

FY27 PROJECTION AIDED BY FREE TRADE PACTS

World Bank pegs India GDP growth at 6.6%

FE BUREAU
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AMID GLOBAL HEADWINDS

THE WORLD BANK on Wednesday raised India's growth estimate for FY27 to 6.6%, up 30 basis points from its earlier estimate, partly aided by free trade agreements (FTA) amidst headwinds from the West Asia crisis.

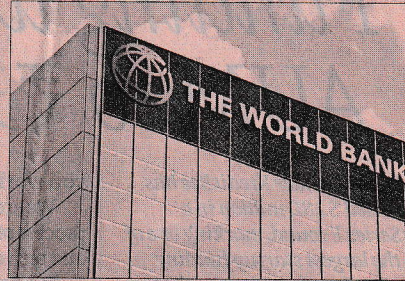
In India, growth is estimated to have accelerated from 7.1% in FY25 to 7.6% in FY26, owing to strong domestic demand and export resilience. Private consumption growth was particularly robust, supported by low inflation and rationalisation of the Goods and Services Tax (GST).

"Growth is projected to decelerate to 6.6% in FY27, reflecting headwinds from the Middle East conflict," the Bank said in its South Asia Economic Update. Recently, Moody's Ratings trimmed India's growth outlook for the current fiscal year to 6% from 6.8% estimated earlier, flagging rising risks from the conflict in West Asia.

Although the reduction in GST rates should continue to support consumer demand in the first half of FY27, elevated global energy prices are

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expected to put upward pressure on prices and constrain households' disposable income, the World Bank said.

"Government consumption growth is expected to soften to offset higher subsidy outlays for cooking fuel and fertilisers. Investment growth is likely to moderate amid elevated uncertainty and rising input costs," it said.

Improved access to the United States and the European Union for India's exports will be undermined by slower growth in major trading partners, it said.

India signed comprehen-

sive FTAs with the United Kingdom in July 2025 and the European Union in January 2026. Under these agreements, more than 95% of exports on both sides will eventually benefit from reduced tariffs. Prior to these agreements, India had FTAs with a lower share of the global economy than the average Emerging Markets and Developing Economies (EMDEs), now it is above average. Furthermore, US tariffs on India were negotiated down from 50% to 18% before being replaced by a 10% tariff imposed on all countries in February.