

Morgan Stanley sees FY25 GDP growth slowing

ICRA notes easing investment in Q3

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Morgan Stanley Research said on Wednesday that it expects India's GDP growth for FY25 to moderate to 6.5 per cent from 6.9 per cent projected for FY24.

ICRA, meanwhile, has projected the year-on-year (Y-o-Y) GDP growth to moderate sequentially to 6 per cent in Q3 FY24 from 7.6 per cent, led by agriculture and industry sectors. Aditi Nayar, chief economist, head-research & outreach, ICRA Ltd, said, "Lower volume growth for the industrial sector, flagging momentum in certain indicators of investment activity, a slowdown in government expenditure and an uneven monsoon are expected to dampen the GDP growth to 6 per cent in Q3 FY24 from 7.6 per cent in Q2 FY24."

MS Research's report said it maintained a constructive outlook on the Indian economy, while highlighting that risks emanate from global factors and elections in May 2024.

"Domestic demand improved in January, while macro stability remains comfortable, reflecting strength in the fundamentals. We maintain our constructive outlook on the economy," Morgan Stanley Research said in its report titled India Economics – Macro Indicators Chartbook: Strength in Growth, Stability in Macro-Fundamentals.

Expecting the GDP growth to remain healthy, Morgan Stanley Research has projected growth for the third quarter of FY24 ending December 2023 at 6.5 per cent, even as it slows from 7.7 per cent in the first half of the current financial year.

The research arm of the investment bank also said that, supported by strength in services exports and softening global commodity prices, especially oil, the current account deficit is likely to remain benign.

The ICRA report noted a slowing down of investment activity in the third quarter of the current financial year. It said that the government's gross capital expenditure dipped slightly in October-December 2023 to 24.4 per cent from 26.4 per cent in the previous quarter. The capital outlay and net lending of 25 state governments shrank by 3.9 per cent Y-o-Y, after having surged by 42.4 per cent in Q2 FY24.



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GDP growth forecast (%)

■ FY24 ■ FY25

IMF	6.7	6.5
World Bank	6.3	6.4
S&P	7.0	6.4
ADB	6.7	6.7
RBI	7.0	7.0
ICRA	6.5	6.2
Kotak	7.0	6.3
Barclays	6.7	6.5
Morgan Stanley	6.9	6.5

Source: Agencies