



## World Economic Outlook Report

---

 [drishtiias.com/printpdf/world-economic-outlook-report](https://drishtiias.com/printpdf/world-economic-outlook-report)

The International Monetary Fund (IMF) has released the World Economic Outlook Report.

IMF has forecasted a growth rate of 7.3% for India in the current year of 2018 and that of 7.4 percent in 2019.

### Estimates For Global Growth

---

- Estimates for **global growth has been projected at 3.7% for 2018-19**. It is 0.2% point lower for than forecast for global GDP-growth made in April 2018.
- In most advanced economies, slower expansion in working-age populations and projected lackluster productivity gains are the major reason for slow growth rates.
- **Impact of Protectionism**
  - Escalating **trade tensions** and the potential **shift away from a multilateral, rules-based trading system** are key **threats to the global growth**.
  - An intensification of trade tensions and the associated rise in **policy uncertainty could dent business and financial market sentiment**, trigger financial market volatility, and slow investment and trade.
  - **Higher trade barriers would disrupt global supply chains** and **slow the spread of new technologies**, ultimately lowering global productivity and welfare.
  - More **import restrictions would also make tradable consumer goods less affordable**, harming low-income households disproportionately.

- **Growth Outlook**
  - **The United States and European Union**
    - In the United States, growth momentum is still strong as fiscal stimulus continues to increase, but the **forecast for 2019 has been revised down due to recently announced trade measures, including the tariffs imposed on \$200 billion of US imports from China.**
    - **Growth projections** have also been **marked down** for the **euro area and the United Kingdom.**
  - **China and Emerging Market Economies**
    - Among emerging market and developing economies, the growth prospects of many oil exporters have been lifted by higher oil prices, but growth was revised down for Argentina, Brazil, Iran, and Turkey, among others, due to country-specific factors, tighter financial conditions, geopolitical tensions, and higher oil import bills.
    - **China and a number of Asian economies** are also projected to **experience somewhat weaker growth in 2019** in the aftermath of the recently announced trade measures.
- **For India**
  - **India will be the fastest growing major economy of the world, crossing China in 2019.**
  - India has rebounded from transitory shocks (the demonetization and implementation of the national Goods and Services Tax), with strengthening investment and robust private consumption.
  - In India, important reforms have been implemented in recent years, including the Goods and Services Tax, the inflation-targeting framework, the Insolvency and Bankruptcy Code, and steps to liberalize foreign investment and make it easier to do business.
  - It also said inflation in India will rise amid accelerating demand and rising fuel prices.
- **Recommendations for India**
  - The report said that India's reform priorities should include resolving Non-Performing Assets (NPAs) crisis of Indian banks and reviving bank credit by accelerating the clean-up of the bank and corporate balance sheets and improving the governance of public sector banks.
  - These efforts should be supported by further reductions in subsidies and enhanced compliance with the Goods and Services Tax.

- **Recommendation For Increasing Global Growth**

- Countries need to work together to tackle challenges that extend beyond their own borders.
- To preserve and broaden the gains from decades of rules-based global trade integration, countries should cooperate to reduce trade costs further and resolve disagreements without raising trade distortionary barriers.
- Cooperative efforts are also essential for strengthening international taxation, enhancing cybersecurity, tackling corruption, and mitigating and coping with climate change.
- To target inflation Monetary policy accommodation should be done where inflation is weak or strong, but cautious normalization should be done where inflation is close to target.
- Fiscal policy should aim to build buffers and prepare economies for any crisis in the future.
- The composition of public spending and revenues should be designed to bolster potential output and inclusiveness.
- All countries should adopt structural reforms and policies that raise productivity and encourage technological innovation and diffusion, increasing labor force participation (especially by women and youth), and investing in education and training to enhance job opportunities.

- **Recommendation for advanced economies**

- In countries at or close to full employment, with an excess current account deficit and an unsustainable fiscal position (like the United States), public debt needs to be stabilized and eventually reduced.
- Countries with both excess current account surpluses and fiscal space (like Germany) should increase public investment to boost potential growth and reduce external imbalances.

- **Recommendation for Emerging Market Economies/Low-Income Developing Countries**

- EME should make their economy more resilient to adverse external shocks by improving the tradeoff between inflation and output by using credible monetary policy frameworks.
- For low-income developing countries, continued progress toward the 2030 United Nations Sustainable Development Goals is imperative to foster greater economic security and better living standards.
- Given their generally high levels of public indebtedness, low-income developing countries need to make decisive progress to strengthen their fiscal positions while prioritizing well-targeted measures to reduce poverty.
- They must also boost the resilience of their financial systems. Investing in human capital, improving access to credit, and reducing infrastructure gaps can promote economic diversification and improve the capacity to cope with climate shocks.