

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

