

IMF cuts India's GDP forecast to 6.8%; warns global economies, says 'worst yet to come'

TIMESOFINDIA.COM | Oct 11, 2022, 06.47 PM IST



NEW DELHI: The International Monetary Fund (IMF) on Tuesday slashed India's economic growth forecast to 6.8% for 2022.

This is a steep cut in comparison to its previous forecast of 7.4%, that it had given out in July.

In its latest annual World Economic Outlook report released on Tuesday, the IMF said outlook has been slashed reflecting a weaker-than-expected outturn in the second quarter and more subdued external demand.

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For the next year 2023, India has been projected to grow at 6.1%.

GDP projections by IMF

World Economic Outlook released today shows Indian economy to grow at 6.8%, lower than it previous projection of 7.4%

Countries	2022 ▼	2023
India	6.8%	6.1%
Spain	4.3%	1.2%
UK	3.6%	0.3%
Canada	3.3%	1.5%
Italy	3.2%	-0.2%
China	3.2%	4.4%
Euro Area	3.1%	0.5%
Brazil	2.8%	1.0%
France	2.5%	0.7%
Mexico	2.1%	1.2%
Japan	1.7%	1.6%
US	1.6%	1.0%
Germany	1.5%	-0.3%

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Source: IMF

Last week, the World Bank also downgraded India's growth forecast to 6.5% for fiscal year 2022-23, a drop of 1% from its previous June 2022 projection. It cited deteriorating international environment as the reason behind the cut in GDP.

However, World Bank chief economist of South Asia Hans Timmer had also said that India has done relatively well compared to

other countries in South Asia.

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[World Bank cuts growth forecast to 6.5%](#)

"India is doing better than the rest of the world. There are more buffers in India, especially large reserves at the central bank. That's very helpful," he had said.

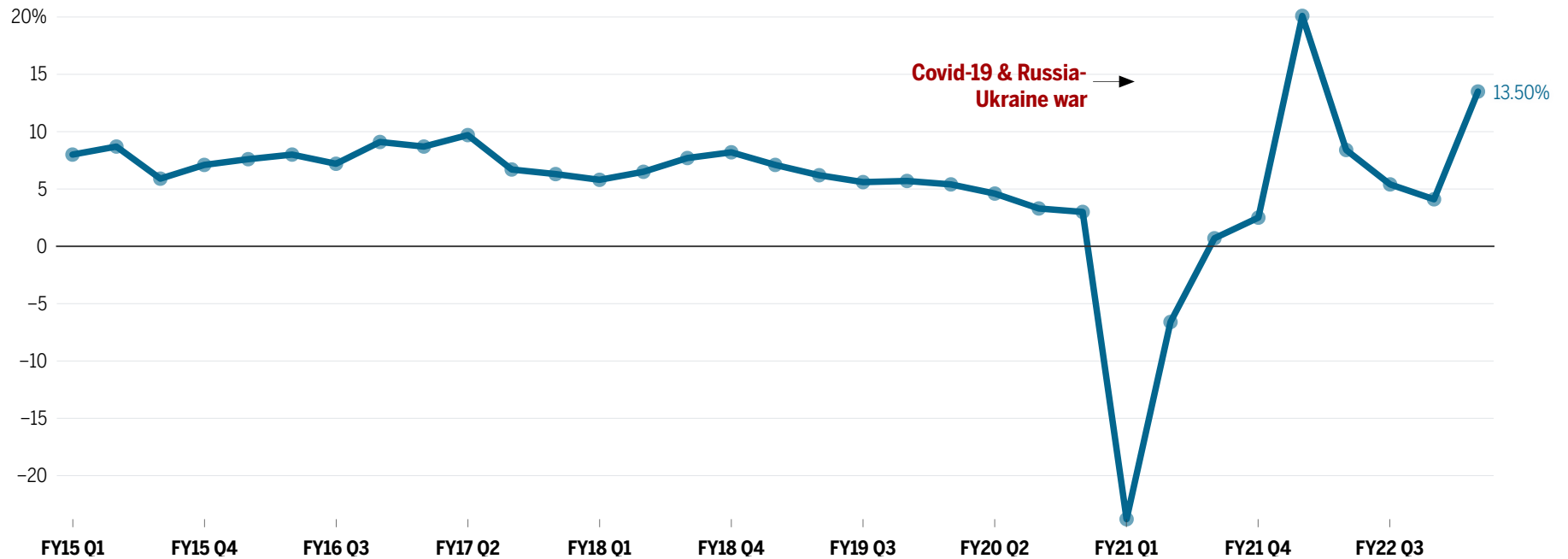
Timmer had also praised the government of India for very actively reacting to the Covid crisis.

The projections of both IMF and World Bank are, however, lower than the Reserve Bank of India's (RBI) forecast of 7.2% GDP growth in FY23.

Announcing the 3rd monetary policy of FY23 on September 30, RBI's monetary policy committee (MPC) retained its GDP growth forecast at 7.2% for the current fiscal year. But, it did caution against negative spillovers of geopolitical tensions and a slowdown in global economy.

India GDP rises in Q1 but stayed below estimates

The Reserve Bank of India had projected a growth of 16% in Q1.



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Source: Ministry of Statistics and Programme Implementation

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[RBI retains FY23 GDP forecast at 7.2%; cautions against negative global spillovers](#)

'Worst is yet to come'

Meanwhile, the IMF report sounded a word of caution for major economies of the world and said that global growth is expected to slow further next year.

"The worst is yet to come and, for many people 2023 will feel like a recession," said IMF economic counsellor Pierre-Olivier Gourinchas in a blog post.

Global growth is forecast to slow from 6% in 2021 to 3.2% in 2022 and 2.7% in 2023. This is the weakest growth profile since 2001, except for the global financial crisis and the acute phase of the Covid-19 pandemic.

IMF managing director Kristalina Georgieva, noting the grim backdrop to this week's fall meetings of the IMF and the World Bank in Washington, warned that the "risks of recession are rising" around the world and that the global economy is facing a "period of historic fragility".

The world economy has endured a wild ride since Covid-19 hit in early 2020. First, the pandemic and the lockdowns it generated brought the world economy to a standstill in the spring of 2020.

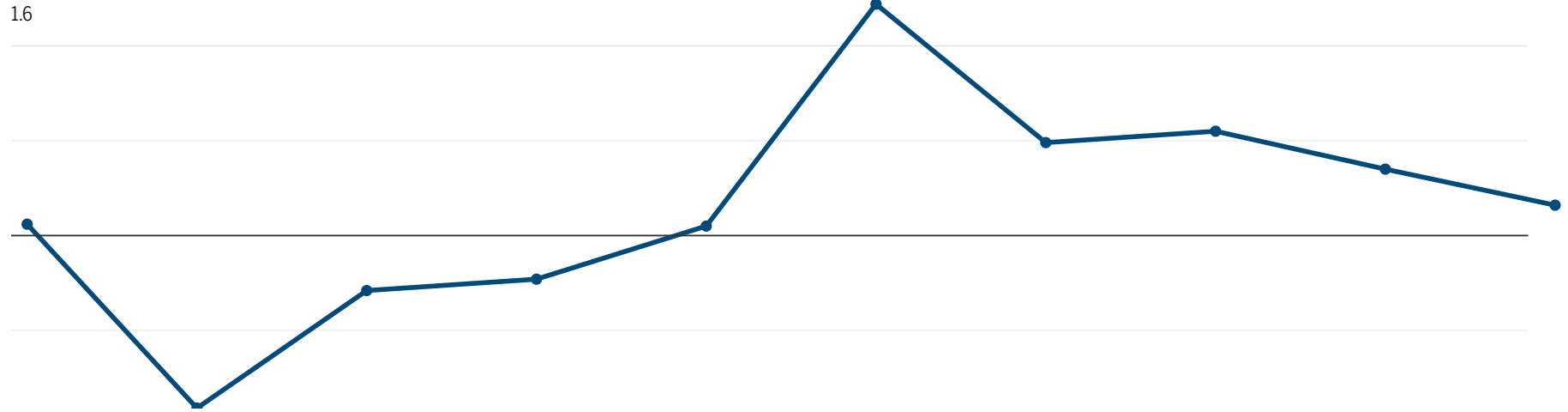
US, China GDP slashed

The IMF has cut forecasts for the two biggest economies, United States and China, as well.

US economic growth is pegged at 1.6% this year, 0.7 points below the fund's July forecast, due to an unexpected contraction this year.

US economy has contracted for two straight quarters

— Annual % change in GDP by quarter



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Source: Statista

"Declining real disposable income continues to eat into consumer demand, and higher interest rates are taking an important toll on spending," the IMF said.

The Federal Reserve has been raising interest rates aggressively to tamp down surging inflation, which is slowing economic activity. And the central bank has said more increases are likely to come.

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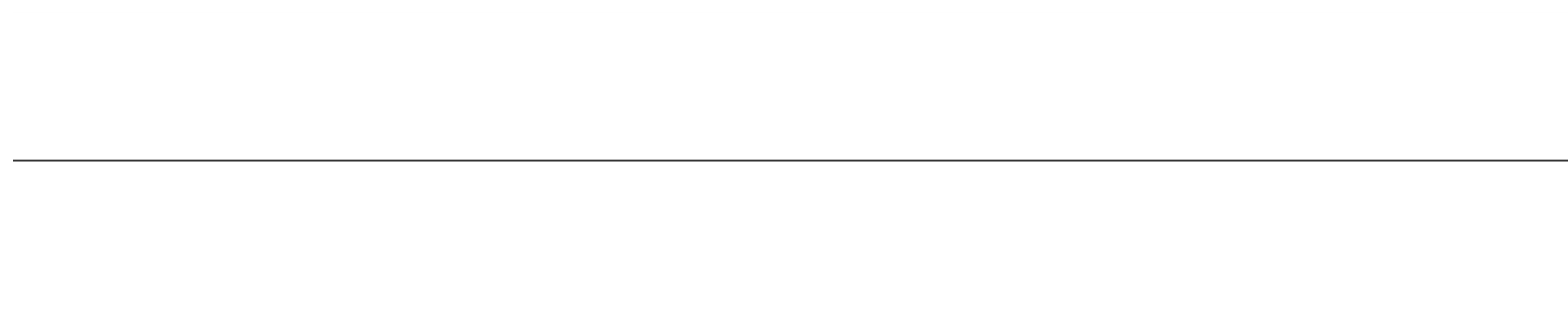
A slowdown in the Euro area is expected to deepen next year, said the IMF, and growth in China is projected to hit its lowest rate in decades -- apart from during the initial coronavirus outbreak.

Meanwhile, China's economy is expected to grow 3.2% this year, slightly lower than originally forecast.

IMF cautioned that a worsening of China's property sector slump could spill over to the domestic banking sector and weigh heavily on growth.

Contraction in economic growth

China's economic growth unexpectedly slowed in Q2 of the current financial year



Apr 2018 Jul Oct Jan 2019 Apr Jul Oct Jan 2020 Apr Jul Oct Jan 2021 Apr Jul Oct Jan 2022 Apr Jul

TOI Source: Refinitiv

'Continue monetary normalisation'

IMF chief economist Pierre-Olivier Gourinchas also urged central banks of major economies "stay the course" in their efforts to normalize monetary policy and combat inflation.

"What we are recommending is that central banks stay the course," Gourinchas told a briefing at the annual meetings of the IMF and the World Bank. "That doesn't mean that they should accelerate compared to what they've been doing ... but it also doesn't mean that they should sort of pause on the path to monetary normalization."

(With inputs from agencies)