

# India to remain fastest growing economy: IMF

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**NEW DELHI:** India will remain the fastest growing economy in the world even as its “economy reconnects with its potential” with pent-up demand from the pandemic finally dissipating, the International Monetary Fund has said in its latest World Economic Outlook (WEO).

IMF has projected India’s GDP growth in 2024-25 at 7%, slightly below the 7.2% forecast by the Reserve Bank of India. This number is expected to moderate to 6.5% next year which is significantly less than the 7.1% projection in the Monetary Policy Report released by RBI earlier this month. Interestingly, the report speaks of the Bharatiya Janata Party’s Gujarat model that may have played a part in its electoral victory in 2014, paving the road for structural reforms.

India, a reading of the report suggests, will be an outlier in a global economy that, as a whole, continues to “underwhelm” by performing well below the pre-pandemic period despite managing to bring inflation under control without a significant loss of economic momentum. Among advanced economies, the US



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continued to outperform its major European counterparts. The Chinese economy is expected to continue to lose momentum. To bring back the mojo of global economy would require achieving three kinds of pivots: monetary policy, fiscal policy and structural reforms, in increasing order of difficulty, Pierre-Olivier Gourinchas, IMF’s economic counsellor has said in his forward to WEO.

IMF’s latest growth projections for India are unchanged from what they were in the July update to the WEO forecasts. “In India, the outlook is for GDP growth to moderate from 8.2%

in 2023 to 7% in 2024 and 6.5% in 2025, because pent-up demand accumulated during the pandemic has been exhausted, as the economy reconnects with its potential”, the report says.

The world economy is expected to grow at 3.2% in 2024 and 2024, virtually the same as what the July projections said. “The latest forecast for global growth five years from now—at 3.1%—remains mediocre compared with the pre-pandemic average. Persistent structural headwinds—such as population aging and weak productivity—are holding back potential growth in many economies”, the

report notes, even as it celebrates the fact that the “the global battle against inflation has largely been won”, and “the global economy has remained unusually resilient throughout the disinflationary process, avoiding a global recession”.

Apart from commenting on the near- and medium-term prospects of the global economy, the report also makes a case for three kinds of economic pivots in order to boost growth and economic prosperity. The first pivot, which the report sees as already being underway is monetary easing with the decline in inflation which will support activity amidst weakening labour markets. The second pivot, on fiscal policy, will have to “stabilize debt dynamics and rebuild much-needed fiscal buffers” while guarding against the extremes of “unduly delaying adjustment increases the risk of disorderly market-imposed adjustments, while an excessively sharp turn toward fiscal consolidation would be self-defeating and hurt economic activity”. The third and most difficult pivot, the report argues is to implement structural reforms “to improve growth prospects and lift productivity”.