



UPSC & STATE PCS CURRENT AFFAIRS · UJIYARI.COM

DAILY CURRENT AFFAIRS

Moody's Cuts India FY27 GDP to 6% and FAO Food Prices Rise — Iran Conflict Spillover

7 April 2026 · **ECONOMY** · **IR** · **GS3** · **GS2**

CURATED & WRITTEN BY

**Bharat Choudhary**

UPSC Educator & Content Creator

[linkedin.com/in/epicbharat](https://www.linkedin.com/in/epicbharat)**ALSO FROM THE CREATOR****BharatNotes**Free UPSC notes, MCQs, PYQ analysis. **100% Free.**bharatnotes.com →**ADVERTISE****Advertise with Ujiyari**

Reach thousands of UPSC aspirants daily.

epicbharat@gmail.com

Moody's Cuts India FY27 GDP to 6% and FAO Food Prices Rise — Iran Conflict Spillover

7 April 2026 · 5 min read · 3 tags

▼ On this Page

01 Why in News

02 Part 1: Moody's Forecast Revision

- Key Numbers
- Drivers of the Cut

03 Part 2: FAO Food Price Index...

- Headline
- Component Breakdown
- Vegetable Oils Surge — Why It Matters
- Sugar's Crude Oil Linkage

04 What is the FAO Food Price...

05 Implications for India

- 1. Inflation Risk
- 2. Fiscal Pressure
- 3. Current Account Deficit
- 4. Wheat — A Bright Spot

06 Moody's vs Other Ratings

07 UPSC Relevance

08 Facts Corner



WHY IN NEWS

Two related developments highlighted the **economic spillover of the West Asia conflict** on India:

- 1 **Moody's Ratings** cut India's **FY27 GDP growth forecast by 80 basis points to 6.0%** (from 6.8%), citing the impact of the **US-Israel-Iran conflict** on global energy prices and economic uncertainty.
- 2 The **FAO Food Price Index** averaged **128.5 points in March 2026** — up **2.4% month-on-month** and the **second consecutive monthly increase** — driven by surging vegetable oil and sugar prices linked to oil-ethanol dynamics.

Together, these signal that India's economic outlook for FY27 has shifted from "robust" to "cautious."

PART 1: MOODY'S FORECAST REVISION

Key Numbers

INDICATOR	EARLIER ESTIMATE	REVISED	CHANGE
FY27 GDP growth	6.8%	6.0%	-80 bps
FY27 inflation forecast	4.0%	4.8%	+80 bps
CY25 growth (calendar year)	7.2%	7.5%	+30 bps
CY26-27 CAD estimate	0.4% of GDP	1.0-1.5%	Worsening

Drivers of the Cut

FACTOR	IMPACT
Crude oil at \$100+/barrel	India imports 85% of crude → directly raises CAD and inflation
Strait of Hormuz risk	~60% of India's crude transits this chokepoint
Rupee depreciation (~95/\$)	Imported inflation accelerates
Global trade slowdown	India's export growth slows
Risk-off sentiment	FII outflows from EM markets



PART 2: FAO FOOD PRICE INDEX — MARCH 2026

Headline

The **FAO Food Price Index (FFPI)** averaged **128.5 points** in March 2026, up **3.0 points (2.4%)** from February — and **6%+ higher** than a year ago.

Component Breakdown

SUB-INDEX	MAR 2026	CHANGE MOM	REASON
Cereals	Up	+1.5%	Wheat and rice prices firm on West Asia logistics disruption
Vegetable oils	Up	+5.1%	Highest jump since June 2022; palm oil shortage
Dairy	Up	+0.8%	Steady demand from China and South Asia
Meat	Up	+0.9%	Beef prices firm
Sugar	Up	+7.2%	Brazilian ethanol-crude oil linkage; sugar diverted to ethanol

Vegetable Oils Surge — Why It Matters

India is the **world's largest vegetable oil importer** (~Rs 1.5 lakh crore annually). A 5%+ jump in global vegetable oil prices directly translates to higher edible oil prices in India — a politically sensitive item that drives food inflation expectations.

Sugar's Crude Oil Linkage

Brazil, the world's largest sugar producer, splits its sugarcane crop between sugar and ethanol production based on relative prices. When crude oil rises, ethanol becomes more profitable → mills divert cane to ethanol → sugar production falls → global sugar prices rise.

This is why **food prices and energy prices are now structurally linked** — and why the editorial “It’s Time to Insulate Food from Oil Shocks” (Indian Express, April 6) called for decoupling.

WHAT IS THE FAO FOOD PRICE INDEX?

The **FAO Food Price Index (FFPI)** is published monthly by the **Food and Agriculture Organization of the United Nations (FAO)**, headquartered in **Rome**.



PARAMETER	DETAILS
Established	1990
Base period	2014-16 = 100
Components	5 sub-indices: cereals, vegetable oils, dairy, meat, sugar
Coverage	Global average export prices weighted by trade share
Released	First Friday of each month

The FFPI is the **world’s most-watched indicator of food commodity prices** — used by governments, traders, and humanitarian agencies to monitor food security risks.

IMPLICATIONS FOR INDIA

1. Inflation Risk

With FAO food prices rising and crude above \$100/barrel, India’s CPI inflation could breach the **6% upper tolerance band** in coming months. The RBI MPC’s pause on April 7 was driven exactly by this concern.

2. Fiscal Pressure

Higher food and fuel prices pressure the government to maintain or expand subsidies — affecting **fiscal deficit** targets.

3. Current Account Deficit

Moody’s revised CAD estimate from 0.4% to 1.0-1.5% of GDP for CY26-27 reflects higher import bills.

4. Wheat — A Bright Spot

India is expected to hit **record wheat production** in 2026 — providing a domestic buffer against global cereal price spikes. India’s **Public Distribution System (PDS)** procurement insulates ~80 crore beneficiaries from market volatility.



MOODY'S VS OTHER RATINGS

AGENCY	INDIA RATING	OUTLOOK
Moody's	Baa3	Stable
S&P Global	BBB-	Positive (upgraded August 2024)
Fitch	BBB-	Stable

Baa3/BBB- is the lowest rung of investment grade. India has been at this level for over two decades — the rating agencies cite India's structural strengths (large economy, demographic dividend, IT sector) but also flag governance and fiscal concerns.

UPSC RELEVANCE

GS Paper 3 — Economy

- GDP growth measurement and forecasting
- Inflation and monetary policy
- Current account deficit and external sector
- Sovereign credit ratings: methodology and implications
- Food security and PDS

GS Paper 2 — International Relations

- West Asia conflict and India's energy security
- FAO and UN bodies
- India-Iran relations and Chabahar port

Prelims Fast Facts:

- Moody's India rating: **Baa3** (Stable)
- S&P India rating: **BBB-** (Positive, upgraded 2024)
- FAO HQ: **Rome, Italy**
- FAO Food Price Index base period: **2014-16 = 100**
- FAO FFPI March 2026: **128.5 points** (+2.4% MoM)
- India's crude oil import dependency: **~85%**



- Strait of Hormuz share of India's crude: **~60%**

FACTS CORNER

- **Moody's** is the oldest of the three major credit rating agencies, founded in **1909** by John Moody. It was the first to publish bond ratings on a public scale.
- **FAO** was established in **1945** as one of the first specialised agencies of the UN. Its mandate: "Achieving food security for all and ensure that people have regular access to enough high-quality food to lead active, healthy lives."
- The **2007-08 global food crisis** saw the FFPI peak at over 230 points — triggering food riots in 30+ countries and accelerating land grab investments. The current level (128.5) is well below crisis territory but trending higher.
- India's **wheat MSP for 2026-27** has been increased to **Rs 2,425 per quintal** — providing a price floor for farmers regardless of global price fluctuations.
- **Brazil** produces about 40% of the world's sugar — making global sugar prices highly sensitive to Brazilian crop decisions and ethanol policy.
- India's **rice export ban** (imposed July 2023) for non-basmati varieties was lifted in late 2024 — but India remains the world's largest rice exporter, accounting for ~40% of global rice trade.

← PREVIOUS ARTICLE

TV Rating Policy (TRP) 2026 — India Reforms Television...

NEXT ARTICLE →

Current Affairs Today — April 6, 2026



RELATED EDITORIALS

INDIAN EXPRESS

[The New Income Tax Act: Simplicity on Paper, Substance Still Pending](#)

4 Apr

INDIAN EXPRESS

[Jan Vishwas: From 'Danda' to Trust — India's Largest Decriminalisation Exercise](#)

4 Apr

BUSINESS STANDARD

[India's Defence Export Surge: The Private Sector Equation](#)

4 Apr

THE HINDU

[From Price Discovery to Risk Management: India's Gas Market Comes of Age](#)

4 Apr





CURATED & WRITTEN BY

Bharat Choudhary

UPSC Educator & Content Creator

[linkedin.com/in/epicbharat](https://www.linkedin.com/in/epicbharat)[Read Full Article on Ujiyari →](#)<https://ujiyari.com/daily/2026/04/07/moodys-fy27-gdp-cut-fao-food-prices/>

ALSO FROM THE CREATOR

BharatNotes

Free UPSC study platform — subject-wise notes across all 4 GS papers, Prelims MCQs, Mains answer frameworks, PYQ analysis & progress tracking. **100% Free • No Login Required.**

[Start Preparing → bharatnotes.com](https://bharatnotes.com)

📌 OPPORTUNITY

Advertise with Ujiyari

Reach **thousands of serious UPSC & State PCS aspirants** daily through our PDFs, website, and social channels.

Ideal for: Coaching institutes • EdTech platforms • Book publishers • Exam prep apps

[✉ epicbharat@gmail.com](mailto:epicbharat@gmail.com)

Write to us for rates & media kit

Free UPSC & State PCS Current Affairs · ujiyari.com · bharatnotes.com

