

India's economy is poised to pick up in coming years: IMF World Economic Outlook, January 2019

According to the IMF's World Economic Outlook, January 2019, the global expansion has weakened. Global growth for 2018 is estimated at 3.7% and is projected to grow at 3.5% in 2019 and 3.6% in 2020. The further downward revision of global growth forecasts since October 2018 is due to certain factors such as introduction of new automobile fuel emission standards by Germany and in Italy where concerns about sovereign and financial risks have weighed on domestic demand. Also, weakening financial market sentiment as well as a contraction in Turkey now projected to be deeper than anticipated.

Growth in advanced economies is projected to slow from an estimated 2.3% in 2018 to 2.0% in 2019 and 1.7% in 2020.

- Growth in the euro area is set to moderate from 1.8% in 2018 to 1.6% in 2019 (0.3 lower than projected last fall) and 1.7% in 2020. Growth rates have been marked down for many economies, notably Germany, Italy and France.
- The growth forecast for the United States also remains unchanged. Growth is expected to decline to 2.5% in 2019 and soften further to 1.8% in 2020 with the unwinding of fiscal stimulus and as the federal funds rate temporarily overshoots the neutral rate of interest.
- Japan's economy is set to grow by 1.1% in 2019. This revision mainly reflects additional fiscal support to the economy this year, including measures to mitigate the effects of the planned consumption tax rate increase in October 2019. Growth is projected to moderate to 0.5% in 2020.

For the emerging market and developing economy group, growth is expected to tick down to 4.5% in 2019 (from 4.6% in 2018), before improving to 4.9% in 2020.

- Growth in emerging and developing Asia will dip from 6.5% in 2018 to 6.3 percent in 2019 and 6.4% in 2020.

- Growth in emerging and developing Europe in 2019 is now expected to weaken more than previously anticipated, to 0.7% (from 3.8% in 2018) despite generally buoyant growth in Central and Eastern Europe, before recovering to 2.4% in 2020.
- In Latin America, growth is projected to recover over the next two years, from 1.1% in 2018 to 2.0 percent in 2019 and 2.5% in 2020.
- Growth in the Middle East, North Africa, Afghanistan, and Pakistan region is expected to remain subdued at 2.4% in 2019 before recovering to about 3% in 2020.
- In sub-Saharan Africa, growth is expected to pick up from 2.9% in 2018 to 3.5 percent in 2019, and 3.6% in 2020.

World Economic Outlook Projections (YOY Growth Rate in Percentage)

	2017	2018E	2019P	2020P
World	3.8	3.7	3.5	3.6
Advanced Economies	2.4	2.3	2.0	1.7
US	2.2	2.9	2.5	1.8
Euro Area	2.4	1.8	1.6	1.7
Japan	1.9	0.9	1.1	0.5
UK	1.8	1.4	1.5	1.6
Canada	3.0	2.1	1.9	1.9
Other Advanced Economies*	2.8	2.8	2.5	2.5
Emerging Markets and Developing Economies	4.7	4.6	4.5	4.9
Commonwealth of Independent States	2.1	2.4	2.2	2.3
Emerging and Development Asia	6.5	6.5	6.3	6.4
India	6.7	7.3	7.5	7.7
Emerging and Developing Europe	6.0	3.8	0.7	2.4
Latin America and the Caribbean	1.3	1.1	2.0	2.5
Middle East, North Africa, Afghanistan	2.2	2.4	2.4	3.0

and Pakistan				
Sub Saharan Africa	2.9	2.9	3.5	3.6

Source: PHD Research Bureau compiled from IMF World Economic Outlook January 2019

Note: Real effective exchange rates are assumed to remain constant at the levels prevailing during October 29-November 26, 2018. Economies are listed on the basis of economic size. The aggregated quarterly data are seasonally adjusted. WEO = World Economic Outlook. For India, data and forecasts are presented on a fiscal year basis and GDP from 2011 onward is based on GDP at market prices with FY2011/12 as a base year.* Excludes the Group of Seven (Canada, France, Germany, Italy, Japan, United Kingdom, United States) and euro area countries

Outlook for India: Few Highlights

- India's growth is estimated at 7.3% for 2018 and growth projections for 2019 and 2020 are 7.5% and 7.7%, respectively.
- India's economy is poised to pick up in 2019, benefiting from lower oil prices and a slower pace of monetary tightening than previously expected, as inflation pressures ease.
- Central banks in India maintained policy rates on hold and acted to ease domestic funding conditions (by lowering reserve requirements for banks and providing liquidity to non-bank financial companies, respectively)
- Indian rupee has staged recoveries from its 2018 valuation lows since last August-September.

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