

# Public capex behind India's growth: IMF

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Strong public investment supported by resilient domestic demand has made India the world's fastest-growing major economy, the International Monetary Fund (IMF) said.

In its Regional Economic Outlook report for the Asia and Pacific region, the International Monetary Fund said that its upgrade of growth projection for the region was due to its higher growth expectations in India and China. The Fund raised its regional growth forecast for calendar year 2024 by 0.3 percentage points to 4.5 per cent, after a 5 per cent expansion in 2023.

"The revision reflects upgrades for China, where we expect policy stimulus to provide support, and India, where public investment remains an important driver, making it the world's fastest-growing major economy," said Krishna Srinivasan, Director of the Asia and Pacific Department, International Monetary Fund, in a blog post.

Finance Minister Nirmala Sitharaman, in the interim budget, proposed to raise the capital expenditure target by 16.9 per cent to a record ₹11.11 trillion for FY24-25. The International Monetary Fund had raised India's Gross Domestic Product growth projection for 2024-25 by 30 basis points to 6.8 per cent in its World Economic Outlook, citing buoyant domestic demand. "India and the Philippines have been the source of repeated positive growth surprises, supported by resilient domestic demand," the report said.

For FY24, the IMF raised India's Gross Domestic

## India needs 'hard reforms' to reach 7.5% growth: HSBC

The government will need to carry out difficult reforms such as overhauling land and labor laws in order to grow the economy more than 7.5 per cent over the next decade, according to HSBC Holdings. Even with easy to moderate reforms, growth can come in at 6.5 per cent over the medium term, Pranjul Bhandari, HSBC's chief India economist, wrote in a report on India's elections. "For 7.5 per cent+ growth, moderate to hard reforms will be necessary," she said. **BLOOMBERG**

Product growth projection to 7.8 per cent, compared to 6.7 per cent in its January report. For FY26, the IMF expects the country's economic growth to slow down slightly to 6.5 per cent – the same as projected in its January update.

For China, the International Monetary Fund projected Gross Domestic Product growth to slow from 5.2 per cent in 2023 to 4.6 per cent in 2024, and 4.1 per cent in 2025 as the positive effects of one-off factors – including the post-pandemic boost to consumption and fiscal stimulus – ease and weakness in the property sector persists.

The International Monetary Fund's regional outlook has flagged concerns about weaker activity in China triggering spillovers to the region. It said that weaker demand from China would cloud prospects for the region's exporters.