S&P lowers India's FY23 GDP growth forecast to 7%

Says domestic demand recovery will aid growth; policy rate will peak at 6.25%

ASIT RANJAN MISHRA
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The S&P Global Ratings on Monday pared down its FY23 economic growth forecast for India to 7 per cent from 7.3 per cent estimated in September. However, the rating agency maintained that domestic demand recovery would support growth in India.

"The global slowdown will have less impact on domestic demand-led economies such as India, Indonesia, and the Philippines. India's output will expand 7 per cent in the fiscal year 2022-2023 (ending in March 2023) and 6 per cent in the next fiscal year, by our estimates," the agency said.

"In some countries, the domestic demand recovery from Covid has further to go. This should support growth next year in India, Indonesia, Malaysia, the Philippines, and Thailand," it added.

S&P said foreign reserves had fallen in Asian emerging markets even after adjusting for valuation changes, and the strain on Asian forex would continue into 2023 as the US Fed continues to raise its policy rate.

"In India, the decrease in foreign reserves of $73 billion through August was far and above losses attributable to valuation changes (of $30 billion). This implies that the central bank has made sizable interventions to support the Indian rupee," it added.

The rating agency said monetary policy decisions had generally been in line with core inflation developments and although most of the increase in inflation in the region should be behind us, central banks are likely to tighten monetary policy further.

S&P expects India's policy rate to peak at 6.25 per cent in FY23 and come down to 5.5 per cent in FY24. "The rise in the Reserve Bank of India's policy rate of 1.9 percentage points so far this year is from an already elevated level at end-2021," it said.

Amid mass protests in China, S&P said China's growth should pick up to grow at 4.8 per cent 2023 as the Covid stance and property downturn ease.

"Our expectation is that the government will relax its Covid stance more systemically in 2023, likely in the second quarter. The relaxation will likely be gradual and will probably initially weigh on the economy as high caseloads make people reluctant to venture out. But the change in policy stance should eventually boost confidence and organic activity," it said.

However, in the medium term, S&P expects China's trend growth to slow to 4.4 per cent over 2022-2030, and then to 3.1 per cent in 2031-2040. "This would be a huge drop from the 6 per cent expansion over 2017-2021," it said.

■ Latest forecast ■ Earlier forecast

Bank/institution	Latest forecast	Earlier forecast
S&P	7.0	7.3
World Bank	6.5	7.5
OECD	6.6	6.9
IMF	6.8	7.4
Fitch	7.0	7.8
India Ratings	6.9	7.0
ADB*	7.0	7.2
RBI*	7.0	7.2

*Asian Development Bank
*Reserve Bank of India

GDP may grow at 5.8% in Q2: SBI Research

Citing a weak manufacturing sector coupled with the steep margin compression, SBI Research has pencilled in the country's GDP growth for the second quarter at 5.8 per cent, down 30 basis points from average estimates. The government will release the official numbers on November 30. **PTI**

Excess credit growth to affect banks: Fitch

Global rating agency Fitch said that bank credit growth in excess of 13 per cent YoY in FY23 could put pressure on core equity tier ratios of banks, especially public sector lenders. It may limit the buffers of banks to absorb potential future losses. Bank credit expanded by 11.5 per cent in FY22. **ABHIJIT LELE**