

S&P UPGRADES INDIA'S SOVEREIGN RATING TO BBB (STABLE), A LEVEL LAST WITNESSED DECADES BACK IN 1990..

Issue No. 12, FY26
Date: 14 August 2025

S&P Global Ratings raised its long-term sovereign credit ratings on India to BBB from BBB– in August 2025 with stable outlook. The rating upgrade was across both time horizons. The rating agency also upgraded the transfer & convertibility assessment to A– which is the risk that a government imposes capital or exchange controls that prevent an entity from converting local currency into foreign currency and/or transferring funds to creditors located outside the country. **The agency had revised the outlook on India's rating in May 2024 to positive from stable on robust growth and improved quality of government expenditure.**

The rating action hinges on three fundamental observation— credible fiscal consolidation, strong external position and well anchored inflationary expectations.

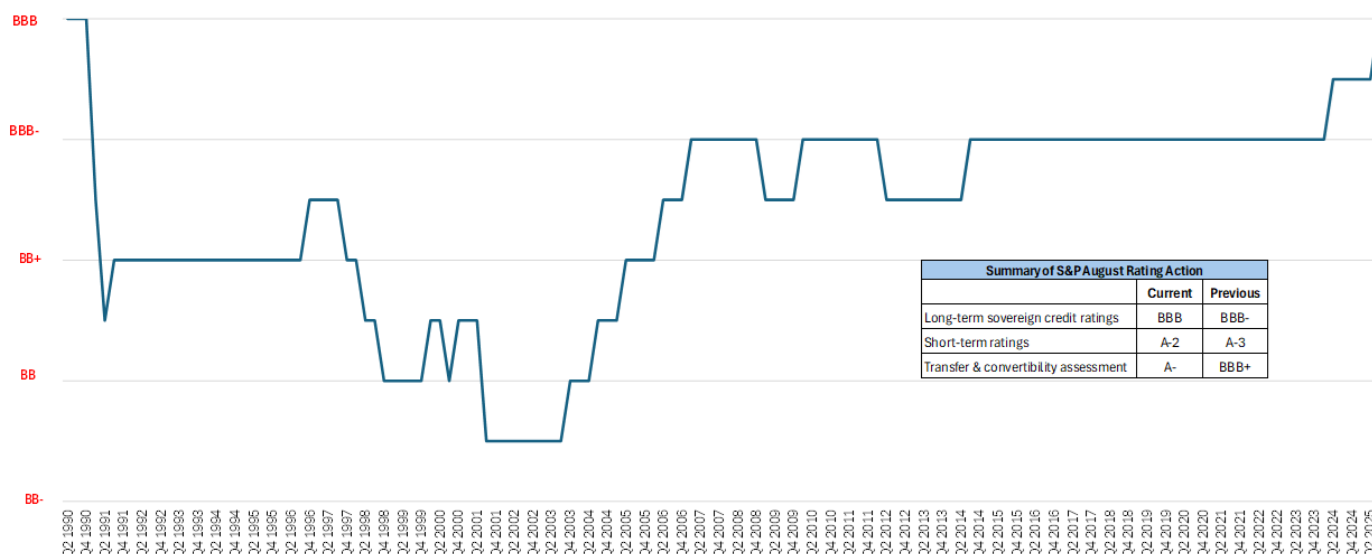
The agency acknowledged that quality of government spending has improved in the past five to six years with higher budget allocation to capex spending at 3.1%. Inflationary expectations are better anchored than they were a decade ago. **Agency projects the ratio of general government debt to GDP to decline to 78% by fiscal 2029, from 83% in fiscal 2025.**

S&P forecasts India's real GDP growth at 6.5% this year which is on the more pragmatic side when compared to other forecasts. Notably, **S&P notes that US tariffs will have overall marginal impact and will not derail India's long-term growth prospects.** This is because, sectoral exemptions on pharmaceuticals and consumer electronics, the exposure of Indian exports subjected to tariffs is lower at 1.2% of GDP. The current account deficit is expected in the range 1.0-1.4% for 2025-2028. CPI is expected in the range 4-4.5% till 2028.

The downside to rating stems from lack of political commitment to fiscal consolidation. Accordingly, continued reforms and a reduction in the public debt-to-GDP ratio could bring further upgrades.

The rating of India did not capture India's fundamentals for all most a decade. The current rating action by S&P reaffirms the position that Indian rating ought to have been on the higher side is no surprise.

Long Term Movements in S&P Sovereign Rating for India



ANNEXURE

| India Macro Situation: FY14 vis-a vis FY25 | | | |
|--|-------------|-------------|---------------|
| | FY14 | FY25 | Change |
| National Accounts and General government | | | |
| Nominal GDP(Rs Lakh Cr) | 112.3 | 330.7 | 2.9x |
| Real GDP YoY% (Avg ex FY21) | 7.4 | | - |
| Consolidated Fiscal Deficit as % of GDP | 6.7 | 7.7 | - |
| Central Gov RD/FD(%) | 71.0 | 38.9 | - |
| CPI Inflation, average(%) | 9.4 | 4.6 | -478 bps |
| Banking | | | |
| Aggregate Deposit (Rs Lakh Cr) | 77 | 226 | 2.9x |
| Bank Credit (Rs Lakh Cr) | 60 | 182 | 3.0x |
| Net Profit (Rs Bn) | 809 | 3675 | 4.5x |
| GNPA Ratio % | 3.8 | 2.3 | -150 bps |
| NNPA Ratio % | 2.1 | 0.5 | -160 bps |
| PCR (without write-off) | 44.7 | 76.3 | - |
| NIM % | 2.7 | 3.5 | 80 bps |
| Bank Branches (lakh) | 1.23 | 1.74 | 0.51 |
| External Sector | | | |
| Exports(\$ bn) | 314 | 438 | 1.4x |
| Imports(\$ bn) | 450 | 718 | 1.6x |
| CAD As % of GDP | -1.7 | -0.6 | -110 bps |
| FX Reserves(\$ bn) | 304 | 665 | 2.2x |
| External Debt as % of GDP | 24 | 19 | -4.80% |
| Import Cover ratio | 7.4 | 10.5 | 3.1 months |
| Ratio of Short-term Debt (original maturity) to Total Debt | 20.5 | 18.3 | -2.20% |
| Source: SBI Research | | | |

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