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TIGER TALES REVEAL WORLD ECONOMY NOT YET OUT OF THE WOODS

The Brookings Institution-Financial Times tracking index shows, that even though the economy did show signs of being steady, it still remained on “life support” from central banks and that it has weakened since last autumn. Brookings’s senior fellow and index creator Prof Eswar Prasad said, “The world economy is showing scattered signs of vigor but remains on life support, mostly provided by accommodative central banks. Concerns about spillover from a worsening of the European debt crisis and slowing growth in key emerging markets are putting a damper on consumer and business confidence.” The TIGER index combines ‘measures of real economic activity, financial variables and indicators of confidence’ and using modern statistical methods it reaches conclusions regarding economic parameters of countries. The deterioration, according to TIGER, (Tracking Indices for the Global Economic Recovery) extends across the group of 20 leading economies, however, advanced economies have deteriorated more than developing countries. Christine Lagarde, managing director of the International Monetary Fund, sounded a word of caution, saying that even though there was some sign of improvement, "the risks remain high, the situation fragile." The European Central Bank’s ‘massive injection of liquidity’ energized the financial markets and they showed some recovery in the first quarter of the year. Inspite of which, the prospect of growth and jobs is becoming increasingly shaky and uncertain almost everywhere except in America. Professor Eswar Prasad of the Brookings Institution said, "The global economic recovery is still sputtering due to a lack of robust demand, policy tools that are stretched to their limits and unable to muster much traction, and enormous risks posed by weak financial systems and political uncertainty." The TIGER index combines ‘measures of real economic activity, financial variables and indicators of confidence’ and using modern statistical methods it reaches conclusions regarding economic parameters of countries. Growth prospects in Europe have been further diluted by tough austerity measures initiated to cope with the economy crisis. "This is stifling growth, worsening debt to GDP ratios in the short run, and generating an unsustainable political situation at the domestic and pan-European levels," Prof Prasad said. On the contrary, the US recovery, even though its growth is modest, is more robust. The TIGER index shows that it is not just the developed economies that are suffering. Emerging countries are also suffering a similar fate, with Bric countries, Brazil, Russia, India and China all falling short of expectations in their industrial output. Prof Prasad said that, "The burden of sustaining world growth is taking a toll on emerging market economies.” Much to the relief of investors, households and companies, chances of a collapse, a valid apprehension in the winter, has greatly receded with the financial conditions and confidence indicators, putting up a better performance in 2012. However, with growth forecasts not so bright, the growth has to go beyond mere numbers and be reflected in real recoveries for the confidence to hold.