

# ADB cuts India's FY26 growth forecast to 6.5%

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The Asian Development Bank (ADB) has revised downwards India's GDP growth forecast for the financial year 2025-26 (FY26) to 6.5 per cent from the earlier 6.7 per cent in its latest July 2025 report, primarily due to the effects of US tariff policies. India would still continue to be one of the fastest growing major economies in the world, ADB said.

"This revision is primarily due to the impact of US base-line tariffs and associated policy uncertainty. In addition to the effects of lower global growth and the direct impact of additional US tariffs on Indian exports, heightened policy uncertainty may affect investment flows," the ADB said in its Asian Development Outlook July 2025.

The report said that despite these factors, India's economic activity remains robust, with domestic consumption set to grow strongly on the back of revival of rural demand.

Services and agriculture sectors are expected to be key drivers of growth, the latter supported by a forecast of above-normal monsoon rains, ADB said.

ADB has also revised India's inflation forecast for 2025-26 (FY26) downward to 3.8 per cent reflecting faster-than-expected decline in food prices due to better agricultural production. The 2026-27 (FY27) inflation forecast remains unchanged. The Reserve Bank of India has revised its retail inflation projection for FY26 downward to 3.7 per cent.

India's GDP growth for FY27 has been revised downwards to 6.7 per cent from the April 2025 projection of 6.8 per

## Ind-Ra trims forecast to 6.3%

India Ratings & Research (Ind-Ra) on Wednesday trimmed India's growth projection for the current fiscal to 6.3 per cent, citing uncertainties around US tariffs and weak investment climate. Ind-Ra expects GDP in FY26 to grow 6.3 per cent Y-o-Y, 30bp lower than its earlier forecast of 6.6 per cent made in December 2024. The economy is facing both headwinds and tailwinds, it said in its mid-year economic outlook. The domestic rating agency expects average retail

inflation at 3 per cent and exchange rate at 86.9 to a dollar in the current financial.

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cent. The improvement in growth projection compared to FY26, ADB said, was on account of rising investments, under the assumption of reduced policy uncertainty. Favorable financial conditions backed by recent reductions of the repo rate and the cash reserve ratio by the monetary authorities would also aid growth. The World Bank's Global Economic Prospects Report released in June kept India's GDP growth rate for FY 2025-26 unchanged at 6.3 per cent amid rising trade barriers and dampened exports due to weaker activity in key trade partners.

Last month S&P Global Ratings had upgraded the growth forecast for India for the FY26 by 0.2 percentage to 6.5 per cent.