

IMF's 7.3% growth projection 'conservative'

KR SRIVATS

New Delhi, July 17

IMF's move to cut down India's growth forecast by a larger proportion for 2019-20 should be seen as clear indication that the international body sees global factors of oil and trade wars impacting investments more in 2019-20 vis-à-vis this fiscal, feel Indian economists.

However, many economists that *BusinessLine* spoke to described the IMF's latest forecast as quite "conservative" and still expect the Indian economy to touch 8 per cent growth level in 2019-20.

In the July update to the flagship World Economic

Outlook (WEO), the IMF cut India's growth forecast by 10 basis points to 7.3 per cent in 2018-19 and by 30 basis points to 7.5 per cent for 2019-20, citing negative effects of higher oil prices on domestic demand and faster-than-anticipated monetary policy tightening due to higher expected inflation. This clearly meant that IMF does not see the Indian economy growing at 8 per cent levels in 2019-20.

Despite the latest move to lower growth forecast, India would still be the fastest growing economy, much ahead of 6.6 per cent and 6.4 per cent growth forecast for China.

Reacting to the IMF's move to lower India growth forecast, Madan Sabnavis, Chief Economist, CARE Ratings, said the IMF has lowered its forecast for growth for India for both 2018 and 2019 mainly because of its concern of global factors of oil and trade wars coming in the way of growth.

"These issues would translate into more conservative domestic policy which in turn can come in the way of growth. An example here is interest rate hikes on account of higher inflation or forex problems on account of capital outflows. The fact that growth in 2019 has been

lowered by a larger amount indicates that the impact of these forces would be more potent in 2019 relative to 2018 as the impact on investment will be felt more next year," Sabnavis told *BusinessLine*.

Aditi Nayar, Vice-President & Principal Economist, ICRA, said certain evolving risks including the impact of higher interest rates on investments and that of elevated crude oil prices on disposable income of consumers suggest that the extent of economic recovery in 2018-19 may be shallow.

Moreover, the impact of trade wars on Indian imports and exports remains unclear, she added.