Macroeconomic Update – Jun 2026

Index:

Executive Summary

Even as the middle-east conflict enters a ceasefire, the Indian economy remained largely stable through the conflict as can be seen in the various high frequency indicators as mentioned in Macroeconomic Snapshot. However, some signs of strain are visible in various segments – supply chain disruptions in steel and other manufactured goods, weak rainfall impacting rural demand, and higher fuel prices leading to cost-push pressure on goods and transportation sectors. These have led to concerns around inflationary tendencies building up.

The Consumption demand remains mixed with signs of strain in rural demand while higher passenger cars sales reflect some improvement in urban demand. In the Labour Market, rural unemployment increased while urban unemployment moderated. However, formal jobs momentum has eased significantly as per the Naukri Job-Speak Index.

Industrial activity improved led by strong manufacturing performance, and industrial credit growth continued to improve. However, the infrastructure and construction segments are reflecting the strain from West Asia conflict with supply chain disruptions and price pressures. In services sector improvement in PMI for May'26, driven by domestic demand even as export orders moderate, reflect domestic resilience amid external headwinds.

The headwinds in the external sector are expected to moderate over the coming months provided the ceasefire in middle-east holds – pressure on imports from elevated crude prices could dissipate June onwards. The rupee remained under pressure in May'26 but latest trends indicate subsequent improvement. Other indicators across inflation, public finance, money and credit, and trade and investment suggest mixed performance as WPI surged to 9.7% in May, M2 money supply decelerated sharply, and the trade deficit widened to $28.2 billion.

Overall, the three key risks flagged last month – fuel price pass-through, inflation broadening, and monsoon uncertainty seem to be materializing even as resilience in domestic economy provides hope.

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Section A: Macroeconomic Snapshot

Early signs of pressure on demand and prices visible

High frequency indicators showing nascent signs of strain have started emerging – GST collections moderated sharply on a YoY basis and inflationary pressures have started showing up in May'26. However, other indicators - composite PMI, E-Way bills and toll collections suggest broader resilience.

- Gross GST collections stood at INR 1.94 lakh crore in May'26, declining 3.4% y-o-y, as the rationalization of rates (Sep'25 onwards) continues to impact collections. On a month-on-month basis, collections moderated from the record INR 2.43 lakh crore in Apr'26.

- E-way bills increased by 11% y-o-y to 136.1 lakh crore in May'26, after increasing by 11.8% in previous month, suggest economic activity remains healthy.

- Composite PMI improved to a six-month high and toll collections increased by 7.6% y-o-y, while core imports (Non-Oil Non-Gold) remained healthy. All these indicators suggest that demand has not dissipated as yet.

Overall demand conditions in the economy have remained resilient in the first two-months of fiscal 2026-27. With rural sector likely to be impacted by deficient rainfall, and prevailing uncertainty, the RBI kept the policy rate unchanged to support growth.

However, the uncertainty persists with near-term headwinds becoming more pronounced:

- Headline inflation increased to a 15-month high of 3.9% in May'26 – driven primarily by increase in fuel prices. With eventual pass through of prices to wider transportation and supply chains, inflation could firm-up. The RBI has forecasted Q1'FY27 inflation at 4.2%, implying it will increase further in Jun'26.

- The deposit growth has moderated reflecting tightening liquidity while improvement in credit growth could be attributed to increased borrowing costs for certain segments. A sustained moderation in deposits coupled with increasing credit could lead to tighter lending conditions and lower liquidity.

With fuel price pass-through now underway, inflation projected to peak at 5.9% in Q3, and a deficient monsoon threatening rural demand the key risks flagged last month are now simultaneously in motion, making a moderation in demand conditions increasingly likely over the coming quarters.

Selected High – Frequency Indicators of Economic Activity:

	Indicator	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26
General Economic Indicators	*GST Collections (INR Lakh Crore)*	2.01	1.85	1.96	1.86	1.89	1.96	1.75	1.79	1.99	1.89	2.00	2.43	1.94
	E-Way Bills (in Lakh Crore)	122.7	119.5	131.9	129.1	132.0	126.9	129.9	138.4	136.8	132.6	140.6	133.4	136.1
	PMI - Composite (Index)	59.3	61.0	61.1	63.2	61.0	60.4	59.7	57.8	58.4	58.9	57.0	58.2	59.3
	Non-food credit (% YoY)	8.8	9.3	10.4	10.5	10.8	12.2	11.4	13.9	12.8	13.4	16.9	16.2	17.4
	Deposit Growth (% YoY)	9.9	10.1	10.2	9.3	9.4	10.8	10.2	12.7	10.6	11.3	16.2	13.3	12.2
	Credit/Deposit Ratio (%)	78.9	78.9	79.2	79.0	80.2	80.2	80.5	81.7	82.3	82.4	81.4	82.0	82.7
	Toll Collection (INR '000 Crore)	7.09	6.79	6.67	7.05	6.75	7.00	7.33	7.42	7.52	7.18	7.45	7.32	7.63
	Non-Oil Non-Gold Imports ($ Bil)	43.0	38.2	44.8	42.8	44.1	44.5	43.8	45.2	43.7	41.6	43.7	47.3	47.2
	Digital Payments (% YoY))	12.6	17.4	16.6	5.3	13.4	8.8	14.7	15.2	11.3	17.9	12.6	14.4	
	Headline Inflation (CPI, % YoY)	3.0	2.3	1.6	2.0	1.4	0.0	0.5	1.2	2.7	3.2	3.4	3.5	3.9

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

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Section B: Consumption and Labour Market

Consumption: Cracks appearing in rural demand, urban struggles

Indicators of rural demand moderated in Jun’26, while urban demand remains mired in uncertainty.

- Two-wheeler and tractor sales moderated to 14.8% y-o-y and 19.6% y-o-y respectively in May’26, significantly lower than 28.4% and 26.8% growth in previous month. While some of it could be seasonal, rising fertilizer and fuel costs have led to increased caution by the consumers.

- In the urban areas, PV sales increased by 25.3% y-o-y in May’26, after registering strong growth of 24.6% in previous month. The GST rationalization, and new launches may have helped in improving demand. On the other hand, domestic air passenger traffic contracted for the third consecutive month in Apr’26, while mutual funds AUM have remained low, impacting the wealth of urban consumers.

The RBI has flagged the prevailing uncertainty in rural demand conditions, while urban demand is expected to get support from resilience in services activity over the coming months.

High – Frequency Indicators: Consumption Demand

	Indicator	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26
Rural Demand	*Dom. Two-wheeler Sales (% YoY)*	2.3	-3.4	8.7	7.1	6.7	2.1	21.2	39.4	26.2	35.2	19.3	28.4	14.8
	Dom. Tractor Sales (% YoY)	9.1	10.5	8.0	28.3	45.4	14.8	30.1	37.1	43.0	34.2	29.1	26.8	19.6
	Fertiliser Sales (% YoY)	12.0	11.9	16.5	-7.1	-15.3	0.0	-1.6				19.2	29.5	
Urban Demand	*Domestic PV Sales*	0.8	-6.3	1.5	-9.0	-0.9	15.8	18.1	29.0	8.0	7.3	14.1	24.6	25.3
	Dom. Air Passenger Traffic (% YoY)	1.9	3.0	-2.9	-1.4	-2.9	2.7	6.9	-4.2	3.7	-0.4	-1.2	-3.5	
	Unsecured Personal Loans (% YoY)	8.3	9.2	8.2	8.0	7.4	10.5	9.1	10.7	11.7	12.0	13.1	12.9	
	Mutual Fund - AUM (INR Lakh Crore))	10.3	13.5	12.6	10.6	14.0	10.7	10.3	15.3	12.3	12.6	18.0	12.0	12.7

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

Labour Market: Unemployment increases, led by rural, signs of easing momentum in formal jobs.

Unemployment rate inched higher in May’26 with rural unemployment increasing for the second month in a row. While urban unemployment moderated, formal jobs growth remained weak in May’26.

- Total unemployment inched up to 5.5% in May’26, as compared to 5.2% in Apr’26. This increase was driven by rising rural unemployment which increased 5.1% from 4.6% in previous month, while urban unemployment moderated to 6.4% from 6.6%. The increase in rural unemployment with uncertainty surrounding rural demand could be concerning if it persists over the coming months.

- Formal job growth remained nearly flat at 1.0% y-o-y in May'26, a sharp deceleration from 5.8% in Apr'26, as indicated by the Naukri Job-Speak Index. Insurance (+19% y-o-y) and AI/ML roles emerged as relative bright spots, while banking/financial services (-15%), fertilizers (-28%), Pharma (-8%), Chemicals (-7%), IT-software (-7%), and consumer durables (-9%) witnessed contraction in hiring activity.

- CMIE data shows a diverging wage trend in Mar-Apr'26; rural wages firmed up to 14.2% YoY in April from 13.0% in March, supported by MGNREGS activity and pre-sowing season demand for labour. Urban wages, on the other hand, continued to ease to 12.0% in April from 12.7% in March, reflecting sustained moderation in urban economic activity.

Of the 37 industries reported by Naukri Job-Speak Index, only 7 witnessed higher job growth in May’26 over previous month, as compared to 32 in Feb’26.

High – Frequency Indicators: Labour Market

	Indicator	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26
Labour Market	*Unemployment Rate - Total (%)*	5.6	5.6	5.2	5.1	5.3	5.2	4.7	4.8	5.0	4.9	5.1	5.2	5.5
	Unemployment Rate - Urban (%)	6.9	7.1	7.2	6.7	6.8	7.0	6.5	6.7	7.0	6.6	6.8	6.6	6.4
	Unemployment Rate - Rural (%)	5.1	4.9	4.4	4.4	4.6	4.4	3.9	3.9	4.2	4.2	4.3	4.6	5.1
	Naukri Job-Speak Index (% YoY)	0.3	10.5	6.8	3.4	10.1	-9.3	23.5	13.2	3.4	11.9	9.2	5.8	1.0
	CMIE - Urban Wage (% YoY)	16.5	16.3	15.9	16.0	18.8	13.8	15.7	14.9	12.5	13.3	12.7	12.0	
	CMIE - Rural Wage (% YoY)	15.6	15.0	21.3	16.1	18.4	20.9	12.9	11.1	11.9	9.1	13.0	14.2	

Source: MoSPI, Naukri, CMIE, ISA

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Section C: Industry, Construction, and Services

Industry and Construction: Manufacturing continues to hold, construction steady.

Industrial output defied expectations in Apr’26 with the Index of Industrial Production (IIP) expanding by 4.9%, better than 3.2% in previous month. With manufacturing output and credit to industry remaining healthy in Apr’26 and Manufacturing PMI improving further in May’26, the Indian industry is showing resilience.

- Manufacturing output recorded a growth of 6.2% in Apr’26, defying expectations of a slowdown and led growth in the overall industrial production. The relatively strong momentum reflects that the manufacturing sector is broadly shrugging off any fallout from the ongoing West Asia war, which is currently witnessing a fragile ceasefire.

- Credit to industry expanded by a healthy 15.1% in Apr’26, with credit growth to large industries improving to 10.0% in Apr’26 as compared to 9.1% in Mar’26. At the same time, overall infrastructure and construction output as indicated by IIP, expanded by 7.1%, better than 5.8% recorded in previous month and Manufacturing PMI improved to 55.0 in May’26 compared to 54.7 in Apr’26.

- On the other hand, Mining output contracted sharply by 5.1% YoY in Apr’26, marking its fourth consecutive month of decline, while core sector growth remained subdued at 1.7%. Coupled with low growth in steel production, the overall construction sector is reflecting a mixed trend.

The consistent growth of credit to industry – specifically for large enterprises, as well as uptick in PMI manufacturing for May’26 reflects continued resilience of Indian manufacturing industry.

High – Frequency Indicators: Industry and Construction

	Indicator	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26
Industrial	*PMI - Manufacturing (Index)*	57.6	58.4	59.1	59.3	57.7	59.2	56.6	55.0	55.4	56.9	53.9	54.7	55.0
	New-IIP (% YoY)	4.7	3.0	5.0	3.6	5.5	0.0	6.5	5.8	4.4	5.2	3.2	4.9	
	New- IIP - Manufacturing (% YoY)	4.7	2.7	4.6	3.9	5.8	-0.3	8.9	7.9	5.0	5.9	3.9	6.2	
	New-IIP - Mining (% YoY)	5.9	4.1	10.8	15.8	15.7	3.0	3.2	0.6	-0.5	-2.4	-2.6	-5.1	
	Eight Core Industries (% YoY)	1.2	2.2	3.7	6.5	3.3	-0.1	2.1	4.7	4.7	2.8	1.2	1.7	
	Credit to Industry (% YoY)	4.8	5.5	6.0	6.5	7.3	10.0	9.6	13.3	12.1	13.5	15.0	15.1	
Construction	*Cement Production (% YoY)*	9.7	8.2	11.6	5.4	5.0	5.2	14.6	13.7	11.3	8.9	4.7	9.4	
	Steel Production (% YoY)	7.4	9.7	16.6	13.6	14.4	5.9	6.7	10.1	11.5	7.6	7.7	6.2	
	Central Govt. Capex (% YoY)	38.7	43.7	-10.5	113.1	30.9	-28.3	-13.8	-24.5	-24.5	59.6	-41.8	18.8	
	New-IIP Infra. % Const. (% YoY)	5.9	6.8	11.2	9.5	10.2	5.2	12.3	12.6	13.2	10.9	5.8	7.1	

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

Services: Mild recovery in services.

In services, high frequency indicators reflect some recovery in Apr-May’26.

- Services PMI recorded a six-month high of 59.8 in May'26 from 58.8 in Apr'26, remaining firmly in expansionary territory and signalling continued momentum in the services sector. The services PMI was driven by domestic demand, even as global orders moderated in year-on-year terms. Further, credit to services remained healthy, growing by 18.6% in Apr’26. This reflects the continued momentum in India’s services economy.

- At the same time, growth in registration of goods vehicles moderated sharply to 6.2% y-o-y in May'26 from 12.6% in Apr'26, reflecting moderation in freight and logistics activity, while air passenger traffic continued to contract, consistent with emerging demand-side pressures from elevated energy costs.

Services activity diverged sharply, while PMI strengthened and air cargo surged reflecting resilient business and trade activity, the air passenger traffic contracted for the third consecutive month and goods vehicle registrations slowed, signalling growing pressure on consumer-facing services from elevated energy costs.

High – Frequency Indicators: Services

	Indicator	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26
Services	*PMI-Services (Index)*	58.8	60.4	60.5	62.9	60.9	58.9	59.8	58.0	58.5	58.1	57.5	58.8	59.8
	Credit to services (% YoY)	8.7	9.0	10.6	10.6	10.2	13.0	11.7	15.3	15.5	16.3	19.0	18.6	
	Good Vehicle Registered (% YoY)	1.5	5.8	-0.5	3.9	-0.7	12.5	21.6	30.6	18.5	27.6	14.4	12.6	6.2
	Air Paasenger Traffic (% YoY)	3.0	3.7	-1.0	1.0	-0.7	4.7	7.0	-2.8	3.9	0.5	-4.4	-5.4	
	Air Cargo Traffic (% YoY)	5.1	0.3	4.4	5.5	2.4	-2.3	15.7	9.4	8.5	17.9	0.0	9.9	

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

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Section D: External and Other Major Indicators

External: Goods exports improve, pressure on INR continues

India's goods exports in May'26 increased sharply, partially helped by continued depreciation of the rupee. However, the same led to a sharp jump in goods imports as well, with overall trade balance broadly remaining similar to last month.

- India's merchandise exports increased by 18.0% y-o-y in May'26, at the same time, imports increased by 20.6% y-o-y, while growth in net services trade moderated to 12.3% in May'26. While higher goods trade is largely due to depreciation of the Indian Rupee against the dollar, the tapering in external demand conditions led to moderation in services trade.

- The Rupee continued to remain under pressure and traded at INR 95.4 per US$ 1.00 at end-May'26, extending its weakness from Apr'26 lows, as outflows from elevated crude prices weighed on the currency. However, with moderation in global crude oil prices, the rupee could see some strengthening in Jun'26.

- India's forex reserves declined in May'26, with latest data showing reserves at $682.3 billion as of end-May'26, nearly $46 billion lower than the peak of $728.5 billion in Feb'26.

With crude prices moderating after ceasefire announced between Iran and US, the rupee could strengthen and pressure of imported inflation on domestic prices may slowly dissipate over the coming months.

High – Frequency Indicators: External

	Indicator	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26
External	*Goods Exports (% YoY)*	-1.2	-1.3	13.3	5.7	6.0	-12.5	18.6	1.2	0.4	-0.8	-7.4	14.2	18.0
	Goods Imports (% YoY)	-1.3	-3.4	9.1	-9.5	17.6	17.9	-1.5	10.3	19.9	25.0	-6.2	10.0	20.6
	Net Services Trade (% YoY)	23.8	19.8	12.2	12.3	17.3	1.5	17.0	18.3	19.4	4.1	15.7	16.7	12.3
	Forex Reserves ($ Bil)	691.5	702.8	698.2	694.2	700.2	689.7	686.2	696.6	723.8	728.5	688.1	698.5	682.3
	Net FDI Flows ($ Bil)	0.9	2.3	4.3	-0.1	-2.3	-2.5	-0.7	-0.5	-1.4	4.4	1.6		
	Net Portfolio Flows ($ Bil)	1.3	2.4	-2.5	-2.6	-0.6	3.4	0.6	-4.2	-1.9	2.9	-13.3	-7.6	-3.1
	Exchange Rate (Rs/$, eop)	85.5	85.5	87.6	87.9	88.8	88.7	89.5	89.9	91.9	91.0	94.7	95.2	95.4

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

Other major indicators:

Among the other major indicators, the trends could play out in diverging ways:

- Inflationary pressure is building up following increase in retail fuel prices. Wholesale inflation accelerated of 9.7% in May'26, driven primarily by higher crude prices and cost-push pressure on industrial products (chemicals, metals, etc.)

- In government finances, while the government achieved its fiscal deficit target, a higher-than-expected outlay on subsidies and welfare (fertilizer subsidy, MNREGS) coupled with lower corporate taxes due to depressed margins could pose headwinds for the government in FY27.

- On the other hand, broad money supply (M2) growth moderated to 11.7% in May'26 from 17.2% in Apr'26, reflecting tightening of financial conditions. Industrial credit growth broadly remained healthy, improving for large enterprises with continuing credit momentum in medium and small enterprises.

- On the external front, ports cargo traffic continues to remain disrupted, while higher crude prices led to India's monthly oil imports reaching a historical high of $22.7 billion in May'26 despite the moderation in crude prices to US$106.2/barrel in May'26 from US$114.1/barrel in Apr'26, still elevated relative to pre-conflict levels. Gold prices also eased to US$4,587.5/ounce in May'26 from US$4,723.9/ounce in Apr'26.

Other Major High – Frequency Indicators:

	Indicator	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26
Inflation	*WPI (% YoY)*	-0.2	-0.4	-0.8	0.0	-0.2	-1.2	-0.6	0.3	1.2	2.2	4.0	8.3	9.7
	Core CPI (ex food & fuel, %YoY)	4.3	4.4	4.2	4.1	4.3	4.3	4.2	4.5	3.3	3.3	3.3	3.3	3.7
	CPI - Food & Beverages (% YoY)	1.5	-0.2	-0.8	0.1	-1.4	-3.7	-2.8	-1.9	2.1	3.4	3.7	4.0	4.5
	CPI - Rural (% YoY)	2.9	2.0	1.3	1.8	1.1	-0.3	0.1	0.6	2.7	3.4	3.6	3.7	4.3
	CPI - Urban (% YoY)	3.3	2.8	2.1	2.4	1.8	0.6	1.0	1.8	2.7	3.0	3.1	3.2	3.5
Public Finance	*Gross Tax Receipts (INR Lakh Crore)*	2.4	3.5	2.2	2.5	5.2	2.5	2.2	6.5	2.6	1.8	6.0	2.7	
	Corporate Tax (INR Lakh Crore)	0.24	1.28	0.26	0.31	2.37	0.47	0.38	2.81	0.29	0.01	2.37	0.25	
	Income Tax (INR Lakh Crore))	0.82	0.94	0.69	0.86	1.50	0.79	0.79	1.24	0.84	0.43	1.83	1.17	
	Net Tax Revenue (INR Lakh Crore))	1.61	1.89	1.21	1.49	4.19	0.45	1.20	5.45	1.55	0.51	4.78	1.78	
	Revenue Expenditure (INR Lakh Crore)	2.19	4.22	2.70	2.33	2.73	2.85	2.60	3.25	2.55	2.67	7.21	3.85	
	Central Subsidy Payout (% YoY)	0.22	0.32	0.30	0.37	0.52	0.44	0.42	0.29	0.37	0.35	0.64	0.44	
Money & Credit	*Credit to Large Enterprises (% YoY)*	1.0	0.8	0.9	1.8	2.4	4.6	4.6	7.5	5.5	7.8	9.1	10.0	
	Credit to Medium Enterprises (% YoY)	16.8	13.1	14.7	13.1	14.3	17.6	15.7	20.4	22.3	21.0	21.8	19.9	
	Credit to Small Enterprises (% YoY)	13.7	19.3	21.0	20.9	22.0	25.9	24.6	31.0	31.2	30.4	32.7	30.1	
	Money Supply (M2, % YoY)	12.2	11.9	11.8	12.5	11.3	14.1	12.4	17.2	16.6	17.6	21.6	17.2	11.7
Trade, Investment & Bullion	*Cargo at Sea Ports (% YoY)*	1.0	2.9	2.8	5.0	8.1	3.0	12.4	8.0	3.7	4.3	-1.5	1.4	
	Trade Balance ($ Bil)	-22.6	-19.1	-27.9	-27.2	-33.0	-42.6	-25.1	-26.2	-34.8	-27.1	-20.7	-28.2	-28.2
	Oil Imports ($ Bil)	14.7	13.8	15.6	13.3	14.0	14.8	14.1	14.4	13.4	13.0	12.2	18.6	22.7
	Gold & Silver Imports ($ Bil)	3.1	2.1	4.5	5.9	10.9	17.4	5.1	4.9	14.1	9.1	3.7	6.0	3.5
	Crude Oil - Indian Basket (US$/Barrel)	64.0	69.8	70.9	69.2	69.6	65.1	64.3	62.2	63.1	69.0	124.9	114.1	106.2
	Gross FDI ($ Bil)	7.8	9.6	11.6	6.6	7.0	6.6	6.7	8.5	5.7	9.0	6.2		
	Gold - London (US$/Ounce)	3278.0	3352.0	3338.3	3363.0	3665.2	4053.3	4083.0	4299.5	4744.5	5019.5	4862.2	4723.9	4587.5

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