Economic Division

MONTHLY ECONOMIC REVIEW

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DEPARTMENT OF
ECONOMIC AFFAIRS

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Abstract

Global economic uncertainty resurfaced during the month as geopolitical tensions in West Asia escalated, leading to renewed upward pressure on crude oil prices after a brief period of easing. Although the increase remains well below the sharp spike witnessed during the initial phase of the conflict, uncertainty surrounding the global outlook has increased. The IMF's July 2026 World Economic Outlook projects global growth to moderate from 3.2 per cent in 2025 to 3.0 per cent in 2026. While risks are more balanced than in the April 2026 WEO, they remain tilted to the downside, with renewed conflict in the Middle East, trade fragmentation, a correction in technology-driven expectations and limited policy buffers posing key risks to global growth.

Notwithstanding the uncertain global environment, the Indian economy sustained its growth momentum during the first quarter of FY27, supported by resilient domestic demand. However, some high-frequency indicators, such as e-way bill and manufacturing PMI witnessed some softening in momentum. The Service sector strengthened in Q1 of F27, driven by supportive domestic and external demand conditions.

Reflecting this underlying resilience, the release of the revised Index of Core Industries (Base: 2022–23), together with the revised Index of Industrial Production (Base: 2022–23) incorporating the Producer Price Index as the deflator, marks a significant improvement in India's industrial statistics framework. The revised Index of Core Industries recorded a robust 5.0 per cent year-on-year growth in June 2026, led by strong performance in iron ore, electricity, cement and steel, indicating sustained momentum in infrastructure and construction activity. This assessment is reinforced by UNIDO's Q1 2026 report, which places India among the world's fastest-growing emerging industrial economies, and by the Reserve Bank of India's Financial Stability Report, which highlights healthy corporate capacity utilisation and improving corporate debt-servicing capacity. During the month, strategic manufacturing initiatives gathered further momentum with the inauguration of the CG Semi OSAT facility; the approval of Semicon 2.0 and the Mobile Phone Manufacturing Scheme; continued progress in critical minerals, coal gasification and shipbuilding; and a landmark achievement in the commercial space sector with Skyroot Aerospace's successful orbital launch. Recent regulatory reforms also eased compliance for SEZ-based manufacturers. India's transition towards green mobility advanced further with the introduction of its first hydrogen fuel cell-powered train, complementing the continued growth in electric vehicle adoption. Taken together, these developments reflect continued progress in strengthening domestic manufacturing capabilities, enhancing supply-chain resilience and reducing dependence on concentrated import sources across strategic sectors. However, this progress needs to be read alongside a less favorable external backdrop. Prices of industrial commodities, including critical minerals and rare earth elements, have stayed elevated throughout the month. Instances such as flooding in Chile, one of the key copper suppliers, illustrate the concentration risk embedded in India's industrial metal supply chains.

Close on the heels of the revised IIP, MoSPI has launched the trial Index of Services Production (ISP) with base year 2024–25 to provide a monthly volume-based measure of services sector activity, addressing a long-standing gap in high-frequency economic indicators. The first trial release for April 2026 indicates broad-based growth, with 14 of the 19 sub-sectors recording double-digit growth, led by accommodation & food services, retail trade and administrative & support services.

On the agricultural front, Kharif sowing for the 2026 season commenced with slight moderation (as reported on July 23, 2026) due to an initial monsoon deficit, alongside potential downside risks posed by a projected transition to El Niño. However, agricultural security is underpinned by robust live water reservoir storage tracking almost at par with normal storage norms and strong foodgrain buffer stocks from paddy and wheat procurement. Meanwhile, retail inflation (CPI) quickened in June 2026—driven by unfavourable weather impacting food prices (notably in protein items, fruits, and vegetables) and the transmission of global energy prices—yet it remained comfortably within the RBI's tolerance band. Wholesale (WPI) and Output Producer Price (OPPI) inflation experienced notable upticks, reflecting their heightened sensitivity to global commodity price movements. To mitigate supply-side and inflationary risks, proactive government measures were deployed, including strategic food stock management, reducing commercial LPG and ATF prices, and lifting temporary retail fuel sales restrictions.

At the same time, India's trade performance continued to exhibit resilience in June 2026, with total exports increasing by 9.5 per cent (YoY). Merchandise exports were the principal driver of export growth during the month, while the sustained surplus in services trade continued to provide an important cushion to the overall trade balance. These favourable trade dynamics, together with strong remittance inflows, supported a current account surplus during April-May 2026. Comfortable foreign exchange reserves continue to provide a strong buffer against external shocks, while recent policy measures are expected to support foreign capital inflows in the coming months.

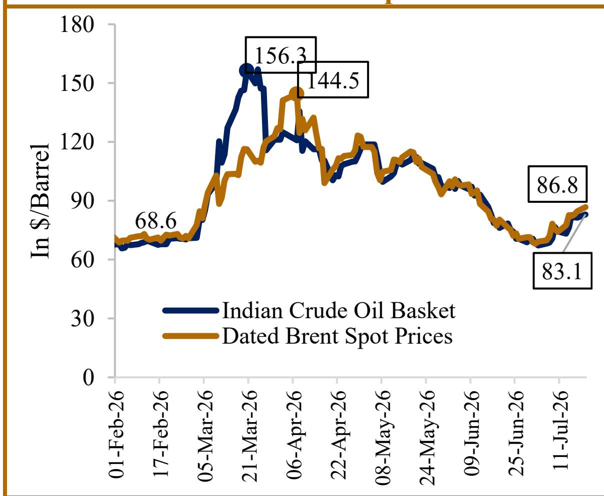
Labour market indicators also remained encouraging, with stable labour force participation and unemployment indicators alongside improving hiring activity. Recent trends reflect a shift in skill demand driven by technological change and the adoption of Artificial Intelligence. At the same time, India has ranked 13th globally in the QS World Future Skills Index 2027, reflecting India's position as a future-ready, AI-enabled economy.

There is no doubt that the economy has continued to demonstrate resilience amid a challenging global backdrop. Nonetheless, global challenges show no sign of letting up, with uncertainties mounting. So, India has to reinvent itself and reimagine its responses to global imperatives if it has to achieve strategic leverage. As external conditions evolve, the continued interplay of domestic reforms, prudent macroeconomic management and swift policy responses, backed by consistent on-ground implementation will remain important in shaping India's economic trajectory.

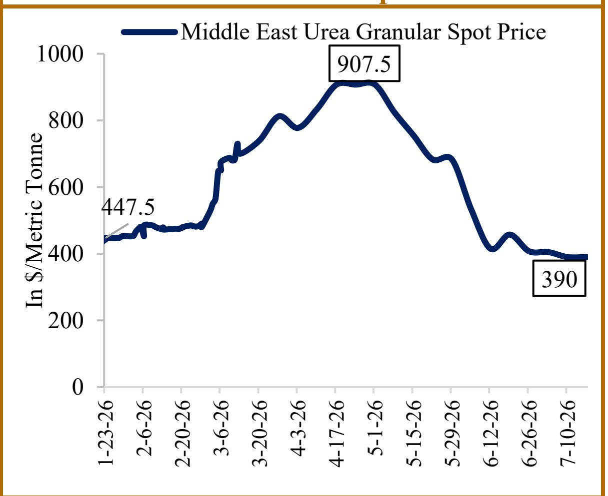
Global uncertainties have resurfaced, clouding the global outlook

1. The global macroeconomic environment remains characterised by elevated uncertainty. Following a brief period of respite, geopolitical tensions in West Asia have re-emerged, leading to renewed upward pressure on global energy prices. Commodity prices, particularly crude oil, which had declined below pre-conflict levels, have risen again this month. However, the increase remains contained compared with the sharp spike witnessed during the initial phase of the conflict. The renewed escalation has heightened uncertainty around the global growth and inflation outlook.

Trend in crude oil prices



Trend in fertiliser prices



Source: Bloomberg

2. The IMF's July 2026 World Economic Outlook (WEO) Update projects global growth to moderate from 3.2 per cent in 2025 to 3.0 per cent in 2026, before recovering to 3.4 per cent in 2027. The slowdown reflects the effects of the war in the Middle East, which are being partly offset by momentum in the global technology cycle, driven by advances in artificial intelligence and its adoption. As a result, growth prospects vary across economies, with those better integrated into the technology value chain or benefiting from favourable terms of trade expected to fare better than energy-importing economies with limited participation in the technology cycle. Meanwhile, higher commodity prices are expected to interrupt the global disinflation process. Accordingly, the IMF projected global headline inflation to rise from 4.1 per cent in 2025 to 4.7 per cent in 2026, before easing to 3.9 per cent in 2027.

Resilient domestic demand continues to support India's growth momentum

3. Against the backdrop of heightened global uncertainty, the Indian economy sustained growth momentum during the first quarter of FY27. While steady domestic demand continues to support growth, some high-frequency indicators have seen a softening in momentum. The e-way bill generation continued to grow in double digits in Q1 of FY27, albeit at a slower pace. Petrol and diesel consumption remained stable during the first quarter of the year, indicating sustained economic activity, following the increase in retail fuel prices.

Performance of high frequency indicators (Year on Year growth, %)

Indicators	Q1:FY25	Q1:FY26	Q2:FY26	Q3:FY26	Q4:FY26	Q1:FY27
Economic Activity						
E-way bill generation	16.0	20.5	23.1	19.4	15.7	12.4
PMI manufacturing#	58.2	58.1	58.7	56.9	55.4	54.6
PMI Services#	60.5	59.3	61.4	58.9	58.0	58.7
Electricity consumption	10.3	-1.4	3.4	-0.3	1.8	8.6
Fuel consumption	3.9	0.6	2.2	1.2	2.6	-5.0
Petrol & Diesel Consumption	3.1	3.9	4.3	4.0	5.7	3.7
9 Core Industries (2022-23)	6.5	1.0	4.2	3.3	3.8	3.6
IIP (2022-23)	7.2	3.5	5.4	4.3	3.8	5.8
Port Traffic	3.9	5.6	5.9	13.0	4.3	6.1
Air Traffic*	13.9	5.7	4.1	7.2	8.2	10.2
Domestic demand						
Urban Auto Sales	8.3	8.7	2.6	17.4	23.9	14.9
Rural Auto Sales	11.7	7.1	-0.5	20.7	24.5	14.2
Air Passenger Traffic*	5.6	5.3	-1.9	1.7	0.6	2.4

Source: AAI, GSTN, FADA, HSBC, MoSPI, DPIIT, CEA, PPAC

Note: # Absolute Values. * Data for Q1:FY27 is up to May.

4. Industrial activity improved during Q1 of FY27. IIP growth picked up sequentially as well on a year-on-year basis, supported by manufacturing and robust electricity generation. Higher electricity demand due to prolonged heatwaves and above-normal temperatures contributed to increased power generation. PMI indices also indicated continued expansion in economic activity, although the pace of expansion varied across sectors. In manufacturing, growth moderated sequentially due to slower growth in new orders and output, and cautious business sentiment amid geopolitical uncertainties. While the services PMI strengthened, driven by stronger business activity and new business growth, supported by sustained domestic and external demand. Cargo activity also strengthened in Q1 of FY27, reflecting robust trade activity.

5. On the demand side, domestic automobile sales recorded broad-based growth across vehicle segments and markets. Passenger vehicle sales recorded an all-time high in the two months of Q1 of FY27, signalling robust demand supported by improved affordability post-GST 2.0. Two-wheelers, commercial vehicles and tractors also posted double-digit growth, supported by rural demand, infrastructure-led economic activity and continued preference for utility vehicles. At the same time, air passenger traffic returned to positive growth in June after

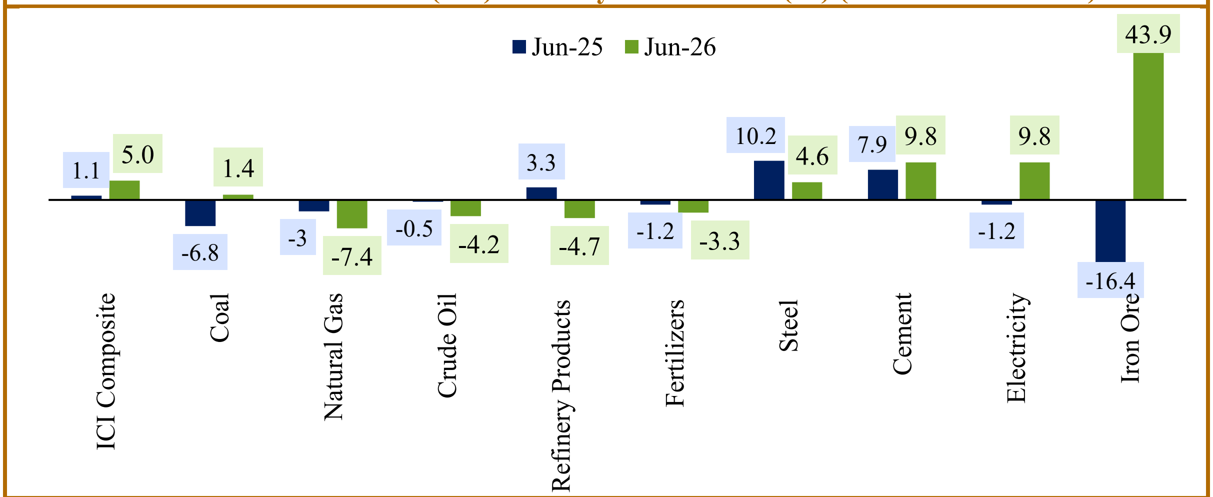
three consecutive months of decline, on a favourable base and along with a seasonal pick-up in summer travel, improving Q1 growth.

6. Looking ahead, resilient domestic demand is expected to continue supporting economic activity, although renewed geopolitical tensions and commodity price volatility remain key risks to the outlook. In its July 2026 World Economic Outlook (WEO) Update, the IMF projected India's growth at 6.4 per cent in 2026-27 and revised its 2027-28 growth forecast upward to 6.7 per cent, as the impact of higher energy prices is expected to moderate.

Industry & Infrastructure

7. This month marks an important milestone in India's industrial statistics framework with the release of the revised Index of Core Industries (Base Year: 2022–23) by the Office of the Economic Adviser, DPIIT. The revised series expands the coverage of core industries from eight to nine through the inclusion of Iron Ore, adopts updated weights aligned with the revised IIP (Base Year: 2022–23), uses gross steel production data, and refines coal coverage by retaining only raw coal. The methodological improvements are expected to provide a more representative measure of core industrial activity, better reflecting the evolving structure of the economy while improving consistency with the revised IIP series.[1]

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



Source: Ministry of Statistics and Programme Implementation

8. The Index of Core Industries (ICI) recorded a year-on-year growth of 5.0 per cent (provisional) in June 2026, improving from 3.2 per cent (final) in May 2026. The acceleration was driven primarily by robust y-o-y growth in Iron Ore (43.9 per cent), Electricity (9.8 per cent), Cement (9.8 per cent) and Steel (4.6 per cent), while Coal also returned to positive growth at 1.4 per cent. However, Natural Gas (-7.4 per cent), Crude Oil (-4.2 per cent), Refinery

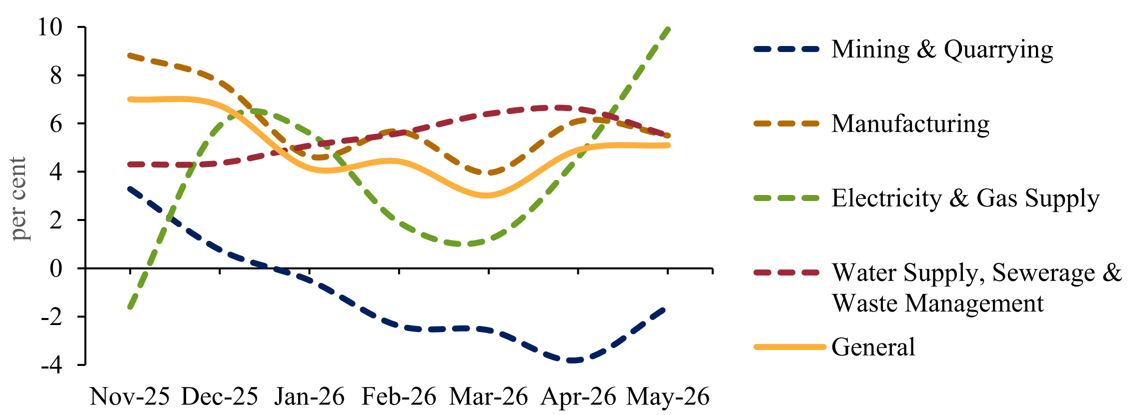
[1] Office of Economic Adviser, DPIIT 'First press release of index of core industries of new series with base year 2022-23' https://www.pib.gov.in/PressReleasePage.aspx?PRID=2286615&reg=48&lang=1#:~:text=Key%20highlights%20of%20ICI%20for,May%202026%20(Final%20Estimate).

Products (-4.7 per cent) and Fertilisers (-3.3 per cent) continued to contract. The broad-based strength in infrastructure-related industries, particularly iron ore, electricity, cement and steel, indicates sustained momentum in domestic infrastructure and construction activity. During April–June 2026–27, the cumulative y-o-y growth of the core industries stood at 3.6 per cent (provisional), compared with 1.0 per cent in the corresponding period of the previous year.

9. During June 2026, MoSPI strengthened the methodology for compilation of the new Index of Industrial Production (IIP) (Base: 2022–23) by adopting the newly introduced Output Producer Price Index (Output PPI) as the deflator for value-based production data, replacing the Wholesale Price Index (WPI). Accordingly, the Output PPI-based IIP series released on 29 June 2026 supersedes the WPI-deflated series released on 1 June 2026. The revised methodology affects 234 of the 463 item groups in the IIP basket, accounting for about 36 per cent of the overall index weight. The use of Output PPI provides a more granular measure of producer prices than WPI, thereby improving the estimation of real industrial output for value reported items.[2]

10. The IIP recorded a 5.1 per cent year-on-year (y-o-y) growth in May 2026, marginally higher than the revised y-o-y growth of 4.9 per cent in April 2026. Manufacturing expanded by 5.5 per cent (y-o-y) and electricity and gas supply by 9.9 per cent (y-o-y), while mining and quarrying contracted by 1.6 per cent (y-o-y). On the use-based classification, capital goods output grew by 12.9 per cent (y-o-y) and infrastructure/construction goods by 5.9 per cent (y-o-y), reinforcing the investment-led nature of industrial growth evident in recent months.

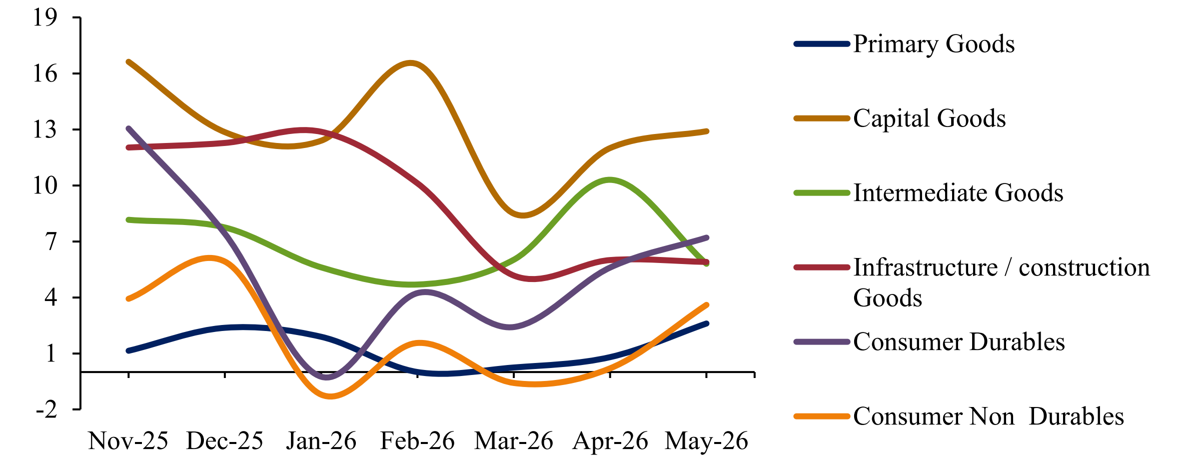
Monthly YoY Growth rate of IIP (Base: 2022-23) as per Sectoral Classification (in %)



Source: Ministry of Statistics and Programme Implementation

[2] Press Release on Quick Estimates of all India Index of Industrial Production (IIP) base year 2022-23 for May 2026. https://www.mospi.gov.in/uploads/latestReleases/latest_release_1782727994645_1af6a37e-b7fb-4ee8-bf52-96fcea2a47e2_IIP_Press_release_May_2026.pdf

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



Source: Ministry of Statistics and Programme Implementation

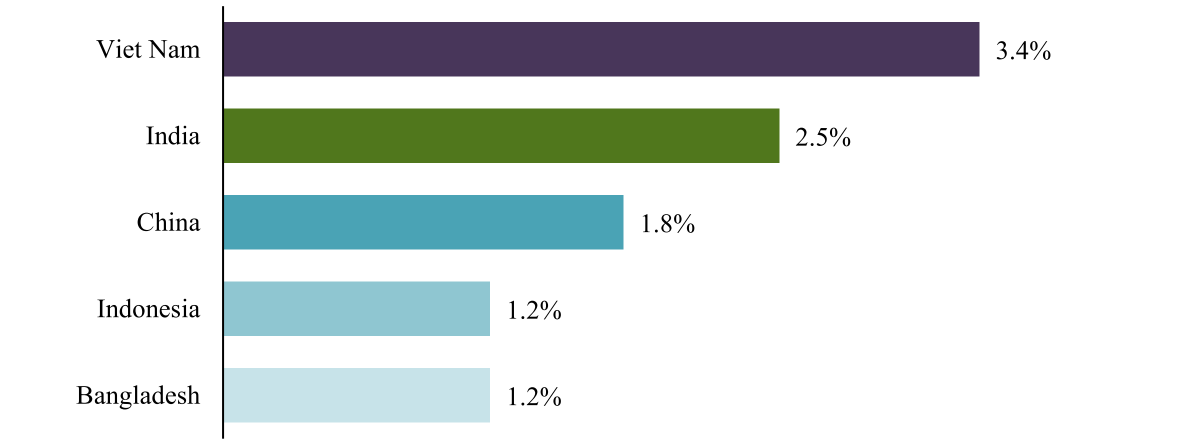
11. The HSBC India Manufacturing PMI stood at 54.2 in June 2026 against 55.0 in May, indicating that manufacturing activity remained in expansionary territory, albeit at a slower pace. The moderation reflects some easing in demand following the earlier surge associated with geopolitical uncertainties in the Middle East. Growth in output, new orders, export orders and employment softened, with export orders recording their slowest expansion since March 2023. At the same time, both input and output price pressures eased, suggesting a moderation in cost and inflationary pressures as geopolitical disruptions receded.[3]

12. Global manufacturing trends corroborated the resilience reflected in India's domestic industrial indicators. UNIDO's Quarterly Report on Manufacturing Production and Trade for Q1 2026[4] recorded an expansion in world manufacturing output by 1.2 per cent quarter-on-quarter, with medium- and high-technology industries continuing to outpace lower-technology segments even as the latter's growth accelerated modestly. Asia and the Pacific recorded the strongest regional growth, while Europe was the only major region to contract. India featured prominently within this: quarterly manufacturing output rose 2.5 per cent, placing it second only to Viet Nam (3.4 per cent) and ahead of China's 1.8 per cent, among UNIDO's top ten ‘emerging industrial economies’, a group whose manufacturing growth has consistently outpaced both industrial and industrialising economies since mid-2023. These trends reinforce the resilience reflected in India's recent industrial indicators.

[3] HSBC India Manufacturing PMI (S&P Global) News Release
https://www.pmi.spglobal.com/Public/Home/PressRelease/168b051ebc2444389823e5862a5de1b4

[4] United Nations Industrial Development Organization (UNIDO) World Manufacturing Production and Trade - Quarterly Report (Q1 2026)
https://stat.unido.org/portal/storage/file/publications/qiip/World_Manufacturing_Report_2026_Q1.pdf

Quarter-on-Quarter manufacturing output growth rates of selected emerging industrial economies in Q1 2026



Source: UNIDO Quarterly Report on Manufacturing Production and Trade, Q1 2026 (emerging industrial economies group)

13. The Reserve Bank's Financial Stability Report for June 2026[5] offered a complementary financial sector view of this resilience. Corporate capacity utilisation stood at 75.5 per cent in December 2025, above its long-term average of 74.0 per cent. Robust credit flows from banks and non-banks continued to support financing conditions, although the private corporate investment-to-GDP ratio remained subdued amid an uncertain business environment shaped by repeated exogenous shocks. Corporate debt-servicing capacity continued to improve, with the interest coverage ratio of listed private non-financial companies rising to 6.5 in Q4 2025-26, though fixed-asset growth of listed manufacturing companies moderated to 5.2 per cent in H2 2025-26 from 10.3 per cent in H1, weighed down by weaker expansion in non-ferrous metals, chemicals, cement and automobiles. Asset quality improved across most industrial sub-sectors, although the Report's sensitivity analysis identified basic metals and metal products, along with infrastructure-energy and infrastructure-transport, as most sensitive to a standard-deviation credit shock among the ten most exposed industrial sub-sectors. Meanwhile, NBFC credit growth moderated to 16.6 per cent year-on-year in March 2026, with the deceleration concentrated in lending to industry and services, while credit growth to agriculture and retail accelerated.

14. Against this backdrop of resilient industrial activity and supportive financing conditions, implementation of key strategic manufacturing initiatives gathered further momentum during the month. India's semiconductor ecosystem recorded a major milestone with the inauguration of the CG Semi Outsourced Semiconductor Assembly and Test (OSAT)

[5]RBI Financial Stability Report for June 2026 - https://rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=63050

facility in Sanand, Gujarat, on 4 July 2026[6] under the India Semiconductor Mission. Developed with an investment of over ₹7,500 crore through a joint venture between CG Power and Industrial Solutions, Japan's Renesas Electronics and Thailand's Stars Microelectronics, the facility has commenced commercial production and will cater to automotive, telecom, AI and consumer electronics applications, with a significant share of output targeted for exports. With this, the India Semiconductor Mission now comprises 12 approved projects involving a cumulative committed investment of around ₹1.64 lakh crore. Building on this momentum, the Union Cabinet on 15 July 2026 approved Semicon 2.0, a second-generation semiconductor mission with a total outlay of ₹1,27,500 crore,[7] alongside a new Mobile Phone Manufacturing Scheme (MPMS) with an outlay of ₹62,500 crore for the period FY 2026-27 to FY 2030-31[8] to deepen domestic capabilities across the semiconductor and electronics manufacturing value chain. Semicon 2.0 is structured around six pillars: chip design, semiconductor equipment and materials, fabrication, assembly and packaging, research and development, and workforce training. The MPMS, which succeeds the Production Linked Incentive scheme for large-scale electronics manufacturing that concluded on 31 March 2026, offers incentives of 2.25 to 5 per cent on eligible sales, with additional incentives for domestic component sourcing and for design and R&D.

15. Complementing these efforts, the Government issued customs notifications on 8 July 2026 exempting basic customs duty on specified components for display assemblies and wireless charging modules, while expanding concessional-duty coverage for capital goods used in lithium-ion cell manufacturing until March 2029.[9] Beyond electronics, India's space sector achieved a major milestone on 18 July 2026 when Skyroot Aerospace's Vikram-1 became the first privately developed Indian rocket to successfully reach orbit under *Mission Aagaman*. Supported by ISRO's launch infrastructure and coordinated by IN-SPACe, the mission marks an important step in strengthening India's commercial space capabilities and advancing its high-technology manufacturing ecosystem.[10]

16. India's strategic efforts to strengthen critical mineral and rare-earth supply chains continued to advance. The Ministry of Heavy Industries is working on the implementation of a Scheme to promote the manufacturing of Sintered Rare Earth Permanent Magnets (REPM).[11] Approved by the Union Cabinet in November 2025, the scheme aims to establish a cumulative domestic manufacturing capacity of 6,000 Metric Tons Per Annum (MTPA) across the rare-

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[6] Press release on CG OSAT Facility in Sanand, Gujarat https://www.pib.gov.in/PressReleasePage.aspx?PRID=2281149&reg=48&lang=2

[7] PIB Release on Semicon 2.0 https://www.pib.gov.in/PressReleasePage.aspx?PRID=2284784&reg=48&lang=1;

[8] PIIB Release https://www.pib.gov.in/PressReleasePage.aspx?PRID=2284789&reg=48&lang=1

[9] Notification No. 25/2026 – Customs, 26/2026 – Customs, 27/2026 – Customs dated 08 July 2026 https://egazette.gov.in/(S(nmrak2nh2jnolw2d5jr2d44i))/SearchMinistry.aspx?id=781150

[10] CNBC news on India's Skyroot launches Vikram-1 in first private orbital rocket mission https://tinyurl.com/4zhnewt6

[11] Press Release on extension in bid submission timeline for Global Tender under Scheme to Promote Manufacturing of Sntered Rare Earth Permanent Magnet (REPM Scheme) https://www.pib.gov.in/PressReleasePage.aspx?PRID=2277769&reg=48&lang=2

earth permanent magnet value chain, reducing import dependence and supporting domestic capabilities in strategic sectors such as electric vehicles, renewable energy, electronics, aerospace and defence.

17. India's maritime and shipbuilding ecosystem also registered significant policy momentum during the month, anchoring its status as the world's leading ship recycling nation. According to the latest UNCTAD data,[12] India's share of global ship recycling activity rose from 30.1 per cent in 2024 to 35.4 per cent in 2025, with 2.99 million gross tons (GT) recycled, enabling the Maritime India Vision 2030 ship-recycling target to be achieved five years ahead of schedule. Building on this, the Government continued implementation of the ₹69,725 crore shipbuilding package approved in September 2025, including the enhanced Shipbuilding Financial Assistance Scheme, the Ship-breaking Credit Note Scheme and financing support through the Maritime Development Fund, aimed at strengthening domestic shipbuilding capacity and promoting greater value addition.[13]

18. Structural shifts in India's transport and energy landscape are also beginning to carry industrial implications. SBI Research, in a note on the West Asia crisis and India's declining oil intensity,[14] observed that India's oil consumption-to-GDP ratio and crude oil imports-to-GDP ratio has declined from FY14 to FY26, a trend it attributes partly to accelerating EV adoption alongside broader structural factors such as energy efficiency gains and a shift in the composition of GDP growth. Average monthly EV registrations increased to 2.3 lakh between March and June 2026, i.e. around one lakh higher than the 2025 monthly average. At this pace, annual EV registrations are projected to cross 25 lakhs in 2026. The note further estimates that increasing EV penetration, which has crossed 8 per cent of total vehicle registrations in 2026 so far, to 20 per cent by 2030 could reduce India's annual oil import bill by around ₹1 lakh crore, underscoring the growing industrial and macroeconomic significance of the EV transition.

19. India's transition towards green mobility gathered further momentum with the introduction of the country's first hydrogen fuel cell-powered train. On 17 July 2026, a 10-coach train commenced operations on the 89-km Jind–Sonipat section of Northern Railway in Haryana.[15] Designed and developed indigenously, the train uses a 1,200-kW hybrid propulsion system combining a proton exchange membrane fuel cell with lithium iron phosphate battery technology, producing electricity onboard while emitting only water vapour. With this launch, India joins a select group of countries that have deployed hydrogen fuel-cell technology in rail transport, reinforcing the broader shift towards reducing dependence on fossil fuels alongside the growing adoption of electric vehicles noted above.

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[12] UNCTAD Maritime and other transport: Data Insights https://unctadstat.unctad.org/insights/theme/243
[13] Press Release on India Becomes World's Top Ship Recycling Nation in 2025 https://www.pib.gov.in/PressReleasePage.aspx?PRID=2276739&reg=3&lang=1
[14] SBI Research Ecowrap 02.07.2026 'The story of India's declining oil intensity' https://tinyurl.com/2p2spmcm
[15] Press Release on India's First Hydrogen-Powered Train https://www.pib.gov.in/PressReleasePage.aspx?PRID=2285268&reg=3&lang=1

20. Recent policy measures also sought to facilitate investment and manufacturing through regulatory easing. On 02 June 2026, the Directorate General of Foreign Trade (DGFT) amended the Foreign Trade Policy to exempt imports by Special Economic Zone (SEZ) units and developers from Quality Control Orders (QCOs) and mandatory BIS certification, provided these goods are used for authorised operations within SEZs. Compliance with QCOs will be required only when such goods are supplied to the Domestic Tariff Area.[16] The revised framework covers a wide range of inputs, components, consumables, spares and capital goods, reducing compliance costs and improving the ease of doing business for SEZ-based industries. Complementing this, DPIIT notified the Transition Facilitation (Quality Control) Order, 2026 on 25 June 2026,[17] introducing a risk-based compliance framework to facilitate industry transition to mandatory quality standards. The Order seeks to reduce compliance costs, improve the availability of quality-compliant industrial inputs, strengthen supply chain resilience, and promote manufacturing competitiveness while maintaining product quality and consumer protection.

21. The coal and lignite gasification programme also saw concrete execution progress during the month, underscoring the growing importance of domestic coal-based chemical production in strengthening energy security and reducing import dependence amid heightened geopolitical uncertainties in West Asia. On 20 June 2026, the Prime Minister laid the foundation stone for India's first commercial-scale coal-to-ammonium-nitrate facility at Lakhanpur in Jharsuguda district, Odisha.[18] Developed by Bharat Coal Gasification & Chemicals Limited (BCGCL), a joint venture of BHEL and Coal India Limited, this project will utilise indigenous gasification technology to produce 2,000 tonnes of ammonium nitrate per day. The Ministry of Coal also advanced implementation of the Scheme for Promotion of Surface Coal/Lignite Gasification Projects by publishing the Round-I application timeline on 7 July 2026, following stakeholder consultations held during May and June.

Service sector gets a new high-frequency indicator: The ISP

22. The services sector is the cornerstone of the Indian economy, driving over 50% of the country's economic activity. Despite its massive footprint, the sector previously lacked a high-frequency, monthly volume index like the Index of Industrial Production (IIP) used for manufacturing. To bridge this crucial statistical gap, MoSPI has launched the Index of Services Production (ISP) on a trial basis with the Base Year 2024–25 on 14th July 2026, the details of which are summarised in Box 1.

[16] Directorate General of Foreign Trade Notification No. 20/2026-27 dated 02.06.2026 available at https://www.dgft.gov.in/CP/index.jsp?opt=notification
[17] https://egazette.gov.in/WriteReadData/2026/273832.pdf
[18] Press release on India's First Commercial-Scale Coal-to-Ammonium Nitrate Project in Odisha https://www.pib.gov.in/PressReleasePage.aspx?PRID=2275058&reg=48&lang=1

Box 1: Index of Services Production (ISP) – Framework and Trends

Coverage

- Starts with **19 sub-sectors**, encompassing approximately **60%** of India's formal services sector.
- The index tracks the **formal services sector** only. Core government services, non-market activities, and informal sector units are excluded.
- **Activity Classification:** The ISP aligns with **Sections G to V of the National Industrial Classification (NIC), 2025.**

Data sources

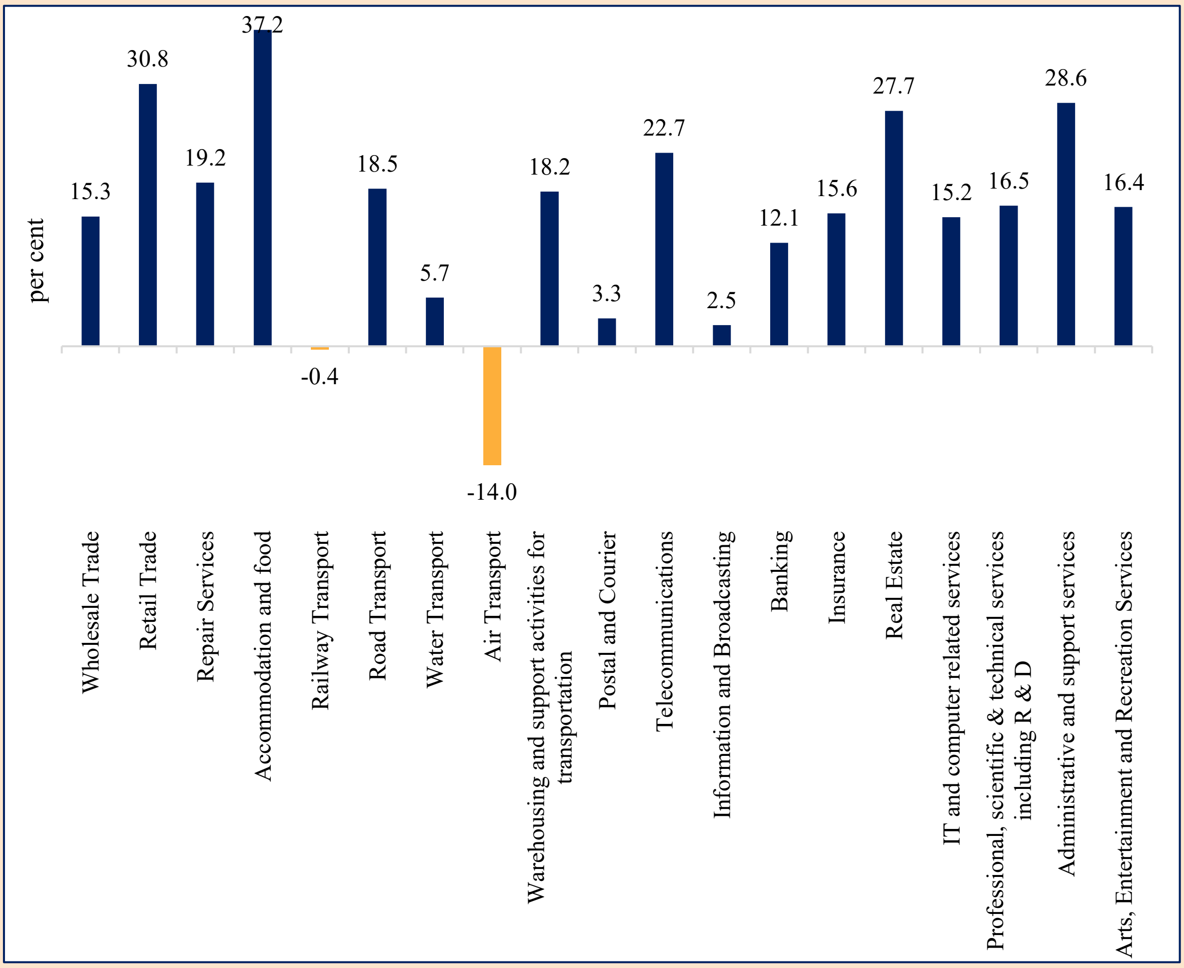
- **Administrative/secondary data** for ISP of Air Transport, Railway Transport, Banking and Insurance;
- **GST data** for Wholesale Trade, Retail Trade, Repair and Maintenance, Accommodation and Food, Road Transport, Water Transport, Warehousing and support activities for transportation, Postal & courier, Telecommunications, Information and Broadcasting, Real estate, Information and computer related services, Professional, scientific & technical services including R & D, Administrative & support services and Arts, Entertainment & Recreation.
- **Annual Survey of Incorporated Services Sector Enterprises (ASISSE) data** for Health and Education (excluding Government) sectors.

Methodology

- **Statistical Weighting**: Weights are based on sectoral contributions to Gross Value Added (GVA) available from National Account Statistics. GVA-based weights are being used as they reflect the relative economic importance of each service industry. The weights may be used with the proposed compilation formula. The Annual Survey of Incorporated Services Sector Enterprises (ASISSE) data is also utilised for providing weights at the 2/3-digit level of NIC.)
- **Compilation formula**: ISP is proposed to be compiled using a fixed-weight Laspeyres volume index.
- **Price Deflators**: To track physical volume rather than just price changes,
  - The Wholesale Price Index (WPI) is utilised for Wholesale Trade.
  - Sector-specific CPIs or closest-proxy CPIs are used for others.
  - CPI-General for Banking and Insurance,
  - CPI Non-Food, elsewhere.
- **Frequency**: Monthly (29th of every month) with a lag of about 60 days.

Initial Trends in Services Sector Production (April 2026)

Initial trial data for the newly launched Index of Services Production (ISP) comparing April 2026 against the base period of April 2025 demonstrates robust, broad-based economic momentum across India's formal services sector. Highlighting pervasive expansion, 14 out of the 19 tracked sub-sectors registered double-digit year-on-year growth, with almost all categories recording positive performance. Growth was predominantly driven by contact-intensive and trade-related activities, led by Accommodation and Food Services (+37.2%), Retail Trade (+30.8%), Administrative & Support Services (+28.7%), Real Estate (+27.7%), and Telecommunications (+22.8%). Conversely, growth remained subdued or negative in select transport segments, as Air Transport recorded a notable contraction of -13.9% and Railway Transport registered a marginal decline of -0.4%.



Source: MoSPI

Agricultural Performance and Monsoon Dynamics

Sowing moderation and mitigating El Niño risks

23. Kharif sowing for the 2026 season commenced on June 5 and the sowing is in the preliminary stage. As on 24 July 2026, the area sown under Kharif crops is 787.37 lakh ha (including 57.58 lakh ha in Sugarcane) as compared to 826.19 lakh ha during the corresponding period of last year, registering a (-) 4.7 per cent year-on-year decline. The area under pulses has declined by 7.5 per cent, rice cultivation by 2.6 per cent, and oilseeds by 2.1 per cent. However, the latest sowing deficit has narrowed as compared with previous data, owing to improved monsoon.[19]

[19] PIB of MoAFW dated 27.07.2026: https://www.pib.gov.in/PressReleasePage.aspx?PRID=2290176&reg=3&lang=1

24. Notwithstanding the slow pace of sowing, robust foodgrain buffers offer immediate security, with cumulative KMS 2025-26 paddy procurement rising to 533.36 LMT as of May 31 (compared to 514.43 LMT in the previous period) and ongoing RMS 2026-27 wheat procurement surging to 349.92 LMT, against last season's 300.35 LMT.

25. Looking ahead, IMD's projection of a transition to El Niño—associated with anomalous Pacific Sea surface warming that suppresses monsoon convection—presents downside risks, particularly for climate-sensitive rainfed pulses, oilseeds, and livestock in vulnerable central, western, and southern regions, even as irrigated rice remains relatively resilient. Additionally, historical evidence from Asian economies shows that El Niño affects agricultural production across the region. The impact becomes larger as the intensity of El Niño increases. In India, agricultural output declines during average, moderate and severe El Niño events, with the largest decline occurring during severe El Niño episodes. Similar declines in agricultural output have also been observed in Indonesia, the Philippines, Thailand and South Korea. At the regional level, agricultural output declines across both Asian Emerging Economies (AEJ) and Emerging Asia during El Niño years. India also has the highest share of agriculture in GDP among the selected economies, indicating that its economy is relatively more exposed to climate-related shocks affecting agriculture. Indonesia also has a relatively high dependence on agriculture, while the dependence is lower in China, Thailand, the Philippines and Malaysia.[20]

26. Because severe monsoon deficits can transmit into elevated food CPI inflation, weakened rural demand, and fiscal pressure from higher subsidy burdens, mitigating these macroeconomic risks requires proactive food stock management, calibrated trade interventions, operationalisation of district contingency plans, promotion of drought-tolerant seeds, close monitoring of reservoir allocations, and coordinated inter-ministerial action.

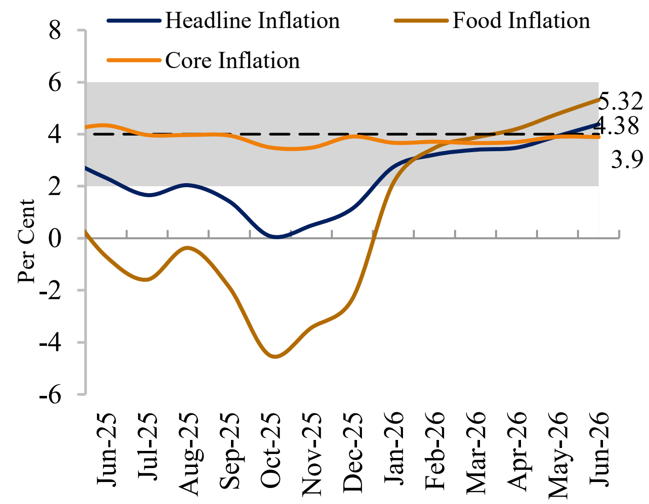
Inflation quickens but remains within the tolerance band

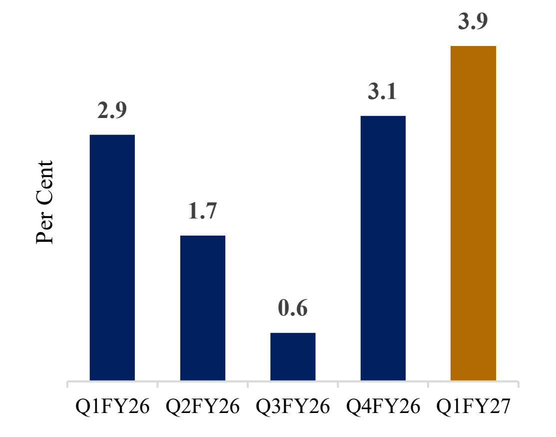
Retail inflation moves up, but well within the tolerance band

27. Inflation continued its upward trajectory in June, with the Consumer Price Index (CPI), rising to 4.38 per cent from 3.93 per cent in May, while continuing to remain within RBI's tolerance band of 2-6%. Quarterly retail inflation too jumped to 3.9 per cent in Q1FY27 from 2.7% a year earlier.

[20] Asia's El Niño playbook: Eight lessons from 25 years of shocks (Asia Economic Monthly) by Nomura

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





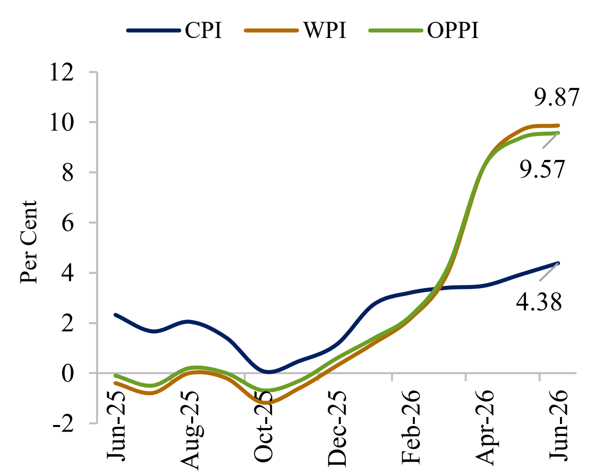
Source: MoSPI

28. Two factors underlie current inflationary pressures – unfavourable weather conditions that are exerting upward pressure on food inflation and the transmission of elevated global fuel prices to the energy commodities at the retail level. The core inflation[21] that indicates underlying inflationary trends showed stability around 3.9% in June.

WPI & Output PPI inflation: relatively more volatile & sensitive to global developments

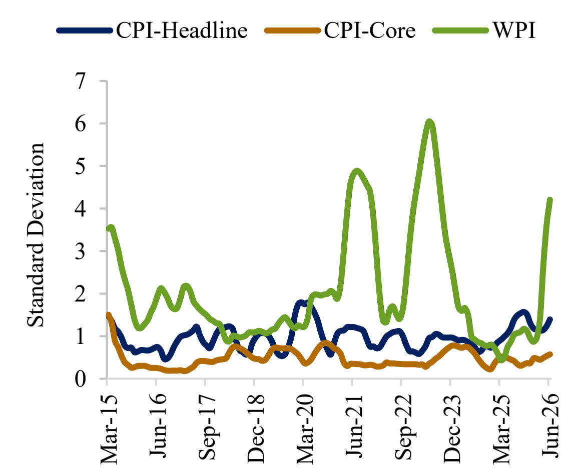
29. In contrast to the still moderate CPI /retail inflation, the Wholesale Price Index (WPI) based inflation increased from 9.68 per cent in May 2026 to 9.87 per cent in June. Output Producer Price Index (OPPI) inflation followed a trend similar to WPI inflation, rising to 9.6 per cent in June from 9.4 per cent in May. The Input PPI inflation (month-on-month) increased from 0.7 per cent to 2.1 per cent between May and June.[22]

Inflation based on CPI, WPI and Output PPI



Source: MoSPI & DPIIT

12-month rolling standard deviation: WPI, CPI-Headline & CPI-Core inflation



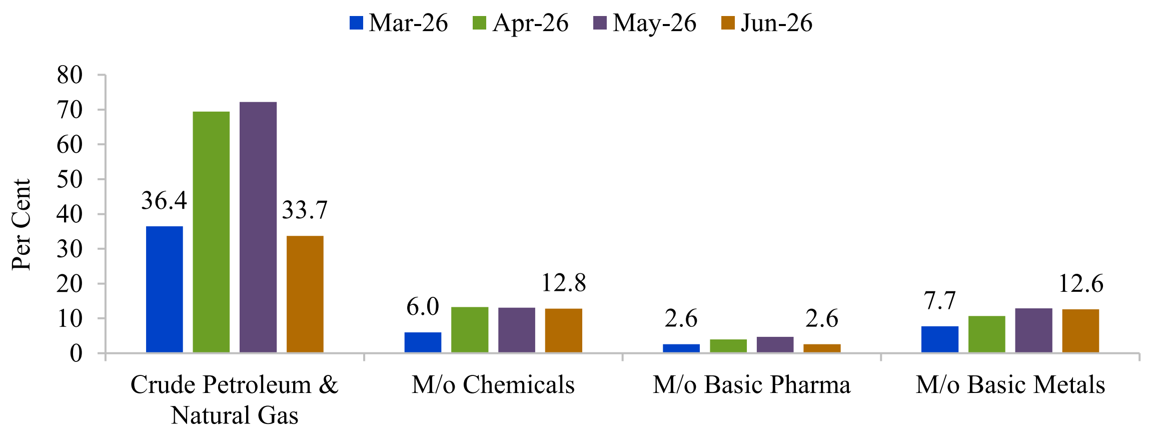
Source: Calculated based on MoSPI, DPIIT data

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

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

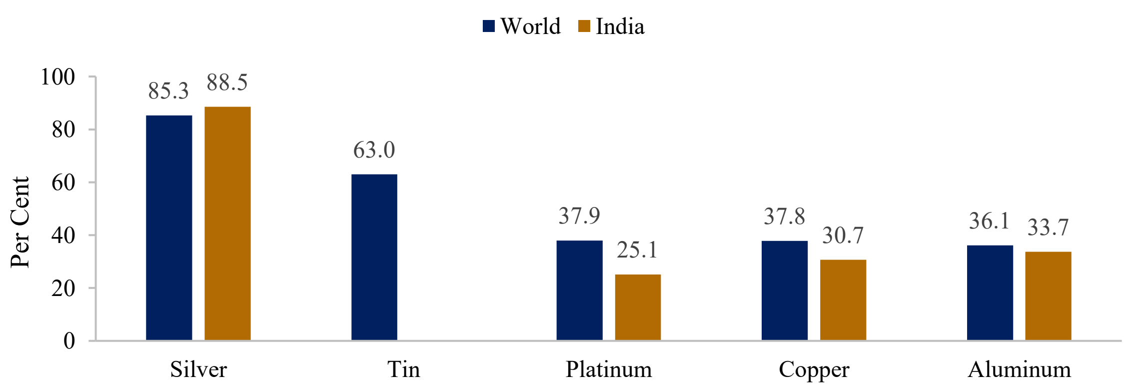
30. Additionally, the 12-month rolling standard deviations for wholesale and consumer prices over the past decade suggest that WPI-based inflation generally appears more responsive and volatile in the face of global commodity price shocks, whereas CPI (Headline & Core) is typically less volatile and less sensitive to global price developments. Apart from economic factors, such differences may also arise from their underlying statistical design and coverage. CPI includes services and assigns a notable weightage to food items, whereas WPI primarily captures price movements in goods at the wholesale level. Periods characterised by sharp global commodity price movements have often been associated with a widening gap between the two inflation measures, reflecting the relatively faster transmission of international price changes to wholesale prices. In contrast, CPI inflation tends to exhibit greater persistence and is shaped by a broader set of domestic factors, including the composition of the consumption basket, food supply conditions and various policy interventions. The recent period illustrates this pattern, with WPI and Output PPI responding more sharply to the surge in commodity prices, while CPI inflation has increased more gradually, reflecting relatively slower pass-through to consumer prices.

Output PPI Inflation in key groups/sub-groups



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

Top drivers of inflation in base metals in June: World and India

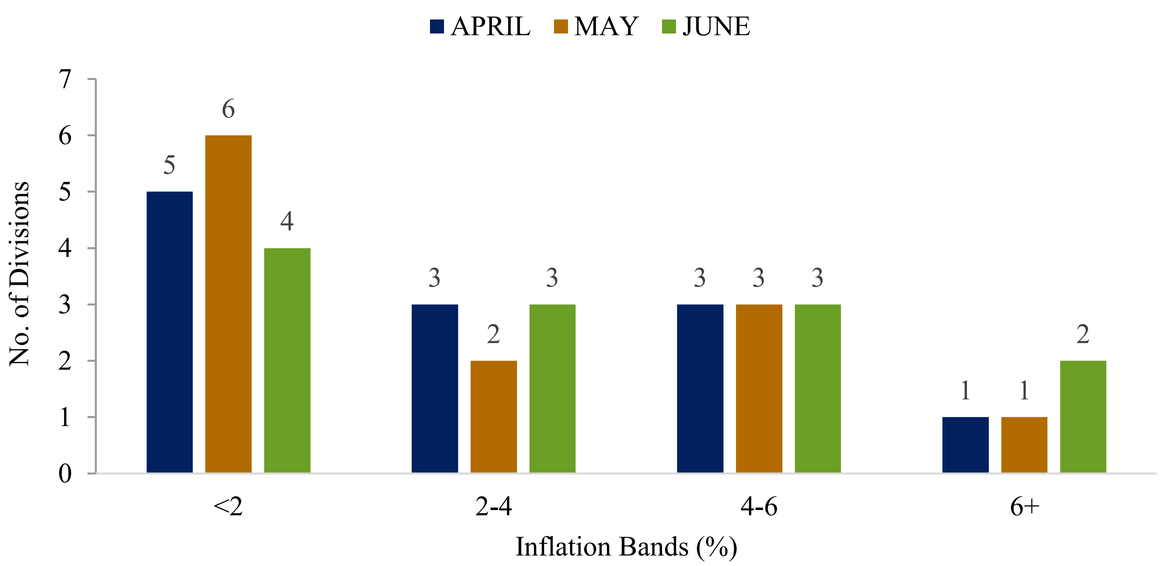


Source: World Bank Pink Sheet and DPIIT
Note: Indian inflation figures are based on WPI; Tin is not available in WPI

CPI Inflation: evolving snapshot

31. Inflationary pressures appear to have become more broad-based in the first quarter of the year, with price increases distributed more evenly across the various CPI divisions.[23] While a majority of divisions (seven out of twelve) continued to record inflation below 4%, the distribution of divisions across the inflation bands became more balanced, with roughly equal numbers falling in each range. Correspondingly, the number of divisions recording inflation above 4 per cent increased marginally in June. The uptick was driven by price pressures in specific segments, including transport, where inflation rose to 4.3 per cent following OMC fuel price adjustments, and restaurant and accommodation services, where inflation increased to 6.9 per cent, reflecting higher commercial LPG input costs. At the same time, underlying price dynamics remained relatively contained. Notably, inflation in the personal care and effects division moderated in June as inflation in gold and silver jewellery eased from the previous month.

Evolution of broad CPI divisions under different inflation bands



Source: Calculated using MoSPI data

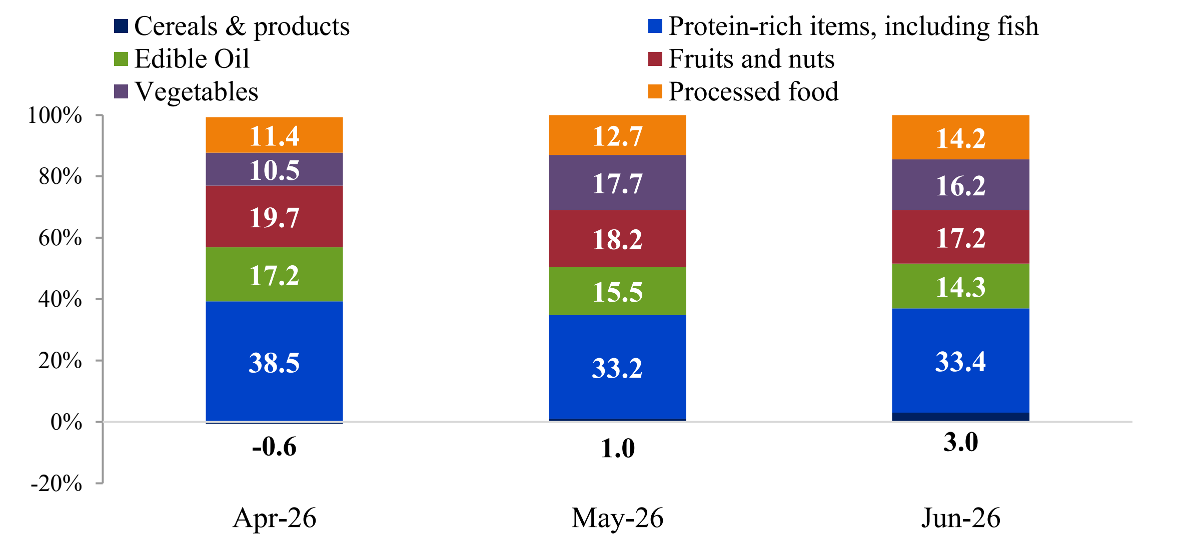
32. Beyond the broad-based pattern across CPI divisions, inflationary pressures remained relatively more pronounced in rural areas, with rural retail inflation at 4.7 per cent *vis-à-vis* urban areas' 3.9 per cent in June. A rise in food inflation (5.45%) and housing inflation (2.66%) exerted pressure on overall rural retail inflation relative to urban retail inflation, given that food items carry a higher weight in the rural basket. In urban areas, food and housing inflation stood at 5.09% and 1.90%, respectively.

[23] 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.

Food inflation: pressures in vegetables, fruits and protein prices

33. Consumer Food Price Index (CFPI) inflation increased to 5.32 per cent in June compared to 4.78 per cent in May. During Q1-FY27, protein-rich items (including fish) remained the primary driver of food inflation, contributing 38.5% in April 2026 before moderating to around 33.4% by June. Fruits and nuts maintained a sizeable share, hovering between 17.2% and 19.7% over the quarter. The most notable momentum shift occurred in vegetables, whose contribution surged from 10.5% in April to a peak of 17.7% in May before settling at 16.2% in June. Simultaneously, processed foods exhibited a steady upward trajectory, expanding their share from 11.4% to 14.2% across the quarter, whereas edible oil contributions progressively softened from 17.2% to 14.3%.

Food & Beverages Inflation: Major Contributors over Q1-FY27

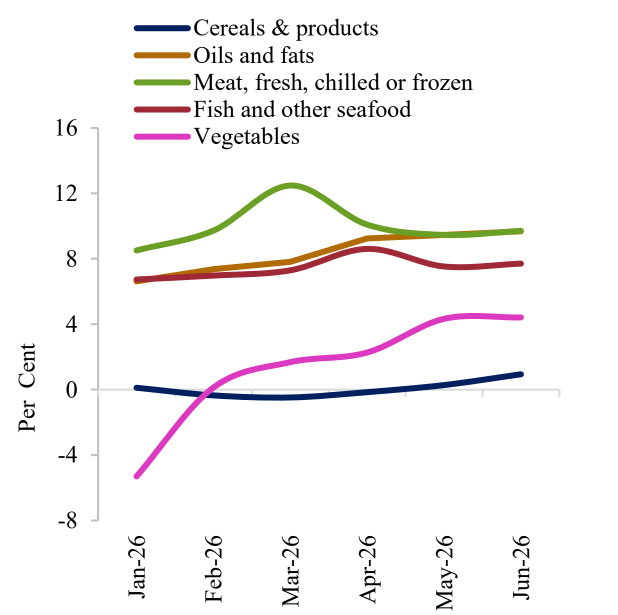


Source: MoSPI
Note: Protein-rich items include milk, other dairy products, meat, fresh, chilled or frozen, fish and other seafood. Processed food includes Ready-made food and other food products, Sugar and confectionery and other items (Beverages). Edible oil includes oils and fats. Vegetables include vegetables, tubers, plantains, cooking bananas and pulses

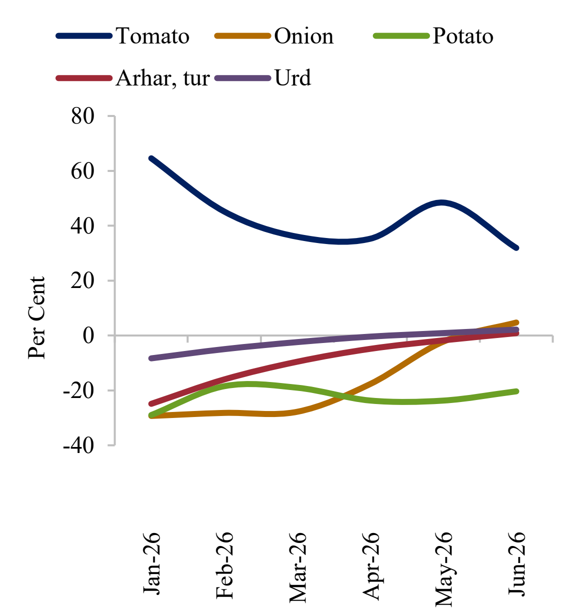
34. Among vegetables, tomatoes recorded the highest inflation during the period, although the June reading (32%) moderated significantly from May (48%). Potato prices continued to remain in deflation, with the extent of deflation narrowing in June (-20%). Onion prices moved from deflation over the previous five months to inflation in June (5%). Similarly, while pulses remained largely in deflation during this period, the extent of deflation narrowed, with key pulses such as tur (1%) and urad (2%) entering the inflationary zone. Abreast with these developments, the Government has increased the onion procurement price for the Price Stabilisation Buffer by 13%, from ₹1,875 to ₹2,125 per quintal (effective 4 July 2026), to ensure better returns to farmers and strengthen buffer procurement. Onion production for 2025–26 is estimated at 307.37 LMT (307.67 LMT in 2024–25), with adequate stocks, all-India mandi

arrivals exceeding 50,000 MT/day, average retail prices at ₹31/kg, and 1.50 LMT exported in June 2026, indicating comfortable domestic availability.[24]

Trends in broad food categories



Trends in TOP vegetables (tomato, onion, potato) & select pulses



Source: MoSPI

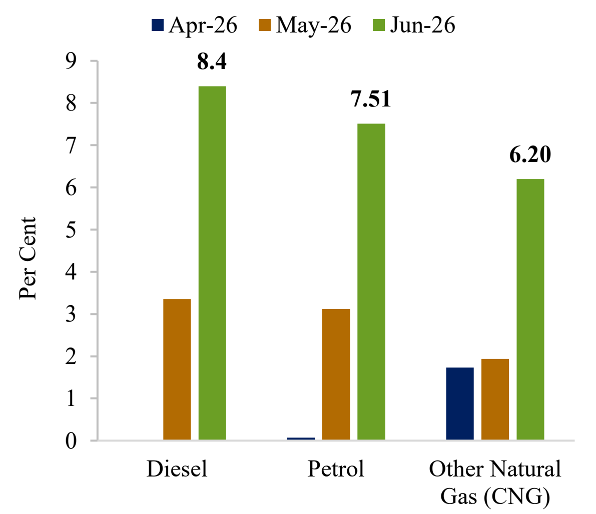
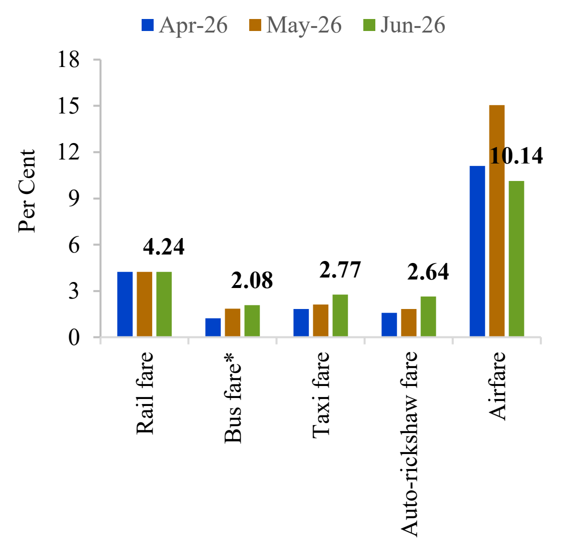
Trends in Transport Fuel and Passenger Transport Fares (Q1 FY27)

35. The increase in retail fuel prices, following the partial pass-through of higher global crude oil prices since mid-May 2026, was evident in June, with inflation in diesel, petrol and CNG rising further to 8.4 per cent, 7.5 per cent and 6.2 per cent, respectively. Despite these cost pressures in the transport fuel segment, the pass-through to passenger transportation services remained moderate. Inflation in bus, taxi and auto-rickshaw fares registered only moderate increases. Airfare inflation moderated in June after the sharp rise recorded in May, notwithstanding elevated aviation turbine fuel (ATF) costs.

36. However, owing to improved supply conditions amid easing tensions in June, state-owned Oil Marketing Companies (OMCs) reduced the price of a 19 kg commercial LPG cylinder by up to ₹183.50 across major cities with effect from 1 July 2026.[25] Aviation Turbine Fuel (ATF) prices were also reduced by ₹5 per litre.[26] Additionally, the Government withdrew, with effect from 1 July 2026, all temporary restrictions on the sale of petrol and diesel following improvements in the fuel supply situation. Accordingly, the cap of 200 litres per consumer per day on diesel sales at retail outlets has been removed, and industrial and commercial consumers have been permitted to resume purchases from retail pumps, reversing the control measures

[24] https://www.pib.gov.in/PressReleasePage.aspx?PRID=2280999&reg=48&lang=1
[25] https://ddnews.gov.in/en/omcs-cut-commercial-lpg-cylinder-prices-after-months-of-hikes-delhi-rate-falls-to-rs-2930/
[26] https://ddnews.gov.in/en/omcs-slash-atf-prices-by-nearly-rs-5-per-litre-amid-softer-crude-oil/

introduced on 12 June 2026 to prevent hoarding, diversion, and black marketing. These developments may support July 2026 inflation readings, particularly in the Transport and Restaurant & Accommodation Services divisions.[27,28]

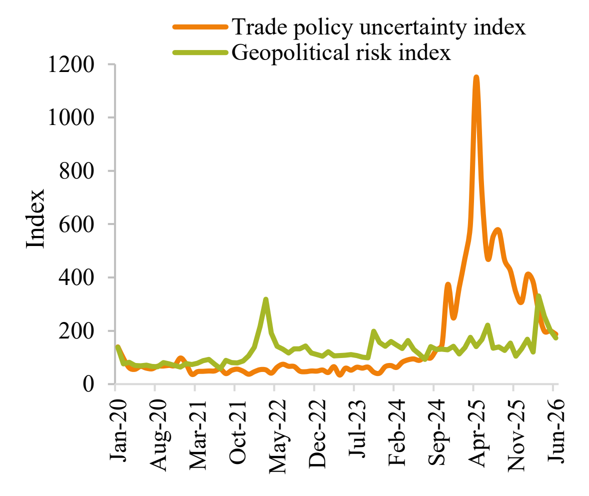
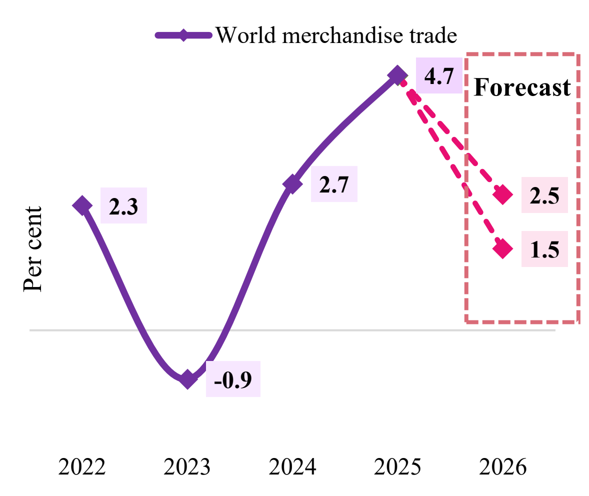
Transport Fuel	Passenger Transport Fares
	

Source: MoSPI
*Bus fare refers to bus/tram fare for commuting to work: daily

Global Trade Performance

37. The key drivers of global trade dynamics have shifted from trade policy uncertainty in CY 2025 to heightened geopolitical risks in CY 2026. In particular, the conflict in West Asia has disrupted maritime trade through the Strait of Hormuz, affecting energy markets, financial conditions and key shipping routes. While global merchandise trade remained resilient at the beginning of CY 2026, growth was increasingly concentrated in AI-related products. The disruption to maritime transport, coupled with higher energy prices, has raised import costs and added to inflationary and external sector pressures, particularly for emerging economies that are heavily dependent on imported fuels, food and fertilisers. Against this backdrop of heightened uncertainty, global growth is expected to moderate as trade, investment and supply chains face increasing headwinds. Reflecting these developments, UNCTAD's Trade and Development Foresights 2026 projects world merchandise trade growth, in real terms, to slow from 4.7 per cent in CY 2025 to a range of 1.5-2.5 per cent in CY 2026.[29]

[27] https://www.pib.gov.in/PressReleasePage.aspx?PRID=2272080&reg=48&lang=2
[28] https://www.pib.gov.in/PressReleasePage.aspx?PRID=2279131&reg=3&lang=1
[29] UNCTAD's Trade and Development Foresights 2026: https://tinyurl.com/3v4m4c2a

Trade policy uncertainty index and Geopolitical risk index	Growth of merchandise trade in real terms
	
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.	Note: The figure for 2025 is an estimate; the figures for 2026 constitute a forecast range. Source: UNCTAD

India's trade performance in June 2026

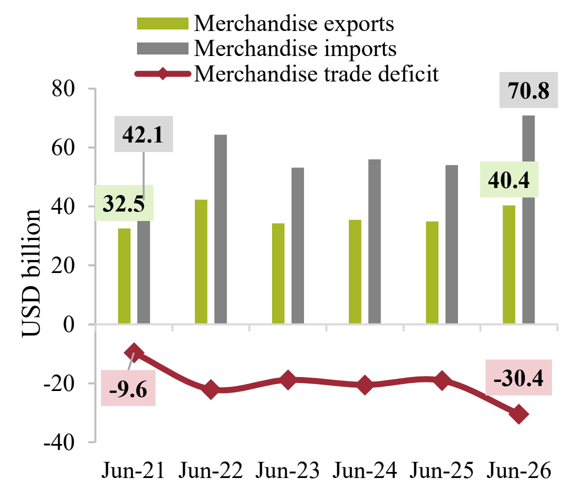
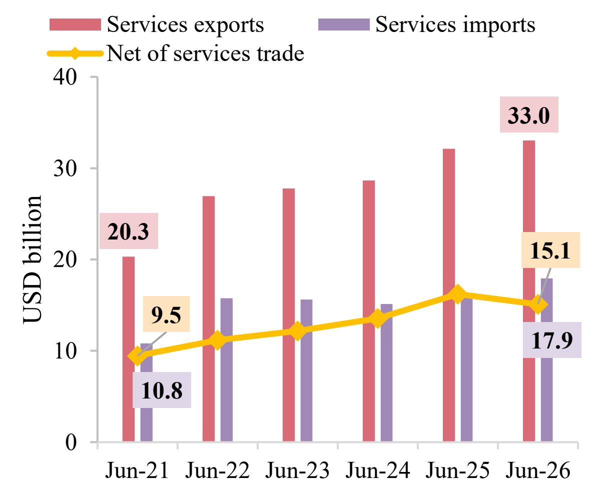
38. India's trade performance remains resilient. During Q1 FY27, total exports (merchandise & services) grew by 11.4 per cent (YoY) to USD 232.7 billion, from USD 209 billion a year ago, driven by robust merchandise export growth of 15.9 per cent (YoY).[30] Nonpetroleum, non-gems and jewellery exports also maintained strong momentum, increasing by 12.7 per cent (YoY), while services exports grew by 6.2 per cent (YoY). Total imports rose by 17.5 per cent (YoY) to USD 270.2 billion, primarily on account of a 19.9 per cent increase in merchandise imports. Consequently, the total trade deficit widened to USD 37.4 billion in Q1 FY27 from USD 20.8 billion in the corresponding period of the previous year.

39. India's trade performance in June 2026 was broadly in line with the trends observed in Q1 FY27. Total exports increased by 9.5 per cent (YoY) to USD 73.4 billion from USD 67.1 billion in June 2025. Merchandise exports grew by 15.5 per cent (YoY), outpacing the 2.9 per cent (YoY) growth in services exports, and were the primary driver of export growth during the month.

40. Merchandise export growth reflected broad-based growth, supported by strong performance across both petroleum and non-petroleum segments. Non-petroleum, non-gems and jewellery exports, which accounted for 82 per cent of total merchandise exports, grew by 15.3 per cent (YoY), while value-added sectors such as engineering goods, chemicals,

[30] The latest data for services sector released by RBI is for May 2026. The data for June 2026 is an estimation. (ii) Data for April-June 2025-26 has been revised on pro-rata basis using quarterly balance of payments data.

electronics, and agricultural and allied products underpinned export growth. Petroleum product exports also increased by 9.2 per cent (YoY).

Merchandise trade	Services trade
	
Source: Department of Commerce	Source: RBI and Department of Commerce

41. On the import side, total imports grew by 26.8 per cent (YoY), driven primarily by a 31 per cent (YoY) increase in merchandise imports. The broad-based increase in imports of electronic goods (58.7 per cent), non-ferrous metals (26.6 per cent), and electrical and non-electrical machinery (30.9 per cent) is indicative of continued strength in domestic demand. Imports of fertilisers (crude and manufactured) and pulses registered a three-fold increase (YoY), reaching USD 2.3 billion and USD 0.3 billion, respectively. In addition, imports of petroleum, crude and products rose by 40.1 per cent (YoY), partly reflecting the 19.3 per cent (YoY) increase in the FOB price of the Indian basket of crude oil. Imports of precious metals remained subdued during the month. Silver imports declined by 73.6 per cent (YoY), following an 86.6 per cent (YoY) decline in May 2026, while gold imports grew by a modest 7.1 per cent (YoY), compared with 33.9 per cent (YoY) in May 2026.

42. The sustained surplus in services trade remained an important cushion for India's overall trade balance in June 2026. The services trade surplus of USD 15.1 billion offset 49.7 per cent of the merchandise trade deficit, mitigating the impact of the wider merchandise trade deficit on the overall trade balance. Consequently, India's total trade deficit widened to USD 15.3 billion in June 2026 from USD 2.9 billion a year earlier. While India's overall trade performance remained resilient, the box below examines the implications of the ongoing conflict in West Asia for the country's merchandise trade.

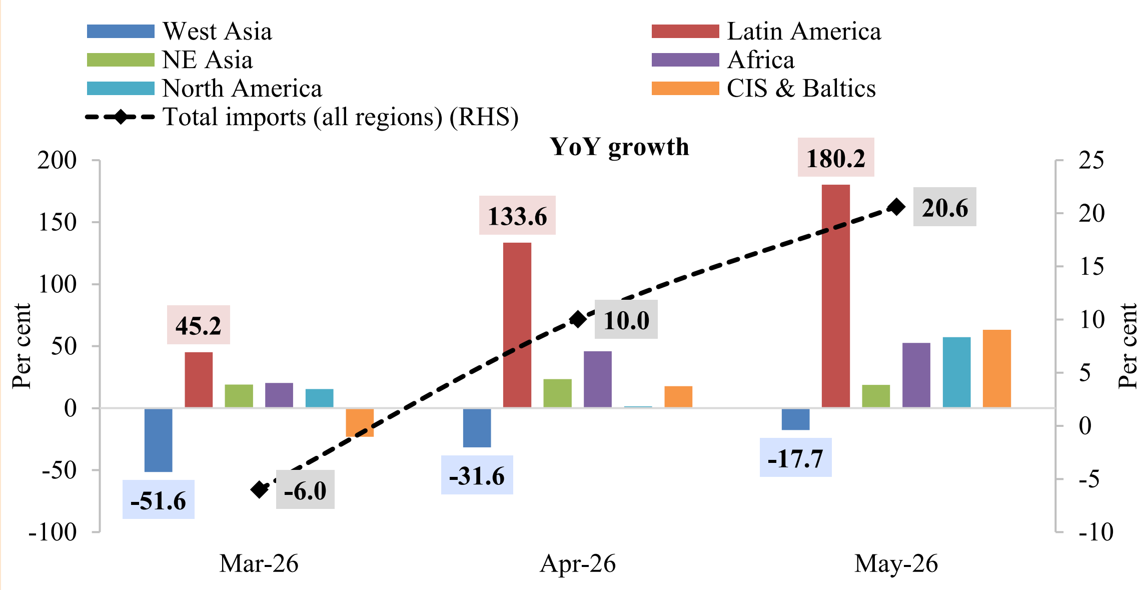
Box 2: India’s trade performance amidst the West Asia Crisis

The conflict in West Asia has altered regional trade dynamics, with implications for India's merchandise trade. Against this backdrop, this section analyses the country’s merchandise trade following the onset of the conflict.

The West Asia region accounted for 15 per cent of India's total merchandise exports and 21.4 per cent of total merchandise imports in FY25. Prior to the onset of tensions in the region, during April-February FY26, India's merchandise imports from West Asia grew by 4.2 per cent (YoY) to USD 143.5 billion, compared with an 8.8 per cent (YoY) increase in the country's total merchandise imports over the same period.

Following the onset of the conflict, India's merchandise imports from West Asia declined sharply, contracting by 51.6 per cent (YoY) in March 2026. The pace of decline moderated to 31.7 per cent (YoY) in April 2026 and further to 17.7 per cent (YoY) in May 2026. In contrast, after contracting in March 2026, India's total merchandise imports recorded positive YoY growth in April and May 2026, as higher imports from other regions more than offset the decline in imports from West Asia.[31]

India's imports to select regions



Source: Department of Commerce

Higher imports from Latin America (led by Brazil, Peru and Venezuela), North East Asia (China and the Republic of Korea), the CIS & Baltics (Russia), North America, and West Africa more than compensated for the continued contraction in imports from West Asia during April and May 2026.

Further, India's merchandise imports from West Asia are concentrated in eight major commodity groups, which together accounted for approximately 84 per cent of total imports from the region. While the conflict disrupted imports of these commodities from West Asia, India diversified its sourcing towards alternative suppliers, mitigating the impact on domestic availability. The commodity-wise changes in import sourcing are presented in the table below.

[31] India's merchandise imports declined by 6 per cent (YoY) in March 2026. In contrast, in April and May 2026, they grew (YoY) by 10 per cent and 20.6 per cent, respectively.

Commodity	Change in imports from West Asia (May 2026 over February 2026)	Change in India's total imports (May 2026 over February 2026)	Major alternate suppliers*
Petroleum crude	+ 8.2 % (However, West Asia's share in India's crude oil imports decreased from Feb-26 (54.9%) to May-26 (30.8%)	+ 93.2 %	Russia, Venezuela, and Nigeria
Petroleum products	- 44.2%	+ 17.6 %	United States, Russia and Trinidad
Pearls, precious & semi-precious stones	- 26.5%	- 12.3%	Switzerland, Belgium and Russia.
Inorganic chemicals	- 9.4%	+ 1.4 %	China, Japan and the United States
Fertilisers (manufactured)	- 19.2%	- 8.2%	Canada, Georgia and South Korea

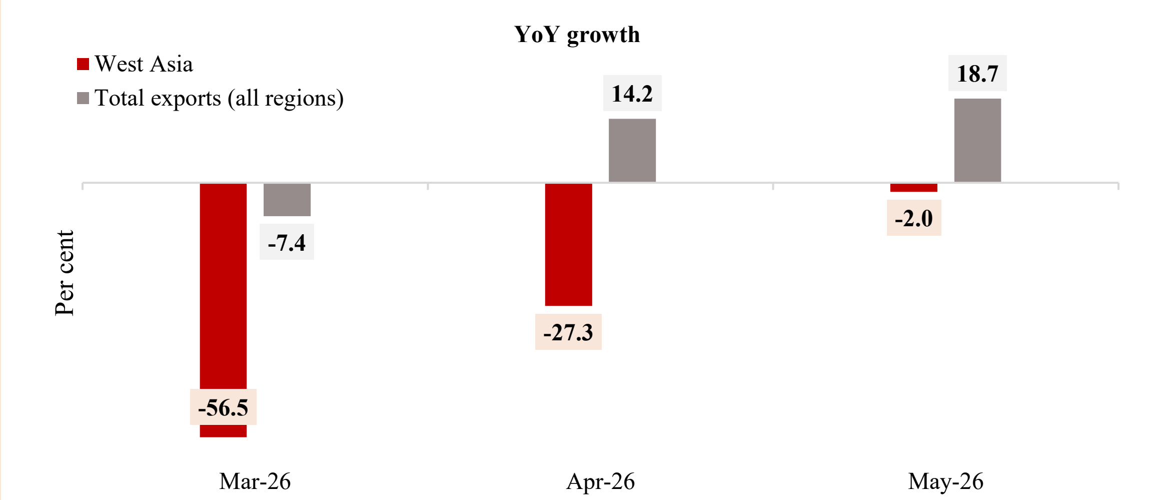
**Note: Major alternative suppliers are ranked by the absolute increase in import value calculated as the difference between the value imported in May 2026 and February 2026, excluding West Asian countries.*

A discernible shift is evident in the sourcing pattern of India's energy imports within the West Asian region. Crude oil imports from Oman rose significantly from negligible levels in February 2026 to USD 1.1 billion in May 2026. Imports of petroleum products from Oman also increased substantially, more than doubling from USD 0.2 billion in February 2026 to USD 0.5 billion in May 2026. Similarly, crude oil imports from the UAE more than doubled, increasing from USD 1.2 billion in February 2026 to USD 2.7 billion in May 2026. These increases coincided with a decline in crude oil imports from Iraq and Kuwait, as well as lower petroleum product imports from Qatar and Kuwait, indicating a reallocation of energy sourcing within the region rather than a broad-based reduction in imports from West Asia.

In contrast, imports of the other major commodities, including gold, fertiliser (crude), residual chemicals, and allied products, registered an increase in value from West Asia during February - May 2026.

A similar pattern of adjustment was observed on the export side, although the impact was more pronounced for certain commodity groups with relatively higher dependence on West Asian markets.

India’s merchandise trade



Source: Department of Commerce

Prior to the onset of tensions in the region, during April-February 2026, India’s merchandise exports to West Asia grew by 4.1 per cent (YoY) to 61.9 billion, compared with a 1.2 per cent (YoY) increase in India’s total merchandise exports over the same period.

Following the onset of the conflict, India's merchandise exports to West Asia contracted by 56.5 per cent (YoY) in March 2026, then moderated to 27.3 per cent (YoY) in April 2026 and 2 per cent (YoY) in May 2026. At the same time, India's overall merchandise exports declined in March 2026 and then registered an increase during April and May 2026, indicating that stronger exports to other destinations partly compensated for the decline in shipments to West Asia.

Twelve major commodity groups account for 54.5 per cent of India's merchandise exports to West Asia. Of these, exports of nine commodities declined during February-May 2026. The table below summarises the affected commodities and the principal alternative export destinations.

Commodity	Change in exports to West Asia (May 2026 over February 2026)	Change in India's total exports (May 2026 over February 2026)	Major alternate destinations*
Petroleum products	- 47.8 %	+ 145.7 %	Singapore, South Africa and Tanzania.
Rice (Basmati)	- 31.9 %	- 15.0 %	United Kingdom, Turkey and the United States.
Telecom instruments	- 24 %	+ 27.4 %	United States, Austria and Mexico.
Pearls, precious & semi-precious stones	- 36.5 %	- 22.5 %	Canada, Switzerland and the United States.
Motor vehicles/cars	- 48.6 %	+ 2.5 %	South Africa, Indonesia and Angola.

Products of iron & steel	- 20.5 %	- 0.3 %	United States, Chile and Taiwan.
Copper & products	- 17.3 %	+ 9.8 %	China, South Africa and Kenya.
Drug formulations, biologicals	- 20.7 %	+ 1.1 %	United States, Tanzania and Turkey.
Electric machinery & equipment	- 13.1 %	+ 20 %	Malaysia, the United States and the United Kingdom.

**Note: Major alternate destinations are ranked by the absolute increase in export value calculated as the difference between the value exported in May 2026 and February 2026, excluding West Asian countries.*

Petroleum products registered a significant decline in exports to West Asia, and also exhibited the largest redirection towards alternative markets. Consequently, West Asia's share in India's petroleum products exports declined from 18.7 per cent in February 2026 to 4 per cent in May 2026. This pattern mirrors the trend in India's crude oil imports from West Asia, where imports from the region also rose significantly even as India's total crude oil imports increased.

For commodities such as basmati rice and pearls, and precious and semi-precious stones, the increase in exports to alternative destinations was insufficient to fully offset the decline in exports to West Asia, reflecting relatively greater market dependence and a more limited scope for immediate diversification.

Among the twelve major commodity groups, exports of only three, including gold and other precious metal jewellery, buffalo meat, and ships, boats and floating structures, increased to West Asia during February-May 2026.

Overall, India's merchandise trade performance during the period (February – May 2026) amidst the West Asia crisis demonstrates the resilience of the external sector. While the conflict disrupted trade flows with the region, diversification of import sources and export destinations helped mitigate its impact. The observed trade outcomes also point to the role of timely policy interventions alongside the adaptive response of various stakeholders in facilitating the reorientation of trade flows in a short time period.

Developments in India's Balance of Payments

Current Account Deficit

43. The current account recorded a surplus of USD 2.8 billion in April-May 2026, against a deficit of USD 4.1 billion in the corresponding period of 2025. The turnaround was driven by

higher remittance inflows[32] and a resilient services surplus, which more than offset the wider merchandise trade deficit.

Performance of Major Items of India's Balance of Payments on a net basis				
				(USD billion)
Item	**May 2025 PR**	**May 2026 P**	**April-May 2025 PR**	**April-May 2026 P**
A. Current Account Balance	**0.7**	**-2**	**-4.1**	**2.8**
A.1 Net Merchandise	**-22.6**	**-27.9**	**-49.7**	**-55.9**
A.2 Net Services	**15.8**	**15.7**	**31.7**	**34.3**
A.3 Net Transfers	**10.5**	**13.6**	**20**	**29.6**
A.4 Net Income	**-3**	**-3.4**	**-6**	**-5.2**
B. Capital Account Balance	**3.7**	**-2.4**	**9**	**-13.8**
B.1 Net Foreign Direct Investment	**0.9**	**-0.1**	**2.5**	**6.5**
B.2 Net Foreign Portfolio Investment	**1.3**	**-4.7**	**-0.8**	**-12**
B.3 Net External Commercial Borrowings	**2.4**	**0.1**	**4.1**	**0.8**
B.4 Net Short-term Credit to India	**-0.4**	**3.2**	**-0.4**	**3.9**
B.5 Net Banking Capital	**-1.6**	**-1.1**	**1.6**	**-4.7**
B.6 Other Capital (Net)	**1.2**	**0.2**	**1.9**	**-8.2**
C. Overall Balance (A+B)	**4.4**	**-4.4**	**5**	**-11.0**

PR: Partially Revised; and P: Preliminary.

Note: 1. Errors and omissions are included under 'Other Capital'.
2. Total of sub-components may not tally with the aggregate due to rounding off.
3. Colour coding is based on the relative position of each observation within the historical range of the respective indicator. Green shades indicate relatively stronger observations, red shades indicate relatively weaker observations, and intermediate shades represent values between these extremes.

Source: RBI

Capital Flows

44. Capital account recorded a net outflow of USD 13.8 billion during April-May 2026, driven primarily by sustained portfolio outflows and reduced support in its other segments. Consequently, despite the modest current account surplus, the overall Balance of Payments recorded a deficit of USD 11.0 billion during April-May 2026.

Foreign Direct Investment

45. Global FDI flows are undergoing a structural shift in composition and geography, with direct implications for emerging-market destinations including India. Box 3 below draws on UNCTAD's *World Investment Report 2026* to examine this shift before turning to India's FDI performance during April-May 2026.

[32] Net transfers rose sharply to USD 29.6 billion in April-May 2026 from USD 20.0 billion in the corresponding period of 2025.

Box 3: The Changing Geography of Global Investment

According to UNCTAD's *World Investment Report 2026*, global FDI flows increased by 6 per cent to USD 1.6 trillion in 2025, marking the first increase after two consecutive years of decline. However, the headline recovery overstates the improvement, as a significant share of the increase reflected financial flows routed through conduit economies such as Switzerland and Ireland rather than investment in productive assets. Excluding these financial hub flows, global FDI grew by a more modest 4 per cent.

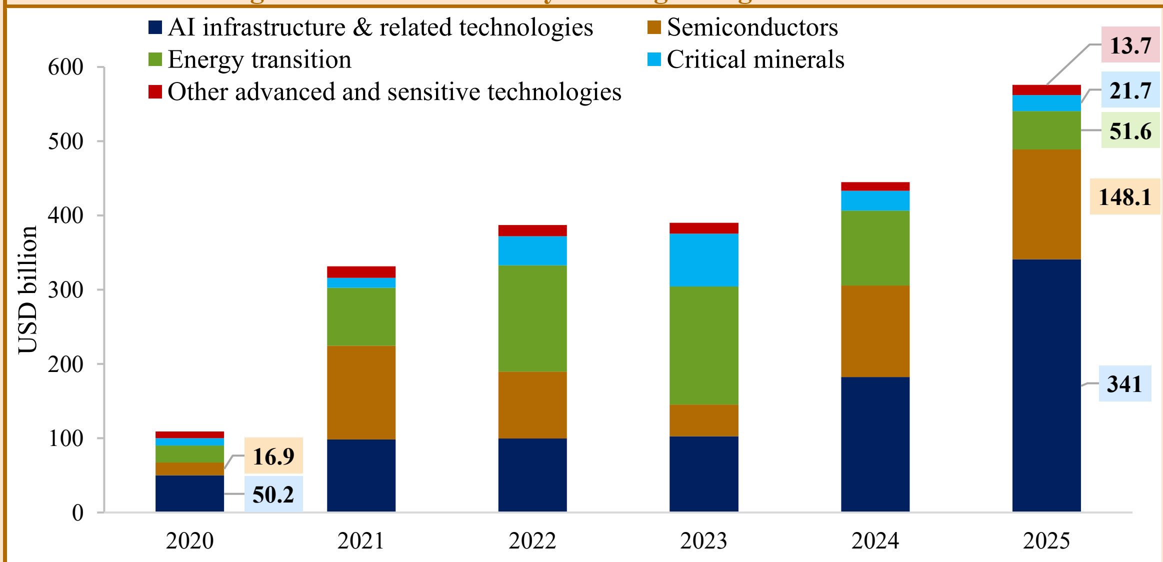
The recovery was also uneven across regions: inflows to developed economies increased by 11 per cent to USD 723 billion, while developing economies recorded only 2 per cent growth to USD 901 billion. The headline recovery, therefore, masks a more selective global investment environment, with both the type of investment and its destination becoming increasingly concentrated.

From broad-based manufacturing to strategic sectors

The changing composition of global investment is as important as its overall recovery. For decades, developing economies attracted FDI primarily by offering low-cost, reasonably skilled labour. Multinational manufacturers built factories to serve global supply chains, and workers moved from subsistence activity into factory employment. This model is gradually giving way to one in which capital is increasingly concentrated in a narrow set of strategic, technology-intensive sectors.

UNCTAD identifies ***five*** such ***"strategic sectors"*****:** (i) AI infrastructure and data centres, (ii) semiconductors, (iii) critical minerals, (iv) energy-transition technologies and (v) other advanced and dual-use technologies such as robotics, quantum computing and space. Together, these sectors accounted for 44 per cent of global greenfield investment announcements in 2025, up from only 16 per cent in 2020, implying a compound annual growth rate (CAGR) of nearly 39 per cent.

Strategic sectors attract nearly half of global greenfield investment



Source: World Investment Report 2026, UNCTAD.
Note: The figure represents announced greenfield investment in strategic sectors (2020-2025)

Within these sectors, AI infrastructure and related technologies emerged as the largest and fastest-growing segment, rising from ~USD 50 billion in 2020 to ~USD 341 billion in 2025, accounting for nearly three-fifths of all strategic-sector investment. Semiconductor investment also expanded rapidly, reflecting its critical role in both AI infrastructure and advanced manufacturing.

At the same time, the value of announced greenfield investments in traditional manufacturing (excluding strategic sectors) declined by 17 per cent between 2015-19 and 2021-25. Within this contracting trend, manufacturing investment has become more concentrated, with the EU, China, the United States, South Korea, and Japan collectively representing nearly 70 per cent of the total.

The result is an increasingly concentrated investment landscape. In 2025, the top three recipient economies accounted for 56 per cent of all strategic-sector investment, while the top three source economies contributed 72 per cent. Thus, rather than being broadly distributed, strategic investment is increasingly concentrated in a limited number of sectors and locations.

Governments are reshaping global investment

As firms have become more selective, governments have also become more active in shaping international investment flows. In 2025, governments in 104 countries adopted a record 229 investment-related policy measures, reflecting growing use of investment policy instruments to attract strategic investment while safeguarding national interests.

On the one hand, incentive schemes, including targeted grants, tax credits, and production-linked support, are increasingly directed towards semiconductors, battery manufacturing, AI infrastructure, and other frontier technologies, often accompanied by conditions related to local value addition, technology transfer, or employment generation. On the other hand, investment screening has expanded significantly.[33] The total number of economies with a screening regime increased from 21 in 2016 to 52 in 2025, while the scope of sectors considered strategically sensitive has broadened to include data centres, AI companies, telecommunications infrastructure and critical minerals.

Developing economies also face increasing policy constraints arising from investor-state dispute settlement (ISDS) mechanisms. In 2025, investors initiated 56 arbitration cases, nearly 80 per cent of them against developing economies, with about a third linked to extractive activity, including critical-mineral mining.

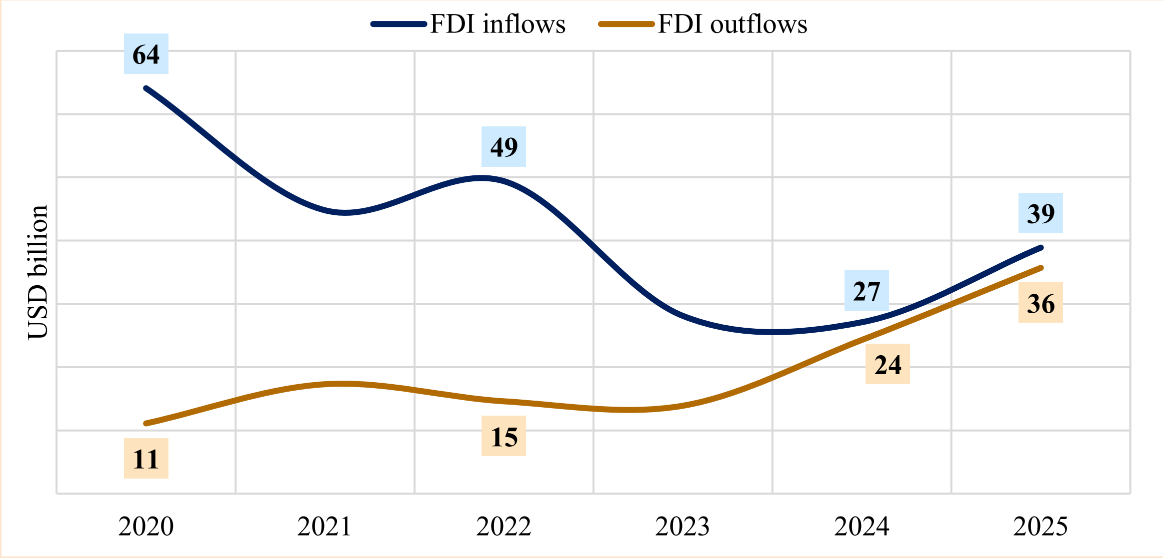
India's position in the evolving investment landscape[34]

Against this backdrop, India performed relatively well in 2025. While FDI inflows into developing economies grew by only 2 per cent overall, inflows into South Asia increased by 35 per cent, driven largely by India. India's FDI inflows rose by 44 per cent to USD 38.9 billion, improving its position

[33] Measures related to FDI screening on national security grounds accounted for nearly 40 per cent of all restrictive investment measures adopted in 2025, all of which were introduced by developed economies.
[34] All data and analysis presented in this Box are based on the World Investment Report 2026 published by UNCTAD. Investment data reported by UNCTAD are compiled on a calendar year (CY) basis, whereas FDI statistics for India published by the RBI are reported on a financial year (FY) basis. Consequently, the figures presented in this Box may differ from those reported elsewhere in this publication

to 11th among the world's largest FDI recipients and placing it ahead of economies such as France, Indonesia, Viet Nam and Spain. Outward FDI also increased to USD 35.7 billion, although this was influenced by a single large overseas acquisition.[35]

India's FDI inflows and outflows



Source: World Investment Report 2026, UNCTAD.

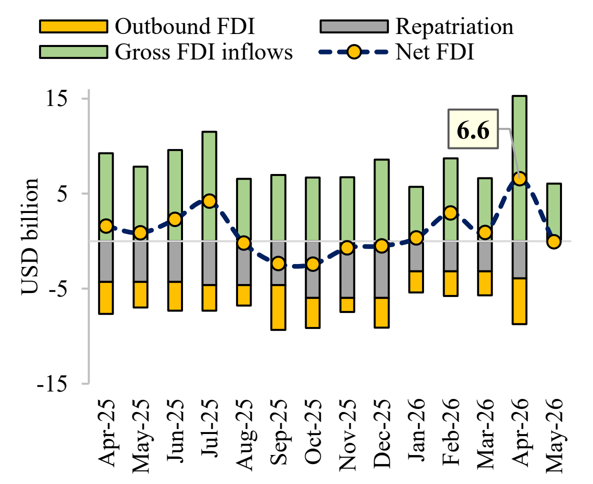
At the same time, forward-looking investment indicators present a more nuanced picture. The value of announced greenfield investment projects moderated to about USD 74 billion in 2025, with the slowdown concentrated in manufacturing. By contrast, services investment remained resilient and, for the first time, exceeded manufacturing investment in value terms. Information and communication technologies emerged as the largest recipient sector, reflecting continued investment in digital infrastructure, alongside renewed activity in financial services.

Taken together, these developments suggest that the nature of global FDI competition is undergoing a structural transformation, characterised by greater concentration of capital across sectors, technologies and destinations. In this environment, a country's ability to provide policy certainty, foster innovation ecosystems and build resilient production networks will increasingly determine its attractiveness as an investment destination. Consequently, for emerging economies, attracting FDI is less about factor-cost advantages and more about integrating into strategic sectors and global value chains.

46. Against this backdrop, net FDI increased to USD 6.5 billion during April-May 2026, compared with USD 2.5 billion in the corresponding period of 2025, supported by robust gross inflows of USD 21.4 billion, which exceeded repatriation and outward investment over the two-month period. This cumulative improvement was largely driven by strong net inflows in April 2026, as net FDI declined to USD (-) 0.1 billion in May 2026 from USD 0.9 billion in May 2025.

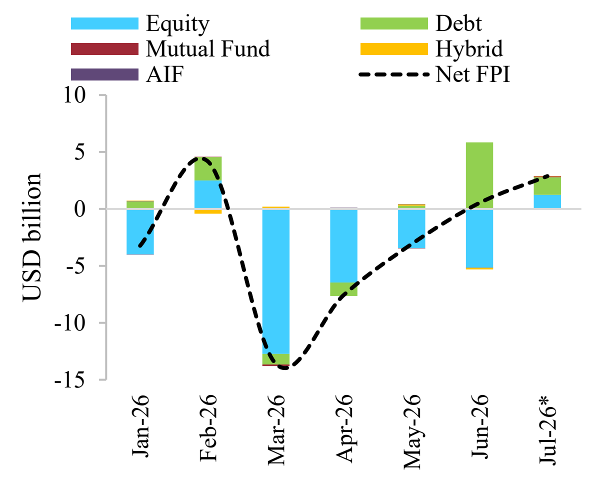
[35] Rana Group's USD 10 billion automotive investment in the UAE.

Foreign Direct Investment



Source: RBI

Foreign Portfolio Investment



Source: NSDL
Note: *As of July 20, 2026.

Foreign Portfolio Investment

47. Supported by recent policy measures, net FPI flows turned positive in June (USD 0.5 billion) after three consecutive months of outflows. The recovery strengthened in July, with net inflows of USD 2.9 billion (as of July 20), led by debt investments, including USD 1.9 billion in Government Securities through the Fully Accessible Route (FAR) and the General Route. However, FPI flows continue to reflect persisting investor caution amid renewed tensions in West Asia.

Other capital flows

48. Other capital account components, including External Commercial Borrowings (ECBs) and banking capital, particularly FCNR(B) deposits, are also expected to receive support from the measures announced by the Government of India and RBI to facilitate foreign capital inflows (discussed in Box 3 of the June 2026 Monthly Economic Review).

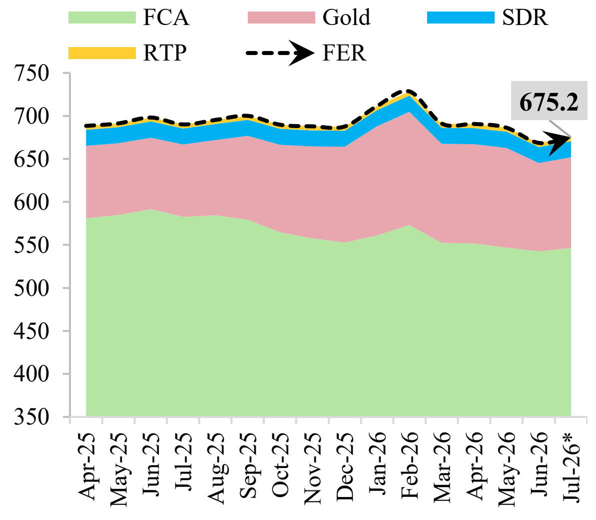
49. These facilities offer concessional swaps for fresh FCNR(B) deposits and for Overseas Foreign Currency Borrowings (OFCBs) and ECBs.[36] While their full impact across channels will take longer to appear in BoP data, early responses to these measures have been encouraging. Since their launch, cumulative inflows have reached USD 20.7 billion as of July 17, 2026, comprising USD 17.4 billion in FCNR(B) deposits, USD 2.0 billion in OFCBs, and USD 1.3 billion in ECBs. As these inflows fall outside the April-May window covered by RBI's latest BoP release, their impact is expected to become visible in BoP data from June 2026 onwards.

[36] Announced on June 5, 2026, and operationalised from June 8, 2026, these facilities offer concessional swaps for fresh FCNR(B) deposits and for Overseas Foreign Currency Borrowings (OFCBs) and ECBs, and remain available up to September 30, 2026, for FCNR(B) deposits and up to December 31, 2026, for OFCBs and ECBs.

Foreign Exchange Reserves & Exchange Rate

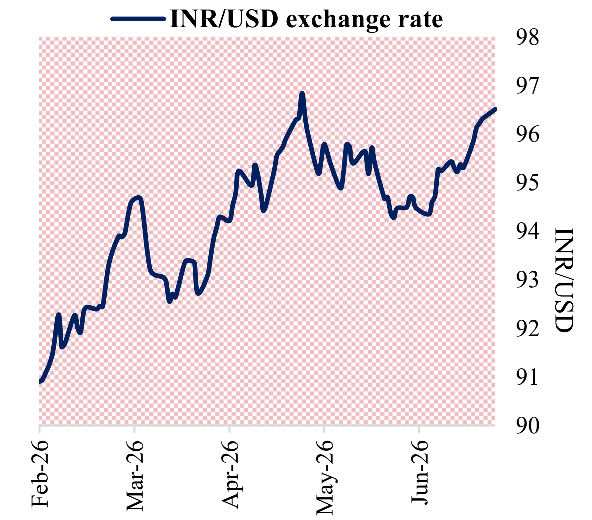
50. Despite the BoP deficit during April-May 2026, India's external sector remains supported by comfortable foreign exchange reserves. As of July 10, 2026, reserves stood at USD 675.2 billion, providing import cover of around 10 months and covering 88.5 per cent of external debt (end-March 2026).

Foreign Exchange Reserves



Source: RBI
Note: As of July 10, 2026

Exchange Rate



Source: RBI
Note: Last value of INR/USD is as of July 20, 2026

51. The rupee depreciated by about 5.8 per cent against the US dollar between 27 February 2026 and 24 July 2026. Similar trends have been observed across several other currencies, including the Thai baht (-7.8 per cent), Indonesian rupiah (-6.6 per cent), Japanese yen (-4.7 per cent), and Korean won (-1.3 per cent). Clearly, heightened global risk aversion amid geopolitical tensions and elevated expectations for crude oil prices weighed on investor sentiment and capital flows during the period.

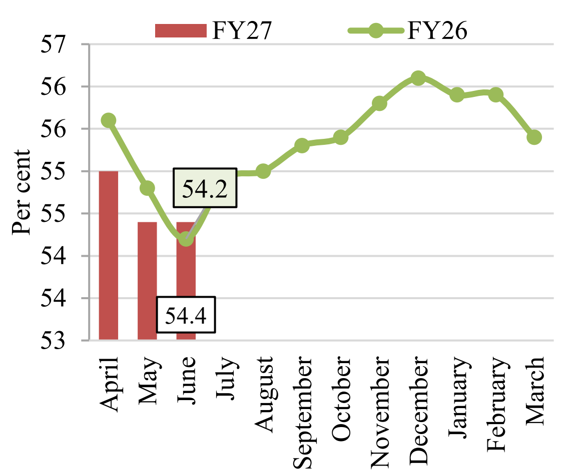
52. Overall, India's external sector entered FY27 on a cautious but improving note. While geopolitical tensions and elevated global uncertainty continue to pose risks through trade, commodity prices and capital flows, the external sector has demonstrated resilience. Strong export performance, a sustained services surplus and robust remittance inflows have supported the current account, while recent policy measures are expected to strengthen capital inflows in the coming months. Together with comfortable foreign exchange reserves, these developments are expected to help preserve external sector stability amid an uncertain global environment.

Labour Market Developments

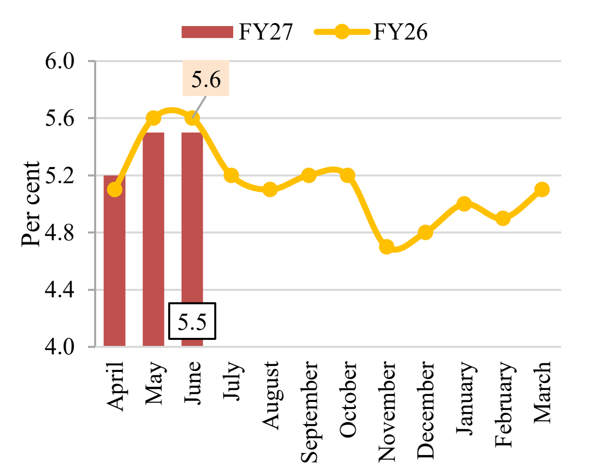
53. India's labour market remains resilient, with stable labour force participation and unemployment indicators alongside improving hiring activity. According to the latest monthly

Periodic Labour Force Survey (PLFS) data, the Labour Force Participation Rate (LFPR)[37] (for individuals aged 15 and above) for June 2026 remained stable at 54.4 per cent compared to 54.2 per cent in June 2025. The overall Unemployment Rate (UR)[38] remained at 5.5 per cent in June 2026, compared to the 5.6 per cent recorded in June 2025.[39]

Labour Force Participation Rate (%)



Unemployment Rate (%)



Source: Monthly PLFS bulletin for July 2026 (15 years and above; in current weekly status)

54. While overall LFPR remain unchanged from the level recorded in the previous month, urban areas registered a modest improvement in participation, with the LFPR rising to 50.1 per cent in June 2026 from 49.8 per cent in May 2026. At the same time, urban UR rose to 6.6 per cent in June 2026, up from 6.4 per cent in May.

Million-plus cities as engines of growth

55. These national and urban-level trends set the context for a closer look at India's million-plus cities, which are central to understanding how urban employment opportunities are evolving. Cities are central to driving economic growth, fostering innovation, and generating employment and warrant a deeper examination of the factors that shape the labour market in the urban areas. Understanding what these cities offer workers is central to assessing whether urbanisation is translating into quality employment opportunities.

56. In June 2026, the Ministry of Statistics & Programme Implementation (MoSPI) released two reports to give a city-level view of India's urban labour markets: Labour Market Dynamics in Million-plus Cities (based on PLFS 2025 household data)[40] and Urban Unincorporated

[37] 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.
[38] 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.
[39] Monthly PLFS bulletin for June 2026: https://www.mospi.gov.in/publications-reports
[40] Labour Market Dynamics in Million-plus Cities June 2026: https://www.mospi.gov.in/publications-reports

Enterprise Landscape: ASUSE 2025 (based on unincorporated enterprise survey data).[41] Taken together, these reports offer a dual perspective on economic activity in India's 46 million-plus cities (Box 4).

Box 4: Labour dynamics in India's million-plus cities

Urban areas in India are categorised by the Ministry of Housing & Urban Affairs into different segments based on population size: small towns (less than 50,000), medium towns (50,000 to less than 5 lakh), large towns (5–10 lakh), and metropolitan cities (10 lakh and above). According to the 2011 Census, 46 Municipal Corporations with a population of 10 lakh or more account for 10.69 per cent of the total urban area but house 30.66 per cent of the urban population, indicating notably higher population densities. These million-plus cities play a critical role in the country's economic landscape, with a high concentration of economic activity, a favoured destination for migration, and a driver of national productivity. [42]

According to MoSPI's Labour Market Dynamics in Million-plus Cities report, the LFPR (in usual status for persons aged 15 years and above)[43] in million-plus cities stood at 52.4 per cent in 2025, broadly comparable to the urban India average of 52.2 per cent. A similar pattern held for the Worker Population Ratio[44], at 49.8 per cent against urban India's 49.7 per cent. The Unemployment Rate for million-plus cities was 4.9 per cent. Further, the *'Urban Unincorporated Enterprise Landscape: ASUSE 2025 Insights from Million-Plus Cities'* report informs that the 46 million-plus cities account for roughly 13 per cent of establishments and 16 per cent of workers nationally, and 21 per cent of Gross Value Added in the unincorporated non-agricultural sector. Many of the million-plus cities have GVA per worker and GVA per establishment higher than those of urban areas, reflecting higher productivity. These figures suggest that million-plus cities are not outperforming the rest of urban India in participation; rather, the real story lies in the employment structure these urban centres generate.

The distinctiveness between million-plus cities and urban areas is evident in the distribution of employment by status, sector, and wage levels. Regular wage or salaried employment accounts for 58.5 per cent of workers in million-plus cities, significantly higher than the 47.6 per cent across urban India. At the same time, casual labour is correspondingly lower, indicating a more formalised labour market in these urban centres. In terms of industry composition, services employ the largest share of workers (68 per cent), followed by manufacturing (21.6 per cent), with agriculture accounting for a negligible 1.6 per cent, reflecting a services-led employment structure. This formalisation and sectoral composition also carry a wage premium for million plus city workers: self-employed workers in million-plus cities earn an average of ₹30,858 per month against ₹23,013 in urban India, regular wage/salaried employees earn ₹28,808 against ₹26,258, and casual labourers earn ₹624 per day

[41] Urban Unincorporated Enterprise Landscape: Asuse 2025 Insights From Million-Plus Cities June 2026: https://www.mospi.gov.in/publications-reports
[42] https://niti.gov.in/sites/default/files/2026-04/Moving-Towards-Effective-City-Government-a-Framework-for-Million-Plus-Cities.pdf
[43] The activity status of a person is determined on the basis of the activities pursued by the person during the specified reference period. When the activity status is determined on the basis of the reference period of last 365 days preceding the date of survey, it is known as the usual activity status of the person.
[44] WPR is defined as the percentage of employed persons in the population

against ₹550, with the premium particularly pronounced for women, whose self-employment earnings are about 58 per cent higher than the urban India average.

Female employment in million-plus cities shows an encouraging trend, with female workers not only earning significantly higher wages than in other urban areas but also having a larger share in regular wage employment (65.1 per cent) than male workers (56.4 per cent). This suggests that when women enter the workforce in these cities, they disproportionately access its more formal segment. At the same time, the primary constraint on participation for male and female workers remains stark. 68.7 per cent of women outside the labour force cite childcare or homemaking responsibilities as the reason, compared to just 1.0 per cent of men, confirming that the burden of unpaid domestic responsibility acts as the binding constraint on female urban employment. To tackle this structural issue, various editions of the Annual Economic Survey of the Government of India have highlighted that the provision of a flexible work policy and the availability of childcare facilities and crèches will help increase female participation in paid work.

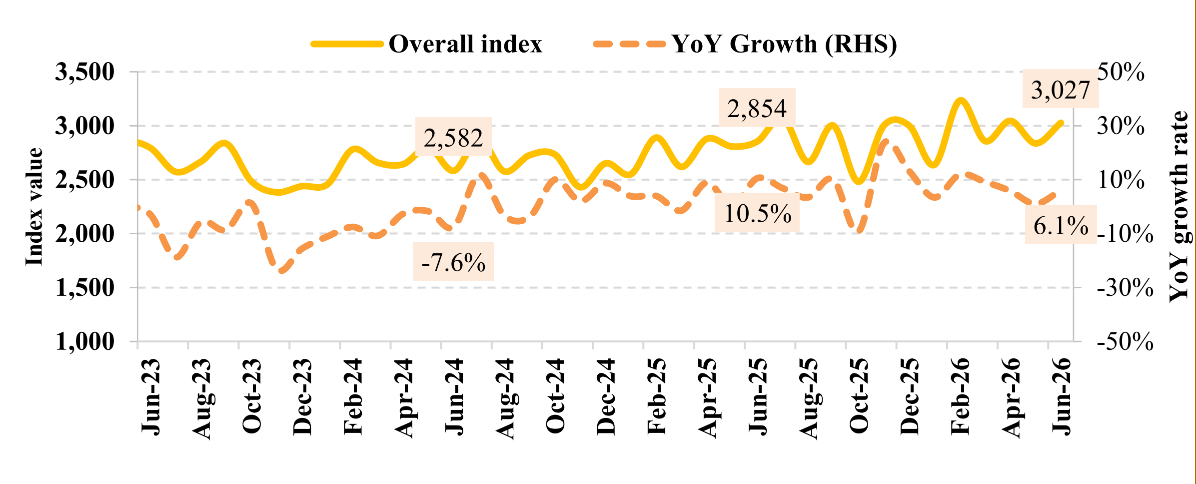
These findings suggest that million-plus cities are not only engines of growth but also of higher-quality employment, with a greater proportion of salaried jobs, company employment, and service-sector-led work, alongside a wage premium which will continue to draw workers as these urban centres expand. Sustaining this requires a policy focus on the infrastructure that underpins such growth. Structural barriers, such as inadequate safe and affordable housing, weak urban mobility, and limited childcare infrastructure, continue to limit both the scale and inclusiveness of this employment growth. Tackling these issues requires action on both land and infrastructure, as suggested in the Economic Survey 2025-26. The survey recommends clearer land titles, transit-oriented development to expand affordable housing, better public transport to improve mobility, and a shift from basic coverage to efficient, circular sanitation and water systems. These investments will only work alongside stronger city governance, better finances, and real accountability. [45]

AI/ML roles lead white-collar hiring.

57. White-collar hiring in India grew over 6 per cent in June 2026, driven by the strong hiring momentum for AI and machine learning roles, which saw a 25 per cent YoY rise in June 2026 (Naukri JobSpeak 2026). The non-IT sector continues to show strong hiring momentum, led by the insurance sector (+16 per cent) and FMCG (+7 per cent). Notably, fresher hiring (personnel with less than 3 years of experience), which represents entry-level roles, registered an 8 per cent YoY growth in June 2026. Across functions, Media Production & Entertainment (+24 per cent), Healthcare & Life Sciences (+22 per cent), IT & Information Security (+18 per cent), Production, Manufacturing & Engineering (+14 per cent) and Marketing & Communications (+12 per cent) recorded strong growth in hiring in June 2026.

[45] Economic survey 2025-26: https://www.indiabudget.gov.in/economicsurvey/doc/eschapter/echap15.pdf

White Collar hiring trend



Source: Naukri JobSpeak Index June 2026

Preparing for the future of AI

58. Complementing the findings of the Naukri Jobspeak Index, LinkedIn's Grads' Guide 2026 suggests that AI Specialist, Generative AI Engineer, and Digital Content Creator roles have emerged as the fastest-growing job titles in India, reflecting the effect of AI and digital platforms in opening up entirely new career pathways for job seekers. Further, Human Resources and consulting are the fastest-growing functions for graduates, whereas utilities and education are the fastest-growing industries actively hiring graduates. Regional hiring trends indicate that job opportunities are expanding beyond traditional employment hubs, with Vijayawada (Andhra Pradesh), Kolkata (West Bengal), and Bhopal (Madhya Pradesh) emerging as the fastest-growing regions for early-career hiring.[46]

59. These findings together point towards a changing workforce dynamic for India. The story of the demographic dividend is well known, but to reap its benefits requires strategies that focus on improving workforce employability in response to changing labour market demands. Rising demand for AI skills and jobs is reshaping opportunities for the Indian workforce. According to the World Bank's South Asia Development Update Report, AI-related job opportunities in South Asia are heavily concentrated in India and Sri Lanka, with India accounting for the majority of listings.[47]

60. The rising demand for a skilled workforce is evident from India's Global Capability Centre (GCC) landscape, which has 2117 active GCCs operating 3728 GCC units employing

[46] LinkedIn's Grads' Guide 2026 tracked the fastest-growing opportunities for career starters across India by job title, industry, function, and region. The report analysed anonymised, combined data from LinkedIn member profiles between January 1, 2023, and December 31, 2025. Career starters are members whose most recent education or training was a high school diploma, an associate's degree, a bachelor's degree, or an apprenticeship. The fastest-growing jobs, functions, industries, and regions are identified by examining members' first full-time jobs after graduation and comparing hiring trends during the three-year period. Only areas where new graduate hiring did not decline between the first and final years are included. Similar job titles were grouped together. Internships, volunteer work, temporary roles, and student positions were excluded. https://tinyurl.com/2kew68v9

[47] PIB release 12 February 2026: https://www.pib.gov.in/PressReleasePage.aspx?PRID=2226912&reg=3&lang=1

over 23.6 lakh professionals, including over 2,50,000 AI/ML professionals, making up around 28 per cent of the global GCC AI talent pool, second only to the US.[48] This trend is further corroborated by LinkedIn's annual Skills on the Rise 2026 list, which reports that demand for AI-related skills and soft skills in India is rising across diverse job domains.[49]

61. Education and skilling play a crucial role in determining how effectively economies can harness AI adoption to enhance productivity. This requires agile education and skilling systems that are responsive to evolving industry needs. Assessing India's preparedness for the future of work, therefore, requires a comprehensive understanding of its skilling ecosystem. In this context, the QS World Future Skills Index 2027 evaluates how effectively economies develop, align, and apply skills in a rapidly changing global economy.[50] In this index, India ranks 13th globally, surpassing Sweden and Japan. With an overall score of 89.4, it ranks among the top countries in preparing its labour market for emerging technologies like artificial intelligence. Further, India ranks 5th globally in the future-of-work sub-index, which captures the intensity of employer demand for future-oriented skills, highlighting the scale of the opportunity for India. According to the index, India scored 93.3 in the economic transformation sub-index, which measures the economic conditions that enable countries to convert skills into productivity, innovation, and growth.

62. Complementing the QS skills index, the latest data from the All-India Survey on Higher Education (AISHE) 2023-24 shows clear progress in how the country is preparing its future workforce through the higher education system.[51] The report reveals growth in access to higher education, with the Gross Enrolment Ratio (GER) rising to 30 in 2023-24, up from 29.5 in 2022-23 and 23.7 in 2014-15. The female GER also increased to 31.2 in 2023-24. The STEM enrolment has increased significantly over the decade, expanding from 91.5 lakh in 2014-15 to 1.02 crore in 2023-24. Within the domain of Engineering and Technology, Computer Engineering has the highest overall enrolment, followed by Electronics Engineering, Mechanical Engineering, Civil Engineering, Electrical Engineering, and Information Technology. The specialised emerging sub-streams are rapidly gaining attraction, with AI & ML and AI & Data Science recording notable enrolments of approximately 53.6 thousand and 51.6 thousand students, respectively. Further, 58 per cent of the universities covered under AISHE have reported signing an MoU for industry linkages.[52] These developments highlight

[48] Zinnov, & Nasscom. (2026). *India GCC landscape report 2026* https://tinyurl.com/mryuwx7j
[49] LinkedIn's annual list of Skills on the Rise 2026 https://tinyurl.com/yvx5ntp4
[50] The Index aggregates four pillars, each accounting for 25% of the total score: **Skills Alignment** [Human cognitive skills (problem-solving, critical thinking), Human-centred leadership (communication, management), Entrepreneurial mindset, Sustainable and ethical workforce capacity, World Bank Juman Capital Index], **Academic Readiness** [Strength of institutions (number and performance of ranked universities), Subject competitiveness across disciplines, AI, digital, and green education capacity, Breadth and quality of student cities), **Future of Work** (measuring AI, digital, and green job market exposure), and **Economic Transformation** (encompassing economic capacity, workforce readiness, and future-oriented innovation metrics)
QS World Future Skills Index 2027: Mapping the global alignment between higher education systems and workforce needs. London: QS Analyst Insights. https://tinyurl.com/3pwxvx9a
[51] All India Survey on Higher Education (AISHE) 2023-24. https://tinyurl.com/35a936h7
[52] Ibid note above

the progress made towards transforming the higher education system and industry-driven skilling, which remains central to building job-ready talent and strengthening skill-industry linkages.

Outlook & Conclusion

63. The global economy continues to face heightened uncertainty amid geopolitical tensions and evolving trade and financial conditions, with risks to the outlook remaining tilted to the downside. Against this backdrop, India's macroeconomic fundamentals and domestic demand are expected to continue supporting economic activity. RBI has forecast 6.6% growth for FY27, with downside risks.

64. While global crude price fluctuations from geopolitical events and potential El Niño weather patterns are being carefully monitored, the domestic inflation outlook remains cautious and structurally well-supported, anchored by active measures to support price stability, robust agricultural commodity procurement and targeted contingency plans in place. Internationally, the IMF projects global headline inflation at a manageable 4.7 per cent for 2026 while the RBI’s Monetary Policy Committee maintains an unchanged policy repo rate of 5.25 per cent with a neutral stance, forecasting FY27 CPI inflation at a manageable 5.1 per cent.

65. The revised Index of Core Industries (Base Year: 2022–23) recorded a robust 5.0 per cent year-on-year growth in June 2026, while the revised IIP indicates that manufacturing activity remained resilient in May 2026, supported by sustained capital goods-led investment despite some moderation from the high growth recorded earlier in the year. Going forward, continued implementation of strategic initiatives across semiconductors through Semicon 2.0, critical minerals, coal gasification and shipbuilding, together with recent measures to streamline regulatory compliance and facilitate manufacturing, is expected to strengthen domestic manufacturing capabilities, enhance supply-chain resilience and improve the competitiveness of India's industrial sector. Progress in emerging sectors such as commercial space and hydrogen-based mobility further reflects the broadening of India's industrial and technological capabilities in support of long-term sustainable growth. At the same time, the sustained firmness in prices of industrial metals, rare earths and other critical minerals is a reminder that resilience-building activities should not be merely a response to real and ongoing vulnerabilities. Building adequate buffers across energy and industrial metals will likely remain important to India's industrial and macroeconomic stability going forward.

66. Even as geopolitical frictions persist and impact trade and cross-border capital flows, India's external sector exhibits notable resilience. Strong export performance, a services trade surplus, and consistent remittance flows have strengthened the current account. Furthermore, recent policy measures will provide an impetus to capital inflows in the near term. Together with adequate foreign exchange reserves, these factors are expected to reinforce the external sector’s resilience.

67. Nevertheless, the recent resurgence in global crude oil prices, if sustained, could re-emerge as a source of pressure on financing of both the fiscal deficit and the current account balance.

68. Overall, despite heightened global uncertainties, India's economic outlook remains underpinned by resilient domestic fundamentals, continued policy support, and strengthening structural drivers of growth. Structural reforms of the last decade and infrastructure investments are contributing to growth resilience as is evident in the data for the months of March to June 2026. However, upside risk to inflation, fiscal and current account deficits and downside risk to growth remain in the wake of persistent stand-off in the Gulf region. Global developments related to AI and weaponisation of supply chains in general are reminders of the distance India needs to travel to achieve long-term resilience and strategic leverage. Swifter policy responses and their implementation are vital to encourage foreign and domestic investment in the Indian economy. Recent years have been a time for hunkering down and battening down the hatches. Coming years will be no exception.

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Performance of High Frequency Indicators

Data Title	Unit	YTD Period/As at the end of	Year to Date			Year to Date (YoY Growth)		
			2024-25	2025-26	2026-27	2024-25	2025-26	2026-27
Agriculture								
Fertiliser Sales	Lakh Tonnes	Apr-May	85.9	58.3	64.0	-0.5	-32.1	9.8
Domestic Tractor Sales	Lakh	Apr-Jun	2.6	2.9	3.4	0.4	9.6	18.9
Foodgrain Production	Mn Tonnes	3rd AE	357.7	376.5	-	7.7	5.3	-
Reservoir Level	Bn Cu. Metres	16th July	54.6	104.0	63.3	-	90.5	-39.2
Wheat Procurement (RMS)	LMT	Mar-21 July	265.9	299.8	350.5	2.0	12.8	16.9
Kharif Sowing (Foodgrain)	Mn Hectare	17th July	35.5	38.3	35.5	-1.6	8.0	-7.5
Rainfall	Milimeter	20th July	337.3	366.4	263.2	-4.1	8.6	-28.2
Credit to Agriculture and allied activities	₹ Lakh crore	31st May	21.4	22.9	26.4	21.6	7.0	15.3
Industry								
IIP	Index	Apr-May	110.2	114.7	120.5	7.2	4.1	5.1
9-Core Industries	Index	Apr-Jun	113.1	114.2	118.3	6.5	1.0	3.6
Domestic Auto Sales	Lakh	Apr-Jun	68.8	69.2	85.2	16.8	0.5	23.2
PMI Manufacturing	Index	Apr-Jun	58.2	58.1	54.6	0.3	-0.1	-3.5
Power consumption	Billion kWh	Apr-May	299.7	296.0	316.8	11.4	-1.2	7.0
Natural gas production	Bn Cu. Metres	Apr-May	6.1	5.9	5.6	7.4	-2.9	-4.5
Cement production	Index	Apr-Jun	193.8	122.6	133.4	25.2	-36.7	8.8
Steel consumption	Mn Tonnes	Apr-Jun	11.8	12.7	13.9	14.6	7.6	9.1

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
Inflation								
CPI-C	Index	Apr-Jun	99.1	102.0	106.0	4.9	2.9	3.9
WPI	Index	Apr-Jun	100.3	100.3	109.6	1.7	0.0	9.3
CFPI	Index	Apr-Jun	100.1	100.8	105.6	8.9	0.7	4.8
Services								
Domestic Air Passenger Traffic	Lakh	Apr-May	544.2	577.4	591.1	4.9	6.1	2.4
Port Cargo Traffic	Mn tonnes	Apr-Jun	208.4	220.0	233.6	4.1	5.6	6.2
PMI Services	Index	Apr-Jun	60.5	59.3	58.7	-0.1	-1.2	-0.6
Fuel Consumption	Mn. tonnes	Apr-Jun	61.2	61.6	58.5	3.9	0.6	-5.0
UPI (Volume)	Crore	Apr-Jun	4122.5	5496.6	6826.5	49.3	33.3	24.2
E-Way Bill Volume	Crore	Apr-Jun	30.0	36.1	40.6	16.0	20.5	12.4
Fiscal Indicators								
Gross tax revenue (Central Govt)	₹ Lakh crore	Apr-May	4.6	5.2	5. 2	15.8	12.1	1.8
Revenue Expenditure	₹ Lakh crore	Apr-May	4.8	5.2	6.3	4.7	9.4	20.1
Capital Expenditure	₹ Lakh crore	Apr-May	1.4	2.2	2.5	-14.4	54.1	13.4
Fiscal Deficit	₹ Lakh crore	Apr-May	0.5	0.1	1.6	-75.9	-74.0	1133.4
Primary Deficit	₹ Lakh crore	Apr-May	-0.7	-1.3	-0.2	-173.5	83.9	-85.8
GST Collection	₹ Lakh crore	Apr-Jun	5.2	5.8	6.3	11.4	11.2	8.4
External Sector								
Merchandise exports	USD Billion	Apr-Jun	114.0	111.6	129.3	9.8	-2.2	15.9
Non-petroleum exports	USD Billion	Apr-Jun	89.8	94.5	106.3	5.8	5.3	12.4
Merchandise imports	USD Billion	Apr-Jun	172.1	180.3	216.2	7.8	4.8	19.9
Non-oil imports	USD Billion	Apr-Jun	120.6	131.1	155.6	2.3	8.7	18.7
Non-oil non-gold/silver imports	USD Billion	Apr-Jun	111.9	122.6	144	3.4	9.5	17.4

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
Net FDI	USD Billion	Apr-May	4.0	2.5	6.5	16.3	-37.9	162.8
Exchange Rate (Average)	INR/USD	Jun	83.5	85.9	95.0	-1.5	-2.8	-9.5
Foreign Exchange Reserves	USD Billion	Jun	652	698.1	666.9	9.6	7.1	-4.5
Import Cover	Months	Jun	11	11.5	10.3	-	-	-
Monetary and Financial								
Total Bank Credit	₹ Lakh crore	15 Jul	168.1	184.7	217.3	14.0	9.9	17.7
Non-Food Credit	₹ Lakh crore	15 Jul	167.8	184.1	216.1	14.0	9.7	17.4
10-Year Bond Yields	Per cent	17 Jul	7.0	6.31	6.78	-8	-69	47
Repo Rate	Per cent	24 Jul	6.5	5.5	5.25	0	-100	-25
Currency in Circulation	₹ Lakh crore	15 Jul	35.7	38.1	43.0	6.6	6.6	12.8
M0	₹ Lakh crore	15 Jul	46.8	49.6	52.3	5.8	3.7	6.4
Employment								
Net payroll additions under EPFO	Lakh	Apr-July	44.7	69.0	-	-3.1	54.4	-
No. of person demanded employment under MGNREGA	Crore	June	3.4	3.5	2.9	-22.5	3.6	-17.3
Unemployment Rate	Per cent	May	-	5.6	5.5	-	-	-10
Subscriber Additions: National Pension Scheme (NPS)	Lakh	Apr-Mar	8.2	9.9	-	-12.2	20.3	

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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