

# IMF retains India's FY25 growth forecast at 7%

## Highlights stable global growth amid shifting economic dynamics

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The International Monetary Fund (IMF) on Tuesday kept its growth forecasts for India unchanged at 7 per cent and 6.5 per cent for FY25 and FY26, respectively.

"In India, the outlook is for GDP growth to moderate from 8.2 per cent in FY24 to 7 per cent in FY25 and 6.5 per cent in FY26. This is because pent-up demand accumulated during the pandemic has been exhausted, as the economy reconnects with its potential," it said in its latest World Economic Outlook report.

Earlier this month, the RBI, in its latest monetary policy committee (MPC) review, also kept its growth projection for the current financial year unchanged at



7.2 per cent. It cited robust consumption and investment momentum. On the global growth front, the latest outlook notes that the growth projection is virtually unchanged from those made earlier in July. It is expected to remain stable yet underwhelming at 3.2 per cent in 2024 and 2025. However, the growth forecast for 2025 has

## GROWTH BETS

FY25 forecast (in %)

IMF	7.0
S&P	6.8
World Bank	7.0
RBI	7.2
Moody's Analytics*	7.1

\*For CY24  
Source: IMF, BS Research

been marginally revised downwards by 10 basis points (bps) from 3.3 per cent projected in July.

IMF notes that important sectoral and regional shifts underpin the stable global outlook with goods prices remaining elevated compared with those for services. This is a lingering effect of the pandemic and its aftermath.

World economic outlook projections for India (FY25, in %)

Indicator	Oct	April
Consumer inflation	4.4	4.6
Current account deficit	-1.1	-1.4

Also, a global shift from goods to services consumption is underway, with emerging markets like India and China gaining in manufacturing production.

"This rebalancing is tending to boost activity in the services sector in advanced and emerging markets but is dampening manufacturing. Manufacturing production is

also increasingly shifting towards emerging market economies — in particular, China and India — as advanced economies lose competitiveness," it said.

For China, the IMF revised downwards its 2024 growth projection by 20 bps to 4.8 per cent, while for the United States, it revised upwards by 20 bps to 2.8 per cent.

"Deeper- or longer-than-expected contraction in China's property sector, especially if it leads to financial instability, could weaken consumer sentiment. It could generate negative global spillovers, given China's large footprint in global trade," it noted.

On the inflation front, the outlook noted that global headline inflation is expected to fall from an annual average of 5.8 per cent in 2024 to 4.3 per cent in 2025.

## India on track for 8% growth after FY26, says RBI's Patra

India is likely to recover to its long-term growth trend of 8 per cent, said Michael Debabrata Patra, deputy governor, Reserve Bank of India (RBI). Speaking at the New York Fed Central Banking Seminar, organised by the Federal Reserve Bank, on Monday, Patra said India's GDP was projected to grow 7.2 per cent this financial year (FY25) and 7 per cent in FY26, with a strong likelihood of returning to the 8 per cent trend thereafter. "There is a strong likelihood that India's growth will revert to its 8 per cent trend," Patra explained.

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