



Decoding the Indian Economy FY2026

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April 2026

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Foreword

As India enters FY27, the economic environment faces headwinds from growing tensions in the Middle East and trade policy uncertainty. However, the broader trajectory remains resilient and firmly anchored in long-term capability building. The foundations of growth continue to broaden, shaped by stable policy conditions, stronger industrial engagement and a domestic economy that retains underlying confidence. Despite global moderation and geopolitical flux, India's outlook reflects steady structural progress and measured policy stewardship.

Decoding the Indian Economy FY2026 offers a timely perspective on the forces shaping the country's medium-term evolution. The report captures the interplay of strong consumption, expanding investment pipelines and sustained services momentum, factors that increasingly anchor India as a key driver of global growth. Stable inflation, together with easing financing conditions, has created a favourable environment to support demand.

India's external engagement is entering a strategic phase, driven by its repositioning within evolving global value chains. A large domestic market, ongoing trade integration through FTAs and a competitively priced, skilled workforce are reinforcing India's role as a dependable partner in a world increasingly focused on supply chain resilience. Geopolitical concerns in the Middle East and the resulting disruptions to oil transportation are accelerating the country's search for stable alternative energy-sourcing hubs. At the same time, an uncertain trade policy environment is prompting a diversification of export destinations.

Together, these dynamics are opening up new opportunities for India across trade, logistics and investment flows.

Beyond these near-term developments, the country's ambition is most evident in its pursuit of next-generation economic pillars. National missions in semiconductors, green hydrogen, advanced electronics, critical minerals, and clean energy are laying the groundwork for new industrial ecosystems. Parallel reforms, from GST 2.0 to credit and compliance innovations for MSMEs and startups, are expanding the productive frontier, supporting formalisation and accelerating the transition towards a more competitive and innovation-led economy. These initiatives reflect a deliberate shift from incremental progress to ecosystem-level transformation.

The decade ahead presents India with a rare window: an opportunity to consolidate its economic maturity while simultaneously scaling new technology and manufacturing frontiers.

Sustaining this momentum will require continued alignment between policy direction, investment confidence and workforce readiness to unlock value that is not only economically expansive but also globally influential.

At the same time, the global environment, shaped by shifting geopolitical undercurrents and periodic disruptions across the supply chain, serves as a reminder that India's continued progress will benefit from a steady deepening of its inherent economic resilience, ensuring that its growth momentum remains well-anchored even as the world around it evolves.



Neeraj Bansal

Partner and Head – India Global
KPMG in India

Executive summary

7.6% Real GDP growth projected for FY26

2.1% Projected annual average retail inflation for FY26

5.8% Increase in India's total exports during Apr'25-Feb'26

21.7% Y-o-y increase in FDI equity inflow for 9M FY26

17.7% Y-o-y rise in services trade surplus for 11M FY26

26% Rise in the number of countries investing in India from FY14 to FY25

 **173,350**
MSMEs actively engaged in global export markets in FY25

 **USD2.6 bn**
MSME budgetary outlay for FY27



53% Of the total real gross value added (GVA) captured by the tertiary sector in 3QFY26

 **16%**
India's share in the global AI talent pool

 **4 trade agreements**
Signed/concluded negotiations in FY26 (U.K., Oman, New Zealand and EU)

1. World Economic Outlook - Global economy in the shadow of war, International Monetary Fund, April 2026

Note: Sources for the data indicated here are provided in the subsequent sections | All currency conversions across the report are based on an exchange rate of USD1 = INR93.84 as of 14 April 2026

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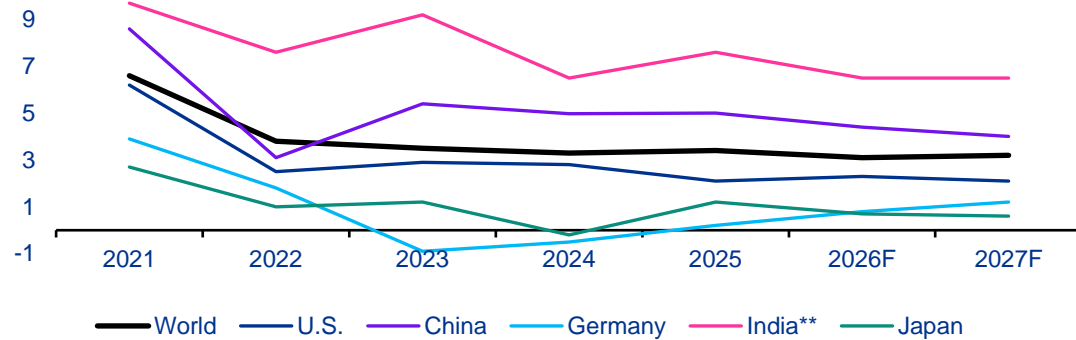


*All information and insights presented in this document are based on data and updates available up to April 2026.



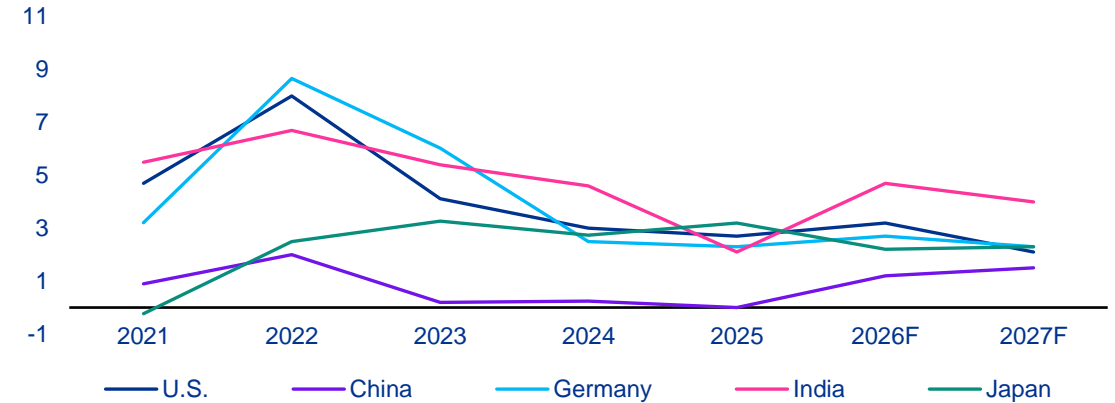
Geopolitical concerns impacting the global growth expectations

Real gross domestic product (GDP) (per cent change, y-o-y)^{1,2}



F: Forecast; **Figures for India are on an FY basis, FY24/25 (Apr'24-Mar'25) is shown in 2024

Inflation – average consumer prices (per cent change, y-o-y)^{1,2}



F: Forecast

Global growth remains resilient and steady

- Global economic growth is expected to remain steady at 3.3 per cent in 2026², supported by favourable fiscal policy and lower interest rates
- Renewed structural reforms and sustainable policy actions could boost medium-term growth prospects
- One of the key risks to global growth is a potential escalation in geopolitical tensions and tariff threats, which could influence future growth prospects.

All data is as per the calendar year.

Commodities in transition

- Crude oil prices are expected to decline further in 2026, as output growth from OPEC+ and other non-U.S. producers continues to surpass the pace of demand
- Industrial raw materials, affected by high tariffs in 2025, could see a rebound supported by new trade agreements between the U.S. and major trading partners
- Climate change and advances in decarbonisation technologies are increasing demand for aluminium, copper and nickel.

Middle East economic dynamics impacting India

- Middle East tensions pose limitations to India in the form of higher oil prices and the potential LPG shortage
- As the region is a significant source of remittance inflows to India, economic shifts could impact these inflows
- India is actively exploring diversification of gas sources and simultaneously expanding its strategic petroleum reserves.

OPEC: Organisation of the Petroleum Exporting Countries

India's resilient growth

- While there are challenges to the near-term outlook, India's growth remains stronger than that of other major economies
- While global trade headwinds persist, growth is expected to continue at a measured pace, aided by policy reforms and a supportive interest-rate environment
- The country is seeking to navigate rising trade uncertainty through gradual market diversification and the pursuit of new trade partnerships.

1. World Economic Outlook, International Monetary Fund (IMF), October 2025

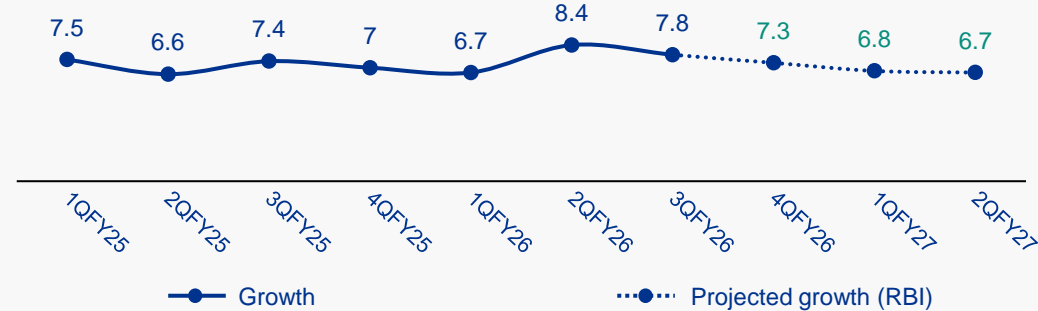
2. World Economic Outlook - Global economy in the shadow of war, International Monetary Fund, April 2026



Real growth, stable outlook

Real GDP growth (per cent, y-o-y)^{1,2,3}

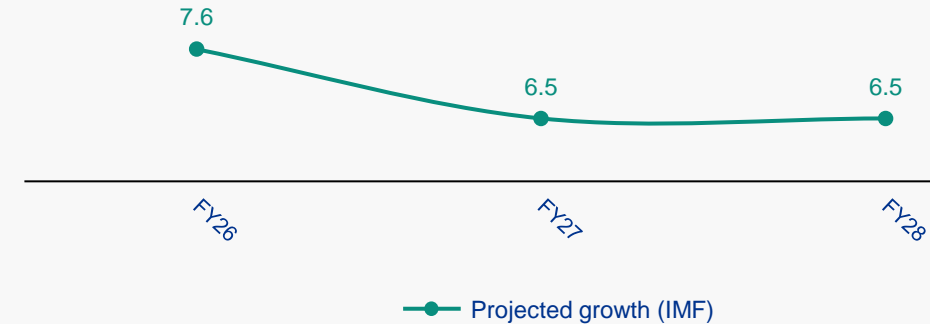
Real GDP growth for FY26 is estimated at 7.6 per cent, supported by strong domestic demand, higher investments and robust performance across the services and manufacturing sectors.



RBI: Reserve Bank of India, Projections are based on earlier GDP series

Real GDP projected growth (per cent, y-o-y)⁴

Real GDP growth is forecast at 6.5 per cent in FY27, reflecting moderation from FY26. Strong economic fundamentals, together with reform initiatives, helped India limit the impact of global disruptions.



*IMF projections for India

- PFCE was one of the key drivers of GDP growth in 9M FY26, supported by rising household consumption amid stable inflation, lower interest rates, improving incomes and strong demand for services
- GFCE played a supportive but less consistent role in the same period. While public spending was positive at the start of FY26, it moderated later due to fiscal condition efforts and timing effects on expenditure. Compared to FY25's government-led growth, FY26 reflects a shift towards private-led demand, improving medium-term growth sustainability
- GFCF grew steadily in 1H FY26, supported by infrastructure spending, manufacturing expansion and investments in machinery and construction. The pace eased in 3Q FY26 even as investment growth in FY26 was more broad-based than FY25, with stronger private sector participation alongside public capex, indicating better medium-term demand conditions
- While exports continued to grow, especially in services, strong domestic demand may lead to higher imports of capital goods, energy and intermediate inputs, widening the trade deficit.

PFCE: Private final consumption expenditure, GFCE: Government final consumption expenditure, GFCF: Gross fixed capital formation

1. Press note on new series of GDP estimates with base year 2022-23, PIB, 27 February 2026

2. Monetary Policy Report – April 2026, Half-yearly publications, RBI, 8 April 2026

3. RBI Bulletin December 2025, Monthly publications, RBI, 5 December 2025

4. World Economic Outlook - Global economy in the shadow of war, International Monetary Fund, April 2026

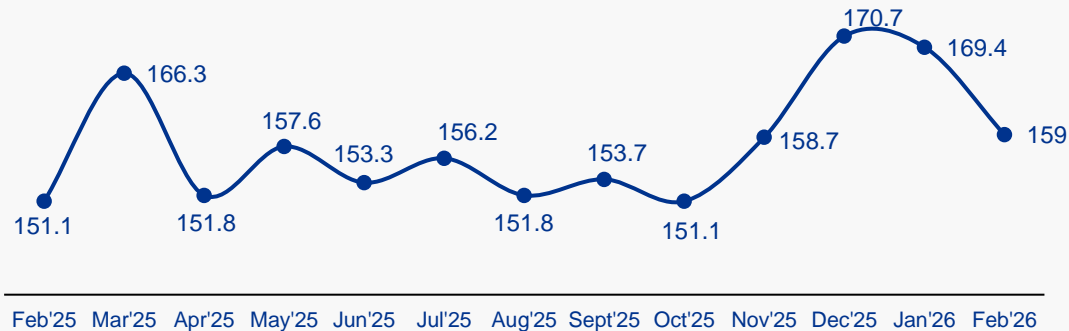




Manufacturing surge signals strong economic momentum

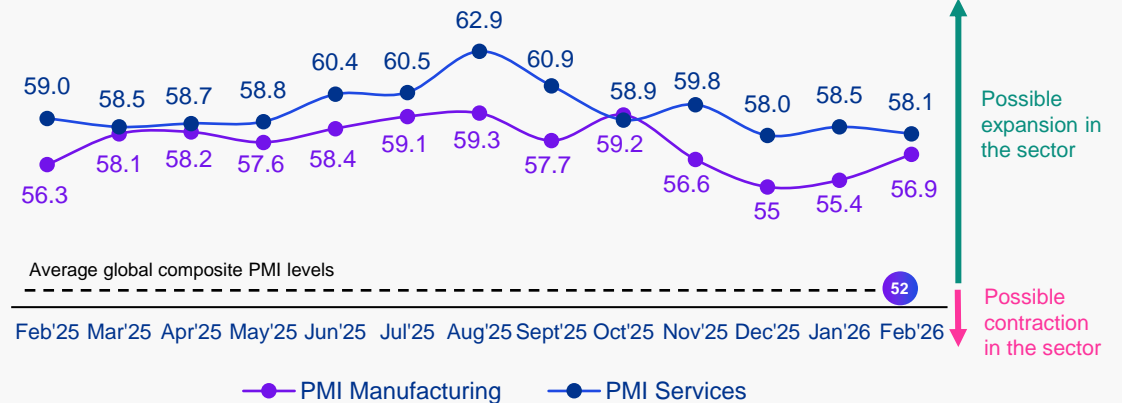
Index of Industrial Production (IIP)¹

During 10M FY26, IIP grew by 4 per cent y-o-y, driven primarily by the manufacturing sector, reflecting steady but moderating industrial momentum by broad-based expansion across key industries¹.



Purchasing Managers Index (PMI)²

From Apr'25 to Feb'26, India's manufacturing and services PMIs stayed firmly expansionary and above the average global baseline, driven by strong domestic demand, resilient export orders and GST relief.



Key drivers behind the IIP surge

In manufacturing, top performers out of 23 industry groups that saw highest y-o-y growth between Apr'25 to Feb'26 are as follows¹



Motor vehicles, trailers and semi-trailers



Basic metals



Tobacco products

- In Oct'25, IIP dropped to a 14-month low, mainly due to a slowdown in manufacturing output caused by fewer working days during the festival period. The index rebounded in Nov and Dec'25, supported by robust production in computer, electronics and automobile sectors. However, the index in Jan and Feb'26 were partly offset by low output in pharmaceuticals, apparel and textiles sectors.
- According to the use-based classification, infrastructure and construction goods, along with capital goods and consumer-oriented categories, emerged as the top three positive contributors to the growth of IIP in FY26 (upto Feb'26)
- The manufacturing PMI continued to signal sectoral strength from Apr to Oct'25, supported by exports to other markets and robust domestic consumption, which offset softened U.S. exports impacted by a 50 per cent tariff. However, it eased in Nov and Dec'25 due to the slower expansion in new orders, before rebounding in Feb'26 on the back of increased output and renewed order inflows
- From Apr'25 to Feb'26, the services PMI has continued to expand at a resilient pace, supported by strong demand from both domestic and export markets. Steady hiring and manageable price pressures have helped maintain stability. Improving margins and rising business confidence further indicate sustained growth momentum.

1. Quick estimate of Index of Industrial Production and use-based index for the month of February 2026, Ministry of Statistics and Programme Implementation, Government of India, 30 March 2026

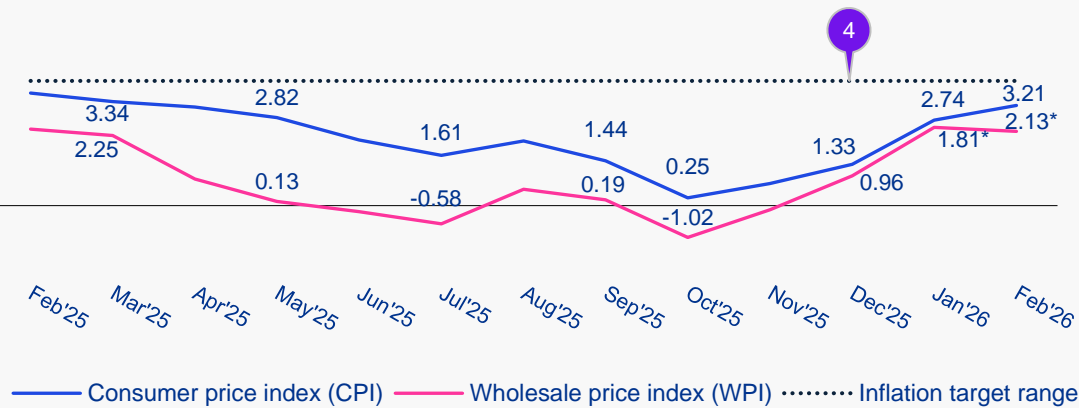
2. RBI Bulletin, RBI, March 2026



Easing inflation and repo rate support market growth and expansion

Inflation: CPI and WPI^{1,2,3}

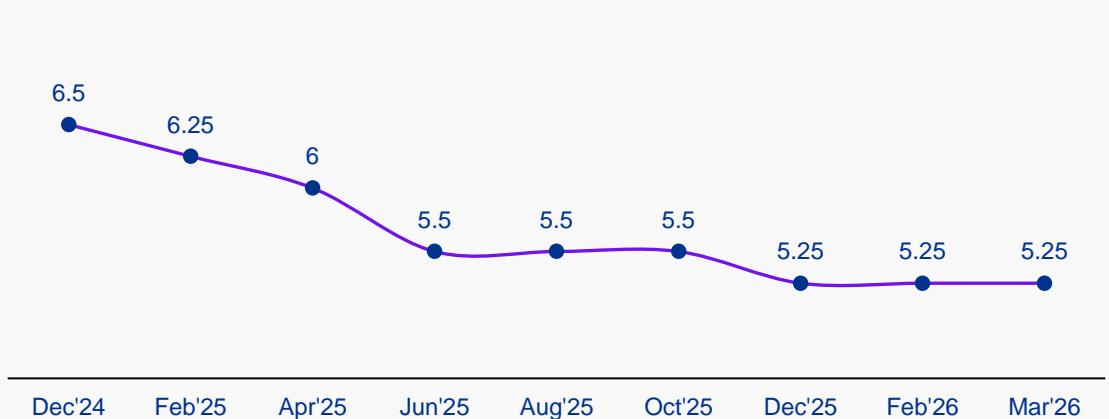
CPI has stayed below the RBI's 4 per cent tolerance level since Feb'25, indicating price steadiness³. This was supported by healthy agricultural activity and stable food prices.



*: Provisional

Repo rate^{5,6,7,8}

The downward trajectory of repo rate in 2025 underscores a deliberate easing cycle designed to bolster economic momentum without triggering instability in lending conditions.



- In 1H FY26, the decline in CPI inflation was driven by broad-based easing across key food categories, owing to healthy kharif sowing and good monsoon season
- WPI largely declined and went negative due to muted costs of food products, non-food articles and industrial goods and is expected to remain subdued through FY26
- CPI rose in 2H FY26 so far on the back of higher personal care/effects, while WPI was supported by stronger manufactured goods and primary articles, even as fuel and power remained soft
- The RBI forecast annual average inflation for FY26 at 2.1 per cent, while indicating that factors such as geopolitical tensions, swings in energy prices and weather-related disruptions could push inflation higher⁴

- From Jun to Nov'25, the repo rate remained stable at 5.5 per cent, owing to RBI's neutral stance, supported by stronger-than-expected 1Q FY26 GDP growth and positive GST-led demand
- The RBI further introduced a plan to lower the cash reserve ratio (CRR) by 100 basis points (bps) in four phases from Sept'25 to strengthen overall liquidity⁶
- In Dec'25, the RBI reduced the repo rate to 5.25 per cent, completing a cumulative 125 bps easing cycle from Dec'24 to Dec'25 to lower borrowing costs, enhance liquidity and support investment and consumption across sectors⁷
- In Mar'26, the RBI kept the repo rate unchanged at 5.25 per cent, supported by a benign inflation outlook and resilient growth⁸

1. Press release of Consumer Price Index on base 2024=100 for March 2026, Ministry of Statistics and Programme Implementation, 13 April 2026

2. CPI & Inflation Rate(%), Consumer Price Index (CPI), Ministry of Statistics and Programme Implementation, accessed on 14 April 2026

3. Index Numbers of Wholesale Price in India for the months of March 2025-February 2026, PIB, accessed on 14 April 2026

4. RBI projects inflation at 2.1% in FY26, revises FY27 growth outlook upward, DD News, 6 February 2026

5. Monetary Policy Report, RBI, April 2025

6. Monetary Policy Report, RBI, October 2025

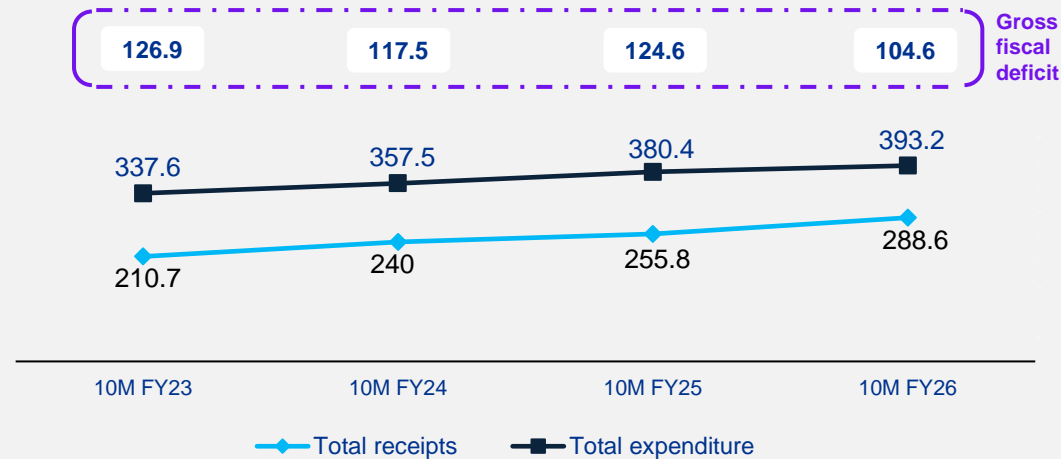
7. Industry bodies welcome RBI's decision to cut policy repo rate by 25 basis points to 5.25%, News On Air, 5 December 2025

8. Monetary Policy Report, RBI, April 2026



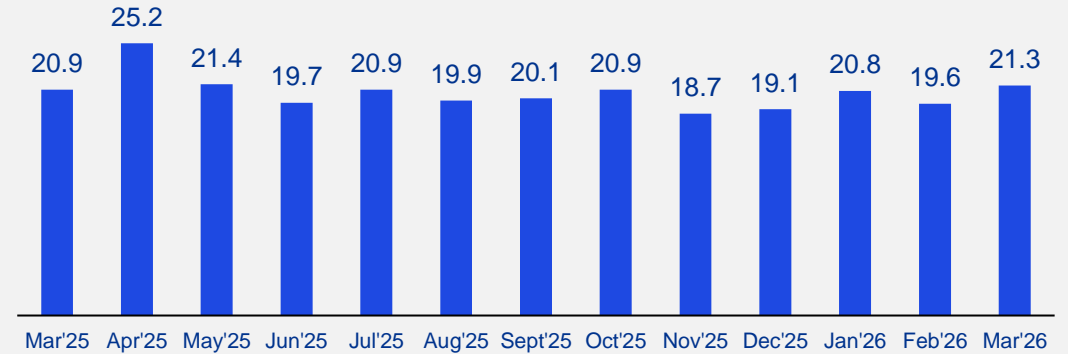
Fiscal momentum: Steady receipts, accelerating capex, resilient GST

Total receipts and total expenditure (USD bn)¹



Gross GST collection (USD bn)²

During Apr'25–Feb'26, GST collection shows a steady trend, driven by sustained consumption recovery, expanding tax base, simplified two-slab framework and effective compliance.



- In 10M FY26, the gross fiscal deficit decreased by 16.1 per cent y-o-y, primarily supported by higher non-debt capital receipts and contained revenue expenditure³
- Robust non-tax revenue and steady net tax inflows kept the revenue stream resilient through 10M FY26, delivering a 12.8 per cent y-o-y gain in total receipts³
- The GST 2.0 reforms, introduced in Sept'25 as a simplified system aimed at strengthening domestic demand and production, are expected to help reduce vulnerability to external shocks such as U.S. tariffs
- Reflecting this momentum, GST collections in FY26 grew by 8.3 per cent y-o-y⁴ driven by resilient domestic consumption.



1. Reserve Bank of India Bulletin - March 2024, 2025 and 2026

2. GST Gross and Net Collections as on 28th February 2026, GST Statistics, Goods and Services Tax, accessed on 14 April 2026

3. Reserve Bank of India Bulletin - March 2026

4. GST Gross and Net Collections as on 31st March 2026, News and updates, GST, 1 April 2026



Engines of India's economic growth

Digital public infrastructure (DPI)

- Growing digitisation is driving the adoption of platforms such as UPI and DigiLocker, enabling inclusive digital public participation
- GeM and ONDC's MSME integration aims to boost access to digital markets on a global scale.

GeM: Government e-Marketplace; ONDC: Open Network for Digital Commerce

Competitive, skilled talent

- India is strengthening its workforce readiness by producing over 2.5 mn STEM graduates each year, creating a robust talent pipeline⁵
- The nation currently accounts for 16 per cent of the global AI talent pool, reflecting a three-fold increase since 2016^{6,7}.

STEM: Science, Technology, Engineering and Mathematics

1. Product Statistics, National Payments Corporation of India, accessed on 14 April 2026
2. Budget 2025-26: Fuelling MSME Expansion, PIB, 4 February 2025
3. Union Budget 2026-27: Building Champion MSMEs for a Global India, PIB, 15 February 2026
4. Expenditure Budget 2026-27, Ministry of Finance, February 2026
5. Indian job market stays strong amid global uncertainty, IBEF, 11 April 2025



22.6 Bn

Unified Payments Interface (UPI) transactions recorded in Mar'26¹ (27 per cent y-o-y growth)



>6 Mn

People are employed across the technology and AI ecosystem, as of Feb'26⁸



173,350

MSMEs actively engaged in global export markets in FY25² (3.3x increase from FY21)



400+

New GCCs were established in the last five years (till 2025)⁹

Micro, small and medium enterprises (MSMEs)

- MSMEs account for 31.1 per cent of India's GDP, contributing a significant share of the country's economic output³
- Budgetary outlay for FY27 increased to USD2.6 bn, a nearly 6 per cent y-o-y growth, reflecting the government's push to strengthen the MSME ecosystem⁴.

Global capability centres (GCCs)

- More than 1,700 GCCs are currently operating, employing nearly 1.9 mn skilled professionals across engineering, R&D, analytics, design and digital operations
- The GCC sector is projected to scale to around 2,400 centres and employ over 2.8 mn professionals by 2030, with the market expected to reach USD105 bn⁹.

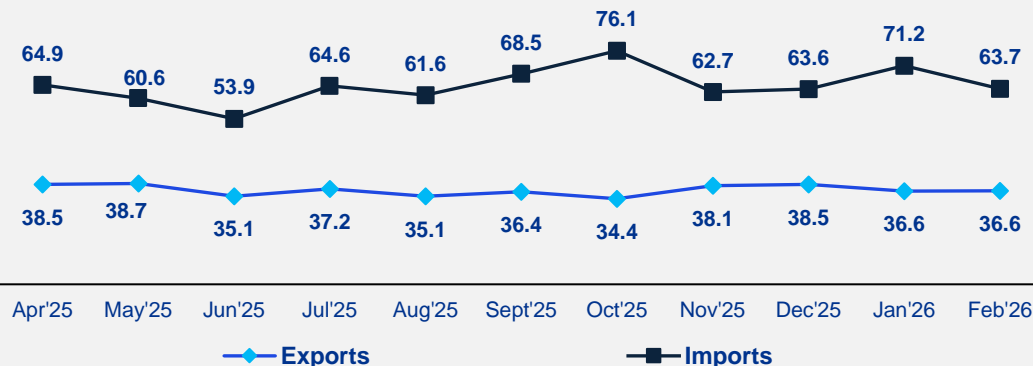
6. India's AI Revolution, PIB, 06 March 2025
7. India leading the world in AI talent acquisition, among top countries in AI skill penetration, PIB, 19 December 2025
8. AI@Work: Driving Productivity, Jobs and Innovation, PIB, 12 February 2026
9. From Policy to Prosperity: GCCs Leading India's Growth Journey, PIB, 11 December 2025



Exports gain traction despite global headwinds

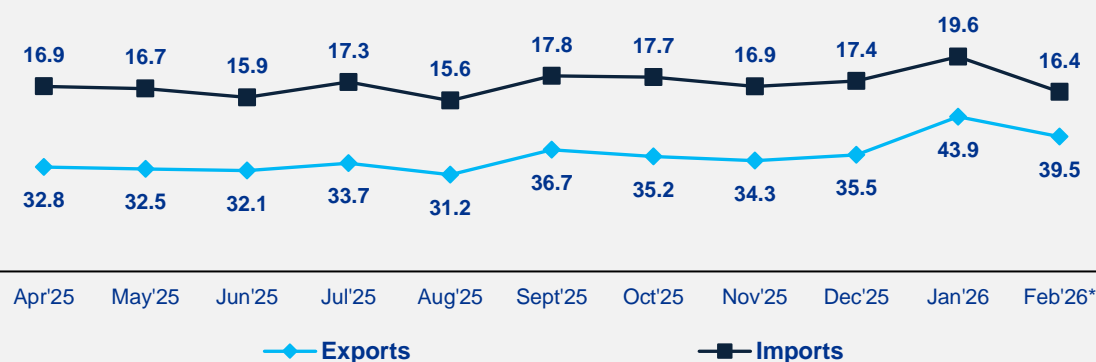
Merchandise trade¹ (USD bn)

Merchandise exports performed steady despite global trade uncertainty and the reciprocal tariffs imposed by the U.S. The imports were driven by petroleum products, gold, electronic goods and industrial raw materials.



Services trade^{1,2} (USD bn)

Services export remained steady, primarily supported by digitally delivered services (DDS) export to cater rising global demand for IT and remote services



*Services data for Feb'26 is based on estimates

- Amid global uncertainty from U.S. reciprocal tariffs and shifting supply chains, India's total exports expanded by 5.8 per cent y-o-y during Apr'25–Feb'26³, supported by market and product diversification, strong services exports and broad-based merchandise recovery
- During Apr'25–Feb'26, the merchandise trade deficit widened by nearly 18.6 per cent y-o-y³, primarily due to higher gold and non-oil non-gold imports, driven by consumption demand and strong economic activity
- Merchandise export during Apr'25–Feb'26 increased by 1.8 per cent y-o-y, propelled by robust demand for engineering goods, petroleum products, electronics, pharmaceuticals, gems and jewellery and chemicals³
- Services trade surplus for Apr'25–Feb'26, recording a growth of 17.7 per cent y-o-y³, on the account of sustained global demand for software and business services.

Top three destinations showing growth in change in value during Apr'25–Feb'26 (y-o-y)¹

Export

- Spain 45%
- China 38%
- Hong Kong 31%

Import

- Peru 67%
- Hong Kong 25%
- U.S. 16%

1. The cumulative overall exports (All press releases from April 2025 to March 2026), PIB, accessed on 16 March 2026

2. Monthly Data on India's International Trade in Services for the Month of July 2025 and February 2026, RBI, accessed on 14 April 2026

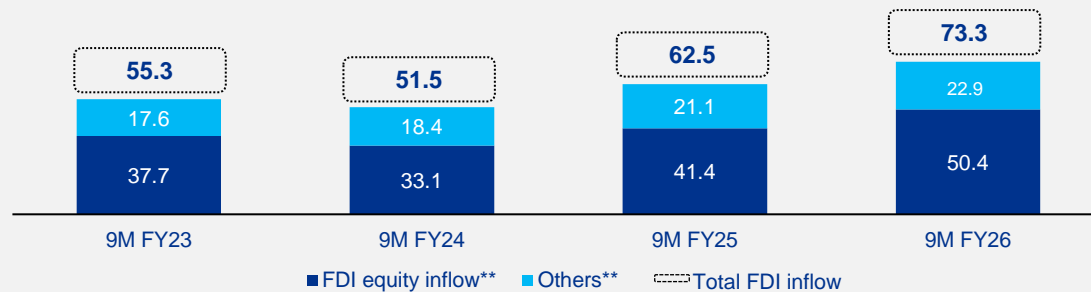
3. Quick estimates for selected major commodities for February 2026, Department of Commerce, Ministry of Commerce and Industry, 14 April 2026



Robust FDI and rising forex reserves reflect economic stability

FDI inflow (USD bn)¹

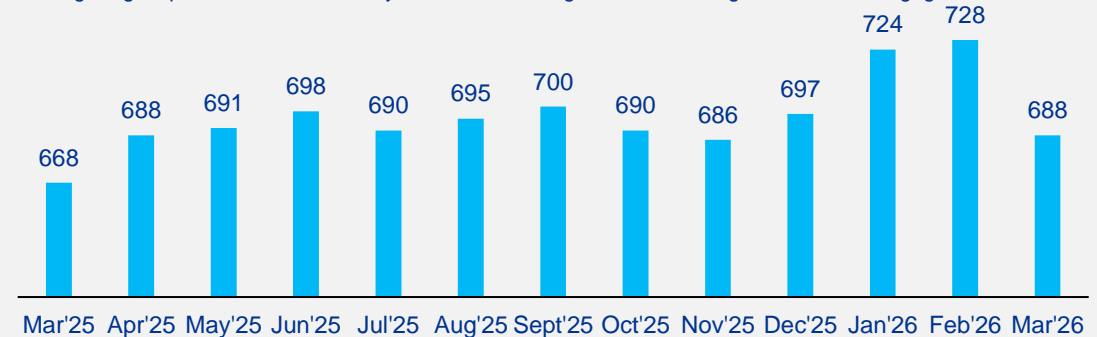
In 9M FY26, FDI equity inflows rose by 21.7 per cent y-o-y, driven by strong investments in computer software, hardware and services sectors.



**FDI equity inflow includes government/automatic and acquisition route and equity capital of unincorporated bodies, while others include re-invested earnings and other capital

Foreign exchange (forex) reserves (USD bn)²

The forex reserves from Apr'25 to Mar'26 reflects a strengthening external buffer, driven largely by valuation gains from higher gold prices and lower bond yields, underscoring resilience in its global financial engagement.



FDI equity inflow

Key countries*

(9M FY26, USD bn, y-o-y per cent change)¹



(↑108.9%)



(↑134.4%)



(↓40.8%)

Top three sectors

(9M FY26, USD bn, y-o-y per cent change)¹



10.7

Computer software and hardware

(↑93.9%)



8.4

Services sector**

(↑16.5%)



3.4

Trading

(↑0.7%)

*Tax-haven countries have been excluded from the analysis

**Services sector includes financial, banking, insurance, non-financial/business, outsourcing, R&D, courier, technology, testing and analysis and others

- The number of source countries investing in India increased by 26 per cent between FY14 and FY25, driven by progressive reforms and enhanced global competitiveness³
- The computer software and hardware and services sectors led equity FDI inflows in 9M FY26, attracting 38 per cent of total investments¹. This outcome reflected robust demand for IT-enabled services, business process outsourcing
- In 9M FY26, FDI for the manufacturing sector was led by electronics hardware and automobile, supported by PLI incentives and supply-chain diversification
- India's foreign exchange reserves remain adequate to cushion the economy against external disruptions and maintain payment capacity, even if export growth moderates.

1. Fact Sheet on Foreign Direct Investment (FDI) inflow from April to December (All press releases from 2023 - 2026), DPIIT
2. Foreign exchange reserve, Weekly Statistical Supplement (April 2025-26), RBI

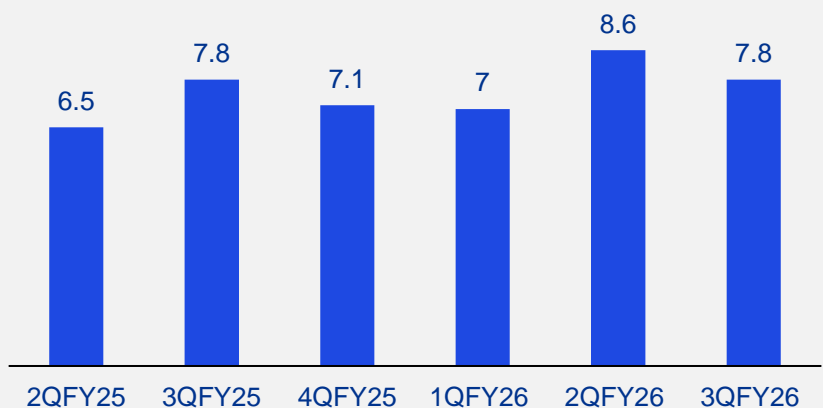
3. India Records USD 81.04 Billion FDI Inflow in FY 2024-25, PIB, 27 May 2025



Sectoral drivers of India's growth momentum

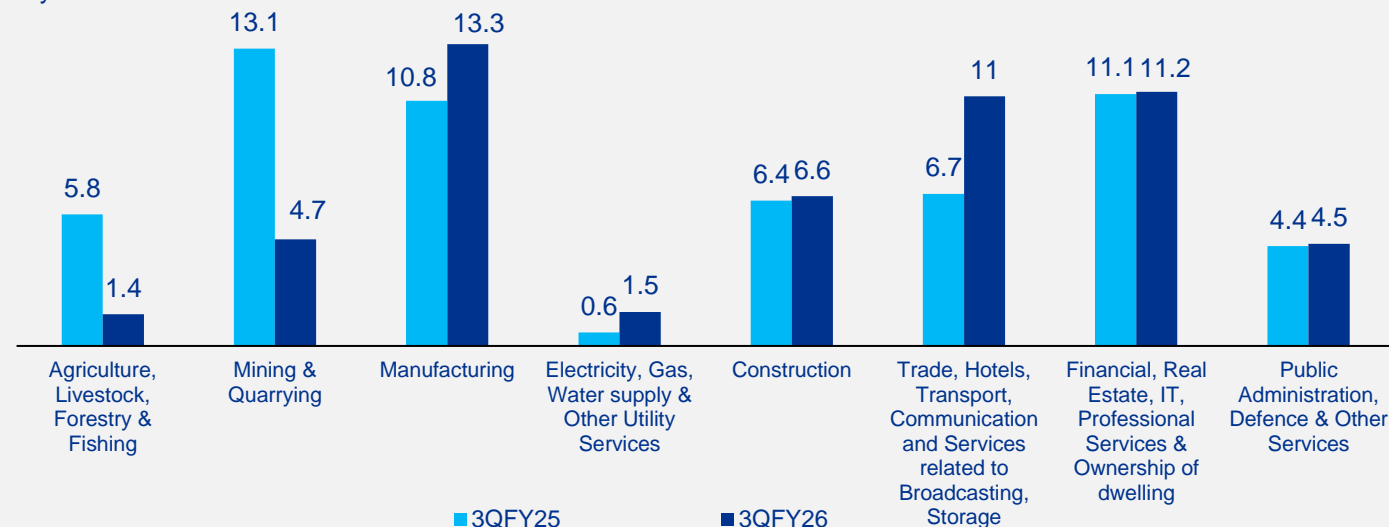
Quarterly real GVA y-o-y growth (in per cent)¹

In 3QFY26, real GVA grew 7.8 per cent y-o-y, driven by a manufacturing-led industrial rebound and broad-based services momentum, while benign deflators ensured nominal gains translated into real value added.



Sector-wise real GVA y-o-y growth rate (in per cent)¹

In 3QFY26, real GVA witnessed broad-based expansion, driven by strong manufacturing activity alongside gains in key services sectors.



53%

Of total real GVA captured by the tertiary sector*, as all sub-sectors reported healthy expansion for the third quarter, driven by finance, real estate, IT and professional services¹

25%

Of the total real GVA contributed by the secondary sector*, the manufacturing sector posted the fastest growth over the past five quarters, aided by higher output and base effects, while the construction sector sustained robust growth¹

22%

Share accounted for by the primary sector*, led by agriculture, moderated amid weak price realisations, while mining and quarrying decelerated due to weather-related interruptions¹

*Primary Sector: Agriculture, livestock, forestry & fishing and mining & quarrying; Secondary Sector: Manufacturing, electricity, gas, water supply & other utility services and construction; Tertiary Sector: Trade, hotels, transport, communication and services related to broadcasting, financial, real estate & professional services and public administration, defence & other services (includes the other services sector i.e. education, health, recreation and other personal services)

1. Press note on new series of GDP estimates with base year 2022-23, PIB, 27 February 2026



Future frontiers: India's emerging growth pillars

Semiconductor

India, with ~20 per cent of global chip design talent and over 44,000 trained engineers, is driving semiconductor ambitions through its USD8 bn+ India Semiconductor Mission (ISM)^{1,2}

Key developments in the sector

USD100-110 bn

Domestic semiconductor market by 2030²

~USD16.8 bn

Invested across six ISM-approved projects²

22

Chip designs projects approved under DLI scheme¹

278

Academic institutions and 72 startups have access to EDA tools²

DLI: Design Linked Incentive; EDA: Electronic Design Automation

Nuclear energy

India is accelerating its nuclear expansion to reduce fossil dependence, meet rising energy demands, reduce carbon emissions and support a long-term energy transition strategy



Target of 100 GW nuclear power capacity by 2047³



USD2.1 bn allocated to design and develop at least five indigenous SMRs by 2033³



Expand nuclear power capacity to 22,480 MW by 2031-32³



Construction and commissioning of 10 reactors underway across six states³

SMR: Small modular reactor; GW: Gigawatt; MW: Megawatt

Green hydrogen

USD2.1 bn allocated to National Green Hydrogen Mission (NGHM) to boost green hydrogen infrastructure, production and technology innovation⁴

NHGM 2030 target⁴

- Achieve an annual green hydrogen production of 5 MMT
- Install electrolyser capacity ranging from 60 to 100 GW
- Add 125 GW of renewable energy capacity to hydrogen production

Expected outcomes^{4,5}

- Reduce 50 MMT of annual carbon dioxide (CO₂) emissions
- Attract USD85 bn in investments and save USD11 bn in imports
- Generate 0.6+ mn new job opportunities

MMT: Million metric tonnes

Critical minerals

National Critical Minerals Mission (NCMM) aims to secure minerals essential to strengthen supply chains for advanced manufacturing and facilitate long-term industrial competitiveness⁶

Key targets of NCMM⁶

40 kt

Production capacity

1000

Patent goal by 2030

1200

Domestic exploration project

7

Centres of Excellence (CoEs)

USD852 mn

Capital investment attraction

70,000

Job creation opportunities

kt: kilo tonnes

1. India's Semiconductor Vision Gathers Momentum with 3nm Chip Design and Large-Scale Talent Development Initiatives, PIB, 25 July 2025

2. India's Semiconductor Revolution, PIB, 3 August 2025

3. Nuclear Power in Union Budget 2025-26, PIB, 3 February 2025

4. India to Lead the World in Green Hydrogen: Union Minister Shri Pralhad Joshi, PIB, 4 March 2025

5. Ministry of New & Renewable Energy participates in World Hydrogen Summit 2025, highlights India's vision and capabilities in Renewable Energy and Green Hydrogen, PIB, 20 May 2025

6. India's Critical Mineral Mission: Securing the Minerals of Tomorrow, PIB, 6 September 2025



Catalysing economic progress through policy initiatives

National Manufacturing Mission

- Expand domestic manufacturing share to 25 per cent of GDP by 2047, reinforcing India's global manufacturing position¹
- Leverage public-private partnerships and focus on the adoption of frontier technologies such as clean-tech manufacturing.



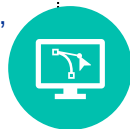
BHARATI initiative

- Strengthen India's agri-food sector through premium product development and advance agri-tech adoption and strategic collaborations in the sector
- Enable 100 agri-food and agri-tech startups to catalyse innovation and achieve USD50 billion in scheduled agricultural exports by 2030⁵.



India AI Mission

- Accelerate AI-driven inclusive growth to establish India as a global leader, targeting a USD1.7 tn economic impact by 2035
- Strengthen AI infrastructure and skilling enabled by outlay of over USD1.1 bn to build a competitive and inclusive national AI ecosystem².



Electronics Component Manufacturing Scheme (ECMS)

- Build a competitive electronics component ecosystem through a USD2.7 bn outlay, aimed at expanding domestic value addition and attracting large-scale investments
- Initial approvals of over USD589.6 mn are projected to generate around USD4.7 bn in output and create more than 5,000 direct jobs⁶



Credit access and guarantee scheme for MSMEs and startups

- Support liquidity for micro enterprises by offering customised credit cards with around USD5,327 limit, easing working capital constraints and strengthening MSME resilience³
- Provide 85 per cent guarantee cover on the loan amount of USD1.1 mn and 75 per cent on higher exposures, strengthening startup credit access⁴.



PM Street Vendor's Atma Nirbhar Nidhi (PM SVANidhi) Scheme

- Strengthen the informal sector's GDP contribution and advance financial inclusion by 2030, uplifting 11.5 mn vendors, including 5 mn new vendors
- Deploy UPI-linked RuPay credit cards alongside digital cashback incentives to accelerate formal credit adoption⁷.



BHARATI: Bharat's Hub for Agritech, Resilience, Advancement and Incubation for Export Enablement

1. Reimagining Manufacturing: India's Roadmap to Global Leadership in Advanced Manufacturing, NITI Aayog, October 2025
 2. Transforming India with AI, PIB, 12 October 2025
 3. Investment and turnover limits for classification of all MSMES to be enhanced to 2.5 and 2 times respectively, PIB, 1 February 2025

4. Government notifies the expansion of the Credit Guarantee Scheme for Startups (CGSS) to increase capital mobilization for startups, PIB, 9 May 2025
 5. APEDA launches BHARATI initiative to boost agri-food exports, PIB, 2 September 2025
 6. Driving India's Electronics Future, PIB, 27 October 2025
 7. Cabinet approves restructuring & extension of lending period beyond 31.12.2024 of PM Street Vendors AtmaNirbhar Nidhi (PM SVANidhi) Scheme, PIB, 27 August 2025



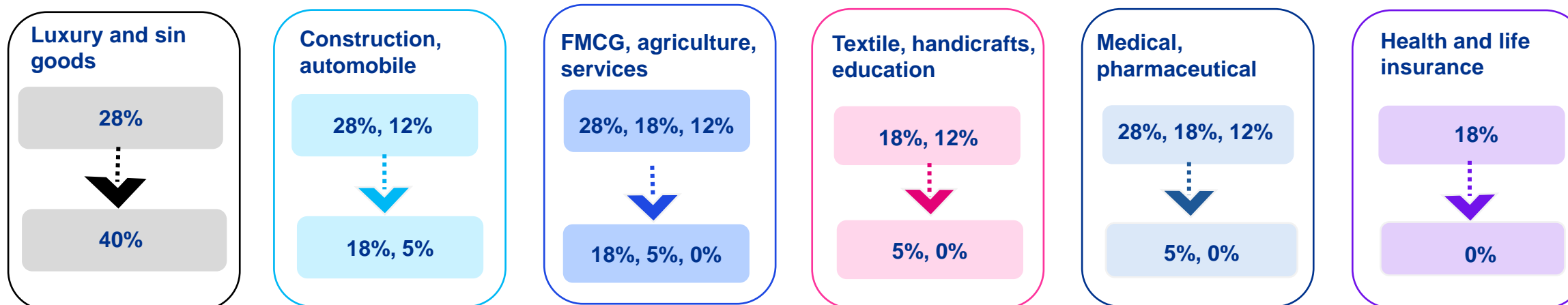
Next-Gen GST: Simpler structure, broader impact

GST 2.0 reforms



GST 2.0 aims to modernise compliance, rationalise tax slabs and exempt essentials, enhancing disposable income and empowering small businesses. The framework seeks to deepen formalisation and strengthen competitiveness by fostering innovation, promoting inclusive growth and advancing sustainability.

Sector-wise tax revision¹



¹Note: FMCG Fast-moving consumer goods

1. GST Reforms 2025: Relief for Common Man, Boost for Businesses, PIB, 4 September 2025



Highlights from the Union Budget 2026-27

India Semiconductor Mission (ISM) 2.0

- ISM 2.0 to be launched to develop indigenous equipment, materials and full-stack IP, supported by industry-led research and training centres
- The support will cultivate a specialised workforce, strengthening India's foothold in a geopolitically critical value chain.

Electronics ecosystem expansion

- A USD4.2 bn outlay to enhance electronics component production capacity
- This investment builds domestic scale, enabling faster adoption of emerging technologies while reducing import vulnerabilities.

Biopharma SHAKTI

- A multi-year USD1.1 bn outlay to strengthen the biopharma ecosystem, enabling progress in research, development and domestic production
- Enhanced NIPERs and a 1,000-site clinical trial network establish a more capable national platform for biopharma research.

Accelerating infrastructure investment

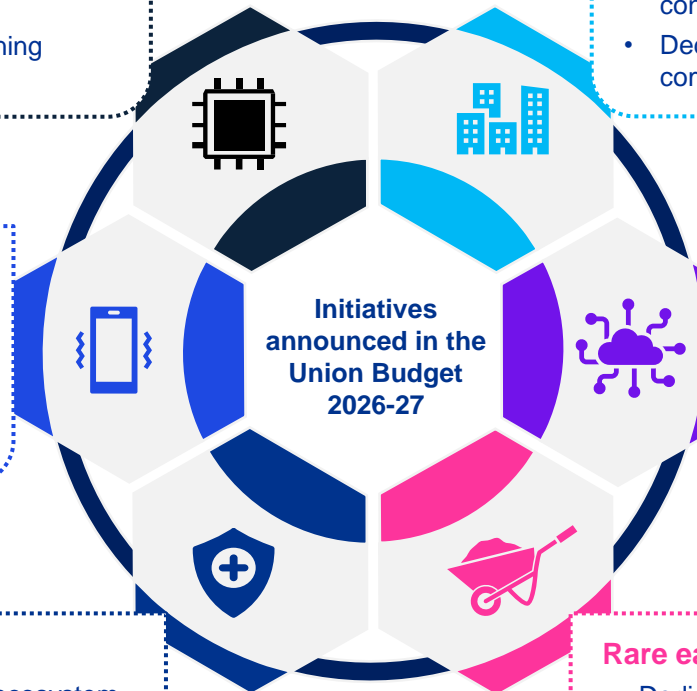
- Public capex rises to USD130 bn, alongside the introduction of an Infrastructure Risk Guarantee Fund to enhance private-sector confidence during project development
- Dedicated REITs proposed to recycle CPSE real estate assets, complemented by steps taken to promote sustainable cargo movement.

Tax incentives to support digital growth

- Foreign firms delivering global cloud services through Indian data centres will receive a tax holiday until 2047
- A 15 per cent safe harbour margin on cost to be provided if the firm providing data center services from India is a related entity.

Rare earth metal corridors establishment

- Dedicated rare earth metal corridors planned to support Odisha, Kerala, Andhra Pradesh and Tamil Nadu, promoting mining, processing and research
- These corridors could accelerate domestic production and reduce import dependence.



IP: Intellectual property; SHAKTI: Strategy for Healthcare Advancement through Knowledge, Technology & Innovation, NIPERs: National Institutes of Pharmaceutical Education and Research, REITs: Real estate investment trusts, CPSE: Central public sector enterprise

1. Highlights of Union Budget 2026-27, PIB, 1 February 2026



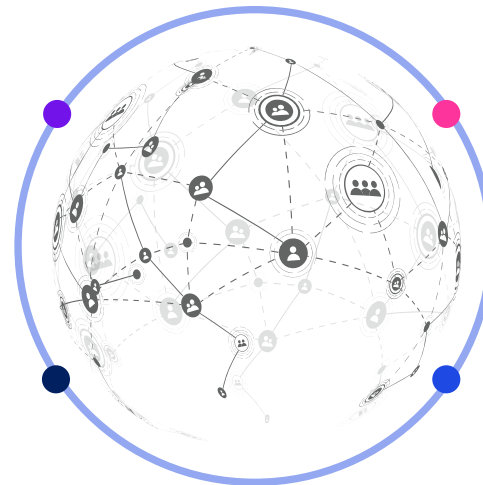
Way forward

Boosting MSME competitiveness

- MSME sector is estimated to broadly have an addressable credit gap of about USD213 to 266 bn. India aims to close the credit gap by reforming guarantee schemes, scaling NBFCs and leveraging digital lending platforms for faster access to finance¹
- India is driving MSME formalisation through platforms such as GST Sahay and Udyam Assist Platform while enabling global integration through e-commerce export hubs, stronger supply chains and sector-specific innovation incentives.

Promoting cross-border digital trade through DPI

- India is advancing efforts to expand the global reach of DPI, fostering interoperable identity, payments and data exchange to lower transaction costs and speed up e-commerce exports
- The country is promoting DPI adoption through initiatives such as India Stack Global, establishing a global DPI repository and formalising collaborations via MoUs with over 10 countries².



Strengthening bilateral trade and strategic alliances

- In FY26, India deepened its trade partnerships by signing agreements or concluding negotiations with several major economies, including the U.K. (Jul'25), Oman (Dec'25), New Zealand (Dec'25), the EU (Jan'26), to secure tariff-free market access and attract substantial investment commitments
- While the agreement with the U.S. remains at an interim stage (Feb '26), India is also pursuing ongoing trade negotiations with Canada, Peru, Chile, Qatar, Mexico and the GCC*.

Expanding space and defence capabilities

- India is strengthening its space ecosystem through IN-SPaCe reforms, enabling private participation in satellite launches, remote sensing and global partnerships
- The nation is advancing indigenous R&D and advanced technology to achieve USD5.3 bn in defence exports by 2029, supported by iDEX and policy measures such as raising FDI in the defence sector to 100 per cent via government routes^{3,4}.

NBFC: Non-banking financial company; DPI: Digital public infrastructure, MoU: Memorandum of understanding; GCC: Gulf Cooperation Council; IN-SPaCe: Indian National Space Promotion and Authorisation Center, iDEX: Innovations for Defence Excellence

*GCC countries: Bahrain, Oman, Kuwait, Qatar, Saudi Arabia and the UAE

1. Enhancing MSMEs competitiveness in India, Niti Aayog, May 2025

2. Government of India taking measures to enhance the reach of Indian Digital Public Infrastructure, PIB, 26 July 2024

3. Defence exports surge to a record high of Rs 23,622 crore in Financial Year 2024-25, a growth of 12.04% over 2023-24, PIB, 1 April 2025

4. FDI in Defence Sector, PIB, 9 February 2024



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