

# GST reforms will reduce distortions, says S&P Global's economist Rana

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Streamlining and simplification of the Goods & Services Tax will reduce distortions, Vishrut Rana, economist at S&P Global Ratings, said as the agency released its 'Economic Outlook Asia-Pacific Q4 2025: Growth To Ease On External Strain', forecasting India's GDP growth to hold steady at 6.5 per cent this fiscal year.

*Edited excerpts:*

## **How is the Indian economy doing?**

India's domestic demand has been resilient, growing solidly in the April-June period. Service sector growth has been particularly strong.

Inflation remains contained, and the more accommodative monetary policy setting should help to lift credit growth, which has been slowing.

Private sector investment is still cautious, given heightened external headwinds.

Given these external challenges, we expect economic growth to ease during the rest of the fiscal. In all, we expect a robust 6.5 per cent expansion this fiscal, improv-

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**VISHRUT RANA,**  
Economist at S&P Global Ratings



ing gradually to 6.7 per cent in FY27.

## **Tariff tensions, sanction on Chabahar (Iran) port and now new norms for H-1B visa, how do you see these factors in terms of their impact on the Indian economy?**

India's economy is mostly domestically oriented, with only about 16 per cent of the economy directly reliant on external demand. This provides some buffer amid the external strains. Still, higher tariffs and restrictions, and more uncertainty about them, will hurt exports and private investment. Also, in the medium term, the less favourable access to the US market — if that were to remain an issue — challenges India's objective to increase its role in global manufacturing.

## **Do you think India can sail through these**

## **headwinds with more domestic reforms?**

Reforms to improve efficiency, reduce distortions and unleash investment would be growth positive for the economy. But continued external engagement will be key in leveraging global markets and boosting growth. An example of such engagement is the recent FTAs with several countries. Meanwhile, the domestic reforms would also support India's global competitiveness.

## **How do you see GST reforms, undertaken by the Modi Government? What kind of impact will it have on domestic consumption?**

Streamlining GST reforms will reduce distortions. In the short term, domestic consumption is likely to improve; however, this may be partially offset through lower public sector spending.