

*The Office of the
Chief Economist of
the South Asia
Region*

April 2024

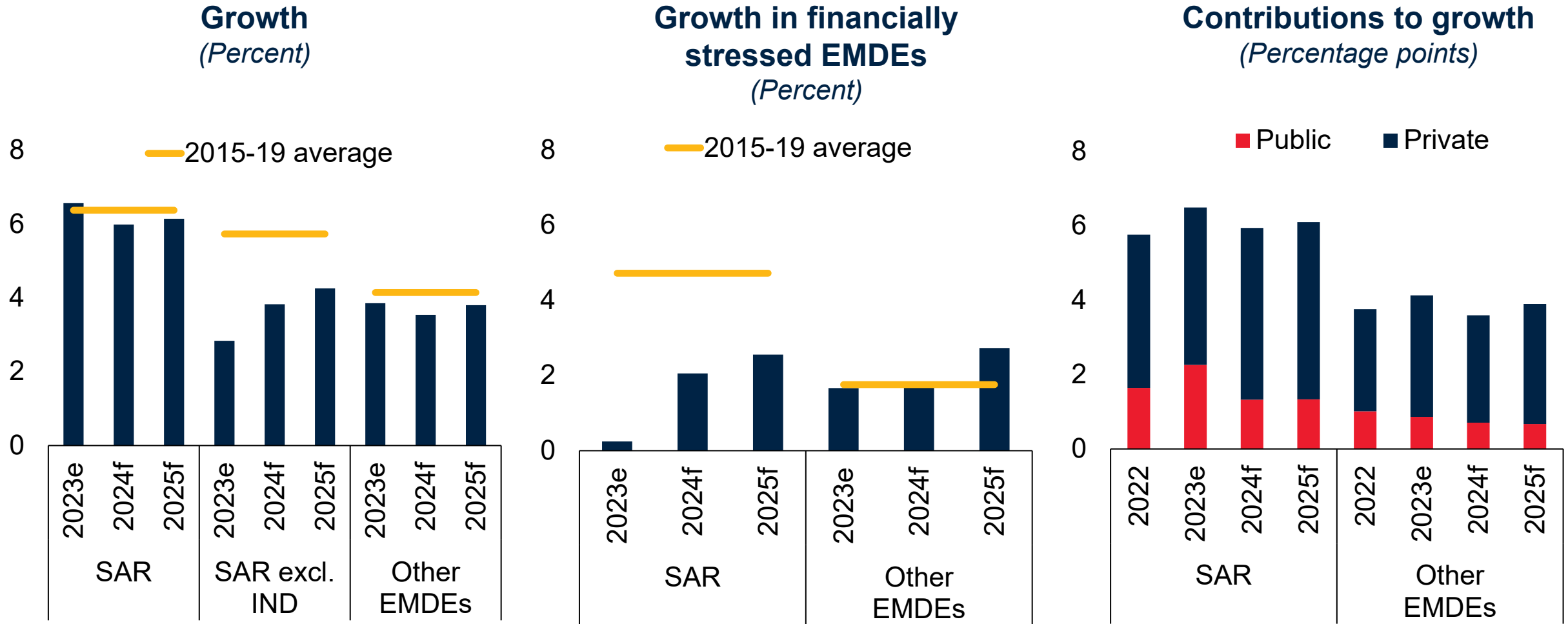
South Asia Development Update

Jobs for Resilience



Growth Prospects

Above-Average Growth, But Mainly in India and Reliant on Public Sector

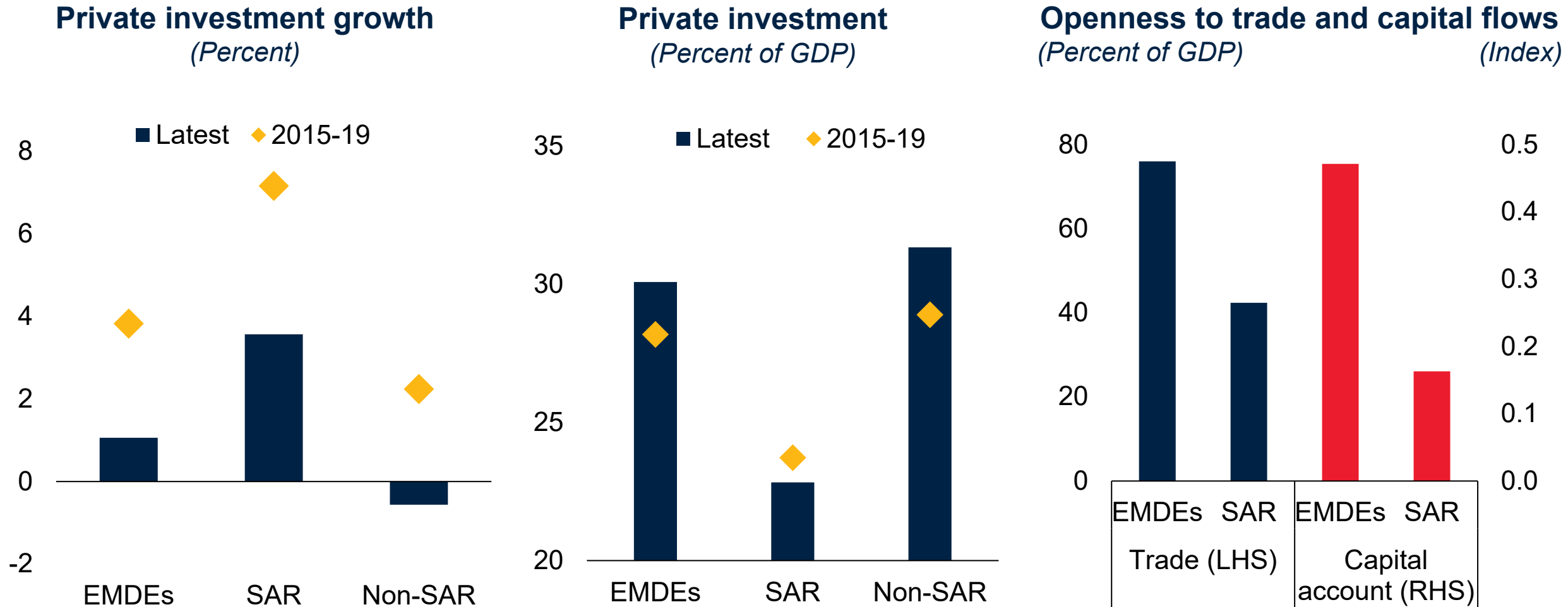


Sources: MPO (database); [April 2024 South Asia Development Update](#); World Bank.

2 Left panel: The regional aggregate is weighted by using annual real U.S. dollar GDP (at average 2010-19 prices and market exchange rates). Center panel: Financially stressed EMDEs include 58 countries that are rated by Moody's rating agency C or are considered in debt default or at high risk or debt default according to the IMF-World Bank Low-Income Country Debt Sustainability as of November 2023. Countries included in South Asia are Maldives, Pakistan, and Sri Lanka. Right panel: Assumes that half of India's forecasted discrepancy in FY2023/24 is due to public sector. SAR does not include Maldives and Sri Lanka due to lack of data for private and public investment.

Private Investment

Weak, Held Back By Lack of Openness, Institutional Quality



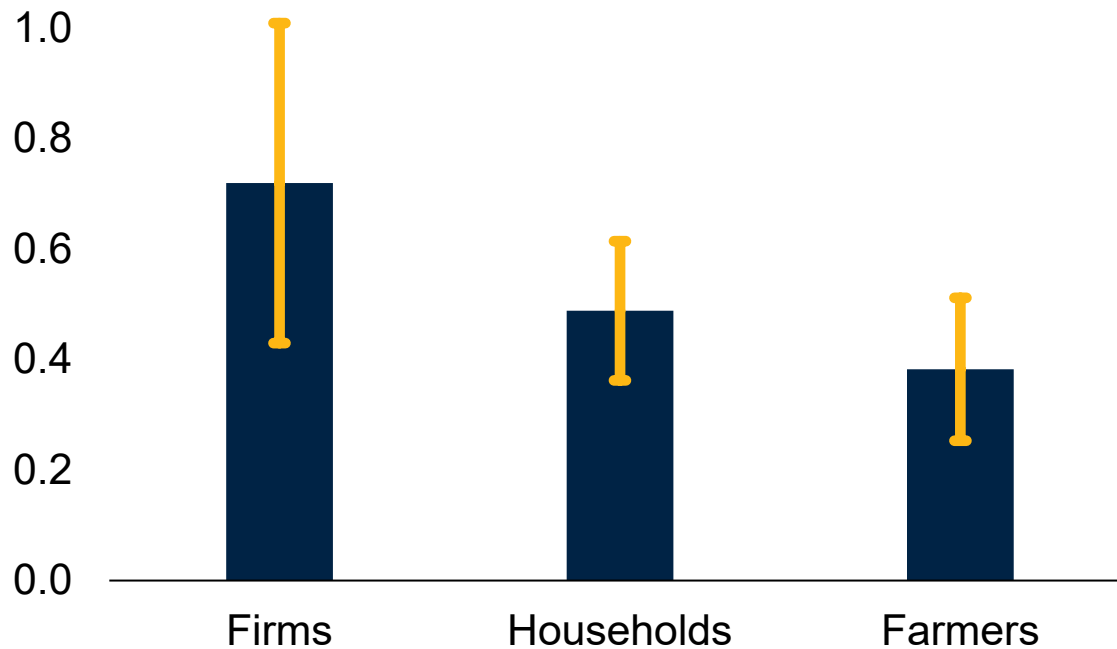
Sources: Chinn and Ito (2008); Haver Analytics; MPO (database); [April 2024 South Asia Development Update](#); WDI (database); World Bank.

3 Left panel: Bars show real private fixed investment in growth terms, annual average for 2015-19. "Latest" data refers to geometric average of 2020-21 average because of limited data and to even out the deep contractions of 2020 and strong rebounds of 2021. Center panel: Charts show real private fixed investment in percent of GDP. 2015-19 is the annual average. "Latest" data refers to 2020-21 average. Right panel: Latest available data are from 2022 for trade in percent of GDP and from 2021 for capital account openness index.

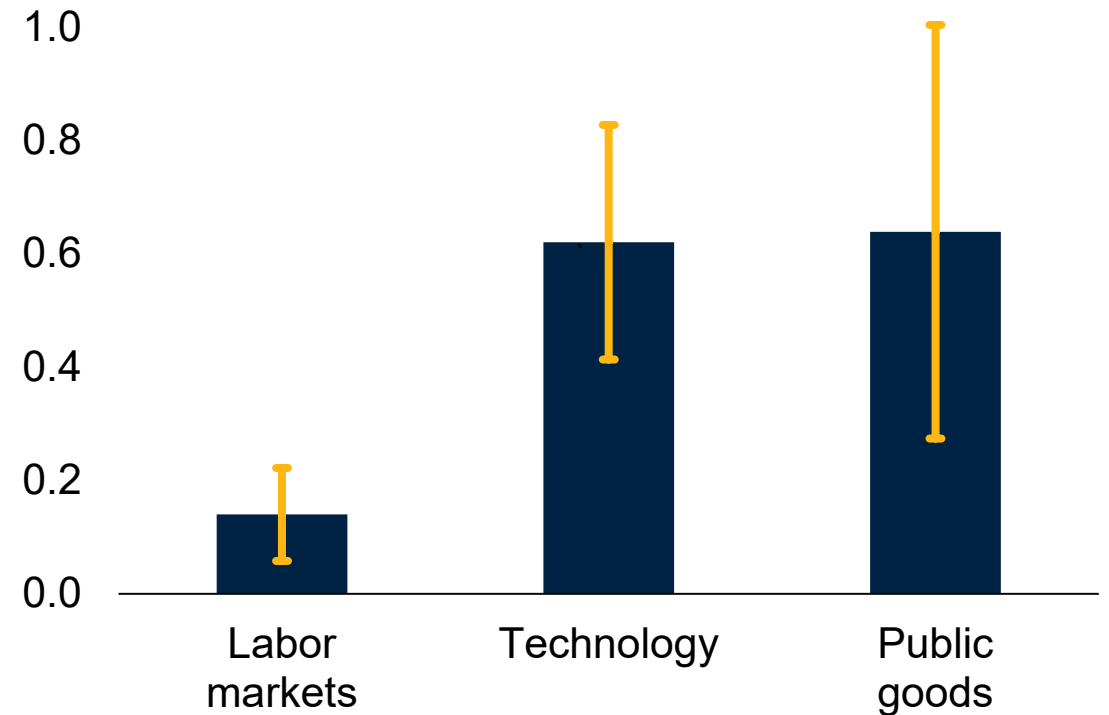
Improve Climate Resilience

Public Goods and Technologies are the Most Effective Adaptation Strategies

Adaptation ratio, by agent
(Ratio)



Adaptation ratio, by strategy
(Ratio)



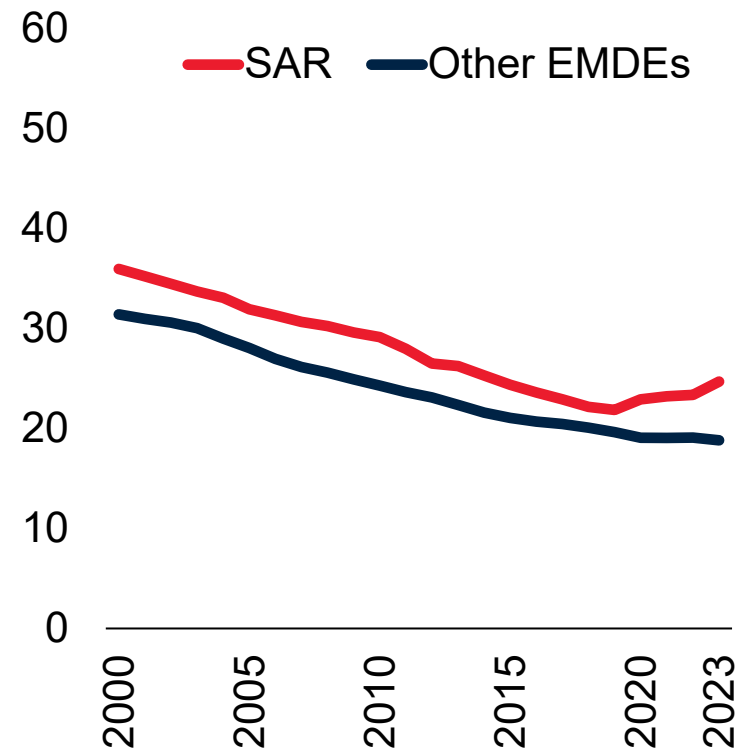
Sources: Rexer and Sharma (2024); [April 2024 South Asia Development Update](#); World Bank.

4 Note: Adaption ratio is the share of the damage from a climate shock that is offset by adaptation. The yellow lines represent 95 percent confidence intervals. The total sample consists of 118 estimates from 52 papers included in the meta-analysis of adaptation in Rexer and Sharma (2024).

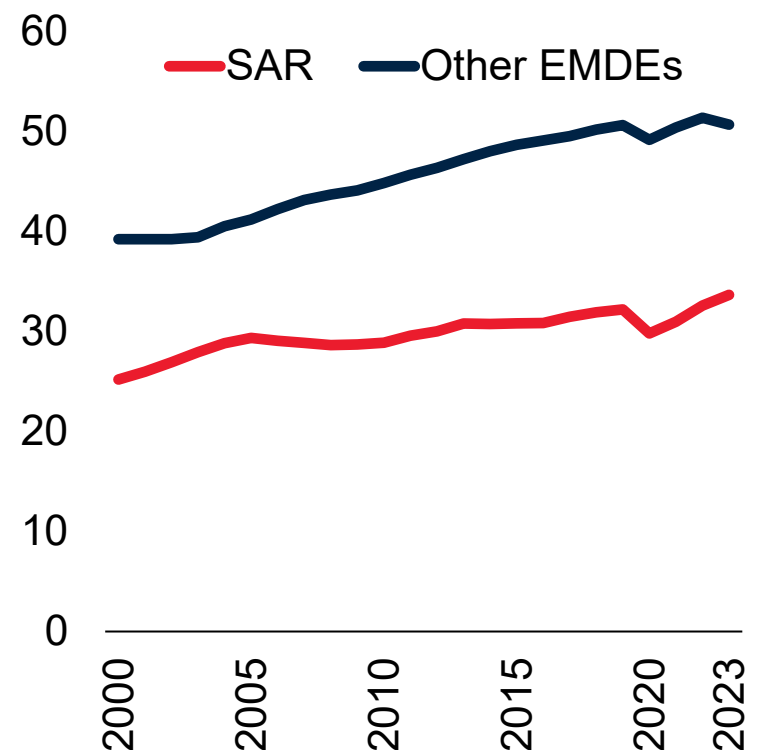
Employment Ratios

Falling in Agriculture Like Elsewhere; Lower and Rising More Slowly in Non-Agriculture

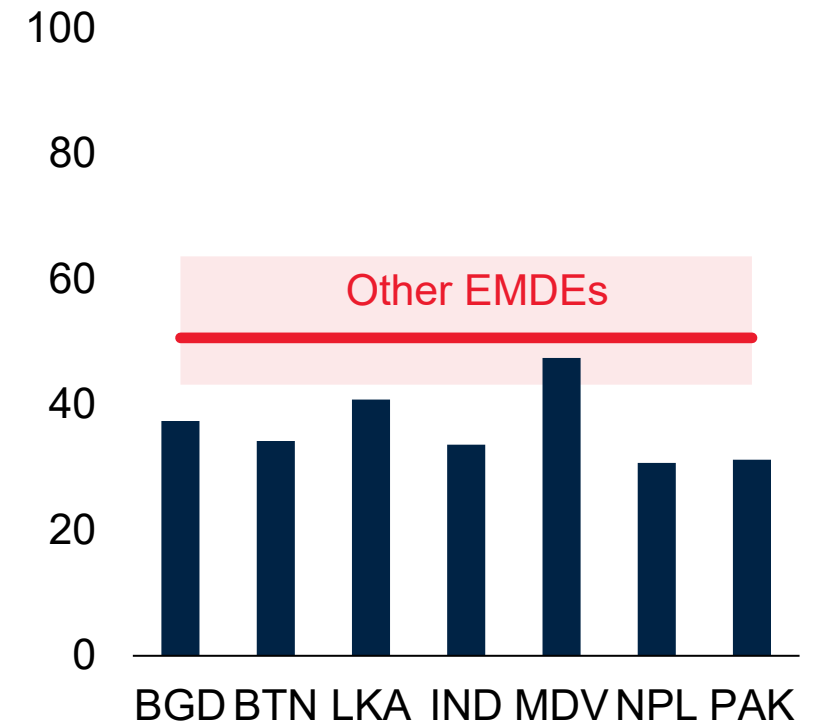
**Agriculture:
Employment ratio**
(Percent of working-age population)



**Non-agriculture:
Employment ratio**
(Percent of working-age population)



**Non-agriculture:
Employment ratio, 2022**
(Percent of working-age population)



Sources: International Labor Organization; Penn World Tables (database); [April 2024 South Asia Development Update](#); WDI (database); World Bank.

5 Note: Employment ratios are defined as employment in percent of the working-age population. Working-age population-weighted averages for country groups. Sample includes 128 EMDEs. Latest available data for sectoral employment in a large sample of countries is for 2023; missing 2023 data is assumed to be constant at 2022 level. Right panel: Red-shaded area is interquartile range among non-South Asian EMDEs.

Four Questions and Answers

1 **What is the growth outlook for South Asia?** *Better than in other EMDEs, mostly due to strength in India, and more reliant on public sector than in other EMDEs. Risks remain to the downside, including due to climate shocks.*

2 **How do households and firms adapt to climate risks?** *Households have less effective climate adaptation strategies than firms, in part because of limited employment options in non-agriculture.*

3 **Why is job creation weak in South Asia?** *South Asia's nonagricultural sector and women are converging toward significantly below-average employment ratios, including due to obstacles to firms' growth.*

4 **What are the policy implications?** *Vibrant, competitive firms are key to unlocking job creation, private investment, and private climate adaptation. Policies include greater trade openness, more efficient markets.*

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