



World Economic Outlook: IMF

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GDP growth

(Estimates/Projections : In %)

	Agencies	2020-21	2021-22
Why in News	IMF	(-) 8.0	11.5
	FITCH	(-) 9.4	11
	OECD	(-) 9.9	8
	UBS	(-) 7.5	11
	S&P	(-) 7.7	10

Recently, the latest **World Economic Outlook** of the **International Monetary Fund (IMF)** has estimated that India's **Gross Domestic Product (GDP)** will grow by **11.5%** in the **Financial Year (FY) 2021-22**.

Key Points

- **India Specific Projections:**
 - **FY 2020-21:** For the current fiscal, the IMF had forecast a record **10.3% contraction**.
 - **FY 2021-22:** For the next fiscal, starting from April 1st, GDP growth projection is at **11.5%**, 2.7% higher than the projection made in October, 2020.
Last October, the IMF had projected an 8.8% real GDP growth for India in **FY 2021-22**, highest globally.
 - **FY 2022-23:** In FY 2022-23, the economy will likely grow **6.8%**.
- **Governments Projection for 2020-21:**

The latest revision for the current fiscal is higher than the **government's first advance estimate of 7.7%** and also the **RBI's estimate of 7.5%**.
- **Reason for Increase in the Estimates by IMF:**

India has taken very decisive action, very decisive steps to deal with the **pandemic** and to deal with the economic consequences of it.

- **Government Measures to Deal With the Pandemic:**

- **Reserve Bank of India’s Covid19 Economic Relief Package**
- **Pradhan Mantri Garib Kalyan Yojana:** The government announced Rs 1.70 lakh crore relief package under the newly framed **Pradhan Mantri Garib Kalyan Yojana** for the poor to help them fight the battle against covid-19.
- **Atmanirbhar Bharat Abhiyan (or Self-reliant India Mission):** The Self-Reliant India Mission **aims towards cutting down import dependence** by focussing on substitution while improving safety compliance and quality goods to gain global market share.

Government announced **liquidity measures for businesses, especially Micro, Small and Medium enterprises (MSMEs)** under the Atmanirbhar Bharat Abhiyan.

OVERVIEW OF WORLD ECONOMIC OUTLOOK PROJECTIONS		
	YEAR-OVER-YEAR (% CHANGE)	
	PROJECTIONS	
Nation	2021	2022
The United States	5.1	2.5
Germany	3.5	3.1
The UK	4.5	5.0
China	8.1	5.6
India*	11.5	6.8

**For India, data and forecasts are presented on a fiscal year basis and GDP from 2011 onward is based on GDP at market prices with fiscal year 2011/12 as a base year; source: IMF*

- **Global Projections:**

- **Global Economy:**

- The global economy is projected to grow **5.5% in 2021** and **4.2% in 2022**. The IMF also saw a narrower 3.5% contraction in world output in 2020 as opposed to a 4.4% decline seen earlier.
 - It attributed the 0.3% point upward revision for 2021 to “**expectations of a vaccine-powered strengthening** of activity later in the year and additional **policy support** in a few large economies.

- **Global Trade Volumes:**

- They are forecasted to grow about **8% in 2021**.
- The IMF expects **oil prices to rise** in 2021 by just over 20% from the low base for 2020 but they will still remain well below their average for 2019.
- **Non-oil commodity prices are also expected to increase** with those of metals, in particular, projected to accelerate strongly in 2021.

- **Other Economies with High percentage of Growth:**
 - **China** would grow 8.1% in 2021, followed by **Spain** (5.9%) and **France** (5.5 %).
 - China, which was the only major country to register a growth rate of 2.3 % in 2020, will expand 5.6% in 2022.
- **Increased Inequality:**
 - The report highlighted the **pandemic-induced acceleration in inequality** by reiterating that close to **90 million people are likely to fall below the extreme poverty threshold during 2020-21** as workers with less education, women, youth, those in contact-intensive sectors, and those informally employed suffer disproportionate livelihood and income losses.
 - The **pandemic is expected to reverse the progress** made in poverty reduction across the past two decades.
 - It can be noted that recently, the **Inequality Virus Report**, released by **Oxfam International**, has also found that the **Covid pandemic deeply increased the existing inequalities in India and around the world.**

International Monetary Fund

- The IMF was set up along with the **World Bank** after the **Second World War** to **assist in the reconstruction of war-ravaged countries.**

The two organisations were agreed to be set up at a conference in Bretton Woods in the US. Hence, they are known as the **Bretton Woods twins.**
- Created in **1945**, the IMF is governed by and accountable to the **189 countries** that make up its near-global membership. India joined on December 27, 1945.
- The IMF's **primary purpose is to ensure the stability of the international monetary system** — the system of exchange rates and international payments that enables countries (and their citizens) to transact with each other.

The Fund's **mandate** was updated in 2012 to **include all macroeconomic and financial sector issues that bear on global stability.**
- **Other Reports by IMF:**

Global Financial Stability Report

Source: IE