Booming World Economy

What is the issue?

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- Almost all economies are growing worldwide for the first time since the 2008 financial crisis.
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- But there are looming risks that needs to be addressed.
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What are trends in major zones?

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- **USA -** While Mr. Trump wants to strengthen the US economy is a positive, the recent tax reforms may distort the sensitive structure of world trade.
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- If everything goes as US strategists hope, the US current account deficit (essentially the balance of imports and exports) could be halved.
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- Also, US companies such as “Apple”, which have long indulged in rigorous tax avoidance strategies would have to pay taxes at home.
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- **Germany –** This is Europe’s main economy and has now seen strong growth for eight consecutive years and Unemployment is at a record low.
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- The government is flush with cash due to swelling tax receipts and budget surpluses, and German exports continue to outstrip imports.
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- But, for the past several years, the German government’s savings drive and strictly balanced budgets has led to poor government spending.
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- This has resulted in creaking infrastructure, ill-equipped schools and universities, and delays in expanding broadband networks among others.
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- Furthermore, Germany faces an acute shortage of qualified staff in many

industries despite the increase in foreign skilled workers.
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- **Rest -** The entire of Euro-zone's formerly depressed economies such as Greece, Spain, Portugal and Ireland (except Italy) recorded significant growth.
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- While except the war torn Middle East, all regions of the global economy have been growing in sync and economists project a 3.8% growth in 2018.
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- While Brexit will cause some economic slowdown, the effect isn't expected to be a sustained drag on the growth engines.
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What is India's case?

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- China and India continue to lead the pack in Asia, and have the retained the tag of fast growing major economies.
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- But India's growth is expected to slow down from the current level although it is still projected at a robust 6.5%.
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- The Modi government has also eased regulations for foreign investors in an effort to attract capital and boost growth.
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- The country has become an attractive destination for foreign investment, receiving more than $60 billion in FDI, last year alone.
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- Furthermore, India is set to overtake the United Kingdom and France to become the world's 5^{th} largest economy next year.
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What are the challenges?

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- Despite the overwhelming positives, the global economy still faces a raft of threats and uncertainties, which could derail growth.
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- German exporters are worried about their American sales and industrialists have demanded tax reforms to compensate for backlashes from US policies.
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- On the political front, Mr. Trump’s irrational and intuitive actions has become a big cause of worry and uncertainty.
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- Also, the Korean crisis seems to have no end and more trouble is also brewing in the Middle East, all of which can distort the global economy.
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- It is essential to remember that every boom also carries within itself the germ of a crisis and needs cautious manoeuvring.
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Source: The Indian Express

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