

# Economy Watch

Monitoring India's  
macro-fiscal performance

May 2026

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# Highlights

1. Affected by accelerating input cost inflation, the manufacturing PMI at 54.7 in April 2026 was at its second-lowest level since June 2022. Services PMI, however, increased to a five-month high of 58.8, driven by domestic demand.
2. IIP grew by 4.1% in March 2026, lower compared to 5.1% in February 2026. In FY26, IIP growth remained nearly stable at 4.1%, compared to 4.0% in FY25.
3. CPI inflation edged up marginally to 3.5% in April 2026 from 3.4% in March 2026, reflecting higher inflation in food and beverages.
4. Headline WPI inflation accelerated sharply to 8.3% in April 2026 from 3.9% in March 2026, reflecting a broad-based surge in wholesale price momentum, driven primarily by cost of energy inputs and pass-through into manufactured products.
5. Gol's gross tax revenues (GTR) grew by 6.7% during April-February FY26. Buoyancy of GTR during the first three quarters of FY26 is estimated at 1.0.
6. Gol's total expenditure grew by 3.9% during April-February FY26. During the first three quarters of FY26, total expenditure relative to GDP stood at 13.5%.
7. Gol's fiscal and revenue deficits during April-February FY26 stood at 80.4% and 73.8% of their respective annual revised estimates. During the first three quarters of FY26, Gol's fiscal and revenue deficits as a proportion of GDP stood at 3.4% and 0.5%, respectively.
8. Growth in gross bank credit increased to a 21-month high of 16.1% in March 2026 from 14.5% in February 2026.
9. Net FPI outflows surged to US\$13.3 billion in March 2026, its highest level since March 2020, while net FDI inflows remained subdued at US\$1.6 billion during the month.
10. Merchandise exports and imports recovered in April 2026, growing by 13.8% and 10.0%, respectively, after contracting in March 2026, driven by base effects, higher commodity prices and increased demand for imports.
11. The merchandise trade deficit widened to US\$28.4 billion in April 2026 from US\$20.7 billion in March 2026 given the higher level of imports vis-à-vis exports.
12. Average global crude price increased to US\$103.9/bbl. in April 2026, its highest level since July 2022.
13. The IMF has projected global growth at 3.1% in 2026 and 3.2% in 2027, with India's FY27 and FY28 growth rates forecasted at 6.5% each.
14. In view of the changing world economic order, to preserve India's long term growth prospects, there is a need to 1) build strategic reserves for crude oil, gas, fertilizers and rare earth materials and 2) re-strategize achieving sustainable levels of current account and fiscal imbalances.





## India's FY27 outlook: evolving economic clouds

The economic shadow of the continuing West Asia conflict is likely to be accompanied by a number of other developments casting some clouds over the Indian economy. Apart from relatively high crude prices and uncertain supplies of crude, gas and other energy products, there may also be supply and price fluctuations related to other primary commodities. The Indian economy may also be affected by the forthcoming El Niño, which is likely to impact agricultural output in general and food output in particular. Possible fertilizer shortages may also pose additional challenges. India's exports are also likely to show subdued performance due to a slowdown in global growth resulting from constrained crude supply and price shocks. There may also be a reduction in inward remittances from the Gulf countries, which are being affected by the West Asia crisis. Alongside, the fast-paced evolution of AI is expected to have a long-term impact on the employment of India's skilled labour force, which had, hitherto, found placement in the lucrative job market linked to IT services. These developments may have a bearing on India's growth performance both in the short and long run.

In view of the West Asian crisis and other unfavourable economic developments, a substantial reorientation of policies may be needed to keep the Indian economy performing close to its potential. These policies may call for building relatively larger reserves of crude and primary commodities where India's import dependence and vulnerability are high. The pace of substitution of crude with other sources of energy also needs to be accelerated, particularly greener sources. A faster pace of exploitation of domestic oil finds also needs to be implemented. While many free trade agreements have been signed, they need to be translated into an effective increase in India's exports in both volume and value terms.

In the short run, both fiscal and monetary policy options may be constrained. In fact, in FY27, the GoI's fiscal deficit may exceed the budget estimates due to the compulsion of providing higher food, fertilizer and petroleum subsidies, since the upsurge in the price of the Indian crude basket may not be fully passed on to consumers. On the monetary side, given the current pressure on inflation, policy rates may eventually have to be increased. Headline WPI inflation accelerated to 8.3% in April 2026 from 3.9% in March 2026, reflecting a broad-based surge in wholesale price momentum, driven primarily by energy-related inputs and pass-through into manufactured products, signalling a shift from benign to elevated cost conditions. However, CPI inflation remained relatively contained at 3.5% in April 2026 compared to 3.4% in March 2026, reflecting limited passthrough of higher global crude prices to retail fuel prices. Since the increase in CPI inflation is cost driven, adjustments in repo rate may have limited effect in containing inflation. Any rate revision undertaken by the RBI is likely to be data driven. In view of the constraints on adopting stimulative fiscal or monetary policies, there may be a need to examine options for sectoral interventions. States may also need to be brought on board to play a countercyclical role.

The global slowdown and the crude price upsurge are expected to have a direct bearing on India's current account deficit (CAD). Having deteriorated to 2% of GDP in FY23, India's CAD as a percentage of GDP improved to 0.6% in FY25. In the first three quarters of FY26, it averaged 1.0%. Further deterioration is expected in the final quarter of FY26 although it may still remain below 2% of GDP for the full year. Given the sharp rise in crude oil prices, globally and in terms of India's crude basket, it may come close to 2% of GDP in FY27. The sustainable level of CAD as a percentage of GDP for India has been estimated at 1.3%<sup>1</sup>.

In the backdrop of the ongoing crisis, high-frequency data for March and April 2026 provide mixed signals. Affected by accelerating input cost inflation, the manufacturing PMI, at 54.7 in April 2026, was at its second-lowest level since June 2022. Services PMI, however, increased to a five-month high of 58.8, driven by domestic demand. Monthly gross GST collections increased from INR 2.0 lakh crore in March 2026 to INR 2.4 lakh crore in April 2026, showing a low year-on-year growth of 2.5%. Data released by the

<sup>1</sup> Rangarajan, C (2016): "Can India grow at 8 to 9 per cent?" The Hindu, (<http://www.thehindu.com/opinion/lead/can-india-grow-at-8-to-9-per-cent/article8596824.ece>, Accessed on 17 May 2016.)



Federation of Automobile Dealers Associations (FADA) show that retail sales of motor vehicles grew by 12.9% in April 2026, lower than 25.3% in March 2026. Retail sales of passenger vehicles and two-wheelers grew by 12.2% and 13.0%, respectively, in April 2026. On the trade front, merchandise exports and imports in US\$ terms recovered in April 2026, growing by 13.8% and 10.0%, respectively, after contracting in March 2026, driven by base effects, higher commodity prices and strong domestic demand. Despite exports growing faster than imports, the merchandise trade deficit widened to US\$28.4 billion in April 2026 from US\$20.7 billion in March 2026, reflecting the impact of a higher absolute import base.

Overall IIP growth fell to a five-month low of 4.1% in March 2026 from 5.1% in February 2026, driven by lower growth in manufacturing and electricity output. Growth in gross bank credit increased to a 21-month high of 16.1% in March 2026 from 14.5% in February 2026. Net FPI outflows surged to US\$13.3 billion in March 2026, its highest level since March 2020, while net FDI inflows were subdued at US\$1.6 billion during the month.

In view of the mounting pressures emanating from the West Asia crisis and the changing world trade and economic order in general, India may recast its growth strategy to ensure that no long-term damage is done to its stipulated medium- to long-term path. For this purpose, a seven-step strategy—including reduction in gold imports, savings in foreign travel and measures to reduce domestic fuel consumption—was recently proposed as a short-term measure by the PM. Going forward, we need to prepare for unanticipated economic shocks and India’s vulnerabilities. Government may look at: (1) building strategic reserves for crude oil, LPG, fertilizers, processed and unprocessed rare earth materials and basic medicines and critical medical equipment; (2) building dual-use infrastructure to minimize the impacts of unanticipated nuclear and biological threats; and (3) re-strategizing the achievement of sustainable levels of current account and fiscal imbalances. Among other initiatives, an accelerated shift towards green and nuclear energy, including Thorium-based production, focusing on developing indigenous technologies, may also be needed, along with a sharper shift towards electric vehicles. Recent diversification of petroleum sources has already helped India reduce its dependence on the Strait of Hormuz. India may also need to work on further diversification and acceleration of alternative trade routes, including the India-Middle East-Europe Economic Corridor (IMEC) and the Indo-Pacific corridor covering the Malacca Strait.



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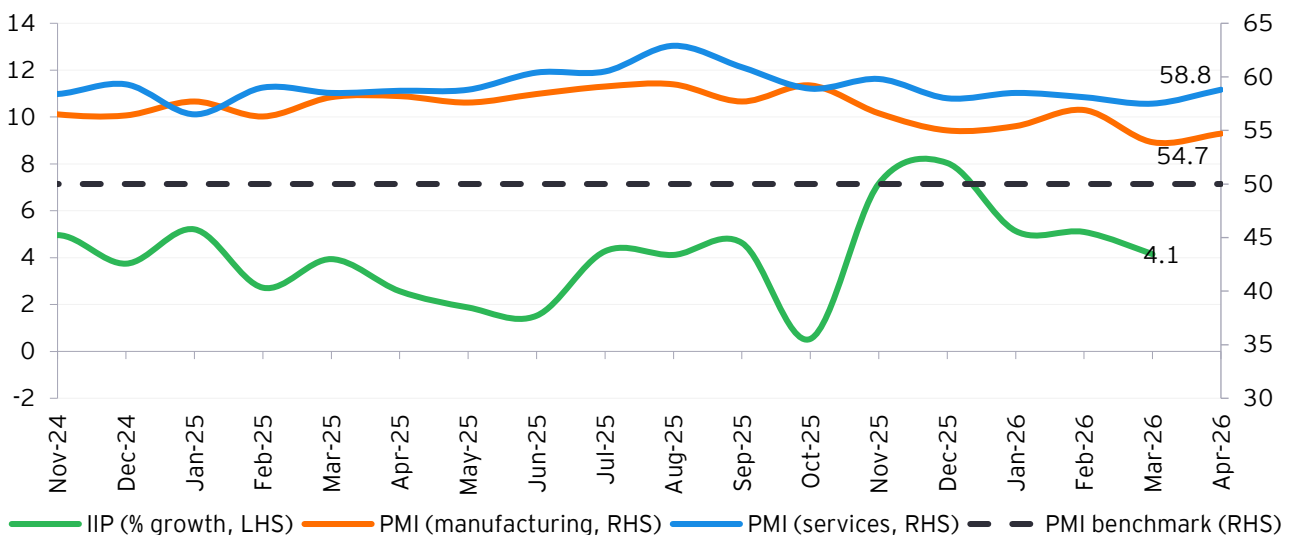
# 1 Growth: Services PMI at a five-month high in April 2026, manufacturing PMI continued to remain low

## 1.1 PMI showed some improvement in private sector activity in April 2026, driven by robust domestic demand in the services sector

- The seasonally adjusted manufacturing PMI increased from 53.9 in March 2026 to 54.7 in April 2026 (Chart 1). However, it remained at its second-lowest level since June 2022, reflecting spillover effects from the West Asia crisis, particularly through higher inflation. Input costs in April 2026 increased at the fastest pace since August 2022 and output prices at the quickest rate in six months.
- Services PMI (sa) also increased from 57.5 in March 2026 to a five-month high of 58.8 in April 2026. Activity and new orders strengthened during the month despite easing new export orders, indicating that demand was led by domestic consumers. Input cost inflation moderated but remained elevated, while output price inflation stayed subdued, suggesting that some firms may be absorbing higher costs rather than passing them on.
- Largely driven by an expansion in PMI services, the composite PMI Output Index (sa) improved from 57 in March 2026 to 58.2 in April 2026.

Affected by accelerating input cost inflation, manufacturing PMI was at 54.7 in April 2026, its second-lowest level since June 2022. Services PMI, however, reached a five-month high of 58.8 driven by domestic demand.

Chart 1: PMI and IIP growth



Source: MoSPI and S&P Global



## 1.2 IIP growth moderated to 4.1% in March 2026

- Overall IIP growth fell to a five-month low of 4.1% in March 2026 from 5.1% (revised) in February 2026 (**Chart 1**), driven by lower growth in manufacturing and electricity output. In FY26, IIP grew by 4.1%, close to its level of 4.0% in FY25.
- Manufacturing output, having the highest weight of 77.6% in overall IIP, showed a lower growth of 4.3% in March 2026 compared to 5.9% in February 2026. Growth in the output of the electricity sector was also significantly lower at 0.8% in March 2026 compared to 2.3% in February 2026.
- Growth in the output of mining, which is usually volatile, increased to 5.5% in March 2026 from 3.1% in February 2026.
- Within manufacturing, among key sub-industries, growth in the output of basic metals (8.6%), other non-metallic mineral products (3.2%) and food products (0.5%) was lower in April 2026 compared to the previous month. However, there was a contraction in the output of chemical and chemical products at (-) 3.5% in March 2026. On the contrary, output of motor vehicles, trailers and semi-trailers, and other machinery and equipment showed higher growth rates of 18.1% and 11.2%, respectively, in March 2026 compared to 14.4% and 10.3% in February 2026.
- Within the 'use-based' classification of industries, growth in the output of infrastructure/construction and consumer durables moderated to 6.7% and 5.3%, respectively, in March 2026 from 11.1% and 7.1% in February 2026. Growth in the output of capital goods, however, continued to show a robust growth of 14.6% in March 2026, increasing from 12.4% in February 2026. Following two successive months of contraction, the output of consumer non-durables grew by 1.1% in March 2026.
- Output of eight core infrastructure industries (Core IIP) contracted by (-) 0.4% in March 2026 compared to a growth of 2.8% in February 2026, as four sub-industries showed contraction during the month. A large part of this contraction may be linked to the disruptions caused by the ongoing West Asia conflict. Among the sub-industries, the output of fertilizers and coal contracted by (-) 24.6% and (-) 4.0%, respectively, in March 2026 compared to growth rates of 3.4% and 2.3% in February 2026. There was also a contraction in the output of electricity by (-) 0.5% in March 2026 compared to a growth of 2.3% in February 2026. Output of crude oil contracted by (-) 5.7% in March 2026, its seventh successive month of contraction.
- In FY26, core IIP growth averaged lower at 2.6% compared to 4.5% in FY25.

**IIP grew by 4.1% in March 2026, lower compared to 5.1% in February 2026. In FY26, IIP growth remained nearly stable at 4.1% compared to 4.0% in FY25.**





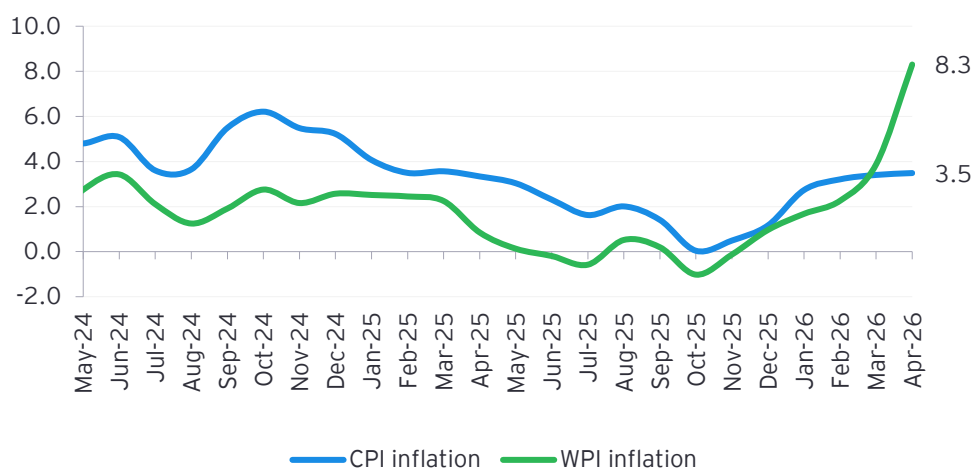
## 2 Inflation: CPI inflation increased marginally to 3.5% in April 2026

### 2.1 CPI inflation

- CPI inflation edged up marginally to 3.5% in April 2026 from 3.4% in March 2026 (**Chart 2**). The modest increase reflects higher inflation in food and beverages, which more than offset softening in housing, water, electricity, gas and other fuels, as well as personal care and miscellaneous items, indicating limited pass-through of global cost pressures so far.
- Inflation in food and beverages increased for the third consecutive month to 4.0% in April 2026 from 3.7% in March 2026.
- Vegetable inflation remained subdued at 2.3% in April 2026 although increasing marginally from 1.7% in March 2026, with sharp seasonal increases in select items including coconut/copra (44.6%), tomato (35.3%) and cauliflower (25.6%), offsetting continued contraction in prices of potato ((-) 23.7%) and onion ((-) 17.7%).
- Inflation in oils and fats, and fish and seafood rose for the third successive month, reaching 9.2% and 8.6%, respectively, in April 2026 from 7.8% and 7.3% in March 2026, pointing to broadening food price pressures beyond vegetables.
- Overall food inflation continues to exhibit a supply-driven and volatile pattern, with deflation in key vegetables helping contain the impact on headline inflation despite elevated prices in select items.
- Inflation in housing, water, electricity, gas and other fuels moderated to 1.7% in April 2026 from 2.0% in March 2026, reflecting subdued rental increases and limited pass-through of higher global energy prices to retail fuel and utility tariffs, aided by administered pricing and stable domestic fuel taxation policies.
- Inflation in personal care and miscellaneous goods and services moderated to 17.7% in April 2026 from 18.6% in March 2026, largely due to a decline in inflation in gold, diamond and platinum jewelry to 40.7% from 45.9% over the same period.
- Inflation in silver jewelry remained exceptionally high at 144.3% in April 2026, although it eased slightly from 148.4% in March 2026.
- Overall, the April 2026 inflation print suggests a stable but gradually firming price environment, with headline inflation remaining below the RBI's 4% target level, even as early signs of pressure emerge from food and external factors, requiring close monitoring of evolving risks.



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



CPI inflation edged up marginally to 3.5% in April 2026 from 3.4% in March 2026, reflecting higher inflation in food and beverages.

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

## 2.2 WPI inflation surged to 8.3% in April 2026

- Headline WPI inflation accelerated sharply to 8.3% in April 2026 from 3.9% in March 2026 (Chart 2), reflecting a broad-based surge in wholesale price momentum. This was driven primarily by energy-related inputs and pass-through into manufactured products, signaling a shift from benign to elevated cost conditions.
- Inflation in primary articles rose to a 42-month high of 9.2% in April 2026, driven largely by a sharp increase in crude petroleum and natural gas prices (67.2%), while food article inflation remained relatively stable (2.0%), indicating that the primary impulse originated from global commodity shocks rather than agricultural prices.
- Fuel and power inflation surged significantly to 24.7% in April 2026 from 1.05% in March 2026, with mineral oil inflation rising to a 43-month high of 39.5%, mirroring the sharp escalation in global crude oil prices and highlighting the intensity of imported inflation pressures at the wholesale level.
- Inflation in manufactured products increased to a 43-month high of 4.6% in April 2026, with price increases across a majority of industry groups, led by basic metals inflation rising to a 44-month high of 7.0%. This indicates growing cost pass-through from energy and raw material inputs into core industrial goods.
- In April 2026, food price inflation remained low at 2.3%, a slight increase from 1.8% in March 2026. Inflation for manufactured food products rose to 2.9%, demonstrating that wholesale food price pressures are still under control. However, consumer prices (CPI inflation) of food show some firmness.
- Core WPI inflation (excluding food and fuel) increased for the fifth consecutive month to 5.0%, the highest since September 2022, reflecting progressive transmission of input cost pressures into the production chain, and pointing to early signs of pipeline inflation building within the economy.
- The breadth of price increases appears to be widening, as reflected in simultaneous firming across primary, fuel and manufactured segments, indicating that the current inflation episode is becoming increasingly generalized.



## 3 Fiscal: Gol's fiscal deficit stood at 3.4% of GDP during the first three quarters of FY26

### 3.1 Tax and non-tax revenues

- As per the CGA, monthly data for Gol's fiscal aggregates are available up to February 2026. Data for the month of March 2026 is expected to be released on 31 May 2026. Gol's GTR<sup>(b)</sup> showed a growth of 6.7% during April-February FY26.
- An estimated y-o-y growth of 11.4% is required in the month of March 2026 to realize the FY26 (RE) for GTR at INR40.8 lakh crore.
- During April-February FY26, direct taxes<sup>(a)</sup> grew by 5.9% while indirect taxes grew by 8.0%.
- On a quarterly basis, after showing a subdued growth of 4.6% in 1QFY26 and 1.4% in 2QFY26, growth in Gol's GTR improved significantly to 19.5% in 3QFY26 driven by an improvement in corporate income tax (CIT) revenues and indirect taxes comprising GST, union excise duties (UED) and customs (**Table 1**).
- With respect to direct taxes, after a contraction in 1QFY26 largely owing to tax refunds, growth in both CIT and PIT improved in 2Q and 3QFY26. In the case of PIT, a fall in growth in 3QFY26 may partly be attributable to an unfavorable base effect.
- Among indirect taxes, Gol's GST revenues showed double-digit growth in 1Q and 3Q of this fiscal year with a contraction in 2QFY26. Considering the period April to February 2026, growth in Gol's GST revenues was subdued at 5.1% which may partly be owing to the sharp GST rate reductions undertaken as part of GST 2.0 in September 2025.
- After a subdued performance in FY25, growth in Gol's UED revenues showed improvement in the three quarters of FY26, partly attributable to the levy of new excise duties on tobacco products and a National Security and Public Health Cess after the GST rate rationalization.

**Table 1: Quarterly growth in central gross tax revenues (% , y-o-y)**

Components	1Q FY25	2Q FY25	3Q FY25	4Q FY25	1Q FY26	2Q FY26	3Q FY26	Apr-Feb FY26
GTR	23.7	3.8	8.5	6.3	4.6	1.4	19.5	6.7
Direct taxes of which:	39.9	-1.5	9.6	14.8	-0.8	6.2	17.2	5.9
CIT	26.2	-8.3	3.3	29.8	-1.2	2.5	31.0	12.4
PIT	49.9	6.7	16.8	6.1	-0.5	10.1	3.1	0.9
Indirect taxes of which:	5.5	11.2	5.5	-3.3	11.5	-4.9	23.9	8.0
GST	9.1	11.8	9.4	-0.1	16.1	-9.5	20.1	5.1
UED	-0.9	5.7	-8.4	-2.2	8.3	8.0	13.1	11.3
Customs	-4.3	15.6	10.0	-16.3	-9.9	-1.8	54.9	18.0

Gol's GTR grew by 6.7% during April-February FY26. Buoyancy of GTR during the first three quarters of FY26 is estimated at 1.0.

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 Gol's GTR along with direct and indirect taxes.



- With respect to customs duties, after a contraction in three successive quarters from 4QFY25 to 2QFY26, growth increased significantly to 54.9% in 3QFY26 owing to relatively higher import growth.
- The buoyancy of GTR is estimated at 1.0 in the first three quarters of FY26, compared to 1.1 in the corresponding period of FY25. GTR during the first three quarters of FY26, relative to GDP, stood at 11.9%, the same level as that in the corresponding period of FY25.
- Gol's non-tax revenues showed a growth of 17.8% during April-February FY26, compared to 36.9% during the corresponding period of the previous year.
- Non-tax revenues of the Gol during April-February FY26 as a proportion of the annual RE stood at 87%, quite comparable to the average ratio of 89.4% during the corresponding period of the last three years (FY23 to FY25) based on actual data.
- Non-debt capital receipts of the Gol during April-February FY26 stood at 102.4% of the FY26 (RE) indicating achievement of the FY26 (RE) at INR64,027 crore.
- Within non-debt capital receipts, Gol's disinvestment receipts during April-February FY26 stood at INR43,951 crore, exceeding the RE at INR33,837 crore by INR10,114 crore.

### 3.2 Expenditures: Revenue and capital

- Growth in Gol's total expenditure was 3.9% during April-February FY26. While revenue expenditure showed a low growth of 1.1%, capital expenditure continued to post a double-digit growth of 14.5%.
- As a proportion of FY26 RE, total expenditure in the first 11 months stood at 81.5%, close to the three-year average ratio of 83.8% during FY23 to FY25 based on actual data.
- On a quarterly basis, it was seen that there was a contraction in Gol's revenue expenditure in 2QFY26 followed by low growth in 3QFY26. On the other hand, capital expenditure showed buoyant growth in 1Q and 2QFY26 with a sharp contraction in 3QFY26 mainly due to an unfavorable base effect (Table 2).
- Total expenditure relative to GDP increased to a local peak of 16.4% in 4QFY25 with the corresponding ratios for revenue and capital expenditures at 12.2% and 4.2%. After this, there has been a gradual moderation.
- During the first three quarters of FY26, total expenditure relative to GDP stood at 13.5%, lowest since FY19 considering this ratio for the corresponding period of previous years.
- Revenue expenditure-to-GDP ratio during the first three quarters of FY26 stood at 10.3%, its lowest level considering the corresponding period of at least since FY12. Capital expenditure-to-GDP ratio during the first three quarters of FY26 stood at 3.1%, remaining close to the levels of 3.2% and 3.0% in the corresponding periods of FY24 and FY25.

**Table 2: Gol's expenditure: quarterly growth and magnitude relative to GDP**

Components	1Q FY25	2Q FY25	3Q FY25	4Q FY25	1Q FY26	2Q FY26	3Q FY26	Apr- Feb FY26
Quarterly growth (% , y-o-y)								
Total exp. of which:	-7.7	6.8	19.8	2.5	26.0	-5.3	-3.8	3.9
Revenue	2.2	6.0	13.1	-5.1	20.0	-14.6	2.4	1.1
Capital	-35.0	10.3	47.7	33.1	52.0	30.7	-23.4	14.5
Relative to GDP (%)								
Total exp. of which:	13.1	15.5	13.4	16.4	15.2	13.5	11.9	--
Revenue	10.6	12.3	10.2	12.2	11.8	9.7	9.6	--
Capital	2.4	3.2	3.2	4.2	3.4	3.8	2.3	--

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

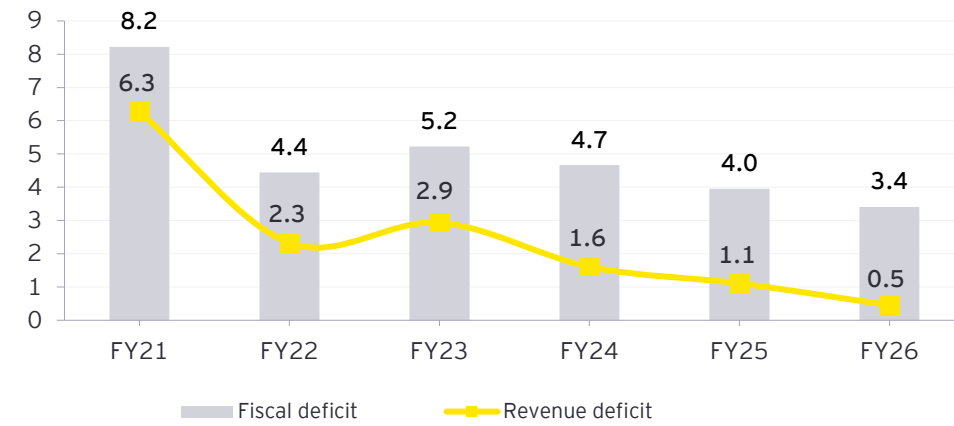
**Gol's total expenditure grew by 3.9% during April-February FY26. During the first three quarters of FY26, total expenditure relative to GDP stood at 13.5%.**



### 3.3 Fiscal imbalance

- Gol's fiscal deficit during April-February FY26 was at 80.4% of FY26 (RE) while the corresponding ratio for revenue deficit was 73.8%.
- Fiscal deficit during the first three quarters of FY26 as a proportion of GDP stood at 3.4%, the lowest as compared to the corresponding ratios in the last five years (**Chart 3**). Similarly, the revenue deficit-to-GDP ratio during the same period was at 0.5%, lower than the corresponding ratios since FY21.

**Chart 3: Fiscal and revenue deficits during the first three quarters relative to GDP**



During the first three quarters of FY26, Gol's fiscal and revenue deficits as a proportion of GDP stood at 3.4% and 0.5%, respectively.

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



## 4 Comparative trends: The IMF projected India's general government debt-to-GDP ratio at 83.4% in FY27

### 4.1 General government net lending/borrowing

- As per the April 2026 issue of the IMF's World Economic Outlook, the general government fiscal deficit-to-GDP ratio for the AEs as a group is projected to narrow modestly from 4.8% in 2026 to 4.5% by 2030 (Table 3). However, this aggregate stability masks uneven underlying dynamics.
- General government fiscal deficit in the US was at 6.8% of GDP in 2025, an improvement over 7.9% in 2024, partly owing to a sharp increase in federal revenue driven by a surge in customs duties following the introduction of broad new tariff schedules. However, the sustainability of this revenue stream remains uncertain following the Supreme Court's February 2026 ruling on the legality of the tariffs. The passage of the One Big Beautiful Bill Act (OBBA) in July 2025 has further shaped the US fiscal outlook. The OBBA is estimated to add above half a percent of GDP to the US primary deficit each year over the long term. Reflecting this, the general government fiscal deficit-to-GDP ratio is projected to remain high in the range of 7.4% to 7.6% during 2026 to 2031.
- Japan is also projected to witness an increase in its general government fiscal deficit-to-GDP ratio over the forecast period from 2026 to 2031.
- In contrast, the UK is projected to show a substantial improvement, with its fiscal deficit-to-GDP ratio reducing from 5.4% in 2025 to 1.6% by 2030. This change is likely to be driven by tax increases, tax threshold freezes, and the expiration of temporary measures for energy support.
- In the Euro area, tension between reformed European Union governance rules and mounting spending pressures, especially with regard to defense, increasingly shapes fiscal policy. Sixteen EU member states have recently invoked the national escape clause under the EU's Stability and Growth Pact that allows for temporary deviations from their net expenditure paths to accommodate security-related needs. Fiscal projections reflect this flexibility.

**Table 3: General government net lending (+)/borrowing (-) (% to GDP)**

Country	2025	2026	2027	2028	2029	2030	2031
World	-5.0	-5.2	-5.1	-5.1	-4.9	-4.9	-4.8
AEs	-4.4	-4.8	-4.7	-4.7	-4.6	-4.5	-4.5
US	-6.8	-7.5	-7.4	-7.6	-7.5	-7.4	-7.4
Euro area	-3.0	-3.3	-3.4	-3.2	-3.1	-3.0	-3.0
UK	-5.4	-3.9	-3.1	-2.6	-2.0	-1.6	-1.6
Japan	-1.1	-2.0	-2.4	-2.9	-3.3	-4.0	-4.0
EMDEs	-5.9	-5.8	-5.8	-5.6	-5.3	-5.2	-5.2
Brazil	-8.1	-7.7	-6.9	-6.2	-6.0	-6.1	-6.1
Russia	-3.9	-2.0	-2.4	-3.1	-2.4	-2.8	-2.8
<b>India*</b>	<b>-7.4</b>	<b>-7.4</b>	<b>-7.3</b>	<b>-7.1</b>	<b>-6.9</b>	<b>-6.6</b>	<b>-6.6</b>
China	-7.9	-8.2	-8.4	-8.2	-8.0	-8.0	-8.0
South Africa	-5.8	-4.9	-4.3	-4.4	-4.1	-3.9	-3.9

Source: IMF World Economic Outlook and IMF Fiscal Monitor (April 2026); \*Data pertains to fiscal year  
Note: -ve reflects a deficit and +ve reflects a surplus



- Among EMDEs, in China, the general government fiscal deficit-to-GDP ratio was high at 7.9% in 2025, reflecting the cumulative effect of several modest initiatives to support domestic consumption, amplified by a structural shortfall in non-tax and property revenues. The medium-term outlook for China points to high fiscal deficits exceeding 8% of GDP, with spending pressures expected to remain elevated as the population ages and traditional investment-driven growth models lose traction.
- In Brazil, although the general government fiscal deficit-to-GDP ratio is projected to gradually narrow over the forecast period, it is expected to remain at or above 6% due to rising interest payments and deterioration in the primary balance.
- After an improvement in 2026, Russia's general government fiscal deficit-to-GDP ratio is projected to increase in the subsequent years as a result of a marked expansion in its primary spending.
- The general government fiscal deficit-to-GDP ratio in India is projected to remain above the Fiscal Responsibility and Budget Management (FRBM) limit of 6% throughout the forecast period, mainly due to high fiscal deficit levels of the central government. Nonetheless, a gradual narrowing from 7.4% in 2026 (FY27) to 6.6% in 2030 (FY31) is expected.

## 4.2 General government gross debt

- The IMF has projected general government global debt-to-GDP ratio to increase by 8.4% points over the period 2025 to 2031 with its level surpassing 100% in 2029, one year before the projections as per the April 2025 issue of Fiscal Monitor (**Table 4**). Although the interest-growth differential is expected to remain favorable, its margin is likely to be narrow given countries' relatively high interest burdens and persistent primary deficits offsetting that margin.
- The projected increase in global debt largely reflects the increase in debt in the world's two largest economies, namely China and the US, whose respective projected debt increases are also higher than the projections in April 2025. Over the forecast period, China's general government debt-to-GDP ratio is projected to increase by 27.5% points to 126.8% by 2031, surpassing 100% in the current year while US's debt-to-GDP ratio is expected to increase by 18.2% points to 142.1% by 2031.
- In the case of the two other major AEs namely, Euro area and the UK, the increase in the general government debt-to-GDP ratio over the period 2025 to 2031 is estimated to be modest at 2.7% points and 0.2% points, respectively.

**Table 4: General government gross debt (% to GDP)**

Country	2025	2026	2027	2028	2029	2030	2031	2031 minus 2025 (% pts.)
World	93.9	95.3	97.2	98.8	100.0	101.2	102.3	8.4
AEs	108.0	108.2	109.4	110.9	112.2	114.8	114.8	6.8
US	123.9	125.8	128.6	132.1	135.5	142.1	142.1	18.2
Euro area	87.1	87.8	88.4	88.6	89.0	89.7	89.7	2.7
UK	102.3	103.6	104.1	103.9	103.5	102.6	102.6	0.2
Japan	206.5	204.4	200.1	197.7	195.7	192.8	192.8	-13.7
EMDEs	73.9	77.2	80.2	82.2	83.7	86.2	86.2	12.3
Brazil	93.3	96.5	100.0	102.3	104.1	106.5	106.5	13.2
Russia	17.2	19.1	21.2	23.6	25.4	29.1	29.1	11.9
India*	84.1	83.4	82.5	81.7	80.6	77.7	77.7	-6.4
China	99.2	106.9	112.5	116.7	120.3	126.8	126.8	27.5
S. Africa	78.6	78.9	79.7	80.9	81.7	82.6	82.6	4.0

Source: IMF World Economic Outlook and IMF Fiscal Monitor (April 2026); \*Data pertains to fiscal year

- In the case of Japan, however, a significant fall of (-) 13.7% points is projected in the debt-GDP ratio over the forecast period. A key driver of the projected decline in Japan's debt is its interest costs remaining below nominal GDP growth. The IMF assesses that the recent increase in Japan's inflation rate has lifted the country's nominal GDP appreciably, whereas the effective interest rate on outstanding government debt has adjusted only gradually owing to the long average maturity of the



country's public debt. Given Japan's large stock of legacy debt, even small favorable differentials between growth and interest rates generate large mechanical changes in the debt-to-GDP ratio.

- Among EMDEs, apart from China, Brazil's general government debt-to-GDP ratio is forecasted to touch 100% in 2027. Comparing the 2025 level with the assessed level in 2031, the increase in the debt-GDP ratio is estimated at 13.2% points.
- Russia's debt-GDP ratio is also projected to increase by 11.9% points during the period 2025 to 2031. However, the country's debt levels are relatively low, remaining below 30% of GDP by the end of 2031.
- Among the selected major EMDEs, India is the only country to show a fall in its general government debt-to-GDP ratio over the forecast period. By the end of 2030, general government debt relative to GDP is projected to fall to 77.7%, remaining at this level in 2031 as well. However, this would still be higher than the country's target of 60%.



## 5 In Focus: Protecting India's long-term growth prospects: Coping with short- and long-term challenges

### 5.1 Introduction: OECD's latest update

India's long-term growth story has been reconfirmed by OECD's latest estimates. There is a need, however, to re-strategize India's growth and development strategy to account for the short-term and long-term challenges that may cause departures from its long-term growth path. Indian economy may experience pressures due to the ongoing West Asian crisis because of certain inherent vulnerabilities. The impact of sharply increased crude oil prices and the rate of depreciation of the Indian rupee is likely to have an effect on growth and inflation, as also fiscal and current account imbalances. This may, however, be a short-term shock, and India's long-term growth prospects can remain intact, provided suitable strategic changes are undertaken. In this writeup we focus on India's long-term growth story and suggest critical changes in its growth strategy.

OECD periodically undertakes model-based projections of potential GDP in purchasing power parity (PPP) terms of 139 economies, including the top five economies, namely China, the US, India, Japan and Germany. The latest projections have been provided in the September 2025<sup>2</sup> update. This update has focused on the impact of climate-related damage scenarios along with a revised productivity estimation framework. These post-COVID projections go up to 2100 A.D. highlighting the comparative progress of the Indian economy, predicting it to become the largest global economy in PPP terms by 2063 in four out of six scenarios.

### 5.2 OECD projections: Alternative scenarios

There are six scenarios covered by these projections. Two scenarios pertain to Business-as-usual (BAU) and four scenarios comprise alternative profiles of climate damage. These scenarios are summarized in Table 5.

**Table 5: Alternative growth scenarios**

Transition path	Climate damage assumption	Cost mitigation trends		
		Nil	Slow	Fast
Business-as-usual curve (BAU)	Median damage curve	BAU1	--	--
	High damage curve	BAU2	--	--
Accelerated Energy Transition (ET)	Median damage curve	--	ET1	ET2
	High damage curve	--	ET3	ET4

Source: EY depiction

The variations in the alternative scenarios arise by combining the extent of climate related damage measured in terms of greenhouse gas emissions (median damage, high damage) and three variations of time profile of mitigation costs (no mitigation cost, slow reduction in mitigation cost and fast reduction in mitigation costs), thus giving rise to 2x3, that is, six scenarios. Our focus would be on describing ET2. This gives a picture of median damage and fast reduction in carbon mitigation costs with accelerated energy transition.

<sup>2</sup> OECD (2025), "OECD global long-run economic scenarios: 2025 update", OECD Economic Policy Papers, No. 36, OECD Publishing, Paris, <https://doi.org/10.1787/00353678-en> (released in September 2025); Data on corresponding long term economic scenarios can be accessed at <https://bit.ly/4uEbsmN> and was last updated on 6 January 2026.

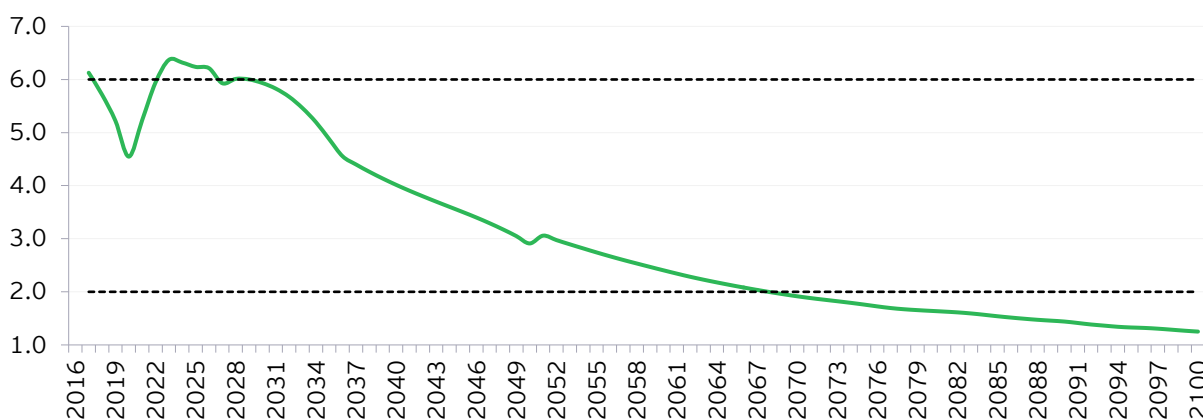


In the OECD Long-Term Model (LTM), a 'damage curve' shows how increases in global temperature (compared to a no-warming scenario) lead to a permanent drop in global GDP. These damages affect the level of GDP, not the long-term growth rate, and combine different economic impacts of climate change into one measure. The most favorable outcome occurs when climate damage is moderate and the cost of reducing emissions falls quickly. This leads to higher global living standards than the business-as-usual scenario by the end of the century.

### 5.3 Growth in India's potential GDP in purchasing power parity terms

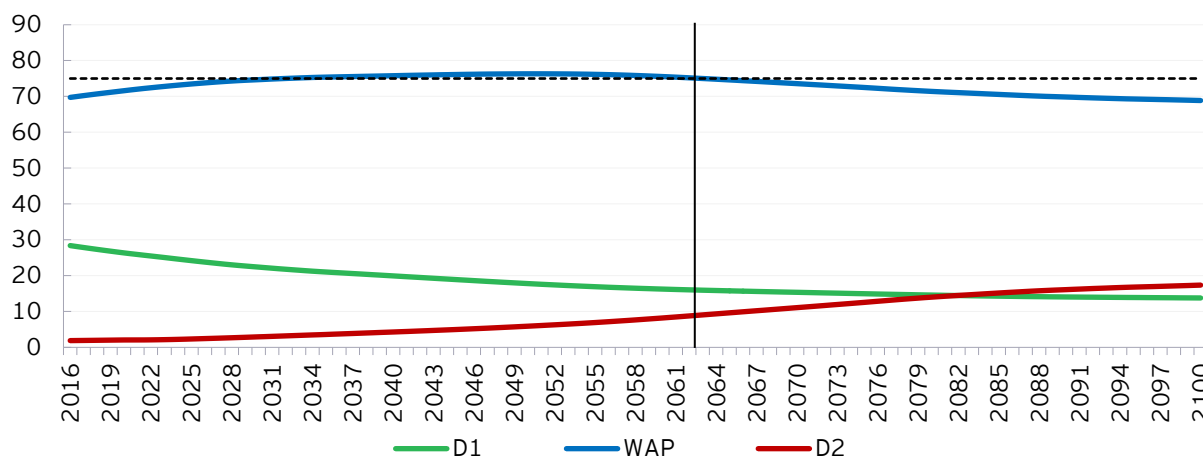
Focusing on the ET2 scenario, we have plotted the evolution of India's potential GDP growth in PPP terms. Chart 4 shows that after a sharp dip in the COVID year of 2020 (FY21), India's potential GDP growth reached a peak in 2023 (FY24), after which it has remained close to 6% up to 2031. Subsequently, it declines steadily, dropping below 2% in 2068. Juxtaposing this curve with India's population growth profile (Chart 5), India's comparative growth advantage appears to be in the decades where the share of its working-age population remains above 75%<sup>3</sup> or so.

**Chart 4: Growth in India's potential GDP (PPP\$ terms, ET2 scenario)**



Source (Basic data): OECD 2025

**Chart 5: India's share of working-age, young-age and old-age populations to total population (%)**



Source (Basic data): UN Population statistics (2024); D1 and D2 refer to young (0-15 years) and old (75+ years) age populations relative to the total population. WAP refers to the working-age populations relative to the total population (16 to 74 years)

<sup>3</sup> Working age population is considered as population aged between 16-74 years as defined by OECD (2025). Data has been sourced from UN World Population Prospects 2024.



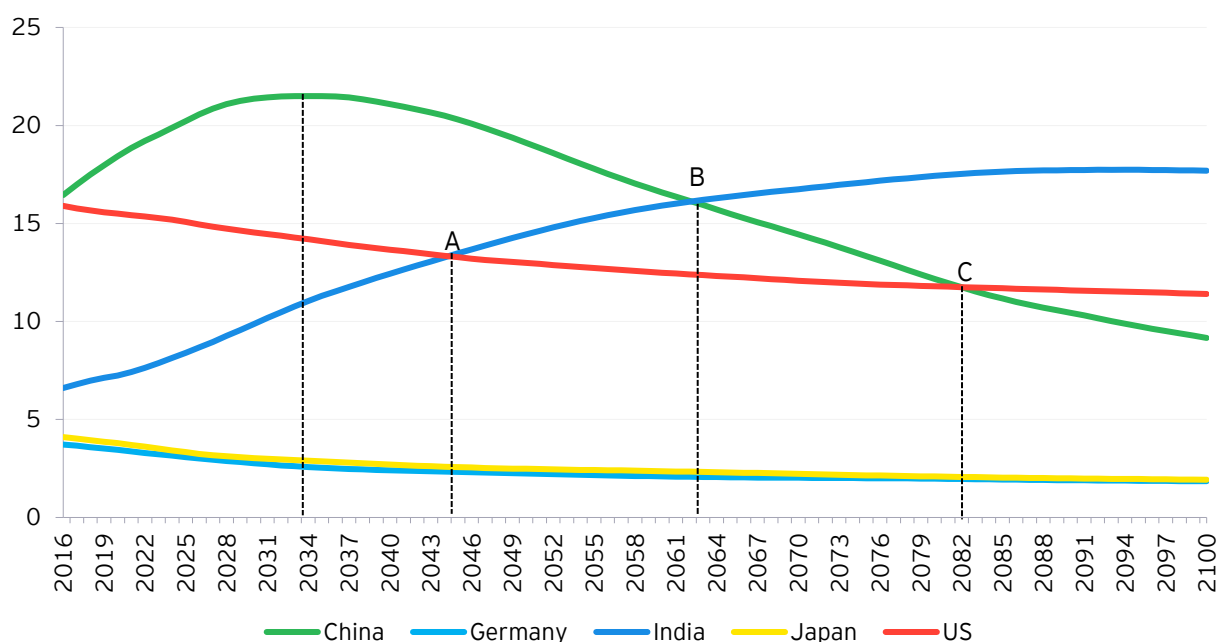
The share of working-age population to total population line (Chart 5) falls below 75% near 2060. The OECD projects the Indian economy to overtake the US and Chinese economies respectively in 2045 and 2063, thereby becoming world's largest economy in PPP terms. Actual performance can improve over the OECD projections by following policies that maximize saving and investment rates and labor productivity.

## 5.4 Comparison with US and China: crossover points

In OECD's ET2 scenario, with a fast reduction in mitigation costs, India's share in global potential GDP relative to other contemporary major economies is shown in **Chart 6**. With respect to countries that have a share higher than 10% in global GDP in PPP terms, there are three significant points of intersection that are marked as A, B and C. At point A, in 2045, and at point B, in 2063, as per the OECD, India is projected to overtake the US and China respectively. Until the end of the projection period, India's share in the world economy remains the largest.

Notably China's share which was projected at 21.5% in 2034, steadily declines to reach a level of below 10% by 2094. In fact, US overtakes China again in terms of share in the world economy at point C in 2082. The share of US, however, continues to remain below that of India, which progressively increases until it stabilizes at around 17.7% 2086 onwards. In 2100, the Indian economy is projected to be 55% larger than the US and 93.2% larger than China in PPP terms.

**Chart 6: Share in global GDP (% , PPP\$ terms) (ET2)**



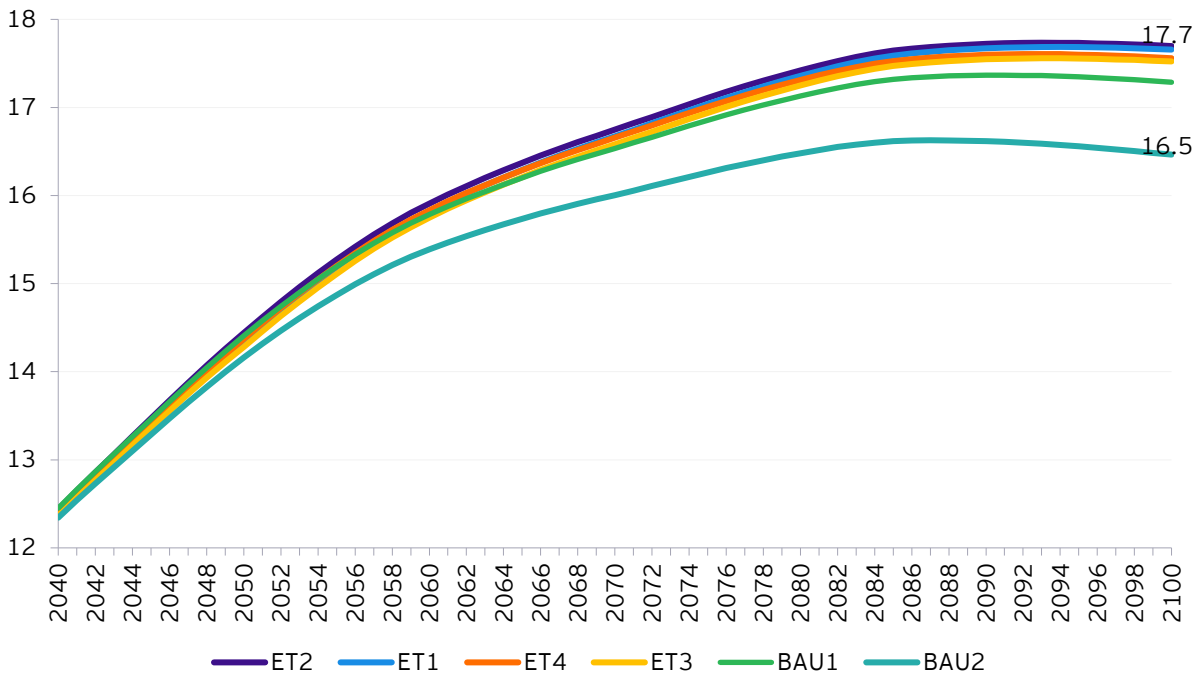
Source (Basic data): OECD 2025

## 5.5 India's share in global GDP: Alternative scenarios

Next, we look at the performance of the Indian economy in terms of share in global GDP in the alternative scenarios. India's share does not vary much up to 2040. After that, it is the ET2 scenario which places India at the highest share (**Chart 7**). According to the OECD projection, in 2063, when India becomes the largest economy as per the ET2 scenario of the OECD, the lowest share for India amongst these scenarios is for BAU2, followed by ET3, BAU1, ET1 and ET4 and ET2. This implies that India's environmental policy would work best with median climate damage and fast reduction in carbon mitigation costs. Overall climate damage is relatively less under the control of individual countries, whereas the pace of reduction in carbon mitigation costs is more under the control of individual country policies. India may, therefore, endeavor to increase the pace of reduction in carbon mitigation costs.



**Chart 7: India's share in global GDP: Alternative scenarios (% , PPP\$ terms)**

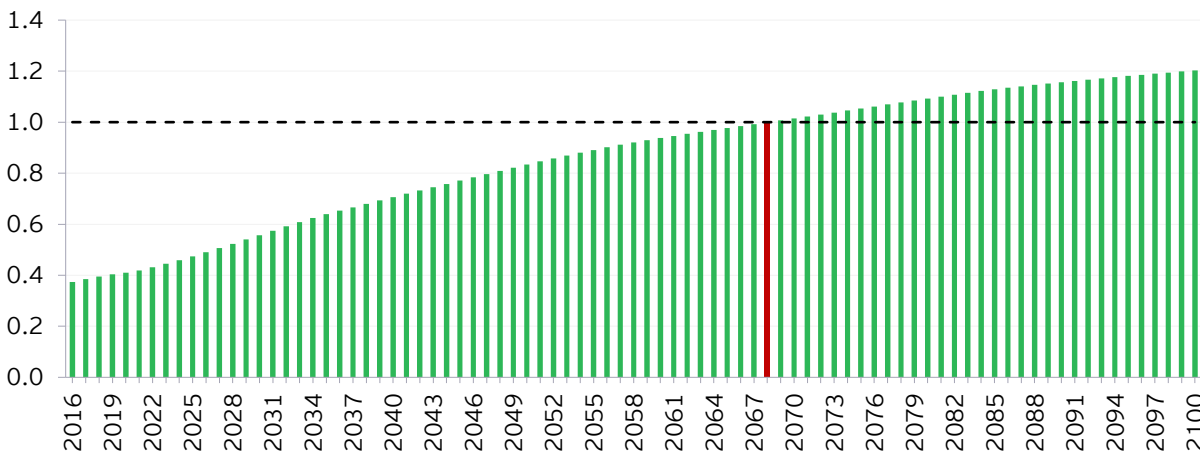


Source (basic data): OECD 2025

## 5.6 Evolution of India's per capita PPP GDP

India is in a unique situation where its population is also growing fast along with its PPP GDP. This combination slows down the growth of its per capita GDP. Consequently, it is projected that India's per capita GDP will take a considerable amount of time to catch up to the global average. However, within the century, India does cross this threshold in 2068 (Chart 8, ET2 scenario). By the end of the century, India's per capita PPP GDP is projected to be nearly 20% higher than the corresponding world per capita GDP.

**Chart 8: India's per capita GDP relative to world per capita GDP (PPP\$ terms, ET2 Scenario)**



Source (basic data): OECD 2025

## 5.7 Strategies for coping with emerging challenges

In this highly India-positive growth narrative, it is relevant to recognize a short-term phase of economic challenge arising from the ongoing West Asia crisis. While it may take some time for this crisis to get resolved, it is quite likely that FY27 is affected by the impact of this crisis, in terms of a higher subsidy burden for the government, and higher inflation compared to the assessment of the monetary policy committee. If the price of Indian crude basket averages US\$120/bbl. for the full year of FY27, compared to



the baseline of US\$70/bbl. in 2HFY26 as assumed by the RBI (October 2025 Monetary Policy Report), the estimated reduction in GDP growth rate is nearly 1.10% points and the increase in CPI inflation is 2.10% points assuming a full pass through of increase in price of Indian crude basket onto retail prices. It may be noted that in the conversion of input prices where the input is crude oil measured in barrels, to output prices where the output of petroleum products (PoL) is measured in INR/ltr., there are several steps involved (see **Appendix** for details). These would include the impact of the exchange rate depreciation and the tax and markup margins.

The impact of the ongoing West Asia crisis on India's growth is likely to be temporary, affecting only FY27 growth and India may be able to resume its long-term potential growth path soon afterwards. For reducing India's vulnerability to external crude price shocks, some of the steps that it may embark upon include: (1) diversification of sources of crude imports (2) accelerated domestic exploration and extraction of crude oil (3) increasing the volume of strategic crude reserves (4) faster adoption of non-oil energy sources and (5) diversification and acceleration of alternative trade routes.

## Recasting strategic reserves

India has maintained adequate stocks of food grains. Similarly, we need to maintain suitable strategic reserves for a set of other commodities including (1) crude oil, (2) LPG, (3) fertilizers, (4) processed and unprocessed rare earth materials, (5) basic medicines and critical medical equipment. In each case, there is a need to work out optimum reserves and a path towards achieving the desired level of reserves. India has been building crude oil reserves for some time, but its achievement so far has been quite limited. India's strategic crude oil inventories, estimated at 3.372 million metric ton<sup>4</sup> which translates to approx. 24.6 million barrels are sufficient for only about four to five days of domestic consumption, considering India's daily domestic consumption requirement of crude oil at 5.5 million barrels<sup>5</sup>. Comparatively, China's strategic reserves at 1,397 million barrels<sup>6</sup> are considerably larger than India's and sufficient for covering more than 90 days of consumption cover<sup>7</sup>. Japan's strategic crude oil reserves are also comparatively much higher at 263 million barrels, lasting for more than 75 days considering a daily consumption of 3.38 million barrels<sup>8</sup>. India has also done well to diversify its sources of crude oil to about 40 countries. As per a PIB release<sup>9</sup>, share of crude oil coming through the Strait of Hormuz has come down to 30% as compared to an earlier share of 45%.

Similarly, we need to have a sizable stock of foreign exchange reserves with a well-considered optimal composition including gold and other currencies. India's foreign exchange reserves had recently fallen by about US\$31.5 billion as on 08 May 2026 to US\$697 billion after having reached the peak of US\$728.5 billion as on 27 February 2026. In contrast, China's foreign exchange reserves are about 5.5 times higher than India's on an average.

It may be noted that in FY26, Gol had created an 'economic stabilization fund' with an initial allocation of INR50,000 crore. This allocation was increased to INR 1 lakh crores as part of the second supplementary demand for grants. There was no additional allocation made for FY27 towards this fund.

## Sustainable imbalances

From a macro perspective, two imbalances that are critical pertain to the country's current account and its consolidated fiscal account. Both are likely to come under pressure in FY27. On the fiscal side, there is a likelihood of a substantial increase in government subsidies for food, fertilizer and petroleum products. The Gol has not been able to reach back the FRBM (2018) level of sustainable debt and fiscal deficit-to-GDP ratios after the Covid shock. In FY27, there may be a deviation from the Gol's fiscal consolidation roadmap. Current account deficit may also come under pressure. In both cases, given current realities, sustainable levels may be redetermined relative to GDP and adhered to. Phases of economic shocks force deviations from sustainable thresholds. A credible plan may need to be put in place to maintain near symmetry in the adjustment paths before and after a shock.

<sup>4</sup> [https://sansad.in/getFile/annex/270/AU3501\\_haHCqP.pdf?source=pgars](https://sansad.in/getFile/annex/270/AU3501_haHCqP.pdf?source=pgars)

<sup>5</sup> <https://www.pib.gov.in/PressReleasePage.aspx?PRID=2238525&reg=3&lang=1>

<sup>6</sup> <https://www.eia.gov/todayinenergy/detail.php?id=67504>

<sup>7</sup> Considering China's daily consumption of about 15.15 million barrels (<https://www.eia.gov/tools/faqs/faq.php?id=709&t=6>)

<sup>8</sup> <https://www.eia.gov/tools/faqs/faq.php?id=709&t=6>

<sup>9</sup> <https://www.pib.gov.in/PressReleasePage.aspx?PRID=2238525&reg=3&lang=1>



## Demographic dividend and employment strategy

In the context of global competition for strategic and economic influence, policy choices by advanced economies may not always fully align with India's priorities. This list may include US and China. At the same time, in many countries, populations are ageing fast, and in spite of AI, some human resource-centric sectors may require human resources in countries with aged populations. These would include Russia and Japan, and some of the developed Western countries. Our education and training strategy should be rebuilt in view of this. In the medium term, Indian students should be persuaded to change their conventional destinations to countries such as Russia and Japan, where they can also learn advanced technology and get employed in these countries. AI and related fields, as well as medicine and nursing services may have an expanding demand in these countries.

## 5.8 Concluding observations

The OECD has come up with a fresh set of projections for the major economies of the world in terms of potential GDP. Their methodology has evolved over time. This round of projections, which covers the post-COVID years all the way up to 2100 A.D., focuses on how individual economies are likely to perform when the impact of climate-related damage is endogenized in the projection model. The OECD provides six alternative scenarios where climate damage is captured under median and high climate damage curves. Within these two scenarios, a distinction is made with respect to the pace of reduction in climate mitigation costs. From the viewpoint of the potential GDP of both the world and India, the most favorable scenario is the one with a combination of median climate damage curve and fast pace of reduction in climate mitigation costs (ET2). OECD's projections of India's potential real GDP growth in PPP terms are not overly optimistic. This falls from a peak of 6.7% to about 2% over the decades. Under all scenarios, India emerges as the largest economy in the world in PPP terms within a range of years extending from 2063 (BAU1, ET1, ET2, ET4), 2064 (ET3) and 2065 (BAU2). Thus, OECD projects India to become the largest economy in the world before 2065, considering potential GDP in PPP terms. Important crossover thresholds with respect to ET2 scenario are 2045, when India is projected to overtake the US and 2063, when it is projected to surpass China in PPP terms. India's share progressively increases until it stabilizes around 17.7% 2086 onwards.

With respect to some policy implications, it can be noted that India's comparative advantage in global growth drivers primarily arises due to its unfolding demographic profile, which has significant implications for both saving and investment and the supply of labor. As long as the share of the working-age population remains relatively high, implying low dependency ratios, India's saving-to-GDP ratio is likely to remain high. Alongside, there would be an abundance of people joining the labor force. India can show even higher growth as compared to what has been depicted by the OECD by ensuring the allocation of resources for increasing human resource productivity. As long as the young dependency ratio remains less than the old dependency ratio, India needs to prioritize the allocation of resources for education and skilling and fast adoption of available technology from the rest of the world while ensuring domestic development of advanced technologies. From an environmental viewpoint, India may also invest to accelerate the pace of reducing carbon mitigation costs.

The key to optimizing India's long-term growth is to sustain a virtuous cycle whereby the productively employed working-age population with a relatively low dependency ratio can save relatively more, which can support corresponding investment and productive employment. With high growth, a relatively higher budgetary allocation for education, training and skilling of human resources becomes feasible, thereby completing the virtuous cycle.

In spite of the current impact of the ongoing West-Asian crisis, which might affect FY27 growth, we expect India's long-term growth story to remain intact. However, certain policy measures are required to further reduce India's dependence on imported crude oil and manage a faster transition to green growth. India may do well to accelerate its domestic exploration and extraction of crude oil. Further, an accelerated shift towards green and nuclear energy, which includes Thorium based production, focusing on developing indigenous technologies, may be needed along with a sharper shift towards electric vehicles. Recent diversification of sources of petroleum has already helped India reduce its dependence on the Strait of Hormuz. India may need to work on diversification and acceleration of alternative trade routes, including the IMEC and the Indo-Pacific Corridor, covering the Malacca Strait.



In view of the structural changes in the world economic and trade order alongside the ongoing crisis, India may recast its growth strategy to cope with unanticipated economic shocks and cover India's strategic vulnerabilities. This would necessitate: 1) building up strategic reserves for crude oil, LPG, fertilizers, processed and unprocessed rare earth materials, and basic medicines and critical medical equipment, 2) building dual-use infrastructure to minimize impacts of unanticipated nuclear and biological threats and 3) re-strategize achieving sustainable levels of current account and fiscal imbalances.

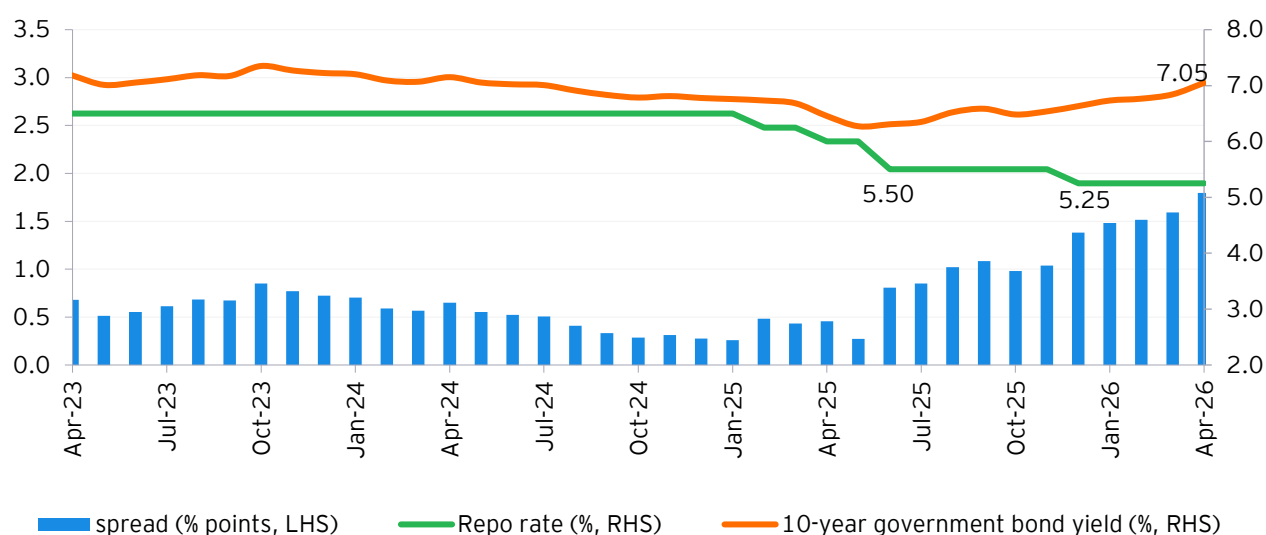


## 6 Money and finance: Bank credit growth remained robust at 16.1% in March 2026

### 6.1 Monetary sector

- The Monetary Policy Committee (MPC) unanimously voted to retain the repo rate at 5.25% (Chart 9) in its monetary policy review held in April 2026. The MPC also maintained a neutral policy stance.
- While noting the likely risks to inflation and growth emanating from the ongoing conflict in West Asia, the MPC projected CPI inflation to average relatively higher at 4.6% in FY27 and real GDP growth to be lower at 6.9% when compared to their respective levels of 2.0% and 7.6% in FY26.

**Chart 9: Movements in the repo rate and the 10-year government bond yield**



Source: Database on Indian Economy, RBI

### Money stock

- Growth in broad money stock (M3)<sup>10</sup> continued to remain robust at 12.8% in April 2026, although moderating from 15.4% in March 2026 due to slower growth in narrow money and time deposits.
- Growth in narrow money (M1) posted double-digit growth of 17.5% in April 2026, even as it moderated from 22.6% in March 2026. This was due to a relatively slower growth in demand deposits at 24.0% in April 2026 compared to 35.4% in March 2026. Growth of currency with the public at 12.7% in April 2026 was, however, marginally higher than 12.3% in March 2026.
- Growth in time deposits, the largest component of M3, softened slightly to 11.3% in April 2026 compared to 13.1% in March 2026.

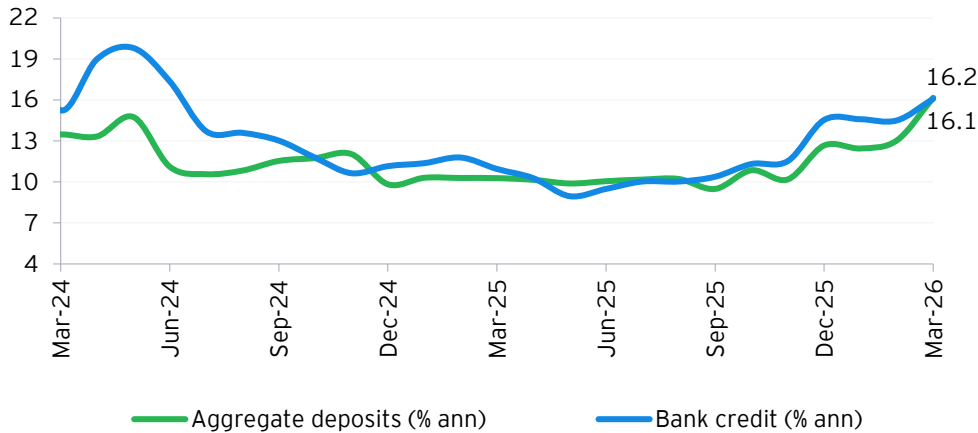
<sup>10</sup> The RBI has stopped reporting data on 'Money Stock: components and sources' excluding the impact of merger of a non-bank with bank from 11-July-2025. Therefore, we have used M3 data that includes the impact of merger of a non-bank with a bank as reported by the RBI.



## Aggregate credit and deposits

- Growth in gross bank credit increased to a 21-month high of 16.1% in March 2026 from 14.5% in February 2026 (Chart 10). In FY26, gross bank credit averaged lower at 11.9% as compared to 13.5% in FY25.
- Non-food credit growth also rose to 15.9% in March 2026 from 14.3% in February 2026.

**Chart 10: Growth in credit and deposits**



Growth in gross bank credit increased to a 21-month high of 16.1% in March 2026 from 14.5% in February 2026.

Source: Database on Indian Economy, RBI

- Among the key segments of non-food credit, the credit to services sector, with an average share of about 27% in total non-food credit (last five years), showed the strongest growth of 19.0% in March 2026, increasing from 16.3% in February 2026.
- Growth in personal loans (share close to 30% in total non-food credit) also increased to 16.2% in March 2026 from 15.2% in February 2026. Among its sub-components, growth in vehicle loans was higher at 18.6% in March 2026 compared to 17.1% in February 2026. Growth in housing loans increased marginally to 11.5% in March 2026 from 11.0% in February 2026. Loans for consumer durables, however, contracted for the fifth successive month, although at a slower pace of (-) 5.3% in March 2026 as compared to (-) 9.8% in February 2026.
- Outstanding credit to industries, having a share of about 25% on average in total non-food credit (last five years) grew by 15.0% in March 2026, its highest level since October 2013, as it increased from 13.5% in February 2026.
- Among major segments within industrial credit, growth in credit to infrastructure, which has the largest share in industrial credit, increased to 9.5% in March 2026, its highest level since November 2022. Growth in credit to iron and steel accelerated to 18.7% in March 2026 from 11.0% in February 2026. Credit to textiles showed a strong growth of 8.9% in March 2026 compared to 8.2% in February 2026.
- Growth in credit to the agricultural sector increased to an 18-month high of 15.7% in March 2026 from 12.3% in February 2026.
- Growth in other non-food credit, i.e., non-food credit excluding credit to agriculture, industry, services and personal loans, showed a low growth of 2.6% in March 2026 compared to 6.8% in February 2026.
- Growth in aggregate deposits improved sharply to 16.2% in March 2026 from 13.0% in February 2026. In FY26, growth in deposits averaged 11.3%, remaining unchanged from its level in FY25.

## 6.2 Financial sector

### Interest rates

- As per the data released by the RBI, the yield on 10-year government bonds (benchmark) increased for the sixth successive month reaching a level of 7.05% in April 2026, its highest level since April



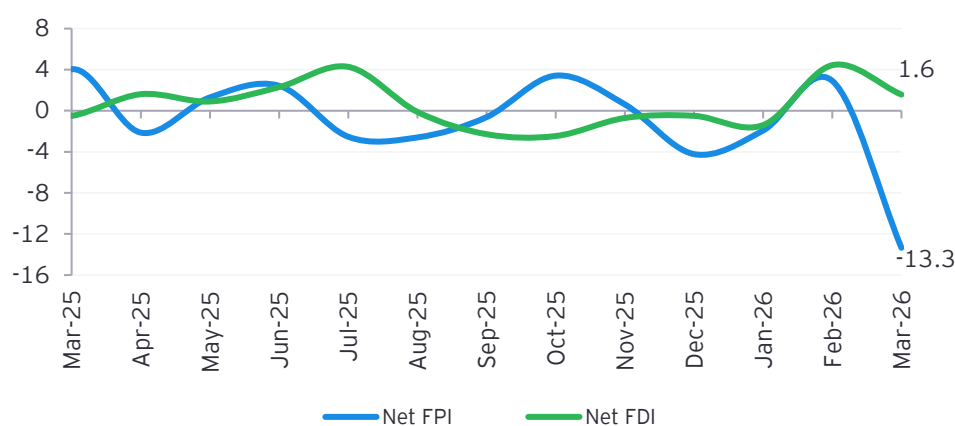
2024, increasing from 6.84% in March 2026 (Chart 9). Benchmark bond yields have thus increased by a total of 57 basis points from a local trough seen in October 2025.

- The average interest rate on term deposits with a maturity period of more than one year was retained for the second successive month at 6.30% in April 2026, with actual rates ranging between 6.00% and 6.60%.
- The average MCLR remained stable at 7.83% for the fourth consecutive month in April 2026, with the actual MCLR ranging between 7.70% and 7.95% during the month.
- WALR on 'Fresh Rupee Loans' (FRL) by SCBs was at 8.40% in March 2026, marginally lower as compared to 8.44% in February 2026. In FY26, WALR averaged lower at 8.66% compared to 9.39% in FY25.

## FDI and FPI

- As per provisional data released by the RBI on 22 May 2026, overall foreign investments (FIs) witnessed historically highest<sup>11</sup> outflows amounting to US\$11.8 billion in March 2026 owing to sharp increase in net portfolio investment outflows.

**Chart 11: Net FDI and FPI inflows (US\$ billion)**



Net FPI outflows surged to US\$13.3 billion in March 2026, its highest level since March 2020, while net FDI inflows were subdued at US\$1.6 billion during the month.

Source: Database on Indian Economy, RBI

- Net FDI inflows were lower at US\$1.6 billion in March 2026 compared to US\$4.4 billion in February 2026 (Chart 11). Gross FDI inflows were also lower at US\$6.2 billion in March 2026 from US\$9.0 billion in February 2026. Repatriation/disinvestment increased to US\$2.3 billion in March 2026 from US\$1.7 billion in February 2026 while FDI by India was marginally lower at US\$2.3 billion in March 2026 compared to US\$2.8 billion in February 2026.
- In FY26, net FDI inflows were higher at US\$7.7 billion compared to US\$1.0 billion during FY25. Gross FDI inflows during FY26 at US\$94.5 billion were higher compared to US\$80.6 billion during FY25. Both repatriation/disinvestment and FDI by India increased to unprecedented levels of US\$53.6 billion and US\$33.3 billion respectively in FY26 from US\$51.5 billion and US\$28.2 billion in FY25.
- Net FPIs outflows were at US\$13.3 billion in March 2026, its highest since March 2020, as against an inflow of US\$2.9 billion in February 2026.
- In FY26, net FPI witnessed significant outflows amounting to US\$16.7 billion, its highest level since FY22, compared to US\$3.6 billion inflows in FY25.

<sup>11</sup> Monthly data is available March 2011 onwards



## 7 Trade and CAB: Merchandise exports growth recovered to 13.8% in April 2026

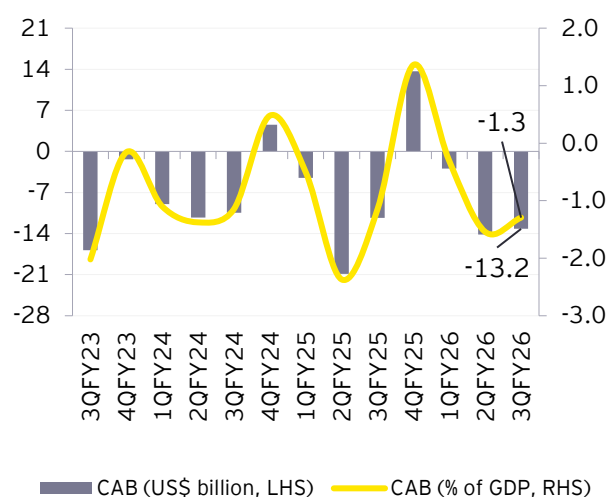
### 7.1 CAD narrowed to 1.3% of GDP in 3QFY26 from 1.5% in 2QFY26

- Current account balances relative to GDP have been estimated utilizing the new 2022-23 GDP series released on 27 February 2026.
- Led by a fall of 0.5% points of GDP in net merchandise trade deficit accompanied by a narrowing in net invisibles by 0.3% points of GDP, the current account deficit moderated to 1.3% in 3QFY26 from 1.5% in 2QFY26 (Table 6 and Chart 12).
- Net merchandise trade deficit eased to 9.2% of GDP in 3QFY26 from 9.7% in 2QFY26, as merchandise imports narrowed to 20.1% of GDP from 21.6%, while merchandise exports fell to a 20-quarter low of 10.9% in 3QFY26. The fall in merchandise imports is primarily attributable to lower crude imports owing to softer global crude prices during this period.
- Net invisibles amounted to 7.9% of GDP in 3QFY26, easing from a 68-quarter high of 8.2% in 2QFY26, primarily attributable to a fall in net transfers/remittances to 3.4% from 4.0% during this period.
- Net services exports were at an unprecedented high of 5.6% of GDP in 3QFY26.
- Net income outflows remained nearly stable at (-) 1.2% relative to GDP in 3QFY26 compared to (-) 1.3% in 2QFY26.

**Table 6: Components of CAB (in US\$ billion)**

Fiscal year	CAB as a % 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
4QFY25	1.4	13.6	-59.3	72.9
1QFY26	-0.3	-2.9	-68.9	66.0
2QFY26	-1.5	-14.1	-89.1	75.0
3QFY26	-1.3	-13.2	-93.6	80.4

**Chart 12: CAB**



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

- Compared to 3QFY25, the current account deficit in 3QFY26 widened by 0.2% points of GDP to 1.3% from 1.1% of GDP. The increase in net merchandise trade deficit to 9.2% from 8.0% of GDP during the corresponding period was largely offset by a robust expansion in net invisibles.

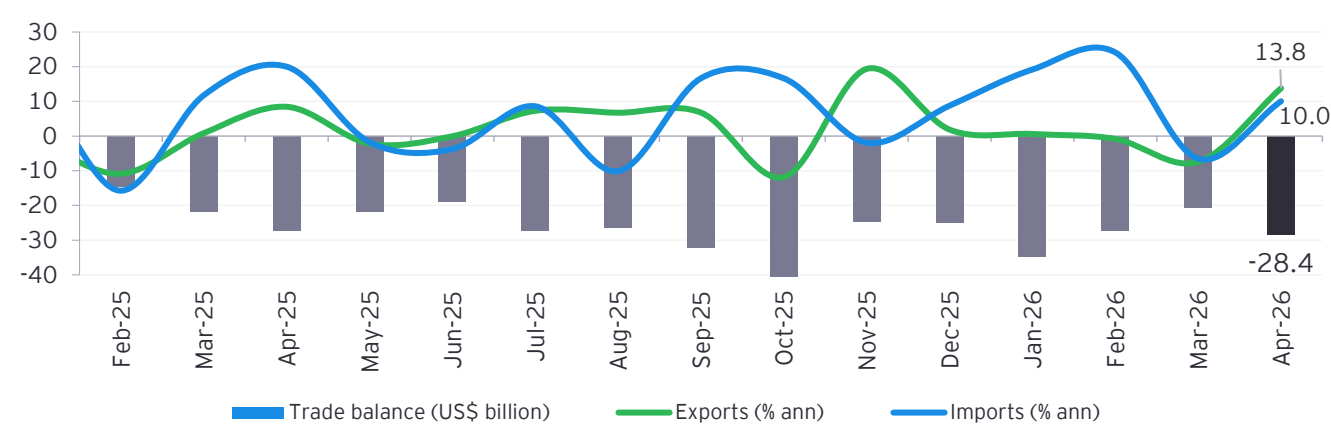


## 7.2 Merchandise trade and exchange rates

- Merchandise exports recovered, growing by 13.8% in April 2026 after contracting in the previous two months (**Chart 13**), reflecting a combination of favorable base effects and price-led and exchange rate-led gains, particularly in commodity-linked exports.
- Growth in petroleum exports accelerated sharply to a 23-month high of 34.7% in April 2026 compared to 5.9% in March 2026, driven primarily by elevated global crude prices, suggesting that export gains were significantly supported by valuation effects rather than underlying volume expansion.
- Exports of electronic goods and drugs and pharmaceuticals recorded a turnaround, growing by 40.3% and 7.1%, respectively, in April 2026, after contracting sharply in March 2026.
- Merchandise import growth turned positive at 10.0% in April 2026 compared to (-)6.5% in March 2026, led by increased imports of gold and electronic goods, along with a moderation in the pace of contraction in oil imports.
- Oil imports continued to contract for the second consecutive month in April 2026 at (-) 10.0%, although at a significantly slower pace compared to March 2026 at (-) 35.9%, suggesting that volume effects and supply disruptions partly offset the impact of higher global crude prices.
- Gold imports surged sharply by 81.7% in April 2026 compared to (-) 31.6% in March 2026, driven by a combination of unfavorable base effects, higher global prices and seasonal demand factors.
- Growth in electronic goods imports nearly doubled to 38.2% in April 2026 compared to 19.5% in March 2026, reflecting robust domestic demand and continued strength in electronics manufacturing supply chains, particularly for intermediate inputs.
- Growth in non-energy, non-gold/silver, non-jewelry/precious stones exports (core exports) improved to 10.4% in April 2026 from (-) 7.5% in March 2026, indicating a broadening of export recovery beyond volatile commodity segments, although the pace remains modest relative to headline growth.
- Growth in imports of the same category (core imports) rose to 16.4% in April 2026 from 10.0% in March 2026, pointing to strong underlying domestic demand for capital and intermediate goods, but also implying widening demand-side pressures on the trade balance.

Merchandise exports and imports recovered in April 2026, growing by 13.8% and 10.0%, respectively, after contracting in March 2026, driven by base effects, higher commodity prices, and strengthening domestic demand.

**Chart 13: Developments in merchandise trade**



Source: Ministry of Commerce and Industry, Gol

- Despite exports growing faster than imports, the merchandise trade deficit widened to US\$28.4 billion in April 2026 from US\$20.7 billion in March 2026 (**Chart 13**), reflecting the impact of a higher absolute import base.



- The divergence between export and import growth, particularly the faster expansion in core (non-oil, non-gold) imports relative to exports, suggests a deterioration in trade balance fundamentals, even as headline export growth appears robust.
- Services trade surplus widened to US\$21.0 billion in March 2026 from US\$17.8 billion in February 2026, driven by stronger expansion in services exports relative to imports, underscoring the continued resilience of India's IT and business services sector and its role as a key stabilizer of the external account.
- Consequently, the overall balance of goods and services recorded a marginal surplus of US\$0.3 billion in March 2026, the first since February 2025, reflecting the offsetting impact of the robust services surplus against the merchandise trade deficit.
- The INR weakened to INR93.6/US\$ in April 2026 from INR92.8/US\$ in the previous month primarily due to a sharp widening in the merchandise trade deficit, higher global crude oil prices, and volatile capital flows amid West Asia tensions, which increased India's dollar demand, exerting pressure on the INR.



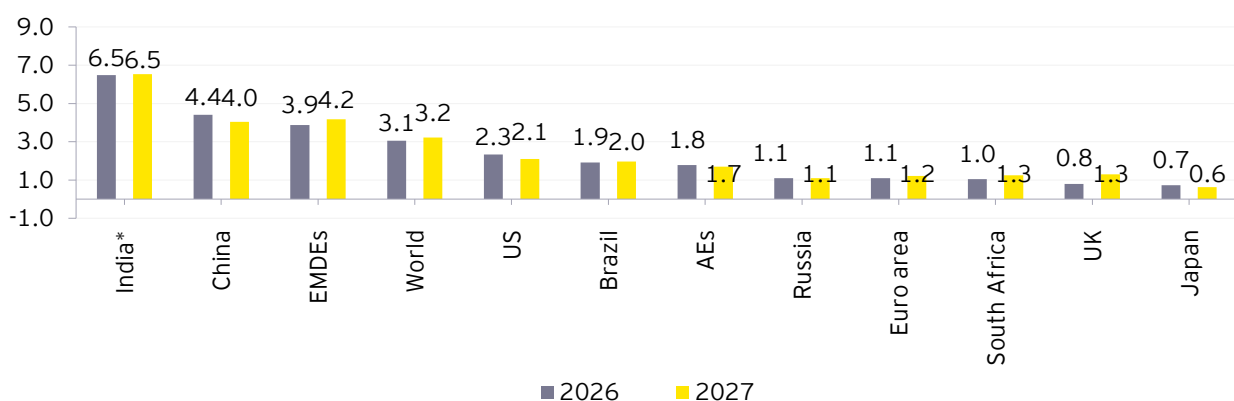
## 8 Global growth: IMF projected global growth at 3.1% in 2026 and 3.2% in 2027

### 8.1 Growth outlook

- As per the IMF (World Economic Outlook, April 2026), in the reference forecast (short-lived West Asia crisis), global growth is expected to slow down from 3.4% in 2025 to 3.1% in 2026 and 3.2% in 2027 (**Chart 14**). The 2026 forecast has been revised down only modestly by 0.2% points relative to January 2026 projections owing to continued tailwinds partially offsetting the negative shocks from the conflict, including lower tariffs, pre-existing policy support, and carryover from stronger-than-expected outturns at the end of 2025 and the first quarter of 2026 in some cases.
- However, under the 'adverse' scenario, global growth is likely to fall by 0.8% points to 2.5% in 2026, while under the 'severe' scenario, global growth may fall by 1.3% points to around 2%.
- Under the reference forecast, growth in advanced economies (AEs) is projected at 1.8% in 2026 and 1.7% in 2027, unchanged from the January 2026 forecast. Growth in emerging markets and developing economies (EMDEs) is projected at 3.9% in 2026, a downward revision of 0.3% points compared to January 2026, and 4.2% in 2027, a marginal upward revision of 0.1% points.
- Among AEs, the US is projected to grow by 2.3% in 2026, with growth supported by fiscal policy and the lagged impact of monetary policy rate cuts in 2025, even as the rise in trade barriers since April 2025 continues to weigh on the level of activity. This reflects a 0.1% points downward revision relative to the January 2026 projections. Growth is projected to remain strong at 2.1% in 2027, with a near-term fiscal boost from tax incentives, including those for corporate investment under the One Big Beautiful Bill Act (OBBBA).

The IMF has projected global growth at 3.1% in 2026 and 3.2% in 2027 with India's FY27 and FY28 growth rates forecasted at 6.5% each.

**Chart 14: Growth projections (% annual)**



Source: IMF World Economic Outlook (April 2026)

\*Data pertains to fiscal years

- In the euro area, growth is expected to decline from 1.4% in 2025 to 1.1% in 2026 and to 1.2% in 2027. The forecast is revised downward by 0.2% points in each year compared with the January 2026 projections, with the effect of better-than-expected growth at the end of 2025 giving way to the negative impact of the Middle East conflict over time.

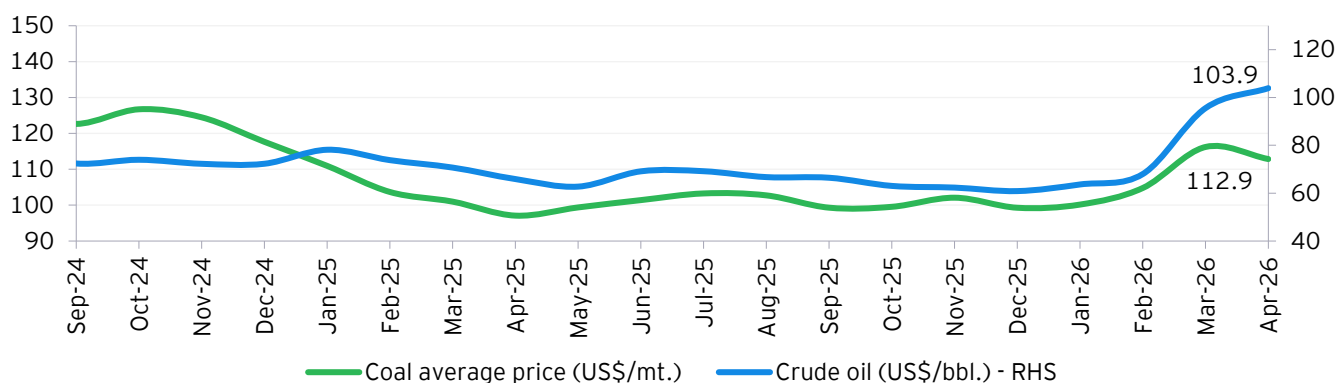


- In Japan, growth is projected to drop from 1.2% in 2025 to 0.7% in 2026 and to 0.6% in 2027, unchanged from the January 2026 forecast.
- In the UK, the West Asia crisis and a slower pace of monetary easing have led to a fall in growth from 1.3% in 2025 to 0.8% in 2026, a downward revision of 0.5% points relative to the January 2026 forecast. Growth is projected to recover to 1.3% in 2027, although marking a downward revision of 0.2% points relative to January 2026 projections, as the impact of higher energy prices lingers.
- Among EMDEs, growth in China is projected to fall from 5% in 2025 to 4.4% in 2026, a downward revision of 0.1% points, relative to January 2026 projections. Growth is projected to further ease to 4% in 2027 due to structural headwinds, including those from a slowdown in the housing sector, a declining labor force, decreasing returns on investment, and slower productivity growth.
- In India, growth has been revised upwards by 0.1% points to 6.5% each in 2026 (FY27) and 2027 (FY28) led by positive contributions from the carryover of the strong 2025 (FY26) outturn and the decline in additional US tariffs on Indian goods from 50% to 10%, outweighing the impact of the West Asia crisis.
- In Brazil, growth is projected at 1.9% in 2026, an upward revision of 0.3% points from January 2026. The West Asia crisis is expected to have a small net positive effect in 2026, as a result of the country being a net energy exporter. In 2027, however, slowing global demand, higher input costs, and tighter financial conditions are expected to dominate, with growth projected at 2%, a downward revision of 0.3% points compared with the projection in January 2026.
- In South Africa, the disruptions from the West Asia crisis are projected to slow growth to 1% in 2026, a downward revision of 0.4% points relative to January 2026 projections. Growth is projected to improve in 2027 to 1.3% supported by a gradual resumption of structural-reform-driven private investment as disruptions from the West Asia crisis subside.

## 8.2 Global energy prices: Global crude price increased to US\$103.9/bbl. in April 2026

- Average global crude price<sup>12</sup> increased to US\$103.9/bbl. in April 2026, its highest level since July 2022 due to the supply disruptions caused by the West Asia crisis (**Chart 15**). The World Bank, in its April 2026 Commodity Markets Outlook, has projected global Brent price to average US\$86/bbl. in 2026 and US\$70/bbl. in 2027 contingent on the assumption that the most acute phase of supply disruptions related to the West Asia crisis ends in May 2026.
- Average global coal price<sup>13</sup> remained elevated at US\$112.9/mt. in April 2026 as disruptions in Middle East natural gas shipments raised demand for coal in power plants in East Asia and Europe. The World Bank (April 2026) has projected Australian coal to average US\$130/mt. in 2026 before moderating to US\$115/mt. in 2027.

**Chart 15: Global crude and coal prices**



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

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

<sup>13</sup> Simple average of Australian and South African coal prices.

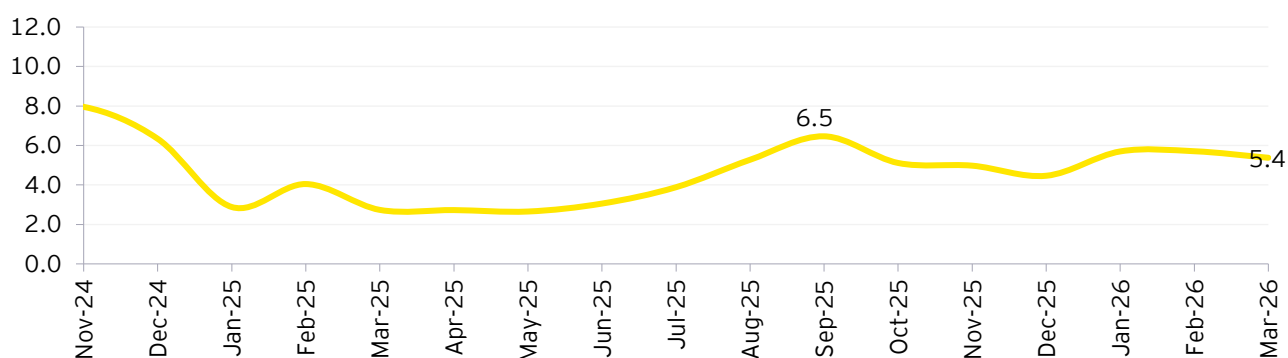


## 9 Index of Aggregate Demand (IAD): Growth in IAD moderated to 5.4% in March 2026

### 9.1 IAD grew by 5.4% in March 2026

- IAD<sup>14</sup> growth fell marginally to 5.4% in March 2026 from 5.7% in February 2026, largely driven by easing demand conditions in the manufacturing and services sectors (**Chart 16 and Table 7**).
- In the manufacturing sector, demand conditions eased sharply in March 2026, as indicated by a fall in PMI manufacturing (sa) to 53.9 from 56.9 in February 2026.
- Demand conditions in the services sector eased for the second successive month, as indicated by a slightly slower expansion in PMI services (sa) at 57.5 in March 2026 compared to 58.1 in February 2026.
- Demand conditions in the agricultural sector, however, improved further, as indicated by a higher growth in agricultural credit at 15.6% in March 2026 compared to 12.4% in February 2026.

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



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

**Table 7: IAD**

Month	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26
IAD	187.4	190.8	189.2	189.1	189.1	188.6	190.0	192.1	192.2
Growth (% y-o-y)	3.9	5.3	6.5	5.1	5.0	4.5	5.7	5.7	5.4
Growth in agr. credit	7.4	7.6	9.0	9.0	8.8	12.0	11.3	12.4	15.6
Mfg. PMI*	9.1	9.3	7.7	9.2	6.6	5.0	5.4	6.9	3.9
Ser. PMI*	10.5	12.9	10.9	8.9	9.8	8.0	8.5	8.1	7.5

<sup>14</sup> 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.

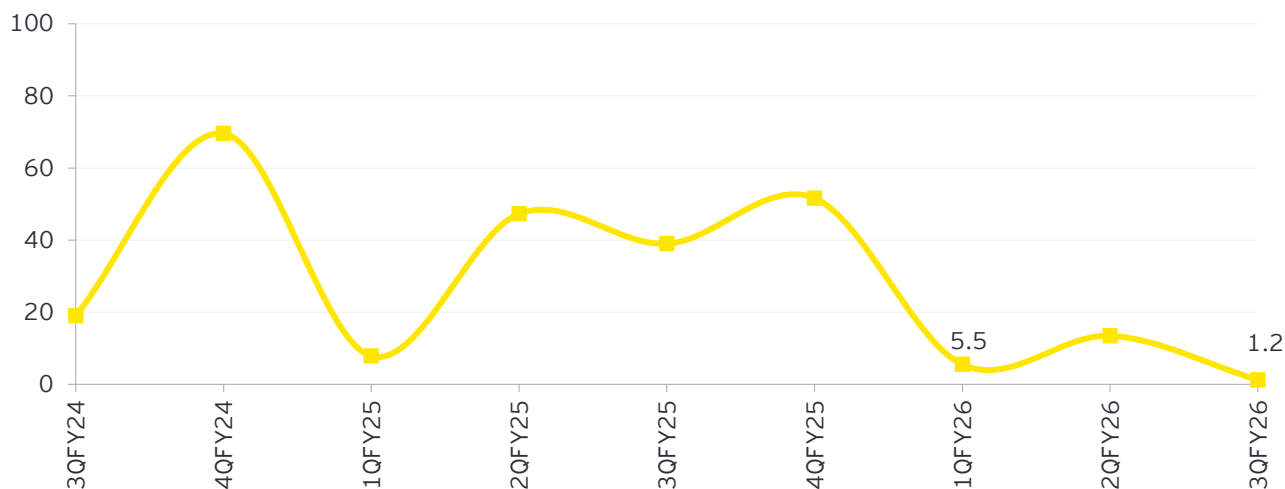


## 10 Index of Macro Imbalance: indicating lower imbalance in 3QFY26

### 10.1 The level of Index of Macro Imbalance fell to 1.2 in 3QFY26

- Index of Macro Imbalance<sup>15</sup> fell to 1.2 in 3QFY26 from 13.4 in 2QFY26 (Chart 17). This lower IMI is attributable to a fall in fiscal deficit relative to GDP, even as the current account deficit and CPI inflation remained below their respective benchmark levels.
- Govt's fiscal deficit-to-GDP ratio fell to 3.1% of GDP<sup>16</sup> in 3QFY26 from 3.7% in 2QFY26 and was only 0.1% points above the benchmark value of 3%, thereby contributing marginally to the macro imbalance during the quarter.
- CPI inflation<sup>17</sup> was at 0.6% in 3QFY26, falling from 1.7% in 2QFY26, and was well below its benchmark value of 4%. Thus, CPI inflation did not contribute to macro imbalances during the quarter.
- CAD relative to nominal GDP fell to 1.29% in 3QFY26, from 1.54% in 2QFY26. Thus, the CAD did not contribute to the macro imbalance during the quarter as its value was lower than the corresponding benchmark value of 1.30% of GDP<sup>18</sup>.

**Chart 17: Index of macro imbalance (quarterly)**



Source (Basic data): RBI, MoSPI and EY estimates

<sup>15</sup> The IMI is obtained by adding the percentage deviation of inflation rate (based on new CPI 2012 = 100), fiscal deficit (as a percentage of GDP) and current account deficit (as a percentage of GDP) from their respective benchmarks of 4%, 3% of GDP and (-)1.3% of GDP (Rangarajan 2016). All three components of IMI have been given equal weightage (33.33%). The state of balance is judged by a value of 0. An index value greater than zero indicates the presence of an imbalance in the economy. While considering the percentage deviation of each of the indicators from its selected norm, only the positive deviations are taken. Negative deviations are equated to zero to ensure that the negative and positive deviations across indices are not canceled out.

<sup>16</sup> Nominal GDP is as per the new 2022-23 series

<sup>17</sup> Based on New CPI (Base 2024=100) series

<sup>18</sup> Rangarajan, C (2016): "Can India grow at 8 to 9 per cent?" The Hindu, (<http://www.thehindu.com/opinion/lead/can-india-grow-at-8-to-9-per-cent/article8596824.ece>, Accessed on 17 May 2016.)



## 11 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							
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
FY26	4.1	1.4	5.0	1.0	2.6	FY26	57.3	59.4
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	5.3	3.8	6.3	-0.9	2.3	3QFY26	56.9	58.9
4QFY26	4.8	4.3	5.1	2.7	2.3	4QFY26	55.4	58.0
Dec-25	8.0	6.9	8.4	6.3	4.7	Jan-26	55.4	58.5
Jan-26	5.1	4.3	5.3	5.1	4.7	Feb-26	56.9	58.1
Feb-26	5.1	3.1	5.9	2.3	2.8	Mar-26	53.9	57.5
Mar-26	4.1	5.5	4.3	0.8	-0.4	Apr-26	54.7	58.8

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)				
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
FY26	2.0	NA	NA	NA	0.7	-0.2	2.3	-2.9	1.9
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	-2.6	1.7	-2.4	1.8
4QFY26	3.1	3.1	1.6	NA	2.6	1.7	3.0	-2.3	3.4
Jan-26	2.7	2.1	1.5	3.4	1.7	1.5	2.6	-4.0	2.9
Feb-26	3.2	3.4	1.5	3.4	2.3	1.8	3.1	-3.8	3.5
Mar-26	3.4	3.7	2.0	NA	3.9	1.8	3.4	1.1	3.7
Apr-26	3.5	4.0	1.7	NA	8.3	2.3	4.6	24.7	5.0

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; \*sourced from RBI monthly Bulletin



**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
<b>Cumulated growth (% , y-o-y)</b>						<b>% of budgeted target</b>	
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#
Jan-26	8.6	14.7	4.9	9.3	8.2	63.0#	37.3#
Feb-26	6.7	12.4	0.9	5.9	8.0	80.4#	73.8#

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
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
Jan-26	87,680	1,134	-8,750	5,696	85,760
Feb-26	82,192	578	-11,377	4,870	76,263

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. deposit s	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
May-25	6.00	FY23	15.1	9.5	28.0	-5.2	FY23	6.9	9.0	7.35	578.4
Jun-25	5.50	FY24	18.7	13.0	10.2	44.1	FY24	7.3	11.6	7.16	645.6
Jul-25	5.50	FY25	13.5	11.3	1.0	3.6	FY25	7.9	9.4	6.88	665.4
Aug-25	5.50	FY26	11.9	11.3	7.7	-16.7	FY26	22.6	15.4	6.54	688.1
Sep-25	5.50	1QFY26	9.6	10.0	4.8	1.6	1QFY26	12.1	9.5	6.34	702.8
Oct-25	5.50	2QFY26	10.1	10.0	1.9	-5.7	2QFY26	11.4	9.2	6.49	700.2
Nov-25	5.50	3QFY26	12.5	11.2	-3.7	-0.2	3QFY26	17.4	12.1	6.55	696.6
Dec-25	5.25	4QFY26	15.1	13.9	4.6	-12.4	4QFY26	22.6	15.4	6.78	688.1
Jan-26	5.25	Dec-25	14.5	12.7	-0.5	-4.2	Jan-26	16.8	12.0	6.73	723.8
Feb-26	5.25	Jan-26	14.6	12.5	-1.4	-1.9	Feb-26	18.0	12.6	6.77	728.5
Mar-26	5.25	Feb-26	14.5	13.0	4.4	2.9	Mar-26	22.6	15.4	6.84	688.1
Apr-26	5.25	Mar-26	16.1	16.2	1.6	-13.3	Apr-26	17.5	12.8	7.05	698.5

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.		
FY23	6.0	16.8	-264.9	80.4	92.7	283.4	2022	104.0
FY24	-2.3	-5.3	-241.1	82.8	81.1	126.4	2023	103.4
FY25	0.1	6.2	-283.5	84.6	77.1	118.2	2024	104.2
FY26	0.9	7.5	-333.2	88.4	67.8	102.1	2025	100.8
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
4QFY26	-2.8	11.3	-82.5	91.4	75.7	107.1	1QCY26	98.4
Jan-26	0.6	19.2	-34.7	90.8	63.7	100.2	Jan-26	98.3
Feb-26	-0.8	24.1	-27.1	90.7	68.0	104.8	Feb-26	97.4
Mar-26	-7.4	-6.5	-20.7	92.8	95.6	116.2	Mar-26	99.5
Apr-26	13.8	10.0	-28.4	93.6	103.9	112.9	Apr-26	98.8

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 <sup>#</sup>
	% change y-o-y			
2020	-2.7	-3.9	-1.8	-5.8
2021	6.7	6.1	7.0	9.7
2022	3.8	3.1	4.3	7.6
2023	3.3	1.7	4.4	7.2
2024	3.4	1.8	4.5	7.1
2025	3.4	1.9	4.4	7.6
2026*	3.1	1.8	3.9	6.5
2027*	3.2	1.7	4.2	6.5
2028*	3.2	1.7	4.2	6.5
2029*	3.2	1.6	4.1	6.5
2030*	3.1	1.5	4.0	6.5
2031*	3.1	1.5	4.0	6.5

Source: IMF WEO April 2026; \*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
FY24	7.2	2.6	2.4	12.7	10.7	9.9	10.1	5.5	6.8	3.3
FY25 (FRE)	7.3	4.2	11.7	9.3	2.9	7.3	6.6	10.0	5.0	2.2
FY26 (SAE)	7.7	2.4	4.1	11.5	1.5	7.1	10.1	9.9	5.8	0.9
3QFY24	6.7	1.4	1.5	15.2	12.6	8.7	8.8	4.8	7.3	3.2
4QFY24	7.6	2.7	5.3	7.0	10.3	8.7	11.3	8.6	9.7	2.6
1QFY25	7.6	2.6	11.9	9.4	9.2	8.7	6.9	10.3	6.9	2.3
2QFY25	6.5	4.1	8.3	4.9	-0.2	6.1	6.6	10.0	6.0	1.7
3QFY25	7.8	5.8	13.1	10.8	0.6	6.4	6.7	11.1	4.4	2.4
4QFY25	7.1	3.8	12.9	11.8	2.1	8.0	6.3	8.8	3.2	2.4
1QFY26	7.0	4.2	4.5	10.6	-1.9	5.4	9.4	8.8	4.3	1.4
2QFY26	8.6	2.3	6.1	13.2	3.9	8.7	10.4	9.9	6.9	0.6
3QFY26	7.8	1.4	4.7	13.3	1.5	6.6	11.0	11.2	4.5	0.3

Source: National Accounts Statistics, MoSPI

Note: Data is as per 2022-23 base series

\*Growth numbers for FY26 pertain to the Second advance estimates (FAE) of National Account Statistics released on 27 February 2026. Growth numbers for FY25 are based on First Revised estimates released on 27 February 2026.

Fiscal year/quarter	Expenditure components						IPD inflation
	GDP	PFCE	GFCE	GFCF	EX	IM	GDP
FY24	7.2	5.8	0.6	7.3	0.7	-1.0	3.5
FY25 (FRE)	7.1	5.8	6.5	6.4	6.6	5.3	2.5
FY26 (SAE)	7.6	7.7	6.6	7.1	6.5	6.4	1.0
3QFY24	7.1	5.4	0.9	6.2	0.9	0.1	3.4
4QFY24	7.5	6.0	2.5	6.1	6.4	-9.7	3.7
1QFY25	7.5	6.1	7.5	6.5	7.3	8.3	2.8
2QFY25	6.6	5.6	7.0	6.6	3.1	4.6	2.1
3QFY25	7.4	6.0	7.6	6.3	10.5	2.9	2.6
4QFY25	7.0	5.6	3.6	6.2	5.4	5.5	2.4
1QFY26	6.7	9.2	5.8	4.9	6.6	7.4	1.6
2QFY26	8.4	8.0	6.6	8.4	10.2	5.9	0.1
3QFY26	7.8	8.7	4.7	7.8	5.6	8.6	1.0

Source: National Accounts Statistics, MoSPI

Note: Data is as per 2022-23 base series

\*Growth numbers for FY26 pertain to the Second advance estimates (FAE) of National Account Statistics released on 27 February 2026. Growth numbers for FY25 are based on First Revised estimates released on 27 February 2026





## 12 Appendix: In Focus section

According to the RBI (October 2025 Monetary Policy Report), for every 10% increase in the price of Indian Crude basket (ICB) from a baseline of US\$70 per barrel, that is an increase of US\$7 per barrel, real GDP growth may be lower by around 15 basis points and, assuming full pass-through to domestic product prices, inflation would be higher by 30 basis points.

The impact of global crude price upsurge on the Indian retail price can be understood in terms of four incremental steps. First, higher global crude imports measured in FOB terms will be translated into a corresponding price for ICB. This margin may be called conversion margin from the average of Brent and WTI to ICB, both in FOB terms. This conversion may be referred to as global crude price to ICB price conversion. This margin, which used to be around 1% on average, increased to about 16% in March 2026 but fell to 5% in April 2026. The RBI calculations are based on ICB at FOB value. However, there has also been a change in cost of insurance and freight. This implies that CIF prices need to be incorporated in the calculation matrix of converting ICB FOB price to ICB CIF price by adding costs of insurance and freight which have increased by a margin of US\$1.6/bbl. from an earlier level of US\$2.4/bbl. to approximately US\$4.0/bbl. This may be called the FOB to CIF conversion margin. After this, there is an exchange rate effect in converting prices given in US\$ to prices in INR. Compared to the FY26 averages, exchange rate is expected to depreciate at an average rate of 7.5% to INR95/US\$ during FY27. This may be called the exchange rate effect. From this point, we need to consider the conversion of crude oil into PoL products through a production process which results in input measured in barrels (bbl.) to output measured in liters. After this, there are certain markups which are specific/ad-valorem. This may be called tax and mark-up margin effect. Thus, dealer's margin and central excise duties are specific and constitute rates per liter. State VAT generally tends to be ad-valorem. There may be some policy interventions in these margins in order to mitigate the price rise. These effects together can be referred to as markup margins. Thus, there are four steps involved that lead to the conversion of input price to output price namely: (1) *Global crude price to ICB conversion* (2) *FOB to CIF conversion*, (3) *exchange rate effect*, (4) *tax and mark-up margin effect*.



## 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	CAD	Current account deficit
10	CGA	Comptroller General of Accounts
11	CGST	Central Goods and Services Tax
12	CIT	Corporate income tax
13	Cons.	Construction
14	CPI	Consumer Price Index
15	COVID-19	Coronavirus disease 2019
16	CPSE	Central public-sector enterprise
17	CRAR	Credit to Risk- weighted Assets Ratio
18	Disc.	Discrepancies
19	ECBs	External Commercial borrowings
20	Elec.	Electricity, gas, water supply and other utility services
21	EMDEs	Emerging Market and Developing Economies
22	EXP	Exports
23	FAE	First advance estimates
24	FC	Finance Commission
25	FII	Foreign investment inflows
26	Fin.	Financial, real estate and professional services
27	FPI	Foreign portfolio investment
28	FRBMA	Fiscal Responsibility and Budget Management Act
29	FRL	Fiscal Responsibility Legislation
30	FY	Fiscal year (April–March)
31	GDP	Gross Domestic Product
32	GFCE	Government final consumption expenditure
33	GFCF	Gross fixed capital formation
34	GoI	Government of India



Sr. no.	Abbreviations	Description
35	G-secs	Government securities
36	GST	Goods and Services Tax
37	GVA	Gross value added
38	IAD	Index of Aggregate Demand
39	IBE	Interim budget estimates
40	ICB	Indian crude basket
41	ICRIER	Indian Council for Research on International Economic Relations
42	IEA	International Energy Agency
43	IGST	Integrated Goods and Services Tax
44	IIP	Index of Industrial Production
45	IMEC	India-Middle East-Europe Economic Corridor
46	IMF	International Monetary Fund
47	IMI	Index of Macro Imbalance
48	IMP	Imports
49	INR	Indian Rupee
50	IPD	Implicit price deflator
51	MCLR	Marginal cost of funds-based lending rate
52	Mfg.	Manufacturing
53	MGNREGA	Mahatma Gandhi National Rural Employment Guarantee Act
54	Ming.	Mining and quarrying
55	m-o-m	Month-on-month
56	Mt	Metric ton
57	MoSPI	Ministry of Statistics and Programme Implementation
58	MPC	Monetary Policy Committee
59	MPF	Monetary Policy Framework
60	n.i.e	Not indicated elsewhere
61	NEXP	Net exports (exports minus imports of goods and services)
62	NSO	National Statistical Office
63	NSSO	National Sample Survey Organisation
64	NPA	Non-performing assets
65	OECD	Organization for Economic Co-operation and Development
66	OPEC	Organization of the Petroleum Exporting Countries
67	PFCE	Private final consumption expenditure
68	PIT	Personal income tax
69	PMI	Purchasing Managers' Index (reference value = 50)
70	PoL	Petroleum oil and lubricants
71	PPP	Purchasing power parity
72	PSBR	Public sector borrowing requirement



Sr. no.	Abbreviations	Description
73	PSU/PSE	Public sector undertaking/public sector enterprises
74	RE	Revised estimates
75	REE	Rare earth elements
76	RBI	Reserve Bank of India
77	sa	Seasonally adjusted
78	SLR	Statutory Liquidity Ratio
79	Trans.	trade, hotels, transport, communication and services related to broadcasting
80	US\$	US Dollar
81	UNCTAD	United Nations
82	UTGST	Union Territory Goods and Services Tax
83	WALR	weighted average lending rate
84	WHO	World Health Organization
85	WPI	Wholesale Price Index
86	y-o-y	year-on-year
87	1HFY20	first half of fiscal year 2019-20, i.e., April 2019-September 2019



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