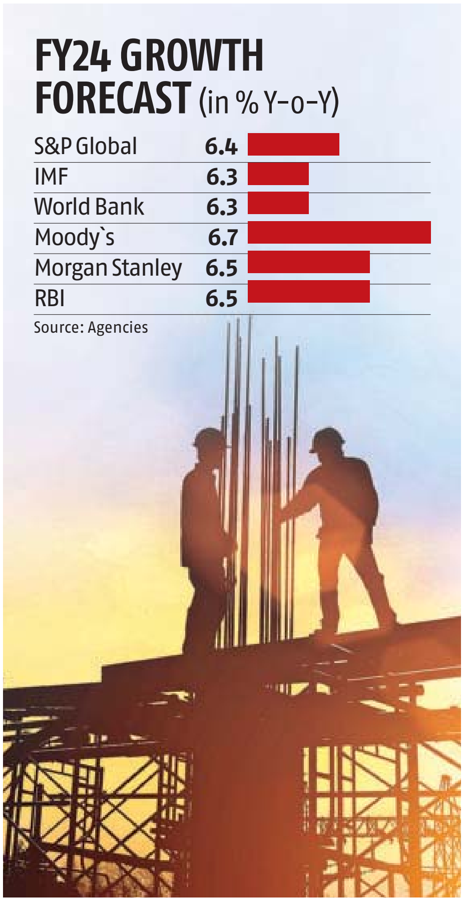
S&P raises India's FY24 growth forecast on 'robust momentum'

Projects economy to grow at 6.4% as against 6% earlier; lowers FY25 outlook



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S&P Global Ratings has raised India's gross domestic product (GDP) growth forecast for the current financial year (FY24), saying robust domestic momentum seems to have offset headwinds from high food inflation and weak exports.

The US-based ratings agency, in its report released on Monday on the growth outlook for the Asia-Pacific region, revised upwards India's growth projection for FY24 by 0.4 percentage points to 6.4 per cent.

However, S&P has cut the country's growth estimates for FY25 to 6.4 per cent. "We expect growth to slow in the second half of the fiscal year amid subdued global growth, a higher base, and the lagged impact of rate hikes. As a result, we have lowered our outlook for growth in FY25 to 6.4 per cent from 6.9 per cent," the report stated.

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It mentioned that India's GDP exceeded the 2019 level by 15.5 per cent in the first half of the current financial year, and the fixed investment had recovered considerably more than private consumer spending.

The report also noted that the lingering inflation posed a risk to the forecast.

"In India, there was a transitory spike in food inflation in Q2 (the July-September quarter), but it appears to have had little effect on underlying inflation dynamics. Still, headline inflation remains above the Reserve Bank of India's (RBI's) target of 4 per cent, suggesting it will be a while before the rate cycle turns," the report said.

The RBI estimates growth to remain at 6.5 per cent for FY24.

S&P Global expects overall growth in the Asia-Pacific region to be on track. For China, it has raised its 2023 forecast to 5.4 per cent. It expects China to grow in line with its potential in 2024.

"China's outlook has improved, but obstacles remain. With the property sector struggling and confidence subdued, the growth outlook remains moderate. A property downturn is still a pain point for the Chinese economy, but growth momentum has slightly improved because of policy support," it added.

Last week, global investment firm Morgan Stanley had predicted that the Indian economy might grow at around 6.5 per cent in FY24 and FY25, citing strong fundamentals and domestic demand being supported by strength in corporate and financial sector balance sheets and the follow-through of policy reform measures amid a global slowdown.

Recently, Moody's Investor Services also retained India's economic growth at 6.7 per cent for 2023, citing the country's remarkable resilience amid a global slowdown, buoyed by solid domestic demand.

Similarly, the International Monetary Fund had raised in October its growth projection of India to 6.3 per cent for 2023 and 2024 from its July estimate of 6.1 per cent, citing stronger-than-expected consumption during Q1.