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India's Economy Likely to Grow at 6.5% in FY27 Despite High Crude Prices

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According to a report by ICRA, India's GDP growth is projected to moderate to 6.5% in FY2026–27 (FY27) due to rising crude oil prices and global uncertainties.

Key Highlights

India's GDP growth expected at 6.5% in FY27, down from around 7.5–7.6% in FY26.

The slowdown is mainly due to:

High crude oil prices

Energy supply concerns amid West Asia conflict

Assumption: Average crude oil price around \$85 per barrel in FY27.

Macroeconomic Concerns

Current Account Deficit (CAD) likely to widen:

From ~1% (FY26) to 1.7% of GDP (FY27)

Inflation risks expected to rise due to:

Global energy supply disruptions

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Imported inflation (oil dependence)

Consumer sentiment may weaken due to uncertainty and rising prices.

Monetary Policy Outlook

Reserve Bank of India likely to:

Pause policy rate changes for an extended period

Continue liquidity management measures

Decision influenced by:

Rising inflation risks

Moderating growth

Factors Supporting Growth (Positive Side)

Despite challenges, some factors may sustain growth:

Strong domestic consumption

Government capital expenditure push (infrastructure focus)

Lower GST rates & policy support

Stable agricultural performance

Why Crude Oil Matters for India?

India imports 85–90% of its crude oil requirement

Higher oil prices lead to:

Increased import bill

Higher inflation

Pressure on rupee & fiscal deficit

Additional Key Facts

Every \$10 rise in crude oil prices can increase CAD by 30–40 basis points.

Growth may fall further to ~6% if crude reaches extremely high levels (~\$130/barrel).

India remains among the fastest-growing major economies globally despite moderation.

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