Economic Impact of Climate Change

Why in news?

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In an analytical chapter released ahead of the World Economic Outlook, IMF has highlighted the damaging macroeconomic impact of weather shocks.

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What are the highlights?

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- It emphasizes that adverse weather events are particularly very impactful for the low-income countries.
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- 1 °C increase from a temperature of 22degree Celsius reduces the growth of median emerging market economy by 0.9% in a year.
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- Its impact on the median low-income developing country is even higher.
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- The growth doesn’t recover quickly after a weather shock and takes evens decade to fully recover.
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- Countries located in areas with higher temperature are highly vulnerable to the impact of global warming.
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- The resultant loss of output and lower productivity also affects capital formation.
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- The overall impact is a considerable bearing on the medium- to long-term growth prospects of the country.
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What makes India more vulnerable?

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- India, being a **tropical country**, is more susceptible to changes in temperature.
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- Also, in India, about 50% of the population directly or indirectly depends on **agriculture** for a livelihood.
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- The existent distress in the farm sector and the state governments' response with loan waivers have already strained their **fiscal condition.**
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- Furthermore, the production of kharif crops is expected to decline.
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- The possibility of adverse weather events is likely to increase in the future posing a greater challenge.
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- The impact of climate change in agriculture is thus expected to reverberate in other sectors of the economy and affect the overall growth prospects.
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What should be done?

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- **India**- India, which is considerably better, still has to strengthen its **macroeconomic stability** to deal with temperature shocks.
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- India has considerably reduced its dependence on the monsoon as evident from avoiding a runaway inflation even after two successive years of drought.
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- However, more needs to be done to enhance **productivity** in the agriculture sector.
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- India can work on **programmes** that will help improve the quality of land and reduce the risk of climate change. Ex: Use employment under the MGNREGA to enhance soil and water conservation.
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- India also needs to strengthen its overall capability by investing in and adopting new **technology**.
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- **Global** - Emerging market and low-income economies will have to build significant macroeconomic resilience so as to reduce the impact.
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- Right policies and institutions in place may help attenuate the effects of

temperature shocks, to some extent.
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- In all, it is essential for the countries to realize that steps to minimize the impact of climate change will have to be taken both at individual country and global levels.
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