



ASIAN DEVELOPMENT OUTLOOK

December 2024

Steady Growth Amid a Shifting Global Policy Landscape

CeSPI, 24 January 2025

Overview: Asian Development Bank (ADB)

- Founded in 1966
 - 31 founding members: 19 regional members, 12 non-regional members
 - 68 current members: 49 regional members, 19 non-regional members
 - **Developing Asia** comprises the 46 regional members of the Asian Development Bank
- Headquartered in Manila, Philippines
- 3,916 Staff (including 1,428 international staff)
- Main Roles: Help developing members in Asia and the Pacific through:
 - (i) combining finance and knowledge;
 - (ii) promoting good policies; and
 - (iii) catalyzing regional cooperation and friendship.

Asian Development Outlook (ADO)

- Flagship report, produced by the Macroeconomic Division (ERMR)
- Published in April/September, supplements in July/December
 - Recent Developments, Outlook, Risks
 - Forecasts for growth and inflation
 - Individual chapters for Developing Member Economies (DMCs)
- [ADO Landing page](#)

Steady growth amid a shifting global policy landscape

- Developing Asia is forecast to grow by 4.8% in 2025, inflation is projected to be 2.6%.
- While growth remains steady, expected policy changes to US trade, immigration, and fiscal policies could impact the region's outlook.
- Extent/timing of US policy changes still uncertain. With a gradual and limited rollout, the effects would materialize mostly beyond 2025.
- Impacts of aggressive **US policies** on tariffs, immigration, and fiscal stance, are expected to be modest in Asia: slightly slowing growth and boosting inflation in the PRC, having mixed effects on growth and negative effects on inflation in other Asian economies.
- Other key near-term risks: rising geopolitical tensions, PRC property market fragility.

US policy adjustments and baseline expectations

- US policy shifts in three main areas:
 - **Trade:** Threats of tariffs of up to 60% on all PRC imports, and 10-20% on all imports from other economies.
 - **Immigration:** Crackdown on and deportation of illegal immigrants; legal immigration may also be tightened.
 - **Fiscal policy:** Extension of existing tax cuts and rising deficits.
- Substantial uncertainty over the extent/speed of policy implementation; threats may be tools to extract concessions; executive actions may be subject to legal challenge.
- Our baseline assumes a gradual and limited implementation of these policies; the impact on developing Asia in 2025 is expected to be minimal, with material growth and inflation effects emerging from 2026 onwards.

PMIs signal improving economic activity across most of developing Asia

Most manufacturing PMIs remained expansionary in December; services activity continues to be robust.

Purchasing Managers' Index, selected Asian economies

Manufacturing PMI, seasonally adjusted

Economy	2024											
	Q1			Q2			Q3			Q4		
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
India	56.5	56.9	59.1	58.8	57.5	58.3	58.1	57.5	56.5	57.5	56.5	56.4
Philippines	50.9	51.0	50.9	52.2	51.9	51.3	51.2	51.2	53.7	52.9	53.8	54.3
Taipei, China	48.8	48.6	49.3	50.2	50.9	53.2	52.9	51.5	50.8	50.2	51.5	52.7
Thailand, nsa	46.7	45.3	49.1	48.6	50.3	51.7	52.8	52.0	50.4	50.0	50.2	51.4
Indonesia	52.9	52.7	54.2	52.9	52.1	50.7	49.3	48.9	49.2	49.2	49.6	51.2
Singapore	50.7	50.6	50.7	50.5	50.6	50.4	50.7	50.9	51.0	50.8	51.0	51.1
PRC	50.8	50.9	51.1	51.4	51.7	51.8	49.8	50.4	49.3	50.3	51.5	50.5
Viet Nam	50.3	50.4	49.9	50.3	50.3	54.7	54.7	52.4	47.3	51.2	50.8	49.8
Republic of Korea	51.2	50.7	49.8	49.4	51.6	52.0	51.4	51.9	48.3	48.3	50.6	49.0
Malaysia	49.0	49.5	48.4	49.0	50.2	49.9	49.7	49.7	49.5	49.5	49.2	48.6

Services PMI, seasonally adjusted

India	61.8	60.6	61.2	60.8	60.2	60.5	60.3	60.9	57.7	58.5	58.4	59.3
PRC	52.7	52.5	52.7	52.5	54.0	51.2	52.1	51.6	50.3	52.0	51.5	52.2
Sri Lanka, nsa	60.1	53.0	67.7	56.7	55.0	63.5	71.1	65.2	53.4	60.3	60.5	71.1
Philippines, nsa	52.0	50.9	51.8	55.8	54.6	54.0	48.5	49.0	51.3	52.5	52.4	55.1

... = not available; PRC = People's Republic of China; nsa = not seasonally adjusted; PMI = purchasing managers' index; Q = quarter.

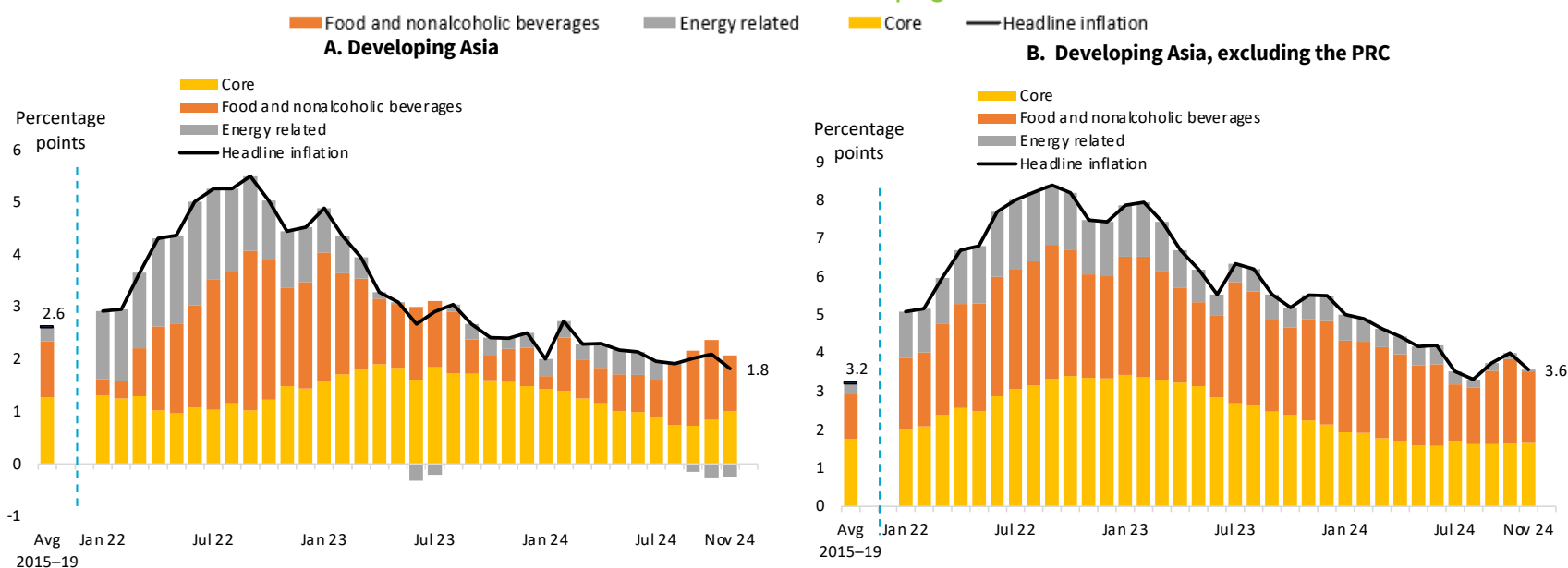
Notes: Pink to red indicates deterioration (< 50) and white to green indicates improvement (> 50). All series are seasonally adjusted unless otherwise indicated.

Source: CEIC Data Company; Philippine Institute for Supply Management; Singapore Institute of Purchasing and Materials Management.

Inflation stabilized across developing Asia

Inflation in the PRC slowed due to weaker energy prices, while higher food prices in India briefly drove up inflation in Q4 last year.

Contributions to Inflation, developing Asia



PRC = People's Republic of China, Avg = average.

Notes: Core inflation excludes volatile components, i.e., energy and fuel. Regional average is calculated using GDP PPP shares as weights and covers 22 economies.

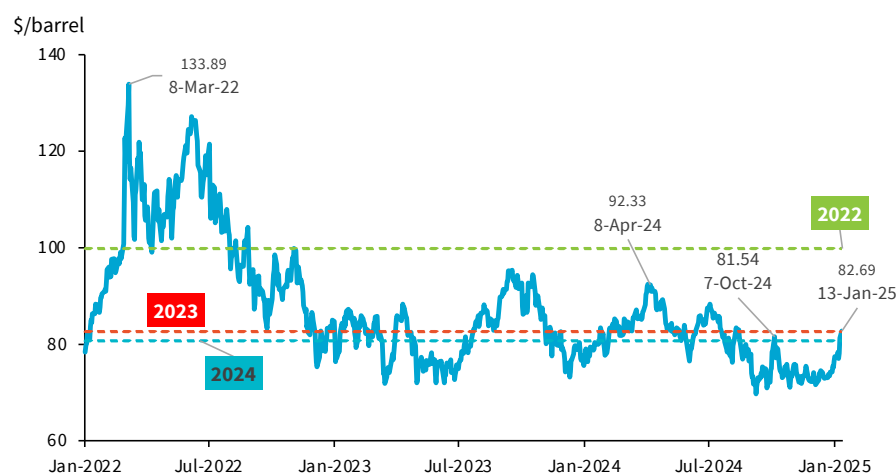
Sources: Staff calculations using data from Haver Analytics; CEIC Data Company; official sources.

Oil prices are set to continue declining

Brent crude oil prices softened in 2024, picked up slightly in early 2025.

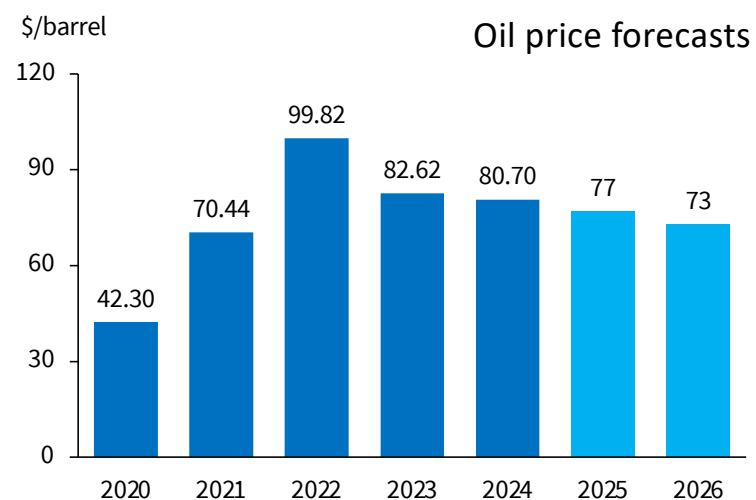
Oversupply projected to weigh on oil prices this year and next.

Oil Prices



Source: Bloomberg.

Rice Prices



Source: International Energy Agency.

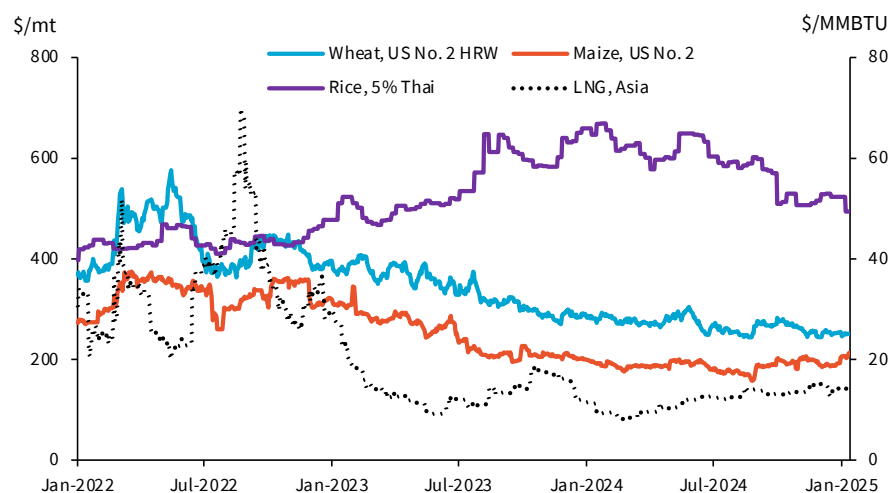
Grain prices have decreased

Rice prices fell in H2 2024, as harvests and eased restrictions improved supply.

Higher natural gas prices are forecast for 2025, with a decline expected in 2026.

Natural Gas and Grain Prices

Futures prices (17 Jan 2025)



Source: Bloomberg.

Commodity	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25
LNG (\$/mmbtu)		14.13	13.75	13.87	13.94	14.08
Wheat (\$/mt)			198.14		202.55	
Maize (\$/mt)			187.99		191.24	
Commodity	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25
LNG (\$/mmbtu)	14.22	14.28	14.33	14.17	14.02	14.14
Wheat (\$/mt)	206.22		211.18			218.44
Maize (\$/mt)	192.42		179.53			178.74
Commodity	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26
LNG (\$/mmbtu)	14.06	13.83	13.31	12.39	12.09	12.01
Wheat (\$/mt)			224.87		228.27	
Maize (\$/mt)			183.07		185.43	
Commodity	Jul-26	Aug-26	Sep-26	Oct-26	Nov-26	Dec-26
LNG (\$/mmbtu)	12.13	12.16	12.25	12.00	11.93	11.93
Wheat (\$/mt)	227.72		230.93			235.89
Maize (\$/mt)	186.61		179.72			179.53

Source: International Energy Agency.

Robust activity and election results in the US have shifted views on the pace of Fed easing

Growth in the US set to slow this year.

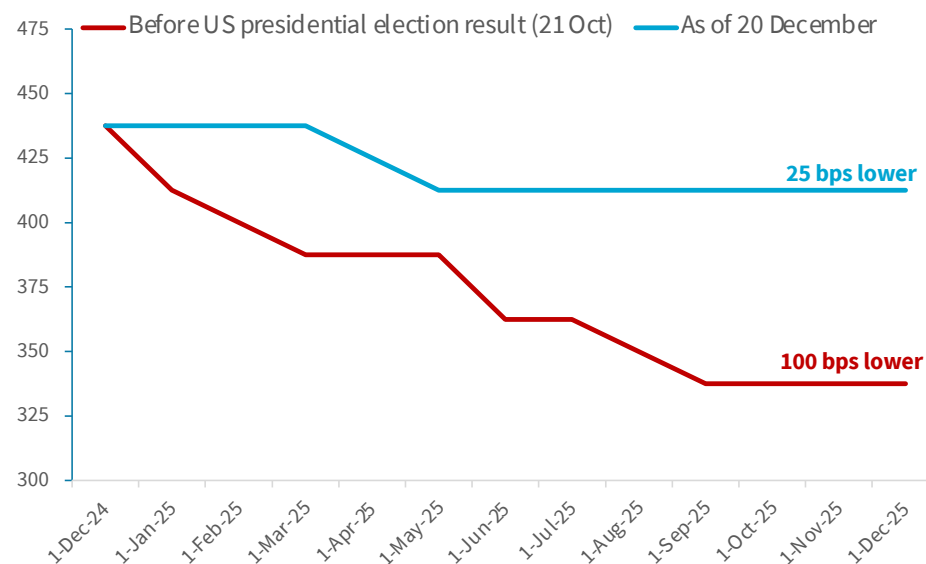
Baseline Assumptions on the International Economy

	2023	2024	2025
	Actual	ADO Dec 2024f	ADO Dec 2025
GDP growth, %			
Major advanced economies	1.8	1.6	1.5
United States	2.9	2.7	1.8
Euro area	0.5	0.8	1.3
Japan	1.7	-0.2	1.2
People's Republic of China	5.2	4.8	4.5
Inflation, %			
Major advanced economies	4.5	2.6	2.2
United States	4.1	2.9	2.3
Euro area	5.4	2.3	2.1
Japan	3.3	2.6	1.9
Brent crude spot prices, average, \$/barrel	83	80	77

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

US policy rates are expected to stay higher for longer.

Expectations of US Fed Target Rate



Sources: CME FedWatch Tool

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Developing Asia's growth is set to remain healthy in 2025, and inflation will moderate

Subregion/Economy	GDP Growth			Inflation		
	2023	2024e	2025f	2023	2024e	2025f
Developing Asia	5.1	4.9	4.8	3.4	2.7	2.6
Developing Asia excluding the PRC	5.1	5.0	5.1	6.3	4.9	4.2
Caucasus and Central Asia	5.4	4.9	5.3	10.5	6.8	6.2
Kazakhstan	5.1	3.6	5.1	14.5	8.5	6.1
East Asia	4.7	4.5	4.2	0.6	0.6	1.1
People's Republic of China	5.2	4.8	4.5	0.2	0.3	0.9
Hong Kong, China	3.3	2.5	2.3	2.1	1.7	1.9
Republic of Korea	1.4	2.2	2.0	3.6	2.3	2.0
Taipei, China	1.3	4.0	2.5	2.5	2.2	2.0
South Asia	6.8	5.9	6.3	8.4	6.9	5.4
India	8.2	6.5	7.0	5.4	4.7	4.3
Southeast Asia	4.1	4.7	4.7	4.3	3.0	3.1
Indonesia	5.0	5.0	5.0	3.7	2.4	2.8
Malaysia	3.6	5.0	4.6	2.5	2.2	2.6
Philippines	5.5	6.0	6.2	6.0	3.3	3.2
Singapore	1.1	3.5	2.6	4.8	2.5	2.2
Thailand	1.9	2.6	2.7	1.2	0.5	1.2
Viet Nam	5.1	6.4	6.6	3.3	3.9	4.0
The Pacific	3.5	3.4	4.1	3.0	3.6	4.1

Growth will slow in the PRC this year but pick up in India.

e= estimate; f= forecast.
Source: Asian Development Outlook database.

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ADB

Near-term risks

- **US policy shifts**

- Faster or larger-than-expected shifts in US trade, immigration, and fiscal policy.

- **Geopolitical tensions**

- Escalations (Middle East, Russia-Ukraine) could lead to renewed supply chain disruptions, higher food and energy prices, and increased global economic uncertainty.

- **PRC property market fragility**

- More severe deterioration in PRC's property market could weaken growth prospects in PRC.

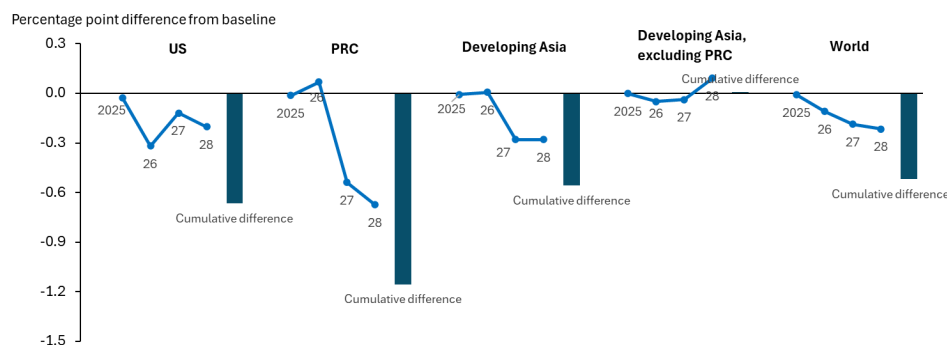
Risk scenario: larger tariffs, more restrictive immigration policy, more expansionary fiscal policy

Policy Area	ADO December 2024 Baseline Assumptions	Risk Scenario Assumptions
Trade Starting 2026 Q1	25% US tariffs on a subset of goods from the PRC; 25% US tariffs on a subset of goods from the EU. 10% PRC tariffs on similar goods from the US, RMB depreciation; EU retaliates in full.	60% US tariffs on imports from the PRC; 10% US tariffs on imports from all other major trading partners. 40% PRC tariffs on US imports, RMB depreciation; Other countries retaliate in full with higher tariffs on US imports.
Immigration Starting 2025 Q2	Annual net migration falls from 1.1 million to 800,000 per year.	Annual net migration falls from 1.1 million to 560,000 per year.
Fiscal Policy Starting 2025 Q4	Expiring Tax Cuts and Jobs Act provisions on personal tax are preserved; some business taxes become more generous	Tax cuts are more aggressive than in the baseline, and spending is higher.

Risk scenario: larger tariffs, more restrictive immigration policy, more expansionary fiscal policy (I)

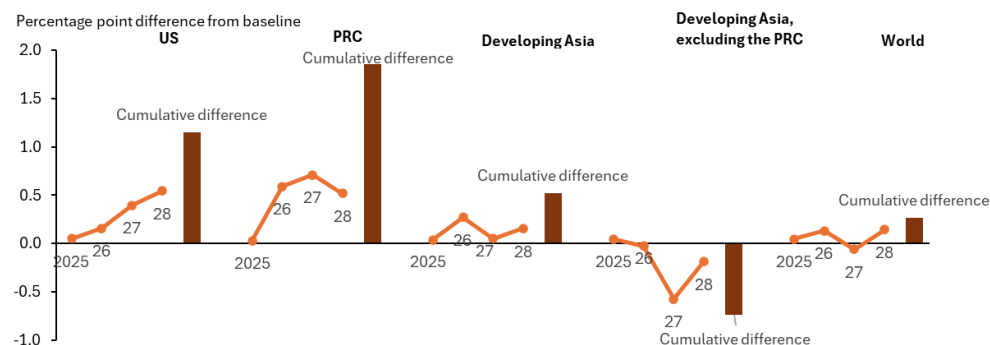
Global GDP growth slows, with PRC and the US hit hardest.

Impact on GDP Growth



The US and PRC see significant spikes in inflation.

Impact on Inflation



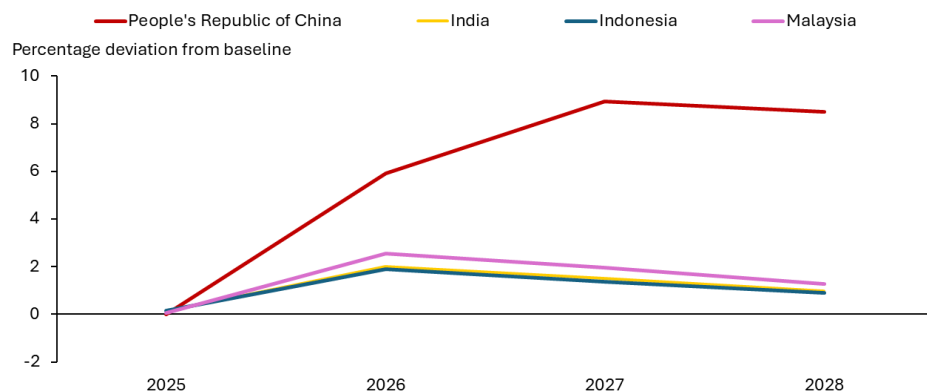
PRC = People's Republic of China, US = United States.
Sources: Oxford Economics, authors' calculations.

Risk scenario: larger tariffs, more restrictive immigration policy, more expansionary fiscal policy (2)

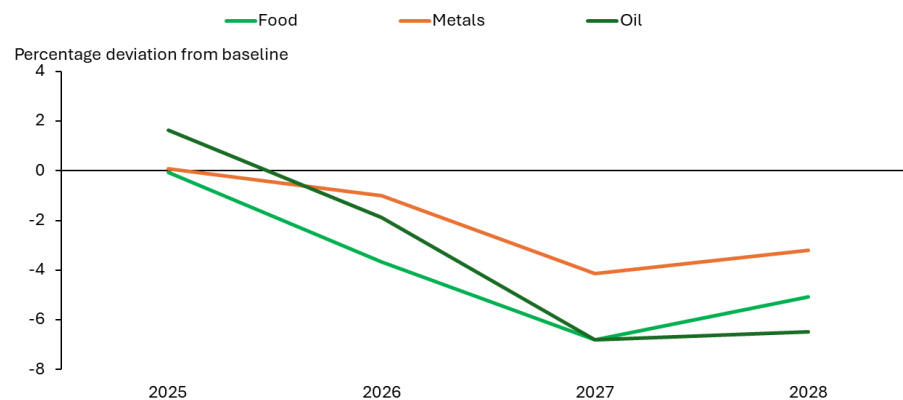
Exchange rates depreciate against the USD, especially the PRC yuan.

Commodity prices decline due to global growth slowdown.

Impact on Exchange Rates



Impact on Commodity Prices



PRC = People's Republic of China, US = United States.
Sources: Oxford Economics, authors' calculations.



THANK YOU
