

Economic Round-up: May 2026

The situation in West Asia continues to cast a shadow of uncertainty over the global economy. The continued back and forth between US and Iran with regard to the peace deal and ceasefire, has impacted investor sentiments and led to heightened volatility in the global financial markets. In May'26, global markets cheered the possibility of a peace deal which led to a brief deceleration in global oil prices. However, tensions have once again flared with both US and Iran trading renewed hostilities. At the same time, the continued blockade of Strait of Hormuz could cause further disruptions in global supply chains. The impact of the crisis has been visible across countries with most global economies reporting an uptick in inflation. Producers and manufacturers too have raised concerns over elevated input prices. Global central banks have reassessed their monetary policy paths, with almost all major central banks indicating that rate hikes are on the cards. In India, RBI is widely expected to hold rates steady this month, even as recent increase in fuel prices and concerns over a weak monsoon threaten to push up inflation in the near-term. The RBI is likely to adopt a cautious, data-driven approach and assess the progress of monsoon before deciding to hike rates.

Global central banks: Minutes of policy meeting of major central banks indicated that members are getting increasingly uncomfortable with the impact of the continued West-Asia crisis on inflation. While the duration of the conflict remains highly uncertain, most global economies are witnessing an uptick in inflation due to elevated energy prices. More importantly, policymakers are more concerned over the possible second-round effects of higher energy prices which can keep inflation above target in major economies for a much longer time. The timing of rate hikes continues to be marred by uncertainty given the volatile global situation. Amongst major central banks, Bank of Japan (BoJ) is widely expected to hike rates by 25bps this month. For the ECB as well, the possibility of a rate hike in the Jun'26 meeting has increased. On the other hand, there is some uncertainty over the timing of rate hikes by the Fed and BoE.

Key macro data releases: India's **CPI inflation** picked up to 3.5% in Apr'26 compared with 3.4% in Mar'26, on YoY basis. Food inflation rose to 4.2% in Apr'26 compared with 3.9% in Mar'26 largely due to seasonality. **CPI excl. food and fuel** remained steady at 3.4%. Comfort to core inflation stemmed from lower gold and silver prices. The inflation print largely did not reflect any impact of higher energy costs as retail prices of fuel were capped. The impact is likely to be visible this month, as retail prices have inched up. On the other hand, WPI inflation picked up sharply to 8.3% in Apr'26 from 3.9% in Mar'26, due to the direct impact of elevated petroleum prices. India's merchandise **exports** rose at a solid pace of 13.8% in Apr'26 reversing a decline of 7.4% in Mar'26. Merchandise **imports** also picked up to 10% in Apr'26, after declining by 6.2% in Mar'26. Goods **trade deficit** expanded to US\$ 28.4bn in Apr'26, led by higher oil and gold imports. Central government in FY26 registered a 1.6% increase in capital expenditure which rose to Rs 10.69 lakh crore versus RE of Rs 10.96 lakh crore. Net revenue rose by 8.7% to Rs 33 lakh crore, supported by 11.4% rise in corporate tax collections and 7% increase in indirect tax collections.

Macro developments

Global financial markets continue to remain volatile

The continued back and forth between US and Iran with regard to the peace deal has continued to weigh on global investors mind. Oil prices have seen sharp swings but have now settled below the US\$ 100/bbl mark. As of 2 Jun 2026, price of Brent crude has softened to ~US\$ 94/bbl, marking a decline of about 20% from a peak of US\$ 118/bbl in Apr'26. Even so, oil prices remain elevated compared to the levels seen before the war, and it's widely expected that even after the ceasefire and peace agreement, global oil prices are unlikely to return to pre-war levels for some time. There has been some respite with respect to prices of other global commodities as well, especially metals. Prices of both copper and zinc have eased from recent highs, even though aluminium prices have continued to scale upwards.

Global bond yields have shown a varied trend monitoring the inflationary risks and expected timing of rate hikes. 10Y yield in the US inched up ~7bps since Apr'26 and by 9bps in Japan. On the other hand, Germany's and UK's 10Y yield has eased by 6bps and 15bps respectively since Apr'26. In the UK, 10Y bond yields have eased after a sharp sell-off earlier in May'26, amidst political uncertainty and concerns over elevated borrowings. In the currency market as well, the last month saw heightened uncertainty, mirroring the developments in US-Iran peace talks. Over the last month (30Apr 2026 to 2 Jun 2026), DXY strengthened by 1.2% due to the continued uncertainty over the prospects of US-Iran peace talks. JPY also appreciated by 2.1% on safe-haven demand as well as mounting expectations of an imminent rate hike by the BoJ. On the other hand, EUR, CNY and GBP depreciated by close to 1% in the same period. However, global equity markets remained mostly buoyant driven by AI related optimism.

State of the global economy

US GDP growth for Q1 2026 was revised down to 1.6%, compared with 2% estimated earlier. The downward revision largely reflects lower personal spending and investment. In fact, growth in consumer spending which accounts for more than 2/3rd of total GDP, was revised down to 1.4% versus 1.6% estimated earlier. On the other hand, AI related expenditure has continued to fuel growth. Labour market showed mixed signals with non-farm payrolls easing from 185,000 additions in Mar'26 to 115,000 additions in Apr'26. Even so, the unemployment rate held steady at 4.3%. More recently, weekly US jobless claims picked up to 215,000 in the week ended 23 May 2026, compared with 211,000 last week. The impact of the war has been visible in domestic prices. CPI inflation accelerated to 3.8% in Apr'26 from 3.3% in Mar'26 on a YoY basis. PPI inflation too inched up sharply from 4.3% in Mar'26 to 6% in Apr'26. More significantly, core PCE, Fed's preferred gauge of inflation also accelerated to 3.3% in Apr'26, compared with an increase of 3.2% in Mar'26. As a result, domestic consumption is also getting impacted. Retail sales in the US rose at a slower pace of 0.5% in Apr'26, after increasing by 1.6% in Mar'26 on a MoM basis. Consumer sentiment has faltered, with both Conference Board and University of Michigan reporting a decline in consumer sentiment. Conference Board's consumer sentiment index dipped to 93.1 in May'26, compared with 93.8 in Apr'26. University of Michigan's consumer sentiment index dropped to a record low of 44.1 in May'26 from 48.5 in Apr'26. At the same time, consumers' inflation expectations over both the 1Y and 5Y horizon picked up to 4.8% and 3.9% respectively, from 4.5% and 3.4% earlier. More recently, US ISM's manufacturing PMI surged to a 4-year high of 54.0 in May'26 compared with 52.7 in Apr'26. The uptick is said to be driven by front-loading of orders even as US manufacturers stated that continued supply chain disruptions and elevated input prices are major hindrances to business. US ISM Services index also inched up to 54.5 in May'26 from 53.6 in Apr'26 led by a surge in new orders. Even so, input prices rose at the sharpest pace since Aug'22 and employment growth remained subdued.

In case of **Eurozone**, Q1 2026 GDP growth was retained at 0.8% (YoY) unchanged from the earlier estimate but slowing from an increase of 1.3% in Q4CY25. In terms of recent indicators, manufacturing PMI for the Eurozone picked up to 51.6 in May'26 from 51.4 in Apr'26. This was led by an improvement in manufacturing activity in Germany (50.1 in May'26 versus 49.9 in Apr'26) and Italy (52.9 in May'26 versus 52.1 in Apr'26). At the same time, manufacturing activity contracted at a slower pace in France (49.7 in May'26 versus 48.9 in Apr'26). Rising price pressures were visible across economies, with inflation (HICP) inching up significantly in France (2.8% in May'26 versus 2.5% in Apr'26), Italy (3.3% in May'26 versus 2.8% in Apr'26) and Spain (3.6% in May'26 versus 3.5% in Apr'26). On the other hand, CPI inflation in Germany edged down marginally to 2.6% in May'26, compared with 2.9% in Apr'26. Results of ECB's latest consumer inflation survey showed that consumers expect inflation to remain elevated at about 4% in the next 12-months.

In China, the economy showed mixed signals. China's official manufacturing PMI dipped to 50.0 in May'26 from 50.3 in Apr'26. The dip was led by a sharp fall in new exports orders to 48.6 from 50.3 in Apr'26. Further, while there was some moderation in the sub-index for input costs, it remains elevated signalling a pressure on margins. In terms of industries, while high-tech and equipment manufacturing performed well in May'26, industries which rely heavily on energy showed a contraction in output. Services sector activity remained robust, with the non-manufacturing PMI inching up to 50.1 in May'26 from 49.4 in Apr'26. Separately, industrial production growth decelerated to 4.1% in Apr'26, marking the slowest pace of growth since Jul'23. This followed an increase of 5.7% in Mar'26. At the same time, retail sales recorded a modest growth of 0.2% in Apr'26, after increasing by 1.7% in Mar'26. The moderation was led by a sharp contraction in domestic auto sales which have continued to contract for the last seven months. Fixed asset investment declined by 1.6% in Jan-Apr'26. FAI had increased by 1.7% in Jan-Mar'26. On the other hand, China's exports expanded solidly by 14.1% in Apr'26, accelerating sharply from an increase of 2.5% in Mar'26. The increase was led by AI related exports, automobiles and mechanical and electrical products. At the same time, import growth also increased by 25.3% in the same period, moderating only marginally from 27.8% in Mar'26. CPI inflation in China rose to 1.2% in Apr'26 from 1% in Mar'26. This was driven by higher commodity prices and a spending boost during the festive period. Retail prices of gasoline are estimated to have increased by ~20%. PPI inflation also picked up pace and increased sharply by 2.8% in Apr'26-marking the sharpest pace of increase since Jul'22, after rising by a modest 0.5% in Mar'26.

Indian economy: Fuel price hikes

In an expected move, retail prices of petrol and diesel were hiked successively in May'26. This was done to compensate the OMCs for the losses made due to higher global oil prices. In fact, for a major part of May'26, global crude oil prices had been trending upwards of US\$ 100/bbl. While retail fuel prices were kept steady to keep consumers insulated, the prolonged crisis and stress on margins pushed OMCs to raise prices. In the first instance, the prices of petrol and diesel was increased by about Rs 3/litre on 14 May 2026. This was the first increase in retail fuel prices since Mar'24. Subsequently, more price hikes were announced. As of date, the prices of petrol and diesel have been raised cumulatively by about Rs. 7.5/litre. This will have an impact on the inflation outlook. Conservatively, we estimate an impact of 60-70bps on headline inflation. This includes both the direct impact of higher fuel prices (petrol and diesel have a combined weight of 4.9% in the new CPI basket), as well as indirect impact due to higher transport and logistics costs. The impact is likely to get reflected in the CPI print for May'26. The overall inflation outlook also looks more cautious due to heatwave conditions, lower than normal monsoon forecasts, and El-Nino conditions. This might prompt the RBI to raise rates. The timing would however depend on how both the global and domestic conditions evolve.

However, on the positive side, with hopes of a possible ceasefire and opening of Strait of Hormuz, global oil prices have eased below the US\$ 100/bbl. If these conditions persist, the need for more price hikes might be limited.

High frequency indicators signal resilience

India's manufacturing PMI inched up to a 3-month high of 55.0 in May'26, compared with 54.7 in Apr'26. This was led by a sharp pickup in new orders and output particularly for intermediate and capital goods. On the other hand, consumer goods segment witnessed a deceleration. Demand was driven by domestic orders, while new export orders softened. This suggests a trend of stockpiling due to uncertainty over the duration of the West Asia crisis. At the same time, purchasing prices picked up sharply to the highest level since Apr'22. India's services PMI too showed improvement, rising to 59.8 in May'26 from 58.8 in Apr'26. This was led by an uptick in new orders, with new export orders also picking up. Further, while input prices continued to remain elevated compared to historical trends, there was some deceleration in the month. As a result, output prices too increased at a softer pace. Overall, India's composite PMI improved to 59.3 in May'26 from 58.2 in Apr'26.

Central bank actions

Minutes of the Fed's Apr'26 policy meeting showed that an increasing majority of FOMC members are leaning towards a rate hike. It is to be noted that the Fed had voted to keep policy rates unchanged in Apr'26. However, the vote was not unanimous, with 4 out of the 12-member committee dissenting. Members generally agreed that the conflict in West Asia is likely to have a negative impact on inflation outlook. In fact, the members generally held the view that global oil prices and other commodity prices are likely to remain elevated even after the conflict had ended. At the same time, upward price pressures are likely to persist due to disruptions in supply chain, high commodity prices and pass-through of higher input costs on final selling prices. Under this scenario, inflation is unlikely to return to the Fed's 2% target as quickly as was previously anticipated. With regard to growth and labour market conditions, the FOMC members remained optimistic. Based on this, while members agreed with keeping rates on hold, a majority of members stated that "policy firming would likely become appropriate if inflation were to continue to run persistently above 2%". Hence, these members suggested removing the inclusion of "additional adjustments" in the post meeting statement, which was generally which generally suggests an easing bias in the monetary policy. Against this backdrop, US President Trump's Fed chair nominee, Kevin Warsh was sworn in as the new Fed Chair. Further, in comments since then, several Fed officials have supported the case for a rate hike, amidst concerns over elevated inflation. At present, financial markets anticipate that the likely direction of US Fed Funds rate is likely to be upwards, likely by the end of 2026 or early 2027.

Bank of England (BoE) had held its policy rate steady at 3.75% in its Apr'26 meeting. However, investors had raised the expectations of an imminent rate hike (as early as Jun'26), as energy prices remained elevated and inflation continued to remain firmly above the central bank's target. More recently, BoE official including Governor Bailey has pushed back on the expectations of rate hike largely due to the fact that growth prospects of the region remain underwhelming. Further, by taking rate cuts off the table, the BoE has largely tightened monetary policy. Separately, another BoE policymaker, Catherine Mann, stated that rate hikes by the central bank could lead to a spike in government's borrowing costs, and lead to a tightening in financial conditions. In recent comments, Governor Bailey reiterated his stance, stating that it is justified to let inflation run above target due to the uncertainty over the impact of West Asia crisis on growth. However, he said that "if signs of second-round effects begin to emerge" then the central bank might have to change its stance. Following his comments and tracking the recent dip in oil prices, analysts now expect the BoE to hike rates only once this year.

The ECB kept its policy rate unchanged in its Apr'26 meeting. However, minutes of the meeting revealed that members widely discussed the issue of elevated energy costs and its impact on inflation. Concerns were also expressed on the impact of the crisis on supply chains, which could impact both inflation as well as growth. The committee noted that information on the duration and intensity of the conflict is still unknown. In saying so, it was noted that the inflation outlook has worsened since Mar'26, and the impact on inflation would need to be ascertained. This would also include the second-round impact of higher energy prices as well as an upward shift in inflation expectations. However, the members did not find any evidence of the energy prices feeding into wage growth due to softening labour market conditions. Members hence debated the crucial policy trade-off between weakening growth momentum against a worsening inflation outlook. The minutes noted that "Maintaining price stability might necessitate tighter monetary policy to prevent inflation expectations from becoming unanchored, even if this exacerbated the shock's negative impact on the economy". A few members noted that the policy decision was a "close call and that they would not have opposed raising rates at the current meeting had this been on the table". Hence, while a pause in Apr'26 was justified, possibility of a rate action in Jun'26 could be explored

as more information would be available, including the inflation readings of Apr'26 and May'26. Hence, a data dependent and meeting by meeting approach is warranted, rather than a "pre-commitment to a particular rate path".

Minutes of Bank of Japan's Apr'26 meeting showed that policymakers discussed the need for rate hikes amidst elevate energy costs. Specifically, board members argued that a temporary shock from the West Asia conflict could be tolerated. However, if the conflict persists for a longer horizon and the second-round effect become more pronounced and lead to an increase in general price levels, the central bank will act based on the impact on inflation expectations as well as actual inflation. At the same time, some policy makers also advocated the need to monitor the impact of the conflict on growth through a worsening external position and lower corporate profitability. After the release of the minutes, analysts raised expectations of a rate hike in Jun'26. This is also based on the fact that the weakening yen has led to concerns about a spike in imported inflation. Since then, comments from BoJ officials have hinted that a rate hike may be forthcoming. BoJ Deputy Governor said that the central bank would raise rates based on how the West Asia conflict plays out. The timing and quantum of future rate hikes would be in based on how the conflict evolves. BoJ Governor too acknowledged the fact the Japanese economy is facing an oil price shock. Apart from direct impact on inflation, the Governor stressed on the need to assess its impact on other variables such as wages, inflation expectations, demand and exchange rate.

A lot has changed since the last monetary policy meeting of **RBI**. There are reports of a 60-day extension of ceasefire even though it has continued to be shrouded in mystery. International crude prices have shown some correction following the news. However, volatility in crude prices is expected to persist going forward, unless a formal peace deal takes place. In terms of domestic developments, the most notable change since the last policy is the hike in petrol and diesel prices, which was on expected lines. This will also likely get reflected in RBI's inflation projection. We expect the RBI's CPI projections for FY27 to be revised upwards. Another key development in the last few days has been the sharp volatility seen in INR. However, as per extant policies, forex operations do not fall under the ambit of monetary policy. However, there can be some regulatory developments aimed at improving dollar inflows and support INR on the margin. These can include policies directed towards attracting NRI deposits by giving further incentives to FCNR (B) deposits, relaxing ECB limit and efforts to boost FII flows. With regard to policy rates and stance, we expect the RBI to maintain a status quo on rates. This is based on the premise that the impact on growth due to the crisis is still difficult to ascertain whereas, inflation is largely expected to show an upward movement. We expect the RBI to maintain its stance at neutral, which will provide it with the flexibility of responding to incoming data, a fact which has been highlighted by the RBI in its previous policies.

Indian Economy

How long will the impact of oil price shock last?

Evaluating historical data of international crude price and its impact on India's growth and inflation reveal some interesting results. Over the past 54 years, we found that on 18 out of 54 occasions, crude prices rose more than 20% in a year. Also, we have seen that the crude price shock is concentrated in certain years and the high price of crude generally lasts for 6-7 months. As per our analysis, the period FY07-16 showed significant volatility in oil prices. Statistically speaking, the coefficient of determination (called R square) of oil prices impacting GDP and WPI-Fuel also turns out to be higher during this period. The ARDL (autoregressive distributed lag) model does not establish any long run relationship between oil prices, GDP, CPI and WPI. VAR (vector autoregressive) model shows optimal lag length of 5 quarters.

What has driven the rupee of late?

With the rupee almost touching the Rs 97/\$ mark, a pertinent question in everyone's mind was where will the rupee go? While the rupee was largely stable during the last fortnight of Feb'26, it witnessed an upward movement from 2 Mar onwards. However, there was not a definite pattern in the movement of the rupee. There was a gradual upward movement in the currency over the period March 2nd to May 19th with an annualized average daily volatility of 6.7%.

- Theoretically a number of factors which were driving the rupee are:
 - Changes in fundamentals which covers inflows and outflows of dollars. FPI flows are one of the important indicators which is available on daily basis.
 - Oil price movements available on a daily basis.
 - Announcement effects of war affecting crude price and currency.
 - Dollar index movements on daily basis.
- Ex ante Central bank intervention in the market based on market sources.

In order to establish which factors were dominant statistically, various regression equations were drawn up. The results showed that the change in crude oil price has a direct impact on the currency which can be a sentiment factor, as this works through the trade bill when imports increase. Yet the psychological effect is sharp. Surprisingly, the FPI flows for the day has a positive effect on the change in the currency meaning thereby that more inflows lead to depreciation in rupee, which is contrary to theory. This can be on account of the payout or pay-ins being lagged. However, the FPIs of previous day have a negative impact meaning thereby that inflows tend to make the rupee appreciate and outflows make rupee depreciate, which is in accordance with conventional wisdom. But both the elements have significant coefficients. Interestingly, the changes in the dollar index did not have a significant bearing on the regression results.

Q4 GDP may get tweaked

Later in the week, MoSPI is expected to announce provisional numbers of growth in Q4FY26 and revised numbers for FY26 growth. As per the implied growth calculations, real GDP in Q4FY26 is expected at 7.3%, up from 7.1% in Q4 FY25. This in turn will be supported by a pickup in growth in utilities and services segments. Agriculture, mining, manufacturing and construction sectors are projected to report slower growth in Q4FY26 vis-à-vis Q4FY25. However, given the updated information available, we believe, both headline and sub-segment numbers will get revised. The updated information is based on the impact of US-Iran war on prices, corporate results and other high frequency indicators (air fares, bank credit and deposit growth). For Q4FY26, we estimate GDP growth of 7.2-

7.3%. Agriculture, mining, manufacturing and trade, hotels, transport sectors may note some downward revisions, while utilities and construction sector are expected to lift growth. For FY27, growth will be slightly lower at 6.5-6.8%, as bulk of the impact of the US-Iran war will be felt in Q1FY27.

IIP debuts with new series

Industrial production registered a growth of 4.9% in Apr'26 against 5.7% growth in Apr'25. Compared with previous year (Apr'25), lower growth was noted across the board. Mining growth declined, while water supply, sewage and electricity output also noted deceleration. Manufacturing growth was marginally lower, although it continues to register a growth rate of over 6%. Within manufacturing, 6 out of 23 sub sectors reported negative growth for Apr'26. These include manufacture of wearing apparel, wood products, furniture, coke and petroleum products amongst others. On the other hand, sectors which registered stronger growth include: textiles, paper products, pharma, rubber products, electrical equipment, fabricated metal products, machinery equipment, and other transport equipment. Going ahead, global challenges continue to pose downside risk to industrial growth. Certain industries might be more vulnerable given the direct exposure, supply chain disruptions, higher input costs and elevated energy prices. However, these disruptions are expected to be short term.

The IIP numbers are based on new base year which has been revised from 2011-12 to 2022-23. The new series has incorporated more relevant items, while also removing a few old items. The revised series has over 463 items, much higher than 407 in the previous series. Under the new series, sectors such as water supply, sewage, gas supply along with waste management activities have been included. There has also been addition of renewable and non-renewable sources under electricity generation. The aim is to provide a much wider coverage which aligns with the NIC-2025 framework. Further, the geometric mean has been used to link the old series with the new one.

CPI inflation picks up

India's CPI inched up in Apr'26 even though it continued to remain below the 4% target level. In Apr'26, headline inflation accelerated to 3.5% compared with 3.4% in Mar'26, on YoY basis. This was below our estimate of 4%. There has been continuous buildup of inflationary pressures on food inflation front. In fact, food inflation picked up to 4.2% in Apr'26 compared with 3.9% in Mar'26, an increase of about 30bps. Within food, vegetables and pulses, edible oils and protein-based items drove inflation higher. Price of tomato inflation (35%, YoY, Apr'26) and some seasonal vegetables such as cauliflower (25.6%) pushed vegetable inflation upwards. At the same time, inflation within protein-based items also remained elevated (meat inflation at 10.1%, fish at 8.6%). Edible oils too recorded higher inflation, amidst supply side disruption and oils and fat component of inflation rose to 9.2% in Apr'26 from 6.6% in Mar'26. Further monitoring is required as weather related vagaries persist, in terms of heatwave conditions and expected El-Nino. Hence, food inflation trajectory needs to be monitored closely. Core inflation is largely capped, supported largely by lower gold prices.

WPI under pressure

WPI inflation rose to 8.3% in Apr'26 versus 0.9% increase in Apr'25. Inflation was also higher than 3.9% increase in Mar'26. Compared with last year (Apr'25), while food inflation remains in check, the rise was largely on account of fuel inflation and manufactured products inflation. This is due to continued rise in international crude oil prices, as there is growing uncertainty related to peace deal between US and Iran. Renewed tensions in the Gulf and closure of Strait of Hormuz are also impacting oil and metal prices. Fuel inflation rose to 24.7% in Apr'26 and

manufactured inflation to 4.6%. Mineral oil index rose the most, led by rise in index for ATF, Naphtha petrol, diesel, and furnace oil. Within manufactured products, basic metals, machinery, textiles, chemicals, pharmaceutical products and other manufacturing led the rise. As a result, core inflation rose to 5% in Apr'26. Going forward, oil and metal prices are expected to remain elevated in the near-term. This will have further upside impact on headline WPI in the coming months.

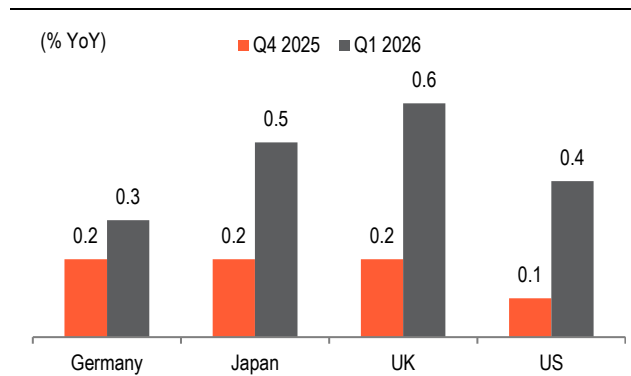
RBI dividend at record high

RBI declared a record Rs. 2.9 lakh crores surplus transfer to the government in FY26, compared with Rs. 2.7 lakh crores in FY25. The higher surplus can be attributed to revaluation gains on forex reserves. The current INR/USD rate is also higher than historical averages, hence the valuation gains can be attributed to the higher surplus. The other part may be due to interest earning on holding of rupee securities, due to record high OMO purchase by RBI in FY26. The higher surplus is positive in terms of maintaining the targeted fiscal deficit, especially at a time when elevated geopolitical risks have caused a pressure on exchequer. RBI has also highlighted that the balance sheet has expanded by 20.6% to ₹92 lakh crore as of Mar 2026, compared to Rs 76.3 lakh crore in the previous year. The contingency risk buffer is maintained at 6.5% of balance sheet which was 7.5% in the previous year.

Select Economic indicators

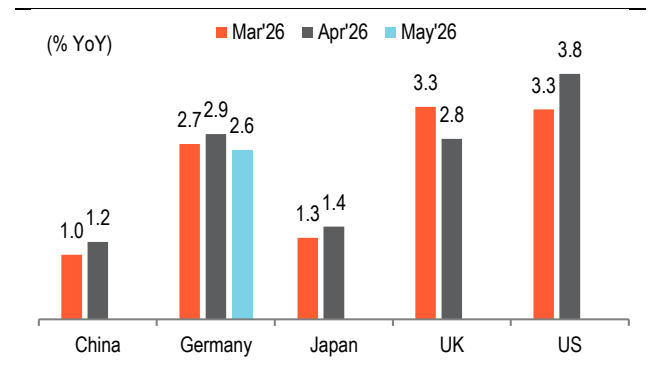
Global economy

Figure 1: Global growth faces headwinds



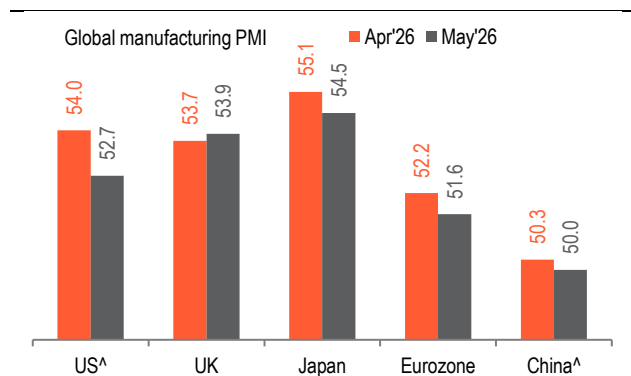
Source: OECD, Bank of Baroda Research Note: Growth rate, period on period, Chain linked volume, Calendar and seasonally adjusted

Figure 2: Global inflation inching up



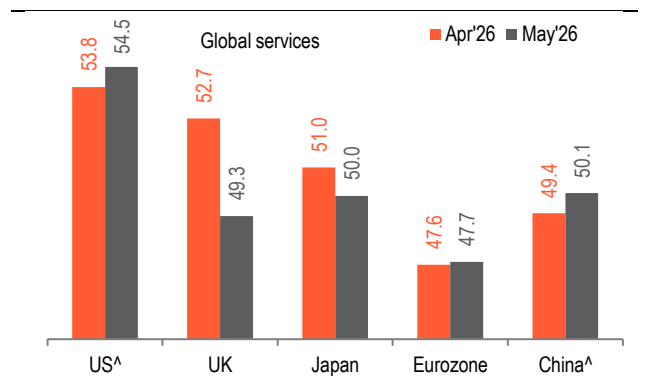
Source: CEIC, Bank of Baroda Research

Figure 3: Manufacturing PMIs show varying trend



Source: ISM, NBS, Markit, Bank of Baroda Research | Note: ^ data from official surveys

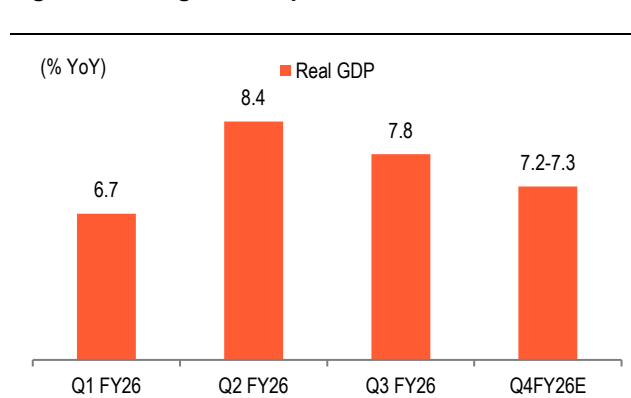
Figure 4: Services activity buoyant in the US



Source: ISM, NBS, Markit, Bank of Baroda Research | Note: ^ data from official survey

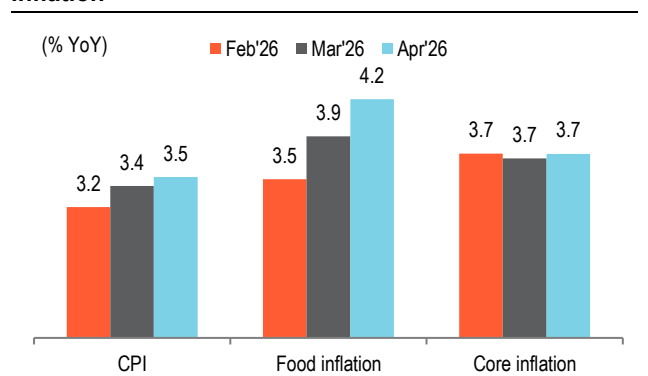
Indian economy

Figure 5: GDP growth expected to be stable



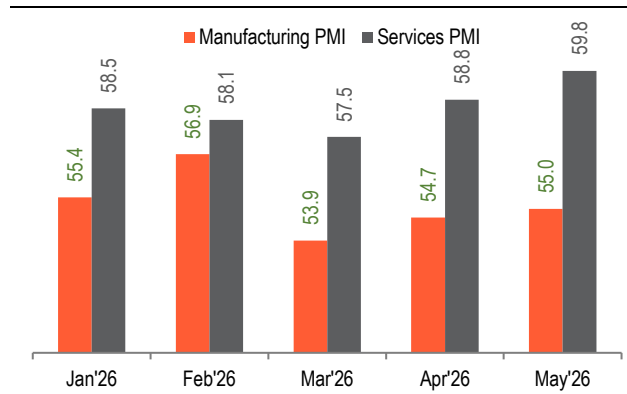
Source: CEIC, Bank of Baroda Research | E: Bank of Baroda Estimate

Figure 6: Inflation inching up.. due to pick up in food inflation



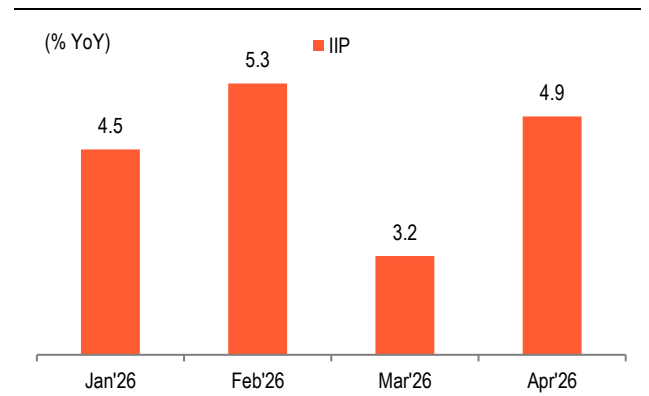
Source: CEIC, Bank of Baroda Research

Figure 7: Improvement in manufacturing and services PMI



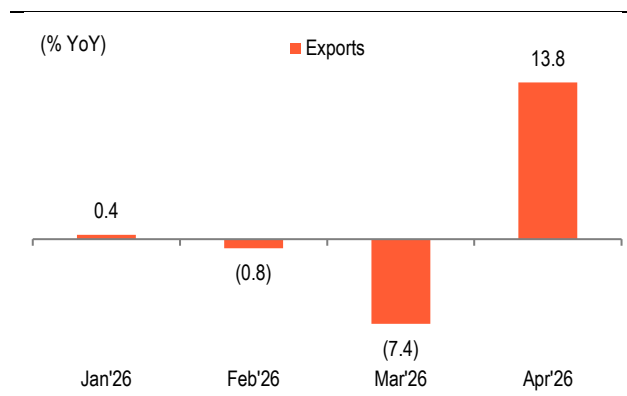
Source: CEIC, Bank of Baroda Research

Figure 8: IIP growth also picked up pace



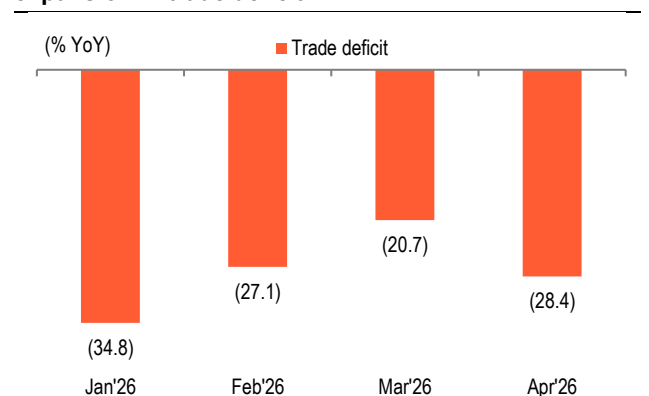
Source: CEIC, Bank of Baroda Research

Figure 9: Export growth in the positive territory



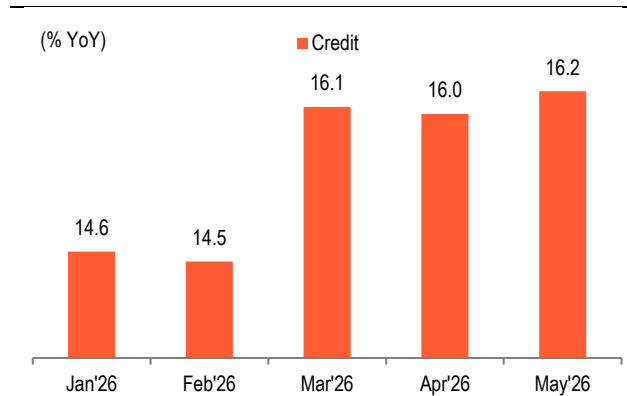
Source: Bloomberg, Bank of Baroda Research

Figure 10: .. higher oil and gold imports led to an expansion in trade deficit



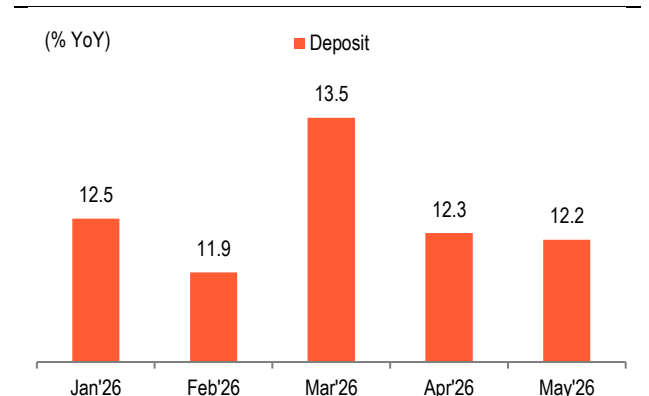
Source: CEIC, Bank of Baroda Research

Figure 11: Bank credit growth has continued to show resilience



Source: CEIC, Bank of Baroda Research | Note: Data for May'26 upto 15 May 2026

Figure 12: Bank deposit growth steady



Source: CMIE, Bank of Baroda Research | Note: Data for May'26 upto 15 May 2026

Figure 13: Heightened volatility in INR

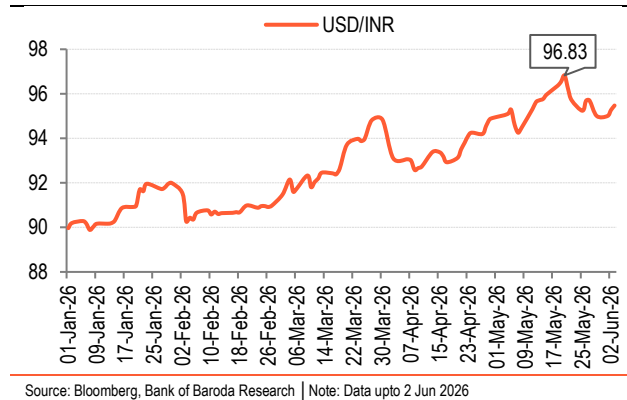


Figure 14: Continued FPI outflows

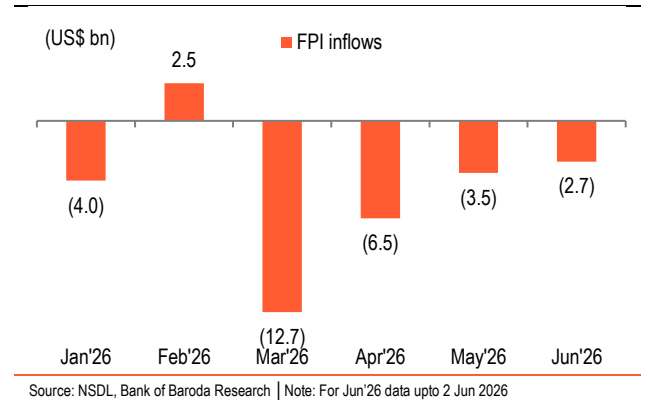


Figure 15: Bond yields trading in a narrow range

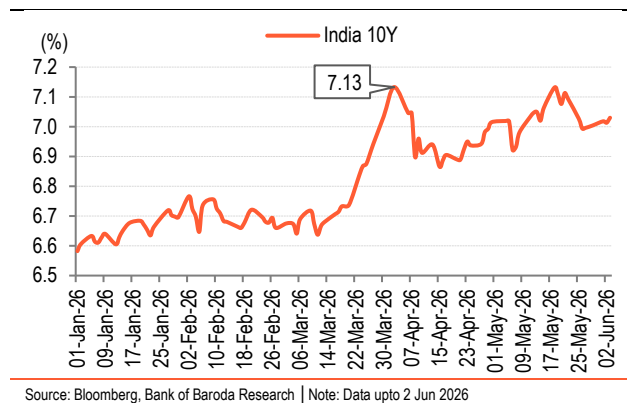
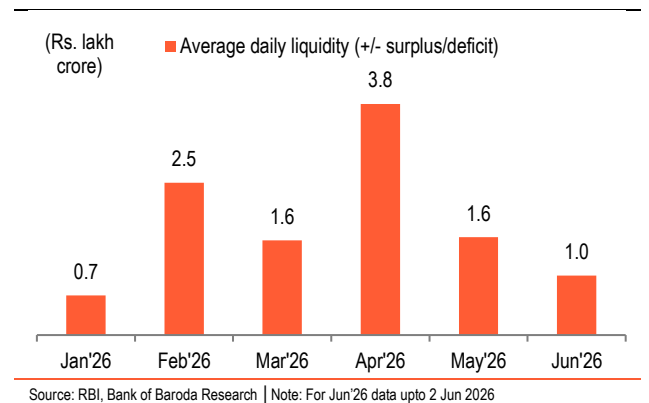


Figure 16: Liquidity surplus has reduced



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