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Economic Round-up: April 2026

Geo-political situation in West Asia still remains volatile. In end-Mar'26 there were signs of truce between US and Iran, however lately (end-Apr'26/early May'26), talks appeared to have stalled. Benefiting from the possibility of a truce, market indicators improved between end-Mar'26 and end-Apr'26. Oil prices came off their peak, DXY fell, global currencies appreciated, and stock markets also rebounded. However, more recently, given revival in tensions between the US and Iran, oil prices are back up and remain above US$ 105/bbl mark. This is despite UAE exiting OPEC from 1 May 2026. Pressure on currencies and stocks can be felt again. Given this volatility in the market and uncertain political environment, major central banks have opted for a more cautious tone in their respective policy meetings in Apr'26. US Fed, BoE, ECB and BoJ, all have cautioned against renewed pressure on inflation. Central banks have also warned that if the war continues for long, it can have negative impact on growth as well. On the macro front, domestic consumption is slowing in US (GDP data) and China. Services sector growth also remains under pressure in US, China and India. Transport industry (airline, shipping) has been impacted the most by the rise in oil prices. In India, to help firms deal with the West Asia crisis, central government has announced ECLGS 5.0 scheme for MSMEs and non-MSMEs (including airline sector).

Global Central Banks: In Apr'26, all major central banks (US Fed, ECB, BoE, BoJ) kept their policy rates on hold. ECB and BoJ have hinted at possibility of rate hikes in the coming months if there is no early end to the war and inflation continues to breach central bank target levels. BoE and Fed have also raised similar concerns. US and Iran remain at an impasse, and tensions have revived in the gulf region. While ECB and BoJ are expected to hike rates in Jun'26, timing of hike from BoE remains unclear. Analysts are pricing in one or two rate hikes this year. US Fed is expected to maintain status quo till mid-2027. RBA has already begun tightening of its monetary policy as it raised its policy rate by 25bps to 4.35% in May'26 meeting, noting material gains in inflation. From RBI, we expect prolonged pause for now. Possibility of rate hike may arise if inflation surpasses upper limit of RBI's tolerance band (6%) towards the end of FY27.

Key macro data releases: CPI inflation reading came in at 3.4% in Mar'26 compared to 3.2% in Feb'26, on YoY basis. March's print shows stickiness due to war related factors such as firming up of LPG prices and higher food prices globally. Food inflation was at 3.9% in Mar'26, around 40bps higher compared to 3.5% in Feb'26. Outlook on food inflation is tilted to the upside. **CPI excl. food and fuel** was at 3.4%. Among major items, personal care, social protection and miscellaneous goods recorded a drop in inflation rate on account of moderation in gold, platinum and silver prices. India's merchandise **exports** rose by 0.9% in FY26 to US$ 441.7bn, against an increase of 0.2% in FY25. Merchandise **imports** registered a growth of 7.5% compared with a growth of 6.3% in FY25. Imports stood at US$ 775 bn (US$ 721 bn) in FY26. Goods **trade deficit** expanded to US$ 333.2bn in FY26 from US$ 283.5bn in the same period of previous year. India and New Zealand have signed a Free Trade Agreement **(FTA)**, aiming to double bilateral trade to US$ 5bn within five years. The FTA provides duty-free access for 100% of India's exports to New Zealand. It is expected to significantly boost MSMEs and employment in labour-intensive sectors such as textiles, apparel, leather, footwear, gems and jewellery, engineering goods, and processed foods.

Macro developments

April: West Asia crisis dominates the markets

Ever since the outbreak of US-Iran war towards the end of Feb'26, significant shock has been registered across all asset classes in Mar'26. Since the end of Mar'26 there have been news reports of de-escalation between US and Iran. Since the end of Mar'26, till 1 May 2026, oil prices have declined by 8.6%, and are currently hovering at ~US$ 108/bbl. However, this decline is only marginal compared with 63% increase in oil prices seen between end Feb'26 and end Mar'26. Oil above US$ 100/bbl mark is still a cause of concern for global inflation. As a result, major central banks in their Apr'26 policy statement delivered a hawkish tilt. This has resulted in hardening of global bond yields. US 10Y yield has risen by 5bps between 31 Mar 2026 and 1 May, following ~38bps increase in Mar'26 (27 Feb-31 Mar). Even UK's 10Y yield has risen by 5bps versus 68bps increase registered in Mar'26. DXY has fallen by (-) 1.8% versus 2.8% rise in Mar'26 period, leading to appreciation in major global currencies. EUR rose by 1.5% since the end of Mar'26 and now, GBP by 2.7%, JPY by 1.1%, and CNY by 1%. INR had briefly hit a record low of Rs 94.92/$ at the end of Apr'26 as there appears to be no early end to the war in sight.

On the macro front, in the **US**, economic growth was track to recovery in Q1CY26 as advance estimates of growth indicate that GDP rose by 2%, from 0.5% in Q4CY25, supported by jump in private investment. In contrast, private consumption expenditure eased. Early indicators for Apr'26 are showing further negative impact of war. University of Michigan has recorded a decline in its consumer sentiment index to 49.8 in Apr'26 from 53.3 in Mar'26, led by steep dip in consumer expectation index to 48.1 from 51.7. Current economic conditions index also deteriorated. ISM manufacturing PMI in Apr'26 was unchanged from last month at 52.7. Decline was recorded in production, employment, new export orders, and backlog of orders. This was offset by sharp increase in sub-index for price, followed by marginal increase in index for new orders. CPI sharply accelerated in Mar'26 to 3.3% from 2.4% in Feb'26. On the other hand, labour market still remains steady. Initial jobless claims for week ending 25 Apr 2026 fell to 189k, down by 26k from the previous week. For the week ending 18 Apr, continuing claims (4-week average) also eased to 1.80mn compared with 1.81mn in the week before. Given this backdrop, US Fed decided to keep its policy rates unchanged and deem inflationary pressure due to oil prices as key risk to the outlook.

In case of **Eurozone,** GDP growth slowed in Q1CY26 itself, as it came down to 0.8% (YoY) from 1.3% in Q4CY25. In QoQ terms, growth slowed to 0.1% from 0.2%. Amongst the bigger economies, only German expanded at a faster pace in Q1CY26 (0.3% versus 0.2%), while other economies such as France (0% versus 0.2%), Italy (0.2% versus 0.3%) and Spain (0.6% versus 0.8%) slowed. From Apr'26 onwards, PMI survey indicates improvement in manufacturing activity as index for Eurozone rose to 8-month high of 52.3 from 52 in Mar'26. France reported pickup in activity (52.8 versus 50) while Germany registered marginal slowdown (51.4 versus 52.2). New orders inched up in both economies helped by front-loading of orders. Price pressures remained elevated. Germany's IFO business climate index fell to 84.4 in Apr'26, down from 86.3 in Mar'26, dragged by both situation (-1.3 points) and expectations (-2.6 points) index. deterioration in sentiment was seen across all sectors. Indicator for trade and construction fell the most, followed by services and manufacturing sectors.

China's official manufacturing PMI was broadly steady in Apr'26 to 50.3 (est.:50.1) versus 50.4 in Mar'26. This was supported by pick-up in new export orders and increase in stockpiles of raw materials. Chemical sector reported some shortage of raw materials. Stock of oil remains healthy, which is helping factories to cater to front-loading of demand. New domestic orders however continue to remain weak. Rise in input prices is a cause of worry for manufacturers. Non-manufacturing PMI deteriorated, as it fell to 49.4 in Apr'26 from 50.1 in Mar'26. Industrial production data showed some signs of moderation as activity slowed by 6.1% in Jan-Mar'26 period (YoY basis), down from 6.3% in Jan-Feb'26. In the same period, retail sales also eased to 2.4% (est.: 2.5%) from

2.8% in Jan-Feb’26. FAI rose by 1.7% between Jan-Mar’26 (1.8% in Jan-Feb’26 period). PPI increased for the first time since Sep’22 by 0.5% in Mar’26 following (-) 0.9% declined noted in Feb’26. This reflects impact of rising oil prices and shortage of chemicals required by producers. For the same reason, industrial profits also sharply jumped in Mar’26 (15.8% YoY), but the future trajectory remains uncertain as rise in PPI and fragile demand scenario will put pressure on margins. CPI remains under control, as it rose by 1% in Mar’26 (1.3% in Feb’26), even as gasoline prices rose by 11.1% in Mar’26. Core CPI was at 1.1%.

Indian economy: RBI maintains status quo

The MPC unanimously decided to keep its policy rates on hold. Stance of the monetary policy was also retained at neutral, as it will allow the central bank to act as per evolving global situation. RBI statement took cognisance of crisis in the West Asia. Noting its impact on growth and inflation, GDP estimates for Q1 and Q2 were cumulatively revised downwards by 40bps and inflation for Q2FY27 it was revised upwards by 20bps. Overall growth in FY27 is projected at 6.9% given sustained momentum in domestic activity. On the inflation front as well, MPC members took note of higher fuel prices on inflation and expect CPI to average 4.6% in FY27. The risks are tilted to the upside as they may emerge from rise in freight and insurance costs and intensity of El-Nino in H2FY27. The central bank also released its bi-annual Monetary Policy Report (MPR), which assumes crude prices to average at US$ 85/bbl in FY27, and exchange rate is assumed at Rs 94/$. The report has also laid out different scenarios which could emerge in deviation from its baseline scenario. With situation in West Asia still volatile and oil prices above US$ 100/bbl mark, upside risks to inflation persist. High frequency indicators of service sector are showing the impact of elevated oil prices. In Apr’26, air passenger traffic, diesel consumption, toll collections and vehicle registrations have come down. In contrast, bank credit (till 15 Apr 2026) growth remains robust. To help companies tide over the West Asia crisis, central government has announced ECLGS 5.0 scheme. This scheme aims to provide credit guarantee coverage of 100% for MSMEs and 90% for non-MSMEs as well as airline sector, to Member Lending Institutions (MLIs) by National Credit Guarantee Trustee Company Limited (NCGTC) for the amount in default under the additional credit facility extended to the eligible borrowers to tide over any short-term liquidity mismatches.

Central bank actions

US Fed in its Apr’26 meeting, kept its policy rate unchanged at 3.5-3.75%, with a divided majority of 8-4. Last time 4 members dissented in Oct’92. This time 8 voting members supported maintaining status quo, while 1 member voted for lowering the rates. The other three dissenters voted for status quo but did not “support inclusion of an easing bias in the statement at this time”. The members acknowledged that “economic activity has been expanding at a solid pace. Job gains have remained low…(and) inflation is elevated”. Developments in the Middle East also remain volatile, hence the Fed decided to keep rates on hold this year. Statement also mentioned that that the committee will take into account labour market, inflation expectation, and geo-political developments into account while deciding the future rate trajectory. Analysts expect Fed to remain on pause for the remaining part of the year and well into early CY27 as well.

Bank of England (BoE) in its Apr’26 meeting held rates steady at 3.75%. Earlier in Dec’25, it had reduced its policy rate by 25bps to 3.75%. The latest decision was not unanimous (vote of 8-1), with one member supporting the decision to hike rates by 25bps. Central Bank projection indicate that inflation is expected to average 3.1% in Q2CY26 and rise to 3.3% in Q3 (+1.4% compared with Feb’26 projections). This is noting the impact of higher fuel prices, and possible second-round effects in wage and price-setting. Food inflation in Sep'26 is expected to rise to 4.6% and the pressure on food prices could be even higher in the later part of the year given rise in price of fertilizers. In the MPR, BoE has analysed three scenarios—A) energy prices will revert and CPI by the end of the year will be at 3.6% and fall by to 3% by mid-CY27; B) energy prices fall more slowly than scenario A and inflation rises to 3.7% by the end of the year and remains elevated for longer; C) oil stays above US$ 120/bbl and inflation peaks at 6.2% in early CY27 and policy rates rise to 5.5%. Governor Andrew Bailey has placed higher weightage to scenario B. As a results, analysts expect BoE to remain on hold, but one or two rate hikes cannot be ruled out.

The **ECB** kept its policy rate unchanged in Apr'26 as well at 2%, after reducing it last by 25bps in Jun'25. ECB President clarified that in-depth debate took place regarding the possibility of rate hike in future. Inflation in Apr'26 came in at 3%—much higher than central bank's mandate of 2%. ECB acknowledges that while long-term inflation expectations remain well anchored, short-term expectations have inched up notably. The President also stated that "we are certainly moving away from our baseline" when asked about the baseline scenario in which the central bank had assumed early end to war and limited shock from oil prices. Given this hawkish tilt of the ECB, analysts are expecting a possibility of rate hike by ECB in Jun'26. Rate hike in Jul'26 or Sep'26 is considered to be almost certain. Until next year, 75bps of rate hike is being priced in now.

Bank of Japan in its Apr'26 meeting maintained its policy rate on hold at 0.75%, after increasing it by 25bps earlier in Dec'25. The latest decision was passed through 6-3 majority voting. This dissent was the strongest since Jan'16 (5-4), signalling concerns regarding inflationary pressures emanating from the Middle East crisis. BoJ Governor Ueda stated, "if inflationary risks could materialise or if they heighten significantly, we could raise interest rates on condition that downside economic risks or the risks of a sharp economic worsening are limited". The central bank also presented its revised macro-economic forecasts. Inflation for fiscal 2026 was raised to 2.8% from 1.9% in Jan'26. Real GDP is estimated to be lower at 0.5%, down from 1% estimated earlier in Jan'26. Investors now believe that BoJ is closer to hiking rates in Jun'26 meeting.

Data Releases

Interest rates in FY26

Starting February 2025, the RBI lowered the repo rate from 6.50 to 5.25% right into FY26. The idea was to influence the lending rates and enable cost of funds to come down which in turn would encourage investment by the private sector. The cost of borrowing did come down during the course of the year though not to the same extent of the repo rate cut of 125 bps. Also, banks had to lower their deposit rates to ensure that there was a balance between the two. This has a bearing on the movement in MCLR rates.

For the banking system as whole the WALR has come down by 93bps. It has been sharpest for foreign banks followed by PVBs and then PSBs. The MCLR movements followed a similar pattern. The overall decline was 45bps with the sharpest fall being for foreign banks followed by PVBs and then PSBs. The MCLR would tend to be relatively stickier as it is based also on how deposit rates are changed in response to the repo rate change. One of the linkages of the WALR with MCLRs is in the share of external benchmark lending rate (EBLR) portfolio of banks. As of December 2025, foreign banks had 94% of their loans linked with the EBLR. This was followed by 89% for PVBs. In case of PSBs it was at around 51%. EBLR is typically for retail and MSME loans. A higher share of such loans enables higher degree of transmission which is what gets reflected in the WALR transmission.

The highest WALR is for unsecured retail loans which is 10.1% which is followed by agricultural loans at 9.81%. The lowest rate is for rupee export credit at 6.78%. Large companies have a WALR of 7.41% which normally tends to get linked with the MCLR. Loans on MSME loans were 8.72% and higher than that on trade and infrastructure given the higher risk involved. Within the retail segment, housing had the lowest rate of 7.63%. Categories like vehicle and education had WALR of above 9% at 9.57% and 9.14% respectively.

GST reforms and impact on prices

One of the motivations for lowering the GST rates last year was to bring about a reduction in the prices of goods and services which in turn would help to spur consumption. As it came at the time of the beginning of the festival season, it was largely felt that this chain should work out. With a little more than 6 months having passed since the implementation of GST 2.0, it would be interesting to see how prices have reacted to these changes in rates. At the onset it needs to be mentioned that while GST rates were lowered across a wide spectrum of goods, there was also a case of input costs having gone up in the past which has caused several producers to consider increasing their prices. Therefore, any analysis of impact on prices should be against this background.

There was in general a reduction in the GST rate on most food products from 18/12% to 5% or 5% to exemption across the spectrum. In case of edible oils there was no change in the rate though inflation was high more on of higher global prices. Dairy products except ice cream witnessed higher inflation ostensibly due to higher input costs which overwhelmed the tax cut. In case of non-alcoholic beverages too there was a decrease in the rates which got reflected in final prices in case of fruit juices and tea. Coffee inflation was higher probably due to higher global prices due to supply side issues. In case of soft drinks, the GST rate was increased but did not lead to higher prices. For spirits and intoxicants category there was an increase in inflation. While the rates were increased for cigarettes and paan products, the other two were out of the list and taxed separately at a higher rate. Highest increase in prices was for cigarettes where the GST rate was increased from 28% to 40%. Inflation for medicines was positive notwithstanding several reductions in the GST rates across different categories. Higher input costs here would have contributed to the price increase. In case of household discretionary products, while GST rates had come down, there was an uptick in inflation of these products, again due to higher input prices.

India-New Zealand Free Trade Agreement

India and New Zealand signed a Free Trade Agreement (FTA) on April 27, 2026, aiming to double bilateral trade to US$ 5bn within five years. Hence in 2025 and 2026, India has signed and concluded major Free Trade Agreements (FTAs) with the UK, Oman, New Zealand, and the European Union. Key deals include the India-UK CETA (July 2025), India-Oman CEPA (December 2025), India-EU FTA (Jan 2026) and the India-New Zealand FTA (signed April 2026). Total goods and services trade with New Zealand was valued at ~ US$ 2.4bn in 2024. Key Exports from India include textiles, leather, plastics, pharmaceutical products, machinery, precious metals, and engineering goods. Key Imports from New Zealand are wool, fruit/nuts (kiwifruit), logs/forestry products, coal, and dairy products.

The FTA provides duty-free access for 100% of India's exports to New Zealand, covering all tariff lines, and is expected to significantly boost MSMEs and employment by enhancing competitiveness in labour-intensive sectors such as textiles, apparel, leather, footwear, gems and jewellery, engineering goods, and processed foods. Earlier, New Zealand maintained peak tariffs of up to 10% on key Indian exports including ceramics, carpets, automobiles, and auto components. India has offered tariff liberalisation on 70% of tariff lines covering 95% of bilateral trade value, while keeping around 30% of tariff lines in exclusion to protect India's sensitive sectors. The products that are kept in exclusion are mainly - Dairy (milk, cream, cheese etc.), animal products (other than sheep meat), Agricultural products (onions, chana, peas, corn, almonds etc.), sugar, artificial honey, Animal, vegetable or microbial fats and oils, Arms and Ammunition, Gems and Jewellery, Copper and Articles thereof (Cathodes, Cartridges, Rods, Bars, Coils etc.), Aluminium and articles thereof (Ingots, billets, wire bars) among others.

India's Foreign Trade in FY26

India's merchandise exports rose by 0.9% in FY26 to US$ 441.7bn, against an increase of 0.2% in FY25. Merchandise imports registered a growth of 7.5% compared with a growth of 6.3% in FY25. Imports stood at US$ 775 bn (US$ 721 bn) in FY26. Goods trade deficit expanded to US$ 333.2bn in FY26 from US$ 283.5bn in the same period of previous year. Services surplus were US$ 213.9bn in FY26, up from US$ 188.8bn in FY25. The overall trade deficit (merchandise and services) widened to US$ 119.3bn from US$ 94.7bn in FY25. Exports of electronic goods continued to expand at similar pace as last year with growth of 24.2% (From 24.9% in FY25). Exports of engineering goods have recorded slower growth of 5% in FY26 compared with a growth of 13.5% noted last year. For gems and jewellery exports contracted slowly in FY26 at (-) 5.5% from (-) 8.8% in FY25. Within imports, oil imports have fallen by (-) 6.5% in FY26 after increasing by 3.9% in the previous year. It should be noted that even though crude price in FY26 had surged by 58% after declining by (-) 15% in the previous year, a major chunk of this increase happened only at the onset of the West Asia conflict, with the closure of the Strait of Hormuz, a global chokepoint. Between, Apr-Feb'26 and last year for the same period, crude prices had actually declined by (-) 1%. Gold imports continue to grow at a healthy pace and registered a growth of 25% in FY26 from 27% in the previous year. Even silver imports shone brightly as it registered growth this year at 151% after declining by 11.3% in FY25. This was on the back of the higher prices and strong demand noted during this period. For other major commodities, import of electronic goods expanded at a much stronger pace, with double digit growth of 17.9% against 8.5% growth in FY25.

CPI showing upward bias in the new series

CPI inflation reading came in at 3.4% in Mar'26 compared to 3.2% in Feb'26, on YoY basis and below our estimate of 3.7%. There has been continuous upward bias in the new series. This month's print also shows the stickiness due to war related factors such as firming up of LPG prices and higher food prices globally. Food inflation print was at 3.9% in Mar'26, around 40bps higher compared to Feb'26 print of 3.5%. The other buildup of food inflation may be on account of spillover effect due to higher food prices globally. We believe there has been jump in the edible oil component of CPI as global prices are on the higher side due to elevated international crude oil price. Thus, outlook on food inflation is tilted to the upside. The added risk of weather-related conditions through possible El Nino also persists. CPI excl. food and fuel was at 3.4%. Among major items, personal care, social protection and miscellaneous goods recorded a drop in inflation rate to 18.6% in Mar'26 compared to 19.7% in Feb'26, on YoY basis. This is on account of moderation in gold prices (World Bank data: -3.3%, MoM, Mar'26,), platinum prices (World Bank data: -4.3%, MoM, Feb'26) and silver prices (World Bank data: -5%, MoM, Mar'26). The moderation in gold and precious metal prices was amidst a stickier dollar and downside risks of demand outlook in the near term.

IIP growth inched up in FY26

IIP growth edged up to 4.1% in Mar'26 from 3.9% in Mar'25. This was led by improvement in mining sector (5.5% in Mar'26 versus 1.2% in Mar'25) and manufacturing sector (4.3% versus 4%). However, electricity output softened to 0.8% compared with 7.5% growth in Mar'25. Within manufacturing, out of 23 sub-sectors, 12 of them reported slower growth compared with Mar'25. These included, manufacture of computer, electronic, wood product, wearing apparel, textiles, electrical equipment and other manufacturing products. On the other hand, following sectors registered stronger growth including manufacture of other transport equipment, furniture, fabricated metal, motor vehicles, pharma, and paper products, amongst others.

On a yearly basis, IIP growth has largely remained steady at 4.1% (4% growth in FY25) with manufacturing output accelerating (5% from 4.1% in Mar'25). Other sectors such as mining and even electricity registered much slower growth in FY26 at 1.4% (3% in FY25) and 1% (from 5.2% in FY25) respectively.

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