



KAMARAJ IAS ACADEMY
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Moody's Cuts India's FY27 GDP Growth Forecast to 6%

Published On: 08-04-2026



Moody's Ratings has reduced India's GDP growth estimate for FY 2026–27 to 6%, citing the impact of the ongoing West Asia conflict on the economy.

Key Highlights

GDP growth forecast cut from 6.8% to 6% for FY27.

Downgrade attributed to:

Geopolitical tensions in West Asia

Rising energy prices and supply disruptions

Expected impacts:

Slower consumption and industrial activity

Increased inflationary pressures

Reasons for Growth Slowdown

High dependence on West Asia:

~55% of crude oil imports

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90% of LPG supply

Conflict may:

Disrupt energy supply chains

Increase fuel and transport costs

Spillover effects:

Higher fertiliser costs ? food inflation

Pressure on manufacturing and services sectors

Macroeconomic Implications

Inflation

Projected to rise to ~4.8% in FY27 (from ~2.4% in FY26)

Driven by:

Fuel price rise

Supply disruptions

Fiscal Impact

Higher subsidy burden (fuel & fertilisers)

Possible reduction in tax revenues due to excise duty cuts

External Sector

Current Account Deficit (CAD) may widen to 1–1.5% of GDP

Risks to:

Trade flows

Remittances (Gulf region contributes ~40%)

Comparison with Other Estimates

OECD: ~6.1% growth

ICRA: ~6.5% growth

India still expected to remain among the fastest-growing major economies globally

About India's Economy (Key Facts for Exams)

4th largest economy (nominal GDP) globally

Major growth drivers:

Services sector (~50%+)

Infrastructure spending

Domestic consumption

Member of:

G20, BRICS, WTO