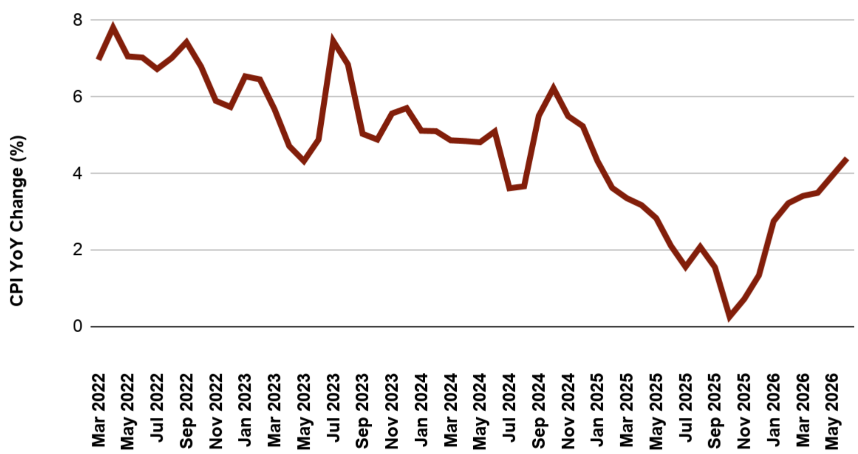
ECONOMIC UPDATE

June 2026

CPI rises to 4.38% in June



OVERVIEW

India's inflation rate surged to 4.38% in June of 2026 from 3.93% in the earlier month, the highest since December of 2024. From the previous month, the Indian CPI rose 1.03%, the most since January 2025.

MOVEMENT IN MAJOR COMPONENTS OF CPI

- Food inflation rose to 5.32% from 4.78% in May, amid a 50.4% surge for ginger and a 31.92% increase for tomatoes. Potato prices contracted 20.34% in June compared with a 23.71% decline in May.
- Food and beverages category stood at 5.05%, while restaurants and accommodation services recorded inflation of 6.91%.
- Rural food inflation was 5.45%, while urban food inflation came in at 5.09%.
- Inflation was lower for housing and utilities (1.99%).
- Housing inflation was recorded at 2.10% during the month. It stood at 2.66% in rural areas and 1.90% in urban areas.
- Inflation in personal care, social protection and miscellaneous goods and services remained elevated at 16.72%.
- Transport inflation accelerated to 4.31% in June as state-owned fuel retailers raised fuel prices four times during May. Inflation in transport services for goods stood at 7.70%.

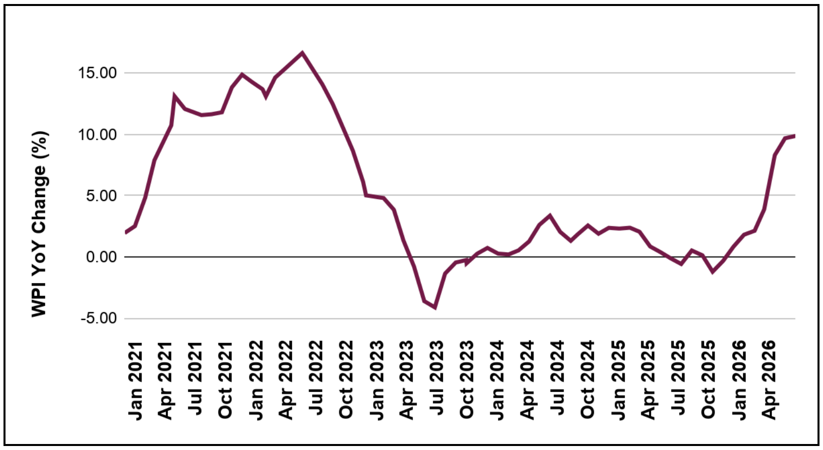
OUTLOOK

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	Jun-26	May-26	Apr-26	Mar-26	Feb-26	Jan-26
CPI	**4.38**	3.93	3.48	3.40	3.21	2.74
Food and beverages	**5.05**	4.55	4.01	3.71	3.35	2.11
Paan, tobacco and intoxicants	**4.83**	4.83	4.76	4.23	3.49	2.86
Clothing and footwear	**3.23**	2.98	2.80	2.75	2.81	2.98
Housing, water, electricity, gas and other fuels	**1.99**	1.73	1.71	1.97	1.52	1.53
Furnishings, household equipment and routine household maintenance	**2.19**	1.89	1.61	1.39	1.40	1.45
Health	**1.42**	1.49	1.64	1.75	1.90	2.19
Transport	**4.31**	1.75	-0.01	0.00	-0.05	0.09
Information and communication	**0.43**	0.30	0.50	0.33	0.25	0.16
Recreation, sport and culture	**1.75**	1.98	2.11	2.28	2.21	2.32
Education services	**3.34**	2.99	3.15	3.30	3.33	3.35
Restaurants and accommodation services	**6.91**	5.75	4.20	2.88	2.73	2.87
Personal care, social protection and miscellaneous goods and services	**16.72**	18.46	17.66	18.65	19.64	19.02

WPI rises to 9.87% in June



OVERVIEW

India's wholesale prices increased 9.87% year-on-year in June 2026, compared with 9.68% in May 2026.

KEY HIGHLIGHTS

- Inflation in primary articles increased to 7% in June, from 4.99% in May.
- Food inflation accelerated to 6.14% from 5.68% in May.with faster rises in both food articles (5.49% vs 3.60% in May) and non-food articles (11.07% vs 9.49%). Mineral prices increased by 9.45% during the month.
- Manufacturing inflation held steady at 7.48%, remaining the quickest pace since August 2022, led by tobacco products (14.14% vs 13.59% in May), chemicals and chemical products (12.78% vs 13.40%), basic metals (12.31% vs 12.30%), textiles (10.85% vs 10.22%), and food products (7.20% vs 6.14%).
- Fuel prices surged 27.41%, driven by a sharp rise in mineral oil prices (46.48%) and crude petroleum & natural gas prices (34.74%).
- Mineral oils registered inflation of 46.48%, while crude petroleum and natural gas saw inflation of 34.75%.
- Electricity inflation remained negative at -0.76%, compared with -1.85% in the previous month.
- The WPI Food Index recorded inflation of 6.14% in June, compared with 4.49% in May.

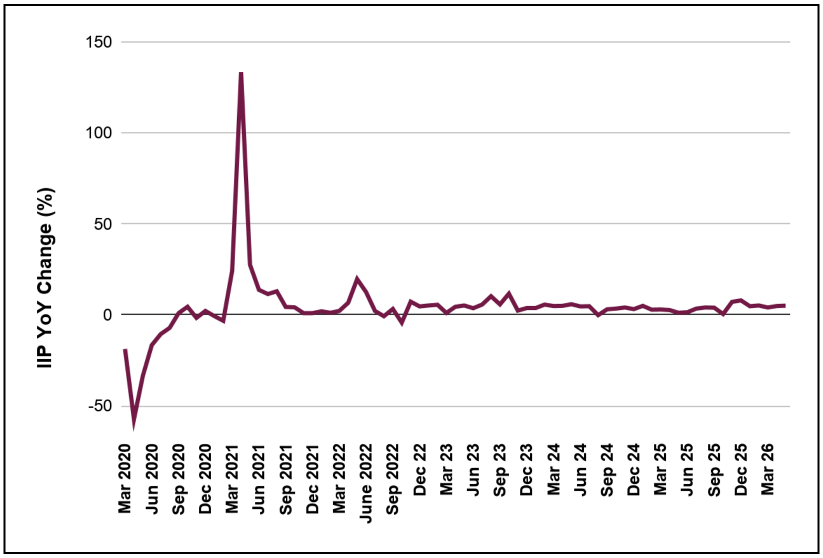
OUTLOOK

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	Jun-26	May-26	Apr-26	Mar-26	Feb-26	Jan-26
All Commodities	**9.87**	9.68	8.36	3.98	2.18	1.19
Primary Articles	**7.00**	4.99	3.96	2.58	1.64	-0.09
Fuel and Power	**27.41**	30.33	25.00	3.20	-3.37	-3.83
Manufactured Products	**7.48**	7.48	6.68	4.80	3.61	2.82
Food Index	**6.14**	4.49	3.29	1.92	1.27	-0.36

IIP hits 5-month high



OVERVIEW

India's industrial output expanded by 5.1% from the previous year in May of 2026, picking up from the 4.9% increase in the previous month.

KEY HIGHLIGHTS

Sectoral classification

- Manufacturing output growth eased to 5.5% from 6.1% in the previous month.
- Electricity and utility generation to a 9.9% growth rate from 4.6% in April.
- Mining and quarrying output contracted by 1.6%, slowing from the sharper 3.8% contraction in April.
- Water supply, sewerage and waste management also rose 5.5%.
- Capital goods output registered the fastest expansion at 12.9%.
- Consumer durables output increased 7.2%, while infrastructure and construction goods and intermediate goods rose 5.9% and 5.8%, respectively.
- Consumer non-durables grew 3.6% and primary goods output rose 2.6%.

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	May-26	Apr-26	Mar-26	Feb-26	Jan-26	Dec-25
All Industries	**5.1**	4.9	4.1	5.1	5.1	8.0
Mining & Quarrying	**-1.6**	-3.8	5.5	3.1	4.3	6.9
Manufacturing	**5.5**	6.1	4.3	5.9	5.3	8.4
Electricity & Gas Supply	**9.9**	4.6	0.8	2.3	5.2	6.3
Water Supply, Sewerage & Waste Management	**5.5**	6.6	-	-	-	-

Trade gap jumps 430% in June

OVERVIEW

India's merchandise trade deficit surged 59% year-on-year to $30.43 billion in June, up from $19.10 billion in the same month last year. Exports rose 15.5% year-on-year to $40.41 billion in June, while imports grew nearly 31% to $70.84 billion.

KEY HIGHLIGHTS

- The cumulative value of merchandise exports during April-June 2026-27 was US$ 129.32 Billion, as compared to US$ 111.57 Billion during April-June 2025-26, registering a positive growth of 15.92%.
- The cumulative Non-Petroleum exports in April-June 2026-27 valued at US$ 106.30 Billion registered an increase of 12.44% as compared to US$ 94.54 Billion in April-June 2025-26.
- Gems & Jewellery exports increased by 34.64% from US$ 1.79 Billion in June 2025 to US$ 2.41 Billion in June 2026.
- Engineering Goods exports increased by 20.74% from US$ 9.51 Billion in June 2025 to US$ 11.48 Billion in June 2026.
- Organic & Inorganic Chemicals exports increased by 19.42% from US$ 2.32 Billion in June 2025 to US$ 2.77 Billion in June 2026.
- Electronic Goods exports increased by 18.93% from US$ 4.14 Billion in June 2025 to US$ 4.93 Billion in June 2026.
- Rice exports increased by 16.48% from US$ 0.86 Billion in June 2025 to US$ 1.00 Billion in June 2026.

EXPORTS

- Exports of Other Cereals (244.29%), Handicrafts Excl. Hand Made Carpet (59.69%), Meat, Dairy & Poultry Products (54.63%), Iron Ore (49.97%), Gems & Jewellery (34.64%), Plastic & Linoleum (21.24%), Engineering Goods (20.74%), Tobacco (19.8%), Organic & Inorganic Chemicals (19.42%), Electronic Goods (18.93%), Rice (16.48%), Mica, Coal & Other Ores, Minerals Including Processed Minerals (15.29%), Marine Products (14.48%), Petroleum Products (9.19%), Cotton Yarn/Fabs./Made-Ups, Handloom Products Etc. (8.82%), Drugs & Pharmaceuticals (7.13%), Cereal Preparations & Miscellaneous Processed Items (6.52%), Man-Made Yarn/Fabs./Made-Ups Etc. (2.83%), and Fruits & Vegetables (1.31%) recorded positive growth during June 2026 over the corresponding month of last year.

IMPORTS

- Imports of Project Goods (-85.44%), Silver (-73.62%), Pearls, Precious & Semi-Precious Stones (-16.83%), Chemical Material & Products (-12.13%), and Vegetable Oil (-2.58%) recorded negative growth during June 2026 over the corresponding month of last year.

OUTLOOK

Blockage in Strait of Hormuz may significantly impact trade. Both import and export may be badly impacted.

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