Indian Economy (State of the Economy 2025-2026)

India's economy is expected to grow strongly, with real GDP growth estimated at 7.4% in FY26 and GVA growth at 7.3%. This keeps India as the fastest-growing major economy in the world. Growth is mainly being supported by strong domestic demand, higher spending by people and increased investment. Low inflation, stable employment, and better purchasing power are helping people spend more.

- Global inflation is expected to increase slightly to 3.8% in 2026. Inflation in emerging and developing countries (EMDEs) is expected to remain at 4.8%, mainly due to strong domestic demand and food price risks.
- Over the last decade, India's economic reforms have made the country stronger and more capable of handling global challenges and India is working to become an important and reliable part of global supply chains.
- India's banking and financial sectors performed well during April–December 2025. This was supported by easier monetary policies, strong lending activity, and financially stable institutions. The RBI reduced the repo rate to 5.25% between April and December 2025 to support economic activity.
- According to the IMF, global trade growth is expected to slow from 3.5% in 2024 to 3.6% in 2025 and then to 2.3% in 2026. India's services exports continued to grow strongly, increasing by 13.6% in FY25, mainly due to software services, business servicesand Global Capability Centres (GCCs).
- Merchandise exports stood at Rs. 38.22 lakh crore (US$ 437.7 billion) in FY25. Non-petroleum, non-gems and jewellery exports accounted for 78.7% of total and merchandise exports and grew by 7.5% YoY.
- India's agricultural exports grew from Rs. 3.01 lakh crore (US$ 34.5 billion) in FY20 to Rs. 4.46 lakh crore (US$ 51.1 billion) in FY25, growing at a CAGR of 8.2%. India is now the world's second-largest agricultural producer by value and contributes 2.2% of global agricultural exports.
- Production-linked incentive (PLI) sectors performed well, with exports growing at an average rate of 10.6% annually during FY21–FY25. Major growth areas included electronics, IT hardware, batteries, solar panels, and speciality steel.

Electronics exports grew by 38.8% annually, while the telecom sector started reducing dependence on imports.

- India's inflation remained low at 2.8% in CY2025, among the lowest among major emerging economies. Retail inflation reduced significantly from 6.7% in FY23 to 1.7% in FY26 (April–December).
- Food prices reduced sharply from June 2025 because of good weather, higher production, and government measures. Prices of vegetables, cereals, spices, pulses, and other essential items declined. Cereal inflation fell from 6.2% in January 2025 to –0.4% in December 2025. Tomato, onion, and potato prices fell by 20–40%, reducing price fluctuations.
- Core inflation is mainly influenced by housing, healthcare, clothing and footwear and transport and communication, which together make up over 60% of the index. Housing and healthcare prices remained stable, clothing prices reduced due to lower input costs, and transport and communication showed an overall declining inflation trend after June 2025.
- Agriculture and related activities contribute nearly one-fifth of India's national income and provide employment to 46.1% of the workforce. The sector grew at an average rate of around 4.4% during FY16–FY25, the strongest growth compared with previous decades.
- Growth in agriculture is increasingly coming from allied sectors rather than only crops. Livestock grew by 7.1%, fishing and aquaculture grew by 8.8%, while crop growth was 3.5%.
- India's services sector has become a major strength. India's share in global services exports increased from 2% in 2005 to 4.3% in 2024, making it the world's seventh-largest services exporter. Services attracted most foreign investment, contributing 80.2% of total FDI inflows during FY23–FY25. Key areas included information technology, communication, professional services, finance, insurance, energy, and trading.
- India's IT and IT-enabled services sector earned Rs. 24.71 lakh crore (US$ 283 billion) in FY25. GCCs expanded rapidly, AI-based startups increased, and data centre capacity is expected to grow significantly by 2030.

- India's industrial sector gained momentum in FY26 despite global challenges. Industrial GVA grew by 7.0% in H1 FY26, with manufacturing showing strong growth in both Q1 and Q2.
- The chemicals and petrochemicals sector contributes over 8% of manufacturing GVA and continues to grow steadily. Capital goods and consumer goods sectors benefited from strong investment demand.
- India remains a global leader in two-wheelers and three-wheelers. Vehicle exports increased, and electric vehicle adoption is growing due to government support through PLI and e-mobility schemes.
- Electronics has become one of India's fastest-growing export sectors. Mobile phone manufacturing and exports increased significantly due to PLI support.
- India remains a major global supplier of generic medicines, meeting around 20% of global demand and exporting pharmaceuticals to over 190 countries.
- India's innovation ecosystem has improved significantly, supported by better global innovation rankings, growth in critical technologies, and the Rs. 1 lakh crore (US$ 11.45 billion) RDI Fund.
- Infrastructure development remains a major focus for India's growth. Government capital spending increased by nearly 89%, rising from Rs. 5.92 lakh crore (US$ 67.78 billion) in FY22 to Rs. 11.21 lakh crore (US$ 128.35 billion) in FY26.
- Spending on climate adaptation increased from 3.7% of GDP in FY16 to 5.6% of GDP in FY22. India's climate programmes focus on agriculture, water management, healthcare, cities, coastal areas and ecosystems.
- Artificial Intelligence has moved from being an emerging technology to a widely used tool across industries. By 2025, nearly 9 out of 10 global companies were using AI in at least one business activity. India's advantages in AI include a large pool of technical talent, high AI awareness, access to diverse data, and strong institutional support.

Source:

https://www.ibef.org/economy/economic-survey-2025-26

Complete Economic Survey 2025 – 2026:

https://www.indiabudget.gov.in/economicsurvey/doc/echapter.pdf