

# TATA CAPITAL WEALTH

**Event Update: Moody's Upgrades India's Sovereign Outlook –  
October 2021**



# Moody's Upgrades India's Sovereign Outlook



Period	Moody's Rating / Outlook
Apr '15	Baa3 / <b>Positive</b>
Nov '17	<b>Baa2</b> / Stable
Nov '19	Baa2 / <b>Negative</b>
Jun '20	<b>Baa3</b> / Negative
Oct '21	Baa3 / <b>Stable</b>

Agency	Rating	Meaning	Outlook
Moody's	Baa3	Lowest Investment	Stable
S&P	BBB-	Lowest Investment	Stable
Fitch	BBB-	Lowest Investment	Negative

Source: News Articles

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## The Background

After 22 years in June 2020 global ratings agency Moody's Investors Service downgraded India's sovereign rating to the lowest investment grade (from Baa2 to Baa3) with the rationale that country's policy making institutions would be challenged in enacting and implementing policies which mitigate the risk of a sustained period low growth.

## What has changed?

- ❖ On 5 Oct 2021 the rating agency changed India's sovereign **rating outlook from 'negative' to 'stable'**, while **affirming** the country's foreign-currency and local-currency long-term issuer ratings at **Baa3**.
- ❖ It expects **2021-22** to record **9.3%** growth in GDP, followed by **7.9% next year**.

## Rationale for change

- ❖ Downside risk to growth from subsequent COVID infection waves mitigated by **rising vaccination rates**
- ❖ **Selective use of restriction on economic activity** during the second wave.
- ❖ **Higher capital cushions** and **greater liquidity** suggests banks and non-bank financial institutions pose much lesser risk to the sovereign than previously anticipated.
- ❖ **'Lower susceptibility' to event risk** from 'a negative feedback loop between the financial sector and the real economy'.

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