

'Real GDP Growth may Slow on Costly Crude'

Our Bureau

Kolkata | Mumbai: India's real GDP growth, which includes the price deflator impact, may moderate to 6.5% or below in FY27 after the Iran war caused a near-40% spike in fuel prices, credit rating agencies said. However, a higher inflation gauge, stoked by imported inflation, would also mean higher nominal GDP that is used to calculate the government's fiscal gap and revenue projections.

Icra projected GDP growth at 6.5% in FY27, assuming average crude price remains in excess of \$85 a barrel this year, while Care Ratings projected a similar growth on higher average fuel-price assumptions—at \$100 per barrel. However, Crisil expects robust balance sheet structures to provide sufficient undergirding against credit risks for an overwhelming percentage of industries it covers.

The Indian economy, which is heavily dependent on imported oil, is facing a downside risk to real GDP growth as the West Asia crisis has led to spiralling of energy prices and made the rupee the weakest among Asian peers. The policy tailwinds and domestic demand would, however, anchor

economic growth while current account deficit and bond yields are expected to come under pressure, the rating agencies said.

The ratings companies also anticipate a slower credit expansion—at about 13% this fiscal—as compared with around 14% in FY26 amid concerns over asset quality, particularly in sectors such as merchandise exports. Icra has revised its real GDP growth estimate for 2026-27 to 6.5% from an earlier projection of 7.1%, while saying higher energy prices and the war-led tight supplies would crimp growth.

CareEdge has warned that if the average crude price rises to \$120 a barrel, India's real GDP growth may fall to 6% and inflation rise to 6.4-6.6%, breaching the Reserve Bank of India's (RBI) upper tolerance level of 6%. To be sure, in such a scenario, FY27 nominal GDP would exceed 12%, compared with the government estimates of 8.6% nominal rate of expansion in FY26 under the new 2022-23 base series.

Icra takes two other scenarios. If crude oil prices remain on an average of \$105/barrel, FY27 real GDP is projected at 5.8%. If crude oil is at \$125, real GDP would be at 5%, it said.

