

# THE GROWTH MATH: ON INDIA'S GROWTH PROSPECTS

Relevant for: Indian Economy | Topic: Issues relating to Mobilization of resources incl. Savings, Borrowings & External Resources

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On Tuesday, two multilateral institutions presented their regional economic outlook for this year, scaling down their projection for India's growth prospects in 2023-24. The [World Bank has pared its real GDP growth forecast](#) for the country to 6.3% from 6.6% it had estimated a few months earlier, and 7% projected in October 2022. The key domestic factors it flagged for the downgrade are: rising borrowing costs would hurt otherwise resilient consumption demand, government consumption will likely contract, while services sectors' growth will slip to a three-year low of 6.7% from an estimated 9.5% in 2022-23. The Manila-based Asian Development Bank (ADB) noted that [a rebounding China's and India's domestic demand](#) (which it believes will likely stay healthy) would lift up Asia's growth prospects. However, it slashed its 2023-24 GDP growth forecast for India from 7.2% to 6.4%, citing tight monetary conditions and fading optimism on business conditions that it reckoned would lead to lower growth in private investments (that had only seen a fledgling post-COVID recovery till now). Apart from these domestic issues, of course, both the institutions have cited the effects of the existing challenging conditions in the global economy, which are freshly exacerbated by a spate of bank failures in the developed world and resurfacing concerns about oil prices heading north despite slowing world demand as producers cut output in unison.

To be clear, the government, which presented the Union Budget around two months after the last forecasts of these institutions, of 7%-plus growth, had not articulated such high hopes for this year. The Economic Survey pegged 2023-24 growth at 6.5%, while the Reserve Bank of India (RBI) estimates it at 6.4%. However, India's current growth estimate for last year is 7%, while the World Bank and ADB expect it to be marginally lower at 6.9% and 6.8%, respectively. A better picture on the base over which this year's growth has to be calculated, will only emerge by the end of May when first estimates for the last quarter of 2022-23 will be released. The world would also have spun a few more times by then and 2023-24 forecasts shall be revised whichever way the winds blow. At this time last April, the International Monetary Fund had just scaled down its India growth estimate for the year gone by, from 9% to 8.2%, while the World Bank, the ADB and the RBI had projected it to be 8%, 7.5% and 7.2%, respectively. Policymakers can safely tune out the noise generated by these numbers, but must pay heed to the stress signs being flagged so as to pro-actively minimise any impending damage.

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