

Economy accelerated in Q2, momentum to sustain: FinMin

RUCHIKA CHITRAVANSHI

New Delhi, 27 October

Demand conditions across rural and urban India have improved through the second quarter (Q2) of 2025-26 (FY26), and the momentum gained in Q2 is expected to continue in the upcoming months, driven by resilient domestic economic activity and stronger demand supported by goods and services tax (GST) reforms, the Finance Ministry said on Monday.

Despite a fog of uncertainty shrouding the global economy and lingering trade policy uncertainty, the ministry's monthly economic review for September noted that India's trade performance in H1FY26 reflects steady momentum and resilience, citing a 3 per cent rise in merchandise exports and a 6.1 per cent uptick in services exports.

Turn to Page 6 ►

■ Q2 business confidence drops on US tariffs

Economy accelerated in Q2, momentum to stay: FinMin

“Against a global backdrop characterised by economic and trade policy uncertainty, India’s economy gained momentum in Q2 FY26. This is particularly significant, as the US imposed higher tariffs on India in August... Even as trade deal negotiations with the US continue, merchandise trade data for September 2025 presented early evidence of diversification of export destinations,” stated the review authored by officials in the Department of Economic Affairs’ economics division.

Although global economic activity has remained robust despite a deteriorating trade outlook, prompting the International Monetary Fund

(IMF) to revise its 2025 global growth estimate from 3 per cent to 3.2 per cent, the review cautioned that “interpreting this growth as durable resilience may be incorrect” as it seems to be fading.

India’s growth outlook for FY26 remains strong, supported by a positive demand outlook due to GST reforms, favourable monsoons, lower inflation and monetary easing, the review underlined, while acknowledging that global uncertainties will “continue to affect external demand, presenting downside risks to the growth outlook”.

Full story on
[business-standard.com](https://www.business-standard.com)