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ADB raises 2026 Asia growth forecast, warns El NiÃ±o and energy shock could push up food prices

29 September 2026 | News

Developing Asia and the Pacific is projected to grow 5 per cent in 2026 and 5.1 per cent in 2027, with investment, fiscal support and AI-driven technology exports cushioning the impact of geopolitical tensions, energy disruptions and climate risks

Asian Development Outlook September 2026

	GDP Growth					Inflation				
	2025	2026		2027		2025	2026		2027	
Subregion/Economy		Jul	Sep	Jul	Sep		Jul	Sep	Jul	Sep
Developing Asia and the Pacific (DAP)	**5.5**	**4.9**	**5.0**	**5.1**	**5.1**	**3.0**	**4.3**	**4.2**	**3.4**	**3.5**
DAP excluding the People's Republic of China	**6.0**	**5.3**	**5.4**	**5.7**	**5.6**	**6.0**	**7.5**	**7.7**	**5.9**	**6.2**
Caucasus and Central and West Asia	**4.6**	**3.8**	**3.7**	**4.2**	**4.1**	**25.6**	**22.0**	**23.1**	**16.3**	**17.6**
Armenia	7.1	5.0	5.0	5.5	5.5	3.3	4.2	4.2	3.5	3.5
Azerbaijan	1.4	2.0	1.6	1.8	1.8	5.6	5.7	5.9	4.9	5.0
Georgia	7.5	5.5	6.3	5.2	5.2	3.9	4.9	5.2	3.3	3.3
Kazakhstan	6.5	4.8	4.8	4.5	4.5	11.4	10.4	10.4	9.5	9.5
Kyrgyz Republic	11.1	8.9	8.9	8.4	8.4	8.2	11.2	11.2	8.5	8.5
Tajikistan	8.4	7.3	7.0	6.8	6.8	3.5	4.5	4.5	4.7	4.7
Türkiye	3.7	3.1	2.8	3.8	3.6	35.2	29.7	31.5	21.5	23.5
Turkmenistan	6.3	6.3	6.3	6.2	6.2	5.5	6.0	6.0	6.0	6.0
Uzbekistan	7.7	6.7	7.0	6.8	6.8	7.3	6.5	6.7	5.0	5.0
Developing East Asia	**5.0**	**4.6**	**4.6**	**4.5**	**4.5**	**0.0**	**1.2**	**0.9**	**0.9**	**0.9**
People's Republic of China	5.0	4.6	4.6	4.5	4.5	0.0	1.2	0.9	0.9	0.9
Mongolia	6.8	5.7	5.7	6.0	6.0	8.6	7.8	10.7	6.8	8.3
South Asia	**7.0**	**6.0**	**6.4**	**6.7**	**6.5**	**2.9**	**5.7**	**5.5**	**4.8**	**4.8**
Afghanistan	1.9	2.3	1.5	3.0	2.2	–4.2	3.6	3.6	5.5	7.0
Bangladesh	3.5	3.7	3.7	4.5	4.0	10.0	9.0	8.7	8.8	9.0
Bhutan	8.5	6.5	6.5	7.2	7.2	3.5	4.5	6.5	4.0	4.5
India	7.8	6.6	7.0	7.3	7.1	2.1	5.2	5.0	4.0	4.0
Maldives	6.2	1.0	1.0	3.0	3.0	4.0	5.0	2.2	4.0	2.0
Nepal	4.4	3.9	3.9	4.5	4.1	4.1	3.2	3.1	5.0	5.3
Pakistan	3.2	3.7	3.7	3.7	3.7	4.5	7.2	7.1	8.3	8.3
Sri Lanka	5.0	4.0	4.0	4.0	4.0	–0.5	6.0	6.0	5.2	5.2
ASEAN	**4.8**	**4.5**	**4.7**	**4.6**	**4.7**	**2.0**	**3.8**	**3.9**	**2.9**	**3.2**
Developing Southeast Asia	**4.8**	**4.6**	**4.7**	**4.8**	**4.9**	**2.1**	**3.9**	**4.0**	**2.9**	**3.3**
Brunei Darussalam	1.0	1.8	1.2	1.9	1.9	–0.3	1.1	1.1	0.5	0.5
Cambodia	5.3	4.1	3.9	4.7	4.7	2.5	4.5	4.7	2.5	2.8
Indonesia	5.1	5.2	5.2	5.2	5.2	1.9	3.0	3.3	2.5	3.0
Lao People's Democratic Republic	4.4	4.0	4.0	4.5	4.5	7.7	9.8	8.0	6.7	6.5
Malaysia	5.2	4.6	4.9	4.5	4.7	1.4	2.0	2.0	1.9	2.0
Myanmar	–2.2	2.4	2.2	2.7	2.7	17.0	24.0	24.0	16.0	16.0
Philippines	4.4	3.8	3.3	5.3	5.1	1.7	5.9	5.9	3.9	4.4
Thailand	2.4	1.8	2.0	2.0	1.9	–0.1	2.9	2.5	1.3	1.3
Timor-Leste	4.5	3.8	4.0	4.1	4.1	0.5	2.2	1.0	2.0	1.8
Viet Nam	8.0	7.2	7.8	7.0	7.6	3.3	4.0	4.3	3.8	4.0
The Pacific	**4.5**	**3.3**	**3.0**	**3.2**	**2.9**	**2.9**	**4.2**	**4.6**	**3.5**	**4.1**
Cook Islands	4.0	2.7	3.5	3.0	3.5	2.0	3.5	4.5	3.3	4.0
Fiji	2.5	2.6	2.2	2.5	1.9	–1.4	3.6	3.9	1.9	2.5
Kiribati	4.3	3.1	3.1	2.6	2.6	5.9	5.3	4.0	4.2	4.0
Marshall Islands	1.8	3.0	2.2	2.6	2.0	5.6	6.2	5.7	5.3	4.7
Federated States of Micronesia	1.1	0.7	0.5	1.0	0.9	2.8	3.8	3.8	3.5	3.5
Naoero	2.6	2.5	2.5	2.5	2.5	6.1	4.5	4.5	4.0	4.0
Niue	2.0	2.5	1.0	2.5	2.0	2.3	3.4	3.8	2.8	3.8
Palau	6.9	5.8	5.8	3.6	3.6	0.2	2.9	3.0	2.5	2.5
Papua New Guinea	5.2	3.6	3.4	3.4	3.2	4.4	4.6	5.0	4.0	4.6
Samoa	4.2	2.0	0.4	3.0	2.0	1.9	1.2	1.4	4.0	5.0
Solomon Islands	3.6	3.0	1.7	3.4	3.3	2.7	4.5	5.5	2.8	5.0
Tonga	4.4	2.3	2.3	2.3	1.8	2.9	3.8	4.0	2.7	6.0
Tuvalu	–0.8	2.5	1.9	2.4	1.7	2.9	3.5	4.8	1.7	3.1
Vanuatu	3.8	4.7	4.7	3.9	3.9	0.7	2.0	2.0	2.7	2.7

ASEAN = Association of Southeast Asian Nations, GDP = gross domestic product.
Notes: ASEAN comprises Brunei Darussalam, Cambodia, Indonesia, the Lao People's Democratic Republic, Malaysia, Myanmar, the Philippines, Singapore, Thailand, Timor-Leste, and Viet Nam. Most regional economies report by calendar year; reporting by fiscal year are South Asian countries (except Bhutan, Maldives, and Sri Lanka), the Cook Islands, the Marshall Islands, the Federated States of Micronesia, Myanmar, Naoero, Niue, Palau, Samoa, and Tonga. ADB placed its regular assistance to Afghanistan on hold effective 15 August 2021. Effective 1 February 2021, ADB placed a temporary hold on sovereign project disbursements and new contracts in Myanmar.
Source: *Asian Development Outlook* database.

Economic growth across developing Asia and the Pacific is expected to slow from 5.5 per cent in 2025 to 5 per cent in 2026, before recovering marginally to 5.1 per cent in 2027, according to the Asian Development Bank's (ADB) Asian Development Outlook (ADO) September 2026. The bank has raised its 2026 growth forecast by 0.1 percentage point from its July outlook, reflecting stronger-than-expected economic performance in parts of the region. But the improved projection comes against a backdrop of growing risks, particularly from geopolitical conflicts, energy-market disruptions, financial-market volatility and a strengthening El Niño.

ADB President Masato Kanda said the region has remained resilient, but warned that the risks to growth and household welfare are increasing. "A strengthening El Niño with drier conditions means smaller harvests and reduced hydropower, pushing food and energy prices higher, and hitting the most vulnerable the hardest," Kanda said.

He added that the prolonged energy crisis and renewed risks in financial markets make it more important for governments to prepare for disruptions and protect vulnerable populations. ADB said it is supporting governments across the region in addressing these risks.

Investment and AI Cycle Support Growth

The regional economy continues to benefit from several sources of domestic and external momentum. Strong investment, government stimulus and robust technology exports are helping sustain growth, with technology exports benefiting from the global investment cycle around artificial intelligence.

These factors are providing a buffer against geopolitical tensions and rising energy and food costs. However, the bank expects growth to remain below the pace recorded in 2025 as external and climate-related pressures build. The outlook also highlights the increasingly important role of the global AI investment cycle in supporting technology-related exports across developing Asia, particularly as demand for technology products and associated investment remains strong.

Inflation Forecast Revised for 2026

ADB has marginally lowered its regional inflation projection for 2026 to 4.2 per cent, from 4.3 per cent in its July outlook. The revision comes despite persistently high energy prices, with price-stabilisation measures in several economies helping partly offset their impact. For 2027, however, ADB has raised its inflation forecast slightly to 3.5 per cent, compared with 3.4 per cent previously.

Both projections remain above the 3 per cent inflation recorded in 2025, pointing to continued price pressures across developing Asia and the Pacific. The combination of high energy costs and potential food-supply disruptions is particularly important for agricultural economies, where higher fuel, electricity, transport and input costs can quickly feed into food prices.

El Niño Emerges as a Major Agricultural Risk

A strengthening El Niño is one of the central risks identified in the September outlook. ADB expects the climate phenomenon to persist through the first quarter of 2027, bringing drier conditions to parts of the region. The consequences could extend well beyond weather patterns. Lower rainfall can reduce agricultural production while also affecting hydropower generation, potentially creating simultaneous pressures on food supplies and energy availability.

The bank expects a strong El Niño to raise energy demand while reducing agricultural production, creating upward pressure on fuel and food prices. For agricultural economies, the combination could affect crop yields, farm incomes, food inflation and rural livelihoods. Lower hydropower generation could also increase dependence on alternative energy sources at a time when global energy markets remain vulnerable to disruption.

Geopolitical Conflict Adds to Commodity Risk

ADB identifies escalating conflict as another major risk to the regional outlook. A broadening conflict in the Middle East and an intensification of Russia's war in Ukraine could keep global energy prices elevated and volatile, while also spilling over into other commodity markets.

Higher energy prices would raise production and transportation costs across economies, while disruptions in commodity markets could add pressure to food and agricultural input prices.

AI Markets and Trade Policy Add Further Uncertainty

The economic outlook also faces downside risks from financial markets. ADB warns that a sharp correction in AI-related equity valuations could weaken investment and financial conditions. Tightening financial conditions could further affect economies that depend on external financing.

Renewed trade policy uncertainty is another risk, particularly for export-oriented economies integrated into regional and global supply chains. The combination of weaker external demand, financial-market volatility and trade uncertainty could complicate the investment and export momentum currently supporting growth.

Southeast Asia Outlook Improves

The outlook differs significantly across the region. Developing Southeast Asia has received a modest upgrade following stronger-than-expected economic performance during the first half of 2026. ADB now expects the subregion to grow 4.7 per cent in 2026 and 4.9 per cent in 2027, compared with previous forecasts of 4.6 per cent and 4.8 per cent, respectively.

The improvement reflects stronger economic momentum during the first half of the year, although the subregion remains exposed to global trade, energy and financial-market developments. For developing East Asia, including the People’s Republic of China, the growth outlook remains unchanged from the July forecast.

South Asia Gets a Sharper 2026 Upgrade

South Asia has received one of the largest positive revisions in the latest outlook. ADB has raised its 2026 growth forecast for South Asia to 6.4 per cent, from 6 per cent in July. The upgrade is being driven by strong public investment and firm export growth in India, highlighting the importance of domestic investment and external demand to the subregion’s current expansion.

The outlook for 2027, however, has been reduced by 0.2 percentage point to 6.5 per cent. ADB attributed the downward revision to weaker forecasts for Afghanistan, Bangladesh, India and Nepal, reflecting the potential impact of trade, energy and weather-related shocks. The contrasting revisions underline the uneven nature of the region's growth trajectory: strong investment and exports are supporting near-term expansion, while climate and external economic risks could weigh on growth further ahead.

Central and West Asia Faces Weaker External Demand

For the Caucasus and Central and West Asia, ADB has reduced its growth forecasts by 0.1 percentage point for both 2026 and 2027. The revised projections stand at 3.7 per cent for 2026 and 4.1 per cent for 2027. The downgrade is mainly linked to weaker-than-expected external demand, particularly in Türkiye.

The revision highlights the sensitivity of economies in the subregion to external trade conditions and global demand.

Pacific Economies Face Steepest Downgrades

The Pacific faces the largest downward revisions among the subregions covered by ADB. Growth projections have been cut by 0.3 percentage point for both 2026 and 2027, to 3 per cent and 2.9 per cent, respectively. ADB attributed the downgrades to prolonged disruptions in energy markets and the expected effects of El Niño on mining and agriculture.

The impact is particularly significant for Pacific economies where agricultural production and resource industries play an important role in economic activity and where energy-market disruptions can have outsized effects.

Resilience Meets a More Difficult Risk Environment

The September outlook presents a regional economy that continues to expand despite a challenging external environment. Investment, government stimulus and the global AI-driven technology cycle are providing important support. But the composition of risks is becoming more complex.

A stronger El Niño could simultaneously affect crop production, hydropower generation and food prices. Geopolitical conflicts could keep energy markets volatile. Financial-market corrections could weaken investment, while trade-policy uncertainty could undermine export demand. The ADB's latest projections suggest that developing Asia and the Pacific will remain a significant engine of global growth through 2027, but the region's resilience will increasingly depend on how effectively governments manage the intersection of climate risk, food security, energy security, investment and trade.