

OECD Economic Outlook expects India's growth to remain strong in 2019 & 2020

According to OECD's Economic Outlook November 2018, the global economy is going through a rough phase. Global GDP growth is strong, but has peaked. In many countries, unemployment is well below pre-crisis level, labour shortages are biting and inflation remains tepid. Yet, global trade and investments has been slowing amid increase in bilateral tariffs, while many emerging market economies are experiencing capital outflows and a weakening of their currencies.

OECD projects global GDP growth to ease gradually from 3.7% in 2018 to around 3.5% in 2019 & 2020, broadly in line with global potential output growth. Macroeconomic policies are projected to become less accommodative over time and headwinds from trade tensions, tighter financial conditions and higher oil prices are set to continue.

Global Growth Projections

	Average 2011- 2018	2017	2018	2019	2020	2018 Q4	2019 Q4	2020 Q4
Real GDP Growth*								
World**	3.4	3.6	3.7	3.5	3.5	3.5	3.6	3.5
G20**	3.6	3.8	3.8	3.7	3.7	3.7	3.8	3.7
OECD**	2.1	2.5	2.4	2.1	1.9	2.2	2.1	1.9
-US	2.3	2.2	2.9	2.7	2.1	3.1	2.4	2.0
-Euro Area	1.2	2.5	1.9	1.8	1.6	1.5	1.9	1.4
-Japan	1.3	1.7	0.9	1.0	0.7	0.6	0.6	1.1
Non-OECD**	4.6	4.6	4.7	4.7	4.7	4.6	4.8	4.7
-China	7.1	6.9	6.6	6.0	6.0	6.4	6.1	6.0

-India***	7.0	6.7	7.5	7.4	7.4			
-Brazil	0.1	1.0	1.2	2.4	2.4			
Output Gap®	-1.8	-1.0	-0.6	-0.5	-0.5			
Unemployment Rate®®	6.9	5.8	5.3	5.0	5.0	5.2	5.1	4.9
Inflation*,~	1.6	2.0	2.3	2.5	2.5	2.6	2.5	2.5
Fiscal Balance~~	-4.1	-2.3	-2.9	-3.0	-3.0			
World Real Trade Growth*	3.6	5.2	3.9	3.7	3.7	3.3	3.8	3.6

Source: PHD Research Bureau compiled from OECD

* Percentage changes; last three columns show the increase over a year earlier

** Moving nominal GDP weights, using purchasing power parities

*** Fiscal year

® Percent of potential GDP

®® Percent of labour force

~ Private consumption deflator

~~ Percent of GDP

Growth in OECD area is set to slow gradually, from around 2.5% in 2017-18 to just under 2% by 2020. Wage and price inflation are projected to rise, but only moderately.

Recent developments and the projected outlook poses considerable challenges for policymakers. An immediate need is to reduce policy-related uncertainties by arresting the slide towards protectionism and reinforcing the global rules based international trade system through multilateral dialogue.

OECD Outlook for India

OECD expects India's economic growth close to 7.5% in 2019 & 2020. Private consumption and government consumption is expected to grow at 7.4% and 7.3%, respectively, in 2019. Despite higher oil prices and Rupee depreciation, business investment and exports are expected to remain strong amid structural reforms including new Insolvency and Bankruptcy Code, smoother implementation of GST, better roads & electricity, among others.

Further, according to OECD, monetary policy need to be tightened as inflation expectations are trending up. Containing the relatively higher public debt-to-GDP ratio would require controlling contingent liabilities. Also, subsidy reforms would help make social spending more effective.

India Growth Projections

	2015	2016	2017	2018	2019	2020
	Current prices INR trillion	Percentage changes, volume (2012/2013 prices)				
GDP at market price	137.6	7.1	6.7	7.5	7.3	7.4
Private consumption	80.9	7.3	6.6	7.2	7.4	7.4
Government consumption	14.3	12.2	10.9	7.0	7.3	5.3
Gross fixed capital formation	39.2	10.1	7.6	6.2	6.0	8.96
Final domestic demand	134.4	8.6	7.3	6.9	7.0	7.5
Stockbuilding*	6.4	-1.2	0.0	0.1	0.0	0.0
Total Domestic Demand	140.8	6.9	8.1	8.3	6.9	7.5
Exports of goods and services	27.3	5.0	5.6	8.9	4.5	6.3
Imports of goods and services	30.4	4.0	12.4	12.0	3.4	6.9
Net exports*	-3.2	0.1	-1.5	-0.9	0.1	-0.3
Memorandum items						
GDP deflator	-	3.5	3.1	4.9	4.7	4.3
Consumer Price Index	-	4.5	3.6	4.5	5.0	4.5
Wholesale price index**	-	1.7	2.9	4.8	4.6	4.3
General government financial balance*** (% of GDP)	-	-7.0	-6.6	-6.4	-6.2	-6.0
Current account balance (% of GDP)	-	-0.6	-1.9	-2.1	-2.8	-3.0

Source: PHD Research Bureau compiled from OECD

Note: Data refers to fiscal year starting in April

* Contribution to changes in real GDP, actual amount in the first column

** WPI, all commodity index

*** Gross fiscal balance for central and state government

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