# Fitch raises FY25 GDP forecast marginally to 7.2%

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Taking a cue from rising consumer spending, Fitch Ratings upped its India growth forecast — measured in terms of GDP — to 7.2 per cent for FY25, from the earlier print of 7 per cent. The economy grew by 8.2 per cent during FY24.

"Investment will continue to rise, but more slowly than in recent quarters, while consumer spending will recover with elevated consumer confidence. Purchasing managers' survey data points to continued growth at the start of the current financial year," the agency said in its 'Global Economic Outlook'. The rating agency raised its forecast for world growth to 2.6 per cent in 2024, from the previous forecast of 2.4 per cent.

### ON PAR WITH RBI

Fitch's forecast is on par with RBI's latest estimate. Earlier this month the central bank too had revised upwards the forecast by 20 bps to 7.2 per cent. It noted that high frequency indicators such as domestic activity were showing resilience. The South-West monsoon is expected to be above normal, which augurs well for agriculture and rural demand. Coupled with sustained momentum in manufacturing and services activity, this should enable a revival in private consumption.

However, Fitch's revision is higher than that of the IMF and ADB. In April, the IMF revised its projection for India to 7 per cent from 6.8 per cent for the current fiscal. ADB also revised its projection to 7 per cent in April from 6.7 per cent.

### GROWTH PROJECTION

Meanwhile, Fitch said signs of the coming monsoon season being more normal should support growth and make inflation less volatile, though a recent heat-wave poses a risk. It expects growth in later years to slow and approach its medium-term trend estimate. "We forecast real GDP growth of 6.5 per cent in FY25/26 (unchanged from March), and 6.2 per cent in FY26/27, driven by consumer spending and investment," it said. Further, it noted that, at its latest meeting the RBI maintained the policy rate at 6.5 per cent and confirmed its hawkish stance of "withdrawal of monetary accommodation" and the need to bring down inflation towards target. "We still expect the RBI to cut its policy rate this year, but only once, to 6.25 per cent. In the March GEO, we expected 50bps of cuts this year. We then expect 25bps of cuts in both 2025 and 2026," it said.

As confidence in European recovery prospects improve, the world growth forecast has been revised upward. China's export sector revives and domestic demand in emerging markets, excluding China, shows stronger momentum. The US is slowing, but only gradually and the 2024 growth forecast is unchanged at 2.1 per cent, the ratings agency noted.