

FY28 GDP GROWTH EXPECTED TO RECOVER TO 6.7%

Fitch lowers India growth forecast for FY27 to 6.4%

● US-Iran conflict, seen weighing on growth in Q2, Q3

FE BUREAU
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GLOBAL RATING AGENCY

Fitch on Tuesday lowered its GDP growth forecast for India to 6.4% in 2026-27 from 6.7% projected earlier, citing the economic fallout of the US-Iran conflict, which is expected to weigh on growth during the September and December quarters.

For FY28, Fitch expects growth to recover to 6.7% as the energy shock eases and stronger consumer spending and investment support economic activity. Growth is then expected to moderate to 6.4% in FY29.

"We expect GDP growth to ease to 6.4% in FY27, a downward revision of 0.3pp (percentage points) from March. Domestic demand will be the main driver of growth, but lower imports in real terms imply positive contributions to growth from net external demand," Fitch Ratings said in its June Global Economic Outlook.

The revised forecast comes

WEAK OUTLOOK

■ Fitch revised GDP forecast amid heightened external sector volatility triggered by geopolitical tensions and rising crude oil prices

■ Growth is expected to moderate to **6.4%** in 2028-29

■ It also cut global growth forecast for 2026 by **0.2** percentage points to **2.4%**

amid heightened external sector volatility triggered by geopolitical tensions and rising crude oil prices. Earlier this month, the Reserve Bank of India (RBI) lowered its FY27 growth projection by 30 basis points to 6.6%, with the sharper downgrade of 45 basis points coming in the second half of the fiscal year.

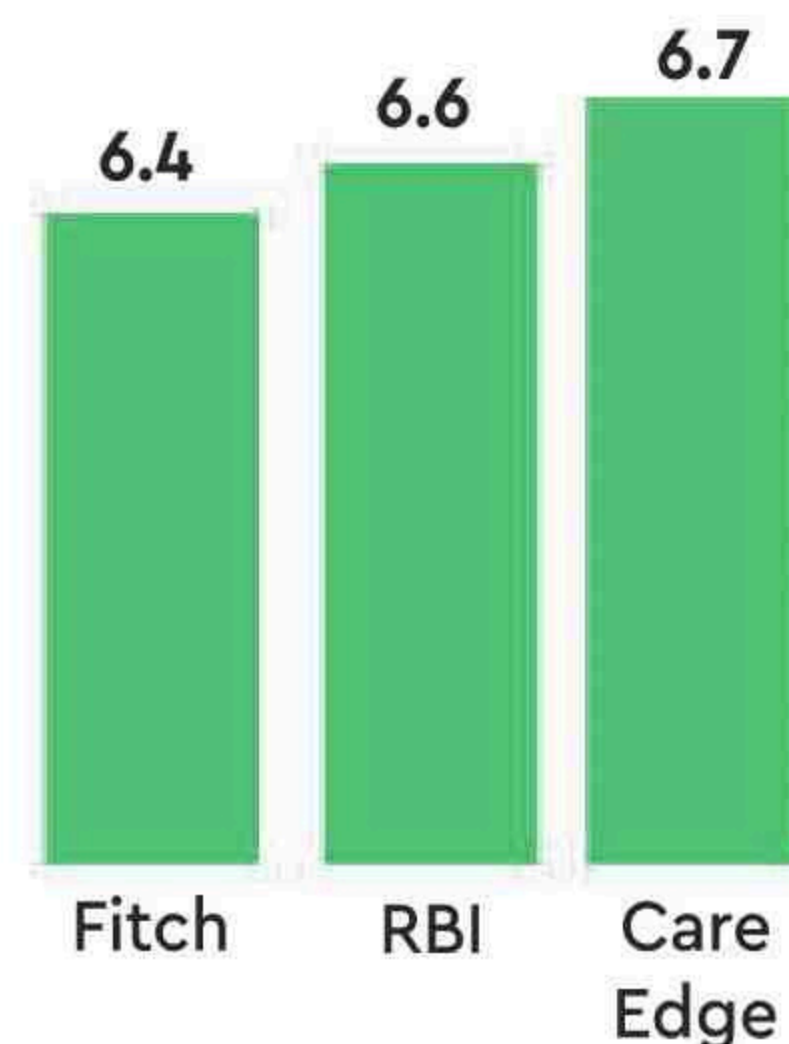
CareEdge Ratings has projected GDP growth of 6.7% in FY27, assuming crude oil prices average USD 90 per barrel. However, it has cautioned that growth could weaken further if the conflict persists and oil prices remain elevated.

According to Fitch, the



■ It raised its average Brent crude price assumption for 2026 to **\$87 per barrel** from **\$70** estimated in March

FY27 GDP forecast for India (%)



slowdown will be most visible in the second and third quarters of FY27 as higher energy costs squeeze household incomes and dampen consumption. Fuel prices have risen 4-5% in recent weeks.

The agency has also cut its global growth forecast for 2026 by 0.2 pp to 2.4%, reflecting the impact of the oil shock triggered by the US-Iran war.

"The oil price shock is hitting world growth prospects and increasing downside risks. But we are also amid a very pronounced boom in global spending on IT, and that is cushioning the impact on activity in the near term, par-

ticularly in Asia," Fitch Chief Economist Brian Coulton said.

Fitch noted that the closure of the Strait of Hormuz has now lasted 14 weeks and assumes that shipping routes will not begin reopening until July. It has raised its average Brent crude price assumption for 2026 to \$87 per barrel from \$70 estimated in March.

Describing the oil shock as a significant drag on global growth, Fitch said its base-case scenario remains far less severe than the oil crises of the 1970s. Real oil prices had reached \$170 per barrel in 1979, while oil consumption as a share of global GDP has halved since 1980.