

## World Bank raises India growth projection by 4.7 percentage points for FY22



The [World Bank](#) has scaled up its projection for India's economic growth by 4.7 percentage points to 10.1 per cent for Financial Year 2021-22, citing a strong rebound in private consumption and investment growth.

The report, 'South Asia Economic Focus, Spring 2021, South Asia Vaccinates', also forecast the economy to decline by 8.5 per cent in FY 2021, higher than eight per cent projected by India's National Statistical office.

Considering the uncertainty in 2021-22, the Bank also gave a range of economic growth for India: 7.5 to 12.5 per cent.

"Given the significant uncertainty pertaining to both epidemiological and policy developments, real GDP growth for FY'22 can range from 7.5 to 12.5 percent, depending on how the ongoing vaccination campaign proceeds, whether new restrictions to mobility are required, and how quickly the world economy recovers," it said.

Over the medium-term, growth is projected to stabilise within a 6-7 percent range. The report said public consumption will contribute positively, but pent-up private demand is expected to fade by the end of 2021. Investment will pick up gradually, spurred by a large government capital expenditure push.

Negative spillovers from financial sector distress, especially as forbearance measures expire, remain a risk to the growth outlook. Nonetheless, the Reserve Bank of India's liquidity stance is also expected to remain accommodative during the fiscal year ending in March 2022.

As economic activity normalizes, domestically and in key export markets, India's current account is expected to return to mild deficits (around one per cent in FY22 and FY23) and capital inflows to be buoyed by continued accommodative monetary policy and abundant international liquidity conditions.

The shock from Covid-19 will lead to a long-lasting inflexion in India's fiscal trajectory.

"The general government deficit is expected to remain above 10 per cent of GDP until FY'22. As a result, public debt is projected to peak at almost 90 per cent of GDP in FY'21 before declining gradually thereafter," said the Bank.

As growth resumes and the labor market prospects improve, poverty reduction is expected to return to its pre-pandemic trajectory, it said.

The poverty rate (at the \$1.90 line) is projected to fall within 6 per cent and 9 per cent, and fall further to between 4 per cent and 7 percent by FY 2024.

The report said the poorer income groups in India, Bangladesh, and Pakistan suffer a greater fall in per capita consumption than the richer income groups do. Moreover, the income gap between the poorest 90 per cent of the population and the richest 10 per cent widened even further in India and Pakistan because of Covid-19 (by 13.2 percentage points in India and 7.7 percentage points in Pakistan).

## Gender

Citing its own study, the World Bank said the share of employed men and women from non-agricultural households in rural India dropped by 56 and 36 percentage points respectively in the immediate aftermath of the Covid-19 crisis.

"Initial evidence suggests that men returned to work earlier, which could be linked to norms that prioritize men," it said.

## Formal versus informal wage workers

Informal wage workers in India were significantly more vulnerable to the loss of employment than formal workers were during the early phase of COVID-19. They also experienced a larger decline in income than formal workers did. But informal workers recovered faster than formal workers, and by July 2020, the decline in employment and income was not significantly different across informal and formal workers, the report said.

[World Bank](#)