

'India growth outlook of 12.5% faces severe risks'

IMF says current wave of COVID-19 in the country threatens projections that assumed normalisation of economic activity

SRIRAM LAKSHMAN

After an estimated contraction of 8% in the 12 months ended March 31, India is projected to grow at 12.5% in the current fiscal year, an outlook that, however, now faces significant downside risks because of the ongoing wave of COVID-19 in the country, the IMF said on Tuesday.

The International Monetary Fund's 'World Economic Outlook (WEO): Managing Divergent Recoveries' - released ahead of the virtual World Bank-IMF Spring Meetings - also forecast India's economy to expand by a relatively more sedate 6.9% in the next financial year.

The projections for India were based on evidence to support the normalisation of economic activity, IMF chief economist Gita Gopinath stressed at a press conference,

adding that these forecasts had preceded the current wave of COVID-19 in India, "which is quite concerning".

Observing that the growth projections in the outlook did already take "a fairly conservative view", IMF economist Malhar Nabar added, "but it's true that this very worrying uptick in cases... poses very severe downside risks to the growth outlook for the economy".

On the global economy, the IMF said it expected growth to rebound to 6% this year, after an estimated contraction of 3.3% in 2020 (calendar year), before easing to 4.4% in 2022. There were, however, significant divergences within and between countries, it observed. Projections for 2021 were slightly higher than they were in October 2020 due to fiscal



Varying impacts: There were significant divergences within and between countries, the IMF said. ■ AFP

support in some large economies and a vaccine-supported recovery. A 1.3 percentage point forecast upgrade for the U.S. especially contributed to this, resulting in U.S. growth projections being re-

set to 6.4% and 3.5% this calendar year and next, the fund said.

The U.S. GDP level in 2022 is forecast to be higher than in a non-pandemic scenario - the only large economy for

which this is true. Other economies are also expected to rebound this year albeit at a slower rate, as per the IMF. The Euro Area is projected to grow at 4.4% and 3.8% over these time periods; China, at 8.4% and 5.6%.

World economy

Global growth is projected to settle at 3.3% in the medium term due to damage inflicted on supply potential as well factors that pre-date the pandemic such as ageing (which has resulted in slower labour force growth in advanced economics and some emerging markets).

"Recoveries are also diverging dangerously across and within countries, as economies with slower vaccine roll-out, more limited policy support, and more reliant on tourism do less well," Ms Gopinath said.

Averting divergent outcomes would mean "resolving the health crisis everywhere" the IMF said. The average annual loss in per capita GDP over the 2020-24 period relative to pre-pandemic forecasts is expected to be 5.7% in low-income countries and 4.7% in emerging markets. For advanced economies, this number is lower at 2.3%.

"Such losses are reversing gains in poverty reduction, with an additional 95 million people expected to have entered the ranks of the extreme poor in 2020 compared with pre-pandemic projections," the IMF's chief economist said.

Pointing to uneven recoveries within countries, Ms. Gopinath wrote in the outlook that the unskilled, young and women had been impacted more.