

S&P projects India's GDP growth at 7.3 pc this fiscal

Asian Development Bank has cut the projection to 7 per cent from 7.5 per cent earlier.



S&P Global Ratings projected India's economic growth at 7.3 per cent in the current fiscal. (File Photo)

S&P Global Ratings on Monday projected India's economic growth at 7.3 per cent in the current fiscal with downside risks and said [inflation](#) is likely to remain above RBI's upper tolerance threshold of 6 per cent till the end of 2022.

In its Economic Outlook for Asia Pacific, S&P said India's growth next year will get support from domestic demand recovery after the [coronavirus](#) pandemic.

"We have retained our India growth outlook at 7.3 per cent for the fiscal year 2022-2023 and 6.5 per cent for the next fiscal year, although we see the risks tilted to the downside," it said.

Other agencies have cut India's GDP growth forecast amid higher inflation and rising policy interest rates. Earlier this month, Fitch Ratings slashed the growth estimate to 7 per cent for the current fiscal from 7.8 per cent pegged earlier. India Ratings & Research too had reduced its projections to 6.9 per cent from 7 per cent earlier.

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The Reserve Bank of India (RBI) expects the Indian economy to grow 7.2 per cent in the current fiscal (April-March). The growth last year (2021-22) was 8.7 per cent.

Indian economy expanded 13.5 per cent in the April-June quarter, sequentially higher than 4.10 per cent growth clocked in the January-March period.

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On inflation, S&P Global Ratings pegged the average rate in the current fiscal at 6.8 per cent and projected it to fall to 5 per cent in the next fiscal beginning April 2023.

"India headline Consumer Price Inflation (CPI) is likely to remain outside the Reserve Bank of India's upper tolerance limit of 6 per cent until the end of 2022. That's amid substantial weather-induced wheat and rice price increases as well as sticky core inflation. And food inflation may rise again," it said.

Retail or consumer price inflation has remained above RBI's upper tolerance threshold of 6 per cent for the eighth month in a row and was at 7 per cent in August. Wholesale price inflation remained in double digits for the 17th straight month and was at 12.41 per cent in August.

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According to S&P Global Ratings, elevated core inflation would drive up policy rates further in India, and projected policy interest rates to be 5.90 per cent by the end of this fiscal.

To tame stubbornly high inflation, the central bank has already hiked benchmark interest rates by 1.40 percentage points to 5.40 per cent. In its monetary policy review on September 30, RBI is expected to hike rates by another 50 basis points to a three-year high level of 5.90 per cent.