'Economy estimated to grow at 6.5% in FY25'

Our Bureau
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Indian economy is estimated to grow at 6.5 per cent during Fiscal Year (FY) 2024-25, India Ratings and Research (Ind-Ra) said on Thursday. The agency also expects the pace of private investment to accelerate if the present government returns to power.

The agency's projection is 50 basis points (bps) lower than Reserve Bank of India's (RBI) projection of 7 per cent, but at par with International Monetary Fund's (IMF) projection of 6.5 per cent. Growth during current fiscal is estimated at 7.3 per cent. The agency said that economic recovery is on track owing to multiple factors including sustained government capex, healthy corporate performance, deleveraged corporate and banking-sector balance sheets, continued softness in global commodity prices and the prospect of a new private capex cycle.

POSITIVE OUTLOOK

The agency said that while growth in the next fiscal is expected to be lower, this is not going to affect private investment cycle which bodes well for the economy. "When we look at lead indicators, all of them are indicating that at the current juncture, the private corporate sector is once again becoming more bullish about investments...," Sunil Kumar Sinha, Principal Economist at Ind-Ra said in a press conference here.

According to the agency, ₹3.53-lakh crore was raised in 2022-23 to finance a total of 982 large projects — those over ₹1,000 crore. This is significantly higher than the ₹1.98-lakh crore raised to finance 791 such projects in 2021-22. According to Sinha, while it's still "early days" for the private capex cycle, companies are also gaining confidence from their belief that the likelihood of another shock is low.

"With demand picking up, capacity utilisation in the private sector should start rising from the current aggregate level of 75 per cent. Meanwhile, certain segments such as cement and steel have already seen their capacity utilisation levels cross 80-85 per cent. As such, investments has already begun taking place in those sectors," he said.

However, the agency cautioned that consumption demand was still skewed in favour of households with the upper 50 per cent of incomes.