World Economic Outlook 2019- Growth Slowdown, Precarious Recovery: IMF

The **International Monetary Fund (IMF)** has **cut India's Gross Domestic Product (GDP) growth** forecast for 2019-20, **following similar action** by the Asian Development Bank (ADB) and the Reserve Bank of India (RBI).

> The World Economic Outlook (WEO) is a **survey by the IMF staff published twice a year.**

Highlights

- **Global**
  - The global growth will be **3.3% in 2019, down from 3.6% in 2018 and 4% in 2017.** Few reasons being: **U.S.-China trade tensions, macroeconomic stress in Turkey and Argentina, tighter credit policies in China, mounting debt levels and increasing inequality etc.**
    - This forecast of global growth is **lowest since the financial crisis of 2008.**
  - The **IMF expects growth to pick up** in the second half of the **year and return to 3.6%**, but this is subject to a rebound in Argentina and Turkey.
    - **Brexit uncertainties** and **China's growth not being as high as expected** (down from 6.6% in 2018 to 6.3% and 6.1% in 2019 and 2020 respectively) are **risks that will impact these projections.**
  - **Beyond 2020,** the IMF predicts that **global growth will stabilise at around 3.5%,** buoyed mainly by **growth in China and India.**

- **India**

  India's growth is **projected to pick up to 7.3% in 2019 (2019-20) and 7.5% in 2020.** The pick up in growth is because of:
  - The **continued recovery of investment** and **robust consumption.**
  - A more expansionary stance of monetary policy and some expected impetus from fiscal policy.
  - These forecasts are nevertheless less by 10 and 20 basis **points from earlier forecasts.**

Recommendations

- At the global level, the report stated that there is a need for **greater multilateral cooperation to resolve trade conflicts**, to **address climate change** and **risks from cybersecurity,** and to improve the **effectiveness of international taxation.**
- The following are the **recommendations specific to India:**
  - In terms of policy, it has called for a **continued implementation of structural and financial sector reforms** in order to lower public debt and aid growth.
  - The report emphasized **enhancing governance of public sector banks** and reforms to hiring and dismissal regulations that would incentivize job creation and absorb the country's large demographic dividend.
  - A **continued fiscal consolidation** is needed to bring down public debt, strengthening goods and services tax compliance and lowering subsidies.
- The report also noted the steps taken by Government to **speed up the resolution of Non Performing Assets (NPAs)** and a **simplified bankruptcy framework —** measures that can be reinforced by stronger governance of public sector banks.
- The IMF also calls for **laws around land reform to change,** to expedite infrastructure development as well as **changes to hiring and firing laws in order create jobs** and absorb the India's large demographic dividend.