India's growth rate projected at 6.1% in 2019 and 7.0% in 2020 by IMF's World Economic Outlook, October 2019

According to International Monetary Fund's (IMF) World Economic Outlook (WEO): Global Manufacturing Downturn, Rising Trade barriers, October 2019, the global economy is in a synchronized slowdown, with growth for 2019 projected at 3%—its slowest pace since the global financial crisis. After slowing sharply in the last three quarters of 2018, the pace of global economic activity remains weak.

Momentum in manufacturing activity, in particular, has weakened substantially, to levels not seen since the global financial crisis. Rising trade and geopolitical tensions have increased uncertainty about the future of the global trading system and international cooperation more generally, taking a toll on business confidence, investment decisions, and global trade. A notable shift toward increased monetary policy accommodation—through both action and communication—has cushioned the impact of these tensions on financial market sentiment and activity, while a generally resilient service sector has supported employment growth. However, the outlook remains precarious.

Growth is projected to pick up to 3.4% in 2020 reflecting primarily a projected improvement in economic performance in a number of emerging markets in Latin America, the Middle East and emerging and developing Europe that are under macroeconomic strain.

For advanced economies, growth is projected to soften to 1.7% in 2019 and 2020. The forecast is 0.1 percentage point lower for 2019 than in the April 2019 WEO.

- In the United States, the economy maintained momentum in the first half of the year. Although investment remained sluggish, employment and consumption were buoyant. Growth in 2019 is expected to be 2.4%, moderating to 2.1% in 2020.
- In the euro area, weaker growth in foreign demand and a drawdown of inventories have kept a lid on growth since mid-2018. Activity is expected to pick up only

modestly over the remainder of this year, and into 2020, as external demand is projected to regain some momentum and temporary continue to fade. Growth is projected at 1.2% in 2019 (0.1 percentage point lower than in April) and 1.4% in 2020.

- The United Kingdom is set to expand at 1.2% in 2019 and 1.4% in 2020. The unchanged projection for both years (relative to the April 2019 WEO) reflects the combination of a negative impact from weaker global growth and ongoing Brexit uncertainty and a positive impact from higher public spending announced in the recent Spending Review.
- Japan's economy is projected to grow by 0.9% in 2019. Strong private consumption and public spending in the first half of 2019 outweighed continued weakness in the external sector.

Growth in the **emerging market and developing economy** group is expected to bottom out at 3.9% in 2019, rising to 4.6% in 2020.

- Emerging and Developing Asia remains the main engine of the world economy, but growth is softening gradually with the structural slowdown in China. Output in the region is expected to grow at 5.9% this year and at 6.0% in 2020.
- Subdued growth in emerging and developing Europe in 2019 largely reflects a slowdown in Russia and flat activity in Turkey. The region is expected to grow at 1.8% in 2019 and 2.5% in 2020.
- In Latin America growth is expected at 0.2% this year (1.2 percentage point lower than in the April 2019 WEO). The sizable downward revision for 2019 reflects downgrades to Brazil and Mexico.
- Growth in the Middle East and Central Asia region is expected to be 0.9% in 2019, rising to 2.9% in 2020. The forecast is 0.9 and 0.4 percentage point lower, respectively, than in the April 2019 WEO, largely due to the downward forecast revision for Iran (owing to the effect of tighter US sanctions) and Saudi Arabia.
- In sub-Saharan Africa, growth is expected at 3.2% in 2019 and 3.6% in 2020, slightly lower for both years than in the April 2019 WEO. In South Africa, despite a moderate rebound in the second quarter, growth is expected to be weaker in 2019 than projected in the April 2019.

World Economic Outlook Projections (in %)

	2018	2019 (P)	2020(P)
World	**3.6**	**3.0**	**3.4**
Advanced Economies	**2.3**	**1.7**	**1.7**
US	2.9	2.4	2.1
Euro Area	1.9	1.2	1.4
Japan	0.8	0.9	0.5
UK	1.4	1.2	1.4
Canada	1.9	1.5	1.8
Other Advanced Economies*	2.6	1.6	2.0
Emerging Markets and Developing Economies	**4.5**	**3.9**	**4.6**
Emerging and Development Asia	6.4	5.9	6.0
China	6.6	6.1	5.8
India	**6.8**	**6.1**	**7.0**
Emerging and Developing Europe	3.1	1.8	2.5
Latin America and the Caribbean	1.0	0.2	1.8
Middle East, North Africa, Afghanistan and Pakistan	1.9	0.9	2.9
Sub Saharan Africa	3.2	3.2	3.6

Source: PHD Research Bureau, PHDCCI compiled from IMF World Economic Outlook October 2019

Note: Real effective exchange rates are assumed to remain constant at the levels prevailing during July 26-August 23, 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

- India's economy is set to grow at 6.1% in 2019, picking up to 7% in 2020.
- The downward revision relative to the April 2019 WEO of 1.2 percentage points for 2019 and 0.5 percentage point for 2020 reflects a weaker-than-expected outlook for domestic demand. Growth will be supported by the lagged effects of monetary policy easing, a reduction in corporate income tax rates, recent measures to address corporate and environmental regulatory uncertainty, and government programs to support rural consumption.

- Monetary policy and broad-based structural reforms should be used to address cyclical weakness and strengthen confidence. A credible fiscal consolidation path is needed to bring down India's elevated public debt over the medium term. This should be supported by subsidy-spending rationalization and tax-base enhancing measures.
- Governance of public sector banks and the efficiency of their credit allocation needs strengthening, and the public sector's role in the financial system needs to be reduced. Reforms to hiring and dismissal regulations would help incentivize job creation and absorb the country's large demographic dividend. Land reforms should also be enhanced to encourage and expedite infrastructure development.

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