

BRICKWORK™

RATINGS

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India macroeconomic overview

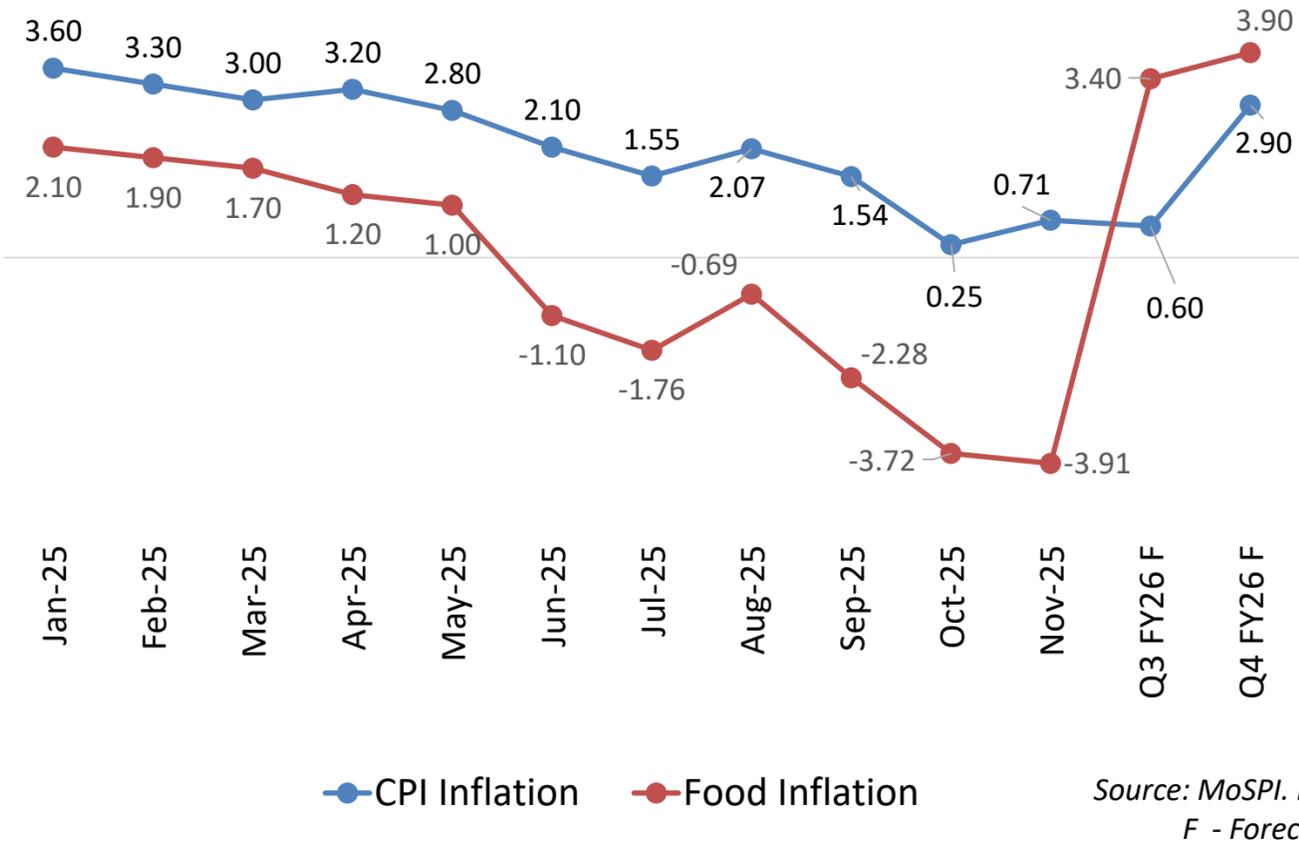
Macroeconomic updates – December 2025

- GDP growth outlook and forecast:**
 - In a significant milestone, India has surpassed Japan to become the world’s fourth-largest economy in nominal GDP, according to the government’s year-end economic review.
 - India's real GDP grew by a robust 8.2% in Q2 FY2026, the highest in six quarters, supported by resilient domestic demand. The government revised the GDP growth forecast for the full fiscal year upward to 7.4%.
- Trade agreements** - India concluded negotiations on a free trade agreement (FTA) with New Zealand and Australia in December 2025, which aims to provide duty-free access for 100% of Indian exports. A Comprehensive Economic Partnership Agreement (CEPA) was also signed with Oman. These agreements reflect India’s strategic push for export-led growth and deeper integration into global trade networks.
- Rupee under pressure amid global dollar strength and trade uncertainty** - The Indian rupee depreciated sharply against the U.S. dollar in December, slipping to historic lows beyond INR 91 per USD by mid-month. Persistent dollar strength—driven by elevated U.S. interest rates and safe-haven demand amid geopolitical uncertainty—kept sustained pressure on the USD/INR pair. In addition, delays and uncertainty around major trade negotiations, particularly prospects of a U.S.–India trade agreement, further dampened market sentiment.

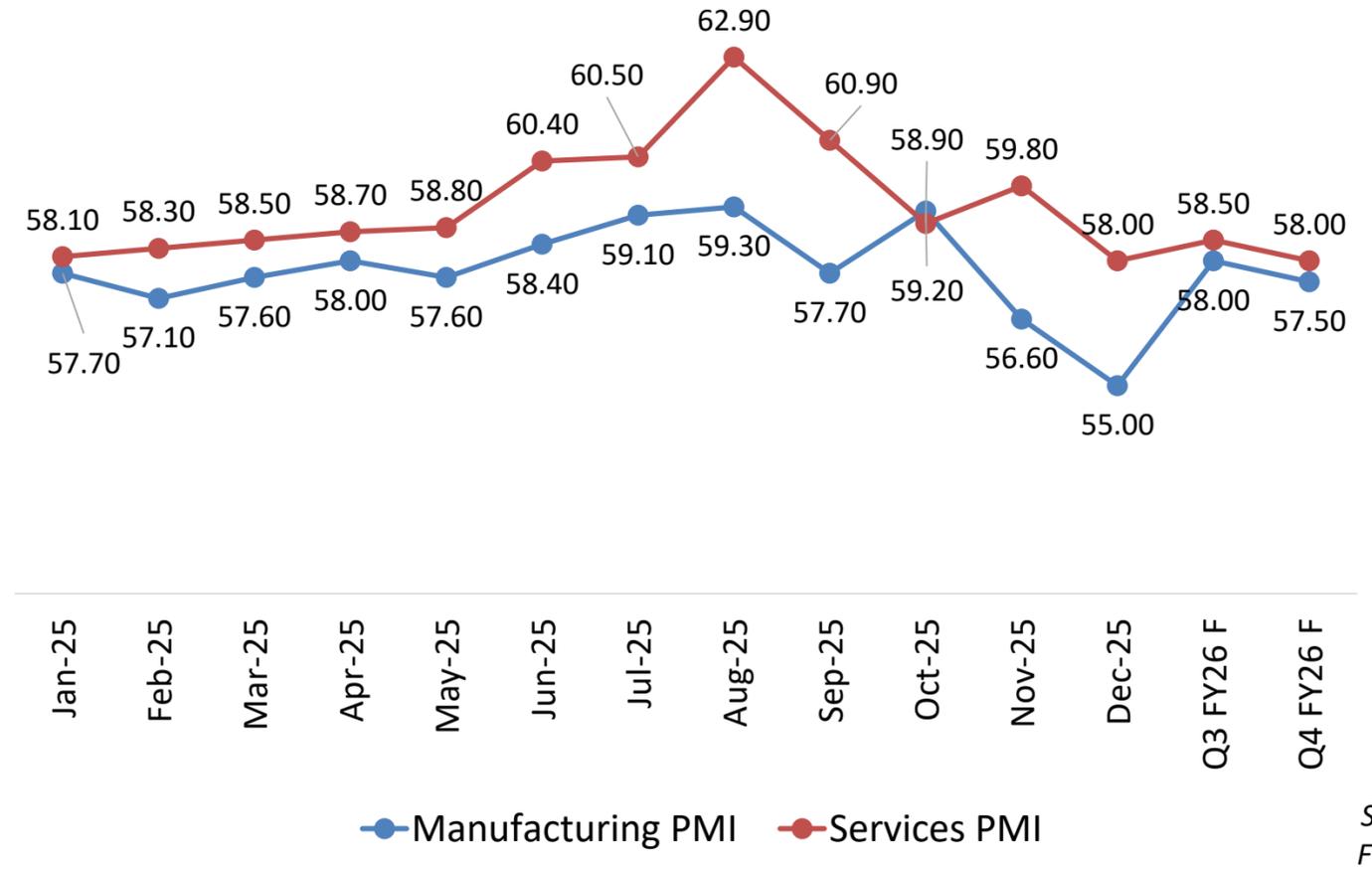
Indicator	Value	Period	Outlook
Real GDP growth	8.2%	Q2 FY2026	FY 2026 growth is estimated at 7.4%, reflecting robust domestic demand.
Inflation (CPI)	0.71%	November 2025	RBI lowered CPI inflation forecast to 2% for FY 2026.
Interest rate (Repo)	5.25%	December 2025	Neutral policy stance; low rates may persist to support growth amid soft inflation.
Unemployment rate	4.7%	November 2025	India’s unemployment rate is expected to stay moderate in FY 2026, with recent data showing fall in unemployment rate.
GST collections	INR 1.75 trillion	December 2025	GST collections are likely to stay strong in the near term, backed by robust domestic demand.
Manufacturing PMI	55.0	December 2025	Estimated to stay above 50 but gradually ease from recent highs as global demand and tariff headwinds soften orders.
Services PMI	58.0	December 2025	Estimated to remain in the high-50s range, with resilient domestic consumption.

Low inflation, easing PMI momentum, but growth remains on track

CPI inflation %



Manufacturing & services PMI

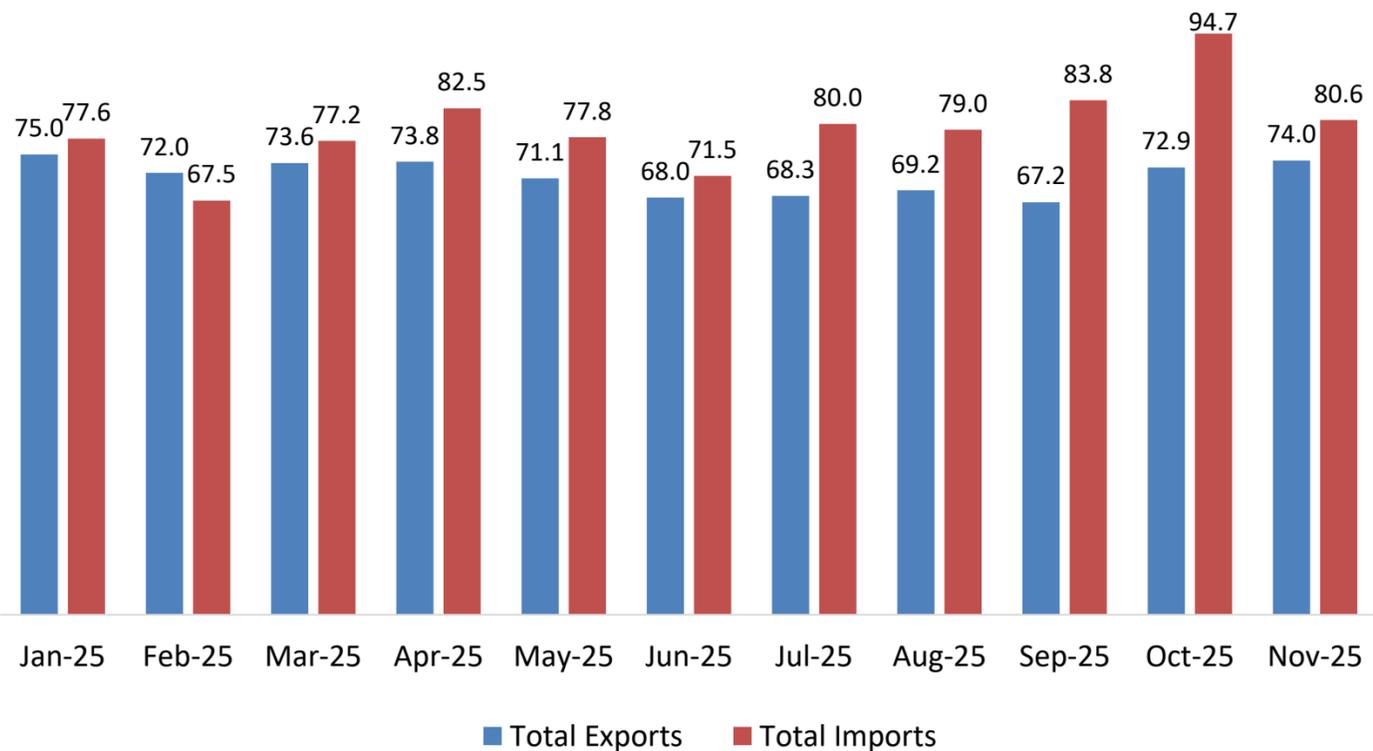


- Headline CPI inflation remains subdued at about 0.71% in November 2025, slightly up from a record low of 0.25% in October, but well below the RBI's revised forecast of 2% for FY2026.
- Base year effect and tax reforms, including GST rate rationalization are contributing to a downward pressure on consumer prices.
- Inflation is expected to remain closer to the RBI target (of 2-6%) for the remainder of FY 2026 and potentially into early FY 2027, allowing monetary accommodation.

- India's manufacturing PMI eased to 55 in December 2025. Both factory output and new order inflows grew at slower rates compared to previous months, suggesting softening momentum in production demand.
- India's services PMI eased to 58.0 in December 2025 from 59.8 in November, marking an 11-month low. While activity remained firmly in expansion territory, softer new business inflows and weaker hiring momentum signaled a moderation in growth as confidence slipped to a 3.5-year low.
- Manufacturing and services PMIs are estimated to stay expansionary over the next 12–18 months, though momentum may ease from recent highs as global headwinds offset support from domestic demand and policy measures.

Merchandise exports drive growth, led by top markets

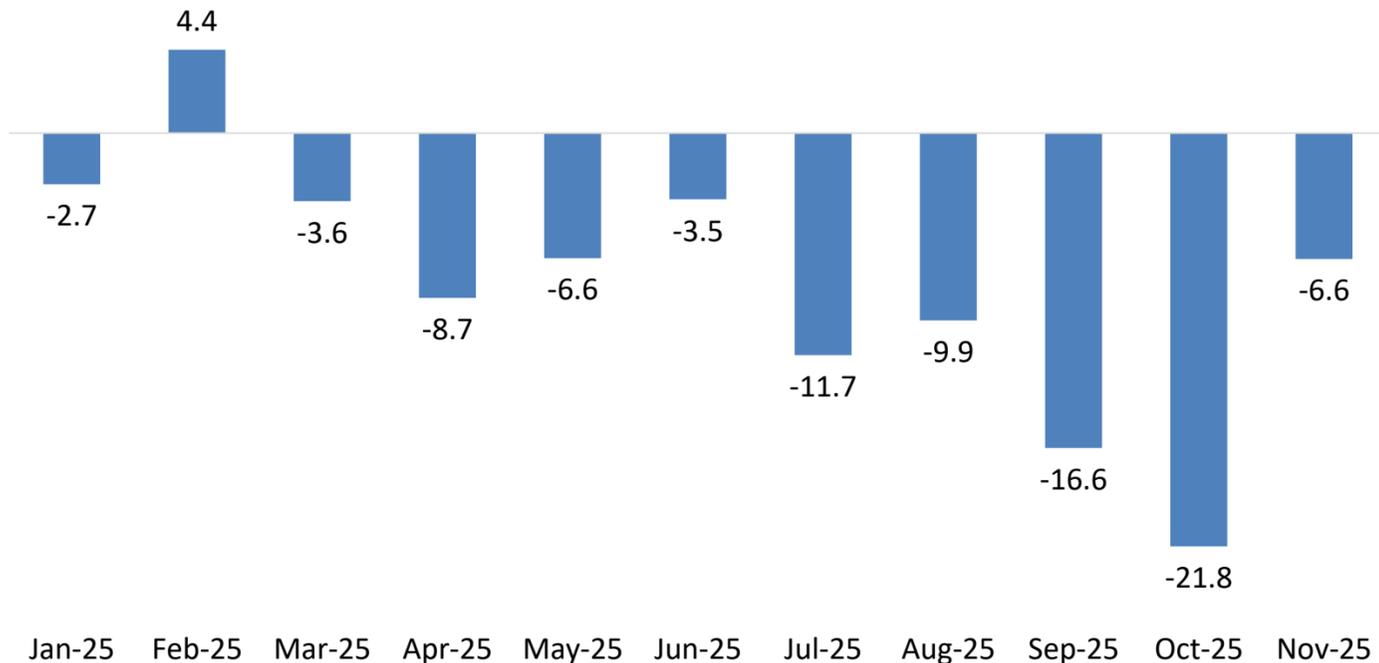
Exports and imports (USD billion)



Source: Ministry of Commerce & industry.

- India's total exports surged to USD 74 billion in November 2025, supported by a recovery in the merchandise exports which rose to USD 38.1 billion (USD 34.4 billion in October 2025).
- Total imports eased in November 2025 to USD 80.6 billion due to dampened discretionary and commodity import demand post-festive season and an environment of cautious inventory restocking.
- Exchange rate volatility and global demand slowdown could weigh on export pricing and competitiveness in coming quarters.

Trade balance (USD billion)



Source: Ministry of Commerce & industry.

- The overall trade deficit narrowed to USD 6.64 billion in November 2025.
- Import demand may stay muted amid moderate global commodity prices and uneven domestic demand, with post-festive inventory adjustments weighing on volumes.
- Exports are expected to remain supported by services demand and diversified goods shipments, with downside risks from softer global demand.

GST collections signal strengthening economic momentum

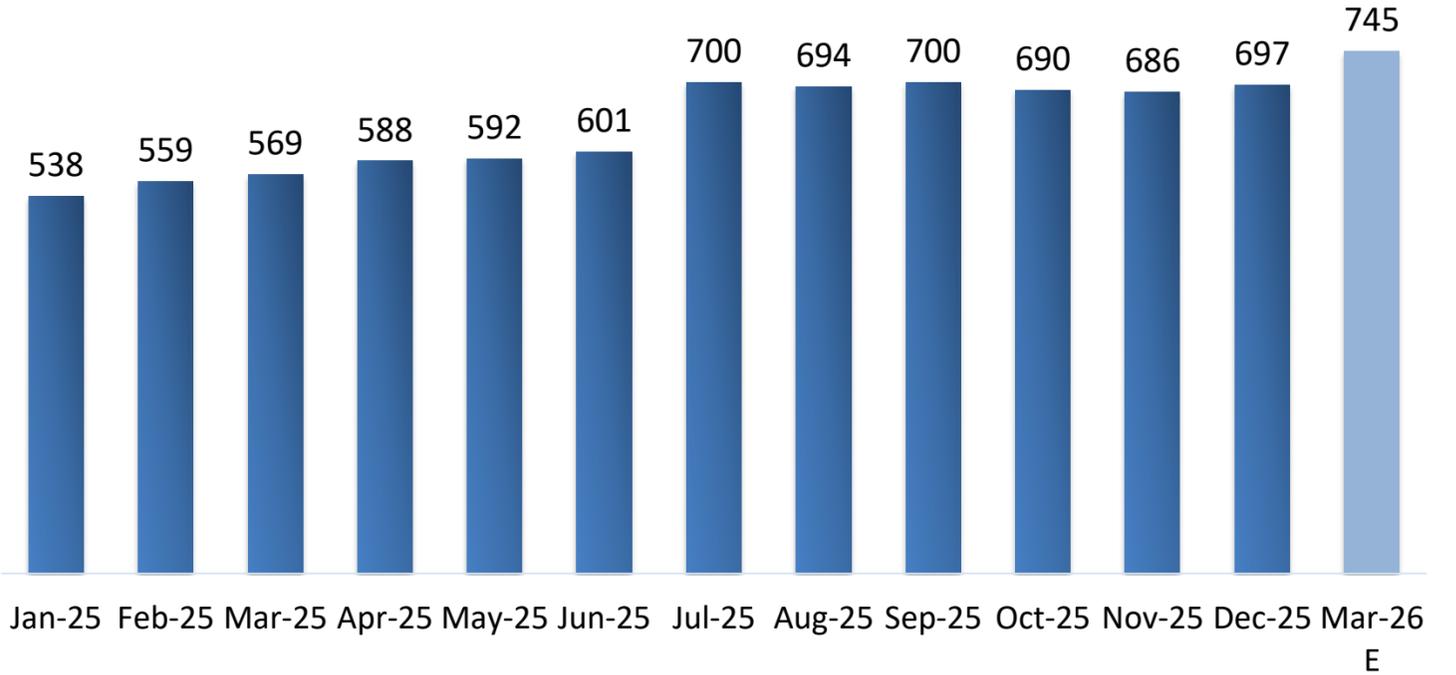
GST collections (INR trillion)



Source: Government of India.

- The GST collections inched up to INR 1.75 trillion in December 2025.
- Import-linked GST (IGST) recorded strong growth of around 19.7%, emerging as a key contributor to overall collections and signaling robust trade flows and external demand supporting revenue.
- GST collections are expected to remain on a steady growth path, supported by economic expansion and improved compliance.

Forex reserves (USD billion)

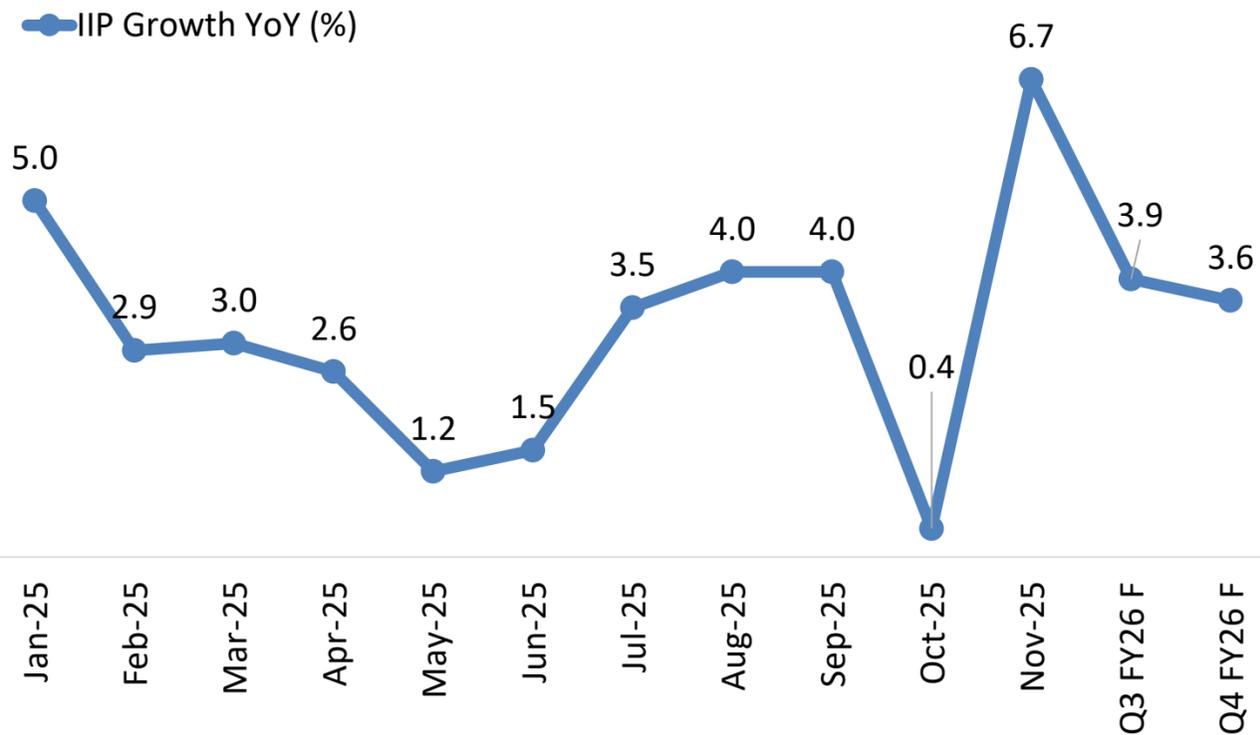


Source: RBI. E - Estimates

- India's forex reserves strengthened to USD 696.6 billion in December 2025. Foreign currency assets, the largest component of the reserves, rose by USD 184 million to USD 559.6 billion. The reserves can cover approximately 11 months of merchandise imports.
- In the week ending 26 December 2025, gold reserves increased by approximately USD 2.96 billion. Gold holdings stood at about USD 113.32 billion, comprising a meaningful portion of India's total forex reserves.
- India's forex reserves are likely to remain at high levels with moderate week-to-week volatility, supported by underlying external stability and RBI's risk-management approach.

India's IIP rises 6.7% yoy in November 2025, strongest in two years

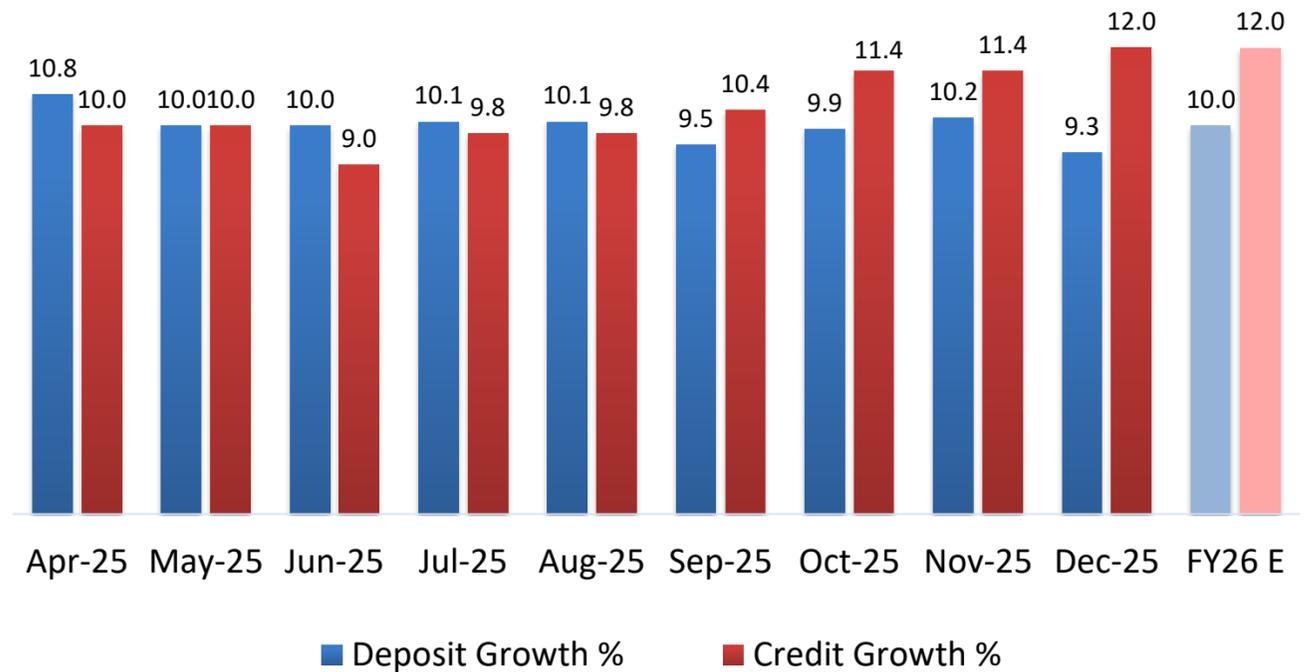
Industrial production (IIP) growth (%)



Source: MoSPI. F - Forecast

- India's IIP rose 6.7% year-on-year in November 2025, the strongest expansion in two years.
- Growth was primarily driven by strong performances in manufacturing and mining. Manufacturing output increased by 8.0% during the month, while mining production rose by 5.4%, supported by the end of the monsoon.
- The rebound was partly due to post-festive restocking, the impact of GST rate rationalization, and a buildup of orders. The momentum is likely to remain supported by underlying structural resilience in the coming months.

Deposit and credit growth %



Source: RBI, Economic Times, E - Estimates

- Credit growth in the banking system was firmly in double digits at 12% in December 2025.
- The acceleration in bank credit growth has been driven predominantly by sustained demand from retail borrowers and MSMEs, supported by strengthening consumption trends and improving rural economic conditions.
- Credit expansion continues to exceed deposit mobilization.
- Asset quality trends remain strong, with NPAs at multi-decade lows, supporting continued credit extension appetite.

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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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