

IMF raises India's GDP projections for 2024 to 7%

According to the IMF's "World Economic Outlook Update: The Global Economy in a Sticky Spot", July 2024, global growth is projected 3.2% in 2024 and 3.3% in 2025. However, varied momentum in activity at the turn of the year has somewhat narrowed the output divergence across economies as cyclical factors wane and activity becomes better aligned with its potential.

Global financial conditions remain accommodative. Although longer-term yields have generally drifted upward, in tandem with the repricing of policy paths, buoyant corporate valuations have kept financial conditions accommodative. The increase in yields is likely to put pressure on fiscal discipline, however, which in some countries is already strained by the inability to rein in spending or raise taxes.

Global inflation will continue to decline. In advanced economies, the revised forecast is for the pace of disinflation to slow in 2024 and 2025. That is because inflation in prices for services is now expected to be more persistent and commodity prices higher. However, the gradual cooling of labor markets, together with an expected decline in energy prices, should bring headline inflation back to target by the end of 2025.

Inflation is expected to remain higher in emerging markets and developing economies (and to drop more slowly) than in advanced economies. Upside risks to inflation have thus increased, raising the prospect of higher-for-even-longer interest rates. To manage these risks and preserve growth, the policy mix should be sequenced carefully to achieve price stability and replenish diminished buffers.

World Economic Outlook

Growth Projections

(Real GDP, annual percent change)	PROJECTIONS		
	2023	2024	2025
World Output	3.3	3.2	3.3
Advanced Economies	1.7	1.7	1.8
United States	2.5	2.6	1.9
Euro Area	0.5	0.9	1.5
Germany	-0.2	0.2	1.3
France	1.1	0.9	1.3
Italy	0.9	0.7	0.9
Spain	2.5	2.4	2.1
Japan	1.9	0.7	1.0
United Kingdom	0.1	0.7	1.5
Canada	1.2	1.3	2.4
Other Advanced Economies	1.8	2.0	2.2
Emerging Market and Developing Economies	4.4	4.3	4.3
Emerging and Developing Asia	5.7	5.4	5.1
China	5.2	5.0	4.5
India	8.2	7.0	6.5
Emerging and Developing Europe	3.2	3.2	2.6
Russia	3.6	3.2	1.5
Latin America and the Caribbean	2.3	1.9	2.7
Brazil	2.9	2.1	2.4
Mexico	3.2	2.2	1.6
Middle East and Central Asia	2.0	2.4	4.0
Saudi Arabia	-0.8	1.7	4.7
Sub-Saharan Africa	3.4	3.7	4.1
Nigeria	2.9	3.1	3.0
South Africa	0.7	0.9	1.2
Memorandum			
Emerging Market and Middle-Income Economies	4.4	4.2	4.2
Low-Income Developing Countries	3.9	4.4	5.3

Source: IMF, *World Economic Outlook Update*, July 2024

Note: For India, data and forecasts are presented on a fiscal year basis, with FY 2023/2024 (starting in April 2023) shown in the 2023 column. India's growth projections are 7.3 percent in 2024 and 6.5 percent in 2025 based on calendar year.

Outlook for India

The forecast for growth in India has also been revised upward, to 7% for 2024, with the change reflecting carryover from upward revisions to growth in 2023 and improved prospects for private consumption, particularly in rural areas.

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Warm regards,

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