

Moody's revises growth forecast for CY23 to 5.5%

Maintains stable outlook on banks

PRESS TRUST OF INDIA

New Delhi, 1 March

Moody's Investors Service on Wednesday raised India's economic growth estimate for 2023 to 5.5 per cent from 4.8 per cent pegged earlier, on the back of a sharp increase in capital expenditure in the Budget and a resilient economic momentum.

It, however, revised downwards the country's growth estimate for 2022 to 6.8 per cent from 7 per cent pegged in November last year.

In its February update to Global Macro Outlook 2023-24, Moody's raised the baseline 2023 real growth projections "meaningfully" for several G20 economies, including the US, Canada, the Euro area, India, Russia, Mexico, and Türkiye, accounting for a stronger end to 2022.

In the case of India, the upward revisions additionally incorporate the sharp increase in capital expendi-

ture budget allocation to ₹10 trillion (3.3 per cent of GDP) for the 2023-24 fiscal year, up from ₹7.5 trillion for the fiscal year ending in March 2023," Moody's said, while projecting a 70 basis points increase in 2023 real GDP growth at 5.5 per cent and 2024 growth at 6.5 per cent.

It said India's growth projection had been "meaningfully raised" as strong data in the second half of 2022 created large carry-over effects for 2023.

Moody's said economic momentum in a number of large emerging market countries, including India, has proved more resilient to last year's tightening in the global and domestic financial environment than it had anticipated.

An eventual let-up in monetary policy tightening in the US will help stabilise, if not improve, capital flows to emerging market countries. However, until inflation in advanced economies is firmly in check, emerging markets will remain vulnerable to bouts of heightened financial market volatility, it said.

With regard to global growth, Moody's said the year 2023 started on a seemingly optimistic note for the global economy following positive surprises on several fronts, including the lifting of COVID-related restrictions in China, unseasonably warm weather that has helped Europe cope with the energy crisis far better than had been expected, and improved financial conditions.

Still, Moody's expects global growth to continue to slow in 2023, with increasing drag from cumulative monetary policy tightening on economic activity and employment in most major economies.

'Banking sector supported by improved financials'

Moody's Investors Service on Wednesday said the banking sector outlook remains stable and is supported by economic growth and improved financials.

"While we expect the country's real GDP growth to moderate in the fiscal year ending March 2024 (fiscal 2024), India's underlying growth potential is fundamentally strong, which will support banks' credit growth and asset quality," Moody's said.

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