



dun & bradstreet

ECONOMY OBSERVER



February 2026

February Economy Observer: Sustained Growth Pulse Anchored by Strong industrial Output, Controlled Inflation, and Supportive Policy Conditions

POSITIVE

- India-EU FTA and India-Oman CEPA deliver large-scale tariff-free access, expand services mobility, and integrate India deeper into global value chains.
- India's Index of Industrial Production (IIP) rose sharply to 7.8% in December 2025 reaching its highest level in over 2 years, driven by manufacturing, mining and electricity sectors, signalling healthy underlying growth momentum.
- MNRE backing of IREDA-led financing, MSME-focused clean-energy credit, and decentralised solar under PM Surya Ghar strengthens the renewable pipeline.
- Real GDP projected at 7.4% in FY26, supported by 7.3% GVA growth, led by financial, real-estate, and public-administration services.
- Domestic fertilizer output met 73% of total needs in 2025, reducing import dependence and improving availability.
- Schemes like CGSE and targeted interest-subsidy have boosted export-credit access and improved MSME liquidity.

NEGATIVE

- India's total trade deficit widened from US\$88.43 billion in Apr-Dec 2024 to US\$96.58 billion in Apr-Dec 2025, as imports grew faster than exports.
- Rupee facing mild depreciation, driven by dollar strength, FPI outflows, and persistent US-India rate differentials.
- Foreign exchange pressures, uneven capital flows, and global-rate differentials pose ongoing risks to short-term external stability.
- Rising prices in vegetables, eggs, meat, spices, and pulses indicate emerging rural cost pressures, despite overall low food inflation.
- CPI remained in contraction (-2.71% y/y), signalling weak food-price dynamics despite sequential pickup.

D&B's Economy Observer Forecast

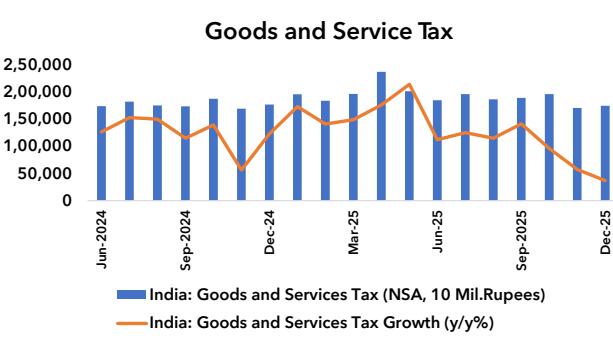
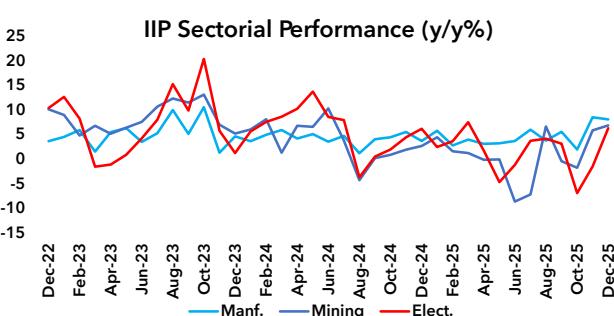
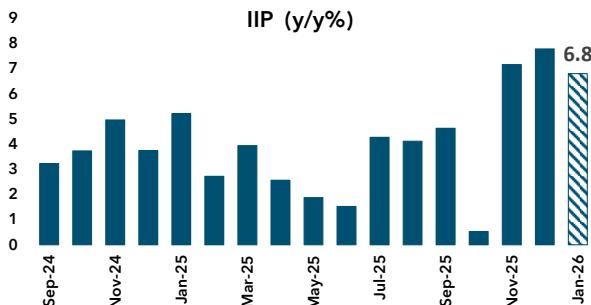
Variables	Estimate**	Latest Period	Previous period
IIP Growth	6.8% Jan-26	7.8% Dec-25	6.7% Nov-25
Inflation WPI	1.5% Jan-26	0.8% Dec-25	(-0.3%) Nov-25
CPI (Combined)	2.0% Jan-26	1.3% Dec-25	0.7% Nov-25
91 day T-Bills*	5.3% Jan-26	5.3% Dec-25	5.4% Nov-25
10 year G-Sec yield*	6.5% Jan-26	6.6% Dec-25	6.5% Nov-25
Bank Credit	14.8% Jan-26	14.5% Dec-25	11.5% Nov-25
Exchange Rate (INR/US\$)*	90.8 Feb-26	90.5 Jan-26*	90.1 Dec-25

*Weekly average ** Estimated

Real Economy

- India's Index of Industrial Production (IIP) rose sharply to 7.8% in December 2025 reaching its highest level in over 2 years, driven by manufacturing, mining and electricity sectors, signalling healthy underlying growth momentum. Dun & Bradstreet estimates IIP growth to have eased to 6.8% in January 2026, reflecting inventory adjustments, cautious production planning and evolving external demand dynamics.
- India's growth outlook has further strengthened, with Real GDP expected to accelerate to 7.4% in FY 2025–26 from 6.5% last year, and nominal GDP projected to expand by 8.0%. Growth remains services-led: Real GVA is set to rise 7.3%, powered by financial, real estate & professional services and public administration, both forecast to deliver a robust 9.9% expansion. Trade, hotels, transport, communication and broadcasting are also projected to grow by 7.5%, underscoring resilient urban consumption and a steady rebound in contact-intensive sectors.
- Industrial and investment indicators remain supportive, with manufacturing and construction expected to grow at 7.0% in FY 2025-26, alongside moderate but stable expansion in agriculture (3.1%) and utilities (2.1%). Private final consumption expenditure is estimated to rise by 7.0%, while gross fixed capital formation is expected to grow at 7.8% an improvement over the previous year's 7.1% signalling sustained capex momentum, stronger investment multipliers, and continued policy support for infrastructure-led growth.
- Ministry of New and Renewable Energy (MNRE) push for stronger IREDA-led financing, particularly for MSMEs and flagship schemes such as PM Surya Ghar, signals continued policy support for accelerating India's renewable-energy rollout. With MNRE assuring full backing to IREDA's expansion, the clean-energy ecosystem is positioned for improved credit flow, deeper project pipeline development, and sustained momentum in decentralised solar deployment.
- Coal output indicators remained solid, with captive and commercial mines posting 5.75% y/y growth in December 2025, while cumulative FY26 production increased by 9.72% up to December. The sustained improvement in both production and dispatches underscores firm industrial energy demand and continued efficiency gains across mining operations, reinforcing stable supply conditions for the broader economy.

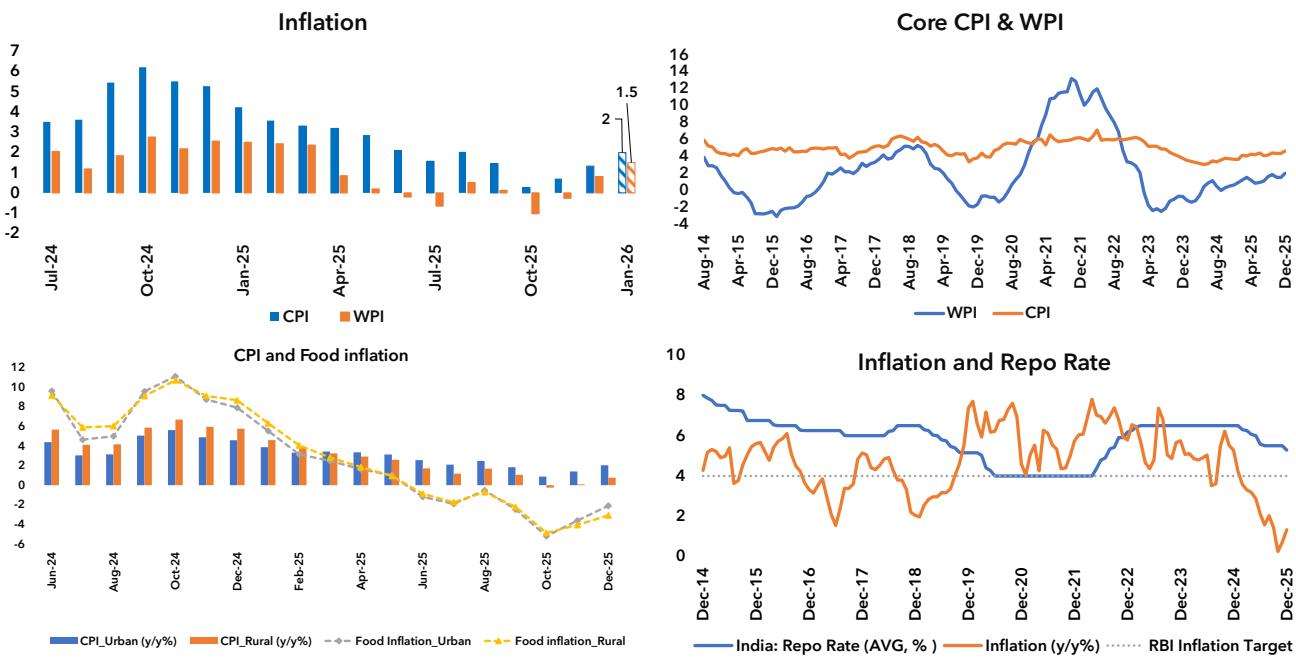
India's real economy remains buoyant, supported by a sharp rise in industrial output, a stronger FY26 growth profile, and continued services-led expansion. Manufacturing, construction, and investment activity are firming, while policy support from clean-energy financing to stable coal production continues to reinforce supply conditions and sustain underlying momentum across sectors.



Price Scenario

- CPI increased to 1.3% y/y in December 2025, indicating a modest uptick. Wholesale inflation turned positive, with WPI at 0.8% y/y during the month. The rise was led by higher prices in other manufacturing categories, minerals, machinery and equipment, food products, and textiles, pointing to stabilising producer-side pricing conditions. For January 2026, Dun & Bradstreet estimates WPI at 1.5% and CPI at 2.0%, signalling a continued normalisation of price pressures driven by improving domestic demand conditions and gradual cost pass-through across manufacturing and distribution chains.
- CFPI remaining in contraction at -2.71% y/y but increasing sequentially. The rise was driven by higher prices of personal care items, vegetables, meat and fish, eggs, spices, and pulses, with both rural and urban inflation readings firming month-on-month.
- Rabi sowing recorded strong progress, with total area coverage reaching 652.33 lakh hectares, up 20.88 lakh hectares over last year. Pulses acreage expanded by 3.82 lakh hectares, led by a significant 4.66-lakh-hectare rise in gram, pointing to favourable supply conditions ahead.
- Fertilizer self-reliance strengthened, with domestic production meeting 73% of total requirements in 2025. Output rose to a record 524.62 lakh tonnes, supported by new plant capacity, revival of closed units, and long-term raw-material tie-ups, improving availability and reducing import dependence.

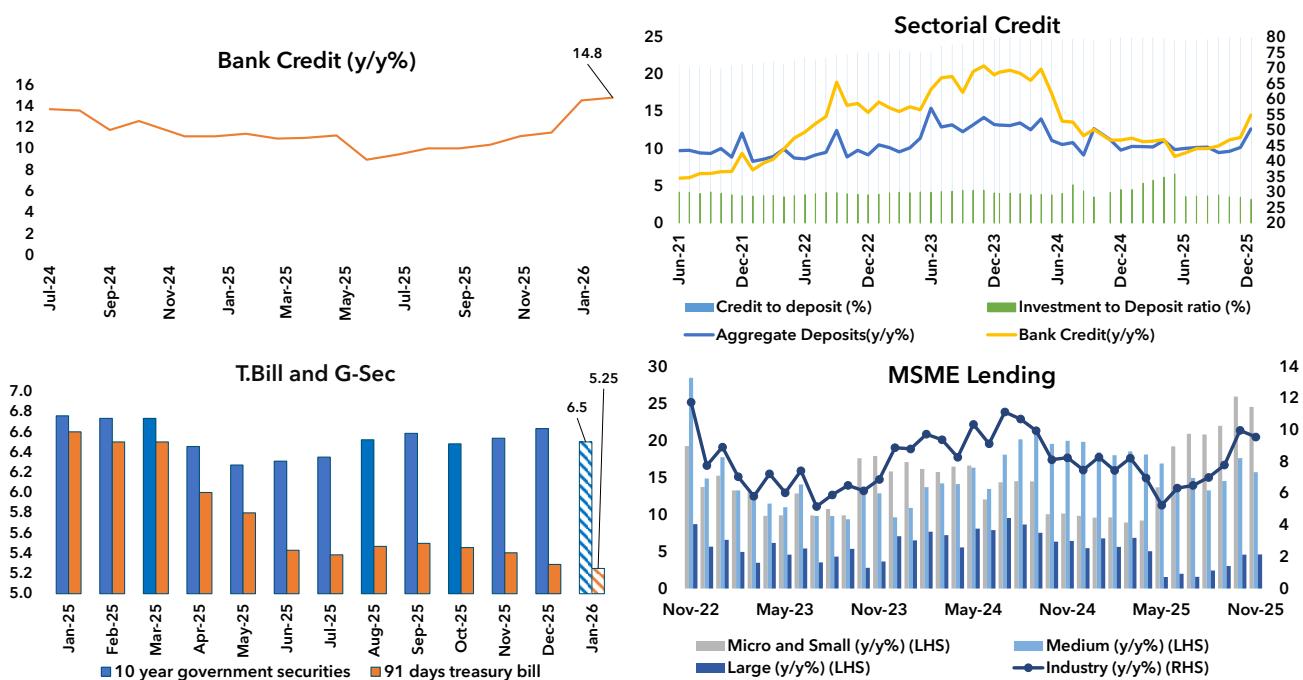
India's price scenario reflects a gentle firming trend, as stabilising input costs and improving domestic demand gradually lift both retail and wholesale price conditions. This trajectory remains contained and orderly, supported by modest cost pass-through in manufacturing, a steadier supply-chain environment, and strengthening supply-side fundamentals with Rabi sowing advancing robustly and fertilizer availability stabilising through higher domestic production collectively reinforcing a more predictable farm-sector cost structure and a broadly resilient inflation environment.



Money Market

- Indian financial markets remain cautiously optimistic, with yields broadly stable and credit growth firm. In December 2025, the 91-day T-Bill yield stood at 5.3% and the 10-year G-Sec yield at 6.6%, alongside bank credit growth of 14.5%. Dun & Bradstreet estimates for January 2026 point to a 91-day T-Bill yield at 5.3% and a 10-year G-Sec yield at 6.5%, while bank credit is seen edging up to 14.8%, reflecting expectations of comfortable liquidity, anchored near-term rate conditions, and sustained borrowing demand as economic activity remains resilient and funding conditions stay supportive.
- Cooperatives scaled up in reach and capability, with a larger functional network serving wide member coverage, alongside faster PACS modernisation through computerisation/ERP enablement and e-PACS rollout. The expansion of multipurpose PACS (including dairy/fisheries), stronger export/organic cooperative platforms, and PACS-level decentralised storage is reinforcing rural credit, aggregation, and market linkages across farm and allied value chains.
- Startup India's decade-long build-out is widening entrepreneurship beyond metros, supported by end-to-end ecosystem backing (ideation to scale) and a strong pipeline from Tier-II/III cities. The renewed push via AIM 2.0 and rural/grassroots enterprise programmes is strengthening micro-enterprise formation, job creation, and innovation diffusion, supporting productivity and domestic demand.
- Banking reforms and digital rails continued to deepen, with PSBs advancing the EASE agenda (EASE^{rise}/EASE^{Next}), sharper digitisation, customer-service upgrades, and sustained NPA management. Stronger asset-quality metrics, expanding digital payments, and continued financial-inclusion delivery are supporting more resilient credit intermediation across households and MSMEs.

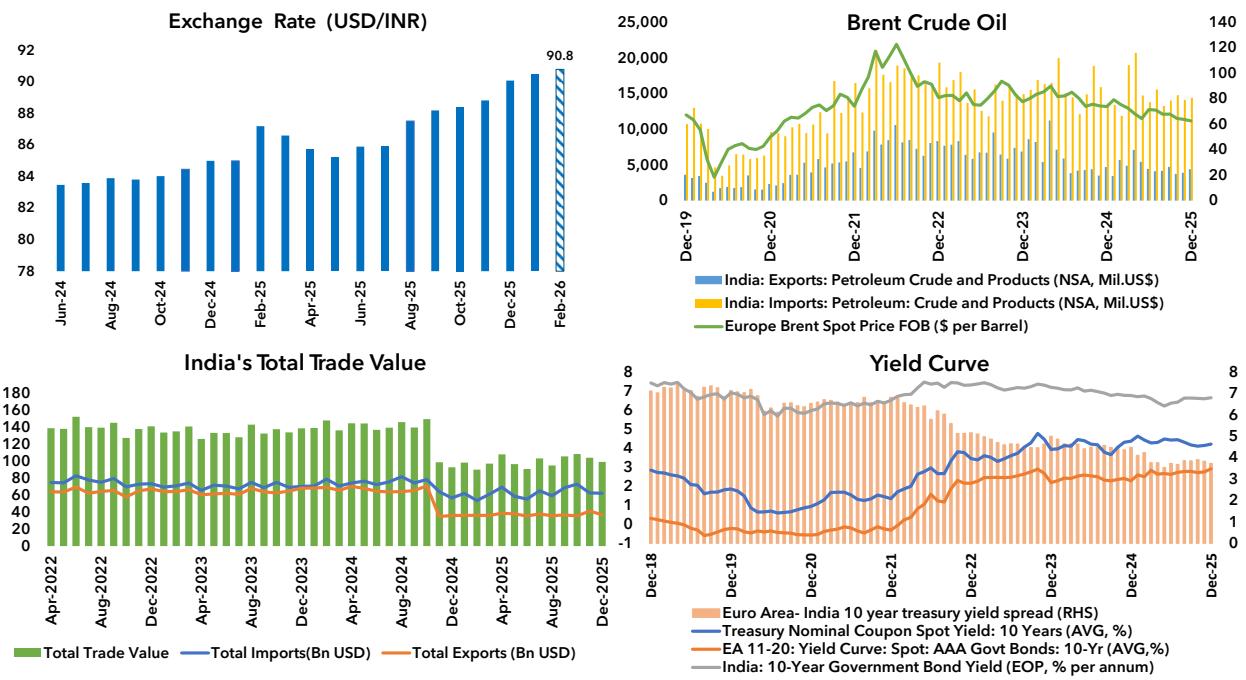
India's monetary landscape remains steadily aligned, with anchored short- and long-term yields and firming credit demand signalling a well-balanced liquidity environment. Stable Treasury-bill rates, a slight softening in the 10-year benchmark, and a continued rise in bank credit collectively point to orderly funding conditions, supported by resilient economic activity and prudent liquidity management. Concurrent structural gains, from cooperative modernisation and expanding entrepreneurial depth to stronger banking-sector digitisation and asset-quality improvements, are reinforcing the stability of credit intermediation and sustaining a broadly supportive monetary-financial backdrop.



External Sector

- Dun & Bradstreet estimates the rupee to average Rs90.8/USD in February 2026, compared with an estimated 90.5/USD in January 2026 and 90.1/USD in December 2025, as continued dollar strength, persistent FPI outflows, and a still-wide US-India rate differential keep mild depreciation pressures in place.
- The conclusion of India-EU FTA negotiations mark a major strategic milestone, unlocking near-universal market access for 99.5% of India's exports by value and integrating India more deeply into a USD 24 trillion economic bloc. With duty-free entry for key labour-intensive sectors, expanded services access, and a mobility framework for Indian professionals, the agreement strengthens India's export competitiveness, supports high-value job creation, and provides a predictable, rules-based environment for long-term trade and investment flows.
- India and Germany signed a Joint Declaration of Intent on Telecommunications Cooperation, building on strong bilateral momentum and recent high-level engagements. The JDI enables collaboration in emerging digital technologies, including policy and regulatory frameworks, telecom manufacturing, and ease-of-doing-business initiatives, with both sides also coordinating in international fora to advance shared positions.
- The India-Oman CEPA establishes a comprehensive framework for goods, services, investment, and regulatory cooperation. With bilateral trade at USD 10.61 billion in FY 2024-25, the CEPA grants India 100% duty-free access across 98.08% of Oman's tariff lines (99.38% of export value) from Day One, expanding opportunities across engineering goods, pharma, agriculture, chemicals, electronics, textiles, marine products, and gems & jewellery, while a calibrated exclusion list safeguards sensitive domestic and MSME-linked sectors.
- India's total trade deficit widened from USD88.43 billion in Apr-Dec 2024 to USD96.6 billion in Apr-Dec 2025, as imports grew faster than exports.
- The CGSE, operational since 1 December 2025 via the Jan Samarth Portal, supports MSME and non-MSME exporters through 100% government-guaranteed additional credit of up to 20% of existing limits. By 31 December 2025, Rs8,599 crore in applications and Rs3,141 crore in sanctions were recorded, strengthening liquidity, business continuity, and market diversification. The scheme remains open until 31 March 2026 or until Rs20,000 crore in guarantees are issued.
- Under the Export Promotion Mission, two interventions have been launched, Interest subvention of 2.75% on pre- and post-shipment rupee export credit for tariff lines with high MSME participation, capped at Rs50 lakh per IEC for FY 2025-26 and Collateral-guarantee support via CGTMSE, offering up to 85% guarantee for micro and small exporters and up to 65% for medium exporters, with exposure capped at Rs10 crore.

India's external environment is marked by gentle currency pressures but strengthening strategic depth. A firmer dollar and uneven capital flows keep the rupee on a soft footing, yet policy momentum is steadily broadening external resilience. India's digital partnership with Germany deepens technological alignment and global coordination, while the India-Oman CEPA opens a wider arc of market access and diversified export opportunities. Export-finance reforms, from guarantee-backed liquidity support to targeted interest subvention, are reinforcing MSME competitiveness and cushioning external shocks. Together, India's external landscape reflects near-term FX headwinds offset by expanding partnerships and purposeful trade-finance strengthening.



Economy Observer is a monthly report that shares an in-depth analysis on key macroeconomic developments in India and provides a monthly forecast of key economic indicators, providing insight into the expected direction of the Indian economy.

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