World Bank's India FY25 GDP estimate unchanged

AT 6.4%, INDIA MAY REMAIN WORLD'S FASTEST-GROWING LARGE ECONOMY

GLOBAL ECONOMY LIKELY TO SLOW FOR THIRD STRAIGHT YEAR IN 2024

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The World Bank on Tuesday kept its FY25 economic growth projection for India unchanged at 6.4 per cent, mainly on account of strong domestic demand, rising public infrastructure spending and strong private-sector credit growth. However, it projected that the private consumption growth might taper off due to high food inflation and diminishing pent-up demand.

In its biannual 'Global Economic Prospects' report, the World Bank said India was likely to maintain the fastest growth rate among the world's largest economies, but its post-pandemic recovery was expected to slow, with estimated growth of 6.3 per cent in FY24, before recovering gradually to 6.5 per cent in FY26.

The multilateral lender wasn't so optimistic about the global scenario. Hobbled by high interest rates, persistent inflation, slumping trade and a diminished China, the global economy will slow for a third consecutive year in 2024, it said.

The Washington-based organisation forecast that the world economy will expand 2.4 per cent this year. That would be down from 2.6 per cent growth in 2023, 3 per cent in 2022 and 6.2 per cent in 2021, which reflected the robust recovery from the pandemic recession of 2020.

On India, the multilateral development bank's forecast did not take into account the National Statistical Office's (NSO's) first advance estimates, released on Friday, which had projected 7.3 per cent growth for India in FY24 — higher than the Reserve Bank of India's estimate of 7 per cent — assuming an investment-led recovery.

"Investment is envisaged to decelerate marginally but remain robust, supported by higher public investment and improved corporate balance sheets, including in the banking sector. Private consumption growth is likely to taper off, as the post-pandemic pent-up demand diminishes and persistent high food price inflation constrains spending, particularly among low-income households. Meanwhile, government consumption is expected to grow slowly, in line with the central government's efforts to lower the share of current spending," the World Bank report said.

The report also said that growth in most regions in calendar year 2025 might strengthen, coinciding with an expected step-up in global growth, with the South Asian region projected to remain the fastest-growing region, led by strong growth in India underpinned by resilient domestic demand.

"Commodity importers, excluding China, grew at a more robust pace of 4.2 per cent in 2023. This was largely due to India's continued resilience amid increasing public investment and solid services sector growth. Excluding India and China, output in these economies expanded by 3.1 per cent. In some commodity importers, severe food and energy price shocks have eroded real wage growth since end of 2021, dampening consumption growth," the report added.

Besides, the report mentioned that India's strong performance in FY24 was led by robust public investment growth and vibrant services activity, thanks to resilient domestic demand for consumer services and exports of business services, even as merchandise exports slowed, reflecting weak external demand.

"Headline retail inflation remained within monetary authorities' target band of 2-6 per cent throughout most of 2023, with policy rates being kept unchanged since February 2023," the report added.

(With inputs from Agencies)

'Govt, multilateral bank coffers don't have trillions of dollars'

World Bank President Ajay Banga batted for removing barriers to private sector investment, saying it is key to tackling challenges before the global economy as neither the governments nor multilateral banks have trillions of dollars in their coffers. Speaking to World Economic Forum (WEF) founder and executive chairman Klaus Schwab, Banga said the immediate challenges before the world are conflicts in Gaza and Ukraine as also the debt situation in several emerging markets. In the longer term, the major challenges remain poverty and inequality as also those related to the environment, the said. **PTI**