# GLOBAL ECONOMY: YET TO COME OUT OF RISK OF CRISES

Global economic activities have now begun to reflect signs of recovery in 2013. Yet, recurrence of any economic crisis cannot be ruled out in several countries, in the medium term. Days of steady and balanced growth are yet very far, to re-emerge. Most regions of the world have though begun to experience moderate strengthening, yet, growth continues to be below the potential. Growth of world gross product (WGP) is still projected at 2.3 % in 2013, i.e. at the same pace, at which it was in 2012. Several of the economic uncertainties of yesteryears are having the same probability as was apprehended in the preceding years of recent past. Though, leading economies of the Euro zone and the US are now showing signs of improvement in growth. Yet, the worse is not over. Developing countries and economies in transition are, though, continuing to register much stronger growth than developed economies. But, they are more vulnerable to even minor tremors in the global economy. For instance, just on the remarks of the chairman of the US Central Bank, i.e. the Chairman of the US Federal Reserve, Mr. Ben Bernanke in May 2013 about the possibility of the US to rein back on its' $ 85 billion a month bond buying programme', which releases cheap money into the system, sparked a heavy sell-off in the emerging markets. Indeed, the investors speedily rushed to buy dollars in anticipation of higher returns. This caused spectacular falls in most of the emerging markets. In some markets, especially in India the Rupee has hit record lows. This has let free, both the inflation and fall in currency rates, along with the worst ever fiscal crisis. Though the fiscal crisis is brewing out of over-spending of the government. Yet, the ongoing economic crisis is getting deeper, inspite of all the measures adopted by the Reserve Bank of India, including tight monetary policy being pursued, even to the displeasure of the Finance Minister since March, 2010. The policy of high interest rates and tight money supply pursued by the RBI was almost in contract to the contemporary monetary easing being pursued in most other parts of the world. The downturn in the growth rates as well as, the blow-off of the deficits in fiscal and current account balances has begun to cause serious concern amongst the policy formulators in India. The manufacturing sector has been rapidly going down, since 2011-12. The manufacturing sector could grow by only 2.7 percent p.a. in 2011-12, which has further declined thereafter, to 1.9 % and has now slipped down to 1 percent in the Q 1 of 2013-14. Indeed, the manufacturing sector growth rate the fulcrum for generating employment, raising disposable incomes and enhancing demand in the economy, which are all essential prerequisites for sustained growth. The manufacturing sector in India had never been on such a sluggish path, ever since Independence. Even in 1950s it has grown by 5.9 percent and at by 5.6 percent in 1960s. In 1960's the country had to fight two wars - one with China in 1962 and the other with Pakistan in 1965, yet the manufacturing sector could grow by 5.6 percent. Poor show of manufacturing sector has led to a huge trade deficit of $ 200 billion in the year 2012-13, coupled with 4.8% current account deficit. The current account deficit for Q1 (April-June) of 2013-14 has breached all limits to reach at a peak of 6.3 percent of GDP. These have therefore, plunged the Indian rupee to worst ever volcanic rate of Rs. 68 per dollar, which was as high as Rs. 44.6 per dollar in March 2011 only. The fiscal deficit in the current year has over shooted to cross 48 percent of the annual projection, within Q1, of 2013-14. The rupee still vulnerable to fall further below, unless trade and current account deficits are curbed. It would require a recovery in the manufacturing sector as well.

Indeed, in response to the ongoing economic slowdown in contrast to India many of the countries, worldwide have adopted more expansionary monetary policy and to a considerable extent the fiscal policy, to stimulate demand in 2012. This was indeed expected to give an upturn in demand to provide a much desired lift to the economic growth in 2013, which has been partially realized as well. Yet, the growth in 2013 is still expected to be slower than most of the estimates. The pace of growth, in many developing countries is still likely to be lower than what was before the global financial crisis. The Least Developed Countries (LDCs) are though projected to witness more rapid growth in 2013, than in the past couple of years, and better than rest of the economic groups. But, they too would be growing at a rate, lower than the precrisis growth levels.

The employment situation is much bigger a challenge in large number of economies worldwide, inspite of a growth projection of 2.3% for the world. Indeed the neo-liberal economic policies have got inseparably associated with the bane of job-less growth. Among the developed countries, the unemployment is more severe and evading all measures. In parts of the Euro zone, which continue to experience unprecedented frigidity in economic activities amid the stringent fiscal austerity programs, either via bailout packages forced upon by lenders or adopted by them due to the ongoing sovereign bonds crisis. In early 2013, the unemployment rates have already shooted to 26.7 percent in Spain and 27.2 percent in Greece, with youth unemployment rates around 60 percent. Situation is grim in many other euro zone countries as well. The unemployment is on the rise in certain select euro area countries such as Belgium, Finland, France, Germany and Italy. Average unemployment in the Euro zone countries in aggregate has reached to an all-time high of above 12 percent or more in March 2013, and is projected to rise further, to an average of 12.7 percent or even up to 13 percent in 2014. The unemployment rate in the United States has though fallen recently, yet, it is still high as per their historical standards. The drop in unemployment in the US can be partly attributed to a visible decline in labour force participation, as indicated in some estimates.

In most developing regions, which are less dependent upon export demand for their growth the labour markets have not suffered from weak demand as extensively as in developed economies and china, which largely depend export led growth. In some emerging economies, especially in South America and East Asia, unemployment rates have even dropped below the levels seen before the financial crisis of 2008. South America has now even begun to dither away from the neo-liberal economic policies, often alleged to be responsible for depreciating growth rates and rising un-employment, after the pink tide of the new global left rising with a strong breeze of civil society movement. In both regions, the employment outlook has remained firm and optimistic even in the face of the recent economic slowdown. But, in Africa employment appears to be a key problem and majority of the African countries, inspite of relatively higher growth rates over the past more than a couple of years are facing the problem of high unemployment. Several developing countries have been facing structural labour-market challenges, such as low participation rates, particularly among women; high youth unemployment; large informal sectors; growing shares of low-quality jobs; lack of adequate welfare & social security covers and very low and slow growth in labor productivity have less pronounced problem of unemployment. The employment-population ratios are persistently low since last 5 years in North Africa and West Asia and have declined more significantly in South Asia in recent years.

The International trade as well is though expected to gain a modest recovery in 2013. Yet, the ratio between the growth of world trade and global output is predicted to be lower than what was before the global financial crisis of 2008. The growth of global trade in 2013 too would not go beyond 3.5 percent, according to most of the forecasts. It is also slated to grow largely due to the growing global division of labour, being pursued by most of the MNCs. So, only branch the transfers have been dominating over real international trade.

In such a scenario, which is less than optimistic, growing divergence in the country specific economic policies and sharp differences prevalent among the members of G-20, would hardly pave way for a coordinated recovery or atleast for sealing the risk of recurrence of economic crises in the medium term. A greater degree of International Corporation with coordinated reciprocity in policies can alone lead to faster growth coupled with requisite employment generation and sustainability.

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