



KAMARAJ IAS ACADEMY
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India's GDP Likely to Grow 6.9% in 2026 with US Trade Deal Boost

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India's economy is projected to grow at 6.9% in calendar year 2026, according to a recent Goldman Sachs research report. The upgrade in the growth forecast reflects an estimated 20 basis points (0.2%) boost due to the recently concluded India-US trade deal, which reduced tariffs on Indian exports to the United States. This positive outlook underscores India's ongoing economic resilience amid global uncertainties.

Key Projections and Drivers

GDP Growth Forecast: Real GDP is expected to reach 6.9% in 2026 and 6.8% in 2027.

Trade Deal Effect: The US-India trade agreement, which lowers tariffs on Indian goods, is estimated to add about 0.2 percentage points to GDP growth by improving export demand.

Inflation Outlook: Headline inflation is forecast at around 3.9% in 2026, close to the Reserve Bank of India's (RBI) target of 4%.

Growth Support Factors:

Strong domestic demand and resilient urban and rural consumption

Liquidity measures and previous RBI policy rate cuts

Improved business sentiment due to reduced tariff uncertainty

GDP and Growth Definitions:

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Gross Domestic Product (GDP) measures the total market value of all final goods and services produced within a country in a specific period.

Real GDP growth adjusts for inflation and reflects true economic expansion.

Basis Points Explained:

A basis point (bps) is one-hundredth of a percentage point (0.01%). An increase of 20 bps equals an increase of 0.20% in growth rate.

India-US Trade Deal Context:

The trade deal cut tariffs on Indian exports to the US, enhancing competitiveness and demand for Indian goods in a key global market — the United States is one of India's largest export destinations.

Expected improvements include a narrower current account deficit and better export diversification.

India's Long-Term Growth Trends:

India has been among the fastest-growing major economies globally. According to several international projections, growth remains robust despite global headwinds.

Drivers include demographic advantages, expanding services and manufacturing sectors, and ongoing structural reforms.

Role of RBI and Inflation Control:

The Reserve Bank of India (RBI) plays a central role in macroeconomic stability by targeting inflation (near 4%) and guiding monetary policy (repo rate decisions). Stable inflation supports sustained economic growth without overheating.