

Fitch Revises India's GDP Forecast to 6.3%, Cites Limited Direct Tariff Impact



Fitch Ratings, a prominent credit rating agency, has revised its forecast for India's Gross Domestic Product (GDP) growth for the financial year ending March 2026, lowering it slightly from 6.4% to 6.3%. The announcement was part of the agency's "India Corporates Credit Trends" report released on Friday. Despite this modest downward revision, Fitch expressed a positive outlook on the nation's economic fundamentals, projecting that robust infrastructure spending would continue to drive healthy demand across core sectors.

The report highlights that the revised growth figure still points to strong economic momentum. According to Fitch, sectors such as cement, building materials, electricity, petroleum products, steel, and engineering and construction (E&C) are expected to see solid demand, fueled by the government's continued focus on infrastructure development. The agency also anticipates that the credit metrics of rated Indian companies will improve, as wider earnings before interest, taxes, depreciation, and amortization (EBITDA) margins are expected to offset ongoing capital expenditure.

A key aspect of Fitch's report addressed the potential effects of new U.S. tariffs on Indian businesses. The agency concluded that the direct impact on most Indian corporations would be limited. The reason for this, Fitch noted, is the "generally low to moderate US export exposure" of the companies it rates. While the direct consequences may be minimal, the report did caution about "second-order risks" from global oversupply potentially being redirected to India.

Looking ahead, Fitch noted that the outcome of ongoing India-U.S. Trade negotiations could alter the business landscape. The report suggested that companies might try to mitigate any tariff fallout by "diversifying exports." Domestically focused sectors, in particular, are expected to remain largely insulated from trade-related disruptions, thanks to strong local demand and regulatory stability. However, export-dependent sectors like IT services and auto components, as well as pharmaceuticals, could face headwinds due to tariff uncertainty and potential shifts in U.S. policy.