Moody's raises FY24 growth forecast to 8%

'India to be the fastest-growing economy among G20 countries'

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Buoyed by the government's capital expenditure and strong domestic consumption, Moody's Ratings, formerly known as Moody's Investors Service, on Thursday revised its gross domestic product (GDP) growth forecast for India for this financial year (FY24) to around 8 per cent from 6.6 per cent estimated earlier.

Moreover, India is poised to benefit from increased global trade and investment opportunities arising from companies' strategies to shift from China.

On Wednesday, Reserve Bank of India (RBI) Governor Shaktikanta Das said the Indian economy was likely to grow more than the National Statistical Office estimate of 7.6 per cent in FY24.

"Our sense and understanding of the high-frequency indicators and the momentum of economic activity tells us that this 5.9 per cent growth in Q4 could be exceeded and when that happens, growth will be more than 7.6 per cent. There is quite a good chance of the gross domestic product (GDP) number for the current year being very close to 8 per cent," Das said in an interview with news channel *ET Now*.

Besides keeping a positive outlook on India's banking system, the report by Moody's Ratings also said it expected the operating environment for banks in India to improve in 2024. This improvement would happen again against the backdrop of government capital expenditure and robust domestic demand. This supports the credit growth of the Indian banking system.

Capital expenditure and strong domestic consumption will underpin India's economic growth, the report said

Banks' asset quality, along with the operating environment, will continue to improve. The improvement in asset quality will be driven by companies' deleveraging efforts and healthy credit metrics, Moody's said in a statement. It has an overall stable outlook on the Asia-Pacific's banking systems and a negative outlook on the banking systems of China and South Korea.

Banks in India will continue to maintain sufficient levels of loan-loss reserves.