Macroeconomic Update – May 2026

Index:

Executive Summary

The Indian economy has so far remained resilient and has warded off the impact of supply shock from the ongoing conflict in West Asia. Broad indicators of economy like E-way bills, GST and toll collections, as well as non-oil non-gold (core) imports have remained healthy. On the other hand, inflationary pressure has started increasing as reflected in the Macroeconomic Snapshot.

In the Consumption and Labour Market, rural areas continue to drive demand, while urban demand is feeling the impact and is turning towards caution. Labour market has also started showing signs of strain with unemployment increasing in Apr'26.

Industrial activity has remained resilient till now with Manufacturing PMI improving in Apr'26, and industrial production remaining healthy at 4.1% y-o-y in Mar'26, though core sector output contracted. Construction activity on the other hand moderated, led by slower growth in cement and steel output in Mar'26. Performance In services sector remained mixed, with services PMI improving from last month, while registration in goods vehicle moderated sharply.

The external sector is most affected by global headwinds, with the rupee continuing to depreciate, pressurized by outflow of foreign investments and elevated import prices of crude oil.

Other indicators across inflation, public finance, money and credit, and trade and investment suggest mixed performance.

Overall, as the global headwinds have started gathering steam and with government already hinting that the supply-shock is likely to impact many more sectors amid continuous external pressure, the outlook looks increasingly less optimistic than before.

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Section A: Macroeconomic Snapshot

Macroeconomic activity remains resilient amidst supply-shock

The Indian economy remained resilient despite facing a global supply shock due to West Asia conflict – reflect high frequency indicators. However, trends have started to diverge in some of the impacted sectors, with economic activity slowing down in some pockets:

- Gross GST collections – Gross collections remained healthy at INR 2.43 lakh crore in Apr'26, up marginally by 2.5% y-o-y as the rationalization of rates (Sep'25 onwards) have led to moderation in collections.

- E-way bills increased to 1,560 lakh crores in FY'26, up from 1,341 lakh crore in FY'25, registering a growth of 19.5% y-o-y, higher than 17.3% growth recorded in FY'25 and reflects strong goods movement. In Apr'26, it remained healthy at 133.4 lakh crore.

- Composite PMI, and credit and deposit growth, and non-oil non-gold imports remained healthy in Apr'26. Other broad indicators, toll collected on highways, and digital payments continue to reflect healthy economic activity till Mar'26.

- Headline CPI inflation remained low at 3.48% in April-2026 as the pass-through of higher energy prices to households has so far been contained. Core inflation also remained stable at 3.3%, helped by lower gold prices.

The high frequency indicators show that momentum in economic activity held up in Mar-Apr'26, reflecting domestic resilience despite the supply shock due to conflict in West Asia. The relatively contained inflation print provides a good starting point for the fiscal year and provides incremental space to RBI before turning hawkish.

However, the outlook looks less optimistic at least in the near-term:

- The government has already hinted at headwinds ahead for the economy, and is recommending precautionary measures to deal with a situation of higher prices amidst supply disruptions.

- The OMC (Oil Marketing Companies) have so far refrained from passing on higher prices to end consumers, with prices expected to remain firm over the coming months, eventual increase in retail petroleum prices seem inevitable.

- Further, the higher oil prices are expected to exert inflationary pressure across the board which could have an adverse effect on aggregate demand – some sectors like aviation already slowing down with price of aviation turbine fuel increasing sharply.

- The expectation of weaker than expected monsoon could impact agriculture output with impact likely to percolate into rural demand.

Eventual pass through of higher oil prices, and resultant inflationary pressure, coupled with heightened concerns around agricultural performance could subdue demand conditions over the coming months.

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	Apr-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	2.43
	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	140.6	133.4
	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	57.0	58.2
	Non-food credit (% YoY)	10.2	8.8	9.3	10.4	10.5	10.8	12.2	11.4	14.4	13.3	13.8	16.9	16.2
	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	16.2	13.2
	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	81.4	82.0
	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	7.45	
	Non-Oil Non-Gold Imports ($ Bil)	41.4	43.0	38.2	44.8	42.8	44.1	44.5	43.8	45.2	43.7	41.6	43.7	47.3
	Digital Payments (% YoY))	17.9	12.6	17.4	16.6	5.3	13.4	8.8	14.7	15.2	11.3	17.9	12.6	
	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	3.4	3.5

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

Steel Impact: Any moderation in aggregate demand conditions with rising inflationary tendencies is likely to have an adverse impact on overall steel demand.

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Section B: Consumption and Labour Market

Consumption: Rural areas continue to drive demand, urban uneven

So far in 2026, rural economy played a crucial role in sustaining overall demand conditions.

- Two – wheeler and tractor sales recorded healthy growth of 28.4% y-o-y and 26.8% y-o-y in Mar’26, reflecting the continuance of strong demand momentum from the rural economy.

- In the urban areas, PV sales increased by 24.6% y-o-y in Apr’26, driven by continued momentum in demand for automobiles, and support from post-GST momentum.

Rural economy continues to drive demand, while continued support from post-GST momentum is visible in urban demand.

- On the other hand, domestic air passenger traffic continued to contract for the second month in a row – higher ATF prices and rising uncertainty is leading to increased caution among urban consumers.

- At the same time, Mutual Fund assets under management (AUM) fell sharply to 12.0 lakh crore in Apr’26, from 18.0 lakh crore in previous month, marking the largest monthly decline since April 2020.

- Agriculture performance has so far been supportive in driving rural demand, however possibility of below-normal monsoon rainfall, and disruption in supply of fertilisers and higher prices could take the wind away from rural demand.

While growth in unsecured loans has improved, it could largely be nominal – driven by higher prices of underlying consumer durables rather than ‘real’ growth in credit demand.

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	Mar-26	Apr-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	19.3	28.4
	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	29.1	26.8
	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	14.1	24.6
	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	-0.4	-1.2	
	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	13.2	
	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	18.0	12.0

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

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

Unemployment rate inched higher in Apr’26 while formal jobs growth eased, reflecting what could be early signs of stress in the labour market as the geopolitical frictions and rising uncertainty seem to take effect. The stress in the IT-software space led by AI disruption also contributed to slower growth in IT and related industries.

- Total unemployment increased to 5.2% in Apr’26, up from 5.1% in Mar’26 as rural unemployment increased to 4.6% from 4.3% in previous month, the urban unemployment however, moderated marginally to 6.6% from 6.8% in previous month.

- Formal job growth eased to 5.8% in Apr’26 from 9.2% in previous month as indicated by Naukri Job Speak Index. Job growth contracted in banking, consumer durables, chemical, pharma and telecom industry while IT software witnessed stagnancy.

- CMIE survey shows that while rural wages increased in Mar’26 as people shifted away from agriculture and MNREGS driven employment, urban wages eased in Mar’26 – reflecting muted economic activity in urban areas.

Of the 37 industries reported by Naukri Job-Speak Index, only 10 witnessed higher job growth in Apr’26 over previous month, as compared to 32 in Feb’26.

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	Apr-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	5.1	5.2
	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	6.8	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	4.3	4.6
	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	5.8
	CMIE - Urban Wage (% YoY)	18.7	16.5	16.3	15.9	16.0	18.8	13.8	15.7	14.9	12.6	12.7	11.1	
	CMIE - Rural Wage (% YoY)	11.0	15.6	15.0	21.3	16.1	18.4	20.9	12.9	11.1	8.2	7.6	12.9	

Source: MoSPI, Naukri, CMIE, ISA

Steel Impact: The moderating consumption growth and easing momentum in urban labour market is likely to impact consumer and housing demand, which in turn could lead to moderation in steel demand.

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Section C: Industry, Construction, and Services

Industry and Construction: Manufacturing holds for now, core sector reflecting West Asia impact.

Index of Industrial Production (IIP) expanded by 4.1% in Mar'26, though this was lower than 5.1% in previous month. Manufacturing IIP also recorded a healthy growth of 4.3% in Mar'26 and reflected resilience in weathering energy supply and price disruptions in March.

- The IIP growth, especially in manufacturing bodes well for the economy as it reflects support from mining and key manufacturing sectors like auto and components, and continued support from government spending which helped infra/construction activity.

- On the other hand, the index of eight core industries contracted, as growth in output of cement and steel moderated sharply, reflecting the impact of West-Asia conflict. Among the core sectors, the sharpest decline was visible in Fertilizer (-24.6%), crude oil (-5.7%) and coal (-4.0%).

The improvement in growth of credit to industry - across large, medium and small enterprises, as well as uptick in PMI manufacturing for Apr'26 reflects continued resilience of Indian industry.

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	Apr-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	54.7
Industrial	*IIP (% YoY)*	2.6	1.9	1.5	4.3	4.1	4.6	0.5	7.2	8.0	5.1	5.1	4.1	
Industrial	*IIP - Manufacturing (% YoY)*	3.1	3.2	3.7	6.0	3.8	5.6	2.0	8.5	8.4	5.3	5.9	4.3	
Industrial	*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	5.5	
Industrial	*Eight Core Industries (% YoY)*	1.0	1.2	2.2	3.7	6.5	3.3	-0.1	2.1	4.7	4.7	2.8	-0.4	
Industrial	*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	15.0	
Construction	*Cement Production (% YoY)*	6.3	9.7	8.2	11.6	5.4	5.0	5.2	14.6	13.7	11.3	8.9	4.0	
Construction	*Steel Production (% YoY)*	4.4	7.4	9.7	16.6	13.6	14.4	5.9	6.7	10.1	11.5	7.6	2.2	
Construction	*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		
Construction	*IIP Infra. % Const. (% YoY)*	4.7	6.7	6.7	13.7	10.4	10.6	7.1	13.0	12.8	14.6	11.1	6.7	

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

Steel Impact: The core-sectors are already showing signs of stress from West Asia conflict, which is expected to transmit to other areas of the economy over the coming period. This could pose challenges for steel demand in the near future. However, improvement in credit to large enterprises signal easing stress and could help in supporting investment demand in capital goods, energy, and infrastructure.

Services: Mixed performance in services.

In services, high frequency indicators reflect mixed performance in Mar-Apr'26.

- Services PMI improved for April, after moderating in previous month (value above 50 shows expansion). However, the outlook remains clouded with IT enabled services facing some stress due to AI led disruption.

- At the same time, growth in registration of goods vehicles moderated sharply in Apr'26, and air passenger traffic contracted while air cargo traffic moderated in Mar'26.

Service momentum remains mixed and shows the impact of moderating consumption demand; however, the West Asia conflict is expected to have limited impact on domestic services activity over the coming months.

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	Apr-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	58.8
	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	19.0	
	Good Vehicle Registered (% YoY)	10.7	1.4	6.3	0.0	0.5	-3.8	11.5	22.7	31.2	22.2	29.1	18.1	12.8
	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	-4.4	
	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	0.0	
	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

IndianSteel Association

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Section D: External and Other Major Indicators

External: Rupee continues to depreciates amid mounting concerns

The concerns around the external front continue to exacerbate as foreign investors are pulling out their investments away from India, while the elevated global crude prices have put additional pressure on the domestic currency.

- However, India's merchandise exports increased by 13.8% y-o-y in Apr'26 to $43.6 billion, at the same time, imports increased by 10% y-o-y to $71.9 billion. Looking ahead, the impact of disruption in supply route as well as sourcing of key inputs is expected to start reflecting in the data over the coming period, while higher global commodity prices could support exports value. Net services exports remained supportive, expanding by 29.1% in Apr'26.

- The Rupee depreciated to historical lows at the end of Apr'26, with USD/INR exchange rate depreciating below INR 95 per US$ 1.00. Foreign portfolio outflows continued in Mar'26 and Apr'26, declining by over $21 billion in the last two months.

- India's forex reserves improved somewhat in Apr'26, however latest data shows that it stood at $690.7 billion as of 1st May'26, nearly $38 billion lower than peak of $728.5 billion in Feb'26.

The headwinds to external trade is expected to reflect in the data over the coming months, however, services trade continues to hold and cushion the impact on slowdown in goods trade.

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	Apr-26
External	*Goods Exports (% YoY)*	-3.8	-1.2	-1.3	13.3	5.7	6.0	-12.5	18.6	1.2	0.4	-0.8	-7.4	13.8
	Goods Imports (% YoY)	20.0	-1.3	-3.4	9.1	-9.5	17.6	17.9	-1.5	10.3	19.9	25.0	-6.2	10.0
	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	15.7	29.1
	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	688.1	698.5
	Net FDI Flows ($ Bil)	1.6	0.9	2.3	4.3	-0.1	-2.3	-2.5	-0.7	-0.5	-1.4	4.6		
	Net Portfolio Flows ($ Bil)	-2.1	1.3	2.4	-2.5	-2.6	-0.6	3.4	0.6	-4.2	-1.9	2.9	-13.6	-7.6
	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	95.2

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

Steel Impact: The West Asia conflict and resulting disturbance in international maritime routes is likely to reduce exports of steel and related products to key markets. At the same time, higher import prices for key raw materials like coal, limestone etc. could put pressure on steel price and margins.

Other major indicators:

The range of other major indicators across inflation, public finance, money & credit, and foreign trade reflect diverging trends with geopolitical unrest having higher impact in some sectors while others show resilience.

- Wholesale inflation firmed up in Mar-Apr'26, reflecting the cost push pressure for the producers – fuel and power registered at 24.7% increase in Apr'26, while crude petroleum and natural gas prices increased by 67.2%. At the same time, core inflation remained broadly unchanged from last month, food and beverages started showing impact of supply disruptions.

- Industrial credit growth increased across sectors in Mar'26, however the broad money supply (M2) growth moderated in Apr'26, possibly reflecting tighter financial conditions owing to global uncertainty across markets.

- On the external front, ports cargo traffic contracted in March, while international crude oil and gold prices remained elevated despite some moderation in April. Contraction in both goods exports and imports led to moderation in trade deficit at $20.7 billion.

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	Apr-26
Inflation	*WPI (% YoY)*	0.9	0.1	-0.2	-0.6	0.5	0.2	-1.0	-0.1	1.0	1.7	2.3	3.9	8.3
	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	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	3.5	3.9
	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	3.6	3.7
	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	3.1	3.2
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	8.9	
	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	21.7	
	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	33.1	
	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	21.8	17.1
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	-1.5	
	Trade Balance ($ Bil)	-27.1	-22.6	-19.1	-27.9	-27.2	-33.0	-42.6	-25.1	-26.2	-34.8	-27.1	-20.7	-28.4
	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	12.2	18.6
	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	3.7	6.0
	Crude Oil - Indian Basket (US$/Barrel)	68.2	64.0	69.8	70.9	69.2	69.6	65.1	64.3	62.2	63.1	69.0	124.9	114.1
	Gross FDI ($ Bil)	9.2	7.8	9.6	11.6	6.6	7.0	6.6	6.7	8.5	5.7	9.0		
	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	4723.9

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