BRICKWORK™ RATINGS

MONTHLY ECONOMY WRAP

Issue 44

BRICKWORK RESEARCH

March 2026

India macroeconomic overview

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Macroeconomic updates – February 2026

- **GDP growth outlook and forecast:** India's economy grew at a faster pace of 7.8% in Q3 FY2026, compared with 7.4% a year earlier, driven by robust private consumption, manufacturing rebound via PLI schemes, a surge in services exports, and sustained public capital expenditure in infrastructure. The latest print comes after the government overhauled the framework for calculating economic output to improve accuracy. India's GDP growth for FY2026 is projected at 7.6%, up from 7.4%, as per MoSPI's (Ministry of Statistics and Programme Implementation) second advance estimates, and aligns with Brickwork ratings' estimates
- **New GDP & CPI base years:** India has revised its GDP base year to 2022–23 (from 2011–12) and its CPI base year to 2024 (from 2012) to accurately capture the current economic structure and household spending habits for predicting growth and inflation benchmarks. This update boosts data accuracy via fresh standards, maintains relevance despite economic evolution, and sharpens policymaking with current, representative metrics.
- **West Asia conflict:** The breakout of the Middle East conflict poses some immediate-term challenges for the Indian economy driven by surged oil prices, disrupting exports destined to the region and the potential loss of remittances, besides threatening security of the Indian diaspora in the region but is unlikely to dent long-term economic growth momentum.
  - West Asia war weighs most on India's energy, logistics, trade-linked manufacturing, chemicals/paints, and hospitality sectors; possible closure of the Strait of Hormuz threatens energy security, as it carries 85% of India's LPG and 55% of its LNG and about 20% of global oil trade; and India imports over 85% of its crude oil, with a large share sourced from West Asia. It will result in increase of dependency on Russian crude oil for India.
  - The U.S. has granted India, the world's third-largest oil consumer, a 30-day waiver to resume the purchase of Russian crude.
- **Exchange rate volatility:** The Indian Rupee touched a historic low of 92.67/USD in early March 2026, pressured by escalating Middle East tensions and a broad-based surge in the US Dollar Index. Heavy equity outflows and a spike in importer hedging intensified the slide, prompting the RBI to intervene to curb excessive volatility without defending a specific level.

Indicator	Value	Period	Outlook
Real GDP growth	7.8%	Q3 FY2026	FY26 growth is estimated at 7.6%, reflecting resilient domestic demand.
Inflation (CPI)	2.75%	January 2026	RBI forecast CPI inflation at around 2.0% in FY26, Inflation can rise in the near term due to geopolitical risks.
Interest rate (Repo)	5.25%	February 2026	Neutral policy stance; low rates may persist to support growth amid soft inflation.
Unemployment rate	5.0%	January 2026	India's unemployment rate is projected to increase, driven by urban challenges despite rural gains.
GST collections	INR 1.83 trillion	February 2026	GST revenue growth to stay positive, fueled by post-rationalization rebound, better compliance, and formalization.
Manufacturing PMI	56.9	February 2026	Estimated to stay above 50 driven by strong domestic demand.
Services PMI	58.1	February 2026	Estimated to remain in the high-50s range, supported by international orders.

Sources: Reserve Bank of India (RBI), Government of India, PIB, Economic Times, Ministry of Finance, HSBC, CNBC, BWR Research.

CPI jumps to 8-month peak under revised series; PMIs signal strong demand

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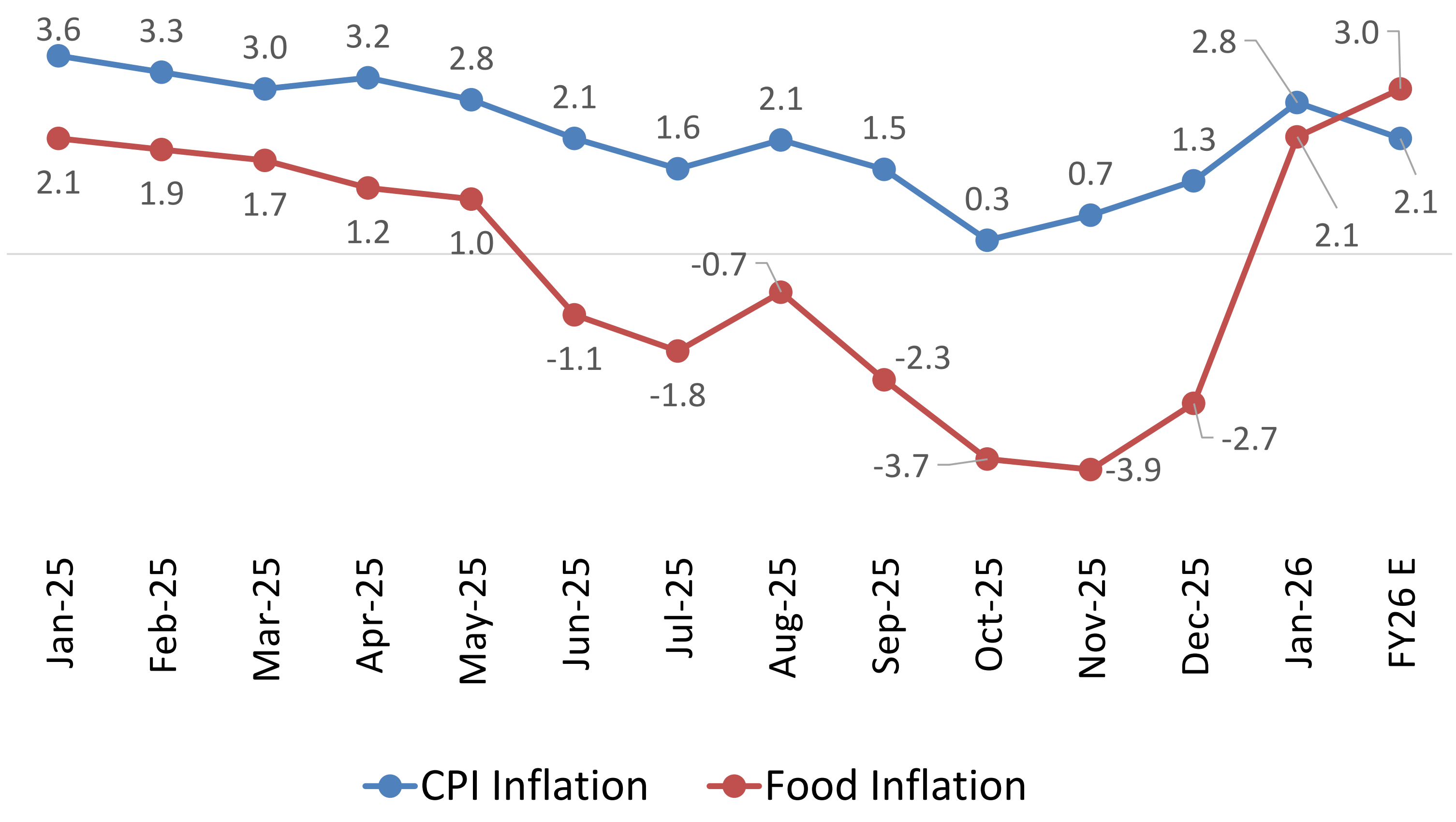
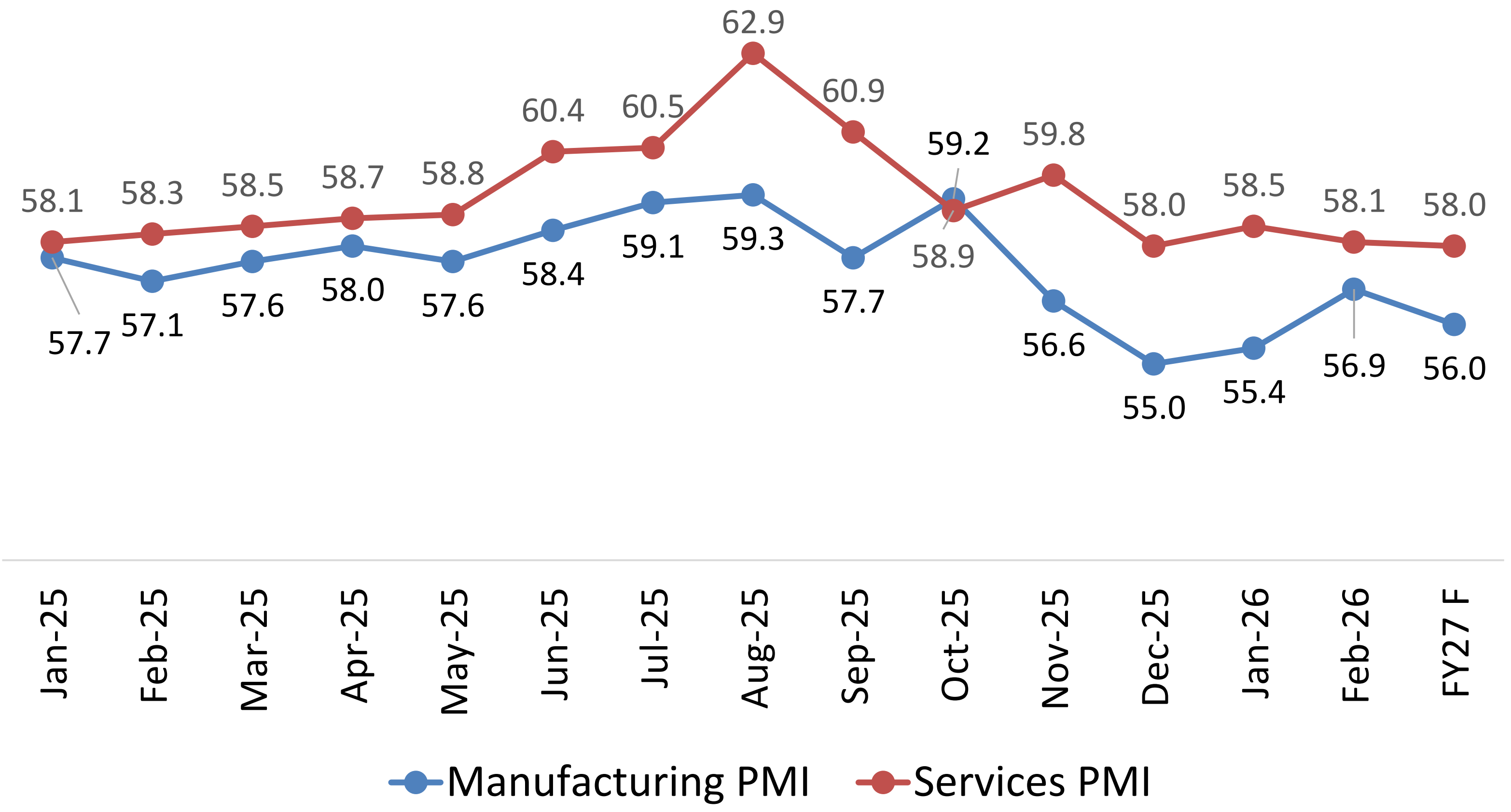
CPI inflation %



E - Estimate

- Headline CPI inflation increased to 2.75% in January 2026, inflation rate reached highest in eight months under the new CPI series.
- This marks the inaugural reading from the updated Consumer Price Index series. The reassuring figure remains under RBI's medium-term target of 4%, as the refreshed index aligns with contemporary spending reducing food's dominance while spotlighting the surge in digital services.
- Food prices now weighted at 36.75% from 42.61% in the revised CPI basket climbed 2.13%. Rural inflation registered 1.96%, while urban areas saw 2.44%.
- If Brent crude oil prices sustain above USD 100 per barrel, this could drive CPI inflation higher by 20-40 basis points, amplifying geopolitical risks.

Manufacturing and services PMI



F – Forecast

- India's HSBC Manufacturing PMI rose to 56.9 in February 2026, a four-month high from January's 55.4. Indicating substantial uptick in domestic demand for Indian goods propelled robust new order inflows, Goods producers attributed this buoyancy to heightened consumer sentiment and sustained economic momentum.
- India's Services PMI remains well within expansionary territory, indicating solid growth amid intensifying competition.
- PMI data highlighted strong domestic demand momentum supporting manufacturing activity, even as export growth showed signs of easing, the overall outlook remained positive.

Sources: Reserve Bank of India (RBI), MoSPI, Government of India, PIB, Economic Times, Ministry of Finance.

Navigating the trade gap and near-term headwinds

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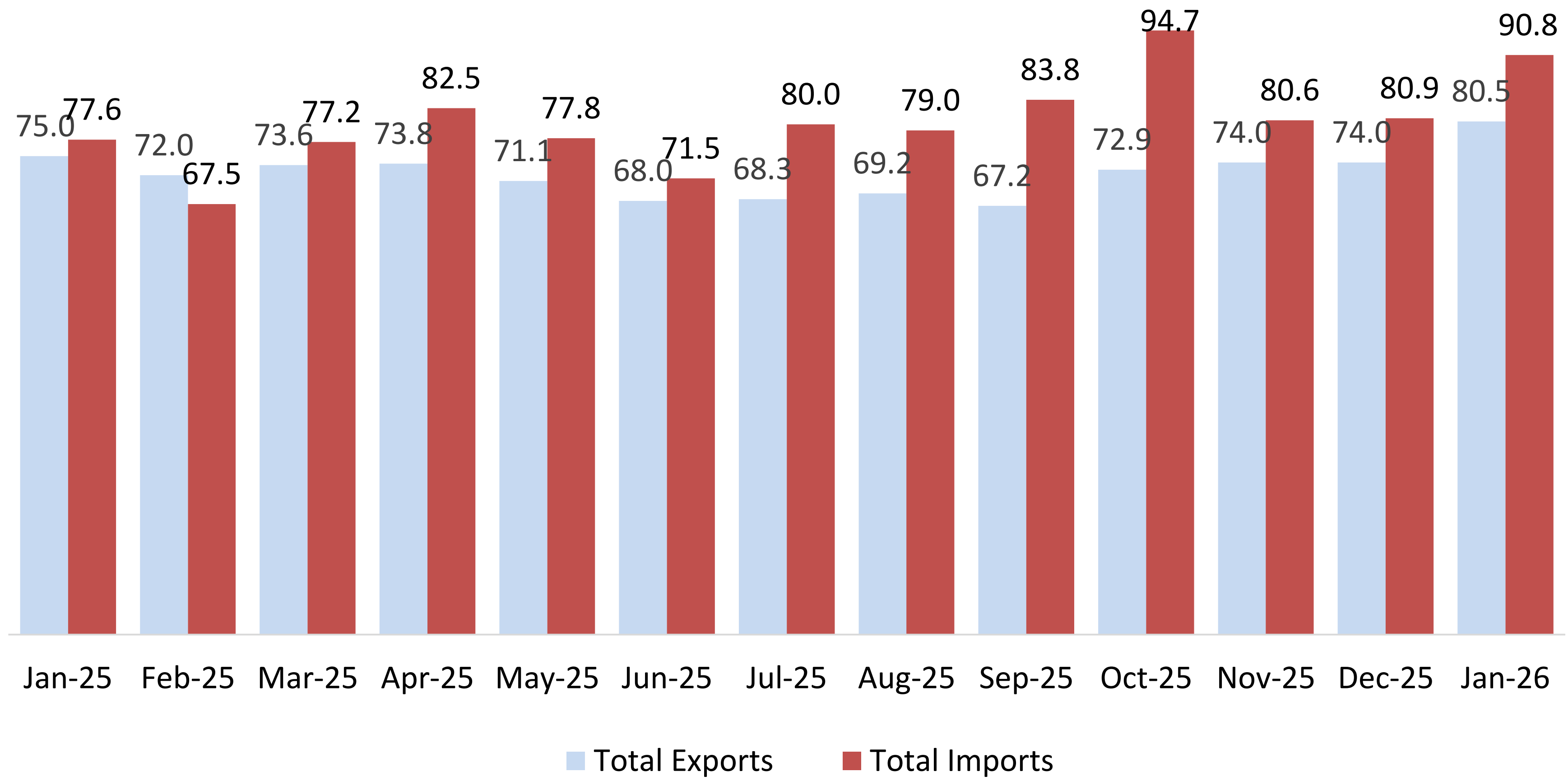
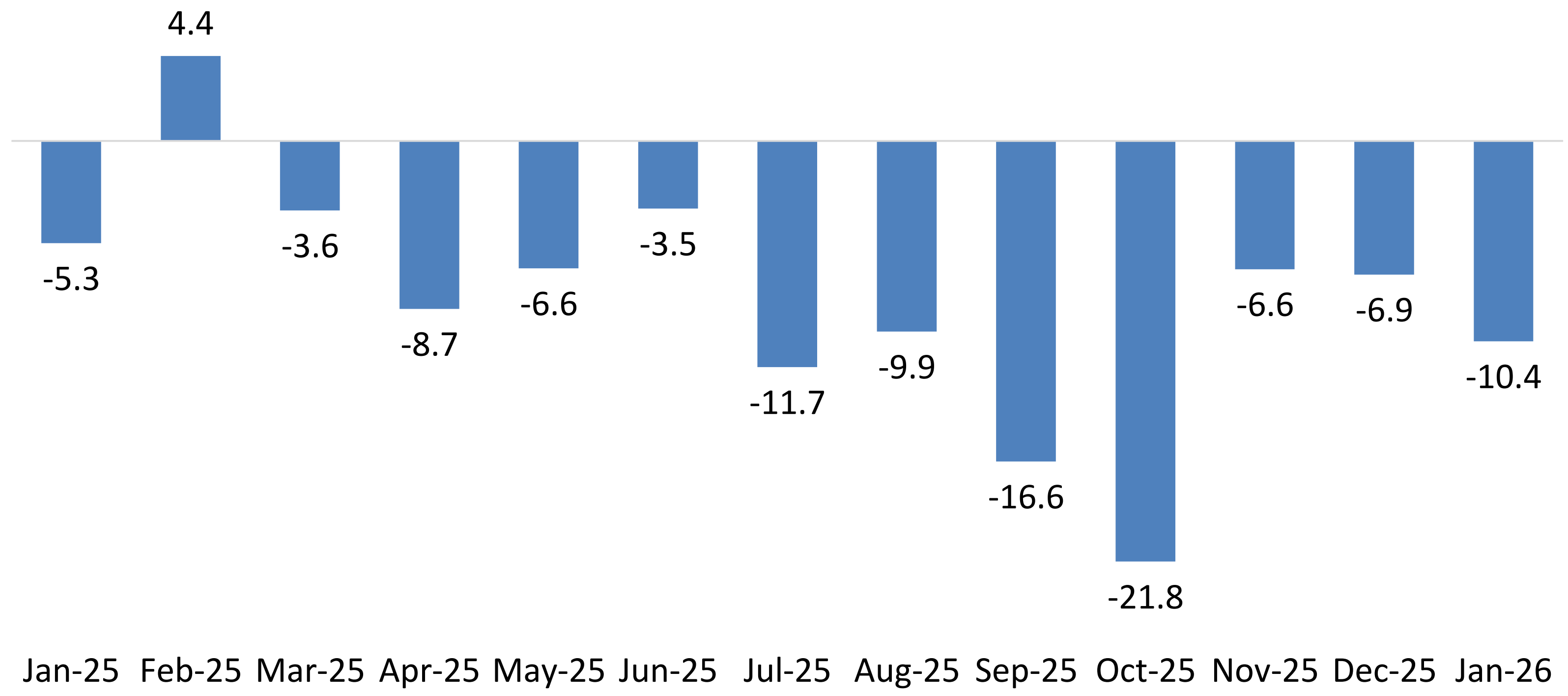
Exports and imports (USD billion)



Trade balance (USD billion)



- India’s total exports increased to USD 80.5 billion in January 2026, underpinned by services exports rising to USD 43.90 billion from USD 34.75 billion in the same period last year.
- India’s total imports increased to USD 90.8 billion in January 2026, driven by merchandise imports at about USD 71.24 billion, up from USD 59.77 billion in the same period last year.
- India’s export growth is expected to accelerate, supported by recent trade deals and Free trade agreements with key trade partners globally. However, ongoing Middle East conflict will have short-term impact due to operational disruption.

- The overall trade deficit stood at USD 10.4 billion in January 2026 as compared to USD 23.43 billion in January 2025
- In the near-term, geopolitical tensions due to the Regional conflict in West Asia may put pressure on the cost of exports for India to the West Asia region.
- As per estimates, nearly USD 244 billion (roughly 56%) of India's total annual merchandise export value is currently at risk or facing disruption, as it either terminates in West Asia or must transit through the high-tension chokepoints of the Strait of Hormuz and Bab-el-Mandeb.

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

Macro-fiscal resilience: GST collections and forex reserves anchor stability

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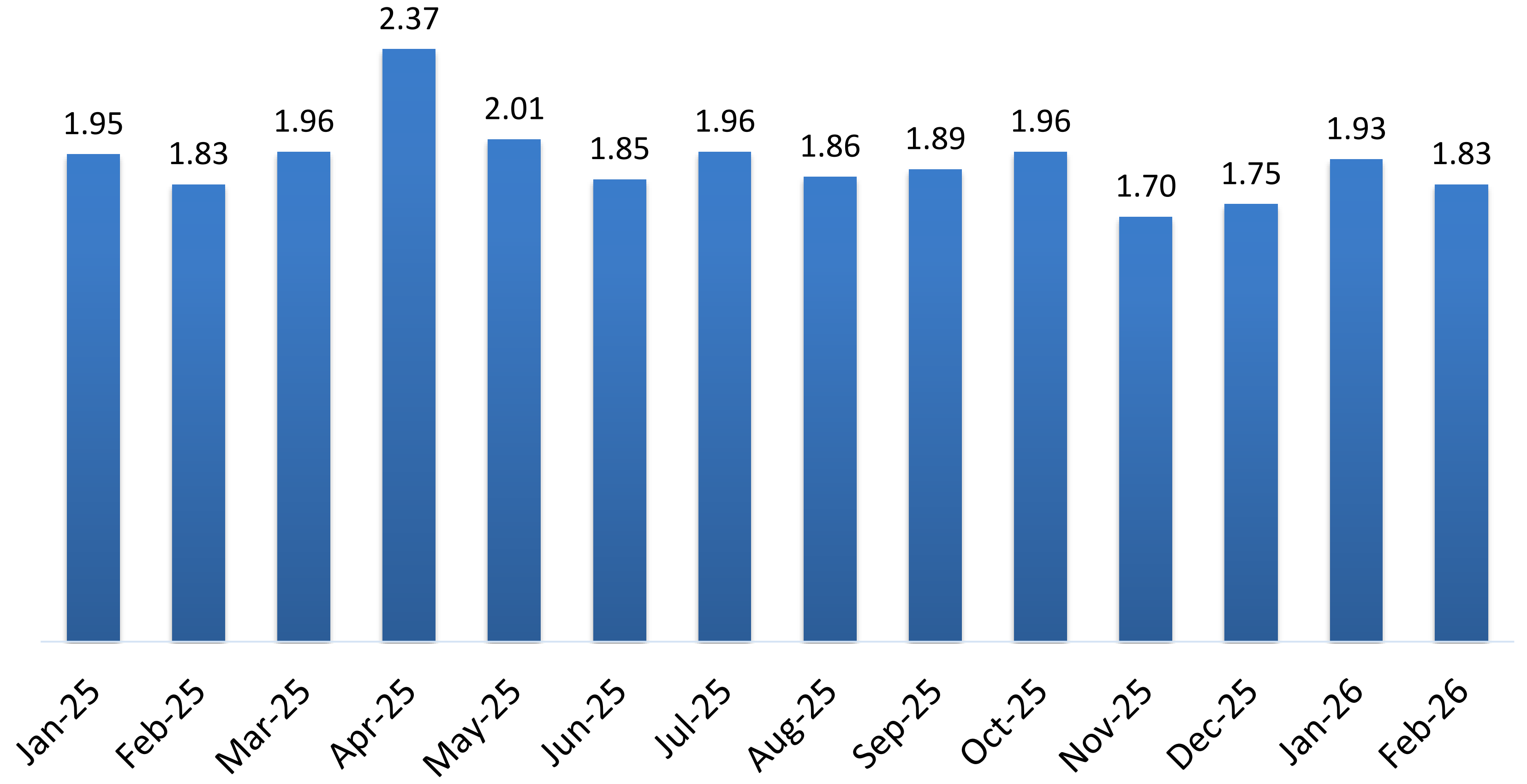
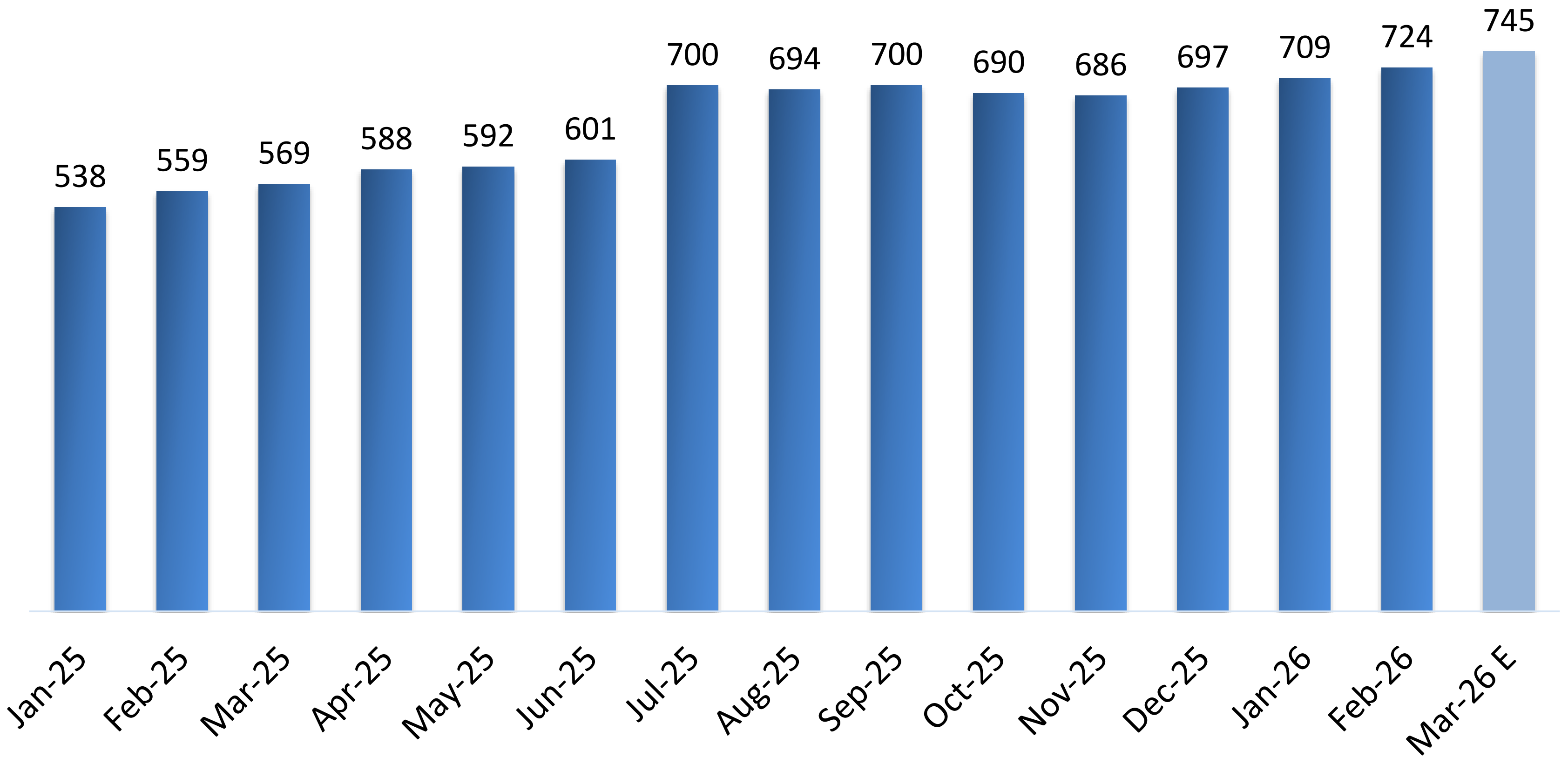
GST collections (INR trillion)



Forex reserves (USD billion)



E - Estimates

- India's February 2026 GST collections hit INR 1.83 trillion, driven by a combination of resilient consumption, stronger import-linked IGST, improved compliance and aided by GST rate rationalization, which streamlined slabs and boosted revenue efficiency.
- Domestic revenues grew steadily at 5.3% YoY to INR 1.36 trillion in February 2026 from INR 1.29 trillion in February 2025, reflecting resilient urban consumption amid controlled inflation in the range of 2.5%-3.0%.
- Imports drove a sharp 17.2% YoY surge to INR 47,837 crore from INR 40,821 in the same period last year, underscoring booming trade volumes and supply chain normalization.

- India’s foreign exchange reserves rose to USD 723.6 billion as of February 2026 from USD 721.5 billion
- The RBI’s gold holdings are now valued at USD 127.48 billion, down from USD 137.7 billion in the previous month due to valuation effects and RBI’s tactical adjustments (RBI undertook strategic sales / swaps to manage liquidity), despite rising global gold prices, while Foreign currency assets increased to USD 572.36 billion from USD 562.39 billion in January 2026.
- India's foreign exchange reserves provide an import cover of more than 11 months signaling stability, a critical indicator of the country's macroeconomic health, especially during the current Middle Eastern geopolitical crisis.

Sources: Reserve Bank of India (RBI), Government of India, PIB, Economic Times, Ministry of Finance, Business Standard.

Industrial output softens as credit dynamics evolve

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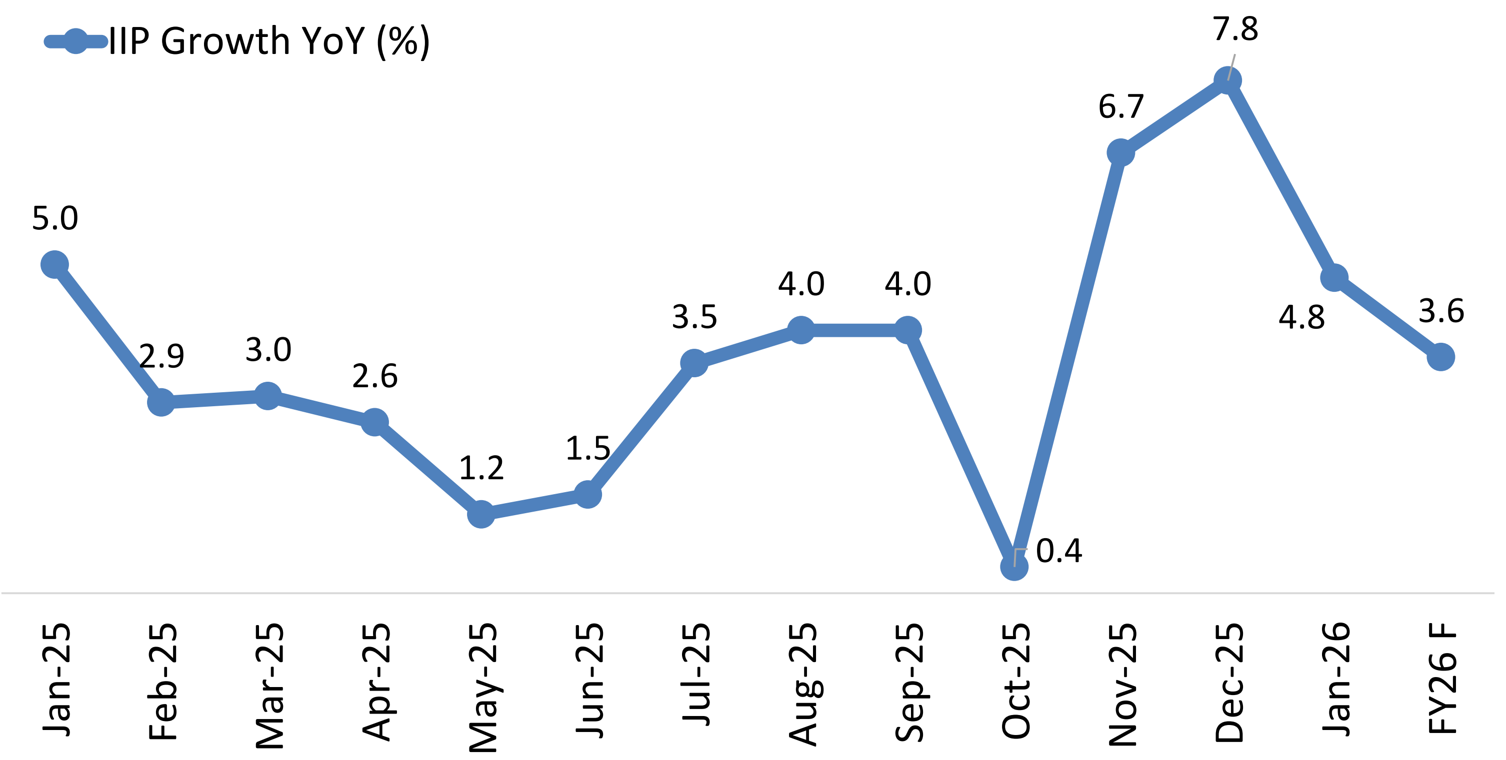
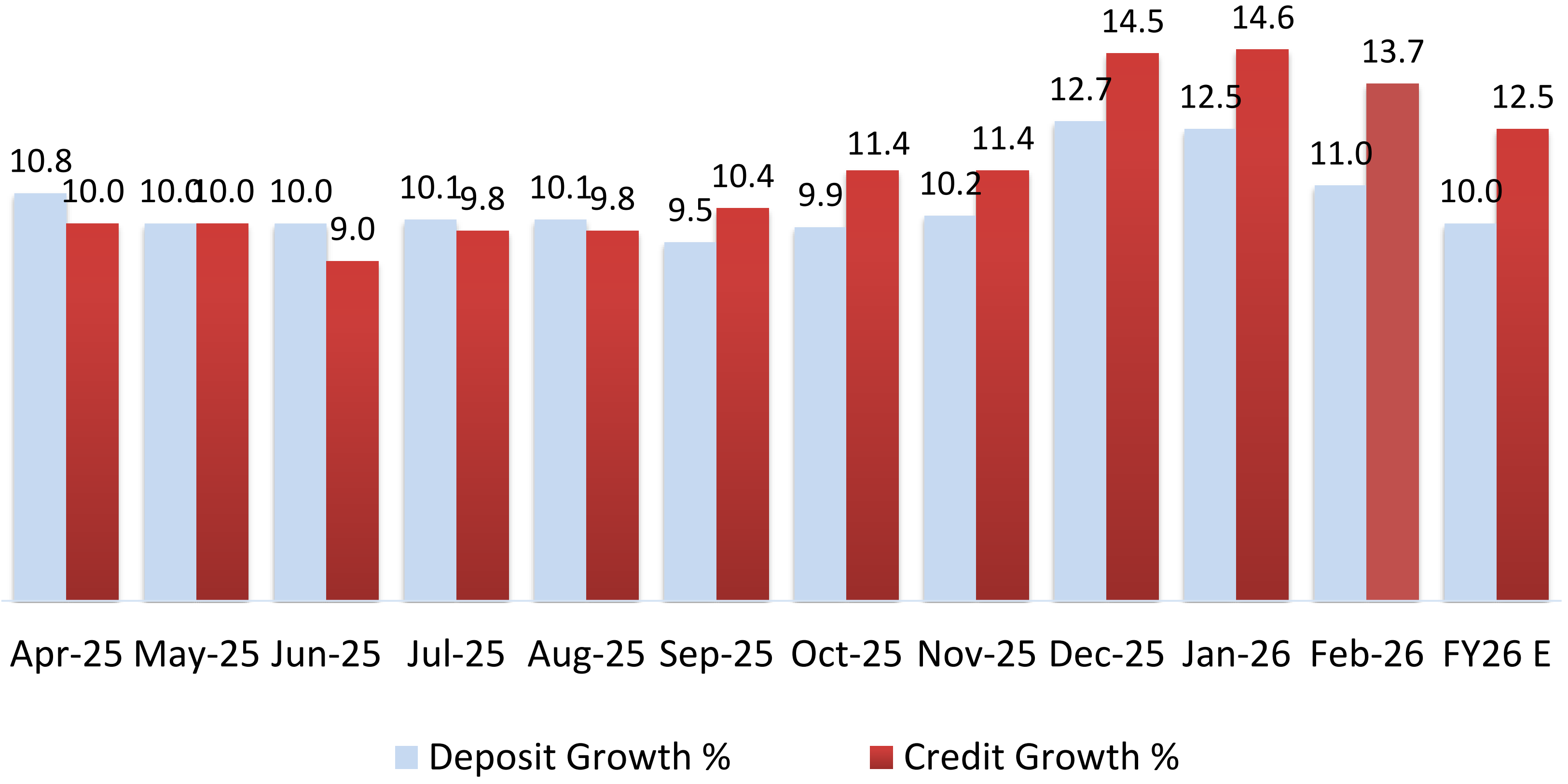
Industrial production (IIP) growth in %



E – Estimates; F - Forecast

- India's IIP growth moderated to a three-month low of 4.8% in January 2026, down from the revised 26-month peak of 7.8% recorded in December 2025. This decline was characterized by broad-based moderation across the mining, manufacturing, and electricity sectors, compounded by unfavorable base effects.
- Manufacturing output which accounts for 78% of India's IIP expanded by 4.8% YoY in January 2026, moderating from robust 8.4% surge in December 2025.
- Electricity output growth softened to 5.1% in January 2026, down from 18-month peak of 6.3% December 2025.
- Going forward, industrial production growth is expected to stabilize, driven by robust private consumption fueled by GST cuts. Elevated uncertainty due to geopolitical developments may deter investments.

Deposit and credit growth in %



- Bank credit growth in February 2026 moderated to 13.7% from earlier 14.5% mainly due to a slowdown in large-ticket corporate and priority-sector lending.
- MSME credit surged to 28.5% YoY, NBFC lending rose to 17.8% supporting shadow banks, while retail saw vehicle loans surge at 17.1%, whereas unsecured up around 10% and housing shown steady growth at 11.1%.
- Deposit mobilization challenges continue to persist, driving banks to boost certificate of deposit issuances, which surged 65% YoY in Jan-Feb 2026.
- Liquidity remains supportive, with Banking system having surplus of INR 2.1 trillion as of February 26, fueled by RBI's open market operations and forex swaps since start of the year

Sources: Reserve Bank of India (RBI), Government of India, ET BFSI, Ministry of Finance, BWR Research.

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ABOUT BRICKWORK RATINGS

Brickwork Ratings (BWR) is a registered credit rating agency by Securities and Exchange Board of India (SEBI) and a recognized External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI) to carry out credit ratings in India. Established in 2007, BWR provides rating services for bank loan, NCD, commercial paper, bonds, securitized paper etc. It also provides investors and lenders timely and in-depth research across the structured finance, public finance, financial institutions, project finance and corporate sectors. BWR has Canara Bank, a leading public sector bank, as its promoter and strategic partner. BWR has its corporate office in Bengaluru and a country-wide presence with representatives in 150+ locations.

DISCLAIMER

The editorial deadline for this study was 06 March 2026.

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