



### HIGHLIGHTS from Chapter 1: RISING TIDE, HIDDEN ROCKS

#### Key Points

- *At above 6 percent, output growth in South Asia is on track to exceed earlier expectations in 2024–26, in a broad-based upturn. Growth is expected to remain higher than in all other emerging market and developing economy (EMDE) regions.*
- *The region’s fragile fiscal and external positions leave little buffer against downside risks, including from extreme weather events, social unrest, debt distress, and reform delays.*
- *This better-than-average growth outlook notwithstanding, South Asia has considerable untapped potential to increase growth further.*
- *Raising employment among women to levels comparable to those among men could raise output by as much as one-half in the long term. Increased openness to global trade and investment, along with the removal of obstacles to the growth of firms, could attract foreign investment, accelerate the diffusion of new technologies, and spur the private investment needed for job creation.*

**Outlook: Broad-based upturn.** South Asia’s output growth is forecast to exceed earlier expectations, at 6.4 percent in 2024 and 6.2 percent a year in 2025–26 (table 1). This faster-than-expected growth reflects growth upgrades in five of the seven countries with growth forecasts, and is supported by robust growth in private consumption in India and stronger-than-expected tourism and hydropower exports in Bhutan, Nepal, and Sri Lanka (figure 1).

**Risks to the outlook: Limited room to absorb shocks.** The robust short-term growth prospects are subject to several downside risks from extreme weather events, social unrest, debt distress, and reform delays. Social unrest, delays in planned reforms, and delays in ongoing debt negotiations could undermine investor confidence and weaken the growth outlook. The region’s fragile fiscal and external positions make it especially vulnerable to the downside risks. South Asia’s debt levels are the highest, and its international reserve levels are the lowest, among EMDE regions.

**Policy challenge: Harness untapped growth potential.** South Asia has considerable untapped potential to raise growth prospects further. Only one-third of its working-age women are employed, far fewer than the employment rate among its men or the EMDE average. Raising employment rates among women to those among men could lift per capita incomes by as much as one-half over the long term. Greater openness to global trade and investment and removing obstacles to the growth of firms could boost productivity growth and job creation, especially among women. Currently, all South Asian countries are in the bottom quartile among EMDEs for openness to global trade, and most fall in the bottom quartile for openness to global investment.

**Policy challenge: Spur firm growth.** A below-average share of young firms among small firms in South Asia suggests constraints to firm growth. The region’s younger and smaller firms face greater challenges accessing land or cost-efficient foreign inputs than in other EMDEs. Well-designed industrial policies, when implemented in the right enabling environments, can support the growth of firms.



# South Asia Development Update

## Women, Jobs, and Growth

**TABLE 1. Growth in South Asia**

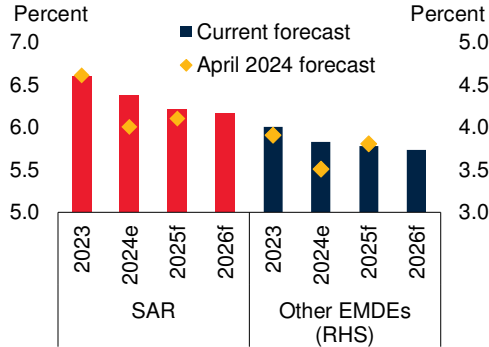
Country	Fiscal year	Real GDP growth at constant market prices (Percent)				Revision to forecast from April 2024 (Percentage point)	
		2023	2024(f)	2025(f)	2026(f)	2024(f)	2025(f)
<b>Calendar year</b>		<b>2023</b>	<b>2024(f)</b>	<b>2025(f)</b>	<b>2026(f)</b>	<b>2024(f)</b>	<b>2025(f)</b>
<b>South Asia region (excluding Afghanistan)</b>		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
<b>Fiscal year basis</b>		<b>22/23</b>	<b>23/24(e)</b>	<b>24/25(f)</b>	<b>25/26(f)</b>	<b>23/24(e)</b>	<b>24/25(f)</b>
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	2.5	2.8	3.2	0.6	0.5

*Sources:* World Bank Macro Poverty Outlook and World Bank staff calculations.

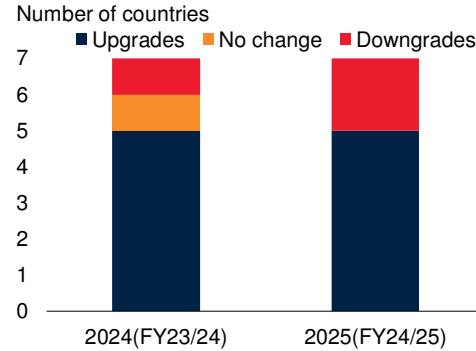
*Note:* (e) = estimate; (f) = forecast. GDP measured in average 2010–19 prices and market exchange rates. Pakistan is reported at factor cost. Growth projections for Afghanistan are not available. To estimate forecasts for regional aggregates in the calendar year, fiscal year forecasts for Bangladesh, Bhutan, Nepal, and Pakistan are converted by averaging two consecutive fiscal years, as quarterly GDP forecasts are unavailable.

**FIGURE 1. Growth outlook, risks, and policy challenges in South Asia**

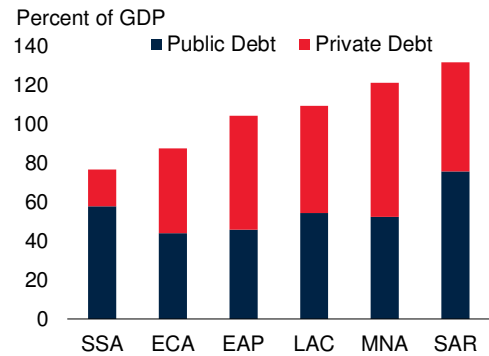
**A. Output growth**



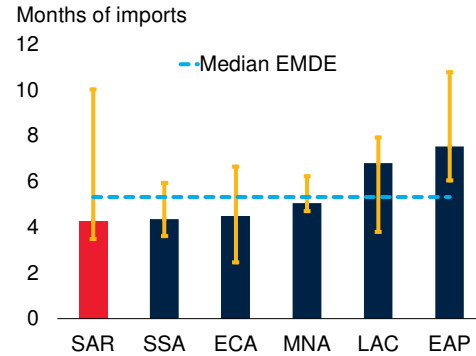
**B. Changes in growth forecast for South Asian countries since April**



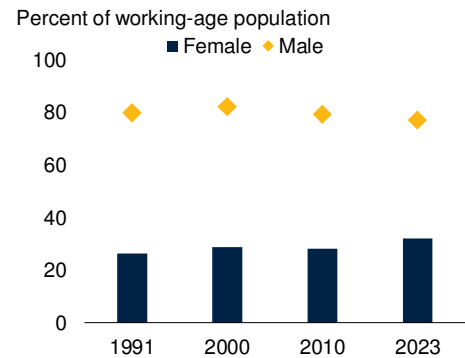
**C. Public and private debt, latest available data**



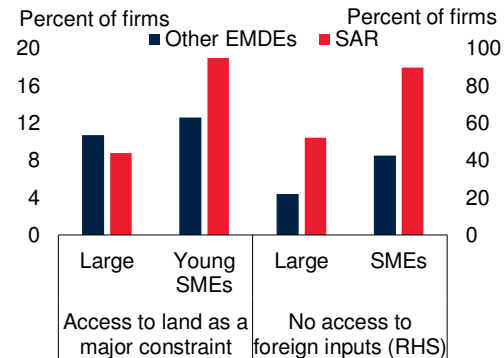
**D. International reserves, latest available data**



**E. South Asia: Labor force participation rate, 1991–2023**



**F. Obstacles faced by firms**



Sources: CEIC; Enterprise Surveys (World Bank); Global Debt Database (IMF); Global Labor Database (World Bank, labor force survey microdata); Haver Analytics; ILOStat (International Labour Organization); *Macro Poverty Outlook* (World Bank); World Bank.

Note: e = estimate; f = forecast; BGD = Bangladesh; BTN = Bhutan; EAP = East Asia and Pacific; ECA = Europe and Central Asia; EMDEs = emerging market and developing economies; IND = India; LAC = Latin America and the Caribbean; LKA = Sri Lanka; MDV = Maldives; NPL = Nepal; PAK = Pakistan; SAR = South Asia; SSA = Sub-Saharan Africa.

A. Bars show average for fiscal year. Aggregation method is weighted average.

B. Sample includes seven South Asian countries with GDP forecast.



# South Asia Development Update

## Women, Jobs, and Growth

C. Public debt is the total stock of debt liabilities issued by the central government. Private debt includes debt, loans and debt securities. Latest observation for both private and public debt is 2022. For Sri Lanka, private debt data is from 2019, and for Bhutan, it is from 2021.

D. Bars show simple average of monthly data in 2024 through July. Sample includes up to 55 EMDEs of which 5 are in SAR. Whiskers show the interquartile range. Dotted line shows the median EMDE economy.

E. Female (male) labor force participation is the share of working-age women (men) aged 15 to 64 who are employed or looking for work.

F. Young firms are firms that are five years old or younger. SMEs have 99 employees or fewer. Small firms have 20 employees or fewer. For the World Bank Enterprise Surveys, the South Asia sample comprises Bangladesh, India, Pakistan for 2022, Nepal for 2023, and Sri Lanka for 2011. EMDEs comprise 71 countries between 2017 and 2023. Total sample comprises 59,117 firms.