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Public Finance

Parliament Budget Session 2026 updates: Govt succeeding in building a system free from corruption, says President Murmu

President Droupadi Murmu on Wednesday (January 28, 2026) addressed a joint session of Parliament on the first day of the Budget Session 2026-27, outlining the Union government's vision for social justice, inclusive growth, and a developed India. In her address, President Murmu said she was "delighted to address Parliament, recalling that the previous year was memorable for celebrating India's rapid progress and rich heritage. *(The Hindu)*

Kerala Budget 2026-27: A statement of fiscal resilience in a volatile federal framework

In a challenging environment of volatile intergovernmental fiscal transfers and heightened macroeconomic uncertainties, Kerala Finance Minister K.N. Balagopal presented the State's Budget for 2026-27 on Thursday (January 29, 2026), the final full Budget of the current Left Democratic Front government ahead of the Assembly elections. This Budget demonstrates notable subnational fiscal resilience within India's cooperative federalism framework, for more reasons than one. *(The Hindu)*

States' gross fiscal deficit topped 3% in FY25 after 3 years: RBI report

States' consolidated gross fiscal deficit increased to 3.3 per cent of gross domestic product (GDP) in 2024-25, after remaining below 3 per cent during the previous three financial years, the Reserve Bank of India (RBI) said in a report titled 'State Finances: A Study of Budgets of 2025-26'. For 2025-26, states have budgeted a gross fiscal deficit at 3.3 per cent of GDP while improving composition of spending by restraining revenue expenditure. *(Business Standard)*

Economic Survey calls for fiscal flexibility for the Centre, cautions States against worsening finances

The Economic Survey 2025-26 has argued in favour of a delay in strict fiscal targets for the Centre, such as those that had been set under the Fiscal Responsibility and Budget Management Act, saying the government currently needs flexibility to fine-tune fiscal policy "in response to a "volatile and unpredictable geopolitical and geoeconomic environment". The Survey, authored by Chief Economic Advisor V. Anantha Nageswaran, tabled in Parliament by Finance Minister Nirmala Sitharaman, noted that the Centre had stuck to its commitments to reduce its fiscal deficit but also cautioned States about worsening finances brought on by lower revenues and higher expenditure, including on cash transfers. *(The Hindu)*

Kerala reports strong economic growth, rising debt levels

Kerala's economy showed robust growth in 2024-25, but rising public debt remains a key challenge, according to the Economic Review tabled in the state Assembly on Wednesday. According to the review presented by Finance Minister K N Balagopal on the eve of the state budget, the state's Gross State Domestic Product (GSDP) grew by 6.19 per cent in real terms in 2024-25, up from 6.0 per cent the previous year.At current prices, the economy expanded by nearly 10 per cent, supported by improvements across all major sectors. Per-person income also rose, with per-capita GSDP climbing to Rs 1,90,149, higher than the national average. *(The Economic Times)*

Budget 2026: SBI Research sees fiscal deficit at 4.2% amid global risks

The Union Budget for 2026-27 will be presented at a time when the global economy is facing deep uncertainty, rising geopolitical tensions, volatile financial markets and climbing commodity prices, according to a new report by SBI Research. Despite these global challenges, India continues to stand out as a stable and resilient economy. The SBI research report on 'Prelude to Union Budget 2026-27' notes that the world economy is going through a phase of fragmentation, with trust between major economies weakening. Financial markets remain fragile, equities and bond markets are under pressure, while commodity prices are rising. *(Business Standard)*

Has health spending by the Centre increased?

The 2017 National Health Policy (NHP) has committed to "increase health expenditure by Government as a percentage of GDP [Gross Domestic Product] from the existing 1.15% to 2.5% by 2025." While 2025 is now over, this basic goal is nowhere near realisation, since the Union government has not upscaled its health budget as required over the last decade. The NHP also proposed that the Union government's share should be 40% of total public spending. This essentially means that spending by the Centre should increase from the current level of 0.29% to 1% of GDP — which requires increasing allocations by at least three times. *(The Hindu)*

Telangana Government's rising expenditure on salaries, pensions and subsidies limits developmental spending: Study

A study has pointed out Telangana State Government's rising expenditure for payment of salaries, pensions and subsidies (part of welfare schemes) as they account for a major chunk of budgetary allocations and in turn, leave little space for other developmental spending.The study, "State Finances: A study of budgets 2025-26" by the Reserve Bank of India (RBI), says the State's expenditure on account of payment of wages and salaries in different categories is set to cross ₹63,000 crore and reach ₹63,344 crore going by the budget estimates of the current financial year. The amount includes committed expenditure like salaries as well as payments that are being made to different categories of employees like work charged staff, grant-in-aid employees, home guards, daily wage workers and contract/outsourcing workers. *(The Hindu)*

More states giving out cash transfers. They aren't substitutes for investments: Economic Survey

The Economic Survey 2025-26 warned that the increasing use of unconditional cash transfers (UCT) by states and Union territories risks crowding out expenditure for critical infrastructure, threatening fiscal stability and public investment.The survey, tabled in Parliament Thursday, flagged how UCTs have contributed to rising revenue expenditure with serious implications for fiscal space at the state level, even as political parties increasingly resort to such schemes to woo voters. *(ThePrint)*

States' capex growth slowed to 10% in FY25

States' capex grew by 10% in FY25 to Rs 8.9 lakh crore, a lower increase compared to the previous three post-pandemic years, mainly because of election-related disruptions. States' capital expenditure has shown a strong upward trajectory over five years, supported by the Centre's interest-free 50-year capex loans. States' investment rose from Rs 4.6 lakh crore in FY21 to Rs 8.9 lakh crore in FY25. After flat growth in FY21, the pandemic year, capex expanded sharply—23.9% in FY22, 17.5% in FY23, and 20.9% in FY24—before moderating to 9.9% in FY25, indicating sustained infrastructure focus by states, the Reserve Bank of India's "State Finances: A Study of Budgets" for 2025-26. *(Financial Express)*

India's $360 billion stock rout raises stakes for Modi govt's Union Budget 2026

Indian stocks are on track for their worst start to a year in a decade, piling pressure on Prime Minister Narendra Modi's administration to deliver fresh catalysts for economic growth in the upcoming budget. Attention is focused on whether the government increases defense spending and speed up share sales in state-run companies to bolster revenues after last year's income-tax cuts and reductions in consumption levies. *(ThePrint)*

Central govt capex may cross ₹12 lakh crore in upcoming budget for FY27, up 10% YoY: SBI report

Capital expenditure by the central government is expected to cross ₹12 lakh crore in (Financial Year) FY27, registering a year-on-year growth of around 10 per cent, according to a report by the State Bank of India (SBI). The SBI report highlighted a steady rise in government-led capital spending over the years, highlighting the continued focus on infrastructure creation and economic growth. It stated, "Government capex may cross ₹12 lakh crore in FY27...a YoY growth of approx. 10 per cent." Data from the report showed that total capital expenditure through the Budget increased sharply from ₹2.5 lakh crore in FY16 to ₹11.2 lakh crore in FY26, as per Budget Estimates. *(BusinessLine)*

India's tax buoyancy slump is a warning for fiscal policy

A sharp decline in India's tax buoyancy in FY26 has tightened trade-off for GoI between growth support and fiscal discipline. But big questions are why tax buoyancy has declined so sharply, and whether this holds lessons for FY27. The answers may indicate a need for more conservative tax forecasts in the future.India's long-term tax buoyancy typically hovers around 1, meaning aggregate taxes usually grow in line with nominal GDP. A buoyancy factor below 1 indicates that economic growth is not translating into tax revenues in proportion. When tax buoyancy falls short of the target in any year, it creates fiscal stress. All else equal, GoI can either rein in spending or relax fiscal deficit. FY26 has become such a year. *(The Economic Times)*

Economic Survey 2025-26: Centre remains well on track to achieve 4.4% fiscal deficit target for FY26

The government is well on track to meet the fiscal deficit target of 4.4% of GDP estimated for the current financial year based on broad trends, the Economic Survey 2025-26 tabled in Parliament on Thursday (January 29, 2026) said.According to the survey prepared by Chief Economic Advisor (CEA) V. Anantha Nageswaran and team, the central government's fiscal trajectory stands out for combining consolidation with sustained public investment, earning three sovereign rating upgrades this year. *(The Hindu)*

Taxation

Indian consumers express measured realism, expect further personal tax reforms ahead of Budget: Survey

Ahead of the upcoming Budget, inflationary pressures, job security worries and global uncertainties continue to influence household decision-making leading to a greater focus on financial stability. According to the annual India Union Budget Survey released by Kantar, nearly 70 per cent of Indian consumers said that the 2025 Budget met their expectations, largely due to tax reliefs, a significant improvement over the last couple of years. *(BusinessLine)*

Economic Survey's 'real-time TDS' pitch: faster credits in 26AS, better cash returns

The Economic Survey has floated an operational overhaul to improve the efficiency of government collections and potentially earn more on idle cash balances. It suggests shifting tax deducted at source, or TDS, remittances from the current batch-based process to a real-time model by requiring banks to remit TDS on a real-time basis rather than in periodic batches. The idea is to reduce lags between tax deduction and its arrival in government accounts, strengthening collection efficiency. *(BusinessLine)*

Govt on 'reforms express' path; GST 2.0 saved ₹1 trillion: President Murmu

President Droupadi Murmu on Wednesday said the government is moving on the path of 'Reforms Express', benefitting the poor and middle class, and the historic next-gen GST reform rolled out last year has ensured savings of ₹1 trillion for citizens. In her address to both Houses of Parliament, Murmu also said the government has revamped the Income Tax law and taken a "historic decision" to exempt income of up to ₹12 lakh from taxation. *(Business Standard)*

Economic Survey calls for ‘rationalising’ tax on debt instruments
Rationalising tax treatment of debt instruments is one of the suggestions made in the Economic Survey for FY26 to strengthen long-term capital markets to finance sustained growth. The Survey said India’s capital markets had helped finance economic growth by channelising savings to investments, but a number of measures were needed to shape a financial system that could fund infrastructure to boost economic activity. *(BusinessLine)*

Budget 2026-27: Recalibrating the tax framework for sovereign wealth funds
In 2025, inflows from state-owned funds (sovereign wealth funds, or SWFs) to India dropped by 72 per cent from $20.1 billion in 2024 to $5.7 billion. In contrast, globally the same year, the aggregate transaction value for SWF-backed deals reached $200 billion, marking a 198.4 per cent increase from the 2024 transaction value of $66.99 billion. *(Business Standard)*

National Accounts and State of the Economy

Recent consumption measures may boost demand, lift GDP growth: Poonam Gupta
India’s aspirations to become a developed nation hinges on sustained economic prosperity, macroeconomic stability, and continuously evolving policy frameworks, says Reserve Bank of India Deputy Governor Poonam Gupta. At the Business Standard BFSI Insight Summit 2025, she told Business Standard’s AK Bhattacharya that India must rely on persistent structural reforms and stronger domestic growth drivers, in an era of rising global protectionism. Edited excerpts: *(Business Standard)*

Eco Survey sees FY27 GDP growth at 6.8-7.2% as demand, investment pick up
The Economic Survey has projected real gross domestic product (GDP) growth in 2026-27 (FY27) in the range of 6.8-7.2 per cent, with domestic demand and investment expected to gain strength amid an uncertain economic environment. “With domestic drivers playing a dominant role and macroeconomic stability well anchored, the balance of risks around growth remains broadly even,” the Survey said, highlighting that the outlook for FY27 is of steady growth amid global uncertainty — requiring caution, but not pessimism. *(Business Standard)*

India's GDP growth in FY27 likely to remain between 6.8% to 7.2%: Economic Survey
India's economic growth remains resilient, with strong domestic demand acting as the main anchor, even as the global environment continues to remain fragile, according to the Economic Survey of India tabled in Parliament on Thursday. India's GDP growth for FY26 is estimated at 7.4 per cent driven by the double engine of consumption and investment. It reaffirms India's status as the fastest-growing major economy for the fourth consecutive year. Taking an optimistic view of the economy, the Economic Survey estimated India's potential growth at around 7 per cent. *(Business Standard)*

Base year for GDP estimates being revised to 2022-23 to reflect new economic structures

The government noted in a latest update that the base year for Gross Domestic Product or GDP estimates will be revised to 2022-23 to reflect new economic structures. CPI base year is revised to 2024, updating the consumption basket and weights for both rural and urban households. IIP is being revised to 2022-23, aligned with the new national accounts series. Informal sector measurement has improved with quarterly QBUSE bulletins. District-level estimation has become a core design feature across PLFS, ASUSE, and NSS surveys. *(Business Standard)*

India's new quarterly GDP estimates to include GST, e-Vahan data

India's new quarterly national accounts (QNA) series, to be released from next month, will have an expanded suite of data sources, including aggregated Goods and Services Tax (GST) data cross-classified by goods, services and constitution of business; e-Vahan data; and data on consumption of natural gas. *(Business Standard)*

Eco Survey 2026: PLI scheme drives double-digit export growth; telecom leads import substitution

India's Production-Linked Incentive scheme shows strong trade results. Since 2020, it has boosted manufacturing and exports in key sectors. Sectors like IT hardware and electronics saw significant export growth. Other areas also experienced expansion. The scheme is strengthening India's manufacturing base and global competitiveness. *(The Economic Times)*

No FDs please: Indian households' financial savings strategy changes

Indian households are increasingly investing in equities and market-linked instruments. This shift marks a significant change from traditional bank deposits. The trend shows growing confidence in riskier assets. While equity participation is rising, the debt market remains underdeveloped. Developing the debt market is the next step for a robust financial system. *(The Economic Times)*

Gold, coconut oil and consumption: Inside Kerala's inflation streak

Kerala's retail inflation rate in December 2025 has cemented its unwanted top spot among Indian states, rising to 9.49 percent after seven consecutive months of leading the inflation charts. The spike sharply contrasts with an all-India average inflation rate of 1.33 percent, and dwarfs readings in other states — Goa and Karnataka, the next highest, posted relatively muted inflation rates of 3.18 percent and 2.99 percent, respectively, in December. *(Business Standard)*

RBI likely defers plan to mandate climate risk disclosures by banks

India's central bank has put on hold plans to ask domestic lenders to disclose and manage risks from climate change, three sources directly familiar with the discussions said. Getting a better idea of climate-related risks and green investments is a central part of global efforts to move to a low-carbon economy, with countries from the UK to Japan making such disclosures mandatory for financial institutions. However, the focus on climate risk has eroded globally since the re-election of U.S. President Donald Trump. *(Business Standard)*

Holding steady: Banks resilient as global spillovers and risks persist

In his foreword to the Financial Stability Report of December 2025 (FSR: December 2025), Reserve Bank of India (RBI) Governor Sanjay Malhotra said banks and non-banking financial institutions remain healthy, bolstered by strong capital and liquidity buffers, robust earnings and improved asset quality. Stress tests also endorse the resilience of banks and non-banking financial companies. Financial markets, however, remain susceptible to global spillovers. *(Business Standard)*

India allows European Union banks to open 15 branches in four years

India has allowed the European Union (EU) banks to open up to 15 branches over four years in the country once the trade pact takes effect, while Indian banks will face no cap on branch openings in the EU, a commerce ministry official said. India made a similar offer in its trade agreement with New Zealand, permitting up to 15 branches for New Zealand banks over a four-year period. However, India has not opened up its legal services to the EU, the official said. Under the services chapter, the EU has opened up 144 sub-sectors, including financial services, and India 102 sub-sectors to accommodate each other's priorities. *(Business Standard)*

Corporates return to loans; wholesale credit rises for private banks in Q3

Major private lenders — including HDFC Bank, ICICI Bank, Axis Bank and Kotak Mahindra Bank — reported strong growth in their wholesale books during Q3FY26. This implies that corporates are returning to the loan market as the rate differential between bank loans and corporate bonds has narrowed. Bankers said much of the corporate lending is occurring at external benchmark-linked rates (EBLR), where monetary transmission is faster. HDFC Bank, the country's largest private-sector lender, reported 10.3 percent year-on-year (Y-o-Y) growth and 4.1 percent sequential growth in its wholesale loan book. *(Business Standard)*

Reserve Bank of India moves OMO dates forward as 10-year yield hits 6.72%

The Reserve Bank of India (RBI) advanced its bond purchase via open market operations (OMOs) to January 29 and February 5, from the earlier dates of February 5 and February 12, 2026, after the yield on the 10-year benchmark government security (G-sec) surged to 6.72 per cent — its highest level since March 4, 2025. The RBI will infuse ₹50,000 crore in each of the two OMO tranches. While the auction dates were advanced, the total amount of liquidity injected remained unchanged. Market participants said advancing the OMO dates gives the RBI more flexibility to conduct additional operations. *(Business Standard)*

RBI defers plan to mandate climate risk disclosures by banks, sources say

India's central bank has put on hold plans to ask domestic lenders to disclose and manage risks from climate change, three sources directly familiar with the discussions said. Getting a better idea of climate-related risks and green investments is a central part of global efforts to move to a low-carbon economy, with countries from the UK to Japan making such disclosures mandatory for financial institutions. However, the focus on climate risk has eroded globally since the re-election of U.S. President Donald Trump. The Reserve Bank of India's (RBI) proposed norms, which had been under discussion with banks since 2022, were expected to require banks and financial institutions to regularly disclose climate-related risks in their loan portfolios, as well as mitigation strategies and targets. *(The Economic Times)*

Private Banks poised for strong growth; defence valuations limit upside, says Nikhil Ranka

As the earnings season unfolds outside the IT space, the spotlight is firmly on private sector banks and select defence players, with market experts turning constructive on growth prospects while flagging valuation concerns in certain pockets. Sharing his assessment of the results so far, Nikhil Ranka from Nuvama Asset Management highlighted that large private sector banks have delivered largely in line with expectations, while valuations are now turning attractive. “Broadly, if you look at it, for most of the large private sector banks — HDFC, ICICI, Kotak — all have reported earnings and the numbers have broadly been in line. *(The Economic Times)*

Private banks step up write-offs despite benign NPA ratios in December quarter

Private lenders continued to lean on write-offs to clean up their balance sheets in the December quarter despite asset quality remaining near multi-year lows. An ET analysis of December-quarter earnings of the five largest private sector banks shows they wrote off loans worth ₹12,121 crore, up more than 22% from ₹9,889 crore in the year-ago period. The data suggested that while headline non-performing asset (NPA) ratios remain benign, underlying stress has not fully eased. Total slippages in the quarter stood at ₹19,048 crore, marginally higher than ₹18,974 crore a year earlier, with stress persisting, particularly in retail and unsecured portfolios. Slippages also remained broadly range-bound on a sequential basis, indicating that fresh asset quality pressures continue to surface. *(The Economic Times)*

PSBs shun low yields, high costs to protect margins

State-run banks offset margin pressure in the third quarter by shedding high-cost bulk deposits, increasing retail advances and reducing lower-yielding government company loans, which helped them improve net interest margins (NIMs) despite falling interest rates. Seven out of eight public sector banks that released quarterly results so far held on to or improved margins from the previous three months, helping them maintain profitability despite a challenging macro environment. *(The Economic Times)*

Foreign banks can go deep; there is no dearth of space: Care Ratings

A cross-country study of banking systems shows that India's credit depth remains significantly lower than that of advanced economies, making a case for foreign banks to expand operations and establish regional centres to capture long-term credit growth opportunities, Care Ratings said in a report that analyses credit and deposits growth to GDP and CD ratios of India vs other countries like China, USA, UK, Japan Germany and France. *(The Economic Times)*

External Sector

Texprocil seeks zero duty access in EU for Indian textile products

The Cotton Textiles Export Promotion Council (Texprocil) has sought zero duty access to the European Union (EU) for textile products. Such a deal will help restore competitiveness, strengthen farmer-linked value chains, support MSME exporters, promote sustainable, value-added exports, and significantly enhance India's footprint in the EU market from the current exports of $1.3 billion. *(The Hindu)*

Mother of all deals: India-EU finalise FTA

India and the European Union (EU) on Tuesday (January 27, 2026) announced the conclusion of negotiations over a free trade agreement (FTA) that would see the EU drop tariffs on 99.5% of items India exports to the region, with most tariffs going down to 0% immediately once the agreement comes into effect. India, on the other hand, has given tariff concessions on 97.5% of the traded value between the two economies. *(The Hindu)*

Export diversification blunts blow of US tariffs, says Economic Survey

Market diversification helped Indian exporters in several labour-intensive sectors blunt the impact of the 50 per cent tariffs imposed by the US in August 2025, with shipments swiftly redirected to alternative markets, the Economic Survey said. While the tariffs delivered a sector-specific shock, industries such as gems and jewellery, textiles, marine products, automobiles, pharmaceuticals, paper and leather showed notable resilience. The rebound was driven largely by a strategic shift away from the US towards non-US destinations, the Survey noted. *(BusinessLine)*

India puts minimum price, 20% duty on apple imports from EU

The Centre said it will allow import of apples from the EU at a minimum import price (MIP) of ₹80 per kg besides 20 per cent duty (against 50 per cent now). There is also a quantitative restriction of a maximum of 50,000 tonnes, to be raised to 1,00,000 tonnes over 10 years, it said and added that all these safeguards will protect domestic apple growers. India's apple imports were about 5 lakh tonnes (lt) in 2024 followed by Iran at 1,33,447 tonnes (25.7 per cent), Türkiye at 116,680 tonnes (22.5 per cent) and

Afghanistan at 42,716 tonnes (8.2 per cent), whereas total imports from the EU stood at 56,717 tonnes (11.3 percent). *(BusinessLine)*

PLI delivers export gains, but performance uneven across sectors

The government's flagship production linked incentive (PLI) scheme, introduced in April 2020 to enhance domestic manufacturing and promote exports, has achieved "remarkable trade performance". However, there exists a variation in the trade performance within these sectors, the Economic Survey 2026 has said. "A notable outcome of the PLI initiative has been the remarkable trade performance of these sectors. During the period FY21-FY25, the average annual growth rate (AAGR) of exports from this sector stands at 10.6 percent, while imports have experienced an AAGR of 12.6 percent," the Survey observed. *(BusinessLine)*

India-EU trade pact positive for metal companies

The FTA between India and the European Union will marginally benefit metal companies with duty on base metals set to be reduced to zero from up to 10 percent now and a higher quota for steel shipments under negotiation. The duty on base metals entering the EU from India, including aluminium, copper, nickel, zinc, lead and tin will be reduced to zero. However, this will benefit only aluminium, copper and zinc shipments as India does not export nickel, lead and tin. *(BusinessLine)*

Creating employment: India-EU FTA can increase labour-intensive exports

The India-European Union (EU) free-trade agreement (FTA) opens up a large opportunity for India's labour-intensive sectors. Industries such as textiles, clothing, footwear, leather, marine products, and plantation goods stand to benefit the most because they face relatively high tariffs in the EU. Unlike capital-intensive manufacturing, these sectors are deeply employment-oriented and dominated by micro, small, and medium enterprises (MSMEs) clustered across the country. The EU is the largest export destination for textiles and apparel after the United States (US), with shipments from India valued at $7.2 billion. *(Business Standard)*

India's smartphone exports to US zoomed 200% in April-November FY26

India's smartphone exports to the US, led by Apple Inc, surged by more than 200 percent year-on-year (Y-o-Y) between April and November of FY26 to $12.54 billion, according to the latest figures from the Department of Commerce. The figure had stood at $4.1 billion in the same period in FY25. This threefold jump in smartphone exports has not only compensated for the sharp fall in exports of some key commodities from India to the US, but has also helped sustain overall export growth, despite the US imposing a steep 50 percent duty across the board and widespread concerns that exports would fall sharply. *(Business Standard)*

Rupee at 92/USD: Imports, overseas education, travel hurt; exporters gain

The rupee hitting a historic low of 92 against the US dollar on January 23 is likely to make imports ranging from crude oil to electronic goods, overseas education and foreign travel costlier, stoke inflation concerns, but may offer some relief to exporters. The local currency has slumped by 202 paise, or over 2 percent, so far this month. In 2025, it had plunged 5 percent on unabated foreign fund outflows and dollar strength. The immediate impact of a depreciating rupee is on importers who will have to shell out more for the same quantity and price. India is 85 percent dependent on foreign oil to meet its needs for fuels, such as petrol, diesel and jet fuel. *(Business Standard)*

US team meets Indian cos to boost hydrocarbon, nuclear-energy-related exports

An American delegation met with Indian oil companies and industry leaders at India Energy Week to discuss increasing imports of US hydrocarbons and civil nuclear energy technologies. The US reaffirmed its commitment to a strong energy partnership, focusing on expanding reliable energy exports and supporting affordable, dependable energy supplies for India. *(The Economic Times)*

After Europe pacts, India eyes Chile, Canada for next trade deals: Report

India has rapidly secured three free trade pacts across Europe. Talks are progressing with Chile and Canada. Agreements with Asean nations are improving. Discussions are also ongoing with Israel and the Gulf Cooperation Council. India is also exploring trade with the Mercosur bloc. *(The Economic Times)*

India gets unintended trade edge in Turkiye from EU FTA: GTRI

India's free trade agreement with the EU offers an unexpected advantage: Indian goods can now enter Turkiye duty-free via the EU. However, Turkish products cannot leverage the same pact for duty-free access into India, as only EU-origin goods qualify under the agreement's rules of origin. *(The Economic Times)*

Agriculture and Rural Economy

Agri-biz sector calls for farmers' empowerment, climate-resilient growth in Budget

Agri-business representatives have called for farmer-centric, climate-resilient policies in the upcoming Union Budget. Arun Raste of NCDEX stressed higher R&D spending on climate-resilient seeds, rural skill development and WDRA-notified warehousing. Bayer's Simon Wiebusch sought stronger income and credit support, predictable trade policies and investment in agri-logistics and innovation. HyFun Foods' Haresh Karamchandani called for PLI schemes, export incentives and cold-chain support, while Organic Tattva's Rohit Mehrotra emphasised subsidies, certification and credit for organic farmers. Nutrica's Sparsh Sachar highlighted the need to reduce edible oil import dependence, and Rassense's Sanjay Kumar flagged margin pressures due to lack of input tax credit and limited institutional funding. *(BusinessLine)*

Economic Survey 2026: Agriculture key to achieving Viksit Bharat

Contending that agricultural growth will play a major role in India's transformation into a developed country by 2047, the Economic Survey has suggested that the government should focus on deepening the ongoing reforms, promoting climate-resilient technologies, empowering FPOs, strengthening cooperatives, improving markets and logistics, and enhancing risk management. But the overall recommendations do not offer anything innovative or practical to address the challenges in the farm sector, when some of the repeated advisories are not fructified in terms of policy measures. *(BusinessLine)*

Beyond paddy. Experts call for crop diversification to save soil and water
Agricultural experts have called for reducing paddy cultivation to address groundwater depletion and soil degradation in Telangana. GV Ramanjaneyulu of the Centre for Sustainable Agriculture warned that intensive puddling has damaged soil structure, preventing groundwater recharge, and said nearly 70% of groundwater is already in the critical zone. He cautioned that without corrective action in the next five to six years, degradation could become irreversible by 2030. Paddy area has risen 42% and now consumes 62% of the State's water, while farmers' real incomes have stagnated since 2018. *(BusinessLine)*

Indian chilli prices get spicier as area, yields fall
A decline in the chilli area, coupled with thrips attacks and wilt, and an increase in demand in international markets led to a sharp rise in prices at the Warangal and Khammam agricultural market yards. Produce from cold chains was also being lifted by traders amid short supply and higher demand. After touching ₹22,000 a quintal last week, prices are now ruling in the range of ₹15,000-18,500 at the mandis, the highest level in three years. "Though it peaked a few days ago at about ₹22,000, chilli prices are around ₹15,000 even though the higher range is going up to ₹18,500," B Rambabu, a farmer from Khammam, told businessline. *(BusinessLine)*

Fertilizer, agtech sectors seek a Budget supporting resilient, self-reliant ecosystem
Leaders from the fertilizer, agri-tech and dairy sectors have urged the Budget to support modern, resilient and self-reliant agriculture. Key demands include promoting residue-free, nutrient-rich farming, recognising non-subsidised SOMS fertilizers as strategic materials, rationalising subsidies, and reforming the Fertilizer Control Order through digitisation, decriminalisation and deregulation
(BusinessLine)

PMO urges Finance Ministry to propose ways to accelerate agri growth in Budget
The Budget is expected to give renewed thrust to the rural economy, with the PMO urging faster agricultural growth amid a slowdown from 4.6% in 2024-25 to an estimated 3.1% in 2025-26. Sources said the focus could be on strengthening cooperative farming, farmer collectives, post-harvest infrastructure and agro-processing to boost incomes and rural jobs, while integrating small and marginal farmers to achieve scale and competitiveness. *(BusinessLine)*

Dairy sector, sensitive farm products fully protected'
India has excluded all sensitive farm items, including dairy, cereals, pulses, poultry, edible oils, spices, fruits and vegetables, from tariff reduction commitments under the India-EU FTA, officials said, with complete protection for the dairy sector. The EU has similarly kept products such as meat, dairy, rice, sugar and tobacco outside concessions. Both sides agreed to respect mutual sensitivities, while the EU will offer preferential access on about 87% of agricultural tariff lines. *(BusinessLine)*

'Raise urea MRP, pay fertilizer subsidy to farmers'

The Economic Survey has suggested modestly raising urea prices and transferring the subsidy directly to farmers, citing declining yield response despite higher use. It said DBT, backed by digital systems, could curb excess nitrogen use, restore nutrient balance and improve soil health, though NITI Aayog's Ramesh Chand flagged implementation challenges and called for reviewing the NPK norm. *(BusinessLine)*

Industry, Manufacturing, Services and Technology

India's aerospace sector gets competitive edge from EU trade pact

The India–EU Free Trade Agreement is expected to improve competitiveness for Indian aerospace manufacturers by reducing tariff-related costs for customers and easing access to European markets, according to industry players. The pact could also benefit domestic-focused players by improving the availability of aerospace-grade raw materials and capital equipment from Europe. The European Union accounts for an estimated 20–25 percent of global aerospace production, dominated by major OEMs like Airbus and a deep supplier base. *(BusinessLine)*

New Skills, New Stakes: AI reshapes IT salaries and job security

Employees equipped with new-age AI skills are commanding 20-40 percent higher salary than those engaged in traditional roles in the IT sector, according to hiring firms. On average, leaders with AI skills enjoy a premium of about 30-35 percent, while entry-level talent receives a much lower premium of around 8-10 percent. Tis premium also depends on the level and industry that is hiring, per TeamLease Digital. *(BusinessLine)*

Eco Survey: Indian auto industry witnessing tremendous growth in exports

The automobile industry is witnessing a surge in export growth, with more than 53 lakh vehicles shipped in FY25 and posting double-digit growth in the first half (H1) of 2025-26, reflecting rising global acceptance of India-made vehicles, said the Economic Survey. "Overall, the industry has recorded nearly 33 percent growth in production over the last decade. A robust demand-side recovery has driven both production growth and sales in the post-pandemic period," the Survey said. *(BusinessLine)*

Four years later, ACC PLI struggling to add capacity

Over four years since its launch, India's Advanced Chemistry Cell production linked incentive (ACC PLI) scheme is struggling to gain momentum. A mere 2.8 percent of the targeted capacity has been added so far, attracting only about one-fourth of the targeted investments. In October 2021, the Ministry of Heavy Industries (MHI) launched the ACC PLI scheme to catalyse domestic cell manufacturing with an outlay of ₹18,100 crore ($2.08 billion). It aimed to attract large players by mandating a minimum investment of ₹1,125 crore ($129.3 million). *(BusinessLine)*

Budget wish-list: Space startups want critical infrastructure tag, assured govt demand

Ahead of the Union Budget, India's nascent private space industry wants the government to classify space assets as critical infrastructure and allocate funds to procure products and services offered by domestic companies. The Indian Space Association (ISpA) and consultancy firm Deloitte have recommended that the government recognise space assets as critical infrastructure to allow low-cost, long-term financing for the sector. *(The Economic Times)*

India-EU FTA to intensify competition for Indian wine and spirits makers

Indian consumers could soon experience more affordable European wines and spirits, from French and Italian labels to premium Spanish wines, as the India-EU free trade agreement (FTA) proposes a phased cut in import tariffs, a move, alcobev bodies say, will accelerate premiumisation and expand consumer choice. However, industry leaders raised concerns, seeking stronger safeguards as global competition intensifies. According to the initially released agreement, the proposed reduction in import tariffs is from the current 150 per cent to 75 per cent across all EU spirits & wines categories . The agreement further outlines that the tariffs will then be lowered to 40 per cent for spirits, 50 per cent for beer, and as low as 20 per cent on wines in a phased approach.*(BusinessLine)*

Indian pharma seeks R&D booster shot to stay globally competitive

The Indian pharmaceutical industry stands on a strong foundation, marked by resilience and clear strategy. But 2026 is poised to be a year of structural reset, with the industry well placed to sustain 7–9 percent growth, driven by a shift towards complex generics, biosimilars and speciality products. While generics and cost-competitiveness remain strengths, quality upgradation, innovation-led value creation and closer alignment with global regulatory standards are shaping a durable growth trajectory. *(BusinessLine)*

Economy Survey proposes QCO framework aligned to industry readiness

The Economic Survey 2026 has upheld Quality Control Orders (QCOs) as vital tools for mitigating reputational risks linked to inconsistent quality. However, it simultaneously called for a strategic shift to ensure these regulations do not become a burden on MSMEs. The Survey proposed a 'forward-looking' QCO framework featuring rigorous pre-notification assessments, calibrated transition periods, adequate national testing capacity and a stronger alignment with industry readiness. "Critically, where sufficient domestic production capacity does not exist, the framework should provide exemptions or alternative pathways for specialised inputs such as raw materials, intermediates, spare parts, and quantities required for R&D," the Survey stated. *(BusinessLine)*

Services as a stabiliser of growth

Services have long been central to India's growth story, contributing significantly to output, exports, and employment alongside agriculture and industry. What has become clearer in recent years, however, is the role services play in steadying growth at a time when the global environment is more uncertain. This role is reflected in the breadth and composition of service activity across the economy. Today, the services sector contributes more than half of the country's Gross Value Added (GVA), 56.4 percent, as per the first advance estimate (FAE) of FY26, the highest ever recorded. The expansion of services has been broad-based. Software services, professional and business services, finance, telecommunications, transport, tourism, and experience-based activities have all contributed to momentum. *(BusinessLine)*

News on Kerala

Kerala to have more than 22% of its population aged above 60 by 2036, says new RBI report

Building a "new silver economy" and positioning Kerala as a destination for graceful ageing, as noted in Governor Rajendra Vishwanath Arlekar's recent policy address to the State Legislative Assembly, may not be optional for the State any more, but an imperative. By 2036, Kerala will continue to be at the forefront of ageing States in India, with more than 22% of its population aged above 60, indicates a new Reserve Bank of India (RBI) report. By then, says the report, Kerala will also see a decline in its share of the working age population. Kerala has topped this list for State-wise share of population aged above 60 for some years now. From 16.5% of its population aged above 60 in 2021, Kerala will have 18.7% in the category in 2026 and 22.8% by 2036, notes the report State Finances: A Study of Budgets 2025-26: Demographic Transition in India - Implications for State Finances released by the RBI. *(The Hindu)*

Conclave on global maritime issues gets under way in Kerala

The first edition of the two-day Trivandrum Dialogue on 'The Significance of the Maritime Domain: Evolving Maritime Issues for India in the Emerging Dynamics of Geopolitics' got under way here on Tuesday. Inaugurating the programme, former Director General of the Indian Coast Guard Vice Admiral M.P. Muralidharan (retired) highlighted the growing centrality of oceans in national and global strategy and described the moment as particularly significant for mariners and maritime professionals.Reflecting on the historical challenges of life at sea, Mr. Muralidharan recalled early navigation dependent on celestial guidance and uncharted waters. *(The Hindu)*

Expect a realistic and practical State Budget: Kerala Finance Minister Balagopal

Finance Minister K.N. Balagopal on Tuesday indicated that the 2026-27 State Budget to be tabled on Thursday in the Assembly would be a "realistic and practical" one and that government employees and pensioners could expect positive outcomes.In a pre-Budget chat, Mr. Balagopal — whose sixth Budget is also the final one of the present Left Democratic Front (LDF) government as Kerala moves towards Assembly elections — said his presentation on Thursday would reflect the LDF's conviction that it would continue in power in the State. "We expect the full support of the people. The Budget will be realistic and practical," he said. *(The Hindu)*

Govt. for private participation in maritime sector, says Minister

Minister for Ports V.N. Vasavan told the Assembly on Wednesday that the State government is making vigorous efforts to develop the port land under the Kerala Maritime Board (KMB) as well as scaling up maritime logistics and maritime industry with private participation. The State government is also taking steps to develop the Kollam and Beypore ports under the KMB via private participation route. Port operations and ports development are highly competitive sectors that require huge investment and can only be kept afloat if changing technologies are put to use effectively and efficiently. *(The Hindu)*

Kerala hoping for a better deal from 16th Finance Commission: Balagopal

Finance Minister K.N. Balagopal on Saturday reiterated that Kerala is hoping for a better deal from the 16th Finance Commission, having had its share of the divisible tax pool cut to 1.92% under the previous commission.Speaking at a pre-State Budget consultation with the media here, Mr. Balagopal said if Kerala's share from the divisible pool was further reduced, it could spell trouble for the State.The State's share of the divisible pool was down to 1.92% under the 15th commission from 3.88% under the 10th commission. "Last time, Kerala had the lowest share. We are hoping that will change," he said. *(The Hindu)*

Kerala to become India's first State with a comprehensive urban policy: Minister M.B. Rajesh

Minister for Local Self-Governments M.B. Rajesh said on Tuesday that Kerala will soon become India's first State with a comprehensive urban policy.The policy will outline development priorities for the next 25 years. Highlighting the distinct nature of Kerala's urbanisation, he said the State could emerge as one continuous urban region spread across major highways.Addressing the Assembly during Question Hour, Mr. Rajesh said the Kerala Urban Policy Commission, chaired by M. Satheesh Kumar, a Senior Associate Professor at Queen's University, Belfast, had submitted its final report to the Chief Minister in March last year. *(The Hindu)*

Vizhinjam scripts a new chapter in infra development in State: CM

The commencement of the second phase of development of the Vizhinjam International Seaport has created a new chapter in the history of infrastructure development in the State, Chief Minister Pinarayi Vijayan has said. Speaking after inaugurating the second phase of development works here on Saturday, the Chief Minister said, "The oft-repeated criticism the State had to face in the past in terms of development was that 'nothing would happen here' and 'these are not fit for Kerala.' Today, we have made the Vizhinjam project a reality amid those comments and criticism, and we are entering the project's second phase," he said. *(The Hindu)*

Kerala Budget 2026-27 is one that seeks fiscal stability amid demographic transition

Kerala's Budget 2026-27 is an exercise in fiscal realism rather than profligacy. Revenue receipts are budgeted to rise to ₹1.83 lakh crore, driven largely by improvements in the State's own tax and non-tax revenues. Yet, the broader fiscal position remains constrained. While the share of Central taxes has broadly kept pace with estimates, grants-in-aid have declined sharply in recent years, weakening an important stabilising component. As a result, Kerala's own revenue now finances just over half of its revenue expenditure, showing a structural squeeze, given the varied expenditure needs of the State. *(The Hindu)*

Greying Kerala's rising tide of elder care needs

When Kerala became the first State in India to achieve below-replacement fertility in the 1990s, it was celebrated as a triumph of development and proof that education, healthcare and women's empowerment could transform society. Three decades later, that success is reshaping Kerala in a far more complex way. Nearly one in five (or 20 percent) Keralites is above 60 years, compared with around 12 percent nationally, according to reports by the UN Fund For Population Activities and the Centre for Development Studies, among other sources. Further, by 2036, seniors could constitute 23-30 percent of the population in Kerala, making it not only India's most aged State, but also one of its fastest aging ones. *(BusinessLine)*

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