



Developing Asia's Economic Outlook

Session 1: Global & Regional Economic and Markets Outlook

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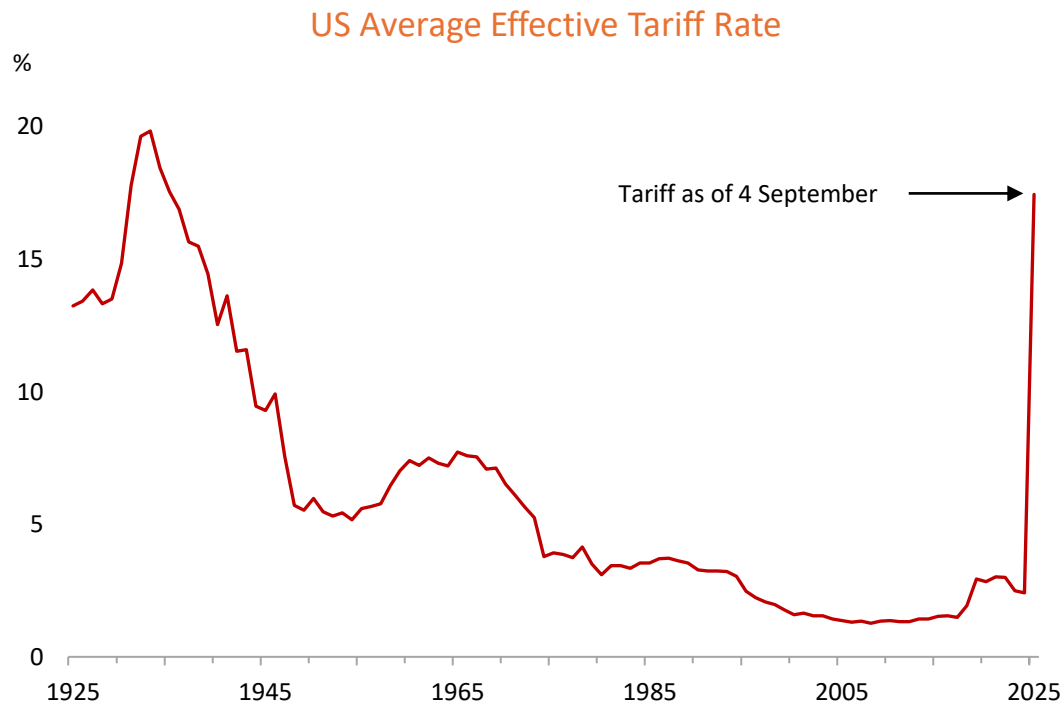
2025 ASIAN REGIONAL FORUM
ON INVESTMENT MANAGEMENT
OF FOREIGN EXCHANGE RESERVES

Growth slows as a new global trade environment takes shape

- US tariffs have settled at higher levels than in 2024 and trade uncertainty remains elevated, with the impact on the US economy starting to show.
- Developing Asia's growth is forecast to slow, from 5.1% in 2024 to 4.8% in 2025 and 4.5% in 2026.
- The PRC's growth projections remain at 4.7% in 2025 and 4.3% in 2026, as policy support is anticipated to mitigate the impact of external headwinds and continued property market weakness.
- India's growth outlook for FY2025 is unchanged at 6.5%, while the FY2026 forecast is lowered to 6.5%, a 0.2 pp decrease from the July projection, due to higher US tariffs.
- The inflation forecast is cut to 1.7% for 2025 on lower commodity prices, it is unchanged for 2026.
- The main risk stems from renewed tariff hikes and trade uncertainty. Others include financial market volatility, geopolitical tensions, and further deterioration in the PRC's property market.

US tariffs reset the global trade landscape

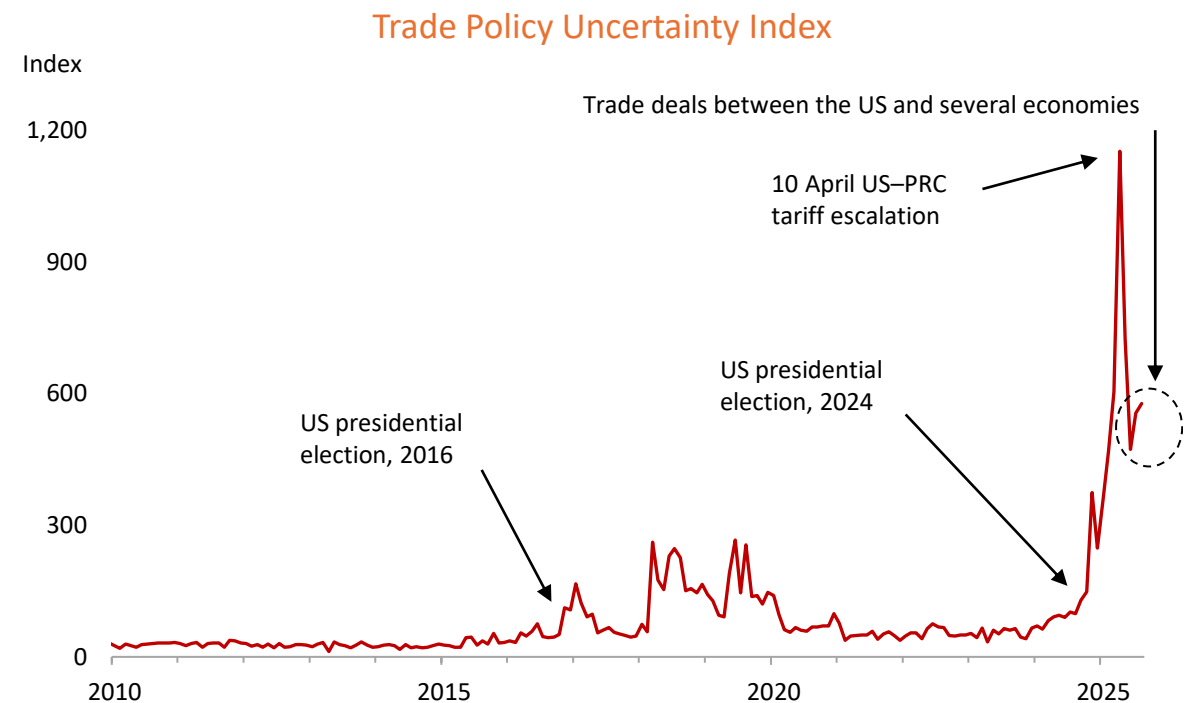
US tariffs surge to levels not seen since the 1930s.



Note: Customs duties-to-imports ratio up to July 2025. The effective tariff rate for August 2025 is estimated at 17.4% using 2024 trade weights, and 16.4% after trade reallocation.

Source: [The Budget Lab. State of U.S. Tariffs: September 4, 2025.](#)

Trade policy uncertainty spiked in the first half of the year, though it has eased from its peak in April.



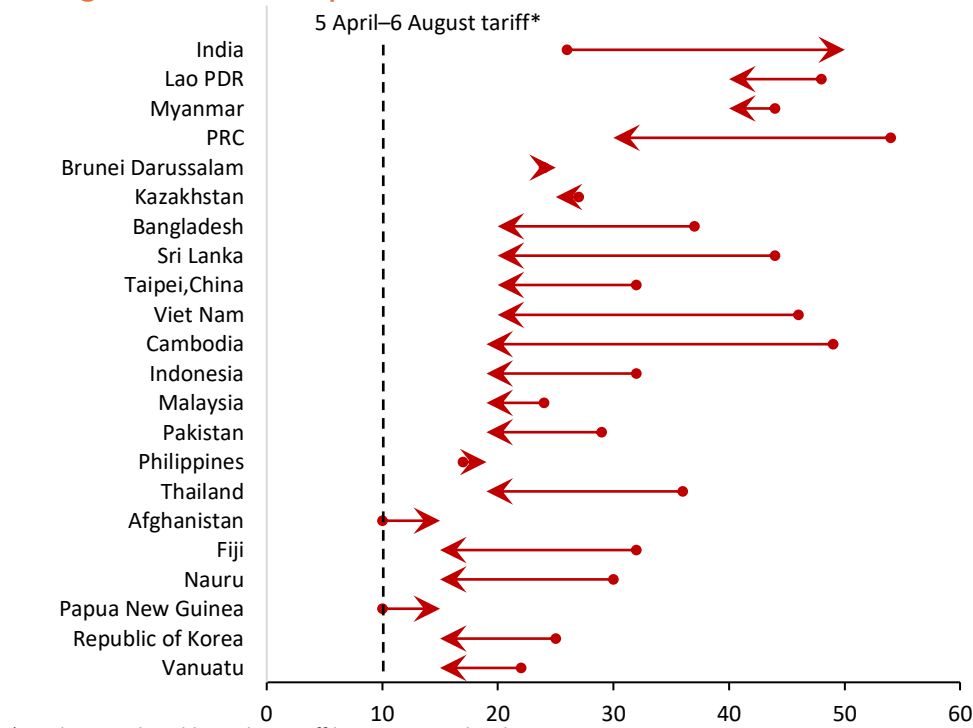
Source: D. Caldara et al. 2020. [The Economic Effects of Trade Policy Uncertainty](#). *Journal of Monetary Economics*. 109. pp. 38–59 (accessed 12 September 2025)..

US tariffs on Asia jumped on 7 August after exports had surged on tariff frontrunning

The latest US tariffs on many regional economies are about half those announced on 2 April.

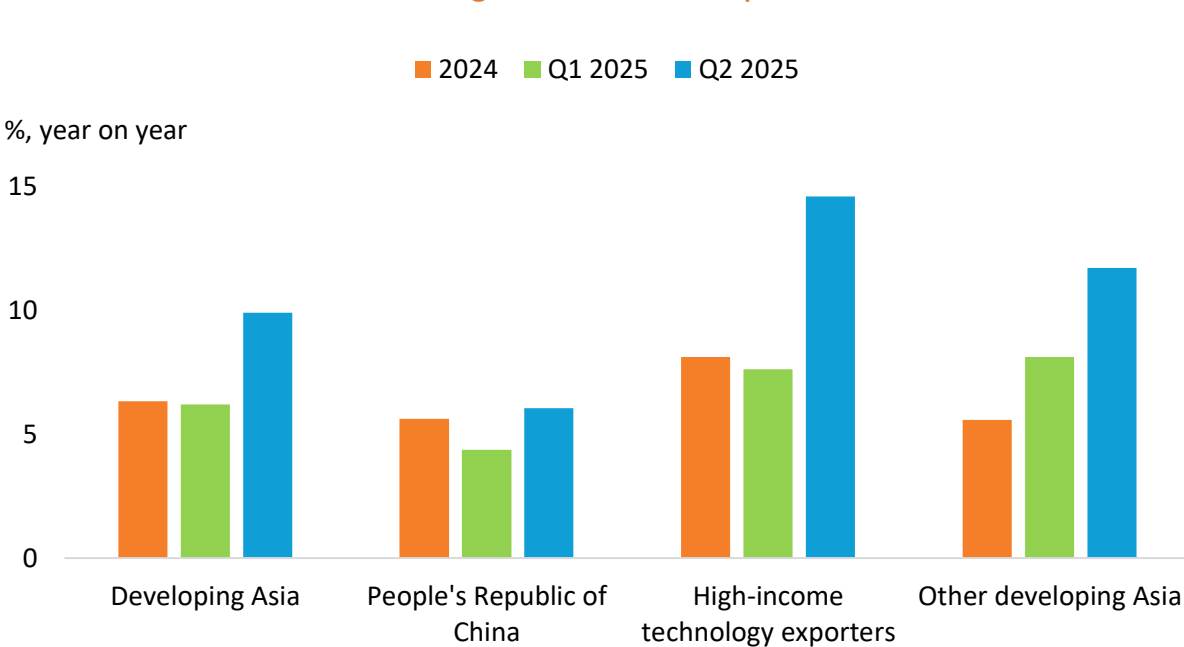
Developing Asia’s exports accelerated in Q2, led by high-income technology exporters, as most US tariff hikes were paused.

Changes between 2 Apr Tariff Announcements and Tariffs as of 1 Sep



*For the PRC, the additional US tariff between 5 April and 6 August was 30%, not 10%.
 Note: The remaining developing Asian economies have had an additional 10% tariff imposed.
 Source: White House Executive Orders.

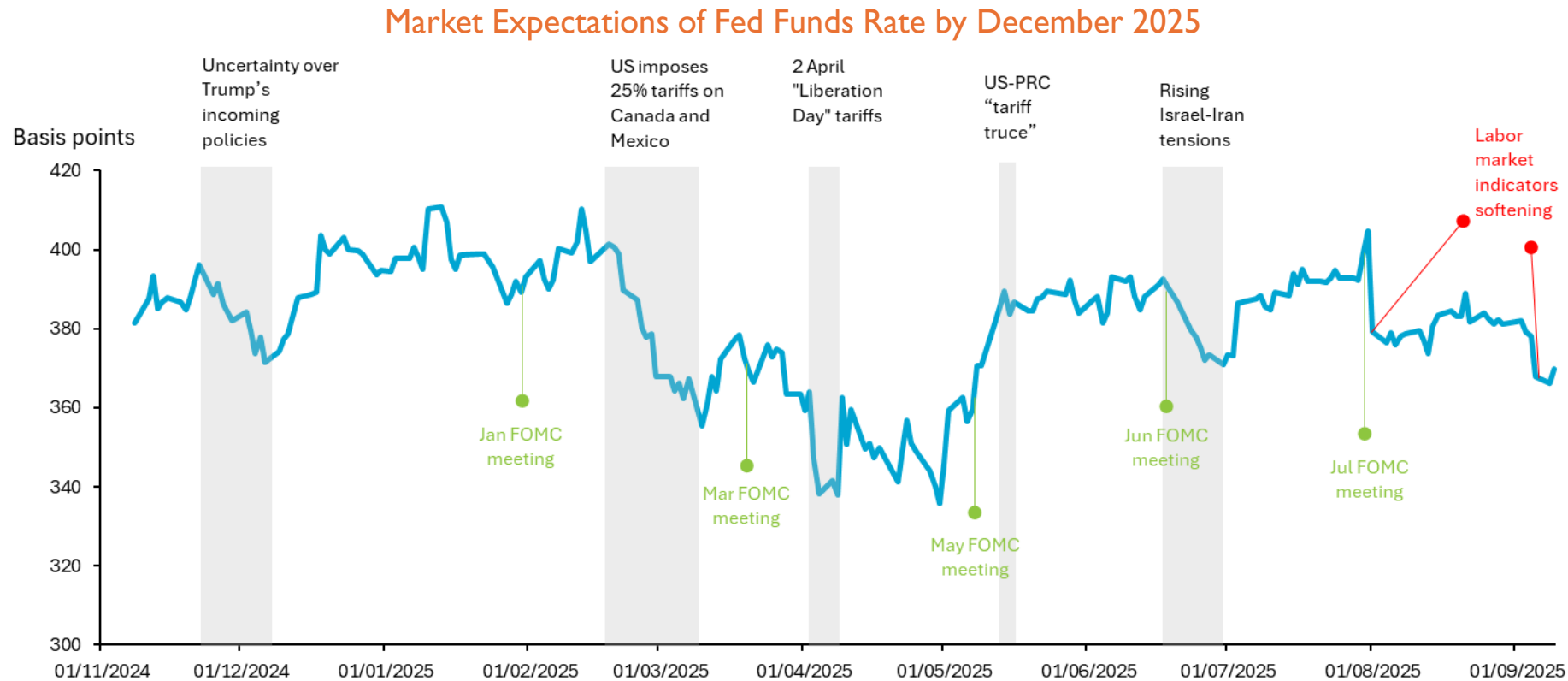
Changes in Nominal Exports



Note: High-income technology exporters = Hong Kong, China; Republic of Korea; Singapore; Taipei,China.
 Sources: CPB Netherlands Bureau for Economic Policy Analysis. [World Trade Monitor June 2025](#).

Signs of a weakening US economy have shifted market expectations on Fed policy

Recent weakening labor market data raised expectations of quicker monetary easing.



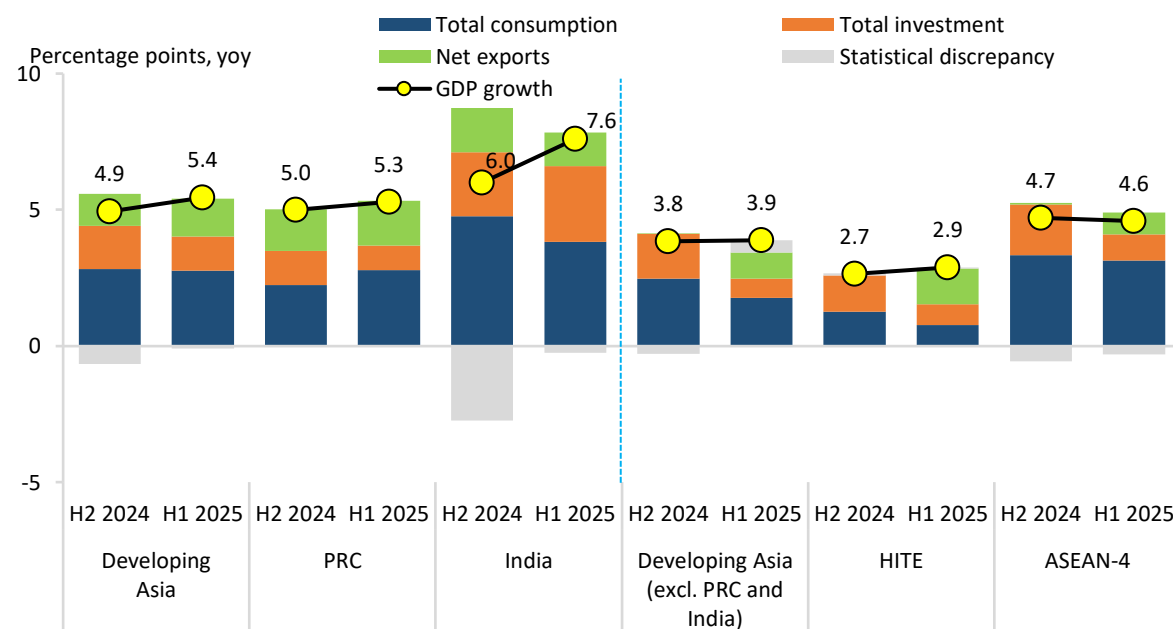
Source: ADB staff estimates using CME FedWatch Dec 2025 probabilities.

In developing Asia, exports boosted growth in the first half of 2025; disinflation continued

Export growth boosted activity in H1, offsetting weaker investment in the PRC and consumption in India.

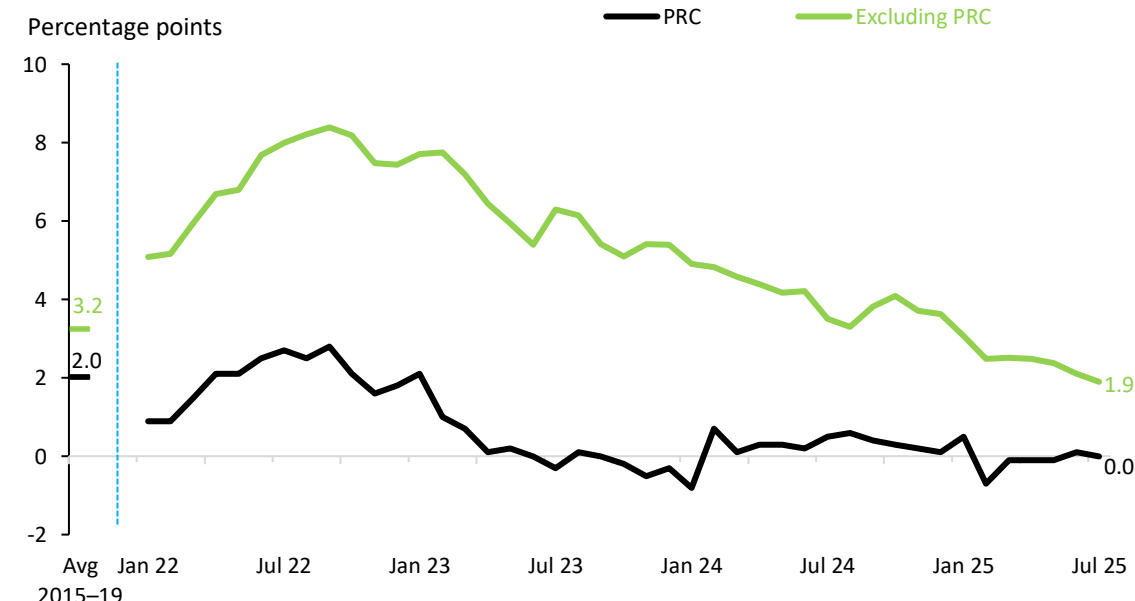
Disinflation continued, as easing food and energy inflation outweighed an uptick in core inflation.

Demand-side Contributions to Real GDP Growth



GDP = gross domestic product, H = half, PPP = purchasing power parity, PRC = People's Republic of China, Q = quarter.
 Notes: Economies included are those that have available quarterly GDP figures with demand-side breakdown, which account for about 90% of developing Asia. Components do not add up to the total due to statistical discrepancies and differences from the chain-linking method. All data are in calendar years and in non-seasonally adjusted terms.
 Source: ADB estimates using data from Haver Analytics; CEIC Data Company; official sources.

Headline Inflation, developing Asia



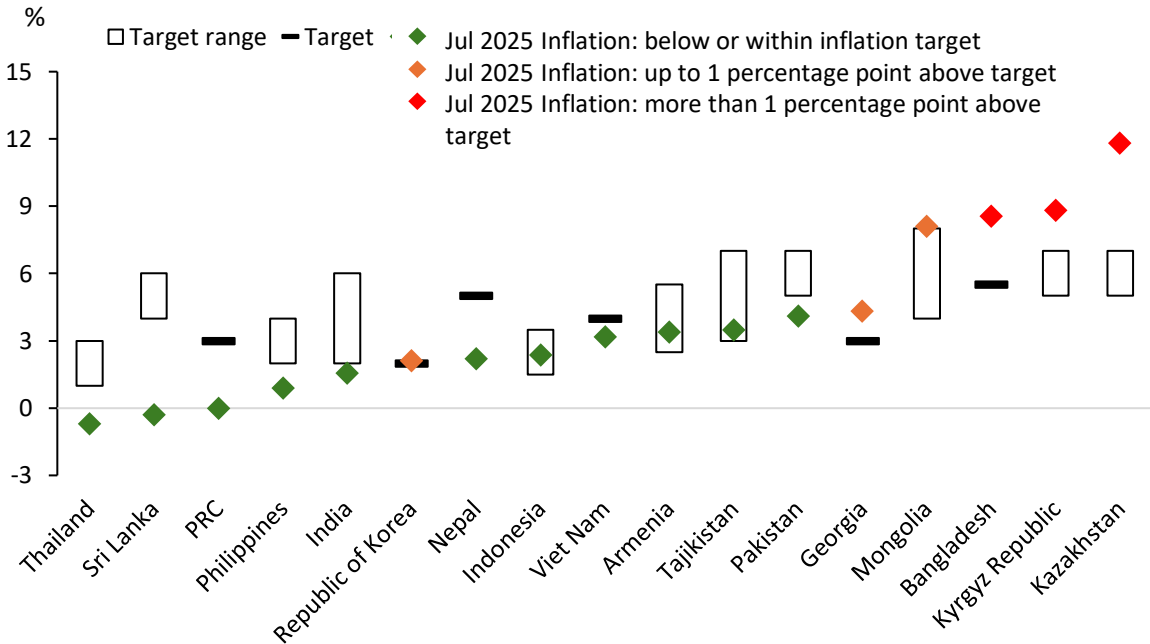
Note: Regional average is calculated using GDP PPP shares as weights and covers 23 economies.
 Source: ADB estimates using data from Haver Analytics; CEIC Data Company; official sources.

Conditions are ripe for further monetary policy easing in the region

Inflation is below target, or the mid-point of target ranges, for most inflation-targeting economies...

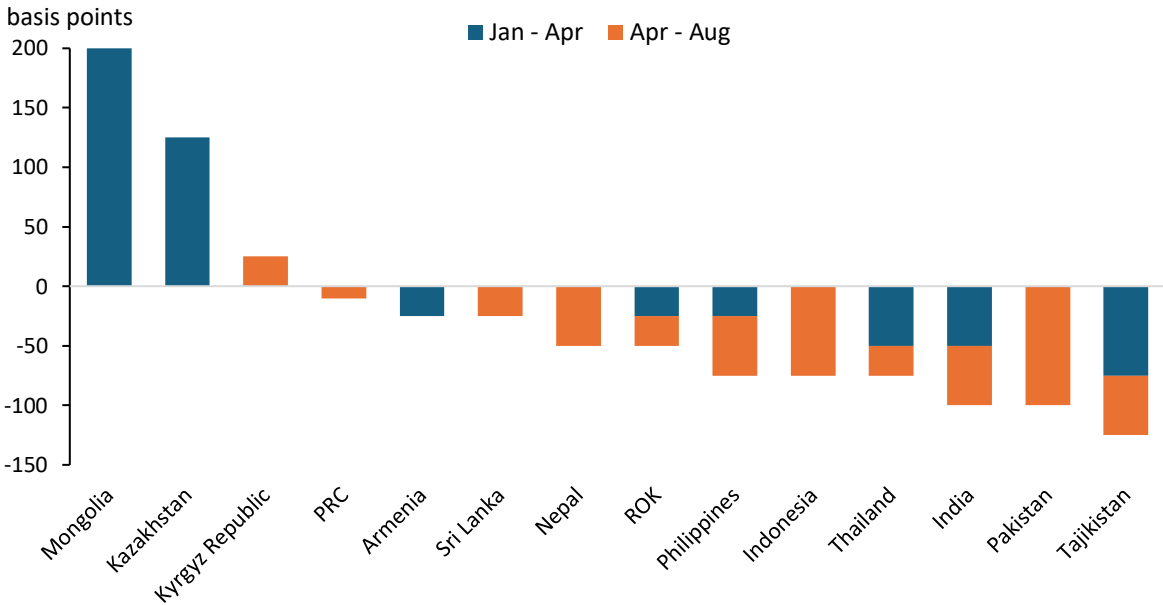
...providing space for continued monetary policy easing.

Inflation and Inflation Targets



PRC = People’s Republic of China.
Sources: CEIC Data Company and official sources.

Change in End-of-Month Policy Rates, January and August 2025 (bp)

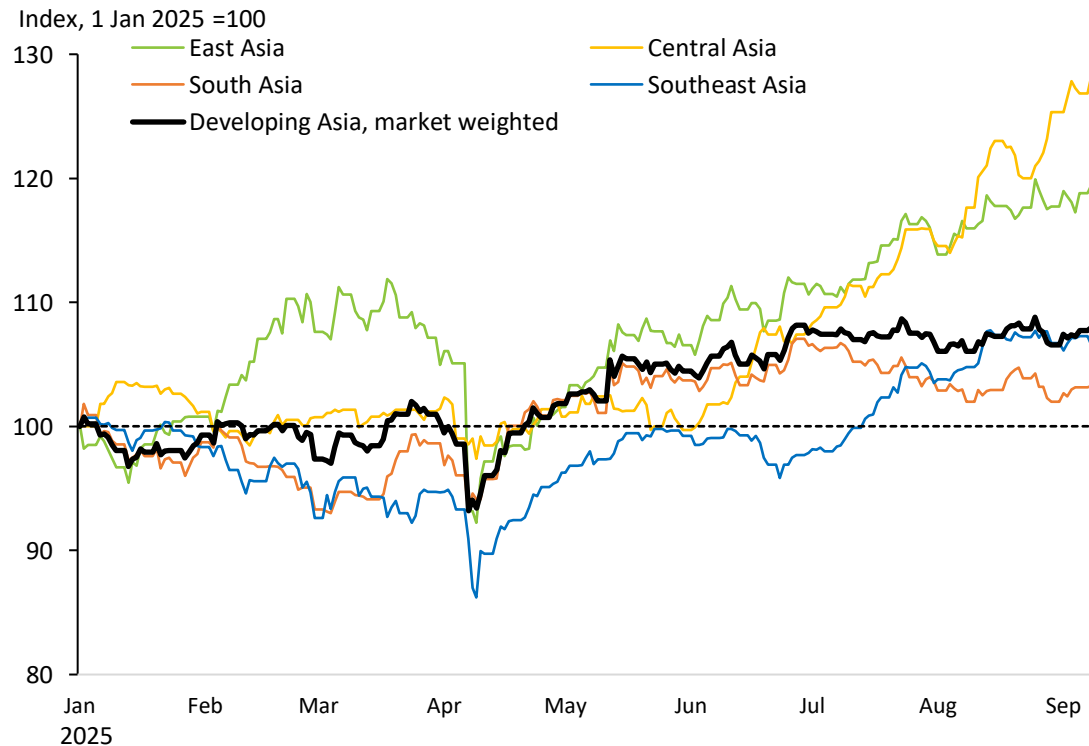


PRC = People’s Republic of China, ROK = Republic of Korea.
Notes: Change in policy rate (basis points) = end-of-August 2025 policy rate – end-of-January 2025 policy rate * 100. January to early April 2025 (dark blue bars) and post-2 April to August 2025 (orange bars). Only economies which changed their policy rates from January 2025 through August 2025 are included.
Sources: CEIC Data Company.

Regional financial markets remain resilient

Optimism on trade talks and Fed rate cuts lifted equities in all subregions except South Asia, weighed by losses in India amid steep US tariff hikes.

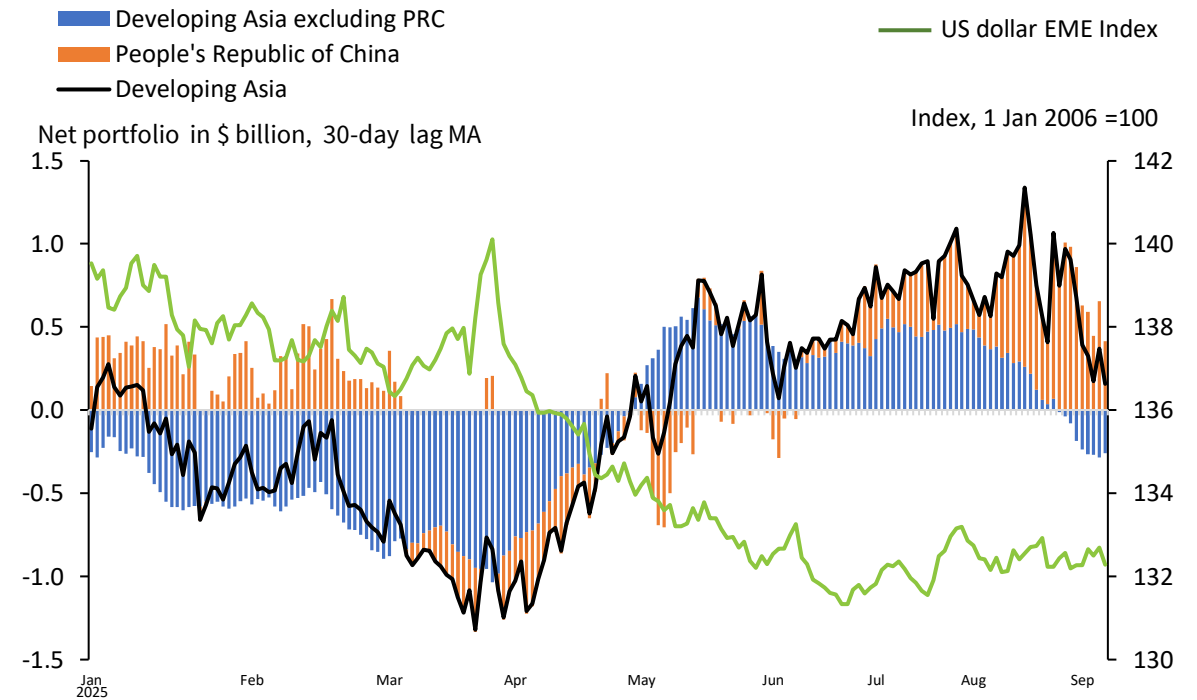
Equity Market Performance



Notes: Central Asia = Kazakhstan; East Asia = People's Republic of China; Hong Kong, China; Republic of Korea; Taipei, China; South Asia = Bangladesh, India, Pakistan, Sri Lanka; Southeast Asia = Indonesia, Malaysia, Philippines, Singapore, Thailand, Viet Nam. Subregional indexes are aggregated using market capitalization shares as weights. Data is as of 8 September 2025. Source: Bloomberg.

Portfolio inflows continued in Q3 but eased in late August, due to outflows in India; currencies weakened slightly against the US dollar.

Net Portfolio Flows in the Region



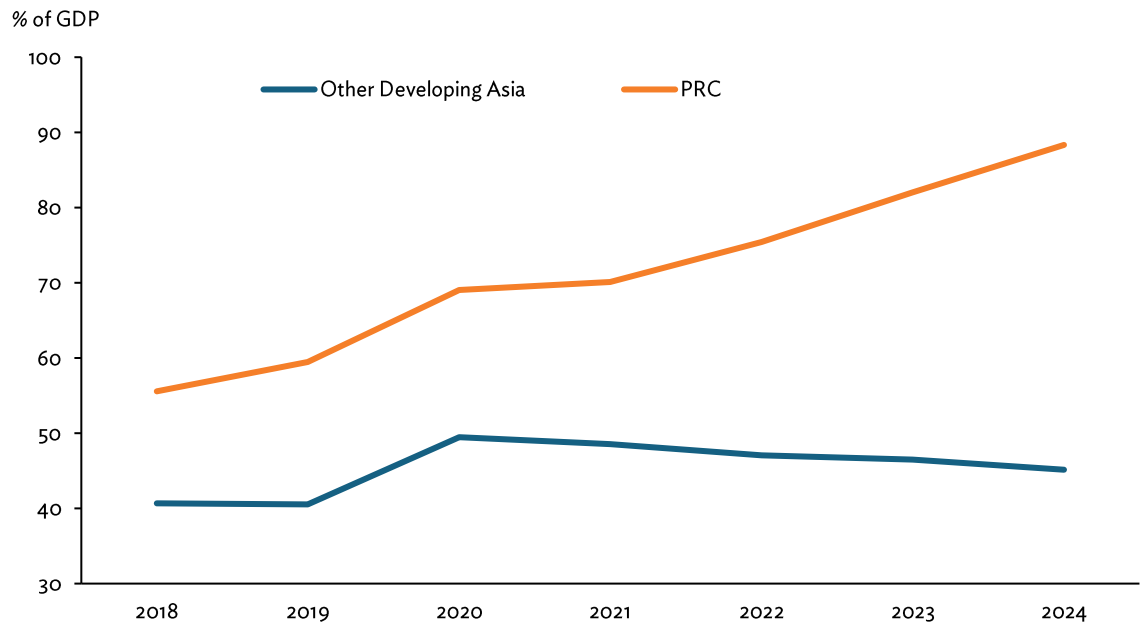
Note: The US dollar emerging market economies (EME) index covers 19 emerging market currencies. Sources: IIF and FRED, 5 September 2025.

Government debt remains contained, but debt service can create vulnerabilities

Average government debt-to-GDP ratios have gradually declined in the region since 2020, except for the PRC.

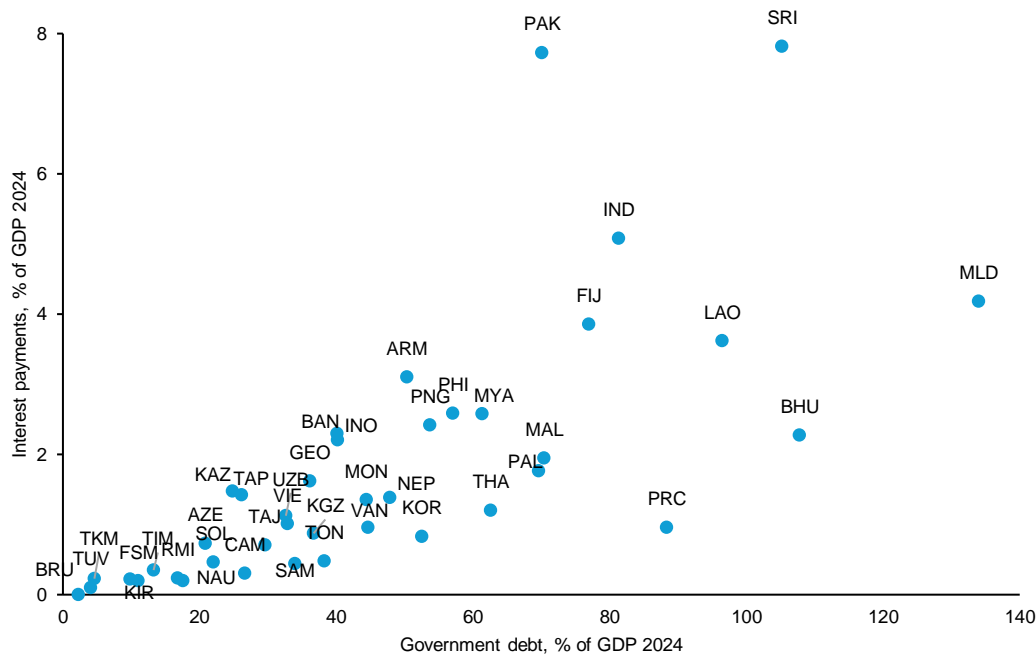
Interest payments are elevated in some economies with high government debt-to-GDP ratios.

Government Debt (% of GDP)



PRC = People's Republic of China, GDP = gross domestic product.
Note: Other Developing Asia excludes the PRC; Hong Kong, China; and Singapore and shows the computed simple average of individual economies' ratios.
Source: Asian Development Bank. Asian Sovereign Debt Monitor

Government Debt and Interest Payments (% of GDP), 2024



Source: Asian Development Bank. Asian Sovereign Debt Monitor

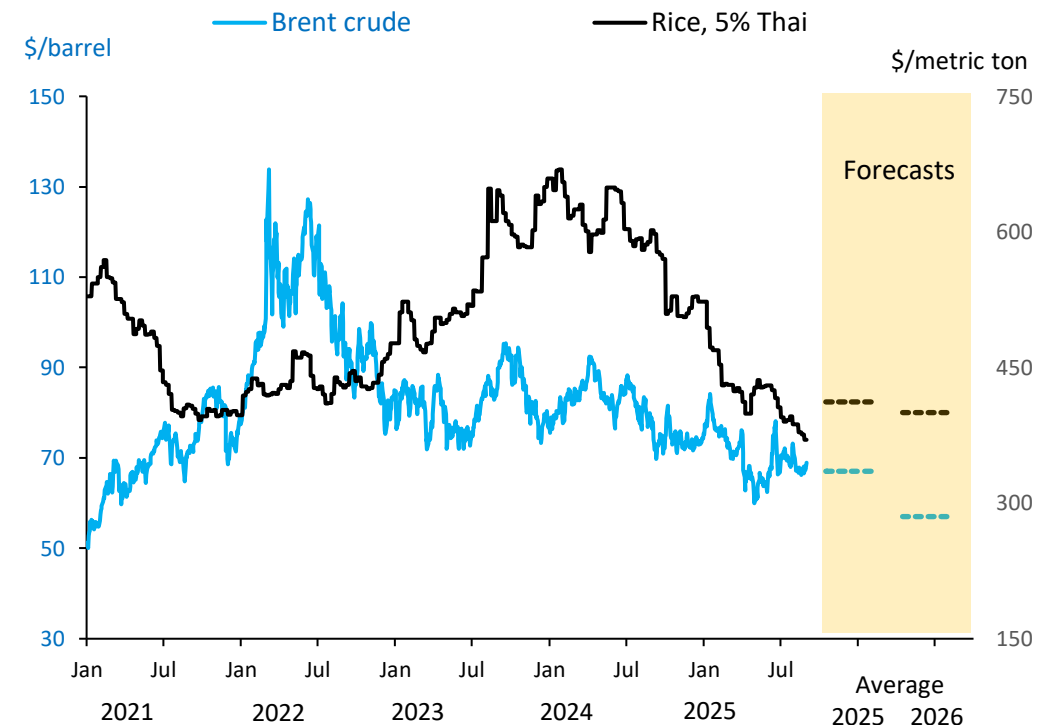
Major advanced economies will slow on higher US tariffs and trade uncertainty

Growth forecasts for major advanced economies in 2026 are revised down from July estimates.

	2024	2025			2026		
	Actual	Apr	Jul	Sep	Apr	Jul	Sep
GDP growth, %							
Major advanced economies	1.7	1.6	1.4	1.4	1.6	1.5	1.4
United States	2.8	2.0	1.7	1.7	1.9	1.9	1.8
Euro area	0.9	1.2	1.2	1.2	1.4	1.3	1.2
Japan	0.1	1.2	0.8	1.1	0.8	0.6	0.6
Inflation, %							
Major advanced economies	2.7	2.4	2.5	2.5	2.2	2.2	2.3
United States	3.0	2.5	2.8	2.8	2.4	2.6	2.8
Euro area	2.4	2.2	2.1	2.1	2.0	1.9	1.9
Japan	2.7	2.6	3.0	3.0	1.9	1.9	1.9
Brent crude spot prices, average, \$/barrel							
	81	74	67	67	71	62	57

Sources: Bloomberg; CEIC Data Company; Haver Analytics; IMF World Economic Outlook; Asian Development Bank estimates.

Oil prices are anticipated to fall further, rice prices to stabilize.



Sources: Consensus Economics; Bloomberg; Focus Economics.

Compared to July, developing Asia's growth forecast is raised to 4.8% in 2025, lowered to 4.5% in 2026

As frontloading wanes and higher tariffs take hold, growth will ease in 2026.

Subregion/Economy	GDP Growth						
	2024	2025			2026		
		Apr	Jul	Sep	Apr	Jul	Sep
Developing Asia	5.1	4.9	4.7	4.8	4.7	4.6	4.5
Developing Asia excluding the PRC	5.1	5.0	4.8	4.9	5.1	4.9	4.8
Caucasus and Central Asia	5.7	5.4	5.5	5.5	5.0	5.1	4.9
Kazakhstan	5.0	4.9	5.1	5.3	4.1	4.3	4.3
East Asia	4.7	4.4	4.3	4.4	4.0	4.0	3.9
People's Republic of China	5.0	4.7	4.7	4.7	4.3	4.3	4.3
Hong Kong, China	2.5	2.3	2.0	2.2	2.5	2.1	2.0
Republic of Korea	2.0	1.5	0.8	0.8	1.9	1.6	1.6
Taipei, China	4.8	3.3	3.5	5.1	3.0	3.0	2.3
South Asia	5.9	6.0	5.9	5.9	6.2	6.2	6.0
India	6.5	6.7	6.5	6.5	6.8	6.7	6.5
Southeast Asia	4.8	4.7	4.2	4.3	4.7	4.3	4.3
Indonesia	5.0	5.0	5.0	4.9	5.1	5.1	5.0
Malaysia	5.1	4.9	4.3	4.3	4.8	4.2	4.2
Philippines	5.7	6.0	5.6	5.6	6.1	5.8	5.7
Singapore	4.4	2.6	1.6	2.5	2.4	1.5	1.4
Thailand	2.5	2.8	1.8	2.0	2.9	1.6	1.6
Viet Nam	7.1	6.6	6.3	6.7	6.5	6.0	6.0
The Pacific	3.8	3.9	3.9	4.1	3.6	3.5	3.4

Disinflation will continue in the region

Inflation will further moderate driven by lower energy and food prices.

Subregion/Economy	Inflation						
	2024	2025				2026	
		Apr	Jul	Sep	Apr	Jul	Sep
Developing Asia	2.6	2.3	2.0	1.7	2.2	2.1	2.1
Developing Asia excluding the PRC	4.8	4.0	3.6	3.3	3.7	3.7	3.7
Caucasus and Central Asia	6.8	6.9	7.8	7.7	5.9	6.7	6.6
Kazakhstan	8.7	8.2	10.2	10.5	6.5	8.4	8.4
East Asia	0.5	0.6	0.4	0.3	0.9	0.6	0.6
People's Republic of China	0.2	0.4	0.2	0.0	0.7	0.4	0.4
Hong Kong, China	1.7	1.9	1.6	1.6	2.0	1.6	1.6
Republic of Korea	2.3	1.9	1.9	1.9	1.9	1.9	1.9
Taipei,China	2.2	2.0	1.8	1.8	1.8	1.5	1.5
South Asia	6.5	4.9	4.4	3.7	4.5	4.5	4.7
India	4.6	4.3	3.8	3.1	4.0	4.0	4.2
Southeast Asia	3.0	3.0	2.6	2.5	2.8	2.7	2.7
Indonesia	2.3	2.0	1.5	1.7	2.0	2.0	2.0
Malaysia	1.8	2.5	2.4	1.8	2.5	2.4	2.2
Philippines	3.2	3.0	2.2	1.8	3.0	3.0	3.0
Singapore	2.4	2.0	1.0	1.0	1.7	1.2	1.2
Thailand	0.4	1.0	0.5	0.5	1.1	0.8	0.8
Viet Nam	3.7	4.0	3.9	3.9	4.2	3.8	3.8
The Pacific	1.9	3.4	3.4	3.0	3.7	3.7	3.4

Risks

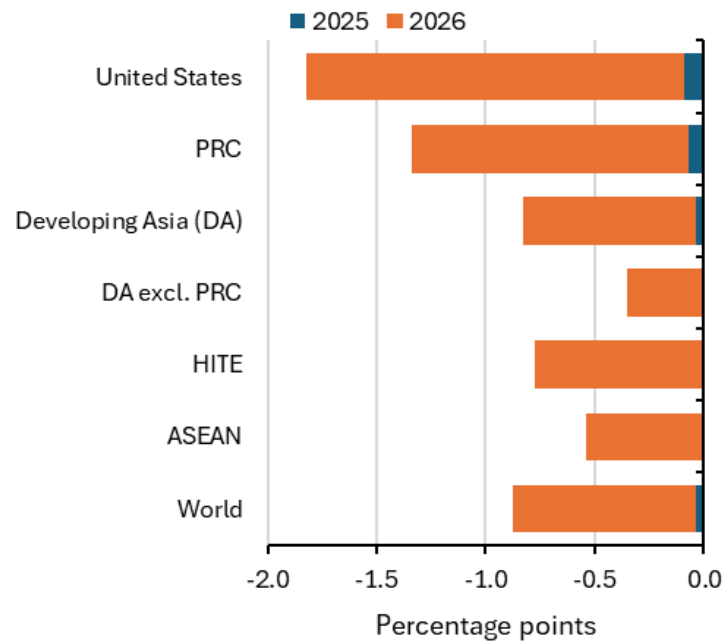
- **Renewed tariff and trade uncertainty escalations**
 - Higher broad-based or sector-specific tariffs and uncertainty could dent the outlook.
- **Financial market volatility**
 - A market correction in the US could heighten global market volatility, raise risk aversion, and tighten financial conditions.
- **Conflicts and geopolitical tensions**
 - Re-escalations in the Middle East or in Russia's war in Ukraine could push up oil and food prices, disrupt supply chains, and dampen growth.
- **PRC property market fragility**
 - Further worsening of the property market could weaken growth in the PRC and spill over to the rest of the region.

A renewed escalation of US–PRC trade tensions would weigh on global growth

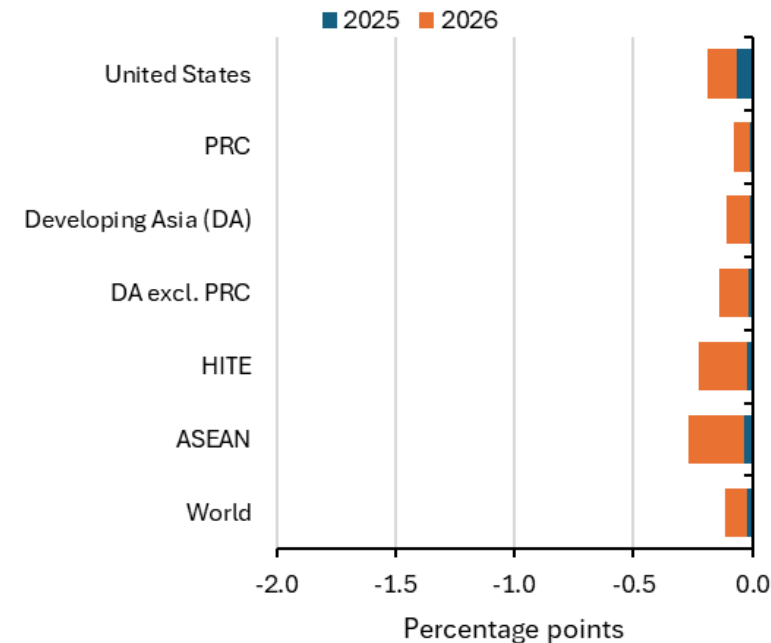
GDP growth would decline sharply if the US-PRC trade tensions re-escalate...

...while targeted tariffs on semiconductors and pharmaceuticals would have marginal impacts.

US-PRC Re-escalation:
Estimated Impact of Additional Tariffs on GDP Growth



Semiconductors and Pharmaceutical Products:
Estimated Impact of Additional Tariffs on GDP Growth



Source: Asian Development Bank staff estimates.

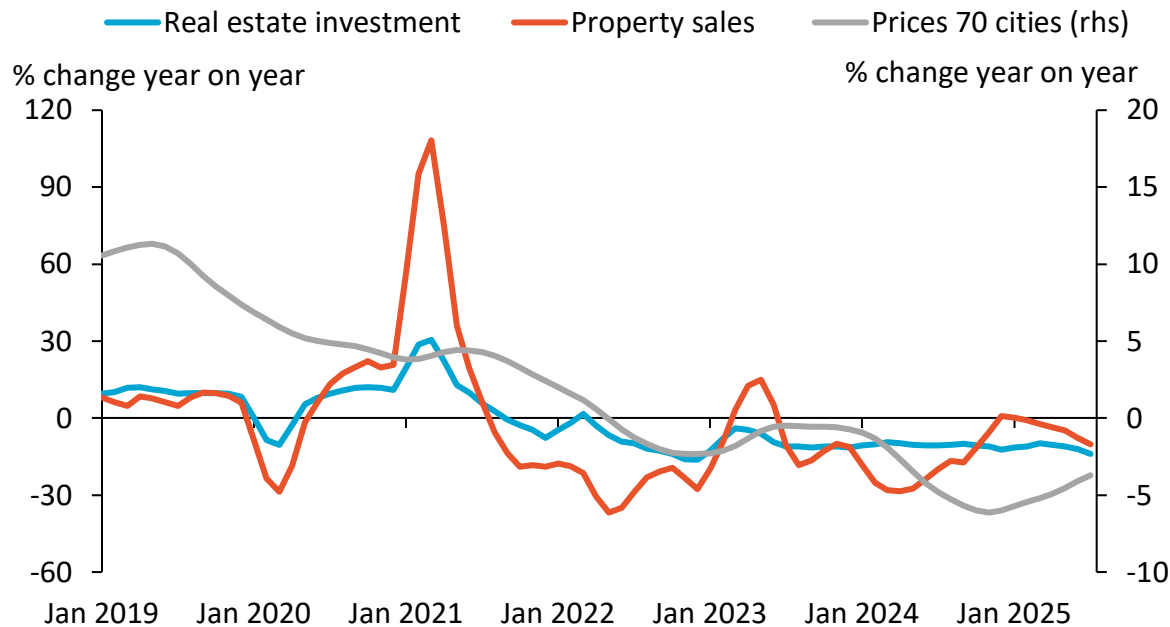
2025 Asian Regional Forum on Investment Management of Foreign Exchange Reserves
8–10 October 2025 | Dilijan, Armenia

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The PRC property market remains under strain

Real estate investment, property sales, and prices remain in negative territory

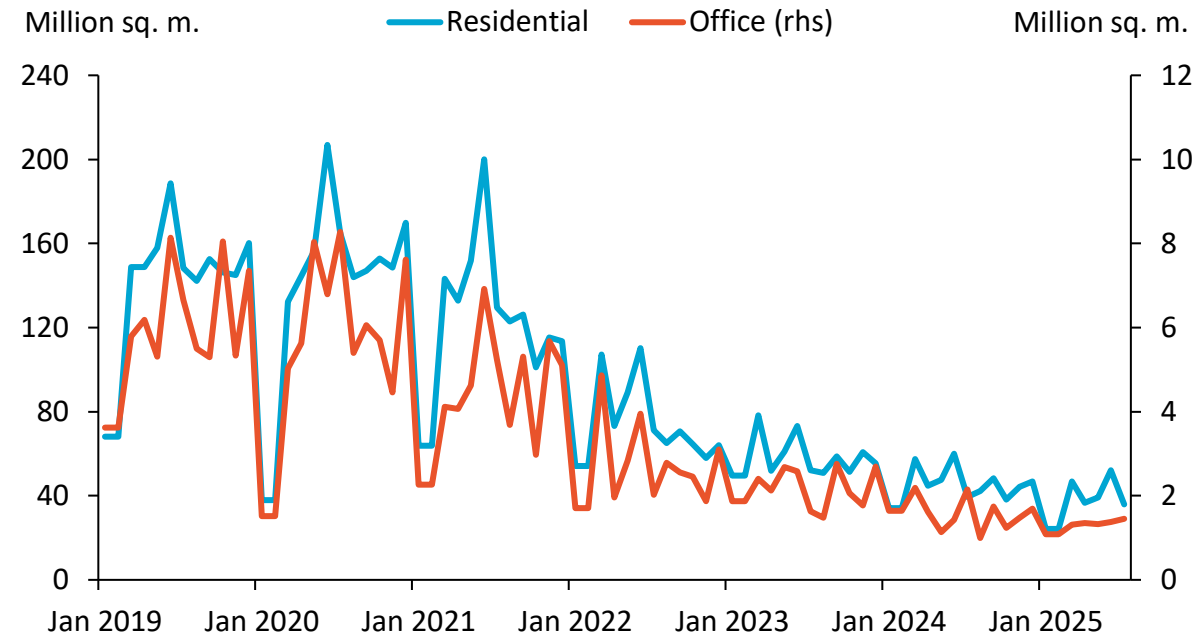
Property Market Investment, Sales, and Prices, January 2019 to July 2025



Source: CEIC Data Company.

New construction activity continues to be sluggish

Construction Starts, January 2019 to July 2025



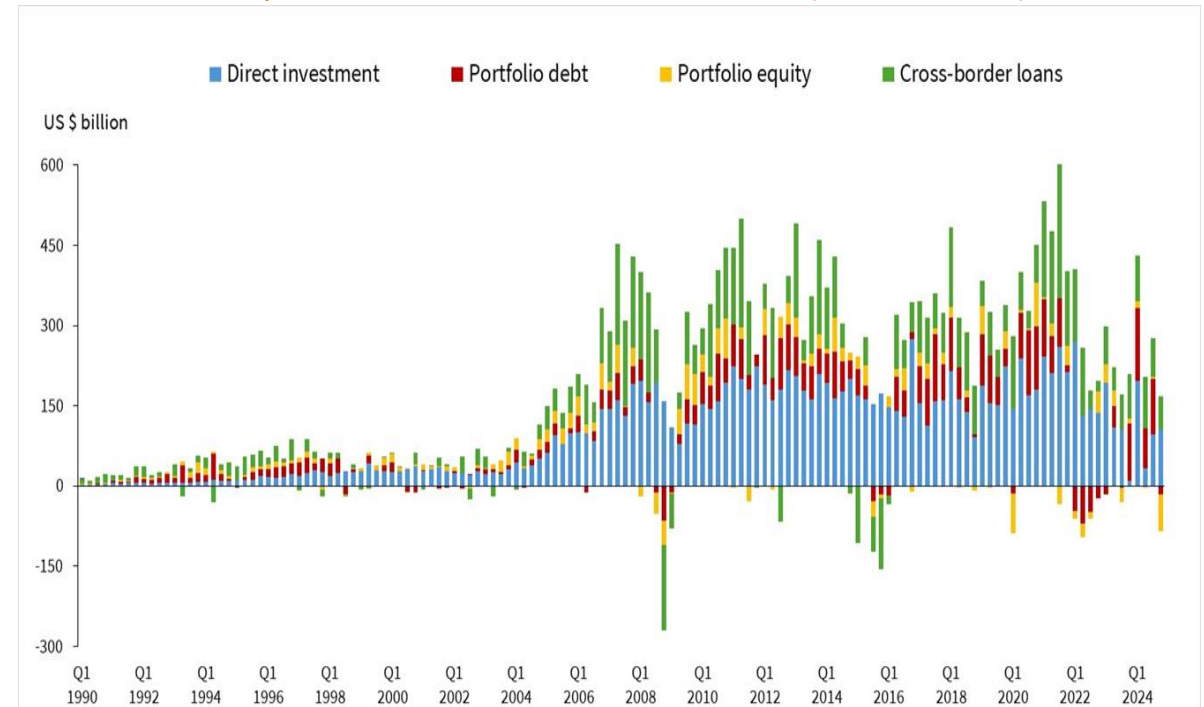
Source: CEIC Data Company.

Emerging market economies remain prone to boom-bust cycles in capital flows

- **Capital inflows to emerging economies have shown strong cyclicalities around major global shocks**
 - Elevated global risk sentiment during crises has often triggered sudden stops in foreign capital inflows
- **ADO analytical chapter examines the sensitivity of EME capital inflows to global and domestic factors during 1990 to 2024**
 - Structural breaks in EME capital inflows are identified around the start and end of the US Federal Reserve's quantitative easing (QE) policy (2008Q4 and 2014Q4)
 - Global factors focus on trade policy uncertainty, geopolitical risk, global risk aversion, and US monetary policy

Recurring boom-bust cycles in capital inflows to emerging economies

Capital Inflows to EMES, Share of GDP (1990 to 2024)



Note: PRC data is available from 2005 only. Sample includes 107 countries.

Source: ADB estimates using IMF Balance of Payments Statistics and OEF data.

Solid fundamentals support EME capital inflows amid negative global shocks

Global factors shape EME capital inflows, but strong domestic fundamentals help to counteract adverse effects

Portfolio Debt



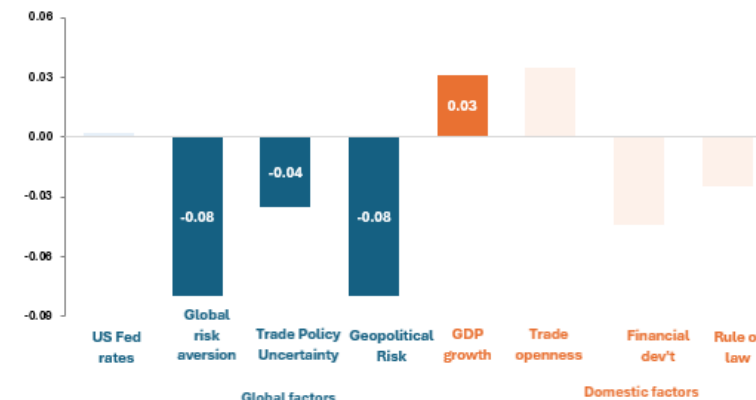
Portfolio Equity



Cross-border Loans



Foreign Direct Investment



Note: Reported are standardized coefficients from a regression of EME gross capital inflows (as a share to GDP) on global and domestic factors during the post-QE period, from 2015Q1 to 2024Q4. Coefficients that are statistically significant are shown in dark color, while those that are not statistically significant are shown in faint color. The magnitude of each coefficient denotes the expected standard-deviation change in the share of capital flows to GDP for a one-standard-deviation increase in an explanatory variable, while controlling for other variables in the model. Sample includes 36 EMEs.



Thank you!

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