FITCH UPS INDIA'S GDP FORECAST

'India to grow at 6.9% in FY26 on demand boost'

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Fitch Ratings has raised India's FY26 economic forecast to 6.9 per cent from 6.5 per cent earlier, saying domestic demand will drive growth as strong real incomes support consumer spending and financial conditions encourage investments.

"At the same time, annual growth will slow in the second half of the financial year, and so we expect growth to slow in FY27 to 6.3 per cent. With the economy operating slightly above its potential, we expect growth will edge down to 6.2 per cent in FY28," said the global ratings agency.

It put world gross domestic product (GDP) growth at 2.4 per cent in FY26, up 0.2 percentage points (pp) since June but a sizable slowdown from 2.9 per cent last year. Fitch raised China's GDP growth forecast to 4.7 per cent from 4.2 per cent earlier; the Eurozone's to 1.1 per cent from 0.8 per cent; and the United States (US) to 1.6 per cent from 1.5 per cent.

Forecasting better times

	FY26 F* (%)
GDP	6.9
Consumer spending	6.2
Fixed investment	5.7
CPI inflation**	3.2
Policy interest rate**	5.25
Exchange rate (₹ vs $)	88

*F stands for forecast;
** End of calendar year 2025;
Source: Fitch report

US tariff impact

Fitch believes US tariffs on India will eventually be negotiated lower, but uncertainty about trade relations will likely dampen business sentiment and investments. India's reforms in Goods and Services Tax should "modestly boost consumer spending over the remainder of this and the next fiscal years", it said.

"We expect food price pressures will remain weak, in the context of above-average monsoon rainfall and high food stockpiles, so that inflation will only pick up to 3.2 per cent by end-2025 and 4.1 per cent by end-2026. We still expect the Reserve Bank of India to cut rates by 25 basis points (bp) towards the end of the year, as it assesses the impact of the policy loosening already implemented, and that rates will stay there until end-2026. We expect the RBI to start raising rates in 2027."

Low food prices reduced India's headline inflation to 1.6 per cent in July, the lowest outturn since June 2017. Core inflation fell below 4 per cent for the first time in six months. The pace of economic activity accelerated sharply between the first and second quarters of 2025, with real GDP growth rising to 7.8 per cent year-on-year (Y-o-Y), from 7.4 per cent in the first quarter. This was substantially higher than their earlier forecast of 6.7 per cent.