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'India Growth Likely to Slip as Global Slowdown Weighs'

Rating cos, economists cite impact on local exports and industrial activity but say services sector can give a boost

Our Bureau

Mumbai: Even as central bank governor Shaktikanta Das has ruled out a recession in India, rating agency Crisil and economists at Goldman Sachs and Bank of Baroda have highlighted slowdown risks at home due to the anticipated economic downturn globally.

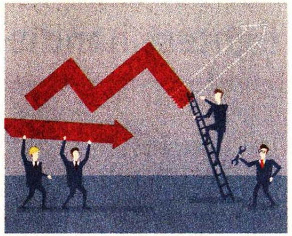
However, a pickup in the domestic service sector could boost GDP growth.

Rating firm Crisil lowered its forecast for India's real gross domestic product (GDP) growth to 7.0% for the current fiscal (2022-23) from 7.3% estimated previously.

"This is primarily because the slowdown in global growth has started to impact India's exports and industrial activity," said the rating firm.

Significantly, the Crisil report comes two days after Das indicated that India may be insulated from global headwinds.

"Synchronised tightening of monetary policy globally has progressively increased the risk of a hard landing, i.e., a recession to tame inflation," said governor Das. "India is, however, differently placed." Das was speaking at the annual research conference of the Reserve Bank of India's (RBI) department of economic and policy research at Hyderabad on Saturday.



Also, global investment bank Goldman Sachs said that India's GDP may expand 5.9% in the calendar year 2023 from an estimated 6.9% this year according to Bloomberg.

Global rating firm Moody's recently lowered India's 2022 real GDP growth projections to 7.0% from 7.7%.

"We expect growth to decelerate to 4.8% in 2023 and then to rise to around 6.4% in 2024," Moody's said. "The downward revision assumes higher inflation, high interest rates and slowing global growth will dampen economic momentum by more than we had previously expected."

However, domestic demand remains supportive this fiscal, helped by a catch-up in contact-based services, government capital expenditure (capex) and overall normal monsoon for the fourth time in a row among others.

Moody's local partner Icra has projected the GDP for the September quarter to expand by 6.5%. Icra estimates the sectoral growth in Q2 FY2023 to be driven by the services sector (+9.4%), with a subdued trend foreseen for the industry (+2.0%), and agriculture, forestry and fishing (+2.5%).

Bank of Baroda also said that owing to the base effect, the economy is expected to moderate and grow by 6.5% in the September quarter. "Services sector is expected to hold the key for the revival. With this, the Indian economy is poised to grow by 6.8% in FY23 compared with a growth of 8.7% in FY22," it said.