Monthly Macro Update – April 2026

Index:

Executive Summary

The Monthly Macro Update uses over 70 high-frequency indicators to present a comprehensive view of current macroeconomic conditions along with a near-term outlook across sectors.

The Macroeconomic Snapshot indicates that economic momentum remained strong during Jan–Feb 2026, raising the possibility of an upward revision in FY26 growth when revised estimates are released. However, the ongoing Middle East conflict poses risks for FY27, as rising oil prices could lead to imported inflation and weigh on growth.

In the Consumption and Labour Market, rural demand shows strong momentum, while urban demand is gradually recovering. Labour market indicators point to low rural unemployment and a declining trend in urban unemployment, with formal job growth improving in Q4 FY26.

Industrial activity reflects early signs of impact from geopolitical tensions, with Manufacturing PMI at a 42-month low of 53.9, though still in expansion territory. Construction remains resilient, supported by infrastructure growth in Feb 2026. The services sector also shows strength, with increased goods vehicle registrations and improving bank credit, indicating continued confidence.

The external sector is most affected by global headwinds, with the rupee depreciating to a record low in March 2026 amid sustained capital outflows. RBI intervention has led to a significant decline in forex reserves.

Other indicators across inflation, public finance, money and credit, and trade and investment suggest resilience in Jan–Feb, though external indicators weakened sharply in March.

The RBI kept the rates unchanged with a neutral stance in its April monetary policy meeting. However, it highlighted that downside risks to growth and upside risks to inflation have increased, while adopting a wait-and-watch approach before taking any call on the monetary policy.

Monthly Macro Update – April 2026

Section A: Macroeconomic Snapshot

Macroeconomic activity remained healthy in Jan-Feb'26

In an increasingly uncertain environment, dominated by concerns around geopolitical conflicts in the middle – east region, high frequency indicators suggest continued momentum in economic activity in Jan-Feb'26 so far:

- Gross GST collections have picked-up – averaging INR 1.96 lakh crore in Q4'FY26. Notably GST collections averaged INR 1.83 lakh crore in previous quarter, following rationalization in rates. For the full year gross GST collections grew by 5.6% y-o-y to INR 23.32 lakh crore in FY26 as compared to INR 22.09 lakh crore in FY25. Monthly E-Way bills are also trending higher so far.

- Other broad indicators like non-oil non-gold imports and toll collections have improved, indicating healthy domestic demand and continued momentum in economic activity.

- The improvement in growth of non-food credit, recovery in deposit growth, and consequent recovery in C-D ratio indicate healthy demand momentum.

- Headline inflation has remained contained within the RBI's target range of 4% (+- 2%) range. <u>However, the ongoing conflict could push prices higher and the consequent inflation could pose headwinds to growth</u>.

While high frequency indicators suggest FY'26 full year growth could be better than expected, geopolitical uncertainty poses headwinds to FY27 growth.

For FY27, the middle-east conflict could have a cascading impact on India's economic growth:

- Higher oil prices could push inflation closer to upper limit of RBI's tolerance zone (of 6%) which could force the central bank to raise rates. This will make borrowing costlier and impact investment and consumption demand – a net negative for major steel consuming sectors like construction and capital goods.

- Further, higher inflation could depress demand by impacting real income of consumers – this could lead to decline in demand for consumer durables as household prioritize essentials consumer goods.

-

- Higher crude oil prices and the increase in freight and insurance cost of shipments is likely to push India's current account deficit (CAD) higher in FY27.

- On the other hand, supply disruption could negatively impact exports, including for steel and steel using sectors (like capital goods and automobiles). At the same time, prolonged delay in critical imports for steel industry (such as LNG and limestone) can add to cost pressure.

If the situation in middle-east does not ease soon and oil prices remain high, coupled with supply disruption impacting key imports like energy and fertilizer, it could have significant repercussions on India's growth prospects in 2026-27.

Selected High – Frequency Indicators of Economic Activity:

	Indicator	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26
General Economic Indicators	GST Collections (INR Lakh Crore)	2.37	2.01	1.85	1.96	1.86	1.89	1.96	1.75	1.79	1.99	1.89	2.00
	E-Way Bills (in Lakh Crore)	119.3	122.7	119.5	131.9	129.1	132.0	126.9	129.9	138.4	136.8	132.6	
	PMI - Composite (Index)	59.7	59.3	61.0	61.1	63.2	61.0	60.4	59.7	57.8	58.4	58.9	
	Non-food credit (% YoY)	10.2	8.8	9.3	10.4	10.5	10.8	12.2	11.4	14.4	13.3	14.1	13.7
	Deposit Growth (% YoY)	9.8	9.9	10.1	10.2	9.3	9.4	10.8	10.2	12.7	10.6	11.3	10.8
	Credit/Deposit Ratio (%)	79.7	78.9	78.9	79.2	79.0	80.2	80.2	80.5	81.7	82.3	82.4	82.4
	Toll Collection (INR '000 Crore)	6.80	7.09	6.79	6.67	7.05	6.75	7.00	7.33	7.42	7.52	7.18	
	Non-Oil Non-Gold Imports ($ Bil)	41.4	43.0	38.2	44.8	42.8	44.1	43.9	43.5	45.2	43.7	41.6	
	Digital Payments (% YoY))	18.4	12.6	17.4	16.6	5.3	13.4	8.8	14.7	15.2	11.3	17.9	
	Headline Inflation (CPI, % YoY)	3.3	3.0	2.3	1.6	2.0	1.4	0.0	0.5	1.2	2.7	3.2	

Source: GST Council, S&P Global, RBI, NHAI, Ministry of Commerce, NPCI, MoSPI, CMIE, ISA

Section B: Consumption and Labour Market

Consumption: Rural demand remains strong, recovery in urban demand

High frequency indicators reflect an upbeat demand condition in Jan-Feb’26.

- Rural demand continues to strengthen, with domestic two-wheeler sales expanding by 35.2% in Feb-26, while tractor sales also increased by 34.2%.

- High frequency indicators of urban demand reflect continued recovery in demand conditions in urban areas, however growth in sales of passenger vehicles moderated reflected normalization following rapid growth triggered by GST cuts.

- Domestic air passenger traffic returned to growth after disruptions impacted flight schedules in previous month, expanding by 3.7% y-o-y in Jan’26, while mutual fund assets under management improved further in Feb-26. Unsecured loans and total assets under management (AUM) of mutual funds improved in Feb’26, reflecting improving confidence.

Unsecured personal loans have started registering double-digit growth, reflecting improved credit worthiness, helped by reduction in policy rates.

- While latest data for fertilizer sales is not yet available, going forward, sales could decline primarily driven by supply disruptions as India is a significant importer of fertilizers. Imports from Oman, Saudi Arabia, UAE, and Morocco could be affected due to turbulence and disruption in the Strait of Hormuz. Also, disruption in LNG supply is affecting domestic production.

-

Disruption in import and production of Fertilizers, if not resolved in time could pose significant headwinds for the upcoming monsoon sowing season.

High – Frequency Indicators: Consumption Demand

	Indicator	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26
Rural Demand	*Dom. Two-wheeler Sales (% YoY)*	-16.7	2.2	-3.4	8.7	7.1	6.7	2.1	21.2	39.4	26.2	35.2
	Dom. Tractor Sales (% YoY)	7.7	9.1	10.5	8.0	28.3	45.4	14.8	30.1	37.1	43.0	34.2
	Fertiliser Sales (% YoY)	17.3	12.0	11.9	16.5	-7.1	-15.3	0.0	-1.6			
Urban Demand	*Domestic PV Sales*	5.5	0.8	-6.3	1.5	-9.0	-0.9	15.8	18.1	29.0	8.0	7.3
	Dom. Air Passenger Traffic (% YoY)	8.4	1.9	3.0	-2.9	-1.4	-2.9	2.7	6.9	-4.2	3.7	
	Unsecured Personal Loans (% YoY)	9.4	8.3	9.2	8.2	8.0	7.4	10.5	9.1	10.7	11.7	12.0
	Mutual Fund - AUM (INR Lakh Crore))	10.0	10.3	13.5	12.6	10.6	14.0	10.7	10.3	15.3	12.3	12.6

Source: SIAM, Fertiliser Association of India, DGCA, RBI, AMFI, CMIE, ISA

IndianSteel ASSOCIATION

Labour Market: Unemployment eased in Feb’26 after edging up in Jan’26, formal job growth recovered.

High frequency indicators suggest, labour market remained healthy in Jan-Feb’26. Unemployment rate eased in Feb’26, after edging up in Jan’26, led by recovery in urban areas, formal jobs and urban wage growth remained healthy.

- Total unemployment eased to 4.9% in Feb’26 as urban unemployment declined to 6.6% from 7.0% in previous month.

- Naukri Job Speak Index – an indicator for formal jobs market, on the other hand jumped up by 11.9% in Feb-26, easing marginally to 9.2% in Mar’26, reflecting resilient hiring momentum.

- CMIE survey shows that both urban and rural wage growth has remained healthy, suggesting healthy labour demand conditions.

Of the 37 industries reported by Naukri Job-Speak Index, 32 showed higher growth in Feb’26 over previous month.

High – Frequency Indicators: Labour Market

	Indicator	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26
Labour Market	*Unemployment Rate - Total (%)*	5.1	5.6	5.6	5.2	5.1	5.3	5.2	4.7	4.8	5.0	4.9	
	Unemployment Rate - Urban (%)	6.5	6.9	7.1	7.2	6.7	6.8	7.0	6.5	6.7	7.0	6.6	
	Unemployment Rate - Rural (%)	4.5	5.1	4.9	4.4	4.4	4.6	4.4	3.9	3.9	4.2	4.2	
	Naukri Job-Speak Index (% YoY)	8.9	0.3	10.5	6.8	3.4	10.1	-9.3	23.5	13.2	3.4	11.9	9.2
	CMIE - Urban Wage (% YoY)	18.7	16.5	16.3	15.9	16.0	18.9	13.9	15.7	15.2	12.7	13.6	
	CMIE - Rural Wage (% YoY)	11.0	15.6	15.0	21.3	16.1	18.4	21.0	12.6	8.3	8.8	10.5	

Source: MoSPI, Naukri, CMIE, ISA

Section C: Industry, Construction, and Services

Industry and Construction: Manufacturing momentum eases, PMI hints at headwinds ahead, construction healthy so far.

Industrial activity has eased somewhat in Jan-Feb'26 compared to high growth experienced in Nov-Dec'25, however growth remains healthy. Manufacturing PMI – a leading indicator for manufacturing activity moderated to a 45-month low in Mar'26, perhaps reflecting the uncertainty following the middle-east conflict.

- Index of Industrial Production (IIP) growth improved in Feb'26, led by improvement in manufacturing output. On the other hand, core sector growth moderated sharply in Feb'26 to 2.3%.

- In construction, while cement output has remained strong, steel production eased in Feb'26.

- Central government capex expenditure improved in Feb'26 as the government looks to meet targeted expenditure towards the end of FY'26.

The improvement in industrial credit and healthy growth in infrastructure and construction index reflects continued momentum in investment activity.

- Slowdown in manufacturing activity as indicated by Mar'26 PMI and uncertainty around future outlook could impact private investment as well as housing demand, and can potentially restrict steel demand in the near future.

High – Frequency Indicators: Industry and Construction

	Indicator	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26
Industrial	*PMI - Manufacturing (Index)*	58.2	57.6	58.4	59.1	59.3	57.7	59.2	56.6	55.0	55.4	56.9	53.9
	IIP (% YoY)	2.6	1.9	1.5	4.3	4.1	4.6	0.5	7.2	8.0	5.1	5.2	
	IIP - Manufacturing (% YoY)	3.1	3.2	3.7	6.0	3.8	5.6	2.0	8.5	8.4	5.3	6.0	
	IIP - Mining (% YoY)	-0.2	-0.1	-8.7	-7.2	6.6	-0.4	-1.8	5.8	6.9	4.3	3.1	
	Eight Core Industries (% YoY)	1.0	1.2	2.2	3.7	6.5	3.3	-0.1	2.1	4.7	4.0	2.3	
	Credit to Industry (% YoY)	6.6	4.8	5.5	6.0	6.5	7.3	10.0	9.6	13.3	12.1	13.5	
Construction	*Cement Production (% YoY)*	6.3	9.7	8.2	11.6	5.4	5.0	5.2	14.6	13.7	10.7	9.3	
	Steel Production (% YoY)	4.4	7.4	9.7	16.6	13.6	14.4	5.9	6.7	10.1	9.9	7.2	
	Central Govt. Capex (% YoY)	61.0	38.7	43.7	-10.5	113.1	30.9	-28.3	-13.8	-24.5	-24.5	59.6	
	IIP Infra. % Const. (% YoY)	4.7	6.7	6.7	13.7	10.4	10.6	7.1	13.0	12.8	14.6	11.2	

Source: S&P Global, MoSPI, DPIIT, RBI, CGA, CMIE, ISA

Services: Continued momentum in high frequency indicators in Q4'FY26 so far.

High frequency indicators reflect services activity has remained strong in Jan-Feb'26 so far.

- Services PMI has remained comfortably in expansion territory (value above 50 shows expansion). However, the outlook remains clouded with flash indicator for march reflecting pressure from rising costs, which has impacted domestic demand, while export orders remained healthy.

- High growth in registration of goods vehicle, and healthy growth in credit to services sector in Feb'26 reflects confidence in the ongoing economic activity

Flash indicators reflect some slowdown in services momentum in Mar'26, pressured by rising costs leading to softening in domestic demand.

High – Frequency Indicators: Services

	Indicator	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26
Services	*PMI-Services (Index)*	58.7	58.8	60.4	60.5	62.9	60.9	58.9	59.8	58.0	58.5	58.1	57.5
	Credit to services (% YoY)	10.5	8.7	9.0	10.6	10.6	10.2	13.0	11.7	15.3	15.5	16.3	
	Good Vehicle Registered (% YoY)	10.7	1.4	6.3	0.0	0.5	-3.8	11.5	22.7	31.2	18.8	28.0	14.6
	Air Paasenger Traffic (% YoY)	10.3	3.0	3.7	-1.0	1.0	-0.7	4.7	7.0	-2.8	3.9	0.5	
	Air Cargo Traffic (% YoY)	11.5	5.1	0.3	4.4	5.5	2.4	-2.3	15.7	9.4	8.5	17.9	
	Rail Cargo Traffic (% YoY)	3.6	3.0	0.9	0.0	8.5	3.9	2.3	4.2	3.2	3.5		

Source: S&P Global, RBI, VAHAN, DGCA, Ministry of Railways, CMIE, ISA

Monthly Macro Update – April 2026

Section D: External and Other Major Indicators

External: Rupee deprecates sharply in Mar’26, foreign investment outflows increase.

While data for Feb’26 showed that goods exports remained broadly flat (contracting by 0.8% y-o-y) and net services exports remained healthy, the middle-east conflict poses severe headwinds.

- The Rupee deprecated sharply with exchange rate deprecating to INR 94.7 per US$ 1.00 as of 30th March’26 and is trading at historical lows, pressured by continuous outflow of foreign investment.

- While Feb’26 saw mild improvement in foreign portfolio flows turning to positive, the gains were sharply reversed in Mar’26, with $13.6 billion in outflows. India foreign exchange reserves fell by nearly $30 billion till 20th Mar’26 to $698.3 billion and is likely to have moderated further during the course of the month.

India’s forex reserves declined by $30 billion in first 20 days of Mar’26, pressured by continued foreign outflows.

High – Frequency Indicators: External

	Indicator	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26
External	*Goods Exports (% YoY)*	-3.8	-1.2	-1.3	13.3	5.7	6.0	-12.5	18.6	1.3	0.6	-0.8	
	Goods Imports (% YoY)	20.0	-1.3	-3.4	9.1	-9.5	17.6	16.9	-2.0	8.7	19.9	25.0	
	Net Services Trade (% YoY)	18.8	23.8	19.8	12.2	12.3	17.3	1.5	17.0	18.3	19.4	4.1	
	Forex Reserves ($ Bil)	688.1	691.5	702.8	698.2	694.2	700.2	689.7	686.2	696.6	723.8	728.5	698.3
	Net FDI Flows ($ Bil)	1.6	0.9	2.3	4.3	-0.1	-2.3	-2.5	-0.7	-0.5	-1.4		
	Net Portfolio Flows ($ Bil)	-2.1	1.3	2.4	-2.5	-2.6	-0.6	3.4	0.6	-4.2	-1.9	4.2	-13.6
	Exchange Rate (Rs/$, eop)	85.1	85.5	85.5	87.6	87.9	88.8	88.7	89.5	89.9	91.9	91.0	94.7

Source: MoSPI, Ministry of Commerce, RBI, NSDL, CMIE, ISA

Other major indicators:

Given below are a set of other major high frequency indicators on inflation, public finance, Money & Credit, and Trade, Investment & Bullion (Gold). These indicators provide incremental depth in understanding the momentum in the economy.

- Inflation measures continues to remain below RBI’s median target of 4%, though it has firmed up in the last two months, primarily driven by higher base.

- Income tax collections average INR 0.91 lakh crore in Apr-Feb'FY26, marginally better than INR 0.90 lakh crore recorded between Apr-Feb'FY25, with growth moderating on account of rationalization in tax rates.

- Industrial credit growth improved across sectors, most notably for large industries, even as credit to small and medium industries remain high.

- Crude prices increased sharply in Mar'26, owing to disruption in supply chain, with shipments through Strait of Hormuz severely impacted

Other Major High – Frequency Indicators:

	Indicator	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26
Inflation	*WPI (% YoY)*	0.9	0.1	-0.2	-0.6	0.5	0.2	-1.0	-0.1	1.0	1.8	2.1	
	Core CPI (ex food & fuel, %YoY)	4.2	4.3	4.4	4.2	4.1	4.3	4.3	4.2	4.5	3.3	3.3	
	CPI - Food & Beverages (% YoY)	2.1	1.5	-0.2	-0.8	0.1	-1.4	-3.7	-2.8	-1.9	2.4	3.3	
	CPI - Rural (% YoY)	3.1	2.9	2.0	1.3	1.8	1.1	-0.3	0.1	0.6	2.7	3.4	
	CPI - Urban (% YoY)	3.5	3.3	2.8	2.1	2.4	1.8	0.6	1.0	1.8	2.7	3.0	
Public Finance	*Gross Tax Receipts (INR Lakh Crore)*	2.7	2.4	3.5	2.2	2.5	5.2	2.5	2.2	6.5	2.6	1.8	
	Corporate Tax (INR Lakh Crore)	0.21	0.24	1.28	0.26	0.31	2.37	0.47	0.38	2.81	0.29	0.01	
	Income Tax (INR Lakh Crore))	1.10	0.82	0.94	0.69	0.86	1.50	0.79	0.79	1.24	0.84	0.43	
	Net Tax Revenue (INR Lakh Crore))	1.90	1.61	1.89	1.21	1.49	4.19	0.45	1.20	5.45	1.55	0.51	
	Revenue Expenditure (INR Lakh Crore)	3.06	2.19	4.22	2.70	2.33	2.73	2.85	2.60	3.25	2.55	2.67	
	Central Subsidy Payout (% YoY)	0.29	0.22	0.32	0.30	0.37	0.52	0.44	0.42	0.29	0.37	0.35	
Money & Credit	*Credit to Large Enterprises (% YoY)*	4.5	1.0	0.8	0.9	1.8	2.4	4.6	4.6	7.5	5.5	7.8	
	Credit to Medium Enterprises (% YoY)	18.1	16.8	13.1	14.7	13.1	14.3	17.6	15.7	20.4	22.3	21.0	
	Credit to Small Enterprises (% YoY)	9.1	13.7	19.3	21.0	20.9	22.0	25.9	24.6	31.0	31.2	30.4	
	Money Supply (M2, % YoY)	7.1	12.2	11.9	11.8	12.5	11.3	14.1	12.4	17.2	16.6	17.6	
Trade, Investment & Bullion	*Cargo at Sea Ports (% YoY)*	5.8	1.0	2.9	2.8	5.0	8.1	3.0	12.4	8.0	3.7	4.3	
	Trade Balance ($ Bil)	-27.1	-22.6	-19.1	-27.9	-27.2	-33.0	-42.0	-24.8	-25.3	-34.7	-27.1	
	Oil Imports ($ Bil)	20.7	14.7	13.8	15.6	13.3	14.0	14.8	14.1	14.4	13.4	13.0	
	Gold & Silver Imports ($ Bil)	3.3	3.1	2.1	4.5	5.9	10.9	17.4	5.1	4.9	14.1	9.1	
	Crude Oil - Indian Basket (US$/Barrel)	68.2	64.0	69.8	70.9	69.2	69.6	65.1	64.3	62.2	63.1	69.0	124.9
	Gross FDI ($ Bil)	9.2	7.8	9.6	11.6	6.6	7.0	6.6	6.7	8.5	5.7		
	Gold - London (US$/Ounce)	3207.5	3278.0	3352.0	3338.3	3363.0	3665.2	4053.3	4083.0	4299.5	4744.5	5019.5	4862.2

Source: MoSPI, CGA, RBI, Ministry of Finance, Others, CMIE, ISA

Monetary Policy – April 2026: Highlights

RBI keeps policy rates unchanged and stance to neutral

- The lending and deposit rates of scheduled commercial banks likely to remain unchanged.
- A neutral policy stance implies RBI is currently not looking at changing rates and would like to wait for more information before deciding on rates.
- RBI governor signaled that unless there are very significant headwinds, the RBI is comfortable in keeping the rates unchanged at current levels.

RBI flags risks from ongoing conflict in west Asia

The Monetary Policy Committee (MPC) noted that geopolitical uncertainty has increased. The RBI governor in his statement flags the channels through which it could impact the Indian economy:

I. Elevated crude oil price could increase imported inflation and widen India's Current Account Deficit (CAD).
II. Disruption in global energy market and fertilizer imports and production may adversely impact industry, agriculture and services.
III. Heightened uncertainty, increased risk aversion and safe haven demand could impact domestic liquidity conditions (due to outflows of foreign capital), domestic consumption and investment.
IV. Weaker global growth prospects may dampen exports and reduce remittances flows to India.
V. Adverse spillovers from global financial markets could tighten domestic financial markets and raise cost of borrowing.
VI. If the supply shock is not restored quickly, it could translate into demand shock over the medium term – in simple words, reduced economic activity and higher inflation could lead to lower consumption and investment demand over the coming period.

What it means for the steel industry – headwinds ahead

The risks of lower growth, and higher inflation (details follow) and disruption in major trade routes poses headwinds which could impact steel demand over the coming period:

- Headwinds in investment activity could impact steel demand for major steel consuming sectors like construction and capital goods.
- If consumption demand declines, it could impact sale and production of consumer durables and automobiles.
- Disruption in key shipping routes, higher freight and insurance costs, and expectation of lower global growth likely to impact exports of key steel consuming sectors like intermediate, capital and automobiles.
- A possible increase in lending rates due to tightening of domestic financial market could make investments costly, impacted steel demand.

RBI's forecasts a GDP growth of 6.9% for FY27, with significant downside risks

- Risks to the downside: The RBI earlier asses the risks to be 'evenly balanced' (in its Feb'26 statement), which has now changed to higher downside risks. In simple words, there is credible possibility that the growth could undershoot current forecasts for FY27.
- What supports GDP outlook – the favourable factors:
  - Sustained momentum in services sector
  - Positive impact of GST rationalization on consumption demand and manufacturing activity
  - Healthy balance sheet of financial institutions and corporates
  - Healthy reservoir levels to support agriculture
  - Government's focus on scaling up domestic manufacturing in several strategic and frontier sector to support manufacturing
  - Exports could benefit from operationalization of many trade agreements.
- What are the headwinds – the downside risks:
  - Elevated energy and commodity prices
  - Disruption in supply of inputs
  - Merchandise exports to be adversely impacted by disruption in supply routes, higher freight and insurance costs, and lower global demand.
  - Weather related events, particularly the likelihood of el-nino this year could impact agriculture output.

Headline inflation expected at 4.6% in FY27, upside risks

The RBI increased its inflation expectations, due to increasing cost pressures and headwinds coming from the west Asia conflict. The RBI also started giving forecasts for core inflation, which excludes the volatile food and fuel prices.

- Core inflation (excluding food and fuel) is projected at 4.4% in FY27 – in simple terms, higher energy prices are likely to keep headline inflation (including food and fuel) above core inflation.
- However, the governor clarified that RBI will continue to target headline inflation.
- Inflation in Q1'FY27 remains unchanged at 4.0% as compared to Feb'26 projections.
- Inflation in Q2'FY27 is now expected at 4.4%, 20 basis points higher than Feb'26 projection of 4.2%.
- Inflation in Q3'FY27 and Q4'FY27 is now projected at 5.2% and 4.7% respectively.

Current Account Deficit (CAD) to increase

- RBI highlighted that India's CAD could increase as fuel import bill is likely to increase sharply.
- RBI has assumed $85/barrel oil price for this year and $75/barrel next year.