India's optimism misplaced: Nomura

FY24 GDP growth forecast sharply moderated to 5.2%

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Japanese brokerage Nomura has projected a sharp moderation in India's growth rate for FY24 to 5.2 per cent as compared to FY23, saying Indian policymakers are "misplaced" about their optimism on the country's growth prospects.

After a week-long meeting with policymakers, corporates, commercial banks, and political experts, its economists said its FY23 GDP growth rate estimate is at 7 per cent – at par with the Reserve Bank of India's (RBI's) revised down forecast – but it expects a "sharp moderation" to 5.2 per cent in FY24.

India will stand out with 7% growth rate in FY23 amid global gloom: Sanyal

Amid fears of the world slipping into recession, India will perhaps emerge as the strongest major economy with 7 per cent growth rate in FY23, Economic Advisory Council to the Prime Minister (EAC-PM) member Sanjeev Sanyal said on Sunday. Sanyal observed that India can grow at 9 per cent in an external conducive environment like in early 2000s when the global economy was growing.

"We are clearly entering an environment where many countries around the world will be facing much slower growth or slipping into recession." **PTI**

"While we broadly agree with our interlocutors on the growth rate prospects in FY23, we believe the optimism in FY24 may be misplaced and that the spillover effects from the global slowdown are being underestimated," its economists Sonal Verma and Aurodeep Nandi said in a note.

The RBI has hiked repo rate by 190 basis points since May to tame inflation and is expected to do more, especially amid faster rate tightening by the US Fed, which is bound to impact growth rate.

The economy grew at 4 per cent in FY20 in a multi-year low.

The estimated slowdown in growth in FY24 will come ahead of the next general elections.

Indian policymakers have frequently spoken about the need to have a sustained growth rate of over 7 per cent for achieving long-term economic ambitions.

The brokerage said the mood in the country is "relatively positive" with risks seen emanating from weaker global demand, and added that domestic recovery is getting broad-based as seen through pick-up in investments and higher credit growth.

It recommended policy vigilance amid the global headwinds, and underlined that macro stability should be the priority over growth.

The brokerage said it expects the RBI to go for a 35 basis points hike at the December meeting and deliver a 25 basis points increase in February to take the repo rate to 6.50 per cent.