NIPFP cuts India's FY25 GDP growth forecast

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Citing growth moderation in the June quarter of FY25 on account of sharp contraction in net exports as well as government consumption due to the model code of conduct, Delhi-based think tank National Institute of Public Finance and Policy (NIPFP), in its mid-year review, revised downwards its growth forecast for India to 6.9-7.1 per cent.

Its earlier estimate of 7.1-7.4 per cent was given during the April review.

"Capex fell by 19.5 per cent during April-August 2024 compared to April-August 2023 due to the election code of conduct. It is expected to pick up in H2-2024-25," the review published on Friday said.

The review further noted that the rate of expansion in the economy is back to the high growth trend of 7-8 per cent observed prior to the slowdown since 2017-18. A pick up in private consumption and investment is likely to maintain the growth momentum.

"Downside risk remains in the form of decline in net exports due to potential oil price shock," the review noted.

It also noted that supply-side growth remains tepid in tourism, travel and financial services with the latest August index of industrial production (IIP) data showing a slowdown in construction, capital goods and consumer durables and contraction in mining and electricity.

In comparison, the Reserve Bank of India (RBI), in its latest monetary policy committee (MPC) review, kept its growth projection for the current financial year unchanged at 7.2 per cent. It cited robust consumption and investment momentum.

On inflation, the NIPFP mid-year review noted that inflation in FY25 is projected to remain at 4.3 per cent, slightly higher than the target for the MPC — with a surge in food inflation and a rebound in core inflation posing risks.

The central bank has projected the inflation to remain at 4.5 per cent in FY25.

The mid-year review also noted that the budgeted fiscal deficit reduction to 4.9 per cent in the current financial year is likely to be met. And, the government is on track to achieve its FY26 target of 4.5 per cent.

Earlier this week, the International Monetary Fund (IMF), in its world economic outlook, had kept its growth forecasts for India unchanged at 7 per cent for FY25. It held that the economy has exhausted the pent-up demand accumulated during the pandemic as it is reconnecting with its potential growth.

The October outlook by the multilateral body also projected a headline inflation figure of 4.4 per cent for FY25.

ILLUSTRATION: BINAY SINHA

GROWTH OUTLOOK

	FY25 forecast (in %)
IMF	7.0
S&P	6.8
World Bank	7.0
RBI	7.2
NIPFP	6.9–7.1
Moody's Analytics*	7.1

*For calendar year 2024
Source: BS Research