IMF’s Growth Projections - July 2021

Why in news?

- IMF (International Monetary Fund) released the latest edition of its flagship World Economic Outlook (WEO) report.
- The IMF has sharply scaled down India’s economic growth projection.

How is India’s growth projections?

- The IMF (July 2021) has downgraded India’s economic growth projection by 300 basis points to 9.5% for the current financial year.
- It is down from the 12.5% estimated earlier in April 2021.
- IMF said the downward revision is owing to “lack of access to vaccines” and possibility of renewed waves of coronavirus.
- IMF's projections for India in the current fiscal are similar to the RBI’s, but moderately optimistic than those of World Bank.
- [The World Bank projected India's economy to grow at 8.3% in 2021 and 7.5% in 2022.]
- However, IMF sees India's GDP growing by 8.5%, 160 basis points higher than its earlier projection, in the next financial year (FY23).

What do the global recovery trends imply?

- Three months since its April 2021 forecast, the IMF projects the global economy to expand at an unchanged pace of 6% in 2021.
- The IMF projects Advanced Economies to grow by 5.6% in 2021, 0.5 percentage point quicker than forecast in April 2021.
- Meanwhile, emerging market and developing economies are seen expanding by 6.3%, 0.4 percentage point slower than projected in April.
- Evidently, there is wide variance in the global recovery from the economic strains caused by the pandemic.
- A key factor behind this divergence of the world’s economies into two blocs is vaccine access and the pace of vaccination coverage.
- In countries with high vaccination coverage, such as the UK and Canada, the economic impact would be mild.
- However, countries lagging in vaccination, such as India and Indonesia, would suffer the most among G20 economies.
- The prolonged weakness in economic activity is assumed to inflict persistent

damage on economies' supply capacity.

What lies ahead for India?

- With just a little over 7% of the population fully vaccinated, India significantly lags the estimated global average of almost 14%.
- The fact that IMF has downgraded its outlook so substantially reflects the extent to which the second wave has severely impaired the growth momentum.
- On the other hand, inflation is posing a challenge, and demand is yet to regain pace.
- Given this, India's policymakers have little option but to hasten the vaccine roll-out on a war footing and renew the economic activities.

Source: Business Standard, The Hindu

