ON PRE-PANDEMIC GROWTH PATH

India staging broad-based recovery

FY24 GDP growth forecast hinges on crude staying below $100 per barrel

ARUP ROYCHOUDHURY
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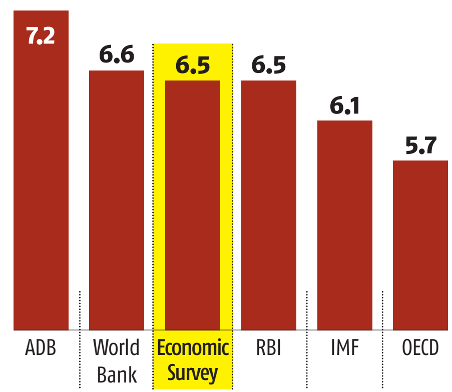
THE FORECAST

FY24 real GDP growth projections (% YoY)



Source: Economic Survey

India is projected to grow at a baseline rate of 6.5 per cent and at a range of 6-6.8 per cent in 2023-24 (FY24), with global macroeconomic slowdown being the key risk factor to the forecast, the Economic Survey 2022-23 said on Tuesday.

"Recovering from pandemic-induced contraction, Russian-Ukraine conflict, and inflation, the Indian economy is staging a broad-based recovery across sectors, positioning to ascend to the pre-pandemic growth path in 2022-23," said the Survey, authored by Chief Economic Advisor V Anantha Nageswaran and his team. This is Nageswaran's first Survey.

The baseline nominal gross domestic product (GDP) growth is forecast at 11 per cent.

The Survey also said that over the medium term (until 2030), India would achieve an average growth rate of around 6.5 per cent, based on the reforms carried out since 2014 so far, and that could be improved to 7-8 per cent if some more structural reforms are carried out.

These reforms include administrative reforms and enforcement of contracts, dismantling licences, inspection and compliance, energy and security transition, and harnessing 'Nari Shakti', among others.

"The Survey projects the growth rate to be 6.5 per cent for the next fiscal year, and the range we have projected for the outcomes is between 6 per cent and 6.8 per cent. The range is deliberately asymmetrical," said Nageswaran at a media briefing after the tabling of the Survey in Parliament. Nageswaran said that the global economic and geopolitical environment remains rife with uncertainty.

"We have many known unknowns as well as unknown unknowns. And we also don't know the pace at which the world economy will recover and the impact that may have on inflation," he said. "At this point, the headwinds come primarily from global factors. What holds back the growth rate is the fact that our net exports are negative. Geopolitical developments that further disrupt global trade and send commodity prices higher would be primary headwinds to our growth projections," he said.

Nageswaran said that as long as crude oil prices stay below $100 per barrel, the real GDP growth projections for FY24 will remain undisturbed.

The Survey said that the upside to India's growth outlook arises from several factors, including limited health and economic fallout for the rest of the world from the current surge in Covid infections in China, continued normalisation of supply chains, recessionary tendencies in major advanced economies triggering a cessation of monetary tightening, return of capital flows to India amidst a stable domestic inflation rate below 6 per cent, and improvement in private sector investment.

The Survey said that growth is expected to be brisk in FY24 due to vigorous credit disbursement. The capital investment cycle is expected to unfold in India, with the strengthening of the balance sheets of the corporate and banking sectors.

"Further support to economic growth will come from the expansion of public digital platforms and path-breaking measures such as PM GatiShakti, the National Logistics Policy, and the production-linked incentive schemes to boost manufacturing output," it said.

The Survey stated that India's recovery from the pandemic was relatively quick, and growth in the upcoming year would be supported by solid domestic demand and pick-up in capital investment.

The International Monetary Fund, in its January World Economic Outlook, expects global growth to slow from 3.2 per cent in 2022 to 2.9 per cent in 2023.