

Hope, uncertainty on the horizon

India's trade deal with US offers relief to New Delhi, which has sought to negotiate a lower rate with Washington for several months, but the industry is in a wait-and-watch mode till the two countries issue a joint statement and the pact's fine print

Trade deal sweetens FY27 growth arithmetic

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India's gross domestic product (GDP) growth could see an upside of 20-40 basis points (bps) in financial year 2026-27 (FY27), as the India-US trade deal is expected to boost exports and bring greater certainty, economists said.

Chief Economic Advisor V Anantha Nageswaran said India's economy could grow faster than the government's earlier forecast after the US substantially lowered tariffs on Indian goods.

"We are looking at probably something close to this year's growth estimate of 7.4 per cent... That could be my first guess, but I need to go back to my spreadsheets," he told *Bloomberg*.

The Economic Survey 2025-26 projected real GDP growth for FY27 in the range of 6.8-7.2 per cent.

In a post-Survey interview with

Business Standard, Nageswaran said the US trade deal was not factored into these estimates.

"If it happens, it will be a nice, substantial boost to growth prospects. But our growth outcome numbers of 6.8-7.2 per cent for FY27 are not contingent on it," he said.

India and the US agreed to a trade deal on Monday under which the US will cut tariffs on Indian goods from 50 per cent to 18 per cent.

"We expect an additional 0.3 per cent growth in the upcoming financial year due to the trade deal. There could also be revisions to the Advance Estimates of GDP. A lot of trade takes place in the last quarter, so we may see a positive impact on growth for the remainder of the current financial year (2025-26), with most of February and all of March still left," said NR Bhanumurthy, director, Madras School of Economics.

Economists said the fine print of



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the deal needs scrutiny, but the sharp tariff cut from 50 per cent to 18 per cent should benefit micro, small and medium enterprises and exporters.

"It's a revival of competitiveness that was lost after August. The combined impact of all the trade deals will be positive. In the initial year, FY27, the impact may not be very large — around 0.2 per cent additional growth — but over the next three to four years, it could become a key contributor," said Suman Chowdhury, chief economist, Small Industries Development, Bank of India.

Some economists cautioned about higher imports from the US. "The US wants to reduce its trade deficit with India. If the deal widens our trade deficit, the growth spillover will be uncertain, and the rupee could weaken further. Assuming the trade deficit does not worsen, there could be a 30-40 bp upside," said Madhavankutty G, chief economist, Canara Bank.

"While it is too early to revise numbers as we await details on sector exemptions and import tariff reduc-

tions, there is upside to our FY27E GDP growth forecast of 6.5 per cent after this deal," said Madhavi Arora, chief economist, Emkay Global Financial Services.

Finance ministry officials also welcomed the deal, saying it removes a large element of uncertainty from the global economy and supports India's labour-intensive manufacturing sector.

However, some economists said the upside may be limited, given the lack of a major downside even in the absence of a deal.

"Some exporters have already diversified to other markets and may not switch unless they get much better prices in the US. The real impact on nominal GDP — which has been projected at about 10 per cent next year — may be limited, with an upside to 10.1-10.2 at best," said Arvind Mehta, secretary, 15th Finance Commission.

From the brink and back: How the trade deal shaped up

