FY26 ends as war risks cloud growth outlook

SAIKAT NEOGI

THE FINANCIAL YEAR 2025-26, which ended Tuesday, saw a moderate recovery in investment and consumption after two subdued years, aided by cuts in direct and indirect taxes. Inflation remained under control, and the economy showed resilience despite external headwinds such as US tariffs, relying largely on domestic demand.

However, growth momentum eased toward the end of the year as the West Asia conflict began affecting key sectors. With uncertainties ahead, policymakers may face slower growth and pressures on fiscal and external balances. Rising imported inflation and a weakening rupee could also trigger an earlier-than-expected monetary tightening cycle.

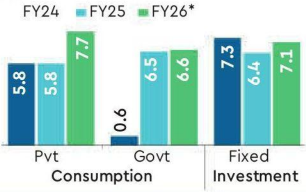
GDP New series (2022-23) (% chg, y-o-y)

GVA (At constant prices; new series 2022-23)

* Second advance estimates

Consumption and investment

New series (2022-23); % chg, y-o-y



Current account balance (% GDP)

IIP

(% chg, y-o-y)

**ICRA projections

Merchandise exports

(% chg, y-o-y)

CPI

(% chg, y-o-y)

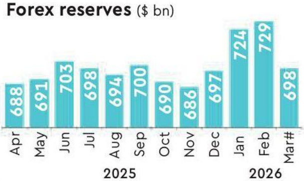
Unemployment rate (%)

Credit growth

(% chg, y-o-y)

(FY26 till March 15)

Forex reserves ($ bn)



(# As of March 20)

Source: MoSPI, RBI, FADA, CMIE