



Global Economic Prospects, 2019: WB

According to **World Bank's Global Economic Prospects report titled "Darkening Skies"**, the global growth is expected to slow down to 2.9% in 2019 and 2.8% in 2020.

Key Findings

- Global growth is **moderating** as the **recovery in trade and manufacturing activity is slowing down**.
- Despite ongoing negotiations, **trade tensions** among major economies like US and China remain elevated. These tensions, combined with concerns about softening global growth prospects, have affected investor sentiment and contributed to declines in prices of shares.
 - **US and China account for 20% of global trade and 40% of global GDP**. If they impose proposed tariffs on each other, its **impact will be felt** all around the world.
- The tightening of global financing conditions, or the recent appreciation of the US dollar, could slow down the economic activity in emerging market and developing economies (EMDEs), including in those with large current account deficits.
- **Brexit** appears as a possible risk for countries that are especially reliant on selling to Europe.
 - If the UK's exit takes place with no agreement there is a chance of **significant economic damage** to both the UK and the EU which could then affect countries in **Eastern Europe and North Africa** which are closely integrated with Europe.
- China's economic growth is **projected to slow down** to 6.2% each in 2019 and 2020 and 6% in 2021.
 - Slower growth in China can affect **developing countries** that export **industrial commodities, energy and metals to China**.
 - In 2017, China with 6.9% growth was marginally ahead of India's 6.7%, mainly because of the slowdown in the Indian economy due to **demonetisation and implementation of the Goods and Services Tax (GST)**.
- **Debt vulnerabilities in emerging market** and developing economies, particularly low-income countries, have increased.
- More **frequent severe weather events** would raise the possibility of volatility in international food prices, which could deepen poverty.
- Emerging market and developing economies should rebuild policy buffers by **boosting human capital, promoting trade integration, and addressing the challenges associated with informality**.

India Specific Findings

- India will continue to be the **fastest growing major economy** in the world.
- India's GDP is expected to grow at 7.3% in the fiscal year 2018-19, and 7.5% in the following two years, attributing it to an **increase in consumption and investment**.
- Domestic demand has **strengthened** under the structural reforms such as the **Goods and Services Tax (GST) harmonisation and bank recapitalisation**.
- The recent introduction of the GST and steps toward demonetisation can encourage a **shift from the informal to the formal sector**.
- Public sector banks in India, which represent roughly 70% of the banking sector assets, still report **low profitability** and high non-performing assets
- Strong **domestic demand** can widen the **current account deficit** to 2.6% of GDP next year.

- Inflation is projected to **rise** above the RBI's target range of 2 to 6%, mainly **owing to energy and food prices**.
- Rising interest rates and currency volatility can negatively impact the economic activity.
- This comes in the wake of the Central Statistics Office(CSO) recently projecting the Indian economy to grow at 7.2% in 2018-19. The CSO has noted following points in its advance estimates of GDP for 2018-19:
 - **Farm and Industrial sectors are likely to grow** faster in FY19 than in FY18.
 - **Services** sector may **slow down**.
 - **Sluggish increase in rural wages, low farm prices** (despite hike in minimum support prices), **worsening prospect of global growth** may add to slow down.
 - However, **election related spending**, increase in disposable income from softening oil prices may increase rural demand.

Global Economic Prospects

- Global Economic Prospects is a **World Bank Group flagship report** that examines global economic developments and prospects, with a special focus on **emerging market and developing economies**.
- It is **issued twice a year**, in January and June. The **January edition includes in-depth** analyses of topical policy challenges while the **June edition contains shorter analytical pieces**.
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