

India's GDP growth will accelerate to 7.5% in FY27, while inflation remains low, says Axis Bank's Economic Outlook

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*India's growth is likely to be above trend in FY27, driven by structural and regulatory reforms, lower borrowing costs, accelerated capital formation, and a cyclical boost from policy easing, according to **Neelkanth Mishra, Chief Economist, Axis Bank & Head - Global Research, Axis Capital** in the Bank's **Outlook 2026 report**. Mishra and the Bank's economic research team maintain that the economy can sustain above-trend growth without inflationary pressures given economic slack.*

Report highlights:

Axis Bank projects above-trend, above-consensus growth of 7.5% in the world's fastest-growing large economy.

The authors' thesis rests on several drivers:

1. Receding fiscal drag and supportive monetary policy to drive above-trend growth of 7.5%. Structural reforms and regulatory easing to boost growth in the medium term.
2. Improved financials, low cost of capital, high-capacity utilization (need for new capex) to lift capital expenditure in FY27.
3. Sustained TFP gains and a rebound in capital formation support a 7% trend growth outlook.

Headline inflation of ~4% likely in FY27, but economic slack to persist

- Median inflation, a better gauge of underlying price pressures, has been stable at ~3% for 18 months signaling persistent slack in the economy.
- Axis Bank expects FY27 headline inflation of ~4% despite above-trend growth and a likely rebound in food prices.
- Policy rates have likely bottomed, but money supply can rise further to aid monetary transmission and credit growth; supply-side measures (more T-bills, shorter-duration bonds) can reduce the yield curve steepness.
- Axis Bank expects 10Y yields to drift close to 6% in FY27.

India's external balance is stable, USD-INR weakness helps

- The INR's recent weakness has brought the REER to competitive levels.
- Axis Bank expects the current account deficit to widen a notch, to 1.2% of GDP in FY26 and 1.3% in FY27, while the surge in capital outflows seen in 2Q/3Q of FY26 will likely abate.

Economic Outlook 2026: *'Look! Growth above trend but low inflation'*, [Click here for the full report](#) .

Market Outlook 2026: *'Where earnings lead, markets follow'*, [Click here for the full report](#) .