Enter

India Economic Pulse

Economic indicators and policy measures

September 2026

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Table of content

01 Executive summary

Executive summary

Global growth

Global growth is expected to moderate to 3.0% in 2026, from an average of 3.5% recorded over 2024–25. The impact of the conflict in the Middle East has been partially offset by strong AI-driven technology demand, especially for countries that are well integrated into the global technology value chain. However, persisting conflict and financial conditions like rising sovereign bond yields and inflation represent downside risks to the global growth outlook.

Indian economy

Despite the conflict in the Middle East, the Indian economy grew at a strong 7.8%

in the first quarter of the current fiscal, driven by both manufacturing and services sectors performance. The real Gross Value Added (GVA) rose 8.2% on the back of strong demand, pick-up in the capex cycle and swift policy response in minimizing the supply shock and absorbing the impact of the increase in petroleum product prices through excise duty cuts.

Consumption

Strong consumption, aided by GST rate rationalization and income tax rate cuts in 2025, helped drive India's economic growth. Several high-frequency indicators reflect this:

All segments of the automobile industry – cars, two-wheelers, tractors and commercial vehicles **recorded a growth of over 20% in the last quarter** reflecting strong rural and urban demand.

Consumer credit is up 16.2% as of end-July 2026 as against 11.9 % a year ago

Electricity consumption has grown at 10% in the current fiscal year

Gross GST revenues for the Center and States, excluding GST Compensation Cess, have risen by 11% during the period April to August 2026 vis-à-vis corresponding period in previous year

Executive summary

Strong capital spending

Gross Fixed Capital Formation grew

12% in Q1 of FY27, outpacing real GDP growth of 7.8%.

- Industrial credit is up 20% as of July 2026 vis-à-vis July 2025, a decadal high
- Cement and steel production in FY27 are up 9.9% and 4.6%, respectively, during the period April to July 2026, reflecting growth in infrastructure, and commercial and residential real estate

External sector

Gross Foreign Direct Investment (FDI) rose

15% to US$30.7 billion

(April–June FY27), against US$26.7 billion in the same period of the previous year. However, PE and VC funding during April to July has declined by 42%, which may reflect continued geopolitical uncertainty and depreciation of the Rupee in early part of the current fiscal year.

Indian Rupee has remained stable at around

INR95 to the US Dollar.

US$127 billion raised through Foreign Currency Non-Resident (FCNR) deposits should provide confidence to the markets and investors, while also supporting banking system liquidity. India's foreign exchange reserves stand at US$729 billion in August 2026.

A 30% increase in remittances, from US$30 billion to US$40 billion, together with continuing service export growth, has helped contain the current account deficit to around US$3 billion in Q1 of FY26, despite elevated petroleum prices.

India’s merchandise trade deficit increased 20% during the quarter.

While Foreign Portfolio Investment (FPI) flows have been negative for FY27 to date, they turned positive in July and August 2026.

The India UK Free Trade Agreement (FTA) became effective on 15 July 2026. This along with the finalization of the India-EU and other FTAs is likely to support India’s merchandise export growth.

Executive summary

Public finances

Even with the reduction in excise duties on petrol and diesel, the central government's gross tax revenues are up 11.4% aided by over 20% growth in both corporate and personal income tax collections in the first four months of FY27 vis-à-vis same period last fiscal.

A notable feature has been the year-to-date disinvestment proceeds of **INR55,700 crore**

against full-year FY26 collections of INR16,800 crore. The disinvestment proceeds in FY27 are higher than the full-year collections in the past five years.

Higher revenues have enabled the government to front-load capital expenditure during April to July FY27 (up 30% vis-à-vis the same period last year), while keeping the fiscal deficit in check so far. As of July 2026, fiscal deficit of the central government was 27% of the annual target and

2.8% less than the deficit in the previous year.

Areas requiring attention

India's non-oil merchandise trade deficit increased by 31% to reach US$70 billion during April–July 2026, against US$53 billion in the same period last year. Electronics imports, in particular, are up 44% and now the second largest import item after petroleum products. Trade deficit with China has increased 28% to reach US$45 billion in the period April to July 2026. This underscores the need for India to strengthen its manufacturing ecosystem and close the technology gap.

Wholesale inflation (WPI), at over 9%, needs to moderate, though consumer inflation (CPI) at 4.4% remains within the RBI's target band. The difference between the two is mainly because fuel duty cuts have helped keep fuel prices lower for consumers. Businesses and producers have absorbed more of the impact of higher global energy costs, reflected in wholesale and producer prices.

Executive summary

Policy response

Over the last one year, government announcements including the expanded

- Electronic Component Manufacturing Scheme
- Mobile Manufacturing PLI 2.0
- Semicon 2.0
- the Urea Policy, and Samudra Manthan

reflect a clear intent to strengthen economic resilience and reduce external sector risks over the medium term.

Outlook

India's growth story and economic fundamentals remain strong enough to support **a growth of near**

7% in FY27.

Continued momentum in capital spending, together with a strong consumption story, position India well.

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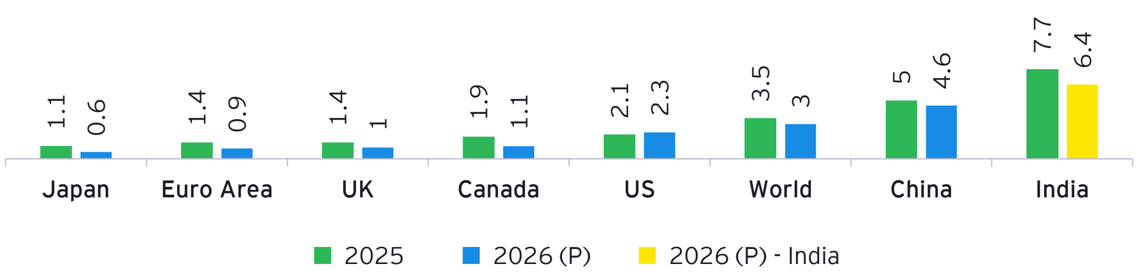
02

Key economic and fiscal indicators

While the global growth has come down marginally, uncertainties remain around rising yields on government securities and increased inflation on account of the Middle East conflict.

Growth in all major economies except the US is projected to fall in the year 2026.

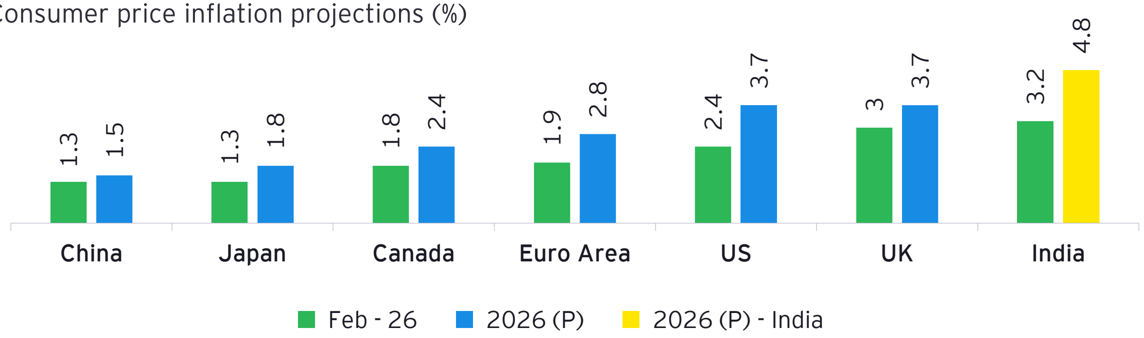
Global projections for real GDP growth (%)



Source: IMF World Economic Outlook, July 2026

Continued energy supply chain disruptions are expected to weigh on consumer inflation across key advanced economies in 2026.

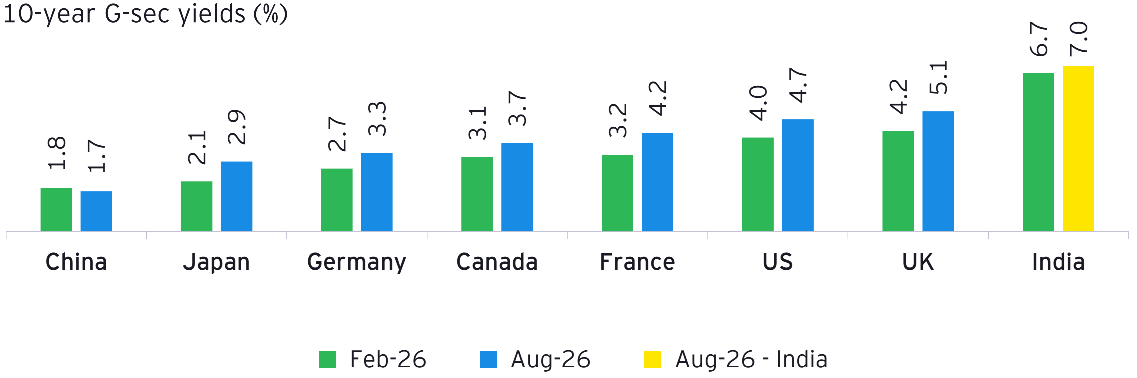
Consumer price inflation projections (%)



Source: FT inflation tracker (inflation in FY26) and OECD Economic Outlook (Inflation projections in 2026)

Except for China, bond yields have risen by typically 50-60 basis points across major economies.

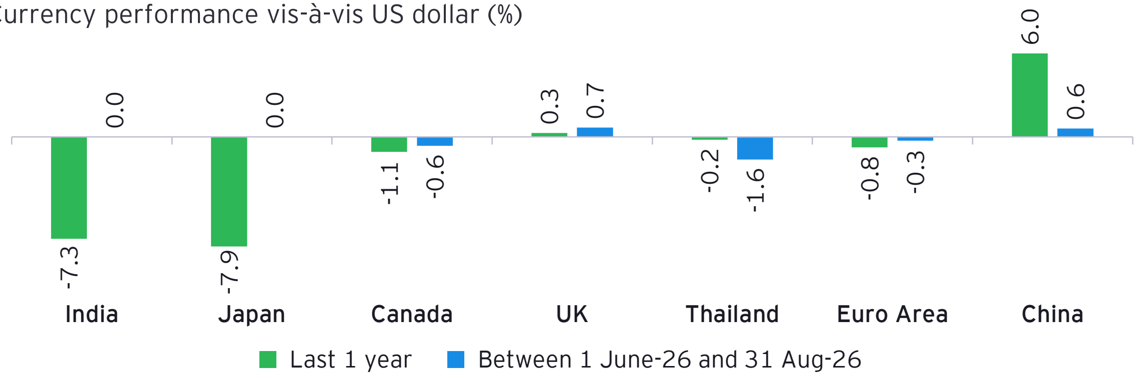
10-year G-sec yields (%)



Source: Trading Economies and Investing.com, Data as of 31 August 2026

The dollar has strengthened against all major currencies over the past year. RBI's concessional swap window for FCNR deposits has helped stabilise rupee since June.

Currency performance vis-à-vis US dollar (%)



Source: Google Finance, Data as of 31 August 2026

Global Purchasing Managers' Indices (PMI) for manufacturing and services have expanded at a slower pace compared to February 2026 when the Middle East conflict began.

Manufacturing PMI	Jul-25	Feb-26	Jul-26
Global	49.7	53.1	52.1
India	59.1	56.9	53.5
Brazil	48.2	47.3	47.5
Vietnam	52.4	54.3	52.9
Canada	46.1	51	53.5
China	49.5	52.1	50.9
Thailand	51.9	53.5	54.2
UK	48	51.7	51.9
Japan	48.9	53	54.5
US	49.8	51.6	53.9
South Korea	48	51.1	53.1
Australia	51.3	51	52
France	48.2	50.1	49.8
Germany	49.1	50.9	52.2

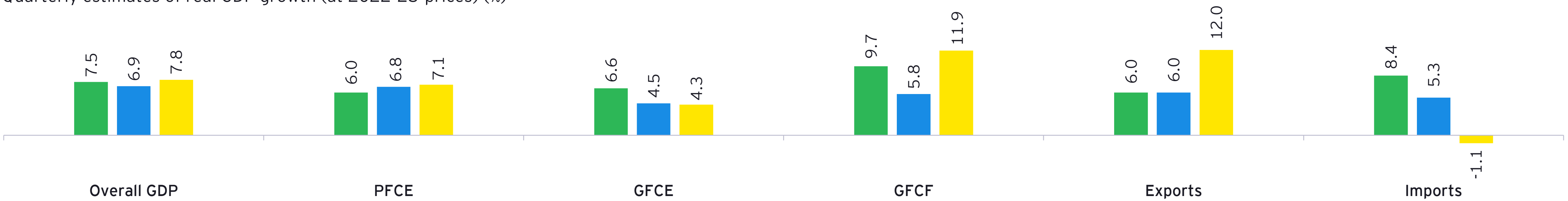
Services PMI	Jul-25	Feb-26	Jul-26
Global	53.4	53.4	52.5
India	60.5	58.1	53.3
Brazil	46.3	53.1	49.7
US	55.7	51.7	54.6
UK	51.8	53.9	52.1
China	52.6	56.7	50.4
Germany	50.6	53.5	49.8
Australia	54.1	52.8	53.6
Japan	53.6	53.8	51.2
France	48.5	49.6	49.6

Source: S&P Global, RBI, Trading Economics, Secondary research
Note: The Purchasing Managers' Index (PMI) as a leading indicator helps gauge the economic trend through key variables of business activity such as output, new orders, production, input prices, hiring activity, etc. A reading above 50 indicates an overall increase/ expansion compared to the previous month, and below 50 an overall decrease/ contraction.

Indian economy grew at 7.8% in Q1FY27, backed by a broad-based growth in consumption, investments and exports.

India's real GDP grew 7.8% in Q1FY26 despite global headwinds stemming from the ongoing conflict. Growth was broad-based, supported by strong consumption growth of 7.1%, robust investment growth of 11.9%, and a 12.0% increase in exports.

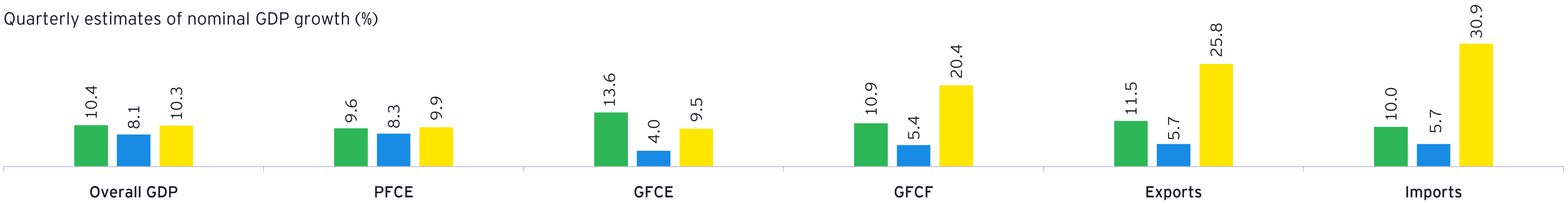
Quarterly estimates of real GDP growth (at 2022-23 prices) (%)



Source:
MoSPI. PFCE: Private Final Consumption Expenditure; GFCE: Government Final Consumption Expenditure; GFCF: Gross Fixed Capital Formation;
Note: Base year for estimation of real GDP has been changed from 2011-12 to 2022-23 under the new series

India's nominal GDP grew 10.3% in FY27Q1 implying a GDP deflator of ~2%.

Quarterly estimates of nominal GDP growth (%)



Source: MoSPI
PFCE: Private Final Consumption Expenditure; GFCE: Government Final Consumption Expenditure; GFCF: Gross Fixed Capital Formation;
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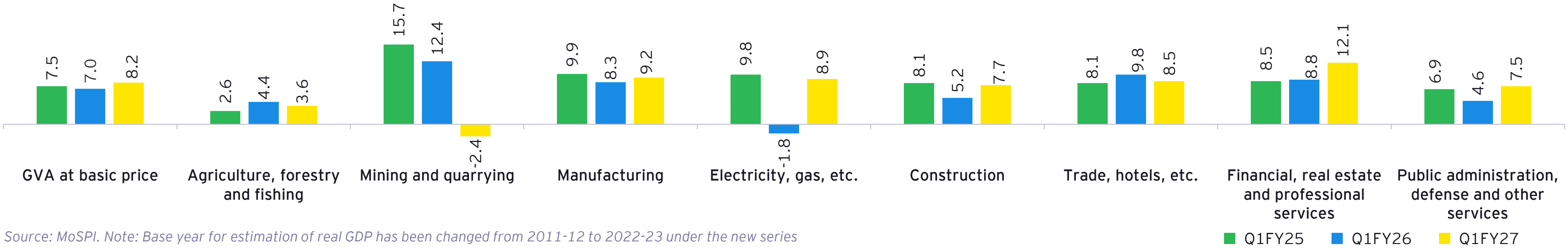
On the supply side, real GVA expanded to 8.2% in Q1FY27, up from 7% in Q1FY26, supported by strong growth across manufacturing, electricity, construction and services sectors.

The manufacturing sector has been a major contributor to India's resilient economic performance in three consecutive financial years after rebasing. The tertiary sector has also continued to boost economic performance.

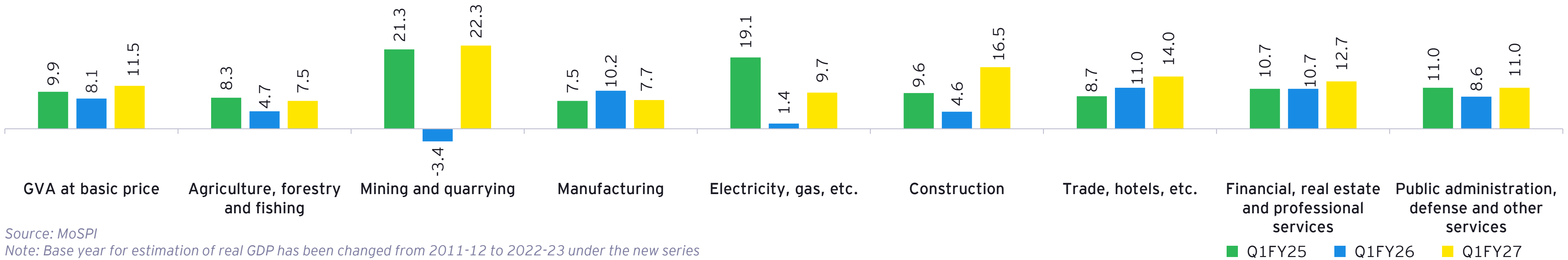
Quarterly estimates of real GVA growth (at 2022-23 prices) (%)



Source: MoSPI. Note: Base year for estimation of real GDP has been changed from 2011-12 to 2022-23 under the new series

Nominal GVA expanded 11.5%, up from 8.1% in Q1FY26.

Quarterly estimates of nominal GVA growth (%)



Source: MoSPI
Note: Base year for estimation of real GDP has been changed from 2011-12 to 2022-23 under the new series

Even with a 30% growth in capex, the central government's fiscal deficit fell in FY27 (April-July) vis-à-vis the same period in FY26 as revenue growth outpaced expenditure growth.

#	Particulars	Actuals (Apr-Mar) FY25 (INR crore)	Actuals (Apr-Mar) FY26 (INR crore)	Growth (%) FY26 vis-a-vis FY25	Budget estimate (BE) FY27 (INR crore)	Actuals FY26 (Apr-Jul) (INR crore)	Actuals FY27 (Apr-Jul) (INR crore)	Growth (%) FY27 (Apr-Jul) vis-à-vis FY26 (Apr-Jul)
1	Gross tax revenues (GTR)	37,96,382	40,24,347	6.0%	44,04,086	10,92,910	12,18,029	11.4%
2	Tax revenues (net of states' share)	25,00,039	26,23,264	4.9%	28,66,922	6,61,812	8,44,560	27.6%
3	Other receipts (Non-tax revenues, non-debt capital receipts)	5,78,398	7,62,718	31.9%	7,84,625	4,33,397	4,62,149	6.6%
4	**Total revenue (2+3)**	**30,78,437**	**33,85,982**	**10.0%**	**36,51,547**	**10,95,209**	**13,06,709**	**19.3%**
5	Revenue expenditure other than interest	24,85,339	25,93,457	4.4%	27,21,522	7,70,009	8,84,652	14.9%
6	Interest	11,15,575	12,42,575	11.4%	14,03,972	4,46,690	4,26,566	-4.5%
7	Capital expenditure	10,51,953	10,69,119	1.6%	12,21,821	3,46,926	4,50,635	29.9%
8	**Total expenditure (5+6+7)**	**46,52,867**	**49,05,151**	**5.4%**	**53,47,315**	**15,63,625**	**17,61,853**	**12.7%**
9	Fiscal deficit (8-4)	15,74,430	15,19,169	-3.5%	16,95,768	4,68,416	4,55,144	-2.8%

Source: Controller General of Accounts

Gross tax revenue grew by 11.4% in FY27 (April-July), driven by buoyant corporate and personal income collections even as GST revenues (central government's share) and Union Excise Duty collections contracted.

Particulars	Actuals FY25 (Apr-Mar) (INR crore)	Actuals FY26 (Apr-Mar) (INR crore)	% Growth FY26 (Apr-Mar) over FY25 (Apr-Mar)	Budget Estimates (BE) FY27 (INR crore)	Actuals FY26 (Apr-Jul) (INR crore)	Actuals FY27 (Apr-Jul) (INR crore)	Growth (%) FY27 (Apr-Jul) vis-à-vis FY26 (Apr-Jul)
Corporation tax	9,86,767	10,99,130	11.4%	12,31,000	1,98,589	2,39,955	20.8%
Personal income tax	11,82,965	11,83,397	0.04%	13,92,000	3,55,315	4,41,651	24.3%
Securities Transaction Tax	52,197	57,522	10.2%	73,700	17,882	26,451	47.9%
Other receipts	9	10	11.1%	300	5	-2	-140.0%
GST revenue*	8,81,866	9,72,169	10.2%	10,24,505	3,24,647	3,56,851	9.9%
GST Compensation cess	1,50,570	1,00,318	-33.4%	NA	50,305	211	-99.6%
Customs	2,33,201	2,64,394	13.4%	2,71,200	60,530	83,645	38.2%
Union Excise Duties	3,00,253	3,41,851	13.8%	3,88,910	83,963	64,531	-23.1%
Service tax	-15	-1,774	-	-	-168	-408	142.9%
Other taxes*	8,569	7,330	-14.5%	22,471	1,842	5,144	179.3%
Gross tax revenues	**37,96,382**	**40,24,347**	**6.0%**	**44,04,086**	**10,92,910**	**12,18,029**	**11.4%**

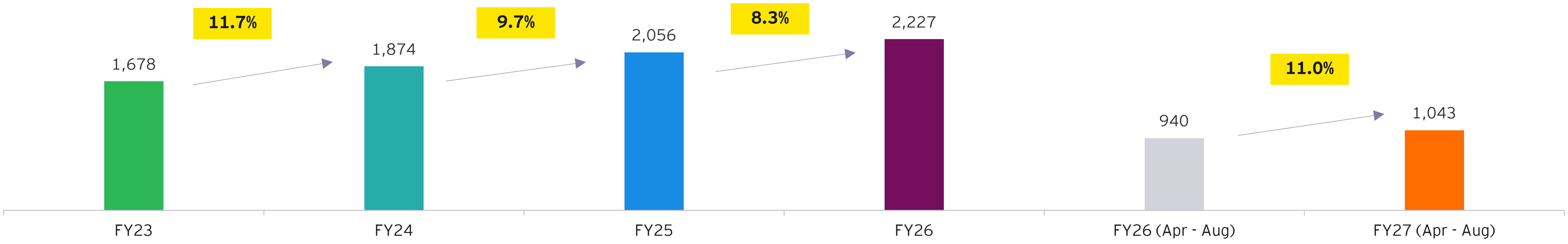
** GST Revenue includes UT GST, CGST, central government's IGST (Center)*

***Other taxes include Stamps and Registration Fees, State Excise, Taxes on Sales, Trade, Vehicles, etc.*

Source: Controller General of Accounts, Union Budget documents

Excluding the compensation cess, gross GST revenues of the centre and state grew 11%, during FY26 (Apr-Aug), reflecting increased economic activity despite reduction in rates last year

Annual gross GST collection (centre + states) (INR ‘000 crore)



Source: GST Council, PIB
Note: All numbers are exclusive of GST compensation cess

Annual net GST collections of the centre (INR crore)

Component	FY25	FY26	% Growth	Apr-Jul FY26	Apr-Jul FY27	% Growth
Central Goods and Services Tax (CGST)	9,08,954	9,67,554	6.4%	3,11,625	3,61,511	16.0%
Union Territory Goods and Services Tax (UTGST)	5,395	7,151	32.5%	1,115	1,806	62.0%
Integrated Goods and Services Tax (IGST)	-32,483	-2,536	-92.2%	11,907	-6,466	-154.3%
GST Compensation Cess	1,50,570	1,00,318	-33.4%	50,305	211	-99.6%
Total GST	10,32,436	10,72,487	3.9%	3,74,952	3,57,062	-4.8%

Source: Controller General of Accounts

Overall state finances showed consistent growth in tax revenue and improvement in quality of state expenditure with 10.3% capex growth, which was driven by Karnataka, Andhra Pradesh, and Maharashtra.

	Particulars	Actuals: FY25 (INR lakh crore)	Actuals: FY26 (INR lakh crore)	Growth (%)	Budget Estimates 2026-27 (INR lakh crore)	Actuals: FY26 (Apr-Jul) (INR lakh crore)	Actuals FY27 (Apr-Jul) (INR lakh crore)	Growth (%)
1	Tax revenues	31.8	34.2	7.3%	40.6	9.9	11.0	11.6%
2	Non-tax revenues	3.1	3.6	15.2%	4.3	0.9	1.1	24.2%
3	Grant in aid and contributions	3.5	3.8	6.3%	6.5	0.7	0.4	-34.1%
4	**Total revenue receipts (1+2+3)**	**38.5**	**41.5**	**7.9%**	**51.3**	**11.4**	**12.6**	**9.9%**
5	Capital receipts	10.4	11.4	10.3%	13.0	3.1	2.7	-14.3%
6	**Total receipts (4+5)**	**48.9**	**52.9**	**8.4%**	**64.3**	**14.6**	**15.3**	**4.7%**
7	Revenue expenditure other than interest	36.0	38.9	8.1%	46.4	11.4	11.8	3.5%
8	Interest payments	4.8	5.4	12.7%	6.6	1.5	1.6	9.3%
9	Capital expenditure	7.4	8.0	7.6%	10.7	1.6	1.7	10.3%
10	**Total expenditure (7+8+9)**	**48.2**	**52.3**	**8.5%**	**63.6**	**14.4**	**15.1**	**4.8%**
11	Loans and advances disbursed	0.8	0.8	2.9%	1.0	0.2	0.2	-2.6%
12	**Fiscal deficit/surplus**	**-8.6**	**-11.4**	**-33.0%**	**-12.8**	**-3.1**	**-2.7**	**13.3%**

Source: Comptroller and Auditor General of India
Note: The analysis is based on data of 23 major state/UTs. Following states/UTs are excluded: Delhi, Goa, Jammu & Kashmir, Arunachal Pradesh, Assam, Manipur, Sikkim, and Puducherry.

India's non-oil, non-gems and jewelry merchandise trade deficit widened 33% in FY27 (Apr-Jul), reflecting import dependence of certain manufacturing supply chains, especially electronics.

	Item (All values in US$ billion)	FY25	FY26	% Growth	FY26 (Apr-Jul)	FY27 (Apr-Jul)	% Growth
Exports	Petroleum products	63.4	53.9	-14.9%	21.2	30.2	42.6%
	Gems and jewelry	29.8	28.2	-5.4%	9.1	9.6	5.9%
	Other merchandise*	344.5	359.7	4.4%	118.3	134.0	13.3%
	Total merchandise	437.7	441.8	0.9%	148.5	173.8	17.0%
	Services	387.6	418.3	7.9%	131.2	142.6	8.8%
	Total exports	**825.3**	**860.1**	**4.2%**	**279.6**	**316.4**	**13.2%**
Imports	Petroleum, crude and products	185.8	173.9	-6.4%	64.8	78.9	21.8%
	Gems, jewelry and gold	76.0	90.4	19.0%	17.9	20.7	15.6%
	Other merchandise*	459.4	510.6	11.1%	162.4	192.8	18.7%
	Total merchandise	721.2	775.0	7.5%	245.1	292.4	19.3%
	Services	198.72	204.42	2.9%	66.8	73.5	10.0%
	Total imports	**919.9**	**979.4**	**6.5%**	**311.9**	**365.9**	**17.3%**
Surplus/Deficit	Petroleum	-122.4	-120.0	-1.9%	-43.7	-48.7	11.7%
	Gems, jewelry and gold	-46.2	-62.2	34.7%	-8.9	-11.1	25.4%
	Other merchandise*	-114.9	-150.9	31.4%	-44.1	-58.7	33.1%
	Total merchandise	-283.5	-333.2	17.5%	-96.7	-118.6	22.7%
	Services	188.8	213.9	13.3%	64.3	69.2	7.5%
	Total deficit/surplus	**-94.7**	**-119.3**	**26.0%**	**-32.3**	**-49.4**	**52.9%**

Source: PIB, Ministry of Trade and Commerce
**Other merchandise refers to all other merchandise goods such as electronics, engineering goods, etc., after excluding petroleum, and gold, gems and jewelry*

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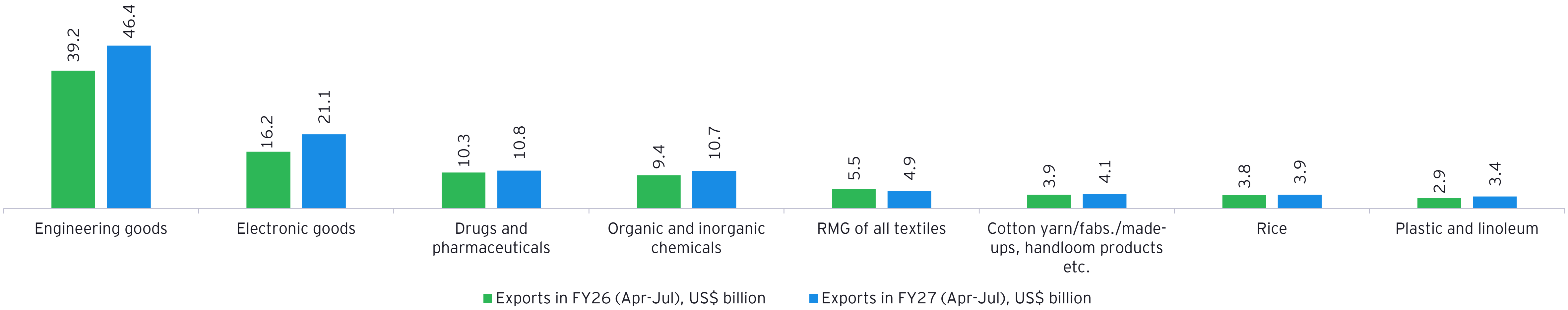
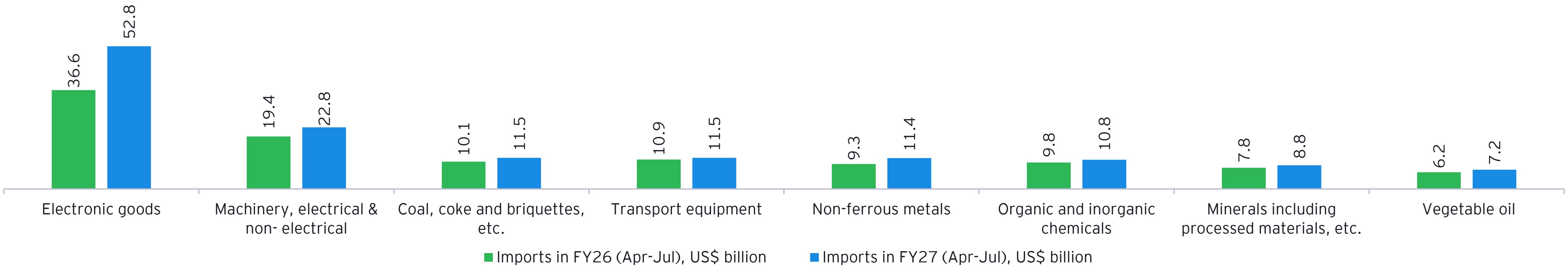
Growth in other merchandise trade deficit was driven by electronics goods, with its deficit widening 55% in FY27 (April-July) from the same period last year.

India's top other* merchandise export items during FY27 (Apr-Jul)



India's top other* merchandise import items during FY27 (Apr-Jul)

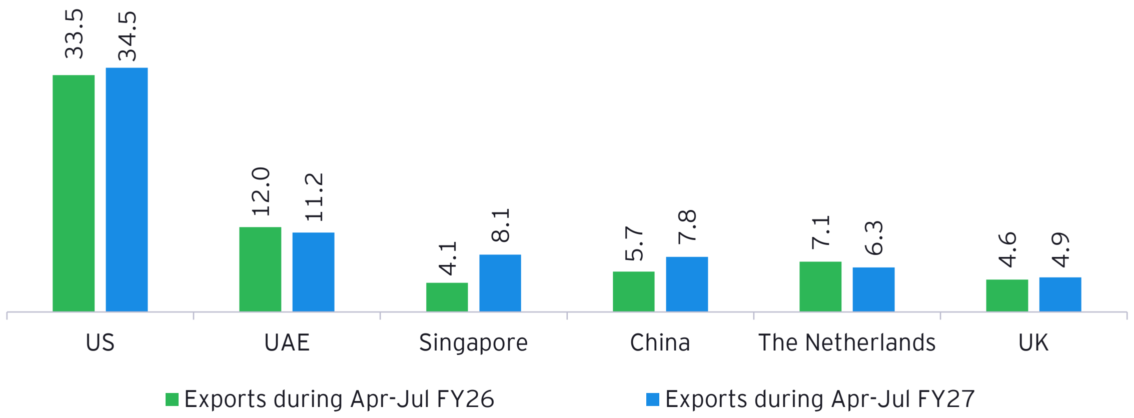


Source: PIB, Ministry of Trade and Commerce

**Other merchandise refers to all other merchandise goods such as electronics, engineering goods, etc after excluding petroleum, and gold, gems and jewelry*

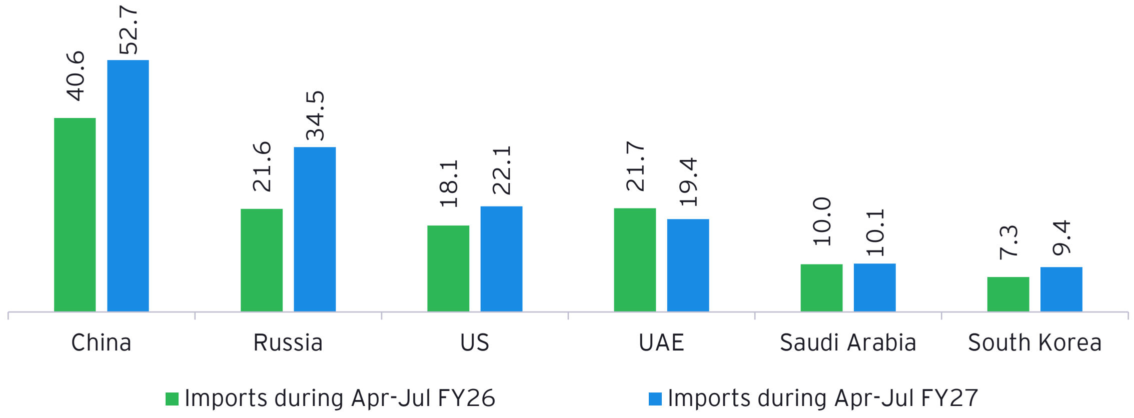
The merchandise trade deficit in FY27 (Apr-Jul) was driven primarily by China and oil-producing countries.

India's top merchandise export destinations during FY27 (Apr-Jul), US$ billion



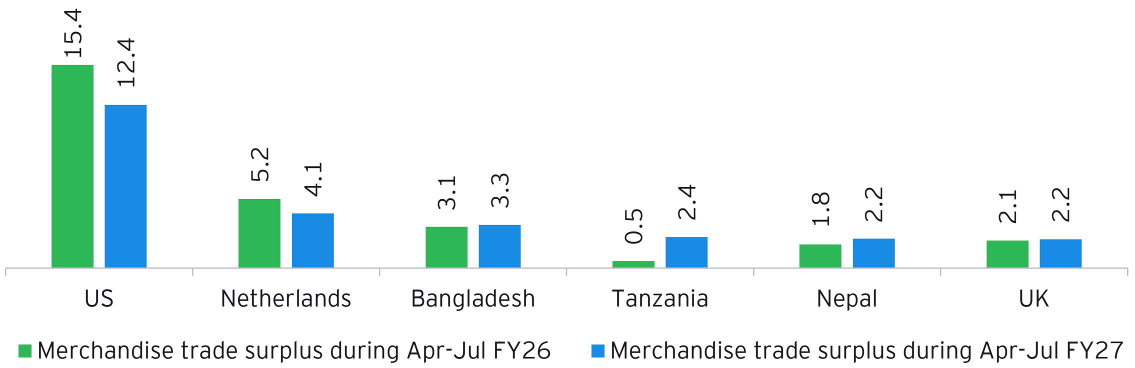
Source: PIB, Ministry of Trade and Commerce

India's top merchandise import sources during FY27 (Apr-Jul), US$ billion



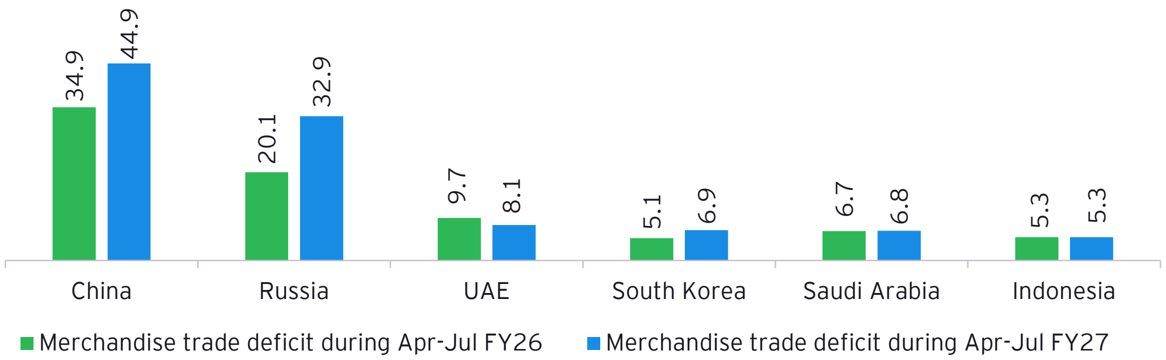
Source: PIB, Ministry of Trade and Commerce

Countries with which India ran the highest merchandise trade surplus* during FY27 (Apr-Jul), US$ billion



Source: PIB, Ministry of Trade and Commerce
** Trade surplus: India's exports to these countries exceed imports from these countries*

Countries with which India ran the highest merchandise trade deficit* during FY27 (Apr-Jul), US$ billion



Source: PIB, Ministry of Trade and Commerce
** Trade deficit: India's imports from these countries exceed exports to these countries*

India's overall balance of payments fell by US$12.6 billion, as capital account slipped into a deficit amid elevated net FPI outflows; robust growth in remittances cushioned the impact of higher merchandise trade deficit on current account.

Item (All values in US$ billion)	FY25	FY26	Apr-Jun FY26	Apr-Jun FY27
A.1 Merchandise (Net)	-286.9	-337.3	-68.9	-85.7
A.2 Services (Net)	188.8	216.6	47.9	52.2
A.3 Remittances (Net)	123.4	143.5	30.9	41.4
A.4 Investment Income (Net)	-48.3	-48.2	-12.8	-11.1
A. Current Account (Net) [A.1 to A.4]	**-23.1**	**-25.4**	**-2.9**	**-3.1**
B.1 Foreign Direct Investment (Net) [a-b]	**1.0**	**6.9**	**4.8**	**7.8**
a. In India (Net)	29.1	40.8	13.9	17.2
b. Abroad (Net)	-28.2	-33.8	-9.2	-9.4
B.2 Foreign Portfolio Investment (Net) [a-b]	**3.6**	**-16.4**	**1.6**	**-9.6**
a. In India (Net)	3.3	-15.2	2.5	-8.6
b. Abroad (Net)	0.3	-1.2	0.9	0.9
B.3 External Commercial Borrowings (Net) [a-b]	**22.2**	**13.7**	**5.3**	**-0.1**
a. To India (Net)	24.8	16.7	4.4	3.3
b. By India (Net)	-2.7	-3.1	-0.8	3.4
B.4 Others (Net)	**-10.1**	**-2.4**	**-4.3**	**-3.1**
Short term credit to India (Net)	7.2	13.7	-0.1	3.5
Banking Capital (Net)	-9.8	6.4	-1.6	3.5
Other Capital (Net)	-7.4	-22.5	-2.6	-10.1
B. Capital Account (Net) [B.1 to B.4]	**16.6**	**1.9**	**7.4**	**-5.0**
C. Overall Balance (A+B)	**-5.0**	**-23.6**	**4.5**	**-8.1**

Source: RBI, PIB

03

Commodity prices and inflation

India's crude oil basket price rose above US$90/bbl in August 2026 amid renewed tensions in Middle East, though it remained below the peaks recorded at the onset of the conflict.

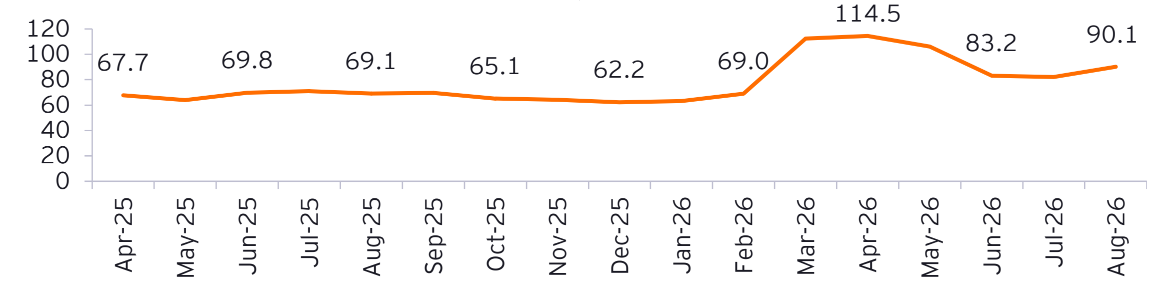
Brent crude prices remained volatile amid evolving geopolitical developments, with an overall upward trend.

Crude oil - Brent price (US$ per bbl) (NYMEX)

Source: CapitalIQ, data as on 31 August 2026

India's crude oil basket price rose in August 2026 on account of fresh geopolitical tensions.

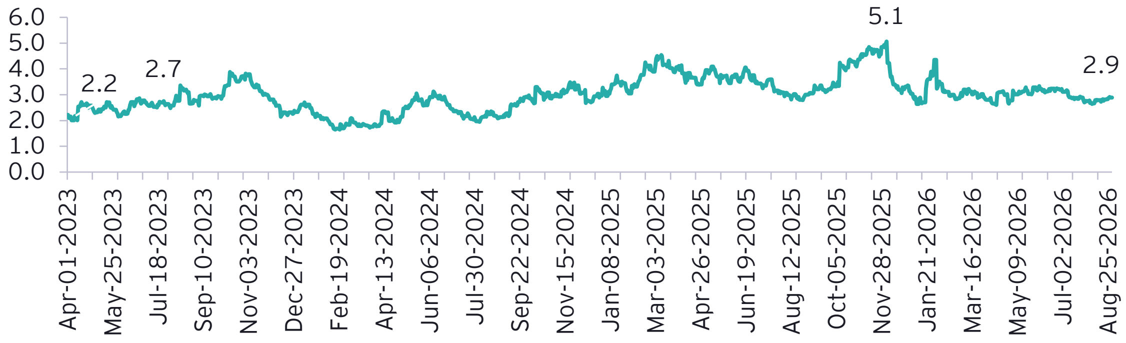
India's crude oil FOB Price (Indian Basket) (US$ per bbl)



Source: PPAC data as on 31 August 2026
Note: Crude oil prices are average of daily prices of respective month.

The conflict has had little impact on natural gas prices in the US, even though LNG supply has been disrupted, reflecting the impact of logistics on the market.

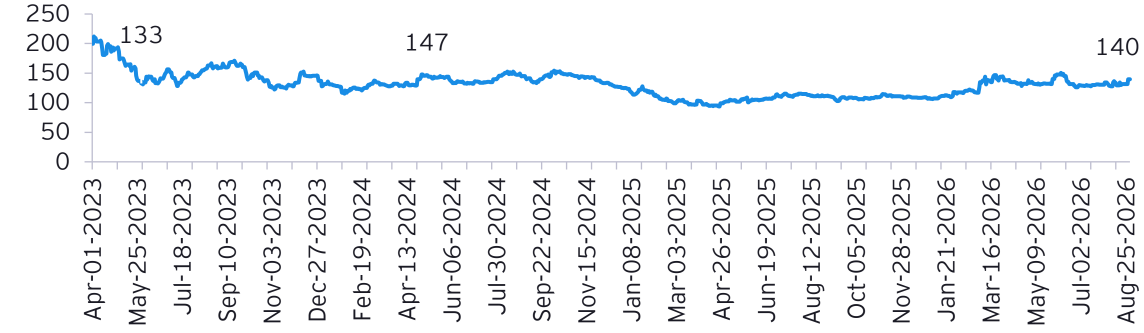
Natural gas per mm BTU (in US$) (Henry Hub)



Source: CapitalIQ, data as on 31 August 2026

Coal prices continued to remain range-bound.

Coal price per ton (in US$) (Newcastle - ICE).

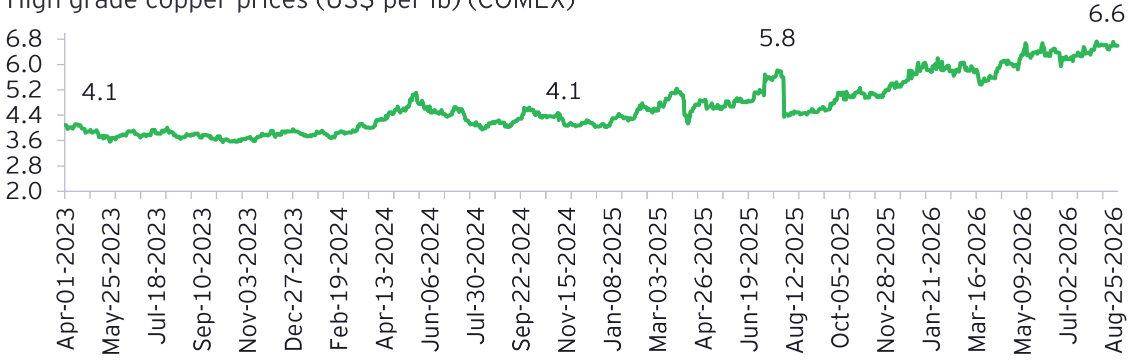


Source: CapitalIQ, data as on 31 August 2026

Metal prices diverged amid the ongoing geopolitical situation: Copper prices surged while steel and nickel prices remained stable.

Copper prices surged on account of supply chain disruptions and AI-related demand.

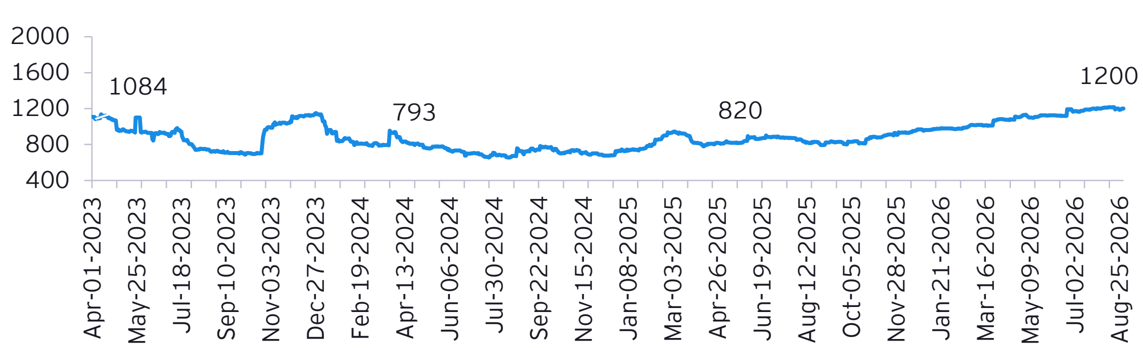
High grade copper prices (US$ per lb) (COMEX)



Source: CapitalIQ, data as on 31 August 2026

Steel prices remained stable.

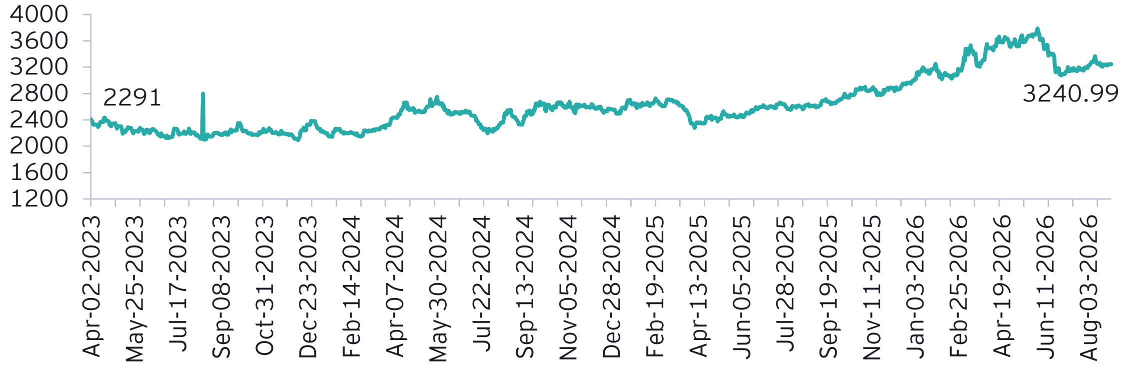
Hot rolled coil steel prices (US$ per ton) (COMEX)



Source: CapitalIQ, data as on 31 August 2026

Aluminum prices normalised after rising sharply in June 2026.

Aluminum price per MT (in US$) (3M Official - LME)



Source: CapitalIQ, data as on 1 September June 2026

Nickel prices remained range-bound.

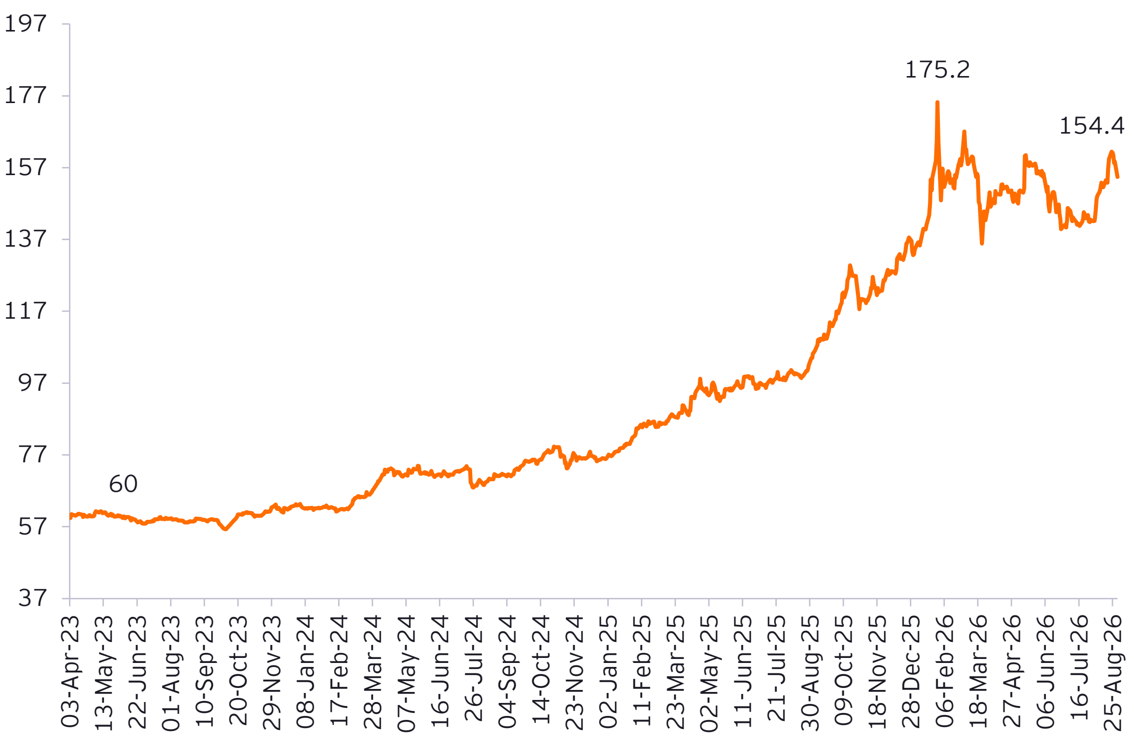
Nickel per MT price (in '000 US$) (3M Official - LME)

Source: CapitalIQ, data as on 1 September 2026

Gold prices surged in August 2026 on account of fading expectations of US Federal Reserve rate hikes and continued central bank buying globally; silver prices displayed a similar trend, rising by over 10% since July 2026.

Gold prices reached their highest levels since January 2026.

Gold price per 10 grams (in '000 INR)



Source: MCX, data as on 1 September 2026

Silver prices rebounded in August 2026.

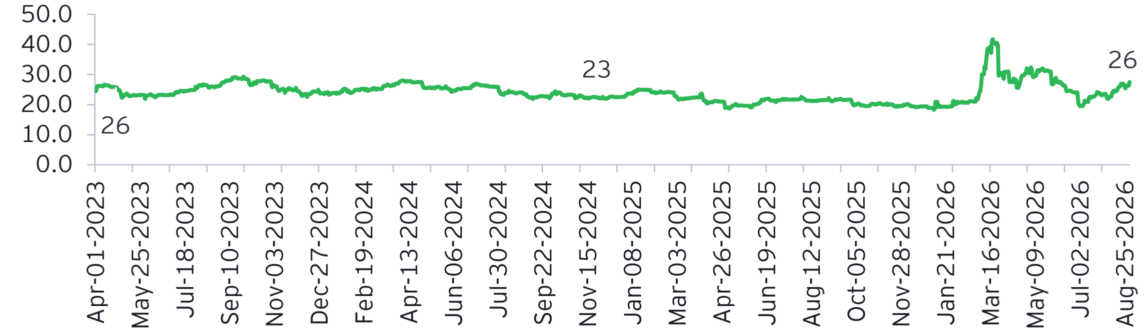
Silver price per kilogram (in INR)

Source: MCX, data as on 1 September 2026

Agricultural commodity prices, particularly for corn, wheat and sugar, edged higher in August 2026. These prices may need to be monitored to assess any upside risks to food inflation.

Corn prices rose in August 2026 on account of supply constraints in the US.

Corn feed per MT (in INR) (BSE)



Source: CapitalIQ, data as on 1 September 2026

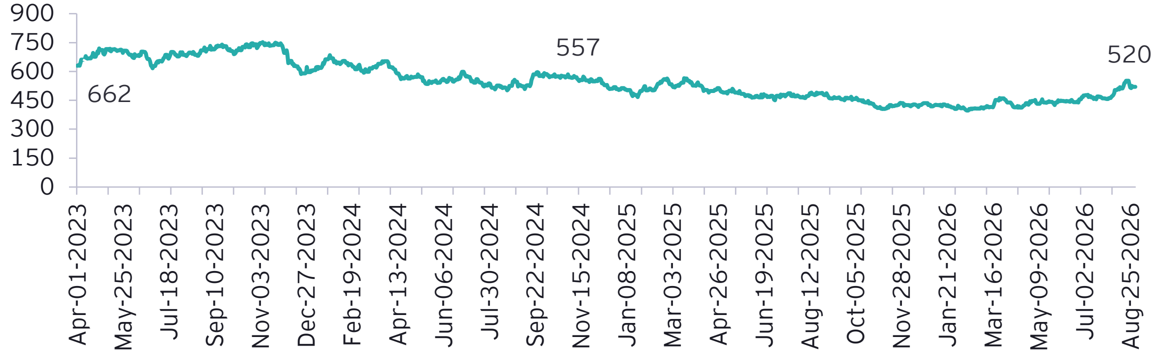
Wheat prices recorded their highest levels in over three years, due to weather shocks and supply limitations.

Wheat price per MT (In US$) (LIFFE)

Source: CapitalIQ, data as on 1 September 2026

Sugar prices have inched up amid supply concerns.

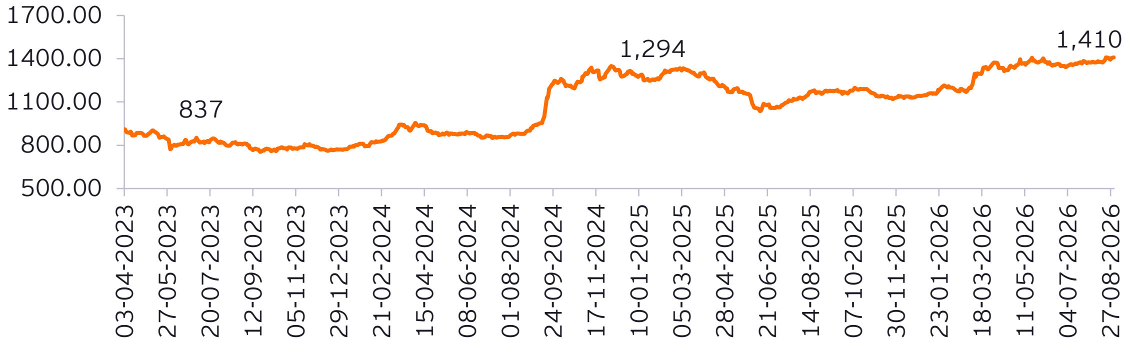
Sugar – white per MT (In US$) (LIFFE)



Source: CapitalIQ, data as on 1 September 2026

Palm oil prices remained range-bound.

Palm (CPO) oil per 10 kg (in INR)

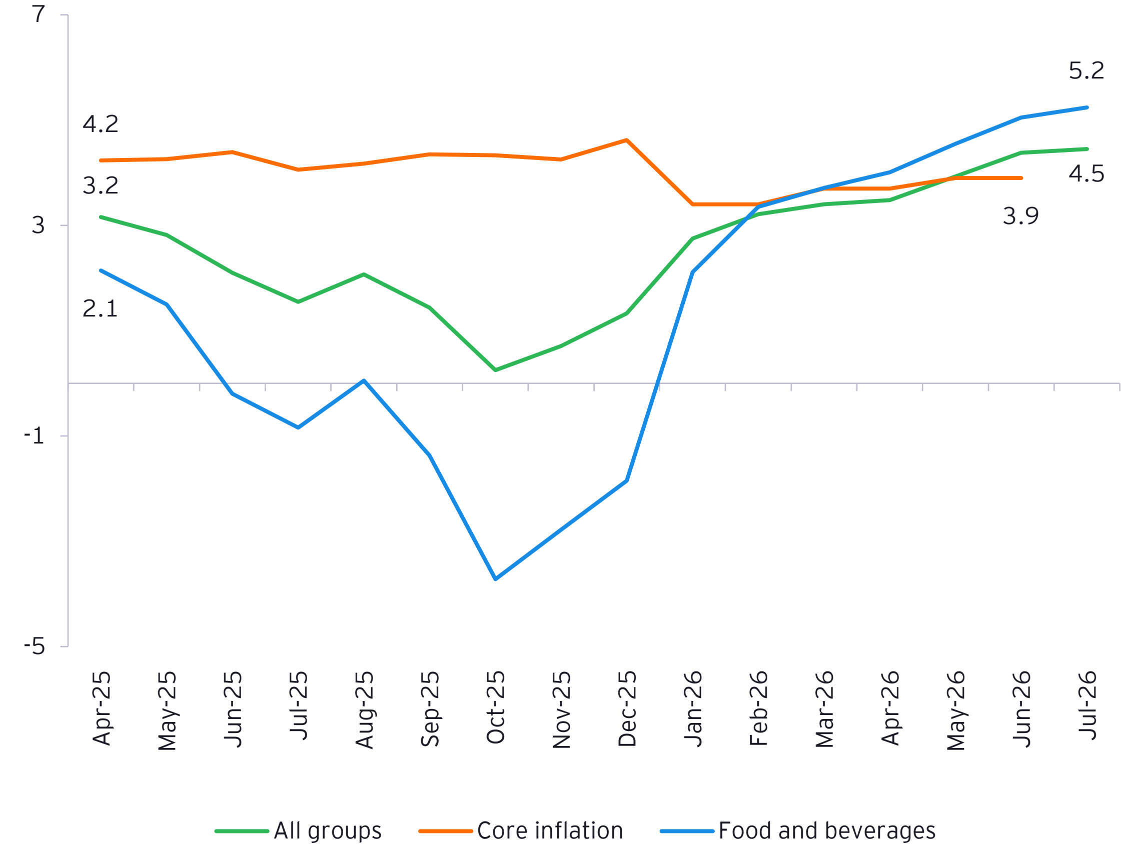


Source: MCX, data as on 1 September 2026

CPI rose marginally to 4.5% in July 2026, reflecting higher food inflation; WPI inflation remained elevated due to higher costs of energy-related inputs.

CPI inflation rose marginally in July 2026 but remains within RBI's target band. Core inflation remained stable. Although CPI inflation is projected to increase to 5.0% in FY27, as per RBI, inflation has not become broad-based.

CPI inflation (%)

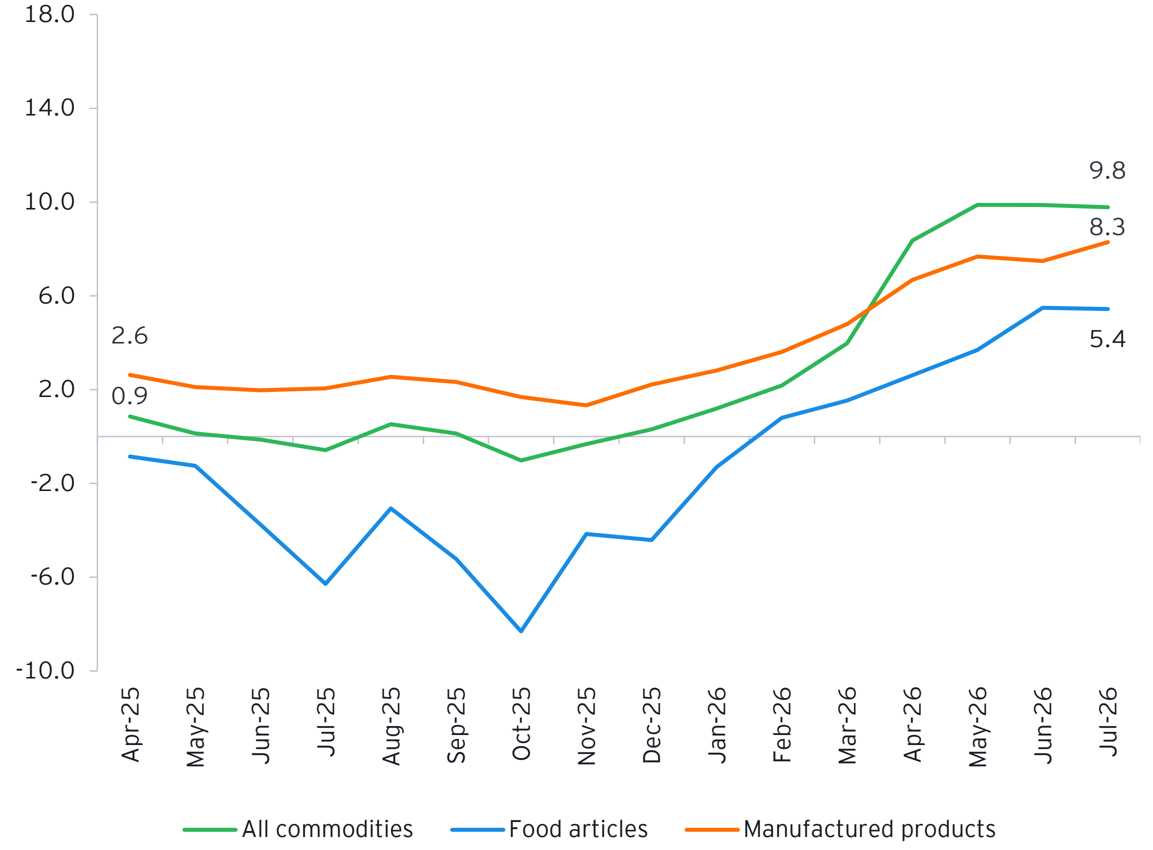


Source: MoSPI

Notes: Core inflation is calculated by excluding volatile components like food and fuel from the overall index

WPI rose marginally from 9.9% in June 2026 to 9.8% in July 2026 but continued to remain elevated.

WPI inflation (%)



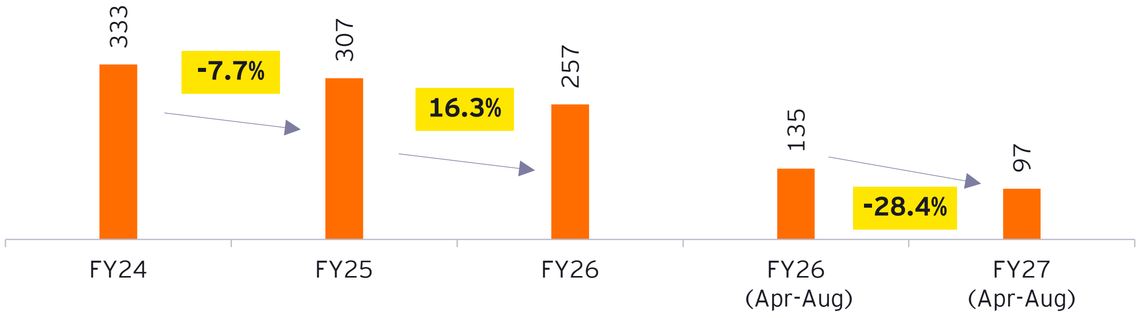
Source: Office of Economic Advisor

04
Sectoral indicators

Rural demand remained resilient despite the ongoing conflict, as reflected in robust growth in tractor and two-wheeler registrations as well as flow of credit to agriculture.

Work demand under MNREGA continued to contract, highlighting the strength of rural employment conditions.

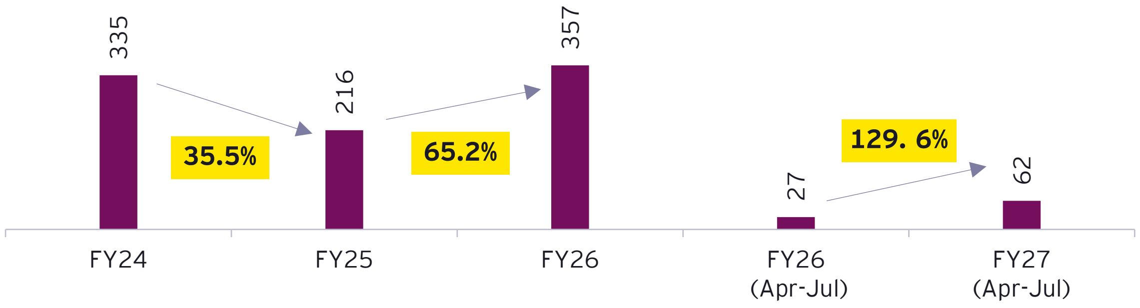
Persons' work demand under MNREGA (in millions)



Source: MNREGA

The growth rate of bank credit to agriculture has been accelerating.

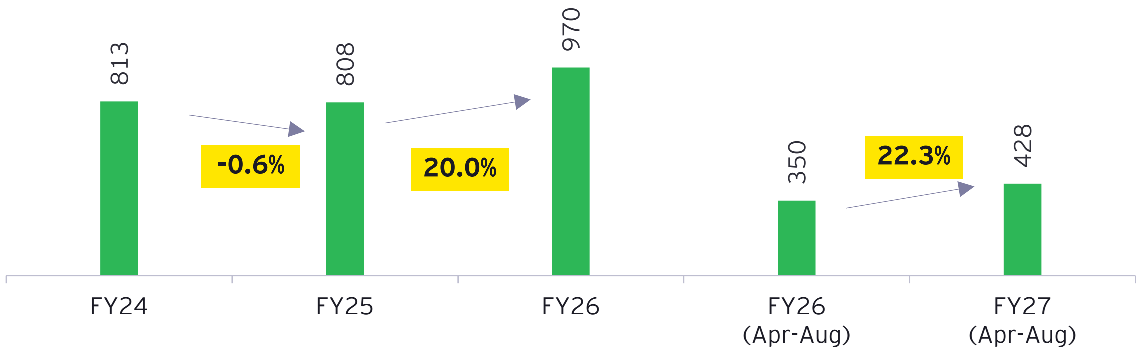
Flow of bank credit to agriculture (INR '000 crore)



Source: RBI

Tractor registrations grew 22.3% in FY27 (Apr-Aug), reflecting robust rural demand.

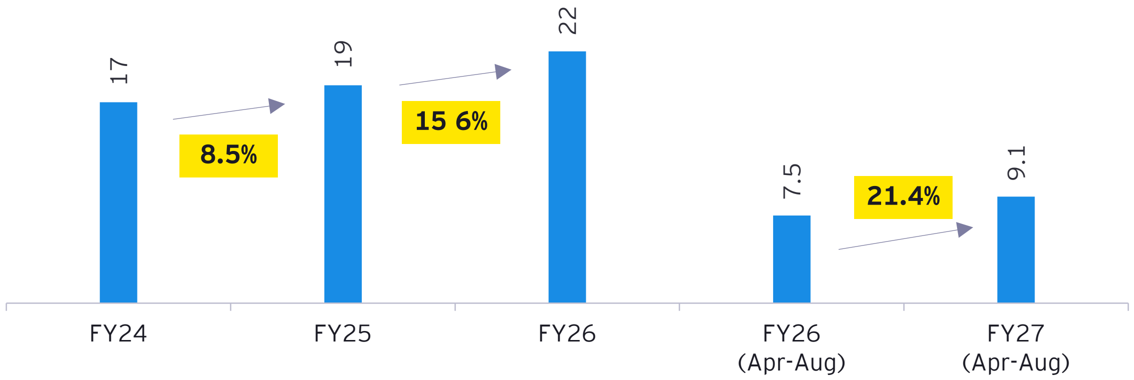
Tractor registrations (in '000)



Source: Parivahan Dashboard

Two-wheeler registrations registered a healthy growth of 21.4% in FY27 (Apr-Aug).

Two wheeler registrations (in millions)

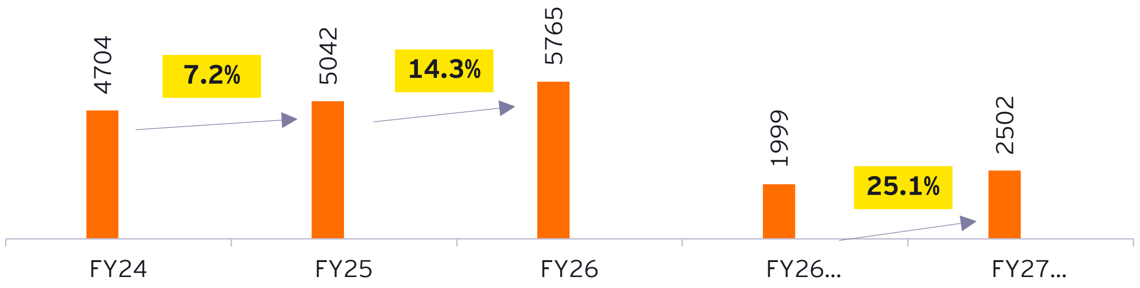


Source: Parivahan Dashboard

Much like rural demand, urban demand remained buoyant, as reflected in healthy growth in passenger vehicle and EV registrations.

Growth in passenger vehicle registrations has been robust, aided by GST 2.0 reforms.

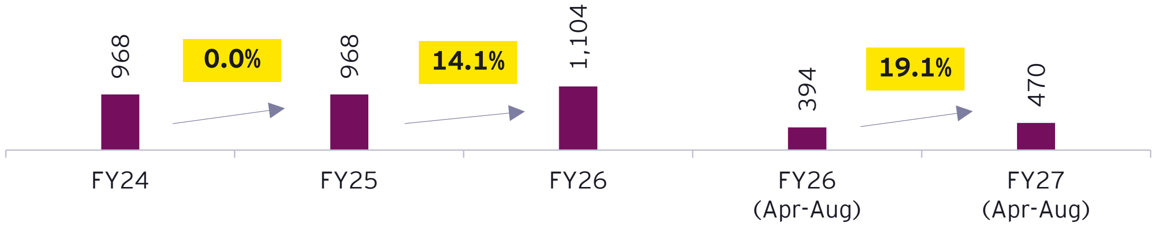
Passenger vehicle registrations (in '000s)



Source: Parivahan Dashboard
Notes: Passenger vehicles includes light motor and light passenger vehicles

Commercial vehicle registrations grew 19.1% in FY27 (Apr-Aug).

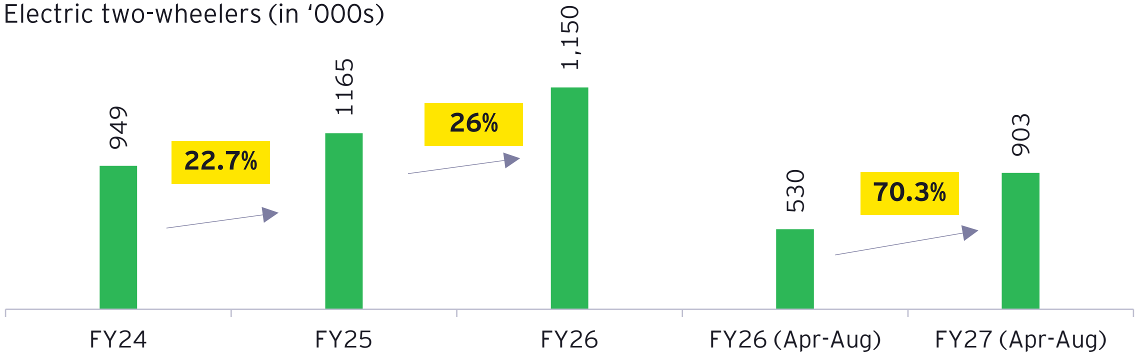
Commercial vehicle registrations (in '000s)



Source: Parivahan Dashboard
Notes: CVs include all Heavy, Medium vehicles and light goods vehicles

Electric two-wheeler registrations saw a healthy growth of 70.3% % in FY27 (Apr-Aug).

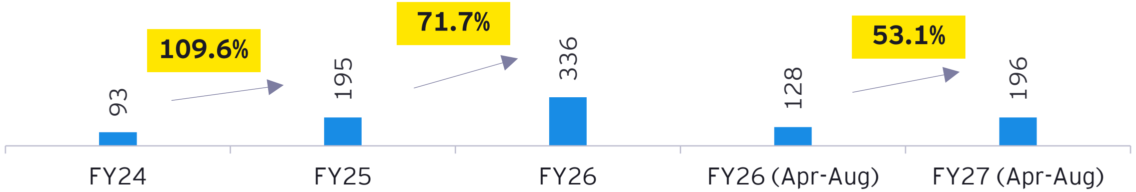
Electric two-wheelers (in '000s)



Source: Parivahan dashboard
Notes: Two-wheelers data include transport and non-transport

E-passenger vehicle registrations surged 53.1% in FY27 (Apr-Aug), reflecting a growing preference for EVs.

E- passenger vehicles (in '000s)



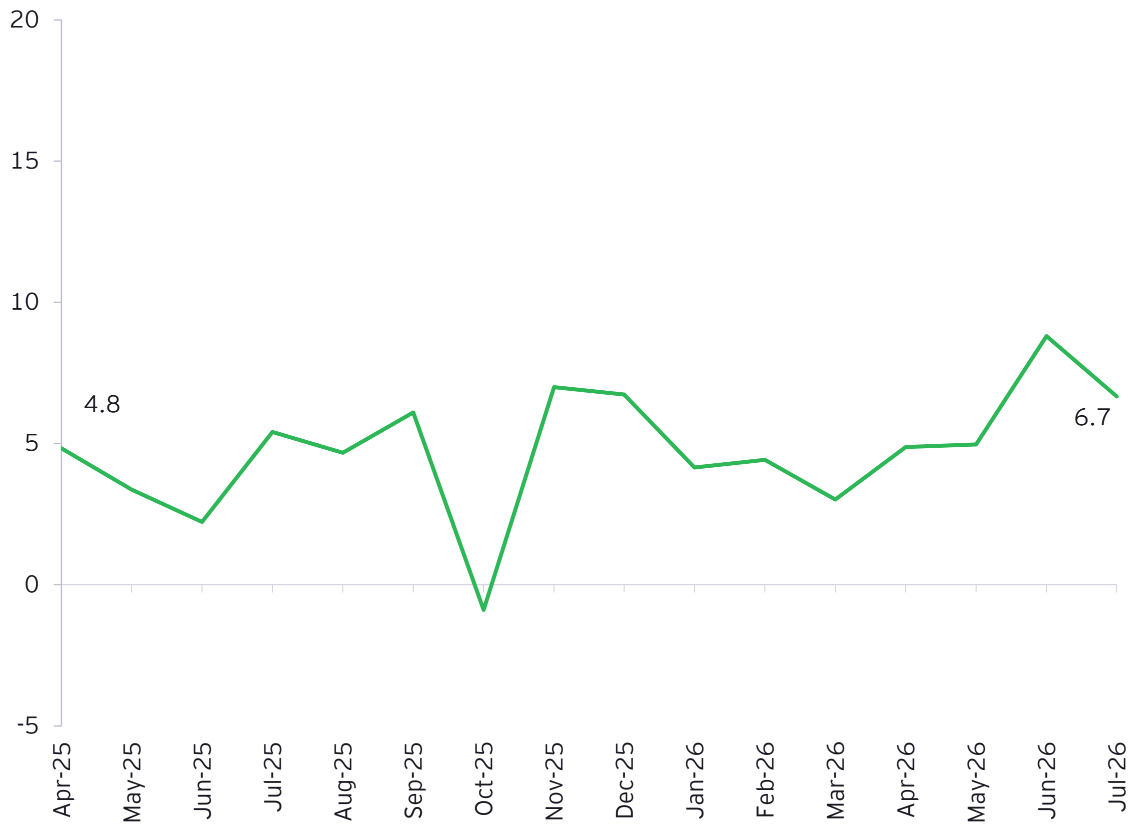
Source: Parivahan dashboard
Notes: Passenger vehicles represent light motor vehicles and light passenger vehicles with fuel types of electric (BOV), hybrid EVs

EY

Index of Industrial Production (IIP) growth eased to 6.7% in July 2026, down from 8.8% in June 2026, on account of a broad-based deceleration across mining, electricity and manufacturing.

IIP growth dipped to 6.7% in July 2026 from 8.8% in June 2026.

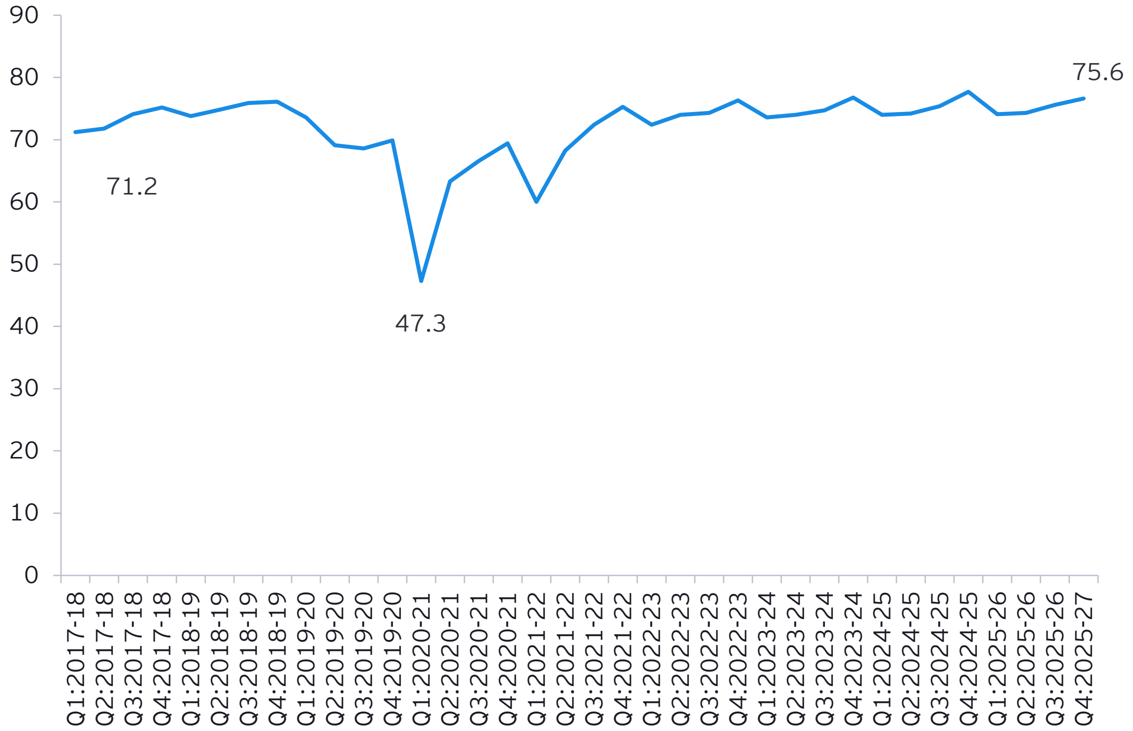
Growth rate of the general Index of Industrial Production (IIP) (%)



Source: MoSPI, data as on 4 June, 2026
Notes: IIP Base: 2022-23=100

Capacity utilization recorded its highest level in over a decade.

Capacity utilization (%)

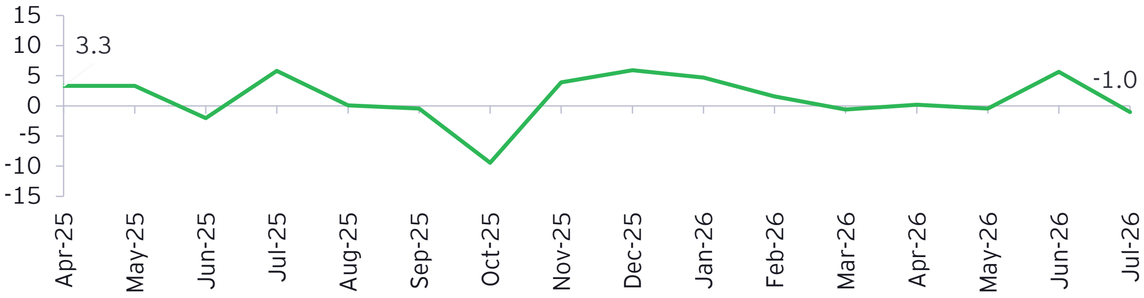


Source: RBI

Consumer durables IIP rose to an eight-month high in July 2026, while consumer non-durables contracted. Growth in capital goods and infrastructure IIP continued to remained robust, supported by strong construction and investment activity.

IIP for consumer non-durables recorded a degrowth in July 2026.

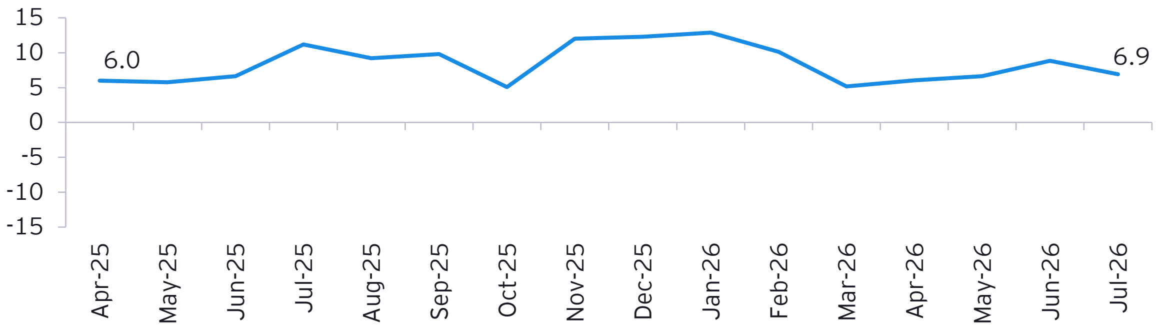
Growth rate of IIP consumer non-durables (%)



Source: MoSPI
Notes: IIP Base: 2022-2023=100

IIP for infrastructure/construction goods recorded a healthy growth of 6.9% in July 2026.

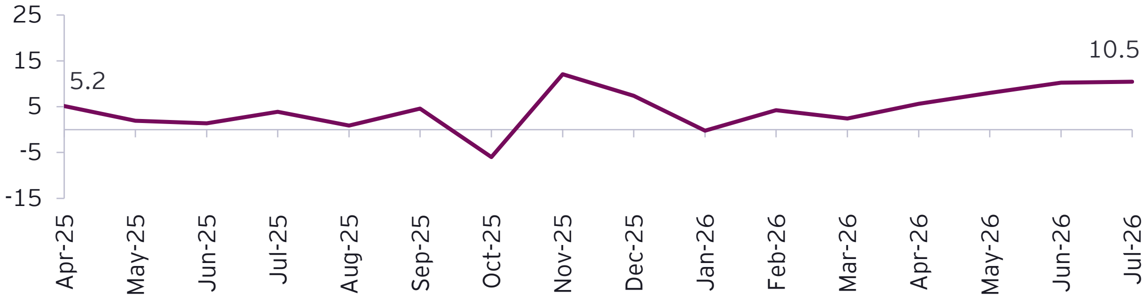
Growth rate of IIP infrastructure/construction goods (%)



Source: MoSPI
Notes: IIP Base: 2022-23=100

Growth in IIP for consumer durables registered a healthy growth of 10.5% in July 2026.

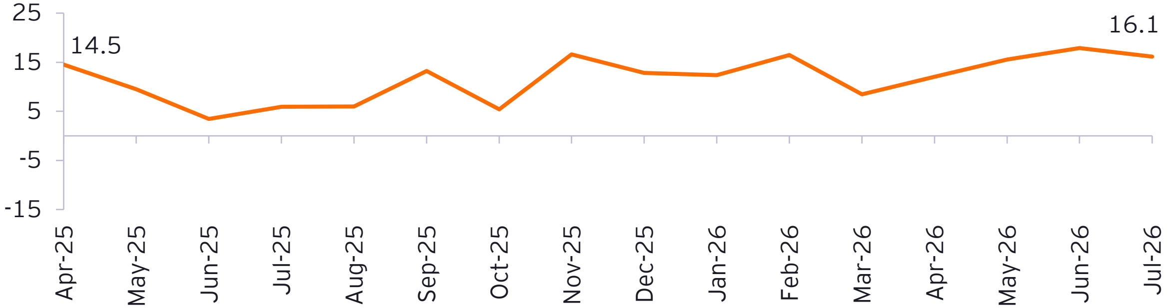
Growth rate of IIP consumer durables (%)



Source: MoSPI
Notes: IIP Base: 2022-23=100

Capital goods IIP expanded by double digits for the fourth consecutive month in July 2026

Growth rate of IIP capital goods (%)

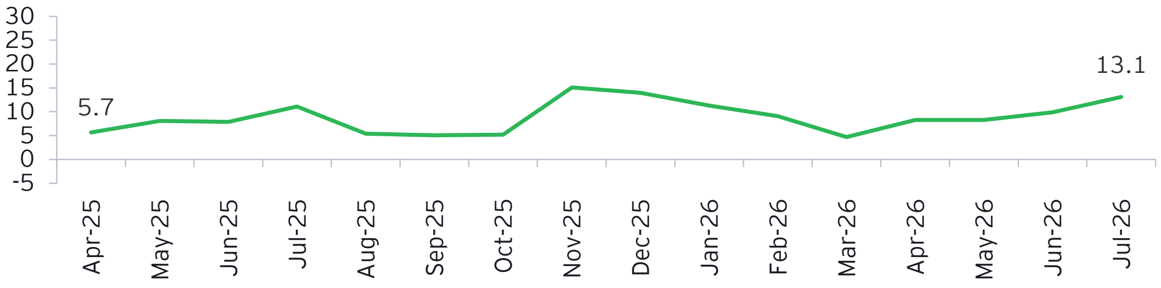


Source: MoSPI
Notes: IIP Base: 2022-23=100

Cement and steel production continued to register robust growth due to sustained infrastructure and housing investments.

Cement production y-o-y growth grew 9.9% in FY27 (April-July).

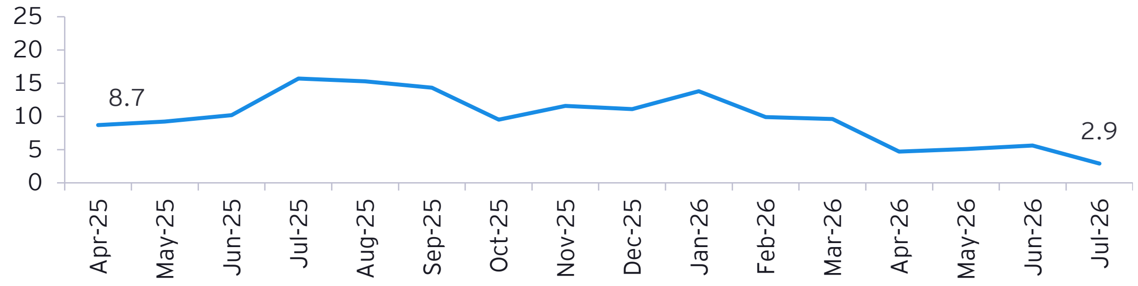
Growth rate of cement production (%)



Source: Office of Economic Advisor

Crude steel production grew at 4.6% in FY27 (April-July).

Growth rate of crude steel production (%)

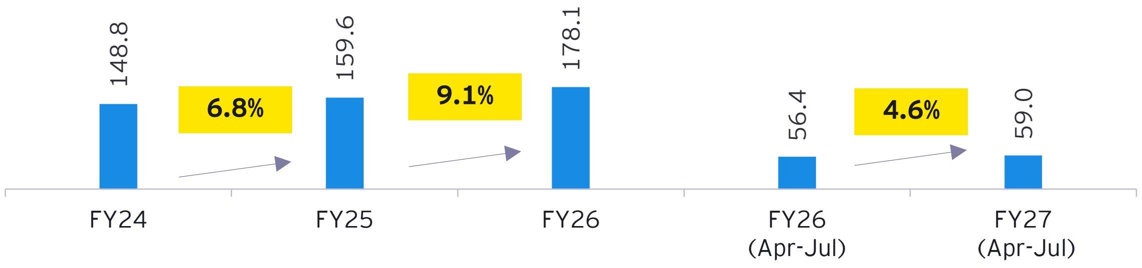


Source: Office of Economic Advisor

Cement production (in million tons)

Source: Office of Economic Advisor

Crude steel production (in million tons)

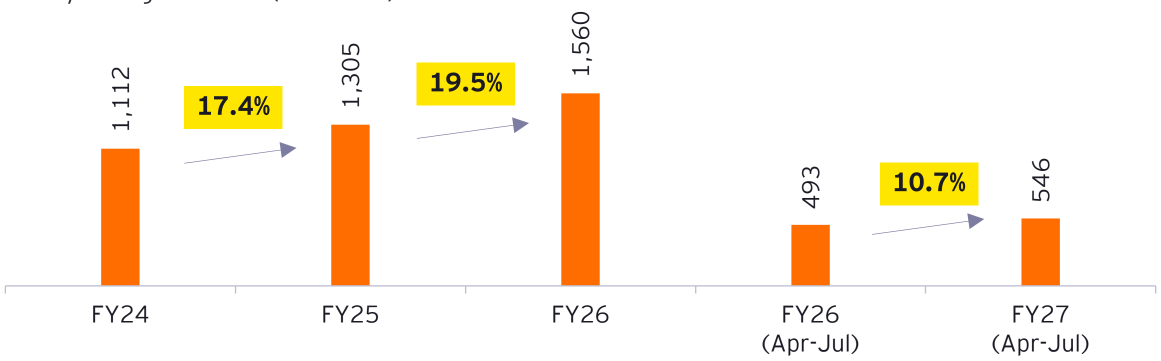


Source: Office of Economic Advisor

E-way bill activity remained strong, though air passenger traffic contracted.

E-way bill generation grew 10.7% in FY27 (April-July).

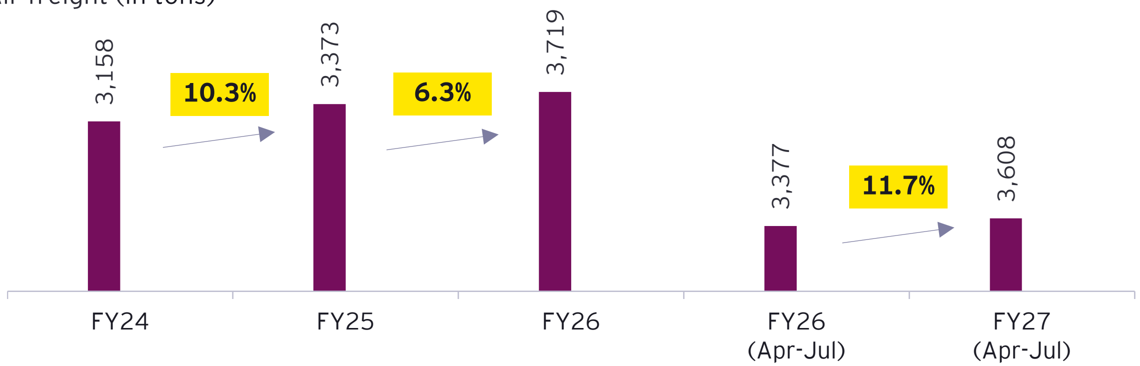
E-way bills generated (in million)



Source: GSTN

Air freight rose by 11.7% during FY27 (Apr-Jul).

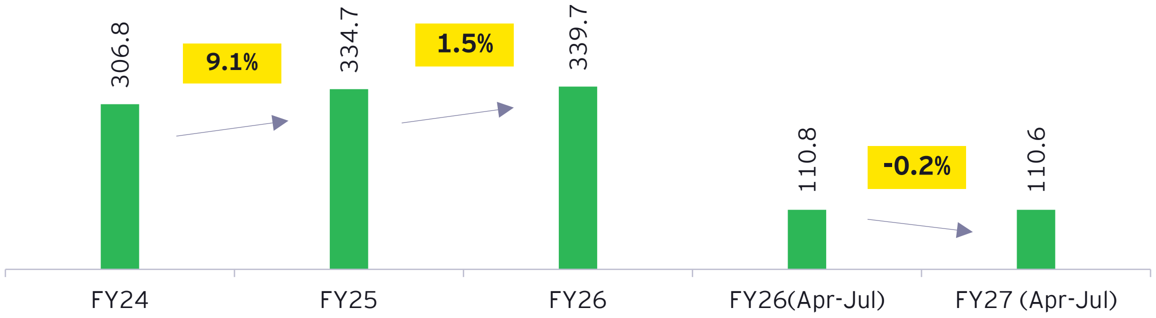
Air freight (in tons)



Source: Airports Authority of India

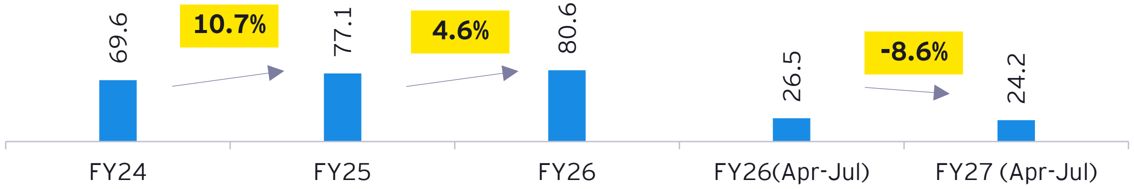
Domestic air passenger traffic contracted in FY27 (April-July).

Domestic air passenger traffic (in millions)



International air passenger traffic also contracted in FY27 (Apr-Jul).

International air passenger traffic (in millions)

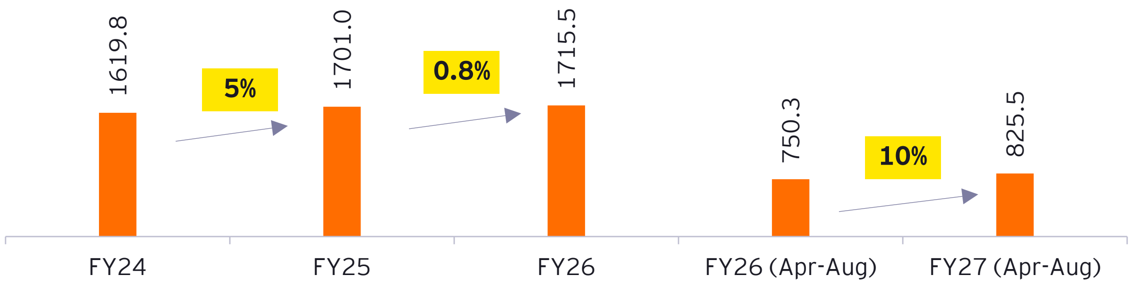


Source: Airports Authority of India

Power demand picked in FY27 (April-August) on account of peak summer load; renewable energy generation remained robust, reflecting a continued energy transition.

Growth in power consumption picked up in FY27 (Apr–Aug).

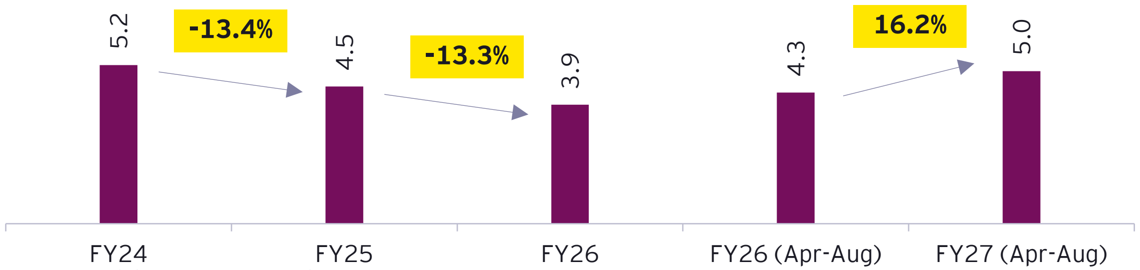
Monthly power consumption (BU)



Source: Grid India

Wholesale electricity prices inched up in FY27 (Apr–Aug) on account of higher power demand.

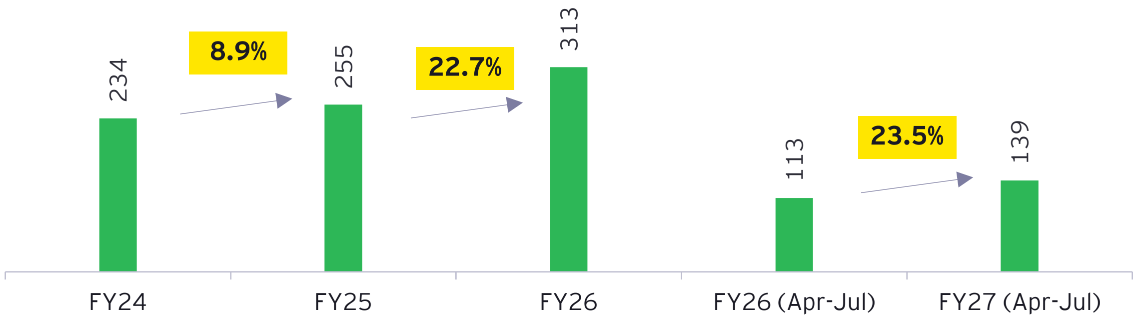
Power market clearing price (INR/KWh)



Source: IEX, data as on 26 August 2026
*Notes: Market clearing monthly prices are a simple average of non-zero prices in (number of days in a month*24*4) 15 minutes time blocks of the respective month.*
Additionally, weighted average power market clearing price is calculated

Renewable energy generation continued to register healthy growth.

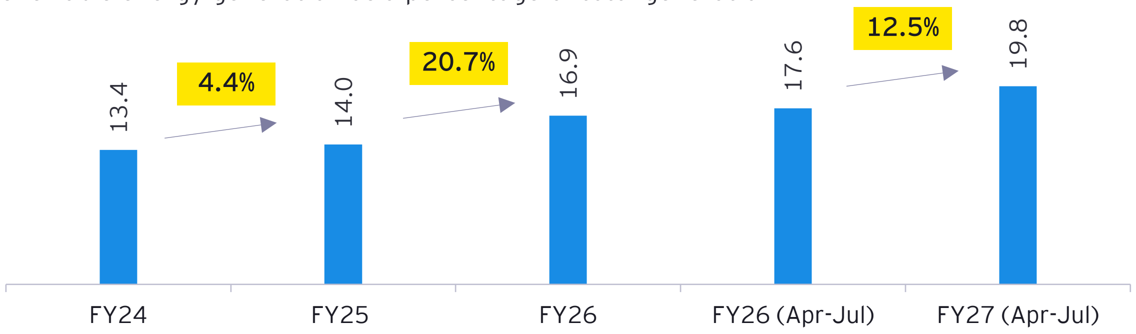
Renewable energy generation (in billion units)



Source: CEA
Notes: Renewable energy includes wind, solar, biomass, bagasse, small hydro and others

The share of renewable energy in the overall generation mix continued to rise, reflecting the ongoing energy transition and a focus on energy security.

Renewable energy generation as a percentage of total generation

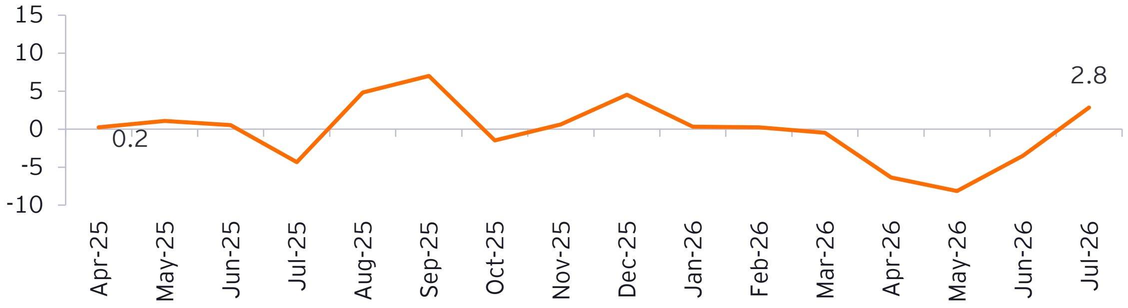


Source: CEA
Notes: Renewable energy includes wind, solar, biomass, bagasse, small hydro and others

Consumption of petroleum products and natural gas declined in volume on account of supply chain disruptions and elevated energy prices due to the Middle East crisis.

Consumption of petroleum products contracted by -3.9% during FY27 (Apr-Jul).

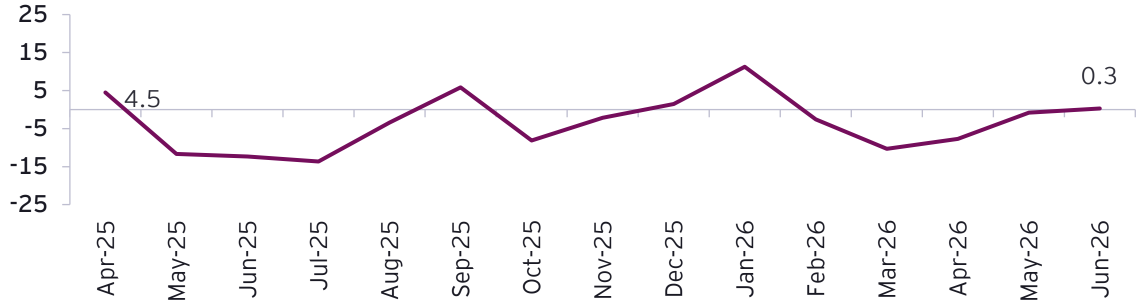
Growth rate of consumption of petroleum products (%)



Source: PPAC

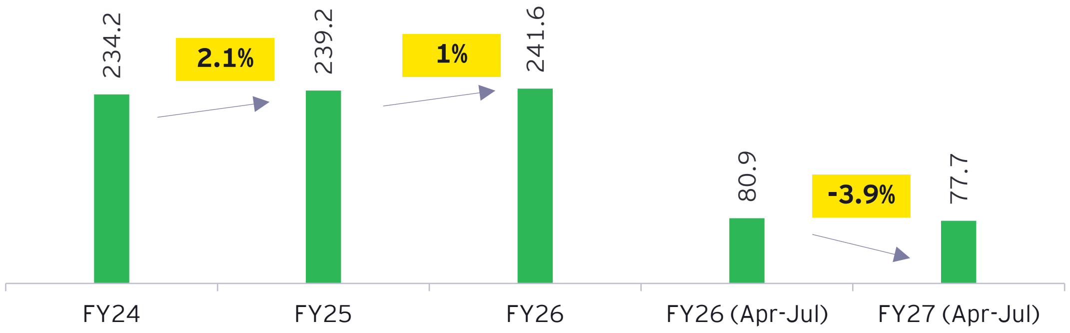
Natural gas consumption fell by 2.9% in FY27 (Apr-Jul).

Growth rate of consumption of natural gas (%)



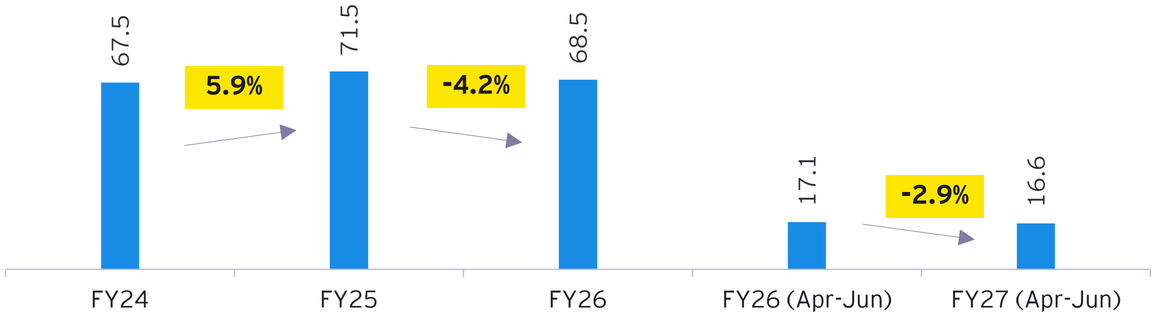
Source: PPAC

Growth in consumption of petroleum products (in million metric tons)



Source: PPAC

Growth in consumption of natural gas (in MMSC)



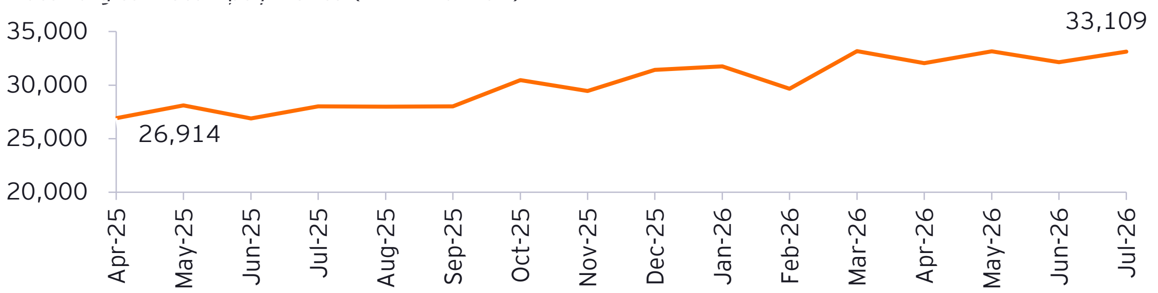
Source: PPAC,
Notes: MMSC stands for million standard cubic meter.

EY

Growth in digital retail payments, owing to UPI as well as FASTag issuances, reflected a continued formalization of the Indian economy.

Total digital retail payments in India continued to be buoyant.

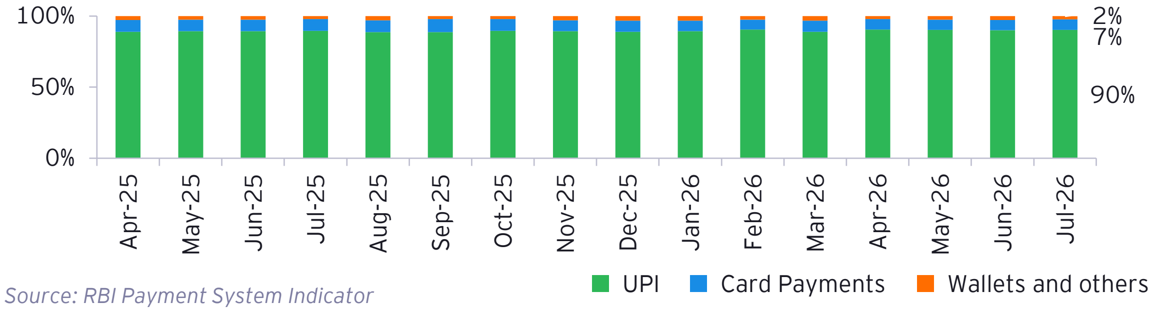
Total digital retail payments (in INR billion)



Source: RBI Payment System Indicator

UPI accounted for the majority of digital payments, underscoring its role in steering India toward a cashless economy.

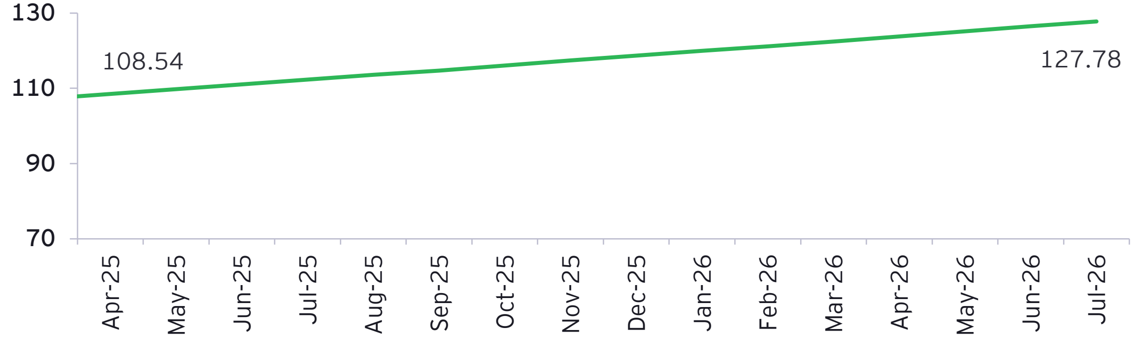
Share of different segments in total digital retail payments (by value)



Source: RBI Payment System Indicator
Notes: Others include ECS (Electronic Clearing System), AePS (Aadhaar Enabled Payment System), Aadhaar Payments Bridge System (APBS) and BHIM

The issuance of FASTags has recorded a CAGR of over 25% over the past two years.

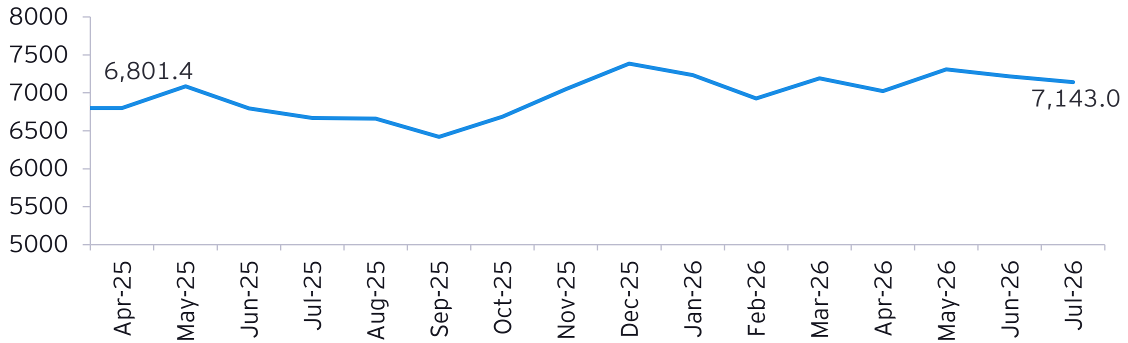
Number of FASTag issuances (in INR million)



Source: NETC

Revenues from tolls showed healthy growth, reflecting the widespread adoption of tolling systems on national highways and contributing to infrastructure development.

Revenues from tolls (in INR crore)



Source: NETC

05 Markets and Investments

Gross and net FDI registered improved growth in FY27 (April-June) while PE/VC and equity capital raised registered a de-growth.

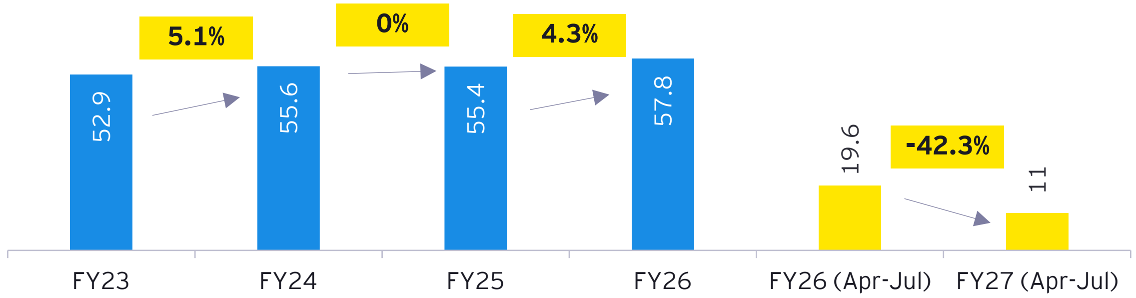
Gross FDI inflows registered a 14.9% growth in FY27 (Apr-Jun). Net FDIs also recorded an uptick.

Gross and Net FDI in India (US$ billion)

Source: RBI Monthly Bulletin

PE/VC investments recorded a sharp decline in FY27 (Apr-Jul).

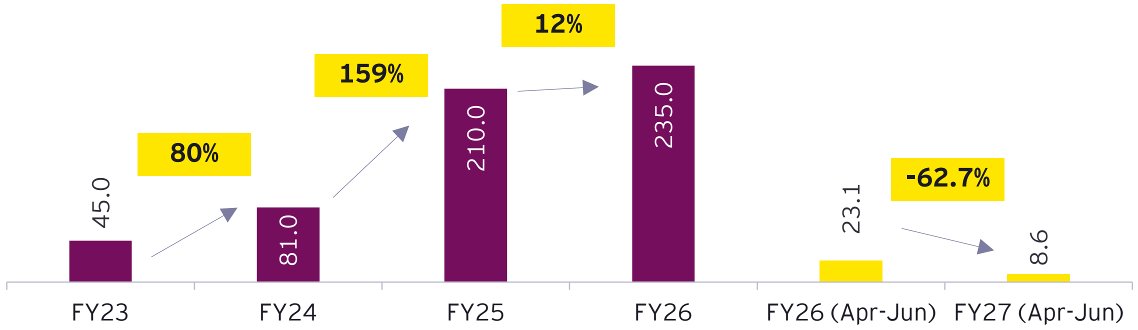
PE/VC investment (US$ billion)



Source: EY Analysis

Growth in capital raised by non-government companies declined in FY26 (Apr-Jun), though the IPO pipeline remains strong.

Equity capital raised by non-governmental companies (INR '000 crore)

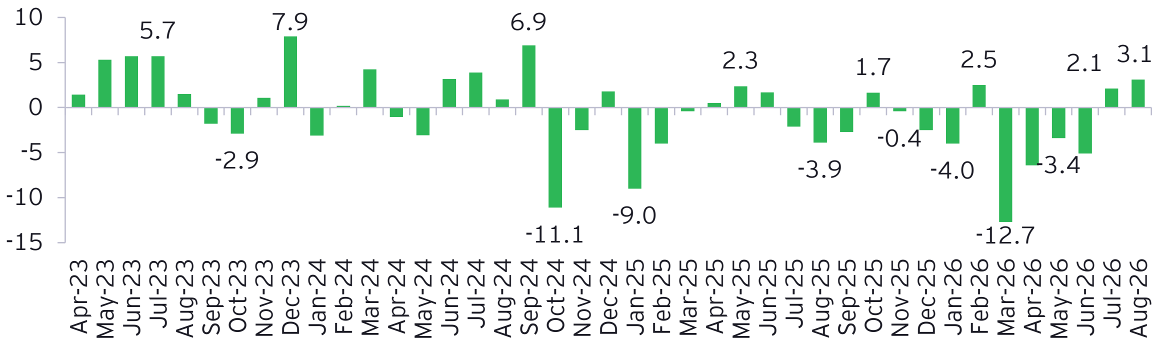


Source: RBI

Net equity FPIs turned positive in July-August 2026, reversing an earlier trend of four consecutive months of outflows; net debt FPIs also remained positive.

Equity FPIs turned positive, supported by resilient corporate earnings and government policy measures.

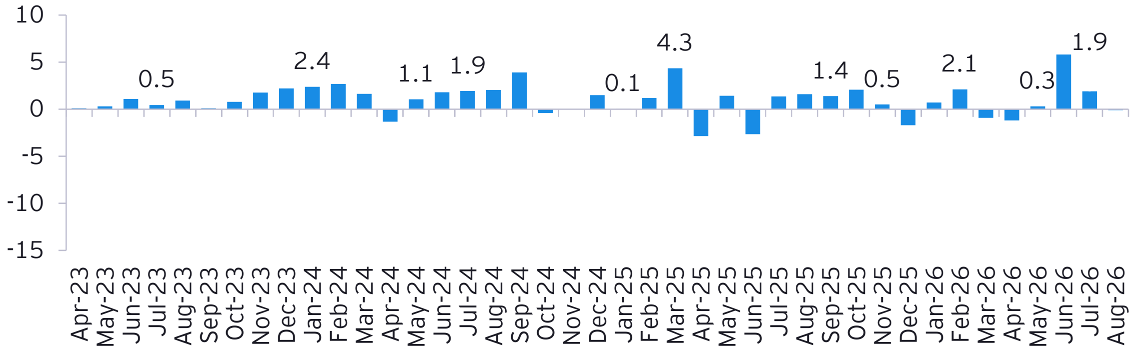
Net FPI investment inflows – equity (in US$ billion)



Source: NSDL
As of 31 Aug 2026

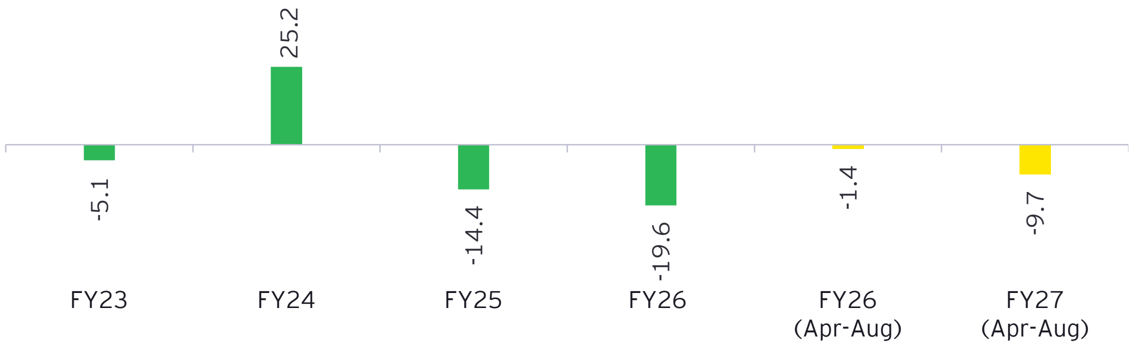
Debt FPIs turned remained positive.

Net FPI investment inflows – debt (in US$ billion)



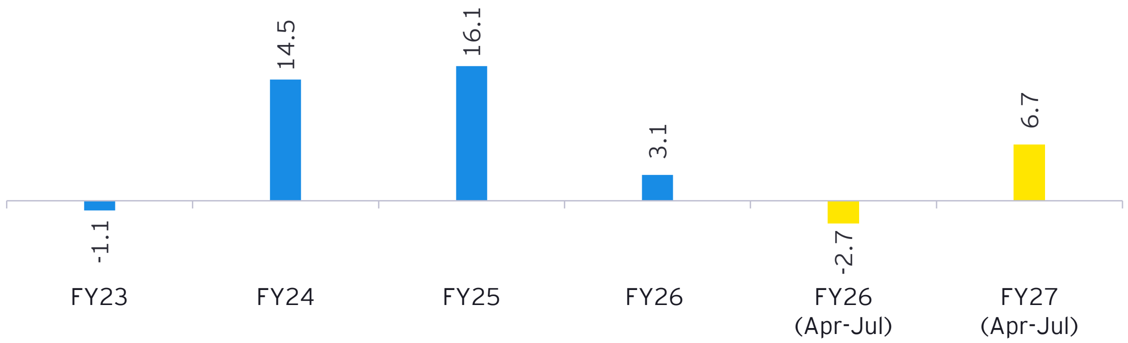
Source: NSDL
As of 31 Aug 2026

Net FPI investment inflows (cumulative) – equity (in US$ billion)



Source: NSDL
As of 31 Aug 2026

Net FPI investment inflows (cumulative) – debt (in US$ billion)

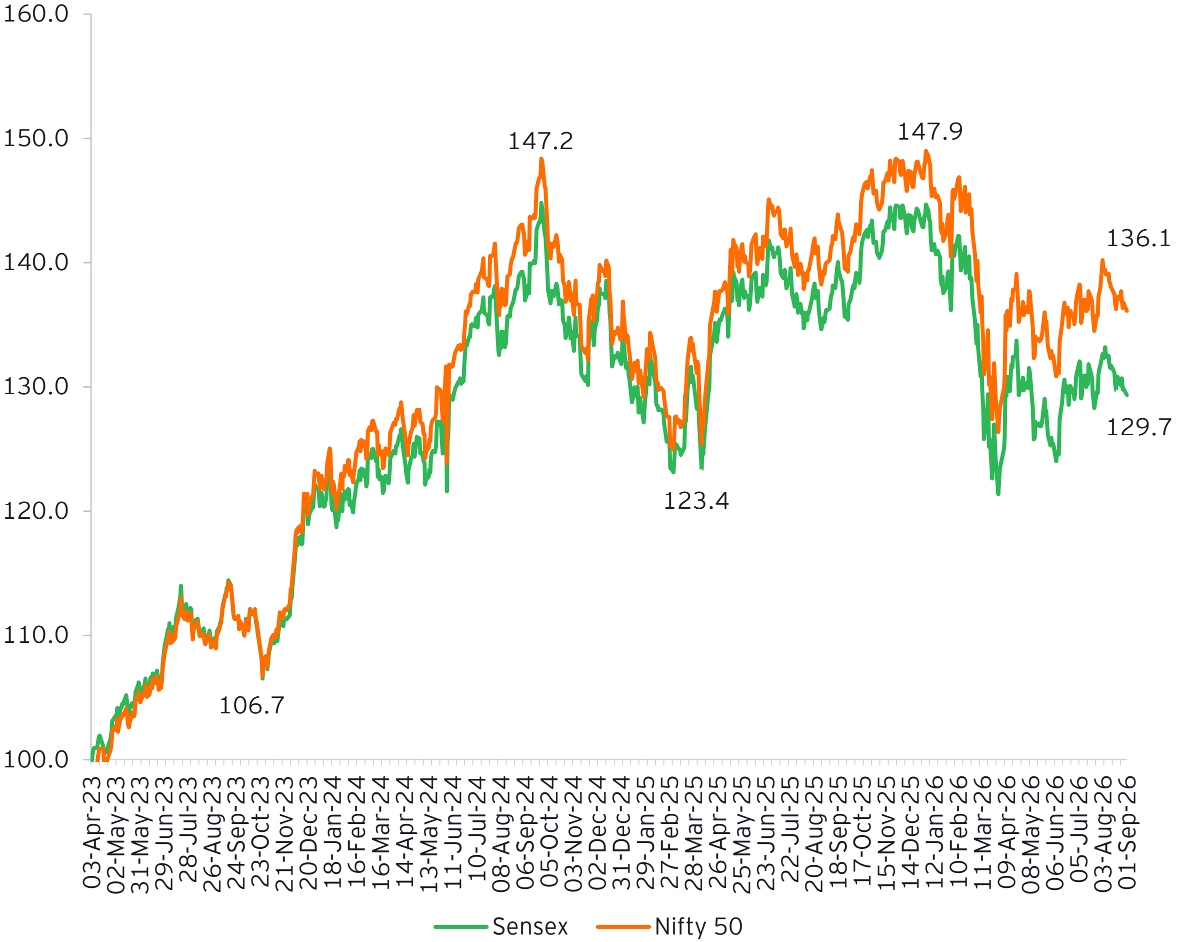


Source: NSDL
As of 31 Aug 2026

Indian equity markets rallied briefly in July-August 2026, supported by a rebound in net FPI inflows and resilient corporate earnings.

Equity markets recovered following a sharp decline in the wake of recent geopolitical conflicts.

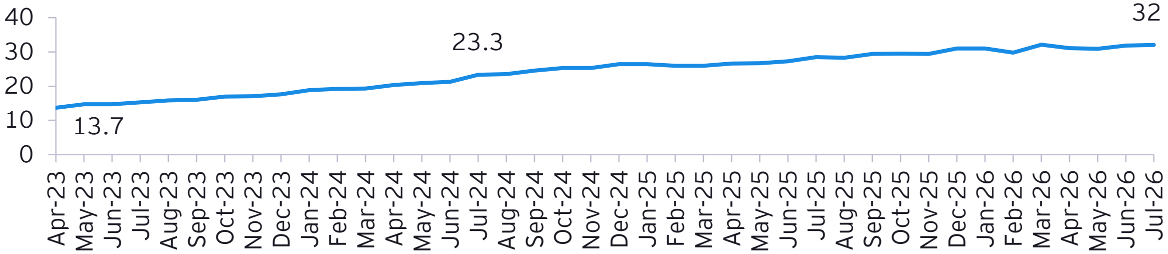
Nifty 50, Sensex (Base as 1 April 2022)



Source: NSE, BSE, data as of 1 September 2026

SIP contributions have been steadily growing, underscoring the expanding role of domestic resources.

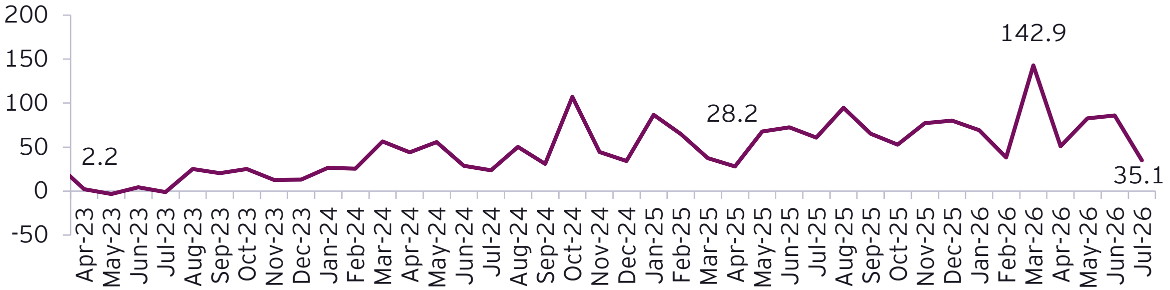
Monthly SIP contributions (INR '000 crore)



Source: AMFI

Domestic institutional investments moderated in July 2026.

Net purchase of domestic institutional investment (DII) (INR '000 crore)

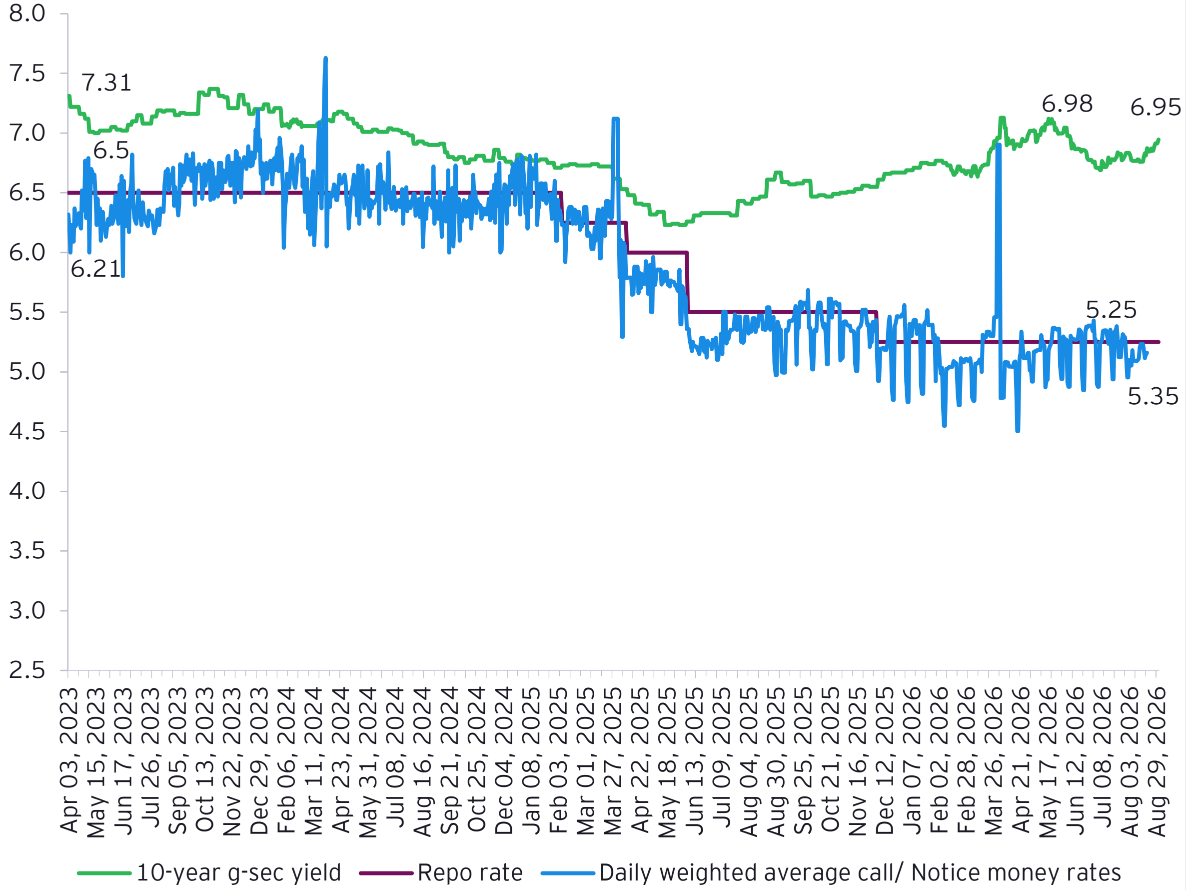


Source: Moneycontrol

10-year G-sec yields moderated during July-August 2026, from elevated levels in March 2026; RBI kept the policy rate unchanged at 5.25%, adopting a cautious approach.

10-year G-sec yields have moderated in July and August 2026. The RBI MPC decided to hold the policy rate at 5.25% in its June 2026 meet.

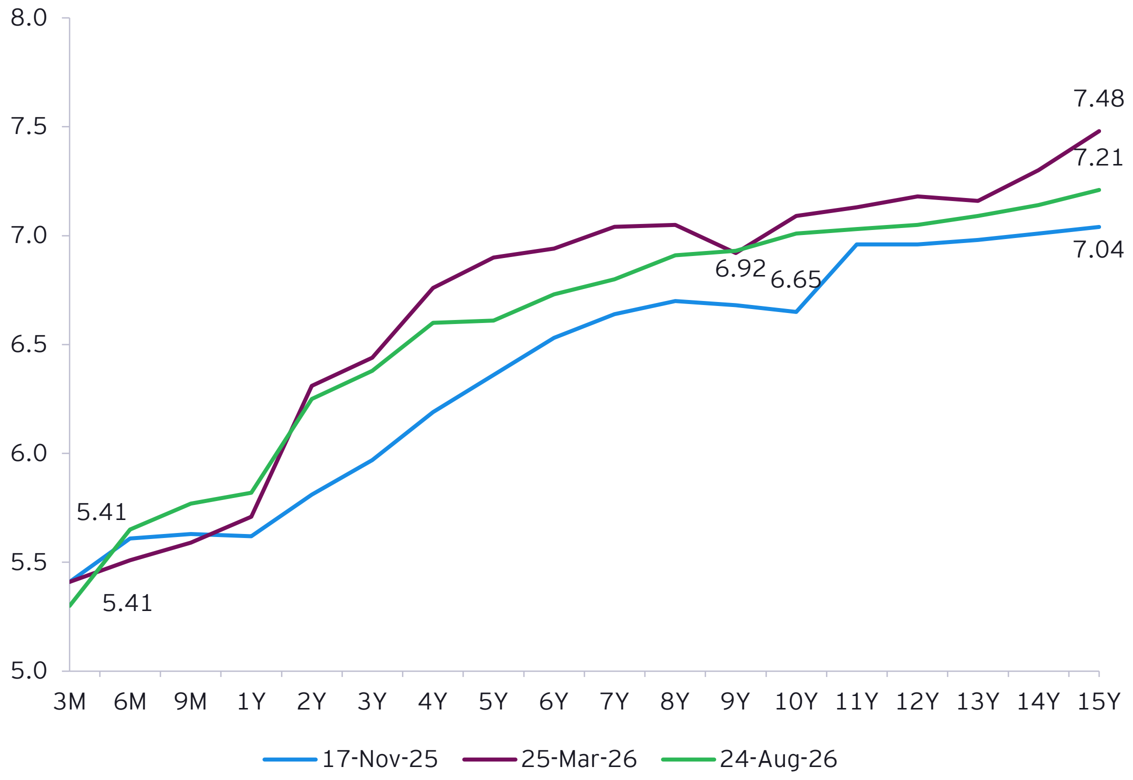
G-sec yield (10-year), policy rate and notice money rates (in %)



Source: RBI, data as on 31 Aug 2026

The yield curve has eased, reflecting high liquidity in the economy.

India sovereign yield curve (in %) (Annualized)

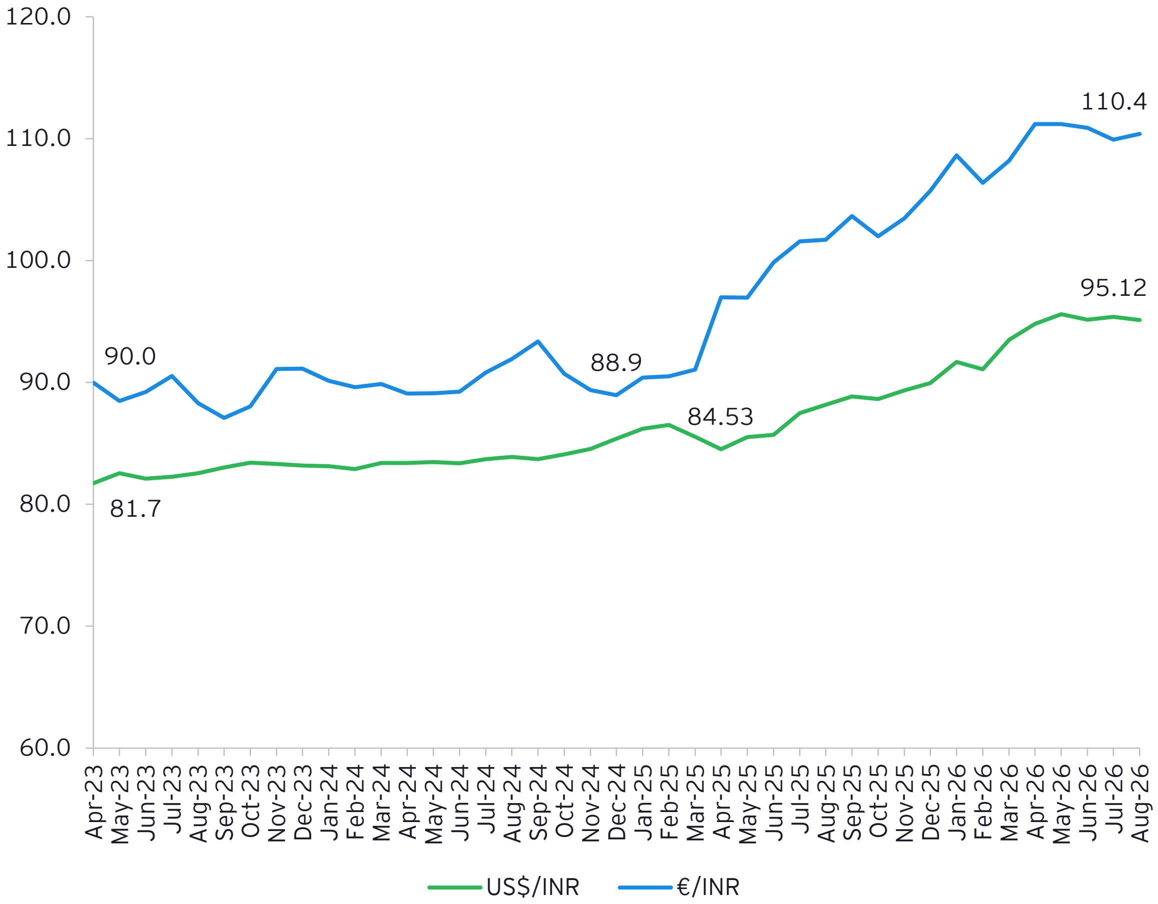


Source: FBIL, data as on 24 August 2026

India's forex reserves surged to a record high of US$729.3 billion, supported by sustained FCNR(B)-led capital inflows; strong capital and net FPI inflows helped stabilise the rupee during July-August 2026.

The Indian Rupee recovered in the last two months from its record low levels on account of higher capital inflows and net FPI inflows.

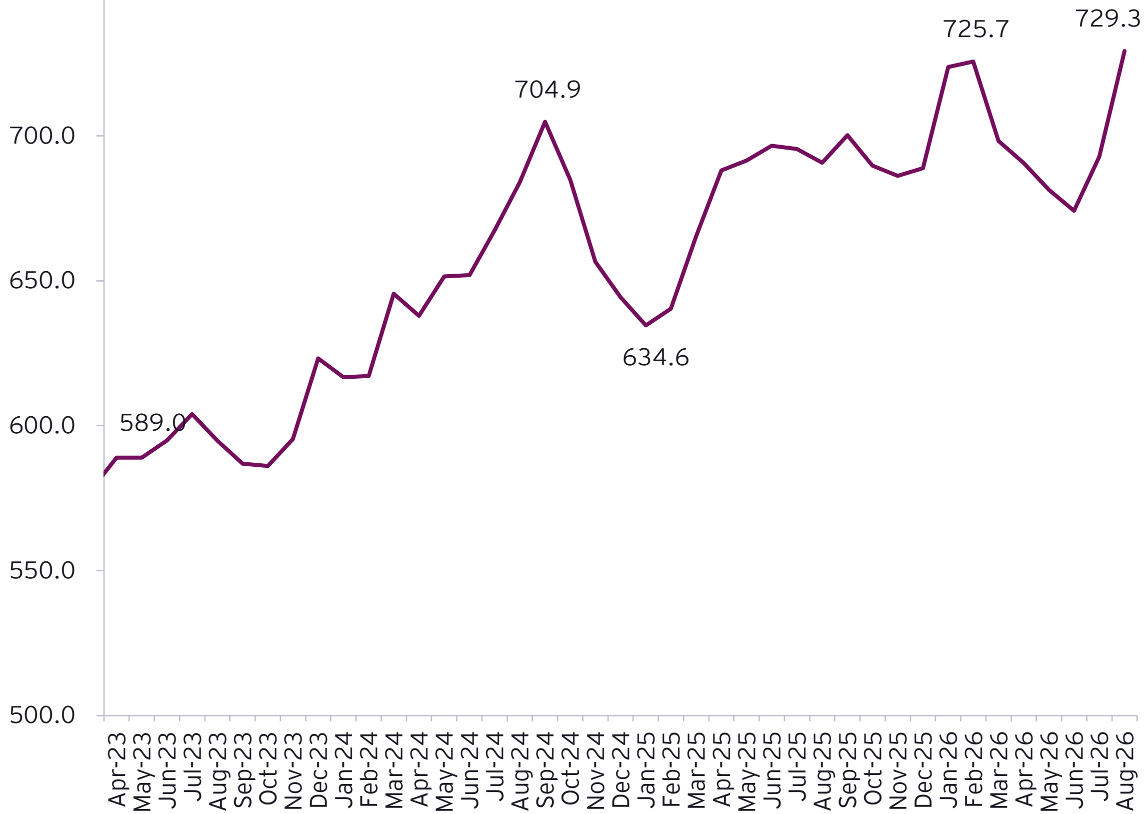
Exchange rates vis-à-vis the US dollar and the Euro



Source: RBI, Google Finance, as of 31 Aug 2026

RBI's concessional swap window for Foreign Currency Non-Resident (Bank) deposits has helped propel India's foreign exchange reserves to a record high of US$729.3.

India's foreign exchange reserves (in US$ billion)

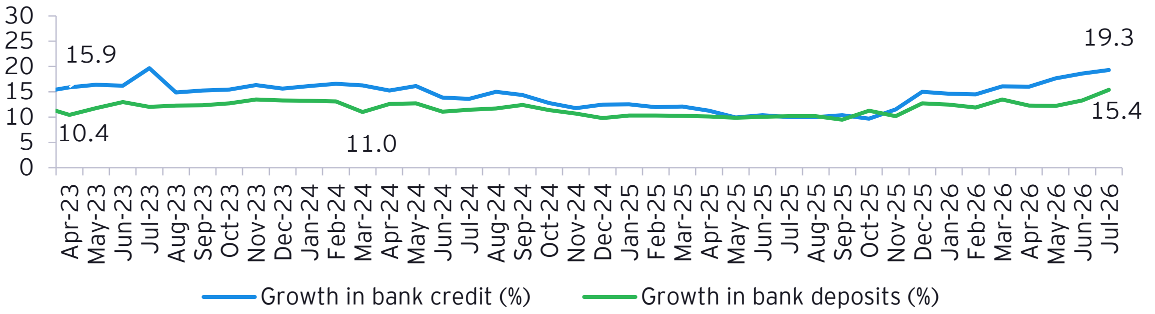


Source: RBI, as of 21 Aug 2026

Bank credit growth accelerated to a three-year high in July 2026, led by broad-based growth across industry, services and personal loans segments; growth in credit to industry was at a multi-decadal high.

Bank credit registered a healthy growth of 19.3% in July 2026, highest in three years.

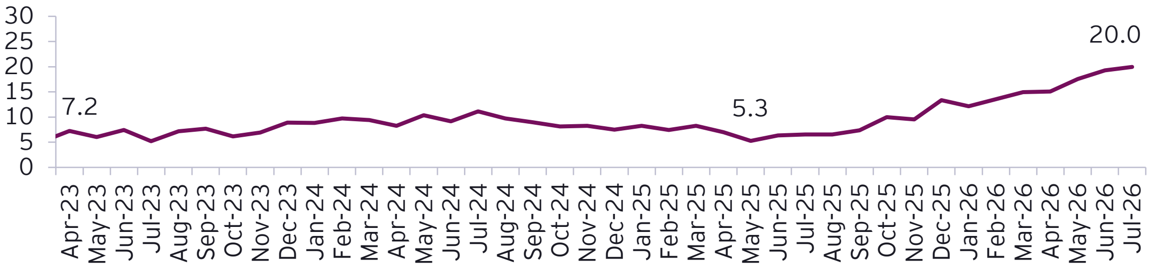
Growth rate of bank credit and bank deposits (%)



Source: RBI
Notes: Growth rates have been computed based on the change over 12-month period

Growth in bank credit to industry was at an all-time high, reflecting the new private capex cycle.

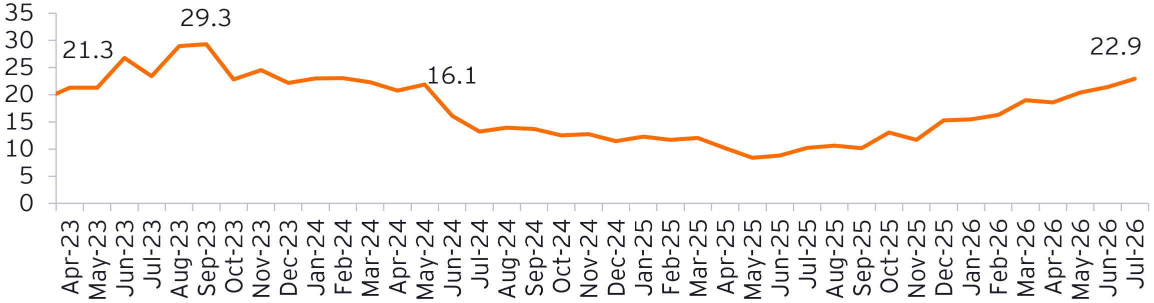
Growth rate of bank credit to industry (%)



Source: RBI
Notes: Growth rates have been computed based on the change over 12-month period

Growth in credit to services continued to strengthen, attributable to a rise in lending to NBFCs, along with growth in trade and commercial real estate.

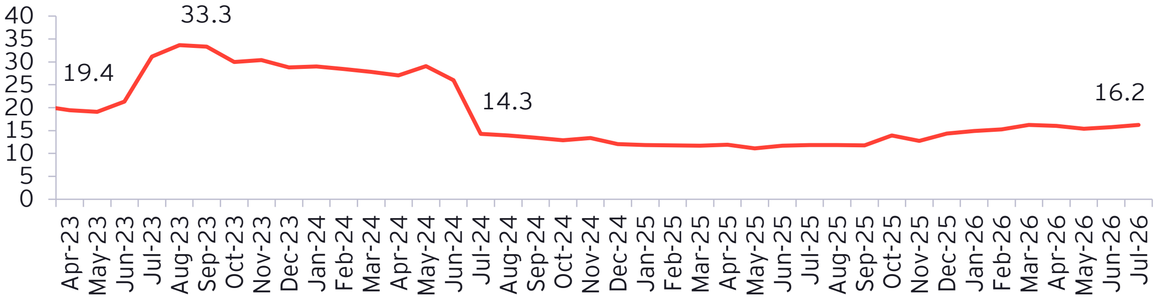
Growth rate of bank credit to services (%)



Source: RBI
Notes: Growth rates have been computed based on the change over 12-month period

Credit growth in personal loans picked up in July 2026, led by growth in the housing and vehicle loan segments.

Growth rate of bank credit to personal loans (%)

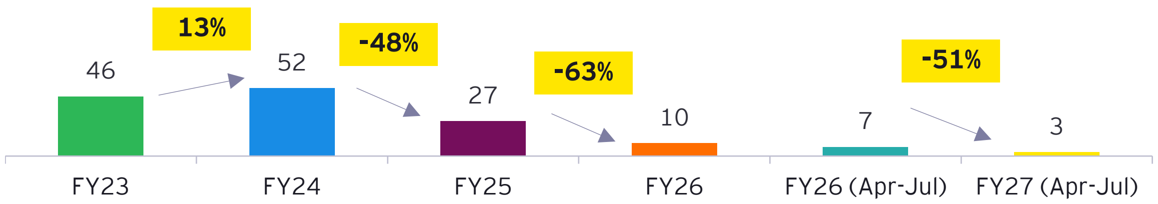


Source: RBI

Growth in the flow of credit for personal loans was driven by a robust growth in vehicle and other personal loans; credit card loans registered a degrowth.

The flow of credit for credit cards recorded degrowth as banks focused on limiting delinquencies and improving portfolio quality.

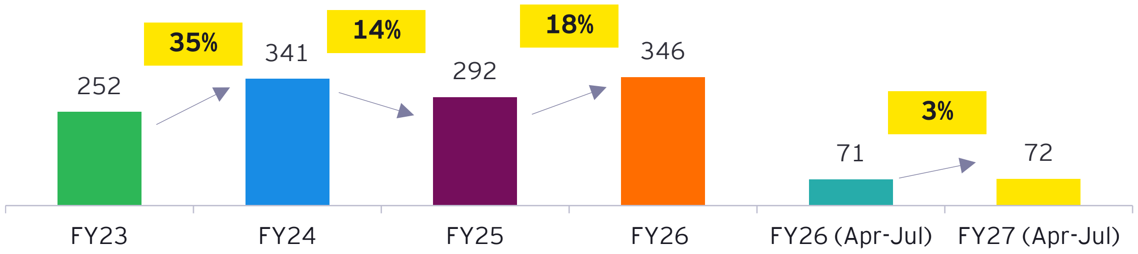
Credit card loans (in INR ‘000 crore)



Source: RBI
Notes: Flow of credit between two months is calculated by taking the difference between outstanding bank credit at the end of the respective months

The flow of credit for housing loans maintained a near-stable growth in FY27 (Apr-Jul).

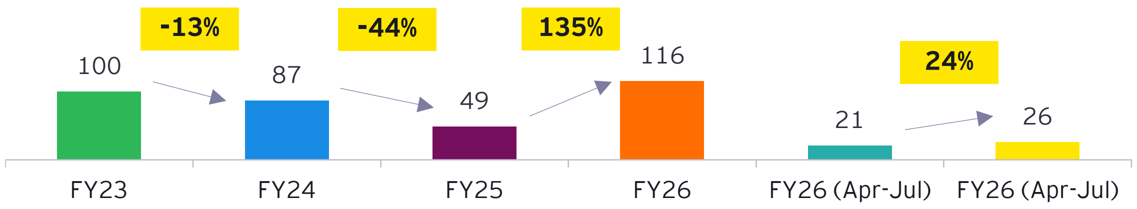
Housing loans (in INR ‘000 crore)



Source: RBI
Notes: Flow of credit between two months is calculated by taking the difference between outstanding bank credit at the end of the respective months

Growth in the flow of credit for vehicles recorded healthy growth in FY27 (Apr-Jul), reflecting the impact of GST 2.0 on demand.

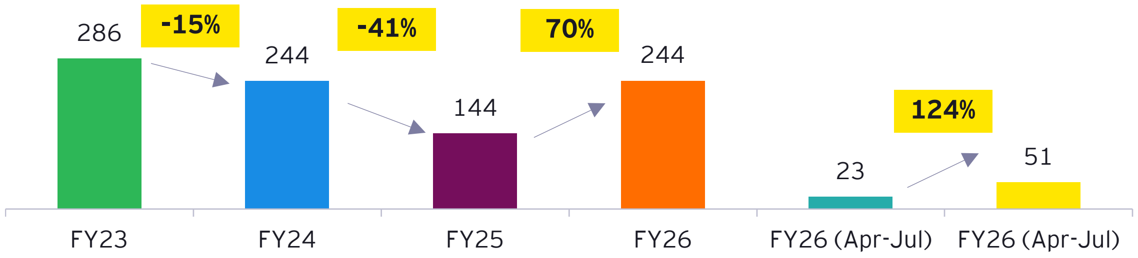
Vehicle loans (in INR ‘000 crore)



Source: RBI
Notes: Flow of credit between two months is calculated by taking the difference between outstanding bank credit at the end of the respective months

Growth in the flow of credit for other personal loans registered strong growth in FY27 (Apr-Jul).

Other personal loans (in INR ‘000 crore)



Source: RBI
Notes: Flow of credit between two months is calculated by taking the difference between outstanding bank credit at the end of the respective months
Other personal loans include consumer durables, advances to individuals and FDs, education, other personal loans

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Ernst & Young LLP

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ED None