

'Water stress can hurt credit profile'

Moody's says India among those most vulnerable to water management risks; country has the poorest access to basic services, including water, among G-20 economies, the rating major flags; warns of implications to sovereign credit strength

The Hindu Bureau
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Moody's Ratings on Tuesday warned that India's growing water shortage and increasingly frequent climate change-driven natural disasters, amid a rise in consumption and rapid economic growth, could negatively impact the country's sovereign credit strength.

Currently rated Baa3 stable, which as per Moody's denotes the lowest investment grade rating, India is susceptible to increasing water stress,

Water woes

India's growing water shortage, climate change-driven natural disasters, could dent its sovereign credit standing: Moody's

- Moody's currently rates India Baa3 stable, the lowest investment grade

- Any drop in water supply, for which India is heavily reliant on monsoon rains, could disrupt operations in factories and farms

- 'This could spur inflation, depress incomes for affected businesses and communities, and spark social unrest'



and any drop in water supply, for which it is heavily reliant on monsoon rains, could disrupt operations in factories and farms. This, the rating firm said, would

spur inflation in food prices and declines in income for affected businesses and communities, while sparking social unrest.

"This, in turn, can exa-

cerbate volatility in India's growth and undermine the economy's ability to withstand shocks given that more than 40% of the country's workforce is employed in agriculture," Moody's said in a note on environmental risks for India, identifying coal-fired power generation and steel production as the industrial sectors most vulnerable to water stress.

'Poorest access'

Moody's stressed that India is one of the sovereigns most vulnerable to risks associated with water management and has the poor-

est access to basic services, including water, among G-20 economies.

India's fast economic growth, accompanied by rapid industrialisation and urbanisation, is reducing water availability in the most populous country.

Average annual water availability per capita is likely to drop to 1,367 cubic meters by 2031 from an already-low 1,486 cubic meters in 2021, Moody's said. A level below 1,700 cubic meters indicates water stress, with 1,000 cubic meters the threshold for water scarcity, as per the Water Resources Ministry.

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