GLOBAL LENDER PREDICTS REBOUND TO 6.7% IN FY28

IMF lowers FY27 growth forecast for India to 6.4%

FE BUREAU
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ECONOMIC PULSE

- IMF keeps the country among the fastest-growing major economies
- Private consumption and services activity remain key growth drivers, cushioning the impact of global headwinds
- Global growth is seen at 3% in 2026 and 3.4% in 2027, with AI-led technology demand offsetting geopolitical pressures
- India posted 7.7% growth in FY26, though the RBI cut its FY27 projection to 6.6% amid Iran war
- Finance ministry flags resilient domestic activity, citing strong e-way bills, PMIs, power demand & auto sales
- External buffers remain strong with robust exports, FDI inflows and forex reserves

THE INTERNATIONAL MONETARY Fund (IMF) on Wednesday lowered India's growth forecast by 10 bps to 6.4% for FY27 but said it remains among the fastest-growing major economies, supported by strong momentum in private consumption and services activity.

However, the IMF raised its FY28 growth forecast by 20 bps to 6.7%, up from its April forecast of 6.5%.

"India's growth projections are 7% for 2026 and 6.4% for 2027 based on calendar years," the IMF said in its July World Economic Outlook Update.

It said global growth is projected to be 3% in 2026 and 3.4% in 2027, down from the average of 3.5% observed in 2024–25 and broadly unchanged on a cumulative basis compared with the forecasts in the April 2026 World Economic Outlook (WEO).

The modest slowdown reflects the effects of the war in West Asia being partly offset by accelerated demand-driven momentum in the global technology cycle thanks to advances in artificial intelligence (AI) and its adoption.

The Indian economy recorded robust growth of 7.7% in 2025-26. However, the Reserve Bank of India had reduced the forecast to 6.6% for FY27 from 6.9% due to West Asia conflict.

With the US-Iran peace deal holding, Goldman Sachs recently raised India's GDP growth forecast for FY27 by 0.4 percentage points to 6.5%, while lowering its headline inflation forecast by 0.3 percentage points to 4.9%.

The finance ministry's latest monthly economic report recently said India's economy remained resilient in the first few months of 2026-27 after posting robust growth in the previous fiscal year.

High-frequency indicators such as e-way bill generation, purchasing managers' indices (PMIs), electricity consumption and automobile sales continued to reflect underlying strength in domestic activity. However, moderation in core industries, fuel consumption, air passenger traffic, consumer confidence and labour market indicators pointed to some easing in momentum, it said.

While the external sector remains supported by strong exports, resilient foreign direct investment inflows and comfortable foreign exchange reserves, the report said the West Asia conflict underscored the need for a national policy on buffer stocks for a range of critical raw materials and inputs.