

ECONOMIC SURVEY

2025 - 2026



SINCE 2004

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1. BACKGROUND OF ECONOMIC SURVEY

- **Economic Survey** – It is an **annual report card** of the country's financial performance in the preceding fiscal year and government's economic forecast for the upcoming year.
- **Objectives**
 - To study major economic indicators like GDP, inflation, and the performance of different sectors.
 - To review government finances, including expenditure, fiscal deficit, external sector developments, and employment patterns.
 - To suggest policy measures that address economic challenges and support sustainable, long-term growth.
- **Prepared by** – The Economics Division of **Department of Economic Affairs**, Ministry of Finance.
- **Authored by** – V. Anantha Nageswaran, Chief Economic Adviser, Ministry of Finance.
- **Presented by** – Union Finance Minister in the Parliament.
- **Origin** – Introduced in 1950–51 to provide a comprehensive overview of the Indian economy's performance.
- **Separation from Budget** – In 1964, it was separated from the Union Budget to allow for a more detailed, independent analysis of economic trends.
- **Timing of release** – Generally, the Economic Survey of India has been released the day before the Union Budget.
- **Importance** – Though the survey's recommendations are **not binding** for the Budget, it remains the most authoritative and comprehensive analysis of India's economy from within the government.
- **Significance** – The Economic Survey sets priorities for the year, highlights sectors needing support, and provides data to shape the budget.
- It aligns fiscal policies with economic goals and guides tax reforms, spending, and growth initiatives.

2. ECONOMIC SURVEY 2025-26

- The Economic Survey for 2025-26 a **one-volume** report was recently tabled in Parliament.
- Theme** – “Sprint and Marathon Together” – Focusing on immediate growth while building long-term resilience.
- Chapters** – The Survey 2026 is structured into 16 chapters, each highlighting a key domain of India’s economic performance and policy priorities—ranging from macroeconomic stability and fiscal trends to sectoral deep dives in agriculture, industry, services, labour, digitalisation, climate change, and resilience.

S.No	Chapter	Tagline
1.	State of the Economy	Pushing The Growth Frontier
2.	Fiscal Developments	Anchoring Stability through Credible Consolidation
3.	Monetary Management And Financial Intermediation	Refining The Regulatory Touch
4.	External Sector	Playing The Long Game
5.	Inflation	Tamed And Anchored
6.	Agriculture And Food Management	Raising Productivity, Securing Income And Ensuring
7.	Services	From Stability To New Frontiers
8.	Industry's Next Leap	Structural Transformation and Global Integration
9.	Investment And Infrastructure	Strengthening Connectivity, Capacity And Competitiveness
10.	Environment And Climate Change	Building A Resilient, Competitive And Development-Driven India
11.	Education And Health	What Works And What's Next?
12.	Employment And Skill Development	Getting Skilling Right
13.	Rural Development And Social Progress	From Participation To Partnership
14.	Evolution Of The Ai Ecosystem In India	The Way Forward
15.	Urbanisation	Making India's Cities Work For Its Citizens

16.	From Import Substitution To Strategic Resilience And Strategic Indispensability	-
	Building Strategic Resilience And Strategic Indispensability	The Role Of The State, The Private Sector And The Citizens

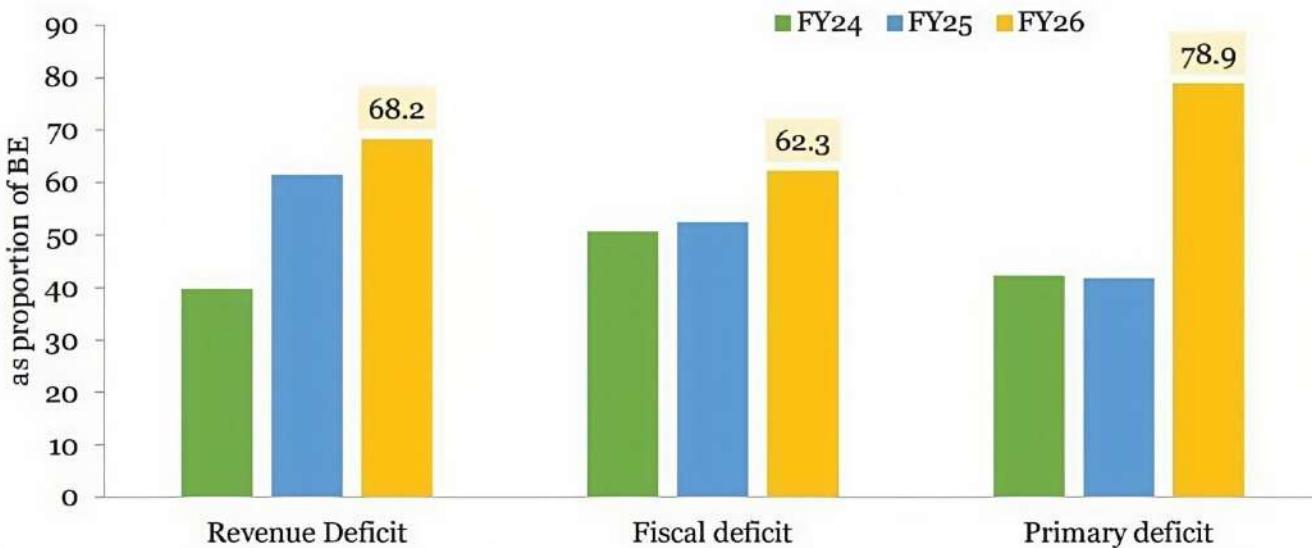
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3. KEY HIGHLIGHTS OF ECONOMIC SURVEY 2025-26

3.1 Macroeconomic Growth & Outlook

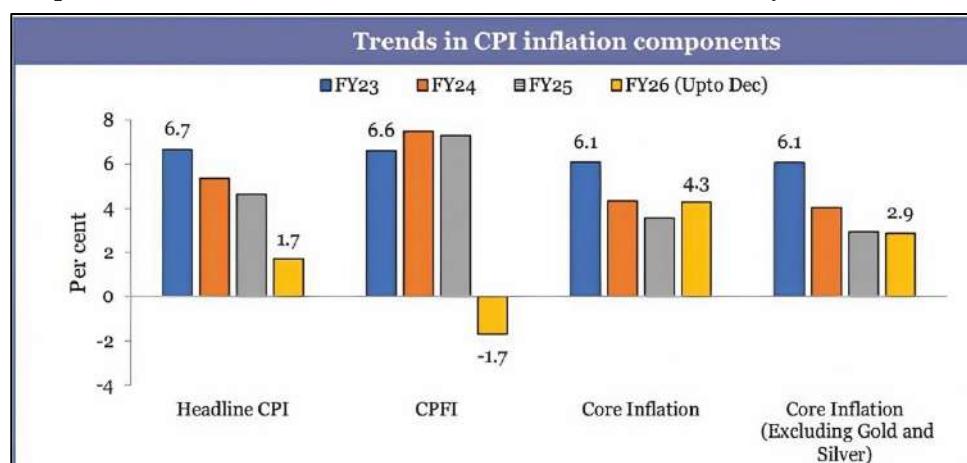
- GDP growth** – Estimated real GDP grows at **7.4% in FY26**, as per 1st advance estimates of national income
- Real GDP growth in FY27** – Is projected to settle **between 6.8% and 7.2%** in FY27.
- GVA Growth** – Real Gross Value Added (GVA) is estimated to grow by 7.3% in FY26.
- Medium-Term Potential** – The economy is enroute to a perpetual growth path of 7% Growth.
- Fiscal Deficit** – The Centre is on track to contain the fiscal deficit at **4.4% for FY26**, with a medium-term target of 4.5% by FY27.
- Potential Growth Driven by** – Strong agriculture bolstered higher rural incomes & consumption, rising urban demand aided by tax rationalisation, structural reforms, Digital Public Infrastructure (DPI).

Deficit indicators reflect prudent fiscal management- April to November

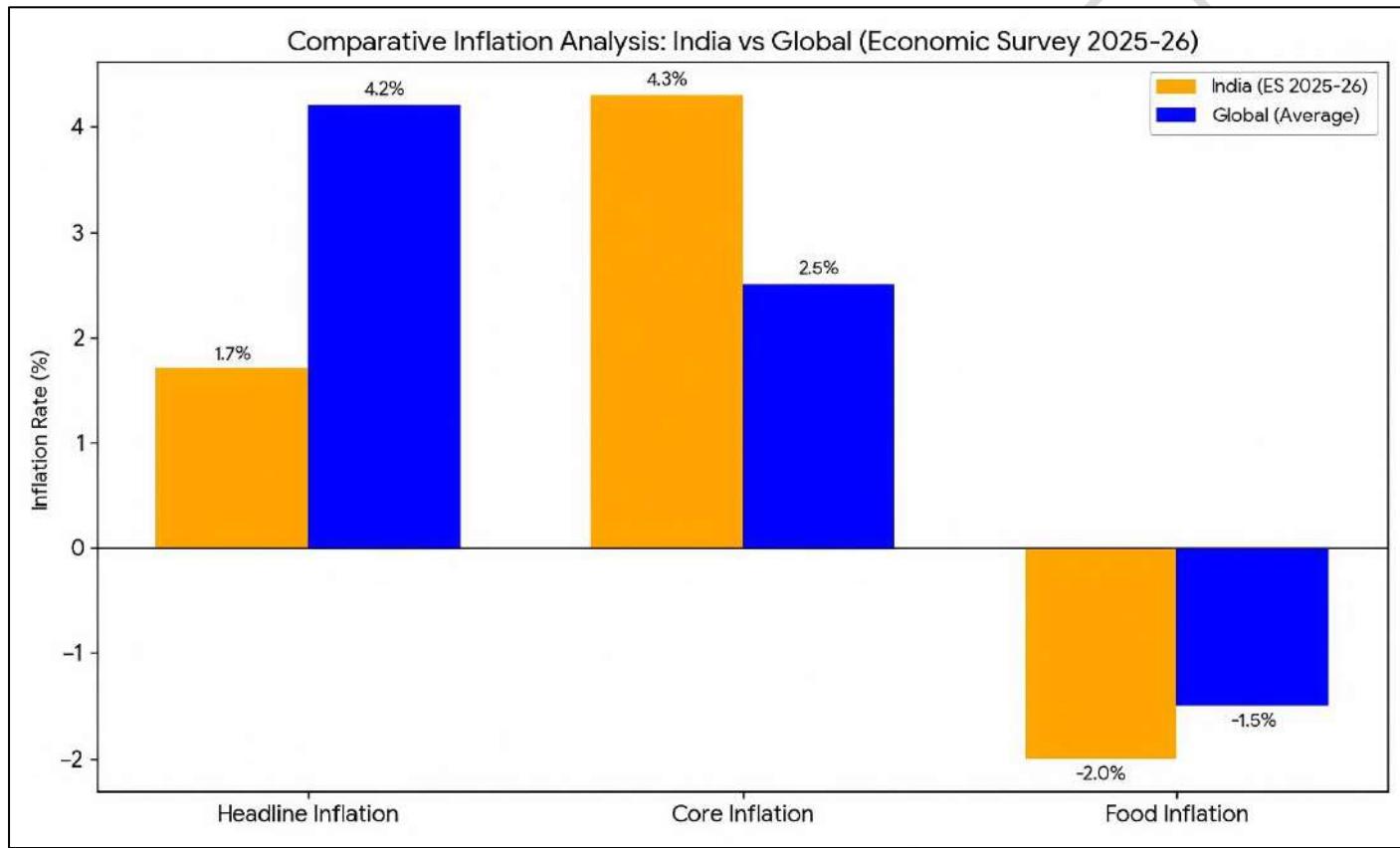


3.2 Inflation Trends & Outlook

- Headline CPI** – Dropped to 1.7% (April–December 2025), in October 2025, it hit a record monthly low of 0.3% (**historic low**).
 - Sharp Decline** – It is one of the steepest drops among emerging market and developing economies (EMDEs).
- Food Deflation** – Food prices entered **deflationary territory** in June 2025, aided by a 20-40% drop in vegetable prices (potatoes, onions, and tomatoes) and continuous fall in pulses and cereal inflation.



- **Core Inflation** – While headline rates fell, core inflation remained "sticky" at 4.6% in December 2025,
 - Largely due to record-high gold and silver prices rather than broad demand pressure (Precious Metal Twist).
- **Wholesale Stability** – WPI inflation stayed near zero in the first half of FY26, consistently lower than retail inflation, which kept factory-gate price pressures under control.
- **RBI Forecasts**
 - FY26 inflation revised down from 2.6% to 2.0%.
 - **IMF Projections** - 2.8% in FY26, 4.0% in FY27.
 - **RBI FY27 forecast** - For Q1 at 3.9%, Q2 at 4%.
- **Growth Catalysts** – Good kharif harvest, healthy rabi sowing, food & fuel disinflation, GST rate rationalisation.
- **Outlook** – Inflation expected to remain gentle and stable, supporting growth momentum.



3.3 Fiscal Development

Strengthened Fiscal Credibility

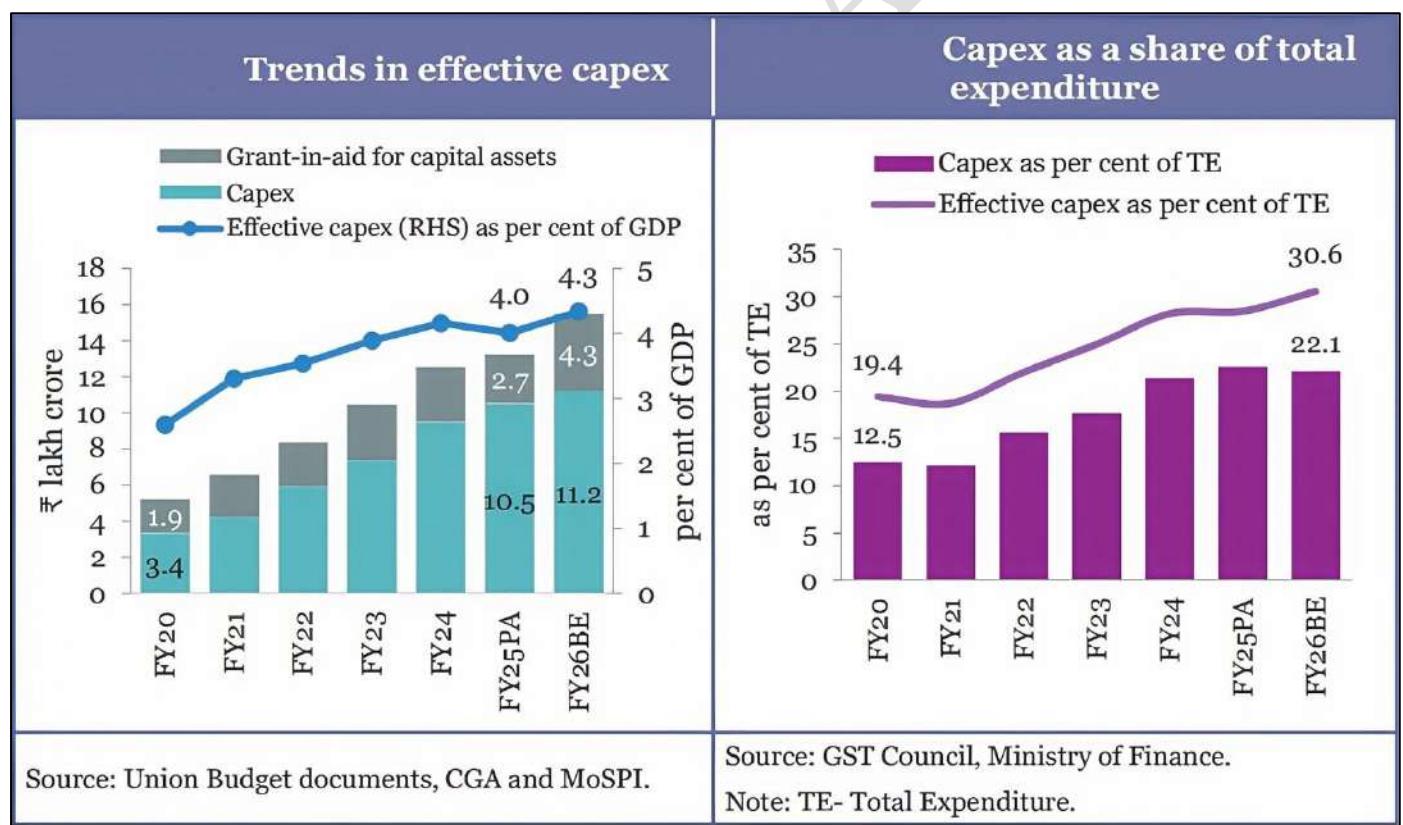
- **Sovereign Rating Upgrades** – In 2025, India received three sovereign credit rating upgrades from S&P Global Ratings, Morningstar DBRS, and R&I Inc.
- **Revenue Resilience** – Centre's revenue receipts improved to 9.2% of GDP in FY25 from 8.5% of GDP in FY16–FY20, supported largely by buoyant non-corporate tax collections.
- **Broadening Tax Base** – Direct taxes now account for 58.8% of total tax revenue, rose from 51.9% pre-pandemic to 55.5% post-pandemic.
- **ITR filings** – It surged to 9.2 crore in FY25, reflecting better compliance and a wider tax net.

GST and Transactional Vitality

- **Gross GST collections** (Apr–Dec 2025) – Rs 17.4 lakh crore, YoY growth of 6.7% (tracking nominal GDP growth)
- **Economic Activity** – A 21% surge in e-way bill volumes points to strong and rising transaction activity across the country.

Capital Expenditure (Capex) Revolution

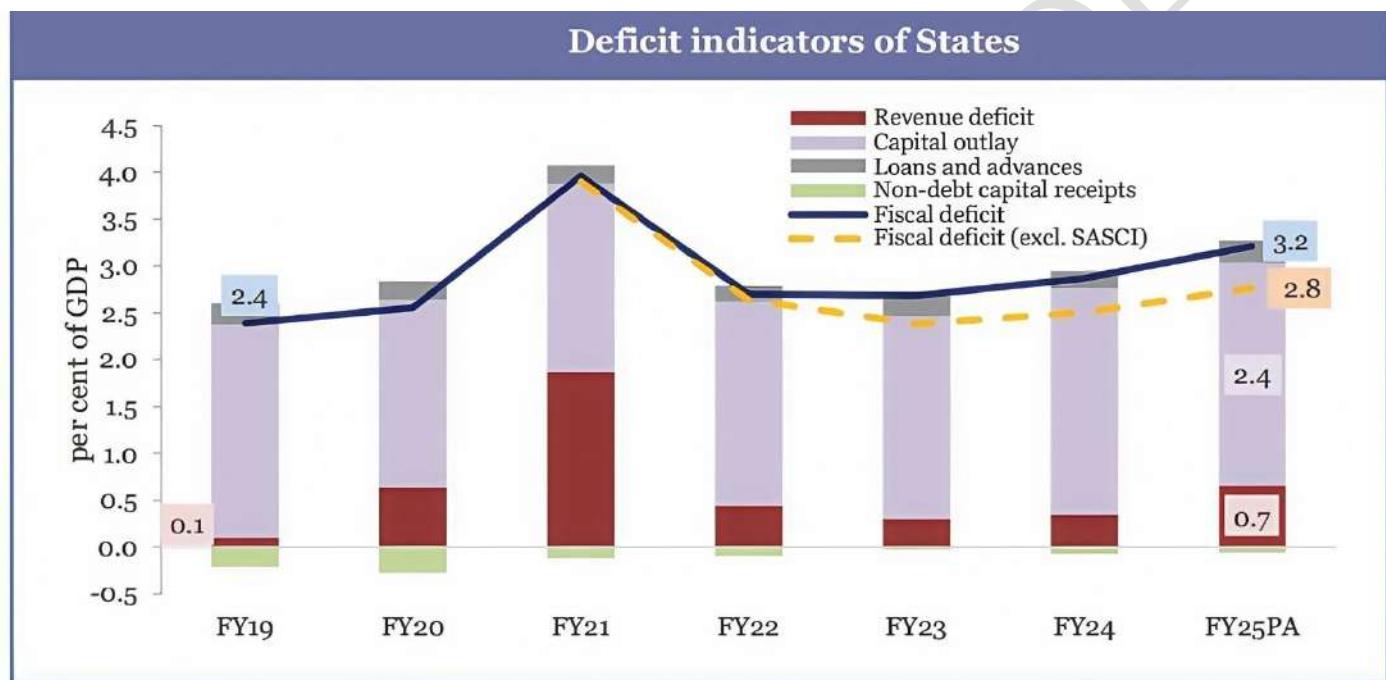
- The government has turned away from subsidies toward long-term asset creation.
- **Effective Capex** – Increased to 4% of GDP in FY25, a significant rise from the pre-pandemic average of 2.7%.
- **Empowering States** – Through the Special Assistance to States for Capital Expenditure (SACI) scheme, the Centre incentivized states to maintain capital spending at 2.4% of GDP.
- **Debt Sustainability** – Despite high public investment, the government's debt-to-GDP ratio fell by 7.1 percentage points since 2020.



Monetary Policy & Balanced Financial Ecosystem

- **Balanced Financial Ecosystem** – A robust regulatory framework has shielded India from global financial shocks, maintaining stability throughout FY26.

- **Repo rate & CRR** – To boost investment, the Monetary Policy Committee (MPC) reduced the repo rate by 100 basis points (to **5.25%**) and the CRR by 100 basis points (to **3.0%**) in late 2025.
- **Liquidity Management** – Proactive measures like OMOs and swaps kept the system in a surplus, averaging Rs.1.89 lakh crore in FY26.
- **Reserve money growth** – *Moderated to 2.9%* by December 2025, compared to 4.9% as of December 2024.
- **Broad money growth** – Rose to 12.1% as compared with 9% a year ago, driven by rising aggregate deposits with banks (largest component of broad money).
- **Money multiplier** – *Increased to 6.21* in December 2025 from 5.70 a year earlier, signalling stronger financial intermediation.
- **State governments' fiscal deficit trend** – It stayed **stable at about 2.8% of GDP** in the post-pandemic period, similar to pre-pandemic levels, but has recently risen to 3.2% in FY25, indicating growing pressure on state finances.



3.4 Global Economic Growth

- Global growth in 2026 is projected to remain fragile, marked by diverging trajectories across regions.
- **Strategic Risk Scenarios** – The Survey identifies three possible scenarios:

Scenario	Probability	Features	Risk for India
Managed Disorder	40–45%	Fragile continuity, volatility, distrust	Capital flow volatility
Disorderly Multipolar Breakdown	40–45%	Strategic rivalry, sanctions, coercive trade	Supply chain disruption
Systemic Shock Cascade	10–20%	Financial, technological and geopolitical stress	Severe rupee pressure, liquidity contraction

Key Growth Projections (2026)

- **Global GDP growth** – Projected **between 3.1% – 3.3%**, steady but "fragile".

- **USA** – Projected between 2.0% – 2.4%, driven by AI-led productivity gains
- **China** – 4.2% – 4.6%, growth slowing due to structural property sector issues and debt overhang.
- **Emerging Markets** – 4.0% plus, resilient overall, but debt burdens and external vulnerabilities constrain growth.
- **Diverging Engines of Growth**
 - **AI Supercycle**: Investment in AI-related infrastructure
 - **Industrial Policy** ("Sanaenomics" & "Swadeshi")
 - **Trade Truce**: A temporary pause in US-China trade tensions
- **10–20% "Super Crisis" Risk** – Estimates a non-negligible risk of a financial shock worse than 2008 triggered by collision of high global debt, over leveraged tech investments.
- **Debt Sustainability** – With advanced economies running primary deficits higher than pre-pandemic levels, a sudden rise in bond yields could trigger a sovereign debt contagion.
- **"Winner-Takes-All" Dynamic** – Global growth is increasingly concentrated, in 2026, China and India alone are projected to 43% of all global growth.

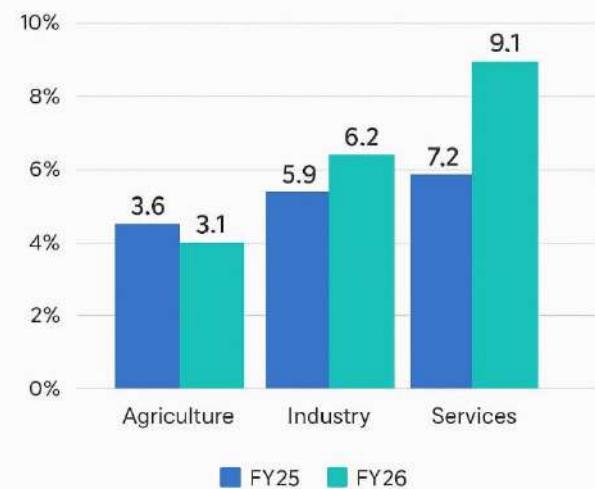
India's growth is projected between 6.6% – 7.2%, Fastest-growing major economy, well above global average.

3.5 Sectoral Drivers of Growth

Agriculture: Stabilising Rural Demand

- Agriculture and allied activities continue to play a stabilising role in India's growth cycle by supporting rural demand and income security.
- **Steady Performance** – Estimated growth for FY26 is 3.1%.
- **Agricultural GVA** – Expanded by 3.6% in H1 FY26, higher than the 2.7% growth recorded in H1 FY25.
- **Key Drivers** – Favourable monsoon, improved crop performance.
- **Diversification** – Allied activities like livestock and fisheries grew steadily at 5–6%, providing a resilient alternative income stream for farmers.

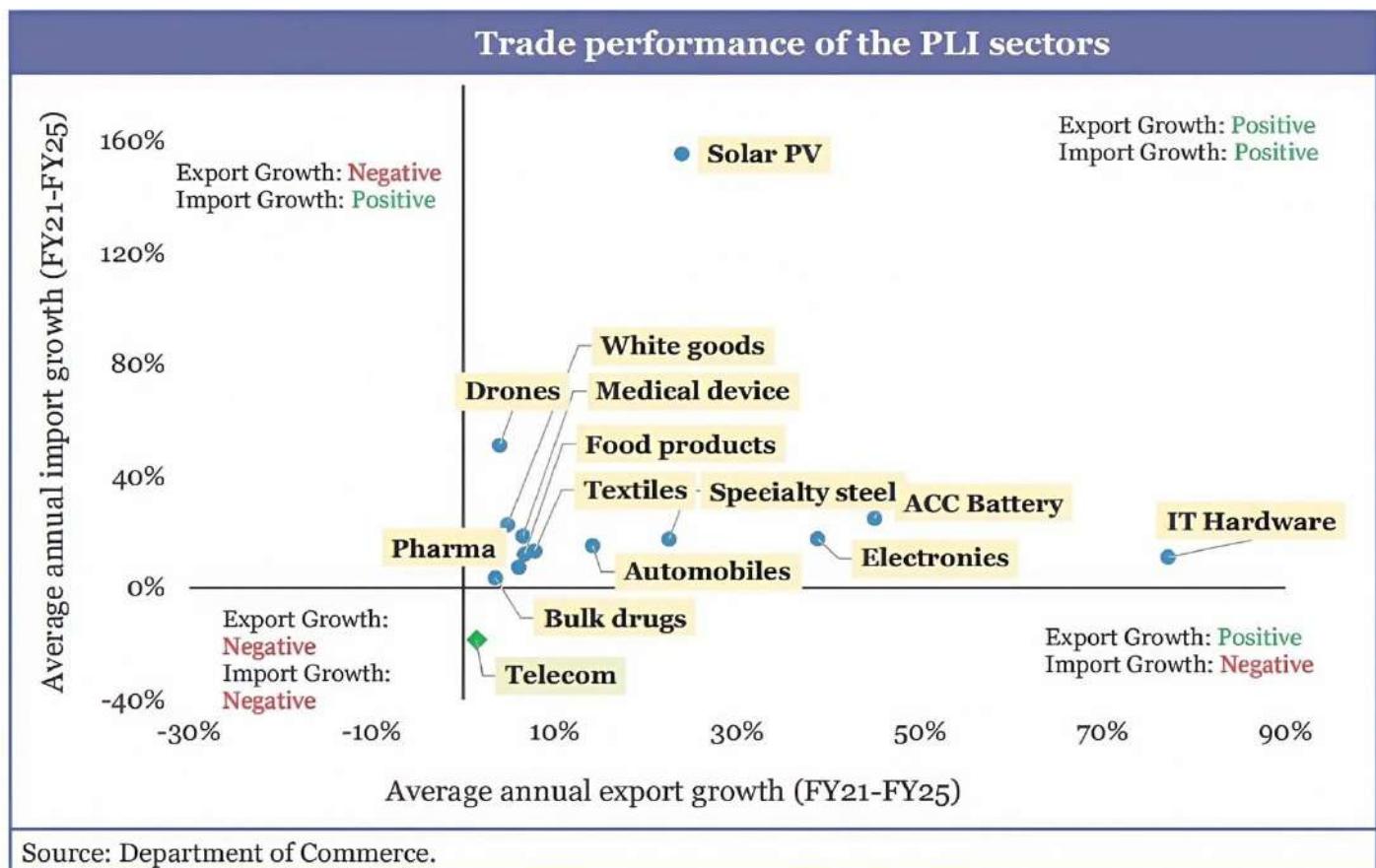
Sectoral Growth Comparison



Industry & Manufacturing: Momentum Builds

- **Sectoral Growth** – The industrial sector is projected to grow at 6.2% in FY26 up from 5.9% in FY25.
- **Sector recorded growth** – 7.0% in the first half of FY26, exceeding the growth of 6.1% in H1 of FY25 and the pre-COVID trend of 5.2%.
- **Manufacturing Surge** – GVA growth accelerated to 9.13% in Q2 FY26, signaling a deep structural recovery.
- **PLI Impact** – Schemes across 14 sectors have attracted Rs. 2.0 lakh crore in actual investment and generated over 12.6 lakh jobs as of September 2025.

India's rank in the Global Innovation Index improved to 38th in 2025, up from 66th in 2019.



Services: The Dominant Growth Engine

- The services sector has transitioned from a supporting role to the primary driver of the Indian economy, fuelled by digital transformation.
- Accelerated Growth** – Expected to surge by 9.1% in FY26, up from 7.2% the previous year.
- Historic Milestones** – GDP Share & GVA share has rose to 53.6% and 56.4% (historic high) as per the H1 FY26 respectively.
- Global Position** – India is now the world's *7th largest exporter of services*, its share in global share more than doubled to 4.3% in 2024 (from 2% in 2005).
- Investment Magnet** – It remains the *top destination* for Foreign Direct Investment (FDI).

3.6 Trade Performance: Export Diversification and Services Strength

Record-Breaking Export Momentum

- Total exports** – Reached record levels of USD 825.3 billion in FY25 and USD 418.5 billion in H1 FY26.
- Merchandise exports** – Rose 2.4% in Apr–Dec 2025 (FY26) despite global headwinds.
- Non-traditional sectors** – Growth in non-petroleum, non-gems & jewellery exports helped reduce dependence on volatile categories.

- **Global share** – India's share of world merchandise exports *increased from 1% (2005) to 1.8% (2024)*, reflecting deeper integration into global trade.

Services: The Global Powerhouse

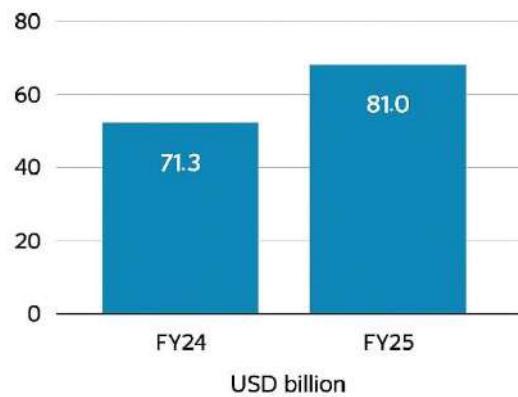
- The services sector *remains the crown jewel of India's trade profile*, reinforcing the nation's status as a global technology and professional hub.
- **Services exports** – It surged 6.5% in Apr–Dec 2025, outpacing merchandise growth.
- **Services Exports** – Reaching an all-time high of USD 387.5 billion in FY25, registering a robust 13.6% year-on-year growth.
- **Current account stability** – Services surplus kept the CAD at 0.8% of GDP in H1 FY26, cushioning external shocks.
- **Key drivers** – IT, business services, and emerging sectors like fintech and health-tech contributed to resilience.
- **Global challenges** – U.S. tariff hikes and trade policy uncertainty tested exporters, but India leveraged reforms to sustain momentum.

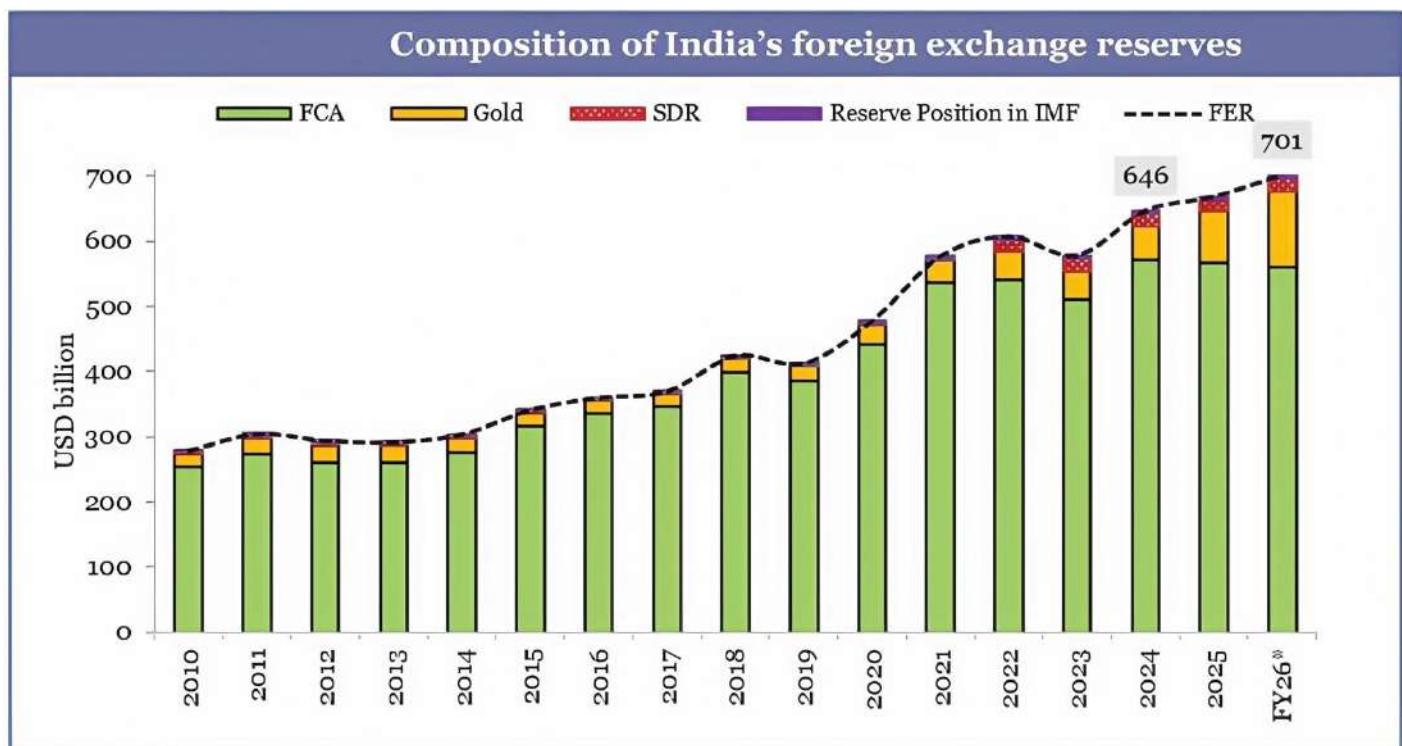
UNCTAD's Trade and Development Report, 2025 –
India ranks *3rd in the Global South* for trade partnership diversity (behind only China and the UAE).

3.7 External Sector Resilience

- **Record exports** – \$825.3 billion in FY25, with \$418.5 billion in H1 FY26 already achieved, rebound was led by strong growth in sectors like electronics and pharmaceuticals.
- **Forex Reserves** – Stood at \$701.4 billion (as of Jan 2026), providing *11 months of import cover*.
- **Remittances** – India remains *the world's top recipient*, with inflows reaching \$135.4 billion.
- **Debt Security** – These reserves *cover over 94% of India's external debt*.
- **World Leader in Remittances** – India remains the *top global recipient*, with inflows of USD 135.4 billion in FY25.
- **Gross FDI inflows** – Rose to *\$81 billion in FY25*, up 13% from \$71.3 billion in FY24.
- It saw a slowdown in 2025, primarily due to global geopolitical uncertainty and rising trade/tariff frictions.
- **Net FDI** – Surged *nearly 7x*, driven by lower repatriation and targeted GVC engagement.
- **Sectoral Opening**
 - **Insurance** – Now permits 100% FDI.
 - **Nuclear Power** – Opened to private and foreign participation for the first time.
- **Skilled Workforce Contribution** – A rising share of remittances now comes from advanced economies, reflecting the global demand for skilled Indian professionals.

FDI Inflows





3.8 Industrial Output: IIP and Core Sector Performance

Index of Industrial Production (IIP)

- Performance Peak** – Industrial production rose by 7.8% in December 2025, its highest level in over two years, following robust growth of 7.2% (RE) in Nov, 2025.
- Sector-wise Performance**
 - Manufacturing** – Remained the primary growth driver, expanding by 8.1%.
 - Mining and Electricity** recorded growth of 6.8% and 6.3%, respectively.
- High-Growth Manufacturing sub-segments** – Growth is increasingly concentrated in high-tech and mobility-linked industries
 - Computer, electronic and optical products (34.9%)
 - Motor vehicles, trailers and semi-trailers (33.5%)
 - Other transport equipment (25.1%)

Index of Eight Core Industries (ICI)

- It tracks the "nerve center" of Indian industry, representing 40.27% of the total weight of the IIP.
- Key Performances (YoY, Dec 2025)**
 - Cement production surged by 13.5% (construction demand)
 - Steel at 6.9% (infrastructure push)
 - Other core sectors** – Electricity (5.3%), Fertilizers (4.1%), and Coal (3.6%) are also posted positive growth reinforcing the recovery across energy and input-intensive industries.
- Overall Assessment** – The synchronized improvement across both the IIP and ICI indicates a broad-based industrial expansion.
- Core Drivers** – Infrastructure spending, resilient domestic demand, strong manufacturing & core sector growth.

3.9 Employment and Labour Market Trends

- **Total Employment** – Reached 56.2 crore persons (aged 15+) in Q2 FY26.
- **Job Creation** – Approximately 8.7 lakh jobs were added in Q2 FY26 compared to Q1 FY26.
- **Unemployment Rate** – Continued its downward trajectory, declining to 4.8%.
- **Labour Force Participation Rate (LFPR)** – Increased to 56.1% for those aged 15 and above.
- **Worker Population Ratio (WPR)** – Rose to 53.4%, indicating robust employment absorption.
- **Female LFPR** – Rose to 35.3%, reflecting the increasing role of women in the formal and informal economy.
- **Employment Growth** – Rising by 6% year-on-year, addition of over 10 lakh jobs compared to FY23.

Platforms & Registries

- **e-Shram portal** (Jan 2026) – Registered over 31 crore unorganised workers, with women accounting for more than 54% of total registrants, expands gender-focused welfare outreach.
- **National Career Service (NCS)** – Over 5.9 crore registered job seekers and 53 lakh job providers, and mobilisation of approximately 8 crore vacancies across sectors.
- **Vacancy Surge** – It recorded over a 200% increase in job vacancies in FY24 compared to FY23.

3.10 Banking Sector and Capital Market Performance

Banking Sector: Strength & Profitability

- Indian banks have reached a position of significant resilience, characterized by clean balance sheets and strong capital buffers.
- **Asset Quality** – Gross Non-Performing Asset (**GNPA ratios have declined**) to multi-decadal lows, with Net NPAs reaching record-low levels.
- **Scheduled Commercial Banks** – Recovery rate in NPAs doubled from 13.2% (FY18) to 26.2% (FY25).
- **Capital-to-Risk-Weighted Assets Ratio** (CRAR) – For Scheduled Commercial Banks (SCBs) remained strong at 17.2% as of September 2025.
- **Profitability** – SCBs profit after tax rose by 16.9% in FY25 and by 3.8% year-on-year as of September 2025.
- Return on Equity (RoE) stood at 12.5%, while Return on Assets (RoA) was 1.3% in September 2025.

Credit Dynamics: Fuelling the Real Economy

- **Credit Surge** – Outstanding credit by SCBs increased to 14.5% (YoY) in December 2025, marking the highest growth rate for both bank credit and non-food credit in FY26.

Labour Market Data

	Total Employment 56.2 crore (age 15+)		Unemployment Rate 4.8 %
 	Job Creation 8.7 lakh jobs		Worker Population Ratio (WPR) 53.4 %
	Female LFPR 35.3 % LFPR		year-on-year Employment Growth 6% year-on-year

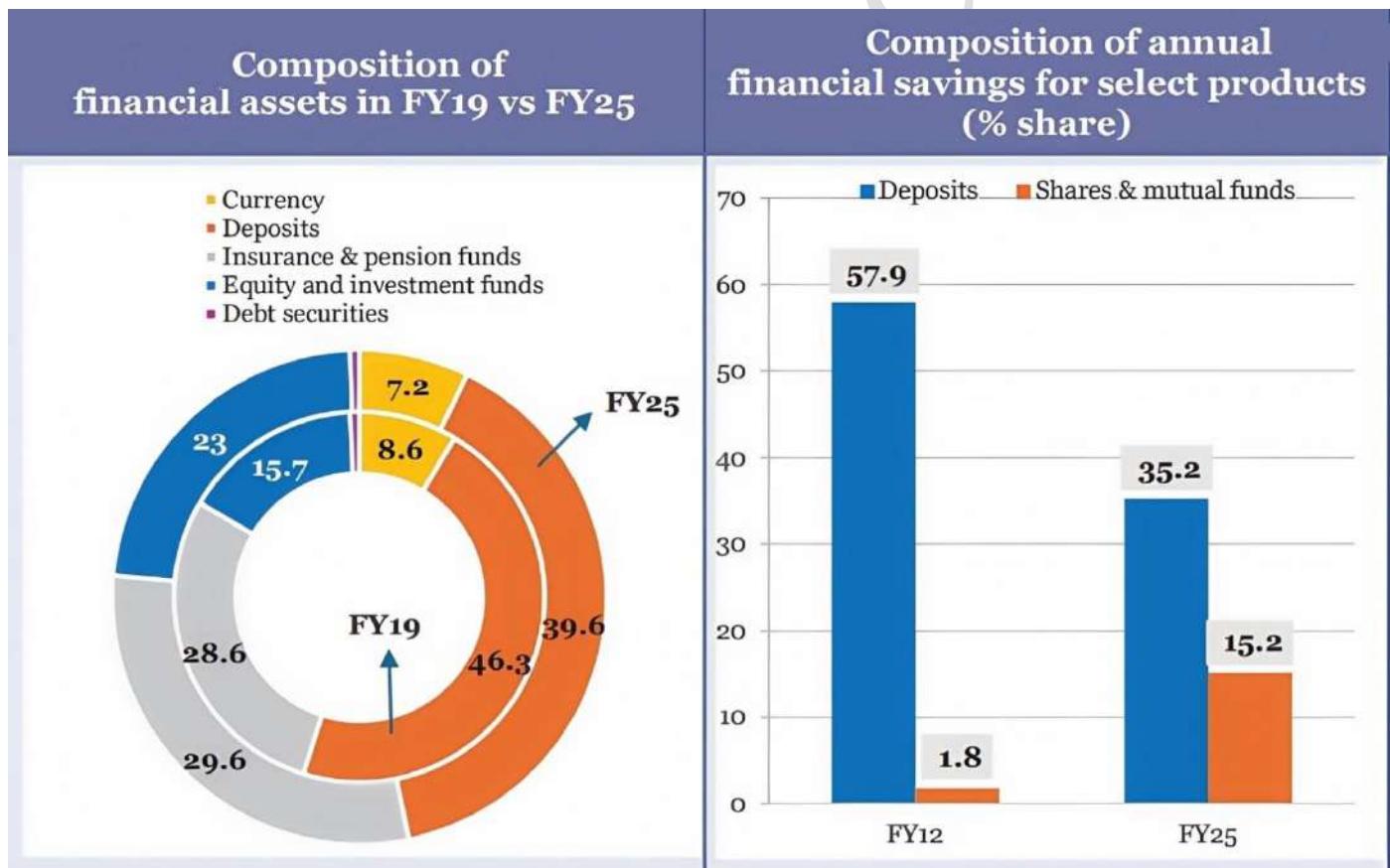
- **MSME Momentum** – Credit to the MSME sector grew by 21.8% in November 2025.
- **Micro & Small Focus** – Specifically, micro and small enterprises Recorded an increase of 24.6% (YoY) in November 2025, up from 10.2% in November 2024.

Financial Inclusion Metrics

- **Financial Inclusion Index (FI Index)** – Measures the country's progress in achieving financial inclusion.
- **Coverage** – 97 indicators across banking, investments, insurance, postal, and pensions.
- **Dimensions** – Access, Usage, and Quality of services.
 - **Sub-indices** – FI-access, FI-usage, and FI-quality.
- **Performance** – Rose from 64.2 in March 2024 to 67.0 in March 2025 shows steady improvement.

Capital Markets

- The reach of the financial system is expanding while the primary markets remain a vital source of funding.
- **Resource Mobilization** – Primary markets mobilized Rs.10.7 lakh crore in FY26 (up to December 2025).
- **Cumulative Strength** – A total of Rs.53 lakh crore was raised through equity and debt issuances between FY22 and December 2025.



Source: NSE EPR. Notes: 1) Direct is defined as the direct equity holdings, while indirect is the equity holdings through mutual funds by individuals. 2)* NSE-listed companies considered for the analysis.

Household Financialisation: The Great Shift

- Indian households are increasingly moving away from traditional savings toward market-linked instruments.
- **Equity Ownership** – Individual investors' share in equity ownership rose to 18.8% by September 2025.

- **Wealth Creation** – Household equity wealth increased by approximately Rs.53 lakh crore between April 2020 and September 2025.
- **Savings Composition** – The share of equity and mutual funds in annual household financial savings has surged from just 2% in FY12 to over 15.2% in FY25.

3.11 Structural Reforms & Policy Focus

GST 2.0 – Tax Simplification & Formalization

- Next-gen GST slabs of 5%, 18%, and 40% introduced in September 2025 to streamline compliance and boost consumption.
- GST now seen as a cornerstone reform, replacing fragmented levies with a destination-based unified tax.

Infrastructure as Growth Multiplier

- Public capex surged to 89%, focused on roads, railways, ports, power, aviation, and digital infrastructure.
- Integrated planning and deeper capital markets are driving connectivity, logistics efficiency, and productivity gains.

Investment & GVC Strategy

- Shift from broad incentives to targeted engagement with Global Value Chain (GVC) anchors emphasis on electronics, mobility, and high-tech manufacturing as strategic sectors.
- FDI inflows rose 13% YoY to \$81 billion, with net FDI surging nearly 7x due to lower repatriation.

Digital Public Infrastructure & AI

- DPI seen as a future growth engine, with focus on AI, fintech, and data governance.
- Expansion of platforms like ONDC, Account Aggregator, and UPI to deepen formalization and financial inclusion.

Climate Resilience & Urbanization

- Urbanization flagged as a long-term priority, with reforms in land use, housing, and municipal finance.
- Climate resilience integrated into planning—buffer stock management, green finance, and disaster-proofing.

Productivity & Capacity Expansion

- India operating near full capacity, requiring reforms to lift investment rate and total factor productivity.
- Survey projects real GDP growth of 6.8–7.2% in FY27, contingent on reform momentum.
