Asia and Pacific Region-Leading the Global Recovery
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Asia is leading the global recovery. The "green shoots" of recovery emerged in Asia earlier than elsewhere. In contrast to Asia, the pace of the recovery in advanced economies outside the region has been weaker.

Asia leading the global recovery……

We expect Asia to continue leading the global recovery in the near term and grow by about 7 percent in both 2010 and 2011, while the global growth will be only around 4 percent. China and India will again lead Asia's growth—currently projected at 10 percent and 8.8 percent in 2010, respectively. Two factors will underpin Asia's strong performance. First, global and domestic inventory cycles are likely to boost Asia's industrial production and exports further in 2010. Second, although macroeconomic policies may become less accommodative in the region, private domestic demand is expected to remain robust.

Asian low-income countries (LICs) had only moderate slow-down of growth during the global downturn, but are recovering on a slower pace than emerging Asia due to structural fragilities. Asian LICs as a group are expected to grow around 6 percent in the near term.

…. Marks a break from the past in several ways…..

Asia's faster recovery relative to the rest of the world seems to mark a break from the past. Although GDP growth in Asia has exceeded that of advanced economies over the last three decades, this is the first time Asia is leading a global recovery; in all previous global downturns, Asia's contribution to global recovery was lower than that of other regions. Second, Asia's recovery in previous recessions generally was driven by exports, but this time, it also has been reinforced by resilient domestic demand. And, third, while in previous crises capital had been extremely slow to return to Asia, this time net capital inflows to the region have surged, due in part to the region's resilience and prospective returns relative to slower growing regions.

… posing new challenges.

Somewhat paradoxically, Asia's stronger cyclical position may also pose near-term risks to the outlook by further intensifying capital inflows to the region. Brighter economic growth prospects than advanced economies are likely to attract more capital into the region. This could lead to overheating in some economies and increase their vulnerability to credit and asset price bubbles. Policymakers will need to be attentive to macroeconomic and financial risks that may arise from the buildup of imbalances in local asset and housing markets.

Outlook remains unusually uncertain…

Other risks may emanate from outside the region. The global recovery influences Asia's growth, given the region's high dependence on export demand and its growing integration with international financial markets. And the global outlook is subject to downside risks, which are at the forefront again recently in European markets and continue to be reflected in financial market volatility all across the world.

Finding the right exit in the near-term will be key…

The main near-term challenge for policy makers is judging the appropriate pace for normalizing monetary and fiscal policy in an uncertain world. With Asia recovering faster than advanced economies, policy normalization in the region is expected to begin earlier than in several other parts of the world. At the same time, policymakers will have to consider the fragility of the global recovery, which argues for a cautious and gradual withdrawal of stimulus.

The IMF remains fully engaged with Asia

We are organizing a high level Asia conference in Korea on July 12-13, which will bring together finance ministers, central bankers, CEOs of global and regional banks and companies, as well as prominent academics and other opinion makers to discuss the challenges noted above and Asia's increasing role in driving global growth.

Bangladesh has weathered the global crisis relatively well...

With more supportive external conditions anticipated, growth should rise in FY11. Strong ADP implementation and more robust private investment, including in infrastructure could further boost the growth potential. Unevenness in the global recovery, infrastructure bottlenecks and related power disruptions are downside risks to growth performance. Inflationary pressures should ease slightly in FY11 given more moderate expected increases in global commodity prices and assuming maintenance of a stable macroeconomic policy stance.

In view of the upcoming budget discussion…

The FY11 budget should aim at raising tax revenues and increasing ADP implementation to boost the economy's medium-term growth potential and accelerate poverty reduction. Prospects for broader revenue growth hinge on decisive actions to strengthen tax policy and administration. Expenditures will also need to be well-prioritized, well-executed, and well-utilized to ensure resolution of infrastructure bottlenecks, containment of subsidies growth, and better targeted resources for the most vulnerable groups in society.

Why regional economic outlook is relevant for Bangladesh?

- **The global engine of growth will be in Asia for next few years.** A high growth differential compared to the rest of the world makes Asia an attractive destination for investment.

- Resolving infrastructure bottlenecks and improving the business environment could **re-focus investment spotlight on Bangladesh,** help to utilize its comparative advantage of low labor costs, boost productivity and put the country on a higher growth trajectory.

- Accelerating **regional integration** will be also significant contributing factor to stronger growth performance.