

IMF cuts India's growth forecast for FY26 to 6.2%, maintains stable outlook

BUMPY ROAD. Downward revision of about 30 bps due to trade tensions and global uncertainty

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With rising global trade tensions, the International Monetary Fund (IMF) on Tuesday lowered the growth forecast for India during fiscal years 2025-26 (FY26) and 2026-27 (FY27) by 30 basis points (bps) and 20 bps respectively. This is lower than the global growth projection, where the dip is estimated at up to 50 bps.

"For India, the growth outlook is relatively more stable at 6.2 per cent in 2025 (FY26), supported by private consumption, particularly in rural areas, but this rate is 0.3 percentage points lower than that in the January 2025 WEO Update on account of higher levels of trade tensions and global uncertainty," IMF said in its annual publication 'World Economic Outlook (WEO)'.

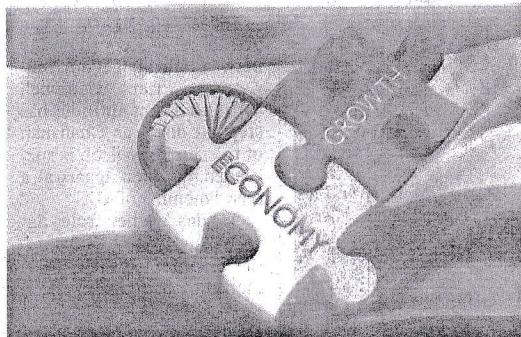
In January, it projected a growth rate of 6.5 per cent for both FY26 and FY27.

Now, the growth is expected to be 6.2 per cent for the current fiscal and 6.3 per cent for the next. The growth projection for the current fiscal is lower than the Reserve Bank of India's forecast of 6.5 per cent announced earlier this month, reduced from 6.7 per cent. However, it is similar to the forecast range of the lower band (6.3-6.8 per cent) given by the Economic Survey.

US RECIPROCAL TARIFF

Immediately after US President Donald Trump announced the reciprocal tariffs on April 2, various agencies cut their projections. Morgan Stanley said it sees a downside risk of 30-60 bps to its growth estimate of 6.5 per cent for FY26. EY India said GDP growth may come down to 6 per cent as against the expectation of 6.5 per cent in FY26 if India did not respond with suitable policies to neutralise this adverse impact.

As the tariff war is focused



LOWERING ESTIMATES. IMF's growth projection for the current fiscal is lesser than the Reserve Bank of India's forecast of 6.5 per cent announced earlier this month GETTY IMAGES/ISTOCKPHOTO

on the US and China, growth in both economies is expected to see a deeper impact. For China, the IMF has revised its 2025 GDP growth downward to 4 per cent from 4.6 per cent in the January 2025 projection.

"This reflects the impact of the recently implemented tariffs, which offset the stronger carryover from 2024 (as a result of a

stronger-than-expected fourth quarter) and fiscal expansion in the Budget," the multilateral agency said.

For the US, growth is projected to decrease in 2025 to 1.8 per cent, 1 percentage point lower than the rate for 2024 as well as 0.9 percentage points lower than the forecast rate in the January 2025 WEO Update.

"The downward revision

is a result of greater policy uncertainty, trade tensions and a softer demand outlook, given slower than anticipated consumption growth," IMF said.

GLOBAL GROWTH

For the global number, the IMF has used two references. "Our WEO's reference forecast includes tariff announcements between February 1 and April 4 by the US and countermeasures by other countries. This reduces our global growth forecast to 2.8 per cent and 3 per cent this year and the next, a cumulative downgrade of about 0.8 percentage points relative to our January 2025 WEO update," it said. Further, it presented a global forecast excluding the April tariffs (pre-April 2 forecasts). Under this alternative path, "global growth would have seen only a modest cumulative downgrade of 0.2 percentage points, to 3.2 per cent for 2025 and 2026," it said.