India likely to grow at 6.6% in FY27: UN

Baseline scenario forecasts (in %)

	FY27	FY28
Real GDP	6.6	6.8

Source: UN DESA; United Nations Department of Economic and Social Affairs

	2026	2027
Consumer price inflation	4.1	4.3
Real effective exchange rate	104.7	100.9

Note: 2026, 2027 refer to calendar years

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India's economy is projected to grow at 6.6 per cent in 2026-27 (FY27), supported by resilient consumption and strong public investment, which should largely offset the adverse impact of higher US tariffs, the United Nations (UN) said on Thursday.

"Resilient private consumption, strong public investment, recent tax reforms, and lower interest rates are expected to support near-term growth. However, higher US tariffs could weigh on export performance in 2026 if current rates persist, as the US market accounts for about 18 per cent of India's total exports," the UN said in its latest World Economic Situation and Prospects 2026 report. The statistics ministry on Wednesday estimated the economy to grow 7.4 per cent in 2025-26. On external headwinds, the international organisation observed that while higher US tariffs could affect exports in 2026 if current rates persist, key exports such as electronics and smartphones are expected to remain exempt. "Moreover, strong demand from other major markets, including Europe and the Middle East, is projected to partially offset the impact. On the supply side, continued expansion in the manufacturing and services sectors will remain a key driver of growth throughout the forecast period," the report hypothesised.

Moreover, it warned that debt servicing costs remain far higher than in the pre-pandemic period across many developing countries, including India, restricting fiscal space. "In India, interest payments alone account for roughly a quarter of government revenues. However, India's relatively high growth makes this less of a problem here than in other countries, especially given the long-dated and domestic nature of most of India's debt," said Christopher Garroway, UN country economist for India, at the report launch. The report underscored that developments in India illustrate how industrial policies addressing structural supply constraints can mitigate inflationary pressures."In India, programmes to expand domestic production of edible oils and pulses, modernise fertiliser and storage infrastructure, and improve logistics — even if conceived mainly to boost rural incomes and food security — have reduced dependence on imports and exposure to global shocks," it said.