

GDP growth to cross 6.5% in FY26, says Moody's

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MOODY'S RATINGS ON Wednesday said India's economic growth will exceed 6.5% in the next fiscal, up from 6.3% this year, on higher government capex and consumption boost from tax cuts and interest rate reduction.

Projecting a stable outlook for the banking sector, Moody's said although the operating environment of Indian banks will remain favourable in the next fiscal, their asset quality will deteriorate moderately after substantial improvements in recent years, with some stress in unsecured retail loans, microfinance loans and small business loans.

Banks' profitability will remain adequate as declines in net interest margins (NIMs) are likely to be marginal amid modest rate cuts, it said.

Moody's said that following a temporary slowdown in mid-2024, India's economic growth is expected to reaccelerate and record one of the fastest rates among large economies globally.

"Government capital expenditure, tax cuts for middle-class income groups to boost consumption and monetary easing will help India's real GDP growth exceed 6.5% for fiscal 2025-26 from 6.3% in fiscal 2024-25," Moody's said.

The finance ministry's Economic Survey has projected GDP growth for next fiscal at 6.3-6.8%. As per official estimates, GDP growth in the current fiscal would be 6.5%.

Kolkata