Global woes won't derail India growth story: Moody's

Retains India's rating and outlook, days after cut in FY23 GDP forecast

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Days after Moody's cut its gross domestic product (GDP) forecast for financial year 2022-23 (FY23) after the official GDP print for the June quarter came in lower than expectations, the global ratings agency said it would maintain its long-term sovereign debt credit rating and outlook on Asia's third-largest economy.

"The credit profile of India reflects key strengths, including its large and diversified economy with high growth potential, a relatively strong external position, and a stable domestic financing base for government debt," Moody's said on Tuesday.

"We do not expect rising challenges to the global economy, including the impact of the Russia-Ukraine military conflict, higher inflation, and the tightening financial conditions on the back of policy tightening, to derail India's ongoing recovery from the pandemic in 2022 and 2023," it said.

The agency has a Baa3 rating and a 'Stable' outlook for India.

India's economy grew below expectations at 13.5 per cent in Q1 of FY23, despite the low base of the equivalent period of FY22, when economic activity was severely impacted by the Delta wave. The Reserve Bank of India (RBI) had projected Q1 GDP growth of 16.2 per cent.

The official GDP print was followed by a cut in forecast by a number of agencies. Moody's had cut its forecast to 7.7 per cent from 8.8 per cent, citing dampening of economic momentum in the coming quarters on rising interest rates, uneven spread of the monsoon, and slowing global growth.

In its latest report, Moody's said the 'Stable' outlook reflects the agency's view that the risks from negative feedback between the economy and financial system are receding.

It said that with higher capital buffers and greater liquidity, banks and non-banking financial companies (NBFCs) pose much less risk to the sovereign than previously anticipated, facilitating the ongoing recovery from the pandemic.

"While risks stemming from a high debt burden and weak debt affordability remain, we expect that the economic environment will allow for a gradual narrowing in the general government fiscal deficit over the next few years, avoiding further deterioration in the sovereign credit profile," it said.

Moody's said the principal credit challenges for India include low per capita income, high general government debt, low debt affordability, and limited government effectiveness.

"We have set India's economic strength at "a2", two notches above the initial "baa1" score, reflecting our expectations that growth volatility will return to pre-pandemic levels. The strong growth potential provides key support to its sovereign credit profile," Moody's said, adding that a very large domestic market has provided strong demand-driven growth, helping to shelter the economy from fluctuations in external demand.

It, however, warned that India's economy is highly exposed to climate change events, and such risks need to be mitigated.

Nomura raises India's CAD estimate

Nomura expects India's current account deficit (CAD) as a share of the GDP to triple this fiscal year, saying that a economic slowdown will skew the country's trade imbalances. In a note, the research house said it now expects CAD to rise to 3.5 per cent of GDP in the current fiscal year from 1.2 per cent last year. It had previously forecast the share to be 3.3% of GDP. The pace of growth of both imports and exports moderated, it added. **REUTERS**

'India inflation rate likely rose to 6.9% in Aug'

Deutsche Bank estimates India's Consumer Price Index (CPI) firmed to 6.9 per cent year-on-year in August, while core inflation likely stood at 6 per cent.

While Brent crude oil prices have recorded a steep decline in recent weeks, the impact will be less reflected in the CPI as fuel items account for a very small weight, Deutsche Bank said. looking to raise ₹4,000 crore in fresh capital through the IPO. The remaining ₹1,235 crore will be an offer for sale (OFS) by private equity majors Carlyle and Softbank. **REUTERS**