Ratings upgrade for India possible if fiscal deficit falls to 4%: S&P

PRESS TRUST OF INDIA
New Delhi, 3 July

A sovereign rating upgrade for India in the next 24 months is possible if the Union government is able to prudently manage its finances and bring down fiscal deficit to 4 per cent of GDP, an S&P Global Ratings official said on Wednesday.

S&P Global Ratings Director, Sovereign Ratings, YeeFarn Phua, said the trigger for upgrade would be the government (Centre + states) deficit falling below 7 per cent of the GDP, and a lot of this would have to be driven by the Union government.

"If the central government is able to bring down fiscal deficit to 4 per cent of the GDP, we will consider a rating upgrade over the next 24 months," Phua said.

The Union government estimates to bring down fiscal deficit to 5.1 per cent of the GDP in the current fiscal, from 5.63 per cent in 2023-24.

According to the fiscal consolidation road map, the deficit —the difference between government expenditure and revenue — will be brought down to 4.5 per cent by 2025-26.

The US-based rating agency had in May upgraded outlook for India to positive, from stable, while retaining the rating at 'BBB-'. Phua further said the Indian economy has clocked an average of 8 per cent growth in the past three years, driven by domestic consumption and infrastructure investment that has made real difference on the ground.