

ADFIAP International CEO Forum XI

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Key messages

- Developing Asia's growth downgraded to 5.8% this year and 6.0% in 2016
- Moderating prospects for PRC and India and delayed recovery in industrial countries weigh on the outlook
- Inflation pressures further easing partly due to lower global commodity prices
- Risks have increased (e.g., capital flow reversal, currency depreciation), but still manageable
- ADB is ramping up its assistance to meet the evolving needs of the region

Economic outlook: Developing Asia facing headwinds...

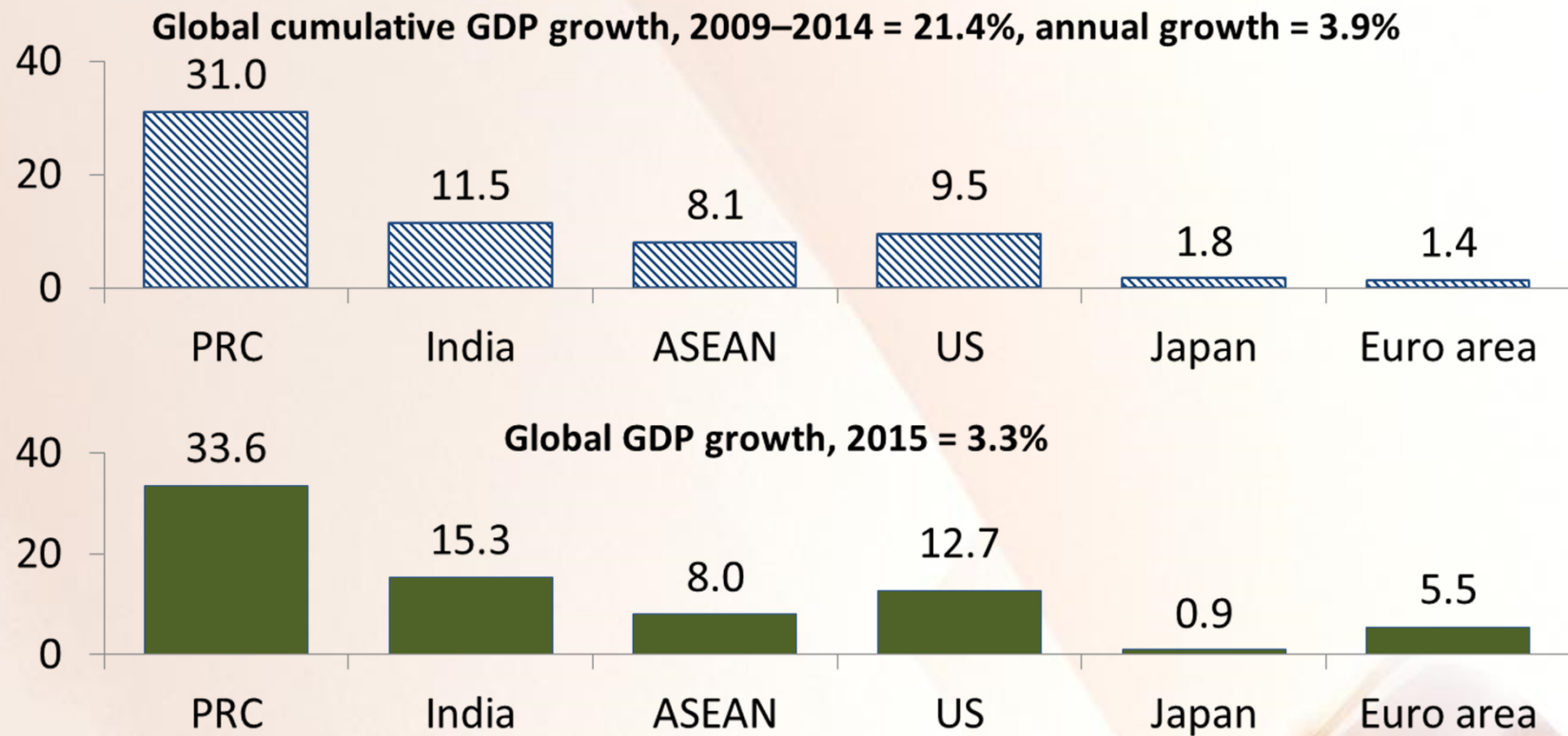
GDP growth (%)



f: forecast

...yet still contributing the most to global growth

Percentage contributions to global GDP growth



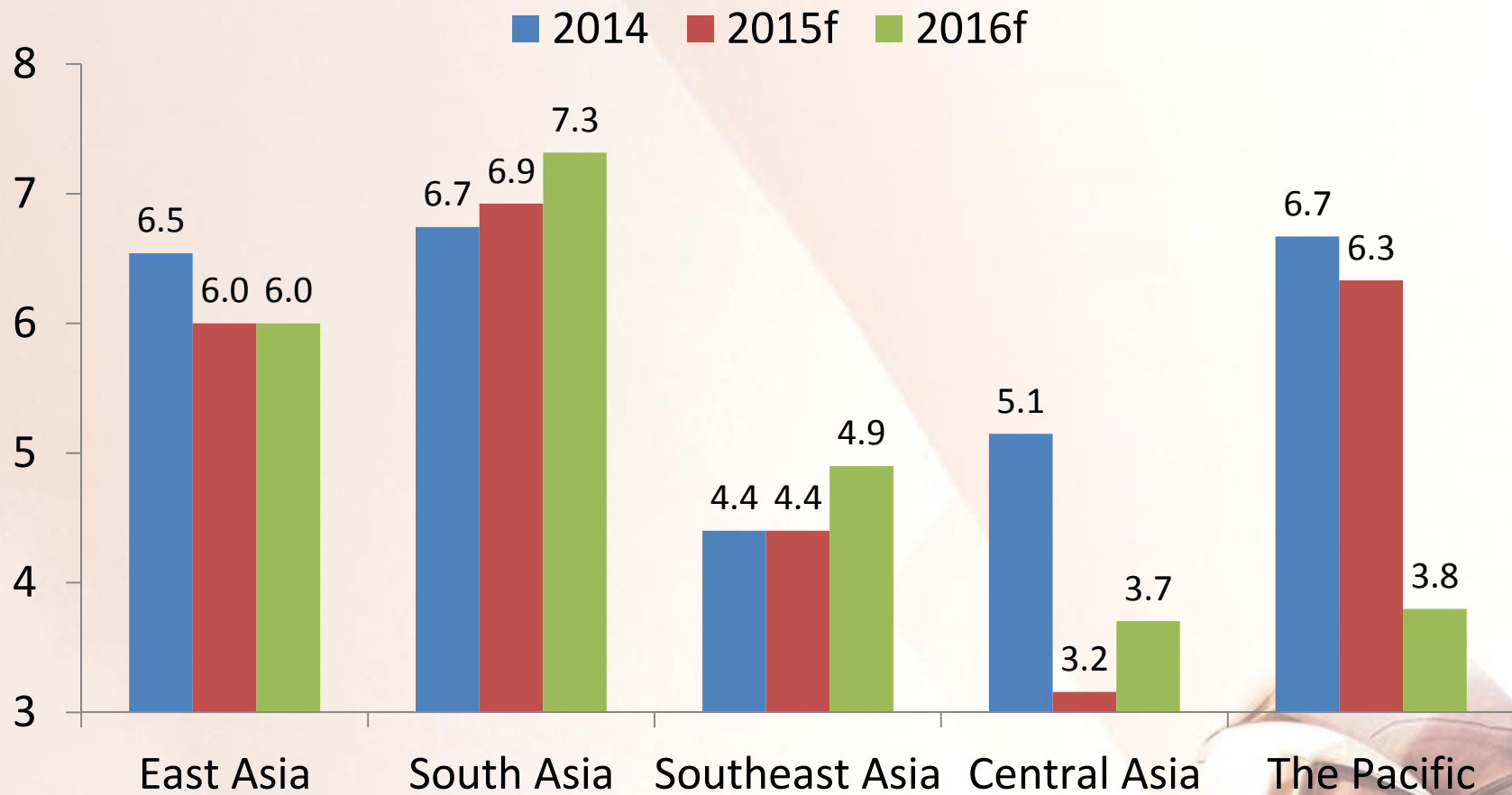
⇒ **Asia continues to account for about 60% of global growth; still fastest-growing region**

Regional and global factors weigh on growth

- Growth moderation in the PRC
- Slower than expected recovery in industrial countries

GDP growth (%)	2015		2016	
	ADO Update	ADOS	ADO Update	ADOS
Major industrial economies	1.9	↓ 1.8	2.3	↓ 2.0
United States	2.6	↓ 2.5	2.9	↓ 2.6
Euro area	1.5	1.5	1.6	1.6
Japan	0.7	↓ 0.5	1.4	↓ 0.8

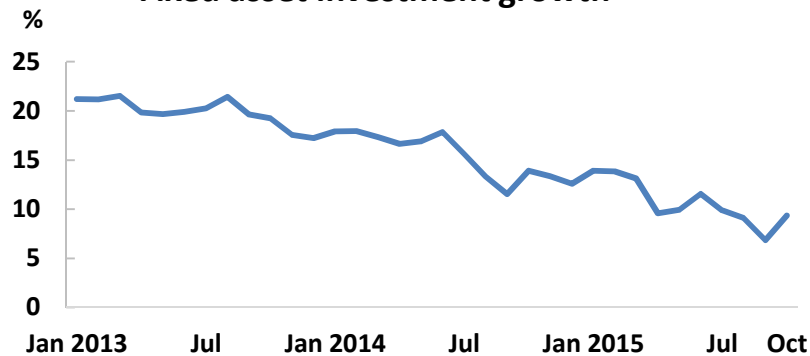
Large variations across subregions



f: forecast

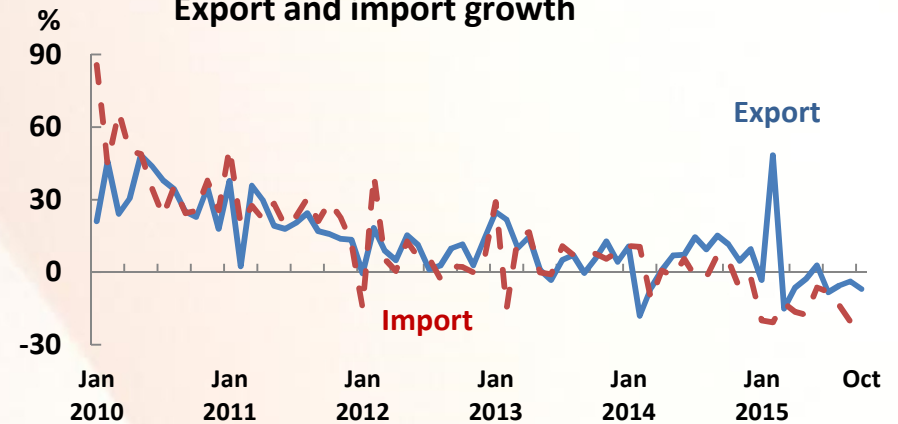
PRC growth projected to average 6.9% in 2015

Fixed asset investment growth



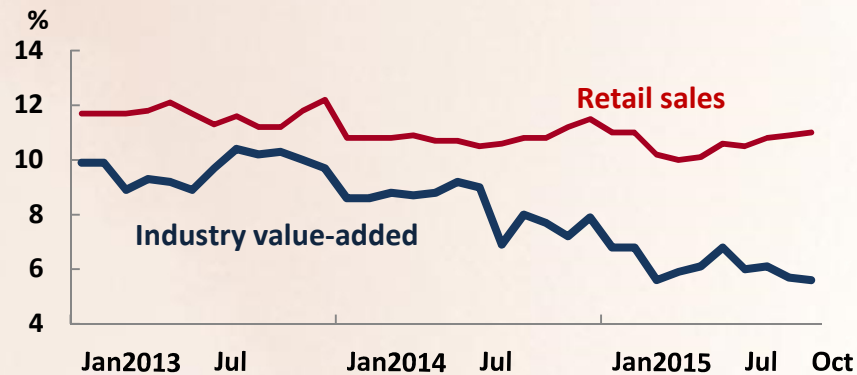
Source: National Bureau of Statistics

Export and import growth



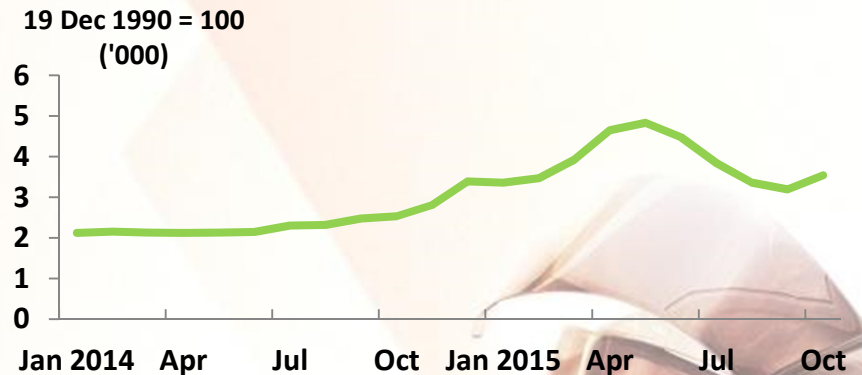
Source: CEIC Data Company (accessed 14 November 2015)

Growth in retail sales and industry value added



Source: National Bureau of Statistics

Stock market (Shanghai Stock Exchange: A Share)

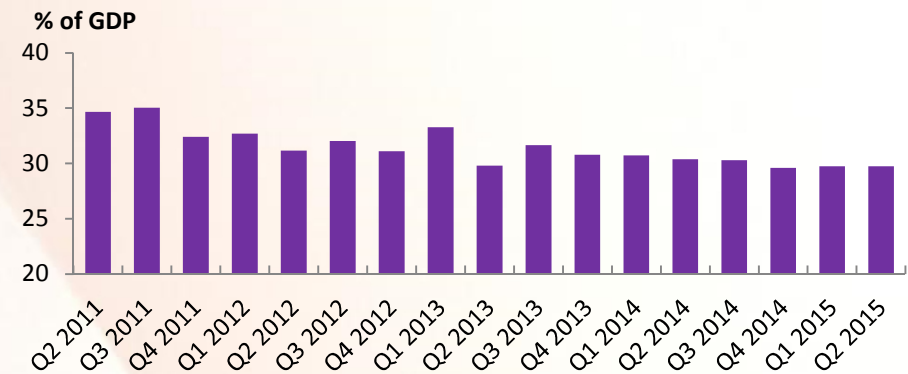


Source: Shanghai Stock Exchange

India's growth forecast kept at 7.4% this year

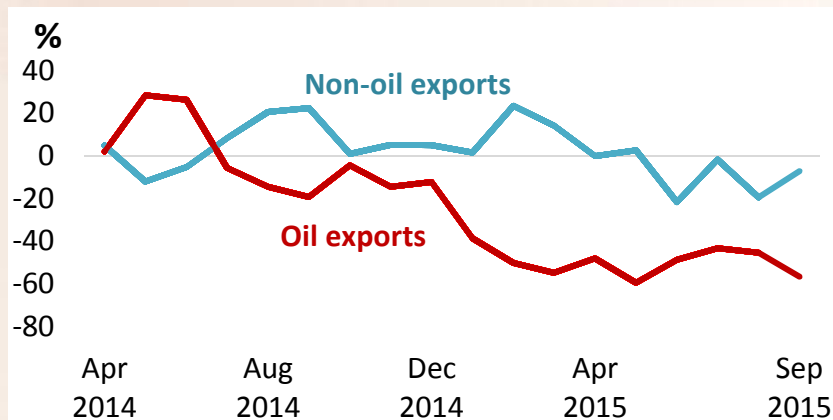
- Industrial production growth accelerated in Q2
- External demand remains weak
- Downside risks from sluggish private investment and weak rural demand

Fixed investment



Source: CEIC Data Company (accessed 14 Nov 2015)

Export growth



Source: CEIC Data Company (accessed 25 Nov 2015)

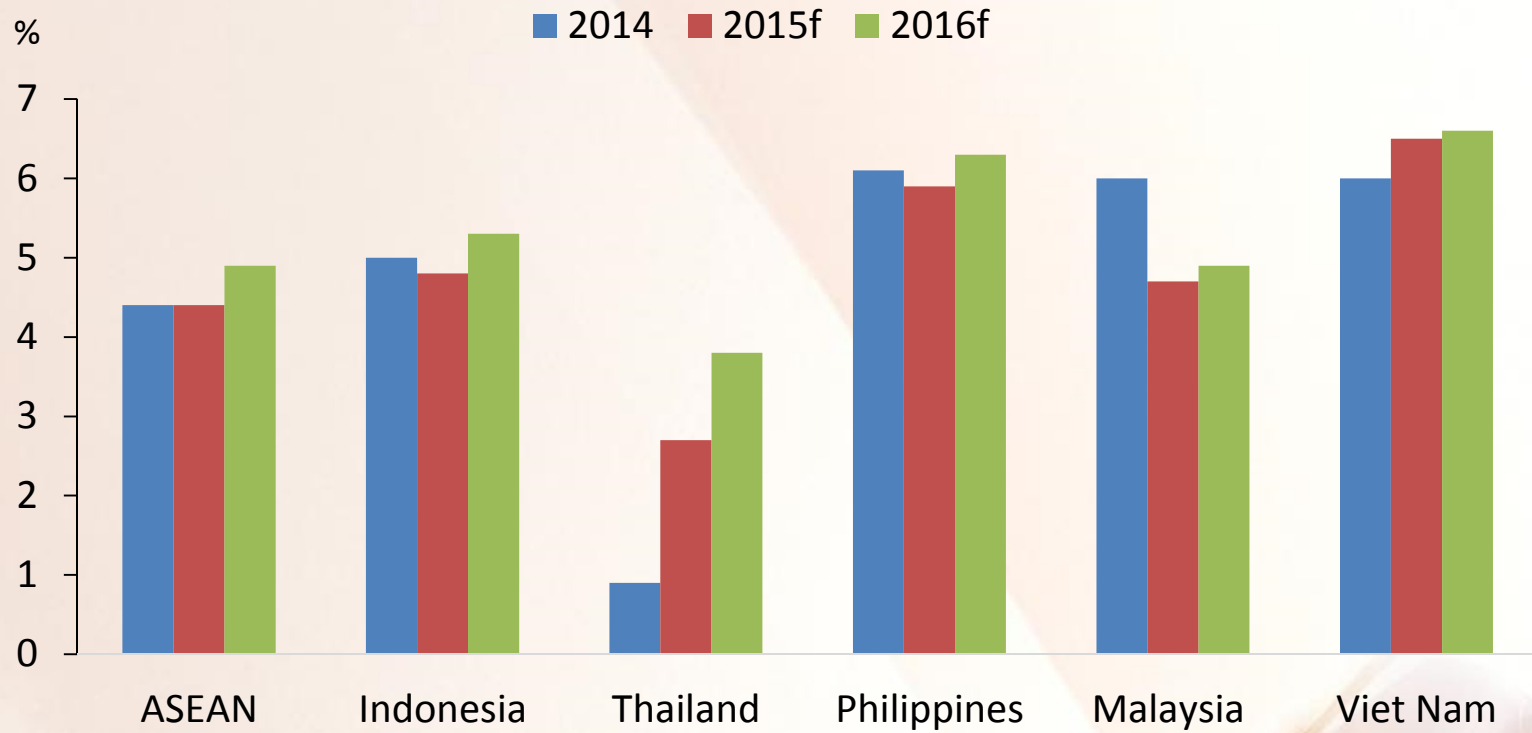
Investment projects dropped



Source: Centre for Monitoring Indian Economy

ASEAN growth flat at 4.4% in 2015; pickup delayed to next year

GDP growth, Southeast Asia

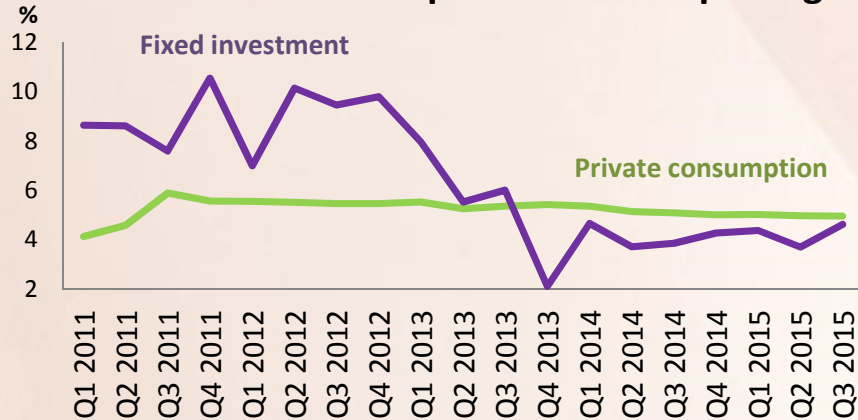


f: forecast

ASEAN=Association of Southeast Asian Nations

Indonesia's growth adjusted down to 4.8%

Fixed investment and private consumption growth



Source: CEIC Data Company (accessed 14 Nov 2015)

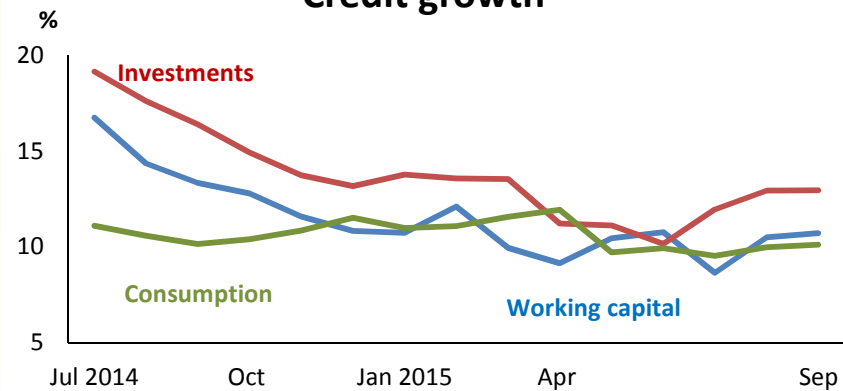
- Expansion in fixed investment supported by initiation of public sector projects
- But revenue shortfalls to result in slower capital budget disbursement

Policy and inflation rates



Source: CEIC Data Company (accessed 14 Nov 2015)

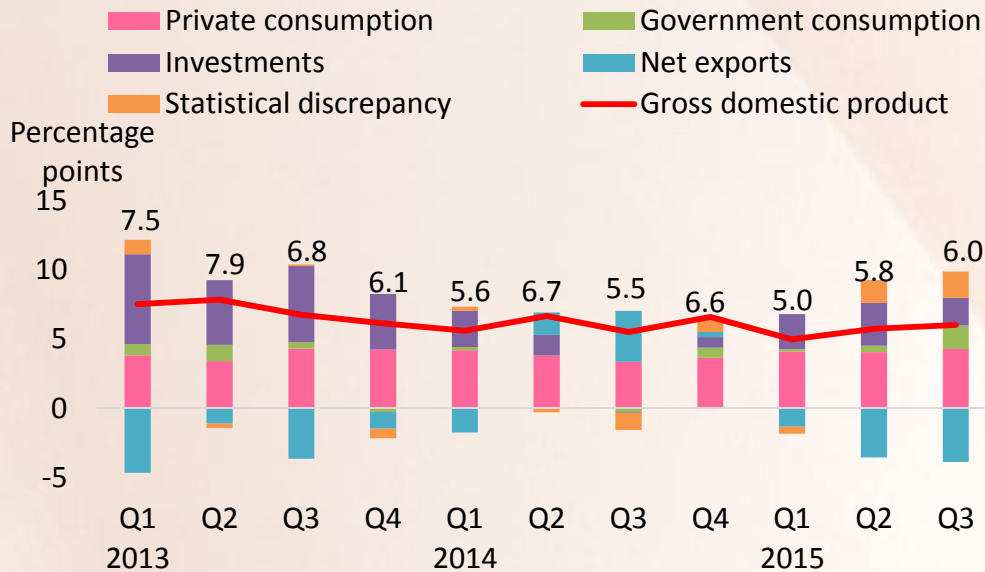
Credit growth



Source: CEIC Data Company (25 Nov 2015)

Philippines' growth slightly adjusted down to 5.9%

Demand-side contributions to growth



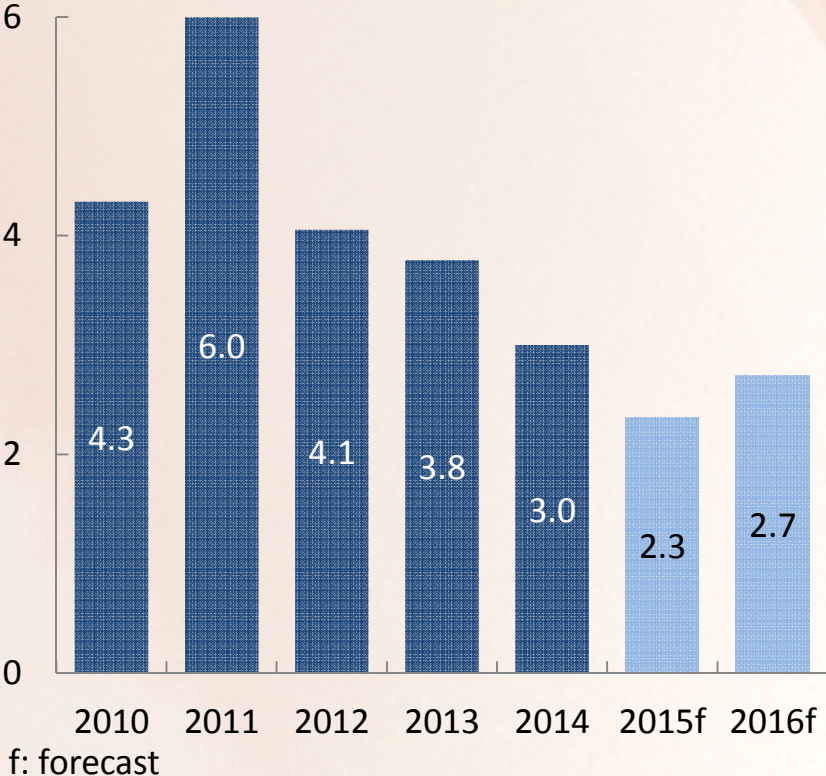
- GDP growth picked up to 6.0% in Q3 driven by strong domestic demand.
- Government expenditure accelerated rapidly, with public construction rising by 41.2% in Q3.
- Unexpectedly sharp drop in net external demand however prompts a small downward revision to growth forecast in 2015.

Growth in public construction

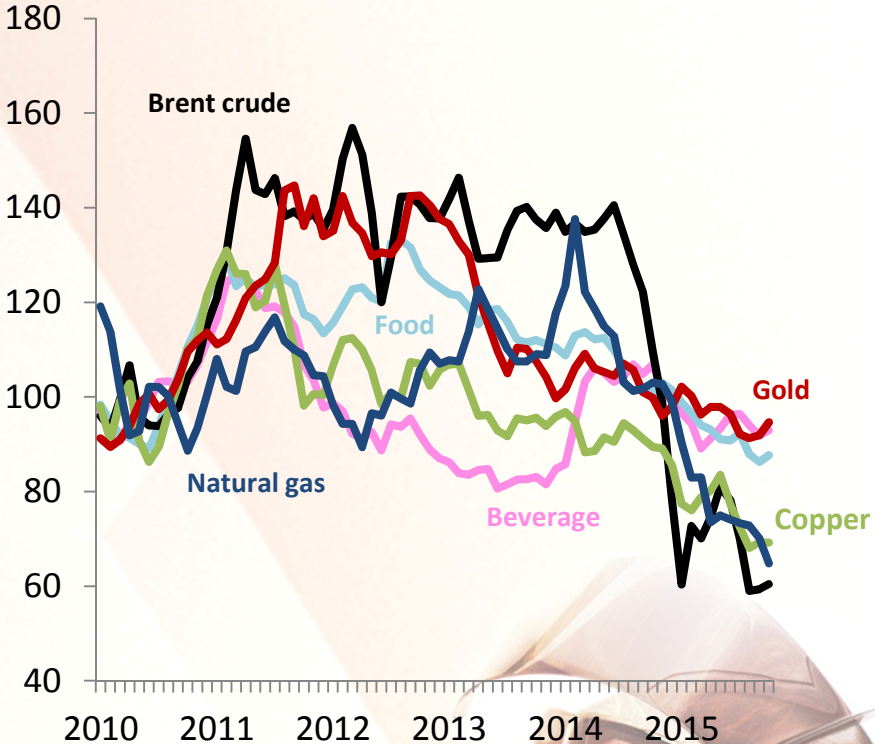


Soft commodity prices ease inflationary pressures in the region

Inflation (%)



Commodity price indexes
2010=100



Source: World Bank Pinksheets

Key risks to the outlook

- Impact of geopolitical conflicts on oil prices
- Euro area debt crisis receded, but not resolved
- Commodity exporters coping with low prices and PRC moderation
- Capital flows and US monetary policy
- Strong dollar effect on foreign currency debt

→ Risks heightened but still manageable

Strategy 2020 (S2020)

Vision: An Asia and Pacific Free of Poverty

Three strategic agendas

- inclusive growth
- environmentally sustainable growth
- regional integration

Five drivers of change

1. Private sector development and private sector operations
2. Good governance and capacity development
3. Gender equity
4. Knowledge solutions
5. Partnerships



10 Strategic Priorities for 2014–2020

A. Sharpening ADB's Operational Focus

1. Poverty Reduction and Inclusive Growth
2. Environment and Climate Change
3. Regional Cooperation and Integration
4. Infrastructure Development

B. Responding to the New Business Environment

5. Middle Income Countries
6. Private Sector Development and Operations
7. Knowledge Solutions

C. Strengthening ADB's Capacity and Effectiveness

8. Financial Resources and Partnerships
9. Delivering Value for Money
10. Organizing to Meet New Challenges

SOVEREIGN OPERATIONS, 2012-2018, by Sector

Sectors	2012		2013		2014		2015 (Estimate)	
	\$M	%	\$M	%	\$M	%	\$M	%
Core Sectors	8,644	76	10,062	80	9,086	78	11,598	78
Infrastructure	7,575	67	8,341	66	7,833	67	8,956	60
Energy	2,136	19	3,109	25	2,088	18	3,901	26
Transport	4,406	39	3,759	30	4,140	36	3,124	21
Water	816	7	1,408	11	1,144	10	1,501	10
ICT	18	0	44	0.3
Gen. Infra.	199	2	64	1	461	4	386	3
Finance Sector Dev't	777	7	1,074	9	438	4	1,708	11
Education	293	3	647	5	816	7	935	6

SOVEREIGN OPERATIONS, 2012-2018, by Sector (con't)

Sectors	2012		2013		2014		2015 (Estimate)	
	\$M	%	\$M	%	\$M	%	\$M	%
Other Sectors	2,656	24	2,549	20	2,524	22	3,309	22
Agriculture	974	9	619	5	621	5	826	5.5
Health	125	1	98	1	0	0	498	3
Public Sector Management	1,486	13	1,781	14	1,511	13	1,957	13
Industry & Trade	71	1	50	0	392	3	29	0.2
TOTAL	11,300	100	12,611	100	11,610	100	14,907	100

Source: Asian Development Bank.



2016 INDICATIVE WORK PROGRAM

Key Outputs	\$ M	No. of Approvals
1. Project Processing	14,737	149
a. Public Sector Operations	12,337	118
b. Private Sector Operations	2,400	31
2. Multitranche Financing Facility	6,543	10
3. Project Design Advance	73	13
4. Technical Assistance	380	287

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