

India Rewind is a monthly update from DSP's Investment Desk.

It separates the alpha from the noise and aims to deliver key insights to readers, packed within a 2-minute reading time.

India's macro momentum strengthened into H1FY26, with real GDP expanding 7.8% YoY in Q1FY26 and accelerating to a six-quarter high of 8.2% in Q2FY26, significantly above expectations (although helped by a low base). However, nominal GDP growth edged down by 0.1% to 8.7% YoY (compared to a long term average of 11%\*) due to muted deflator growth, given low CPI and WPI inflation.

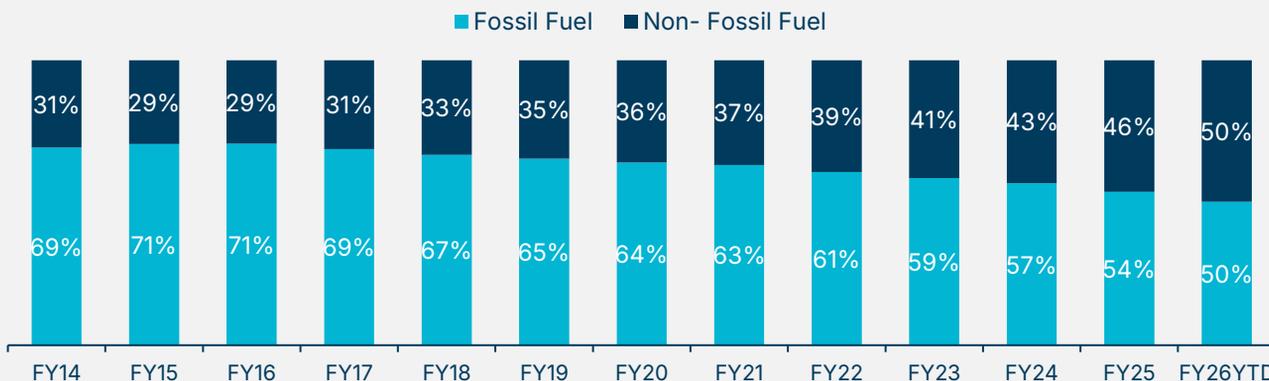
The improvement reflects frontloaded exports, robust public capex execution and sustained services strength. Private consumption, ~56% of GDP, is showing early signs of recovery, rising ~7.9% YoY in Q2FY26 compared with ~6.4% a year earlier, supported by tax rebates, low inflation, GST reductions and policy-rate cuts that are reviving urban, particularly entry-level, demand. Government consumption remained volatile, contracting ~2.7% YoY, consistent with fiscal consolidation and a shift toward productive capex. Investment activity also remained healthy, with GFCF rising ~7.3% YoY on the back of central and state infrastructure spending and selective private-sector capex in electronics, renewables and data-centre capacity. Overall, the macro backdrop for H2FY26 remains constructive as easing financial conditions gradually transmit into demand.

The RBI delivered a unanimous 25bp rate cut, bringing the repo rate to 5.25% while maintaining a neutral stance. Alongside this, the RBI announced additional durable liquidity support through ~US\$ 11bn of OMOs and 3Y ~US\$ 5bn in buy-sell swaps. Meanwhile, RBI upped its growth forecast by 50bp to 7.3% for FY26 (on strong Q2) and cut its inflation forecast further by 60bp to 2% as food inflation eases further. Overall, the policy leaned dovish, supporting smoother monetary transmission.

Beyond near-term policy, India's energy transition remains a key medium-term structural theme. Renewable momentum accelerated in FY26, with non-fossil sources now accounting for 50% of installed capacity—achieving the government's 2030 target five years early. This marks a sharp rise from 31% in FY14 to 46% in FY25, driven by rapid solar and wind additions under the broader 500 GW non-fossil capacity goal. The generation mix, however, is improving more gradually. Fossil fuels still supply around 76% of monthly electricity output, down from 80% a year ago, with non-fossil fuels supplying the rest. The gap reflects intermittency in solar and wind, and the system's continued dependence on thermal for baseload needs. The next phase will require accelerated investment in grid-scale storage, hybrid solar-wind projects and transmission upgrades to lift the renewable share of actual generation meaningfully through FY30.

Despite favourable domestic signals, foreign flows remained cautious. FPIs sold ~US\$ (0.04)bn in November which remains sensitive to global risk sentiment, real-yield moves and policy visibility. DIIs absorbed the supply with ~US\$ 8.7bn of inflows, anchored by SIP contributions above ~US\$ 3.2bn. FPIs have sold US\$ (16.2)bn YTD'25 (vs ~\$(0.8) Bn in 2024), while DIIs continue to buy at ~US\$ 81.3bn in CY25.

Chart of the Month: India Hits 2030 Renewable Target five years ahead, Non-Fossil Capacity Surges to 50%



Info Sources: Nuvama, Morgan Stanley Research, MOFSL, Avendus Spark Research, Elara Capital, UBS, Kotak Securities. Data as of November 2025. MXASJ – MSCI Asia Ex-Japan, FPI – Foreign Portfolio Investor, DII – Domestic Institutional Investor, RBI – Reserve Bank of India, FY – Financial Year, CY – Calendar Year; YoY is Year over Year, YTD – Year to date, EM – Emerging Markets, DM – Developed Markets. \*Long Term Avg – Average Quarterly YoY Growth over a 13-year period excluding 2 years of Covid. Past performance should not be taken as an indication or guarantee of future performance



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Past Issues:

- India Rewind November 2025
- India Rewind October 2025

	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E
<b>Economic Activity and Employment</b>								
GDP, USD bn	2,701	2,871	2,668	3,176	3,390	3,568	3910	4134
GDP per capita, USD	2,036	2,141	1,969	2,321	2,451	2,554	2771	2905
Real GDP growth, %	6.5	4.0	-6.6	8.7	7.2	8.2	6.5	7.4
<b>Prices, Interest Rates and Money</b>								
CPI inflation, % y/y (average)	3.4	4.8	6.2	5.5	6.7	5.4	4.6	1.9
Repo rate, % (year-end)	6.25	4.4	4.0	4.0	6.50	6.50	6.25	5.25
10-year bond yield, % (year-end)	7.4	6.1	6.2	6.8	7.3	7.1	6.5	6.5
USDINR (year-end)	69.2	75.4	73.5	75.8	82.3	83.0	85.6	88.0
<b>Fiscal Accounts</b>								
General government budget balance, % GDP	-5.9	-7.8	-13.9	-9.5	-9.4	-8.5	-8.0	-7.6
<b>Balance of Payments</b>								
Trade balance, USD bn	-180	-158	-102	-189	-266	-243.2	-287.2	-318.0
Exports, USD bn	337	320	296	429	456	440.2	441.8	440.3
Imports, USD bn	518	478	398	619	720	683	729	758
Current account balance, USD bn	-57	-25	24	-39	-67	-25	-23	-45
Foreign direct investment (net), USD bn	30.7	43.0	44.0	38.6	35	18	1	15
Total FX reserves, USD bn	413	478	577	607	578	646	668	700
Total external debt, % GDP	20.1	19.5	21.4	19.1	18	18.1	17.1	17.0
<b>Credit ratings</b>								
Moody's	Baa2	Baa2	Baa3	Baa3	Baa3	Baa3	Baa3	Baa3
S&P	BBB-	BBB-	BBB-	BBB-	BBB-	BBB-	BBB-	BBB-
Fitch	BBB-	BBB-	BBB-	BBB-	BBB-	BBB-	BBB-	BBB-

Source: CEIC, Haver, UBS estimates; Note: Data is for FY ending March; E – Estimates. Data as of November 2025

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