

Morgan Stanley raises India GDP growth forecast for FY25 to 6.8%

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Global brokerage firm Morgan Stanley has revised its gross domestic product (GDP) growth forecast for the financial year 2024-25 (FY25) to 6.8 per cent, up from the previous estimate of 6.5 per cent. The firm also revised its growth forecast for the ongoing financial year (FY24) to 7.9 per cent.

Morgan Stanley expects India's GDP growth to remain robust, with an anticipated growth rate of around seven per cent in the fourth quarter of FY24 (quarter ending in March 2024). This growth momentum is expected to be widespread, with converging gaps between rural-urban consumption and private-public capital expenditure in FY25.

Moreover, the firm foresees a favourable inflation trajectory, with recent trends indicating a moderation in headline inflation. Softening food inflation, coupled with meaningful moderation in core inflation due to supply chain easing and subdued price pressures, is expected. The firm also foresees a shallow easing cycle in monetary policy, driven by sustained traction in industrial and capital expenditure activities.

These revisions reflect an optimistic outlook on India's economic trajectory, with Morgan Stanley highlighting the country's strength and stability as defining features of the current cycle.

Looking ahead, Morgan Stanley projects headline inflation to average 4.5 per cent in FY25, down from 5.4 per cent in FY24, while core inflation is expected to remain subdued at 4.1 per cent.