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World Economic Outlook Report: IMF

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Why in News

Recently, the **International Monetary Fund (IMF)** has released its **World Economic Outlook (WEO) report**.

Key Points

- The **Covid-19 pandemic** is having a severe effect on the world economy. As countries implement necessary **quarantines and social distancing** practices to contain Covid-19, the world has been put in a **Great Lockdown**.
 - It is expected to cause a **-3% change (i.e., a contraction) in global output in 2020**, which is much **worse than the 2008-09 financial crises**.
 - **Case of India:** India's growth is **expected to dip to 1.9% in 2020 and rebound to 7.4% in 2021**.

India's growth projection for 2020 is **3.9% less than what was projected for the country** in the January update to the WEO while its rebound in 2021 is 0.9 % higher than the January projection.

- **Growth Projections:**
 - **Emerging Asia:**
 - Emerging Asia is projected to be the only region that **grows in 2020, at a rate of 1.0%** - still more than 5 percentage points below the previous decade's average.
 - In China, where the coronavirus's impacts were first recorded this year, first quarter economic activity could have contracted by 8% year on year. **China is projected to grow at 1.2% in 2020 and 9.2% in 2021.**
 - Apart from **India's modest 1.9% in 2020, Indonesia is expected to grow at 0.5%**, while **others in the region experience contractions.**
 - **Advanced economies:**
 - Advanced economies will have an **output change of -6.1% (i.e., a contraction) in 2020** followed by 4.5% in 2021.
 - The **U.S. is projected to contract by 5.9%** in 2020 and grow by 4.7% 2021.
 - The **Euro area, will contract by 7.5%** in 2020 and grow by 4.7% 2021.
- **Impact on Global GDP:**
 - The cumulative loss to global **Gross Domestic Product (GDP)** over 2020 and 2021 from the pandemic crisis could be around **9 trillion dollars**, greater than the economies of Japan and Germany, combined.
 - Assuming that the pandemic fades in the second half of this year, with containment efforts gradually easing up, the **world economy is projected to grow at 5.8% in 2020** as economic activity normalizes, aided by policy.
 - If the pandemic does not recede in the second half of 2020, global GDP would **fall an additional 3% in 2020.**
- **Measures to combat the impact:**
 - **Policymakers have to make targeted fiscal, monetary and financial sector interventions** to support impacted households and businesses.
 - Fiscal measures **should be two-fold:**
 - Cushioning the impact on the most-exposed households and businesses
 - Reducing firm closures , i.e., preserving economic relationships.
 - **Monetary stimulus** by large central banks and liquidity facilities to reduce systemic stress will help limit the shock, positioning the economy for a better recovery.
 - **Strong multilateral cooperation** is essential to overcome the effects of the pandemic, including to help financially constrained countries facing twin health and funding shocks, and for channeling aid to countries with weak healthcare systems.

- IMF is an organization working to **foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty** around the world.
- Created in **1945**, the IMF is governed by and accountable to the **189 countries** that make up its near-global membership. India Joined on December 27, 1945.
- The IMF's primary purpose is to ensure the stability of the international monetary system—the system of exchange rates and international payments that enables countries (and their citizens) to transact with each other.

The Fund's mandate was updated in 2012 to include **all macroeconomic and financial sector issues** that bear on global stability.

World Economic Outlook

- WEO is a survey by the IMF that is usually published **twice a year in the months of April and October**.
- It analyzes and predicts **global economic developments** during the near and medium term.
- In response to the growing demand for more frequent forecast updates, the WEO Update is published in January and July between the two main WEO publications released usually in April and October.

Source: TH