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Abstract

The global economy weathered the conflict in the Middle East better than expected in Q2 2026. However, higher energy prices renewed inflationary pressures and prompted monetary tightening in several major economies. Meanwhile, bond yields rose to multi-decade highs amid concerns over fiscal sustainability, higher government borrowing and inflation risks. Taking these developments into account, the IMF's October 2026 World Economic Outlook projects global growth to slow to 3.1 per cent in 2026, with risks tilted to the downside.

India's growth momentum, by comparison, has held firm. High-frequency indicators spanning industrial output, energy consumption, port traffic, GST collections, and automobile sales recorded stronger growth in Q2 FY27 than in the previous quarter. Building on growth of 7.8 per cent in Q1, the Department's nowcasting model estimates real GDP growth at 7.35 per cent in Q2 FY27. Reflecting these favourable domestic trends, the IMF has raised its FY27 growth forecast for India to 7.0 per cent, while the World Bank, the OECD and the RBI project growth at 7.1 per cent.

Industrial activity remained firm, with the Index of Industrial Production (IIP) expanding by 8.0 per cent year-on-year in August 2026, led by 9.0 per cent growth in Manufacturing. The Index of Core Industries (ICI) grew by 7.9 per cent YoY in September 2026. The HSBC India Manufacturing PMI strengthened to 55.1 in September from 52.8 in August, indicating a faster expansion in manufacturing activity. The latest Annual Survey of Industries (ASI) 2024-25, for which fieldwork was carried out during October 2025–June 2026, points to broad-based expansion in the registered manufacturing sector, with Gross Value-Added increasing by 9.59 per cent, fixed capital by 10.54 per cent and total persons engaged by 7.19 per cent over the previous year. This is corroborated by India's labour market indicators, which reflect a resilient job market, with stable monthly labour force participation and unemployment rate, alongside steady white-collar hiring activity. The ASI Survey also reported an expansion in organised manufacturing employment. Bank credit to industry alone grew by 18.2 per cent year-on-year, remaining strong across major industrial segments. Recent policy, investment, and firm-level developments point to continued efforts to scale up manufacturing, localisation, and technological capabilities. Going forward, increasing scale, domestic value addition, supply chain depth, and export competitiveness will remain important to broadening the manufacturing base.

Headline retail inflation (CPI) accelerated by 71 basis points to 5.54 per cent in September 2026, driven by a rise in consumer food prices (7.74%) and a partial pass-through of global fuel price rises to the CPI basket. However, a majority of the items in the CPI basket (~64 per cent) continue to record inflation well below the 4 per cent target. For Q2 FY27, CPI inflation averaged 4.94 per cent, which is aligned with the RBI's forecast for the period. As inflationary pressures persist, the RBI has hiked the repo rate by 25 basis points and changed its stance from neutral to calibrated tightening.

India's external sector continued to demonstrate resilience in September 2026 amid heightened global uncertainty, with total exports of merchandise and services growing by 11 per cent (YoY). Merchandise exports, which grew by 23.1 per cent (YoY), were the principal driver of this growth, led by electronics and engineering goods. Supported by a steady services surplus, the overall trade deficit narrowed during the period. On a cumulative basis, however, the current account deficit widened during April-August FY27. Nonetheless, strong banking capital inflows kept the overall balance of payments in surplus. India's external position also remained supported by comfortable foreign exchange reserves, which stood at USD 721 billion as of October 16, 2026.

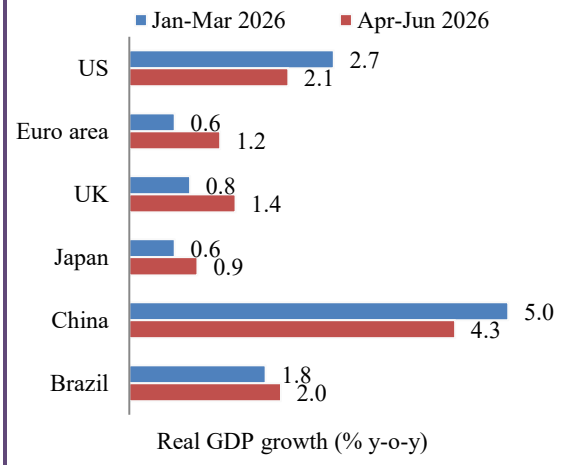
India's financial sector demonstrated notable resilience during the period, remaining relatively insulated from rising global sovereign bond yields and volatile global equity markets. Transmission through the money market remained orderly, with market rates staying close to the policy repo rate and surplus liquidity effectively calibrated through fully subscribed OMO sales. Overall bank credit growth continued its strong momentum, expanding by 21.6 per cent year-on-year.

Overall, robust domestic demand, sustained investment activity, a resilient financial sector, and proactive supply-side management have underpinned India's growth resilience so far. Uncertainties remain considerable. Amidst elevated crude oil prices, higher food inflation and uncertain outlook for the Kharif crop, sustaining economic activity while safeguarding price stability will be the focus of policymakers in the second half of the financial year.

Global Economy: Resilient Activity amid Renewed Inflation Pressures

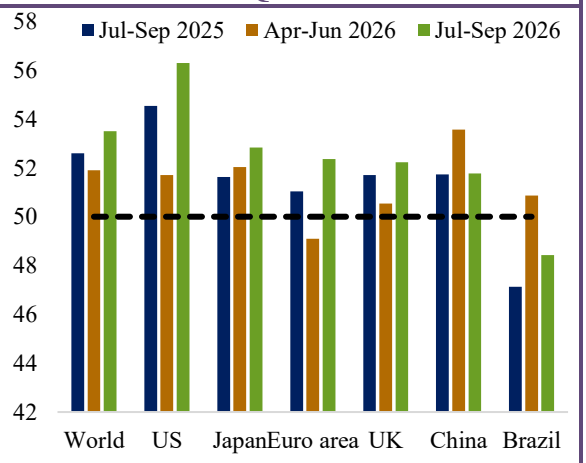
1. Global activity has proved more resilient to the conflict in the Middle East than initially expected, although its impact on inflation has been larger. In April-June 2026 (Q1 FY27), the first full quarter after the conflict began, flexible supply responses in energy markets, inventory drawdowns, and strong investment in artificial intelligence helped cushion the energy shock. G20 GDP growth remained broadly stable at 3.1 per cent year-on-year, although growth across major economies was uneven[1]. Growth in advanced economies was modest, with a slight improvement in Europe partly offset by slower growth in the United States. Emerging market economies continued to be the principal contributors to global growth, although growth performance varied across countries.

Real GDP Growth (YoY,%)



Source: OECD, Bloomberg

World's composite PMI index improved in Q3 2026



Source: Bloomberg

Business activity strengthened in July-September

2. Purchasing Managers' Index (PMI) survey indicators point to a recovery in global activity in July-September 2026, following a softer first quarter after the outbreak of conflict. The J.P. Morgan Global Composite PMI rose to 53.5 in Q3 2026, from 51.9 in Q2 and 52.6 in the corresponding quarter of 2025. The improvement reflected stronger activity across both manufacturing and services, supported in part by technology-related investment. The recovery, however, remained uneven: advanced economies, notably the United States and the euro area, led the improvement, while momentum moderated in several emerging markets.

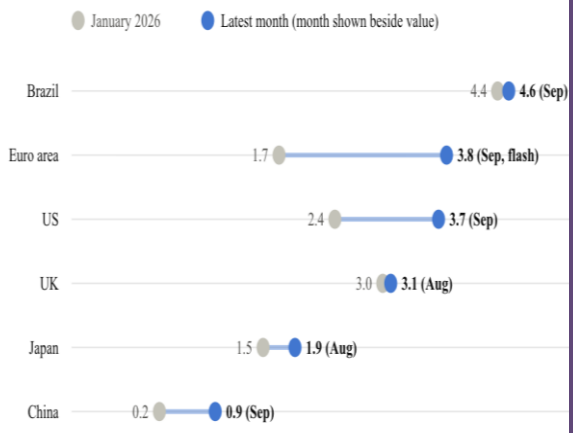
Energy prices have pushed headline inflation higher and prompted monetary tightening

3. Headline inflation increased in most major economies between January and September 2026, reflecting higher energy prices. In the United States, consumer price inflation rose from 2.4 per cent in January to 3.7 per cent in September, while in the euro area it more than doubled from 1.7 per cent to 3.8 per cent over the same period. Elsewhere, the impact has been more moderate, with inflation broadly stable in the United Kingdom and cushioned by energy

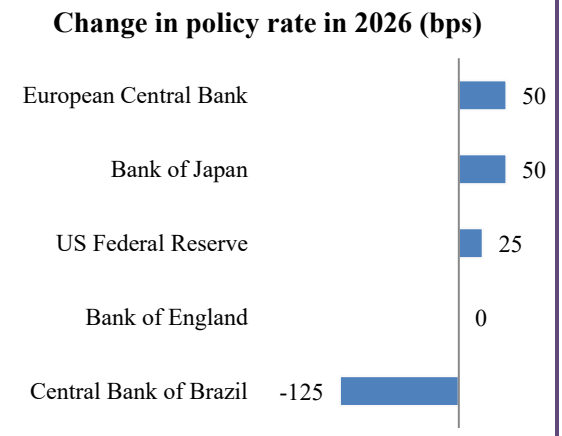
[1] https://www.oecd.org/content/dam/oecd/en/data/insights/statistical-releases/2026/9/g20-gdp-growth-Q2-2026.pdf

subsidies in Japan. Among emerging economies, price pressures have been mixed, ranging from subdued inflation in China, at 0.9 per cent in September, to inflation edging above the target band in Brazil. Core inflation has remained relatively contained, indicating that the energy shock has so far had limited spillover to broader prices, although firms have begun passing part of their higher input costs on to customers, which could keep inflation elevated in the months ahead.

Inflation pressures have renewed across major economies



Most major central banks have raised policy rates in 2026



Source: Bloomberg
Note: Change in policy rates calculated from 31 December 2025 to 16 October 2026

4. Renewed inflationary pressures have led several major central banks to raise policy rates in 2026. The US Federal Reserve raised its policy rate in September for the first time since July 2023, the European Central Bank has raised rates twice since June, and the Bank of Japan has lifted its policy rate to the highest level since 1995. A few emerging market central banks with high real interest rates, such as Brazil, have continued to reduce rates from restrictive levels. Global price shocks can distort the relationship between nominal and real GDP growth, with impacts varying significantly across economies depending on their trade and production structures, as shown in the Box I below.

Box I: Same Shock, Different Signals – Global Prices and GDP Growth

Global price shocks can make headline growth figures harder to read for multiple reasons. Their effect on an economy depends on the weight of the affected products in its production, export and import baskets. A sharp rise in the price of a major export can lift nominal GDP without a matching rise in real output. For economies that import these products, higher prices raise input costs but add less to the GDP deflator. Since the GDP deflator measures the prices of domestically produced final goods and services, its movement can differ substantially from that of consumer and wholesale price indices.

Two distinct shocks have significantly influenced global prices in 2026. The conflict in West Asia has driven up energy prices, with spillovers to metals and some food commodities.

Meanwhile, strong demand for investment in artificial intelligence has pushed up prices of memory semiconductors.

Table 1.1: Increase in Global Commodity Prices

Commodity/product	Price change as of September 2026 (%, year-on-year)
Energy	
European natural gas	128.6
Brent crude oil	71.8
Metals	
Copper	45.0
Metals and minerals price index	30.4
Food	
Wheat (US Hard Red Winter)	48.4
Food price index	15.8
Semiconductors	
DRAM export price index (Korea)	239.5
Flash memory export price index (Korea)	235.9

Sources: World Bank, Commodity Price Data (Pink Sheet), October 2026; Bank of Korea, Export/Import Price Indexes and Trade Indexes, September 2026 (preliminary).

The case of the Republic of Korea illustrates how sharp changes in export prices can create a significant divergence between real and nominal GDP growth. In Q2 of 2026, nominal GDP grew by 26.4 per cent year-on-year, while real GDP grew only by 3.7 per cent. This gap reflected a 21.9 per cent rise in the GDP deflator, even as consumer inflation remained close to 3 per cent. A sharp increase in semiconductor prices drove a 56.6 per cent rise in export prices. Import prices rose by 21.0 per cent, partly reflecting higher energy costs. While the prices of goods and services used domestically rose by 3.6 per cent.

The much faster rise in export prices than in import prices improved Korea's terms of trade considerably. The improvement in the terms of trade also boosted real gross national income (GNI), which grew by 15.6 per cent, more than four times the growth in real GDP. [2]

India presents a contrasting picture, with robust real GDP growth accompanied by a relatively modest increase in the GDP deflator. In Q1 FY2026-27, nominal GDP grew by 10.3 per cent year-on-year, while real GDP grew by 7.8 per cent, implying a GDP deflator increase of around 2.3 per cent. This was considerably lower than CPI inflation of 3.9 per

[2]Bank of Korea, Real GDP, Second Quarter 2026 (Preliminary), as reported in the Economic Bulletin, October 2026: https://eiec.kdi.re.kr/userdata/eco_bul/202610/202610.pdf

cent and WPI inflation of over 9 per cent. The divergence reflects the different price measures being compared: CPI and WPI track prices of specified consumption and wholesale baskets, whereas the GDP deflator captures prices of domestically produced final goods and services. The deflator for domestic demand was around 4.5 per cent[3], closer to CPI inflation, while the lower aggregate GDP deflator also reflected the influence of external trade prices and net taxes on products.

These contrasting experiences show how global price shocks can generate different signals across economies, depending on their exposure and output composition. Interpreting GDP growth, therefore, requires attention not only to changes in real output but also to the price movements underlying nominal growth for a holistic view.

Long-term bond yields have risen to multi-decade highs

5. Long-term government bond yields have risen sharply across major advanced economies, reaching their highest levels in 15 years or more in most cases. The increase has largely reflected a rise in the term premium, as investors demand greater compensation for holding long-term debt amid concerns over fiscal sustainability and higher government borrowing. At the same time, corporate borrowing to finance AI-related investment has added to these pressures by competing with governments for investor funds. The recent energy shock has further raised inflation risks and expectations of tighter monetary policy, adding to upward pressure on yields.

6. With public debt high and large amounts due for refinancing, the risk of a disorderly rise in yields has also increased. The consequences extend well beyond advanced economies, as higher yields raise the cost of capital for emerging markets.

Global Outlook: Steady but Uneven Growth, with Risks Tilted to the Downside

7. Against this backdrop, the IMF's October 2026 World Economic Outlook projects global growth to moderate from 3.5 per cent in 2025 to 3.1 per cent in 2026, before recovering to 3.4 per cent in 2027. The global growth outlook remains broadly unchanged from July, with the 2026 projection revised up marginally by 0.1 percentage point. This modest revision masks divergent regional trends. Growth prospects for advanced economies have improved, with their 2026 forecast raised by 0.4 percentage points to 2.1 per cent. In contrast, the projection for emerging markets and developing economies has been lowered by 0.1 percentage point to 3.7 per cent, while India has received an upgrade by 0.6 percentage points.

[3] The 4.5 per cent figure is an estimated weighted average of the implicit deflators for PFCE (2.6 per cent), GFCE (5.0 per cent) and GFCF (7.6 per cent), using their respective shares in GDP (55.6 per cent, 11.1 per cent and 34.3 per cent). The weights are normalised as the combined shares add up to 101 per cent.

Table 1: IMF real GDP growth projections (per cent)

Economy	2026	Revision from July 2026 Update: 2026	2027
World	**3.1**	**+0.1**	**3.4**
Advanced economies	**2.1**	**+0.4**	**1.8**
United States	2.3	0.0	2.3
Euro area	1.1	+0.2	1.2
Japan	0.7	+0.1	0.7
United Kingdom	1.3	+0.3	1.2
Emerging markets and developing economies	**3.7**	**−0.1**	**4.4**
China	4.5	−0.1	4.0
India	7.0	+0.6	7.0
Brazil	2.2	−0.2	1.9

Source: IMF, World Economic Outlook, October 2026.
Note: India's projections are on a fiscal-year basis (2026 refers to FY27).

8. On the inflation front, global headline inflation is projected to rise to 4.7 per cent in 2026, reflecting higher energy and food prices, before easing to 4.1 per cent in 2027. The eventual pace of disinflation is expected to vary across economies, with inflation in major advanced economies returning to target only gradually.

9. Given these vulnerabilities, risks to the global outlook remain tilted to the downside. A prolonged conflict in the Middle East could keep energy and food prices elevated as inventories dwindle. A sharp correction in equity markets, triggered by a reassessment of AI-related investment returns, could further weaken economic activity. Additional downside risks stem from renewed trade tensions, weather disruptions associated with El Niño, and cyberattacks targeting critical financial infrastructure. On the upside, sustained AI investment, faster productivity gains and new trade agreements could support stronger growth.

Indian Economy: Sustained Growth Momentum in Q2 FY27

10. Even as global growth remains subdued, the IMF's October 2026 World Economic Outlook has revised India's growth forecast upwards by 0.6 percentage points to 7.0 per cent for FY27 and by 0.3 percentage points to 7.0 per cent for FY28. The upgrades reflect stronger-than-expected momentum, supported by domestic demand and services activity. The World Bank, OECD and RBI have also raised their FY27 growth projections to 7.1 per cent, underscoring the favourable outlook for the Indian economy.

Table 2: Revisions to India's FY27 real GDP growth projections (per cent)

Agency	FY27 projection	Previous projection	Revision (percentage points)
IMF	7.0	6.4 (July 2026)	+0.6
World Bank	7.1	6.6 (April 2026)	+0.5

Agency	FY27 projection	Previous projection	Revision (percentage points)
OECD	7.1	6.3 (June 2026)	+0.8
Reserve Bank of India	7.1	6.7 (August 2026)	+0.4

Source: IMF World Economic Outlook (October 2026); World Bank South Asia Development Update (October 2026); OECD Economic Outlook, Interim Report (September 2026); RBI Monetary Policy Statement (October 2026).

11. High-frequency indicators also point to sustained domestic demand and continued economic momentum in Q2 FY27, consistent with the improved growth outlook. Goods movement and tax collections remained resilient during the quarter. E-way bill generation continued to expand, registering year-on-year growth of 7.0 per cent in Q2, albeit at a slower pace. Gross GST collections grew by around 15 per cent in Q2, up from around 8.4 per cent in Q1, reflecting improved revenue momentum. Recent GST reforms, building on earlier tax rate rationalisation, are expected to simplify compliance further, expedite refunds, and facilitate the movement of goods. Petrol and Diesel consumption remained healthy, indicating steady transportation and commercial activity, while electricity consumption continued to reflect robust economic activity. Freight and logistics indicators remained encouraging, with healthy growth in port cargo traffic during Q2 and expansion in air cargo traffic during July-August. Reflecting these favourable conditions, bank credit growth remained strong at 21.6 per cent year-on-year as of 30th September.

12. Business activity moderated in Q2, but showed signs of strengthening towards the end of the quarter. The manufacturing Purchasing Managers' Index (PMI) moderated during Q2, reflecting slower growth in new orders, while the Services PMI also softened. Both indices, however, remained firmly in the expansionary zone and strengthened in September, suggesting an improvement in business momentum towards the close of the quarter. The recovery in PMI readings, alongside improved business sentiment, points to a cautiously favourable outlook for the coming months.

13. Consumption demand remained resilient in Q2 FY27, supported by broad-based growth in automobile sales. Domestic automobile sales grew by around 25 per cent year-on-year, with expansion across vehicle segments and in both rural and urban markets. While a favourable base effect partly amplified the increase, as purchases had been deferred in August-September 2025 in anticipation of GST rate cuts, the broad-based nature of the expansion points to underlying strength in consumption demand.

14. Taken together, these indicators point to sustained growth momentum in Q2 FY27. Following real GDP growth of 7.8 per cent in Q1 FY27, the Department's nowcasting model, introduced in the Economic Survey 2025-26, nowcasts real GDP growth of 7.35 per cent in Q2 FY27.

Performance of High-frequency indicators (Per cent, YoY)

Indicators	Q2 FY25	Q1 FY26	Q2 FY26	Q3 FY26	Q4 FY26	Q1 FY27	Q2 FY27
Economic Activity							
E-way Bill Generation	16.8	20.5	23.1	19.4	15.7	12.4	7.0
PMI-manufacturing *	57.4	58.1	58.7	56.9	55.4	54.6	53.8
PMI-Services*	59.6	59.3	61.4	58.9	58.0	57.4	54.2
Electricity Consumption	-1.2	-1.4	3.4	-0.3	1.8	8.3	11.1
Fuel Consumption#	2.4	3.9	4.3	4.0	5.7	3.7	7.9
Index of Core Industries	2.3	1.0	4.2	3.3	3.8	3.9	6.3
IIP@	4.8	3.5	5.4	4.3	3.8	6.2	7.7
Air Cargo Traffic@	16.1	5.7	4.1	7.2	8.2	11.9	11.6
Port Traffic	6.1	5.6	5.9	13.0	4.3	6.2	10.0
Domestic Demand							
Air Passenger Traffic@	7.3	5.3	-1.9	1.7	0.6	1.2	-5.4
Urban Auto Sales	1.3	8.7	4.9	19.0	22.7	15.3	23.1
Rural Auto Sales	4.8	7.1	-1.1	20.2	23.9	14.4	26.6

Source: GSTN, Ministry of Commerce and Industry, HSBC, CEA, PPAC, Ministry of Ports, Shipping and Waterways, AAI, FADA
Note: * stands for absolute values; #includes motor spirit and high speed diesel; @data for Q2 FY27 is up to August

Industry and Infrastructure

15. UNIDO's World Manufacturing Production and Trade report for Q2 2026 showed global manufacturing output increasing by 1.5 per cent quarter-on-quarter, while medium-high- and high-technology industries expanded by 2.0 per cent. India's manufacturing output also increased by 1.5 per cent quarter-on-quarter. This positive expansion in manufacturing activity is seen despite heightened geopolitical tensions, protectionist measures and inflationary pressures.[4]

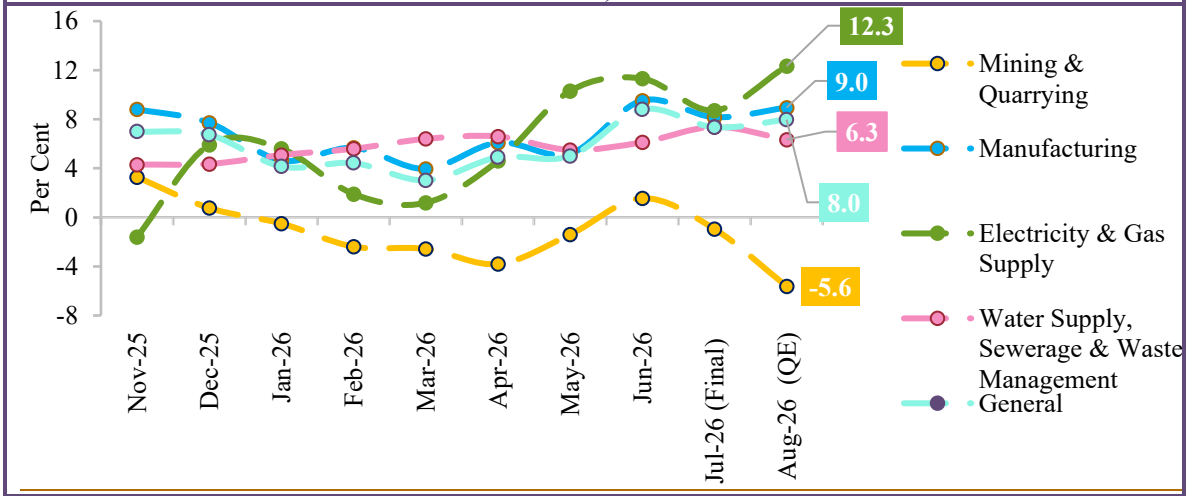
16. Industrial production strengthened further in August 2026. The Index of Industrial Production (IIP) expanded by 8.0 per cent year-on-year (YoY), compared with 7.4 per cent in July. Cumulatively, IIP grew by 6.8 per cent during April–August 2026-27, against 4.2 per cent in the corresponding period of the previous year. Manufacturing remained the principal driver,

[4] UNIDO, World Manufacturing Production and Trade – Quarterly Report, Q2 2026, released 30 September 2026. https://stat.unido.org/portal/storage/file/publications/qiip/World_Manufacturing_Report_2026_Q2.pdf

growing by 9.0 per cent, with 18 of the 23 industry groups recording growth. The expansion was notably supported by electrical equipment, other transport equipment, and motor vehicles, trailers, and semi-trailers. Electricity & Gas Supply recorded a strong growth of 12.3 per cent, while Mining & Quarrying contracted by 5.6 per cent.

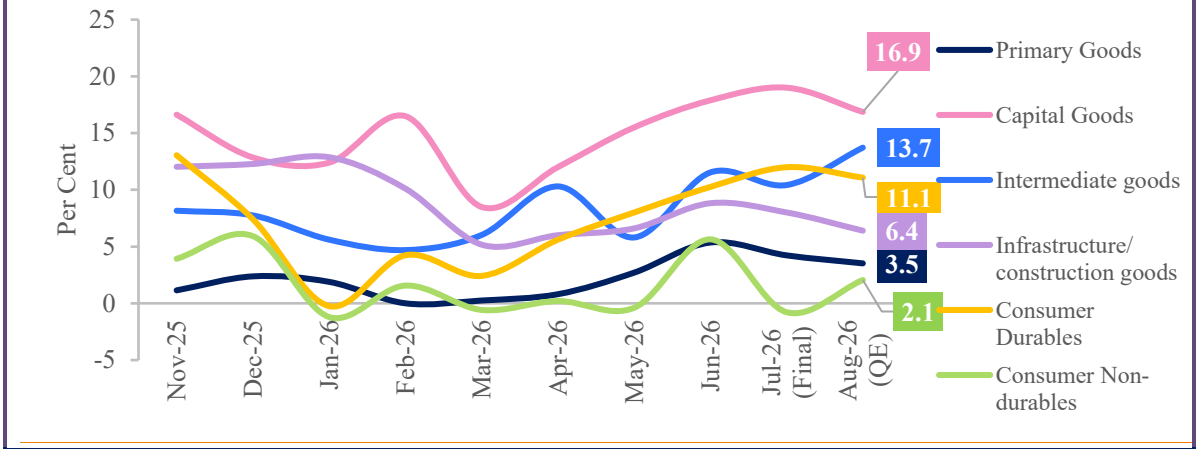
17. Among use-based categories, Capital Goods and Intermediate Goods grew by 16.9 per cent and 13.7 per cent, respectively, while Infrastructure/Construction Goods grew by 6.4 per cent. Consumer Durables grew by 11.1 per cent and Consumer Non-durables by 2.1 per cent. Overall, industry growth continues its momentum, led by manufacturing and investment- and production-linked categories, even as mining remains in negative territory.[5]

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



Source: Ministry of Statistics and Programme Implementation

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

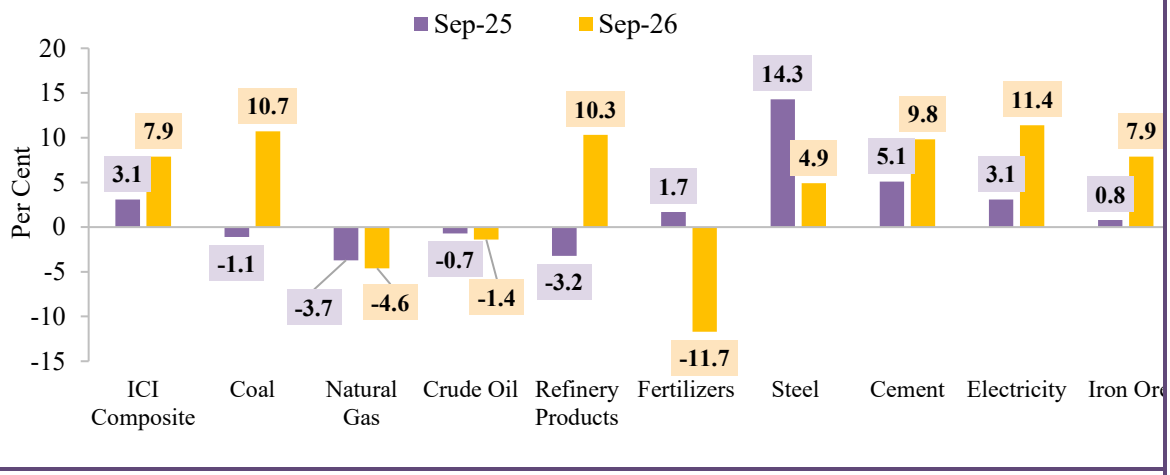


Source: Ministry of Statistics and Programme Implementation

[5] Ministry of Statistics and Programme Implementation, "Quick Estimates of Index of Industrial Production and Use-Based Index for August 2026 (Base 2022-23=100)", released 28 September 2026. https://www.pib.gov.in/PressReleasePage.aspx?PRID=2315957&lang=1&reg=3

18. The Index of Core Industries (ICI) recorded year-on-year growth of 7.9 per cent (provisional) in September 2026, compared to 5.9 per cent (final) in August. Iron Ore (18.4 per cent), Electricity (11.4 per cent), Coal (10.7 per cent), Refinery Products (10.3 per cent), Cement (9.8 per cent) and Steel (4.9 per cent) recorded YoY growth, while Fertilizers (-11.7 per cent), Natural Gas (-4.6 per cent) and Crude Oil (-1.4 per cent) contracted during the month. Coal, refinery products, steel, and Iron Ore have been the major drivers of overall ICI growth during recent months. During April–September 2026-27, the cumulative YoY growth of core industries stood at 5.1 per cent (provisional), compared to 2.5 per cent in the corresponding period of the previous year.[6]

Index of Core Industries-Monthly YoY Growth (%) (Sep-25 vs Sep-26)



Source: Office of Economic Adviser, DPIIT, Ministry of Commerce & Industry

19. Manufacturing activity strengthened in September, with the HSBC India Manufacturing PMI rising to 55.1 from 52.8 in August, the strongest reading in seven months. The improvement was supported by faster growth in new orders and output as both domestic and overseas demand strengthened. Employment growth turned positive after declining in August. Input costs and selling prices were higher in September, although price pressures remained moderate by historical standards.[7]

20. Operational indicators from the Reserve Bank's latest Order Books, Inventories and Capacity Utilisation Survey (OBICUS) also point to strong manufacturing demand. Capacity utilisation stood at 74.6 per cent in Q1 FY27, lower than 77.4 per cent in the preceding quarter, although the seasonally adjusted measure increased to 76.3 per cent from 75.2 per cent. New-order growth strengthened, rising by 14.3 per cent YoY and 3.7 per cent quarter-on-quarter, compared with 4.0 per cent and 2.9 per cent, respectively, in Q4 FY26. Taken together, the reduction in capacity utilisation was partly attributable to seasonal factors, while orders remained supportive.[8]

21. More recent survey evidence indicates that manufacturing conditions improved further during Q2 FY27, although cost pressures continued to temper the outlook. RBI's 115th

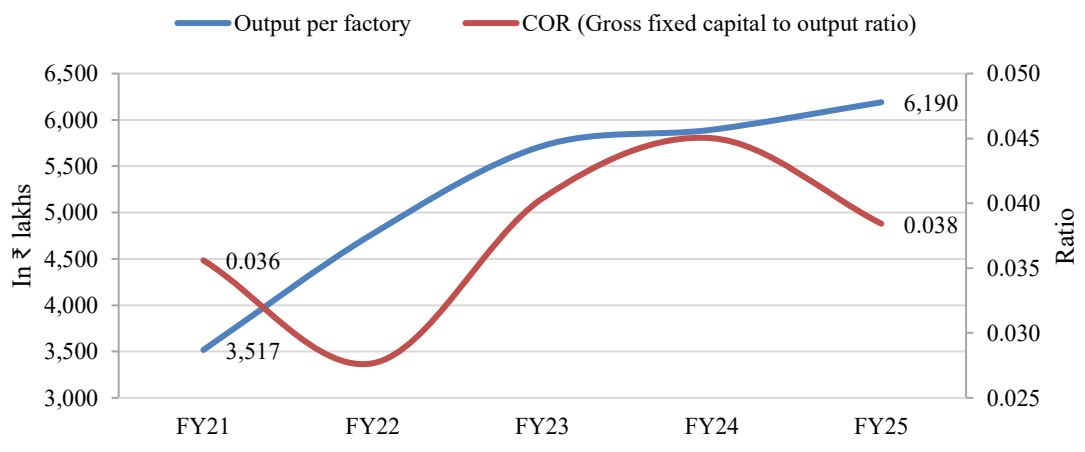
[6] Office of Economic Adviser, DPIIT, "Provisional Index of Core Industries for the month of September 2026, and Final Index for the month of August 2026 with Base Year 2022-23", released 21 October 2026.
[7] HSBC India Manufacturing PMI, compiled by S&P Global, September 2026, released 1 October 2026.
[8] Reserve Bank of India, *Industrial Outlook Survey*, 115th Round, Q2 FY2026-27, 7 October 2026.

Industrial Outlook Survey reported improved assessments of production, order books and capacity utilisation relative to Q1, with the Business Assessment Index rising to 104.4 from 100.4. Manufacturers were also more optimistic about Q3, particularly on production, order books, capacity utilisation and exports, with the Index rising to 126.3 from 111.1 despite elevated raw material cost pressures.[9] RBI's Q2 FY27 Services and Infrastructure Outlook Survey also indicates continued optimism among infrastructure companies regarding overall business conditions, employment and turnover, with firms remaining positive on business conditions and turnover for Q3.

22. FICCI's Q2 manufacturing survey broadly corroborated this improvement: 95 per cent of respondents reported higher or steady production, compared with 77 per cent in the previous quarter, while 90 per cent reported higher or steady orders, also up from 77 per cent. At the same time, higher production costs and geopolitical uncertainty continued to make firms cautious about fresh investment.[10] Taken together, the surveys point to an improvement in demand and operating sentiment, but with cost pressures remaining a constraint on the strength of the investment response.

23. Beyond the near-term indicators, the ASI provides a broader view of developments in the registered manufacturing sector. In FY25, industrial output increased by 7.81 per cent over the previous year (current price terms), while Gross Value Added (GVA) rose by 9.59 per cent. Fixed capital increased by 10.54 per cent, alongside a 7.19 per cent rise in total persons engaged, from 1.96 crore in 2023-24 to 2.10 crore in 2024-25. Output per factory rose by about 76 per cent between FY21 and FY25, accompanied by a 102 per cent rise in investment (gross fixed capital formation).

Increase in production capacity.



Source: ASI Factsheet 2025

[9] Reserve Bank of India, Services and Infrastructure Outlook Survey, 50th Round, Q2 FY2026-27, 7 October 2026.

[10] Federation of Indian Chambers of Commerce and Industry (FICCI), Quarterly Survey on Manufacturing, Q2 FY2026-27.

24. Growth in manufacturing production capacity is seen to be driven by a rise in the capital intensity of production, with the gross fixed capital-to-output ratio increasing by 8 per cent over this period, though it moderated slightly in the past year. Basic metals, motor vehicles, chemicals and chemical products, pharmaceuticals and food products together accounted for more than 45 per cent of registered manufacturing GVA. The broad-based increase across value addition, capital and employment points to an expansion in the scale of activity in the registered manufacturing sector during the year.[11]

25. Bank credit to industry remained strong in August 2026, growing by 18.2 per cent YoY, compared with 7.0 per cent in the corresponding fortnight of the previous year, although the pace moderated from 20.0 per cent in July. Credit to Medium industries grew by 31.8 per cent, followed by Micro & Small industries at 23.0 per cent and Large industries at 14.9 per cent. Among major industries, credit to infrastructure, engineering, basic metals and metal products, chemicals and chemical products, food processing, textiles, construction, and petroleum, coal products and nuclear fuels recorded buoyant year-on-year growth.[12]

26. Investment-related indicators point to continued infrastructure-led project activity. Banks and financial institutions sanctioned 1,032 projects with an aggregate project cost of ₹4.4 lakh crore in FY26, compared with 907 projects worth ₹3.7 lakh crore in the previous year.[13] Infrastructure accounted for 54.2 per cent of the aggregate project cost, with the power sector leading. Based on the phasing profile of pipeline projects across financing channels, the envisaged private corporate capital expenditure is estimated at ₹3.2 lakh crore in FY27, up from ₹2.6 lakh crore in FY26.[14]

27. Recent policy measures have also sought to widen the financing options available to firms seeking to scale. On 6 October 2026, the Union Cabinet approved a ₹10,000 crore Government of India commitment to establish an SME Growth Fund, designed to provide patient equity capital to viable and scalable small and medium enterprises. A majority of the Fund's allocation is intended for manufacturing-focused SMEs, including enterprises located in industrial clusters in Tier-II and Tier-III cities. The Fund is intended to support capacity expansion, technology adoption, international expansion and participation in global value chains. By providing equity rather than conventional debt finance, the Fund seeks to address the availability of long-term growth capital for SMEs attempting to expand scale and competitiveness.[15]

28. The Union Cabinet approved the setting up of the Integrated Transport & Logistics Authority (ITLA) on 6 October 2026 as a specialised institutional mechanism for transport and logistics planning, project appraisal, monitoring and impact assessment. ITLA is mandated to prepare a National Transport Master Plan with a planning horizon of ten years or more, undertake technical appraisal and monitoring of major transport infrastructure projects, and develop a unified transport data repository. The institutional arrangement seeks to strengthen

[11] Ministry of Statistics and Programme Implementation, "Annual Survey of Industries (ASI) 2024-25: Key Results", released 30 September 2026.
[12] Reserve Bank of India, "Sectoral Deployment of Bank Credit – August 2026", Press Release 2026-2027/1219, 30 September 2026.
[13] RBI Bulletin September 2026
[14] RBI Private Corporate Investment: Growth in 2025-26 and Outlook for 2026-27
[15] https://www.pib.gov.in/PressReleaseIframePage.aspx?PRID=2319534&lang=2&reg=3

multimodal coordination, data-based appraisal and monitoring alongside existing mechanisms such as PM GatiShakti and the National Logistics Policy.[16]

29. Market announcements in several strategic manufacturing segments signal investments in increasing capacity and deepening technological capabilities. HAL announced an increase in annual AL-31FP aero-engine production capacity from 30 to 50 units, supported by an investment of ₹335 crore, and a ₹218 crore second production line for Shakti engines with a planned capacity of up to 100 engines annually. Hindustan Shipyard Limited launched the first indigenously designed Fleet Support Ship, with over 82 per cent indigenous content, alongside an upgrade of its shipbuilding infrastructure.[17,18] Hyundai Motor Group announced a US$15.5 billion investment programme in India over 2026–2032 covering manufacturing expansion, R&D, local supplier development and future mobility technologies, while GE Aerospace plans to nearly double its annual supplier spend in India from around US$200 million in 2025 to around US$400 million by 2030.[19] L&T Technology Services also inaugurated an AI-native digital manufacturing lab in Bengaluru, integrating industrial AI, digital twins and autonomous systems.

30. The World Bank's October 2026 India Development Update notes that private investment in artificial intelligence in India increased from US$1.2 billion in 2024 to US$4.1 billion in 2025.[20] The report also places India among the top ten emerging-market performers on AI readiness, supported by its large technical workforce, globally integrated IT sector, and digital public infrastructure.

31. India's transition to electric mobility is gathering momentum, but vehicle adoption and charging-infrastructure readiness remain uneven across States. This is examined in the Box II below.

BOX II: EV Adoption and Charging Infrastructure — Aligning Network Expansion with Demand

The *India Electric Mobility Index 2025* assesses Transport Electrification Progress and Charging Infrastructure Readiness, showing that the two do not necessarily move together. Among large States, Haryana recorded a charging-infrastructure readiness score of 91 but a transport-electrification score of 19. In contrast, Uttar Pradesh recorded a transport-electrification score of 58 and a charging-readiness score of 36.[21]

Policy support for charging infrastructure is being scaled up. Under the PM E-DRIVE Scheme, ₹2,000 crore has been earmarked for public charging infrastructure for electric

[16] https://www.pib.gov.in/PressReleasepage.aspx?PRID=2319529&lang=1&reg=48
[17] https://www.pib.gov.in/PressReleaseIframePage.aspx?PRID=2319668&lang=2&reg=48
[18] https://www.pib.gov.in/PressReleaseIframePage.aspx?PRID=2320049&lang=2&reg=48
[19] https://www.hyundai.com/worldwide/en/newsroom/detail/0000001288
[20] https://www.ltts.com/press-release/launches-EI-la
[21] NITI Aayog, *India Electric Mobility Index 2025*, September 2026, https://www.niti.gov.in/node/2424

vehicles. As of 28 September 2026, ₹851 crore had been approved for the deployment of 8,147 chargers through three oil marketing companies and 10 States.[22]

The location and utilisation of charging stations are also important. NITI Aayog's report, *Unlocking a $200 Billion Opportunity: Electric Vehicles in India*, notes that an even geographical distribution of charging stations may leave some facilities overloaded and others underutilised. It suggests selecting locations based on vehicle movement patterns and likely demand. The report also identifies difficulties in obtaining land, electricity connections, and necessary approvals, as well as in coordinating among power distribution companies, local authorities, and landowners. Low utilisation of public charging facilities also affects their financial viability.[23]

Singapore provides an example of demand-based charging infrastructure planning. Its Land Transport Authority (LTA) and subsidiary, EV-Electric Charging Pte Ltd (EVe), coordinate with charging operators and government agencies to deploy charging infrastructure. LTA monitors EV adoption and charger utilisation and works with operators to install additional chargers in locations with high demand, subject to available electrical capacity.[24]

India already has provisions for State Nodal Agencies under the Ministry of Power's 2024 charging infrastructure guidelines. Under the PM E-DRIVE framework, appointed nodal agencies are required to undertake feasibility studies for proposed charging locations, while implementing agencies are required to share information on charger location and availability through Unified Bharat E-Charge.[25] The findings of NITI Aayog and Singapore's experience suggest that existing agencies could use information on EV registrations, vehicle movement patterns, operational chargers and their utilisation to plan charging infrastructure according to demand. Such an assessment would also need to recognise the role of home and other private charging, which is not captured by public-charging indicators. Making information about the facilities currently available in the country to the private sector would likely encourage alternative and innovative models for the provision of charging services and the financing of charging station installations.

Agriculture: Sowing, Rainfall and Water Availability

32. As on 02 October 2026, the area sown under Kharif crops stood at 1,115.31 lakh hectares, compared with 1,127.12 lakh hectares during the corresponding period last year. Area under Kharif rice stood at 433.62 lakh hectares, compared with 449.18 lakh hectares last year.

[22] Press Information Bureau, Government of India, "PM E-DRIVE Scheme: ₹851 crore approved for deployment of 8,147 public EV charging stations through three oil marketing companies and 10 States", 28 September 2026,
[23] NITI Aayog, *Unlocking a $200 Billion Opportunity: Electric Vehicles in India*, August 2025, pp. 12–13 and 22–23, including "Strategic Scaling of Charging Infrastructure
[24] Ministry of Transport, Government of Singapore, *Written Reply on Requirements for EV Charger Deployment and Utilisation*, 25 September 2025; *Deployment of EV Charging Infrastructure in New Towns*, 6 May 2026.
[25] Ministry of Power, *Guidelines for Installation and Operation of Electric Vehicle Charging Infrastructure-2024*, 17 September 2024, Section 20, "Implementation Mechanism"; Ministry of Heavy Industries, *FAQs on Operational Guidelines for EV Public Charging Stations under PM E-DRIVE*, referring to guidelines dated 26 September 2025, Questions 4, 7, 11 and 12. 2024 guidelines.

In contrast, the area under pulses increased to 122.39 lakh hectares from 119.82 lakh hectares, registering a gain of 2.57 lakh hectares.

33. From 1 June to 30 September 2026, cumulative all-India rainfall was 13% below the Long Period Average (LPA), with regional variations: East and Northeast India (-26%), Northwest India (-6%), Central India (-3%) and South Peninsula (-24%). At the district level, among the 262 vulnerable districts monitored by the Crop Weather Watch Group (CWWG), 158 recorded normal or above-normal rainfall, while 104 recorded deficient or large-deficient rainfall. No district was reported in the no-rainfall category.

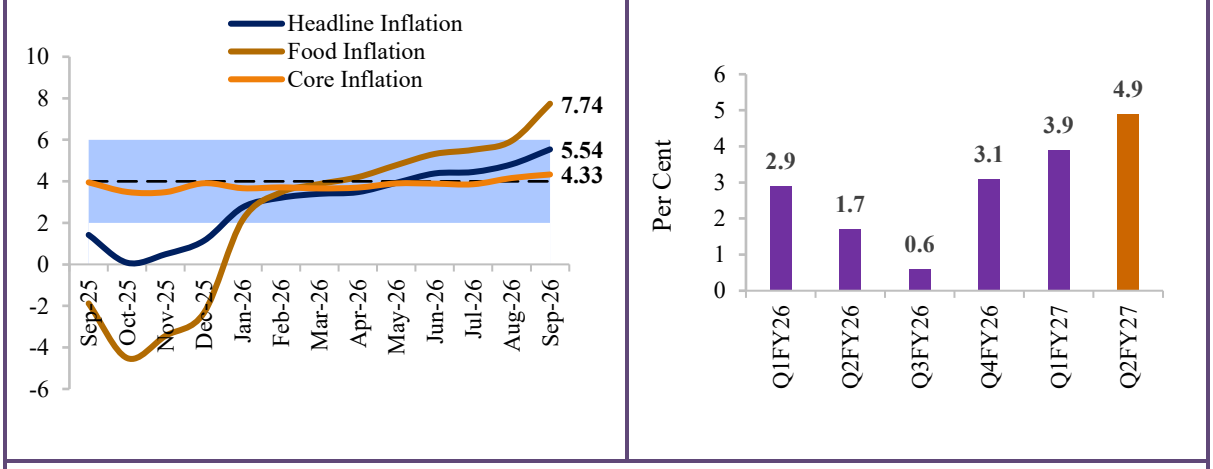
34. As on 1 October 2026, live water storage in 178 important reservoirs monitored by the Central Water Commission (CWC) stood at 132.734 billion cubic metres (BCM), equivalent to 71.84% of their total live storage capacity of 184.762 BCM. Storage was 79.55% of the corresponding level last year and 87.83% of the ten-year average for the corresponding period. Of the 178 reservoirs, 109 had storage exceeding 80% of normal, 45 had storage between 51% and 80%, and 24 had storage at or below 50%.

Persisting inflationary pressures

Retail inflation developments

35. The headline inflation rate, as measured by the Consumer Price Index (CPI), increased by 71 basis points (bps) and reached 5.54 per cent in September 2026, as against 4.83 per cent in August 2026. Quarterly retail inflation averaged 4.94 per cent in Q2FY27, up from 1.7 per cent a year earlier. This quarter's reading remains in line with the RBI's October forecast of 4.9 per cent.

Consumer Price Index - Monthly and quarterly inflation (in per cent)



Source: MoSPI

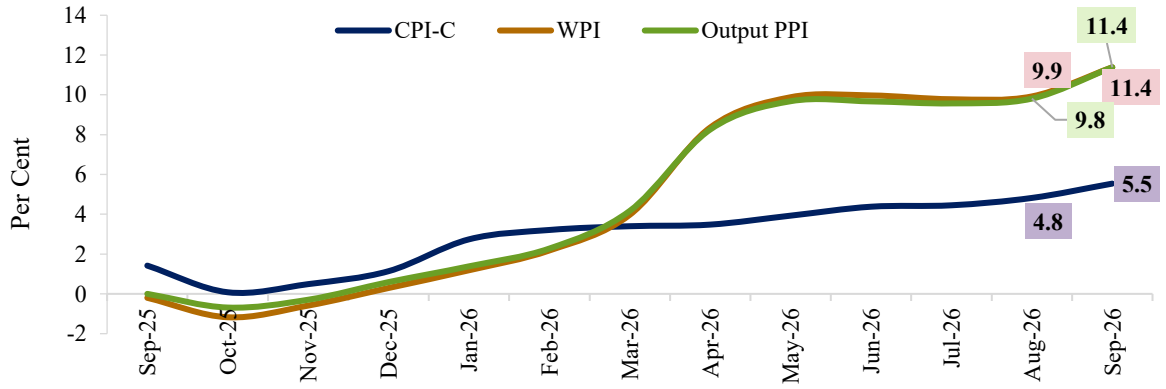
36. Food inflation jumped up to 7.74 per cent, which has exerted upward pressure on the cost of the overall consumption basket. Meanwhile, core inflation,[26] which indicates underlying inflationary trends, also quickened to 4.33 per cent in September, from 4.16 per cent in August.

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

WPI & Output PPI inflation

37. The Wholesale Price Index (WPI) based inflation registered a sharper increase vis-à-vis the rise in CPI-based inflation. It rose from 9.92 per cent in August 2026 to 11.39 per cent in September, owing to pressures in the fuel & power segment, following renewed geopolitical tensions. Similarly, the Output Producer Price Index (OPPI) inflation rate quickened to 11.4 per cent from 9.8 per cent in August. Meanwhile, the Input PPI inflation (month-on-month) moved into the inflationary zone in September, at 1.8 per cent, after recording deflation in August.[27]

Inflation based on CPI, WPI and Output PPI



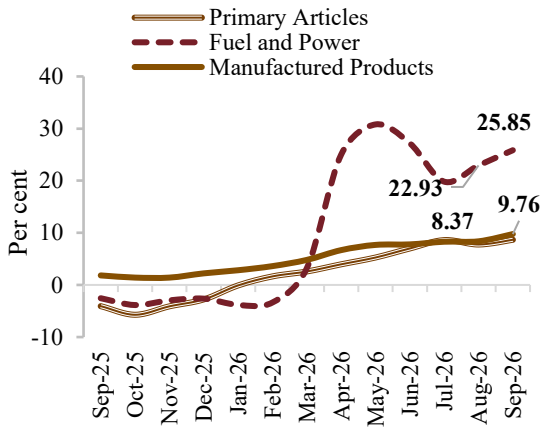
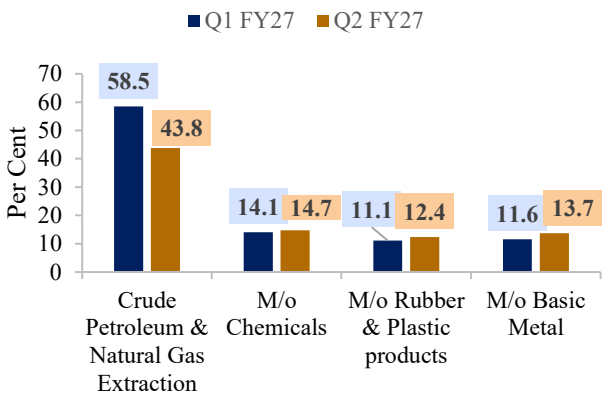
Source: MoSPI, DPIIT

38. Observed across the major groups of WPI basket, *primary articles* inflation inched up to 8.7 per cent in September (from 7.8 per cent in August), while that of 'manufactured products' edged higher to 9.76 per cent in September 2026 (compared to 8.37 per cent in August).

39. Inflation in the *fuel and power* category experienced further acceleration, climbing to 25.85 per cent in September 2026 after hovering at 22.93 per cent in August 2026. This sharp increase highlights the intensified cost pressures in global energy and fuel markets, potentially feeding into domestic wholesale prices. As per Output PPI data, the average inflation for Q2 FY27 remained lower than the Q1 FY27 average for Crude Petroleum & Natural Gas Extraction, while it edged up slightly for the other key subgroups.

40. Food index inflation of the WPI rose to 8.7 per cent in September from 7.05 per cent in August, and the OPPI trends for tomatoes, potatoes and onions were broadly similar to the corresponding CPI inflation trends for these commodities.

[27] For Input PPI, index numbers are available from March 2026 onwards. Hence, Year on Year inflation could not be calculated

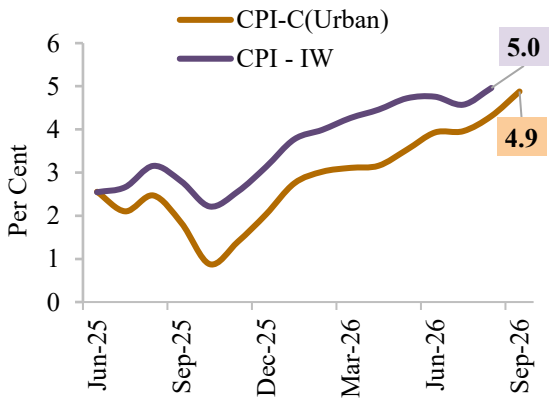
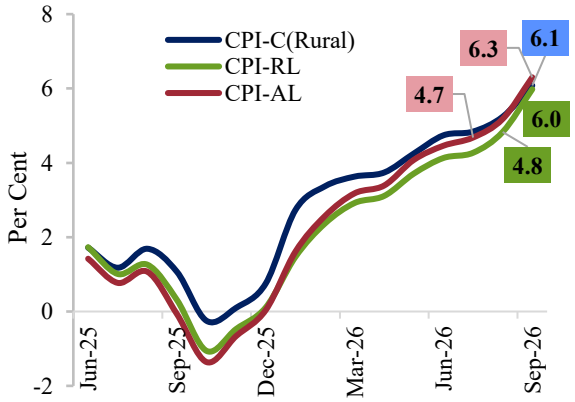
WPI Inflation in major groups	Output PPI Inflation in key groups/subgroups
	

Source: DPIIT; M/o stands for 'Manufacturing of'

Inflation: geography and occupation group-wise

41. The retail inflation in rural areas recorded 6.08% as against the urban retail inflation of 4.88%. Food prices are rising faster in rural areas (8.06%) than in urban centres (7.18%). Given the higher weightage of food in the rural consumption basket, rural retail inflation tends to accelerate when food price pressures appear.

42. Agricultural, rural labour, and industrial workers have been facing rising inflation in their respective consumption baskets over the past 9-10 months.[28] For rural labour, inflation was slightly lower than the average CPI inflation for rural areas, while for industrial and agricultural workers, it was slightly higher than the average CPI respectively for urban and rural areas, for the same month.

Inflation based on CPI-IW & CPI-Urban	Inflation based on CPI-AL, CPI-RL, and CPI-Rural
	

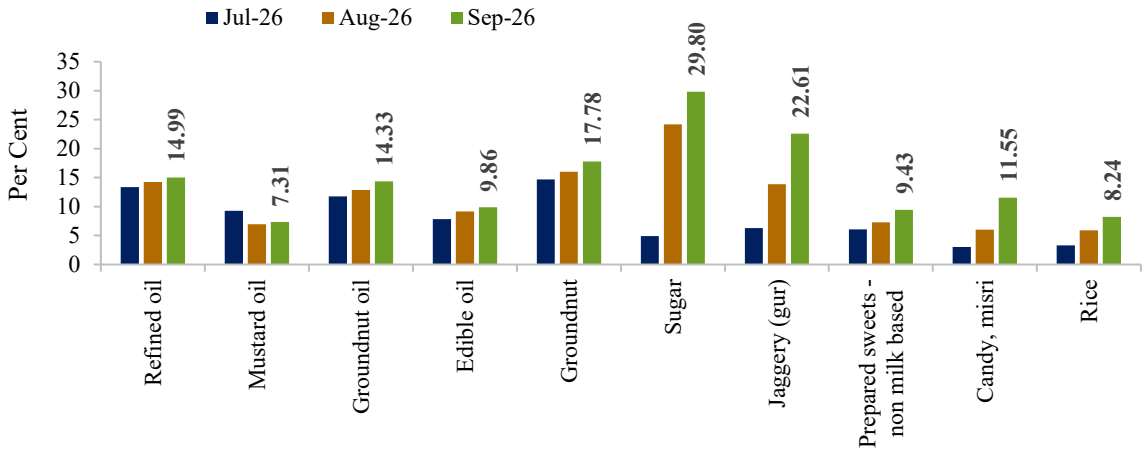
[28] While Headline CPI measures inflation for the general population, based on the consumption basket of the entire population and is the index used for India's inflation-targeting framework, CPI-IW (Industrial Workers), CPI-AL (Agricultural Labourers) and CPI-RL (Rural Labourers) calculated by the Labour Bureau are occupation-specific indices, with their item baskets and weights reflecting the consumption patterns of the respective groups, based on independent surveys carried out in such locations where they reside.

Source: MoSPI & MoLE
Note: The latest CPI-IW inflation is available through August 2026, while for CPI-urban it is through September 26. The latest CPI-RL, CPI-AL, and CPI-rural data is available for September 2026.

Food inflation

43. Inflation in food articles continued in September as well. Domestically, a spike in onion prices (108%), upside pressures in the prices of sugar (30%) and related items [like jaggery (23%), candy, misri (12%)], refined oil (15%), groundnut oil (14%) and rice (8%) have been the key drivers of food inflation. According to industry experts, the global demand for Indian rice, particularly from Gulf countries, has been rising recently, thereby contributing to the household staple getting pricier. Onions continue to witness higher prices as stocks from the previous rabi harvest are running low, while arrivals of the new kharif crop have been delayed by nearly a month. Meanwhile, lower sugarcane production, due to excess rainfall and red rot disease affecting the crop, may have exerted upward pressure on sugar prices. This may have been further exacerbated by increased demand ahead of the festive season and by tightening global sugar supplies/rising prices.[29]

Item-wise inflation in select food categories



Source: MoSPI

44. Globally, the FAO Food Price Index (FFPI) averaged 136.0 points in September 2026, up 2.0 points (1.5 per cent) from its revised August level.[30] Compared to a year earlier, the FFPI stood 7.4 points (5.8 per cent) higher but remained 24.3 points (15.1 per cent) below its peak reached in March 2022. In addition, global edible oil supplies have tightened due to geopolitical conflicts, El Niño, and biofuel mandates, pushing up prices of palm, soybean, and sunflower oil. The FAO Vegetable Oil Price Index averaged 198.6 points in September, up 1.8 points (0.9 per cent) from August and 18.3 per cent above its level a year earlier.[31]

45. The Government closely monitors the supply side bottlenecks in particular markets and takes measures to contain the price pressures appearing there. To moderate domestic edible oil

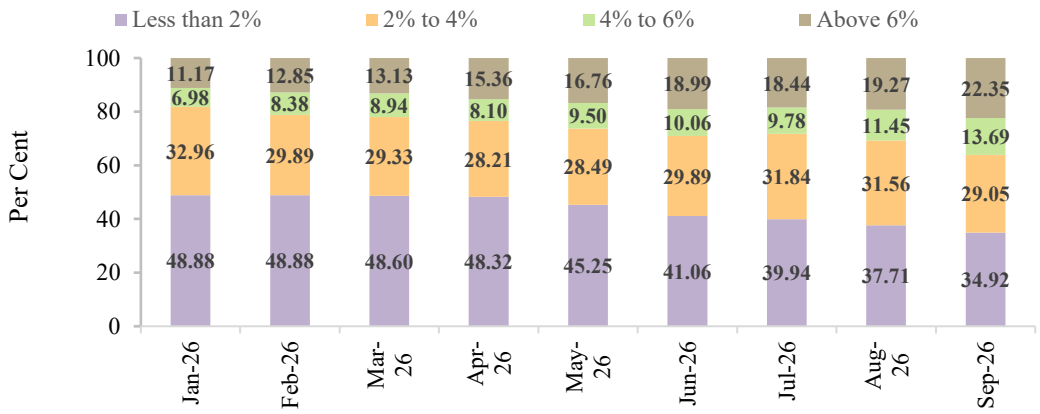
[29] https://www.pib.gov.in/FactsheetDetails.aspx?id=150971&NoteId=150971&ModuleId=16&reg=40&lang=38
[30] FAO Food Price Index | Food and Agriculture Organization of the United Nations
[31] Ibid.

prices and contain inflationary pressures, the Government reduced Basic Customs Duty (BCD) on crude sunflower oil from 10% to nil and on crude soybean and palm oils from 10% to 5%.[32] The inflationary pressures on sugar and onions in the coming months may also ease, following supply-side management by the Government. For onions in particular, higher kharif acreage, robust arrivals, and efficient distribution via 'Kanda Express' may support the supply position.[33] Additionally, state-run OMCs have recently floated tenders for the procurement of ethanol for Ethanol Supply Year 2026-27, wherein offers from ethanol produced from sugar and related products have been restricted.[34]

Non-food Inflation

46. In 5 out of 12 '*Divisions,*[35]' inflation exceeded the 4 per cent mark in September 2026: transport (5.01%), pan, tobacco & intoxicants (4.80%), food and beverage serving services (7.36%), restaurant & accommodation (9.36%), and personal care et al. (13.75%). However, a majority of the basket (~64 per cent of items) continued to record inflation well below the 4 per cent target.

Distribution of item-level inflation in CPI



Source: Calculated using MoSPI data

47. The higher inflation in the 'personal care et al' division observed for the past several months saw some moderation in September, owing to a notable reduction in gold and silver jewellery inflation. Retail inflation in the 'restaurant & accommodation' division continued to rise as commercial LPG and food prices, particularly rice, onion, sugar, and a few spices, became dearer. Cooked meals (8 per cent) & cooked snacks (10 per cent) from the restaurants are proving costly.

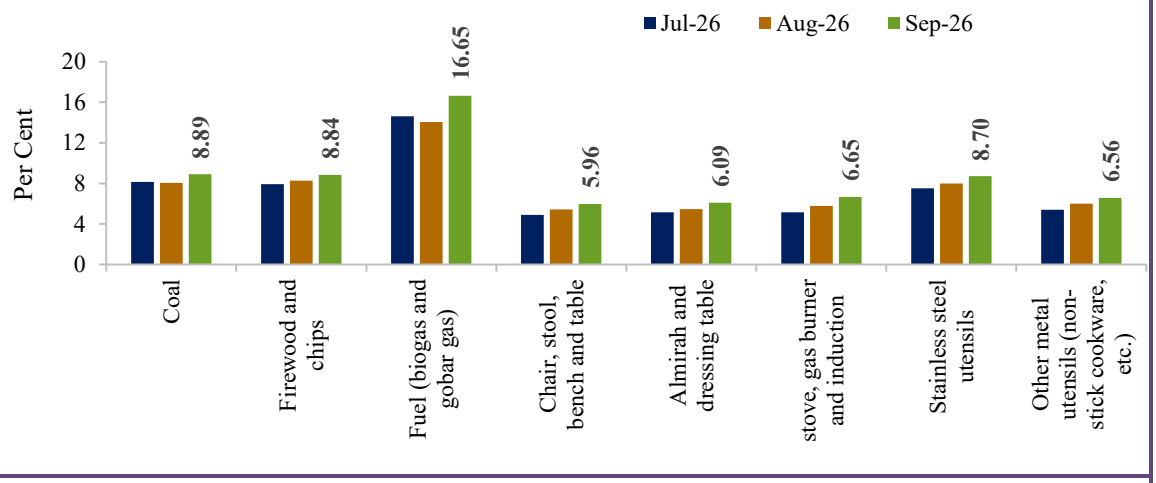
48. Transport as a Division recorded a 5 per cent inflation in September, slightly up from 4.6 per cent in August, though key fuels (petrol, diesel) did not see any further price hikes by

[32] https://www.pib.gov.in/PressReleaseDetail.aspx?PRID=2314297&reg=48&lang=1 , dated 24.09.2026
[33] https://www.pib.gov.in/PressReleasePage.aspx?PRID=2320278&reg=48&lang=2 , dated 07.10.2026.
[34] BPCL tender dated 16.10.2026 https://www.bharatpetroleum.in/tenders/view-tenders-details?id=159570
[35] The 12 CPI divisions are: Food & Beverages; Paan, tobacco & intoxicants; Clothing & Footwear; House, Water, Gas, Electricity & Other fuels; Furnishings, household equipment & routine household maintenance; Health; Transport; Information & Communication; Recreation, sport & culture; Education services; Restaurants & accommodation services; Personal care, social protection & miscellaneous goods and services.

the Oil Marketing Companies (OMCs). Additionally, coal, firewood and chips, biogas and gobar gas inflation have surged notably, possibly reflecting a shift in consumption patterns as rising fuel prices seem to have incentivised substitution toward alternative energy sources.

49. Metallic items such as steel utensils and non-stick cookware, etc., saw higher prices on account of a rise in wholesale market prices of metallic minerals (~13% in September, up from 9.6% in August).

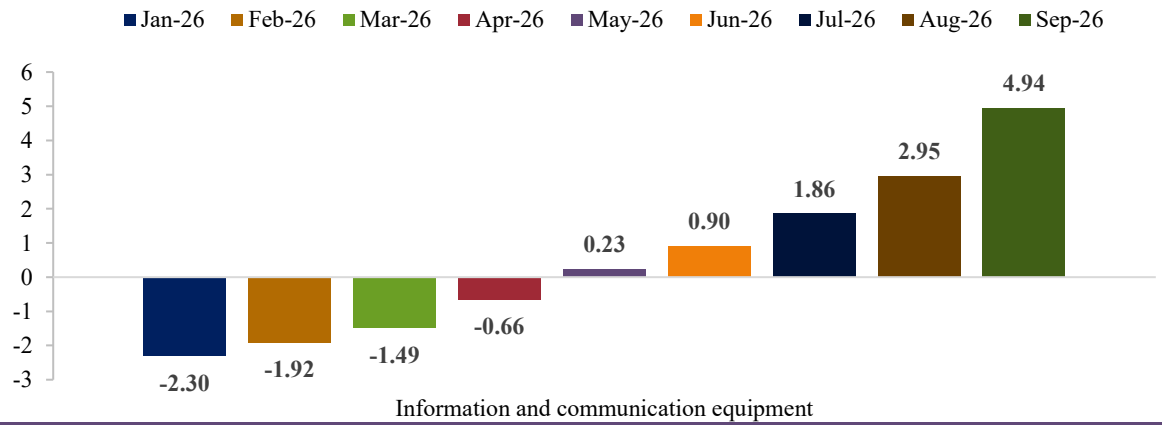
Item-wise inflation in select non-food categories



Source: MoSPI

50. Acute global shortages of consumer-grade DRAM memory chips[36]—diverted primarily to support the artificial intelligence data centre expansion—has pushed up consumer electronics prices. This is evidenced by the pickup in inflation for the 'information and communication equipment'[37] category observed in recent months. (For September, it is ~5 per cent, up from ~3 per cent recorded in August).

Inflation in electronic goods



Source: Calculated using MoSPI data

[36] Some industry estimates project the memory chip prices to remain elevated as major manufacturers prioritise high-margin AI data centre production over consumer electronics components. As of October 22, 2026, the spot price (sourced from *Bloomberg Terminal*) of Dynamic RAM 1-Gigabit (USD/chip) was ~328% higher y-o-y.

[37] Note: Info & Comm. Equipment sub-index includes Telephone instrument (landline); Mobile handset; PC/Laptop/tablet and other peripherals, including software; Television; Headphone, earphone, ear pod, air pod, and bluetooth devices; Pen-drive and external hard disk.

Global Trade Dynamics

51. Global trade has exhibited resilience in the face of persistent uncertainties related to trade policies, alongside a notable rise in geopolitical risks. These factors, which have prevailed over an extended period, contribute to a complex and challenging environment for global trade. Despite these challenges, particularly in light of the recent conflict in West Asia, global trade has continued to increase. The substantial increase in global investments related to artificial intelligence has effectively mitigated the disruptions caused to energy and fertiliser shipments. This resilience has been further supported by enhanced supplies from producers outside the conflict-affected region.

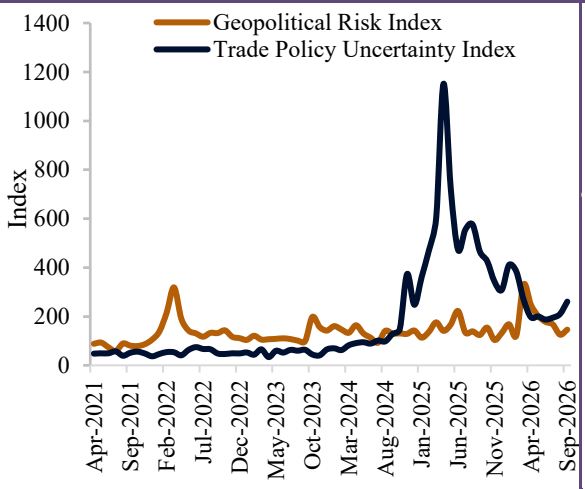
52. WTO, in its Global Trade Outlook and Statistics, October 2026, has raised the projection for world merchandise trade volume growth to 3.9 per cent in CY 2026, from 1.9 per cent forecast in March 2026. For CY 2027, growth is projected at 4.1 per cent, compared with the earlier forecast of 2.6 per cent. This follows growth of 4.2 per cent in CY 2025. At the same time, in contrast, the forecast for services trade in volume terms has been revised downwards to 3.3 per cent from 4.8 per cent in CY 2026, as the conflict in West Asia has impacted travel and tourism in the region and concurrently raised the input costs of fuel globally. However, the services trade is expected to grow more strongly in CY 2027 at 6.4 per cent. Consequently, the volume of merchandise and services trade is projected to grow by approximately 3.7 per cent in CY 2026 and 4.7 per cent, respectively, in CY 2027.[38]

53. According to the WTO's Global Trade Outlook and Statistics, the increase in AI-related investments, which has increased the demand for AI-enabling goods, is the key driver of export growth globally in H1 of CY 2026. Trade in these AI-enabled goods has grown faster than merchandise trade since CY 2024. In CY 2025, trade in AI-enabled goods grew by 31 per cent and by 67 per cent in H1 of CY 2026 (YoY, in value terms). As a result, its share in world merchandise trade rose from 7-8 per cent during the period CY 2016-2023 to 14.8 per cent in H1 of CY 2026. This expansion, however, is highly concentrated. The ten largest traders accounted for about 85 per cent of exports and 80 per cent of imports of these goods in CY 2025, and concentration has risen further in 2026.

54. Alongside these developments, global trade continues to be shaped by geopolitical considerations. Geopolitical risks and trade policy uncertainty have increased again in September 2026 after months of easing, although both remain below their respective peaks. Continued volatility in geopolitical developments and trade policies, therefore, remains a risk to the outlook for global trade.

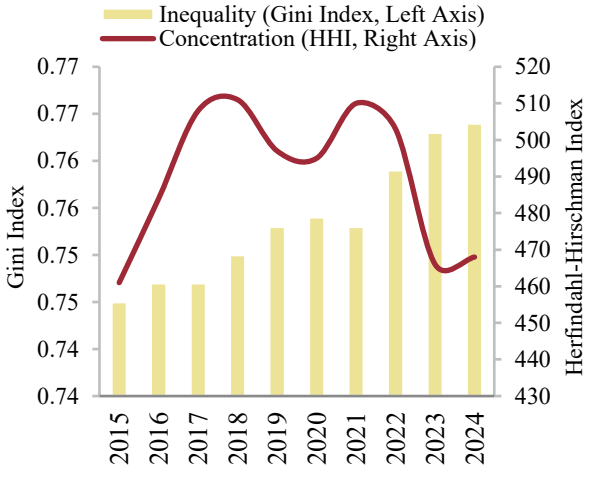
[38] WTO: Global Trade Outlook and Statistics, October 2026

Trade policy uncertainty index and Geopolitical risk index



Source: Caldara, Dario, Matteo Iacoviello, Patrick Molligo, Andrea Prestipino, and Andrea Raffo, "The Economic Effects of Trade Policy Uncertainty", retrieved from https://tinyurl.com/4p5p7kzn and "Measuring Geopolitical Risk," retrieved from https://tinyurl.com/33wz89es.

Trade fragmentation is uneven, driven by shifts in concentration and distribution



Note: Inequality refers to the Gini coefficient; concentration is captured by the Herfindahl-Hirschman index. Both indices are based on the dollar values of bilateral merchandise trade flows, aggregated across products at the country-pair level.
Source: UNCTAD, Trade and Development Report 2026: https://tinyurl.com/msc2khj5.

55. UNCTAD's measures of the structure of global merchandise trade point out that trade resilience at the aggregate levels masks changes in the reorganisation of trade due to geoeconomic and geopolitical directions. The Herfindahl-Hirschman Index (HHI), which shows how much of world trade is concentrated in the largest bilateral relationships, declined sharply in CY 2023 and remained relatively low in CY 2024, the latest year for which data are available. This means the largest trade links now carry a smaller share of global trade. The Gini coefficient shows how unevenly trade is spread across all country pairs. The coefficient has steadily increased over the period, indicating uneven growth, with some trade routes expanding rapidly while many others have lagged. Together, the two measures suggest that trade is shifting toward selected routes rather than spreading evenly among all partners. This points to a selective reorientation of trade rather than a generalised retreat from globalisation.[39]

56. The outlook nevertheless remains subject to significant risks. A slowdown in AI-related investment would weigh on trade given its high import content, while the West Asia crisis continues to exert pressure on prices across the world, with global headline inflation for CY 2026 revised up to 4.7 per cent from 3.7 per cent projected earlier. Higher inflation erodes real incomes and may prompt tighter monetary policy, which could dampen demand and, in turn, global trade.[40]

India's Trade Performance in September 2026

57. India's export performance continued its upward momentum in the first half (H1) of FY27. Total exports (merchandise and services) in H1 FY27 stood at USD 476.2 billion, up

[39] UNCTAD, Trade and Development Report 2026: https://tinyurl.com/msc2khj5.
[40] WTO: Global Trade Outlook and Statistics, October 2026

13.8 per cent (YoY), while total imports increased by 15.7 per cent (YoY) to USD 551.1 billion.[41] Consequently, the total trade deficit stood at USD 74.9 billion in H1 FY27, compared with USD 58.1 billion in the corresponding period the previous year.

58. Merchandise exports during H1 FY27 stood at USD 259.9 billion, up 18.5 per cent compared to H1 FY26. This outpaced the 16.3 per cent (YoY) growth in merchandise imports, which stood at USD 437.5 billion during the same period, reflecting stronger growth momentum in exports. At the same time, the merchandise trade deficit stood at USD 177.6 billion in H1 FY27, compared with USD 156.9 billion in H1 FY26. Services trade continues to provide support to India's overall trade performance. In H1 FY27, the services trade surplus offset 57.8 per cent of the merchandise trade deficit. During the same period, service exports grew by 8.7 per cent (YoY) to USD 216.3 billion, and service imports grew by 13.3 per cent (YoY) to USD 113.6 billion.

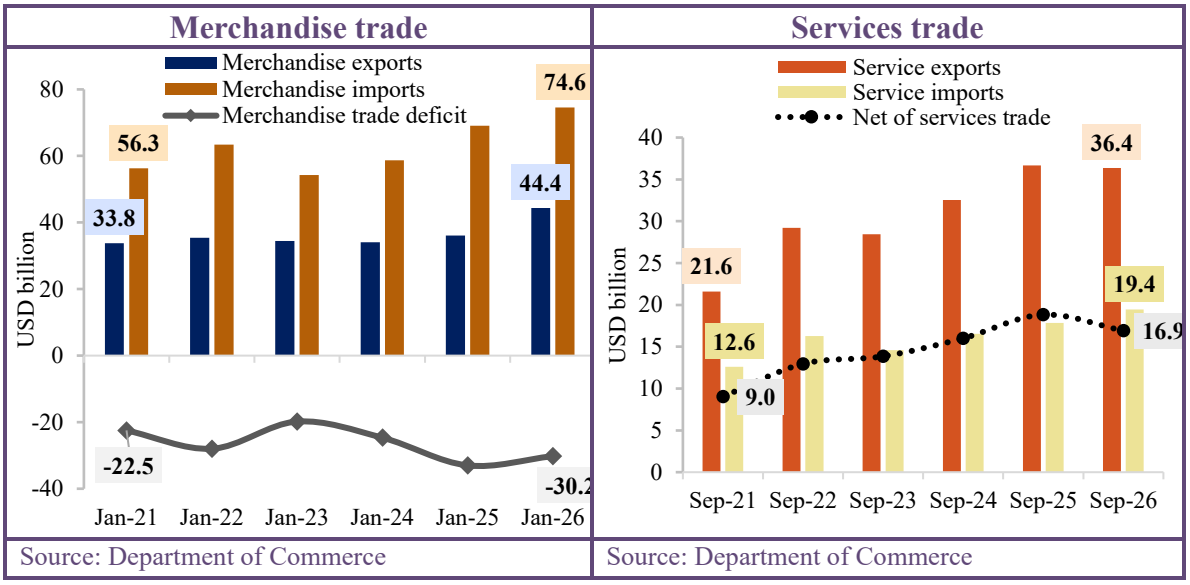
59. A similar trend is observed in the trade statistics for the month of September 2026. In September 2026, total exports (merchandise and services) stood at USD 80.8 billion, up 11.0 per cent (YoY) from USD 72.8 billion, while total imports rose 8.2 per cent to USD 94.1 billion. As a result, the total trade deficit narrowed to USD 13.3 billion from USD 14.2 billion a year earlier.

60. Merchandise exports grew significantly by 23.1 per cent (YoY) to USD 44.4 billion in September 2026, from USD 36.1 billion in September 2025. Merchandise imports rose by 8.0 per cent to USD 74.6 billion (YoY) during the same period. As a result, the merchandise trade deficit narrowed to USD 30.2 billion in September 2026 from USD 33.0 billion a year earlier.

61. Non-petroleum, non-gems and jewellery exports, which accounted for 78.4 per cent of merchandise exports during September 2026, grew by 22.0 per cent (YoY). Within this category, the export growth was largely led by electronic and engineering goods. Electronic goods were the largest source of incremental export growth in September 2026. Exports from this sector increased to USD 5.3 billion, up by 70.5 per cent (YoY), continuing its strong performance in the previous months. The deepening of domestic component manufacturing through schemes such as the Mobile Phone Manufacturing Scheme and Semicon 2.0 will further enhance the sector's potential by increasing domestic value addition.

62. Export growth also broadened across various sectors during the month. Most of the commodity groups recorded YoY growth in September 2026, with meat, dairy and poultry products (35.2 per cent), organic and inorganic chemicals (24.2 per cent), plastic and linoleum (24.8 per cent) and engineering goods (20.9 per cent) adding to the momentum. Several employment-intensive sectors have also registered export growth, including ready-made garments, leather and leather products, gems and jewellery, carpets, cotton yarn/fabrics/made-ups, and handloom products.

[41] The latest data for the services sector released by RBI is for August 2026. The data for September 2026 is an estimate. (ii) Data for April-September 2025-26 and April-June 2026-27 have been revised on a pro-rata basis using quarterly balance of payments data.



63. Merchandise imports increased by 8 per cent in September 2026 (YoY) to USD 74.6 billion. Imports of precious metals, including gold and silver, declined in September 2026. Gold imports decreased by 81.3 per cent to USD 1.8 billion from USD 9.6 billion in September 2025. Concurrently, silver imports decreased by 49.1 per cent in the month (YoY). Excluding petroleum and gems & jewellery, imports rose by 22 per cent (YoY) to USD 51.6 billion. The increase was broad-based, with increases (YoY) in imports of electronic goods (51.5 per cent), coal (32.1 per cent), transport equipment (18.2 per cent), non-ferrous metals (18.0 per cent) and electrical and non-electrical machinery (14.3 per cent), indicating firm domestic demand.

64. In September 2026, services exports moderated to USD 36.4 billion from USD 36.7 billion a year earlier, while services imports rose to USD 19.4 billion from USD 17.8 billion. Nevertheless, the services trade surplus remained robust at USD 16.9 billion. This services trade surplus offset 56 per cent of the merchandise trade deficit, cushioning the impact of the widening merchandise trade deficit on the overall trade balance.

Developments in India's Balance of Payments

Current Account Deficit

65. India's current account deficit (CAD) narrowed to USD 5.2 billion in August 2026 from USD 6.1 billion a year earlier, supported by a lower merchandise trade deficit and higher net receipts from services and transfers. On a cumulative basis, however, the CAD widened to USD 18.3 billion during April-August FY27, compared with USD 12.8 billion in the corresponding period of the previous year. This widening was largely driven by a larger merchandise trade deficit, which outweighed the services surplus and transfer receipts.

Performance of Major Items of India's Balance of Payments				
				(USD Billion)
Item	**August 2025 PR**	**August 2026 P**	**April-August 2025 PR**	**April-August 2026 P**
A. Current Account Balance	**-6.1**	**-5.2**	**-12.8**	**-18.3**
A.1 Net Merchandise	-27.6	-26.6	-124.7	-146.0
A.2 Net Services	15.6	16.5	79.9	85.8
A.3 Net Transfers	12.2	12.8	55.6	66.8
A.4 Net Income	-6.3	-8.0	-23.6	-24.8
B. Capital Account Balance	**0.5**	**50.6**	**12.0**	**76.3**
B.1 Net Foreign Direct Investment	-0.1	3.3	9.6	13.8
B.2 Net Foreign Portfolio Investment	-2.6	1.7	-3.5	-3.7
B.3 Net External Commercial Borrowings	-0.1	-22.4	6.7	-28.3
B.4 Net Short-term Credit to India	0.2	0.2	1.4	5.5
B.5 Net Banking Capital	-4.7	64.7	-0.3	85.8
B.6 Other Capital (Net)	7.8	3.0	-1.9	3.2
C. Overall Balance (A+B)	**-5.6**	**45.4**	**-0.8**	**58.0**

PR: Partially Revised; and P: Preliminary.
Note: 1. Errors and omissions are included under 'Other Capital'.
Note 2. Total of sub-components may not tally with aggregate due to rounding off.
Source: Reserve Bank of India

Capital Flows

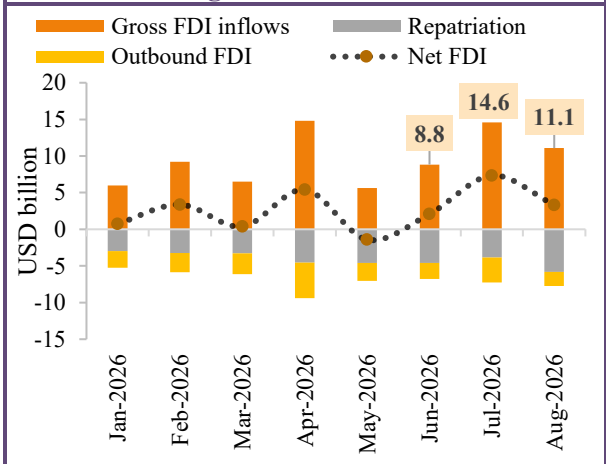
66. The capital account surplus strengthened considerably to USD 50.6 billion in August 2026, well above the USD 0.5 billion recorded in August 2025, driven by strong banking capital inflows of USD 64.7 billion. Within these banking capital inflows, net NRI deposits alone rose to USD 83.0 billion in August 2026, from USD 1.0 billion a year earlier. These inflows were partly offset by net outflows of USD 22.4 billion under external commercial borrowings. As a result, the capital account surplus increased to USD 76.3 billion during April-August FY27, up from USD 12.0 billion in the corresponding period of the previous year, supported by net banking capital of USD 85.8 billion. Consequently, the overall balance of payments recorded a surplus of USD 58 billion in April-August FY27, against a deficit of USD 0.8 billion a year earlier.

Foreign Direct Investment

67. India continued to attract robust FDI during April-August FY27, with gross FDI inflows of USD 54.9 billion, compared with USD 45.6 billion in the corresponding period of the previous year, reflecting sustained interest from foreign investors in India. This interest is also evident in India ranking third globally for greenfield investments announced during April-August 2026.[42] Repatriation stood at USD 23.4 billion, while outward direct investment by Indian entities rose to USD 17.7 billion, indicating the growing global footprint of Indian enterprises. After accounting for these outflows, net FDI inflows amounted to USD 13.8 billion during April-August FY27, higher than USD 9.6 billion a year earlier.

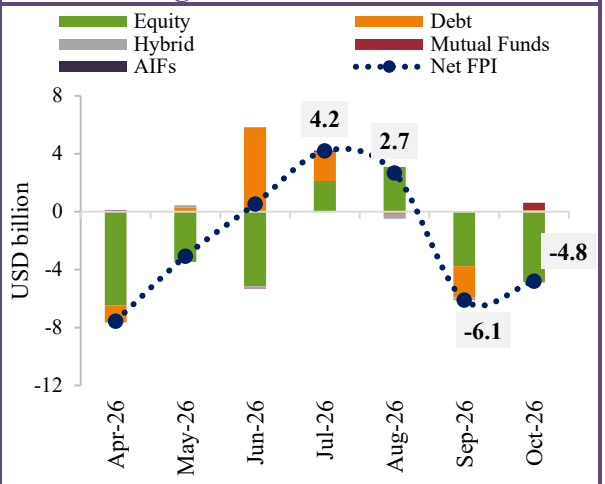
[42] Press Releases | Official Website of Reserve Bank of India

Foreign Direct Investment



Source: RBI

Foreign Portfolio Investment



Note: Data for October is as of October 16, 2026.
Source: NSDL

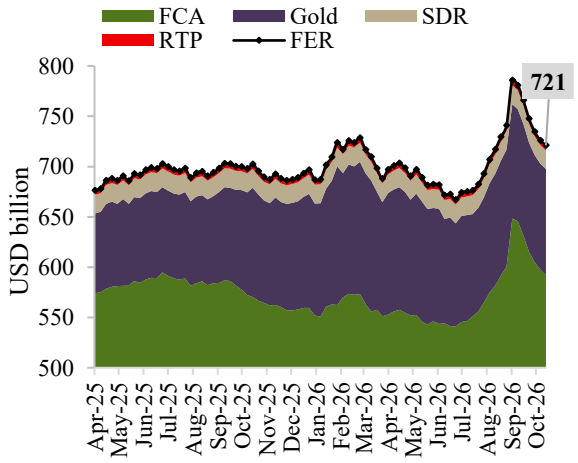
Foreign Portfolio Investment

68. Foreign portfolio investment flows remained volatile in October 2026,[43] reflecting cautious investor sentiment amid persistent global uncertainties, oil price risks and elevated yields on US Treasury securities. After net outflows of USD 6.1 billion in September 2026, FPIs recorded a further net outflow of USD 4.8 billion during October (up to October 16, 2026). While the pace of outflows moderated, foreign investors continued to sell domestic financial assets. Recent divergence between Indian and other Asian equity markets amid concerns over AI-related valuations suggests that global risk appetite may affect markets differently going forward.

Foreign Exchange Reserves

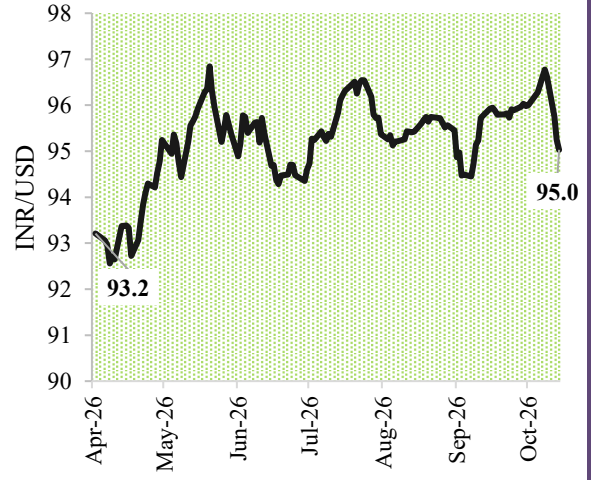
69. India's foreign exchange reserves continue to provide an adequate buffer against external shocks. Reserves stood at USD 721 billion on October 16, 2026, providing import cover of 10.3 months and covering 92.6 per cent of external debt (as of end-June 2026).

Foreign Exchange Reserves



Note: Data for October is as of October 16, 2026.

Exchange Rate (INR/USD)



Note: Data for October is as of October 16, 2026.

[43] Data for October is up to October 16, 2026.

Source: RBI	Source: RBI

Exchange Rate

70. The rupee has remained under strain amid the West Asia conflict and crude oil price risks. Net portfolio outflows, alongside elevated US Treasury yields and a global shift in investor flows toward AI-related assets, have added to this strain. During FY27, the rupee depreciated by 1.9 per cent against the USD between April 02, 2026 and October 16, 2026. The depreciation has been more pronounced since the onset of the West Asia conflict, with the rupee weakening by 4.3 per cent against the US dollar over this period.[44]

71. Exchange rate movements during the period were marked by intermittent recoveries amid an overall depreciation trend. The rupee weakened through much of August, recovered briefly in early September amid FCNR(B) inflows, and came under renewed strain later in the month as crude oil prices rose. To ensure orderly functioning of the foreign exchange market and to curb excessive volatility, RBI on October 10, 2026, announced a set of measures to strengthen market discipline and ensure appropriate risk management in the foreign exchange market.[45] These include restricting the rebooking of cancelled rupee-linked foreign exchange derivative contracts; reducing the threshold for derivative transactions without establishing underlying exposure from USD 100 million to USD 5 million; requiring additional documentation to verify underlying exposures; and introducing a Foreign Exchange Risk Reserve of 20 per cent for specified rupee-linked derivative contracts exceeding USD 2 million that hedge specified current account exposures. In a complementary measure, the RBI opened a special window to meet the three public-sector oil marketing companies' entire daily dollar requirements, namely Indian Oil Corporation Limited, Hindustan Petroleum Corporation Limited, and Bharat Petroleum Corporation Limited.[46]

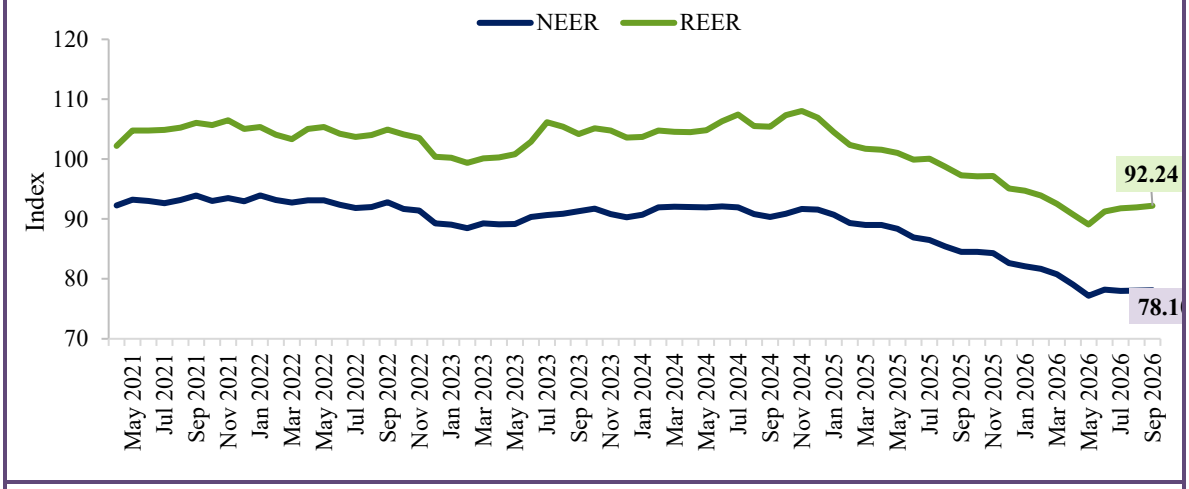
Rupee's Effective Exchange Rates: Nominal Depreciation Translating into Real Competitiveness Gains

72. The bilateral exchange rate captures the rupee's movements against a single currency. Given India's diverse trading partners, effective exchange rates provide a more comprehensive measure by combining movements of the rupee against multiple partner currencies into a composite index, thereby providing a broader perspective on its external value and implications for trade.

73. The Nominal Effective Exchange Rate (NEER) is a trade-weighted average of the bilateral exchange rates of the rupee against the currencies of India's trading partners. A decline in the NEER indicates nominal depreciation against the currency basket, while an increase indicates appreciation. For India, the NEER depreciated by 9.3 per cent in FY26. The adjustment has extended into the current FY, as NEER depreciated by 1.2 per cent between April and September FY27.

[44] Between February 27, 2026 and October 16, 2026.
[45] Press Releases | Official Website of Reserve Bank of India
[46] Press Releases | Official Website of Reserve Bank of India

Nominal Effective Exchange Rate and Real Effective Exchange Rate



Source: RBI

74. The Real Effective Exchange Rate (REER) adjusts the NEER for inflation differentials between India and its trading partners, thereby providing an indication of relative price competitiveness. A decline in the REER indicates that Indian goods have become relatively less expensive compared with those of trading partners, implying improved price competitiveness for exporters. Accordingly, the extent to which nominal depreciation translates into improved price competitiveness depends on whether domestic inflation remains contained relative to that of trading partners.

75. The REER declined by 9.1 per cent in FY26. As this is of a similar order to the NEER decline, the nominal depreciation has largely translated into a real adjustment rather than being offset by higher domestic prices. However, within FY27, part of the real adjustment has reversed. Between April and September 2026, the NEER depreciated by 1.2 per cent, while the REER appreciated by 1.6 per cent, as higher domestic inflation relative to trading partners more than offset the nominal depreciation. Even so, at 92.2 in September 2026, the REER remains well below its FY26 yearly average of 97.4, indicating that most of the gain in price competitiveness has been retained.

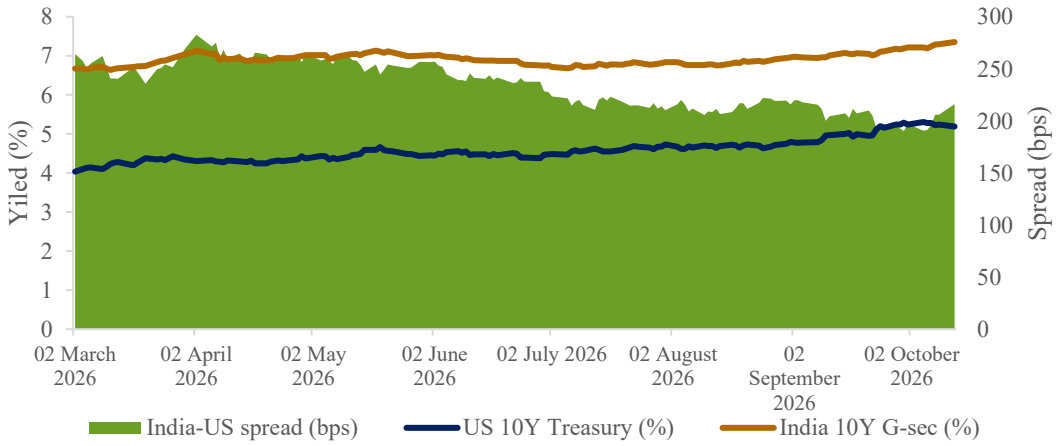
76. Taken together, movements in the bilateral exchange rate, the NEER and the REER indicate that the rupee has depreciated both against the USD and the broader currency basket, and this has become a real adjustment that supports the price competitiveness of exporters.

77. Overall, India's external sector has demonstrated resilience amid heightened geopolitical uncertainty, crude oil price risks and pressure on the rupee. Robust merchandise export growth and a steady services surplus have cushioned the current account, while resilient FDI inflows and substantial capital inflows have supported the overall balance of payments. In addition, India's substantial foreign exchange reserves provide an important buffer against external risks.

Monetary and Financial Sector Developments

78. Increased concerns over the rising fiscal deficit, mounting government debt and competing demand for capital from the AI investments have pushed global bond yields upwards. The US 10-year Treasury yield has risen by 87.5 basis points since the end of March to 5.19 per cent as of October 13, 2026. India's 10-year G-sec has risen more modestly by 31.8 basis points over the same period to 7.35 per cent. With a better sovereign fiscal record, India's bond market has thus stayed comparatively insulated from the forces driving yields up elsewhere. However, as the US 10-year Treasury yield started from a lower base and is rising faster, the India-US 10-year spread has narrowed more quickly, from 271.8 bps at the start of the fiscal year to 216.1 bps as of October 13, 2026, with consequent negative implications for capital inflows.

Sovereign 10-year Bond Yields & Spread: US vs. India

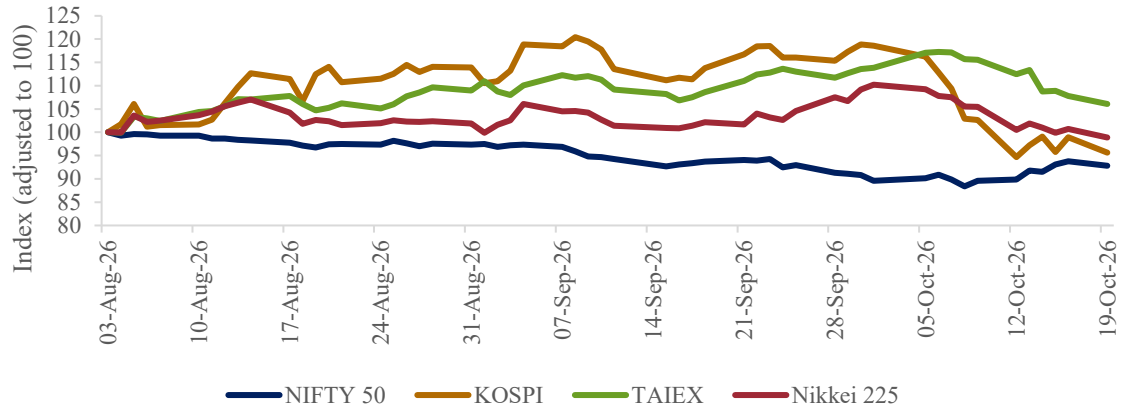


Source: Bloomberg
Note: Date-matched daily series from 02-Mar-2026 to 13-Oct-2026

79. On a US dollar-adjusted basis[47], the equity markets showed Korea, Taiwan, and Japan moving together through August and September, each peaking within days of one another before giving back much of those gains in October on concerns of AI bubble burst. India has shown resilience and held up best through this subsequent correction. Since October 6, the Nifty 50 is up 1% in dollar terms, while the equity indices of Korea, Taiwan and Japan are down 19.4%, 9.7% and 10.3%, respectively.

[47]Each index is converted to US dollar terms by dividing the local-currency index level by the same-day exchange rate, then rebased to 100 at the start date (August 3, 2026), following MSCI's standard index conversion methodology. Source: MSCI, "Index Calculation Methodology for the MSCI Equity Indexes" (August 2026), Section 1.7, "Conversion of Indexes into Another Currency,"

Movement of Global Equity Indices



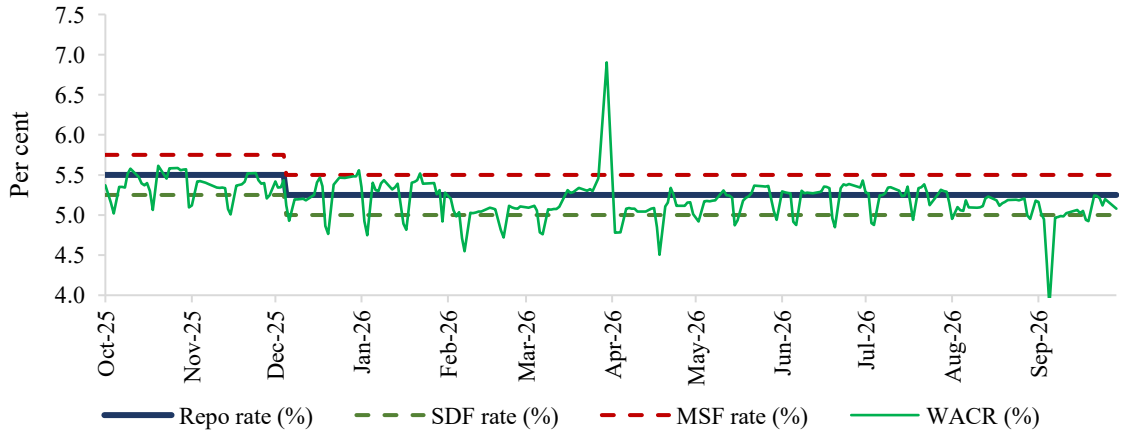
Source: Bloomberg
Note: USD-adjusted, indexed to 100 on Aug 3, 2026

Monetary Policy and Liquidity Management

80. In its October 2026 meeting, the Monetary Policy Committee (MPC) unanimously increased the policy repo rate by 25 basis points to 5.50 per cent and changed its policy stance from neutral to 'calibrated tightening' to manage evolving inflationary pressures. It projected headline CPI inflation to peak at 6 per cent in Q3 of FY27 before moderating to 5.7 per cent in Q4 of FY27.

81. The weighted average call rate (WACR) has largely stayed within the lower band of the policy corridor throughout this year, though there have been occasional bouts of WACR moving above the repo rate. As regards the transmission of policy rate cuts of 125 bps carried out between February 2025 and December 2025, it is observed that between February 2025 and August 2026, the weighted average lending rate of Scheduled Commercial Banks (SCBs) declined by 79 bps for fresh rupee loans, and by 84 bps for outstanding rupee loans; the weighted-average domestic term deposit rate on fresh deposits fell by 88 bps and that on outstanding deposits decreased by 54 bps.

Policy Corridor and Call Rate



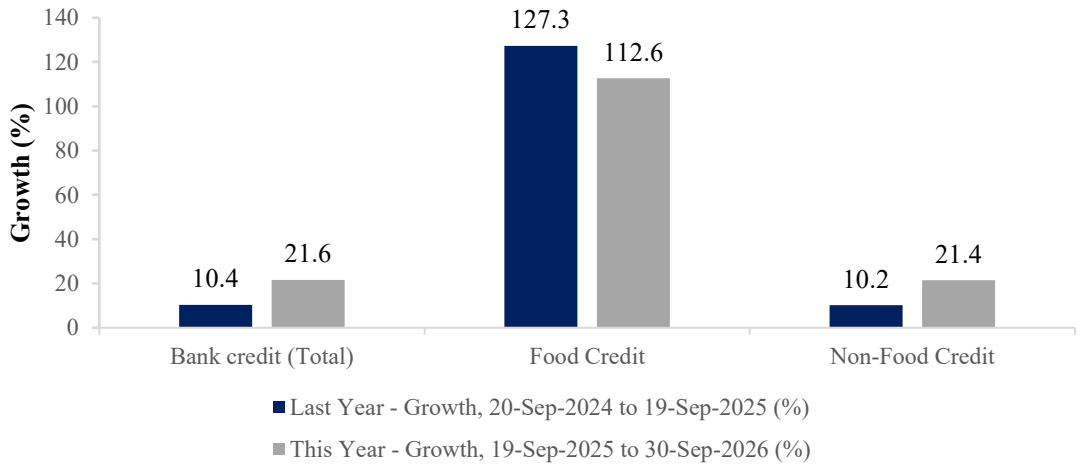
Source: RBI;
Note: Date range from 01-Oct-2025 to 29-Sep-2026

82. The RBI has undertaken two OMO sale auctions - one on September 28 and the other on October 13 - to moderate the surplus liquidity created through FCRN(B) swap facility recently. Both the OMO sales were fully subscribed at a notified ₹25,000 crore, with comfortable bid-to-cover ratios of about 2.7x and 2.2x, respectively. The cut-off yields moved up modestly between the two, from a 6.67-7.10% range in September to 7.14-7.39% in October, broadly tracking the rate hike. Weekly G-Sec market turnover over the period averaged roughly ₹610,000 crore, indicating that the market absorbed both operations comfortably rather than being under strain. The broad money (M3) YoY growth was around 16.9 per cent in September, marginally up from 16.7 per cent in August.[48]

Credit Growth

83. As of 30th September, bank credit has registered an increase of 21.6 per cent (up from 10.4 cent a year ago) with non-food credit registering a growth of 21.4 per cent.

Growth in aggregate bank credit, food & non-food credit



Source: RBI
Note: YoY Growth, This Year vs Last Year (%)

84. The total flow of resources from bank and non-bank sources to the commercial sector stood higher at ₹17.5 lakh crore in April-August FY27 (provisional, for which the latest data is available) as compared to ₹11.2 lakh crore in the corresponding period of the previous financial year, registering a growth of 55.4 per cent. The primary source of this growth has been non-food bank credit, amounting to ₹9.8 lakh crore, up from ₹3.8 lakh crore a year earlier; corporate bond issuances by non-financial entities, by contrast, fell to ₹0.3 lakh crore from ₹1.5 lakh crore over the same period as bond yields moved up.

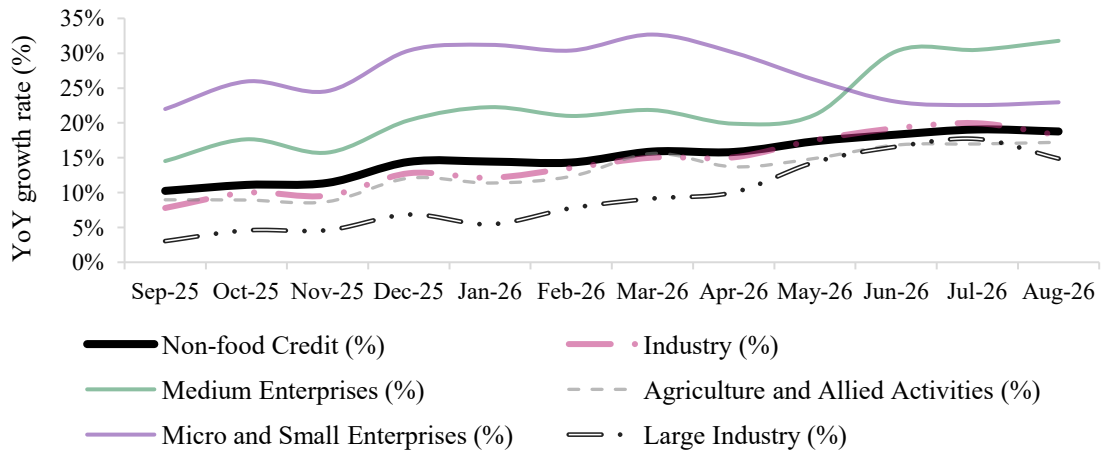
85. According to the most recent data on the sectoral distribution of bank credit by SCBs, among the categories of agriculture and allied activities, industry, services and personal loans,

[48] M3 YoY growth compares the level on each month's RBI reporting date with the level on the nearest available fortnightly reporting date one year earlier. RBI's M3 series reports on an alternate-Friday calendar through FY2025-26 but shifts to calendar month-end/mid-month dates from FY2026-27 onward, so no exact one-year-earlier date exists for either month. September 30, 2026 is compared with October 3, 2025 (3 days off); August 31, 2026 is compared with September 5, 2025 (5 days off, the closest available fortnight to August 31, 2025).

the highest YoY growth has been observed in services, with an increase of 24.3 per cent (YoY). A significant factor contributing to this growth is credit for shipping and computer software services, which registered YoY growth of 25.6 per cent and 41.8 per cent, respectively, up from 23.0 per cent and 35.2 per cent in August 2025.

86. Within the industry, credit extended to micro and small enterprises declined; however, this was compensated by a near-inverse rise in credit to medium enterprises. There has been a significant pick-up in the credit to large industries in the current financial year. This momentum in bank credit is expected to continue through the remainder of FY27. As per the RBI's latest bank lending survey for Q2 FY27, bankers assessed higher loan demand across sectors, with the loan demand Net Response rising to 46.7, up from 32.1 in Q1 FY27, and survey respondents continuing to report easier loan terms and conditions (Net Response of 16.7 this round). Further, their expectations for Q3 FY27 indicate continued strength in the outlook for overall loan demand, with the Expectations Net Response at 43.3.

Sectoral Deployment of Non-Food Credit by SCBs



Source: RBI
Note: The latest data released is as on August 31, 2026

Labour market developments

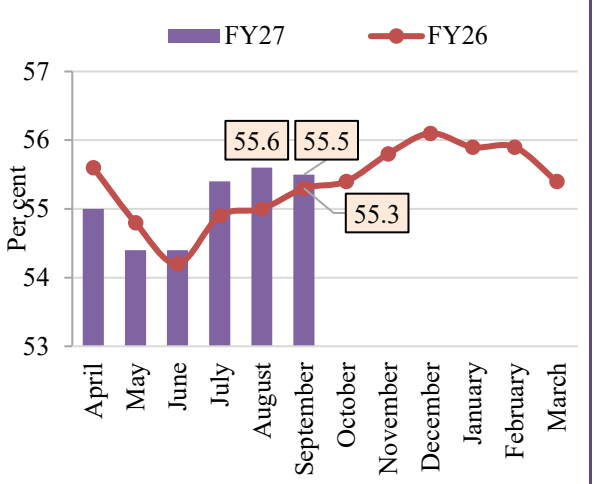
87. India's labour market remains resilient, with stable labour force participation and unemployment indicators, alongside steady white-collar hiring activity. The situation, as reflected in the high-frequency indicators, is corroborated by the Annual Survey of Industries for FY25 (ASI 2025), which reports an expansion in organised manufacturing employment.

88. According to the monthly Periodic Labour Force Survey Bulletin (PLFS) for September 2026, the labour force participation rate (LFPR)[49] (for persons aged 15 years and above) remained stable at 55.5 per cent compared to 55.3 per cent in September 2025.[50] The overall

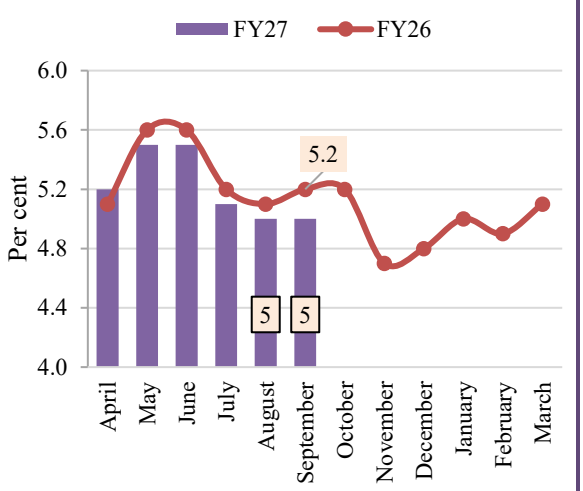
[49] Labour Force Participation Rate (LFPR) is defined as the percentage of the population in the labour force. Labour force, according to Current Weekly Status (CWS), is the number of persons either employed or unemployed on average in a week of 7 days preceding the date of the survey.
[50] PLFS September 2026: https://tinyurl.com/445m358d

Unemployment Rate (UR)[51] remained at 5.0 per cent in September 2026, compared to the 5.2 per cent recorded in September 2025.

Labour Force Participation Rate (%)



Unemployment Rate (%)

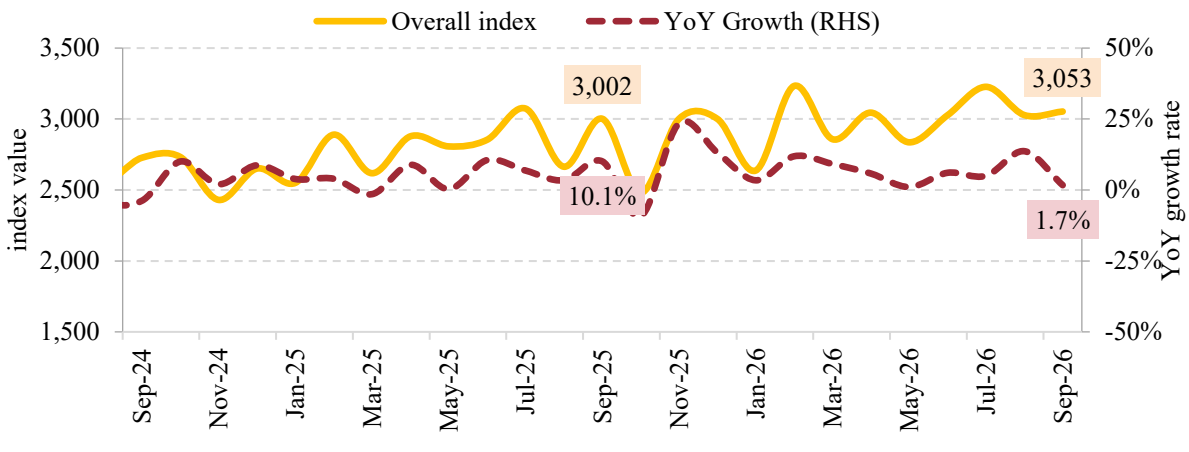


Source: Monthly PLFS Bulletin September 2026 (15 years and above; in Current Weekly Status)

White-collar hiring

89. White-collar hiring in India remained steady, with Naukri JobSpeak index registering a 1.7 per cent Year-on-Year (YoY) growth in September 2026. The hiring trend in non-IT sectors such as Insurance, Retail, Banking/Financial Services, and Real Estate remained largely stable. While aggregate numbers show stable hiring for white-collar roles, the demand appears to be moving towards specialised skills, with AI/ML roles recording a 20 per cent YoY rise in September 2026. Hiring at the entry level (<= 3 years of experience) witnessed a +1 per cent YoY growth. Demand for experienced professionals remained strong, growing 5 per cent YoY for 8-12 years, 7 per cent for 13-16 years, and 5 per cent for 16+ years.

White-collar hiring remains stable in September 2026



Source: Naukri JobSpeak Index September 2026

[51] 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.

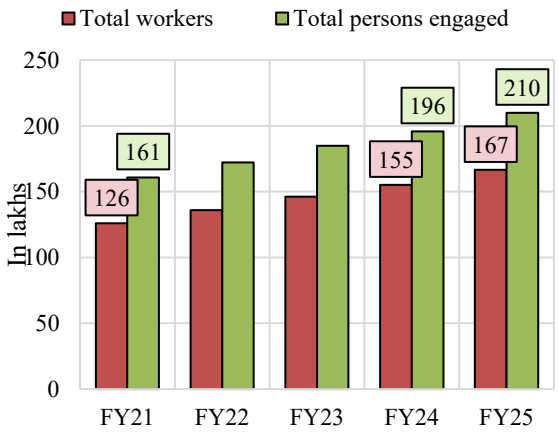
Mental health at work

90. Naukri Jobseeker Pulse 2026 is a new survey by Naukri conducted on ~10,000 job seekers across 8 cities and 83 industries (in October 2026) to understand what impacts mental well-being at work and what employers can do to build healthier workplaces.[52] Poor work-life balance (42 per cent of respondents), followed by lack of managerial support (27 per cent) and heavy workload and deadlines (20 per cent), are reported as the key factors affecting mental well-being. 61 per cent of jobseekers said they would openly disclose taking a mental health day, highlighting that workers now prioritise mental health alongside physical health and that the stigma attached to it is easing. At the same time, 33 per cent of respondents said losing out on career opportunities is their biggest concern when opening up about mental health at work. Companies and employers could support employees by providing a safe environment to discuss mental health challenges and setting clear after-work boundaries.

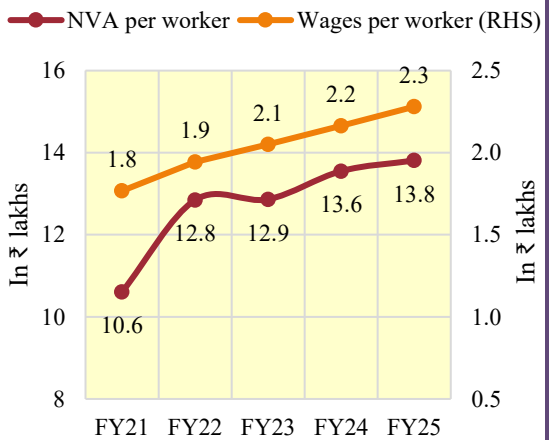
Expansion of manufacturing sector employment and wages FY 2025

91. The findings of ASI 2025 indicate that the organised manufacturing remains on an expansionary path with employment[53] in the sector increasing by 30 per cent from 1.6 crore in FY21 to 2.1 crore in FY25. The increase in employment is found to be accompanied by a 71 per cent rise in wages to workers[54] and a 66 per cent rise in emoluments[55] during the same period. Net value added per worker, a key indicator of worker productivity, grew by 30 per cent in FY25 over FY21, while wages per worker grew by 29 per cent during the same period. Wage growth has kept pace with worker productivity.

Expansion of the manufacturing sector employment



Increase in worker productivity and wages

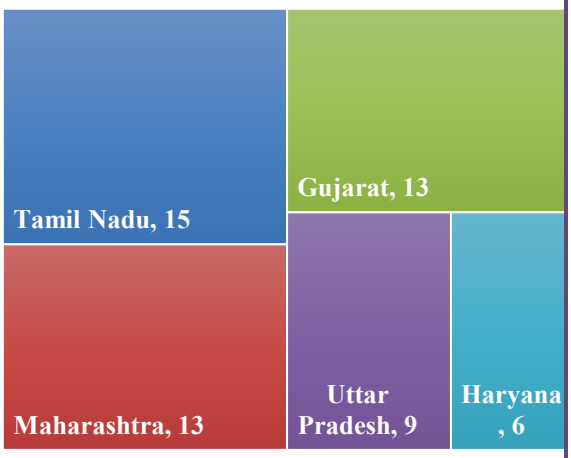


[52] Naukri Jobseeker Pulse October 2026: https://www.naukri.com/blog/mental-health-at-work-survey-2026/
[53] Employment refers to the total persons engaged. Total Persons Engaged includes employees and all working proprietors and their family members who are actively engaged in the work of the factory, even without any pay, as well as unpaid members of co-operative societies who worked in or for the factory in any direct and productive capacity.
[54] Wages are defined to include all remuneration in monetary terms and also payable more or less regularly in each pay period to workers as compensation for work done during the accounting year.
[55] Total Emoluments is defined as the sum of wages and salaries, including bonuses. It covers everyone engaged in production.

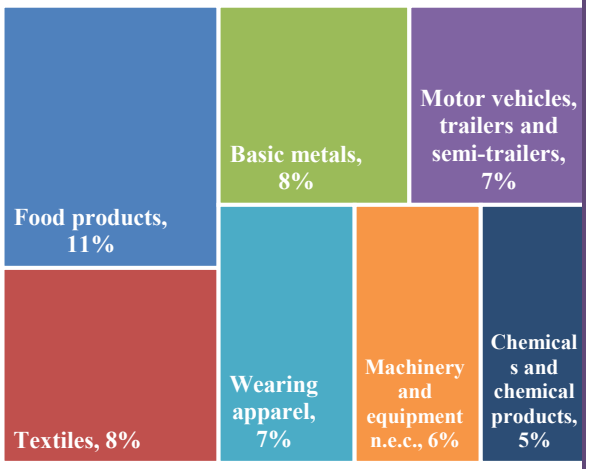
Source: ASI Factsheet 2025

92. Seven industry groups account for 53 per cent of the employment in the sector, led by Food Products (11 per cent share) in FY25. Five states accounted for about 56 per cent of total manufacturing employment (in terms of persons engaged) in FY25, led by Tamil Nadu (~15 per cent). Notably, these states also accounted for nearly two-thirds (64 per cent) of the net increase in manufacturing employment since FY21, with Maharashtra (+7.9 lakh) and Uttar Pradesh (+6.9 lakh) adding the most jobs.

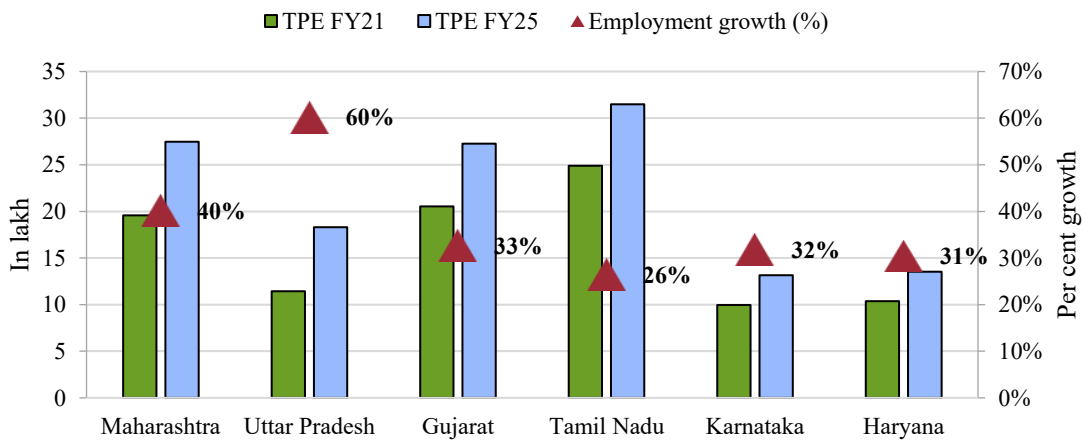
States with the highest employment share (% share of employment)



Major industry groups in terms of employment (% share of employment)



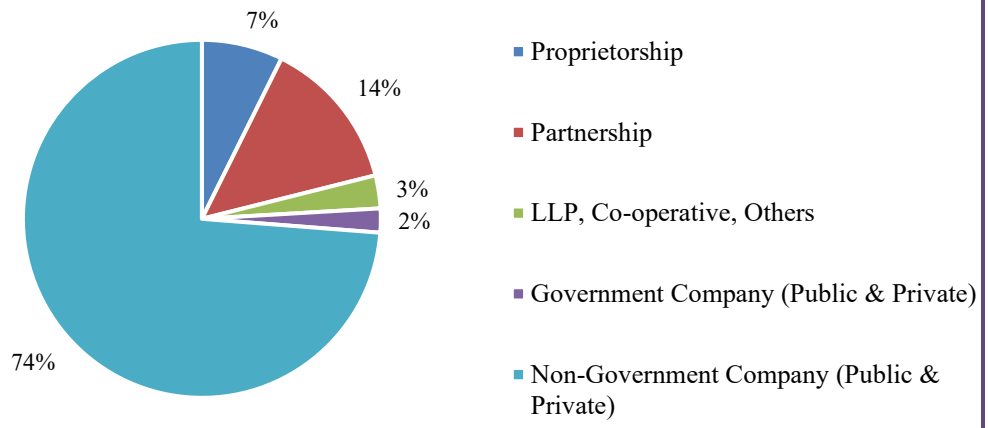
States that added the most factory jobs between FY21 and FY25



Source: ASI Factsheet 2025

93. Nearly three-quarters of factory employment is in non-government companies. Partnership and proprietorship firms together employ nearly 21 per cent of the workforce. Government-owned (public and private), co-operative, or LLP entities account for a very small share.

Distribution of Total Persons Engaged by organisation type in 2024-25



Source: ASI Factsheet 2025

Mobility as an enabler of economic participation

94. Mobility connects workers to employment opportunities, students to educational institutions and households to essential services. The time and cost involved in commuting can constrain participation in the labour market, particularly among those with limited financial resources and competing domestic responsibilities. Efficient transport networks expand workers' access to jobs and enable firms to draw on a wider labour pool, thereby improving labour market efficiency. In this context, the Ministry of Statistics and Programme Implementation released the first-ever National Household Travel Survey (NHTS) 2025-26, which provides information on commuting patterns, travel times, modes of transport and associated costs in India (**See Box III**).[56]

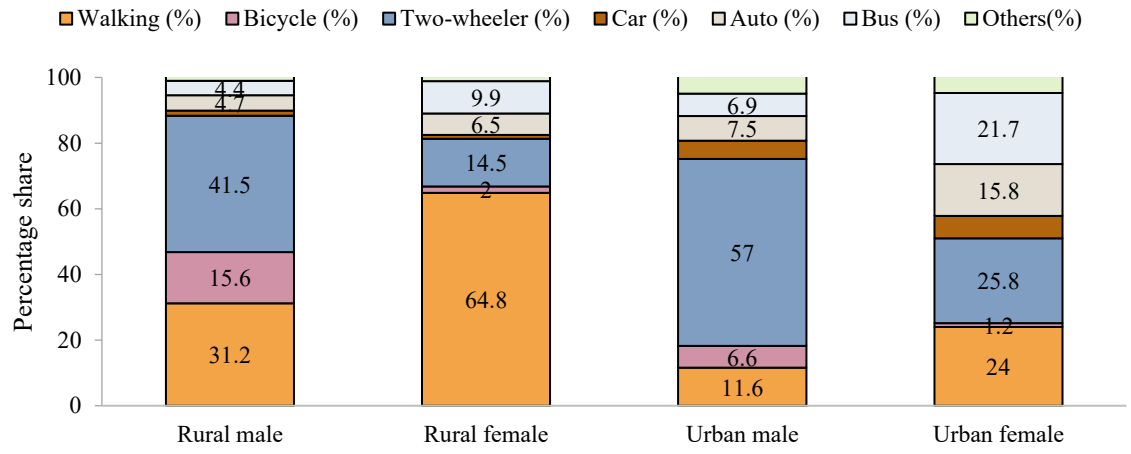
[56] The NSO conducted the first all-India NHTS during July 2025–June 2026. It covered 4.92 lakh households and 20.34 lakh persons across 14,274 villages and 10,377 urban blocks. The survey records the purpose, mode, duration and cost of trips of 1 km or more.https://tinyurl.com/mtrtkz6h Any travel with a distance of less than one km has not been considered as 'travel.'

Box III: Mobility, Gender and Access to Work: Insights from the National Household Travel Survey 2025-26

The NHTS 2025-26 indicates that commuting in India is generally multimodal. Across the country, two-wheelers are the most common primary mode of travel[57] among workers (42.6 per cent), followed by walking (28.3 per cent). Students, on the other hand, mainly walk (37 per cent), take buses (29.5 per cent) and ride bicycles (15.8 per cent). 83.4 per cent of workers and 87.6 per cent of students reach their destinations within 30 minutes. The average monthly commuting expenditure is ₹785 for workers and ₹443 for students. However, commuting patterns and costs differ between rural and urban areas, reflecting distinct transport needs and levels of accessibility.

Rural and Urban Mobility: In urban areas, 52.3 per cent of workers use two-wheelers as the primary mode, compared to 37.1 per cent in rural areas. Walking and buses are the main modes of travel used by students (aged 6 years and above) in both rural and urban areas. This is followed by bicycles in rural areas and auto-rickshaws in urban areas. Commuting expenditures are higher in urban areas for both workers and students (₹1044 for workers and ₹617 for students) than in rural areas (₹612 for workers and ₹361 for students).

Primary mode of travel to work (percentage of workers)



Source: MoSPI, Fact Sheet Household Travel in India 2025-26
Note: Figures are for the primary modes of transport used by workers aged 15 years and above. Figures are rounded to one decimal place; therefore, totals may not add up to exactly 100%.
Others include metro/monorail/tram, Rail, cycle rickshaw and others.

Gender differences in Mobility: Primary mode of travel differs significantly for male and female workers - in rural areas, women predominantly (65 per cent) walk to work, and in urban areas, 37.5 per cent of women workers use autos and buses. The share of women using buses is substantially higher in Kerala (46.8 per cent), Tamil Nadu (41.1 per cent), Karnataka (34.9 per cent) and Telangana (28.9 per cent). Notably, Tamil Nadu[58], Karnataka[59], Andhra

[57] 'Primary mode of travel' means any mode of transport that was used to traverse the longest distance during a trip. If a trip was performed by using a single mode of transport, that will decisively be the primary mode.
[58] Tamil Nadu, Vidiyal Payanam Scheme,2021: https://spc.tn.gov.in/vidiyal-payanam-scheme/
[59] Karnataka, Shakti Yojana 2023: https://bengaluruurban.nic.in/en/scheme/shakti-scheme/

Pradesh (Stree Shakti free bus scheme)[60], Kerala (Priyadarshani Scheme)[61] and Telangana (Mahalakshmi Free Bus Travel Scheme)[62] have schemes that provide free bus rides to women.

Commuting decisions for women are closely linked to access, domestic responsibilities, affordability and personal safety. Only 41.9 per cent of female workers travel at least 1 km to work, compared with 61.9 per cent of male workers. Consequently, spending on commuting is lower for women, with an average of ₹533 per month, compared with ₹835 for men, and the gap is wider in rural areas (₹307 for female workers versus ₹674 for male workers). The shorter commuting distances among women suggest that many may be working closer to home or within the home in household enterprises, and that most women workers walk to their workplaces, reflecting lower cost.

Mobility and time constraints influence both the distance women travel for work and the hours they can remain at work. According to a 2021 World Bank study in Mumbai, 31 per cent of women cited commuting as a barrier to work, while 13 per cent cited childcare responsibilities and 19 per cent cited domestic duties as making commuting for work difficult.[63] The Time Use Survey (2024)[64] reported that women spend an average of 236 minutes per person per day on unpaid domestic services and 47 minutes on caregiving, compared with 24 minutes and 13 minutes, respectively, for men.

While affordability plays a major role in choosing a mode of travel, safety determines whether women can travel independently between locations and at varying working hours[65]. The NHTS trip timing data indicates that a larger share of women leave work between noon and 4 PM, while a smaller share leave after 6 PM. The World Bank study (2021) highlighted that a lack of security leads women to choose safer, but slower, more expensive modes of transport, a phenomenon known as the 'Pink Tax.'[66] A 2026 IIT Bombay study found that free bus travel schemes increased women's participation in paid work, with larger gains in districts where social constraints put more restrictions on women's mobility.[67] The findings suggest that the provision of end-to-end safe, reliable and affordable public transport can

[60] Andhra Pradesh 15 August 2026: https://tinyurl.com/294e7d6c
[61] Kerala, Priyadarshini Scheme,2026: Update: https://tinyurl.com/3tkh352a (launched in 2026)
[62] Telangana 30 March 2026: https://tinyurl.com/2fkc3as9
[63] World Bank. 2021. Closing the Gap: Gender, Transport, and Employment in Mumbai. https://tinyurl.com/a6kwr93h
[64] Time Use Survey 2024 Factsheet; January - December, 2024: https://tinyurl.com/3u6nzjhb
This survey covered 1,39,487 households (rural: 83,247 and urban: 56,240). Information on time use was collected from each member aged 6 years or older in the selected households.
[65] World Bank (2022), Toolkit on Enabling Gender Responsive Urban Mobility and Public Spaces in India. https://tinyurl.com/y9mxmpvr
[66] The pink tax refers to the extra amount that women pay for certain products (such as used cars, personal care products, and clothing) and services (such as mortgages and dry cleaning). The pink tax on mobility refers to the fact that women may have to pay a higher price to reach the same destinations because of gender-specific needs that are not addressed by the transport system. World Bank (2022), Toolkit on Enabling Gender Responsive Urban Mobility and Public Spaces in India. https://tinyurl.com/y9mxmpvr
[67] Rathore, U. and Singh, A. (2026). Ticket to Ride: Impact of Free Public Transport on Women's Workforce Participation in India.Used nationally representative Time Use Survey data for 2019 and 2024, the study evaluates free bus travel schemes across Delhi, Punjab, Tamil Nadu, Karnataka and Telangana, focusing on their impact on women's participation in paid work. https://arxiv.org/pdf/2604.14758

reduce travel costs and help women access employment opportunities more easily. The Economic Survey 2025-26 highlighted that policy must focus on expanding safety infrastructure and providing affordable intermediate transport to cover women's entire travel chain, from the doorstep to the destination. [68]

Central and State governments have introduced several initiatives to improve women's safety, make transport more affordable and reliable, and address care-related constraints. Under the Safe City Project, the Government has undertaken initiatives to improve women's safety in eight cities: Delhi, Mumbai, Kolkata, Chennai, Bengaluru, Hyderabad, Ahmedabad and Lucknow.[69] The Ministry of Road Transport and Highways mandated vehicle tracking devices and emergency buttons for public service vehicles in 2018.[70] Initiatives like Sakhi Niwas under Mission Shakti provide accommodation for working women, while the Palna scheme supports access to childcare facilities. Under the Occupational Safety, Health and Working Conditions Code, 2020, employers deploying women during night shifts must provide mandatory safe transport and comprehensive workplace safeguards.[71] Further, to provide affordable, reliable and safe travel to women, India's metro rail network has expanded to 1,155 km across 26 cities by March 2026.[72] 10,000 electric buses have been sanctioned across 116 cities under PM e-Bus Sewa, while PM E-DRIVE supports the deployment of 14,028 electric buses[73].

These investments can widen access to jobs and education, support women's workforce participation and contribute to cleaner mobility. However, the expansion of metro and road infrastructure needs to be complemented by adequate bus fleets, integrated feeder services, reliable last-mile connectivity and frequent services beyond peak hours. Strengthening rural bus services, safe cycling infrastructure, footpaths, and street lighting can further improve mobility. Mobility planning can also incorporate gender-responsive design, such as safer stops, accessible pedestrian routes, and effective emergency response systems.

Outlook

95. Following stronger-than-expected real GDP growth of 7.8 per cent in Q1 FY27, economic activity continued to expand in Q2. Reflecting these developments, several domestic and international agencies have revised their FY27 growth projections upwards, with estimates now broadly around 7 per cent. The Ministry's nowcasting model estimates growth at 7.3 per

[68] Economic Survey 2025-26 Chapter 12: https://tinyurl.com/4z6su35y
[69] PIB release of M/o Women and Child Development dated 12 March 2025: https://tinyurl.com/3et3xc94
[70] PIB release of M/o Road Transport and Highways dated 31st October 2018 https://tinyurl.com/5bkycx5a
Recently, in October 2026, the Delhi government has deployed 2,947 bus marshals in Delhi Transport Corporation (DTC) buses and is operating 56 special buses for women as part of its safety measures. All buses have been connected to the Bus Management System (BMS), with panic alarms, live CCTV feeds and GPS monitored round the clock through a control centre.
[71] Notification of rules under Occupational Safety, Health and Working Conditions Code, 2020
[72] PIB release dated 15 June 2026 : https://tinyurl.com/42c8f7wf
[73] PIB release of M/O Heavy Industries dated 10 March 2026: https://tinyurl.com/tpc4hzye

cent. Domestic demand, investment activity and structural reforms are expected to support growth through the remainder of the year. Recent GST process reforms will further ease compliance and working capital constraints for businesses. Healthy credit growth and recent trade agreements are expected to provide additional support to consumption, investment and exports.

96. Going forward, the near-term industrial outlook remains supported by firm production, strengthening order flows, improved manufacturing sentiment and robust industrial credit. RBI's October assessment also noted that strong capacity utilisation, robust credit flows and the government's focus on infrastructure are expected to sustain investment activity. At the same time, uncertainty around energy prices, supply-chain pressures and geopolitical developments remain relevant for manufacturing costs and investment decisions. Sustaining industrial momentum while translating policy support into greater production at scale, higher domestic value addition and stronger export competitiveness will remain important.[74]

97. Near-term inflation dynamics will be shaped by a combination of domestic food supply management, global energy volatility, and systemic liquidity conditions. On the food front, supply-side interventions—such as Kharif onion releases via the 'Kanda Express', stock-holding limits on sugar dealers, and Basic Customs Duty (BCD) cuts on crude edible oils—are expected to ease price pressures on key kitchen staples. However, downside risks persist from an intensifying El Niño event that threatens soil moisture during the upcoming Rabi sowing season, as well as demand-side pressure during the festive period. Externally, elevated crude oil prices and maritime freight disruptions across the West Asian transit routes pose ongoing upside risks to input costs, though recent RBI measures to supply direct dollar liquidity to public-sector OMCs and curb currency speculation may help buffer extreme exchange rate volatility and mitigate imported inflation. Going forward, the efficacy of the recent rate hike in containing secondary inflation effects will depend on the central bank's active liquidity management.

98. India's external position remains stable in a challenging global environment. Robust merchandise export growth and a steady services surplus have cushioned the trade balance, while strong capital inflows, particularly banking capital, financed the wider current account deficit during April-August FY27. Although external strain on the rupee persists, India's foreign exchange reserves position is currently adequate by standard reserve adequacy metrics, providing an import cover of 10.3 months. Taken together, these developments provide a supportive foundation for external sector stability, even as global uncertainties and crude oil price risks continue.

99. Overall, while persistent geopolitical frictions, energy price volatility and global financial tightening remain key headwinds, the Indian economy may remain well-positioned to sustain its expansionary trajectory through the rest of FY27. Strong industrial dynamics, resilient services activity, and robust domestic credit growth—complemented by structural and tax reforms—continue to reinforce domestic demand and private investment. Proactive supply-side measures and direct liquidity interventions by policymakers further serve to mitigate

[74] RBI Monetary Policy Statement / Governor's Statement, 7 October 2026.

imported inflationary risks and preserve exchange rate stability. Supported by a comfortable foreign exchange reserve buffer and steady upgrades to national growth projections, India's economic fundamentals provide a solid foundation to navigate uncertainties while driving long-term, sustainable growth. Paraphrasing a well-known quote, we can say that eternal vigilance is the price of macro stability in a fractious global environment with high supply uncertainties.

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For feedback and queries, one may write to: **mer-dea@gov.in.**

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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	-0.5	-32.1	9.8
Domestic Tractor Sales	Lakh	Apr-Aug	3.7	4.2	4.9	-0.27	11.9	17.1
Foodgrain Production	Mn Tonnes	3rd AE	357.7	376.5	-	7.7	5.3	-
Reservoir Level	Bn Cu. Metres	8th Oct 2026	156.2	166.4	131	18.3	6.5	-21.3
Wheat Procurement (RMS)	LMT	1st Mar-14th Oct	265.9	299.8	356.8	2	12.8	19
Kharif Sowing (Foodgrain)	Mn Hectare	2nd Oct	73.8	75.5	74.3	6.2	2.3	-1.6
Rainfall	Milimeter	30th Sep	934.8	937.2	759.4	14	0.3	-19
Credit to Agriculture and allied activities	₹ Lakh crore	31st Aug	21.6	23.1	27.3	18.1	7.3	17.8
Industry								
IIP	Index	Apr-Aug	110.5	115.1	122.8	6.3	4.2	6.7
9-Core Industries	Index	Apr-Sep	111.6	113.5	119.3	4.9	1.7	5.1
Domestic Auto Sales	Lakh	Apr-Sep	122.4	123.3	147.2	13.2	0.7	19.4
PMI Manufacturing	Index	Apr-Sep	57.8	58.3	54.2	-0.1	0.5	-4.1
Power consumption	Billion kWh	Apr-Aug	746.9	748.9	820	5.2	0.3	9.5
Natural gas production	Bn Cu. Metres	Apr-Aug	15.1	14.7	14	2.0	-2.6	-4.8
Cement production	Index	Apr-Sep	109.1	116.9	128.7	2.2	7.1	10.1
Steel consumption	Mn Tonnes	Apr-Sep	12.2	13.8	14.2	4.3	13.1	2.9
Inflation								
CPI-C	Index	Apr-Sept	100.5	102.8	107.4	4.6	2.3	4.4
WPI	Index	Apr-Sept	100.7	100.5	110.4	1.7	-0.2	9.9

CFPI	Index	Apr-Sept	102.8	102.5	108.2	7.8	-0.3	5.6
Services								
Domestic Air Passenger Traffic	Lakh	Apr-Aug	1337.3	1370	1355.5	6.2	2.4	-1.1
Port Cargo Traffic	Million tonnes	Apr-Sept	413.7	437.4	472.8	5.1	5.7	8.1
PMI Services	Index	Apr-Sept	60.1	60.4	56.4	-0.8	0.3	-4.0
Fuel Consumption	Million tonnes	Apr-Sept	117.1	118.7	114.8	2.5	1.4	-3.3
UPI (Volume)	Crore	Apr-Sept	8566.5	11407.6	14050.1	45.9	33.2	23.2
E-Way Bill Volume	Crore	Apr-Sept	61.9	75.4	82.6	16.4	21.8	9.5
Fiscal Indicators								
Gross tax revenue (Central Govt)	₹ Lakh crore	Apr-Aug	13.3	13.4	14.3	12.1	0.8	6.5
Revenue Expenditure	₹ Lakh crore	Apr-Aug	13.5	14.5	15.7	4.1	7.2	8.2
Capital Expenditure	₹ Lakh crore	Apr-Aug	3	4.3	5.1	-19.5	43.4	18.2
Fiscal Deficit	₹ Lakh crore	Apr-Aug	4.4	6	7.1	-32.3	37.5	18.7
Primary Deficit	₹ Lakh crore	Apr-Aug	0.4	0.7	2	-87.3	98.4	181.3
GST Collection	₹ Lakh crore	Apr-Sep	10.1	11.2	12.5	9.7	10.4	11.6
External Sector								
Merchandise exports	USD Billion	Apr-Sep	213.7	219.3	259.9	1.2	2.6	18.5
Non-petroleum exports	USD Billion	Apr-Sep	177	189.3	218.7	4.5	6.9	15.6
Merchandise imports	USD Billion	Apr-Sep	358.9	376.2	437.5	9	4.8	16.3
Non-oil imports	USD Billion	Apr-Sep	265.8	284.1	323.7	8.4	6.9	13.9
Non-oil non-gold/silver imports	USD Billion	Apr-Sep	234.7	254.3	302	5	8.4	18.7
Net FDI	USD Billion	Apr-Aug	4.6	9.6	13.8	40.2	110.1	43.8
Exchange Rate (Average)	INR/USD	Sep	83.8	88.3	95.5	-0.9	-5.1	-7.5
NEER- trade weighted (6 currency basket)	Index	Sep	94.9	88.9	81.8	-3.2	-6.3	-8
NEER- trade weighted (40 currency basket)	Index	Sep	90.4	84.5	78.1	-1	-6.5	-7.6

REER- trade weighted (6 currency basket)	Index	Sep	100.7	93.9	89.4	0.3	-6.8	-4.8
REER- trade weighted (40 currency basket)	Index	Sep	105.4	97.3	92.2	1.2	-7.7	-5.2
CNY/INR Exchange rate (Average)	INR/CNY	Sep	11.8	12.4	14.2	-3.8	-4.5	-12.9
Foreign Exchange Reserves	USD Billion	Sep	705.8	700.1	747.6	20.1	-0.8	6.8
Import Cover	Months	Sep	12.1	11.4	10.6	-	-	-
Monetary and Financial								
Total Bank Credit	₹ Lakh crore	30-Sep	171.3	189	229.9	13.1	10.3	21.6
Non-Food Credit	₹ Lakh crore	30-Sep	171.1	188.6	229	13.1	10.2	21.4
10-Year Bond Yields	Per cent	09-Oct	6.8	6.47	7.37	-54	-33	90
Repo Rate	Per cent	09-Oct	6.5	5.5	5.5	0	-100	0
Currency in Circulation	₹ Lakh crore	30-Sep	34.8	38	43.1	5.8	9.2	13.4
M0	₹ Lakh crore	30-Sep	46.6	48.7	52.8	5.8	3.7	6.4
Employment								
Net payroll additions under EPFO	Lakh	Apr-Jul	44.7	69	-	-3.1	54.4	-
Number of person demanded employment under MGNREGA	Crore	September	1.9	1.4	1.8	-14	-26.3	28.6
Unemployment Rate	Per cent	September	-	5.2	5	-	-	-20
Subscriber Additions: National Pension Scheme (NPS)	Lakh	Apr-Jul	3.2	4.9	3.1	23.8	54.3	-37

Notes on 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.

- 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.

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