

India can't top China's past 8-10% growth, says Morgan Stanley

ANUP ROY
March 18

INDIA IS UNLIKELY to achieve the 8-10% economic growth rates that China pulled off over the long term, Morgan Stanley's chief Asia economist said, even though the investment bank remains optimistic about New Delhi's prospects.

India's economy will likely grow steadily at 6.5-7% over the long term, Chetan Ahya said in interview on Monday with Bloomberg Television's Haslinda Amin.

India is also far from replacing its bigger rival as a global manufacturing hub, he added. China's growth averaged 10% a year in the three decades after its economic reforms in 1978, official figures show.

Economic progress in India is being hamstrung by a lack of infrastructure, and a low skilled workforce, Ahya said. "Both these constraints make us believe that India's growth is going to be strong, but at 6.5-7% rather than 8-10%," he said.

Even so, Morgan Stanley remains upbeat about India's prospects, and said in a recent report that the current expansion resembles that of the mid-2000s boom, fueled by rising investment. India "will have its rightful place," and early signs of the economy's rise are visible in the increase in capital flows and the gain in India's share of global FDI, he said. "But to say that India will replace China or compete very heavily with China in the manufacturing sector, we think that's less likely," he said.

"China is far more advanced" in manufacturing and getting into new industries such as renewable, space, and legacy semiconductors, Ahya said. "India is going to take time to get to that type of competi-

Brent to climb to \$90/bbl by summer 2024

MORGAN STANLEY RAISED its Brent oil price forecasts by \$10 per barrel to \$90 for Q3 of 2024, citing tighter supply and demand balances on OPEC+ commitment and Russia's oil production curtailments after recent drone attacks on its refineries. Morgan Stanley lowered its supply forecast for OPEC and Russia by 0.2-0.3 million barrel per day (bpd) for 2Q/3Q as it sees a modest deficit in Q2, increasing to a larger deficit in Q3. The bank also hiked its Q1 Brent outlook to \$85 from \$82.5, Q2 forecast to \$87.5 from \$82.5 and \$85 vs \$80 for Q4.

— REUTERS

tiveness," he said.

India posted a growth rate of 8.4% in the final three months of 2023, although economists have raised questions about the strength of the data. Government officials have said the economy will likely grow 7% in FY25, after an expected expansion of 7.6% this financial year.

Ahya said strong growth may influence the timing of the Reserve Bank of India's interest rate cuts this year. While Morgan Stanley's base case is still for a "shallow rate cut cycle" beginning in June, surprises in growth could lead to a "possibility that the RBI either delay the rate cut or probably not take it up at all".

— BLOOMBERG