

# ADB raises FY25 India growth forecast to 7%

## Bets on investment prospects, services sector

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The Asian Development Bank (ADB) on Thursday upgraded India's gross domestic product (GDP) growth forecast for 2024-25 (FY25) to 7 per cent from 6.7 per cent earlier, citing better prospects of robust public and private investment and strong services sector growth.

However, it said unanticipated global shocks, such as supply line disruptions to crude oil markets and weather shocks that impact agriculture output, are key risks to India's economic outlook.

The forecast is part of the latest edition of ADB's flagship economic publication, Asian Development Outlook (ADO) April 2024, released on Thursday. "The triggers for FY25 growth will come from higher capital expenditure on infrastructure development both by central and state governments, rise in private corporate investment, strong service sector performance, and improved consumer confidence. Growth momentum will pick up in FY26 backed by improved goods exports and an increase in manufacturing productivity and agricultural output," the ADB said.

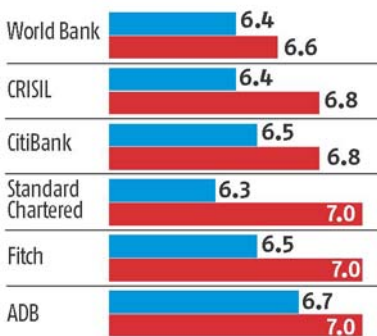
The ADB's projection is in line with the Reserve Bank of India's (RBI's) esti-



## GROWTH TRACKER

FY25 GDP growth forecasts (Y-o-Y in %)

■ Earlier ■ Revised



Compiled by BS Research

mate of 7 per cent growth in FY25. The RBI's Monetary Policy Committee last week said an expected normal south-west monsoon should support agricultural activity.

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# ADB...

“Manufacturing is expected to maintain its momentum on the back of profitability. Services activity is likely to grow above the pre-pandemic trend,” it added.

ADB Country Director for India, Mio Oka, said notwithstanding global headwinds, India remains the fastest-growing major economy on the strength of its strong domestic demand and supportive policies. “The Centre’s efforts to boost infrastructure development while undertaking fiscal consolidation and provide an enabling business environment will help in increased manufacturing competitiveness to augment exports and drive future growth.”

ADB said a healthy rise of 17 per cent in central government capex in FY25 compared to the previous financial year together with transfers to state governments will boost infrastructure investment.

“A new government initiative to support urban housing for middle-income households is expected to further spur housing growth. Private corporate investment is expected to get a boost with stable interest rates. With inflation moderating to 4.6 per cent in FY25 and easing further to 4.5 per cent in FY26, monetary policy may become less restrictive, which will facilitate rapid offtake of bank credit,” it added.

The demand for financial, real estate, and professional services will grow while manufacturing will benefit from muted input cost pressures that will boost industry sentiment, the ADB said, hoping that a normal monsoon would help boost farm sector growth.

The report said FDI would be affected in the near term due to tight global financial conditions but will pick up in FY26 with higher industry and infrastructure investment. “Goods exports will also be affected by lower growth in advanced economies but pick up in FY26...,” it added.

ADB said while India’s growth strategy is predicated on export growth, it has remained only a small player in the sizeable global value chain (GVC) market.

India’s share of global GVC exports rose from 0.6 per cent in 2010 to 1.5 per cent in 2017 accounting for only \$241 billion, as compared to over 10 per cent for other EMs.