

ADB lowers India's GDP forecast by 30 bps to 7.2%

OUR BUREAU

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Asian Development Bank (ADB) on Thursday lowered the economic growth forecast for India for current fiscal year (2022-23) to 7.2 per cent from 7.5 per cent projected in April.

“India has been hit by the Omicron variant and the economic impact of the war in Ukraine. Consequently, GDP growth for FY2021 is revised down from 8.9 per cent to 8.7 per cent and from 7.5 per cent to 7.2 per cent for FY2022 (fiscal to be ending in March 2023). Although consumer confidence continues to improve, higher-than-expected inflation will erode consumer purchasing power,” ADB said in its supplement to the Asian Development Outlook (ADO) for 2022.

Some of the impact of this may be offset by a cut in excise duties, the provision of fertiliser and gas subsidies, and the extension of a free food distribution programme, it said. Private investment will soften due to the higher cost of borrowing for firms as the RBI continues to raise policy rates to contain inflation.

Forecast for SE Asia

For the South Asian region, it has lowered the growth forecast from 7 per cent to 6.5 per cent for 2022 and from 7.4 per cent to 7.1 per cent for 2023 mainly due to the economic crisis in Sri Lanka and high inflation and associated monetary tightening in India. “The economic impact of the pandemic has declined across most of Asia, but we are far from a full and sustainable recovery,” said ADB Chief Economist Albert Park.