

## US Tariff Threat Leads Goldman Sachs to Trim India's GDP Forecast



Global investment bank Goldman Sachs has lowered its economic growth forecast for India, citing heightened trade uncertainty with the United States following President Donald Trump's announcement of a 25% tariff on Indian goods. The move, which has been in the works for a while, has prompted a revision of India's growth outlook for the upcoming years, with "uncertainty" being the primary concern.

Goldman Sachs now projects India's real GDP to grow at 6.5% in calendar year 2025, a slight reduction of 0.1 percentage point from its previous estimate. The forecast for 2026 has also been trimmed by 0.2 percentage points to 6.4%. While the direct economic impact of the tariffs is still being evaluated, the report from the bank emphasizes that the bigger worry is the lack of clarity surrounding future trade relations between the two countries.

"In our view, some of these tariffs are likely to be negotiated lower over time, and further downside risk to the growth trajectory mainly emanates from the uncertainty channel," the report stated. This sentiment highlights how unpredictable policymaking can dampen investor confidence and affect business decisions, creating a drag on economic expansion.

In contrast to the growth outlook, Goldman Sachs has revised its inflation forecast downward for both 2025 and 2026, lowering it by 0.2 percentage points to 3.0%. This forecast, driven by easing vegetable prices, is seen as historically low for India and could be vulnerable to future economic shocks. The report also identified two key factors that could influence the trajectory of

both growth and inflation: a quick resolution to the U.S.-India trade standoff or a significant increase in core inflation.

The Reserve Bank of India (RBI), meanwhile, has held its ground. In its recent policy decision, the central bank maintained its GDP growth forecast of 6.5% for the current fiscal year, signaling that it is monitoring the situation but is not yet prepared to alter its projections. The RBI also revised its CPI inflation forecast for the fiscal year downwards, echoing the sentiment of cooling prices.