India to lead G20 nations with 6.5% growth: Moody's

FE BUREAU
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INDIA'S ESTIMATED 6.5% economic growth for the current financial year will be the highest among both advanced and emerging G20 countries, supported by tax measures and continued monetary easing, Moody's Ratings said on Tuesday.

Amid US reciprocal tariff threats, Moody's noted that large emerging markets like India and Brazil are better positioned to attract and retain global capital in risk-averse conditions. This resilience stems from their large, domestically oriented economies, deep domestic capital markets, moderate policy credibility, and substantial foreign exchange reserves.

"These attributes provide buffers against external financial pressures and, as a result, give investors confidence," Moody's stated.

"India has a low external vulnerability indicator (EVI) of 61%, indicating its relatively lower susceptibility to external financial shocks. This is supported by its relatively modest external debt-to-GDP ratio of 19% and low export dependency on the US (about 2% of GDP)."

Brazil has the same EVI of 61%, a slightly lower external debt-to-GDP ratio of 16%, and an even lower reliance on US trade for economic growth.

The Centre's sharp increase in the income tax exemption limit — from ₹7 lakh to ₹12 lakh under the new tax regime — will leave approximately ₹1 lakh crore in the hands of taxpayers. The government expects this move to boost consumption and demand in the economy.

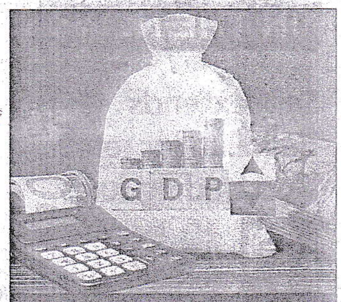
Meanwhile, the Reserve Bank of India (RBI) cut interest rates by 25 basis points to 6.25% in February, and analysts anticipate another rate cut in the upcoming policy review.

Moody's said economic activity in the fastest-growing economies will slow slightly from high levels but remain strong this year and next. In China, exports and investment in infrastructure and priority high-tech sectors remain the main growth drivers, while domestic consumption remains weak.

Moody's further said that emerging market growth will slow in the aggregate but remain solid, with wide variation by country. Growth will remain highest in Asia-Pacific, but the region's integration in global trade means it is most exposed to US tariffs and their potential to slow growth.

DEVELOPMENT GOALS

- India has a low external vulnerability indicator of 61%
- This indicate its relatively lower susceptibility to external financial shocks



- It also has modest external debt-to-GDP ratio of 19%
- India has low export dependency on US (about 2% of GDP)
- RBI cut interest rates by 25 basis points to 6.25% in February
- Analysts anticipate another rate cut in the upcoming policy review