

ADB cuts India's 2024 growth projections

The Asian Development Bank's (ADB) latest growth forecast reports have placed India's overall growth rates at 6.3% (for 2024-25) which is lower than the 6.4% set in 2022. Reasons cited for this downgrade in growth rates include increased periods of dry weather plunging overall farm produce and deficient exports.

The El Nino phenomenon has ruptured the weather patterns to such an extent that rice crops were not harvested on time and sowing of pulses meant for the Kharif season was also pushed further. This setback has caused a reduction in farm output by 2.21% and reduced the aspirations for better growth in 2024.

However, the officials of ADB were hopeful that private equity and industrial production are set to receive a boost thereby improving the growth projections to 6.7% (for 2025-26). This comes in as a respite after it was foreign direct investments (FDI) were reduced by 62% from \$13.5 billion to \$5 billion (in April 2023).

Domestic demand will witness a continuous rise of 8.1% (in Q3 & Q4 respectively) which is an improvement from 7.8% (in Q1, April 2023). Government spending for the 2023-24 and 2024-25 period will witness an increase thereby sufficing the claims of boosted domestic demand.

Rana Hasan (ADB's economic advisor to South Asia) in his speech pointed out that the various State governments have also increased their spending activities by 80% in a close move allying with the Central government initiatives. Lower NPAs of banks have also helped in increasing the value of private capex in various manufacturing activities.

