

Moody's raises India 2022 GDP growth forecast to 9.5% from 7%

The upward revision in the growth forecast for 2022 means the rating agency sees India growing 8.4 percent in FY23 - 60 basis points faster than what the Reserve Bank of India has forecast

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Moody's Investors Service has raised its GDP growth forecast for India for the current calendar year to 9.5 percent from 7 percent, citing a stronger-than-expected economic recovery from the national lockdown of 2020 and the second wave of the COVID-19 pandemic in mid-2021.

The GDP growth forecast for 2023 has been retained at 5.5 percent.

The calendar year forecasts translate into a projection of 8.4 percent growth for FY23 and 6.5 percent for FY24. The FY23 projection is 60 basis points higher than the Reserve Bank of India's (RBI) forecast of 7.8 percent. However, the central government's Economic Survey for 2021-22 estimated a real GDP growth rate of 8-8.5 percent for the next financial year, with the 2022 Budget assuming a nominal GDP growth rate of 11.1 percent.

"Sales tax collection, retail activity and PMIs (Purchasing Managers Indices) suggest solid momentum. However, high oil prices and supply distortions remain a drag on growth," Moody's said on February 23 in an update to its Global Macro Outlook 2022-23 report.

"As is the case in many other countries, the recovery is lagging in contact-intensive services sectors, but it should pick up as the Omicron wave subsides. With most remaining restrictions now being lifted with the improvement in the COVID situation, including the reopening of schools and colleges for in-person instruction across various states, the country is on its way to normalcy," Moody's added.

The rating agency said that its growth forecast of 9.5 percent for 2022 assumed "relatively restrained sequential growth rates". As such, it sees some upside potential.

It added that 2022 Budget prioritised growth, while the RBI's monetary policy remained supportive.