

# World Bank cuts India's FY26 growth forecast to 6.3%

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Citing global economic weakness and policy uncertainty, the World Bank on Wednesday trimmed India's growth forecast by 40 basis points to 6.3 per cent, just a day after the IMF revised its projection downward to 6.2 per cent for the financial year 2025-26 (FY26).

The RBI too recently cut India's growth forecast to 6.5 per cent from 6.7 per cent estimated earlier.

In its October 2024 projection, the World Bank had pegged India's economic growth at 6.7 per cent. "The benefits to private investment from monetary easing and regulatory streamlining are expected to be offset by global economic weakness and policy uncertainty," said the multilateral lending agency in its bi-annual South Asia Development Update report. It said that export demand will be constrained by shifts in trade policy and slowing global

growth, though private consumption is expected to benefit from tax cuts, and improved implementation of public investment plans should boost government investment. "Multiple shocks over the past decade have left South Asian countries with limited buffers to withstand an increasingly challenging global environment," said Martin Raiser, World Bank Vice-President for South Asia.

"The region needs targeted reforms to address vulnerabilities such as fragile fiscal positions, backward agricultural sectors, and the impact of climate related shocks," he said. The World Bank said India's estimated growth in FY25 at 6.5 per cent disappointed because of slower growth in private investment and public capital expenditures that did not meet government targets. The report said India's equity markets have grown rapidly in recent years, in terms of both listings and valuations, and have attracted significant, although volatile, net inflows. "Since peaking late last year, however, stock market valu-

ations have undergone a correction. For now, this has not had broader ripple effects, but the decline in equity prices could dampen private consumption or investment over the medium term," it added.

Stepping up domestic revenue mobilisation could help the South Asian region strengthen fragile fiscal positions and increase resilience against future shocks, the report said.

The International Monetary Fund on Tuesday pared down its FY26 growth forecast for India by 30 basis points to 6.2 per cent, citing escalating trade tensions and global uncertainty in its World Economic Outlook. Responding to the projections, the finance ministry said India would remain the fastest growing economy over the next two years. "Despite this slight moderation, the overall outlook remains strong. This consistency signals not only the strength of India's macroeconomic fundamentals but also its capacity to sustain momentum in a complex international environment," it added.