia

Despite Faster Income Growth, Above-Average Protests

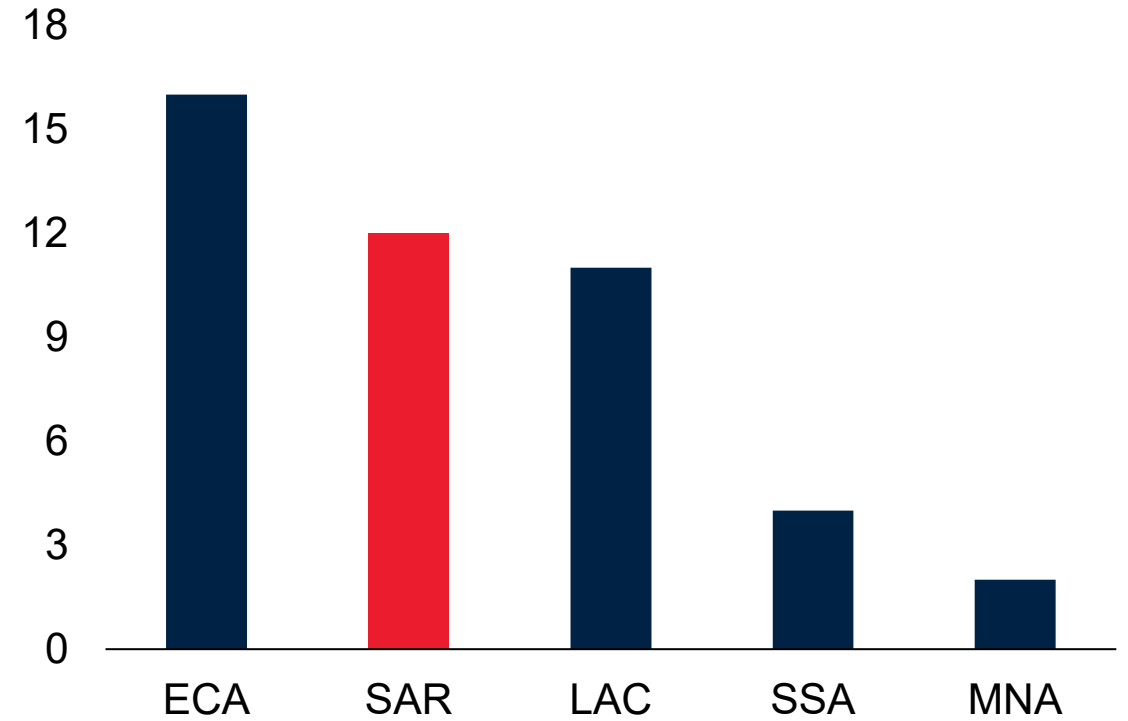
South Asia: GDP per capita and life satisfaction

(Index relative to other EMDEs, 2013=100)



Large protest events, 2022-Mar 2024

(Number)



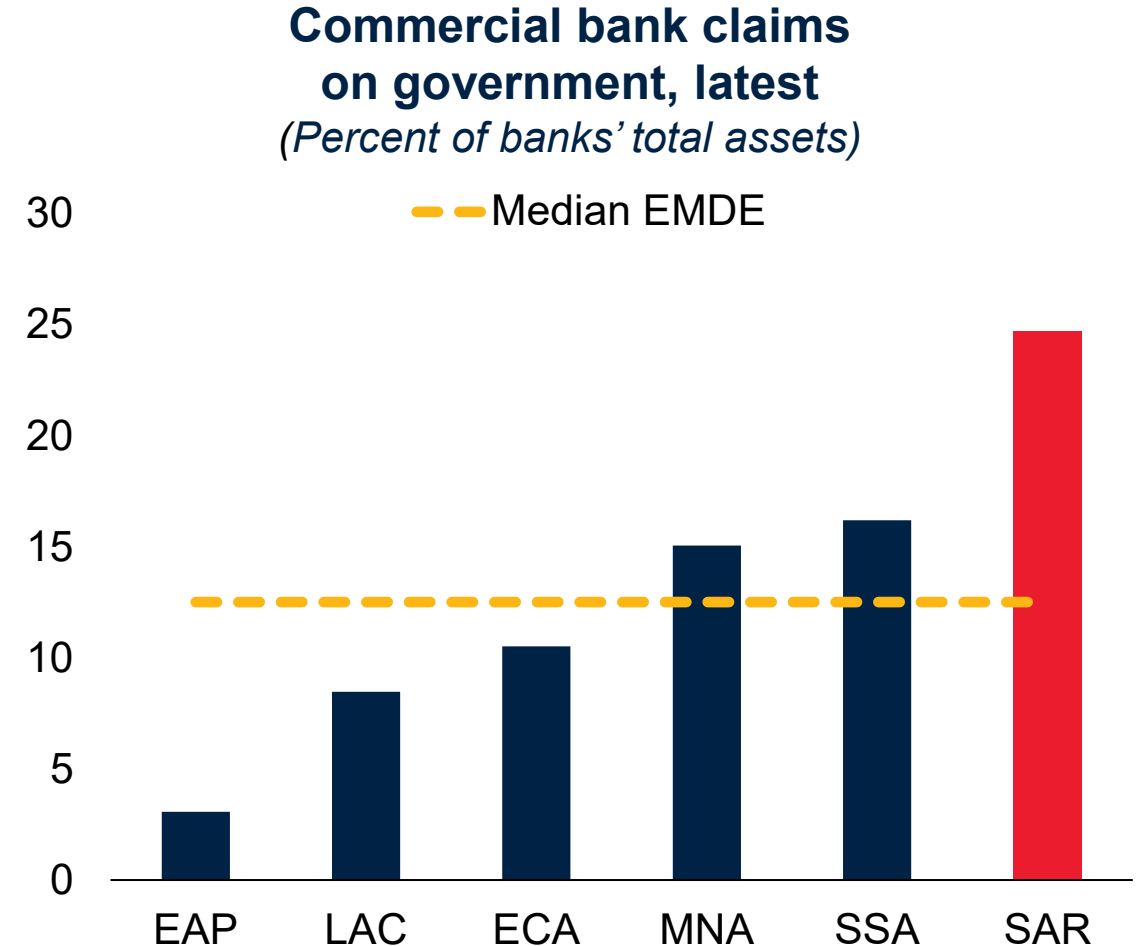
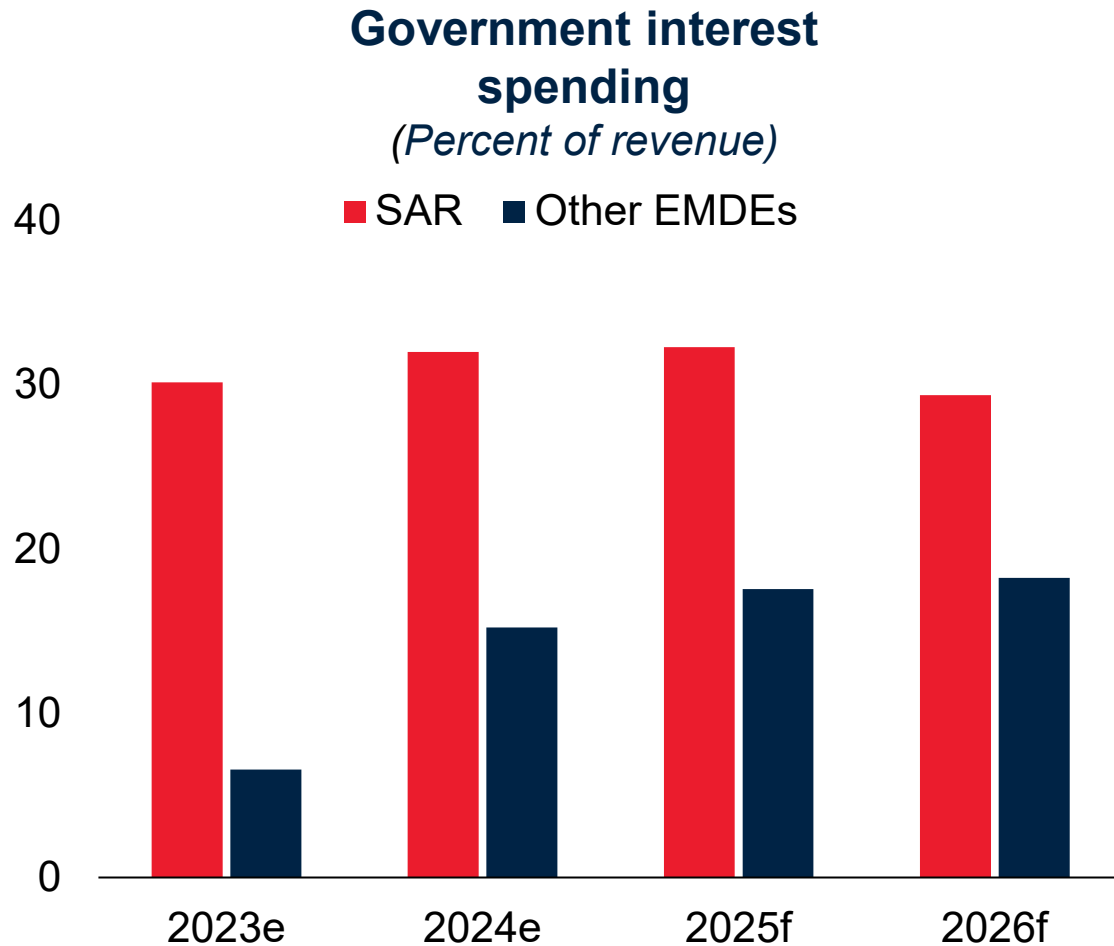
Sources: Global Protest Tracker (database); World Development Indicators (database); World Values Survey (database); World Bank.

Left Panel: Chart shows trends in GDP per capita (PPP in constant 2021 international dollars) and life satisfaction in South Asia relative to other EMDEs over the past ten years. Survey data are interpolated within countries. For countries with only one survey observation, data are assumed constant for the two years prior and after. The regional aggregation uses population as a weight and is then normalized to 2013 = 100. The final series displays trends in South Asia relative to other EMDEs.

Right Panel: Large events are defined as having a peak crowd size of above 10,000 people.

Limited Room to Absorb Shocks

Elevated Debt Service Burdens, Large Government Financing



Sources: Haver Analytics; IMF (Global debt database); IMF (IFS); IMF (WEO); World Bank (Macro Poverty Outlook); World Bank..

Left Panel: Bars show net government interest spending in percent of general government revenue. SAR includes Bangladesh, India, Nepal, Pakistan, and Maldives. Other EMDEs include 147 countries. Right Panel: Bars show depository corporations' claims on central government in percent of total assets. Latest observation is June 2024. Sample includes 125 countries, whereas the SAR consists of 5 countries. Median values are used for the aggregation.

Three Questions

What is the growth outlook for South Asia? *Better than expected six months ago, almost across the board, but with downside risks from climate, policy missteps, social unrest.*

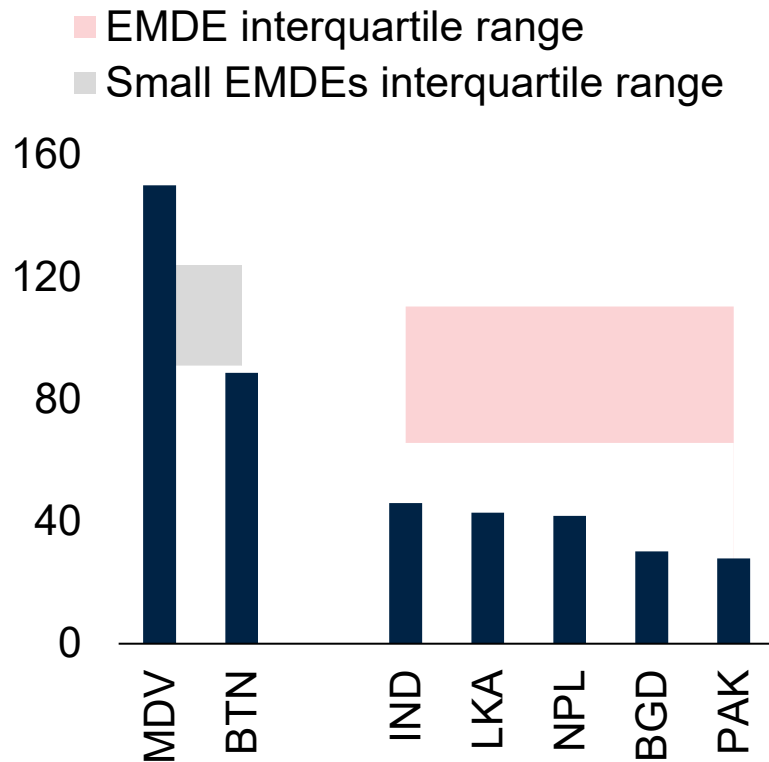
What is the untapped potential of openness to global trade and investment? *Opening to trade and investment, managing remittances could help catalyze firms' growth, create jobs for women.*

What is the untapped potential of working women?

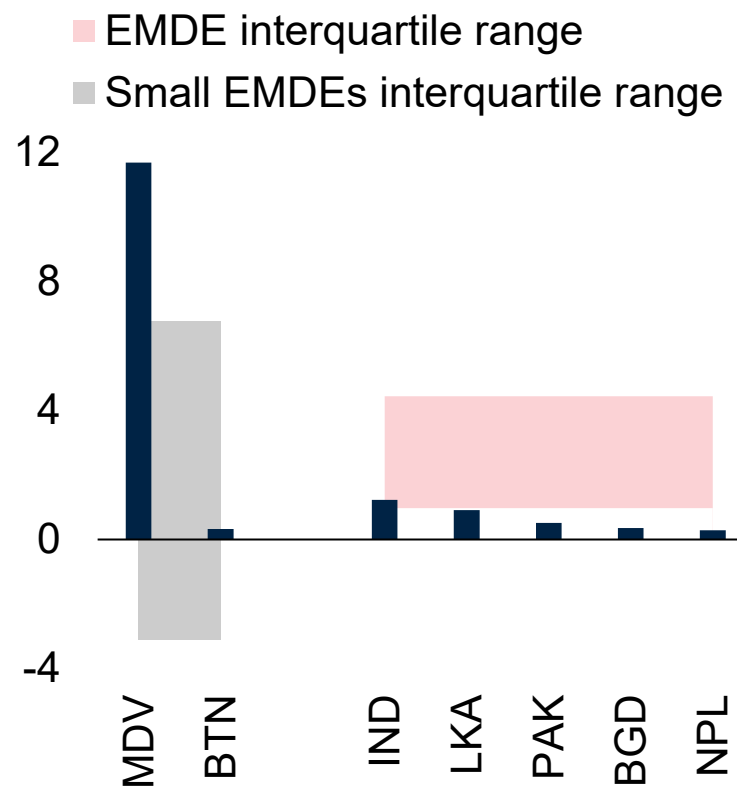
South Asia's Economic Openness

Among Least Open EMDEs to Trade/Investment, But Highly Open To Remittances

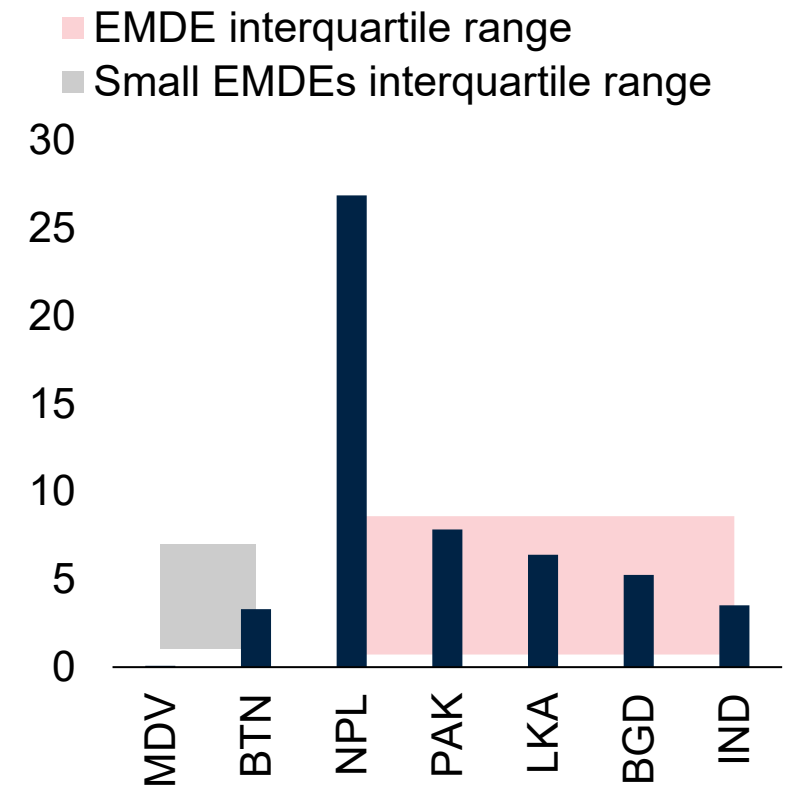
Trade, 2023
(Percent of GDP)



Net FDI inflows, 2021-23 average
(Percent of GDP)



Remittance inflows, 2023
(Percent of GDP)

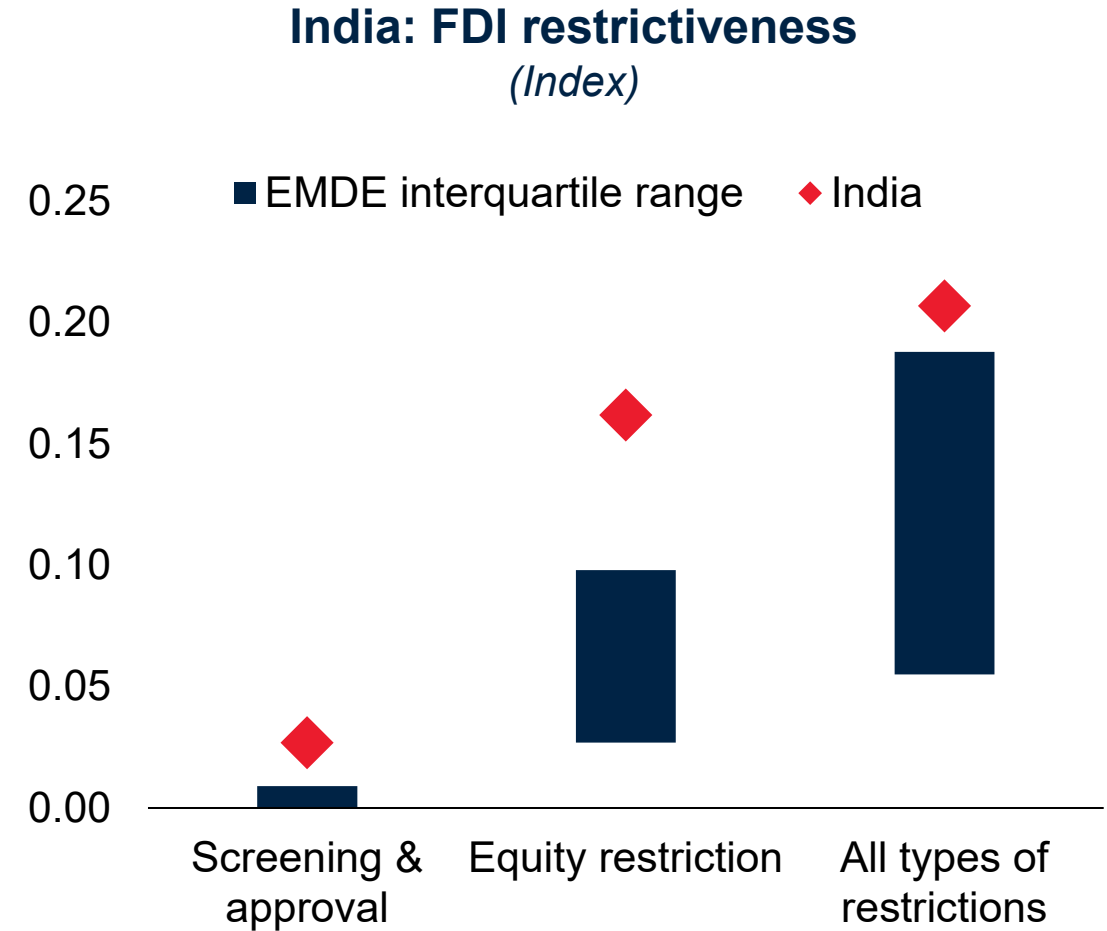
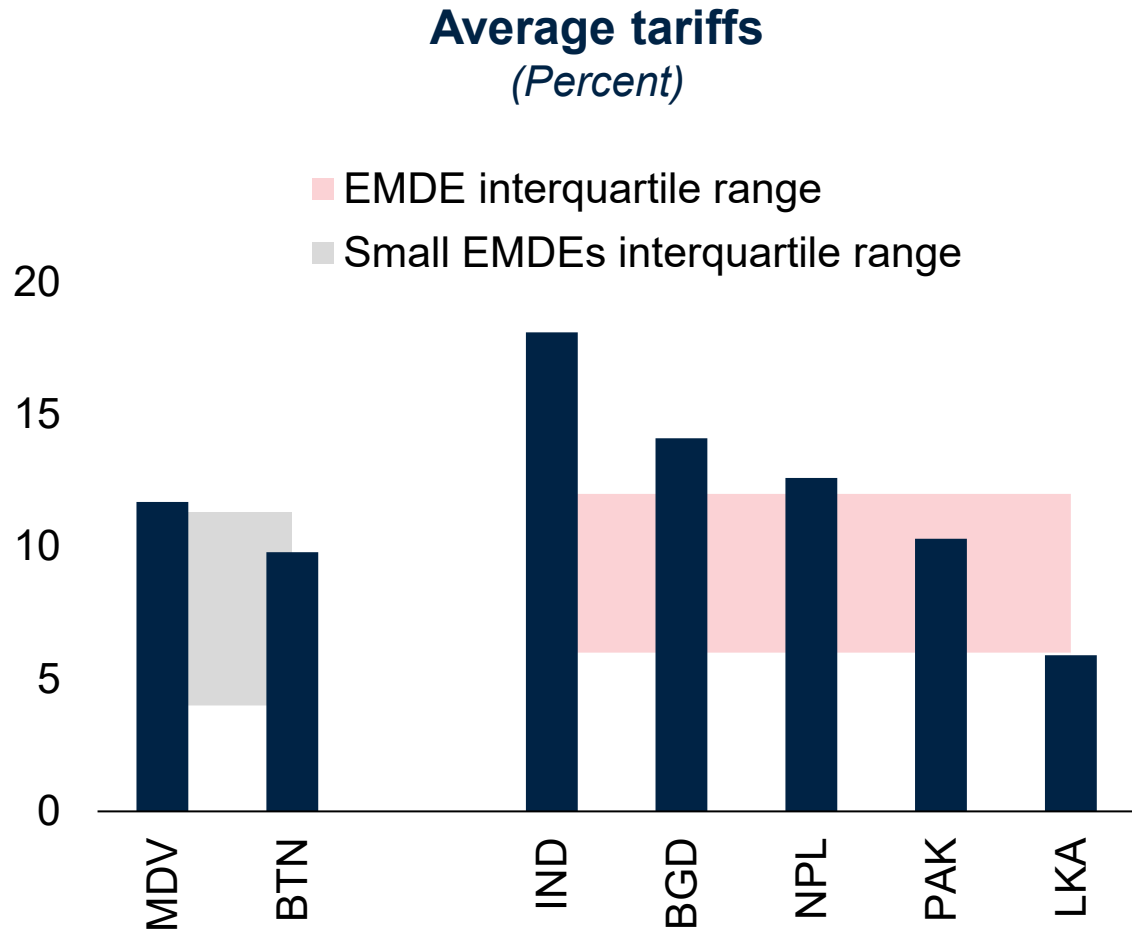


Sources: Aiyar and Ohnsorge (2024); Balance of Payments and International Investment Position Statistics (database); IMF World Development Indicators (database); World Bank.

Note: Red shades denote interquartile ranges for other EMDEs, comprising 82 economies (left panel), 67 economies (middle panel) and 137 economies (right panel). Gray shades denote interquartile ranges for small state EMDEs (as defined by World Bank 2024), comprising 13 economies (left panel) 8 economies (middle panel) and 28 economies (right panel). Right panel: Bhutan uses 2022 data.

South Asia's Policies on Global Trade and Investment

Above-Average Tariffs on Trade, Restrictions on FDI

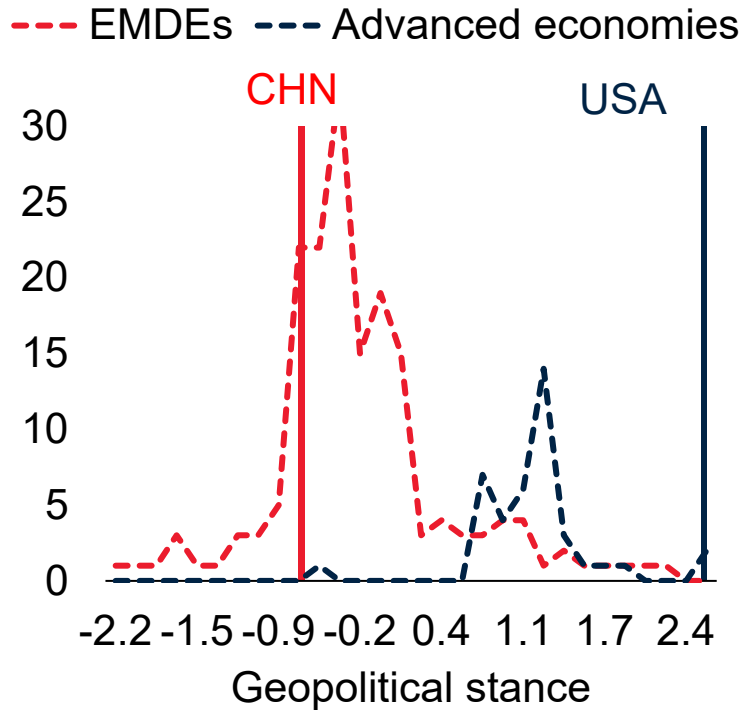


Sources: OECD (Foreign Direct Investment Regulatory Restrictiveness Index); WTO World Tariff Profiles (database); World Bank.

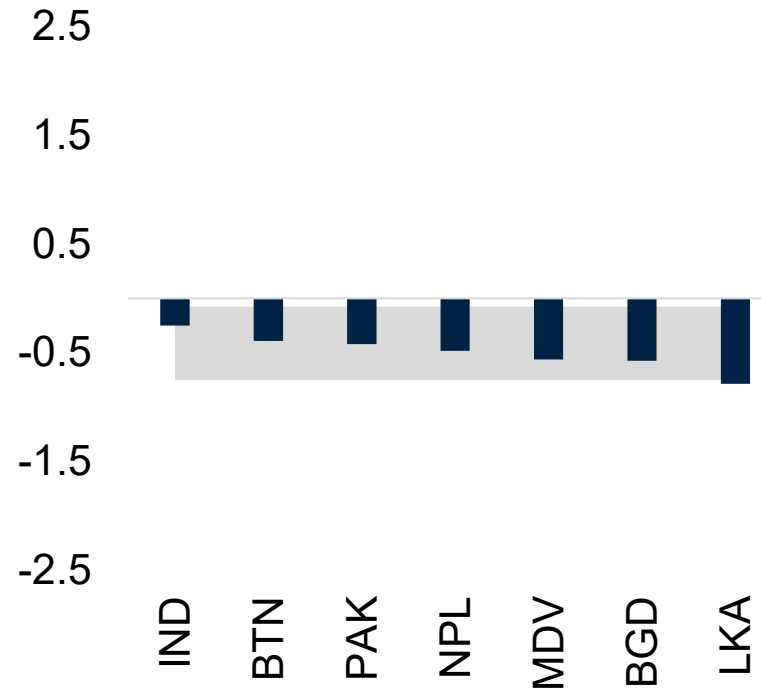
Implications of Geoeconomic Fragmentation for South Asia

Geopolitically Diversified Export Markets and FDI Sources

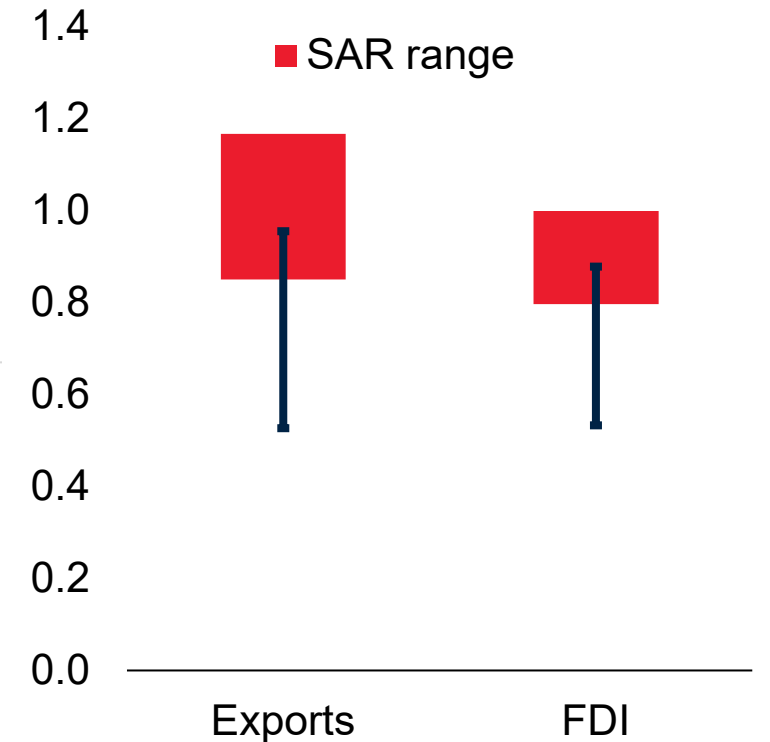
Geopolitical stance, 2023
(Ideal point index of UN voting)



Geopolitical stance, 2023
(Ideal point index of UN voting)



South Asia: Diversification of export markets and FDI sources
(Goeconomic Connectedness Index)



Sources: Aiyar and Ohnsorge (2024); Bailey, Strezhnev, and Voten (2017); World Bank.

Left and Center Panels: Index of UN voting patterns ranges from -2.5 to 2.5. Data for 137 EMDEs for 2023. Left Panel: Dashed lines indicate the distribution of UN voting indices for advanced economies (blue) or EMDEs (red). Vertical lines are UN voting indices of China and United States. Center Panel: Grey shade indicates interquartile range for EMDEs. Right Panel: Diversification is defined as goeconomic connectedness index, i.e., the export or FDI-weighted standard-deviation of geopolitical distance from all partner countries. SAR includes Bangladesh, India, Nepal, Pakistan, Sri Lanka. Blue whiskers are interquartile range for all EMDEs. Data for 2023 for exports, 2022 for FDI liabilities.

Three Questions

What is the growth outlook for South Asia? *Better than expected six months ago, almost across the board, but with downside risks from climate, policy missteps, social unrest.*

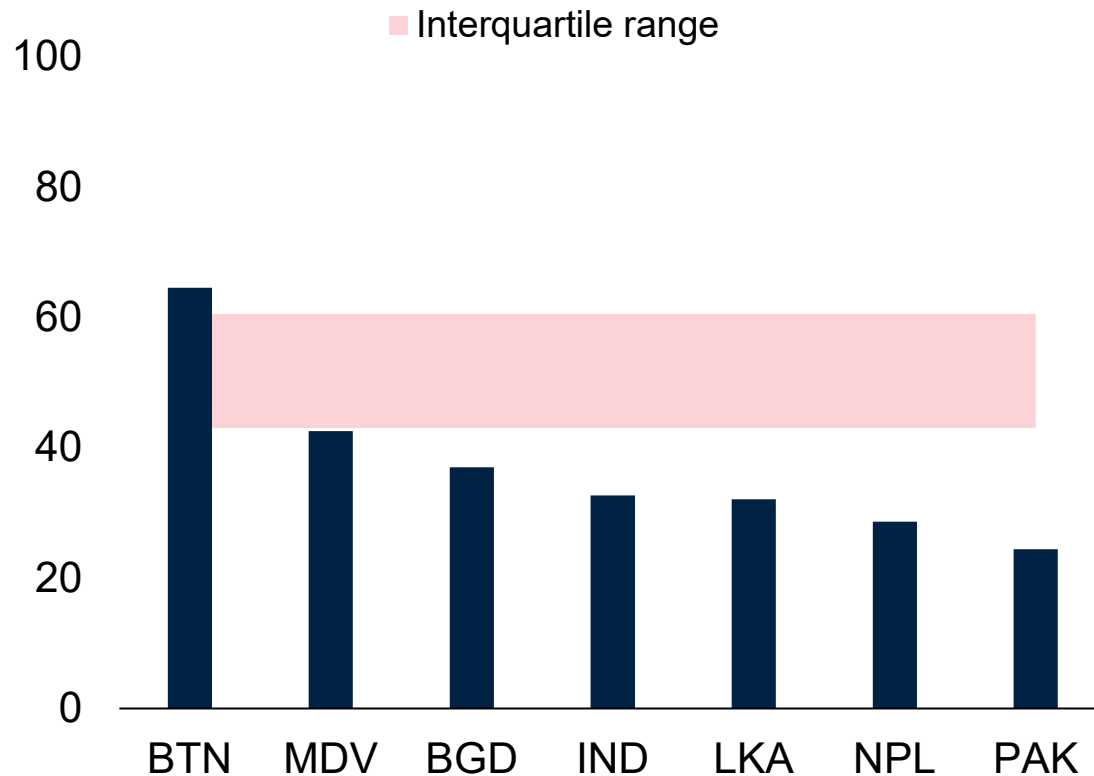
What is the untapped potential of openness to global trade and investment? *Opening to trade and investment, managing remittances could help catalyze firms' growth, create jobs for women.*

What is the untapped potential of working women? *Incomes could be up to one-half higher if as many women worked as men, but they face unfavorable sectoral compositions, laws, norms.*

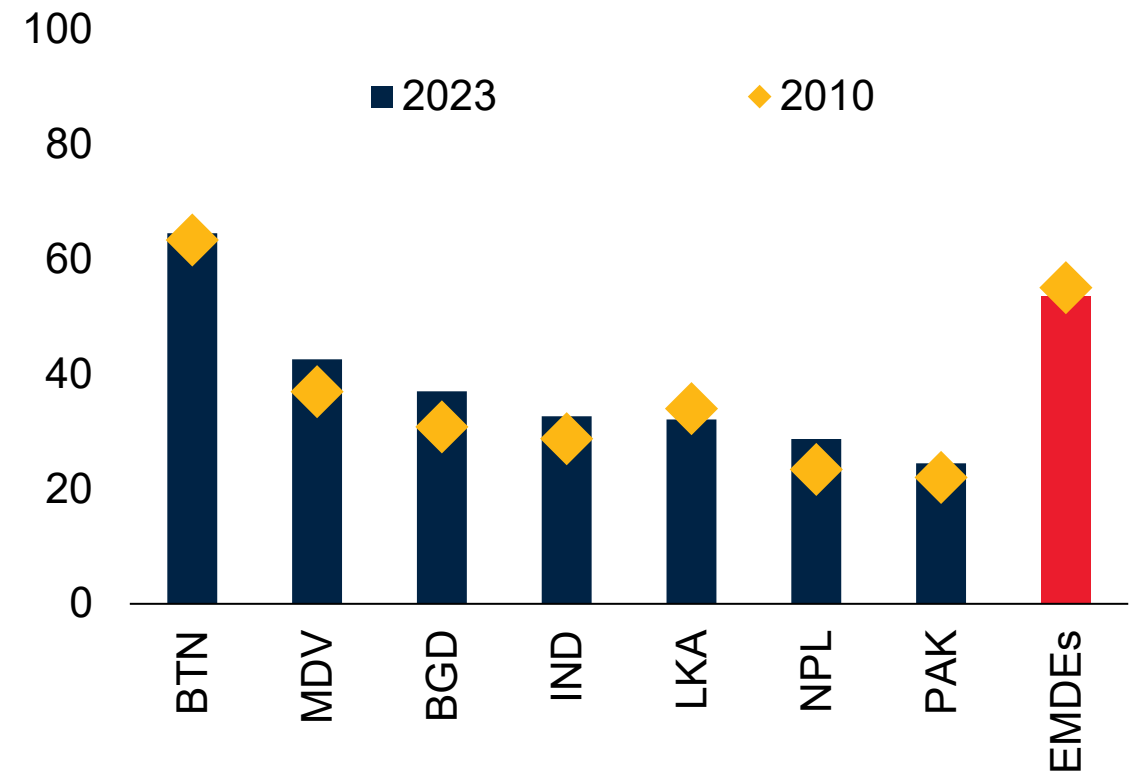
Female Labor Force Participation

Low in Most South Asian Countries, Despite Some Increase Over Past Decade

Female labor force participation, 2023
(Percent of female working-age population)



Female labor force participation
(Percent of female working-age population)



Sources: International Labour Organization; World Bank World Development Indicators (database); World Bank.

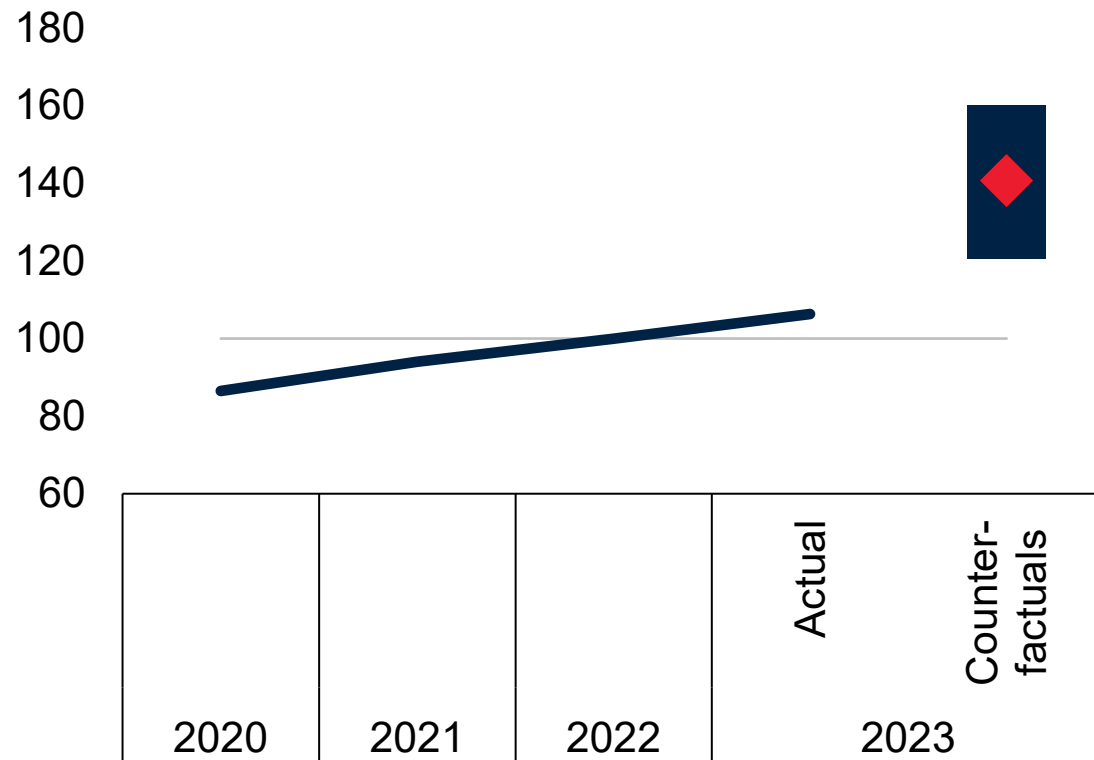
Left Panel: Shaded area indicates interquartile range of EMDEs excluding SAR. Female labor force participation rate is the share of the female working-age population (15+ years) employed or looking for work, measured using ILOStat modeled data.

Right Panel: Bars show the female labor force participation rate in 2023. Diamonds show the female labor force participation rate in 2010. Female labor force participation rate is the share of the female working-age population (15+ years) employed or looking for work, measured using ILOStat modeled data. All data are weighted by the population in the survey year.

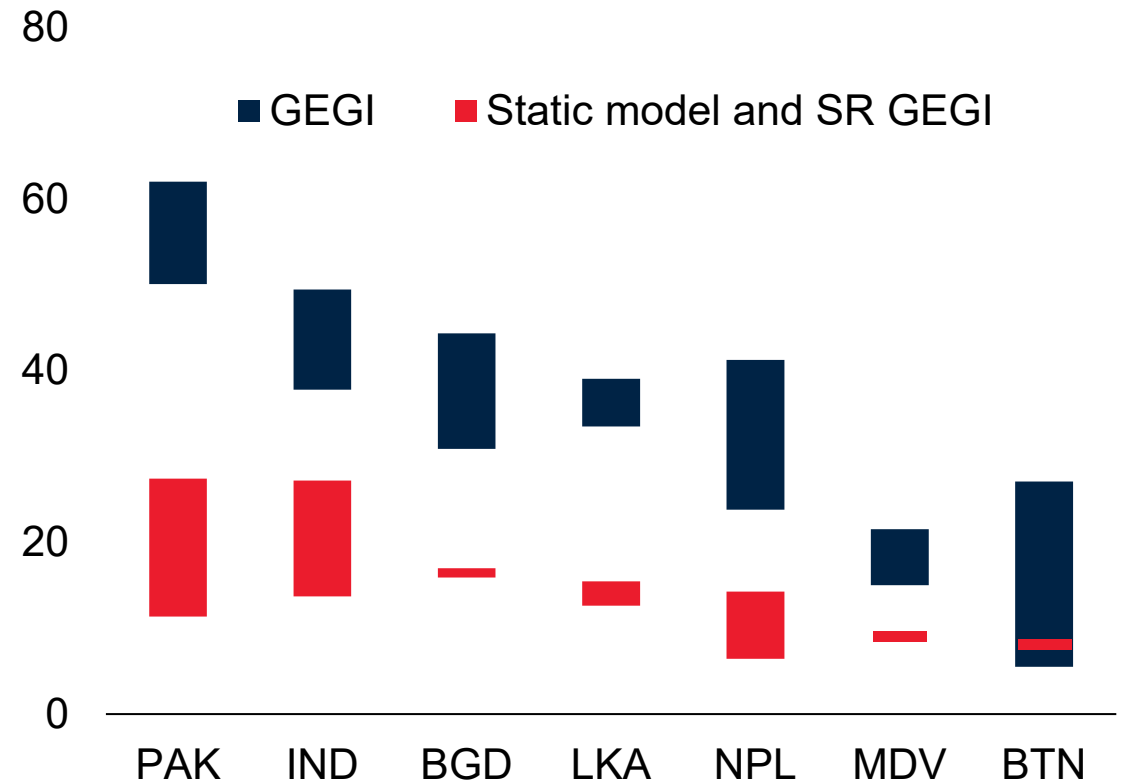
Output Gains

Output Up to One-Half Higher, If Same Share of Women Worked As Men

South Asia's real GDP: Actual and counterfactual with higher female employment
(Index, 2022 = 100)



South Asia's real GDP: Impact of raising female labor force participation to the male rate
(Percent of baseline)

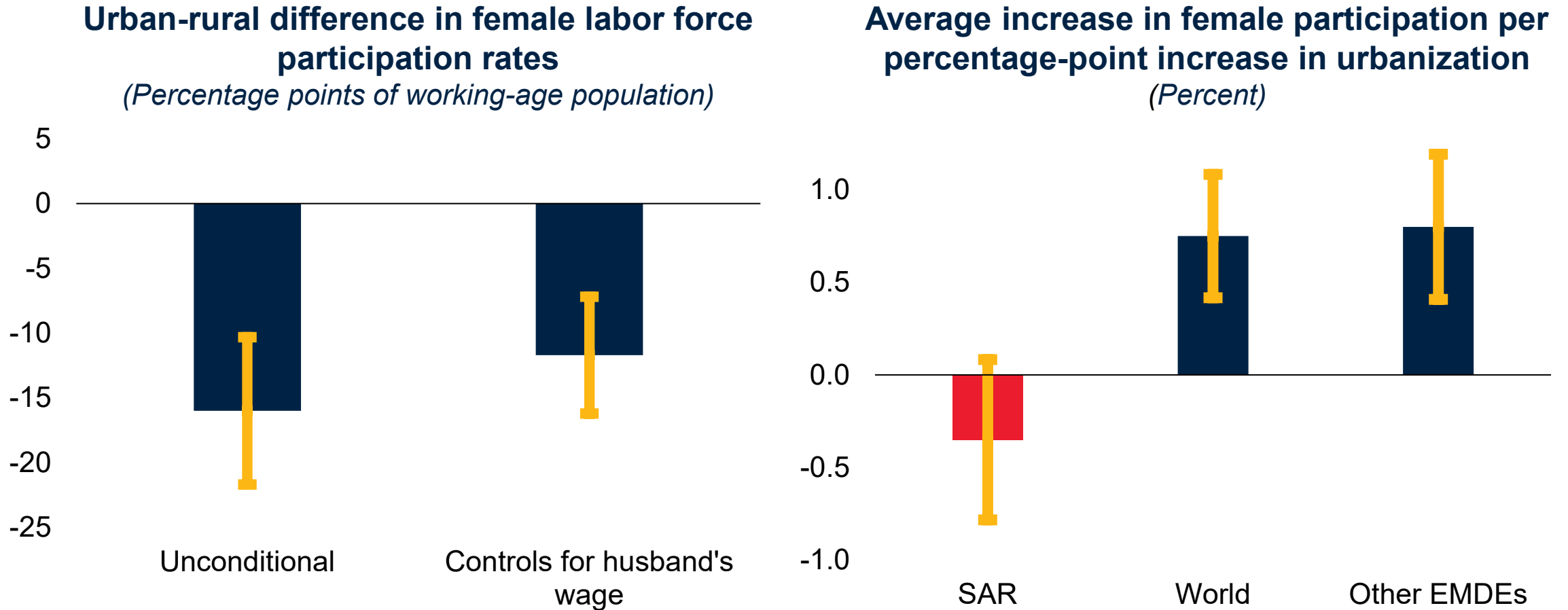


Sources: International Labour Organization; World Bank World Development Indicators (database); Authors' estimations using different analytical approaches. World Bank.

Left Panel: Blue range indicates range of eight counterfactual model estimates if South Asia's female employment shares were raised to parity with those for men. Blue line indicates prior GDP data from 2020-2023. Red diamond is median estimate of model estimates. Grey line indicates 100. Right Panel: Bars show the range of model estimates. Estimates reflect the impact of raising female employment to parity with men on country-level real GDP across South Asia. Red bar show the range of estimates from the accounting and short-run (fixed capital) GEGI model ("SR GEGI"). Blue bar show the range of estimates from the other GEGI models ("GEGI").

Urbanization and Female Labor Force Participation

Urban Centers Not Associated with Greater Participation



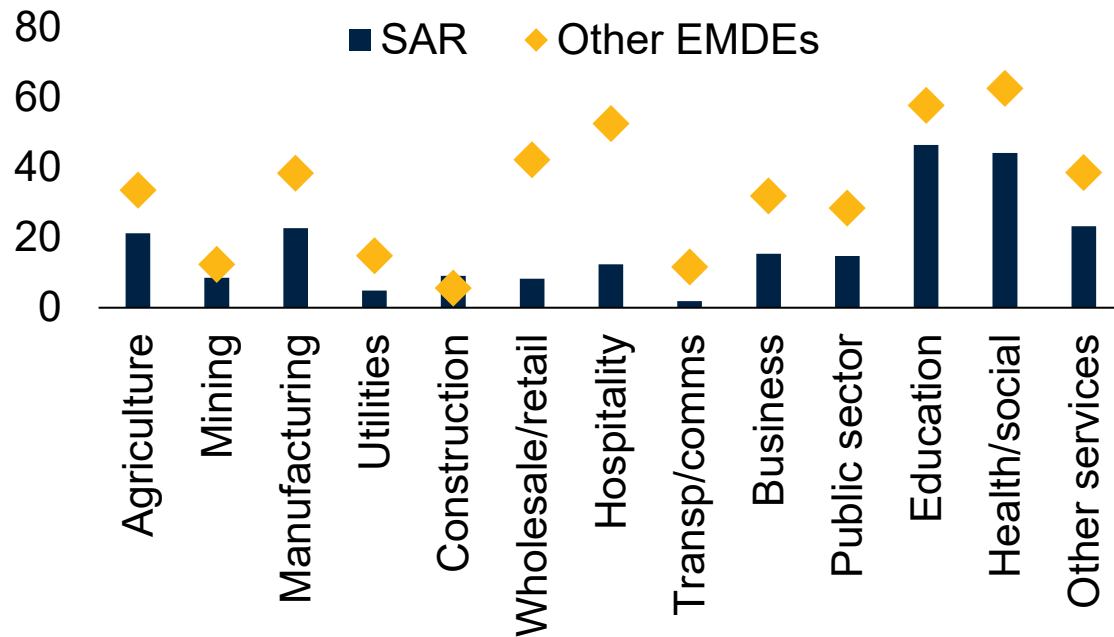
Sources: International Labor Organization (ILO); World Development Indicators (database); World Bank Global Labor Database (GLD) labor force survey microdata (database); World Bank South Asia Region Labor Database (SARLD) labor force survey microdata (database); World Bank.

Note: Left Panel: Bars show estimates from a regression of a female employment indicator on an urban indicator, as well as age, survey year, and country fixed effects, in the sample of working-age women with wage-earning husbands. Controls for husband's income include the log of husband's daily wage and its square. The 95 percent confidence intervals are calculated from standard errors clustered at the state level. Right panel: Residual relationship between urbanization rate and female labor force participation is obtained by regressing the (log) ratio of female to male labor force participation on the share of the urban population, controlling for log GDP per capita and country fixed effects. Country-level data from 1992–2022 for 132 EMDEs, or for 192 countries, excluding those in South Asia. South Asian data at the subnational unit (state)-survey, for Bangladesh, India, Nepal, Pakistan, and Sri Lanka for 1987–2022.

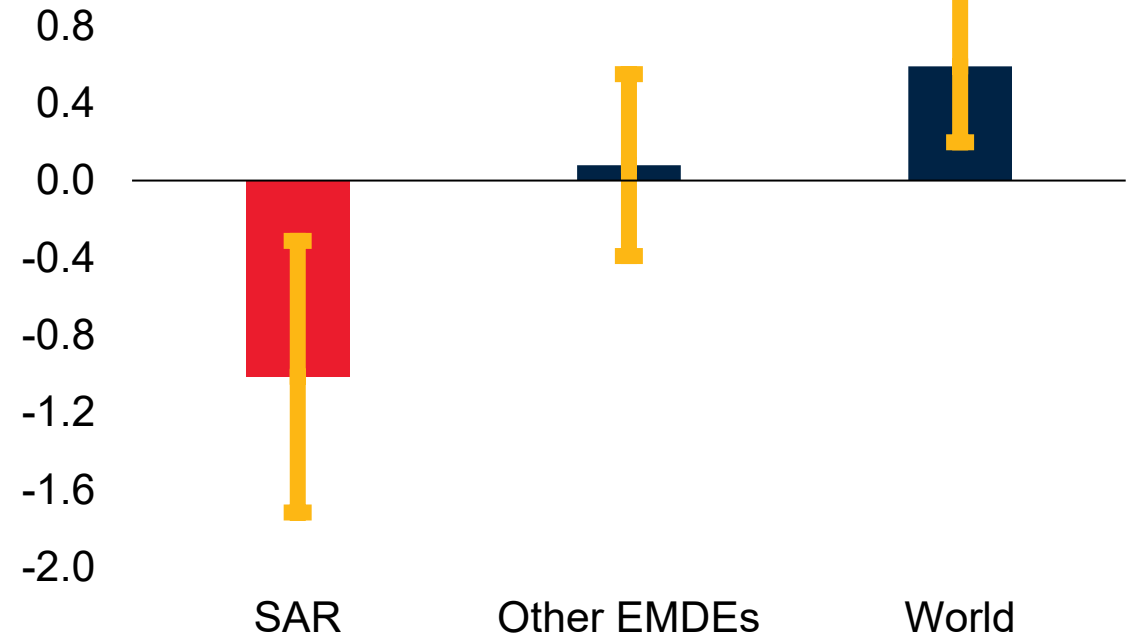
Service Sector and Female Labor Force Participation

Services Sector Not Associated with Greater Participation

Female employment share by economic subsector, 2015–18
(Percentage points)



Average increase in female participation per percentage-point increase in services share
(Percent)



Sources: International Labor Organization (ILO); World Development Indicators (database); World

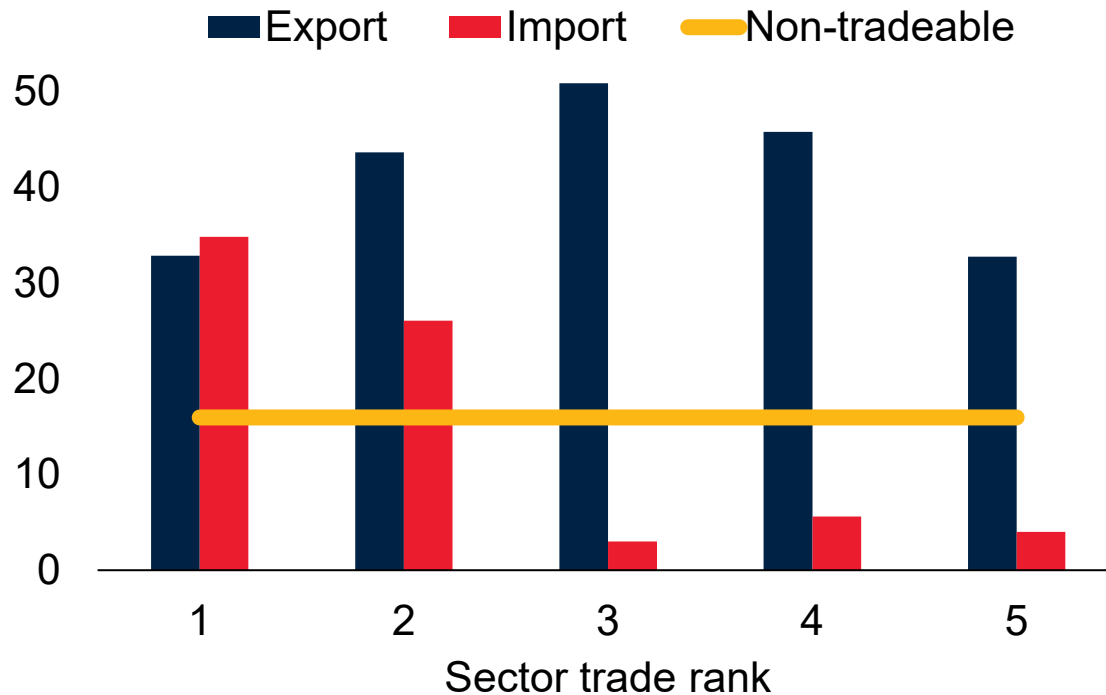
Bank Global Labor Database (GLD) labor force survey microdata (database); World Bank South Asia Region Labor Database (SARLD) labor force survey microdata (database); World Bank.

Note: BGD = Bangladesh; BTN = Bhutan; EMDEs = emerging market and developing economies; IND = India; LKA = Sri Lanka; MDV = Maldives; NPL = Nepal; PAK = Pakistan; SAR = South Asia; Trans/comms = transportation and communication. Left panel: Plot shows women as a share of total employment for each sector for SAR and other EMDEs. Sectors are harmonized and coded according to the ISIC3.1 Revision. Comparison years are selected based on maximum data availability. Shares represent the averaged shares from 2015–8 and are weighted using the average female population during these two time periods. Right panel: Residual relationship between services labor market concentration and female labor force participation is calculated by regressing the ratio of (log) female to male labor force participation on the share of services employment, controlling for log GDP per capita and country fixed effects. Country-level data from 1992–2022 is for 129 EMDEs, or for 171 countries, excluding those in South Asia. South Asian data at the subnational unit (state)-survey, are for Bangladesh, India, Nepal, Pakistan, and Sri Lanka for 1987–2022.

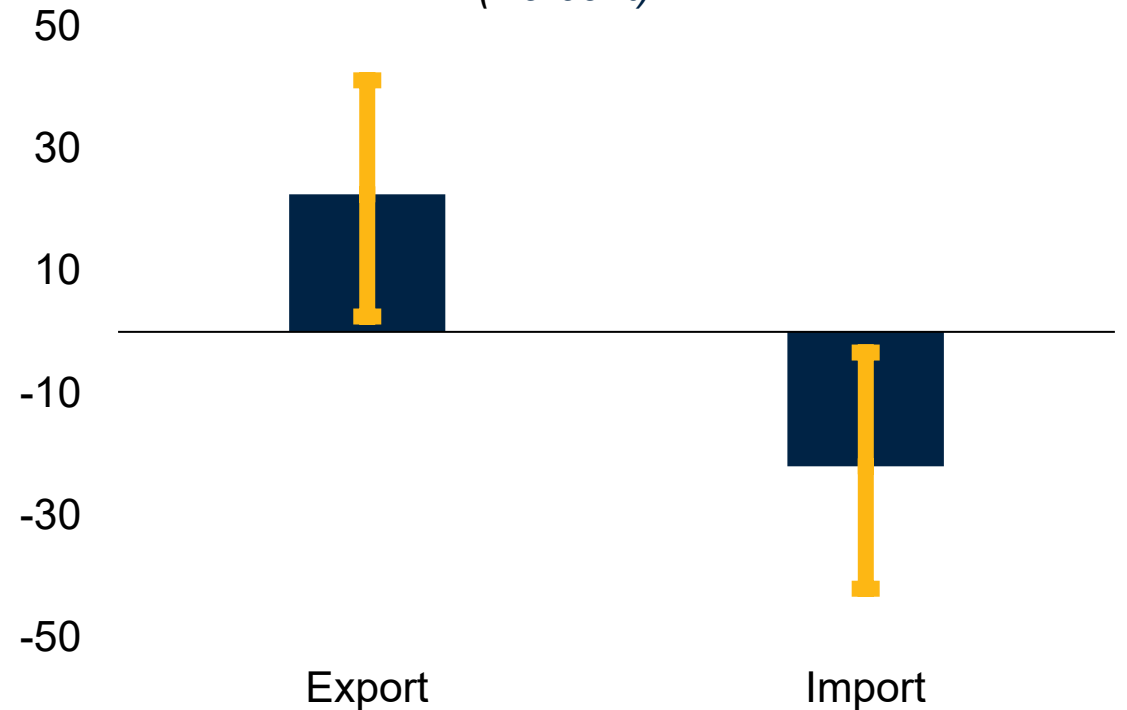
Trade Openness and Female Labor Force Participation

Greater Export Exposure Associated with Greater Female Participation

Female employment share, by exposure to export and import shocks
(Percent of employment)



Impact of trade shocks on female labor force participation at subnational level
(Percent)



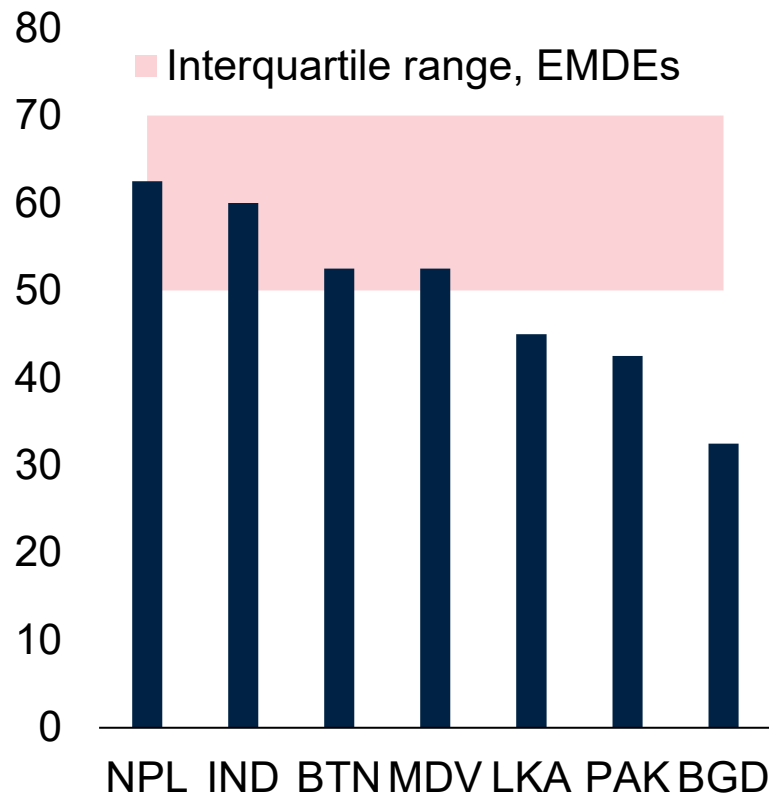
Source: Global Labor Database (GLD) labor force survey microdata (database); International Labor Organization (ILO); World Development Indicators (database); UN Comtrade; World Bank.

Note: Left panel: Figure shows the female share of total sector employment by sector trade rank across all South Asian countries. Sectors are ranked at the country-year level based on their export or import share in total trade for that sector-year, for net export and import sectors, respectively (that is, the top-ranked export sector is the net exporting sector s in country c at year t for which $x_{sct}/(x_{sct}+m_{sct})$ is the highest). Sample years are 2010-2021. Non-tradeable sectors are those for which $x_{sct}=m_{sct}=0$. Right panel: Figure shows estimated coefficients from a subnational panel regression of relative female labor force participation, defined as the (log) ratio of female labor force participation to male labor force participation, on the log of state-year-level export or import exposure. Export and import exposure are calculated as the weighted average of national export or import volumes across sectors, where the weights are the state-level sector employment shares. OLS refers to specification including only export and import shocks, while the fixed effects model include state and year effects.

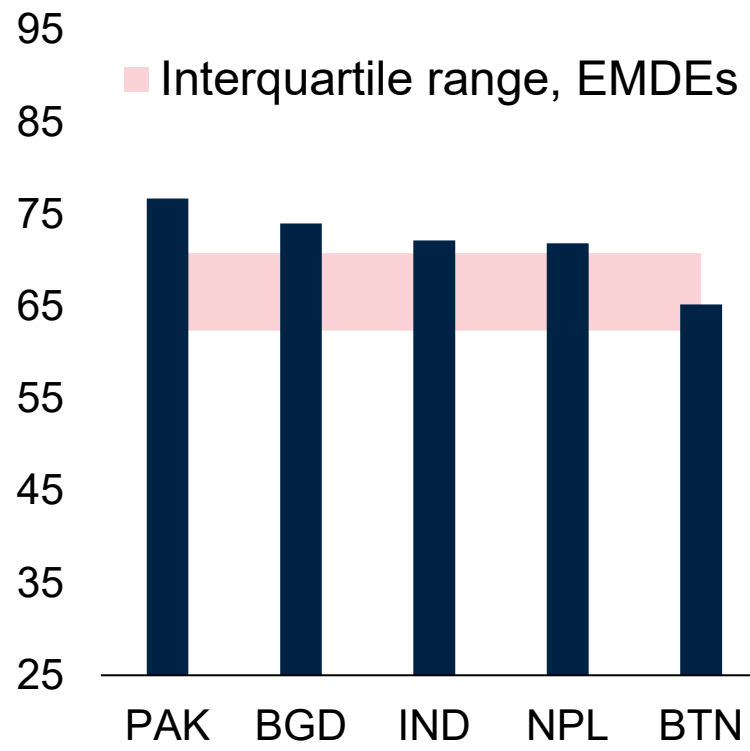
Obstacles to Women's Employment

Unfavorable Legal Rights and Social Norms

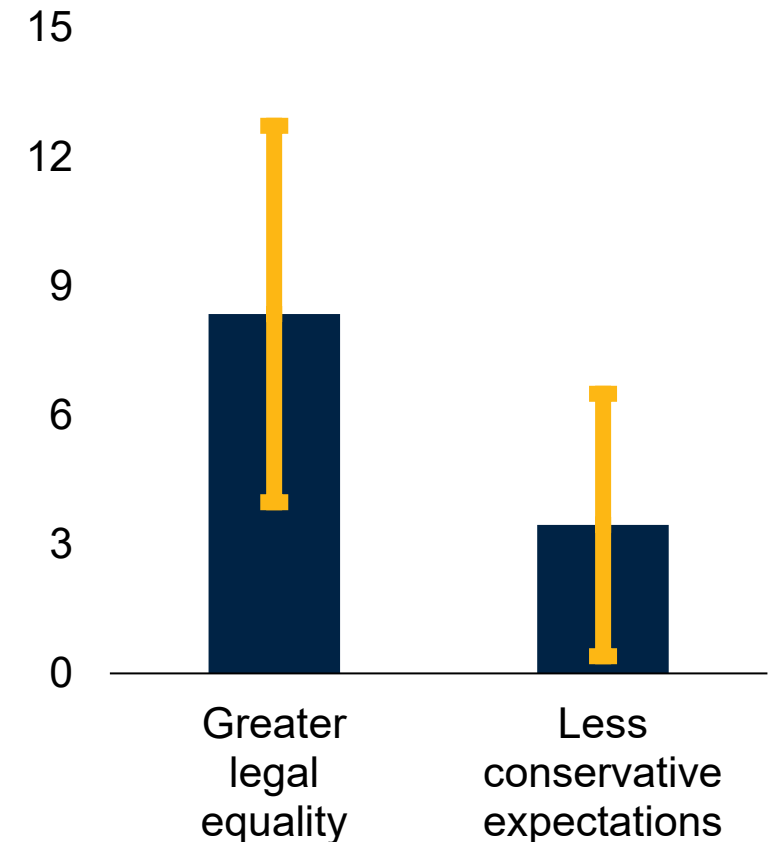
Legal rights
(Index)



Social expectations:
Female homemaker norm
(Percent of responses)



Impact of legal equality and social expectations on female participation
(Percent of working-age population)



Sources: World Bank Women, Business, and the Law (WBL, database); World Bank-Facebook Survey on Gender Equality at Home (database); World Bank.

23 Left Panel: WBL gender equality legal index in 2024. Shaded area is interquartile range for other EMDEs. Center Panel: Averages shares of the population that agree with the female homemaker norm. Shaded area is interquartile range for EMDEs. Right Panel: difference in regression-predicted female labor force participation rates between the top and bottom quartiles of EMDEs, based on the de jure legal index or by social expectations, controlling for log GDP per capita and its square.

Three Questions & Answers

What is the growth outlook for South Asia? *Better than expected six months ago, almost across the board, but with downside risks from climate, policy missteps, social unrest.*

What is the untapped potential of openness to global trade and investment? *Opening to trade and investment, managing remittances could help catalyze firms' growth, create jobs for women.*

What is the untapped potential of working women? *Incomes could be up to one-half higher if as many women worked as men, but they face unfavorable sectoral compositions, laws, norms.*

DOWNLOAD THE REPORT



Visit our webpage to learn more
www.worldbank.org/southasiadevelopment

