

## India's GDP is forecasted to expand 7.5% in FY2019/20: World Bank

According to World Bank's South Asia Economic Focus, Exports Wanted, Spring 2019, a twice-a-year regional economic update, South Asia holds on to its top spot as the world's fastest growing region, with growth set to step up to 7.0% in 2019, then 7.1% in 2020 and 2021, but the region needs to increase its exports to sustain its high growth and reach its full economic potential.

South Asia's exports performance has dropped in the last few years to languish at far below its potential and while growth still looks robust we are concerned about whether this can hold up over the longer term. To ensure growth in the long run, the region needs to integrate further into international markets to sustain its upward growth trajectory, create more jobs, and boost prosperity for its people.

Across South Asia, imports grew much stronger than exports in the last two years, reversing the region's exports dynamics of the early 2000s. Strong domestic demand, fueled by a consumption and investment boom, resulted in high import growth of 14.9% in 2017 and 15.6% in 2018, which is nearly twice as high as the region's export growth. In comparison, exports grew by only 4.6% in 2017 and 9.7% in 2018.

The report offers a positive outlook based on recent months as export growth is picking up from its low levels, even outpacing imports growth in the third and fourth quarter of 2018. This recent acceleration of export growth, combined with a slowdown in import growth, is expected to continue in 2019 and beyond, with both rates eventually converging at an average 11% growth rate.

But despite this recent progress, South Asian countries still export only one-third of their potential, and the gap is widening. The report estimates that the region's export gap widened over time, standing at over 20% of GDP in 2017, as South Asia did not fully take advantage of a favorable international global trade environment and remained on the margins of global value chains.

**Real GDP Growth in South Asia (%)**

	2018	2019 (e)	2020 (f)	2021 (f)
Afghanistan (CY)	1.0	2.5	3.2	3.5
Bangladesh (FY)	7.9	7.3	7.4	7.3
Bhutan (FY)	5.7	5.4	5.4	5.2
India (CY)	7.2	7.5	7.5	7.5
Maldives (CY)	7.9	5.7	5.2	5.3
Nepal (FY)	6.3	6.0	6.1	6.2
Pakistan (FY, factor price)	5.8	3.4	2.7	4.0
Sri Lanka (CY)	3.2	3.5	3.6	3.7

Source: PHD Research Bureau compiled from World Bank. Notes: CY: Calendar Year, FY: Fiscal Year, e: Estimate f: Forecast

### **Outlook for India:**

- GDP is forecasted to expand 7.5% in FY2019/20. Credit growth will benefit from relatively more accommodative monetary policy amid benign inflationary conditions. Support from delayed fiscal consolidation will partially offset the effects of political uncertainty on economic activity around elections in May.
- India, government consumption accelerated while investment moderated. Overall, the growth in the

last years has hence been driven mostly by domestic demand, though export growth picked up from low levels.

- In India, the real effective exchange rate depreciated from July to October 2018 but then appreciated for two months after which it has been hovering around its July 2018 level.
- The export performance improved, with an acceleration in the growth of exports from 1.5% (y-o-y) in the first quarter of last year to 16.6% in the fourth. Import growth was a very high 23.2% in the third quarter but decreased to 8.0% in the fourth.

Please contact for any query related to this mail to Ms. Kritika Bhasin, Research Officer at [kritika.bhasin@phdcci.in](mailto:kritika.bhasin@phdcci.in) with a cc to Dr. S P Sharma, Chief Economist at [spsharma@phdcci.in](mailto:spsharma@phdcci.in), and Ms. Megha Kaul, Economist, [megha@phdcci.in](mailto:megha@phdcci.in), PHD Chamber of Commerce & Industry.

Regards,

Dr S P Sharma

Chief Economist

PHD Chamber of Commerce and Industry

PHD House, 4/2 Siri Institutional Area

August Kranti Marg, New Delhi-110016, India

Tel: +91 49545454

Fax: +91 11 26855450

Email: [spsharma@phdcci.in](mailto:spsharma@phdcci.in)

Website: [www.phdcci.in](http://www.phdcci.in)

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PHD House, 4/2 Siri Institutional Area, August Kranti Marg, New Delhi - 110 016 (India) • Tel. : +91-11-2686 3801-04, 49545454, 49545400  
Fax : +91-11-2685 5450 • E-mail : [phdcci@phdcci.in](mailto:phdcci@phdcci.in) • Website : [www.phdcci.in](http://www.phdcci.in), CIN: U74899DL1951GAP001947

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