TATHYA

July 2026

The double-digit YoY growth in most of the demand indicators is because of a very low/negative base. On an absolute basis, the consumption bit has done better than last year, but it still remains patchy to call it a trend, already.

		Change								12 Month Avg		12 Month Avg		Absolute							
Consumption/Demand	Units	Jun'25/ May'25	Jun-26	May-26	Apr-26	Mar-26	Feb-26	Jan-26	Dec-25	as of Jun'26	as of Jun'25	as of Jun'26	as of Jun'25	Jun-26	May-26	Apr-26	Mar-26	Feb-26	Jan-26	Dec-25	Units
Personal Loans	% chg, YoY	11.1		15.4	16.0	16.2	15.2	14.9	14.4	14.0	12.5	66.0	58.2		70.2	69.6	69.4	68.0	67.2	66.5	INR Tr
Retail Payments	% chg, YoY	12.6		12.8	14.9	15.8	18.7	14.1	15.7	13.9	15.6	90.2	79.3		92.5	94.4	108.6	88.5	91.9	92.2	INR Tr
Non-Oil Imports	% chg, YoY	-1.6	27.9	10.0	19.3	6.5	29.9	25.7	11.6	15.7	8.8	52	45	51.5	50.7	53.3	47.4	50.7	57.8	50.1	USD Bn
Passenger cars sales (ex UVs)	% chg, YoY	-13.6	13.0	23.3	26.7	5.0	-2.9	-2.4	35.4	10.5	-10.3	121	110	109	129	131	124	118	134	130	000 no's
Passenger cars sales (incl UVs)	% chg, YoY	-6.1	23.2	26.5	25.3	16.6	11.2	13.9	28.8	15.2	1.5	400	348	380	428	429	438	411	443	393	000 no's
POL Consumption	% chg, YoY	0.5	-3.1	-5.3	-6.5	3.2	4.5	0.3	4.5	0.4	1.4	20.0	20.0	19.4	20.2	18.9	21.4	20.2	20.6	21.6	Mn Tonnes
Two wheelers	% chg, YoY	-3.3	18.6	14.8	28.4	19.3	35.2	26.2	39.4	19.0	2.4	1864	1608	1851	1902	1873	1976	1871	1926	1541	000' no's
Consumer Price Inflation*	% chg, YoY	2.3	4.4	3.9	3.5	3.4	3.2	2.7	1.2	2.3	4.1	2.3	4.1	3.9	3.6	3.4	3.1	2.4	1.5	0.6	3MMA
Core CPI (ex food and fuel)*	% chg, YoY	4.4	3.55	3.18	3.23	3.23	3.14	3.1	4.5	3.8	3.8	4.2	3.8	3.6	3.3	3.2	3.2	3.6	3.9	4.3	3MMA

Manufacturing has picked up decently. WPI faces pressure, but that bakes in the elevated levels of oil price and did materialize into higher fuel prices. But it appears that before this adversity could creep into the broader basket of consumption, the geopolitical risk receded.

		Change/Absolute								12 Month Avg		12 Month Avg		Absolute							
Industry/Manufacturing	Units	Jun'25/ May'25	Jun-26	May-26	Apr-26	Mar-26	Feb-26	Jan-26	Dec-25	as of Jun'26	as of Jun'25	as of Jun'26	as of Jun'25	Jun-26	May-26	Apr-26	Mar-26	Feb-26	Jan-26	Dec-25	Units
Credit To Industry	% chg, YoY	5.3		17.5	15.1	15.0	13.5	12.1	13.3	11.5	7.9	43	39		46.2	45.4	45.8	44.5	43.9	44.1	INR Tr
Cement Production	% chg, YoY	9.7		8.4	8.2	4.7	8.9	11.3	13.7	8.8	8.2	218	201		227	221	258	234	245	241	Index
Coal Production	% chg, YoY	2.8		-9.3	-8.8	-4.0	2.3	3.1	3.6	-2.0	2.4	190	192		172	164	250	221	237	223	Index
Steel Production	% chg, YoY	7.4		5.0	5.5	7.7	7.6	11.5	10.1	9.5	6.5	238	218		237	231	257	233	254	244	Index
Eight Core Industry	% chg, YoY	1.2		0.5	1.8	1.2	2.8	4.7	4.7	2.8	3.3	170	165		171	166	185	168	182	177	Index
IIP Electricity	% chg, YoY	-4.7		1.3	2.6	0.8	2.3	5.1	6.3	1.9	2.2	211	208		221	221	221	198	212	205	Index
IIP Mining	% chg, YoY	-0.1		22.4	27.6	5.5	3.1	4.3	6.9	6.6	0.3	142	132		167	167	167	146	157	153	Index
IIP Manufacturing	% chg, YoY	3.2		9.1	13.6	4.3	5.9	5.3	8.4	6.6	3.8	162	152		169	169	169	157	168	170	Index
IIP Capital Goods	% chg, YoY	13.3		30.9	44.2	14.6	12.4	4.1	8.3	13.0	7.5	130	115		156	156	156	130	124	124	Index
IIP Infrastructure/ Construction	% chg, YoY	6.7		15.2	18.7	6.7	11.1	14.6	12.8	12.2	6.2	214	191		229	229	229	213	230	220	Index
IIP consumer goods	% chg, YoY	-1.0		4.8	7.8	2.9	2.8	1.5	10.0	3.7	1.3	146	141		149	149	149	141	151	162	Index
Manufacturing PMI	abs	58.4	54.2	55.0	54.7	53.9	56.9	55.4	55.0	56.4	57.4	56	57	54.2	55.0	54.7	53.9	56.9	55.4	55.0	Index
Wholesale Price Index (WPI)	% chg, YoY	-0.2			8.30	3.9	2.3	1.7	1.0	1.6	1.7	2.2	1.7	8.3	6.1	4.8	2.6	1.6	0.8	-0.1	3MMA

It may not be accurate to say economic activity is in a lull, but the indicators below have shown little meaningful pickup through most of the past year *(compare absolute 12M avg numbers with the past year)*. ***Notably, housing loans, a segment that had held up well, have also slipped to low double-digit growth*** *(compare absolute 12M avg growth numbers with the past year).*

		Change/Absolute								12 Month Avg		12 Month Avg		Absolute							
Services (%, YoY*)	Units	Jun'25/ May'25	Jun-26	May-26	Apr-26	Mar-26	Feb-26	Jan-26	Dec-25	as of Jun'26	as of Jun'25	as of Jun'26	as of Jun'25	Jun-26	May-26	Apr-26	Mar-26	Feb-26	Jan-26	Dec-25	Units
Services PMI	abs	60.4	57.4	59.8	58.8	57.5	58.1	58.5	58.0	59.3	58.9	59.3	58.9	57.4	59.8	58.8	57.5	58.1	58.5	58.0	Index
Credit to Services	% chg, YoY	8.4		20.4	18.6	19.0	16.3	15.5	15.3	14.6	11.9	56	49		60.5	59.5	60.6	58.1	57.2	56.5	INR Tr
Housing loans	% chg, YoY	9.0		10.9	11.4	11.5	11.0	11.1	11.1	10.7	11.3	32	29		33.7	33.5	33.6	33.1	32.8	32.6	INR Tr
Airport Passenger Traffic	% chg, YoY	3.0		4.5	-5.4	-4.4	0.5	3.9	-2.8	0.7	9.0	35	35		37.0	33.8	34.5	35.1	38.6	36.5	Mn no's
Railway Freight Traffic	% chg, YoY	2.7			12.7	-6.9	12.7	2.9	3.2	4.4	1.0	141	136		150	150	150	149	149	146	Mn Tonnes
E-toll collections	% chg, YoY	17.5	10.7	7.6	7.7	9.6	8.8	13.7	10.3	14.1	15.0	72	64	75.2	76.3	73.2	74.5	71.8	75.2	73.3	INR Bn

Improving---------> Worsening

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Expenditure and revenue profiles, have not picked meaningfully as compared to the past year.

		Change								12 Month Avg		12 Month Avg		Absolute							
Fiscal (INR Tn)	Units	Jun'25/ May'25	Jun-26	May-26	Apr-26	Mar-26	Feb-26	Jan-26	Dec-25	as of Jun'26	as of Jun'25	as of Jun'26	as of Jun'25	Jun-26	May-26	Apr-26	Mar-26	Feb-26	Jan-26	Dec-25	Units
Total Expenditure	% chg, YoY	40.3		9.1	23.5	13.3	9.7	-8.5	-7.3	2.4	14.4	4.1	4.1		3.06	5.75	8.61	3.55	3.09	4.55	INR Tr
Capital Expenditure	% chg, YoY	38.7		-0.6	18.8	-41.8	59.6	-24.5	-24.5	7.1	34.2	0.9	1.0		0.61	1.90	1.40	0.87	0.54	1.30	INR Tr
Revenue Expenditure	% chg, YoY	40.7		11.8	25.9	38.7	-0.4	-4.2	1.9	4.1	10.5	3.2	3.1		2.45	3.85	7.21	2.67	2.55	3.25	INR Tr
E-Way Bills	% chg, YoY	19.3	14.5	10.9	11.8	12.9	18.8	15.8	23.5	17.8	18.4	134	114	136.8	136.1	133.4	140.6	132.6	136.8	138.4	Mn no's
GST	% chg, YoY	6.2	5.5	-3.4	2.5	2.1	2.8	2.0	1.3	3.0	9.8	2.0	1.9	1.95	1.94	2.43	2.00	1.89	1.99	1.79	INR Tr
Total Receipts	% chg, YoY	26.2		11.5	-23.8	11.6	-42.9	122.7	--	0.0	-2.1	2.8	2.7			2.13	5.94	0.83	1.83	5.76	INR Tr

We are comfortable, as far as liquidity is concerned. However, we should not confuse this with comfortable money supply. India needs higher credit growth.

		12 Month Avg		Absolute						
Monetary (%)	Units	as of Jun'26	as of Jun'25	Jun-26	May-26	Apr-26	Mar-26	Feb-26	Jan-26	Dec-25
M3	INR Tr	299	268	319	314	312	315	303	299	298
M3/M0	Ratio	6.0	5.7	6.07	5.95	5.96	6.16	6.07	6.07	6.21
Gsec 10 Year Yield	%	6.7	6.7	6.86	7.03	6.95	6.73	6.70	6.65	6.57
5-Year AAA Yield	%	7.0	7.4	6.81	7.09	7.28	7.10	6.97	6.83	6.71
5-Year AA Yield	%	9.1	9.3	9.06	8.88	8.90	8.73	9.39	8.98	8.54
Credit to Deposit Ratio	Ratio	81.2	79.6	82.6	82.7	82.0	81.4	82.4	82.3	81.8

Oil Balance, without doubt, has been the story of the season. But Non-oil balance/imports have decently held ground. The adverse impact of higher oil prices have not materially creeped into the broader import basket.
With crude oil price resetting to more normalized levels (pre-war), the anxieties around BOP are more settled.

		12 Month Avg		Absolute						
External	Units	as of Jun'26	as of Jun'25	Jun-26	May-26	Apr-26	Mar-26	Feb-26	Jan-26	Dec-25
Indian Rupee	INR/USD	90.6	85.1	95.0	95.6	93.6	92.8	90.7	90.8	90.1
REER 40 currency	Index	95.7	104.3		89.2	91.0	92.6	94.0	94.8	95.1
FX Reserves	USD Bn	696.1	671.4	667	682	698	688	728	724	697
Trade Balance	USD Bn	-29.3	-24.4	-30.4	-28.2	-28.2	-20.7	-27.1	-34.8	-26.2
Oil Balance	USD Bn	-10.5	-10.6	-14.4	-14.3	-8.9	-7.0	-9.5	-9.7	-10.3
Non-oil Non-gold Balance	USD Bn	-11.6	-8.6	-13.9	-10.5	-13.3	-10.0	-8.4	-11.0	-11.1
Services Surplus	USD Bn	18.2	16.4	15.1	15.7	18.6	21.0	17.8	21.5	22.7
Crude Indian Basket	$/barrel	80.2	74.2	83.9	106.2	114.1	124.9	69.0	63.1	62.2

Select equity segments are available at very low forward earnings, with some valuations dipping to COVID or GFC lows. This valuation comfort is highly likely to place a floor under FPI selling, especially since underlying business quality remains pristine.
When valuations for India equities were sky high, we highlighted how fragile the system had become to foreign investment outflows. Today we are at the other end.

		12 Month Avg		Absolute						
Flows	Units	as of Jun'26	as of Jun'25	Jun-26	May-26	Apr-26	Mar-26	Feb-26	Jan-26	Dec-25
FII Net Debt	USD Bn	0.9	0.9	5.5	0.5	-1.1	-0.6	1.5	0.5	-1.5
FII Net Equity	USD Bn	-3.3	-0.8	-5.2	-3.5	-6.2	-12.7	2.5	-4.0	-2.5
Net FDI Flows	USD Bn	0.8	0.1		-1.6	6.6	0.9	3.0	0.3	-0.5
ECB	USD Bn	3.8	4.9		4.7	3.8	5.4	4.6	5.3	4.4
MFs Net Equity	INR Bn	308.3	324.8	290	229	384	405	260	240	281
SIP Flows	INR Bn	302	256	321	298	310	310	294	295	294

Improving---------> Worsening

Exhibit 1: Nearly 80% of announced investment is now concentrated in nuclear power and data centres.

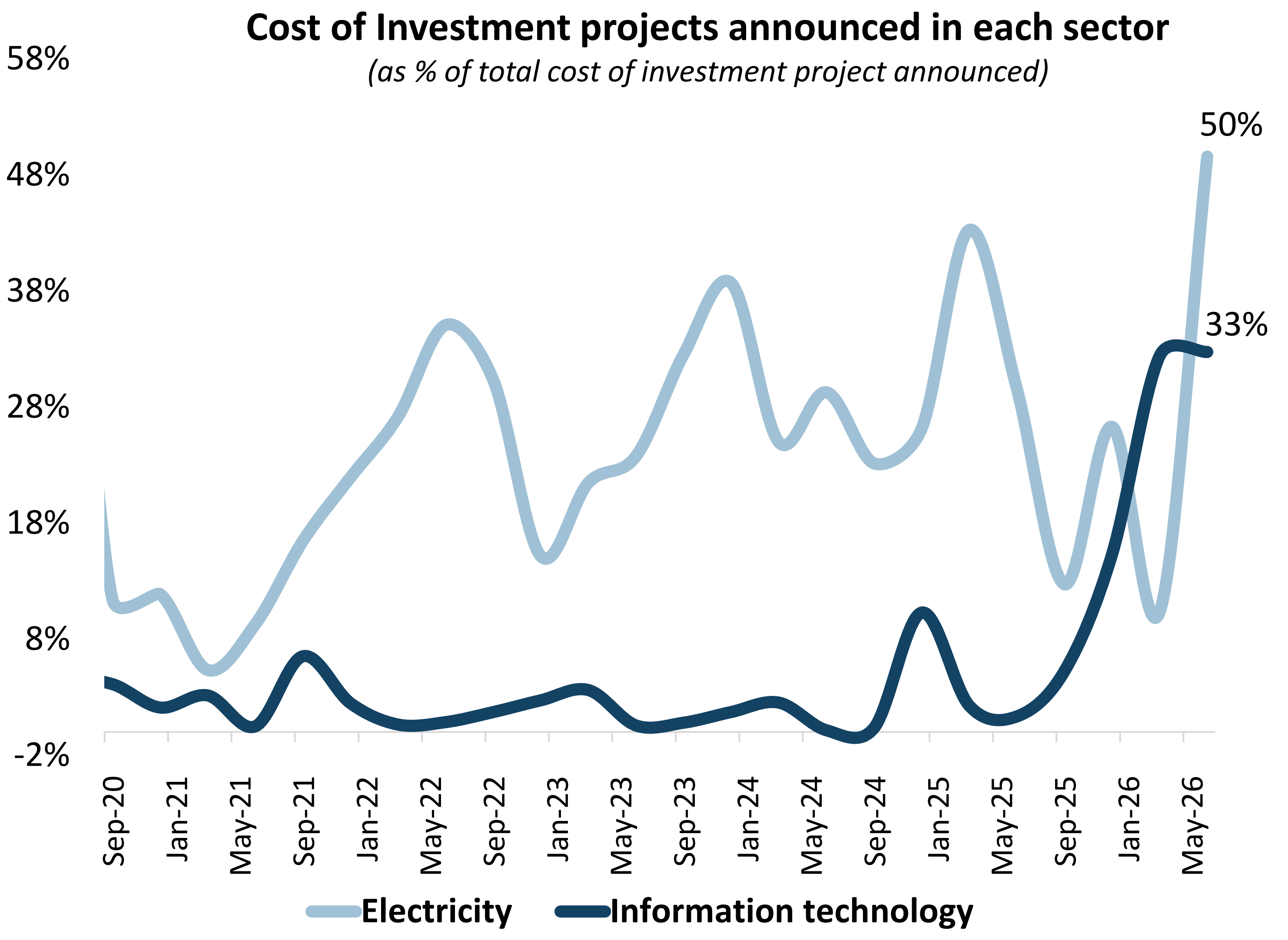


Exhibit 2: Even in these two sectors, the investment is concentrated in a few marquee projects. Other than that, the overall investment activity is also subdued.

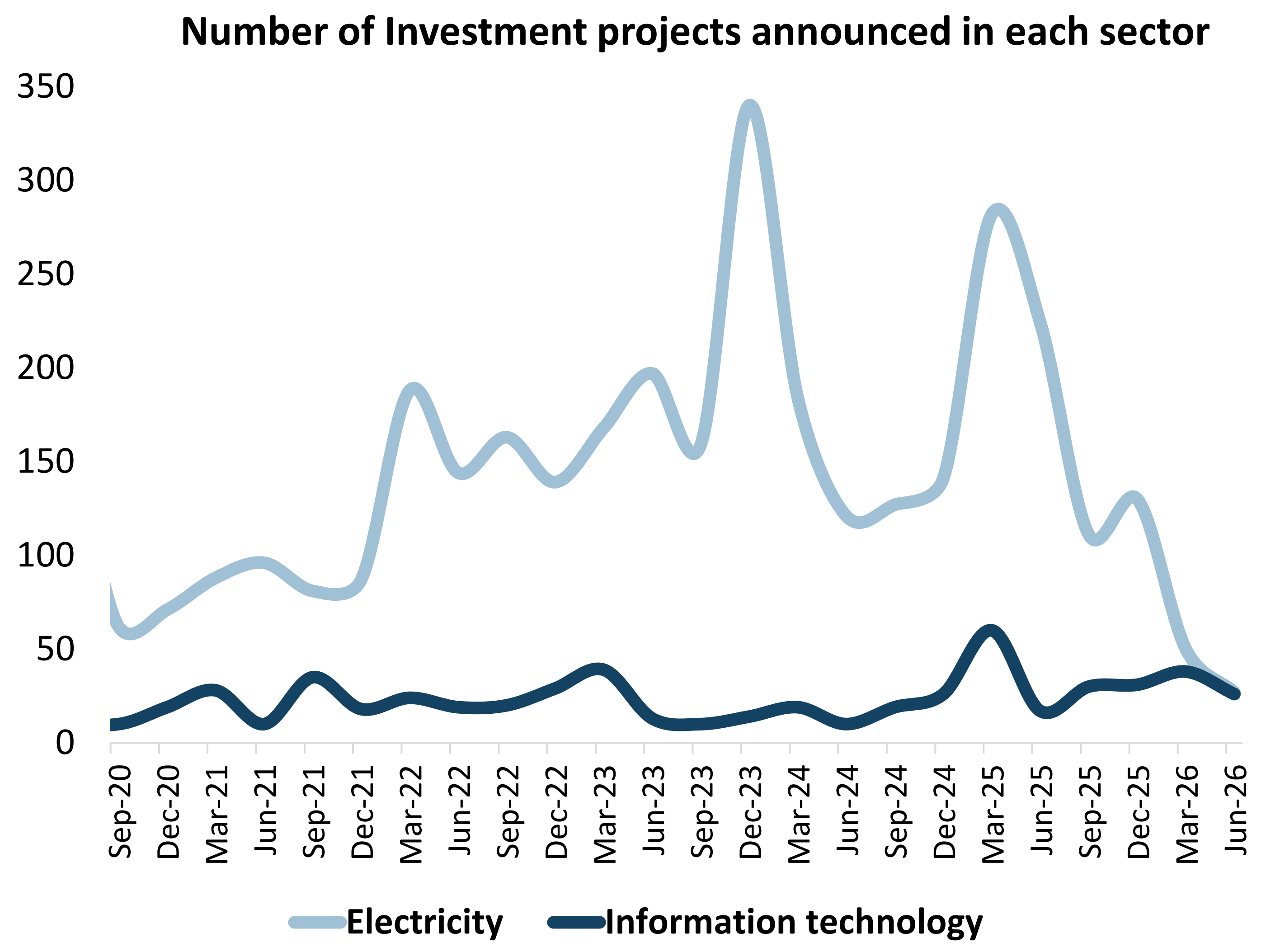
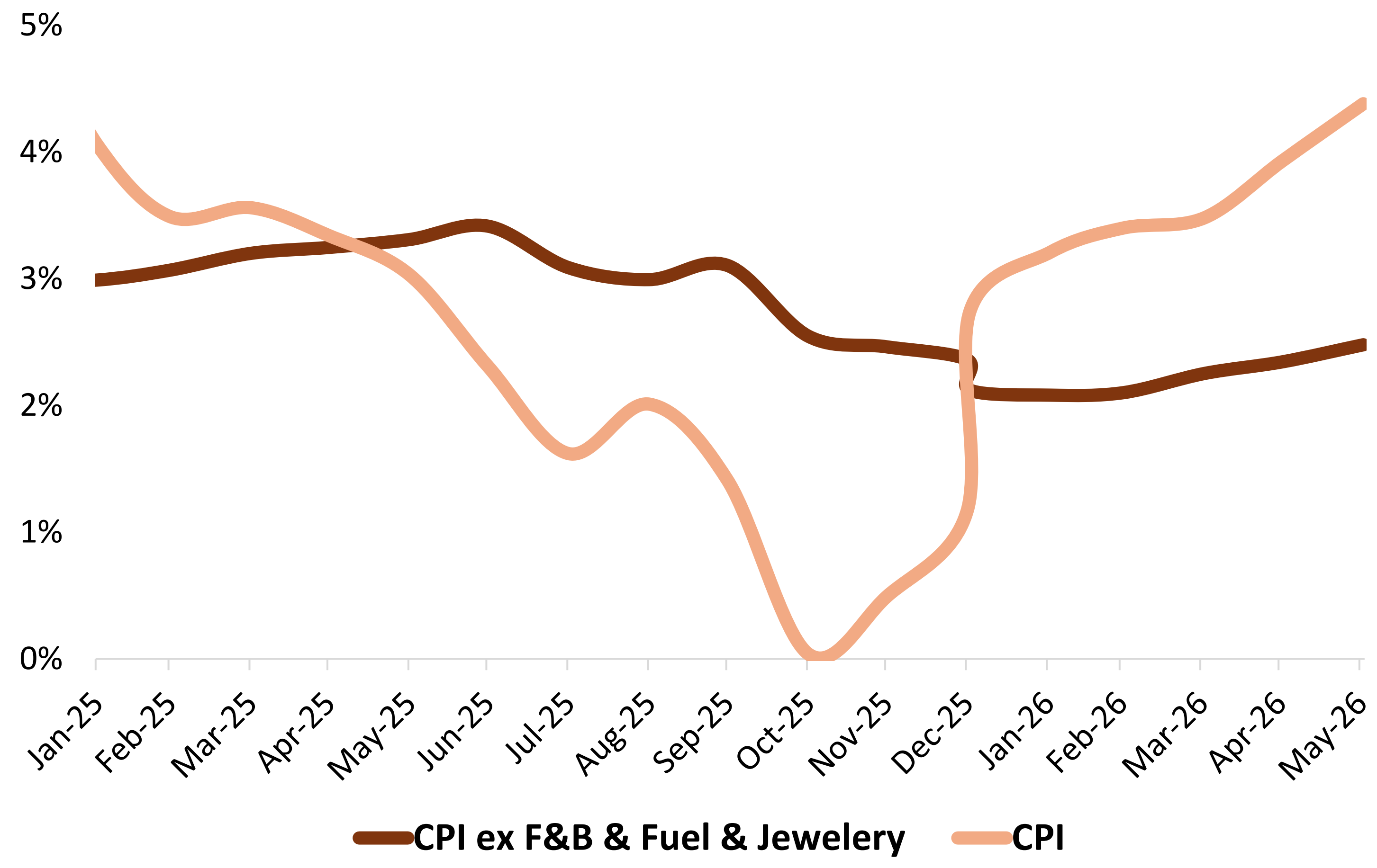


Exhibit 3&4: Since Jan'25, the policy rate has been lowered by 125bps, but that did not translate into lower borrowing cost – essentially why inflation couldn't pick meaningfully despite the policy response.



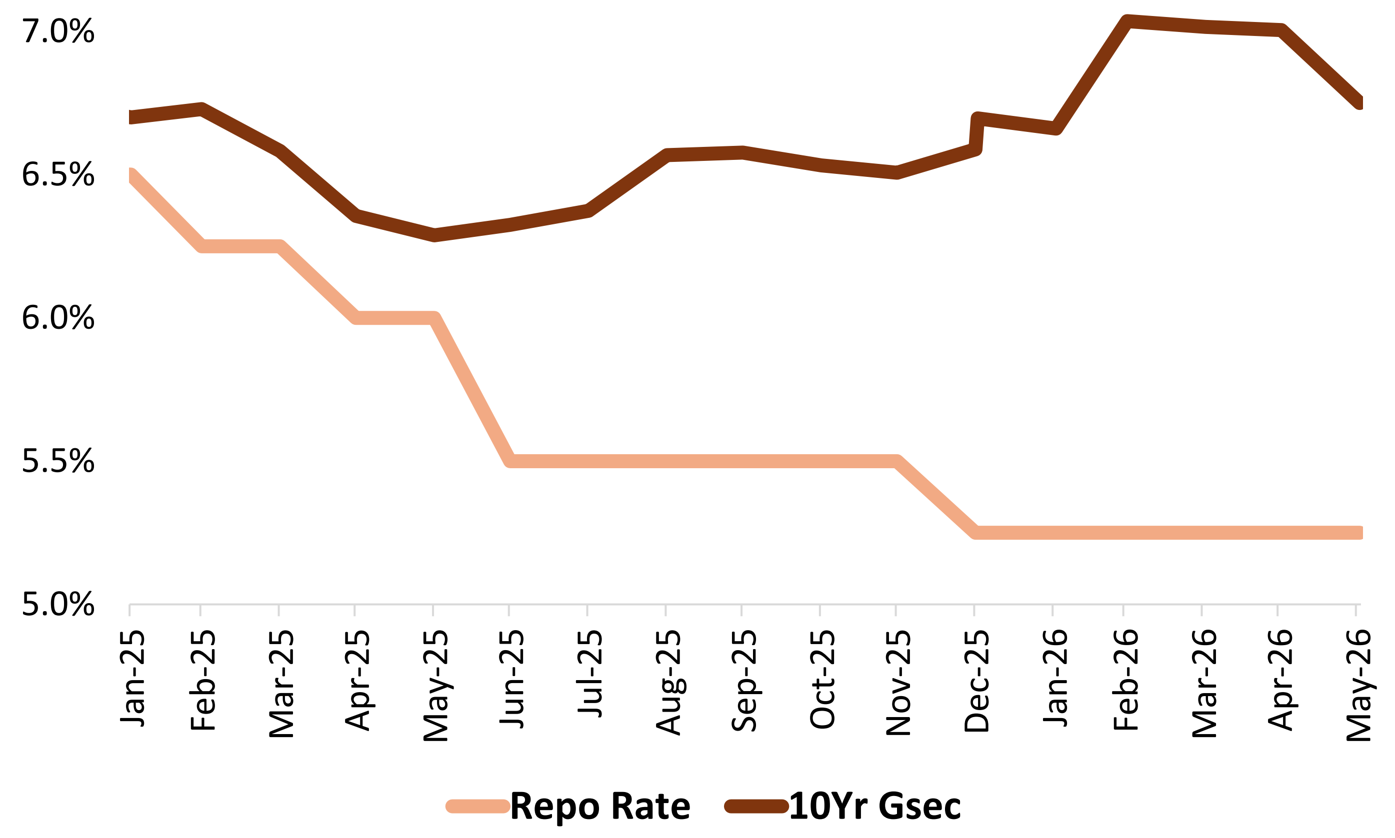
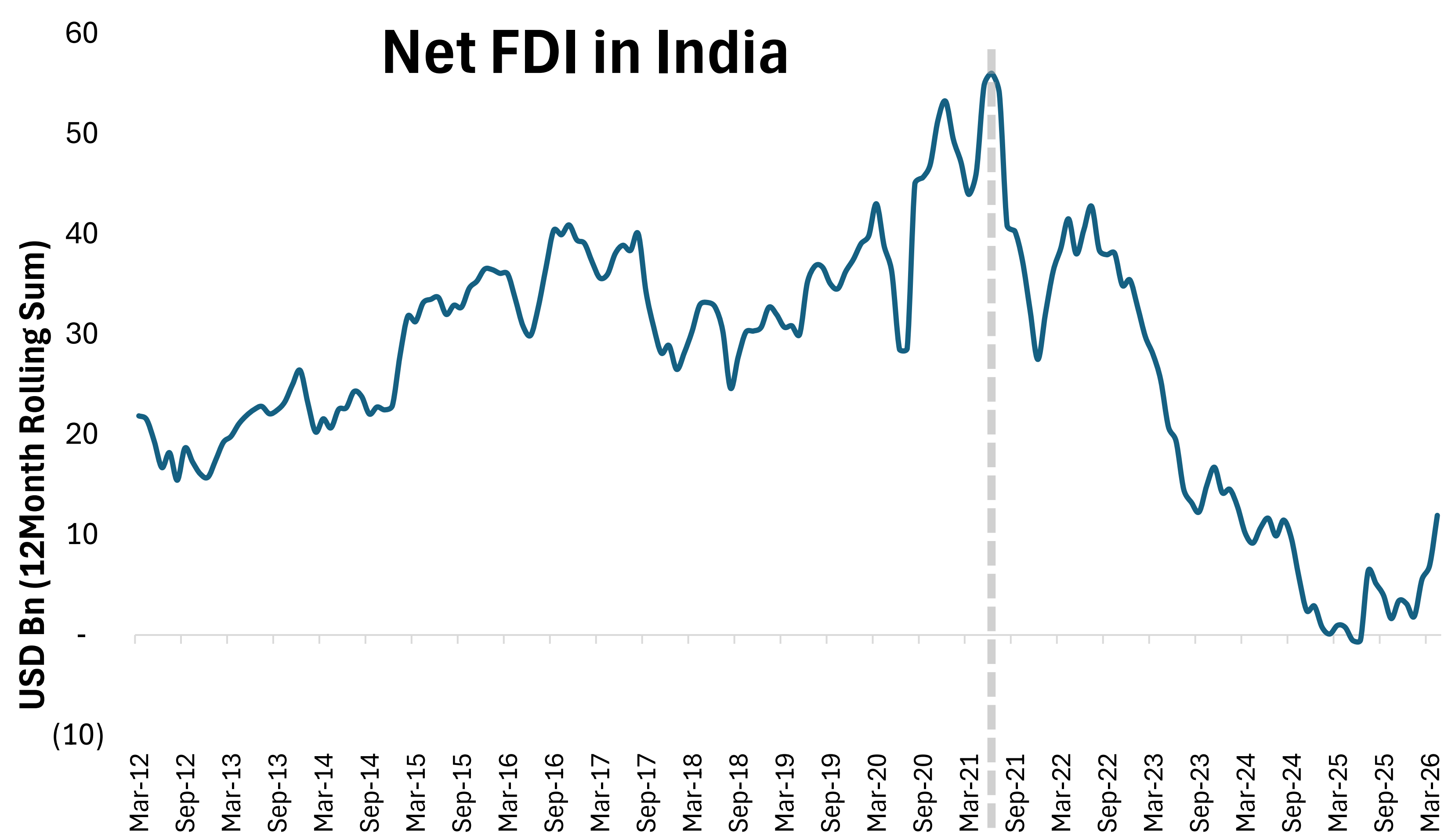


Exhibit 5: Compared with the decade before 2021, gross FDI has strengthened rather than weakened. The drag on net FDI has instead come from higher repatriation and outward investment by Indian companies. With valuations now more reasonable and gross inflows holding up, some of this pressure on the BoP could begin to ease.



	Mar'12 - Jun'21 (CAGR)	Jun'21 - Apr-26 (CAGR)
Net FDI in India	**11%**	**-27%**
Gross FDI in India	8%	13%
FDI By India	3%	36%
Repatriation	6%	20%

Source: CMIE

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