

S&P, OECD retain FY23 forecasts of GDP growth

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New Delhi, 26 September

Amid slowing external demand for Indian goods and services, the Organisation for Economic Cooperation and Development (OECD) and S&P on Monday kept their FY23 growth forecasts for India unchanged at 6.9 per cent and 7.3 per cent, respectively, while highlighting growing downside risks. S&P in its latest outlook for Asia-Pacific said it saw a strong rebound in India as services consumption continued to recover and investment grew robustly. "Softer external demand is a factor in India's projected slowdown from 8.7 per cent annual growth in FY22 to around 7 per cent in FY23 and around 5.75 per cent in FY24, but this still represents rapid growth in the context of a weak global economy," OECD said in its interim Economic Outlook.

S&P noted that India's domestic recovery from Covid-19 would continue to support growth in FY23. "Indeed, we have retained our India growth outlook at 7.3 per cent for the fiscal year 2022-23 and 6.5 per cent for the next fiscal year, although we see the risks tilted to the downside," it added.

Although S&P noted the decline in core inflation in India, it also warned of the Consumer Price Inflation "to remain outside the Reserve Bank of India's upper tolerance limit of 6 per cent until the end of 2022 amid substantial weather-induced wheat and rice price increases as well as sticky core inflation". The elevated core inflation is "expected to drive up the policy rates amid the rising global interest rates that have triggered capital outflows and depreciation against the US dollar", it noted.

OECD said headline inflation in the major Asian emerging-market economies such as India and Indonesia, is currently above the objective of the respective central banks. "But monetary policy tightening and weaker global demand are projected to help bring inflation close to target by the end of 2023," it added.

On China, S&P said the country's economic recovery should remain muted through the first quarter of 2023 amid a largely unchanged Covid-19 stance and weak property sector. "Worries among potential homebuyers about the ability of property developers to deliver purchased apartments have sapped confidence and led to a 'mortgage strike' by homebuyers in parts of the country. Housing sales and starts have languished around 25 per cent and 45 per cent down on a year ago, respectively, for much of the third quarter", the agency notes.

Moody's in its report "Global Outlook: Global Economy on Edge" said, "Global real GDP is forecast at 2.7 per cent in 2022, down from 4.2 per cent in our January forecast. GDP for 2023 has also been revised lower to 2.3 per cent from 3.6 per cent".

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