# IMF Chief on Indian Economy

## Why in news?

The new managing director of IMF, Kristalina Georgieva, made some words of advice for global leaders on how to revive the faltering global economy.

## What are the key observations?

- Ms. Georgieva singled out India, along with Brazil, as witnessing a "pronounced" growth slowdown.
- The IMF expects growth to slow down in nearly 90% of the world this year.
- This stands in contrast to the condition 2 years ago when nearly 75% of the world witnessed accelerated growth.
- In fact, global growth is expected to hit its lowest rate since the beginning of the current decade.
- In July 2019, the IMF cut its FY 2020 growth forecast for the Indian economy by 30 basis points to 7%.

- **Causes for the slowdown** - The slowing growth was blamed on various factors.
- These include the trade war between the U.S. and China, which is expected to shave off 0.8% from global GDP by 2020.
- Ms. Georgieva warned that almost "everyone loses" in a trade war.

- She also called for a synchronised global policy action to arrest the "synchronised slowdown in global growth".

## What are the unaddressed issues?

- The speech failed to mention the failure of even the prolonged period of extremely loose monetary policy to sustain global growth.
- The global economy has been helped by a whole decade of historically low interest rates.
- However, the recovery that ensued after the global financial crisis was the slowest in history and seems to be in trouble already.
- Even worse, this time around, as the global economy slows, interest rates are near or below zero in much of the developed world.
- Also, corporations and governments are burdened with unsustainable amounts of debt.

- Ms. Georgieva warned about the risks posed by the sudden reversal of capital flows and high global debt.
- But, she still called for more monetary and fiscal policy actions.

## What does this hold for India?

- The IMF chief emphasized on the need for structural reforms to boost growth, particularly in the emerging market economies.
- From an Indian point of view, this is worth noting.
- She cited the forthcoming “World Economic Outlook” report.
- It stresses upon the right structural reforms and raising productivity of the emerging market economies such as India.
- This would help double the speed at which these countries can catch up with the living standards of people in advanced countries.

**Source: The Hindu**

