

**Editor's Note**

Our policy is to review all books which are either sent to us or in our opinion are useful to our readers.

*Book Review*

## **World Economic Outlook : A Critical Juncture amid Policy shifts<sup>1</sup>**

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THE WORLD ECONOMY is tenuous resilient amid persistent uncertainty. The global growth is projected at 3% in 2025 and 3.1% in 2026. Global headline inflation is expected to fall to 4.2% in 2025 and 3.6% in 2026. There has been supply side shock and demand side shock with the changes in the US tariffs. The peace treaty between Israel and Gaza brings hope of peace amid polarization. The constantly evolving improved financial conditions together with a weak US dollar and fiscal expansion in economies have created the necessary bulwark to protect people by safeguarding their rights amid uncertainties. The recent protest in many economies did pose challenges in most economies and continue to put pressure on government across the world with rising cost, debt levels and growing resentment to the present structural deficiencies in the systems. Yet governments offer a promise to increase the world global growth with an 0.1% higher in 2026.

The World Economic Outlook in July had estimated that the swift escalation of trade tariff and high level of policy uncertainty are expected to have a significant impact on the global economy. The lingering effects of cost of living with depleted policy space and dim medium term was estimated to have created social unrest which we did observe in many economies across the world. The tariff rates have reduced from the initial announcement together with new agreements are to provide clarity and stability to the global trade. Constructive work is needed by countries to ensure a stable trade environment, debt restructuring and to address shared challenges. The report also identified that to maintain internal economic stability there is need to address domestic policy and structural imbalances. The report indicates that the central banks continue to be in a difficult position to ensure stability of price and financial stability for the economy amid the uncertainties that prevail. Putting public debt on sustainable path remains an important priority. The economies need to ensure that critical

1 IMF, "World Economic Outlook : A Critical Juncture amid Policy Shifts", April 2025, International Monetary Fund, Washington D.C., USA, pp. 170, Price NIL.

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spending is met for national and economic security. It recommends structural reforms in labour, product and financial markets to complement the effort to reduce debt and narrow cross country liabilities.

The report estimates that the cross country differences in growth rates are expected to narrow down as cyclical forces dissipate but may not disappear. The report estimates that the fiscal space is exhausted with the pandemic and the energy spikes caused by the Russia and Ukraine war and it is moving towards consolidation. Inflation expectation exceed the central bank estimates in most advanced and emerging economies. New trade policies and Exchange rate movements henceforth give less leeway to the policymakers. There is continuous rise of domestic imbalances giving rise to global imbalances. A distinct macroeconomic dimension of trade reallocation has emerged. Imbalances are also becoming visible in the international investments. The report estimates that in USA and Euro Area the monetary policy would be to reduce the interest rates and there would be tightening of fiscal policy. In emerging economies the primary fiscal deficits are expected to widen. Public debt in emerging and developing economies is expected to rise from 70% to 83% of GDP.

Growth in Advanced economies is expected to drop from 1.8% in 2024 to 1.4% in 2025 and 1.5% in 2026. Growth in Euro area is estimated to decline at 0.8% in 2025 picking up by 1.2% in 2026. Growth in developing and emerging Asia is expected to decline further to 4.5% in 2025 and 4.6% in 2026. Latin America and Caribbean growth is projected to moderate to 2.4% in 2024 and 2% in 2025. Middle East and Central Asia after subdued growth is estimated to grow at 2.4% in 2024 to 3% in 2025 and 3.5% in 2026. In Sub Saharan Africa the growth is estimated to decline slightly from 4% in 2024 to 3.8% in 2025 and recover to 4.2% in 2026.

The Chapter 2 of the WEO explore the rise of silver economy focusing on three key areas the extent of healthy aging and its impact on labor markets, the broader economic implications of demographic changes, and the role of targeted policies in mitigating the adverse effects of aging. The report emphasizes on policies that support healthy aging, increased labour force participation among the older and closing gender gaps. The potential of silver economy is emphasized in boosting growth, creating fiscal buffers and demographic headwinds.

The Chapter 3 of the report concentrates on migration of labour in and out of the economies. The chapter examines how an economy's policies to manage legal inflows of migrants and refugees can have important spillovers to other destination and transit economies, as well as the economies from which these flows originate. The policy emphasis is on improving the integration of migrants and refugees and minimizing skills mismatches. In emerging market and developing economies, the returns from better integrating refugees can be particularly large. The report recommends measures that are needed to alleviate pressures on local services and

infrastructure, by prioritizing productive public investment and promoting private sector development. International policy cooperation can help distribute the short-term costs of hosting large and unexpected inflows more evenly across economies and improve outcomes over the long term.

The overall global economic stability and reduced uncertainty with policies that maintain internal equilibriums is thrust of the report. The report provides the long term directions to the reducing the cross country differences in economies through policy actions that mitigate internal imbalances and favourably place the external spillovers. The governments are in a tight position and difficult line to tread the balance among among different stakeholders. The resilience of the economies needs to supported with well thought out constructive solutions of policies that reform the structural imbalances and provide for more integrated world economic order. The report offers many aspects for the economies to ponder upon and develop national and international policies that protect and guide national interest with economic developments.

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