ADB cuts India GDP growth forecast to 7%

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The Asian Development Bank (ADB), on Wednesday, cut India's Gross Domestic Product (GDP) growth forecast by 50 basis points to 7 per cent for FY23. In April, the agency had forecast a growth rate of 7.5 per cent.

The growth outlook has been lowered amid sluggish global demand and a tightening of monetary policy to manage inflationary pressures from elevated prices for oil and other commodities, said the agency. For FY24, too, the growth projection has been lowered to 7.2 per cent from 8 per cent.

GLOBAL SLOWDOWN

In an update on its flagship economic publication, Asian Development Outlook (ADO) 2022, ADB listed the global slowdown as a key reason for affecting India's GDP forecast. "While India's gross domestic product (GDP) is steadily closing in on its pre-pandemic trend level, economic growth in the near term is likely to be affected by the global slowdown and high inflation," said ADB Country Director for India, Takeo Konishi.

"We expect that the government's continued efforts to improve the regulatory climate for businesses and infrastructure will boost investment and create more jobs in the medium term," added Konishi.

According to the update, inflation is forecast to remain elevated over the next two years, averaging 6.7 per cent in the current fiscal, before moderating to 5.8 per cent next year.

"High inflation has led the Reserve Bank of India to increase policy rates, thereby, raising the cost of borrowing. Inflationary pressures will crimp private consumption. However, subsidised fertiliser and gas, free food distribution, and excise duty cuts will help offset the impact of high inflation on consumers," said the agency.

Further, the services sector is expected to remain buoyant due to the lifting of Covid restrictions. However, the manufacturing sector is expected to grow slower because of rising input costs. Agriculture value-added is likely to be marginally lower, as the sown area has declined and monsoon remains uneven. A slowdown in global growth will result in sluggish exports, while the value of imports is likely to increase.