

WINTER IS COMING: THE HINDU EDITORIAL ON IMF'S WARNING

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The International Monetary Fund (IMF), in its latest World Economic Outlook report, has retained global growth hopes for 2022 at 3.2%, and lowered next year's projection to 2.7% from 2.9%. The year 2023 will feel like a recession for many people in the world, the [Fund has cautioned, as 'the worst is yet to come'](#) amid tighter monetary policies to curb stubbornly high inflation and a spiralling energy and food crisis. While it retained India's 2023-24 growth estimate at 6.1%, the IMF slashed this year's forecast to 6.8%, from 7.4% in July. This is the second significant estimate after the World Bank's 6.5% assessment that pegs India's GDP rise below 7%, which the Reserve Bank of India and North Block mandarins are expecting this year. The downgrade is attributed to 'weaker than expected outturn' in the second quarter and subdued external demand. The slowing growth in tax collections, industrial output and exports, back this prognosis. The road ahead — rendered tortuous by the lingering Russia-Ukraine conflict, a slowdown in China and what the IMF has eloquently termed a 'cost of living crisis' — is not much travelled on. The risk of monetary, fiscal or financial policy miscalibration has risen sharply amid high uncertainty and growing fragilities, the Fund has emphasised.

After likely losing the tag to Saudi Arabia this year, the IMF expects India to become the fastest growing major economy in the world again next year. But private forecasters such as Nomura believe policy makers' optimism about 2023-24 prospects may be misplaced as the global downturns' ripple effects may be underestimated, and growth could well slip to 5.2%. Either way, relative prosperity compared to the world alone will not suffice. India needs to not only grow significantly faster than its faltering pre-pandemic trajectory but also deliver better quality growth that is inclusive and meets the aspirations of millions of its youth who constitute its demographic dividend. The country has only a small window now to cash in on this sweet spot. Moreover, given India's low per capita income, the sustained surge in prices has hit most households' spending capacity, and could even cramp their ability to invest in the next generation's education. Ministers' assertions that India had managed to rein in inflation and it is not a priority concern may have been premature as August and September witnessed a resurgence in price rise from July's minor relief of 6.71% after staying above 7% in the first quarter. The Government has begun work on Budget 2023-24, but the second half of this year still needs to be navigated deftly.

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