

West Asia Conflict puts India's FY27 Growth Outlook at Risk

Economists see up to 60-bps hit as crude costs, supply hiccups hinder industry

Anoushka Sawhney

New Delhi: India's economic outlook is under increasing pressure from the West Asia conflict, with economists warning of a 50-60 basis point hit to FY27 growth. Elevated crude prices, supply disruptions and rising commodity costs are weighing on the country's macroeconomic stability, with sectors such as chemicals, steel, cement, textiles, paints, tyres, airlines, processed food, hospitality and fertilisers expected to be among the worst affected.

Ratings agency Icra has lowered its FY27 growth forecast to 6.5% from 7.1%, assuming average crude price of \$85 per barrel in the year against an earlier estimate of \$70-75. HDFC Bank has revised its projection to 6.5-7% from 7.2%, while

Bump in the Road

Gulf conflict poses downside risk to FY27 growth outlook

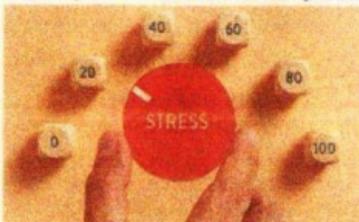


Rising crude oil prices and supply disruptions key risks to the economy

Economists lower FY27 GDP growth forecast



Inflation to rise amid high commodity costs



	Average Crude Price Assumption (\$/bbl)	FY27 GDP Outlook (%)
CareEdge	85	7-7.2
IDFC First	90	6.9-7
HDFC Bank	80-85	6.5-7
Barclays	85	6.8
QuantEco	90	6.4-6.6
ICRA	85	6.5

IDFC First Bank brought it down to 6.9-7% from 7.5%.

"Prolonged West Asia crisis could impact the Indian economy through multiple channels," said Rajani Sinha, chief economist at CareEdge Ratings, adding if global crude prices average \$100 per barrel, GDP growth could moderate to 6.6% in FY27.

India imports more than 85% of its crude oil requirements, with about half of it coming from the Gulf region, passing through the Strait of Hormuz, where vessel traffic is severely disrupted due to the war.

While a short-term disruption may have limited effects, economists warn that a sustained escalation could significantly alter India's growth and inflation trajectory in FY27. The Organisation for Economic Cooperation and Development (OECD) on Thursday lowered India's FY27 growth forecast to 6.1% from 6.2%, citing global uncertainty. Official estimates peg India's FY26 gross domestic product (GDP) growth at 7.6%.

Aastha Gudwani, India chief economist at Barclays, said if markets anticipate supply disruptions lasting four to six weeks, Brent crude could rise to \$100 per barrel.