Fitch upgrades India's FY26 growth estimate to 7.4%

SHIVA RAJORA
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Fitch Ratings raised its growth forecast for the current financial year to 7.4 per cent from its earlier 6.9 per cent, citing increased consumer spending and improved consumer sentiment following goods and services tax (GST) reforms.

"Private consumer spending is the main driver of growth this year, supported by strong real income dynamics, increased consumer sentiment, and the impact of recently implemented goods and services tax reforms," Fitch Ratings stated in its latest Global Economic Outlook on Thursday.

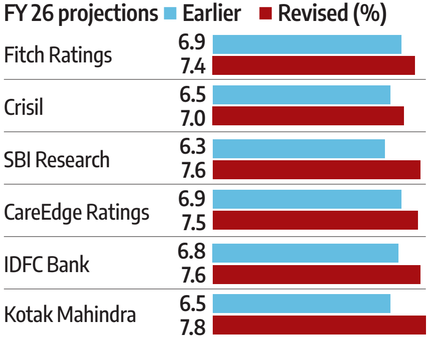
The upward revision by the global credit rating agency comes days after the economy expanded at its fastest pace in six quarters, growing 8.2 per cent during the July-September (Q2) period, outstripping both official and private forecasts by a significant margin.

The outlook further noted that the gap between nominal and real GDP narrowed further in Q2, with the GDP deflator just 0.5 per cent higher compared with the year earlier and growth is expected to ease over the remainder of the financial year.

For FY27, Fitch expects growth to ease to 6.4 per cent, closer to its estimate of potential, with domestic demand—particularly consumer spending—remaining the key driver. Public investment growth is likely to moderate, while private investment should pick up in the second half of FY27 as financial conditions loosen, it said.

Meanwhile, the rating agency expects retail inflation to average 1.5 per cent this financial year before rising to 4.4 per cent in FY27. "Base effects will drive inflation above target by end-2026. We expect only a slight decline in 2027," it said.

Revised outlook



Source: BS Research