

# BRICKWORK™

## RATINGS

# MONTHLY ECONOMY WRAP

Issue 38

**BRICKWORK RESEARCH**

**September 2025**

# India macroeconomic overview

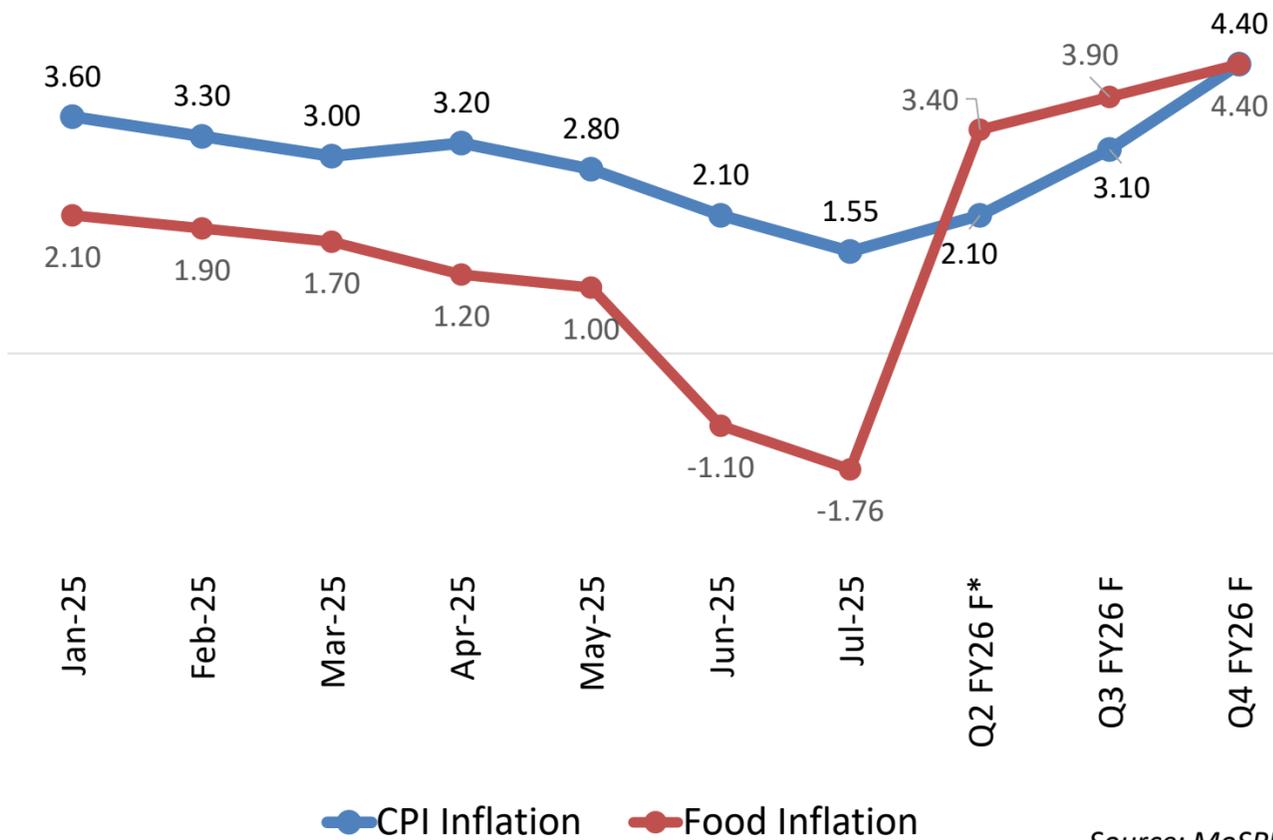
## Macroeconomic updates – August 2025

- **Real GDP growth:** India's real GDP grew 7.8% in Q1 FY2026, driven by strong growth in manufacturing (7.7%), services (9.3%), and construction (7.6%), surpassing RBI's 6.7% forecast for Q1 FY2026
- **Currency and trade risks:** INR depreciated beyond 88/USD, with tariffs raising risks to exports and capital flows.
- **US tariff imposition:** An additional 25% US tariff in Indian exports, effective 27<sup>th</sup> August, targets textiles, gems, jewellery, shrimp, carpets, furniture, footwear, and chemicals.
- **Export impact:** Export value to the US could fall nearly 70% to USD 50 billion by 2026, threatening hundreds of thousands of jobs.
- **Outlook:** The RBI has maintained its growth forecast at 6.5% for FY2026. Downside risk to the outlook mainly emanates from geopolitical tensions, US tariff on Indian exports, trade disruptions, and financial market volatility. World Bank and IMF project FY2026 growth at 6.3% and 6.4%, respectively.

| Indicator                   | Value                           | Date        | Outlook   |
|-----------------------------|---------------------------------|-------------|---|
| Real GDP growth (Q1 FY2026) | 7.8% (Base year 2011-12)        | August 2026 | India's real GDP growth is likely to sustain momentum in Q2 FY2026                        |
| Inflation (CPI)             | 1.55%                           | July 2026   | Expected to average 3.1–3.7% for FY2026   |
| Interest rate (Repo)        | 5.5%                            | August 2026 | Potential for mild rate cut in late 2025 if inflation remains subdued                     |
| Unemployment rate           | 5.2%                            | July 2026   | Anticipated to remain moderate if growth sustains   |
| Fiscal deficit              | 4.4% of GDP (Forecast - FY2026) | July 2026   | Managed within target levels, supported by strong GST collections and controlled spending |
| GST collections             | INR 1.86 lakh crore             | August 2026 | Outlook is positive, due to ongoing reforms and widening tax base                         |
| Manufacturing PMI           | 59.3                            | August 2026 | Projected to sustain positive momentum led by strong domestic demand                      |
| Services PMI                | 62.9                            | August 2026 | Services to lead economic momentum, with strong internal demand                           |

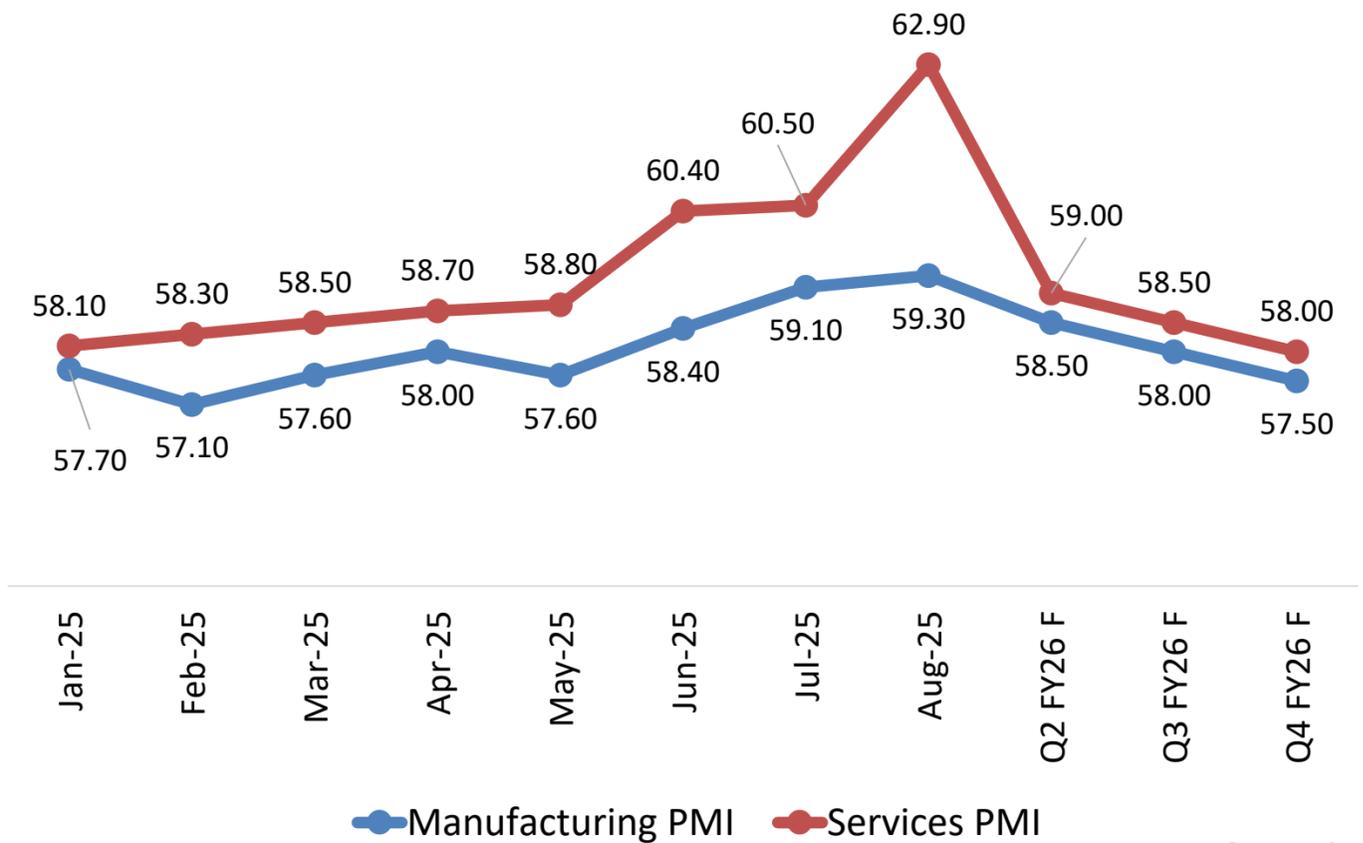
# Easing inflation and resilient PMI

## CPI Inflation %



Source: MoSPI, RBI.  
F - Forecast

## Manufacturing & Services PMI



Source: investing.com  
F - Forecast

### Outlook

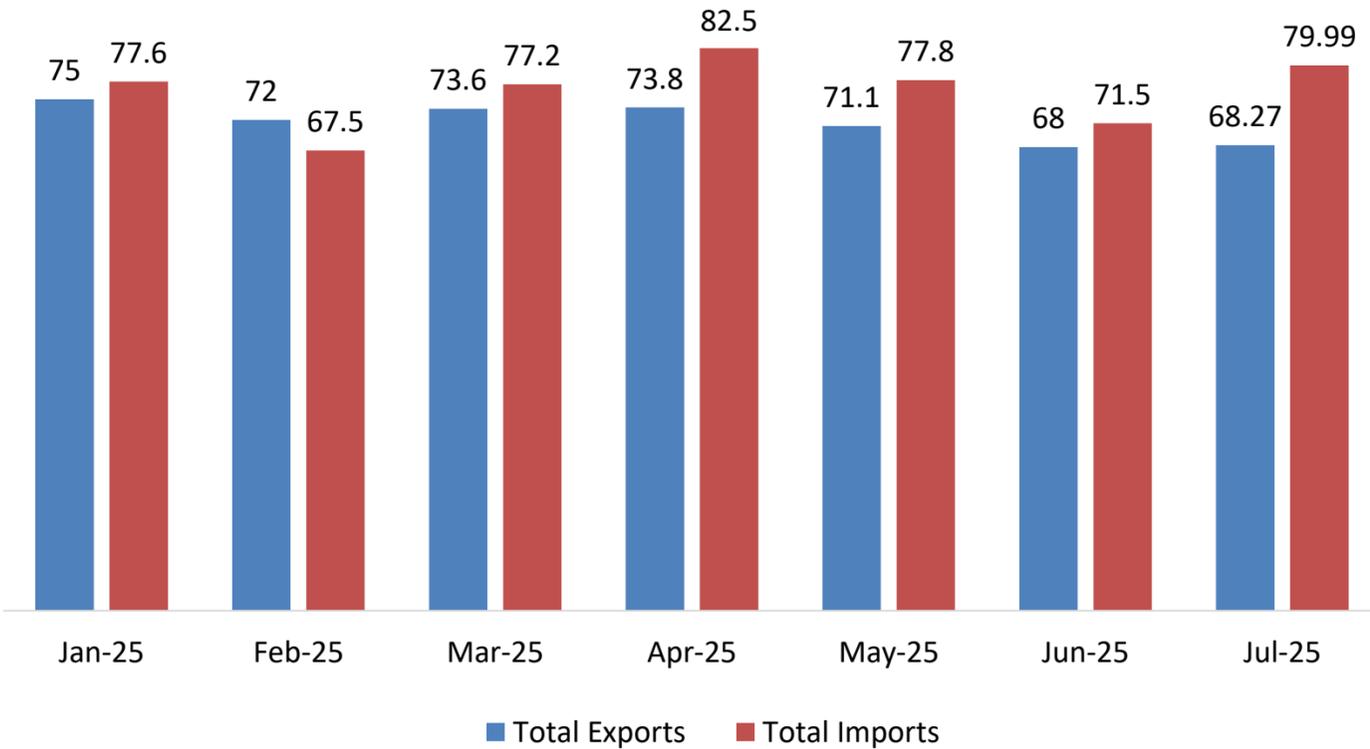
- India's CPI inflation is expected to stay within target for FY2027
- RBI cut its forecast to 3.1–3.7% for FY2026, aided by easing food prices, strong stocks, and good monsoons
- Headline CPI fell to 1.55% in July 2025, an eight-year low

### Outlook

- India's manufacturing PMI surged to 59.3 in Aug 2025, a 17.5-year high, led by demand, output, and jobs
- Manufacturing PMI is projected to ease to 55.0 in 2026 and 52.0 in 2027 as supply chains improve and tariffs weigh on exports
- Services PMI is expected to stabilize around 54.0 in 2026 and 53.0 in 2027, reflecting normalized growth

# Export momentum softens as global headwinds rise

## Exports and Imports (USD billion)

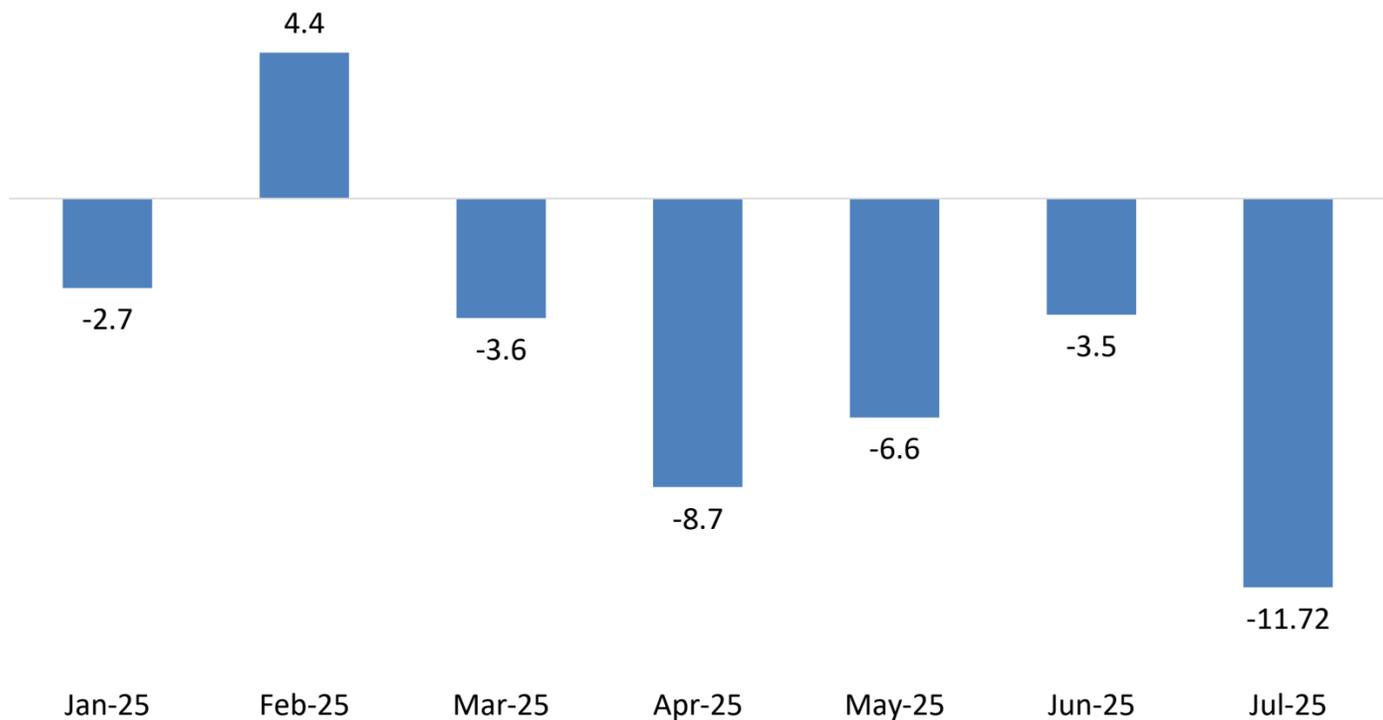


Source: Ministry of Commerce.

### Outlook

- India's export growth faces risks from newly imposed U.S. tariffs
- Tariffs are likely to cut new export orders in textiles, chemicals, IT services, and machinery in the short term
- The government is implementing policies and market diversification strategies to mitigate these adverse effects

## Trade balance (USD billion)



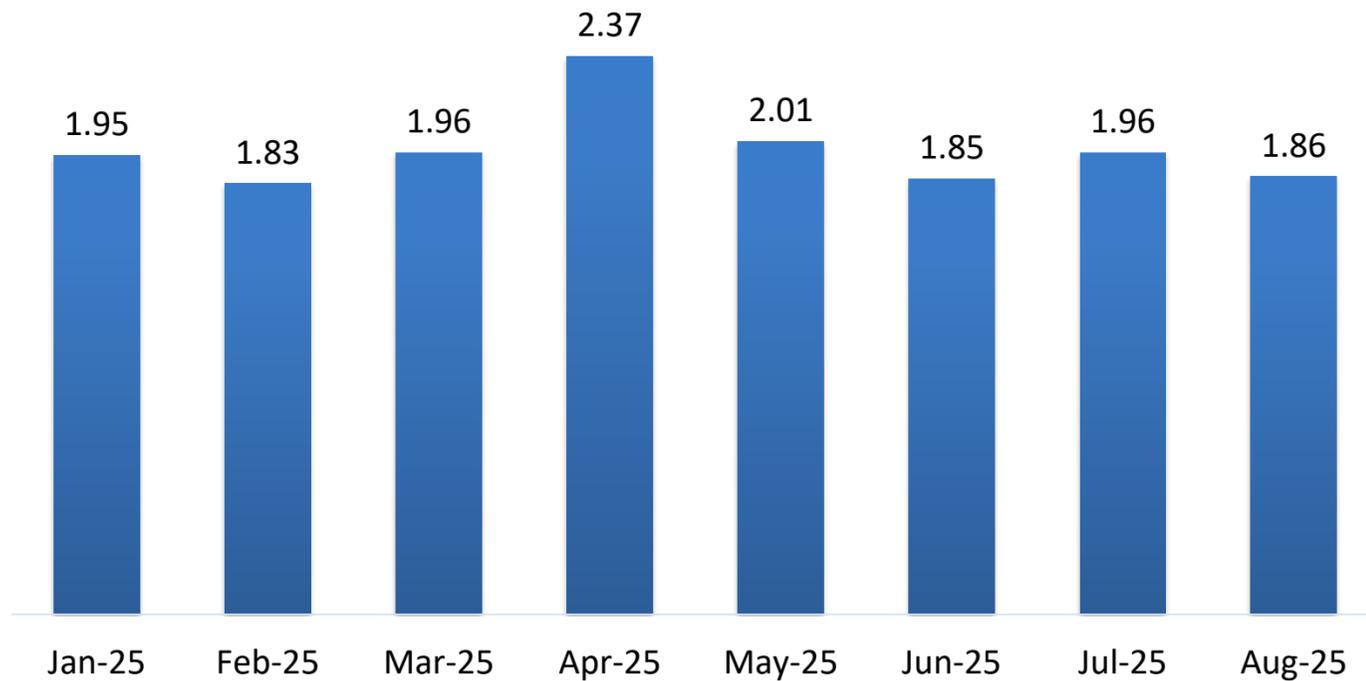
Source: Ministry of Commerce.

### Outlook

- India's trade deficit widened to USD 11.72 billion in July 2025, up from USD 3.5 billion in June, as exports moderated
- The gap reflects strong import demand, rising commodity prices, and higher energy needs, overshadowing export growth
- Outlook requires cautious optimism with close watch on inflation, energy costs, and trade policies

# Balancing reform and resilience: GST overhaul and surging forex buffers

## GST collections (INR trillion)

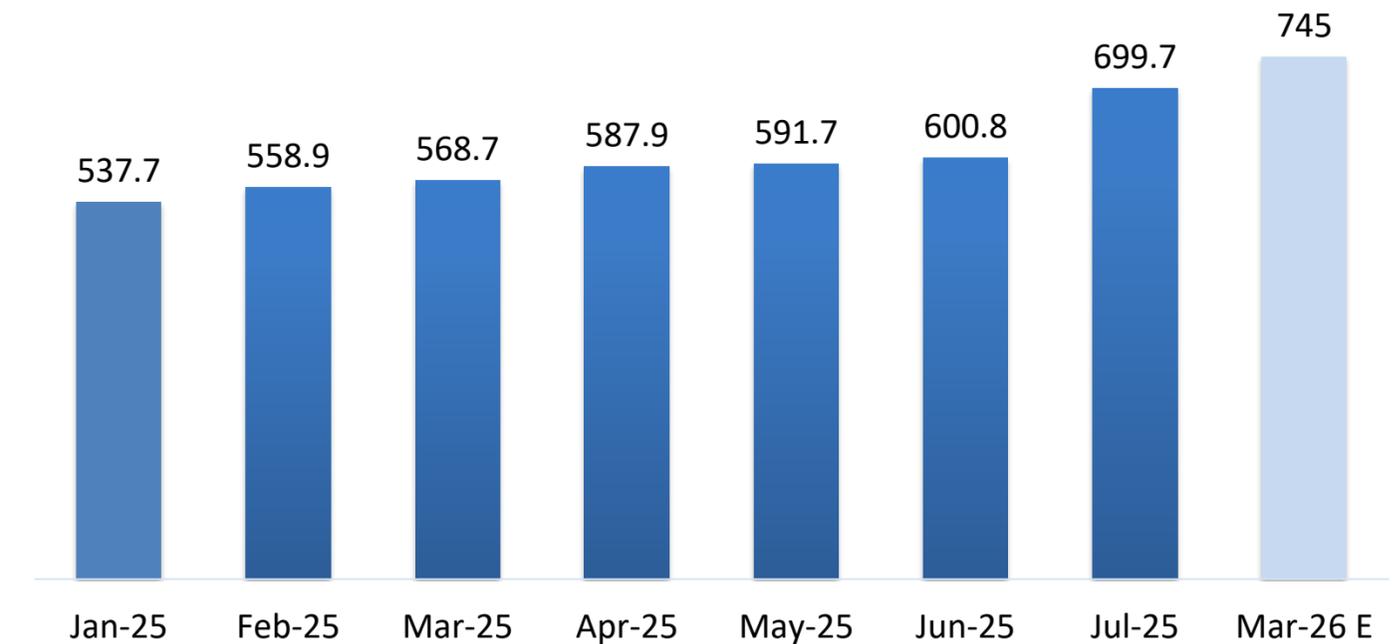


Source: Government of India.

### Outlook

- The GST Council approved major reforms for rollout from September 22, 2025, introducing a simplified two-slab structure: 5% on essentials/daily use items, 18% on most goods and services, and a 40% 'sin goods' rate
- Projections for FY2026 indicate continued growth around 6-8% YoY supported by ongoing reforms, improved compliance, and deeper penetration of GST

## Forex reserves (USD billion)



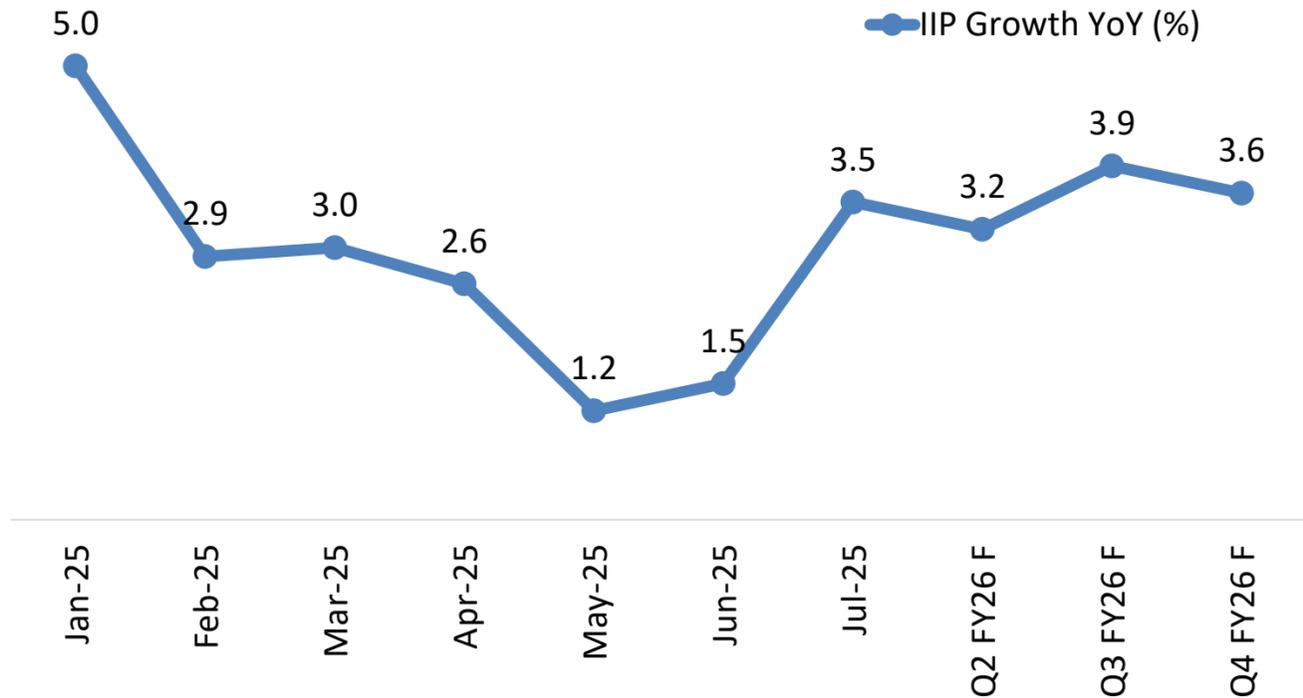
Source: RBI. E - Estimates

### Outlook

- India's forex reserves stood at approximately USD 695 billion in mid-2025, having briefly crossed \$700 billion in June 2025, reflecting strong capital inflows and RBI interventions to stabilize the rupee
- It is projected that India's forex reserves will reach USD 745 billion by March 2026, driven by balance-of-payments surpluses and reduced current account deficits

# Industrial production gains momentum, outlook aligns with macro recovery

## Industrial production (IIP) growth (%)

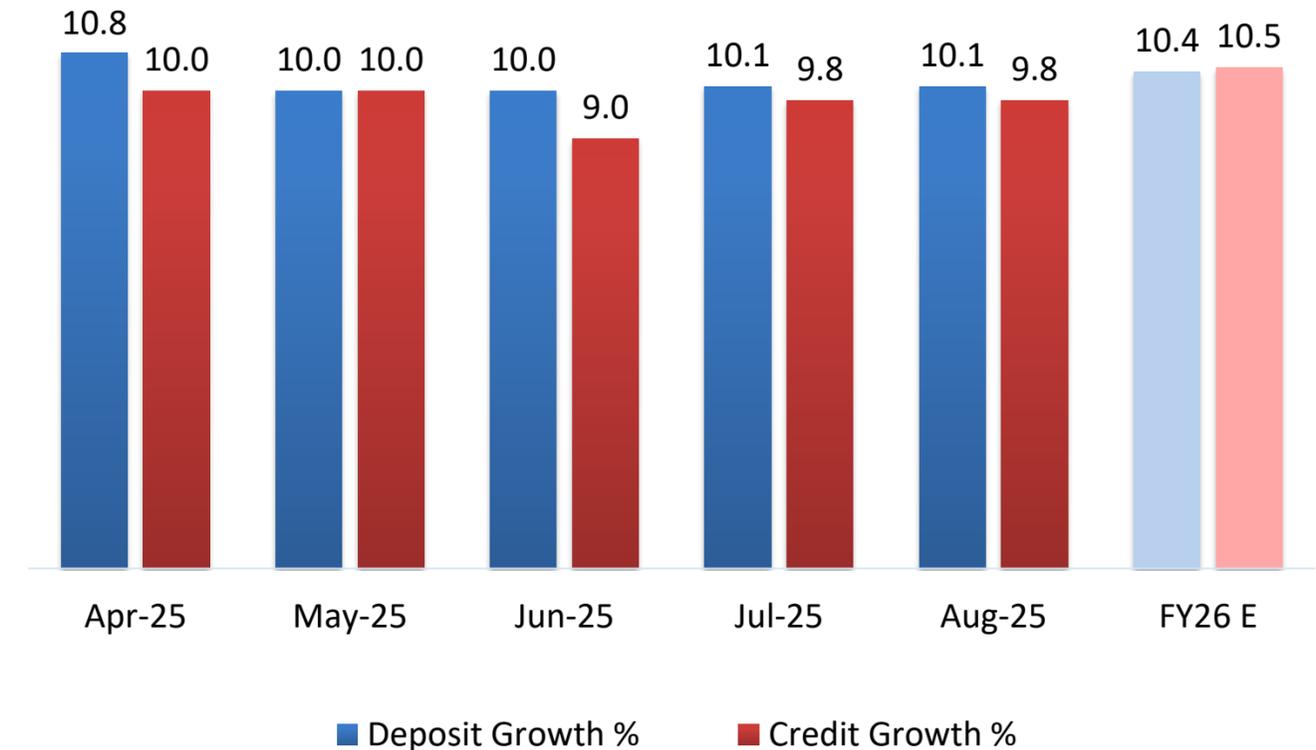


Source: MoSPI  
F - Forecast

### Outlook

- Industrial production (IIP) grew 3.5% YoY in July 2025, rebounding from 1.5% in June, led by 5.4% growth in manufacturing
- IIP growth is projected at 4.3% in 2026 and 4.1% in 2027, showing resilience
- Manufacturing output is expected to stay strong at 4.1% in 2026 and 3.8% in 2027, supported by domestic demand

## Deposit and Credit growth %



Source: Business Standard. E - Estimates

### Outlook

- Credit growth in FY2026 is projected at 10.8–12.4%, led by retail, agriculture, and MSMEs, aided by monetary easing and liquidity support
- Deposit growth, at 10–10.5% in FY2025, may improve gradually but will likely lag credit, keeping loan-to-deposit ratios high and pressuring bank liquidity

**Authors :**

Manasvi Joshi  
Abhishek Das  
Rajeev Sharan

Girish Basantani  
Vikrant Chaturvedi

**ABOUT BRICKWORK RATINGS**

Brickwork Ratings (BWR) is India's home-grown credit rating agency built with the superior analytical prowess of the industry's most experienced credit analysts, bankers and regulators. Established in 2007, BWR aims to provide reliable credit ratings by creating new standards for assessing risk and by offering accurate and transparent ratings. BWR provides investors and lenders timely and in-depth research across the structured finance, public finance, financial institutions, project finance and corporate sectors. Our experienced analysts have published over 13,370 ratings across asset classes. BWR is committed to providing the investment community with products and services needed to make informed investment decisions. BWR is a registered credit rating agency by Securities and Exchange Board of India (SEBI) and a recognised External Credit Assessment Agency (ECAI) by the Reserve Bank of India (RBI) to carry out credit ratings in India. BWR is promoted by Canara Bank, India's leading public sector bank.

More information on Canara Bank is available for reference at [www.canarabank.com](http://www.canarabank.com) BWR Rating Criteria are available at <https://www.brickworkratings.com/ratingscriteria.aspx> Brickwork Ratings, a SEBI-registered credit rating agency, has also been accredited by the RBI, and it offers rating services for bank loan, NCD, commercial paper, bonds, securitised paper etc. BWR has Canara Bank, a nationalised bank, as its promoter and strategic partner. BWR has its corporate office in Bengaluru and a country-wide presence, with offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi, along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitised paper of over 19,09,101 Cr. Additionally, fixed deposits and commercial papers, among others, worth over 84,580 Cr have been rated.

**DISCLAIMER**

Copyright © 2023 by Brickwork Ratings India Pvt Ltd., 3rd Floor, Raj Alkaa Park, 29/3 & 32/2, Bannerghatta Main Rd, Kalena Agrahara, Bengaluru, Karnataka 560076. Telephone: +91 80 4040 9940. Fax: +91 80 4040 9941. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved. The Research team at Brickwork Ratings (BWR) takes great care in ensuring the reliability and accuracy of the information published. However, Brickwork Ratings takes no responsibility for any inaccuracies in the information (whether expressed or implied). Consequently, neither Brickwork Ratings nor the authors provide any qualitative or quantitative guarantee that the content is 100% accurate.

BWR appreciates that the readers of the report read and understand the following:

- The BWR Research report, in whole or in part, may not be sold, circulated, or quoted to a third party without the explicit written permission of BWR.
- Furthermore, no part of the report may be reproduced or transmitted in any form or by any means electronic, photocopying, mechanical, recording, or otherwise without the publisher's permission, i.e., BWR.
- All statements of fact, opinion, or analysis expressed in reports are those of the respective analysts. They do not necessarily reflect formal positions or views of BWR.
- The information and statements of fact made are not guarantees, warranties, or representations of their completeness or accuracy. BWR assumes no liability for any short-term or long-term decisions made by any reader based on the analysis included in our reports.