

IMF ups India's GDP forecast for FY26, FY27 to 6.4 per cent

ANOTHER VIEW. ADB, Ind-Ra had lowered projection citing uncertainty over US tariffs

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Amidst tariff uncertainty, International Monetary Fund (IMF) on Tuesday raised India's growth forecast by 20 basis points for the current fiscal and 10 basis points for the next.

This is lower than Reserve Bank of India projection (6.5 per cent) but within the range of growth forecast by the Economic Survey (6.3-6.8 per cent) for the current fiscal.

"In India, growth is projected to be 6.4 per cent in 2025 (FY25-26) and 2026 (FY26-27), with both numbers revised upward, reflecting a benign external environment than assumed in the April reference forecast," IMF said in its update on World Economic Outlook.

In April, the agency had lowered forecast for FY26 to 6.2 per cent and for FY27 to 6.3 per cent. It means, despite the upgrade, growth projection is lower than January's forecast.



GROWTH OUTLOOK. IMF forecast is lower than RBI's projection for the current fiscal REUTERS

Notably on July 23, Asian Development Bank (ADB) and India Ratings & Research (Ind-Ra) lowered India's growth forecast for fiscal year 2025-26 (FY26) by 20 and 30 basis points respectively. While ADB estimated growth to be 6.5 per cent, Ind-Ra projected 6.3 per cent growth.

ADB cited the impact of US baseline tariffs and associated policy uncertainty for revising growth forecast. Ind-Ra too listed the uncertain global scenario from the unilateral tariff hikes by the US for all countries and

weaker-than-expected investment climate as headwinds likely to impact growth.

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On Monday, in its monthly economic review, the Finance Ministry said that the first quarter of FY26 presents a picture of resilient domestic supply and demand fundamentals. With inflation remaining within the target range and monsoon progress on track, the domestic economy enters the second quarter of FY26 on a relatively firm footing.

Meanwhile, on global economy, the update said that growth is projected at 3 per cent for 2025 and 3.1 per cent in 2026. The forecast for 2025 is 0.2 percentage point higher than that in the reference forecast of the April 2025 World Economic Outlook and 0.1 percentage point higher 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," it added.

On inflation, it said that the global headline number is expected to fall to 4.2 per cent in 2025 and 3.6 per cent in 2026, a path similar to the one projected in April.

The overall picture hides notable cross-country differences, with forecasts predicting inflation will remain above target in the US and be more subdued in other economies.