

World Bank ups India FY27 growth forecast to 6.6%

RUCHIKA CHITRAVANSHI

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The World Bank on Wednesday upgraded its forecast for India's Gross Domestic Product (GDP) growth in 2026-27 (FY27) by 30 basis points to 6.6 per cent compared to its October 2025 forecast of 6.3 per cent, citing robust domestic activity even as it expects inflation to inch up due to high energy prices.

The updated growth projection would mark a deceleration from the 7.6 per cent uptick expected in FY26, reflecting headwinds from the conflict in West Asia, with many forecasters revising their growth projections for this financial year to a range between 5.9 and 6.7 per cent. The World Bank's FY27 growth estimate is lower than the Reserve Bank of India's projection of 6.9 per cent, updated Wednesday.

The World Bank, in its South Asia Economic Update Spring 2026 edition, said that strong demand, normalising food prices, and higher energy prices are expected to push inflation up in FY27. Even though the reduction in GST rates is expected to support consumer demand in the first half of FY27, elevated global energy prices could put upward pressure on prices and constrain households' disposable income, the report noted.

The World Bank noted that while India's fiscal deficit had been declining in recent years, this trend is expected to stall or reverse as a result of increased subsidy outlays resulting from efforts to limit inflation passthrough to consumers.

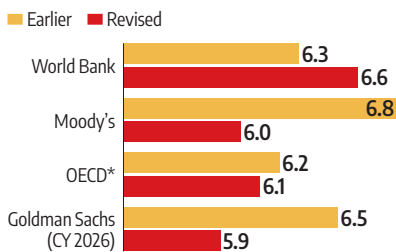
The government had recently announced a reduction in additional excise duty on petrol and diesel by ₹10 per litre and a full customs duty exemption on critical petrochemical products in response to the continuing conflict in West Asia.

"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



On right track

India's FY27 GDP growth projections (%)



*Organisation for Economic Co-operation and Development
Source: Agencies

costs," the update stated.

While noting India's free trade agreements with the European Union, United Kingdom, the Bank also said that India's exports will be undermined by slower growth in major trading partners. However, India's new FTAs are doubling the scope for international market access for domestic firms from currently one-sixth to one-third of global GDP, exceeding the global market access of emerging markets such as Brazil, China, and Türkiye, the Bank noted.

India, it argued, could achieve the goal of becoming a developed country by 2047 if it could execute structural reforms. "If countries in the region were to complete structural reforms that added the equivalent of South Asia's recent forecast errors (+0.8 percentage points) on top of recent growth performance, it would significantly bring forward the date they would be expected to reach high-income status," the report said.