BRICKWORK™ RATINGS

MONTHLY ECONOMY WRAP

Issue 41

BRICKWORK RESEARCH

December 2025

India macroeconomic overview

Macroeconomic updates – November 2025

- **GDP growth outlook and forecast**:
  - With growth at 8.2% in July–September quarter 2025, India's economy marked its fastest expansion in six quarters, driven by a strong consumer demand and a surge in production as businesses ramped up output in the festive season
  - The RBI Monetary Policy Committee (MPC) has revised India's GDP growth outlook for FY2025–26 upward to 7.3%, from 6.8%, citing better-than-expected economic momentum.
- **Strong export growth despite tariffs** – India's exports remained resilient, with merchandise exports rising to USD 38.13 billion in November 2025, supported by strong growth across major export destinations. Export momentum in the U.S. market was sustained, led by tariff-exempt electronics and pharmaceuticals.
- **India's new labour code** - The new labour code consolidates 29 central labour laws into 4 main codes - Wages, Industrial Relations, Social Security, and Occupational Safety & Health, aiming to simplify regulation, reduce ambiguity, and create a more business-friendly and worker-protective framework

Indicator	Value	Period	Outlook
Real GDP growth	8.2%	July – Sept. 2025	FY 2026 growth is estimated at 7.3%, reflecting robust domestic demand.
Inflation (CPI)	0.71%	November 2025	RBI lowered CPI inflation forecast to 2% for FY 2026.
Interest rate (Repo)	5.25%	December 2025	Accommodative policy continues, low rates may persist to support growth amid soft inflation.
Unemployment rate	4.7%	November 2025	India's unemployment rate is expected to stay moderate in FY 2026, with recent data showing fall in unemployment rate.
GST collections	INR 1.7 trillion	November 2025	GST collections are expected to remain resilient, supported by strong domestic demand following tax cuts.
Manufacturing PMI	55.7	December 2025	Estimated to stay above 50 but gradually ease from recent highs as global demand and tariff headwinds soften orders.
Services PMI	59.1	December 2025	Estimated to remain in the high-50s range, with resilient domestic consumption.

Sources: RBI, Government of India, PIB, Economic Times, Ministry of Finance, CNBC, Reuters, Outlook Business, BWR Research.

Balanced growth: low inflation meets resilient domestic demand

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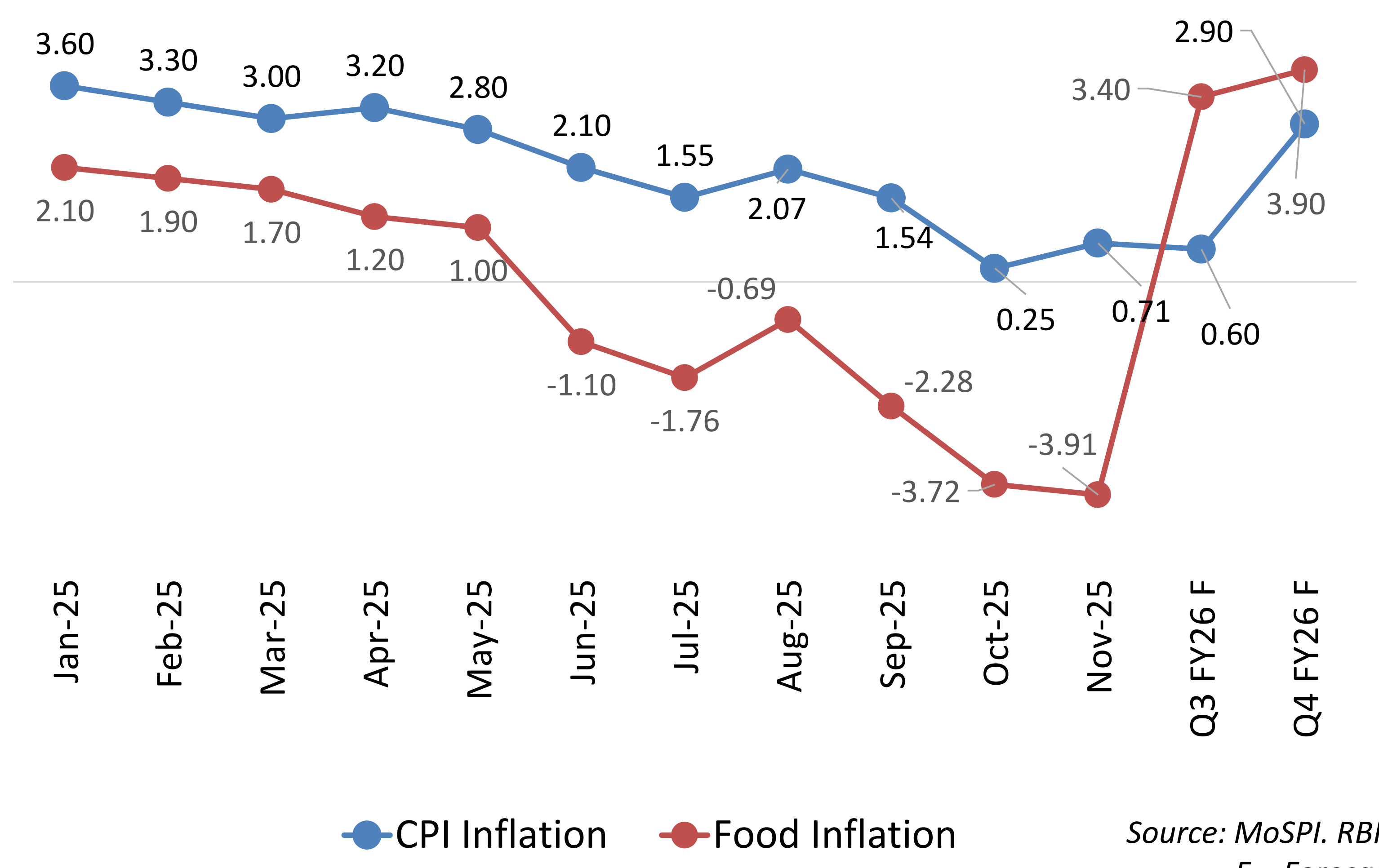
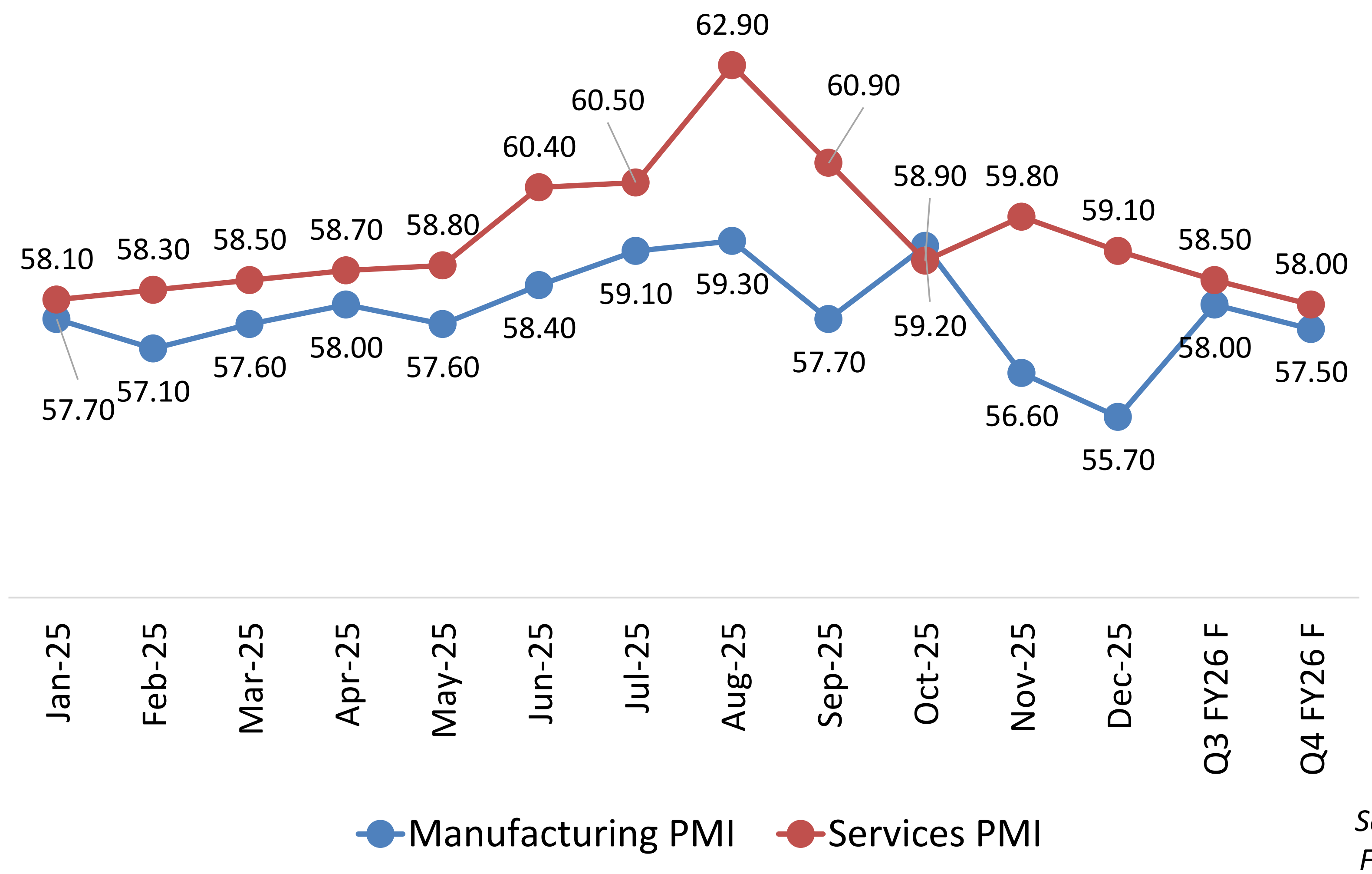
CPI inflation %



Source: MoSPI. RBI .
F - Forecast

Manufacturing & Services PMI



Source: PIB.
F - Forecast

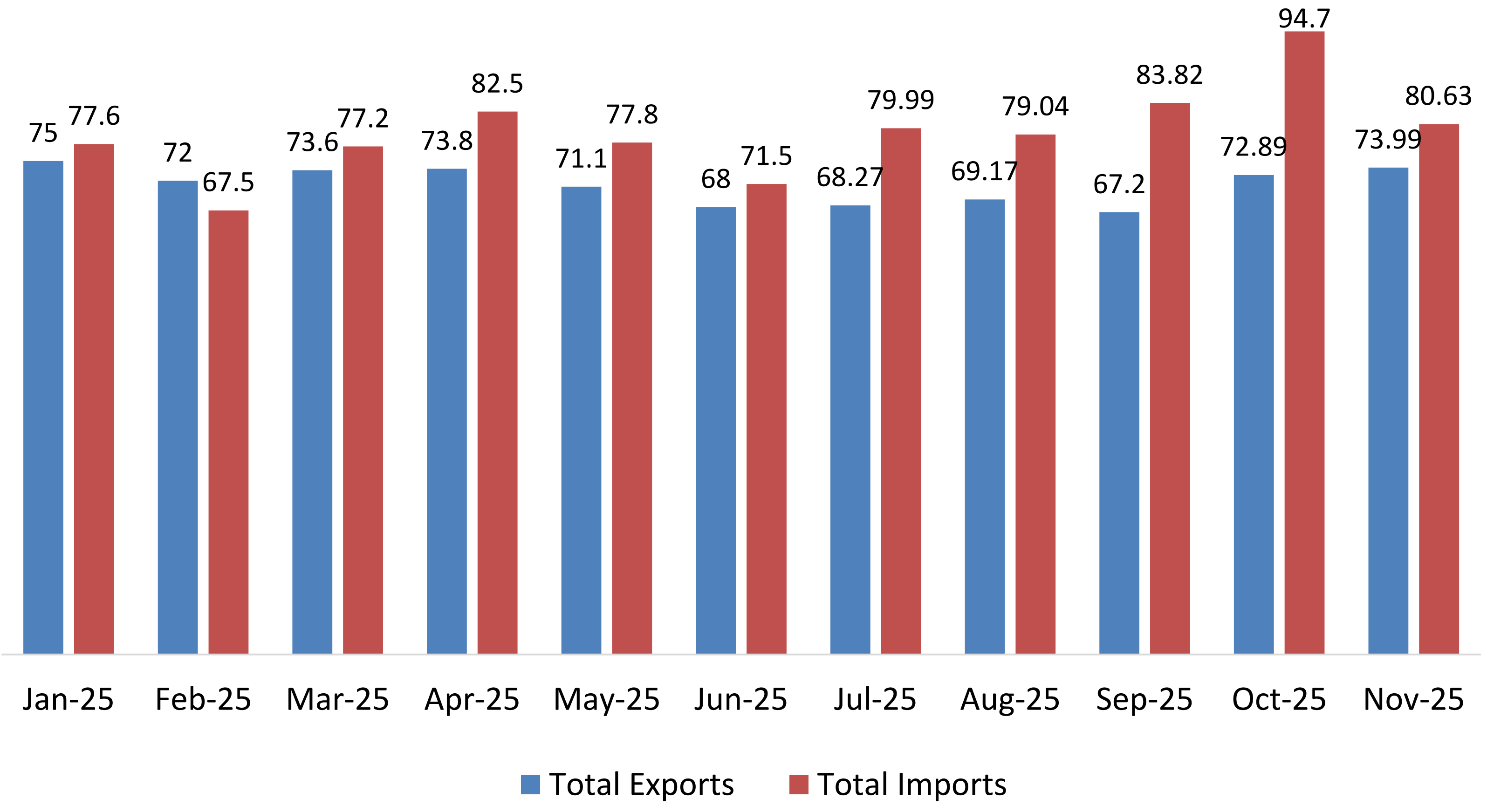
- Headline CPI inflation remains extremely low, at about 0.71% in November 2025, up from a record low of 0.25% in October, yet still well below the RBI's revised forecast of 2% for FY 2026
- Base year effect and tax reforms, including GST rate rationalization are contributing to a downward pressure on consumer prices
- Inflation is expected to remain closer to the RBI target (of 2-6%) for the remainder of FY 2026 and potentially into early FY 2027, allowing monetary accommodation

- India's manufacturing PMI eased to 55.7 in December 2025, Both factory output and new order inflows grew at slower rates compared to previous months, suggesting softening momentum in production demand
- India's services PMI decline to 59.1 in December 2025, decline from 59.8 in November suggests softening in the pace of expansion, reflecting weaker new business inflows and easing momentum near year-end
- Manufacturing and services PMIs are estimated to stay in expansionary territory over the next 12–18 months, though momentum may ease from recent highs as global headwinds offset support from domestic demand and policy measures.

Sources: RBI, Government of India, PIB, Economic Times, Ministry of Finance, Trading Economics, BWR Research.

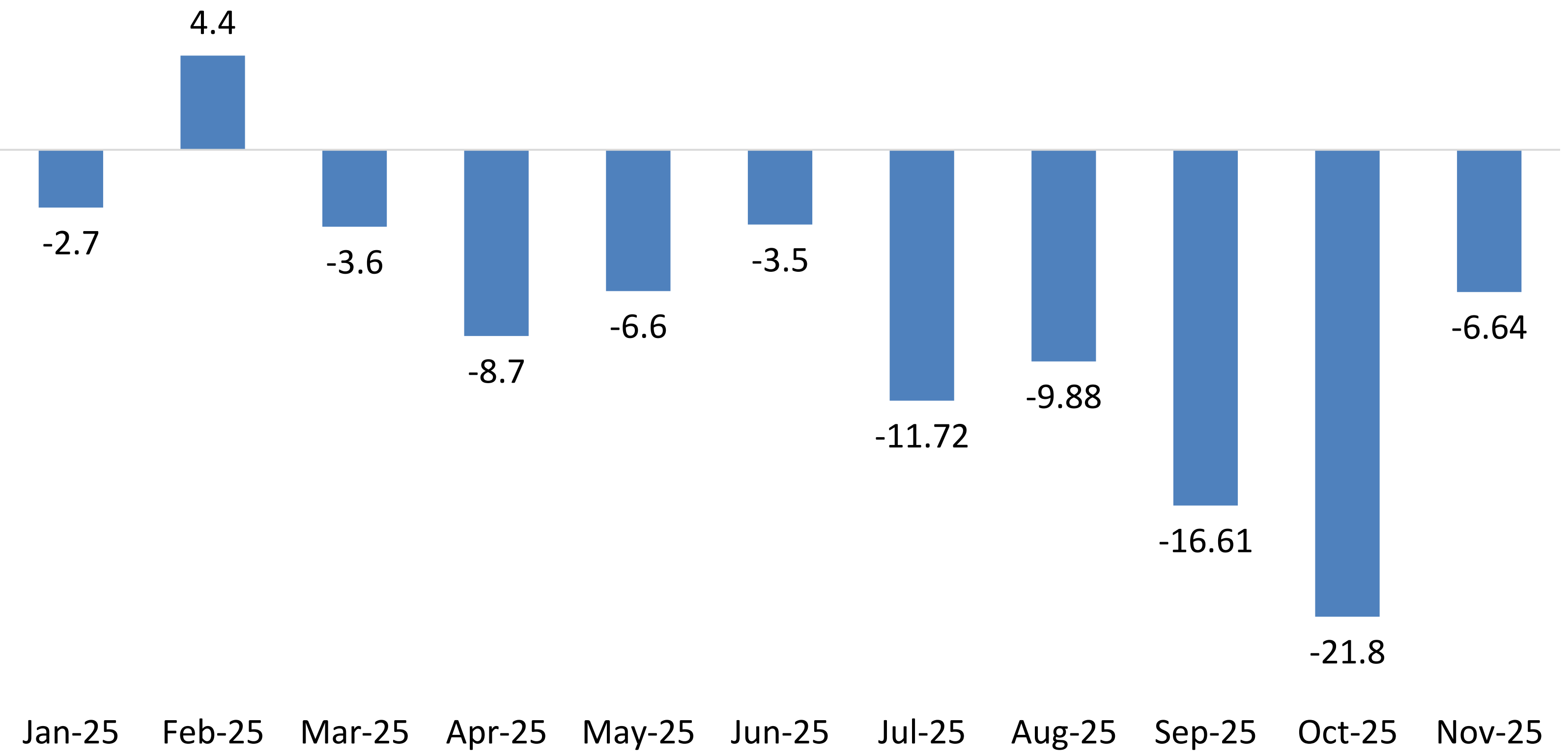
Strong exports and moderated imports improve trade balance

Exports and Imports (USD billion)



Source: Ministry of Commerce & industry.

Trade balance (USD billion)



Source: Ministry of Commerce & industry.

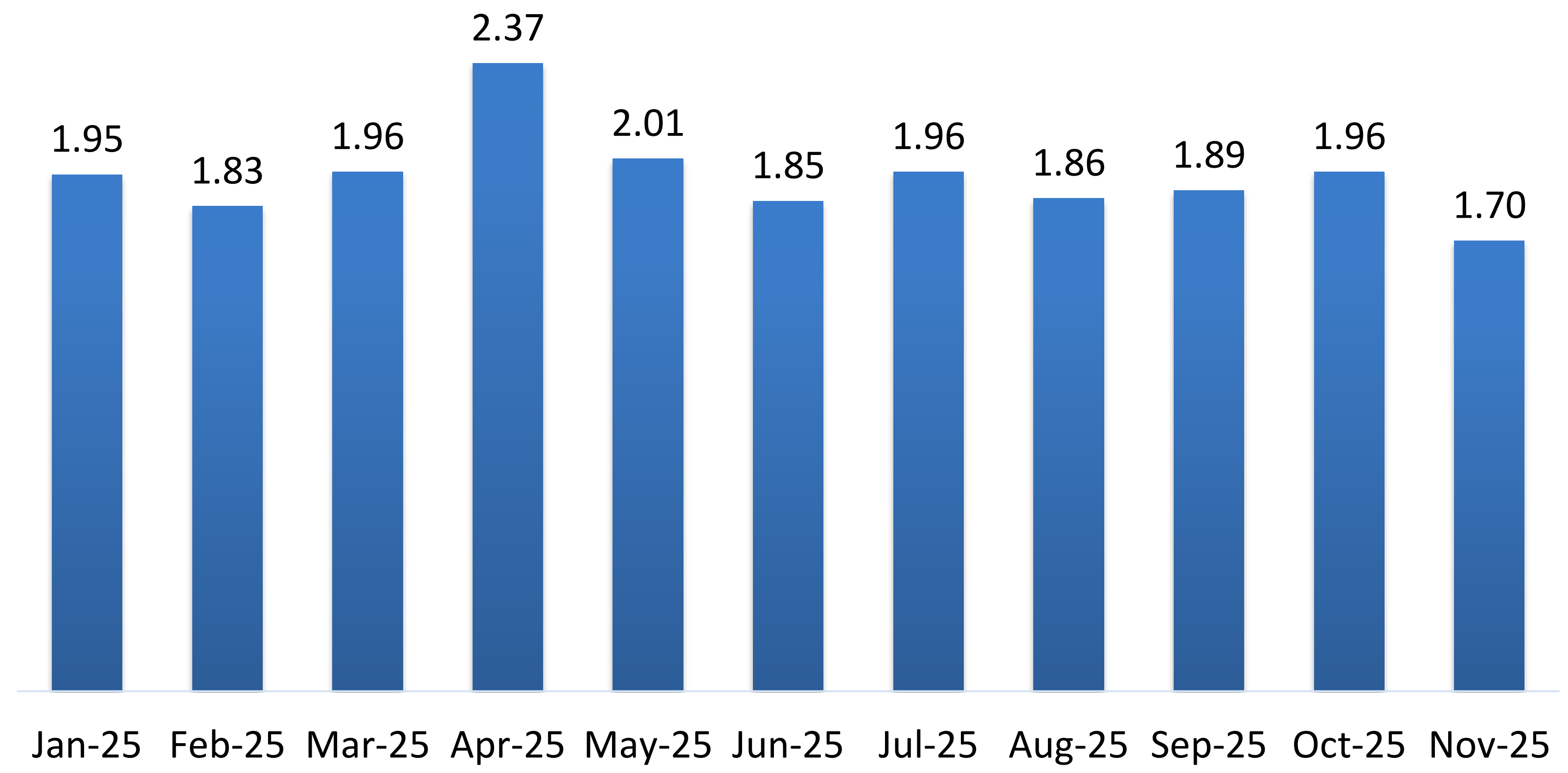
- India's total exports surged to USD 74 billion in November 2025, backed by merchandise exports which rose to USD 38.13 billion, with the US, China, Spain, the UAE, and Tanzania emerging as the top export destinations
- Total imports eased in November 2025 to USD 80.6 billion due to dampened discretionary and commodity import demand post-festive season and an environment of cautious inventory restocking
- Exchange rate volatility and global demand slowdown could weigh on export pricing and competitiveness in coming quarters

- The overall trade deficit narrowed to USD 6.64 billion in November 2025
- Import demand may stay muted amid moderate global commodity prices and uneven domestic demand, with post-festive inventory adjustments weighing on volumes
- Exports are expected to remain supported by services demand and diversified goods shipments, with downside risks from softer global demand

Sources: PIB, Ministry of Commerce & Industry, BWR Research.

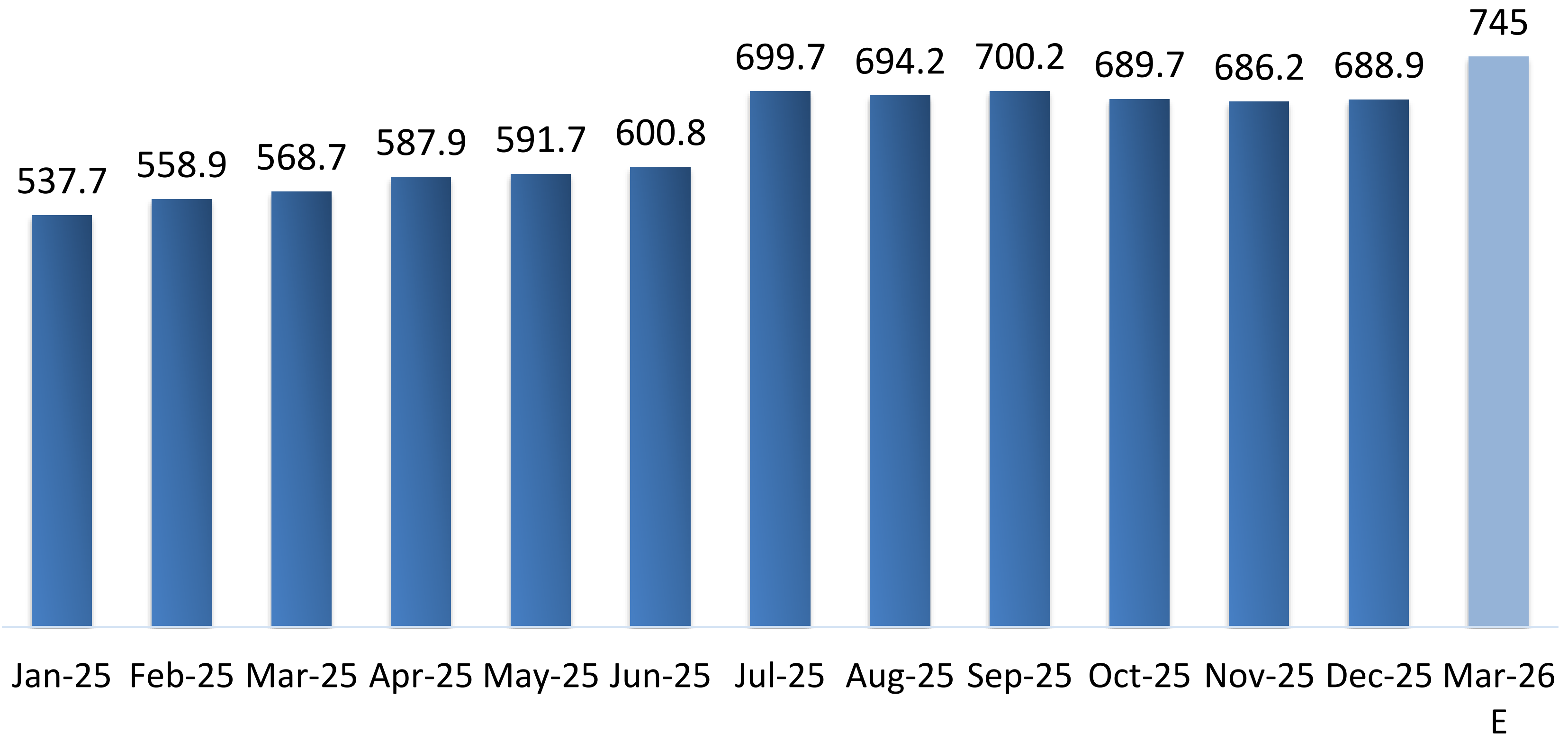
Large tax cuts weigh on recent GST collections

GST collections (INR trillion)



Source: Government of India.

Forex reserves (USD billion)



Source: RBI. E - Estimates

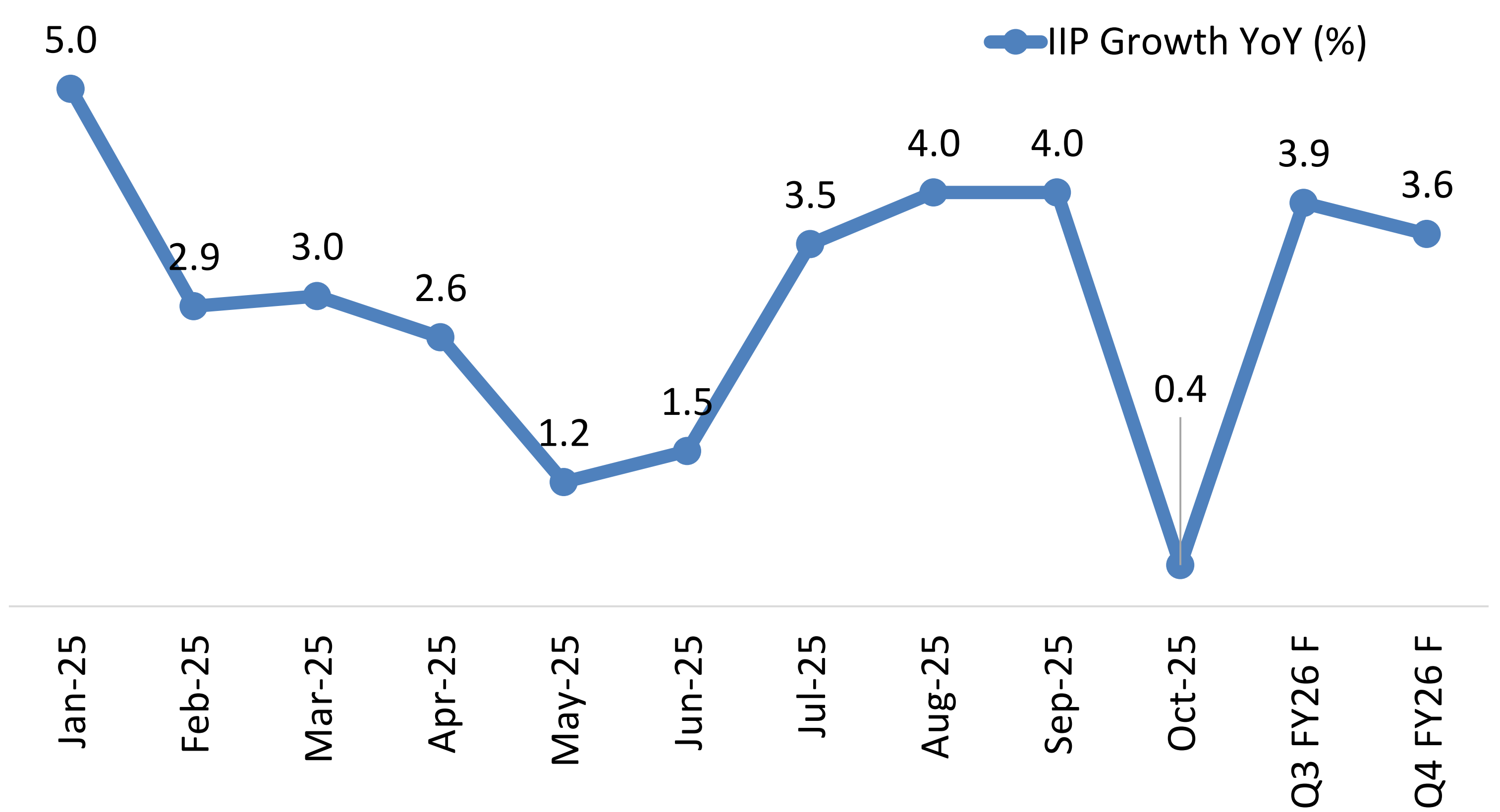
- GST collections stood at INR 1.7 trillion. Large tax cuts since late September likely compressed collections
- Recent rate cuts taking effect and easing festive demand are likely to keep GST revenue growth moderate during December 2025 –January 2026
- A recovery in consumption along with improved compliance could help GST collections strengthen in the coming months

- India’s forex reserves stood at around USD 688.9 billion in mid December 2025. providing a strong buffer against external shocks (over 11 months of import cover), underpinning confidence in external stability amid volatility
- RBI’s reserve trends likely mirror currency intervention needs, hedging implications, and portfolio adjustments rather than structural weakness
- Forex reserves will continue to respond to global monetary conditions, rupee pressures, and RBI intervention strategies — critical for forex policy calibration heading into 2026

Sources: RBI, Government of India, PIB, Economic Times, Ministry of Finance, CNBC, Business Standard, BWR Research.

Festive disruptions weigh on industrial output

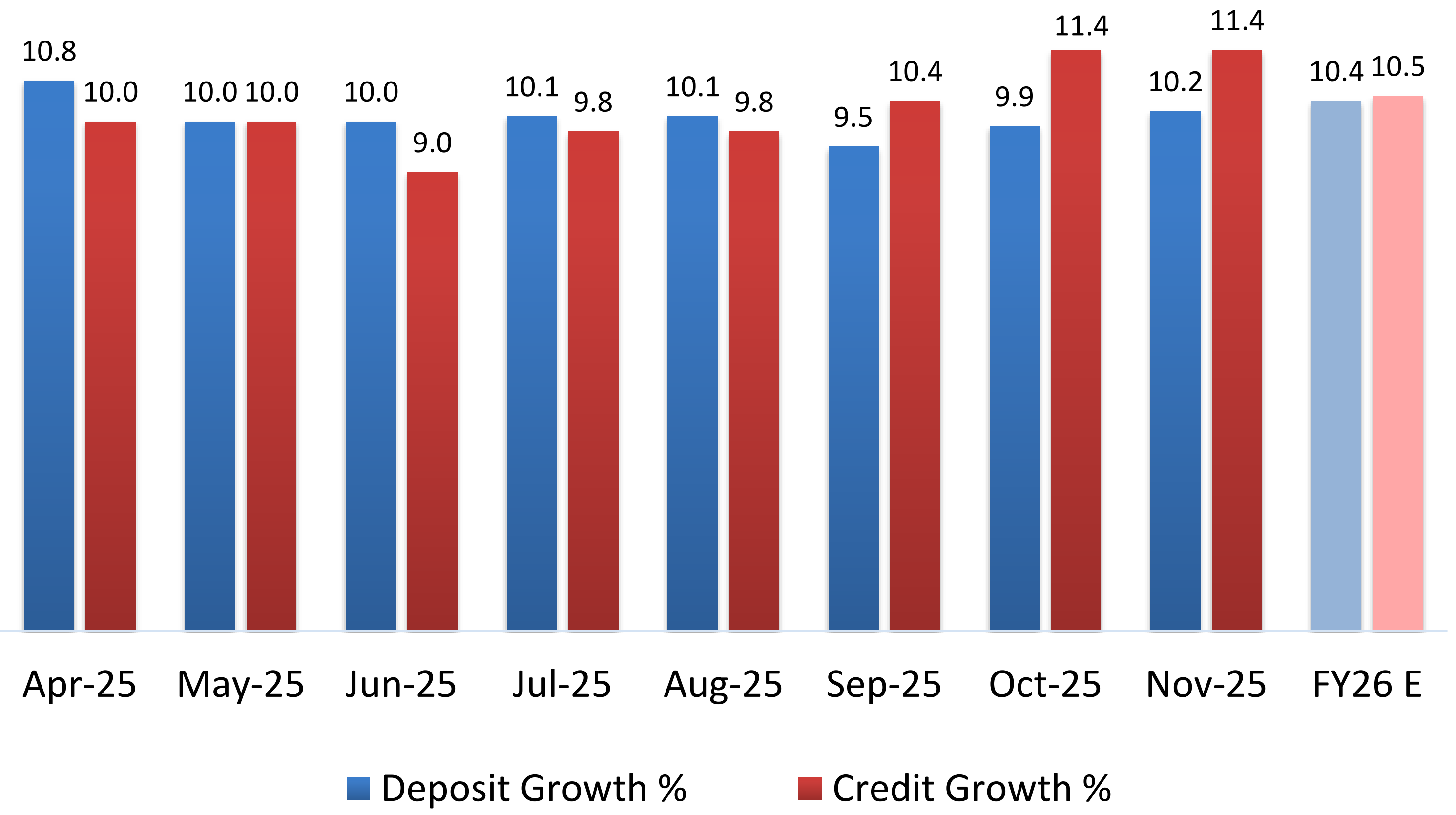
Industrial production (IIP) growth (%)



Source: MoSPI
F - Forecast

- IIP growth slowed sharply to 0.4% in October 2025, marking the first sub-1% print since mid-2024, after sustaining 4% growth in prior months.
- Festive-related disruptions weighed on output, with fewer working days due to Dussehra, Deepawali, and Chhath impacting industrial activity
- Electricity emerged as the main drag, contracting -6.9% YoY in Oct-2025, a sharp reversal from +3.1% in Sep-2025, pulling down overall IIP
- IIP is projected to rebound to 4% by March 2026, with average growth of 4.3% in 2026, driven by capex revival, PLI-led manufacturing, and strength in electronics and EV segments

Deposit and Credit growth %



Source: RBI, Economic Times, E - Estimates

- Credit demand surges across India, with banks ramping up lending to retail/services sectors and industrial credit gaining firm traction
- The momentum is expected to strengthen further following a repo rate cut, with higher disposable incomes and GST rationalization supporting demand. Rural demand remains resilient, while urban demand is showing signs of recovery
- Credit growth is estimated to sustain 11-12% in FY 2026 amid RBI easing and capex revival

Sources: RBI, Government of India, PIB, Economic Times, Ministry of Finance, BWR Research.

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