World Bank sees FY24 inflation in India rising to 5.9%

Maintains GDP growth forecast at 6.3 %

RUCHIKA CHITRAVANSHI
New Delhi, 3 October

The World Bank on Tuesday increased its retail inflation forecast for India for 2023-24 to 5.9 per cent from the 5.2 per cent estimate made in April. Its economic growth forecast for the country remains at 6.3 per cent, underpinned by strong investment growth.

"Abnormal rainfall during the monsoon months caused a sharp increase in food prices in July 2023. Though eased in August, it is expected to continue to weigh on headline inflation through the rest of the fiscal year," the World Bank said in its half-yearly India Development Update.

The consumer price index-based inflation eased to 6.83 per cent in August from a 15-month high of 7.44 per cent in July, largely due to a fall in the rate of inflation in vegetable prices.

"While oil prices have moderated from their peak in 2022 and will help stabilise inflation, they are expected to remain elevated than the pre-pandemic levels. The RBI's (Reserve Bank of India's) policy of withdrawing accommodation and raising the policy interest rate over the last year has helped rein in core inflation, which is expected to continue to decelerate gradually," it further said.

The World Bank's fresh estimates come ahead of the RBI's monetary policy review, which will be announced on October 6. With food inflation now in control, the RBI is expected to maintain the status quo. In the August policy review, the central bank projected retail inflation to be 5.4 per cent in FY24.

According to the World Bank, rising inflation, primarily caused by adverse weather and supply-side disruption, is a temporary phenomenon that will affect certain components of GDP, such as consumption.

Overall, conditions are conducive to private investment. "We are expecting the government focus on infrastructure investment to continue," said Dhruv Sharma, senior economist at the World Bank and lead author of the report.

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WORLD BANK VIEWPOINT

(in %)	FY23	FY24*	FY25*
Real GDP growth	7.2	6.3	6.4
Inflation	6.7	5.9	6.0
Fiscal balance (as % of GDP)	-9.0	-8.7	-8.1
Current account balance (as % of GDP)	-2.0	-1.4	-1.2
Debt (as % of GDP)	82.9	82.9	82.5

*estimates Source: World Bank India Development Update October 2023

MANUFACTURING PMI EASED TO 5-MONTH LOW IN SEPTEMBER P4

news for the markets. The IT pack's results are unlikely to be robust if one goes by the trends internationally," said Bhat.

The market breadth was mixed, with 1,905 stocks declining and 1,872 advancing. Close to two-thirds of the Sensex stocks declined. HDFC Bank fell 1.2 per cent and contributed the most to the Sensex loss, followed by Reliance Industries, which also fell 1.2 per cent. The Nifty Smallcap 100 and Nifty Midcap 100 indices ended with gains of 0.5 per cent and 0.2 per cent, respectively. The India Vix rose 3 per cent.

"Buying in select heavyweights is capping the damage. Besides, resilience in the midcap and smallcap space also offers opportunities on the long side. We, thus, recommend focusing on stock selection while keeping a check on leveraged trades," said Ajit Mishra, SVP - technical research at Religare Broking.

World Bank...

"Our analysis shows it will help in bringing private sector investment as well," Sharma said. The World Bank also noted that the expected moderation in growth compared to 7.2 per cent in the previous year is due to challenging external conditions and waning pent-up demand. "An adverse global environment will continue to pose challenges in the short term," said Auguste Tano Kouame, the Bank's country director in India. "Tapping public spending that crowds in more private investments will create more favourable conditions for India to seize global opportunities in the future, and thus achieve higher growth."

The World Bank projected an overall fiscal deficit – the Centre and states combined -- of 8.7 per cent of GDP. It said it expects public debt to stabilise at 83 per cent of GDP. Kouame stated that there are zero risks of fiscal slippages due to upcoming elections. "The 2023 Budget was one of the strongest Budgets and signalled the government's determination to maintain the consolidation path. There is a firm commitment from the government when they think about the fiscal policy," Kouame said.

On the external front, the current account deficit is expected to narrow to 1.4 per cent of GDP in FY24, adequately financed by foreign investment flows and supported by large foreign reserves, the World Bank said. The report also highlighted that unemployment rates in India have declined more significantly for men and youth, but an increase in women's worker population ratio was driven by unpaid family work.

HDFC Bank...

Both Kapil and Vohra will continue to report to the MD & CEO.

HDFC Bank, which has been rapidly expanding its branch presence, decided to have two branch banking heads, instead of one. Smita Bhagat, and Sampath Kumar, both group