



Asian Development Outlook 2019- Strengthening Disaster Resilience: ADB

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Asian Development Bank has published **Asian Development Outlook 2019**.

- In this, ADB has **cut India's growth forecast to 7.2% for 2019-20** because of a slower-than-expected pickup in investment demand.
- The growth rate in **Financial Year 2020-21 is likely to be 7.3%**.

Findings

- ADB, which had estimated 7.6% economic growth in December 2018, is the **first multilateral lending agency** to slash India's growth estimate.
The **International Monetary Fund (IMF)** and the **Reserve Bank of India (RBI)** had earlier projected **7.5% and 7.4% growth, respectively**.
- Despite this, **India will remain the fastest growing major economy**, as China is projected to grow at 6.3% in 2019.
 - India's strong growth is because of **strong household spending** and **corporate fundamentals**.
 - **Strong household spending-** Income support to farmers, hikes in procurement prices for food grains, and tax relief to taxpayers earning less than Rs 5 lakh, declining fuel and food prices.
 - **Strong corporate fundamentals-** An increase in utilization of production capacity by firms, falling levels of stressed assets held by banks and easing of credit restrictions on certain banks, is expected to help investment grow at a healthy rate.
- **Imports are expected to rise** mainly due to stronger domestic demand, while a growth slowdown in India's key export destinations would dent export growth.
- The **current account deficit is expected to widen a bit to 2.4% of GDP** in FY2019 and 2.5% of GDP in FY2020.
The deficit is expected to be **financed comfortably by capital flows**, given that India has emerged as an attractive destination for foreign investment.

- The **inflation is expected to average around 4% in the first half of FY2019**, and therefore the Reserve Bank would have some room for **lowering policy rates further increasing credit**.

Asian Development Bank (ADB)

- The Asian Development Bank (ADB) is a **regional development bank** established on **19 December 1966**.
- ADB is headquartered in **Manila, Philippines**. It aims to promote **social and economic development in Asia**.
- ADB now has **67 members, of which 48 are from within Asia and the Pacific and 19 outside**.
- **Japan holds the largest proportion** of shares in ADB **followed by the USA**.

Concerns

- The growth forecast for India has some downside risks such as **moderation in global demand** as financial conditions tighten, uncertainty arising out of **global trade tensions**, and the weak economic outlook in industrial countries.
 - The **higher-than-expected moderation** in global demand and a potential escalation of trade tensions.
- On the domestic front, growth could **suffer if tax revenue falls short or any disruption affects** the ongoing resolution of the twin **problems of the bank and corporate balance sheets**.
 - Lower-than-targeted tax revenues** or a **delay in strengthening bank and corporate balance sheets** could also undermine economic expansion.
- **Disaster risk and costs are rising**, and Asia is particularly vulnerable.
 - Suitable policy interventions are required to keep disaster losses from spiraling into the future and across the region.
 - Spending on disaster prevention continues to lag far behind disaster response as access to credit, insurance, and remittances remains sparse and uneven.