ECONOMIC DIVISION

MONTHLY ECONOMIC REVIEW

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DEPARTMENT OF ECONOMIC AFFAIRS
सत्यमेव जयते

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Abstract

Macroeconomic developments in October 2025 indicate a stable and resilient domestic economy, supported by easing price pressures, firm consumption trends and the early impact of recent policy interventions. The rationalisation of GST rates has provided a measurable boost to consumption, as reflected in the strengthening of high-frequency indicators, including higher e-way bill generation, record festive-season automobile sales, robust UPI transaction values, and a notable rise in tractor sales. These developments point to broad-based improvements in demand conditions across both urban and rural segments.

Headline inflation eased to an all-time low of 0.25 per cent in October, driven by the transmission of GST cuts, a favourable base effect and pronounced declines in food prices. Core inflation remained stable, while the timely progress of Rabi sowing—supported by adequate soil moisture and healthy reservoir levels—continues to reinforce a benign food supply outlook.

The external environment remains characterised by elevated trade policy uncertainty, though global pressures have moderated relative to earlier peaks. India's merchandise exports softened in October, while services exports achieved their highest-ever monthly level, providing a substantial buffer to the merchandise trade deficit. Capital flows were mixed, with strong FDI inflows offsetting subdued portfolio activity; India's foreign exchange reserves of USD 687 billion continued to provide a substantial buffer against external shocks.

Domestic financial markets strengthened in October, supported by improving risk sentiment and resilient macroeconomic fundamentals. Bank credit growth showed early signs of re-acceleration, led by personal loans and continued momentum in MSME lending.

Labour market indicators pointed to seasonal moderation, largely driven by dynamics in the rural sector during the kharif–rabi transition. Importantly, forward-looking assessments of hiring intent and employability—especially in technology-intensive roles—remain positive.

In this broader context, various independent economic assessments place real GDP growth for Q2 FY26 in the range of 7.0–7.5 per cent, indicating continued strength in underlying economic activity. Overall, the economy enters the second half of FY26 on a stable footing, anchored by well-contained inflation, resilient domestic demand and supportive policy dynamics, even as global uncertainties warrant continued vigilance.

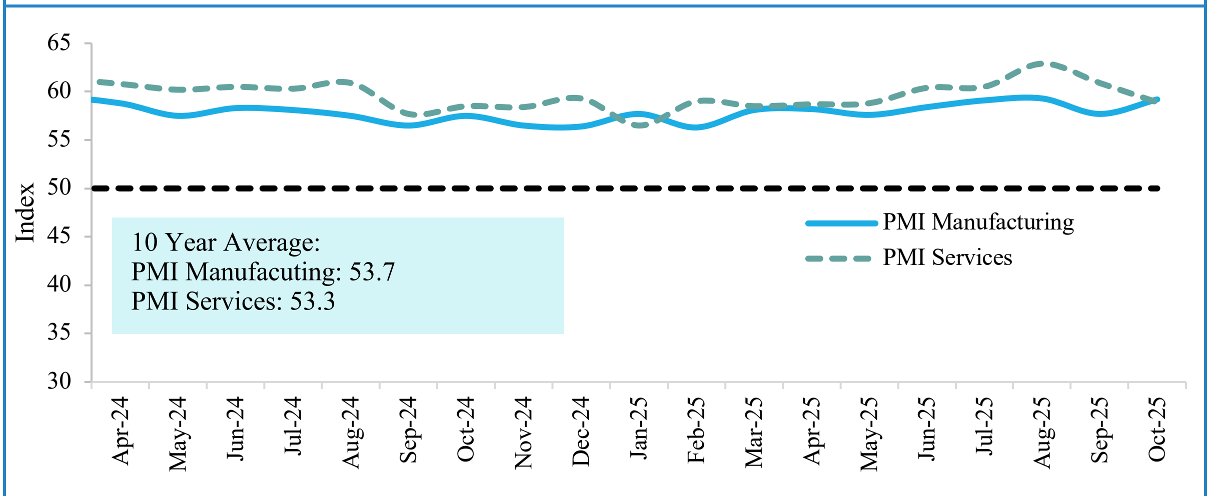
GST rationalisation boosts economic activity

1. Economic activity has gained momentum following the reduction in the Goods and Services Tax (GST), as reflected in the performance of various high-frequency indicators. E-way bill generation expanded by 14.4 per cent during September and October 2025 on a year-on-year basis. At the same time, cumulative GST collection growth of 9.0 per cent for Apr–Oct 2025 indicates that the underlying revenue stream has remained resilient, aided by firm consumption and improved compliance.

2. Momentum was also evident in the production economy. In October, the manufacturing sector continued to show improvement, with the Manufacturing Purchasing Managers' Index (PMI) rising to 59.2 from 57.5 in September. This increase was driven by GST relief, productivity enhancements, and investments in technology. Additionally, service activity remained strong, with the PMI for services in October 2025 at 58.9, well above the 50 mark that separates expansion from contraction.

3. Fuel demand echoed this broader improvement. Petrol consumption climbed to a five-month high, supported by festive-season travel, and expanded 7.4 per cent YoY. Diesel demand also reached a four-month high, though its YoY growth stayed flat. Trade indicators pointed to continued resilience. Port cargo activity, which continued to show growth momentum in October 2025, expanded by double digits, indicating robust trade activity.

PMI manufacturing and services remain in an expansionary zone



Source: HSBC, IHS Markit

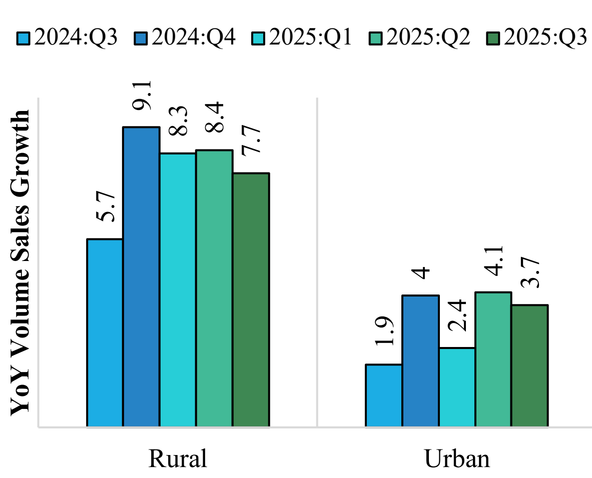
Savings from indirect taxes bolster demand

4. Demand conditions remain broadly favourable, supported by robust rural spending and steady momentum in smaller urban centres, as indicated by FMCG volume growth in Q3 of 2025. Rural consumption continued to strengthen, driven by favourable agricultural incomes

on the back of healthy crop output. At the same time, recovery in urban consumption is gaining momentum, mainly in smaller cities. The full impact of GST rationalisation on spending behaviour is likely to become more evident over the next two quarters.

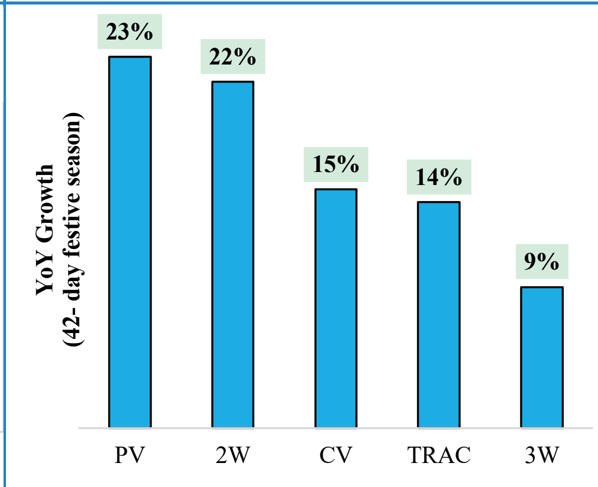
5. In line with these developments, high-frequency consumption indicators for October are reflecting nascent signs of the beneficial impact of GST rationalisation, reinforcing its supportive role in sustaining economic activity. Automobile retail sales, as reported by the Federation of Automobile Dealers Associations, grew by 40.5 per cent YoY in October 2025, with both passenger vehicles and two-wheelers recording lifetime highs. Further, an analysis of auto sales performance during the 42-day festive period of 2025 vis-à-vis 2024 indicates a strengthening of consumer sentiment in the ongoing year, with overall vehicle retail volumes surging by 21 per cent YoY as the sector registered its highest-ever sales and growth across categories.[1]

FMCG Sales signal firm rural demand and steady urban recovery



Source: Nielsen IQ

Strong festive momentum and GST rationalisation lift the auto retail sector



Source FADA

6. UPI transaction data from recent months also indicates a strengthening of consumption and payment activity. The average daily value of UPI transactions increased by 16.1 per cent YoY in October 2025, and this momentum sustained beyond the festive period, as reflected in the acceleration of YoY growth to 27.1 per cent in November 2025 (as on 18 November 2025).

7. Rural demand indicators similarly exhibited improvement. In October 2025, the tractor sales reached the highest level for any month in the past eleven years, supported by favourable monsoon conditions, improved rural sentiment, festive demand and the recent GST rate reduction. Taken together, these high-frequency indicators reflect resilient consumption dynamics across both urban and rural sectors.

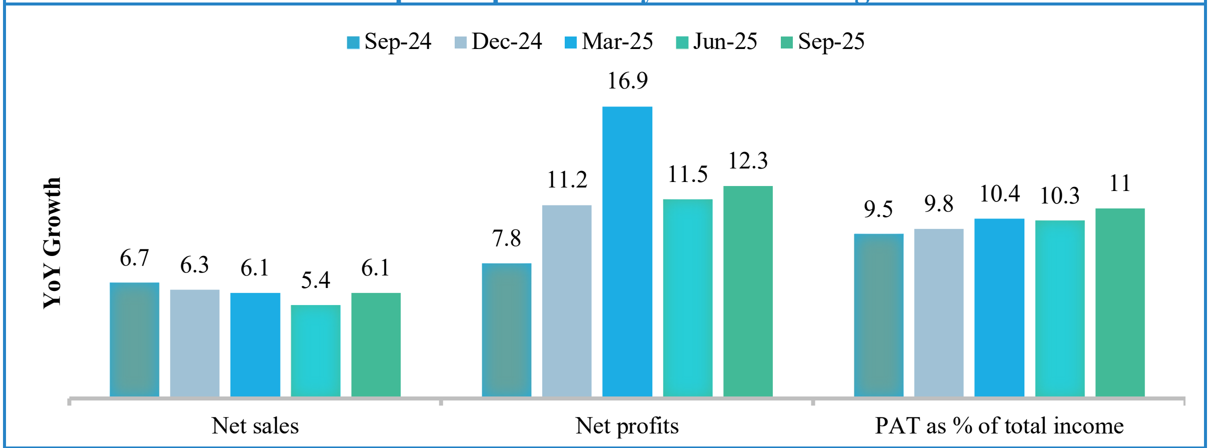
[1] The 42 days festive period ranges from 1st day of Navratri to 15 days post Dhanteras due to time lag for vehicle registration. The period spanned from 22nd Sep'25 - 02nd Nov'25 in 2025 and from 3rd Oct'24 - 13th Nov'24 in 2024.

8. With inflationary pressures easing and recent tax reforms boosting household disposable incomes, the near-term consumption outlook appears increasingly positive.

Steady expansion in the corporate sector performance during Q2 of FY26

9. Early corporate results for Q2:2025–26, based on CMIE data covering firms accounting for nearly two-thirds of listed company sales, indicate a continuation of steady operating conditions. Net sales grew by 6.1 per cent (y-o-y) in September 2025, broadly in line with recent quarters, and the pick-up in non-finance companies' sales is notable given the prevailing low-inflation environment, implying gains in real activity. Profitability remained healthy, with aggregate net profits rising by 12.3 per cent, supported by a rebound in financial companies and stable performance among non-financial firms. Profit margins have continued to strengthen, with PAT as a share of total income reaching an estimated 11.1 per cent—among the highest in recent years. Overall, the data suggest that corporate balance sheets remain resilient, supported by stable earnings.

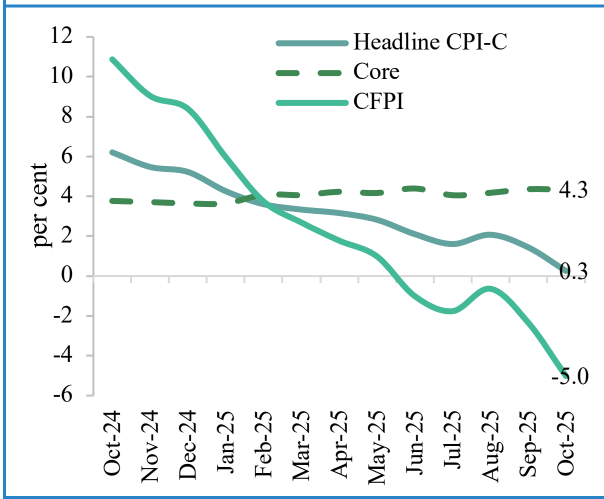
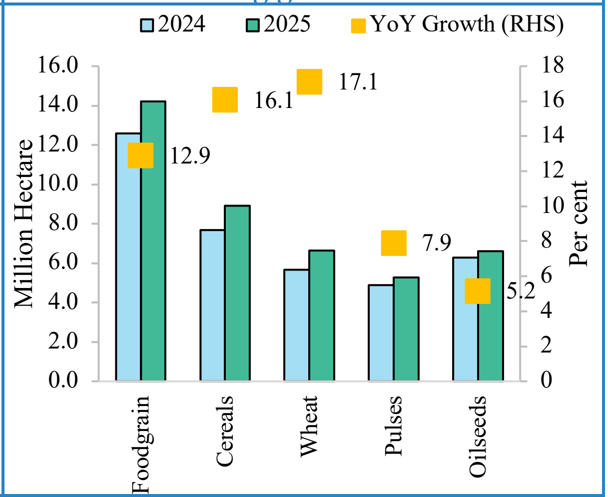
Corporate profitability remains strong



Source: CMIE Industry Outlook

Inflation eases to an all-time low in October 2025

10. Retail inflation has reached an all-time low in the current series, dropping to 0.25 per cent in October 2025, down from 1.44 per cent in September 2025. The decline can largely be attributed to the complete impact of reduced GST rates, a favourable base effect, and significant falls in food inflation. Deflationary pressures continued in food prices, which decreased by 5.0 per cent—the steepest decline in over a decade. This was driven by price corrections in vegetables, particularly tomatoes, onions, and potatoes, as well as a continued easing in the prices of pulses. Meanwhile, core inflation held steady at 4.3 per cent, indicating stable demand conditions in the economy.

Headline inflation eases to an all-time low	Rabi Sowing gains momentum
	
Source: MoSPI	

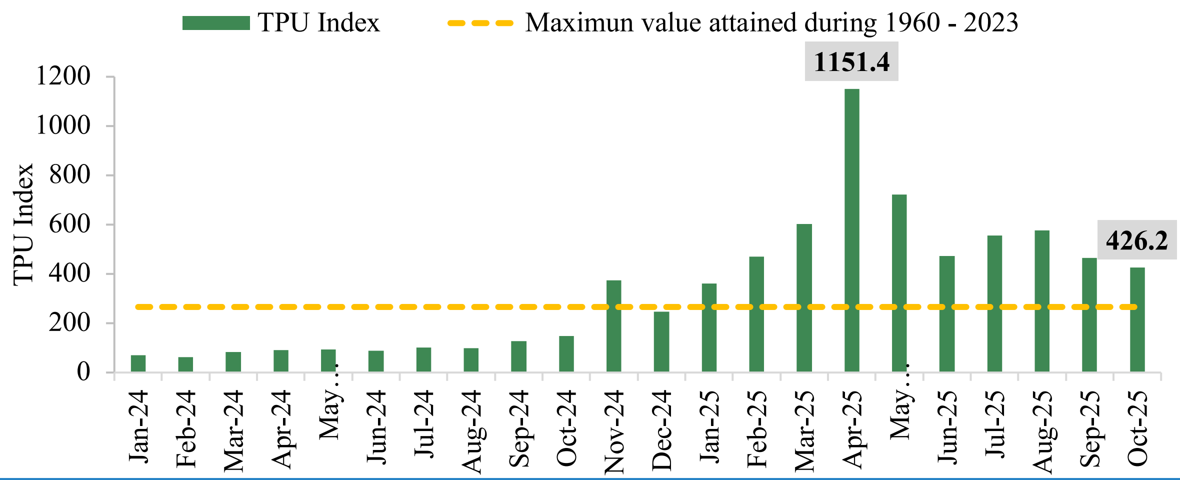
11. Overall, inflation during April-October 2025 stood at 4.8 per cent, reflecting a consistent easing of price pressures throughout the year. The Monetary Policy Committee, noting the marked easing in headline inflation, has revised its inflation projection for 2025–26 to 2.6 per cent. This reflects confidence that inflation will remain well-anchored, contingent on normal weather patterns and the absence of supply-side disruptions.

12. Agricultural activity continues to create a favourable environment for the inflation outlook. The Rabi sowing season has commenced, with the total area sown reaching 22.97 million hectares as of November 21, 2025, representing a 14.8 per cent increase compared to the same period in the previous year. The areas sown for major Rabi crops, including wheat and gram, have risen by 19.9 per cent and 8.9 per cent, respectively, supported by adequate soil moisture and reservoir levels that remain significantly above the long-term average. Furthermore, the Kharif marketing season for 2025-26 is proceeding smoothly, with 170.9 lakh metric tons procured as of 20 Nov 2025, thereby bolstering overall agricultural supply dynamics.

Global Trade Developments

13. Trade policy uncertainty has been a persistent phenomenon throughout CY 2025. While a series of trade agreements between the major economies has contributed to a reduction in this uncertainty, it still remains elevated due to the absence of clear, transparent, and sustainable agreements among these partners. This can be deciphered from the fact that although the Trade Policy Uncertainty Index decreased by 63 per cent in October 2025 compared to its peak in April 2025, it is still significantly elevated, showing an increase of 188.1 per cent (YoY) in October 2025 compared to the same period in the previous year.

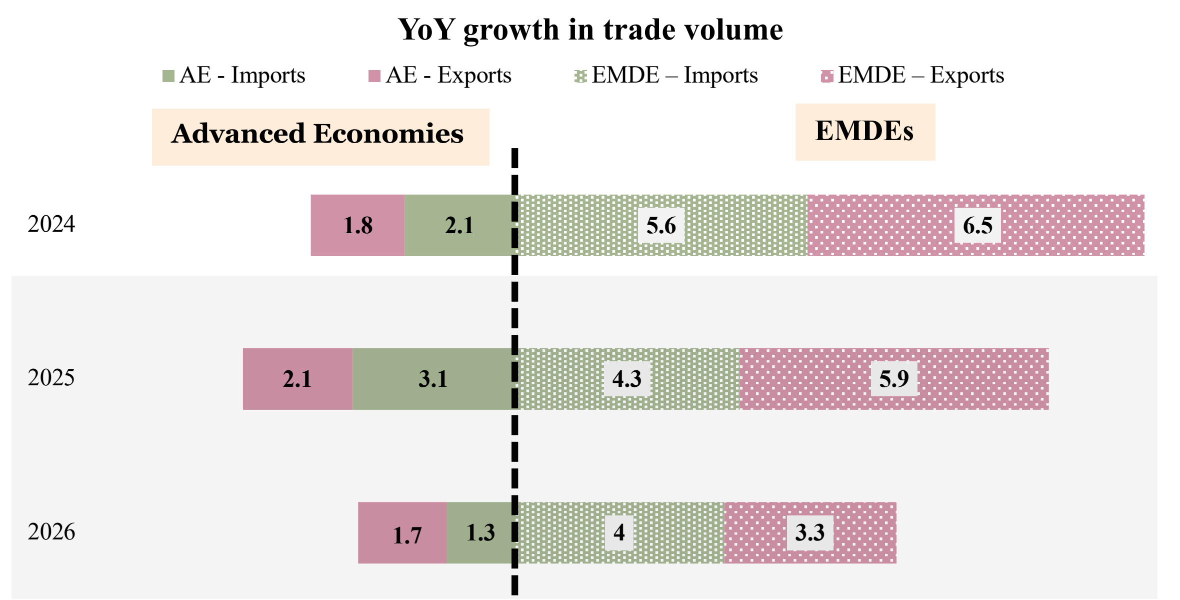
Trade Policy Uncertainty Index



Source: Caldara, Dario, Matteo Iacoviello, Patrick Molligo, Andrea Prestipino, and Andrea Raffo, "The Economic Effects of Trade Policy Uncertainty" (https://tinyurl.com/352aa7tc)

14. The frontloading of trade orders in anticipation of higher tariffs has led to a significant increase in trade in CY 2025; however, this positive trend is constrained by ongoing fragmentation, which is seen to limit potential gains. Furthermore, the actual effective tariff rates, defined as the duty paid on imports at customs as a percentage of the value of imports, have lagged behind the effective rate based on the announcements. This delay is attributed to factors such as stockpiling, pauses in tariffs, trade diversion and rerouting.[2]

Growth in trade volume (goods and services) of Advanced economies and EMDEs



Source: World Economic Outlook, IMF

Note: Data for 2025 and 2026 are forecasts.

[2] IMF's World Economic Outlook, October 2025

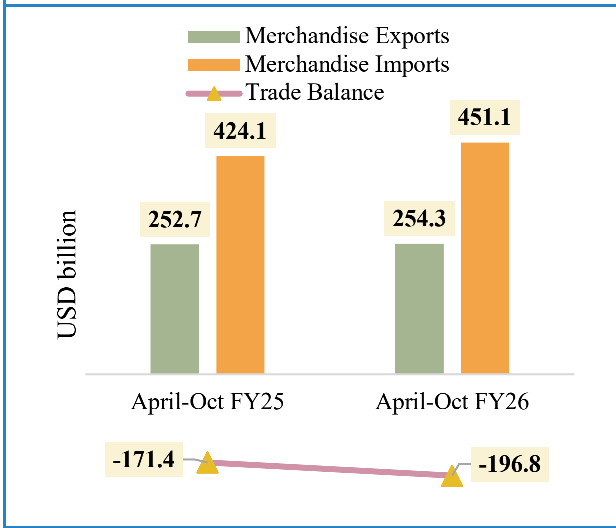
15. As a result, the IMF's World Economic Outlook, October 2025, projects that global trade volume (goods & services) will grow at an average rate of 3.6 per cent during CY 2025 and then decrease to 2.3 per cent in CY 2026, which is markedly lower than the 3.5 per cent growth recorded in CY 2024. However, the trade performance of advanced economies (AEs) exhibits significant differences compared to that of emerging market and developing economies (EMDEs).

16. The chart above shows that, although growth forecasts for EMDEs in terms of trade volume for both imports and exports are expected to be higher compared to AEs, trade policy uncertainty is likely to have a more pronounced impact on the trade volumes of EMDEs than on those of AEs. This is evident from the decline in EMDE exports, which are projected to grow by only 3.3 per cent in CY 2026. This represents a substantial reduction, approximately half of the 6.5 per cent growth experienced in CY 2024. Similarly, EMDE imports are expected to grow by 4 per cent, down from 5.6 per cent in CY 2024. In contrast, the growth of imports for AEs is forecasted to drop to 1.3 per cent from 2.1 per cent, while their exports are anticipated to decrease slightly to 1.7 per cent in CY 2026, a decline from 1.8 per cent in CY 2024.

India's Trade Performance

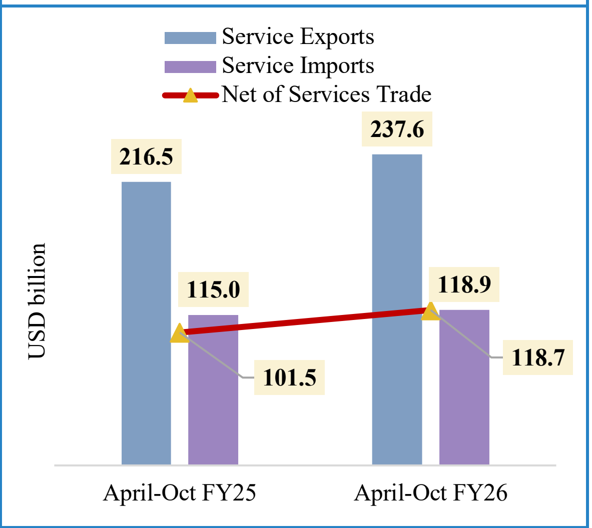
17. During the period April-October FY26, India's total exports (goods and services) have registered a growth rate of 4.8 per cent (YoY), reaching USD 491.8 billion. While merchandise exports have grown by 0.6 per cent (YoY), non-petroleum, non-gems and jewellery exports have registered a growth of 4.6 per cent (YoY). Services exports grew by 9.7 per cent (YoY) during the period, reaching USD 237.6 billion, and this strength in the services exports has generated a net services surplus of USD 118.7 billion. As a result, the total trade deficit stands at USD 78.2 billion.

Merchandise Trade (April-Oct)



Source: Department of Commerce

Services Trade (April-Oct)



Source: RBI and Department of Commerce

18. On the imports side, total imports grew by 5.7 per cent (YoY), reaching USD 570 billion, with merchandise imports registering a growth of 6.4 per cent (YoY). The increase was driven by non-petroleum, non-gems, and jewellery imports, which grew by 8.2 per cent (YoY). In contrast, the petroleum, crude and products imports fell by 4.5 per cent (YoY), on the back of a 13.4 per cent decrease (YoY) in the average crude oil price. This import pattern indicates a robust domestic demand within the economy. Concurrently, service imports, which are valued at USD 118.9 billion in April-October FY26, have registered a growth of 3.4 per cent (YoY).

19. The trade statistics for the month of October 2025 indicate a moderation in the country's trade performance amid a dynamic global environment. While the merchandise exports have registered a decline of 11.8 per cent (YoY), merchandise imports have increased by 16.6 per cent (YoY). The rise in merchandise imports is primarily due to an increase in gold and silver imports. Gold imports have increased by 199.2 per cent and silver imports by 528.7 per cent (YoY). This rise in imports may be due to rising gold prices, which increased by 50.9 per cent and silver prices, which increased by 52.5 per cent (YoY). Consequently, the merchandise trade deficit increased to USD 41.7 billion from USD 26.2 billion in October 2024.

20. Simultaneously, the services trade continued to provide thrust to India's trade performance. Services exports have increased by 11.9 per cent (YoY), amounting to USD 38.5 billion. This represents the highest level of service exports recorded in a single month. Services imports have increased by 8.2 per cent; as a result, the net of services trade increased by 15.7 per cent (YoY), amounting to USD 19.9 billion.

21. Effectively, the services trade surplus covered 48 per cent of the merchandise trade deficit and therefore, the total trade deficit amounts to USD 21.8 billion in October 2025.

22. To sustain the momentum in India's trade performance amidst global uncertainty, the country is actively pursuing a diversified trade strategy. This includes the recently concluded India–UK (CETA) and engagements in FTA negotiations with the EU, US, New Zealand, Chile, and Peru. Further, the Export Promotion Mission announced in the Union Budget 2025–26 has been approved by the Cabinet with an outlay of ₹25,060 crore.[3] This mission will strengthen India's export competitiveness, particularly for MSMEs, first-time exporters, and labour-intensive sectors and also provide a comprehensive, flexible, and digitally driven framework for export promotion.

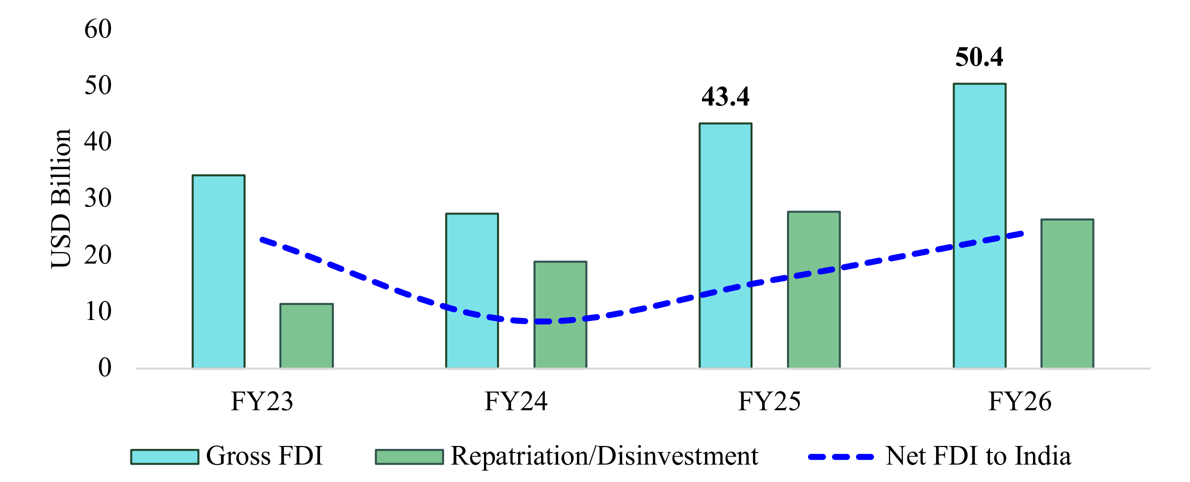
[3] PIB Press Release of the Ministry of Commerce and Industry, dated November 12, 2025: https://www.pib.gov.in/PressReleseDetail.aspx?PRID=2189383

Capital flows

23. Net FDI to India for April-Sept FY26 increased to USD 24 billion from USD 15.6 billion a year earlier, supported by higher gross inflows (USD 50.4 billion vs USD 43.4 billion) and a moderation in repatriations/disinvestment, driven by stronger equity inflows and sustained reinvested earnings.

24. On the portfolio side, October recorded a modest recovery, with net FPI inflows of USD 4 billion, led by a positive shift in equity flows. However, cumulative outflows across all asset classes for April to Nov 2025 (up to 25 Nov) amounted to USD 205 million.

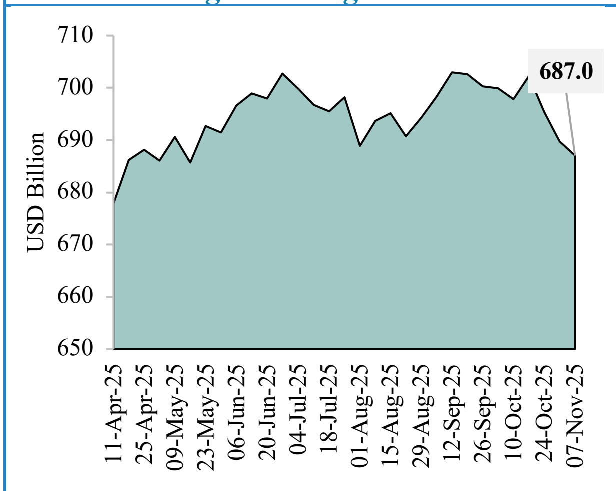
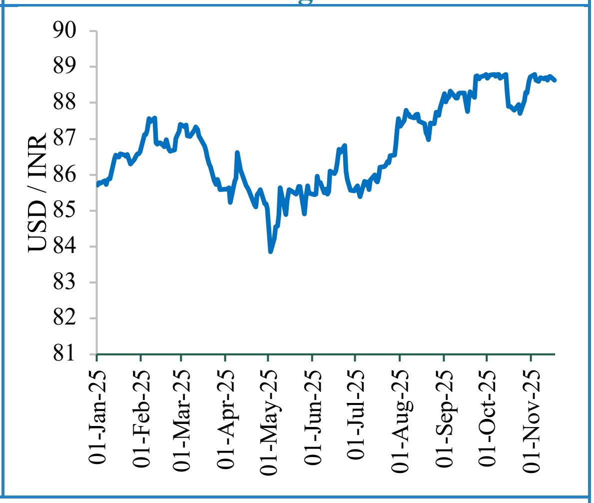
FDI (Apr-Sept)



Source: RBI

Foreign exchange reserves

25. As of November 7, 2025, India's foreign exchange reserves stood at USD 687 billion, providing an estimated import cover of 11 months and covering ~91.9 per cent of India's total external debt as of the end of June 2025.

Foreign exchange reserves	**Exchange Rate**
	

Source: RBI

Exchange rate

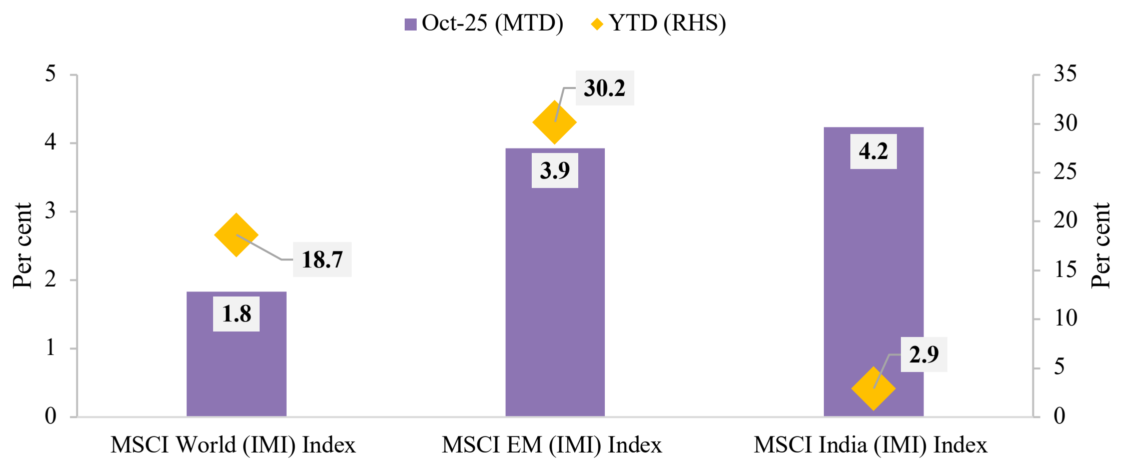
26. The Indian rupee (INR) traded within a narrow range of 87.8-88.8 per US dollar in October, remaining largely unchanged from September levels. This limited volatility reflected a period of relative stability in global currency markets, supported by steady portfolio flows and the RBI's active management of liquidity and foreign exchange.

27. Looking at the longer trend, the INR depreciated by 3.5 per cent against the US dollar from the end of March to the end of October 2025, demonstrating a gradual weakening consistent with broader emerging-market currency trends.

Monetary and Financial Sector Developments

28. In recent months, the decrease in trade policy uncertainty, along with strong corporate earnings, moderated inflation, and rising expectations for monetary easing, has contributed to an increase in global equity indices. The MSCI World (IMI) Index[4] has increased by 1.8 per cent (MTD) in October 2025 and achieved a YTD growth of 18.7 per cent as of November 14, 2025. Notably, during the same period, the increase in the equities of the emerging market economies has exceeded that of the developed economies. The MSCI EM (IMI) Index[5] has registered an increase of 3.9 per cent (MTD) in October 2025 and a YTD growth of 30.9 per cent as of November 14, 2025.

MSCI Equity Indices



Note: MTD – month to date, YTD – year to date.

Source: MSCI (https://tinyurl.com/mr2dbzfz)

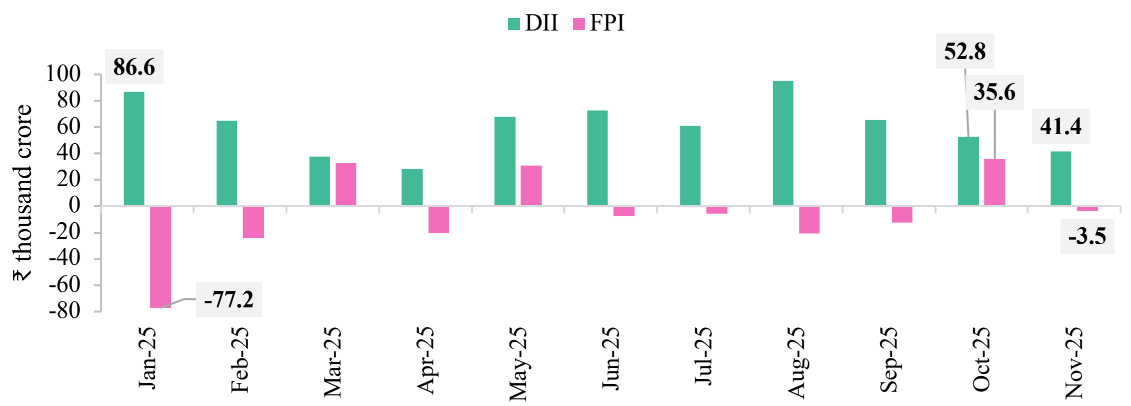
[4] The MSCI World Investable Market Index (IMI) captures large, mid and small cap representation across Developed Markets countries. The index is comprehensive, covering approximately 99% of the free float-adjusted market capitalisation in each country.

[5] The MSCI Emerging Markets Investable Market Index (IMI) captures large, mid and small cap representation across Emerging Markets countries. The index covers approximately 99% of the free float-adjusted market capitalisation in each country.

29. Similarly, the Indian equities have experienced a significant increase in October 2025, after experiencing a modest recovery in September 2025. This rebound can be attributed to the rationalisation of GST, which has boosted consumption, a resilient economic environment, and the critical buffer provided by domestic institutional investors (DIIs), enabling the Indian equity market to remain resilient amidst persistent global volatility. The MSCI India (IMI) Index[6] has registered an increase of 4.2 per cent (MTD) in October 2025 and a YTD growth of 2.9 per cent as of November 14, 2025.

30. In October 2025, foreign portfolio investors (FPIs) became net buyers in the stock markets after being net sellers for four consecutive months. In November 2025, while FPI outflows have been observed in the equity segment, the debt segment has seen inflows. As a result, as of November 17, 2025, FPIs remain net sellers with a net outflow of ₹3.5 thousand crore.

Net Purchases/Sales by FPIs and DIIs



Note: Data for November 2025 is as of November 17, 2025

Source: NSDL and BSE

31. The DIIs have consistently maintained their position as net buyers in Indian equities, effectively countering FPI selling and reinforcing the strength of the domestic market. The increasing significance of DIIs as large net buyers is further reflected in their rising shareholdings. According to data compiled and published by PRIME Infobase, the share of DIIs[7] (by value of holdings) surpassed that of foreign institutional investors (FIIs)[8] for the first time in Q4 FY25 and has now reached an all-time high in Q2 FY26.[9] In Q2 FY26, the share of

[6] The MSCI India Investable Market Index (IMI) is designed to measure the performance of the large, mid and small cap segments of the Indian market. The index covers approximately 99% of the free float-adjusted market capitalisation of the Indian equity universe.

[7] Domestic Institutional Investors include domestic MFs, Insurance Companies, Banks, Financial Institutions, Pension Funds, Non-Banking Financial Companies (NBFCs), Domestic Sovereign Wealth Funds (SWFs), Asset Reconstruction Companies (ARCs), etc.

[8] Foreign Institutional Investors include Foreign Portfolio Investors (FPIs), Foreign Direct Investment (FDI), Foreign SWFs and ownership through Depositary Receipts (DRs) held by custodians

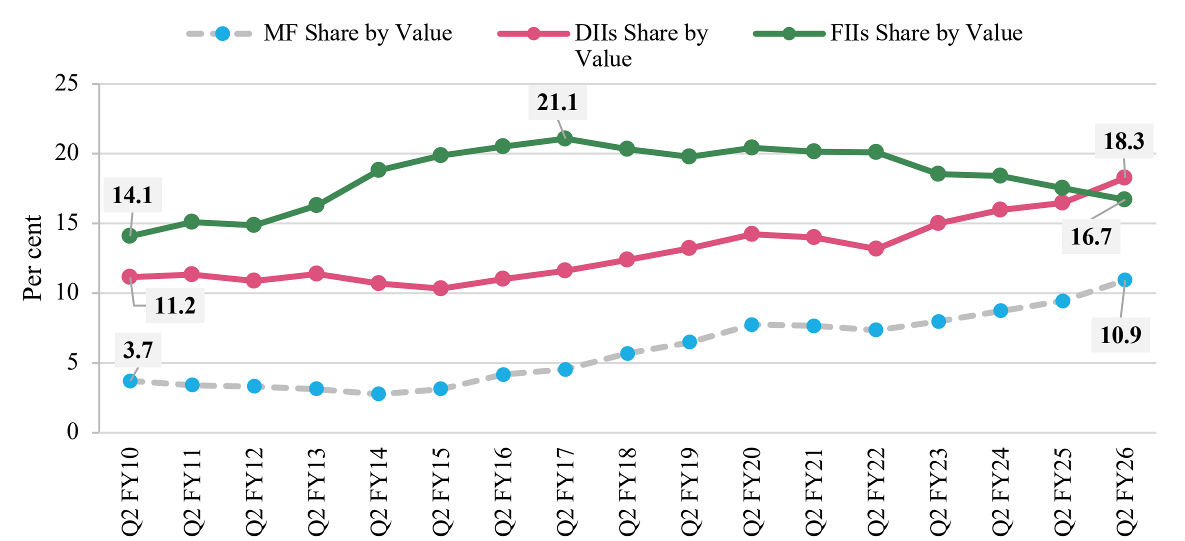
[9] Data from PRIME Infobase is available at https://tinyurl.com/ys5nytp5

DIIs (by value of holdings) stands at 18.3 per cent while that of the FIIs stands at 16.7 per cent, a 13-year low.

32. Domestic Mutual funds (MFs) have significantly contributed to the trend of the share of DIIs surpassing that of the FIIs. In Q2 FY26, the share of MFs (by value of holdings) reached an all-time high of 10.9 per cent. Therefore, even though FIIs remain important participants in the Indian capital market, DIIs, along with retail investors and high-net-worth individuals, have been playing a strong counterbalancing role to the decisions made by FIIs regarding market participation. The combined share of DIIs, retail investors, and high-net-worth individuals reached an all-time high of 27.8 per cent in Q2 FY26.

33. In this context, it is important to note the recent trends in households' net financial assets and their financial investments in mutual funds and equities. The RBI data informs that the net financial assets of the households, which had declined to multi-decadal lows in FY23, have now witnessed a robust recovery. As of FY25, the net financial assets as a percentage of GDP have increased to 6.0 per cent from 4.9 per cent observed in FY23. This improvement is largely attributed to a reduction in household financial liabilities, which decreased from 5.9 per cent of the GDP in FY23 to 4.7 per cent of the GDP in FY25.

Share of DIIs and FIIs



Source: Data by PRIME Infobase

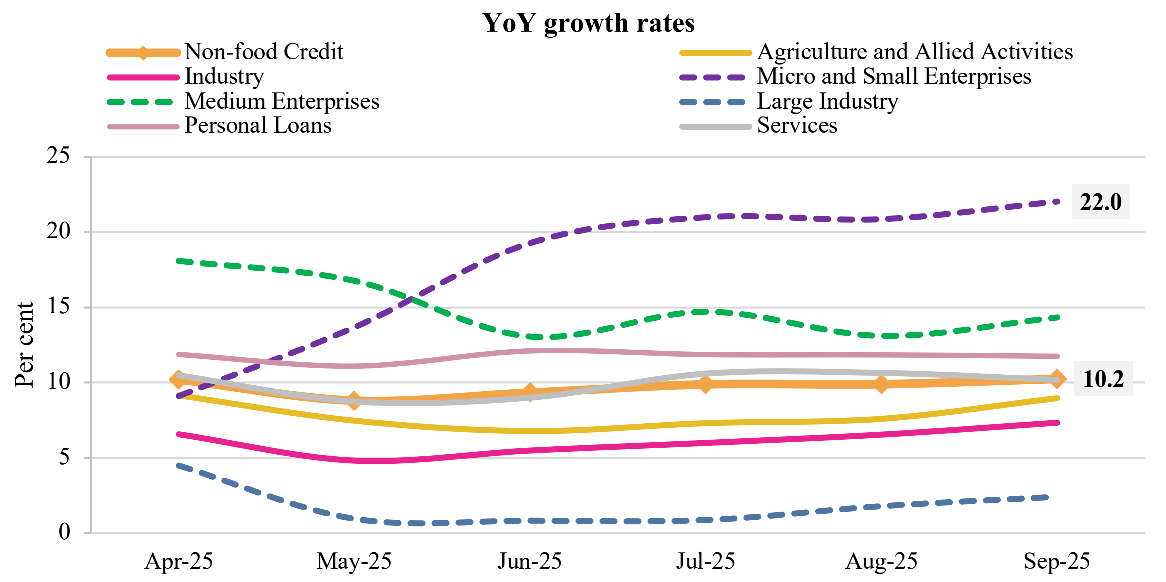
34. While the share of the household's financial assets in FY25 remains comparable to the levels seen in FY23, a notable increase has been observed in the share of households' financial investments as a percentage of total financial assets. The share of these investments in total financial assets has risen to 15.1 per cent, compared to 7.3 per cent during the same period. Moreover, within the category of financial investments, the share of mutual fund investments in the total financial assets by households has increased from 6.1 per cent to 13.1 per cent, and investments in equities have risen from 0.8 per cent to 2.1 per cent.

Bank Credit

35. As of September 19, 2025 2025, the (YoY) growth in outstanding credit by Scheduled Commercial Banks (SCBs) moderated to 10.4 per cent from 13 per cent recorded as of the end of September 2024. However, following a period of declining trend in the growth of outstanding credit by SCBs in FY26, an increase has been observed in September 2025. In September 2025, the YoY growth rates for bank credit and non-food credit mark the highest values seen in FY26 so far.

36. In terms of sectoral deployment of non-food credit, among the categories of agriculture and allied activities, industry, services and personal loans, the highest YoY growth has been observed in personal loans, with an increase of 11.7 per cent. This growth trend in the personal loans segment has remained consistent throughout FY26 so far. A significant factor contributing to this growth is a substantial rise in loans against jewellery, which have increased by 114.9 per cent (YoY), likely due to the increasing prices of gold.

Sectoral Deployment of Non-Food Credit by SCBs



Source: RBI

37. While the YoY growth trend in credit for agriculture, industry, and services has demonstrated consistency in FY26 thus far, within industry, the bank credit to the MSME sector continues to show momentum and remains robust. In September 2025, bank credit to this sector showed a YoY increase of 19.7 per cent, compared to an increase of 15.5 per cent in September 2024. Within the MSME sector, the credit extended to the micro and small enterprises has registered an increase of 22 per cent (YoY) in September 2025, up from 13.4 per cent in September 2024. Furthermore, this expansion follows an 18.5 per cent increase in

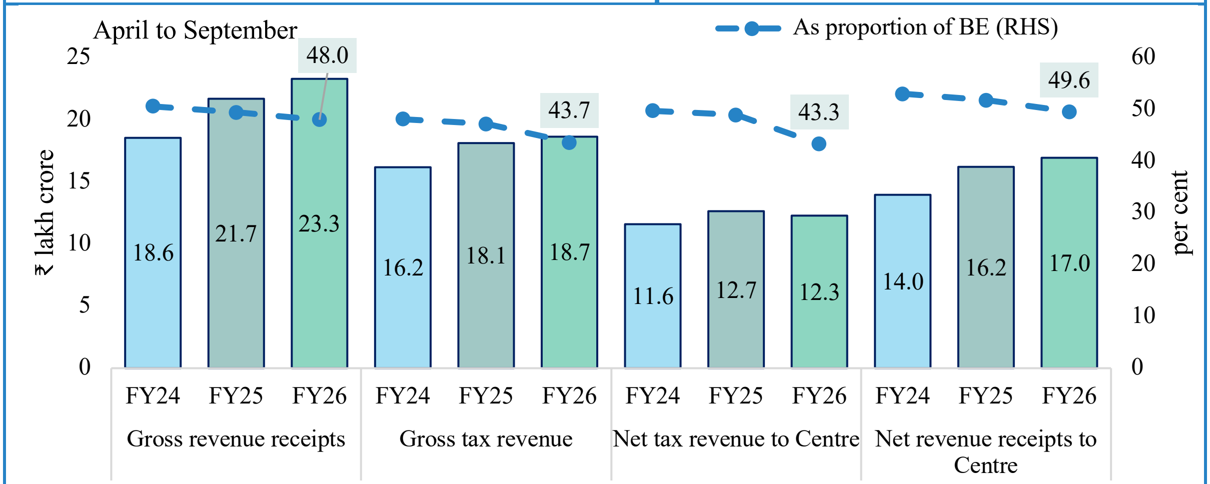
bank credit to the MSME sector in August 2025, with micro and small enterprises seeing a 20.9 per cent rise, on a YoY basis, indicating a sustained momentum.

Public finances

Centre's finances

38. The Union's finances remained steady in H1 FY26, supported by a stable revenue performance and a reduction in total expenditures. Gross tax revenue grew by a modest 2.8 per cent YoY, reflecting the impact of recent rationalisation of income tax slabs and GST rates. Higher tax devolution to States, however, led to a slight decline in the Centre's net tax revenue. This was, however, more than offset by a strong 30.5 per cent YoY increase in non-tax revenues, resulting in higher net revenue receipts for the Centre, which reached 49.6 per cent of the Budget Estimates by the end of H1 FY26. There was a substantial 138 per cent YoY increase in non-debt capital receipts.

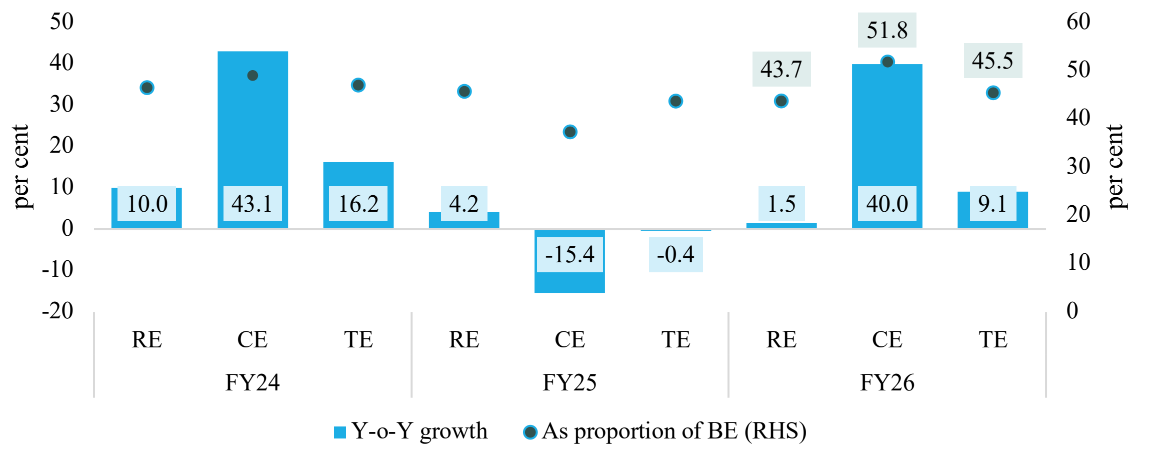
Trends in revenue receipts of the Centre



Source: Controller General of Accounts.

39. As FY25 was an election year, it is appropriate to compare expenditure growth this year with that of FY24, a non-election year. Capex recorded a strong rebound, rising by 40 per cent YoY and in line with the trends in FY24. On the other hand, revenue expenditure grew by only 1.5 per cent, compared to a 10 per cent growth in FY24, reflecting a continued commitment to fiscal consolidation. Total expenditure as a share of Budget Estimates is broadly in line with the performance observed during the same period in the past two years.

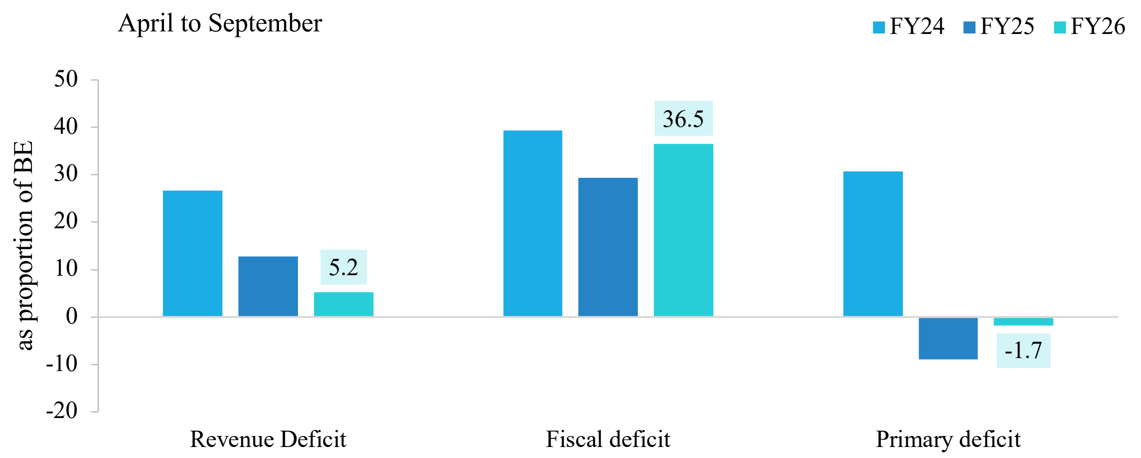
Trends in expenditure of the Centre



Source: Controller General of Accounts.
Note: RE-revenue expenditure, CE-capital expenditure, TE-total expenditure.

40. Overall, prudent expenditure management, improved quality of spending, and steady revenues have kept the deficit indicators comfortably positioned by the end of H1 FY26. Revenue deficit has hit only 5.2 per cent of the estimated figures while fiscal deficit is at 36.5 per cent of the estimated deficit for FY 26 as at the end of H1. Primary surplus has narrowed. This solid foundation, reinforced by tax rationalisation measures and sustained capital expenditure, helps strengthen market confidence and support robust economic activity in the second half of the year.

Deficit indicators reflect prudent fiscal management

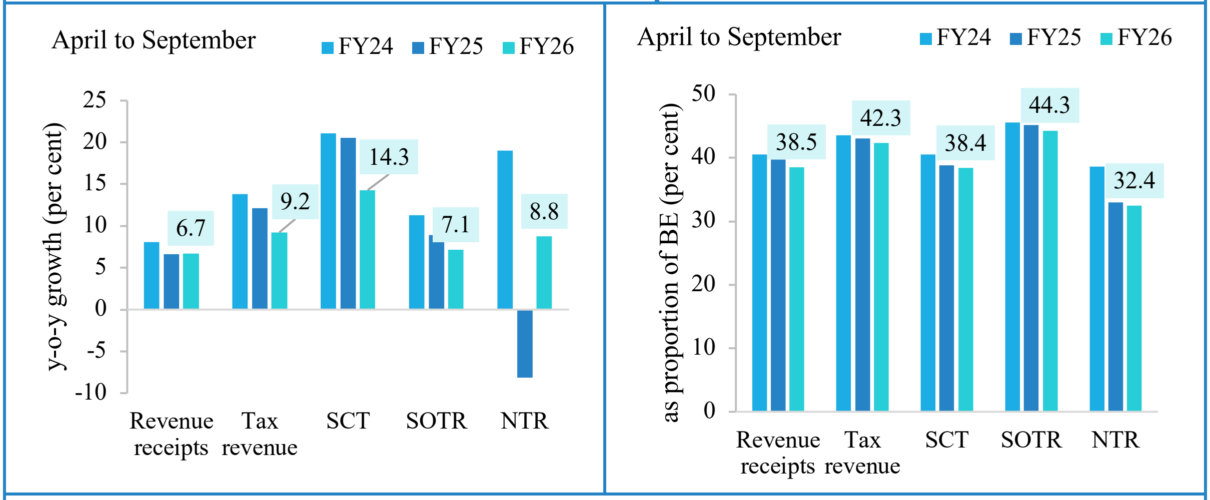


Source: Controller General of Accounts.

State finances

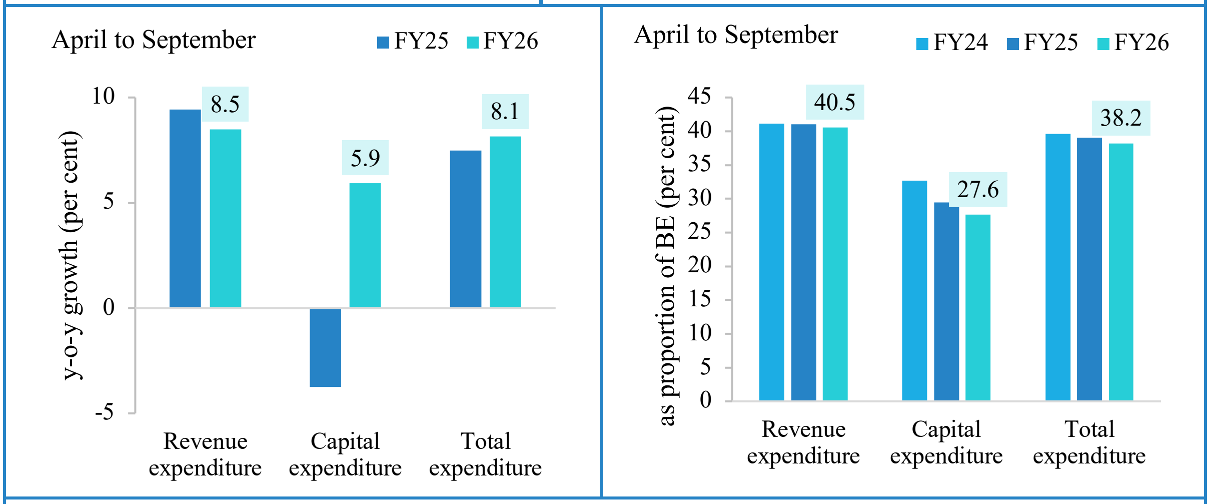
41. The unaudited provisional accounts of 20[10] States' finances (April–September) reveal a moderation in the collection of revenue receipts as a proportion of their budget estimates in FY 26 compared to the previous two years. The decline in tax receipts, particularly the own-tax revenues of the states and in the shares from the central taxes, was offset to some extent by the growth in non-tax revenues.

Trend in revenue receipts of the States



Source: Comptroller and Auditor General
Note: SCT-share in central taxes, SOTR-states' own tax revenue, NTR-non-tax revenue.

Trends in expenditure of the States



Source: Comptroller and Auditor General

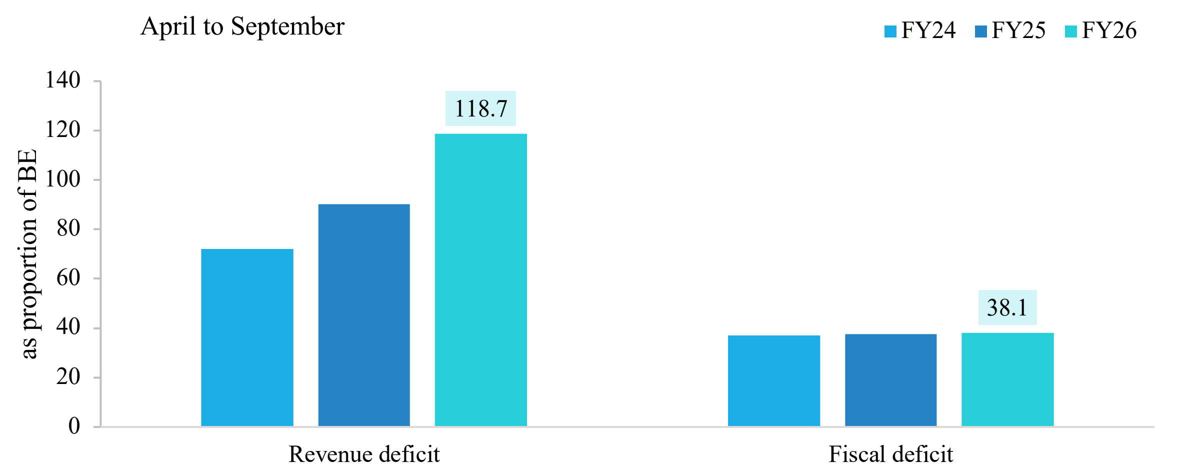
42. On the expenditure front, YoY increase in revenue expenditure has marginally declined. While growth in capital expenditure shows a rebound with a growth of 5.9 per cent YoY, it lags

[10] Andhra Pradesh, Assam, Chhattisgarh, Gujarat, Haryana, Jharkhand, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Meghalaya, Odisha, Punjab, Rajasthan, Tamil Nadu, Telangana, Tripura, Uttar Pradesh, Uttarakhand, West Bengal.

in terms of progress against budgeted estimates compared to the previous two years. Thus, the mix of revenue and capital expenditure has tilted towards the former over the past two years.

43. Revenue expenditure outpacing revenue receipts has resulted in revenue deficit overshooting the budgetary estimates at the end of H1. The fiscal deficit remains contained at levels comparable to those of the previous two years.

Deficit position reflects the need to recalibrate expenditure management



Source: Comptroller and Auditor General

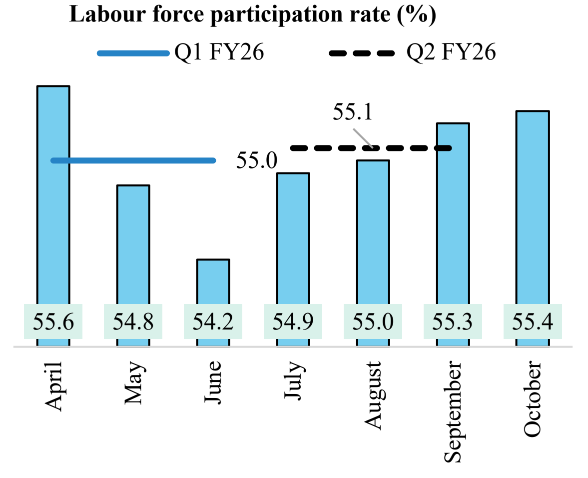
Softening of the labour market

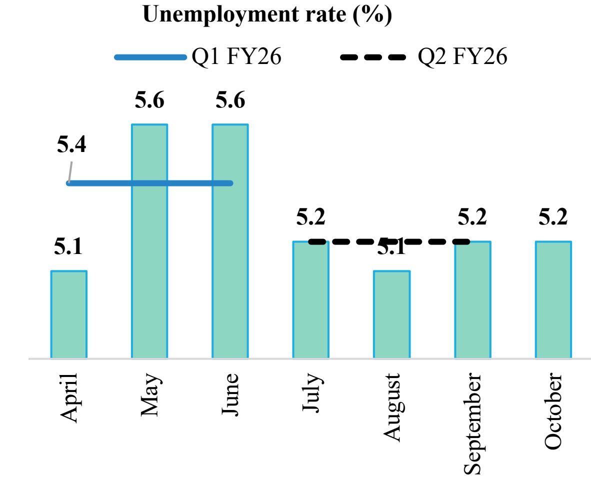
44. India's labour market showed moderation in activity, as revealed by official monthly and quarterly Periodic Labour Force Survey (PLFS) data alongside Centre for Monitoring Indian Economy (CMIE) data and the high-frequency indicators representing industry hiring. Together, the data indicate moderation in job creation in the economy, with softening of labour force participation. However, the hiring outlook for 2026 remains strong, coupled with increased employability of the workforce, especially among women, signalling a growing and increasingly skilled workforce ready to meet the evolving economic demands.

45. According to the quarterly PLFS bulletin, the first half (H1) of FY26 (April-September 2025) has been a period of rising labour force participation rate (LFPR)[11] and declining unemployment rate (UR).[12] The overall LFPR marginally increased to 55.1 per cent during July-September 2025 (Q2 FY26), compared to 55.0 per cent in the previous quarter for persons aged 15 years and above (as per the current weekly status). The data suggests a modest rise in female LFPR, to 33.7 per cent in Q2 FY26 from 33.4 per cent in Q1 FY26 (April-June 2025).

[11] LFPR is defined as the percentage of persons in labour force (i.e. working or seeking or available for work) in the population.
[12] UR is defined as the percentage of persons unemployed among the persons in the labour force.

Labour market dynamics for H1 FY26

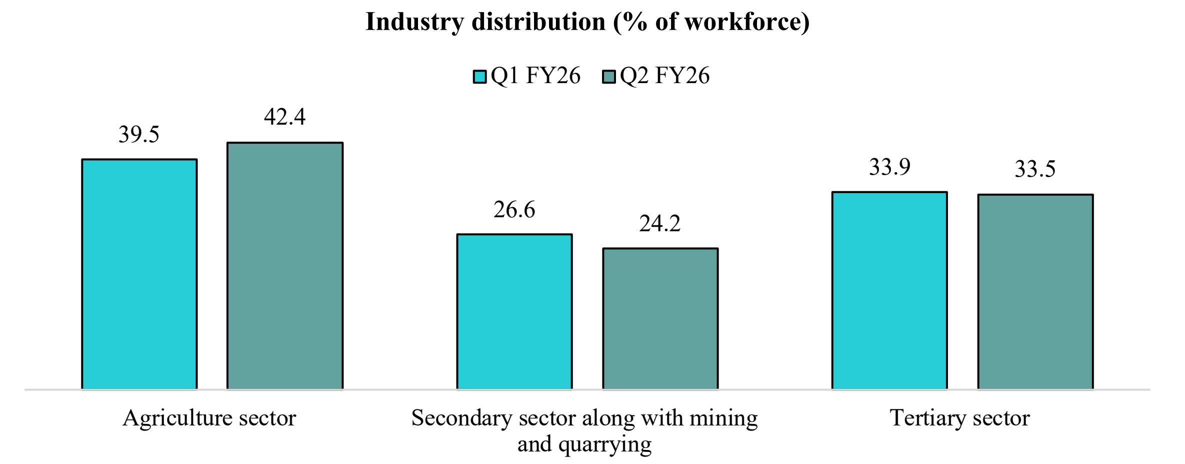




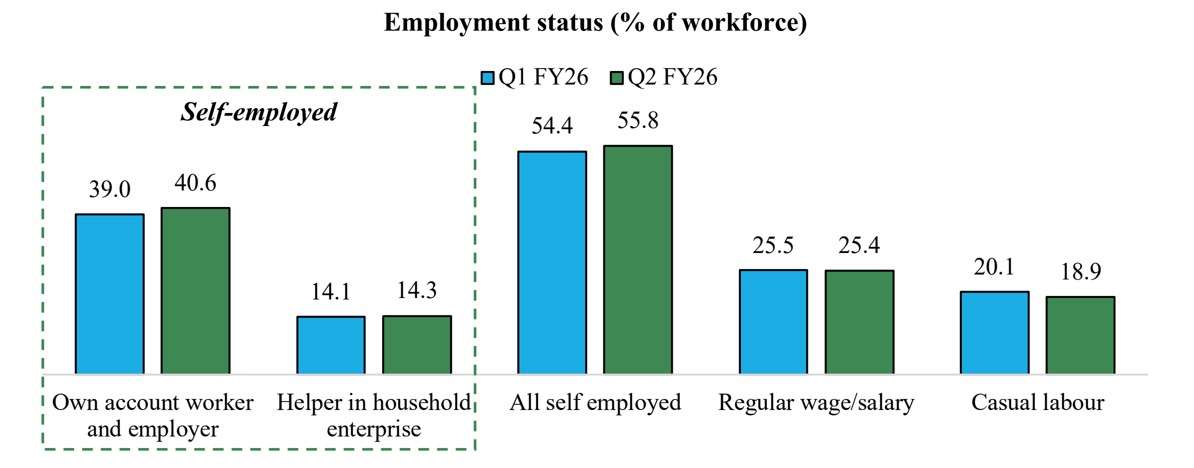
Source: PLFS Monthly and Quarterly Bulletin

46. Despite only a marginal increase in LFPR, employment levels remain substantial. A total of 56.2 crore people (aged 15 years and above) were employed in Q2 FY26, reflecting a creation of around 8.7 lakh new jobs in Q2 compared to Q1 of FY26. Meanwhile, the UR among persons aged 15 years and above declined to 5.2 per cent in July-September 2025 as per PLFS data.

Labour market dynamics for H1 FY26: Industry & Status Distribution



Source: PLFS Monthly and Quarterly Bulletin



Source: PLFS Monthly and Quarterly Bulletin

47. Examining the trends by sector, the share of agricultural employment increased in Q2 of FY26, while the share of self-employed individuals rose, and the share of casual labourers decreased. The agricultural sector's share of total employment increased from 39.5 per cent in Q1 to 42.4 per cent in Q2. This increase can be attributed to a seasonal uptick in agricultural operations in rural areas.[13]

48. Along with the official data, the CMIE data also reflects similar shifts in job patterns owing to agrarian cycles.[14] According to CMIE, the UR[15] stood at 7.5 per cent in October 2025 compared to 6.4 per cent in September 2025, with a LFPR[16] of 41.4 per cent in October 2025.[17] The increase in UR in October can be attributed to the rise in UR in rural areas, possibly resulting from a shift from non-farm to farm activities due to kharif harvesting and the simultaneous sowing of the Rabi crop. This is also reflected in the occupation-wise employment figures, with a decline in the number of people employed[18] as daily wage labourers

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[13] PLFS Quarterly Bulletin for July-September 2025 bulletin: https://tinyurl.com/ykyr48p5

[14] CMIE estimates the unemployment in India by directly interviewing a large sample of randomly selected households, to find the employment and unemployment status of all members over 15 years of age. The sample households used for estimation are from the panel of households included in CMIE's Consumer Pyramids survey, which comprises over 174,000 households, with more than 560,000 members aged 15 years or older. This is the largest sample of individuals from whom data is gathered on the employment and unemployment status. The reference period for the labour data collected by CMIE is one day. This is the day of the survey, and if, and only if, the data for the day is not available, the reference period is the day preceding the day of the survey.

[15] CMIE defines unemployment rate as the ratio of unemployed willing and looking for job to the labour force.

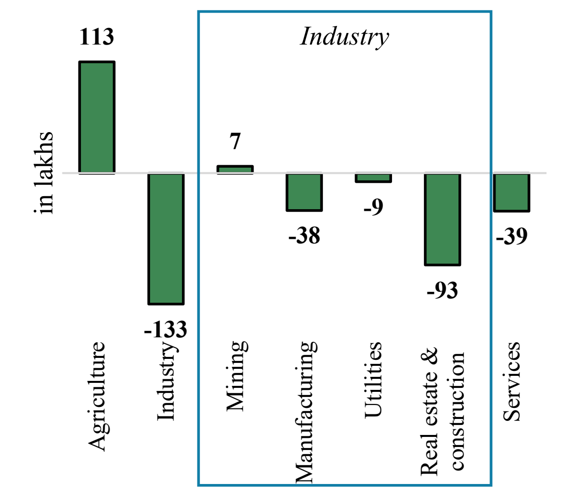
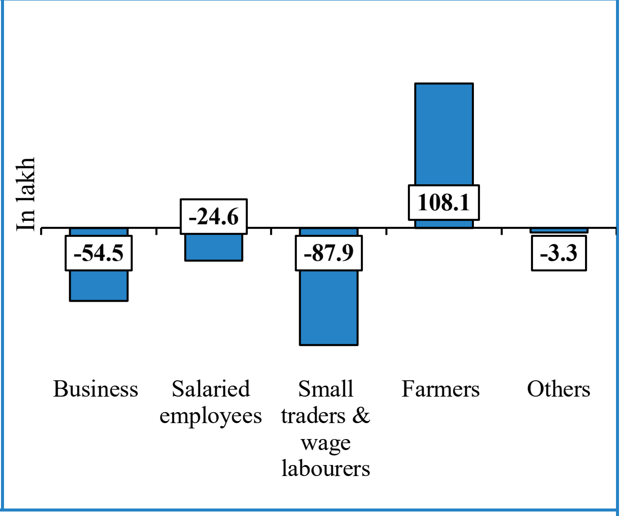
[16] CMIE labour participation rate is the ratio of the labour force to the working age population, where the labour force is defined as the sum of employed persons and unemployed persons willing and looking for work. The working-age population refers to all persons aged 15 years or older.

[17] The difference between the PLFS and CMIE labour statistics arises from the varying reference periods used in the two surveys. Labour statistics in the current weekly status, uses a reference period of the last 7 days preceding the survey date. In contrast, CMIE uses a one-day reference period, which is the day of the survey.

[18] In the CMIE database, a person is classified as "employed" if the person is working for pay or for profit on the day of the survey interview or on the previous day if the status of the day of the interview is unclear, as it may be for a daily wage labourer early in the day. A person working in the production of primary agricultural goods for their own consumption is considered employed. If a person is on leave for the day but is earning wages for that day, then the person is classified as employed. If a person is on leave without pay but has a reasonable assurance of returning to work after the leave period ends, they are classified as employed.

and small traders, while there is an increase in the number of farmers.[19] Thus, the churn in labour markets was essentially a rural phenomenon in October. A significant number of rural daily wage labourers, entrepreneurs and salaried employees were seen to have moved into agriculture or were left unemployed.

Labour market churning in October 2025

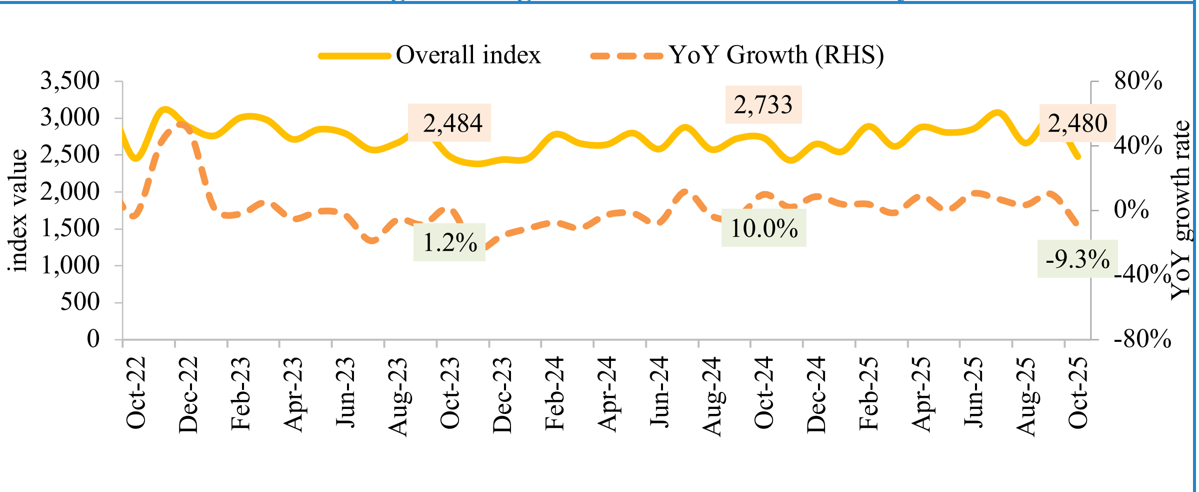
Sector-wise Change in Number of Employed Persons in October 2025 vis-à-vis October 2024	Occupation-wise Change in Number of Employed Persons in October 2025 vis-à-vis September 2024
	

Source: CMIE

High-frequency indicators reflect softening in hiring

49. The Naukri jobspeak index, a key indicator of white collar hiring, witnessed a decline of 9 per cent YoY in October 2025. The easing of white-collar hiring during the month can be attributable to seasonal factors such as the Diwali-Dussehra festive cluster temporarily slowing recruitment momentum.

Softening of hiring in the white-collar industry



Source: Naukri JobSpeak, Infoedge

[19] In CMIE farmers refers to Organised Farmers and Small/Marginal Farmers

50. Even with the seasonal factor dampening overall hiring demand, the underlying non-IT sector hiring remains robust. Sectors such as Accounting and Finance (15 per cent), Education (13 per cent), and BPO/ITES (6 per cent) showed positive YoY growth. Importantly, the sustained surge in AI/ML job opportunities, with 33 YoY, signals ongoing digital transformation and demand for specialised talent. In addition, several hiring firms and colleges report softer hiring activity in the IT sector, though sustained hiring from non-tech sectors and specialised GCC roles continues to absorb talent.

Strong hiring sentiments for 2026

51. The India Decoding Jobs Report 2026, a joint report by digital recruitment platform 'Taggd' and the Confederation of Indian Industry (CII), estimates a hiring intent of 11 per cent in 2026 compared to 9.75 per cent in 2025.[20] According to the report, the increase in hiring is driven by sectoral expansion, digital adoption, and sustained industry confidence despite global headwinds. Furthermore, the Report projects female hiring to reach 30 per cent in 2026.[21]

52. Mirroring trends seen in Naukri Jobspeak, the report highlights a 55 per cent YoY increase in AI talent. It further informs that 72 per cent of planned roles in 2026 are permanent, reflecting a strong preference for stability. Meanwhile, gig (16 per cent) and contractual (7 per cent) jobs together indicate the steady rise of flexible work arrangements in India's evolving job market.

Rising employability of India's workforce

53. While hiring sentiments remain strong in 2026, the India Skills Report highlights a highly encouraging development: a significant increase in employability across the Indian workforce, with women surpassing men.[22] Employability has improved to 56.4 per cent in 2026, up from 46 per cent in 2020, showing consistent progress in job readiness and skill adaptability of the workforce.[23] This notable shift, driven by digital upskilling and flexible work models, positions India to make major gains in the global talent pool. In line with the India Decoding Jobs Report 2026, the report highlights the preference of Indian businesses for permanent employment, which still forms the major portion of India's workforce (72 per cent),

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[20] "Hiring intent" represents the percentage of employers planning to recruit employees.

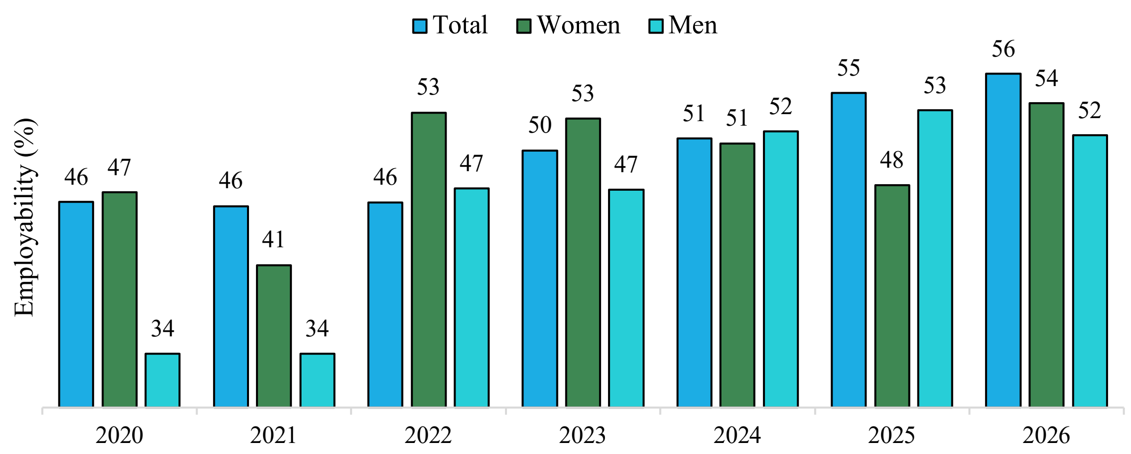
[21] India Decoding Jobs Report 2026: https://taggd.in/industry-reports/ The report is the seventh edition of the Decoding Jobs report. The primary survey received 300+ respondents from diverse industry sectors, in which the respondents shared their hiring predictions and inputs on other forecasts for 2026.

[22] India Skill Report 2026: https://wheebox.com/india-skills-report.htm. The India Skills Report 2026 is prepared by ETS, CII, AICTE, AIU and Taggd.

[23] Employability is measured by drawing insights from over 1 lakh candidates who participated in the Global Employability Test (G.E.T.) and responses from more than 1,000+ organisations across seven industries. The report provides a clear view of emerging trends shaping the future of employment. ETS Global Employability Test The ETS Wheebox Global Employability Test is a standardised online skill evaluation designed to measure the job readiness of India's youth in alignment with evolving global workforce demands. The 2026 test was conducted across higher education institutions, technical universities, vocational centres, and polytechnic institutions, as well as in select international partner regions.

while gig and third-party roles have grown to 16 per cent, signalling a maturing flexible economy alongside.

Employability changes over the years



Source: India Skills Report 2026

54. Mirroring these hiring trends reflected in the Naukri Job Speak Index and India Decoding Jobs report, the India Skills Report highlights the progress made in India in deepening the AI talent pool. The Indian workforce accounts for 16 per cent of the world's AI talent, with India's AI workforce projected to reach ~12.5 lakh by 2027. The report finds that India's growing platform and gig workforce is projected to touch ~2.35 crore by 2029-30, expanding across skill tiers and enabling entry-level and specialist participation alike.

55. Against this backdrop of shifting labour market dynamics and evolving workforce capabilities, structural reforms are essential to sustain and accelerate job creation in the economy. In a bid to reform the labour markets, the Government of India has implemented the four Labour Codes: the Code on Wages, 2019; the Industrial Relations Code, 2020; the Code on Social Security, 2020; and the Occupational Safety, Health and Working Conditions Code, 2020, streamlining 29 existing labour laws. This historic move modernises labour regulations, moving beyond colonial-era structures, improves workers' welfare, and aligns the labour ecosystem with the changing world of work. It lays the groundwork for a future-ready workforce and stronger, resilient industries, supporting labour reforms for *Viksit Bharat @ 2047.*[24]

Conclusion

56. The overall macroeconomic environment remains stable, supported by easing inflation, resilient domestic demand, and continued policy momentum. The favourable impact of GST rationalisation is increasingly visible in consumption indicators, while robust agricultural

[24] PIB release of M/o Labour & Employment dated 21 November 2025: https://tinyurl.com/5uu6ry5r

activity—reflected in the strong onset of Rabi sowing and adequate reservoir levels—has reinforced the outlook for food supply and rural incomes. Corporate performance remains healthy, with sustained profitability and stable balance sheets. Domestic financial markets continue to draw strength from firm institutional participation. Meanwhile, the external sector remains shaped by a complex global environment, although the persistent strength in services exports provides an important counterbalance to the volatility in merchandise trade.

57. The inflation outlook remains encouraging, supported by softening global commodity prices, benign energy markets, and targeted domestic supply interventions. However, the balance of risks warrants continued vigilance. Global uncertainties—including shifting trade policies, geopolitical frictions, and financial market volatility—pose potential headwinds to exports, capital flows, and investor sentiment. Notwithstanding these challenges, the confluence of well-anchored inflation expectations, sustained public capital expenditure, and firming rural and urban demand places the economy on a stable footing, positioning it to navigate emerging risks and preserve its growth momentum through the remainder of FY26.

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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)		
			2023-24	2024-25	2025-26	2023-24	2024-25	2025-26
Agriculture								
Fertiliser Sales	Mn Tonnes	Apr-June	102.1	107.5	121.2	2.5	5.3	12.7
Domestic Tractor Sales	Lakh	Apr-Oct	5.9	6.2	7.3	-3.8	5.0	17.9
Rice Procurement (KMS)	LMT	13 Nov	159.1	146.2	154.2	-6.1	-8.1	5.5
Rabi Sowing (Foodgrain)	Mn Hectare	21 Nov	25.2	20.0	23.0	-12.2	-20.6	14.8
Credit to Agri and allied activities	₹ Lakh crore	Sep	18.7	21.7	23.6	16.8	16.2	9.0
Industry								
IIP	Index	Apr - Sep	143.5	149.4	153.9	6.2	4.1	3.0
8-Core Industries	Index	Apr - Oct	154.9	161.5	165.6	8.8	4.2	2.5
Domestic Auto sales	Lakh	Apr - Oct	131.8	149.3	151.0	8.2	13.3	1.1
PMI Manufacturing	Index	Apr - Oct	57.6	57.7	58.5	2.4	0.1	0.8
Power consumption	Billion kWh	Apr - Oct	987.6	1025.4	1026.2	9.9	3.8	0.1
Natural gas production	Bn Cu. Metres	Apr - Sep	17.9	18.2	17.6	4.1	1.7	-3.3
Cement production	Index	Apr - Oct	182.1	185.6	199.2	12.3	1.9	7.3
Steel consumption	Mn Tonnes	Apr - Oct	76.1	85.8	92.3	15.5	12.7	7.6

Data Title	Unit	YTD Period/As at the end of	Year to Date			Year to Date (YoY Growth)		
			2023-24	2024-25	2025-26	2023-24	2024-25	2025-26
Inflation								
CPI-C	Index	Apr - Oct	182.9	191.7	195.3	5.4	4.8	1.9
WPI	Index	Apr - Oct	151.2	154.5	154.4	-1.5	2.2	-0.1
CFPI	Index	Apr - Oct	185.7	201.0	198.6	6.6	8.3	-1.2
CPI-Core	Index	Apr - Oct	179.3	185.3	193.2	4.9	3.3	4.2
Services								
Domestic Air Passenger Traffic	Lakh	Apr - Sep	1503	1600	1628	20.9	6.5	1.8
Port Cargo Traffic	Mn tonnes	Apr - Oct	464.6	482.0	514.0	4.0	3.7	6.6
PMI Services	Index	Apr - Oct	60.5	59.8	60.2	3.6	-0.7	0.4
Fuel Consumption	Mn tonnes	Apr - Oct	133.7	137.3	139	6.1	2.7	1.2
UPI (Volume)	Billion	Apr - Oct	70.1	102.2	134.8	58.1	45.8	31.8
E-Way Bill Volume	Crore	Apr - Oct	63.2	73.7	88.1	17.5	16.6	19.5
Fiscal Indicators								
Gross tax revenue (Central Govt)	₹ Lakh crore	Apr - Sep	16.2	18.1	18.7	16.3	12.0	2.8
Revenue Expenditure	₹ Lakh crore	Apr - Sep	16.3	17.0	17.2	10.0	4.2	1.5
Capital Expenditure	₹ Lakh crore	Apr - Sep	4.9	4.1	5.8	43.1	-15.4	40.0
Fiscal Deficit	₹ Lakh crore	Apr - Sep	7.0	4.7	5.7	13.2	-32.4	20.8
Primary Deficit	₹ Lakh crore	Apr - Sep	2.2	-0.4	-0.1	18.8	-118.6	-87.5
GST Collection	₹ Lakh crore	Apr - Oct	11.6	12.7	13.9	11.4	9.4	9.0

Data Title	Unit	YTD Period/As at the end of	Year to Date			Year to Date (YoY Growth)		
			2023-24	2024-25	2025-26	2023-24	2024-25	2025-26
External Sector								
Merchandise exports	USD Billion	April-Oct	244.5	252.7	254.3	-7.1	3.3	0.6
Non-petroleum exports	USD Billion	April-Oct	196.9	211.6	219.9	-4.5	7.5	3.9
Merchandise imports	USD Billion	April-Oct	394.2	424.1	451.1	-8.4	7.6	6.4
Net FDI	USD Billion	Apr-Sep	3.9	3.4	7.6	-80.1	-12.7	124.6
Exchange Rate (Average)	INR/USD	Oct	83.2	84.0	88.4	-1.1	-0.9	-5.0
Foreign Exchange Reserves	USD Billion	Oct	588.5	682.1	689.7	10.2	15.9	1.1
Import Cover	Months	Oct	10.4	11.8	11.4	-	-	-
Monetary and Financial								
Non-Food Credit	₹ Lakh crore	31 Oct	154.4	172.2	193.2	20.1	11.5	12.2
10-Year Bond Yields	Per cent	31 Oct	7.4	6.8	6.5	0	-60	-30
Repo Rate	Per cent	31 Oct	6.5	6.5	5.5	-60	0	-100
Currency in Circulation	₹ Lakh crore	31 Oct	33.0	35.3	38.2	2.9	7.0	8.1
M0	₹ Lakh crore	31 Oct	43.5	47.4	48.3	5.5	9.0	2.0
Employment								
Net payroll additions under EPFO	Lakh	Apr-July	46.1	44.7	69.0	-4.3	-3.1	54.4
Number of person demanded employment under MGNREGA	Crore	Apr-Oct	21.4	18.2	16.2	5.8	-14.9	-11.5
Urban Unemployment Rate	Per cent	Oct-Dec	6.5	6.4	-	-70	-10	
Subscriber Additions: NPS	Lakh	Apr-Aug	3.3	3.7	5.8	3.8	13.7	54.7

Notes on colour coding in Performance of HFIs:

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

Notes on Performance of HFIs:

- The performance of the *repo rate, 10-yr bond yield* and *unemployment rate* variables is presented in basis points, not in terms of growth rates.

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