India's growth projected at 7.2% in 2019 and at 7.4% in 2020: OECD Economic Outlook, May 2019

According to OECD Economic Outlook, May 2019, global growth slowed sharply in late 2018 and is now stabilising at a moderate level. Escalating trade conflicts and dangerous financial vulnerabilities threaten a new weakening of activity by undermining investment and confidence worldwide.

The global economy is expected to achieve moderate but fragile growth over the coming two years. Vulnerabilities arise from trade tensions, high policy uncertainty, risks in financial markets and a slowdown in China, all of which could further curb strong and sustainable medium-term growth worldwide.

The OECD Economic Outlook projects that the global economy will grow by 3.2% in 2019 and 3.4% in 2020. The Outlook includes downward revisions for many major economies and warns that current growth rates are insufficient to bring about major improvements in employment or living standards.

- GDP growth in the United States is projected to moderate to around 2.8% in 2019 and 2.3% in 2020 as the support from fiscal easing slowly fades.
- GDP growth in Japan is set to remain at around 0.7% per annum in 2019 and 2020. Severe labour shortages and capacity constraints continue to stimulate investment, but confidence has eased and export growth has weakened.

- GDP growth in the euro area is projected to remain moderate, at just under 1¼ per cent in 2019 and between 1.2% and 1.4% in 2020.
- GDP growth in China is projected to moderate gradually to 6% by 2020. Import, investment and credit growth have slowed and trade tensions are adding to uncertainty, but new fiscal and quasi-fiscal stimulus measures are being implemented and monetary policy has eased.
- GDP growth in India is projected to strengthen to close to 7.2 in FY 2019 and close to 7.4% in FY 2020, with improved financial conditions, fiscal and quasi-fiscal stimulus, including new income support measures for rural farmers, and recent structural reforms all helping to support domestic demand.
- A gradual recovery is set to continue in Brazil, with GDP growth projected to pick up to around 1.4% this year and 2.3% in 2020.

Real GDP Growth Rates, Y-O-Y (in %)

	2018	2019	2020		2018	2019	2020
World	**3.5**	**3.2**	**3.4**	**G20**	**3.8**	**3.4**	**3.6**
Australia	2.7	2.3	2.5	Argentina	-2.5	-1.8	2.1
Canada	1.8	1.3	2.0	Brazil	1.1	1.4	2.3
Euro Area	1.8	1.2	1.4	China	6.6	6.2	6.0
Germany	1.5	0.7	1.2	**India**	**7.0**	**7.2**	**7.4**
France	1.6	1.3	1.3	Indonesia	5.2	5.1	5.1
Italy	0.7	0.0	0.6	Mexico	2.0	1.6	2.0
Japan	0.8	0.7	0.6	Russia	2.3	1.4	2.1
Korea	2.7	2.4	2.5	Saudi Arabia	2.2	2.5	1.9
United Kingdom	1.4	1.2	1.0	South Africa	0.8	1.2	1.7
United States	2.9	2.8	2.3	Turkey	2.6	-2.6	1.6

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

Outlook for India:

- India has the fastest growth among G20 economies. Further, economic growth is expected to regain strength and approach 7.2% in 2019 and 7.4% in 2020.
- The new income scheme for small farmers will support rural consumption. Investment growth will accelerate as capacity utilisation rises, interest rates decline, and geopolitical tensions and political uncertainty are assumed to wane. Lower oil prices and the recent appreciation of the rupee will reduce pressures on inflation and the current account.
- Export growth has held up well, with export orders growing steadily.
- The Goods and Services Tax (GST) administration has continued to improve, enabling exporters to get faster tax refunds, and ongoing efforts to improve trade infrastructure, logistics and processes are starting to pay off. In contrast, private investment, in particular in manufacturing, has been affected by uncertainty ahead of the parliamentary elections, combined with persistent difficulties in financing projects, acquiring land and getting all the necessary clearances.
- Monetary policy could be loosened somewhat as headline inflation remains well below target and inflation expectations are adjusting down. Rising public sector borrowing requirements reflect the implementation of new welfare schemes, sluggish tax revenue, and growing financial needs of public enterprises and banks.

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Regards,

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