

1. IMF's World Economic Outlook (WEO)

Prelims: Economics; Indices & Reports

Mains: GS-III- Inclusive Growth and Issues Arising from it.

Context:

- ▶▶ International Monetary Fund (IMF) has released its report “World Economic Outlook” (WEO)- 2019 recently.

About the Report:

- ▶▶ The World Economic Outlook is a biennial report that is released in April and October of every year. According to the report released recently, the global economy is at its slowest pace of growth at 3%. This is a serious climb down from 3.8% in 2017.

Key Findings of the Report:

- ▶▶ The world economy is projected to grow only 3 per cent this year and 3.4 per cent next year amid a synchronised slowdown.
- ▶▶ The Global growth rate is projected to improve to 3.4% by 2020. The growth of advanced economies is projected to slow down by 1.7%.
- ▶▶ The emerging and developing economies are projected to experience a growth pick up from 3.9% in 2019 to 4.6% in 2020.
- ▶▶ Reasons for slowdown: rising trade barriers, uncertainty surrounding trade and geopolitics, and structural factors, such as low productivity growth and an aging population in Developed Countries.

India- Specific Observations:

- ▶▶ India retains its rank as the world's fastest-growing major economy, tying with China.
- ▶▶ It has a projected growth rate of 6.1 per cent for the current fiscal year, despite an almost one per cent cut in the forecast.
- ▶▶ The report downgraded India's growth projections to 6.1% in 2019, however, India's economy is projected to pick up and grow by 7 per cent in the 2020 fiscal year.
- ▶▶ According to the report, China is projected to grow at 6.1% in 2019 and 5.8% in 2020. The trade volume reached the lowest since 2012. It reduced by 1% since 2012.

Reasons behind the downgraded growth projection of India:

- ▶▶ India's economy decelerated further in the second quarter, as its growth is held back by sector-specific weaknesses in the automobile sector and real estate as well as lingering uncertainty about the health of non-bank financial companies.

- ▶▶ Corporate and environmental regulatory uncertainty are part of the factors that weighed on the demand.
- ▶▶ The reduction in India's growth projection for this year "reflects a weaker-than-expected outlook for domestic demand".

Way Ahead:

- ▶▶ India should make use of the following measures to improve its overall growth:
 - ❖ It must make use of its monetary policy and broad-based structural reforms 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 rationalisation and Tax-Base Enhancing Measures.

About IMF:

- ▶▶ The International Monetary Fund (IMF) is the inter-governmental organisation established to stabilize the exchange rate in the international trade.
- ▶▶ It helps the member countries to improve their Balance of Payment (BOP) condition thorough the adequate liquidity in the international market, promote the growth of global monetary cooperation, secure financial stability, facilitate international trade.
- ▶▶ It is one of the Bretton woods twins, which came into existence in 1945, is governed by and accountable to the 189 countries that make up its near-global membership.
- ▶▶ HQ – Washington
- ▶▶ Official language – Chinese, English, French, Russian, Spanish, Arabic