

# BRICKWORK™

## RATINGS

# MONTHLY ECONOMY WRAP

Issue 40

**BRICKWORK RESEARCH**

**November 2025**

# India macroeconomic overview

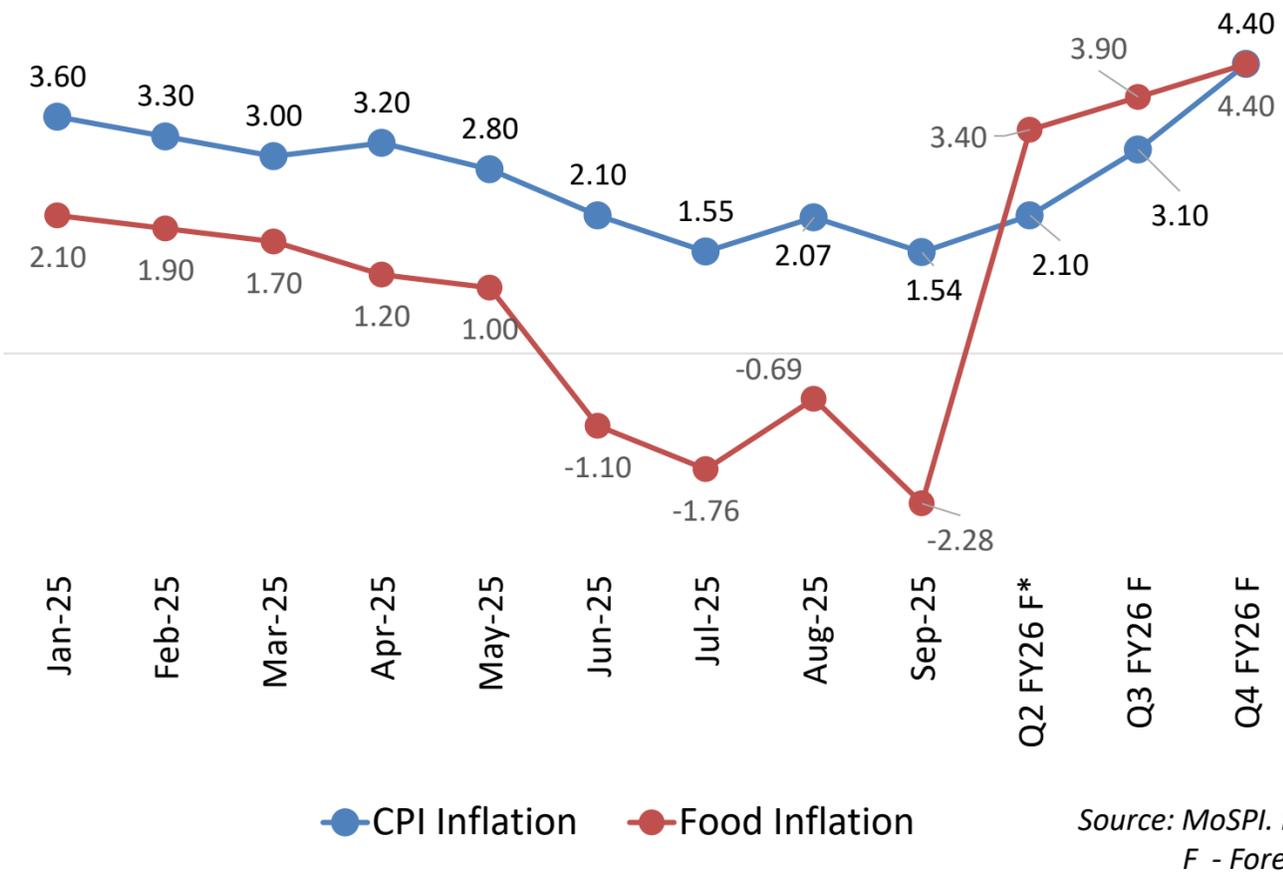
## Macroeconomic updates – October 2025

- **GDP growth outlook and forecast:** India's GDP is projected to grow around 6.8% in FY 2026, driven by strong domestic demand, rising investments, and a robust services sector. However, global headwinds, manufacturing bottlenecks, and fiscal constraints could pose risks to sustaining this momentum.
  - The IMF raised India's FY 2025-26 growth forecast by 0.2 percentage points to 6.6% on October 14, 2025
  - The World Bank increased its FY 2025-26 forecast to 6.5%, while highlighting potential risks such as global tariff shocks on October 7, 2025
- **Trade / export strategy & external headwinds** - India is reshaping its trade strategy, with agreements like the India-EFTA (European Free Trade Association) trade and economic partnership (effective Oct 1, 2025) to diversify textile, leather, and marine exports as rising U.S. tariffs continue to pose threat to India exports.
- **India-US trade deal update** - India and the United States are in advanced stages of negotiations on a bilateral trade agreement (BTA) as of November 2025, with optimistic expectations for finalization in the near term. The deal aims to boost bilateral trade from the current USD 191 billion to USD 500 billion by 2030. The agreement is expected to significantly reshape India-US trade relations and enhance strategic economic cooperation. Sensitive sectors such as agriculture and MSMEs remain under scrutiny to safeguard national interests.

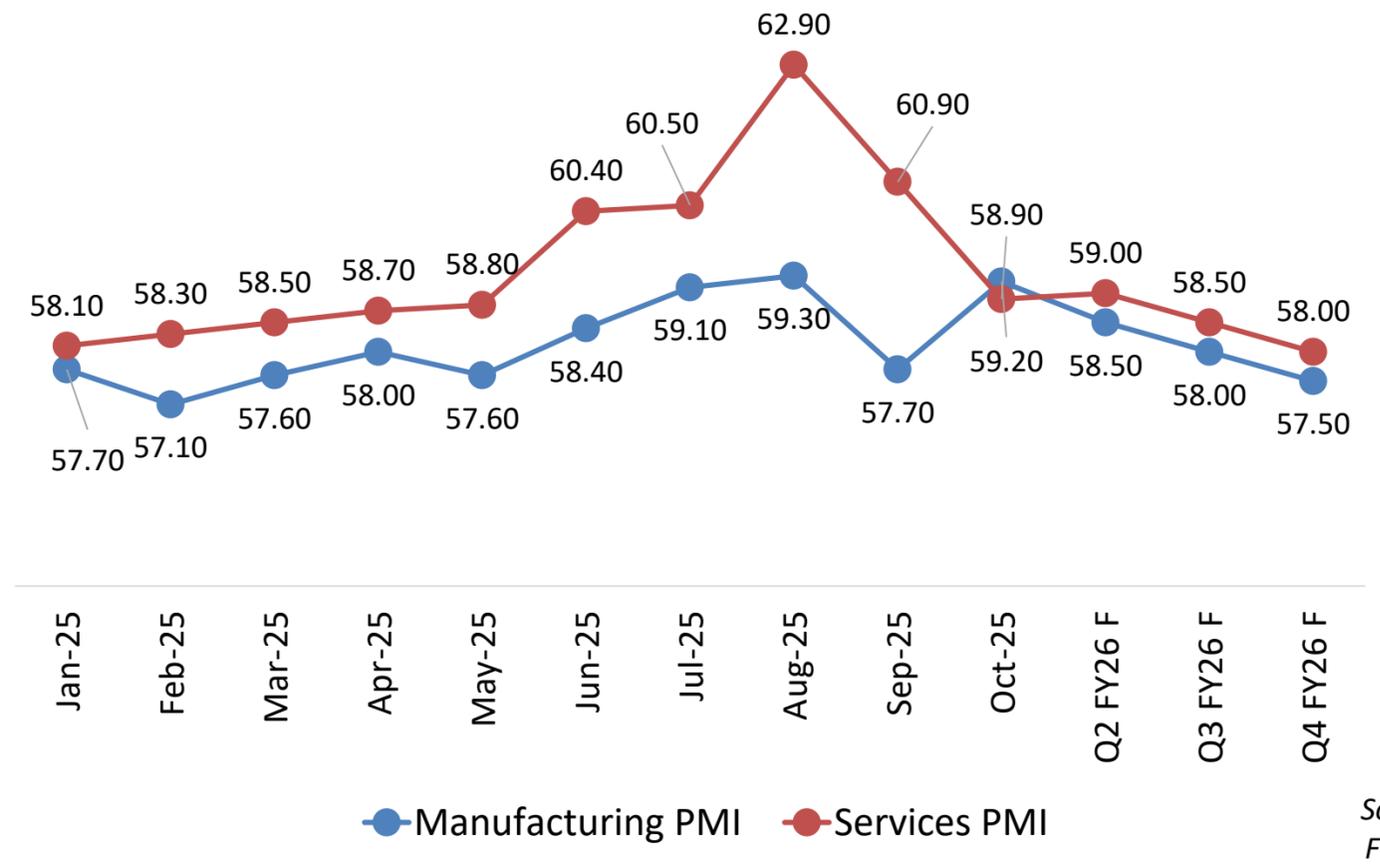
Indicator	Value	Period	Outlook
<b>Real GDP growth</b>	6.8% (est.)	FY2026	FY2026 growth is estimated at 6.8% - 7.0%, supported by resilient momentum amid risks from global uncertainties.
<b>Inflation (CPI)</b>	1.54%	September 2025	CPI inflation for FY2026 is projected at around 2.6%, with risks balanced but tilted towards softening.
<b>Interest rate (Repo)</b>	5.5%	October 2025	Accommodative policy continues amid low inflation and stable conditions, with scope for further rate cuts.
<b>Unemployment rate</b>	5.2%	September 2025	Unemployment rate rose slightly, improving manufacturing and services growth may gradually reduce unemployment.
<b>GST collections</b>	INR 1.96 trillion	October 2025	Collections remain strong, reflecting robust consumption and improved tax compliance after GST rate rationalization.
<b>Manufacturing PMI</b>	59.20	October 2025	Outlook remains positive, as GST reforms and strong domestic demand persist, offsetting slower export orders.
<b>Services PMI</b>	58.90	October 2025	Services sector is expected to maintain healthy expansion in the near term despite October's moderation, supported by domestic consumption, GST reforms, and easing inflation

# Strong manufacturing boosts optimism amid softening services

## CPI inflation %



## Manufacturing & Services PMI

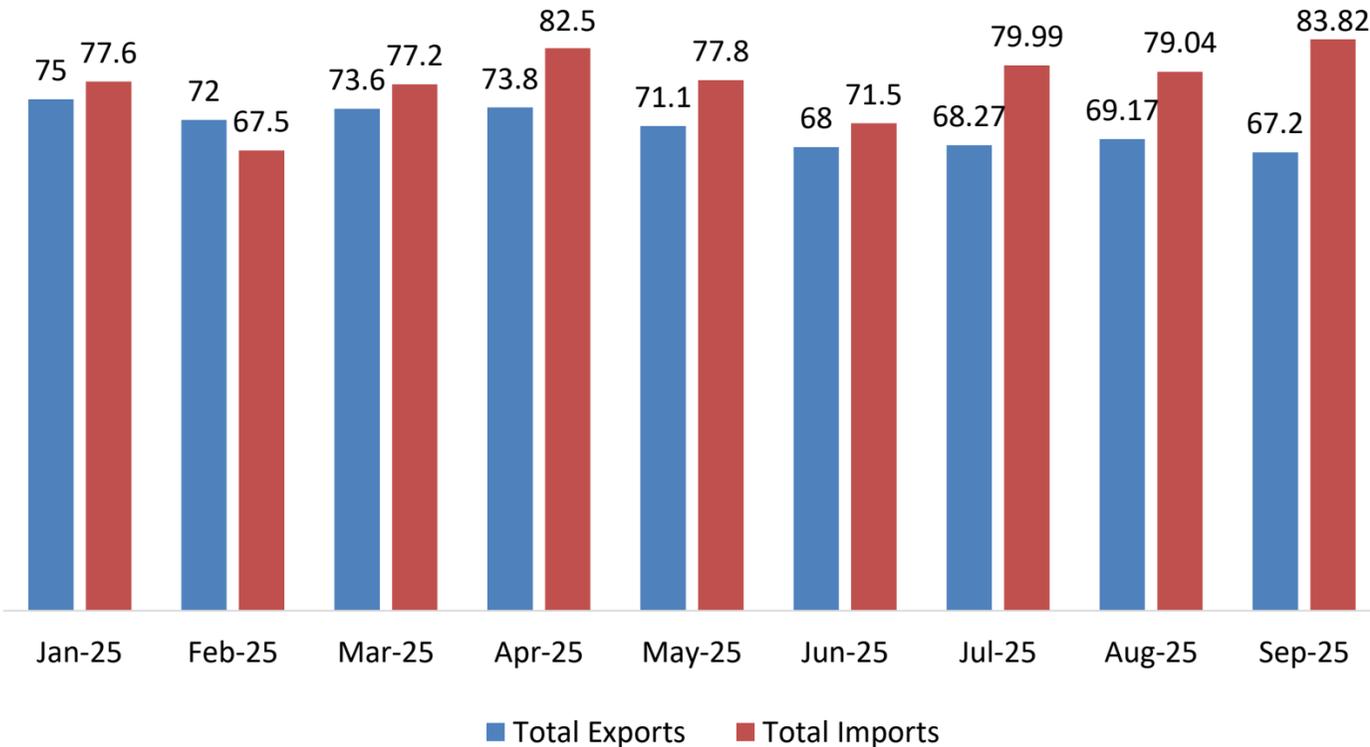


- RBI cuts FY2026 CPI forecast to 2.6%, down from above 3%, reflecting sustained price stability.
- 25 bps rate cut is anticipated by end-2025 on soft price trends and GST rate reductions.
- Inflation in 2025 is projected to stay below 3%, driven by favorable food prices and GST reductions, though weather-related disruptions to food supply remain a key risk.

- India's manufacturing PMI rose to 59.2, indicating a strong surge in factory activity driven by robust domestic demand, increased technology investments, and support from recent GST reforms.
- Services PMI eased to 58.9, signaling continued expansion but at the slowest pace since May, as growth was affected by heavy rains, flooding, and intensified competition.
- Growth is expected to stay strong heading into 2026, with manufacturing likely to outpace services. Softer inflation and a cooling services PMI may prompt the RBI to consider monetary easing, boosting bond market sentiment.

# Export momentum softens as global headwinds rise

## Exports and Imports (USD billion)

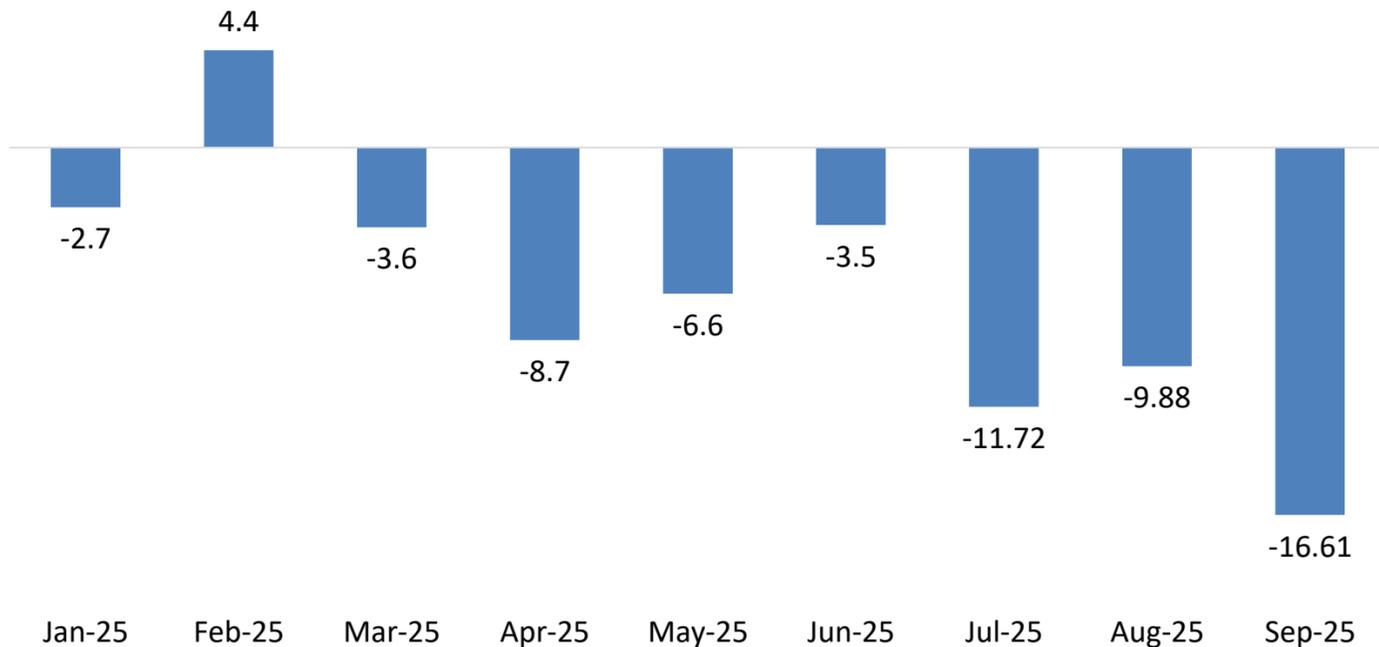


Source: Ministry of Commerce.

- India's imports in September 2025 stood at USD 83.82 billion, driven primarily by surge in gold imports.
- US-imposed 50% tariffs on Indian exports have marginally dampened export momentum.
- Exports to the US declined by 11.93% to USD 5.46 billion in September 2025.
- India's exports to China rose sharply by 34.18% in September, reaching USD 1.46 billion.

Sources: PIB, Ministry of Commerce, BWR Research.

## Trade balance (USD billion)

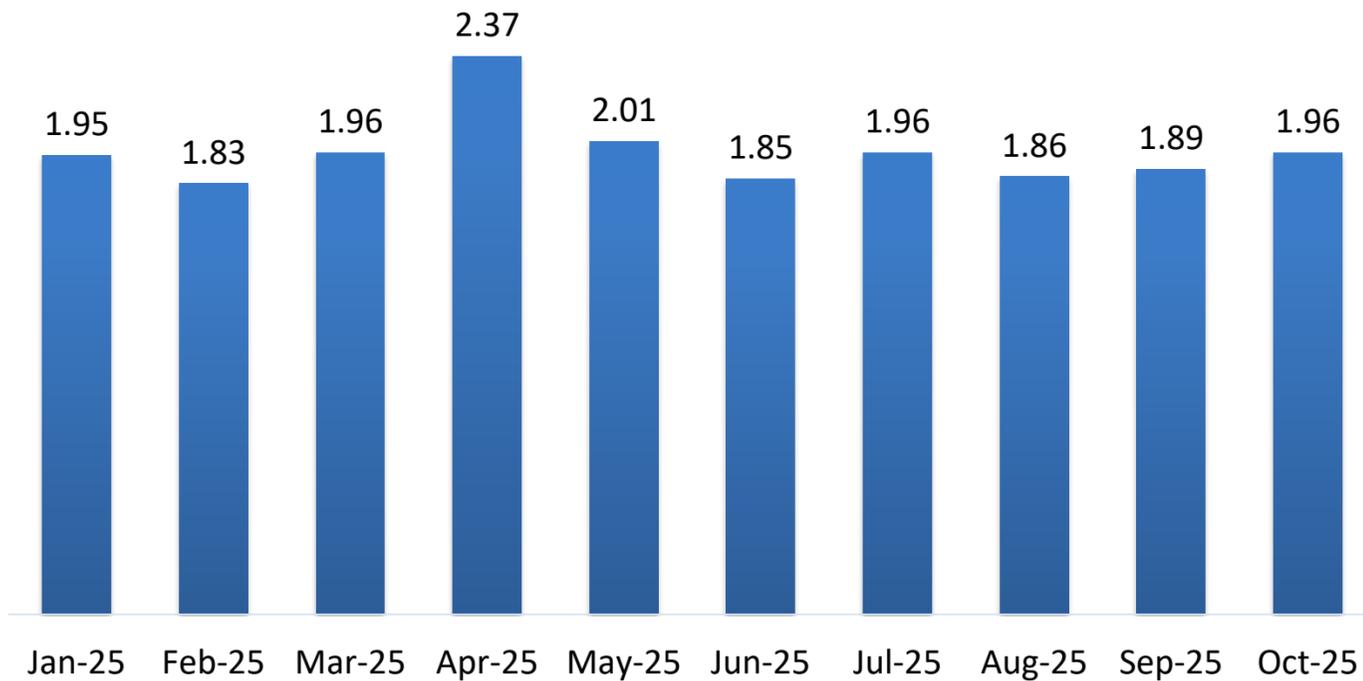


Source: Ministry of Commerce.

- India's trade deficit widened to USD 16.6 billion in September 2025, due to stronger import growth.
- Imports are expected to remain elevated owing to energy needs, and ongoing industrial growth, suggesting continued pressure on external balances.
- Gradual recovery in exports expected in coming quarters, aided by trade negotiations, easing tariff barriers, and targeted government export incentives.

# October GST growth driven by festive consumption and rate rationalization

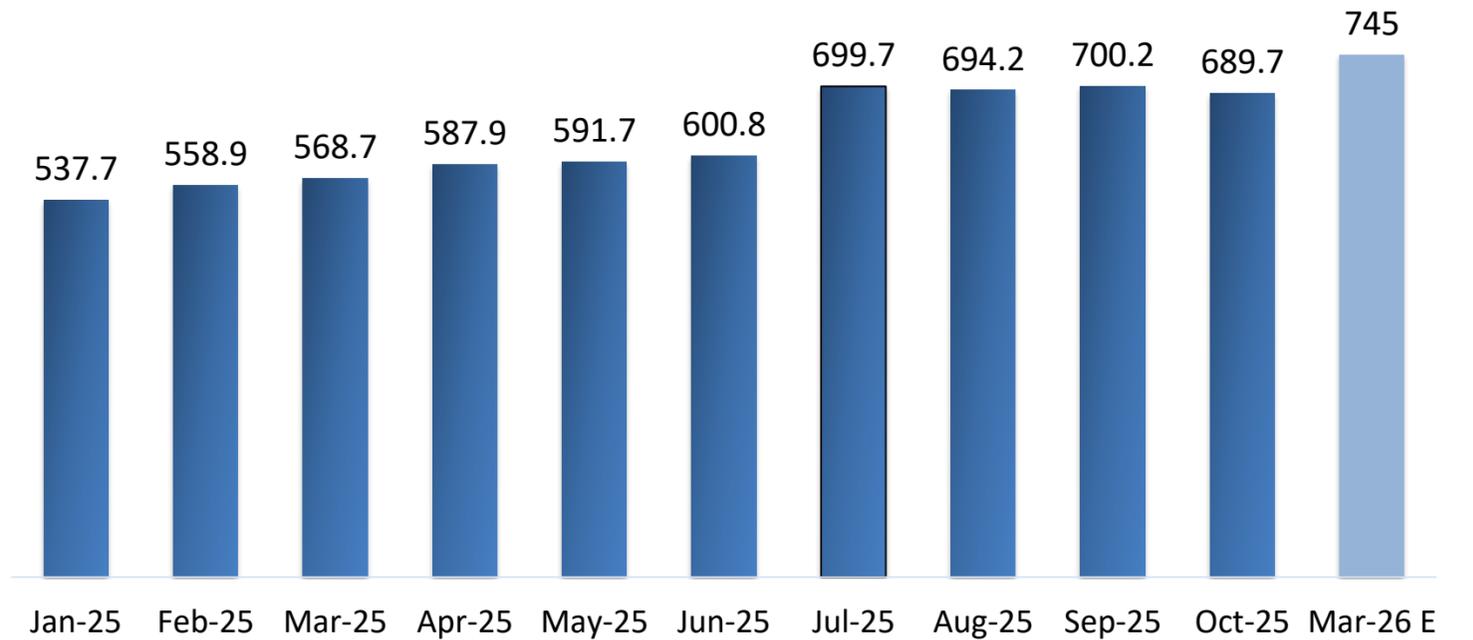
## GST collections (INR trillion)



Source: Government of India.

- GST collections stood at INR 1.96 trillion, driven by festive season demand and improved tax compliance.
- October's rise was driven by robust Navratri-to-Diwali consumption, capturing the impact of GST rate rationalization across board range of items including essentials and electronics.
- Collections are likely to remain above INR 1.85 trillion in coming months, with retail demand, sustained macro stability, and continued GST compliance.

## Forex reserves (USD billion)

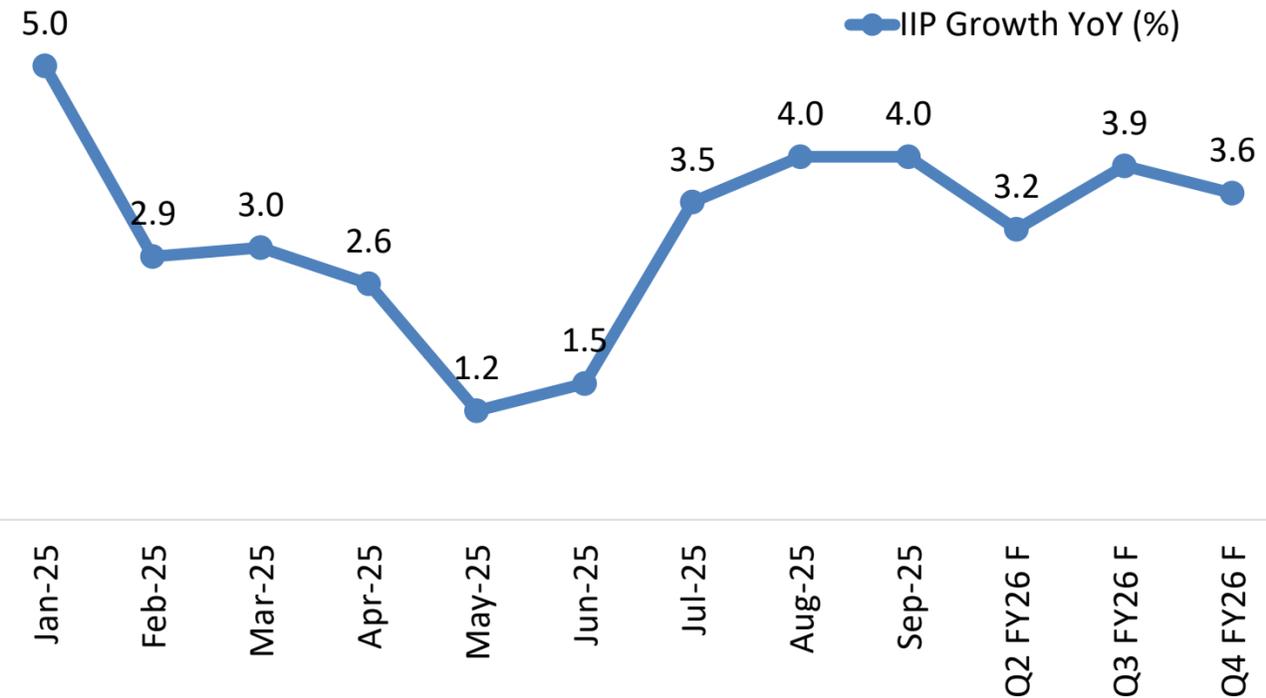


Source: RBI. E - Estimates

- India's forex reserves, at around USD 690 billion, remain a solid safeguard for the economy.
- Recent declines largely stem from lower foreign-currency assets and fluctuations in gold valuations rather than fresh capital outflows.
- However, a stronger US dollar, elevated global interest rates, or a risk-averse investor sentiment could trigger capital outflows and may put pressure on reserves.

# Credit growth rebounds on festive demand and policy support

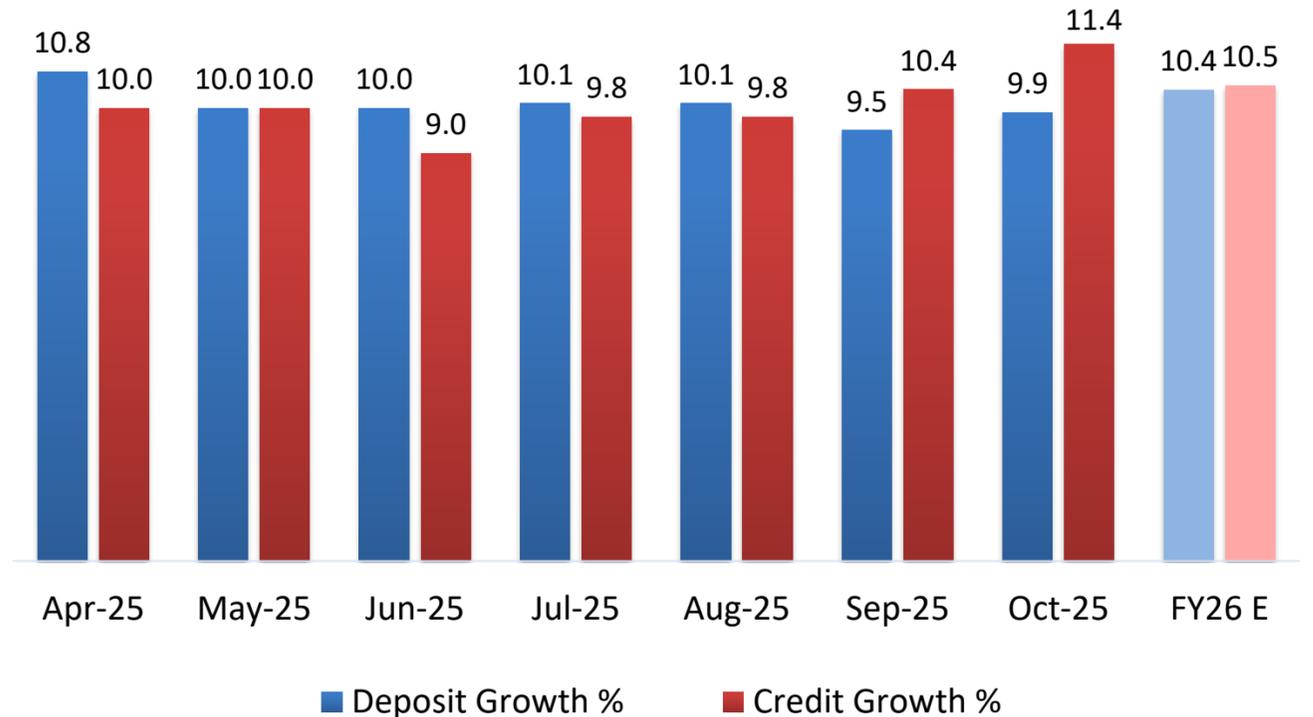
## Industrial production (IIP) growth (%)



Source: MoSPI  
F - Forecast

- IIP grew by 4.0% YoY in August 2025, up from 3.5% growth in July, indicating a moderate but resilient industrial recovery due to strong demand, amid global uncertainties and tariff pressures.
- Three core sectors contributed as follows: Mining grew by 6.0%, Electricity by 4.1%, and Manufacturing by 3.8%
- IIP growth is estimated to stabilize around 4.3% in 2026, showing resilience despite global trade challenges and US tariff impacts on exports.

## Deposit and Credit growth %



Source: RBI, Economic Times, E - Estimates

- Credit growth is exhibiting early signs of recovery following a subdued phase, supported by festive season demand and favorable policy momentum.
- Deposit mobilization remains modest with deposit growth lagging credit growth. This divergence may exert pressure on banks' liability profiles in the near term.
- Credit growth is expected to stay strong, driven by festive demand, government spending, and retail recovery.
- Deposit growth likely to remain moderate, lagging credit and potentially tightening banks' liquidity.

**Authors :**

Manasvi Joshi  
Abhishek Das  
Girish Basantani

**Editor:**

Vikrant Chaturvedi

**Managing Editor:**

Rajeev Sharan

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Brickwork Ratings India Pvt. Ltd.

Telephone +91 80 4040 9940

Email [research@brickworkratings.com](mailto:research@brickworkratings.com)

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