Moody's raises India's growth estimate to 7.2%

Fitch affirms sovereign credit rating at 'BBB–'

RUCHIKA CHITRAVANSHI & SHIVA RAJORA
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Moody's Ratings raised India's gross domestic product (GDP) growth projection for this calendar year to 7.2 per cent from 6.8 per cent previously on the back of expectations of robust broad-based recovery and signs of improving rural demand. Fitch, meanwhile, affirmed the country's sovereign credit rating at 'BBB-' on Thursday.

Moody's has pegged the 2025 growth forecast at 6.6 per cent against 6.4 per cent. "Over the medium-and longer-term, India's growth prospects depend on how well the country can productively tap its substantial pool of labour," it said, while noting that India's population has a median age of 28 years and around two-thirds of it are of working age. Moody's Ratings said that from a macroeconomic perspective, the Indian economy is in a sweet spot, with a mix of solid growth and moderating inflation. "We recognise potentially higher forecasts if the cyclical momentum, especially for private consumption, gains more traction," it said. It said that signs of a revival in rural demand are already emerging, on the back of improving prospects for agricultural output with above-normal rainfall during the monsoon season. The capex cycle, Moody's Ratings said, should continue to gain steam amid rising capacity utilisation, upbeat business sentiment and the government's continued thrust on infrastructure spending.

The agency also noted that although manufacturing has gained limited traction over the past decade, underlying improvements in the domestic operating environment and broader global trends improve prospects for India's manufacturing sector going forward.

Fitch retains sovereign credit rating

Ratings agency Fitch has also affirmed India's sovereign credit rating (BBB-) underpinned by strong medium-term growth outlook and solid external finance position. In its report, Fitch highlighted that the election results signal a broad continuity, but the coalition politics is likely to constrain the government's ability to enact reforms.

"Policy continuity around the infrastructure drive, digitalisation and ease of doing business measures supports growth, but coalition politics and a weakened mandate will likely constrain the government's ability to enact major economic reforms, limiting upside to potential growth," it said.

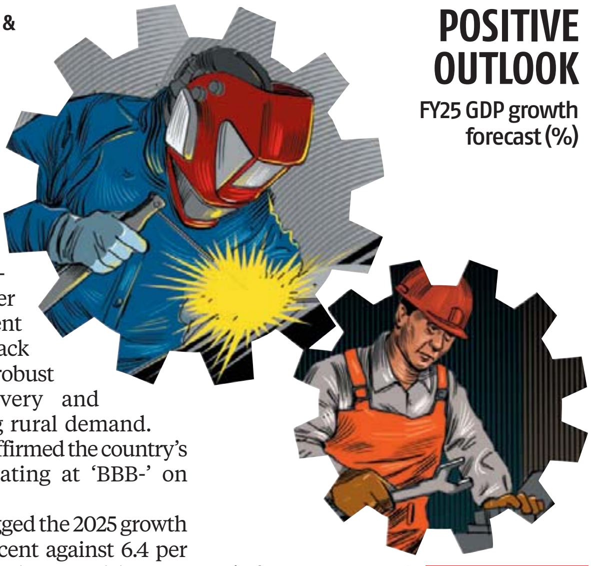
Coalition politics is likely to constrain the government's ability to enact reforms, said Fitch Ratings

The agency, while noting that India's fiscal consolidation was advancing more quickly than expected, said that stalling fiscal consolidation efforts or an economic shock that leads to a significant rise in the government debt to GDP ratio in the medium term are factors that may lead to a downgrade.

Fitch noted that India is set to remain among the fastest-growing sovereigns, with GDP growing at 7.2 per cent in the current financial year and 6.5 per cent in FY26. Public infrastructure capex remains a key growth driver and has improved spending quality, helping mitigate the drag from fiscal consolidation. Private investment in real estate is likely to remain strong and there are signs of a nascent pick-up in manufacturing investment," it added.

POSITIVE OUTLOOK

FY25 GDP growth forecast (%)



Fitch	7.2
Moody's *	7.2
RBI	7.2
ADB	7.0
IMF	7.0
World Bank	6.6

* For the calendar year 2024
Source: BS Research