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Economy Watch

Monitoring India's macro-fiscal performance

January 2026

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Highlights

1. As per the first advance estimates (FAE) of national accounts, India's real GDP is estimated to grow by 7.4% in FY26, increasing from 6.5% in FY25.

2. Both manufacturing and services PMI showed levels of 55 and 58, respectively, in December 2025 implying continuing but somewhat milder expansion of demand in these sectors.

3. IIP growth accelerated to a 25-month high of 6.7% in November 2025 from 0.5% in October 2025.

4. CPI inflation remained low, although increasing to 1.3% in December 2025 from 0.7% in November 2025, while core CPI inflation edged up to 4.7% from 4.3% in the previous month.

5. Headline WPI inflation turned positive at 0.8% in December 2025 from (-)0.3% in November 2025, reflecting mainly a slower pace of contraction in vegetable and fruit prices.

6. GoI's gross tax revenues (GTR) grew by 3.3% during April-November FY26 with a growth of 7.2% in direct taxes and a contraction of (-)1.0% in indirect taxes.

7. GoI's total expenditure grew by 6.7% during April-November FY26, with a growth in revenue expenditure at 1.8% and that in capital expenditure at 28.2%.

8. GoI's fiscal and revenue deficits during April-November FY26 stood at 62.3% and 68.2% of their respective annual budget estimates.

9. Growth in gross bank credit increased to a 13-month high of 11.5% in November 2025.

10. Net FDI outflows were lower at US$0.4 billion in November 2025 and net FPI inflows fell to US$0.7 billion in November 2025.

11. Merchandise exports growth fell to 1.9% in December 2025 from 19.4% in November 2025 led by a sharp fall in growth of engineering goods exports while merchandise imports growth turned positive at 8.8% from (-)1.9% in the previous month.

12. Merchandise trade deficit was marginally higher at US$25.0 billion, compared to a five-month low of US$24.5 billion in November 2025.

13. Global crude price at US$60.9/bbl. in December 2025 was at its lowest level since February 2021.

14. ADB projected Developing Asia to grow by 5.1% in 2025 and 4.6% in 2026 with India's FY26 and FY27 growth rates forecasted at 7.2% and 6.5%, respectively.

15. In the background of significant economic and fiscal reforms along with continuing fiscal consolidation, India is well poised to achieve a sustained growth of 6.5% or above in the medium term, facilitating achievement of a Viksit status for its population by 2047.

Foreword

FY27 Budget: Continuing fiscal consolidation, sustaining growth momentum

NSO's First Advance Estimates (FAE) for FY26 indicate a narrowing of the difference between nominal and real GDP growth rates which are estimated at 8.0% and 7.4% respectively. Real growth is primarily led by growth of investment, which, considering private and government investment expenditure together, as captured by growth of gross fixed capital formation (GFCF), is estimated at 7.8% in FY26. The growth of private final consumption expenditure (PFCE) is also high at 7%. While these domestic demand factors strongly supported overall growth, the contribution of net exports was negative at (-)1.9% points.

On the output side, it was the services sector which led the overall GVA growth. The three main services sectors, namely trade, transport et al., financial and real estate et al., and public administration et al., showed growth rates of 7.5%, 9.9% and 9.9%, respectively, in FY26. Together, the services sector grew at 9.1% in FY26. Growth of manufacturing sector was also healthy at 7.0% while growth in agriculture et al. sector at 3.1% was below its recent trend. The average growth of this sector during FY23 to FY26 was 4.2%.

As per the IMF (World Economic Outlook Update, January 2026), India's real GDP growth in 2025 (FY26) has been revised up by 0.7% points to 7.3% as compared to the October 2025 forecasts driven by a better-than-expected performance in 2QFY26 and a strong momentum in 3QFY26. Growth is projected to remain robust at 6.4% in 2026 (FY27) and 2027 (FY28) although easing from its level in FY26 as cyclical and temporary factors wane. The World Bank, in its January 2026 issue of the Global Economic Prospects, has also revised upwards, its June 2025 estimate of India's real GDP growth for FY26 by 0.9% points to 7.2% with domestic demand especially private consumption demand remaining strong, supported by tax reforms and improvements in real household earnings in rural areas. The World Bank observed that alongside resilient services exports, merchandise exports rose in November 2025 despite increases in US import tariffs on many Indian goods, partly reflecting buoyant demand from the US and other trading partners, supported by efforts to diversify export markets to increase resilience. World Bank growth projection in FY27 remained at 6.5% given the strong momentum in domestic demand. Growth is forecasted to increase to 6.6% in FY28, underpinned by robust services activity, as well as a recovery in exports and a pickup in investment.

Meanwhile, global growth is projected to remain stagnant at 3.3% in 2026, decelerating to 3.2% in 2027 as per the IMF. Downside risks emanate from 1) heightened trade tensions, 2) geopolitical uncertainties resulting in a negative impact on financial markets, supply chains and commodity prices, and 3) larger fiscal deficit and high public debt putting pressure on long term interest rates. Growth in advanced economies (AEs) is forecasted at 1.8% in 2026 and 1.7% in 2027 while the corresponding projections for emerging market and developing economies (EMDEs) stand at 4.2% and 4.1%. Thus, India is projected to maintain the fastest growth rate among the world's largest economies over the period from 2025 (FY26 for India) to 2027 (FY28 for India) as per both the World Bank and the IMF.

With respect to India's nominal growth, however, the unexpectedly low implicit price deflator-based inflation at 0.5%, leading to a nominal GDP growth of 8% in FY26 has significant implications for the revised estimates for FY26 budget aggregates. In particular, the budget estimates for this year had assumed a nominal GDP growth of 10.1%. This, however, does not affect the magnitude of fiscal deficit, which at 4.4% of nominal GDP was budgeted at INR15.7 lakh crore. The reason for this is an upward revision in the nominal GDP magnitude of FY25 which is now estimated at INR330.7 lakh crore. Applying a nominal growth of 8% on this gives a nominal GDP magnitude for FY26 at INR357.1 lakh crore. This is comparable with the estimate given in the FY26 Budget at INR357.0 lakh crore. Thus, the fiscal deficit target in absolute amount has not been affected by the lower nominal GDP growth of 8% in FY26.

The lower nominal GDP growth has, however, implications for GoI's gross tax revenues. In the first eight months of the current fiscal year, the realized growth of GTR was only 3.34% as against a budgeted growth of 10.8%. The relatively lower nominal growth combined with a relatively lower than budgeted buoyancy of 1.07 over the revised estimates of FY25 may result in lower RE numbers for GoI's GTR in FY26 compared to the budget estimates. The lower than budgeted GTR magnitude in FY26 will provide a lower base in terms of revised estimates for the GTR budget estimates for FY27.

This shortfall in the GTR and consequently the GoI's net tax revenues may not necessarily call for a higher amount of fiscal deficit for a number of reasons. There would be some revenue cushion due to RBI's higher dividends. There would also be some additional revenues on account of the two newly introduced measures relating to central excise tax on tobacco and tobacco products and the Health Security and National Security Cess. It may be possible to meet the budgeted fiscal deficit target of 4.4% of GDP with some cuts in revenue expenditures which have grown only by 1.8% during the first eight months of FY26 compared to the budgeted growth of 6.7% over FY25 (RE).

GoI's capex growth in the first eight months of FY26 was 28.2%. This expenditure was frontloaded in this fiscal year and by the end of the fiscal year this growth may be slightly lower, but its budgeted level at INR11.2 lakh crore may still be achieved. Further adjustments in the growth of revenue expenditure would determine whether the fiscal deficit target would be met in FY26. In the context of fiscal consolidation, in the FY26 Budget, the GoI had announced its intention to focus only on an annual reduction in the debt-GDP ratio as the fiscal consolidation target. Assuming that the 4.4% fiscal deficit to GDP target is met in FY26, in our assessment, the FY27 target may be 40 basis points lower at 4% of GDP.

For FY27, assuming the underlying nominal GDP growth at 9.5%, and a GTR buoyancy of 1, we estimate GoI's GTR at INR44.2 lakh crore. Correspondingly, net tax revenues are estimated at INR29.5 lakh crore. Non-tax revenues and non-debt capital receipts may be assumed to grow at the nominal GDP growth rate. Their FY27 levels are estimated at INR7.2 lakh crore and INR0.8 lakh crore respectively. Thus together, non-debt resources amounting to INR37.5 lakh crore are likely to become available. Given these magnitudes, in order to accommodate a reduction in fiscal deficit of 0.4% points of GDP, revenue expenditure to GDP ratio may need to be adjusted downwards from 10.8% in FY26(RE) to 10.5% while maintaining the capital expenditure to GDP ratio at 3.1%. This is discussed in detail in the *in-focus* section of this month.

High-frequency indicators for November and December 2025 suggest continuation of the ongoing growth momentum. Both manufacturing and services PMI showed levels of 55 and 58, respectively, in December 2025 implying continuing but somewhat milder expansion of demand in these sectors. These levels continued to remain above the neutral mark of 50 as well as their long-run average levels at 54.2 and 54.4 respectively. Growth in gross bank credit increased to a 13-month high of 11.5% in November 2025. After falling to INR1.70 lakh crore in November 2025, monthly gross GST collections showed some improvement, increasing to INR1.74 lakh crore in December 2025. However, this continues to show a contraction of (-)1.3% over its level in December 2024. IIP growth accelerated to a 25-month high of 6.7% in November 2025 from 0.5% in October 2025. Data released by Federation of Automobiles Dealers Association (FADA), show that retail sales of motor vehicles grew by close to 10% during April–December FY26 compared to 8.7% during the corresponding period of FY25. Retail sales of two major vehicle segments, namely, two wheelers and passenger vehicles, grew by 9.7% and 10.4%, respectively, during the same period.

CPI inflation was low, although increasing marginally to 1.3% in December 2025 from 0.7% in November 2025, primarily attributable to a moderation in the pace of contraction in prices of vegetables accompanied by rising prices of gold. Headline CPI inflation at 0.8% in 3QFY26 remained well below the lower end of RBI's target band at 2%. WPI based inflation increased to 0.8% in December 2025, its highest level since April 2025 led by an easing pace of contraction in vegetables inflation. Merchandise exports growth fell to 1.9% in December 2025 from 19.4% in November 2025 led by a sharp fall in growth of engineering goods exports while merchandise imports growth turned positive at 8.8% from (-)1.9% in the previous month. Merchandise trade deficit was marginally higher at US$25.0 billion in December 2025, compared to a five-month low of US$24.5 billion in November 2025.

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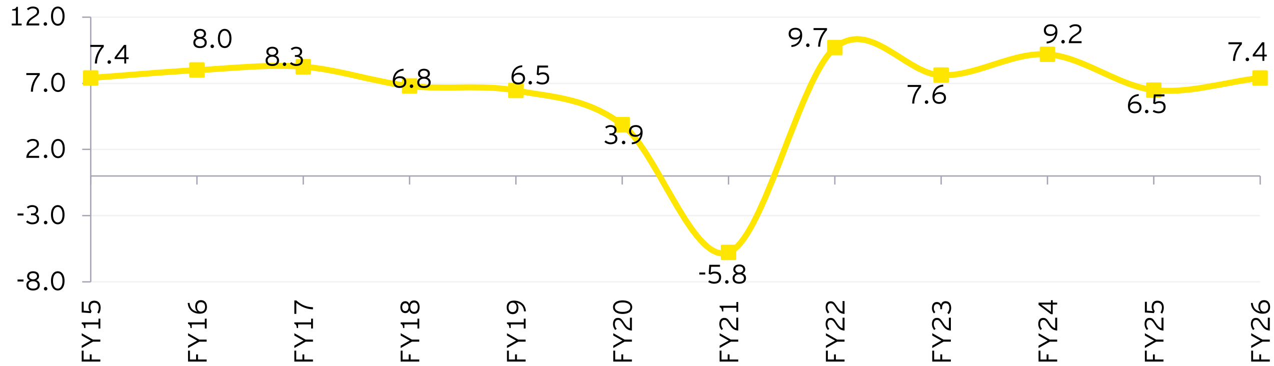
1.
Growth: Real GDP is estimated to grow by 7.4% in FY26

GDP and GVA: Real growth estimated at 7.4% and 7.3%, respectively, in FY26

- According to the FAE of national accounts data for FY26 released by MoSPI on 07 January 2026, India's real GDP is estimated to grow by 7.4%, increasing from 6.5% in FY25 (Chart 1).
- The implicit 2HFY26 real GDP growth is estimated at 6.9%, lower than the 8.0% growth seen in 1HFY26, as the growth in private consumption expenditure is likely to be relatively lower while negative contribution of net exports to growth is estimated to be higher.

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



Source: MoSPI, GoI

- On the demand side, real GDP growth in FY26 is likely to be driven by a robust growth in investment demand and private consumption expenditure.
- Gross fixed capital formation (GFCF), a measure of investment demand, having an average share of 33.7% (FY23 - FY26), is estimated to show a higher growth of 7.8% in FY26 compared to 7.1% in FY25. A large part of this growth is attributable to sustained momentum in the growth of GoI's capital expenditures.
- Private final consumption expenditure (PFCE), the largest demand segment with an average share of 56.7% in real GDP during FY23 to FY26, is estimated to show a strong growth of 7.0% in FY26, although moderating marginally from 7.2% in FY25.
- Growth in government final consumption expenditure (GFCE) is estimated at 5.2% in FY26, improving from 2.3% in FY25.
- With growth in exports at 6.4% estimated to be lower than that in imports at 14.4% in FY26, the contribution of net exports to real GDP growth is estimated to be negative at (-)1.9% points compared to 2.3% points in FY25.
- On the output side, real GVA growth is expected to be driven by robust growth rates in the three services sectors, namely, trade, transport et al., financial, real estate et al., and public administration, defense et al., at 7.5%, 9.9% and 9.9%, respectively, in FY26 (Table 1).
- Among the industrial sectors, manufacturing GVA is estimated to show a higher growth of 7.0% in FY26 compared to 4.5% in FY25. Although construction sector is also estimated to show a growth of 7.0% in FY26, it is lower compared to 9.4% in FY25.

- Growth in agricultural sector is also estimated to be lower at 3.1% in FY26 compared to 4.6% in FY25.
- Nominal GDP growth estimated at 8.0% is the lowest since FY21, falling from 9.8% in FY25. The overall implicit price deflator (IPD)-based inflation was at a 50-year low of 0.5% in FY26.

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

Agg. demand	FY21	FY22	*FY23*	*FY24*	*FY25*	*FY26 (FAE)*	*1HFY26*	*2HFY26 (implied)*
PFCE	-5.3	11.7	7.5	5.6	7.2	7.0	7.5	6.6
GFCE	-0.8	0.0	4.3	8.1	2.3	5.2	2.5	7.7
GFCF	-7.1	17.5	8.4	8.8	7.1	7.8	7.6	8.1
EXP	-7.0	29.6	10.3	2.2	6.3	6.4	5.9	6.8
IMP	-12.6	22.1	8.9	13.8	-3.7	14.4	11.8	17.4
GDP	-5.8	9.7	7.6	9.2	6.5	7.4	8.0	6.9
NExp. (% pts.)*	*1.5*	*1.0*	*0.2*	*-2.8*	*2.3*	*-1.9*	*-1.7*	*-2.0*
Output side								
Agr.	4.0	4.6	6.3	2.7	4.6	3.1	3.6	2.7
Ming.	-8.2	6.3	3.4	3.2	2.7	-0.7	-1.8	0.3
Mfg.	3.1	10.0	-1.7	12.3	4.5	7.0	8.4	5.7
Elec.	-4.2	10.3	10.8	8.6	5.9	2.1	2.4	1.7
Cons.	-4.6	19.9	9.1	10.4	9.4	7.0	7.4	6.7
Trans.	-19.9	15.2	12.3	7.5	6.1	7.5	8.0	7.1
Fin.	1.9	5.7	10.8	10.3	7.2	9.9	9.9	10.0
Publ.	-7.6	7.5	6.7	8.8	8.9	9.9	9.7	10.1
GVA	-4.1	9.4	7.2	8.6	6.4	7.3	7.9	6.8

Source: MoSPI
Note: *Contribution of net exports to GDP growth

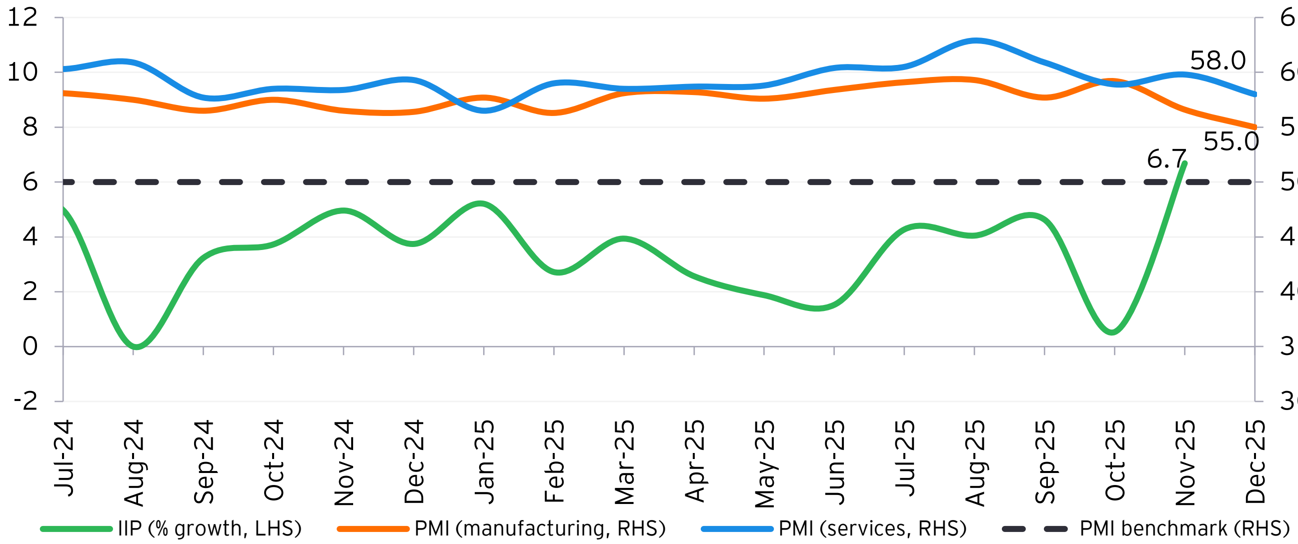
PMI: Showed a continuing but slightly milder growth momentum in private sector activity in December 2025 as well as in 3QFY26

- Manufacturing PMI (seasonally adjusted or sa) fell for the second successive month from 56.6 in November 2025 to 55 in December 2025, its lowest level in two years (Chart 2). However, the December 2025 headline level remained above the neutral mark of 50 as well as the long-run average of 54.2. On a quarterly basis, PMI manufacturing averaged 56.9 in 3QFY26, its lowest level since 3QFY25.
- Services PMI (sa) also fell from 59.8 in November 2025 to 58 in December 2025, indicating the slowest pace of expansion since January 2025. Nevertheless, it remained above its long-run average of 54.4. On a quarterly basis, PMI services averaged 58.9 in 3QFY26, a three-quarter low.

Both manufacturing and services PMI showed levels of 55 and 58, respectively, in December 2025 implying continuing but somewhat milder expansion of demand in these sectors.

- Reflecting a softer pace of expansion in both manufacturing and services PMI, the composite PMI Output Index (sa) fell from 59.7 in November 2025 to 57.8 in December 2025. The quarterly average for the composite PMI Output Index was 59.3 in 3QFY26, its lowest level since 3QFY25.

Chart 2: PMI and IIP growth



Source: MoSPI and S&P Global

IIP: Grew by 6.7% in November 2025

- Overall IIP growth accelerated to a 25-month high of 6.7% in November 2025 from 0.5% (revised) in October 2025 (Chart 2) owing to a strong performance of manufacturing and mining sector output and some favorable base effects.
- Manufacturing output, with a weight of 77.6% in overall IIP, grew by 8.0% in November 2025, its strongest growth since October 2023, improving from 2.0% in October 2025. After remaining subdued for 16 months, output of mining showed a strong growth of 5.4% in November 2025 compared to a contraction of (-)1.8% in October 2025. The output of electricity sector, however, continued to contract for the second successive month although at a slower pace of (-)1.5% in November 2025 compared to (-)6.9% in October 2025.

IIP growth accelerated to a 25-month high of 6.7% in November 2025 from 0.5% in October 2025.

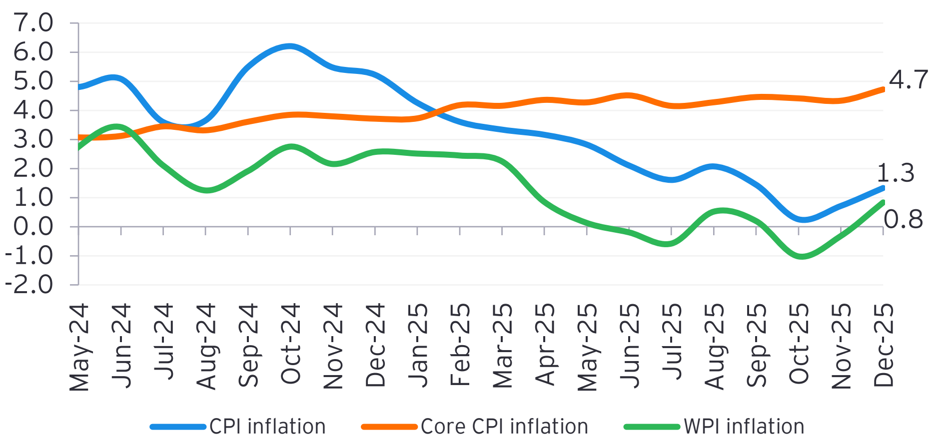
- Within manufacturing, among the key sub-industries, strong growth rates were seen in the output of motor vehicles, trailers and semi-trailers (11.9%), other non-metallic mineral products (11.8%), pharmaceutical et al. (10.5%), basic metals (10.2%), other machinery and equipment (7.8%), food products (5.9%) and chemical products (5.8%) in November 2025.
- Within the 'use-based' classification of industries, there was a broad-based improvement in the output of major sub-segments. In fact, output of infrastructure/construction at 12.1% in November 2025 was the highest, increasing from 7.1% in October 2025. This was followed by capital goods and consumer durable goods which showed strong growth rates of 10.4% and 10.3%, respectively, in November 2025 compared to 2.1% and (-)1.3% in October 2025. Further, growth in consumer non-durables at 7.3% in November 2025 was its highest since October 2023.
- Following a contraction of (-)0.1% in October 2025, output of eight core infrastructure industries (Core IIP) grew by 1.8% in November 2025. Among the key sub-industries, strong growth rates were seen in the output of cement (14.5%), steel (6.1%) and fertilizers (5.6%) in November 2025. Further, output of coal grew by 2.1% in November 2025 following two successive months of contraction.

2.
Inflation: CPI inflation remained subdued at 1.3% in December 2025

CPI inflation

- CPI inflation was low, although increasing marginally to 1.3% in December 2025 from 0.7% in November 2025, remaining below the lower end of RBI's target band for the fourth consecutive month.
- The increase is primarily attributable to a moderation in the pace of contraction in prices of vegetables accompanied by rising prices of gold.
- Contraction in vegetable prices eased from (-)22.2% in November 2025 to (-)18.5% in December 2025, mainly on account of a waning of favorable base effect.
- Inflation in oils and fats moderated for the fourth successive month to 6.8% in December 2025, its lowest level since September 2024. Prices of pulses and products continued to contract.
- Overall, even as consumer food prices continued to show a contraction for the seventh successive month, the pace of contraction eased to (-)2.7% in December 2025 from (-)3.9% in November 2025.
- Inflation in fuel and light remained benign at 2.0% in December 2025, slightly lower than 2.3% in November 2025.
- Housing-based inflation remained nearly stable at 2.9% in December 2025 compared to 3.0% in November 2025. It has remained within a narrow range of 2.9% and 3.2% since February 2025.
- Inflation in miscellaneous items rose to a 42-month high of 6.2% in December 2025 from 5.6% in November 2025, as inflation in gold and silver reached historic (2012 base series) high levels of 68.7% and 97.1% respectively.
- Inflation in transportation and communication services was nearly stable at a low level of 0.8% in December 2025, only marginally lower than 0.9% in November 2025, reflecting moderating crude prices.

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



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

CPI inflation remained low, although increasing to 1.3% in December 2025 from 0.7% in November 2025, while core CPI inflation edged up to 4.7% from 4.3% in the previous month.

- Core CPI inflation[1] edged up to 4.7% in December 2025 from 4.3% in the previous month, remaining significantly higher than headline CPI inflation mainly on account of the impact of higher inflation in gold and silver.
- On a quarterly basis, CPI inflation averaged 0.8% in 3QFY26, a historic low under the 2012 base series, falling from 1.7% in 2QFY26.

WPI inflation turned positive at 0.8% in December 2025

- Headline WPI inflation turned positive at 0.8% in December 2025 from (-)0.3% in November 2025, reflecting primarily a moderating pace of contraction in vegetable and fruit prices. WPI inflation was at its highest level of inflation since April 2025.
- The pace of contraction in prices of vegetables moderated to (-)3.5% in December 2025 from (-)20.2% in November 2025, led by a waning of favorable base effects. On similar lines, WPI inflation in fruits turned positive at 2.0% from (-)0.9% over the same period.
- WPI food index in December 2025 reflected no change in prices on a y-o-y basis, after showing a contraction in prices for three successive months.
- The wholesale price of crude petroleum and natural gas contracted for the sixteenth successive month by (-)6.0% in December 2025 compared to (-)8.7% in November 2025, reflecting a continued fall in global crude prices on y-o-y basis.
- The pace of contraction in fuel and power prices remained stable at (-)2.3% in December 2025, the same level seen in November 2025. A higher pace of contraction in electricity prices at (-)1.8% was partly offset by an increase in inflation in coal to 1.0%.
- Inflation in manufactured products marginally increased to 1.8% in December 2025 from 1.3% in November 2025 led by an easing pace of deflation in manufactured basic metals at (-)0.1% compared to (-)1.2% in the previous month. Inflation in manufactured food products remained low, although increasing to 0.9% in December 2025 from 0.6% in November 2025.
- Core WPI inflation increased to 2.0% in December 2025, its highest level since February 2023, led by a falling pace of contraction in prices of manufactured basic metals, accompanied by higher inflation in other manufacturing.
- On a quarterly basis, WPI showed a deflation of (-)0.2% in 3QFY26, as compared to an inflation of 0.04% in 2QFY26.

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

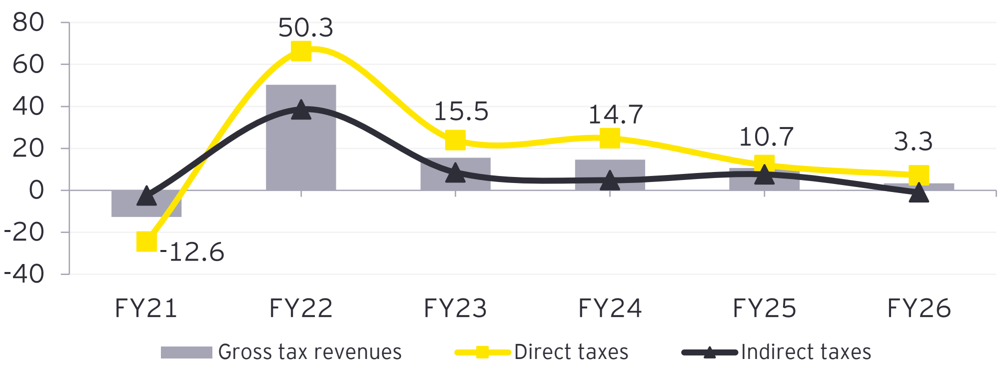
3.

Fiscal: GoI’s capital expenditure grew by 28.2% during April-November FY26

Tax and non-tax revenues

- As per the CGA, GoI’s GTR[(b)] showed a growth of 3.3% during April-November FY26, much lower than the growth rates in the corresponding periods of the last four years (FY22 to FY25). This was on account of a contraction in indirect taxes and a subdued growth in direct taxes (Chart 4).
- An estimated growth of 26% (y-o-y) is required during the remaining four months in order to achieve the budget target of GTR at INR42.7 lakh crore.
- During April-November FY26, direct taxes[(a)] grew by 7.2% compared to a double-digit growth of 12.1% during the corresponding period of FY25. There was a contraction of (-)1.0% in indirect taxes[(a)] during the first eight months of FY26 compared to a growth of 7.6% during the corresponding period of FY25.
- PIT revenues showed a growth of 6.8% during April-November FY26 compared to a strong growth rate of 23.5% in the corresponding period of FY25. This may partly be due to PIT rate rationalization measures announced in the FY26 Budget.
- CIT revenues grew by 7.8% during the first eight months of FY26 compared to a contraction of (-)0.5% during the corresponding period of FY25.
- Among indirect taxes, GoI’s GST revenues showed a contraction of (-)2.0% during April-November FY26 compared to a growth of 9.8% during the corresponding period of FY25. This may be attributable to the significant rate reductions undertaken as part of the recent GST reforms.
- Union excise duties (UED) showed a growth of 9.3% during the first eight months of FY26 compared to a contraction of (-)0.6% during the corresponding period of the previous year.
- There was a contraction in customs duties at (-)7.3% during April-November FY26 compared to a growth of 8.7% during April-November FY25. This partly reflects subdued imports growth due to global trade frictions and tariff uncertainties.

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



GoI’s GTR grew by 3.3% during April-November FY26 with a growth of 7.2% in direct taxes and a contraction of (-)1.0% in indirect taxes.

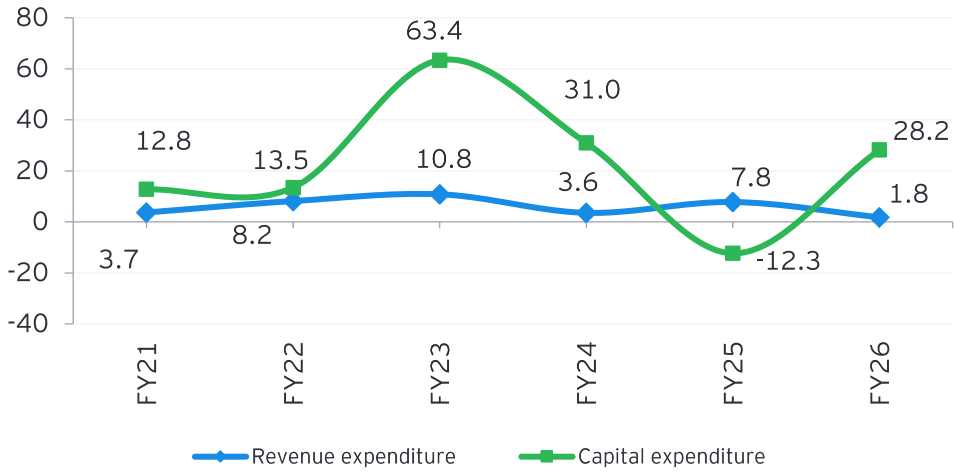
Source: Monthly Accounts, CGA, Government of India
Notes: (a) Direct taxes include personal income tax (excluding securities transaction tax) and corporation tax, and indirect taxes include union excise duties, arrears of service tax, customs duty, and GST (comprising CGST, UTGST IGST and GST compensation cess) (b) Other taxes comprise (1) securities transaction tax, (2) other receipts and (3) all other taxes including stamps and registration fees, state excise, taxes on sales, trade, vehicles etc. Other taxes are included in the GoI’s GTR along with direct and indirect taxes.

- GoI's non-tax revenues showed a growth of 20.9% during April-November FY26 compared to 50.2% during the corresponding period of the previous year. Within non-tax revenues, the GoI has already exceeded the budgeted target for dividends and profits at INR3,25,000 crore by INR14,542 crore.
- GoI's non-tax revenues during the first eight months of FY26 stood at 88.6% of the FY26 Budget target compared to the three-year average at 73.2% during FY23 to FY25, based on actual data.
- Non-debt capital receipts of the GoI during April-November FY26 showed a substantially high growth of 62.5% owing to other miscellaneous capital receipts to the tune of INR18,837.42 crore that were not budgeted for in the FY26 Union Budget.
- As a proportion of the annual budget target, GoI's non-debt capital receipts during April-November FY26 stood at 51.2%, slightly lower than the three-year average at 52.4% during FY23 to FY25 based on actual data.
- As per the Department of Investment and Public Asset Management (DIPAM), GoI's disinvestment receipts as of 27 January 2026 were at INR8,768.02 crore, amounting to 18.6% of the FY26 BE at INR47,000 crore.

Expenditures: Revenue and capital

- Growth in GoI's total expenditure was 6.7% during April-November FY26, higher than 3.3% during the corresponding period of FY25 (Chart 5).
- As a proportion of FY26 BE, total expenditure in the first eight months stood at 57.8%, slightly lower than the three-year average ratio at 59% during FY23 to FY25 based on actual data.
- GoI's revenue expenditure grew by only 1.8% during April-November FY26 compared to 7.8% during the corresponding period of FY25.
- GoI's capital expenditure continued to show a double-digit growth of 28.2% during April-November FY26 compared to a contraction of (-)12.3% during the corresponding period of FY25.

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



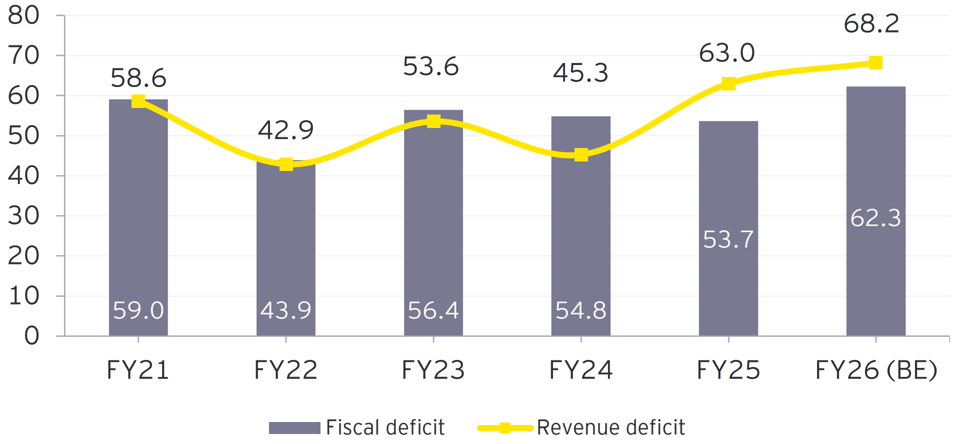
GoI's total expenditure grew by 6.7% during April-November FY26, with a growth in revenue expenditure at 1.8% and that in capital expenditure at 28.2%.

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

Fiscal imbalance

- GoI's fiscal deficit during April-November FY26 was at 62.3% of FY26 (BE), higher than the corresponding ratios in the last five years based on actual data (Chart 6). This may be attributable to a low growth in GTR accompanied by a high growth in capital expenditure during this period.
- Similar to the trend in GoI's fiscal deficit, revenue deficit during the first eight months of FY26 at 68.2% of FY26 (BE) was also higher than the corresponding ratios in the last five years based on actual data.

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



GoI's fiscal and revenue deficits during April-November FY26 stood at 62.3% and 68.2% of their respective annual budget estimates.

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

4.

Comparative trends: OECD projected India's growth at 6.7% and CPI inflation at 1.9% in FY26

Real GDP growth

- As per the OECD (Economic Outlook – December 2025), global GDP growth at 3.2% in 2025 remained more resilient than expected (Table 2). Front-loading of goods production and trade ahead of the introduction of higher tariff rates was a key factor for this in the early part of the year. Further, easier global financial conditions, supportive macroeconomic policies, real income growth, and strong demand for new AI-related investments in some countries, particularly the US, provided broader support for demand despite headwinds from elevated policy uncertainty and rising trade barriers.
- Global growth is, however, projected to slow to 2.9% in 2026 as frontloading activity unwinds and higher tariff rates on imports to the US and China take effect. In 2027, global growth is forecasted at 3.1%, helped by fading impact of higher tariff rates, favorable financial conditions, supportive macroeconomic policies and lower inflation, with emerging market economies (EMEs) in Asia continuing to account for the majority of global growth.

Table 2: Real GDP growth (%, annual)

Country	2024	2025	2026	2027
World	**3.3**	**3.2**	**2.9**	**3.1**
US	2.8	2.0	1.7	1.9
Euro area	0.8	1.3	1.2	1.4
UK	1.1	1.4	1.2	1.3
Japan	-0.2	1.3	0.9	0.9
Brazil	3.4	2.4	1.7	2.2
Russia	4.3	0.7	0.5	0.6
India*	6.5	6.7	6.2	6.4
China	5.0	5.0	4.4	4.3
S. Africa	0.5	1.1	1.3	1.5

Source: OECD Economic Outlook, December 2025; *Data pertains to fiscal year

- Among AEs, growth in the US is projected is projected to fall from 2% in 2025 to 1.7% in 2026 owing to higher effective tariff rates on imports, cuts to the federal government workforce, and a drop in net immigration. Growth is forecasted to improve slightly to 1.9% in 2027 as the peak impact of the above-mentioned factors passes, along with an ongoing strength in AI-related investment and continued monetary policy easing.
- Growth in the Euro area is projected to ease modestly from 1.3% in 2025 to 1.2% in 2026, before increasing to 1.4% in 2027, with increased trade frictions being offset by improved financial conditions, ongoing capital spending from Recovery and Resilience Facility funds and resilient labor markets.
- In the UK, fiscal consolidation and uncertainty is expected to weigh on the pace of expansion, with real GDP growth projected to ease from 1.4% in 2025 to 1.2% in 2026 and 1.3% in 2027.
- The Japanese economy is expected to expand at a moderate pace, helped by expansionary fiscal policy and with private consumption growth supported by real disposable income gains and business investment growth underpinned by healthy profits and government subsidies. Nonetheless, these factors are likely to be somewhat offset by subdued external demand amid new trade restrictions and elevated trade policy uncertainty. Real GDP growth is projected to moderate from 1.3% in 2025 to 0.9% in both 2026 and 2027.
- Among EMEs, growth in Brazil is anticipated to weaken in the near-term as investment slows in response to higher interest rates, though monetary policy easing through 2026 is likely to support

activity. After easing from 2.4% in 2025 to 1.7% in 2026, output growth is projected to recover to 2.2% in 2027.

- In China, the unwinding of frontloading of exports, imposition of higher tariff rates on exports to the US, continuing adjustment in the real estate sector and the fading of fiscal support is expected to lower growth from 5.0% in 2025 and 4.4% in 2026 and further to 4.3% in 2027.
- In India, growth is anticipated to be supported by rising real incomes, monetary policy easing and strong growth in public capital spending. However, higher tariff rates on many exports to the US are likely to weaken export growth, with real GDP projected to grow by 6.7% in 2025 (FY26), 6.2% in 2026 (FY27) and 6.4% in 2027 (FY28).
- In South Africa, GDP growth is projected to increase by 1.1% in 2025, 1.3% in 2026 and 1.5% in 2027 with declining confidence and fiscal consolidation weighing on domestic demand, while easing monetary policy and the government's reform program are expected to provide some support to growth.

CPI inflation

- The OECD assesses the CPI inflation prospects to vary significantly between countries **(Table 3)**.
- In the US, CPI inflation, which was already above the Federal Reserve's 2% target, has edged up since tariff increases began to take effect. It is projected to increase to 3.2% in 2026 as the direct effects of tariff increase on import prices and spillover effects to domestically produced goods and services boost the price level. As these effects fade, headline inflation is expected to moderate to 2.5% by 2027.
- With respect to the Euro area, while the appreciation of the Euro places downward pressure on inflation, short-term upward inflationary pressures are likely to stem from the ongoing labor shortages and additional public expenditure under the NextGenerationEU program. Reflecting these dynamics, CPI inflation is projected to remain close to 2% in 2026 and 2027.
- In the UK, CPI inflation is projected to subside in 2026 and 2027 reflecting recent measures that lower the cost of energy and fuel, as well as the elimination of base effects from past changes in food and administered prices.
- CPI inflation in Japan is projected to slow down to around the 2% target in 2026-27, following the easing of food inflation.
- Among EMEs, CPI inflation in Brazil was elevated at 5.1% in 2025 driven by high residential electricity prices and prices of food and beverages, and services. With some weakness in demand, it is expected to ease to 4.2% and 3.8% in 2026 and 2027, respectively, but remain well above the central bank's target of 3%.

Table 3: CPI inflation (%, annual)

Country	2024	2025	2026	2027
US	3.0	2.8	3.2	2.5
Euro area*	2.4	2.1	1.9	2.0
UK	2.5	3.5	2.5	2.1
Japan	2.7	3.2	2.2	2.1
Brazil	4.4	5.1	4.2	3.8
Russia	8.5	8.7	5.4	4.3
India**	4.6	1.9	3.4	4.0
China	0.2	-0.2	0.3	0.8
S. Africa	4.4	3.3	3.6	3.2

Source: OECD Economic Outlook, December 2025;
*Harmonized consumer price index; **Data pertains to fiscal year

- In China, over 2026 and 2027, anti-involution policies are likely to help CPI inflation to remain positive and contain the fall of producer prices.
- In India's case, CPI inflation is estimated to fall to 1.9% in 2025 (FY26) driven by lower GST rates, easing food prices and lower energy costs. As base effects from favorable food and energy price shocks fade, headline inflation is expected to gradually converge towards 4% in 2026 (FY27) and 2027 (FY28).
- In South Africa, the OECD expects CPI inflation to increase from 3.3% in 2025 to 3.6% in 2026, in part due to higher food prices, before easing to 3.2% in 2027.

5.

In Focus: Fiscal prospects and GoI's FY27 Budget - Supporting growth amidst external headwinds

Introduction

The GoI has carried out extensive fiscal reforms since 2018. These comprised structural reforms affecting both the revenue and expenditure sides of the Budget. Tax reforms included implementation of GST in 2017 followed by extensive CIT reforms in 2019 and reforms of PIT in 2025. The GST 2.0 was implemented in September 2025. As far as import taxes are concerned, there has been a reduction in the effective tariff rate over time[2]. Together these reforms almost complete the current generation of reforms on the side of taxation. The Direct Tax Code as per the Income Tax Act, 2025 will also be effective from 01 April 2026[3]. On the expenditure side, there has been a notable structural change involving a fall in the share of revenue expenditures and increase in the share of capital expenditures. With respect to fiscal consolidation, in the FY26 Budget, the annual targeting strategy was changed to focus on a reduction in the debt-GDP ratio rather than the fiscal consolidation targets of the amended FRBM Act 2018 although the Act has not been modified subsequently. Fiscal reforms in the post-Covid years aim to stabilize India's medium-term growth prospects. In this background, the FY27 Budget may be formulated to sustain growth in spite of the global uncertainties while continuing with fiscal consolidation.

Recent tax reforms and revenue trajectories

GST was implemented in July 2017. Now that the compensation cess mechanism has come to an end, it was time to further reform GST. Thus, GST 2.0 was implemented in September 2025. This involved reducing multiple tax rates to core rates at 5% and 18%, supplemented by a demerit rate of 40% and some special rates. Many of the goods earlier taxed at 12% and 18% were brought in the 5% rate category. In the 18% rate category, many of the goods taxed at 28% as also some goods taxed at 12% were included. On the whole, the impact is expected to be revenue reducing with the expectation that over time, with increased consumption, the positive tax base effect may overtake the negative tax rate effect on revenues. The PIT reforms in the FY26 Union Budget also involved some loss of revenues. Revenue foregone on this account, as per the FY26 Budget was estimated at INR1 lakh crore. Table 4 summarizes the revenue performance of GoI's major taxes in recent years. This table is divided into three parts capturing the tax-GDP ratios, tax-wise growth and tax-wise buoyancy for the post-Covid period from FY23 to FY26 (BE).

Leaving the period around the Covid years and comparing the average of FY13-19 with the average for FY23-25, the GTR to GDP ratio shows an increase of 0.8% points. This increase was led by an increase in the PIT to GDP ratio by 1.2% points. The CIT to GDP ratio fell by 0.4% points primarily after the FY20 CIT rate reform. There is no tangible change in the indirect tax to GDP ratio, even after the transition to GST.

The growth and buoyancy segments of the table primarily highlight the relatively higher growth maintained for PIT compared to that for CIT. In fact, if we compare the CAGR over the period FY19-25, it is 17.3% for PIT, nearly two-and-a-half times that for CIT at 6.8%. This is reflected in the buoyancies based on these CAGRs, which is 1.8 for PIT compared to only 0.7 for CIT. For the indirect taxes, the buoyancy is 0.9, indicating that if such a buoyancy is maintained incrementally, indirect tax to GDP ratio would fall. The buoyancy for the overall GTR is 1.08. However, this may fall below 1 in FY26 once the revised estimates are available because those would reflect the impact of PIT and GST reforms introduced in FY26.

In summary, the tax side performance of GoI's GTR reflects a structural change where PIT's share in the GTR has gone up and CIT's share has gone down. The share of indirect taxes has remained volatile, although over the period as a whole, there is a marginal fall.

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[2] https://data.worldbank.org/indicator/TM.TAX.MRCH.WM.AR.ZS?locations=IN

[3] https://www.pib.gov.in/PressNoteDetails.aspx?NoteId=155137&ModuleId=3&reg=3&lang=2#:~:text=The%20Income%20Tax%20Act%2C%202025%20introduces%20a%20streamlined%20and%20modernized,and%20align%20with%20technological%20developments.

Table 4: Tax revenue performance: Tax-GDP ratios, growth and buoyancy

	Gross tax revenues	Net tax revenues	Corporation tax	Personal income tax	Indirect Taxes
% to GDP					
FY23	11.4	7.8	3.1	3.1	5.2
FY24	11.5	7.7	3.0	3.5	5.0
FY25 (CGA Actuals)	11.5	7.6	3.0	3.7	4.8
FY26 (BE)	11.8	7.9	3.0	4.0	4.8
FY13-19 Average	*10.6*	*7.2*	*3.4*	*2.3*	*5.0*
FY23-25	*11.4*	*7.7*	*3.0*	*3.4*	*5.0*
FY23-25 avg minus FY13-19	*0.8*	*0.5*	*-0.4*	*1.2*	*0.0*
Growth					
FY23	12.7	16.2	16.0	19.7	7.2
FY24	13.5	10.9	10.3	25.4	8.2
FY25 (CGA Actuals)	9.5	7.4	8.3	18.2	4.2
FY26 (BE) over FY25 (Actuals)	12.5	13.5	9.7	16.4	10.3
CAGR (FY19-FY25 (Actuals))	10.5	11.3	6.8	17.3	8.9
Buoyancy					
FY23	0.91	1.2	1.1	1.4	0.5
FY24	1.12	0.9	0.9	2.1	0.7
FY25 (CGA Actuals)	0.97	0.8	0.8	1.9	0.4
FY26 (BE)	1.39	1.5	1.1	1.8	1.1
CAGR (FY19-FY25 (Actuals))	1.08	1.2	0.7	1.8	0.9

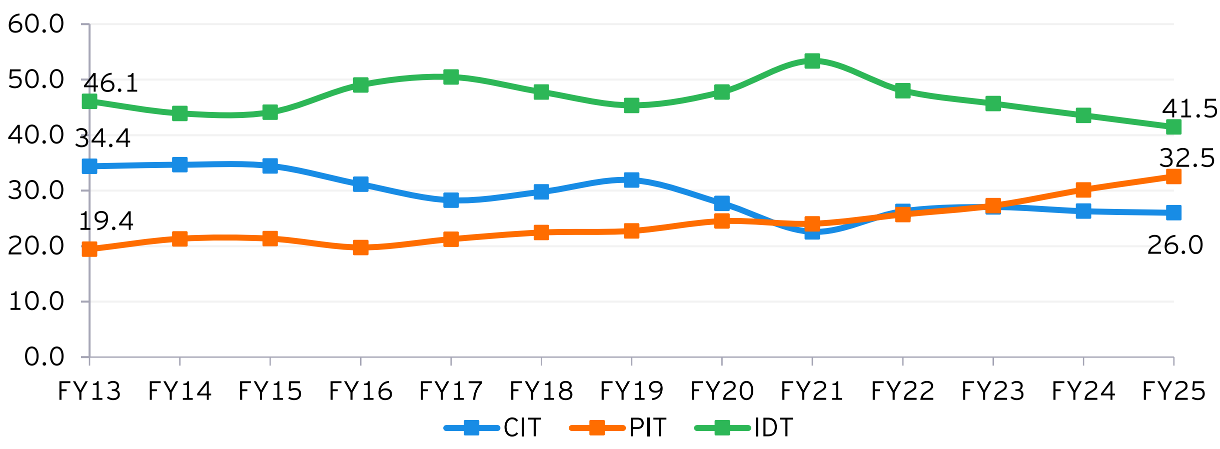
Source (basic data): CGA, MoSPI, Union Budget FY26
Note: For the period FY23-25, data is sourced from CGA. Securities Transaction Tax has been added to PIT, other taxes and receipts are added to indirect taxes.

From a structural viewpoint, the following features of GoI's tax revenues may be highlighted as shown in Chart 7.

1) Over the period FY13-25, the dependence on indirect taxes has fallen from 46.1% to 41.5%.
2) The corresponding share of direct taxes in GoI's GTR has increased from 53.9% to 58.5%.
3) After accounting for roughly the same shares during FY21-23, the share of PIT has crossed that of CIT in FY23. By FY25, the share of PIT at 32.5% exceeded that of CIT by 6.5% points.

The FY26 BE numbers for the GTR and its components are likely to be revised substantially, involving a fall in the shares both of PIT and GST due to extensive reforms that were undertaken for these two taxes in FY26.

Chart 7: Tax-wise share in gross tax revenues



Source: Union Budget documents, CGA

Expenditure reforms

Expenditure to GDP ratio is an indicator of government demand. There are a number of key changes in the structure of GoI's demand over the period from FY13 to FY25. The main change is in the falling share of revenue expenditure mirroring the increasing share of capital expenditure. It is even more relevant to look at the share of primary revenue expenditure since interest payments that are excluded from revenue expenditure are only transfer payments. Ignoring the years around Covid, we may compare the GoI's primary revenue expenditure to GDP ratio of 9.4% in FY13 with the corresponding ratio of 7.5% in FY25 (Actuals). This reflects a substantive fall of nearly 2.0% points. This is indirectly a reflection of reduction of GoI consumption demand relative to GDP. On the other hand, GoI's investment demand as reflected in the share of its capital expenditure to GDP ratio shows an increase over the same period from a low level of 1.7% to 3.2%, which is almost double the FY13 level. GoI's interest payments relative to GDP have also increased marginally during this period from 3.2% to 3.4%.

Table 5: Expenditure aggregates as percentage of GDP at current prices

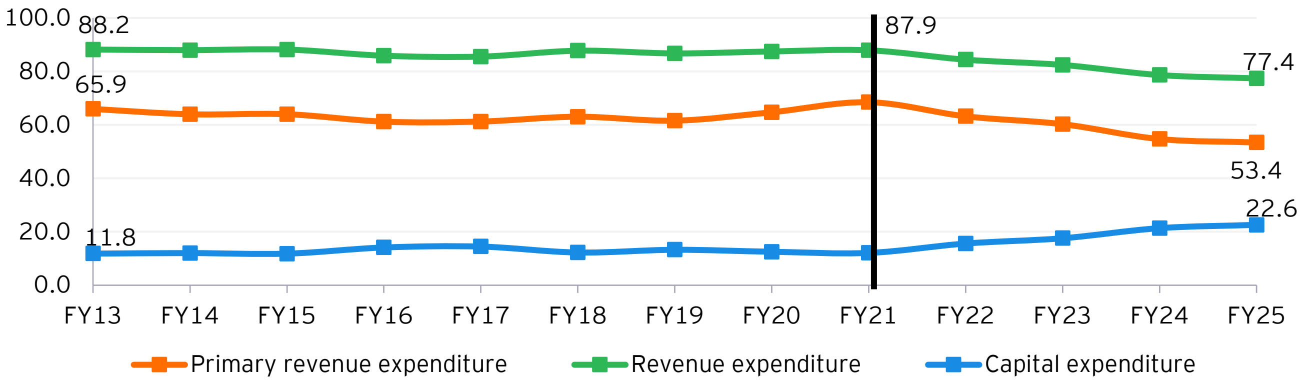
Fiscal year	Central government						General government expenditure
	Total expenditure	Revenue expenditure	Capital expenditure	Interest payments	Primary expenditure	Primary revenue expenditure	
FY13	14.2	12.5	1.7	3.2	11.0	9.4	26.6
FY14	13.9	12.2	1.7	3.3	10.6	8.9	26.3
FY15	13.3	11.8	1.6	3.2	10.1	8.5	25.5
FY16	13.0	11.2	1.8	3.2	9.8	8.0	27.4
FY17	12.9	11.0	1.9	3.1	9.7	7.9	27.8
FY18	12.5	11.0	1.5	3.1	9.4	7.9	26.2
FY19	12.2	10.6	1.6	3.1	9.2	7.5	26.4
FY20	13.4	11.7	1.7	3.0	10.3	8.6	26.6
FY21	17.7	15.5	2.1	3.4	14.2	12.1	30.6
FY22	16.1	13.6	2.5	3.4	12.7	10.2	29.2
FY23	15.6	12.8	2.7	3.5	12.1	9.4	28.5
FY24	14.8	11.6	3.2	3.5	11.2	8.1	26.6
FY25	14.1	10.9	3.2	3.4	10.7	7.5	27.4
FY25 minus FY13	-0.1	-1.6	1.5	0.2	-0.3	-1.8	0.8

Source: Union Budget documents, CGA

This structural change is also reflected in Chart 8 where the following features may be noted. Over the period from FY13 to FY25:

1) Share of revenue expenditure in total expenditure fell from 88.2% to 77.4%, a fall of 10.8% points.
2) Share of primary revenue expenditure fell from 65.9% to 53.4%, a fall of 12.5% points.
3) Share of capital expenditure in total expenditure increased from 11.8% to 22.6%, an increase of nearly 11.0% points.

Chart 8: Key changes in structure of GoI's total expenditure (% shares)



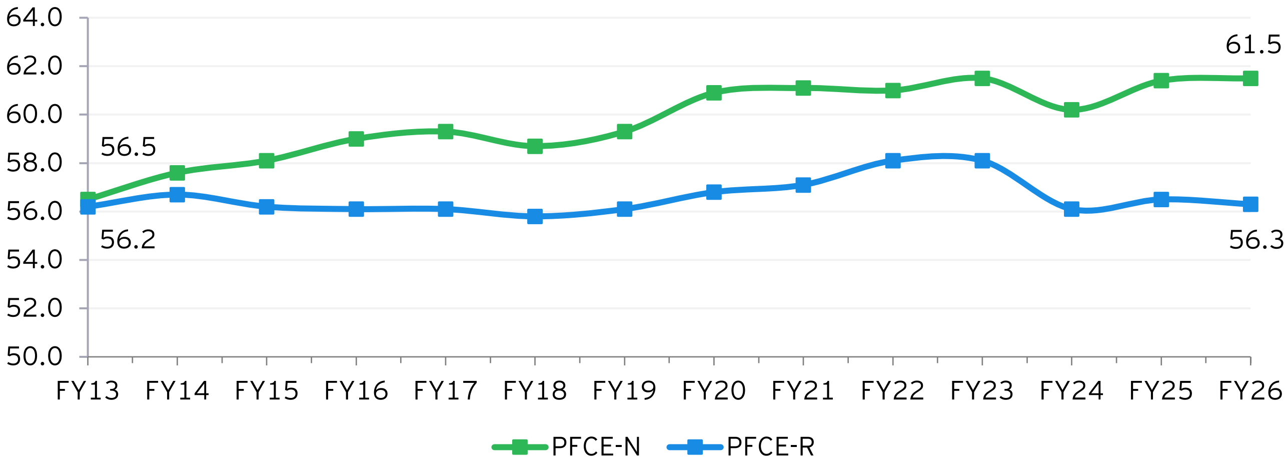
Source: Union Budget documents, CGA

Since 2015, continued reform affecting the structure of GoI expenditure led to a steady fall in the share of revenue expenditure and correspondingly, an increase in the share of capital expenditure. This effort particularly accelerated in the post-Covid years. As a result, after a Covid year peak share of revenue expenditure of about 88%, this fell to nearly 77% by FY25, a fall of about 11% points. Correspondingly, the share of capital expenditure in GoI's total expenditure increased by a similar margin. This structural change constituted the core of GoI's growth supporting strategy whereby both domestic demand and domestic capacity could be augmented.

1.1.1. Trends in private and government final consumption expenditure: The differential inflation effect

Chart 9 shows that, measured in real terms, the share of PFCE in GDP shows hardly any change when we compare FY13 levels with FY26 levels. These levels are, respectively, 56.2% and 56.3%. On the other hand, there is a substantive change in the share of PFCE relative to GDP measured at current prices. This level was 56.5% in FY13. It rose to 61.5% in FY26, an increase of 5% points. This differential change is due to the differential inflation in respect of consumption goods vis-à-vis investment goods.

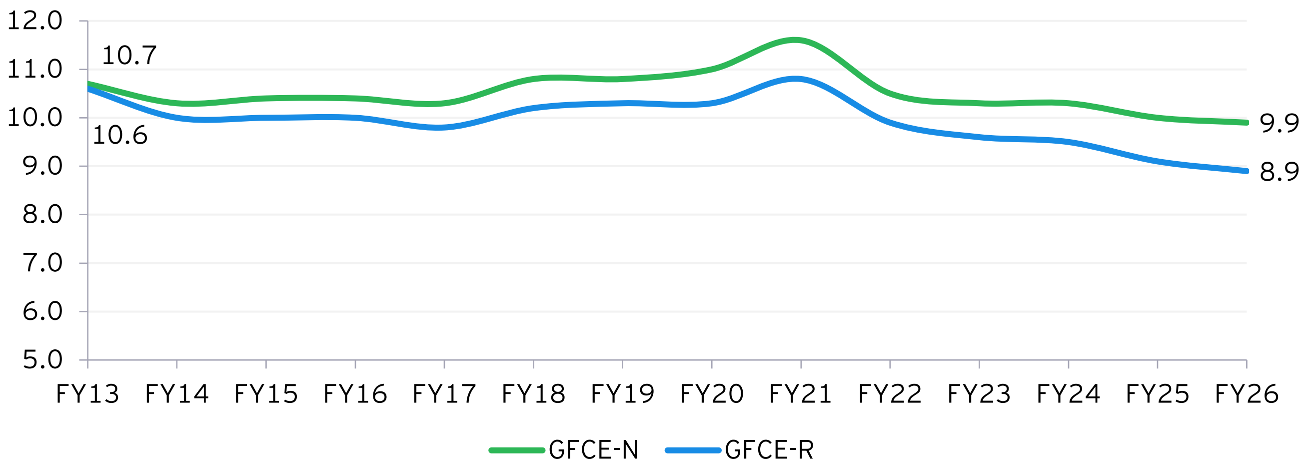
Chart 9: PFCE as percentage to GDP



Source: Union Budget documents, CGA

Chart 10 shows the effect of this factor with respect to government final consumption expenditure. There is a small difference with its nominal share being 10.7% in FY13 vis-à-vis its real share at 10.6%. This difference progressively widened to 1% point, with its nominal and real shares at 9.9% and 8.9% respectively in FY26. Thus, the share of GFCE relative to GDP in real terms fell by 1.7% points.

Chart 10: GFCE as percentage to GDP



Source: Union Budget documents, CGA

Together, total final consumption expenditure in real terms fell by a margin of nearly (-)1.6% points of GDP, attributable to a (-)1.7% points fall in GFCE. On the other hand, there is a gain of 4.2% points in the share of total final consumption expenditure when these ratios are looked at in current prices attributable mainly to a 5.0% points increase in the share of PFCE accompanied by a (-)0.8% points fall in GFCE.

Correspondingly, in respect of total investment demand as measured by GFCF relative to GDP, there is a tangible fall when considered in nominal terms and near stability in real terms. Thus, comparing FY13 to FY26, the GFCF to GDP ratio fell from 33.4% to 30.0% in nominal terms, that is a fall of (-)3.4% points, whereas in real terms it changed from 34.1% to 33.8%, a fall of only (-)0.3% points. Considering these structural patterns in consumption and investment demand together, we find that in real terms, the relative shares of consumption and investment have not changed much but in nominal terms the share of consumption demand has increased and that of investment demand has fallen tangibly.

1.1.2. Structure of GoI's revenue expenditure

Over the period from FY13 to FY25 (RE), there are important changes in the structure of GoI's revenue expenditure (Table 6). The relative share of revenue expenditure in total expenditure has fallen by (-)10.3% points, which is largely due to a fall in primary revenue expenditure of (-)13.2% points, within which a fall in subsidies of (-)9.8% points constituted the core reform. Two components of GoI's revenue expenditure, namely, interest payments and pensions experienced an increase in their respective shares by margins of 2.9% points and 0.5% points, respectively. Grants-in-aid to state governments also increased by 0.6% points during this period. Revenue expenditure on account of defense services has decreased by (-)1.7% points.

Table 6: Components of GoI's revenue expenditure as % of total expenditure

Fiscal year	Revenue expenditure	Interest payments	Primary revenue expenditure	Subsidies	Pensions	Defense services	Grants-in-aid to state governments	Other revenue expenditures
FY13	88.2	22.2	66.0	18.2	4.9	7.9	12.4	22.5
FY14	88.0	24.0	64.0	16.3	4.8	8.0	12.3	22.6
FY15	88.2	24.2	64.0	15.5	5.6	8.2	19.7	14.9
FY16	85.9	24.7	61.2	14.7	5.4	8.1	17.1	15.8
FY17	85.6	24.3	61.3	11.9	6.7	8.4	14.2	20.2
FY18	87.7	24.7	63.0	10.5	6.8	8.7	17.4	19.7
FY19	86.7	25.2	61.5	9.6	6.9	8.4	15.9	20.6
FY20	87.5	22.6	64.9	9.8	6.8	7.7	18.4	22.2
FY21	87.9	19.1	68.7	21.6	5.9	5.9	15.0	20.3
FY22	84.4	21.1	63.3	13.3	5.2	6.0	14.9	23.8
FY23	82.4	22.1	60.2	13.8	5.8	6.1	13.8	20.7
FY24	78.6	23.9	54.7	9.8	5.4	6.5	12.2	20.9
FY25 (RE)	78.4	24.1	54.3	9.1	5.8	6.3	11.3	21.8
FY26 (BE)	77.9	25.2	52.7	8.4	5.5	6.2	13.0	19.7
FY25 (RE) - FY13	*-10.3*	*2.9*	*-13.2*	*-9.8*	*0.5*	*-1.7*	*0.6*	*-2.8*

Source (basic data): Union Budget documents from various years

1.1.3. Structure of GoI's capital expenditure

The structure of GoI's capital expenditure has also undergone certain changes in favor of capital outlay, particularly that of the non-defense segments as also the share of loans and advances (Table 7). During the period from FY13 to FY25 (RE), increase in capital expenditure as a proportion of total expenditure was to the extent of 10.3% points, of which non-defense capital expenditure was to the extent of 8.6% points. Share of defense capital expenditure fell by (-)1.3% points. It is notable that the share of defense expenditure, both with respect to revenue and capital expenditures, fell during this period. Share of loans and advances including those to the states increased by a margin of 3.0% points.

Table 7: Components of GoI's capital expenditure as % of total expenditure

Fiscal year	Total capital expenditure	Capital outlay	Defense	Non-Defense	Loans and advances (including those to states)
FY13	11.8	10.4	5.1	5.2	1.5
FY14	12.0	10.8	5.1	5.7	1.2
FY15	11.8	10.1	5.0	5.1	1.8
FY16	14.1	12.7	4.7	8.0	1.5
FY17	14.4	12.5	4.6	7.9	1.9
FY18	12.3	11.4	4.5	7.0	0.8
FY19	13.3	12.1	4.3	7.8	1.2
FY20	12.5	11.6	4.3	7.3	0.9
FY21	12.1	9.0	4.0	5.0	3.1
FY22	15.6	14.1	3.8	10.3	1.5
FY23	17.6	14.9	3.6	11.3	2.7
FY24	21.4	17.7	3.7	14.0	3.6
FY25 (RE)	21.6	18.0	3.6	14.4	3.6
FY26 (BE)	22.1	17.7	3.8	13.9	4.5
FY25 (RE) - FY13	10.3	7.3	*-1.3*	8.6	3.0

Source (basic data): Union Budget documents from various years

Fiscal arithmetic for Budget FY27

Budgetary arithmetic for FY27 will be anchored on the revised estimates for FY26. These RE numbers are likely to significantly differ from the FY26 Budget estimates. The most critical adjustment may manifest itself in a shortfall in GoI's GTR. In Column (3) of Table 8, the GTR collections up to the first eight months show a magnitude of INR23.4 lakh crore, implying that another INR19.3 lakh crore need to be raised to meet the budget estimates (col (4)). In the first eight months of FY26, GTR growth was only 3.3% as against a budgeted growth over FY25 (RE) of 10.8%. This trend implies that there would be a substantial shortfall in GoI's GTR in FY26 compared to the budget estimates. We estimate the magnitude of the shortfall in the GTR to be nearly INR2.3 lakh crore and that in the net tax revenues to be about INR1.5 lakh crore. This is based on a likely realized GTR buoyancy of 0.8, which is lower than the assumed buoyancy of 1.07.

The shortfall in the net tax revenues needs to be partially made up through additional non-tax revenues and non-debt capital receipts, if the fiscal deficit target of 4.4% of GDP[4] is to be met. We expect that for a number of reasons, suitable adjustments would be possible to achieve this target. First, non-tax revenues may exceed the budget estimate of INR5.8 lakh crore by about INR70,000 crore. Second, there would also be some additional revenues on account of the two newly introduced measures relating to central excise duty on tobacco and tobacco products and the Public Health Security and National Security Cess.

The remaining adjustment needs to come from reduction in expenditure. Considering GoI's capital expenditures to be important for maintaining the growth momentum, the major expenditure adjustment may come through a reduction in revenue expenditure. It may thus be possible to meet the budgeted fiscal deficit target of 4.4% of GDP with relatively larger cuts in revenue expenditure, which has grown by only 1.8% during the first eight months of FY26. We assume that budgeted magnitude for capital expenditure may be achieved. It is from these estimated numbers for FY26 that one can look at the likely FY27 BE magnitudes.

[4] It may be noted that the FAE estimates of FY26 nominal GDP magnitude at INR357.1 lakh crore is comparable with the magnitude for FY26 given in the FY26 Budget at INR357 lakh crore.

Table 8: Fiscal Arithmetic for Budget FY27

#	Item	Apr-Nov FY26	Dec-Mar FY26 (to achieve BE)	FY26 (EY Est)	FY27 (EY proj.)	FY25	FY26 (BE)	FY26 (EY Est)	FY27 (EY proj.)	FY26 (Est.) over FY25	FY27 (proj) over FY26 (Est.)
		INR lakh crore				% to GDP				% growth	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
1	Gross tax revenues	23.4	19.3	40.4	44.2	11.5	11.96	11.31	11.3	6.4	9.5
2	Assignment to states	9.4	4.9	13.5	14.7	3.9	4.01	3.79	3.8	4.5	8.3
3	Net tax revenues	13.9	14.4	26.8	29.5	7.6	7.94	7.51	7.6	7.4	10.1
4	Non-tax revenues	5.2	0.7	6.5	7.2	1.6	1.63	1.83	1.8	21.5	9.5
5=3+4	Revenue receipts	19.1	15.1	33.4	36.7	9.2	9.58	9.34	9.4	9.9	10.0
6	Non-debt capital receipts	0.4	0.4	0.8	0.8	0.1	0.21	0.21	0.2	81.7	9.5
7=5+6	Non-debt receipts	19.5	15.5	34.1	37.5	9.3	9.79	9.56	9.6	10.9	10.0
8	Fiscal deficit	9.8	5.9	15.7	15.6	4.8	4.39	4.39	4.0		
9=10+11	Total expenditure	29.3	21.4	49.8	53.2	14.1	14.18	13.95	13.6	7.0	6.7
10	Revenue exp.	22.7	16.8	38.6	40.9	10.9	11.04	10.81	10.5	7.1	5.9
11	Capital exp.	6.6	4.6	11.2	12.3	3.2	3.14	3.14	3.1	6.6	9.5
12=10-5	Revenue deficit	3.6	1.7	5.2	4.2	1.7	1.47	1.47	1.1		
13	Debt	-	-	200.3	216.0	56.0#	56.1	56.2	55.2		
	Memo					*INR lakh crore*				*% growth*	
14	Nominal GDP					330.7	357.1	357.1	391.1	8.0	9.5

Source: Authors' estimates

The macro parameters critical for the FY27 Budget magnitudes relate to the assumed nominal GDP growth and the fiscal deficit target. We expect the nominal GDP growth in FY27 to be higher considering the 8% nominal GDP growth in NSO's FAE for FY26 as exceptionally low. Inflation is likely to pick up in FY27, compared to FY26. RBI's CPI projections for the first two quarters of FY27 are at 3.9% and 4.0% respectively. Combining our estimate of real GDP growth for FY27 at 6.5% with an IPD-based inflation of slightly below 3.0% vis-à-vis the subdued level of 0.5% in FY26, the nominal GDP growth for FY27 may be estimated at about 9.5%. We also assume GTR buoyancy in FY27 to be somewhat higher at 1.0, than that realized in FY26. The GoI's capital expenditure growth in FY27 may be kept at least equal to nominal GDP growth.

In spite of the revenue shortfall in FY26 (RE) compared to the budget estimates we consider that the fiscal deficit target of 4.4% of GDP may still be achieved. Going forward, it may be desirable to continue on the path of fiscal consolidation and target a fiscal deficit to GDP ratio of 4.0% in FY27.

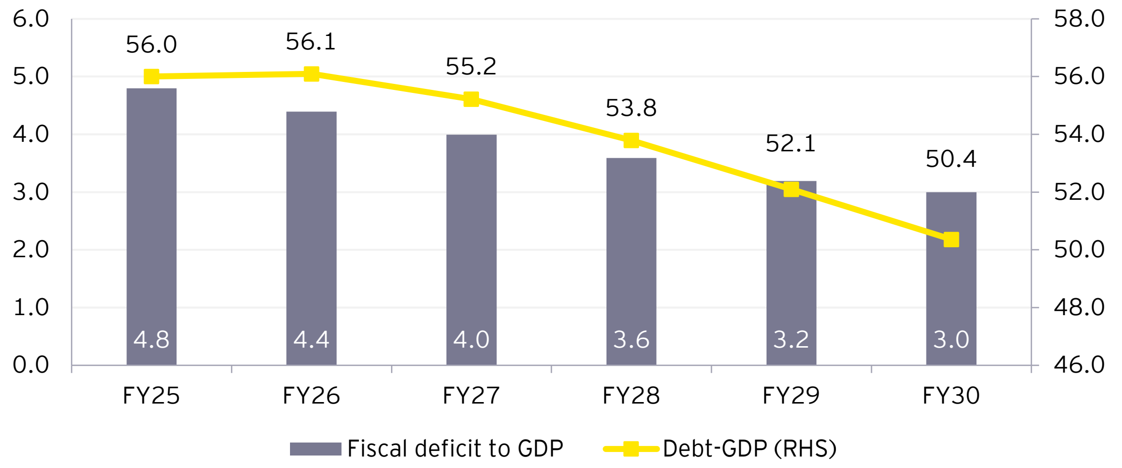
Fiscal consolidation: Calibrating debt and fiscal deficit outcomes

In the Medium Term Fiscal Policy cum Fiscal Policy Strategy Statement (MTFPFPSS) of Budget FY26, the budget had indicated mild, moderate, and high fiscal consolidation adjustment paths with alternative assumptions regarding nominal growth rate in the next five years. The estimated nominal GDP growth of 8.0% in FY26 and the likelihood of continuation of a nominal GDP growth in the range of 9.5%-10.0% in the medium term affects the estimation of the medium-term consolidation path. In fact, in the MTFPFPSS of Budget FY26, the alternative nominal GDP growth rates are given as 10%, 10.5% and 11.0%. These may need to be revised in view of the likelihood of the nominal GDP growth being lower.

The relatively low nominal GDP growth of 8.0% in FY26 has important implications for GoI's strategy of targeting an annual reduction in the debt-GDP ratio. Calculations show the movement from FY25 to FY26 implies an increase in the GoI's debt-GDP ratio from 56.0% to 56.1% even if the fiscal deficit target of 4.4% of GDP is achieved. This is because of the inordinately low level of nominal GDP growth of 8.0%.

In Chart 11, we construct a profile of medium-term path for the GoI's debt and fiscal deficit relative to GDP assuming (1) a nominal GDP growth of 9.5% in FY27, and 10% thereafter and (2) a continuing reduction in the fiscal deficit to GDP ratio of 40 basis points per year for the next four to five years to reach a fiscal deficit level of 3% of GDP by FY30. After that, the fiscal deficit to GDP ratio can be stabilized at 3% and the rate of reduction in the debt-GDP ratio would then depend on the profile of nominal GDP growth.

Chart 11: Medium-term fiscal consolidation path



Source: EY estimates

It is also worthwhile to consider the saving-investment balance and whether this path of fiscal deficit will represent any excessive claims of the public sector on the investible surplus of the system. Here, we need to match the profiles of investible resources of the system with the demand for these resources emanating from different sectors.

Total investible resources are calculated by the excess of household savings over its investment, which is reflected in household sector financial savings. The household sector financial savings as percentage of GDP has shown a falling trend in recent years. At its peak, it averaged 10.7% of GDP during FY09 to FY11. Since then, there has been a fall in this ratio which averaged 7.7% during the three pre-Covid years. Ignoring the Covid year, we find that in FY24, household sector financial savings fell to 5.2% of GDP. In this year, net inflow of capital from abroad is estimated at 0.7% of GDP. This adds to a supply of investible resources of 5.8% of GDP. Two sectors constitute a net demand on this supply of investible resources: the public sector including government, and the private corporate sector. The general government has the first claim on this supply in the form of consolidated fiscal deficit of the central and state governments. The net demand from the public sector including the non-government public sector was 6.0% of GDP. The net demand from private corporate sector was 0.6% of GDP. The supply and demand are matched at 5.8% of GDP after taking into account the investment in valuables, excess of household physical investment over household physical savings and errors and omissions adding to nearly (-)0.8% of GDP.

In FY24, the general government fiscal deficit was at 8.5% of GDP, of which GoI claimed 5.6% of GDP. Clearly, GoI has had a pre-emptive claim on these investible resources of 5.8% leaving little for non-government public sector or the private corporate sector. As GoI's fiscal deficit goes down to 3% of GDP, additional investment space may open up both for the private corporate sector and the non-government public sector.

Medium term growth prospects: Continuing external headwinds

The World Bank, in its January 2026 issue of the Global Economic Prospects, has revised upwards its June 2025 estimate of India's real GDP growth for FY26 by 0.9% points to 7.2% with domestic demand remaining robust, reflecting strong private consumption, supported by earlier tax reforms and improvements in real household earnings in rural areas. The IMF (World Economic Outlook Update, January 2026) also revised India's real GDP growth for 2025 (FY26) by 0.7% points to 7.3% as compared to its previous forecast.

The World Bank observed that alongside resilient services exports, merchandise exports rose in November 2025 despite increases in US import tariffs on many Indian goods partly reflecting buoyant demand from the US and other trading partners, supported by efforts to diversify export markets to increase resilience. World Bank growth projection in FY27 remained at 6.5% given the strong momentum in domestic demand. Growth is forecasted to increase to 6.6% in FY28, underpinned by robust services activity, as well as a recovery in exports and a pickup in investment. With this, India is projected to maintain the fastest growth rate among the world's largest economies over the period from 2025 (FY26 for India) to 2027 (FY28 for India).

The vulnerability of India's economic growth is linked to the volatility of the contribution of its net exports (exports net of imports) to its GDP growth (Table 9). The growth performance of total exports and imports indicates that FY24 was qualitatively and significantly different from FY25. In FY24, because of large excess of import growth over export growth, the contribution of net exports was negative in all the four quarters. In this year, global crude prices were relatively high in the range of US$76.6/bbl. to US$85.3/bbl., on the basis of quarterly averages. This pattern changed in FY25. Global crude prices fell and ranged between US$72.9/bbl. and US$83.6/bbl. The annual averages for FY24 and FY25 were US$81.1/bbl. and US$77.1/bbl. respectively. Accordingly, the contribution of net exports turned positive in FY25. In the first two quarters of FY26, other factors came into play although global crude prices remained relatively low, averaging US$66.7/bbl. during this period. In these two quarters, export growth was 6.3% and 5.6%, respectively, but import growth was higher at 10.9% and 12.8% respectively. It may be noted that in these two quarters, exchange rate depreciated tangibly making India's imports costlier in INR terms. In fact, in dollar terms the growth in imports of goods and services in these two quarters was only 3.3% and 4.0% respectively.

While demand for Indian exports is not much in the control of domestic policymakers, the effort has been to make Indian exports competitive through cost side initiatives. These include reduction in logistics costs through infrastructure expansion, and supply chain diversification including sources of access to critical minerals. From the viewpoint of overall growth, India may have to continue with ongoing uncertainties in regard to its foreign trade.

Table 9: Performance of external sector: recent trends

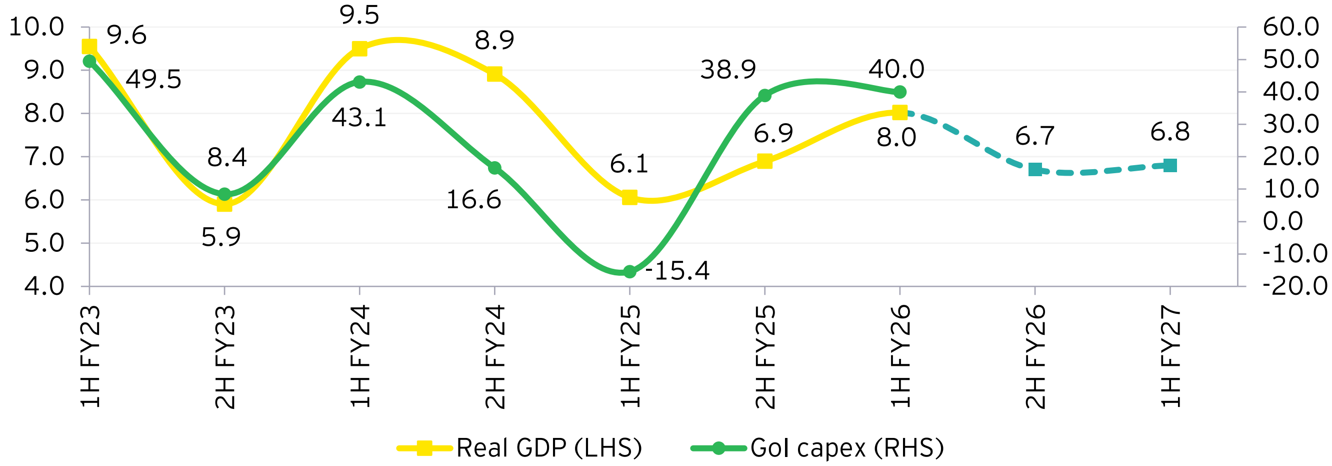
	Growth (% annual)		% points	
	Exports of goods and services	Imports of goods and services	Excess of import growth over export growth	Contribution of net exports
1QFY24	-7.0	18.0	25.0	-6.1
2QFY24	4.6	14.3	9.7	-2.6
3QFY24	3.0	11.3	8.4	-2.0
4QFY24	7.7	11.4	3.7	-0.7
1QFY25	8.3	-1.6	-9.8	2.1
2QFY25	3.0	1.0	-2.0	0.4
3QFY25	10.8	-2.1	-12.9	2.8
4QFY25	3.9	-12.7	-16.5	3.7
1QFY26	6.3	10.9	4.5	-1.4
2QFY26	5.6	12.8	7.2	-2.1
FY24	2.2	13.8	11.6	-2.8
FY25	6.3	-3.7	-10.0	2.3

Source: MoSPI

As far as the domestic economy is concerned, it has shown a robust post-Covid recovery driven largely by GoI's capex expansion. Chart 12 shows a close co-movement between GoI's capex growth and real GDP growth.

The missing link remains the contribution of private sector investment. One major uncertainty that the private sector faces emanates from the external sector. In the post-Covid era, global supply chain disruptions have affected the cost side and a continuing global slowdown has affected the demand side.

Chart 12: Half-yearly growth in GoI's capital expenditure and real GDP



Source: National Accounts, MoSPI

Policy perspectives

At the present juncture, the medium-term future of the Indian economy is characterized by continuing external demand uncertainty along with reliable domestic growth drivers. An impressive phase of post-Covid infrastructure expansion has led to progressive reduction in the logistics costs for the production sectors of the economy. There have been significant structural changes in the macroeconomic and fiscal parameters. In particular, although nominal investment to GDP ratio has fallen, real investment to GDP ratio has remained stable at 34.0% of GDP. The incremental capital output ratio has been around 5.0.

As far as fiscal aggregates are concerned, important structural changes have taken place. By reducing subsidies, the GoI has been able to reduce the revenue expenditure to GDP ratio from 12.5% in FY13 to about 11.0% in FY25. Correspondingly, the GoI capital expenditure relative to GDP has increased from 1.7% to 3.2% over the same period. Taxation policies have been such that the GTR to GDP ratio increased from 10.4% to 11.5% during the corresponding period. Extensive PIT and GST reforms may reduce this ratio to about 11.3% in FY26.

The scope for additional tax reforms along similar directions may now be limited. Going forward, it may be important to maintain the GoI's capex to GDP ratio in the range of 3% to 3.5% but emphasize the structure of this capital expenditure. Continued high growth in the expansion of physical infrastructure may be constrained but there is considerable scope for increasing defense capital expenditure, which has fallen over time. This may also have relatively large multipliers in the economy, particularly in the context of Aatmanirbhar Bharat where the private sector is being extensively involved in the defense sector. Public infrastructure is also critically needed in the advanced technologies segments where initial costs are rather large. Private sector participation in sectors such as AI, GenAI, space and robotics and advanced health infrastructure can be encouraged by sharing with them commonly available public sector infrastructure in these sectors.

Fiscal consolidation needs to be continued to create space for private investment by expanding their access to the investible surplus in the economy. External sector uncertainty is being correctly addressed through diversification of India's export destinations by expanding the list of countries with whom India has trade and investment agreements.

Concluding observations

The Indian economy has undergone a significant phase of post-Covid recovery. Important policy-driven structural changes in the economy have occurred since 2015 ignoring the interim Covid affected period of FY21 and FY22.

The following may be identified as significant macroeconomic structural changes over the period FY13 to FY26:

1) Total final consumption expenditure in real terms fell by a margin of nearly (-)1.6% points of GDP, on account of a (-)1.7% points fall in GFCE.
2) In respect of total investment demand as measured by GFCF relative to GDP, there is near stability in real terms, which was 34.1% in FY13 and nearly 34.0% in FY26. There was, however, a tangible fall in nominal terms in the GFCF to GDP ratio by a margin of about (-)3.4% points during this period.

With respect to the fiscal aggregates also, there have been significant changes. The following features are notable in regard to GoI's tax revenues:

1) Over the period FY13-FY25, the share of indirect taxes in GoI's GTR has fallen from 46.1% to 41.5%.
2) Correspondingly, the share of direct taxes in GoI's GTR has increased from 53.9% to 58.5% during this period.
3) The share of PIT revenues in the GTR crossed that of CIT in FY23. By FY25, the share of PIT at 32.5% exceeded that of CIT by 6.5% points.

On the GoI's expenditure side also, there have been important structural changes over the period FY13-25 as summarized below.

1) The share of revenue expenditure in total expenditure has fallen from 88.2% to 77.4%, a fall of 10.8% points. In this change, reduction in government subsidies played a key role. The share of defense revenue expenditures in GoI's total expenditure also fell during this period.
2) The share of primary revenue expenditure has fallen from 65.9% to 53.4%, a fall of 12.5% points.
3) The share of capital expenditure in total expenditure has increased from 11.8% to 22.6%, an increase of nearly 11.0% points. Within capital expenditure, the share of non-defense expenditure as also that of loans and advances increased and the share of defense capital expenditures fell.

From a medium-term perspective, some critical changes may have to be accommodated. First, the recommendations of the 8th Pay Commission, once they become available, may have a bearing on GoI and state government revenue expenditures. Second, the recommendations of the 16th Finance Commission would become available along with the FY27 Budget and become applicable with effect from 01 April 2026.

Going forward, in the medium term, as also in line with the objective of Viksit Bharat, fiscal policy may be able to play a key role while keeping certain changes in focus:

1) The share of capital expenditure in total government expenditure may be increased further but changing its composition in favor of advanced technology sectors such as AI, GenAI, space, robotics and advanced infrastructure as also defense capital expenditure is desirable.
2) This should be financed largely by progressively increasing the GTR-GDP ratio primarily based on improved compliance and buoyancy and not through additional structural tax reforms.
3) Fiscal consolidation should be continued till the FRBM fiscal deficit target of 3% of GDP for the GoI is reached, after which it may be stabilized at this level. GoI may continue reducing its debt to GDP ratio until a stable combination of debt and deficit relative to GDP is reached for an underlying nominal GDP growth.

6.

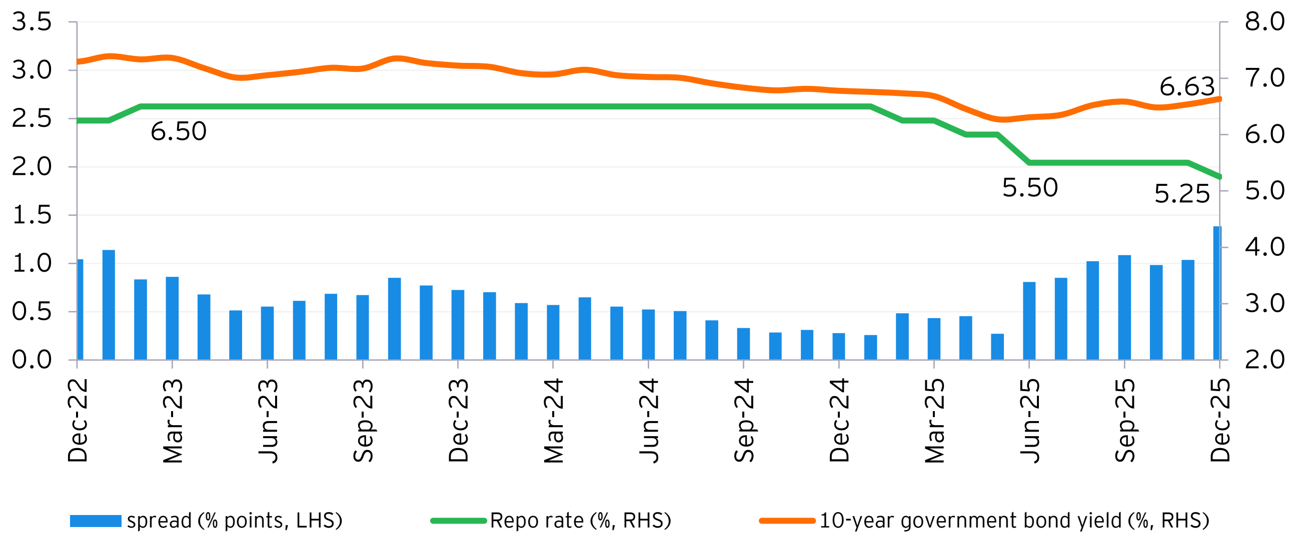
Money and finance: Gross bank credit grew by 11.5% in November 2025

Monetary sector

Monetary policy

- The Monetary Policy Committee (MPC) lowered the repo rate from 5.50% to 5.25% in its monetary policy review held in December 2025. The MPC also maintained a neutral policy stance. Cumulatively, the repo rate was reduced by 125 basis points during January-December 2025 across four tranches (Chart 13).
- In RBI's assessment, the CPI inflation outlook remains favorable, particularly with regard to food inflation, supported by higher kharif production, healthy rabi sowing and adequate reservoir levels. With regard to external price pressures, international commodity prices are likely to ease, except for certain metals. Given these prospects, the RBI projected CPI inflation to average low at 2.0% in FY26.

Chart 13: Movements in the repo rate and 10-year government bond yield



Source: Database on Indian Economy, RBI

Money stock

- Growth in broad money stock (M3)[5] increased to an 18-month high of 12.1% in December 2025 from 9.9% in November 2025 as growth in M1 and time deposits improved during the month.
- Growth in narrow money (M1) accelerated to 17.4% in December 2025 from 12.5% in November 2025. This increase was due to strong growth in demand deposits at 26.3% in December 2025 compared to 16.2% in November 2025. Growth of currency with the public also increased to 10.6% in December 2025 from 9.5% in November 2025.
- Growth in time deposits, the largest component of M3, increased to 10.5% in December 2025 from 9.1% in November 2025.

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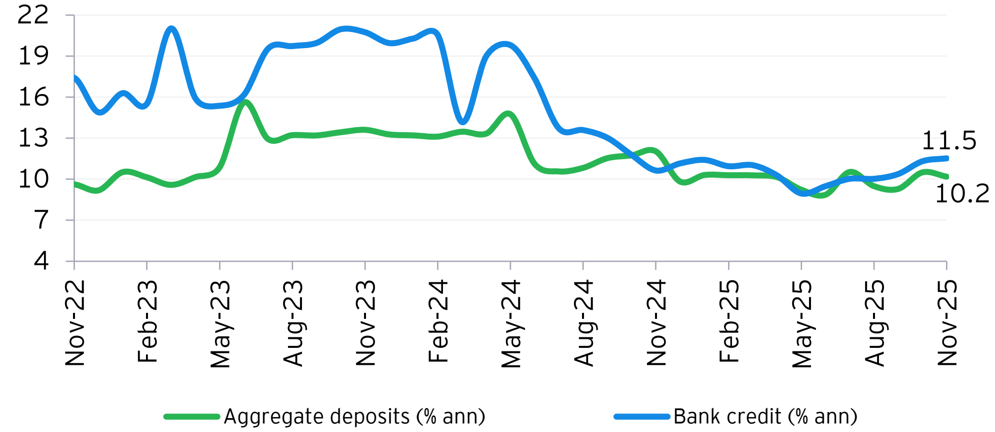
[5] The RBI has stopped reporting data on '*Money Stock: components and sources*' excluding the impact of merger of a non-bank with bank from 11-July-2025. Therefore, we have used M3 data that includes the impact of merger of a non-bank with a bank as reported by the RBI.

Aggregate credit and deposits

- Growth in gross bank credit[6] increased to a 13-month high of 11.5% in November 2025 from 11.3% in October 2025 **(Chart 14)**.
- Non-food credit also showed a higher growth of 11.4% in November 2025 from 11.1% in October 2025.

Chart 14: Growth in credit and deposits



Growth in gross bank credit increased to a 13-month high of 11.5% in November 2025.

Source: Database on Indian Economy, RBI

- Growth in other non-food credit, i.e., non-food credit excluding credit to agriculture, industry, services and personal loans, showed the highest growth of 15.9% in November 2025 recovering from a contraction of (-)5.5% in October 2025.
- Among the key segments of non-food credit, personal loans (share close to 30% in total non-food credit) continued to show a double-digit growth of 12.8% in November 2025. However, it was lower compared to 14.0% in October 2025. Among its sub-components, growth in housing loans fell marginally to 9.9% in November 2025 from 11.0% in October 2025. Growth in vehicle loans remained strong at 12.4% in November 2025 close to its level of 12.5% in October 2025. Loans for consumer durables, however, contracted by (-)5.9% in November 2025 following a low growth of 1.0% in October 2025.
- Growth in credit to services sector, with an average share of about 27% in total non-food credit (last five years) moderated marginally to 11.7% in November 2025 from 13.0% in October 2025.
- Outstanding credit to industries, having a share of about 25% on average in total non-food credit (last five years), showed a strong growth of 9.6% in November 2025 although lower compared to 10.0% in October 2025.
- Within industrial credit, among major segments, growth in credit to infrastructure, having the largest share in industrial credit, moderated to 4.3% in November 2025 from 4.6% in October 2025. Credit to iron and steel also showed a lower growth of 6.8% in November 2025 compared to 8.0% in October 2025. Similarly, growth in credit to textiles fell to 8.1% in November 2025 from 9.1% in October 2025.
- Credit to agricultural sector grew by 8.7% in November 2025, marginally lower compared to 8.9% in October 2025.
- Growth in aggregate deposits was slightly lower at 10.2% in November 2025 compared to 10.5% in October 2025.

[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 analyzed here includes the impact of merger of a non-bank with a bank.

Financial sector

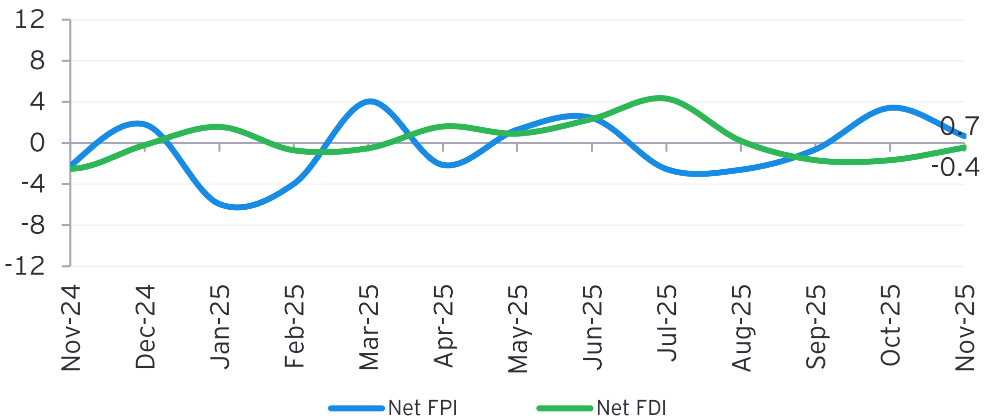
Interest rates

- As per the data released by the RBI in the first week of January 2026, the yield on 10-year government bonds (benchmark) increased for the second successive month to reach 6.63% in December 2025 from 6.54% in November 2025 **(Chart 15).** In 3QFY26, government bond yields averaged 6.55%, higher compared to 6.49% in 2QFY26.
- The average interest rate on term deposits with a maturity period of more than one year was maintained for the fourth consecutive month at 6.23% in December 2025, with actual rates ranging between 5.85% and 6.60%.
- The average MCLR was at 7.88% in November 2025, similar to its level in October 2025, with the actual MCLR ranging between 7.80% and 7.95% during the month.
- WALR on 'Fresh Rupee Loans' (FRL) by SCBs increased for the second successive month to 8.71% in November 2025 from 8.61% in October 2025.

FDI and FPI

- As per provisional data released by the RBI on 21 January 2026, overall foreign investments (FIs) inflows were lower at US$0.2 billion in November 2025 as compared to US$1.8 billion in October 2025 due to net FDI outflows and lower net FPI inflows.

Chart 15: Net FDI and FPI inflows (US$ billion)



Net FDI outflows were lower at US$0.4 billion in November 2025 and net FPI inflows fell to US$0.7 billion in November 2025.

Source: Database on Indian Economy, RBI

- Net FDI outflows were lower at US$0.4 billion in November 2025 as compared to outflows of US$1.7 billion in October 2025 (Chart 15). Even though repatriation/disinvestment increased to US$5.3 billion in November from US$5.0 billion in October 2025, FDI by India fell to US$1.5 billion in November 2025 from US$3.2 billion in October 2025 leading to a fall in net FDI outflows. Gross FDI inflows at US$6.4 billion in November 2025 were close to its level of US$6.5 billion in October 2025.
- On a cumulated basis, during April-November FY26, net FDI inflows were higher at US$5.6 billion as compared to US$0.8 billion during the corresponding period of FY25. Similarly, during April-November FY26, gross FDI inflows were also higher at US$64.7 billion as compared to US$55.8 billion during the corresponding period of FY25.
- Net FPI inflows were lower at US$0.7 billion in November 2025 as compared to US$3.4 billion in October 2025.
- During April-November FY26, on a cumulated basis, net FPI outflows amounted to US$0.03 billion as compared to net inflows amounting to US$7.6 billion during the corresponding period of FY25.

7.

Trade and CAB: Merchandise exports growth fell to 1.9% in December 2025

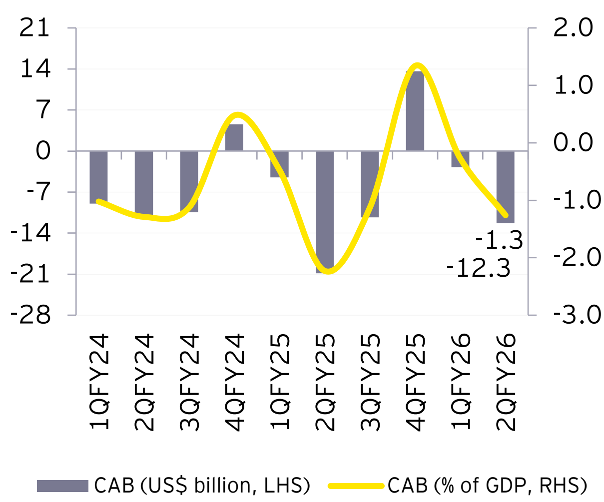
CAD widened to 1.3% of GDP in 2QFY26 from 0.3% in 1QFY26

- Led by a sharp increase in net merchandise trade deficit by 2.1% points of GDP accompanied by a 1.1% points improvement in net invisibles, current account deficit expanded to 1.3% in 2QFY26 from 0.3% of GDP in 1QFY26 (Table 10 and Chart 16).
- Net merchandise trade deficit widened to 9.0% of GDP in 2QFY26 from 6.8% in 1QFY26, as merchandise imports increased to a four-quarter high of 20.2% of GDP while merchandise exports remained stable at 11.2%. The increase in merchandise imports is primarily attributable to higher petroleum and fertilizer imports partly owing to higher prices of global commodities vis-à-vis those in 1QFY26.
- Net invisibles amounted to 7.7% of GDP in 2QFY26, its highest level since 2QFY09. Net invisibles were driven by both an increase in net services exports and net transfers.
- Over the first and second quarters of FY26, net services exports widened to 5.2% of GDP from 4.8% and net transfers to a 53-quarter high of 3.7% from 3.1% of GDP.
- Net income outflows remained nearly stable at (-)1.2% relative to GDP in 2QFY26 compared to (-)1.3% in 1QFY26.

Table 10: 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	-23.1	-286.9	263.9
3QFY25	-1.1	-11.3	-79.3	68.0
4QFY25	1.3	13.6	-59.3	72.9
1QFY26	-0.3	-2.7	-68.9	66.1
2QFY26	-1.3	-12.3	-87.4	75.1

Chart 16: CAB



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

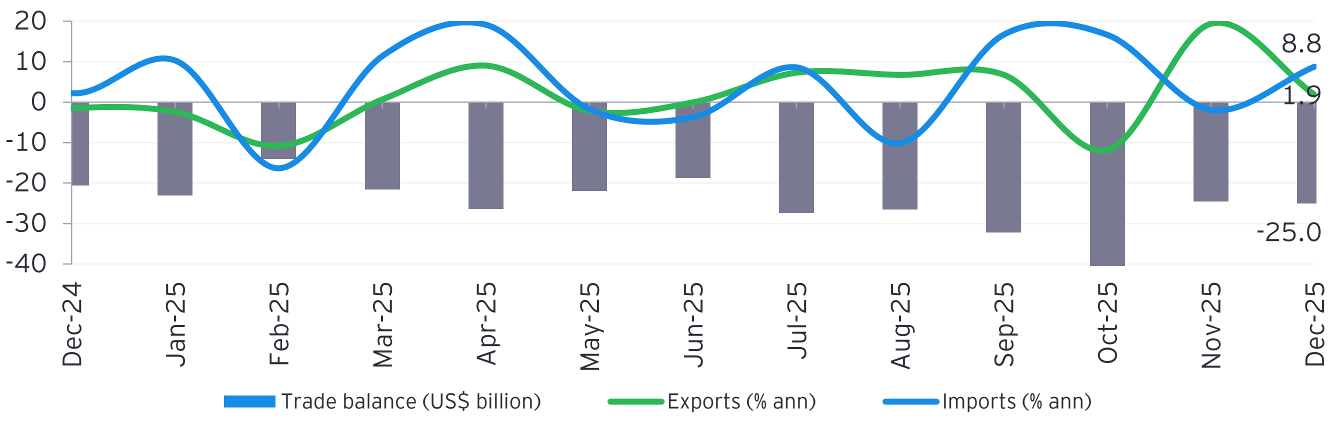
- Compared to 2QFY25, current account deficit in 2QFY26 eased by nearly 1.0% points of GDP to 1.3% from 2.2% of GDP, supported by robust expansion in services and merchandise exports and strong receipts from remittances.

Merchandise trade and exchange rates

> **Merchandise exports growth fell to 1.9% in December 2025 from 19.4% in November 2025 led by a sharp fall in growth of engineering goods exports while merchandise imports growth turned positive at 8.8% from (-)1.9% in the previous month.**

- Merchandise exports growth fell to 1.9% in December 2025 from 19.4% in November 2025.
- The fall in merchandise exports growth was led by a sharp fall in growth of engineering goods exports accompanied by a contraction in oil exports.
- Growth in exports of engineering goods and oil was at 1.3% and (-)6.5% in December 2025 as compared to 23.8% and 11.7% respectively in the previous month. Global crude prices showed a sustained decline in December 2025.
- Growth in exports of electronic goods also eased to 16.8%, its lowest level since September 2024.
- Exports to the US contracted by (-)1.8% in December 2025 as compared to a strong growth of 22.5% during November 2025.
- Higher growth in imports at 8.8% in December 2025 compared to (-)1.9% in November 2025 was attributable to a considerable moderation in the pace of contraction in gold imports to (-)12.1% in December 2025 from (-)59.2% in November 2025 led by the waning of base effects.
- This was accompanied by growth in imports of crude turning positive at 6.0% from (-)11.3% during the same period.
- Growth in exports excluding oil/coal, gold/silver and jewelry eased to 3.4% in December 2025 from 19.7% in November 2025 while that in imports of the same category moderated to 10.9% from 14.8% over the same period.

Chart 17: Developments in merchandise trade



Source: Ministry of Commerce and Industry, GoI

- Merchandise trade deficit was marginally higher at US$25.0 billion in December 2025, compared to a five-month low of US$24.5 billion in November 2025 **(Chart 17)**.
- Services trade surplus remained stable at US$17.4 billion in November 2025, the same level seen in October 2025, even as services exports and imports eased by similar margins of US$0.9 billion over the same period.
- The goods and services trade deficit moderated to a five-month low of US$7.1 billion in November 2025 on account of the sharp moderation in merchandise trade deficit from an unprecedented high of US$24.2 billion in the previous month.
- The Indian Rupee crossed the INR90/US$ threshold for the first time in history falling to INR90.1/US$ (average) in December 2025 compared to INR88.8/US$ in November 2025 led by delay in trade deals, trade-related uncertainties, strong global dollar demand amidst risk-off sentiment favoring safe-haven demand, and persistent foreign portfolio outflows.

8.

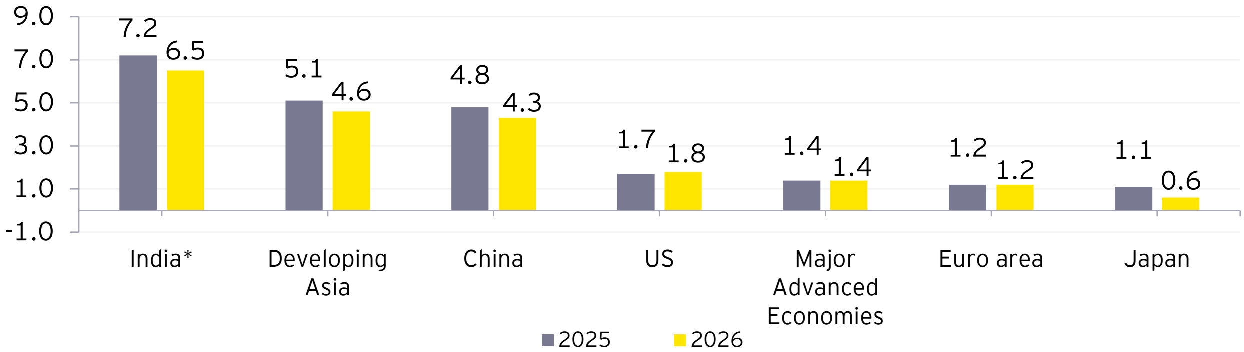
Global growth: ADB projected growth in Developing Asia at 5.1% in 2025 and 4.6% in 2026

Growth outlook

ADB projected Developing Asia to grow by 5.1% in 2025 and 4.6% in 2026 with India's FY26 and FY27 growth rates forecasted at 7.2% and 6.5%, respectively.

- As per the ADB (Asian Development Outlook, December 2025), growth in Developing Asia for 2025 is revised upward by 0.3% points to 5.1% primarily reflecting stronger than expected growth in India (Chart 18). Growth in the region is projected to ease to 4.6% in 2026 dented by higher US tariffs and weaker global economic activity. However, the 2026 forecast has also been revised up by 0.1% points compared to the September 2025 forecasts on account of reduced trade uncertainty following the conclusion of several trade agreements.
- Major advanced economies (the US, Euro area and Japan) are projected to grow by 1.4% in both 2025 and 2026 with their projections remaining unchanged compared to those in September 2025.
- In the US, growth is forecasted to ease from 2.8% in 2024 to 1.7% in 2025 and 1.8% in 2026 as inflation and policy uncertainty hit consumer spending and investment. The 2025 and 2026 forecasts remain unchanged from the September 2025 projections.
- Growth in the Euro area is projected to improve from 0.9% in 2024 to 1.2% in both 2025 and 2026, unchanged from the September 2025 forecasts. Low interest rates are expected to support domestic demand along with fiscal policy also helping offset external challenges, as cuts in current expenditures ease and public investment on infrastructure and defense picks up.
- Real GDP growth in Japan is projected at 1.1% in 2025, easing to 0.6% in 2026 with the external environment continuing to pose challenges. On the domestic side, expansionary fiscal policies may support growth but could exert upward pressure on bond yields and debt sustainability.
- China's 2025 growth forecast is revised up to 4.8% from 4.7% in September 2025, while the 2026 projection remains unchanged at 4.3%. The upward revision reflects stronger-than-expected GDP growth of 5.2% in the first three quarters of 2025 and new policy support, even as domestic demand remained subdued.

Chart 18: Growth projections (% annual)



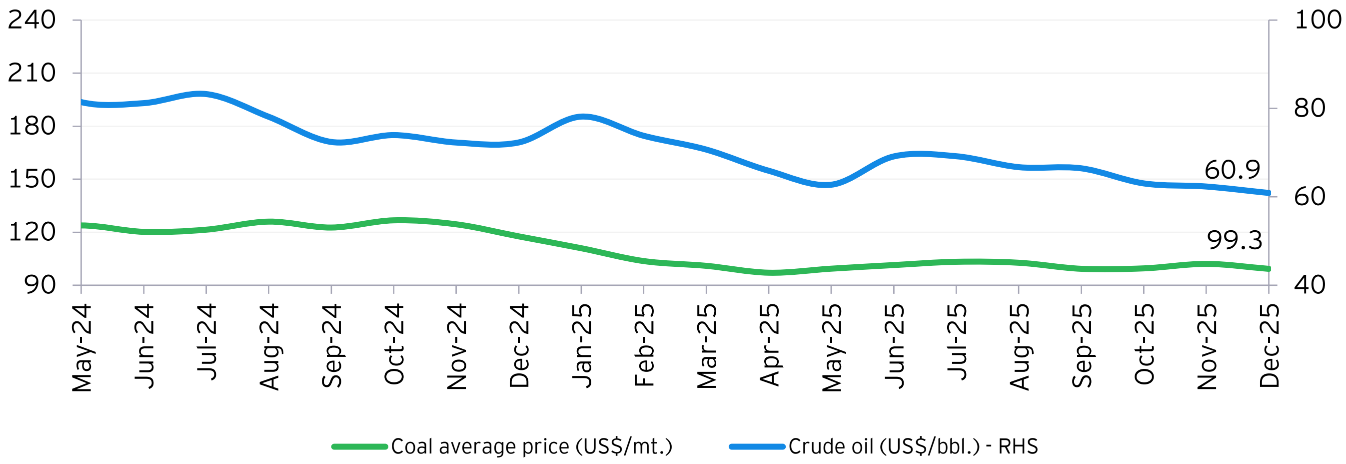
Source: Asian Development Outlook (December 2025)
*Data pertains to fiscal years

- India's growth forecast for 2025 (FY26) is revised to 7.2% from 6.5% estimated earlier. GDP grew faster than expected at 8.2% in 2QFY26 attributable to robust expansion of the manufacturing and services sectors on the supply side and consumption and investment on the demand side. Exports also remained resilient due to frontloading ahead of elevated US tariffs and diversification to non-US markets. Growth in FY26 is maintained at 6.5%. A strong growth outcome in the first half of FY26 is expected to result in an unfavorable base effect for the corresponding period in FY27. However, this is likely to be offset by recent measures incentivizing growth, such as enhanced labor market flexibility through a revamp of the labor laws, simplification of GST, relaxation of import restrictions for selected products, and credit relief and support to exporters affected by US tariffs.

Global energy prices: Global crude price at US$60.9/bbl. in December 2025 was at its lowest level since February 2021

- Average global crude price[7] fell for the fifth consecutive month from US$62.3/bbl. in November 2025 to US$60.9/bbl. in December 2025, its lowest level since February 2021 (Chart 19**)**. This may partly be attributable to the expectation of a Russia-Ukraine peace deal which would lead to increased supply in the global market as western sanctions would be lifted on Russian exports[8]. On a quarterly basis, global crude price averaged US$62.1/bbl. in 3QFY26, its lowest level since 4QFY21.
- Average global coal price[9] also eased from US$102.1/mt. in November 2025 to US$99.3/mt. in December 2025. On a quarterly basis, global coal price averaged US$100.3/mt. in 3QFY26, slightly lower than US$101.8/mt. in 2QFY26.

Chart 19: Global crude and coal prices



Source (basic data): World Bank Pink Sheets, January 2026

[7] Simple average of three spot prices, namely, Dated Brent, West Texas Intermediate and Dubai Fateh
[8] https://www.theguardian.com/business/2026/jan/01/oil-prices-record-steepest-annual-fall-covid-pandemic
[9] Simple average of Australian and South African coal prices.

9.
Index of Aggregate Demand (IAD): IAD grew by 5.0% in November 2025

Growth in IAD remained nearly stable at 5.0% in November 2025

- IAD[10] showed a healthy and stable growth of 5.0% in November 2025 close to its level of 5.1% in October 2025, largely driven by improved demand in the services sector (Chart 20 and Table 11).
- Demand conditions in the services sector recovered in November 2025 as reflected by PMI services (sa), which expanded at a robust pace of 59.8 during the month compared to 58.9 in October 2025.
- Demand conditions in the agricultural sector remained strong as reflected by a robust growth in agricultural credit at 8.7% (sa) in November 2025 although marginally lower compared to 9.0% in October 2025.
- In the manufacturing sector, however, there was a moderation in demand as indicated by a lower value of PMI manufacturing (sa) at 56.6 in November 2025 compared to 59.2 in October 2025.

Chart 20: Growth in IAD (%, y-o-y)

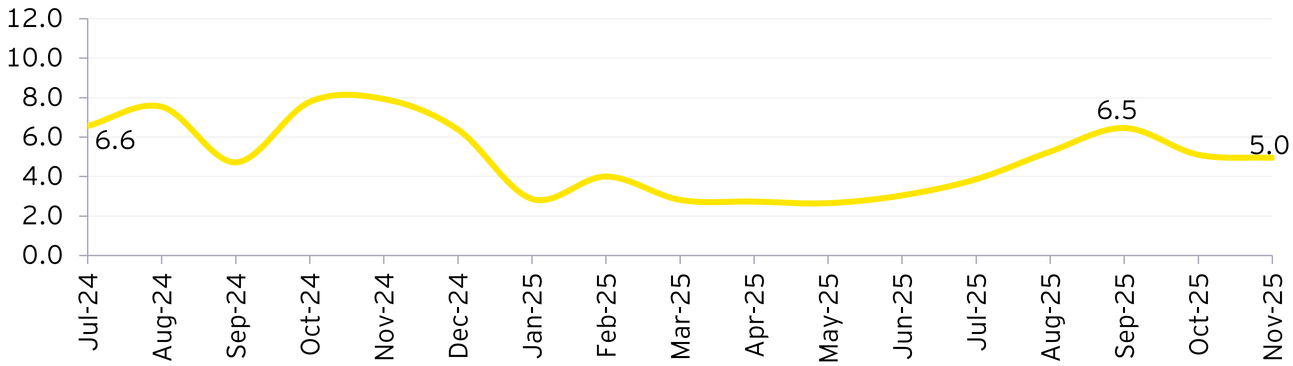


Table 11: IAD

Month	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25
IAD	182.7	183.3	183.2	185.8	187.2	190.7	189.1	189.0	189.0
Growth (% y-o-y)	2.8	2.7	2.7	3.0	3.9	5.3	6.5	5.1	5.0
Growth in agr. credit	10.5	9.1	7.4	6.7	7.3	7.6	9.0	9.0	8.7
Mfg. PMI*	8.1	8.2	7.6	8.4	9.1	9.3	7.7	9.2	6.6
Ser. PMI*	8.5	8.7	8.8	10.4	10.5	12.9	10.9	8.9	9.8

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
3QFY25	4.1	1.8	4.5	4.1	4.9	4QFY25	57.4	58.0
4QFY25	4.0	2.4	4.2	4.6	4.3	1QFY26	58.1	59.3
1QFY26	2.0	-3.0	3.3	-1.5	1.5	2QFY26	58.7	61.4
2QFY26	4.3	-0.7	5.1	3.7	4.5	3QFY26	56.9	58.9
Aug-25	4.0	6.0	3.8	4.1	6.5	Sep-25	57.7	60.9
Sep-25	4.6	-0.4	5.6	3.1	3.3	Oct-25	59.2	58.9
Oct-25	0.5	-1.8	2.0	-6.9	-0.1	Nov-25	56.6	59.8
Nov-25	6.7	5.4	8.0	-1.5	1.8	Dec-25	55.0	58.0

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
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
2QFY26	1.7	-1.6	2.3	4.3	0.0	-1.3	2.3	-3.0	1.5
3QFY26	0.8	-3.9	2.1	4.5	-0.2	-2.6	1.6	-2.3	1.7
Sep-25	1.4	-2.3	2.0	4.5	0.2	-1.9	2.3	-2.6	1.9
Oct-25	0.3	-5.0	2.0	4.4	-1.0	-5.0	1.7	-2.4	1.7
Nov-25	0.7	-3.9	2.3	4.3	-0.3	-2.6	1.3	-2.3	1.5
Dec-25	1.3	-2.7	2.0	4.7	0.8	0.0	1.8	-2.3	2.0

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	
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
Aug-25	0.8	2.1	-2.5	-1.0	2.9	38.1	37.9
Sep-25	2.8	1.1	4.7	3.1	2.8	36.5	5.2
Oct-25	4.0	5.2	6.9	6.1	1.7	52.6	46.7
Nov-25	3.3	7.8	6.8	7.2	-1.0	62.3	68.2

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
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
Aug-25	78,877	372	-11,537	11,655	79,367
Sep-25	76,234	529	-9,208	11,212	78,767
Oct-25	86,871	522	-20,968	7,331	73,756
Nov-25	82,866	1,697	-30,714	3,901	57,750

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
Jan-25	6.50	FY22	7.0	9.7	38.6	-16.8	FY22	10.7	8.8	6.40	617.6
Feb-25	6.25	FY23	14.4	9.5	28.0	-5.2	FY23	6.9	9.0	7.35	578.4
Mar-25	6.25	FY24	18.6	13.0	10.2	44.1	FY24	7.3	11.6	7.16	645.6
Apr-25	6.00	FY25	13.5	11.3	1.0	3.6	FY25	7.9	9.4	6.88	665.4
May-25	6.00	3QFY25	11.2	11.2	-2.8	-11.4	4QFY25	7.9	9.4	6.72	665.4
Jun-25	5.50	4QFY25	11.1	10.3	0.4	-5.9	1QFY26	12.1	9.5	6.34	702.8
Jul-25	5.50	1QFY26	9.6	9.4	4.9	1.6	2QFY26	11.4	9.2	6.49	700.2
Aug-25	5.50	2QFY26	10.1	9.8	2.9	-5.7	3QFY26	17.4	12.1	6.55	696.6
Sep-25	5.50	Aug-25	10.0	9.5	0.2	-2.6	Sep-25	11.4	9.2	6.59	700.2
Oct-25	5.50	Sep-25	10.4	9.3	-1.7	-0.6	Oct-25	12.3	9.2	6.48	689.7
Nov-25	5.50	Oct-25	11.3	10.5	-1.7	3.4	Nov-25	12.5	9.9	6.54	686.2
Dec-25	5.25	Nov-25	11.5	10.2	-0.4	0.7	Dec-25	17.4	12.1	6.63	696.6

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	2022	104.0
FY23	6.0	16.8	-268.5	80.4	92.7	283.4	2023	103.4
FY24	-2.3	-5.3	-241.1	82.8	81.1	126.4	2024	104.2
FY25	0.1	6.2	-282.8	84.6	77.1	118.2	2025	100.8
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
2QFY26	6.9	4.3	-86.0	87.3	67.5	101.8	3QCY25	98.0
3QFY26	2.1	7.9	-91.3	89.1	62.1	100.3	4QCY25	99.0
Sep-25	6.8	16.7	-32.1	88.3	66.5	99.3	Sep-25	97.8
Oct-25	-11.8	16.6	-41.7	88.4	63.0	99.5	Oct-25	99.0
Nov-25	19.4	-1.9	-24.5	88.8	62.3	102.1	Nov-25	99.7
Dec-25	1.9	8.8	-25.0	90.1	60.9	99.3	Dec-25	98.5

Source: Ministry of Commerce and Industry, Refinitiv, Database on Indian Economy - RBI, Pink Sheet - World Bank

Table A6: Global growth

Calendar year	Growth (annual)			
	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*	3.3	1.7	4.4	7.3
2026*	3.3	1.8	4.2	6.4
2027*	3.2	1.7	4.1	6.4
2028**	3.2	1.7	4.1	6.5
2029**	3.2	1.6	4.1	6.5
2030**	3.1	1.5	4.0	6.5

Source: IMF WEO January 2026; * indicates projections as per the January 2026 WEO Update; ** indicates projections # data is on fiscal year basis

Table A7: 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
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
FY26 (FAE)	7.3	3.1	-0.7	7.0	2.1	7.0	7.5	9.9	9.9	0.4
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
2QFY26	8.1	3.5	0.0	9.1	4.4	7.2	7.4	10.2	9.7	0.6

Source: National Accounts Statistics, MoSPI

*Growth numbers for FY6 pertain to the first advance estimates (FAE) of National Account Statistics released on 7 January 2026. Growth numbers for FY25 are based on provisional estimates released on 31 May 2025.

Fiscal year/quarter	Expenditure components						IPD inflation
	GDP	PFCE	GFCE	GFCF	EX	IM	GDP
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
FY26 (FAE)	7.4	7.0	5.2	7.8	6.4	14.4	0.5
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
2QFY26	8.2	7.9	-2.7	7.3	5.6	12.8	0.5

Source: National Accounts Statistics, MoSPI

*Growth numbers for FY6 pertain to the first advance estimates (FAE) of National Account Statistics released on 7 January 2026. Growth numbers for FY25 are based on provisional estimates released on 31 May 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

Sr. no.	Abbreviations	Description
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
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	NSSO	National Sample Survey Organisation
61	NPA	Non-performing assets
62	OECD	Organization for Economic Co-operation and Development
63	OPEC	Organization of the Petroleum Exporting Countries
64	PFCE	Private final consumption expenditure
65	PIT	Personal income tax
66	PMI	Purchasing Managers' Index (reference value = 50)
67	PoL	Petroleum oil and lubricants
68	PPP	Purchasing power parity
69	PSBR	Public sector borrowing requirement
70	PSU/PSE	Public sector undertaking/public sector enterprises
71	RE	Revised estimates
72	REE	Rare earth elements

Sr. no.	Abbreviations	Description
73	RBI	Reserve Bank of India
74	sa	Seasonally adjusted
75	SLR	Statutory Liquidity Ratio
76	Trans.	trade, hotels, transport, communication and services related to broadcasting
77	US$	US Dollar
78	UNCTAD	United Nations
79	UTGST	Union Territory Goods and Services Tax
80	WALR	weighted average lending rate
81	WHO	World Health Organization
82	WPI	Wholesale Price Index
83	y-o-y	year-on-year
84	1HFY20	first half of fiscal year 2019-20, i.e., April 2019-September 2019

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