

# Testwale Current Affairs PDF

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## 1. Fitch raises India's GDP forecast to 6.3% from 6% for FY24 ( June 22, 2023 )

### Fitch-raises-India's-GDP-forecast-to-6.3%-from-6%-for-FY24

**Fitch Ratings** has recently revised its **forecast for Indian economic growth** in the **fiscal year 2023-24**, increasing it from **6% to 6.3%**.

### An overview of the news

- The revision is based on a stronger first-quarter performance and positive momentum in the near term.

### Comparison with previous years

- In FY23, the growth forecast compares with a **7.2% GDP expansion**. The economy had a growth of **9.1% in FY22**.

### Factors contributing to the growth forecast change

- Fitch Ratings attributes the revised forecast to the overall strength of India's economy.
- It highlights a **6.1% year-on-year GDP growth** in Q1 2023, robust performance in auto sales, PMI surveys, and credit growth in recent months.

### Upgraded forecast and global trade impact

- Fitch Ratings considers the stronger first-quarter performance and positive momentum as reasons to upgrade the growth forecast to **6.3%**, which it states is one of the highest growth rates globally.
- However, it acknowledges that India's economy may be affected by the slowdown in global trade.

### Impact of interest rate increase and inflation

- Fitch Ratings mentions that the full impact of a **250 basis points increase** in interest rates by the **Reserve Bank of India (RBI)** since May 2022 is yet to be felt.
- It also highlights that consumers have experienced a decline in purchasing power due to increased inflation in 2022.

### Supportive factors for investment

- The rating agency notes that the government's emphasis on increased capital expenditure, moderation in commodity prices, and robust credit growth are expected to support investment.
- It anticipates that slowing inflation will gradually benefit consumers, and households are showing increased optimism about future earnings and employment.

## **RBI's policy rates and inflation**

- The RBI has maintained policy rates at 6.5% throughout the year, while headline inflation has eased from a peak of **7.8% to 4.3% in May**, falling within the RBI's tolerance band of 2-6%.

## **Growth forecast for future fiscal years**

- Fitch Ratings estimates a growth rate of 6.5% for both the 2024-25 and 2025-26 fiscal years.

## **2. FDI investment still more in service sector than manufacturing sector: Ind-Ra report ( Dec. 29, 2022 )**

FDI investment still more in service sector than manufacturing sector: Ind-Ra report

According to a research report published on 28 December 2022 by the **India Ratings & Research (Ind-Ra)** the Foreign Direct Investment (FDI) in India was still limited to few sectors and maximum investment was still in the service sectors.

According to Ind-Ra despite the government's effort to attract more investments in the manufacturing sector through "Make in India" campaign, the FDI inflow is still tilted in favour of the services sector,"

Ind-Ra believes this could be because doing business in the services sector is less complicated than doing business in the manufacturing sector in India. This could also be the reason for the majority of the FDI coming in the manufacturing sector is not a Greenfield investment.

### **Main points of the report**

The share of the **services sector** and **computer software & hardware** in the FDI between April 2014 and March 2022 were as high as 41.3% and 19.6%, respectively, while **manufacturing accounted for just 25.4%**.

Between April 2000 and March 2014, the share of the services sector and computer software & hardware in such inflows were 37% and 5.9%, respectively, and that of manufacturing was as much as 35.4%.

Of the total FDI inflow of \$146.7 billion during October 2019 and March 2022, just four states attracted 83.0% of the FDI with **Maharashtra accounting for 27.5%**, Karnataka 23.9%, Gujarat 19.1% and Delhi 12.4%.

According to the report three distinct FDI corridors have emerged in India. They are the **Delhi National Capital Region (NCR)** in the North, **Maharashtra-Gujarat** in the west and **Karnataka-Tamil Nadu-Andhra Pradesh-Telangana** in the South.

Among the emerging market economies, India has done reasonably well in attracting FDIs. Only China has been consistently ahead of India.

According to the World investment Report 2022 of United Nations Conference on Trade and Development (UNCTAD), India is ranked **7 FDI destinations globally**.

### **India Rating and Research (Ind-Ra)**

India Ratings and Research (Ind-Ra) is a subsidiary of the global rating company Fitch. It is a credit rating agency headquartered in Mumbai. Ind-Ra is recognised by the Securities and Exchange Board of India and Reserve Bank of India.

Chairman, Managing Director and Chief Executive Officer: **Rohit Karan Sawhney**

**3. Moody's cuts India's economic growth projections to 7% for 2022 as world recession looms ( Nov. 11, 2022 )**

Moody's cuts India's economic growth projections to 7%

Moody's Investors Service on 11 November 2022 has cut India's GDP growth projections for 2022 to **7 per cent** from its earlier forecast of 7.7 per cent as the global slowdown and rising domestic interest rates will adversely affect the economic growth . Moody considers calendar years (January-December) for its forecast while India's financial year is from April-March.

This is the second time that Moody's Investors Service has cut India's growth estimates. In September, it had cut projections for the current year to 7.7 per cent from 8.8 per cent estimated in May.

In its **Global Macro Outlook 2023-24** released on 11 November 2022 Moody highlighted “higher inflation, high-interest rates in India and slowing global growth “as a factor that has led it to revise the Indian growth rate to 7 % in 2022.

Moody's expects growth to decelerate to **4.8 per cent in 2023** and then to rise to around **6.4 per cent in 2024**.

**Grim outlook for Global economy**

It said the global economy is on the verge of a downturn amid extraordinarily high levels of uncertainty amid persistent inflation, monetary policy tightening, fiscal challenges, geopolitical shifts and financial market volatility.

Global growth will slow in 2023 and remain sluggish in 2024. Still, a period of relative stability could emerge by 2024 if governments and central banks manage to navigate their economies through the current challenges.

**Recession**

When there is a negative growth in the economy for the two consecutive quarters then the economy is declared to be in recession.

**Forecast for Indian Economy Growth Rate by various agencies (till 11 November 2022)**

Agency /Institutions	Forecast for 2022-23
RBI	7.0%
World Bank	6.5%

International Monetary Fund	6.8%
Asian Development Bank	7.0% (2022)
SBI	6.8%
Moody Investor Service	7.0%(2022)
India Rating	6.9%
Standard and Poor Rating	7.3%
UNCTAD	5.7 %(2022)
OECD	6.9%
Fitch rating	7%

#### **4. RBI prohibits regulated entities from using Brickwork Rating services ( Oct. 13, 2022 )**

Reserve Bank of India has asked Banks and NBFC, [Credit Information Companies](#) and other financial entities regulated by it, to immediately stop obtaining any new ratings from Brickwork Ratings India.

Securities Exchange Board of India (SEBI) in its order dated 6 October 2022 had directed the [Brickwork Ratings India](#), to wind up its operation within 6 months after a number of deficiencies were found in its working by a joint team of RBI and SEBI .

**Credit Rating Agencies** are regulated by SEBI in India. Brickwork is one of the seven Sebi-registered credit rating agencies. The others are **CRISIL, CARE, ICRA, Fitch, Infomeric Ratings and Acuité Ratings & Research.**

#### **What is a Credit Rating Agency?**

- Credit Rating agencies are financial companies which rate the **credit worthiness** of the government or the companies which want to raise capital from the market.
- Credit means loan and Credit worthiness means whether the borrower is capable of returning the loan on time or not and what is the level of risk involved.
- The Rating agency looks into the borrower's financial strength and weakness, the quality of its management, its field of business etc and then expresses its opinion .
- The credit rating agency expresses its opinion on the credit worthiness of the borrower by giving it ratings. Credit rating agencies typically assign letter grades to indicate ratings. Normally AAA is the highest possible rating for the borrower.
- It means that in the opinion of the credit rating agency the borrower's risk of default is very low and it will repay the loan on time.

- Greater the risk, lesser the rating. If the rating agency gives the borrower a **junk rating** then it means that the risk of default is highest.

### **Benefits of rating**

- The credit rating agency's rating helps the investor/lender in determining the level of risk involved in giving loans to the borrower.
- It also helps the borrowers as the rating affects the interest rates. If the borrower has been given the highest possible rating then the borrower will get loans at cheapest possible rates. As the rating declines the level of risk increases and so is the rate of interest.
- Companies which have been given junk ratings find it difficult to borrow money from the market and if anybody agrees to provide it loan then the rate of interest is very high.

### **5. SEBI orders closure of Bengaluru based Brickwork credit rating agency ( Oct. 7, 2022 )**

The capital market regulator [Securities Exchange Board of India](#) (SEBI) has cancelled the license of the Brickwork Ratings India Pvt Ltd and asked it wind up its operation within **six months**. In an order issued on 6 October 2022 SEBI has prohibited it from taking on any new business,

SEBI in its order said that the company has “failed to exercise proper skill, care and diligence while discharging duties as a credit rating agency”.

In a joint investigation of Brickwork by RBI and SEBI several irregularities were found in the working of the company.

Some of the violations alleged in the findings of the two probes were delay or failure in recognition of default of non-convertible debentures of entities like Bhushan Steel, Zee Entertainment Enterprises, Essel Corporate Resources and Diamond Power Infrastructure while failing to review the rating of firms like Great Eastern Energy Corporation and Gayatri Projects.

Brickwork is one of the seven Sebi-registered credit rating agencies. The others are **CRISIL, CARE, ICRA, Fitch, Infomerics Ratings and Acuité Ratings & Research**.

### **Brickwork Ratings**

It was set up in 2007 and Canara Bank was one of the promoters of Brickworks Ratings

It's Headquarters: **Bengaluru, Karnataka**

Managing Director: **Vivek Kulkarni**.

### **6. India's economic growth to decline to 5.7% in 2022: UNCTAD ( Oct. 4, 2022 )**

According to the United Nations Conference on Trade and Development (UNCTAD) **Trade and Development Report 2022**, the Indian economy growth rate is expected to decline to 5.7% in 2022(January-December period ). The report was released on 3 October 2022.

It also expects the Indian economy growth rate to reduce to 4.7 % in 2023.

The Indian economy grew by **8.7%** in 2021-22. In the first quarter (April-June) of the current financial year (2022-23) it **grew by 13.5%**.

The Reserve Bank of India also reduced the expected growth rate of the Indian economy for 2022-23 to **7%** in its latest monetary policy review on 30 September 2022.

The main reason cited by the UNCTAD report for reducing the economic growth rate of India is the expected reduction in the capital expenditure of the government due to adverse global economic situations.

UNCTAD said it expects the **South Asia** region to expand at a pace of **4.9 per** cent in 2022

UNCTAD projects that the US economy will grow at **1.9 per cent in 2022** will further slow down to 0.9 per cent in 2023.

Meanwhile, China's economic growth is projected to be **3.9 per cent in 2022** and 5.3 per cent growth in 2023.

Forecast for Indian Economy Growth Rate by various agencies (till 3<sup>rd</sup> October 2022)

Agency /Institutions	Forecast for 2022-23
RBI	7.0%
World Bank	7.5%
International Monetary Fund	7.4%
Asian Development Bank	7.2%
SBI	6.8%
Moody Investor Service	7.70%
India Rating	6.9%
Standard and Poor Rating	7.3%
UNCTAD	5.7 %
OECD	6.9%
Fitch rating	7%

### **UNCTAD (United Nation Conference on Trade and Development)**

UNCTAD is a permanent intergovernmental body established by the United Nations General Assembly in 1964.

It was set up to promote the interests of developing countries in world trade.

It also releases the **World Investment Report**.

**Headquarters of UNCTAD:** Geneva, Switzerland

**Offices of UNCTAD:** New York in the United States and Addis Ababa in Ethiopia.

**Secretary-General:** Mrs. Rebeca Grynspan of Costa Rica

## **7. OECD expects India's growth rate at 6.9% in 2022-23 ( Sept. 27, 2022 )**

**Organisation for Economic Co-operation and Development (OECD)** has retained its projection of **6.9%** growth in India's GDP for the current financial year 2022-23.

OECD expects the Indian growth rate to be at **5.7%** in the next fiscal year 2023-24.

The global rating agency **Standard and Poor(S&P)** has also maintained its forecast of a 7.3% growth rate of the Indian economy for the financial year 2022-23.

In its report titled Economic Outlook Asia-Pacific Q3 2022 report, has forecasted India's growth rate to be 6.5% in 2023-24.

Earlier in a report released in September the **Asian Development Bank** had reduced the growth rate forecast for India to 7% for 2022-23.

RBI has forecasted a growth rate of **7.2%** for the Indian economy in 2022-23.

The Indian economy grew by **8.7% in 2021-22** and in the first quarter of the current financial year (April-June 2022) it grew by **13.5%**.

## **Organisation of Economic Cooperation and Development (OECD)**

It was set upon 16 December 1960 by 18 European countries and the United States, Canada. It is a think tank which support free market economy.

The OECD publishes economic reports, statistical databases, analyses, and forecasts on the outlook for economic growth worldwide.

At present it has 38 member countries from Europe, South America, Asia and North America.

**India, China** are not members of OECD.

Headquarters: **Paris, France**.

## **8. ADB reduces India's growth forecast to 7% for 2022-23 ( Sept. 22, 2022 )**

The Asian Development Bank (ADB) in its **Outlook 2022 Supplement** report released on 21 September 2022 has reduced India's GDP growth forecast to 7% for the financial year 2022-23 from 7.2% projected in July 2022.

The reasons cited by the bank for the lower GDP forecast are the rising inflation and tight monetary policy to be followed by RBI and sluggish global growth.

ADB is the latest financial organization which has reduced the growth prospect of India in the current financial year.

Recently [Fitch Ratings](#) also reduced India's growth rate to 7% from earlier projection of 7.8%

The Asian Development Bank also reduced the overall growth projections for Asia and the Pacific regions due to global challenges.

The report expects China to show an economic growth of 3.3 per cent in 2022.

### **IMPORTANT FACTS -**

#### **Asian Development Bank**

- It was set up in 1966.
- Its headquarters is at **Mandaluyong City, Manila, Philippines**
- Total member countries : **68**
- President of ADB : **Masatsugu Asakawa of Japan**

#### **9. CEA Nageswaran expects India to grow by 7% in this year and decade ( Sept. 21, 2022 )**

**According to the Chief economic Advisor, V Anantha Nageswaran, the India economy will grow at a sustained rate of 7% in 2023 and for the rest of the decade.**

He said this while he was virtually addressing the [Global Fintech Fest](#) in Mumbai on 20 September 2022.

### **IMPORTANT FACTS -**

- Nageswaran's forecast is lower than the estimate of 8-8.5% GDP growth rate in the 2022-23 provided by the government's economic survey in January 2022.
- RBI has estimated [7.2 %](#) growth rate for India in 2022-23.
- **In 2021-22 the Indian economy grew by 8.7%.**

#### **10. Global Rating agency 'Fitch' reduces India's expected growth rate to 7% in 2022-23 ( Sept. 16, 2022 )**

**Global Credit rating Agency Fitch has reduced the expected growth rate of the Indian economy in the current fiscal year (2022-23) to 7% from its earlier June estimates of 7.8%.**

It has also reduced the expected growth rate of the Indian economy in **2023-24 to 6.7%.**



The revision in the Indian GDP growth rate comes after the Indian grew by **13.5% in the first quarter of the current financial year (April -June) 2022** way below the RBI projected growth rate of 16.2%.

**IMPORTANT FACTS -*****Reason for reducing Indian Growth Rate :***

- According to Fitch, the growth rate in India is expected to slow down due to the uncertainty in the global economy, mainly due to the fear of recession in Europe and the United States and continuing Russia-Ukraine war.
- It expects RBI to continue its tight monetary policy and expects its to increase its policy rates (Repo rate) to control Inflation which is likely to affect economic growth.

***World Economic Growth :***

- Fitch expects the world economy to grow by **2.4% in the 2022** calendar year (January-December) and **1.7% in 2023**.
- It expects the **Eurozone** and the United States to enter into recession later this year.

***Forecast for Indian Economy Growth Rate by Various agencies (till 16 September 2022) :***

Agency /Institutions	Forecast for 2022-23
RBI	7.2%
World Bank	7.5%
International Monetary Fund	7.4%
Asian Development Bank	7.2%
SBI	6.8%
Moody Investor Service	7.7%
India Rating	6.9%
Standard and Poor (S&P)	7.3%
United Nations	6.4%
OECD	6.9%

**ADDITIONAL INFORMATION -*****Concept Clearing :***

***Recession :***

- When there is a negative growth in the economy for the two consecutive quarters then the economy is in recession.

***EURO ZONE :***

- It refers to those **19 European countries** which have abolished their national currency and adopted Euro as their common currency.
- Euro as a common monetary unit was introduced **on 1 January 1999**.
- Member countries of Eurozone : **Belgium, Germany, Spain, France, Ireland, Italy, Luxembourg, the Netherlands, Austria, Portugal and Finland, Slovenia, Cyprus, Malta, Slovakia, Estonia, Latvia, and Lithuania.**
- **The European Central Bank is the monetary authority of the Euro Zone countries.**