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India Gets S&P Credit Rating Upgrade After 18 Years

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— Categories: Economics

India received a significant boost to its economic standing on August 14, 2025, when S&P Global Ratings upgraded the country's sovereign credit rating from BBB- to BBB. This marks India's first rating improvement in nearly two decades, with the previous upgrade in 2007. The announcement came a day before Prime Minister Narendra Modi's Independence Day address, where he outlined fresh reforms for the economy.

Why the Upgrade Matters

A sovereign credit rating reflects a country's ability to repay debt. A higher rating lowers borrowing costs for governments and companies, while improving investor confidence. With this upgrade, India has moved further into the investment-grade category, making it easier to attract global capital.

Market response was immediate: government bond yields fell in secondary markets and the rupee strengthened against major currencies following the announcement.

Key Drivers Behind the Upgrade

S&P highlighted several reasons for India's improved credit position:

- Fiscal Discipline: India's fiscal deficit, which peaked at 9.2% of GDP in FY 2020-21, has been steadily reducing. The government has set a target of 4.4% by FY 2025-26, with plans to lower the debt-to-GDP ratio from 57.1% in FY 2024-25 to about 50% by FY 2030-31.
- Sustained Growth: Despite a slowdown to 6.5% GDP growth in FY 2024-25, India remains among the fastest-growing major economies. S&P noted India as "among the best performing economies in the world."
- Stable Inflation: Inflation fell to 1.55% in July 2025, the lowest level since 2017. S&P cited the Reserve Bank of India's effective inflation management as a key factor supporting the upgrade.

Global Comparison

With its new BBB rating, India is now in the same category as Greece, Mexico, and Indonesia. Countries like Italy, Thailand, and the Philippines hold BBB+ ratings, while advanced economies such as Germany, Canada, and Australia are rated AAA.

S&P also noted that a further upgrade would depend on the combined fiscal deficit of the central and state governments falling below 6% of GDP on a structural basis, a target analysts describe as challenging in the near term.

Outlook

The rating improvement is expected to reduce borrowing costs for the Indian government, strengthen the rupee, and boost foreign investor confidence. Economists said the move reflects India's economic resilience but also signals the need for continued reforms to secure stronger ratings in the future.