

MONTHLY MARKET OUTLOOK:

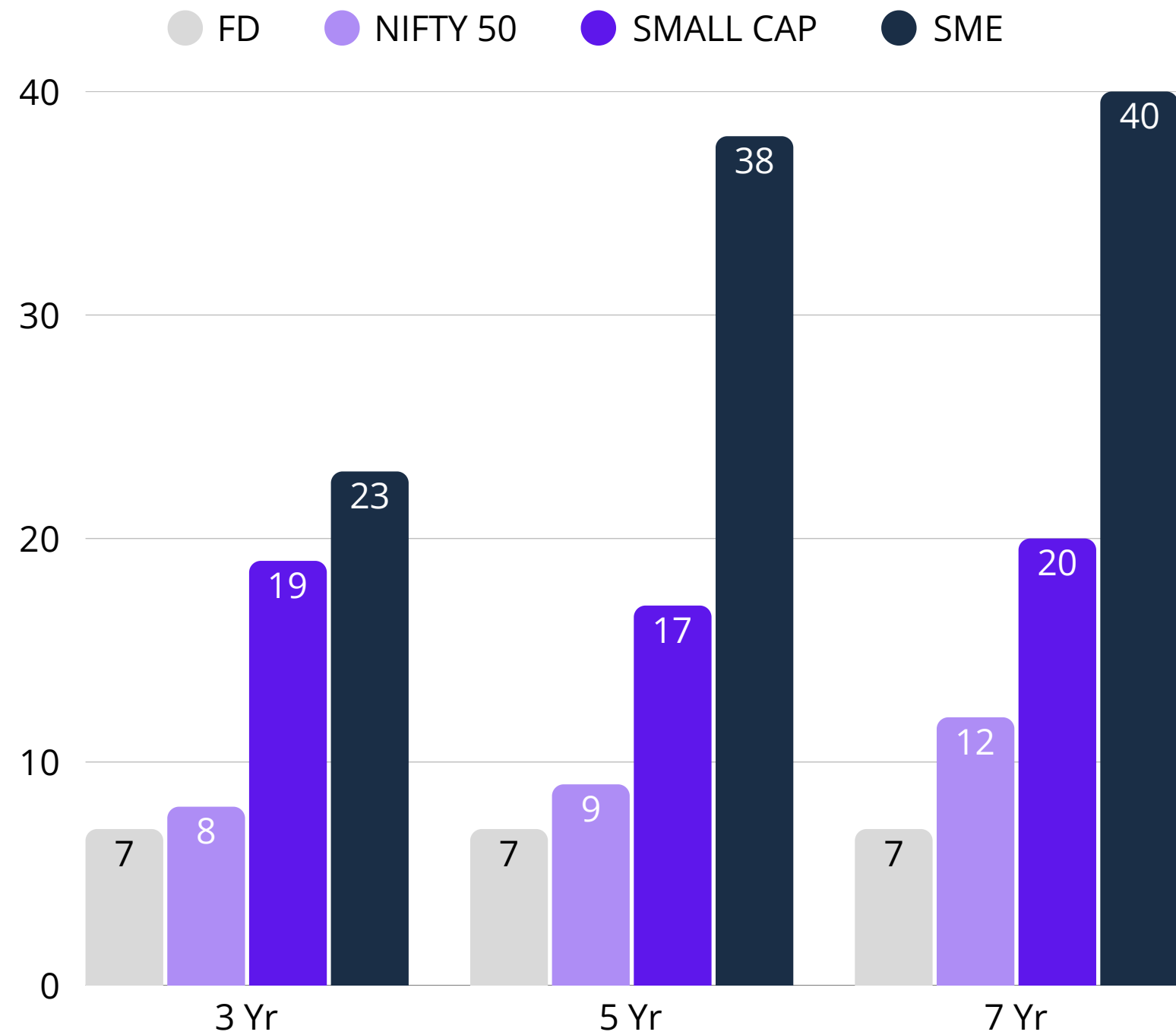
» India's Economic Snapshot:

India's Growth Momentum Remains Strong Despite Global Headwinds:

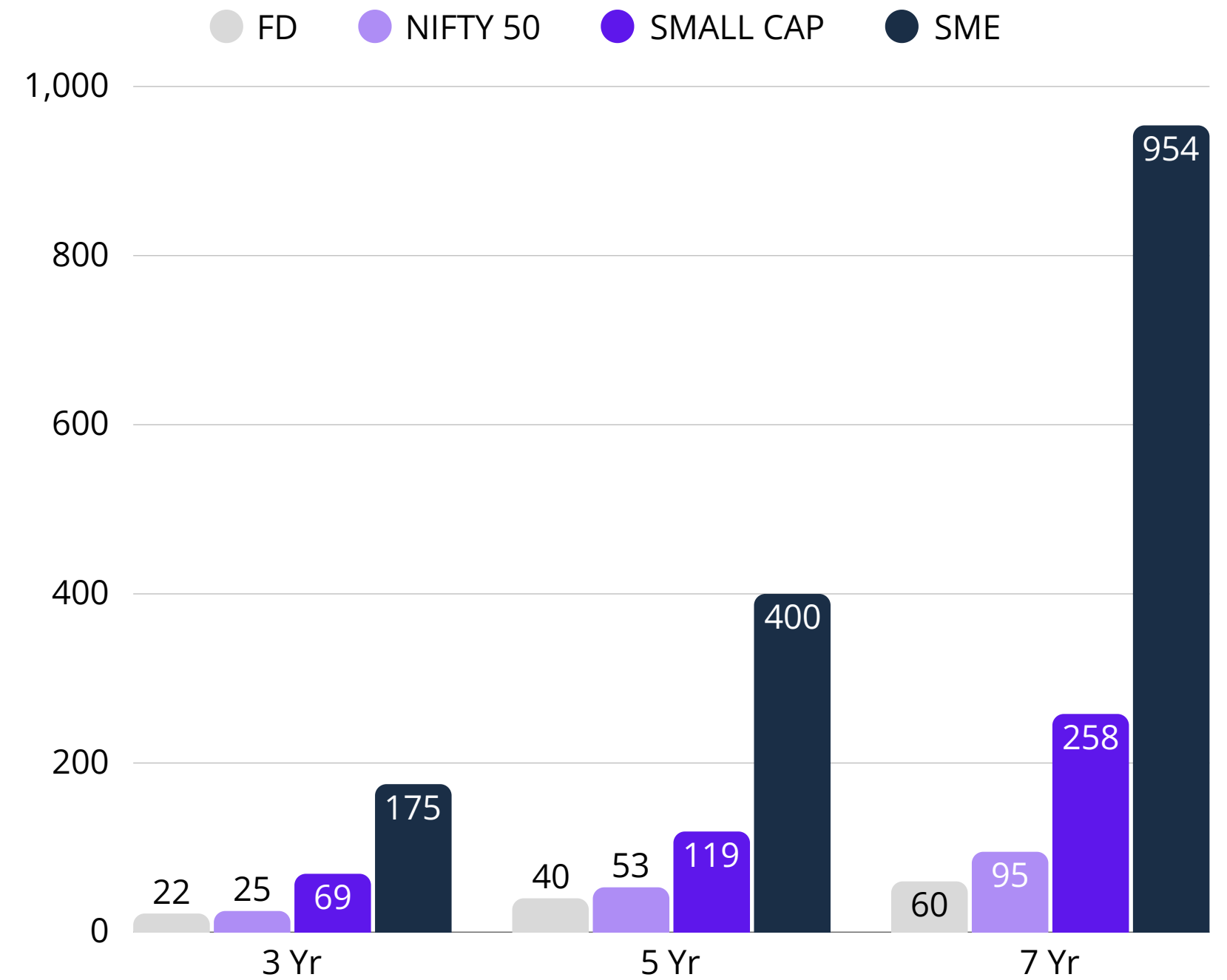
India continues to remain the world's fastest-growing major economy, with real GDP expanding by **7.7%** in FY26 and **7.8%** in Q4FY26, supported by resilient domestic consumption, robust government-led infrastructure spending, and a sustained recovery in private investment. Manufacturing and services remained the key growth drivers, while capital expenditure continued to strengthen economic activity. Looking ahead, the Reserve Bank of India (RBI) projects FY27 GDP growth at **6.9%**, reflecting confidence in India's domestic demand despite heightened global uncertainty and elevated commodity prices.

India's external sector remained resilient despite a widening merchandise trade deficit. The trade deficit increased to **\$30.43 billion** in June, as imports remained elevated at \$70.84 billion against exports of **\$40.41 billion**. However, the country's strong services exports and robust remittance inflows provided an important buffer. Notably, India posted a surprise current account surplus of **\$7.1 billion** (0.7% of GDP) during the January-March 2026 quarter, supported by record services exports and healthy remittances, highlighting the resilience of the external sector despite geopolitical disruptions and higher import costs.

Inflationary pressures resurfaced during June amid rising food and energy prices. Consumer Price Inflation (CPI) accelerated to **4.38%** in June 2026 from **3.93%** in May, exceeding the RBI's **4%** target for the first time in 17 months, while Wholesale Price Inflation (WPI) rose to **9.87%** from **9.68%**, driven by higher fuel, power, and food prices. Although inflation risks have increased due to geopolitical tensions and monsoon uncertainties, India's strong domestic demand, healthy corporate balance sheets, continued public investment, and robust private capex pipeline continue to underpin a positive medium-term growth outlook.



Comparison of CAGR Gains



Comparison of Absolute Gains

*Data Source: NSE, Data till July 2026

► India Liberalizes FPI Norms to Attract Global Capital:

The Government of India has announced a significant liberalization of foreign portfolio investment (FPI) norms by doubling the investment limit for individual foreign portfolio investors from **5% to 10%** of a listed company's paid-up equity capital. Simultaneously, the aggregate investment limit for all FPIs has been increased from **10% to 24%**, unless a company opts for a higher sectoral cap through shareholder approval. The reforms are aimed at attracting larger foreign capital inflows, improving market liquidity, and enhancing the depth of India's capital markets. Higher FPI limits are expected to increase institutional participation, broaden the investor base, and reduce the cost of capital for Indian companies. The move also reinforces the government's commitment to making India a more attractive investment destination and is likely to support long-term market valuations as global investors increase their exposure to one of the world's fastest-growing major economies.

► Employment Growth Reinforces India's Economic Momentum:

India's labour market continued to improve in 2025, with the unemployment rate declining to an eight-year low of **3.1%**, reflecting sustained economic growth and robust employment generation across key sectors. The improvement was driven by strong hiring in manufacturing, construction, infrastructure, financial services, and technology, supported by higher public capital expenditure and a revival in private sector investments. Government initiatives such as the **Production-Linked Incentive (PLI) scheme**, infrastructure development, and digitalization have also contributed to expanding formal employment opportunities. Rising labour force participation and an improving worker population ratio indicate broader workforce engagement and strengthening economic activity. A healthier labour market is expected to support household incomes, boost private consumption, and reinforce India's domestic demand-led growth model. Although challenges such as youth unemployment and skill mismatches remain, the continued improvement in employment conditions reflects the resilience of the Indian economy and provides a strong foundation for sustained medium-term growth and corporate earnings.

» Government Prioritizes Growth Despite Higher Fiscal Deficit:

India's fiscal position witnessed a front-loaded deterioration during the first two months of FY27, with the fiscal deficit widening nearly twelve-fold to **₹1.62** trillion in April-May, compared with **₹131.6** billion in the corresponding period last year. The deficit represents 9.6% of the full-year Budget Estimate (BE) of **₹16.96** trillion, while the government continues to target a fiscal deficit of 4.3% of GDP for FY27. The increase was primarily driven by higher public expenditure, particularly on infrastructure and welfare programmes, coupled with relatively weaker revenue collections. Total government expenditure rose to **₹8.8 trillion** from ₹7.5 trillion a year earlier, while capital expenditure increased to ₹2.5 trillion, reaffirming the government's commitment to sustaining the investment-led growth cycle. Net tax receipts remained largely unchanged at ₹3.5 trillion, whereas non-tax revenue moderated slightly to ₹3.5 trillion from ₹3.6 trillion in the previous year. Despite the sharp rise in the fiscal deficit, the higher capital outlay is expected to support economic activity and crowd in private investment. Going forward, robust GST collections, the record ₹2.87 lakh crore RBI dividend, and continued tax buoyancy are likely to provide fiscal support, although elevated crude oil prices and higher subsidy requirements remain key risks to achieving the government's fiscal consolidation target.

» GST Collections Remain Resilient Despite High Base Effect:

India's GST collections remained robust in June 2026, underscoring the resilience of domestic economic activity and continued improvements in tax compliance. Gross GST collections rose **13.9%** year-on-year to **₹1.95 trillion (₹1,94,812 crore)**, marking the strongest growth in eight months and reflecting sustained momentum in consumption, trade, and formalization of the economy. Growth was supported by healthy domestic transactions as well as a sharp increase in GST revenues from imports, aided by higher global commodity prices and strong trade activity.

The strong GST performance highlights the effectiveness of the government's ongoing digitalization initiatives, enhanced compliance mechanisms, and stricter enforcement against tax evasion. Healthy indirect tax collections indicate that domestic demand remains resilient despite global uncertainties, while continued formalization of businesses is broadening the tax base. Higher GST inflows also strengthen the Centre's fiscal position, providing greater flexibility to sustain public capital expenditure, infrastructure investment, and social spending without compromising the fiscal consolidation roadmap. Overall, the robust June collections reinforce confidence in India's domestic demand-led growth story and suggest that economic activity remains on a firm footing as FY27 progresses.

► Record Solar Capacity Addition Accelerates Energy Transition:

India's renewable energy transition gained significant momentum in the first quarter of CY2026, with the country adding a record **15.3 GW** of solar power capacity, representing a remarkable **152%** year-on-year increase. Solar energy accounted for **77%** of the total **19.9 GW** of power generation capacity added during the quarter, underscoring its growing dominance in India's energy mix. The strong expansion was driven by accelerated project commissioning, supportive government policies, declining technology costs, and rising demand for clean energy from both utilities and commercial consumers. The record capacity addition highlights India's progress toward its renewable energy targets and its commitment to reducing dependence on fossil fuels. Increased solar deployment is expected to enhance energy security, lower carbon emissions, and attract further investments into the renewable energy sector. The continued scaling up of solar infrastructure also strengthens India's position as one of the world's fastest-growing renewable energy markets and supports the country's long-term sustainability and energy transition objectives.

► Government Extends Import Duty Waiver on Petrochemicals:

The Government of India has extended the import duty exemption on **40 key petrochemical** products until July 15, 2026, providing temporary relief to domestic manufacturers facing elevated input costs amid global supply disruptions and volatile crude oil prices. The extension is aimed at ensuring the uninterrupted availability of critical raw materials used across industries such as plastics, chemicals, pharmaceuticals, textiles, packaging, and automotive components. By lowering the cost of imported feedstocks, the measure is expected to ease inflationary pressures on downstream industries, support manufacturing competitiveness, and prevent supply bottlenecks. The decision comes at a time when geopolitical tensions have kept global energy and petrochemical markets volatile, increasing production costs for industrial users. While the exemption offers short-term cost relief and supports industrial activity, it also reflects the government's proactive approach to safeguarding economic growth and controlling inflation until global commodity markets stabilize.

► India–Japan Investment Pact Supports Advanced Manufacturing:

India and Japan have strengthened their strategic economic partnership by signing a **\$10 billion** investment pact focused on high-growth sectors including **artificial intelligence (AI), semiconductors, critical minerals, clean energy, and advanced manufacturing**. The agreement aims to deepen bilateral investment, strengthen resilient supply chains, and reduce dependence on concentrated global sourcing for strategically important industries. A significant portion of the proposed investments will support semiconductor manufacturing, electronics, digital infrastructure, and research collaborations, aligning with India's ambition to emerge as a global manufacturing and technology hub. The partnership also seeks to accelerate innovation through joint R&D initiatives, technology transfer, and workforce development while expanding cooperation in rare earth processing and battery materials essential for the energy transition. The pact is expected to attract long-term foreign direct investment, create high-value employment opportunities, and enhance India's competitiveness in emerging technologies. By strengthening economic ties with one of Asia's leading industrial economies, the agreement reinforces India's position as a preferred destination for global capital and supports its long-term vision of becoming a trusted partner in diversified global supply chains.

► AirTrunk's \$30 Billion Investment Boosts India's AI Infrastructure:

Blackstone-backed AirTrunk has announced plans to invest **\$30 billion** to develop up to **5 GW** of AI-ready data centre capacity in India by 2030, marking one of the country's largest commitments to digital infrastructure. The investment is expected to accelerate India's emergence as a major global hub for artificial intelligence, cloud computing, and hyperscale data services, driven by rapid digital adoption, increasing enterprise cloud migration, and rising demand for AI computing power. The proposed facilities will incorporate advanced cooling technologies, renewable energy integration, and high-density computing infrastructure to support next-generation AI workloads. The project aligns with the Government of India's vision of strengthening the digital economy while attracting large-scale foreign investment into technology infrastructure. Beyond enhancing data storage and processing capabilities, the investment is expected to generate significant employment, stimulate demand for renewable power, and create opportunities across construction, engineering, telecom, and semiconductor-related industries. The development reinforces India's growing strategic importance in the global AI ecosystem and is expected to support long-term economic growth through sustained investments in digital infrastructure.

CAPEX UPDATE

➤ Public Spending Surge: Centre's Aggressive Capex Fuels Economic Growth:

- India grants four China-linked power equipment manufacturers 2-year exemption to bid for govt projects.
- Govt plans major **SEZ** reforms; proposes duty-foregone DTA sales for SEZs.
- West Bengal to undertake **₹1 tn** railway projects across 61 approved plans.
- India cuts ATF prices by **₹5/litre** and commercial LPG prices by ₹183.5/cylinder.
- India plans five new strategic oil reserves to expand crude storage cover to 40 days.
- Mumbai Port Authority announces cargo and waterfront infrastructure projects worth **₹35.4 bn**.

➤ Private Capex in Focus: A Tale of Caution and Strategic Investment:

- Tata Motors PV to invest up to **₹400 bn**; targets 20% market share by FY31
- Maruti to invest **₹9.3 bn** in green energy and biogas projects by FY31, To build a 10 TPD Kharkhoda biogas plant by FY27 .
- IHCL to invest **₹60-75 bn** over five years for expansion.
- Amber Group invests **₹67.9 bn** in UP manufacturing hubs; targets \$2 bn revenue.
- NMDC plans **₹500 bn** capex over next three years, targets 100 mt iron ore output FY27 capex of ₹60 bn to support production of 60 mt .

GLOBAL MARKET OUTLOOK:

» U.S. Economy Moves Toward Soft Landing Amid Sticky Inflation:

Here's an updated version incorporating the latest July 2026 U.S. macroeconomic data and recent developments:

The U.S. economy remained resilient through the first half of 2026, supported by steady consumer spending, a resilient labor market, and expanding manufacturing activity, although inflation and geopolitical risks continue to cloud the outlook. Manufacturing remained in expansion territory, with the ISM Manufacturing PMI at **53.3** in June, marking its sixth consecutive month above the 50 threshold. However, labor market momentum moderated, with non-farm payrolls rising by 57,000 in June, while the unemployment rate edged down to 4.2%, reflecting a still-tight but gradually cooling employment market.

Inflation remains the key macro concern. U.S. CPI rose **4.2%** year-on-year in May, the highest reading since April 2023, driven largely by a **3.9%** monthly increase in energy prices, taking the annual rise in energy costs to **23.5%**. While June data showed headline inflation easing to **3.5%** as energy prices retreated sharply, inflation remains above the Federal Reserve's **2%** target and policymakers continue to view underlying price pressures cautiously. Core CPI moderated to **2.6%** in June, suggesting non-energy inflation remains relatively contained.

Economic growth has remained positive but has moderated compared with last year as higher borrowing costs, elevated input prices, and geopolitical uncertainty weigh on business investment. The Federal Reserve has kept interest rates unchanged, emphasizing a data-dependent approach while acknowledging that inflation remains elevated. Although markets continue to expect policy easing later in 2026, the timing will depend on sustained progress in inflation and labor market conditions. Overall, the U.S. economy continues to move toward a soft-landing scenario, but persistent inflationary pressures, energy price volatility, and geopolitical risks remain the principal challenges to the outlook.

» Europe Balances Easing Inflation with Tight Monetary Policy

The European economy continued to face a delicate balance between moderating inflation and slowing growth. The European Central Bank (ECB) raised interest rates by **25** basis points, taking the deposit facility rate to **2.25%**, the main refinancing rate to **2.40%**, and the marginal lending facility to **2.65%**, reaffirming its commitment to bringing inflation sustainably back to target. Encouragingly, Eurozone inflation eased to **2.8%** in June from **3.2%** in May, while core inflation moderated to **2.4%**, reflecting easing underlying price pressures.

In the United Kingdom, the Bank of England kept the Bank Rate unchanged at **3.75%** for a fourth consecutive meeting, with policymakers voting 7-2 in favor of maintaining rates as inflationary risks remain elevated. Alongside monetary policy, the UK government announced an additional £15 billion investment to modernize its armed forces over the next four years, supporting defence spending amid heightened geopolitical tensions while balancing fiscal discipline.

» China's Manufacturing Strength Offsets Weak Domestic Demand:

China's economy presented a mixed picture in June 2026, balancing stronger manufacturing and export performance against continued weakness in domestic consumption. Manufacturing activity remained resilient, with the official PMI at **51.7** in June and averaging **51.9** during Q2, the strongest quarterly performance in six years, supported by robust new orders and easing input cost pressures. Exports continued to outperform, with May exports rising **19.4%** year-on-year, while shipments to the U.S. surged 35.4%, marking the fastest growth since March 2021. However, domestic demand remained subdued as May retail sales declined 0.6%, the first contraction since the post-pandemic reopening, even as industrial production expanded **4.5%**.

On the policy front, China tightened oversight of overseas capital flows by implementing new national security rules for outbound investments. It also unveiled its 15th Five-Year Energy Plan, targeting 50% of electricity generation from non-fossil sources by 2030, with wind and solar expected to account for over 50% of installed capacity while expanding the power grid to integrate 900 GW of distributed renewable energy, reinforcing its long-term clean energy transition.

INDIA'S ECONOMIC DATA

Economic Indicator	May'26	Apr'26	May'25
WPI Inflation (%)	9.7	8.3	0.1
CPI Inflation (%)	3.9	1.8	1.2
Trade Deficit (in bn\$)	28.2	28.4	22.6



India's WPI rose to a 42 month high of 8.3% in April primarily led by higher fuel & power prices (+24.7% in April vs 1.1% in March) due to the West Asia crisis

Economic Indicator	Jun'26	May'26	Jun'25	MoM	YoY
GST Collection (in ₹tn)	1.9	1.9	1.7	0.3%	13.9%
AVG USD INR	95.0	95.4	85.9	-0.5%	10.6%
Forex Reserves (\$ bn)	666.9	682.3	702.8	-2.3%	-5.1%