

# IMF CUTS INDIA'S GROWTH FORECAST TO 6.8% THIS YEAR

Relevant for: International Relations | Topic: IMF and India

The U.S. is expected to grow at 1.6% this year followed by a slowing down to 1.0% growth next year. The Euro Area is expected to grow 3.1% this year and 0.5% next, while China is forecast to grow at 4.4% next year, followed by a projected 3.2 % this year. "The three largest economies, the United States, China, and the euro area will continue to stall," Mr. Gourinchas said in a statement released before the briefing. "Overall, this year's shocks will re-open economic wounds that were only partially healed post-pandemic. In short, the worst is yet to come and, for many people, 2023 will feel like a recession."

There remain high downside risks to the forecasts, as per the IMF. Monetary policy that seeks to restore price stability is the starting point to mitigating these risks, the report said. Mr. Gourinchas cautioned against fiscal policy working at cross purposes with the monetary authorities' actions to curb inflation. Fiscal policy can assist economies to adapt to a volatile environment by investing in human capital, supply chain diversification, digitization, green energy, he said.

## Permanent change

"The energy crisis, especially in Europe, is not a transitory shock. The geopolitical realignment of energy supplies in the wake of the war is broad and permanent," Mr. Gourinchas said, adding that countries should target fiscal support towards the vulnerable via temporary transfers rather than focus on price controls, untargeted subsidies and export bans.

Emphasising that a large number of low-income countries, "too many", are in or near debt distress, the chief economist urged orderly debt restructuring via the Group of Twenty (G20)'s Common Framework. The issue of debt sustainability had been raised by External Affairs Minister S. Jaishankar on his recent visit to the U.S. and listed as an area of potential focus for India's forthcoming G20 presidency by World Bank President David Malpass last week.

[Our code of editorial values](#)

**END**

Downloaded from **crackIAS.com**

© **Zuccess App** by crackIAS.com