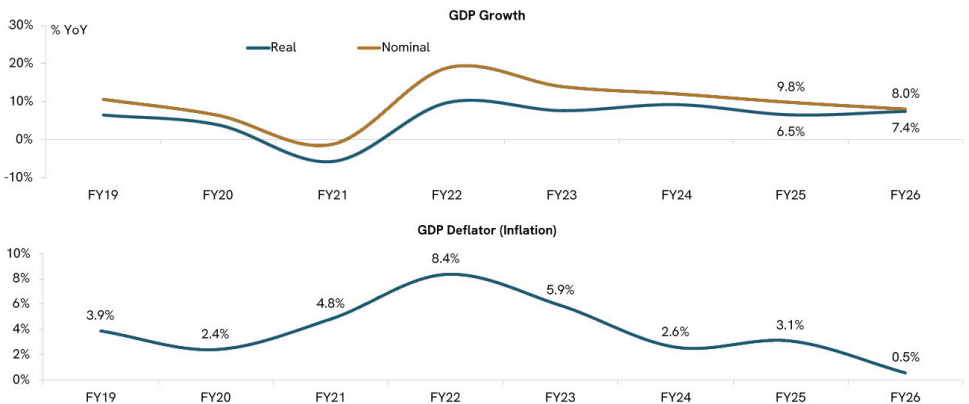




## Indian Economy

- India's GDP growth improved with Q2 FY26 real GDP growth at 8.2% YoY. This is a six-quarter high, supported by private consumption and benign inflation. However, nominal GDP growth slowed to 8.0% YoY in FY26 from 9.8% in FY25 as the inflation fell to 0.5% YoY in FY26 from 3.1% in previous year weighing on nominal growth.

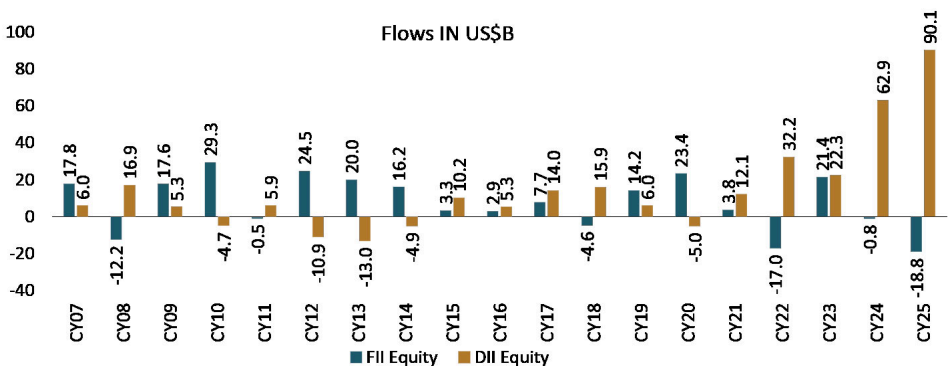


Source: MOSPI, 360 ONE Asset Research

- GDP growth is projected to be 6.5% in FY27. Growth momentum is shifting from Capex to Consumption. Recovery in credit growth would be supportive of economic growth. Nominal GDP is expected to recover as inflation is projected to pick up in FY27.
- While a deal with the US remains uncertain, India has signed several FTAs. Despite US tariffs, exports have recorded YoY growth.
- GST collections grew 6.1% YoY to INR 1.75 Tn in Dec'25, a sharp rebound from Nov'25 growth which was flat (0.7%).
- Urban households have faced headwinds from moderating corporate wages and reduced hiring in banks and IT since FY25. Rural consumption has been positive due to improved real wage and state welfare actions. Rural CPI inflation is at an all-time low helping to boost purchasing power and consumer sentiment.
- Government has provided strong policy support to boost consumption.
  - Cash in hand of consumers:
    - Income Tax Rebate - INR 1 lac Cr
    - Ban on Gaming ~ INR 1 Lac Cr
    - GST Cut - INR 48,000 Cr (FY26) & INR 96,000 Cr (FY27)
    - Social Welfare Schemes- INR 96,000 Cr (FY 26) & INR 192,000 Cr (FY 27)
    - Interest rate cut by RBI- INR 1.87 Lac Cr
    - 8th Pay Commission - INR 2.4 - 3.2 Lac Cr
    - Labour Code
  - Alternate Exports Market
  - Tariff Negotiations with USA
  - Credit Guarantee Scheme for Impacted Export Sectors

- India's IIP (Industrial Production) hits two-year high with 6.7% growth in Nov'25.
- After nearly tripling Capex from FY20 to FY24, Centre's Infrastructure spend momentum has cooled—driven more by execution challenges than funding constraints.
- Corporate Capex has shown modest growth ~ INR 12 Tn till Sep'25. BSE 500 ex-financials capex has expanded by 12% in FY25 (vs 16% in FY24). Two thirds of the Capex come from the Power and Gas sector.
- On a y-o-y basis, Nifty and Sensex grew by 10.5% and 9%, respectively in CY25. Metals (28% y-o-y) has been the biggest gainer, followed by Auto (21%) and Bankex (16%). On the other hand, Real estate (-17%) saw the sharpest decline in 2025 followed by IT (-15%) and Consumer durables (-7%).
- 2025 saw sustained FPI outflows. Indian domestic flows into MFs remained quite strong. Despite economy growing and low inflation, the inflows were lower due to poor performance of equities and increased investment into precious metals.

### DII Vs. FPI Flows – Calendar Year



Source: Bloomberg, I-Sec research as of 27th Nov 2025

- INR has depreciated quite sharply at ~5% from Jan'25. This will help Export oriented businesses to make extra margins but imported items may become more expensive and which could lead to demand reduction of such items.

## Global Economy

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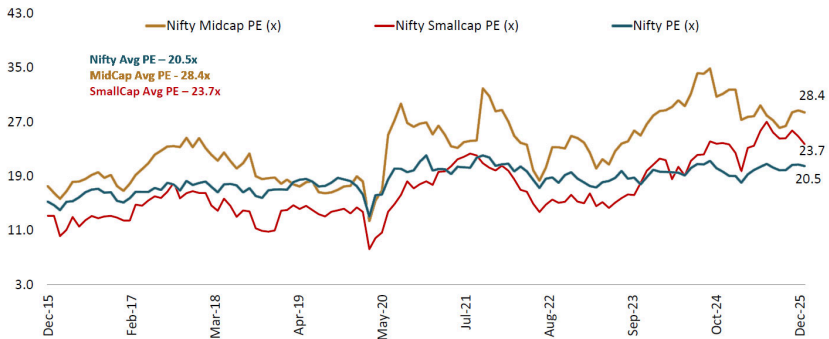
- Crude prices continue to be weak in spite of sanctions on Russia & Iran and blockade on Venezuelan crude.
- The US and global economies have delivered a decent performance in 2025, despite ongoing protectionist trade policies and delayed rate cuts by Federal Reserve.
- Despite the trade war, Global trade performed well, with aggregate global exports running at record levels.
- Gold prices scaled to a new high by end 2025 and gave return of 73% (INR) in CY25 but Silver rally has been sharper with 162% (INR) return in CY25. Central Bank demand continues to support Gold and Silver driven by increasing industrial demand and supply constraints.

## Outlook

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- For FY26, nominal GDP is expected at ~8.5%, while real growth could appear elevated at 7.5% due to low deflator effect. Growth momentum will increasingly shift from Capex to consumption. supportive monetary-fiscal alignment, improving consumption visibility, and stable external balances.

- Nifty 50 Index is trading at ~20.5x P/E on FY27 earnings, which is in line with the last 10-year average. Mid cap and small cap valuations are at a premium.



**Source:** MOFSL. Data As On 31st Dec 2025. As Per Latest Available Data.

- Corporate earnings growth of ~13% CAGR over FY25-27 is expected, led by Banking & Financial Services, Metals, Telecom and Discretionary Consumption.
- CPI headline inflation is expected to trend below 4%, though RBI may watch for the new CPI series data due to be released in February next year and an unfavourable base effect before reducing policy rate further.
- Crude prices could trend lower in view of rising supply and moderating global growth which bodes well for India's Current Account Deficit (<1.5% expected).
- Rise in protectionism and risk of trade war escalation can impact India's export prospects in CY26.



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