STRUCTURAL REFORMS NEEDED TO ACCELERATE JOB CREATION

H2 growth outlook stable as inflation cools: Finmin

• Independent estimates put Q2 growth at 7-7.5%

FE BUREAU
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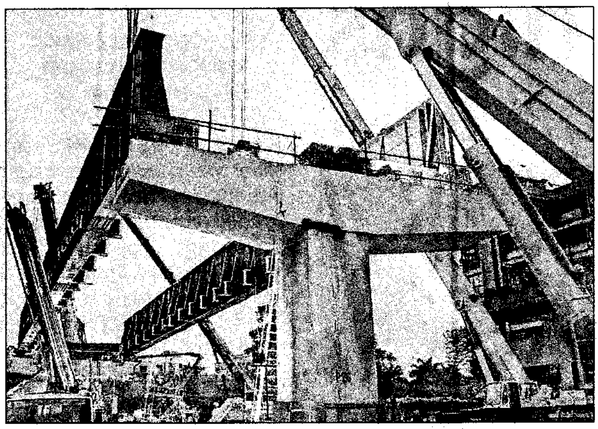
QUICK GIST

- GST rate rationalisation is lifting demand, reflected in stronger e-way bills, auto sales
- Inflation hit a record low 0.25% in October as food prices eased
- Corporate profits rose 12.3% in Q2 while services exports hit a monthly record
- Finmin flags global risks but says domestic fundamentals remain strong



INDIA'S MACROECONOMIC OUTLOOK for the second half of the current financial year appears stable and resilient, according to the finance ministry's Monthly Economic Review for October 2025. It highlighted easing inflation, strengthening consumption, and steady policy support.

The report says India enters the next phase of the fiscal year with well-anchored prices, robust domestic demand and a favourable agricultural cycle, even as global trade uncertainty continues to pose risks.

"The rationalisation of GST rates has provided a measurable boost to consumption, as reflected in the strengthening of high-frequency indicators, including higher e-way bill generation, record festive-season automobile sales, robust UPI transaction values, and a notable rise in tractor sales," the report said.

These developments point to broad-based improvements in demand conditions across both urban and rural segments, it said.

"The full impact of GST rationalisation on spending behaviour would become more evident over the next two quarters," it added.

About growth prospects, it said that various independent economic assessments place real GDP growth for Q2FY26 in the range of 7-7.5%, indicating continued strength in underlying economic activity. The GDP data for Q2 will be released on Friday. Economic growth was at a 5-quarter high of 7.8% in Q1.

The report noted that headline inflation fell to an all-time low of 0.25% in October, supported by falling food prices and a favourable base, while Rabi sowing surged nearly 15%, reinforcing the outlook for stable food supplies.

Corporate performance remained healthy in Q2 FY26, with profits up 12.3% year-on-year and margins at multi-year highs. The services sector continued to provide a critical buffer to the external account, recording its highest-ever monthly export value and covering nearly half of the merchandise trade deficit in October.

Financial markets remained steady, supported by domestic institutional investors, rising household financial savings and strong FDI inflows. The report, however, cautioned that global uncertainties — including trade policy shifts, geopolitical risks, and market volatility — require continued vigilance even as the domestic economy retains strong momentum.

Overall, the economy enters the second half of FY26 on a stable footing, anchored by well-contained inflation, resilient domestic demand and supportive policy dynamics, even as global uncertainties warrant continued vigilance, it added.

The report called for structural reforms to sustain and accelerate job creation in the economy.

In a bid to reform the labour markets, the Centre has implemented 4 Labour Codes: the Code on Wages, 2019; the Industrial Relations Code, 2020; the Code on Social Security, 2020; and the Occupational Safety, Health and Working Conditions Code, 2020, streamlining 29 prevailing labour laws.