

S&P retains India's FY25 GDP estimate on high interest rate

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The S&P Global Ratings on Monday retained its growth forecast for India at 6.8 per cent for FY25, citing high interest rates and lower fiscal boost tempering demand in the non-agricultural sectors.

"India's economic growth continues to surprise on the upside. GDP growth for fiscal 2024 was revised up to 8.2 per cent. We expect growth to moderate to 6.8 per cent this fiscal year, with high interest rates and lower fiscal spur tempering demand in the non-agricultural sectors," the rating agency said in its economic outlook for the Asia Pacific region.

For FY26 and FY27, S&P projected India's economy to grow at 6.9 per cent and 7 per cent, respectively.

S&P raised its GDP growth forecast for China to 4.8 per cent from 4.6 per cent for 2024, but expected a sequential slowdown in the June quarter. "A



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FY25 growth forecast (%)

	Earlier estimate	Revised Estimate
Fitch	7.0	7.2
World Bank	6.6	6.6
IMF	6.5	6.8
RBI	7.0	7.2
S&P Ratings	6.8	6.8

Source: BS Research

combination of subdued consumption and robust manufacturing will weigh on prices and profit margin," it added.

The rating agency expects the Reserve Bank of India (RBI) to reduce its policy rate to 6 per cent in the current financial year from 6.5 per cent at present. Additionally, it anticipates further cuts in the lending rate to 5.5 per cent and 5.25 per cent in 2025-26 and 2026-27, respectively.

S&P's growth projections are lower than those of the RBI. In its latest monetary policy review, the RBI raised its growth projection for FY25 to 7.2 per cent from an earlier estimate of 7 per cent.

The rating agency projected India's retail inflation at 4.5 per cent for FY25, which aligns with RBI's forecast. The RBI's quarterly inflation projections for FY25 are 5 per cent, 4 per cent, 4.6 per cent, and 4.7 per cent.

Separately, Moody's Analytics in its latest Asia Pacific Outlook said with a string of solid GDP prints, Indian GDP is now about 3.5 per cent below pre-pandemic trend while it was closer to 7 per cent a year ago.

The analytics firm said how well the Bharatiya Janata Party (BJP) does at forging new alliances and addressing longstanding challenges such as inflation, high unemployment, and socio-economic disparities will determine India's growth trajectory in the next five years.