

IMF ups India's FY26 GDP forecast to 6.4%

Also lifts 2025 global growth estimate to 3%

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New Delhi, 29 July

The International Monetary Fund (IMF) on Tuesday raised its growth outlook for India for financial year 2025-26 (FY26) to 6.4 per cent from 6.2 per cent projected in April, citing a more benign external environment and lower inflation. The upgrade was part of an update to the World Economic Outlook (WEO) report, which also hiked India's gross domestic product (GDP) forecast for FY27 by 10 basis points to 6.4 per cent.

On the rationale for the upgrade, IMF's Division Chief Deniz Igan mainly cited the suspension of higher tariffs and lower inflation because of

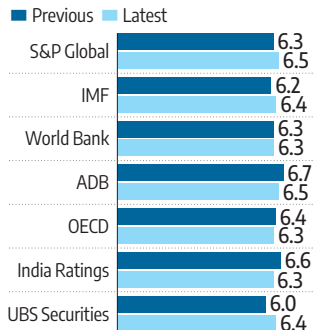


falling food prices. "What has been the driver of this relatively stable growth is the fact that there has been a reform momentum supporting robust consumption growth and a push

for public investment," she said at a press briefing.

"To continue the recent good growth performance that we have seen, priorities [for India] would in-

Robust expectations FY26 India growth forecast (in %)



Source: BS Research

clude fostering job creation and absorbing excess labor from the agricultural sectors by reskilling [them]. At the same time, continuing to invest in infrastructure and removing trade restrictions," Igan suggested. "In the medium term, India needs to continue to invest in education, take a step towards land reforms, expand the social safety net and reduce red tape to allow businesses to perform better," she emphasised.

The IMF pegged global growth 20 bps higher than its April forecast at 3 per cent for 2025, and 10 bps higher to 3.1 per cent for 2026. "This reflects stronger-than-expected front-loading in anticipation of higher tariffs, lower average effective US tariff rates than announced in April, an improvement in financial conditions, including due to a weaker US dollar and fiscal expansion in some major

jurisdictions," the IMF noted.

Pierre-Olivier Gourinchas, chief economist, IMF said the modest decline in trade tensions, however fragile, has contributed to the resilience of the global economy so far, along with a few other developments.

"First, concerns about future tariffs led to a strong surge in exports to the US in the first quarter of the year. This front-loading helped support activity in Europe and Asia. Second, financial conditions improved, and monetary conditions eased as global inflation continues to recede. Third, the dollar has depreciated by roughly 8 percent since January," he underlined.

For emerging markets and developing economies, the IMF has projected 4.1 per cent growth in 2025 and 4 per cent in 2026. China's 2025 projection was raised 80 bps to 4.8 per cent.