

# Rating agencies upbeat on fiscal consolidation plan

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Global credit rating agencies have given thumbs up to the FY25 Budget, lauding the government's firm commitment to deficit reduction, with Moody's Ratings noting that the Budget is credit positive.

"Policy continuity is reflected in the government's capital spending on infrastructure, which remains around 23 per cent of total expenditure, although this is below the 24 per cent spending on interest payments. Overall, the Budget is credit positive as it is expected to keep fiscal deficits at around 4.9 per cent of GDP, lower than the 5.1 per cent of GDP announced in the interim Budget. This places the government's goal of achieving a 4.5 per cent of GDP deficit by fiscal 2025-26 within reach," Moody's Ratings said in a statement.

S&P Global Ratings said India's final Budget is consistent with its expectation of the government's commitment to fiscal consolidation. And, the lower central deficit target is in line with its forecast of general government deficit at 7.9 per cent of GDP for FY25. "Likewise, the unchanged allocation of ₹11.1 trillion to capital expenditure signals the Modi administration's continued focus on infrastructure investment, which we view as supportive of long-term economic growth. We envisage the proposed tax cuts for foreign companies and initiatives to spur job creation to sustain investments," it added.

S&P revised India's sovereign credit outlook to positive from stable in May keeping intact its lowest investment grade rating. Moody's and



**POSITIVE OUTLOOK**

- ▶ **S&P Global Ratings:** Unchanged allocation of ₹11.1 trillion to capital expenditure supportive of long-term economic growth
- ▶ **Fitch Ratings:** FY25 Budget demonstrated the gov't's commitment to deficit reduction. However, public finance metrics remain a relative weakness in credit profile
- ▶ **Moody's:** Projects general gov't debt to stabilise above 80% GDP over the next three years, down from 89.3% in FY21

Fitch Ratings have kept India's outlook unchanged at stable with the same sovereign credit rating.

Fitch Ratings said the FY25 Budget demonstrated the government's firm commitment to deficit reduction, while keeping an eye on growth by maintaining its capex push. However, Fitch said public finance metrics remain a relative weakness in India's credit profile with the fiscal deficit, interest-to-revenue and debt ratios still high compared to peers.

Moody's said taking into consideration the latest budget estimates, it projects general government debt to stabilise above 80 per cent of GDP over the next three years, down from 89.3 per cent in FY21.