

**IMF in its latest update on World Economic Outlook has cut India's economic growth rate forecast by one percentage point to 6.6 per cent for 2016-17 — from its earlier estimate of 7.6 per cent because of the effect of demonetisation on consumption and payments. If the projection holds true, the fastest growing large economy in the world would be China, forecast to grow 6.7 per cent in 2016.**

IMF also lowered India's gross domestic product (GDP) forecast for 2017-18 by 0.4 percentage points to 7.2 per cent from its earlier estimate. The [World Bank](#) has projected the growth rate to be 7.6 per cent — a percentage point lower than its previous assessment, primarily because of the temporary negative consumption shock induced by cash shortages and payment disruptions associated with the recent currency note withdrawal and exchange initiative.

### **Growth forecasts for the World Economies**

Global growth for 2016 is now estimated at 3.1 percent, in line with the October 2016 forecast. Economic activity in both advanced economies and EMDEs is forecast to accelerate in 2017–18, with global growth projected to be 3.4 percent and 3.6 percent, respectively, again unchanged from the October forecasts.

Advanced economies are now projected to grow by 1.9 percent in 2017 and 2.0 percent in 2018, 0.1 and 0.2 percentage points more than in the October forecast, respectively. As noted, this forecast is particularly uncertain in light of potential changes in the policy stance of the United States under the incoming administration. Growth projections for 2017 have also been revised upward for Germany, Japan, Spain, and the United Kingdom, mostly on account of a stronger-than-expected performance during the latter part of 2016.

Emerging market and developing economies growth is currently estimated at 4.1 percent in 2016, and is projected to reach 4.5 percent for 2017, around 0.1 percentage point weaker than the October forecast. A further pickup in growth to 4.8 percent is projected for 2018. Notably, the growth forecast for 2017 was revised up for China (to 6.5 percent, 0.3 percentage point above the October forecast) on expectations of continued policy support. However, continued reliance on policy stimulus measures, with rapid expansion of credit and slow progress in addressing corporate debt, especially in hardening the budget constraints of state-owned enterprises, raises the risk of a sharper slowdown or a disruptive adjustment. These risks can be exacerbated by capital outflow pressures, especially in a more unsettled external environment.

### **Risks to the Global Growth Outlook**

Risks to the global growth outlook are two sided but are assessed to be skewed to the downside, especially over the medium term:

Recent political developments highlight a fraying consensus about the benefits of cross-border economic integration. A potential widening of global imbalances coupled with sharp exchange rate movements, should those occur in response to major policy shifts, could further intensify protectionist pressures. Increased restrictions on global trade and migration would hurt productivity and incomes, and take an immediate toll on market sentiment.

In addition to the risks already mentioned in the previous section, underlying vulnerabilities remain among some other large emerging market economies. High corporate debt, declining profitability, weak bank balance sheets, and thin policy buffers imply that these economies are still exposed to tighter global financial conditions, capital flow reversals, and the balance sheet implications of sharp depreciations. In many low-income economies, low commodity prices and expansionary policies have eroded fiscal buffers and led in some cases to a precarious economic situation, heightening their vulnerability to further external shocks.

## **Overview of the World Economic Outlook Projections**

	YEAR OVER YEAR						Q4 OVER Q4 2/		
	Estimates		Projections		Difference from October 2016 WEO Projections 1/		Estimates	Projections	
	2015	2016	2017	2018	2017	2018	2016	2017	2018
<b>World Output</b>	3.2	3.1	3.4	3.6	0.0	0.0	3.1	3.6	3.6
<b>Advanced Economies</b>	2.1	1.6	1.9	2.0	0.1	0.2	1.8	1.9	2.0
United States	2.6	1.6	2.1	2.5	0.1	0.4	1.9	2.3	2.5
Euro Area	2.0	1.7	1.6	1.6	0.1	0.0	1.6	1.6	1.5
Germany	1.5	1.7	1.5	1.5	0.1	0.1	1.7	1.6	1.5
France	1.5	1.5	1.5	1.6	0.0	0.0	1.1	1.7	1.5
Italy	0.7	0.9	0.7	0.8	-0.2	-0.3	1.0	0.7	0.8
Spain	3.2	3.2	2.5	2.1	0.1	0.2	2.9	2.2	2.0
Japan 2/	1.2	0.9	0.8	0.5	0.2	0.0	1.5	0.8	0.5
United Kingdom	2.2	2.0	1.5	1.4	0.4	-0.3	2.1	1.0	1.8
Canada	0.9	1.7	1.9	2.0	0.0	0.1	1.6	2.0	2.0
Other Advanced Economies 4/	2.0	1.9	2.2	2.4	-0.1	0.0	1.7	2.5	2.6
<b>Emerging Market and Developing Economies</b>	4.1	4.1	4.5	4.8	-0.1	0.0	4.2	5.1	5.1
Commonwealth of Independent States	-2.8	-0.1	1.5	1.8	0.1	0.1	0.3	1.3	1.5
Russia	-2.7	-0.6	1.1	1.2	0.0	0.0	0.3	1.1	1.1
Excluding Russia	-0.5	1.1	2.5	3.3	0.2	0.4	...	...	...
Emerging and Developing Asia	6.7	6.3	6.4	6.3	0.1	0.0	6.1	6.6	6.3
China	6.9	6.7	6.5	6.0	0.3	0.0	6.6	6.5	6.0
India 5/	7.6	6.6	7.1	7.7	-0.4	0.0	6.2	7.9	7.6

Note: Real effective exchange rates are assumed to remain constant at the levels prevailing during November 4-December 2, 2016. Economies are listed on the basis of economic size. The aggregated quarterly data are seasonally adjusted.

1/ Difference based on rounded figures for both the current and October 2016 World Economic Outlook forecasts.

2/ For World Output, the quarterly estimates and projections account for approximately 90 percent of annual world output at purchasing-power-parity weights. For Emerging Market and Developing Economies, the quarterly estimates and projections account for approximately 80 percent of annual emerging market and developing economies' output at purchasing-power-parity weights.

3/ Japan's historical national accounts figures reflect a comprehensive revision by the national authorities, released in December 2016. The main revisions are the switch from the System of National Accounts 1993 to the System of National Accounts 2008 and the updating of the benchmark year from 2005 to 2011.

4/ Excludes the G7 (Canada, France, Germany, Italy, Japan, United Kingdom, United States) and euro area countries.

5/ For India, data and forecasts are presented on a fiscal year basis and GDP from 2011 onward is based on GDP at market prices with FY2011/12 as a base year.

Going forward, with weak growth and policy space limited in many countries, continued multilateral effort is required in several areas to minimize risks to financial stability and sustain global improvements in living standards. This effort must proceed simultaneously on a number of fronts. To share the long-term benefits of economic integration more broadly, policymakers must ensure that well-targeted initiatives are in place to help those adversely affected by trade opening and to facilitate their ability to find jobs in the sectors of the economy that are expanding. Economic fairness also calls for multilateral and national efforts to crack down on tax evasion and prevent tax avoidance practices.

Further, the efforts to strengthen the resilience of the financial system must continue, including by recapitalizing institutions and cleaning up balance sheets where necessary, ensuring effective national and international banking resolution frameworks, and addressing emerging risks from nonbank intermediaries. A stronger global safety net can protect economies with robust fundamentals that may nevertheless be vulnerable to cross-border contagion and spillovers. Last but not least, multilateral cooperation is also indispensable to address important longer-term global challenges, such as meeting the 2015 Sustainable Development Goals, mitigating and coping with climate change, and preventing the spread of global epidemics.

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