Syllabus subtopic: Important International institutions, agencies and fora, their structure, mandate.

Prelims and Mains focus: about the key highlights of the report and its significance

News: The UN projects India’s economy to grow by 5.7 per cent in the current fiscal year and expects it to rise to 6.6 per cent in the next.

Background

UN’s Chief Economist Elliott Harris presented a dire picture of the global economy last year when the world's gross product growth rate dropped to 2.3 per cent, the lowest in a decade.

He said that rising tariffs and rapid shift in trade policies were responsible for the lower growth rate with the United States-China trade disputes playing a significant part.

Key highlights of the report

• The projection in the UN's World Economic Situation and Prospects report released on Thursday are **higher than the 5 per cent made by the World Bank earlier this month**.

• The UN growth estimate for the current fiscal is drastically lower than the forecast of 7.6 per cent made in last year's report in January and 7 per cent in the May update.

• According to the report, **only China has a higher growth rate than India among the world's large economies** with a 6 per cent forecast for the current calendar year.

• In South Asia, Bangladesh’s forecast grow by 8.1 per cent this fiscal year and 7.8 in the next, while Pakistan’s growth rate estimated at 3.3 per cent for
2019-20 is projected to slip to 2.1 per cent next year.

Reasons for slowdown highlighted in the report

- Huge decline in investment and in private consumption were the major reasons for the economic slowdown in India.

- External factors have also contributed to the lower growth.

- Globally we have seen a large impact of trade tensions, particularly between the US and China, but also other major economies, that have affected growth rates across the globe and also, of course, India which is a very open economy, that has a lot to gain from international trade.

- The labour markets are not performing optimally with high levels of informality and gender barriers that effectively limit the participation of women. In addition, a high number of youth are neither working nor undergoing training.

Green signals in the report

- Although there has been a steep decline in growth, India was still one of the high performers globally.

- It was expected to improve its growth rate in the coming year because of the steps being taken.

- In India, the government has responded to those issues by announcing some stimulus steps. However, fiscal stimulus in itself will not be enough.

- It mentioned two areas where India could do better: Labour and green energy.

What next?
Another barometer of economic growth in India and the world will be coming out on Monday when the **International Monetary Fund** releases its **World Economic Outlook** report.