

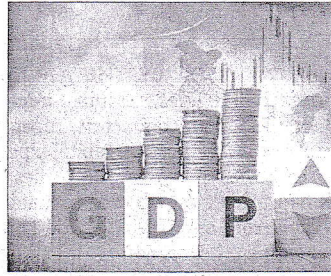
GDP growth may be close to 7.5% in FY25: NCAER

FE BUREAU
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UNDERPINNED BY THE buoyancy in economic activity witnessed in the first quarter, a keen policy focus on investment and the expectations of a normal monsoon, India's economy may grow by close to 7.5% in 2024-25, the National Council of Applied Economic Research (NCAER) said on Wednesday.

Recently, the Reserve Bank of India (RBI) raised its projections for India's Gross Domestic Product (GDP) growth to 7.2% from 7% in FY25. Growth projections have been upgraded by various other agencies as well with the median projection at 6.9%. "GDP growth during 2024-25 may turn out to be higher than 7% and even closer to 7.5%," NCAER director general Poonam Gupta said.

High-frequency indicators showed that the domestic economy continues to remain resilient. The Purchasing Managers' Index (PMI) for both manufacturing and services kept the expansionary momentum



despite slowing down a bit in May.

Growth in the Index of Industrial Production (IIP) for core industries accelerated in April 2024; Goods and Services Tax (GST) collections remained buoyant year-on-year; bank credit growth remained above 20% despite some deceleration in personal credit growth; and expectations of 'above normal' monsoon despite deficient rainfall in June held out strongly for the farm sector, Gupta said. With inflation seemingly having peaked, monetary policy is unlikely to be tightened any further, she said. "If anything, it may be eased during the year," Gupta said.

Retail inflation eased to a 12-

month low of 4.7% in May, though food inflation remained elevated. Gupta said that taming food prices remains a challenge.

"A broader policy framework may be needed to address it, including building climate-resilient food supply as also a gentle shift toward packaged and preserved food supply to bridge the periodical supply and demand gap that has become routine," she added.

NCAER said global environment seems benign as well in the absence of any known global risks so far.

The central government contained its fiscal deficit at 5.6% of GDP for FY24, as compared to the revised estimate of 5.8%, and the budget estimate of 5.9%.

Recently, S&P Global Ratings has revised India's credit outlook from stable to positive while maintaining the long-term sovereign credit rating at the lowest investment grade of BBB-, indicating that an upgrade in the credit rating could occur if India's fiscal deficit narrows, and if the central bank effectively controls inflation over time.