

India's growth projected to pick up to 7.3% in 2019 and 7.5% in 2020: IMF

According to MF World Economic Outlook- Growth Slowdown, Precarious Recovery, April 2019, with weakness expected to persist into the first half of 2019, the World Economic Outlook (WEO) projects a decline in growth in 2019 for 70% of the global economy. Global growth, which peaked at close to 4% in 2017, softened to 3.6% in 2018, and is projected to decline further to 3.3% in 2019. Although a 3.3% global expansion is still reasonable, the outlook for many countries is very challenging, with considerable uncertainties in the short term, especially as advanced economy growth rates converge toward their modest long-term potential.

For the emerging market and developing economy group, growth is expected to tick down to 4.4% in 2019 (from 4.5% in 2018), before improving to 4.8% in 2020.

- In China, necessary domestic regulatory tightening to rein in debt, constrain shadow financial intermediation, and place growth on a sustainable footing contributed to slower domestic investment, particularly in infrastructure, caused China's growth to decline from 6.8 % in the first half of 2018 to 6.0 % in the second half of the year.
- Elsewhere across emerging market economies, activity moderated as worsening global financial market sentiment in the second half of 2018 compounded country-specific factors.

Growth in advanced economies is projected to slow from an estimated 2.2% in 2018 to 1.8% in 2019 and 1.7% in 2020.

- The euro area slowed more than expected as a combination of factors weighed on activity across

countries, including (1) weakening consumer and business sentiment; (2) delays associated with the introduction of new fuel emission standards for diesel-powered vehicles in Germany; (3) fiscal policy uncertainty, elevated sovereign spreads, and softening investment in Italy; and (4) street protests that disrupted retail sales and weighed on consumption spending in France.

- Elsewhere in advanced economies, activity weakened in Japan, largely due to natural disasters in the third quarter. One exception to the broader pattern was that momentum in the United States remained robust amid a tight labor market and strong consumption growth, but investment appeared to soften in the second half of the year.

World Economic Outlook Projections (YOY Growth Rate in Percentage)

	2018	2019P	2020P
World	3.6	3.3	3.6
Advanced Economies	2.2	1.8	1.7
US	2.9	2.3	1.9
Euro Area	1.8	1.3	1.5
Japan	0.8	1.0	0.5
UK	1.4	1.2	1.4
Canada	1.8	1.5	1.9
Other Advanced Economies*	2.6	2.2	2.5
Emerging Markets and Developing Economies	4.5	4.4	4.8
Commonwealth of Independent States	2.8	2.2	2.3
Emerging and Development Asia	6.4	6.3	6.3
India	7.1	7.3	7.5
Emerging and Developing Europe	3.6	0.8	2.8
Latin America and the Caribbean	1.0	1.4	2.4

Middle East, North Africa, Afghanistan and Pakistan	1.8	1.5	3.2
Sub Saharan Africa	3.0	3.5	3.7

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

Note: Real effective exchange rates are assumed to remain constant at the levels prevailing during January 14 to February 11, 2019. 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

- In India, growth is projected to pick up to 7.3% in 2019 and 7.5% in 2020, supported by the continued recovery of investment and robust consumption amid a more expansionary stance of monetary policy and some expected impetus from fiscal policy.
- Nevertheless, reflecting the recent revision to the national account statistics that indicated somewhat softer underlying momentum, growth forecasts have been revised downward compared with the October 2018 WEO by 0.1 percentage point for 2019 and 0.2 percentage point for 2020, respectively.
- In India, continued implementation of structural and financial sector reforms with efforts to reduce public debt remain essential to secure the economy's growth prospects. In the near term, continued fiscal consolidation is needed to bring down India's elevated public debt. This should be supported by strengthening goods and services tax compliance and further reducing subsidies.
- Important steps have been taken to strengthen financial sector balance sheets, including through accelerated resolution of nonperforming assets under a simplified bankruptcy framework. The IMF suggests that these efforts should be reinforced by enhancing governance of public sector banks.

Reforms to hiring and dismissal regulations would help incentivize job creation and absorb the country's large demographic dividend. Further, efforts should also be enhanced on land reform to facilitate and expedite infrastructure development.

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