'Investments, consumption to drive 6.6% growth in FY26'

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Gradual improvement in consumption demand and investments from both the public and private sector due to monetary easing are expected to push India's economy to grow a tad faster at 6.6 per cent in the financial year 2025-2026 (FY26) compared with the downward revised projection of 6.4 per cent for the current financial year, India Ratings and Research said on Wednesday.

Economic rebound aided by capex focus, rural demand, shows India Ratings report

"India-Ratings expects investments to be a key growth driver in FY26. Capital formation is forecasted to increase by 7.2 per cent in FY26 as both the government and private sectors are expected to contribute towards the Gross Fixed Capital Formation (GFCF) growth in FY26. Low interest rates are necessary but not sufficient conditions for investment demand. Consumption is expected to see a marginal uptick to 6.9 per cent as better-than-normal rainfall in 2024 and real rural wages turning positive in Q2FY25 have given a boost to rural demand, while concerns linger on urban demand," said the credit rating agency in its 'FY2026 Macro Economic Outlook'.

Devendra Kumar Pant, chief economist at India-Ratings, said that the Indian economy is experiencing a cyclical growth slowdown in the past three quarters, which it expects to reverse from Q3FY25. "[We] believe that India is facing monetary, fiscal and external tightening. While it expects monetary conditions to ease now, the fiscal and external tightening is expected to continue in FY26 as well. Nevertheless, the FY26 growth is expected to be the same as India's best decadal growth (FY11-20)," he added.