ADB lowers, Ind-Ra raises India's FY24 GDP forecast

RUCHIKA CHITRAVANSHI
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The Asian Development Bank (ADB) on Wednesday revised India's growth forecast for FY24 to 6.3 per cent, a change of 10 basis points, attributing it to erratic monsoon patterns that are likely to affect agricultural output. Meanwhile, India Ratings and Research has increased its FY24 growth estimate for India to 6.2 per cent, up by 30 basis points, citing factors such as sustained government capital expenditure (capex), deleveraged corporate and banking balance sheets, and the likelihood of subdued global commodity prices.

ADB's latest Asian Development Outlook highlighted that strong private consumption and upticks in both public and private investment are expected to support India's economic growth. The organisation has maintained its growth projection for FY25 at 6.7 per cent, driven by rising private investment and industrial output.

Additionally, ADB revised its inflation projection for India for FY24 to 5.5 per cent, up from the previous 5 per cent. "Food inflation picked up in July due to adverse weather conditions, contributing to a rise in South Asia's overall inflation rate. If India's agricultural output weakens and the rice export ban remains in place, this could escalate food price inflation in developing Asia," the ADB report stated.

India Ratings and Research also highlighted challenges facing the Indian economy, such as global headwinds affecting exports and tighter financial conditions that could lead to rising capital costs. According to the agency's report, meeting the government's FY24 fiscal deficit target of 5.9 per cent of gross domestic product (GDP) will be challenging, given that gross tax collection growth has been just 2.8 per cent for the first four months of FY24.

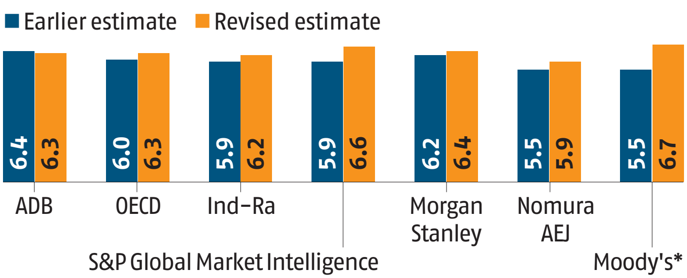
Sunil Kumar Sinha, principal economist at India Ratings, pointed out that despite a strong quarterly GDP growth of 7.8 per cent in Q1 FY24, economic expansion is expected to slow sequentially over the remaining quarters of FY24. Sinha also noted that the long-standing drought in private capital expenditure is showing signs of recovery, with new projects emerging in states like Uttar Pradesh, Gujarat, Maharashtra, and Odisha across various sectors, including textile, steel, and power.

The Organisation for Economic Cooperation and Development (OECD) on Tuesday also raised its growth forecast for India for FY24 to 6.3 per cent, up from its previous estimate of 6 per cent, aligning with other upward revisions following India's strong performance in the June quarter of FY24.

India Ratings expects the current account deficit to narrow to 1.3 per cent of GDP in FY24, and it predicts average retail and wholesale inflation rates of 5.5 per cent and 1.0 per cent, respectively, for the same financial year.

CHANGING VIEW

Growth forecast for FY24 (%)



*Calendar year 2023

Source: Rating agencies

'Economy doing well even amid unsupportive global conditions'

The Indian economy has started doing well even in an unsupportive global environment, as the Modi-led government implemented various reforms in the past nine years, resulting in improvements in key macroeconomic indicators, according to Reserve Bank of India (RBI) Monetary Policy Committee (MPC) Member Ashima Goyal. But, there is still a long way to go to realise India's full potential, Goyal added. "The UPA government inherited a strong economy and benefitted from a high growth period. But over-reaction to the global financial crisis after 2008 and many corruption scandals weakened the economy," she said. **PTI**