

# IMF sees India growing 6.4% in FY27 despite trade risks

For FY26, the Fund, in its World Economic Outlook, revised its GDP growth forecast upwards to 7.3%

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New Delhi, 19 January

The International Monetary Fund (IMF) on Monday revised India's 2026-27 gross domestic product (GDP) growth forecast upwards by 20 basis points from its October 2025 projection to 6.4 per cent. This would be a decline from the 7.3 per cent growth projected for 2025-26 (FY26).

For FY26, the IMF, in its World Economic Outlook, revised its GDP growth forecast upwards by 0.7 percentage point to 7.3 per cent from its October 2025 estimate, citing a better-than-expected performance in the third quarter (October-December/Q3) and strong momentum in the fourth quarter (January-March/Q4).

"Growth is projected to moderate to 6.4 per cent in 2026 and 2027 as cyclical and temporary factors wane," the IMF said in an update to its World Economic Outlook report.



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India's economy is estimated to grow 7.4 per cent in FY26, up from 6.5 per cent in 2024-25, according to the First Advance Estimates of GDP released by the National Statistics Office.

Pierre-Olivier Gourinchas, IMF economic counsellor and director of research, said that while global

growth has been resilient amid trade disruptions, the negative effects of such disruptions are likely to build up over time.

India is facing a 50 per cent tariff from the US, affecting labour-intensive sectors such as textile, footwear, and marine product. US President Donald Trump on January 13

announced that the country would impose a 25 per cent tariff on any nation doing business with Iran, "effective immediately".

"Generally speaking, we are advocating for all parties to try to find a solution that will keep the trading system open, maintain stable and predictable rules, and allow businesses to make investment and supply-chain decisions with a certain degree of certainty... the current environment is certainly not conducive to that," Gourinchas said during a press briefing.

Stressing that there are "no winners in a trade war", he said increasing tariffs would also hurt the countries imposing them.

"If the tariffs were to escalate significantly, they could have a very sizeable impact on the global economy," he added.

The IMF report said inflation in India is expected to return to near-target levels after a marked

decline in 2025, driven by subdued food prices.

The growth outlook, according to the Advance Estimates, has been aided by a GDP deflator at a five-decade low of 0.5 per cent, with nominal GDP growth projected at 8 per cent in FY26 — the slowest since the pandemic-impacted 2020-21.

On artificial intelligence (AI), Gourinchas said in a blog post that AI-driven investment offers transformative potential but also introduces financial and structural risks that require vigilance.

While innovation drives growth, he said it also risks displacing jobs and depressing wages for certain segments of the workforce.

Gourinchas added that policy responses should focus on lowering barriers to adoption, helping workers acquire relevant skills, and supporting job mobility through targeted programmes.

## FY26 GDP growth to help average household income: Moody's

Moody's Ratings on Monday projected India to clock a 7.3 per cent growth in the current financial year, and said the strong economic expansion would support average household incomes, and stimulate demand for insurance protection.

In its report on India's insurance sector, Moody's said the industry looks set to benefit from sustained premium growth on the back of robust economic expansion, increased digitisation, tax changes and a planned reform of the dominant state owned insurance sector. The increase should improve the industry's currently weak profitability. "We expect India's econ-

omy to grow by 7.3 per cent in FY2025 (year to March 2026), up from 6.5 per cent the previous year. This will increase average incomes and support demand for insurance," it said.

In FY25, GDP per capita rose 8.2 per cent year-on-year to \$11,176, while headline GDP grew by 6.5 per cent.

Moody's said India's robust economic growth contributed to a 17 per cent increase in total insurance premium revenue to ₹10.9 trillion in the first eight months (April-November) of 2025-26, with health premiums up 14 per cent and life new business premiums climbing 20 per cent.