

## IMF releases World Economic Outlook Update, January 2021

The International Monetary Fund (IMF) has released its World Economic Outlook Update, January 2021. The report estimates India's GDP to contract by 8 per cent during the current financial year, FY 2020-21. India's GDP growth for the next financial year (FY 2021-22) is projected at 11.5 per cent, and for FY 2022-23 it is projected at 6.8 per cent.

As regards the world outlook, the report says, "Although recent vaccine approvals have raised hopes of a turnaround in the pandemic later this year, renewed waves and new variants of the virus pose concerns for the outlook. Amid exceptional uncertainty, the global economy is projected to grow 5.5 percent in 2021 and 4.2 percent in 2022... The global growth contraction for 2020 is estimated at -3.5 percent, 0.9 percentage point higher than projected in the previous forecast (reflecting stronger-than-expected momentum in the second half of 2020)."

Following are some excerpts of the report:

Policy actions should ensure effective support until the recovery is firmly underway, with an emphasis on advancing key imperatives of raising potential output, ensuring participatory growth that benefits all, and accelerating the transition to lower carbon dependence...

Strong multilateral cooperation is required to bring the pandemic under control everywhere. Such efforts include bolstering funding for the COVAX facility to accelerate access to vaccines for all countries, ensuring universal distribution of vaccines, and facilitating access to therapeutics at affordable prices for all...

Consistent with recovery in global activity, global trade volumes are forecast to grow about 8 percent in 2021, before moderating to 6 percent in 2022. Services trade is expected to recover more slowly than merchandise volumes, however, which is consistent with subdued cross-border tourism and business travel until transmission declines everywhere...

As discussed in the October 2020 WEO, the burden of the crisis has fallen unevenly across groups: workers with less education, women, youth, those in contact-intensive sectors, and those informally employed have suffered disproportionate livelihood and income losses...

On the upside, further favorable news on vaccine manufacture (including on those under development in emerging market economies), distribution, and effectiveness of therapies could increase expectations of a faster end to the pandemic than assumed in the baseline, boosting confidence among firms and households. This would generate stronger consumption, investment, and employment recoveries, with firms hiring and expanding capacity in anticipation of rising demand...

On the downside, growth could turn out weaker than in the baseline if the virus surge (including from new variants) proves difficult to contain, infections and deaths mount rapidly before vaccines are widely available, and voluntary distancing or lockdowns prove stronger than anticipated...

Aggressive and swift monetary, fiscal, and financial sector policies have helped prevent worse outcomes, as discussed in the October 2020 WEO. In some cases, transfers to households quickly boosted consumer spending—in particular for those with liquidity constraints. Transfers to firms, together with credit guarantees and funding-for-lending programs, have prevented bankruptcies that might otherwise have occurred (but also keeping some unviable firms afloat, which could put a drag on overall productivity in the future)...

Policies should ensure effective support until a vaccine-powered normalization of activity is underway and limit persistent damage from the deep recession of the past year. Policies to support the economy in the near term should also advance medium-term objectives of placing economies on paths of resilient and equitable growth. Initiatives that raise potential output, protect the vulnerable, ensure participatory growth that benefits all, and accelerate the needed transition to lower carbon dependence can help in this regard...

## **Notifications**

### **PIB**

Cabinet approved Minimum Support Price of Copra for 2021 season

<https://pib.gov.in/PressReleaseDetailm.aspx?PRID=1692624>

MSP Operations during Kharif Marketing Season 2020-21

<https://pib.gov.in/PressReleaseDetailm.aspx?PRID=1692527>

Grant of Rs. 12,351 crore released for Rural Local Bodies

<https://pib.gov.in/PressReleaseDetailm.aspx?PRID=1692616>