



Global Slowdown

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<https://youtu.be/1CwjpHUbzr4>

New data this week showed China's industrial profits dropped sharply in the first two months of the year, raising worries of a slowdown. The U.S. and China is going to resume high-level trade talks in Beijing. Despite global slowdown fears, Indian markets rallied this Tuesday to regain all of Monday's losses.

For domestic markets, the hope is that emerging markets like India may be safe-haven investing option amidst all the chaos about US slowdown and Brexit confusion. This edition of the Big Picture as such, takes a look at the state of the current global economy.

Global Economy Stats

- Europe is in decline.

- Brexit is one of the causes.
- A fair amount of slowdown in almost every major and medium-sized economy in the Europe.
- Poor economic situation in the region.
- China and the United States continue to dispute tariffs placed on goods traded between them. The possibility that if this, that is U.S-China Trade war gets further escalated, it will hurt both the economies.
- Chinese Slowdown: China is going through a 'mature' change i.e. an economy which has witnessed a double digit growth for two decades is bound to face a slowdown.
- **Signs of Recession in U.S.:**
 - Decrease in the employment rate in U.S.
 - Decline in the purchasing power of the people, thus in the consumption rate.
 - U.S. has always remained the driver of growth for the world economy. Due to stagnation in its economy, it will not be able to provide that kind of fillip to the global economy to increase the production of different types of goods and services.
 - This will have a 'spin-off effect' on other economies which supply goods and services to U.S. for third country exports.
- As per some experts, even emerging economies of the world are slowing down.

Impact of U.S.-China Trade War on the Global Economy

- **Slowdown in Chinese imports**, resulting in losses for the countries (especially South Asian Countries) that depend on China for 'Supply Value Chain' for producing components and other finished goods.
- Setback for countries especially in Africa and South American Region that export raw materials to China.
- There are estimates that this war has already cost U.S. at least 0.1% of its GDP. Consumers in the United States are facing brunt of increased tariffs on Chinese goods, leading to the situation of inflation in the country.

Benefits of Slowdown for India

- India is already witnessing an increase in investments in its stock market owing to the slowdown in Europe and U.S. This trend is likely to continue.
- Increase in investments will help India in meeting its infrastructure needs and thus can help it in becoming a net-export country.
- India will also have an opportunity of negotiating on better terms with commercial lenders for its big projects.
- Energy prices are likely to remain stable, which will help India in reducing its costs on imports and also in reforming its energy sector.

Challenges for India

- There is a possibility that India's exports will further get stagnated due to the slowdown.
- The biggest challenge for India in the wake of increasing investments is managing its expenditure. To continue to attract investors, it needs to ensure that investments get channelized into right things i.e. in physical or social infrastructure, so that investors remain sure of their earnings.

Major economies of the world are wrestling with signs of slowdown. India, by managing its expenditure can take benefits from this slowdown.