

IMF raises India's GDP forecast to 6.8% for FY25

BULLISH OUTLOOK. Driven by continuing strength in domestic demand

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With expected rise in domestic demand, the International Monetary Fund (IMF) on Tuesday upped its growth projection for India by 30 basis points to 6.8 per cent for the current fiscal year. However, it has not made any changes to its projections for FY26.

The agency has pegged GDP growth for FY24 at 7.8 per cent.

"Growth in India is projected to remain strong at 6.8 per cent in 2024 and 6.5 per cent in 2025, with the robustness reflecting continuing strength in domestic demand and a rising working-age population," IMF said in its latest edition of World Economic Outlook (WEO), made public on Tuesday. For the current fiscal, the projection is 50 basis points higher than projection made in October and 30 basis points higher than projection made in December.

Despite upward revision, IMF's latest projection is still lower than that of Asian Development Bank (ADB) and

World economic outlook growth projections

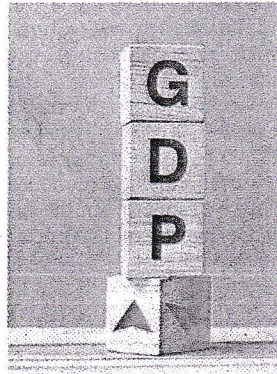
(Real GDP, annual % change)

| | Projections | | |
|---------------|-------------|------|------|
| | 2023 | 2024 | 2025 |
| World Output | 3.2 | 3.2 | 3.2 |
| United States | 2.5 | 2.7 | 1.9 |
| Euro Area | 0.4 | 0.8 | 1.5 |
| China | 5.2 | 4.6 | 4.1 |
| India | 7.8 | 6.8 | 6.5 |
| Brazil | 2.9 | 2.2 | 2.1 |

Source: IMF, World Economic Outlook, April 2024
Note: For India, data and forecasts are presented on a fiscal year basis, with FY 2023/24 (starting in April 2023) shown in the 2023 column. India's growth projections are 6.9% in 2024 and 6.5% in 2025 based on calendar year.

the Reserve Bank of India. Last week, ADB revised its projection to 7 per cent from 6.7 per cent for the current fiscal. The multilateral agency said the growth will be robust, despite moderating in 2024-25 and 2025-26. According to ADB, it will be driven by public and private sector investment demand and by gradual improvement in consumer demand as the rural economy improves.

Earlier this month, while announcing MPC's decisions, RBI Governor Shaktikanta Das said the outlook for agriculture and rural activity appears bright, with



good rabi wheat crop and improved prospects of kharif crops on the back of normal south-west monsoon. "Despite some headwinds, Indian economy is projected to grow at 7 per cent," he said.

These projections come at a time when the India Meteorological Department (IMD) projects above normal monsoon this year. It is critical from the rural demand point of view, which in turn will benefit overall demand, and thus, the overall economy. It may be noted that monsoon was below normal last year and it affected farm growth. However, good growth in manufacturing and services

helped the economy to grow more than 7.5 per cent.

GLOBAL ECONOMY

According to WEO, the global economy is estimated to have grown at 3.2 per cent in 2023. And, it is projected to grow at the same pace in 2024 and 2025. The projection for 2024 is revised up by 10 basis points from the January estimate and by 30 basis points with respect to the estimates released last October.

"Nevertheless, the projection for global growth in 2024 and 2025 is below the historical (2000-19) annual average of 3.8 percent, reflecting restrictive monetary policies and withdrawal of fiscal support, as well as low underlying productivity growth," it said.

Advanced economies are expected to see growth rise slightly, with the increase mainly reflecting a recovery in the euro area from low growth in 2023, whereas emerging market and developing economies are expected to experience stable growth through 2024 and 2025, with regional differences, the report said.