Global Growth Weakening as Some Risks Materialise; In India, business confidence and investment remain strong: OECD Interim Economic Outlook, March 2019

The global expansion continues to lose momentum, amidst heightened policy uncertainty, persistent trade tensions and ongoing declines in business and consumer confidence. Global growth slowed more quickly than anticipated in the latter half of 2018, to around 3% on a quarterly basis. This was the weakest pace since mid 2016, in part reflecting the deep recessions occurring in some emerging-market economies and widespread weakness in industrial sector.

- Global growth is projected to ease further to 3.3% in 2019 and 3.4% in 2020, with downside risks continuing to build.
- Growth has been revised downwards in almost all G20 economies, with particularly large revisions in the euro area in both 2019 and 2020.
- High policy uncertainty, ongoing trade tensions, and a further erosion of business and consumer confidence are all contributing to the slowdown.
- Global trade growth has slowed sharply and survey measures of new orders continue to decline in many countries. The trade restrictions introduced last year are a drag on growth, investment and living standards, particularly for low-income households.
- Labour markets remain resilient for now, and wage growth is slowly picking up, supporting household incomes and spending.
- Growth in China is projected to moderate gradually to 6% by 2020, with new policy measures offsetting weak trade developments. A sharper slowdown in China would hit growth and trade prospects around the world.
- Substantial policy uncertainty remains in Europe, including over Brexit. A disorderly exit would raise the costs for European economies substantially.
- Signals of a pause in monetary policy normalisation have helped financial market conditions to recover, both in advanced and emerging-market economies, but this risks a further build-up of financial vulnerabilities.

- Multilateral dialogue should be intensified to avoid new damaging trade restrictions and to take advantage of the opportunities for further liberalisation that could benefit all economies.
- Monetary policy decisions are increasingly data dependent in the advanced economies. If uncertainty fades, scope remains for additional interest rate rises in economies where growth holds up. In other economies, central banks should remain supportive and ensure long-term interest rates stay low.
- Co-ordinated macroeconomic and structural policy actions are required in the euro area to strengthen incentives to invest and overcome the dual challenges of soft near-term demand and weak medium term growth prospects.
- Lower oil prices and improved financial conditions offer scope to reduce interest rates in emerging market economies with a robust policy framework and well-anchored inflation close to target.
- Greater structural reform ambition is required in all economies to enhance medium-term living standards and improve opportunities for all.

OECD Interim Economic Outlook Forecasts March 2019

Real GDP growth, Year-on-year % change

	2018	2019 (Interim EO Projections)	2020 (Interim EO Projections)
World[1]	**3.6**	**3.3**	**3.4**
G-20[1,2]	3.8	3.5	3.7
Australia	2.9	2.7	2.5
Canada	1.8	1.5	2.0
Euro Area	1.8	1.0	1.2
Japan	0.7	0.8	0.7
United Kingdom	1.4	0.8	0.9
United States	2.9	2.6	2.2
China	6.6	6.2	6.0
India[3]	**7.0**	**7.2**	**7.3**
Russia	2.3	1.4	2.0

South Africa	0.8	1.7	2.0

Source: PHD Research Bureau compiled from OECD Interim Economic Outlook, March 2019

Notes:

1. Aggregate using moving nominal GDP w eights at purchasing power parities.
2. The European Union is a full member of the G-20, but the G-20 aggregate only includes countries that are also members in their own right.
3. Fiscal years, starting in April.

Outlook for India

- GDP growth in India has eased, but is projected to be around 7.2% in FY 2019 and 7.3% in FY 2020. Business confidence and investment remain strong, and activity should benefit from easing financial conditions, lower oil prices, accommodative fiscal policy and recent structural reforms.
- In countries, including India, downside risks from financial market tensions have eased, and strong investment, improving income growth and past reforms are helping to support domestic demand.
- Emerging-market economies, such as India, with a robust macroeconomic policy framework, flexible exchange rate, and manageable exposures to foreign-currency-denominated debt, also have scope to ease monetary policy as inflation declines, while taking the opportunity to improve their fiscal positions if needed.

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