Economy Watch

Monitoring India's macro-fiscal performance

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EY

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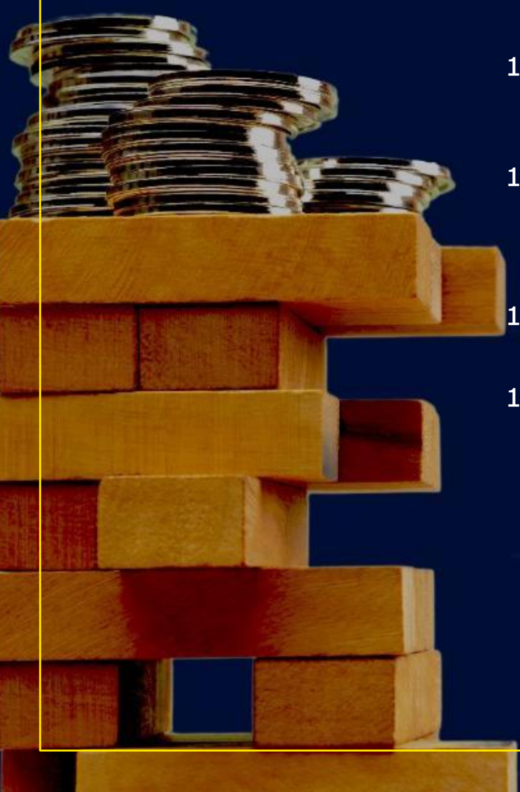
Content

Prepared by Macro-fiscal Unit, Tax and Economic Policy Group, EY India

D.K. Srivastava, Chief Policy Advisor, EY: dk.srivastava@in.ey.com
Muralikrishna Bharadwaj, Senior Manager, EY: muralikrishna.b@in.ey.com
Tarrung Kapur, Senior Manager, EY: tarrung.kapur@in.ey.com
Ragini Trehan, Senior Manager, EY: ragini.trehan@in.ey.com

Highlights

1. Real GDP and GVA grew by 7.8% and 7.9%, respectively, in 4QFY26, moderating marginally from 8.0% each in 3QFY26.
2. Provisional estimates of national accounts data for FY26 show that real GDP (2022-23 base series) grew by 7.7% in FY26, increasing from 7.1% in FY25.
3. In May 2026, manufacturing and services PMI increased to 55.0 and 59.8, marking three-month and six-month highs, respectively.
4. As per the 2022-23 series, overall IIP growth increased to a four-month high of 4.9% in April 2026 as compared to 3.2% in March 2026.
5. Monetary Policy Committee retained the repo rate at 5.25% while maintaining a neutral policy stance in its June 2026 review.
6. Headline CPI inflation edged up to 3.9% in May 2026 from 3.5% in April 2026, reflecting pressures from prices of food and fuel.
7. Under the new WPI series (base year 2022-23), headline wholesale price inflation increased to 9.7% in May 2026 from 8.3% in April 2026, reflecting a broad-based strengthening of price pressures across major commodity groups.
8. GoI's gross tax revenues (GTR) grew by 6.0% in FY26, lower than 7.4% as per the revised estimate. In April FY27, GoI's GTR showed a contraction of (-)1.9% with direct taxes growing by 8.6% and indirect taxes contracting by (-)12.5%.
9. GoI's total expenditure grew by 5.4% in FY26, with growth in revenue expenditure at 6.5% and that in capital expenditure at only 1.6%.
10. GoI met its fiscal and revenue deficit targets at 4.4% and 1.5% of GDP in FY26, respectively. In April 2026, GoI's fiscal and revenue deficits as a proportion of the FY27 (BE) magnitude stood at 21.4% and 30.8%, respectively, their highest levels comparing the corresponding ratios since FY21.
11. Gross bank credit showed a near stable growth of 16.0% in April 2026, close to its level of 16.1% in March 2026.
12. Net FDI inflows surged to US$6.6 billion in April 2026 from US$0.9 billion in March 2026 while net FPI outflows continued to remain high at US$7.3 billion during the month.
13. Merchandise exports and imports growth surged to 18.0% and 20.6%, respectively, in May 2026 from 13.8% and 10.0% in April 2026 led by sharp increase in engineering goods exports and crude imports.
14. Merchandise trade deficit remained wide at US$28.2 billion in May 2026 close to US$28.4 billion in April 2026, reflecting elevated global crude prices and resilient domestic demand conditions.
15. Average global crude price remained elevated at US$100.4/bbl. in May 2026 as compared to US$103.9/bbl. in April 2026. Average global brent price fell to US$86.9/bbl. during the first 24 days of June 2026, from US$107.5/bbl. in May 2026 and US$120.4/bbl. in April 2026.
16. The OECD has projected global growth at 2.8% in 2026 and 3.1% in 2027, with India's FY27 and FY28 growth rates forecasted at 6.3% and 6.4%, respectively.
17. Considering the recent geopolitical developments, if global crude prices settle at relatively lower levels and shipments through the Strait of Hormuz normalize, the positive momentum of India's growth prospects is likely to be restored. Accordingly, we expect, in FY27, real GDP growth at 6.6-6.8%, CPI inflation at 4.5%, nominal GDP growth at 12.5%, GoI fiscal deficit at 4.4% and current account deficit at 1.5% of GDP.



FOREWORD

India's FY27 economic prospects: Higher nominal growth to contain fiscal pressures

NSO's provisional estimates of GDP growth of 7.7% for FY26 confirm India's impressive post-COVID recovery. This was preceded by real GDP growth rates of 7.2% and 7.1%, respectively, in FY24 and FY25 as per the new GDP series. Output performance measured in terms of real GVA growth in FY26 is even more impressive with 7.9% growth. GVA sectors that showed exceptionally high growth include manufacturing at 10.7%, and the two important services sectors, namely trade, transport et al. at 11.0% and financial real estate et al. at 10.4%. On the demand side, private final consumption expenditure and gross fixed capital formation showed robust growth rates at 7.7% and 8.2%, respectively. The contribution of net exports to overall growth is near zero, implying that in India's growth performance, it is the domestic factors that dominate. One notable feature in the context of FY26 growth was the relatively small difference between real and nominal growth. With nominal growth at 8.9%, the implicit price deflator-based inflation is estimated at 1.1% in FY26.

The impressive real growth performance, however, is expected to experience a short-term setback, with real GDP growth projected to decline in FY27. This slowdown is likely to be driven largely by exogenous factors, particularly the West Asian crisis, leading to supply bottlenecks and price shocks affecting sectors such as crude oil, gas and fertilizers. In its monetary policy review released on 05 June 2026, based on an assumption of a prolonged West Asian conflict, the RBI assessed India's real GDP growth at 6.6% for FY27, implying a fall of 1.1% points as compared to FY26. Another downside risk to FY27 growth prospects emanates from the expected deficiency in rainfall due to the onset of El Nino. The IMD has estimated that overall monsoon may be only 90% of the long-period average (LPA) implying a 10% shortfall. The spread of shortfall may also be uneven over time and across regions. Initially, up to 24 June 2026, the estimated shortfall is nearly 43%.[1].

More recently, on 19 June 2026, the US and Iran agreed to a 14-point preliminary Memorandum of Understanding (MoU) towards ending the West Asian crisis and opening up of the Strait of Hormuz. Although there are initial challenges, it is expected that the Strait may shortly be fully operational, bringing down global crude prices and making the overall supply more stable. In fact, recent data show brent crude price averaged US$76.6/bbl. since the signing of the MoU, covering the period 19 June 2026 to 25 June 2026, as compared to US$92/bbl. during the first 18 days of June 2026, falling from US$107.5/bbl. in May 2026 and US$120.4/bbl. in April 2026[2]. India's growth performance in FY27 might depend largely on a speedy normalization of global crude supply and prices. If global crude prices settle at relatively lower levels and shipments through the Strait of Hormuz normalize, we expect India's real GDP growth to range between 6.6-6.8%. The risk to agricultural output due to the deficient rainfall continues.

The OECD, in its June 2026 Economic Outlook has projected India's real GDP growth at a lower level of 6.3% for FY27 which is more than double the projected global growth of 2.8% under the limited time disruption scenario which assumes the disruptions from the West Asian crisis to be sizeable but limited to a relatively short period of time and 2.1% in the prolonged disruption scenario. Contextualizing India's growth at 6.3% as per the OECD and global growth in the range of 2.1% to 2.8% highlights India's underlying resilience to exogenously generated shocks.

India's resilience amid global uncertainty is also recognized in the World Bank's latest assessment of global economic prospects (June 2026). It assesses India's real GDP growth at 6.6% in FY27, improving to 7.2% in FY28 and 7.0% in FY29. In comparison, global growth is estimated at 2.5% in 2026, followed by 2.8% in the next two years.

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[1] https://indianexpress.com/article/india/rainfall-43-per-cent-deficit-so-far-kharif-crops-likely-to-be-hit-government-10754336/

[2] Daily data on brent crude is sourced from US EIA, and oilprice.com; monthly data has been taken from the World Bank

As per the RBI's June monetary policy review, CPI inflation for FY27 is projected at 5.1%, up from 4.7% as per its April 2026 assessment. Pressure on inflation may warrant an increase in the repo rate, while slower GDP growth may call for a reduction in it. Under these circumstances, as widely expected, the RBI has decided to keep the repo rate unchanged at 5.25% and also continue with its neutral stance. With a quick normalization of the West Asian situation, pressure on inflation might ease somewhat in the last three quarters of the fiscal year. However, it might still be in the range of 4.5-5.0%.

One important feature of FY27 growth is the likelihood of relatively higher nominal GDP growth as compared to FY26. This is because the IPD deflator, which depends on WPI and CPI inflation, is likely to be much higher than the FY26 level of 1.1%. RBI's June 2026 Professional Forecasters' median projections for WPI and CPI inflation for FY27 are 8.0% and 4.9%, respectively. With a speedy resolution of the West Asian crisis, we consider WPI and CPI inflation rates for the full year to be lower at 6.0% and 4.5% and using weights of 60% and 40%, respectively, we can broadly estimate IPD-based inflation to be 5.4%. Combining this with a real GDP growth of 6.7%, we may have a nominal growth of about 12.5% in FY27. This would have a positive impact on fiscal prospects, particularly on tax revenues. GoI should be able to realise its estimates of tax revenues absorbing the adverse revenue impact of any excise duty cuts. On the expenditure side, however, subsidies may be higher than budgeted. We expect the FY27 budgeted fiscal deficit at 4.3% of GDP to be either realized or marginally exceeded.

As per CGA data, GoI has been successful in achieving the FY26 fiscal deficit target of 4.4% of GDP as per the revised estimates (RE). In terms of magnitude, the fiscal deficit in FY26 at INR15.2 lakh crore was lower than INR15.8 lakh crore in FY25. There has been a substantive compression in the growth of capital expenditure to 1.6% in FY26 as compared to 10.8% in FY25. In contrast, during FY22 to FY25, GoI capital expenditure growth averaged 25.9%. It is desirable to restore capital expenditure growth and at least achieve the FY27 budgeted growth of 11.5%.

The current account deficit for FY27 is estimated at 2.1% relative to GDP as per the RBI's June 2026 Professional Forecasters' Survey (median estimate). With normalization of the global oil market and the opening of the Hormuz strait, we expect that the current account deficit to be at 1.5% of GDP.

In the backdrop of ongoing geopolitical developments, high-frequency data for April and May 2026 provide mixed signals. PMI showed buoyant private sector activity in May 2026 despite inflationary pressures, with manufacturing and services PMI levels at 55.0 and 59.8, marking three-month and six-month highs, respectively. Monthly gross GST collections fell from INR2.4 lakh crore in April 2026 to INR1.94 lakh crore showing a year-on-year contraction of (-)3.4% in May 2026. Data released by the Federation of Automobile Dealers Associations (FADA) showed that retail motor vehicle sales grew by 9.6% in May 2026, although lower than the 12.9% growth recorded in April 2026. Within key vehicle categories, retail sales of passenger vehicles showed a higher growth of 23.2% in May 2026 as compared to 12.2% in April 2026. However, retail sales of two-wheelers posted a relatively lower growth of 7.5% in May 2026 as compared to 13.0% in April 2026.

IIP (2022-23 base) growth increased to a four-month high of 4.9% in April 2026 from 3.2% in March 2026, driven by higher growth in manufacturing, electricity et al. and water supply et al. sectors. Growth in gross bank credit posted a near stable growth of 16.0% in April 2026, close to its level of 16.1% in March 2026.

On the external front, merchandise exports and imports growth surged to 18.0% and 20.6%, respectively, in May 2026 from 13.8% and 10.0% in April 2026 led by sharp increases in engineering goods exports and crude imports. Merchandise trade deficit remained wide at US$28.2 billion in May 2026 close to US$28.4 billion in April 2026, reflecting elevated global crude prices and resilient domestic demand conditions.

Headline CPI inflation edged up to 3.9% in May 2026 from 3.5% in April 2026, reflecting pressures from prices of food and fuel. Under the new WPI series (base year 2022-23) released on 15 June 2026, headline WPI inflation increased to 9.7% in May 2026 from 8.3% in April 2026, reflecting a broad-based strengthening of price pressures across major commodity groups.

These high frequency indicators highlight the resilience of the Indian economy even when the Hormuz crisis was at its peak. We expect the positive trends to gather momentum subsequent to the normalization of global oil markets.

Going forward, India may do well to prepare for minimizing the impact of unanticipated shocks affecting supplies and prices with respect to critical commodities such as crude oil, gas and fertilizers by building strategic reserves for these commodities. In this month's in-focus section, a detailed review of the evolution of India's petroleum economy has been undertaken. It is highlighted that India's dependence on imported crude has increased over time while the volume of domestic production has fallen. India has, however, successfully built an impressive capacity to refine crude into petroleum products (PoL products). Overall, the energy efficiency of India's output has increased, which augurs well for sustaining India's long-term growth story. India may continue to augment its refining capacity, which has helped save refining costs had India been forced to directly import refined petroleum products. The trend towards growing dependence on imported crude may need to be reversed while accelerating the shift towards greener options and other alternative sources of energy, including nuclear energy.

Considering the recent geopolitical developments, if global crude prices settle at relatively lower levels and shipments through the Strait of Hormuz normalize, the positive momentum of India's growth prospects is likely to be restored. Accordingly, we expect, in FY27, real GDP growth at 6.6-6.8%, CPI inflation at 4.5%, nominal GDP growth at 12.5%, GoI fiscal deficit at 4.4% and current account deficit at 1.5% of GDP.

D.K. Srivastava

Chief Policy Advisor,
EY India

1 Special feature: The New IIP Series – Additional coverage and changes in the weight structure

The new IIP series with the revised base year of 2022-23 was released on 1 June 2026. The revision was based on the recommendations of the 'Technical Advisory Committee (TAC) on the Base Year Revision of IIP', whose report was released on 25 May 2026. The 2022-23 series incorporates an updated item basket, a revised weighting structure, and enhanced sectoral coverage to better reflect recent developments in India's industrial activity.

In addition to the existing mining, manufacturing and electricity sectors, the coverage has been expanded to include gas supply, water supply, sewerage and waste management. The sectoral weights have also undergone changes. The weight assigned to mining has been lowered to 11.1% under the 2022-23 series from 14.4% as per the 2011-12 series and that of manufacturing to 76.1% from 77.6% (**Table 1**). In contrast, the combined weight of electricity and gas supply has increased to 10.9% from 8.0% earlier, and the newly introduced water supply and waste management sector has been assigned a weight of 2.0%.

Table 1: Sectoral weights: 2022-23 vis-à-vis 2011-12 base year series

Sector	Base year 2011-12	Base year 2022-23	Change (2022-23 minus 2011-12)
		Weights (in %)	% points
Mining and quarrying	14.372	11.053	-3.319
Manufacturing	77.633	76.062	-1.571
Electricity and gas supply	7.995	10.865	2.870
Water supply, sewerage and waste management	NA	2.020	2.020
Total	**100.000**	**100.000**	**0.000**

Source (basic data): MoSPI

The revised series also introduces further disaggregation within key sectors. Electricity generation is now classified separately into renewable and non-renewable sources, while the mining sector has been disaggregated into fuel, metallic minerals including rare earths, and non-metallic minerals including minor minerals. The item basket has also been comprehensively revamped, expanding to cover 1,042 products across 463 item groups as compared to 839 products across 407 item groups in the 2011-12 series. The new basket incorporates several emerging and technology-intensive products such as CCTV cameras, stents, vaccines and aircraft parts, while outdated products including kerosene and Compact Fluorescent Lamp (CFL) bulbs have been removed.

The revised IIP series has retained the use-based classification of industries into six category while revising the composition and weights of individual item groups within each category. Under the 2022-23 series, the weights of primary goods, infrastructure/construction goods, consumer durables and capital goods have been lowered, while those of intermediate goods and consumer non-durables have been increased relative to the 2011-12 series (**Table 2**).

Table 2: Sectoral weights: Use-based classification of industries

Sector	Base year 2011-12	Base year 2022-23	Change (2022-23 minus 2011-12)
		Weights (in %)	% points
Primary Goods	34.049	31.136	-2.913
Capital Goods	8.224	8.082	-0.142
Intermediate Goods	17.221	22.416	5.195

Sector	Base year 2011-12	Base year 2022-23	Change (2022-23 minus 2011-12)
		Weights (in %)	% points
Infrastructure/Construction goods	12.338	10.908	-1.430
Consumer durables	12.839	11.311	-1.528
Consumer non-durables	15.329	16.147	0.818
Total	**100.000**	**100.000**	**0.000**

Source (basic data): MoSPI

As per the 2022-23 series, overall IIP growth at 4.3% in FY26 was lower as compared to 6.4% in FY25. Table 3 shows that due to the changes in the weight structure, overall IIP growth for common years indicates higher estimates in the 2022-23 series compared to the 2011-12 series. However, it may be noted that the growth rates across these two series are not strictly comparable due to changed coverage of items, different weights, and an increase in the number of factories included.

Table 3: Annual growth rates of IIP with base 2022-23 vis-à-vis 2011-12

Series	2023-24	2024-25	2025-26
	Growth rate (%)		
2022-23 base	6.7	6.4	4.3
2011-12 base	5.9	4.0	4.1
Difference (2022-23 minus 2011-12)	*0.8*	*2.4*	*0.2*

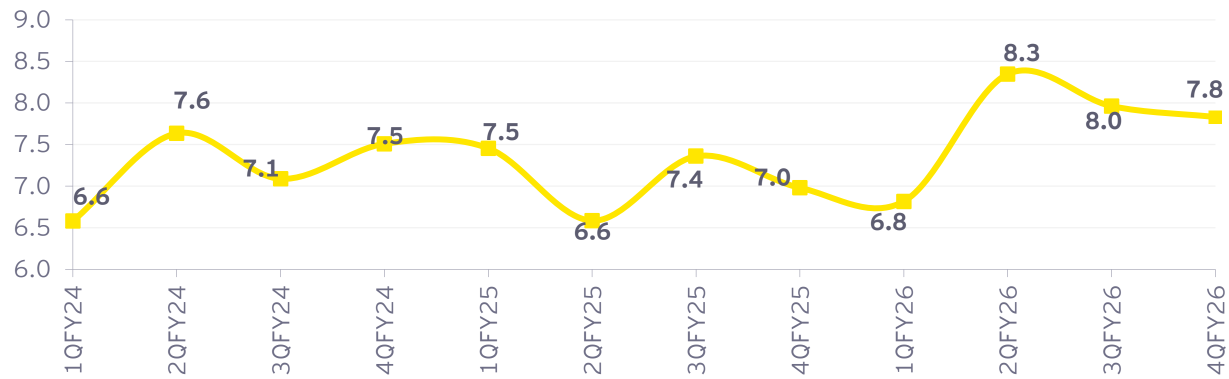
Source (basic data): MoSPI

2 Growth: Real GDP grew by 7.8% in 4QFY26

2.1 GDP and GVA: Growth estimated at 7.8% and 7.9%, respectively, in 4QFY26

- As per the 2022-23 base series of national accounts statistics, released by MoSPI on 5 June 2026, real GDP and GVA grew by 7.8% and 7.9%, respectively, in 4QFY26, moderating marginally from 8.0% each in 3QFY26 **(Chart 1)**.
- The provisional estimates of national accounts data for FY26 show that India's real GDP (2022-23 base series) grew by 7.7% in FY26, increasing from 7.1% in FY25.

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



Source: MoSPI, GoI; *implicitly derived

- Among the demand segments, gross fixed capital formation (GFCF), a measure of investment demand, showed the highest growth of 10.8% in 4QFY26, increasing from 8.2% in 3QFY26 **(Table 4)**.
- Growth in private final consumption expenditure (PFCE), the largest demand segment with an average annual share of 55.7% in real GDP during FY23 to FY26, grew by 7.1% in 4QFY26, moderating from 8.2% in 3QFY26. This led to a marginal fall in the overall GDP growth during this quarter.
- Government final consumption expenditure (GFCE) showed near-stable but low growth of 4.9% in 4QFY26 compared to 4.7% in 3QFY26.
- With exports showing higher growth of 3.7% relative to that in imports at 1.9% in 4QFY26, the contribution of net exports to real GDP growth turned positive at 0.4% points following a negative contribution of (-)0.4% points in 3QFY26.
- On the output side, two service sectors, namely trade, hotels et al. and public administration and defence et al. supported the overall GVA growth during 4QFY26, while there was an improvement in the growth of GVA in agriculture.
- Trade, hotels et al. sector showed the highest growth of 12.5% in 4QFY26, reflecting sequential improvement since 1QFY26.
- Similarly, growth in public administration and defence et al. also improved to 5.8% in 4QFY26 from 4.9% in 3QFY26.
- GVA in the construction sector posted a strong growth of 8.4% in 4QFY26, increasing from 6.7% in 3QFY26.

- After falling to an eight-quarter low of 1.7% in 3QFY26, growth in the agricultural sector improved to 3.6% in 4QFY26. This may have supported rural demand.
- Growth in manufacturing GVA moderated sharply to 7.3% in 4QFY26 from 12.8% in 3QFY26. GVA growth in financial, real estate et al. sector was lower at 10.4% in 4QFY26 as compared to 11.6% in 3QFY26.
- Nominal GDP growth in 4QFY26 was marginally lower at 9.1% as compared to 9.2% in 3QFY26. The overall implicit price deflator (IPD)-based inflation remained low at 1.2% each in 3Q and 4QFY26.

Table 4: Real GDP and GVA growth (%, annual)

Agg. demand	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26	*FY25*	*FY26 (PE)*
PFCE	6.0	5.6	8.7	7.2	8.2	7.1	5.8	7.7
GFCE	7.6	3.6	5.8	6.6	4.6	4.9	6.5	5.5
GFCF	6.3	6.2	4.9	8.4	8.2	10.8	6.4	8.2
EXP	10.5	5.4	6.6	9.7	5.8	3.7	6.6	6.3
IMP	2.9	5.5	7.0	6.0	7.2	1.9	5.3	5.6
GDP	7.4	7.0	6.8	8.3	8.0	7.8	7.1	7.7
NExp. (% pts.)*	*1.6*	*0.0*	*-0.3*	*0.6*	*-0.4*	*0.4*	*0.2*	*0.1*
Output side								
Agr.	5.8	3.8	4.4	2.7	1.7	3.6	4.2	3.0
Ming.	13.1	12.9	4.5	6.1	4.7	5.4	11.7	5.2
Mfg.	10.8	11.8	10.4	12.7	12.8	7.3	9.3	10.7
Elec.	0.6	2.1	-2.0	3.6	1.5	4.1	2.9	1.7
Cons.	6.4	8.0	5.3	8.9	6.7	8.4	7.3	7.4
Trans.	6.7	6.3	9.7	10.5	11.2	12.5	6.6	11.0
Fin.	11.1	8.8	9.2	10.3	11.6	10.4	10.0	10.4
Publ.	4.4	3.2	4.0	5.4	4.9	5.8	5.0	5.0
GVA	**7.8**	**7.1**	**7.1**	**8.6**	**8.0**	**7.9**	**7.3**	**7.9**

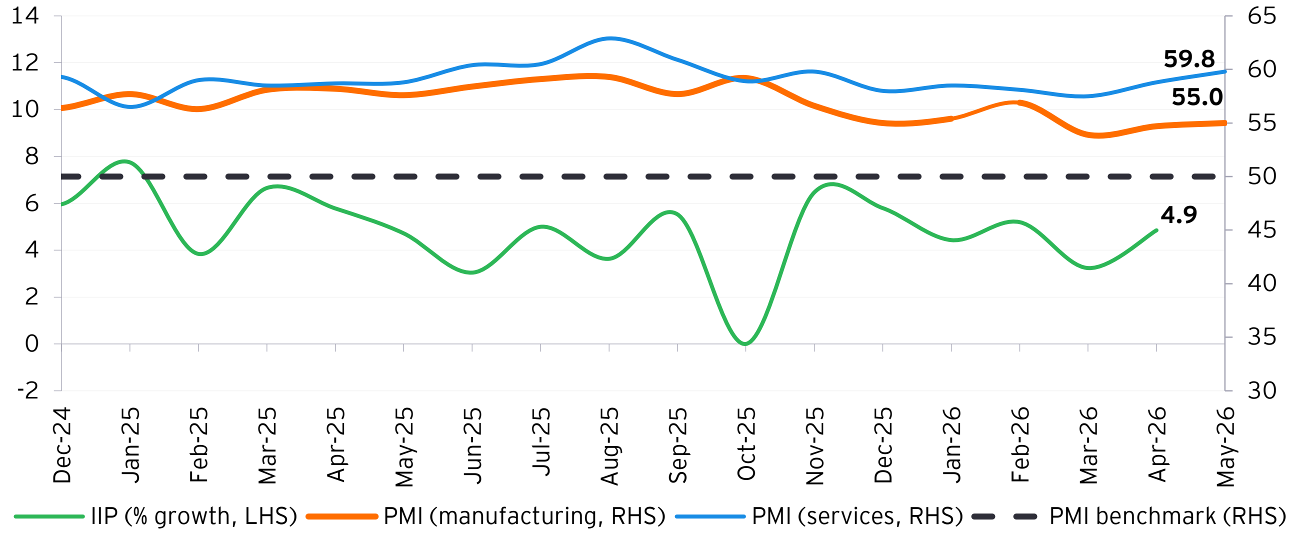
Source: MoSPI
Note: *Contribution of net exports to real GDP growth

2.2 PMI: Manufacturing and services PMI reached three-month and six-month highs in May 2026

- The seasonally adjusted manufacturing PMI increased to a three-month high of 55 in May 2026 from 54.7 in April 2026, driven by domestic demand, even as new export order growth moderated amid elevated cost inflation (**Chart 2**). The expansion was driven by intermediate and capital goods categories, while there was a slowdown in the consumer goods segment.
- Services PMI (sa) also increased from 58.8 in April 2026 to 59.0 in May 2026, its highest level since November 2025. Although cost pressures remained historically high across the services sector, they receded to their lowest in four months, supporting a moderate increase in selling prices.
- Driven by an improvement in both PMI manufacturing and services levels, the composite PMI Output Index (sa) improved from 58.2 in April 2026 to a six-month high of 59.3 in May 2026.

In May 2026, both manufacturing and services PMI reflected strengthening private sector activity with their levels at 55.0 and 59.8, marking three-month and six-month highs, respectively.

Chart 2: PMI and IIP growth



Source: MoSPI and S&P Global

2.3 IIP growth improved to 4.9% in April 2026 as per the 2022-23 base series

- Overall IIP growth increased to a four-month high of 4.9% in April 2026 from 3.2% in March 2026 **(Chart 2),** driven by higher growth in manufacturing, electricity et al. and water supply et al. sectors.
- Manufacturing output, which has the highest weight of 76.1% in the overall IIP (2022-23 series), grew by 6.2% in April 2026, improving from 3.9% in March 2026. Similarly, the output of electricity et al. and water supply et al. sectors showed higher growth rates of 4.9% and 6.6%, respectively, in April 2026 as compared to 4.4% and 6.4% in March 2026.
- Growth in the output of mining, which is usually volatile, remained negative for the third successive month at (-)5.1% in April 2026. A large part of this decline is attributable to a sharp contraction in the output of fuel minerals ((-)5.6%) and non-metallic minerals including minor minerals ((-)14.1%) in April 2026.

As per the 2022-23 series, overall IIP growth increased to a four-month high of 4.9% in April 2026 as compared to 3.2% in March 2026.

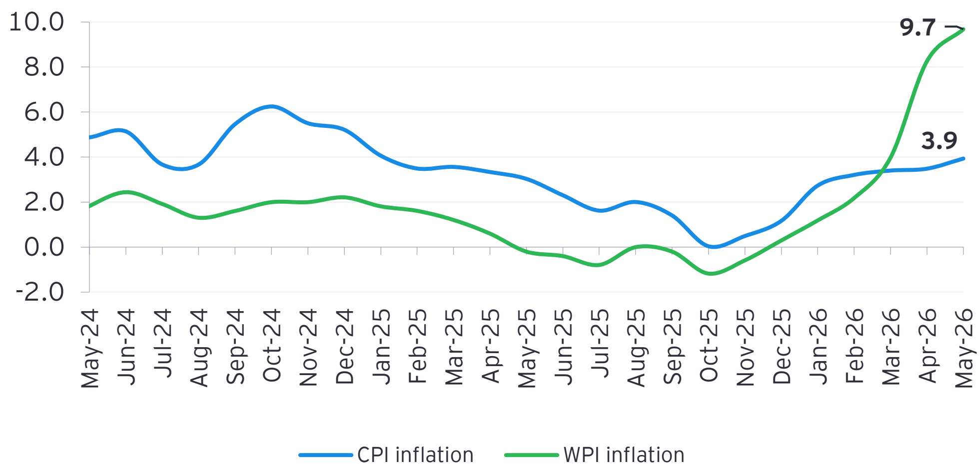
- Within manufacturing, among key sub-industries having higher weights, growth in the manufacturing of electrical equipment (19.2%), textiles (15.6%), other machinery and equipment (12.9%), motor vehicles, trailers et al. (12.8%), rubber and plastic products (6.4%), basic metals (5.8%) and food products (5.3%) showed robust growth rates during the month. However, there was a contraction in the output of coke and refined petroleum products of (-)0.5% in April 2026.
- Within the 'use-based' classification of industries, strong growth was seen in capital goods output at 16.0% in April 2026, increasing from 11.2% in March 2026. This was followed by 7.7% growth in the output of intermediate goods in April 2026, an improvement over 4.1% in March 2026. Growth in consumer durables was marginally higher at 4.3% in April 2026 compared to 2.4% in March 2026, and that in consumer non-durables was positive at 2.8% in April 2026, following a contraction of (-)0.9% in March 2026.
- Output of eight core infrastructure industries (Core IIP - 2011-12 series) showed a low growth of 1.7% in April 2026, although improving from 1.2% in March 2026. The improvement was largely driven by relatively higher growth in cement (9.4%), electricity (4.1%) and steel (6.2%). On the contrary, major sectors that acted as a drag include coal ((-)8.7%), crude oil ((-)3.9%) and petroleum refinery products ((-)0.5%) showing a contraction during the month.

3 Inflation: CPI inflation increased to 3.9% in May 2026

3.1 CPI inflation

- Headline CPI inflation edged up to 3.9% in May 2026 from 3.5% in April 2026 under the new 2024 base (**Chart 3**), reflecting renewed food- and fuel-led pressures while still remaining below the RBI's medium-term target of 4%.
- Food inflation rose for the fourth consecutive month to 4.5% in May 2026, driven by a pickup in vegetables and pulses inflation to 4.3% in May 2026 from 2.3% in April 2026, indicating weather-related supply disruptions (sub-normal monsoon trends). This reflects the continued sensitivity of headline inflation to supply-side shocks.
- Inflation in transportation services increased to 1.8% in May 2026 after a four-month phase of being at or near zero, mirroring rising global crude oil prices. The pass-through of higher crude prices was evident in both fuel for personal transportation services and airfares, whose inflation levels reached 3.1% (five-month high) and 15.1% respectively in May 2026.
- Inflation in personal care and miscellaneous services was persistently elevated at 18.5% in May 2026, higher than 17.7% in the previous month, owing mainly to extremely high inflation in precious metals and jewelry. Inflation in gold/diamond/platinum jewelry at 40.9% in May 2026, higher than 40.7% in April 2026 and in silver jewelry at a three-month high of 155.2% in May 2026, reflects strong global bullion prices and demand for financial hedging.
- Inflation moderated marginally across key service categories such as health, education, and communication, suggesting continued softness in core demand conditions. This indicates that underlying core inflation pressures remain contained.
- Overall, the inflation trajectory reflects the emergence of supply-side and external price pressures (food, fuel, bullion) alongside still-subdued core inflation.

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



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

Headline CPI inflation edged up to 3.9% in May 2026 from 3.5% in April 2026 reflecting pressures from prices of food and fuel.

3.2 WPI inflation: surged to 9.7% in May 2026

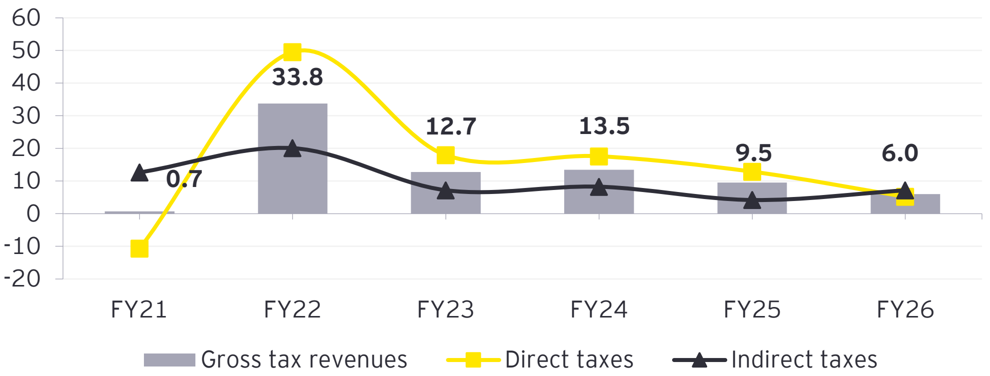
- Under the new WPI series (base year 2022-23) released on 15 June 2026, headline wholesale inflation increased to 9.7% in May 2026 from 8.3% in April 2026. This reflects a broad-based strengthening of price pressures across major commodity groups, with primary articles, fuel and power and manufactured products—all registering a sequential increase in inflation.
- Inflation in fuel and power increased to 30.3% in May 2026 from 24.9% in April 2026, remaining the dominant contributor to the increase in headline inflation.
- Within fuel, crude petroleum and natural gas inflation remained elevated at 61.5% in May 2026, while mineral oil prices rose sharply by 49.8%, reflecting sustained pressures from global energy markets as well as a strong pass-through of global crude price movements into wholesale prices.
- Inflation in primary articles rose to 5.0% in May 2026 from 3.8% in April 2026, reflecting higher prices across food articles (3.6% from 2.4%), and non-food primary commodities (9.5% from 7.6%).
- The WPI food index inflation increased to a 16-month high of 4.5% in May 2026, indicating firm price pressures across both raw agricultural commodities and processed food products.
- Within the primary articles basket, the rise suggests broad-based food price firming rather than concentration in a few items, signaling strengthening upstream price pressures.
- Inflation in manufactured products increased to 7.5% in May 2026 from 6.7% in April 2026, pointing to continued transmission of input cost pressures into output prices.
- Core WPI inflation increased to 7.7%, its highest level since April 2024, the first month of the new WPI series, suggesting increasing generalization of inflation, moving beyond a purely energy-led shock.

4 Fiscal: GoI's fiscal deficit stood at 4.4% of GDP in FY26

4.1 Tax and non-tax revenues

- According to the CGA, GoI's GTR[b] showed a growth of 6.0% in FY26, lower than the growth rates in the last four years (FY22 to FY25) **(Chart 4).** This was also lower than 7.4% as envisaged in FY26 (RE).
- At INR40.24 lakh crore in FY26, GoI's GTR fell short of the FY26 (RE) by INR53,425 crore.
- Considering the nominal GDP growth at 8.9% (as per the 2022-23 GDP base series), the buoyancy of GoI's GTR stood at 0.7, lower than 0.9 as per the FY26 (RE) provided in the FY27 union budget.
- Direct taxes[a] grew by 5.2% in FY26, much lower than 12.9% in FY25. In fact, the average growth during the last three years (FY23 to FY25) stood at 16.2%. Growth in indirect taxes[a] was also modest at 7.2% in FY26, although an improvement over 4.2% in FY25.
- PIT revenues showed near-zero growth in FY26 as compared to a growth of 17.0% in FY25, owing to the PIT rate rationalization measures announced in the FY26 Budget.
- On the other hand, growth in CIT revenues increased to 11.4% in FY26 from 8.3% in FY25.
- Among indirect taxes, GoI's GST revenues showed a growth of only 4% in FY26, lower than 7.2% in FY25 as also the average growth of 13.8% during the last three years (FY23 to FY25). This may partly be attributable to the significant GST rate reductions undertaken in September 2025.
- After contracting for three successive years from FY23 to FY25, union excise duties (UED) showed a growth of 13.9% in FY26, partly owing to a favorable base effect.

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



GoI's GTR grew by 6.0% in FY26, lower than 7.4% as per the RE. In April FY27, GoI's GTR showed a contraction of (-)1.9% with direct taxes growing by 8.6% and indirect taxes contracting by (-)12.5%.

Source: Monthly Accounts, CGA, Government of India

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

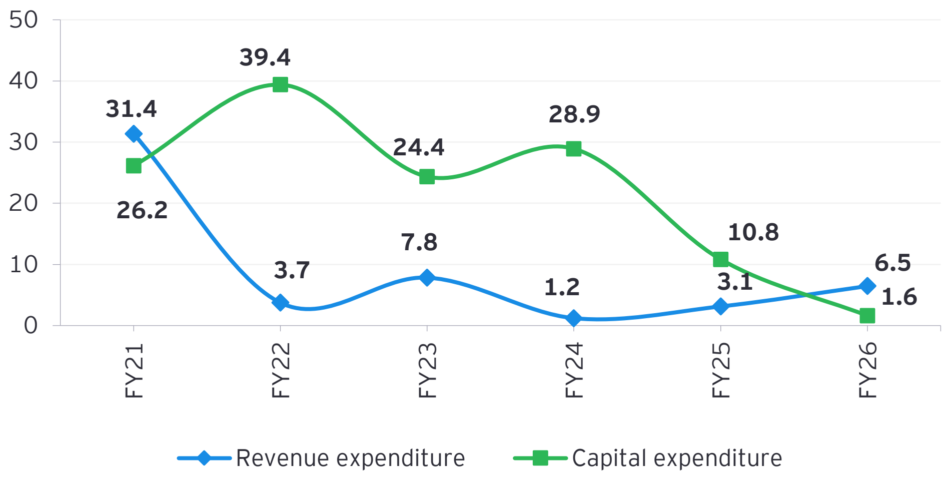
- Customs duties witnessed a pickup in its growth to 13.5% in FY26 as compared to a contraction of (-)0.1% in FY25.

- In the first month of FY27, namely April 2026, GoI's GTR showed a contraction of (-)1.9% with direct taxes growing by 8.6% and indirect taxes contracting by (-)12.5% mainly due to a significant contraction of (-)17.2% in GoI's GST revenues.
- GoI's non-tax revenues showed a strong growth of 26.3% in FY26, although easing from 33.8% in FY25. Non-tax revenues of the GoI exceeded FY26 (RE) at INR 6.67 lakh crore by INR11,299 crore.
- Non-debt capital receipts of the GoI also exceeded FY26 (RE) at INR64,027 crore by INR19,731 crore.
- The excess of non-tax revenues and non-debt capital receipts over the FY26 (RE) together amounting to INR31,030 crore, provided some buffer to GoI's non-debt receipts.

4.2 Expenditures: Revenue and capital

- GoI's total expenditure grew by 5.4% in FY26, marginally higher than 4.8% in FY25.
- GoI's revenue expenditure grew by 6.5% in FY26, higher than 1.2% and 3.1% in FY24 and FY25, respectively **(Chart 5).**
- GoI's capital expenditure showed subdued growth of 1.6% in FY26 as compared to 10.8% in the previous fiscal year. This is a significant slowdown considering the medium-term average growth in capital expenditure at 25.9% during FY22 to FY25.
- In April 2026, growth in GoI's total expenditure was 23.5% with growth in revenue expenditure at 25.9% and that in capital expenditure at 18.8%.

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



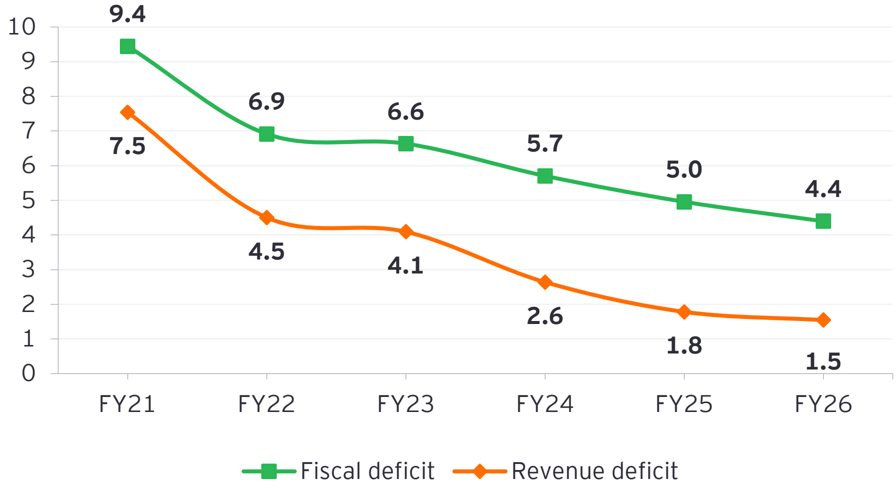
GoI's total expenditure grew by 5.4% in FY26, with growth in revenue expenditure at 6.5% and that in capital expenditure at only 1.6%.

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

4.3 Fiscal imbalance

- The GoI successfully met its fiscal deficit target of 4.4% of GDP in FY26 despite a shortfall in GTR, enabled by some support from additional non-tax revenues and non-debt capital receipts and a curtailment of expenditures to some extent (**Chart 6**).
- Similarly, GoI's revenue deficit target of 1.5% of GDP for FY26 was also achieved.
- In April 2026, GoI's fiscal and revenue deficits as a proportion of the annual FY27 (BE) magnitude stood at 21.4% and 30.8%, respectively, their highest levels comparing the corresponding ratios since FY21.

Chart 6: Fiscal and revenue deficit as a percentage of nominal GDP (%)



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

The GoI met its fiscal and revenue deficit targets at 4.4% and 1.5% of GDP in FY26, respectively. In April 2026, GoI's fiscal and revenue deficits as a proportion of the FY27 (BE) magnitude stood at 21.4% and 30.8%, respectively.

5 Comparative trends: OECD projected India's real growth at 6.3% and CPI inflation at 4.8% in FY27

5.1 GDP growth

- Given the high level of global uncertainty, the OECD in its June 2026 Economic Outlook has estimated two scenarios, conditioned on distinctly different evolutions of the West Asian crisis. These are briefly described below.
    1. The first scenario, namely 'time-limited disruption' scenario, assumes that disruptions from the crisis are sizeable but limited to a relatively short period. Further, under this scenario, the global Brent crude oil price is expected to peak at an average quarterly value just under US$102/bbl., with the average annual value of US$92/bbl. in 2026 and US$80/bbl. in 2027.
    2. The second scenario, namely 'prolonged disruption' scenario, assumes that energy production in the Gulf economies would remain subdued up to 3Q of 2027, with rising global supply shortages causing disruptions to production in importing and exporting countries. Under this scenario, energy prices are assumed to be 50% higher over the period from the 3Q of 2026 to 3Q of 2027.
- Global growth is projected to ease from 3.4% in 2025 to 2.8% in 2026 before picking up to 3.1% in 2027 in the 'time-limited disruption' scenario (**Table 5**). In the 'prolonged disruption' scenario, however, global growth slips to 2.1% in 2026 and 1.8% in 2027.
- Growth in the US is projected to be around 2% in 2026 before moderating to 1.8% in 2027. While the energy shock and heightened uncertainty stemming from the evolving West Asian crisis are expected to sap household consumption growth, underlying growth remains supported by strong AI-related investment. A major downside risk to growth emanates from a sustained increase in oil prices. On the upside, the recent pickup in labor productivity growth could prove more durable than assumed.

Table 5: Real GDP growth (%, annual)

Country	2024	2025	2026 (p)	2027 (p)
World	3.4	3.4	2.8	3.1
US	2.8	2.1	2.0	1.8
Euro area	0.9	1.4	0.8	1.2
UK	1.0	1.4	0.9	1.1
Japan	-0.2	1.1	0.6	0.8
Brazil	3.4	2.3	1.6	2.1
Russia	4.9	1.0	0.5	0.8
India*	7.1	7.6	6.3	6.4
China	5.0	5.0	4.5	4.3
South Africa	0.5	1.1	1.2	1.6

Source: OECD Economic Outlook; *Data pertains to fiscal year; (p) refers to projection

- Growth in the Euro area is projected to slow to 0.8% in 2026, amid the evolving West Asian crisis, before picking up in 2027 helped by a rebound in trade.
- In the UK, growth is projected to weaken to 0.9% in 2026, as renewed inflationary pressures squeeze real incomes and exacerbate uncertainty, weighing on private consumption and investment. It is

forecasted to recover to 1.1% in 2027, helped by the normalization of global energy prices and a gradual improvement in trade and financial conditions.

- Growth in Japan is projected to ease to 0.6% in 2026 and 0.8% in 2027. Despite the headwinds from the rising cost of energy imports, domestic demand is expected to be the main driver of growth. Robust wage growth and energy subsidies are forecasted to support private consumption. Further, government subsidies and high corporate profits are likely to boost investment in 2026, partly offsetting the energy shock.
- Among EMDEs, Brazil's growth is projected to slow to 1.6% in 2026 amid challenging global and domestic conditions, before rebounding to 2.1% in 2027. Exports are expected to be the main driver of growth, supported by mining, robust agricultural output and strong demand from China.
- In China, growth is projected to slow to 4.5% in 2026 and 4.3% in 2027, reflecting multiple headwinds. Exposure to higher oil prices and weak real estate is expected to weigh on activity, while high savings are likely to restrain consumption despite policy support. At the same time, growth is projected to be supported by export gains from lower US tariffs and competitiveness gains in high-tech sectors, along with rising infrastructure investment that would partly offset weaker business investment.
- South Africa is projected to grow modestly by 1.2% in 2026 and 1.6% in 2027. Consumption growth is projected to moderate as employment gains are largely offset by declines in purchasing power. Fiscal consolidation is expected to limit increases in government expenditure. Export receipts are likely to continue to be supported by elevated commodity prices, although lower global demand and tariffs on imports into the US may provide some offset.
- India's real GDP growth is expected to moderate to 6.3% in 2026 (FY27), reflecting pressures from higher energy prices, gas rationing, softer global demand, and rising production costs. However, lower US import tariffs are likely to provide some support to exports. Household spending may ease as inflation affects purchasing power, but as these challenges gradually diminish, growth is forecasted to strengthen to 6.4% in 2027 (FY28).

5.2 CPI inflation

- In the US, higher energy prices are expected to lead to a sharp but temporary increase in CPI inflation to 3.5% in 2026. With the y-o-y inflation at 2.3% in 2027 projected to move closer to the 2% target, the range for the policy rate is expected to remain steady at 3.5% to 3.75%, with a roughly neutral stance **(Table 6)**.
- Similarly, in the Euro area, CPI inflation is projected to increase to 2.8% in 2026 but moderate to 2.4% thereafter as the effects of the energy price shock wane.
- In the UK, the increase in CPI inflation is expected to peak in the second half of 2026, as higher energy prices pass through consumer prices, including through the increase in administered energy prices in July 2026, and then subside as global energy prices ease, but remain above target at 2.4% in 2027.

Table 6: CPI inflation (%, annual)

Country	2024	2025	2026 (p)	2027 (p)
US	3.0	2.7	3.5	2.3
Euro area**	2.4	2.1	2.8	2.4
UK	2.5	3.4	3.7	2.4
Japan	2.7	3.2	1.8	2.2
Brazil	4.4	5.0	4.4	3.6
Russia	8.5	8.7	6.5	4.6
India*	4.6	2.1	4.8	4.0
China	0.2	-0.1	1.5	1.9
S. Africa	4.4	3.2	4.2	3.7

Source: OECD Economic Outlook; *Data pertains to fiscal year; (p) refers to projection; **harmonized index of consumer prices

- In Japan, CPI inflation is projected at a relatively lower level of 1.8% in 2026, as stronger price pressures due to higher energy prices are partly offset by subsidies. Headline CPI inflation is forecasted to increase only modestly to 2.2% in 2027, staying close to the 2% target.
- Among EMDEs, CPI inflation in Brazil is projected to ease gradually from 5.0% in 2025 to 4.4% in 2026 and 3.6% in 2027, despite the evolving West Asian crisis, although significant downside risks emanate from further increases in energy and fertilizer prices.
- In China, CPI inflation is projected to turn positive at 1.5% in 2026, helped by higher fresh fruit, vegetable, and seafood prices, although steadily falling pork prices are likely to exert downward pressure. The extent of the increase in domestic petrol prices due to the evolving West Asian crisis has been restricted by the government, thereby keeping the increase in CPI inflation in 2026 moderate. Headline inflation is projected to remain low at 1.9% in 2027.
- CPI inflation in South Africa is forecasted to pick up from 3.2% in 2025 to 4.2% in 2026 owing to higher global oil prices. Inflation is expected to moderate but remain elevated at 3.7% in 2027 due to higher food prices.
- In India, CPI inflation is projected to increase to 4.8% in 2026 (FY27), driven by higher food, energy and fertilizer costs, and currency depreciation before easing to 4% in 2027 (FY28) as commodity prices stabilize and monetary policy tightens.

6 In Focus: India's petroleum economy: Coping with vulnerabilities

6.1 Introduction

India has remained strategically dependent on a set of key imports. Any external disturbances affecting the supply of these imports or their prices critically radiate into the working of the domestic economy. Their impact is on both producers and consumers. Producers are affected because of supply bottlenecks and often higher input costs. Consumers are affected because of lower supply and higher prices. It is important to identify these key vulnerabilities and develop strategies for minimizing their impact. In this writeup we focus on India's petroleum sector and its evolving landscape.

6.2 The economy of crude oil and petroleum products

Two critical features characterize India's petroleum economy. First, its high dependence on imports of crude oil. The contribution of domestic production of crude oil has remained quite limited. Second, its domestic capacity to refine this imported crude oil and its ability to export these refined PoL products over and above its domestic needs. The first dimension is a vulnerability, and the second dimension is strength.

Crude oil, whether domestically produced (DCR) or imported (ICR) together, is used to produce refined petroleum products. Total available crude consisting of DCR and ICR may be denoted by TCR. Total domestic production of petroleum products (DPP) is used for domestic consumption (DCP) of petroleum products and exports of petroleum products (EPP). In addition, some petroleum products are imported directly (IPP). It is then seen that total supply or production of PoL products consists of DPP and IPP while total demand consists of DCP and EPP. DPP and EPP are produced out of total available crude oil (TCR) (see Appendix for mathematical representation).

Chart 7: Volume of domestic crude oil production (million metric tons)

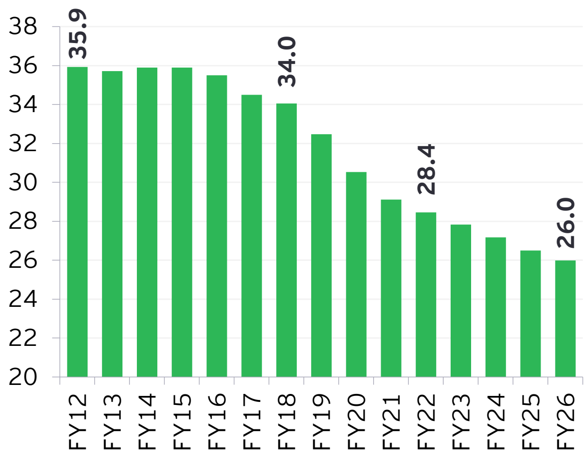
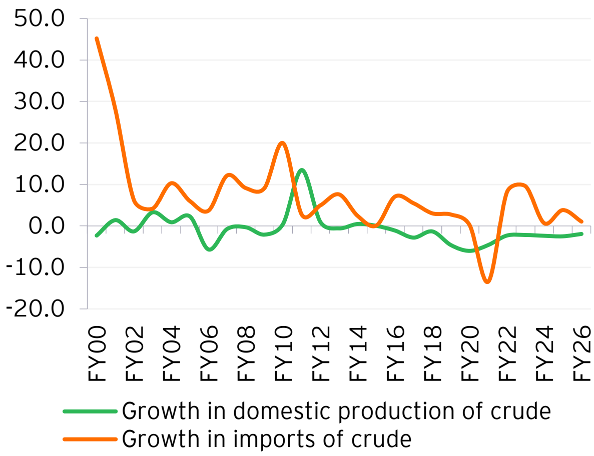


Chart 8: Growth in domestic production and imports of crude (volume)



Source: PPAC

Chart 7 shows domestic production of crude oil in volume terms. After having reached a peak of 35.9 million metric tons in FY12, the volume of domestic production has eased over time to 26.0 million metric tons in FY26. This is also reflected in the sustained contraction in domestic crude oil production observed since FY16 (**Chart 8**).

Defining degree of dependence on imported crude and efficiency of producing PoL products

1. *Degree of dependence on imported crude oil* $[DEP(Crude)]$ *may be defined as*

$$DEP(Crude) = \frac{ICR}{TCR} = \frac{ICR}{ICR+DCR}$$

2. *Efficiency of producing petroleum products* (α) *out of total available crude oil may be written as:*

$$DPP + EPP = \alpha.TCR$$

Thus, α is the conversion ratio of crude oil into petroleum products.

Chart 9 shows that India's degree of dependence on imported crude oil has increased in a secular way, rising from 55% in FY1999 to slightly above 90% in FY26. This increase in dependence is due to the inordinate rise in the volume of domestic consumption of PoL products, which increased from 90.6 MMT in FY1999 to 243.2 MMT in FY26 (**Chart 10**).

Chart 9: Degree of dependence on imported crude

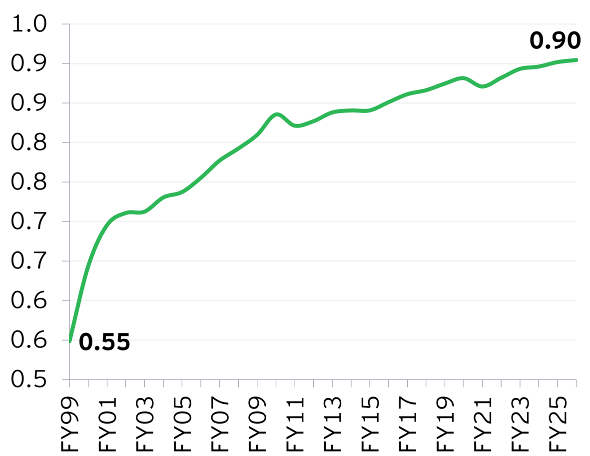
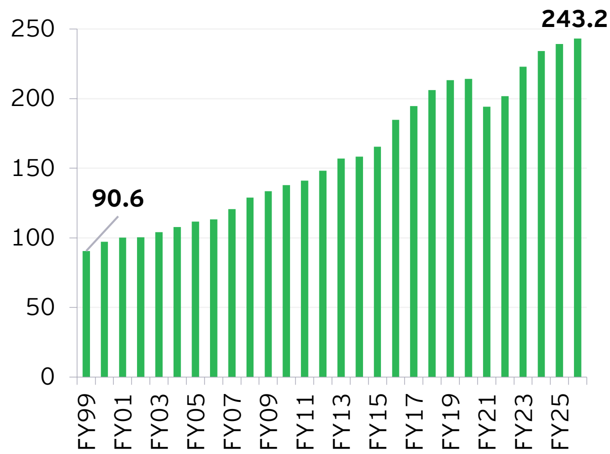


Chart 10: Volume of consumption of PoL products (Million MT)

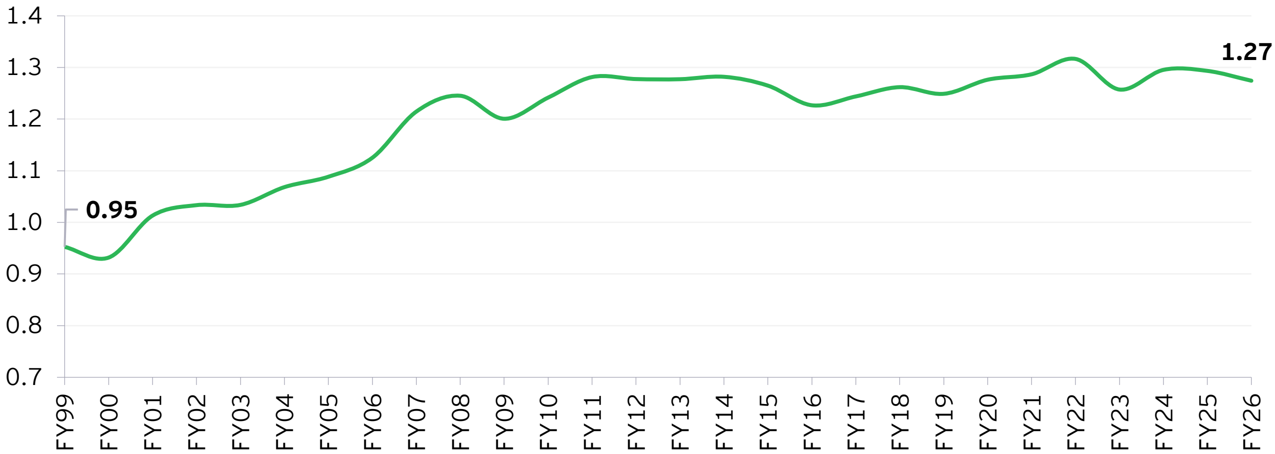


Source (Basic data): PPAC

What is encouraging is that the efficiency in producing petroleum products through India's domestic refining process has increased over time. **Chart 11** shows a consistent upward trend in the efficiency parameter[3], which increased from a level just above 0.95 in FY1998 to 1.32 in FY22 after which it fell slightly to 1.27 in FY26. This amounts to about 33% improvement in petroleum refining efficiency.

[3] It is notable that the process of refining crude oil involves reconfiguring dense, heavy hydrocarbons into lighter, hydrogen-enriched molecules, resulting in a volume expansion (processing gain) despite near conservation of mass.

Chart 11: Efficiency in producing petroleum products from crude oil



Source: EY estimates

Even though degree of dependence on imported oil has increased over time primarily because of the increasing volume of consumption of PoL products, one redeeming feature is that the rate of growth of consumption of PoL products has been less than the rate of growth of real GDP (at 2022-23 prices). This implies that the consumption intensity of PoL products with respect to GDP has fallen over time. These features are shown in **Charts 12 and 13.** Growth in consumption of PoL products is below that of real GDP in most years (**Chart 12**). This is also reflected in a falling trend of energy intensity of GDP shown below.

Chart 12: Consumption intensity of PoL products with respect to GDP (MT/Cr of real GDP)

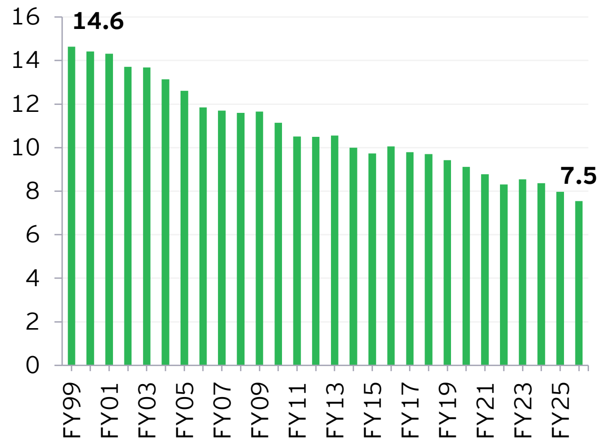
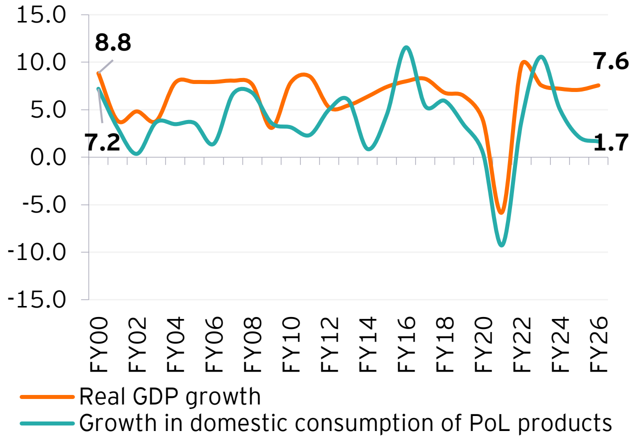


Chart 13: Growth in real GDP and consumption of PoL products

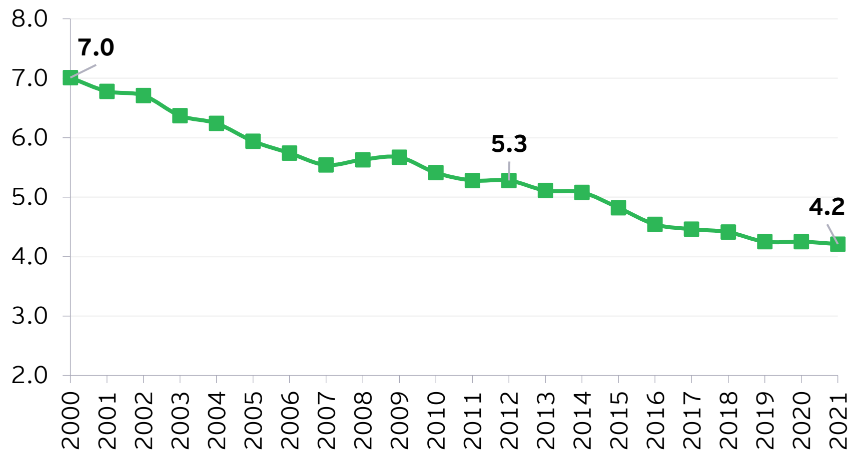


Source: EY India estimates

India's energy intensity, estimated as the ratio of primary energy to GDP in terms of 2021 purchasing power parity, has fallen over time as shown in **Chart 14**. This may be due to a combination of the use of improved technology and structural changes in output. Among the three major output sectors, namely agriculture, industry and services, the energy intensity of agriculture is the least, and that of industry, the highest. Over time, however, the share of services in output has increased, which has a lower energy intensity compared to industry. In the long term, both technological innovations and the continued shift in the structure of output towards services may make it feasible to sustain higher output levels at proportionately lower levels of imported energy products, including crude oil.

There is a need to also take into account that the progressive induction of AI is likely to require setting up data centers that are highly energy-intensive. The share of energy on this account in the total energy requirement may, however, be limited, and AI may also contribute to the augmentation of productivity in the system. On the whole, in the long-run, maintaining energy-efficient growth may help India sustain a relatively higher growth for a longer period.

Chart 14: Energy intensity of GDP (Primary energy/$GDP at 2021 PPP level)



Source: World Bank

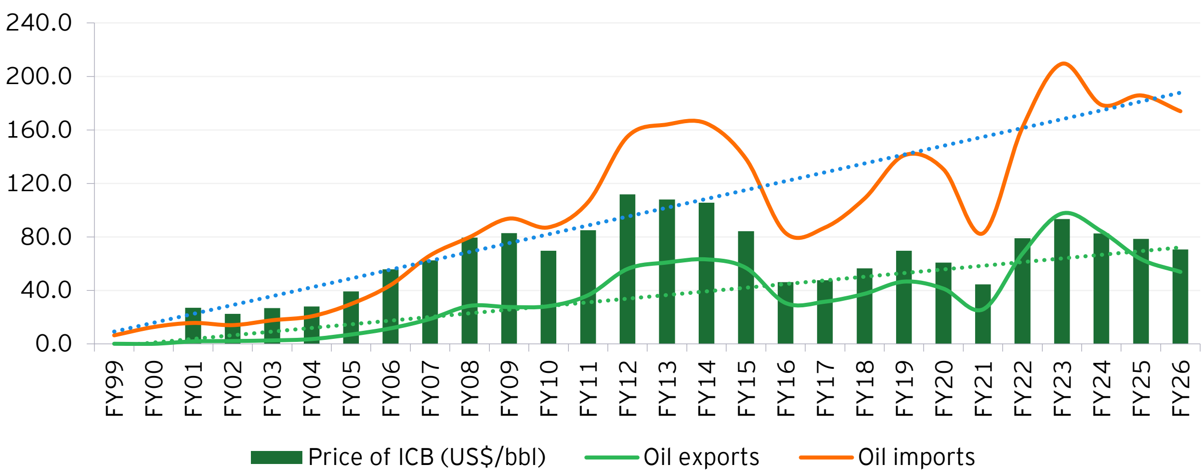
Primary energy is defined as consisting of the following major sources: coal, crude oil, natural gas, biomass, hydropower, solar and wind. It is measured before conversion into electricity, refined petroleum products or other secondary end-use fuels.

Thus, four features relating to the petroleum sector stand out namely (1) volume of domestic production of crude has fallen over time, (2) degree of dependence on imported crude has increased over time from a level of 54.9% in FY1999 to 90.4% in FY26, (3) efficiency in producing petroleum products in the Indian economy has increased substantially and (4) consumption intensity of petroleum products with respect to GDP has fallen over time.

6.3 Forex costs of increasing dependence on imported crude oil

Chart 15 shows the widening gap between the value of imported crude vis-à-vis exported PoL products by India in US$ terms. This growing difference is due both to global crude prices and volumes of imports, linked to growth in domestic consumption of PoL products, and the volume of exports. Years in which crude prices increased, values of both the crude imports and PoL product exports show an increase over their respective trendlines. Similarly, in years in which global crude prices fell, the values in US$ terms of imports and exports also fell below the respective trendlines. It is also notable that the growth in domestic consumption of PoL products has been significantly higher at a CAGR of 3.9% estimated over FY06 to FY26 as compared to the CAGR of exports of PoL products at 2.1% over the same period.

Chart 15: Imports of crude oil and exports of PoL products (US$ billion)



Source: PPAC, RBI

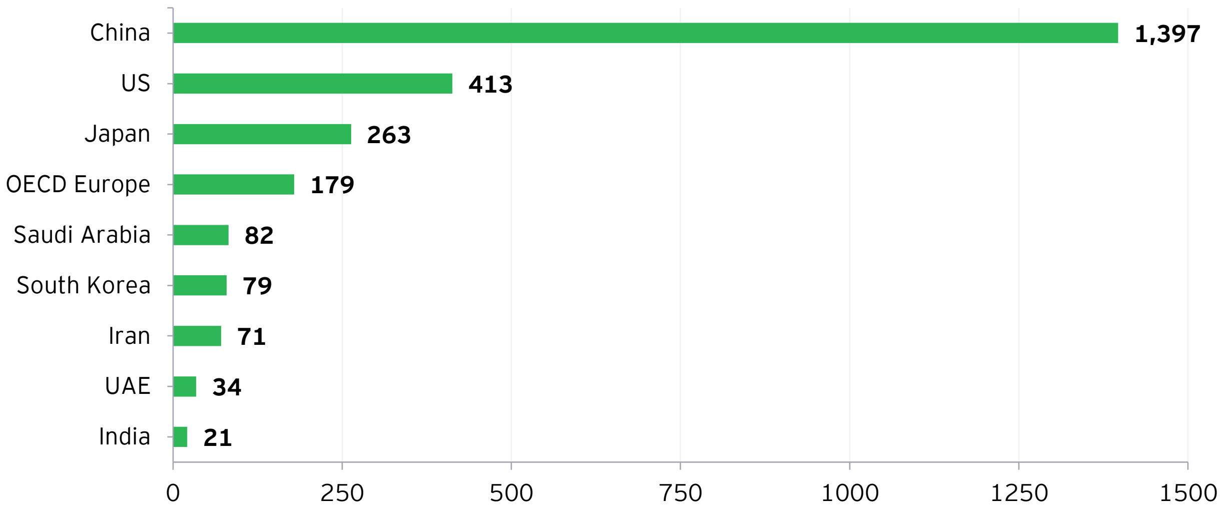
Changes in global crude prices have a substantial impact on the value of imports of crude oil and the value of exports of PoL products in US$ terms. The quantitative impact depends on the volume of trade in respect of both exports and imports, crude prices in US$ terms, and the exchange rate. The volume of crude imports is considered generally to be price inelastic (*see Dash et al. (2018), Mishra et al. (2023)*).[4] and therefore demand does not go down much when global crude prices rise. The price effect dominates the overall impact. Further, as economic agents observe growing shortages and/or higher prices with respect to imported crude, there is pressure on the exchange rate.

India's refining capacity has helped the country in saving refining costs which would have been incurred had India continued to import refined petroleum products rather than crude. However, growth in exports of refined PoL products remains much lower than growth in crude oil imports, and this gap widens inordinately in times of international crises affecting crude supply and prices. Nonetheless, this refining capacity does provide a cushion against pressure on foreign exchange reserves, and India may continue to augment this capacity. Refining margins depend on the quality of crude oil that is used as input. Crude oil is differentiated according to Sulphur content and categorized as Sweet Crude (Sulphur < 0.5%) and Sour Crude (Sulphur > 0.5%). Crude oil is also differentiated according to degree of gravity (density of water) and is broadly categorized as light, medium and heavy. By different combinations, crude oil may be classified into more than 100 grades/varieties. The higher the Sulphur content and the heavier the crude oil, the higher the processing costs and the lower the refining margins. Apart from the saving in terms of refining costs, India's refining capacity also helps in diversifying the sources of crude oil, which is particularly important in times of scarcity.

6.4 Role of buffer stocks for crude oil

Considering India's specific vulnerabilities in relation to fuel, fertilizer, food and rare earths there may be a need to build strategic reserves in respect of these sectors in order to minimize the impact of excessive volatility in their supply and prices on India's overall growth. Building strategic reserves requires decisions regarding 1) the optimum size of the reserve stock, 2) building of infrastructure to hold the reserves, 3) the timing of purchase, 4) the carrying costs, 5) timing of release from stock, and 6) maintenance of a suitable balance of inflows and outflows. In the case of stock of foodgrains, India has done well and tackled effectively the economics of holding strategic reserves. In the case of crude oil, there has been some initiative for holding reserves. However, as shown by **Charts 16 and 17**, India's reserves do not compare well with most major economies, and effective remedial action is needed.

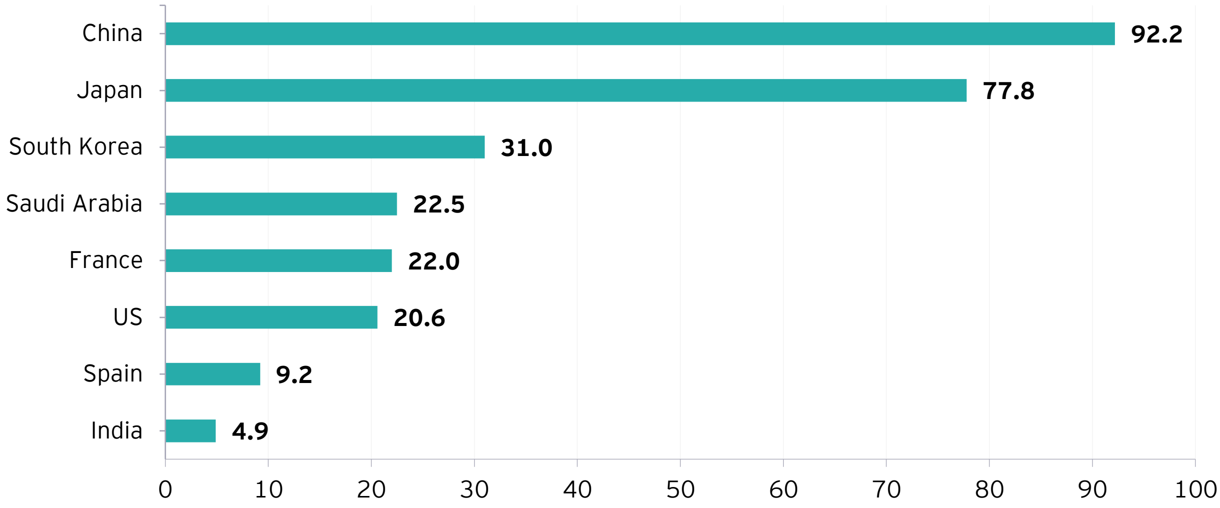
Chart 16: Strategic oil inventories by major economies (as of December 2025) (million barrels)



Source: US Energy Information Administration

[4](1) *Devi Prasad Dash, Narayan Sethi, Debi Prasad Bal (2018)*, Is the demand for crude oil inelastic for India? Evidence from structural VAR analysis, Energy Policy, Volume 118, Pages 552-558, ISSN 0301-4215, https://doi.org/10.1016/j.enpol.2018.04.001.
(2) *Mishra, B., Ghosh, S., & Kanjilal, K. (2023),* Policies to reduce India's crude oil import dependence amid clean energy transition, Energy Policy, 183, 113804.

Chart 17: Strategic oil inventories by major economies (number of days of consumption)



Source: US Energy Information Administration; https://worldpopulationreview.com/country-rankings/oil-consumption-by-country; https://www.pib.gov.in/PressReleasePage.aspx?PRID=2238525&reg=3&lang=1; https://sansad.in/getFile/annex/270/AU3501_haHCqP.pdf?source=pqars; Information in daily consumption of oil has been sourced from https://www.eia.gov/tools/faqs/faq.php?id=709&t=6 and https://worldpopulationreview.com/country-rankings/oil-consumption-by-country

Note: India's strategic crude oil inventories at the ISPRL are estimated at 3.372 million metric tons as per response to the unstarred question number 3501 of the Rajya Sabha on 23 March 2026, which translates to approx. 24.6 million barrels.

As per information available from the US EIA, India's strategic oil inventories at 21 million barrels are significantly lower than that of China at 1,397 million barrels. Thus, India may need to increase the volume of its strategic oil reserves well above the current levels that suffice only for about five days of consumption (**Chart 17**). As soon as the global crude situation begins to normalize, India may start investing in building up its crude oil reserves. It may be useful to determine the optimal level of reserves in the Indian context. There is also a need to continue shifting towards greener and domestic sources of energy, including nuclear power.

6.5 Concluding observations

The evolution of India's petroleum economy has been characterized by certain notable features. *First*, India's dependence on imported crude oil has increased to more than 90% in FY26 from 54.9% in FY1999. *Second*, the volume of domestic production of crude oil has fallen over time to 26 million metric tons in FY26 from a peak level of 35.9 million metric tons in FY12. *Third*, demand for petroleum products has increased, thereby generating the need for larger imports. *Fourth*, domestic consumption of PoL products has increased to 243.2 million metric tons in FY26 from 90.6 million metric tons in FY1999. *Fifth*, India has developed an impressive capacity for refining crude to produce various petroleum products. This capacity has improved over time. *Sixth*, the energy intensity of India's output, as well as the use of petroleum products in GDP, has fallen over time. This augurs well for sustaining an energy-efficient growth at a reasonably high level for a relatively longer period.

Going forward, India may need to augment its strategic crude oil reserves to reduce its vulnerability to external shocks. Further, India may develop a detailed strategy for maintaining crude oil reserves which spells out the volume of reserves, strategy of purchases and releases from such reserves taking into account the relevant carrying costs. India may continue to augment its refining capacity, which has helped save refining costs had India been forced to directly import refined petroleum products. The trend towards growing dependence on imported crude needs to be reversed by emphasizing the exploitation of domestically available crude, while accelerating the shift towards greener options and other alternative sources of energy, including nuclear energy.

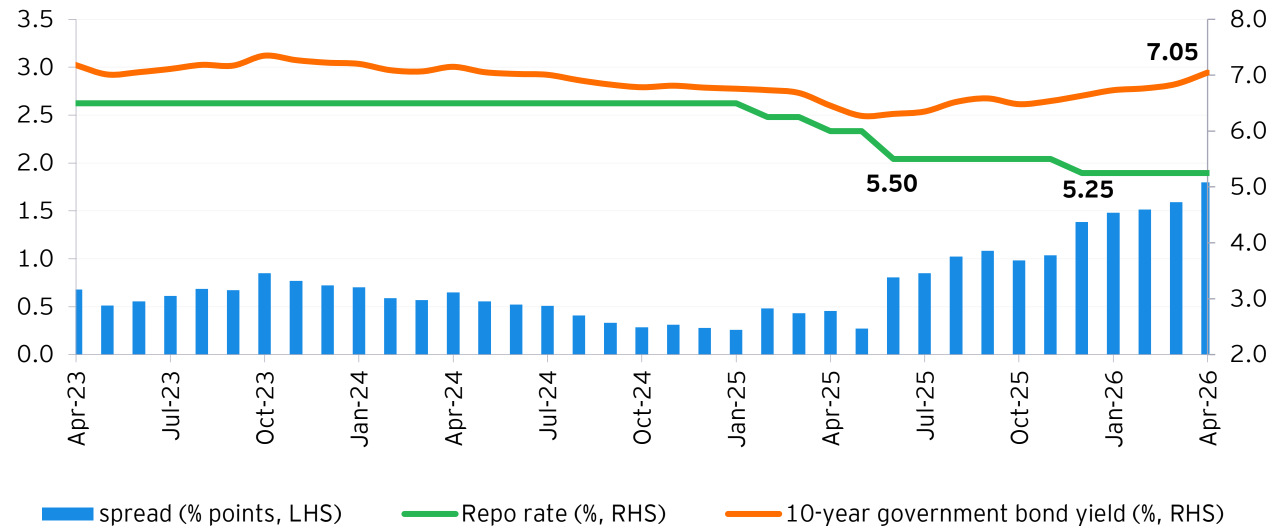
7 Money and finance: Repo rate retained at 5.25% in June 2026 monetary policy review

7.1 Monetary sector

Monetary policy

- In its monetary policy review held on 05 June 2026, the Monetary Policy Committee kept the repo rate unchanged at 5.25% (**Chart 18**) while maintaining a neutral policy stance. The repo rate was last reduced from 5.50% to 5.25% in December 2025.
- The RBI, however, announced a set of measures for attracting foreign capital including (1) easing foreign access to long-term government bonds, (2) relaxing investment limits in the equity market for NRIs/ Overseas Citizens of India, (3) concessional forex swaps for external commercial borrowings by PSUs, (4) support to banks for hedging foreign currency deposit risks, etc.

Chart 18: Movements in the repo rate and the 10-year government bond yield



Source: Database on Indian Economy, RBI

Money stock

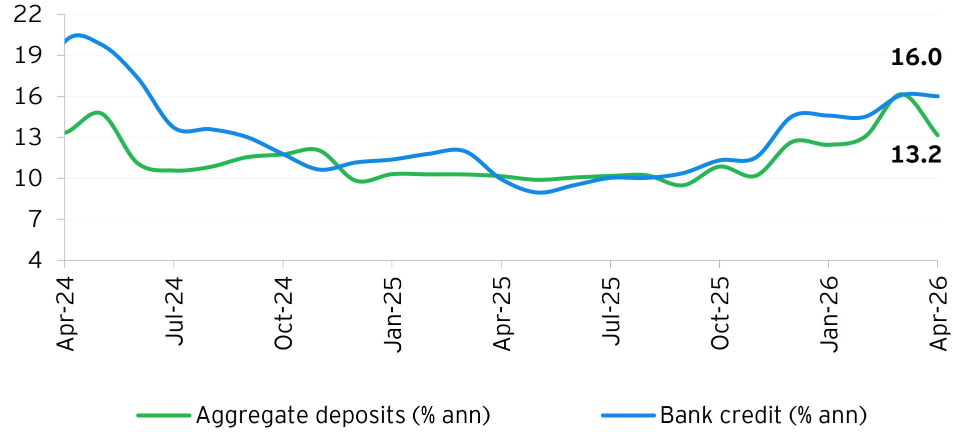
- Growth in broad money stock (M3)[5] was marginally lower at 12.0% in May 2026 as compared to 12.8% in April 2026.
- Growth in narrow money (M1) was lower at 11.9% in May 2026 compared to 17.6% in April 2026. This was due to a sharp moderation in the growth in demand deposits to 10.6% in May 2026 from 24.2% in April 2026. Growth of currency with the public, however, was marginally higher at 12.9% in May 2026 compared to 12.7% in April 2026.
- Growth in time deposits, the largest component of M3, increased to12.1% in May 2026 from 11.3% in April 2026.

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

Aggregate credit and deposits

- Growth in gross bank credit remained broadly stable at 16.0% in April 2026, close to its level of 16.1% in March 2026 **(Chart 19)**.
- Non-food credit growth at 15.8% in April 2026 was also close to its level of 15.9% in March 2026, reflecting broad-based stability in credit offtake across major sectors of the economy.

Chart 19: Growth in credit and deposits



Growth in gross bank credit posted a near stable growth of 16.0% in April 2026, close to its level of 16.1% in March 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 27.5% in total non-food credit (last five years), grew by 18.6% in April 2026, marginally lower than 19.0% in March 2026.
- Growth in personal loans (share of 31.5% in total non-food credit) at 16.0% in April 2026 was close to its level of 16.2% in March 2026. Among its sub-components, growth in vehicle loans remained robust at 18.0%, although marginally lower as compared to 18.6% in March 2026. Growth in housing loans remained nearly stable at 11.4% in April 2026, compared to 11.5% in March 2026. Loans for consumer durables, however, contracted for the sixth successive month, although the pace of contraction was lower at (-)3.4% in April 2026 compared to (-)5.3% in March 2026.
- Outstanding credit to industries, having a share of about 23.4% on average in total non-food credit (last five years) showed a near-stable growth of 15.1% in April 2026 as compared to 15.0% in March 2026.
- Among major segments within industrial credit, growth in credit to infrastructure, which has the largest share in industrial credit, increased to 10.1% in April 2026 from 9.5% in March 2026. Growth in credit to the cement sector also improved to 10.8% in April 2026 from 9.0% in March 2026. Growth in credit to iron and steel, however, moderated to 16.7% in April 2026 from 18.7% in March 2026. Similarly, credit to textiles showed a marginally lower growth of 8.3% in April 2026 compared to 8.9% in March 2026.
- Growth in credit to the agricultural sector moderated to 13.7% in April 2026 from 15.7% in March 2026.
- Growth in other non-food credit, i.e., non-food credit excluding credit to agriculture, industry, services and personal loans, showed a higher growth of 8.4% in April 2026 compared to 2.6% in March 2026.
- Growth in aggregate deposits was lower at 13.2% in April 2026 compared to 16.2% in March 2026.

7.2 Financial sector

Interest rates

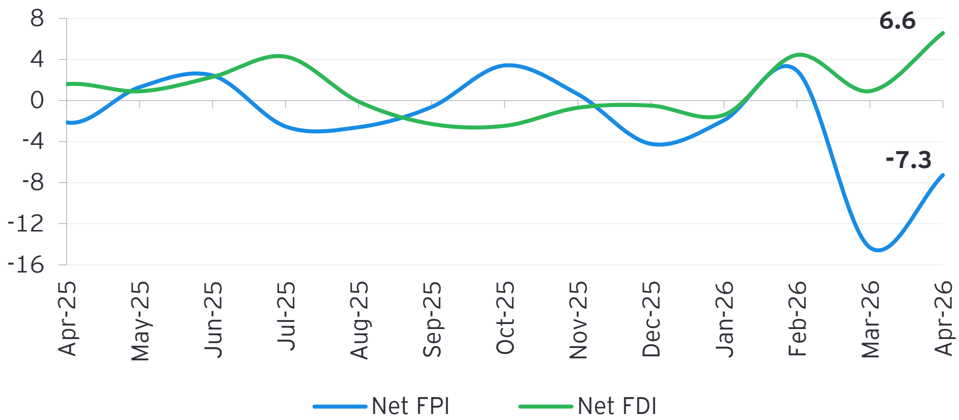
- As per the data released by the RBI, the yield on 10-year government bonds (benchmark) averaged 7.02% in May 2026, close to its level of 7.05% seen in April 2026 **(Chart 18)**.

- The average interest rate on term deposits with a maturity period of more than one year was increased marginally to 6.31% in May 2026, with actual rates ranging between 6.00% and 6.62%.
- The average MCLR remained stable at 7.83% for the fifth consecutive month in May 2026, with the actual MCLR ranging between 7.70% and 7.95% during the month.
- WALR on 'Fresh Rupee Loans' (FRL) by SCBs increased by 10 basis points to 8.50% in April 2026 from 8.40% in March 2026.

FDI and FPI

- As per provisional data released by the RBI on 22 June 2026, overall foreign investments (FIs) outflows were significantly lower at US$0.7 billion in April 2026 as compared to US$13.4 billion in March 2026 as a surge in net FDI inflows nearly offset the net FPI outflows.

Chart 20: Net FDI and FPI inflows (US$ billion)



Net FDI inflows surged to US$6.6 billion in April 2026 from US$0.9 billion in March 2026 while net FPI outflows continued to remain high at US$7.3 billion during the month.

Source: Database on Indian Economy, RBI

- Net FDI inflows surged to US$6.6 billion in April 2026 from US$0.9 billion (revised) in March 2026 (**Chart 20**). Gross FDI inflows were at a 68-month high of US$15.3 billion in April 2026, increasing from US$6.6 billion in March 2026. Repatriation/disinvestment was higher at US$3.9 billion in April 2026 compared to US$3.2 billion in March 2026 and FDI by India was also higher at US$4.8 billion in April 2026 compared to US$2.6 billion in March 2026.
- Net FPI outflows continued to remain elevated at US$7.3 billion in April 2026, although it was lower as compared to US$14.3 billion in March 2026.

8 Trade and CAB: Current account showed a surplus of 0.7% of GDP in 4QFY26

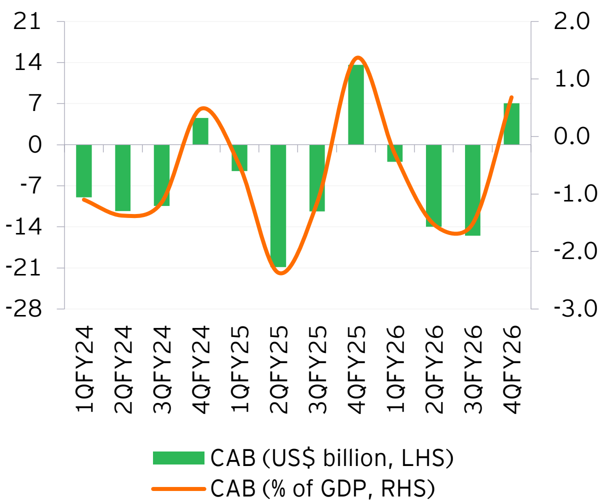
8.1 Current account balance turned into a surplus in 4QFY26

- Current account turned into surplus of 0.7% of GDP in 4QFY26 from a deficit of 1.5% in 3QFY26, driven by a 1.3% points narrowing in the net merchandise trade deficit and a 0.9% points rise in net invisibles (**Chart 21, Table 7**).
- Net merchandise trade deficit narrowed to 8.1% of GDP in 4QFY26 from 9.4% in 3QFY26, as merchandise imports declined to a four-quarter low of 19.0% of GDP, while merchandise exports remained stable at 10.9%. On an annual basis, the merchandise trade deficit in FY26 remained elevated compared to 7.6% of GDP in FY25 indicating structural dependence on imports, especially energy and intermediates.
- Net invisibles rose to an unprecedented high of 8.7% of GDP in 4QFY26, reflecting a broad-based improvement across services exports and private transfers.
- Services exports continued to strengthen, with net services surplus rising to 5.8% of GDP in 4QFY26. Net transfers increased sharply to 4.0% of GDP, the highest since 4QFY10, likely driven by higher precautionary remittances from Gulf economies.
- Net income outflows moderated further to (-)1.1% of GDP in 4QFY26 from (-)1.2% in 3QFY26, marking the fourth consecutive quarter of easing external income payments suggesting lower profit repatriation and relatively contained external liabilities servicing, which contributed to the overall improvement in the current account balance.

Table 7: Components of CAB (in US$ billion)

Fiscal year	CAB as % of nominal GDP	CAB	Merchandise net	Invisibles* net
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
FY26	-0.6	-25.4	-337.3	311.9
1QFY26	-0.3	-2.9	-68.9	66.0
2QFY26	-1.5	-14.0	-89.1	75.1
3QFY26	-1.5	-15.5	-95.9	80.4
4QFY26	0.7	7.0	-83.4	90.5

Chart 21: CAB



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

- On a y-o-y basis, the current account position weakened, with the surplus declining to 0.7% of GDP in 4QFY26 from 1.4% in 4QFY25, due to a widening merchandise trade deficit, partially offset by resilient services exports and remittances.

- On an annual basis, CAD remained contained at 0.6% of GDP in FY26, unchanged from its FY25 level, as a 1.0% point deterioration in the merchandise trade balance was fully offset by a commensurate improvement in net invisibles.

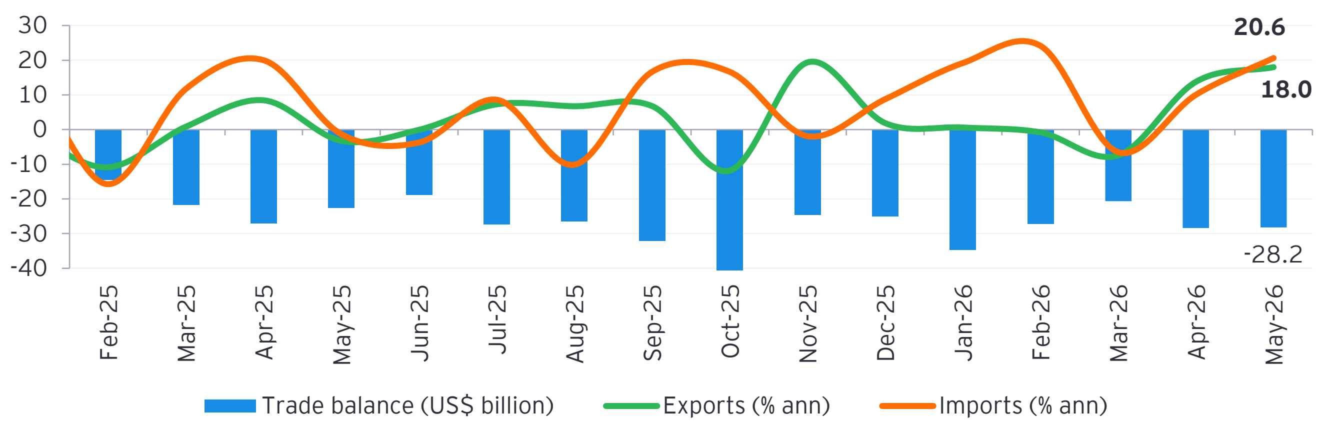
8.2 Merchandise trade and exchange rates

- Merchandise exports and imports growth surged to 18.0% and 20.6%, respectively, in May 2026 from 13.8% and 10.0% in April 2026 led by sharp increase in engineering goods exports and crude imports.
- Growth in both exports and imports were influenced by favorable base effects.
- Growth in exports of engineering goods surged to 24.5% in May 2026, a 19-month high, reflecting robust external demand.
- Oil exports increased to 54.9% in May 2026 from 34.7% in April 2026, with gains largely price-driven amid elevated global energy prices.
- Electronics exports growth softened although remaining in double-digits at 11.6% in May 2026, lower than 40.3% in April 2026, signaling continued structural gains from PLI-led capacity expansion and integration into global value chains[6].

Merchandise exports and imports growth surged to 18.0% and 20.6%, respectively, in May 2026 from 13.8% and 10.0% in April 2026, led by sharp increase in engineering goods exports and crude imports.

- Chemical exports growth improved to a six-month high of 12.7% in May 2026. Exports of gems & jewelry showed a relatively subdued performance, growing by 6.7% in May 2026, although turning positive from (-)7.1% in April 2026, indicating uneven global demand conditions across consumption-oriented exports.
- On the import side, growth in crude imports surged to 53.8% in May 2026 from (-)10.0% in April 2026. Growth was largely price-led, given elevated global energy prices and steady domestic consumption.
- Growth in gold imports remained elevated at 34.0% in May 2026, although easing significantly from 81.7% in April 2026, indicating strong domestic demand and possibly some portfolio rebalancing amid global uncertainty.
- The pace of contraction of exports to the US eased to (-)0.1% in May 2026 from 1.1% in April 2026. On a cumulated basis, India's imports from the US grew by 19.4% during April to May FY26 while those from Russia expanded by 40.0% during this period.
- Growth in exports excluding oil/coal, gold/silver and jewelry, increased to a six-month high of 12.3% in May 2026 while that in imports of the same category eased to 11.2% from 15.4% in April 2026.

Chart 22: Developments in merchandise trade



[6] https://economictimes.indiatimes.com/small-biz/trade/exports/insights/eco-survey-2026-pli-scheme-drives-double-digit-export-growth-telecom-leads-import-substitution/articleshow/127764908.cms

Source: Ministry of Commerce and Industry, GoI

- Merchandise trade deficit remained wide at US$28.2 billion in May 2026 close to US$28.4 billion in April 2026, reflecting elevated global crude prices and resilient domestic demand conditions **(Chart 22)**.
- Services trade surplus was elevated at US$18.6 billion in April 2026, although marginally lower than US$21.0 billion in March 2026 as services exports moderated while services imports simultaneously increased from their comparable magnitudes in the previous month.
- Goods and services trade deficit widened to a three-month high of US$9.8 billion in April 2026 on account of the widening merchandise trade deficit accompanied by a moderating services trade surplus.
- The Indian Rupee weakened to INR95.6/US$ in May 2026 (average) from INR93.6/US$ in April 2026 owing to sharply increasing oil imports, capital outflows amid elevated US yields, and higher crude prices.

9 Global growth: OECD projected global growth at 2.8% in 2026 and 3.1% in 2027

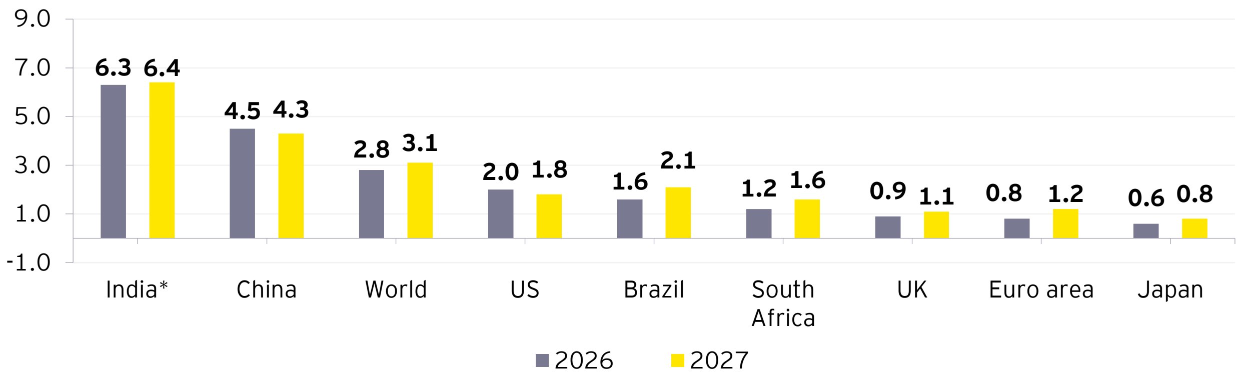
9.1 Global growth outlook

- As per the OECD (Economic Outlook, June 2026), in their 'time-limited disruption' scenario (disruptions from the West Asian crisis are assumed to be sizeable but limited to a relatively short period), global growth is expected to slow down from 3.4% in 2025 to 2.8% in 2026 before picking up to 3.1% in 2027 **(Chart 23).**
- In the 'prolonged disruption' scenario (current disruptions to energy production and exports in the Gulf economies are assumed to persist until the latter half of 2027, before gradually fading thereafter), global growth may slip to 2.1% in 2026 and 1.8% in 2027.
- Among AEs, growth in the US is projected to slow from 2.1% in 2025 to 2.0% in 2026 and 1.8% in 2027 with gains from stronger energy-sector exports expected to be offset by the negative impact of higher energy prices on inflation and household purchasing power.

The OECD has projected global growth at 2.8% in 2026 and 3.1% in 2027 with India's FY27 and FY28 growth rates forecasted at 6.3% and 6.4%, respectively.

- Growth in the euro area is projected to ease from 1.4% in 2025 to 0.8% in 2026, then pick up to 1.2% in 2027, with labor market resilience and the positive influence of defence spending initiatives partially offset in several economies by tighter fiscal policy and the fading of NextGenerationEU spending.
- In the UK, growth is expected to slow from 1.4% in 2025 to 0.9% in 2026, before recovering to 1.1% in 2027 as global trade and financial conditions improve.
- Real GDP growth in Japan is projected to ease from 1.1% in 2025 but continue to expand at a moderate pace, growing above potential at 0.6% and 0.8% in 2026 and 2027, respectively, with domestic demand being the main growth driver.

Chart 23: Growth projections (% annual)



Source: OECD Economic Outlook (June 2026)
*Data pertains to fiscal years

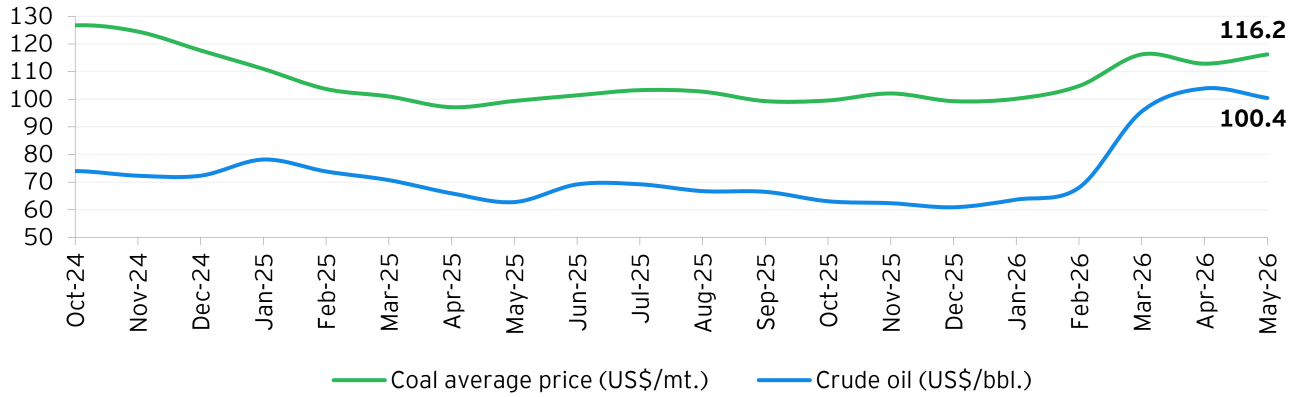
- Among EMDEs, China's growth is projected to ease from 5.0% in 2025 to 4.5% in 2026 and 4.3% in 2027, as energy-related vulnerabilities and real estate sector adjustments weigh on activity despite mitigating factors such as the increasing share of renewables in the energy mix, adequate oil reserves and gasoline price caps.

- Brazil's growth is expected to slow from 2.3% in 2025 to 1.6% in 2026 before rebounding to 2.1% in 2027 as inflation declines and lower interest rates support domestic demand growth.
- India's growth is also expected to moderate from 7.6% in 2025 (FY26) to 6.3% in 2026 (FY27) and 6.4% in 2027 (FY28), reflecting the impact of the increase in energy prices and rationing initiatives. Nonetheless, India is forecasted to grow by more than double the global growth rate in 2026 and 2027.
- In South Africa, growth is projected to increase by 1.2% in 2026 and 1.6% in 2027, supported by ongoing structural reforms aimed at infrastructure investment, notably in energy, water and transport. The appreciation of the currency and the decrease in bond yields over the past year are expected to support activity, although the impact may be lowered due to the slight reversal of these factors since the onset of the West Asian crisis.

9.2 Global energy prices: Global crude price remained high at US$100.4/bbl. in May 2026

- Average global crude price[7] remained elevated at US$100.4/bbl. in May 2026 as compared to US$103.9/bbl. in April 2026 due to the continued supply disruption caused by the West Asia crisis (Chart 24). The U.S. Energy Information Administration (EIA), in its June 2026 issue of the Short-Term Energy Outlook, projected Brent crude price to average US$95/bbl. in 2026, easing to US$79/bbl. in 2027 assuming that the flows through the Strait of Hormuz would incrementally resume allowing producers to gradually restore shut-in oil production. Average global brent price fell to US$86.9/bbl. during the first 24 days of June 2026, from US$107.5/bbl. in May 2026 and US$120.4/bbl. in April 2026[8].
- Average global coal price[9] also remained high at US$116.2/mt. in May 2026 compared to US$112.9/mt. in April 2026. This was driven by the ongoing supply disruptions along with soaring summer cooling demand in Asia.

Chart 24: Global crude and coal prices



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

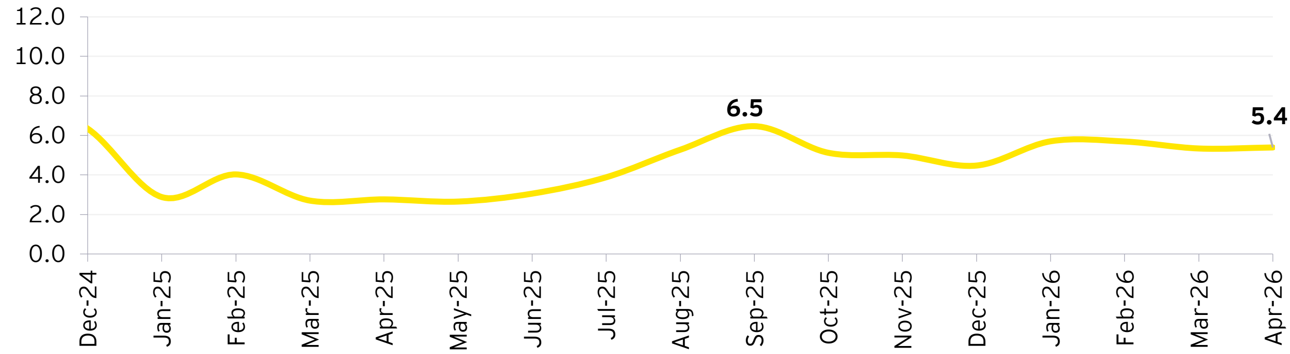
[7] Simple average of three spot prices, namely, Dated Brent, West Texas Intermediate and Dubai Fateh
[8] https://oilprice.com/oil-price-charts/
[9] Simple average of Australian and South African coal prices.

10 Index of Aggregate Demand (IAD): Posted a stable growth of 5.4% in April 2026

10.1 IAD grew by 5.4% in April 2026

- Growth in IAD[10] was nearly stable at 5.4% in April 2026, close to its level of 5.3% in March 2026, largely owing to improvement in the demand conditions in manufacturing and services sectors **(Chart 25 and Table 8).**
- In the manufacturing sector, demand conditions recovered during April 2026, as indicated by a pickup in PMI manufacturing (sa) to 54.7 from 53.9 in March 2026.
- Demand conditions in the services sector also recovered during the month, as indicated by a higher level of PMI services (sa) at 58.8 in April 2026 as compared to 57.5 in March 2026.
- Demand conditions in the agricultural sector, however, showed moderation, as indicated by a relatively lower growth in agricultural credit at 13.8% in April 2026 as compared to 15.5% in March 2026.

Chart 25: Growth in IAD (%, y-o-y)

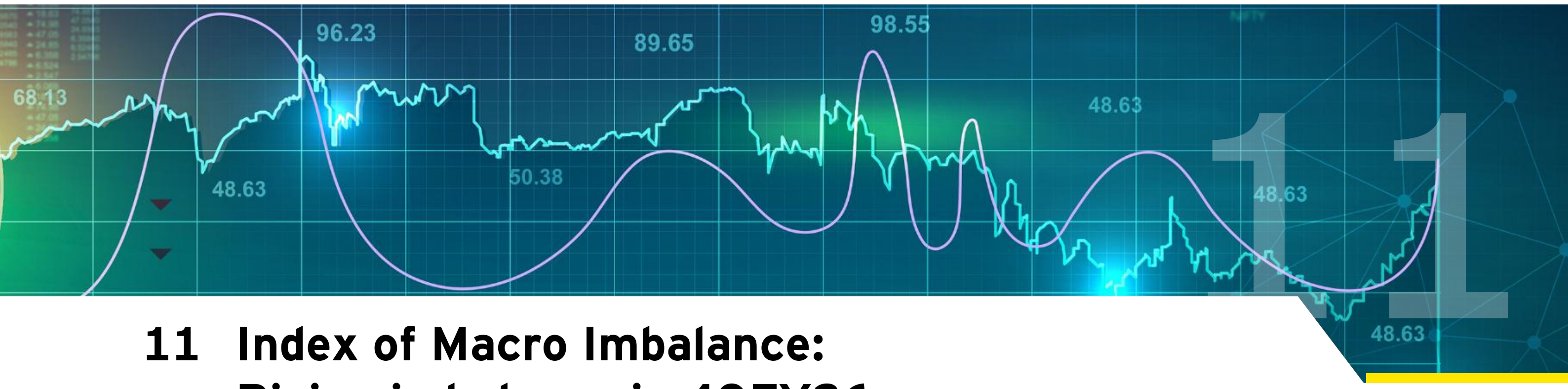


Source (Basic data): S&P - IHS Markit PMI, RBI and EY estimates

Table 8: IAD

Month	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26
IAD	190.8	189.2	189.1	189.1	188.7	190.0	192.0	191.9	193.3
Growth (% y-o-y)	5.3	6.5	5.1	5.0	4.5	5.7	5.7	5.3	5.4
Growth in agr. credit	7.6	9.0	9.0	8.8	12.0	11.3	12.4	15.5	13.8
Mfg. PMI*	9.3	7.7	9.2	6.6	5.0	5.4	6.9	3.9	4.7
Ser. PMI*	12.9	10.9	8.9	9.8	8.0	8.5	8.1	7.5	8.8

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

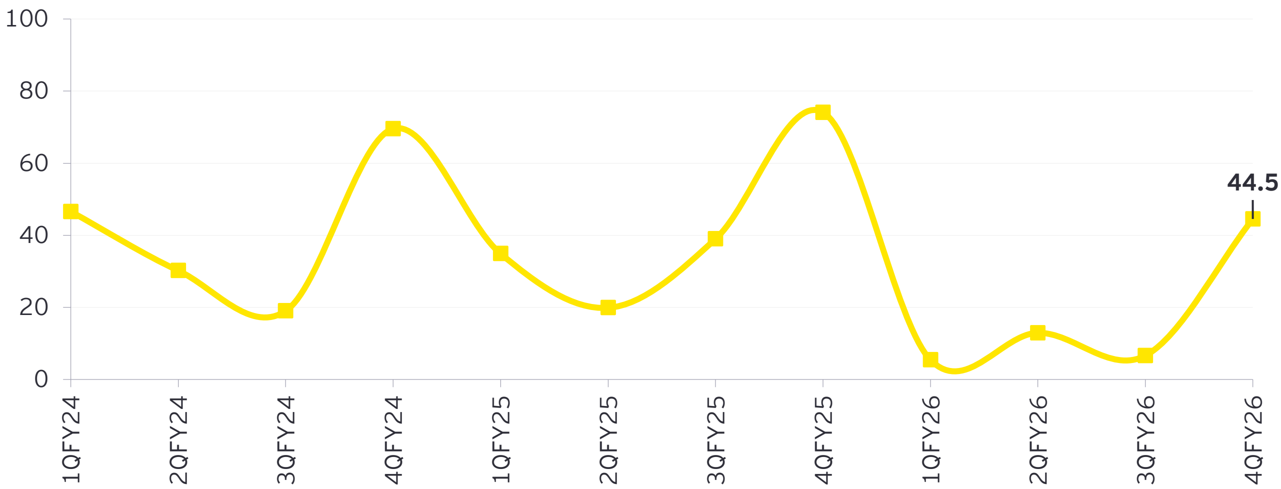


11 Index of Macro Imbalance: Rising imbalance in 4QFY26

11.1 The level of Index of Macro Imbalance increased to 44.5 in 4QFY26

- Index of Macro Imbalance[11] increased to 44.5 in 4QFY26 from 1.2 in 3QFY26 **(Chart 26),** owing to a sharp deterioration in fiscal deficit to GDP ratio.
- GoI's fiscal deficit-to-GDP ratio increased to 7.0% of GDP in 4QFY26 from 3.1% of GDP[12] in 3QFY26 and was 4% points above the benchmark value of 3%, thereby contributing the highest to the macro imbalance during the quarter.
- Even though CPI inflation[13] averaged higher at 3.1% in 4QFY26 as compared to 0.6% in 3QFY26, it was below its benchmark value of 4% implying that it did not contribute to the macro imbalance during the quarter.
- The current account posted a surplus of 0.7% of GDP in 4QFY26 as compared to a deficit of 1.5% in 3QFY26. Thus, the current account did not contribute to the macro imbalance during the quarter[14].

Chart 26: Index of macro imbalance



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

[11] 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.

[12] Nominal GDP is as per the new 2022-23 series

[13] Based on New CPI (Base 2024=100) series

[14] 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.)

12 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	Water supply	Core IIP	Fiscal year/ quarter /month	PMI mfg.	PMI ser.
	% change y-o-y (2022-23 series)					2011-12 series		Index	
FY23	NA	NA	NA	NA	NA	7.8	FY23	55.6	57.3
FY24	6.7	2.2	7.1	6.2	17.8	7.6	FY24	57.2	60.3
FY25	6.4	2.8	6.3	9.5	11.9	4.5	FY25	57.4	59.2
FY26	4.3	3.7	4.9	1.1	6.4	2.8	FY26	57.3	59.4
1QFY26	4.5	3.5	4.5	4.3	8.2	1.5	1QFY26	58.1	59.3
2QFY26	4.7	14.1	4.7	-2.5	6.8	4.5	2QFY26	58.7	61.4
3QFY26	4.1	2.2	5.5	-3.7	4.9	2.3	3QFY26	56.9	58.9
4QFY26	4.3	-1.8	4.9	6.3	5.7	2.9	4QFY26	55.4	58.0
Jan-26	4.4	-0.5	5.0	6.3	5.1	4.7	Feb-26	56.9	58.1
Feb-26	5.2	-2.4	5.9	8.6	5.6	2.8	Mar-26	53.9	57.5
Mar-26	3.2	-2.6	3.9	4.4	6.4	1.2	Apr-26	54.7	58.8
Apr-26	4.9	-5.1	6.2	4.9	6.6	1.7	May-26	55.0	59.8

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#	Transport	WPI	Food Index	Mfg. products	Fuel and power	Core WPI
	% change y-o-y (2024 base series)				% change y-o-y (2022-23 series)				
FY23	6.6	NA	NA	NA	NA	NA	NA	NA	NA
FY24	5.4	NA	NA	NA	NA	NA	NA	NA	NA
FY25	4.6	NA	NA	NA	1.7	6.7	0.9	-2.1	0.2
FY26	2.0	NA	NA	NA	0.4	-1.3	2.2	-2.9	2.0
1QFY26	2.9	NA	NA	NA	0.0	0.0	1.5	-4.0	0.8
2QFY26	1.7	NA	NA	NA	-0.3	-2.5	1.7	-3.1	1.3
3QFY26	0.6	NA	NA	NA	-0.5	-3.8	1.7	-3.1	1.8
4QFY26	3.1	3.1	1.6	0.0	2.4	0.9	3.7	-1.3	4.0
Feb-26	3.2	3.4	1.5	0.0	2.2	1.2	3.6	-3.4	3.9
Mar-26	3.4	3.7	2.0	0.0	4.0	1.9	4.8	3.2	5.2
Apr-26	3.5	4.0	1.7	0.0	8.3	3.2	6.7	24.9	7.1
May-26	3.9	4.5	1.7	1.8	9.7	4.5	7.5	30.3	7.7

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
	Cumulated growth (%, y-o-y)					% of budgeted target	
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#
Mar-26	6.0	11.4	0.0	5.2	7.2	97.5#	101.3#
Apr-26	-1.9	17.4	6.8	8.6	-12.5	21.4	30.8

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
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
Mar-26	87,067	741	1,950	-25	89,733
Apr-26	1,07,747	438	-6,841	-187	1,01,157

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

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

Fiscal year/ month	Repo rate (end of period)	Fiscal year/ quarter / month	Bank credit	Agg. deposits	Net FDI	Net FPI	Fiscal year/ quarter/ month	M1	M3	10-year govt. bond yield	FX reserves
	%		% change y-o-y		US$ billion			% change y-o-y		%	US$ billion
Jul-25	5.50	FY23	15.1	9.5	28.0	-5.2	FY23	6.9	9.0	7.35	578.4
Aug-25	5.50	FY24	18.6	13.0	10.2	44.1	FY24	7.3	11.6	7.16	645.6
Sep-25	5.50	FY25	13.7	11.3	1.0	3.6	FY25	7.9	9.4	6.88	665.4
Oct-25	5.50	FY26	11.9	11.3	7.0	-17.6	FY26	22.6	15.4	6.54	688.1
Nov-25	5.50	1QFY26	9.5	10.0	4.8	1.6	1QFY26	12.1	9.5	6.34	702.8
Dec-25	5.25	2QFY26	10.1	10.0	1.9	-5.7	2QFY26	11.4	9.2	6.49	700.2
Jan-26	5.25	3QFY26	12.5	11.2	-3.7	-0.2	3QFY26	17.4	12.1	6.55	696.6
Feb-26	5.25	4QFY26	15.1	13.9	4.0	-13.3	4QFY26	22.4	15.3	6.78	688.1
Mar-26	5.25	Jan-26	14.6	12.5	-1.4	-1.9	Feb-26	18.0	12.6	6.77	728.5
Apr-26	5.25	Feb-26	14.5	13.0	4.4	2.9	Mar-26	22.4	15.3	6.84	688.1
May-26	5.25	Mar-26	16.1	16.2	0.9	-14.3	Apr-26	17.6	12.8	7.05	698.5
Jun-26	5.25	Apr-26	16.0	13.2	6.6	-7.3	May-26	11.9	12.0	7.02	682.3

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.		Index
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	1.5	4.6	-68.4	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
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
May-26	18.0	20.6	-28.2	95.6	100.4	116.2	May-26	98.7

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

Table A6: Global growth

Calendar year	Growth (annual)			
	World GDP	Adv. econ.	Emer. econ.	India#
	% change y-o-y			
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 (PE)	7.9	3.0	5.2	10.7	1.7	7.4	11.0	10.4	5.0	1.2
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	7.1	4.4	4.5	10.4	-2.0	5.3	9.7	9.2	4.0	1.5
2QFY26	8.6	2.7	6.1	12.7	3.6	8.9	10.5	10.3	5.4	0.7
3QFY26	8.0	1.7	4.7	12.8	1.5	6.7	11.2	11.6	4.9	0.5
4QFY26	7.9	3.6	5.4	7.3	4.1	8.4	12.5	10.4	5.8	1.9

Source: National Accounts Statistics, MoSPI

Note: Data is as per 2022-23 base series

* Growth numbers for FY26 pertain to the Provisional estimates (PE) of National Account Statistics released on 6 June 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 (PE)	7.7	7.7	5.5	8.2	6.3	5.6	1.1
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	6.8	8.7	5.8	4.9	6.6	7.0	1.6
2QFY26	8.3	7.2	6.6	8.4	9.7	6.0	0.2
3QFY26	8.0	8.2	4.6	8.2	5.8	7.2	1.2
4QFY26	7.8	7.1	4.9	10.8	3.7	1.9	1.2

Source: National Accounts Statistics, MoSPI

Note: Data is as per 2022-23 base series

* Growth numbers for FY26 pertain to the Provisional estimates (PE) of National Account Statistics released on 6 June 2026.

13 Technical appendix: In Focus section

Total domestic production of petroleum products (DPP) is used for domestic consumption (DCP) of petroleum products and exports (EPP). In addition, some petroleum products are imported directly (IPP).

Domestic production of crude oil is denoted by (DCR) and total utilized crude oil is denoted by (TCR).

$$\underbrace{DPP + IPP}_{\text{Supply}} = \underbrace{DCP + EPP}_{\text{Demand}}$$

DPP and EPP are produced out of total available crude oil (TCR) which is the sum of imported crude oil (ICR) and domestically produced crude (DCR).

$TCR = DCR + ICR.$

Total production of petroleum products in the domestic economy is given by $DPP + EPP$.

$DPP + EPP = \alpha.TCR$

Where α is the conversion ratio of crude oil into petroleum products. Dependence on imported crude oil can be measured by the ratio of imported crude oil to total utilized crude oil (TCR).

Thus, α indicates the efficiency of producing petroleum products out of domestically available crude oil.

Thus, dependence on imported crude oil

$DEP(Crude) = \frac{ICR}{TCR} = \frac{ICR}{ICR+DCR}$

List of abbreviations

Sr. no.	Abbreviations	Description
1	AD	Aggregate demand
2	AEs	Advanced economies
3	Agr.	Agriculture, forests and fishing
4	AY	Assessment year
5	Bcm	Billion cubic meters
6	bbl.	Barrel
7	BE	Budget estimate
8	CAB	Current account balance
9	CGA	Comptroller General of Accounts
10	CGST	Central Goods and Services Tax
11	CIT	Corporate income tax
12	Cons.	Construction
13	CPI	Consumer Price Index
14	COVID-19	Coronavirus disease 2019
15	CPSE	Central public-sector enterprise
16	CRAR	Credit to Risk- weighted Assets Ratio
17	Disc.	Discrepancies
18	ECBs	External Commercial borrowings
19	Elec.	Electricity, gas, water supply and other utility services
20	EMDEs	Emerging Market and Developing Economies
21	EXP	Exports
22	FAE	First advance estimates
23	FC	Finance Commission
24	FII	Foreign investment inflows
25	Fin.	Financial, real estate and professional services
26	FPI	Foreign portfolio investment
27	FRBMA	Fiscal Responsibility and Budget Management Act
28	FRL	Fiscal Responsibility Legislation
29	FY	Fiscal year (April–March)
30	GDP	Gross Domestic Product
31	GFCE	Government final consumption expenditure
32	GFCF	Gross fixed capital formation

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

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

Our offices

Ahmedabad
22nd Floor, B Wing, Privilon
Ambli BRT Road, Behind Iskcon Temple
Off SG Highway, Ahmedabad - 380 059
Tel: + 91 79 6608 3800

Gandhinagar
8th Floor, Building No. 14A
Block 14, Zone 1
Brigade International Financial Centre
GIFT City SEZ
Gandhinagar - 382 355
Tel: + 91 79 6608 3800

Bengaluru
12th & 13th Floor
"UB City", Canberra Block
No.24 Vittal Mallya Road
Bengaluru - 560 001
Tel: + 91 80 6727 5000

Ground & 1st Floor
11, 'A' wing
Divyasree Chambers
Langford Town
Bengaluru - 560 025
Tel: + 91 80 6727 5000

3rd & 4th Floor
MARKSQUARE
#61, St. Mark's Road
Shantala Nagar
Bengaluru - 560 001
Tel: + 91 80 6727 5000

1st & 8th Floor, Tower A
Prestige Shantiniketan
Mahadevapura Post
Whitefield, Bengaluru - 560 048
Tel: + 91 80 6727 5000

Ecospace
1st Floor, Campus 1C
Ecospace Business Park
Outer Ring Road,
Bellandur - Sarjapura Area, Varthur Hobli,
Bengaluru Urban - 560103

Bhubaneswar
8th Floor, O-Hub, Tower A
Chandaka SEZ,
Bhubaneswar - 751024
Tel: + 91 674 274 4490

Chandigarh
Elante offices, Unit No. B-613 & 614
6th Floor, Plot No- 178-178A
Industrial & Business Park, Phase-I
Chandigarh - 160 002
Tel: + 91 172 6717800

Chennai
6th & 7th Floor, A Block,
Tidel Park, No.4, Rajiv Gandhi Salai
Taramani, Chennai - 600 113
Tel: + 91 44 6654 8100

Delhi NCR

Aikyam
Ground Floor
67, Institutional Area
Sector 44, Gurugram - 122 003
Tel: + 91 124 443 4000

3rd & 6th Floor, Worldmark-1
IGI Airport Hospitality District
Aerocity, New Delhi - 110 037
Tel: + 91 11 4731 8000

4th & 5th Floor, Plot No 2B
Tower 2, Sector 126
Gautam Budh Nagar
Noida - 201 304
Tel: + 91 120 671 7000

Hyderabad
THE SKYVIEW 10
18th Floor, "SOUTH LOBBY"
Survey No 83/1, Raidurgam
Hyderabad - 500 032
Tel: + 91 40 6736 2000

THE SKYVIEW 20
2nd Floor, 201 & 202
Right Wing, Survey No 83/1
Raidurgam, Hyderabad - 500 032
Tel: + 91 40 6736 2000

Jaipur
9th floor, Jewel of India
Horizon Tower, JLN Marg
Opp Jaipur Stock Exchange
Jaipur - 302018

Kochi
7th Floor, ABAD Nucleus
NH-49, Maradu PO
Kochi - 682 304
Tel: + 91 484 433 4000

Kolkata
22 Camac Street
3rd Floor, Block 'C'
Kolkata - 700 016
Tel: + 91 33 6615 3400

6th floor, Sector V,
Building Omega, Bengal Intelligent Park, Salt Lake Electronics Complex,
Bidhan Nagar
Kolkata - 700 091
Tel: + 91 33 6615 3400

Mumbai
14th Floor, The Ruby
29 Senapati Bapat Marg
Dadar (W), Mumbai - 400 028
Tel: + 91 22 6192 0000

5th Floor, Block B-2
Nirlon Knowledge Park
Off. Western Express Highway
Goregaon (E)
Mumbai - 400 063
Tel: + 91 22 6192 0000

3rd Floor, Unit No.301
Building No.1, Mindspace-Gigaplex
IT Park, MIDC, Plot No. IT-5
Airoli Knowledge Park
Airoli West, Navi Mumbai - 400 708
Tel: + 91 22 6192 0003

18th Floor, Altimus
Pandurang Budhkar Marg
Worli, Mumbai - 400 018
Tel: + 91 22 6192 0503

Pune
C-401, 4th Floor
Panchshil Tech Park, Yerwada
(Near Don Bosco School)
Pune - 411 006
Tel: + 91 20 4912 6000

10th Floor, Smartworks
M-Agile, Pan Card Club Road
Baner, Pune - 411 045
Tel: + 91 20 4912 6800

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