2020

World Economic Outlook

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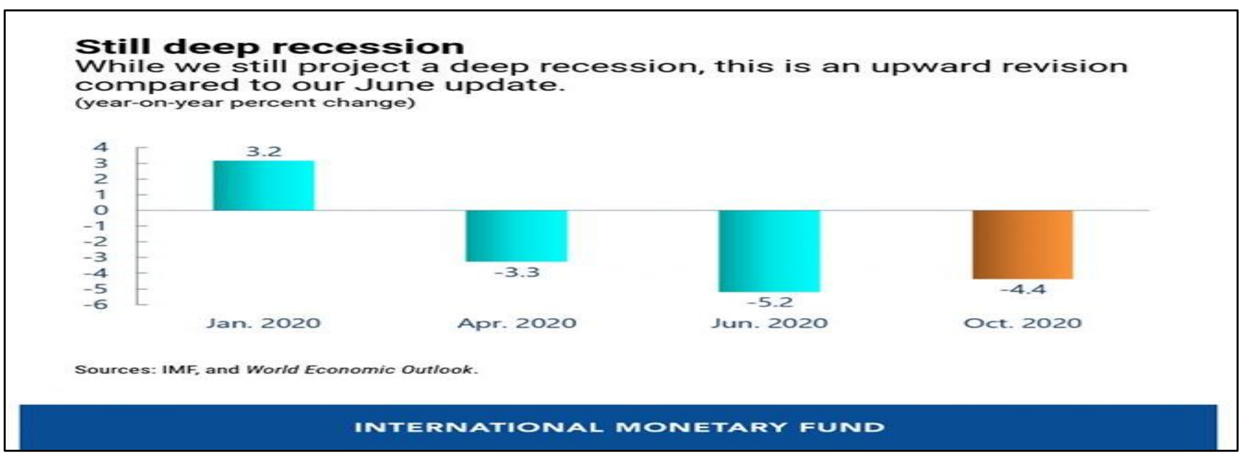
Introduction

The global economy is climbing out from the depths to which it had plummeted during the Great Lockdown in April. But with the COVID-19 pandemic continuing to spread, many countries have slowed reopening and some are reinstating partial lockdowns to protect susceptible populations. While recovery in China has been faster than expected, the global economy's long ascent back to pre-pandemic levels of activity remains prone to setbacks. The COVID-19 pandemic is a global health crisis without instance in living memory. It has triggered the most severe economic recession in almost a century and is causing immense damage to people's health, jobs and their well-being.

Global growth is expected at -4.4% in 2020, a less severe contraction than forecast in the June 2020 World Economic Outlook (WEO) predictions (*See figure below)*. The COVID-19 pandemic had more than a negative effect on activity in the first half of 2020 than expected, and the recovery was projected to be more gradual. However, many economies reflect better-than anticipated second-quarter GDP outturns, where activity began to improve sooner than expected after lockdowns were scaled back in May and June, as well as indicators of a stronger recovery in the third quarter. In the year 2021, global growth is expected at 5.2% a little lower than in the June 2020 WEO.

Following the contraction in 2020 and recovery in 2021, the level of global GDP in 2021 is expected to be a modest 0.6 % above that of 2019. The growth projections imply wide negative output gaps and elevated unemployment rates this year and in 2021 across both advanced and emerging market economies. After the rebound in 2021, global growth is expected to gradually slow to about 3.5%. This implies only limited progress toward catching up to the path of economic activity for 2020–25 projected before the pandemic for both advanced and emerging market and developing economies. It is also a severe setback to the projected improvement in average living standards across all country groups. There is a negative impact on low-income households are specifically critical, imperilling the significant progress made in reducing intense poverty in the world since the 1990s. Close to 90 million people could fall below the $1.90 a day income threshold of extreme deprivation this year. In addition, school closures during the pandemic pose a significant new challenge that could set back human capital accumulation severely.

In many countries with decreasing infection rates, the slow recovery path reflects constant social distancing into the second half of 2020, more damaging from larger than the projected hit to activity during the lockdown in the first and second quarters of 2020; and also hit to the



productivity as surviving businesses which are facing a huge problem due to this pandemic need to upgrade necessary workplace safety and hygiene practices. The baseline projection assumes that social distancing will continue into 2021 but will subsequently fade over time as vaccine coverage expands and therapies improve. Local transmission is assumed to be brought to low levels everywhere by the end of 2022.

Furthermore, economies are facing a lot of problems to control infection rates; a longer lockdown will create an extra toll on the activities. The pandemic is expected to drop a majority of countries into recession this year, with per capita output contracting in the major fraction of countries since 1870. Moreover, the forecast assumes that financial conditions, which have relieve on the release of the June 2020 WEO, will remain broadly at current levels.

More than one million lives have been lost due to COVID-19 pandemic since the start of the year and the toll continues to rise. Many more have suffered serious illness. These are challenging times, yet there are some reasons to be positive. Testing has been ramped up, treatments are improving, and vaccine trials have proceeded at an extraordinary pace, with some now in the final stage of testing. As per current data recommends that various economies have started to recover at a quicker pace than anticipated after reopening from the Great Lockdown.

Uncertain Global Outlook

While the global economy is coming back, the ascent will likely be long, uneven, and uncertain. Indeed, the prospects have worsened significantly in some emerging market and developing economies where infections are rising rapidly. Consequently, emerging market and developing economies, excluding China, are projected to incur a greater loss of output over 2020-21 relative to the pre-pandemic projected path when compared to advanced economies. These uneven recoveries significantly worsen the prospects for global convergence in income levels.

With the ease of health emergency, confinement measures are being scaled back gradually. When the activities restart it automatically adds output, still some containment measures, such as closure of international borders. Reflecting the unusual degree of vagueness, this Economic Outlook presents two equally likely situations for each country and economy. One is which a second wave of infections, with renewed lock downs, hits before the end of 2020, and one in which another major outbreak is avoided. The lockdown measures brought in by most governments have succeeded in decreasing the spread of Covid-19 and in reducing the death toll but they have also frozen business activity in many sectors, disrupted education, widened inequality and undermined confidence in the future. As restrictions begin to be relieved, the route to economic recovery remains highly uncertain and vulnerable to a second wave of infections. The outlook focuses on two equally possible scenarios. In the downside scenario wherein containing the virus proves to be a more difficult and protracted struggle until a vaccine is widely available. In the upside scenario, it is assumed that all dimensions of the fight against the virus go well.

In the downside scenario, the level of world GDP is reduced by over 3¼% (relative to baseline) at the peak of the shock, with the full-year impact lowering global GDP growth in 2021 by between 2½ and 3 percentage point.

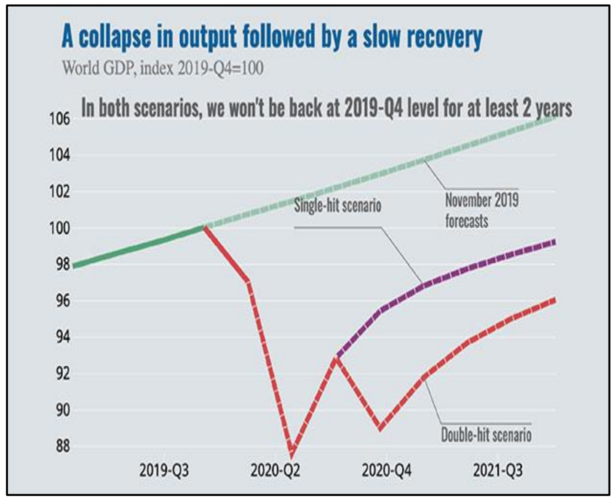
Global growth under the upside scenario gradually accelerates relative to the baseline, with growth roughly ½ percentage point higher in 2021, rising to roughly 1 percentage point higher by 2023. In 2024 the pickup moderates, with growth slightly below baseline by 2025.

Currently, the global economy is facing one of the sharpest recessions on record and, given the exceptional nature of the shock, estimates are subject to a large degree of vagueness. Some households, firms and governments are weathering the 2020 global recession by depend on savings and debt; as a result, a period of deleveraging is likely to follow as they rebuild protective savings and strengthen their balance sheets. At the similar time, the large and rapid loss of income in 2020 has pushed many individuals into unemployment and companies into bankruptcy, destroying valuable economic relationships that will take time to rebuild. Similarly, the short-term disruption to global value chains during the crises could quick businesses to improve flexibility by permanently shrinking their supply chains and dropping inputs from efficient but distant providers, thereby harming global efficiency and income.

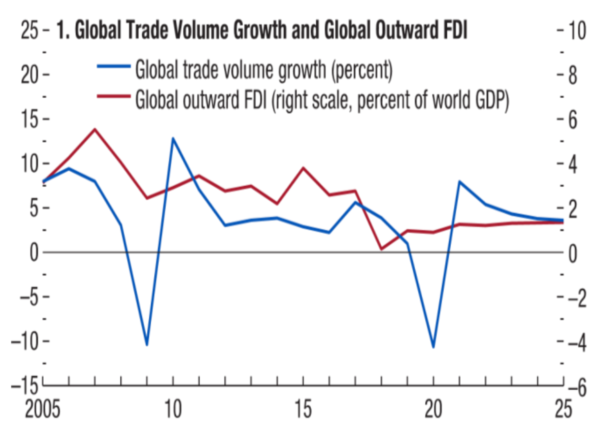
Downturn in 2020, Turnaround in 2021

Global growth is estimated at -4.4% in 2020, 0.8% point above from June 2020 WEO forecast. This projection reflects the net effect of two competing factors: the upward impetus from better-than-anticipated second quarter GDP outturns versus the downdraft from persistent social distancing and stalled re-openings in the second half of the year. As recovery has taken root in the third quarter of 2020, it is expected to strengthen gradually over 2021.

During the first half of 2020, consumption growth has been reduced in most of countries, reflecting the larger than projected disruption to domestic activity. The forecasts of weaker private consumption reflect a combination of a massive adverse aggregate demand shock from social distancing and lockdowns, as well as increase in precautionary savings. Furthermore, investment is expected to be passive as firms defer capital expenditures amid high uncertainty. The policies supports partly balance the deterioration in private domestic demand. In the baseline, global activity was expected to trough in the second quarter of 2020, recovering afterwards *(See figure)*.



In 2021 growth is expected to strengthen to 5.2%, little lower than the June WEO forecast. Consumption is projected to improve steadily next year, and investment is also expected to grow up, but to remain controlled. Global GDP



for the year 2021 as a whole is projected to just exceed its 2019 level.

There is pervasive uncertainty around this prediction. The prediction depends on the depth of the reductions in the second quarter of 2020 as well as the magnitude and persistence of the unfavorable shock. It relates to factors inherently difficult to predict, including the path of the pandemic, the adjustment costs it imposes on the economy, the effectiveness of the economic policy response, and the evolution of financial sentiment.

The baseline forecast rests on the following considerations and assumptions:

- *Stronger-than-anticipated GDP outturns in the second quarter*. The worst may be over for now, but nothing is assured while the pandemic worsens and stalls reopening. A slightly less severe hit to activity than previously projected for the second quarter implies an upward revision to the 2020 forecast. But other considerations weigh on the forecast for 2021 and beyond.

- Persistent social distancing and enhanced workplace safety standards. The baseline projection assumes that social distancing will continue into 2021 but will then fade over time as vaccine coverage expands and therapies improve, with local transmission brought to low levels everywhere by the end of 2022.

- *Scarring*. The deep downturn this year will damage supply potential to varying degrees across economies.

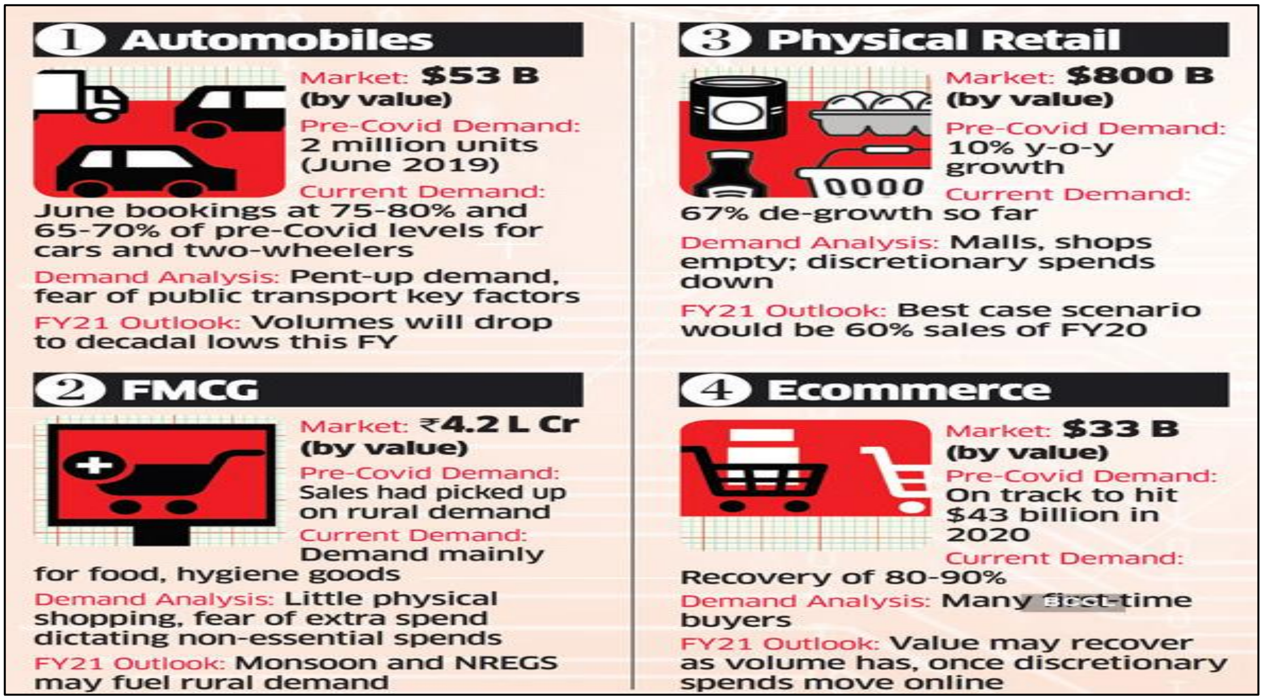
Global trade is projected to contract by over 10% this year a pace similar to during the global financial crisis in 2009, despite the contraction in activity being much more pronounced this year. It reflects considerably weaker demand for goods and services, including tourism. Constant with the gradual pickup in domestic demand next year, trade growth is foreseeable to increase to 8%.

Risks to the Outlook

There is a fundamental uncertainty around the evolution of the pandemic and it is a key factor that affects the economic outlook and hinders a characterization of the balance of risks. The pandemic is pushing the global economy into recession, with a projected contraction of 5.2% in 2020, the worst rate in post-war history. Risks to the outlook are firmly to the downside. Downside risks still continue to significant.

A more declining in activity could lead to further scarring, including from wider closures of firms or offices, as surviving firms feels hesitate to hire jobseekers after extended unemployment period, and as the unemployed workers or employees leave the labor force completely because of that Covid-19 pandemic. Financial conditions may again thin as in January to March, exposing vulnerabilities among borrowers. This could increase debt crises and slow activity further in some economies. A foremost risk is that domestic outbreaks are not fetched under control as currently anticipated. The recession could be less severe than forecast if economic regulation proceeds faster than currently expected in areas that have reopened. For example in India, where the investments in the sector of automobiles, physical retail, e-commerce through May 2020 was increased (see figure below) because most of the peoples does not rely on public transports in this pandemic situation. Advanced economies also increase their efforts for vaccine trials. Development of a safe, effective vaccine would increase beliefs of the people and could improve growth outcomes in 2021, even though vaccine production is not scaled up fast enough to provide herd privilege by the end of 2021.

More generally, cross-border overflow from weaker external demand and tighter financial



conditions could further magnify the impact of country or region specific shocks on global growth. Generally, changes in production, distribution, and payment systems during the pandemic could really spur productivity gains ranging from new techniques in medicine to, more broadly, accelerated digitalization or the switch from fossil fuels to renewable.

Global Cooperation to Reduce Risk

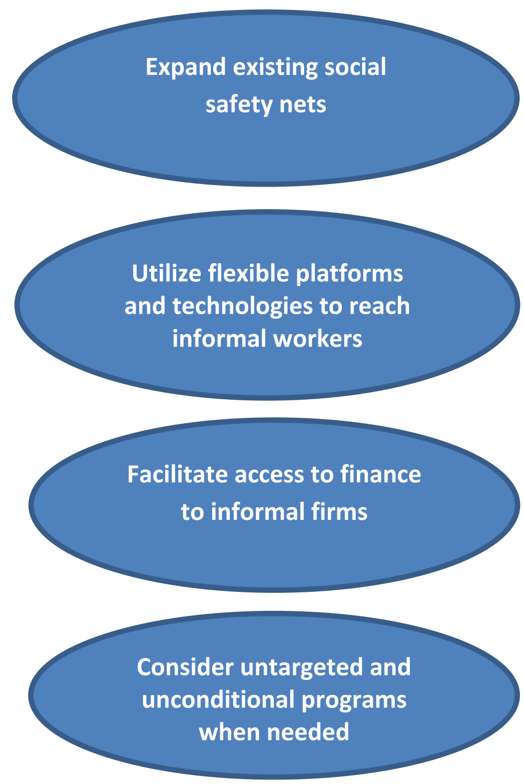
All multilateral cooperation provides a great support to health care systems. Considering the global scale of the crisis, countries must cooperate on multiple fronts to combat the shared challenges. Besides mutual efforts to support health care systems, liquidity assistance is immediately needed for countries confronting health shocks and external funding shortfalls.

Most of the countries including those that have apparently passed peaks in infections should ensure that their healthcare systems are adequately resourced. The international community provides a excessive support to national initiatives, including through financial assistance to countries with limited health care capacity and also channeling of funding for vaccine production as trials advance, so that adequate and affordable doses are speedily available to all countries. Government and monetary authorities reacted remarkably quickly to those crises. Monetary policy has been eased, with interest rates cuts, enhanced asset purchase programs and targeted interventions in financial market segments under extreme stress.

The G20 initiative for a temporary standstill on official debt service payments by low income countries is a vital first step to help them preserve international liquidity and channel resources to combat the health crisis. Private creditors should also provide equivalent treatment. At many times, it is in the best interest of all creditors and low income country and emerging market borrowers with high debt and large financing needs to promptly agree on mutually acceptable terms of debt relief where it's required. The IMF has been improved the access limits to its emergency financing facilities, increased its ability to provide grant based debt service relief, and is helping countries which are not financially stable with new financing through other lending facilities. Other elements of the global financial safety net have also been activated to improve international liquidity shortages in emerging markets, including central bank swap lines. Mutual recognition that emerging market and developing economies are usually more constrained than reserve currency issuing advanced economies guides these actions. The longer the pandemic and its outcome persist, the greater the need to increase efforts to support financially constrained economies.

Policy Implications

The growing range of the pandemic, prediction of long term negative consequences for job security, livelihoods, and inequity have grown more unhappiness between peoples. Fiscal resources need to be used to reinforce the public health system to prevent, contain, and treat the virus, and support the livelihoods of informal participants during the outbreak. As traditional measures such as wage subsidies and tax relief would better spread to informal firms and workers. Advanced emergency measures should be considered to deliver income support to informal workers and credit support to informal firms. When dealing with the trade-off between coverage and costs, policymakers need to strive for a maximum reach of informal participants during the crisis, prioritizing temporary and reversible measures to minimize the fiscal burden afterwards. In some circumstances, still the crisis has exposed gaps in a patchwork of social security facilities that should be filled, perhaps in the context of a through reform.



With the persistent range of the pandemic, prospects of long-lasting negative concerns for livelihoods, job security, and inequality have grown more daunting. Effective policy actions can provide a great help in slowing the downturn of those forecasts and set the stage for a faster recovery that provides a great benefit to whole society beyond the income spectrum and skills distribution. At the same time, considering the substantial uncertainty regarding the pandemic and its effects for different sectors, the policy response will have to adapt as the situation evolves to maximize its efficiency for instance, shifting from saving firms to facilitating resource reallocation across sectors.

These policy objectives are shared across emerging market and developing economies as well as advanced economies, but the former group is quite more controlled by lower health care capacity, larger informal sectors, and tighter borrowing constraints. Besides, there are some emerging markets and developing economies that entered in this crisis with limited policy space. Several external support and solid global assistance are therefore very essential to help these financially weak countries to fight with that crisis. This is mainly the case for low income countries. There are various countries have a high debt, and some are already in a dangerous security situation, with scarce food and medicine. Therefore, their ability to expand the policy response needed to prevent a destructive human toll and long-term influences on livelihoods depends highly on debt relief, grants, and concessional financing from the international community. Those economies which are mostly rely on tourism and economies that are driven by oil exports are also likely to face long-term challenges due to that pandemic.

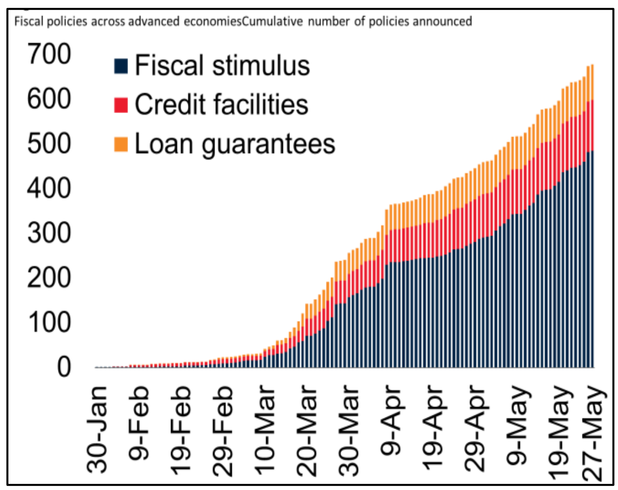
Policy Challenges

Government and other authorities in advance economies face the major challenge of containing COVID-19 pandemic, in finding the effective treatment and developing a vaccine for this new disease, as well as economic fallout from the pandemic. Monetary authorities in these economies are using quantitative assistance on a massive scale and developing new tools to encourage demand and financial market functioning. Large-scale fiscal policy responses have been implemented to support activity and improve social safety nets.

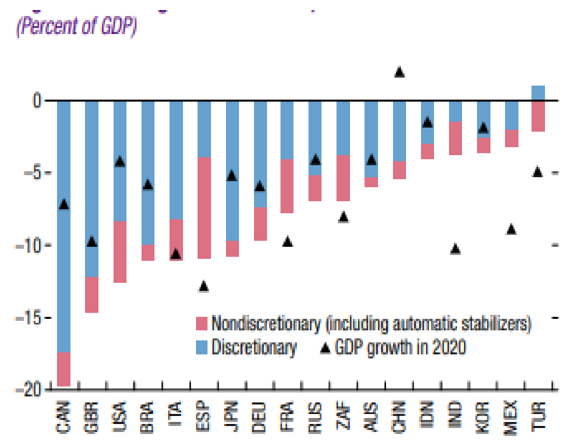
As the whole world fights through the health and economic impacts of the pandemic, international policy coordination is critical. In the long-run, advanced economies need to report gaps in wide-range and social safety nets expose by the outbreak. This is especially important in rapidly senior societies.

Fiscal Policies

Fiscal policy will need to adapt as countries proceed through different phases of the pandemic: (1) outbreak with lockdowns; (2) partial reopening; and (3) high degree of control with medical advances. Most countries are in phase 2, with differing rates of contagion and control of the virus, but several countries that were hit relatively late or where contagion has progressed strongly are still in phase 1. Policies will need first to respond to the immediate health crisis, but over time foster the economic recovery and address the long-term challenges of the post-pandemic economy. There are lot of countries has implemented fiscal support packages in large scale, it covers a wide range of measures expected at changing lost household incomes and firm revenues (See figure below).



These include enabling or delaying payment obligations for taxes, utilities, rents, or debt service). These measures have helped save lives, protect livelihoods, and provide employment opportunities to unemployed workers and business relations. Fiscal measures announced as of September 2020, are projected at $11.7 trillion globally, or close to 12% of global GDP. Half of these measures have consisted of additional spending or forgone revenue, including temporary tax cuts, and the other half liquidity support, including loans, guarantees, and equity injections by the public sector. Discretionary fiscal policy measures are not the only factors driving the rise in public debt. Nondiscretionary items mainly automatic declines in tax revenues and surges in expenditures (such as unemployment benefits) that occur as economies contract are projected to account for one-third of general government deficits of the G20 in 2020 (See figure below).



Monetary and Financial Policies

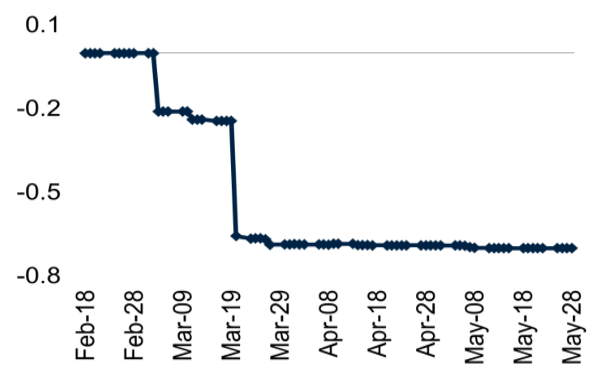
Monetary Policy is the central bank's policy which uses the monetary instruments like Repo rate, Reverse repo rate, Liquidity Adjustment Facility and many others, to accomplish the goals specified in the Act. In India, the Reserve Bank of India (RBI) has been given the responsibility of directing monetary policy as authorized as per the Reserve Bank of India Act, 1934. . In the view of COVID-19 Pandemic, the Reserve Bank of India takes following important decisions:

Under the liquidity adjustment facility (LAF) the repo rate had been diminished by 40 basis points from 4.40% to 4%

The bank rate and the marginal standing facility (MSF) rate has been reduced from 4.65% to 4.25%

Under the liquidity adjustment facility (LAF) the reserve repo rate has been diminished by 40 basis points from 3.75% to 3.35%

There are advanced economy central banks moved quickly to ease monetary policy in the wake of the pandemic, bringing policy rates in most advanced economies close to or below zero (See figure below).



At the same time monetary authorities executed more advanced measures to relaxed tight credit markets. The federal reserves have assured to purchase a broad group of obligations. In the wake of that pandemic, Inflation in advanced countries was already under mark in the starting of the year. A less demand and fallen in oil prices have added more deflationary pressure and causing inflation expectations to decline. Present analysis recommends that a pandemic significantly depresses the normal rate of interest.

Furthermore, payment systems need to be strengthened to ensure a smooth flow of transactions environments of limited physical interactions.

The US dollar has also depreciated significantly, declining by around 7% since May in effective terms, providing a boost to the US economy and easing pressures on many emerging-market economies, but weighing on activity in other advanced economies.

Resources for Health Care

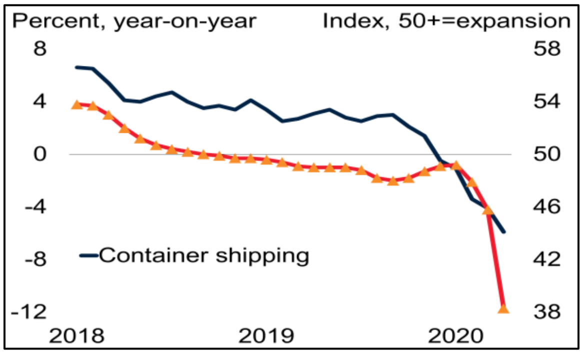
In the beginning, COVID-19 outbreaks overwhelm health care systems in the rising number of economies because of the small size of their health care systems and limited hospital capacity. The capacity of the healthcare sector to deal COVID-19 infections will have an important bearing on the future course of government measures to contain the pandemic. The pandemic continues to test health care capacity in many countries, accelerating in emerging market and developing economies and in results of that these countries know their ability to fight with that pandemic. Rests of the countries that have passed peaks in infections remain at risk of renewed grown cases. Hence, now all countries need to ensure that their health care systems are having sufficient resources. This requires an extra spending as required in several areas, including virus and antibody testing; special training to doctors and hiring contact tracers; acquiring personal protective equipment (PPE); and health care infrastructure(No of beds, ventilators) spending for emergency rooms, intensive care units, and isolation wards.

In this regard, multilateral cooperation's provides a support countries for improving their health care systems and needs to put great efforts to support national initiatives like, removal of trade restrictions on essential medical supplies; sharing information on the pandemic widely and transparently. Countries are having a common interest in continuing open trade in medical products. Prior to the crises, global imports and exports of such products amounted to 5% of world trade, with the countries specializing in exports of that product.

Global Trade

The spread of the pandemic provide a great impact on international travel and interrupted global value chains, resulting in a sharp decline in global trade. A flight to safety has triggered sharp fall in global equity markets, unprecedented capital outflows from emerging markets and developing economies, rising credit-risk spreads, and reductions for many developing countries' currencies. Decreasing demand has led to a severe decline in most commodity prices, with a particularly significant fall in oil prices. Current forecasts shows that global trade fall more in 2020 than it did during the global financial crisis due to the disruptions from COVID-19 pandemic has stop internationals travels. Global trade collapsed, falling by over 15% in the first half of 2020, and labor markets were strictly disrupted by reductions in working hours, job losses and the enforced shutdown of businesses. Without the quick and effective policy support introduced in all economies to cushion the impact of the shock on household incomes and companies, the contraction in output and employment would have been substantially larger. Investment, which is more cyclical and more trade-intensive than other groups of expenditure, has declined worldwide as firms face financing problems and stay expansion. Disruptions in credit markets played a significant role in the reduction in global trade during the global financial crisis and the successive weakness of the rebound. This pattern is at risk of being repeated.

Global trade will grieve a deep contraction this year of 11.9%, dazzling considerably weaker demand for goods and services, including tourism. Reliable with the steady pickup in domestic demand next year, trade growth is projected to increase to 8% and by slightly more than 4%, on average, in subsequent years. (See figure below)

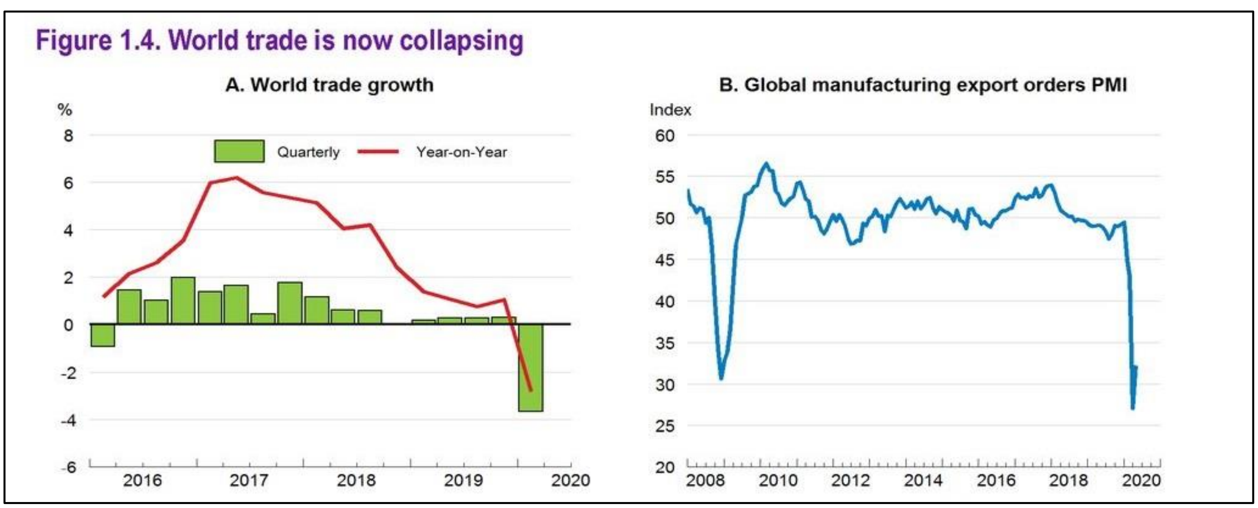


The extent of the downturn is overstated by particularly severe disruptions to trade in services, such as tourism, and by global value chains struggling with delayed shipments.

Global trade is falling sharply, with the volume of goods and services estimated to have fallen 3.75 %. The expectations on fuel prices are broadly unchanged from the April & June 2020 WEO. Average petroleum spot prices per barrel are projected at $41 in 2020 and $43.8 in 2021. Oil futures curves shows that prices are likely to increase thereafter toward $48, still about 25% below the 2019 average. Nonfuel commodity prices are estimated to increase slightly faster than assumed in the April & June 2020 WEO. (See figure below)

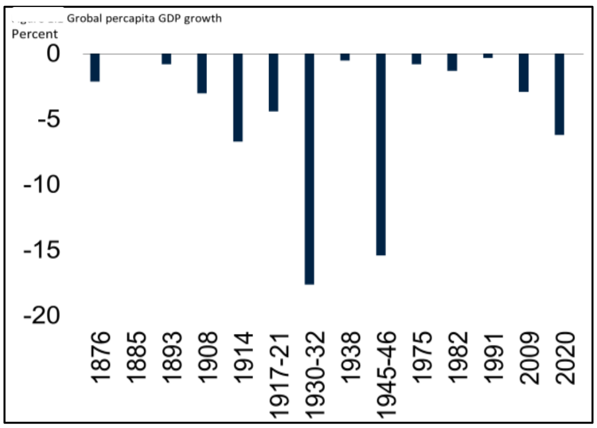
The pandemic provides great air traffic with International tourism has also been exceptionally weak, with international passenger traffic revenue in July still over 90% lower than a year earlier. Total global commercial flight numbers in August remained around 40% below their pre-pandemic level.

Global output in the second quarter of 2020 was over 10% lower than at the end of March 2019, an unprecedented sudden shock in modern times. Global trade collapsed, falling by over 15% in the first half of 2020, and labor markets were severely interrupted by declining in working hours, job losses and the enforced shutdown of businesses. Output drops of over 20% arose in some European economies and India, where containment measures were particularly restrictive. Global GDP is expected to decline by 4.5% this year, before picking up by 5% in 2021. Countries that saw the major reductions in private consumption also faced the greatest declines in GDP in the second quarter of 2020, highlighting that the drop in output was due largely to weaker household consumption.

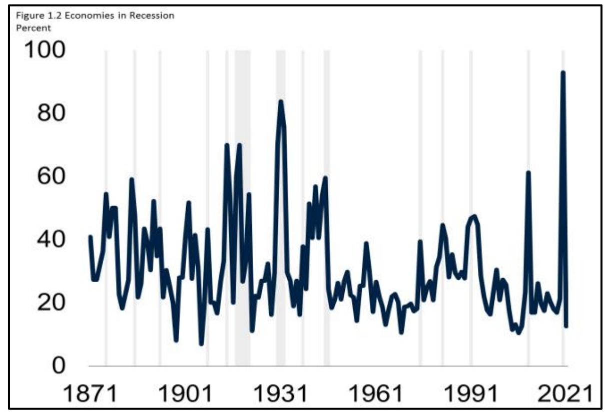


Global Recession

There are 14 global recessions faced by the global economy since 1870. Current forecasts indicate that the COVID-19 global recession will be the fourth inmost in this period and the puts a serious impact since the end of World War II. As per present estimates suggest that the COVID-19 recession will involve a 6.2% decline in global per capita GDP, making it the inmost global recession since 1945-46, and more than twice as deep as the recession accompanying with the global financial crisis (See figure below).



It is estimated to involve per capita output contractions in an unprecedentedly high share of countries. The fraction of economies experiencing annual declines in national per capita GDP tends to increase sharply during global recessions. As per present estimates suggest that in 2020, the maximum share of economies will experience heavy reductions in per capita GDP since 1870 i.e. more than 90%, even it is more than the proportion of about 85% of countries in recession at the peak of the extreme Depression of 1930-32. India has faced his Fourth recession since its independence, the first since liberalization and perhaps the worst to date, is here, CRISIL NSE= (0.05)%. (See figure below)



In India the first quarter i.e. April to June 2020 will suffer reduction of 25% of India's GDP as compare to previous quarter. It is about 10% of gross domestic product in real terms could be permanently lost. In India the period of April to June 2020 this fiscal will be the worst affected. Not only will that period be a washout for the non-agricultural economy, services such as education, and travel and tourism among others could continue to watch a great hit in before the end of year 2020. Jobs and incomes will see prolonged losses as these sectors are larger employers.

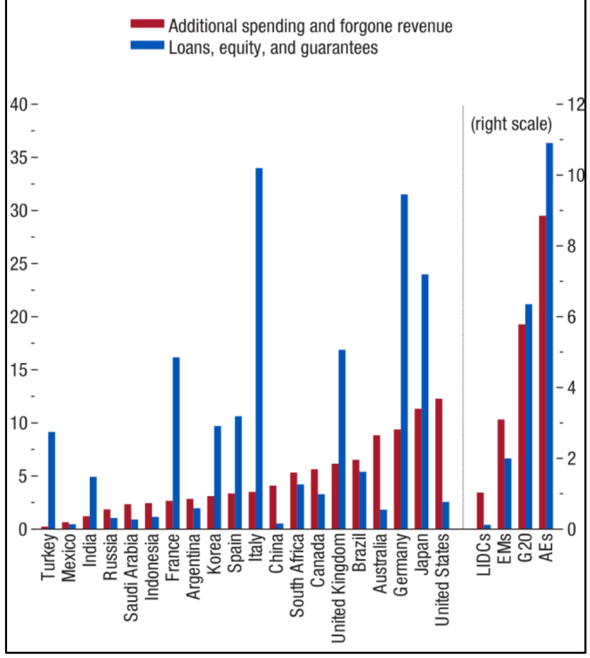
In 2020, economies will faced the biggest declines in their growth rates of the past sixty years. Advanced economies are expected to experience a 7% fall in output, while emerging markets and developing economies will mark their first output reduction, by 2.5%, in at least the past sixty years. Per capita output growth in EMDEs will be 6.5% points lower its long term average during global expansion.

Global Government Debt and Deficits

Global public debt is predictable to reach an all-time high, exceeding 100 per cent of the GDP in 2020-21, a surge of almost 20% points from a year ago and it rise in debt is most significant among advanced economies such as the US, Japan and those in Europe. At the same time, the average overall fiscal deficit is expected to soar to 14% of the GDP in 2020, 10% points higher than last year. Never have public debt and deficits raised so high and so fast. The sharp conflict in output and subsequent fall in revenues, along with massive discretionary support, have managed to a surge in government debt and deficits. In the advanced economies, the government debt ratio could rise by around 15 percentage points of GDP by 2021, in many cases to a record high.

The estimated high level of budget deficit and public debt in 2021 will increase pre-crisis public financial challenges. Under the baseline scenario, global debt is projected to reach at all-time high; in 2020-21 it exceeds 101% of GDP, it increases in 19% point as compared to previous year (See figure below). At the same time, the average overall fiscal deficit is projected to rise in 14% of GDP in 2020, it increases 10% as compared to previous year. Further, discretionary fiscal measures, automatic stabilizers from taxes and social protection are likely to help cushion the fall in household incomes during the recession, but also to contribute on an average one-third of the growth in deficits. Government revenues are expected to decrease more than output and anticipated to be 2.50% points of GDP lower, on average, as compared to previous year 2019. It reflects lower corporate and personal incomes and hard hit private consumption. At the same time oil-exporting countries have suffered from a decline in oil revenue owing to low oil prices.

Countries are providing sizable fiscal support through budgetary measures, as well as off-budget liquidity.



The curve of debt and deficits is subjected to high vagueness and could drift up in an unfavorable scenario if activity disappoints from a revival in infections or if contingent liabilities from huge liquidity support materialize when financing conditions tighten. Revenue will also fallen more if complete deferred collections are not recovered. Low debt servicing costs will reduce financing pressures but will not prevent debt accumulation on their own. Since the global financial crises, monetary policy stances have been very accommodative with the aim of bringing inflation back up towards its target.

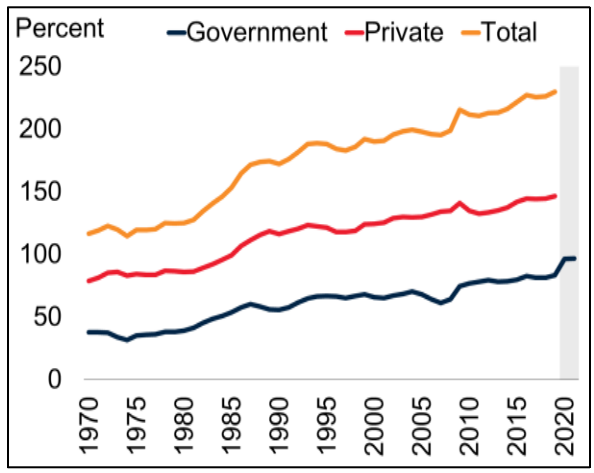
Financial Crises and Debt Burdens

The April-June quarter of 2020 will go down in history as the worst quarter for the global economy since at least World War II. We continue to anticipate a gradual recovery commencement in the second half of the year, but that outcome will depend on whether governments can reopen their economies while also safeguarding public health.

Now many countries after facing a heavy loss of their Nation's income replaced their fiscal measures in proportion of lost incomes and mitigated default risk, loan guarantees have helped keep businesses afloat, and liquidity provision by central banks have kept the financial system efficient. However, should the impact of the pandemic continue to grow, financial crises may follow, resulting in a downfall in lending, a longer global recession, and a slower recovery. Thus far, an unexpected policy response has prevented the slowdown in activity from becoming a financial crisis.

As per the RBI data, India's external debt raised at USD 554.5 billion at the end of June 2020, recording a decline of USD 3.9 billion over its level at the end of March 2020. Moreover, the external debt to GDP ratio increased to 21.8% at the end of June 2020 from 20.6% as on March 31. Valuation loss due to the dropping of US dollar major currencies like euro, yen and SDR was on USD 0.7 billion. Without the appraisal effect, the drop in external debt would have been at the end of June 2020 USD 4.5 billion instead of USD 3.9 billion over end of March 2020,

Rising levels of debt have made the global financial system more helpless to financial market stress. Since the global financial crisis, global debt has risen to 230% of GDP, with EMDE debt reaching a historic high of 170% of GDP by 2019 (See Figure below). In almost 40% of EMDEs, government debt is now at least 20% points of GDP higher than it was in 2007.



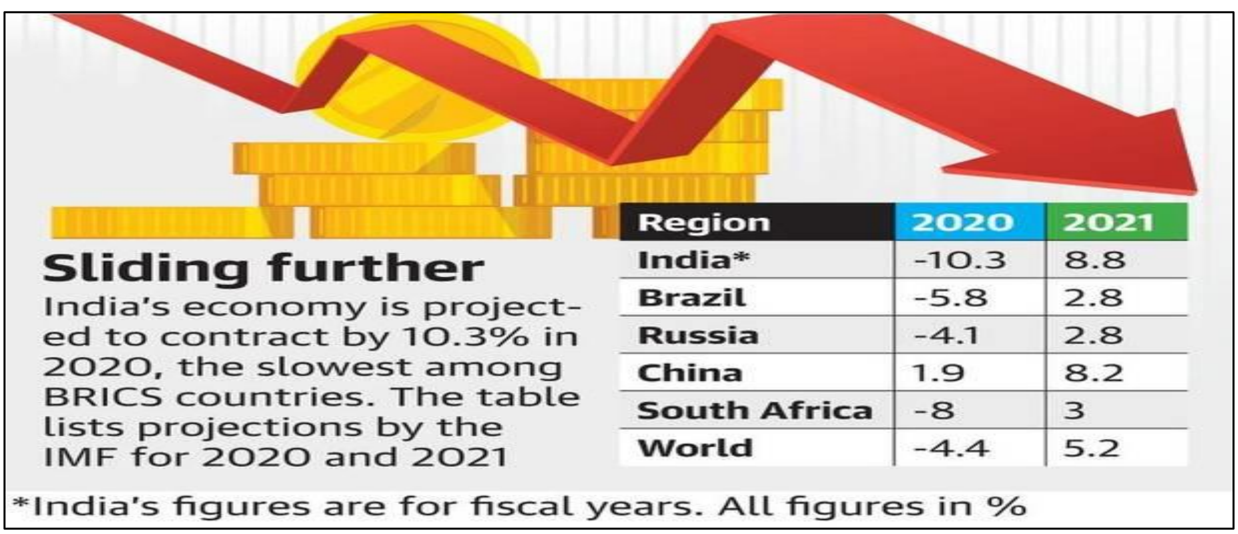
Even if the global financial system avoids a crisis, the debt accumulated in reaction to the pandemic may consider on growth in the longer run. As global activity recoils, interest rates are likely to rise. Higher debt service costs must be financed through higher taxes, further borrowing, or by a reduction in other expenditures. In circumstances of unusual domestic savings, and limited access to foreign funds, extra borrowing may crowd out private investment. In addition, the loosening of macro prudential standards to support credit provision during the crisis may reduce balance sheet transparency and weaken market discipline in the longer term, potentially contributing to future financial instability.

Overview of Indian Economy

India has foreign exchange reserves of $500 billion which is the world's 5th largest foreign exchange reserve, making it a bright spot in an otherwise dismal economy. With the country and world revolving under the impact of the coronavirus pandemic, IMF forecasted the Indian economy is likely to grow at -10.3% in 2020. Consumer prices in India are likely to grow at 4.9% this year and 3.7% in 2021(See Figure below). In the next year 2021, global growth is projected at 5.2%, slightly lower than it anticipated in June.

Growth projection of India for FY21 has been grow at 8.8% i.e. twice that of Bangladesh at 4.4% by International Monetary Funds (IMF). world economy will face worst recession since Great depression in 1930s, due to the "Great Lockdown" to combat Covid-19 Outbreak. The continued financial sector weakness of Indian economy was already slowing down and at that point of time Coronavirus pandemic hits India. The serious disruptions of economic activities affected by covid-19, both through demand and supply blows, has overtaken the early recovery in the Indian economy that leads to massive job losses. Growth for FY20 is expected 5% by Indian Statistic department as against IMF has expected the same as 4.2%.

As per IMF, the pandemic damaged India's economy is projected to contract by 4.5% this fiscal. IMF said in WEO (World economic outlook) that its economy is expected to contract on the back of due to longer lockdown and slower recovery is anticipated in April. Accordingly, the country's economy will contract in FY21 from an expansion of 4.3% in FY20. In the terms of calendar year 2020, the economy is expected to contract by (-) 4.4%.



Region	2020	2021
India*	-10.3	8.8
Brazil	-5.8	2.8
Russia	-4.1	2.8
China	1.9	8.2
South Africa	-8	3
World	-4.4	5.2

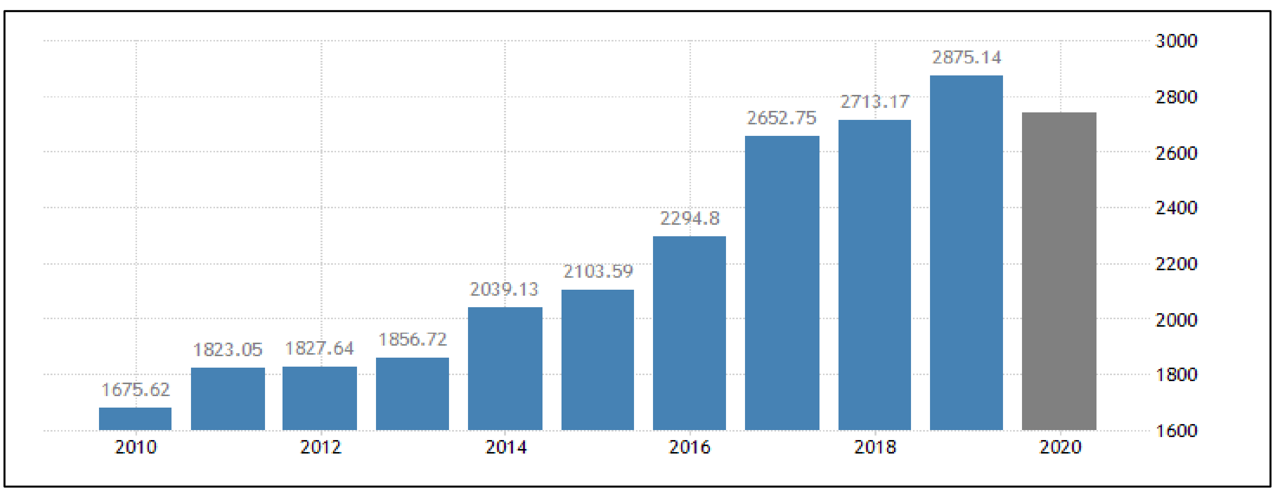
*India's figures are for fiscal years. All figures in %

India GDP Growth Rate

The gross domestic product (GDP) measures of national income and output for a particular country's economy. The gross domestic product is equal to the total expenditures for all final goods and services produced within the country in a specified period of time. In India, the growth rate in GDP measures the change in the seasonally adapted value of the goods and services produced by the Indian economy during the quarter. The Gross Domestic Product (GDP) in India was worth 2875.14 billion US dollars in 2019, as per the official data from the World Bank and predictions. As per forecasts GDP of India is expected to climb 2610 USD Billion by the end of 2020.(See figure below). In the Long run the India's GDP in expected to rise around 2950.00 USD Billion in 2021 and 3200.00 USD Billion in 2022. Also as per the Reserve Bank of India the GDP growth in India during 2020-21 is likely to remain the negative. As per the latest round of FICCI's economic outlook surveys puts forth an annual median GDP global growth estimates for 2020-21 at (-) 4.5% with a minimum and maximum growth estimates of (-) 6.4% and 1.5% respectively for 2020-21.

During Quarter 1 (April 2020 to June 2020) India's gross domestic product declined sharply by 23.9%. Currently, agriculture is the only sector with a silver lining. In the June quarter only the agriculture, forestry and fishing industry witnessed a growth of 3.4%. India is expected to become the world's fifth largest economy in the world, reaching a total GDP size exceeding USD 3 trillion, and passing its former colonial ruler, the United Kingdom. As per National Statistical Office (NSO) witnessed sharp declining all major sectors except Agriculture.

- Trade, hotels, transport and communication declines by 47%.
- Manufacturing declines by 39.3%, while construction took a hit by 50.3%.
- Mining output struggled at 23.3%, and electricity and gas dipped by 7%.



External Debt in India

In India external debt is a part of the total debt that is payable to creditors outside the country. External debt is the share of a country's debt that is borrowed from foreign lenders, including governments, commercial banks or international financial institutions. These loans are including interest and it is normally to be paid in the currency in which the loan was made.
As per Reserve Bank of India, some major developments relating to external debt as the end of June 2020 are presented below:

- According to RBI data, India’s external debt stood at USD 554.5 billion at the end of June 2020, recording a drop of USD 3.9 billion over its level at the end of March 2020. (See Table below).

- The commercial borrowing remained at major component of external debt, with the share of 38.10%, followed by non-resident deposits i.e. 23.90% and short-term trade credit i.e. 18.2%.

- At the end of June 2020, long-term debt was placed at US$ 449.5 billion, recording a fall of US$ 2.0 billion over its level at end of March 2020. (with original maturity of above one year)

- The external debt to GDP ratio increased to 21.8% at end of June 2020 from 20.6% at end of March 2020.

- The share of outstanding debt of non-financial corporations in total external debt was the maximum at 42.3%, followed by deposit-taking corporations excluding the central bank (28.1%), general government (18%) and other financial corporations (7.4%).

- Short-term debt on continuing maturity basis comprises 44% of total external debt at the end of June 2020(March 20 i.e. 42.4%) and 48.2% of foreign exchange reserve at the end of June 2020(March 2020 i.e. 49.6%).

- Debt service has been increased slightly to 8.10% of the current receipts at end of June 2020 as compared with 6.5% at end of March 2020, reflecting the greater interest payments on lower and current receipts commercial borrowings.

Table 1: External Debt - Outstanding and Variation

(US$ billion)

Component	Outstanding as at end of			Absolute variation		Percentage variation	
	June 2019 PR	March 2020 PR	June 2020 P	Jun-20 over Jun-19	Jun-20 over Mar-20	Jun-20 over Jun-19	Jun-20 over Mar-20
1	2	3	4	5	6	7	8
1. Multilateral	59.0	60.0	64.8	5.8	4.8	9.8	8.0
2. Bilateral	26.5	27.2	27.5	0.9	0.3	3.6	1.1
3. IMF	5.5	5.4	5.5	-0.1	0.0	-1.0	0.8
4. Trade Credit	7.8	7.2	7.0	-0.8	-0.2	-9.7	-2.2
5. Commercial Borrowings	213.7	220.1	211.1	-2.6	-9.1	-1.2	-4.1
6. NRI Deposits	133.6	130.6	132.7	-0.9	2.1	-0.6	1.6
7. Rupee Debt	1.1	1.0	1.0	-0.1	-0.1	-13.4	-5.2
8. Short-term Debt	109.7	106.9	105.0	-4.7	-1.8	-4.3	-1.7
Of which:							
Short-term trade credit	104.4	101.4	101.2	-3.2	-0.2	-3.1	-0.2
Total External Debt	556.9	558.4	554.5	-2.4	-3.9	-0.4	-0.7
Memo Items:							
A. Long-term Debt (original maturity)@	447.2	451.5	449.5	2.3	-2.0	0.5	-0.4
B. Short-term Debt (original maturity)#	109.7	106.9	105.0	-4.7	-1.8	-4.3	-1.7

PR: Partially Revised P: Provisional
@: Debt with original maturity of above one year.
#: Debt with original maturity of up to one year.

Contain the Economic Fallout and Possible Growth Outcomes

The extreme impact of COVID-19 on global, advanced economy, and emerging and developing economy growth, as well as on world trade, will depend largely on the severity and period of the necessary pandemic-control measures and related financial disturbances, as well as the ability of policymakers to provide a safeguard to economic disruptions and consider strengthening mechanisms for automatic, timely, and temporary support in downturns. In the result of deep economic fallout the wide economic policy goals remain similar to those discussed in the June WEO, with a constant emphasis on sizable, well-targeted measures that protect the vulnerable. Now at the time when economy reopens the main focus should be protecting jobs and firms to facilitating recovery and removing hurdles to worker reallocation.

Economies where the pandemic is increasing

A recovery would get started in the second half of 2020 once lockdowns and other restrictions are slowly relaxed; the emphasis should be on containing the health shock and reducing damage to the economy so that activity can regularize more rapidly once the restrictions are lifted. Target important measures, like temporary tax breaks for people and firms which are affected in pandemic period, wage subsidies for discharged workers, cash transfers, and paid sick and family leave are good common practices for reducing income losses. Also temporary credit guarantees and loan restructurings, especially for small and medium size enterprises provides a great help to preserve employment relationships likely to remain viable after the pandemic decline.

Economies where reopening is underway

Many countries now provide some relaxations to that lockdowns. With reopening, focus on good policies must also shift toward facilitating recovery. However, hiring subsidies and spending on workers training will tend to increase to enable reallocation toward sectors with growing demand and away from those likely to emerge persistently smaller from the pandemic. Enabling reallocation will also involve actions to repair balance sheets and report debt overhangs factors that have slowed past recoveries from deep recessions. It requires mechanisms for restructuring and disposing of afflicted debt. These types of steps reduce insistent resource misallocation and productivity losses can further improve the efficiency of broader incentive to lift aggregate demand and boost employment.

Conclusion

The COVID-19 recession is unique in many respects. It is the first recession to have been triggered merely by a pandemic during the past 150 years, and current estimates suggest that it will be the most severe since the end of World War II. The pandemic continues to test health care capacity in many economies, rushing in emerging market and developing economies. As per current projections suggest that the COVID-19 recession will involve a 6.2% decline in global per capita GDP, making it the inmost global recession since 1945-46, and more than twice as deep as the recession accompanying with the global financial crisis.

Global growth is expected at -4.4% in 2020, 0.8% points above the June 2020 World Economic Outlook predictions. There is a negative impact on low-income households are specifically critical, imperilling the significant progress made in reducing extreme poverty in the world since the 1990s.

The outlook focuses on two equally possible scenarios. In the downside scenario, wherein containing the virus proves to be a more difficult and protracted struggle until a vaccine is widely available. In the upside scenario, it is assumed that all dimensions of the fight against the virus go well. Global growth under the upside scenario gradually accelerates relative to the baseline, with growth roughly ½ percentage point higher in 2021, rising to roughly 1 percentage point higher by 2023. In 2024 the pickup moderates, with growth slightly below baseline by 2025. The G20 initiative for a temporary standstill on official debt service payments by low-income countries is a vital first step to help them preserve international liquidity and channel resources to combat the health crisis. In 2021, global growth is projected at 5.2%, little more than 0.2% it predicted in June. The IMF has been expected the Indian economy is likely to grow at -10.3% in 2020. Consumer prices in India are likely to grow at 4.9% this year and 3.7% in 2021. Growth projection of India for FY21 has been growing at 8.8% i.e. twice that of Bangladesh at 4.4% by International Monetary Funds (IMF). As per forecasts GDP of India is expected to climb 2610 USD Billion by the end of 2020. In the long run the India's GDP in expected to rise around 2950 USD Billion in 2021 and 3200 USD Billion in 2022.

More than one million lives have been lost to COVID-19 then the start of the year and the toll continues to increase. Many more have suffered a serious illness. Approx. 90 million people are likely to drop into an extreme deficiency in this year. These are challenging times, yet there are some reasons to be positive. Testing has been ramped up, treatments are improving, and vaccine trials have proceeded at an extraordinary pace, with some now in the final stage of testing.

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