Next govt's fiscal moves key to sovereign rating: S&P

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S&P Global Ratings on Monday said India's sovereign rating support may strengthen over time if the next government — post general elections — could fund large infra projects without widening the country's current account deficit and can shrink the fiscal deficit significantly.

"Our sovereign ratings on India will still depend on economic growth trending above average and strong external metrics. Success of the next government in funding large infrastructure investments without widening the country's current account deficit will remain important," S&P said in a report summarising sovereign credit issues in elections in Asian economies in 2024.

The general election is likely to be held in April-May this year. S&P said following nearly a decade of rule by the Bharatiya Janata Party (BJP)-led National Democratic Alliance government, a change in the ruling coalition could bring a period of policy uncertainty.

"Investors and businesses may take some time to decide if India's strong growth could continue under a government led by a different coalition. Most market commentators, however, are projecting that the BJP will continue to lead the next government," it added.

Fitch Ratings, in a separate report, said the incoming government will provide further clarification of its fiscal plans once it has taken office since the latest Budget is an interim one.

"Pre-election Budgets tend to contain limited policy announcements, but budget deficit targets are typically carried through to the post-election Budget when the incumbent government returns to office, as we believe it is likely this year," it added.

Fitch said the central government's latest Interim Budget points to a slightly faster pace of consolidation in the next two financial years than it previously expected, and reinforces its commitments to raise capital investment.

S&P

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FITCH RATINGS

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- Will be challenging for govt to achieve FY26 fiscal deficit target