

Economy Watch

Monitoring India's
macro-fiscal performance

February 2026



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Highlights

1. Both manufacturing and services PMI showed levels of 55.4 and 58.5, respectively, in January 2026 implying continuing growth momentum in private sector activity.
2. Growth in IIP increased to a 26-month high of 7.8% in December 2025 from 7.1% in November 2025.
3. The RBI retained the repo rate at 5.25% in its monetary policy review held on 6 February 2026.
4. CPI inflation remained benign in January 2026 at 2.8% as per the new 2024 base series, slightly higher than 1.2% in December 2025. Core CPI was low at 3.4% in January 2026.
5. Headline WPI inflation as per the 2011-12 series remained low, although increasing slightly to 1.8% in January 2026 from 0.8% in December 2025, reflecting primarily low inflation in vegetables and manufactured products and contraction in the prices of mineral oils and crude.
6. Gol's gross tax revenues (GTR) grew by 8.5% during April-December FY26. As per the FY27 Union Budget, the FY26 (RE) for Gol's GTR has been revised down from INR42.7 lakh crore to INR40.8 lakh crore, a reduction of INR1.9 lakh crore.
7. Gol's total expenditure grew only by 4.6% during April-December FY26, with growth in revenue expenditure at 1.8% and that in capital expenditure at 15.0%.
8. Gol's fiscal and revenue deficits during April-December FY26 stood at 54.9% and 21.6% of their respective annual revised estimates. The FY27 Union Budget indicated an achievement of the FY26 fiscal deficit target of 4.4% of GDP.
9. Growth in gross bank credit increased to an 18-month high of 14.5% in December 2025 from 11.5% in November 2025.
10. Net FDIs remained negative for the fourth successive month with outflows amounting to US\$1.6 billion in December 2025. Net FPI outflows were at US\$4.1 billion in December 2025, its highest since January 2025.
11. Merchandise exports growth remained flat at 0.6% in January 2026 while growth in merchandise imports surged to 19.2% owing to a sharp spike in gold and silver imports.
12. Merchandise trade deficit expanded to US\$34.7 billion in January 2026 from US\$25.0 billion in December 2025, as growth in exports flattened while that in imports surged.
13. After falling to its lowest level since February 2021, average global crude price increased from US\$60.9/bbl. in December 2025 to US\$63.7/bbl. in January 2026.
14. The IMF has projected global growth at 3.3% in 2026 and 3.2% in 2027 with India's FY27 and FY28 growth rates forecasted at 6.4% each.
15. In the background of India's extensive bilateral trade agreements with other major economies or economic groups, India's medium-term prospects have brightened up. We estimate India's real GDP growth to be in the range of 6.8-7.2% in FY27.





Foreword

Growth supporting budget: Slowing fiscal consolidation, improving exports prospects

The FY27 Budget has been formulated in the background of a relatively low nominal GDP growth of 8% in FY26 as per NSO's First Advance Estimates (FAE) and significant tax reforms affecting Personal Income Tax (PIT) and also the Goods and Services Tax (GST). These two factors led to a lowering of Gol's gross and net-tax revenues in FY26 (RE) relative to the budgeted magnitudes. Even though Gol's non-debt receipts fell by a margin of INR0.901 lakh crore, it maintained its fiscal deficit target. This, along with a marginal reduction in the magnitude of fiscal deficit by INR0.104 lakh crore resulted in a downward adjustment in the revenue and capital expenditures in FY26 (RE) by margins of INR0.752 lakh crore and INR0.253 lakh crore, respectively. The FY26 (RE) numbers served as the base for FY27 projections. The Budget assumed a higher nominal GDP growth of 10.0% for FY27 but had to slow down the pace of fiscal consolidation, with the fiscal deficit to GDP ratio falling from 4.36% of GDP in FY26 (RE) to 4.31% in FY27 (BE), a downward adjustment of only 0.05% points. Budget data also reveals that as a result of the recommendations of the Sixteenth Finance Commission (FC16), the states, considered together, have witnessed a reduction in total transfers from Gol of 0.12% points of GDP in FY27. This is primarily due to a discontinuation of revenue deficit grants and a reduction in grants for local bodies and managing natural calamities.

With benign CPI inflation prospects and a robust growth outlook, the Monetary Policy Committee (MPC) in its February 2026 review retained the repo rate at 5.25% while continuing with a neutral stance. Growth for 1Q and 2QFY27 was revised upwards to 6.9% and 7% and CPI inflation for these quarters is projected at 4% and 4.2%, respectively, just marginally above the MPC's inflation target of 4%. This is an optimal combination for the Indian economy at the present juncture as the growth rate in 1HFY27 is expected to be close to the potential growth of 7% as estimated by the Economic Survey 2025-26. The revision of the base year of the CPI series to 2024 from 2012 is not expected to change the inflation outlook. If anything, CPI inflation may on average become lower since the weight of food items, which had shown relatively higher inflation in the earlier series, has come down. In the 2024 base series, CPI inflation has remained low at 2.75% in January 2026, although increasing slightly from 1.2% in the previous month. The RBI has highlighted potential growth risks arising from ongoing geopolitical developments, volatility in global financial markets and movements in international commodity prices.

For navigating the ongoing global trade uncertainties, India concluded two key trade negotiations in a short span of two weeks. The first pertains to the India-EU trade deal negotiations concluded on 27 January 2026¹. The deal significantly reduces tariffs on goods traded between the two sides and expands cooperation in services, investment, and regulatory standards. It grants preferential access for over 99% of Indian exports to the EU, with labor-intensive sectors such as textiles, apparel, leather, gems and jewelry and marine products benefitting not only through tariff elimination but through greater integration in EU value chains. India has agreed to gradually reduce tariffs on most EU exports with phased reductions and quotas in sensitive sectors like automobiles to protect domestic industry.

The second is the joint statement issued by India and the US on 7 February 2026² pertaining to the framework for an Interim Agreement regarding reciprocal and mutually beneficial trade (Interim Agreement) covering tariff reduction/elimination, commitments for preferential market access etc. The annual GDP of the US economy as per the IMF (WEO October 2025) was US\$30.1 trillion in 2025. The share of imports of goods and services by the US was about 14.3% of the US GDP as of 2024. India may, at least in principle, have access to this entire market. Within this overall market, the textile and apparel

¹ PIB release dated 27 January 2026: <https://www.pib.gov.in/PressReleasePage.aspx?PRID=2219065®=3&lang=1>

² PIB release dated 07 February 2026: <https://www.pib.gov.in/PressReleasePage.aspx?PRID=2224783®=3&lang=2>

market size is estimated at US\$113 billion and that for machinery at US\$477 billion³. Additionally, US\$1.36 billion of Indian agricultural exports are to receive zero additional US duty access.

In order to assess the potential opportunities for India, we may consider the global import of goods to the US, where India may have a preferential tariff treatment. This information is provided by a PIB release dated 9 February 2026. As per this release, a tariff rate of 18% is applicable for India on US\$900 billion worth global US merchandise imports. However, more recently on 20 February 2026, after the US Supreme Court decision on reciprocal tariffs the US Customs and Border Protection agency notified new 10% global tariffs. Soon after, the US President announced a higher rate of 15%⁴. However, the same has not been implemented yet.

There is the maximum limit for levying a 15% tariff upto a period of 150 days unless extended by US Congress under the provisions of Section 122 of the Trade Act of 1974. The 10% tariff rate under Section 122 was imposed to address 'fundamental international payments problems'⁵. The revised rate may again come under challenge in the US courts. Since this rate is applicable on all countries trading with the US, any advantage to India on the basis of differential tariff rate is not applicable anymore. The US market size of goods subjected to zero duty from India, for example, silk and diamonds, are estimated at US\$150 billion while that without any additional duty are estimated at US\$720 billion. Exemption continues for US\$350 billion worth of global imports of the US. Together, these commodity groups add to US\$2.12 trillion of US global imports. Within this overall size, India has to compete and expand its exports.

The core concessions given by India to the US pertain to agreeing to 'eliminate or reduce tariffs on all US industrial goods. There is a mention of a wide range of US food and agricultural products, including dried distillers' grains (DDGs), red sorghum for animal feed, tree nuts, fresh and processed fruit, soybean oil, wine and spirits, and additional products. A press note issued by India's Ministry of Commerce and Industry on 9 February 2026¹, however, indicates that market access for industrial goods is not open ended and has been structured strictly on the basis of product sensitivity, combining immediate tariff elimination, phased reduction (up to 10 years) and quota-based access.

These provisions may help India substitute some of the industrial products that are currently imported from China with which it runs a considerable deficit on account of trade of goods. It may also facilitate import of capital goods including machinery and products based on advanced technology relating to the digital economy and the health sector.

India has committed to import US\$500 billion of US energy products, aircraft and aircraft parts, precious metals, technology products, and coking coal over the next five years. This pertains only to an intention. In 2025, India's total imports of goods from the US are estimated at about US\$46 billion. To reach a target of US\$500 billion over the period 2026 to 2030, an average annual growth of 27% is needed. However, the committed target for US\$500 billion pertains to only a subset of items that India imports from the US. It may be possible to reach the target by importing some high-value products such as aircrafts, other defence imports and core imports for setting up data centers apart from importing crude oil and other energy products.

It is the cost competitiveness of India's exporters relative to their competitors that may ultimately determine the actual growth in the volume of exports. This competitiveness may be facilitated by continued reduction in India's energy prices and logistics costs. Along with trade, it is the investment and import of technology that is going to be critical for India's growth. An environment of mutual trust with the US is likely to be a key factor in attracting US investment and technology for the advanced technology sectors such as space, robotics, AI and Generative AI.

With respect to India's growth, high-frequency indicators for December 2025 and January 2026 suggest continuation of the ongoing growth momentum. Both manufacturing and services PMI showed levels of 55.4 and 58.5, respectively, in January 2026 implying continuing growth momentum in private sector activity. Monthly gross GST collections picked up to a three-month high of INR1.93 lakh crore in January 2026 from INR1.74 lakh crore in December 2025. Overall IIP growth surged to a 26-month high of 7.8% in December 2025, increasing from 7.2% in November 2025 owing to strong growth across all sub-industries.

³ PIB release dated 09 February 2026: <https://www.pib.gov.in/PressReleaseDetail.aspx?PRID=2225318®=3&lang=1>

⁴ <https://www.nbcnews.com/politics/trump-administration/trump-global-tariff-start-10-percent-despite-announcement-15-percent-rcna260369>

⁵ <https://www.whitehouse.gov/fact-sheets/2026/02/fact-sheet-president-donald-j-trump-imposes-a-temporary-import-duty-to-address-fundamental-international-payment-problems/>

Data released by Federation of Automobiles Dealers Association (FADA) show that retail sales of motor vehicles grew by 17.6% in January 2026, improving from 10.0% in December 2025.

Headline WPI inflation remained low, although increasing slightly to 1.8% in January 2026 from 0.8% in December 2025, reflecting primarily low inflation in vegetables and manufactured products and contractions in prices of mineral oils and crude. On the external front, net FDIs remained negative for the fourth successive month with outflows amounting to US\$1.6 billion in December 2025. Net FPI outflows were at US\$4.1 billion in December 2025, its highest since January 2025. Merchandise exports growth remained flat at 0.6% in January 2026 while growth in merchandise imports surged to 19.2% owing to a sharp spike in gold and silver imports. Merchandise trade deficit expanded to US\$34.7 billion in January 2026 from US\$25.0 in December 2025, as growth in exports flattened while that in imports surged. Services trade surplus improved to an unprecedented high of US\$22.7 billion in December 2025.

The Economic Survey 2025-26 estimates India's medium-term growth prospects to be 7%. In the background of India's extensive bilateral trade agreements with other major economies or economic groups, India's medium-term prospects have brightened up. We estimate India's real GDP growth to be in the range of 6.8-7.2% in FY27. For attaining a Viksit Status by 2047, India may have to increase its tax-GDP ratio largely by improvement of tax compliance as major tax reforms have already taken place.



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1.

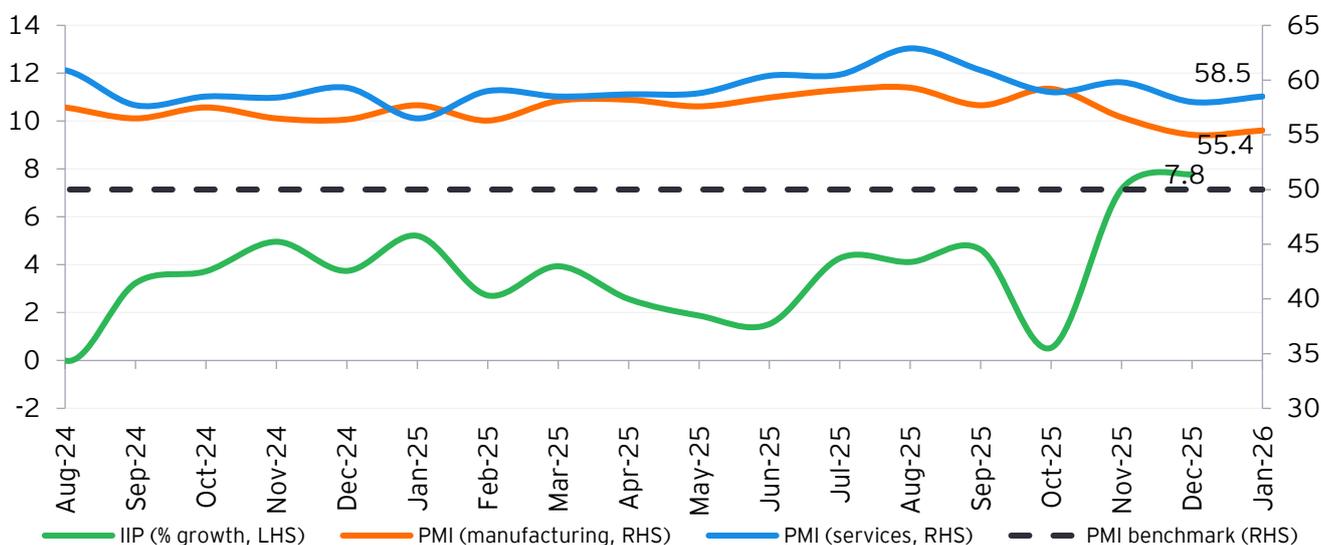
Growth: PMI showed robust growth momentum in private sector activity

PMI: Showed a continuing growth momentum in both manufacturing and services in January 2026

- Manufacturing PMI (seasonally adjusted or sa) increased from a level of 55 in December 2025 to 55.4 in January 2026 (Chart 1). The January 2026 headline level remained well above the neutral mark of 50 as well as the long-run average of 53.6 covering the period from April 2014 to January 2026.
- Services PMI (sa) also picked up from 58 in December 2025 to 58.5, higher than its long-run average of 53.2. There is some evidence that a steady stream of new orders is emanating from South and Southeast Asia with respect to services made available by Indian service providers who appear to have undertaken initiatives for effective marketing, investment in technology and identifying and acquiring new clients.
- Reflecting an ongoing expansion in both manufacturing and services PMI, the composite PMI Output Index (sa) increased from 57.8 in December 2025 to 58.4 in January 2026.

Manufacturing and services PMI showed levels of 55.4 and 58.5, respectively, in January 2026 implying continuing growth momentum in private sector activity.

Chart 1: PMI and IIP growth



Source: MoSPI and S&P Global

IIP: Grew by 7.8% in December 2025

- Overall IIP growth surged to a 26-month high of 7.8% in December 2025, increasing from 7.2% (revised) in November 2025 (Chart 1) owing to strong growth across all sub-industries.
- Driven by strong growth in the output of manufacturing at 6.2% in 3QFY26, overall IIP growth increased to 5.2% in this quarter compared to 4.3% in 2QFY26.

- Manufacturing output, having the highest weight of 77.6% in overall IIP, posted a robust growth of 8.1% in December 2025, although it was marginally lower compared to 8.5% (revised) in November 2025. Output of mining also showed a healthy growth of 6.8% in December 2025, increasing from 5.8% in November 2025. The output of electricity sector grew by 6.3% in December 2025 following two successive months of contraction.
- Within manufacturing, among the key sub-industries, strong growth rates were seen in the output of basic metals (12.7%), other non-metallic mineral products (12.0%), pharmaceutical et al. (10.2%), food products (8.0%) and other machinery and equipment (7.5%) in December 2025.
- Within the 'use-based' classification of industries, output of consumer durables showed the highest growth of 12.3% in December 2025, increasing from 11.2% in November 2025. Although, output of infrastructure/construction showed a robust growth of 12.1% in December 2025, it was below its level of 13.0% in November 2025. Output of capital goods grew by 8.1% in December 2025, lower compared to 10.1% in November 2025. Growth in the output of consumer non-durables remained above 8% for the second consecutive month, although part of this growth may be attributable to a favorable base effect.
- Output of eight core infrastructure industries (Core IIP) grew by 3.7% in December 2025, increasing from 2.1% in November 2025. Among the key sub-industries, strong growth rates were seen in the output of cement (13.5%), steel (6.9%) and electricity (5.3%) in December 2025. Further, growth in the output of coal improved to 3.6% in December 2025 from 2.1% in November 2025.
- Core IIP showed a lower growth of 1.9% in 3QFY26 compared to 4.5% in 2QFY26.

Growth in IIP increased to a 26-month high of 7.8% in December 2025 from 7.1% in November 2025.



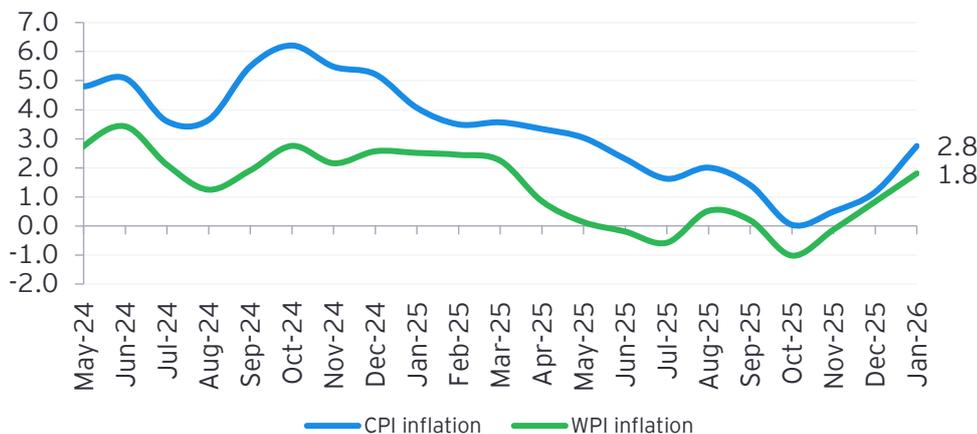
2.

Inflation: CPI inflation remained benign at 2.8% in January 2026 as per the 2024 base series

CPI inflation

- As per the new 2024 base series for CPI released on 12 February 2026, CPI inflation was subdued, although increasing marginally to 2.8% in January 2026 from 1.2% in December 2025. It was below the RBI's target 4% rate for the twelfth consecutive month.
- A key feature of the new base series pertains to the lower weight of 36.8% assigned to the food and beverages category compared to 45.9% in the 2012 base series.
- Inflation rates at the disaggregated level as per the 2024 series are available only for January 2026.
- The highest inflation is seen in personal care, social protection and miscellaneous services at 19.2% in January 2026. This level is on account of high inflation in gold/diamond jewelry at 46.8% and that in silver jewelry at 159.7% in January 2026.
- Inflation was low in a) food and beverages at 2.1%, b) clothing and footwear at 3.0%, c) housing, electricity, gas et. al at 1.5% and d) furnishings, household equipment et. al. at 1.4% in January 2026.
- Health, transport and information and communication services and equipment also witnessed subdued inflation levels of 2.2%, 0.1% and 0.2% respectively in January 2026.

Chart 2: Inflation (y-o-y, in %)



CPI inflation remained benign in January 2026 at 2.8% as per the new 2024 base series, slightly higher than 1.2% in December 2025. Core CPI was also low at 3.4% in January 2026.

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

- Core CPI inflation⁶ was higher than headline CPI at 3.4% in January 2026 mainly due to the impact of higher inflation in gold and silver. Excluding precious metals, core CPI was at 1.9% in January 2026.

⁶ Core CPI inflation is measured as CPI inflation excluding food and beverages, pan, tobacco and intoxicants, and fuel and light.

WPI inflation increased marginally to 1.8% in January 2026

- Headline WPI inflation remained low, although increasing marginally to 1.8% in January 2026 from 0.8% in December 2025, reflecting primarily low inflation in vegetables and manufactured products and contraction in the prices of mineral oils and crude.
- Inflation in vegetables at 6.8% in January 2026 was positive for the first time since January 2025 while inflation in fruits remained positive at a low level of 1.8% for the second consecutive month.
- WPI food index-based inflation turned positive in January 2026 at 1.4% after reflecting no change in prices on a y-o-y basis in December 2025.
- The wholesale price of crude petroleum contracted for the eighteenth successive month by (-)11.2% in January 2026 as compared to (-)10.0% in December 2025, reflecting lower global crude prices on a y-o-y basis.
- Fuel and power inflation was negative for the tenth successive month, with the pace of contraction in prices increasing to 4.0% in January 2026 from 2.4% in the previous month. The pace of contraction in prices of mineral oils increased to (-)5.6% from (-)3.3% over the same period.
- Inflation in manufactured products marginally increased to 2.9% in January 2026 from 1.8% in December 2025 led by inflation in manufactured basic metals turning positive at 6.0% in January 2026 from (-)0.1% in the previous month.
- Core WPI inflation increased to a 37-month high of 3.2% in January 2026 attributable to inflation in manufactured basic metals turning positive.



3.

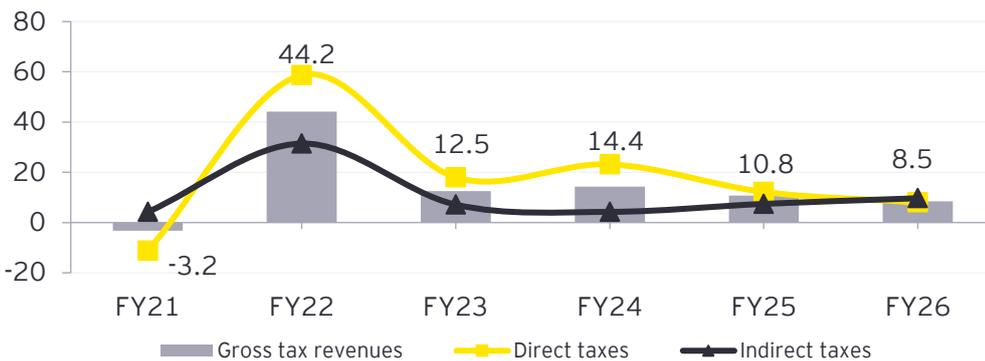
Fiscal: GoI expected to meet its FY26 fiscal deficit target at 4.4% of GDP



Tax and non-tax revenues

- As per the CGA, GoI's GTR^(b) showed a growth of 8.5% during April-December FY26, lower than the growth rates in the corresponding periods of the last four years (FY22 to FY25) (Chart 3).
- An estimated growth of 4.7% (y-o-y) is required during the last quarter of this fiscal year in order to achieve the FY26 revised target (RE) of GTR at INR40.8 lakh crore that was revised down from a budget estimate (BE) of INR42.7 lakh crore.
- During April-December FY26, direct taxes^(a) grew by 8.0% compared to a double-digit growth of 12.2% during the corresponding period of FY25. Growth in indirect taxes^(a) during the first nine months of FY26 was 9.7% compared to 7.4% during the corresponding period of FY25.
- PIT revenues showed a subdued growth of 4.2% during April-December FY26 compared to 22.2% 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 12.4% during the first nine months of FY26, higher than 2.7% during the corresponding period of FY25.
- Among indirect taxes, GoI's GST revenues showed a growth of 8.6% during April-December FY26, lower than 10.1% during the corresponding period of FY25. This may partly be attributable to the significant GST rate reductions undertaken in September 2025.
- Owing partly to a low base effect, union excise duties (UED) showed a growth of 9.9% during the first nine months of FY26 compared to a contraction of (-)1.4% during the corresponding period of the previous year.

Chart 3: Growth in central gross tax revenues during April-December (% , y-o-y)



Gol's GTR grew by 8.5% during April-December FY26. As per the FY27 Union Budget, the FY26 (RE) for Gol's GTR has been revised down by INR1.92 lakh crore to INR40.8 lakh crore.

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.

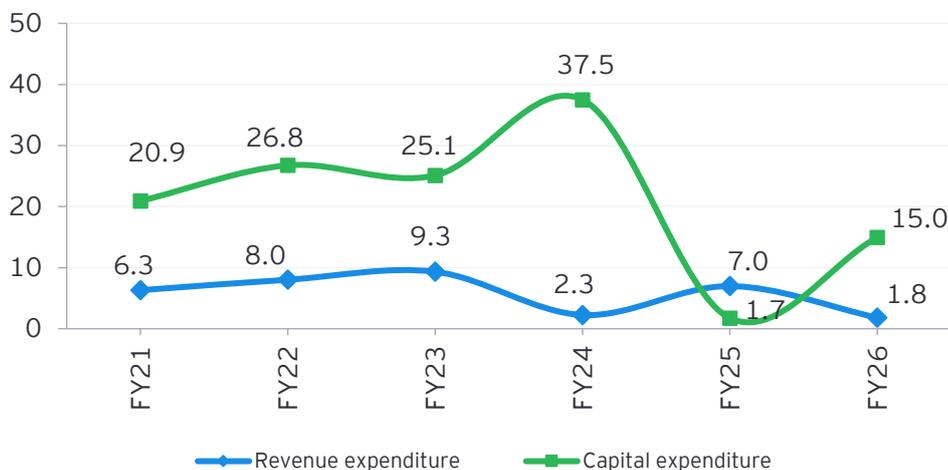
- Customs duties, which showed a contraction until November 2025 witnessed a pickup considering the period April-December FY26 with its growth at 15% during this period compared to 7.6% during the corresponding period of FY25.

- Gol's non-tax revenues showed a growth of 20.6% during April-December FY26 compared to 43.3% during the corresponding period of the previous year.
- As per the FY27 Union Budget, the FY26 (RE) for non-tax revenues has been revised up by INR84,662 crore to INR6.7 lakh crore owing to a higher-than-expected receipt of dividends and profits. Gol's FY26 (RE) for dividends and profits stand at INR3.75 lakh crore vis-a-vis. the BE at INR3.25 lakh crore.
- Non-debt capital receipts of the Gol during April-December FY26 stood at 71.9% of the FY26 (RE) as a result of a significant downward revision of the RE to INR64,027 crore from the BE at INR76,000 crore. This is largely owing to a subdued expectation for Gol's disinvestment receipts which stand at INR33,837 crore as per the RE, lower than the BE at INR47,000 crore.
- As per the Department of Investment and Public Asset Management (DIPAM), Gol's disinvestment receipts as of 24 February 2026 were at INR13,232.93 crore, amounting to 39.1% of the FY26 RE.

Expenditures: Revenue and capital

- Growth in Gol's total expenditure was 4.6% during April-December FY26, lower than 5.8% during the corresponding period of FY25 (Chart 4).
- As a proportion of FY26 RE, total expenditure in the first nine months stood at 68.1%, slightly lower than the three-year average ratio at 68.5% during FY23 to FY25 based on actual data.
- Gol's total expenditure was revised down by INR1 lakh crore to INR49.6 lakh crore compared to the BE at INR50.6 lakh crore. Within this, the larger adjustment of INR75,168 crore was done for revenue expenditure and the balance of INR25,335 crore came from the side of capital expenditure.
- Gol's revenue expenditure grew by only 1.8% during April-December FY26, much lower than 7% during April-December FY25.
- Gol's capital expenditure continued to show a double-digit growth of 15%, much higher than 1.7% during the corresponding period of the previous fiscal year.

Chart 4: Growth in central expenditures during April-December (% , y-o-y)



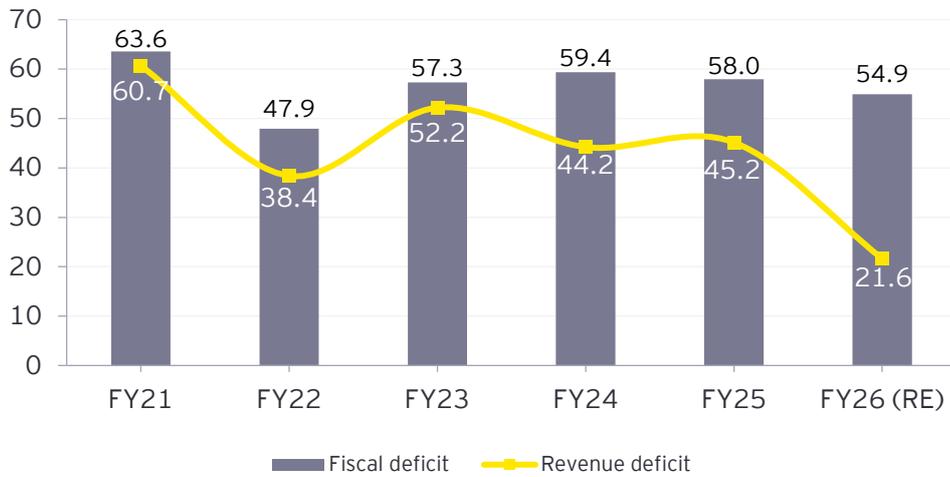
Gol's total expenditure grew by 4.6% during April-December FY26, with a growth in revenue expenditure at 1.8% and that in capital expenditure at 15.0%.

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

Fiscal imbalance

- Gol's fiscal deficit during April-December FY26 was at 54.9% of FY26 (RE), lower than the corresponding ratios in the last three years based on actual data (Chart 5).
- The FY27 Union Budget indicated an achievement of the fiscal deficit target of 4.4% of GDP in FY26 as per the RE.
- Gol's revenue deficit during the first nine months of FY26 was at 21.6% of FY26 (RE), lower than the corresponding ratios in the last five years based on actual data. As per the FY27 Union Budget, Gol's revenue deficit relative to GDP in FY26 (RE) is estimated at 1.5%, same as that in the BE.

Chart 5: Fiscal and revenue deficit during April-December as a percentage of annual actuals (RE for FY26)



Gol's fiscal and revenue deficits during April-December FY26 stood at 54.9% and 21.6% of their respective annual revised estimates. The FY27 Union Budget indicated an achievement of the FY26 fiscal deficit target of 4.4% of GDP.

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



4.

Comparative trends: OECD projected India's general government debt at 81.8% of GDP in FY26 and FY27

General government fiscal balance

- As per the OECD (Economic Outlook - December 2025), general government fiscal deficit relative to GDP in the US is estimated to have narrowed to 7.5% in 2025 and 2026 relative to 7.9% in 2024 driven by higher tariff revenues and lower than expected government purchases. However, in OECD's assessment, this level of general government fiscal deficit is quite large especially for an economy that has been operating at or above potential. Fiscal deficit is projected to modestly increase to 7.7% of GDP as new tariff revenues and cuts to non-defence discretionary spending are roughly offset by the net deficit-expanding measures associated with the One Big Beautiful Bill Act (OBBBA) and lower revenues from weaker economic growth.

Table 1: General government financial balances (% to GDP)

Country	2024	2025	2026	2027
US	-7.9	-7.5	-7.5	-7.7
Euro area	-3.1	-3.1	-3.2	-3.3
UK	-6.0	-5.9	-5.8	-5.1
Japan	-1.4	-0.6	-1.6	-1.0
Brazil	-6.2	-6.2	-6.5	-6.4
India*	-7.5	-7.5	-7.4	-7.1
China	-6.5	-7.1	-7.0	-6.8
S. Africa	-5.1	-5.7	-3.8	-4.1

Source: OECD Economic Outlook, December 2025; *Data pertains to fiscal year; surplus is indicated by +ve and deficit by -ve

- General government fiscal deficit to GDP ratio for the Euro area is projected at 3.2% and 3.3% in 2026 and 2027, respectively, reflecting a wind down of spending tied to NextGenerationEU (NGEU) offset by an increase in defence outlays. However, the aggregate projections mask diverging outcomes across the Euro area's largest economies. While the end of NGEU stimulus is expected to contribute to fiscal tightening in a number of countries in 2027, including Italy and Spain, a major fiscal expansion is projected for Germany.
- In the UK, fiscal tightening at a moderate pace over the period 2025 to 2027 is reflected in a lowering of general government fiscal deficit to GDP ratio from 5.9% in 2025 to 5.1% in 2027 helped by buoyant revenues that are estimated to reach 40% of GDP by 2027.
- The fiscal stance in Japan is expected to remain expansionary in 2026, reflecting the large fiscal stimulus package announced in November 2025 aimed at lifting investment, easing cost-of-living pressures, and strengthening defence. Fiscal tightening is expected in 2027, but the general government budget deficit is projected to still be larger than that in 2025.
- In Brazil, the income tax reform is expected to be broadly revenue-neutral, with no improvement in the fiscal balance in 2026 and 2027, although an approval of additional taxation measures may help reduce the deficit.
- India's general government fiscal deficit to GDP ratio is projected to fall marginally to 7.4% in 2026 (FY27) from 7.5% in 2025 (FY26) largely reflecting the slow pace of fiscal consolidation on the part of the central government. General government fiscal deficit to GDP ratio is projected to fall to 7.1% in 2027 (FY28) with an expectation of higher revenues owing to a strong GDP growth and the positive impact of GST rate reforms, as well as lower expenditure on subsidies.
- Fiscal policy in China has been expansionary in 2025 with the introduction of a number of measures to support incomes and boost consumption, in addition to the trade-in program for cars and household

appliances. Further, the next Five-Year Plan, starting in 2026, is expected to bring about new infrastructure projects. Thus, general government fiscal deficit to GDP ratio is projected to remain elevated at 7% in 2026 after posting a level of 7.1% in 2025.

- In South Africa, after reaching a local peak of 5.7% in 2025, general government fiscal deficit relative to GDP is projected to narrow to 3.8% in 2026 with only a modest increase to 4.1% in 2027. This is attributable to revenue measures including no inflationary adjustment to income tax brackets adding 0.2% of GDP to revenues in each of the 2025/26-2027/28 fiscal years, and additional tax measures to be announced in the 2026 Budget, representing 0.2% of GDP in each of the 2026/27 and 2027/28 fiscal years.

General government debt

- General government debt relative to GDP in the US is projected to continue to grow, reaching a level of 128.4% by 2027 (Table 2). In OECD's assessment, the US fiscal policy appears to be on an unsustainable trajectory, with large structural deficits and a high and rising debt-to-GDP ratio and a significant adjustment is required over several years.
- In the Euro area also, general government debt to GDP ratio is projected to increase over the projection period, reaching 91.6% by 2027. As per the OECD, the Russia-Ukraine conflict has triggered additional military spending and the coordinated use of national escape clauses under EU fiscal rules.

- In the UK, rising defence and related security and intelligence spending, from 2.3% of GDP in 2024 to 2.6% in 2027, and the steady increase in interest payments are expected to keep adding pressure on public finances. Thus, general government debt to GDP ratio is forecasted to increase to 106.2% by 2027.

- General government debt to GDP ratio in Japan has remained above 200% in recent years and is expected to remain in this range during the forecast period as well. However, a falling trajectory is projected over the period from 2024 to 2027 mainly due to the nominal growth remaining higher than the debt servicing costs.

- Brazil's general government debt-GDP ratio is projected to increase from 76.5% in 2024 to 82.2% by 2027 reflecting higher interest costs. Similarly, an increasing debt trajectory is projected for South Africa over this period due to high government debt-servicing costs.
- In OECD's assessment, India's current broadly neutral fiscal stance balances support to growth in the face of global trade headwinds. However, there is a need to rebuild fiscal buffers and bring public debt to a more prudent path. India's general government debt to GDP ratio is estimated to remain between 81% and 82% over the period 2025 (FY26) to 2027 (FY28), higher than the legislated level of 60% as per its Fiscal Responsibility and Budget Management Act (FRBMA), 2018.

Table 2: General government gross financial liabilities (% to GDP)

Country	2024	2025	2026	2027
US	123.1	122.6	125.2	128.4
Euro area	88.8	89.5	90.7	91.6
UK	100.1	101.6	104.2	106.2
Japan	222.0	213.3	208.3	203.4
Brazil	76.5	77.7	80.1	82.2
India*	80.8	81.8	81.8	81.0
S. Africa	84.8	88.4	88.6	89.7

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



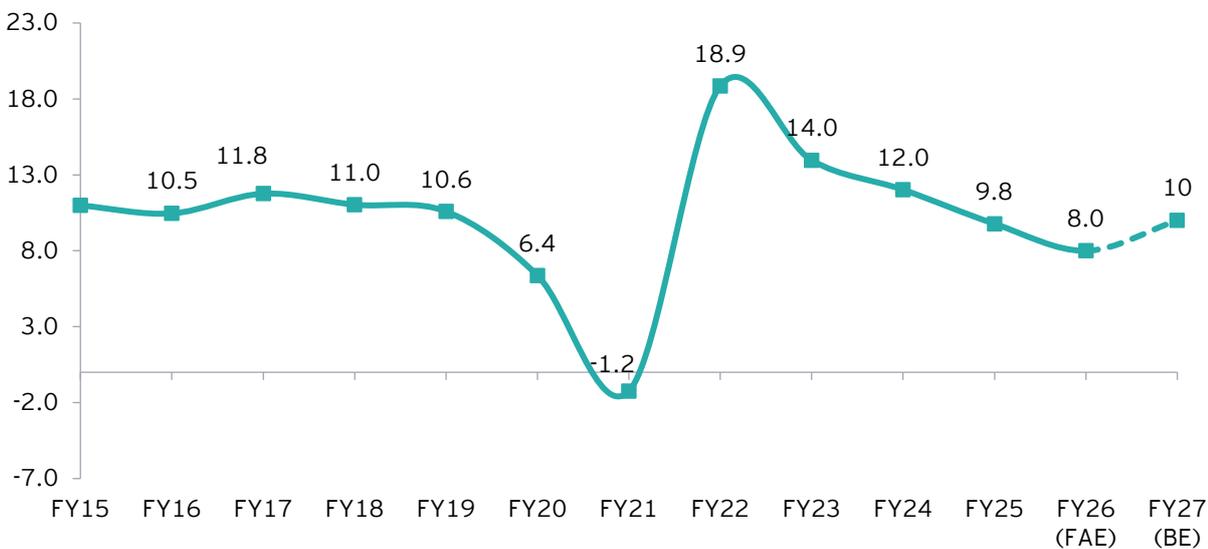
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In Focus: Union Budget 2026-27: Slowing pace of fiscal consolidation, sustained capex growth

Introduction

The GoI Budget for FY27 was presented on 01 February 2026. Preceding the FY27 Budget, major tax reforms were undertaken in FY26, in particular relating to personal income tax (PIT) and the GST. Both these reforms involved considerable amount of revenue forgone aimed at increasing household disposable incomes so that private consumption demand could be supported. These tax reforms involved considerable sacrifice of GoI's gross tax revenues (GTR), which were expected to fall short of the budget estimates for FY26. In spite of the apprehension of this revenue shortfall, the GoI was widely expected to adhere to its budgeted fiscal deficit target for FY26. In addition to the tax reform related revenue sacrifice, from a macro perspective, another GTR reducing development underlined GoI's revenue performance. This related to the fall in India's nominal GDP growth which has been estimated at 8.0% in FY26 (Chart 6) as per NSO's first advanced estimates (FAE). This low nominal growth implies a reduction in the magnitude of tax revenues even if the budgeted buoyancy is maintained. Chart 6 shows that there has been a secular decline in the nominal GDP growth in the post-Covid years. The FY27 Budget assumes, however, a reversal of direction by benchmarking its nominal GDP growth assumption at 10.0% for FY27.

Chart 6: India's falling nominal GDP growth



Source: National Accounts, MoSPI

How was fiscal deficit target for FY26 achieved in the revised estimates

A key question, in the wake of the expected shortfall in GoI's revenues, related to the adjustments undertaken in FY26 (RE) to realize the budgeted fiscal deficit target of 4.4% of GDP. Downward adjustments in GoI's expenditures pertaining largely to revenue expenditures were expected. We examine both the magnitude of shortfall in non-debt receipts consisting of tax and non-tax revenues and non-debt capital receipts, thereby quantifying the extent of adjustment needed in the GoI expenditures for retaining the fiscal deficit target. This is detailed in **Table 3**. The shortfall in GoI's GTR, as shown in columns (6) and (7), was INR1.925 lakh crore amounting to 0.54% points of GDP. The reform in the personal income tax was

introduced at the time of the presentation of the FY26 Budget when the related revenue sacrifice was already budgeted. However, the revised estimates indicate that the actual sacrifice was much larger. Thus, the largest revenue shortfall has occurred in personal income tax amounting to INR1.26 lakh crore as per the revised estimates.

The next in order is the GST revenue sacrifice which is estimated at INR0.524 lakh crore considering CGST and IGST together. Thus, the revenue shortfall in indirect taxes amounted to INR0.935 lakh crore. The impact of the fall in the GTR was partially shared with the states. Their loss is estimated at INR0.295 lakh crore. As a result, the fall in the net tax revenues to the Gol amounted to INR1.627 lakh crore.

Table 3: From FY26 budget estimates to FY26 revised estimates: Revenue shortfall and expenditure adjustments

Sl. no	Item	FY26 (BE)	FY26 (RE)	FY26 (RE) over FY26 (BE)	FY26 (RE) minus FY26 (BE)	FY26 (RE) over FY26 (BE)
		% to GDP	% to GDP	% growth (y-o-y)	% pts of GDP	INR lakh crore
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	Gross tax revenues	11.96	11.42	-4.5	-0.54	-1.925
1.1	Personal income tax	4.03	3.67	-8.8	-0.35	-1.260
1.2	Corporation tax	3.03	3.11	2.5	0.08	0.270
1.2	CGST+IGST	2.83	2.68	-5.2	-0.15	-0.524
1.4	Other IDT*	2.07	1.96	-5.6	-0.11	-0.411
2	Assignment to states	3.98	3.90	-2.1	-0.08	-0.295
3	Net tax revenues	7.94	7.49	-5.7	-0.46	-1.627
4	Non-tax revenues	1.63	1.87	14.5	0.24	0.847
5=3+4	Revenue receipts	9.58	9.36	-2.3	-0.22	-0.781
6	Non-debt capital receipts	0.21	0.18	-15.8	-0.03	-0.120
7=5+6	Non-debt receipts	9.79	9.54	-2.6	-0.25	-0.901
8	Fiscal deficit	4.39	4.36	NA	-0.03	-0.104
9=10+11	Total expenditure	14.18	13.90	-2.0	-0.28	-1.005
10	Revenue exp.	11.04	10.83	-1.9	-0.21	-0.752
11	Capital exp.	3.14	3.07	-2.3	-0.07	-0.253
12=10-5	Revenue deficit	1.47	1.47		0.01	0.029
	Memo	INR Crore				
13	Nominal GDP	357.1	357.1			

Source: Union Budget documents

*The impact of the discontinuation of the GST compensation cess is reflected in other indirect taxes

A part of the tax-related shortfall was made up by additional non-tax revenues which is largely due to RBI's dividend payout to the Gol. There was also a fall in the non-debt capital receipts due to a lower realization of disinvestment proceeds compared to the budgeted amounts. Considering net tax revenues, non-tax revenues and non-debt capital receipts together, the total shortfall in non-debt receipts amounted to INR0.901 lakh crore. Some residual adjustment leading to a reduction of INR0.104 lakh crore in fiscal deficit was undertaken although this is not reflected as percentage of GDP which was retained at 4.4% of GDP. Considering the total resources of Gol comprising non-debt receipts and fiscal deficit, the total adjustment needed on the expenditure side amounted to INR1.005 lakh crore in FY26 (RE). This led to a downward adjustment in revenue expenditure by a margin of INR0.752 lakh crore and even capital expenditure had to be brought down by a margin of INR0.253 lakh crore. In terms of percentage change, revenue expenditure was reduced by 1.9% and capital expenditure by a higher margin of 2.3% compared to their corresponding budget estimates. The fiscal deficit was actually 4.36% of GDP in FY26 (RE). These adjustments imply a marginal reduction in the growth of government final consumption expenditure (GFCE)

besides gross fixed capital formation (GFCF), to the extent that Gol's revenue expenditure and capital expenditure contribute to these aggregates respectively.

FY27 Budget: Reduced average annual growth rates

The FY27 Budget started with a lower base of tax revenues as well as expenditures as given in the FY26 (RE). If we compare growth rates with respect to FY25, the trajectory of change with respect to some fiscal aggregates takes us to a lower growth in FY26 (RE) before it is raised again in FY27 (BE). This is why when we compare FY27 (BE) with FY25 actuals, the CAGR appears to be lower than the growth rates shown in the FY27 (BE) over FY26 (RE). Thus, while the annual growth in FY27 GTR is shown to be 8.0%, the CAGR is only 7.7% (Table 4). PIT CAGR is also lower at 8.9% while CGST cum IGST CAGR is higher at 11.7%. Gol's net tax revenues show only a CAGR of 7.1%. This implies a buoyancy of GTR and net tax revenues of lower than 1 considering the nominal GDP CAGR of 9% over the same period. For GTR, this buoyancy is estimated at 0.85 and for net tax revenues at 0.79.

Table 4: Growth performance of revenues and expenditures

Sl. No	Item	FY25	FY26 (RE)	FY27 (BE)	FY26 (RE) over FY25	FY27 (BE) over FY26 (RE)	FY27 (BE) over FY25
		% to GDP	% to GDP	% to GDP	% growth (y-o-y)	% growth (y-o-y)	CAGR (%)
1	Gross tax revenues	11.5	11.4	11.2	7.4	8.0	7.7
2	PIT	3.7	3.7	3.7	6.2	11.7	8.9
3	CIT	3.0	3.1	3.1	12.4	11.0	11.7
4	CGST+IGST	2.7	2.7	2.6	9.4	6.3	7.8
5	Other IDT	2.1	2.0	1.8	0.0	-1.5	-0.7
6	Assignment to states	3.9	3.9	3.9	8.2	9.6	8.9
7	Net tax revenues	7.6	7.5	7.3	7.0	7.2	7.1
8	Non-tax revenues	1.6	1.9	1.7	24.4	-0.2	11.4
9=7+8	Revenue receipts	9.2	9.4	9.0	10.1	5.7	7.9
10	Non-debt capital receipts	0.1	0.2	0.3	53.1	84.9	68.3
11=9+10	Non-debt receipts	9.3	9.5	9.3	10.7	7.2	8.9
12	Fiscal deficit	4.8	4.4	4.3			
13=14+17	Total expenditure	14.1	13.9	13.6	6.7	7.7	7.2
14	Revenue exp.	10.9	10.8	10.5	7.4	6.6	7.0
15	Interest payments	3.4	3.6	3.6	14.2	10.2	12.2
16=14-15	Primary rev. exp.	7.5	7.3	6.9	4.4	4.9	4.6
17=18+21	Capex	3.2	3.1	3.1	4.2	11.5	7.8
18=19+20	Capital outlay	2.6	2.5	2.4	3.8	6.3	5.0
19	Defence	0.5	0.6	0.6	36.5	5.1	19.7
20	Non-defence	2.1	1.9	1.8	-3.8	6.7	1.3
21	Loans and Advances	0.6	0.6	0.7	5.9	33.8	19.0
22=14-9	Revenue deficit	1.7	1.5	1.5			
	Memo					% growth (y-o-y)	
24	Nominal GDP (INR Cr)	330.7	357.1	393.0	8.0	10.0	9.0
25	Total defence expenditure (% of GDP)	1.92	2.05	2.00	NA	NA	NA

Source: Union Budget documents

As a result, primary revenue expenditure is shown to grow at a CAGR of only 4.6%. Part of this reduction is due to reduction in subsidies. However, it is important that the continuing reduction in primary revenue

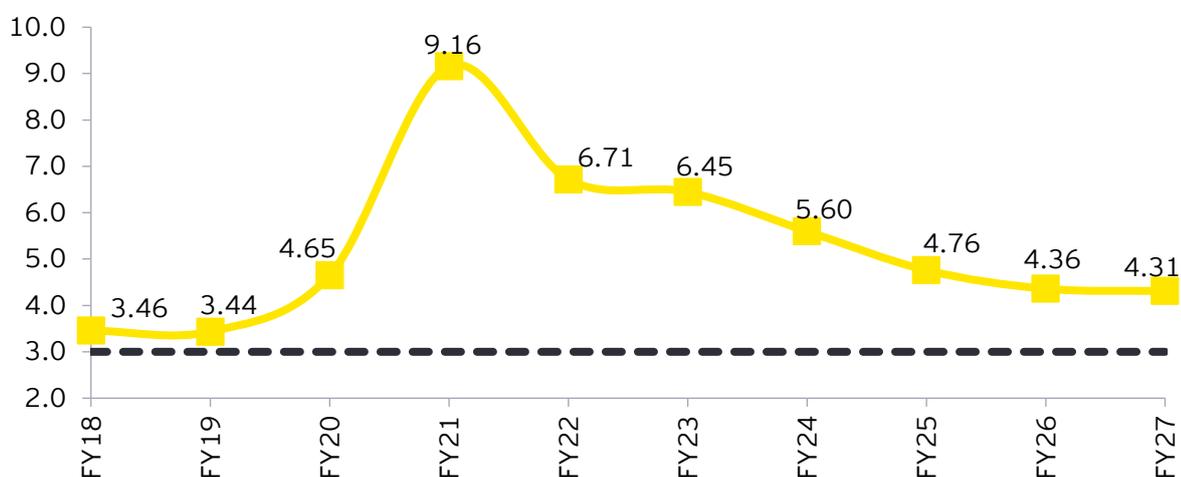
expenditure does not begin to affect expenditure on critical services such as health and education. It may be noted that primary revenue expenditure has been falling in successive years in recent times.

One of the positive features is the increase in defence outlay which shows a CAGR of 19.7%. However, most of this increase has already happened in FY26, which shows a growth of 36.5% over FY25 (Actuals). In FY26 (RE), purchases of aircrafts and aeroengines accounted for an additional expenditure of INR28,415 crore⁷. The growth budgeted for FY27 over FY26 (RE) is only 5.1%. As percent of GDP, total defence expenditure including both revenue and capital expenditure, in FY27 (BE), amounts to 2.0%, slightly lower than its level at 2.05% in FY26 (RE). To find fiscal space for increasing this to a level of 3% of GDP, considered as a desirable norm⁸, over the medium term, there is a need to augment the GTR-GDP ratio based largely on improved buoyancy and compliance.

Perspectives on fiscal consolidation

The pace of fiscal consolidation in FY27 (BE) has come down. It has been reduced by only 5 basis points from 4.36% of GDP in FY26 (RE) to 4.31% in FY27 (BE) as shown in **Chart 7**. The reason for this, as discussed earlier in this writeup, is the reform-based revenue forgone, with respect to PIT and GST reforms. A slowing pace of fiscal consolidation increases the period over which the FRBM targets of 40% of debt-GDP ratio and 3% of fiscal deficit to GDP ratio may be achieved. However, there is an annual cost to this pace of fiscal consolidation since the interest payment to revenue receipts ratio at nearly 40% in FY27 (BE) is high, pre-empting primary fiscal space for non-interest revenue expenditures and capital expenditures. This ratio has kept increasing from a recent trough of 36.7% in FY25 to 38.1% in FY26 (RE). Two factors are responsible for this. First, there has been a fall in the revenue receipts to GDP ratio and second, there has been an increase in the effective interest rate being paid on Gol's outstanding debt. In the longer-term history of relative interest rates for the Gol and the states, it was the Gol's effective interest rate which used to be lower. However, this has reversed recently due to Gol extending interest-free loans to the states for capital expenditures.

Chart 7: Gol's fiscal deficit relative to GDP - glide path



Source: Union Budget documents

There might be a need to re-examine the FRBM targets which were amended in 2018 with respect to debt-GDP ratio and the corresponding fiscal deficit to GDP ratio. This re-examination may look at two issues. First, there is an inconsistency in the debt-GDP ratio target of 40% for the central government vis-à-vis its fiscal deficit to GDP target of 3%; while states have a debt-GDP target of 20% and the fiscal deficit target of

⁷ Capital expenditure on Aircraft and Aero Engines were increased from INR44,364.86 crore in FY25 to INR72,780.15 crore in FY26 (RE); <https://www.indiabudget.gov.in/doc/eb/sbe21.pdf>

⁸ Refer to June 2025 EY Economy Watch issue; <https://shorturl.at/pxjel>

3%. Since the underlying nominal GDP growth is common for the GoI and states, there is an issue of inconsistency⁹.

The second reason is that over time there has been a steady fall in the household sector's financial savings relative to GDP. These were 11.2% in FY04. The fiscal deficit targets of 3% of GDP each for the GoI and states were specified by the 12th Finance Commission (FC12) around this time. However, the household sector financial savings have steadily fallen to a level of 5.2% in FY24 (Table 5). As such the available investible resources in the system have become limited. If we add about 1.5% of GDP as net inflow of foreign capital (0.7% in FY24), total space for borrowing becomes limited to close to 6.7%. At best, it can be stretched to 7% of GDP. The general government borrowing, at present, totally pre-empts this fiscal space leaving little scope for borrowing by the non-government public sector or the private sector. In fact, the private sector has become progressively dependent on its own savings over the years. Its investment drew nearly 95% from its own savings in FY24 compared to 50% way back in FY04.

Table 5: Supply and demand for investible surplus

Year	Supply			Demand					
	Household sector financial savings	Net capital inflows	Total	Public sector (Net)	Private corporate sector (Net)	Derived errors and omissions	Valuables	HH physical investment minus HH physical savings	Total
2003-04	11.2	-0.6	10.7	5.2	4.3	-1.8	0.9	2.0	10.7
2023-24	5.2	0.7	5.8	6.0	0.6	-1.9	1.4	-0.2	5.8
2023-24 minus 2003-04	-6.1	1.2	-4.8	0.8	-3.7	-0.1	0.5	-2.2	-4.8

Source: MoSPI, GoI

High levels of government debt have effectively crowded out private investment from the sharable space of borrowing. In fact, the level of GoI's debt to GDP ratio is estimated at 56.1% in FY26 (RE) and the combined debt level at 81.4% as per the IMF (Table 6) compared to a target of 60% set by the FRBMA (2018).

Table 6: GoI and combined debt (% to GDP)

Years	Center	Combined (IMF)
	Debt to GDP ratio	
FY15	50.1	67.1
FY16	50.1	69.0
FY17	48.3	68.9
FY18	48.2	69.7
FY19	48.1	70.4
FY20	50.7	75.0
FY21	60.7	88.4
FY22	57.4	83.5
FY23	56.6	82.2
FY24	56.4	80.7
FY25	55.3	81.6
FY26 (RE)	56.1#	81.4
FY27 (BE)	55.6#	80.8

Source: Union Budget documents, IMF

⁹ For details see Srivastava, D. K. (2022). The Future of Fiscal Consolidation in India. *Economic and Political Weekly*, 57(13) and Srivastava, D. K., Bharadwaj, M., Kapur, T., & Trehan, R. (2020). Is it time to recast India's fiscal and monetary policy frameworks?

Transfers to states: GTR to net tax revenue and inter-state differences in FY27 (BE) vis-à-vis FY26 (RE)

The GoI budget is a vehicle that provides critical information as to the transfer of resources from the central to the state governments. As far as tax devolution is concerned, it is the difference between GoI's GTR and net tax revenues that provides the magnitude of assignment of central tax revenues to the states. In addition, there is a separate statement in the budget that gives state wise details of tax devolution in terms of relevant magnitudes.

Table 7: FY27 Budget: Assignment of taxes and grants to states

Sl. No	Item	FY25	FY26 (RE)	FY27 (BE)	FY26 (RE) over FY25	FY27 (BE) over FY26 (RE)	FY27 (BE) over FY25
		INR lakh crore			% growth (y-o-y)		CAGR (%)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	Gross tax revenues	37.964	40.778	44.041	7.4	8.0	7.7
2	Assignment to states	12.869	13.930	15.263	8.2	9.6	8.9
3	Net tax revenues	25.000	26.747	28.669	7.0	7.2	7.1
Memo							
	FC grants	1.209	1.530	1.294	26.6	-15.4	--
					% of GDP		% points
4	Gross tax revenues	11.48	11.42	11.21	-0.06	-0.21	--
5	Assignment to states	3.89	3.90	3.88	0.01	-0.02	--
6	Net tax revenues	7.56	7.49	7.29	-0.07	-0.19	--
Memo							
	FC grants	0.4	0.4	0.3	0.06	-0.10	-0.10

Source: Union Budget documents

Table 7 shows that on comparing FY27 (BE) with FY26 (RE), states experience some reduction both in the assignment of central taxes to states, to the extent of (-)0.02% points of GDP and in terms of FC grants to the extent of (-)0.10% point of GDP. The first loss arises due to the lower growth of GoI's tax revenues relative to the nominal GDP growth of 10% assumed for FY27 and the second loss arises primarily due to discontinuation of revenue deficit grants by the FC16. Thus, in terms of vertical transfers, there is a net loss to the state governments.

The transition from FY26 (RE) to FY27 (BE) is important as it provides the impact of the recommendations of the FC16 in the first year of its award period. FY26 (RE) provides information about the base year of the Commission's assessment and FY27 (BE) relates to the first year of its recommendation period. In spite of the inflation factor, which implies that in nominal terms, the magnitude of tax devolution to a state should increase at least by the inflation rate, there are several states which appear to lose in the sense that their receipts in FY27 (BE) are lower in nominal magnitudes compared to FY26 (RE) (Column (4) of Table 8). Examples of such states are Arunachal Pradesh, Meghalaya, Manipur, Nagaland, Sikkim and Tripura. These are the six north-eastern states other than Assam.

In terms of inter-se shares, in addition to these six states, there are other states that have lost out when compared to the FC15 recommended shares (Column (7)). These states are Bihar, Chhattisgarh, Madhya Pradesh, Odisha, Rajasthan, Uttar Pradesh and West Bengal. These are some of the large population and relatively low per-capita GSDP states. This list represents two sets of states. One group, namely the hilly states of the North-east, is a cost disadvantaged group since per-capita costs for providing public services are relatively higher in these states. The other group comprises relatively high population and low fiscal capacity states.

Table 8: State's share in central taxes

States	State's share in central taxes			Inter-se shares		
	FY26 (RE)	FY27 (BE)	FY27 (BE) minus FY26 (RE)	FC15	FC16	FC16 minus FC15
	INR crore			%		% points
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Andhra Pradesh	56,374	64,362	7,989	4.047	4.217	0.170
Arunachal Pradesh	24,475	20,665	-3,809	1.757	1.354	-0.403
Assam	43,572	49,725	6,153	3.128	3.258	0.130
Bihar	1,40,105	1,51,832	11,727	10.058	9.948	-0.110
Chhattisgarh	47,459	50,427	2,969	3.407	3.304	-0.103
Goa	5,377	5,571	194	0.386	0.365	-0.021
Gujarat	48,448	57,311	8,863	3.478	3.755	0.277
Haryana	15,225	20,772	5,547	1.093	1.361	0.268
Himachal Pradesh	11,562	13,950	2,388	0.830	0.914	0.084
Jharkhand	46,066	51,236	5,171	3.307	3.357	0.050
Karnataka	50,802	63,050	12,248	3.647	4.131	0.484
Kerala	26,815	36,355	9,541	1.925	2.382	0.457
Madhya Pradesh	1,09,348	1,12,134	2,786	7.850	7.347	-0.503
Maharashtra	87,994	98,306	10,312	6.317	6.441	0.124
Manipur	9,974	9,554	-419	0.716	0.626	-0.090
Meghalaya	10,684	9,631	-1,053	0.767	0.631	-0.136
Mizoram	6,965	8,608	1,643	0.500	0.564	0.064
Nagaland	7,926	7,341	-585	0.569	0.481	-0.088
Odisha	63,074	67,460	4,387	4.528	4.420	-0.108
Punjab	25,171	30,464	5,293	1.807	1.996	0.189
Rajasthan	83,940	90,446	6,505	6.026	5.926	-0.100
Sikkim	5,405	5,113	-292	0.388	0.335	-0.053
Tamil Nadu	56,819	62,531	5,711	4.079	4.097	0.018
Telangana	29,280	33,181	3,901	2.102	2.174	0.072
Tripura	9,862	9,783	-79	0.708	0.641	-0.067
Uttar Pradesh	2,49,885	2,68,911	19,026	17.939	17.619	-0.320
Uttarakhand	15,573	17,415	1,841	1.118	1.141	0.023
West Bengal	1,04,793	1,10,119	5,326	7.523	7.215	-0.308
Total	13,92,971	15,26,255	1,33,284	100.000	100.000	0.000

Source: Union Budget documents

Conclusions

Preceding the FY27 Budget, major tax reforms were undertaken in FY26. These related to PIT and the GST. Both these reforms involved considerable amount of revenue forgone aimed at increasing household disposable incomes so that private consumption demand could be supported.

India's nominal GDP growth which is estimated at 8.0% in FY26 as per NSO's FAE is lower compared to the budgeted growth of 10.1% for this year. This resulted in a reduction in the magnitude of Gol's tax revenues which were also characterized by a lower buoyancy due to the lowering of GST rates and other concessions given as part of the tax reforms. Nominal GDP growth for FY27 is budgeted to be higher at 10.0%. In spite of the lower than budgeted revenues, the Gol met its budgeted fiscal deficit target of 4.4% of GDP.

Considering net tax revenues, non-tax revenues and non-debt capital receipts together, the total shortfall in non-debt receipts amounted to INR0.901 lakh crore. Some residual adjustment leading to a reduction of INR0.104 lakh crore in fiscal deficit was undertaken although this is not reflected as percentage of GDP. Considering the total resources of Gol comprising non-debt receipts and fiscal deficit, the total adjustment needed on the expenditure side amounted to INR1.005 lakh crore in FY26 (RE). This led to a downward adjustment in revenue expenditure by a margin of INR0.752 lakh crore and even capital expenditure had to be brought down by a margin of INR0.253 lakh crore.

For FY27, given the revenue prospects and the need to restore expenditures, the pace of fiscal consolidation had to be brought down. The fiscal deficit to GDP ratio could be reduced only by five basis points from 4.36% of GDP in FY26 (RE) to 4.31% in FY27 (BE). There may be a need to re-examine the FRBM targets which were amended in 2018 with respect to debt-GDP ratio and the corresponding fiscal deficit to GDP ratio. This re-examination may look into two issues. First, there is an inconsistency in the debt-GDP ratio target vis-à-vis the fiscal deficit to GDP target as this does not yield a sustainable combination for any underlying nominal GDP growth. The second reason is that over time, there has been a steady fall in the household sector's financial savings relative to GDP. This fell to a level of 5.2% in FY24 from 11.2% in FY04. The consequence of this is a narrowing down of the investable surplus of the economy which is almost pre-empted by the borrowings of central and state governments leaving little borrowing space for the private sector.

The FY27 Gol's budget also indicates the impact of FC16 recommendations on state finances. Comparing FY27 (BE) with FY26 (RE), it is seen that states experience some reduction both in the assignment of central taxes to states to the extent of (-)0.02% points of GDP and in terms of FC grants to the extent of (-)0.10% point of GDP. The first arises due to the lower growth of Gol's tax revenues relative to the nominal GDP growth of 10% assumed for FY27 and the second, due primarily to the discontinuation of revenue deficit grants by the FC16. Thus, in terms of vertical transfers, there is a net loss to the state governments. In terms of horizontal dimension of tax devolution, there are two sets of states that receive a lower share when measured in terms of change in inter-se shares relative to FC15. The first set is the cost disadvantaged group consisting of six north-eastern states namely Arunachal Pradesh, Meghalaya, Manipur, Nagaland, Sikkim and Tripura. The other group is a set of states characterized by relatively large population and lower fiscal capacity namely Bihar, Chhattisgarh, Madhya Pradesh, Odisha, Rajasthan, Uttar Pradesh and West Bengal.



6.

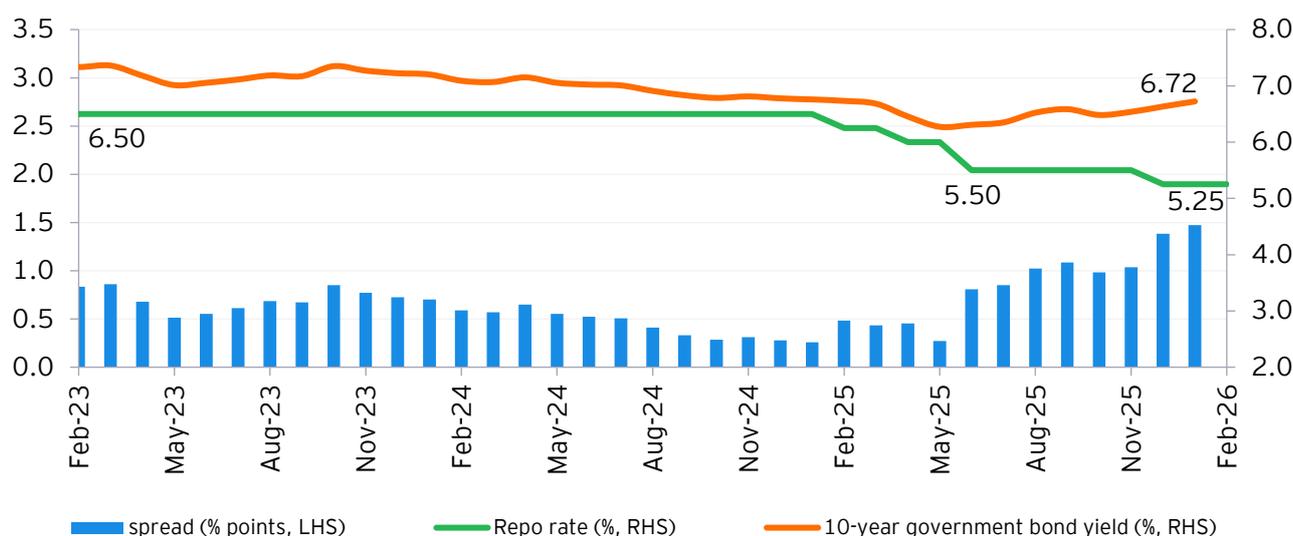
Money and Finance: The RBI retained the repo rate at 5.25% in its February 2026 monetary policy review

Monetary sector

Monetary policy

- The Monetary Policy Committee (MPC) retained the repo rate at 5.25% in its monetary policy review held on 06 February 2026 (Chart 8). The MPC also decided to continue with its neutral policy stance.
- The MPC assessed that a successful completion of trade deals by India augurs well for the overall growth even though external headwinds have intensified since its December 2025 policy review. With regard to inflation, the near-term outlook remains positive with inflation projected to remain benign and close to the inflation target during 1Q and 2QFY27.

Chart 8: Movements in the repo rate and 10-year government bond yield



Source: Database on Indian Economy, RBI

Money stock

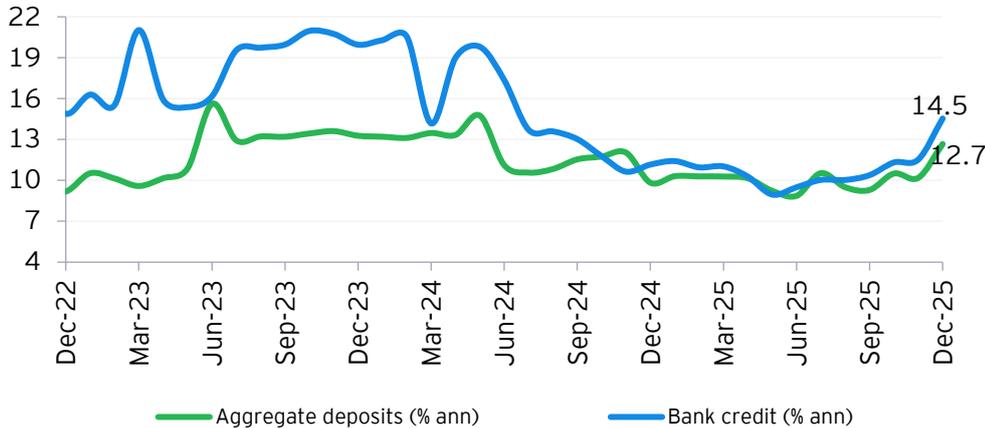
- Growth in broad money stock (M3)¹⁰ at 12.0% in January 2026 was close to its level of 12.1% in December 2025 largely due to sustained growth in time deposits.
- Growth in time deposits, the largest component of M3, was marginally higher at 10.6% in January 2026 compared to 10.5% in December 2025.
- Growth in narrow money (M1), remained high at 16.8% in January 2026, although lower compared to 17.4% in December 2025. This continued strong growth performance was due to an increase in the growth of currency with the public from 10.6% in December 2025 to 11.5% in January 2026 and sustained robust growth in demand deposits at 24.0% in January 2026. Growth in demand deposits was at 26.3% in December 2025.

¹⁰ 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 credit¹¹ increased to an 18-month high of 14.5% in December 2025 from 11.5% in November 2025 (Chart 9). In 3QFY26, gross bank credit showed a higher growth of 12.5% compared to 10.1% in 2QFY26.
- Non-food credit showed a higher growth of 14.4% in December 2025, increasing from 11.4% in November 2025.

Chart 9: Growth in credit and deposits



Growth in gross bank credit increased to an 18-month high of 14.5% in December 2025 from 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 20.8% in December 2025, improving from 15.9% in November 2025.
- Among the key segments of non-food credit, growth in credit to services sector, with an average share of about 27% in total non-food credit (last five years) showed the highest growth of 15.3% in December 2025 following a healthy growth of 11.7% in November 2025.
- Personal loans (share close to 30% in total non-food credit) showed a higher growth of 14.4% in December 2025 compared to 12.8% in November 2025. Among its sub-components, growth in housing loans increased to 11.1% in December 2025 from 9.9% in November 2025. Growth in vehicle loans increased to 16.5% in December 2025, its highest level since May 2024. Loans for consumer durables, however, contracted for the second successive month by (-)5.1% in December 2025 compared to (-)5.9% in November 2025.
- Outstanding credit to industries, having a share of about 25% on average in total non-food credit (last five years), posted a healthy growth of 13.3% in December 2025, increasing from 9.6% in November 2025.
- Among major segments within industrial credit, growth in credit to infrastructure, having the largest share in industrial credit, grew by 7.2% in December 2025, its highest growth since June 2024. Credit to iron and steel also showed a higher growth of 9.4% in December 2025 compared to 6.8% in November 2025. Similarly, growth in credit to textiles increased to 11.8% in December 2025 from 8.1% in November 2025.
- Credit to agricultural sector posted a double-digit growth of 12.1% in December 2025, increasing from 8.7% in November 2025.
- Growth in aggregate deposits improved to 12.7% in December 2025 from 10.2% in November 2025.

¹¹ 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

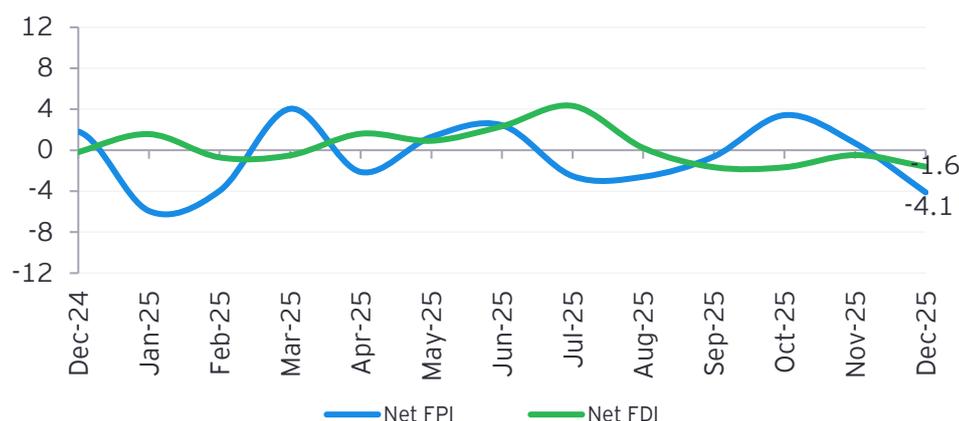
Interest rates

- As per the data released by the RBI in the first week of February 2026, the yield on 10-year government bonds (benchmark) increased for the third successive month to reach 6.72% in January 2026 from 6.63% in December 2025 (**Chart 8**). Thus, since October 2025, benchmark bond yields have increased by a total of 24 basis points.
- The average interest rate on term deposits with a maturity period of more than one year increased marginally to 6.25% in January 2026 from 6.23% in December 2025, with actual rates ranging between 6.00% and 6.50%.
- The average MCLR was marginally lower at 7.83% in January 2026 compared to 7.88% in November 2025, with the actual MCLR ranging between 7.70% and 7.95% during the month.
- WALR on 'Fresh Rupee Loans' (FRL) by SCBs fell by 43 basis points to 8.28% in December 2025 from 8.71% in November 2025.

FDI and FPI

- As per provisional data released by the RBI on 20 February 2026, overall foreign investments (FIs) witnessed significant outflows amounting to US\$5.7 billion in December 2025 compared to inflows amounting to US\$0.2 billion in November 2025 due to net FPI and FDI outflows.

Chart 10: Net FDI and FPI inflows (US\$ billion)



Net FDIs remained negative for the fourth successive month with outflows amounting to US\$1.6 billion in December 2025. Net FPI outflows were at US\$4.1 billion in December 2025, its highest since January 2025.

Source: Database on Indian Economy, RBI

- Net FPI outflows in December 2025 at US\$4.1 billion were their highest since January 2025, following a low inflow of US\$0.7 billion in November 2025 (Chart 10).
- During April-December FY26, on a cumulated basis, net FPI outflows amounted to US\$4.2 billion compared to net inflows amounting to US\$9.4 billion during the corresponding period of FY25.
- Net FDIs remained negative for the fourth consecutive month with outflows of US\$1.6 billion in December 2025. Gross FDI inflows at US\$8.6 billion in December 2025 were higher compared to US\$6.4 billion in November 2025. Despite this, net FDIs witnessed outflows due to higher repatriation/disinvestment and FDI by India. Repatriation/disinvestment increased to US\$7.4 billion in December 2025 from US\$5.3 billion in November 2025, while FDI by India also increased to US\$2.7 billion during the month from US\$1.5 billion in November 2025.
- On a cumulated basis, during April-December FY26, net FDI inflows were higher at US\$4.0 billion compared to US\$0.6 billion during the corresponding period of FY25. Similarly, during April-December FY26, gross FDI inflows were also higher at US\$73.3 billion compared to US\$63.1 billion during the corresponding period of FY25.



7.

Trade and CAB: Merchandise trade deficit widened to US\$34.7 billion in January 2026

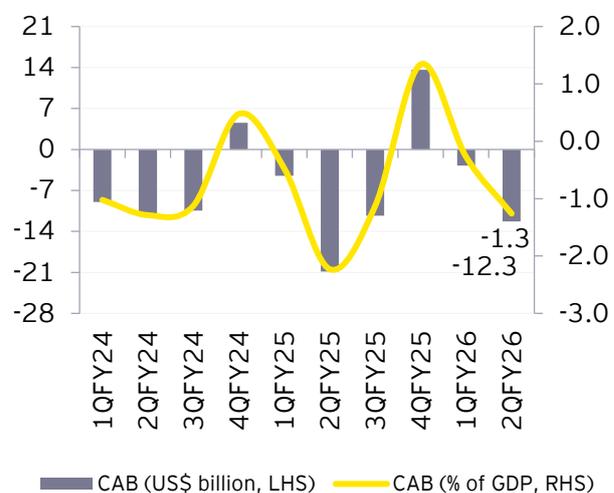
CAD widened to 1.3% of GDP in 2QFY26 from 0.3% in 1QFY26

- 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 9 and Chart 11).
- 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 two 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 9: 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 11: CAB



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

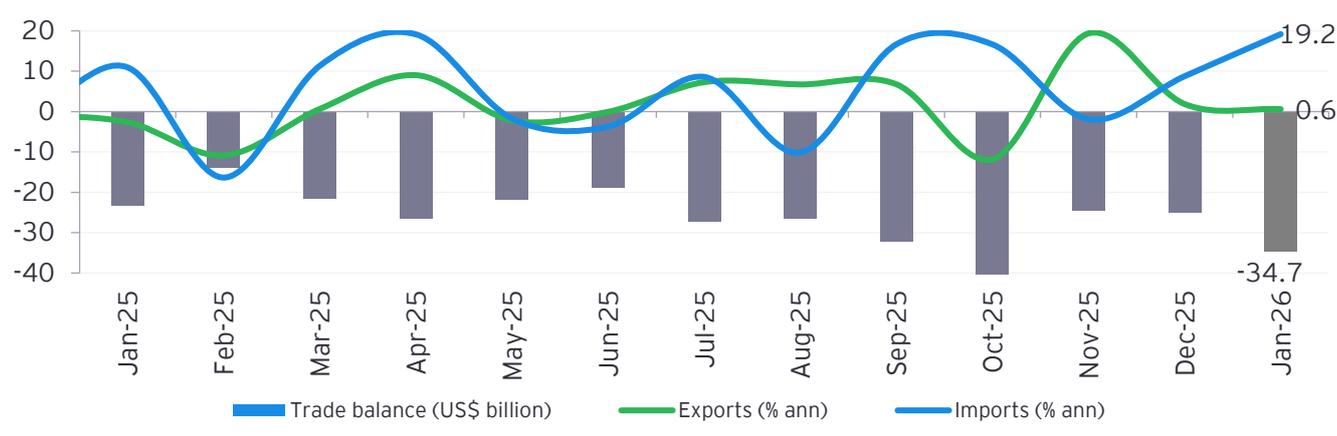
- Compared to 2QFY25, current account deficit in 2QFY26 eased by nearly 1.0% points of GDP to 1.3% from 2.2% of GDP, supported by robust expansion in services and merchandise exports and strong receipts from remittances.

Merchandise trade and exchange rates

- Merchandise exports growth remained flat at 0.6% in January 2026 as compared to 1.9% in December 2025.
- The flat growth in merchandise exports was attributable to a (-)23.0% contraction in gems and jewelry exports and a near zero growth in electronic goods exports accompanied by expansion in oil and engineering goods exports by 8.5% and 10.4% respectively during January 2026.
- Merchandise imports growth surged to 19.2% in January 2026, its highest level since August 2022, on account of a sharp spike in gold and silver imports, even as crude imports remained nearly stagnant.
- Gold and silver imports grew by 349.2% and 127.0% respectively on account of rising prices as well as high festive demand. Crude imports fell by (-)0.2% in January 2026 as compared to a growth of 6.0% in the previous month.
- The pace of contraction of exports to the US increased to (-)21.8% in January 2026 from (-)1.8% in December 2025. On a cumulated basis, India's imports from the US grew by 13.9% during April to January FY26 while those from Russia contracted by (-)12.2%.
- Growth in exports and imports excluding oil/coal, gold/silver and jewelry eased to 2.0% and 3.8% in January 2026 from 3.4% and 10.9% in December 2025 respectively.

Merchandise exports growth remained flat at 0.6% in January 2026 while growth in merchandise imports surged to 19.2% owing to a sharp spike in gold and silver imports.

Chart 12: Developments in merchandise trade



Source: Ministry of Commerce and Industry, GoI

- Merchandise trade deficit expanded to US\$34.7 billion in January 2026 from US\$25.0 billion in December 2025, as growth in exports flattened while that in imports surged (**Chart 12**).
- Services trade surplus improved to an unprecedented high of US\$22.7 billion in December 2025 as both services exports and imports reached their historic peaks of US\$41.8 billion and US\$19.1 billion respectively.
- Goods and services trade deficit narrowed to US\$2.4 billion in December 2025, its lowest level since February 2025 when a surplus of US\$3.1 billion was witnessed.
- The Indian Rupee depreciated to INR90.8/US\$ in January 2026 from INR90.1/US\$ in December 2025 reflecting a) a sharply wider merchandise trade deficit, b) sustained foreign portfolio investor (FPI) equity outflows, and c) increased demand for the US dollar amidst a global risk-off environment and firm US interest rates following the Federal Reserve's January policy pause.



8.

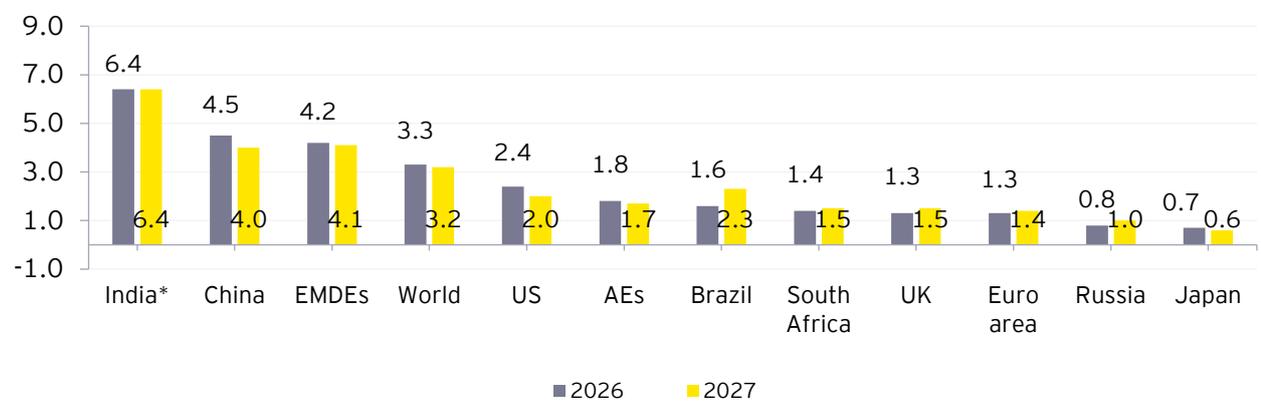
Global growth: IMF projected global growth at 3.3% in 2026 and 3.2% in 2027

Global growth outlook

- As per the IMF (World Economic Outlook Update, January 2026), the 2026 global growth projection at 3.3% has been revised upward by 0.2% points compared with that in October 2025. The forecast for 2027 remained unchanged at 3.2% (Chart 13). In IMF's assessment, while tariffs and uncertainty are projected to continue to weigh on the level of activity, the effect on growth is expected to fade during 2026 and 2027.
- Growth in advanced economies (AEs) is projected to be 1.8% in 2026 and 1.7% in 2027, marking an upward revision of 0.2% points for 2026 and no change for 2027.
- Growth in the US is forecasted at 2.4% in 2026, supported by fiscal policy and a lower policy rate, while the impact of higher trade barriers also gradually wanes. Growth is projected to remain buoyant at 2.0% in 2027, with a near-term fiscal boost from tax incentives for corporate investment under the One Big Beautiful Bill Act (OBBBA) of 2025.
- In the Euro area, growth is expected to remain steady at 1.3% in 2026 and at 1.4% in 2027. The slightly faster growth in 2027 reflects projected increases in public spending, notably in Germany, alongside continued strong performance in Ireland and Spain.
- In Japan, growth is projected to moderate from 1.1% in 2025 to 0.7% in 2026 and further to 0.6% in 2027. In the UK, growth is projected to marginally fall to 1.3% in 2026 from 1.4% in 2025 before improving to 1.5% in 2027.
- Growth in emerging market and developing economies (EMDEs) is forecasted at 4.2% in 2026 and 4.1% in 2027, an upward revision of 0.2% points in 2026 and a downward revision of 0.1% point in 2027.
- Relative to the projection in October 2025, growth in 2026 for China is revised upward by 0.3% points to 4.5%, reflecting the lower US effective tariff rates on Chinese goods as a result of the yearlong trade truce agreed to in November 2025 and stimulus measures that are assumed to be implemented over two years. Growth is expected to decelerate to 4.0% in 2027 due to structural headwinds.

The IMF has projected global growth at 3.3% in 2026 and 3.2% in 2027 with India's FY27 and FY28 growth rates forecasted at 6.4% each.

Chart 13: Global growth projections (% annual)



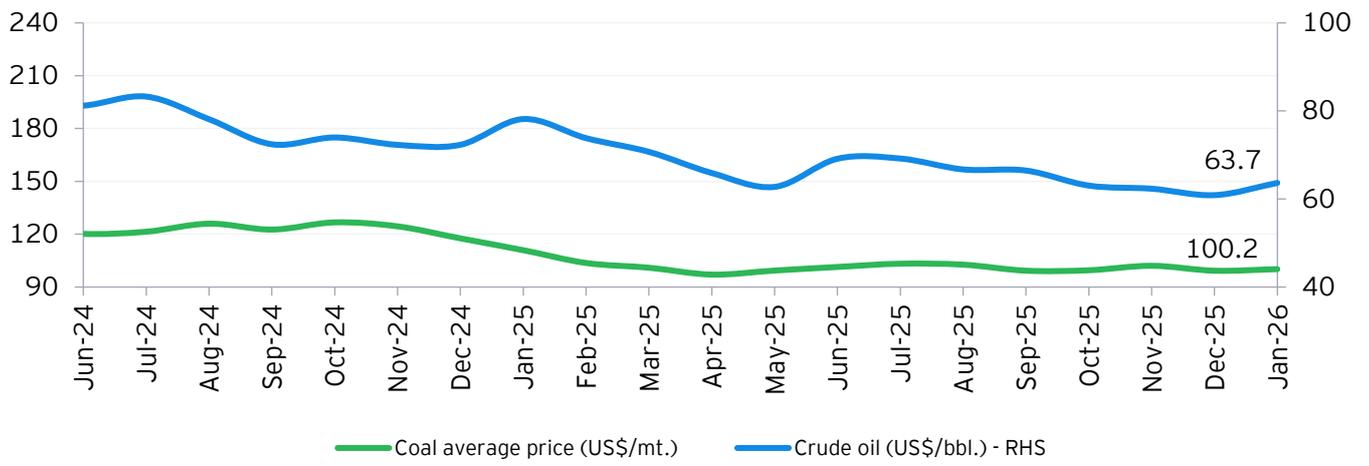
Source: IMF World Economic Outlook Update (January 2026)
 *Data pertains to fiscal years

- In India, growth is revised upward by 0.7% points to 7.3% for 2025 (FY26), reflecting the better-than-expected outturn in the 3Q of the year and strong momentum in the 4Q. Growth is projected to moderate to 6.4% in 2026 and 2027 as cyclical and temporary factors wane.

Global energy prices: Global crude price increased to a four-month high of US\$63.7/bbl. in January 2026

- After falling to its lowest level since February 2021, average global crude price¹² increased from US\$60.9/bbl. in December 2025 to US\$63.7/bbl. in January 2026 in the wake of geopolitical developments in Iran and Venezuela¹³ (Chart 14).
- Average global coal price¹⁴ also showed a mild increase from US\$99.3/mt. in December 2025 to US\$100.2/bbl. in January 2026.

Chart 14: Global crude and coal prices



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

¹² Simple average of three spot prices, namely, Dated Brent, West Texas Intermediate and Dubai Fateh

¹³ <https://www.iea.org/reports/oil-market-report-january-2026>

¹⁴ Simple average of Australian and South African coal prices.



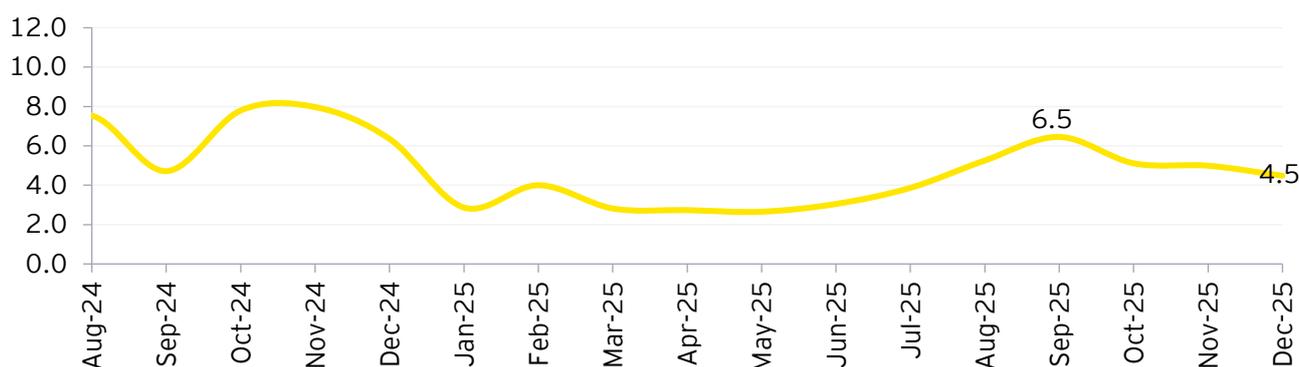
9.

Index of Aggregate Demand (IAD): IAD grew by 4.5% in December 2025

Growth in IAD moderated to 4.5% in December 2025

- IAD¹⁵ showed lower growth of 4.5% in December 2025 compared to 5.0% in November 2025, largely driven by easing demand conditions in the manufacturing sector (Chart 15 and Table 10).
- In the manufacturing sector, demand conditions moderated for the second successive month as reflected in a lower value of PMI manufacturing (sa) at 55.0 in December 2025 compared to 56.6 in November 2025.
- Demand conditions in the services sector also eased marginally as indicated by a lower level of PMI services (sa) at 58.0 in December 2025 compared to 59.8 in November 2025.
- Demand conditions in the agricultural sector, however, remained strong as reflected by a robust growth in agricultural credit at 12.0% (sa) in December 2025, increasing from 8.8% in November 2025.

Chart 15: Growth in IAD (% y-o-y)



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

Table 10: IAD

Month	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25
IAD	183.3	183.2	185.8	187.3	190.7	189.1	189.1	189.2	188.7
Growth (% y-o-y)	2.7	2.7	3.0	3.9	5.3	6.5	5.1	5.0	4.5
Growth in agr. credit	9.1	7.4	6.7	7.3	7.6	9.0	9.0	8.8	12.0
Mfg. PMI*	8.2	7.6	8.4	9.1	9.3	7.7	9.2	6.6	5.0
Ser. PMI*	8.7	8.8	10.4	10.5	12.9	10.9	8.9	9.8	8.0

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).

¹⁵ 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
4QFY25	4.0	2.4	4.2	4.6	4.3	4QFY25	57.4	58.0
1QFY26	2.0	-3.0	3.3	-1.5	1.5	1QFY26	58.1	59.3
2QFY26	4.3	-0.5	5.1	3.7	4.5	2QFY26	58.7	61.4
3QFY26	5.2	3.8	6.2	-0.9	1.9	3QFY26	56.9	58.9
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	7.2	5.8	8.5	-1.5	2.1	Dec-25	55.0	58.0
Dec-25	7.8	6.8	8.1	6.3	3.7	Jan-26	55.4	58.5

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 and beverages	Housing and utilities#	Core CPI	WPI	Food Price Index	Mfg. products	Fuel and power	Core WPI
	% change y-o-y (2024 base series)					% change y-o-y (2011-12 series)			
FY22	5.5	NA	NA	NA	13.0	6.8	11.1	32.5	11.0
FY23	6.6	NA	NA	NA	9.4	6.3	5.6	28.1	5.8
FY24	5.4	NA	NA	NA	-0.7	3.2	-1.7	-4.7	-1.4
FY25	4.6	NA	NA	NA	2.3	7.3	1.7	-1.3	0.7
4QFY25	3.7	NA	NA	NA	2.4	6.2	3.0	-1.0	1.4
1QFY26	2.9	NA	NA	NA	0.3	1.6	2.2	-3.9	1.0
2QFY26	1.7	NA	NA	NA	0.0	-1.3	2.3	-3.0	1.5
3QFY26	0.6	NA	NA	NA	-0.1	-2.5	1.7	-2.4	1.8
Oct-25	0.0	NA	NA	NA	-1.0	-5.0	1.7	-2.4	1.7
Nov-25	0.5	NA	NA	NA	-0.1	-2.5	1.5	-2.3	1.6
Dec-25	1.2	NA	NA	NA	0.8	0.0	1.8	-2.3	2.0
Jan-26	2.8	2.1	1.5	3.4	1.8	1.4	2.9	-4.0	3.2

Source: Office of the Economic Adviser, Ministry of Commerce and Industry and MoSPI

Note: CPI inflation is calculated on the basis of the 2024 base series that was released by the MoSPI in February 2026. Data for the CPI categories under the 2024 base series is not available for other months of the previous years and hence corresponding inflation estimates are unavailable.

#Housing and utilities include Housing, water, electricity, gas and other fuels

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
FY23	12.7	16.0	19.7	17.8	7.2	6.5	4.0
FY24	13.5	10.3	25.4	17.9	8.5	5.5	2.5
FY25	9.5	8.3	18.2	13.6	4.3	4.8	1.7
FY26 (RE over FY25act.)	7.4	12.4	6.2	9.0	5.2	4.4	1.5
FY27 (BE over FY25RE)	8.0	11.0	11.7	11.4	3.0	4.3	1.5
Cumulated growth (% , y-o-y)						% of budgeted target	
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
Dec-25	8.5	12.4	4.2	8.0	9.7	54.9#	21.6#

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
INR crore					
FY26 (RE)	9,58,480	5,019	0	88,000	10,51,499
FY27 (BE)	10,19,020	5,485	0	0	10,24,505
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
Dec-25	74,142	463	76,161	5,373	1,56,139

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
Mar-25	6.25	FY22	7.0	9.7	38.6	-16.8	FY22	10.7	8.8	6.40	617.6
Apr-25	6.00	FY23	14.4	9.5	28.0	-5.2	FY23	6.9	9.0	7.35	578.4
May-25	6.00	FY24	18.6	13.0	10.2	44.1	FY24	7.3	11.6	7.16	645.6
Jun-25	5.50	FY25	13.5	11.3	1.0	3.6	FY25	7.9	9.4	6.88	665.4
Jul-25	5.50	4QFY25	11.1	10.3	0.4	-5.9	4QFY25	7.9	9.4	6.72	665.4
Aug-25	5.50	1QFY26	9.6	9.4	4.9	1.6	1QFY26	12.1	9.5	6.34	702.8
Sep-25	5.50	2QFY26	10.1	9.8	2.9	-5.7	2QFY26	11.4	9.2	6.49	700.2
Oct-25	5.50	3QFY26	12.5	11.1	-3.8	0.0	3QFY26	17.4	12.1	6.55	696.6
Nov-25	5.50	Sep-25	10.4	9.3	-1.7	-0.6	Oct-25	12.3	9.2	6.48	689.7
Dec-25	5.25	Oct-25	11.3	10.5	-1.7	3.4	Nov-25	12.5	9.9	6.54	686.2
Jan-26	5.25	Nov-25	11.5	10.2	-0.5	0.7	Dec-25	17.4	12.1	6.63	696.6
Feb-26	5.25	Dec-25	14.5	12.7	-1.6	-4.1	Jan-26	16.8	12.0	6.72	723.8

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	-4.3	1.4	-59.0	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
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
Jan-26	0.6	19.2	-34.7	90.8	63.7	100.2	Jan-26	98.3

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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