



The Global Outlook, Asia and India

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IMF global GDP forecasts recently marked down

WEO Real GDP Growth Projections

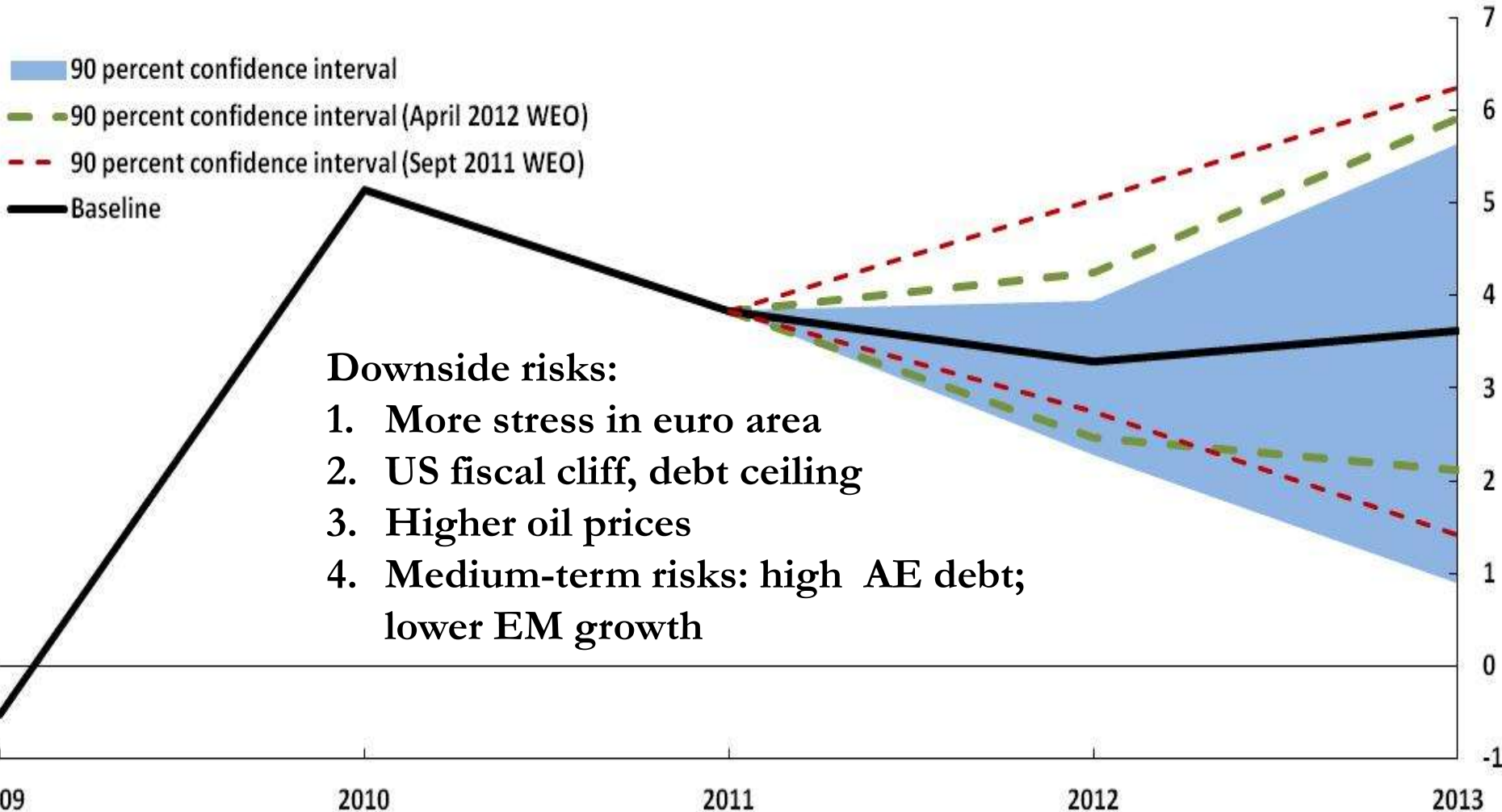
(percent change from a year earlier)



	World	U.S.	Euro Area	Japan	Brazil	Russia	India	China
2012								
(Oct 2012)	3.3	2.2	-0.4	2.2	1.5	3.7	4.9	7.8
(Jul 2012)	3.5	2.0	-0.3	2.4	2.5	4.0	6.1	8.0
(April 2012)	3.5	2.1	-0.3	2.0	3.0	4.0	6.9	8.2
2013								
(Oct 2012)	3.6	2.1	0.2	1.2	4.0	3.8	6.0	8.2
(Jul 2012)	3.9	2.3	0.7	1.5	4.6	3.9	6.5	8.5
(April 2012)	4.1	2.4	0.9	1.7	4.1	3.9	7.3	8.8

Downside risks are still large: 1 in 6 chance of serious global slowdown (global growth < 2 percent)

Prospects for World GDP Growth (percent change)



Asia continues to drive global growth, but is slowing as well

Asia: Change in 2012 Growth Forecast (In percentage points)

- Change from September 2011 forecast
- Change from April 2012 forecast

Industrial Asia

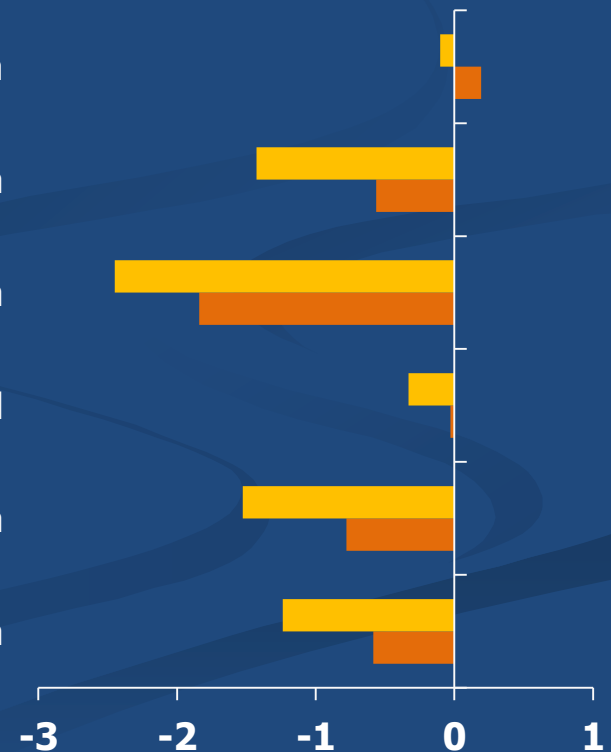
East Asia

South Asia

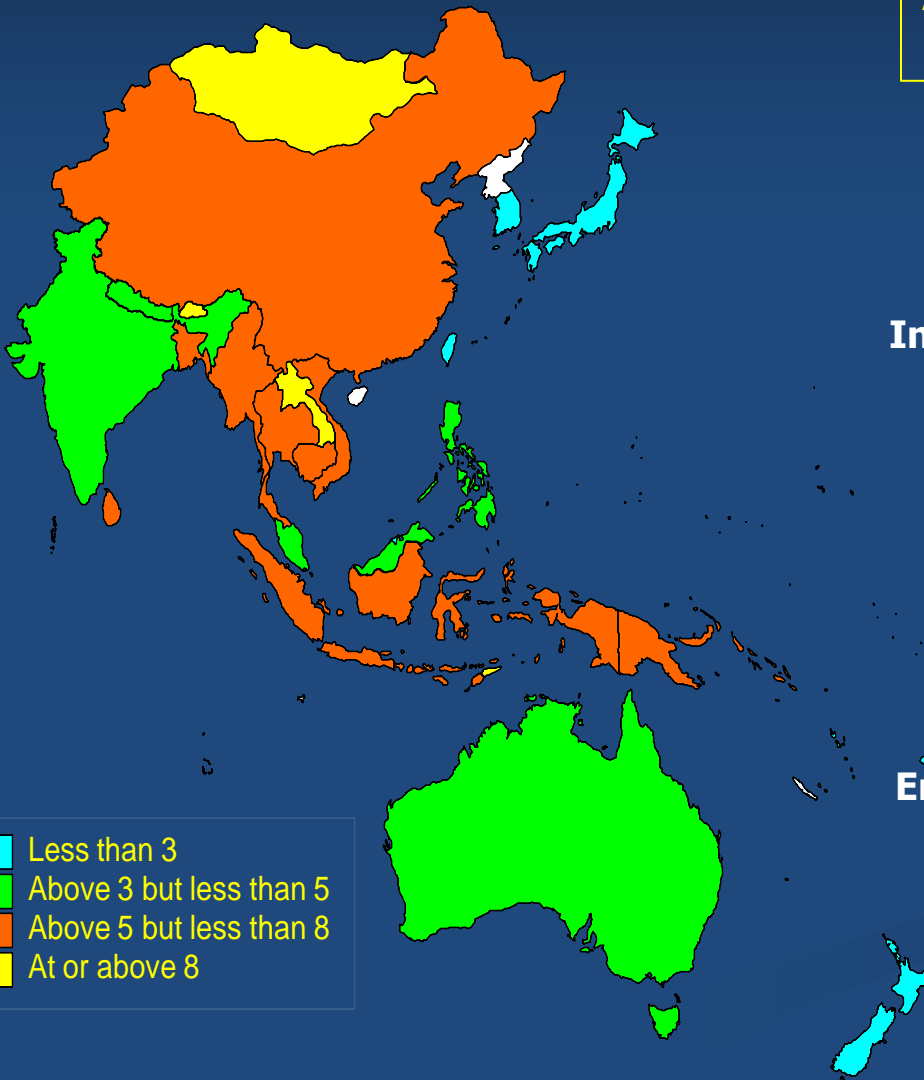
ASEAN

Emerging Asia

Asia



- Less than 3
- Above 3 but less than 5
- Above 5 but less than 8
- At or above 8

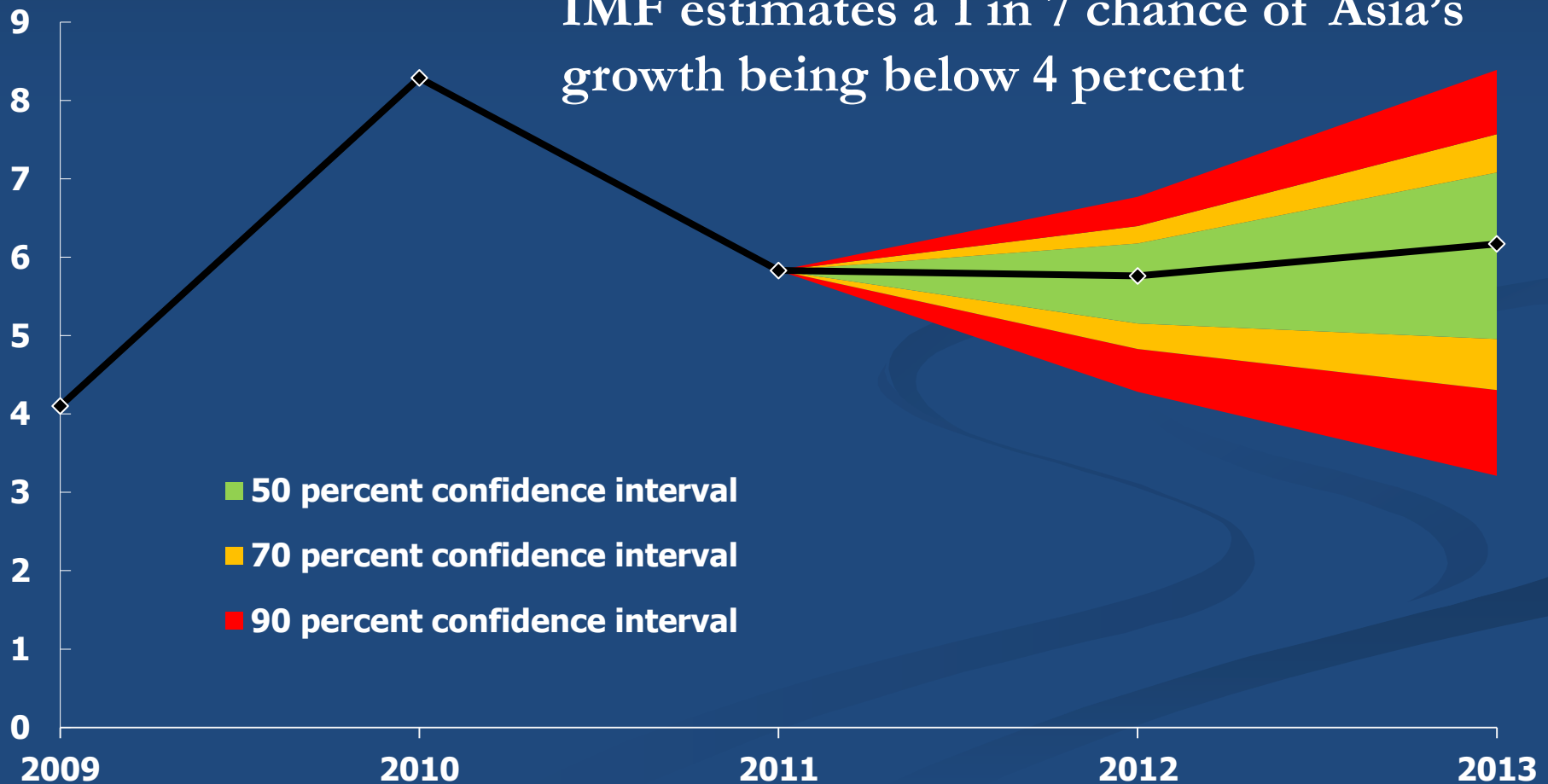


And risks are tilted to the downside in Asia as well

Asia: Real GDP growth

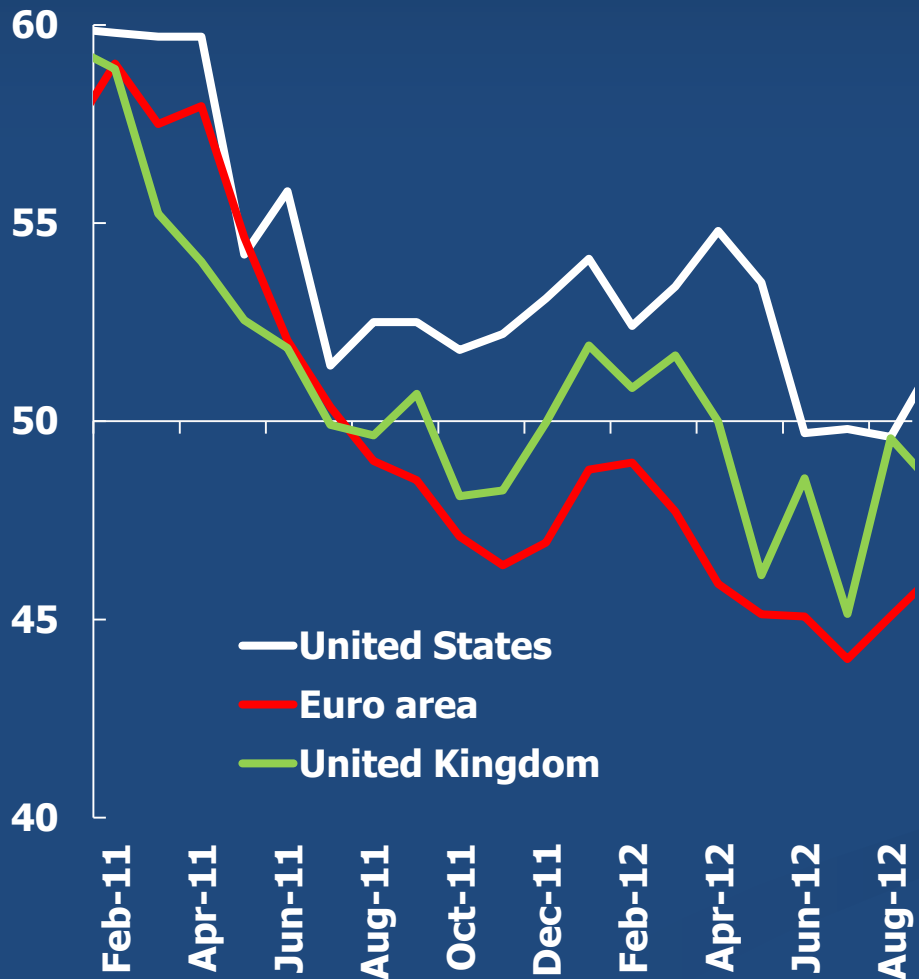
(Central forecast and selected confidence intervals; in percent)

IMF estimates a 1 in 7 chance of Asia's growth being below 4 percent

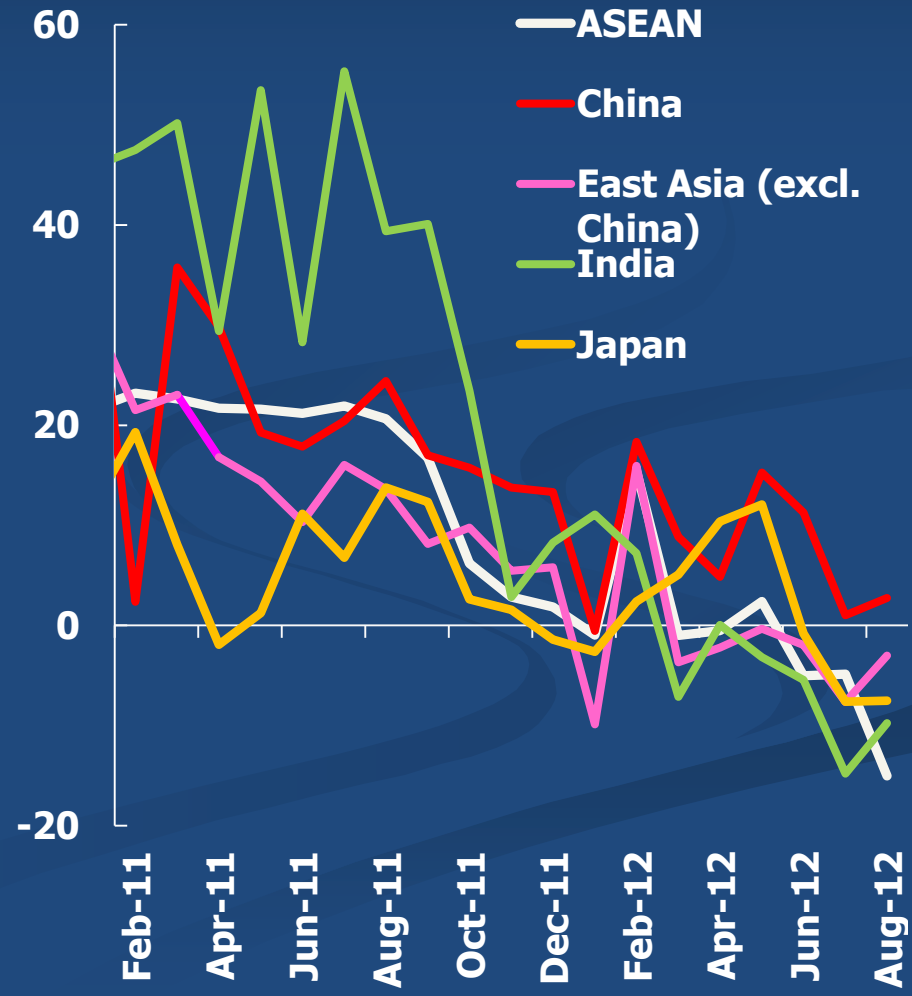


Main driver of slower growth in Asia has been weakening external demand...

Advanced Economies: Manufacturing PMI
(Seasonally adjusted; 50=neutral)

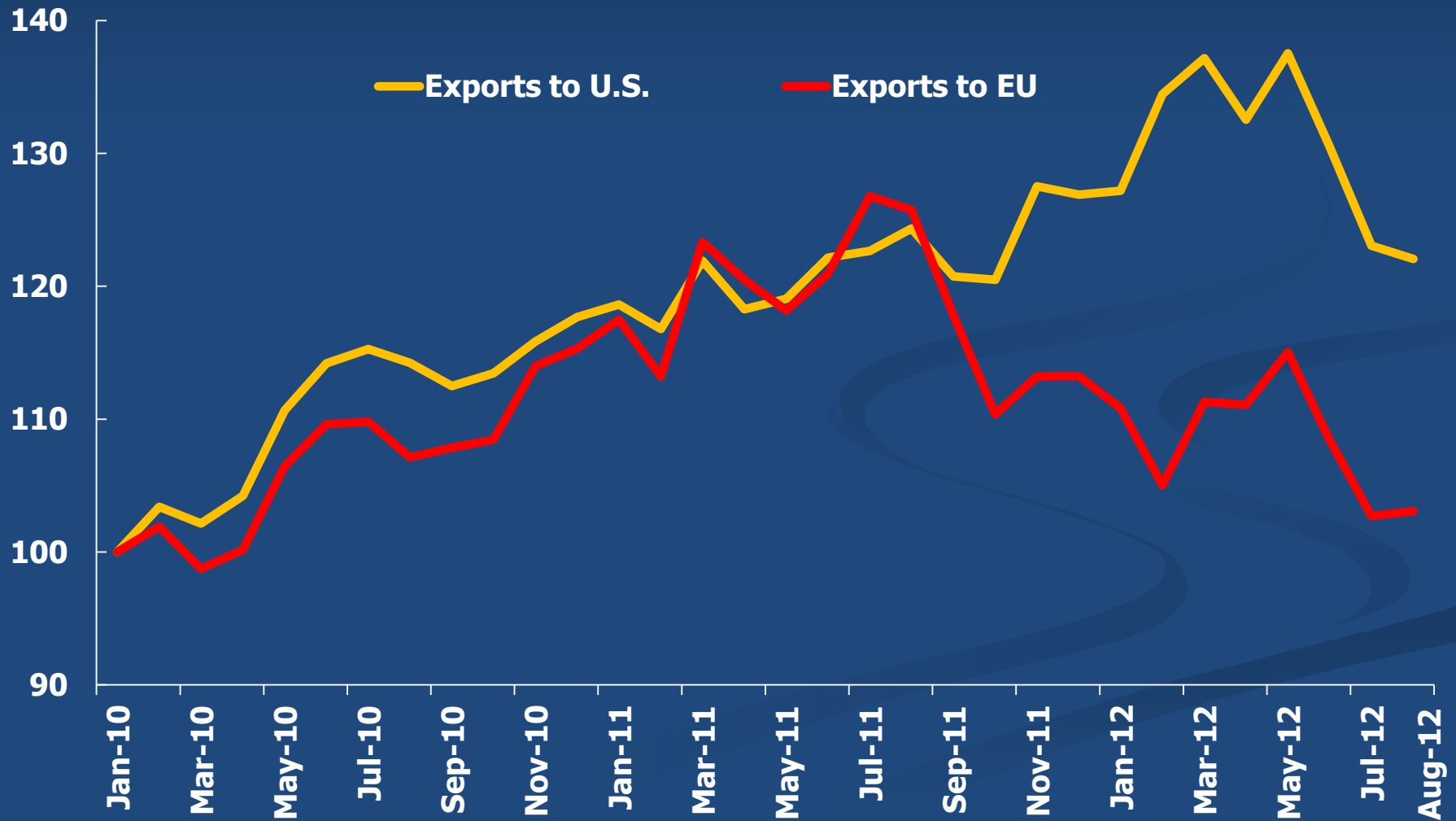


Asia: Exports by Economies
(Year-over-year percent change)



...primarily from Europe, although exports to the US have also fallen lately

Asia: Exports of Goods to U.S. and EU
(January 2010=100; seasonally adjusted)



India's growth has slowed by more than most emerging Asian economies

Real GDP growth rate

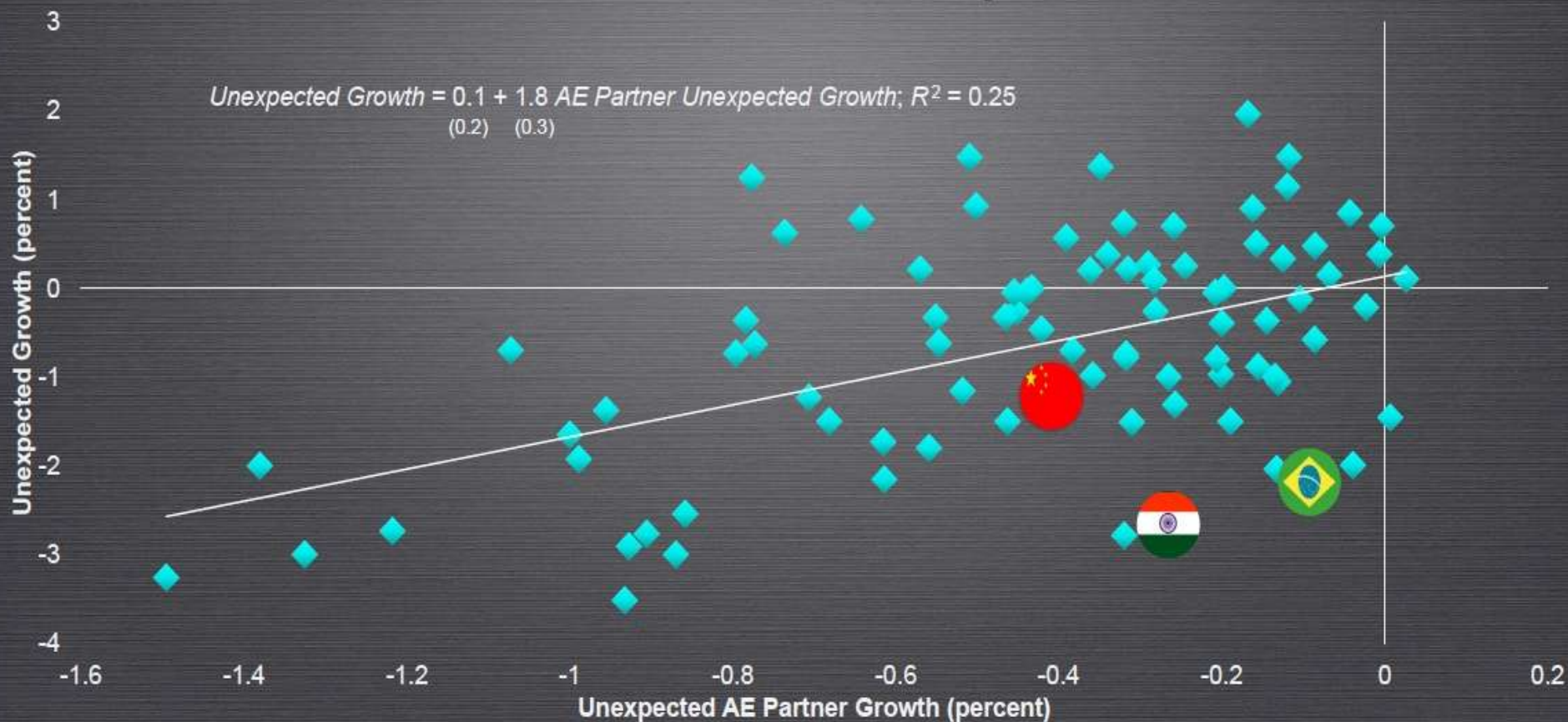
	July WEO forecast	October WEO forecast
FY 2012-13 (factor costs)	6.4	5.6
FY 2013-14 (factor costs)	6.6	6.0

Raises several questions:

1. What is driving the growth slowdown in India?
2. Does India have room for policy action to boost growth?
3. What is happening to “potential” growth?

Domestic factors are important in India

Like Brazil, India's slowdown cannot be explained by external spillovers alone



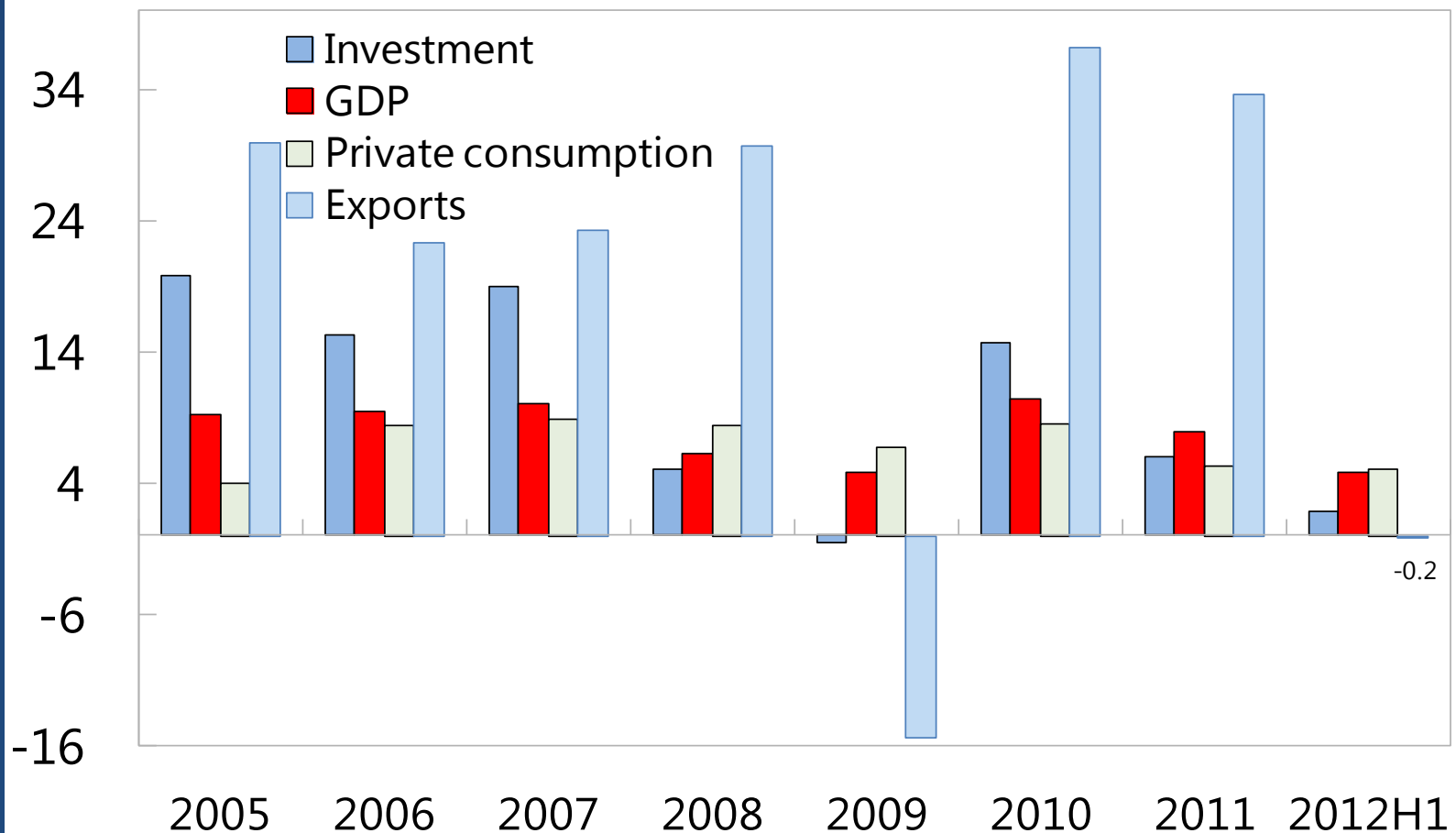
Note: Unexpected growth denotes real GDP growth in 2012 (September 2012 WEO) minus the forecast (September 2011 WEO). Unexpected AE partner growth denotes export-weighted average of growth of advanced-economy trading partners in 2012 minus the forecast for the same period, multiplied by the economy's 2011 share of exports in real GDP.

Sources: IMF, *World Economic Outlook*; and IMF staff calculations.

What started as an investment slump has become a generalized slowdown

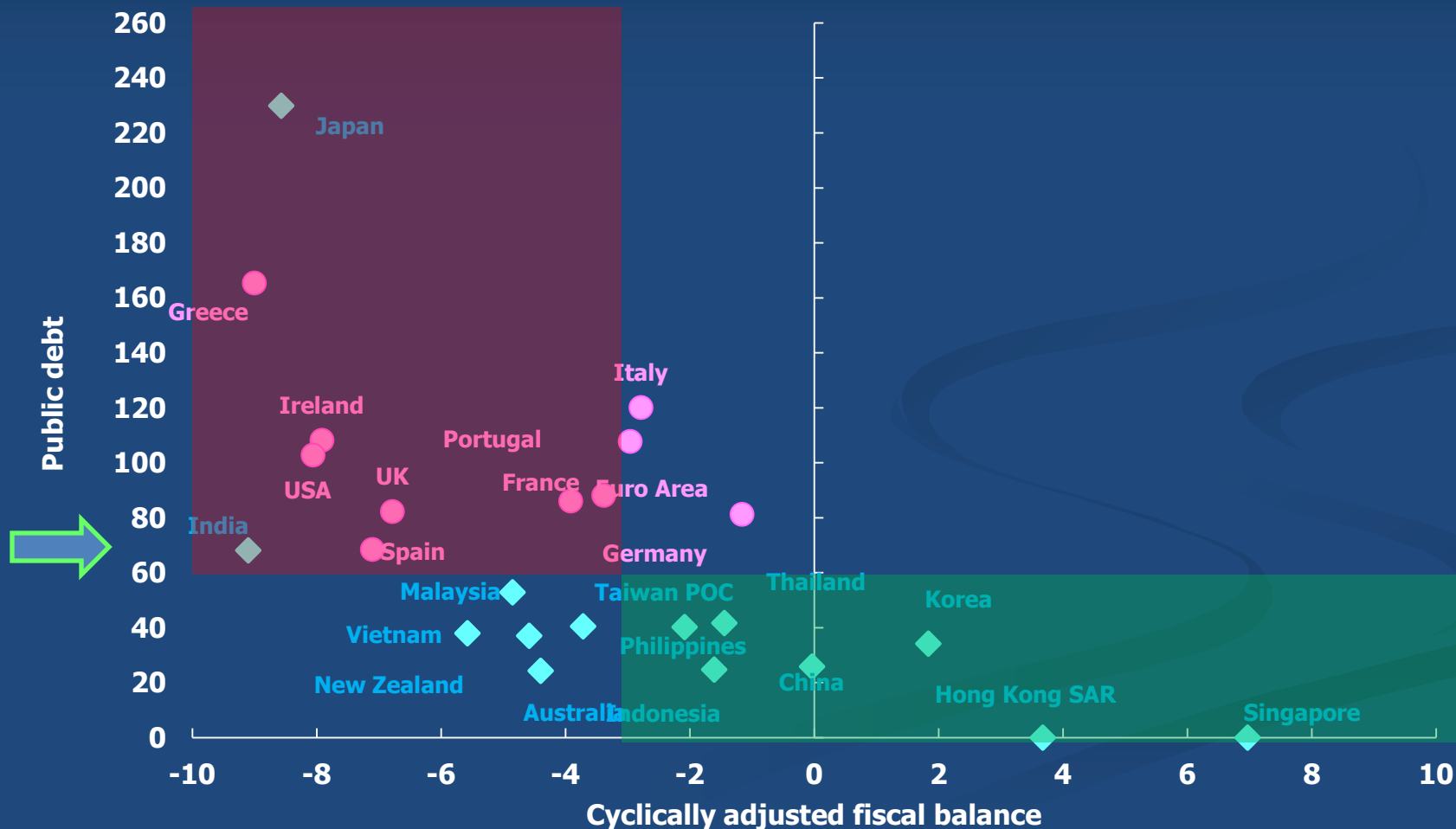
GDP Growth

(In percent, yoy)



Does India have the space for fiscal expansion to spur growth?

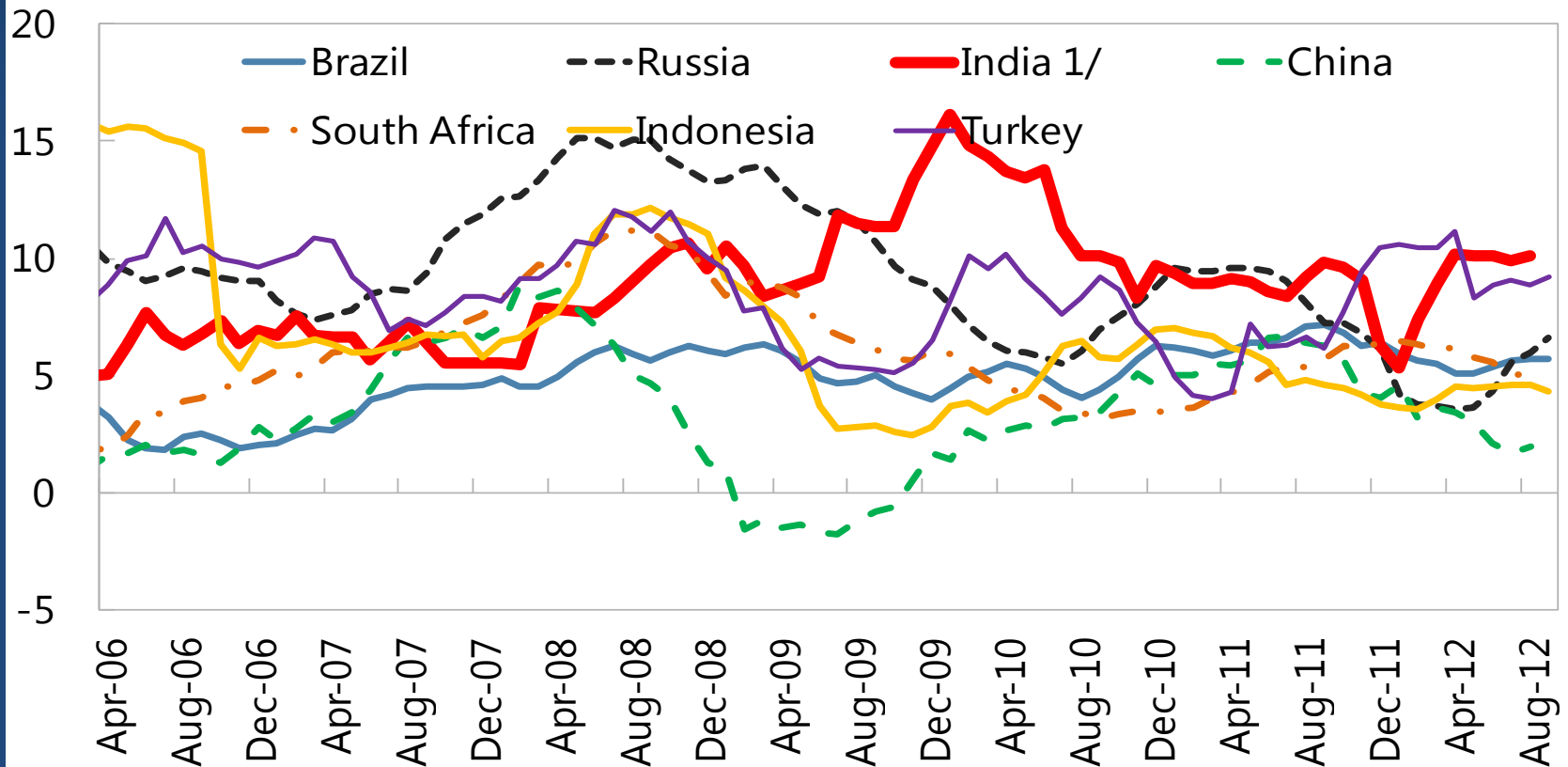
Cyclically adjusted fiscal balance versus Public debt
(In percent of GDP, 2011)



Does India have space for monetary policy to boost growth?

Inflation

(In percent year on year)

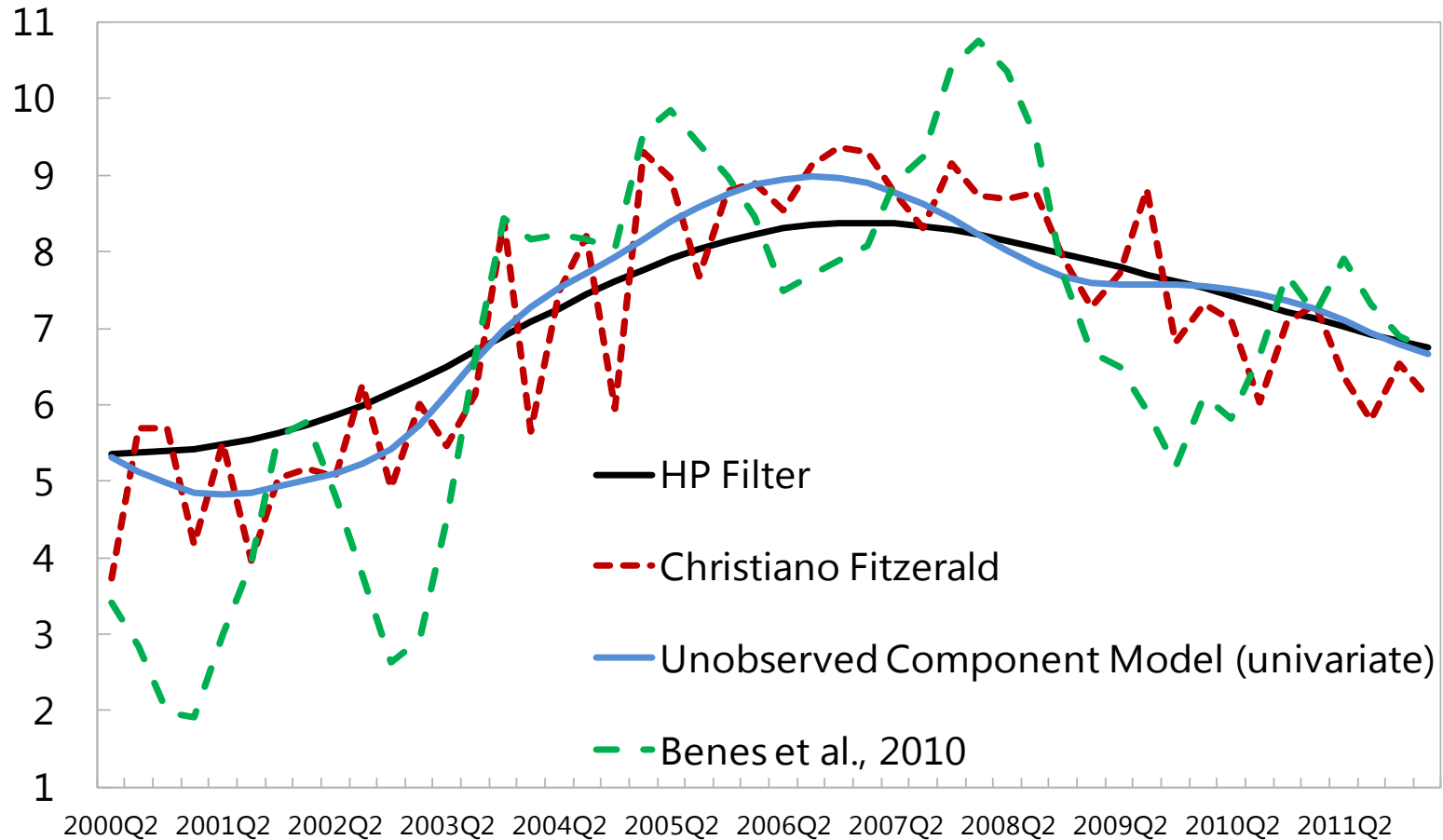


1/ CPI Industrial Workers.

Sources: CEIC and IMF Staff calculations.

Is “potential growth” slowing in India?

India Potential Output Growth Estimates



Sources: WEO and staff estimates

What is to be done?

- Investment problem is mainly structural in nature.
- Fiscal adjustment is needed
 - Kelkar Committee: reduce untargeted subsidies, boost revenues, especially through tax administration
- Need to get investment process re-energized
 - Environmental clearances
 - Land rights
 - Backward linkages need to be sorted (coal)
- National Investment Board could help



Thank you

World Economic Outlook (WEO) available at: www.imf.org/weo

Asia-Pacific Regional Economic Outlook (REO) available at:
<http://www.imf.org/external/pubs/ft/reo/2012/APD/ENG/areo1012.htm>

Material on India available at: www.imf.org/india and www.imf.org/delhi