

GDP to grow 6.4% in FY27

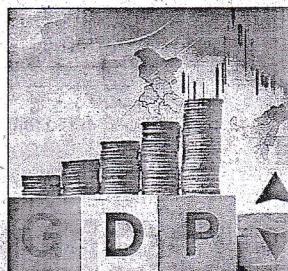
FE BUREAU
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INDIA'S REAL GDP growth is projected at 6.4% in 2026-27, making it the fastest-growing major economy in the G-20, Moody's Ratings said on Monday, adding that the economic momentum underpins a stable outlook for its banking system.

Moody's growth estimate for FY27 is lower than the 6.8-7.2% projected in the latest Economic Survey by the finance ministry economists.

Moody's said growth will continue to be driven by resilient domestic consumption, supportive fiscal measures, and macroeconomic stability. This backdrop provides a favorable operating environment for banks, reinforcing balance-sheet strength, credit expansion, and profitability.

"The rationalization of the



goods and services tax (GST) in September 2025 and an earlier increase in personal income tax thresholds will help improve affordability for consumers and support consumption-led growth," Moody's said. The Reserve Bank of India (RBI) lowered its policy rate by a total of 125 basis points to 5.25% in 2025, but with inflation under control and growth momentum remaining strong, "we anticipate it will further ease monetary policy in fiscal 2026-

27 only if there are signs of a slowdown in economic activity," it said. It projected systemwide loan growth to accelerate slightly to 11%-13% in fiscal 2026-27 from 10.6% in fiscal 2025-26 year to date.

Banks' asset quality will remain broadly stable. "We expect the systemwide nonperforming loan (NPL) ratio to stay low at 2%-2.5%, although the slippage ratio may rise modestly as loan vintages season," it said. Retail asset quality will remain steady, particularly among prime borrowers, though performance will diverge across lenders depending on underwriting standards and borrower mix.

Stress will be concentrated among micro, small and medium enterprises (MSMEs), especially in export-oriented sectors such as textiles and gems and jewellery, it said.