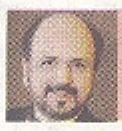

COLUMN
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Global growth under threat

IMF expects growth in the Middle East will be stronger this year on oil production

THE International Monetary Fund (IMF) has raised concerns on global economy recently. In its quarterly update IMF has forecasted that world economy will likely expand 3.5 per cent this year, which is down slightly from its previous estimate of 3.6 per cent in April. The IMF also cut its forecast for global growth to 3.9 per cent in 2013, from 4.1 per cent three months ago. It also reduced its forecast for emerging economies, projecting they will expand 5.9 per cent in 2013 and 5.6 per cent in 2012. The IMF also expects growth will slow in several large developing countries, mostly because they will export less to Europe and the United States.

China's economy will likely expand eight per cent this year, down from April's 8.2 per cent forecast. India's economy will grow 6.1 per cent, down from 6.9 per cent in April 2012. Brazil's growth will be only 2.5 per cent, from three per cent in April 2012. The IMF expects growth in the Middle East will be stronger this year as key oil producing countries boost production and Libya's economy rebounds from conflict in 2011, but it held its forecast for next year at 3.7 per cent.

India's economy will grow 6.1 per cent, down from 6.9 per cent in April this year.— *AP*

US dollar index which is presently around 83.081 had weakened due to poor US retail sales in June 2012. The Federal Reserve is prepared to take further action to help the economy if unemployment stays high. Earlier this month dollar index had touched a two-year high after minutes from the Federal Reserve's meeting last month showed that only few officials thought that more asset purchases would be necessary to boost the economy. IMF had recently brought down the US growth to two per cent from 2.1 per cent in April 2012. IMF has also warned that economic conditions could worsen if the United States doesn't deal with a pending budget crisis soon.

Euro has touched a two-year low against the US dollar in the last one week. Worries over Spain and the other indebted euro countries, have weighed on Europe's single currency over the past few weeks. The euro is in the range of 1.22-1.23 against dollar. Europe's debt crisis will also remain near the top of markets' concerns. In particular, investors will be awaiting details of Spain's bank bailout. Global investors have switched over from stricken sovereigns into core eurozone bonds in last couple of years which has saved the euro from a more severe selloff. However the core euro countries such as Netherlands, Finland and Austria bonds have shown negative yields which could prevent global investors to hold on to the euro for long. The IMF cut its growth forecast for the crisis-hit eurozone to 0.7 per cent in 2013, while maintaining its projection of a 0.3 per cent contraction for 2012. It now believes Spain's economy will shrink both this year and next.

The British Pound is at 1.56 against the dollar. Sterling hit a near two-week high against dollar after US retail sales data. Though IMF had lowered its forecast growth of UK to just 0.2 per cent when compared to growth of 0.8 per cent in 2012, there are still expectations of return to growth by UK economy which is making the UK pound bullish. The 2013 economic growth for UK has been lowered to 1.4 per cent in July 2012 when compared to two per cent in April 2012.

The yen slipped to 79 against the dollar. The dollar was stuck near one-month lows against the yen recently after US retail sales for June 2012. The Japanese GDP grew one per cent in the first quarter, was driven by strong domestic demand particularly government expenditures. Chinese yuan is between 6.37-6.38 against a dollar. Chinese yuan is one of the emerging economy currencies which had showed some resilience against the dollar. The currencies of Russia, India and Brazil had weakened during this year against the dollar. Swiss franc has dropped by close to 20 per cent against the dollar since the Swiss National Bank imposed a cap on the currency's appreciation in September to ease a strain on exporters.

8%
expansion likely in Chinese economy

In emerging market economies, policymakers should be ready to cope with trade declines and the high volatility of capital flows. The global economic growth is under threat and the risks have increased. The very recent, renewed deterioration of sovereign debt markets underscores that timely implementation of these measures, together with further progress on banking and fiscal union, must be a priority. US should address debt ceiling issues. Fiscal discipline is the need of the hour to revive from this crisis.

The writer is Group CEO at Doha Bank. Views expressed by the author are his own and do not reflect the newspaper's policy