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RESEARCH

BOB ECONOMICS RESEARCH | MONTHLY CHARTBOOK

All eyes on GDP growth

SUMMARY

INDIA ECONOMICS: MONTHLY CHARTBOOK

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27 August 2026

All eyes on GDP growth

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We expect GDP growth to come in at 7% in Q1FY27, with an upside of 0.2%. Corporate results suggest improved performance, which is also reflective in India's direct tax receipts. Despite global uncertainties, our 10Y bond yield has remained stable and INR has appreciated in Aug'26, supported by buoyant capital inflows. Going forward, as pace of these flows will ease in the coming months, pressure on INR may return, unless tensions between US and Iran are resolved.

High frequency growth indicators remain mixed: For the month, indicators showed varied performance. Power demand, steel consumption and retail passenger vehicle sales moderated. On the other hand, tractor sales, non-oil non-gold imports, FMCG production and credit demand remained buoyant. On rural front, rainfall activity remains normal, on a cumulative basis till date. However, 35% of the states are still in deficit. Hence monitoring is required on its impact on sowing. The progress of sowing shows actual area sown as % of normal area as of 21 Aug 2026 is ~ 95.68% for all crops.

Central government finances: Centre's fiscal deficit ratio (12MMA trailing basis) eased to 4.2% as of Jun'26 from 5.3% as of Jun'25. In Q1FY27 (Apr-Jun), net revenue growth has risen by 11%, following 10.1% rise between Apr-Jun'25. Acceleration was led by direct tax collections, which rose by 11.7% versus 0.8% decline noted between Apr-Jun'25. Indirect tax collections on the other hand fell by (-) 6.9% versus 11.3% last year during. On the spending front, overall expenditure growth has eased (11% versus 26%). This is on account of revenue spending growth, which has moderated to 7.4% from 20%. Capex growth has moderated 23.7% versus 52%, due to base effect.

Yields largely rangebound: Albeit volatility in global yields (especially on account of war-related uncertainty and anticipation of higher buyback by US Treasury), domestic 10Y yield remained broadly stable. This was supported by adequate domestic liquidity conditions which has remained above 1% NDTL surplus level. This can be attributed to higher flows from FCNR (B) deposits.

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