

Macroeconomic Developments and Outlook: June 2026

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Macroeconomic Developments and Outlook: June 2026

This macroeconomic review¹ pertains to the March 2026 quarter, with assessment for the June 2026 quarter based on select high-frequency indicators. Global economic conditions during the period were shaped by a sharp escalation of geopolitical tensions, followed by stalemate in West Asia conflict, which disrupted an otherwise stable growth trajectory. The resulting supply shocks, particularly through energy markets, led to a firming of crude oil and gas prices, contributing to renewed inflationary pressures and tighter financial conditions. Growth outcomes remained uneven across regions, with resilience in the United States supported by technology-led investment, subdued expansion in the euro area amid elevated energy costs, moderation in Japan, and continued weakness in China's domestic demand despite policy support. Global trade slowed under heightened uncertainty and changing tariff regimes, although services and technology-related flows remained relatively resilient.

Domestically, economic activity remained resilient in the March 2026 quarter supported by stable underlying fundamentals. Headline inflation rose to 3.1 per cent, moving up from an exceptionally low level seen in the previous quarter, driven largely by a normalisation in food prices alongside persistent firmness in core components. Industrial activity remained resilient, with IIP growth at 4.3 per cent, reflecting slight moderation in manufacturing and contraction in mining, partly offset by a recovery in electricity generation. High-frequency indicators of freight, port activity and passenger movement pointed to a loss of momentum, particularly in transport and logistics. While agricultural output remained robust in FY2025-26, supported by strong cereals and pulses production, sectoral divergences persisted. Financial conditions turned modestly tight due to robust credit growth, notwithstanding pickup in deposit mobilisation and RBI's proactive liquidity management. The exchange rate of Rupee came under severe pressure, and benchmark G-sec yield hardened amid global uncertainties, while fiscal developments reflected a typical year-end expansion driven by higher revenue expenditure and a contraction in capital outlays. Looking ahead, both upside risks to inflation and downside risks to growth remain elevated despite MoU signed by the US and Iran.

1. Global Developments

The global economy cruised the March 2026 quarter amid a marked intensification of geopolitical risk. The outbreak of conflict in the Middle East disrupted an otherwise resilient growth path. At the start of the year, the global economy was supported by strong technology-led investment, relatively accommodative financial conditions and easing trade frictions. However, these positives were abruptly offset by a fresh supply shock from energy markets. The closure of the Strait of Hormuz - the key transit route - and damage to production facilities pushed up oil and gas prices. This, in turn, lifted inflation and tightened financial conditions across economies.

Growth trends remained uneven across regions. The United States continued to show resilience, supported by fiscal measures and sustained investment in technology. However, higher borrowing costs and trade frictions weighed on activity at the margin. The euro area experienced subdued growth due to persistent energy pressures. Japan also saw some moderation as demand support faded. Among emerging economies, China's growth remained constrained by real estate sector weaknesses and soft domestic demand, although exports and policy support provided some cushion. India, in contrast, maintained relatively strong momentum. Other EMEs faced pressure from weaker

external balances, currency depreciation and higher commodity prices.

Global trade showed signs of a shift. Overall trade growth slowed due to uncertainty and changing tariff structures. However, services trade and technology-related flows remained relatively resilient, especially in Asia. This was supported by digitalisation and ongoing supply chain adjustments. Commodity markets played a central role in transmitting shocks. Higher energy and food prices reinforced inflation and exposed vulnerabilities in low-income and import-dependent economies.

The March quarter highlighted a clear dichotomy in the global economy. Some sectors and regions continued to show resilience, particularly those linked to technology. At the same time, overall vulnerability increased due to geopolitical tensions, commodity price volatility and tighter financial conditions.

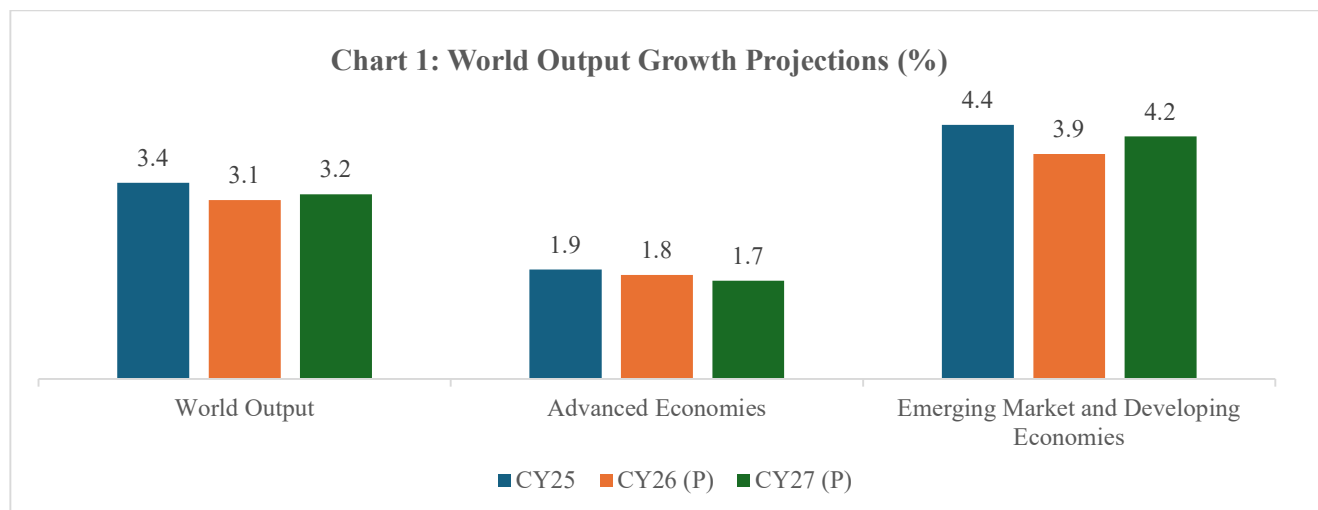
FY2025-26 marked a shift towards greater uncertainty. The early part of the year benefited from easing inflation and improved supply conditions. However, renewed geopolitical disruptions, especially through energy markets, weakened this

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progress. As a result, growth expectations softened and risks became more tilted to the downside.

The outlook for 2026 is clouded by geopolitical developments. Inflation is expected to accelerate due to supply shocks from the energy market. However, the pace of inflation is likely to remain uneven. Under the IMF's baseline, global growth is projected at 3.1 per cent in 2026 (Chart 1), while inflation is expected to rise slightly to 4.4 per cent from 4.1 per cent in 2025. Globally, upside risks to inflation and downside risks to growth have

increased. As per IMF's scenario analysis, continued disruptions to energy infrastructure and choking of the key transit route such as the Strait of Hormuz could slow global growth to around 2.5 per cent and push inflation up to 5.4 per cent. In a more severe scenario, growth could weaken further to about 2 per cent, while inflation may rise toward 6 per cent. This would bring the global economy close to recession-like conditions. The eventual outcome will depend on how quickly the US-Iran deal is signed and energy markets stabilise.



Note: 'P' for projection

Source: IMF, World Economic Outlook, April 2026.

2. Domestic Macroeconomic Developments

2.1. Real Sector

2.1.1. Gross Domestic Product

Based on the revised GDP series with base year 2022-23, India's real GDP growth moderated marginally to 7.8 per cent year-on-year in the March 2026 quarter from 8.0 per cent in the preceding quarter, but remained higher than 7.0 per cent in the corresponding period last year, indicating continued resilience in growth momentum (Table 1). Real GVA expanded by 7.9 per cent, up from 7.1 per cent a year earlier, pointing to sustained strength in underlying economic activity.

Growth in the March quarter was supported by strong private investment, robust construction activity and improving rural demand alongside steady consumption. On the expenditure side, gross fixed capital formation accelerated by 10.8 per cent, highlighting firm investment activity, while private final consumption expenditure growth remained steady at 7.1 per cent. Government final consumption expenditure growth moderated to 4.9 per cent, indicating relatively softer public spending. The alignment of GDP and GVA growth in the new

GDP series suggests limited divergence from tax dynamics in shaping overall growth.

From the supply side, services remained the key driver, expanding by 9.9 per cent. Within this, trade, hotels, transport and communication services grew by a strong 12.5 per cent, marking a multi-quarter high and reflecting buoyant contact-intensive activity. Financial, real estate and professional services also recorded robust growth at 10.4 per cent. In contrast, manufacturing growth moderated to 7.3 per cent, easing from double-digit expansions in earlier quarters, while agriculture and allied activities improved to 3.6 per cent, supported by a favourable rabi harvest and improving rural conditions.

For FY26, provisional estimates indicate a steady strengthening in growth, with real GDP expanding by 7.7 per cent, up from 7.1 per cent in FY25 and 7.2 per cent in FY24. Real GVA growth

also rose by 7.9 per cent, underscoring the resilience of economic activity.

On the supply side, growth was led by the services sector (9.3 per cent), supported by strong performance in trade and financial services. The secondary sector remained robust, growing at 8.8 per cent, driven by manufacturing (10.7 per cent) and construction (7.4 per cent), reflecting ongoing infrastructure activity and private investment. In contrast, primary sector growth moderated to 3.2 per cent, with agriculture growing by 3.0 per cent, indicating stable but relatively softer output conditions.

On the demand side, growth was supported by a pickup in private consumption (PFCE growing by 7.7 per cent) alongside strong investment (GFCF 8.2 per cent). Government

consumption grew at a relatively moderate 5.5 per cent. In terms of macro aggregates, real GDP stood at ₹323.1 trillion, with the shares of investment and private consumption broadly stable at 32.3 per cent and 55.7 per cent of GDP respectively, while the share of government consumption edged lower, indicating a gradual shift towards investment-led growth.

From a welfare perspective, per capita indicators showed improvement during FY26. Per capita PFCE rose by 6.8 per cent to ₹1,26,660, higher than 4.8 per cent in the previous year, suggesting strengthening household consumption. Per capita GDP and GNI also increased by 6.8 per cent, pointing to rising average incomes and improved living standards. Overall, the growth profile in FY26 reflects a balanced expansion, supported by services, resilient industry and improving domestic demand, alongside moderate but stable agricultural growth.

Table 1. Quarterly GDP Estimates with Select Expenditure Components at Constant Prices (₹ Trillion)							
Item	2023-24	2024-25 (FRE)	2025-26 (PE)	2025-26			
				Q1	Q2	Q3	Q4
GVA at Basic Prices	254.8 (7.2)	273.4 (7.3)	294.9 (7.9)	68.3 (7.1)	68.9 (8.6)	77.5 (8.0)	80.2 (7.9)
Gross Domestic Product (GDP)	280 (7.2)	299.9 (7.1)	323.1 (7.7)	75.4 (6.8)	75.3 (8.3)	84.6 (8.0)	87.8 (7.8)
Private Final Consumption Expenditure (PFCE)	157.9 (5.8)	167.0 (5.8)	179.9 (7.7)	42.2 (8.7)	40.1 (7.2)	47.9 (8.2)	49.7 (7.1)
Government Final Consumption Expenditure (GFCE)	29.1 (0.6)	31.0 (6.5)	32.6 (5.5)	8.6 (5.8)	8.3 (6.6)	8.1 (4.6)	7.7 (4.9)
Gross Fixed Capital Formation (GFCF)	90.7 (7.3)	96.5 (6.4)	104.3 (8.2)	24.2 (4.9)	26.2 (8.4)	26 (8.2)	27.9 (10.8)
<i>Note: Totals may vary slightly due to rounding off; Figures in parentheses () indicate % change over the previous fiscal; FRE: First Revised Estimates; PE: Provisional Estimates</i>							
Source: National Statistical Office, Ministry of Statistics and Programme Implementation.							

2.1.2. Inflation

Retail inflation saw a sharp reversal in the March 2026 quarter. Consumer Price Index (CPI) inflation (as per base year 2024) rose to 3.1 per cent in March 2026 quarter, up from 0.6 per cent in December 2025 quarter. This marked a clear exit from the phase of exceptionally low inflation seen in the previous quarter. The increase was driven primarily by a normalisation in food prices, even as underlying inflation remained firm across several non-food categories.

The movement in food inflation was central to the shift. Food and beverages inflation turned positive at 3.1 per cent in March 2026. The earlier sharp correction in key food items began to reverse, reducing the strong deflationary impulse seen in the December quarter. While the data indicates a broad-based

normalisation, the rebound reflects both base effects and some firming in underlying price trends. As a result, food inflation moved from being a drag to contributing positively to headline inflation.

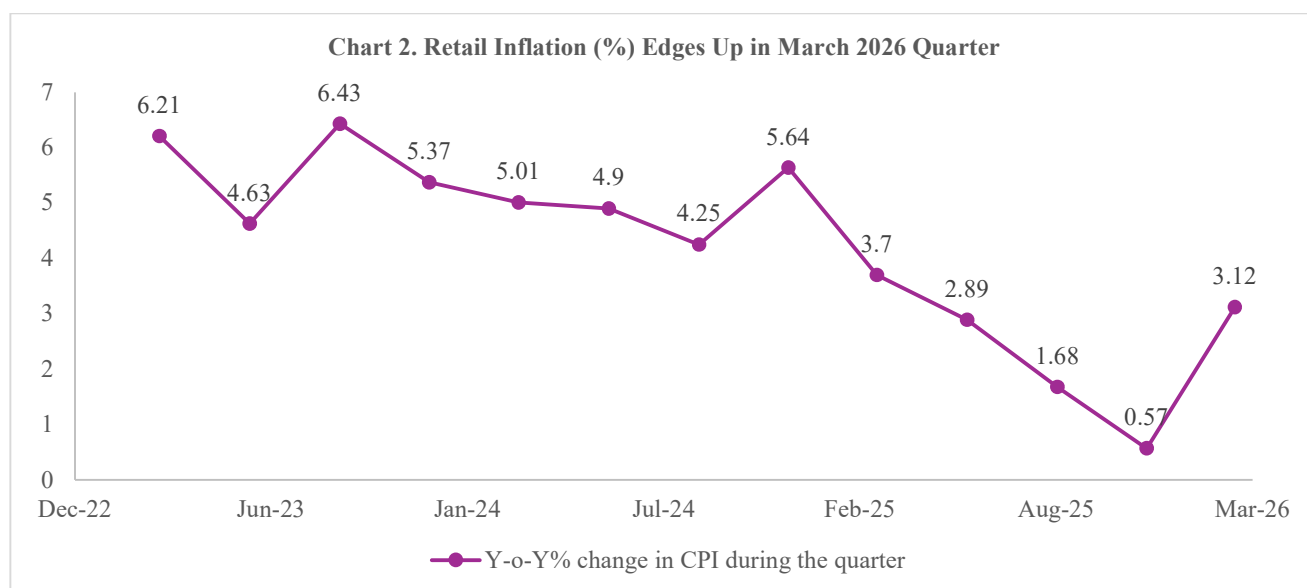
Non-food inflation remained relatively stable but continued to exhibit pockets of stickiness. Housing inflation stayed at 1.7 per cent, while clothing and footwear inflation was moderate at 2.84 per cent. Health and education categories also recorded steady increases at ~2 per cent and 3.3 per cent, respectively. Transport inflation remained flat despite the uptick in global energy prices. The limited pass-through reflects the relatively stable domestic fuel prices so far, although some lagged adjustment cannot be ruled out if global price pressures persist. Nevertheless, a sharp

increase in personal care and miscellaneous goods and services (19.1 per cent) pointed to significant price pressures in select components, including precious metals and services.

Core inflation remained marginally above headline inflation at around 3.3 per cent, indicating persistent underlying price pressures, particularly precious metals. While goods categories showed disinflation, continued firmness in services suggests selective stickiness, even as the rise in headline inflation is driven by food price normalisation.

Overall, the March 2026 quarter marked a turning point in inflation dynamics. The phase of sharp, food-led disinflation seen in the December quarter came to an end, giving way to a more normalised but firmer inflation environment. The rise in headline inflation was driven largely by food, but persistent pressures in services and select core components indicate that the inflation trajectory may remain uneven going ahead.

Looking ahead, inflation dynamics in the early part of the June 2026 quarter suggest a further firming in price pressures. CPI inflation edged up in April 2026 to around 3.5 per cent, with food inflation continuing to accelerate and core components remaining relatively firm. This is corroborated by wholesale price trends, with WPI inflation rising sharply to 8.3 per cent in April 2026, driven primarily by a surge in fuel and power prices, alongside increases in crude petroleum, mineral oils and basic metals. The sharp pickup in input cost pressures, especially from energy, points to potential upstream transmission risks to retail inflation going forward. While the pass-through to CPI remains gradual so far, continued volatility in global oil prices amid West Asia tensions could exert upside pressures on the inflation trajectory in the June quarter, particularly through fuel, transport and select core components.



Source: MoSPI, CMIE

2.1.3. Agriculture

Agricultural production in FY26 recorded a robust expansion, marking a strong recovery in the crop cycle. As per the third advance estimates, total foodgrain output rose by 5.3 per cent to a record 376.6 million tonnes, exceeding the long-term average growth of around 3.6 per cent. The increase was led by higher production of key staples such as rice, wheat and maize, reflecting both favourable acreage trends and improved output levels despite sporadic weather-related disruptions during the kharif and rabi seasons.

The growth in cereals remained broad-based and resilient. Rice production rose to a record 154 million tonnes, supported by gains across both kharif and rabi crops. Wheat output also increased by 2.3 per cent to 120.7 million tonnes, aided by

favourable procurement conditions and improved supply prospects. Maize production saw a sharp surge of 26.9 per cent, driven largely by a sustained expansion in acreage, which has been rising consistently over the past several years.

In contrast, coarse cereals presented a mixed picture. Bajra and jowar output contracted due to weaker yields and lower acreage, pointing to some stress in select rain-fed crops. Ragi production, however, registered a modest increase, indicating partial resilience within the segment.

Pulses production recorded a strong recovery during the year. Output growth was led by gram, which rose sharply by 12.6 per cent, alongside moderate gains in moong and lentil production.

However, tur and urad production remained subdued, with urad output declining for the fourth consecutive year, highlighting persistent structural challenges in certain pulses production.

Oilseeds production remained broadly flat. Gains in groundnut, rapeseed & mustard output were offset by a steep decline in soyabean production, which fell by 17.5 per cent. This divergence reflects crop-specific factors, including variability in yields and acreage allocation.

Among commercial crops, trends were uneven. Sugarcane production increased sharply by 10 per cent, supported by higher output in key producing states. In contrast, cotton production declined for the third consecutive year due to weaker yields, underscoring persistent stress in the sector.

Overall, FY26 marked a year of strong agricultural output growth, driven primarily by cereals and pulses, even as certain segments such as oilseeds and cotton faced headwinds. The expansion in acreage played a critical role in supporting output, partially offsetting the adverse impact of weather-related

disruptions. While the headline performance remained robust, the divergence across crops highlights an uneven underlying production landscape going forward.

Looking ahead to FY27, the agricultural outlook remains cautiously modest, shaped by weather risks and policy support. The IMD's projection of below normal monsoon rainfall, along with emerging El Niño conditions that are typically associated with weaker and more uneven rainfall, poses a downside risk, particularly for rain fed crops such as pulses, coarse cereals and oilseeds. This could weigh on both acreage decisions and yields if rainfall distribution turns unfavourable. At the same time, policy support is expected to provide some offset. Higher minimum support prices, especially for pulses and oilseeds, are likely to incentivise acreage allocation towards these import-dependent crops, while continued MSP backing for certain export linked crops may help sustain production incentives in commercially relevant segments. Overall, while policy measures may help cushion risks and stabilise crop choices, agricultural output growth is likely to moderate from the strong expansion seen in FY26.

2.1.4. Industry

Industrial activity in the March 2026 quarter remained steady, with IIP growth (as per revised base year 2022-23) rising marginally to 4.3 per cent from 4.1 per cent in the December 2025 quarter. However, growth remained significantly lower than 6.1 per cent recorded in March 2025, indicating a moderation in momentum on a year-on-year basis. The quarterly outturn suggests that while industrial activity stabilised at the margin, the overall pace of expansion remains subdued relative to last year's stronger performance.

The slight sequential improvement in the March quarter was driven primarily by a recovery in electricity generation, which rebounded to 6.3 per cent after contractions in the previous two quarters. This provided incremental support to overall industrial growth. Manufacturing growth, while remaining the key driver given its high weight, moderated to 4.9 per cent from 5.5 per cent in December, indicating some softening in production momentum. Mining activity, on the other hand, contracted by 1.8 per cent, reversing the modest growth seen in the preceding quarter and acting as a drag on headline IIP.

The broader trend over FY26 reflects a gradual loss of momentum in industrial activity. Growth moderated from 4.5 per cent in the June quarter and 4.7 per cent in September, before easing in the second half of the year to 4.1 per cent in December and 4.3 per cent in March. This compares with consistently stronger growth in FY25, when average IIP prints was 6.4 per cent.

Overall, industrial growth remained resilient in the March 2026 quarter. While the recovery in electricity provided some

support, easing manufacturing momentum and weakness in mining highlight an uneven growth pattern.

Automobile demand indicators showed a marked improvement in the March 2026 quarter, signalling a strengthening in consumption, particularly in rural and mass-market segments. Passenger vehicle sales grew by 14.4 per cent year-on-year, while two-wheeler sales recorded a sharper increase of 25.4 per cent, indicating robust demand at the lower end of the income spectrum. Tractor sales also remained firm, consistent with a pickup in rural activity. Overall, the broad-based gains across segments point to a recovery in consumption demand compared to the previous year.

Commercial vehicle sales further underscored the improvement in underlying economic activity, rising by 18.5 per cent year-on-year in Q4 FY26, following a strong build-up in preceding quarters. The sustained growth across segments suggests higher freight movement and continued traction in infrastructure and logistics activity, in line with ongoing capital expenditure.

In contrast, the growth in the value of order books for the industrial and infrastructural construction sector eased to 27.9 per cent year-on-year in the March 2026 quarter, down from the elevated pace seen in earlier quarters. While the order pipeline remains strong in level terms, the moderation in growth indicates a stabilisation rather than a further acceleration in fresh investment activity.

The industrial activity has carried forward its momentum into the new fiscal year, albeit with some divergence across sectors. Automobile demand remained firm, with passenger vehicles

and two wheelers posting healthy growth in April 2026, reflecting resilient mass market consumption, though some moderation was visible in May. . On the production side, IIP growth remained steady at 4.9 per cent, supported by firm expansion in manufacturing, while capital goods output accelerated sharply, indicating sustained traction in investment activity. However, weakness in mining output and relatively

modest growth in consumer goods suggests that the recovery remains uneven. Overall, the data for the early part of the June 2026 quarter indicate that while underlying activity levels remain resilient, the pace of expansion is likely to remain moderate, with growth supported by investment and selective consumption recovery rather than a broad-based acceleration.



Source: MoSPI, CMIE

2.1.5. Tertiary Sector

2.1.5.1. Indicators of Passenger and Goods Movement

Indicators of passenger and goods movement (Table 2) in the March 2026 quarter point to a moderation led primarily by freight dynamics, followed by a slowdown in port cargo and a contraction in air passenger traffic. Within railway freight, the trend in coal, which accounts for more than half of total freight movement on railways, remained in contraction. Port cargo growth has weakened significantly due to sluggish external trade, although domestic cargo remains relatively resilient. At the same time, air passenger traffic has entered negative territory, signalling a broader cooling in mobility and transport activity.

Within this overall moderation, rail freight trends underscore the importance of coal movements in assessing the sector's trajectory. Coal and coke, which form the bulk of rail freight traffic, remained in contraction of 1.5 per cent in the March 2026 quarter, thereby weighing on overall freight momentum. This decline in the dominant segment is notable despite continued strength in other commodities. Iron and steel grew by 14.8 per cent, while cement and clinker expanded by 12.2 per cent, indicating sustained momentum in construction and infrastructure activity. Chemical manures also recorded strong

growth at 12.6 per cent, though the pace has slowed from previous quarters. However, weakness persists in segments such as container traffic, which contracted by 0.9 per cent, and foodgrains, which remained in negative territory at minus 4.2 per cent. Overall, while investment-linked commodities provide support, the contraction in coal significantly influences the aggregate freight trend and points to softening underlying momentum.

Port cargo traffic also exhibited a marked slowdown in the March 2026 quarter. Total cargo handled grew by 1.9 per cent, a sharp deceleration from the stronger growth observed in earlier quarters. This easing is largely attributable to overseas cargo, which recorded marginal growth of just 0.3 per cent, reflecting subdued external demand and weaker trade conditions. In contrast, coastal cargo continued to perform relatively well, growing by eight per cent, indicating that domestic goods movement remains more resilient. The divergence between overseas and coastal cargo highlights the relative strength of internal demand, although the overall slowdown suggests that the broader logistics environment is losing momentum.

In line with the trends observed in freight and cargo, air passenger traffic also reflects weakening activity in the March 2026 quarter. Passenger traffic declined by 1.1 per cent, marking a transition into contraction after a steady slowdown over preceding quarters. The shift from double-digit growth in the

previous year to negative growth suggests that the earlier surge in travel demand has largely normalized, with discretionary travel possibly softening. This decline, alongside the moderation in cargo and freight indicators, reinforces the view that transport-related activity has eased during the quarter.

Table 2: Indicators of Passenger and Goods Movement

Year-on-year % change during the Quarter ended	Mar 2025	Jun 2025	Sep 2025	Dec 2025	Mar 2026
Air passengers Traffic	11.09	5.47	-0.87	2.83	-1.05
Cargo handled at major & minor ports (MMT)	4.85	3.14	5.32	7.86	1.93
Overseas	4.57	2.80	5.37	6.76	0.26
Coastal	5.86	4.44	5.15	12.19	7.97
Rail Freight Traffic of Select Commodities					
Coal and coke			1.73	-1.65	-1.48
Cement & Clinker			10.23	11.34	12.26
Chemical Manures			30.21	17.81	12.59
Iron and steel			21.87	14.49	14.81
Petroleum products			0.97	2.26	3.43
Container			9.32	5.42	-0.86
Foodgrains, Flours & Pulses			-6.56	-6.77	-4.16
Other goods			6.88	3.40	3.60
<i>Note: In the absence of aggregate rail freight data up to May at the time of compilation, year-on-year growth rates have been derived using select commodity-level data compiled by CMIE from the FOIS database, with data available from July 2024 onwards.</i>					
Source: Airport Authority of India, Ministry of Port, Shipping & Waterways, Freight Operations Information System (FOIS), CMIE.					

2.1.5.2. Corporate Results

Early earnings results of corporate sector performance during the March 2026 quarter, based on CMIE data, indicate that income growth among listed companies in the non-financial services sector remained resilient, supported by continued strength across transport, trade, and other service-oriented activities, reflecting steady mobility trends and underlying consumption demand. In contrast, the financial services sector

witnessed a moderation in income growth, pointing to some cooling in earnings momentum after stronger expansion in earlier periods, possibly due to base effects and hardening of the yield curve. Overall, the divergence suggests that growth impulses remained stronger in non-financial services, even as financial services companies experienced some moderation during the quarter.

2.2. Fiscal Sector

2.2.1. Revenue, Expenditure, Borrowing and Fiscal Deficit

Central government finances recorded a sharp expansion in the March 2026 quarter (as per CGA accounts). The gross fiscal deficit (GFD) rose to ₹6.63 trillion in March 2026 quarter from ₹2.83 trillion in December 2025 quarter, reflecting the typical year-end spending acceleration. On a year-on-year basis, however, the increase remained modest at 0.5 per cent, suggesting that the overall deficit trajectory remained contained despite the sequential spike.

The widening in the fiscal deficit was driven primarily by a pick-up in expenditure. Total expenditure rose to ₹15.24 trillion in Q4FY26, registering a 7.3 per cent year-on-year increase. Revenue expenditure accounted for the bulk at ₹12.43 trillion,

growing sharply by 17.9 per cent, indicating a front-loading of spending towards the close of the fiscal year. In contrast, capital expenditure declined by 23.3 per cent year-on-year to ₹2.8 trillion, following a similar contraction in the previous quarter, pointing to a continued moderation in capital outlays.

On the receipts side, revenue mobilisation remained firm but was insufficient to offset spending pressures. Revenue receipts stood at ₹8.23 trillion, growing by 10.4 per cent year-on-year. Within this, net tax revenues increased by 4.1 per cent to ₹6.8 trillion, while non-tax revenues rose sharply by 56.4 per cent to ₹1.4 trillion. Despite this, revenue growth lagged the expansion in expenditure, contributing to the widening of the deficit.

From a compositional perspective, the widening of the fiscal deficit in the March quarter was driven largely by revenue expenditure rather than capital outlays. . The sharp increase in revenue spending, alongside a continued contraction in capital expenditure, points to a shift in the spending mix towards consumption-oriented expenditure. This is also reflected in the divergence across components, with strong growth in revenue expenditure contrasted by a sustained decline in capital outlays,

2.3. Financial Sector

2.3.1. Monetary Aggregates

During the March 2026 quarter, monetary conditions exhibited a partial reversal of the trends observed in the preceding quarter. Reserve Money (RM) regained momentum, while broad money (M3) growth strengthened further, pointing to an improvement in systemic liquidity alongside sustained credit expansion.

Reserve Money (RM) growth picked up notably during the quarter, increasing from 2.9 per cent (up to December 2025) to 6.0 per cent by March 2026. This recovery reflects sustained momentum in economic activities alongside RBI's proactive and growth-supportive liquidity management policy.

Broad money (M3) growth continued to accelerate during the quarter, rising from 12.1 per cent (till December) to 13 per cent in FY26. The strengthening in M3 was driven by sustained traction in deposit mobilisation alongside continued acceleration in bank credit. During the current financial year so far, while the year-on-year trend remains similar, monetary and banking aggregates have seen some moderation, as typically observed in the early part of the financial year.

M3 continued to expand at a faster pace than the monetary base, though the degree of divergence narrowed compared to the

indicating a moderation in investment spending towards the end of the fiscal year.

Despite this intra-quarter volatility, fiscal consolidation remained on track at the aggregate level. The fiscal deficit for FY26 is estimated at around 4.4 per cent of GDP (as per latest RE/Provisional data, subject to GDP base revisions), improving from 4.8 per cent in the previous year and 5.5 per cent earlier. For the ongoing financial year 2026-27, the Union Budget (BE) targets a further consolidation to 4.3 per cent of GDP.

previous quarter. The money multiplier moderated marginally from 6.21 in December to 6.15 in March, suggesting some normalisation following its sharp increase observed earlier due to cut in CRR.

Overall, Q4 FY26 was characterised by a more synchronised expansion in both reserve money and broad money, in contrast to the divergence seen in Q3. The recovery in RM alongside sustained strength in M3 points to improving liquidity conditions, as monetary expansion through the banking system remained firm.

In the current financial year (FY27) so far, monetary indicators have shown a relatively muted start. Reserve Money (RM) stood at ₹52.7 trillion as on May 31, 2026, registering a growth of 2.0 per cent so far, broadly in line with the 2.2 per cent expansion observed a year ago. In contrast, broad money (M3) moderated, with outstanding money stock at ₹310.2 trillion, reflecting a contraction of 1.4 per cent so far in the current fiscal, as against an expansion of 1.5 per cent during the same period last year. The divergence suggests some near-term softening in deposit mobilisation relative to the favourable momentum seen Q4 FY26, alongside steady base money growth.

2.3.2. Business of Scheduled Commercial Banks: Deposit and Credit Growth

The expansion in banking activity was reflected in outstanding balances, with aggregate deposits rising to ₹262.3 trillion and total bank credit to ₹213.6 trillion by end-March 2026. Aggregate deposits and bank credit growth gained further momentum in the March 2026 quarter, reflecting sustained credit demand/deposit mobilisation.

Deposit growth accelerated by 13.5 per cent year-on-year in March 2026, indicating a broad-based improvement in deposit mobilisation towards the end of the financial year.

Bank credit growth also remained robust and further strengthened during the quarter, rising to 16.1 per cent year-on-year in March 2026. The continued acceleration in credit underscores resilient underlying demand across sectors,

supported by economic activity and sustained lending momentum. Non-food credit continued to account for the bulk of expansion, maintaining strong growth during the quarter.

Despite improvement in deposit growth, credit expansion continued to outpace deposit mobilisation, leading to a persisting credit-deposit gap, although the gap narrowed relative to the previous quarter. This indicates that while funding conditions have become more supportive, banks may still face some pressure on liquidity. Overall, the March 2026 quarter was characterised by a more synchronised strengthening in both deposits and credit, pointing to improving balance between funding and lending dynamics even as underlying demand conditions remained firm.

In the early part of FY27, banking activity has shown some moderation following the strong momentum in Q4 FY26. Aggregate deposits contracted by 0.9 per cent in the financial year up to May 31, 2026, compared with an increase of 2.6 per

cent during the corresponding period last year, reflecting typical seasonal outflows as well as some easing in deposit accretion. Bank credit, meanwhile, witnessed a sluggish rise of 0.7 per cent so far in the current fiscal.

2.3.2.1. Sectoral Deployment of Credit by Scheduled Commercial Banks

Against the backdrop of sustained credit expansion, sectoral deployment remained broad-based in the March 2026 quarter. Non-food credit grew by 15.9 per cent year-on-year, reinforcing the strength in aggregate credit.

At a sectoral level, agriculture and allied activities saw growth accelerate to 15.7 per cent, supported by seasonal financing needs and improving rural demand. Credit to industry rose to 15.0 per cent, though the recovery remained uneven. Lending to micro and small enterprises surged to 33.1 per cent and to medium enterprises at 21.7 per cent, while large industry credit remained moderate at 8.9 per cent, indicating a gradual and selective investment pickup.

The services sector continued to drive credit growth, expanding by 19.0 per cent, led by strong flows to NBFCs (26.3 per cent), commercial real estate (19.9 per cent) and trade (16.2 per cent), reflecting sustained activity in financial and contact-intensive segments.

Credit to personal loans remained resilient at 16.2 per cent. Housing loans grew by 11.5 per cent and vehicle loans by 18.6

per cent, pointing to stable consumption demand. Meanwhile, a sharp increase in loans against gold jewellery suggests a mix of consumption support and precautionary borrowing, while relatively modest growth in credit cards (3.5 per cent) indicates continued normalisation in unsecured retail segments.

Overall, the March quarter reflects continued broad-based strength in credit growth across agriculture, MSMEs, services and retail, with the composition turning more MSME- and services-led, even as large industry remains relatively subdued.

In the early part of FY27, however, credit growth has shown some sequential moderation. Non-food credit declined by 0.9 per cent (up to end-April), reflecting a normalisation after the strong March quarter. This moderation was broad-based, with contractions in agriculture (-0.7 per cent), industry (-1.0 per cent) and services (-1.8 per cent), particularly in trade and NBFC-related exposures. Personal loans remained relatively stable, rising by 0.3 per cent, supported by segments such as vehicle loans and gold-backed lending. Overall, early FY27 trends point to a seasonal slowdown in credit momentum across most sectors.

2.3.3. Total Flow of Financial Resources to the Commercial Sector

The total flow of financial resources to the commercial sector strengthened further over the full financial year, building on the momentum observed through the previous quarters.

The total flow of resources (Table 3) during April-March 2025-26 (provisional) rose sharply to ₹47.04 trillion, compared with ₹36.62 trillion in 2024-25, indicating a significant expansion in funding available to the commercial sector. This increase was driven primarily by a strong acceleration in non-food bank credit, which rose to ₹29.19 trillion, up from ₹18.08 trillion in the previous year, underscoring the dominant role of banks in supporting credit demand amid favourable economic conditions.

In contrast, non-bank sources are estimated to have recorded a relatively moderate increase, ₹17.85 trillion in 2025-26 as against ₹18.54 trillion in the corresponding period a year ago. The composition within non-bank flows, however, showed divergent trends. Domestic sources moderated to ₹12.66 trillion, down from ₹14.91 trillion in the previous year, reflecting softer deployment of credit through NBFCs and a sharp deceleration in credit from housing finance companies. At the same time, this was partly offset by a strong pickup in

corporate bond issuances, which rose to ₹3.22 trillion, indicating improved market-based financing conditions.

A key highlight during the year was the sharp increase in foreign sources, which rose significantly to ₹5.19 trillion from ₹3.63 trillion in the previous year. This was driven primarily by higher foreign direct investment (₹3.60 trillion) and increased short-term credit from abroad.

Overall, the March 2026 data confirm that the expansion in financial resource flows observed during the year has been sustained through the final quarter, with a clear shift towards bank-led intermediation alongside improving external funding support. While non-bank domestic sources showed some moderation, the combined strength of bank credit and foreign inflows ensured a robust expansion in total financial resources available to the commercial sector, consistent with the strong underlying demand conditions visible across credit markets in FY26.

In the early phase of FY27, the flow of financial resources to the commercial sector has moderated after the strong expansion recorded during the previous year. Total financial flows (bank and non-bank combined) stood at a net outflow of ₹1.09 trillion

up to April 30, 2026, compared with a smaller contraction of ₹0.55 trillion during the corresponding period of the previous year. This moderation was driven primarily by a higher net contraction in non-food bank credit, which declined by ₹1.83 trillion, reflecting a seasonal unwinding of credit following year-end adjustments. Non-bank sources, however, remained

marginally positive at ₹0.74 trillion, led entirely by domestic sources, although the magnitude was lower than that seen a year ago. Overall, the initial trends in FY27 point to a customary seasonal softening in financial flows, led by bank credit dynamics, even as non-bank channels continue to provide limited but positive support.

Table 3: Flow of Financial Resources to Commercial Sector in India (₹ Trillion)

Sources	Financial Year		Up to April 30	
	2024-25	2025-26 (P)	2024-25	2025-26 (P)
1. Non-Food Bank Credit	18.08	29.19	-1.49	-1.83
2. Non-Bank Sources (2.1+2.2)	18.54	17.85	0.94	0.74
2.1 Domestic Sources	14.91	12.66	0.94	0.74
2.2 Foreign Sources	3.63	5.19	-	-
3. Total Flow of Resources (1+2)	36.62	47.04	-0.55	-1.09
<i>P: Provisional.</i>				
Sources: RBI Bulletin, May 2026.				

2.3.4. Liquidity, Yield Movements and Monetary Transmission

Liquidity conditions tightened in the latter part of the March 2026 quarter after remaining comfortable initially. System liquidity remained in surplus mode during the first half of March, supported by open market operation (OMO) purchases amounting to ₹1 lakh crore, but tightened in the latter half due to advance tax and GST-related outflows as well as elevated government balances. This resulted in a temporary firming of short-term rates, with the weighted average call rate (WACR) moving above the policy repo rate towards quarter-end. On average, however, money market conditions remained orderly, with rates trading within the LAF corridor, indicating continued effective liquidity management.

Government security yields firmed during the March 2026 quarter. The escalation of geopolitical tensions in West Asia led to a repricing of G-secs and risk premia globally, which transmitted to domestic bond markets. Yields across the curve moved up during March and remained elevated in early April, although some moderation was observed following the announcement of a temporary ceasefire. The weighted average 5-year government security yields rose to around 6.40 per cent during March 2026 quarter from 6.22 per cent in the preceding quarter, while the 3-year segment also firmed to 6.00 per cent from 5.83 per cent. The upward shift in yields was more pronounced at the medium segment of the curve, reflecting a build-up of term premia amid supply pressures and persistent uncertainty in global financial conditions. Short-term money market rates, however, exhibited relative stability, anchored by the prevailing policy corridor and intermittent liquidity support operations.

Monetary transmission continued across instruments but remained uneven. The cumulative reduction of 125 basis points in the policy repo rate since February 2025 was fully transmitted to external benchmark-linked lending rates, with EBLR declining in tandem. Transmission to internal benchmark rates was more gradual, with the median 1-year MCLR declining by around 60 basis points over the cycle. Lending rates on fresh rupee loans adjusted more sharply, with WALR declining by around 93 basis points, while transmission to outstanding loan portfolios was more muted at around 88 basis points.

Deposit rate adjustments remained slower and uneven. The weighted average domestic term deposit rate (WADTDR) on fresh deposits declined by around 55 basis points during the easing phase, while the adjustment in outstanding deposit rates was lower at around 47 basis points.

Overall financial conditions reflected liquidity tightening, firming yields and incomplete monetary transmission. While policy rate cuts have been effectively transmitted to lending rates, especially under external benchmarking frameworks, deposit rates and outstanding loan portfolios continue to adjust more slowly. The persistence of a gap between credit deposit growth, along with elevated term premia in the bond market, suggests that transmission remains incomplete and continues to evolve alongside liquidity conditions and funding pressures. In the financial year 2026-27, financial conditions have remained broadly stable with liquidity staying in comfortable surplus, supported by proactive operations by the Reserve Bank. As highlighted by the RBI Governor in the monetary policy statement dated June 5, 2026, system liquidity averaged a surplus of ₹2.63 trillion under the LAF since the April MPC

meeting, with both durable and transient measures deployed to ensure adequate funding conditions. The WACR largely traded within the policy corridor, although short-term instruments such as CP and CD rates, after moderating initially, experienced some pressure in May. G-sec yields softened in April following geopolitical developments but firmed up again thereafter, reflecting evolving global and domestic cues. Transmission in

credit markets has shown signs of moderation, with some uptick in both lending and deposit rates, even as credit growth remains robust and broad-based. Looking ahead, the expected drawdown in government cash balances alongside seasonal currency return is likely to support liquidity conditions and facilitate smoother policy transmission.

2.4. External Sector

2.4.1. Trade, Capital Flows, Exchange Rate and Balance of Payments

India's external position in Q4 FY26 showed some moderation, with the current account recording a surplus of USD 7.1 billion (0.7 per cent of GDP), lower than USD 13.7 billion (1.4 per cent) in the corresponding period last year. The narrowing of CAD surplus was driven by a sharp widening of the merchandise trade deficit to USD 83.4 billion from USD 59.3 billion, reflecting strong import demand and elevated global commodity prices. This was partly offset by robust services performance, with net services receipts rising to USD 60.4 billion from USD 53.3 billion, alongside continued strength in remittances (USD 41.5 billion) and a moderation in primary income outflows (USD 11.1 billion), helping keep the overall current account in surplus.

Indian rupee remained under pressure during the quarter. The rupee weakened to an average of ₹91.4 per US dollar from ₹89.1 in the December quarter, amid heightened global uncertainty, elevated crude oil prices, and firm US yields. The depreciation was broad-based, with the rupee weakening to ₹123.3 per pound sterling and ₹107.1 per euro, indicating generalized external pressures rather than a purely dollar-driven move. While RBI

interventions and reserves provided intermittent support, global factors continued to dominate currency movements.

Capital flows further reinforced these pressures. Net portfolio investment recorded a sharp outflow, with FII outflows at USD 12.1 billion, emerging as the primary source of weakness in the capital account. In contrast, FDI remained relatively stable at USD 4.6 billion, but was insufficient to offset portfolio exits, resulting in net capital outflows of USD 7.7 billion. This underscores that rupee depreciation during the quarter was largely driven by concerted FII outflows despite stable long-term fundamentals.

External pressures persisted into Q1 FY27, with the rupee depreciating further to ₹93.6 in April and ₹95.6 in May amid continued risk aversion and outflows. In response, on June 5, 2026, RBI announced several measures (Table 4) to support forex inflows and ease liquidity, complemented by government's tax relaxations aimed at improving capital inflows. These coordinated actions reflect a calibrated approach to managing external vulnerabilities and stabilising market sentiment without aggressive currency intervention.

Table 4: Measures Announced on June 5, 2026 to Manage External Balance

- The list of government securities under the Fully Accessible Route (FAR) is expanded.
- Limits pertaining to short-term investment, concentration and individual securities are removed on FPI investment in G-secs under the General Route.
- The limits for investment by NRIs and OCIs in equity instruments traded on the stock market without SEBI registration are increased from 5% to 10%.
- Further, the same facility is being extended to all individual Persons Resident Outside India (PROIs) at par with NRIs and OCIs. Overall investment limit in equity also increased from 10% to 24% of paid-up capital of a listed company.
- Concessional forex swap shall be provided by RBI to incentivise ECBs by PSUs and Overseas Foreign Currency Borrowings by ADs till 31-12-2026.
- Full hedging cost shall be provided by RBI to AD banks for raising fresh 3 -5-year FCNR (B) deposits till 30-09-2026.
- It is proposed to restore the time for realisation of export proceeds to nine months.
- Withholding tax on interest and capital gains tax removed by the government on investment in G-secs by FPIs/BIS.

Source: RBI

3. Outlook

3.1. Short Term Outlook

While the overall growth performance has been better-than-expected in Q4, it is critical to note that the impact of the West Asia conflict was seen only towards the end of the quarter. The upcoming Q1/Q2 FY27 are expected to see the full impact of geopolitical tensions, elevated petroleum product prices, and second-round price pressures, notwithstanding MoU signed by the US and Iran. Given the challenging global economic landscape and domestic risks from a below-normal monsoon, RBI projected GDP growth lower at 6.6 per cent in FY27, moderating from the FY26 provisional growth of 7.7 per cent.

High-frequency indicators (Table 5) for the June 2026 quarter point to a moderation in economic momentum, with growth becoming more uneven across sectors. While industrial activity shows selective improvement, particularly in investment-linked segments, broader demand and logistics indicators point to moderation.

On the production side, industrial activity exhibited a modest pickup at the aggregate level. Headline IIP growth edged up to 4.9 per cent in April, compared with 4.3 per cent in the March quarter, supported by a strong acceleration in manufacturing output to 6.2 per cent. The improvement was largely driven by capital goods, which remained robust at 16 per cent, indicating continued strength in investment activity, and intermediate goods, which also recorded a notable pickup. However, this strength was offset by a sharp contraction in mining activity and a deceleration in primary goods output, pointing to supply-side constraints. Infrastructure and construction goods growth moderated from elevated levels, although it remained supportive. On the consumption side, the picture remained uneven. Consumer durables showed some recovery, but non-durables returned to positive territory after consecutive contractions, suggesting only a tentative improvement in mass consumption demand.

Core sector performance softened in the early part of the quarter. Growth in the eight core industries eased further to 1.7 per cent, lower than the 2.9 per cent muted rise in March quarter average, reflecting weaker momentum in key segments such as refinery products, which remained in contraction. While steel and cement continued to register healthy growth, consistent with ongoing construction activity, the overall impulse from core industries weakened, suggesting a more subdued infrastructure push relative to previous quarters.

Mobility and consumption indicators presented a mixed picture. Vehicle registrations remained strong across categories, though growth moderated from the exceptionally high levels recorded in the March quarter. Two-wheeler and passenger vehicle registrations continued to expand at a double-digit pace, pointing to some resilience in retail demand, while heavy goods vehicle growth, though still elevated, showed signs of normalisation. However, other indicators suggested softer activity. GST e-way bill growth decelerated sharply to 11.4 per cent, indicating moderation in goods movement and trade activity. Toll collections also remained subdued, with growth in both volume and value terms staying significantly below earlier trends, signalling weaker highway freight momentum.

External and logistics indicators further highlighted the slowdown. Port cargo growth remained broadly stable but muted, with overseas cargo slipping into contraction even as coastal cargo provided support. Rail freight data pointed to weakening momentum in key commodities such as foodgrains and containers, alongside a moderation in growth across cement, steel, and petroleum products. Air passenger traffic continued to contract, indicating subdued discretionary demand and slower recovery in travel activity.

Business sentiment indicators suggest a gradual easing in momentum, though still within expansionary territory. The average Manufacturing India PMI during April-May softened further to 54.85, extending the declining trend seen since late 2025, while services PMI remained relatively resilient at around 59, supporting the composite PMI. This divergence points to a relative shift towards services-led growth even as manufacturing momentum cools.

Overall, high-frequency indicators for the June 2026 quarter so far suggest that the economy continues to expand, but with a more uneven and moderate pace compared to earlier quarters. Investment-driven segments remain supportive, but consumption indicators are mixed, and logistics and core sector data point to softer underlying momentum. These trends indicate that GDP growth in Q1 FY27 is likely to soften compared to the March quarter, with risks tilted towards further moderation amid weakening external conditions and softer domestic demand impulses.

Table 5: High Frequency Indicators: Heatmap of Economic Momentum (Y-o-Y % change)

Indicator/Quarter ended	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Apr-May 26
Index of Industrial Production (IIP) Headline *	6.11	4.53	4.69	4.08	4.25	4.85
IIP Manufacturing *	6.59	4.56	4.78	5.41	4.85	6.23

IIP Mining *	0.33	3.53	14.06	2.23	-1.88	-5.08
IIP Electricity & Gas Supply *	8.07	4.31	-2.49	-3.70	6.34	4.93
IIP Water Supply; Sewerage and Waste Management *	9.82	8.20	6.79	4.91	5.65	6.56
IIP Primary goods *	4.24	5.11	8.90	3.56	1.95	0.81
IIP Capital goods *	12.22	8.90	9.27	13.70	14.55	15.98
IIP Intermediate goods *	6.49	4.82	3.37	4.93	4.72	7.74
IIP Infrastructure/ construction goods *	8.61	6.40	10.25	10.02	9.90	7.10
IIP Consumer durables *	6.38	5.07	4.88	5.78	2.25	4.29
IIP Consumer non-durables *	3.14	1.83	1.45	-0.09	-0.52	2.84
Eight Core Index (ICI) Headline *	4.34	1.46	4.51	2.23	2.87	1.65
ICI Steel *	6.76	7.15	14.83	7.60	8.91	6.20
ICI Cement *	12.39	8.05	7.27	11.12	8.16	9.39
ICI Refinery *	3.03	-0.05	-0.61	0.80	-0.28	-0.46
Vehicle Registrations						
Two-Wheeler (NT)	-0.80	5.21	0.91	19.42	24.96	10.49
Light Motor Vehicles	4.79	4.18	6.60	21.66	20.66	17.79
Heavy Goods Vehicles	-6.02	-5.05	-4.33	13.27	26.61	9.86
PMI India Manufacturing	57.37	58.07	58.70	56.93	55.40	54.85
PMI India Services	58.00	59.30	61.43	58.90	58.03	59.30
PMI India Composite	58.67	60.00	61.77	59.30	58.10	58.75
GST E-way Bill Generation	19.37	20.49	23.06	19.35	15.73	11.39
Toll Collection						
Volume (In Million)	15.08	16.18	14.93	16.88	12.58	13.50
Value (In Million ₹)	17.18	19.69	21.77	16.83	10.66	7.65
Rail Freight Traffic of Select Commodities						
Coal and coke			1.73	-1.65	-1.48	-1.08
Cement & Clinker			10.23	11.34	12.26	3.30
Chemical Manures			30.21	17.81	12.59	-9.03
Iron and steel			21.87	14.49	14.81	1.43
Petroleum products			0.97	2.26	3.43	1.60
Container			9.32	5.42	-0.86	-4.10
Foodgrains, Flours & Pulses			-6.56	-6.77	-4.16	-12.27
Other goods			6.88	3.40	3.60	2.91
Air Passenger Traffic	11.09	5.47	-0.87	2.83	-1.05	-3.49
Cargo handled at major & minor ports (MMT) *	4.85	3.14	5.32	7.86	1.93	1.95
Overseas	4.57	2.80	5.37	6.76	0.26	-1.23
Coastal	5.86	4.44	5.15	12.19	7.97	13.50
<i>Note: 1) Quarterly values for IIP, ICI, and PMI reflect the average monthly readings within each quarter; Data indicated with (*) reflect April 2026 readings only, as May data were unavailable as on the date of data compilation. 2) IIP Y-o-Y growth based on index with base year 2022-23 3) In the absence of aggregate rail freight data at the time of compilation, year-on-year growth rates are based on select commodity-level data as published on the FOIS website.</i>						
<i>Source: Ministry of Statistics and Programme Implementation, Office of Economic Adviser, S&P Global, Vahan portal, National Electronic Toll Collection, Airport Authority of India, Ministry of Ports, Shipping and Waterways, Freight Operations Information System, CMIE</i>						

3.2. Medium Term Outlook

Looking ahead, both upside risks to inflation and downside risks to growth have increased. The medium-term growth trajectory for FY27 suggests a moderation in overall economic momentum. Real GDP growth is projected at 6.6 per cent in FY27, down from 7.7 per cent in FY26, while inflation is projected higher at 5.1 per cent as against 2.1 per cent in FY26 as per the Reserve Bank of India's June 2026 monetary policy assessment. The anticipated easing in growth largely reflects the intensification of global uncertainties. Prolonged geopolitical tensions in West Asia have kept crude oil prices elevated, exerting pressure on India's import bill and input costs, while also contributing to renewed supply chain disruptions. In parallel, tighter global financial conditions and heightened risk aversion are expected to weigh on capital flows and external demand, thereby constraining the pace of expansion in trade-oriented sectors. While the domestic economy has thus far exhibited resilience, supported by steady consumption and investment activity, these global developments are likely to transmit through higher input costs, softer export demand, and increased financial market volatility.

On the domestic front, evolving macroeconomic conditions are expected to play an equally important role in shaping the growth outlook. The risk of a below normal southwest monsoon remains a key area of concern, given its implications for agricultural output, rural incomes, and food price dynamics. Any deficiency in rainfall could dampen rural demand and

amplify inflationary pressures, particularly in essential food categories. At the same time, the persistence of elevated input costs is beginning to generate second round effects, with potential spillovers into wages and inflation expectations. This could exert pressure on real purchasing power and moderate discretionary consumption over time. Urban demand conditions are likely to remain comparatively more stable, underpinned by steady employment trends and income growth, although rising price pressures could temper the pace of expansion at the margin.

Overall, the growth outlook for FY27 points to a shift towards a more moderate and uneven expansion path. While core domestic fundamentals, including investment intentions and financial sector stability, remain broadly supportive, the balance of risks is tilted to the downside. Key uncertainties stem from the evolving geopolitical environment, volatility in global commodity prices, fragile external demand conditions, and weather-related risks. The magnitude and duration of the expected slowdown will depend on the trajectory of crude oil prices, the persistence of global supply disruptions, and the degree of stability in international financial markets. In this environment, the policy approach is likely to remain calibrated, with monetary and fiscal authorities balancing the need to contain inflationary pressures while preserving growth impulses, thereby ensuring macroeconomic stability amid a challenging and uncertain global backdrop.