World Bank Forecast for India

Why in news?

With reference to World Bank forecast, some headline indicators may be shining, but the recovery is still ragged and vulnerable.

What did the World Bank forecast?

- **Growth**- The World Bank reduced its 2022 growth projections for South Asian economies to 6.6% from an earlier estimate of 7.6%.
- India's GDP may now grow by 8% in 2022-23 before dropping further to 7.1% in 2023-24.
- The Bank's chief economist has said that their overall assessment is that GDP growth could actually be 1.3 percentage points lower, or 7.4%.
- **Fiscal deficit**- It further noted that even though countries like India and Maldives have seen their overall fiscal deficit fall in 2021 as compared to 2022, deficits are still higher than pre-pandemic levels.
- **Imports and Exports**- Imports and exports remained the fastest growing sectors in both Q3 and Q4, with higher growth in imports than in export contributing to current account deficits.
- It has emphasised that post-pandemic growth was already uneven and fragile before the Russia-Ukraine conflict triggered fresh challenges.
- The ripple effect of high oil and food prices that prevailed even before the war and were exacerbated since February 24 hitting people's real incomes.
- The unenthusiastic post-COVID recovery in India's household consumption will be further restricted by high inflation and incomplete labour market revival.
- India's recovery varies widely across sectors and manufacturing remains troubled due to weak demand and increasing input costs.

Why do the World Bank's predictions about India seem more optimistic?

- **ADB's prediction**- The Asian Development Bank expects India's GDP for the year to rise 7.5% with retail inflation of around 5.8%.
- **RBI's view**- The RBI reset growth hopes from 7.8% to 7.2%, while raising its inflation projection for the year from 4.5% to 5.7%.
- **Inflation**- Economists expect inflation to trend much higher, even above 7% in the first half of the year, and well over the comfort threshold of 6% over the full year.

What lies ahead?

- Monetary and fiscal policy mandarins need to address inflation more aggressively.
- There is a need to rethink growth engines as well - RCEP needs a revisit, as advised by key ally Japan.
- The farm sector that has so far been resilient through the pandemic's worst phases needs careful handling as the cost of inputs is rising sharply.

References

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