

India's GDP estimated to grow at 5.7% in FY20 and forecasted to grow at 6.6% in FY21 and 6.3% in FY22: United Nations' World Economic Situation and Prospects 2020

United Nations, in its World Economic Situation and Prospects 2020 report estimates that global growth slowed to a 10-year low of 2.3% in 2019. A modest acceleration is expected going forward, with average world gross product growth projected at 2.5% in 2020 and 2.7% in 2021.

According to the report, in the current environment of protracted trade tensions and high policy uncertainty, the global growth outlook has weakened significantly. This threatens to undermine progress towards eradicating poverty, raising living standards, and creating a sufficient number of decent jobs. The broad-based growth slowdown in the world economy over the past year has been accompanied by a sharp slowdown in international trade flows and global manufacturing activity. Amid rising tariffs and rapid shifts in trade policies, business confidence has deteriorated, dampening investment growth across most regions. Softening demand has also weighed on global commodity prices, in particular crude oil and industrial metals. While the global shift towards more accommodative monetary policies has eased short-term financial market pressures somewhat, long-term fault lines create significant uncertainty.

Growth of Gross Domestic Product (Annual % change)

	2019 ¹	2020 ²	2021 ²
World	2.3	2.5	2.7
Developed Economies	1.7	1.5	1.7
US	2.2	1.7	1.8
Japan	0.7	0.9	1.3
European Union	1.4	1.6	1.7
Other Developed Countries	1.7	1.8	1.9
Economies in transition	1.9	2.3	2.5
South-Eastern Europe	3.1	3.4	3.4
Commonwealth of Independent States and Georgia	1.8	2.3	2.4
Russian Federation	1.1	1.8	2.0
Developing Economies	3.4	4.0	4.3
Africa	2.9	3.2	3.5
Ease and South Asia	4.8	5.2	5.2
East Asia	5.2	5.2	5.2
China	6.1	6.0	5.9
South Asia	3.3	5.1	5.3
India³	5.7	6.6	6.3
Western Asia	1.0	2.4	2.8
Latin America and Caribbean	0.1	1.3	2.0
Least Developed Countries	4.9	5.1	5.4

Source: PHD Research Bureau, PHDCCI compiled from United Nations World Economic Situation and Prospects 2020 report. Note: 1. Partially Estimated; 2. Forecast; 3. Fiscal Year basis

Across the developed economies, the growth momentum has slowed considerably since mid-2018. In the United States of America, the pace of expansion is projected to moderate further in 2020, though the recent cuts in the federal funds rate may lend some support to economic activity. Continued policy uncertainty, weak business confidence and slowing job

growth are likely to weigh on domestic demand. In Europe, average growth is expected to remain modest in the outlook period. The manufacturing sector will continue to be adversely affected by international trade tensions, the economic slowdown in China, and elevated policy uncertainty.

Growth prospects across developing and transition economies have been revised downward. In several countries, domestic weaknesses such as heightened political uncertainty, financial fragilities and supply disruptions are compounding the difficulties linked to the challenging external environment. Despite facing significant headwinds, East Asia remains the world's fastest growing region and the largest contributor to global growth. Going forward, more accommodative monetary and fiscal policies will support domestic demand.

Outlook for India

- In India, the rate of economic expansion fell sharply from 6.8% in 2018 to 5.7% in 2019 (FY2020) owing to slackening investment, subdued consumer sentiment, and weak manufacturing and services growth. The slowdown in India has dampened export growth across the region.
- The Government of India has responded to the country's disappointing economic growth performance—the combined result of policy uncertainty, a credit crunch, and the pass-through effects of the global slowdown—by committing to fiscal stimulus measures such as corporate tax cuts, increased government spending and expanded support for the struggling automobile industry to complement its already loose but thus far largely ineffective monetary policy.
- The resulting growth in investment and private consumption is expected to boost economic expansion from 2020 onward, though it will probably take several years for growth rates to return to their previous levels, as the Government will find it increasingly difficult to keep up the fiscal expansion.
- Economic growth in India is expected to return to 6.6% in 2020 (FY2021), with inflation

close to 4%. GDP growth of the economy is expected at 6.3% in 2021 (FY2022).

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