

# S&P retains India's GDP forecast at 6.8%, expects policy rate cut next month

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S&P Global on Tuesday retained India's economic growth, measured in terms of GDP (Gross Domestic Product) change, at 6.8 per cent. It expects the RBI's Monetary Policy Committee (MPC) to cut the policy interest rate next month.

In its report titled 'Economic Outlook Asia-Pacific Q4 2024', the agency noted that GDP growth moderated in the June quarter as high interest rates tempered urban demand. However, this was "in line with our projection of 6.8 per cent GDP for the full fiscal year 2024-2025," the agency said.

Further, it said that the July budget confirmed the government's commitment to fiscal consolidation and maintaining a focus of public expenditure for infrastructure. The

agency has projected growth at 6.9 per cent for FY25-26 and 7 per cent for fiscal years 2026-27 and 2027-28.

The agency's forecast for current fiscal aligns with OECD's projection of 6.8 per cent, but is lower than World Bank, IMF and ADB, all at 7 per cent. Moody's, Fitch and RBI have projected a higher growth rate of 7.2 per cent, although the government's projection is slightly lower. In its monthly economic review released last month, the Finance Ministry said, "As of now, the projection of real GDP growth of 6.5-7.0 per cent for FY25, made in the Economic Survey for 2023-24, seems appropriate."

## INFLATION CONCERNS

Meanwhile, S&P Global noted that though inflation has receded in the Asia-Pacific region, it remains high in Australia and India. However, it emphasised that in India, solid growth allows the RBI to

focus on bringing inflation in line with its target. "The RBI considers food inflation a hurdle for rate cuts. It reckons that unless there is a lasting and meaningful decline in the rate at which food prices are increasing it will be tough to maintain headline inflation at 4 per cent," it said.

Earlier this month, data released by the Statistics Ministry showed that rise in vegetable and fruit prices pushed the retail inflation rate slightly higher at 3.7 per cent in August. Despite the rise, the retail inflation, based on Consumer Price Index (CPI), is second lowest in the last 59 months. But the expectation is that the rate may go up further in September.

However, S&P Global has a different take. "Our outlook remains unchanged. We expect the RBI to begin cutting rates in October at the earliest and have penciled in two rate cuts this fiscal year (year ending March 2025)."

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