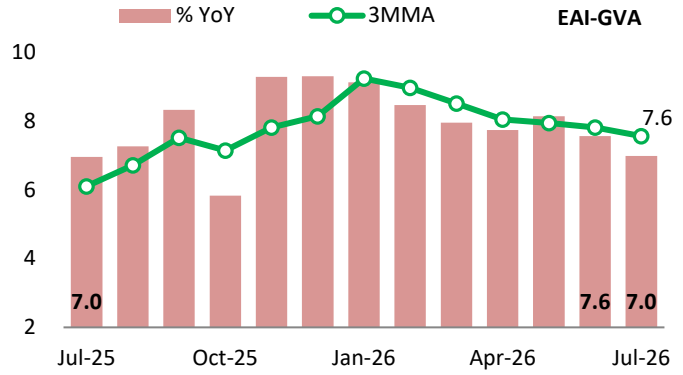
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EcoScope
The Economy Observer

EAI – Monthly Dashboard: Broad-based momentum lifts FY27 growth outlook

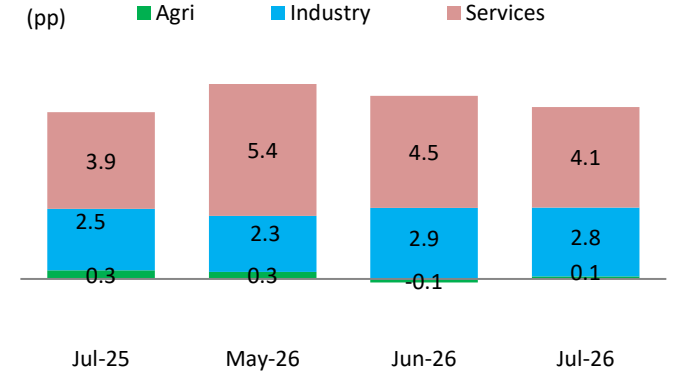
- Preliminary estimates indicate that India's EAI-GVA growth moderated to 7.0% YoY in Jul'26 from 7.6% YoY in Jun'26, reflecting a sequential easing in industrial and services activity. Industrial activity remained the strongest contributor, growing 9.4% YoY in Jul'26 vs. 10.9% YoY in Jun'26, while services growth moderated to 6.9% YoY from 7.4% YoY. Agricultural activity, however, improved to 0.9% YoY from -1.2% YoY, although it remained constrained by persistent weather-related pressures. Consequently, non-farm EAI-GVA growth moderated to 7.7% YoY in Jul'26 from 8.6% YoY in Jun'26. Notably, EAI-GVA averaged 7.6% YoY during Apr-Jul'26.
- EAI-GDP growth accelerated to 11.9% YoY in Jul'26 from 9.9% YoY in Jun'26, supported by resilient domestic demand and an improved external balance. Consumption remained robust at 11.9% YoY in Jul'26 vs. 14.5% YoY in Jun'26, supported by strong auto sales, petrol consumption, and personal credit, although revenue spending, rural wages, and consumer durables moderated. Investment activity also remained strong at 11.7% YoY in Jul'26 vs. 12.2% YoY in Jun'26, aided by robust auto sales, cargo traffic, cement production, industrial credit, and government capex. On the external front, real exports strengthened to 21.3% YoY in Jul'26 from 16.2% YoY in Jun'26, while real imports moderated to 19.1% YoY from 31.8% YoY, significantly narrowing the drag from net exports.
- High-frequency indicators point to resilient economic activity in Aug'26. PV sales remained strong at 38.9% YoY in Aug'26, while CV sales accelerated to 44.4% YoY, indicating continued resilience in domestic demand. Services PMI improved to 54.5 in Aug'26 from 53.1 in Jul'26, while manufacturing PMI moderated to 52.8 from 53.5, with both remaining in expansionary territory. FX reserves strengthened to USD729.3b in Aug'26 from USD692.9b in Jul'26. However, registered motor vehicle sales growth moderated to 17.2% YoY in Jul'26 (still a double-digit growth) from 27.5% in Jun'26, while reservoir levels remained weak (-35.9% YoY), highlighting continued weather-related risks.
- Our EAI-GVA suggests that economic activity remained robust through the start of 2QFY27, with EAI-GVA growth averaging 7.6% YoY during Apr-Jul'26, including 7.0% YoY in Jul'26. The stronger-than-expected 1QFY27 GDP print (7.8% vs. our exp. of 7.2%), along with resilient high-frequency indicators in Jul-Aug'26, provides an upside to our FY27 growth outlook. We now expect real GDP growth at 7.0-7.2% in FY27, compared with our earlier expectation of 6.8-7.0% and the RBI's 6.7% forecast. Strong investment and consumption activity, healthy manufacturing and services growth, robust credit, and sustained government infrastructure spending continue to underpin domestic activity, while improving monsoon conditions should provide further support to rural demand. Overall, the broad-based resilience in economic activity suggests that the economy has entered 2QFY27 on a firm footing. However, global trade uncertainty, geopolitical risks, and the evolution of El Niño remain key risks to the outlook. We peg nominal GDP growth at around 13% in FY27.
- The stronger growth outlook makes the monetary policy path increasingly relevant. An Oct'26 rate hike remains a possibility if growth and inflation continue to surprise on the upside, although we expect the RBI to remain cautious initially and potentially prepare the ground for a Dec'26 hike. We do see a possibility of 50bp rate hike by Feb'26, along with liquidity management tools to draw down excess liquidity.

Exhibit 1: EAI-GVA grew 7.0% in Jul'26 vs. 7.6% in Jun'26



Please refer to our earlier report for details

Exhibit 2: Deceleration in growth led by services

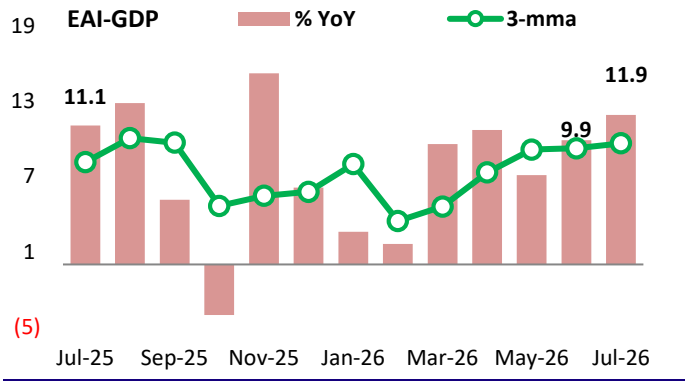


Source: Various national sources, CEIC, MOFSL

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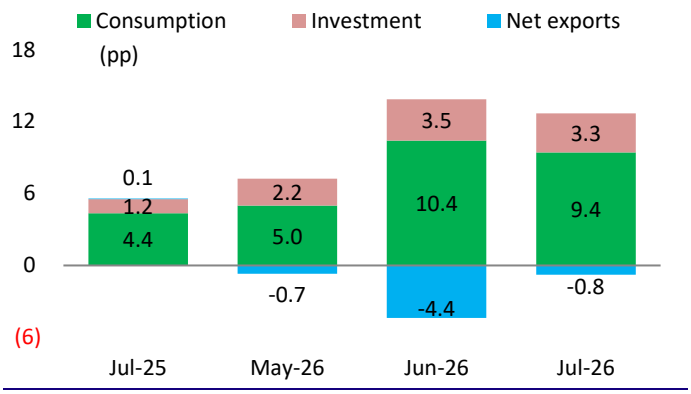
Investors are advised to refer through important disclosures made at the last page of the Research Report.
Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Exhibit 3: EAI-GDP growth improved to 11.9% YoY in Jul'26 from 9.9% in Jun'26, led by improvement in net exports



Please refer to our earlier report for more details

Exhibit 4: Consumption and investments remained strong in Jul'26



Contribution of various components to EAI-GDP

Source: Various national sources, CEIC, MOFSL

Preliminary estimates indicate that India's EAI-GVA grew 7.0% YoY in Jun'26, moderating from 7.8% in May'26, reflecting weaker agricultural activity amid a deficient monsoon, while non-farm sectors remained resilient.

- **EAI-GVA growth moderated to 7% in Jul'26:** Preliminary estimates indicate that India's EAI-GVA growth moderated to 7.0% YoY in Jul'26 from 7.6% YoY in Jun'26, reflecting a sequential easing in industrial and services activity. Industrial activity remained the strongest contributor, growing 9.4% YoY in Jul'26 vs. 10.9% YoY in Jun'26, while services growth moderated to 6.9% YoY from 7.4% YoY. Agricultural activity, however, improved to 0.9% YoY from -1.2% YoY, although it remained constrained by persistent weather-related pressures. Consequently, non-farm EAI-GVA growth moderated to 7.7% YoY in Jul'26 from 8.6% YoY in Jun'26, indicating that underlying economic activity remained resilient despite some loss of momentum. *(Exhibits 1 and 2).*
- **EAI-GDP growth accelerated to 11.9% YoY in Jul'26 from 9.9% YoY in Jun'26, supported by resilient domestic demand and an improved external balance.** Consumption remained robust at 11.9% YoY in Jul'26 vs. 14.5% YoY in Jun'26, supported by strong auto sales, petrol consumption, and personal credit, although revenue spending, rural wages, and consumer durables moderated. Investment activity also remained strong at 11.7% YoY in Jul'26 vs. 12.2% YoY in Jun'26, aided by robust auto sales, cargo traffic, cement production, industrial credit, and government capex. On the external front, real exports strengthened to 21.3% YoY in Jul'26 from 16.2% YoY in Jun'26, while real imports moderated to 19.1% YoY from 31.8% YoY, significantly narrowing the drag from net exports. *(Exhibits 3 and 4).*

Components of EAI-GVA

- **Agricultural activity remains weak amid persistent weather stress:** Agricultural activity remained subdued in Jul'26, with EAI agriculture growth at 0.9% YoY vs. -1.2% YoY in Jun'26, indicating a modest sequential improvement. The recovery was supported by stronger domestic tractor sales, which accelerated to 18.5% YoY in Jul'26 from 11.8% YoY in Jun'26, while real rural wage growth remained healthy at 13.0% YoY vs. 12.8% YoY in Jun'26. However, reservoir levels deteriorated further, contracting 35.9% YoY in Jul'26 vs. 29.6% YoY in Jun'26, while fertilizer production remained in contraction at -8.0% YoY vs. -6.3% YoY in Jun'26. The continued weakness in water availability highlights persistent weather-related risks to agricultural activity, although the improvement in rainfall and kharif sowing should provide some support going forward *(Exhibits 8 and 9).*

- **Industrial activity remains robust despite some moderation:** Industrial activity remained strong in Jul'26, with growth at 9.4% YoY vs. 10.9% YoY in Jun'26, supported by healthy manufacturing and construction activity. Manufacturing growth remained robust at 11.3% YoY vs. 12.2% YoY in Jun'26, aided by IIP manufacturing growth of 7.3% YoY vs. 6.8% YoY, improving credit growth of 9.3% YoY vs. 8.8% YoY, and resilient electricity generation growth of 9.0% YoY vs. 9.8% YoY. Construction growth moderated to 6.9% YoY in Jul'26 from 8.8% YoY in Jun'26, although cement production accelerated to 13.1% YoY from 9.8% YoY. Mining activity weakened marginally, contracting 1.7% YoY in Jul'26 vs. -0.5% YoY in Jun'26, while steel production growth moderated to 2.9% YoY from 4.5% YoY *(Exhibits 5 and 9).*
- **Services sector growth eased to 6.9% YoY in Jul'26 from 7.4% YoY in Jun'26, reflecting a moderation across several indicators**. Services PMI declined sharply to 53.1 in Jul'26 from 57.3 in Jun'26, while real deposits growth moderated to 2.5% YoY from 3.1% YoY and mutual fund AUM growth eased to 3.7% YoY from 4.1% YoY. Nevertheless, domestic demand indicators remained supportive, with auto sales accelerating to 25.2% YoY in Jul'26 from 19.6% YoY in Jun'26, freight traffic growth strengthening to 8.9% YoY from 7.2% YoY, and trade credit growth improving to 9.2% YoY from 8.1% YoY. Telecom subscriber growth remained healthy at 10.3% YoY vs. 10.1% YoY in Jun'26, while fiscal spending remained positive at 3.8% YoY vs. 20.4% YoY in Jun'26 *(Exhibits 6 and 9).*

Exhibit 5: Industrial sector growth eased to 9.4% YoY in Jul'26 from 10.9% in Jun'26

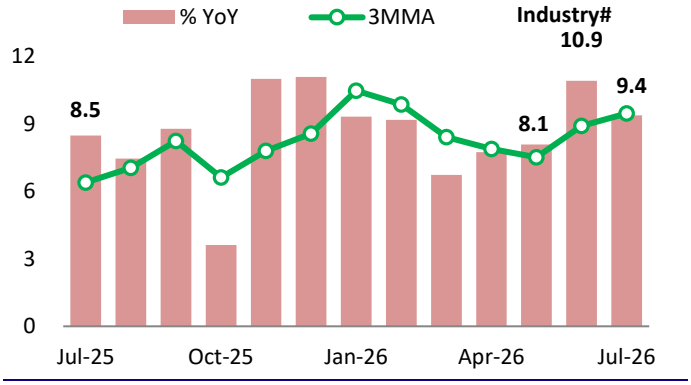


Exhibit 6: Services sector growth slowed to 6.9% in Jul'26 from 7.4% in Jun'26

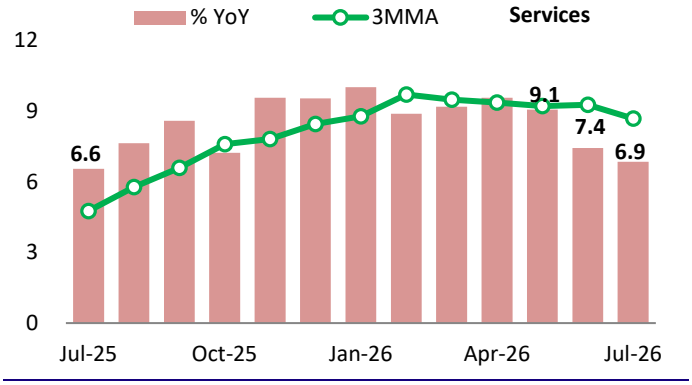


Exhibit 7: Real import growth eased to 19.1% in Jul'26, while exports growth increased to 21.3% in Jul'26

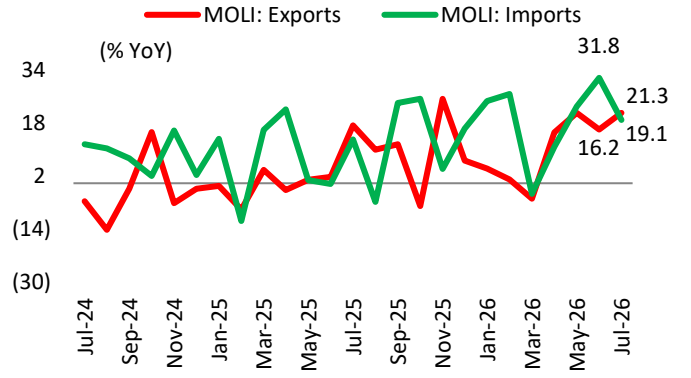


Exhibit 8: Agricultural sector posted growth of 0.9% in Jul'26 vs. a contraction of 1.2% in Jun'26

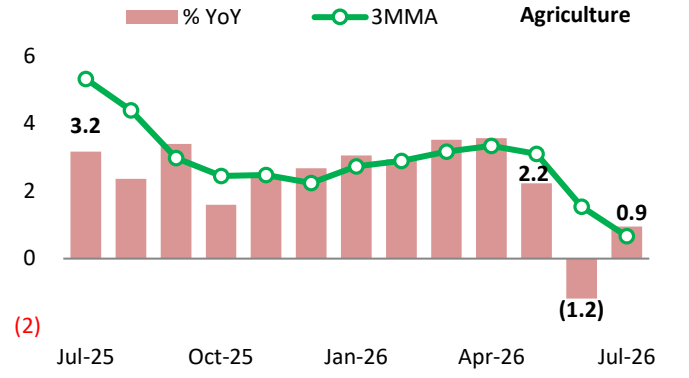


Exhibit 9: Key indicators used in the creation of EAI-GVA on a monthly basis

% YoY	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26
Agriculture and allied activities													
IIP: Fertiliser	1.9	4.5	1.7	7.4	5.5	4.1	3.7	3.5	(24.6)	(8.5)	(1.0)	(3.3)	(8.0)
Domestic tractor sales	7.1	24.6	42.9	14.4	30.3	34.9	40.1	30.7	24.0	27.1	19.1	11.8	18.5
Real rural wages[1]	17.5	17.3	17.6	17.9	19.3	19.3	20.0	19.3	18.2	17.2	15.8	25.9	13.0
Reservoir levels	38.2	5.5	4.3	5.7	7.6	5.9	9.1	14.9	9.8	16.1	0.8	(28.9)	(35.9)
Agriculture sector	3.2	2.4	3.4	1.6	2.5	2.7	3.1	2.9	3.5	3.6	2.2	(1.2)	0.9
Industrial sector													
Coal	(12.3)	10.8	(1.1)	(8.4)	2.2	3.7	0.9	1.4	(4.0)	(9.0)	(9.5)	1.4	7.6
Crude oil	(0.8)	(0.7)	(0.7)	(0.8)	(2.6)	(5.1)	(5.4)	(4.8)	(5.3)	(3.2)	(4.2)	(4.2)	(5.3)
Natural gas	(3.3)	(2.2)	(3.7)	(5.2)	(2.5)	(4.4)	(4.9)	(5.0)	(3.7)	(4.2)	(5.0)	(4.8)	(3.7)
IIP: Mining	10.7	15.8	15.7	2.8	3.3	0.8	(0.5)	(2.4)	(2.6)	(3.8)	(1.4)	1.6	(0.9)
Mining	5.7	12.7	10.7	1.9	2.2	(1.1)	(2.6)	(3.1)	(4.7)	(4.3)	(3.8)	(0.2)	(1.7)
Electricity	3.7	4.2	3.1	(7.0)	(1.5)	6.2	5.1	2.3	0.8	5.5	11.2	11.4	9.0
IIP: Manufacturing	5.1	3.6	5.5	(0.7)	8.8	7.7	4.6	5.7	4.0	6.1	5.2	9.5	7.3
Credit growth[2]	7.4	7.0	8.0	11.3	10.2	12.4	10.8	11.1	10.6	6.2	7.0	8.5	9.3
Fuel consumption	(0.2)	0.2	5.6	(2.6)	3.0	4.7	2.0	6.6	7.2	(2.3)	1.8	0.1	8.1
Manufacturing	8.5	7.2	9.4	3.9	12.3	11.8	8.7	10.0	8.5	9.0	8.6	12.4	11.3
Steel production	15.7	15.3	14.3	9.5	11.6	11.1	13.8	9.9	9.6	4.7	5.1	5.6	2.9
Cement output	11.1	5.4	5.1	5.2	15.1	14.0	11.3	9.1	4.7	8.3	8.4	9.9	13.1
Construction	11.2	9.2	9.8	5.1	12.0	12.3	12.9	10.1	5.2	6.0	6.6	8.8	6.9
Industry	8.5	7.5	8.8	3.6	11.0	11.1	9.3	9.2	6.7	7.7	8.1	10.9	9.4
Services sector													
Auto sales#	7.5	4.8	6.6	4.7	20.9	35.4	23.6	29.5	18.4	27.4	17.4	20.2	25.2
Trade credit[4]	13.7	12.3	11.9	15.1	14.8	17.1	14.8	11.9	11.8	4.6	6.7	7.9	9.2
Freight traffic[5]	1.4	6.3	6.5	5.6	7.8	6.5	4.5	3.9	2.3	0.2	3.2	5.8	8.9[8]
MF AUMs	16.9	12.7	12.9	20.2	19.4	19.5	19.0	24.4	7.9	8.0	2.8	0.6	3.7
Fiscal Spending[6]	9.4	(12.5)	4.3	(25.2)	7.6	(17.1)	(19.9)	7.7	4.1	13.4	(9.7)	20.4	3.8
Real deposits[7]	11.1	9.3	9.6	12.2	10.8	12.3	9.3	8.9	11.7	4.5	2.1	3.1	2.5
Telecom subscribers	0.5	1.1	2.2	2.6	8.2	8.5	9.5	9.6	10.0	10.4	10.5	9.9	10.3
PMI: Services	0.3	3.3	5.5	0.7	2.4	(2.2)	3.5	(1.5)	(1.7)	0.2	1.7	(5.0)	(11.9)
Services sector	6.6	7.6	8.6	7.2	9.6	9.6	10.0	8.9	9.2	9.6	9.1	7.4	6.9
Aggregates													
EAI-GVA	7.0	7.3	8.3	5.8	9.3	9.3	9.1	8.5	7.9	7.7	8.1	7.6	7.0
Non-farm EAI-GVA	7.2	7.6	8.6	6.1	10.1	10.1	9.8	9.1	8.4	8.6	8.8	8.6	7.7

[1] Rural wages; deflated by CPI for rural workers
[2] Banks' industrial credit growth; deflated by WPI
[3] Non-metallic minerals products (NMMP)
[4] Banks' non-food trade credit; deflated by WPI
[5] Railways and aviation
[6] Total spending of the central government excluding interest and subsidies; deflated by WPI
[7] Bank deposits; deflated by WPI
[8] our forecasts
Sale of commercial vehicles within total auto sales starting Apr'20 has been derived using CV sales of Ashok Leyland, Eicher Motors Ltd., Mahindra & Mahindra Ltd., and Tata Motors; the four account for ~98% of all CV sales.

Worse than the previous month and a year ago
Worse than the previous month but better than a year ago
Better than the previous month but worse than a year ago
Better than the previous month and a year ago

Components of EAI-GDP

- **EAI consumption growth moderated to 11.9% YoY in Jul'26 from 14.5% YoY in Jun'26, but remained above 10.0% YoY in Jul'25.** The moderation was led by slower revenue spending (19.7% YoY in Jul'26 vs. 20.4% YoY in Jun'26), rural wage growth (20.3% in Jul'26 vs. 27.3% in Jun'26), and consumer durables (-1.0% in Jul'26 vs. 5.6% in Jun'26). Services PMI moderated sharply to 53.3 in Jul'26 from 57.4 in Jun'26, indicating some easing in services activity. However, auto sales accelerated to 24.8% YoY in Jul'26 from 19.6% YoY in Jun'26, petrol sales to 9.2% from 7.5%, and personal credit growth to 16.2% from 15.8%. Overall, consumption remained resilient, supported by strong auto sales and credit growth, despite some sequential moderation *(Exhibits 10 and 12).*
- **Investment activity remains robust in Jul'26:** EAI investment growth moderated marginally to 11.7% YoY in Jul'26 from 12.2% YoY in Jun'26, but remained above 9.9% YoY in Jul'25. The moderation was led by slower growth in capital goods imports (10.2% YoY vs. 23.2% YoY in Jun'26) and electricity generation (9.0% vs. 11.4% in Jun'26), while auto sales accelerated to 30.3% YoY in Jul'26 from 28.3% in Jun'26, diesel sales to 10.0% in Jul'26 from 6.2% in Jun'26, and cargo traffic to 8.9% in Jul'26 from 5.8% in Jun'26. Industrial credit growth also strengthened to 20.0% YoY from 19.2% in Jun'26, while govt. capex remained strong at 53.7% YoY in Jul'26 vs. 66.0% in Jun'26. The Manufacturing PMI moderated to 53.5 in Jul'26 from 54.2 in Jun'26, but remained in the expansionary territory. Overall, investment activity remained resilient *(Exhibits 11 and 13)*.
- **External demand remained resilient in Jul'26,** with real exports accelerating to 21.3% YoY in Jul'26 from 16.2% YoY in Jun'26, while real imports moderated sharply to 19.1% YoY from 31.8% YoY. The faster growth in exports than imports helped narrow the drag from net exports, with their contribution to EAI-GDP improving to -0.8pp in Jul'26 from -4.4pp in Jun'26. Nevertheless, net exports remained a marginal drag on overall growth, despite an improvement in external balance during the month *(Exhibit 7).*

Exhibit 10: Total consumption growth was printed at 11.9% in Jul'26, down from 14.5% in Jun'26

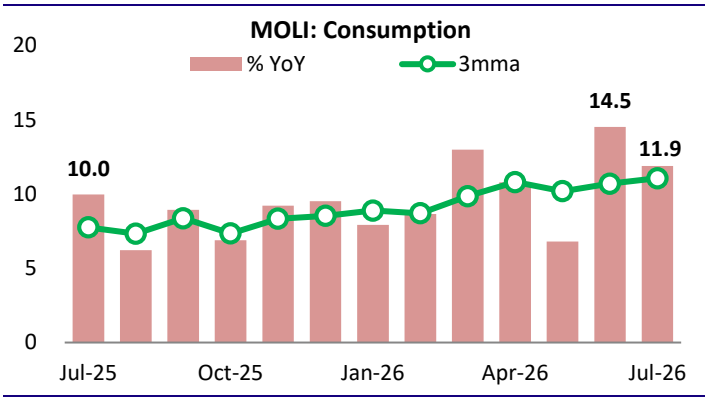


Exhibit 11: Investment posted healthy growth of 11.7% in Jul'26, though eased slightly from 12.2% in Jun'26

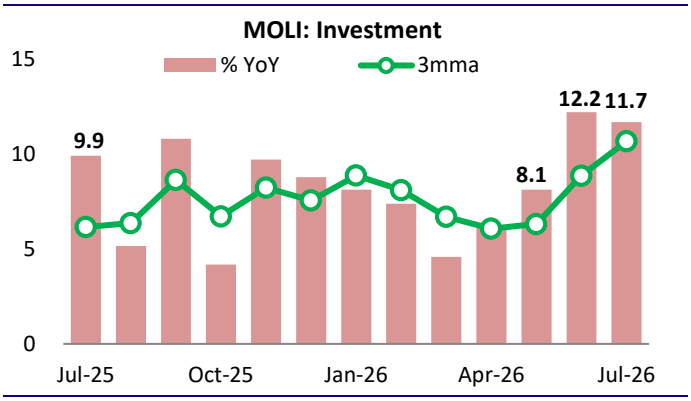


Exhibit 12: Key leading indicators for consumption on a monthly basis

% YoY	Passenger traffic[1]	Revenue spending[2]	Petrol sales	Rural wages[3]	Consumer durable: IIP	Auto sales[4]	Imports[5]	Foreign tourists arrival	Personal credit	Services PMI
Jul-25	3.2	18.6	5.9	15.2	5.8	7.0	6.5	(16.4)	11.9	60.5
Aug-25	2.1	(39.1)	5.5	19.8	0.1	4.4	6.5	(5.1)	11.9	62.9
Sep-25	3.4	(11.6)	8.0	18.6	(0.5)	6.3	21.3	(9.8)	11.8	60.9
Oct-25	6.2	(25.5)	7.4	19.9	(9.4)	4.5	12.1	(5.1)	14.0	58.9
Nov-25	2.9	14.6	2.6	20.9	3.9	20.7	12.1	(2.0)	12.8	59.8
Dec-25	1.9	(7.6)	7.1	20.7	5.9	36.6	13.4	2.0	14.6	58.0
Jan-26	2.7	(16.6)	6.1	21.1	(1.2)	23.3	4.5	5.2	14.9	58.5
Feb-26	4.2	(6.2)	6.1	20.4	1.6	29.9	22.0	6.1	15.2	58.1
Mar-26	8.1	44.4	7.6	19.6	(0.6)	18.7	8.1	(1.6)	16.2	57.5
Apr-26	0.6	26.5	6.8	18.7	0.2	27.8	0.6	(14.7)	16.0	57.9
May-26	1.4	(0.9)	3.4	17.1	(0.4)	17.0	1.4	9.0	15.4	59.8
Jun-26	0.7	20.4	7.5	27.3	5.6	19.6	0.7	6.6	15.8	57.4
Jul-26	0.3	19.7	9.2	20.3	(1.0)	24.8	0.3	4.7	16.2	53.3

[1] Railways and aviation

[2] Revenue spending *less* interest payments of the central government

[3] Real rural wages; deflated by CPI for rural workers

[4] Includes passenger vehicles and two-wheelers

[5] Imports of agricultural items, leather products, newsprint, and electronic goods, textiles (excluding gold, silver, precious metals)

Worse than the previous month and a year ago
Worse than the previous month but better than a year ago
Better than the previous month but worse than a year ago
Better than the previous month and a year ago

Exhibit 13: Key leading indicators for investments on a monthly basis

% YoY	Cargo traffic[1]	Electricity	Auto sales[2]	Diesel sales	Capital goods' imports[3]	Cement Production	IIP: Non-metallic products	IIP: Capital goods	Industrial credit	Govt capex[4]	Manufacturing PMI
Jul-25	1.4	3.7	13.8	2.3	17.0	11.1	69.3	5.9	6.5	(10.5)	59.1
Aug-25	6.3	4.2	9.6	1.2	(9.7)	5.4	67.2	6.0	7.0	113.1	59.3
Sep-25	6.5	3.1	10.6	6.5	8.4	5.1	74.4	13.2	7.8	30.9	57.7
Oct-25	5.6	(7.0)	9.1	(0.3)	10.4	5.2	12.4	5.4	10.0	(28.3)	59.2
Nov-25	7.8	(1.5)	22.9	4.8	12.1	15.1	0.9	16.6	9.6	(13.8)	56.6
Dec-25	6.5	6.2	22.7	5.2	7.9	14.0	(6.9)	12.9	12.8	(24.5)	55.0
Jan-26	4.5	5.1	27.0	3.3	6.8	11.3	(6.9)	12.4	12.1	(24.5)	55.4
Feb-26	3.9	2.3	24.7	4.3	3.2	9.1	(9.6)	16.5	13.5	59.6	56.9
Mar-26	2.3	0.8	15.1	8.1	8.4	4.7	(17.1)	8.5	15.0	(41.8)	53.9
Apr-26	0.2	5.5	22.0	0.8	9.0	8.3	(10.3)	12.0	15.1	18.8	54.7
May-26	3.2	11.2	19.4	1.6	6.4	8.4	(6.1)	15.5	17.5	(0.6)	55.0
Jun-26	5.8	11.4	28.3	6.2	23.2	9.9	(11.7)	17.9	19.2	66.0	54.2
Jul-26	8.9	9.0	30.3	10.0	10.2	13.1	(12.5)	16.1	20.0	53.7	53.5

[1] Railways and waterways

[2] Includes commercial vehicles and three-wheelers

[3] Machinery and equipment, transport equipment, machine tools, and project goods

[4] Capital spending of the central government

** - Data for total CV sales starting Apr'20 derived using CV sales of Ashok Leyland, Eicher Motors Ltd., Mahindra & Mahindra Ltd., and Tata Motors; the four companies account for ~98% of all CV sales

Worse than the previous month and a year ago
Worse than the previous month but better than a year ago
Better than the previous month but worse than a year ago
Better than the previous month and a year ago

HFIs point to resilient economic activity in Aug'26

High-frequency indicators suggest that economic activity remained resilient in Aug'26, supported by strong auto sales and an improvement in business sentiment toward the end of the month. PV sales remained robust at 38.9% YoY in Aug'26 vs. 37.7% YoY in Jul'26, while CV sales accelerated to 44.4% YoY from 36.4% YoY. Registered motor vehicle sales, however, moderated to 17.2% YoY in Aug'26 from 27.5% YoY in Jul'26. Manufacturing PMI eased to 52.8 in Aug'26 from 53.5 in Jul'26, while Services PMI improved to 54.5 from 53.1, with both remaining in the expansionary territory. FX reserves also strengthened to USD729.3b in Aug'26 from USD692.9b in Jul'26. Meanwhile, reservoir levels remained under pressure at -35.9% YoY in Aug'26, although the latest rainfall activity should provide some support to water availability. Overall, high-frequency indicators point to resilient economic activity in Aug'26, with strong auto demand and improving services sentiment partly offsetting continued weakness in reservoir levels *(Exhibit 14).*

Exhibit 14: HFIs pointed to resilient economic activity in Aug'26

	% YoY	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26	Aug-26
% YoY	Water reservoir levels	5.5	4.3	5.7	7.6	5.9	9.1	14.9	9.8	16.1	0.8	-27.9	-28.9	-35.9
Index	PMI: Manufacturing	59.3	57.7	59.2	56.6	55.0	55.4	56.9	53.9	54.7	55.0	54.2	53.5	52.8
Index	PMI: Services	62.9	60.9	58.9	59.8	58.0	58.5	58.1	57.5	57.9	59.8	57.3	53.1	54.5
% YoY	Registered motor vehicles	3.9	6.3	41.1	2.9	15.9	18.1	26.5	26.2	13.7	11.3	23.7	27.5	17.2
USD b	FX reserves[2]	695.4	700.1	689.7	687.9	687.7	711.5	728.5	691.1	698.5	682.3	672.6	692.9	729.3
% YoY	PVs sales	11.8	27.0	38.3	19.1	25.0	12.7	10.1	15.2	26.6	29.8	25.4	37.7	38.9
% YoY	CVs sales[1]	11.8	16.7	12.6	26.0	27.7	26.5	23.1	11.9	23.0	18.9	39.2	36.4	44.4

[1] Sale of commercial vehicles within total auto sales starting Apr'20 has been derived using CV sales of Ashok Leyland, Eicher Motors Ltd., Mahindra & Mahindra Ltd., and Tata Motors; the four account for ~98% of all CV sales.

[2] Data as of 21st Aug'26

Source: Various national sources, CEIC, MOFSL

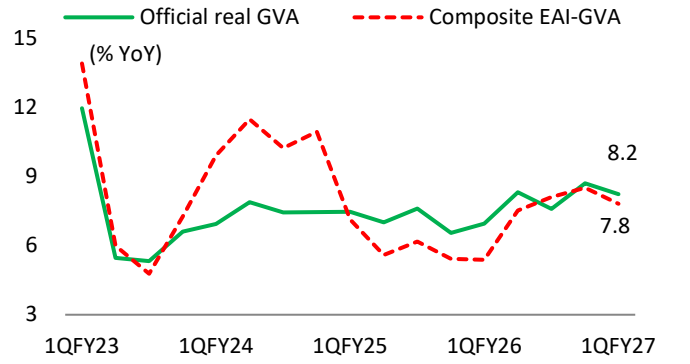
Worse than the previous month and a year ago
Worse than the previous month but better than a year ago
Better than the previous month but worse than a year ago
Better than the previous month and a year ago

Outlook: Growth outlook upgraded on broad-based economic resilience:

Our EAI-GVA suggests that economic activity remained robust through the start of 2QFY27, with EAI-GVA growth averaging 7.6% YoY during Apr-Jul'26, including 7.0% YoY in Jul'26. The stronger-than-expected 1QFY27 GDP print, along with resilient high-frequency indicators in Jul-Aug'26, provides an upside to our FY27 growth outlook. We now expect real GDP growth at 7.0-7.2% in FY27, compared with our earlier expectation of 6.8-7.0% and the RBI's 6.7% forecast. Strong investment and consumption activity, healthy manufacturing and services growth, robust credit, and sustained government infrastructure spending continue to underpin domestic activity, while improving monsoon conditions should provide further support to rural demand. Overall, the broad-based resilience in economic activity suggests that the economy has entered 2QFY27 on a firm footing. However, global trade uncertainty, geopolitical risks, and the evolution of El Niño remain key risks to the outlook. We peg nominal GDP growth at around 13% in FY27.

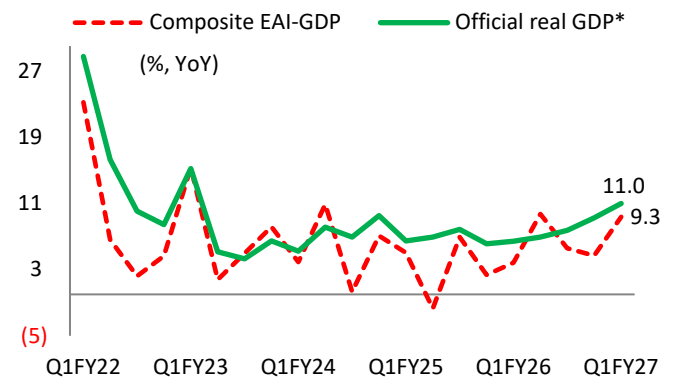
The stronger growth outlook makes the monetary policy path increasingly relevant. An Oct'26 rate hike remains a possibility if growth and inflation continue to surprise on the upside, although we expect the RBI to remain cautious initially and potentially prepare the ground for a Dec'26 hike. We do see a possibility of 50bp rate hike by Feb'26, along with liquidity management tools to draw down excess liquidity.

Exhibit 15: EAI-GVA moves in line with the official real GVA



Source: CEIC, various official sources, MOFSL

Exhibit 16: EAI-GDP moves in line with the official real GDP*



Source: CEIC, various official sources, MOFSL

*Note: GDP less discrepancies

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