

● 'JAN-MAR QUARTER GROWTH OUTPERFORMED EXPECTATIONS'

S&P retains India growth forecast for FY24 at 6%

Underlines demand resilience, investment momentum

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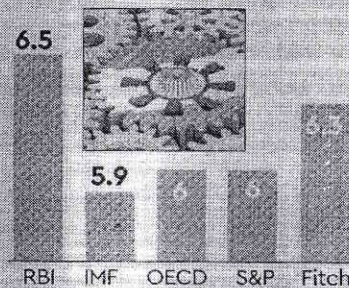
WHILE NOTING INDIA'S domestic demand resilience and strong investment momentum, S&P Global Ratings on Monday kept the forecast of 6% economic growth for this financial year unchanged from its March forecast.

Admitting that India's growth in January-March quarter which took the growth for the whole of 2022-23 to 7.2% outperformed its expectations confirming strong recovery from Covid-19, S&P said that the environment will remain supportive of growth this year.

Citing similar facts, Fitch had last week revised India's growth forecast for this financial year to 6.3% from 6% forecast in March. "The recent high-frequency data point to sustained near-term momentum as highlighted by rising PMI indices, higher car sales and increased power consumption. The

INDIA FORECAST

GDP growth in 2023-24 - Forecasts (%)



■ S&P has kept FY24 economic growth forecast at 6%, unchanged from March

■ For 2024-25 and 2025-26 too S&P has kept the forecast of 6.9% unchanged

■ Fitch last week revised India's growth forecast to 6.3% from 6% forecast in March

India's Sovereign Rating

	Rating	Last update
Moody's	'Baa3' / stable outlook	September 6, 2022
Fitch	BBB- / stable outlook	May 8, 2023
S&P	'BBB-' / stable outlook	May 18, 2023

economy also continues to benefit from high bank credit growth and infrastructure spending (with more to come from the latter)," Fitch had said of India in the latest review.

For 2024-25 and 2025-26 too the S&P has kept the forecast of 6.9% unchanged.

The S&P's growth forecast is lower than the Reserve Bank of

India's 6.5% and government's estimate of 6.5% to 7% growth. The International Monetary Fund has forecast growth of 5.9% this year and OECD at 6%.

S&P said that inflation will be down to 5% for the full year from last year's 6.7% if the monsoon is normal. "Softer crude prices and tempering of demand will bring

down fuel and core inflation respectively," the S&P's Economic Outlook for Asia-Pacific said.

"The inflation and rate hike cycle has peaked, in our opinion. But we expect RBI to cut rates only in early 2024 as it wants consumer inflation moving to 4% - the centre of its target range," the report said.

The RBI has also projected 5% inflation for 2023-24. S&P projects inflation of 4.5% in 2024-25 and 2025-26. S&P also pointed out that external vulnerabilities have eased in India as external deficit trends (Current Account Deficit) have improved this year as oil prices have declined.

The CAD was a major worry in the last financial year as it touched a high of 3.7% of Gross Domestic Product in July-September quarter as oil prices remained high. It eased to 2.2% in the October-December quarter.

CAD for January-March quarter, will be released on June 30 by the RBI but the recent statement by the governor post Monetary Policy Committee meeting said that CAD is expected to have moderated further and should remain manageable in 2023-24 also.