Indian economy to grow 7.1% in FY23: CareEdge Ratings

While the ratings agency expects the agriculture sector to exhibit steady growth in FY23 on the assumption of a normal monsoon, it expects the services sector to bounce back strongly with relaxation in restrictions. (Photo: Mint)

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performance by services, manufacturing and the farm sectors, CareEdge Ratings said in a report on Monday. It, however, said government spending will play a crucial role in boosting the growth rate, while improving industrial capacity utilisation levels will help boost private investment cycle.

“FY23 started on a good note on account of improved levels of economic activity. Various high frequency economic indicators such as GST collections, e-way bill registrations and credit growth have performed well during the first four months of FY23," the report said.

It also said that the all-time high budget allocation of ₹7.5 trillion towards capital expenditure is expected to drive economic revival by crowding-in private sector investment. “The private investment cycle is likely to gain momentum with improvement in capacity utilization levels. Some of the credit growth to industries in Q1 FY23, up from 78% in the previous quarter, according to the CMIE data. It added that policy thrust from the government in the form of investment-oriented schemes like production linked incentives (PLI), PM Gati Shakti, among others, will provide the much-needed impetus to growth with a multiplier effect across sectors. However, the current uncertain economic and financial environment could weigh on private investors' sentiment, it cautioned.

While the ratings agency expects the agriculture sector to exhibit steady growth in FY23 on the assumption of a normal monsoon, it expects the services sector to bounce back strongly with relaxation in restrictions.

"With improved mobility, passenger and freight traffic (both air and railways) have grown significantly. Foreign tourist arrivals have jumped more than 21 times in May 2022 YoY with receding fears of Covid-19. However, the slowdown in the US economy poses risk for India's IT sector. Against this background, we expect the services sector to register a growth of 8.7% in FY23," said CareEdge Ratings in the report.

It expects industrial sector to grow 5.4% in FY23, with the revival of consumpt
demand being a crucial factor.

The Reserve Bank of India has estimated economic growth for FY23 at 7.2%.