

Goldman cuts India's GDP forecast for 2024 and 2025

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Goldman Sachs Group Inc has lowered India's growth forecast by 20 basis points each for this year and the next, citing a contraction in central government expenditure. The bank now expects the nation's economy to expand at 6.7 per cent in calendar 2024, and 6.4 per cent in 2025.

The current year's downgrade factors a 35 per cent year-on-year (Y-o-Y) contraction in government expenditure during the April-June quarter that coincided with the weeks-long general election, the US bank's economist led by Santanu Sengupta wrote in a report Friday.

India's growth next year will be hampered by the government's commitment in the budget to bring down the fiscal deficit to below 4.5 per cent of gross domestic product. Expansion will also face headwinds from slower real consumption growth, driven by a slowdown in household credit due to the Reserve Bank of India's (RBI) stricter rules to control unsecured lending by banks, the economists said. However, easier monetary



SLOWING DOWN

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policy may offset some of the drag on real GDP growth next year as Goldman Sachs expects the RBI "to start its easing cycle in December 2024."