OECD retains FY26 growth outlook at 6.7%

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The Organisation for Economic Co-operation and Development (OECD) in its latest economic outlook on Tuesday retained its growth forecast for the current financial year at 6.7 per cent, citing monetary policy easing and the overhaul of the goods and services tax regime. It further kept FY27 growth forecast unchanged at 6.2 per cent.

"In India, growth is anticipated to be supported by rising real incomes, monetary policy easing and strong growth in public capital spending," the OECD said.

However, the 50 per cent tariff imposed by the US on India will weaken export growth.

Besides, the OECD lowered its retail inflation forecast for the current financial year by 100 basis points (bps) to 1.9 per cent and by 50 bps to 3.4 per cent for FY27.

"Risks are broadly balanced. On the upside, successful negotiations with the United States to roll back the recently imposed tariffs would ease trade uncertainty, improve confidence and bolster manufacturing exports. On the downside, higher oil import prices could raise inflation, weighing on private consumption and industrial production," the report said.

On the fiscal deficit, the outlook expects it to remain at 4.5 per cent in FY26, higher than the government's fiscal deficit target of 4.4 per cent for the year.

The outlook further notes that persistent infrastructure bottlenecks, such as unreliable electricity, inadequate transport networks, and limited digital access, continue to constrain competitiveness and widen regional disparities. India's limited integration into global value chains constrains its ability to capitalise on global trade trends and technological diffusion.

"India has scope to deepen trade integration by actively pursuing new preferential and bilateral trade agreements, while continuing to simplify customs procedures and reduce tariffs," the outlook said.

Regarding the global economy, the outlook notes that it has shown 'surprising' resilience in 2025 as front-loading of goods production and trade ahead of the introduction of higher tariff rates was a key factor in the early part of the year.

The global growth is expected to clock 3.2 per cent in 2025, followed by 2.9 per cent in 2026.

"Easier global financial conditions, supportive macroeconomic policies, real income growth, and strong demand for new AI-related investments in some countries, particularly the United States, are all providing broader support for demand," it noted.