

BRICKWORK™

RATINGS

MONTHLY ECONOMY WRAP

Issue 45

BRICKWORK RESEARCH

April 2026

India macroeconomic overview

Macroeconomic updates – March 2026

- **Impact of West Asia conflict on GDP growth:** A prolonged West Asia 2026 conflict could trim India’s real GDP growth by about 1 percentage point. This impact would stem from disruptions to global oil and energy markets, which are likely to weigh on employment-intensive sectors and dampen aggregate demand. The government may need to deploy countercyclical policy measures to cushion the adverse effects on growth and inflation, as per estimates by Ernst & Young, India’s GDP growth in FY27 is expected to be in the range of 6.8–7.2%.
- **Rupee hits record low amid oil-driven dollar demand:** The Indian breached the “95-to-the-dollar mark” for the first time, having depreciated by a 9.88% in this financial year, its steepest fall in 14 years. Rising global crude oil prices have widened the import bill, boosting demand for the US dollar and putting downward pressure on the rupee, which continues to weaken against the dollar amid a multitude of factors.
- **Surging Brent crude prices add macro headwinds for India:** Brent crude rose to around USD 114–115 per barrel in March 2026 as escalating tensions involving Iran, Israel, and the United States push oil into risk-on mode. For India, higher crude prices directly feed into inflation and widen the import bill, intensifying pressure on the broader macroeconomic environment.
- **Auto retail hits record sales in FY26:** The Federation of Automobile Dealers Associations reported that it was a record year for India’s auto retail industry, with total sales at 2.96 crore units, up 13.3% year-on-year. Growth was broad-based across two-wheelers, passenger vehicles, and commercial vehicles, led by improved affordability, strong rural demand, and robust infrastructure-linked supply.

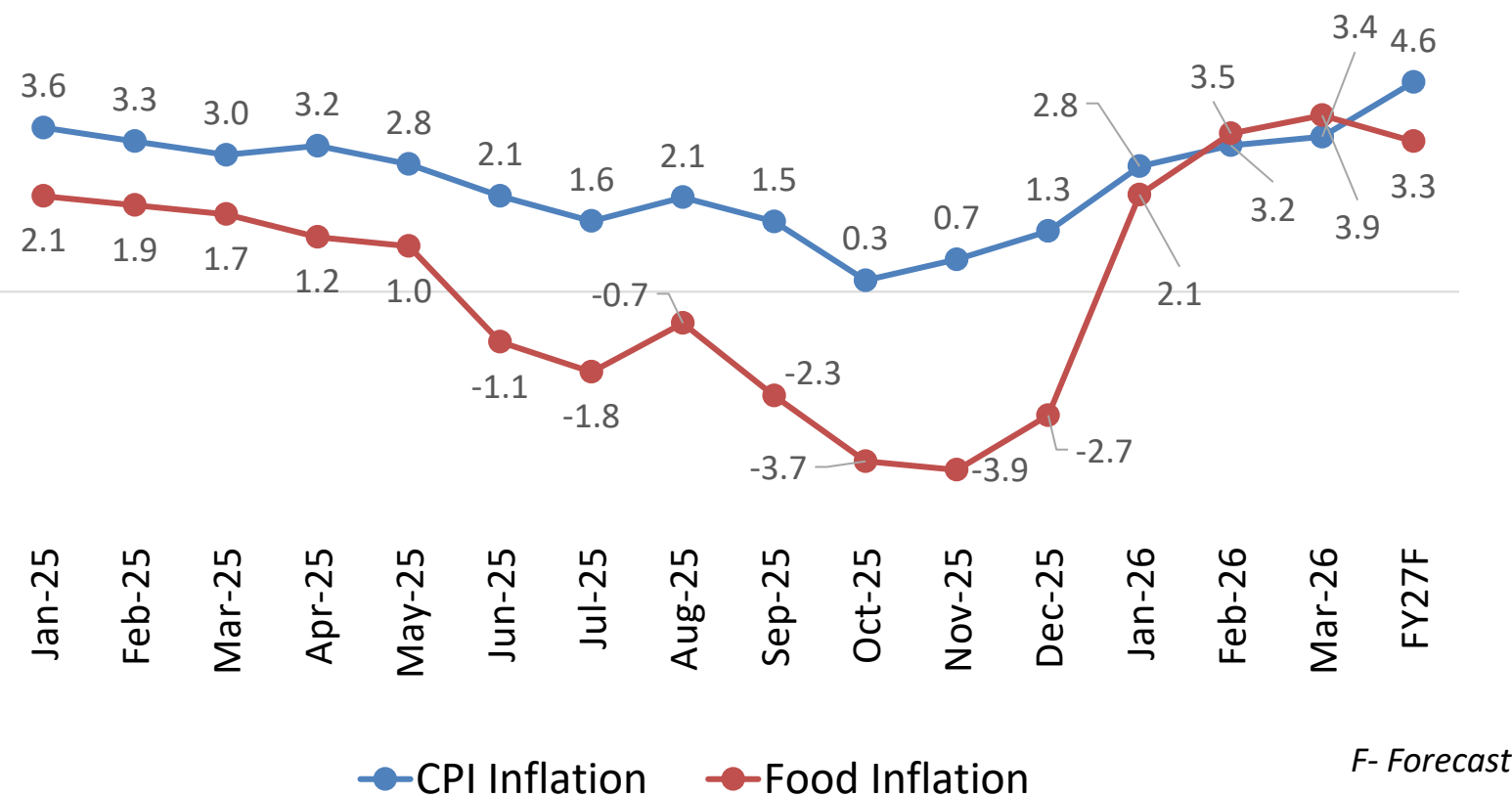
Indicator	Value	Period	Outlook
Real GDP growth	7.8%	Q3 FY26	FY26 growth is estimated at 7.%, driven by resilient domestic demand.
Inflation (CPI)*	3.40%	March 2026	Inflation is likely to rise in the near term due to the West Asia conflict and higher oil and energy prices.
Interest rate (Repo)	5.25%	April 2026	Neutral policy stance; low rates may persist to support growth amid soft inflation.
Unemployment rate	4.9%	February 2026	Geopolitical headwinds, higher energy costs could weigh on investment-linked jobs.
GST collections	INR 1.78 trillion	March 2026	GST revenue growth to stay positive, fueled by resilience of the economy and consumption.
Manufacturing PMI	53.9	March 2026	Expected to moderate amid supply-chain disruptions arising from the West Asia conflict. PMI slipped to 4 year low.
Services PMI	57.5	March 2026	Expected to moderate as high-cost pressures weigh on input prices.

*CPI inflation as per provisional data.

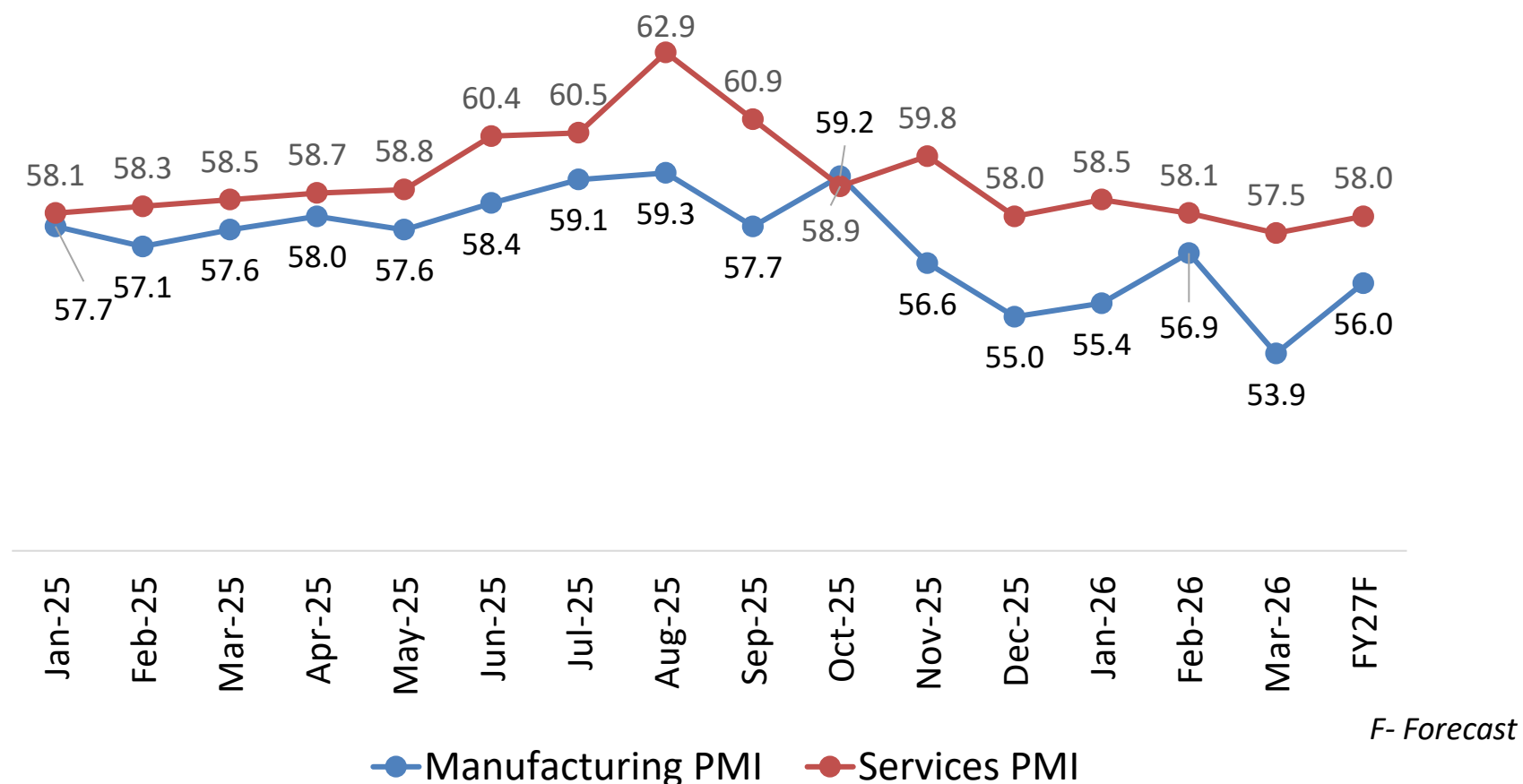
Sources: Reserve Bank of India, Government of India, Press Information Bureau, Ministry of Finance; Economic Times; The Federation of Automobile Dealers Associations; HSBC; Brickwork Research.

Retail inflation accelerates past 3% while manufacturing and services PMI moderates

CPI inflation %



Manufacturing and services PMI

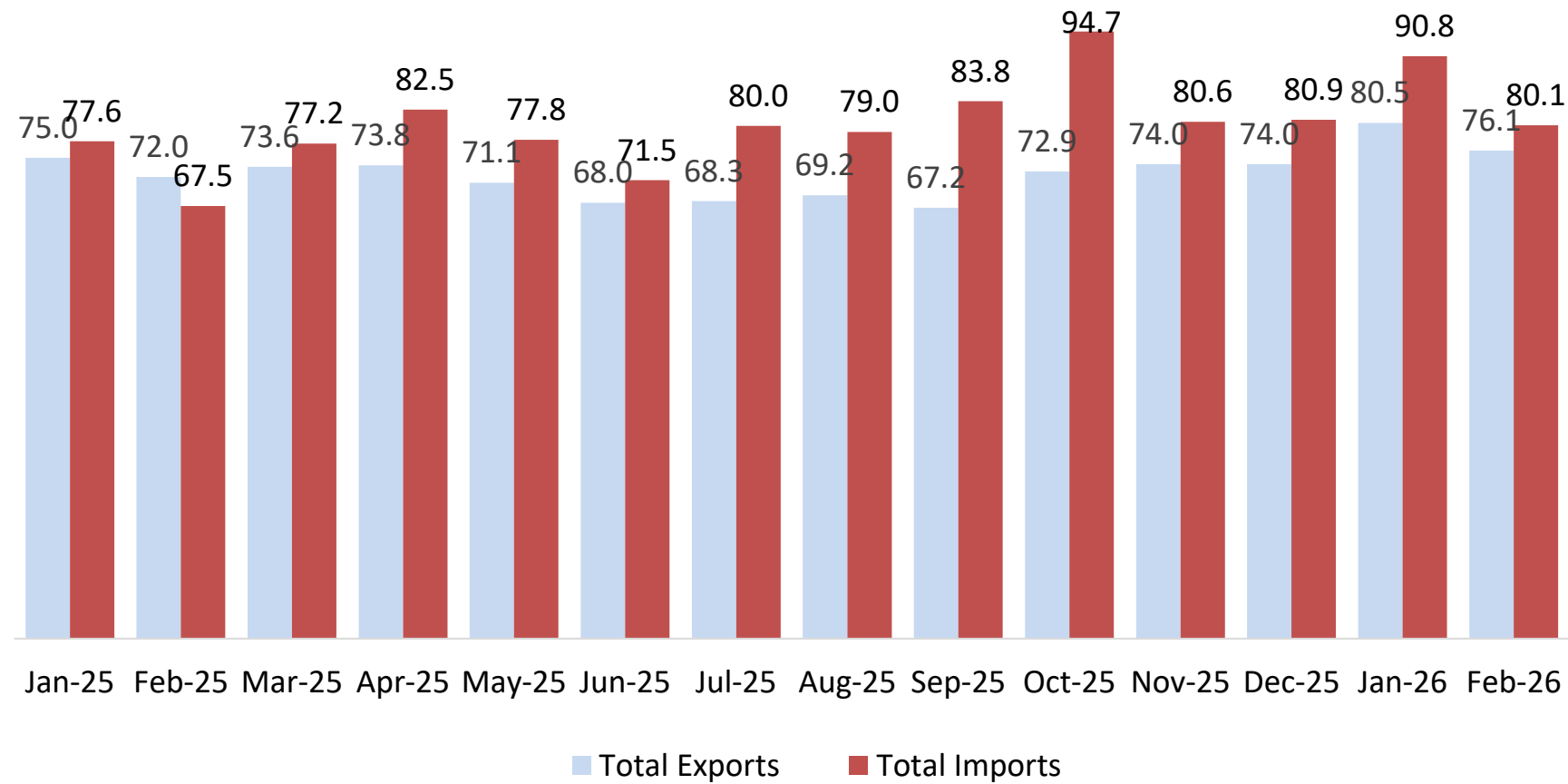


- India's provisional retail inflation firmed up to 3.40% in March 2026, compared to 3.21% in February 2026, As geopolitical tensions and supply-side pressures from the Middle East started to exert upward pressure on prices.
- Food-price inflation has risen to 3.87%, up from 3.47% in February 2026, The 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.

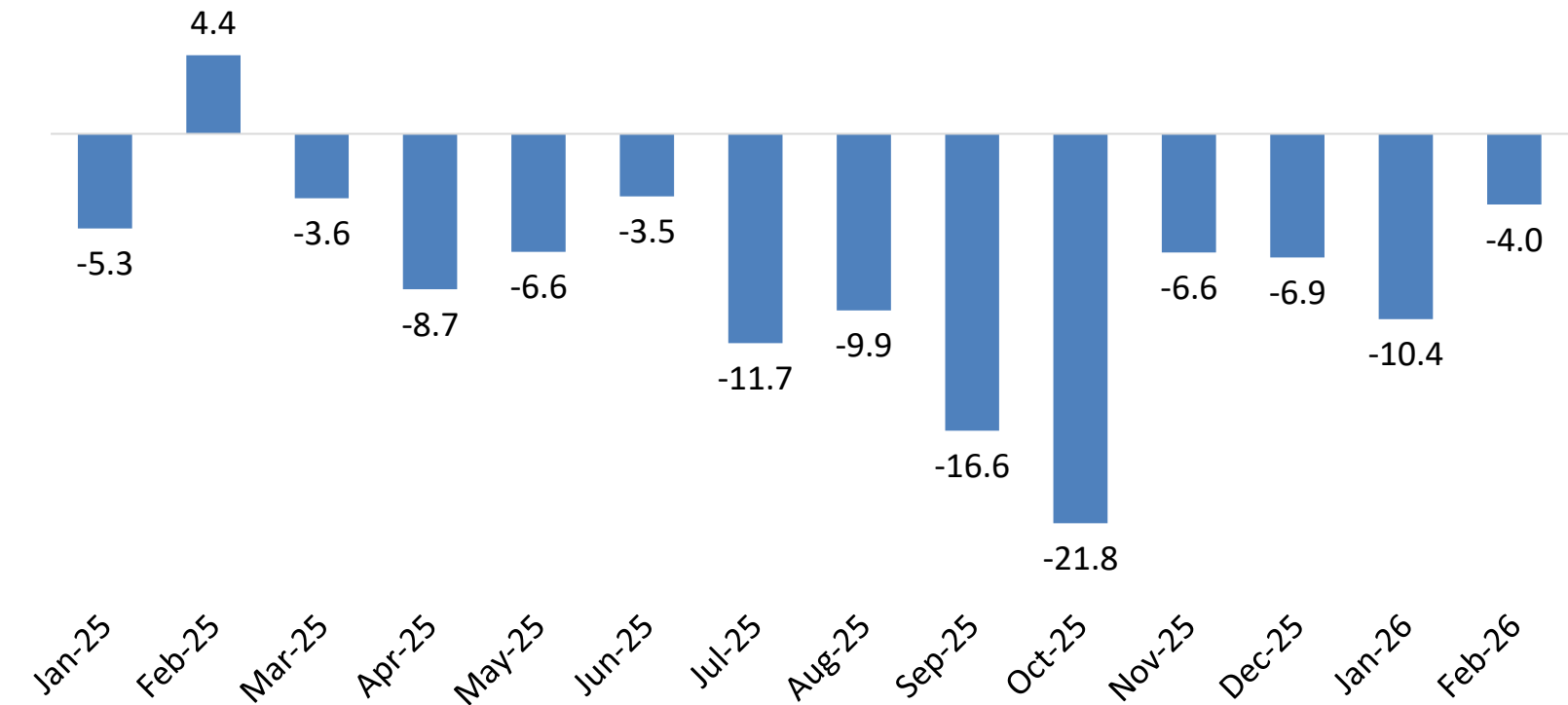
- India's manufacturing sector slowed in March 2026, with the PMI slipping to 53.9 from 56.9 in February 2026, lowest level in 45 months.
- Volatility in global commodity prices and disruptions to supply chains weighed on manufacturing activity, while slower growth in external demand for Indian goods further contributed to the slight contraction in manufacturing PMI during the month.
- India's Services PMI moderated to 57.5 in March 2026 from 58.10 in February 2026, marking its slowest expansion since early 2025 as the sector faced severe margin pressures. This softening coincided with input costs surging at their fastest pace since June 2022, a sharp rise in operating expenses that was largely driven by elevated freight charges, fuel prices, and costly kitchen staples like edible oils.

Trade deficit narrows but oil risks loom

Exports and imports (USD billion)



Trade balance (USD billion)

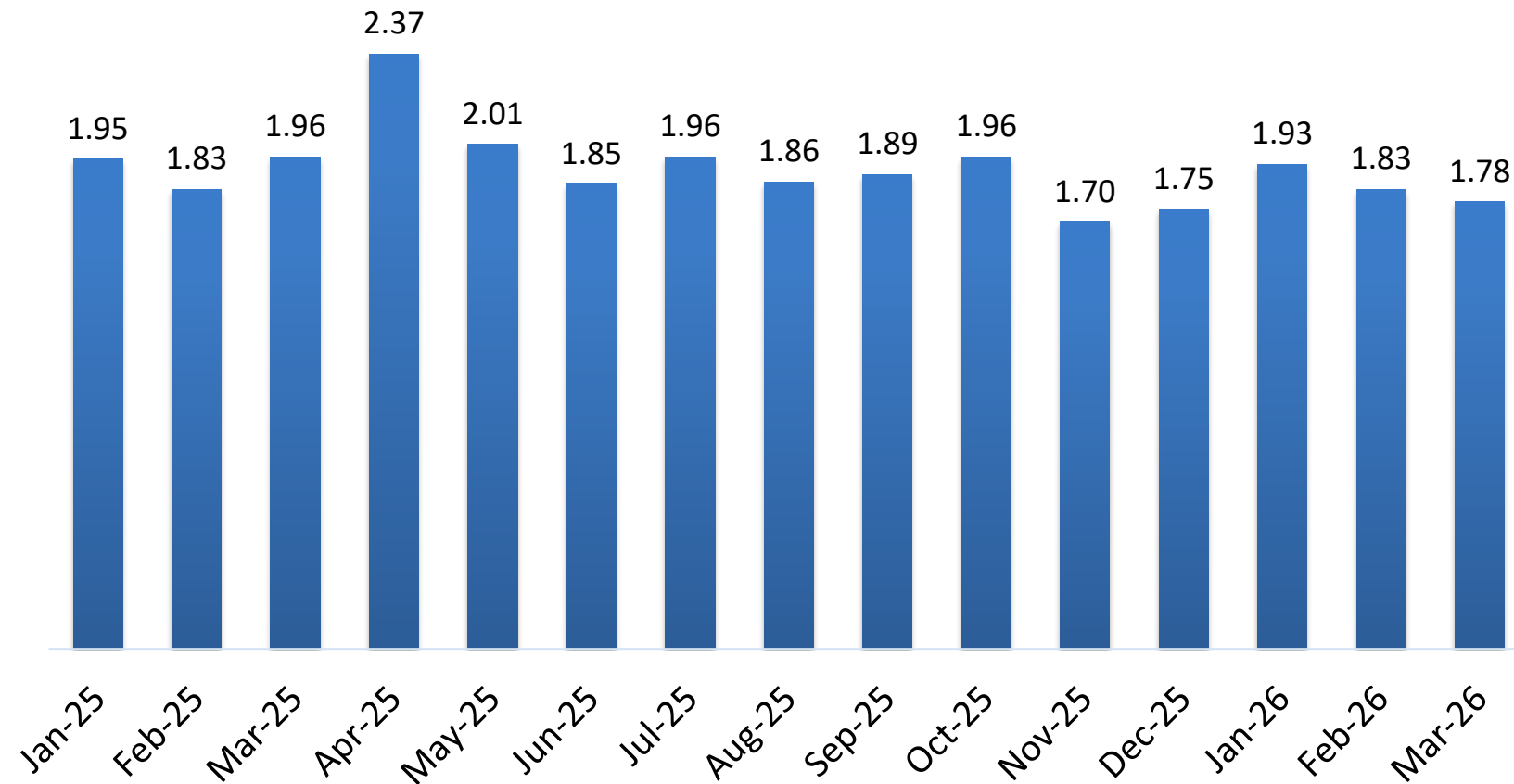


- India's total exports declined to USD 76.1 billion in February 2026, driven by services exports declining to USD 39.53 billion from USD 43.90 billion in the month of January 2026.
- India's total imports declined to USD 80.09 billion in February 2026, driven by decline in merchandise imports at about USD 63.71 billion, from USD 71.24 billion in the month of January 2026.
- The West Asia conflict and trade-policy risks, including shipping disruptions, higher energy and freight costs, and evolving trade-agreement dynamics, are likely to weigh on shipments linked to the Gulf region.

- The overall trade deficit stood at USD 3.99 billion in February 2026.
- In the near term, the merchandise trade deficit is estimated to widen, primarily driven by a sharply higher import bill owing to the surge in crude oil prices.
- With crude oil prices averaging over USD 112 per barrel in March 2026, the total value of imports will be artificially inflated even if physical volumes remain steady, putting pressure on foreign exchange reserves and stretching the trade deficit.

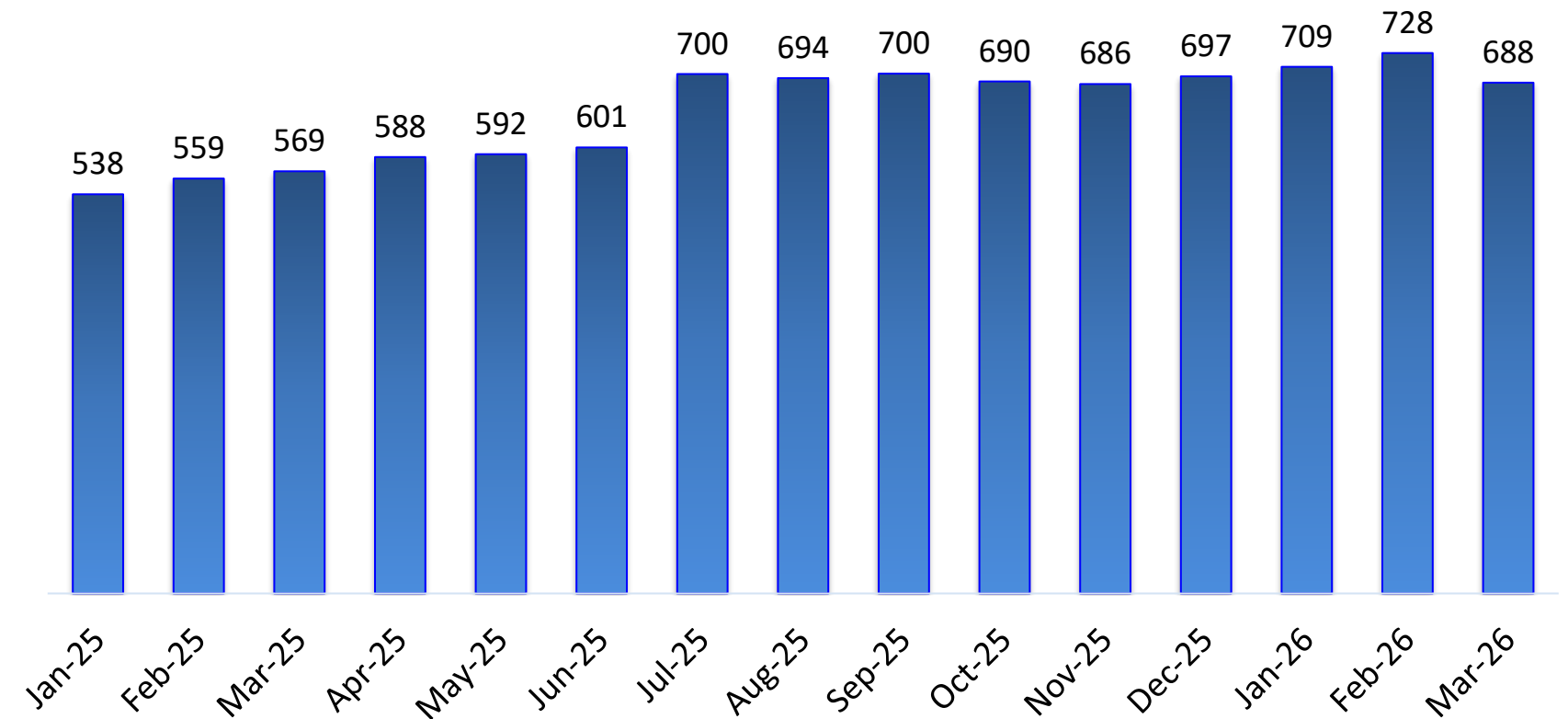
GST revenues show structural buoyancy with strong year-end growth

GST collections (INR trillion)



- India's February 2026 GST collections stood at INR 1.78 trillion, highlighting the resilience of the economy and the impact of year-end inventory clearance, while underscoring that India's GST buoyancy has become structural rather than cyclical.
- March collections show gross domestic revenue at INR 1.46 trillion, reflecting a 5.9% year-on-year increase, while revenue from imports rose 17.8% to INR 53,861 crore.
- FY26 gross GST revenue stood at INR 22.27 trillion, up 8.3% from INR 20.55 trillion in the previous year.

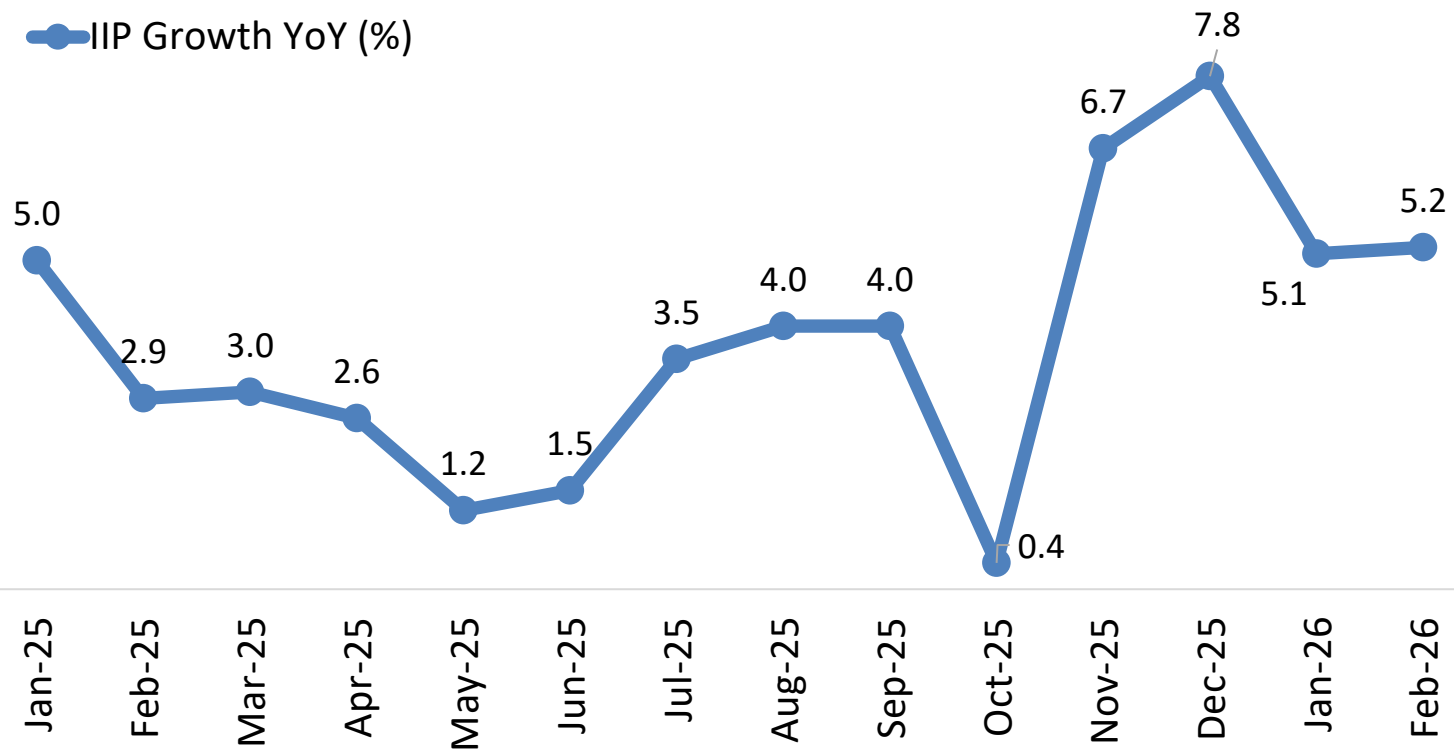
Forex reserves (USD billion)



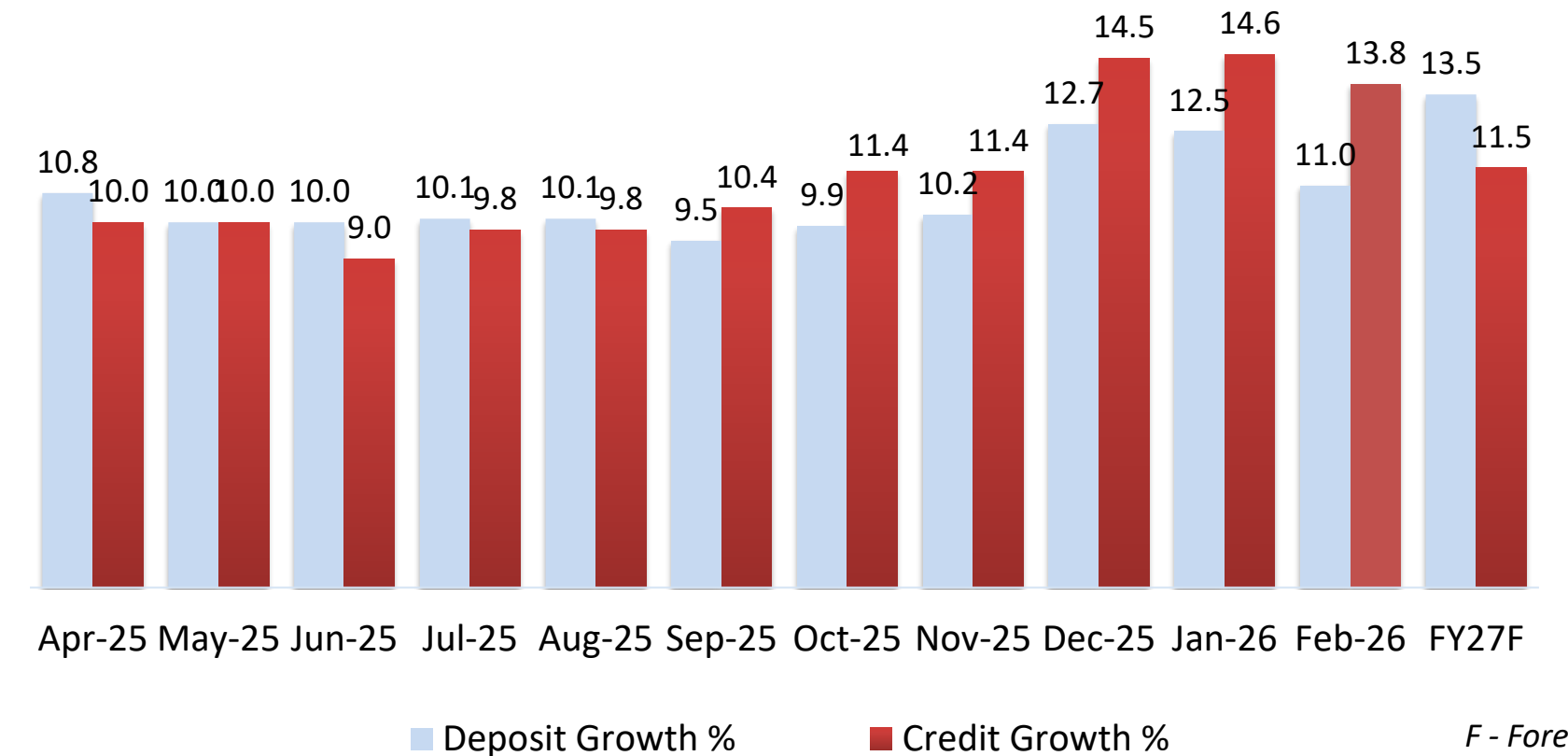
- India's foreign exchange reserves posted a significant decline, falling to USD 688 billion in March 2026, after reaching an all-time high of USD 728 billion in February 2026.
- This correction was driven mainly by the Reserve Bank of India's active dollar purchases in the spot market to contain rupee volatility, along with a 4% depreciation of the rupee against the USD in March 2026 and some revaluation in gold and foreign-currency assets.
- India still maintains a sizeable buffer around 11–12 months of import cover, but the recent drawdown underscores heightened external vulnerability amid elevated geopolitical and oil-price risks.

IIP growth edges higher on strong manufacturing and credit expansion

Industrial production (IIP) growth in %



Deposit and credit growth in %



- IIP grew 5.2% year-on-year in February 2026, slightly up from 5.1% in January 2026, The expansion was driven by a strong 6% rise in manufacturing output, up from a 4.8% increase in the previous month.
- Manufacturing has been the main driver of industrial growth, backed by segments such as infrastructure, construction, and capital goods.
- Energy costs have become a growing concern for manufacturers, as surging energy prices and rising input costs weigh on margins, while uneven pricing power limits their ability to fully pass through higher costs.
- Prolonged geopolitical uncertainties, especially in West Asia, could affect investment decisions and delay the recovery in private sector spending.

- Credit growth accelerated to 13.8% as of March 2026, supported by strong liquidity buffers and a consumption-led recovery.
- The credit expansion was driven by continued momentum in retail and MSME lending, higher exposure to non-banking financial companies, and some improvement in infrastructure financing. Corporate borrowing also picked up opportunistically, with lending activity typically strengthening towards the end of the financial year.
- Deposit growth stood at 10.8%. Loan growth is outpacing deposits, pushing banks to rely more on certificates of deposit and wholesale funding while reducing holdings of government securities. Household savings are shifting toward market-linked instruments, weakening traditional deposit mobilization.

Authors :

Girish Basantani

Editor:Vikrant Chaturvedi
Pranjal Sudhir Ghate**Managing Editor:**

Rajeev Sharan

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 entire content of this study is subject to copyright, with all rights reserved. The information may be used for private or internal purposes, provided that any copyright or other proprietary notices are not removed. Electronic reuse of the data published in this study is strictly prohibited. Reproduction, in whole or in part, or use for any public purpose is permitted only with the prior written approval of Brickwork Ratings India Pvt. Ltd., and only if the source reference "*Monthly Economic Wrap, April 2026, Brickwork Ratings*" is clearly indicated.

Although all information used in this study has been sourced from reliable references, Brickwork Ratings does not accept any responsibility for the accuracy or completeness of the information provided, nor for any forward-looking statements made. The content and forward-looking statements are intended solely for informational purposes and do not constitute, nor should they be interpreted as, Brickwork Ratings' position in relation to any ongoing or future dispute.

Under no circumstances shall Brickwork Ratings be liable for any loss or damage arising from the use of this information. Readers are cautioned not to place undue reliance on forward-looking statements. Brickwork Ratings undertakes no obligation to publicly revise or update any forward-looking statements, whether as a result of new information, future events, or otherwise.

The editorial deadline for this study was 13 April 2026.

Brickwork Ratings India Pvt. Ltd.

Telephone +91 80 4040 9940

Email research@brickworkratings.com

© 2025

Brickwork Ratings

All rights reserved.