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## The Macro Blueprint

In the shapeshifting landscape of economic growth, key macro-economic indicators can play a critical role in acting as a lighthouse for policy-makers, corporates, and investors. Employment data reveals whether consumers are ready to spend or in a sulky mood. Business activity data shows whether the spirits of the business community are high or low. Inflation prints whisper where prices and your purchasing power are heading.

Thus, macro data acts as an early warning or a strategic nudge, helping investors gain an on-ground understanding of where the economy is heading. It sharpens conviction, filters hype, and brings clarity when the market feels foggy. We bring to you a few headline indicators, and our understanding of what they are saying, that can be helpful in navigating toward smarter, more successful investing.

# Tempered Optimism

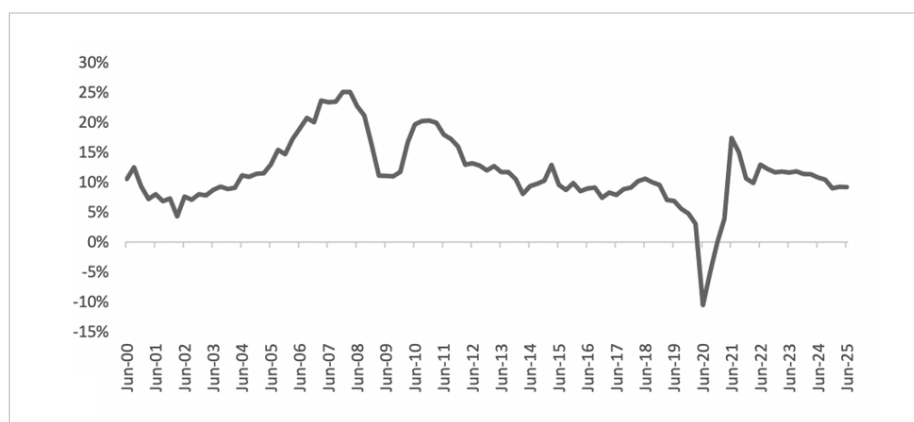


## Employment

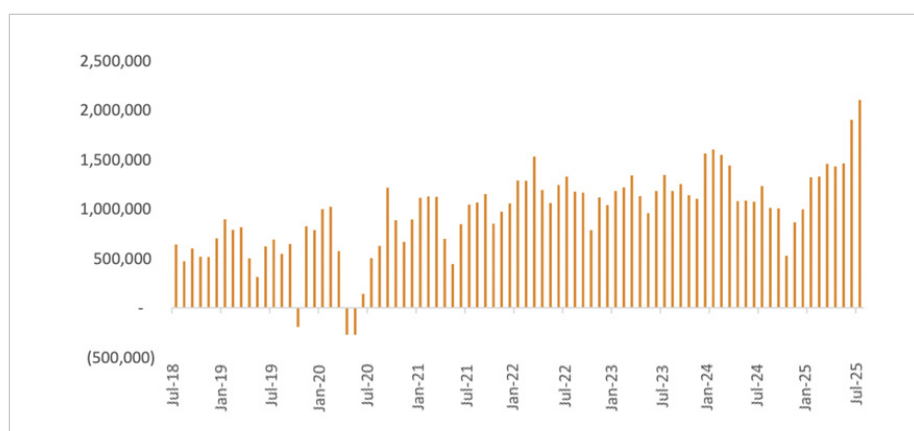
Employment growth in India over the last few months has presented a picture of mixed but notable shifts—caution layered with pockets of momentum. Listed Indian companies, for instance, have sharply slowed their employee cost growth to high single digits, marking the weakest pace in 16 quarters. This signals that corporate India is still hiring, but far more selectively. On the other hand, the Periodic Labour Force Survey (PLFS) for the July-September 2025 quarter reveals a decline in rural unemployment, increasing labour force participation, and a continued concentration in agriculture. The rural unemployment rate among persons aged 15 years and above, decreased to 4.3% during the period from 4.8% in the previous quarter. Correspondingly, (and for the same cohort) the Labour Force Participation Rate (LFPR) held steady at 55.1%, compared to 55% in the previous quarter<sup>1</sup>.

Consumer expectations on employment, as reflected in recent RBI surveys, remain cautious, though sentiment has improved slightly, hinting at early confidence returning. Meanwhile, EPFO data has shown an impressive surge of over 50% in recent months, suggesting stronger formal job creation.

**Exhibit 1 : Median Employee Cost Growth**



**Exhibit 2 : Employees Provident Fund Organisation (EPFO) Net Payroll Additions**



**Together, these trends paint a realistic, nuanced narrative: India's job landscape is moving, but with a measured, watchful stride.**

<sup>1</sup> <https://www.pib.gov.in/PressReleasePage.aspx?PRID=2188343&reg=3&lang=1>



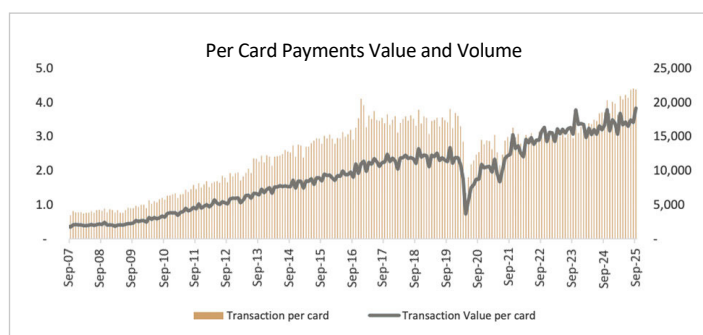
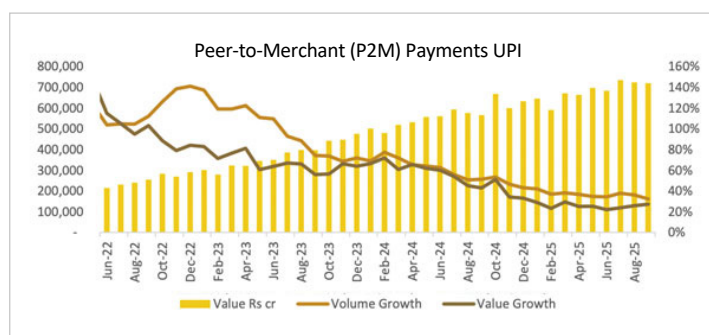
## Personal consumption

As consumers earn they increase both their investments and spending. As consumption activity increases it boosts the virtuous cycle of consumption – manufacturing / business expansion – employment. On that front, consumer activity in India has shown mixed but improving momentum across spending, retail, real estate, and autos. Personal consumption seems to be robust - credit card spends have grown at double-digit rates in September 2025, the fastest in nearly two years, while UPI volumes have stabilised in the mid-20% range as the ecosystem matures. Retail and FMCG companies reported steady to strong Q2 FY26 volume growth, supported by easing inflation, GST rate cuts, festive demand, and a gradual rural revival. However, urban consumer sentiment on income and discretionary spending remains cautious, albeit improving steadily.

Further, auto retail surged over 40% in October 2025, driven mainly by a 50% jump in two-wheelers, helped by GST cuts and festive timing. Real estate sentiment has also inched up, led by a strong office market. Residential demand is stable, with premium housing holding firm even as developers moderate mid-income launches. Yet, sales have plateaued and inventory keeps rising, prompting developers to revive subvention schemes to push purchases.

Short-term catalysts, festivals and lower GST, have clearly boosted consumption, making it crucial for economy watchers to track whether this momentum stabilises or strengthens in coming quarters.

**Exhibit 3 :**



**Consumption is strengthening unevenly but steadily. However, its durability beyond festival and GST-led boosts will be the key trend to watch.**

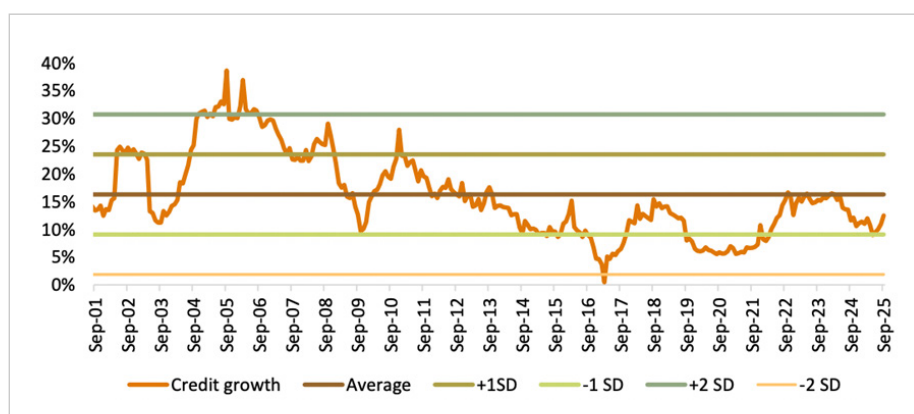


## Credit growth

Credit growth is often the quiet engine behind economic momentum, and it's finally humming again. Data from recent months reveals that lending has rebounded, supported by improving sentiment around growth, captured in the Reserve Bank of India's (RBI's) latest survey - bankers remain upbeat about loan demand through Q1 FY27, particularly from agriculture, mining, manufacturing, infrastructure, and services. Further, banks, whose margins had been under pressure, now expect stability—an important confidence booster. State Bank of India (SBI), India's largest lender, expects a broad consumption wave to push credit growth beyond earlier estimates. This acceleration is supported by recent RBI measures that allow banks to fund acquisitions, raising caps on IPO financing, easing lending norms for large corporate groups, and reducing risk weights on infrastructure loans for Non-Banking Financial Company's (NBFCs). These steps alone are projected to lift industry-wide credit growth by nearly 100 bps, while SBI also reports early green shoots in corporate credit.

Additionally, commercial paper issuances have surged at double-digit rates since the rate-cutting cycle began, with outstanding amounts nearing all-time highs. Certificate of Deposit (CD) issuances also remain robust, indicating strong short-term funding demand.

**Exhibit 4 : Bank Credit Growth YoY (September 2025)**



**The tide seems to be turning on credit growth, a sign of an economy ready to accelerate.**



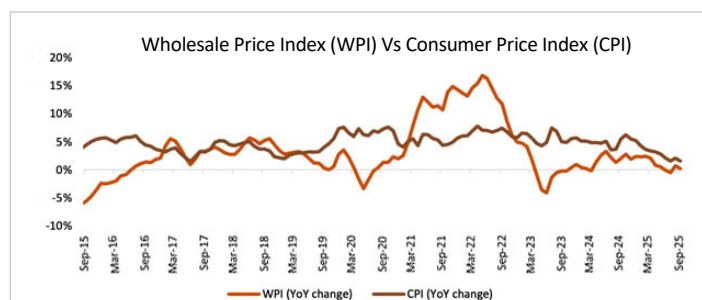
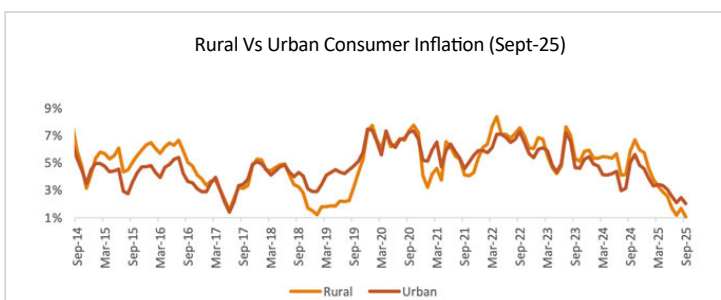
## Inflation

Headline inflation in India remains comfortably benign, driven largely by a sustained fall in food prices (falling for four consecutive months). The outlook remains favourable: a strong monsoon, increased kharif sowing, adequate reservoir levels, and ample government buffer stocks all point toward continued food price stability. Recent GST cuts are expected to further support this trend. Reflecting this, the RBI has revised Consumer Price Index (CPI) inflation for FY26 down. CPI inflation for 2025-26 is now projected at 2.0 percent with Q3 at 0.6 percent; and Q4 at 2.9 percent. CPI inflation for Q1:2026-27 and Q2 are projected at 3.9 percent and 4.0 percent, respectively.

However, inflation excluding food tells a more nuanced story. Over the past year, it has edged up toward the RBI's 4% target, with housing inflation accelerating in September 2025. The miscellaneous category previously a major driver has now stabilised. Wholesale Price Index (WPI) inflation also remains benign, supported by soft food and fuel prices, though manufactured product inflation has inched up.

Both rural and urban inflation have eased in recent months, though urban inflation is moderating more slowly due to sticky housing costs. Importantly, RBI's consumer surveys show a clear decline in inflation expectations across households for both near-term and one-year horizons.

**Exhibit 5 :**



**India's inflation cycle is firmly easing, with strong fundamentals anchoring prices despite pockets of underlying firmness.**

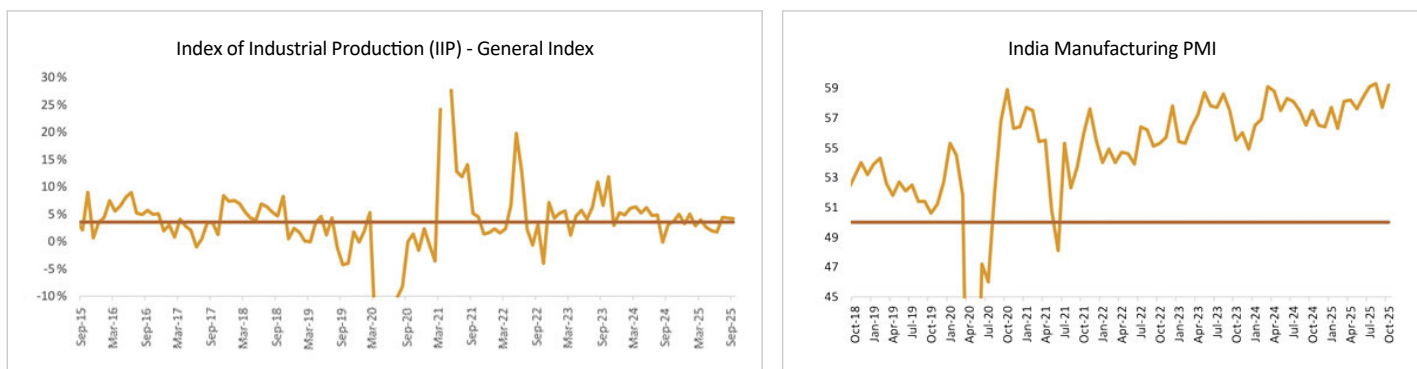


# Business activity

Fiscal and trade deficits are keeping the optimism anchored, holding back accelerated growth (at the moment). Industrial activity has remained moderate, growing in the low-to-mid single digits, with September's slowdown led by mining, primary goods, and consumer non-durables. Part of this dip appears linked to GST rate cuts introduced late in the month, which temporarily deferred production. However, momentum picked up sharply in October as the manufacturing Purchasing Managers' Index (PMI) accelerated, driven heavily by GST reforms. PMIs have been in deep expansion territory for a while now. Faster expansion in new orders boosted output, supported by strong advertising, resilient demand, and improved domestic sales. Input inventories saw near-record expansion as firms increased purchasing in anticipation of higher demand.

On the services side, the PMI moderated from its peak but remained firmly in expansion territory. Operating conditions stayed favourable, supported by buoyant demand, tech investments, and positive policy sentiment. New orders, exports, employment, and business activity continued to rise, albeit at a softer pace than August 2025. Companies attributed the continued expansion to new business wins and resilient domestic consumption.

Exhibit 6 :



# Caution on the horizon

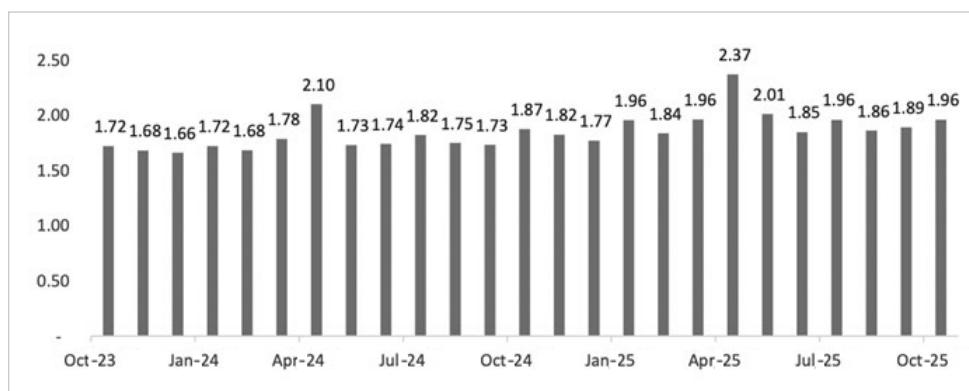
Fiscal deficit, on the other hand, paints a rather sombre picture. Fiscal pressure has risen due to significant tax relief measures, with income tax exemptions up to ₹12.75 lakh resulting in a revenue forgone of ₹1 lakh crore. Direct tax collections have grown only at a mid-single-digit pace so far partly due to slower refunds and remain below the government's double-digit growth target in the first half.

On the indirect tax front, GST rate changes, including the introduction of two main slabs and a new one, are expected to cost ₹48,000 crore. Higher consumption and the large RBI dividend may help soften this impact. Even so, reports show that net indirect tax collections have slowed in the first six months, which puts some strain on the government's finances.

If this slowdown in revenue collections continues, the government may have to reconsider its planned capex spending. Any cuts here could affect the overall growth outlook.

For FY26, the government is aiming for a fiscal deficit of 4.4% of GDP. After that, the focus is expected to shift towards managing the debt-to-GDP ratio rather than targeting a specific deficit number. The broader goal is to bring down central government debt as a share of the overall economy.

**Exhibit 7 : GST Collection in Rs. Trillion**

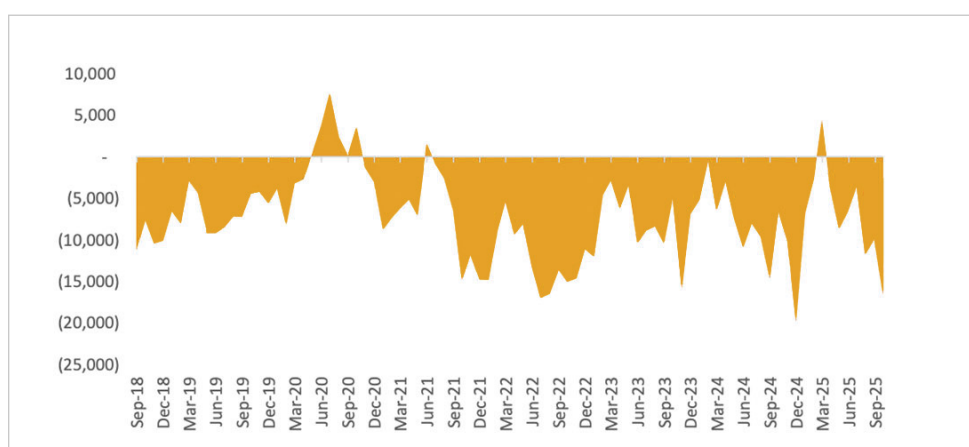


India's trade deficit has also been widening in recent months. This has been driven mainly by strong non-oil imports and resilient domestic demand. Exports have picked up in a few categories, but global demand remains uneven, which is keeping the deficit high.

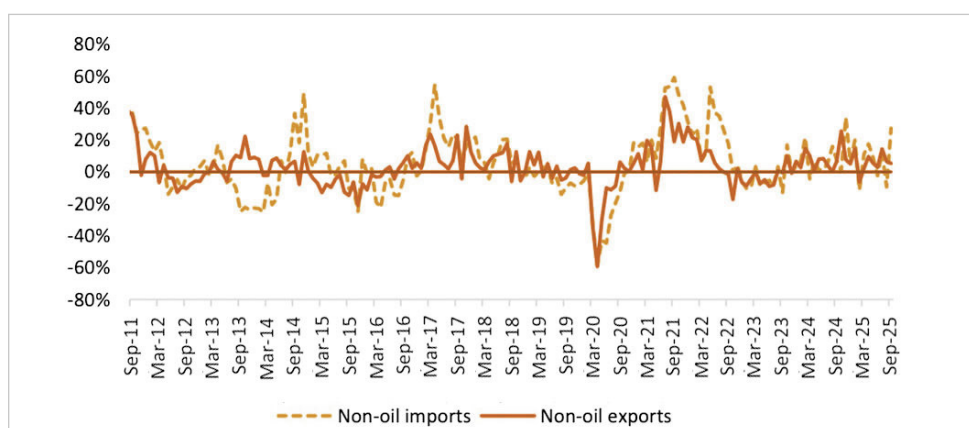
Tariff changes have had mixed effects. Higher duties have supported domestic manufacturing in areas like electronics and chemicals, but they have also raised input costs for exporters and encouraged some importers to advance their purchases, adding to the deficit in the short term. Lower duties on select components have helped assembly-led manufacturing grow, though this has not yet made a meaningful dent in the overall trade gap.

The persistence of a high trade deficit suggests that tariff-led protection has begun to weigh on export competitiveness. A depreciating rupee may further compound this challenge by making imports more expensive, adding pressure to costs and potentially dampening the current growth momentum, even as it offers only limited relief to exports in a weak global demand environment.

**Exhibit 8 : Net Merchandise Import minus Net Services Import**



**Exhibit 9 : Non-oil Import and Export Growth YoY - Sept 25**



India's economic momentum is improving, however the government's finances and the trade gap need close attention. Keeping these in check is important to ensure the recovery stays strong and benefits the wider economy.

**Statutory Details:** Multi-Act Trade and Investments Private Limited ("MATI") (SEBI Registered Investment Adviser – Registra on No. INA000008589 and BASL Membership ID:- 1398)

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