INDIA

Table 1	2023
Population, million	1428.6
GDP, current US$ billion	3610.5
GDP per capita, current US$	2527.2
School enrollment, primary (% gross)[a]	108.1
Life expectancy at birth, years[a]	67.2
Total GHG emissions (mtCO2e)	3620.1

Source: WDI, Macro Poverty Outlook, and official data.
a/ WDI for School enrollment (2022); Life expectancy (2021).

Buoyant construction, manufacturing, and services drove strong growth in India in FY23/24 and will continue to anchor growth at high levels over the medium term despite the muted global outlook. In recent years, high growth and recovery in the labor market have been accompanied by declining rates of extreme and moderate poverty, and improvements in non-monetary poverty. Critical structural reforms for sustained development include promoting trade and private investments, improving the business climate, supporting the catch-up growth of lagging states, and creating conditions for more and better jobs, particularly for the youth and women.

Key conditions and challenges

Between 2000 and 2019, India's economy grew by 6.6 percent annually on average; per capita GDP doubled, and the extreme poverty rate decreased from 40 percent in 2004 to 13.2 percent in 2019. Non-monetary poverty (deprivation in health, education, and living standards) fell by 70 percent from 2005-06 to 16.4 percent in 2019-21. These developments were underpinned by India's deeper integration into the global economy, improvements in the business environment, basic services expansion, and prudent macroeconomic management. However, inequality persisted, with a consumption-based Gini index of 33 percent, and around 44 percent of the population lived below the lower middle-income poverty line in FY21/22. Regional disparities in non-monetary poverty and access to basic services remain largely unchanged.

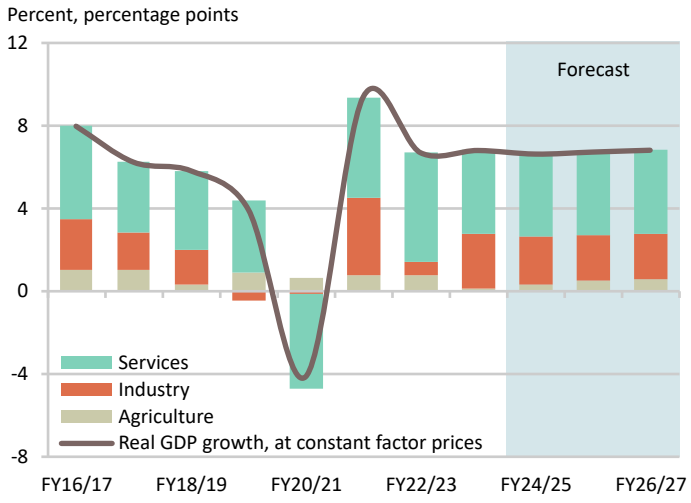
The economy contracted by 5.8 percent in FY20/21, due to COVID-19 related mobility restrictions, before rebounding by 9.7 percent in FY21/22 to above its pre-pandemic level. Over the same period extreme poverty spiked temporarily to 15.5 percent before dropping to 13 percent. Labor market outcomes improved notably in FY22/23, with the urban unemployment rate decreasing to 7.2 percent in FY22/23 from 9.8 percent in FY21/22. The labor force participation rate improved, particularly for women, as self-employment and unpaid work increased, albeit raising concerns about the quality and sustainability of these improvements.

Risks to the growth and poverty reduction outlook are balanced. Global growth has remained subdued; there are signs of recovery, although geopolitical tensions could cause supply chain disruptions. Indian manufacturing firms have benefited from lower input costs as global commodity prices eased. While not immune to international developments, India's economy is resilient with its vast domestic market, diversified structure, and substantial foreign exchange reserves providing external buffers. Achieving higher growth would require enhancing the efficiency of public investment in human capital, addressing constraints to the participation of women in the labor market, further deepening the transition to green energy, expanding infrastructure, and easing trade, investment, job creation, and doing business more generally through the next generation regulatory reforms.

Recent developments

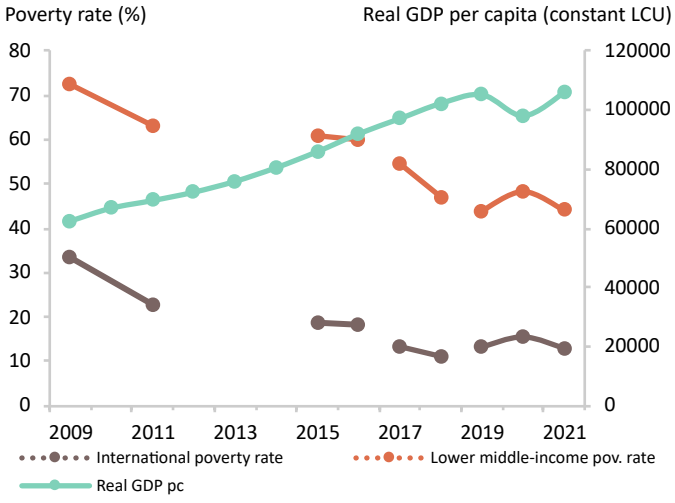
Growth is projected to reach 7.5 percent in FY23/24. Buoyant services and industry activity, especially in construction and manufacturing, offset a slowdown in agriculture due to uneven monsoons. Investment is projected to grow by 10.8 percent, fueled by significant public infrastructure spending and increased private investment. Private consumption is forecast to moderate as weak agriculture

FIGURE 1 **India** / Real GDP growth and contributions to real GDP growth at factor cost



Sources: National Statistics Office (NSO) and World Bank.
Note: FY14/15 refers to the fiscal year 2014-15 (April 2014-March 2015) and so on.

FIGURE 2 **India** / Actual poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

performance depressed rural incomes and post-pandemic pent-up demand waned.

Inflation is expected to fall to 5.5 percent in FY23/24. Core inflation fell below 4 percent, while food inflation remained around 8 percent as of February 2024. The RBI's Monetary Policy Committee maintained the policy rate unchanged at 6.5 percent and its "withdrawal of accommodation" stance. The sustainability of poverty reduction and consumption spending by poorer households are constrained by weak agriculture, stagnant real wages for casual labor, food price volatility, and better utilization of social schemes like PM Awas Yojna and PM Ayushman Bharat can help sustain the achievement.

The fiscal deficit is expected to narrow to 8.6 percent of GDP in FY23/24 from 9.1 percent in FY22/23. At the central level, gross tax revenues increased by 12.5 percent in FY23/24, surpassing the 10.5 percent budget target, thanks to continued efforts to broaden the base and improve tax services. Non-tax revenues were buoyed by higher-than-expected dividends from the RBI and other financial institutions. Current expenditure grew by 2.5 percent y-o-y, allowing a sizeable expansion of public investment by 28 percent. The aggregate fiscal deficit of states increased to 2.8 percent from 2.7 percent in FY22/23. Despite a lower overall deficit, the debt-to-GDP ratio is expected to rise from 82.5 in FY22/23 to 84.3 percent in FY23/24 as nominal growth was significantly lower in FY23/24 at 9.2 percent from 14.2 percent in FY22/23.

The current account deficit is expected to narrow to 1.1 percent of GDP in FY23/24, from 2.0 percent in the previous year. Strong services exports and declining international fuel prices drove the improvement. Net Foreign Direct Investment is estimated to remain subdued at 0.8 percent of GDP as repatriation surged, but foreign portfolio inflows rebounded in FY23/24. Thus, international reserves rose to US$622 billion as of February 2024, amounting to around 10 months of import cover.

Outlook

Growth is expected to decelerate to 6.6 percent in FY24/25, before picking up in subsequent years. Growth will be dampened in FY24/25 by the subdued external environment, the unwinding of the post-COVID-19 rebound, and the general slowdown of activity, particularly capex, during the election period. The medium-term outlook is positive as past public investment will crowd-in corporate investment, and private consumption growth will be supported by the recovery of agriculture and declining inflation. Under the baseline scenario, headline inflation is projected to decline to 4 percent over the medium term. These developments are expected to be accompanied by further reductions in extreme and moderate poverty. New official data on household expenditures from 2022/23 and 2023/24 household surveys will allow to reassess poverty and inequality rates.

The overall fiscal deficit is projected to narrow, helping to gradually reduce public debt. Revenues are projected to remain robust, thanks to improving tax administration and healthy corporate profits. Current spending should continue to increase in absolute terms but decline as a share of GDP, with capital spending remaining high (at over 5 percent of GDP). The debt-to-GDP ratio is projected to decline gradually to around 81 percent by FY26/27.

The current account deficit is expected to remain at around 1.5 percent of GDP over the forecast period supported by declining commodity prices, vibrant services exports, and continued progress in high and medium-technology goods exports. The deficit should be adequately financed by foreign (direct and portfolio) investment flows, with foreign exchange reserves providing ample cover against any adverse external development.

TABLE 2 **India** / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021/22	2022/23	2023/24e	2024/25f	2025/26f	2026/27f
Real GDP growth, at constant market prices	9.7	7.0	7.5	6.6	6.7	6.8
Private consumption	11.7	6.8	3.8	5.1	6.3	6.8
Government consumption	0.0	9.0	3.1	5.8	5.9	6.1
Gross fixed capital investment	17.5	6.6	10.8	9.7	7.6	7.4
Exports, goods and services	29.6	13.4	3.1	4.5	7.2	8.2
Imports, goods and services	22.1	10.6	10.4	4.9	7.1	8.5
Real GDP growth, at constant factor prices	9.4	6.7	6.8	6.6	6.7	6.8
Agriculture	4.6	4.7	0.7	2.1	3.7	4.0
Industry	12.2	2.1	8.8	7.6	7.1	7.1
Services	9.2	10.0	7.4	7.3	7.3	7.3
Inflation (consumer price index)	5.5	6.7	5.5	4.7	4.1	4.0
Current account balance (% of GDP)	-1.2	-2.0	-1.1	-1.4	-1.5	-1.5
Net foreign direct investment inflow (% of GDP)	1.2	0.8	0.8	1.2	1.4	1.5
Fiscal balance (% of GDP)	-9.5	-9.1	-8.6	-8.0	-7.5	-7.4
Revenues (% of GDP)	20.6	19.2	19.6	20.2	20.4	20.4
Debt (% of GDP)	84.8	82.5	84.2	83.1	81.8	80.6
Primary balance (% of GDP)	-4.2	-3.9	-3.4	-2.8	-2.4	-2.3
International poverty rate ($2.15 in 2017 PPP)[a]	12.9	..	..	..	..	..
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a]	44.1	..	..	..	..	..
GHG emissions growth (mtCO2e)	6.2	5.0	2.5	4.2	3.1	3.2
Energy related GHG emissions (% of total)	69.1	70.3	70.9	71.9	72.7	73.4

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ Estimates based on World Bank Poverty and Inequality Platform. Ministry of Statistics and Programme Implementation (MOSPI) has recently released a Factsheet on the 2022/23 Household Consumption Expenditure Survey. The survey is part 1 of a two-year consecutive survey effort (2022-23 and 2023-24) that should fill a long gap in official poverty statistics in India. The official poverty numbers for 2022-23 will be available when the microdata is released.