

BRICKWORK™

RATINGS

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India macroeconomic overview

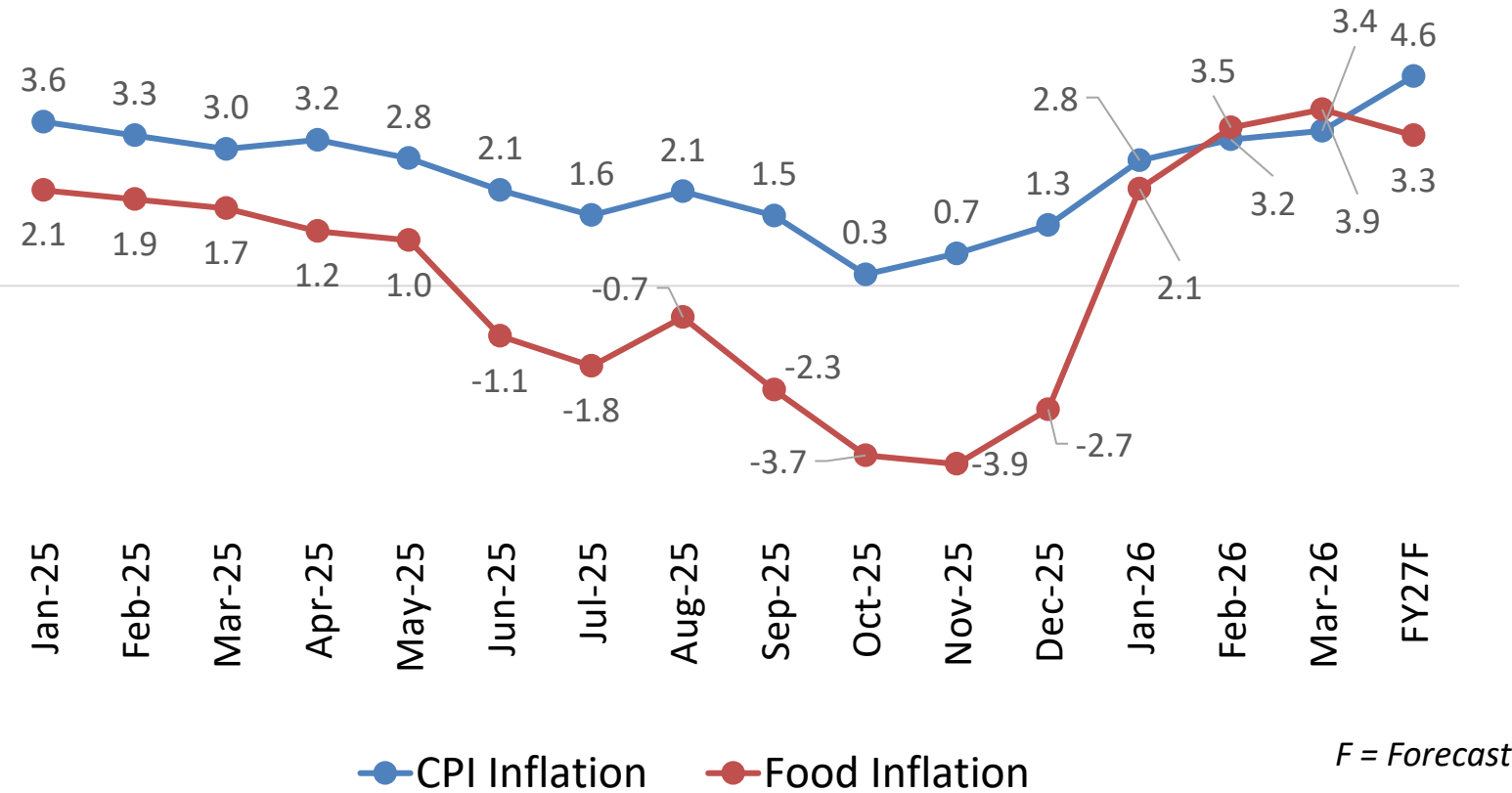
Macroeconomic updates – April 2026

- India-New Zealand free trade agreement** - Under the India-New Zealand Free Trade Agreement (FTA), Indian exports particularly textiles, leather, and engineering goods now have immediate, 100% duty-free access to the New Zealand market. Additionally, the pact secures a 15-year, USD 20 billion investment pledge from New Zealand and enhances mobility for Indians by offering 5,000 skilled work visas and 1,000 working holiday visas.
- India-UK trade agreement** - India-UK Comprehensive Economic and Trade Agreement (CETA), signed July 24, 2025, takes effect second week of May 2026. It grants duty-free access to 99% of Indian exports to the UK, while India cuts tariffs on UK cars, whisky, and others. The deal targets doubling bilateral trade from USD 56–60 billion to USD 120 billion by 2030, plus ends double social security for temporary workers.
- India economy slips to 6th place** - IMF estimates place India's FY25 nominal GDP at USD 3.92 trillion, ranking it 6th globally behind UK and Japan due to weakening rupee. IMF report clarified that this is a nominal shift. In terms of real GDP growth, India remains the fastest-growing major economy at 6.5% for FY26. The report's medium-term projections suggest India will regain the 4th spot by FY27 and is on track for 3rd place by FY31.
- Economy stable amid conflict** - RBI April 2026 bulletin notes India's economy resilient despite West Asia conflict hiking energy prices and input costs. Supply chains faced March pressures with April easing, bulletin also highlights if the conflict persists and supply chains remain disrupted, India could face higher energy and input costs, trade flow disruptions.
- Rupee hits record low** - The Indian rupee weakened to a record low of INR 95.39 per USD on May 5, 2026, driven by escalating U.S.-Iran military strikes in the Gulf that heightened geopolitical risks and pushed Brent crude oil to USD 114 per barrel, the surge in oil prices created structural dollar demand as oil marketing companies sold rupees to buy dollars for import payments, directly pressuring the currency.

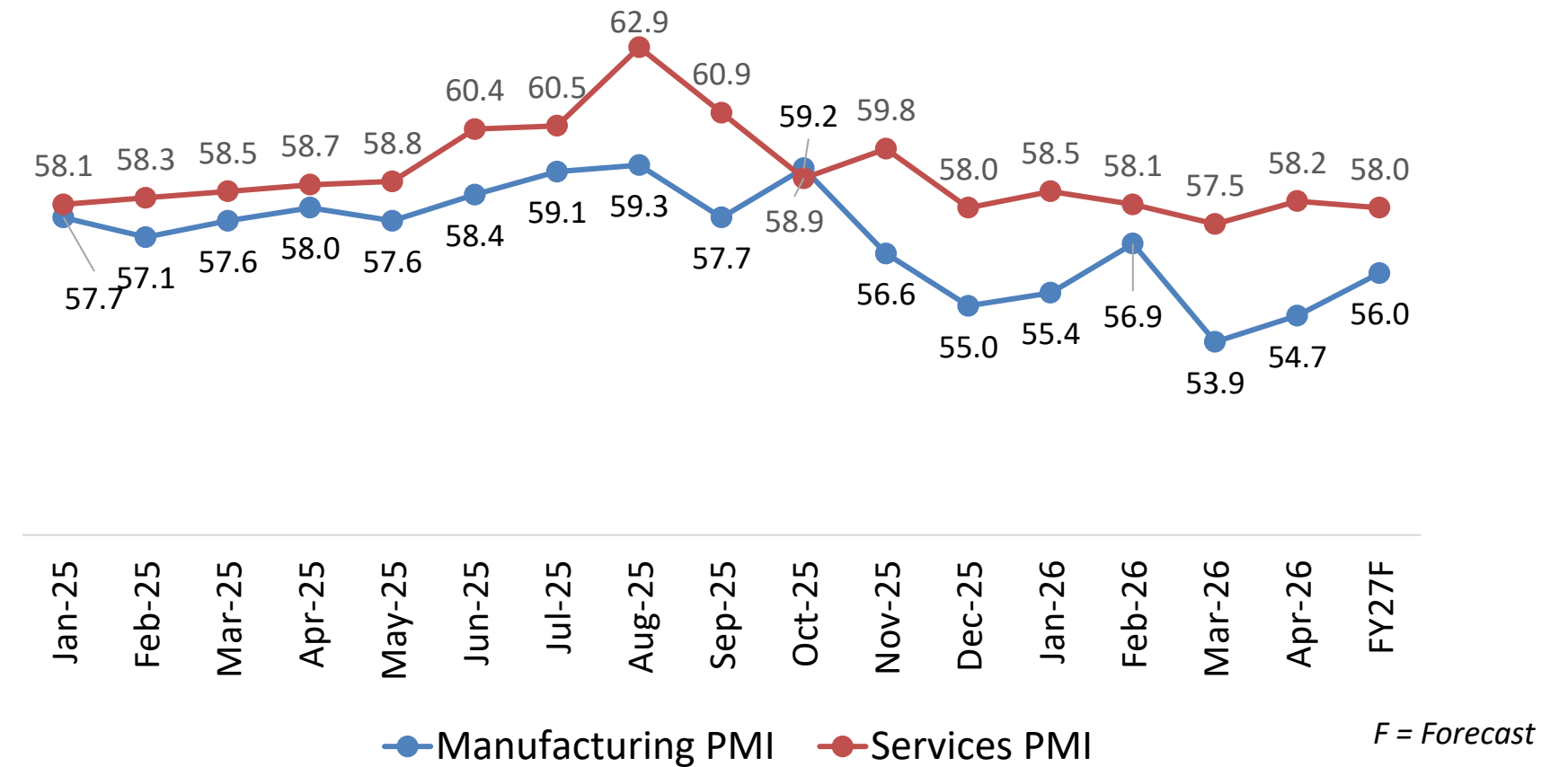
Indicator	Value	Period	Outlook
Real GDP growth	7.8%	Q3 FY26	FY26 growth is estimated at 7.6%, driven by resilient domestic demand.
Inflation (CPI)	3.40%	March 2026	Inflation is likely to rise in the near term due to the West Asia conflict and higher oil and energy prices.
Interest rate (Repo)	5.25%	April 2026	Neutral policy stance; low rates may persist to support growth.
Unemployment rate	5.1%	March 2026	Unemployment rate could rise amid persistent urban joblessness and broader economic headwinds.
GST collections	INR 2.42 trillion	April 2026	GST revenue growth will remain positive, supported by economic resilience and sustained consumption demand.
Manufacturing PMI	54.7	May 2026	Manufacturing PMI expected to moderate amid West Asia conflict-driven supply-chain disruptions.
Services PMI	57.9	April 2026	Services PMI likely to moderate as elevated input costs and high-cost pressures continue weighing on growth.

Inflation edges up, but growth momentum strengthens

CPI inflation %



Manufacturing and services PMI

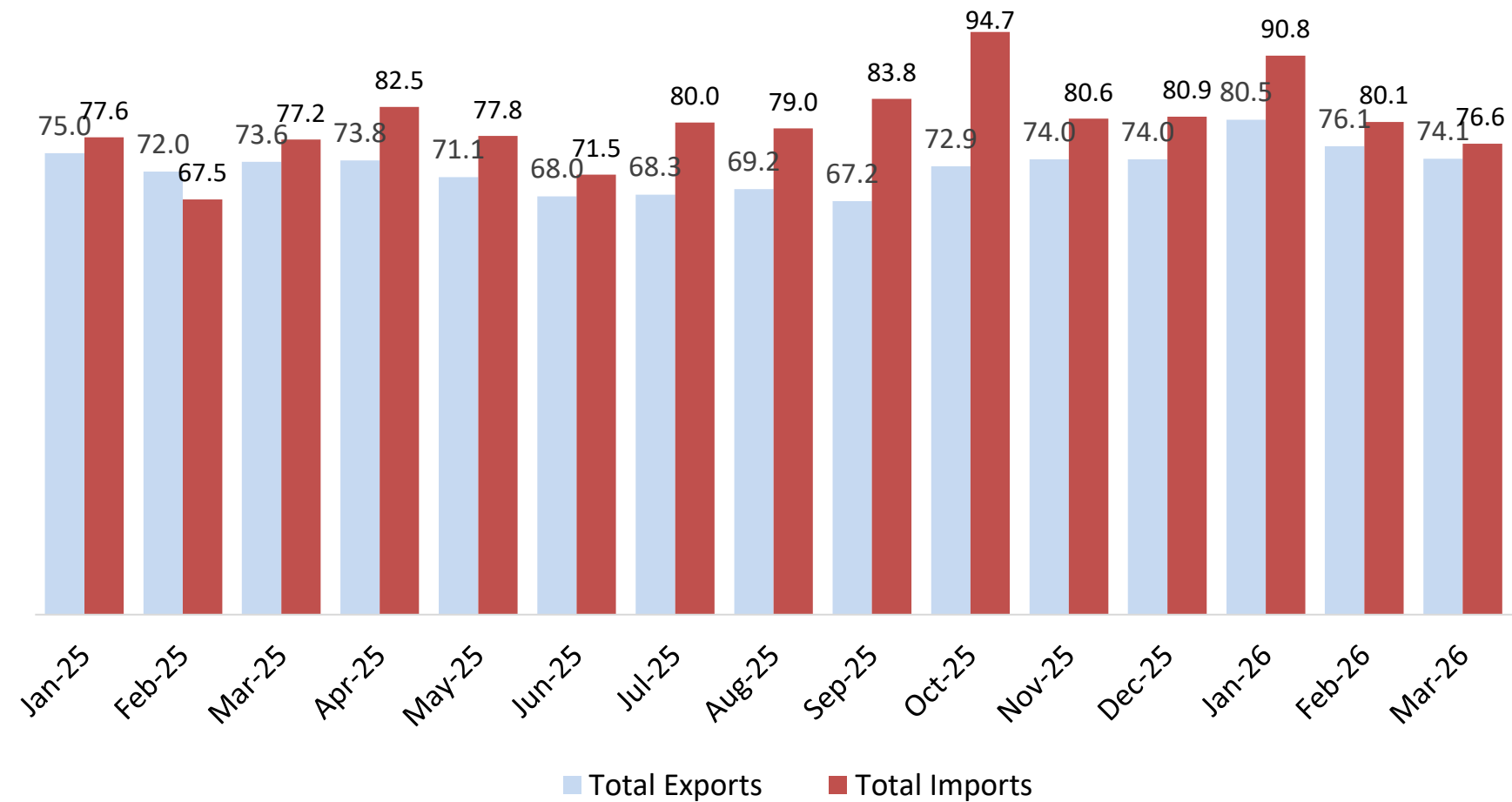


- India's provisional retail inflation picked up to 3.40% in March 2026, compared to 3.21% in February 2026, As geopolitical tensions and supply-side pressures from the Middle East started to exert upward pressure on prices.
- Food-price inflation has risen to 3.87%, up from 3.47% in February 2026, The rise is largely driven by volatility in perishables and vegetables, even as broader headline CPI remains within the RBI's 2–6% tolerance band.
- The 2026 West Asia conflict has restricted shipping through the Strait of Hormuz, a crucial conduit for India's crude oil imports, raising substantial upside risks to domestic CPI inflation in the near term.

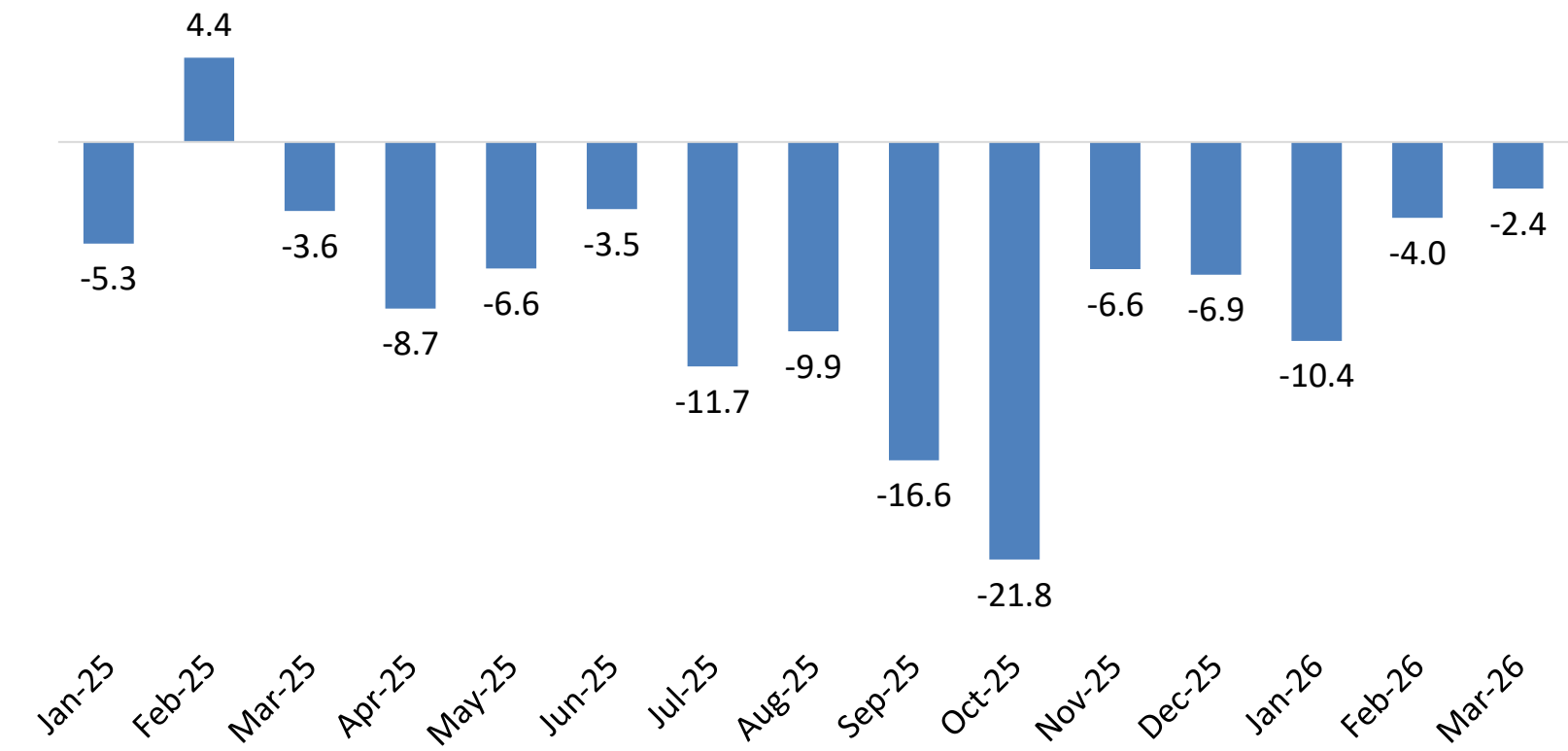
- India's Manufacturing PMI climbed to 54.7 in April 2026, up from 53.9 in March. This recovery was primarily driven by a strong surge in exports, alongside modest improvements in overall production and new business orders.
- Services PMI rebounded in April 2026, rising to 58.2 from 57.5 in March, indicating a recovery in business activity. While domestic consumption and business demand continue to support services activity, external risks may be limiting a sharper acceleration in momentum.
- Indian companies foresee an increase in output over the course of the coming 12 months. According to them, marketing efforts should support demand for their goods and services, with projects pending approval and rising client enquiries also boosting optimism.

Regional disruptions in West Asia trigger a contraction in the trade deficit

Exports and imports (USD billion)



Trade balance (USD billion)

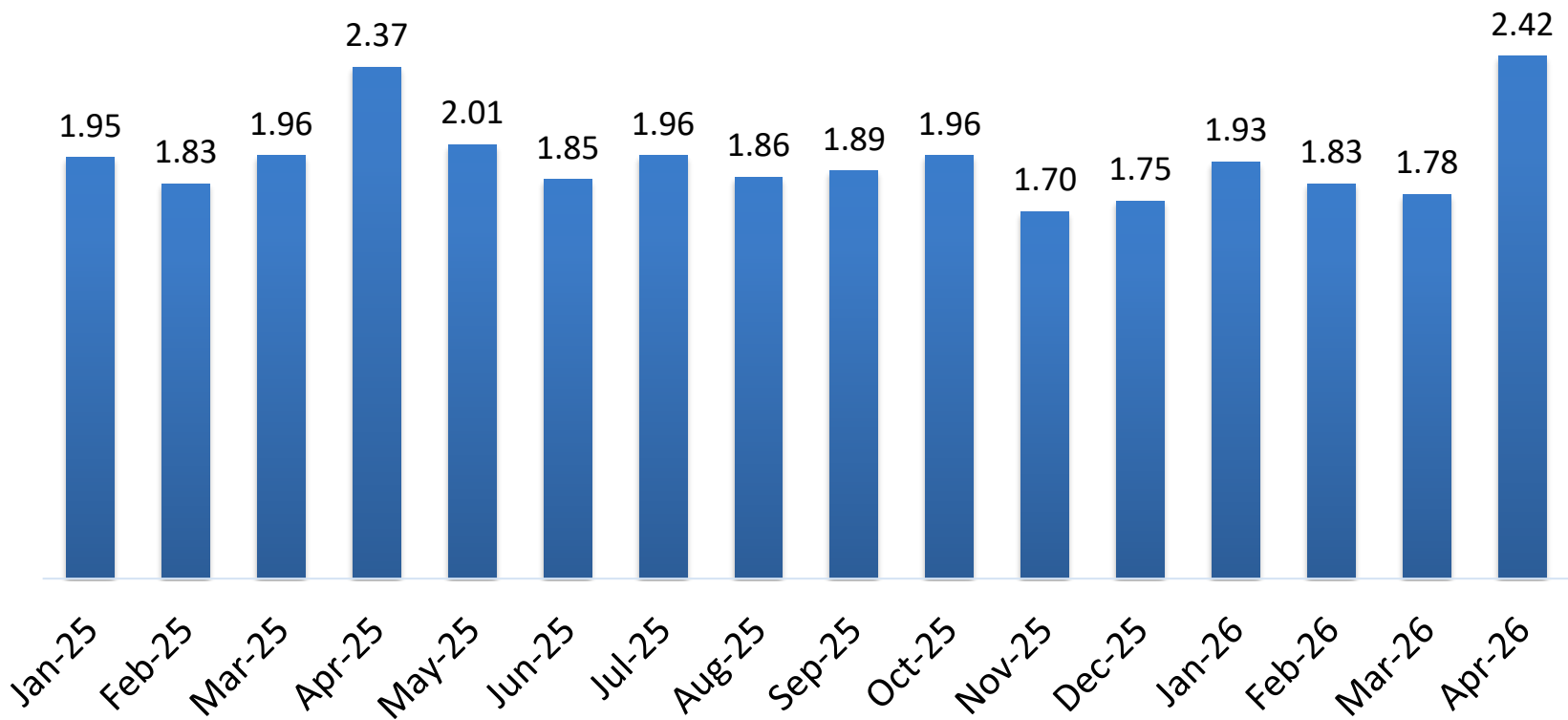


- India's total exports declined to USD 74.11 billion in March 2026, driven by services exports declining to USD 35.20 billion from USD 39.53 billion in the month of February 2026.
- India's total imports declined to USD 76.55 billion in March 2026, driven by decline in merchandise imports at about USD 59.59 billion, from USD 63.71 billion in the month of February 2026.
- Near-term growth faces geopolitical headwinds, prompting a medium-term strategic shift toward market diversification and reduced regional dependency.

- The overall trade deficit stood at USD -2.44 billion in March 2026.
- Geopolitical disruptions in West Asia led to a simultaneous decline in imports and exports, resulting in a contraction of India's trade deficit during March 2026.
- Ministry of Commerce anticipates persistent logistical and shipping disruptions in West Asia, projecting continued pressure on trade flows through the coming months.

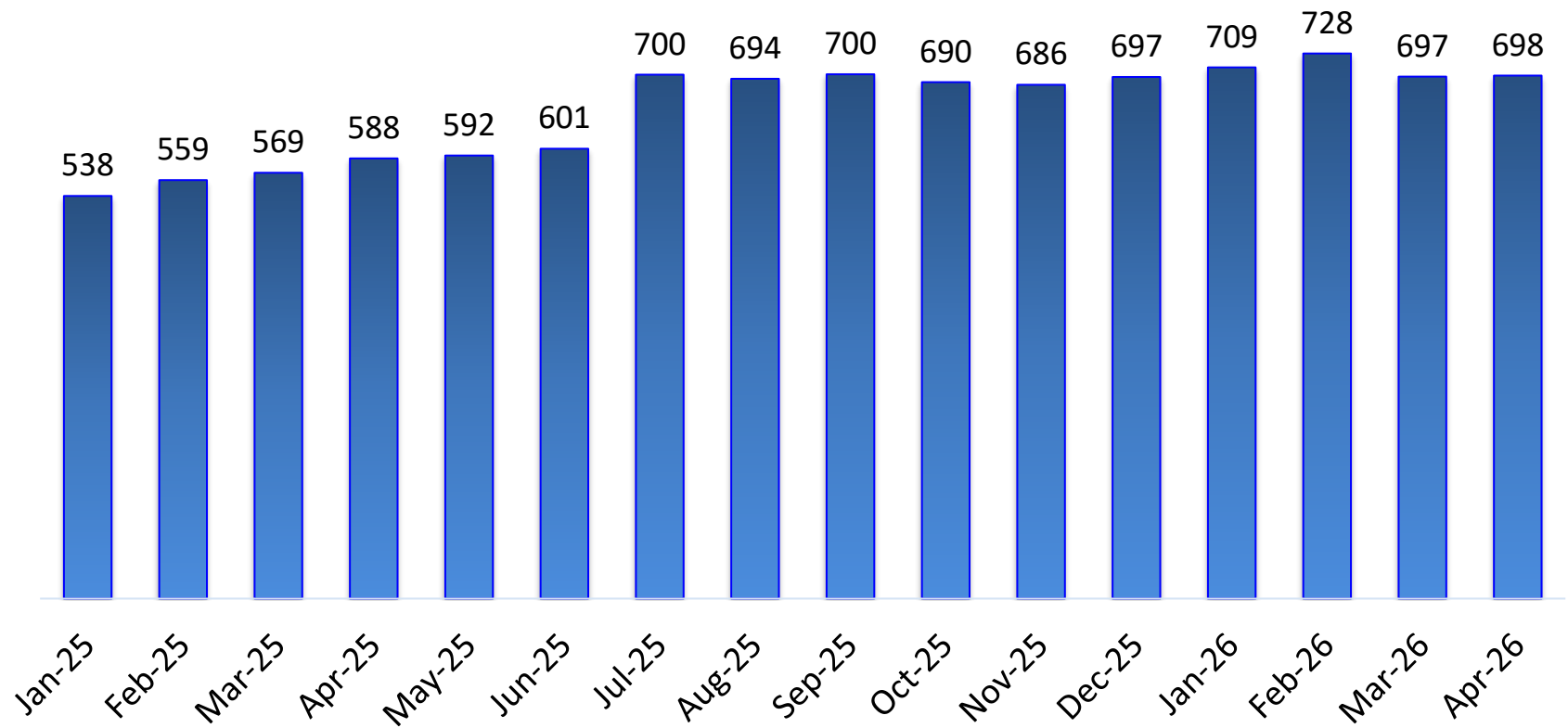
GST figures underscore strength of the consumption story, forex reserves stable

GST collections (INR trillion)



- India's GST collections for April 2026 reached a record gross figure of INR 2.42 trillion, up 8.7% YoY, with net collections at INR 2.11 trillion after refunds. This performance signals robust economic activity driven by imports and year end collections.
- Import taxes drove growth, surging 25.8% YoY to INR 575.8 billion from INR 457.5 billion in April 2025, outpacing 4.3% domestic rise to INR 1.85 trillion.
- The strong GST collection surge highlights the enduring strength of India's consumption story.
- April's record reflects year-end target pushes; sequential stabilization is anticipated in the coming months.

Forex reserves (USD billion)

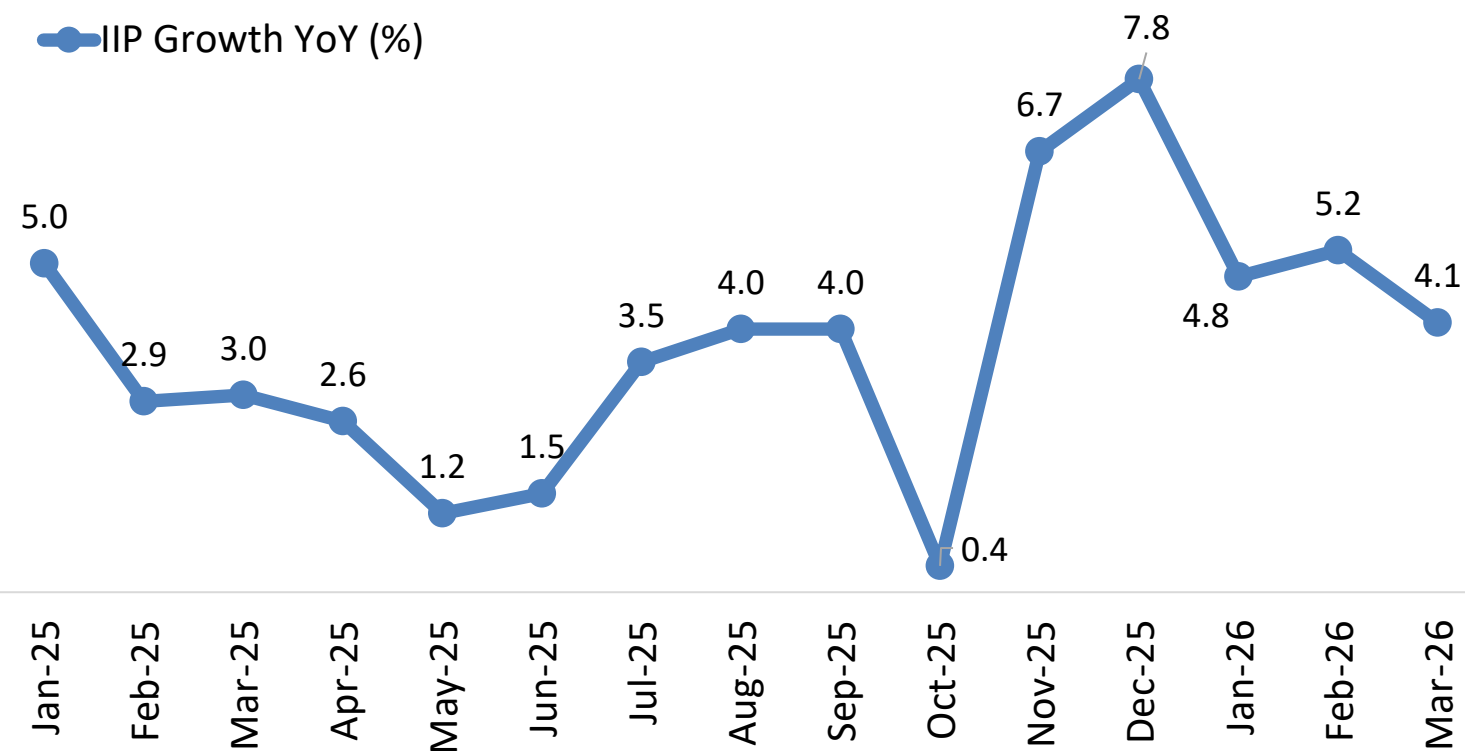


- India's foreign exchange reserves remain stable at USD 698 billion in April 2026, after reaching an all-time high of USD 728 billion in February 2026.
- Foreign currency assets stand at USD 554.62 billion, while gold reserves amount to USD 120.24 billion in April 2026. The central bank has been actively intervening in the foreign exchange market to manage the rupee amid global uncertainties.
- India still maintains a sizeable buffer for 11–12 months of import cover that imply India can absorb protracted trade deficits, capital outflows, or oil price shocks without balance-of-payments stress.

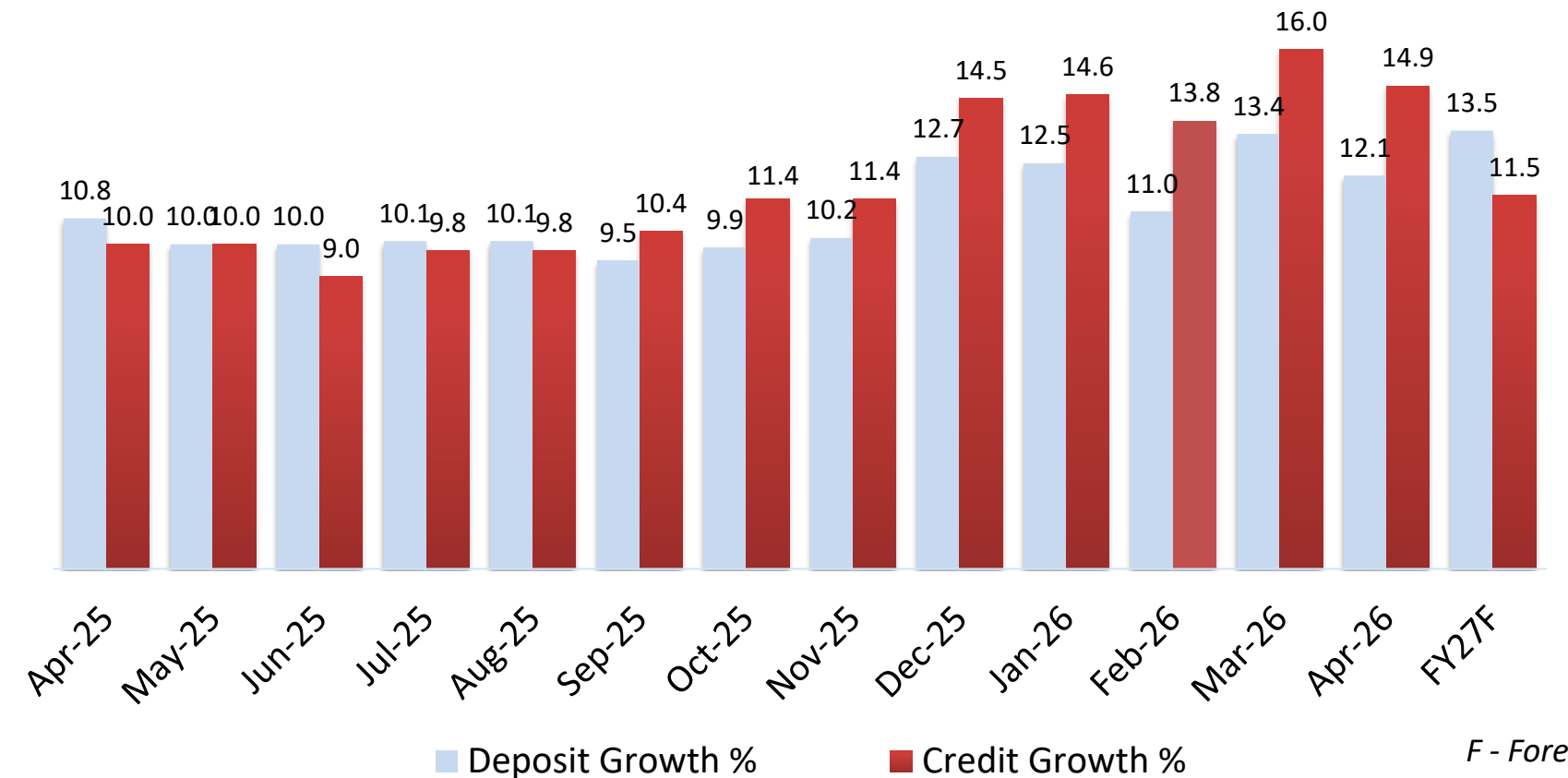
Sources: Reserve Bank of India, Government of India, Press Information Bureau, Ministry of Finance; Economic Times; Business Standard.

Industrial output hits a 5-month low amid global uncertainty, credit expansion eases

Industrial production (IIP) growth in %



Deposit and credit growth in %



- India's IIP slowed to a five-month low of 4.1 percent in March 2026, reflecting the early impact of the West Asia conflict, and represents a significant decline from the 5.2 percent recorded in February 2026.
- Among the three broad sectors, manufacturing, which carries the highest weight in the index, grew by 4.3 percent, marking its lowest reading since October 2025. Electricity generation recorded a weak 0.8 percent growth, it's lowest in four months. In contrast, mining output expanded by 5.5 percent, reflecting its best performance in the last three months.
- March data shows only part of the shock, as uncertainty and weak producer sentiment have not yet fully reflected in production. The larger impact is anticipated to appear later, especially in the first quarter of FY27.

- Credit growth eases post FY26 peak, moderating from 15.96% to 14.88% after two-year high double-digit expansion at fiscal year-end, which was driven by banks meeting balance sheet targets.
- India's bank deposit growth slowed to 12.12% in April 2026 from 13.4% in March, as post FY26 balance sheet adjustments and reduced Q4 deposit mobilization pressured growth.
- Looking ahead, credit growth is projected to remain healthy in FY27. Primary growth drivers will likely include retail lending, MSME financing, and infrastructure investment. Deposit growth may slow slightly in FY27 as households shift savings toward market-based instruments and higher bond yields (10-year G-Sec) make fixed income bonds more attractive than bank deposits, intensifying competition for deposits.

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