Economy Watch

Monitoring India's macro-fiscal performance

August 2026

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Content

Highlights

1. Manufacturing and services PMI were at 53.5 and 53.3 respectively in July 2026, remaining well above the benchmark of 50.
2. Overall IIP growth accelerated to a 23-month high of 7.3% in June 2026, supported by a broad-based improvement across key sub-industries. On a quarterly basis, IIP growth averaged 5.7% in 1QFY27, its highest level in eight quarters.
3. ISP growth remained strong at 9.8% in May 2026, although moderating from 20.8% in April 2026.
4. The RBI kept the repo rate unchanged at 5.25% in its August 2026 monetary policy review while retaining the neutral policy stance.
5. Headline CPI inflation remained stable at a seven-month high of 4.4% in July 2026, slightly above the RBI's 4% target.
6. WPI inflation remained high at 9.8% in July 2026 on account of a broad-based elevated level of inflation with pressures arising from mineral oils, food articles, metals, chemicals, and fuels.
7. GoI's gross tax revenues (GTR) grew only by 3.7% during 1QFY27, with direct taxes growing by 11.7% but indirect taxes contracting by (-)7.6%.
8. GoI's total expenditure grew by 11.0% during 1QFY27, with growth in revenue expenditure at 7.4% and that in capital expenditure recovering to 23.7%.
9. GoI's fiscal deficit during 1QFY27 remained contained at 18.2% of the annual budgeted target. The revenue account posted a marginal deficit of 0.4% of the annual budgeted target during this period.
10. Growth in gross bank credit accelerated to a 25-month high of 18.6% in June 2026 led by robust credit expansion across key sectors.
11. Net FDI and FPI turned positive, with inflows amounting to US$1.3 billion and US$2.5 billion respectively in June 2026 as compared to outflows of US$0.1 billion and US$4.7 billion in May 2026.
12. Merchandise exports growth accelerated to 19.6% in July 2026 from 15.5% in June 2026, led by petroleum products, electronic goods and engineering goods while merchandise imports growth was high at 17.5%, although easing from 31.0% over the same period.
13. Merchandise trade deficit widened to a six-month high of US$32.0 billion in July 2026 from US$30.4 billion in June 2026.
14. Average global crude price fell to a five-month low of US$79.8/bbl in July 2026. However, global Brent price increased sharply to US$90.8/bbl. during the first 18 days of August 2026 owing to renewed supply disruptions.
15. The IMF has projected global growth at 3.0% in 2026 and 3.4% in 2027.
16. With demand expected to remain buoyant and GoI's continued emphasis on capex expansion, real GDP growth in FY27 may be in the range of 7% to 7.2% and nominal growth, between 12.5% to 13%.

FOREWORD

In spite of global headwinds, the Indian economy remains resilient

In RBI's August 2026 assessment, real GDP growth for FY27 is projected marginally upwards at 6.7% while CPI inflation is expected to be marginally lower at 5.0% compared to their respective projections at 6.6% and 5.1% in June 2026 monetary policy review (MPR). This implies that the nominal GDP growth rate is likely to be in the range of 12.5% to 13.0% in FY27 with WPI inflation trending higher than CPI inflation. In view of these developments, the RBI has kept the repo rate unchanged at 5.25% and maintained its policy stance as neutral. August 2026 MPR has indicated some reduction in the real GDP growth prospects in the remaining three quarters of FY27 at 6.4%, 6.5% and 6.8%, respectively. The situation in the Middle East remains volatile along with continuing pressure on global crude oil prices. Global brent price increased to US$90.8/bbl. during the first 18 days of August 2026 owing to renewed supply disruptions compared to a level of US$83.8/bbl. in July 2026.

CGA's fiscal data for 1QFY27 showed relatively buoyant performance of direct taxes, especially the CIT revenues which showed a growth of 19.7%. In contrast, GST revenues continued to show contraction at (-)11.0% as a result of which indirect taxes contracted by (-)7.6%. GoI's GTR showed a growth of only 3.7% but net tax revenues grew by 17.8%. This implies a contraction in the assignment of central taxes to the states to the extent of (-)19.5% in 1QFY27. GoI's net tax revenues supplemented by non-tax revenues which contributed 37% of its net revenue receipts, enabled a frontloading of capital expenditure in 1QFY27 which showed a growth of 23.7% while limiting the fiscal deficit to 18.2% of the annual budgeted target. GoI's revenue expenditure growth was contained at 7.4% although the growth of major subsidies amounted to 37.4%. Compared to the contraction in GoI's capital expenditure of (-)23.3% in 4QFY26, its sharp upsurge implied in the growth in 1QFY27 is a welcome change which is expected to support demand and improve the real GDP growth prospects.

In the presence of continuing global uncertainties, high-frequency data for June and July 2026 provide mixed signals in regard to prospects of the Indian economy. As per the Index of Services Production (ISP) released on 29 July 2026, growth of the covered 19 services amounting to 60% of total services output was 9.8% in May 2026. This showed a slight deceleration from the growth of 20.8% in April 2026. The main services accounting for 10%-plus growth in this month are retail trade, accommodation and food, telecommunication, banking, and IT and computer related services. Average growth for eight key services accounting for nearly 87% of the total weight of the covered 19 services was 10.3% in May 2026. There are clear indications of a robust growth momentum for 1QFY27 with IIP in this quarter showing an average growth of 5.7% and services (ISP) sector for the first two months of this quarter showing an average growth of 15.3%.

Overall IIP growth accelerated to a 23-month high of 7.3% in June 2026, supported by a broad-based improvement across key sub-industries. On a quarterly basis, IIP growth averaged 5.7% in 1QFY27, its highest level in eight quarters, indicating an improvement in industrial activity. Manufacturing and services PMI were at 53.5 and 53.3 respectively in July 2026, remaining well above the benchmark of 50.

Data released by the Federation of Automobile Dealers Associations (FADA) showed that growth in retail sale of motor vehicles accelerated to 25.9% in July 2026 from 23.6% (revised) in June 2026. Within key vehicle categories, retail sales of two-wheelers grew by 28.3% in July 2026, increasing from 22.1% in June 2026. Retail sales of passenger vehicles grew at a strong pace of 19.1% in July 2026, although lower compared to 32.6% in June 2026.

With respect to the GST revenue data released by the GSTN, the combined monthly gross GST collections of the GoI and states increased to INR2.11 lakh crore in July 2026 from INR1.95 lakh crore in June 2026.

Growth in gross bank credit accelerated to a 25-month high of 18.6% in June 2026, up from 17.7% in May 2026, driven by robust credit expansion across key sectors of the economy.

Merchandise exports growth accelerated to 19.6% in July 2026 from 15.5% in June 2026, led by petroleum products, electronic goods and engineering goods exports. Despite moderating from 31.0% in June 2026 to 17.5% in July 2026, merchandise imports growth remained strong supported by imports of electronic goods, crude petroleum and coal.

In this month's infocus section, we discuss in detail the recent trends in India's imports which are now close to US$1 trillion considering both goods and services. Imports of goods exceed those of services by a significant margin. As percent of GDP, after reaching a peak of nearly 33% in FY12 and FY13, imports have fallen to close to 25% in FY26, reflecting a reduction in the degree of import dependence. In terms of both commodities and sources, there is considerable concentration in India's imports. Just four commodities, namely crude, electronic goods, gold and machinery, account for about 46-55% of total merchandise imports. Similarly, six countries namely China, US, UAE, Russia, Saudi Arabia and Iraq accounted for little less than 50% of total merchandise imports. A recent policy initiative regarding targeted import substitution is targeted to save US$189 billion in import costs.

Headline CPI inflation remained stable at 4.4% in July 2026, a seven-month high, remaining unchanged from its June 2026 level and above the RBI's 4% target though within the 2%–6% tolerance band. WPI inflation, on the other hand, remained high at 9.8% in July 2026 on account of a broad-based elevated level of inflation with pressures arising from mineral oils, food articles, metals, chemicals and fuels. There is thus the likelihood of a higher nominal GDP growth rate compared to the budgeted growth of 10.04% in FY27. This estimate may be exceeded by 2.5% to 3.0% points. Thus, in spite of the global headwinds, GoI's revenue receipts may meet budgeted projections, enabling high capital expenditure growth while adhering to the budgeted fiscal deficit target, thereby minimizing any adverse impact on real economic activities. Expecting demand to remain buoyant and continued GoI's emphasis on capex expansion, real GDP growth in FY27 may be in the range of 7% to 7.2% and nominal growth, in the range of 12.5% to 13%.

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Chief Policy Advisor,
EY India

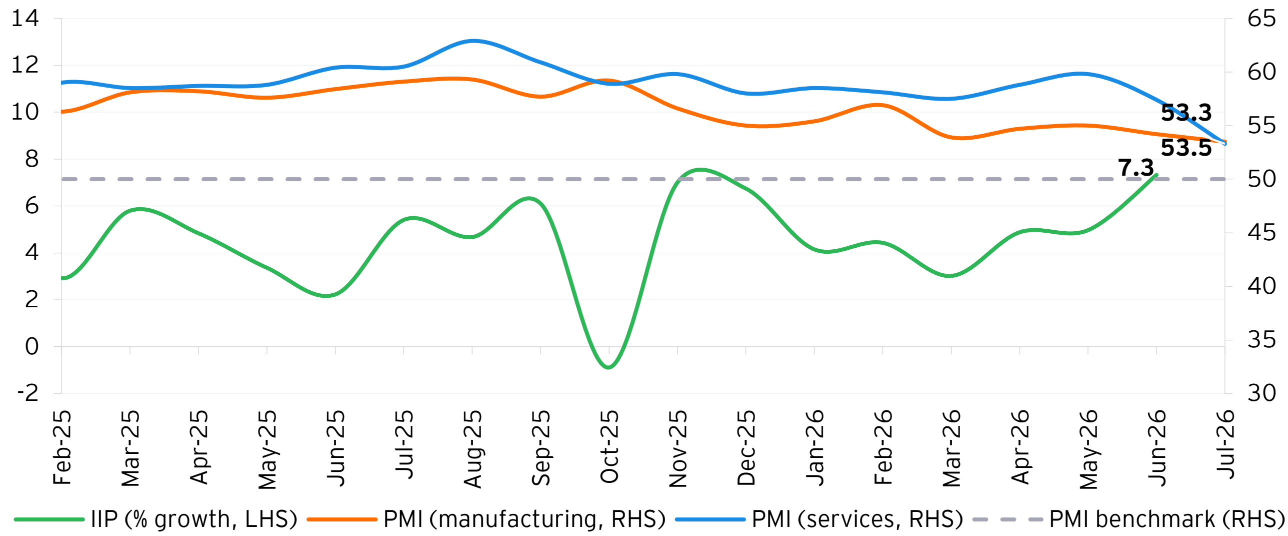
Growth: PMI manufacturing and services eased to 53.5 and 53.3 respectively in July 2026

1.1 PMI: Manufacturing and services PMI remained well above 50 in July 2026

- The seasonally adjusted manufacturing PMI moderated from 54.2 in June 2026 to 53.5 in July 2026 (**Chart 1**). While intermediate and capital goods categories registered stronger rates of expansion in new orders and output, consumer goods segment was a particular area of weakness.
- Services PMI (sa) also eased from 57.4 in June 2026 to 53.3 in July 2026. Out of the four broad areas of India's service economy monitored by the survey, Finance and Insurance recorded faster rates of expansion in output and sales.
- Reflecting an easing of growth momentum in both PMI manufacturing and services levels, the composite PMI Output Index (sa) fell from 57.1 in June 2026 to 54.3 in July 2026.

Manufacturing and services PMI were at 53.5 and 53.3 respectively in July 2026, remaining well above the benchmark of 50.

Chart 1: PMI and IIP growth



Source: MoSPI and S&P Global

1.2 IIP growth accelerated to a 23-month high of 7.3% in June 2026

- IIP growth under the 2022-23 series increased to a 23-month high of 7.3% in June 2026 from 5.0% in May 2026, driven by broad-based improvement across key sub-industries (**Chart 1**). With this, overall IIP growth averaged 5.7% in 1QFY27, higher than 3.8% in 4QFY26.
- Growth in the output of electricity and gas supply remained the strongest at 10.6% in June 2026, increasing from 10.3% (revised) in May 2026 and reaching its highest level since May 2024. Electricity output grew strongly by 11.4% in June 2026, partially reflecting a favorable base effect.

Gas supply, however, contracted for the third successive month, although at a slower pace of (-) 0.1% in June 2026.

- Output of mining, which is usually volatile, showed low growth of 1.0% in June 2026 following a contraction in five successive months. Continued strong growth in the output of metallic minerals including rare earth minerals at 39.9% in June 2026 more than offset the contraction in minor minerals at (-)13.4% during the month.
- Manufacturing output, which has the highest weight of 76.1% in the overall IIP (2022–23 series), grew at a faster pace of 7.8% in June 2026 compared to 5.2% (revised) in May 2026. Within manufacturing, among key sub-industries having higher weights, growth in the manufacturing of electrical equipment (34.0%), motor vehicles trailers and semi-trailers (17.5%), textiles (13.7%), food products (10.8%), other machinery and equipment (8.7%), and rubber and plastic products (6.8%) continued to record strong growth rates in June 2026. However, coke and refined petroleum products and chemical and chemicals products showed contraction for the second successive month although at a slower pace of (-)0.5% and (-)0.3%, respectively, in June 2026.
- Within the 'use-based' classification of industries, capital goods output continued to show robust growth of 14.2% in June 2026 although moderating from 15.5% in May 2026. Growth in the output of intermediate goods and infrastructure and construction goods was higher at 9.3% and 7.5%, respectively, in June 2026 compared to 5.8% and 6.6% in May 2026. Consumer durables and non-durables also showed a healthy growth of 7.7% and 4.9%, respectively, in June 2026 compared to 8.0% and (-)0.4% in May 2026.

Overall IIP growth accelerated to a 23-month high of 7.3% in June 2026, supported by a broad-based improvement across key sub-industries. On a quarterly basis, IIP growth averaged 5.7% in 1QFY27, its highest level in eight quarters, indicating an improvement in industrial activity.

- The Office of Economic Adviser released the revised Index of Core Industries (ICI) series with 2022–23 as the base year on 20 July 2026. Along with the base-year revision, the coverage of the index was expanded from eight to nine core industries through the inclusion of iron ore output as an additional core sector.
- As per the revised series, ICI increased to a five-month high of 5.0% in June 2026 compared to 3.2% in May 2026, partly driven by favorable base effects, particularly for iron ore[1] and electricity output.
- Growth in iron ore output, which is highly volatile, was at 43.9% in June 2026, increasing from 19.0% in May 2026. Output of electricity, having the highest weight of close to 40% in the overall ICI, showed a growth of 9.8% in June 2026 although moderating from 11.2% in May 2026. Output of cement also grew at a robust pace of 9.8% in June 2026, increasing from 8.4% in May 2026.
- Output of four core industries, namely natural gas ((-)7.4%), refinery products ((-)4.7%), crude oil ((-)4.2%) and fertilizers ((-)3.3%), accounting for a combined 36.6% weight in the overall ICI, contracted in June 2026. In fact, the continued decline in natural gas, crude oil and refinery products for more than three successive months, suggests persistent weakness in these sectors, which partly offset the strong growth recorded in iron ore, electricity and cement during the month.

[1] Owing to intensive use of Iron ore in the production process, and its contribution to industrial development, it has been included in the list of core industries as a new item in the revised series of ICI.

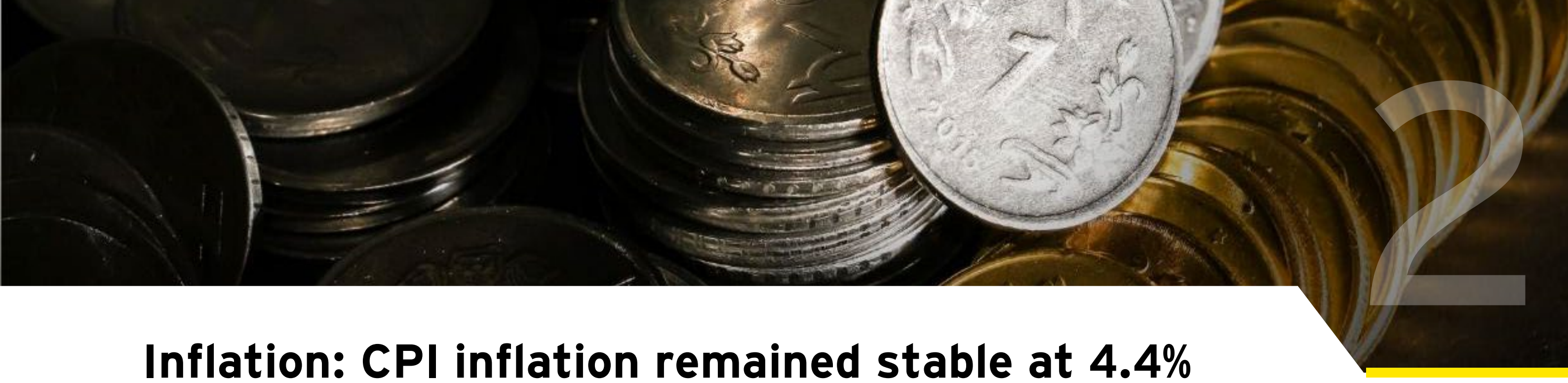
1.3 Index of Services Production (ISP) grew by 9.8% in May 2026

- The MoSPI, on 29 July 2026, released data on sub-sectoral trial Index of Services Production for May 2026, covering 19 sectors, which accounts for 60% of overall services output. The estimated overall ISP[2] grew by 9.8% in May 2026, moderating from 20.8% in April 2026.
- The average growth of eight key services[3] accounting for nearly 87% of the overall weight of the covered 19 services was 10.3% in May 2026, lower than 22.0% in April 2026. Among these eight key services, sectors that showed higher than 10% growth include accommodation (27.4%), retail trade (13.3%), banking (12.1%), telecommunications (11.8%) and IT and computer-related services (10.3%) in May 2026.
- Information and broadcasting ((-)7.7%) and air transport ((-)2.8%) were the only two services sectors to record a contraction in May 2026. However, their influence on the overall services index remained limited due to their relatively small weights of 1.1% and 0.5%, respectively.

ISP growth remained strong at 9.8% in May 2026, although moderating from 20.8% in April 2026.

[2] As MoSPI does not release an aggregate ISP, we have constructed the overall index by combining the 19 sub-indices using their respective 2024-25 base-year weights and monthly index values. Monthly data for sub-sectoral ISP is available from April 2025 onwards.

[3] Of the 19 services sectors, eight account for nearly 87% of the total weight, namely: (1) wholesale trade, (2) retail trade, (3) accommodation and food, (4) road transport, (5) telecommunication, (6) banking, (7) IT and computer related services and (8) Administrative and support services.

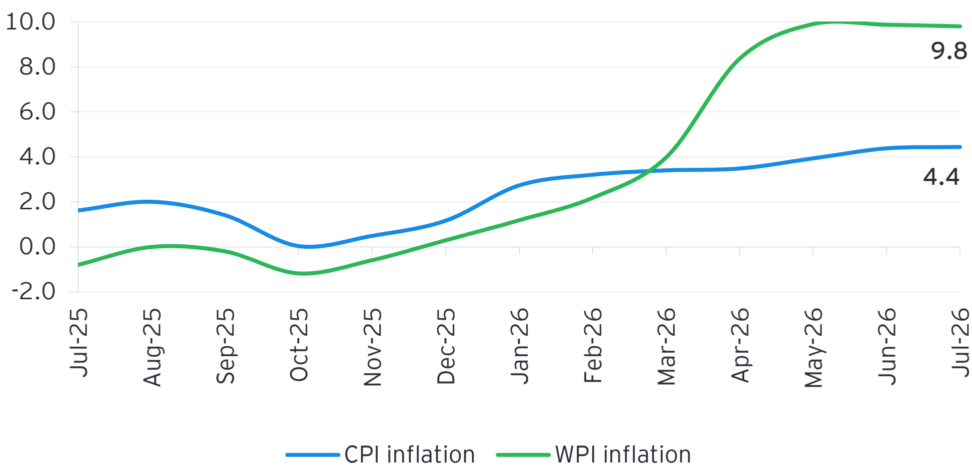


Inflation: CPI inflation remained stable at 4.4% in July 2026

2.1 CPI inflation

- Headline CPI inflation was at 4.4% in July 2026, a seven-month high, remaining unchanged from its June 2026 level and above the RBI's 4% target though within the 2%-6% tolerance band.
- Food inflation increased to 5.5% in July 2026 from 5.3% in June 2026, contributing 1.92% points to headline inflation.
- Price pressures within food became more uneven. Onion inflation rose to 22.6% and garlic inflation to 35.4% in July 2026 compared to 4.7% and 17.9%, respectively, in the previous month, while potato ((-)16.6%) and tomato ((-)4.6%) prices contracted, indicating supply-driven divergence within vegetables.
- Protein-rich food inflation strengthened further, with inflation in meat and milk and milk products rising to seven-month highs of 15.3% and 4.8%, respectively, and that in fish to a three-month high of 7.9% in July 2026, suggesting continued firmness in animal-protein prices.
- Oils and fats inflation remained elevated at 8.5% in July 2026, although lower than 9.7% in the previous month, indicating persistent imported inflation pressures from global vegetable oil markets.
- Transport inflation surged to a seven-month high of 4.4% with petrol (7.5%), diesel (8.4%) and airfares (22.9%) being the principal drivers owing to high global energy prices.
- Housing et. al. inflation edged up to 2.2% in July 2026 from 2.0% in June 2026. House rent inflation remained moderate at 2.1% while electricity prices continued to contract for the seventh successive month.
- Inflation in restaurant and accommodation services reached a seven-month high of 7.7% in July 2026 as inflation in food and beverage serving services increased to 7.8%.
- Core CPI inflation increased for the sixth successive month to 4.8% in July 2026 from 4.3% in June 2026, led by inflation in transport, housing and restaurant and accommodation services.

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



Headline CPI inflation was at 4.4% in July 2026, a seven-month high, remaining unchanged from its June 2026 level and above the RBI's 4% target though within the 2%-6% tolerance band.

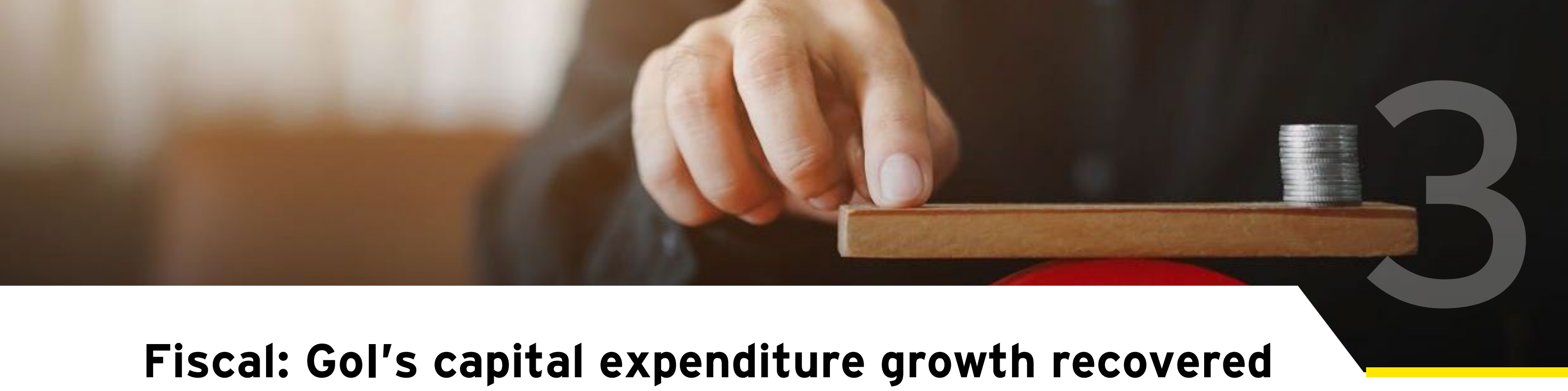
Source: MoSPI, Office of the Economic Adviser, Government of India (GoI)

2.2 WPI inflation: Remained high at 9.8% in July 2026

- WPI inflation remained high at 9.8% in July 2026, only marginally lower than 9.9% in June 2026 on account of a broad-based elevated level of inflation with pressures arising from mineral oils, food articles, metals, chemicals and fuels.
- WPI food inflation increased for the ninth successive month, to 6.6% in July 2026, its highest level since December 2024, signaling upstream food-price pressures. This high level was largely attributable to inflation in eggs, meat and fish which was at an unprecedented high (2022–23 series) of 12.5% in July 2026, mirroring the recent acceleration in consumer prices of these products.
- WPI fuel and power inflation remained significantly elevated at 20.0% in July 2026, notwithstanding moderation from 27.4% in June 2026. Mineral oil inflation eased from 46.5% in June 2026 to 32.4% in July 2026. However, high energy prices continue to impact both production costs and consumer inflation.
- ATF inflation remained above 50% in July 2026, although easing from 102.2% in June 2026, reflecting the continued impact of high global energy costs on transportation and logistics prices.
- WPI manufactured products inflation surged to a historic high (2022–23 series) of 8.3% in July 2026 from 7.5% in June 2026, reflecting continued pass-through of earlier increases in inflation in metals, chemicals and textiles.
- Core WPI inflation increased to its highest level under the 2022–23 series at 8.2% in July 2026, after rising sequentially over the preceding eight months, indicating that underlying wholesale price pressures remain entrenched despite some moderation in energy prices.

2.3 PPI inflation: OPPI inflation remained elevated at 9.6% in July 2026

- Output Producer Price Index (OPPI)-based inflation remained high at 9.6% in July 2026, unchanged from June 2026 level, reflecting persistent price pressures from fuel and food-related categories.
- Inflation in the manufacture of coke and refined petroleum products remained exceptionally high at 32.0% in July 2026, although moderating from 45.9% in June 2026.
- Inflation in crop and animal production and related service activities accelerated to 7.2% in July 2026, marking its highest level since the introduction of the new 2022-23 OPPI series.
- Service-sector producer price indices continued to indicate substantial pricing pressures, with inflation in air passenger services remaining elevated at 31.9% in 1QFY27. Other services recording relatively high inflation included banking service contribution (6.9%) and management of pension services (5.2%). In contrast, securities transaction services and banking services remained in deflation, with prices declining by (-)1.3% and (-)3.4%, respectively, during the quarter.

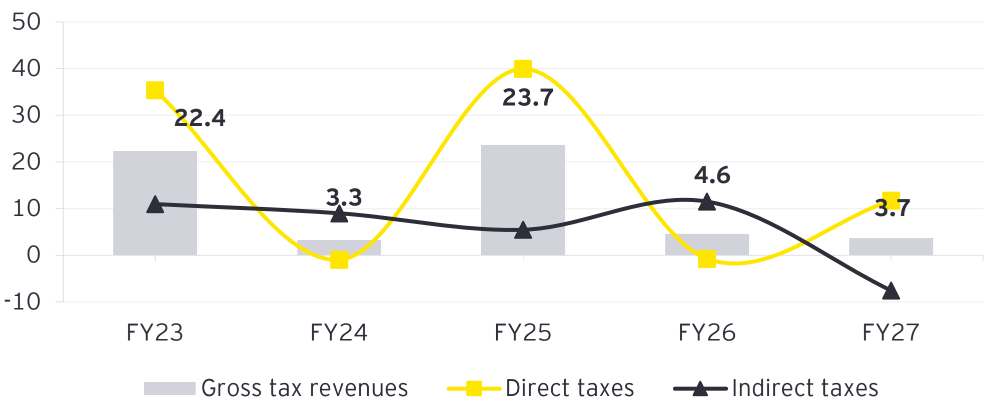


Fiscal: GoI's capital expenditure growth recovered to 23.7% during 1QFY27

3.1 Tax and non-tax revenues

- According to the CGA, GoI's GTR[b] showed a growth of 3.7% during 1QFY27, lower than the corresponding growth rates in the last two years at 23.7% in FY25 and 4.6% in FY26 **(Chart 3).**
- GoI's net tax revenues showed a double-digit growth of 17.8% during April-June FY27 implying a sharp contraction of (-)19.5% in assignment of central taxes to states.
- GoI's direct taxes showed a relatively buoyant performance, growing by 11.7% during the first three months of the fiscal year. In contrast, indirect taxes[a] contracted by (-)7.6% during this period.
- Within direct taxes, CIT revenues grew by 19.7% during 1QFY27 compared to a contraction of (-)1.2% during the corresponding period of FY26. With respect to PIT revenues, there was a growth of 6.8% during the first three months of the current fiscal year compared to a contraction of (-)0.5% during the corresponding period of last year.
- Among indirect taxes, GoI's GST revenues showed a contraction of (-)11.0% during April-June FY27 compared to a growth of 16.1% during April-June FY26. This may largely be attributable to a sharp contraction in GST compensation cess reflecting its discontinuation, creating a significant negative base effect.
- Union excise duties (UED) also showed a sharp contraction of (-)22.4% during April-June FY27 compared to a growth of 8.3% during April-June FY26. This was on account of steep reductions in special additional excise duties on petrol and diesel.

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



GoI's GTR grew by 3.7% during 1QFY27, with direct taxes growing by 11.7% but indirect taxes contracting by (-)7.6%.

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.

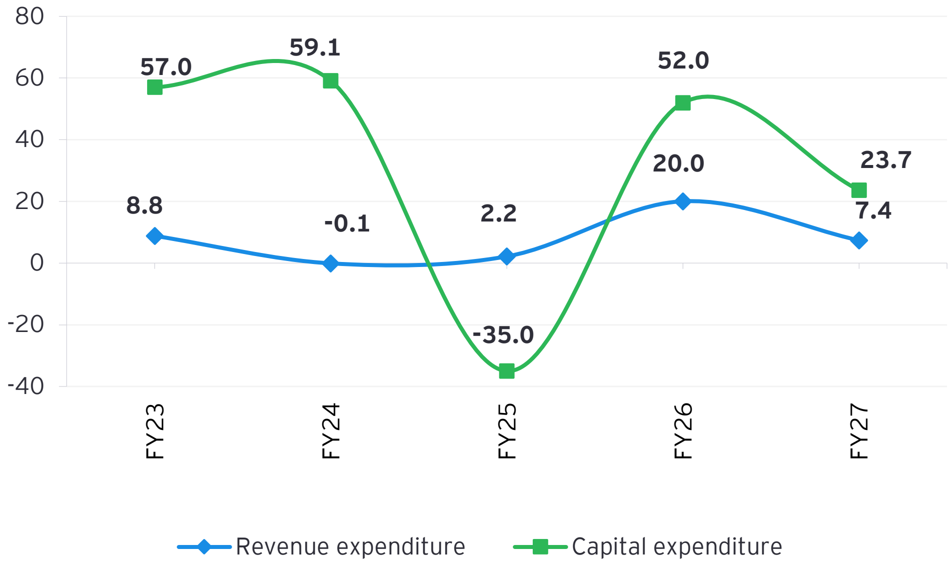
- Customs duties witnessed double-digit growth of 36.1% during 1QFY27 compared to a contraction of (-)9.9% during the corresponding period of FY26. This may partly be attributable to a favorable base effect and partly to higher import volumes, elevated import values driven by commodity prices especially crude, and duty increases on selected imports, particularly precious metals.

- 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, 77.3% of the budgeted dividends and profits for the full year have already been covered in 1QFY27. In terms of growth, however, there was a low growth of 1.2% in GoI's non-tax revenues during 1QFY27 mainly owing to an unfavorable base effect.
- Non-debt capital receipts of the GoI during 1QFY27 stood at 29.6% of the annual budgeted target compared to the corresponding ratio of 20.7% 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 INR52,716.02 crore until 26 August 2026, amounting to 65.9% of the annual budgeted target of INR80,000 crore.

3.2 Expenditures: Revenue and capital

- GoI's total expenditure grew by 11% during April–June FY27 compared to 26% during the corresponding period of FY26.
- GoI's revenue expenditure growth was contained at 7.4% during the first three months of FY27, lower than 20.0% during the corresponding period of FY26 although growth of major subsidies (food, fertilizer and petroleum) amounted to 37.4% during this period **(Chart 4).**
- GoI's capital expenditure could also pick up, showing a growth of 23.7% during 1QFY27, a welcome change compared to a contraction of (-)23.3% during 4QFY26. In fact, the monthly y-o-y growth in GoI's capital expenditure was as high as 66% in June 2026.

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



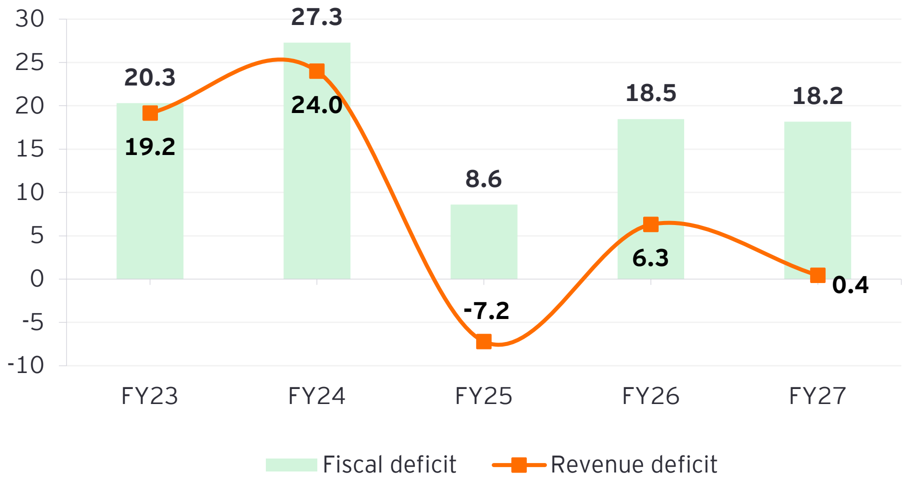
GoI's total expenditure grew by 11.0% during 1QFY27, with growth in revenue expenditure contained at 7.4% and that in capital expenditure recovering to 23.7%.

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

3.3 Fiscal imbalance

- GoI's fiscal deficit during 1QFY27 stood at 18.2% of the annual budgeted target, marginally lower than the corresponding ratio in FY26 based on actual data despite a frontloading of capital expenditure helped by a strong performance of both net tax revenues and non-tax revenues (**Chart 5**).
- GoI's revenue account was in a marginal deficit during 1QFY27, with its level at only 0.4% of the annual budgeted target. This was much lower than the corresponding ratio of 6.3% in FY26 based on actual data.

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



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

GoI's fiscal deficit during 1QFY27 remained contained at 18.2% of the annual budgeted target. The revenue account posted a marginal deficit of 0.4% of the annual budgeted target during this period.

Comparative trends: OECD projects a deterioration of current account deficit for India at 1.9% of GDP in FY27

4.1 Export volumes of goods and services

- As per the OECD (Global Economic Prospects, June 2026), world trade volume of goods and services is estimated to have grown by 5% in 2025, helped by a steady decline in trade policy uncertainty and strong AI-related trade. However, it is expected to moderate to 3.1% in 2026 reflecting a sharp decline in trade with the Gulf economies and increasing energy and transport costs. By 2027, a gradual moderation of trade growth in Asia is projected to bring overall world trade growth to 2.9%, close to the rate of world GDP growth.
- In the US, after a subdued growth of 1.6% in 2025 in export volumes, a rebound to 4.9% is projected for 2026, helped by lower tariffs and reduced trade policy uncertainty along with continued strength in technology related exports. Growth in export volumes is projected to normalize to 2.8% in 2027.
- In Germany, there was a contraction in export volumes in 2024 and 2025 due to rising trade protection and increasing competition from China in key export markets. However, a gradual recovery is forecasted in 2026 and 2027 owing to strong growth in exports to other EU member states as well as strengthening of global demand in general.
- UK export volume growth is projected to moderate from 2.1% in 2025 to 1.0% in 2026, largely reflecting the OECD's expectation of slower global trade growth and a less favorable external demand environment. A modest recovery to 1.4% in 2027 is expected as trade-policy uncertainty eases and global demand stabilizes, although world trade growth remains below the 2025 pace.
- In Japan, a strong export growth in 2025 reflects a frontloading of exports to the US ahead of the anticipated tariff increases. As this effect fades and global trade growth moderates, export growth is projected to ease in 2026 and 2027.

Table 1: Export volumes of goods and services (%, annual)

Country	2024	2025	2026 (p)	2027 (p)
US	3.6	1.6	4.9	2.8
Germany	-1.9	-0.7	0.6	1.5
UK	1.3	2.1	1.0	1.4
Japan	2.2	2.5	1.4	1.6
Brazil	2.1	6.5	5.5	2.6
India*	6.6	6.6	3.0	4.0
China	17.3	10.8	10.5	5.0
South Africa	-2.8	-2.5	0.1	2.4
Memo:				
World trade	4.1	5.0	3.1	2.9

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

- Among emerging market economies (EMEs), Brazil's strong export growth in 2025 and 2026 is likely supported by strong agricultural production and continued external demand for its primary exports. Export growth is projected to slow in 2027 as global trade growth moderates, demand from key trading partners particularly China weakens, and risks from higher US tariffs prevail.

- China's strong export growth in 2025 and 2026 is driven by tariff-related front-loading of exports, supported by policy measures such as full VAT refunds on exports, diversification toward non-US markets, and higher tech-related spending. Export growth is projected to moderate in 2027 as the temporary boost from advance shipments fades, tariff effects become more pronounced, and global trade growth slows.
- In South Africa, after contracting in 2024 and 2025, export volumes are projected to show only a marginal growth of 0.1% in 2026, recovering only modestly in 2027 due to the negative impact of tariffs on exports to the US.
- India’s export growth is projected to weaken from 6.6% in 2025 (FY26) to 3% in 2026 (FY27) due to the effects of higher energy prices and gas rationing, higher production costs and weaker global demand despite relatively lower US import tariffs providing some support to exports.

4.2 Current account balance

- Current account deficit of the US is projected to decline from 3.6% of GDP in 2025 to 3.1% in 2026 and 2027, helped by higher revenue from net energy exports and relatively subdued import growth in 2026.
- On the other hand, current account deficit in the UK is forecasted to widen from 2.4% of GDP in 2025 to 3.5% in 2026 and further to 3.8% in 2027.
- Among the selected advanced economies with a current account surplus, Germany is projected to see a deterioration in 2026 with a marginal improvement in 2027. In contrast, Japan’s current account surplus is forecasted to increase from 4.8% of GDP in 2025 to 5.2% in 2026 and further to 5.4% in 2027.
- Among selected EMEs, the current account position of Brazil and China is expected to improve over the period 2025 to 2027 with falling CAD relative to GDP in the former case and rising current account surplus relative to GDP in the latter case (**Table 2**).
- South Africa’s CAD relative to GDP is also expected to remain contained during the forecast period with a marginal upward trend. However, even by 2027, it is expected to remain below 1%.

Table 2: Current account balance (% of GDP)

Country	2024	2025	2026 (p)	2027 (p)
US	-4.0	-3.6	-3.1	-3.1
Germany	5.9	4.5	3.6	3.8
UK	-3.0	-2.4	-3.5	-3.8
Japan	4.6	4.8	5.2	5.4
Brazil	-3.0	-2.9	-2.6	-2.2
China	2.5	3.8	3.8	4.0
India*	-0.9	-0.4	-1.9	-1.4
South Africa	-0.7	-0.5	-0.6	-0.8

Source: OECD Economic Outlook; *Data pertains to fiscal year; (p) refers to projection, Note: -ve indicates a deficit while +ve indicates a surplus on the current account

- In India, CAD relative to GDP is expected to widen considerably to 1.9% in 2026 (FY27), reflecting higher energy import costs and weaker external demand. This is expected to only mildly narrow to 1.4% in 2027.

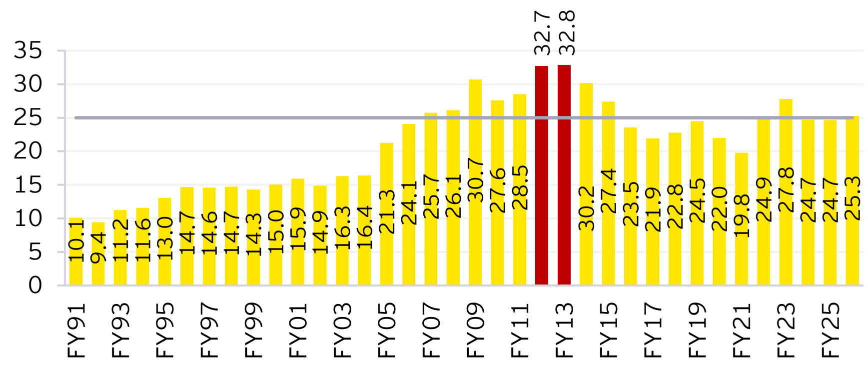
In Focus: Structure of India's imports and potential for import substitution

5.1 Introduction

In recent years, there has been a reversal of the thrust towards globalization. Control over strategic trade routes and transit points has, at times, played a role in shaping economic and geopolitical outcomes for import-dependent countries. Ongoing geopolitical conflicts such as the Russia-Ukraine war and the conflicts in the Middle East have also led to supply and price shocks to an economy highly dependent on imports of crude and natural gas and other primary commodities. In this writeup we examine the structure of imports in India in order to highlight critical features of its import dependence with respect to commodities and/or countries with a view to highlighting policies aimed at import substitution and export promotion initiatives to strengthen India's Viksit Bharat goals.

5.2 Imports of goods and services as % of GDP

Chart 6: Imports of goods and services as % to nominal GDP (2022-23 spliced series)



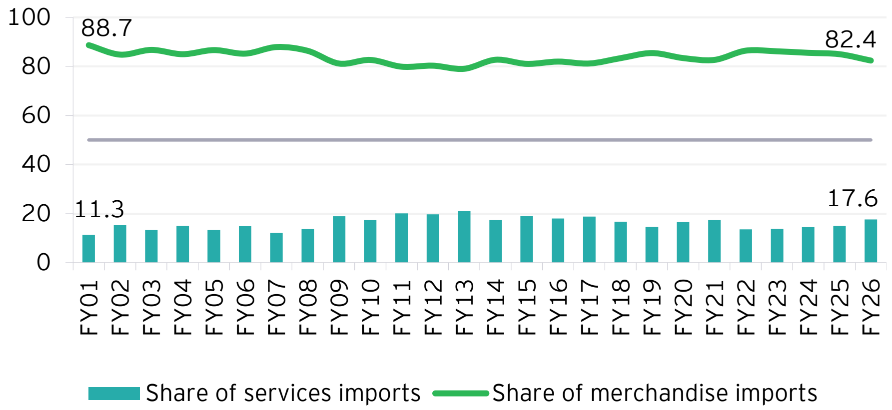
Source: RBI, MoSPI

Chart 6 shows the time profile of import intensity of India's GDP which increased progressively from about 10.1% in the early 1990s to a peak of nearly 33% in FY12 and FY13 before stabilizing at close to 25% of GDP FY24 onwards. These imports include both goods and services.

5.3 Trends in India's aggregate imports of goods and services

Chart 7 shows that India's dependence on merchandise imports is much higher than that on imported services.

Chart 7: Percentage share of merchandise and services imports in total imports



Source: RBI

The share of merchandise imports in total imports has fallen over time from a level of 88.7% in FY01 to 82.4% in FY26.

Correspondingly the share of services imports in total imports has increased from 11.3% to 17.6% over this period.

Charts 8 and 9 show the growth profiles of merchandise and service imports measured in INR terms. **Chart 8** indicates that, on trend basis, growth rates both of merchandise and services imports have fallen over time. **Chart 9** indicates that there is considerable volatility in the actual growth rates.

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

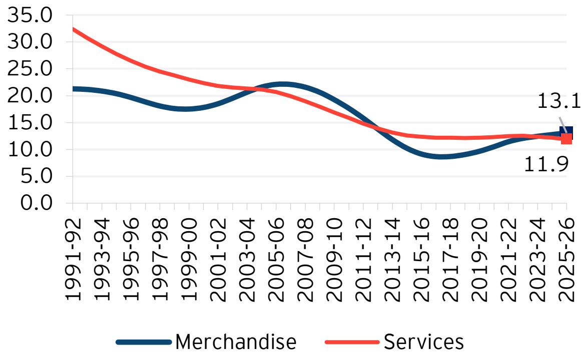
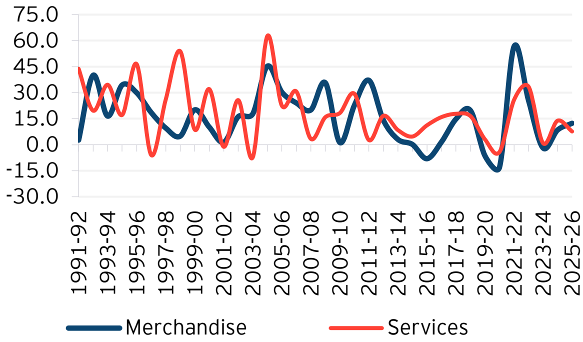


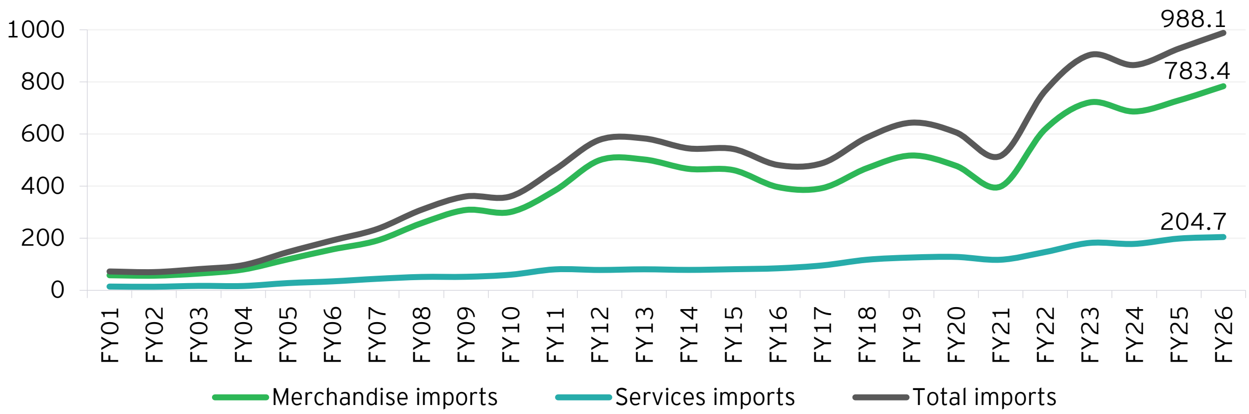
Chart 9: Actual growth in merchandise and services imports (INR)



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

In terms of value of imports in US$, as shown by **Chart 10**, the magnitude of goods imports has increased much faster than that of services imports. Total imports were at US$0.99 trillion in FY26 of which goods imports amounted to US$0.78 trillion, that is, 82.4% of total imports.

Chart 10: Merchandise and services imports in US$ Billion



Source: RBI, MoSPI

5.4 Structure of imports

India's import basket has long been dominated by petroleum crude and petroleum products, reflecting the economy's substantial dependence on energy imports. Most of this category relates to import of crude oil. However, the share of imported crude in total merchandise imports has fallen over time. **Table 3** shows that the share of crude petroleum rose to a peak of close to 31% in FY15 driven by elevated price of crude alongside higher growth in volume of imports. Since then, this share has fallen. In FY23, it rose again to 29.2% as crude oil prices surged to US$92.7/bbl against the backdrop of the Russia-Ukraine conflict. It gradually fell thereafter to 22.4% in FY26 led by moderating price of crude, indicating a rising share of non-crude imports. Among these, it is electronic goods whose share rose from 5.6% to 15.0%, an increase of 9.4% points between FY01 and FY26. The share of machinery in total imports also increased during this period, although marginally, with the margin of increase between FY01 and FY26 being 1.6% points. Import of gold averaged at 8.0% of total imports during FY01 to FY26 period, although with some inter-year volatility.

Notable among other imports are transport equipment, non-ferrous metals, organic and inorganic chemicals and coal, coke, etc., whose shares ranged between 3.6% to 4.5% in FY26. Thus, there is a commodity-wise concentration[4] in imports with about 46%-55% of total imports being accounted for by just four commodities. However, there has been some expansion in the list of imported items in recent years.

Table 3: Commodity-wise composition of merchandise imports (% share in US$ terms)

Item	FY01	FY10	FY15	FY20	FY23	FY24	FY25	FY26	FY26 minus FY01
	% share								% points
Petroleum, crude & products	25.4	30.2	30.9	27.5	29.2	26.5	25.8	22.4	-2.9
Electronic goods	5.6	7.7	8.2	11.5	10.8	13.0	13.7	15.0	9.4
Gold	8.4	9.9	7.7	5.9	4.9	6.3	8.0	9.3	0.9
Machinery	6.4	7.4	6.2	7.9	6.3	7.2	7.4	8.0	1.6
Others *of which:*	54.2	44.7	47.0	47.2	48.7	46.9	45.1	45.3	-8.9
Transport equipment*	NA	5.0	4.1	5.3	4.4	4.6	4.7	4.5	NA
Non-ferrous metals*	NA	1.6	2.4	2.8	2.8	3.2	3.4	3.7	NA
Organic & inorganic chemicals	5.8	3.6	4.1	4.3	4.7	4.0	3.9	3.6	-2.2
Coal, Coke & Briquettes, etc.	2.0	3.1	4.0	4.7	6.9	5.8	4.3	3.6	1.6
Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**0.0**

Source: RBI, MoSPI
Note: The commodity composition has been derived based on matching RBI classification for old and new items. *Corresponding numbers for transport equipment and non-ferrous metals for FY01 are not available.

A similar analysis is undertaken for India's services imports. **Table 4** shows that considering FY26, the highest share in total service imports relates to 'other business services[5]' at 34.0% followed by travel, transport and telecommunications et. al. with shares at 17.5%, 16.4%, and 13.3%, respectively. Among these four sectors, there are two sectors where the share has gone up in FY26, namely telecommunications et. al. and 'other business services' by 9.1% points and 0.9% points from their respective levels in FY12. It may be noted that dependence on import of financial services has come down by (-)8.9% points in total service imports.

Table 4: Trends in composition of services imports

Item	FY12	FY16	FY20	FY23	FY24	FY25	FY26	FY26 minus FY12
	% share							% points
Other business services	33.1	36.7	36.5	32.8	33.3	33.5	34.0	*0.9*
Travel	17.9	17.5	17.2	15.6	18.9	17.5	17.5	*-0.4*
Transport	21.4	17.8	18.9	22.3	16.4	17.6	16.4	*-5.0*
Telecommunications, IT, etc.	4.2	4.8	8.0	10.9	11.7	12.2	13.3	*9.1*
Charges for use of intellectual property n.i.e.	4.2	5.8	6.0	5.8	8.4	8.7	9.1	*4.9*
Personal, cultural, and recreational services	0.4	1.4	2.4	3.0	3.5	2.9	2.6	*2.2*
Construction	1.3	1.1	2.1	1.6	1.6	1.6	1.7	*0.4*
Financial services	10.4	3.7	2.3	3.1	2.6	2.0	1.5	*-8.9*
Others	7.1	11.1	6.5	4.9	3.6	3.9	3.9	*-3.3*
Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**	***0.0***

Source: RBI, MoSPI

[4] See 'Technical Appendix' for a discussion on the trends in commodity-concentration estimated using Hirshman Herfindahl Index (HHI).
[5] 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.

5.5 Key sources for India's merchandise imports

The main countries from which India's merchandise imports are sourced include China, UAE, Russia, the US, Saudi Arabia and Iraq. Dependence on China has increased over time from 3.0% in FY01 to 17.0% in FY26, an increase of 14.0% points (**Table 5**). India's oil imports come from countries other than China such as UAE, Russia, the US, Saudi Arabia and Iraq. India's non-oil imports come mainly from China.

Table 5: Trends in country-wise source of merchandise imports (% share)

Country	FY01	FY10	FY15	FY20	FY23	FY24	FY25	FY26	FY26 minus FY01
	% share								% points
Top 6 countries of which:	***12.5***	***32.8***	***34.6***	***29.8***	***45.4***	***46.4***	***47.9***	***46.4***	***33.8***
China	3.0	10.7	13.5	13.7	13.8	15.0	15.7	17.0	*14.0*
UAE	1.3	6.7	5.8	6.4	7.4	7.1	8.8	8.2	*6.9*
Russia	1.0	1.2	0.9	1.5	6.5	9.0	8.8	7.1	*6.1*
US	6.0	5.9	4.9	7.5	7.1	6.2	6.3	6.9	*0.9*
Saudi Arabia	1.2	5.9	6.3	5.7	5.9	4.6	4.2	4.0	*2.7*
Iraq	0.0	2.4	3.2	5.0	4.8	4.4	4.0	3.2	*3.2*
Others	87.5	67.2	65.4	60.2	54.6	53.6	52.1	53.6	*-33.8*
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	***0.0***

Source: RBI, Ministry of Commerce and Industry

The commodity composition of imports (**Table 6**) from China indicates the importance of electronic goods, followed by machinery and chemicals. Other key imports from China include artificial resins, plastic materials, transport equipment, non-ferrous metals, and iron and steel. In comparison, UAE is one of the main sources for imported crude and petroleum products followed by gold and pearls and precious/semi-precious stones. Russia overwhelmingly serves as a source of crude oil imports for India.

This analysis may be viewed together with India's evolving export profile discussed in the July 2026 issue of EY Economy Watch[6]. Several of India's high-growth export sectors such as electronics, engineering goods, chemicals and refined petroleum products rely on imported components like machinery, crude oil and industrial inputs. While import substitution may be focused on reducing supply side shocks, growth would be best supported by export promotion relying on increased domestic value addition.

Table 6: Trends in country-wise and commodity-wise source of merchandise imports

	FY20	FY21	FY22	FY23	FY24	FY25	FY26
China							
Electronic goods	34.0	37.0	37.9	32.4	34.7	37.0	37.4
Machinery, electrical and non-electrical	17.5	15.8	14.4	16.2	16.8	17.8	18.6
Organic and inorganic chemicals	7.5	8.8	9.0	9.5	6.7	6.7	6.2
Others	41.0	38.4	38.7	41.9	41.8	38.5	37.8
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
UAE							
Petroleum, crude and products	50.6	44.2	45.0	50.8	36.7	38.1	36.7
Gold	9.5	15.8	13.0	5.8	15.3	26.6	24.0
Pearls, precious and semi-precious stones	17.6	19.2	22.1	19.1	20.0	12.1	13.4
Others	22.3	20.8	19.9	24.3	28.0	23.2	25.9
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Russia							
Petroleum, crude and products	31.0	26.8	36.9	73.5	82.5	83.8	80.2
Coal, coke and briquettes, etc.	14.3	11.8	16.3	10.5	6.2	5.3	6.2
Fertilisers, crude and manufactured	7.3	10.9	7.8	6.6	3.4	2.9	5.6
Others	47.4	50.5	39.0	9.4	7.9	8.0	8.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Ministry of Commerce and Industry, GoI

[6] https://www.ey.com/content/dam/ey-unified-site/ey-com/en-in/insights/tax/economy-watch/documents/2026/07/ey-economy-watch-monitoring-india-s-macro-fiscal-performance-july-2026.pdf

The share of just one commodity group – petroleum crude and products – is currently 22.4% of total imports indicating commodity concentration. The redeeming feature is that sources of crude imports are progressively getting diversified. On the other hand, within non-oil imports, which accounts for the balance of 77.6%, there is considerable concentration of the source countries dominated by China. These commodities require import substitution as well as source diversification. India may also endeavor to promote trade with China in terms of local currencies, at least partially.

Table 7 shows that compared to average growth of merchandise imports over FY01-26 of 11.5%, imports from China grew at a CAGR of 19.6%, which consisted mainly of non-oil imports. In contrast, imports from UAE, Russia, the US, Saudi Arabia and Iraq grew at CAGRs of 20.1%, 20.6%, 12.2%, 16.9% and 38.7%, respectively.

Table 7: Source-wise CAGR of Indian merchandise imports: FY01-26 (%)

Country	FY01	FY10	FY15	FY20	FY23	FY24	FY25	FY26	CAGR (FY01-26)
	US$ billion								%
China	1.5	30.8	60.4	65.3	98.5	101.7	113.4	131.6	19.6
UAE	0.7	19.3	26.1	30.3	53.2	48.0	63.4	63.9	20.1
Russia	0.5	3.6	4.2	7.1	46.2	61.2	63.8	55.4	20.6
US	3.0	17.0	21.8	35.8	50.9	42.2	45.6	53.5	12.2
Saudi Arabia	0.6	17.0	28.1	26.9	42.0	31.4	30.1	30.8	16.9
Iraq	0.0	7.0	14.2	23.7	34.4	30.0	28.9	24.6	38.7
Others	44.2	193.7	293.1	285.7	390.7	363.6	375.9	416.3	9.4
Total	**50.5**	**288.4**	**448.0**	**474.7**	**716.0**	**678.1**	**721.2**	**776.0**	**11.5**

Source: RBI

5.6 India's import substitution strategy

The GoI has recently signaled a renewed and more targeted import substitution strategy as part of its broader Aatmanirbhar Bharat agenda. At the July 2026 Board of Trade meeting, the sixth point of the seven-point action agenda focused specifically on import substitution, with the Union Commerce and Industry Minister urging states and industry to identify products that are presently imported but can be competitively manufactured within India[7]. The objective is to reduce import dependence, conserve foreign exchange, strengthen domestic supply chains and mitigate vulnerabilities arising from excessive reliance on foreign suppliers. The GoI also emphasized that import substitution and export promotion are complementary strategies for enhancing India's industrial competitiveness.

In line with this approach, as per available information from leading media dailies[8], the GoI has prepared a joint strategy with states to substitute imports worth approximately US$189 billion through targeted domestic manufacturing of 1,272 products across sectors such as chemicals, electronics, machinery and specialty steel. These products each account for annual imports exceeding US$50 million and are either not produced domestically or are manufactured in insufficient quantities. According to the GoI's assessment, about 26% of India's FY26 import basket is realistically amenable to import substitution. The initiative focuses on product-level interventions rather than broad-based protectionist measures, with identified opportunities concentrated in major import categories such as electronics goods, machinery, chemicals and specialized industrial inputs. To support implementation, states have been encouraged to develop sector-specific manufacturing clusters, streamline regulatory approvals through single-window systems, and provide fiscal incentives to foster domestic production ecosystems.

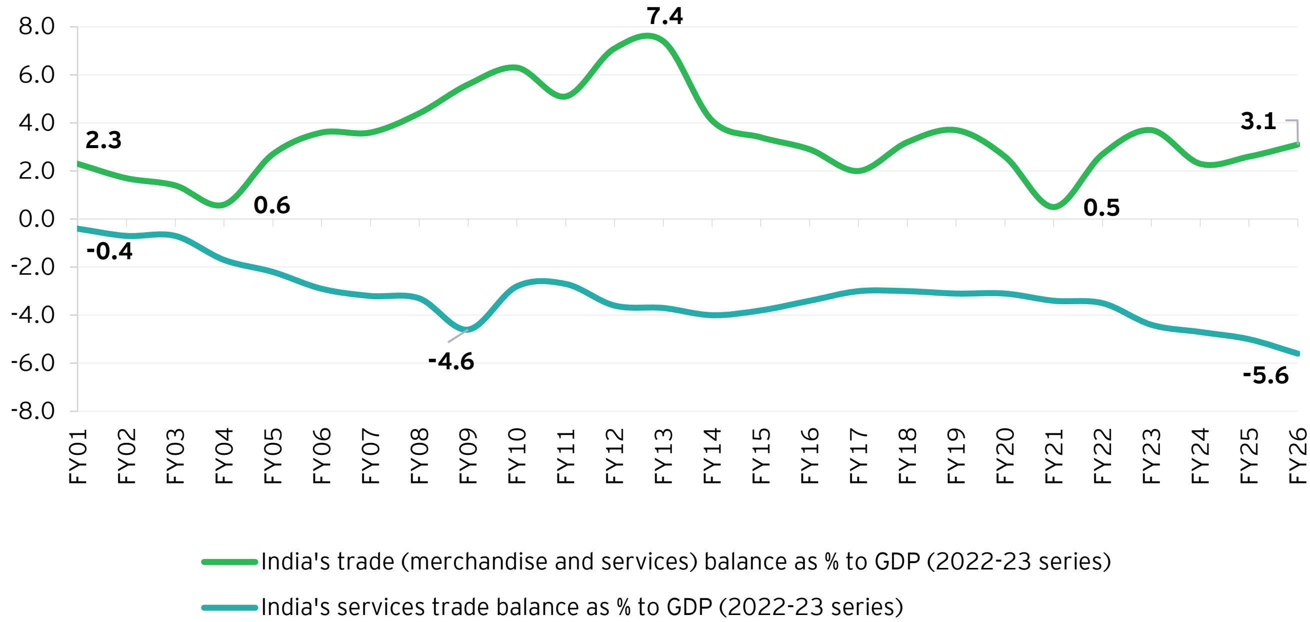
In the context of import substitution, a distinction may be made between (a) resource-based imports such as crude oil and gold, (b) capital goods imports such as machinery, (c) intermediate inputs used in domestic

[7] https://www.pib.gov.in/PressReleasePage.aspx?PRID=2280927&reg=48&lang=1
[8] https://www.business-standard.com/economy/news/govt-plans-to-replace-189-bn-of-imports-through-domestic-manufacturing-126071601275_1.html

manufacturing and exports, and (d) consumption-oriented imports. While crude oil, coking coal and several minerals are constrained by domestic resource availability, especially in the near term, sectors such as electronics, machinery, chemicals and specialized industrial inputs are sectors where investment and manufacturing within India may be aggressively promoted with a view to reducing import dependence, increasing domestic value added and generating employment within India[9]. These sectors are also crucial for enhancing India's technological capabilities.

Recent initiatives undertaken by India in this context include India Semiconductor Mission (ISM), Semicon 2.0[10], Electronics Components Manufacturing Scheme (ECMS) and Mobile Phone PLI[11], Samudra Manthan (National Offshore Exploration Scheme)[12], and National Investment Policy for Urea-2026 (NIPU-2026) for Aatmanirbhar Bharat[13]. Samudra Manthan is an ambitious scheme to extensively explore offshore oil and gas with a view to expanding domestic hydrocarbon reserves as also rare earth minerals. The scheme will utilize seismic surveys, deep-water drilling and creation of offshore infrastructure, thereby reducing vulnerability arising from heavy dependence on imported crude oil. In July 2026, the cabinet approved an outlay of INR84,084 crore for implementation of this scheme up to FY31.

Chart 11: India's trade balance ((+)deficit/(-)surplus) as % to nominal GDP (2022–23 spliced series)



Source: RBI, MoSPI

Chart 11 shows the time profile of India's trade imbalance covering both goods and services relative to GDP at current prices (2022–23 spliced series). There are two distinct parts in this profile. Initially, from FY04 to FY13, the trade imbalance relative to GDP progressively increased from 0.6% to 7.4%. From FY13 to FY21 there was a persistent fall in this ratio. This pattern largely reflects the movement of crude prices which had reached a peak in FY13 after which they moderated. The trade surplus on account of services helps to mitigate the trade deficit on account of goods. This surplus has increased over time relative to GDP, rising from a near zero level in FY01 to a peak of 5.6% in FY26. A combination of benign crude prices and service sector trade surplus can bring India's trade imbalance to close to zero.

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[9] https://www.niti.gov.in/sites/default/files/2026-08/Key-Sectors-to-Position-India-as-a-Global-Manufacturing-Hub.pdf
[10] https://www.pib.gov.in/PressReleasePage.aspx?PRID=2224839&reg=3&lang=1
[11] https://www.pib.gov.in/PressReleasePage.aspx?PRID=2183028&reg=48&lang=2
[12] https://www.pib.gov.in/PressReleasePage.aspx?PRID=2292445&reg=48&lang=1; https://www.pib.gov.in/PressReleasePage.aspx?PRID=2292841&reg=3&lang=1
[13] https://www.pib.gov.in/PressReleasePage.aspx?PRID=2284800&reg=3&lang=1; https://fert.gov.in/sites/default/files/NIPU%202026.pdf

5.7 Concluding observations

India's imports covering both goods and services amounted to US$0.99 trillion in FY26, close to the US$1 trillion benchmark. However, as percent of GDP, after reaching a peak of nearly 33% in FY12 and FY13, it has fallen to close to 25% in FY26. This reflects a reduction in the degree of import dependence and success of import substitution. Between imports of goods and imports of services, the share of goods imports is much larger than that of services. In terms of both commodities and sources, there is considerable concentration in India's imports. To achieve a better profile of trade balance, Indian policy makers have embarked upon a policy of targeted import substitution in terms of identified items whose contribution is targeted to amount to US$189 billion in terms of savings in import costs. Just four commodities – crude, electronic goods, gold and machinery – accounted for 46%-55% of total merchandise imports. Similarly, six countries accounted for little less than 50% of total merchandise imports. These countries are China for non-oil imports and UAE, Russia, Saudi Arabia and Iraq for oil imports. US supplies both oil and non-oil products to India.

Going forward, reducing India's import dependence on crude oil may take longer but its import dependence on electronic components, API for pharmaceuticals, critical minerals and advance manufacturing inputs may be pursued at a much faster pace through suitable policies and additional investment, emphasis on R&D, etc. Given the large share of China in India's non-oil imports, India could consider promoting trade with China in terms of local currencies, at least partially.

Although the trade imbalance considering goods and services together has been quite large, peaking in FY13 at more than 7% of GDP, this imbalance has fallen since then to less than 3% of GDP. Services sector trade surplus and benign oil prices can lead to India reaching a position of near balance on its trade account.

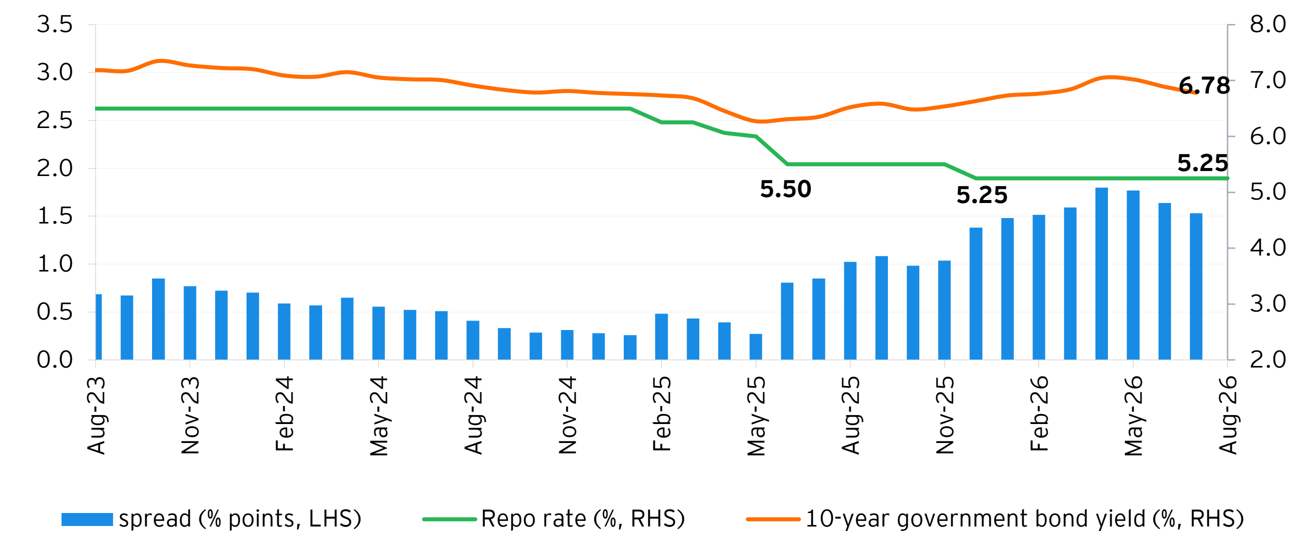
Money and finance: RBI retained the repo rate at 5.25% in August 2026 monetary policy review

6.1 Monetary sector

Monetary policy

- The RBI's MPC unanimously kept the repo rate unchanged at 5.25% in its August 2026 monetary policy review while retaining the neutral stance. Thus, the MPC has now maintained the policy rate at this level through four consecutive policy reviews since the December 2025 rate reduction (**Chart 12**).
- Although CPI inflation is projected to increase to 5.0% in FY27, the RBI assessed that the recent rise in inflation is primarily driven by food and fuel prices and has not become broad-based. With real GDP growth projected at 6.7% in FY27 and risks emanating from monsoon conditions, geopolitical developments and global trade uncertainties, the MPC chose to await greater clarity on the inflation outlook before considering any further policy action.

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)[14] increased to a four-month high of 14.7% in July 2026, from 13.0% in June 2026, led by strong growth in both narrow money (M1) and time deposits.
- Growth in M1 rose to 15.5% in July 2026, its highest level since April 2026, compared to 13.8% in June 2026. This was supported by a sharp increase in the growth of demand deposits to 18.8% in July 2026, from 14.9% in June 2026. Growth of currency with the public remained broadly stable at 12.9% in July 2026, close to its level of 12.8% in June 2026.

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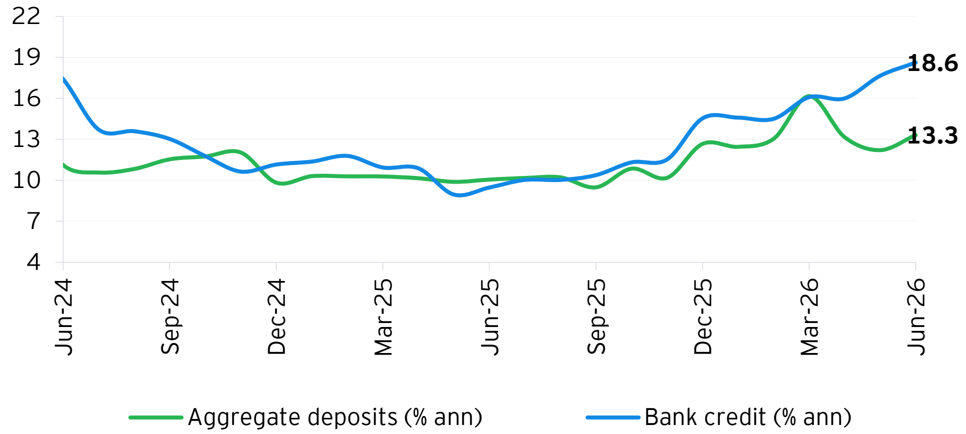
[14] The RBI has stopped reporting data on '*Money Stock: components and sources*' excluding the impact of merger of a non-bank with bank from 11-July-2025. Therefore, we have used M3 data that includes the impact of merger of a non-bank with a bank as reported by the RBI.

- Time deposits, the largest component of M3, also showed a stronger growth of 14.5% in July 2026, compared to 12.7% in June 2026.

Aggregate credit and deposits

- Growth in gross bank credit accelerated to a 25-month high of 18.6% in June 2026, up from 17.7% in May 2026, driven by robust credit expansion across key sectors of the economy **(Chart 13).** In 1QFY27, gross bank credit posted an average growth of 17.4%, its highest level since 1QFY25.
- Non-food credit growth also was at a 25-month high of 18.3% in June 2026, increasing from 17.4% in May 2026.

Chart 13: Growth in credit and deposits



Source: Database on Indian Economy, RBI

Gross bank credit growth strengthened to a 25-month high of 18.6% in June 2026, up from 17.7% in May 2026, primarily on account of robust credit growth in key sectors of the 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), continued to grow at a healthy pace of 21.4% in June 2026 compared to 20.4% in May 2026.
- Growth in personal loans (share of 31.5% in total non-food credit), continued to remain strong, improving to 15.8% in June 2026 from 15.4% in May 2026. Among its key sub-components, growth in vehicle loans posted a stable growth of 17.3% in May and June 2026 while housing loans posted a near stable growth of 11.0% in June 2026 close to 10.9% in May 2026. Advances against fixed deposits showed a strong growth of 11.2% in June 2026 compared to 8.1% in May 2026. Loans for consumer durables, however, contracted for the eighth successive month, although at a slower pace of (-)0.6% in June 2026 compared to (-)2.6% in May 2026.
- Outstanding credit to industries, having a share of about 23.4%, on average, in total non-food credit (last five years), grew by 19.2% in June 2026, its fastest pace since November 2012, increasing from 17.5% in May 2026.
- Among major segments within industrial credit, credit to chemical and chemical products showed the strongest growth of 21.3% in June 2026, increasing from 19.4% in May 2026. Growth in credit to cement and cement products was also higher at 16.5% in June 2026 compared to 15.4% in May 2026. Similarly, growth in credit to textiles at 11.4% in June 2026 was higher than 10.3% in May 2026.
- Credit to the agricultural sector was at 16.8% in June 2026, its highest level since August 2024, increasing from 14.9% in May 2026.
- Growth in other non-food credit, i.e., non-food credit excluding credit to agriculture, industry, services and personal loans, was marginally lower at 18.0% in June 2026 compared to 19.2% in May 2026.
- Growth in aggregate deposits increased to 13.3% in June 2026 from 12.2% in May 2026. Growth in aggregate deposits averaged lower at 12.9% in 1QFY27 compared to 13.9% in 4QFY26.

6.2 Financial sector

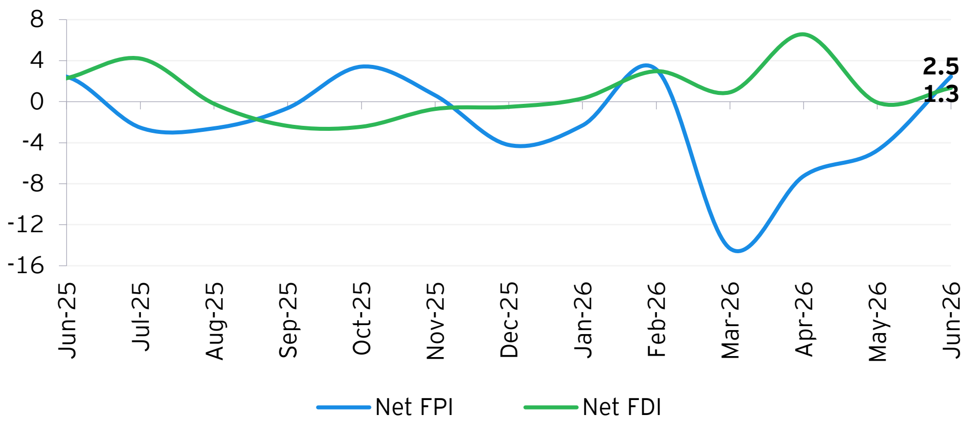
Interest rates

- As per the data released by the RBI, the yield on 10-year government bonds (benchmark) averaged 6.78% in July 2026, its lowest since February 2026, falling from 6.89% in June 2026 **(Chart 12)**.
- The average interest rate on term deposits with a maturity period of more than one year was marginally higher at 6.37% in July 2026 compared to 6.33% in June 2026, with actual rates ranging between 6.00% and 6.74%.
- The average MCLR increased for the second straight month to 7.90% in July 2026 from 7.88% in June 2026, with the actual MCLR ranging between 7.80% and 8.00% during the month.
- WALR on 'Fresh Rupee Loans' (FRL) by SCBs, for which the latest available data pertains to June 2026, increased marginally for the third successive month to 8.53% in June 2026, its seven-month high, compared to 8.51% in May 2026. In 1QFY27, WALR averaged higher at 8.51% compared to 8.44% in 4QFY26.

FDI and FPI

- As per provisional data released by the RBI on 25 August 2026, overall foreign investment (FIs) turned positive with inflows amounting to US$3.8 billion in June 2026 as compared to outflows amounting to US$4.8 billion in May 2026.

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



Net FDI and FPI turned positive, with inflows amounting to US$1.3 billion and US$2.5 billion respectively in June 2026 as compared to outflows of US$0.1 and US$4.7 billion in May 2026.

Source: Database on Indian Economy, RBI

- Net FDI inflows amounted to US$1.3 billion in June 2026 as compared to outflows of US$0.1 billion in May 2026. During April-June FY27, net FDI inflows were higher at US$7.8 billion, compared with US$4.2 billion during the corresponding period of FY26.
- Following three successive months of outflows, net FPIs turned positive with inflows amounting to US$2.5 billion in June 2026 as compared to outflows of US$4.7 billion in May 2026 (**Chart 14**). On a cumulative basis, net FPI outflows continued to remain elevated at US$9.6 billion during 1QFY27, although lower as compared with outflows of US$13.5 billion during the corresponding quarter of FY26.
- Gross FDI inflows at US$9.3 billion in June 2026 was higher as compared to US$6.1 billion in May 2026. Outflows on account of repatriation/disinvestment were at a six-month high of US$5.8 billion in June 2026 as compared to US$3.7 billion in May 2026. FDI by India was marginally lower at US$2.1 billion in June 2026 as compared to US$2.4 billion in May 2026. On a cumulative basis, gross FDI inflows during April-June FY27 stood at US$30.7 billion, their highest level since FY12, when monthly data reporting began.

Trade and CAB: Merchandise exports growth accelerated to 19.6% in July 2026

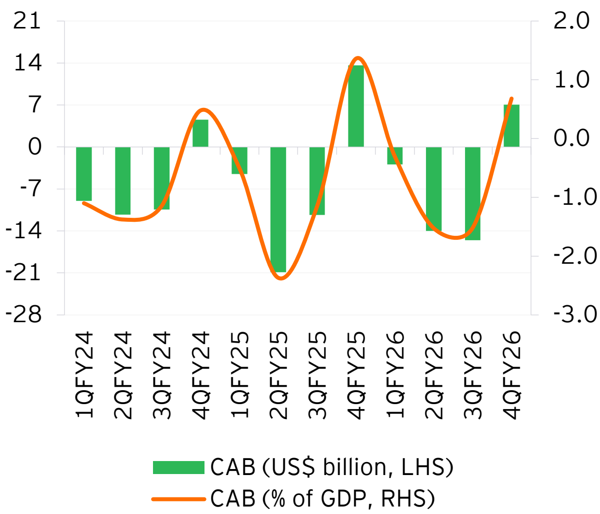
7.1 Current account balance turned into a surplus in 4QFY26

- 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.
- Monthly balance of payments data released by the RBI indicate a modest widening of the current account deficit (CAD) in US dollar terms in 1QFY27 compared with the corresponding period a year ago. The CAD increased by US$0.6 billion, driven entirely by a substantial US$17.1 billion expansion in the merchandise trade deficit. This deterioration was, however, largely offset by: (i) a higher services surplus (US$4.3 billion), (ii) an increase in net transfers (US$10.7 billion), and (iii) a lower net income deficit (US$1.7 billion).

7.2 Merchandise trade and exchange rates

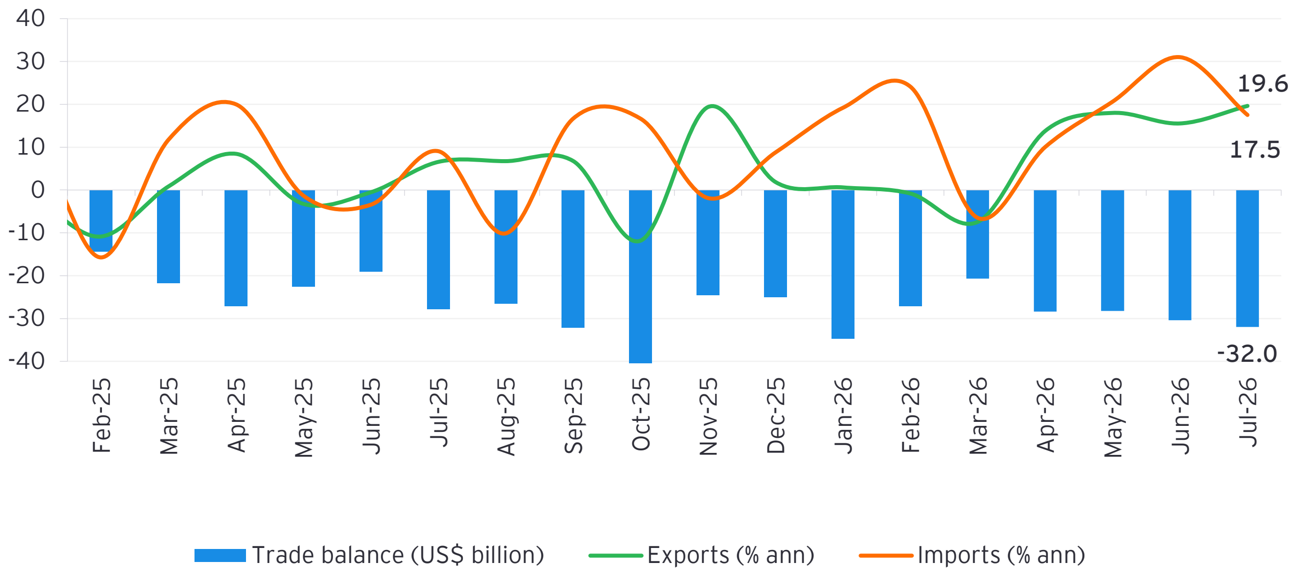
- Merchandise exports growth accelerated to 19.6% in July 2026 from 15.5% in June 2026, led by exports of petroleum products, electronic goods and engineering goods. Merchandise imports growth remained elevated at 17.5%, although moderating from 31.0% over the same period, supported by electronic goods, crude petroleum and coal imports.
- Exports of petroleum products grew by 67.6% in July 2026 compared to 9.2% in June 2026, providing a significant push to overall merchandise export growth.
- Electronic goods exports accelerated sharply to 57.4% in July 2026 from 18.9% in June 2026, while imports of electronic goods remained elevated at 46.0%, although moderating from 58.8% in June 2026. The continued strength in both exports and imports highlights the growing importance of electronics in India's trade basket.

Merchandise exports growth accelerated to 19.6% in July 2026 from 15.5% in June 2026, led by petroleum products, electronic goods and engineering goods while merchandise imports growth was high at 17.5%, although easing from 31.0% over the same period.

- Growth in engineering goods exports remained robust at 17.7% in July 2026, marginally lower than 20.7% in June 2026. Engineering goods continued to remain India's largest export category and a key driver of its growth.
- Gold imports growth moderated to a four-month low of 4.8% in July 2026, while silver imports contracted by (-)66.1% following a contraction of (-)73.6% in June 2026. Together, these developments contributed to softer growth in imports of precious metals influenced partly by the increase in customs duty tariff on gold and silver.
- Reflecting weaker imports of precious metals, gems and jewelry exports contracted by (-)2.7% in July 2026 after registering a growth of 34.6% in June 2026.
- Growth in imports of coal, coke and briquettes increased to 29.0% in July 2026 from 16.6% in June 2026, indicating continued strength in domestic demand for energy-related imports.
- Growth in exports excluding petroleum products, coal, gold, silver and gems and jewelry remained resilient at 14.9% in July 2026, broadly similar to the previous month's level at 15.3%. Corresponding imports growth remained strong at 19.8%, although moderating from 32.4% over the same period.
- Exports to the US grew by 12.9% in July 2026 after contracting by (-)1.2% in June 2026. Among major export destinations, growth remained particularly strong for Tanzania (131.2%), Sri Lanka (111.8%), Singapore (97.1%), Malaysia (73.9%), South Africa (69.8%) and China (36.0%) during April–July 2026, highlighting continued export diversification across several emerging and Asian markets.
- On the import side, imports from the US and Russia increased by 22.4% and 59.6%, respectively, during April–July 2026.
- Merchandise trade deficit widened for the second successive month to a six-month high of US$32.0 billion in July 2026 from US$30.4 billion in June 2026.
- Services trade surplus increased to US$17.9 billion in June 2026 from US$15.7 billion in May 2026 as services exports growth outpaced that of services imports.

- The combined goods and services trade deficit remained at US$12.5 billion in June 2026, unchanged from May 2026, as the increase in the services trade surplus offset the widening of the merchandise trade deficit.
- The Indian rupee depreciated on average to INR95.8/US$ in July 2026 from INR95.0/US$ in June 2026, reflecting continued pressures from global financial and trade developments.

Chart 16: Developments in merchandise trade



Source: Ministry of Commerce and Industry, GoI

Global growth: IMF projected global growth at 3.0% in 2026 and 3.4% in 2027

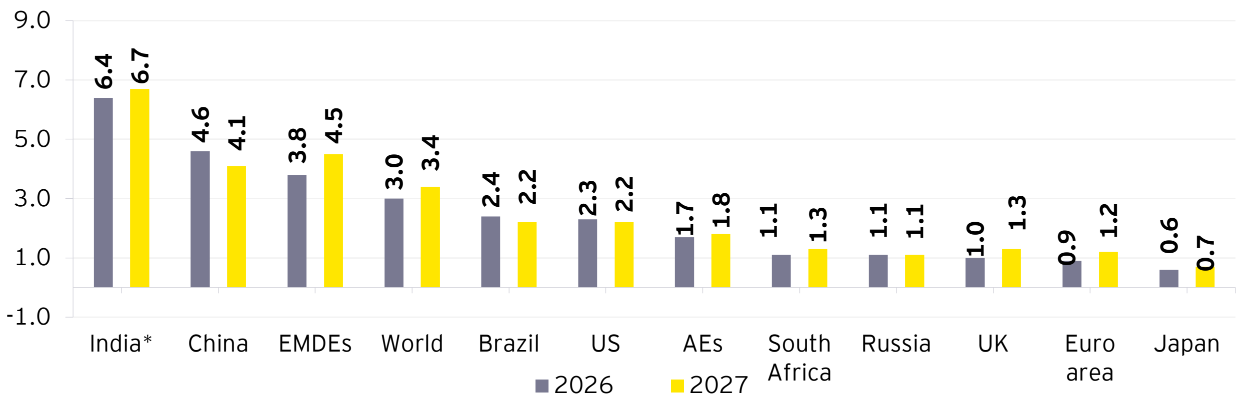
8.1 Global growth outlook

- As per the IMF (World Economic Outlook Update, July 2026), global growth is projected to slow from 3.5% in 2025 to 3% in 2026 before recovering to 3.4% in 2027 **(Chart 17).**
- Advanced economies (AEs) are projected to grow modestly at 1.7% in 2026 and 1.8% in 2027, with stronger outcomes in net energy-exporting countries benefiting from favorable terms of trade, while net energy importers face greater pressures from higher energy prices unless supported by technology-driven activity.
- In the US, growth is projected at 2.3% in 2026 and 2.2% in 2027. Economic activity is expected to be supported by fiscal policy, accommodative financial conditions, and continued technology-related business investment and productivity strength, with only limited impact from the West Asian crisis given the country's net energy exporter status.

The IMF has projected global growth at 3.0% in 2026 and 3.4% in 2027 with India's FY27 and FY28 growth rates forecasted at 6.4% and 6.7%, respectively.

- Euro area growth is projected at 0.9% in 2026 and 1.2% in 2027, constrained by soft economic momentum, higher energy prices despite fiscal support measures, and weak consumer confidence.
- In the UK, growth is projected to fall to 1.0% in 2026 before recovering to 1.3% in 2027 as the energy shock fades.
- Growth in Japan is projected to slow to 0.6% in 2026, with fiscal support measures partly cushioning the impact from higher energy prices, and recover slightly to 0.7% in 2027 as the energy shock dissipates.

Chart 17: Growth projections (% annual)



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

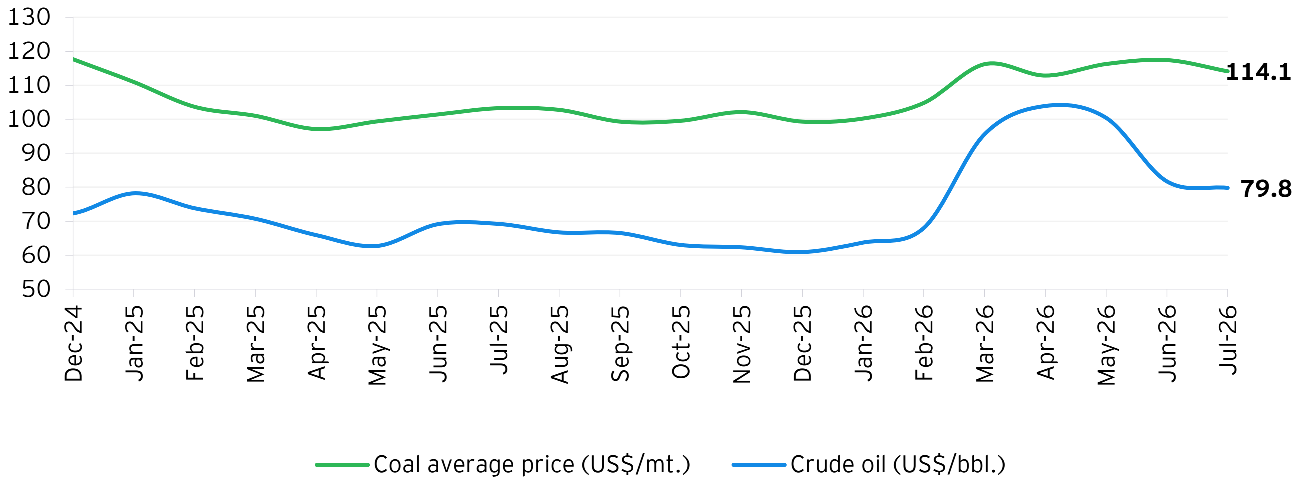
- In EMDEs, growth is projected to slow to 3.8% in 2026 before recovering to 4.5% in 2027. However, there is a large heterogeneity in country-specific forecasts, reflecting differences in commodity dependence, geographic exposure, remittances and tourism receipts, sensitivity to financial conditions, and position in the global technology value chain.

- China's 2026 growth is projected to slow to 4.6%, as higher global oil prices, together with protracted uncertainty and structural headwinds, are expected to weigh on activity.
- India remains among the fastest-growing major economies, with growth projected at 6.4%, supported by strong momentum in private consumption and services activity.
- As per the IMF, South Africa's growth outlook is expected to remain stable in the near term and continue to improve on the back of strengthened policy frameworks and ongoing structural reforms. Growth is forecasted to be 1.1% in 2026, same as that in 2025 and improve marginally to 1.3% in 2027.
- Growth in Brazil is expected to remain resilient at 2.4% in 2026 but slow somewhat next year.
- Stronger export revenues, in part because of higher commodity prices, are expected to provide partial relief to the economy in Russia, maintaining a growth rate of 1.1% in both 2026 and 2027.

8.2 Global energy prices: Global crude price fell to a five-month low of US$79.8/bbl. in July 2026

- Average global crude price[15] fell for the third consecutive month in July 2026 to a five-month low of US$79.8/bbl. (**Chart 18**) owing to easing geopolitical tensions[16]. More recently, however, global brent price increased sharply to US$90.8/bbl. during the first 18 days of August 2026 owing to renewed supply disruptions.
- Average global coal price[17] remained high at US$114.1/mt. in July 2026 compared to US$117.4/mt. in June 2026 amid geopolitical tensions and stronger summer demand[18].

Chart 18: Global crude and coal prices



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

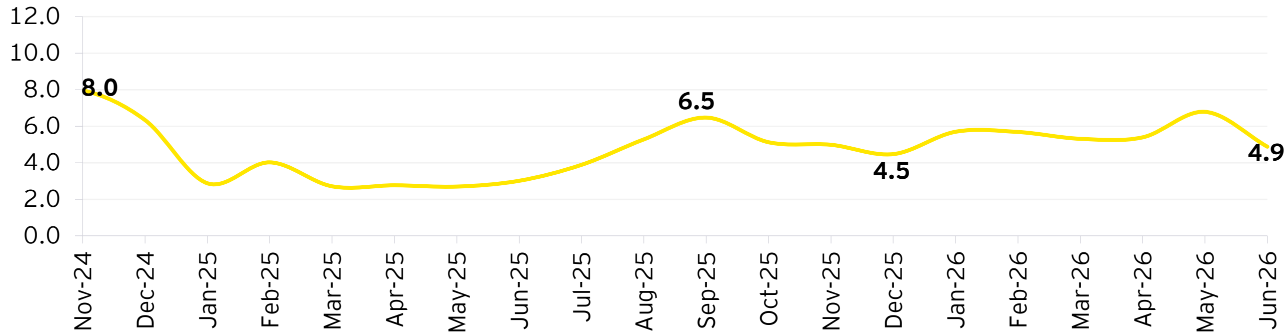
[15] Simple average of three spot prices, namely, Dated Brent, West Texas Intermediate and Dubai Fateh
[16] https://www.ecb.europa.eu/press/blog/date/2026/html/ecb.blog20260727~1212bdb8f9.en.html
[17] Simple average of Australian and South African coal prices.
[18] https://thecoalhub.com/global-coal-prices-rise-amid-geopolitical-tensions-and-stronger-summer-demand.html

Monthly Index of Aggregate Demand (IAD): Growth moderated to 4.9% in June 2026

9.1 IAD showed a lower growth of 4.9% in June 2026

- Indicating a softer pace of expansion in demand, growth in IAD[19] fell to a six-month low of 4.9% in June 2026 from 6.8% in May 2026 **(Chart 19 and Table 9).** Easing demand conditions in both manufacturing and services more than offset the improvement in demand conditions in agricultural sector.
- Demand conditions in the agricultural sector remained robust and improved further during the month, as reflected by a higher agricultural credit growth of 16.7% in June 2026, its strongest performance since August 2024, increasing from 15.0% in May 2026.
- Demand conditions in the manufacturing sector moderated in June 2026, with PMI manufacturing easing to 54.2 from 55.0 in May 2026, although it remained well above the threshold of 50, indicating continued expansion in manufacturing activity.
- The services sector also saw some easing in demand conditions during the month, as PMI services moderated to 57.4 in June 2026 from 59.8 in May 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	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26
IAD	189.1	189.1	188.6	190.0	192.0	191.9	193.3	195.7	194.8
Growth (% y-o-y)	5.1	5.0	4.5	5.7	5.7	5.3	5.4	6.8	4.9
Growth in agr. credit	9.1	8.8	12.0	11.3	12.4	15.4	13.8	15.0	16.7
Mfg. PMI*	9.2	6.6	5.0	5.4	6.9	3.9	4.7	5.0	4.2
Ser. PMI*	8.9	9.8	8.0	8.5	8.1	7.5	8.8	9.8	7.4

Source (Basic data): S&P - IHS Markit PMI, RBI and EY estimates *Values above (+) or below (-) benchmark value of 50 are given.

[19] 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.

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)							Index	
FY23	NA	NA	NA	NA	NA	NA	FY23	55.6	57.3
FY24	6.7	2.2	7.1	6.2	17.8	NA	FY24	57.2	60.3
FY25	6.4	2.8	6.3	9.5	11.9	4.3	FY25	57.4	59.2
FY26	4.3	3.7	4.9	1.1	6.4	3.0	FY26	57.3	59.4
2QFY26	5.4	14.0	4.7	3.7	6.9	4.2	2QFY26	58.7	61.4
3QFY26	4.3	2.2	5.2	-0.9	4.9	3.3	3QFY26	56.9	58.9
4QFY26	3.8	-1.8	4.7	2.7	5.7	3.7	4QFY26	55.4	58.0
1QFY27	5.7	-1.4	6.3	8.9	6.0	3.6	1QFY27	54.6	58.7
Mar-26	3.0	-2.6	4.0	0.8	6.4	2.9	Apr-26	54.7	58.8
Apr-26	4.9	-3.8	6.1	5.5	6.6	2.7	May-26	55.0	59.8
May-26	5.0	-1.4	5.2	11.2	5.5	3.2	Jun-26	54.2	57.4
Jun-26	7.3	1.0	7.8	9.8	6.1	5.0	Jul-26	53.5	53.3

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
1QFY27	3.9	4.5	1.8	2.0	9.4	4.7	7.3	27.7	7.5
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	9.9	4.6	7.7	30.8	7.9
Jun-26	4.4	5.1	2.0	4.3	9.9	6.1	7.5	27.4	7.5
Jul-26	4.4	5.2	2.2	4.4	9.8	6.6	8.3	20.0	8.2

Source: Office of the Economic Adviser, Ministry of Commerce and Industry and MoSPI
Note: CPI inflation is calculated on the basis of the 2024 base series that was released by the MoSPI in February 2026. Data for the CPI categories under the 2024 base series is not available for other months of the previous years and hence corresponding inflation estimates are unavailable.
#Housing and utilities include Housing, water, electricity, gas and other fuels; *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	
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
Jun-26	3.7	19.7	6.8	11.7	-7.6	18.2	0.4

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
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
Jun-26	80,614	561	-3,539	7	77,643

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
Sep-25	5.50	FY23	15.1	9.5	28.0	-5.2	FY23	6.9	9.0	7.35	578.4
Oct-25	5.50	FY24	18.6	13.0	10.2	44.1	FY24	7.3	11.6	7.16	645.6
Nov-25	5.50	FY25	13.6	11.3	1.0	3.6	FY25	7.9	9.4	6.88	665.4
Dec-25	5.25	FY26	11.9	11.3	6.9	-17.8	FY26	22.4	15.3	6.54	688.1
Jan-26	5.25	2QFY26	10.1	10.0	1.6	-5.7	2QFY26	11.4	9.2	6.49	700.2
Feb-26	5.25	3QFY26	12.5	11.2	-3.7	-0.2	3QFY26	17.4	12.1	6.55	696.6
Mar-26	5.25	4QFY26	15.1	13.9	4.2	-13.5	4QFY26	22.4	15.3	6.78	688.1
Apr-26	5.25	1QFY27	17.4	12.9	7.8	-9.6	1QFY27	13.8	13.0	6.99	666.9
May-26	5.25	Mar-26	16.1	16.2	0.9	-14.3	Apr-26	17.6	12.8	7.05	698.5
Jun-26	5.25	Apr-26	16.0	13.2	6.6	-7.3	May-26	11.9	12.0	7.02	682.3
Jul-26	5.25	May-26	17.7	12.2	-0.1	-4.7	Jun-26	13.8	13.0	6.89	666.9
Aug-26	5.25	Jun-26	18.6	13.3	1.3	2.5	Jul-26	15.5	14.7	6.78	692.9

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	6.7	4.4	-86.5	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
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
Jul-26	19.6	17.5	-32.0	95.8	79.8	114.1	Jul-26	100.9

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.

Technical appendix: In Focus section

The observed concentration in India's import basket and sourcing patterns is further examined here using the Hirschman- Herfindahl Index (HHI) [20], a standard measure of concentration. **Chart A1** the HHI measuring commodity concentration for merchandise imports[21] had comparatively higher values with a peak noted in FY14 after which the concentration index of merchandise imports fell to a level of 0.101 in FY26. This fall is mainly due to fall in the share of crude imports as commodity concentration index for non-crude merchandise imports (**Chart A2**) increased marginally although the overall value of the concentration index is much lower when it is calculated with respect to the 30-commodity category excluding crude.

Chart A1: HHI Commodity concentration index for merchandise imports (31 categories)

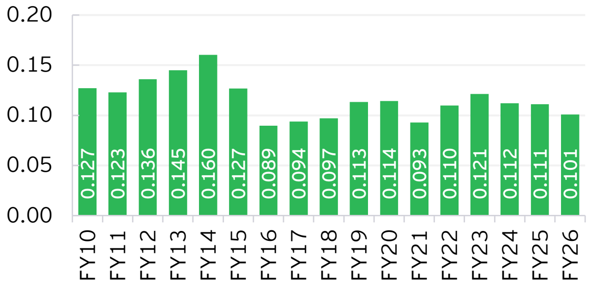
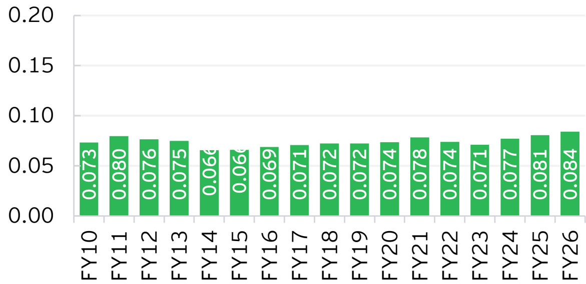


Chart A2: HHI Commodity concentration index for non-crude merchandise imports (30 categories)



Source: EY Estimates
Note: based on categorization as per quick estimates

We have also calculated concentration index with respect to source countries utilizing import data from 100 countries which accounted for 99.5% of total imports in FY26. **Chart A3** shows that the HHI index with respect to 100 countries increased over time from 0.04 to 0.058. Considering only crude imports (**Chart A4**), there was an increase over time, with the magnitude of the index remaining higher than that for all merchandise imports. In recent years, there has been a sharp increase in the concentration index with respect to crude imports in terms of source countries. This is particularly notable in FY24 and FY25. In these years, the magnitude of the index was 0.188 and 0.194 respectively.

Chart A3: HHI country concentration index for merchandise imports (100 countries)

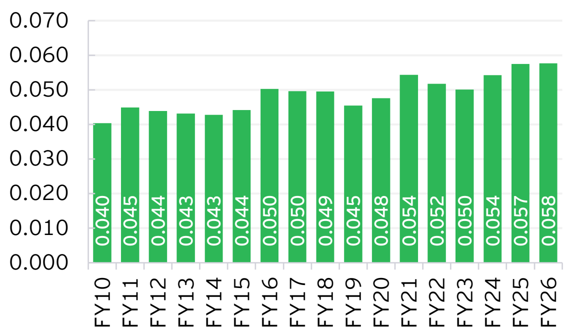
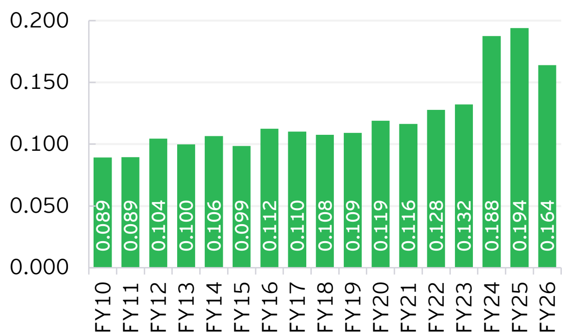


Chart A4: HHI Country concentration index for crude imports (84 countries)



Source: EY estimates

[20] Herfindahl-Hirschman Index (HHI): A commonly used measure of market concentration that indicates how concentrated a market, industry, import basket, or supplier base is. It is calculated by summing the squares of the market shares of all participants. A higher HHI indicates greater concentration and dependence on a few players, while a lower HHI reflects a more diversified and competitive structure.

[21] HHI for commodity concentration has been estimated using quick estimates monthly data released by Ministry of Commerce and Industry for 31 categories of goods.

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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