

ADB cuts India growth forecast for FY25 to 6.5%

Also revises downwards outlook for the next financial year to 7%

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The Asian Development Bank (ADB) on Wednesday lowered its India growth forecast for the current financial year (FY25) to 6.5 per cent from 7 per cent earlier.

“India’s growth in Q2 slowed more than expected due to weak industrial output as tighter prudential norms by the central bank curtailed growth in unsecured personal loans, along with muted public capital spending and elevated food prices,” the latest Asian Development Outlook noted.

The multilateral funding agency also revised downwards its forecast for FY26 to 7 per cent from 7.2 per cent earlier.

The economy hit a seven-quarter low of 5.4 per cent in Q2FY25 from 6.7 per cent in the preceding quarter.

As a result, the growth forecasts for South Asia have also been revised downwards to 5.9 per cent for 2024 and 6.3 per cent for 2025.

Meanwhile, the update noted that India’s growth will remain robust, with the economy supported by higher agricultural output resulting from the kharif crop, continued resilience of the services sector and lower-than-expected crude prices in 2024 and 2025.

The strong forward looking and labour market indicators (such as PMI for industry and services) suggest that economic momentum will recover in the coming quarters.

“The forecast for FY26 has been reduced slightly due to lower-than-expected growth in private investment and housing demand on tight monetary policy aimed at combating inflation. Downside risks remain from geopolitical threats to supply chains and adverse weather conditions,” said the ADB report.

In its bi-monthly review last week, the Reserve Bank of India (RBI) kept the policy rate unchanged at 6.5 per cent for the 11th consecutive time. It lowered the growth estimate for FY25 to 6.6 per cent from 7.2 per cent.

On the inflation front, ADB kept the forecast unchanged at 4.7 per cent for FY25, but it lowered the FY26 outlook to 4.3 per cent from 4.5 per cent made earlier.

“India’s inflation forecast for FY25 is retained as it is still in line with recent data. However, inflation in FY26 is revised to 4.3 per cent, given the expected decline in Brent crude prices, leading to lower energy inflation,” it added.

Separately, Axis Bank — in its India Economic and Market Outlook 2025 report — on Wednesday pegged growth at 7 per cent for FY26 compared to its 6.6 per cent projection for FY25.



BLEAK FY25 GDP OUTLOOK (IN %)

	Earlier	Now
ADB	7.0	6.5
SBI	6.6	6.3
RBI	7.2	6.6
Emkay Global	6.5	6.0
IDFC	6.6	6.3

Source: BS Research