

S&P Global retains 6.8% growth forecast for FY25

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A day after the Reserve Bank of India lowered India's growth forecast for financial year 2024-25 to 6.6 per cent, S&P Global on Tuesday retained its forecast at 6.8 per cent.

The credit rating agency expects the Monetary Policy Committee (MPC) to cut the policy interest rate next year.

India's economy grew 8.2 per cent in 2023-24.

S&P Global's projection has come at a time when GDP growth has slowed to 5.4 per cent in the July-September quarter, prompting various agencies to slash full-year projection.

Meanwhile, the government is hopeful of better growth for the full fiscal, dismissing Q2 number as one-off.

ALL EYES ON MPC

"The Indian economy is set for a resilient growth in 2025 on the back of strong urban consumption, steady service sector growth, and ongoing investment in infrastructure. We currently project 6.8 per cent growth for the economy for FY24-25 followed by 6.9 per cent growth

in FY25-26," said Vishrut Rana, Economist at S&P Global Ratings.

All eyes are now on the MPC which will meet for the first time under new Governor Sanjay Malhotra in February. Various agencies have predicted that the MPC could lower the rate for the first time after maintaining the status quo for 11 successive meetings. "We expect the Central bank to ease monetary policy modestly during 2025, as inflationary pressures recede," Rana said.

CHALLENGES LISTED

"Manufacturing puts some downside risk to our forecast of 6.8 per cent," he said. Rana also listed challenges like post-pandemic weakness in public sector and household balance sheets, a highly-competitive global manufacturing environment and a weak growth in agriculture sector growth.

"Higher labour force participation, further infrastructure and technology improvement, and stronger public and household balance sheets can support economic growth in India. Better urban infrastructure and improved quality of jobs can crowd-in labour force participation," he said.

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