

Asian Development Outlook Supplement: July 2014

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JULY 2014 **ASIAN DEVELOPMENT OUTLOOK SUPPLEMENT**

HIGHLIGHTS

- Developing Asia remains broadly on track to reach the growth forecasts published in Asian Development Outlook 2014. Despite slower-than-expected expansion in the United States in the first quarter of this year, this Supplement maintains the regional growth forecasts at 6.2% in 2014 and 6.4% in 2015.
- Growth in the People's Republic of China is moderating in line with earlier expectations and should achieve the forecast 7.5% in 2014 and 7.4% in 2015. East Asia as a whole is similarly paced to meet growth projections of 6.7% in both 2014 and 2015.
- With parliamentary elections over, India is expected to pursue long-delayed reform. India's growth forecast is maintained at 6.5% in fiscal year 2014 but upgraded to 6.3% in FY2015 as expected reform bears fruit. With this improved outlook for the largest economy in South Asia, expansion in the subregion is expected to reach 5.4% in 2014 and pick up to 6.1% in 2015.
- Growth in Southeast Asia softened in the first half of 2014 largely because of country-specific factors in Indonesia, Thailand, and Viet Nam. The outlook for the subregion's five largest economies is revised down to 4.8% in 2014, dragging the subregional forecast to 4.7%, but should rebound in 2015 to 5.6%, or 5.4% across Southeast Asia.
- Declining food prices and relatively stable oil prices are keeping developing Asia's inflation in check at 3.5% in 2014 and 3.7% in 2015.

STABLE GROWTH OUTLOOK FOR DEVELOPING ASIA

Outlook for the major industrial economies

As the United States (US) bounces back from weather-related contraction in the first quarter, growth in the gross domestic product (GDP) of the major industrial economies in 2014 should exceed the 1.0% rate recorded in 2013. Softer US growth has been somewhat offset by Japan's robust first quarter performance, while the euro area has generally met expectations. In aggregate, the major industrial economies are anticipated to expand by 1.8%, a downward revision from the 1.5% forecast in Asian Development Outlook (ADO) 2014, before picking up to 2.2% in 2015 (Table 3).

	2014		2015	
	ADO 2014	Revised	ADO 2014	Revised
Major industrial economies ^a	1.5	1.8	2.0	2.2
United States	1.8	2.8	1.0	2.0
Euro area	0.4	1.0	1.0	1.4
Japan	1.5	1.2	1.5	1.2

ADO = Asian Development Outlook, GDP = gross domestic product.
^a Average growth rates are weighted by gross national income, Asia method (current US dollars).
Sources: Asian Development Bank, 2014; Asian Development Outlook 2014, March; ADB estimates.

The US was hit by an unusually severe winter, causing GDP to contract in the first quarter of 2014 by a seasonally adjusted annualized rate (saar) of 2.9%. Relatively strong consumption growth of 1.0% could not offset the large drop in inventories, which subtracted 1.0 percentage points from overall GDP growth, or of slowing.

ADB's Regional Economic Outlook Task Force led the preparation of the revised outlook for the ADO Supplement. The Task Force is chaired by the Economic and Research Department and includes representatives from the Central and West Asia Department, East Asia Department, Pacific Department, Office of Regional Economic Integration, South Asia Department, and Southeast Asia Department.

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