

India's growth rate estimated at 4.8% in FY2019-20 and projected at 5.8% in FY2020-21 and 6.5% in FY2021-22: IMF's World Economic Outlook Update, January 2020

According to International Monetary Fund's (IMF) World Economic Outlook (WEO) Update: Tentative Stabilization, Sluggish Recovery?, January 2019, global growth is projected to rise from an estimated 2.9% in 2019 to 3.3% in 2020 and 3.4% for 2021. The estimations/projections reflect a downward revision of 0.1 percentage point for 2019 and 2020 and 0.2 for 2021 compared to those in the October World Economic Outlook (WEO). The downward revision primarily reflects negative surprises to economic activity in a few emerging market economies, notably India, which led to a reassessment of growth prospects over the next two years. In a few cases, this reassessment also reflects the impact of increased social unrest.

On the positive side, market sentiment has been boosted by tentative signs that manufacturing activity and global trade are bottoming out, a broad-based shift toward accommodative monetary policy, intermittent favorable news on US-China trade negotiations, and diminished fears of a no-deal Brexit, leading to some retreat from the risk-off environment that had set in at the time of the October WEO. However, few signs of turning points are yet visible in global macroeconomic data.

Across advanced economies, growth is projected to stabilize at 1.6% in 2020-21 (0.1

percentage point lower than in the October WEO for 2020, mostly due to downward revisions for the United States, euro area and the United Kingdom, and downgrades to other advanced economies in Asia).

- In the United States, growth is expected to moderate from 2.3% in 2019 to 2% in 2020 and decline further to 1.7% in 2021. The moderation reflects a return to a neutral fiscal stance and anticipated waning support from further loosening of financial conditions.
- Growth in the euro area is projected to pick up from 1.2% in 2019 to 1.3% in 2020. Projected improvements in external demand support the anticipated firming of growth.
- In the United Kingdom, growth is expected to stabilize at 1.4% in 2020 and firm up to 1.5% in 2021—unchanged from the October WEO.
- Japan's growth rate is projected to moderate from an estimated 1% in 2019 to 0.7% in 2020. The upward revision to estimated 2019 growth reflects healthy private consumption, supported in part by government countermeasures.

For the **emerging market and developing economy** group, growth is expected to increase to 4.4% in 2020 and 4.6% in 2021 (0.2 percentage point lower for both years than in the October WEO) from an estimated 3.7% in 2019. The growth profile for the group reflects a combination of projected recovery from deep downturns for stressed and underperforming emerging market economies and an ongoing structural slowdown in China.

- Growth in emerging and developing Asia is forecast to inch up slightly from 5.6% in 2019 to 5.8% in 2020 and 5.9% in 2021. The growth markdown largely reflects a downward revision to India's projection, where domestic demand has slowed more sharply than expected amid stress in the nonbank financial sector and a decline in credit growth.
- Growth in emerging and developing Europe is expected to strengthen to around 2.5% in

2020–21 from 1.8% in 2019. The improvement reflects continued robust growth in central and eastern Europe, a pickup in activity in Russia, and ongoing recovery in Turkey as financing conditions turn less restrictive.

- In Latin America, growth is projected to recover from an estimated 0.1% in 2019 to 1.6% in 2020 and 2.3% in 2021 (0.2 and 0.1 percentage point weaker respectively than in the October WEO).
- Growth in the Middle East and Central Asia region is expected at 2.8% in 2020, firming up to 3.2% in 2021.
- In sub-Saharan Africa, growth is expected to strengthen to 3.5% in 2020–21 (from 3.3% in 2019). The projection is 0.1 percentage point lower than in the October WEO for 2020 and 0.2 percentage point weaker for 2021.

World Economic Outlook Projections (YoY, in %)

	2019 E	2020 P	2021 P
World	2.9	3.3	3.4
Advanced Economies	1.7	1.6	1.6
US	2.3	2.0	1.7
Euro Area	1.2	1.3	1.4
Japan	1.0	0.7	0.5
UK	1.3	1.4	1.5
Canada	1.5	1.8	1.8
Other Advanced Economies*	1.5	1.9	2.4
Emerging Markets and Developing Economies	3.7	4.4	4.6
Emerging and Development Asia	5.6	5.8	5.9
China	6.1	6.0	5.8
India	4.8	5.8	6.5

Emerging and Developing Europe	1.8	2.6	2.5
Latin America and the Caribbean	0.1	1.6	2.3
Middle East and Central Asia	0.8	2.8	3.2
Sub Saharan Africa	3.3	3.5	3.5

Source: PHD Research Bureau, PHDCCI compiled from IMF World Economic Outlook Update, January 2020

Note: Real effective exchange rates are assumed to remain constant at the levels prevailing during October 14- November 11, 2019. Economies are listed on the basis of economic size. The aggregated quarterly data are seasonally adjusted. 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. E-Estimated; P-Projected

Outlook for India

India's growth is estimated at 4.8% in FY2019-20, as domestic demand has slowed more sharply than expected amid stress in the nonbank financial sector and a decline in credit growth. Growth is projected to improve to 5.8% in FY2020-21 and 6.5% in FY2021-22 (1.2 and 0.9 percentage point lower than in the October WEO); however, supported by monetary and fiscal stimulus as well as subdued oil prices.

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