

# India To Drive South Asia's Economy

## Why In News

- The **World Bank** has projected that the Indian economy will grow by 7.5% in 2024. The World Bank had earlier estimated a growth of 6.3%, but they have revised it **upwards to 7.5%**.



## What Does Report Says

- The **overall economic growth** in South Asia, which includes countries like India, Pakistan, and Sri Lanka is expected to be strong at 6.0% in 2024. This growth is mainly driven by the robust **performance of India's economy** and the recoveries seen in Pakistan and Sri Lanka, according to the latest report by the World Bank.



- "In India, which accounts for the bulk of the region's economy, output growth is expected to reach **7.5% in FY23/24** before returning to 6.6% over the medium

term, with activity in services and industry expected to remain robust," the bank said in its report.

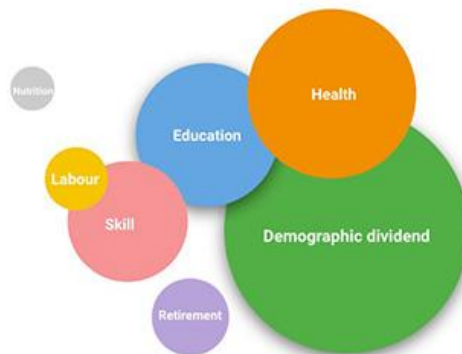
- The economy is expected to grow by **5.7% in Bangladesh** in the fiscal year 2024/25. However, high inflation and trade restrictions might limit economic activity in the country.
- Pakistan's economy is forecasted to grow by **2.3% in the fiscal year 2024/25** after a contraction in the previous year. This growth is attributed to the improvement in business confidence. Similarly, Sri Lanka is expected to see a modest recovery with an output growth of 2.5% in 2025.



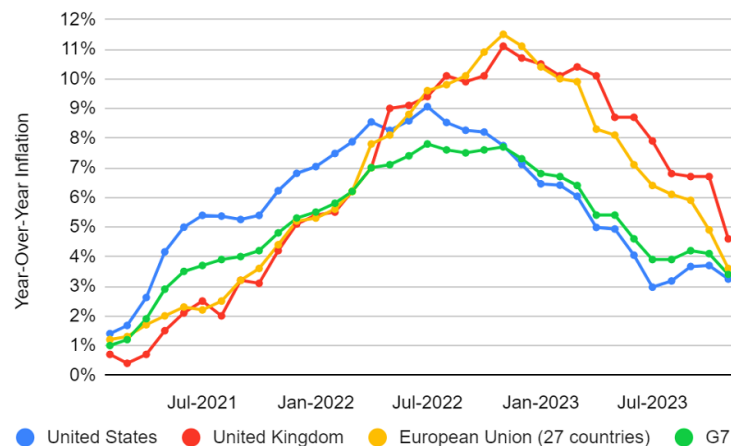
- While the short-term growth prospects for South Asia seem promising, there are concerns regarding fiscal stability and the increasing impact of climate change on the region.
- "**South Asia's growth prospects** remain bright in the short run, but fragile fiscal positions and increasing climate shocks are dark clouds on the horizon. To make growth more resilient, countries need to adopt policies to boost private investment and strengthen employment growth," said Martin Raiser, World Bank Vice President for South Asia.



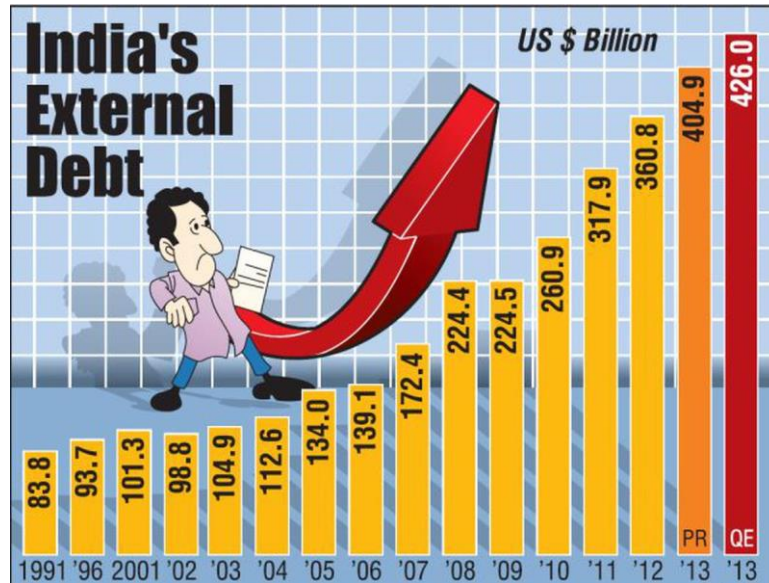
- "South Asia is failing right now to fully **capitalise on its demographic dividend**. This is a missed opportunity," said Franziska Ohnsorge, World Bank Chief Economist for South Asia.
- **Economic activity in India** performed better than expected in the last quarter of 2023, with a growth rate of 8.4% compared to the previous year. This was supported by increases in investment and government spending. The Composite **Purchasing Managers Index (PMI)** for India stood at 60.6 in February, indicating expansion in economic activities.



- The report states that inflation in India has stayed within the Reserve Bank of **India's target range of 2-6%** since a spike in mid-2023. The policy rate, which is the interest rate set by the central bank, has remained the same since February 2023. It also mentions that **food prices have been higher** than usual, partly because of a poor harvest caused by El Nino.



- Looking ahead, the **World Bank expects India's economic growth** to moderate slightly in the fiscal year 2024/25 due to a deceleration in investment.



- However, **growth in the services and industry** sectors is expected to remain robust, supported by construction and real estate activities. Over the medium term, the fiscal deficit and government debt in India are projected to decline, backed by strong economic growth and government efforts towards consolidation.

