



Asia Development Outlook Report 2024

For Prelims: [Asian Development Bank](#), [India's Gross Domestic Product](#), [Capital expenditure](#), [Current account deficit](#), [Regional Comprehensive Economic Partnership](#), [Asian Infrastructure Investment Bank](#), [International North-South Transport Corridor](#), [India-Middle East-Europe Corridor](#), [International Solar Alliance](#).

For Mains: Sectors Driving Asia's Development, India's Contribution in Asia's Development.

Source: [ADB](#)

Why in News?

The [Asian Development Bank \(ADB\)](#) recently released the Asia Development Outlook Report in April 2024 and revised [India's Gross Domestic Product \(GDP\) growth](#) forecast for the fiscal year (FY) 2024 and FY 2025, citing various factors contributing to this optimistic outlook.

What are the Key Highlights of Asia Development Outlook Report 2024?

▪ Asia's Growth Outlook:

- **About:** Despite uncertain external prospects, Asia is projected to maintain resilient growth in the coming years.
 - Factors such as the conclusion of **interest rate hiking cycles** in most economies and a sustained recovery in goods exports, **particularly driven by improving semiconductor demand**, contribute to the region's broadly positive outlook.
- **GDP Growth Forecast:** Asia's GDP growth forecast for 2024 stands at 4.9%, with a similar projection maintained for 2025.
 - This steady growth trajectory reflects the region's ability to navigate external challenges and sustain economic momentum.
- **Inflation Trends:** Inflation in Asia is expected to moderate, with a forecast of **3.2% for 2024** and a further decrease to 3.0% in 2025.
 - This trend indicates a relatively stable pricing environment, which can support consumer confidence and spending.

▪ India's Growth Forecast:

- **Growth Forecast:** India's investment-driven growth is highlighted as a significant factor in positioning the country as a major economic engine within Asia.
 - ADB now projects India's GDP growth to reach **7% in FY 2024 and 7.2% in FY 2025**, up from the previous forecast of 6.7% for FY 2024.
- **Factors Fueling Growth in FY 2024:**
 - [Higher capital expenditure on infrastructure](#) development by central and state governments is a major driver of growth.
 - Private corporate investment is expected to rise, supported by stable interest rates and improved consumer confidence.
 - The **service sector's performance**, including financial, real estate, and professional services, is contributing significantly to economic expansion.

- **Growth Momentum in FY 2025:** FY 2025 is expected to witness increased momentum, **driven by improved [goods exports](#)**, enhanced manufacturing productivity, and higher agricultural output.
 - The forecast reflects a positive outlook for India's economy, buoyed by its strong domestic demand and supportive policies.
- **Risks and Challenges:** Despite the positive forecast, unanticipated global shocks like **supply disruptions in [crude oil markets](#)** and weather-related impacts on agriculture remain key risks.
 - The **[current account deficit](#)** is projected to widen moderately due to rising imports to meet domestic demand.
 - However, according to recent RBI data, the current account deficit (CAD) decreased sequentially from 1.3% of GDP in Quarter 2 FY24 to **1.2%** in Quarter 3 FY24.

What is the Asian Development Bank?

- **About:** Established in 1966, ADB is a regional development bank that envisions a prosperous, inclusive, resilient, and sustainable Asia and the Pacific while sustaining its efforts to eradicate extreme poverty in the region.
 - ADB supports its members and partners through the provision of **loans, technical assistance, grants, and equity investments** aimed at advancing social and economic development.
- **Headquarters:** Manila, Philippines
- **Members:** It currently has 68 members of which 49 are from within Asia and the Pacific and 19 outside.
- **ADB and India:** India is a founding member of ADB and the bank's **fourth-largest shareholder**.
 - ADB supports India's priorities for robust, climate resilient, and inclusive growth, aligned with **ADB's Strategy 2030** and the **country partnership strategy, 2023-2027**.

What are the Sectors Driving Asia's Growth?

- **Economic Powerhouse:** Asia is home to several of the world's fastest-growing economies. With **China, Japan and India** being in the top 5 economies of the world.
 - Fueled by economic growth, a burgeoning middle class across Asia is creating a vast pool of consumers, driving demand for goods and services.
 - **Example:** Vietnam is expected to add 36 million people to its middle class by 2030.
- **Home to Manufacturing Hubs:** For decades, Asia has been a dominant manufacturing centre. From **China's dominance in electronics to Vietnam's rise in footwear** production, Asian countries benefit from skilled labour forces and efficient infrastructure, making them cost-competitive and crucial to global supply chains.
- **Rising Trade & Investment:** Asian nations are actively involved in international trade. Regional trade agreements like the **[Regional Comprehensive Economic Partnership \(RCEP\)](#)** create significant trade blocs, boosting intra-Asian trade and foreign investment.
- **Rising Financial Centers:** Asian cities such as **Tokyo, Hong Kong and Singapore** have emerged as major financial centres, attracting investments, fostering entrepreneurship, and facilitating cross-border capital flows.
 - The growing influence of Asian financial institutions like the **[Asian Infrastructure Investment Bank \(AIIB\)](#)** reflects the region's increasing role in shaping global economic policies.

What is India's Contribution to Asia's Growth?

- **Regional Connectivity:** India has been a key player in promoting regional connectivity in Asia through initiatives like the **[International North-South Transport Corridor \(INSTC\)](#)** and the **[India-Middle East-Europe Corridor](#)**.
 - These projects aim to improve transportation networks, trade routes, and economic cooperation between Asia, Africa, and Europe.

- **Renewable Energy:** India is actively promoting renewable energy initiatives that contribute to sustainable development in Asia.
 - The [International Solar Alliance \(ISA\)](#), launched by **India and France**, aims to promote solar energy adoption globally, especially in sun-rich countries in Asia and Africa, thereby addressing energy security and climate change challenges.
- **Capacity Building:** India engages in capacity-building efforts across Asia through initiatives like the [Indian Technical and Economic Cooperation \(ITEC\) program](#).
 - It offers training, education, and skill development opportunities to professionals and students from Asian countries, fostering human resource development and cultural exchanges.
- **Unifying Asia with UPI:** India's [UPI \(Unified Payments Interface\)](#) services are becoming increasingly popular in Asia due to their convenience and efficiency in digital transactions.
 - UPI services have already been launched in [Sri Lanka and Mauritius](#).

Drishti Mains Question:

Q. Discuss the role of the Asian Development Bank (ADB) in fostering economic growth and development in Asia-Pacific countries especially India.

UPSC Civil Services Examination, Previous Year Question (PYQ)

Prelims:

Q. Consider the following statements: (2020)

1. The value of Indo-Sri Lanka trade has consistently increased in the last decade.
2. "Textile and textile articles" constitute an important item of trade between India and Bangladesh.
3. In the last five years, Nepal has been the largest trading partner of India in South Asia.

Which of the statements given above is/are correct?

- (a) 1 and 2 only
- (b) 2 only
- (c) 3 only
- (d) 1, 2 and 3

Ans: (b)

Q. Which one among the following South Asian countries has the highest population density? (2009)

- (a) India
- (b) Nepal
- (c) Pakistan
- (d) Sri Lanka

Ans: (a)

Q. The term 'Regional Comprehensive Economic Partnership' often appears in the news in the context of the affairs of a group of countries known as (2016)

- (a) G20
- (b) ASEAN
- (c) SCO
- (d) SAARC

Ans: (b)

Mains

Q. Evaluate the economic and strategic dimensions of India's Look East Policy in the context of the post-Cold War international scenario. **(2016)**

PDF Refernece URL: <https://www.drishtias.com/printpdf/asia-development-outlook-report-2024>

