

IRAN WAR MAY SLOW OUTPUT AND RAISE INFLATION RISKS

Moody's cuts India FY27 growth forecast to 6%

FE BUREAU
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MOODY'S RATINGS HAS trimmed India's growth outlook for the current fiscal year to 6% from 6.8% estimated earlier, flagging rising risks from the ongoing war in West Asia.

It is to be noted that Goldman Sachs has also turned more cautious, lowering its 2026 forecast to 5.9% from 7% before the conflict. In contrast, S&P Global Ratings has taken a more optimistic view, raising its projections by 40 basis points (bps) to 7.1% for FY27. The divergence reflects the high degree of uncertainty surrounding the duration and intensity of the crisis.

In its latest credit assessment reported by *PTI*, Moody's pointed to India's deep reliance on the region for energy supplies as a key vulnerability. West Asia accounts for roughly 55% of the country's crude oil imports and more than 90% of its liquefied petroleum gas (LPG) needs. Any prolonged disruption, particularly in LPG shipments, could translate into near-term shortages for households, pushing up cooking fuel and transport costs. The impact could also spill over into food prices, given India's depen-

EXTERNAL SHOCK

GDP growth estimate for FY27 (%)



■ India sources **55% of crude and over 90% of LPG** from West Asia

■ RBI may hold or gradually raise rates to balance inflation with growth support

endency on imported fertilisers.

While inflation remains within manageable levels for now, the risks are clearly skewed upward. Moody's expects consumer price inflation to average 4.8% in FY27, a sharp increase from 2.4% in the previous year. The trajectory, however, will hinge on how long geopolitical tensions persist and how strongly higher global prices pass through to domestic fuel and food costs.

Against this backdrop, the Reserve Bank of India is likely to tread cautiously. Moody's believes policy rates could either remain unchanged or be raised

gradually over the course of the year, depending on evolving inflation dynamics. For now, the central bank faces the delicate task of balancing price stability with the need to support growth. The government, too, has acknowledged the downside risks. Chief Economic Advisor V Anantha Nageswaran recently warned that earlier projections of 7-7.4% growth may prove difficult to sustain if energy prices remain elevated. He also indicated that fiscal priorities may need to be recalibrated to cushion the most vulnerable sections from the shock.

Earlier this month on March

2, Nageswaran told the Parliament's Standing Committee on Finance that while the macroeconomic impact on the Indian economy of global crude oil prices of up to \$90 per barrel is "almost insignificant or not relevant", prices staying elevated at \$130/bbl for 2-3 quarters could push up headline retail inflation in 2026-27 to 5.5% and reduce GDP growth to 6.4%.

Higher fuel prices could push up subsidy bills, while recent cuts in excise duties may dent revenues. At the same time, high input costs risk dampening consumption and squeezing corporate margins.