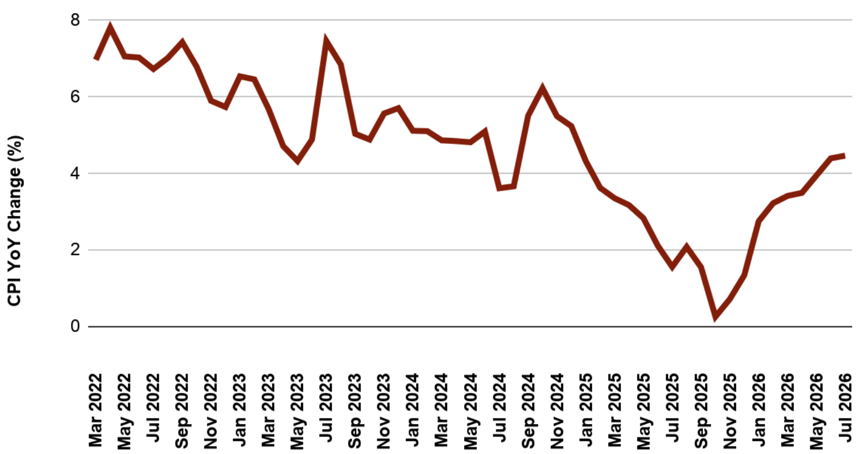
ECONOMIC UPDATE

July 2026

CPI rises to 4.45% in July



OVERVIEW

IIndia's inflation rate rose to 4.45% in July of 2026 from 4.38% in the previous month. From the previous month, the Indian CPI rose by 0.88%.

MOVEMENT IN MAJOR COMPONENTS OF CPI

- Year-on-year inflation rate based on All India Consumer Food Price Index (CFPI) for the month of July, 2026 over July, 2025 is 5.52% (Provisional). Corresponding inflation rates for rural and urban are 5.79% and 5.05%, respectively.
- Among key food items, onion inflation accelerated sharply to 22.54% in July from 4.73% in June. Inflation in ginger rose to 83.62% from 50.41%, while garlic inflation increased to 35.36% from 17.93%.
- Potato prices declined 16.56% year-on-year in July, while lady’s finger and peas recorded deflation of 5.52% and 5.27%, respectively. Tomato prices also fell 4.59%, compared with a 31.92% increase in June.
- Inflation in the combined food and beverages division stood at 5.24% in July, while transport inflation was 4.43%. Restaurants and accommodation services recorded inflation of 7.72%.
- Year-on-year Housing inflation rate for the month of July, 2026 is 2.22% (Provisional) and the corresponding inflation rates for rural and urban are 2.80% and 2.01%, respectively.

- Silver jewellery inflation stood at 109.84% in July, while gold, diamond and platinum jewellery recorded inflation of 32.98%.

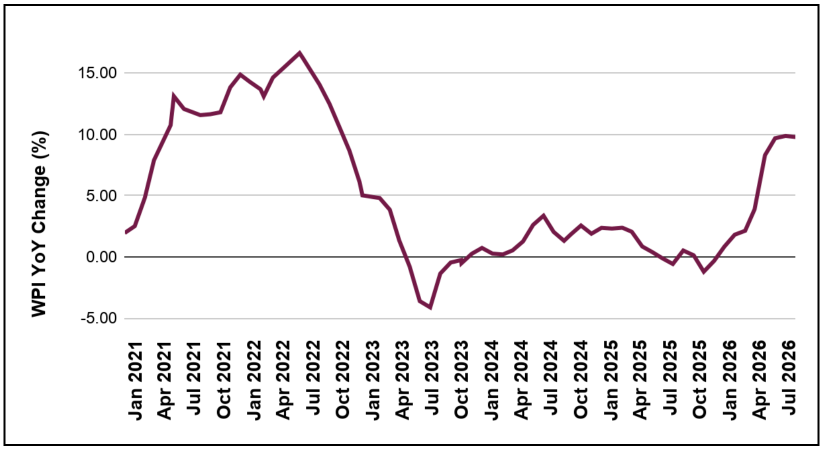
OUTLOOK

Blockage in Strait of Hormuz poses significant inflation risks owing to sharp spike oil and gas prices. Weak monsoon may also push up prices owing to reduced productivity of food grains.

RETAIL INFLATION FOR MAJOR ITEMS IN THE PAST 2 MONTHS

Group	Jul-26	Jun-26	May-26	Apr-26	Mar-26	Feb-26
CPI	**4.45**	4.38	3.93	3.48	3.40	3.21
Food and beverages	**5.24**	5.05	4.55	4.01	3.71	3.35
Paan, tobacco and intoxicants	**4.79**	4.83	4.83	4.76	4.23	3.49
Clothing and footwear	**3.38**	3.23	2.98	2.80	2.75	2.81
Housing, water, electricity, gas and other fuels	**2.16**	1.99	1.73	1.71	1.97	1.52
Furnishings, household equipment and routine household maintenance	**2.40**	2.19	1.89	1.61	1.39	1.40
Health	**1.34**	1.42	1.49	1.64	1.75	1.90
Transport	**4.43**	4.31	1.75	-0.01	0.00	-0.05
Information and communication	**0.63**	0.43	0.30	0.50	0.33	0.25
Recreation, sport and culture	**1.64**	1.75	1.98	2.11	2.28	2.21
Education services	**3.64**	3.34	2.99	3.15	3.30	3.33
Restaurants and accommodation services	**7.72**	6.91	5.75	4.20	2.88	2.73
Personal care, social protection and miscellaneous goods and services	**14.77**	16.72	18.46	17.66	18.65	19.64

WPI eases to 9.78% in July



OVERVIEW

India's wholesale prices increased 9.78% year-on-year in July 2026, slowing from a 9.87% gain in June.

KEY HIGHLIGHTS

- Inflation in primary articles stood at 8.52% in July against 7% in June.
- Fuel prices moderated (20.05% vs. 27.41% in June), mainly driven by softer increases in mineral oil prices (32.4% vs. 46.48%) and crude petroleum and natural gas prices (26.99% vs. 34.75%).
- Food inflation accelerated to 6.65% from 6.14%, while food article prices remained broadly elevated at 5.44% compared with 5.49% in June.
- Non-food article inflation rose sharply to 17.66% from 11.07%.
- Manufacturing inflation accelerated to 8.29% from 7.48%, led by tobacco products (13.36%), chemicals and chemical products (13.12%), basic metals (12.56%), textiles (12.80%), and rubber and plastics (10.38%).

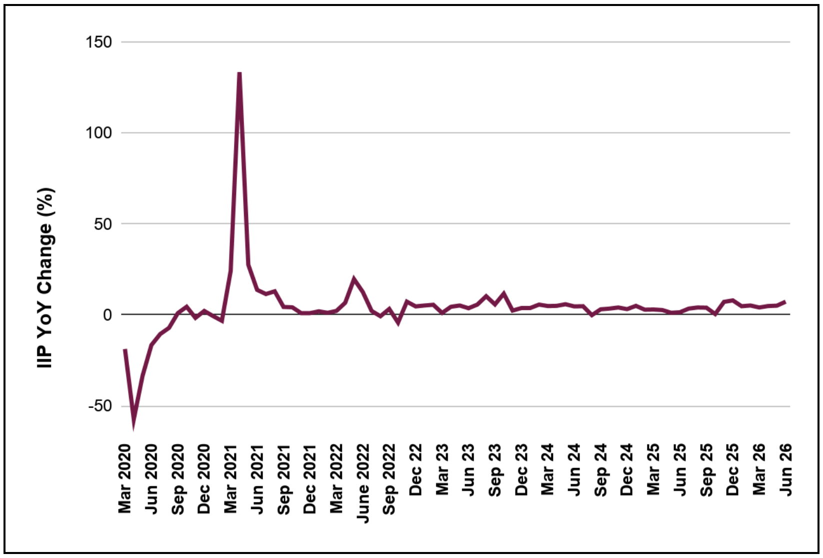
OUTLOOK

Blockage in Strait of Hormuz poses significant inflation risks owing to sharp spike oil and gas prices. High Oil & Gas prices may push up inflation. Weak monsoon may also push up prices owing to reduced productivity of food grains.

WPI INFLATION FOR MAJOR ITEMS IN THE PAST 6 MONTHS

Group	Jul-26	Jun-26	May-26	Apr-26	Mar-26	Feb-26
All Commodities	**9.78**	9.87	9.88	8.36	3.98	2.18
Primary Articles	**8.52**	7.00	5.26	3.96	2.58	1.64
Fuel and Power	**20.05**	27.41	30.80	25.00	3.20	-3.37
Manufactured Products	**8.29**	7.48	7.68	6.68	4.80	3.61
Food Index	**6.65**	6.14	4.58	3.29	1.92	1.27

IIP growth accelerates to 7.3% in June



OVERVIEW

India's industrial production expanded by 7.3% from the previous year in June of 2026, up from a revised growth of 5.1% in May. From the previous month, industrial output expanded by 0.5%.

KEY HIGHLIGHTS

Sectoral classification

- Manufacturing expanded 7.8%, while electricity and gas supply grew 10.6%. Manufacture of electrical equipment grew 34%, manufacture of motor vehicles, trailers and semi-trailers expanded 17.5% and manufacture of food products rose 10.8%.
- Mining and quarrying recorded a modest increase of 1%.
- Water supply, sewerage and waste management rose 6.1%.
- Capital goods output registered the fastest growth at 14.2%.
- Intermediate goods output increased 9.3%.
- Infrastructure and construction goods rose 7.5%.
- Consumer durables grew 7.7%.

- Consumer non-durables recorded growth of 4.9%.
- Primary goods recorded growth of 4.9%.

OUTLOOK

Blockage in Strait of Hormuz may significantly impact trade and industry. Shortatge of Oil & Gas may neagtively impact industrial activities.

IIP GROWTH IN THE PAST 6 MONTHS

SECTOR	Jun-26	May-26	Apr-26	Mar-26	Feb-26	Jan-26
All Industries	**7.3**	5.0	4.9	4.1	5.1	5.1
Mining & Quarrying	**1.0**	-1.4	-3.8	5.5	3.1	4.3
Manufacturing	**7.8**	5.2	6.1	4.3	5.9	5.3
Electricity & Gas Supply	**10.6**	10.3	4.6	0.8	2.3	5.2
Water Supply, Sewerage & Waste Management	**6.1**	5.5	6.6	-	-	-

Trade deficit hits 6-month high

OVERVIEW

India's trade deficit widened to $31.98 billion in July 2026, up from $27.5 billion in the same month of the previous year. Imports jumped by 18% annually to an all-time high of $76.2 billion while exports advanced by 19.2% to $44.2 billion.

KEY HIGHLIGHTS

- The cumulative value of merchandise exports during April-July 2026-27 was US$ 173.78 Billion, as compared to US$ 148.48 Billion during April-July 2025-26, registering a positive growth of 17.04%.
- The estimated value of services export for July 2026 is US$ 35.89 Billion as compared to US$ 33.74 Billion in July 2025.
- The estimated value of services imports for July 2026 is US$ 18.94 Billion as compared to US$ 17.30 Billion in July 2025.
- The cumulative Non-Petroleum exports in April-July 2026-27 valued at US$ 143.61 Billion registered an increase of 12.79% as compared to US$ 127.32 Billion in April-July 2025-26.
- Petroleum Products exports increased by 67.64% from US$ 4.13 Billion in July 2025 to US$ 6.92 Billion in July 2026.
- Electronic Goods exports increased by 57.40% from US$ 3.76 Billion in July 2025 to US$ 5.92 Billion in July 2026.
- Engineering Goods exports increased by 17.71% from US$ 10.40 Billion in July 2025 to US$ 12.24 Billion in July 2026.
- Organic & Inorganic Chemicals exports increased by 14.39% from US$ 2.45 Billion in July 2025 to US$ 2.80 Billion in July 2026.
- Cotton Yarn/Fabs./made-ups, Handloom Products exports increased by 8.40% from US$ 1.02 Billion in July 2025 to US$ 1.11 Billion in July 2026.

EXPORTS

- Exports of Iron Ore (78.35%), Petroleum Products (67.64%), Electronic Goods (57.4%), Meat, Dairy & Poultry Products (40.84%), Cashew (25.11%), Marine Products (17.83%), Engineering Goods (17.71%), Handicrafts Excl. Hand Made Carpet (15.55%), Organic & Inorganic Chemicals (14.39%), Plastic & Linoleum (11.01%), Cereal Preparations & Miscellaneous Processed Items (9.51%), Cotton Yarn/Fabs./Made-Ups, Handloom Products Etc. (8.4%), Mica, Coal & Other Ores, Minerals Including Processed Minerals (5.79%), Drugs & Pharmaceuticals (0.74%), and Man-Made Yarn/Fabs./Made-Ups Etc. (0.45%) recorded positive growth during July 2026 over the corresponding month of last year.

IMPORTS

- Imports of Silver (-66.1%), Sulphur & Unroasted Iron Pyrts (-47%), Newsprint (-26.31%), Pulp And Waste Paper (-22.61%), Medcnl. & Pharmaceutical Products (-3.96%), Wood & Wood Products (-2.1%), and Iron & Steel (-1.84%) recorded negative growth during July 2026 over the corresponding month of last year.

OUTLOOK

Blockage in Strait of Hormuz may significantly impact trade. High Brent Oil prices may increase import bill.Both import and export may be badly impacted.

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