

GLOBAL CHALLENGES WON'T DENT INDIA'S RECOVERY, SAYS MOODY'S

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Industry & Services Sector incl. MSMEs and PSUs

Slowing price rise: The agency expects inflation to average 6.8% through this fiscal and 5% next year. Sushil Kumar Verma Danish Siddiqui

Global rating firm Moody's Investors Service said on Tuesday that it does not expect the rising challenges facing the global economy, such as the fallout of the Russia-Ukraine military conflict, higher inflation, and tightening financial conditions to derail India's ongoing recovery from the pandemic in 2022 and 2023.

While it lowered its growth forecast for the Indian economy in FY23 to 7.6%, citing higher inflation, rising interest rates, uneven monsoon distribution, and slowing global growth as dampeners for 'economic momentum on a sequential basis', Moody's said the risks from negative feedback between the economy and the financial system are receding and reiterated its Baa3 credit rating for India's sovereign.

"While risks stemming from a high debt burden and weak debt affordability remain, we expect that the economic environment will allow for a gradual narrowing in the general government fiscal deficit over the next few years, avoiding further deterioration in the sovereign credit profile," the firm said in a credit opinion update. The agency expects real GDP growth of 6.3% in FY24, while inflation is projected to average 6.8% through this fiscal and 5% next year.

Moody's also reckoned that India's current account deficit this year would surge to 3.9% of GDP from 1.2% in FY22, and remain high at 3% of GDP in FY24.

"We expect inflationary pressures to weaken in the second half of 2022 and further into 2023," Moody's noted in the update.

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