India

	2020	2021	2022	2023	2024	Forecasts 2025	2026	2027
GDP growth (%)	-5.8	9.7	7.6	9.2	6.5	6.6	6.2	6.4
CPI inflation (%)*	6.6	5.1	6.7	5.7	4.9	2.8	4.0	4.0
Fiscal balance (% of GDP)	-12.9	-9.4	-9.0	-7.4	-7.9	-7.1	-7.2	-7.1
Public debt (% of GDP)	88.4	83.5	82.2	80.7	81.6	81.4	80.8	80.0
Reference rate (%)*	4.3	4.0	5.0	6.5	6.5	5.8	5.2	5.0
Exchange rate (INR/USD)*	74.1	73.9	78.6	82.6	83.7	87.1	90.0	90.0
Current balance (% of GDP)	0.9	-1.2	-2.0	-0.7	-0.6	-1.0	-1.4	-1.6
External debt (% of GDP)	19.0	18.3	18.4	17.5	17.8	17.5	17.1	16.4

Notes: These figures refer to the tax year, between April and March. Furthermore, for example, the figure for 2024 covers the 2024-2025 tax year. (*) Annual average.
Source: CaixaBank Research, using data from Thomson Reuters Datastream.

Outlook

India, the Star Economy of 2025. India is emerging as the fastest-growing economy globally among the major economies, recording average GDP growth of over 7.0% since the pandemic. In the coming years, the Indian economy's growth is likely to slow down slightly. We expect growth of around 6.5%, in a fragmented global environment, where it is still being hit by some of the highest tariffs on its exports to the US (although recent negotiations could reduce the «reciprocal tariff» from 25% to 18% and eliminate the additional 25% levy), while also contending with increasingly competitive Chinese exports. Nevertheless, although it showed some signs of slowing down at the end of 2025, recent growth has been better than expected (8.2% year-on-year in Q3), which should allow the economy to end 2025 with growth of around 7.0% (the 2025 tax year ends in March 2026). On the domestic front, expansionary fiscal and monetary policies should continue to provide tailwinds in the near term. The Indian economy will also continue to enjoy certain strategic advantages in the medium term, such as favourable demographics and the recent implementation of structural reforms – such as labour market reforms – which will help to increase labour force participation, especially among women, and boost investment in key infrastructures for the country's economy.

Economic policies

Easing of monetary policy during 2025, in a low-inflation environment. Steadily falling inflation over the last few years, amid tighter monetary and fiscal policies and lower food and energy prices, has enabled India's Central Bank (RBI) to adopt an expansionary monetary policy in 2025, reducing the *repo* rate to 5.25% (–125 bp, its lowest level in four years), and loosening restrictions on lending and cutting the reserve ratio. Going forward, the RBI is expected to adopt a prudential strategy and reference rates are expected to remain stable, around their current levels.

Fiscal policy should remain moderately expansionary. The fiscal deficit is expected to remain flat at around 7%. Lower taxation due to changes in the goods and services tax and high levels of infrastructure spending should continue to support domestic demand. Against this backdrop, despite high deficit and public debt levels (over 80% of GDP), the situation is stable, as most of the country's debt is held domestically. Furthermore, a combination of prudential monetary and fiscal policies, contained inflation and high growth is supporting a stable macroeconomic outlook for the country.

Closing date of this edition: 2 February 2026

A robust economy on the external front. India's current account deficit should continue to be contained, below the 2% of GDP threshold regarded as sustainable by the RBI. On the one hand, trade barriers (in particular tariffs imposed by the US), buoyant domestic demand and rising metal prices will worsen the current account deficit. On the other hand, falling oil prices and the depreciation of the rupee (it fell to an all-time low against the USD in 2025 of around 90 rupees to the dollar) will provide short-term support. Thus, with inflation well contained and ample reserves, the RBI has plenty of leeway to adjust its monetary policy if there are any changes in the macrofinancial environment.

Exchange rate

After the rupee depreciated by nearly 5% in 2025, this trend has continued into early 2026, with the exchange rate hovering just above 90 rupees to the USD. Some of the factors exerting downward pressure on the rupee are likely to continue throughout 2026, such as a widening – yet still moderate – trade deficit and a volatile global environment that is continuing to dampen investment flows towards emerging economies. Regular intervention by the Central Bank should stabilise the currency, and we expect the exchange rate to remain close to 90 rupees.

Risks

The risks to the Indian economy are tilted to the downside. Notable risks include:

- **The export sector is facing a difficult cycle.** Although the country's exposure to the US economy is relatively low (around 2% of GDP), India is facing one of the highest tariffs on its exports to that country, reducing competitiveness compared to other Asian countries (in particular China) and hampering the development of the manufacturing sector, at a key moment for the Indian economy. On a positive note, new trade agreements (with the UK and the EU) and the effective implementation of structural domestic reforms could boost exports and investment flows.
- **Geo-economic tensions and uncertainty may worsen its external position.** Further escalation of trade tensions and increased uncertainty could lead to tighter financial conditions and spikes in import prices, in particular, for energy commodities and food. A decline in confidence indices could also dampen domestic consumption and investment.
- **Climate change.** More unpredictable weather patterns pose additional short-term risks, with a potentially high impact on crops and food prices. India's economy is highly vulnerable to climate change. The agricultural sector employs over 40% of the country's workforce and more than 60% of workers live in rural areas. This will require adaptation policies in the coming years, such as natural disaster preparedness, infrastructure improvements and support for the agricultural sector, resulting in potential costs of around 18% of GDP by 2030, according to estimates by the country's authorities.

Sovereign credit rating				
Rating agency	Rating*	Last changed	Outlook	Last changed
Standard & Poor's	BBB	30/08/25	Stable	30/08/25
Moody's	Baa3	30/09/25	Stable	05/10/21
Fitch Ratings	BBB-	30/08/25	Stable	10/06/22

Note: *A shaded cell indicates «investment grade» and an unshaded cell indicates «speculative grade».

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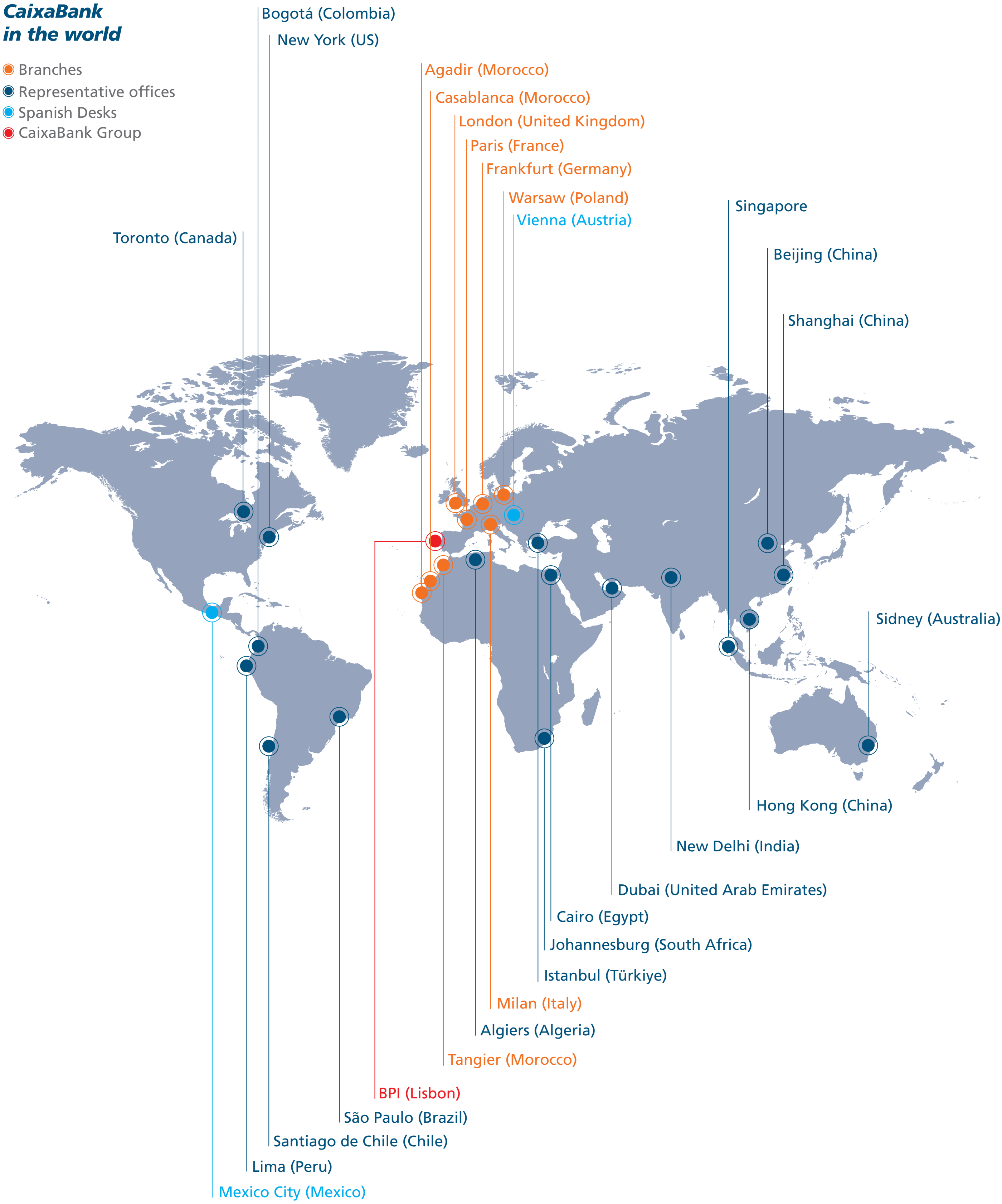

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