

IMF lifts India's FY25 growth forecast to 7%

Raises estimate by 20 bps amid boost in pvt consumption

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The International Monetary Fund (IMF) on Tuesday raised its projection of growth in India's gross domestic product (GDP) for 2024-25 by 20 basis points to 7 per cent amid a boost in private consumption, especially in rural areas.

"The forecast for growth in India has ... been revised upward ... with the change reflecting carryover from upward revisions to growth in 2023 ...," the update to the IMF's World Economic Outlook (WEO) said.

In 2025-26, the IMF expects growth to slow to 6.5 per cent, the same as what was projected in its April WEO.

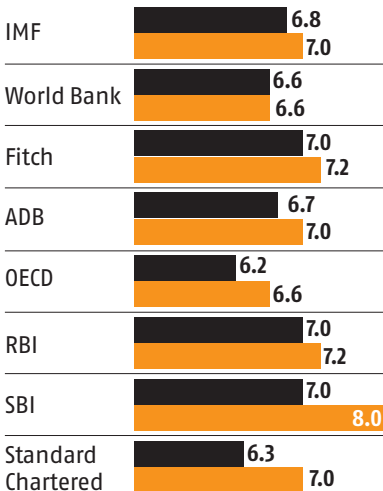
GDP expanded at 8.2 per cent in 2023-24. That was higher than the 7 per cent in 2022-23, aided by a greater than expected expansion of 7.8 per cent in the fourth quarter, according to the provisional estimates of GDP growth released by the National Statistical Office (NSO).



ROBUST EXPECTATIONS

India's FY25 growth projections
(in % Y-o-Y)

■ Earlier ■ Revised



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Source: BS Research

IMF increases China growth forecast to 5%

The Reserve Bank of India (RBI) has projected the Indian economy to grow at 7.2 per cent in FY25.

RBI Governor Shaktikanta Das last month said India was at the threshold of a “major structural shift” in its growth trajectory. He said the country was moving towards a path where 8 per cent GDP growth could be sustained on a yearly basis for a longer term.

The IMF report has upgraded the growth forecast for China for calendar year 2024 by 40 basis points to 5 per cent on account of a rebound in private consumption and strong exports in the first quarter. On a calendar-year basis, India’s growth projections are 7.3 per cent in 2024 and 6.5 per cent in 2025, according to the IMF.

IMF Chief Economist Pierre-Olivier Gourinchas said Asia’s emerging market economies remained the main engine for the global economy.

“Growth in India and China is revised upwards and accounts for almost half of global growth. Yet prospects for the next five years remain weak, largely because of waning momentum in emerging



Asia,” Gourinchas said in a blog post. The IMF’s global growth projections are unchanged at 3.2 per cent for calendar year 2024 and slightly higher at 3.3 per cent in 2025. The multilateral organisation has predicted the global inflation rate to slow to 5.9 per cent in 2024 from 6.7 per cent last year, broadly on track for a soft landing.

“The good news is that, as headline shocks receded, inflation came down without a recession. The bad news is that energy and food price inflation are now almost back to prepandemic levels in many countries, while overall inflation is not,” Gourinchas added.