

Is South Asia Ready for Take Off?

A Sustainable and Inclusive
Growth Agenda



Today's Presentation

South Asia's
Growth Story



Delivering Job-
Rich Growth



Bolder and
Safer Reforms



A Reform
Scenario



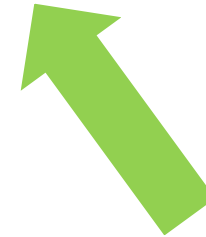
Making Policy
Space for Reform



Supporting Private
Sector
Entrepreneurship



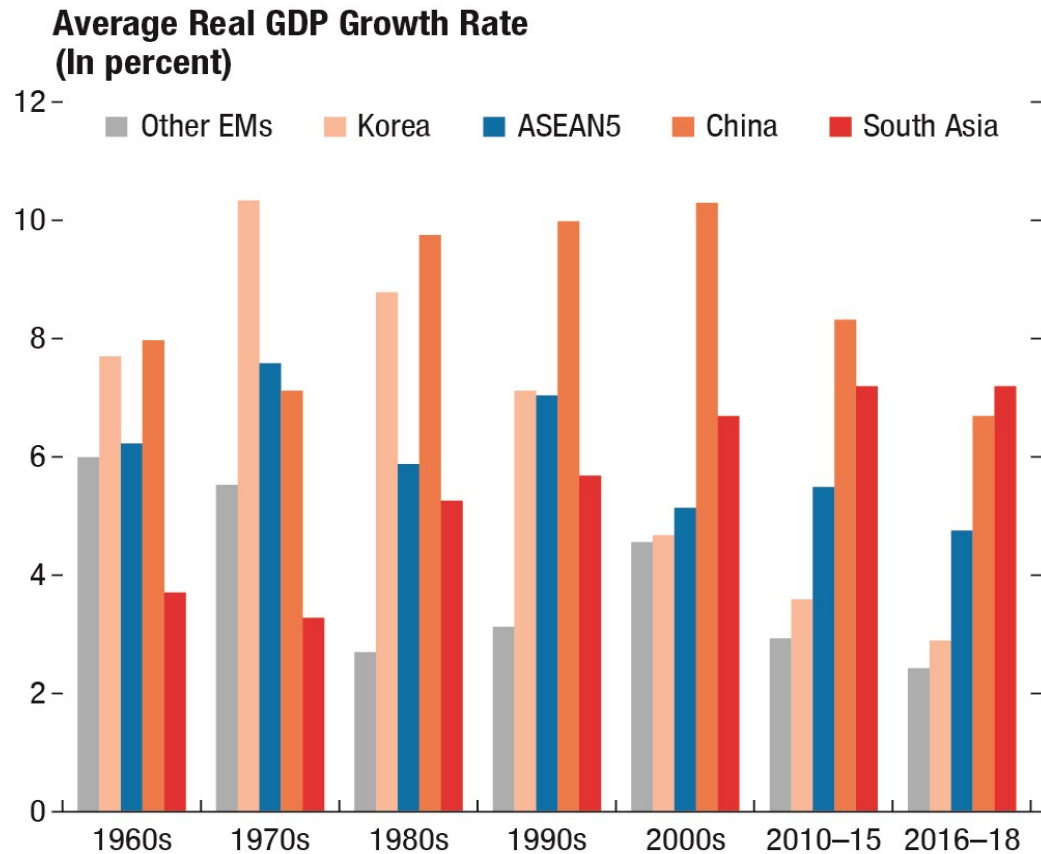
Investing in People



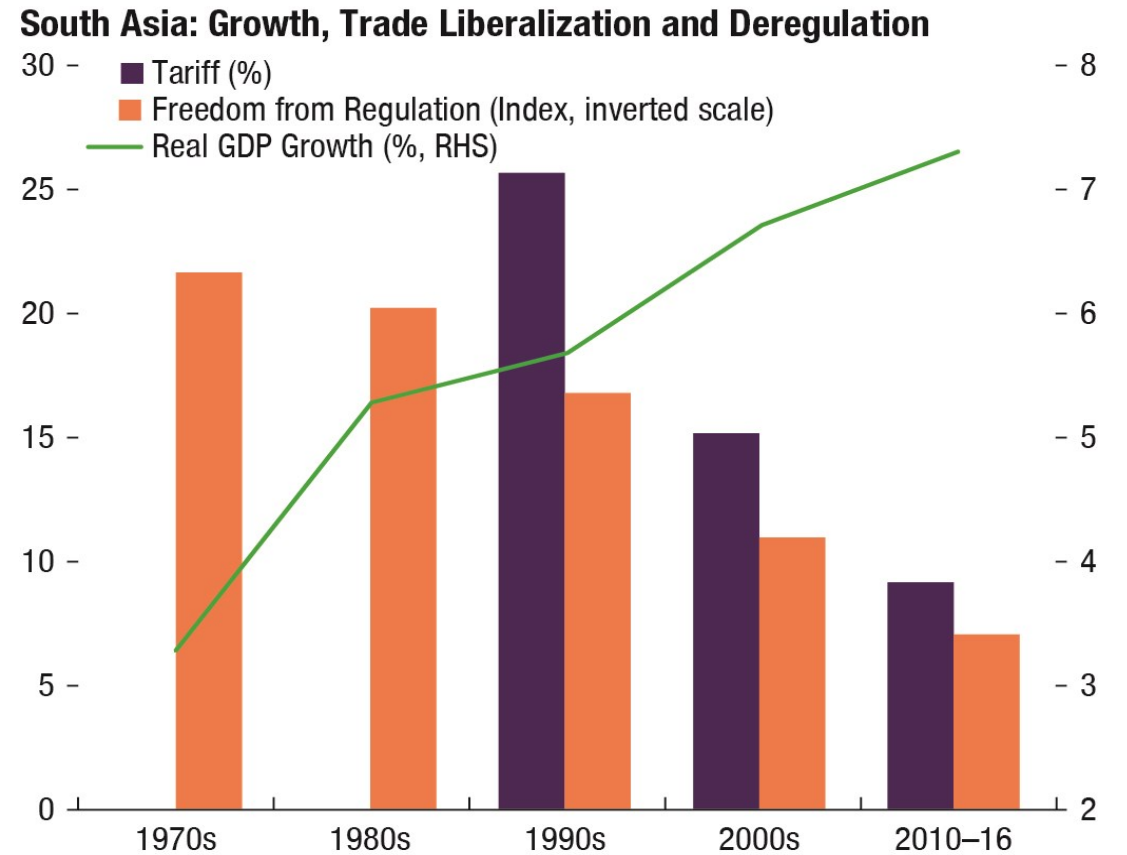


South Asia's Growth Story

Growth in South Asia has taken deeper roots in recent decades...



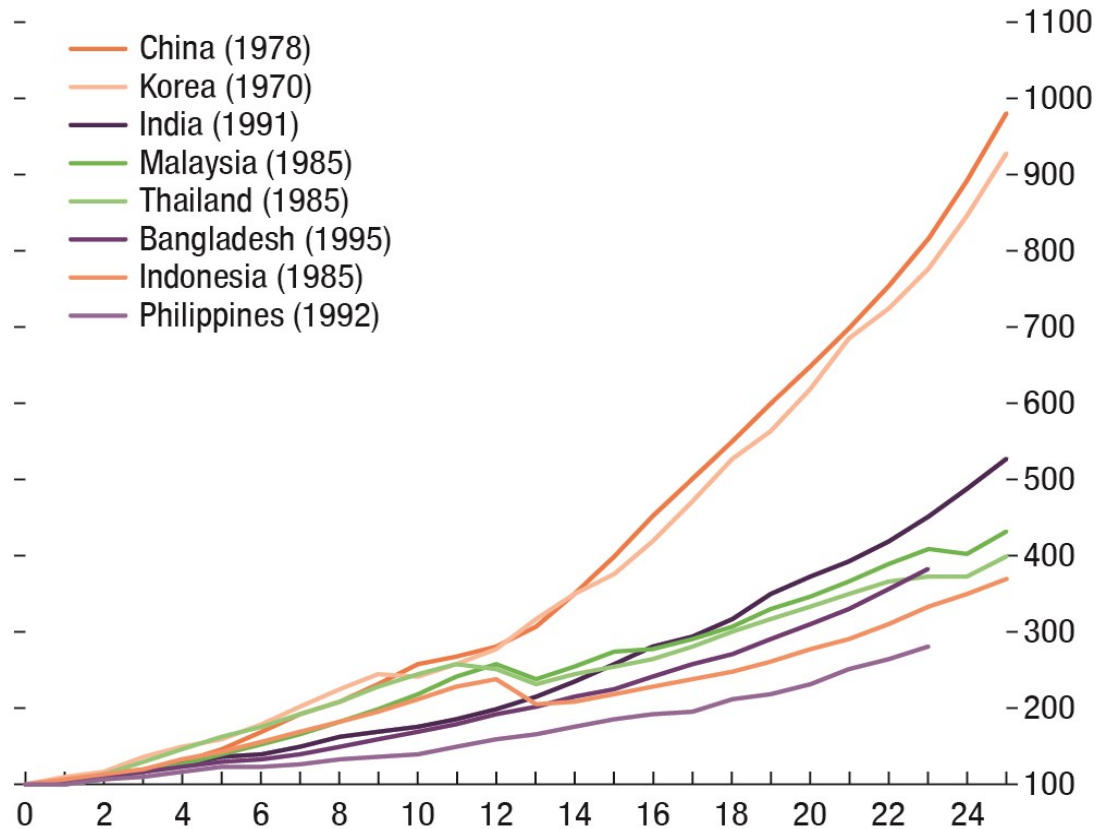
Source: *World Economic Outlook* database.



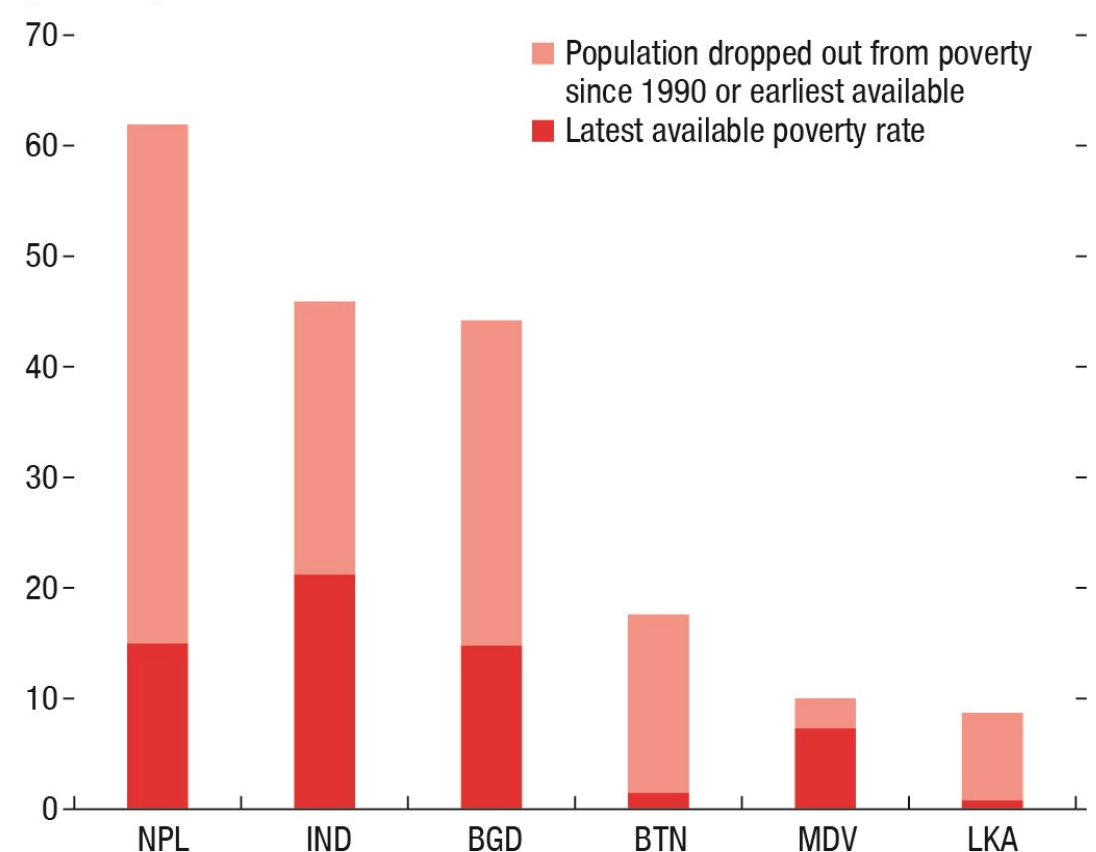
Sources: Fraser Institute, Human Freedom Index; World Integrated Trade Solution database; WEO, and IMF staff calculations.

... with sustained reform efforts transforming the lives of millions of people in the region

Growth Index, Years from Reform Commencement (Year 0 = 100)



Share of Population below US\$1.90/day (2011, PPP) (Percent)



Sources: *World Economic Outlook* database; and IMF staff calculations.

¹The dates for the individual countries mark the starting point of their respective take-off phases following substantial domestic reforms.

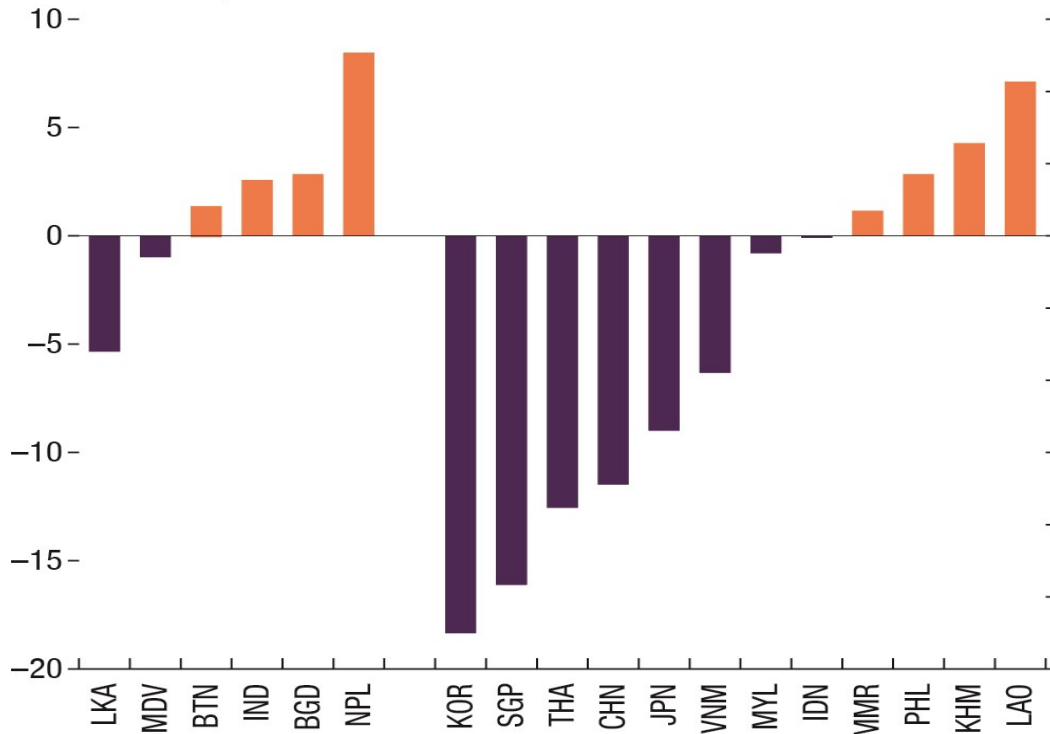
Source: World Bank World Development Indicators.



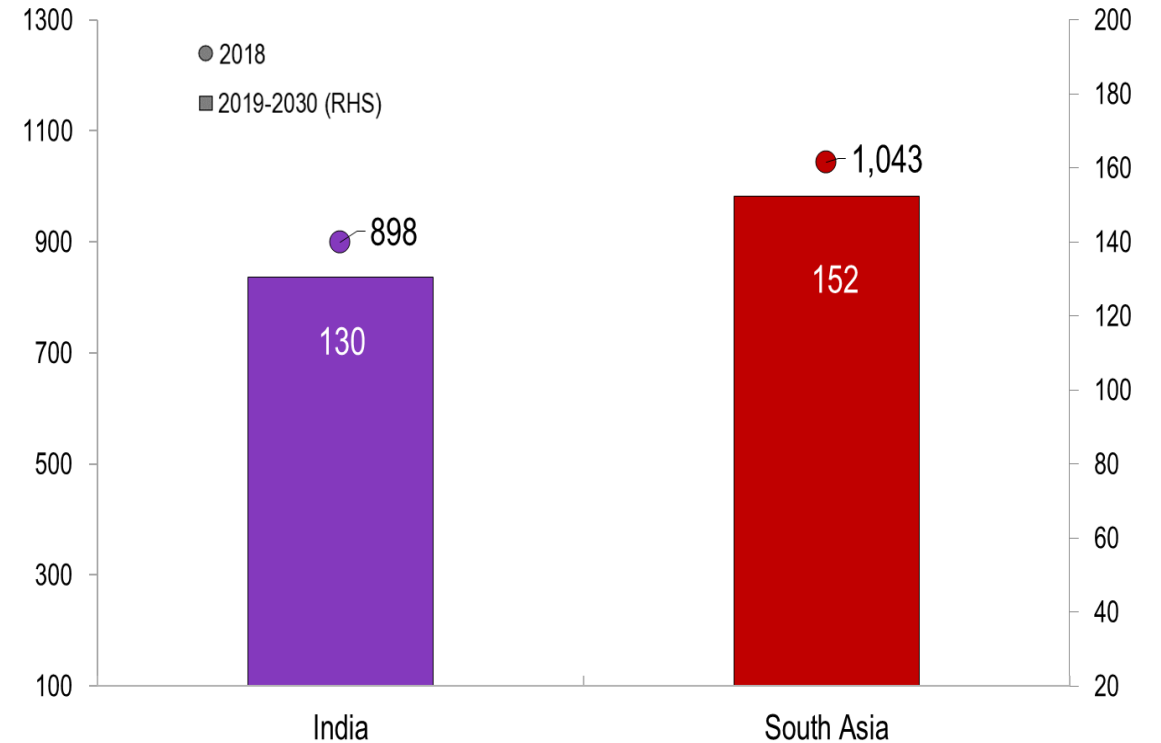
Delivering Job-Rich
Growth to One-Fifth of
the Global Population

More than 150 million people will enter the South Asian labor force by 2030

Working Age Population
(Projected change in the share relative to total population, 2015–2045)



Working Age Population by 2030
(Age 15-64, in millions)



Source: United Nations, Department of Economic and Social Affairs, Population Division (2017).

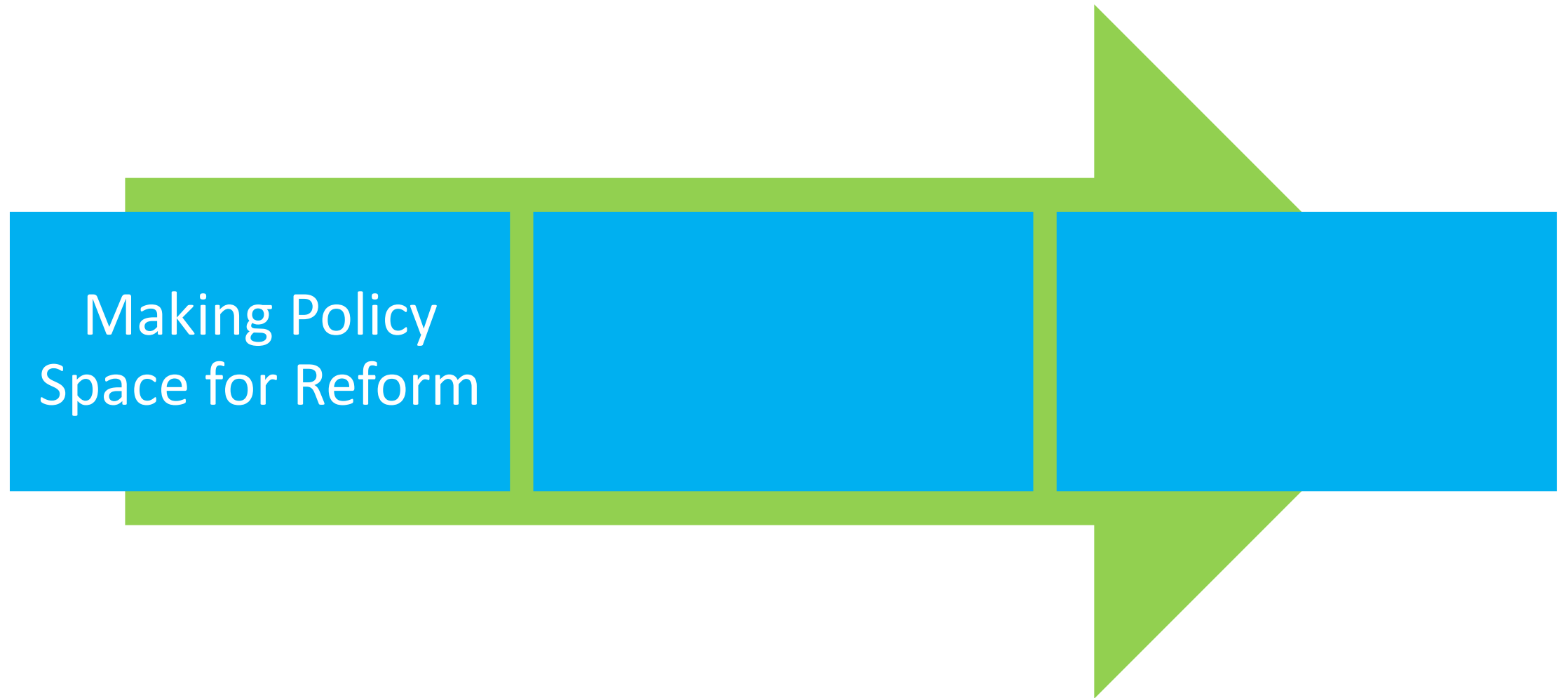
Note: Working age population calculated as population aged 15–64 as a percentage of total population. For 2045 projections, the medium fertility variant is used.

Sources: UN, IMF staff estimate.

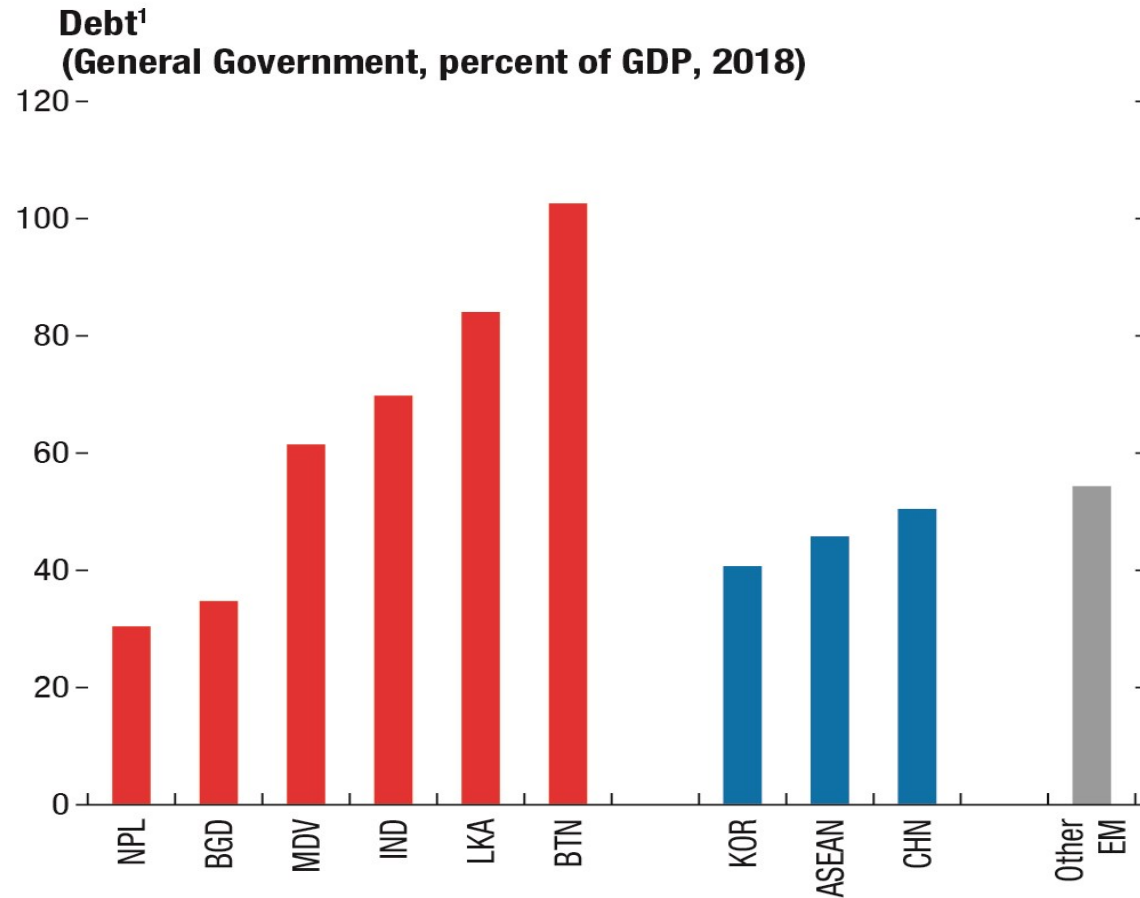


Bolder and Safer Reforms to Unlock South Asia's Growth Potential

Bolder and Safer Reforms



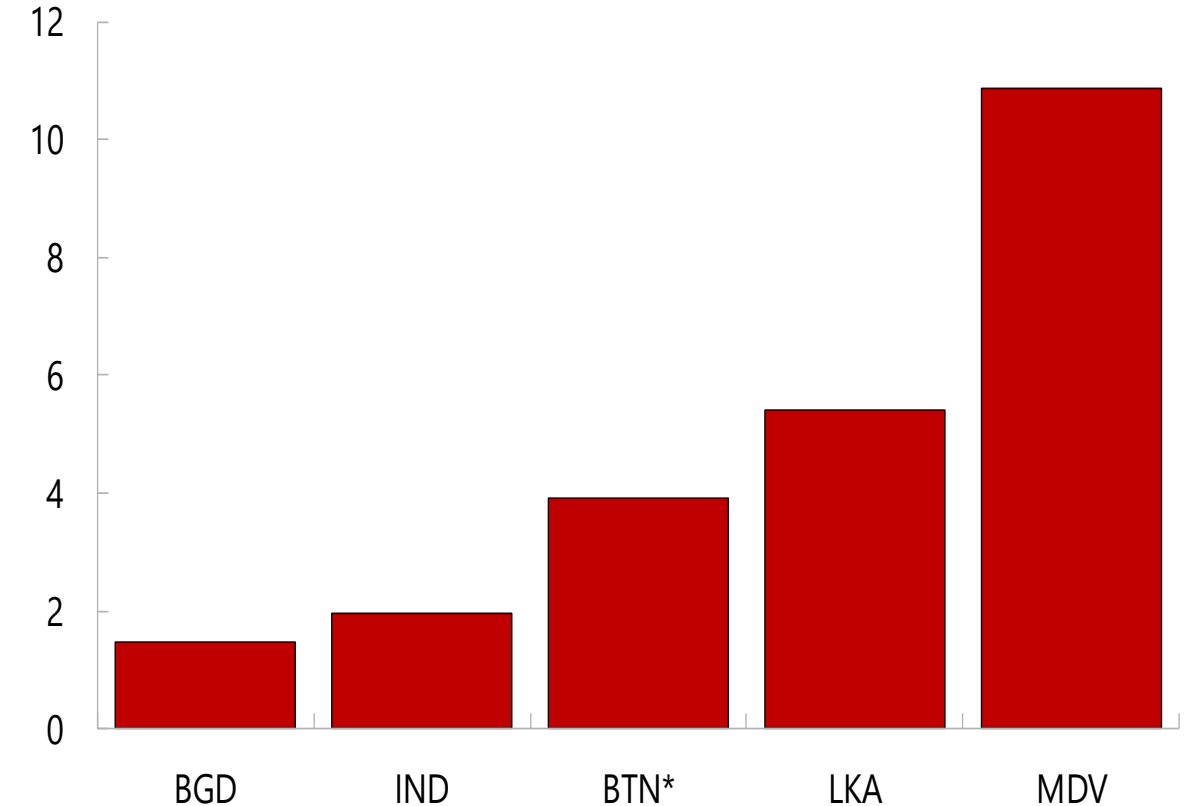
Making policy space for reform, by reducing high public debt and deficits...



Source: IMF, *World Economic Outlook*.

¹Public debt excludes guarantees.

Government Debt Guarantees, 2018
(Percent of GDP)

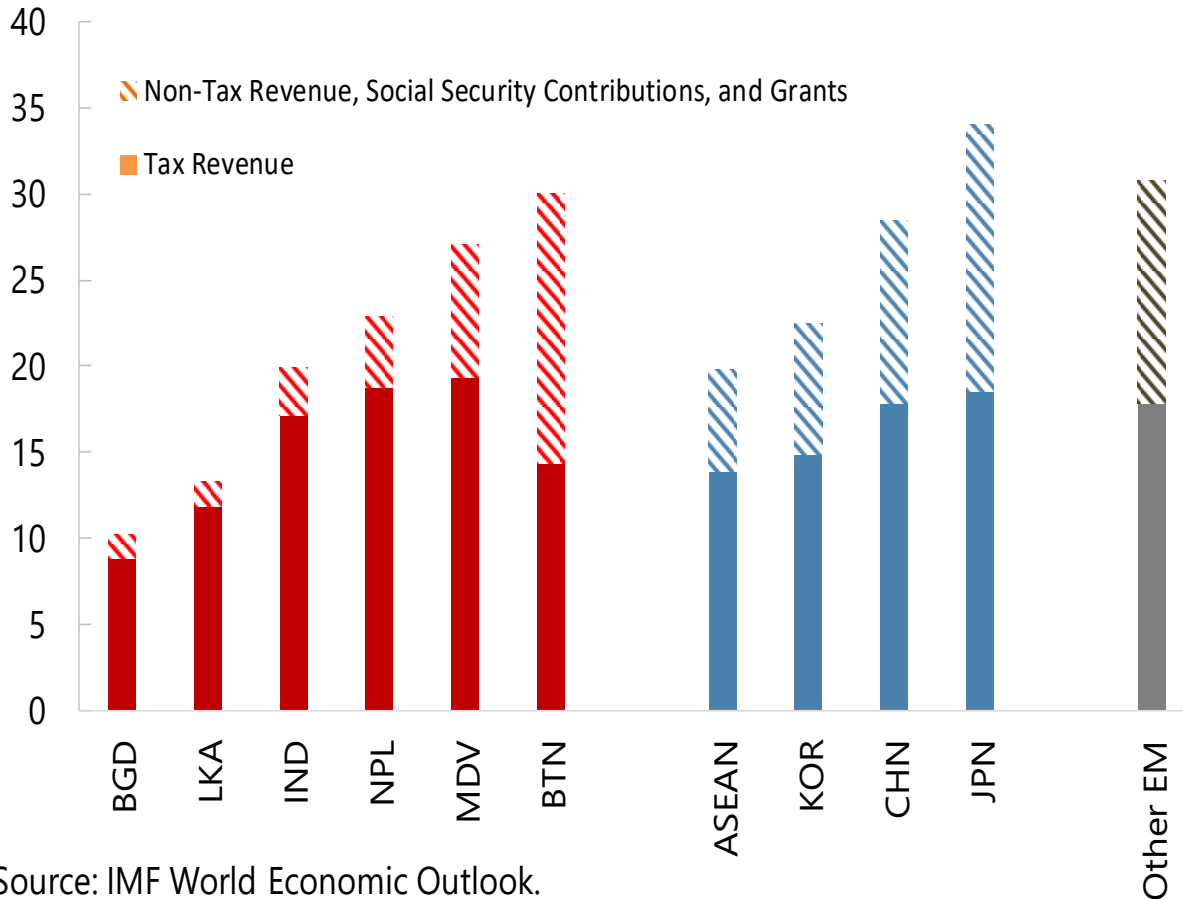


Sources: CEIC; Authorities' data; and IMF staff estimates.

* The data for BTN includes Druk Holding.

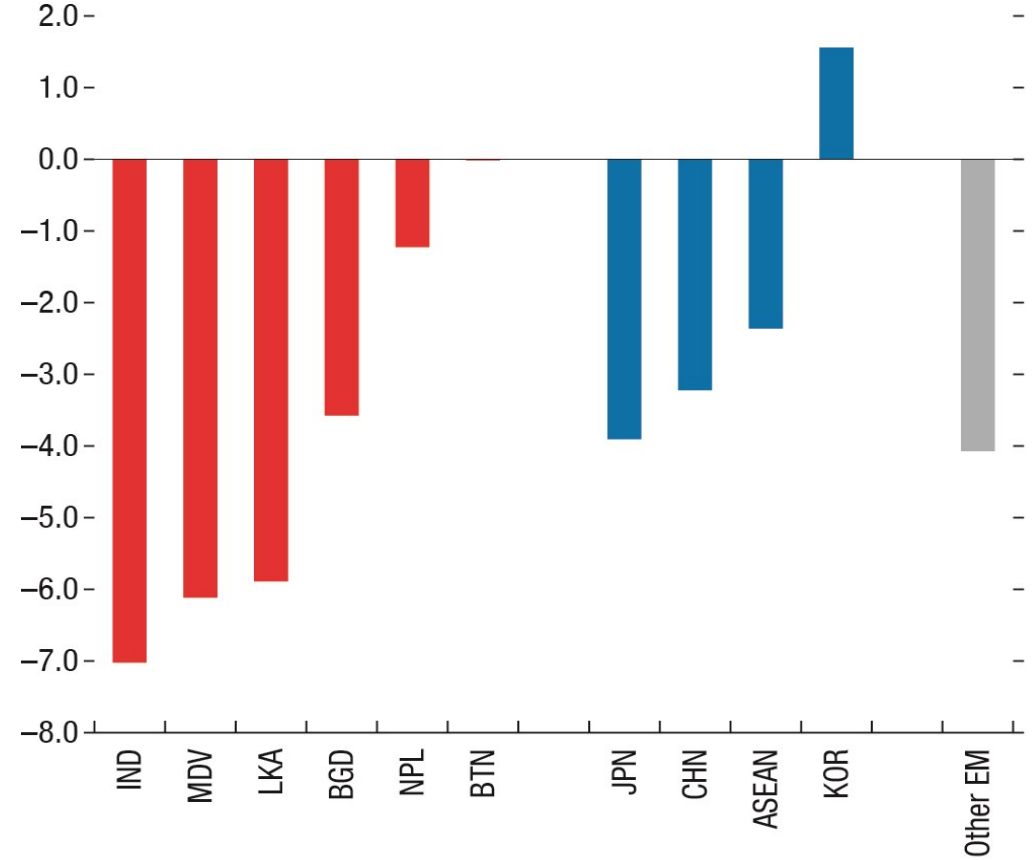
... and strengthening revenue mobilization

Revenue
(General Government, percent of GDP, 2014-18 average)



Source: IMF World Economic Outlook.

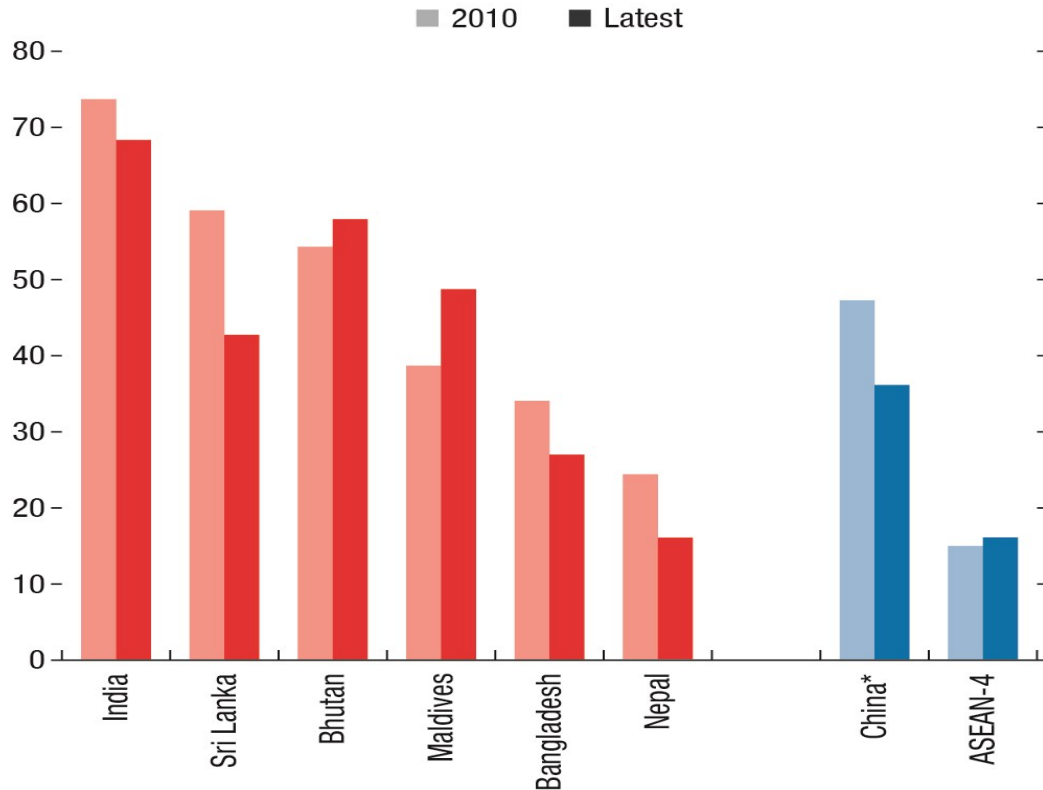
Overall Fiscal Balance
(General Government, percent of GDP, 2014–18 average)



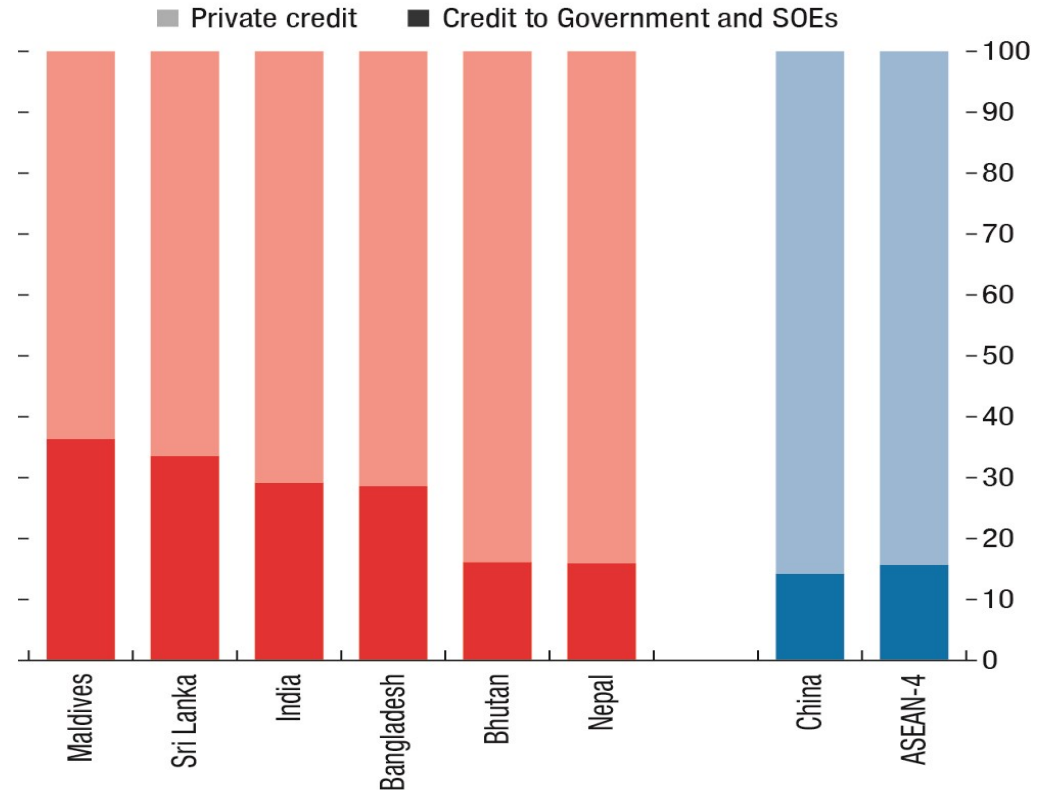
Source: IMF World Economic Outlook.

...and easing the footprint of the state in the financial system

**South Asia: Share of Public Sector Bank Assets
(In percent of total bank assets)**



**Composition of Credit
(In percent, 2017)**

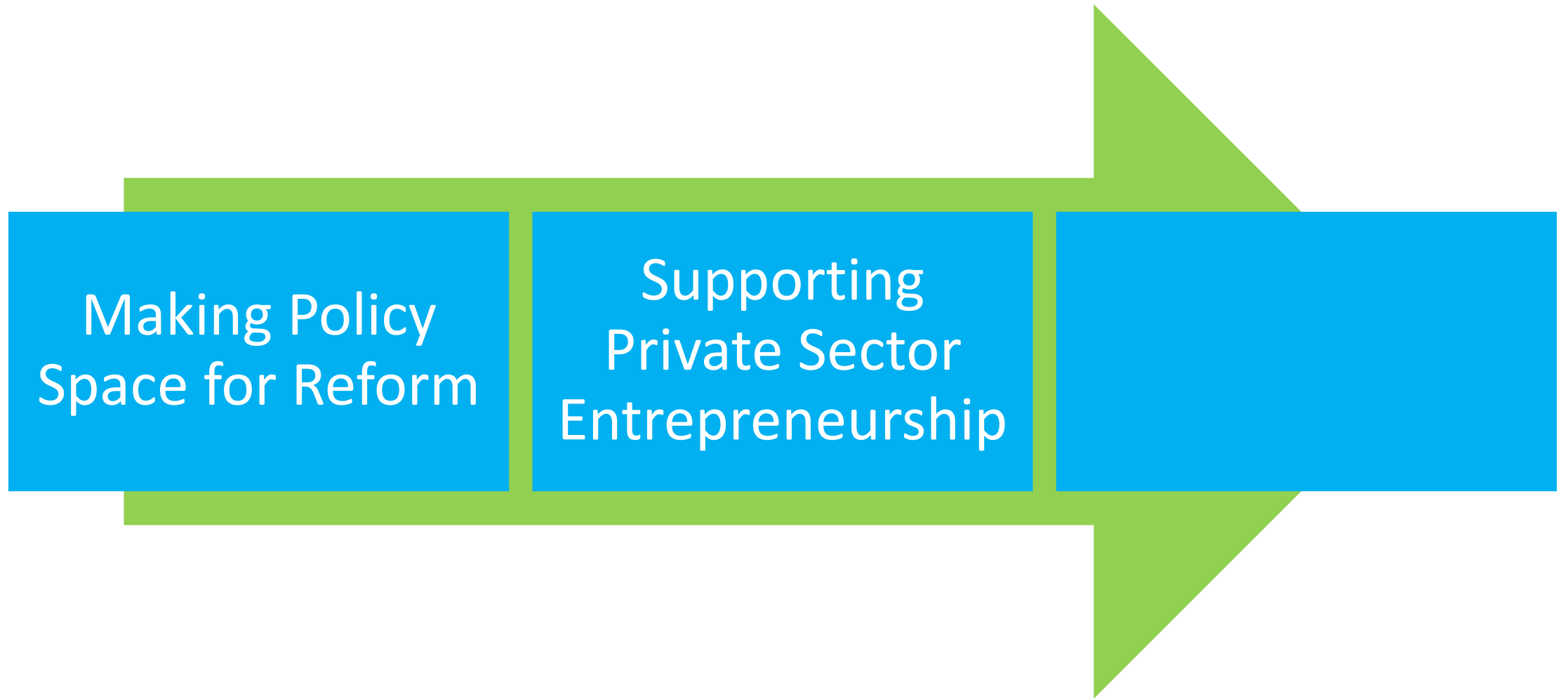


Sources: Banking Regulation and Supervision Survey; India 2017 FSAP report; Bangladesh Bank; Nepal Rastra Bank; Royal Monetary Authority of Bhutan.

*The share of the large four SOBs.

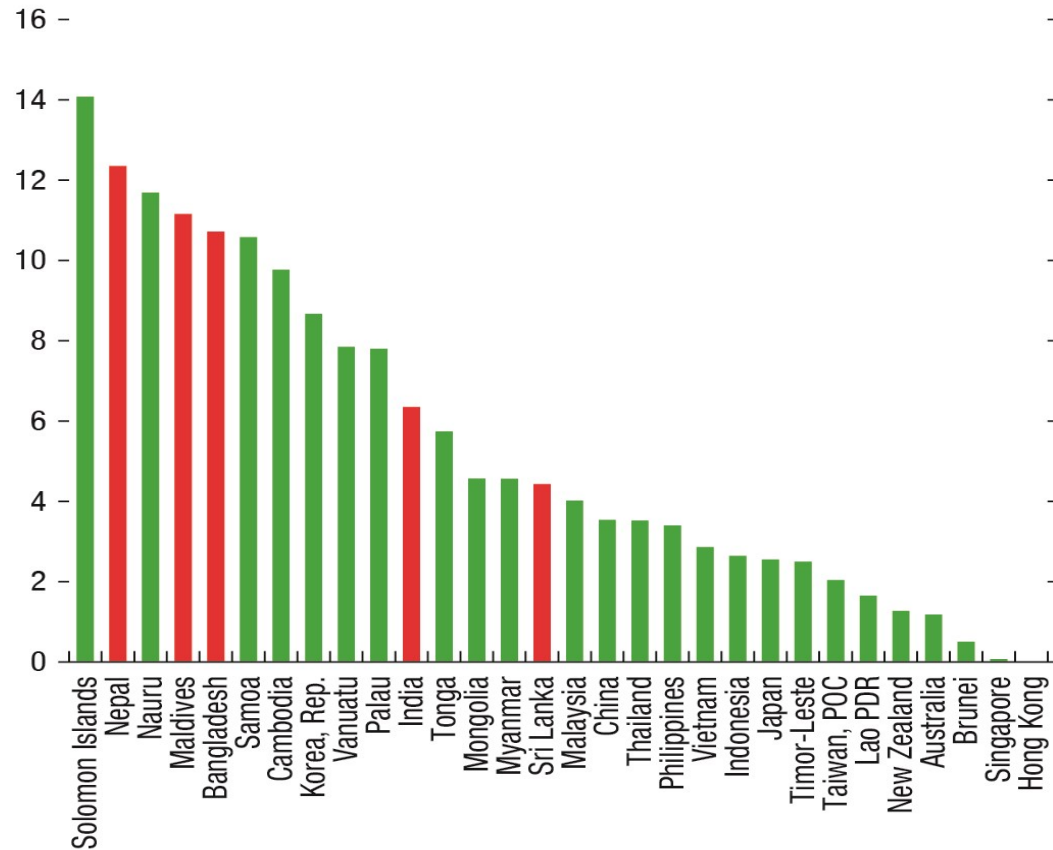
Sources: IMF *World Economic Outlook*; IFS; and Finstat.

Bolder and Safer Reforms



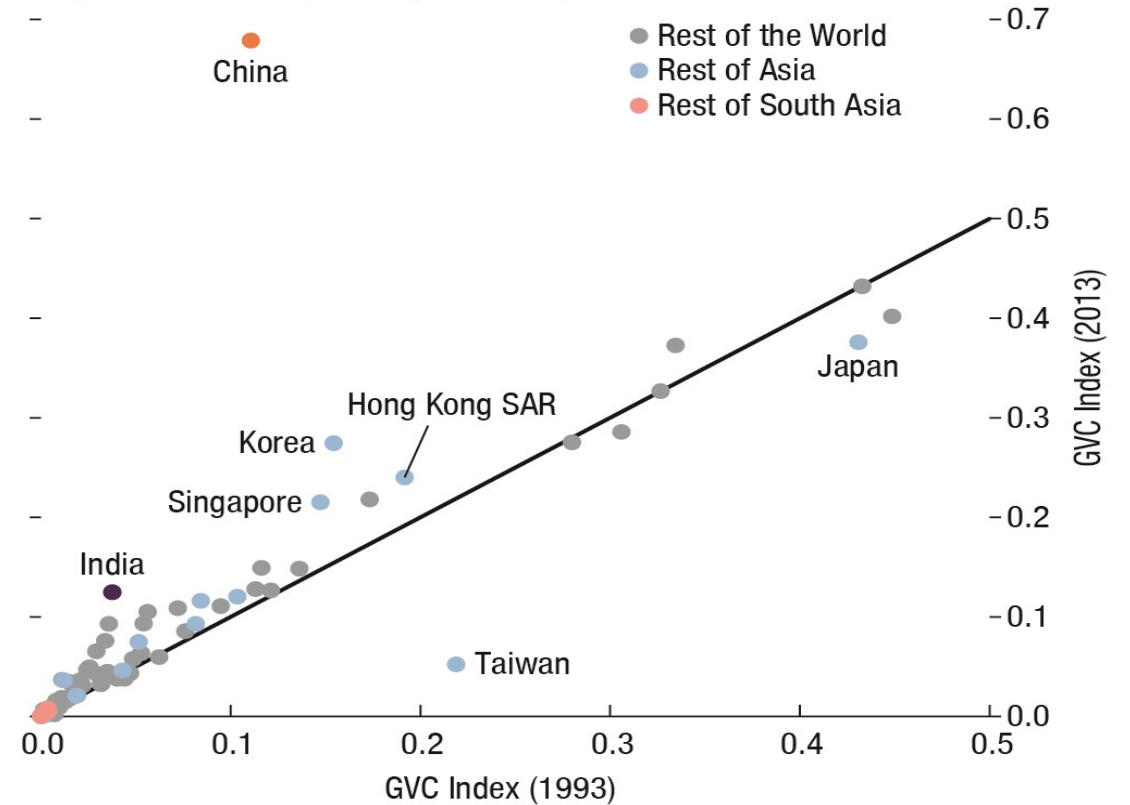
Supporting Private Sector Entrepreneurship, by further liberalizing trade...

Tariffs in Asia Pacific
(In percent)



Sources: World Bank, World Integrated Trade Solution database; and IMF staff calculations.

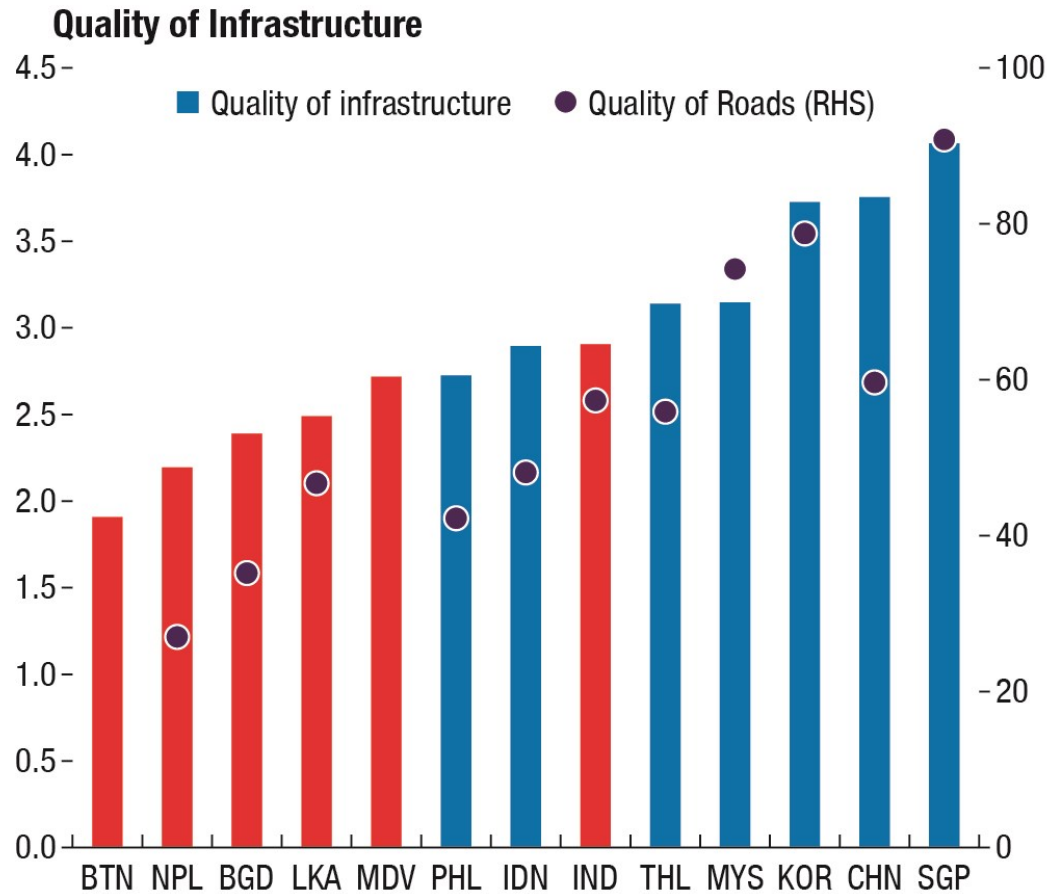
Global Value Chain Integration¹
(1993 vs. 2013, Index, USA = 1)



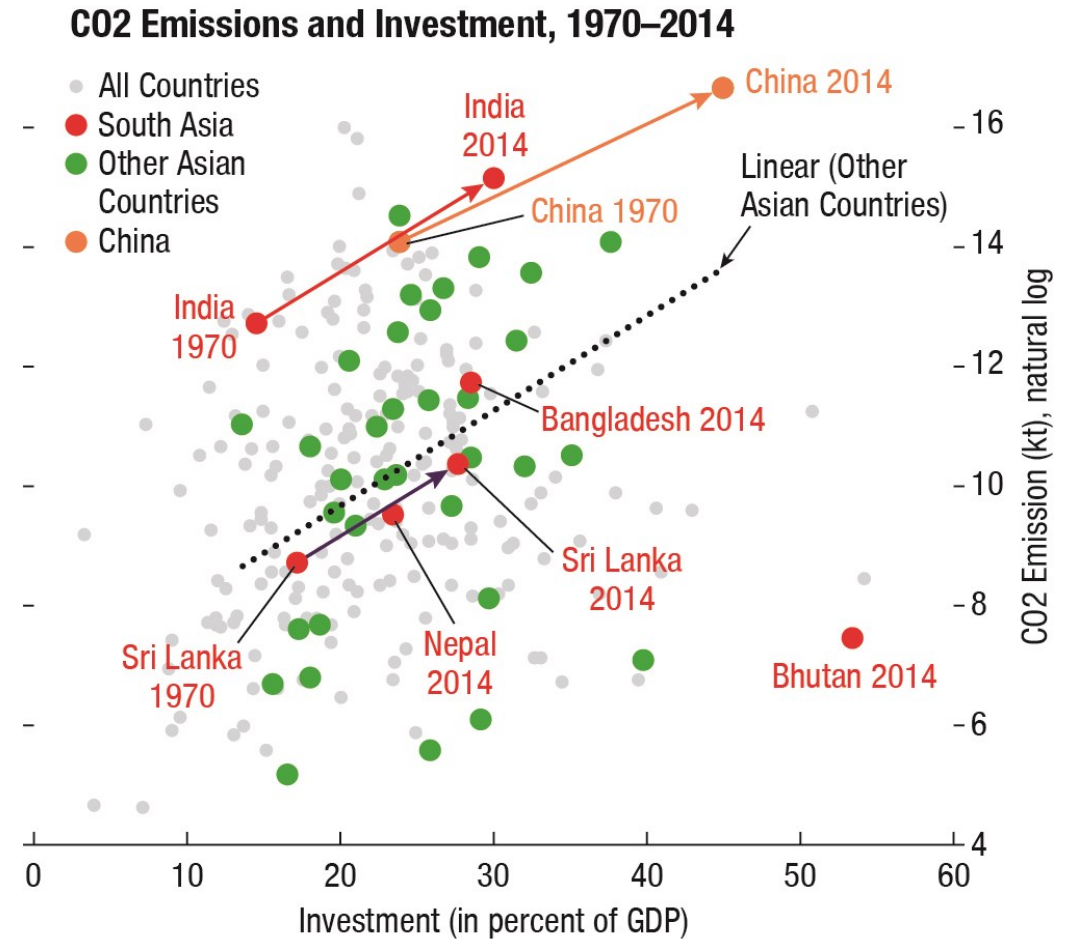
Sources: Haver Analytics and IMF staff calculations.

¹GVC Index is defined as the sum of backward and forward linkages relative to the US.

...and improving infrastructure, in a sustainable manner

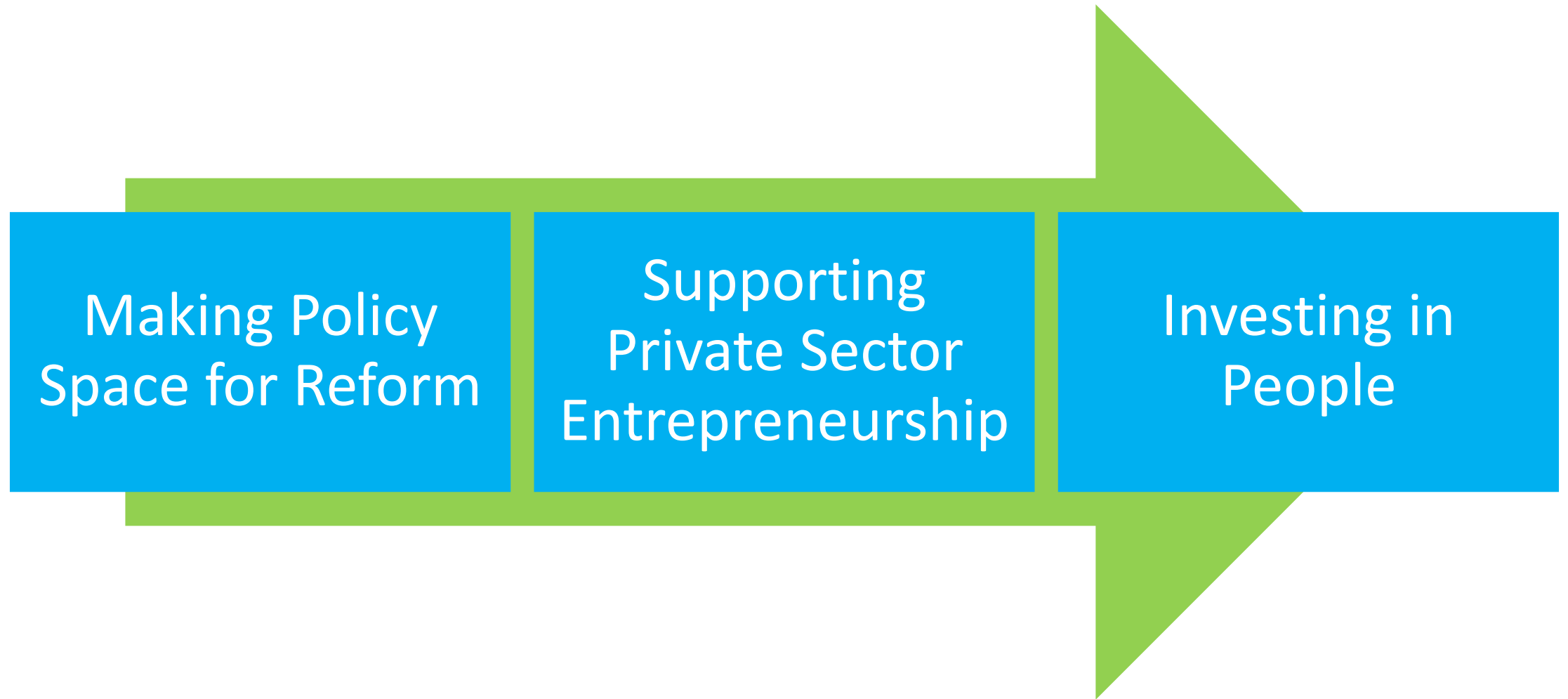


Sources: World Bank Logistics Performance Index; World Economic Forum.



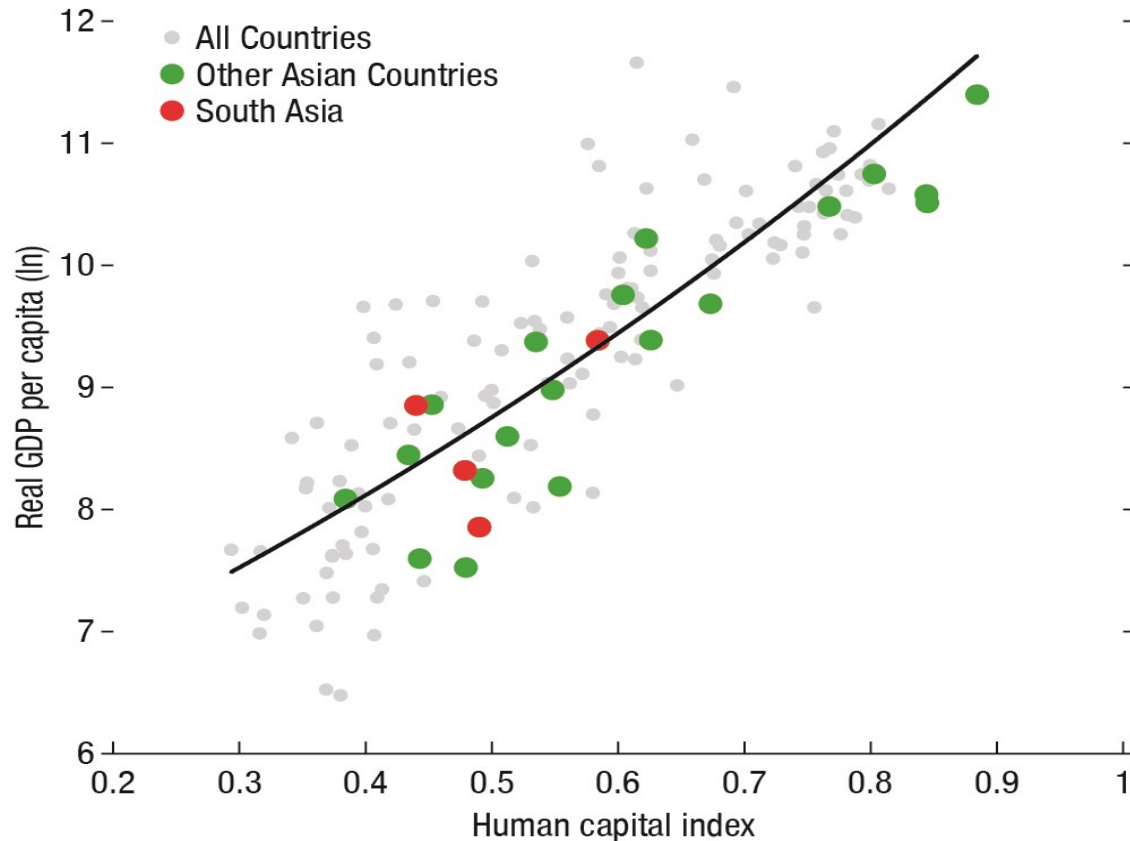
Source: World Development Indicators.

Bolder and Safer Reforms



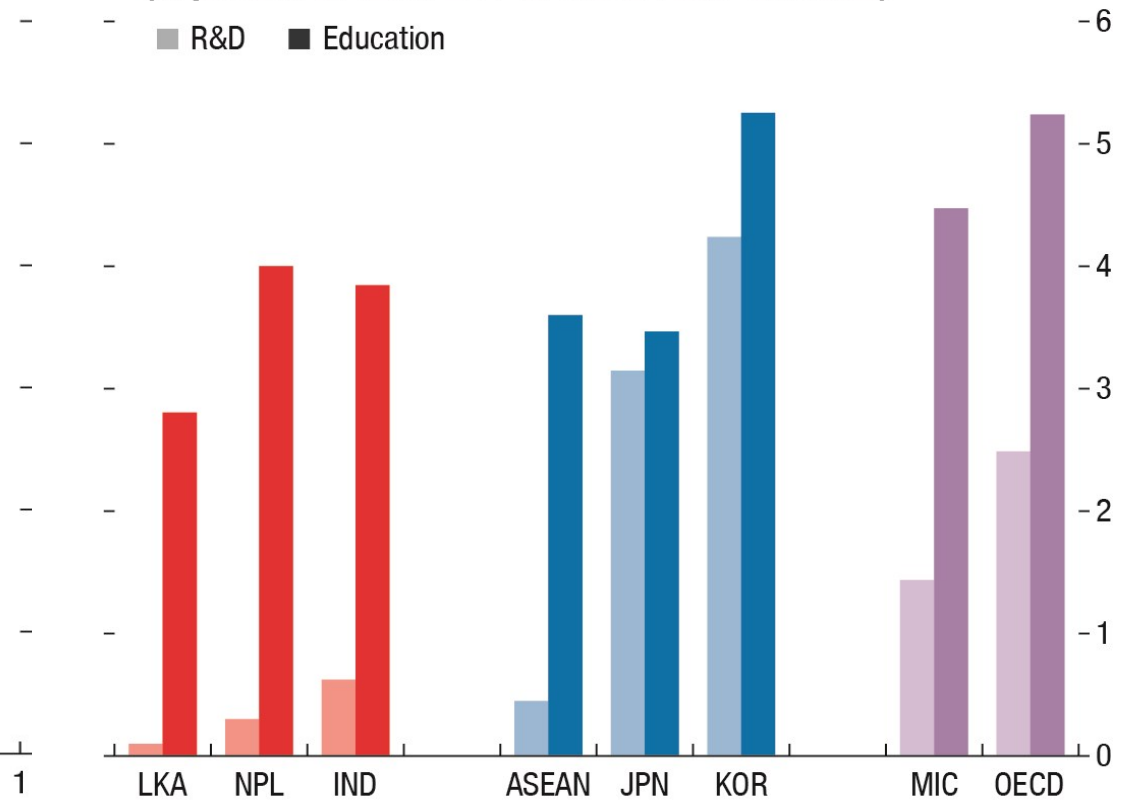
Further investment in human capital would bring a strong growth yield...

Human Capital and Real GDP per Capita



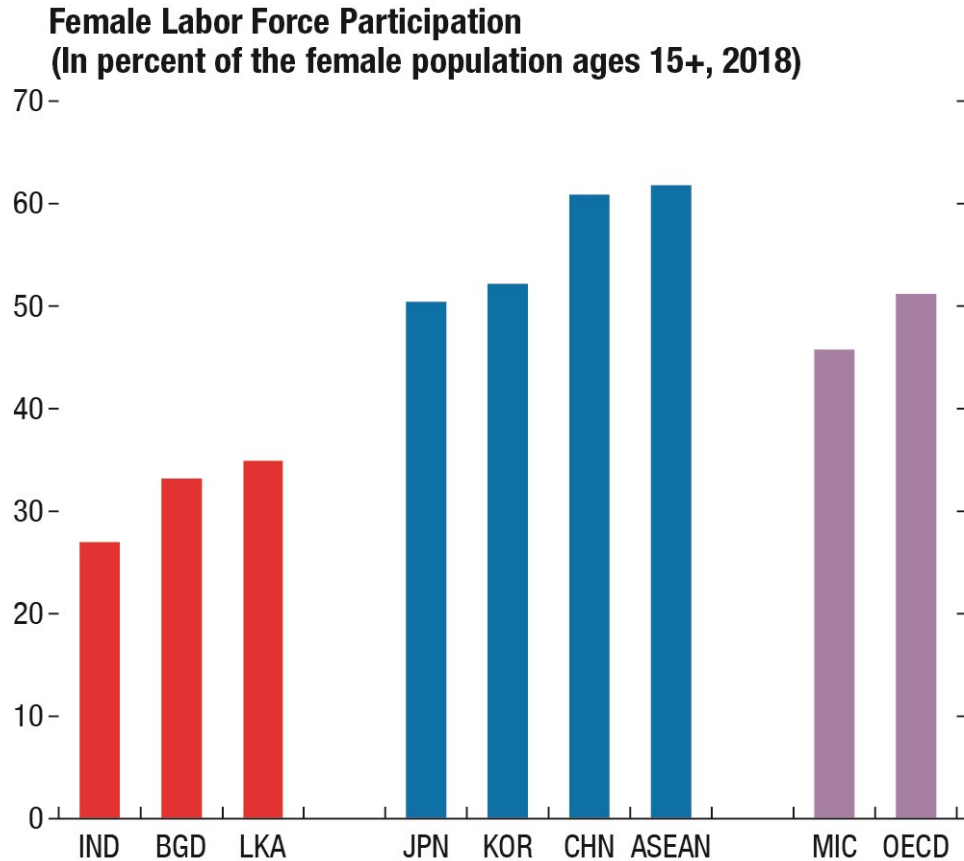
Sources: World Bank; and IMF World Economic Outlook.

**R&D and Public Education Spending
(In percent of GDP, 2017 or latest value available)**

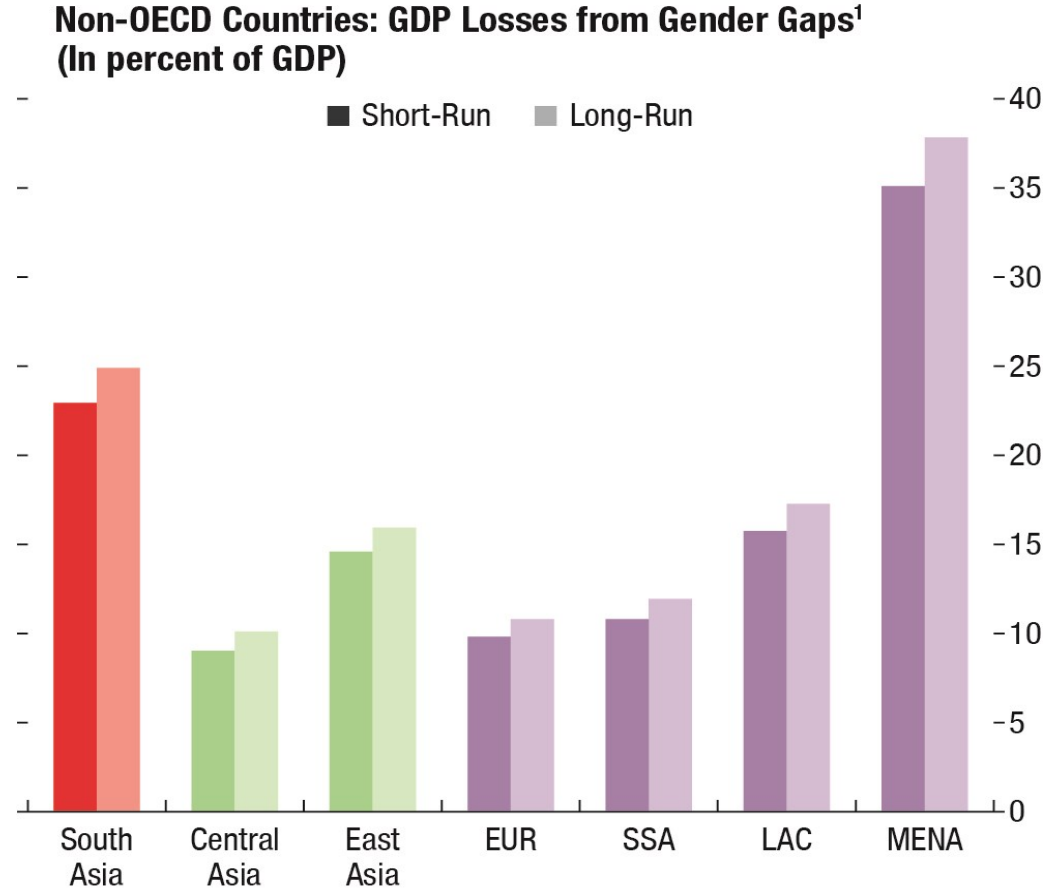


Sources: World Bank World Development Indicators and Country Authorities.

... closing costly gender gaps



Source: World Bank World Development Indicators.

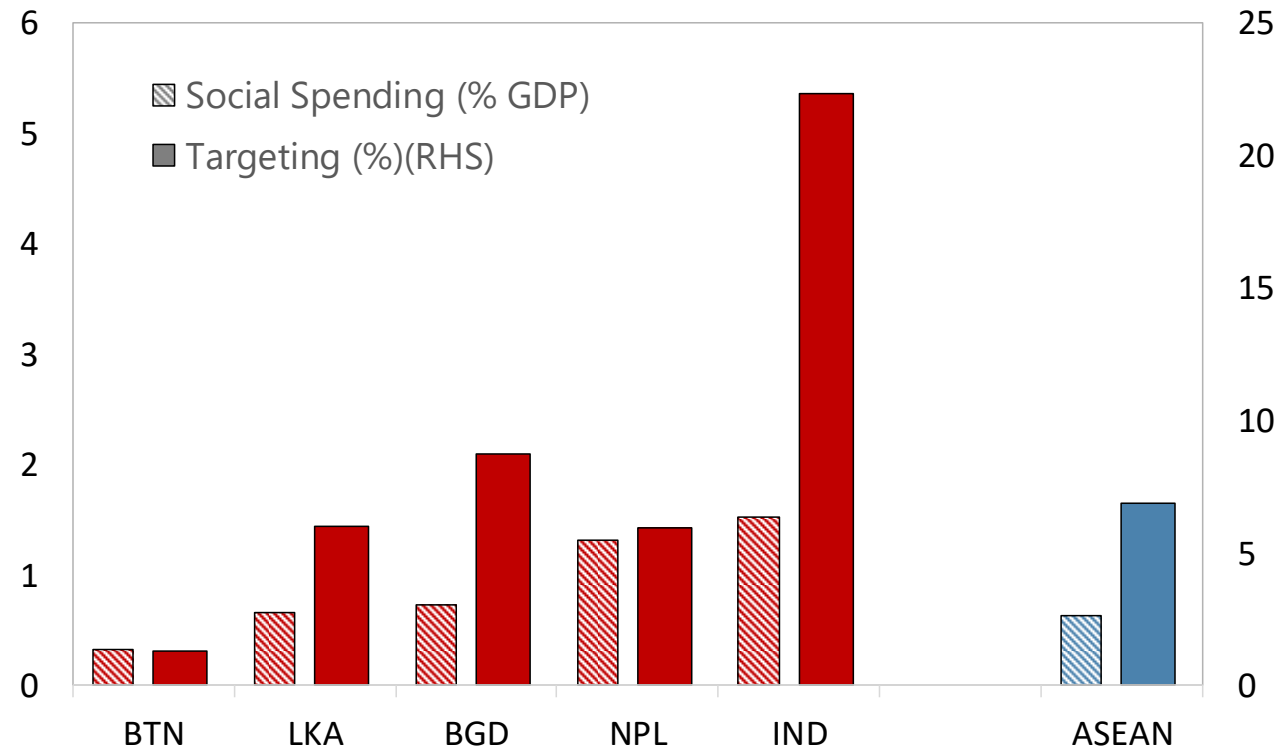


Source: Cuberes and Teignier (2016).

¹Country groupings follow World Bank definitions, with Europe and Central Asia split.

... while stronger social safety nets would protect the most vulnerable

Social Assistance Spending and Targeting*
(2016 or latest year available)



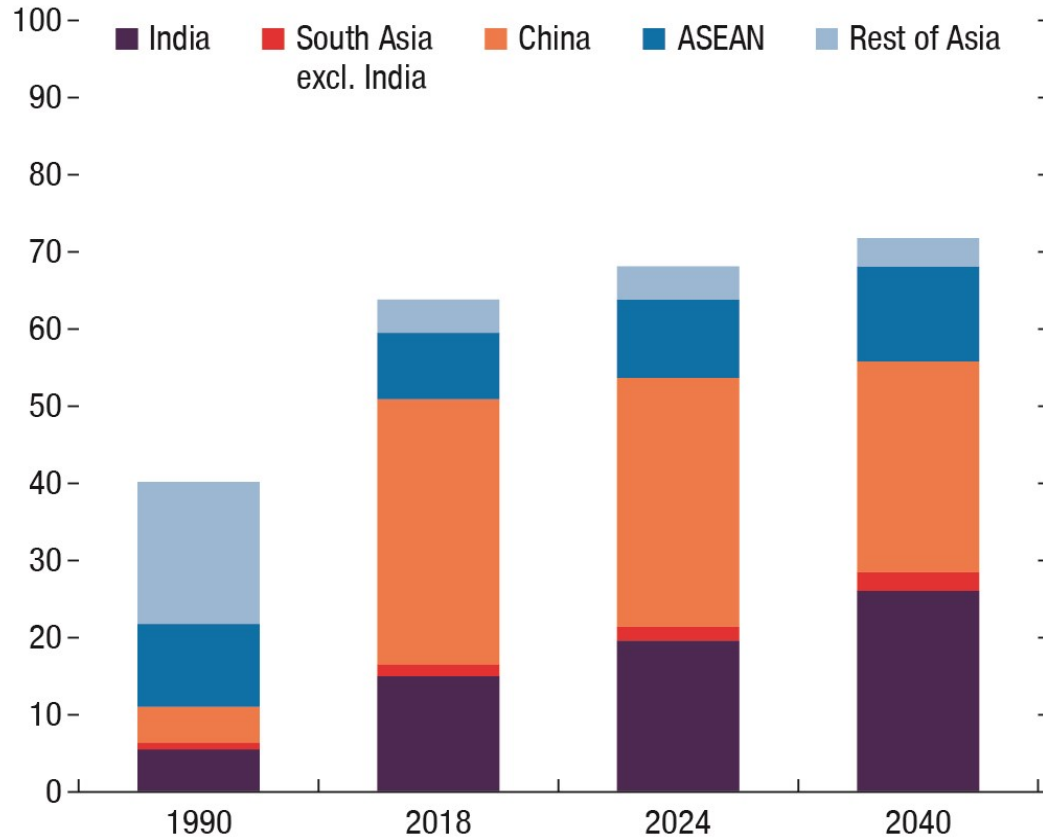
* Targeting is transfers received by poorest quintile as a percentage of all transfers.
Source: World Bank ASPIRE Database.



A Reform Scenario

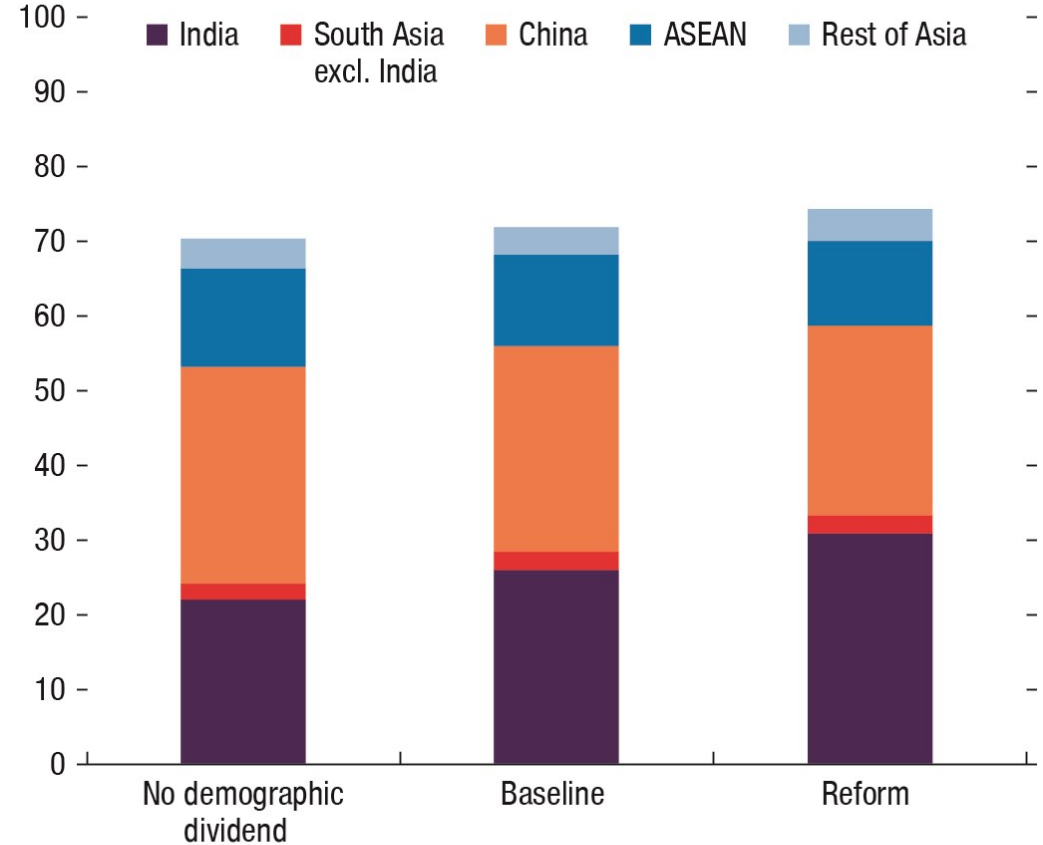
South Asia's contribution to global growth could be 35 percent by 2040

**Contribution to Global Growth by Region
(In percent, PPP terms)**



Sources: IMF, *World Economic Outlook*; and IMF staff estimates.
 Note: Regional categories based on IMF classification, ASEAN = Association of Southeast Asian Nations.

**Contribution to global growth by region, 2040
(In percent, PPP terms)**



Sources: IMF, *World Economic Outlook*; and IMF staff estimates.
 Note: Regional categories based on IMF classification, ASEAN = Association of Southeast Asian Nations.

Conclusion: Building the Reform Momentum

Recent elections in most South Asian economies offer a propitious window of opportunity to accelerate the reform agenda and respond to the recent slowdown in growth.

Clear communication on the benefits of the reforms and prioritization based on their expected macrostructural impact are key to building reform momentum.

Stronger social safety nets are especially important to supporting the most difficult structural reforms, notably to labor markets, minimizing their distributional impact on the most vulnerable segments of the population, and promoting strong and inclusive growth.

To ensure the region's growth path remains as strong as sustainable, new policies and initiatives need to remain mindful of fiscal, financial, and environmental risks.

Thank you!