

# World Bank upgrades India FY25 growth forecast to 7%...

Says country saw success despite adversity; doesn't see growth slowing down

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The World Bank on Thursday raised its growth forecast for India for the current financial year (FY25) to 7 per cent, up from an earlier estimate of 6.6 per cent, driven by increased government spending on infrastructure.

"Growth was boosted by public infrastructure investment and a rise in household investments in real estate. On the supply side, it was supported by a buoyant manufacturing sector, which grew by 9.9 per cent, and resilient services activity, which compensated for underperformance in agriculture," said the World Bank in its India Development Update report.

Auguste Kouame, the World Bank's country director for India, said the country was becoming more dynamic in a challenging global environment and did not face the risk of falling into the middle-income trap if it continued its current policies and reforms.

"India has had success despite adversity. I don't see growth slowing down to the point where it gets trapped," he said. India grew at 8.2 per cent in FY24, making it the fastest-growing major economy in the world. However, growth slowed to a 15-month low of 6.7 per cent in the April-June quarter of FY25, mainly due to weak performances in the agriculture and services sectors, according to government data released on Friday.

Earlier, the International Monetary Fund (IMF) also raised India's gross domestic product (GDP) growth forecast for FY25 to 7 per cent. Moody's Ratings similarly increased India's GDP growth projection for the 2024 calendar year to 7.2 per cent, up from an earlier estimate of 6.8 per cent. The World Bank expects India's medium-term outlook to remain positive, projecting GDP growth of 6.7 per cent



## HIGH HOPES

FY25 GDP growth forecasts  
(in %)

Fitch	7.2
Moody's*	7.2
RBI	7.2
IMF	7.0
ADB	7.0
World Bank	7.0

\*For calendar year 2024  
Source: BS Research

for FY26 and FY27. The report said while the urban labour market has gradually improved since the peak of the pandemic, youth unemployment remains high at around 17 per cent.

Kouame praised India's budget announcements addressing unemployment as a positive step but stressed that additional measures are needed.

"Is it just a policy or a structural issue?... India should try to conquer less advanced, lower-end markets with goods that may create more jobs. China didn't just focus on exporting to the US but to the entire world," said Kouame.

The World Bank report also highlighted that direct employment related to exports in India has declined from a peak of 9.5 per cent of total domestic employment in 2012 to 6.5 per cent in 2020.

## ...urges country to reassess stance on mega trade blocs

The World Bank, on Tuesday, urged India to re-evaluate its regional integration strategy, including its decision not to join the Regional Comprehensive Economic Partnership (RCEP), as part of its plan to achieve the \$1 trillion export target by 2030.

"India does not participate in mega trade blocs such as RCEP, while other South Asian countries like Bangladesh and Sri Lanka have recently indicated interest in integrating with this East Asian regional trade and global value chain (GVC) hub. As smaller, regional economies consider trade agreements beyond South Asia, India may want to re-evaluate its regional integration strategy, including its position on RCEP. In an ideal situation, more emphasis on plurilateral and multilateral cooperation would be beneficial," the World Bank said in its latest India Development Update report.

However, Auguste Tano Kouamé, World Bank's

India country director, told reporters that the final decision rests with India.

"Trade is good, and being part of a trading bloc is good. We do not have specific recommendations regarding individual trading blocs. It is up to countries, including India, to decide whether to join RCEP or not. We do not engage in trade negotiations between countries," he added.

The report highlighted that India has sizeably increased its use of protectionist measures, such as higher tariffs and non-tariff barriers, as well as industrial policies affecting trade in goods and services. Despite this, the report underscored the crucial role of trade in driving growth.

It noted that India's trade deal with the European Free Trade Association excludes key areas such as digital trade, e-commerce, pharmaceutical, and micro, small and medium enterprises, which limits its overall impact. RUCHIKA CHITRAVANSHI