

Crisis may add uncertainty to IMF's growth projections

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The International Monetary Fund (IMF) will release its bi-annual World Economic Outlook on Tuesday, in the backdrop of yet another geopolitical crisis in West Asia after the Russia-Ukraine war.

This may add further uncertainty to its growth projections amid apprehension of more players joining the conflict.

The IMF on Sunday had said it was closely monitoring developments in Israel and Gaza, and it was too early to assess any economic impact.

"We are deeply saddened by the loss of lives. We are monitoring this concerning situation closely," an IMF spokesperson said, adding that it was too early to say anything about the economic consequences.

Economic policy experts said that the conflict has no direct bearing on the agenda of the IMF-World Bank annual meeting that took off on Monday in Marrakesh, Morocco. But the conflict is likely to get flagged as yet another challenge to world economic recovery.

The world has not yet fully recovered from the pandemic and has faced food and energy security issues and supply chain disruptions due to the Russia-Ukraine conflict. It now faces the prospects of hardening political positions, which could exacerbate the situation and add to the prevailing uncertainties," said Ashok Lavasa, former finance secretary and former vice-president, Asian

FM to leave for Marrakesh today



FINANCE MINISTER NIRMALA SITHARAMAN will leave for Marrakesh, Morocco, on Tuesday, to attend the IMF-World Bank annual meeting and the fourth G20 Finance Ministers and Central Bank Governors' (FMCBG) meeting. The FMCBG meeting would discuss strengthening multilateral development banks (MDBs) to address shared challenges of the 21st Century. Also on the agenda would be the global economy and crypto assets.

Development Bank.

The annual IMF-World Bank meeting is being held in the African continent for the first time in 50 years.

The fourth G20 Finance Ministers and Central Bank Governors' Meeting will also be held on the sidelines of this meeting on October 12-13.

The cost-of-living crisis, tightening financial conditions in most regions, Russia's invasion of Ukraine, and the lingering Covid-19 weighed heavily on the IMF's World Economic Outlook last year.

In an update to its World Economic Outlook released in July, the IMF had raised the FY24 economic growth forecast for India by 20 basis points (bps) to 6.1 per cent. It cited the country's stronger-than-expected growth momentum in the March quarter of FY23.

The IMF also revised upward its global growth outlook by 20 bps for 2023 to 3 per cent, with upward revision to growth forecasts for the US (20 bps) and UK (70 bps).

The monthly economic review

for August released by the Union finance ministry has retained its 6.5 per cent GDP growth estimate for FY24.

While the ongoing situation in Israel may not have an immediate impact on trade, experts suggest that if it persists for an extended period, it could potentially serve as a downside risk to the world economy like the Russia-Ukraine conflict.

"It can be a major threat to global stability and all growth projections. As other countries take sides, this situation can get exacerbated. The starting point could be the oil price," said Madan Sabnavis, chief economist, Bank of Baroda.

For instance, Sabnavis said that as a thumb rule if oil prices remain over \$90 per barrel for two weeks, then it is a serious problem.

"Israel may not affect the flow of trade but response from the US could affect their budgets. Oil economies have become shaky and it may become serious," Sabnavis added.

(With inputs from Reuters)