

WORLD BANK'S GLOBAL ECONOMIC PROSPECTS REPORT FOR FY26, FY27

India to stay fastest-growing large economy

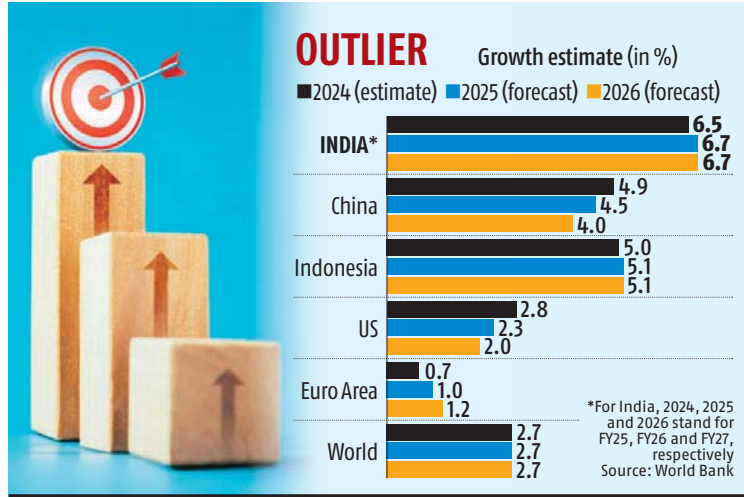
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The World Bank on Thursday kept its growth forecast for India unchanged at 6.7 per cent for FY26, maintaining that the country will remain the fastest-growing major economy for next two years.

“The services sector is expected to enjoy sustained expansion, and manufacturing activity is anticipated to strengthen, supported by government initiatives to enhance logistics infrastructure and improve the business environment through tax reforms,” it said in its flagship Global Economic Prospects report.

The global economy is projected to expand by 2.7 per cent in both 2025 and 2026, the same pace as 2024, as inflation and interest rates decline gradually. Growth in developing economies is also expected to hold steady at about 4 per cent over the next two years.

“The next 25 years will be a tougher slog for developing economies than the last 25,” said Indermit Gill, World Bank’s chief economist. “Most of the forces that once aided their rise have dissipated. In their place, headwinds—high debt, weak investment and productivity growth, and rising costs of climate change—have come.



Developing economies will need a new playbook that emphasizes domestic reforms to quicken private investment, deepen trade relations, and promote more efficient use of capital, talent and energy.”

The multilateral lender said India’s private consumption growth is expected to be boosted by a strengthening labor market, expanding credit, and declining inflation. “However, government consumption growth may remain contained. Overall investment

growth is expected to be steady, with rising private investment, supported by healthy corporate balance sheets and easing financing conditions,” it added.

India’s growth is expected to decelerate to 6.5 per cent in 2024-25 from 8.2 per cent in 2023-24, reflecting a slowdown in investment and weak manufacturing growth. “However, services activity has been steady, while growth in the agricultural sector has recovered. Private consumption

India to grow between 6.5 & 6.9% in FY26: Ficci

Industry body Federation of Indian Chambers of Commerce & Industry (Ficci) on Thursday projected the economy to clock a growth rate of 6.5 – 6.9 per cent in FY26 on the back of the easing inflationary pressures, continuing thrust on capex and consumer spending momentum. The body noted that rural consumption will be bolstered by an improved outlook for the agriculture sector while easing of inflationary pressures will drive urban consumption. Furthermore, monetary easing by the RBI could also provide an additional impetus to consumption. **BS REPORTER**

growth has remained resilient, primarily driven by improved rural incomes. In contrast, higher inflation and slower credit growth have curbed consumption in urban areas,” the Bank said.

The World Bank said fiscal policies in majority of the countries in the South Asian region, including India, are expected to be generally tight over the forecast horizon. “In India, fiscal deficits are expected to continue shrinking, largely on account of growing tax revenues,” it added.