

World Bank cuts India's FY26 growth forecast to 6.3% on weak exports

FINGERS CROSSED. In FY27 and FY28, growth is expected to recover to 6.6% a year, according to the bank

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The World Bank on Tuesday lowered India's economic growth forecast by 40 basis points (bps) for the current fiscal (FY26). India would still retain the tag of the fastest-growing economy in the world, said the multilateral institution.

"India is projected to maintain the fastest growth rate among the world's largest economies, at 6.3 per cent in FY2025/26. Nevertheless, the forecast for growth in FY2025/26 has been downgraded by 0.4 percentage point, relative to January projections, with exports dampened by weaker activity in key trading partners and rising global trade barriers," the Bank said in its flagship report 'Global Economic Prospect.' Further, heightened trade tensions

and policy uncertainty are expected to drive global growth down this year to its slowest pace since 2008 outside of outright global recessions. The turmoil has resulted in growth forecasts being cut in nearly 70 per cent of all economies—across all regions and income groups."

Meanwhile, talking about India, the Bank said investment growth is expected to slow, primarily reflecting a surge in global policy uncertainty. In FY2026/27 and FY2027/28, growth is expected to recover to 6.6 per cent a year, on an average, partly supported by robust services activity that contributes to a pickup in exports, it said.

SECTORAL OUTPUT

The World Bank's latest estimate is on a par with the lower-end of the Economic Survey's forecast of 6.3 to 6.8 per cent. However, it is lower than the RBI's projection of

6.5 per cent. At the same time, it is a bit higher than the International Monetary Fund (IMF)'s April print at 6.2 per cent in FY26, supported by private consumption (particularly in rural areas).

Meanwhile, the World Bank mentioned that growth moderated in FY2024/25, partly reflecting a deceleration in industrial output. However, growth in construction and services sectors remained steady. Agricultural output recovered

ing to a nearly six-year low of 3.2 per cent (year-on-year) in April 2025. For the current fiscal, RBI has projected retail inflation at 3.7 per cent, with Q1 at 2.9 per cent; Q2 at 3.4 per cent; Q3 at 3.9 per cent; and Q4 at 4.4 per cent.

"Fiscal consolidation is expected to continue in India over the forecast horizon, with growing tax revenues and declining current expenditures projected to contribute to a gradual decline in the public debt-to-GDP ratio," it said.

The Bank projects global growth to slow to 2.3 per cent in 2025, nearly half a percentage point lower than expectations at the start of the year. A global recession is not expected. Nevertheless, if forecasts for the next two years materialise, average global growth in the first seven years of the 2020s will be the slowest of any decade since the 1960s.

INFLATION

The World Bank said that inflation will remain contained over the forecast horizon. Headline retail inflation based on Consumer Price Index (CPI) was declining in March and April, with headline CPI inflation moderat-

FUND FLOW. Investment growth is expected to slow, primarily reflecting a surge in global policy uncertainty