

Economy may grow at 7% in FY27 despite trade tensions: CareEdge

HIMANSHI BHARDWAJ

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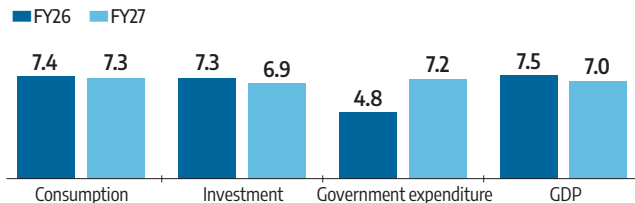
The Indian economy is expected to grow at 7 per cent in the next financial year 2026-27 (FY27), despite the lingering trade-related uncertainties, according to CareEdge Ratings' latest outlook for the Indian economy.

"The possibility of the US-India trade deal, low inflation being supportive of consumption, low interest rates and the lower tax burden are positives for the FY27 growth outlook. Furthermore, the optimistic capex outlook, as evidenced by the strong order books of the capital goods companies, also bodes well for the investment scenario in the economy," the agency said.

CareEdge has projected the economy to grow at 7.5 per cent in FY26 despite US tariffs denting exports. It projects the gross domestic product (GDP) growth to

Momentum intact

Growth projections (Y-o-Y %)



Source: CareEdge Ratings

moderate from the 8 per cent high recorded in the first-half of FY26 to around 7 per cent in the second half as export front-loading fades and consumption-led demand moderates after festival season.

"By the fourth quarter of FY26, the low base effect will wane, and the deflator will also increase from the current low level," the outlook report noted.

The agency said that domestic consumption shows revival signs, with private final consumption expenditure accelerating to 7.9

per cent in the second quarter of FY26, bolstered by income tax relief and easing inflation.

Rural consumer confidence crossed the optimism threshold of 100 in November 2025, while urban sentiment improves alongside strong future expectations, the report noted. Retail inflation is expected to remain benign, averaging 2.1 per cent in FY26, supported by food deflation and good monsoons, though precious metals and edible oil prices remain key monitorables.