

# I-T relief and GST rate cuts, coupled with benign monsoon, to boost domestic demand: S&P Global

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S&P Global on Tuesday maintained India's economic forecast at 6.5 per cent for FY26. It expects rate cuts in the GST and the income-tax relief to boost domestic demand.

"We expect domestic demand to remain strong, supported by a largely benign monsoon season, cuts in the income and the goods and services tax, and accelerating government investment," the agency said in its latest quarterly Asia-Pacific economic commentary. Further it said that GDP growth in the June quarter was better than expected at 7.8 per cent.

## GST REJIG

India has implemented rate cuts for GST with effect from September 22. With revision in around 400 goods and services, the expectation is that there will be some impact on retail inflation based on Consumer Price Index (CPI).

S&P Global, too, had a similar opinion. "For India, we have revised our inflation

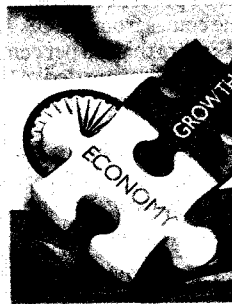
## KEY FINDINGS

- S&P Global forecasts India's GDP growth to hold steady at 6.5% for FY26
- Despite robust domestic demand, India faces mounting headwinds, including rising US tariffs and slower global growth
- Inflation forecast revised down to 3.2% for FY26

forecast down to 3.2 per cent for this fiscal year after a sharper than expected decrease in food inflation. This leaves room for further monetary policy adjustments and we anticipate a 25 bps rate cut by the Reserve Bank of India this fiscal year," it said.

The agency noted that investment was particularly buoyant in India, and Malaysia and Taiwan posted growth rates of up to 16 per cent in the first half of 2025. However, "in India that strength stems from government investment, as private capex remains sluggish," it said.

On US tariffs, it said that



the impact on imports from different Asian economies will shape both their export outlook and role in regional supply chains. Relative to June assumptions on US tariffs, China has so far fared somewhat better than other Asian economies, and South-East Asian emerging markets somewhat worse.

"India has been hit much harder than expected, and the region's developed economies broadly as expected," the agency said.

## EMERGING MARKETS

Compared to the situation prior to the Trump administration's tariffs, all Asia-Pa-

cific economies face much higher effective US tariffs.

The rise is higher for China than for South-East Asian emerging markets and developed economies, and currently even higher for India. But "we think the risk of further changes in US tariffs, and thus these relative positions, is high," it said.

Further it estimated the increase in the effective tariff on China compared to the pre-Trump administration situation is higher than for South-East Asian emerging markets, but not drastically.

"In our view, this suggests that relative price competitiveness in the US market may not have shifted enough to warrant major supply-chain adjustments — particularly given the ongoing uncertainty around US tariff policy and the US administration's plan to curb what it describes as "trans-shipment", or a re-routing of shipments to evade applicable duties," it said.

That said, companies will continue to shift manufacturing operations because of other reasons, such as diversification.