India's GDP forecasted to grow at 5.8% in FY20, and at 6.1% in FY21 and FY22 each: World Bank's Global Economic Prospects, January 2020

According to World Bank's Global Economic Prospects, January 2020, global economic growth is forecasted to edge up to 2.5% in 2020 as investment and trade gradually recover from last year's significant weakness but downward risks persist.

Growth among advanced economies as a group is anticipated to slip to 1.4% in 2020 in part due to continued softness in manufacturing. Growth in emerging market and developing economies is expected to accelerate this year to 4.1%. This rebound is not broad-based; instead, it assumes improved performance of a small group of large economies, some of which are emerging from a period of substantial weakness. About a third of emerging market and developing economies are projected to decelerate this year due to weaker-than-expected exports and investment.

Downside risks to the global outlook predominate, and their materialization could slow growth substantially. These risks include a re-escalation of trade tensions and trade policy uncertainty, a sharper-than expected downturn in major economies, and financial turmoil in emerging market and developing economies. Even if the recovery in emerging and developing economy growth takes place as expected, per capita growth would remain well below long-term averages and well below levels necessary to achieve poverty alleviation goals.

East Asia and Pacific

Growth in the region is projected to ease to 5.7% in 2020, reflecting a further moderate slowdown in China to 5.9% this year amid continued domestic and external headwinds, including the lingering impact of trade tensions. Regional growth excluding China is projected to slightly recover to 4.9%, as domestic demand benefits from generally supportive financial conditions amid low inflation and robust capital flows in some countries and as large public infrastructure projects come on stream (the Philippines and Thailand). Regional growth will also benefit from the reduced global trade policy uncertainty and a moderate, even if still subdued, recovery of global trade.

Europe and Central Asia

Regional growth is expected to firm to 2.6% in 2020, assuming stabilization of key commodity prices and Euro Area growth and recovery in Turkey (to 3%) and Russia (to 1.6%). Economies in Central Europe are anticipated to slow to 3.4% as fiscal support wanes and as demographic pressures persist, while countries in Central Asia are projected to grow at a robust pace on the back of structural reform progress.

Real GDP[1] (Percentage change from previous year)

	2019e	2020f	2021f	2022f
World	**2.4**	**2.5**	**2.6**	**2.7**
Advanced Economies	**1.6**	**1.4**	**1.5**	**1.5**
US	2.3	1.8	1.7	1.7
Euro Area	1.1	1.0	1.3	1.3
Japan	1.1	0.7	0.6	0.4
Emerging Markets & Developing Economies	**3.5**	**4.1**	**4.3**	**4.4**

East Asia & Pacific	5.8	5.7	5.6	5.6
Europe & Central Asia	2.0	2.6	2.9	2.9
Latin America & Caribbean	0.8	1.8	2.4	2.6
Middle East & North Africa	0.1	2.4	2.7	2.8
South Asia	4.9	5.58	5.9	6.0
India	**5.0**	**5.8**	**6.1**	**6.1**
Sub Saharan Africa	2.4	2.9	3.1	3.3

Source: PHD Research Bureau, PHDCCI compiled from World Bank. Note: e = estimate; f = forecast
1. Headline aggregate growth rates calculated using GDP weights at 2010 prices and market exchange rates. World growth rates based on purchasing power parity (PPP) weights attribute a greater portion of global GDP to EMDEs relative to market exchange rates due to the PPP methodology, which uses an exchange rate that is calculated from the difference in the price levels of a basket of goods and services between economies.

Latin America and the Caribbean

Regional growth is expected to rise to 1.8% in 2020, as growth in the largest economies strengthens and domestic demand picks up at the regional level. In Brazil, more robust investor confidence, together with a gradual easing of lending and labor market conditions, is expected to support an acceleration in growth to 2%. Growth in Mexico is seen rising to 1.2% as less policy uncertainty contributes to a pickup in investment, while Argentina is anticipated to contract by a slower 1.3%. In Colombia, progress on infrastructure projects is forecast to help support a rise in growth to 3.6%. Growth in Central America is projected to firm to 3% thanks to easing credit conditions in Costa Rica and relief from setbacks to construction projects in Panama.

Middle East and North Africa

Regional growth is projected to accelerate to a modest 2.4% in 2020, largely on higher investment and stronger business climates. Among oil exporters, growth is expected to pick up to 2%. Infrastructure investment and business climate reforms are seen advancing growth among the Gulf Cooperation Council economies to 2.2%. Iran's economy is expected to stabilize after a contractionary year as the impact of US sanctions tapers and oil production and exports stabilize, while Algeria's growth is anticipated to rise to 1.9% as policy uncertainty abates and investment picks up. Growth in oil importers is expected to rise to 4.4%. Higher investment and private consumption are expected to support a rise to 5.8% in FY2020 growth in Egypt.

South Asia

Growth in the region is expected to rise to 5.5% in 2020, assuming a modest rebound in domestic demand and as economic activity benefits from policy accommodation in India and Sri Lanka and improved business confidence and support from infrastructure investments in Afghanistan, Bangladesh, and Pakistan. In India, where weakness in credit from non-bank financial companies is expected to linger, growth is projected to slow to 5% in FY 2019/20, which ends March 31 and recover to 5.8% the following fiscal year. In Pakistan's growth is expected to rise to 3% in the next fiscal year after bottoming out at 2.4% in FY2019/20, which ends June 30. In Bangladesh, growth is expected to ease to 7.2% in FY2019/2020, which ends June 30, and edge up to 7.3% the following fiscal year. Growth in Sri Lanka is forecast to rise to 3.3%.

Sub-Saharan Africa

Regional growth is expected to pick up to 2.9% in 2020, assuming investor confidence improves in some large economies, energy bottlenecks ease, a pickup in oil production contributes to recovery in oil exporters and robust growth continues among agricultural commodity exporters. The forecast is weaker than previously expected reflecting softer demand from key trading partners, lower commodity prices, and adverse domestic developments in several countries. In South Africa, growth is expected to pick up to 0.9%, assuming the new administration's reform agenda gathers pace, policy uncertainty wanes, and investment gradually recovers.

Outlook for India

- World Bank has estimated India's GDP to grow at 5% in FY2019 and forecasted that economy will grow at 5.8% in FY20, and at 6.1% in FY21 and FY22 each.
- In India, activity slowed substantially in 2019, with the deceleration most pronounced in the manufacturing and agriculture sectors, whereas government-related services subsectors received significant support from public spending. GDP growth decelerated to 5% and 4.5% (y/y) in the April-June and July-September quarters of 2019, respectively—the lowest readings since 2013.
- Weakness in credit from non-bank financial companies is expected to linger. Although a gradual growth recovery is expected in the second half of the fiscal year, the challenges faced by the economy over the first half should contribute to a third consecutive year of slowing growth in FY2019/20 (April 2019-March 2020).
- Thereafter, growth is expected to gradually recover, to 6.1% in FY2021/22. This forecast is predicated on the monetary policy stance remaining accommodative. It also assumes that stimulative fiscal and structural measures already taken—including corporate tax cuts, income transfers to farmers, spending on rural development, support measures to the automobile industry, and further liberalization of foreign direct investment (FDI)—will begin to pay-off.
- The scope for more proactive support from fiscal and monetary policies is limited, as inflation has recently crossed the midpoint of the target range, and weaker-than-expected tax revenues are being accompanied by increased public spending.

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