

IMF cuts India's FY26 growth forecast to 6.2% amid trade tensions

RUCHIKA CHITRAVANSHI
New Delhi, 22 April

The International Monetary Fund (IMF) on Tuesday pared its FY26 growth forecast for India by 30 basis points to 6.2 per cent, citing escalating trade tensions and mounting global uncertainty, in its latest World Economic Outlook (WEO).

“For India, the growth outlook is relatively stable at 6.2 per cent in 2025 (2025-26), supported by private consumption, particularly in rural areas, but this rate is 0.3 percentage point lower than that in the January 2025 WEO update on account of higher levels of trade tensions and global uncertainty,” the multilateral lending agency said.

The WEO stressed that a swift escalation of trade tensions has generated extremely high levels of policy ambiguity, complicating efforts to establish a central global growth outlook.

Under its reference forecast, the IMF sees global growth rate falling from an estimated 3.3 per cent in 2024 to 2.8 per cent in 2025 – down 50 basis points from the January forecast – before recovering to 3 per cent in 2026, 30 basis points lower than the previous projection, with downward revisions across nearly all countries.

“The downgrades are broad-based across countries and reflect in large part the direct



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India's GDP growth forecasts for FY26 (%)

Agency	Earlier	Now
IMF	6.5	6.2
Moody's	6.6	5.5-6.5
ADB	7	6.7
Fitch	6.5	6.4
UBS	6.3	6

Source: BS Research

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effects of the new trade measures and their indirect effects through trade-linkage spillovers, heightened uncertainty, and deteriorating sentiment,” the IMF said.

Addressing a press conference at the launch of the WEO, Pierre-Olivier Gourinchas, economic counsellor and director, IMF Research Department, said: “We are entering a new era as the global economic system that has operated for the last eight years is being reset.”

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Rising trade tensions, uncertainty to weigh on global growth: IMF

A surge in policy uncertainty is a major driver of the economic outlook, he said, adding: "If sustained, increasing trade tensions and uncertainty will slow global growth."

The report noted that India, with its relatively favourable near-term demographics, is projected to experience a smaller growth decline of about 70 basis points over 2025-50. However, it warned that the decline would intensify over 2050-2100 as the country crossed its demographic turning point.

India's Economic Survey has projected

gross domestic product (GDP) growth in FY26 in the range of 6.3-6.8 per cent, while the statistics ministry has pegged FY25 growth at 6.5 per cent.

The Reserve Bank of India, following the meeting of its monetary policy committee earlier this month, had lowered its GDP growth forecast for FY26 to 6.5 per cent from the 6.7 per cent projected in February.

Last week, Moody's Ratings revised its forecast for India's growth in calendar year 2025 to a lower range of 5.5-6.5 per cent from 6.6 per cent estimated in February,

citing the impact of the new US tariffs. It said the measures would weigh on global trade activity, dent regional export demand, and undermine business confidence, reducing investment across Asia-Pacific.

Fitch Ratings also trimmed its FY26 GDP growth forecast for India by 10 basis points to 6.4 per cent, compared to its March outlook, following the US tariff announcements and the intensifying trade war. For China, the 2025 GDP growth estimate has been revised from 4.6 per cent in the IMF's January update to 4 per cent.