

IMF lowers India's economic growth estimate in its World Economic Outlook Report 2019-20

written by iasexam.com | 21/01/2020



The International Monetary Fund (IMF) has lowered India's growth forecast for 2019 to 4.8 per cent from 6.1 per cent it projected in October on the back of sharp decline in consumer demand, stress in the NBFC sector and sluggish credit growth. In its World Economic Outlook update released on Monday, IMF expected growth to pick up over the course of next two years with the help of monetary and fiscal stimulus as well as subdued oil prices.

In its report, the IMF stated that global growth is projected to rise from an estimated 2.9 percent in 2019 to 3.3 percent in 2020 and 3.4 percent for 2021 - a downward revision of 0.1 percentage point for 2019 and 2020 and 0.2 for 2021 compared to those in the October World Economic Outlook (WEO). The downward revision in growth forecast is mainly due to weaker growth across emerging economies, including India, Mexico and South Africa.

As per the reports released by IMF, the downward revision primarily reflects negative surprises to economic activity in a few emerging market economies, notably India, which led to a reassessment of growth prospects over the next two years. In a few cases, this reassessment also reflects the impact of increased social unrest.

Key Highlights of the Report

- The slowdown in Indian economy also weighed down the growth forecast for Asia on a whole, which is expected to grow at the rate of 5.6 percent in 2019 to 5.8 percent in 2020 and 5.9 percent in 2021.
- The IMF stated that market sentiment has been boosted by tentative signs of manufacturing activity and global trade bottoming out, a broad-based shift toward accommodative monetary policy, intermittent favorable news on US-China trade negotiations, and diminished fears of a no-deal Brexit.
- The IMF categorized rising geo-political tensions, especially between the United States and Iran, as a notable downside risk for the global economy. Deterioration in economic relations between the US and its trade partners due to higher trade tariffs could undermine the nascent bottoming out of global manufacturing and trade, leading global growth to fall short of the baseline.
- Evincing hope that the earlier signs of stabilization in global economy could persist, the IMF pointed out that risks to global activity are less tilted to the downside.

SOURCE: *Business Today*