

MACROECONOMIC LANDSCAPE

The year 2025 was characterised by a resilient but uncertain global macroeconomic environment. While the global growth at 3.4% remained below its historical average, it maintained the pace of last year. Global trade and manufacturing proved more resilient than expected in the face of trade and geopolitical uncertainty accentuated by US tariff announcements. The resilience of global growth reflects tailwinds of fiscal policy and accommodative financial conditions supported by AI-led investment.

Growth trends across major economies remained uneven. The US economy remained relatively resilient, supported by technology-led capital expenditure. Europe witnessed a services-led recovery, while manufacturing competitiveness remained exposed to energy-related risks. China continued to face weak domestic demand and stress in the property sector, although exports remained resilient.

Global financial conditions remained fluid during the year. Major central banks, including the US Federal Reserve

and the European Central Bank, moved towards policy easing as inflation pressures moderated from earlier peaks. Japan was an exception, with monetary tightening after a prolonged period of ultra-loose policy. Towards the end of FY 2025-26, escalation in West Asia led to a sharp rise in crude oil prices and renewed concerns around energy security, commodity inflation and supply-chain continuity. These developments brought imported input cost pressures back into focus, particularly for economies dependent on energy and commodity imports.



INDIAN ECONOMY

India's economy remained resilient through the external volatility. During FY 2025-26, India revised the base year for GDP estimates from 2011-12 to 2022-23 to better reflect the evolving structure of the economy. The revised series incorporates improved data sources and methodological refinements to strengthen sectoral representation, granularity and consistency of national accounts. Under the revised series, real GDP growth for FY 2025-26 is 7.7%, compared with 7.1% in FY 2024-25, while nominal GDP has grown by 8.7%.

Domestic activity was supported by private consumption, investment activity and growth in manufacturing and services-linked sectors. Recent policy measures strengthened the demand environment.

The restructuring of personal income tax and GST rate rationalisation were aimed at improving disposable income, easing the tax burden on households and supporting consumption across income segments. Monetary easing and favourable financial conditions further supported economic activity.

Investment activity was aided by continued government emphasis on infrastructure spending, structural reforms and improved credit flow. Bank credit growth improved and remained supportive of real economic activity, while financing from non-bank sources also increased. The consolidation of labour laws into four Labour Codes represents a structurally important reform for a labour-rich economy such as India. It is expected to support formalisation, simplify compliance, improve workforce flexibility and strengthen worker welfare, thereby



A B2B Project Site in Rajasthan

improving the operating framework for manufacturing and services-led growth.

Inflation conditions were largely supportive during FY 2025-26. Headline inflation rose from the historical low levels recorded in October 2025 but remained well below the RBI's target rate thereafter. Food prices moved out of deflation as base effects normalised, while fuel inflation remained moderate and core inflation stayed contained, barring precious metals. However, imported inflation and input cost pressures increased in March, following the spike in

global energy prices. High-frequency indicators were mixed towards the end of the year, with moderation in PMIs and power demand, even as broader domestic activity remained supported by consumption, investment and credit conditions.

Overall, the operating environment remained constructive, supported by improving demand conditions and stable inflation conditions for most of the year. At the same time, external volatility, commodity movements and supply-chain risks required continued discipline in demand management, cost control and execution.