Slowing Indian economy to drag APAC's growth in 2025: Moody's

S&P expects RBI to cut rates next month

SHIVA RAJORA
New Delhi, 24 September

Moody's Analytics on Tuesday said normalising growth in India would drag the Asia Pacific (APAC) region's performance in 2025 as India's economy is projected to slow down to 6.5 per cent in 2025 from an estimated 7.1 per cent for 2024.

"In developing Asia, growth will slow to 5.1 per cent in 2024 and 4.9 per cent in 2025. Sluggish momentum in China is one major factor. Weak domestic demand will weaken domestic growth in China to 4.7 per cent in 2024, well behind the official 5 per cent target. In 2025, growth will slow to 4.6 per cent," the sister arm of Moody's Ratings.

"Normalising growth in India will also drag on the region's performance. After a strong post-pandemic rebound of 7.8 per cent in 2023, Indian gross domestic product (GDP) growth will slow to 7.1 per cent in 2024 and 6.5 per cent in 2025," it said. Moody's Analytics revised India's growth forecast for 2024 to 7.1 per cent from 6.8 per cent estimated in June. However, global credit ratings agency S&P Global on Tuesday retained India's growth forecast at 6.8 per cent for 2024-25 and expressed optimism that the Reserve Bank of India (RBI) would start cutting interest rates beginning its October monetary policy review.

"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. 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," S&P said in its latest economic outlook for Asia-Pacific.

Besides, the rating agency also retained its GDP growth forecast for FY26 at 6.9 per cent and said solid growth in India would allow the RBI to focus on bringing inflation in line with its target.

ON TRACK

	FY25 forecast (in %)
IMF	7.0
S&P	6.8
World Bank	7.0
RBI	7.2
Moody's Analytics*	7.1

*For calender year 2024
Source: BS Research

NBFC loan growth to moderate to 18% in FY25: S&P Global Ratings

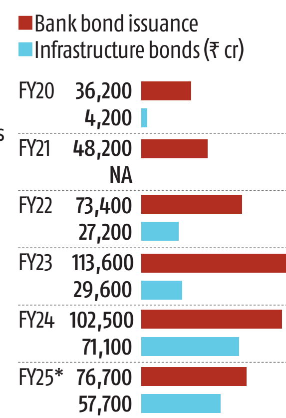
Reflecting the cumulative impact of Reserve Bank of India's (RBI's) actions, loan growth of rated finance companies in India will moderate to 18 per cent during the current financial year (FY25) from 20 per cent in FY24, according to S&P Global Ratings. Geeta Chugh, credit analyst, S&P Global Ratings, said in a statement: "We anticipate that recent actions by the RBI will curtail lenders' over-exuberance, enhance compliance, and safeguard customers." The RBI's decision to raise risk weights on unsecured personal loans and loans to non-banking finance companies (NBFCs) is specifically aimed at constraining growth and reducing interconnectedness between banks and finance firms. This is according to the S&P report 'Indian Fincos' Balancing Act'. **BS REPORTER**

Bank bond issuance likely to touch ₹1.2 trn in FY25: ICRA

Banks' borrowings through bonds is expected to reach ₹1.2-1.3 trillion in this financial year (FY25) amid tight liquidity conditions and credit outpacing deposit growth, according to rating agency ICRA.

Bond issuances in FY25 may surpass the earlier peak of ₹1.1 trillion in FY23, said the agency. Banks issued bonds worth ₹1 trillion in FY24. Public sector banks are likely to account for 82-85 per cent of bank bond issuances in FY25. Infrastructure bonds are likely to account for more than two-thirds of the total share. Banks have issued bonds worth ₹767 billion in FY25 yet, registering a year-on-year growth of 225 per cent and reaching 75 per cent of total issuances in FY24. **BS REPORTER**

ON THE RISE



* Year-to-date
Source: ICRA Rating