India likely to grow 6.7% in 2024: UN

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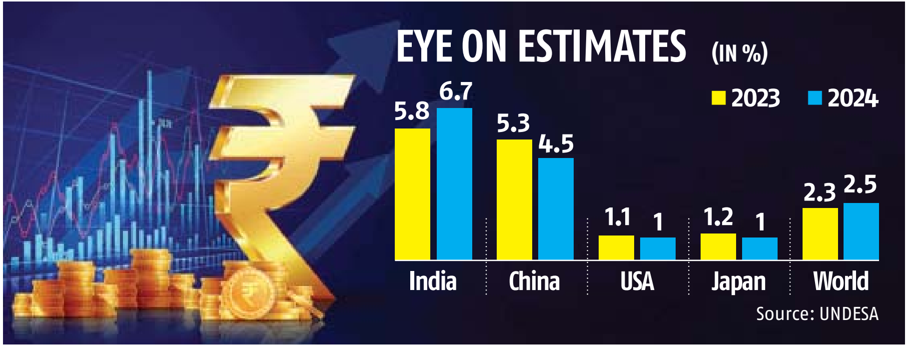

Robust domestic demand will drive India's economic growth in 2023, while higher interest rates and weaker external demand will continue to weigh on investment and exports during the calendar year, the United Nations Department of Economic and Social Affairs (UNDESA) said on Wednesday.

In its mid-year update to its World Economic Situation and Prospects report, the UNDESA retained its growth forecasts for India at 5.8 per cent and 6.7 per cent for the 2023 and 2024 calendar years, respectively.

"India's economy — the largest in the (South Asian) region — is expected to expand by 5.8 per cent in 2023 and 6.7 per cent in 2024, supported by resilient domestic demand. As the (South Asian) region is highly vulnerable to extreme climate conditions, potential droughts and floods also pose a significant risk to the economic outlook," the report noted. The UN arm revised upward its growth forecast for the world economy to 2.3 per cent, from 1.9 per cent estimated earlier for 2023, but pared down its estimate for 2024 to 2.5 per cent, from 2.7 per cent predicted earlier.

Besides, the report also notes that the Reserve Bank of India's rate-hiking spree, which led to a cumulative increase of 250 basis points in the repo rate since May 2022, will finally bear fruit, as the headline inflation figure is expected to remain well below the central bank's upper tolerance limit of 6 per cent in 2023.

"Inflation in India is expected to decelerate to 5.5 per cent in 2023 as global commodity prices moderate and slower currency depreciation reduces imported inflation," the report noted.

The report mentioned that the labour markets in the developed economies have shown remarkable resilience, with employment rates at record high levels contributing to sustained robust household spending leading to wage gains, thus making it harder for central banks to tame inflation.

"Rapid tightening of global financial conditions poses major risks for many developing countries and economies in transition. Rising interest rates, coupled with a shift in developed economies from quantitative easing to quantitative tightening, have exacerbated debt vulnerabilities and further constrained fiscal space," it noted.