Enter

India Economic Pulse

Economic indicators and policy measures

March 2026

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EY

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Executive summary

Executive summary

We present a special edition of Economic Pulse – the first edition following the commencement of conflict in the Middle East. Our analysis examines the macro-economic, external sector, fiscal and demand-side implications for the Indian economy.

01 Macro-economic impact

Growth outlook

- India's GDP growth assumptions have been revised downward by OECD:
  - OECD projects economic growth at 7.6% for FY26, moderating sharply to 6.1% for FY27. Other independent analysts have projected the growth at around 6%, while RBI has projected growth at 6.9% with downward risks.
  - The revision reflects the compounding effect of higher energy costs, disruptions in supply chain, tighter financial conditions for businesses, and weakened external demand.
  - With the declaration of the ceasefire, the actual impact might depend on the damage to energy and downstream production capacity and the time that it takes for the capacities to recover.

Inflation

- Inflation is projected to rise to approximately 5% (OECD), up from the current 3.1% baseline. While, RBI has projected inflation at 4.6% for FY 27.
- The primary driver is the sharp rise in crude oil and natural gas prices, with pass-through effects across transportation, manufacturing and food production.
- Most metals (with the notable exception of aluminum, whose energy-intensive production makes it sensitive to gas prices) and most agricultural commodities have remained relatively stable.
- RBI is faced with a balancing act between interest rate management to anchor inflation and stabilize the Rupee, vis-à-vis the need to protect growth momentum and avoid over-tightening of liquidity.

02 External sector

Merchandise trade deficit

- Even before the onset of conflict, India's merchandise trade deficit for the 11-month period April-February FY26 stood at US$311 billion, up 18.6% from US$262 billion in the same period of FY25.
  - Oil trade deficit: US$113 billion (up from US$108 billion)
  - Non-oil merchandise deficit: US$198 billion (up ~28% from US$154 billion)

Executive summary

- With India's crude oil basket having risen from below US$70/barrel to over US$140/barrel (PPAC, April 2026), the external balance faces stress until oil prices normalize.
- The Current Account Deficit is likely to widen and warrants close monitoring.

Currency and capital flows

- The Rupee has depreciated by approximately 10% against the US dollar and 20% against the Euro over the past 12 months.
- Rupee depreciation negatively affects Foreign Portfolio Investment (FPI) returns in dollar terms, contributing to net FPI outflows of approximately US$12 billion in March 2026 alone. For context, this compares to outflows seen during the COVID-onset shock (~US$16 billion in March 2020).
- FPI outflows, in turn, exert further downward pressure on the currency, creating a reinforcing cycle that requires intervention to break.

Forex reserves: A critical buffer

- India's foreign exchange reserve position at approximately US$688 billion is a key macro buffer in an external shock scenario.
- Adequate reserves provide both a direct defense mechanism for the Rupee and an important confidence signal.

03 Pressure on public finances

Fiscal position

- The government has been on a fiscal consolidation path, but India was still recovering from the COVID-induced debt build-up. Combined Government debt (Center and states) to GDP has risen from ~60% pre-COVID to ~80%, materially reducing fiscal space.
- The government has reduced central excise duties on petrol and diesel by INR10 per liter to shield consumers from the full impact of rising crude prices, absorbing an estimated fiscal cost of INR1.6 lakh crore. However, the actual impact would depend on further changes to crude oil prices and revisions in excise duty.

Interest rates and borrowing costs

- The yield on the 10-year Government Security (G-Sec) has risen from 6.67% to 7.02% (~35 bps) following the onset of conflict. This is in line with a similar increase in yields in advanced economies.
- The central government has budgeted interest expense at INR14 lakh crore, representing 26% of total central government expenditure, which is already the single largest line item.
- Elevated yields will increase the cost of both refinancing maturing debt and new debt.

Executive summary

04 Impact on demand

High-frequency indicators: March 2026

High-frequency demand indicators for March 2026 show a broadly positive momentum, though the full impact of the conflict may manifest with a lag:

Demand indicator	March FY25	March FY26	Growth (%)
Commercial vehicle registrations ('000s)	91	101	+11.2%
Passenger vehicle registrations ('000s)	432	490	+13.3%
MGNREGA work demand (millions) [1]	24	18	-21.9%
Tractor registrations ('000s)	67	71	+5.5%
Two-wheeler registrations (millions)	1.5	1.8	+22.1%
GST collections (INR '000 crore)	196	200	+2.0%
Power consumption (million units/day)	4.8	4.8	0.0%

[1] A decline in MGNREGA work demand is a positive indicator, reflecting lower rural distress. This should not be read as a demand contraction.

Vehicle registrations across all categories show healthy YoY growth, pointing to resilient urban and rural consumer demand through March.

GST collections growth of 2% YoY is in line with the 1.6% growth observed after rationalization of GST rates.

Business feedback, however, signals growing caution on the demand outlook, with concerns concentrated in:

- Supply chain disruptions
- Export-oriented sectors facing higher logistics cost and disruption
- Input cost pass-through may suppress volumes

05 Conclusion: Navigating uncertainty

Going forward, the economic impact might depend on the ceasefire in the Middle East sustaining and the pace at which global energy markets and supply chains stabilize.

Continuing policy agility of the government and the RBI would determine how India keeps its structural growth story intact.

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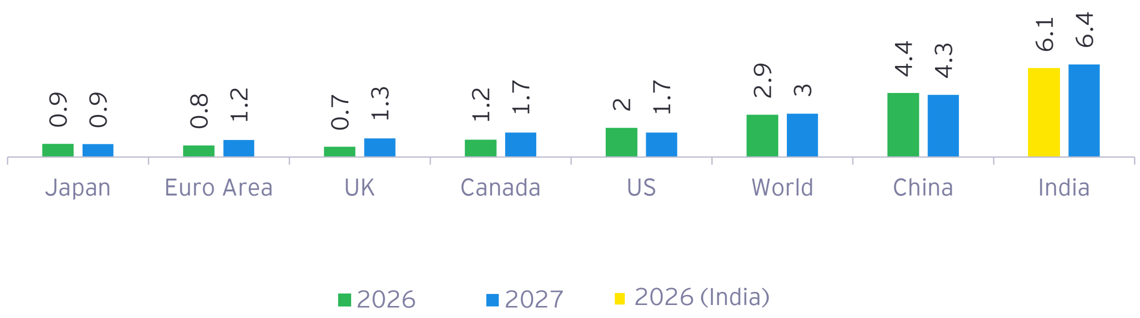
02

Key economic and fiscal indicators

Post the recent events in the Middle East, OECD has revised GDP growth estimates downwards and revised up inflation expectations. India has been projected to grow @6.1% in 2026.

India remained the fastest-growing large economy; global economic activity could face pressures from recent geopolitical conflicts

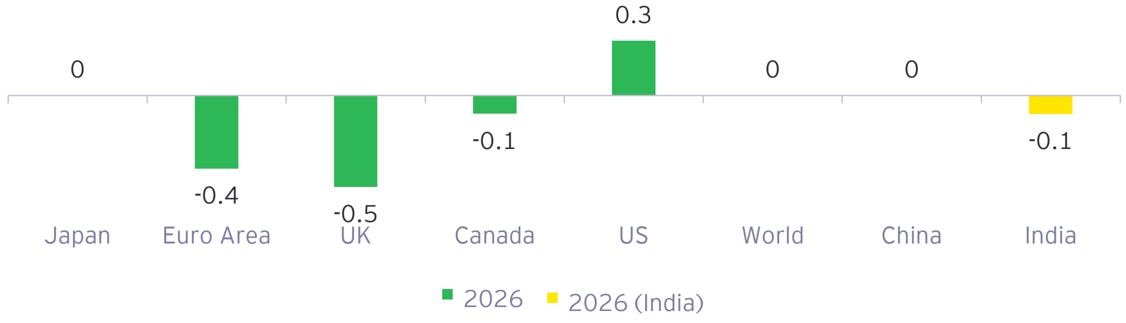
OECD projections for real GDP growth (%)



Source: OECD Economic Outlook, March 2026

There is major decline in GDP projection of the Euro Area and UK in 2026 as higher energy prices weigh on activity

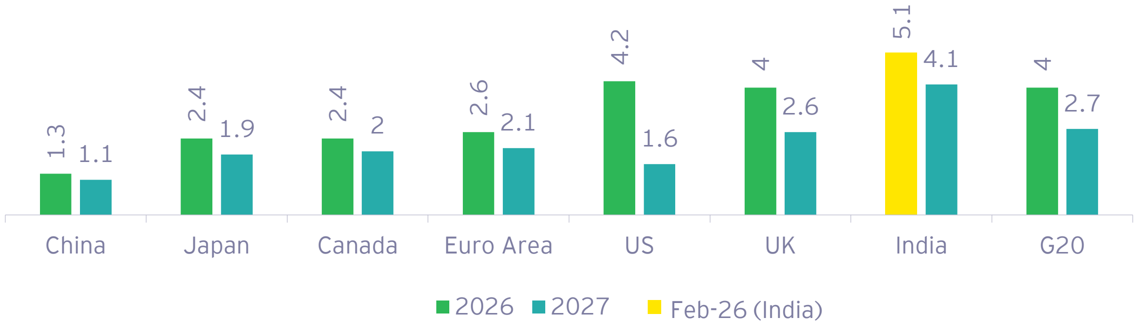
OECD projection variation for real GDP growth in Q4FY26 from Q3FY26 (%)



Source: OECD Economic Outlook, March 2026

Consumer inflation across most geographies moderated, but continued commodity price shocks could pose upside risks

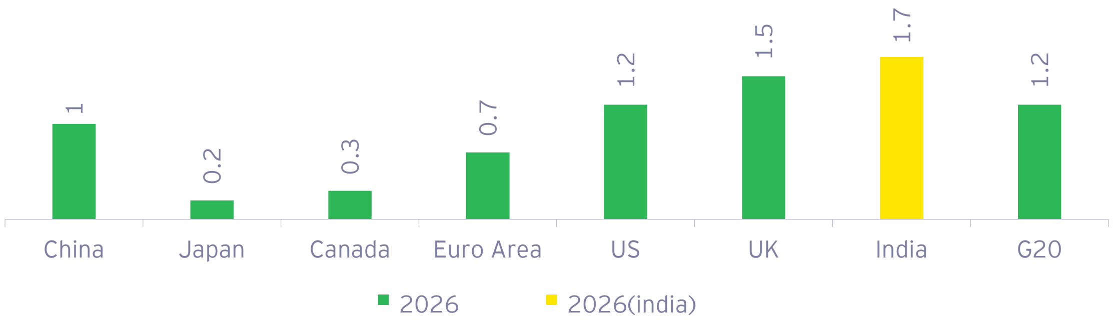
OECD Inflation Projection Rates (%)



Source: OECD Economic Outlook, March 2026

Consumer inflation projections across countries have been revised upwards to reflect ongoing supply chain disruptions

OECD Inflation Projection Variation in Q4FY26 from Q3FY26 (%)



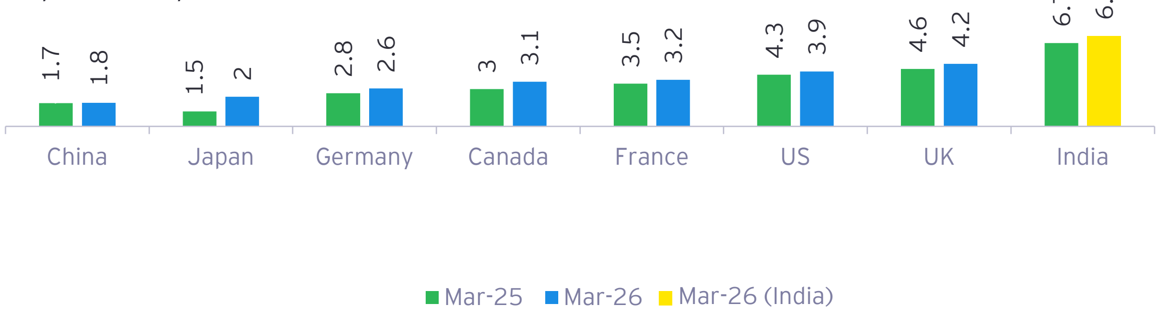
Source: OECD Economic Outlook, March 2026

EY

Post the conflict, yield on 10-year G-Sec have increased by 300 to 400 basis points, putting pressure on government finances. Further, the US dollar has strengthened after the conflict.

Bond yields remained elevated across economies in last one year, as investors positioned for central bank interest-rate hikes

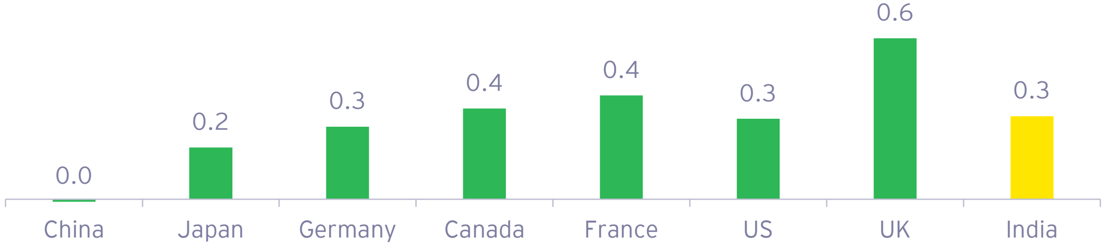
10-year G-sec yields (%) (last 12 months)



Source: Investing.com and Trading Economics
Notes: G-sec yields as of 30 March 2026

Long-term yields firmed up over the past month amid elevated uncertainty and cautious investor sentiment

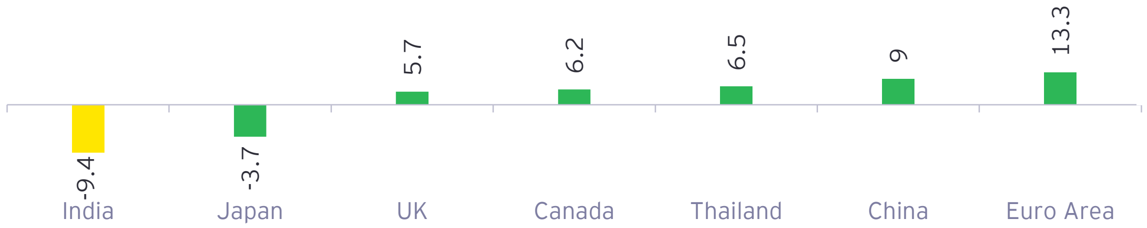
10-year G-sec yields (%) (Variation from Feb-26 to Mar-26)



Source: Investing.com and Trading Economics
Notes: G-sec yields as of 30 March 2026

Most currencies strengthened vis-à-vis US$ over the last one year, though India continued to demonstrate weaker performance

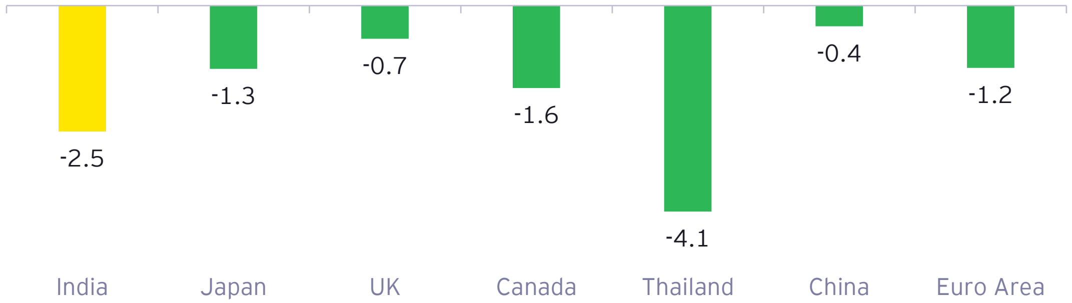
Currency performance vis-à-vis US$ (%) (last 12 months)



Source: Google Finance
Notes: Currency performance calculated as of 30 March 2026

Several currencies have faced depreciation pressures over the past month amid FII outflows and heightened risk aversion

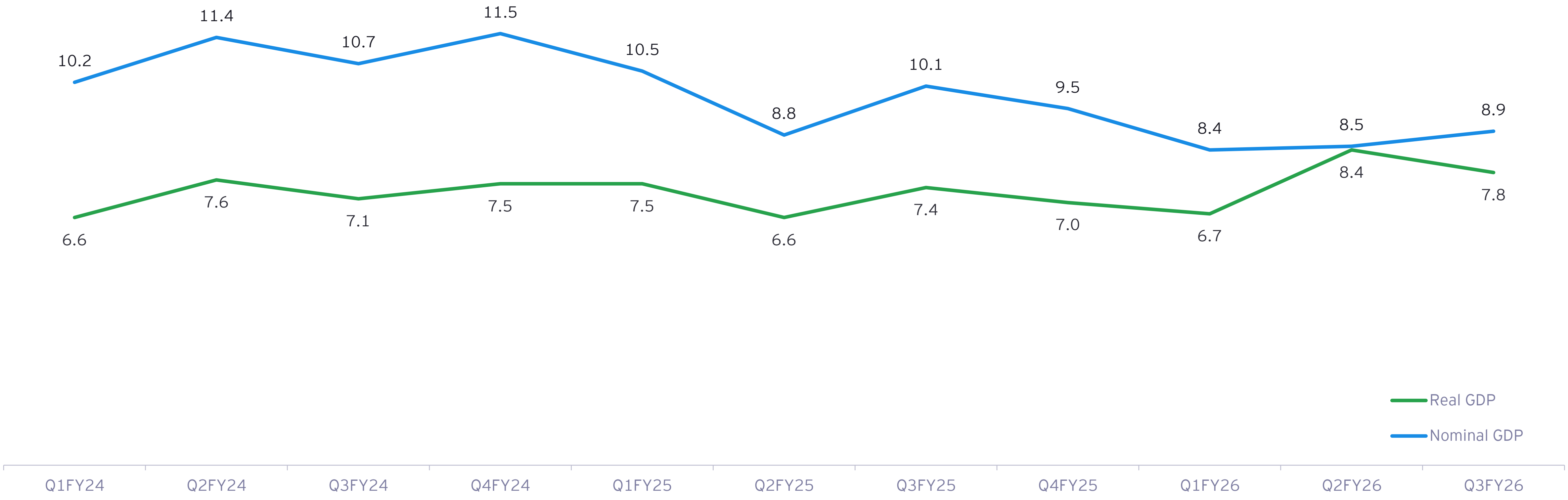
Currency performance vis-à-vis US$ (%) (Variation from Feb-26 to Mar-26)



Source: Google Finance
Notes: Currency performance calculated as of 30 March 2026

As India entered the current crisis, its real GDP was growing at 7.8% (in Q3FY26), moderating from preceding quarter's 8.4% growth amid a base year revision under the new series introduced in February 2026.

India's historical quarterly real and nominal GDP growth rates (%)

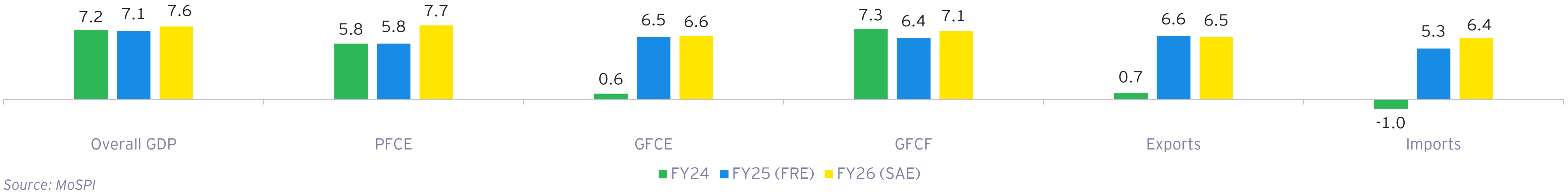


Source: MoSPI
Note: The growth rates are as per the new GDP series

7%+ real GDP and GVA growth for the third successive year (2022-23 base series)

Following the GDP base-year revision (to 2022–23), the real GDP estimate for FY26 has been revised up to 7.6%, compared with the earlier projection of 7.4%. The new series also recalibrates the level of GDP, lowering the estimated size of the economy by INR11 trillion. On the expenditure side, both private consumption and investment posted growth above 7%, indicating a broad-based and resilient demand recovery.

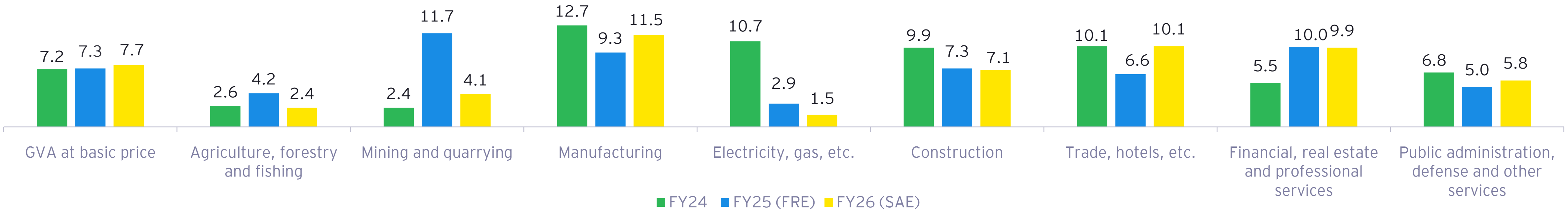
Second Advanced Estimates of Real GDP growth (at 2022-23 prices) (%)



Source: MoSPI
PFCE: Private Final Consumption Expenditure; GFCE: Government Final Consumption Expenditure; GFCF: Gross Fixed Capital Formation; FRE: First Revised Estimates; SAE: Second Advanced Estimates
Note: Base year for estimation of Real GDP has been changed from 2011-12 to 2022-23 under the new series

The manufacturing sector has been the major driver in contributing to the resilient performance of the economy in the three consecutive financial years after rebasing. The tertiary sector has also boosted the performance of the economy by registering above 9% growth rate in FY26. Trade, Hotels, Transport, and Services have attained a growth rate of 10.1% in FY26.

Second Advanced Estimates of Real GVA growth (at 2022-23 prices) (%)

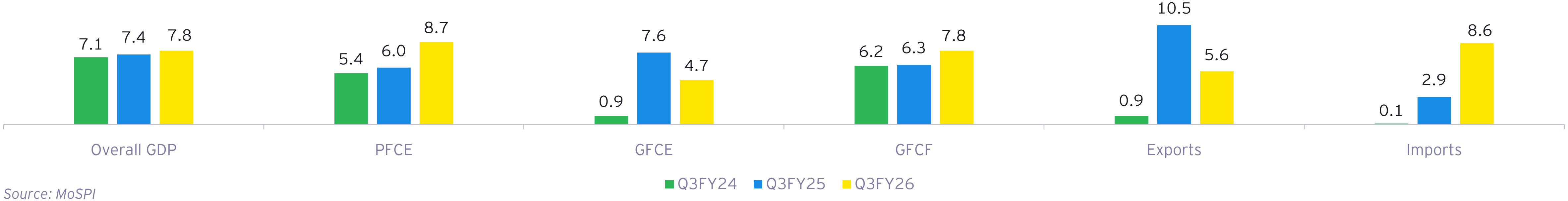


Source: MoSPI
Note: Base year for estimation of Real GDP has been changed from 2011-12 to 2022-23 under the new series

Q3FY26 real GDP growth remained strong at 7.8%

India's real GDP growth slowed to 7.8% in Q3FY26 from the preceding quarter's 8.4% growth, although rising above Q3FY25 level of 7.4%. PFCE was the largest driver of growth, expanding by 8.7% in 3QFY26, followed by investments in fixed assets by 7.8%, while growth in government spending remained subdued at 4.7%.

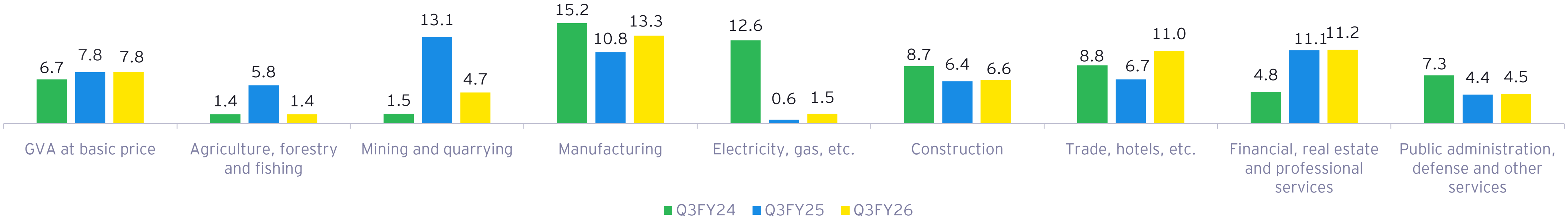
Quarterly estimates of real GDP growth (at 2022-23 prices) (%)



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

The agriculture sector's growth eased to 1.4% in Q3FY26 compared to 2.3% in the previous quarter. Manufacturing growth edged up marginally from 13.2% to 13.3%. In services, growth in financial, real estate, ownership of dwelling, IT and professional services raced higher to 11.2% in Q3FY26 compared to 9.9% in previous quarter.

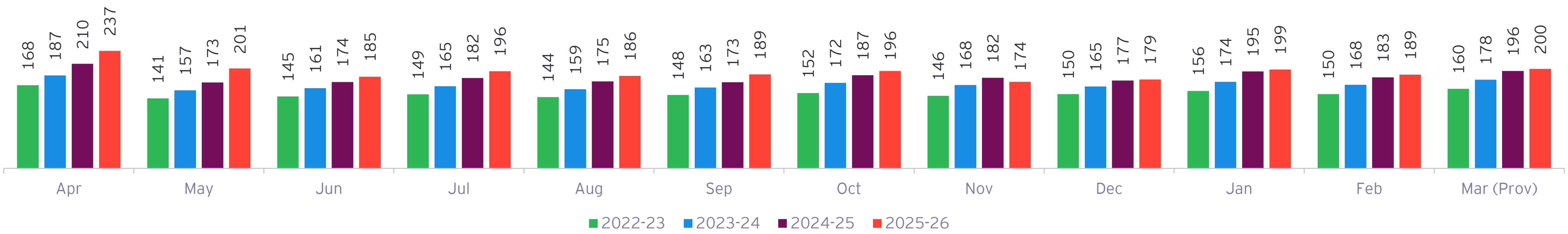
Quarterly estimates of Real GVA Growth (at 2022-23 prices) (%)



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

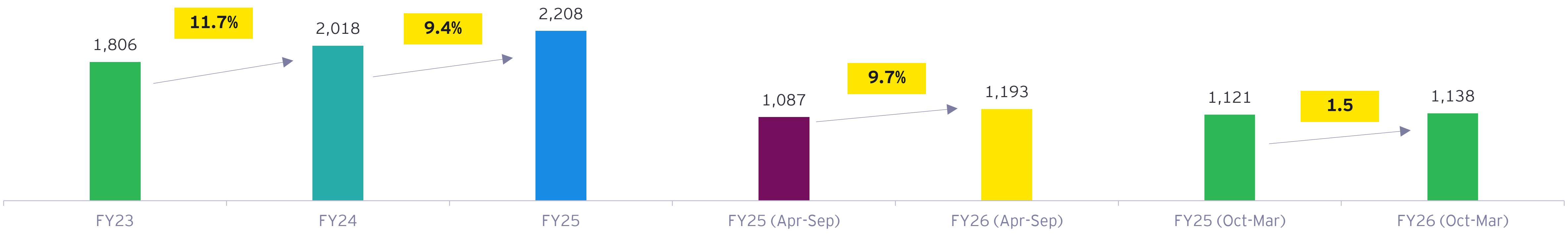
GST collections grew by 2.1% in March 2026 in line with the growth of 1.5% since rate rationalization in September 2025, suggesting limited impact of the conflict on overall economic demand so far.

Monthly GST collections (Union + State) (INR '000 crore)



Source: GST Council, PIB

Annual GST collection (Union + State) (INR '000 crore)



Source: GST Council, PIB

Higher capex keeps India's fiscal deficit for FY26 (Apr-Feb) at INR12.52 lakh crore or 80.4% of FY26 target.

#	Particulars	Revised estimate (RE) FY26 (INR crore)	Actuals (Apr-Feb) FY25 (INR crore)	Actuals (Apr-Feb) FY26 (INR crore)	Growth (%) FY26 vis-a-vis FY25 (Apr-Feb)	Budget estimate (BE) FY27 (INR crore)	Growth (%) in BE FY27 over RE FY26
1	Gross tax revenues	40,77,772	32,04,226	34,19,514	6.7%	44,04,086	8.0%
2	Tax revenues (net of states' share)	26,74,661	20,15,634	21,45,223	6.4%	2866922	7.2%
3	Other receipts (Non-tax revenues, non-debt capital receipts)	7,31,689	5,30,683	6,46,720	21.9%	7,84,625	7.2%
4	Total revenue (2+3)	34,06,350	**25,46,317**	**27,91,943**	9.6%	36,51,547	7.2%
5	Revenue expenditure other than interest	25,94,749	21,28,438	20,49,965	-3.7%	27,21,522	4.9%
6	Interest	12,74,338	9,52,844	10,65,305	11.8%	14,03,972	10.2%
7	Capital expenditure	10,95,755	8,11,887	9,29,322	14.5%	12,21,821	11.5%
8	Total expenditure (5+6+7)	49,64,842	**38,93,169**	**40,44,592**	3.9%	53,47,315	7.7%
9	Fiscal deficit (8-4)	15,58,492	**13,46,852**	**12,52,649**	-7.0%	16,95,768	8.8%

Source: Controller General of Accounts

The government is likely to meet its revised estimates for tax collections (presented with the budget in February 2026) with CIT, customs and excise duty collections showing strong performance.

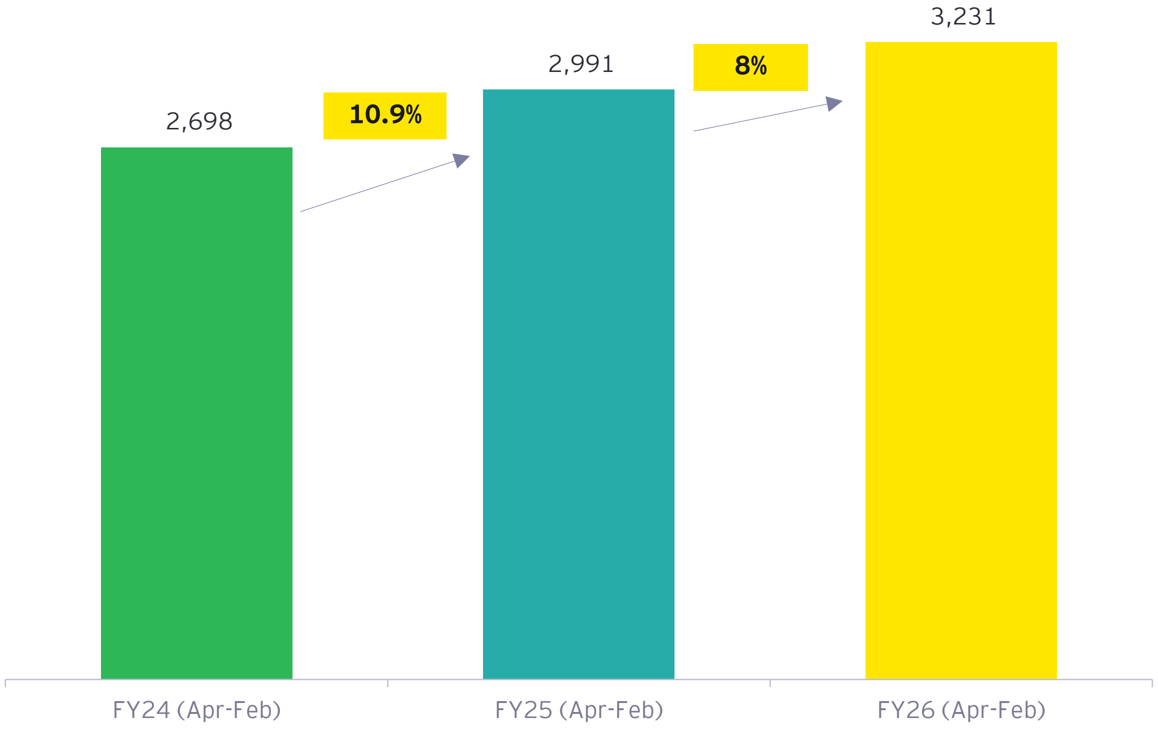
Particulars	Revised estimate (RE) FY26 (INR Crore)	Actuals FY25 (Apr-Feb) (INR Crore)	Actuals FY26 (Apr-Feb) (INR Crore)	% Growth FY26(Apr-Feb over FY25 (Apr-Feb)	Budget Estimates (BE) FY27 (INR crore)	% Growth FY27 (BE) over FY26 (RE)
Corporation Tax	11,09,000	7,67,153	8,62,552	12.4%	12,31,000	11%
Personal Income Tax	12,48,000	9,91,489	10,00,226	0.9%	13,92,000	11.5%
Securities Transaction Tax	63,670	49,227	50,283	2.1%	73,700	15.8%
Other Receipts	330	9	9	0.0%	300	-9.1%
CGST	9,58,480	8,30,137	8,80,487	6.1%	10,19,020	6.3%
UT GST	5,019	3,864	6,410	65.9%	5,485	9.3%
IGST	-	-37,608	-4,486	-88.1%	-	-
GST Compensation Cess	88,000	1,38,327	1,00,343	-27.5%	-	-
Customs	2,58,290	2,04,612	2,41,450	18.0%	2,71,200	5.0%
Union Excise Duties	3,36,550	2,50,194	2,78,512	11.3%	3,88,910	15.6%
Service Tax		9	-1,498	-	-	-
Other Taxes	10,433	6,813	5,226	-23.3%	22,471	115.6%
Gross Tax Revenues	40,77,772	32,04,226	34,19,514	6.7%	44,04,086	8%

Source: Controller General of Accounts, Union Budget documents

Capex in 14 leading states – which together contribute 85% to India's GDP – grew at an annualized rate of 6% over the last two years, reflecting improved expenditure quality.

Revenue expenditure of states grew by 8% in FY26 (Apr-Feb), down from 10.9% in the same period last year.

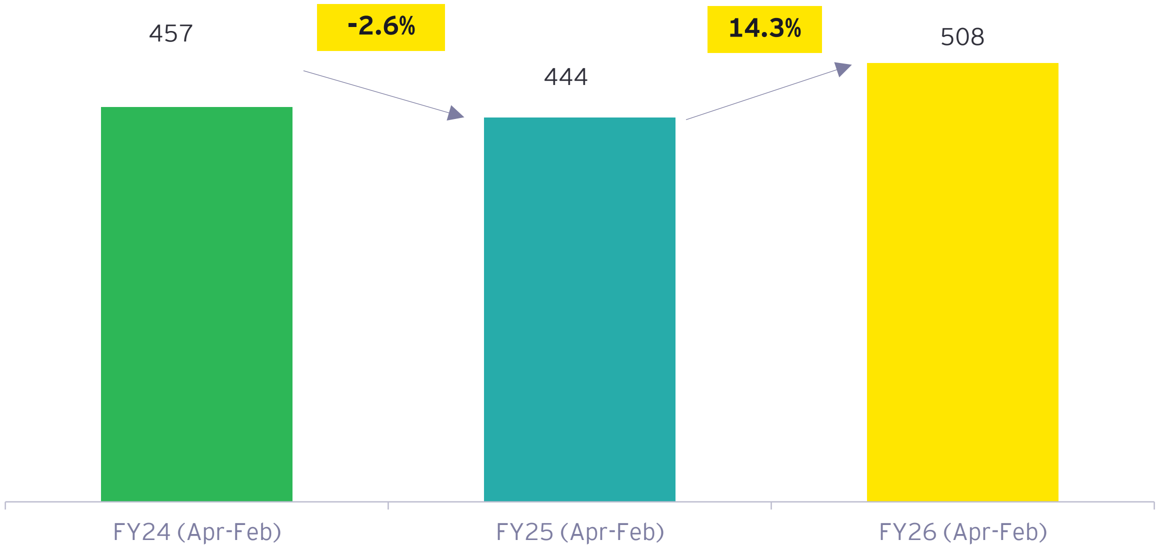
Revenue expenditure (INR '000 crore) (Apr-Feb)



Source: Controller and Auditor General; State Accounts

During Apr-Feb FY26, overall state capex grew by 14.3%, largely driven by Andhra Pradesh (85.6%), Haryana (75.2%), Gujarat (37.5%) and Telangana (35.3%).

Capital expenditure (INR '000 crore) (Apr-Feb)



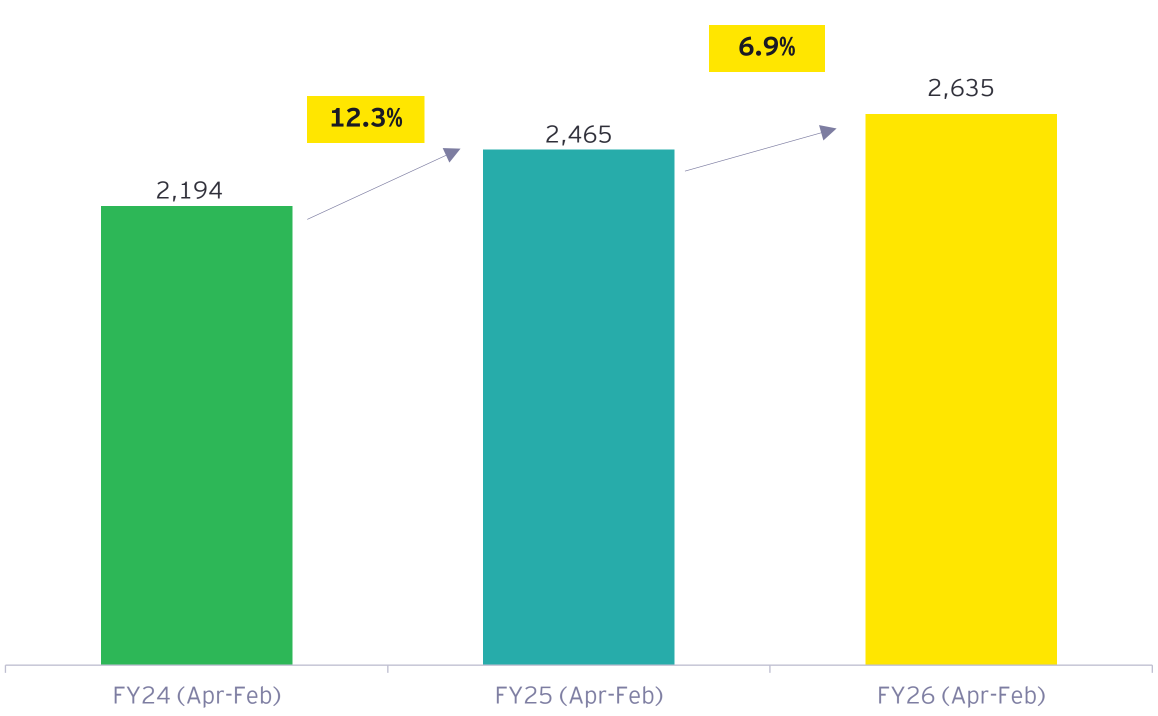
Source: Controller and Auditor General; State Accounts

Note: The combined share of the included states in India's GDP is 85%. The states included in computing consolidated data are Maharashtra (13.5%), Tamil Nadu (8.9%), Uttar Pradesh (8.8%), Karnataka (8.5%), Gujarat (8%), West Bengal (5.5%), Telangana (4.9%), Andhra Pradesh (4.7%) Madhya Pradesh (4.5%), Haryana (3.6%), Kerala (3.7%), Odisha (2.7%) and Punjab (2.6%).
States' Tax Revenues include: SGST, stamps and registration, land revenue, sales tax, state excise duties, states' share of Union taxes, other taxes and duties

Fiscal deficit of leading states grew by 20% in FY26 (April-February), mainly on account of higher capex, which surged 14.3% during the same period.

States' tax revenue collections grew 6.9% in Apr-Feb FY26, driven by major increases for Haryana (13.7%), Karnataka (9.2%) and Maharashtra (8.9%)

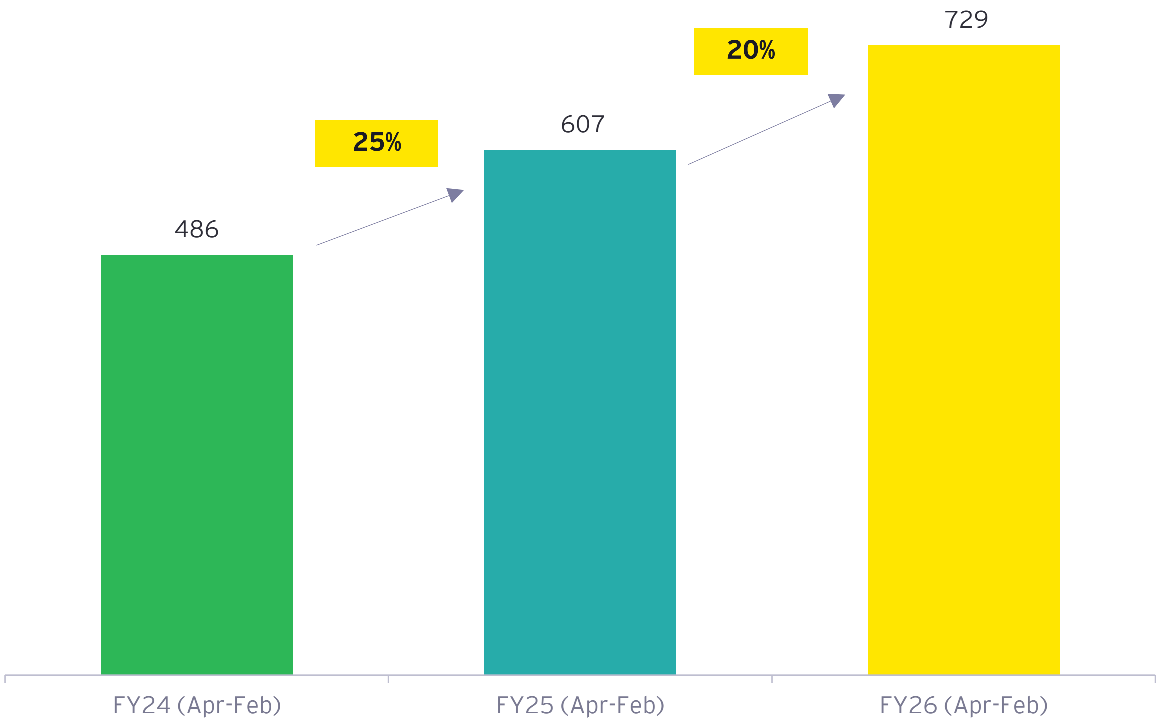
Tax revenue (in INR '000 crore) (Apr-Feb)



Source: Controller and Auditor General; State Accounts

Fiscal deficit of states grew by 20% in FY26 (Apr-Feb), down from 25% in the same period last year

States' fiscal deficit (INR '000 crore) (Apr-Feb)



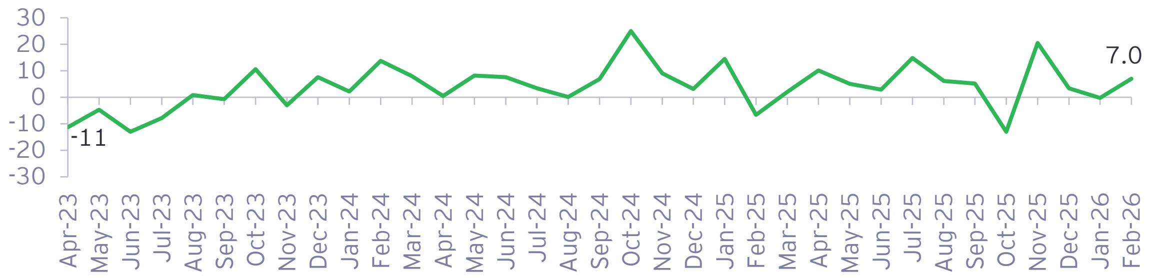
Source: Controller and Auditor General; State Accounts

Note: The combined share of the included states in India's GDP is 85%. The states included in computing consolidated data are Maharashtra (13.5%), Tamil Nadu (8.9%), Uttar Pradesh (8.8%), Karnataka (8.5%), Gujarat (8%), West Bengal (5.5%), Telangana (4.9%), Andhra Pradesh (4.7%) Madhya Pradesh (4.5%), Haryana (3.6%), Kerala (3.7%), Odisha (2.7%) and Punjab (2.6%).
States' Tax Revenues include: SGST, stamps and registration, land revenue, sales tax, state excise duties, states' share of Union taxes, other taxes and duties

The non-oil merchandise trade deficit widened 29% to US$198b in FY26 (April–February), up from US$154b, on account of a modest export growth of 5% and a sharp 12.4% growth in imports, driven by higher import of electronic goods, gold and electric machinery.

Non-oil merchandise export recorded a modest growth of 5% during Apr-Feb FY26

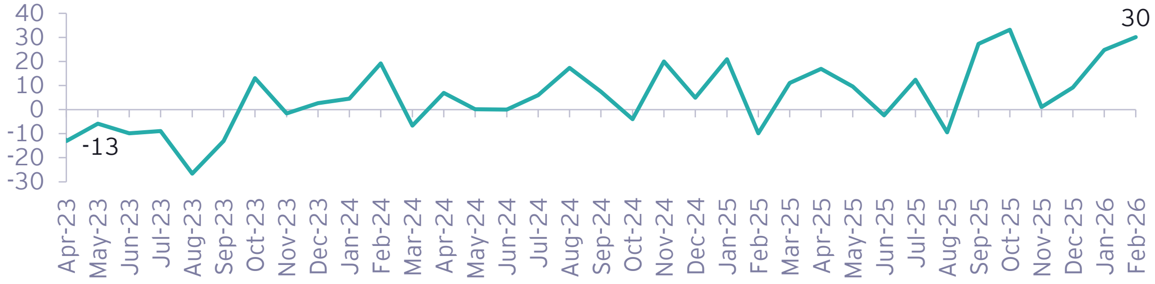
Growth rate of non-oil merchandise exports (%)



Source: PIB

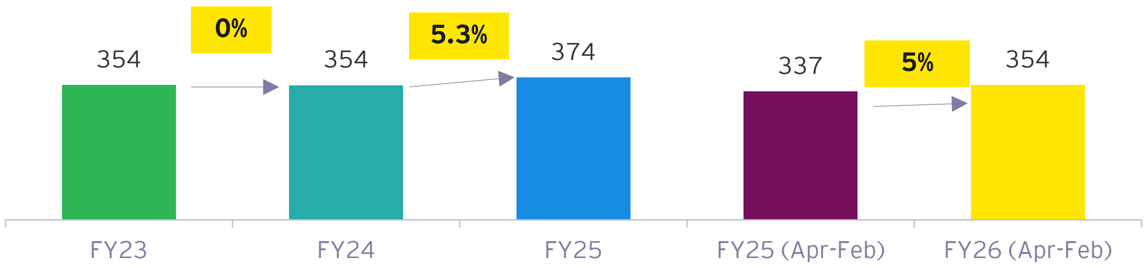
Non-oil merchandise imports surged 12.4% during Apr-Feb FY26, mainly on account of higher gold and silver imports, which grew by 38% during the same period

Growth rate of non-oil merchandise imports (%)



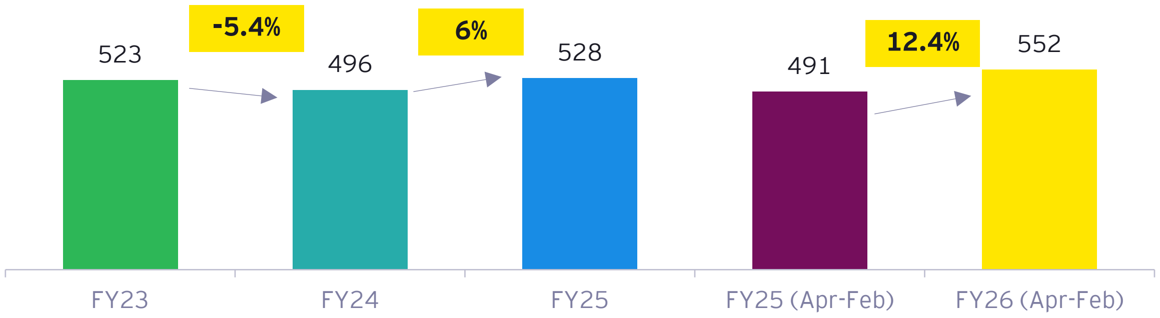
Source: PIB

Non-oil merchandise exports (in US$ billion)



Source: PIB

Non-oil merchandise imports (in US$ billion)

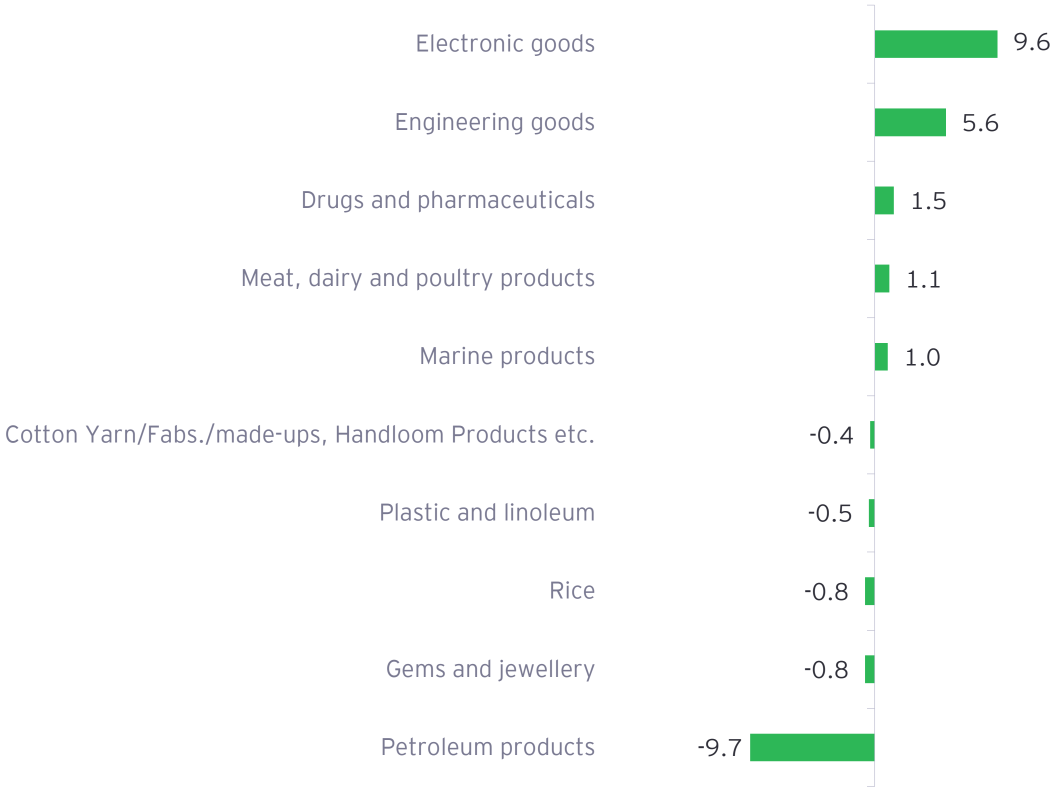


Source: PIB

India's merchandise export growth continued to be driven by electronics exports.

Electronic goods recorded the highest increase in merchandise exports, while petroleum products and gems and jewelry recorded the lowest increase in FY26 (Apr-Feb)

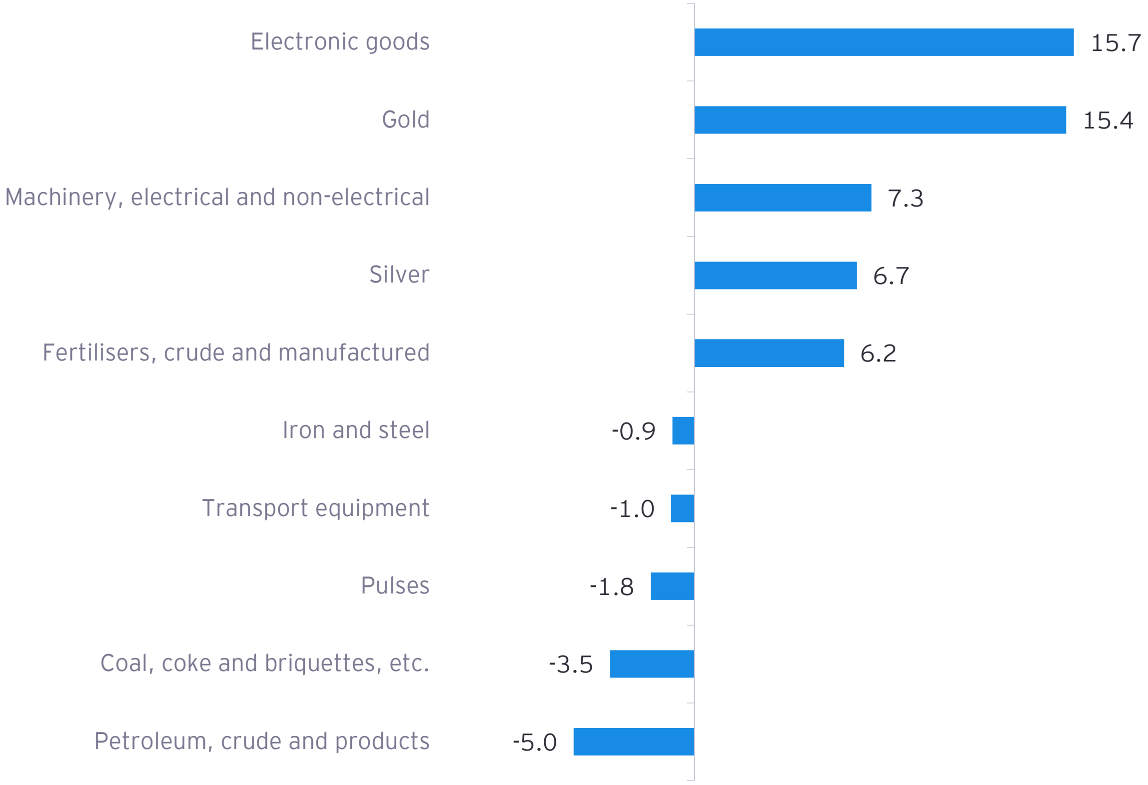
Commodities showing highest and lowest change in merchandise exports during Apr 2025-Feb 2026 period over Apr 2024-Feb 2025 (US$ billion)



Source: PIB

Electronic goods and gold recorded the highest increase in merchandise imports, while coal and petroleum products recorded the lowest increase in FY26 (Apr-Feb)

Commodities showing highest and lowest change in merchandise imports during Apr 2025-Feb 2026 period over Apr 2024-Feb 2025 (US$ billion)

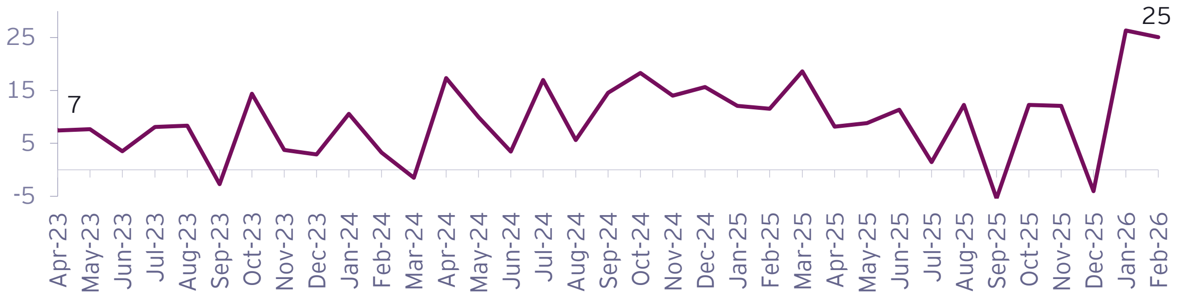


Source: PIB

Services export surplus grew 17.5% to US$ 201b in FY26 (April-February), up from US$171b.

Services exports grew 10.2% in FY26 (Apr-Feb), primarily supported by business and software services

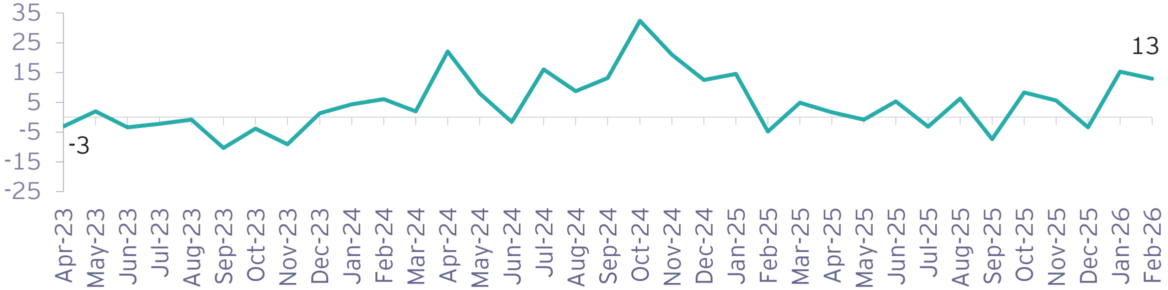
Growth rate of service exports (%)



Source: PIB

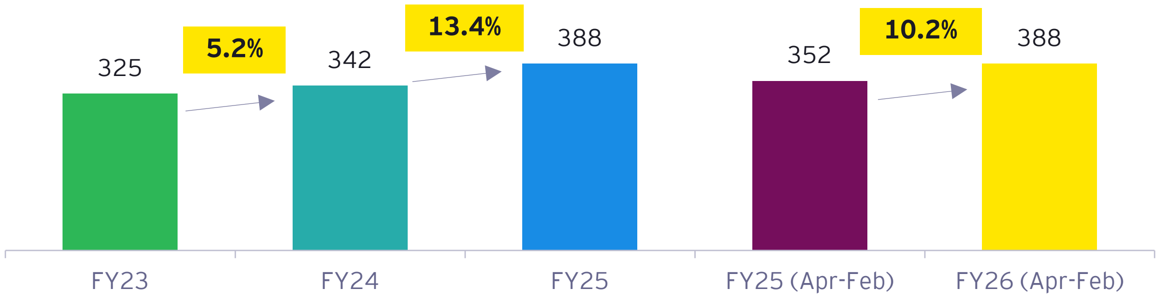
Service imports grew 3.2% in FY26 (Apr-Feb)

Growth rate of services imports (%)



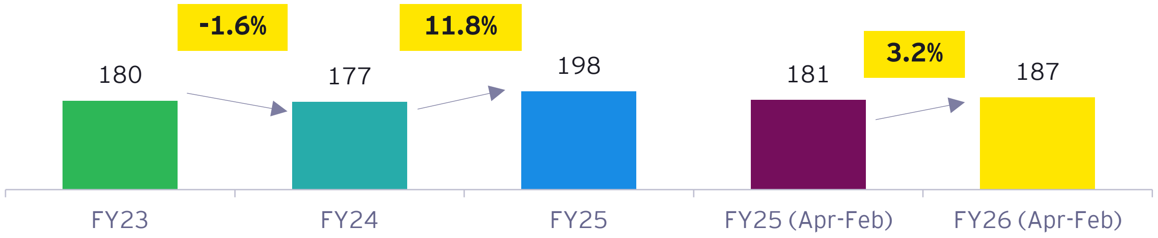
Source: PIB

Services exports (in US$ billion)



Source: PIB

Services imports (in US$ billion)



Source: PIB

India's Current Account Deficit stood at 1.3% of GDP in Q3FY26. However, elevated price of petroleum products and related commodities is likely to increase the current account deficit.

Balances (US$b)	Q1FY26	Q2FY26	Q3FY26	FY26 (Q1 to Q3)	% growth in FY26 (Q1 to Q3) over FY25 (Q1 to Q3)
Merchandise	-68.5	-87.4	-93.6	-249.5	-14.3%
Services	47.9	50.9	57.5	156.3	15.4%
Remittances and official transfers	31.1	36.4	35.1	102.6	15.8%
Investment income	-12.8	-12.2	-12.2	-37.2	0.4%
Overall Current Account Balance	-3.5	-13.4	-14.3	-31.2	-10.1%
Current Account Balance as % of GDP	-0.3	-1.3	-1.3		

Source: RBI
Note: The overall Current Account Balance is exclusive of net compensation to employees

03

Commodity prices and inflation

India's monthly average crude oil basket price, which surged 63% in March 2026 over February 2026, poses upside risks to India's Current Account Balance and inflation.

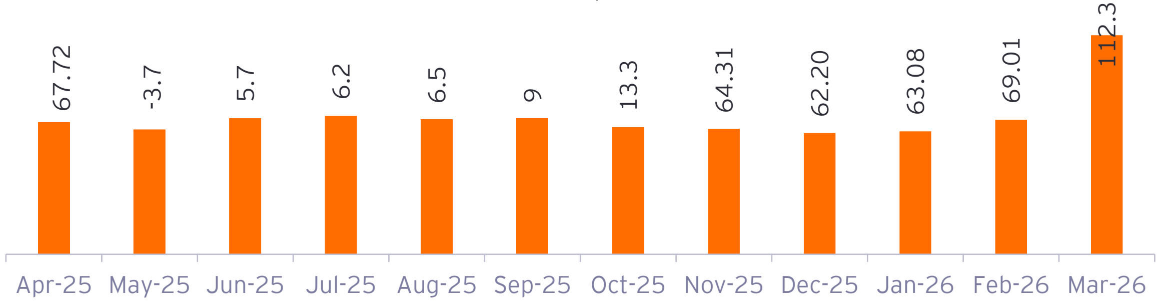
Crude oil prices surged in the wake of fresh tensions in the Middle East and could pose upside risks to inflation

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

Source: CapitalIQ, data as on 25 March 2026

India's crude oil basket price surged 63% in March 2026 over February 2026

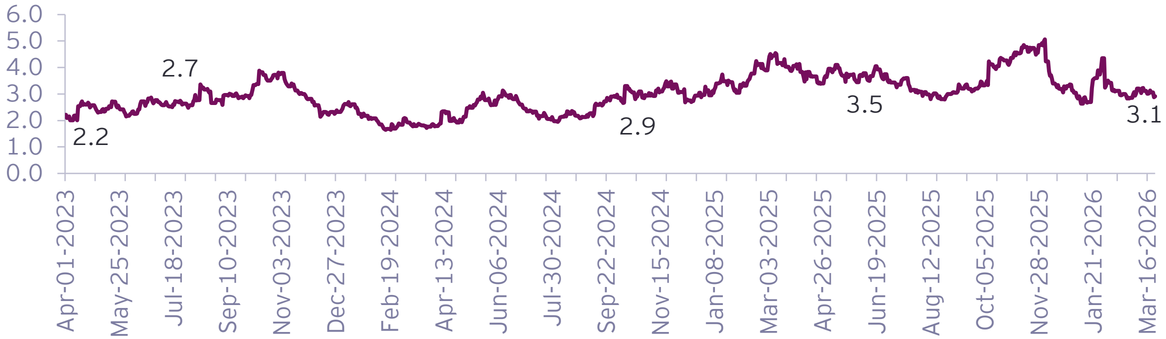
India's Crude Oil FOB Price (Indian Basket) (US$ per bbl)



Source: PPAC data as on 30 March 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

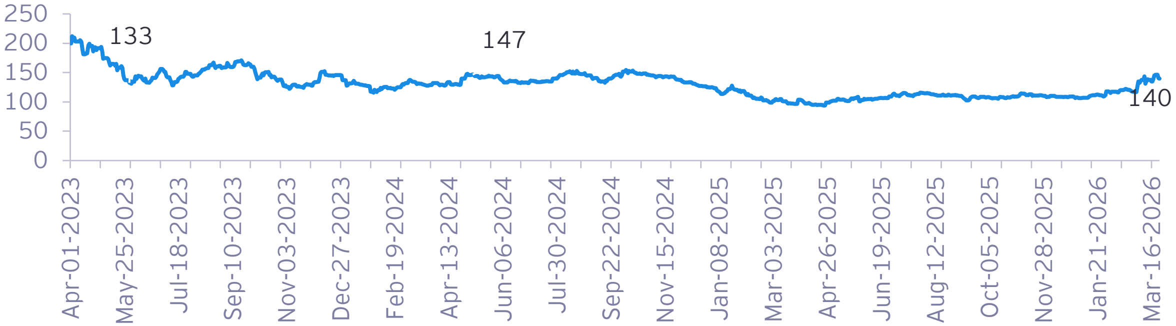
Natural gas per mm BTU (in US$) (Henry Hub)



Source: CapitalIQ, data as on 25 March 2026

Coal prices continued to remain range-bound

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

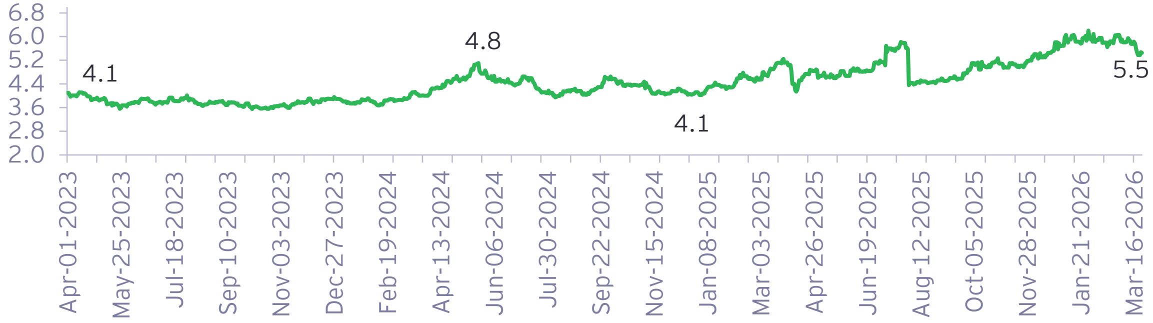


Source: CapitalIQ, data as on 25 March 2026

Among metals, aluminum prices have shown a rise of 5.8% since the beginning of the Middle East conflict. In contrast, global copper, steel and nickel prices have been stable.

Copper prices edged up slightly in on account of growing infrastructure and AI-related demand

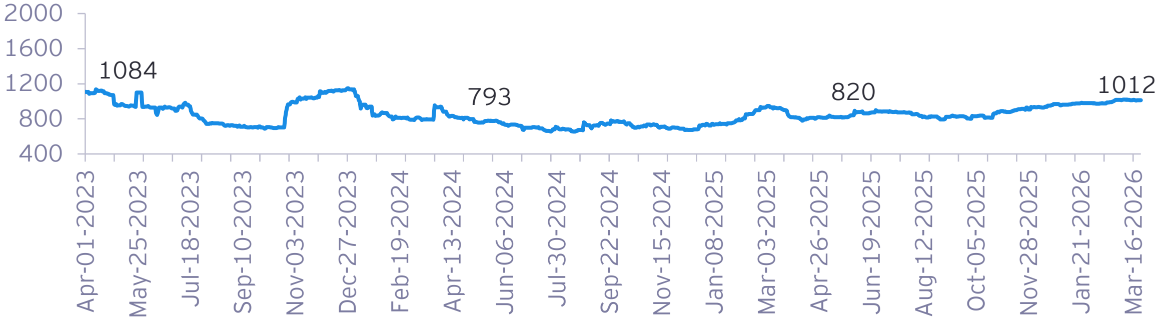
High grade copper prices (US$ per lb) (COMEX)



Source: CapitalIQ, data as on 25 March 2026

Steel prices remained stable

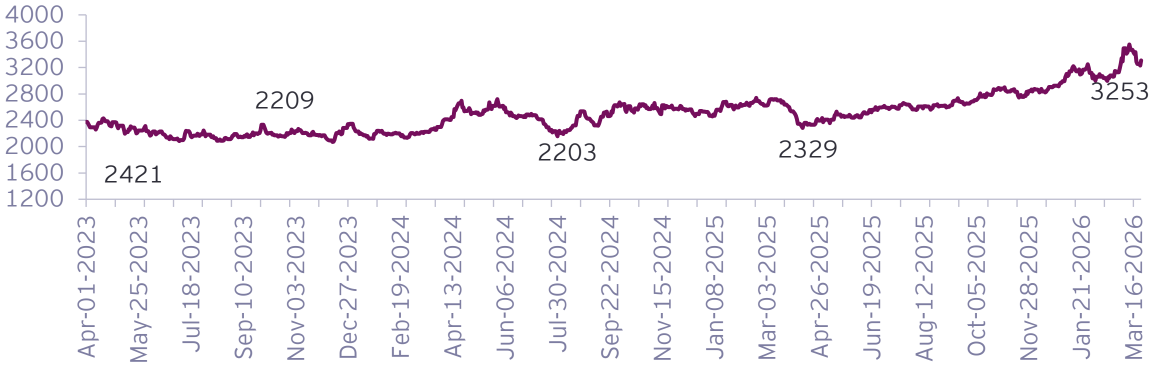
Hot rolled coil steel prices (US$ per ton) (NYMEX)



Source: CapitalIQ, data as on 25 March 2026

Aluminum prices have risen on account of supply limitations

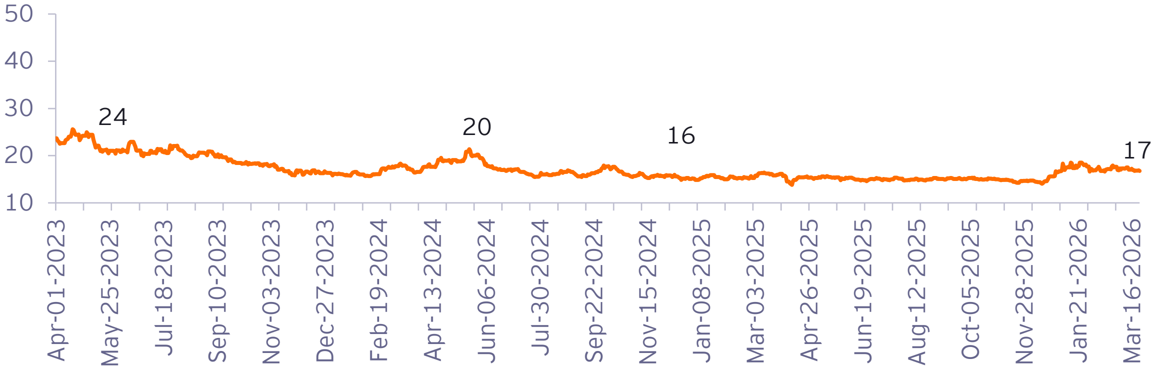
Aluminum price per MT (in US$) (Cash- LME)



Source: CapitalIQ, data as on 25 March 2026

Nickel prices have moderated after inching up in January

Nickel per MT price (in ‘000 US$) (Cash-LME)

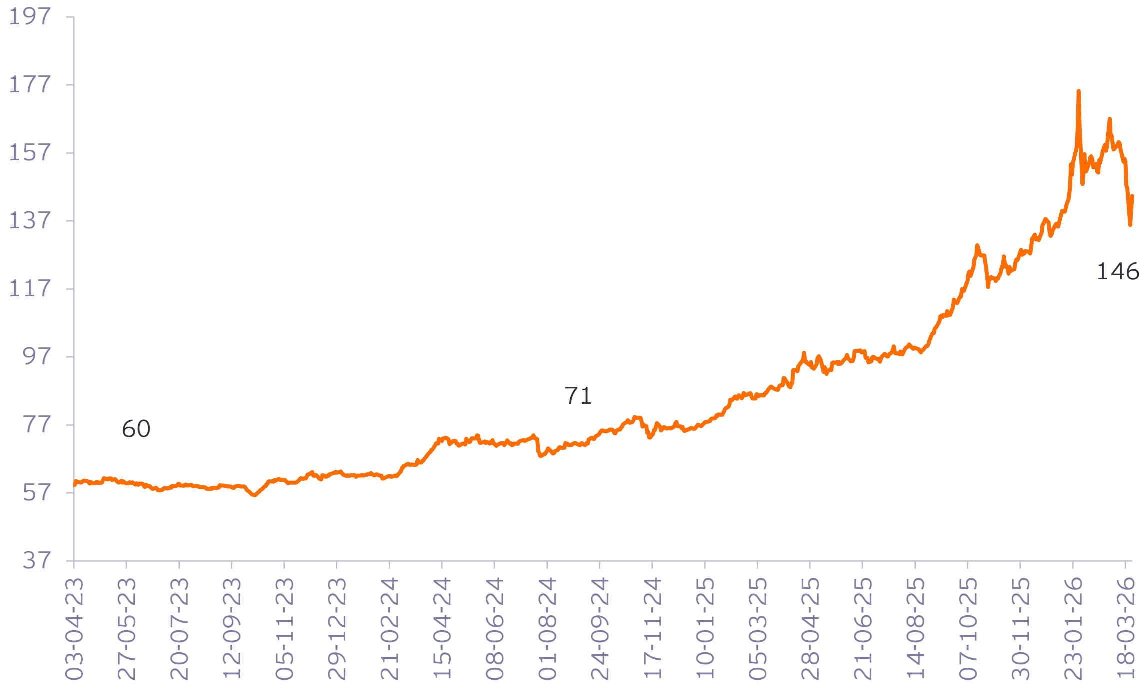


Source: CapitalIQ, data as on 25 March 2026

Gold and silver prices soften in early 2026 after exhibiting volatility in 2025, partly reflecting some central bank reserve sales.

Gold prices surged 74% in 2025 but have fallen by nearly 18% since February 2026

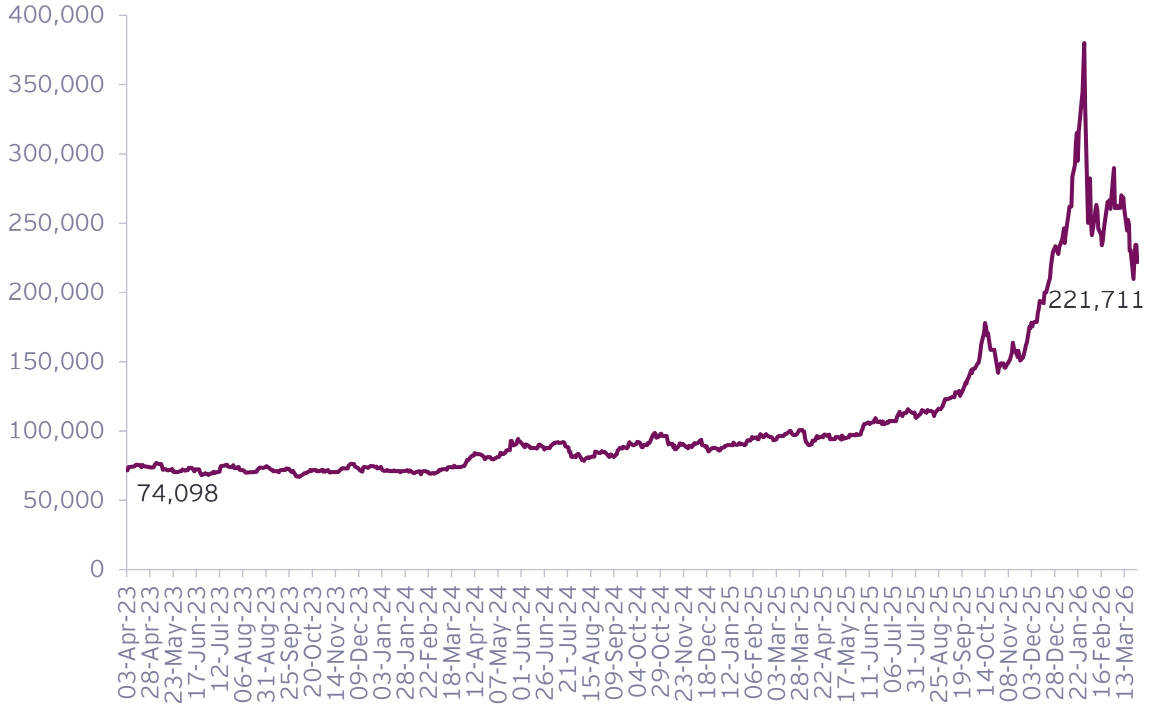
Gold price per 10 grams (in '000 INR)



Source: MCX, data as on 25 March 2026

Silver prices experienced intense volatility as they surged over 130% in 2025 before correcting by nearly 20% in the month of March 2026 itself

Silver price per 1 kilograms (in INR)

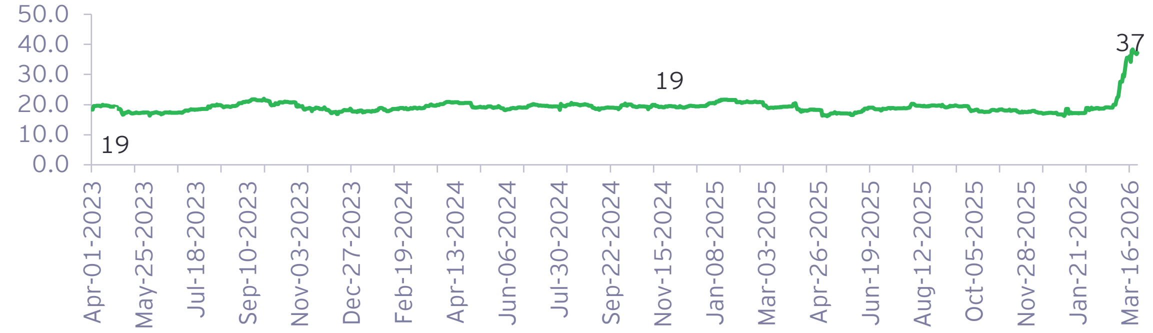


Source: MCX, data as on 25 March 2026

Agricultural commodity prices have shown a mixed trend. While corn prices have surged 86%, palm oil prices have gone up 10.7% since 1 March and wheat and sugar prices have remained stable.

Corn prices have surged 86% since 1 March 2026

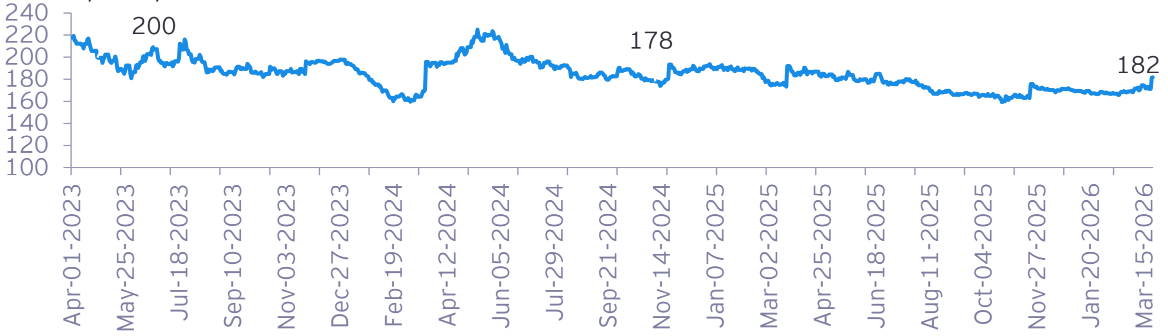
Corn feed per MT (in INR) (BSE)



Source: CapitalIQ, data as on 25 March 2026

Wheat prices continued to be range-bound

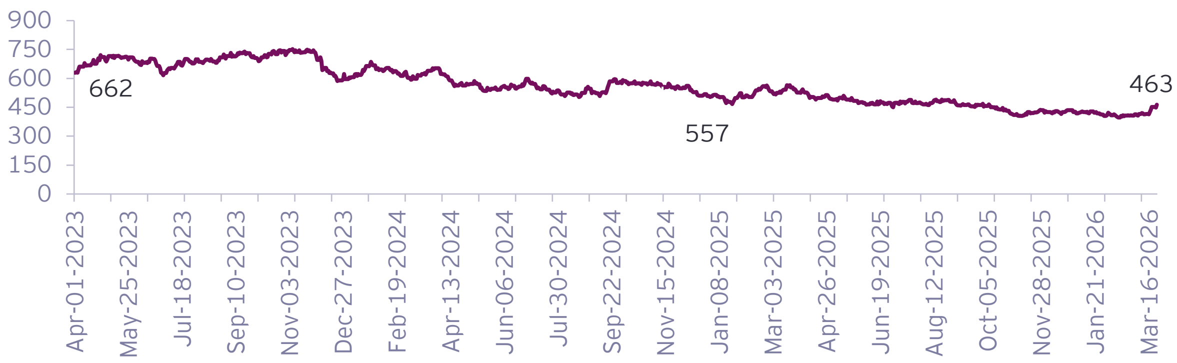
Wheat price per MT (In US$) (LIFFE)



Source: CapitalIQ, data as on 25 March 2026

Sugar prices remained stable

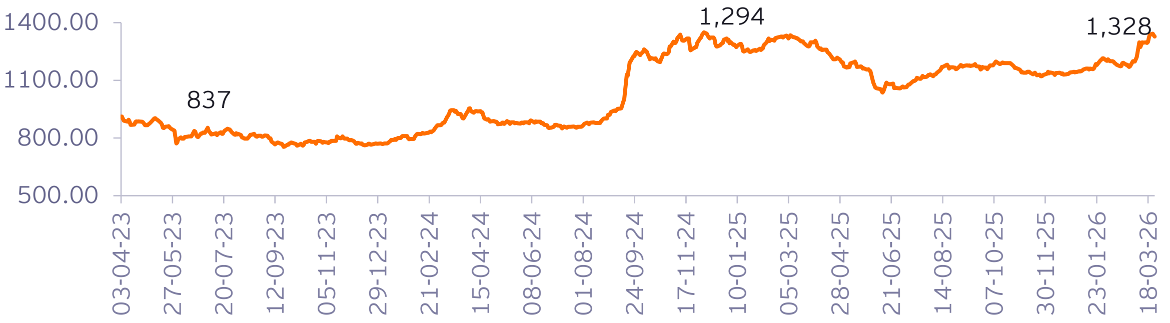
Sugar – white per MT (In US$) (LIFFE)



Source: CapitalIQ, data as on 25 March 2026

Palm oil prices have risen sharply due to supply disruptions

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

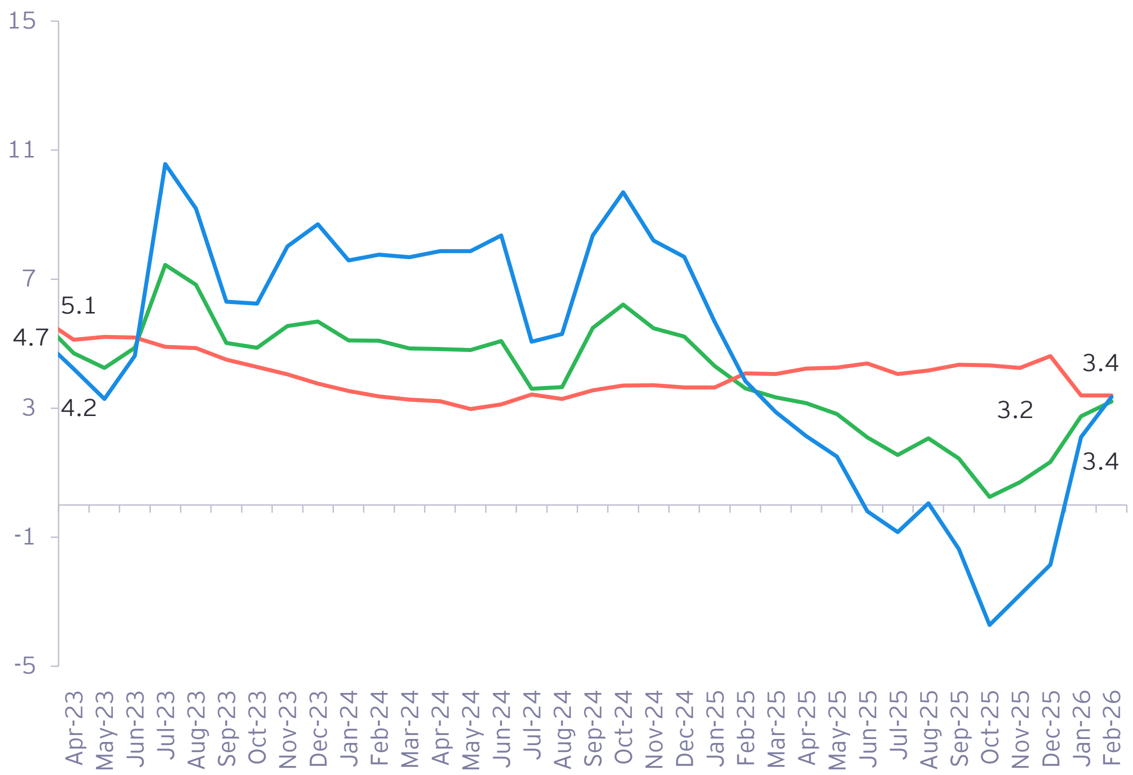


Source: MCX, data as on 25 March 2026

CPI inflation edged up to 3.21% in Feb-26 due to higher food inflation; continuing supply chain disruptions on account of geopolitical conflicts pose upside risks.

CPI headline inflation increased to 3.2% in February, primarily on account of food and beverages. Core inflation was steady at 3.4%

CPI inflation (%)

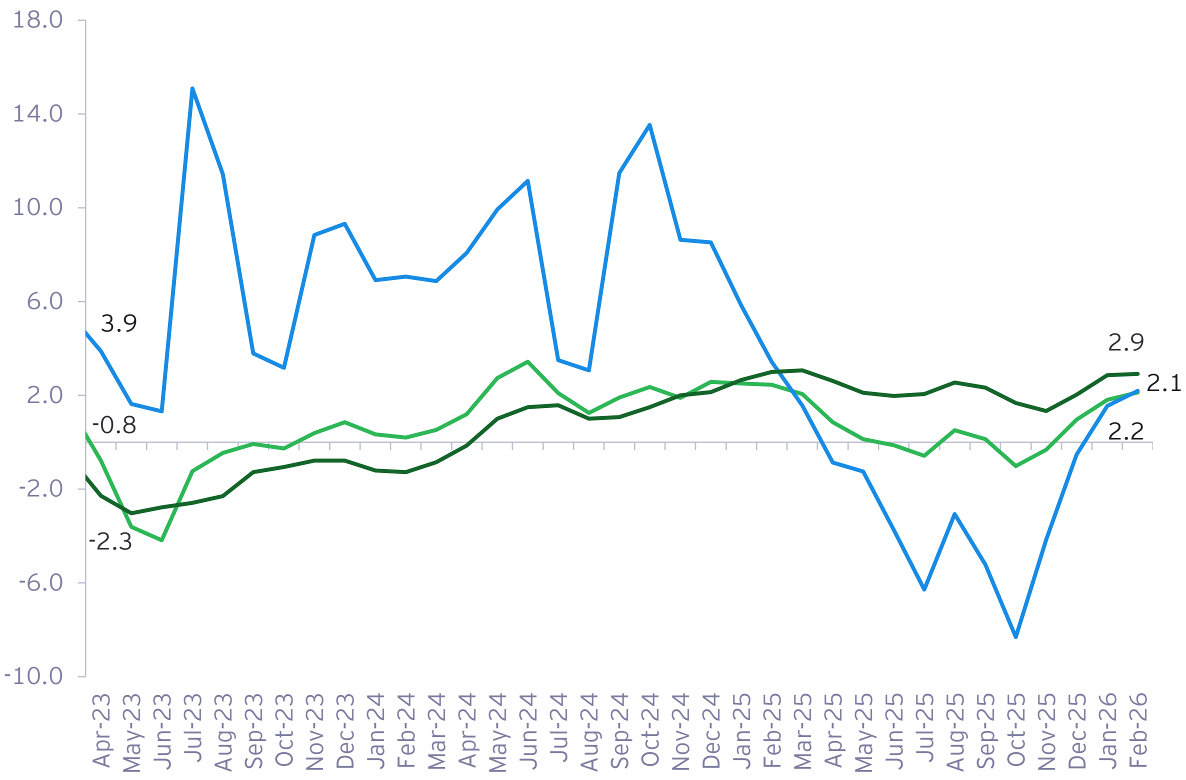


Source: MoSPI

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

WPI rose to 2.1% in February 2026, highest since in Mar-25 due to the increase in price of manufactured goods

WPI inflation (%)



Source: Office of Economic Advisor

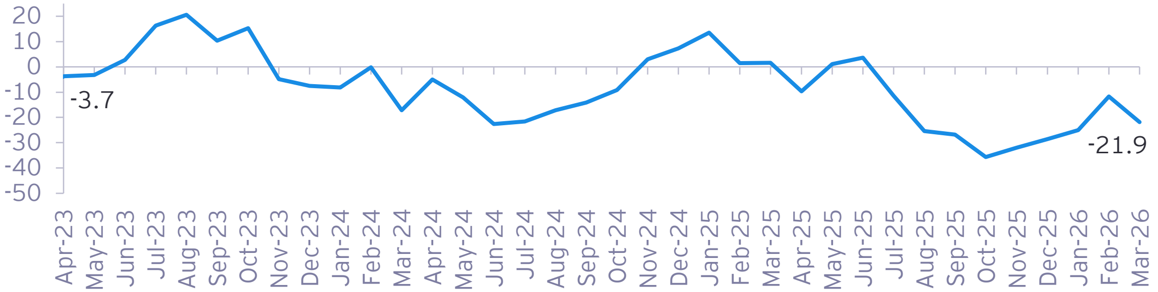
04

Sectoral indicators

A 16.3% decline in work demanded under MNREGA in FY26, including in March 2026, suggests that rural demand is not affected by the Middle East conflict so far.

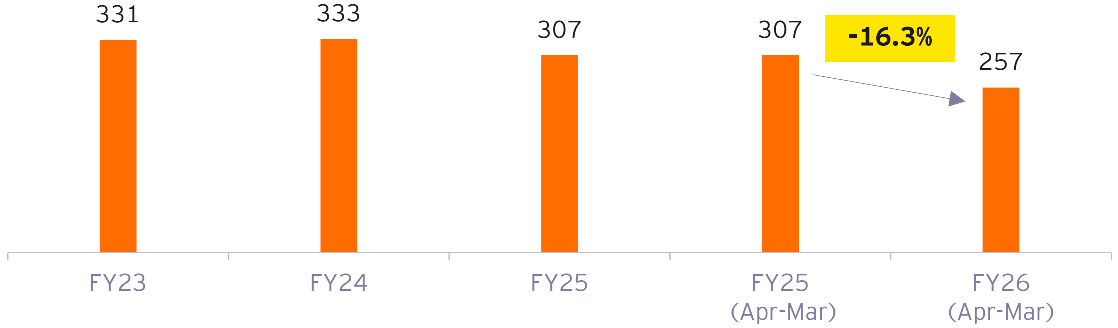
Work demand under MNREGA continued to contract, highlighting strength of rural employment conditions

Growth rate of persons work demand under MGNREGA (%)



Source: MNREGA, as of 31 March 2026
Notes: Growth rates have been computed based on the change over the 12-month period

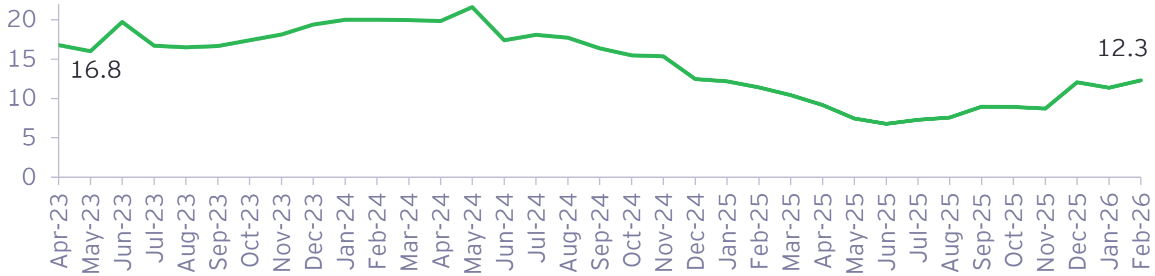
Persons work demand under MNREGA (in millions)



Source: MNREGA, as of 31 March 2026

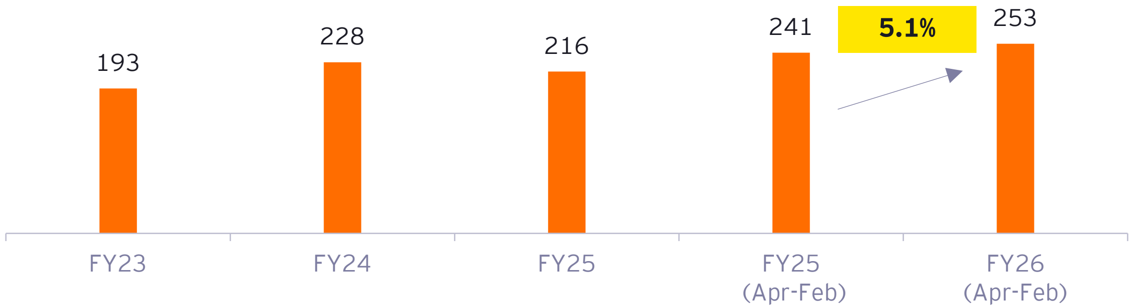
Growth in credit to agriculture has been accelerating, growing by 12.3% in Feb-26

Growth rate of bank credit to agriculture and allied activities (%)



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

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



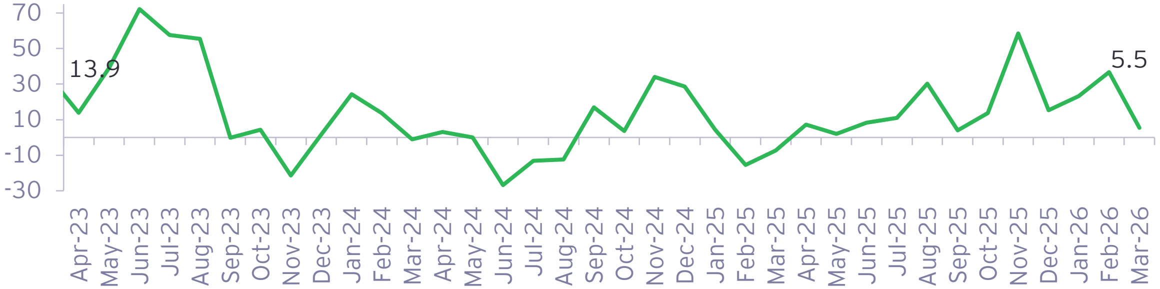
Source: RBI

EY

Registrations of both tractor and two-wheelers registered healthy growth in March 2026, again suggesting that rural demand is unaffected by ongoing geopolitical event.

Tractor registrations grew 18.5% in FY26 (Apr-Mar), reflecting robust rural demand

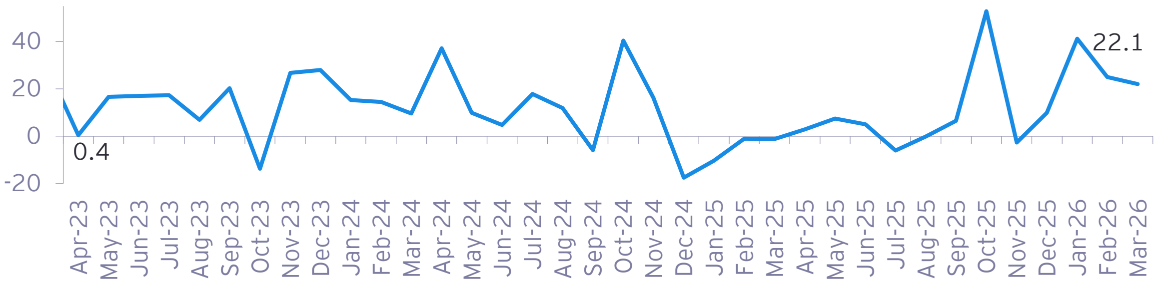
Growth rate of tractor registrations (%)



Source: Parivahan Dashboard, data as on 31 March 2026
Notes: Tractors registrations data include only agricultural tractors

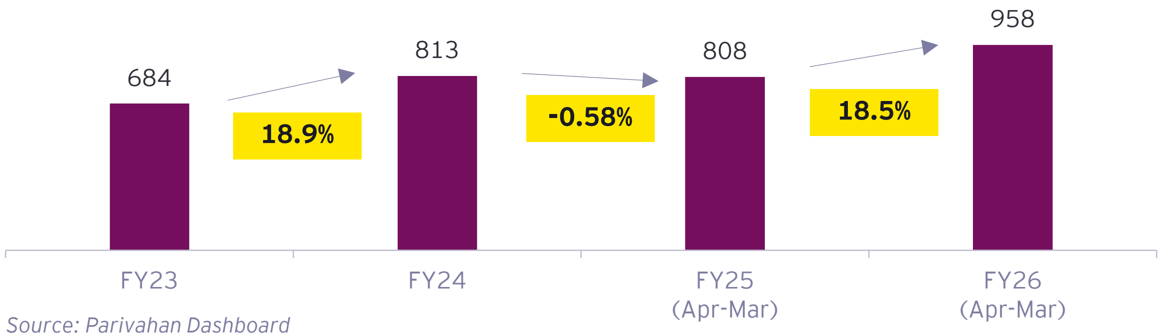
Two-wheeler registrations registered a healthy growth of 13.9% in FY26 (Apr-Mar)

Growth rate of two-wheeler registrations (%)



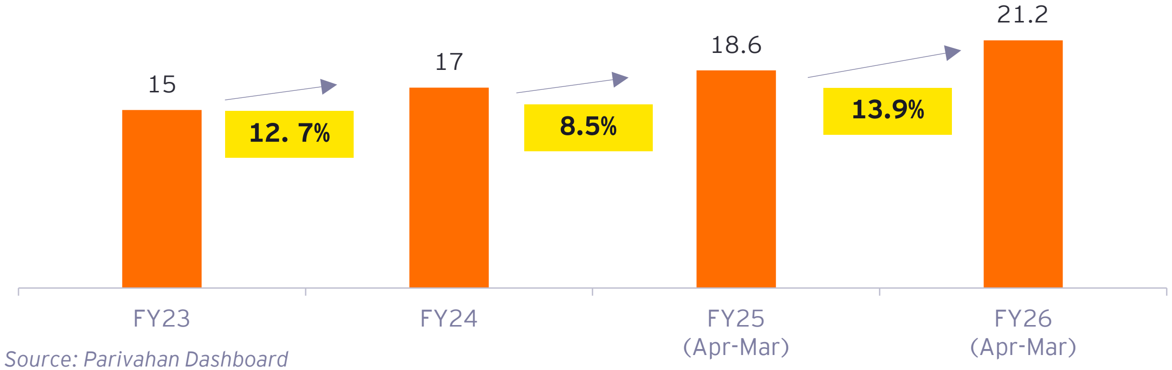
Source: Parivahan Dashboard, data as on 31 March 2026
Notes: Two-wheeler registrations data include transport and non-transport

Tractor registrations (in '000)



Source: Parivahan Dashboard
Notes: Data as on 31 March 2026

Two wheeler registrations (in millions)

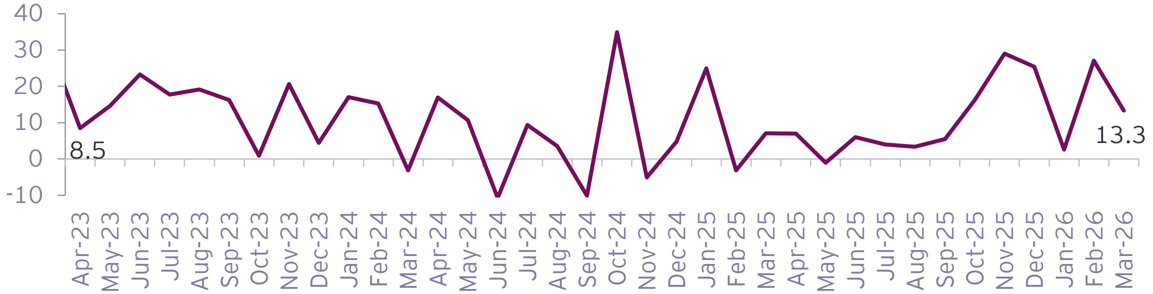


Source: Parivahan Dashboard
Notes: Data as on 31 March 2026

Much like rural demand, automobile vehicle registrations have grown in March 2026.

Growth in passenger vehicle registrations has been robust

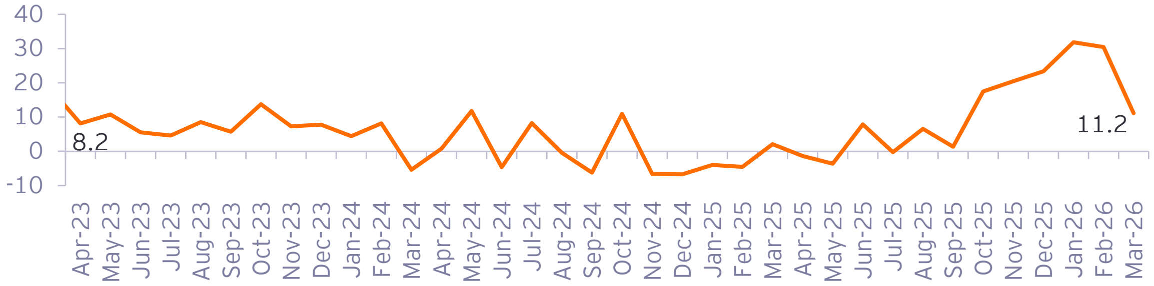
Growth rate of passenger vehicles (%)



Source: Parivahan Dashboard, data as on 31 March, 2026
Notes: Passenger vehicles represents light motor vehicles and light passenger vehicles data

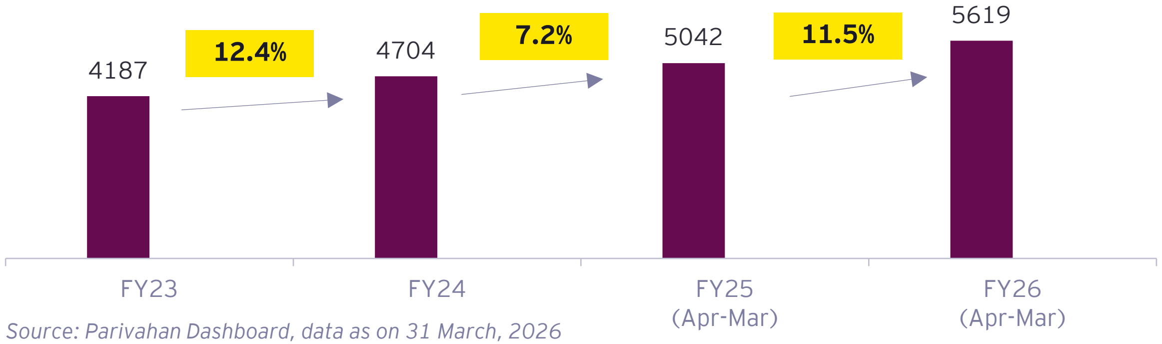
Commercial vehicle registrations grew 11.4% in FY26 (Apr-Mar)

Growth rate of commercial vehicles (%)



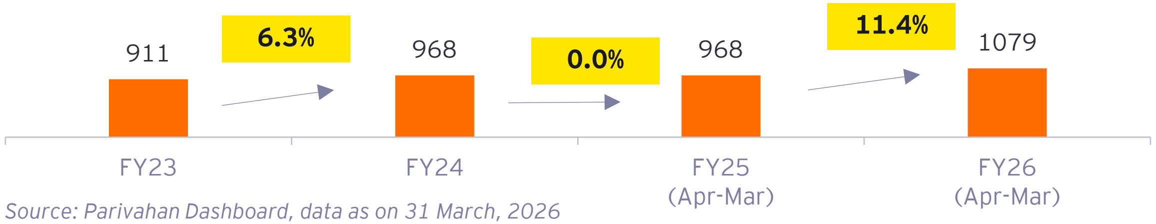
Source: Parivahan Dashboard, data as on 31 March, 2026
Notes: CVs include all heavy, medium vehicles and light goods vehicles

Passenger vehicle registrations (in '000s)



Source: Parivahan Dashboard, data as on 31 March, 2026
Notes: Passenger vehicles includes light motor and light passenger vehicles

Commercial vehicle registrations (in '000s)

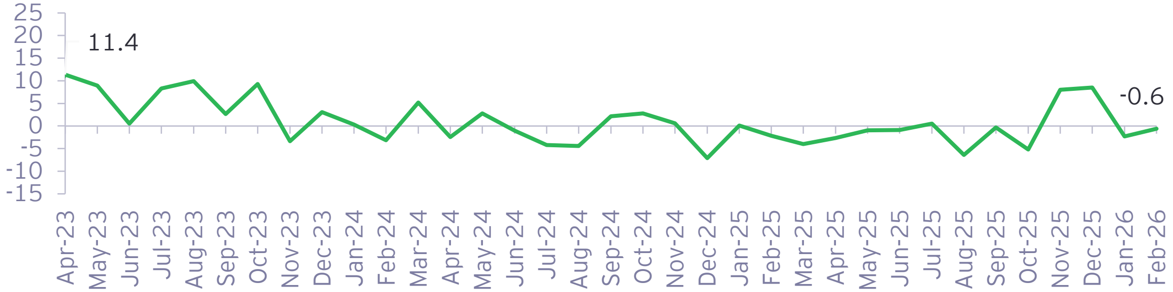


Source: Parivahan Dashboard, data as on 31 March, 2026
Notes: CVs include all Heavy, Medium vehicles and light goods vehicles

Consumer non-durable IIP did not pick up despite GST rate cut. However, capital goods and infrastructure IIP recorded strong growth in February 2026, reflecting buoyant construction activity in the economy.

IIP for consumer non-durables saw a contraction of 0.6% in Feb-26

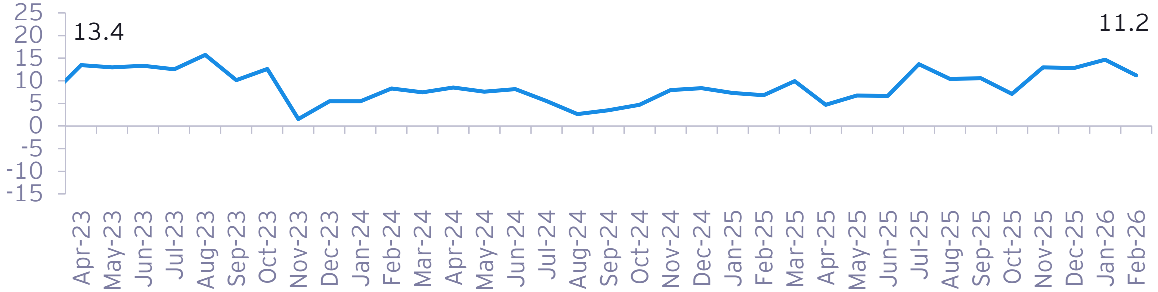
Growth rate of IIP consumer non-durables (%)



Source: MoSPI
Notes: IIP Base: 2011-12=100

IIP for infrastructure/construction goods recorded 11.2% growth in Feb-26

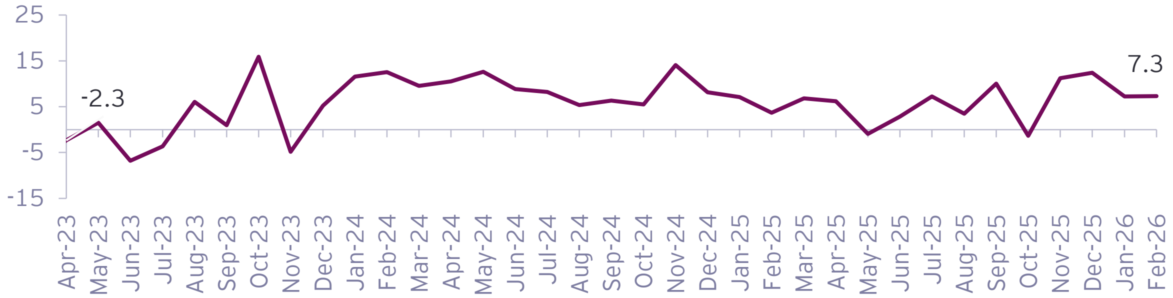
Growth rate of IIP infrastructure/construction goods (%)



Source: MoSPI
Notes: IIP Base: 2011-12=100

Growth in IIP for consumer durables moderated to 7.3% in Feb-26

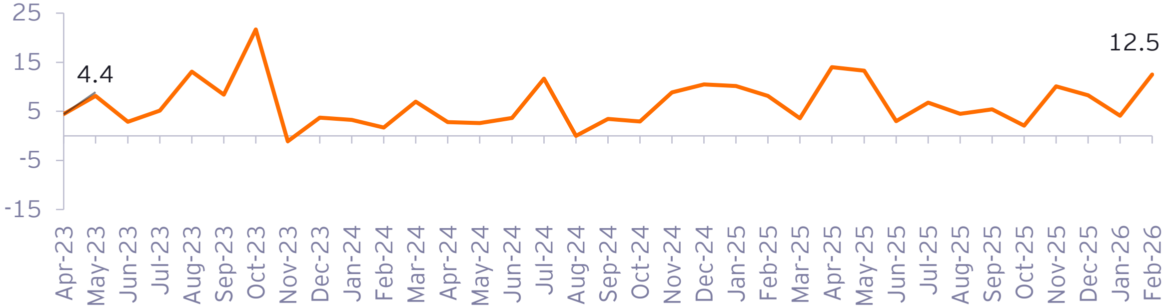
Growth rate of IIP consumer durables (%)



Source: MoSPI
Notes: IIP Base: 2011-12=100

Capital goods IIP saw the strongest growth among all categories in Feb-26

Growth rate of IIP capital goods (%)

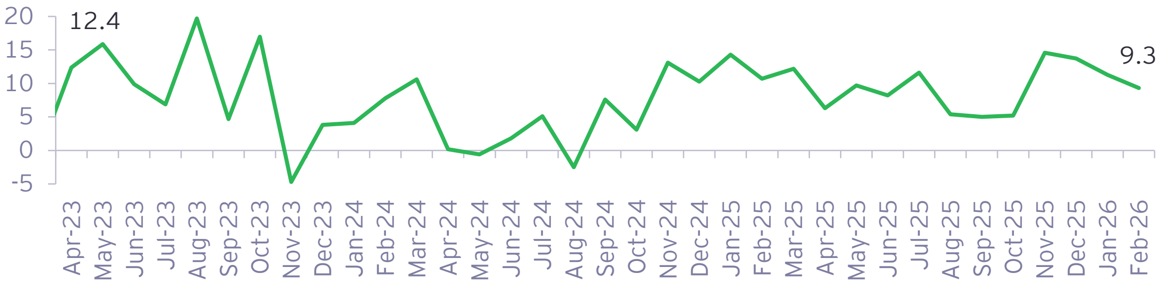


Source: MoSPI
Notes: IIP Base: 2011-12=100

Cement and steel production registered robust growth up to February 2026, though ongoing supply chain disruptions pose near-term risks.

Cement production was up 9.2% in FY26 (Apr-Feb)

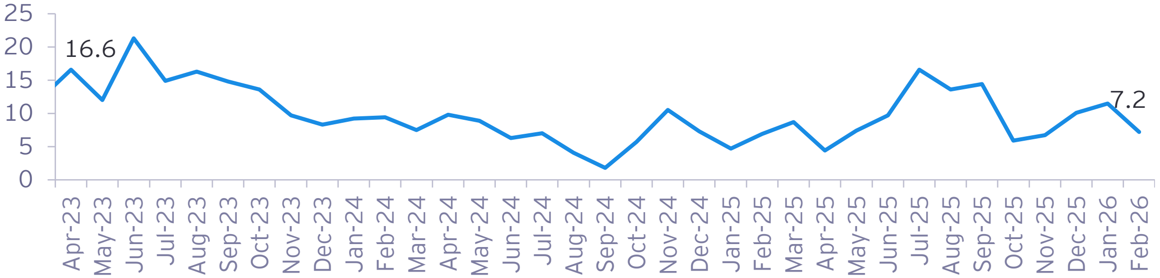
Growth rate of cement production (%)



Source: Office of Economic Advisor

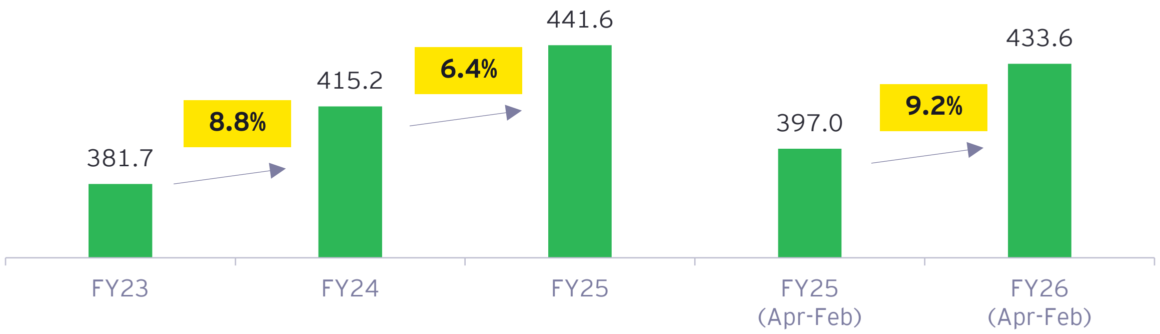
Crude steel production grew 10.1% in FY26 (Apr-Feb)

Growth rate of crude steel production (%)



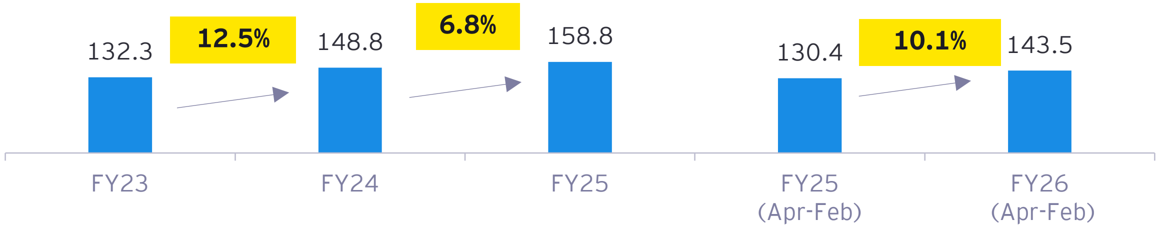
Source: Office of Economic Advisor

Cement production (in million tons)



Source: Office of Economic Advisor

Crude steel production (in million tons)

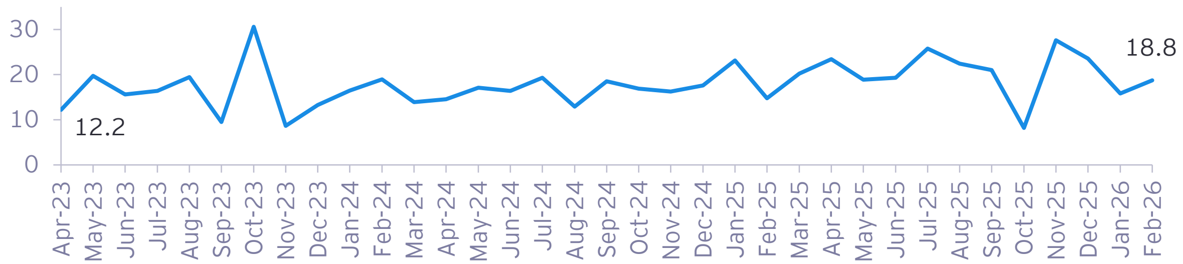


Source: Office of Economic Advisor

E-way bill activity remained strong ahead of the conflict, even as domestic air travel growth moderated.

E-way bill generation grew 20.2% during FY26 (Apr-Feb)

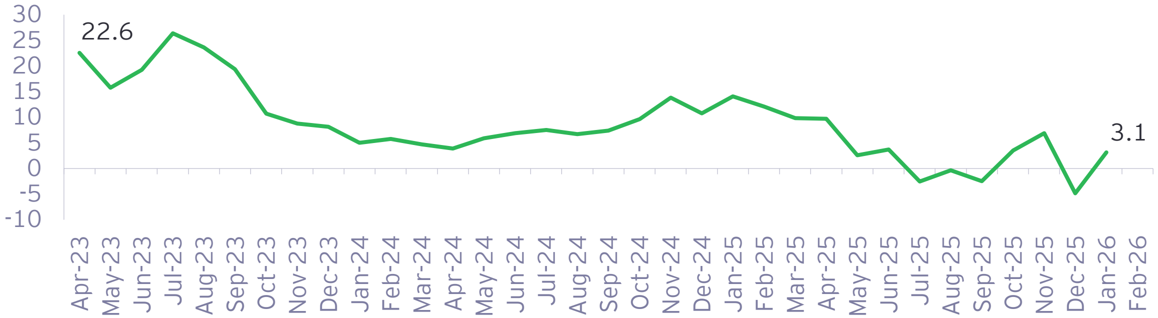
Growth rate of E-way bills (%)



Source: GSTN

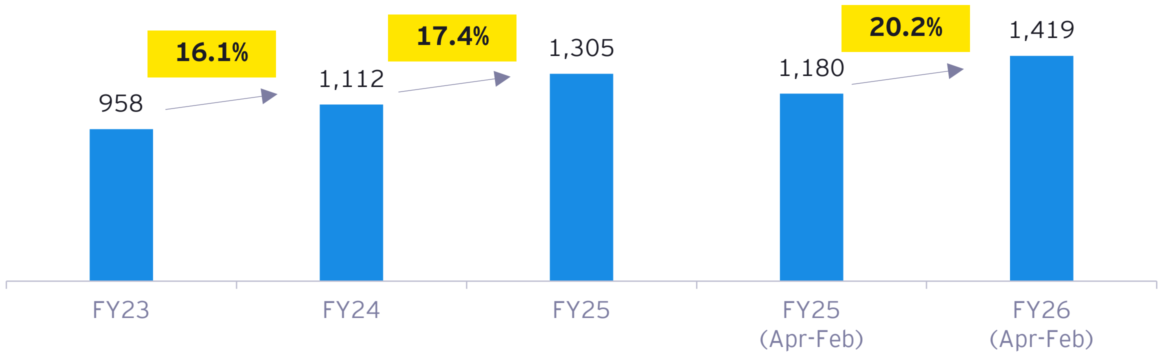
Number of domestic air passengers grew by 1.9% in FY26 (Apr-Jan), affected by flight disruptions in winter

Growth in number of domestic air passengers (%)



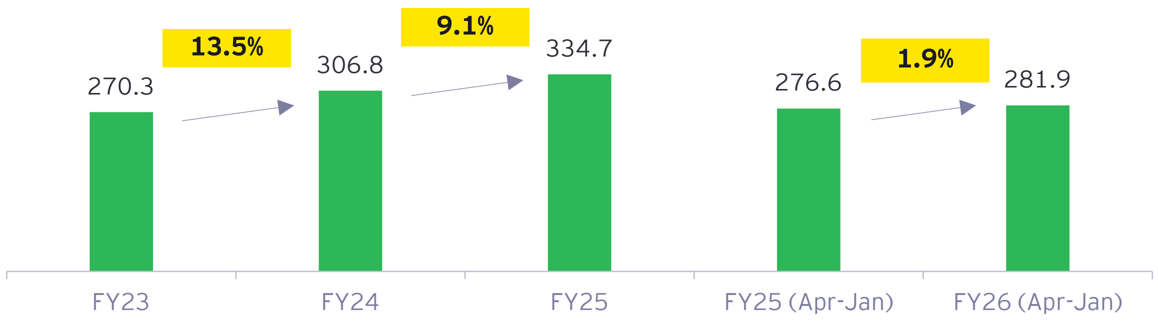
Source: Airports Authority of India

E-way bills generated (in million)



Source: GSTN

Domestic air passengers (in millions)

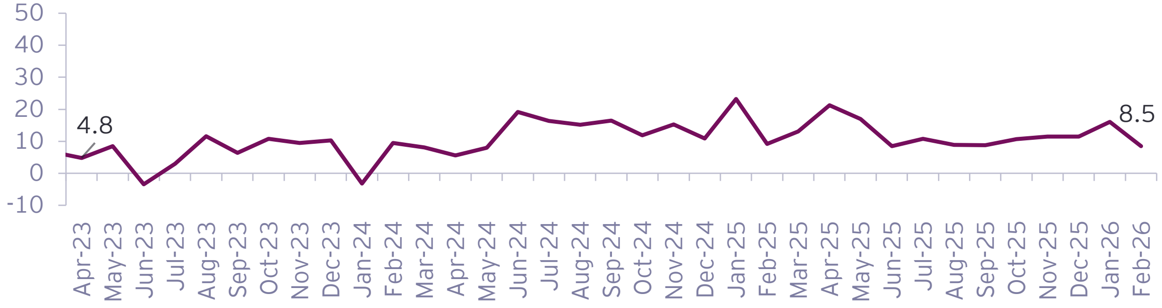


Source: Airports Authority of India

Container traffic maintained strong pre-conflict momentum; air freight expanded 6.8% in FY26 (April – February).

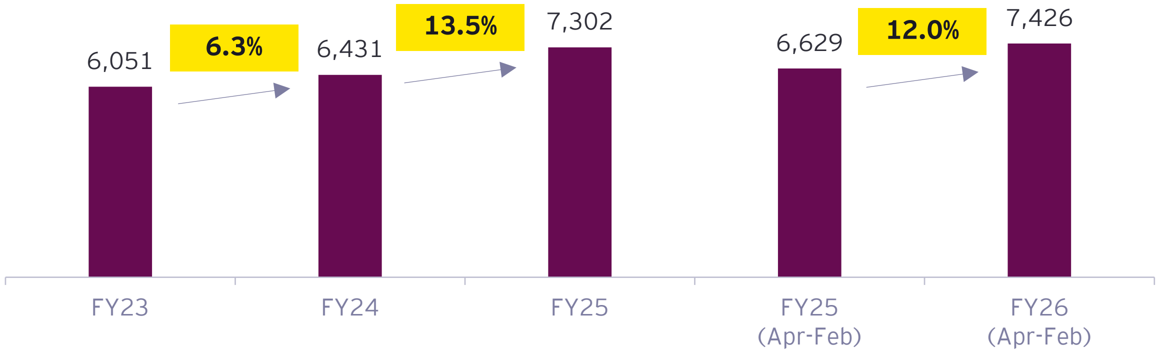
Container traffic was up 12.0% in FY26 (Apr-Feb)

Growth rate of JNPT container traffic (%)



Source: JNPA

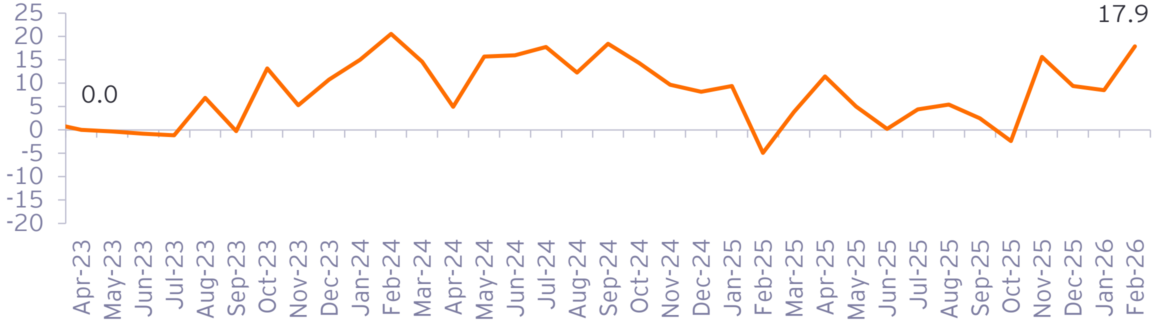
JNPT container traffic (in '000 TEUs)



Source: JNPA

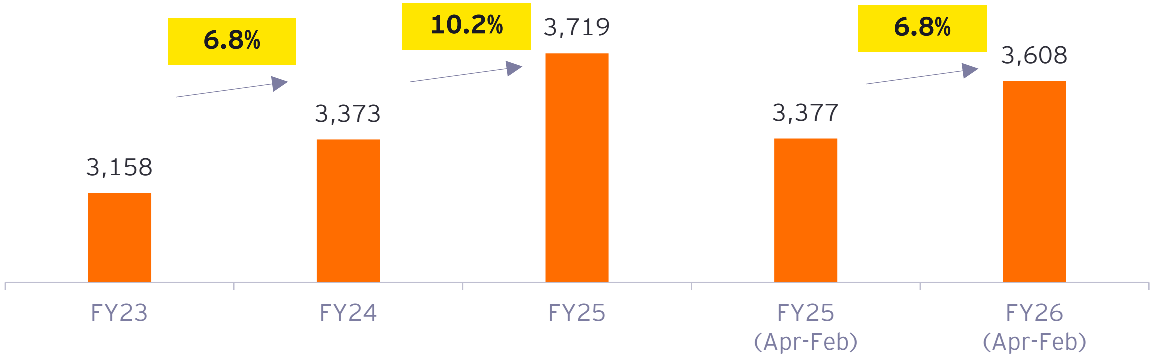
Air freight growth decelerated to 6.8% in FY26 (Apr-Feb) compared to 10.9% in the same period last year

Growth rate of air freight (%)



Source: Airports Authority of India

Air freight (in '000 tons)

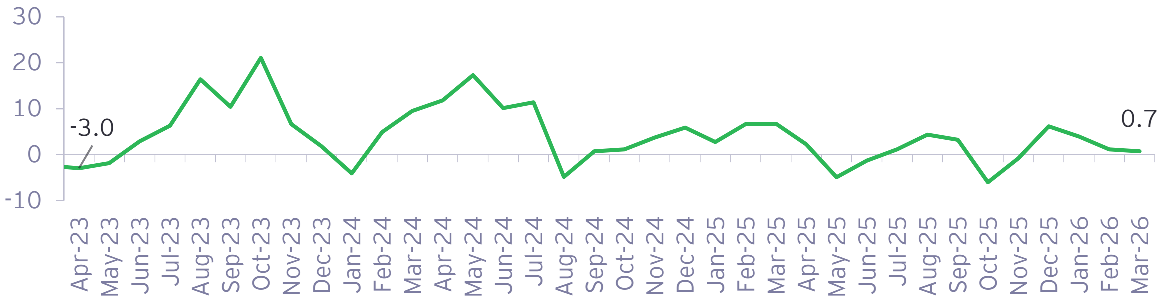


Source: Airports Authority of India

Growth in power consumption was flat at 0.7% in March 2026.

Growth in average daily power consumption was modest in FY26 (Apr-Mar)

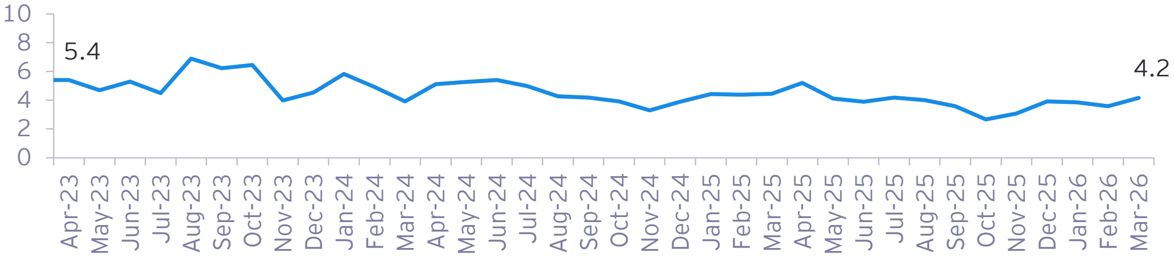
Growth rate of average daily power consumption (%)



Source: POSOCO, data as on 1 April 2026

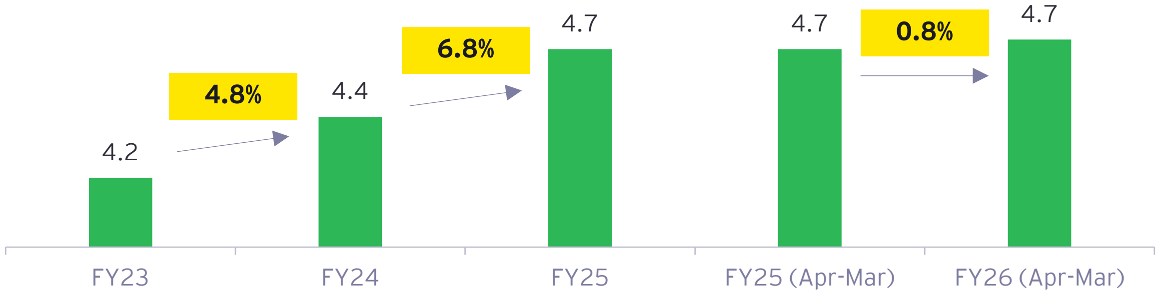
Wholesale electricity prices declined in FY26 (Apr-Mar) on account of weaker power demand

Power market clearing price (INR/KWh)



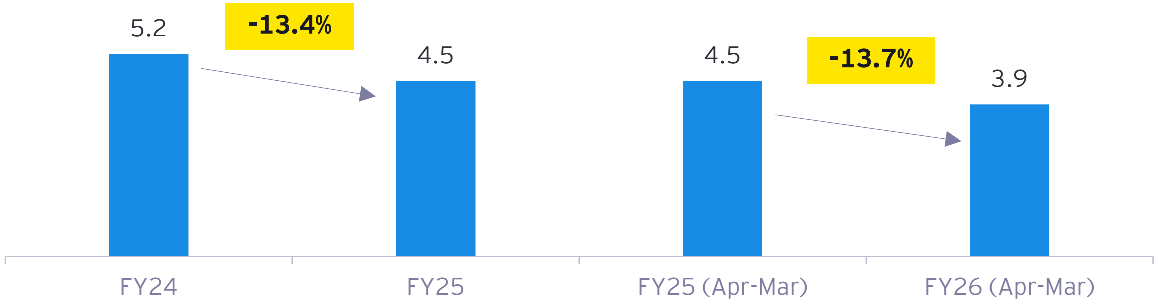
Source: IEX, data as on 26 March 2026
*Notes: . Market clearing monthly prices are a simple average of non-zero prices in (no of days in a month*24*4) no of 15 minutes time block of respective month.*

Average daily power consumption (MU/day)



Source: POSOCO, data as on 1 April 2026

Power market clearing price (INR/KWh)

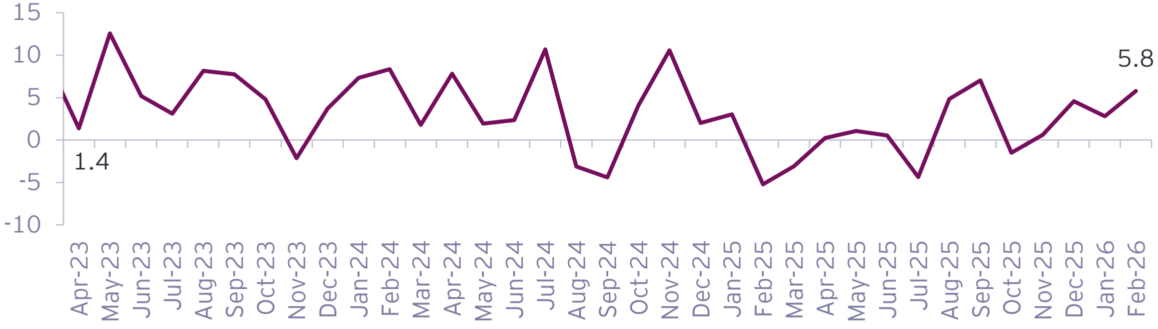


Source: IEX, data as on 26 March 2026
Notes: . Weighted average power market clearing price is calculated

Pre-conflict energy demand remained firm, with petroleum consumption up 5.8% in February 2026 and natural gas usage rising 4.4% in January 2026.

Consumption of petroleum products saw a marginal pickup in FY26 (Apr-Feb)

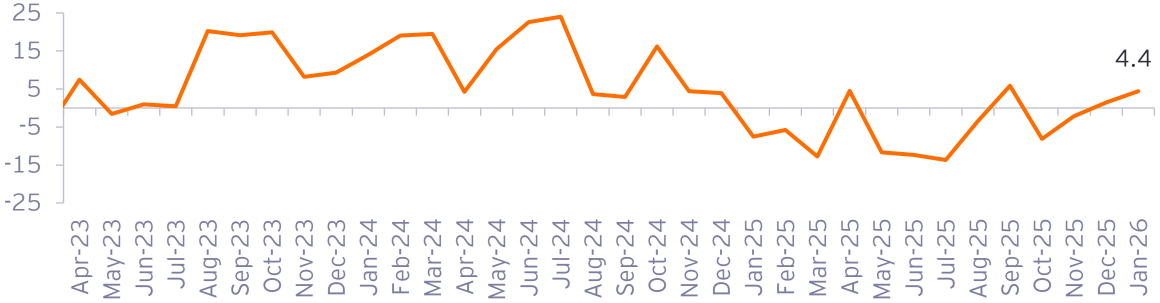
Growth rate of consumption of petroleum products (%)



Source: PPAC

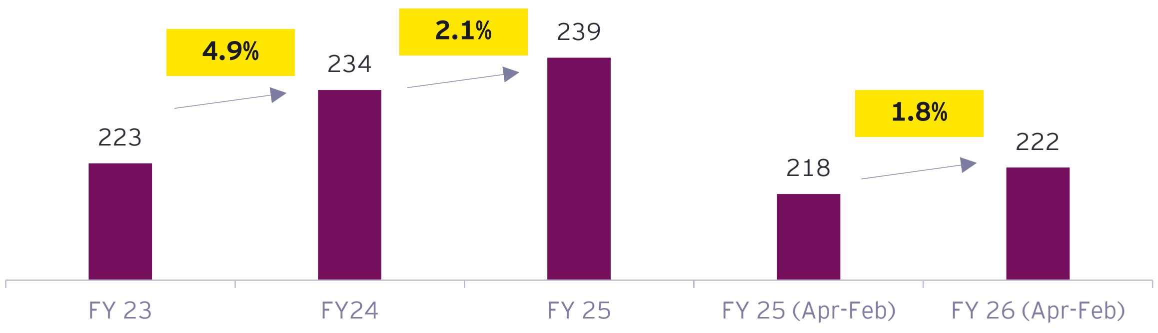
Natural gas consumption has contracted in FY26 (Apr-Jan)

Growth rate of consumption of natural gas (%)



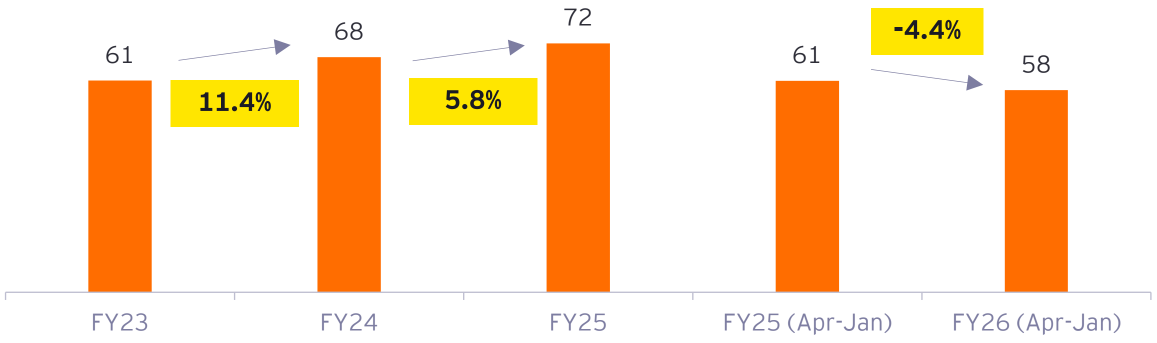
Source: PPAC

Growth in consumption of petroleum products (million metric tons)



Source: PPAC

Growth in consumption of natural gas ('000 MMSC)

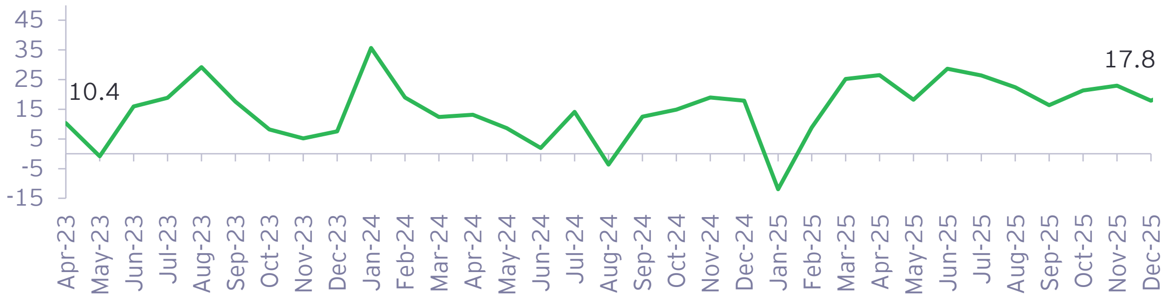


Source: PPAC,
Notes: MMSC stands for million standard cubic meter.

Renewable energy generation and its share in overall generation continued to increase, reflecting a continued transition towards green energy.

Renewable energy generation continued to register healthy growth in FY26 (Apr-Feb)

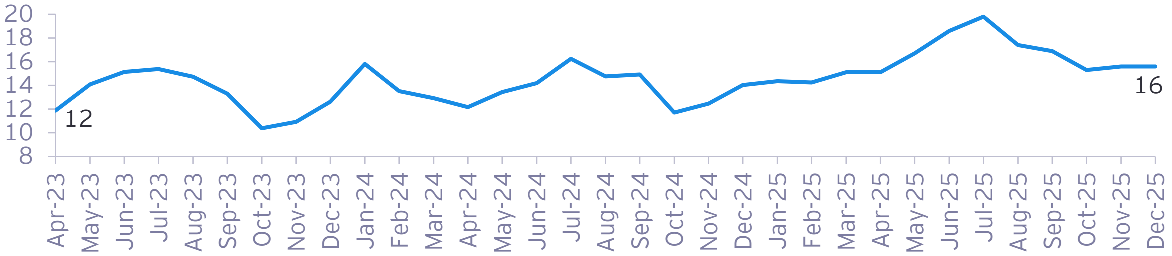
Growth rate of renewable energy generation (%)



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

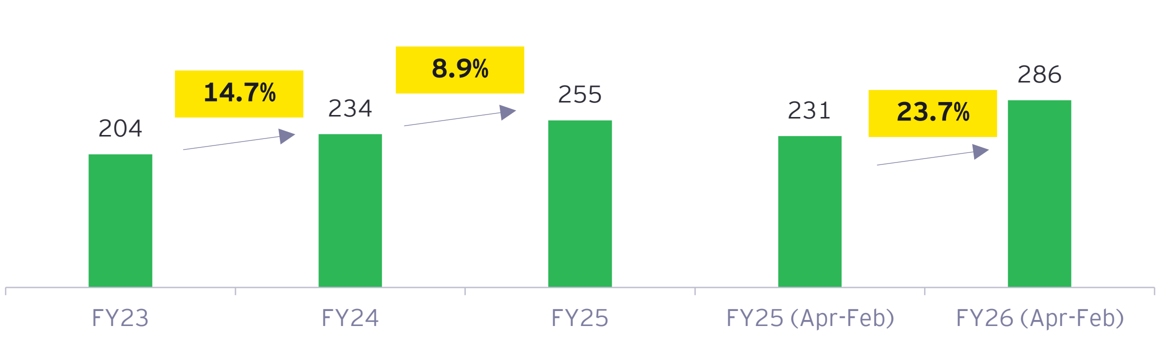
The share of renewable energy in the overall generation mix continued to rise, reflecting the ongoing energy transition and a focus on energy security

Renewable energy generation as % of the total power generation



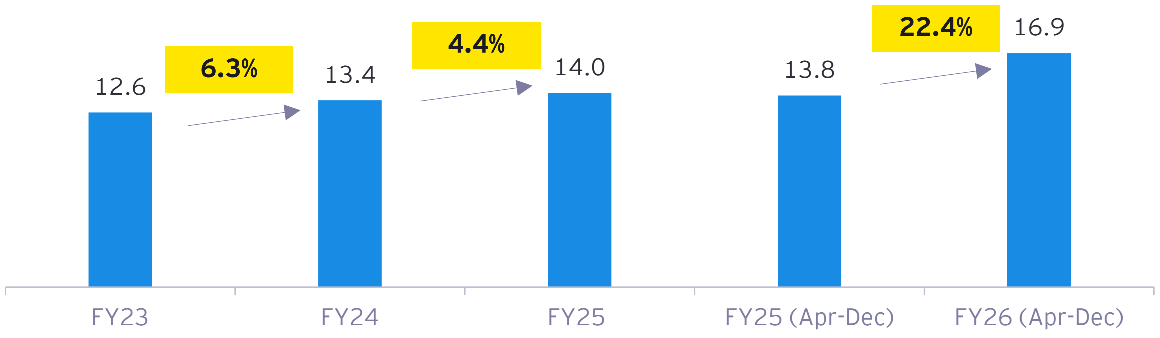
Source: CEA
Notes: Renewable energy includes wind, solar, biomass, bagasse, small hydro and others

Renewable energy generation (in billion units)



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

Renewable energy generation as a percentage of total generation

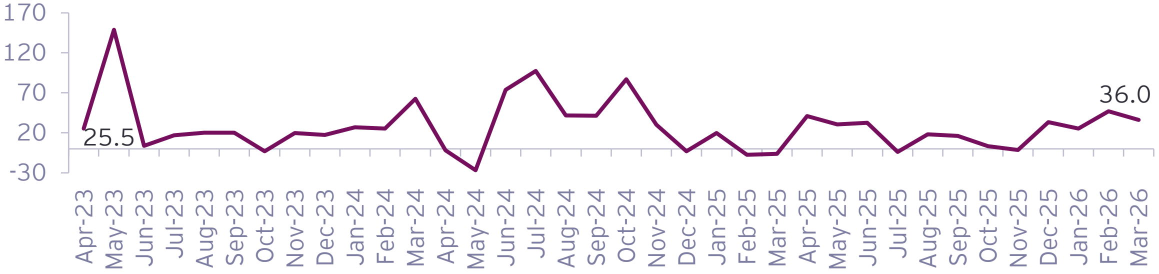


Source: CEA
Notes: Renewable energy includes wind, solar, biomass, bagasse, small hydro and others

Growth in electric two-wheeler and electric passenger vehicle registrations remained robust in FY26 (April-March), reflecting growing preference for EVs.

E-two-wheeler registrations were up by 20.8% in FY26 (Apr-Mar)

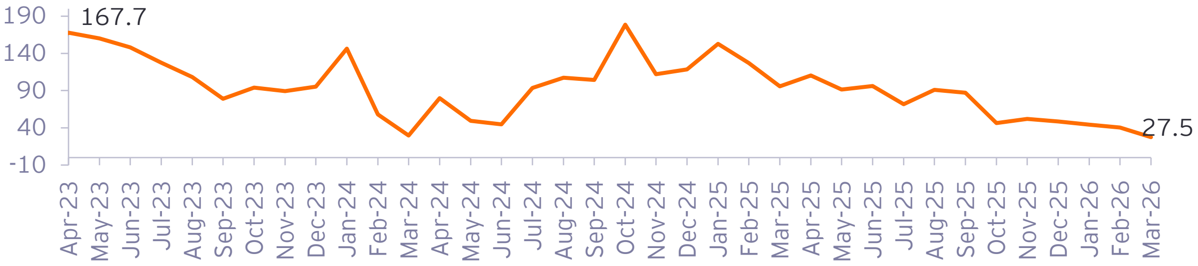
Growth rate of e-two-wheelers (%)



Source: Parivahan dashboard. Data as on 31 March 2026
Notes: Two wheelers data include transport and non-transport

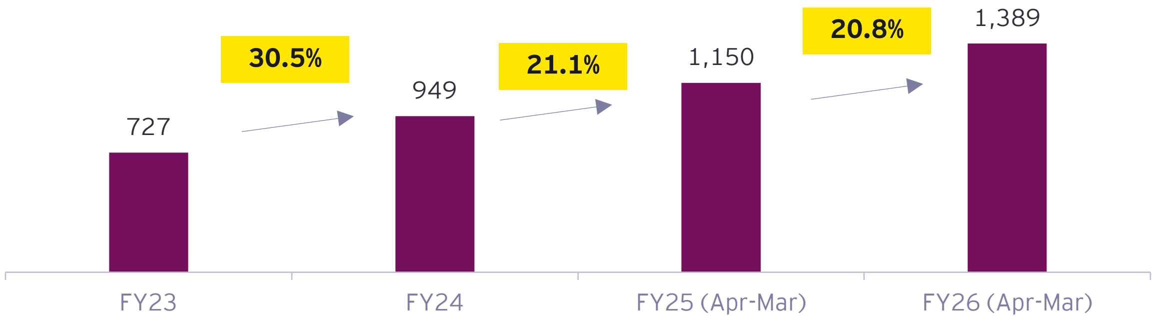
E-passenger vehicle registrations surged 61.6% in FY26 (Apr-Mar), however the share in total EV sales remains low

Growth rate of e-passenger vehicles (%)



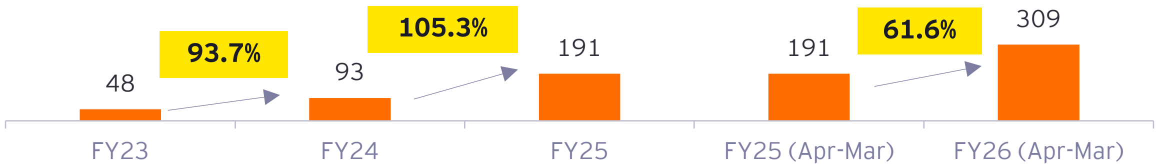
Source: Parivahan Dashboard, Data as on 31 March 2026
Notes: Passenger Vehicles represents light motor vehicles and light passenger vehicles with fuel types of electric (BOV), hybrid EVs.

E- two-wheelers (in '000s)



Source: Parivahan dashboard. Data as on 31 March 2026
Notes: Two-wheelers data include transport and non-transport

E- passenger vehicles (in '000s)

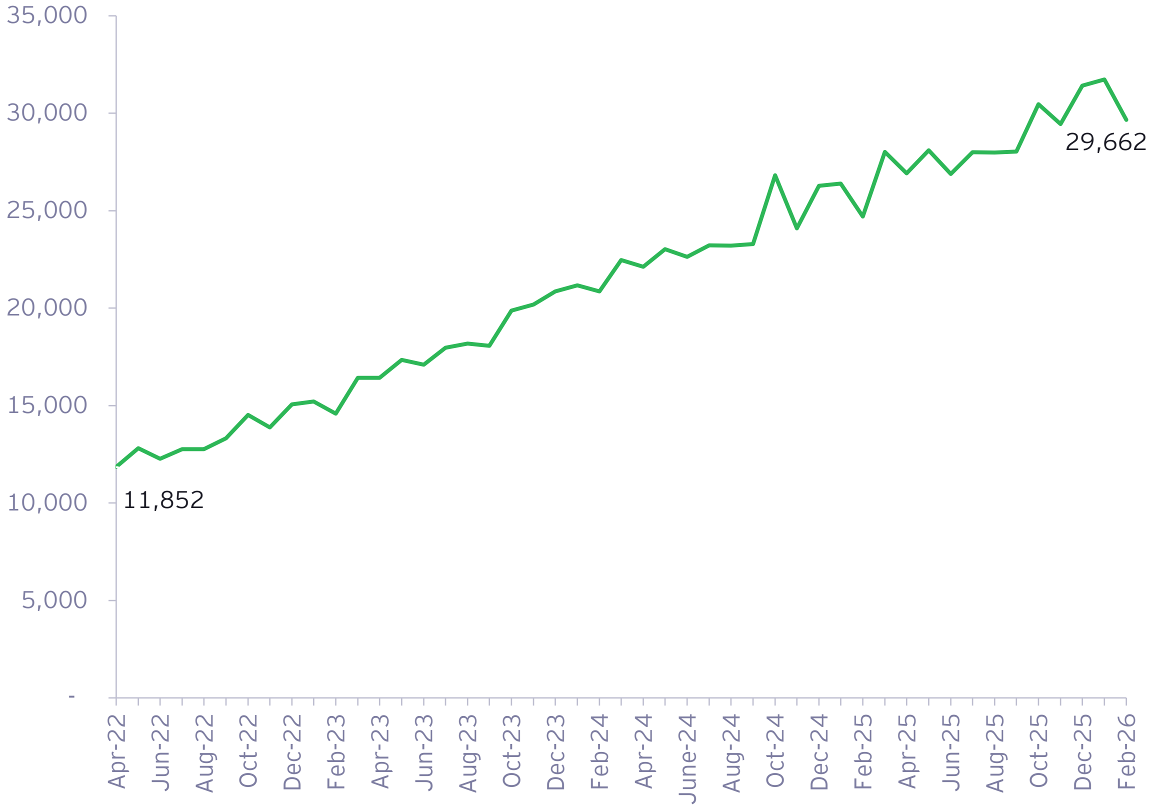


Source: Parivahan dashboard. Data as on 31 March 2026
Notes: Passenger vehicles represents light motor vehicles and light passenger vehicles with fuel types of electric (BOV), hybrid EVs

Growth in digital retail payments, driven by UPI, reflected continued formalization of the Indian economy.

Total digital retail payments in India continued to be buoyant

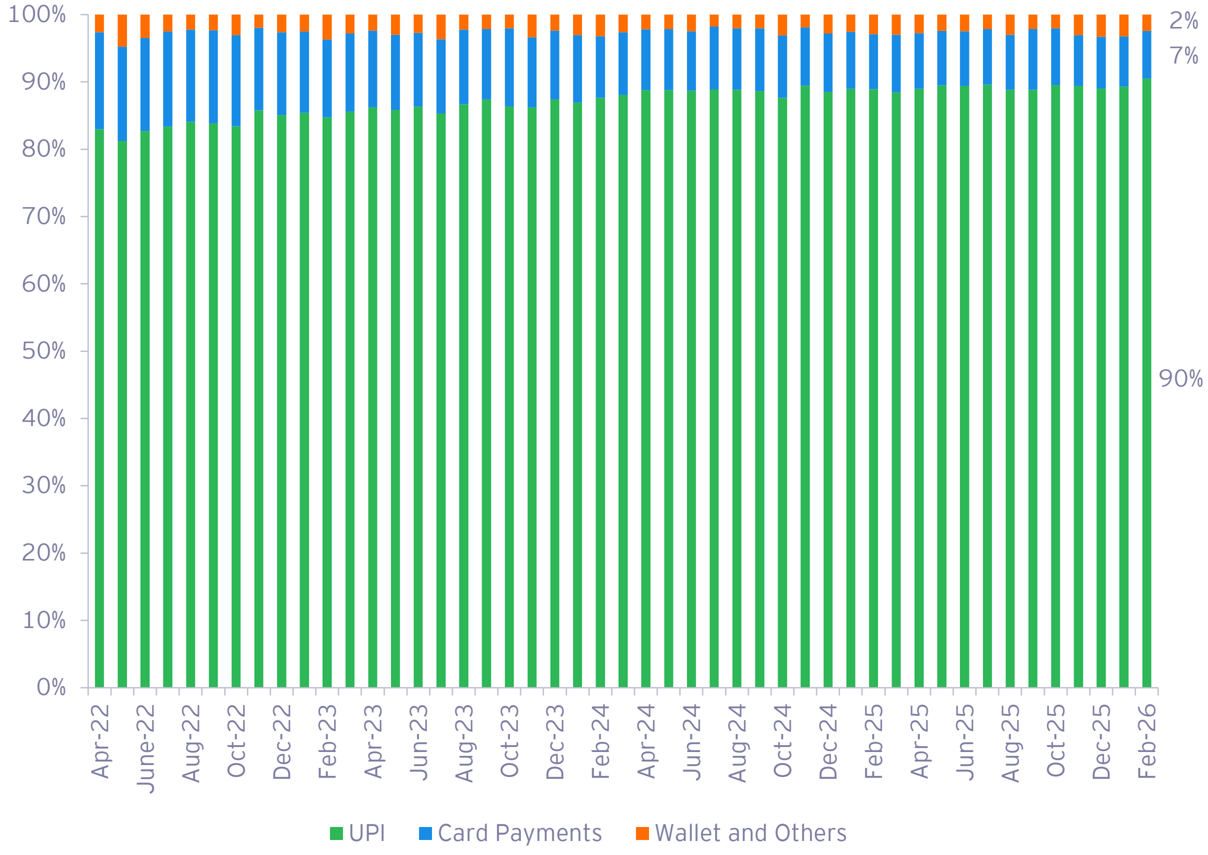
Total digital retail payments (in INR billion)



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)

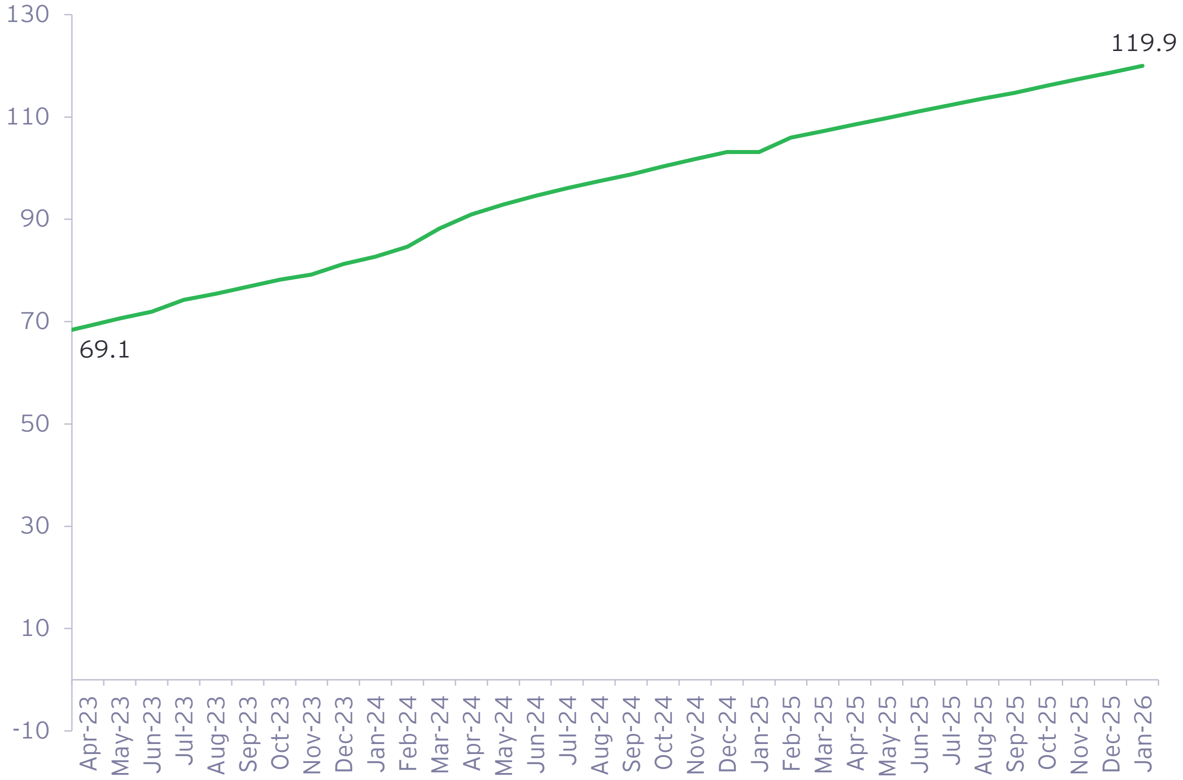


Source: RBI Payment System Indicator
Notes: Others include ECS (Electronic Clearing System), AePS (Aadhaar Enabled Payment System), Aadhaar Payments Bridge System (APBS) and BHIM

FASTag issuance and toll revenue collections continue to rise, reflecting continued digitalization of the economy.

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

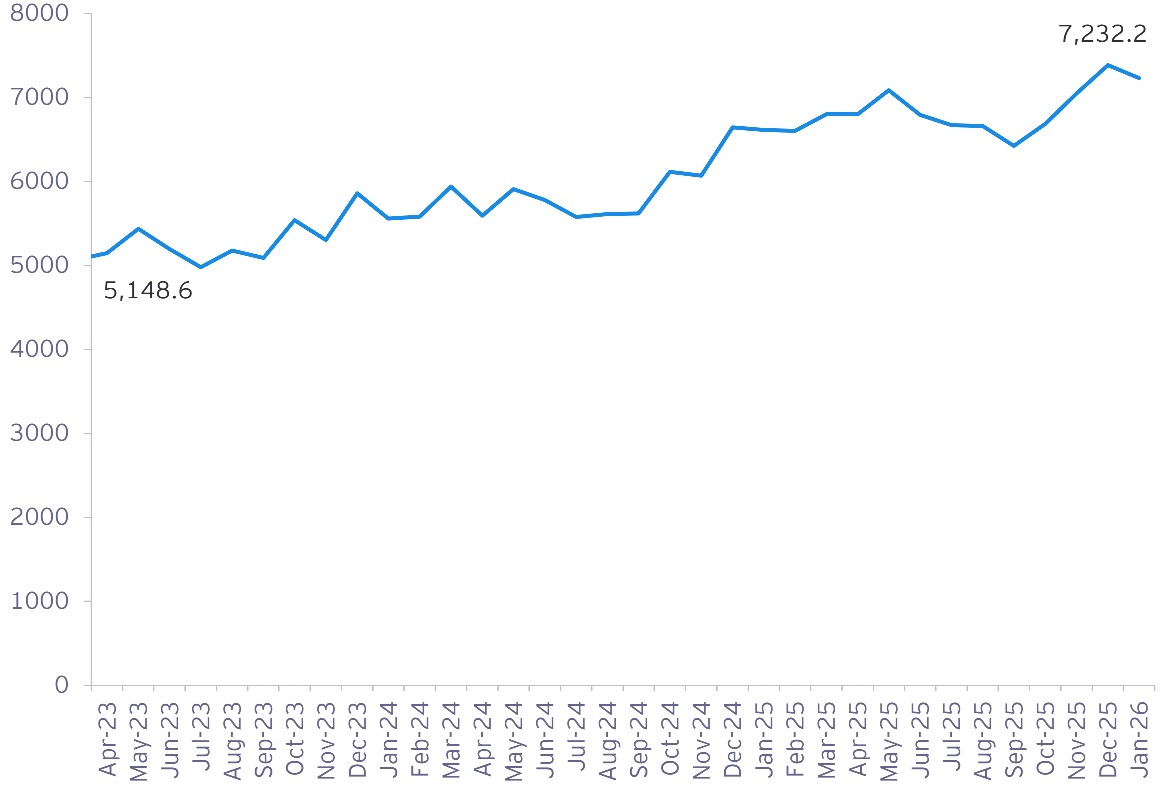
Number of FASTag issuance (in million)



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

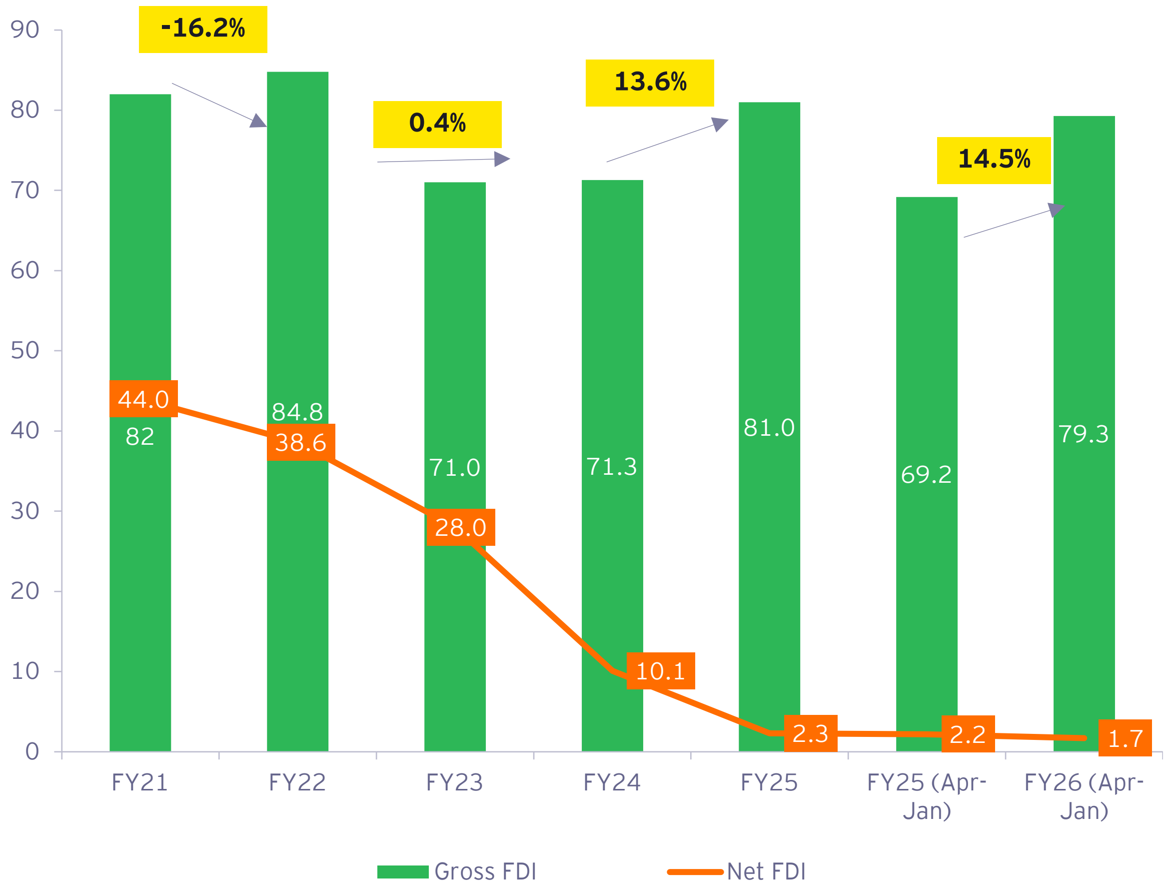
05

Markets and Investments

While gross FDI inflows and capital raised by non-government companies registered a healthy growth in FY26 (Apr-Jan), growth in PE/VC investments was slightly muted.

Gross FDI inflows registered a healthy growth of 14.5% in FY26 (Apr-Jan). Net FDIs remained significantly lower than the levels in FY22 on account of continued repatriation and outflows

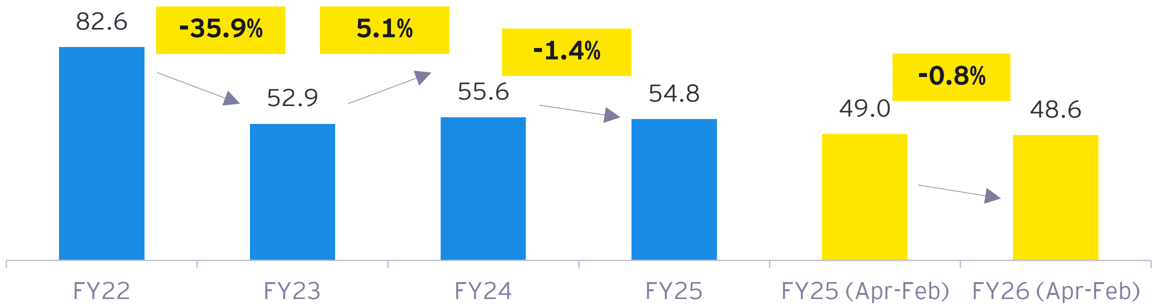
Gross and Net FDI in India (US$ billion)



Source: RBI Monthly Bulletin

PE/VC investments have stagnated in FY26

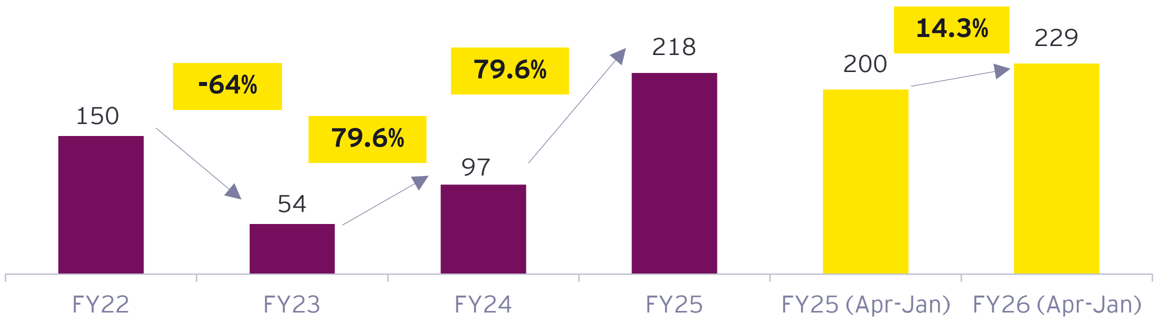
PE/VC Investment (US$ billion)



Source: EY Analysis

Growth in capital raised by non-government companies remained healthy in FY26 (Apr–Jan).

Capital issues by non-governmental companies (INR'000 crore)



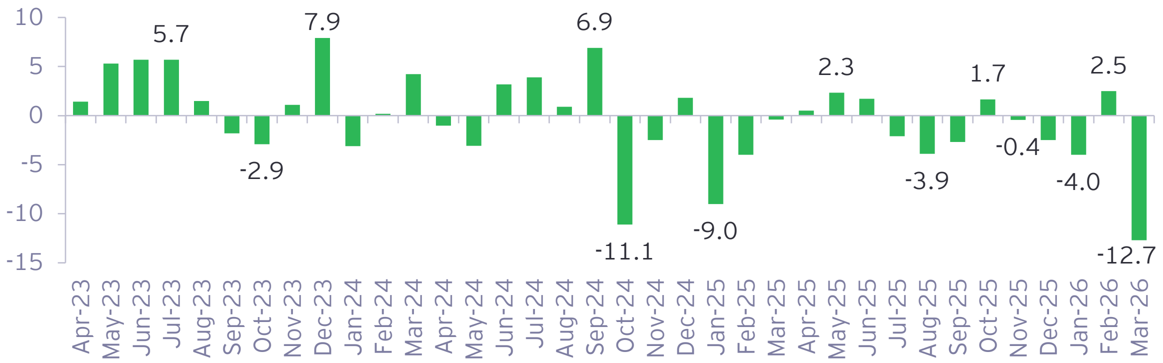
Source: RBI

EY

After staging a comeback in February 2026, FPIs registered record outflows in March 2026, reflecting both weakening of the Rupee and cautious global investor sentiment following the recent geopolitical conflict.

Equity FPI registered record outflows of US$12.7b in March 2026

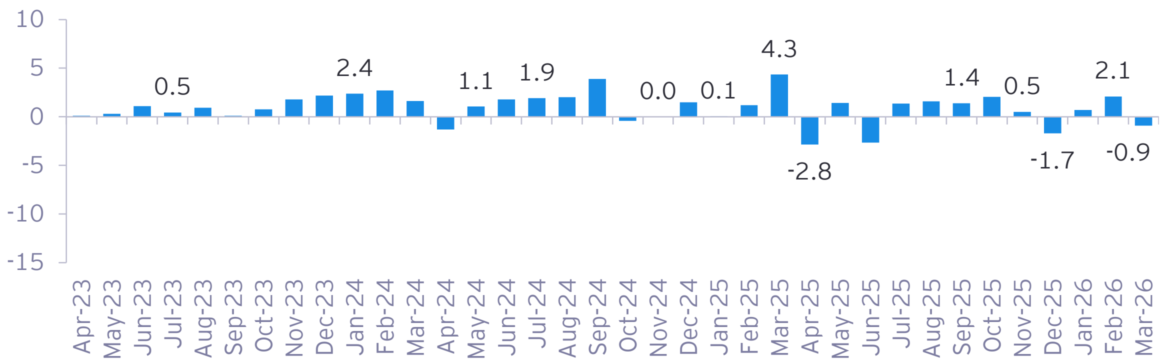
Net FPI Investment inflows – Equity (in US$ billion)



Source: NSDL
As of 31 March 2026

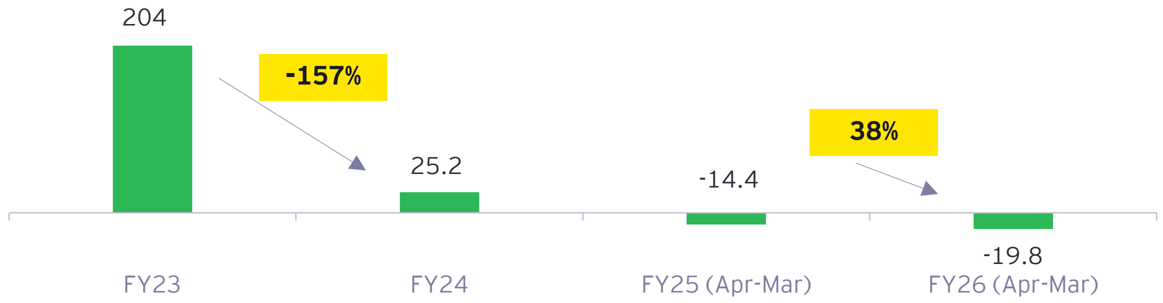
Debt FPIs also turned negative in March 2026

Net FPI investment inflows-Debt (in US$ billion)



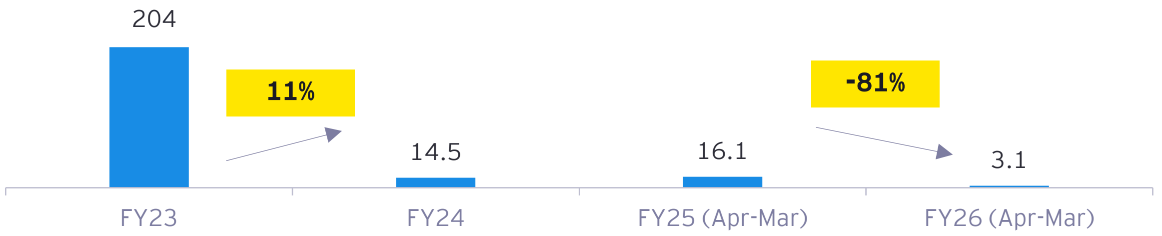
Source: NSDL
As of 31 March 2026

Net FPI Investment inflows (cumulative) – Equity (in US$ billion)



Source: NSDL
As of 31 March 2026

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

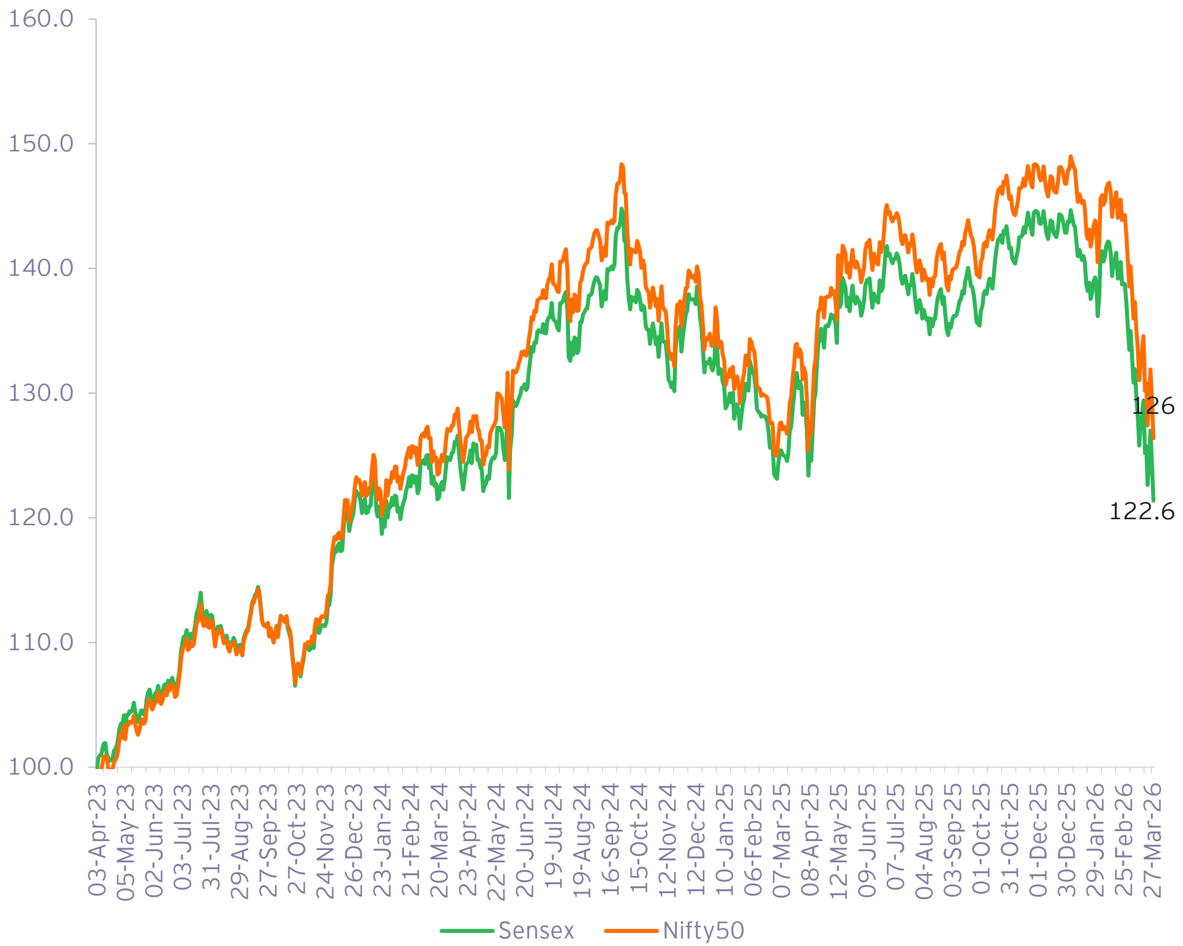


Source: NSDL
As of 31 March 2026

Stock markets declined by over 10% in March 2026 vs February 2026, despite record investments by domestic institutional investments, which continue to cushion the impact of net selling by FIIs.

Equity markets have declined by over 10% in March 2026 in the wake of the recent geopolitical conflicts

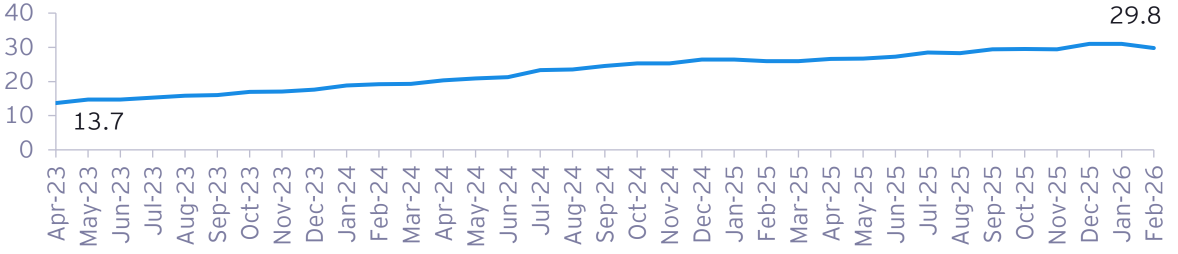
NIFTY 50, Sensex (Base as 1 April 2022)



Source: NSE, BSE, data as of 30 March 2026

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

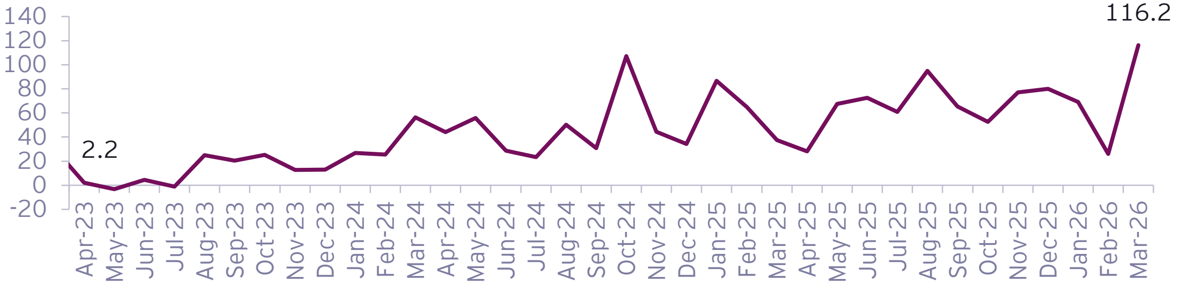
Monthly SIP contributions (INR '000 crore)



Source: AMFI

Rising domestic institutional investment continues to cushion the impact of net selling by FIIs

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



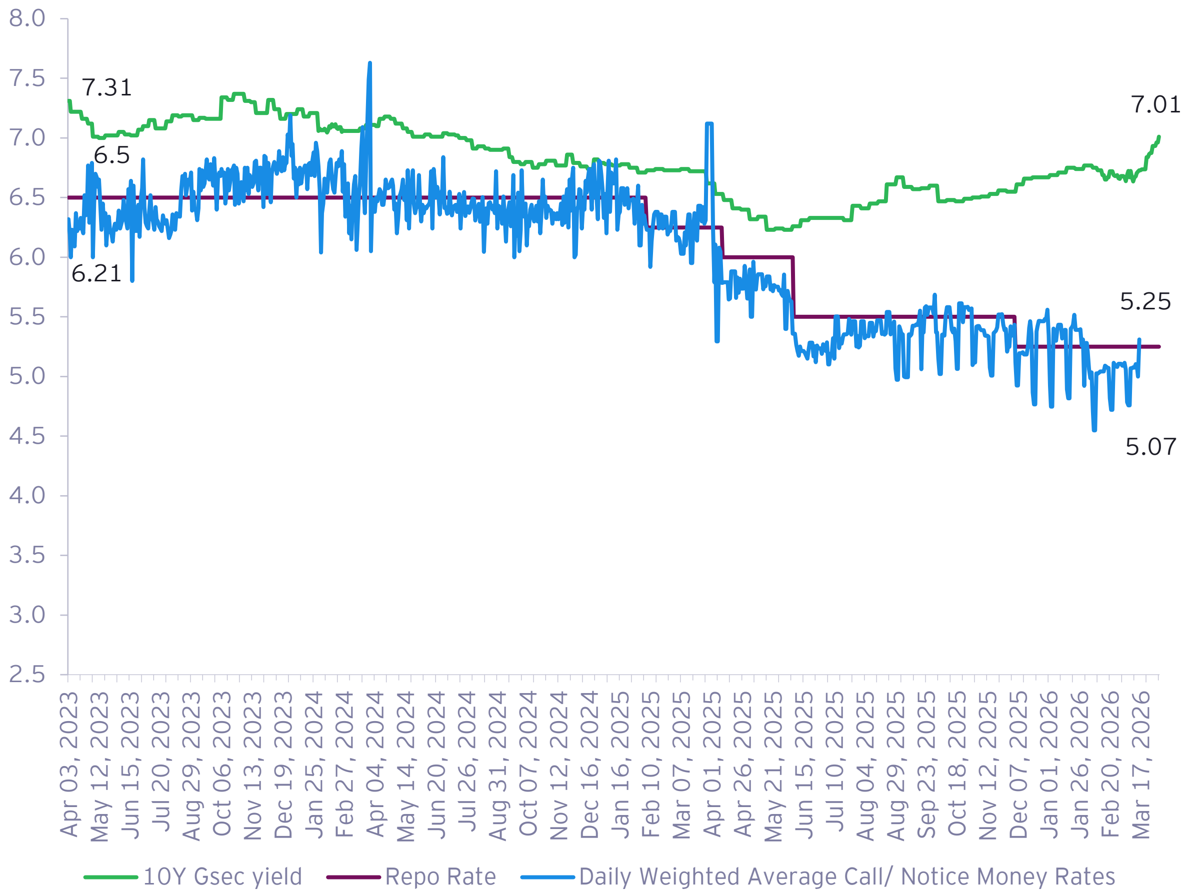
Source: Moneycontrol

EY

10-year G-sec yields have hardened by over 30 bps since March 2026 in the wake of the current Middle East conflict, which could put pressure on borrowing costs in the economy. Yield curve has softened, reflecting liquidity.

10-year G-sec yields have hardened by over 30 bps since March 2026. RBI MPC decided to hold the policy rate at 5.25% in the February meet

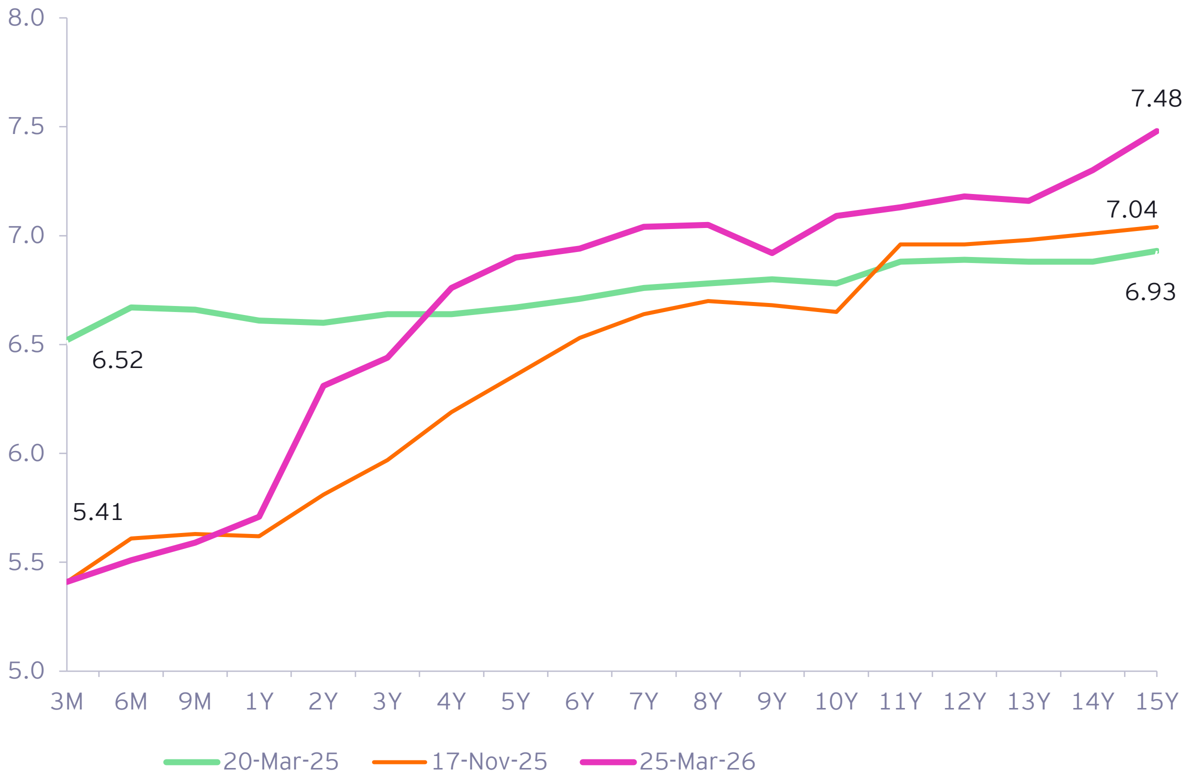
G-Sec yield (10-year), policy rate and notice money rates (in %)



Source: RBI, data as on 27 February 2026

The yield curve has softened

India sovereign yield curve (in %) (Annualized)

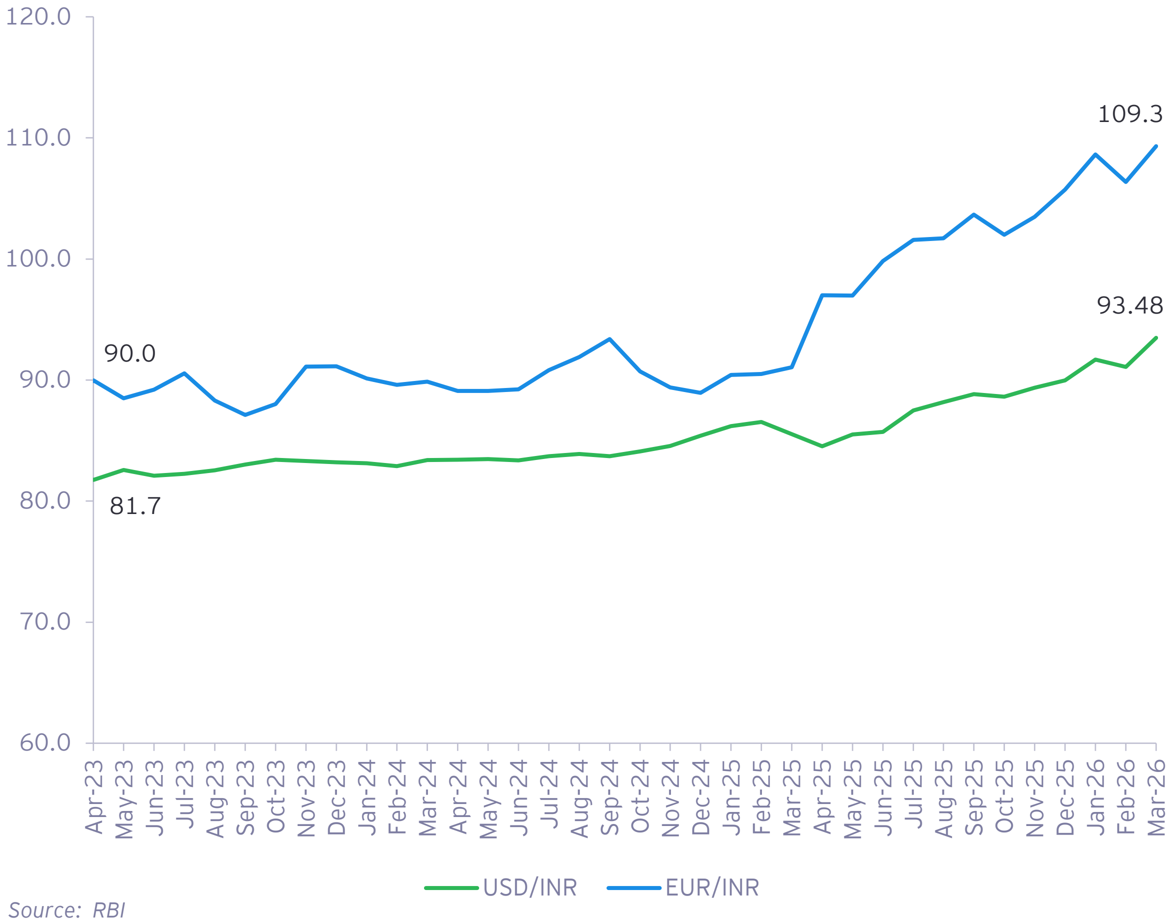


Source: FBIL, data as on 25 March 2026

The Rupee depreciated 15% vis-à-vis Euro and 8.3% vis-à-vis US dollar in the last one year on account of capital repatriation and growing merchandise trade deficit. Forex reserves fell by US$28 billion in March 2026, reflecting RBI's intervention to maintain currency stability.

The Indian Rupee depreciated sharply vis-à-vis US dollar and Euro reflecting the impact of the recent Middle East conflict

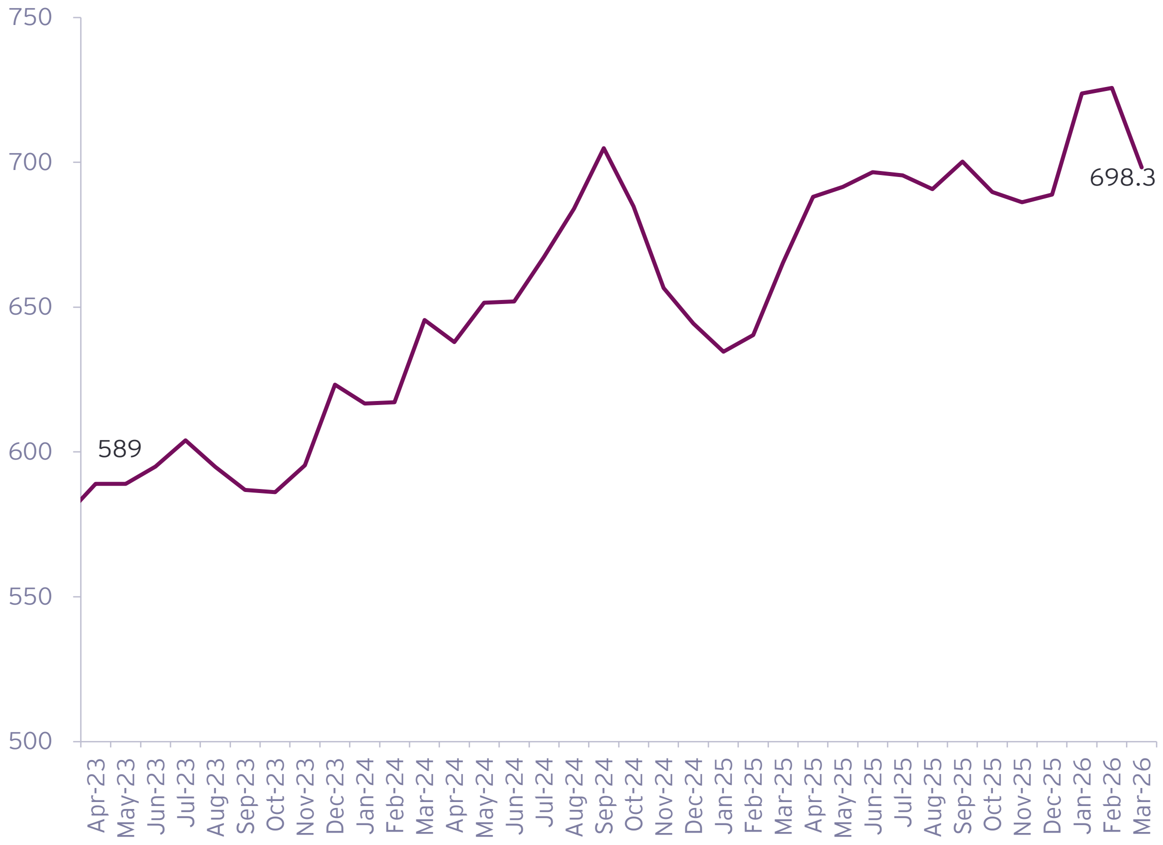
Exchange rates vis-à-vis US dollar and Euro



Source: RBI
Notes: Monthly exchange rates are estimated using an average of daily exchange rates within the month

India's foreign exchange reserves dropped in March 2026, though they remain adequate, providing cover for goods imports for almost a year and around 96% of the external debt

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

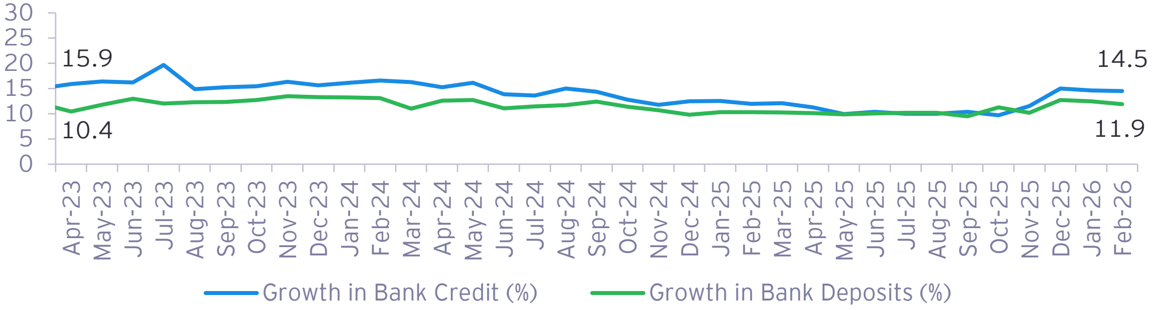


Source: RBI
Notes: As of 20 March 2026

Ahead of Middle East conflict, bank credit registered robust growth, driven by growth in industries, services and personal loans segments, highlighting credit offtake in the economy.

Growth in both bank credit and deposits continued to remain robust with the growth in credit outpacing that of deposits

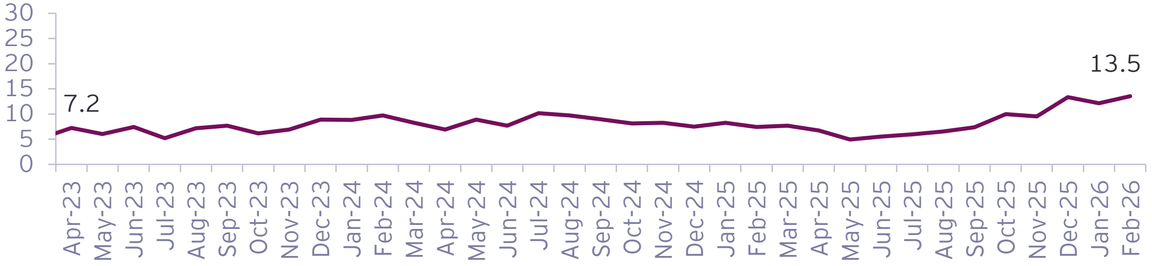
Growth rate of bank credit and bank deposits



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

Growth in bank credit to industry continued to accelerate, recording a 13.5% growth in Feb-26, the highest since Nov-22

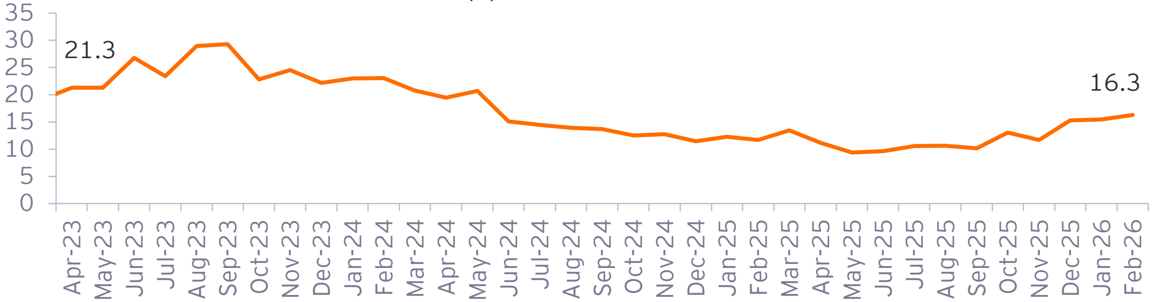
Growth rate of bank credit to industry (%)



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

Credit to services registered an uptick in growth, attributable to a rise in lending to NBFCs, along with growth in trade and commercial real estate

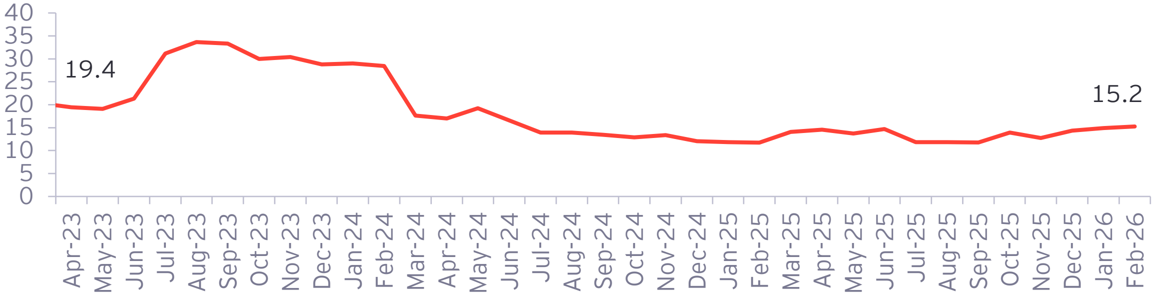
Growth rate of bank credit to services (%)



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

Credit growth in personal loans has strengthened, led by housing and vehicle loan segments

Growth rate of bank credit to personal loans (%)

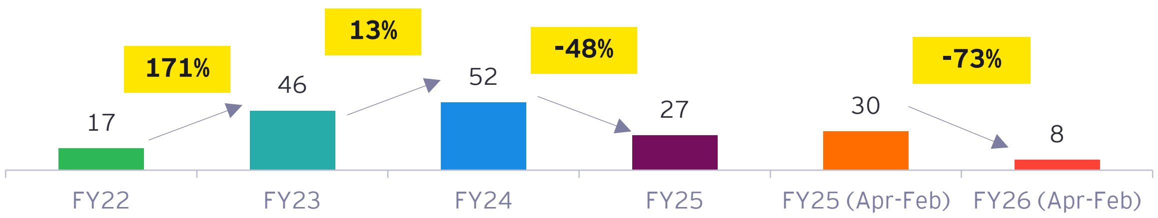


Source: RBI

Flow of credit for personal loans registered a strong growth during FY26 (April-February), driven by a robust growth in vehicle and housing loans

The flow of credit for credit cards has shown sharp degrowth as banks focus on limiting delinquencies

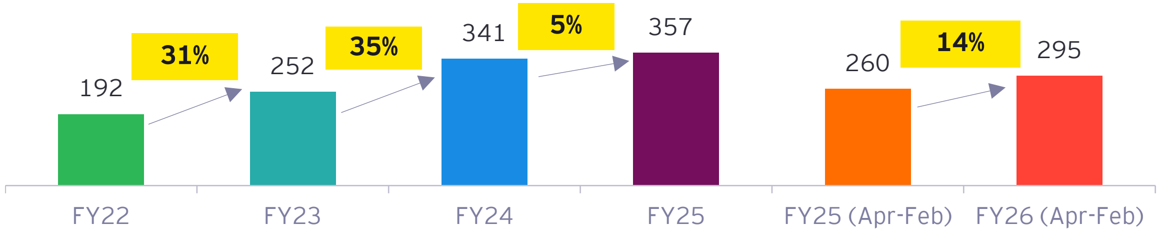
Credit card loans (in INR '000 crore)



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 registered an uptick in FY26 (Apr-Feb), reflecting a robust property market in India

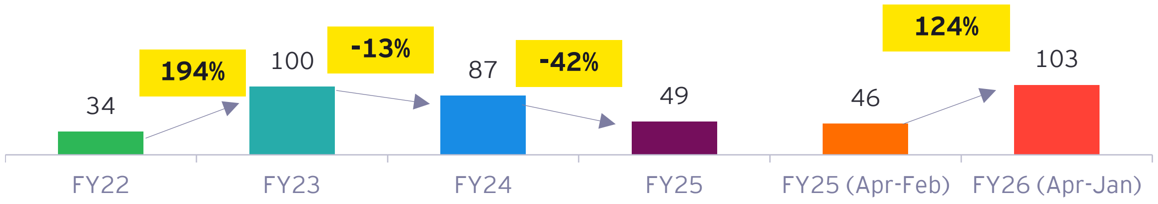
Housing loans (in INR '000 crore)



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 FY26 (Apr-Feb), reflecting the impact of GST 2.0 on demand

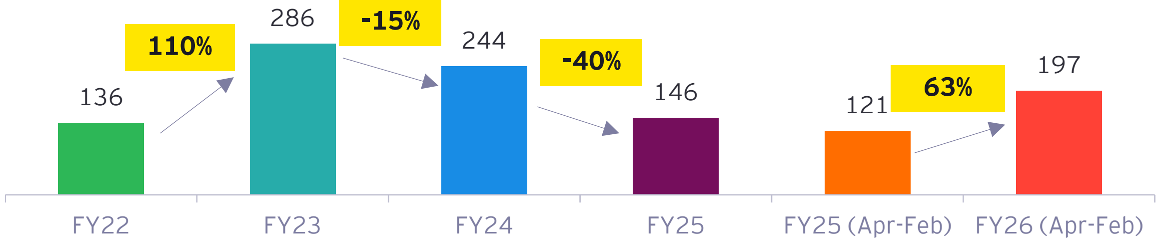
Vehicle loans (in INR '000 crore)



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 FY26 (Apr-Feb)

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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