Global ratings agency Standard and Poor’s affirmed India’s sovereign rating at ‘BBB-’ with stable outlook.

**Reason**

- According to S&P, despite a notable deceleration in India’s economy in recent quarters, its structural growth outperformance remains intact. Real GDP growth is therefore likely to gradually recover toward longer-term trend rates over the next two to three years.

- It expects the economic growth rate to improve to 6 per cent during 2020-21, 7 per cent in the next fiscal and 7.4 per cent thereafter.

**Suggestions/warnings**

- Supportive monetary, fiscal, and cyclical factors should support economic recovery, with real GDP growth averaging 7.1 per cent in fiscals 2020-2024.

- The agency, however pointed out that India’s fiscal position remains precarious, with elevated fiscal deficits and net government indebtedness.

**What does BBB rating mean?**

‘BBB’ rating refers to adequate capacity of the rated entity to meet its financial commitments.

**What Is a Sovereign Credit Rating?**
1. A sovereign credit rating is an **independent assessment** of the creditworthiness of a country or sovereign entity.

2. Sovereign credit ratings can **give investors insights into the level of risk associated with investing in the debt** of a particular country, including any political risk.

3. **At the request of the country**, a credit rating agency will **evaluate its economic and political environment to assign it a rating**.

4. Obtaining a **good sovereign credit rating** is usually essential for developing countries that want **access to funding in international bond markets**.

**Credit Rating Agencies**

The global credit rating industry is highly concentrated, with **three agencies**—Moody’s, **Standard & Poor’s** and **Fitch**—controlling nearly the entire market. Together, they provide a much-needed service for both borrowers and lenders, as well as to lenders.

- Standard & Poor’s gives a **BBB- or higher rating** to countries it considers investment grade, and grades of **BB+ or lower** are deemed to be speculative or "junk" grade.

- Moody’s considers a **Baa3** or higher rating to be of investment grade, and a rating of Ba1 and below is speculative.