

Moody's report on India outlook 'disappoints' govt

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The government is "extremely disappointed" with the latest report of the Moody's rating agency on India's economic outlook. The report, a senior government official said, was highly contradictory and called the rating agency's credibility into question.

Referring to the Moody's statement that "India's fiscal strength remains a key weakness in the sovereign credit profile...", the official remarked: "How can my strength be my weakness? Moreover, they are unwilling to have a like-to-like comparison with India."

The government has also criticised the remark of the rating agency that "Moody's expects high nominal GDP (gross domestic product) growth and ongoing fiscal consolidation to stabilise the government debt burden at high levels".

The official quoted above said Moody's had not defined what the high level of debt was. "The bulk of our borrowing is domestic," the official added. Moody's had said: "High GDP growth will contribute to gradually rising income levels and overall economic resilience. In turn, this will support gradual fiscal consolidation and government debt stabilisation, albeit at high levels." The official, however, did not comment on the

political undertones of the Moody's report, which talked about "a curtailment of civil society and political dissent, which, compounded by rising sectarian tensions, support a weaker assessment of political risk and the quality of institutions".

Global rating agencies have often been criticised by the government for not acknowledging improvements on macroeconomic parameters. During his tenure as economic affairs secretary, Reserve Bank of India (RBI) Governor Shaktikanta Das had said the agencies were several steps behind reality and were missing out on something which only they could best explain.

revenues were hit by a nearly 50 per cent Y-o-Y decline in its coal-trading business, which is part of its integrated resource management division and accounts for nearly two-thirds of Adani Enterprises' consolidated net sales.

Mahindra and Tata Group companies were the most consistent performers, thanks to a good showing by their automotive and IT services businesses. While Tata Group gained from double-digit revenue growth reported by Tata Motors and Tata Consultancy Services in Q1FY24, the Mahindra camp benefited also from double-digit growth in its automotive and financial services business.

In contrast, Ambani-run Reliance Industries and AV Birla Group companies including Hindalco and Grasim suffered from a decline in global commodity prices, leading to a decline in their revenues and net profits.

On a longer-term basis, most business groups have reported a sharp deceleration on revenue growth with the biggest decline reported by Adani companies. Tata Group companies are an exception and their net sales growth in Q1FY24 was the best in the last three quarters. This was due to a bigger contribution from global or overseas revenues.

Moody's...

Former chief economic advisor Arvind Subramanian had also said in the past that the rating agencies were following "inconsistent" standards while rating India and China.

On August 18, Moody's

Investors Service affirmed India's long-term local and foreign-currency sovereign ratings and retained the outlook at "stable" It said India's long-term local and foreign-currency issuer ratings and the local-currency senior unsecured rating remained at Baa3, while the other short-term local-currency rating stood at P-3. In 2016, during its presidency of Brics (the grouping of Brazil, Russia, India, China and South Africa), India had proposed to create a credit-rating agency under the umbrella of the grouping to challenge the existing credit-rating system dominated by the three global rating agencies India considered biased against developing countries.

Brics...

In a veiled reference to other multilateral organisations such as the United Nations and the World Bank, the PM said Brics' move could become an example for other institutions set up in the 20th century. Modi said India has had very deep and historic ties with the invitee nations. "With the help of Brics, new dimensions would be added to our bilateral ties," he added. India has entered into formal comprehensive strategic partnerships with Egypt and the UAE, and maintains close political and economic ties with Saudi Arabia and Iran. "India has always fully supported the expansion of Brics. It has believed that the addition of newer members would make Brics stronger as an organisation and give strength to our collective efforts," Modi said.

