

Accelerated growth in India: World Bank's Global Economic Prospects: Darkening Skies, January 2019 Report

According to World Bank's Global Economic Prospects: Darkening Skies, January 2019 Report, the outlook for the global economy has darkened. Global financing conditions have tightened, industrial production has moderated, trade tensions remain elevated, and some large emerging market and developing economies have experienced significant financial market stress. Faced with these headwinds, the recovery in emerging market and developing economies has lost momentum. Downside risks have become more acute and include the possibility of disorderly financial market movements and an escalation of trade disputes.

Debt vulnerabilities in emerging market and developing economies, particularly low-income countries, have increased. More frequent severe weather events would raise the possibility of large swings in international food prices, which could deepen poverty. In this difficult environment, it is of paramount importance for emerging market and developing economies to rebuild policy buffers while laying a stronger foundation for future growth by boosting human capital, promoting trade integration, and addressing the challenges associated with informality.

In all, global growth is projected to moderate from a downwardly revised 3 percent in 2018 to 2.9 percent in 2019 and 2.8 percent in 2020-21, as economic slack dissipates, monetary policy accommodation in advanced economies is removed, and global trade gradually slows. Advanced-economy growth will gradually decelerate toward potential, falling to 1.5 percent by the end of the forecast horizon, as monetary policy is normalized and capacity constraints become increasingly binding. EMDE growth is

expected to stall at 4.2 percent in 2019—0.5 percentage point below previous forecasts. EMDE growth is projected to plateau at an average of 4.6 percent in 2020-21, as the recovery in commodity exporters levels off.

Real GDP (Percentage change from previous year)

	2016	2017	2018e	2019f	2020f	2021f
World	2.4	3.1	3.0	2.9	2.8	2.8
Advanced Economies	1.7	2.3	2.2	2.0	1.6	1.5
US	1.6	2.2	2.9	2.5	1.7	1.6
Euro Area	1.9	2.4	1.9	1.6	1.5	1.3
Japan	0.6	1.9	0.8	0.9	0.7	0.6
Emerging Markets & Developing Economies	3.7	4.3	4.2	4.2	4.5	4.6
East Asia & Pacific	6.3	6.6	6.3	6.0	6.0	5.8
Europe & Central Asia	1.7	4.0	3.1	2.3	2.7	2.9
Latin America & Caribbean	-1.5	0.8	0.6	1.7	2.4	2.5
Middle East & North Africa	5.1	1.2	1.7	1.9	2.7	2.7
South Asia	7.5	6.2	6.9	7.1	7.1	7.1
India	7.1	6.7	7.3	7.5	7.5	7.5
Sub Saharan Africa	1.3	2.6	2.7	3.4	3.6	3.7

Source: PHD Research Bureau compiled from World Bank

Outlook for India:

- In India, growth has accelerated, driven by an upswing in consumption, and investment growth has firmed as the effects of temporary factors wane. However, rising interest rates and currency volatility are weighing on activity.
- India's GDP is forecast to grow by 7.3 percent in FY2018/19 and 7.5 percent thereafter, in line with June forecasts. Private consumption is projected to remain robust and investment growth is expected to continue.
- Strengthening domestic demand can be seen in India, as the benefits of structural reforms such as GST harmonization and bank recapitalization take effect.
- Majority of extreme poor currently reside in large lower-middle-income countries, including India. However, current growth projections suggest that the number of extreme poor should continue to fall rapidly in India.
- In India, the government deficit was higher than planned, reflecting lower-than-expected revenues from telecom spectrum auctions and low dividends from public sector enterprises (World Bank 2018 volume). The central government is budgeting a reduction in the fiscal deficit for next fiscal year.

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