



GS-III: Going down together.

News

The world must heed the IMF warning that everyone loses in a trade war. The IMF has some words of advice for global leaders on how to resuscitate the faltering global economy.

Going down together:

- IMF new Managing Director Kristalina Georgevia singled out India along with Brazil as witnessing a pronounced growth slowdown as global growth experiences a synchronized downswing.
- The IMF expect growth to slowdown in nearly 90% of the world this year in contrast to two years ago when nearly 75% of the world witnessed accelerated growth.
- In fact global growth is expected to hit its lowest rate since the beginning of the current decade.
- In July the IMF cut its FY 2020 growth forecast for the Indian Economy by 30 basis points to 7%.
- It would not be a surprise if given the further deterioration in growth since then, the IMF cuts its India forecast once again.
- She made the right noises about how everyone loses in a trade war and how synchronised global policy action can help everyone.
- What the IMF chief did not get into during her speech however was the failure of even the prolonged period of extremely loose monetary policy to sustain global growth.
- Even worse this time around as the global economy slows interest rates are near or below zero in much of the developed world and corporations and governments are burdened with unsustainable amounts of debt.

Conclusion:

From an Indian point of view what is worth nothing is the IMF chief's emphasis on the need for structural reforms to boost growth particularly in the emerging market economies. The government at the centre which came to power on the promise of delivering big-bang structural economic reforms will do well to heed such advice.