World Economic Outlook

Why in news?

The International Monetary Fund (IMF) has released its latest World Economic Outlook.

What are the projections?

- The report titled 'A long and difficult ascent' sums up the economic challenges ahead.
- The IMF's economists have sought to make forecasts for world output through 2020, 2021 and into the medium term.
- The global economy is projected to shrink 4.4% this year, reflecting a less severe contraction than the 5.2% drop estimated in June.
- The output is seen rebounding at a marginally slower 5.2% pace in 2021.
- The IMF has based its revision on better-than-anticipated second-quarter GDP out-turns, mostly in advanced economies.
- It is also based on the signs of a stronger recovery in the July-September quarter.

What are the concerns?

- The IMF pointed out that even as the world economy ascends out of the depths it plunged into (due to the pandemic-led lockdown), there remains the danger of resurgence in infections.
- This danger is prompting European countries to reimpose at least partial closures.
- There are certain factors which magnify the uncertainty.
- The factors include the risks associated with predicting the pandemic's progression, the unevenness of public health responses, and the extent to which domestic activity can be disrupted.

What will be the impact of the pandemic?

- The IMF's Chief Economist pointed out that the pandemic is set to leave scars well into the medium term as the,
    1. Labour markets take time to heal,
    2. Investment is held back by uncertainty and balance sheet problems, and
    3. Lost schooling impairs human capital.

- The global growth will gradually slow to about 3.5% in the medium term.
- The cumulative loss in output relative to the pre-pandemic projected path estimated to more than double to $28 trillion over 2020–25.
- So, the efforts to improve average living standards are certain to be severely set back.

What is needed?

- The IMF observed that the pandemic is set to widen inequality between economies and within nations.
- So, the IMF has urged greater **international cooperation**.
- It is imperative for all countries to work closely to ensure that new treatments and vaccines are made available to all.
- This is because wider and faster **availability of medical solutions** could boost global income by almost $9 trillion by end-2025.

What could be done for now?

- With no visibility yet on vaccine availability, the IMF has also stressed the need for policymakers to persist with,
    1. Direct income support for the most vulnerable and
    2. Regulatory forbearance for stressed but viable firms.
- In a world as interconnected as it is today, the cost of economic insularity would only be more protracted pain for all.

Source: The Hindu

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