



CareEdge

► Economic Pathway

November 2025



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≡ Economy Update

Global Growth Outlook

2025 Growth Forecasts Revised Higher

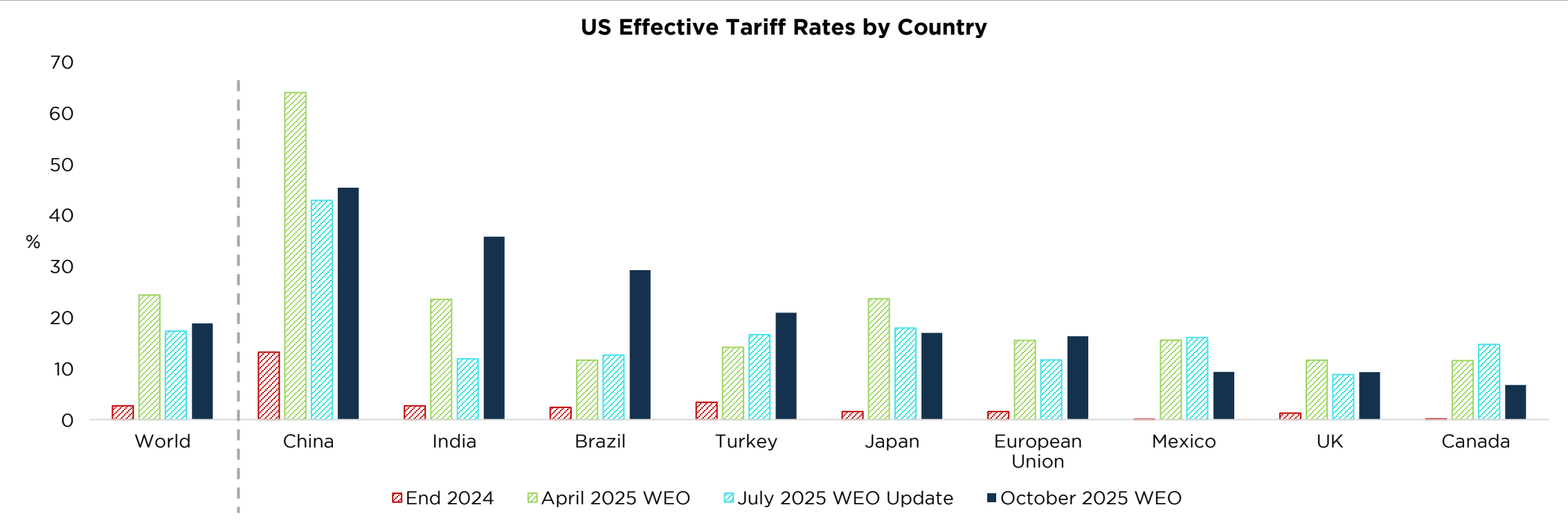
Percent Change	IMF Projections		Difference from Earlier Projections (July-25)	
	2025	2026	2025	2026
World	3.2	3.1	0.2	0.0
Advanced Economies				
United States	2.0	2.1	0.1	0.1
Canada	1.2	1.5	-0.4	-0.4
United Kingdom	1.3	1.3	0.1	-0.1
Euro Area	1.2	1.1	0.2	-0.1
Japan	1.1	0.6	0.4	0.1
Emerging Market and Developing Economies				
India	6.6	6.2	0.2	-0.2
China	4.8	4.2	0.0	0.0
Brazil	2.4	1.9	0.1	-0.2
South Africa	1.1	1.2	0.1	-0.1
Mexico	1.0	1.5	0.8	0.1

Source: IMF WEO, CareEdge; Note: For India, data is presented on a fiscal year basis

- 2025 Global growth forecast was revised slightly higher amid trade frontloading and gradual adaptation to trade tensions.
- Overall, risks to growth remain tilted to the downside amid continued uncertainty and rising protectionism.

US Effective Tariff Rates by Country

US Tariff Rates Remain Elevated

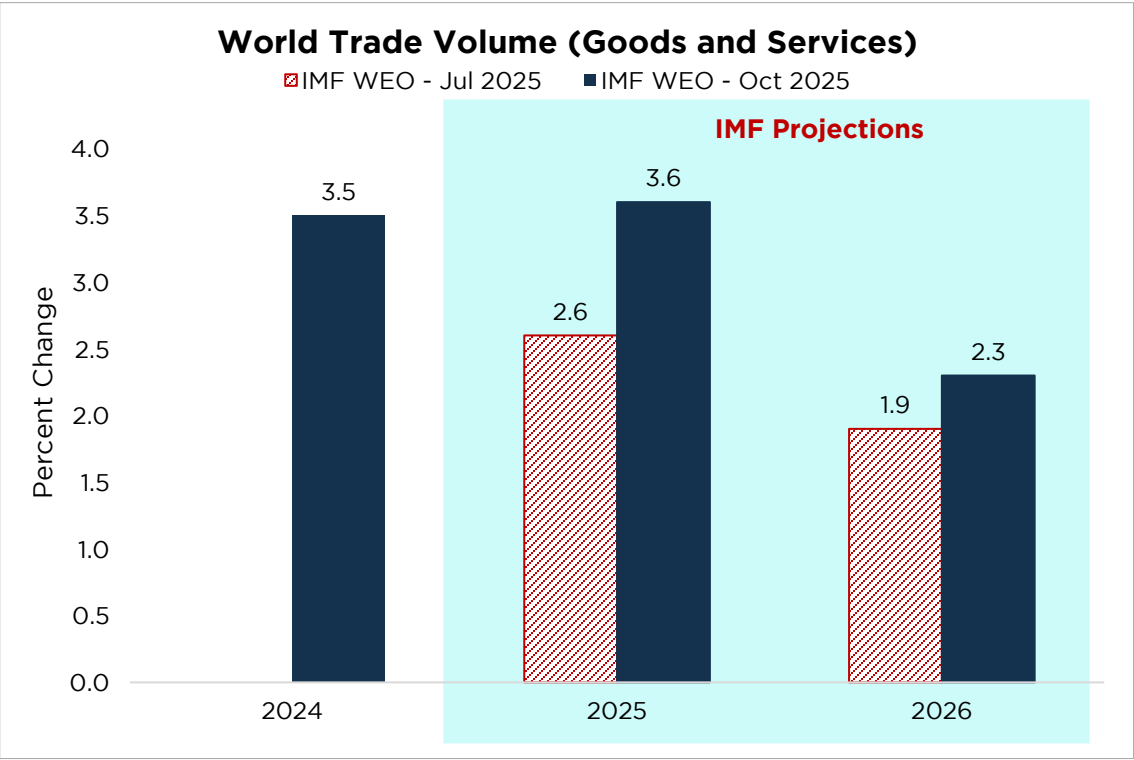


Source: IMF WEO, CareEdge; Note: Effective tariff rate is a weighted average of announced statutory rates; Effective Tariff Rate= (Total Tariff Revenues Collected) / Total Value of Imports

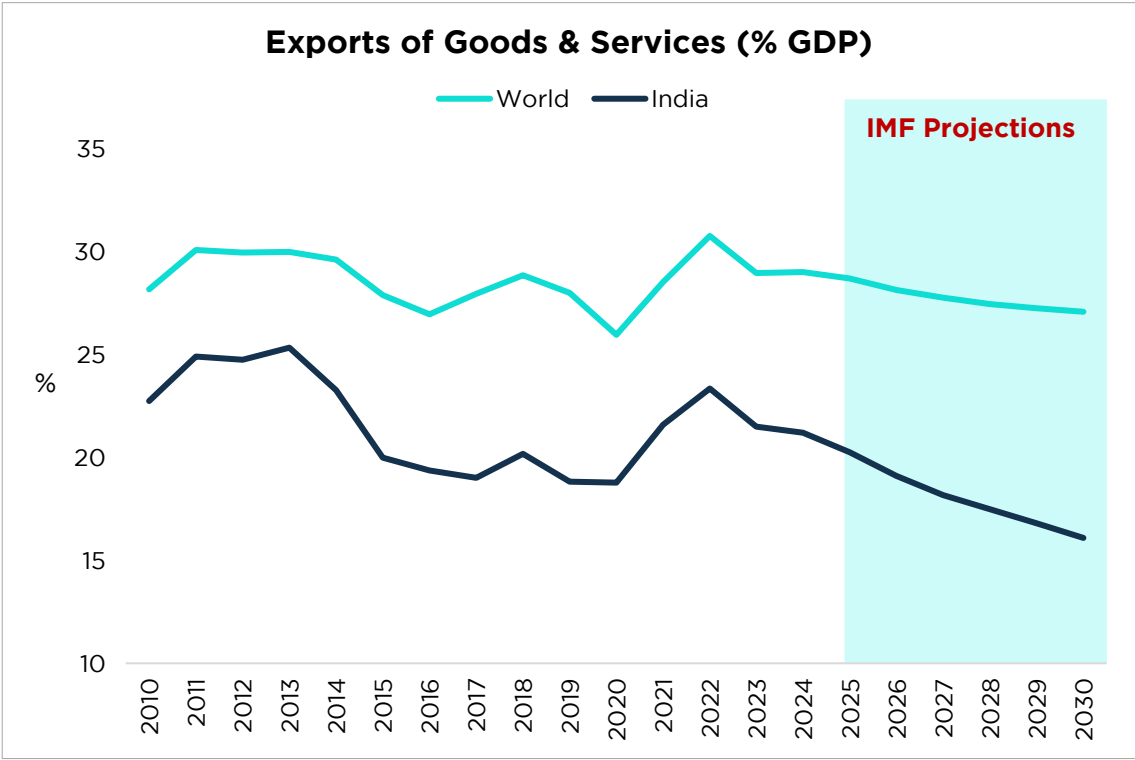
- Trade deals between the US and its trading partners have brought down the US’s effective tariff rates from the levels seen in April.
- However, tariffs remain elevated compared to their 2024 levels.

Global Trade Outlook

2025 Trade Forecasts Revised Higher Amid Frontloading



Source: IMF WEO, CareEdge

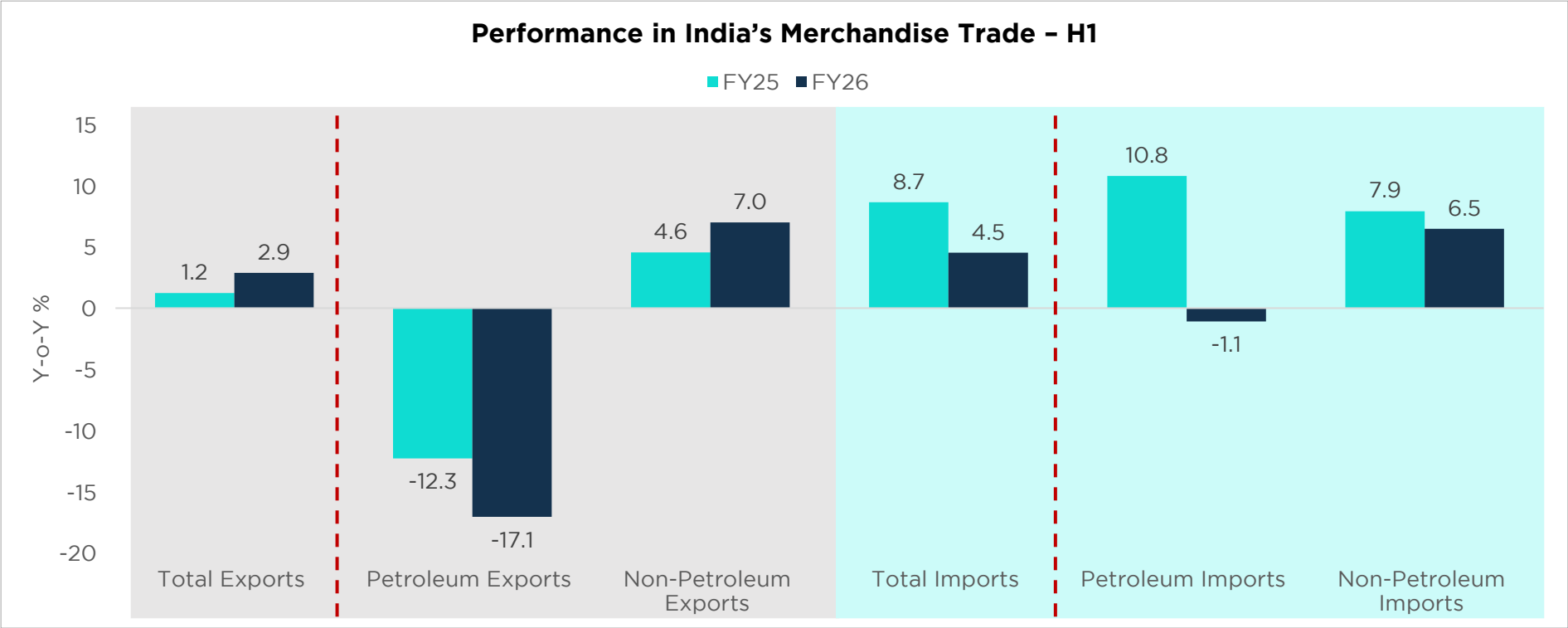


Source: IMF WEO, CareEdge

- Global trade volume is projected to grow at an average rate of 2.9% during 2025-2026.
- The average global trade forecast for 2025 and 2026 is revised higher from the July projections.
- IMF projects India's exports of goods and services (% GDP) to moderate to ~16% by 2030 from 21% currently, in line with the projected decline in global trade.

India's Merchandise Trade Performance

Trade Frontloading Supported India's Non-Petroleum Exports in H1 FY26

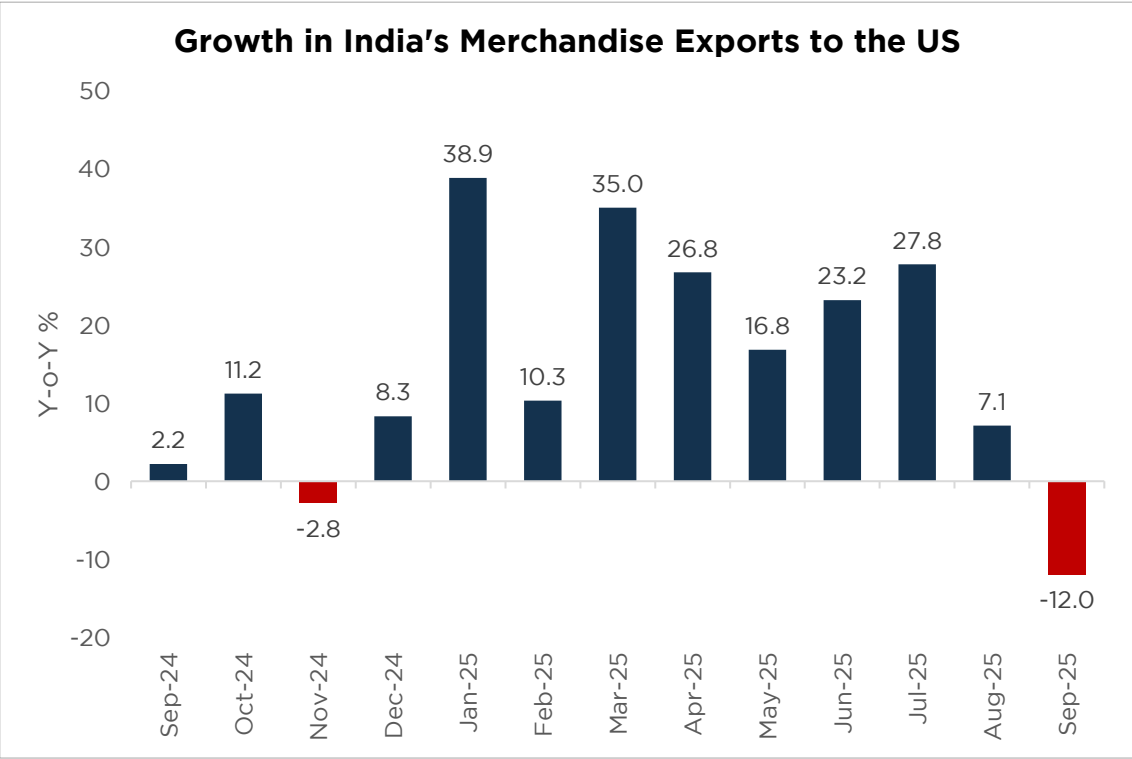


Source: CMIE

- India's non-petroleum exports held up relatively well, rising by 7% in H1 FY26. However, petroleum exports remained a drag on overall export growth.
- Imports grew by a modest 4.5% during H1 FY26, led by non-petroleum imports.

India's Merchandise Trade Performance

Merchandise Exports to the US Contracted in September

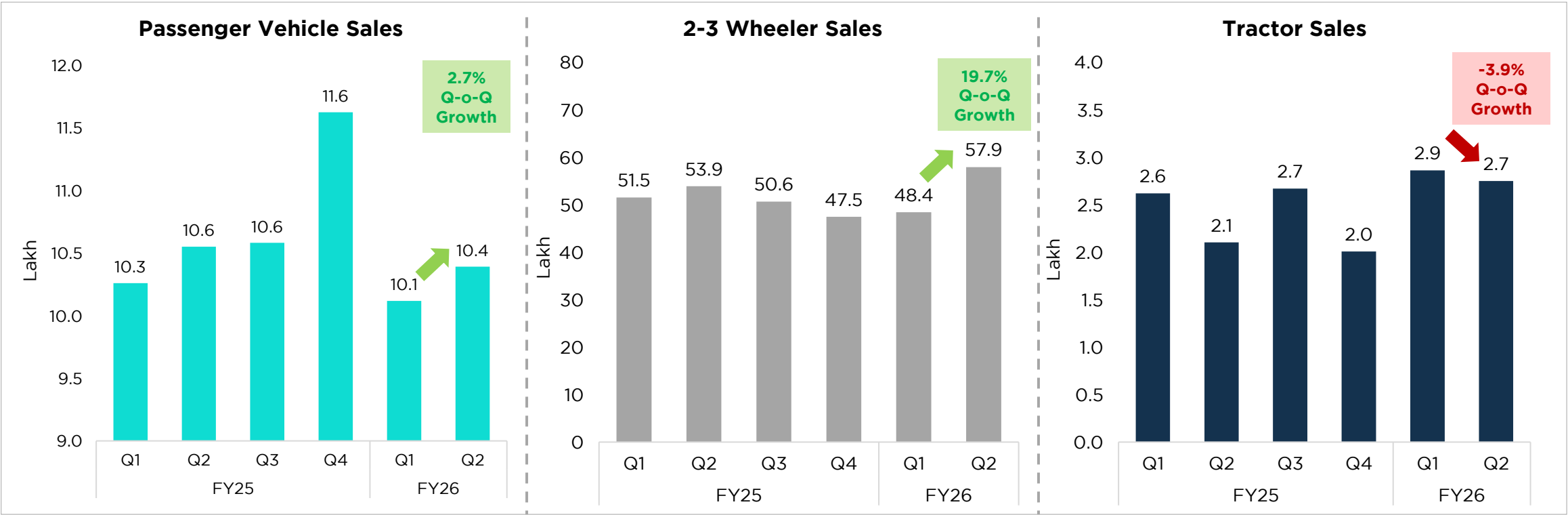


	Share in India's Exports to the US (%)	Share of the US in India's Exports to the World (%)	Growth Y-o-Y (%)
	FY25	FY25	Sep-25
Engineering Goods	20.5	16.2	-8.7
Electronic Goods	17.6	37.3	124.0
Chemicals & Related Products	17.4	24.3	-17.7
Gems & Jewellery	11.5	33.3	-74.0
Agricultural & Allied Products	6.5	11.0	-35.5
Readymade Garments	6.2	33.4	-24.4
Textiles (Excluding RMG)	5.9	26.0	-33.9
Petroleum & Crude Products	4.7	6.5	26.5

- Source: CMIE, CareEdge
- Source: CMIE, CareEdge
- The US is India's largest export destination for merchandise goods, accounting for nearly 20% share in India's total exports.
 - India's exports to the US rose by 13% in H1 FY26. However, in September, India's exports to the US contracted by 12%, marking the steepest decline since June 2023.
 - Amongst India's major exports to the US, exports of all commodities except electronic goods and petroleum products have witnessed a contraction in September.
 - Going ahead, the downside of the 50% US tariffs must be monitored closely.

Domestic High Frequency Indicators

Auto Sales Performance

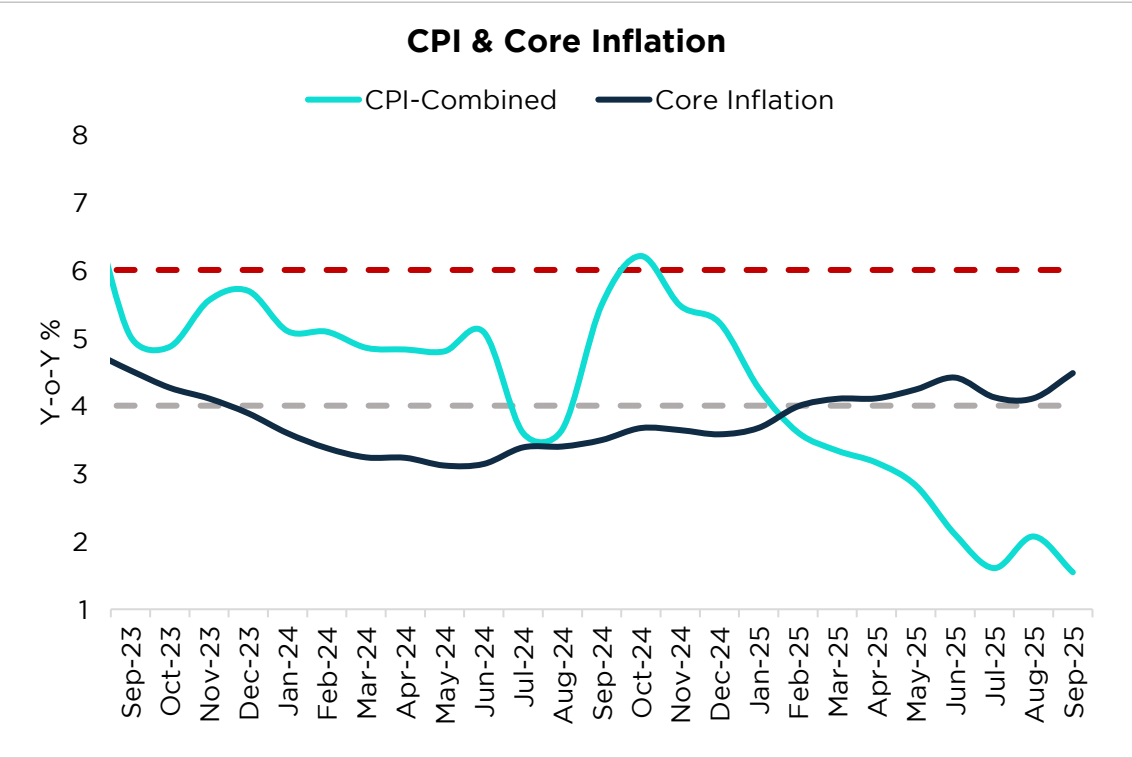


Source: CMIE, CareEdge

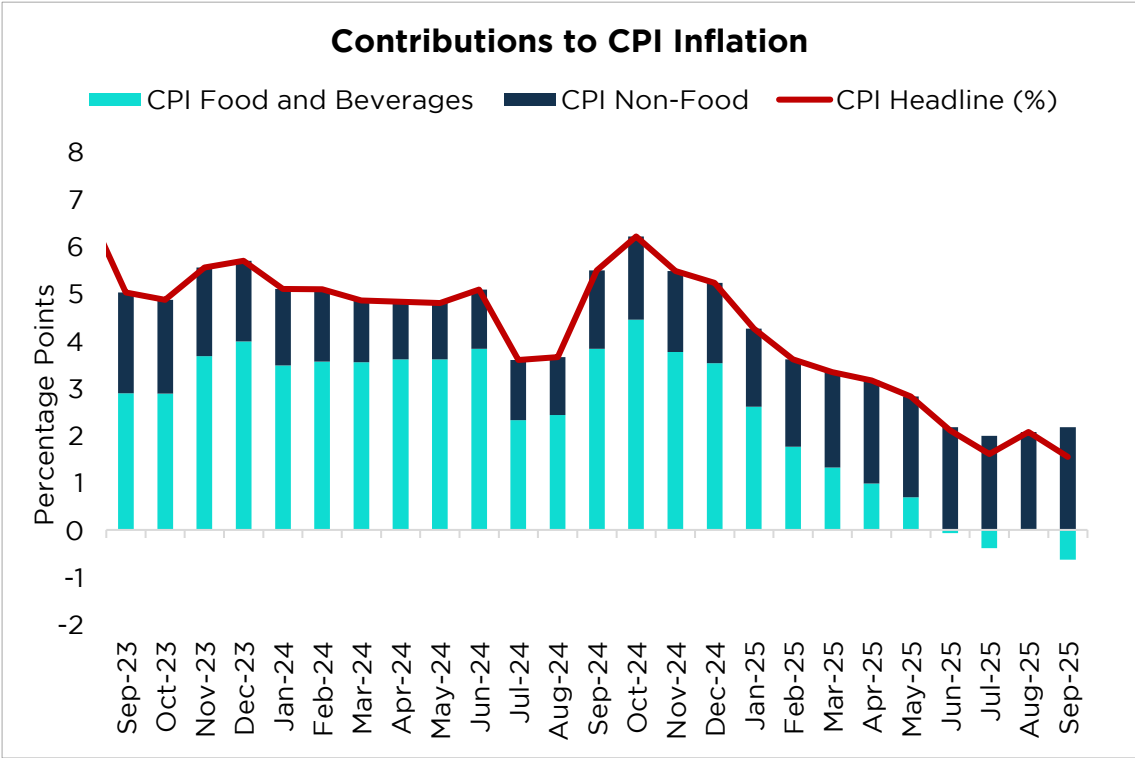
- Domestic auto sales of passenger vehicles and 2-3 wheelers witnessed a sequential uptick in Q2 FY26.
- Whereas domestic tractor sales witnessed some sequential moderation.
- GST reform introduced in September is expected to provide a boost to domestic auto sales in the upcoming months.

Domestic Inflationary Scenario

India's CPI Inflation Eases Further



Source: MOSPI, CareEdge



Source: MOSPI, CareEdge

- CPI inflation eased to 1.5% in September, falling below the RBI’s lower target range of 2%, aided by a favourable base and softer food prices.
- Core inflation, however, edged up to 4.5% due to sustained double-digit inflation in precious metals. Excluding precious metals, core inflation remained benign at 3%.
- With food inflation subdued and demand-side pressures contained, we project average inflation for FY26 at 2.1%.
- From a monetary policy perspective, if growth weakens in H2 FY26, the latest inflation readings could create scope for a rate cut.

Bank Credit Offtake

Credit Expansion Witnesses a Slight Uptick

Growth (Y-o-Y %)	Sep-24	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25
Gross Bank Credit	13.0	11.0	10.3	9.0	9.5	10.0	10.0	10.4
Non-Food Bank Credit	13.0	11.0	10.2	8.8	9.3	9.9	9.9	10.2
Agriculture and Allied Activities (13.2%)	16.4	10.4	9.2	7.5	6.8	7.3	7.6	9.0
Industry (22.8%)	8.9	7.7	6.6	4.8	5.5	6.0	6.5	7.3
Micro and Small (22.5%)	13.4	8.8	9.1	13.7	19.3	21.0	20.9	22.0
Medium (9.4%)	20.5	18.6	18.1	16.8	13.1	14.7	13.1	14.3
Large (68.2%)	6.5	6.2	4.5	1.0	0.8	0.9	1.8	2.4
Services (29.1%)	13.7	12.4	10.5	8.7	9.0	10.6	10.6	10.2
Personal Loans (34.9%)	13.4	11.7	11.9	11.1	12.1	11.9	11.8	11.7

Source: RBI, CareEdge; Note: Figures in bracket represent % share in industrial bank credit; Figures in bracket for micro, medium and large industries represent % share in industrial bank credit

- Bank credit offtake picked up slightly in the recent months to 10.4% (Y-o-Y) as of Sep-25.
- This pick-up was supported by seasonal demand during the festive season and the impact of GST rate cuts.
- While bank credit offtake showed some signs of improvement, it remained lower compared to the 13% growth seen as of September last year.
- Amid moderating credit growth, the RBI has announced multiple measures to improve the flow of credit.

Central Finances – H1 FY26

Gross Tax Collections Slowed So Far in the Year

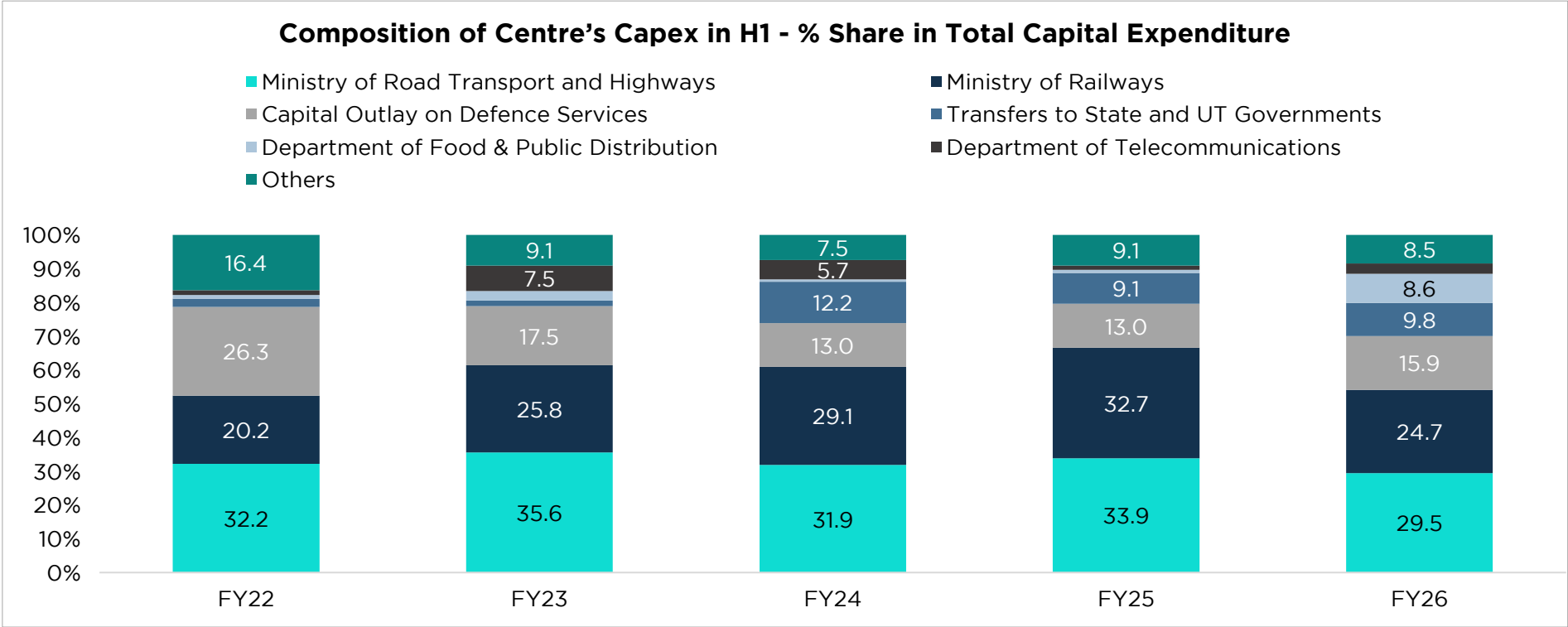
		FY26	
	H1	H1	Budgeted
	Absolute	Growth (Y-o-Y)	Full-Year Growth
	Rs Trillion	%	%
Net Tax Revenue	12.3	-2.8	13.5
Gross Tax Revenue	18.7	2.8	12.5
Direct Tax	10.6	3.1	16.1
Corporate Tax	4.7	1.1	9.7
Income Tax	5.9	4.7	21.6
Indirect Tax	7.8	2.8	10.9
GST	5.3	3.2	14.2
Customs	1.1	-5.2	3.1
Union Excise Duties	1.4	8.1	5.6

Source: CEIC, Union Budget Documents, CGA, CareEdge; Note: Budgeted full-year growth represents growth in FY26 (Budget estimate) over FY25 (Provisional data)

- Gross tax collections rose by just 2.8% (Y-o-Y) in H1 FY26, much lower compared to the budgeted annual growth of 12.5%.
- This moderation can be attributed to a slowdown in both direct and indirect tax collections.
- Income tax collections recorded double-digit growth in the last two months. This helped lift the H1 growth to 4.7%; however, it is still below the budgeted annual growth of 21.6%.
- Rationalisation of income tax slabs announced in the last Budget may have weighed on the performance of income tax collections so far this year.
- Lower nominal GDP growth might weigh on the tax buoyancy, thereby constraining the growth in tax collections.
- Furthermore, the net impact of GST rationalisation on the government's tax revenue remains a key watch out for the remainder of the fiscal year.

Central Finances – H1 FY26

Capex Continues to Record Encouraging Growth



Source: CMIE, CareEdge

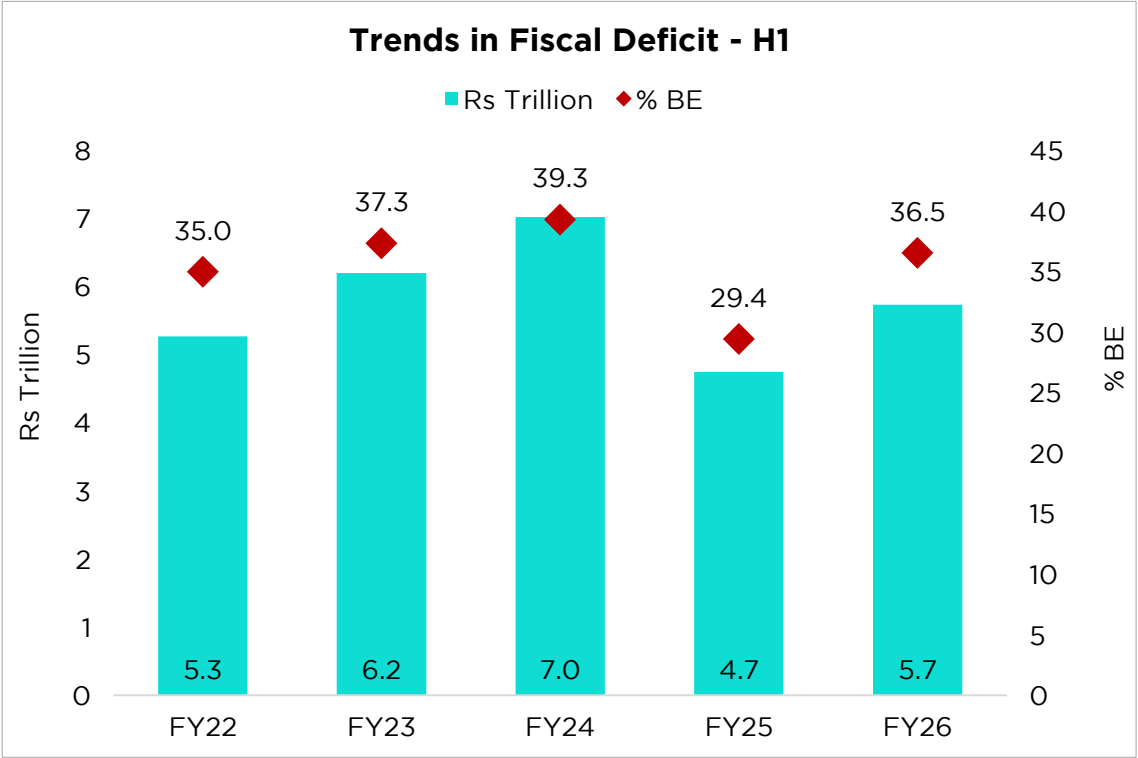
- Centre's capital expenditure surged by 40% (Y-o-Y) during H1 FY26.
- In H1 FY26, Rs 500 billion have been disbursed towards the Department of Food and Public Distribution, marking a notable increase over last year's disbursement of Rs 39 billion.
- Centre's capex, adjusted for disbursements to the Department of Food and Public Distribution, has risen by 29% in the fiscal year so far.
- Among other components, capex towards roads and railways rose by 21.7% and 5.6% (Y-o-Y), respectively, during H1 FY26.

Central Finances – H1 FY26

Capex Continues to Record Encouraging Growth

	Rs Trillion	% of Budget Estimate	% Growth (Y-o-Y)	% Budgeted Full-Year Growth
	H1 FY26	H1 FY26	H1 FY26	Full-Year FY26
Total Receipts	17.3	49.5	5.7	13.6
Revenue Receipts	17.0	49.6	4.5	12.6
Non-Debt Capital Receipts	0.3	45.8	138.1	81.7
Total Expenditure	23.0	45.5	9.1	8.8
Revenue Expenditure	17.2	43.7	1.5	9.5
Capital Expenditure	5.8	51.8	40.0	6.6
Fiscal Deficit	5.7	36.5		

Source: CMIE, CEIC, CareEdge; Note: Budgeted full-year growth represents growth in FY26 (Budget estimate) over FY25 (Provisional data)

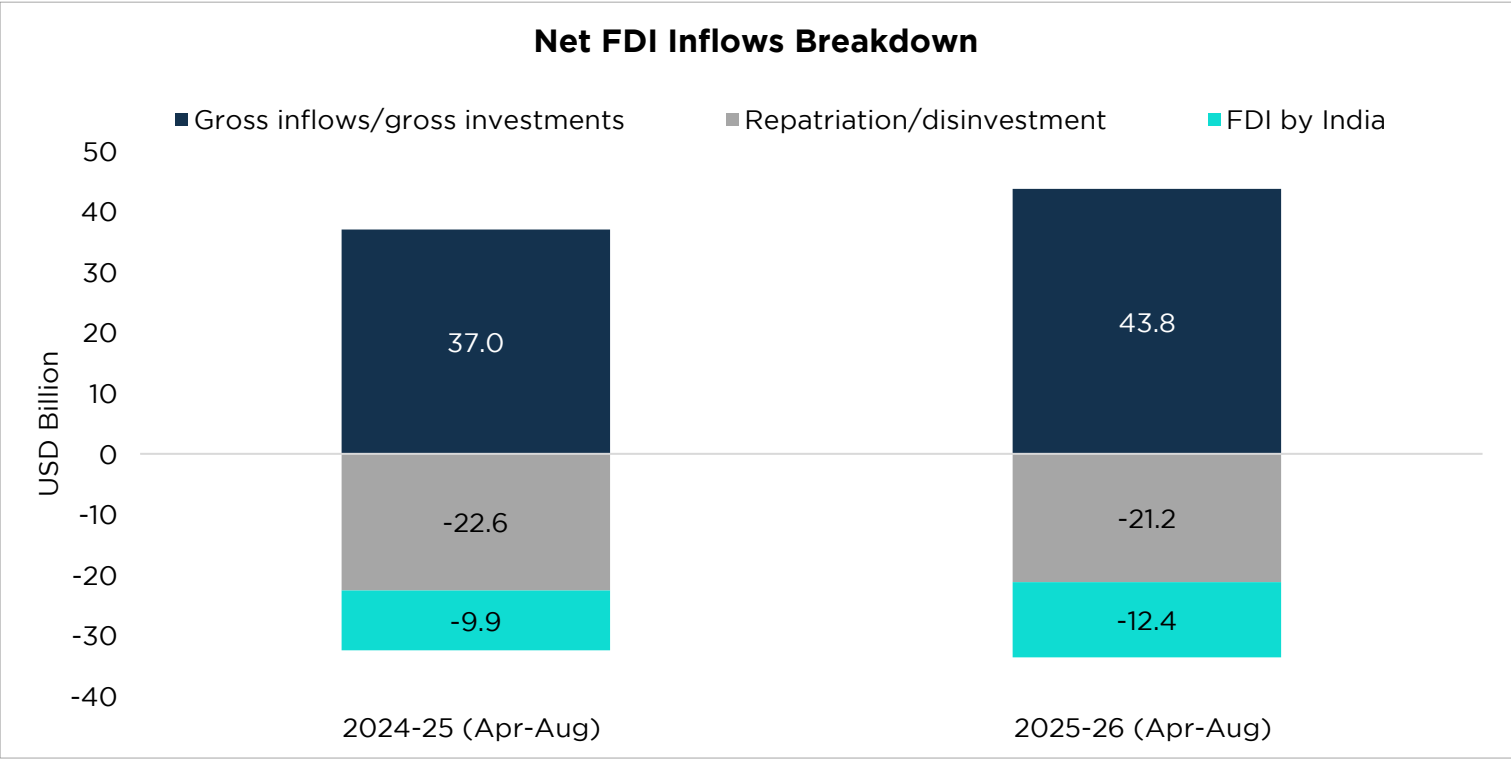


Source: CMIE, CEIC, CareEdge

- While tax collections remained subdued, the Centre’s non-tax revenues have been better-than-anticipated, buoyed by higher-than-budgeted dividend transfer from the RBI.
- On the spending front, capex remained healthy, exceeding the full-year targeted growth, while some rationalisation was seen in terms of the revenue expenditure.
- Overall, higher-than-anticipated support from non-tax revenues and some rationalisation in revenue expenditure helped contain the fiscal deficit at Rs 5.7 trillion in H1 FY26.
- Fiscal deficit is at 36.5% of the budget estimate, higher than 29.4% seen in H1 last year, but broadly in line with the levels seen in the earlier years.

Foreign Direct Investment

Net FDI Inflows Pick Up

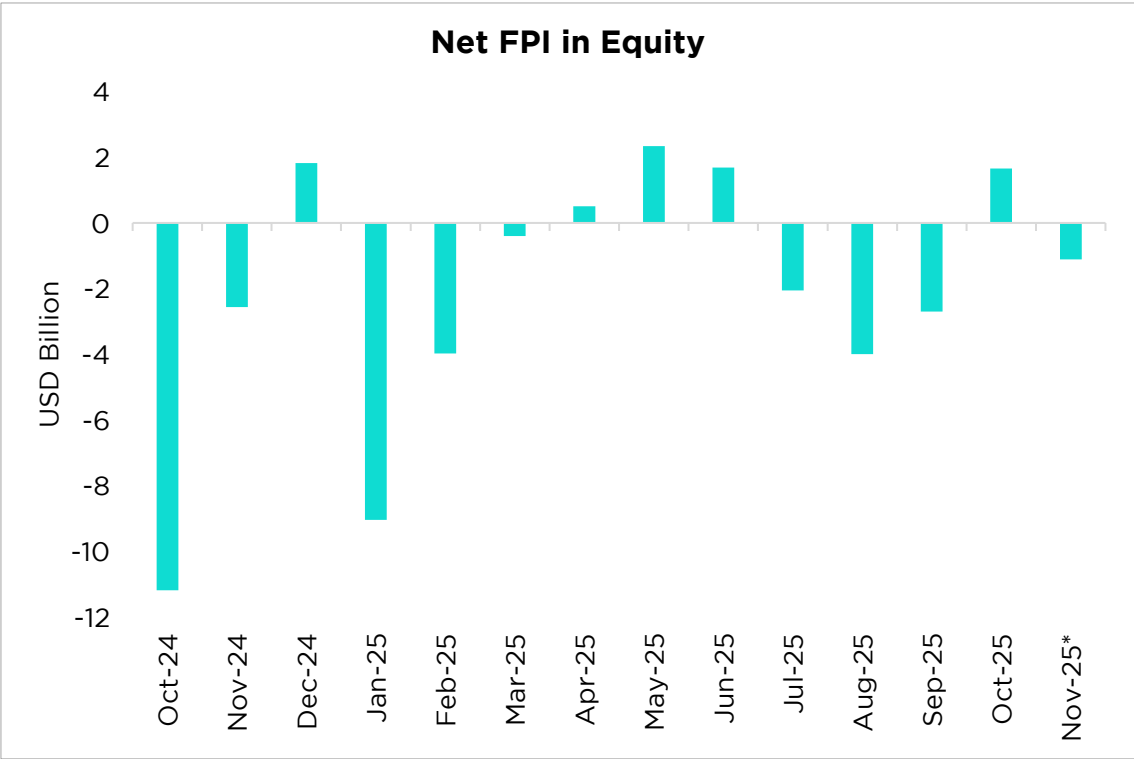


Source: CMIE

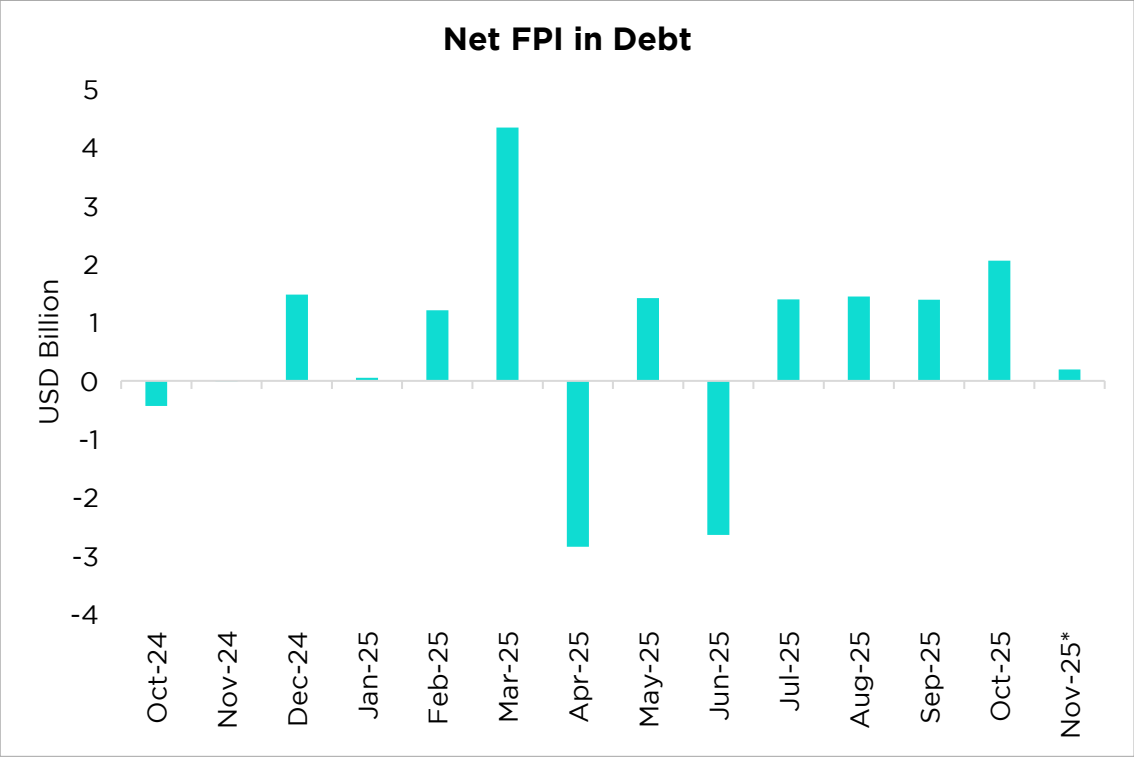
- Net FDI inflows (Gross inflows/gross investments - Repatriation/disinvestment - FDI by India) rose to USD 10.1 billion in 2026 FYTD (Apr-Aug), up from USD 4.6 billion in the corresponding period of FY25, driven by higher gross inflows (growth of 18% YoY in FYTD).
- We expect net FDI inflows to remain muted in FY26.

Trends in FPI

October Saw FPI Inflows; Marginal Outflows So Far in November



Source: NSDL, CareEdge; *Data as of 06 November



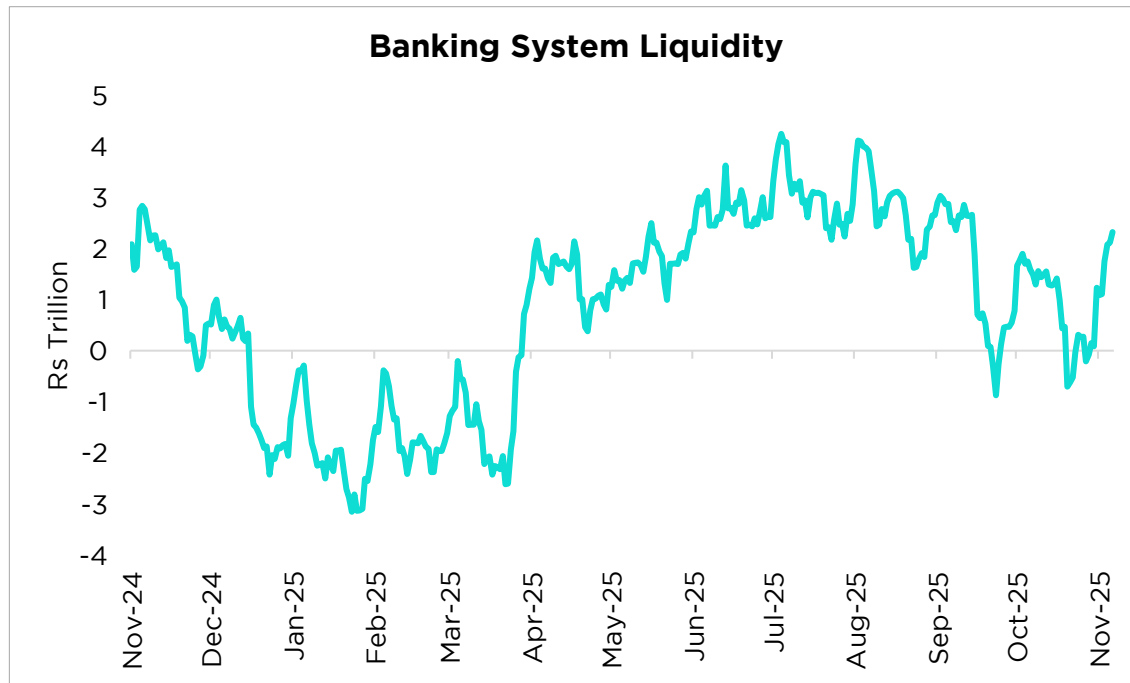
Source: NSDL, CareEdge; *Data as of 06 November

- October witnessed net FPI inflows of USD 4 billion (equity + debt), after witnessing outflows for four straight months. However, November has seen marginal outflows so far.
- On a CYTD basis, FPIs have recorded net outflows of USD 8.8 billion, driven by equity outflows of USD 17.1 billion, partly offset by debt inflows of USD 8 billion.
- Developments around the US-India trade deal will play a key role in shaping investor confidence going forward.

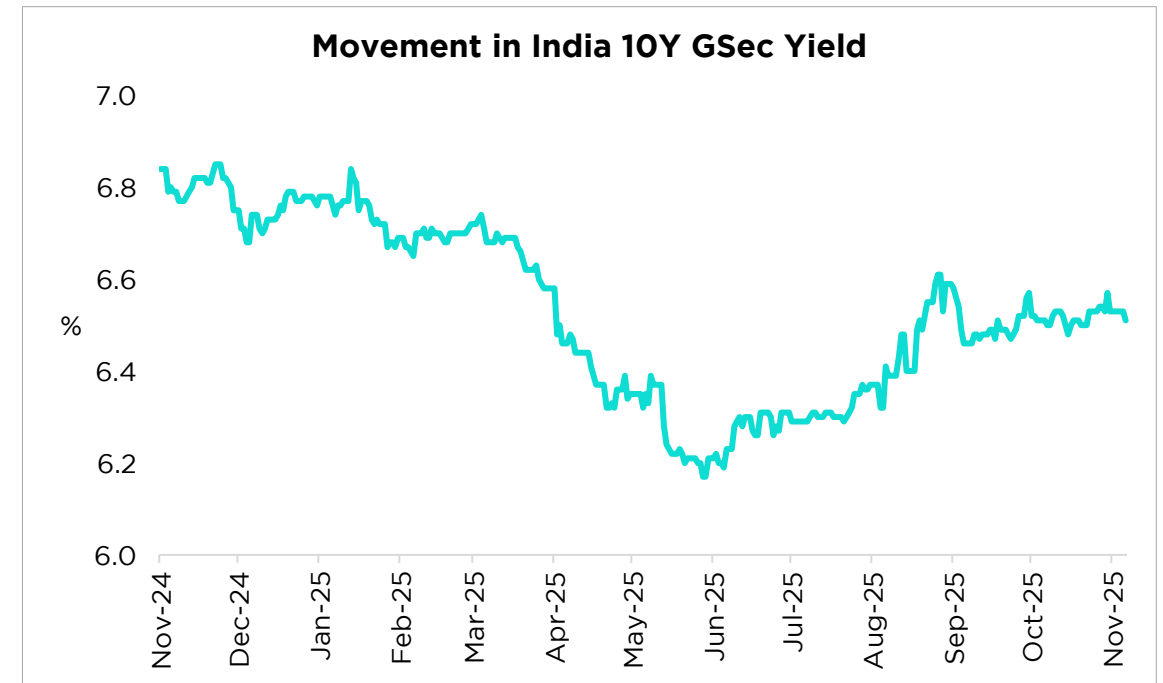
≡ Debt & FX Update

Liquidity & G-Sec Yield Update

Liquidity In Surplus; 10Y GSec Remain Elevated



Sources: RBI, CEIC, CareEdge; Data as of 06 November; Positive values denote liquidity surplus

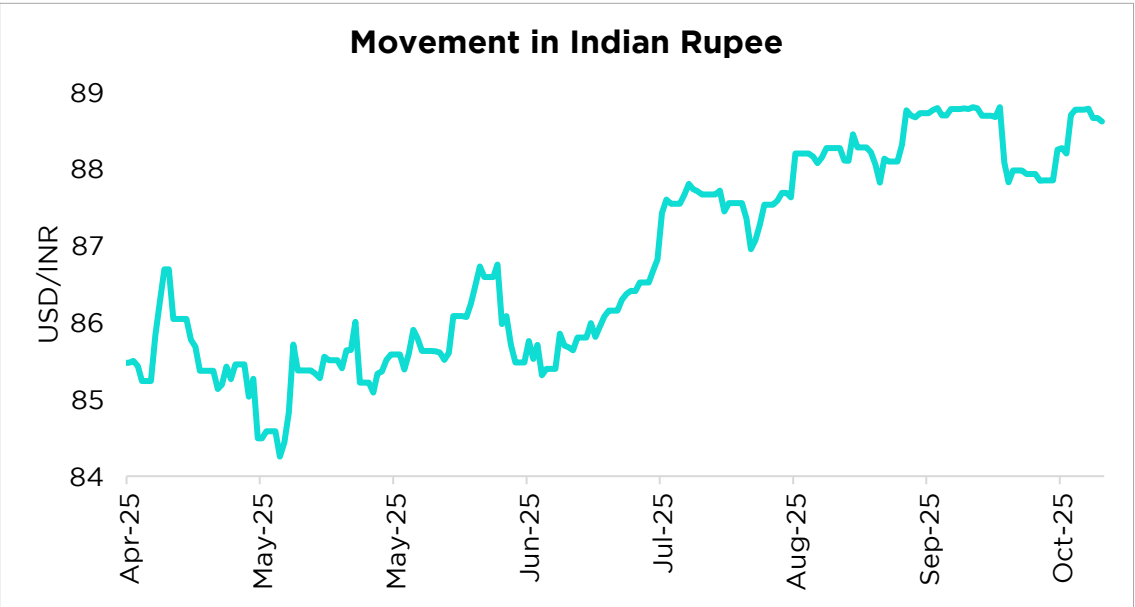


Source: Refinitiv, CareEdge; Data as of 06 November

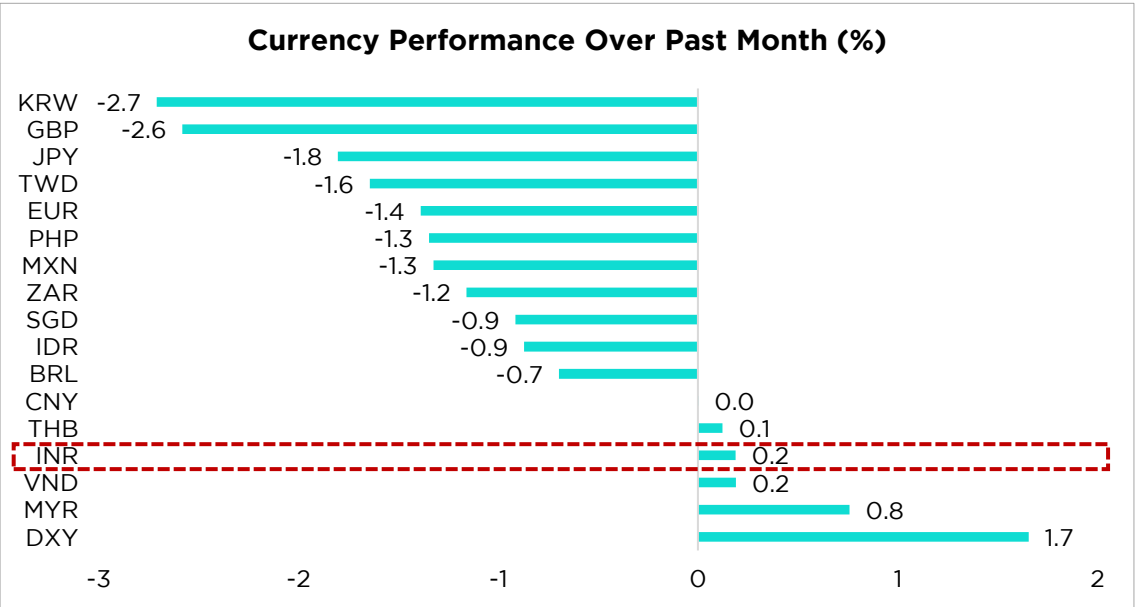
- Banking system liquidity briefly slipped into deficit in late October, primarily due to GST outflows and an increase in currency in circulation amidst the festive season, but quickly reverted to a surplus owing to month-end inflows and the RBI's support via VRR auctions.
- The WACR averaged 8 bps below the policy rate over the past month, reflecting comfortable liquidity conditions.
- In the near term, liquidity conditions are expected to remain comfortable supported by the remaining CRR cuts.
- India's 10Y G-sec yield was largely flat over the past month. However, the yields remain elevated by 20-bps compared to six months ago.
- The outcome of the US-India trade negotiations will be closely monitored for its potential impact on market sentiment ahead of the RBI's December MPC meeting.

Currency Update

Rupee Appreciates Marginally



Source: Refinitiv, CareEdge; Data as of 06 November



Source: Refinitiv, CareEdge; Data as of 06 November. Note: Negative values imply currency has weakened. DXY measures the dollar's performance against a basket of currencies, while the performance of other currencies is measured against the USD

- The rupee appreciated marginally by 0.2% against the dollar over the past month, aided by renewed FPI inflows in October and expectations of a likely US-India trade deal.
- In the near term, the RBI's intervention will contain rupee volatility.
- We maintain our FY26-end USD/INR forecast at 85-87, underpinned by a softer dollar, a firm yuan, a manageable CAD, and expectations around the US-India trade deal.
- Fed lowered its policy rate by 25 bps in October, mainly amidst labour market concerns. However, the governor signalled caution on the likelihood of a December rate cut.
- Dollar index has inched up by 1.7% over the past month but remains down -8% CYTD. The recent uptick in the dollar index was largely due to hawkish commentary at the October Fed meeting.

CareEdge Forecasts



Economic Growth

GDP growth projected at
6.9% in FY26



Inflation

Average CPI inflation projected at
2.1% in FY26



Current Account Deficit

CAD (as % of GDP) projected at
0.9% in FY26



Fiscal Deficit

Fiscal deficit (as % of GDP) budgeted
at **4.4%** in FY26



Interest Rates

10-Year G-Sec Yield to range
between **6.3%-6.5%** by end-FY26



Currency

USD/INR projected to trade
between **85-87** by end-FY26

CareEdge Eco Research Round-up



From the Economics Desk @ CareEdge

CPI Inflation – September 2025	Read Here
IIP Growth – September 2025	Read Here
Debt & Forex Market Update – October 2025	Read Here
Update on Central Government Finances – H1 FY26	Read Here
Dollar Is Facing Challenges, but De-dollarisation Remains Gradual	Read Here
China Economic Update: Key Developments and Outlook	Read Here

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