Economy Watch

Monitoring India's macro-fiscal performance

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Content

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Highlights

1. In June 2026, both manufacturing and services PMI indicated continued expansion but at a slower pace with their levels at 54.2 and 57.4, respectively.
2. Overall IIP growth was at a five-month high of 5.1% in May 2026, increasing from 4.9% in April 2026; overall ISP (services) shows a growth of 20.8% in April 2026.
3. CPI inflation increased to 4.4% in June 2026 from 3.9% in May 2026, crossing the RBI's 4% target for the first time in 17 months, driven primarily by higher food and fuel inflation.
4. WPI inflation increased to 9.9% in June 2026 from 9.7% in May 2026, reflecting elevated input-cost pressures led by higher prices of mineral oils, food articles, basic metals, chemicals, and fuel and power.
5. GoI's gross tax revenues (GTR) grew by 1.8% during April-May FY27, with direct taxes growing by 10.5% and indirect taxes contracting by (-)7.5%.
6. GoI's total expenditure grew by 18.1% during April-May FY27, with growth in revenue expenditure at 20.1% and that in capital expenditure at 13.4%.
7. With large dividends and robust direct tax revenue growth, GoI's revenue account was in surplus during April-May FY27 and the fiscal deficit accounted for 9.6% of the annual budgeted target.
8. Growth in gross bank credit accelerated to a 24-month high of 17.7% in May 2026 from 16.0% in April 2026.
9. Net FDI recorded outflows of US$0.1 billion in May 2026, its first outflow since December 2025. Net FPI outflows amounted to US$4.7 billion in May 2026, lower than US$7.3 billion in April 2026.
10. Merchandise exports growth was at 15.5% in June 2026 while imports growth surged to 31.0%.
11. Merchandise trade deficit widened to US$30.4 billion in June 2026 from US$28.2 billion in May 2026, reflecting the higher growth in imports vis-a-vis exports in June 2026.
12. Average global crude oil price fell to US$81.7/bbl. in June 2026, from over US$100/bbl. in April and May 2026. After reaching a trough of US$68.5/bbl. on 02 July 2026, daily brent crude price reached US$87.0/bbl. on 20 July 2026.
13. The World Bank has projected global growth at 2.5% in 2026 and 2.8% in 2027 with India's FY27 and FY28 growth rates forecasted at 6.6% and 7.2%, respectively.
14. India's 1QFY27 growth outlook remains resilient despite global uncertainties, supported by strong services activity, industrial growth, exports and renewed public capital expenditure.

FOREWORD

Prospects of robust first quarter FY27 growth in spite of the Middle East crisis

The IMF, in its July 2026 Update of the World Economic Outlook, has forecasted global growth at 3% in 2026, a downward revision of 0.1% points from the April 2026 projections. For 2027, global growth is forecasted at 3.4%, reflecting an upward revision of 0.2% points. The 2026 and 2027 forecasts reflect a modest slowdown in global growth from its 2025 level of 3.5% owing to the effects of the Middle-Eastern crisis being partly offset by accelerated demand-driven momentum in the global technology cycle driven by advances in AI and its adoption. Global headline inflation is expected to increase from 4.1% in 2025 to 4.7% in 2026 before declining to 3.9% in 2027, indicating that the disinflation trend in place since the beginning of 2024 has stalled. With respect to India, real growth is projected at 6.4% in 2026 (FY27) and 6.7% in 2027 (FY28), making it the fastest growing major economy, supported by strong momentum in private consumption and services activity. This, however, marks a downward revision of 0.1% points for 2026 (FY27) but an upward revision of 0.2% points in 2027 (FY28). In comparison, the World Bank Global Economic Prospects June 2026 projects global growth at 2.5% in 2026 and 2.8% in 2027 with India's FY27 and FY28 growth rates forecasted at 6.6% and 7.2%, respectively.

India's growth prospects have been affected by the ongoing crisis in Middle East. Its services sector, however, remains vibrant. The Ministry of Statistics and Programme Implementation (MoSPI) has published for the first time an Index of Services Production (ISP) covering 19 important services. This is a welcome development. As per their estimates, these 19 services account for nearly 60% of overall services output in the economy. The coverage is expected to progressively increase. Although an overall index for services sector production is not available, the weighted growth of the 19 service sectors covered in the first release of the ISP provides a useful indication of overall services sector performance.

Considering the year-on-year growth in April 2026 over that in April 2025, the 19-services sector growth was at 20.8%. Key services responsible for this impressive growth in April 2026 are accommodation and food (37.2%), followed by retail trade (30.8%), administrative and support services (28.6%) and telecommunications (22.7%). On the other hand, air transport showed a contraction of (-)14.0% partly reflecting the impact of the crisis in Middle East. Out of these 19 sectors, eight sectors account for 86.8% of the total weight under ISP. Among these eight sectors, the sector with lowest growth is banking at an year-on-year growth of 12.1% in April 2026.

With respect to the industrial sector, overall IIP growth (2022-23 series) increased to a five-month high of 5.1% in May 2026 from 4.9% in April 2026, driven by higher growth in the output of electricity and gas supply and a lower contraction in mining output.

With respect to the fiscal aggregates, CGA data for April and May 2026 reflect three basic developments: first, the effect of the ongoing crisis in Middle East; second, continuing revenue effect of the major GST reforms undertaken in September 2025; and third, substantive transfer of dividends from the RBI to the GoI. As far as GoI's GTR are concerned, the revenue performance of direct and indirect taxes indicate directionally opposite trends. In the case of direct taxes, there has been a growth of 10.5% during April-May FY27 over the corresponding period of FY26 in which the major contribution came from CIT. On the other hand, indirect taxes showed a contraction of (-)7.5% during April-May FY27. GST revenues contracted by (-)12.2% during these two months. While growth in GoI's GTR was 1.8%, its net tax revenues contracted because a higher growth of 7.4% was provided in assignment to states during the first two months of FY27. With respect to the GST revenue data released by the GSTN, the combined monthly gross GST collections of the GoI and states remained nearly stagnant at INR1.95 lakh crore in June 2026 compared to INR1.94 lakh crore in May 2026.

On the side of non-tax revenues, major fiscal support was provided through RBI's declaration of dividends, which were transferred to the GoI in the month of May 2026. As a result, 74% of the budgeted dividends and profits for the full year have already been covered in the first two months. This facilitated financing of increases in expenditure with total expenditure showing a growth of 18.1%. Major subsidies, namely food, fertilizer and petroleum, together showed a growth of 47.4% during April-May FY27. This was necessitated because of the inordinate increase in crude oil prices. Capital expenditure has grown by 13.4% during the first two months of FY27, a welcome change after a slowdown in growth in FY26 to just 1.6%. On account of the large dividends and performance of direct taxes, GoI's revenue account was in surplus during the first two months and the fiscal deficit for this period accounted for 9.6% of the annual budgeted target.

Despite the ongoing geopolitical developments, high-frequency data for May and June 2026 reflect positive growth momentum. Both manufacturing and services PMI indicated continued expansion but at a slower pace with their respective levels at 54.2 and 57.4 in June 2026 compared to 55.0 and 59.0, respectively in May 2026. Data released by the Federation of Automobile Dealers Associations (FADA) showed that growth in retail sale of motor vehicles accelerated to 21.8% in June 2026 from 9.5% in May 2026. Within key vehicle categories, retail sales of passenger vehicles showed a robust growth of 28.6% in June 2026 increasing from 23.2% in May 2026. Retail sales of two-wheelers also posted a strong growth of 21.2% in June 2026 as compared to 7.5% in May 2026.

Growth in gross bank credit increased to a two year high of 17.7% in May 2026 from 16.0% in April 2026. Non-food credit growth accelerated to a 23-month high of 17.4% in May 2026 from 15.8% in April 2026, led by broad based improvement in the growth of credit across major sectors of the economy.

India's merchandise exports grew at a robust pace of 15.5% in June 2026 although lower than 18.0% in May 2026. These were led by growth in engineering goods, electronics, chemicals, and gems and jewelry. Services exports growth, however, fell to a seven-month low of 2.8% in May 2026. Merchandise imports growth surged to a 46-month high of 31.0% in June 2026 driven by higher imports of fertilizer, electronics and machinery, widening the merchandise trade deficit to a five-month high of US$30.4 billion.

CPI inflation increased to 4.4% in June 2026 from 3.9% in May 2026, crossing the RBI's 4% target for the first time in 17 months. The increase was primarily driven by higher food and fuel inflation. WPI inflation increased to 9.9% in June 2026 from 9.7% in May 2026, reflecting elevated input-cost pressures led by higher prices of mineral oils, food articles, basic metals, and chemicals, and fuel & power.

Utilizing available information, we consider India's 1QFY27 growth prospects to be quite robust in spite of the crisis in Middle East. Notably, 1) growth in overall IIP averaged 5.0% during April-May FY27 compared to 4.1% in the corresponding period of the previous year, 2) considering 19 services reflecting 60% of services GVA, ISP showed a robust growth of 20.8% in April 2026, 3) merchandise exports showed an average growth of 15.8% in 1QFY27 and exports of services showed an average growth of 7.8% in the first two months of FY27, and 4) GoI's capital expenditure growth was restored to 13.4% during the first two months of FY27.

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1 Special feature: The New PPI Series — Key design features and policy relevance

India's inflation measurement framework has traditionally been anchored by two major indices — namely the Wholesale Price Index (WPI) and the Consumer Price Index (CPI). While the CPI measures changes in retail prices faced by consumers, the WPI tracks movements in wholesale prices. The Office of the Economic Adviser (OEA) in the Ministry of Commerce and Industry, which compiles the WPI, introduced the Producer Price Index (PPI) in June 2026 with 2022-23 as its base year. This marks an important step towards modernizing India's statistical system and aligning it with international best practices.

The rationale for introducing the PPI stems from the distinction between production-stage prices and wholesale-stage prices. After the production stage, wholesale margins are added along with any input taxes that may already be included in the input costs. Thus, WPI does not reflect the prices pertaining purely to the production processes that are basically technological relations. The Producer Price Index (PPI) captures the prices relevant for the production process without being complicated by inclusion of indirect taxes net of subsidies or wholesalers' margins. Additional taxes and margins are added on to the WPI to reach the CPI which is reflective of the movement of prices that consumers or retail users actually face. Both WPI and CPI have undergone periodic changes in the base year and other important methodological changes with respect to coverage of commodities, methodologies for estimating missing data and methods for compilation of data.

WPI suffers from two major shortcomings: (1) as discussed above, it does not properly reflect the price movements at the production stage since some indirect taxes and margins get added to it; (2) it does not capture movement of prices related to services. As the economy has become more complex and the share of services in overall output has increased, there is a need to also capture movement in service prices.

1.1 Composition of PPI

The PPI consists of three alternative price measures being referred to as (1) Output Producer Price Index (OPPI), (2) Input Producer Price Index (IPPI) and (3) Service Producer Price Index (SPPI). The OPPI measures prices received by producers on their outputs and IPPI measures prices paid by producers on their inputs pertaining to goods. IPPI, which presently covers only the manufacturing sector, is being prepared on a trial basis. The endeavor is not to include any indirect taxes or profit margins in these prices although production subsidies are to be included. In addition, the SPPI is likely to similarly reflect prices received by producers of services. Initially, SPPI is being compiled to cover seven major services relating to banking, securities transaction, insurance, management of pension funds, railways, air passenger services, and telecom.

1.2 Weight structure of PPI

PPI is expected to better reflect production cost conditions including sectoral cost differences. The capture of production structure under PPI is wider as compared to WPI and the weight structures are also different. In the case of WPI, for the 2022-23 base year, the major segments along with their weights are (1) Primary articles (22.76%), (2) Fuel and power (14.11%) and (3) Manufactured items (63.13%). In the context of preparing the PPI, Input-Output Tables (IoTs) have been extensively used since the idea is to capture technological dependence of outputs on inputs. For OPPI (goods) and IPPI (goods), weights have been computed using Supply and Use tables (SUT) of 2022-23. For computing weights of OPPI, total supply (output) at basic prices vector from the 'Supply Table' has been used, while for IPPI, inter-industry consumption or intermediate consumption (IC) matrix from the 'Use Table' has been used. At item level, the weights have been computed by splitting SUT commodities weights to different items using their respective value of outputs and inputs. Accordingly, the following broad sectoral weight structure has been used for OPPI: Agriculture, forestry and fishing (22.16%), Mining and quarrying (3.42%), Manufacturing (69.93%) and Electricity (4.49%).

1.3 Policy implications

With the availability of the PPIs, policymakers can better understand the source of inflationary pressures as to whether they are arising from raw materials or intermediate goods or services. The PPIs also help in better incorporating the 'double deflator' method in the compilation of national accounts since a distinction is being made between output prices and input prices. This gives a better idea of real output growth which is derived from nominal output growth. The PPIs are likely to make the Indian statistical system better aligned to the international statistical practices and make Indian data internationally more acceptable and comparable. The availability of service PPI may make tracking of price behavior more comprehensive since services are an important part of the production process. Over time, expanded coverage and an improved methodological framework may add to policy credibility. PPI and CPI together may provide more comprehensive guidance to policymakers. While the CPI is expected to continue being the policy anchor for the Monetary Policy Committee of the RBI, PPI is likely to provide detailed inflation diagnostics.

WPI is presently also being used by businesses, government agencies, and contracting authorities owing to its close linkage with input costs, tradable goods prices, energy prices, and supply-side shocks, making it suitable for indexation, cost escalation, and contract pricing where adjustments are driven by wholesale level price movements rather than consumer prices. Indexation to WPI directly affects projected cash flows, tariff revisions, valuation outcomes, and risk allocation between contracting parties. For taking care of existing contractual obligations compilation of WPI may be continued for another five years. This would allow a transition from WPI to PPI in the relevant contractual arrangements.

However, businesses need not wait until the formal replacement of WPI by PPI to reassess their contractual frameworks. The five-year overlap period provides a valuable opportunity to compare both indices, understand sector-specific differences, and recalibrate escalation clauses. A gradual migration to PPI-linked contracts, particularly in new and long-term agreements, would reduce adjustment risks later. The key challenges during the transition will be potential divergences between WPI and PPI inflation trends, contract renegotiation issues, and the need for historical benchmarking.

1.4 Comparing WPI and PPI inflation

At present, the data released for WPI and OPPI under the new 2022-23 base covers the period from April 2023 to June 2026. Although the data is available on a monthly basis, if we make a comparison of quarterly inflation, it is observed that except for two quarters, OPPI inflation is slightly higher than WPI inflation. On the other hand, if a comparison is made between WPI and OPPI for manufactured products, the OPPI inflation for nine quarters, covering 1QFY25 to 1QFY27, is slightly lower than the corresponding WPI inflation.

1.5 Concluding observations

PPI may be considered as providing a more comprehensive framework for understanding cost and price movements in the economy. Together, PPI in its alternate versions and CPI are expected to provide better guidance to different stakeholders in the economy and policymakers on the cost and price movements of various inputs and outputs. The addition of services in the PPI framework may provide valuable information in tracking sources of inflation in the economy. The work relating to the PPI may be considered as evolving, and over time the PPI data is likely to become progressively more robust, backed by sound methodology. Indian data frameworks are quite reliable, and their international comparability is likely to improve with these steps. We may look forward to more frequent changes in the base year with regular periodicity so that the dynamics of fast-changing production processes in the context of evolving technologies are better captured.

2 Growth: In 1QFY27 PMI manufacturing and services averaged 54.6 and 58.7, respectively

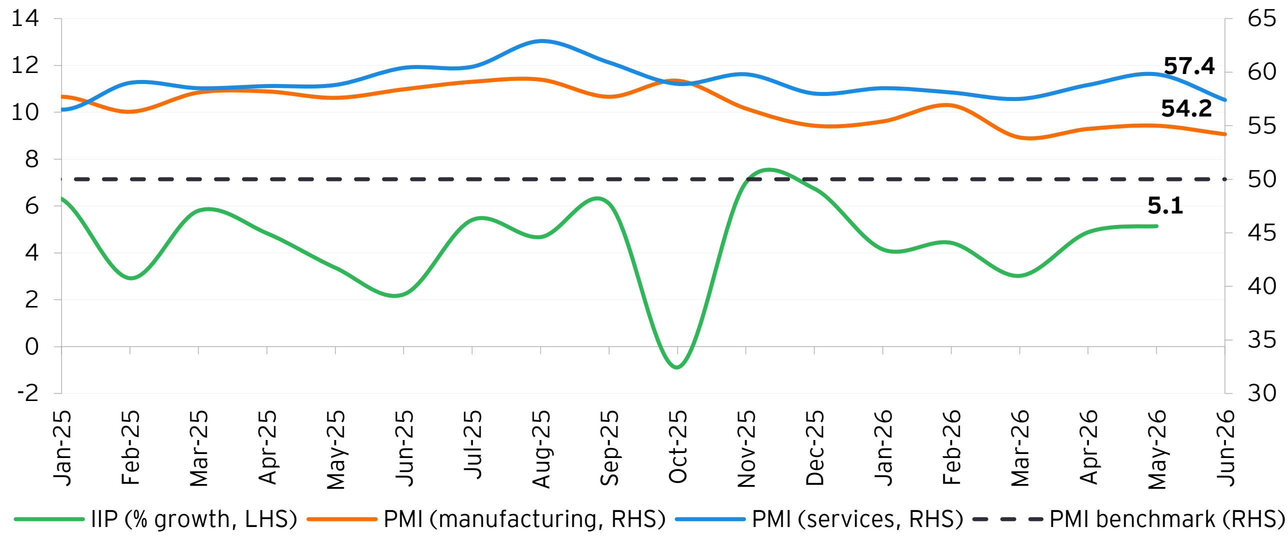
2.1 PMI: Manufacturing and services PMI signaled continued expansion but at a slower pace in June 2026

- The seasonally adjusted manufacturing PMI eased to 54.2 in June 2026 from 55 in May 2026, signaling continued expansion but at a slower pace (**Chart 1**). Growth moderated across output, new orders, exports, and employment, with export growth falling to its weakest level since March 2023. On a quarterly basis, PMI manufacturing averaged 54.6 in 1QFY27, lower than 55.4 in 4QFY26.
- Services PMI (sa) also fell from 59.0 in May 2026 to 57.4 in June 2026, its lowest level since January 2025. However, it continued to remain well above the neutral mark of 50 and its long-run average. On a quarterly basis, PMI services averaged 58.7 in 1QFY27, higher than 58.0 in 4QFY26.

In June 2026, both manufacturing and services PMI indicated continued expansion but at a slower pace with their levels at 54.2 and 57.4, respectively.

- Reflecting an easing of growth momentum in both PMI manufacturing and services levels, the composite PMI Output Index (sa) eased to 57.1 in June 2026 from a six-month high of 59.3 in May 2026. On a quarterly basis, the composite PMI Output index averaged 58.2 in 1QFY27, close to 58.1 in 4QFY26.

Chart 1: PMI and IIP growth



Source: MoSPI and S&P Global

2.2 IIP growth was at a five-month high of 5.1% in May 2026

- Overall IIP growth (2022-23 series) increased to a five-month high of 5.1% in May 2026 from 4.9% in April 2026 **(Chart 1)**, driven by higher growth in the output of electricity and gas supply and a lower contraction in mining output.
- Growth in the output of electricity and gas supply accelerated to 9.9% in May 2026, its highest level since May 2024, increasing from 4.6% in April 2026. It may be noted that a contraction in the output

of gas supply ((-)7.1%) was more than offset by a robust growth in the output of electricity at 11.1% in May 2026.

- Output of mining, which is usually volatile, showed contraction for the fifth successive month. However, the contraction was significantly lower at (-)1.6% in May 2026 as compared to (-)3.8% in April 2026. Among the sub-components, strong growth in the output of metallic minerals including rare earth minerals at 18.3% in May 2026 has largely offset the contraction in fuel minerals at (-)6.4% and non-metallic minerals including minor minerals at (-)6.1% during the month.

Overall IIP growth was at a five-month high of 5.1% in May 2026, increasing from 4.9% in April 2026.

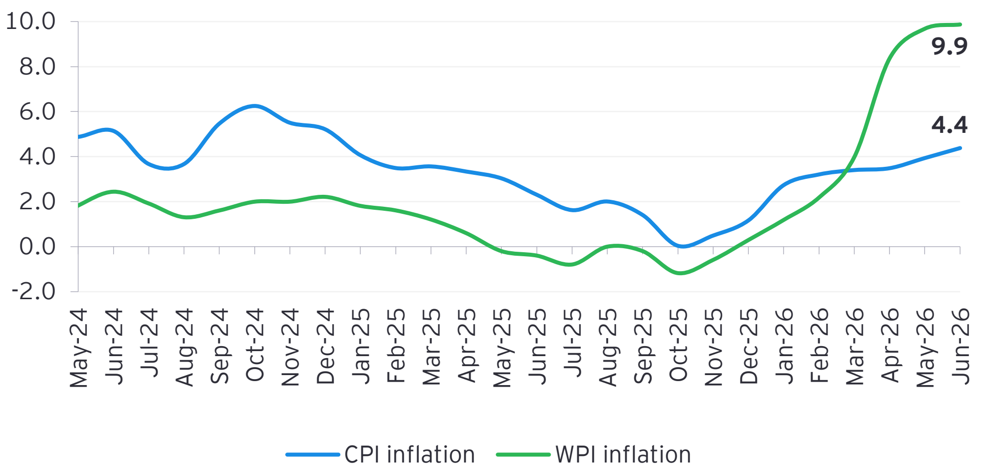
- Manufacturing output, which has the highest weight of 76.1% in the overall IIP (2022-23 series), showed a slower growth of 5.5% in May 2026 compared to 6.1% in April 2026. Within manufacturing, among key sub-industries having higher weights, there was a slowdown in growth in the manufacturing of electrical equipment (20.8%), textiles (12.7%), other machinery and equipment (5.0%), rubber and plastic products (4.8%), basic metals (4.6%) and food products (4.7%) in May 2026 compared to the previous month. Further, there was a contraction in the output of coke and refined petroleum products and chemical and chemical products by (-)4.7% and (-)1.3%, respectively, in May 2026.
- Within the 'use-based' classification of industries, strong growth was seen in capital goods output at 12.9% in May 2025, increasing from 12.0% (revised) in April 2026. Growth in the output of consumer durables and non-durables also was higher at 7.2% and 3.6%, respectively, in May 2026 compared to 5.6% (revised) and 0.2% in April 2026. However, growth in the output of intermediate goods and infrastructure and construction goods was lower at 5.8% and 5.9% respectively in May 2026 as compared to 10.3% and 6.0% in April 2026.
- Growth in the output of eight core infrastructure industries (Core IIP – 2011-12 series) fell to a seven-month low of 0.5% in May 2026 from 1.8% in April 2026. This moderation was largely driven by a contraction in five out of eight sub industries namely coal ((-)9.3%), petroleum refinery products ((-)8.7%), natural gas ((-)4.9%), crude oil ((-)4.6%) and fertilizers ((-)0.9%) attributable primarily to the impact of the crisis in Middle East. However, strong growth in electricity and cement output at 8.7% and 8.4%, respectively, along with relatively stable growth in steel output at 5.0% have more than offset the contractionary impact of import dependent sectors.

3 Inflation: CPI inflation increased to 4.4% in June 2026

3.1 CPI inflation

- CPI inflation increased to 4.4% in June 2026 from 3.9% in May 2026 (Chart 2), crossing the RBI's 4% target for the first time in 17 months, driven primarily by higher food and fuel inflation.
- Food and beverages inflation rose for the fifth consecutive month to 5.1% in June 2026 from 4.5% in May 2026, reflecting broadening price pressures across milk and dairy products, cereals, and prepared food items. The persistence of inflation in these food categories with relatively sticky prices suggests underlying supply-side pressures extending beyond volatile vegetable prices.
- Inflation in 1) milk, dairy products and eggs, 2) cereals and cereal products, and 3) ready-made food products reached six-month highs of 4.1%, 0.9% and 6.8%, respectively, in June 2026, indicating second-round effects from earlier price increases in feed and fodder whose inflation was at their highest levels as per the 2022-23 series. These categories can keep food inflation elevated even if vegetable prices remain contained.
- Housing and household fuel inflation edged up to 2.0% in June 2026 from 1.7% in May 2026, driven by a sharp rise in gas inflation to 4.6% from 2.2% over the corresponding period, pointing to a gradual pass-through of higher energy costs into household consumption baskets.
- Transport inflation rose sharply to 4.3% from 1.8%, reflecting increasing pass-through of rising fuel and lubricant costs into transportation services. This suggests widening transmission of global energy price pressures into mobility-related consumer services.
- With respect to vegetables, inflation remains mixed, with increase in inflation in ginger and onion offset partly by falling inflation in tomatoes, suggesting commodity-specific shocks rather than generalized vegetable inflation.
- Despite the recent pickup in headline inflation, inflation in clothing and footwear, furnishings and household maintenance, and health remained relatively stable and contained at 3.2%, 2.2%, and 1.4% respectively, in June 2026, indicating that underlying demand-side pressures outside food and energy continue to be moderate.

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



CPI inflation increased to 4.4% in June 2026 from 3.9% in May 2026 crossing the RBI's 4% target for the first time in 17 months, driven primarily by higher food and fuel inflation.

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

3.2 WPI inflation: Increased to 9.9% in June 2026

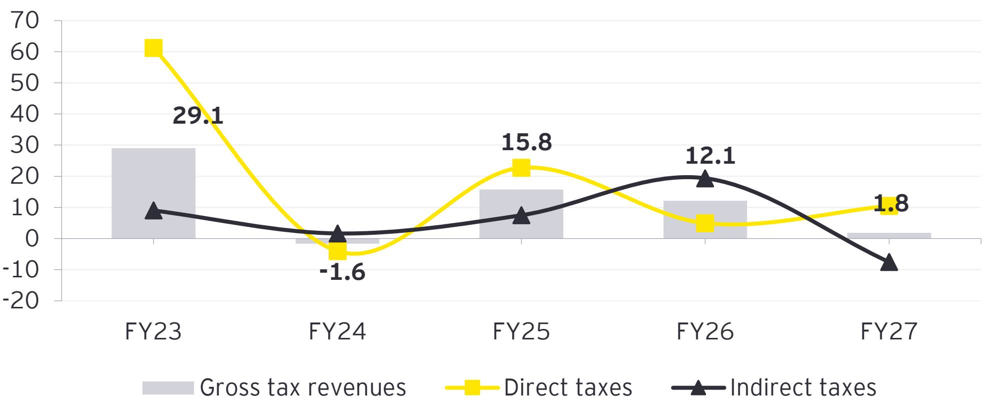
- WPI inflation edged up to 9.9% in June 2026, its highest level under the 2022-23 base series, from 9.7% in May 2026. This may be attributable to sustained cost pressures from mineral oils, food articles, metals, chemicals, and fuels. The data point to persistent producer-price pressures despite some moderation in energy-related inflation.
- WPI food inflation rose to 6.1% in June 2026, its highest level since December 2024, signaling a re-emergence of upstream food-price pressures. The increase was driven largely by inflation in fruits and vegetables and animal-protein categories, mirroring the recent acceleration in CPI food inflation.
- WPI fuel and power inflation remained exceptionally high at 27.4% in June 2026, notwithstanding moderation from 30.3% in May 2026. While mineral oil inflation eased marginally, elevated energy costs continue to impact both production costs and consumer inflation.
- ATF inflation remained above 100% in June 2026, despite a substantial decline from the previous month. The persistence of triple-digit aviation fuel inflation highlights the continued impact of global energy price volatility on transportation and logistics costs.
- WPI manufactured products inflation stayed unchanged at 7.5% in June 2026, reflecting continued pass-through of earlier increases in inflation in metals, chemicals and textiles.
- Core WPI inflation moderated only marginally to 7.5% after rising continuously over the preceding seven months, indicating that underlying producer-price pressures remain entrenched despite some easing in energy inflation.

4 Fiscal: GoI's capital expenditure growth recovered to 13.4% during April-May FY27

4.1 Tax and non-tax revenues

- According to the CGA, GoI's GTR[b] showed a growth of 1.8% during April-May FY27, lower than the corresponding growth rates in the last two years at 15.8% in FY25 and 12.1% in FY26 **(Chart 3).**
- GoI's net tax revenues contracted by (-)0.8% during the first two months of FY27 because a higher growth of 7.4% was provided in assignment to states.
- The revenue performance of direct and indirect taxes[a] indicates directionally opposite trends with direct taxes showing a growth of 10.5% and indirect taxes contracting by (-)7.5% during the first two months of FY27.
- Within direct taxes, CIT revenues grew by 26.1% during April-May FY27 as compared to a contraction of (-)0.8% during the corresponding period of FY26. With respect to PIT revenues, there was a growth of 6.8% during the first two months of the current fiscal year, marginally higher than 6.4% during the corresponding period of last year.
- Among indirect taxes, GoI's GST revenues showed a contraction of (-)12.2% during April-May FY27 compared to a growth of 23.4% during April-May FY26. This was largely because of higher IGST outflows as compared to large inflows during the same period of FY26.
- Union excise duties (UED) also showed a sharp contraction of (-)19.7% during April-May FY27 compared to a growth of 8.6% during April-May FY26. This was on account of a steep reduction in special additional excise duties on petrol and diesel.

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



GoI's GTR grew by 1.8% during April-May FY27, with direct taxes growing by 10.5% and indirect taxes contracting by (-)7.5%.

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.

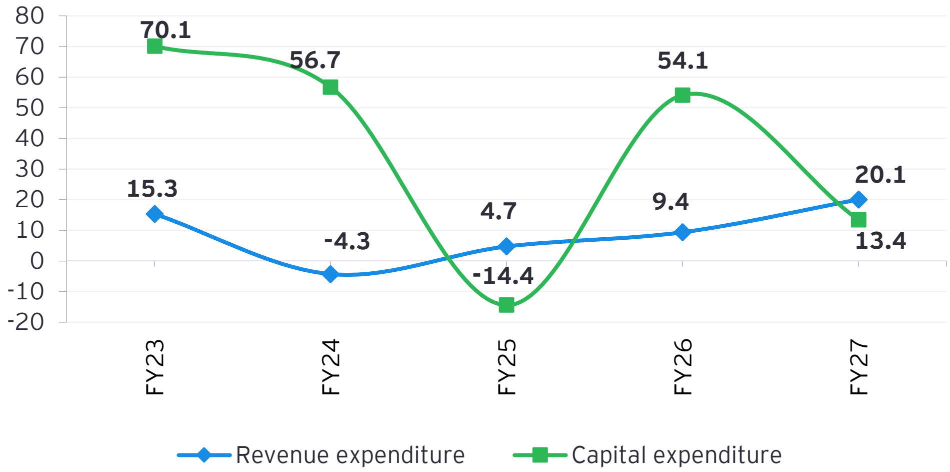
- Customs duties witnessed double-digit growth of 37.5% during April-May FY27, much higher than 4.1% during the corresponding period of FY26. This may partly be attributable to a hike in import duties on precious metals and an increase in the value of crude imports owing to high global crude prices.

- With respect to non-tax revenues, a major fiscal support was provided through RBI's declaration of dividends which was transferred to the GoI in the month of May 2026. As a result, 74% of the budgeted dividends and profits for the full year have already been covered in the first two months. In terms of cumulated growth, however, there was a contraction of (-)1.7% in GoI's non-tax revenues during April-May FY27 mainly owing to an unfavorable base effect.
- Non-debt capital receipts of the GoI during April-May FY27 stood at 16.6% of the annual budgeted target as compared to the corresponding ratio of 13.4% considering the average for the last three years (FY24 to FY26) based on actual data.
- Data from the Department of Investment and Public Asset Management shows that GoI's disinvestment receipts stood at INR20,391.13 crore until 27 July 2026, amounting to 25.5% of the annual budgeted target of INR80,000 crore.

4.2 Expenditures: Revenue and capital

- GoI's total expenditure grew by 18.1% during April-May FY27 compared to 19.7% during the corresponding period of FY26.
- GoI's revenue expenditure grew by 20.1% during the first two months of FY27, higher than 9.4% during the corresponding period of FY26 **(Chart 4).** Within revenue expenditure, major subsidies (food, fertilizer and petroleum) showed a growth of 47.4% during this period. This was necessitated because of the inordinate increase in crude oil prices owing to the supply disruptions caused by the Middle East crisis. Alongside, interest payments also showed a high growth of 22.8% during April-May FY27, higher than 19.4% during the corresponding period of the previous year.
- GoI's capital expenditure could also pick up, showing a growth of 13.4% during the first two months of FY27, a welcome change after a slowdown in capital expenditure growth in FY26 to just 1.6%.

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



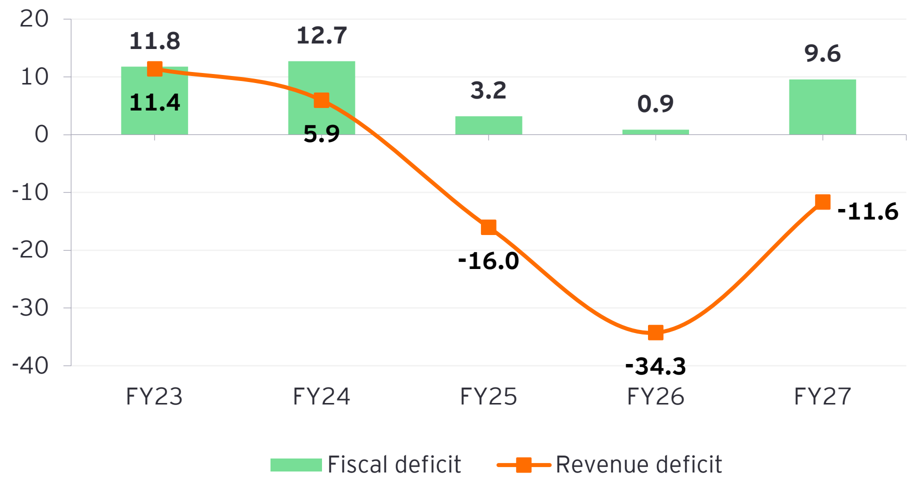
GoI's total expenditure grew by 18.1% during April-May FY27, with growth in revenue expenditure at 20.1% and 13.4% in capital expenditure.

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

4.3 Fiscal imbalance

- GoI's fiscal deficit during April-May FY27 stood at 9.6% of the annual budgeted target, higher than the corresponding ratios in the last two years based on actual data (**Chart 5**).
- On account of the large dividends and the strong performance of direct taxes, GoI's revenue account was in surplus during the first two months of FY27, similar to the trend observed during the corresponding periods of the last two years considering actual data.

Chart 5: Fiscal and revenue deficit during April-May as a percentage of annual actuals (BE for FY27) (%)



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

On account of the large dividends and the strong performance of direct taxes, GoI's revenue account was in surplus during April-May FY27 and the fiscal deficit for this period accounted for 9.6% of the annual budgeted target.

5 Comparative trends: OECD projects a falling government debt-GDP ratio for India at 82.1% in FY28

5.1 General government financial balances

- Among advanced economies (AEs), in the US, the general government fiscal deficit is projected to widen to 8% of GDP in 2026, after narrowing modestly to 7.3% of GDP in 2025. Further cuts to discretionary non-defence spending are expected to be more than offset by deficit-increasing effects of the 2025 One Big Beautiful Bill Act (OBBBA), tariff refund payments, higher defence spending, and rapidly rising healthcare and pension costs. Although the tapering of tariff refunds is expected to slightly reduce the deficit in 2027, it is likely to remain significantly elevated.
- The aggregate Euro area fiscal deficit to GDP ratio fell in 2025 but is projected to increase mildly in 2026 and 2027 owing to additional defence spending in the countries that opted for the coordinated use of national escape clauses under the EU fiscal rules.
- In the UK, general government fiscal deficit is forecasted to improve from 5.5% of GDP in 2025 to 5.1% in 2026 and 4.4% in 2027, as the government complies with its fiscal rules **(Table 1)**. Consistent with this approach, the government announced means-tested budgetary transfers of about GBP 50 million (negligible as a share of GDP) for households relying on heating oil, while strongly committing to keep energy support measures targeted and temporary.
- General government fiscal deficit to GDP ratio in Japan is projected to widen in 2026 due to stimulus measures, tax reforms, fuel subsidies, and higher spending on education and defence, before narrowing slightly in 2027.

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

Country	2024	2025	2026 (p)	2027 (p)
US	-7.9	-7.3	-8.0	-7.7
Euro area	-3.1	-2.9	-3.2	-3.3
UK	-6.1	-5.5	-5.1	-4.4
Japan	-1.7	-1.0	-1.9	-1.1
Brazil	-6.3	-7.4	-7.8	-7.3
India*	-8.1	-7.4	-7.7	-7.4
China	-6.5	-7.6	-7.9	-7.9
South Africa	-5.1	-4.4	-4.3	-3.9

Source: OECD Economic Outlook; *Data pertains to fiscal year; (p) refers to projection
Note: -ve refers to a deficit and +ve refers to a surplus

- Among emerging market economies (EMEs), Brazil's general government fiscal deficit to GDP ratio is projected to increase from 7.4% in 2025 to 7.8% in 2026 before easing to 7.3% in 2027 owing to various energy support measures introduced by the government in March, April and May 2026 including diesel and gasoline subsidies for importers and producers, cooking gas subsidies, federal tax exemptions on diesel, biodiesel and jet fuel used in civil aviation.
- China's general government fiscal deficit to GDP ratio is forecasted to increase to 7.9% in 2026 as fiscal policy is expected to become supportive with quasi-fiscal measures, such as spending through development banks.

- Indicative of the spending restraint, the general government fiscal deficit to GDP ratio in South Africa is projected to narrow gradually, falling from 4.4% in 2025 to 4.3% in 2026 and further to 3.9% in 2027.
- Due to the spending pressures in the light of the Middle-Eastern crisis, India's general government fiscal deficit to GDP ratio is projected to increase to 7.7% in 2025 (FY26), before easing to 7.4% in 2027 (FY28). These levels are above the target of 6% as per the 2018 Fiscal Responsibility and Budget Management Act (FRBMA).

5.2 General government debt

- In the US, general government gross debt as a percentage of GDP is forecasted to rise from 125.9% to 131.3% between 2025 and 2027, an increase of 5.4% points. At this level, the US is expected to remain among the most highly indebted OECD economies, with one of the highest debt-to-GDP ratios in the group (**Table 2**).
- Euro area's general government debt-GDP ratio is forecasted to increase from 89.5% in 2025 to 91.4% by 2027, a modest increase of 1.9% points.
- In the UK, general government gross debt is expected to continue rising in the short term, from 102.3% of GDP in 2025 to 105.4% in 2027 as interest payments remain elevated at close to 3% of GDP, while defence spending is set to reach 2.6% of GDP by 2027, about 0.3% points higher than in 2025. Despite this short-term rise in debt, the government's fiscal plans envisage stabilizing the debt burden from 2030 onward.
- In Japan, despite the spending pressures emanating from energy subsidies, fuel price caps, and increased public-sector retirement benefit expenses, the gross public debt-to-GDP ratio is projected to decrease from around 205% in 2024 to around 189% in 2027, as nominal growth surpasses debt servicing costs.

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

Country	2024	2025	2026 (p)	2027 (p)	*2027 (p) minus 2025*
US	123.4	125.9	127.8	131.3	*5.4*
Euro area	88.8	89.5	90.6	91.4	*1.9*
UK	99.9	102.3	103.9	105.4	*3.1*
Japan*	205.4	197.5	193.9	188.9	*-8.6*
Brazil	76.4	78.8	82.1	85.2	*6.4*
India**	84.1	83.5	83.1	82.1	*-1.4*
S. Africa	84.8	87.7	89.8	91.4	*3.7*

Source: OECD Economic Outlook; *Includes the debt of the Japan Railway Settlement Corporation and the National Forest Special Account; **Data pertains to fiscal year; (p) refers to projection
Note: Data for China is not available.

- Among EMEs, Brazil's general government debt-GDP ratio is projected to increase by 6.4% points from 78.8% in 2025 to 85.2% in 2027. In OECD's assessment, ensuring long-term public debt sustainability will hinge on continued fiscal consolidation, improving the efficiency of public spending, while enhancing tax administration and revenue collection.
- In South Africa, fiscal consolidation, driven by declining expenditure as a share of GDP, is expected to help contain increases in public debt. Further, transfers from the central bank to government accounts (via the Gold and Financial Contingency Reserve Account), equivalent to 0.3% and 0.7% of GDP in the fiscal years of 2025/26 and 2026/27, respectively, are expected to limit the increase in debt.
- Among selected key EMEs, India is the only economy showing a decline in its general government debt-GDP ratio of (-)1.4% points over the period 2025 (FY26) to 2027 (FY28). However, even at the end of 2027 (FY28), its level at 82.1% is expected to remain nearly 20% points above the FRBM target of 60%.

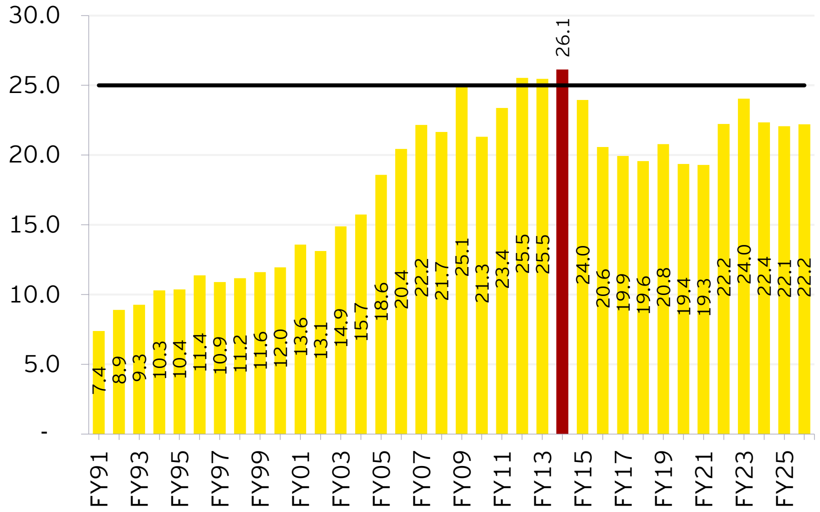
6 In Focus: India's exports - evolving contours and contemporary challenges

6.1 Introduction

India's exports of goods and services rose steadily during the 2000s and reached a peak of 26.1% of GDP in FY14. Since then, it has remained in the range of 19.3% to 22.4% (**Chart 6**). One of the most significant developments in global trade since the 1990s has been the rapid expansion of Chinese manufacturing exports. Supported by a robust industrial ecosystem, China's share of global manufacturing exports rose sharply from 3% in 1995 to 20% by 2020, thereby intensifying competition for not just emerging markets but also advanced economies[1]. After the mid-2010s, world trade witnessed a move towards deglobalization and fragmentation. More recently, India's exports have come under challenge due to tariff related uncertainties and the crisis in Middle East. Going forward, India's strategy towards diversification of trade on the basis of multiple bilateral free trade agreements (FTAs) and expansion of domestic currency trade settlements may prove to be vital.

6.2 Exports of goods and services as % of GDP

Chart 6: Exports of goods and services as % to GDP



Source: RBI, MoSPI

India's exports consisting of goods and services as percentage of GDP shows a steady increase FY91 onwards, reaching a peak of 26.1% of GDP (2022-23 spliced series) in FY14. Since then, there has been a fall followed by stagnation and partial recovery. In FY26, this ratio was 22.2%. The period since FY14 reflects a transition in global trade from the earlier phase of promotion of multilateral barrier-free trade to fragmentation of trade with proliferation of tariff and non-tariff barriers.

6.3 Trends in India's aggregate exports of goods and services

Most of this stagnation phase affected India's goods exports whereas services continued to show their upward momentum, in fact accelerating after FY21. In this section we look at the differential growth performance of exports of goods vis-à-vis that of services.

Chart 7 shows actual growth in INR terms of exports of goods and services. In the period FY08 onwards, the volatile pattern of exports of goods matched that of services reflecting the impact of external factors on the growth of both goods and services. **Chart 8** shows the corresponding growth rates on trend basis. The trend growth rate for goods shows a downward trajectory, falling from close to 20% in FY07 to a trough of 7.0% in FY26. In the case of services there was a near stability from the early 1990s to FY06

[1] https://cepr.org/voxeu/columns/china-worlds-sole-manufacturing-superpower-line-sketch-rise

after which there is a noticeable fall where trend growth rate of services touched a low of 11.5% in FY17. Subsequently there is a recovery in the trend growth rate of services which reached 17.0% in FY26 compensating for the continuing fall in the trend growth rate of goods exports.

Chart 7: Actual growth in merchandise and services exports (INR)

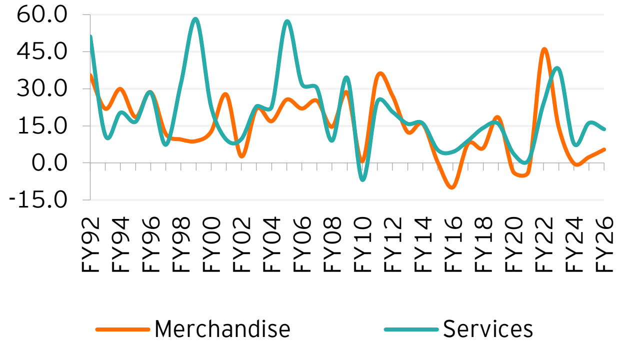
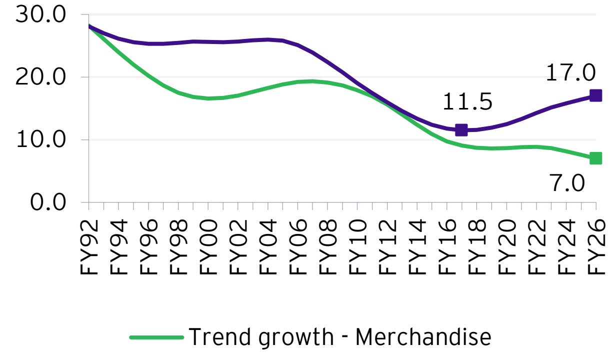
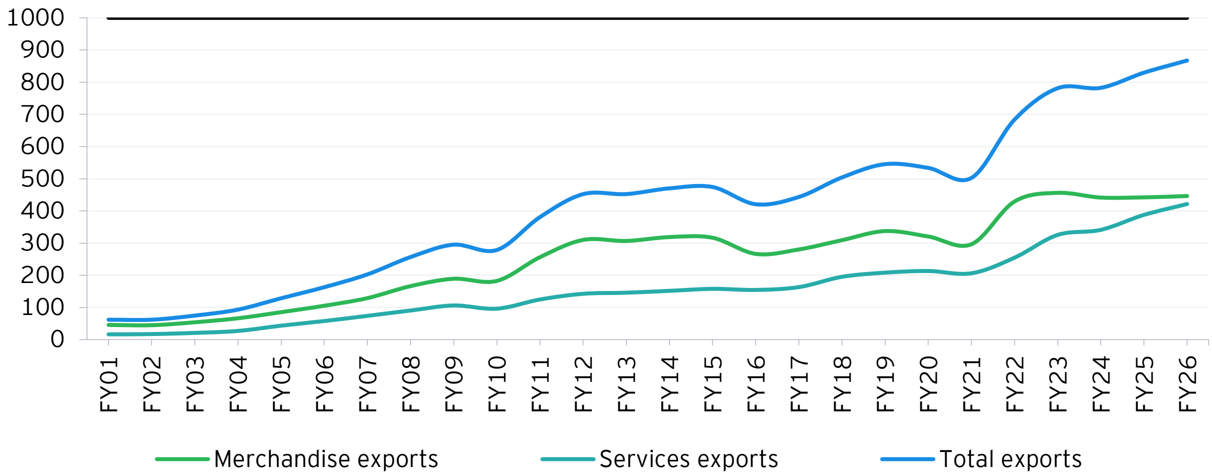


Chart 8: Trend growth in merchandise and services exports (INR)



Source: RBI; Trend growth rates have been estimates using Hodrick Prescott filter

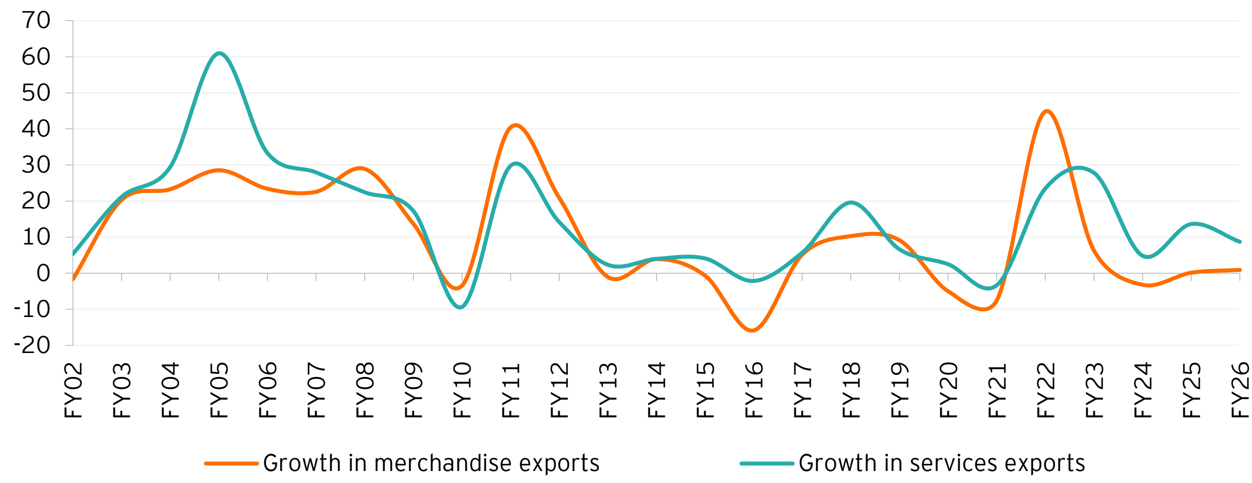
Chart 9: Merchandise and services exports in US$ billion



Source: RBI, MoSPI

In terms of value of exports in US$ terms as shown by **Chart 9**, both merchandise and services exports show long-term upward trend. Merchandise exports nearly flattened after FY22 whereas services exports continued to expand at a fast pace. Services exports compensated for the static trend of goods exports thereby accounting for the overall upward trend in total exports.

Chart 10: Percentage growth in merchandise and services exports measured in US$ terms

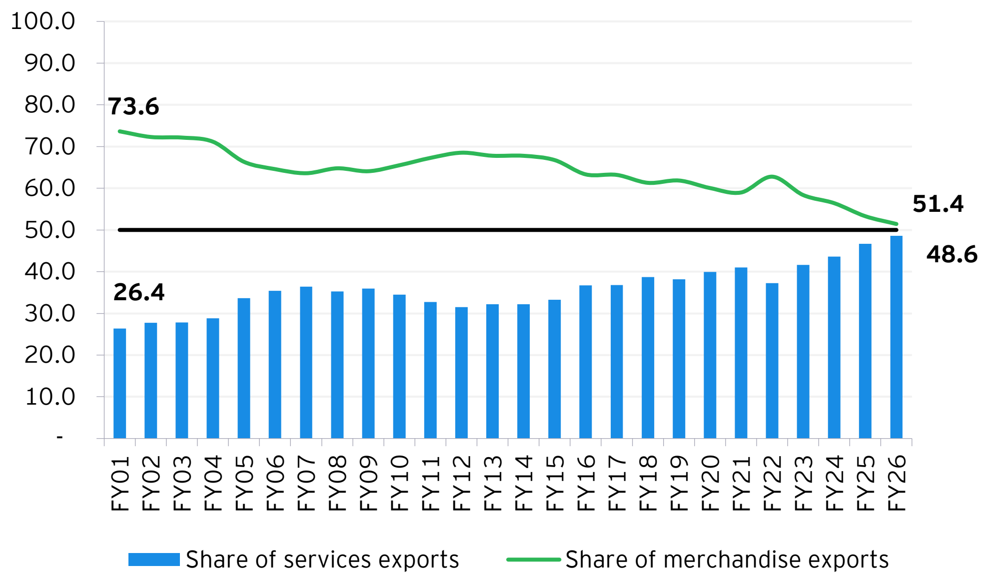


Source: RBI

Chart 10 shows the growth rates of goods exports vis-à-vis services exports. There is a clear co-movement in these two growth patterns with growth in services exports exceeding that of growth in goods exports in 19 out of 25 years. The matching patterns of peaks and troughs indicate the influence of global factors leading to joint upward or downward movement of these two categories of exports. It is only in the post-Covid years that growth in services exports exceeded that of goods exports on a consistent basis. Major troughs in both growth series are observable in FY10, FY16 and FY21. These may be traced to global economic and financial crisis in FY10 and the effect of Covid in FY21. In FY16 there was a sharp fall in the global crude prices which averaged only US$43/barrel as compared to US$83.2/barrel in FY15. Oil prices started to increase on a consistent basis FY22 onwards.

Over time, as shown by **Chart 11**, the share of goods exports in India's total exports consistently fell from a level of 73.6% in FY01 to close to 51.4% in FY26.

Chart 11: % share of merchandise and services exports in total exports



Going forward, the outlook for both goods and services exports may be shaped by emerging global developments, including trade fragmentation in goods and the adoption of AI in services delivery.

Source: RBI

6.4 Composition of goods and services exports

In terms of composition of goods exports, **Table 3** shows that more than ¼th is presently accounted for by engineering goods which have shown an upward trend. Its average share during FY24-26 exceeded the corresponding average during FY10-12 by 7.0% points. The next category of goods exports in terms of importance is that of petroleum products reflecting India's capacity to refine crude petroleum. The exports with respect to this category accounted for 15.4% of total exports during FY24-26. The third category in terms of importance comprises electronic goods whose share has also increased over time. Its share during FY24-26 accounted for 8.8% of total goods exports. Drugs and pharmaceuticals accounting for a share of 6.8% of India's total exports in FY24-26 was followed by organic and inorganic chemicals with a share of 6.6% during this period. The only category where there is a tangible loss of share over time is that of gems & jewelry, which accounted for a share of 16.0% during FY10-12. This fell to an average of 6.9% during FY24-26. Commodity-wise annual shares from FY10-26 are given in **Appendix 1**.

Table 3: Trends in commodity-wise composition of merchandise exports

Commodity	FY10-12	FY24-26	FY24-26 minus FY10-12
Engineering goods	19.5	26.4	7.0
Petroleum products	16.9	15.4	-1.4
Electronic goods	3.2	8.8	5.6
Drugs & pharmaceuticals	4.5	6.8	2.3
Organic & inorganic chemicals	3.5	6.6	3.1
Gems & jewellery	16.0	6.9	-9.1
Others	36.5	29.1	-7.4
Total	**100**	**100**	**0.0**

Source: RBI, MoSPI

Table 4: Trends in composition of services exports

Commodity	FY12-14	FY24-26	FY24-26 minus FY12-14
Telecommunications, computer, and information services	46.5	48.1	1.6
Other business services	18.6	27.7	9.1
Travel	12.4	8.8	-3.7
Transport	12.1	8.3	-3.8
Financial services	4.0	2.1	-1.9
Other services	6.4	5.0	-1.4
Total	**100**	**100**	**0.0**

Source: RBI, MoSPI

Table 4 shows the relative importance of different services in India's service exports. The highest share is that of telecommunications and information services, which has accounted for just a little less than 50% of the overall exports during FY12-26. The average share of this category of services was 46.5% during FY12-14. It remained stable over time with the average over FY24-26 accounting for only a marginally higher share of 48.1%. The next category of services in order of importance is 'Other business services' whose share grew over time from 17.4% in FY12 to 29.5% in FY26 (see **Appendix 1**). This category includes 1) Research and Development (R&D) Services, 2) Professional and Management Consulting Services, and 3) Technical, Trade-related and Miscellaneous Business Services.

Three other important categories pertain to travel, transport and financial services. Together, these five groups of services accounted for, on average, during FY24-26, 95% of total services exports. The share of transport, travel and financial services fell over time and the share of 'Other business services' increased over time.

6.5 Key destinations for India's merchandise exports

In terms of destinations for India's merchandise exports, key countries include the US, UAE, China, Netherlands, the UK, and Singapore (**Table 5**). Considering FY26 exports, the highest share pertains to exports to the US accounting for nearly 20% of India's total merchandise exports. The next in order of importance is the UAE, whose share has fallen over time to 8.5% in FY26, with some inter-year volatility. The share of exports to China has also fallen from 6.5% in FY10 to 4.4% in FY26.

Table 5: Trends in country-wise destination of goods exports (% shares)

	FY10	FY26	FY10-12	FY24-26	FY24-26 minus FY10-12
US	10.9	19.8	10.8	19.1	8.3
UAE	13.4	8.5	12.9	8.3	-4.5
China	6.5	4.4	6.2	3.8	-2.4
Netherlands	3.6	4.0	3.2	4.8	1.6
UK	3.5	3.0	3.1	3.1	0
Singapore	4.2	2.7	4.5	3.0	-1.6
Others	58.0	57.7	59.4	57.9	-1.5
Total	**100**	**100**	**100**	**100**	**0.0**

Source: RBI, Ministry of Commerce and Industry

In terms of main commodities that are exported to the US, it is the electronic goods (including mobile phones) whose share has increased at a fast pace FY20 onwards (**Table 6**). In the case of engineering goods, the main items that are exported to the US include products of iron and steel, and electric machinery and equipment.

Table 6: Trends in country-wise and commodity-wise destination of merchandise exports

	FY20	FY21	FY22	FY23	FY24	FY25	FY26
US							
Electronic goods	3.5	4.1	3.5	7.3	13.0	16.9	28.0
Engineering goods	24.2	22.0	23.0	23.8	22.7	22.1	22.5
Drugs and pharmaceuticals	13.1	15.0	9.3	9.6	11.3	12.2	10.8
Gems and jewellery	17.9	16.8	19.2	16.0	12.8	11.5	5.8
RMG of all textiles	6.9	6.4	7.0	6.9	6.1	6.2	5.5
Organic and inorganic chemicals	4.9	5.7	5.9	6.2	5.0	4.8	4.6
Petroleum products	3.4	2.2	6.7	7.7	7.5	4.7	4.0
Others	26.1	27.9	25.5	22.5	21.6	21.6	18.8
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
UAE							
Gems and jewellery	39.3	16.5	17.6	18.2	22.6	21.2	23.2
Engineering goods	18.9	19.2	19.9	15.7	16.6	22.6	20.0
Petroleum products	6.2	16.2	20.4	25.5	18.9	17.5	15.1
Electronic goods	8.5	8.3	9.1	10.7	9.3	10.1	14.2
Organic and inorganic chemicals	3.1	4.4	4.4	4.5	7.7	3.7	3.4
RMG of all textiles	6.5	9.6	6.5	3.9	3.2	3.3	3.4
Meat, dairy and poultry products	0.8	1.0	0.8	0.9	1.2	1.3	2.0
Others	16.8	24.7	21.3	20.7	20.5	20.4	18.8
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
China							
Engineering goods	13.8	23.1	26.0	17.2	15.9	18.7	18.1
Electronic goods	5.6	3.7	4.2	4.7	4.4	6.4	16.3
Petroleum products	9.4	4.9	8.8	12.5	7.0	8.9	12.6
Iron ore	13.6	20.0	11.7	9.1	21.8	13.2	8.2
Marine products	8.6	4.1	5.3	9.4	8.3	8.5	8.0
Organic and inorganic chemicals	15.0	10.2	10.6	9.8	7.4	9.2	7.9

	FY20	FY21	FY22	FY23	FY24	FY25	FY26
Mica, coal and other ores, minerals including process	5.6	3.6	4.7	6.7	5.9	5.8	5.8
Others	28.4	30.3	28.8	30.5	29.3	29.2	23.1
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Ministry of Commerce and Industry

For UAE, the main goods that are exported include gems and jewelry, engineering goods, petroleum products and electronic goods. The share of gems and jewelry has nearly halved from 39.3% in FY20 to 23.2% in FY26. In the case of China, the main exported goods are engineering goods, electronic goods and petroleum products.

The year 2025 was characterized by US tariff hikes and related uncertainties. It was in April 2025 that US tariff hikes were announced but their implementation was paused for 90 days. In early August 2025, the US again implemented a 25% tariff on Indian merchandise exports and subsequently around end-August 2025, this tariff was hiked to 50%. India and the US negotiated an interim trade framework which led to a lowering of US tariff on Indian goods to 18% in early February 2026. During the latter half of February 2026, following a US Supreme Court ruling, the US global tariff rates were lowered to 10%. This temporary tariff was meant only for a duration of 150 days, expiring on 24 July 2026. Thus, the US, on 23 July 2026, announced new tariffs relating to the investigation into 'forced labor' on 60 of its trading partners including India with India's tariff rate at 10%[2].

Table 7 gives country-wise monthly growth rates in merchandise exports covering the pre and post-tariff period. It also gives corresponding annual growth FY21 onwards.

As far as annual growth in exports is concerned, there is considerable volatility in export growth with respect to most destinations. The FY21 export performance was affected by Covid and FY22 numbers reflect base effects. In terms of y-o-y data pertaining to monthly growth in exports, considerable contraction can be seen since January 2025 in the case of Netherlands and Singapore and for the US September 2025 onwards.

Table 7: Country-wise growth in Indian merchandise exports

	US	UAE	China	Netherlands	UK	Singapore	Total
FY21	0.7	-30.4	34.7	-2.0	-2.7	67.9	-6.9
FY22	47.5	68.1	0.3	93.8	28.2	28.5	44.6
FY23	3.1	12.7	-28.0	72.3	9.0	7.6	6.9
FY24	-1.3	12.7	8.8	3.5	13.3	20.2	-3.1
FY25	11.6	2.8	-14.4	1.8	12.6	-10.0	0.1
FY26	0.9	2.0	36.6	-23.1	-7.6	-8.6	1.4
Jan-25	38.9	-8.6	-31.7	-47.1	14.8	-54.4	-2.6
Feb-25	10.3	-7.3	-22.0	-31.0	-2.5	-59.6	-10.9
Mar-25	35.1	-15.3	-3.0	-15.0	8.4	-44.3	0.9
Apr-25	16.2	13.0	11.1	-47.5	-20.3	-33.8	8.4
May-25	14.9	-7.7	22.5	-6.2	-20.0	8.2	-3.3
Jun-25	24.6	-11.7	15.4	-22.9	-9.5	-0.5	-0.1
Jul-25	27.8	19.7	28.0	-4.9	7.8	-19.5	7.3
Aug-25	6.6	22.3	21.6	9.3	1.5	-10.8	6.7
Sep-25	-12.6	23.5	33.0	-22.6	11.9	-25.7	6.8
Oct-25	-9.2	-10.8	41.0	-26.8	-27.1	-56.1	-11.8
Nov-25	21.7	12.7	89.3	-28.5	15.3	-9.8	19.4

[2] https://ustr.gov/about/policy-offices/press-office/press-releases/2026/july/ustr-takes-action-force…

	US	UAE	China	Netherlands	UK	Singapore	Total
Dec-25	-2.0	14.1	66.5	-14.2	-8.4	-13.2	1.9
Jan-26	-21.7	28.6	55.3	17.6	-7.9	-5.6	0.6
Feb-26	-12.9	-0.3	32.2	-31.3	-4.7	-13.5	-0.8
Mar-26	-21.0	-61.9	28.1	-51.3	-13.5	158.6	-7.4
Apr-26	1.1	-36.5	26.8	-32.4	14.8	177.5	13.8
May-26	-0.1	3.2	24.8	-18.4	10.1	68.6	18.0

Source: Ministry of Commerce and Industry

6.6 India's bilateral free trade agreements

Given the overall deceleration in global trade and the trend towards deglobalization and fragmentation of trade, India has embarked upon a strategy of entering into multiple bilateral free trade agreements. So far, major bilateral FTAs have been successfully negotiated, in one form or another, with 18 countries or economic groups. India is also a signatory to seven multilateral trade blocs including SAARC, ASEAN and SAFTA. India has also entered into arrangements for bilateral trade in domestic currency through Special Rupee Vostro Accounts (SRVAs). As per the latest official information available on 07 February 2025, 123 correspondent banks from 30 trading partner countries[3] had opened 156 SRVAs with 26 Indian banks. RBI had subsequently liberalized the framework by allowing banks to open SRVAs without prior RBI approval and has facilitated public disclosure through a SRVA Directory[4] maintained by the Foreign Exchange Dealers' Association of India. The list of countries with local currency trading arrangements and the number of SRVAs has been progressively increasing. This strategy of export diversification may prove to be important in the medium term.

6.7 Concluding observations

In FY26, India's total exports, consisting of exports of goods as well as services, amounted to US$0.87 trillion. Exports of goods contributed US$0.45 trillion and that of services US$0.42 trillion. India aims to reach a target of US$1 trillion total exports[5]. Achieving this in FY27 would call for a growth of 15.3%. Already in 1QFY27, goods exports have shown y-o-y growth rates of 15.9%. This was partly due to higher prices of petroleum products which India was able to export. Excluding exports of petroleum products, growth in exports of non-petroleum products amounted to 12.4% in 1QFY27. Services exports growth in the first two months of FY27 was 7.8%. These were months affected by the crisis in Middle East. Achieving a threshold of US$1 trillion of exports appears to be around the corner. It may be achieved in FY27 or soon afterwards.

Going forward, the outlook for both goods and services exports may be shaped by emerging global developments, including trade fragmentation in goods and the adoption of AI in services delivery.

India's export growth may be facilitated by the strategy of diversification based on multiple bilateral free trade agreements. There may also be facilitation of exports through the growing list of countries with whom India is working out local currency settlement of transactions. Growth of intra-BRICS+ trade may also facilitate growth of Indian exports. It is expected that the share of exports to some of the traditional destinations and of some of the traditional products such as gems and jewelry may see a slowdown. However, there is high export growth potential for electronic and engineering goods and refined petroleum products, pharmaceuticals, and chemicals. In future, potential of defence exports is also quite high.

[3] Bangladesh, Belarus, Botswana, Fiji, Germany, Guyana, Israel, Kazakhstan, Kenya, Malaysia, Maldives, Mauritius, Myanmar, New Zealand, Oman, Russia, Seychelles, Singapore, Sri Lanka, Tanzania, Uganda, United Kingdom, UAE, and Indonesia.
[4] https://bfsi.economictimes.indiatimes.com/news/banking/rbi-permits-opening-of-156-vostro-accounts-with-26-banks-for-rupee-trade/118021307
[5] https://www.pib.gov.in/PressReleasePage.aspx?PRID=2262262&reg=48&lang=2

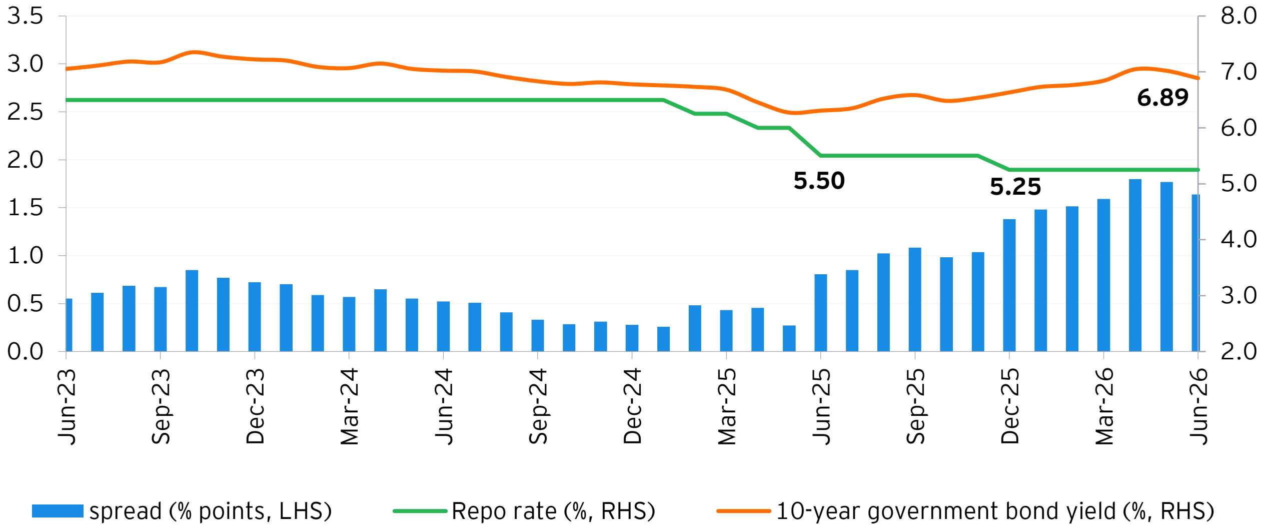
7 Money and finance: Growth in gross bank credit accelerated to 17.7% in May 2026, a 24-month high

7.1 Monetary sector

Monetary policy

- The Monetary Policy Committee (MPC) unanimously decided to keep the policy repo rate unchanged at 5.25% while retaining the neutral policy stance in its June 2026 review. The repo rate was last reduced by 25 basis points, from 5.50% to 5.25%, in December 2025 (**Chart 12**).
- The MPC observed that considerable risks to its baseline inflation and growth outlook stem from (a) uncertainty surrounding the duration and intensity of the Middle East conflict, (b) the extent of its spillover effects, and (c) the pace of supply-chain normalization. In addition, the outlook for food inflation remained uncertain due to the forecast of a below normal south-west monsoon and El Niño risks. Given these uncertainties, the MPC considered it prudent to keep the policy rate unchanged and await greater clarity while remaining data-dependent.

Chart 12: 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)[6] increased to 13.0% in June 2026 from 12.0% in May 2026 led by higher growth in both narrow money (M1) and time deposits.
- Growth in M1 was higher at 13.7% in June 2026 as compared to 11.9% in May 2026. This was due to a pickup in the growth of demand deposits to 14.8% in June 2026 from 10.6% in May 2026. Currency with the public posted a near stable growth of 12.8% in June 2026, close to its level of 12.9% in May 2026.

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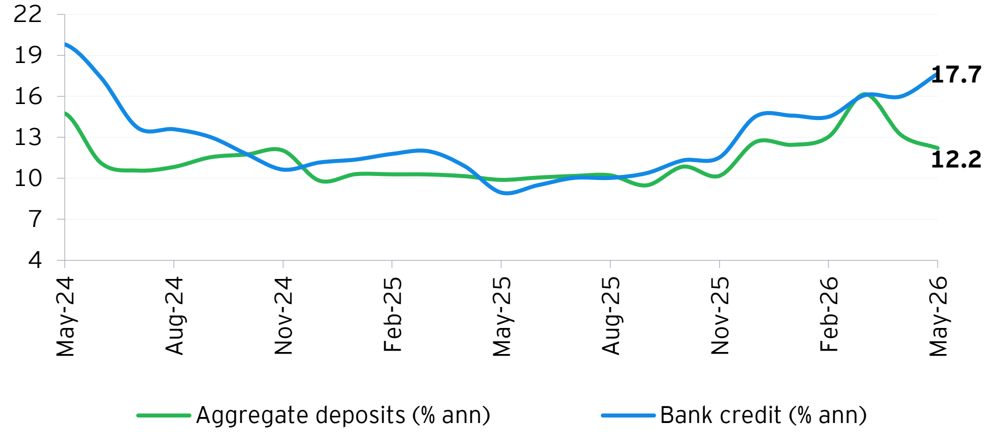
[6] The RBI has stopped reporting data on '*Money Stock: components and sources*' excluding the impact of merger of a non-bank with bank from 11-July-2025. Therefore, we have used M3 data that includes the impact of merger of a non-bank with a bank as reported by the RBI.

- Growth in time deposits, the largest component of M3, increased to 12.7% in June 2026 from 12.1% in May 2026.

Aggregate credit and deposits

- Growth in gross bank credit increased to a two year high of 17.7% in May 2026 from 16.0% in April 2026 **(Chart 13).**
- Non-food credit growth accelerated to a 23-month high of 17.4% in May 2026 from 15.8% in April 2026, led by broad based improvement in the growth of credit across major sectors of the economy.

Chart 13: Growth in credit and deposits



Growth in gross bank credit accelerated to a 24-month high of 17.7% in May 2026 from 16.0% in April 2026.

Source: Database on Indian Economy

- 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), showed a robust growth of 20.4% in May 2026, its fastest since June 2024, increasing from 18.6% in April 2026.
- Growth in personal loans (share of 31.5% in total non-food credit) was marginally lower at 15.4% in May 2026 as compared to 16.0% in April 2026. Among its sub-components, growth in vehicle loans at 17.3% in May 2026 was lower compared to 18.0% in April 2026. Growth in housing loans fell to a six-month low of 10.9% in May 2026 from 11.4% in April 2026. Loans for consumer durables, contracted for the seventh successive month, although at a slower pace of (-)2.6% in May 2026 as compared to (-)3.4% in April 2026.
- Outstanding credit to industries, having a share of about 23.4%, on average, in total non-food credit (last five years), showed a growth of 17.5% in May 2026, its fastest pace of growth since November 2012, increasing from 15.1% in April 2026.
- Among major segments within industrial credit, growth in credit to infrastructure, which has the largest share in industrial credit, increased to 11.6% in May 2026 from 10.1% in April 2026, showing an upward movement for the fourth successive month. Growth in credit to iron and steel accelerated to 22.6% in May 2026 from 16.7% in April 2026. Growth in credit to the cement and textiles sectors was also higher at 15.4% and 10.3%, respectively, in May 2026 compared to 10.8% and 8.3% in April 2026.
- Growth in credit to the agricultural sector increased to 14.9% in May 2026 from 13.7% in April 2026.
- Growth in other non-food credit, i.e., non-food credit excluding credit to agriculture, industry, services and personal loans, increased sharply to 19.2% in May 2026 from 8.4% in April 2026.
- Growth in aggregate deposits moderated to a six-month low of 12.2% in May 2026 from 13.2% in April 2026.

7.2 Financial sector

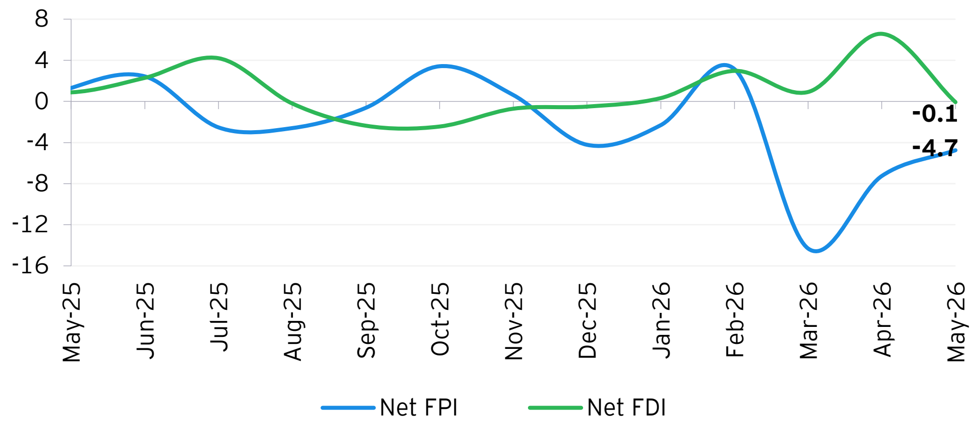
Interest rates

- As per the data released by the RBI, the yield on 10-year government bonds (benchmark) averaged 6.89% in June 2026, that is, 13 basis points lower than 7.02% seen in May 2026 **(Chart 12).**
- The average interest rate on term deposits with a maturity period of more than one year was marginally higher at 6.33% in May 2026, with actual rates ranging between 6.00% and 6.65%.
- The average MCLR increased to 7.88% in June 2026, with the actual MCLR ranging between 7.80% and 7.95% during the month.
- WALR on 'Fresh Rupee Loans' (FRL) by SCBs was nearly stable at 8.51% in May 2026, close to its level of 8.50% in April 2026.

FDI and FPI

- As per provisional data released by the RBI on 22 July 2026, overall foreign investment (FIs) outflows increased to US$4.8 billion in May 2026 from US$0.7 billion in April 2026 led by outflows on account of both net FPI and net FDI.

Chart 14: Net FDI and FPI inflows (US$ billion)



Net FDI recorded outflows of US$0.1 billion in May 2026, its first outflow since December 2025. Net FPI outflows amounted to US$4.7 billion in May 2026, lower than US$7.3 billion in April 2026.

Source: Database on Indian Economy, RBI

- Net FPI outflows remained elevated at US$4.7 billion in May 2026, although moderating from US$7.3 billion in April 2026 (**Chart 14**). On a cumulative basis, net FPI outflows were significantly higher at US$12.0 billion during April-May FY27, compared with outflows of US$0.8 billion during the corresponding months of FY26.
- Net FDI turned negative in May 2026, with outflows amounting to US$0.1 billion, compared with strong inflows of US$6.6 billion in April 2026. During April-May FY27, net FDI inflows were higher at US$6.5 billion, compared with US$2.5 billion during the corresponding period of FY26.
- Gross FDI inflows, at US$6.1 billion in May 2026, were lower than US$15.3 billion in April 2026. These inflows were more than offset by outflows on account of repatriation/disinvestment and outward FDI by India, amounting to US$3.7 billion and US$2.4 billion, respectively, in May 2026. On a cumulative basis, gross FDI inflows during April-May FY27 stood at US$21.0 billion, their highest level since FY12, when monthly data reporting began.

8 Trade and CAB: Merchandise exports grew by 15.5% in June 2026

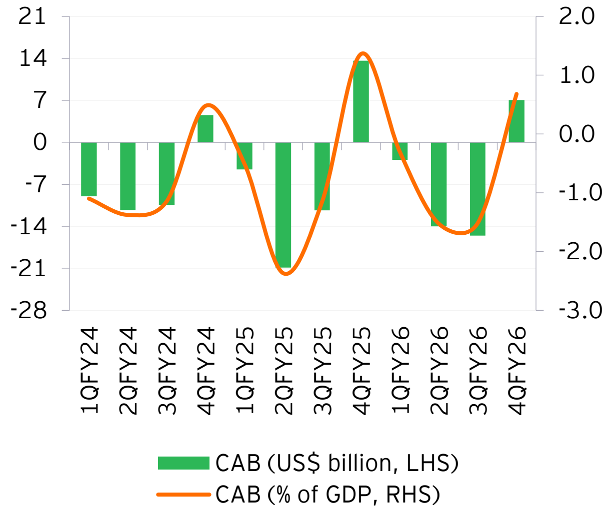
8.1 Current account balance turned into a surplus in 4QFY26

- 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 15, Table 8**).
- 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 8: 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 15: 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.

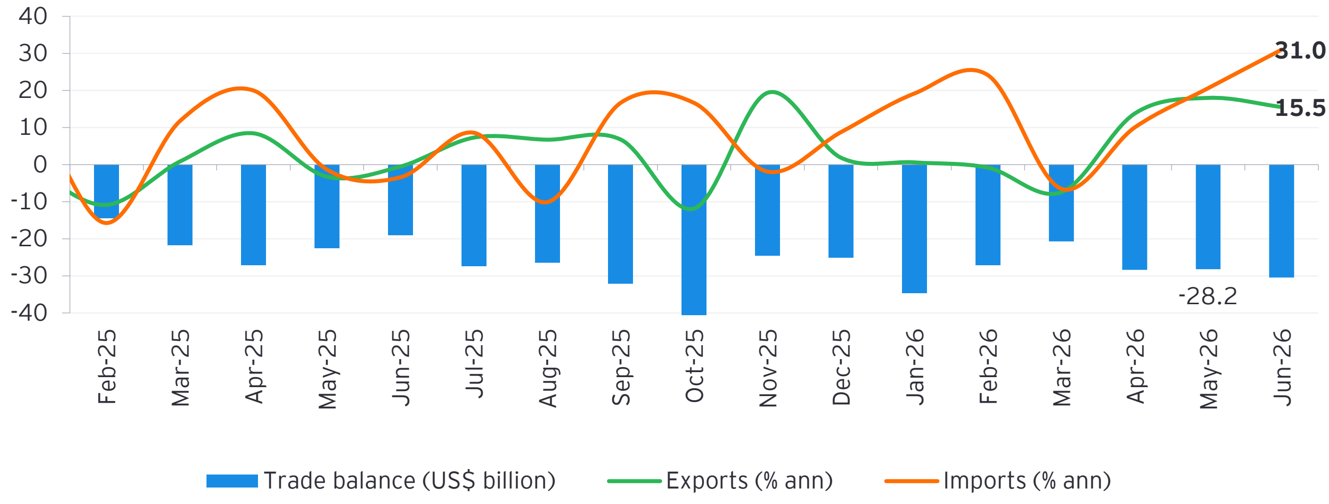
8.2 Merchandise trade and exchange rates

- Merchandise exports growth was at 15.5% in June 2026 as compared to 18.0% in May 2026 while imports growth surged to 31.0% from 20.6% during this period led by a fall in oil exports and surge in electronic imports, respectively.
- Growth in both exports and imports were influenced by favorable base effects.
- Oil exports growth fell to 9.2% in June 2026 from 54.9% in May 2026 despite a favorable base effect.
- Growth in exports of engineering goods remained elevated at 20.7% in June 2026, slightly lower than 24.5% in May 2026, reflecting robust external demand.
- Electronics exports growth increased to 18.9% in June 2026 from 11.6% in May 2026.

Merchandise exports growth was at 15.5% in June 2026 as compared to 18.0% in May 2026 while imports growth surged to 31.0% from 20.6% during this period led by a fall in oil exports and surge in electronic imports, respectively.

- Gems and jewelry exports growth surged to 34.6% in June 2026, its highest level since October 2021, partly attributable to a favorable base effect.
- Chemical exports growth improved to a 20-month high of 19.4% in June 2026 from 12.7% in May 2026.
- On the import side, growth in electronics goods imports surged to 58.8% in June 2026, its highest level since April 2021, driven partly by base effects.
- Growth in fertilizer imports increased to a nine-month high of 201.3% in June 2026. Growth was price and demand-led, given elevated global energy prices and the onset of the kharif season.
- Machinery imports growth surged to 30.9% in June 2026, its highest level since August 2022, attributable primarily to base effects.
- Growth in crude imports remained elevated at 40.1% in June 2026, although easing from 53.8% in May 2026, as global crude prices moderated from their peak levels in the previous months.
- Growth in exports excluding oil/coal, gold/silver and jewelry, increased to a seven-month high of 15.3% in June 2026 while that in imports of the same category surged to 32.4%, its highest level since August 2022.
- The pace of contraction of exports to the US increased to (-)1.2% in June 2026 from (-)0.1% in May 2026. On a quarterly basis, exports to the US showed a marginal contraction at (-)0.06% in 1QFY27. With respect to merchandise imports, India's imports from the US grew by 23.8% during 1QFY27 while those from Russia expanded by 52.7% during this period.

Chart 16: Developments in merchandise trade



Source: Ministry of Commerce and Industry, GoI

- Merchandise trade deficit widened to a five-month high of US$30.4 billion in June 2026 from US$28.2 billion in May 2026, reflecting the higher growth in imports vis-à-vis exports **(Chart 16)**.
- Services trade surplus eased to a nine-month low of US$15.7 billion in May 2026 as services exports moderated to US$33.4 billion in May 2026 from US$37.0 billion in April 2026.
- Goods and services trade deficit widened to a four-month high of US$12.5 billion in May 2026 from US$9.8 billion in April 2026 on account of the widening merchandise trade deficit accompanied by a moderating services trade surplus.
- The Indian Rupee appreciated, on average, to INR95.0/US$ in June 2026 after depreciating for three successive months to INR95.6/US$ in May 2026, owing to a thaw in the tensions in the Middle East followed by significantly lower crude prices in the latter half of June 2026.

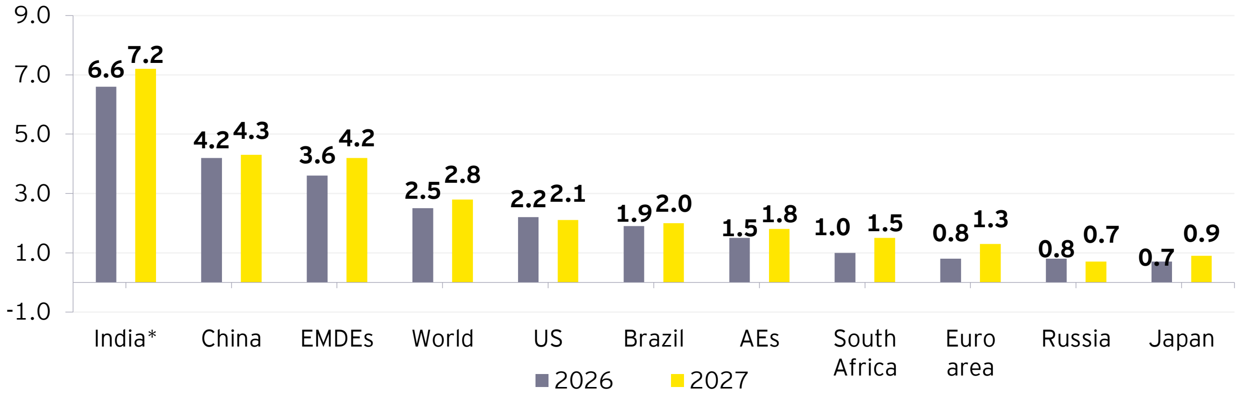
9 Global growth: World Bank projected global growth at 2.5% in 2026 and 2.8% in 2027

9.1 Global growth outlook

The World Bank has projected global growth at 2.5% in 2026 and 2.8% in 2027 with India's FY27 and FY28 growth rates forecasted at 6.6% and 7.2%, respectively.

- As per the World Bank (Global Economic Prospects, June 2026), global growth is projected to slow to 2.5% in 2026, its weakest pace since the Covid pandemic, as higher energy prices, elevated inflation, tighter monetary policy, and weaker trade dampen economic activity. The slowdown is expected to be led by weaker growth in AEs and energy-importing EMDEs, alongside a sharp decline in exports from Middle Eastern economies affected by the crisis. Growth is forecast to recover gradually to 2.8% in 2027, supported by easing energy prices, improved financial conditions, and a rebound in trade **(Chart 17).**
- The US, a large oil producer, is proving resilient to the disruptions in global energy markets, with the adverse impacts of the crisis expected to be offset by fiscal easing and continued AI-related investment. Growth in the US is forecasted to remain above 2% in both 2026 and 2027.
- Growth in the Euro area is projected to face somewhat greater headwinds due to the region's reliance on natural gas and oil imports. Growth is projected at only 0.8% in 2026, followed by a mild recovery to 1.3% in 2027.
- In Japan, rising energy prices are expected to weigh on near-term growth, more than offsetting additional fiscal support. Growth is projected to decelerate to 0.7% in 2026 from 1.1% in 2025, mainly reflecting slowing consumption and exports. In 2027, growth is anticipated to increase only marginally to 0.9% as domestic demand improves amid easing inflation and rising wages.

Chart 17: Growth projections (% annual)



Source: World Bank Global Economic Prospects (June 2026)
*Data pertains to fiscal years

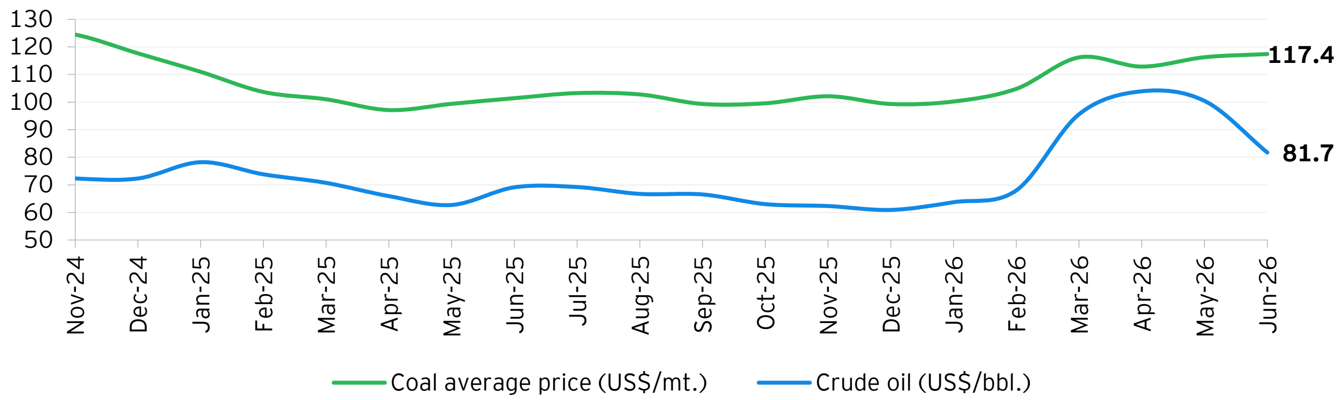
- Among EMDEs, growth in China is projected to decelerate to 4.2% in 2026, with consumption growth weighed down by the ongoing property sector adjustment, a soft labor market, and subdued consumer confidence. Growth is expected to edge up to 4.3% in 2027, as energy prices ease while diminishing returns to capital, high debt, and demographic pressures continue to lower China's potential growth.
- In Brazil, growth is projected to slow to 1.9% in 2026 amid lower consumption growth, before strengthening to 2.0% in 2027, as continuing disinflation allows monetary policy easing.

- Growth in India is projected to moderate to 6.6% in 2026 (FY27) reflecting a slowdown in private demand growth owing to higher energy prices and other input costs, though a reduction in GST rates is expected to somewhat support consumer demand. Reduced US tariffs and the expected implementation of free trade agreements are likely to mitigate the impact of weaker external demand due to the crisis in Middle East, particularly on merchandise exports. Growth is anticipated to rebound to 7.2% in 2027 (FY28), driven by firming domestic demand and a pickup in export growth.
- In South Africa, growth is projected at 1.0% in 2026 and 1.5% in 2027 as structural constraints continue to limit growth. In the case of Russia, growth is forecasted to remain subdued at 0.8% in 2026 and 0.7% in 2027 due to weaker fiscal stimulus and tight monetary policy. Higher oil revenues are set to be directed toward a reduction of fiscal deficit, amid fiscal and financial pressures.

9.2 Global energy prices: Global crude price fell to US$81.7/bbl. in June 2026 following US-Iran peace agreement

- After remaining above US$100/bbl. in April and May 2026, average global crude price[7] fell to US$81.7/bbl. in June 2026 following the US-Iran peace agreement, as easing geopolitical tensions reduced concerns over potential supply disruptions and improved the outlook for global oil supplies (**Chart 18**). On a quarterly basis, global crude price averaged US$95.3/bbl. in 1QFY27, its highest level since 2QFY23.
- Average global coal price[8] remained high at US$117.4/mt. in June 2026 compared to US$116.3/mt. in May 2026 reflecting persistent supply-side constraints and firm seasonal demand in key Asian markets[9]. On a quarterly basis, global coal price averaged US$115.5/mt. in 1QFY27, its highest level since 3QFY25.

Chart 18: Global crude and coal prices



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

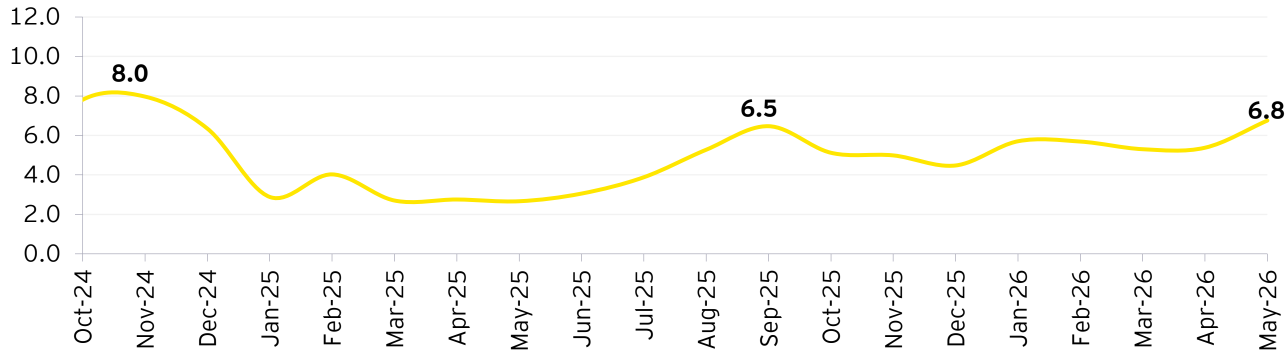
[7] Simple average of three spot prices, namely, Dated Brent, West Texas Intermediate and Dubai Fateh
[8] Simple average of Australian and South African coal prices.
[9] Coal's unexpected comeback: Middle East conflict drives a return to coal power

10 Monthly Index of Aggregate Demand (IAD): Posted a higher growth of 6.8% in May 2026

10.1 IAD showed a higher growth of 6.8% in May 2026

- Growth in IAD[10] increased to an 18-month high of 6.8% in May 2026 from 5.4% in April 2026, largely owing to broad-based improvement in the demand conditions across major sectors of the economy **(Chart 19 and Table 9).**
- In the manufacturing sector, demand conditions improved for the second consecutive month in May 2026 as indicated by higher value of PMI manufacturing (sa) at 55.0 as compared to 54.7 in April 2026.
- Similarly, demand conditions in the services sector showed robust pickup during the month with PMI services (sa) increasing to a six-month high of 59.8 in May 2026 from 58.8 in April 2026.
- Demand conditions in the agricultural sector also improved during the month as indicated by a higher growth in agricultural credit at 14.9% (sa) in May 2026 as compared to 13.7% in April 2026.

Chart 19: Growth in IAD (%, y-o-y)



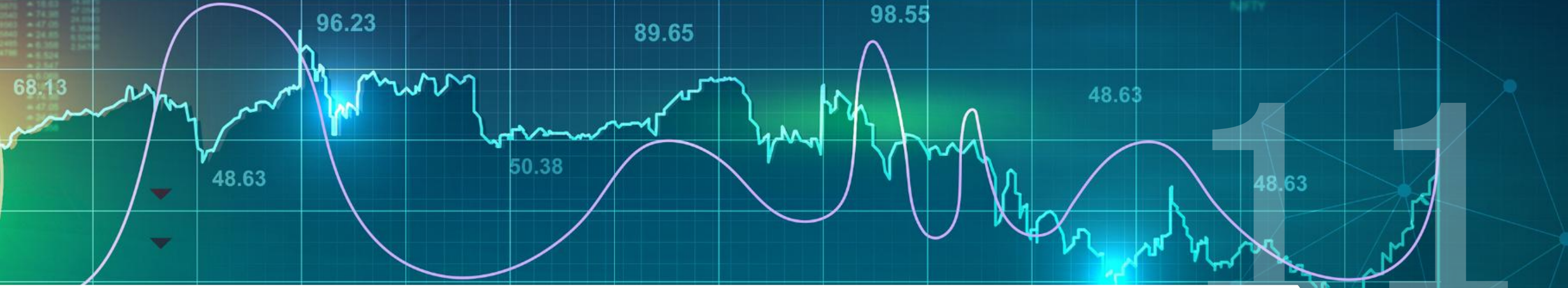
Source (Basic data): S&P - IHS Markit PMI, RBI and EY estimates

Table 9: IAD

Month	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26
IAD	189.2	189.1	189.2	188.7	190.1	192.0	191.9	193.2	195.6
Growth (% y-o-y)	6.5	5.1	5.0	4.5	5.7	5.7	5.3	5.4	6.8
Growth in agr. credit	9.0	9.1	8.8	12.0	11.3	12.4	15.4	13.7	14.9
Mfg. PMI*	7.7	9.2	6.6	5.0	5.4	6.9	3.9	4.7	5.0
Ser. PMI*	10.9	8.9	9.8	8.0	8.5	8.1	7.5	8.8	9.8

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

[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 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	3.5	3.5	4.1	-1.8	8.2	1.5	2QFY26	58.7	61.4
2QFY26	5.4	14.0	4.7	3.1	6.9	4.5	3QFY26	56.9	58.9
3QFY26	4.3	2.2	5.2	-1.1	4.9	2.3	4QFY26	55.4	58.0
4QFY26	3.8	-1.8	4.7	2.9	5.7	2.9	1QFY27	54.6	58.7
Feb-26	4.4	-2.4	5.7	1.9	5.6	2.8	Mar-26	53.9	57.5
Mar-26	3.0	-2.6	4.0	1.2	6.4	1.2	Apr-26	54.7	58.8
Apr-26	4.9	-3.8	6.1	4.6	6.6	1.8	May-26	55.0	59.8
May-26	5.1	-1.6	5.5	9.9	5.5	0.5	Jun-26	54.2	57.4

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
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
1Q FY27	3.9	4.5	1.8	2.0	9.3	4.6	7.2	27.6	7.4
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	8.4	3.3	6.7	25.0	7.0
May-26	3.9	4.5	1.7	1.8	9.7	4.5	7.5	30.3	7.7
Jun-26	4.4	5.1	2.0	4.3	9.9	6.1	7.5	27.4	7.5

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 FY25 act.)	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	
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
May-26	1.8	26.1	6.8	10.5	-7.5	9.6	-11.6

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

Fiscal year/month	CGST	UTGST	IGST	GST compensation cess	Total GST
	INR crore				
FY26 (RE)	9,58,480	5,019	0	88,000	10,51,499
FY27 (BE)	10,19,020	5,485	0	0	10,24,505
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
May-26	82,589	195	3,527	373	86,684

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	13.6	11.3	1.0	3.6	FY25	7.9	9.4	6.88	665.4
Oct-25	5.50	FY26	11.9	11.3	6.9	-17.8	FY26	22.4	15.3	6.54	688.1
Nov-25	5.50	1QFY26	9.8	10.0	4.8	1.6	2QFY26	11.4	9.2	6.49	700.2
Dec-25	5.25	2QFY26	10.1	10.0	1.6	-5.7	3QFY26	17.4	12.1	6.55	696.6
Jan-26	5.25	3QFY26	12.5	11.2	-3.7	-0.2	4QFY26	22.4	15.3	6.78	688.1
Feb-26	5.25	4QFY26	15.1	13.9	4.2	-13.5	1QFY27	13.7	13.0	6.99	666.9
Mar-26	5.25	Feb-26	14.5	13.0	3.0	3.1	Mar-26	22.4	15.3	6.84	688.1
Apr-26	5.25	Mar-26	16.1	16.2	0.9	-14.3	Apr-26	17.6	12.8	7.05	698.5
May-26	5.25	Apr-26	16.0	13.2	6.6	-7.3	May-26	11.9	12.0	7.02	682.3
Jun-26	5.25	May-26	17.7	12.2	-0.1	-4.7	Jun-26	13.7	13.0	6.89	666.9

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
2QFY26	6.9	4.3	-86.0	87.3	67.5	101.8	3Q2025	98.0
3QFY26	2.1	7.9	-91.3	89.1	62.1	100.3	4Q2025	99.0
4QFY26	-2.8	11.3	-82.5	91.4	75.8	107.1	1Q2026	98.4
1QFY27	15.8	19.9	-87.0	94.7	95.3	115.5	2Q2026	99.3
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	116.3	May-26	98.7
Jun-26	15.5	31.0	-30.4	95.0	81.7	117.4	Jun-26	100.3

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

Table A6: Global growth

Calendar year	Growth (annual)			
	World GDP	Adv. econ.	Emer. econ.	India#
	% change y-o-y			
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	3.5	1.9	4.5	7.1
2025	3.5	1.9	4.5	7.7
2026**	3.0	1.7	3.8	6.4
2027**	3.4	1.8	4.5	6.7
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 and July 2026); * indicates projections from the April 2026 issue; **indicates projections from the July 2026 Update # 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.

12 Technical appendix: In Focus section

Table A1: Trends in commodity-wise composition of exports (% share)

	Engineering Goods	Petroleum Products	Electronic Goods	Drugs & Pharmaceuticals	Organic & Inorganic Chemicals	Gems & Jewellery	Others	Total
FY10	18.8	15.8	3.1	5.0	3.5	16.0	37.8	100.0
FY11	20.0	16.5	3.4	4.2	3.3	16.8	35.8	100.0
FY12	19.6	18.3	3.0	4.3	3.7	15.1	36.0	100.0
FY13	19.7	20.3	2.7	4.8	3.8	14.3	34.4	100.0
FY14	20.3	20.1	2.5	4.8	3.9	13.2	35.3	100.0
FY15	23.5	18.3	2.0	5.0	4.0	13.3	33.8	100.0
FY16	23.6	11.7	2.3	6.4	4.5	15.0	36.6	100.0
FY17	24.4	11.4	2.2	6.1	4.5	15.7	35.7	100.0
FY18	25.9	12.3	2.1	5.7	6.1	13.7	34.1	100.0
FY19	25.3	14.1	2.7	5.8	6.8	12.2	33.1	100.0
FY20	25.1	13.2	3.7	6.6	7.0	11.5	32.9	100.0
FY21	26.3	8.8	3.8	8.4	7.6	8.9	36.2	100.0
FY22	26.6	16.0	3.7	5.8	7.0	9.3	31.7	100.0
FY23	23.7	21.6	5.2	5.6	6.7	8.4	28.7	100.0
FY24	25.0	19.3	6.7	6.4	6.7	7.5	28.5	100.0
FY25	26.7	14.5	8.8	7.0	6.6	6.8	29.7	100.0
FY26	27.6	12.5	10.8	7.0	6.5	6.4	29.2	100.0
FY10-12	19.5	16.9	3.2	4.5	3.5	16.0	36.5	100.0
FY24-26	26.4	15.4	8.8	6.8	6.6	6.9	29.1	100.0
FY24-26 minus FY10-12	7.0	-1.4	5.6	2.3	3.1	-9.1	-7.4	0.0

Source: RBI, MoSPI

Table A2: Trends in composition of service exports (% share)

	Telecommunications, computer, and information services	Other business services	Travel	Transport	Financial services	Other services	Total
FY12	45.4	17.4	13.1	13.0	4.2	6.9	100.0
FY13	46.5	19.5	12.4	11.9	3.4	6.3	100.0
FY14	47.5	18.8	11.8	11.4	4.4	6.1	100.0
FY15	47.6	18.0	12.9	11.1	3.6	6.9	100.0
FY16	49.6	18.8	13.8	9.1	3.2	5.5	100.0
FY17	46.9	20.1	14.2	9.7	3.1	6.1	100.0
FY18	40.9	19.1	14.5	8.9	2.6	13.8	100.0
FY19	41.5	18.8	13.7	9.4	2.3	14.3	100.0
FY20	45.1	21.4	14.1	9.8	2.2	7.3	100.0
FY21	50.0	23.9	4.1	10.6	2.1	9.3	100.0
FY22	49.3	23.2	3.6	12.8	2.2	8.9	100.0
FY23	46.8	24.7	8.3	11.1	2.4	6.7	100.0
FY24	48.0	26.0	9.9	8.6	2.4	5.3	100.0
FY25	47.3	27.7	8.8	8.7	2.2	5.3	100.0
FY26	49.0	29.5	7.6	7.6	1.8	4.6	100.0
FY12-14	46.5	18.6	12.4	12.1	4.0	6.4	100.0
FY24-26	48.1	27.7	8.8	8.3	2.1	5.0	100.0
FY24-26 minus FY12-14	1.6	9.1	-3.7	-3.8	-1.9	-1.4	0.0

Source: RBI, MoSPI
Note: Other business services include 1) Research and Development (R&D) Services, 2) Professional and Management Consulting Services, and 3) Technical, Trade-related and Miscellaneous Business Services. Professional and Management Consulting Services include Legal services, Accounting and auditing, Tax consulting, Management and business consulting, Public relations services. Technical, Trade-related and Miscellaneous Business Services include Architectural services, Engineering services, Technical testing and analysis, Advertising and market research, Business process outsourcing (BPO) not classified as computer services, Operational and administrative support services, Trade-related commissions and merchanting-related services, Agricultural, mining and on-site processing services, Waste treatment and pollution-abatement services.

Table A3: Trends in country-wise destination of merchandise exports (% share)

	US	UAE	China	Netherlands	UK	Singapore	Others	Total
FY10	10.9	13.4	6.5	3.6	3.5	4.2	58.0	100.0
FY11	10.1	13.4	6.2	3.1	2.9	3.9	60.5	100.0
FY12	11.4	11.7	6.0	3.0	2.8	5.5	59.6	100.0
FY13	12.0	12.1	4.5	3.5	2.9	4.5	60.4	100.0
FY14	12.4	9.7	4.7	2.5	3.1	4.0	63.5	100.0
FY15	13.7	10.6	3.8	2.0	3.0	3.2	63.6	100.0
FY16	15.4	11.6	3.4	1.8	3.4	2.9	61.5	100.0
FY17	15.3	11.3	3.7	1.8	3.1	3.5	61.3	100.0
FY18	15.8	9.3	4.4	2.1	3.2	3.4	61.9	100.0
FY19	15.9	9.1	5.1	2.7	2.8	3.5	60.9	100.0
FY20	16.9	9.2	5.3	2.7	2.8	2.8	60.2	100.0
FY21	17.7	5.7	7.3	2.2	2.8	3.0	61.3	100.0
FY22	18.0	6.6	5.0	3.0	2.5	2.6	62.2	100.0
FY23	17.4	7.0	3.4	4.8	2.5	2.7	62.2	100.0
FY24	17.7	8.2	3.8	5.1	3.0	3.3	58.9	100.0
FY25	19.8	8.4	3.3	5.2	3.3	3.0	57.1	100.0
FY26	19.8	8.5	4.4	4.0	3.0	2.7	57.7	100.0
FY10-12	10.8	12.9	6.2	3.2	3.1	4.5	59.4	100.0
FY24-26	19.1	8.3	3.8	4.8	3.1	3.0	57.9	100.0
FY24-26 minus FY10-12	**8.3**	**-4.5**	**-2.4**	**1.6**	**0.0**	**-1.6**	**-1.5**	**0.0**

Source: RBI, Ministry of Commerce and Industry

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

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