IMF retains India's growth projections at 7.2% for 2017

International monetary fund (IMF) in its latest update on World Economic Outlook (WEO) has anticipated global growth forecast to pick up in 2017 and 2018 .The global growth for 2016 is estimated at 3.2 % as of now, slightly stronger than the April 2017 forecast, mainly reflecting much higher growth in Iran and stronger activity in India following national accounts revisions. Economic activity in both advanced economies and emerging and developing economies has been forecasted to accelerate in 2017, to 2 % and 4.6 % respectively, with global growth projected to be 3.5 %, unchanged from the April forecast.

For advanced economies, the growth forecast for 2018 is 1.9 % which is 0.1 percentage point below the April 2017 WEO, and 4.8 % for emerging and developing economies. The 2018 global growth forecast is unchanged at 3.6 %. The revisions reflect primarily the macroeconomic implications of changes in policy assumptions for the world's two largest economies, the United States and China.

Advanced economies

- The growth forecast in the **United States** has been revised down from 2.3 % to 2.1 % in 2017 and from 2.5 % to 2.1 % for the year 2018.
- The growth forecast has also been revised down for the **United Kingdom** for 2017 on weaker-than-expected activity in the first quarter.
- Growth projections for 2017 have been revised up for many **euro area countries**, including France, Germany, Italy, and Spain.
- The growth forecast for 2017 was also revised up for **Canada**, where buoyant domestic demand boosted first-quarter growth to 3.7 % and marginally for **Japan**, where private consumption, investment, and exports supported first-quarter growth.

Emerging and developing economies

- **Emerging and developing economies** are anticipated to see a persistent pickup in activity, with growth rising from 4.3 % in 2016 to 4.6 % in 2017 and 4.8 % in 2018.
- **China's** growth is expected to remain at 6.7 % in 2017, the same level as in 2016, and to decline only modestly in 2018 to 6.4%.
- Growth in **India** is forecast to pick up further in 2017 and 2018, in line with the April 2017 forecast. While activity slowed following the currency exchange initiative, growth for 2016, at 7.1%, was higher than anticipated due to strong government spending and data revisions that show stronger momentum in the first part of the year.

- In **Emerging and Developing Europe**, growth is projected to pick up in 2017, primarily driven by a higher growth forecast for **Turkey**, where exports recovered strongly in the last quarter of 2016 and the first quarter of 2017 following four quarters of moderate contraction, and external demand is projected to be stronger with improved prospects for euro area trading partners. The **Russian economy** is projected to recover gradually in 2017 and 2018, in line with the April forecast.

- After contracting in 2016, economic activity in **Latin America** is projected to recover gradually in 2017–18 as a few countries including **Argentina and Brazil** exit their recessions.

- Growth in the **Middle East, North Africa, Afghanistan, and Pakistan region** is projected to slow considerably in 2017, reflecting primarily a slowdown in activity in oil exporters, before recovering in 2018.

- In **Sub-Saharan Africa**, the outlook remains challenging. Growth is projected to rise in 2017 and 2018, but will barely return to positive territory in per capita terms this year for the region as a whole and would remain negative for about a third of the countries in the region.

As per the report, while risks around the global growth forecast broadly appear balanced in the near term, they remain skewed to the downside over the medium term. On the upside, the cyclical rebound could be stronger and more persistent in Europe, where political risk has diminished. On the downside, rich market valuations and very low volatility in an environment of high policy uncertainty raise the possibility of a market correction, which could diminish growth and confidence.

Keeping in view the weak core inflation and muted wage pressures, policy settings should remain consistent with lifting inflation expectations in line with targets, closing output gaps, and external rebalancing, where appropriate. Reforms to boost potential output are of great essence, and slow aggregate output growth makes it even more important that gains are shared widely across the income distribution. Financial stability risks need close monitoring in many emerging economies. Commodity exporters should continue adjusting to lower revenues, while diversifying their sources of growth over time.

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