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Economy Watch

Monitoring India's macro-fiscal performance

September 2025

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CONTENTS

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Highlights

1. Real GDP growth improved to a five-quarter high of 7.8% in 1QFY26 from 7.4% in 4QFY25.
2. In August 2025, manufacturing PMI increased to 59.3, its highest level since February 2008. Services PMI also increased to 62.9, its highest level since June 2010.
3. Overall IIP growth improved to 3.5% in July 2025 from 1.5% in June 2025 led by significant improvement in the growth of manufacturing output.
4. Led by fading base effects and a moderation in the pace of contraction in food prices, CPI inflation increased from 1.6% in July 2025 to 2.1% in August 2025 whereas core CPI inflation rose from 4.2% to 4.3% during the same period.
5. WPI inflation turned positive at 0.5% in August 2025 as compared to (-)0.6% in July 2025, reflecting higher inflation in vegetables on account of both weakening of favorable base effects and some uptick in price of tomatoes.
6. GoI's gross tax revenues (GTR) grew by 0.8% during April-July FY26 with a contraction of (-)4.3% in direct taxes and a growth of 6.9% in indirect taxes.
7. GoI's total expenditure grew by 20.2% in April-July FY26, with growth in revenue expenditure at 17.1% and that in capital expenditure at 32.8%.
8. GoI's fiscal and revenue deficits during April-July FY26 stood at 29.9% and 28.9% of their respective annual BEs.
9. Gross bank credit growth improved marginally to 10.0% in July 2025 from 9.5% in June 2025.
10. Net FDI and FPI inflows increased to US$1.1 billion and US$2.4 billion, respectively, in June 2025.
11. Merchandise exports continued to show positive growth, although at a slow pace of 6.7% in August 2025 even as merchandise imports contracted by (-)10.1%, attributable mainly to a large base effect.
12. Average global crude price fell from US$69.2/bbl. in July 2025 to a three-month low of US$66.7/bbl. in August 2025 owing to weaker demand in the US and an expected boost in supply from OPEC+ countries.
13. As per the OECD, India's seasonally adjusted quarterly real GDP growth at 7.3% during April-June 2025 was the highest amongst all G20 economies.
14. With 1QFY26 real GDP growth at 7.8% and stimulation of demand through GST reforms on the one hand, constrained by global headwinds affecting India's export prospects, both in goods and services, we expect India to still show an annual real GDP growth of 6.7% in FY26.

Foreword

Rolling out GST 2.0: Boosting domestic demand amidst tariff uncertainties

India's 1Q FY26 real GDP growth at 7.8% outperforms RBI's expectation of 6.5% (August 2025 monetary policy statement) by a tangible margin. Significant improvements in the growth rate in the first quarter covering the period April to June FY26 as compared to the average growth in the last four quarters are notable in manufacturing and the three services sectors namely trade, transport, hotels et al., financial, real estate et al., and public administration et al. All these four sectors carry high shares together amounting to 72.1% of real GVA in FY25. Growth in agriculture at 3.7% is robust although marginally less than the corresponding average over the last four quarters at 4.4%.

On the demand side, growth has been driven mainly by governments' contribution to demand through its higher capital expenditure. This is reflected in the high growth in gross fixed capital formation (GFCF), which, at 7.8% is higher than the average of the last four quarters at 7.0% by a margin of 0.8% points. Government final consumption expenditures (GFCE), which showed only 2.9% growth on average in the last four quarters, grew by 7.5% in the first quarter of FY26. The only vulnerable segment of demand comprises exports, which grew at 6.3%, lower than the growth of imports at 10.9% in 1Q FY26. As a result, the contribution of net exports to real GDP growth has turned negative at (-)1.4% points after showing positive contribution averaging 2.2% points in the last four quarters.

After a long transition period, from 2017 to 2025, eventually GST 2.0 has been rolled out. It aims at reducing the number of rate categories to two core rate categories at 5% and 18% and a special rate of 40%. This change coincides with the discontinuation of the compensation cess mechanism. The new rate structure implies significant rate reductions for some categories of goods. Rates of 12% and 28% have been dropped. Major beneficiary sectors include textiles, consumer electronics, automobiles, health and most food items. These are employment intensive sectors where the benefits of lower prices may be quite broad based. On the production side, sectors that may benefit include fertilizers, agricultural machinery and renewable energy. In these sectors farmers may benefit through lower input costs. Initially, some short-term revenue impact is anticipated. The Ministry of Finance estimates this shortfall on an annual basis to be INR48,000 crore. The expectation is that with a substantial fall in post-tax prices, demand may be boosted and eventually the revenue losses may be made up.

According to the PM's speech on 21 September 2025, Indian citizens are likely to gain INR2.5 lakh crore as a result of these reforms in terms of an increase in their disposable incomes or potential savings. These appear to be annual figures pertaining to the two major tax reforms. Of this, INR1 lakh crore was taken into account as due to the PIT reforms in the 2025-26 union budget. Additionally, a share of the INR1.5 lakh crore that pertains to the GST reform, would also have a bearing on the budget estimates in terms of overall revenue foregone.

This may put pressure on fiscal deficit unless steps are undertaken to reduce revenue expenditure. The performance of GoI's gross tax revenues during the first four months of FY26 was highly subdued with a growth of only 0.8% over the corresponding period of the previous year. Direct taxes have not performed that well, showing a contraction of (-)4.3%. This is due to a negative growth of (-)9.9% in Personal Income Tax (PIT) revenues during April to July FY26. This may be partly due to the postponement of the date of filing of IT returns from July to September 2025. Indirect taxes showed a growth of 6.9% during April-July FY26, lower than 7.1% during the corresponding period of FY25. While the receipt of a more than anticipated dividend from the RBI would help, it may not be sufficient to fully compensate for revenue foregone on account of GST reforms. Pressure on GoI's fiscal deficit may also emanate from a lower than budgeted nominal GDP growth. In 1QFY26, nominal GDP growth at 8.8% was well below the budgeted GDP growth assumption of 10.1%. With CPI and WPI both remaining low, the expectation is that unless liquidity is increased in the system, nominal GDP growth may turn out to be well below 10.1%. On the other hand, GoI's expenditures have continued to show a healthy growth of 20.2%, with capital expenditure growing by 32.8% and revenue expenditure by 17.1% during April to July FY26.

Even the states may have to resort to higher borrowing or cut expenditures, in view of revenue losses that they may suffer on account of the GST rate rationalization measures. Both a high fiscal deficit and/or expenditure cuts by the central and state governments may have an unfavorable impact on real growth. Monetary initiatives through repo rate reductions or liquidity expansions may result in higher inflation, opening up the possibility of monetizing some fiscal deficit. However, clearly there are limits to which this option can be exercised. With 1QFY26 real GDP growth at 7.8% and stimulation of demand through GST reforms on the one hand, constrained by global headwinds affecting India's export prospects, both in goods and services, we expect India to still show an annual real GDP growth of 6.7% in FY26.

Led by fading base effects and moderation in the rate of contraction in food prices, CPI inflation increased from a 97-month low of 1.6% in July 2025 to 2.1% in August 2025. Consumer food prices contracted for the third successive month at (-)0.7% in August 2025 led by a slowdown in the pace of contraction of vegetable prices and rise in prices of meat and fish, and oils and fats. Core CPI inflation stayed above 4% for the seventh successive month, rising to 4.3% in August 2025 from 4.2% in the previous month, pushed by higher inflation in gold. WPI inflation turned positive at 0.5% in August 2025 as compared to (-)0.6% in July 2025, reflecting higher inflation in vegetables on account of both weakening of favorable base effects and some uptick in prices of tomatoes.

High-frequency indicators for July and August 2025 suggest positive growth momentum. In August 2025, manufacturing PMI increased to 59.3, its highest level since February 2008. Services PMI also increased to 62.9, its highest level since June 2010. Merchandise exports continued to show positive growth, although at a slower pace of 6.7% in August 2025 even as merchandise imports contracted by (-)10.1% attributable mainly to a large base effect. Overall IIP growth improved to 3.5% in July 2025 from 1.5% in June 2025 led by significant improvement in the growth of manufacturing output. Gross bank credit growth improved marginally to 10.0% in July 2025 from 9.5% in June 2025. Monthly gross GST collections marginally fell from INR1.96 lakh crore in July 2025 to INR1.86 lakh crore in August 2025. Subsequent GST performance may depend on the new rate structure in the reformed GST framework and the related price and demand changes.

Ongoing tariff related uncertainties and supply chain disruptions in international trade provide an opportunity for India to re-examine the pattern and composition of its international trade with the rest of the world especially with the US and China. This month's *In-focus* examines the potential of India's trade with the US and China. The base of India's export destinations and import sources is rather narrow. It is considerably dependent on the US and to some extent on China. India may do well to diversify its export destinations and import sources seeking more opportunities amongst the BRICS+ countries and reducing its reliance both on the US and China. The magnitude and direction of balance of trade between India-China and India-US have evolved in opposite directions.

Policymakers have indicated a target of reaching US$500 billion by 2030 for Indo-US trade covering both goods and services and a balance of trade on these accounts. This implies India's total goods and services exports and imports reach US$250 billion each by 2030. On the whole, these targets appear feasible within the framework of a suitable Free Trade Agreement (FTA). Maximum adjustments may be required in imports of goods from the US and exports to and imports of services from the US. In all the three cases, a CAGR of 20% each is required. India may need to increase its imports of crude and natural gas and defence goods from the US, substituting imports from other sources. Further, in order to increase trade in services, India has to further invest in AI based technologies.

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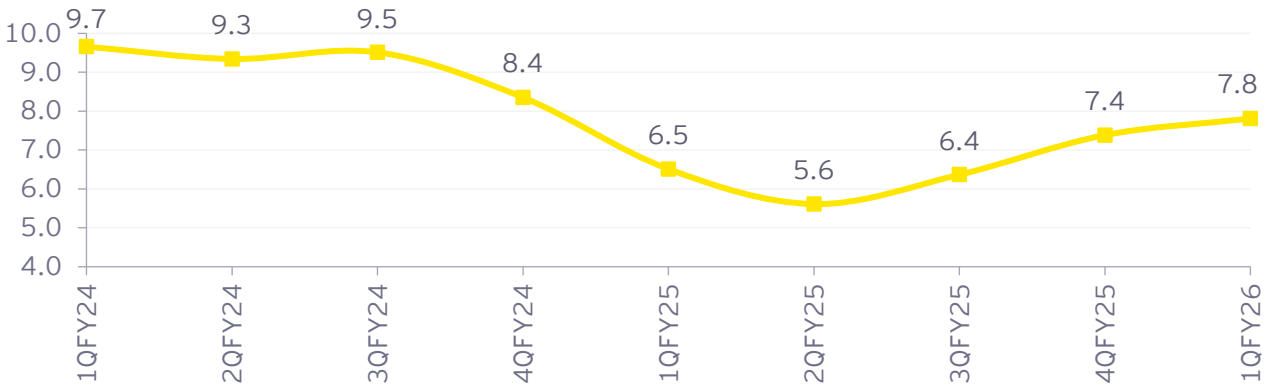
Chief Policy Advisor, EY India

1. Growth: Real GDP posted a strong growth of 7.8% in 1QFY26

1.1. GDP and GVA: Grew by 7.8% and 7.6%, respectively, in 1QFY26

- The national accounts data for the first quarter of FY26 released by MoSPI on 29 August 2025 showed that real GDP growth improved to a five-quarter high of 7.8% in 1QFY26 from 7.4% in 4QFY25 (Chart 1).

Chart 1: Real GDP growth (%, y-o-y)



Source: MoSPI, GoI

- This robust GDP growth in 1QFY26 was supported by domestic demand components, particularly consumption demand.
- Growth in private final consumption expenditure (PFCE) and government final consumption expenditure (GFCE) increased to 7.0% and 7.5%, respectively, in 1QFY26 as compared to 6.0% and (-)1.8%, respectively, in 4QFY25.
- Growth in investment demand, as measured by gross fixed capital formation (GFCF), remained strong at 7.8% in 1QFY26 although moderating from 9.4% in 4QFY25 (Table 1). A large part of the growth in GFCF is attributable to GoI's frontloaded capital expenditure push.
- With regard to external demand, the contribution of net exports to real GDP growth turned negative at (-)1.4% points with growth in exports at 6.3% in 1QFY26, relatively lower as compared to that in imports at 10.9%.
- On the output side, growth in real GVA increased to a six-quarter high of 7.6% in 1QFY26 from 6.8% in 4QFY25. This was led by strong growth rates in GVA in manufacturing and the three key services sectors, namely trade, transport et al., financial, real estate, et al., and public administration, defence et al.
- The largest contribution to overall GVA growth came from an improved growth of 9.5% in financial, real estate, et al. sector in 1QFY26 as compared to 7.8% in 4QFY25. This was followed by the trade, transport et al. sector with a growth of 8.6% in 1QFY26, an improvement over 6.0% in 4QFY25.
- Manufacturing GVA contributed the third highest to overall GVA growth, with its growth accelerating to a five-quarter high of 7.7% in 1QFY26 from 4.8% in 4QFY25.
- Growth of public administration and defence et al. also improved to 9.8% in 1QFY26 from 8.7% in 4QFY25.
- Growth in the agricultural sector at 3.7% in 1QFY26 was lower as compared to 5.4% in 4QFY25. Similarly, GVA growth in construction fell to 7.6% in 1QFY26 from 10.8% in 4QFY25.

- With nominal GDP growth at 8.8% in 1QFY26, lower as compared to 10.8% in 4QFY25, the implicit price deflator (IPD)-based inflation was at a 23-quarter low of 0.9% in 1QFY26 as compared to 3.1% in 4QFY25.

Table 1: Real GDP and GVA growth (%, annual)

Agg. demand	2Q FY23	3Q FY23	4Q FY23	1Q FY24	2Q FY24	3Q FY24	4Q FY24	*1Q FY25*	*2Q FY25*	*3Q FY25*	*4Q FY25*	*1Q FY25*
PFCE	9.0	2.4	2.1	7.4	3.0	5.7	6.2	8.3	6.4	8.1	6.0	7.0
GFCE	-1.1	2.5	9.0	5.3	20.1	2.3	6.6	-0.3	4.3	9.3	-1.8	7.5
GFCF	6.4	6.7	5.6	8.4	11.7	9.3	6.0	6.7	6.7	5.2	9.4	7.8
EXP	8.4	8.2	9.4	-7.0	4.6	3.0	7.7	8.3	3.0	10.8	3.9	6.3
IMP	14.0	2.9	-1.8	18.0	14.3	11.3	11.4	-1.6	1.0	-2.1	-12.7	10.9
GDP	**6.0**	**4.8**	**6.9**	**9.7**	**9.3**	**9.5**	**8.4**	**6.5**	**5.6**	**6.4**	**7.4**	**7.8**
Contr. Net Exp. (% pts)	*-1.4*	*1.1*	*2.5*	*-6.1*	*-2.6*	*-2.0*	*-0.7*	*2.1*	*0.4*	*2.8*	*3.7*	*-1.4*
Output side												
Agr.	4.0	6.4	9.4	5.7	3.7	1.5	0.9	1.5	4.1	6.6	5.4	3.7
Ming.	-3.2	2.6	4.6	4.1	4.1	4.7	0.8	6.6	-0.4	1.3	2.5	-3.1
Mfg.	-6.9	-4.3	1.5	7.3	17.0	14.0	11.3	7.6	2.2	3.6	4.8	7.7
Elec.	7.8	9.9	8.6	4.1	11.7	10.1	8.8	10.2	3.0	5.1	5.4	0.5
Cons.	6.4	9.1	7.1	9.2	14.6	10.0	8.7	10.1	8.4	7.9	10.8	7.6
Trans.	13.2	9.7	7.5	11.0	5.4	8.0	6.2	5.4	6.1	6.7	6.0	8.6
Fin.	10.4	9.4	10.9	15.0	8.3	8.4	9.0	6.6	7.2	7.1	7.8	9.5
Publ.	5.0	1.3	2.5	9.3	8.9	8.4	8.7	9.0	8.9	8.9	8.7	9.8
GVA	**5.5**	**5.3**	**6.6**	**9.9**	**9.2**	**8.0**	**7.3**	**6.5**	**5.8**	**6.5**	**6.8**	**7.6**

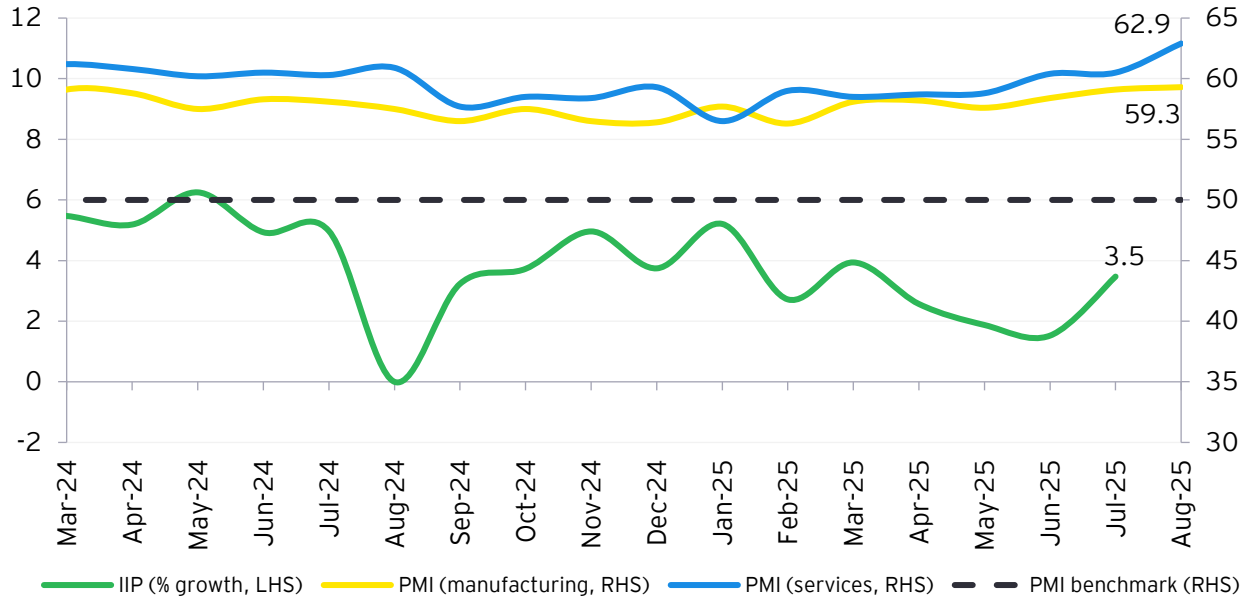
Source: MoSPI, GoI

1.2. PMI: Manufacturing and services PMI increased to multi-year highs of 59.3 and 62.9 in August 2025

- Manufacturing PMI (seasonally adjusted or sa) increased from 59.1 in July 2025 to 59.3 in August 2025, its highest level since February 2008 **(Chart 2)**. The strongest sales and output performances were noted in the intermediate goods category followed by capital goods and then consumer goods.
- Services PMI (sa) increased from 60.5 in July 2025 to 62.9 in August 2025, its highest level since June 2010. This was led by a sharp increase in new orders which expanded at their fastest pace over the last 15 years.
- Owing to a strong increase in both manufacturing and services PMI, the composite PMI Output Index (sa) increased from 61.1 in July 2025 to 63.2 in August 2025, indicating the sharpest pace of expansion in over 17 years.

In August 2025, manufacturing PMI increased to 59.3, its highest level since February 2008. Services PMI also increased to 62.9, its highest level since June 2010.

Chart 2: PMI and IIP growth



Source: MoSPI and S&P Global.

1.3. IIP: Growth improved to a four-month high of 3.5% in July 2025

- According to the quick estimates, IIP growth increased to 3.5% in July 2025 from 1.5% in June 2025 (Chart 2). The improvement was largely due to robust growth in manufacturing output, even while the growth in electricity output remained subdued, and there was a contraction in the output of the mining sector.
- The manufacturing sector posted a robust growth of 5.4% in July 2025, its highest level since January 2025, increasing from 3.7% in June 2025. Growth in the output of electricity was subdued at 0.6% in July 2025, although improving from a contraction of (-)1.2% in June 2025. Output of mining sector, however, contracted for the fourth successive month by (-)7.2% in July 2025, marginally lower as compared to (-)8.7% in June 2025.
- Within manufacturing, among the sub-industries, output of electrical equipment (15.9%), basic metals (12.7%), other transport equipment (11.5%), other non-metallic mineral products (9.5%), motor vehicles, trailers and semi-trailers (7.3%) and other machinery and equipment (5.9%) showed strong growth rates during the month.
- Within the 'use-based' classification of industries, the output of infrastructure/construction showed the strongest growth of 11.9% in July 2025, its highest level since October 2023. Growth in the output of consumer durables accelerated to 7.7% in July 2025 from 2.8% in June 2025.

Overall IIP growth improved to 3.5% in July 2025 from 1.5% in June 2025 led by significant improvement in the growth of manufacturing output.

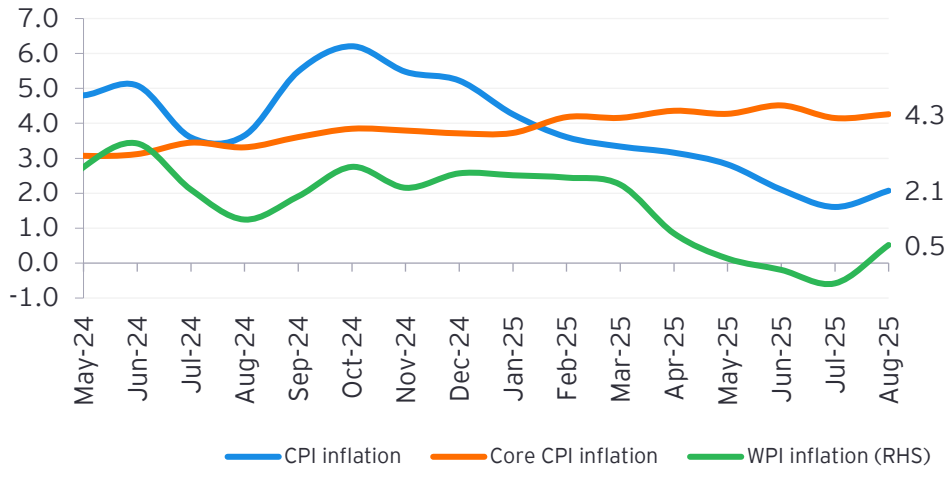
- Growth in the output of capital goods, which is usually volatile, also increased to 5.0% in July 2025 from 3.0% in June 2025. Output of consumer non-durables, however, showed a low growth of 0.5% in July 2025, although improving from a contraction of (-)0.9% in June 2025.
- Growth in the output of eight core infrastructure industries (core IIP) moderated marginally to 2.0% in July 2025 from 2.2% (revised) in June 2025. Within the sub-industries, growth in the output of steel and cement accelerated to 12.8% and 11.7%, respectively, in July 2025 from 9.7% and 8.2% in June 2025. However, there was a contraction in the output of coal ((-)12.3%) and petroleum refinery products ((-)1.0%) during the month which acted as a drag on the overall core IIP growth.

2. Inflation: CPI inflation remained low at 2.1% in August 2025

2.1. CPI inflation

- Led by fading base effects and a moderation in the rate of contraction in food prices, CPI inflation increased from a 97-month low of 1.6% in July 2025 to 2.1% in August 2025 (Chart 3).
- Consumer food prices contracted for the third successive month at (-)0.7% in August 2025, slower than (-)1.8% seen in July 2025, led by a slowdown in the pace of contraction of vegetable prices accompanied by a rise in prices of meat and fish, and oils and fats.
- Prices of vegetables declined by (-)15.9% in August 2025, lower than (-)20.7% in July 2025 on account of weakening base effects and a rise in price of tomatoes.
- Inflation in meat and fish turned positive at 1.5% in August 2025 after staying negative for four successive months, whereas that in oil and fats increased to a 44-month high of 21.2% in August 2025.
- Inflation in fuel and light eased to 2.4% in August 2025 from 2.7% in July 2025.
- Housing-based inflation remained nearly stable at 3.1% in August 2025, marginally lower than 3.2% in July 2025.
- Inflation in clothing and footwear eased to 2.3% in August 2025, its lowest level since March 2020.
- Inflation in transportation and communication services moderated to 1.9% in August 2025, its lowest level since June 2024, from 2.1% in July 2025, reflecting base effects of higher crude prices in the previous year.
- Personal care and effects inflation increased to an all-time high of 16.6% in August 2025 on account of rising inflation in gold.
- Core CPI inflation[1] stayed above 4% for the seventh successive month, rising to 4.3% in August 2025 from 4.2% in the previous month, pushed by higher inflation in gold.

Chart 3: Inflation (y-o-y, in %)



Source: MoSPI, Office of the Economic Adviser, Government of India (GoI)

Led by fading base effects and a moderation in the pace of contraction in food prices, CPI inflation increased from 1.6% in July 2025 to 2.1% in August 2025 whereas core CPI inflation rose from 4.2% to 4.3% during the same period.

[1] Core CPI inflation is measured as CPI inflation excluding food and beverages, pan, tobacco and intoxicants, and fuel and light.

2.2. WPI inflation: Turned marginally positive at 0.5% in August 2025

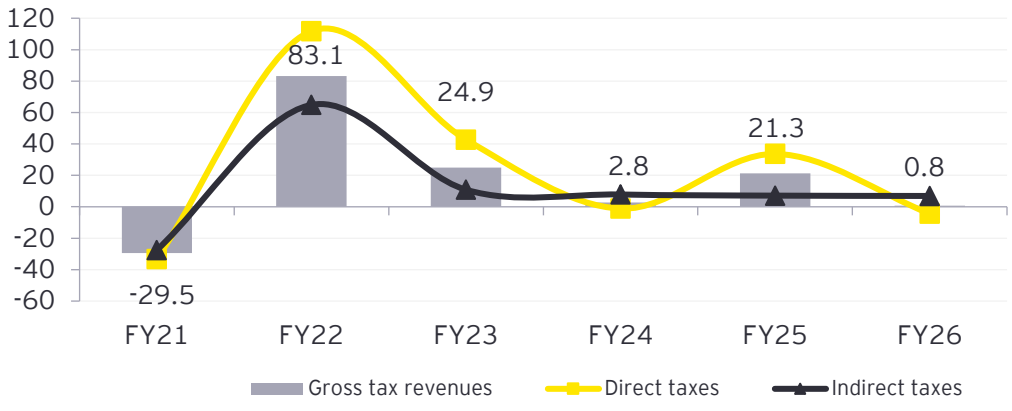
- WPI inflation turned positive at 0.5% in August 2025 from (-)0.6% in July 2025, reflecting a higher inflation in vegetables on account of both weakening of favorable base effects and some uptick in price of tomatoes.
- The pace of contraction in prices of vegetables eased to (-)14.2% in August 2025 from (-)29.2% in the previous month, as inflation in tomatoes turned positive at 23.3% after being negative for seven consecutive months.
- WPI food index-based inflation was positive at 0.2% in August 2025 as compared to (-)2.1% in July 2025. Lower overall inflation in food items was partly due to favorable monsoon leading to a robust agricultural output.
- The wholesale price of crude petroleum and natural gas continued to contract for the 12th successive month at (-)9.9% in August 2025 as compared to (-)11.1% in July 2025, largely attributable to lower crude prices on a y-o-y basis.
- Fuel and power prices continued to contract for the fifth successive month at (-)3.2% in August 2025 as compared to (-)2.4% in July 2025, as inflation in electricity turned negative while mineral oil prices continued to contract for the 13th successive month.
- Inflation in manufactured products increased to a four-month high of 2.5% in August 2025 as the pace of contraction in prices of manufactured basic metals weakened to (-)0.7% from (-)2.3% in the previous month.
- Inflation in manufactured food products was at a three-month high of 7.1% in August 2025.
- Core WPI inflation increased to 1.6% in August 2025 from 1.1% in July 2025, led by a moderation in the pace of contraction in prices of manufactured basic metals.

3. Fiscal: GoI's gross tax revenues grew by 0.8% during April-July FY26

3.1. Tax and non-tax revenues

- As per the CGA, GoI's GTR[(b)] showed a subdued growth of 0.8% during April-July FY26, much lower than 21.3% during the corresponding period of FY25. This was mainly on account of a contraction in direct tax revenues during this period (Chart 4).
- In 1QFY26, with a nominal GDP growth of 8.8% and a GTR growth of 4.6%, the buoyancy of GoI's GTR is estimated at 0.5, a three-quarter low.
- During April-July FY26, direct taxes[(a)] showed a contraction of (-)4.3% as compared to a double-digit growth of 33.6% during the corresponding period of FY25. Growth in indirect taxes[(a)] was also lower at 6.9% during the first four months of FY26 as compared to 7.1% during the corresponding period of FY25.
- PIT revenues contracted by (-)9.9% during April-July FY26 as compared to a strong growth rate of 53.4% in the corresponding period of FY25. This contraction may partly be due to the postponement of the date of filing of IT returns from July to September 2025 as also the PIT rate rationalisation measures announced in the FY26 Budget.
- CIT revenues grew by 7.6% during April-July FY26 as compared to 4.8% during April-July FY25.
- Among indirect taxes, GoI's GST revenues showed a growth of 9.8% during April-July FY26, slightly higher than 9.5% during the corresponding period of FY25.
- Union excise duties (UED), showed a growth of 9.3% during the first four months of FY26 following a contraction during the previous three years namely FY23, FY24 and FY25 considering the full year data.
- There was a contraction in customs duties at (-)10.4% during April-July FY26 as compared to a growth of 3.8% during April-July FY25.

Chart 4: Growth in central gross tax revenues during April-July (%, y-o-y)



GoI's GTR grew by 0.8% during April-July FY26 with a contraction of (-)4.3% in direct taxes and a growth of 6.9% in indirect taxes.

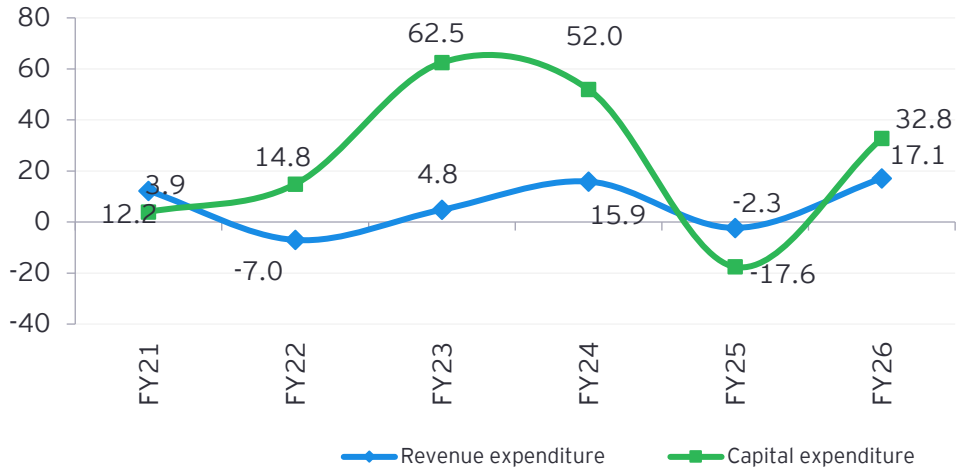
Source: Monthly Accounts, CGA, Government of India
Notes: (a) Direct taxes include personal income tax (excluding STT) and corporation tax, and indirect taxes include union excise duties, arrears of service tax, customs duty, and GST (comprising CGST, UTGST IGST and GST compensation cess) (b) Other taxes (securities transaction tax, wealth tax, fringe benefit tax, banking cash transaction tax, etc.) are included in the GoI's GTR along with direct and indirect taxes.

- GoI's non-tax revenues showed a high growth of 33.7% during April-July FY26, owing to substantially higher dividends by the RBI. Dividends and profits of the GoI during the first four months of FY26 stood at 90% of the FY26 (BE) at INR3,25,000 crore.
- Non-debt capital receipts of the GoI during April-July FY26 stood at 39.2% of the annual FY26 (BE), higher than the corresponding three-year average ratio at 26.6% based on actual data.
- As per the Department of Investment and Public Asset Management (DIPAM)[2], GoI's disinvestment receipts as of 24 September 2025 were at INR3,673.42 crore, amounting to 7.8% of the FY26 BE at INR47,000 crore.

3.2. Expenditures: Revenue and capital

- Growth in GoI's total expenditure was at 20.2% during April-July FY26 compared to a contraction of (-)5.8% during the corresponding period of FY25 (Chart 5).
- GoI's revenue expenditure growth was at 17.1% during the first four months of FY26 as compared to a contraction of (-)2.3% during the corresponding period of FY25, mainly attributable to a high growth of 36.2% in interest payments.
- GoI's capital expenditure has shown a strong growth of 32.8% during April-July FY26 as compared to a contraction of (-)17.6% during the corresponding period of FY25.

Chart 5: Growth in central expenditures during April-July (%, y-o-y)



Source (basic data): Monthly Accounts, CGA, Government of India

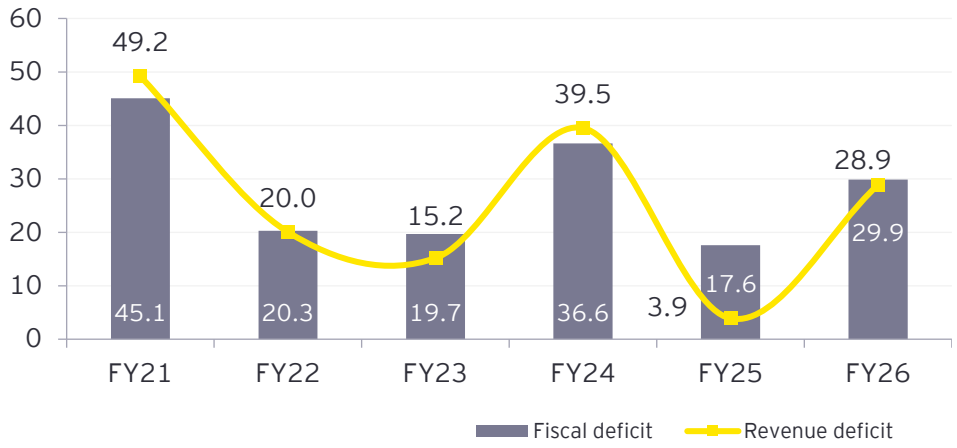
GoI's total expenditure grew by 20.2% in April-July FY26, with growth in revenue expenditure at 17.1% and that in capital expenditure at 32.8%.

[2] https://dipam.gov.in/

3.3. Fiscal imbalance

- GoI's fiscal deficit during April-July FY26 was at 29.9% of FY26 (BE), higher than 17.6% in the previous fiscal year (based on actual data) mainly owing to a subdued growth in GTR (Chart 6).
- GoI's revenue deficit during the first four months of FY26 stood at 28.9% of the FY26 (BE), much higher than 3.9% during the corresponding period of FY25 based on actual data.

Chart 6: Fiscal and revenue deficit during April-July as a percentage of annual actuals (BE for FY26)



GoI's fiscal and revenue deficits during April-July FY26 stood at 29.9% and 28.9% of their respective annual BEs.

Source: Monthly Accounts, CGA, Government of India and MoSPI

4.
Comparative trends: OECD assesses India's general government fiscal deficit at 7.1% in FY26 and FY27

4.1. General government fiscal balance

- As per the OECD (Economic Outlook, June 2025), general government fiscal deficit in the US is projected to increase from 7.4% of GDP in 2024 to 7.5% in 2025 and further to 8.1% in 2026 (Table 2). In 2026, the underlying primary spending is estimated to exceed revenues by 3.4% of GDP. Higher tariff receipts are likely to only partly offset revenues lost due to the extension of the 2017 Tax Cuts and Jobs Act, new tax reductions and weaker economic growth.

- In the Euro area, the general government fiscal deficit relative to GDP is projected at 3.1% in 2025, the same level as in 2024 and lower as compared to that in 2023. Fiscal deficit is estimated to increase only marginally to 3.2% in 2026. The OECD expects a modest fiscal consolidation in 2025, associated with the phase-out of energy crisis support, with little change in the fiscal stance projected for 2026. While high-debt countries including France and Italy are planning budget repair, other economies including Germany are expected to have a fiscal expansion in 2026, with increased spending to upgrade infrastructure and military capability.

Table 2: General government financial balances (% to GDP)

Country	2022	2023	2024	2025(f)	2026(f)
US	-3.7	-7.5	-7.4	-7.5	-8.1
UK	-4.6	-6.0	-6.0	-5.3	-4.5
Euro area	-3.5	-3.6	-3.1	-3.1	-3.2
Japan	-4.2	-2.3	-2.0	-1.6	-1.2
Brazil	-4.0	-7.7	-6.2	-6.2	-6.9
India*	-8.8	-8.8	-7.5	-7.1	-7.1
China	-7.2	-5.9	-6.5	-7.3	-7.1
S. Africa	-5.0	-6.6	-5.4	-6.6	-5.1

Source: OECD Economic Outlook, June 2025; *Data pertains to fiscal year; '(f)' implies forecasts
Note: +ve indicates surplus and -ve indicates deficit

- In Japan, general government fiscal deficit is projected to narrow from 2% of GDP in 2024 to 1.6% in 2025 and further to 1.2% in 2026. The projection assumes no supplementary budgets are passed in financial years 2025 and 2026. In OECD's assessment, a corporate tax rate increase in 2026 may help finance new spending related to disaster preparedness, defense and support for families with children.
- A substantial fiscal tightening is also projected in the UK with its general government fiscal deficit to GDP ratio falling to 5.3% in 2025 and further to 4.5% in 2026.
- Among emerging market economies, general government fiscal deficit in Brazil is projected to persist at 6.2% of GDP in 2025 as fiscal policy is expected to remain expansionary. It is expected to deteriorate to 6.9% in 2026 as the proposed income tax reform, designed to be tax-neutral, is unlikely to generate additional fiscal space to accommodate rising spending pressures. In addition, social expenditures are set to continue to rise, putting further pressure on public finances.
- In China general government fiscal deficit is projected to increase tangibly in 2025 and 2026 from its 2024 level as fiscal policy is expected to become more supportive with a sizeable stimulus approved to finance the trade-in program and social transfers.
- In South Africa, general government fiscal deficit to GDP ratio is projected to increase to 6.6% in 2025 owing to increased government expenditure driven by water, sanitation and road infrastructure investment and exceptional debt relief for the state electricity operator, Eskom. In 2026, however, fiscal deficit is projected to fall with a reinforcement of spending rules and broadening of the narrow tax base.
- In India, general government fiscal deficit is projected to fall from 7.5% of GDP in 2024 (FY25) to 7.1% in 2025 (FY26) and remain at this level in 2026 (FY27) helped partly by streamlining of subsidies.

4.2. Current account balance

- Among advanced economies (AEs), in the US, the current account deficit relative to GDP is projected to widen to 4.1% in 2025 (Table 3). Both export and import growth are expected to slow because of tighter trade policies and weaker demand, but the impact on imports is likely to be greater than that on exports given the asymmetry in the change in tariffs, leading to a modest reduction in the current account deficit in 2026.
- In the UK, the current account deficit relative to GDP is projected to widen in 2025 and 2026.
- In the Euro area, the current account surplus is expected to moderate in 2025 and 2026. Within Euro area, in Germany, fiscal policy changes are expected to boost domestic demand and raise import growth even as export growth weakens due to trade policy changes, resulting in a lower current account surplus.
- In contrast, Japan is forecasted to witness some increase in its current account surplus in 2025 and 2026 relative to its level in 2024.

Table 3: Current account balance (% to GDP)

Country	2022	2023	2024	2025(f)	2026(f)
US	-3.9	-3.3	-3.9	-4.1	-3.4
UK	-2.1	-3.5	-2.7	-3.2	-3.5
Euro area	1.1	2.7	3.6	3.1	2.8
Germany	3.9	5.6	5.7	4.8	3.7
Japan	1.9	3.8	4.8	5.0	4.9
Brazil	-2.2	-1.3	-2.8	-2.6	-2.5
India*	-2.4	-0.9	-0.9	-0.3	0.0
China	2.4	1.4	2.3	3.7	3.2
S. Africa	-0.5	-1.6	-0.6	-1.3	-1.8

Source: OECD Economic Outlook, June 2025; *Data pertains to fiscal year; '(f)' implies forecasts
Note: +ve indicates surplus and -ve indicates deficit

- All selected major EMEs are expected to witness an improvement in their current account balances in 2025 and 2026 relative to their levels in 2024 except for South Africa.
- In China, although exports are expected to be curbed by the US tariffs, imports are likely to fall due to continued localization of production. Similarly, in Brazil, despite softening manufacturing exports particularly to the US, high inflation and weak consumer demand is likely to lead to moderation in household consumption, adversely impacting imports.
- In India, current account deficit relative to GDP is projected to fall in 2025 and in 2026 due to strong services exports, robust remittances, and managed merchandise trade, despite some adverse impact from the recently imposed US tariffs.
- In South Africa, current account deficit relative to GDP is projected to increase to 1.3% in 2025 and further to 1.8% in 2026 largely due to subdued export growth owing to the impact of US tariffs.

5.
In-focus: India's trade in goods and services with US and China: performance and potential

5.1. Introduction

In its trade of goods, India runs a large trade surplus with the US and a large trade deficit with China. In terms of trade of services with the US, the balance was in India's favor until 2023. However, in 2024, India experienced a marginal trade deficit on account of services. India's trade in services with China is limited and available data in this respect is quite dated. In both the cases, over time, the magnitude of merchandise trade surplus with the US and that of trade deficit with China have been growing. The structure of both these imbalances needs to be examined with a view to reducing their magnitude and modifying their composition.

5.2. Balance of merchandise trade: India-China and India-US

In this section, we discuss the evolution of India's merchandise trade balance with China and the US. As already mentioned, India has run a growing merchandise trade deficit with China. It was only US$(-)0.67 billion in FY01 (Table 4). This deficit has now risen to US$(-)99.2 billion in FY25. On the other hand, India always had a merchandise trade surplus with the US wherein this surplus has widened from US$6.3 billion in FY01 to US$40.8 billion in FY25. The main cause for increase of merchandise trade deficit in respect of China is the inordinate increase in growth of imports from China. In the case of the US, while merchandise imports from US grew at a much lower rate, exports to the US grew much faster.

In terms of magnitudes, China's merchandise trade surplus with India was more than twice that of the US merchandise trade deficit with India in FY25.

Table 4: India's trade balance with China and the US (US$ billion)

	China				US			
	Exports	Imports	Trade balance	Share in India's merchandise trade deficit (%)	Exports	Imports	Trade balance	Share in India's merchandise trade deficit (%)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
FY01	0.8	1.5	-0.67	11.23	9.3	3.0	6.3	-105.3
FY02	1.0	2.0	-1.08	14.29	8.5	3.1	5.4	-70.7
FY03	2.0	2.8	-0.82	9.39	10.9	4.4	6.5	-74.2
FY04	3.0	4.1	-1.10	7.68	11.5	5.0	6.5	-45.1
FY05	5.6	7.1	-1.48	5.30	13.8	7.0	6.8	-24.2
FY06	6.8	10.9	-4.11	8.92	17.4	9.5	7.9	-17.1
FY07	8.3	17.5	-9.17	15.45	18.9	11.7	7.1	-12.0
FY08	10.8	27.1	-16.27	18.38	20.7	21.0	-0.3	0.3
FY09	9.3	32.1	-22.82	19.27	21.0	18.4	2.5	-2.1
FY10	23.1	61.6	-38.50	17.56	39.0	34.0	5.0	-2.3
FY11	30.9	86.9	-56.04	23.62	50.6	40.1	10.5	-4.4
FY12	36.6	115.2	-78.60	21.43	69.5	49.0	20.5	-5.6
FY13	27.1	104.5	-77.42	20.34	72.3	50.4	21.9	-5.7
FY14	29.8	102.1	-72.27	26.45	78.3	44.7	33.5	-12.3
FY15	11.9	60.4	-48.48	35.21	42.4	21.8	20.6	-15.0
FY16	9.0	61.7	-52.70	44.39	40.3	21.8	18.6	-15.6
FY17	10.2	61.3	-51.11	47.11	42.2	22.3	19.9	-18.3

	China				US			
	Exports	Imports	Trade balance	Share in India's merchandise trade deficit (%)	Exports	Imports	Trade balance	Share in India's merchandise trade deficit (%)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
FY18	13.3	76.4	-63.05	38.90	47.9	26.6	21.3	-13.1
FY19	16.8	70.3	-53.57	29.11	52.4	35.5	16.9	-9.2
FY20	16.6	65.3	-48.65	30.15	53.1	35.8	17.3	-10.7
FY21	21.2	65.2	-44.03	42.90	51.6	28.9	22.7	-22.2
FY22	21.3	94.6	-73.31	38.37	76.2	43.3	32.9	-17.2
FY23	15.3	98.5	-83.20	31.41	78.5	50.9	27.7	-10.4
FY24	16.7	101.7	-85.08	35.28	77.5	42.2	35.3	-14.6
FY25	14.3	113.5	-99.20	34.95	86.5	45.7	40.8	-14.4
CAGR (FY01 to FY25)	12.6	19.7			9.7	12.0		

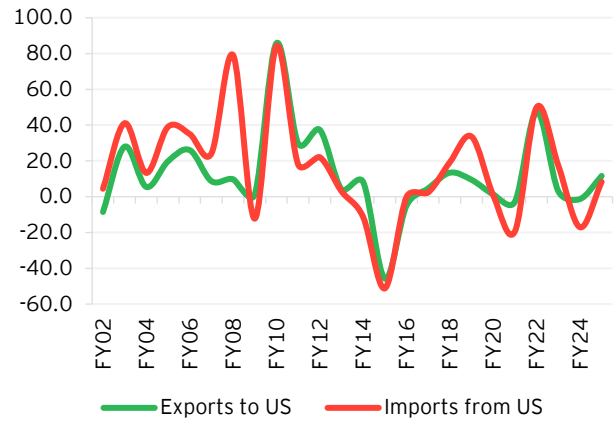
Source (basic data): RBI

As mentioned above, the driving force in the context of trade with China is the inordinately fast pace of growth in imports from China which exceeded growth in exports to China by a substantive margin. The CAGR of India's merchandise exports to China was relatively low at 12.6% while CAGR of imports from China was nearly 20% over the period FY01 to FY25 (Table 4). On the other hand, exports to US grew at a CAGR of 9.7% whereas imports from US grew at a marginally higher CAGR of 12.0%.

Charts 7A and 7B indicate growth rates of exports to and imports from the US and China respectively. It can be seen that 1) export and import growth move in tandem with respect to each country, 2) in both cases, there is high volatility in the two growth rates, and 3) the peak and trough periods are common for US as well as China. This implies that India is used to sharp variations in the growth rates of exports and imports. Further, if India's imports from one country goes down it is likely to be accompanied by a fall in the growth rate of exports to that country, thereby having a limited impact on trade balance.

Chart 7A: Annual growth in exports to and imports from China

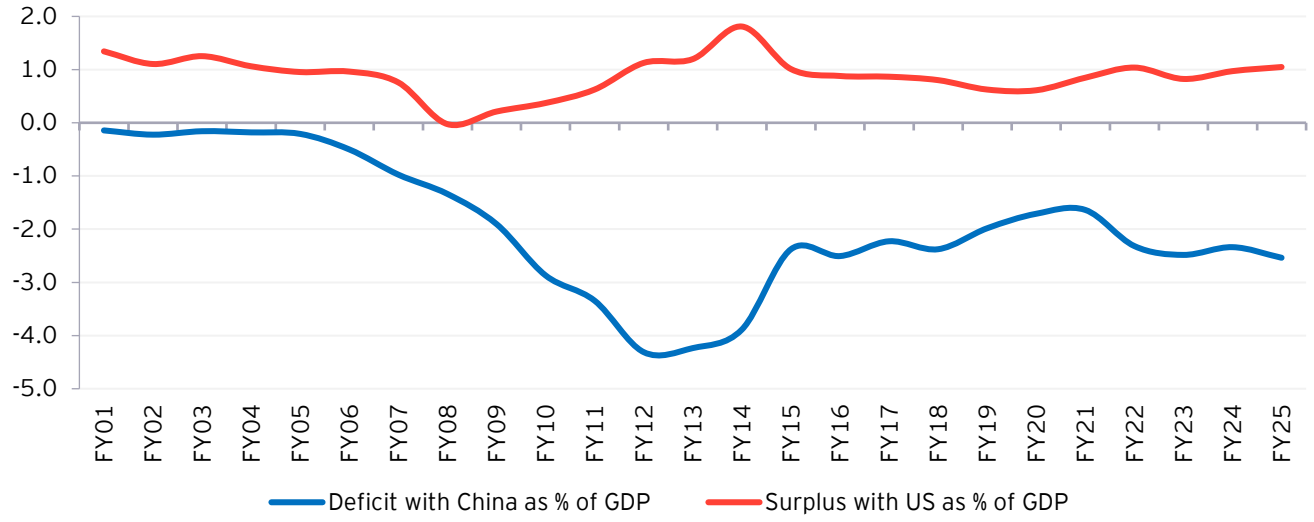
Chart 7B: Annual growth in exports to and imports from US



Source (basic data): RBI

Chart 8 shows that it was in the period after the 2008 global economic crisis that the trade surplus with the US and trade deficit with China increased inordinately. This continued until FY14 after which it has come down. In a way it appears that it is deficit with respect to China that gets translated into surplus with respect to US. This may be mainly due to India importing raw materials and intermediate goods from China, processing these in India for further value-add and then exporting these to the US. If therefore, India's exports to the US come down it is possible that India's imports from China may also come down unless exports of the commodities concerned are diversified to markets of similar nature as the US, that is, Australia, the UK, Canada and European countries.

Chart 8: India's merchandise trade balance with the US and China



Source (basic data): RBI

5.3. Destination and sourcing pattern of India's merchandise exports and imports

Although India's merchandise exports go to a number of countries, just four destinations account for more than 30% of India's exports (Table 5). Ten countries account for more than 50% of India's exports. Exports to the US constitute nearly 1/5th of India's total merchandise exports. In fact, in FY01 the share of India's exports to US in its total exports was as high as 21%. This share fell progressively to a trough of 10.1% in FY11 before it started picking up again. In FY25, the other top destinations for India's exports were the UAE, the Netherlands and the UK. China's rank is fifth in terms of its share in India's total merchandise exports. This share peaked at 6.7% in FY05 before it progressively fell to its lowest level in FY25 at 3.3%. There is thus a case for India to increase its exports to China and also to diversify Indian exports to more destinations.

Table 5: Country-wise share in India's merchandise exports – selected years (%)

	US	UAE	Netherlands	UK	China	Singapore	Saudi Arabia	Bangladesh	Germany	Australia	Total of top 10 countries
1	2	3	4	5	6	7	8	9	10	11	12
FY01	20.9	5.8	2.0	5.2	1.9	2.0	1.8	2.1	4.3	0.9	46.8
FY05	16.5	8.8	1.9	4.4	6.7	4.8	1.7	2.0	3.4	0.9	51.0
FY10	10.9	13.4	3.6	3.5	6.5	4.2	2.2	1.4	3.0	0.8	49.3
FY20	16.9	9.2	2.7	2.8	5.3	2.8	2.0	2.6	2.6	0.9	47.9
FY21	17.7	5.7	2.2	2.8	7.3	3.0	2.0	3.3	2.8	1.4	48.2
FY22	18.0	6.6	3.0	2.5	5.0	2.6	2.1	3.8	2.3	2.0	48.0
FY23	17.4	7.0	4.8	2.5	3.4	2.7	2.4	2.7	2.2	1.5	46.7
FY24	17.7	8.2	5.1	3.0	3.8	3.3	2.6	2.5	2.3	1.8	50.3
FY25	19.8	8.4	5.2	3.3	3.3	3.0	2.7	2.6	2.4	2.0	52.6
FY25 minus FY01	-1.1	2.5	3.2	-1.8	1.4	1.0	0.8	0.5	-1.9	1.0	5.8

Source (basic data): Ministry of commerce and Industry, GoI

Table 6 gives country-wise share in India's total merchandise imports for top 10 source countries. China currently tops this list with a share of 15.7% in FY25. The share of the US is fourth largest after Russia and the UAE as per FY25 data. The share of Russia increased sharply after FY22. This may be attributable to the increased volume of imports of crude oil from Russia which led to the share of imports from Russia to increase from a level of 1.6% in FY22 to 8.9% in FY25. On the other hand, the share of imports from the US which had fallen to a trough of 4.9% in FY15, has been rising since then and reached a peak level of 7.5% in

FY20. Thus, India's imports also have a narrow bandwidth in terms of source countries. Just 10 countries accounted for more than 60% of India's total merchandise imports.

Table 6: Country-wise share in India's merchandise imports (%)

	China	Russia	UAE	US	Saudi Arabia	Iraq	Africa	Indonesia	Switzerland	Singapore	Top 10 countries
1	2	3	4	5	6	7	8	9	10	11	12
FY01	3.0	1.0	1.3	6.0	1.2	0.0	3.9	1.8	6.3	2.9	27.4
FY05	6.4	1.2	4.2	6.3	1.2	0.0	3.5	2.3	5.3	2.4	32.7
FY10	10.7	1.2	6.7	5.9	5.9	2.4	4.3	3.0	5.1	2.2	47.4
FY20	13.7	1.5	6.4	7.5	5.7	5.0	4.3	3.2	3.6	3.1	54.0
FY21	16.5	1.4	6.7	7.3	4.1	3.6	4.9	3.2	4.6	3.4	55.8
FY22	15.4	1.6	7.3	7.1	5.6	5.2	5.4	2.9	3.8	3.1	57.4
FY23	13.8	6.5	7.4	7.1	5.9	4.8	4.6	4.0	2.2	3.3	59.5
FY24	15.0	9.0	7.1	6.2	4.6	4.4	4.2	3.5	3.1	3.1	60.2
FY25	15.7	8.9	8.8	6.3	4.2	4.0	3.9	3.2	3.0	3.0	60.9
FY25 minus FY01	12.8	7.8	7.5	0.4	2.9	4.0	0.0	1.4	-3.2	0.1	33.5

Source (basic data): Ministry of commerce and Industry

There is a need to broaden the spectrum of destination countries for India's exports as well as source countries for India's imports so as to become less vulnerable to policy changes in destination and source countries.

5.4. Commodity composition of India's exports to and imports from the US

The commodity composition of India's exports to the US and China differ tangibly. At the 2-digit HS code level, India's maximum exports to the US are for electrical machinery including smartphones and photovoltaic cells (Table 7). The next in order of importance are natural and cultured pearls and precious and semi-precious stones including diamonds. This is followed by pharmaceutical products, and machinery and mechanical appliances.

Table 7: Commodity composition of India's exports to the US (% share in total exports to the US)

HS code	Item	FY19	FY20	FY21	FY22	FY23	FY24	FY25
85	Electrical machinery and equipment and parts thereof	3.4	4.7	5.3	4.7	8.7	14.3	18.4
71	Natural or cultured pearls, precious or semiprecious stones etc.	19.9	17.4	16.9	19.3	16.0	12.8	11.5
30	Pharmaceutical products	10.3	11.9	13.9	8.5	8.7	10.4	11.3
84	Machinery and mechanical appliances et al.	7.7	8.5	7.9	7.6	7.7	8.0	7.7
27	Mineral fuels, mineral oils and products of their distillation	4.6	4.3	2.2	6.7	8.7	7.5	4.9
73	Articles of iron or steel	3.2	3.0	2.9	3.5	3.9	3.6	3.6
63	Other made up textile articles, worn clothing et al.	4.7	4.5	5.2	4.5	3.3	3.6	3.4
87	Vehicles other than railways and accessories	5.4	4.8	4.0	3.8	3.6	3.4	3.0
62	Articles of apparel and clothing accessories, not knitted or crocheted.	4.3	4.3	3.1	3.5	3.7	3.2	3.1
29	Organic chemicals	3.5	3.6	4.1	3.9	3.8	3.1	3.1
	Others	32.87	32.90	34.45	34.04	31.86	30.02	30.01
	Total	100	100	100	100	100	100	100

Source (basic data): Ministry of Commerce and Industry, GoI

Table 8 shows that in terms of relative importance of imports from the US, mineral fuels and oils were the highest with a share of 31.4% in FY25 although this has fallen from a level of 38.9% in FY22. The second in order of importance are natural or cultured pearls and semi-precious stones et. al. In this case also, their relative share has come down. Other important import items include machinery and mechanical appliances et. al., electrical machinery and equipment, aircraft, spacecraft etc. and medical and surgical instruments. The category of pearls and precious stones appears as part of both exports and imports, implying the import of relatively unprocessed pearls, and precious stones, etc., from the US and these being exported back to the US after processing and finishing within India.

Table 8: Commodity composition of India's imports from the US (% share in total imports from the US)

HS Code	Commodity	FY19	FY20	FY21	FY22	FY23	FY24	FY25
27	Mineral fuels, mineral oils et. al.	20.5	23.2	20.5	38.9	35.4	30.7	31.4
71	Natural or cultured pearls, precious or semiprecious stones, et. al.	23.2	17.4	23.2	15.8	15.1	12.2	11.6
84	Machinery and mechanical appliances et. al.	10.1	13.0	10.1	7.9	7.7	8.9	9.7
85	Electrical machinery and equipment and parts et. al.	5.2	6.2	5.2	4.2	4.5	5.6	7.4
88	Aircraft, spacecraft, and parts thereof.	4.2	4.3	4.2	0.4	4.3	5.3	3.6
90	Optical, photographic, medical or surgical instruments and accessories	4.3	4.1	4.3	3.6	3.5	4.6	4.4
39	Plastic and articles thereof.	3.1	3.1	3.1	2.7	3.2	3.9	3.4
29	Organic chemicals	5.2	4.6	5.2	4.6	4.1	3.5	3.0
38	Miscellaneous chemical products	2.7	2.5	2.7	3.0	2.7	2.3	2.7
8	Edible fruit and nuts et. al.	2.4	2.5	2.4	3.1	2.0	2.0	2.5
	Others	19.3	19.1	19.3	18.4	17.1	18.0	20.0
	Total	100	100	100	100	100	100	100

Source (basic data): Ministry of Commerce and Industry

5.5. Commodity composition of India's exports to and imports from China

Table 9 shows the commodity composition of India's merchandise exports to China. Ores, mineral fuels and oils, etc., account for the largest share followed by organic chemicals, machinery and mechanical appliances, fish etc, animal and vegetable oils, electrical machinery, salt, sulphur and coffee, tea etc.

Table 9: India's merchandise exports: Share of selected items in total exports to China

#	Items	FY19	FY20	FY21	FY22	FY23	FY24	FY25
1	Ores, slag and ash.	7.3	14.2	20.7	11.9	22.2	22.2	13.6
2	Mineral fuels, mineral oils et. al.	17.0	12.8	4.9	8.8	7.0	7.0	8.9
3	Organic chemicals	19.4	16.3	11.4	11.2	7.3	7.3	8.9
4	Machinery and mechanical appliances et. al.	5.0	4.8	3.5	5.0	5.8	5.8	8.1
5	Fish and other aquatic invertebrates	4.3	8.0	4.1	5.1	7.3	7.3	7.7
6	Animal or vegetable fats and oils etc.	2.4	2.4	4.1	2.6	4.2	4.2	6.1
7	Electrical machinery, equipment and parts etc.	3.5	5.2	3.4	3.9	4.1	4.1	5.9
8	Salt; sulphur; earths and stone and cement et. al.	4.1	3.7	3.0	4.3	5.5	5.5	5.5
9	Coffee, tea, mate and spices.	1.0	2.8	3.2	2.7	4.6	4.6	4.6
10	Prepared feathers and downs et al. and related articles	0.8	1.1	1.4	2.3	2.9	2.9	3.3
11	Others	35.3	28.6	40.3	42.2	29.1	29.1	27.4
12	**Total exports to China**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source (basic data): Ministry of commerce and Industry, GoI

The commodity structure of imports from China is given in Table 10. Nearly 33.5% of these imports consisted of electrical machinery, 23% of machinery and mechanical appliances and 10% of organic chemicals in FY25. Other important goods imported from China include plastic and articles, optical, medical and other surgical instruments. India also imports articles of iron and steel and aluminum from China.

Table 10: India's merchandise imports: Share of selected items in total imports from China

#	Items	FY19	FY20	FY21	FY22	FY23	FY24	FY25
1	Electrical machinery, equipment and parts etc.	29.3	29.3	31.2	32.0	28.0	30.8	33.5
2	Machinery and mechanical appliances et. al.	19.0	20.4	21.4	21.0	21.5	22.1	22.9
3	Organic chemicals	12.2	12.2	13.8	13.2	13.5	11.3	10.1
4	Plastic and articles thereof.	3.9	4.2	3.9	4.7	5.7	5.6	5.6
5	Optical, photographic, medical or surgical instruments and accessories	2.3	2.1	2.7	2.7	2.2	2.4	2.3
6	Iron and steel	2.0	1.7	1.4	1.4	2.0	2.6	2.1
7	Articles of iron or steel	2.5	2.4	2.0	1.8	1.9	2.0	2.0
8	Vehicles other than railways, and parts and accessories	2.2	2.0	2.1	1.8	1.8	1.7	1.9
9	Aluminium and articles thereof.	1.7	1.5	1.1	1.1	1.4	1.4	1.8
10	Miscellaneous chemical products.	1.8	1.8	2.1	1.8	1.7	1.5	1.4
11	Others	23.1	22.5	18.3	18.6	20.2	18.6	16.6
12	**Total imports from China**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

Source (basic data): Ministry of commerce and Industry

5.6. Trade in services: India, US, China and the world

Data for service exports and imports is not available in similar detail as with respect to merchandise trade. We have sourced this data from UNCTAD which pertains to calendar years.

Table 11 shows that the US leads all major countries in global service exports with a 13.0% share in total global services exports in 2024. It is followed by the UK, Ireland and Germany. China is fifth in order of importance and India is eighth. China accounts only for 5% of world exports of services. India's share is lower at 4.2% in 2024, although it has more than doubled from 1.9% in 2005.

Table 11: Country-wise share of services exports in world services exports

#	Country	2005	2010	2020	2021	2022	2023	2024	*2024 minus 2005*
1	US	14.0	14.6	13.9	12.8	13.0	13.0	13.0	*-1.0*
2	UK	9.4	7.6	7.5	7.2	6.9	7.3	7.3	*-2.1*
3	Ireland	2.1	2.3	6.2	6.1	5.3	5.4	5.9	*3.8*
4	Germany	6.0	5.6	6.3	6.4	5.8	5.5	5.3	*-0.7*
5	China	2.9	4.5	5.3	6.2	5.7	4.7	5.0	*2.1*
6	France	5.8	5.1	4.6	4.9	4.9	4.6	4.5	*-1.3*
7	Singapore	1.7	2.5	4.1	4.4	4.6	4.4	4.5	*2.8*
8	India	1.9	2.9	3.8	3.8	4.2	4.2	4.2	*2.3*
9	Netherlands	0.0	4.0	4.3	4.1	4.0	3.9	3.8	*3.8*
10	Japan	3.8	3.4	3.1	2.7	2.3	2.6	2.6	*-1.2*
11	Spain	3.4	2.8	1.7	1.8	2.2	2.4	2.5	*-0.9*
12	Switzerland	2.6	2.5	2.3	2.2	2.1	2.1	2.0	*-0.5*
13	Others	46.3	42.2	37.0	37.5	39.2	39.9	39.3	*-7.0*
14	Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	*0.0*

Source (basic data): UNCTAD

At the same time, the US also accounts for the largest share of service imports in total global imports of services in 2024. China is second in order of ranking accounting for 7.6% and India is ranked ninth with a share of 3.3%. The share of US and India in service imports is less than their share in service exports, that

is, they import less services than they export and thus on the services account, they have a surplus. China, however, imports more services than it exports (Tables 11 and 12).

Table 12: Country-wise share of services imports in world services imports: selected years

#	Country	2005	2010	2020	2021	2022	2023	2024	*2024 minus 2005*
1	US	11.8	11.2	9.3	9.8	10.5	10.2	10.4	*-1.4*
2	China	3.2	5.0	7.5	7.3	6.8	7.4	7.6	*4.4*
3	Germany	7.9	6.8	6.4	6.9	6.9	6.9	6.8	*-1.1*
4	Ireland	2.8	2.8	8.0	6.3	5.6	5.6	5.8	*3.0*
5	UK	6.7	4.9	4.3	4.2	4.6	4.9	5.0	*-1.7*
6	Singapore	2.1	2.6	4.2	4.2	4.4	4.4	4.3	*2.3*
7	France	5.1	4.7	4.5	4.6	4.3	4.4	4.2	*-0.9*
8	Netherlands	0.0	3.5	4.3	4.3	4.1	3.9	3.8	*3.8*
9	India	2.3	2.9	3.0	3.3	3.7	3.3	3.3	*1.0*
10	Japan	5.3	4.2	3.9	3.6	3.1	3.1	3.0	*-2.2*
11	Switzerland	2.3	2.3	2.8	2.7	2.4	2.6	2.7	*0.4*
12	Italy	3.6	2.9	1.9	2.0	2.1	2.1	2.0	*-1.6*
13	South Korea	2.3	2.5	2.1	2.1	2.0	2.0	2.0	*-0.2*
14	Others	44.7	43.8	37.8	38.7	39.6	39.4	39.1	*-5.7*
15	Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	*0.0*

Source (basic data): UNCTAD

The destination of service exports of the US is detailed in Table 13. Maximum service exports are to the UK followed by Canada and Ireland. In comparative ranking, China is at the fifth place and India at the ninth place considering 2024 shares. The relative shares, since 2005, have fallen for most countries including the UK, Canada, Japan, and Germany. It has noticeably increased for Ireland, China, Switzerland, India, and Singapore.

Table 13: Direction of services exports of the US: country-wise shares (%)

#	Country	2005	2010	2020	2021	2022	2023	2024	*2024 minus 2005*
1	UK	11.8	9.6	8.5	8.6	8.7	8.7	8.6	*-3.2*
2	Canada	9.0	9.8	7.3	7.2	8.0	8.3	7.8	*-1.1*
3	Ireland	NA	4.5	9.1	8.9	8.0	6.8	7.2	*7.2*
4	Switzerland	3.2	3.8	5.8	6.2	6.2	5.4	5.6	*2.4*
5	China	2.3	3.5	5.6	4.9	4.4	4.6	4.8	*2.4*
6	Mexico	5.7	4.1	3.2	3.8	4.0	4.4	4.4	*-1.3*
7	Japan	10.2	7.5	5.3	4.7	4.3	4.5	4.3	*-5.9*
8	Germany	5.4	4.6	4.1	4.0	4.2	4.1	3.9	*-1.5*
9	India	1.4	1.7	2.3	2.4	3.0	3.4	3.6	*2.2*
10	Singapore	1.6	1.8	3.6	3.9	3.7	3.7	3.6	*2.0*
11	Other countries	49.5	49.2	45.2	45.5	45.5	46.1	46.2	*-3.4*
12	**Total**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	***0.0***

Source (basic data): UNCTAD

Table 14 shows the source-wise importance of service imports of the US. Maximum imports are from the UK. Next in importance is Canada followed by Bermuda, Germany and Mexico. India is seventh in order of ranking. China does not appear in this list. The share of services imports by the US from India has increased from 1.5% in 2005 to 5.0% in 2024.

Table 14: Direction of services imports of the US: country-wise shares (%)

#	Country	2005	2010	2020	2021	2022	2023	2024	*2024 minus 2005*
1	UK	10.4	10.2	11.6	11.0	10.4	11.1	11.1	*0.7*
2	Canada	8.1	6.5	7.0	6.9	6.8	7.2	6.8	*-1.3*
3	Bermuda	4.0	7.5	6.4	6.0	5.3	5.7	6.6	*2.7*
4	Germany	7.8	7.2	6.7	6.0	6.0	6.0	5.7	*-2.1*
5	Mexico	4.7	3.6	3.8	5.0	5.4	5.7	5.4	*0.7*
6	Japan	7.1	5.7	6.8	5.0	5.3	4.9	5.0	*-2.1*
7	India	1.5	3.5	6.0	5.4	4.7	4.7	5.0	*3.5*
8	Switzerland	4.1	4.7	5.0	5.3	5.5	4.4	4.2	*0.1*
9	France	4.3	4.1	2.9	3.3	3.8	3.7	3.8	*-0.5*
10	Ireland	NA	2.8	3.9	4.0	3.5	3.6	3.6	*1.0**
11	Other countries#	48.2	44.2	39.8	42.1	43.4	42.8	43.0	--
12	**Total**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**--**

Source (basic data): UNCTAD
Note: Data for Ireland starts from 2006, Hence the difference pertains to 2024 minus 2006.
residually derived

Table 15 juxtaposes the evolution of India's share in US total services trade and US share in India's total services trade. By 2024, India's share accounted for 3.6% of total US service exports. Its share in US total services imports had risen faster to 5%. On the other hand, the US share in India's total services trade, both in terms of exports and imports are relatively higher. In terms of India's exports of services, the share of services exported to the US has increased from 8.7% in 2005 to 11.1% in 2024. India also undertakes service imports from the US and the share of these imports has increased from 8.7% to 15.5% over the corresponding period indicating that India's degree of dependence on the US as a source for services imports has increased faster than its dependence on the US as a service export destination.

Table 15: India's services trade with the US: selected years

Year	India's share in US total services trade (%)		US share in India's total services trade (%)	
	Exports	Imports	Exports	Imports
2005	1.4	1.5	8.7	8.7
2010	1.7	3.5	13.0	8.6
2020	2.3	6.0	13.9	11.3
2021	2.4	5.4	12.9	10.1
2022	3.0	4.7	10.8	11.5
2023	3.4	4.7	10.7	14.6
2024	3.6	5.0	11.1	15.5
Ratio of 2024 to 2005	2.6	3.4	1.3	1.8

Source (basic data): UNCTAD

Table 16 gives the composition of US service imports from India. Just one category of these service imports pertaining to telecommunications, computer, and information services accounted for more than 50% of total service imports from India up to 2019. Since then, it has fallen and stood at 40.5% in 2024. Next highest in importance pertains to 'other business services'. This relates to consultancy, accounting, legal services etc. Data pertaining to this category is available only up to 2021. Other important category of services imported by India from the US include travel and transport.

Table 16: Composition of US services imports from India (% share)

Category Label	2005	2010	2020	2021	2022	2023	2024
Telecommunications, computer, and information services	NA	52.5	47.4	43.8	39.3	38.7	40.5
Other business services	0.0	24.0	39.9	40.7	NA	NA	NA
Charges for the use of intellectual property n.i.e.	0.3	0.7	3.4	5.3	NA	NA	4.7
Travel	21.7	14.9	2.7	3.7	6.8	8.2	9.3
Financial services	NA	2.5	1.6	1.6	1.8	2.0	2.0
Transport	10.5	4.0	0.7	0.9	1.2	1.4	1.7
Insurance and pension services	0.2	0.1	0.6	0.8	NA	NA	0.3
Personal, cultural, and recreational services	NA	0.9	0.8	0.8	0.7	0.7	0.6
Maintenance and repair services n.i.e.	NA	0.1	NA	0.7	0.8	0.5	0.3
Government goods and services n.i.e.	0.5	0.2	NA	0.2	0.2	0.2	0.1
Construction	NA	0.0	0.2	0.1	NA	NA	0.0
Total US imports of services from India	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Memo item: Commercial services	*99.5*	*99.8*	*NA*	*99.8*	*99.8*	*99.8*	*99.9*

Source (basic data): UNCTAD

Table 17 shows the composition of US service exports to India. The highest in terms of relative share is travel which, in 2005 had a share of 62.8%. Although this share has fallen over time, it was still as high as 56.3% in 2024. Next in order of importance pertains to charges for the use of intellectual property rights not indicated elsewhere, followed by other business services, financial services, personal, cultural, and recreational services, telecommunications, computer, and information services and transport services.

Table 17: Composition of US services exports to India (% share)

Category Label	2005	2010	2020	2021	2022	2023	2024
Travel	62.8	57.6	43.2	37.2	45.6	53.0	56.3
Charges for the use of intellectual property n.i.e.	3.9	6.5	16.1	18.3	15.7	12.1	10.0
Other business services	NA	8.6	9.1	10.2	8.6	8.1	NA
Financial services	NA	5.9	7.4	7.5	6.6	6.3	6.2
Personal, cultural, and recreational services	NA	1.4	7.9	9.7	6.5	4.9	3.0
Telecommunications, computer, and information services	NA	7.3	5.7	5.2	4.7	4.7	4.9
Transport	10.6	9.2	3.9	4.8	4.6	3.6	3.4
Maintenance and repair services n.i.e.	NA	1.3	3.8	3.9	2.8	1.9	2.6
Government goods and services n.i.e.	2.2	1.8	NA	1.6	1.4	1.2	1.1
Insurance and pension services	0.2	0.2	1.3	1.4	1.3	1.1	0.9
Construction	0.0	0.3	0.0	0.1	0.1	0.1	0.1
Total US exports of Services to India	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Memo item: Commercial services	*97.8*	*98.2*	*NA*	*98.4*	*98.6*	*98.8*	*98.9*

Source (basic data): UNCTAD

We have limited information regarding the composition of India's services trade with China. Based on information available with respect to 2015 (Charts 9A and 9B), the highest share of China's service exports to India related to travel (A) followed by transport (B) and other business services (C). In terms of China's service imports from India, the largest share was transport (B) followed by other business services (C) and travel (A). Transport services include transport by sea, air and other modes mostly for freight.

Chart 9A: Sector-wise shares in China's total services exports to India: 2015

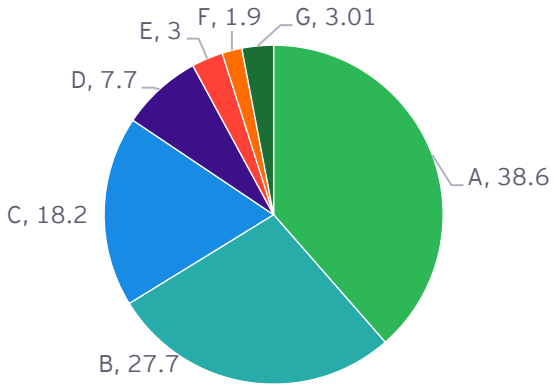
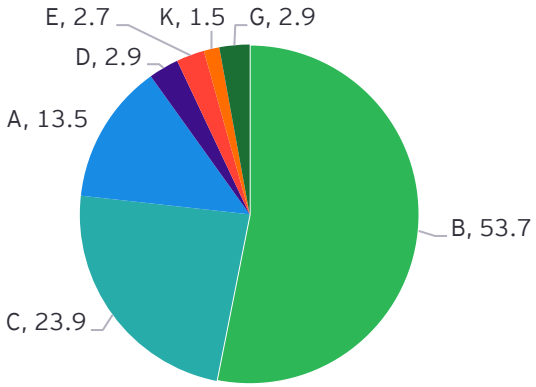


Chart 9B: Sector-wise share in China's total services imports from India: 2015



Key

ID	Sector	ID	Sector
A	Travel	G	Government goods and services n.i.e., Maintenance and repair services n.i.e., Manufacturing services on physical inputs owned by others, Charges for the use of intellectual property n.i.e., Insurance and pension services, Personal, cultural, and recreational services
B	Transport		
C	Other business services		
D	Telecommunications, computer, and information services		
E	Construction		
F	Financial services		

Source: UNCTAD

5.7. Reaching the target of US$500 billion for India's trade with the US

Policymakers have indicated a target of reaching US$500 billion by 2030 for Indo-US trade covering both goods and services[3] and a balance of trade on these accounts. This requires India's total goods and services exports and imports to reach US$250 billion each by 2030. We can look at the needed growth rates in respect of both exports and imports from their present levels to reach these targets. We can also set an additional target for achieving balance between the trade of goods and that of services. It is seen that in 2024, service exports to the US and imports from the US are already balanced. The main imbalance exists in the case of goods where India's exports to the US exceed substantially its imports from the US.

Table 18: Achieving target and balance in exports and imports of goods and services in India-US trade

	Services (US$ billion)			Merchandise (US$ billion)			Total trade (US$ billion)		
	Exports	Imports	Total trade in services	Exports	Imports	Total trade in Goods	Total exports	Total imports	Total trade (Goods + services
2005	4.5	5.3	**9.8**	18.8	8.0	**26.8**	**23.3**	**13.3**	**36.6**
2010	15.3	9.9	**25.2**	29.5	19.2	**48.7**	**44.8**	**29.1**	**73.9**
2015	24.9	17.3	**42.2**	44.8	21.5	**66.3**	**69.7**	**38.8**	**108.5**
2020	28.2	17.4	**45.5**	51.3	27.1	**78.4**	**79.5**	**44.5**	**123.9**
2021	31.2	19.8	**50.9**	73.3	39.8	**113.1**	**104.5**	**59.6**	**164.0**
2022	33.3	28.7	**62.0**	85.5	46.8	**132.3**	**118.8**	**75.5**	**194.3**
2023	36.1	36.0	**72.1**	83.6	40.3	**123.9**	**119.7**	**76.3**	**196.0**

[3] https://www.pib.gov.in/PressReleasePage.aspx?PRID=2103022

	Services (US$ billion)			Merchandise (US$ billion)			Total trade (US$ billion)		
	Exports	Imports	Total trade in services	Exports	Imports	Total trade in Goods	Total exports	Total imports	Total trade (Goods + services
2024	41.6	41.8	83.4	87.3	41.5	128.8	128.9	83.3	212.2
2025	50.0	50.1	100.1	92.7	49.9	143.9	144.0	100.0	244.0
2026	60.1	60.2	120.3	98.4	59.9	160.7	160.8	120.1	280.9
2027	72.2	72.2	144.4	104.5	72.0	179.4	179.5	144.3	323.8
2028	86.7	86.7	173.4	110.9	86.6	200.4	200.5	173.3	373.8
2029	104.1	104.1	208.2	117.7	104.0	223.8	223.9	208.1	432.0
2030	125	125	250	125	125	250	250.0	250.0	500.0
Implicit CAGR over 2024 to 2030	20%	20%	20%	6%	20%	12%	12%	20%	15%
Achieved CAGR over 2005 to 2024	12%	11%	12%	8%	9%	9%	9%	10%	10%

Source (basic data): UNCTAD and US Bureau of Economic Analysis

Calibrations indicate the following main lines of adjustments

1. Service exports to and imports from the US may have to be increased by an estimated CAGR of 20% each over the period 2024 to 2030 as against achieved CAGR of 12% and 11%, respectively, over the period 2005 to 2024.
2. Exports of goods to the US need to grow only at 6% (CAGR for 2024 to 2030) marginally lower than the achieved CAGR of 8% during 2005 to 2024.
3. Imports of goods from the US need to grow at a CAGR of 20% over the period 2024 to 2030 as against the achieved CAGR of 9% over the period 2005 to 2024.
4. Given the commodity composition of imports, this substantial increase in imports of goods from the US may call for considerably higher imports of crude and natural gas and defence goods from the US. This may have to be done either by reducing imports from Russia or from other sources or by a combination of these.
5. Although in the case of exports of goods to the US, we can accommodate a marginal slowdown in the CAGR, it is best done with a suitable Free Trade Agreement (FTA).

On the whole, these targets appear feasible within the framework of a suitable FTA with the US. Maximum adjustments might be required in imports of goods from the US and exports and imports of services.

5.8. Conclusions

Ongoing tariff related uncertainties and supply chain disruptions in international trade provide an opportunity for India to re-examine the pattern and composition of its international trade with the rest of the world especially with the US and China. The base of India's export destinations and import sources is rather narrow with the top ten export destinations accounting for more than 50% and top 10 sources for 60% of India's merchandise exports and imports respectively. It is considerably dependent on the US and to some extent on China. India may do well to diversify its export destinations and import sources so as to become less vulnerable to policy changes in destination and source countries. It may seek more opportunities among the BRICS+ countries and gradually reduce its reliance both on the US and China. The magnitude and direction of balance of trade between India-China and India-US have evolved in opposite directions.

In terms of magnitudes, China's merchandise trade surplus with India was more than twice that of the US merchandise trade deficit with India. The driving force in the context of trade with China is the inordinately fast pace of growth in imports from China which exceeded growth in exports to China by a substantive margin. It can be seen that 1) export and import growth move in tandem with respect to each country, 2) in both cases, there is high volatility in the two growth rates, and 3) the peak and trough periods are common

for US as well as China. This implies that India is used to sharp variations in the growth rates of exports and imports. Further, if imports from one country go down it is likely to be accompanied by a fall in the growth rate of exports to that country, thereby having a limited impact on trade balance.

In a way it appears that, it is deficit with respect to China that gets translated into surplus with respect to US. This may be mainly due to India importing raw materials and intermediate goods from China, processing these in India for further value-add and then exporting these to the US. If therefore, India's exports to the US come down it is possible that India's imports from China may also come down unless exports of the commodities concerned are diversified to markets of similar nature as US, that is, Australia, the UK, Canada and the European countries.

US leads all major countries in global service exports with a share of 13.0% in 2024 followed by the UK, Ireland and Germany. China is fifth in order of importance having a share of only 5% of world exports of services and India has an even lower share of 4.2%. In the case of service imports from the world, the US accounts for the largest share in 2024. China is second in order of ranking accounting for 7.6% of world imports of services and India is ranked ninth, accounting for a share of 3.3%.

Policymakers have indicated a target of reaching US$500 billion by 2030 for Indo-US trade covering both goods and services[4] and a balance of trade on these accounts. This requires India's total goods and services exports and imports to reach US$250 billion each by 2030. On the whole, these targets appear feasible within the framework of a suitable FTA. Maximum adjustments may be required in imports of goods from the US and exports to and imports of services from the US. In all the three cases we need a CAGR of 20% each during the period 2024 to 2030. India may need to increase its imports of crude and natural gas and defence goods from the US, substituting imports from other sources. Further, in order to increase trade in services, India has to further invest in AI based technologies.

[4] https://www.pib.gov.in/PressReleasePage.aspx?PRID=2103022

6.

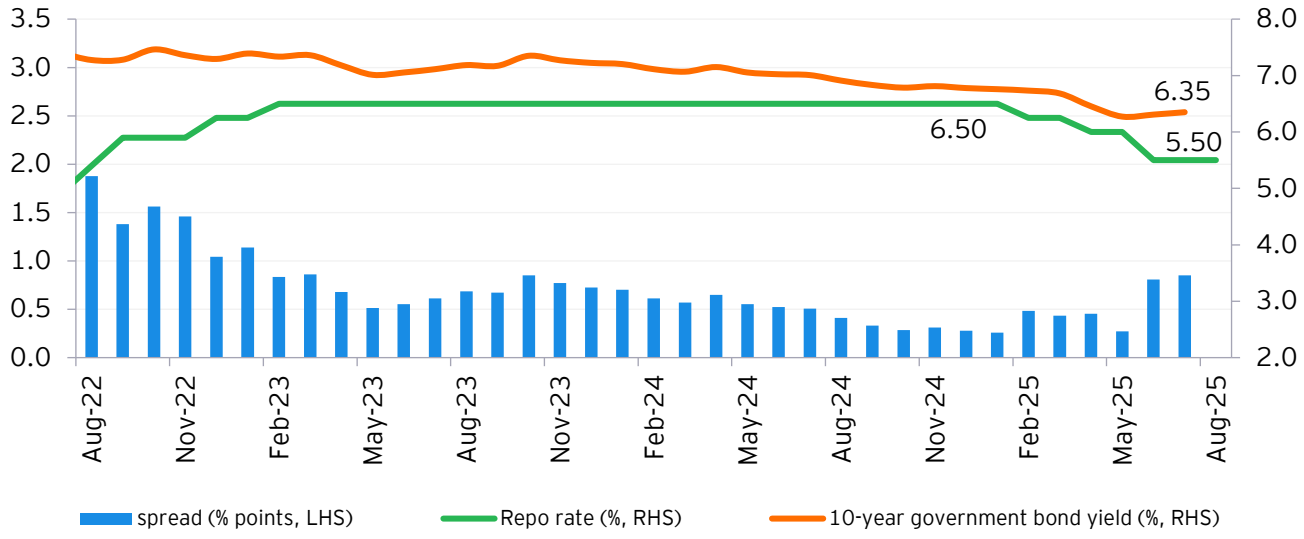
Money and finance: Growth in bank credit improved to 10.0% in July 2025

6.1. Monetary sector

Monetary policy

- The RBI's Monetary Policy Committee (MPC) unanimously decided to keep the repo rate unchanged at 5.5% (Chart 10), citing the need to allow further transmission of the 100 bps rate cuts since February 2025. The MPC, while maintaining the status quo, noted that uncertainties around tariffs and global headwinds necessitated a cautious approach even while growth remained resilient.
- As per the RBI's assessment, although CPI inflation is projected to average 3.1% in FY26, it is expected to reach 4.4% in 4QFY26, largely owing to unfavorable base effects as well as demand-side pressures. The sharp decline in food inflation, driven by improved agricultural output and supply-side measures, has led to a benign near-term outlook for overall CPI inflation, although core inflation remains moderately above 4%.

Chart 10: Movements in the repo rate and 10-year government bond yield



Source: Database on Indian Economy, RBI

Money stock

- Broad money stock (M3)[5] grew by 9.8% in August 2025, marginally higher as compared to 9.6% in July 2025.
- Time deposits, the largest component of M3, showed a stable growth of 8.9% in July and August 2025.
- Growth in narrow money (M1) increased to 12.7% in August 2025 from 11.9% in July 2025. This is attributable to an improvement in the growth of demand deposits and currency with the public. Demand deposits posted a robust growth of 17.2% in August 2025 as compared to 16.7% in July

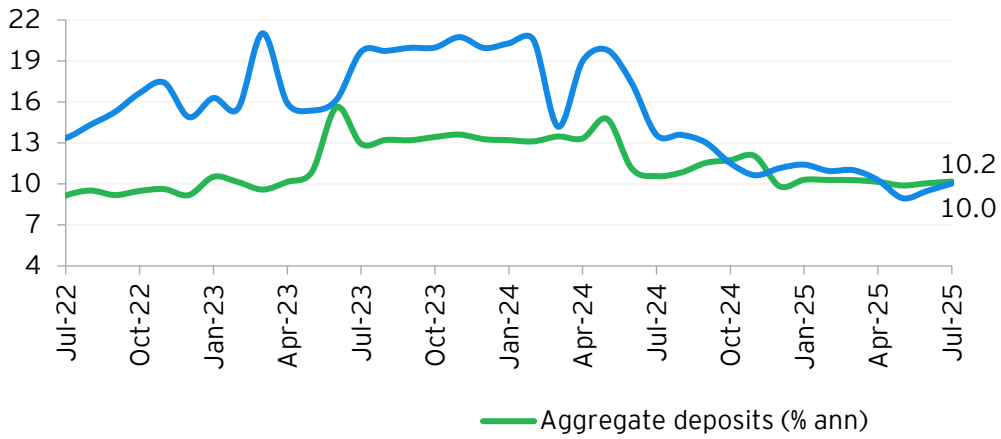
[5] The RBI has stopped reporting data on '*Money Stock: components and sources*' excluding the impact of merger of a non-bank with bank from 11-July-2025. Therefore, we have used M3 data that includes the impact of merger of a non-bank with a bank as reported by the RBI.

2025 while currency with the public grew by 9.1% in August 2025 as compared to 8.2% in July 2025.

Aggregate credit and deposits

- Although growth in gross bank credit[6] continued to remain subdued, it improved marginally to 10.0% in July 2025 from 9.5% in June 2025 **(Chart 11)**.

Chart 11: Growth in credit and deposits



Gross bank credit growth improved marginally to 10.0% in July 2025 from 9.5% in June 2025.

Source: Database on Indian Economy, RBI

- Non-food credit growth also increased to 9.9% in July 2025 from 9.3% in June 2025, as there was an improvement in the growth of credit to major sectors excluding the personal loan segment.
- Growth in outstanding credit to industries, having a share of about 25% on average in total non-food credit (last five years), increased to 6.0% in July 2025 from 5.5% in June 2025. Within industrial credit, among major segments, growth in credit to infrastructure, having the largest share in industrial credit, recovered to 1.9% in July 2025 following three successive months of contraction.
- Credit to the services sector, with an average share of about 27% in total non-food credit (last five years) grew by 10.6% in July 2025 from 9.0% in June 2025. Growth in agricultural credit also increased to 7.3% in July 2025 from 6.8% in June 2025.
- Personal loans (share of close to 30% in total non-food credit) grew by 11.9%, moderating marginally from 12.1% in June 2025. Among the sub-components of personal loans, growth in vehicle loans fell to 8.9% in July 2025 from 10.8% in June 2025. Similarly, growth in loans to individuals against shares and bonds slowed to 3.3% in July 2025 from 5.7% in June 2025. Loans for consumer durables contracted for the sixth successive month by (-)6.1% in July 2025, its sharpest contraction since August 2021. However, growth in loans against fixed deposits increased to 16.7% in July 2025 from 15.0% in June 2025.
- Growth in other non-food credit, that is, non-food credit excluding credit to agriculture, industry, services and personal loans improved to 17.4% in July 2025 from 17.3% in June 2025.
- Growth in aggregate deposits at 10.2% in July 2025 was close to its level of 10.1% in June 2025.

Financial sector

Interest rates

- As per the data released by the RBI in the first week of September 2025, the yield on 10-year government bonds (benchmark) increased for the third straight month to 6.52% in August 2025 from 6.35% in July 2025, implying a cumulated increase of 25 basis points since May 2025 **(Chart**

[6] The RBI has stopped publishing data on bank credit and aggregate deposits excluding the impact of merger of a non-bank with a bank since July 2025. Hence, bank credit and aggregate deposits data analysed here includes the impact of merger of a non-bank with a bank.

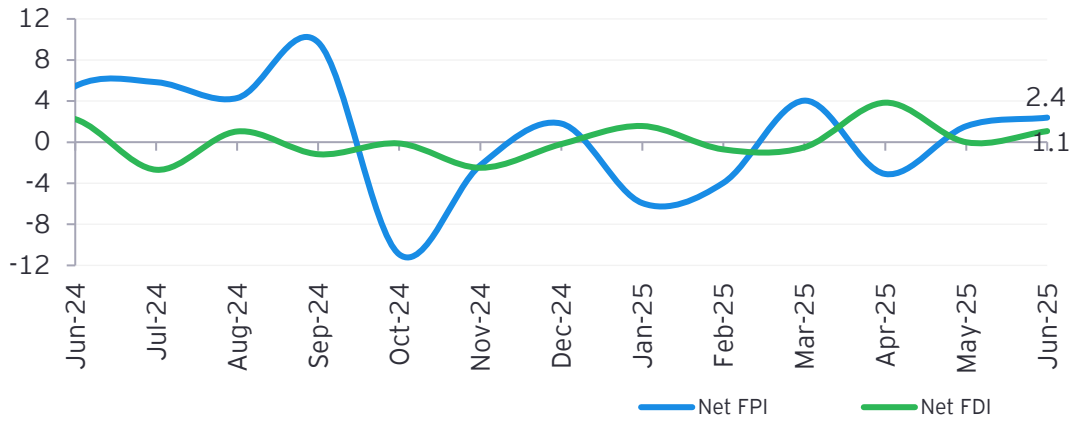
10). During April-August FY26, the benchmark bond yield averaged lower at 6.38% as compared to 7.03% during the corresponding period of FY25.

- The average interest rate on term deposits with a maturity period of more than one year was lowered for the fifth successive month to 6.24% in August 2025 from 6.28% in July 2025, with actual rates ranging between 5.85% and 6.62%.
- The average MCLR moderated for the fourth successive month to 7.99% in August 2025 from 8.08% in July 2025, with the actual MCLR ranging between 7.83% and 8.15% during the month.
- WALR on 'Fresh Rupee Loans' (FRL) by SCBs increased marginally to 8.80% in July 2025 from 8.62% in June 2025.

FDI and FPI

- As per provisional data released by the RBI on 28 August 2025, overall foreign investments (FIs) inflows increased to a three-month high of US$3.5 billion in June 2025 from US$1.5 billion in May 2025 led by relatively higher net FPI and FDI inflows **(Chart 12)**.

Chart 12: Net FDI and FPI inflows (US$ billion)



Net FDI and FPI inflows increased to US$1.1 billion and US$2.4 billion respectively in June 2025.

Source: Database on Indian Economy, RBI

- Net FPI inflows increased to US$2.4 billion in June 2025 from US$1.7 billion in May 2025. In 1QFY26, on a cumulated basis, net FPI inflows amounted to US$0.8 billion as compared to US$0.9 billion during the corresponding period of FY25.
- Net FDI inflows also increased to US$1.1 billion in June 2025 as compared to US$(-)0.01 billion outflows seen in May 2025. On a cumulated basis, in 1QFY26, net FDI inflows were lower at US$4.9 billion as compared to US$6.2 billion during the corresponding period of FY25.
- Gross FDI inflows increased to US$9.3 billion in June 2025 from US$7.2 billion in May 2025. Despite high gross FDI inflows, net FDI inflows remained significantly low due to higher magnitude of repatriation/disinvestment (US$5.7 billion) and outward FDI by India (US$2.5 billion) during the month. On a cumulated basis, gross FDI inflows were higher at US$25.2 billion in 1QFY26 as compared to US$22.8 billion in 1QFY25.

7. Trade and CAB: Merchandise exports growth slowed to 6.7% in August 2025

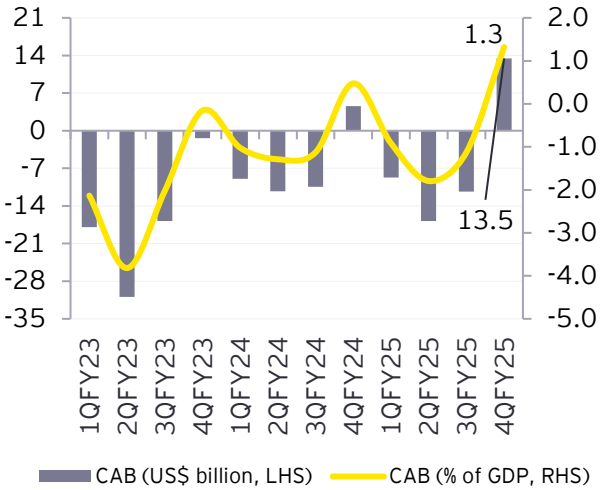
7.1. CAB showed a surplus of 1.3% of GDP in 4QFY25 as compared to (-)1.1% in 3QFY25

- Led by a sharp moderation in net merchandise trade deficit to 5.8% of GDP in 4QFY25, the current account reflected a surplus for the first time since 4QFY24 **(Chart 13)**. Merchandise imports eased to 17.3% of GDP, their lowest level since 4QFY21, partly on account of lower global crude prices, while merchandise exports improved to 11.4% of GDP in 4QFY25 from 10.9% in 3QFY25.
- Net invisibles, which amounted to 7.2% of GDP in 4QFY25, also contributed significantly to the overall current account surplus. The surplus in invisibles was driven by services, which reached an all-time high of 5.2% of GDP in 4QFY25. Net transfers were at 3.1% of GDP, slightly lower than 3.3% in 3QFY25.

Table 19: Components of CAB (in US$ billion)

Fiscal year	CAB as % of nominal GDP	CAB	Merchandise net	Invisibles* net
FY22	-1.2	-38.8	-189.5	150.7
FY23	-2.0	-67.1	-265.3	198.2
FY24	-0.7	-26.1	-244.9	218.8
FY25	-0.6	-23.4	-287.2	263.8
1QFY25	-0.9	-8.7	-63.8	55.1
2QFY25	-1.8	-16.8	-84.6	67.8
3QFY25	-1.1	-11.3	-79.3	68.0
4QFY25	1.3	13.5	-59.5	72.9

Chart 13: CAB



Source: Database on Indian Economy, RBI; Note: (-) deficit; (+) surplus; *invisibles include services, current transfers and income components

- On an annual basis, the current account deficit was subdued at (-)0.6% relative to GDP in FY25 (Table 19), marginally lower than (-)0.7% in FY24, led by a rising invisibles surplus, the highest since FY09, which offset an expanding net merchandise trade deficit.

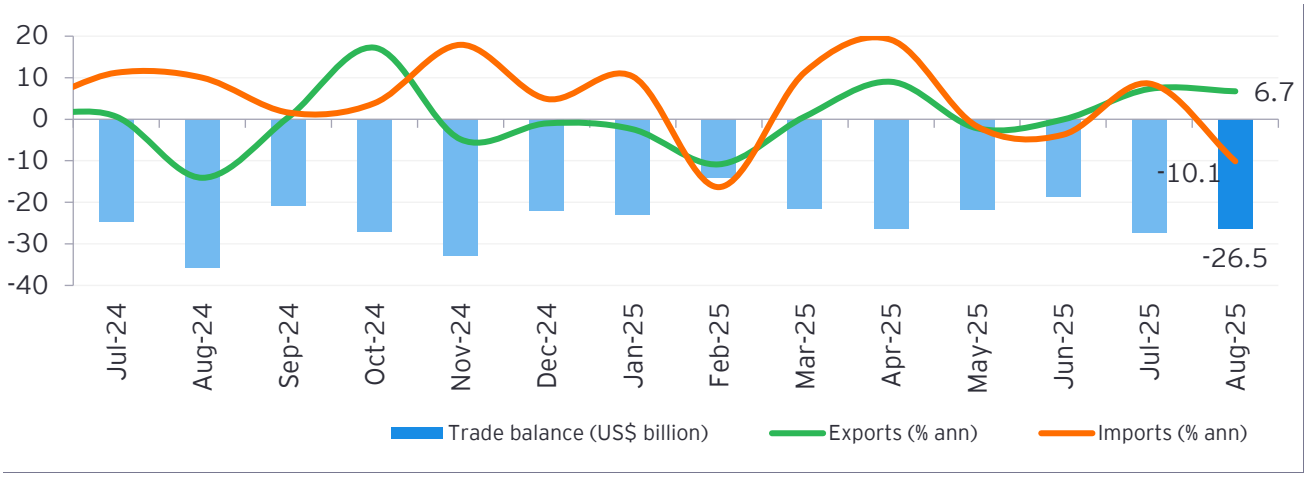
7.2. Merchandise trade and exchange rates

Merchandise exports continued to show positive growth, although at a slow pace of 6.7% in August 2025 even as merchandise imports contracted by (-)10.1% owing mainly to a large base effect.

- Overall merchandise export growth remained positive, although lower at 6.7% in August 2025 as compared to 7.3% in July 2025 (Chart 13), led by growth in oil exports mainly on account of a favorable base effect. However, exports of engineering goods, electronic goods, chemicals and gems and jewelry showed a significant fall in their growth rates to 4.9%, 25.9%, 3.8% and 15.6% in August 2025 from 13.8%, 33.9%, 7.2% and 28.9%, respectively, in the previous month.

- Merchandise imports contracted by (-)10.1% in August 2025 as compared to a growth of 8.6% in July 2025. This fall was attributable mainly to a sharp contraction in gold imports of (-)56.7% in August 2025 as compared to a growth of 13.8% in July 2025, reflecting a significant base effect. A deceleration was seen in pace of growth of imports of pearls and precious stones and machinery while transport equipment witnessed a contraction.
- Growth of exports excluding oil/coal, gold/silver and jewelry fell to 6.1% in August 2025 from 12.7% in July 2025, while that in imports of the same category moderated but remained positive at 0.9% in August 2025 as compared to 9.1% July 2025.

Chart 14: Developments in merchandise trade



Source: Ministry of Commerce and Industry, GoI

- Merchandise trade deficit remained high at US$26.5 billion in August 2025, although lower as compared to US$27.3 billion in July 2025 **(Chart 14)**.
- The goods and services trade deficit worsened to US$10.9 billion in July 2025 from US$2.6 billion in June 2025 as merchandise trade deficit widened significantly in July 2025 while services trade surplus remained nearly stable at US$16.4 billion in July 2025 as compared to US$16.2 billion in June 2025.
- The Indian Rupee depreciated considerably to INR87.5/US$ (average) in August 2025 from INR86.1/US$ in July 2025, driven by the anticipation and imposition of a 50% US reciprocal tariff on 27 August 2025 on merchandise imports from India.

8.
Global growth: G20 real GDP growth estimated at 3.5% in the April-June 2025 quarter

8.1. Global growth

- The OECD, in its September 2025 release of G20 GDP growth, estimated quarterly real GDP growth (seasonally adjusted) in the G20 area at 3.5% in the April-June 2025 quarter, up from 3.3% in the previous quarter.
- In the US, quarterly growth has shown a sequential fall from 3% during the April-June 2024 quarter to 2% during the January-March 2025 quarter (Table 20). Growth is estimated to be marginally higher at 2.1% during the April-June 2025 quarter.
- In the UK, growth has remained low in the last few quarters, ranging between 0.7% and 1.5% during the period under review. Similarly, in the Euro area, quarterly growth has remained in the range of 0.5% to 1.6%.
- Growth in Japan has shown a rebound, improving from (-)0.9% during the January-March 2024 quarter to 1.7% during the April-June 2025 quarter.
- Among emerging market economies (EMEs), South Africa's growth remained subdued during the quarters spanning from January-March 2024 to January-March 2025. An improvement to 1.1% is estimated in the April-June 2025 quarter.

India's seasonally adjusted quarterly real GDP growth at 7.3% during April-June 2025 was the highest amongst all G20 economies.

- Growth in Brazil is estimated to have fallen from a local peak of 3.7% during the January-March 2025 quarter to 2.6% in the April-June 2025 quarter. Similarly, in China, following a growth of 5.4% in the last two quarters, a slight moderation is estimated in the April-June 2025 quarter.
- Among the G20 economies, India is estimated to have shown the highest quarterly growth at 7.3% during the April-June 2025 quarter, improving substantially from a level of 6.2% seen during July-September 2024 and October-December 2024 quarters.

Table 20: Seasonally adjusted quarterly real GDP growth (y-o-y, %)

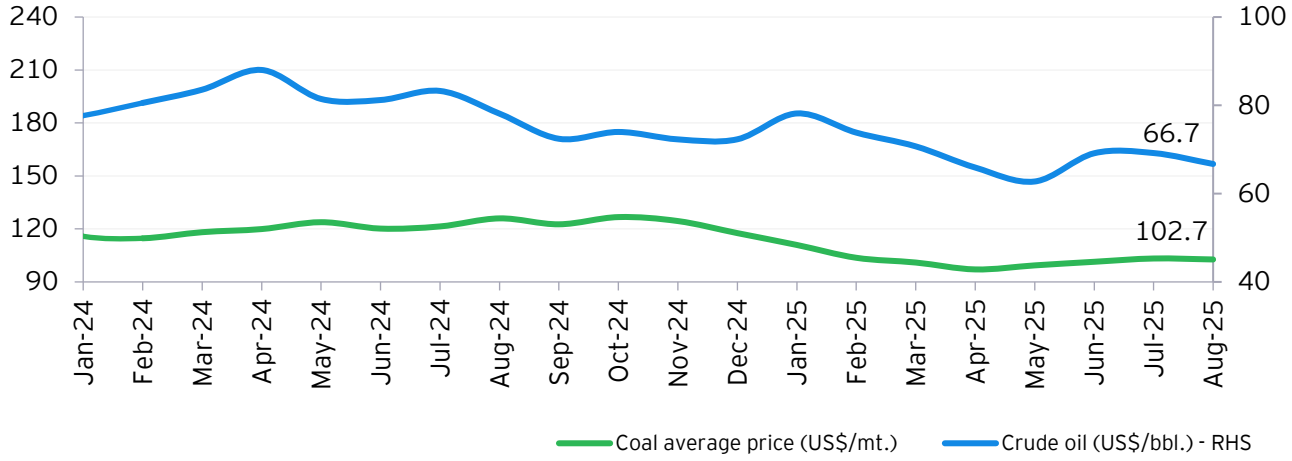
Country	Jan-Mar 2024	Apr-Jun 2024	Jul-Sep 2024	Oct-Dec 2024	Jan-Mar 2025	Apr-Jun 2025
G20	**3.2**	**3.0**	**3.0**	**3.4**	**3.3**	**3.5**
US	2.9	3.0	2.7	2.5	2.0	2.1
UK	0.7	1.1	1.2	1.5	1.3	1.2
Japan	-0.9	-0.7	0.7	1.3	1.6	1.7
Euro area	0.5	0.5	0.9	1.3	1.6	1.5
Brazil	2.1	2.8	3.6	3.3	3.7	2.6
China	5.3	4.7	4.6	5.4	5.4	5.2
South Africa	0.9	0.3	0.4	0.5	0.5	1.1
India	8.4	6.7	6.2	6.2	6.9	7.3

Source: G20 GDP Growth, OECD (September 2025)
Note: Quarterly growth rates for all economies are seasonally adjusted

8.2. Global energy prices: Global crude price fell to a three-month low of US$66.7/bbl. in August 2025

- Average global crude price[7] fell from US$69.2/bbl. in July 2025 to a three-month low of US$66.7/bbl. in August 2025 owing to weaker demand in the US and an expected boost in supply from OPEC and its allies[8] **(Chart 15)**.
- Average global coal price[9] also eased marginally from US$103.3/mt. in July 2025 to US$102.7/mt. in August 2025.

Chart 15: Global crude and coal prices



Source (basic data): World Bank Pink Sheets, September 2025

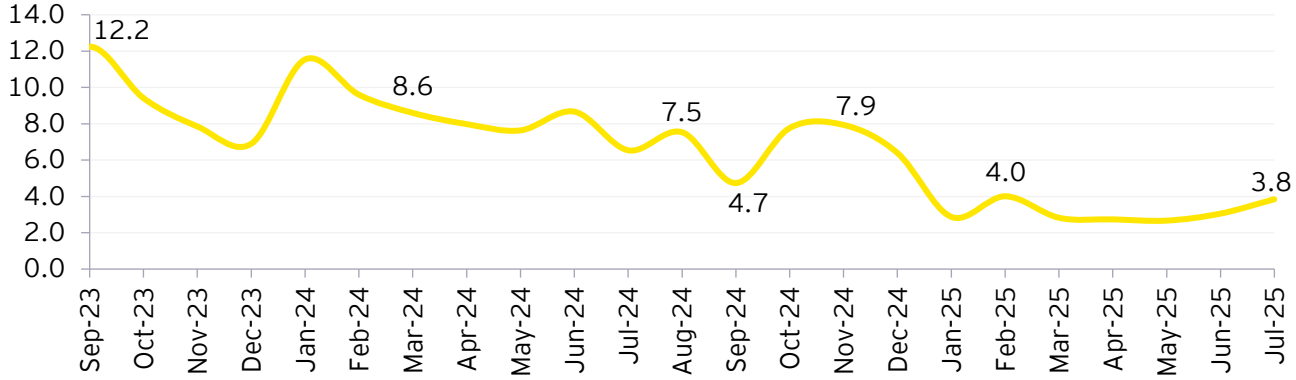
[7] Simple average of three spot prices, namely, Dated Brent, West Texas Intermediate and Dubai Fateh
[8] https://www.reuters.com/business/energy/oil-prices-fall-with-expected-low-demand-upcoming-supply-boost-2025-08-29/
[9] Simple average of Australian and South African coal prices.

9.
Index of Aggregate Demand (IAD): Growth in aggregate demand improved to 3.8% in July 2025

9.1. Growth in IAD increased for the second successive month in July 2025

- Pointing to a sustained pickup in demand conditions across major sectors of the economy, IAD[10] showed a growth of 3.8% in July 2025, improving from 3.1% in June 2025 **(Chart 16 and Table 21).**
- In July 2025, demand conditions in the manufacturing sector witnessed its steepest improvement since March 2024, with the PMI manufacturing (sa) rising to 59.1 from 58.4 in June 2025.
- The services sector also witnessed sustained improvement in the demand conditions during the month as shown by the PMI services (sa), which expanded to 60.5 in July 2025 from 60.4 in June 2025.
- Demand conditions in the agricultural sector improved marginally during the month as reflected by an improved growth in agricultural credit at 7.3% (sa) in July 2025 from 6.7% in June 2025.

Chart 16: Growth in IAD (%, y-o-y)



Source (Basic data): S&P - IHS Markit PMI, RBI and EY estimates

Table 21: IAD

Month	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25
IAD	180.1	180.8	179.8	181.6	182.7	183.4	183.2	185.8	187.1
Growth (% y-o-y)	7.9	6.4	2.9	4.0	2.8	2.7	2.7	3.1	3.8
Growth in agr. credit	15.4	12.6	12.1	11.5	10.5	9.1	7.4	6.7	7.3
Mfg. PMI**	6.5	6.4	7.7	6.3	8.1	8.2	7.6	8.4	9.1
Ser. PMI**	8.4	9.3	6.5	9.0	8.5	8.7	8.8	10.4	10.5

Source (basic data): S&P Global, RBI and EY estimates; **Values here indicate deviation from the benchmark value of 50. A positive value indicates expansion in demand while a negative value implies contraction in demand; PMI for Manufacturing and Services are seasonally adjusted (sa).

[10] EY has developed an Index of Aggregate Demand (IAD) to reflect the monthly combined demand conditions in the agriculture, manufacturing, and services sectors. It considers the movements in PMI for manufacturing and services, both measured in seasonally adjusted (sa) terms, tracing the demand conditions in these sectors. Movements in the monthly agricultural credit off-take (sa) capture the demand conditions in the agricultural sector.

10.
Capturing macro-fiscal trends: Data appendix

Table A1: Industrial growth indicators (annual, quarterly, and monthly growth rates, y-o-y)

Fiscal year/ quarter/ month	IIP	Mining	Manufacturing	Electricity	Core IIP	Fiscal year/ quarter /month	PMI mfg.	PMI ser.
	% change y-o-y							
FY22	11.4	12.2	11.8	7.9	10.4	FY22	54.0	52.3
FY23	5.2	5.8	4.7	8.9	7.8	FY23	55.6	57.3
FY24	5.9	7.5	5.5	7.1	7.6	FY24	57.2	60.3
FY25	4.0	2.9	3.9	5.1	4.4	FY25	57.4	59.2
2QFY25	2.7	-0.1	3.3	1.4	2.4	2QFY25	57.4	59.6
3QFY25	4.1	1.8	4.5	4.1	4.9	3QFY25	56.8	58.7
4QFY25	4.0	2.4	4.2	4.6	4.3	4QFY25	57.4	58.0
1QFY26	2.0	-3.0	3.3	-1.5	1.5	1QFY26	58.1	59.3
Apr-25	2.6	-0.2	3.1	1.7	1.0	May-25	57.6	58.8
May-25	1.9	-0.1	3.2	-4.7	1.2	Jun-25	58.4	60.4
Jun-25	1.5	-8.7	3.7	-1.2	2.2	Jul-25	59.1	60.5
Jul-25	3.5	-7.2	5.4	0.6	2.0	Aug-25	59.3	62.9

Source: MoSPI, Office of the Economic Adviser, Ministry of Commerce and Industry and S&P Global

Table A2: Inflation indicators (annual, quarterly, and monthly growth rates, y-o-y)

Fiscal year/ quarter/ month	CPI	Food Price Index	Fuel and light	Core CPI	WPI	Food Price Index	Mfg. products	Fuel and power	Core WPI
	% change y-o-y					% change y-o-y			
FY22	5.5	3.8	11.3	6.1	13.0	6.8	11.1	32.5	11.0
FY23	6.7	6.6	10.3	6.3	9.4	6.3	5.6	28.1	5.8
FY24	5.4	7.5	1.2	4.4	-0.7	3.2	-1.7	-4.7	-1.4
FY25	4.6	7.3	-2.5	3.6	2.3	7.3	1.7	-1.3	0.7
2QFY25	4.2	6.8	-4.1	3.5	1.8	5.5	1.2	-0.9	0.5
3QFY25	5.6	9.4	-1.6	3.8	2.5	10.0	2.0	-3.6	0.5
4QFY25	3.7	4.1	-0.5	4.0	2.4	6.2	3.0	-1.0	1.4
1QFY26	2.7	0.6	2.8	4.4	0.3	1.6	2.2	-3.9	1.0
May-25	2.8	1.0	2.8	4.3	0.1	1.9	2.1	-4.8	0.9
Jun-25	2.1	-1.0	2.6	4.5	-0.2	-0.3	1.9	-3.1	0.9
Jul-25	1.6	-1.8	2.7	4.2	-0.6	-2.1	2.0	-2.4	1.1
Aug-25	2.1	-0.7	2.4	4.3	0.5	0.2	2.5	-3.2	1.6

Source: Office of the Economic Adviser, Ministry of Commerce and Industry and MoSPI
Note: The CPI for April and May 2020 has been imputed. Core CPI inflation is measured in different ways by different organizations/agencies. Here, it has been calculated by excluding food, and fuel and light from the overall index

Table A3: Fiscal indicators (annual growth rates, cumulated monthly growth rates, y-o-y, unless otherwise specified)

Fiscal year/month	Gross tax revenue	Corporate tax	Income tax	Direct taxes*	Indirect taxes**	Fiscal deficit % of GDP	Revenue deficit % of GDP
FY22	33.7	55.6	42.9	49.0	20.2	6.7	4.4
FY23	12.7	16.0	19.7	17.8	7.2	6.4	4.0
FY24	13.5	10.3	25.4	17.9	8.5	5.6	2.6
FY25 (RE over act.)	11.2	7.6	20.3	14.4	6.8	4.8	1.9
FY26 (BE over RE)	10.8	10.4	14.4	12.7	8.3	4.4	1.5
	Cumulated growth (%, y-o-y)					% of budgeted target	
Dec-24	10.8	2.7	22.2	12.2	7.4	58.2#	42.0#
Jan-25	10.3	-0.6	22.0	10.7	8.5	74.5#	72.4#
Feb-25	10.9	1.9	22.0	12.4	7.9	85.8#	93.8#
Mar-25	9.5	8.3	17.0	12.9	4.2	100.5#	92.9#
Apr-25	6.5	-40.7	10.8	-3.0	17.4	11.9	9.4
May-25	12.1	-0.8	6.4	5.0	19.4	0.8	-34.9
Jun-25	4.6	-1.2	-0.5	-0.8	11.5	17.9	6.4
Jul-25	0.8	7.6	-9.9	-4.3	6.9	29.9	28.9

Source: Monthly Accounts, Controller General of Accounts, Government of India, Union Budget documents; # indicates that the values as percent of revised estimates; annual data is sourced from Union budget documents.
* Includes corporation tax and income tax
** Includes customs duty, excise duty, service tax, CGST, UTGST, IGST and GST compensation cess

Fiscal year/month	CGST	UTGST	IGST	GST compensation cess	Total GST (GoI)
	INR crore				
FY25 (RE)	9,08,459	-	0	1,53,440	10,61,899
FY26 (BE)	10,10,890	-	0	1,67,110	11,78,000
Dec-24	69,383	269	-3,736	11,958	77,874
Jan-25	79,258	864	3,980	13,415	97,517
Feb-25	77,623	304	-9,998	13,356	81,285
Mar-25	78,843	1,230	4,613	12,179	96,865
Apr-25	78,240	119	31,097	12,696	1,22,152
May-25	76,744	372	2,333	12,310	91,759
Jun-25	76,739	288	-6,118	13,319	84,228
Jul-25	79,902	336	-15,405	11,980	76,813

Source: Monthly Accounts, Controller General of Accounts, Government of India, Union Budget documents
Note: IGST revenues are subject to final settlement

Table A4: Monetary and financial indicators (annual, quarterly, and monthly growth rates, y-o-y)

Fiscal year/ month	Repo rate (end of period)	Fiscal year/ quarter/ month	Bank credit	Agg. deposits	Net FDI	Net FPI	Fiscal year/ quarter/ month	M1	M3	10-year govt. bond yield	FX reserves
	%		% change y-o-y		US$ billion			% change y-o-y		%	US$ billion
Oct-24	6.50	FY22	7.0	9.7	38.6	-16.8	FY22	10.7	8.8	6.40	617.6
Nov-24	6.50	FY23	14.4	9.5	28.0	-5.2	FY23	6.9	9.0	7.35	578.4
Dec-24	6.50	FY24	15.7	13.0	10.1	44.1	FY24	7.3	11.1	7.16	645.6
Jan-25	6.50	FY25	13.6	11.3	2.3	2.7	FY25	7.8	9.6	6.88	665.4
Feb-25	6.25	2QFY25	13.4	11.0	-2.8	19.9	2QFY25	9.2	10.4	6.92	704.9
Mar-25	6.25	3QFY25	11.1	11.2	-2.8	-11.4	3QFY25	6.0	9.0	6.79	640.3
Apr-25	6.00	4QFY25	11.1	10.3	0.4	-5.9	4QFY25	7.9	9.4	6.72	665.4
May-25	6.00	1QFY26	9.6	10.0	4.9	0.8	1QFY26	12.1	9.5	6.34	702.8
Jun-25	5.50	Apr-25	10.3	10.2	3.8	-3.1	May-25	12.4	9.3	6.27	691.5
Jul-25	5.50	May-25	9.0	9.9	0.0	1.6	Jun-25	12.1	9.5	6.31	702.8
Aug-25	5.50	Jun-25	9.5	10.1	1.1	2.4	Jul-25	11.9	9.6	6.35	698.2
Sep-25	5.50	Jul-25	10.0	10.2	--	--	Aug-25	12.7	9.8	6.52	694.2

Source: Database on Indian Economy - RBI

Table A5: External trade and US Dollar Index

External trade indicators (annual, quarterly and monthly growth rates)								
Fiscal year/ quarter/ month	Exports	Imports	Trade balance	Ex. rate (avg.)	Crude prices (avg.)	Coal prices (avg.)	Calendar year	DXY
	% change y-o-y		US$ billion	INR/US$	US$/bbl	US$/mt.		
FY22	44.8	56.0	-191.0	74.5	78.4	164.8	2021	92.5
FY23	6.0	16.8	-268.5	80.4	92.7	283.4	2022	104.0
FY24	-2.3	-5.3	-241.1	82.8	81.1	126.4	2023	103.4
FY25	0.1	6.2	-282.8	84.6	77.1	118.2	2024	104.2
2QFY25	-4.7	7.7	-81.2	83.8	77.9	123.4	3QCY24	102.7
3QFY25	3.6	8.6	-81.9	84.5	72.9	122.9	4QCY24	105.4
4QFY25	-4.2	1.2	-58.6	86.7	74.2	105.2	1QCY25	106.7
1QFY26	2.1	4.2	-67.1	85.6	65.9	99.3	2QCY25	99.7
May-25	-2.2	-1.7	-21.9	85.2	62.7	99.4	May-25	100.1
Jun-25	-0.1	-3.7	-18.8	85.9	69.1	101.4	Jun-25	98.4
Jul-25	7.3	8.6	-27.3	86.1	69.2	103.3	Jul-25	98.0
Aug-25	6.7	-10.1	-26.5	87.5	66.7	102.7	Aug-25	98.3

Source: Database on Indian Economy - RBI, Pink Sheet - World Bank; E = estimates; and *projections as given in April 2025 issue of the IMF WEO.

Table A5: Global growth

Growth (annual)				
Calendar year	World GDP	Adv. econ.	Emer. econ.	India#
	% change y-o-y			
2019	2.9	1.9	3.7	3.9
2020	-2.7	-4.0	-1.7	-5.8
2021	6.6	6.0	7.0	9.7
2022	3.6	2.9	4.1	7.6
2023	3.5	1.7	4.7	9.2
2024**	3.3	1.8	4.3	6.5
2025**	3.0	1.5	4.1	6.4
2026**	3.1	1.6	4.0	6.4
2027*	3.2	1.7	4.2	6.5
2028*	3.2	1.7	4.1	6.5
2029*	3.2	1.7	4.1	6.5
2030*	3.1	1.7	4.0	6.5

Source: IMF WEO; **projections as given in July 2025 IMF WEO update; *projections as given in April 2025 issue of the IMF WEO # data is on fiscal year basis

Table A6: Macroeconomic aggregates (annual and quarterly real growth rates, % change y-o-y)

Fiscal year/quarter	Output: major sectors									IPD inflation
	GVA	Agr.	Ming.	Mfg.	Elec.	Cons.	Trans.	Fin.	Publ.	GVA
FY22	9.4	4.6	6.3	10.0	10.3	19.9	15.2	5.7	7.5	8.6
FY23	7.2	6.3	3.4	-1.7	10.8	9.1	12.3	10.8	6.7	6.3
FY24 (1st RE)	8.6	2.7	3.2	12.3	8.6	10.4	7.5	10.3	8.8	2.5
FY25 (PE)	6.4	4.6	2.7	4.5	5.9	9.4	6.1	7.2	8.9	2.9
1QFY24	9.9	5.7	4.1	7.3	4.1	9.2	11.0	15.0	9.3	1.1
2QFY24	9.2	3.7	4.1	17.0	11.7	14.6	5.4	8.3	8.9	2.5
3QFY24	8.0	1.5	4.7	14.0	10.1	10.0	8.0	8.4	8.4	3.3
4QFY24	7.3	0.9	0.8	11.3	8.8	8.7	6.2	9.0	8.7	2.9
1QFY25	6.5	1.5	6.6	7.6	10.2	10.1	5.4	6.6	9.0	2.8
2QFY25	5.8	4.1	-0.4	2.2	3.0	8.4	6.1	7.2	8.9	2.3
3QFY25	6.5	6.6	1.3	3.6	5.1	7.9	6.7	7.1	8.9	3.9
4QFY25	6.8	5.4	2.5	4.8	5.4	10.8	6.0	7.8	8.7	2.6
1QFY26	7.6	3.7	-3.1	7.7	0.5	7.6	8.6	9.5	9.8	1.0

Source: National Accounts Statistics, MoSPI

*Growth numbers for FY23 pertain to final estimates while that for FY24 pertain to first revised estimates as per the National statistics released on 28 February 2025. Growth numbers for FY25 are based on second advance estimates released on 28 February 2025.

Fiscal year/quarter	Expenditure components						IPD inflation
	GDP	PFCE	GFCE	GFCF	EX	IM	GDP
FY22	9.7	11.7	0.0	17.5	29.6	22.1	8.4
FY23	7.6	7.5	4.3	8.4	10.3	8.9	5.9
FY24 (1st RE)	9.2	5.6	8.1	8.8	2.2	13.8	2.6
FY25 (PE)	6.5	7.2	2.3	7.1	6.3	-3.7	3.1
1QFY24	9.7	7.4	5.3	8.4	-7.0	18.0	1.2
2QFY24	9.3	3.0	20.1	11.7	4.6	14.3	2.5
3QFY24	9.5	5.7	2.3	9.3	3.0	11.3	3.1
4QFY24	8.4	6.2	6.6	6.0	7.7	11.4	3.4
1QFY25	6.5	8.3	-0.3	6.7	8.3	-1.6	3.0
2QFY25	5.6	6.4	4.3	6.7	3.0	1.0	2.5
3QFY25	6.4	8.1	9.3	5.2	10.8	-2.1	3.7
4QFY25	7.4	6.0	-1.8	9.4	3.9	-12.7	3.1
1QFY26	7.8	7.0	7.5	7.8	6.3	10.9	0.9

Source: National Accounts Statistics, MoSPI

* Growth numbers for FY23 pertain to final estimates while that for FY24 pertain to first revised estimates as per the National statistics released on 28 February 2025. Growth numbers for FY25 are based on second advance estimates released on 28 February 2025

List of abbreviations

Sr. no.	Abbreviations	Description
1	AD	aggregate demand
2	AEs	advanced economies
3	Agr.	agriculture, forests and fishing
4	AY	assessment year
5	Bcm	billion cubic meters
6	bbl.	barrel
7	BE	budget estimate
8	CAB	current account balance
9	CGA	Comptroller General of Accounts
10	CGST	Central Goods and Services Tax
11	CIT	corporate income tax
12	Cons.	construction
13	CPI	Consumer Price Index
14	COVID-19	Coronavirus disease 2019
15	CPSE	central public-sector enterprise
16	CRAR	Credit to Risk- weighted Assets Ratio
17	Disc.	discrepancies
18	ECBs	External Commercial borrowings
19	Elec.	electricity, gas, water supply and other utility services
20	EMDEs	Emerging Market and Developing Economies
21	EXP	exports
22	FAE	first advance estimates
23	FC	Finance Commission
24	FII	foreign investment inflows
25	Fin.	financial, real estate and professional services
26	FPI	foreign portfolio investment
27	FRBMA	Fiscal Responsibility and Budget Management Act
28	FRL	Fiscal Responsibility Legislation
29	FY	fiscal year (April–March)
30	GDP	Gross Domestic Product
31	GFCE	government final consumption expenditure
32	GFCF	gross fixed capital formation
33	GoI	Government of India
34	G-secs	government securities
35	GST	Goods and Services Tax
36	GVA	gross value added
37	IAD	Index of Aggregate Demand
38	IBE	interim budget estimates
39	ICRIER	Indian Council for Research on International Economic Relations
40	IEA	International Energy Agency

Sr. no.	Abbreviations	Description
41	IGST	Integrated Goods and Services Tax
42	IIP	Index of Industrial Production
43	IMF	International Monetary Fund
44	IMI	Index of Macro Imbalance
45	IMP	imports
46	INR	Indian Rupee
47	IPD	implicit price deflator
48	MCLR	marginal cost of funds-based lending rate
49	Mfg.	manufacturing
50	MGNREGA	Mahatma Gandhi National Rural Employment Guarantee Act
51	Ming.	mining and quarrying
52	m-o-m	month-on-month
53	Mt	metric ton
54	MoSPI	Ministry of Statistics and Programme Implementation
55	MPC	Monetary Policy Committee
56	MPF	Monetary Policy Framework
57	n.i.e	Not indicated elsewhere
58	NEXP	net exports (exports minus imports of goods and services)
59	NSO	National Statistical Office
60	NPA	non-performing assets
61	OECD	Organization for Economic Co-operation and Development
62	OPEC	Organization of the Petroleum Exporting Countries
63	PFCE	private final consumption expenditure
64	PIT	personal income tax
65	PMI	Purchasing Managers' Index (reference value = 50)
66	PoL	petroleum oil and lubricants
67	PPP	Purchasing power parity
68	PSBR	public sector borrowing requirement
69	PSU/PSE	public sector undertaking/public sector enterprises
70	RE	revised estimates
71	REE	Rare earth elements
72	RBI	Reserve Bank of India
73	sa	Seasonally adjusted
74	SLR	Statutory Liquidity Ratio
75	Trans.	trade, hotels, transport, communication and services related to broadcasting
76	US$	US Dollar
77	UNCTAD	United Nations
78	UTGST	Union Territory Goods and Services Tax
79	WALR	weighted average lending rate
80	WHO	World Health Organization
81	WPI	Wholesale Price Index
82	y-o-y	year-on-year
83	1HFY20	first half of fiscal year 2019-20, i.e., April 2019-September 2019

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