



World Economic Outlook: IMF

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Why in News

The latest edition of the **International Monetary Fund's (IMF) World Economic Outlook** has raised its **Financial Year (FY) 2021** growth forecast for India to **12.5%** from **11.5% estimated earlier in January 2021**.

Key Points

- **Indian Economy:**
 - Indian economy is expected to grow by **12.5% in 2021 and 6.9% in 2022**.
In **2020**, India's economy witnessed **an estimated contraction of 8%**.
 - Growth rate for India in 2021 is **stronger than that of China**.
China was the **only major economy to have a positive growth rate of 2.3% in 2020**, and is expected to grow by 8.6% in 2021 and 5.6% in 2022.
- **Global Economy:**
 - The IMF predicted stronger recovery in 2021 and 2022 with growth projected to be **6% in 2021 and 4.4% in 2022**.
In **2020**, the global economy **contracted by 3.3%**
 - The contraction for 2020 is 1.1% points smaller than previous projection, **reflecting:**
 - **Higher-than-expected growth outturns in the second half of the year** for most regions after **lockdowns** were eased and as economies adapted to new ways of working.
 - **Additional fiscal support in a few large economies** and the anticipated vaccine-powered recovery in the second half of the year.

- **Suggestions:**
 - **Health Care:**

The emphasis should be on escaping the health crisis by **prioritising health care spending, on vaccinations, treatments, and health care infrastructure**. Fiscal support should be well targeted to affected households and firms.
 - **Accommodative Monetary Policy:**

Monetary policy should remain **accommodative** (where **inflation** is well behaved), while proactively addressing financial stability risks using macroprudential tools.
 - **Tailored Approach:**
 - **Policymakers will need to continue supporting their economies** while dealing with more limited policy space and higher debt levels than prior to the pandemic.
 - This requires better **targeted measures to leave space for prolonged support if needed. With multi-speed recoveries, a tailored approach is necessary, with policies well-calibrated to the stage of the pandemic**, the strength of the economic recovery, and the structural characteristics of individual countries.
 - **Priorities:**

The priorities should include **green infrastructure investment** to help mitigate **climate change**, digital infrastructure investment to boost productive capacity and strengthening social assistance to arrest **rising inequality**.

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 27th December, 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.
- **Reports by IMF:**
 - **Global Financial Stability Report**
 - World Economic Outlook

World Economic Outlook

- It is a survey by the IMF that is usually **published twice a year** in the months of April and October.
- It **analyzes and predicts global economic developments** during the near and medium term.
- In response to the growing demand for more frequent forecast updates, the WEO Update is published in January and July between the two main WEO publications released usually in April and October.

Source:IE