


## India expected to contribute over 16% to global growth, says IMF

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*According to IMF's Nada Choueiri, strong push by the government in logistics and infrastructure could navigate the economy through global headwinds. The focus on digitalisation puts Indian on a strong platform towards growth and productivity in the future, she said.*



File image of Indian labourers at work (Photo credit should read DIPTENDU DUTTA/AFP/Getty Images)

**India** is expected to contribute over 16 percent of global growth as economic reforms in key sectors like infrastructure and digitalisation have made India a "star performer" among countries, as per the International Monetary Fund (IMF), PTI reported.

"What we have been observing for quite some time now is that India has been growing at a very robust rate. It's one of the star performers when it comes to real growth when you look at peer countries. It's one of the fastest growing large emerging markets and it's contributing, in our current projections, more than 16 percent of global growth this year," Nada Choueiri, the Mission of India at **IMF** said in an interview with the agency.

### Key Factors

According to Choueiri, a "strong push" by the government in logistics and infrastructure could navigate the **economy** through global headwinds. She also highlighted the focus on digitalisation putting India on a strong platform towards growth and productivity in the future.

"India has a very large, young and growing **population** and thus has the potential to grow at stronger rates if this potential is harnessed through structural reforms.," she added.

Choueiri also stressed the significance of political stability in driving investment and **growth**. "While we haven't conducted specific quantitative analysis on this, extensive research underlines the criticality of political stability and a clear policy framework. This transparency, not only in politics but also in business policies, such as tax regulations and procedures, plays a pivotal role in fostering an environment conducive to investment and growth," she added.

On government efforts to enhance the business landscape, Choueiriid there is a need for further simplification of crucial procedures. "The creation of a single national window for companies is a commendable step, yet bureaucratic hurdles in various states still require streamlining. Continued efforts are imperative for a more conducive business environment," she stated.

### Labour Reforms, Inflation Check Vital

The IMF also stressed the necessity for labour reform, noting India's underutilised labour potential. To this, Choueiri said, "India possesses abundant **labour** resources, but their full potential remains untapped. There's a pressing need to leverage India's demographic advantages through focused efforts in education, skill development, and increasing female participation in the workforce."

She also flagged the challenging global landscape, citing risks stemming from fragmentation and medium-term concerns related to climate change. "**Climate change**, although gradual, manifests through erratic weather patterns, significantly impacting India," she said, adding that there is a need to address and manage these risks effectively.

Choueiri was however optimistic about India's substantial potential while underscoring the urgency of addressing critical policies to harness this potential effectively. "India is on a positive trajectory, yet key policies must be prioritized to unlock its tremendous capabilities," she affirmed.

### IMF Annual Report

The IMF in its annual Article IV consultation report on December 18 said India is "underpinned by prudent macroeconomic policies" and is on track to be among the major world economies.

It also recommended policies that should be prioritised including fiscal buffers, ensuring price and financial stability, and inclusive growth.

**India's economy** has bounced back significantly from the **COVID-19** pandemic and is now a key driver of worldwide growth, as per the report. It added that in FY23, there was a notable increase in inflation rates, but they have since calmed down on average, while still quite unpredictable.

Employment has surpassed pre-pandemic levels, with the informal sector dominating.

The report also lauded the resilience of India's financial sector, staying relatively unaffected by global financial stress in early 2023. Although the budget deficit has decreased, public debt remains high, and there's a need to build up fiscal buffers. India's 2023 G20 presidency has showcased its crucial role in promoting global policy priorities, the report noted.

Looking ahead to the political landscape, **general elections** are anticipated in April 2024. The country's macroeconomic policies have partly aligned with past advice from the IMF, as per the report.

India holds the potential for increased growth, mainly through additional labour and human capital if comprehensive reforms are put into action. Moreover, the nation's fundamental digital public infrastructure has substantial potential to enhance total factor productivity by encouraging innovation and competition, hastening financial inclusion, and improving public sector efficiency.

The IMF noted that GDP growth hit 7.2 percent in FY23, a moderation from the 9.1 percent in FY22. This growth has been supported by strong household consumption due to pent-up demand and robust investment, especially through high levels of public capital expenditure, it said.

Driven by the **pandemic**-induced surge in global demand for outsourcing, service export growth in FY23 reached its highest point in a decade, leading to an increase in net exports. Although service exports slowed down in early FY24 due to reduced demand from partner countries, GDP growth remained robust at 7.8 percent in FY23/FY24Q1, backed by strong domestic demand it added.

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