

BRICKWORK™

RATINGS

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India macroeconomic overview

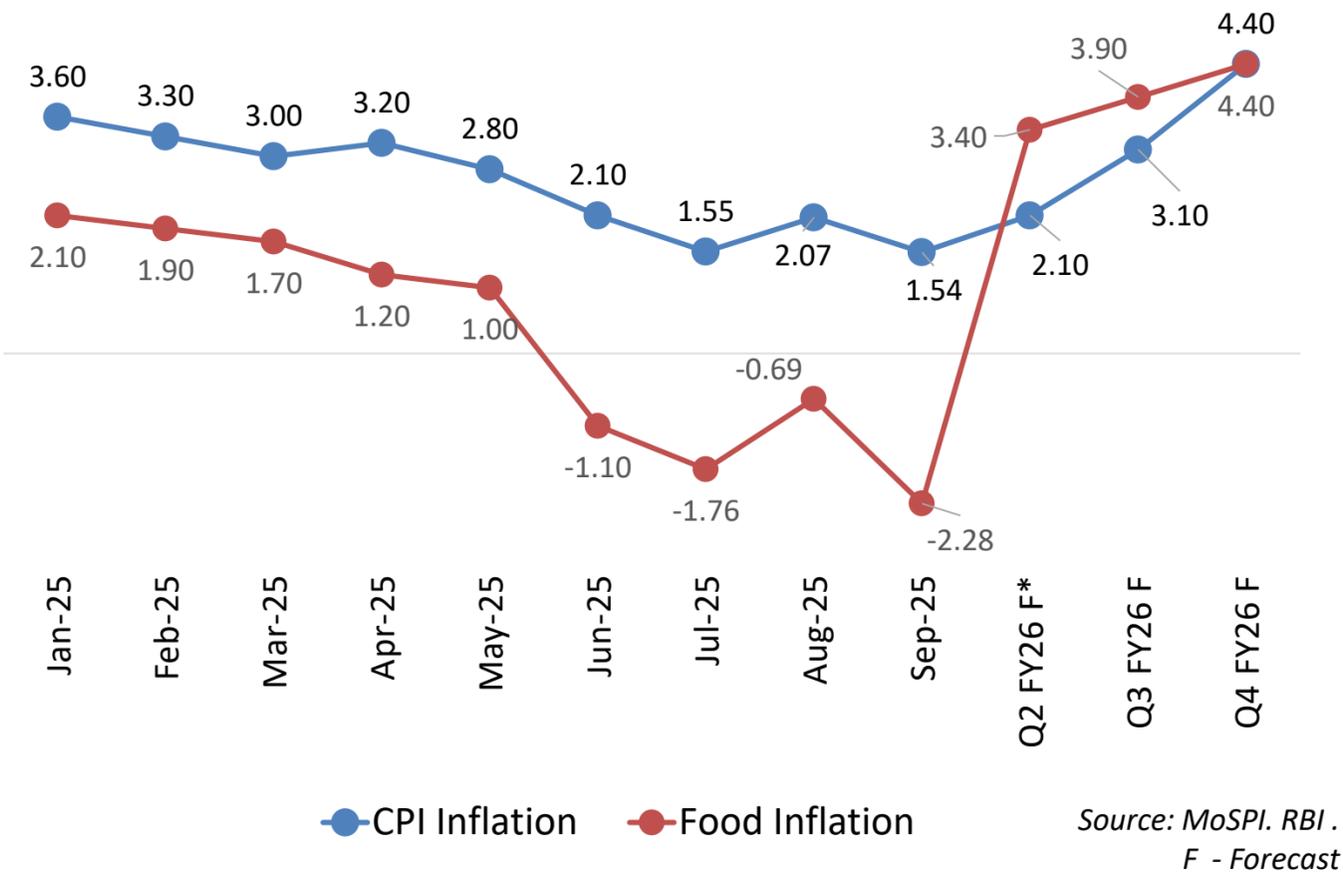
Macroeconomic updates – September 2025

- **CPI Inflation:** CPI inflation fell to a 100-months low of 1.54% in September 2025, significantly below the RBI's target band of 2–6%, mainly driven by a decline in food prices. A favorable base effect, a good monsoon season, and rationalization of GST rates supported slower price rise. While this is a relief for consumers, it also raises concerns around rural demand and farm incomes if such food price deflation persists.
- **GST Reforms:** GST regime was simplified from four slabs (5%, 12%, 18%, 28%) to a two-slab structure: 5% for essentials and priority sectors, 18% for goods and services, and a new 40% slab for sin and luxury goods like tobacco and pan masala
- **Impact of GST Reforms:** The reforms aim to fix inverted duty structures, which will free up working capital, improve manufacturing competitiveness, and lower costs for MSMEs, fostering broader formalization and economic growth. These reforms are expected to boost consumption, especially ahead of the festive season, increase industry competitiveness, and drive investment confidence
- **Outlook:** The RBI has revised its real GDP growth projection for FY 2025–26 upward, from 6.5% to 6.8%. This upgrade reflects stronger economic momentum, underpinned by a revival in rural demand supported by a favorable monsoon, GST rationalization, and a sustained recovery in urban consumption and the services sector.

Indicator	Value	Period	Outlook
Real GDP growth	7.8% (est.)	FY2026	FY2026 growth is estimated at 6.8%, supported by resilient momentum amid risks from global uncertainties.
Inflation (CPI)	1.54%	September 2025	CPI inflation for FY2026 is projected at around 2.6%, with risks balanced but tilted towards softening.
Interest rate (Repo)	5.5%	October 2025	Accommodative policy continues amid low inflation and stable conditions, with scope for further rate cuts.
Unemployment rate	5.1%	August 2025	Unemployment rate is moderate, with steady employment conditions supporting domestic demand.
GST collections	INR 1.89 trillion	September 2025	Collections remain strong, reflecting robust consumption and improved tax compliance after GST rate rationalization.
Manufacturing PMI	58.50	September 2025	Outlook remains positive, supported by business confidence strengthened by GST rate cuts.
Services PMI	61.60	September 2025	Outlook remains positive as businesses expect steady growth fueled by improving domestic demand, though caution persists due to global uncertainties.

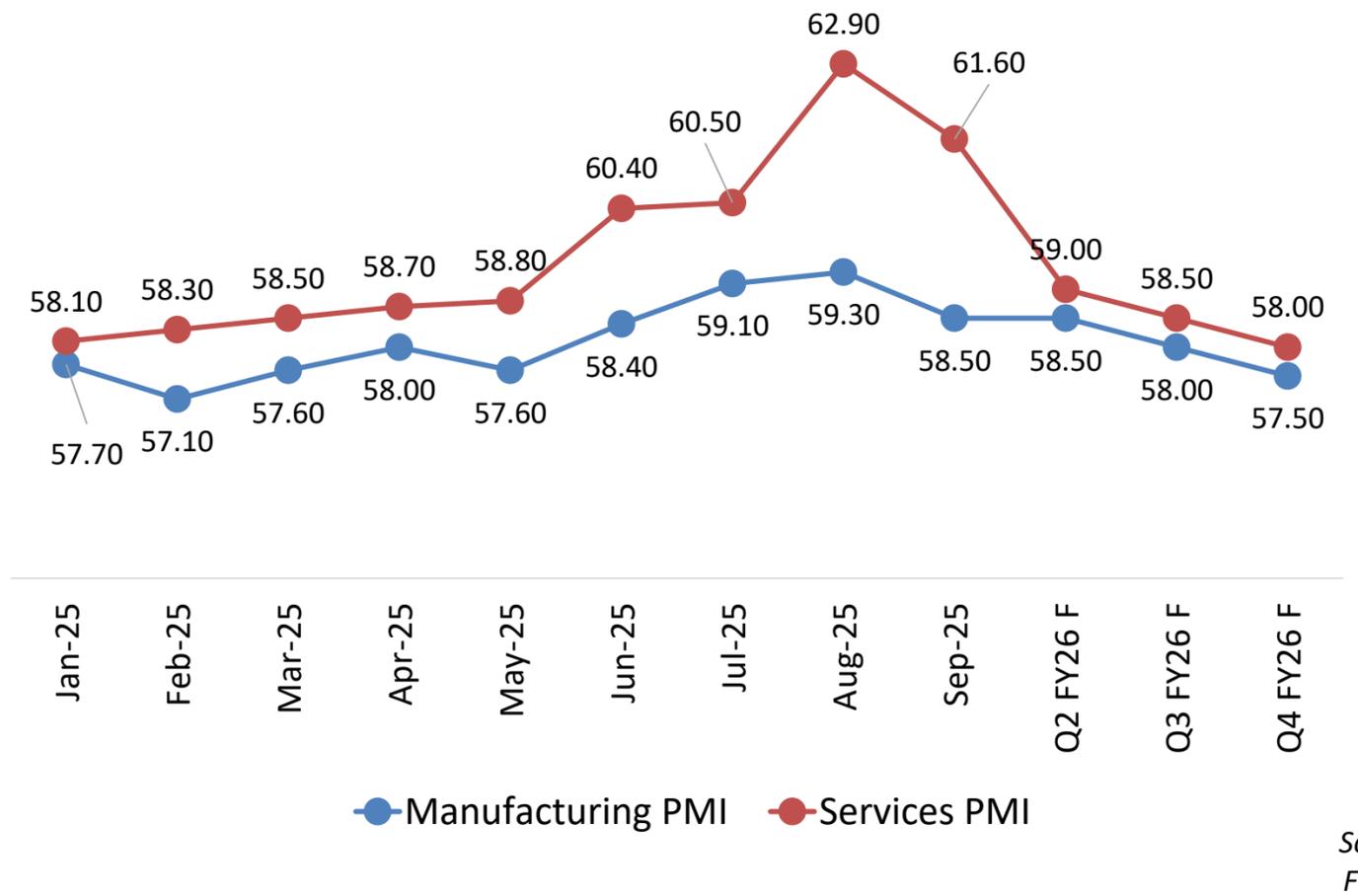
Stable inflation and strong PMI signal resilient growth amid global headwinds

CPI inflation %



- 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.

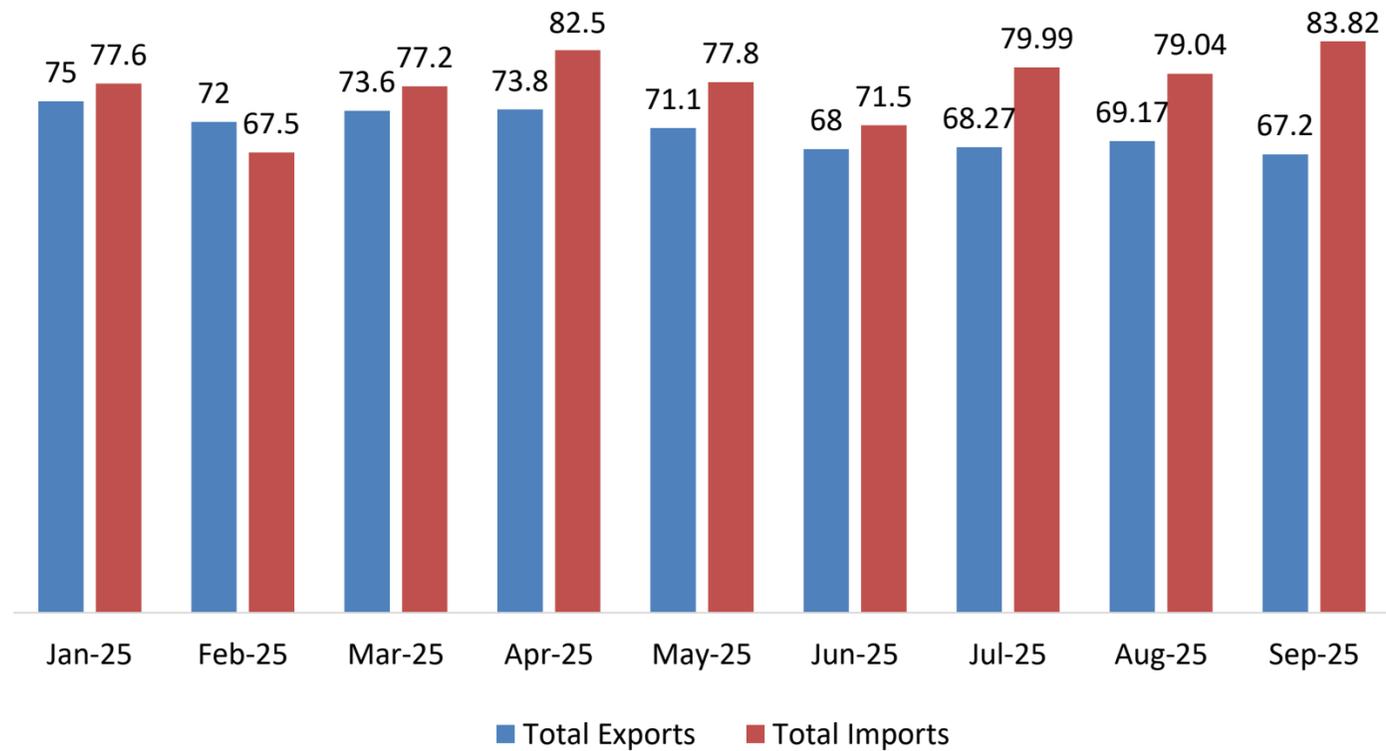
Manufacturing & Services PMI



- Manufacturing PMI at 58.50 indicates robust expansion in manufacturing activity, supporting industrial growth and capacity utilization
- Services PMI eased to 61.6 from 62.9 in August, still near multi-year highs, indicating strong expansion
- Both PMIs remain well above 50, confirming continued economic expansion despite some slowdown
- Growth momentum is moderating due to global tariffs, but improved business confidence from GST cuts may offset tariff-related demand pressures

Export momentum softens as global headwinds rise

Exports and Imports (USD billion)

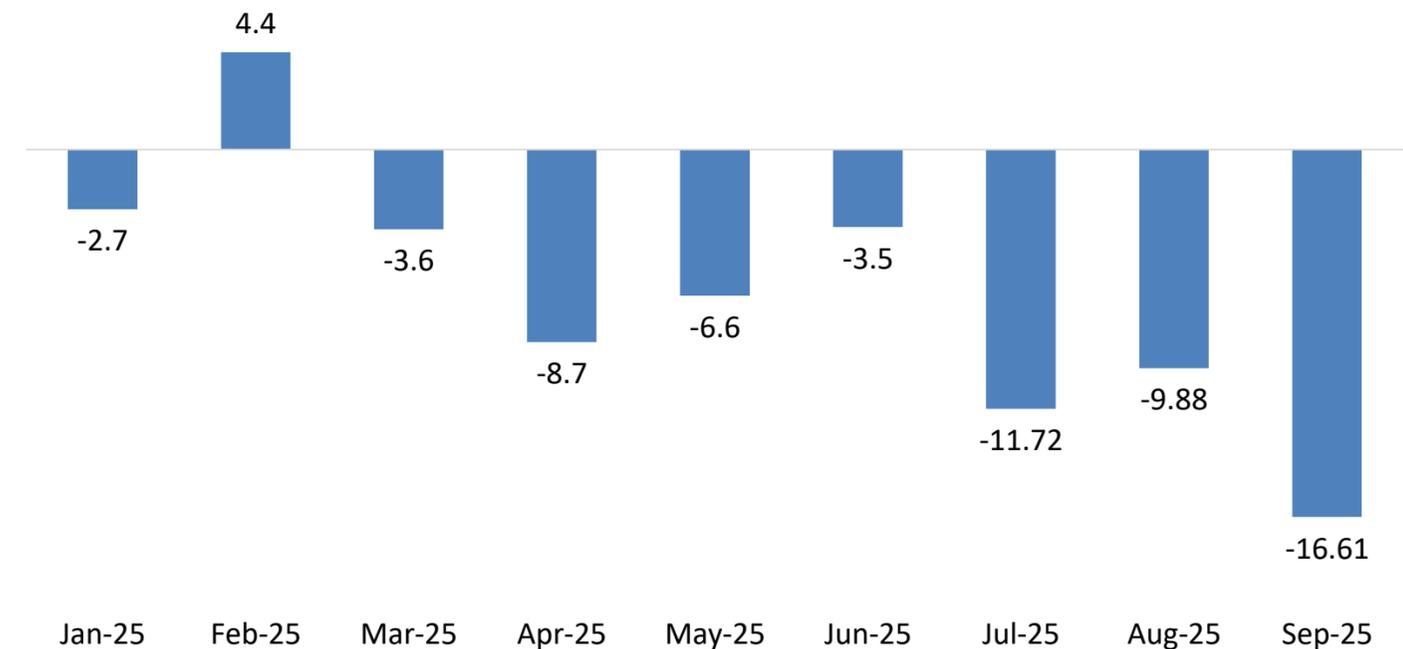


Source: Ministry of Commerce.

- 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)

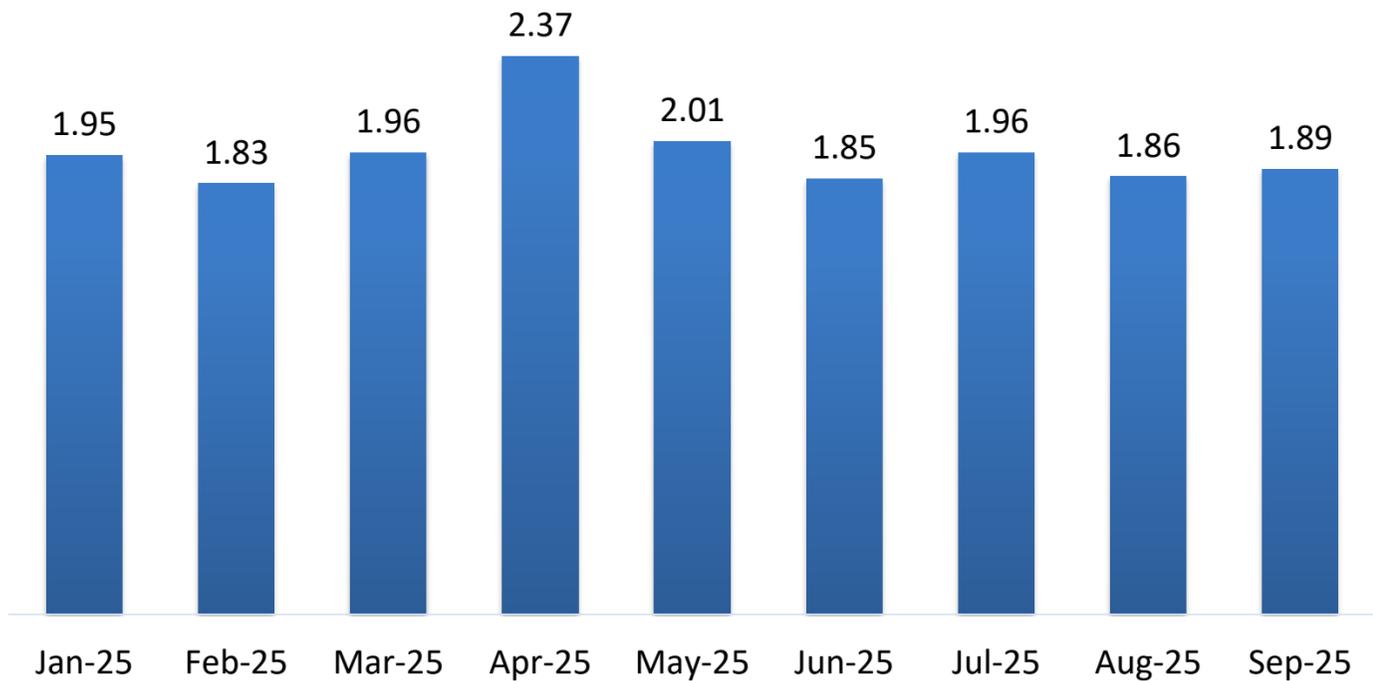


Source: Ministry of Commerce.

- India's trade deficit widened to USD 16.62 billion in September 2025, due to stronger import growth
- Imports are expected to remain elevated owing to upcoming festive, 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

GST 2.0 and festive tailwinds to bolster Q4 consumption

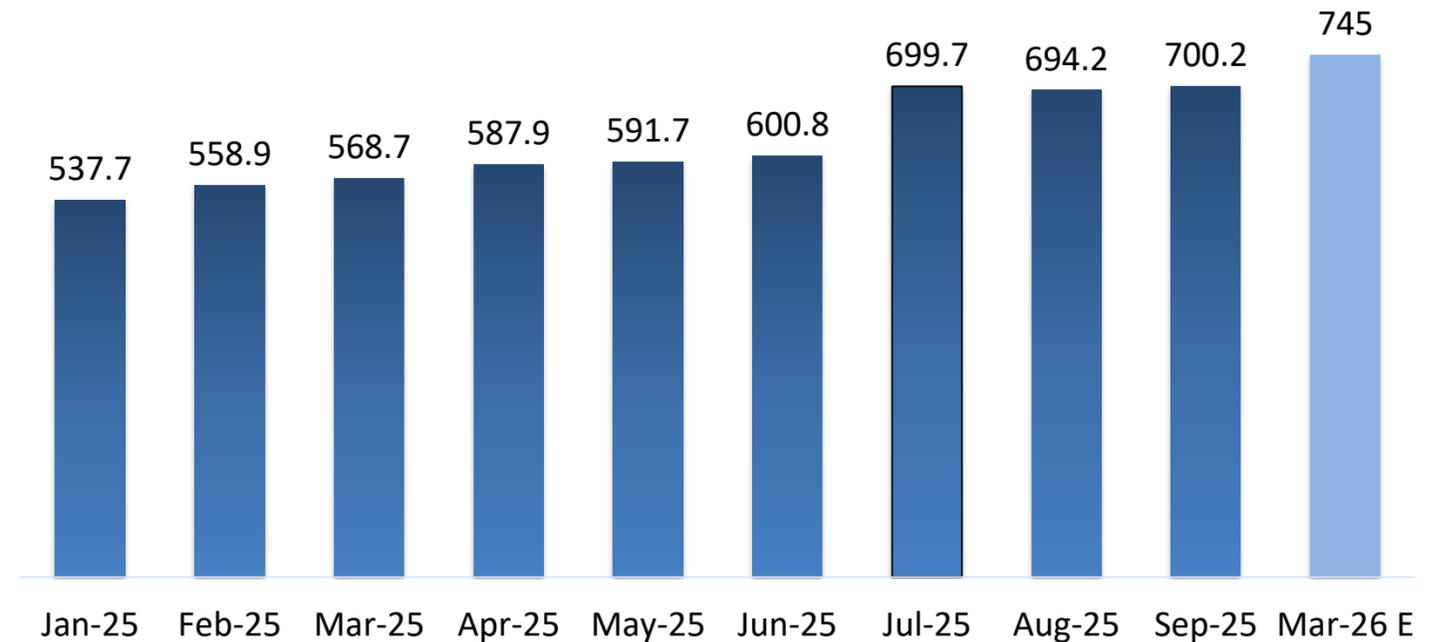
GST collections (INR trillion)



Source: Government of India.

- GST collections rose 9.1% YoY to INR 1.89 trillion, marking 9th straight month above INR 1.8 trillion
- Collections reflect strong consumption momentum and broad-based demand recovery
- GST 2.0 reform, rolled out on September 22 is expected to boost festive season consumption in Q4 FY2025

Forex reserves (USD billion)

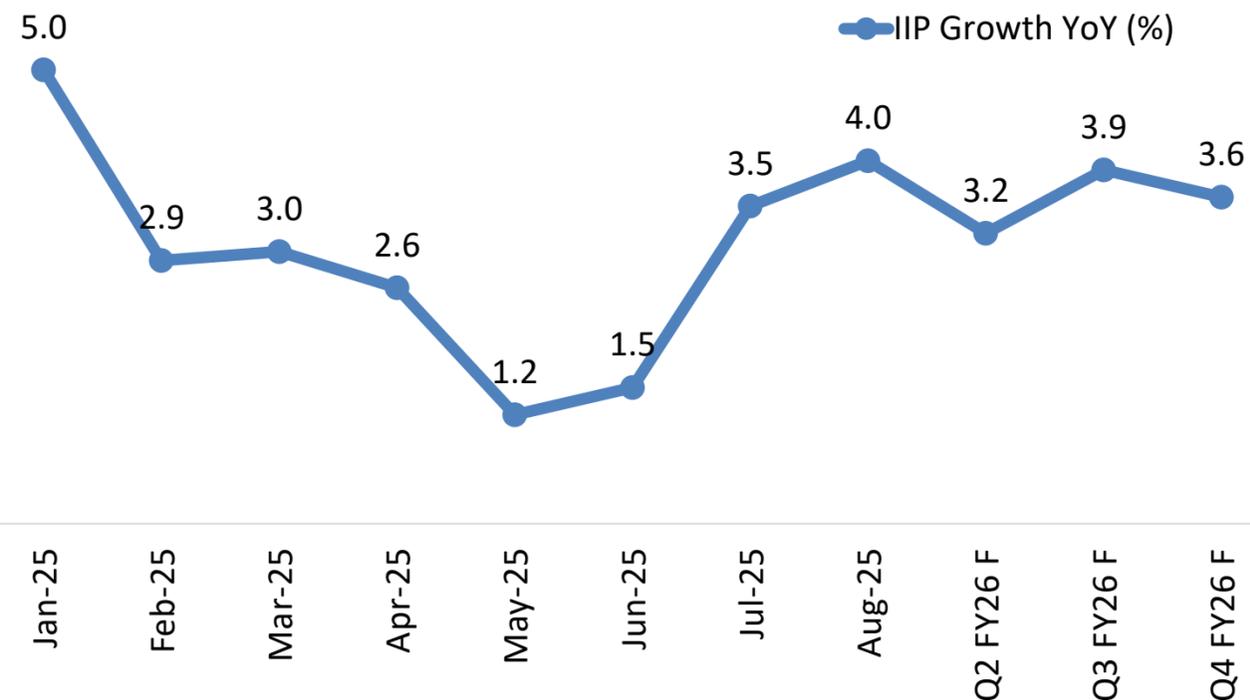


Source: RBI. E - Estimates

- India's foreign exchange reserves in September 2025 reached a historic peak of USD 700 billion, marking the highest level recorded to date in rupee term
- RBI's proactive management, including interventions to moderate volatility, supported this record-level buffer comprising foreign currency assets, gold reserves
- Reserves provide over 11 months of import cover, offering strong protection against external shocks

IIP recovery and credit pickup point to domestic demand revival

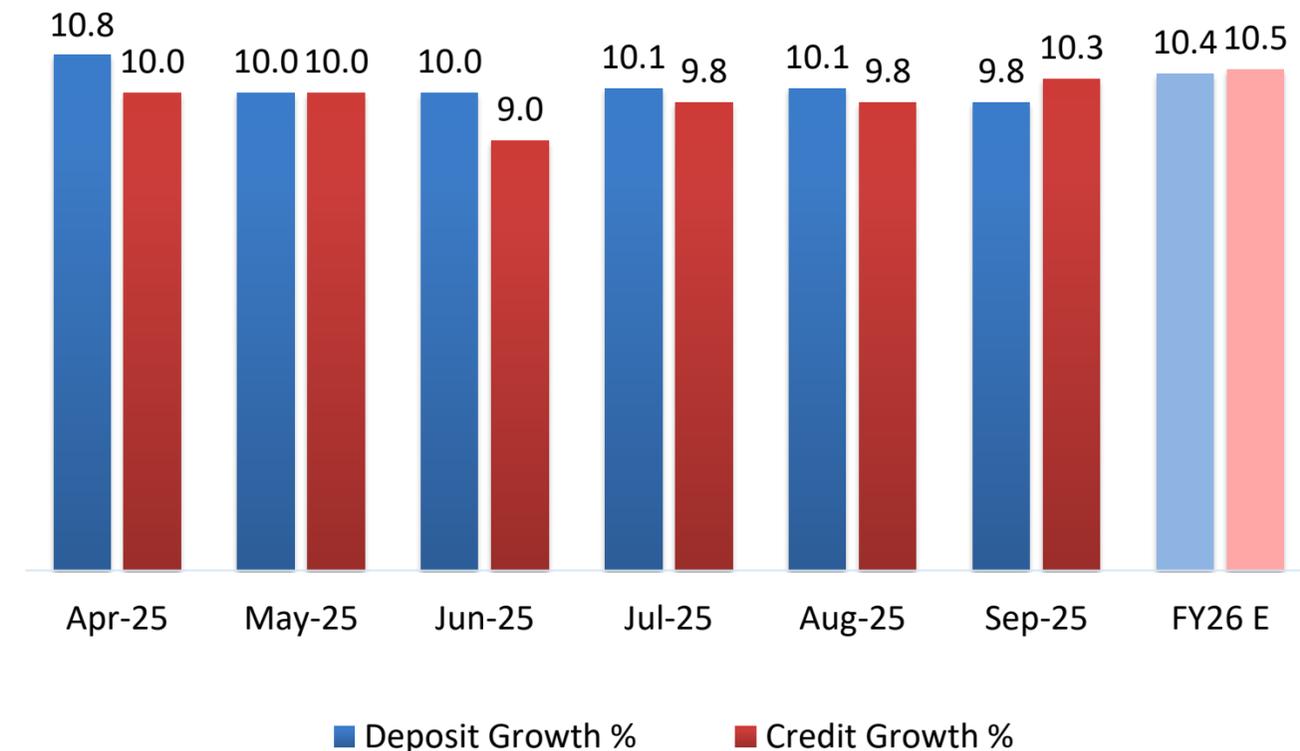
Industrial production (IIP) growth (%)



Source: MoSPI
F - Forecast

- IIP grew by 4.0% YoY in August 2025, accelerating from 3.5% growth in July, indicates a moderate but resilient industrial recovery due to growing 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%
- It is estimated IIP growth to stabilize around 4.3% in 2026, showing resilience despite global trade challenges and US tariff impacts on key manufacturing exports

Deposit and Credit growth %



Source: Economic Times, E - Estimates

- India's bank credit growth in early September 2025 outpaced deposit growth for the first time in several months, with credit rising 10.3% YoY while deposits grew 9.8% YoY
- Slower deposit growth underscores a shift of household savings to financial instruments outside banks
- Momentum in credit growth is expected to pick up in H2 FY2026 with expected positive effects from recent RBI rate cuts, GST reforms boosting consumption, and improving business confidence

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Brickwork Ratings (BWR) is a registered credit rating agency by Securities and Exchange Board of India (SEBI) and a recognized External Credit Assessment Agency (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.

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