



Growth Projection by IMF

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Why in News

According to the **International Monetary Fund (IMF)**, **global growth** is projected to **rise from an estimated 2.9% in 2019 to 3.3% in 2020** and 3.4% for 2021.

The latest trend in global growth is a **downward revision** of 10 basis points for 2019 and 2020 and 20 basis points for 2021 **compared to the forecast in the IMF's October 2019 World Economic Outlook (WEO)**.

Key Points Related to India

- For **2019**, IMF revised downward its forecast for India to 4.8% from its October projection of 6.1%.
- **For the year 2020**, a **1.2% point cut** in India's growth forecast to 5.8%. This is the **biggest downward revision for any emerging market**, which also pulled down global growth forecast.
- The **reasons cited** for lowering growth estimate include stress in the **non-bank financial sector** and weak rural income growth.
- The **growth will improve in 2020** owing to monetary and fiscal stimulus as well as subdued oil prices.

Key Points Related to Global Economy

- The **pickup in global growth for 2020 remains highly uncertain** as it relies on improved growth outcomes for stressed economies like Argentina, Iran, and Turkey and for underperforming emerging and developing economies such as Brazil, India, and Mexico.

- However, there are preliminary signs that the **decline in manufacturing and trade may be bottoming out**.
 - This is partly from an **improvement in the auto sector** and diminished fears of a **no-deal Brexit**. A no-deal Brexit means the UK would leave the European Union (EU) and there would be no agreements in place about what the relationship between the UK and the EU will be like in the future.
 - Also, a **US-China Phase I deal** (to ease tensions related to trade between the two nations), if durable, is expected to reduce the cumulative negative impact of trade tensions on global GDP by end 2020-from 0.8% to 0.5%.
- Collective growth in the 19 countries that use the euro currency is expected to gradually pick up from 1.2% in 2019 to 1.3% in 2020 and 1.4% in 2021.

Source: TH