

Recent developments: Growth in the South Asia (SAR) region is estimated to have slowed to 6 percent in 2024, owing to stabilizing growth in India from a high base. Excluding India, growth in SAR is estimated to have picked up to 3.9 percent in 2024, mainly reflecting recoveries in Pakistan and Sri Lanka, supported by improved macroeconomic policies that were adopted to address earlier economic difficulties.

In India, growth is projected to soften to 6.5 percent in fiscal year (FY) 2024/25 (April 2024 to March 2025), reflecting a slowdown in investment and weak manufacturing growth. However, private consumption growth has remained resilient, primarily driven by improved rural incomes accompanied by a recovery of agricultural output.

In Bangladesh, political turmoil in mid-2024 weighed on activity and deteriorated investor confidence. Supply constraints, reflecting energy shortages and import restrictions, weakened industrial activity and led to increased price pressures.

Growth turned positive in Pakistan and Sri Lanka, after recent periods of contraction. In Pakistan, agricultural activity strengthened as a result of improved weather conditions, while industrial production also increased, partly because of reduced political uncertainty following the general election in February. In Sri Lanka, easing currency and inflationary pressures have contributed to faster macroeconomic stabilization and stronger growth of industrial and services activity. A solid performance in tourism has been an important factor in growth pick-up in Bhutan, Maldives, and Nepal.

Outlook: Growth in SAR is expected to rise to 6.2 percent in 2025-26, with the projected firm growth in India. Growth in the region excluding India is set to strengthen to 4 percent in 2025 and to 4.3 percent in 2026, though the forecast for this year is slightly lower than in June mainly due to a downgrade for Bangladesh amid economic and policy uncertainty.

In India, growth is projected to remain steady, at 6.7 percent a year for the two fiscal years beginning in April 2025. The services sector is expected to enjoy sustained expansion, and manufacturing activity will strengthen, supported by government initiatives to improve the business environment. Investment growth is projected to be steady, with moderating public investment offset by rising private investment.

In Bangladesh, growth is forecast to decline to 4.1 percent in FY2024/25 (July 2024 to June 2025), before picking up to 5.4 percent in FY2025/26. Amid heightened political uncertainty, investment and industrial activity are expected to remain subdued in the near term.

Growth is expected to strengthen in Pakistan to 2.8 percent in FY2024/25 (July 2024 to June 2025) and 3.2 percent in FY2025/26. Moderating inflation will support industrial activity, while reduced uncertainty is envisaged to improve business confidence, boosting investment. In Sri Lanka, strong industrial activity and recoveries in remittances will support expansions of 3.5 percent in 2025 and 3.1 percent in 2026. Resilient tourism is also projected to underpin growth in Bhutan, Maldives, and Nepal. The economy is envisaged to see modest expansion in Afghanistan, while unemployment, food insecurity, and poverty are heightened.

Risks: A key downside risk to the baseline forecast is heightened policy uncertainty, including adverse trade policy shifts, in major economies. Higher commodity prices could adversely affect growth prospects in the region. Other downside risks include heightened domestic violence and social unrest, tighter-than-expected monetary policy due to more persistent inflation and larger debt-service burdens, more frequent extreme weather events, and growth disappointments in major economies. An upside risk to the baseline projection is stronger-than-expected growth in major economies, which would increase global demand and activity in the region.

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

South Asia Forecasts

(Annual percent change unless indicated otherwise)

| | 2022 | 2023 | 2024e | 2025f | 2026f |
|---|----------------|----------------|-----------------|-----------------|-----------------|
| GDP at market prices (average 2010-19 US\$) | | | | | |
| Calendar year basis | | | | | |
| Afghanistan ^a | -6.2 | 2.7 | .. | .. | .. |
| Maldives | 13.9 | 4.1 | 4.7 | 4.7 | 4.6 |
| Sri Lanka | -7.3 | -2.3 | 4.4 | 3.5 | 3.1 |
| Fiscal year basis ^b | | | | | |
| | 2022/23 | 2023/24 | 2024/25e | 2025/26f | 2026/27f |
| India | 7.0 | 8.2 | 6.5 | 6.7 | 6.7 |
| | 2021/22 | 2022/23 | 2023/24e | 2024/25f | 2025/26f |
| Bangladesh | 7.1 | 5.8 | 5.0 | 4.1 | 5.4 |
| Bhutan | 4.8 | 5.0 | 5.3 | 7.2 | 6.6 |
| Nepal | 5.6 | 2.0 | 3.9 | 5.1 | 5.5 |
| Pakistan ^c | 6.2 | -0.2 | 2.5 | 2.8 | 3.2 |

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 2023 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.