

Fitch cuts India's FY22 GDP forecast to 8.7%

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Fitch Ratings has cut India's economic growth forecast to 8.7 per cent for the current fiscal but raised GDP growth projection for FY23 to 10 percent, saying the second COVID-19 wave delayed rather than derail the economic recovery.

Key Highlights

- In its APAC Sovereign Credit Overview, Fitch Ratings said India's 'BBB-/Negative' sovereign rating "balances a still-strong medium-term growth outlook and external resilience from solid foreign- reserve buffers, against high public debt, a weak financial sector and some lagging structural factors".
- The Negative' outlook, it said, reflects uncertainty over the debt trajectory following the sharp deterioration in India's public finances due to the pandemic shock.
- Fitch said it has further lowered India's GDP forecast for the fiscal year ending March 2022 (FY22) to 8.7 percent from 10 per cent in June as a result of the severe second virus wave.
- It had in June cut the growth forecast from 12.8 percent. The projections for 2021-22

fiscal compares to a contraction of 7.3 per cent recorded in the last financial year and a 4 per cent growth in 2019-20.

- The government on June 28 this year announced a fiscal package worth about 2.7 per cent of GDP. Much of this consists of loan guarantees, with only 0.6 percent of GDP higher on budget spending.

SOURCE: *Business Standard*