

***MONTHLY ECONOMIC
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Abstract

Global energy market stress eased in June 2026 as progress in U.S.-Iran negotiations helped moderate crude oil prices. Nevertheless, ongoing disruptions to oil production and shipping through the Strait of Hormuz, together with persistent geopolitical uncertainties, pose risks to global growth and inflation.

Against this backdrop, the Indian economy recorded robust growth of 7.7 per cent in 2025-26, supported by strong performance in the manufacturing and services sectors, alongside healthy consumption and investment demand. Economic activity maintained its momentum in the early months of 2026-27, as reflected in high-frequency indicators such as e-way bill generation, PMI indices and electricity consumption, although some moderation was visible in select indicators. Supportive reservoir levels and adequate fertiliser availability continued to provide favourable conditions for agricultural activity. However, the weak progress of the southwest monsoon has weighed on kharif sowing, and the monsoon rainfall deficit is a concern. Among the many things India needs to build buffers for in the coming years, water may be at the top of the list.

The Union Government's fiscal position strengthened in 2025-26 (Provisional Actuals), with the fiscal deficit moderating to 4.4 per cent of GDP, the lowest level since 2018-19. The improvement in fiscal balances was underpinned by broad-based revenue mobilisation, reflecting growth in both direct and indirect tax collections alongside a significant increase in non-tax revenues. On the expenditure side, the government's emphasis on capital expenditure was sustained, while revenue expenditure remained broadly stable as a share of GDP. Early trends in 2026-27 indicate that momentum in public investment has been sustained, with capital expenditure continuing to grow.

Growth in the Index of Eight Core Industries moderated to 0.5 per cent year-on-year in May 2026; however, robust expansion in steel, cement and electricity underscored the resilience of domestic infrastructure and construction activity amid heightened geopolitical uncertainties. The first release of the revised Index of Industrial Production (Base: 2022-23) indicates broad-based industrial strength and continued momentum in investment-linked manufacturing. The rebasing of the Index of Industrial Production and the Wholesale Price Index, alongside the introduction of the Producer Price Index framework, marks an important step towards improving the quality and relevance of India's industrial and price statistics. Emerging investments in advanced manufacturing and digital infrastructure, complemented by

regulatory easing and initiatives to strengthen critical mineral supply chains and trade connectivity, are expected to reinforce industrial competitiveness and supply-chain resilience amid an evolving global environment.

India's export performance continued its upward momentum in May 2026, with total exports (merchandise & services) recording a growth of 15.8 per cent (YoY). Merchandise exports attained their highest-ever monthly value in May 2026, underscoring the sector's robust performance, while services exports continued to anchor the country's overall trade momentum. This momentum was reinforced by parallel progress on trade agreements, including the entry into force of the India-Oman CEPA on June 1, 2026, the forthcoming entry into force of the India-UK CETA on July 15, 2026, and expanded market access for agricultural and marine exports to the European Union. Foreign Direct Investment (FDI) remained resilient, reflecting continued investor confidence in the Indian economy, although portfolio equity flows remained negative amid global uncertainty and lingering valuation concerns. Foreign exchange reserves stayed at comfortable levels, providing an important buffer against external shocks, and recent measures to facilitate foreign capital inflows are expected to support external sector stability.

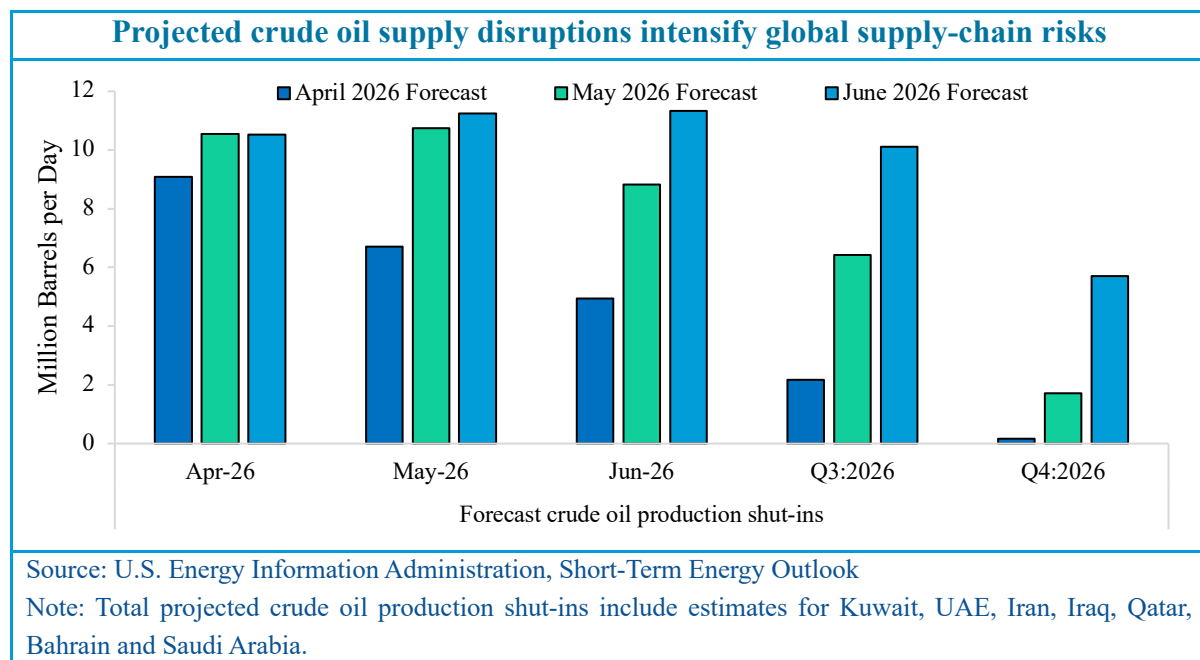
High-frequency employment and hiring indicators point towards softening in the labour market. However, the quarterly report on unincorporated sector enterprises for the January–March 2026 quarter points to an expansion in the sector (YoY) in both establishment numbers and employment levels. Complementing this, the recently released National Family Health Survey (Round 6, 2023-24) presents an encouraging development, reflected in improved child nutrition outcomes, meaningful gains in women's empowerment, and strengthened institutional factors indicative of an expansion in healthcare service delivery. At the same time, declining birth rates and rising widespread obesity and diabetes incidence are significant headwinds for India's demographic dividend. The burden of an unhealthy elderly demographic cohort rising in the next decade or two is both a familial and a social concern.

Overall, the economy continues to exhibit resilience, although emerging signs of moderation in industrial activity, along with evolving inflationary pressures, demand closer attention ahead. While easing oil prices and improving global supply-chain conditions may help alleviate some external pressures, uncertainties surrounding the monsoon and geopolitical developments in West Asia continue to pose downside risks to the growth and upside risks to the inflation outlook.

Global economy- Energy market stress eases, but vulnerabilities persist

1. Global energy markets witnessed a significant easing in stress during June 2026, amid progress in U.S.-Iran negotiations and expectations of a gradual restoration of shipping through the Strait. Brent crude prices, which had surged above USD 120 per barrel at the peak of the crisis in April, declined to below USD 80 per barrel in June, averaging USD 89.4 per barrel as of 23 June 2026. Nevertheless, the continued disruption of shipping through the Strait of Hormuz and uncertainty surrounding regional energy supplies underscore the fragility of the recent correction in oil prices and broader market sentiment.

2. Despite the recent correction in oil prices, vulnerabilities in global energy markets have not ended. The June 2026 Short-Term Energy Outlook (STEO) from the U.S. Energy Information Administration (EIA) projects a more prolonged disruption to oil production than anticipated in its April and May assessments. Forecasts of crude oil production shut-ins have been revised upwards across the projection horizon, reflecting expectations of continued constraints on oil production and transportation in the Middle East. As a result, global crude inventories are expected to remain under pressure in the near term, even as shipping and production conditions gradually normalise. Consequently, while easing energy prices and improving supply-chain conditions provide some relief to the global growth and inflation outlook, geopolitical developments in West Asia and tight inventory conditions may continue to pose risks to both these critical macro variables.

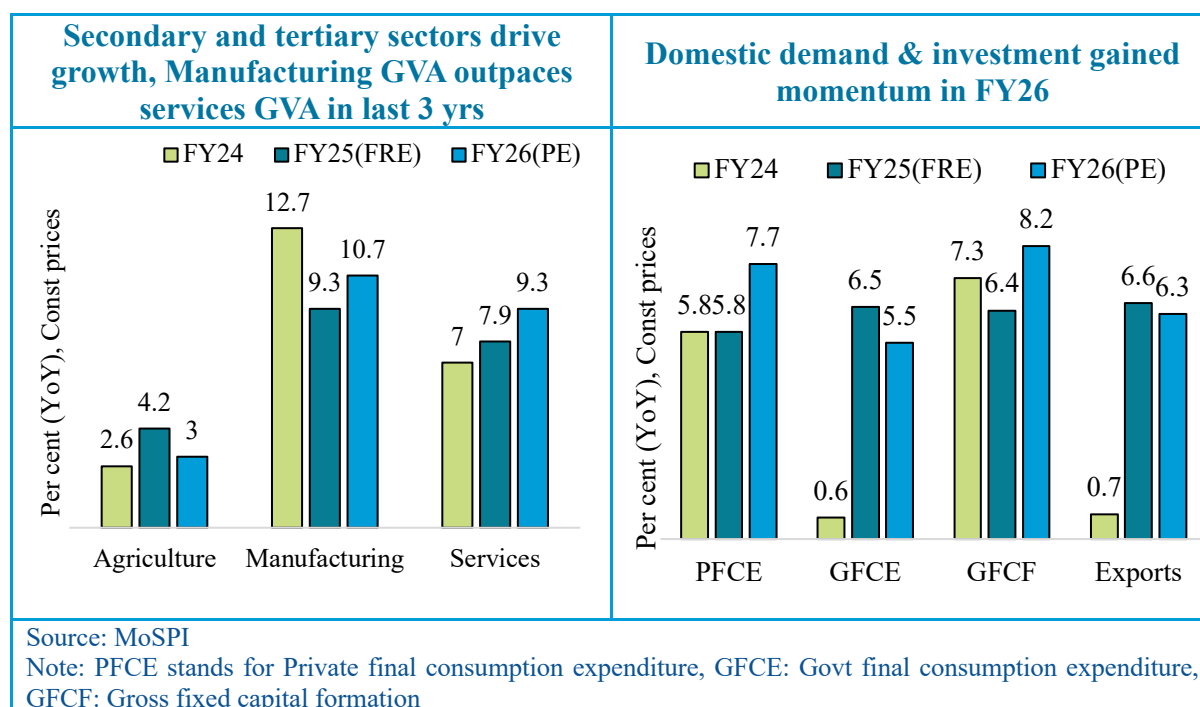


Indian economy: Growth Momentum in 2025-26 remains broad-based

3. MoSPI published the Provisional Estimates of GDP for 2025-26 in June 2026. According to these estimates, India's economy recorded a growth rate of 7.7 per cent in FY26, with real GVA expanding by 7.9 per cent. The growth outcome was supported by strong performance in the services and industrial sectors, alongside continued growth in consumption and investment.

4. On the supply side, growth was driven by both the services and industrial sectors. Manufacturing was a key source of strength, outpacing services growth for the third consecutive year and reflecting sustained momentum in industrial activity. Services continued to be the largest contributor to overall growth, supported by strong performance in trade, financial and professional services, while construction activity remained robust.

5. On the demand side, consumption and investment remained the key drivers of growth. Private consumption maintained a healthy pace of growth. Investment activity remained robust, with GFCF growing by 8.2 per cent and the investment rate staying around 32 per cent of nominal GDP. Despite heightened global trade uncertainty, the share of exports in nominal GDP remained broadly stable at 22.2 per cent.

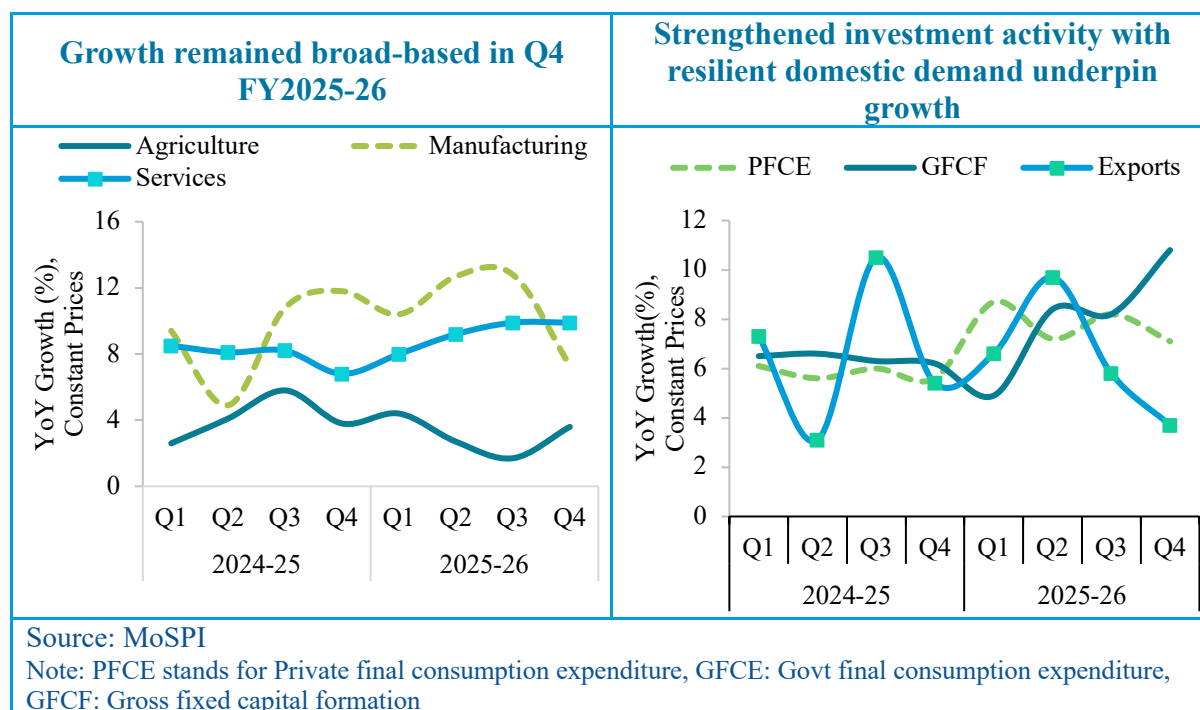


Q4 FY2025-26: Growth momentum sustained

6. Economic activity remained robust in Q4 FY26, with real GDP growth accelerating to 7.8 per cent from 7.0 per cent in the corresponding quarter of the previous year.

7. On the demand side, strengthening investment activity, together with resilient domestic demand, continued to underpin growth in Q4 FY26. PFCE grew by 7.1 per cent, with its share in nominal GDP rising from 57.2 per cent in Q3 FY26 to 58.1 per cent in Q4 FY26. Investment remained a key growth driver, with GFCF growing by 10.8 per cent, the strongest expansion recorded thus far under the 2022-23 GDP series, and accounting for 31.6 per cent of nominal GDP. While the share of exports in nominal GDP remained broadly unchanged at 21.7 per cent.

8. On the supply side, the growth remained broad-based in Q4 FY26, with services and industry continuing to drive economic activity. Services growth increased to 9.9 per cent from 6.8 per cent a year ago, supported by double-digit growth in trade, hotels, transport, communication, and financial, real estate and professional services. Industrial growth also remained robust at 9.3 per cent, supported by strong performance in manufacturing and construction. Agricultural activity also remained resilient, growing by 3.6 per cent, broadly comparable to the corresponding quarter of the previous year.



Economic activity remains resilient amid emerging signs of moderation

9. Following the strong performance in Q4 FY26, the Indian economy maintained its growth momentum in the first quarter of FY27 (up to May), as evident in E-way bill generation, PMI indices, and electricity consumption. However, some signs of moderation continue to be depicted in the performance of the Eight Core Industries Index and fuel consumption. This indicates that while domestic growth remains strong, global challenges may be affecting specific areas of economic activity.

10. E-way bill generation continued to register robust growth of 10.9 per cent in May 2026, reflecting sustained strength in economic activity and logistics movement, albeit with a moderation in the growth pace. Purchaser's Manager's Index (PMI) indicators pointed to an acceleration in expansion across both manufacturing and services sectors. Despite elevated input costs, manufacturing firms increased raw material purchases in May, indicating resilient demand conditions and inventory buildup. Growth in the services sector activity was supported by strengthening demand and an increase in new clients. Electricity consumption expanded by a robust 11.2 per cent year-on-year, driven by higher demand for cooling appliances amid rising temperatures. Petrol and diesel consumption, however, recorded only a modest growth in May 2026.

Performance of High-frequency Indicators (YoY Growth Rates)

Indicators	Apr-25	May-25		Jan-26	Feb-26	Mar-26	Apr-26	May-26
Indicators of economic activity								
E-way bill generation	23.4	18.9		15.8	18.8	12.9	11.8	10.9
PMI manufacturing [#]	58.2	57.6		55.4	56.9	53.9	54.7	55.0
PMI Services [#]	58.7	58.8		58.5	58.1	57.5	58.8	59.8
Electricity consumption	2.9	-4.7		3.8	1.0	0.8	3.5	11.2
Fuel consumption	0.3	1.1		0.3	4.5	3.2	-4.6	-6.4
IIP (2022-23)	5.7	4.8		4.5	5.3	3.2	4.9	NA
8 Core Industries	1.0	1.2		4.7	2.8	1.2	1.7	0.5
Port Traffic	7.1	4.3		7.6	5.1	0.6	2.4	6.6
Air Cargo	17.9	2.3		8.7	18.5	10.8	7.0	NA
Indicators of Domestic demand								
Urban Auto Sales	5.3	1.1		17.1	30.6	25.5	11.8	12.0
Rural Auto Sales	3.1	7.9		21.0	24.5	28.2	13.8	7.8
Air Passenger Traffic	9.7	2.6		3.1	-0.1	-1.3	-2.9	NA

Source: E-way bill dashboard, HSBC, Central Electricity Authority, PPAC, MoSPI, Ministry of Ports, Shipping and Waterways, and Airports Authority of India

Note: #Values for PMI indices are index numbers.

11. Demand conditions remained steady in May 2026, with automobile sales registering strong growth. While passenger vehicles and two-wheelers supported urban demand, rural demand remained broad-based, with strong growth across passenger vehicles, commercial vehicles, three-wheelers and tractors. However, on a month-to-month basis, sales moderated in both regions, signalling a softening in momentum.

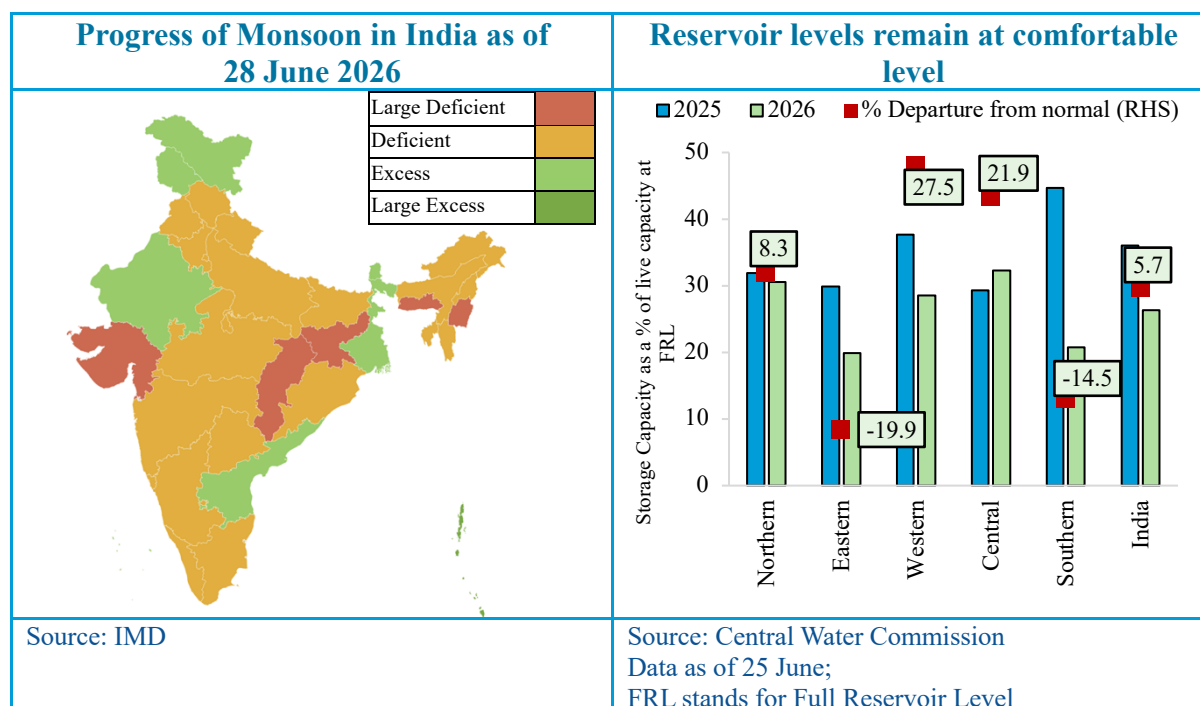
12. Air passenger traffic contracted by 2.9 per cent in April 2026 owing to relatively slower demand amid higher fuel prices and a subsequent rise in air ticket prices. Additionally, according to the RBI's forward-looking Surveys, consumer sentiments are showing signs of

strain. Urban consumer confidence declined for the third successive round, with the Current Situation Index (CSI) falling to 90.7 in May 2026 from 95.7 in March 2026, while the Future Expectations Index (FEI) dropped to 118.7 in May 2026, its lowest since September 2023. Rural confidence also weakened in May 2026, with the CSI easing to 95.2 and the FEI declining to 119.3.

13. Overall, high-frequency indicators depict broad resilience in economic activity during the first quarter of FY27. While some indicators suggest a moderation in momentum, domestic demand conditions remain supportive. Moreover, the recent de-escalation of geopolitical tensions in West Asia is expected to improve global risk sentiment, ease commodity price pressures, and support domestic economic activity in the months ahead.

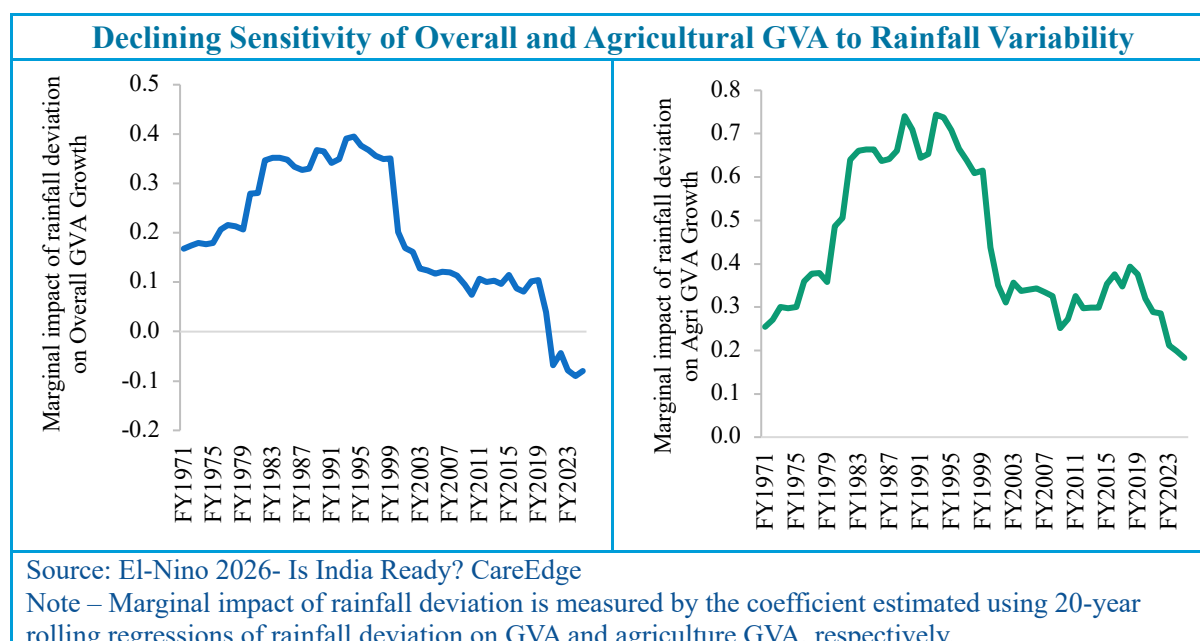
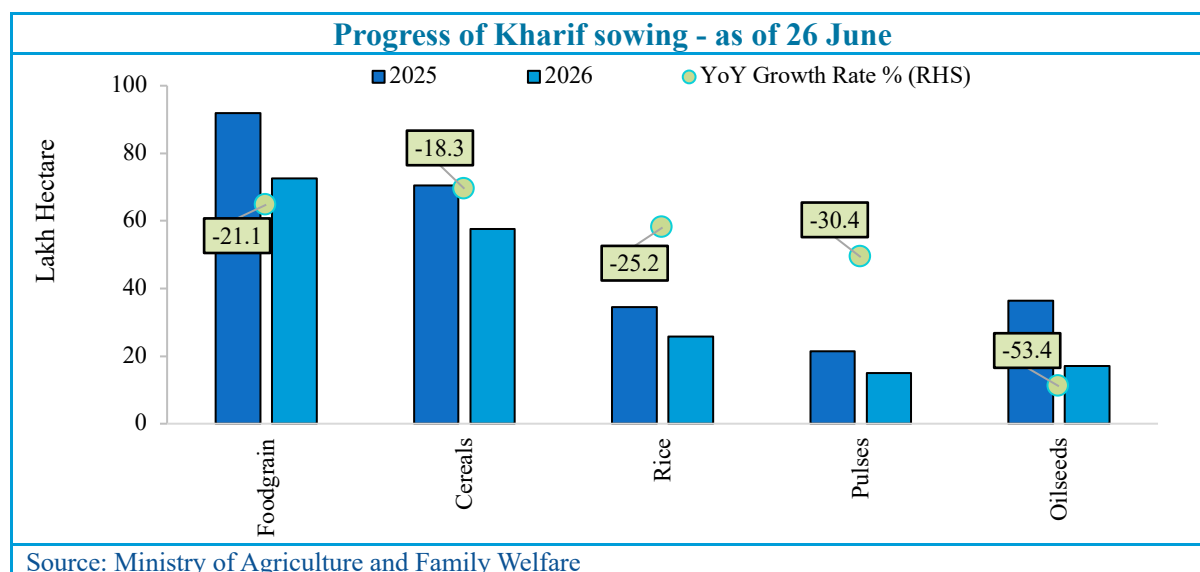
Agricultural activity remains buoyant despite weak monsoon conditions

14. The southwest monsoon has commenced under the heavy influence of emerging El Niño conditions over the tropical Pacific Ocean. The India Meteorological Department (IMD) has forecast below-normal seasonal rainfall at 90 per cent of the Long Period Average (LPA) and assigned a 43 per cent probability to below-normal rainfall over the Monsoon Core Zone, which covers a large part of India's rainfed agricultural regions.



15. As of 28 June 2026, cumulative rainfall remains 43 per cent below the LPA. The spatial distribution of rainfall has also remained uneven, with 74 per cent of meteorological subdivisions receiving deficient or large-deficient rainfall, while 26 per cent recorded normal and excess rainfall.

16. Reservoir storage and fertiliser availability, however, remain conducive to agricultural activity. As of 25 June, reservoir storage was 26.8 per cent lower than the corresponding period last year; however, it was 5.7 per cent above normal storage levels, providing a safe buffer for irrigation. Fertiliser availability also remains adequate, with stocks standing at nearly three times the estimated requirement for June 2026. However, reflecting the weak progress of the southwest monsoon, the total area sown under kharif crops as of 26 June was 22.7 per cent lower than the corresponding period last year, with kharif foodgrain sowing lower by 21.1 per cent.



17. While monsoon performance remains important for agricultural outcomes, the sensitivity of agricultural and overall economic growth to rainfall variability has moderated over time. According to a recent CareEdge analysis¹, structural transformation of the economy,

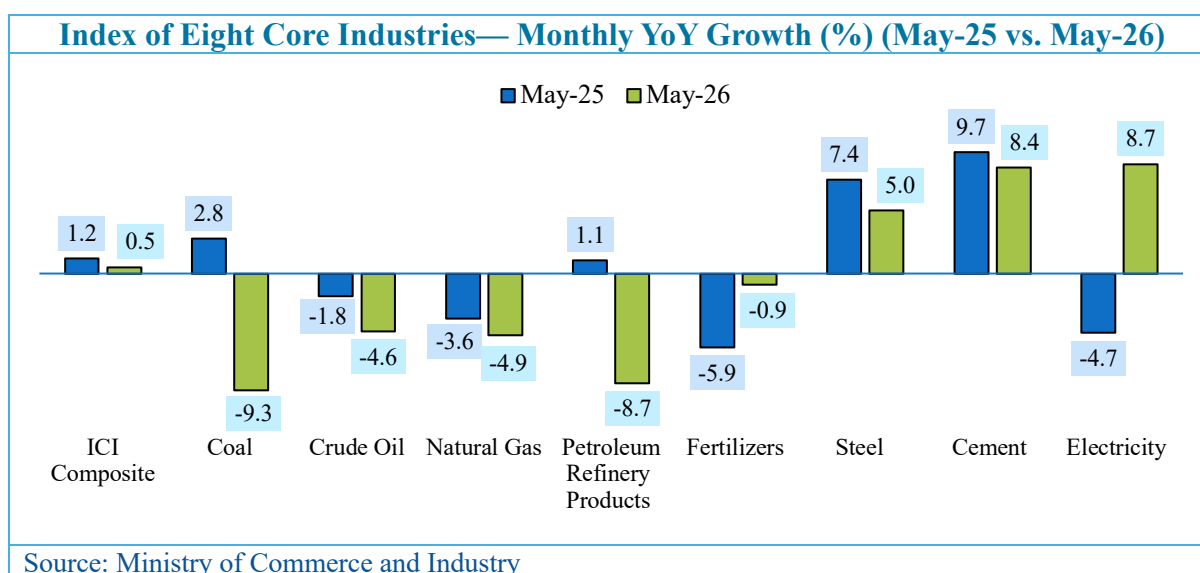
¹<https://tinyurl.com/yx83rx8z>

expansion of irrigation coverage, improved agricultural practices and government efforts to enhance climate resilience have reduced the dependence of economic activity on rainfall. As a result, the economy is better positioned to absorb weather-related shocks than in the past.

18. Overall, above-normal reservoir storage and adequate fertiliser availability provide favourable conditions for agricultural activity during the kharif season. Comfortable foodgrain stocks, with combined wheat and rice stocks exceeding 4.4 times the prescribed buffer norm, provide a cushion against potential supply-side disruptions. However, the delayed onset and weak progress of the southwest monsoon have weighed on kharif sowing, and the evolution and spatial distribution of monsoon rainfall will remain critical for the agricultural outlook.

Industry and Infrastructure

19. The growth of the Index of Eight Core Industries (ICI) moderated to 0.5 per cent (provisional) year-on-year in May 2026 from 1.8 per cent in April 2026. The moderation was driven primarily by contraction in coal (-9.3 per cent), crude oil (-4.6 per cent), natural gas (-4.9 per cent) and refinery products (-8.7 per cent). However, electricity generation registered robust growth of 8.7 per cent, while cement and steel output expanded by 8.4 per cent and 5.0 per cent, respectively, on a Y-o-Y basis, reflecting sustained momentum in infrastructure and construction activity. The continued strength in steel, cement and electricity, amid heightened geopolitical tensions and uncertainty in global energy markets arising from developments in West Asia, suggests resilience in domestic investment and construction activity. In April–May 2026-27, the cumulative growth of the core industries stood at 1.1 per cent (provisional), compared to the corresponding period of last year.



20. Beyond recent trends in the eight core industries, the release of the revised Index of Industrial Production (IIP) series (Base: 2022-23) this month marks an important development

in India's industrial statistics framework.² With an updated base year, revised item basket and weights, expanded sectoral coverage and enhanced data sources, the new series provides a more representative measure of industrial activity, better aligned with the evolving structure of the economy and international statistical practices. The key features and implications of the revised series are discussed in **Box 1**.

Box 1: India's Industrial Yardstick Recalibrated

The IIP is India's principal high-frequency gauge of industrial activity, released monthly by the Ministry of Statistics and Programme Implementation (MoSPI). In June 2026, MoSPI released a revised IIP series with 2022-23 as the new base year, replacing the decade-old 2011-12 series. The new series represents a significant methodological overhaul, reflecting the structural transformation of the Indian economy over the past decade.

Broader industrial coverage: The most notable change in the new series is the expansion of IIP's coverage beyond the three traditional sectors of **Mining, Manufacturing, and Electricity**. The revised series incorporates **Gas Supply and Water Supply, Sewerage and Waste Management** activities, providing a more comprehensive measure of industrial output. Within the mining sector, the new series incorporates minor minerals and rare earth minerals, which are substantial contributors to sectoral gross value added but were previously excluded from the old basket. In the energy sector, electricity generation has been disaggregated into **renewable and non-renewable sources**, with weights assigned based on their revenue shares in the base year, thereby allowing the index to better capture India's ongoing energy transition.

Revised weights and expanded item basket: The item basket has expanded from **839 items across 407 groups** to **1,042 items across 463 groups**, while the number of groups measured using value-based production data has more than doubled from **109 to 234**. These estimates are converted into volume measures using appropriate price deflators. The revised framework envisages using the updated WPI (Base: 2022-23) and Producer Price Indices (PPIs) as they become available to further strengthen the measurement of real industrial output and align the methodology with evolving international statistical practices.

Sectoral weights have been updated using Gross Value Added estimates from the National Accounts Statistics (base 2022-23) and the latest Annual Survey of Industries, with

² <https://www.pib.gov.in/PressReleasePage.aspx?PRID=2267531®=3&lang=2>

classification aligned to the **National Industrial Classification (NIC) 2025**. Table 1 summarizes the structural changes in sectoral coverage and item groups.

Table 1: Sectoral Weights and Item Groups — Comparison of IIP Series

Sector	Weight 2011-12 (%)	Weight 2022-23 (%)	Item Groups 2011-12	Item Groups 2022-23
Mining & Quarrying	14.372	11.053	1	3
Manufacturing	77.633	76.062	405	455
Electricity & Gas Supply	7.995	10.865	1	3
Water Supply, Sewerage & Waste Mgmt*	--	2.020	--	2
Total	100	100	407	463

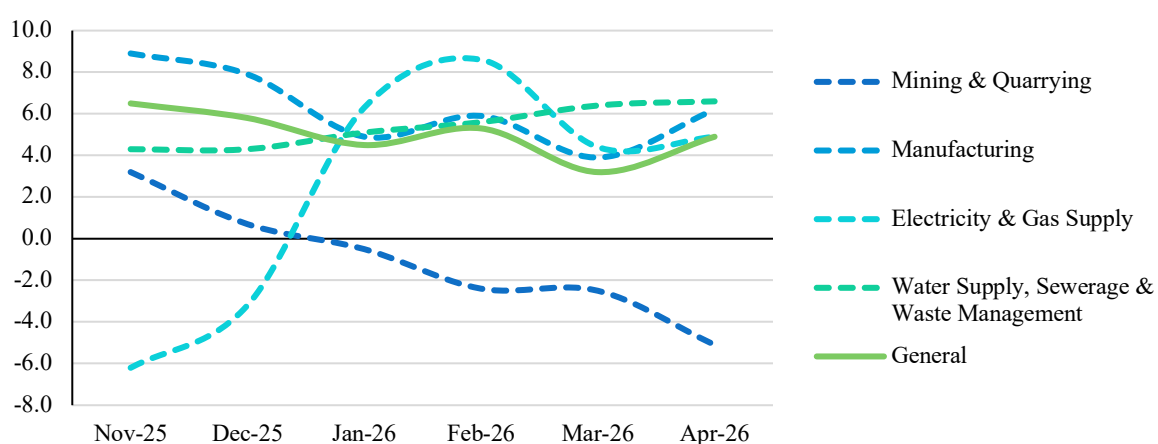
Source: MoSPI, Press Release on IIP Base Year Revision (2022-23), June 2026. *New sector; not covered in 2011-12 series.

Interpreting growth rate differences: Because the two series differ in coverage, weights, item composition and factory panels, **growth rates under the new and old series are not directly comparable**. The General Index recorded annual growth of 6.7, 6.4 and 4.3 per cent in 2023-24, 2024-25 and 2025-26, respectively, under the revised series, compared with 5.9, 4.0 and 4.1 per cent under the 2011-12 series. The divergence is most pronounced in the Mining and Electricity indices, reflecting the inclusion of minor minerals and rare earth minerals, revised mineral weights, incorporation of gas supply activities, and the revenue-weighted treatment of renewable electricity generation, whose contribution has increased significantly in recent years. These methodological enhancements provide a more comprehensive representation of industrial activity and align the index more closely with the evolving structure of the Indian economy.

Policy significance: A measurement framework must evolve alongside the economy it is designed to capture. The 2011-12 IIP series was conceived when renewable energy had a limited role, several mining activities remained outside the production basket, manufacturing was less diversified, and urban utility services fell outside the industrial perimeter. The revised 2022-23 series addresses these gaps, providing a more representative measure of India's industrial structure. Going forward, industrial policy analysis and business cycle assessment will need to rely on the revised series, while exercising caution in comparing growth rates across the two series.

21. The first release of the revised IIP series (Base: 2022–23) points to broad-based strength in industrial activity. Industrial output grew by 4.9 per cent (y-o-y) in April 2026, led by a 6.2 per cent increase in manufacturing, with 17 of the 23 industry groups at the NIC 2-digit level registering positive growth. Particularly noteworthy was the robust performance of electrical equipment (19.2 per cent) and other transport equipment (18.9 per cent), reflecting sustained momentum in investment-oriented manufacturing. Within the newly disaggregated electricity index, renewable power generation grew by 18.0 per cent, underscoring the ongoing transition towards cleaner energy sources. Mining and quarrying, however, contracted by 5.1 per cent, reflecting declines in both fuel minerals and non-metallic minerals (including minor minerals).

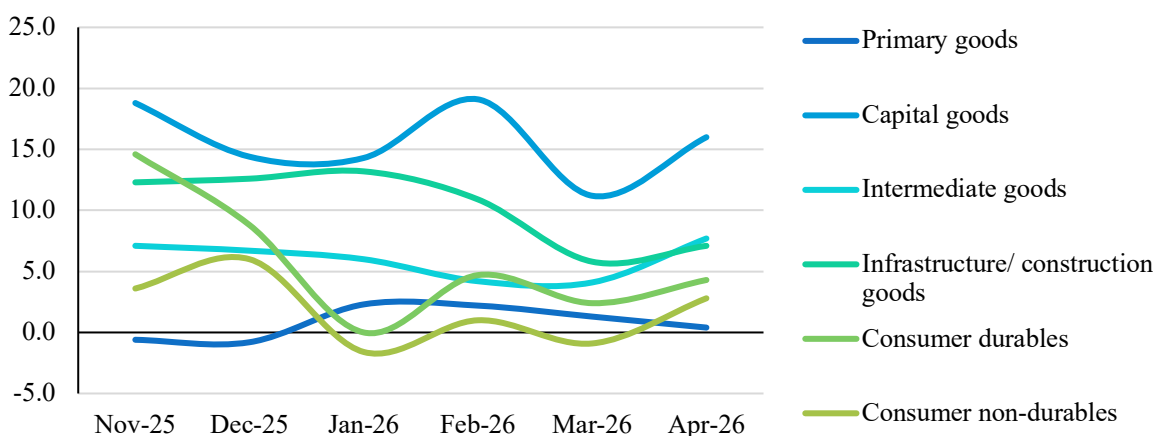
Monthly YoY Growth rate of IIP (Base: 2022-23) as per Sectoral Classification (in %)



Source: Ministry of Statistics and Programme Implementation (MoSPI)

22. On the use-based classification, capital goods output expanded by 16.0 per cent, while infrastructure and construction goods grew by 7.1 per cent in April 2026, underscoring sustained capital formation and continued momentum in infrastructure development.

Monthly YoY Growth rate of IIP (Base: 2022-23) as per Use Based Classification (in %)



Source: Ministry of Statistics and Programme Implementation (MoSPI)

23. Complementing the IIP revision and aimed at improving consistency across India's macroeconomic data, the Office of the Economic Adviser, DPIIT, announced the rebasing of the Wholesale Price Index from 2011-12 to 2022-23, alongside the introduction of a new Producer Price Index (PPI) framework³. The revised WPI basket expands from 697 to 957 items, integrates solar, wind and nuclear electricity under the electricity group, shifts crude petroleum and natural gas into the fuel and power group for a more coherent treatment of energy and upgrades the derivation of weights to a Gross Value of Output (GVO) basis, representing domestic production from a producer's perspective. The PPI framework envisages the simultaneous release of an Output PPI, a trial Input PPI for manufacturing, and a quarterly Services PPI covering seven key sectors, with the WPI proposed to be phased out over a five-year transition in line with international best practices and IMF recommendations. The reform assumes significance at a time when wholesale and retail inflation dynamics have diverged, driven in part by energy price movements. By measuring prices from the producer's perspective and capturing both input and output price movements, the PPI framework is expected to strengthen the assessment of upstream cost pressures and their transmission through the production chain, thereby providing a more comprehensive measure of producer-side inflation.

24. The strength reflected in the capital goods segment was complemented by fresh investment interest in high-technology manufacturing. Reflecting growing global confidence in India's engineering capabilities, Rolls-Royce is reportedly exploring the establishment of an aero engine maintenance, repair and overhaul (MRO) facility for its civil aviation engines and has proposed setting up an aero gas turbine complex to support indigenous engine development for future military aircraft programmes. The company is also evaluating opportunities in India's civil nuclear energy sector, including the potential deployment of Small Modular Reactors (SMRs) following recent policy reforms.⁴ In the digital infrastructure space, Blackstone-backed AirTrunk has announced plans to invest approximately ₹3 lakh crore in India by 2030 to develop 5 GW of data centre capacity, alongside investments in cloud computing and artificial intelligence infrastructure.⁵ Reportedly one of the largest proposed investments in India's digital infrastructure ecosystem, the project is expected to generate substantial demand for construction materials, electrical equipment and power infrastructure, complementing the strength already evident in these investment-linked segments in the April IIP data. Furthermore, in first of its kind, Daikin Industries has reportedly announced establishment of a core research and development (R&D) subsidiary in India with an initial capital allocation of over \$100 million. To run its sophisticated laboratories focused on developing high-capacity, energy-efficient commercial chillers and large-scale industrial HVAC systems, Daikin plans to hire

³ <https://www.pib.gov.in/PressReleasePage.aspx?PRID=2267963®=3&lang=1>

⁴ <https://www.ibef.org/news/rolls-royce-explores-engine-mro-facility-aero-gas-turbine-complex-and-small-modular-reactor-opportunities-in-india>

⁵ <https://ddnews.gov.in/en/pm-modi-welcomes-airtrunks-rs-3-lakh-crore-investment-plan-in-indias-digital-infrastructure/>

over 500 high-end engineering and software specialists from India's premier technical institutions⁶.

25. In an encouraging development highlighting the longer-term talent imperative in India's semiconductor ambitions, a team of undergraduates at IIT Bombay has, in less than a year, built three semiconductor manufacturing tools from scratch and fabricated their first working devices (a PN junction diode and a MOSCAP) under the open-source HackerFab framework⁷. The initiative, HackerFab IITB, founded in August 2025, has built a DMD-based maskless lithography system, a tube furnace and a sputter entirely in-house, at a combined cost of ₹15–20 lakh, which is comparable to the annual budgets of established student technical teams at major engineering institutes and orders of magnitude below the crore-level costs of research nanofabs. The initiative directly addresses a structural gap in India's semiconductor workforce pipeline: with the ISM projecting a need for 30,000 skilled workers by 2027 and 65,000 by 2032, and with premier nanofabs necessarily prioritising research access over undergraduate training, HackerFab IITB offers a success story that fabrication-level hands-on training can be made accessible at a college scale. The team is also exploring a 'fab-on-cloud' model, under which students from other colleges design devices that HackerFab IITB fabricates and returns with characterisation data, and a 'fab-in-a-box' portable cleanroom enclosure — both pathways to replication that could meaningfully widen the base of engineers with practical fabrication experience before India's new fabs come fully online.

26. India also strengthened international partnerships during the month to secure critical mineral supply chains that underpin advanced manufacturing and clean-energy technologies. India and the United States signed a bilateral Framework on "*Securing of Supply in the Mining and Processing of Critical Minerals and Rare Earths*" to deepen cooperation across the critical minerals and rare earths supply chain, including mining, processing, recycling and related investments.⁸ Complementing this initiative, India and the United Kingdom launched the India–UK Critical Minerals Global Supply Chain Observatory (GSCO), a data-driven platform for monitoring critical mineral flows, mapping supply risks and anticipating market disruptions.⁹ Together, these initiatives support the National Critical Mineral Mission by strengthening market intelligence and improving the resilience of supply chains for minerals essential to electric mobility, battery storage and renewable energy technologies.

27. On the trade front, the India–Oman Comprehensive Economic Partnership Agreement entered into force on 1 June 2026¹⁰. Beyond its tariff provisions, the agreement assumes

⁶ <https://voice.lapaas.com/japans-daikin-industries-to-establish-an-rd-base-in-india/>

⁷ <https://swarajyamag.com/technology/inside-hackerfab-iitb-indias-first-student-led-chip-fab>

⁸ https://www.mea.gov.in/press-releases?dtl/41236/IndiaUS_Framework_on_Securing_of_Supply_in_the_Mining_and_Processing_of_Critical_Minerals_and_Rare_Earths

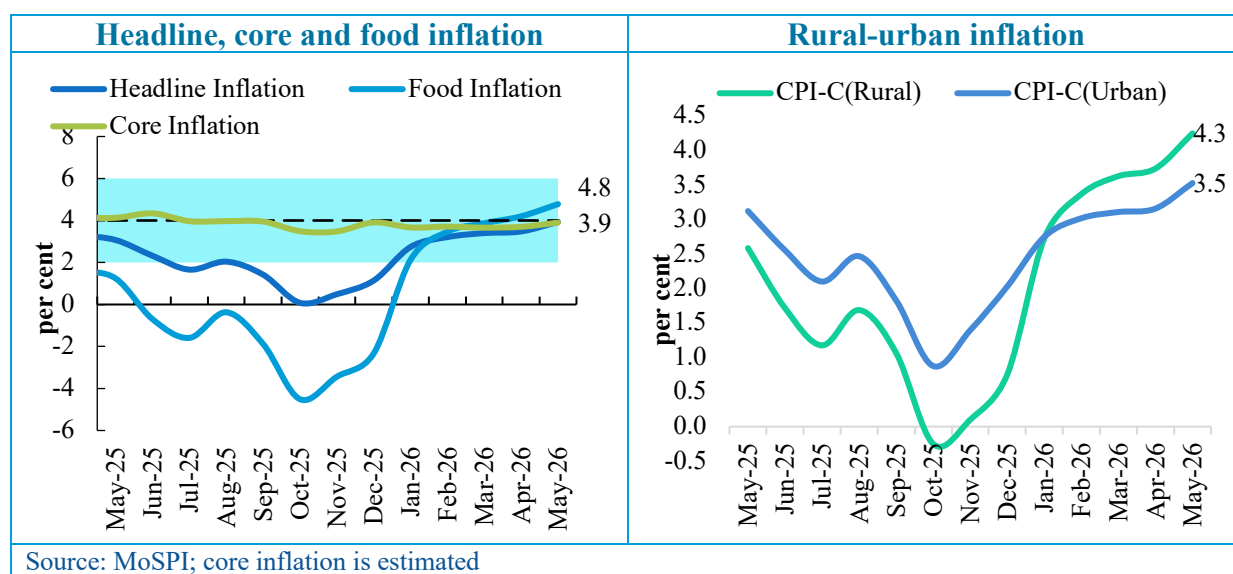
⁹ <https://www.pib.gov.in/PressReleasePage.aspx?PRID=2268900®=3&lang=1>

¹⁰ <https://www.pib.gov.in/PressReleasePage.aspx?PRID=2267513®=48&lang=2>

strategic significance in the current geopolitical environment. The constraints on transit through the Strait of Hormuz enhance the importance of Oman's ports at Sohar, Salalah and Duqm as alternative logistics gateways for India's energy imports and industrial supply chains from West Asia. The agreement complements recent broader policy initiatives on critical minerals and SEZ reforms, reflecting a concerted strategy to diversify sources and logistics routes for critical inputs and strengthen the resilience of India's manufacturing ecosystem amid evolving global uncertainties.

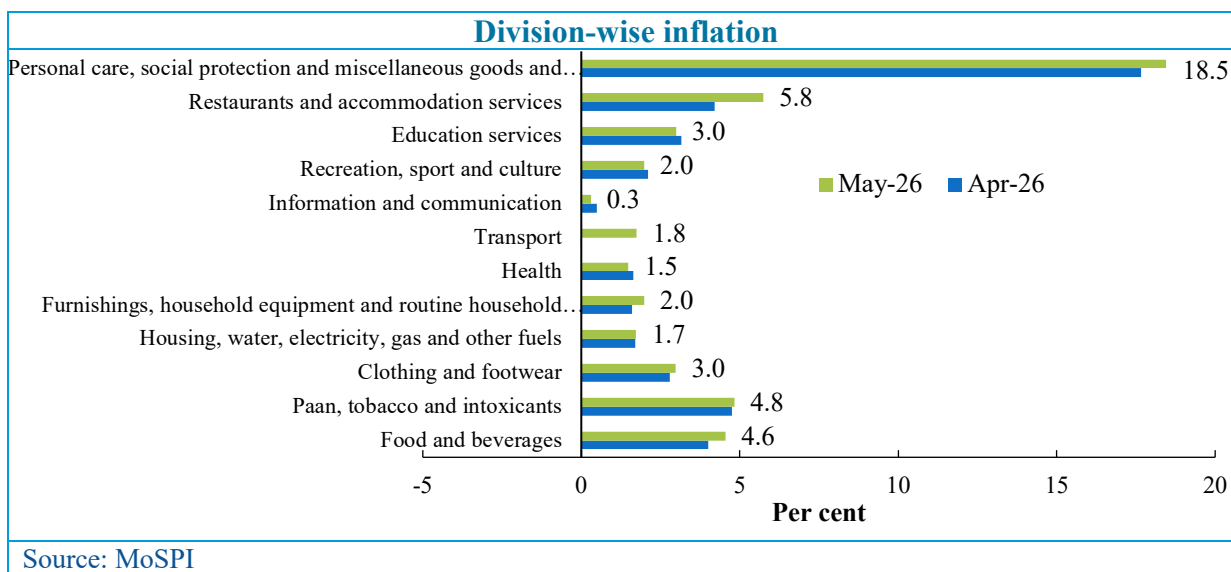
Inflation moved up, but is range-bound

28. The pace of inflation quickened in May, rising by 45 basis points – from 3.48 per cent to 3.93 per cent. Yet, India's headline inflation has remained below the monetary policy target of 4 per cent. Core inflation¹¹, which approximates the underlying inflation in the economy, also reads at 3.9 per cent. However, given the ongoing West Asia crisis and the subsequent global price shock, domestic inflationary pressures appear to be on an upward trajectory, particularly as fuel and energy price shocks diffuse domestically.



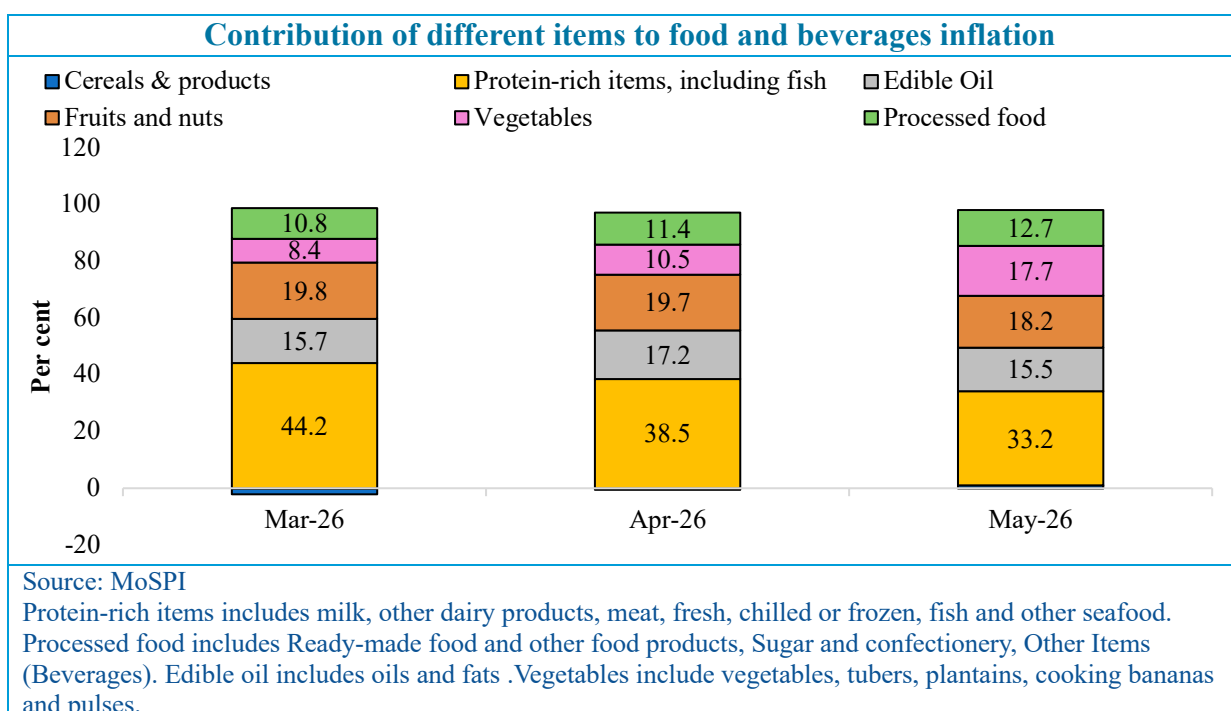
29. Rural and urban inflation trend higher, with rural inflation rising from 3.7 per cent in April 2026 to 4.25 per cent in May 2026, while urban inflation increased from 3.2 per cent to 3.5 per cent. While inflation across the 12 divisions remained broadly stable, notable inflation was observed for restaurant and accommodation services, at 5.75 per cent in May, and for the personal care et al. division, at 18.5 per cent. The excessive inflation in the 'personal care et al' division has been observed due to the elevated gold (41 per cent) and silver jewellery (155 per cent) prices. Moreover, Transport, as a division, recorded a 1.75 per cent inflation, up from (-) 0.01 per cent in the previous month.

¹¹ Core inflation measure is derived after excluding food, household and transport fuel. It represents 53% of the CPI basket.

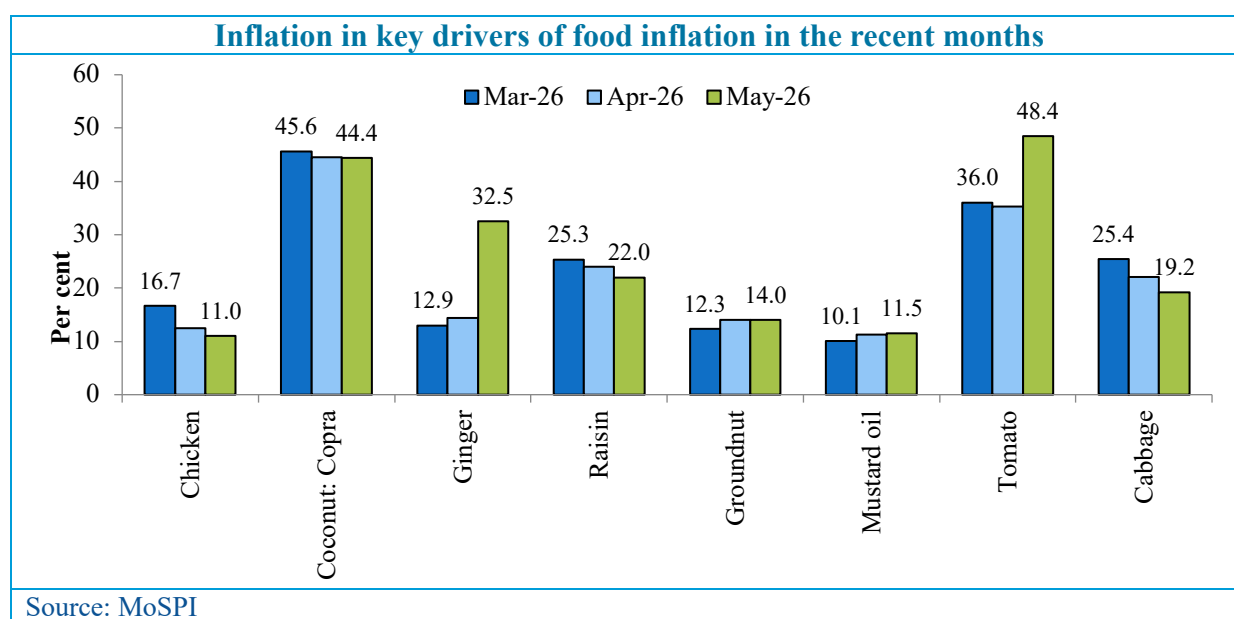


Food inflation is firming up

30. Food inflation has been firming up since October 2025, turning into positive territory from January 2026 onwards. Food inflation (CFPI) rose to 4.8 per cent in May 2026, and food and beverages also recorded a similar 4.5 per cent inflation. Between March and May, protein-rich items continued to be the largest contributor to the inflation in the ‘food and beverages’ division, although their share declined from 44.2 per cent in March to 33.2 per cent in May. The contribution of vegetables increased significantly from 8.4 per cent to 17.7 per cent over the same period, emerging as a key driver of food inflation. Fruits and nuts remained a relatively stable contributor at around 18–20 per cent, while edible oils contributed between 15–17 per cent. The share of processed food increased moderately from 10.8 per cent to 12.7 per cent, indicating some broadening of price pressures across food categories.

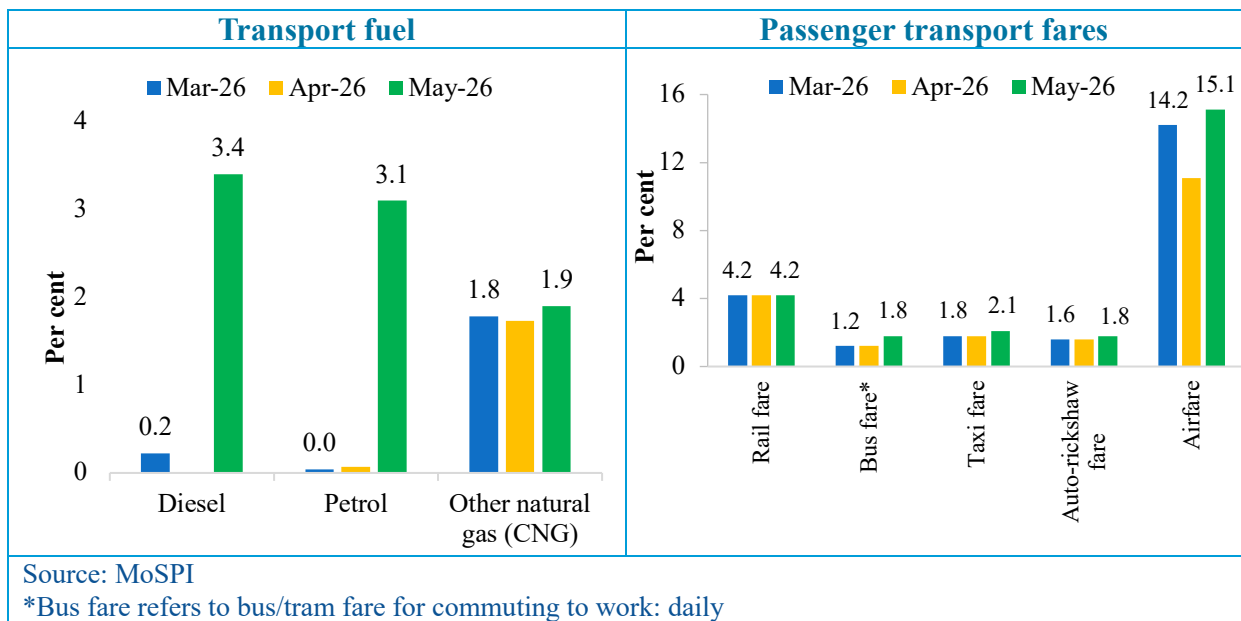


31. Items within these groups showed varied trends from April to May. Among protein sources, milk and mutton have shown moderately rising inflation, while inflation declined (though still at notable levels) for chicken & fish, leading to the overall share of this group falling over the last few months. Vegetables' contribution has risen owing to rising tomato prices (48 per cent inflation in May), even as potato and pulses continued to register deflation (-23.7 per cent and -1.8 per cent, respectively). Cabbage also recorded declining yet elevated inflation (19 per cent) over these months. Minor inflation upticks were observed for mustard oil and refined oil in the edible oils group. Fruit and nuts inflation appears to be largely driven by inflation in coconut (copra), groundnut, raisin (kishmish) & monacca and seasonal fruits such as mangoes (10 per cent in May), watermelon (17 per cent), grapes (19 per cent), etc.



Stable passenger fares inflation amid price pressures in the transport fuel sector

32. The recent decision to partially pass on the increase in global fuel prices to the retail level (petrol and diesel pump prices increased by 7.38/litre and 7.52/litre, respectively, since mid-May 2026) led to an increase in petrol and diesel prices, recorded at approximately 3 per cent in May 2026. However, inflation in most passenger fares has remained stable so far. Air fares, on the other hand, showed more responsiveness and increased further, driven by the rise in ATF prices, which typically accounts for around 40% of Indian airlines' operating costs. However, the one-time support of Rs. 10,000 crore (in the form of recoverable interest-free advances), announced in June 2026, for the Oil Marketing Companies (OMCs) will help in rendering ATF price stabilisation support to the Scheduled Indian Airlines for their domestic and international operations. The advance compensates them for the gap between the capped domestic price and the actual international import-parity price — preventing the under-recovery from hitting their P&L and balance sheet — while locking in participating airlines to procure ATF exclusively from OMCs under a memorandum of understanding.



33. The rise in commercial LPG prices over the past few months continued to impact inflation in restaurant and accommodation services. Within this group, cooked meals & cooked snacks recorded inflation upticks in May (5.6 per cent, 5.9 per cent respectively) from their April readings (4.3 per cent, 4.15 per cent respectively), while hotel lodging charges had moderate inflation at 1.75 per cent in May.

Monetary Policy’s ‘data-dependent’ approach

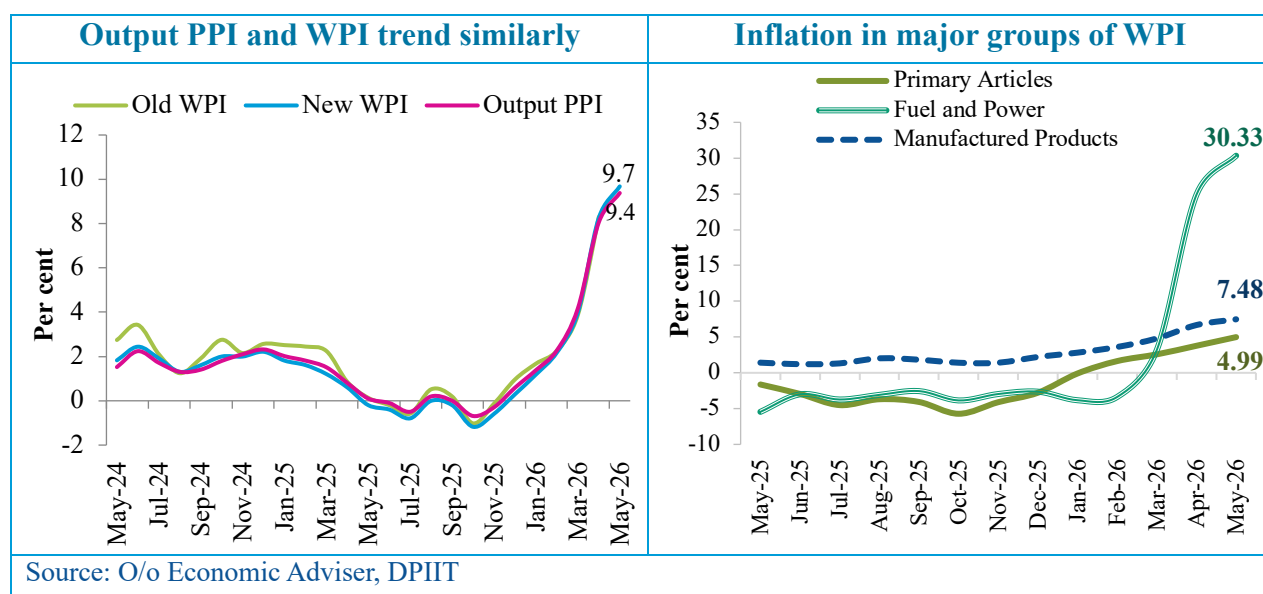
34. In its June 2026 meeting, the Monetary Policy Committee (MPC) kept the repo rate unchanged at 5.25 per cent and retained a ‘neutral’ stance, citing uncertainty arising from elevated energy prices, supply-chain disruptions and geopolitical tensions. While domestic demand and investment remain resilient, the MPC adopted a cautious, data-dependent approach. Reflecting risks from higher global energy prices, input cost pressures, fuel price pass-through, supply chain disruptions and potentially sub-normal monsoon/El Niño conditions, the RBI projects CPI inflation at 5.1 per cent in FY27, rising to 5.9 per cent in Q3 before easing thereafter. Compared to the MPC’s April 2026 projections, inflation forecasts have been revised upwards, and GDP growth forecasts revised downwards across FY27.

Statistical revamp: trends in the revised WPI & PPI series

35. In a major statistical development in June 2026, the Office of Economic Adviser (OEA), Department for Promotion of Industry and Internal Trade (DPIIT) released a revised series of the Wholesale Price Index (WPI) with a new base year of 2022-23, replacing the series with base year 2011-12. It also released three Producer Price Indices (PPIs)—Output PPI (Goods), Input PPI (Goods) and Services PPI with the same base. PPIs improve the measurement of producer-side inflation and the double deflation method for national accounts, thereby enhancing the analytical usefulness of price indices and facilitating a phased transition from WPI to PPI.

36. The new WPI series has revised item coverage, weighting methodology, price concepts and compilation methods. The number of weighted items has increased from 697 to 957, with the inclusion of new items such as renewable energy sources, new agricultural commodities and minor minerals. There is improved coherence through the realignment of items within major groups¹² and other statistical improvements. The Output PPI (OPPI)—which measures price change of goods at the producer’s output stage—further improves upon the new WPI series covering four broad sectors—Agriculture, Mining, Manufacturing and Electricity. The revision aims to capture structural shifts in the Indian economy, align with the Supply and Use Tables (SUT) of the National Accounts Statistics, and conform to global standards for producer price measurement.

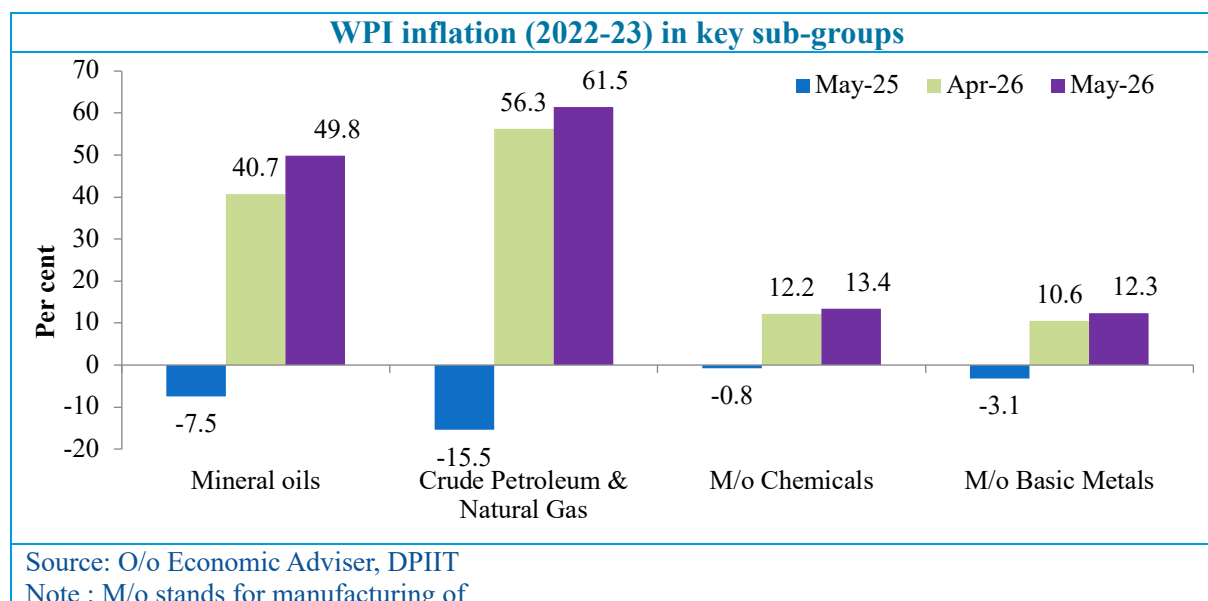
37. The trends in Output PPI closely mirror those in the earlier and the new WPI series. The WPI-based inflation surged from 8.26 per cent in April 2026 to 9.68 per cent in May 2026. Output PPI inflation closely followed the WPI inflation. It stands at 9.4 per cent in May 2026, up from 8.1 per cent in April 2026.



38. The upward momentum in WPI was largely attributable to cost-push pressures emanating from increase in prices of fuel & power, along with manufactured products linked to these sectors, amid disruptions linked to the West Asian conflict. The WPI Food Index (weight: ~25 per cent) recorded YoY inflation of 4.5 per cent in May 2026, up from 3.1 per cent in April 2026. Key drivers of overall WPI inflation are Mineral Oils (50 per cent), Crude Petroleum & Natural Gas (85 per cent & 30 per cent), Manufacture of Chemicals & Chemical Products (13.4 per cent), and Manufacture of Basic Metals (12 per cent). Similar inflation for these groups—Crude Petroleum (85 per cent) & Natural Gas (30 per cent), manufacture of coke & refined

¹² Crude Petroleum & Natural Gas has been moved from Primary Articles to the Fuel & Power group in the new series.

petroleum (49 per cent); Manufacture of Chemicals & Chemical Products (13 per cent), and Manufacture of Basic Metals (13 per cent)—were also noted in the Output PPI.



39. Input PPI (IPPI) is released on a trial basis, with data from March 2026 onwards. It only covers the manufacturing sector at its present stage. The availability of both Output PPI and Input PPI provides a better understanding of price movements in output produced vis-à-vis the inputs used in an industry. It also explains how inflation experienced by input producers is transmitted to the output they produce. Between March 2026 and May 2026, input prices in the manufacturing sector increased by 3.96 per cent.

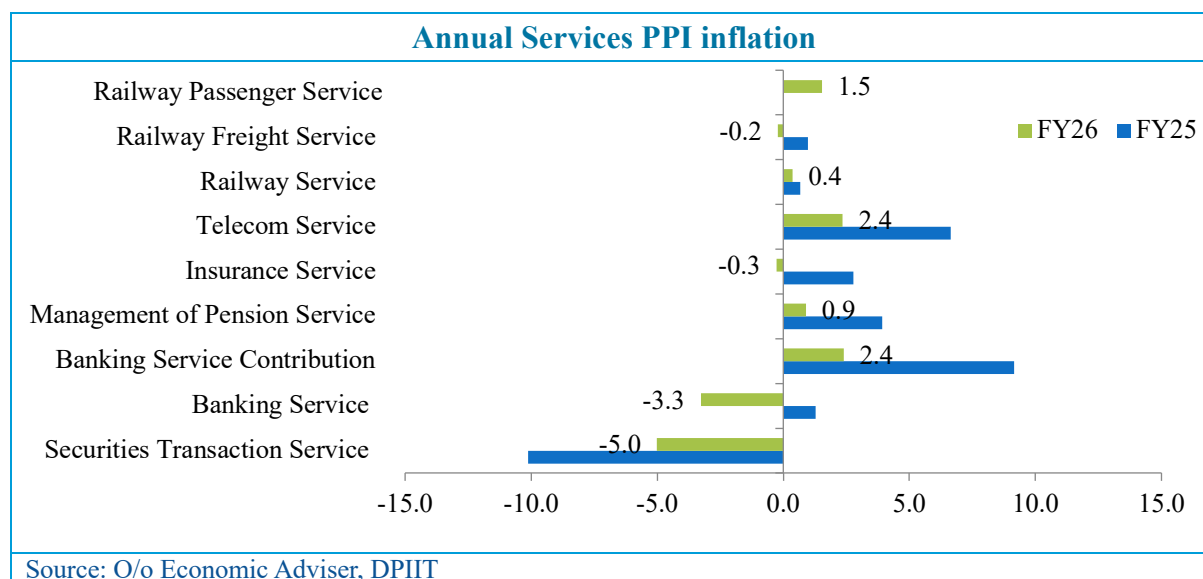
40. Service PPI (SPPI) comprises seven services—banking, securities transactions, insurance, pension fund management, railways (freight & passenger), Air (passenger), telecom—with quarterly frequencies in Phase I. No weights are assigned to Service PPI components, and hence no aggregate Service PPI. Nevertheless, seven services have distinct PPIs.

Release schedule and price perspective of the new price indices

Indices	Release schedule	Price perspective
WPI	Monthly (14 th of every month)	Wholesale transaction
Output PPI	Monthly (14 th of every month)	Producer's output stage
Input PPI	Monthly (14 th of every month) <i>on a trial basis</i>	Input prices faced by manufacturing industries
Services PPI	Quarterly (first release for Q4 FY 2025-26)	Services at the producer level

41. While Railway Passenger service records slight inflation in FY26 as compared to FY25, inflation seems to be lower in FY26 for telecom, pension management, and banking

contribution services, as compared to FY25. The securities transactions, banking services, insurance and railway freight services, however, experienced deflation in FY26.



Fiscal Performance of the Union Government in 2025-26

42. The Controller General of Accounts (CGA) released the Provisional Accounts of the Union government for 2025-26 in June 2026. An assessment of these accounts suggests that the Union Government's fiscal position strengthened during the year, with continued progress in fiscal consolidation alongside a sustained focus on capital expenditure. The fiscal deficit of the Union Government was placed at 4.4 per cent of GDP for 2025-26 (PA), compared to 4.9 per cent in the previous year and the lowest level since 2018-19. Total net receipts registered growth of 10.0 per cent year-on-year, compared to 5.4 per cent growth in total expenditure.

43. Revenue mobilisation remained broad-based during 2025-26 (PA). Gross tax revenue increased by 6.0 per cent year-on-year, while net tax revenue to the Centre grew by 4.9 per cent. Direct tax collections expanded by 5.3 per cent, supported by robust growth in corporation tax receipts. Indirect tax collections grew by 7.1 per cent, driven by growth in customs duties, union excise duties and GST collections. GST collections continued to exhibit steady momentum, with CGST receipts increasing by 6.4 per cent in 2025-26 (PA) over the previous year. Additionally, non-tax revenue recorded strong growth, reflecting higher dividends and surplus transfers from the Reserve Bank of India and public sector enterprises. Consequently, non-tax revenue as a share of GDP increased from 1.7 per cent in 2024-25 to 2.0 per cent in 2025-26 (PA), supporting overall revenue performance.

44. The expenditure profile continued to reflect the government's emphasis on capital formation alongside fiscal discipline. Capital expenditure stood at 3.1 per cent of GDP in 2025-26 (PA), up nearly 3.7 times from 2016-17. The emphasis on public investment has continued into 2026-27, with capital expenditure growing by 18.8 per cent year-on-year in April 2026, led

by higher outlays on roads, railways, telecommunications and defence. At the same time, revenue expenditure stood at 11.1 per cent of GDP, down from 11.3 per cent in the previous year.

45. Looking ahead, the Union Government remains committed to the fiscal consolidation roadmap for 2026-27. While developments in West Asia required policy measures to cushion the domestic economy from higher energy and commodity prices, such measures could have implications for government finances. However, the recent de-escalation of tensions in the region, along with moderation in crude oil and fertiliser prices, has eased some of these pressures, allowing fiscal consolidation to proceed.

Global trade dynamics

46. The regional arrangements are increasingly serving as the primary mechanism through which countries are securing predictability in trade relations, covering not only tariffs but also investment, standards, and services commitments¹³. For developing economies in particular, such arrangements are providing a more secure basis for trade engagement at a time of weakening global rules-based system.

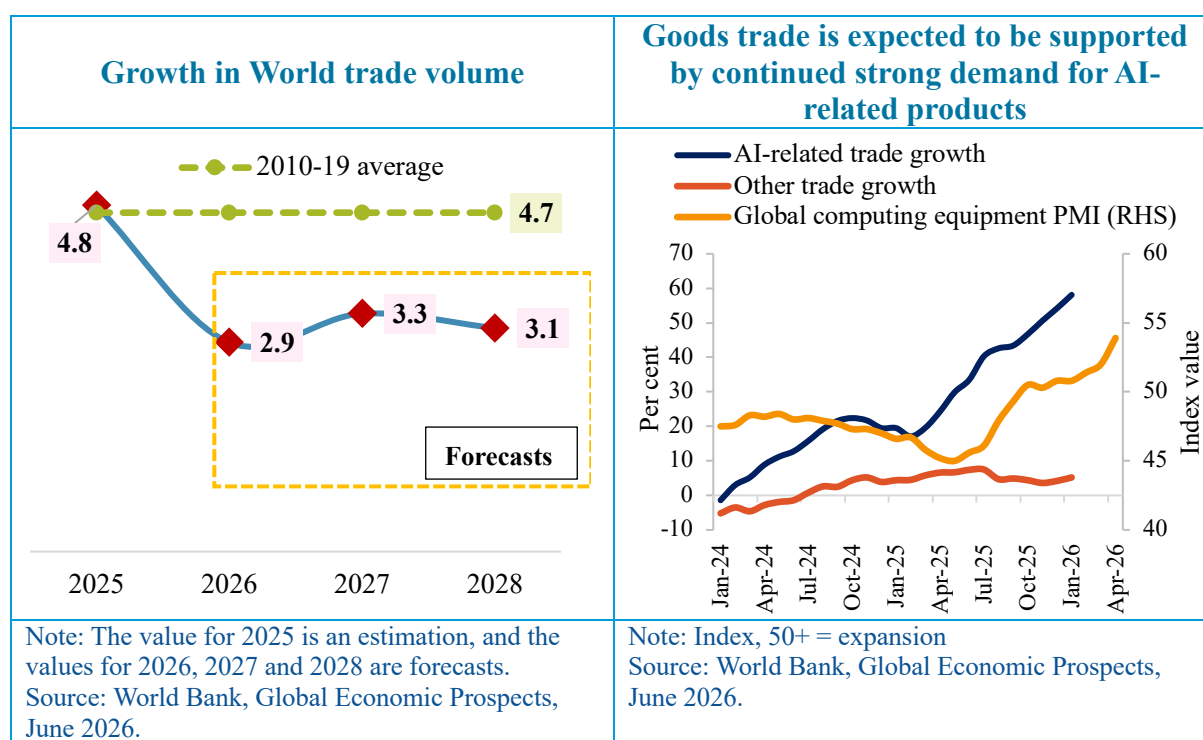
47. The global tariff environment has also seen notable developments. Following the U.S. Supreme Court ruling on tariffs imposed under international economic emergency powers, the U.S. administration introduced a temporary 10 per cent tariff surcharge, which will expire in late July. Taking into account these tariffs along with existing sector- and country-specific tariff measures, the U.S. effective tariff rate has declined marginally, from about 14 per cent earlier in the year to about 12 per cent at present. Trade policy uncertainty, however, remains elevated.

48. According to the World Bank's Global Economic Prospects Report, June 2026, a number of initiatives are expected to support trade growth and diversification going forward. These include recently concluded free trade agreements between the European Union and Mercosur, India, and Australia, as well as between the United Kingdom and India. In addition, unilateral market access measures, such as China's extension of zero-tariff treatment to African countries and the United States' reauthorization of the African Growth and Opportunity Act, are expected to further support trade flows.

49. Notwithstanding these developments, global trade volume growth in goods and services is projected to decelerate from 4.8 per cent in Calendar Year (CY) 2025 to 2.9 per cent in CY

¹³ Globally, the number of regional trade agreements has increased from approximately 300 in the 2020s to nearly 400 in 2025, and 60 per cent of global trade happens now under these agreements, compared to 40 per cent in 1990.

2026.¹⁴ This deceleration reflects three factors: the reversal of earlier front-loading of trade activity undertaken in anticipation of higher tariffs, the delayed impact of tariffs already imposed, and disruptions arising from the conflict in the Middle East, including those related to the closure of the Strait of Hormuz. These adverse factors are being partly offset by continued strong demand for AI-related products, which is supporting goods trade. Services trade growth, on the other hand, is expected to moderate, partly due to higher travel and transport costs stemming from elevated fuel prices.



50. Over the medium term, global trade growth volume is projected to increase to 3.3 per cent during CY 2027 and 3.1 per cent in CY 2028, broadly in line with global output growth, as the adverse effects of tariffs and policy uncertainty are expected to ease.¹⁵ However, it is pertinent to note that the growth in world trade volume remains significantly lower than the average growth during the period CY 2010 to CY 2019.

51. The outlook for global trade thus faces significant downside risks, including a potential re-escalation of conflict in the Middle East or a broader increase in geopolitical tensions that could disrupt transport logistics.¹⁶ Safety concerns over key shipping routes and rising fuel

¹⁴ It may be noted that the 2026 trade growth projection by the World Bank has been revised upward by 0.7 percentage point relative to earlier estimates, reflecting greater resilience in trade flows, continued strength in AI-related activity, lower global tariffs, and the recent trade agreements referred to above.

¹⁵ This projection is based on the assumption that tariff rates in effect as of mid-May 2026 will remain unchanged through the forecast period.

¹⁶ Global Economy Prospects (June 2026): <https://www.worldbank.org/en/publication/global-economic-prospects>

prices may also elevate shipping costs and negatively impact trade in goods. Prolonged geopolitical stress could harm services trade, especially tourism.

India's trade performance during May 2026

52. In May 2026, the country's total exports amounted to USD 82 billion, increasing from USD 70.8 billion in May 2025, representing a (YoY) increase of 15.8 per cent. This increase in the export performance was led by merchandise exports, which grew at a faster pace of 18.0 per cent (YoY), compared with a 13.2 per cent (YoY) increase in services exports, indicating that merchandise exports provided relatively stronger support to India's export performance during the month.

53. India's export performance (merchandise & services) continued its upward momentum in April-May 2026, with total exports reaching USD 162.7 billion, up from USD 141.9 billion, representing a 14.7 per cent (YoY) increase. At the same time, the total imports increased by 14.4 per cent (YoY) to USD 182.3 billion. Consequently, the total trade deficit stood at USD 20.1 billion in April-May 2026, increasing from USD 17.9 billion in April-May 2025.

54. In May 2026, merchandise exports reached a record high of USD 45.2 billion. Importantly, the growth was broad-based, with non-petroleum, non-gems and jewellery exports accounting for 75.8 per cent of total merchandise exports during the month and registering robust (YoY) growth of 12.3 per cent. This export performance was driven not solely by energy-related shipments, but also by value-added sectors such as engineering goods, chemicals, electronics, agricultural and allied products, and other manufacturing segments.¹⁷ The impact of the crisis in West Asia was, however, evident in certain export categories, with ceramic products and glassware declining by 26.8 per cent (YoY) and tea by 15.1 per cent (YoY). Notwithstanding these sector-specific pressures, the overall broadening of the export base reflects the resilience of India's merchandise exports.

55. On the imports side, merchandise imports in May rose by 20.6 per cent (YoY), largely driven by an increase in imports of petroleum, crude and products, which grew by 53.8 per cent (YoY). This increase may be due to a rise in the Crude Oil FOB Price (Indian Basket), which rose by 65.9 per cent (YoY). In contrast, precious metal imports showed a mixed trend. Silver imports declined significantly by 86.6 per cent (YoY), following a significant increase of 157.1 per cent in April 2026. Gold imports, meanwhile, increased by 33.9 per cent (YoY) in May 2026, reflecting a moderation from the 81.7 per cent growth recorded in April 2026. Thus, the imports of both gold and silver declined in value terms sequentially in May 2026.¹⁸ This

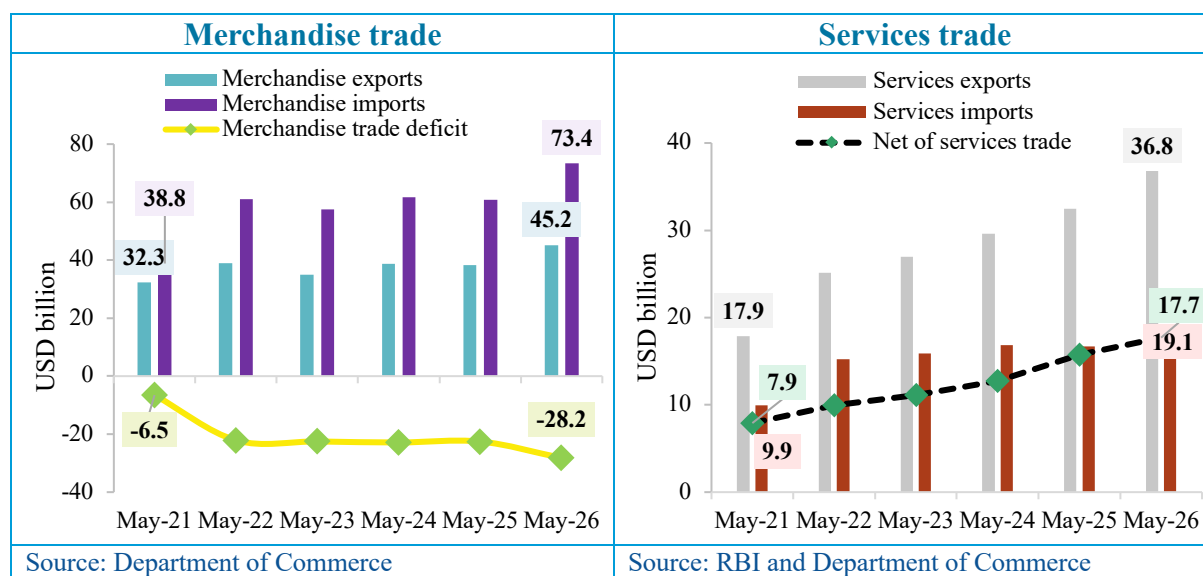
¹⁷ Engineering goods grew by 24.5 per cent YoY, chemicals (12.7 per cent), electronic goods (11.6 per cent), and meat, dairy and poultry products (42.5 per cent).

¹⁸ On a month-on-month basis, gold imports declined by 39.3 per cent in May 2026 compared to April 2026, while silver imports registered a sharper decline of 81.6 per cent over the same period.

moderation may be partly attributed to the Government’s decision to increase the import duties on gold and silver. In addition, imports of silver under ITC (HS) codes 71069221 and 71069229 have been moved from the ‘free’ category to the ‘restricted’ category of import, which may have further contributed to the decline in silver imports.

56. The impact of the West Asian crisis was evident in India’s merchandise trade patterns, particularly across key export destinations and import sources in the region. On the merchandise exports side, shipments to Iraq declined by 70.2 per cent (YoY), followed by Kuwait at 50.6 per cent, Iran at 58.0 per cent, and Qatar at 49.6 per cent. However, this decline was partly offset by continued export growth to the UAE and Saudi Arabia.¹⁹ Also, the export growth recorded across destinations in Africa, ASEAN, and other key markets contributed to the resilience of India’s export sector.

57. Similarly, on the merchandise imports side, the disruption was also visible, with imports from Iraq declining by 93.7 per cent (YoY), followed by Kuwait at 96.4 per cent and Qatar at 82.9 per cent. In contrast, imports from Oman increased by 305.7 per cent (YoY). At the same time, imports from Russia and the USA rose by 63.5 per cent and 54.4 per cent, respectively. China remained India’s largest source of imports, registering a (YoY) increase of 23.4 per cent and accounting for 17.3 per cent of India’s total imports in May 2026.



58. The services sector continued to anchor India’s overall trade performance in May 2026. Services exports increased to USD 36.8 billion from USD 32.5 billion in May 2025, while services imports rose by 14.1 per cent (YoY) to USD 19.1 billion. As a result, the services trade surplus expanded by 12.3 per cent (YoY) to USD 17.7 billion in May 2026.

¹⁹ India’s exports to the UAE and Saudi Arabia increased by 3.2 per cent (YoY) and 11.1 per cent (YoY), respectively.

59. This surplus helped offset 62.7 per cent of the merchandise trade deficit, thereby cushioning the impact of the wider goods trade gap on the overall trade balance. Consequently, India's total trade deficit stood at USD 10.5 billion in May 2026, higher than the USD 6.8 billion recorded in May 2025.

60. As part of India's broader strategy to diversify its trade partnerships, India and Uzbekistan have agreed to strengthen economic cooperation and aim to double bilateral trade over the next three years. At the 14th India-Uzbekistan Intergovernmental Commission meeting held on June 19, 2026, both sides agreed to facilitate trade, including addressing non-tariff barriers, strengthening customs cooperation, and exploring linkages in payment infrastructure to support trade and tourism. India also highlighted pharmaceuticals, medical devices, automobiles, machinery, agriculture, electronics and digital services as priority sectors for expanding exports. In addition, critical minerals and energy cooperation were identified as strategic areas for deepening bilateral engagement.²⁰

61. In another significant step in India's global economic engagement, the India - Oman Comprehensive Economic Partnership Agreement (CEPA) came into force on 1 June 2026, strengthening India's trade and strategic economic partnership with the Gulf region.²¹ This agreement will provide duty-free access for 99.38 per cent of India's exports to Oman by value, making it one of the most comprehensive market access outcomes secured by India in the Gulf region.

62. In addition, the India-United Kingdom Comprehensive Economic and Trade Agreement (CETA) will enter into force on July 15, 2026, marking a new phase in bilateral economic cooperation. CETA provides Zero-Duty Access on approximately 99 per cent of India's exports to the UK, covering nearly 100 per cent of trade value. Alongside the trade agreement, the Double Contribution Convention (DCC) will also come into effect on the same date. By reducing social security-related costs for Indian professionals working in the United Kingdom, the DCC is expected to enhance their mobility and competitiveness, thereby supporting the expansion of India's services exports to the UK.^{22,23}

63. In a significant development for its agriculture and marine exports, India has been included in the list of countries authorised to export aquaculture products, eggs, honey and animal casings to the European Union beyond September 2026 under the amended EU regulatory framework. This development is expected to support continuity in market access for

²⁰ PIB Press release of the Ministry of Commerce and Industry dated June 19, 2026: <https://tinyurl.com/ykwzh2fs>.

²¹ PIB Press release of the Ministry of Commerce and Industry dated June 03, 2026: <https://tinyurl.com/mr2kp89k>.

²² PIB Press release of the Ministry of Commerce and Industry dated June 17, 2026: <https://tinyurl.com/42zx2ezb>.

²³ Importantly, the exemption period under the DCC has been extended from 3 to 5 years, representing a major gain for India's temporary workers.

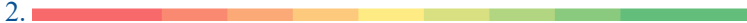
key agricultural and marine export segments and create new opportunities across the concerned sectors.²⁴

64. Taken together, these developments reflect the Government of India's continued commitment to promoting exports, strengthening institutional capacities, ensuring greater market access for Indian products, and deepening economic cooperation with key trading partners.

Developments in India's Balance of Payments

Current Account Deficit

65. India's current account deficit stood at USD 25.2 billion (0.6 per cent of GDP) in FY26, an increase from USD 22.9 billion in FY25, with the percentage remaining unchanged at 0.6 per cent of GDP. In Q4:FY26, the current account recorded a surplus of USD 7.1 billion (0.7 per cent of GDP), compared with USD 13.7 billion (1.4 per cent of GDP) in Q4:FY25, reflecting, *inter alia*, a higher import bill in March 2026 following the escalation of geopolitical tensions in West Asia.

Performance of Major Items of India's Balance of Payments on net basis ²⁵				
(Net, USD billion)				
	2024-25 PR	2025-26 P	Apr-25	Apr-26
Current Account				
1. Goods	-286.9	-337.3	-27.1	-27.9
2. Services	188.8	216.6	15.9	18.6
3. Income	-48.3	-48.2	-3.0	-1.9
4. Transfers	123.5	143.6	9.4	16.0
Current Account (1-4)	-22.9	-25.2	-4.8	4.7
Capital Account & Financial Account				
1. Direct Investment	1.0	6.9	1.6	7.4
2. Portfolio Investment	3.6	-16.4	-2.1	-8.7
3. Other Investments*	34.3	35.7	5.9	-10.1
Capital Account (1-3)	21.5	25.4	5.3	-11.3
PR: Partially Revised; and P: Preliminary.				
Note: 1. * includes NRI deposits, External Commercial Borrowings, Short-term Credit & other capital.				
2. 				
Colour coding is based on the relative position of each observation within the historical range of the respective indicator. Green shades indicate relatively stronger observations, red shades indicate relatively weaker observations, and intermediate shades represent values between these extremes.				
Source: RBI ²⁶				

²⁴ PIB Press release of the Ministry of Commerce and Industry dated June 08, 2026: <https://tinyurl.com/ysxtp5ee>.

²⁵ Total of sub-components may not tally with the aggregate due to rounding off.

²⁶ [Developments in India's Balance of Payments for the Month of April 2026, RBI](#)

66. With the RBI now publishing monthly Balance of Payments (BoP) data, the April 2026 figures provide an early read on the external sector's response to geopolitical developments. The current account recorded a surplus of USD 4.7 billion in April 2026, against a deficit of USD 4.8 billion in April 2025. This improvement occurred despite a marginally wider trade deficit (from USD 27.1 billion in FY25 to USD 27.9 billion in FY26), driven by robust growth in services exports and remittances.

Remittances

67. A notable feature of India's external sector performance during the year was the continued strength of remittances (private transfer receipts). Remittances increased to a record high of USD 155.1 billion in FY26 from USD 135.4 billion in FY25, registering a growth of 14.5 per cent y-o-y. Consequently, remittances increased from 3.6 per cent of GDP in 2024-25 to 4.0 per cent in 2025-26.

68. Contrary to concerns that geopolitical tensions in the West Asia region could adversely affect remittance inflows from the Gulf economies, transfer receipts have remained robust. Net transfers rose sharply to USD 16.0 billion in April 2026 from USD 9.4 billion in April 2025. This resilience is consistent with empirical findings that remittances are among the most stable components of external financing, remaining relatively insulated from episodes of financial market volatility and geopolitical uncertainty (Box 2).

Box 2: Stability of Remittance Flows - Insights from Empirical Literature

Remittances have historically been among the most stable components of external financing. Empirical evidence shows that, unlike portfolio flows, debt flows²⁷ or foreign direct investment, remittance inflows are relatively acyclical and tend to remain resilient during episodes of financial market volatility and geopolitical uncertainty.²⁸

This resilience stems from the nature of remittances as a flow driven by employment conditions and wage levels in host economies rather than by financial market signals or investor sentiment. Unlike portfolio flows or debt financing, remittances are anchored to the more durable realities of migrant employment and household income, factors that do not move with geopolitical headlines or financial market volatility.

²⁷ Debt flows refer to external borrowing by residents of the recipient country from foreign lenders. For India, this would include External Commercial Borrowings (ECBs), Foreign Currency Convertible Bonds (FCCBs), Non-Resident Indian (NRI) deposits and Government borrowings from multilateral institutions or from bilateral creditors

²⁸ De, S., Islamaj, E., Kose, M. A., and Yousefi, S. R. (2016). *Remittances over the Business Cycle: Theory and Evidence*. KNOMAD Working Paper 11, World Bank.

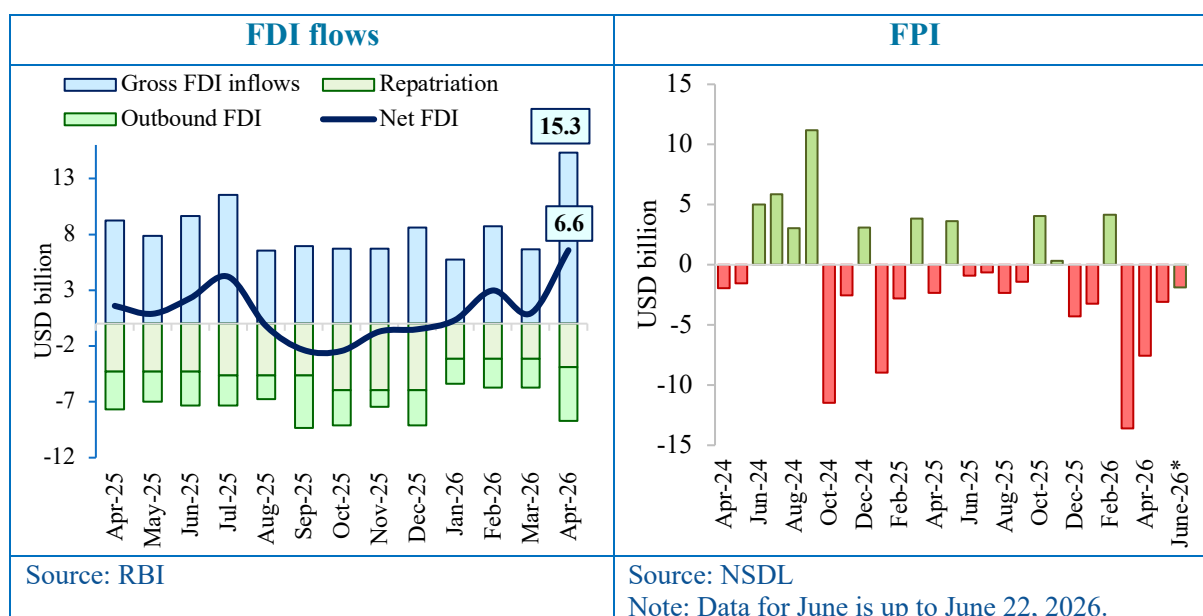
In the short run, remittances may even exhibit a counter-shock response, as the altruism motive whereby migrants intensify transfers in response to rising home-country stress can produce a temporary front-loading of precautionary transfers during periods of uncertainty, a mechanism formalised in the foundational work of Lucas and Stark (1985).²⁹ Evidence from past crises, including the COVID-19 pandemic, further shows that even as output contracted sharply, remittance inflows responded positively to home-country distress, thereby empirically validating the altruism channel.³⁰

The principal risk to remittance inflows, however, arises from a sustained deterioration in labour market conditions in host economies that affects migrant employment and earnings. Consequently, while short-term external shocks may have limited effects on remittance inflows, developments in overseas labour markets warrant close monitoring in the current context.

Capital Flows

Foreign Direct Investment

69. Net FDI rose to USD 6.6 billion in April 2026 from USD 1.6 billion a year earlier, remaining positive for the fourth consecutive month. Gross inward FDI increased to USD 15.3 billion, while repatriation and outward FDI remained relatively contained. The improvement in FDI flows suggests investors' interest in India.



²⁹ Lucas, R. E. B., and Stark, O. (1985). Motivations to Remit: Evidence from Botswana. *Journal of Political Economy*, 93(5), 901-918.

³⁰ Kpodar, K., Quayyum, S., Gammadigbe, V., and Mlachila, M. (2021). *Defying the Odds: Remittances During the COVID-19 Pandemic*. IMF Working Paper No. 2021/186.

Foreign Portfolio Investment

70. In contrast, foreign portfolio flows reflected a more cautious investor sentiment. Net FPI recorded outflows of USD 7.6 billion in April 2026³¹ and USD 3.1 billion in May 2026, consistent with a global risk-off environment driven by escalating tensions in West Asia and higher oil price risks. Portfolio flows thus bore the brunt of the negative impact of geopolitical developments. However, preliminary trends indicate an improvement in June 2026 following the signing of the MoU between the U.S.A and Iran.

71. While equity markets continued to witness net outflows (USD 1.8 billion), these were partly offset by stronger debt inflows. FPIs have invested USD 3.6 billion in Government Securities via the Fully Accessible Route (FAR) and the General Route,³² supported by improved market sentiment and recent policy measures.

72. To facilitate capital inflows and deepen foreign participation in domestic debt markets, the Government and the Reserve Bank of India announced measures aimed at attracting stable foreign capital inflows and deepening domestic financial markets. These measures are discussed in **Box 3**.

Box 3: Recent measures to attract foreign investment in India

In June 2026, the Government of India and the Reserve Bank of India (RBI) initiated a series of measures to facilitate foreign investment, broaden the investor base and attract stable, long-term capital flows.

i. Liberalisation of the FPI investment framework for Government Securities³³

- To enhance Foreign Portfolio Investor (FPI) participation in Government securities (G-Secs), the RBI has expanded the universe of securities eligible under the Fully Accessible Route (FAR) by including all new issuances of 15-year, 30-year and 40-year Government securities.
- Sovereign Green Bonds (SGrBs) issued in these eligible tenors have also been brought under the FAR framework.
- Further, restrictions relating to short-term investment limits, concentration limits and security-wise limits applicable to FPI investments under the General Route have been removed, while retaining the overall quantitative investment limit of 6

³¹ FPI outflow figures for April and May 2026 are sourced from NSDL, and cover equity and debt flows across all registered FPIs. These differ from the net FPI figure of USD 8.7 billion in April 2026 reported in the RBI's Balance of Payments data for April 2026, owing to differences in coverage and methodology.

³² Data for June is up to June 22, 2026.

³³ Governor's Statement, Monetary Policy Committee (June 5, 2026): https://rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=62864

per cent of the outstanding stock of the Central Government securities and 2 per cent of the State Government securities (SGSs).

- The existing sub-categories of ‘general’ and ‘long-term’ investment limits are also being merged into a single limit.

ii. FCNR(B) Deposit Mobilisation Scheme³⁴

To encourage mobilisation of foreign currency deposits, the RBI has announced a facility for bearing the full hedging cost incurred by Authorised Dealer (AD) banks for raising fresh Foreign Currency Non-Resident (Bank) [FCNR(B)]³⁵ deposits of three to five years maturity. The swap facility has already come into effect and will remain open till Oct 16, 2026.

iii. Concessional swap facility for External Commercial Borrowings³⁶ and overseas foreign currency borrowings

The RBI has introduced concessional forex swap facilities for (i) External Commercial Borrowings (ECBs) raised by Public Sector Undertakings (PSUs), and (ii) overseas foreign currency borrowings with a minimum maturity of three years raised by Authorised Dealer (AD) banks. The swap rate under both facilities has been fixed at 1.5 per cent per annum, compounded semi-annually, and the facilities will remain available until January 15, 2027.

iv. Restoration of export proceeds realisation period

The RBI has restored the period for realisation of export proceeds from the temporary enhanced limit of 15 months to the normal period of 9 months.

v. Tax exemption for FPI investments in Government Securities³⁷

To enhance the attractiveness of Indian Government securities, the Government has exempted interest income and capital gains arising from FPI investments in Government securities from income tax with effect from April 1, 2026.

A similar exemption has also been extended to the Bank for International Settlements (BIS) for any interest or capital gains from its investments in Government securities. The measure aligns the tax treatment of Indian Government securities more closely with prevailing international practice.

³⁴ Swap Facility for FCNR (B) Deposits, RBI (June 8, 2026):

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=13468&Mode=0>

³⁵ FCNR (B) account lets an NRI maintain a fixed deposit in India in Foreign currency and the funds in this account and interest earned are tax free in India and freely repatriable with no limits.

³⁶ Swap Facility for External Commercial Borrowings and Overseas Foreign Currency Borrowings, RBI: <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=13469&Mode=0>

³⁷ PIB, Ministry of Finance, dated June 5, 2026:

<https://www.pib.gov.in/PressReleasePage.aspx?PRID=2269169®=3&lang=1>

vi. Liberalisation of investment by individual PROI

The Union Budget 2026-27 announced that individual Persons Resident Outside India (PROIs) would be permitted to invest in equity instruments of listed Indian companies through the Portfolio Investment Scheme, which was hitherto available only to Non-Resident Indians (NRIs) and Overseas Citizens of India (OCIs).

The investment limit for an individual PROI under the scheme has been increased from 5 per cent to 10 per cent in any company, while the overall investment limit for all PROIs has been raised from 10 per cent to 24 per cent.³⁸

vii. Expansion of the investment limit for overseas individual investors

The RBI has announced an increase in the investment limits available to NRIs and OCIs in equity instruments traded on the stock market without SEBI registration.³⁹ The same facility has also been extended to all individual PROIs, thereby expanding the pool of eligible overseas investors.

Taken together, these measures are expected to strengthen India's external financing ecosystem and ease out exchange-rate pressure by improving access to foreign capital, and stable capital inflows.

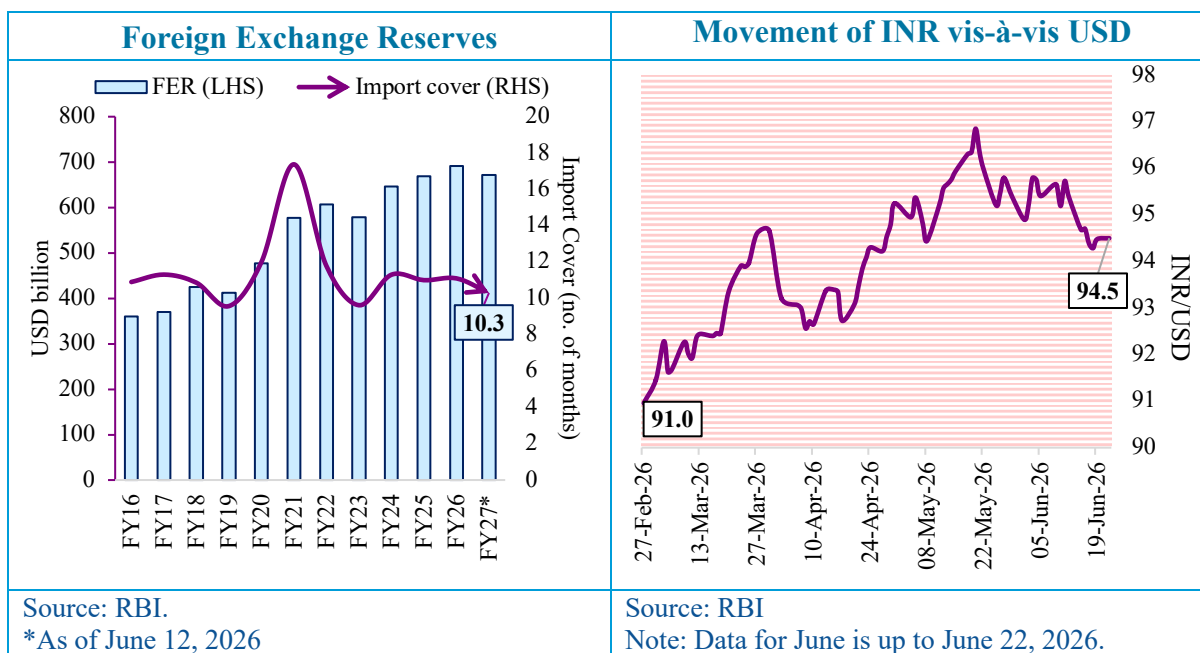
Foreign Exchange Reserves & Exchange Rate

73. India's external sector continues to be supported by adequate reserve buffers. Foreign exchange reserves stood at USD 689.4 billion at end-March 2026, making India the fifth-largest foreign exchange reserves holder. As of June 12, 2026, reserves stood at USD 671.6 billion, providing import cover of around 10.3 months and covering 87.7 per cent of external debt.

74. The rupee came under pressure as tensions escalated in West Asia, depreciating by about 3.9 per cent against the US dollar between 27 February 2026 and 22 June 2026. This depreciation reflected shifts in global risk sentiment and crude oil price expectations. However, exchange rate pressures have recently moderated following the easing of geopolitical tensions in West Asia. Notwithstanding this, the rupee performed better than several other currencies, including the Korean won (-6.3 per cent), Malaysian ringgit (-6.2 per cent), Indonesian rupiah (-6.0 per cent), Philippine peso (-5.7 per cent), and Thai baht (-5.7 per cent)

³⁸ To implement the same, Department of Economic Affairs (DEA) is notifying the Foreign Exchange Management (Non-Debt Instruments) (Third Amendment) Rules, 2026.

³⁹ Under the existing rules, individual NRIs and OCIs can invest up to 5 per cent of the paid-up equity capital of a listed Indian company under the Portfolio Investment Scheme (PIS) route, whereas the overall ceiling cannot exceed 10 per cent of the paid-up capital of listed companies.



75. Overall, India's external sector has remained resilient despite heightened geopolitical tensions and concerns regarding energy prices. Strong services exports and record remittance inflows have continued to cushion the impact of a wider merchandise trade deficit and portfolio outflows, while resilient FDI inflows, adequate reserve buffers, and recent measures to facilitate foreign capital inflows have strengthened India's capacity to absorb external shocks.

Softening of the labour market

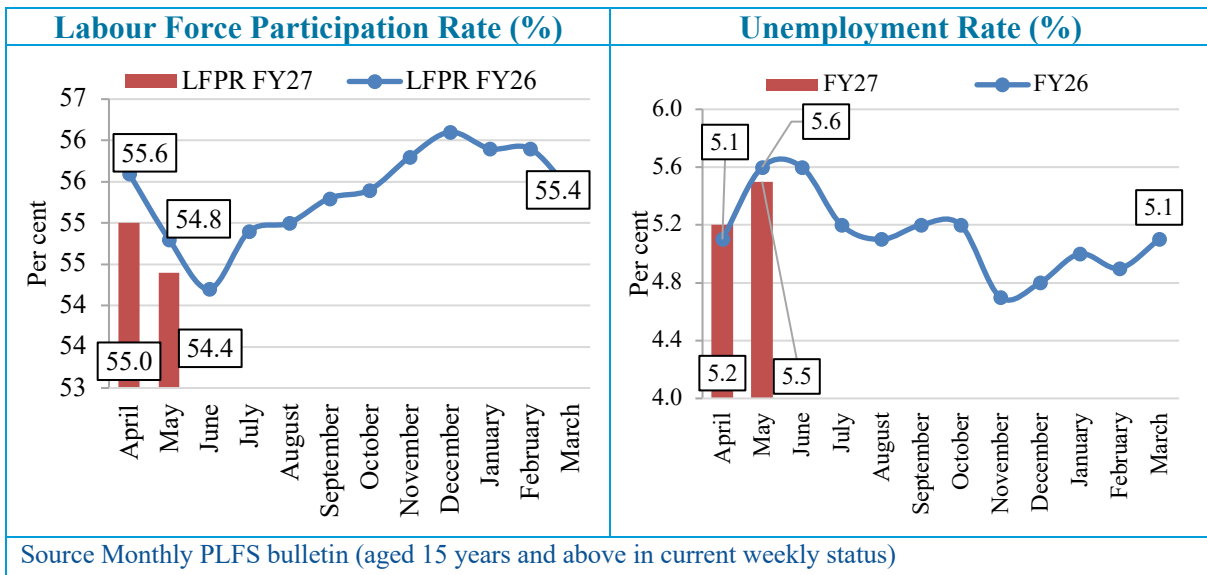
76. India's labour market remains broadly resilient, though signs of moderation are emerging in labour force participation and hiring indicators. According to the latest monthly Periodic Labour Force Survey (PLFS) data, the Labour Force Participation Rate (LFPR)⁴⁰ (for individuals aged 15 and above) for May 2026 stood at 54.4 per cent compared to 55.0 per cent in April 2026 and 54.8 per cent in May 2025.⁴¹

77. The overall Unemployment Rate (UR)⁴² is 5.5 per cent in May 2026, up from 5.2 per cent in April, but remains below the 5.6 per cent recorded in May 2025. Notably, the urban UR reached a one-year low of 6.4 per cent in May 2026. This improvement was driven by a decline in female UR, which fell from 8.5 per cent in April to 8.2 per cent in May, while the male unemployment rate in urban areas remained stable over the same period.

⁴⁰ Labour Force Participation Rate (LFPR) is defined as the percentage of the population in the labour force. Labour force, according to Current Weekly Status (CWS), is the number of persons either employed or unemployed on average in a week of 7 days preceding the date of the survey.

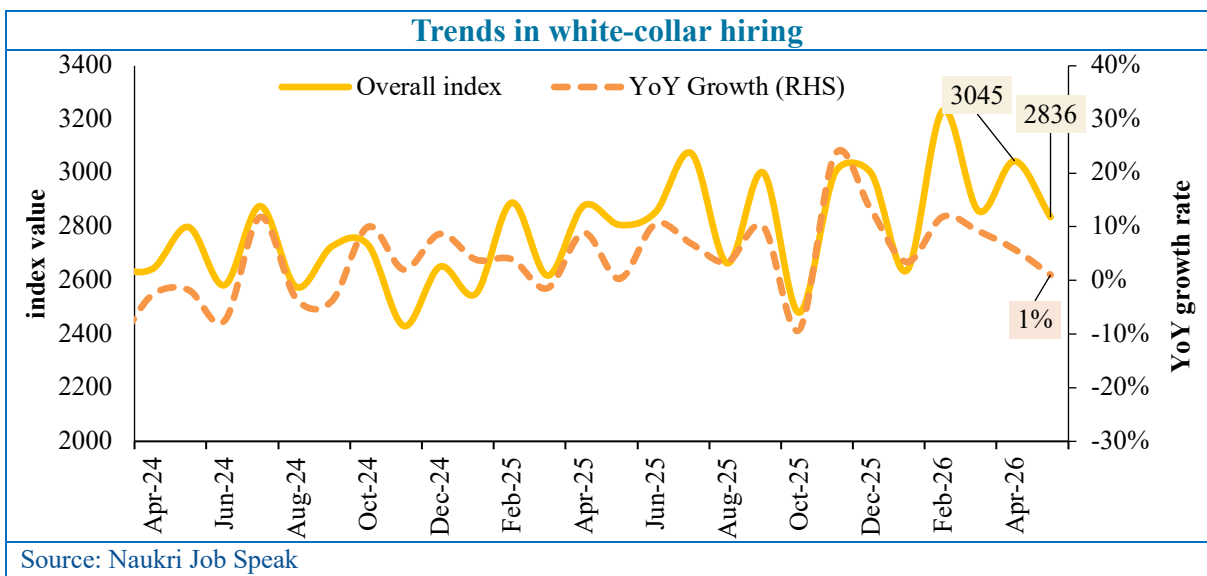
⁴¹ Monthly PLFS bulletin for May 2026: <https://tinyurl.com/334dfpvb>

⁴² Unemployment rate (UR) is defined as the percentage of unemployed persons in the labour force. According to the CWS approach, a person was considered unemployed in a week if he/she did not work even for 1 hour on any day during the reference week but sought or were available for work at least for 1 hour on any day during the reference week.



High-frequency hiring indicators

78. In line with the official data, high-frequency hiring indicators suggest a softening in the labour market. The Naukri JobSpeak Index, a key indicator of white-collar hiring, increased by one per cent (YoY) in May 2026 but declined by 7 per cent MoM from April 2026, indicating a loss of momentum in hiring activity. Within overall hiring trends, certain sectors continue to exhibit robust growth. The insurance sector and BPO/ITES recorded strong YoY hiring increases of 19 per cent and 9 per cent, respectively. Demand for advanced technology capabilities, as reflected by the recruitment for AI/ML roles, rose by 22 per cent YoY. Within these roles, demand for high-value roles offering above ₹30 Lakhs Per Annum (LPA) increased by 27 per cent YoY. Notably, fresher hiring (personnel with less than 3 years of experience), which represents entry-level jobs, showed 7 per cent YoY growth in May 2026.



Employment in the unincorporated sector

79. While the monthly high-frequency data reports a softening of the labour market, the MoSPI's Quarterly Bulletin on Unincorporated Sector Enterprises (QBUSE) for January–March 2026 recorded expansion in the sector compared to last year.⁴³ During this quarter, the unincorporated non-agricultural sector recorded 16.7 per cent YoY growth in the number of establishments, alongside a 15.5 per cent rise in the workforce. The QBUSE for January – March 2026 reported high digitisation in the unincorporated sector, driven by widespread internet usage (80.9 per cent of establishments) and digital financial transactions (80.6 per cent). Complementing this, an SBI report (June 2026) (based on ASUSE 2025 unit-level data) found that a one-unit increase in the ICT adoption index⁴⁴ raised labour productivity by nearly 76 per cent and increased the likelihood of firm registration by 84 percentage points among unincorporated enterprises.⁴⁵ These findings highlight the dual role of digitalisation in driving both productivity and formalisation.

Employment outlook remains resilient

80. While official data and high-frequency indicators reflect a softening of the labour market, forward-looking outlook surveys present a more optimistic picture. According to the latest ManpowerGroup Employment Outlook Survey,⁴⁶ India's Net Employment Outlook (NEO)⁴⁷ for the July-September 2026 quarter (Q3 CY 2026) stands at 48 per cent (highest globally). The strongest outlook was reported for Utilities and Natural Resources. According to the report, over half of the employers cited AI tools and upskilling, including both general and AI-specific training, as key drivers of productivity growth over the past year.

81. These findings highlight that sustaining India's employment momentum will require a workforce equipped with strong foundational and future-ready skills. Improving foundational skills and employability is a government priority, as reflected in public expenditure on education. According to the latest expenditure data released by the Ministry of Education, combined expenditure by the Centre and States on education stood at 4.1 per cent of GDP in 2022–23, rising from 3.8 per cent in 2013-14.⁴⁸

⁴³ Quarterly Bulletin of Unincorporated Sector Enterprises (QBUSE) [January 2026 – March 2026]: <https://www.mospi.gov.in/publications-reports>

⁴⁴ The SBI report constructs an ICT index using the Principal Component Analysis (PCA) by taking 21 variables related to the use of ICT and internet use by the establishment.

⁴⁵ SBI Report: Empowering enterprises through digitalisation and formalisation: ASUSE 2025 Unit-level analysis. <https://tinyurl.com/yfxj5w2k>

⁴⁶ Since 1962, the ManpowerGroup Employment Outlook Survey has been conducted on a quarterly basis. In the latest edition of the Survey, more than 3,100 employers across India reported hiring expectations for Q3 2026. <https://tinyurl.com/yc5xtnh6>

⁴⁷ The Net Employment Outlook is defined as the difference between the percentage of employers planning to increase staff and those planning to reduce staff.

⁴⁸ Analysis of Budgeted Expenditure on Education 2020 to 2023 (Published June 2026): <https://tinyurl.com/24v6ha36> The figure for 2022-23 is based on BE.

82. Along with education and skilling, investments in health and nutrition are equally foundational to human capital. The latest National Family Health Survey (NFHS-6) records significant improvements in child nutrition, maternal education, women's economic agency, and healthcare access. Areas of concern are obesity and diabetes among a wide cross-section of the adult population.

India's human capital: Evidence from NFHS 6

83. The May 2026 MER carried a discussion on health and workforce outcomes.⁴⁹ Taking forward that discussion, the latest National Family Health Survey-6 (NFHS-6, 2023-24) provides a broader perspective on India's health landscape, highlighting trends in nutrition, disease burden, healthcare access, and demographic indicators that shape human capital and long-term economic productivity.⁵⁰ Some highlights of the results are discussed below.

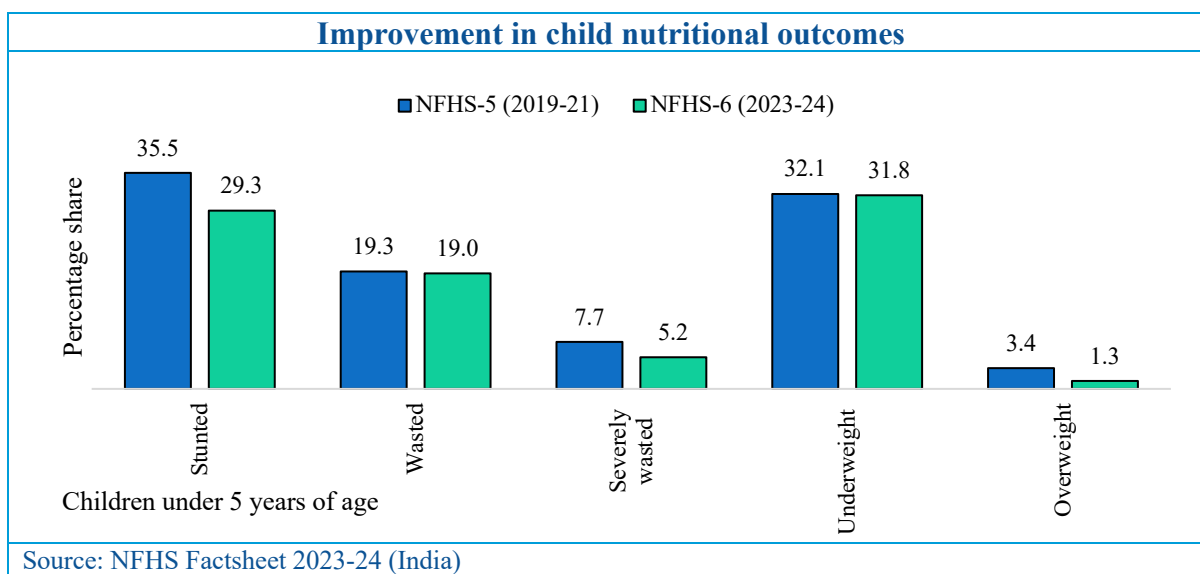
Encouraging movement in child nutritional outcomes

84. The NFHS-6 results indicate encouraging movement in child nutrition, as both stunting and wasting have improved compared with NFHS-5 (2019-21), underscoring the impact of ongoing public health and nutrition interventions. Stunting (low height for age) among children under five years declined substantially from 35.5 per cent in 2019-21 to 29.3 per cent in 2023-24, reflecting improvement in long-term nutritional outcomes. The decline in stunting is a meaningful achievement, given the well-documented links between early childhood stunting and lasting losses in schooling, cognitive development, adult wages, and overall economic output.⁵¹ Alongside stunting, severe wasting (too thin for one's height) declined sharply, while underweight prevalence in children under five also registered a marginal decline.

⁴⁹ MER May 2026: https://dea.gov.in/files/monthly_economic_report_documents/MER%20May%202026.pdf

⁵⁰ The Ministry of Health and Family Welfare (MoHFW) released the National Family Health Survey – 6. The NFHS-6 was conducted during 2023-24 by the MoHFW with the International Institute for Population Sciences (IIPS), Mumbai, as the nodal agency. Covering nearly 6.79 lakh households across 715 districts, the survey provides vital evidence on population, health, nutrition and family welfare indicators and supports evidence-based planning and programme implementation up to the district level. The fieldwork for the survey was conducted in two phases: phase one from 28 May 2023 to 26 February 2024, and phase two from 7 February 2024 to 31 December 2024.

⁵¹ Galasso, E. & Wagstaff, A. (2018). *The Aggregate Income Losses from Childhood Stunting and the Returns to a Nutrition Intervention Aimed at Reducing Stunting*. World Bank Policy Research Working Paper No. 8536. Development Research Group, Development Economics. Washington DC: The World Bank. August 2018. <https://documents1.worldbank.org/curated/en/528901533144584145/pdf/WPS8536.pdf>



85. Maternal education is one of the strongest determinants of child nutrition outcomes.^{52,53} NFHS 6 reports an increase in the proportion of women (aged 15-49 years) who have attained 10 or more years of schooling, from 41 per cent in 2019-21 to 46.4 per cent in 2023-24. The rising educational attainment among women of reproductive age, as documented in the NFHS 6 findings, is expected to sustain gains in reducing stunting.

Improvement in institutional factors

86. Institutional factors such as insurance coverage, financial inclusion, and physical infrastructure shape the demand and utilisation of health services at every level. NFHS-6 data show significant gains across several of these factors, with improvements in service delivery reflecting the wider coverage of the public health infrastructure. Full vaccination among children aged 12–23 months increased from 83.8 per cent in NFHS-5 to 87.1 per cent in NFHS-6.⁵⁴ Institutional deliveries reached 90.6 per cent in 2023-24, with nearly all births attended by skilled health personnel.

87. NFHS 6 data also reports that women's economic and social agency has strengthened. A larger share of women is now engaged in paid employment, participating in household decision-making, and accessing financial services through bank accounts. Ownership of immovable assets and first-time internet use have also improved, widening the economic resources available to women. Together, these institutional and structural developments are driving the positive changes in the health outcomes.

⁵² Paul P, Saha R (2022) Is maternal autonomy associated with child nutritional status? Evidence from a cross-sectional study in India. PLoS ONE 17(5): e0268126. <https://doi.org/10.1371/journal.pone.0268126>

⁵³ Rao N, et al. Trends in the prevalence and social determinants of stunting in India, 2005-2021: findings from three rounds of the National Family Health Survey. BMJ Nutr Prev Health. 2023 Dec 6;6(2):357-366. doi: 10.1136/bmjnph-2023-000648. <https://pmc.ncbi.nlm.nih.gov/articles/PMC11009545/#s3>

⁵⁴ based on information from vaccination card only.

Key Indicator Movements

Indicator	NFHS-5 (%) 2019-21	NFHS-6 (%) 2023-24	Change
<i>Households with any usual member covered under a health insurance/ financing scheme</i>	41.0	60.2	+19.2 pp
<i>Women having a bank or savings account that they themselves use</i>	78.6	89.0	+10.4 pp
<i>Women who worked in the last 12 months and were paid in cash</i>	25.4	30.8	+5.4 pp
<i>Women having a mobile phone that they themselves use</i>	53.9	63.6	+9.7 pp
<i>Women who have ever used the internet</i>	33.3	64.3	+31 pp
<i>Currently married women who usually participate in three household decisions*</i>	88.7	89	+0.3 pp
<i>Households with any usual female members owning a house and/or land (alone or jointly with others)</i>	14.0	18.8	+4.8 pp
Source: NFHS 6 Factsheet (India) 2023-24 * Decisions about health care for herself, making major household purchases, and visits to her family or relatives.			

88. Despite encouraging improvements in child undernutrition and institutional factors, NFHS-6 also highlights a dual health challenge among adults (aged 15-49 years), where overweight and obesity coexist alongside a rising prevalence of elevated blood sugar and hypertension. NFHS-6 data show a marked increase in the incidence of overweight and obesity among adults, with 30.7 per cent of women and 27.3 per cent of men recorded as overweight or obese in 2023–24, up from 24.0 per cent and 22.9 per cent, respectively, in NFHS-5.⁵⁵ Elevated blood sugar levels⁵⁶ have also risen, with 17.8 per cent of women and 20.9 per cent of men aged 15 years and above reporting high blood sugar or taking medication to control it in NFHS-6. In addition, 19.4 per cent of women and 22.1 per cent of men in the same age group have elevated blood pressure⁵⁷ or are on medication to manage it.

89. Complementing these findings, a recent study by the ICMR–National Institute of Nutrition found that higher consumption of ultra-processed foods, particularly those high in fat and/or salt, was associated with elevated blood pressure among urban young adults.⁵⁸ These findings underscore the need to promote healthier diets and limit UPF intake to reduce the

⁵⁵ Adults aged 15-49 years with BMI \geq 25.0 kg/m². (Body mass index (BMI) is a value derived from the mass (weight) and height of a person. BMI is calculated as the body mass, in kilograms (kg), divided by the square of the body height, in square metres (m²)).

⁵⁶ Blood sugar level - high or very high : >140 milligrams per deciliter (mg/dl)

⁵⁷ Elevated blood pressure: Systolic \geq 140 mm of Hg and/or Diastolic \geq 90 mm of Hg

⁵⁸ Ramanujam, K., et al. (2026). Ultra-processed food consumption patterns and their association with blood pressure among young adults: A cross-sectional study. *Nutrients*, 18(10), 1617. <https://doi.org/10.3390/nu18101617> The cross-sectional study was conducted between September and October 2025 among undergraduate students aged 18–24 years from three colleges affiliated with a public university in Tarnaka, Hyderabad.

burden of hypertension, weight gain and obesity in adults, as highlighted in various editions of the Economic Survey.⁵⁹

90. Progress in child nutrition, healthcare access, women's agency, and the expansion of public health infrastructure points to a gradual strengthening of India's healthcare system and human capital. At the same time, rising rates of overweight, obesity, elevated blood sugar, and hypertension among adults signal growing non-communicable disease risks that, if left unaddressed, could affect long-term health and productivity outcomes.

Conclusion and Outlook

91. Following the robust growth performance in 2025-26, economic activity remained resilient in the initial months of 2026-27. High-frequency indicators such as e-way bill generation, PMI indices, electricity consumption, and automobile sales continued to reflect underlying strength in domestic economic activity. At the same time, moderation in select indicators, including core industries, fuel consumption, air passenger traffic, consumer confidence, and labour market indicators, suggests some easing in momentum.

92. As the global environment continues to evolve, inflation readings may remain relatively contained in the coming months. Recent easing in global commodity markets, a correction in crude oil prices, and softening of key input prices such as urea may help moderate imported inflationary pressures. Although the normalisation of global supply chains and trade flows to pre-conflict levels may take time, the decline in international commodity prices is expected to provide some cushion against further price pressures. Government interventions, adequate buffer stocks of key agricultural commodities, and continued supply-side management measures also help mitigate potential supply disruptions.

93. Overall, developments during the month point to continued strength in industrial activity, supported by policy reforms and investment momentum. The revised IIP and WPI frameworks are expected to more efficiently measure industrial and price dynamics. Growth in capital goods and infrastructure-related sectors indicates sustained investment activity. Emerging investments in advanced manufacturing and digital infrastructure are also expected to support industrial growth. In addition, initiatives to strengthen critical mineral supply chains and trade connectivity could enhance the competitiveness of India's manufacturing sector.

94. The external sector remains supported by strong export performance, resilient FDI inflows, and comfortable foreign exchange reserves. The recent de-escalation of tensions in West Asia and progress in U.S.-Iran negotiations have contributed to a correction in Brent crude

⁵⁹ Economic Survey 2024-25 and Economic Survey 2025-26

oil prices, providing some relief from external and inflationary pressures. Recent progress on trade agreements and measures is also expected to further facilitate foreign capital inflows.

95. Overall, the economy continues to exhibit resilience. However, moderation in select high-frequency indicators suggests some easing in momentum. The uneven distribution of monsoon rainfall, emerging El Niño conditions, and geopolitical uncertainties will continue to shape the outlook. Although recent developments in West Asia have eased pressure on global energy markets, continued disruptions to oil production and shipping through the Strait of Hormuz could affect energy supplies and commodity prices.

96. The cessation of the conflict in West Asia has brightened the outlook for growth and also reduced inflation and external deficit risks. India's resilient merchandise export growth is a bright spot. Free trade agreements coming into effect should boost export growth further. Reforms to DGFT processes and further relaxation of Quality Control Orders are examples of continued policy pragmatism.

97. The longer-than-expected duration of the conflict in West Asia tested India's resilience. Indian policymakers dealt with it with a combination of near-term and structural measures designed to enhance country's resilience to future energy shocks and their economic impacts. India's macroeconomic stability held and concerns over external stability should dissipate gradually. Foreign debt investors have returned to the Indian sovereign debt market. It is a matter of time before equity flows turn positive as concerns over the global AI-bubble mount.

98. However, the West Asia conflict was a reminder of the need for a national policy on buffer stocks for a range of critical raw materials and inputs. Now, attention turns to the impact of a deficient monsoon. While the monsoon rains are expected to improve in July and August, experts point to the increasing unpredictability of rainfall patterns. Among other things, water conservation, including recycling, utilisation of budgetary allocations for Jal Jeevan Mission, may now be at the top of the policy priority list. The West Asia conflict and the deficient monsoon rainfall (so far) also underscore the need to reorient India's agricultural pricing policies to incentivise the cultivation of climate-resilient crops and disincentivise water-intensive ones. The steady stream of destabilising events and developments globally and climatically is a reminder of the challenges likely to arise in the coming years and the need for policy to stay a step ahead of them.

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Performance of High Frequency Indicators

Data Title	Unit	YTD Period/As at the end of	Year to Date			Year to Date (YoY Growth)		
			2024-25	2025-26	2026-27	2024-25	2025-26	2026-27
Agriculture								
Fertiliser Sales	Lakh Tonnes	Apr-May	85.9	58.3	64.0	-0.5	-32.1	9.8
Domestic Tractor Sales	Lakh	Apr-May	1.6	1.7	2.1	-1.9	6.9	23.5
Foodgrain Production	Mn Tonnes	3rd AE	357.7	376.5	-	7.7	5.3	-
Reservoir Level	Bn Cu. Metres	18th June	37.7	58.0	49.7	-21.5	53.8	-14.3
Wheat Procurement (RMS)	LMT	Mar-29 June	265.9	299.8	349.5	2.0	12.8	16.6
Kharif Sowing (Foodgrain)	Mn Hectare	19th June	3.0	2.4	3.2	-16.8	-18.1	31.6
Rainfall	₹ Lakh crore	28th June	128.1	162.6	85.2	1.2	26.9	-47.6
Credit to Agriculture and allied activities	₹ Lakh crore	April	21.1	23.1	26.2	19.9	9.5	13.4
Industry								
IIP (2022-23 base year)	Index	Apr	107.2	113.4	118.9	7.3	5.8	4.9
8-Core Industries (2011-12 base year)	Index	Apr-May	165.0	166.8	168.6	6.9	1.1	1.1
Domestic Auto sales	Lakh	Apr-May	40.7	38.3	46.7	17.0	-5.9	22.0
PMI Manufacturing	Index	Apr-May	58.2	57.9	54.9	0.2	-0.3	-3.1
Power consumption	Billion kWh	Apr-May	299.4	296.3	318.1	11.5	-1.0	7.3
Natural gas production	Bn Cu. Metres	Apr-May	6.1	5.9	5.6	42.4	-2.9	-4.5
Cement production	Index	Apr-May	191.5	206.8	223.9	-0.2	8.0	8.3
Steel consumption	Mn Tonnes	Apr-May	23.5	25.1	27.3	12.6	7.1	8.7
Inflation								
CPI-C	Index	Apr-May	98.6	101.7	105.5	4.8	3.2	3.7
WPI	Index	Apr-May	100.2	100.4	109.4	1.4	0.2	9.0
CFPI	Index	Apr-May	99.0	100.4	104.9	8.7	1.4	4.5

Data Title	Unit	YTD Period/As at the end of	Year to Date			Year to Date (YoY Growth)		
			2024-25	2025-26	2026-27	2024-25	2025-26	2026-27
Services								
Domestic Air Passenger Traffic	Lakh	Apr	265.2	291.3	282.7	3.8	9.8	-2.9
Port Cargo Traffic	Million tonnes	Apr-May	139.4	147.3	153.9	2.6	5.7	4.5
PMI Services	Index	Apr-May	60.5	58.8	59.3	-1.1	-1.8	0.5
Fuel Consumption	Million tonnes	Apr-May	41.2	41.5	39.4	4.7	0.7	-5.1
UPI (Volume)	Crore	Apr-May	2734.0	3657.1	4554.9	49.6	33.8	24.5
E-Way Bill Volume	Crore	Apr-May	20.0	24.2	27.0	15.8	21.1	11.4
Fiscal Indicators								
Gross tax revenue (Central Govt)	₹ Lakh crore	Apr	2.6	2.7	2.7	17.0	6.3	-1.8
Revenue Expenditure	₹ Lakh crore	Apr	3.2	3.1	3.9	43.7	-5.7	25.9
Capital Expenditure	₹ Lakh crore	Apr	1.0	1.6	1.9	26.5	61.0	18.8
Fiscal Deficit	₹ Lakh crore	Apr	2.1	1.9	3.6	57.3	-11.3	94.4
Primary Deficit	₹ Lakh crore	Apr	0.8	0.9	2.5	-4.4	13.4	172.1
GST Collection	₹ Lakh crore	Apr-May	3.6	4.1	4.4	11.5	15.1	6.2
External Sector								
Merchandise exports	USD Billion	Apr-May	78.6	76.6	88.9	13	-2.5	16.1
Non-petroleum exports	USD Billion	Apr-May	60.2	64.0	70.7	5.1	6.4	10.5
Merchandise imports	USD Billion	Apr-May	116.1	126.2	145.4	9.0	8.7	15.1
Non-oil imports	USD Billion	Apr-May	79.7	90.8	104.1	3.1	14.0	14.6
Non-oil non-gold/silver imports	USD Billion	Apr-May	73.6	84.4	94.5	1.6	14.7	12.0
Net FDI	USD Billion	Apr	1.8	1.6	6.6	-35.5	-10.5	313.0
Exchange Rate (Average)	INR/USD	May	83.4	85.2	95.6	-1.3	-2.1	-10.9
Foreign Exchange Reserves	USD Billion	May	651.5	691.3	682.3	10.3	6.1	-1.3
Import Cover	Months	May	11.4	11.4	11.0	-	-	-

Data Title	Unit	YTD Period/As at the end of	Year to Date			Year to Date (YoY Growth)		
			2024-25	2025-26	2026-27	2024-25	2025-26	2026-27
Monetary and Financial								
Total Bank Credit	₹ Lakh crore	15 Jun	167.1	183.1	215.5	19.1	9.6	17.7
Non-Food Credit	₹ Lakh crore	15 Jun	166.7	182.5	214.1	19.1	9.5	17.4
10-Year Bond Yields	Per cent	19 Jun	7.01	6.33	6.87	-6	-68	54
Repo Rate	Per cent	29 Jun	6.50	5.50	5.25	0	-100	-25
Currency in Circulation	₹ Lakh crore	15 Jun	35.8	38.5	43.2	5.7	7.5	12.2
M ₀	₹ Lakh crore	15 Jun	47.1	49.5	52.4	5.8	3.7	6.4
Employment								
Net payroll additions under EPFO	Lakh	Apr - July	44.7	69.0	-	-3.1	54.4	-
No. of person demanded employment under MGNREGA	Crore	May	3.7	3.8	2.7	-12.1	1.1	-27.6
Unemployment Rate	Per cent	May	-	5.6	5.5	-	-	-10.0
Subscriber Additions: National Pension Scheme (NPS)	Lakh	Apr-Mar	8.2	9.9	-	-12.2	20.3	

Notes on colour coding in Performance of HFIs:

- For all indicators except CPI-C, WPI, CPFI, Fiscal deficit, Primary deficit, Exchange rate, 10-year bond yield, repo rate, MGNREGA and unemployment rate, colour shading is based on percentiles: values in the top 90th percentile are shaded green, those in the bottom 10th percentile are red, and growth rates near zero are shown in yellow, with intermediate shades reflecting relative performance. For the indicators listed above, the colour interpretation is reversed.

Notes on Performance of HFIs:

- The performance of the repo rate, 10-yr bond yield, and unemployment rate variables is presented in basis points, not as growth rates.
- PMI growth is the difference between the index values of two years. GST collection is calculated as the sum of the central, state, and integrated GST.
