World Bank, ADB cut India growth forecasts for FY24

Cite global slowdown spillover, policy tightening impact

SHIVA RAJORA & ASIT RANJAN MISHRA
New Delhi, 4 April

The World Bank and the Asian Development Bank (ADB) on Tuesday slashed their economic growth forecasts for India for 2023-24 (FY24) by 30 and 80 bps to 6.3 and 6.4 per cent respectively, citing risks to the outlook arising from both global and domestic factors.

In its India Development Update, the World Bank said real GDP growth is expected to moderate from 6.9 per cent in FY23 to 6.3 per cent in FY24 because of global slowdown spillovers and slower consumption growth. "The lagged impact of monetary policy tightening, heightened growth uncertainty, and reduced current spending of the government are expected to constrain domestic demand in India in FY24," it added.

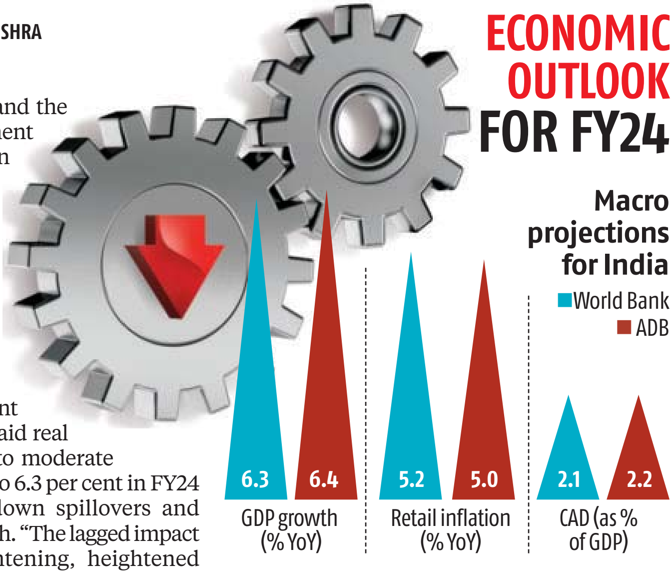
The ADB, on the other hand, in its latest Asian Development Outlook said if global conditions do not deteriorate as much as anticipated, higher global demand will likely spur growth in India. "However, any worsening of geopolitical tensions is likely to exert further downward pressure on global demand and increase uncertainty, tamping down India's growth rate and pushing up inflation. Domestically, weather shocks to agricultural production, including abnormal rainfall or higher temperatures, could spur food inflation, thereby putting further pressure on the central bank to raise interest rates," it said.

The World Bank cautioned that consumer spending by lower-income groups is expected to be hit in FY24 due to slower growth in their incomes. "This is consistent with labour market data indicating that over the past two years, jobs and earnings losses were higher among informal workers like those in casual-wage work, those with below-tertiary level education, and those in low-paying sectors most affected by the pandemic, such as retail and hospitality services, and construction," it said.

The ADB is more optimistic on prospects of domestic consumption growth. "A robust labour market and rising consumer confidence are indicators of relatively strong growth in consumption in FY24 and FY25. Further, a higher tax rebate and a raised income threshold for tax exemption, announced in the most recent budget, may increase disposable income for the middle class, also boosting private consumption," it said.

Turn to Page 6

ECONOMIC OUTLOOK FOR FY24



Other key India growth forecasts (YoY %)

- Economic Survey 6.5
- RBI 6.4
- S&P 6.0
- ICRA 6.0
- India Ratings 5.9
- OECD 5.9

Compiled by BS Research

EDIT: IMPENDING SLOWDOWN P9

Motilal Oswal AMC.

The variety of offerings in the passive category has also expanded beyond equity indices to debt, silver ETFs, gold ETFs, and overseas fund of funds. Experts say MF Lite regulations could increase competition in this segment. However, it is unclear how many existing players would make the switch from active to passive given the low profitability and spreads offered by the latter.

Typically, passive funds have a very low total expense ratio (TER). In most cases, it is less than 20 basis points (bps), while active schemes charge upwards of 100 bps.

World Bank...

On recovery of private investment demand, the World Bank said the investment cycle is projected to pick up in the second half of FY24, contingent on global growth recovery and lower borrowing costs. The ADB said private investment growth is likely to be lower in FY24, given tightened monetary policy, high lending rates, global uncertainty, and moderating optimism on business conditions.

Both the World Bank and the ADB projected retail inflation to moderate in FY24 to 5.2 per cent and 5.0 per cent respectively, assuming moderation in oil and food prices.

The World Bank said core inflation is expected to remain elevated but on a downward trajectory as the impact of monetary policy tightening starts to materialise from mid-FY24. "Moderating global oil prices will push transportation costs down, and inflation in other services is also expected to ease on the back of a modest growth in consumer spending. An expected fall in prices of inputs such cotton and synthetic fibres over FY24 will further push down core inflation," it added.

The ADB projected monetary policy to become more accommodative in FY25 in tandem with expected actions by the US Federal Reserve.

Companies...

Additional data from the report showed the majority of the Nifty 100 companies had fewer than seven meetings a year in 2018-19. There were 51 companies that had four-six meetings a year in 2018-19, and 49 had seven or more. This reversed by 2021-22. Only 44 companies had four-six meetings in 2021-22. The number with seven meetings or more rose to 56. The number of companies with more than 10 board meetings a year has gone up from 19 to 25. Talks with directors suggest some of this might have to do with easier norms for board meetings after the pandemic. Virtual meetings are allowed, which precludes travelling for people who may be away from company HQs.

Independent director Alok C Churiwala said the number