

S&P affirms sovereign rating for India at BBB-

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S&P Global Ratings on Thursday affirmed India's sovereign rating at 'BBB-' for the long term and 'A-3' for the short term, with a stable outlook, as sound economic fundamentals were expected to underpin growth over the next two to three years.

"The stable rating outlook reflects our expectation that India's sound economic fundamentals will be sufficient to offset the government's weak fiscal performance, helping sustain elevated government funding needs and a high interest burden over the next 24 months," said the global credit rating agency in a release.

S&P expects India to register a real growth rate of 6 per cent in 2023-24, with investments and consumer momentum helping growth prospects over the next few years, as the country is expected to grow at 6.9 per cent in 2024-25 and 2025-26.

Though wary of the country's public finances, the agency expressed its confidence in India's strong growth in capital expenditure (capex) allocations, which might boost the quality of the government's fiscal programmes. "More effective capex programmes should help alleviate India's widespread shortfall in physical infrastructure capacity. Over time, this would support the productive capacity of the economy," S&P said.

The agency said fiscal consolidation in India, despite strong revenue gains, had been behind regional peers with similar rating levels. But it expected the central government to gradually pare down its sizeable deficits over the next few years to about 7.3 per cent of gross domestic product (GDP) by 2026-27, S&P said.



**STABLE
OUTLOOK**

	FY23	FY24	FY25	FY26	FY27
■ Real GDP (YoY in %)	7.0	6	6.9	6.9	7.1
■ Debt (as % of GDP)*	84.4	84.9	84.1	83.8	83.1
■ Retail inflation (YoY in %)	6.8	5.0	4.3	4.4	4.7
■ Fiscal deficit (as % of GDP)*	10.0	8.9	8.1	7.6	7.3
■ Investment (as % of GDP)	32.3	31.4	31.5	31.0	30.5
■ Exports (as % of GDP)	22.6	21.8	21.8	21.3	21
■ CAD (as % of GDP)	2.9	2.2	1.5	1.6	1.6

Note: S&P forecasts (except FY23); *Figures for Centre+states

Source: S&P

S&P forecast overall net general government debt stabilising just below 85 per cent of GDP over the next three years, which would be higher than the pre-pandemic level of 75 per cent of GDP but well below the pandemic peak of over 90 per cent.

On Wednesday, the United Nations Department of Economic and Social Affairs (UNDESA), in its mid-year update to its World Economic Situation and Prospects report, retained its growth forecast for India at 6.7 per cent for calendar year 2024.

"India's economy — the largest in the (South Asian) region — is expected to expand by 5.8 per cent in 2023 and 6.7 per cent in 2024, supported by resilient domestic demand. As the (South Asian) region is highly vulnerable to extreme cli-

mate conditions; potential droughts and floods also pose a significant risk to the economic outlook," the report had noted.

Earlier last week, Fitch Ratings had also reiterated its lowest investment grade rating 'BBB-' with a stable outlook for India's long-term sovereign debt, saying growth prospects in India had brightened as the private sector appeared poised for stronger investment growth.

The ratings agency had said that India would be one of the fastest-growing sovereigns globally, with a forecast of 6 per cent GDP growth for 2023-24, supported by resilient investment prospects. It, however, said there were headwinds from elevated inflation, high interest rates, and subdued global demand, along with fading pandemic-induced pent-up demand.