# World Economic Outlook by International Monetary Fund

India's Gross Domestic Product (GDP), the worth of the economy, clocked in at $2.6 trillion for 2017, according to the database of the International Monetary Fund's World Economic Outlook (WEO) for April 2018. India is now the world's sixth largest economy, displacing France. The five economies ahead are the United States, China, Japan, Germany and United Kingdom. The report projected India to grow at 7.4% in 2018 and 7.8% in 2019, up from 6.7% in 2017.Following are the excerpts from the report :

- The global economic upswing that began around mid-2016 has become broader and stronger. This new World Economic Outlook report projects that advanced economies as a group will continue to expand above their potential growth rates this year and next before decelerating, while growth in emerging market and developing economies will rise before levelling off. For most countries, current favorable growth rates will not last.

- The upswing in global investment and trade continued in the second half of 2017. At 3.8 percent, global growth in 2017 was the fastest since 2011. With financial conditions still supportive, global growth is expected to tick up to a 3.9 percent rate in both 2018 and 2019.Advanced economies will grow faster than potential this year and next; euro area economies are set to narrow excess capacity with support from accommodative monetary policy, and expansionary fiscal policy will drive the US economy above full employment. Aggregate growth in emerging market and developing economies is projected to firm further, with continued strong growth in emerging Asia and Europe and a modest upswing in commodity exporters after three years of weak performance. Global growth is projected to soften beyond the next couple of years. Once their output gaps close, most advanced economies are poised to return to potential growth rates well below pre crisis averages, held back by aging populations and lackluster productivity. US growth will slow below potential as the expansionary impact of recent fiscal policy changes goes into reverse. Growth is projected to remain subpar in several emerging market and developing economies, including in some commodity exporters that continue to face substantial fiscal consolidation needs.

- While upside and downside risks to the short-term outlook are broadly balanced, risks beyond the next several quarters clearly lean to the downside. Downside concerns include a possibly sharp tightening of financial conditions, waning popular support for global economic integration, growing trade tensions and risks of a shift toward protectionist policies, and geopolitical strains. The current recovery offers a window of opportunity to advance policies and reforms that secure the current upswing and raise medium-term growth to the benefit of all. Such policies should focus on strengthening the potential for higher and more inclusive growth, building buffers to deal more effectively with the next downturn, improving financial resilience to contain market risks and stability concerns, and fostering international cooperation. Economic activity in 2017 ended on a high note—growth in the second half of the year was above 4 percent, the strongest since the second half of 2010, supported by a recovery in investment. Outcomes exceeded the October 2017 World Economic Outlook forecasts in the euro area, Japan, the United States, and China, and continued to improve gradually in commodity exporters. Financial conditions remain supportive, despite the recent volatility in equity markets and increases in bond yields following signs of firming inflation in advanced economies. With broad-based momentum and expectations of a sizable fiscal expansion in the United States over this year and the next, global growth is now projected at 3.9 percent for 2018–19, a 0.2 percentage point upgrade for both years relative to the October2017 forecast. This positive momentum will eventually slow, however, leaving many countries with a challenging medium-term outlook. Some cyclical forces will wane: financial conditions are expected to tighten naturally with the closing of output gaps and monetary policy normalization; US tax reform will subtract momentum starting in 2020, and then more strongly as full investment expensing is phased out starting in 2023;and China's transition to lower growth is expected to resume as credit growth and fiscal stimulus diminish. At the same time, while the expected recovery in investment will help raise potential output, weak productivity trends and reduced labor force growth due to population aging constrain medium-term prospects in advanced economies.

- The outlook is mixed across emerging market and developing economies. Prospects remain favourable in emerging Asia and Europe, but are challenging in Latin America, the Middle East and sub-Saharan Africa, where—despite some recovery—the medium term outlook for commodity exporters remains generally subdued, with a need for further economic diversification and adjustment to lower commodity prices. More than one-quarter of emerging market and developing economies are projected to grow by less than advanced economies in per capita terms over the next five years, and hence fall further behind in terms of living standards.

- Risks around the short-term outlook are broadly balanced, but risks beyond the next several quarters are clearly to the downside. On the upside, the growth spurt in advanced economies may turn out to be stronger and more durable than in the baseline, as slack in labor markets can be larger than currently assessed. Furthermore, the ongoing recovery in investment could foster are bound in productivity, implying higher potential growth going forward. On the downside, financial conditions—which remain easy despite the onset of monetary policy normalization—could tighten sharply and expose vulnerabilities that have accumulated over the years, with adverse repercussions for growth.

# World Bank projects India's FY19 GDP growth at 7.3%

The World Bank forecast a growth rate of 7.3 per cent for India this year and 7.5 per cent for 2019 and 2020, and noted that the country's economy has recovered from the effects of demonetisation and the Goods and Services Tax. As per the report growth is expected to accelerate from 6.7 in 2017 to 7.3 per cent in 2018 and to subsequently stabilise supported by a sustained recovery in private investment and private consumption.

In its report the World Bank said, India should strive to accelerate investments and exports to take advantage of the recovery in global growth. It observed that every month, the work force increases by 1.3 million people and India must create 8.1 million jobs a year to maintain its employment rate, which has been declining based on employment data analysed from 2005 to 2015, largely due to women leaving the job market.

In the India section of the report, the bank acknowledged that disruptions from demonetisation and events surrounding the implementation of GST led to a setback in economic activity and a potentially larger negative effect on the poor and vulnerable. Looking ahead, return to business as usual and subsequent rebalancing of growth drivers towards investment could support acceleration of GDP growth to 7.4 per cent by FY 2019, it said.

As in the past, sustained growth is expected to translate to continued poverty reduction, albeit with heightened uncertainty because of the effects on the informal economy.

Noting that the one-time policy events disruptions from demonetisation and uncertainty surrounding GST slowed India's economic momentum in FY2016, the IMF said real GDP growth slowed to 7.1 per cent in FY2016, from 8 per cent in FY15/16, and further to 5.7 per cent in Q1 FY2017.

On the one hand, public and private consumption gained pace: first after implementation of the 7th central pay commission recommendations, and secondly due to the revival in rural demand after normal monsoon and agricultural impetus. On the other hand, overall demand slowed as public investments started to wane.

Excluding agriculture, output growth experienced a slowdown decelerating to 6.9 per cent in FY2016, from 9.4 per cent in the previous year.

According to the World Bank, the most substantial medium-term risks are associated with private investment recovery, which continues to face several domestic impediments such as corporate debt overhang, regulatory and policy challenges, along with the risk of an imminent increase in US interest rates.

If the internal bottlenecks are not alleviated, subdued private investment would put downside pressures on India's potential growth, it said. Downside risks to the global economy and accordingly to export growth and capital flows are also substantial given the possibility of monetary policy normalisation in the US and risks of protectionism.