

Recent developments: The economies of the South Asia region (SAR) continue to be adversely affected by shocks emanating from the Russian Federation's invasion of Ukraine, including higher food and energy prices, and by the tightening of global financial conditions as central banks in the region and elsewhere act to fight high inflation.

Several economies, however, maintained resilient growth despite the global economic backdrop. In India, which accounts for three-fourths of the region's output, growth expanded by 9.7 percent on an annual basis in the first half of fiscal year 2022/23 (April-March), reflecting strong private consumption and fixed investment growth. In Maldives, tourism rebounded robustly in 2022, returning its GDP to its pre-pandemic levels more quickly than previously expected; growth for the year is expected to be 12.4 percent.

Other economies faced difficult domestic developments and global spillovers. Bangladesh was priced out of global energy markets and unable to meet the energy needs of households and businesses leading to blackouts and factory closures. In Sri Lanka, output is estimated to have fallen by 9.2 percent in 2022 as the government ran out of the foreign exchange needed to cover food and fuel imports, and to service external debt. In Afghanistan, the sudden pause of international aid in August 2021—the foundation of economic activity for much of the preceding two decades—is estimated to have an accumulated contraction of output between 2021 and 2022 of about one-third, leading to a large increase in poverty.

Outlook: Growth in SAR is projected to slow to 5.5 percent in 2023, from 6.1 percent the previous year, on slowing external demand and tightening financial conditions, before picking up slightly to 5.8 percent in 2024. Growth is revised lower over the forecast horizon and is below the region's 2000-19 average growth of 6.5 percent. This pace reflects still robust growth in India, Maldives, and Nepal, offsetting the effects of the floods in Pakistan and the economic and political crises in Afghanistan and Sri Lanka.

Growth in India is projected to slow to 6.9 percent in FY2022/23, a 0.6 percentage point downward revision since June, as the global economy and rising uncertainty will weigh on export and investment growth. India is expected to be the world's fastest growing major economy. Pakistan is forecast to grow at 2.0 percent in FY2022/23 (July-June), half the pace that was anticipated last June, and faces challenging economic conditions, including the repercussions of the recent flooding and continued policy and political uncertainty. In Bangladesh, growth is expected to slow to 5.2 percent in FY2022/23 (July-June) due to rising inflation and its negative impact on household incomes and firms' input costs, as well as energy shortages, import restrictions, and monetary policy tightening.

Risks: Risks to the regional growth outlook remain to the downside.

Food insecurity is rising in the region which consumes about one-fifth of its calories from wheat products, houses more than one-third of the global poor, and where food accounts for a greater share of its consumption basket compared to other emerging and developing economies. Although global food price inflation appears to have subsided, risks of increased deprivation and inadequate nutrition remain elevated.

Climate change is a significant threat in the region. The recent floods in Pakistan are estimated to have caused damage equivalent to about 4.8 percent of GDP. Extreme weather events can exacerbate food deprivation, cut the region off from essential supplies, destroy infrastructure, and directly impede agricultural production.

Download *Global Economic Prospects*: <http://wrlid.bg/WNfs50MhGZt>

South Asia Country Forecasts

(Annual percent change unless indicated otherwise)

	2020	2021	2022e	2023f	2024f
GDP at market prices (average 2010-19 US\$)					
Calendar Year Basis ^a					
Afghanistan ^b	-2.4	-20.7
Maldives	-33.5	41.7	12.4	8.2	8.1
Sri Lanka	-3.5	3.3	-9.2	-4.2	1.0
	2019/2	2020/2	2021/22	2022/23	2023/24
Fiscal Year Basis ^a	0	1	e	f	f
Bangladesh	3.4	6.9	7.2	5.2	6.2
Bhutan	-2.3	-3.3	4.6	4.1	3.7
India	3.7	-6.6	8.7	6.9	6.6
Nepal	-2.4	4.2	5.8	5.1	4.9
Pakistan (factor cost)	-0.9	5.7	6.0	2.0	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. Please see regional annex for details on fiscal year reporting.

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