

India's economic growth is projected at 5.8% in 2019, 6.2% in 2020 and 6.4% in 2021: OECD Economic Outlook, November 2019

According to the OECD's Economic Outlook, November 2019, trade conflict, weak business investment and persistent political uncertainty are weighing on the world economy and raising the risk of long-term stagnation. World GDP growth is expected to be 2.9% in 2019 - its lowest annual rate since the financial crisis - and remain at 2.9%-3.0% in 2020 and 2021.

The slowdown involves advanced and emerging-market economies alike although its severity varies according to the importance of trade in individual countries. Growth in the US is forecast to slow to 2% in 2020 and 2021. In the euro area and Japan, growth is expected at around 1% while the deceleration in China's expansion is set to reach 5.5% in 2021, compared with 6.6% last year.

Bold actions are needed to address both the high levels of uncertainty facing businesses as well as the fundamental changes taking place in the global economy. Policy-making must lead the transition to cleaner energy and to an increasingly digital world. Governments must work together urgently to boost investment and establish fair international rules on taxation and trade.

Real GDP Growth, Year-on-Year (in%)

	2019	2020	2021		2019	2020	2021
World	2.9	2.9 ↓	3.0	G20	3.1	3.2	3.3
Australia	1.7	2.3 ↑	2.3	Argentina	-3.0 ↓	-1.7 ↑	0.7

Canada	1.5	1.6	1.7	Brazil	0.8	1.7	1.8
Euro Area	1.2 ↑	1.1 ↑	1.2	China	6.2 ↑	5.7	5.5
Germany	0.6 ↑	0.4 ↓	0.9	India	5.8 ↓	6.2 ↓	6.4
France	1.3	1.2	1.2	Indonesia	5.0	5.0	5.1
Italy	0.2 ↑	0.4	0.5	Mexico	0.2 ↓	1.2 ↓	1.6
Japan	1.0	0.6	0.7	Russia	1.1 ↑	1.6	1.4
Korea	2.0 ↓	2.3	2.3	Saudi Arabia	0.2 ↓	1.4 ↓	1.4
United Kingdom	1.2 ↑	1.0 ↑	1.2	South Africa	0.5	1.2 ↑	1.3
United States	2.3 ↓	2.0	2.0	Turkey	0.3 ↑	3.0 ↑	3.2

Source: PHD Research Bureau, PHDCCI, compiled from OECD Economic Outlook, November 2019

Note: ↑ ↓ Arrows indicate the direction of revisions since September 2019

Outlook for India

- India's economic growth is projected at 6.2% in 2020 and 6.4% in 2021 as uncertainties fade and monetary and fiscal policies have become accommodative. The country's growth for 2019 is estimated at 5.8%.
- The new income-support scheme for farmers and a good monsoon are supporting private consumption. According to OECD, the cut in corporate income tax will support corporate investment. Inflation and the current account deficit will remain moderate given the relatively large spare capacity in the economy and low oil prices.
- Growth has slowed from a rapid pace. However, the country has benefitted from improvements in the Goods and Services Tax (GST) administration, enabling exporters to get faster tax refunds, while efforts to improve trade infrastructure, logistics and processes are starting to pay off. Overall, India has succeeded in seizing some of the market shares lost by other countries and exports have proved relatively resilient.

- Economic growth is set to climb to just under 6.4% by 2021. Private investment will bounce back as capacity utilisation rises and the cost of borrowing for the corporate sector declines. The ongoing resolution of distressed assets of non-financial corporates under the Insolvency and Bankruptcy Code is expected to unlock resources for new investment projects.
- Recent reforms to improve the ease of doing business – including measures to liberalise FDI, lower corporate income tax rates and efforts to improve judicial services and contract enforcement – will also help. Rural consumption will pick up, due to the good monsoon, the full implementation of the new income support scheme for farmers and measures to reduce liquidity stress in non-banking financial companies.

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