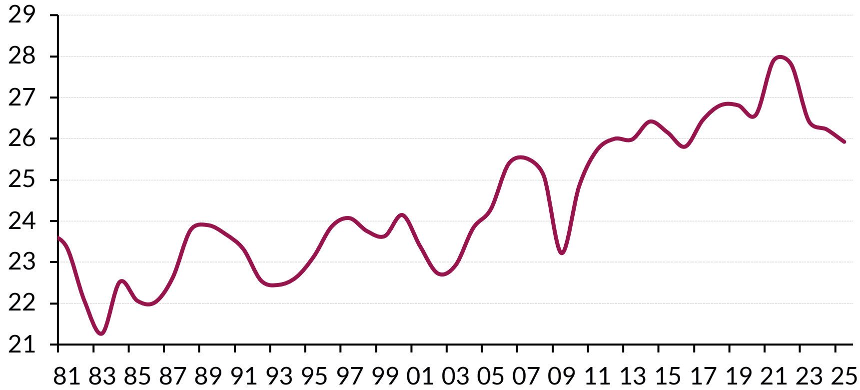
Economic Research | Macro and Markets Flash

Monsoon risks to India, global monetary shifts ahead

Monthly thoughts | July 20, 2026

We maintain projections of FY27 India growth at 6.7% of GDP, slowing from trend given volatile geopolitics and effects on the El-Nino on domestic rains as well as imported agri-products – with inflation likely to average around 4.9% for the year and the current account above 1% of GDP – though with the financial account remaining a larger problem reflecting different neutral rates for internal and external balance. We also do not see the Fed as hawkish, contrary to market understanding, but see potential leadership shifts in the ECB driving a hawkish shift. Potential for Chinese monetary easing might also exist.

Exhibit 1: Drawdown of global savings underlying macro-evolution



Source: IMF, Axis Bank Research

West Asia, Monsoon near-term risks, but fiscal might be part of longer balance
The West Asia conflict has resumed, coming at the time of risks to growth also from the weak monsoon so far (Fig 4), while inflation also appears to be rising (Fig 5). These suggest FY26 GDP growth at 6.7% YoY (Fig 2) and inflation around 4.9% (Fig 3). Current account trends indicate a print close to 1.4% of GDP, with a potential slowdown in remittances given FCNR schemes. However, the capital and financial account remains the proximate issue (Fig 6), with steady outflows given differences in costs of capital. FCNR flows are so far slow, but steps will likely limit the BOP deficit at the cost of raising future deficits with forwards maturing. With interest rates for internal balance now much lower than those for external balance (Fig 7), de-facto tightening is the norm (Fig 8) – unless rates for internal balance can be raised by increased quantity or quality of government spending. With this, we continue to see the INR at 97 by year end and 100 by Jun'27, with the 10y G-sec likely to be fairly priced somewhere above 7.00%.

Fed not hawkish, but ECB might be, some Chinese easing possible
There is a tendency for US data to slow in H2, which coupled with inflation prints will likely follow through on our initial expectation that Fed hawkishness (Fig 9) was a feint. In contrast, personnel changes at the ECB can support interest rates even as political machinations suppress growth. For the UK, politics on fiscal, market access and EU relations are the biggest drivers of the future. On China, there might be space for monetary easing ahead given weak data and already high fiscal support (Fig 10). For Japan, the impossible trinity can be managed by intervention and investment policy shifts, potentially long enough for the JPY to not be geopolitically relevant. Within all these, we continue to see fiscal dominance (Fig 11) as a driver of market movements, resulting in a pecking order of currencies and steeper rates curves, in a universe of low availability of savings.

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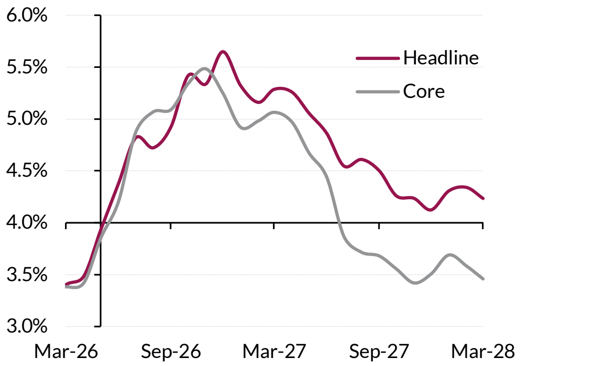
Exhibit 2: Seeing India GDP growth slower this year, with recovery in FY28

YoY% Sector	FY24	FY25	FY26	FY27	FY28
Agriculture	2.6%	4.2%	3.0%	2.4%	3.7%
Industry	11.3%	8.7%	9.0%	5.6%	6.7%
Services	9.9%	7.3%	7.4%	6.8%	8.0%
Real GVA	7.2%	7.3%	7.9%	6.7%	7.1%
Real GDP	7.2%	7.1%	7.6%	6.7%	7.1%
Nominal GDP	11.0%	9.7%	8.9%	12.2%	11.6%

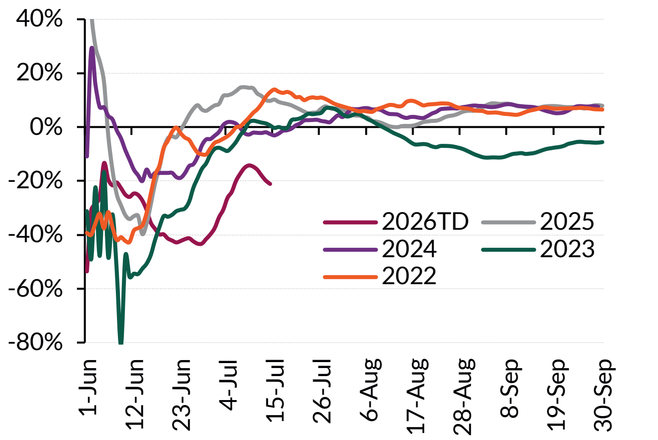
Source: CSO, Axis Bank Research

Exhibit 3: Inflation likely to peak this year, but stay above the 4% target



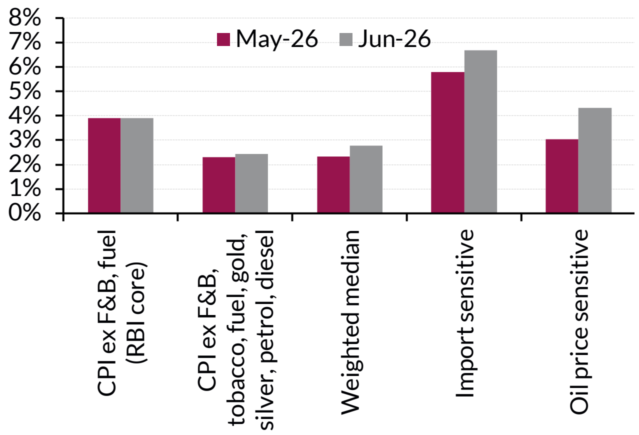
Source: MOSPI, Axis Bank Research

Exhibit 4: The Monsoon is a source of inflation risk, impacting both temperature and water storage



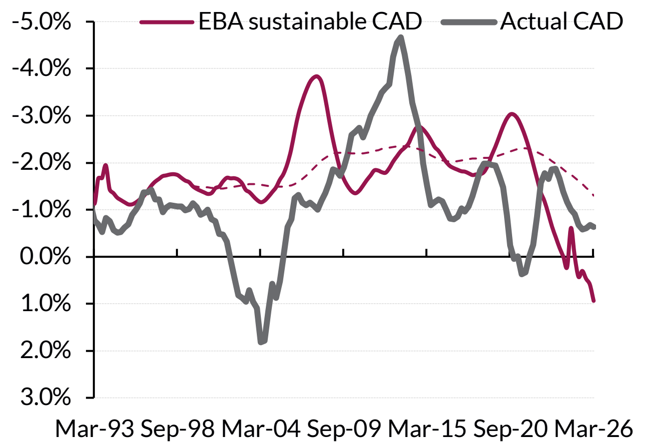
Source: IMD, Axis Bank Research

Exhibit 5: Apart from food, underlying inflation also likely increasing



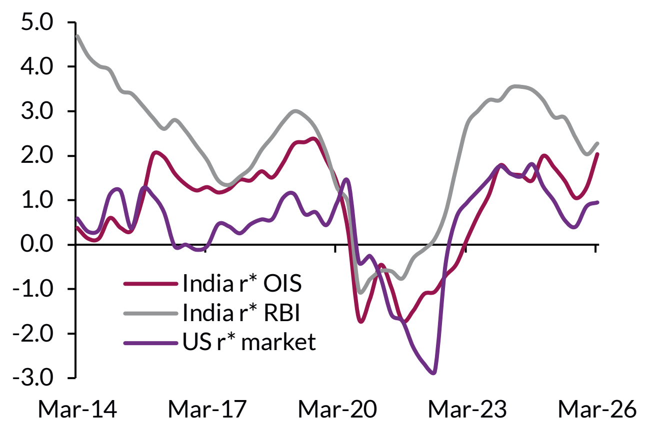
Source: MOSPI, Axis Bank Research

Exhibit 6: Capital outflows have lowered financeable EBA CAD, even though actual CAD is low



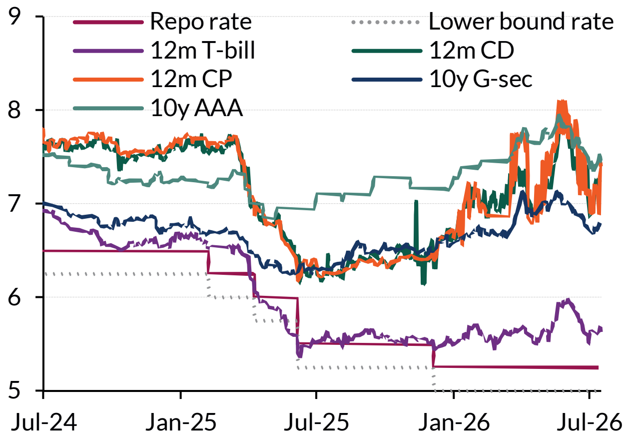
Source: RBI, Axis Bank Research

Exhibit 7: India real neutrals have risen with global levels, higher than domestic economy can withstand



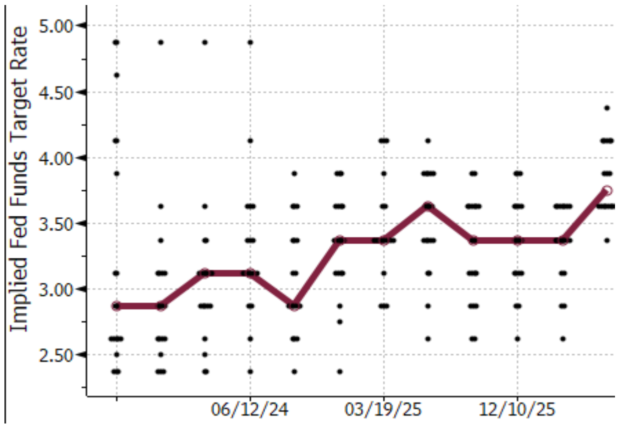
Source: RBI, MOSPI, Bloomberg, Axis Bank Research

Exhibit 8: **Rates have de-facto tightened, despite the repo being held steady**



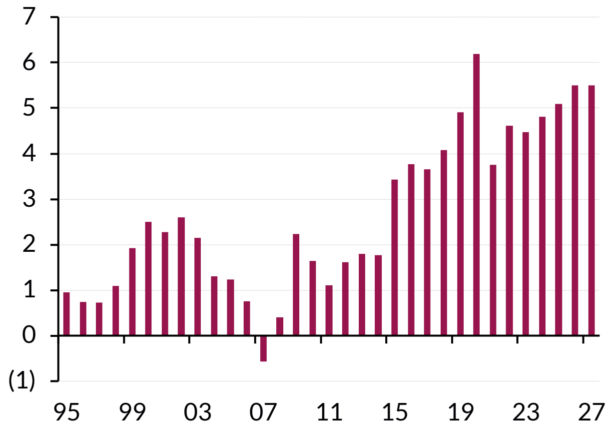
Source: Bloomberg, Axis Bank Research

Exhibit 9: **Dotplot for 2026 – recent Fed meeting raising dotplots was seen as hawkish**



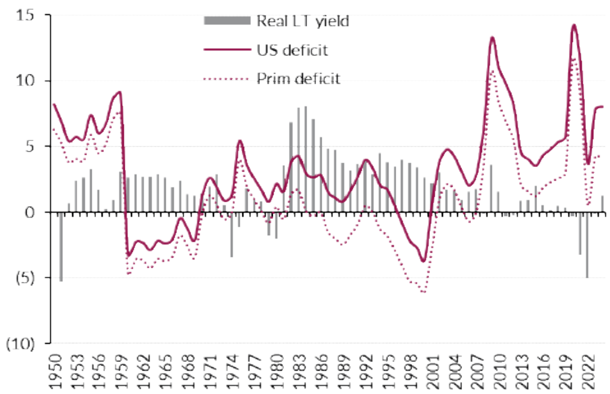
Source: Bloomberg, Axis Bank Research

Exhibit 10: **China fiscal spending is already high (%GDP) precluding heavy stimulus**



Source:IMF, Axis Bank Research

Exhibit 11: **Fiscal dominance like in the 1970s led to suppressed yields, weaker USD**



Source:St. Louis Fed, Axis Bank Research

West Asia, Monsoon near-term risks, but fiscal might need to be part of longer-term balance

The West Asia conflict has resumed, coming at the time of risks to growth also from the weak monsoon so far, while inflation also appears to be rising. These suggest FY26 GDP growth at 6.7% YoY and inflation around 4.9%. Current account trends indicate a print close to 1.4% of GDP, with a potential slowdown in remittances given FCNR schemes. However, the capital and financial account remains the proximate issue, with steady outflows given differences in costs of capital. FCNR flows are so far slow, but steps will likely limit the BOP deficit at the cost of raising future deficits with forwards maturing. With interest rates for internal balance now much lower than those for external balance, de-facto tightening is the norm – unless rates for internal balance can be raised by increased quantity or quality of government spending. With this, we continue to see the INR at 97 by year end and 100 by Jun'27, with the 10y G-sec likely to be fairly priced somewhere above 7.00%.

Impact of West Asia conflict and Monsoon visible, keeping FY27 GDP at 6.7%

India high-frequency data have turned negative over the past month, with PMI, CV registrations, tractor sales, Fastag collections and e-way bills, exports, and hiring showing signs of slowing down. To an extent, these reflect some uncertainties around the (now recently resumed) West Asia conflict – in trade, transportation, etc. However, there increasingly also appears to be an impact of the weak Monsoon at play. This is seen in high electricity consumption given pumping demand amid lower soil moisture, as well as given warm weather conditions owing to rains. This is also seen in a larger number of individuals demanding work under job guarantee schemes, consumption of petrol and diesel, as well as low sowing activity. For detail on the evolution of high-frequency indicators, please see our table in the appendices to this report.

Given these shifts, we retain our projection of GDP growth at 6.7% YoY, while watching for potential further impacts of global and domestic shocks. These might also come from

Exhibit 12: India GDP growth likely to be hit this year, recover next year

YoY%					
Sector	FY24	FY25	FY26	FY27	FY28
Agriculture	2.6%	4.2%	3.0%	2.4%	3.7%
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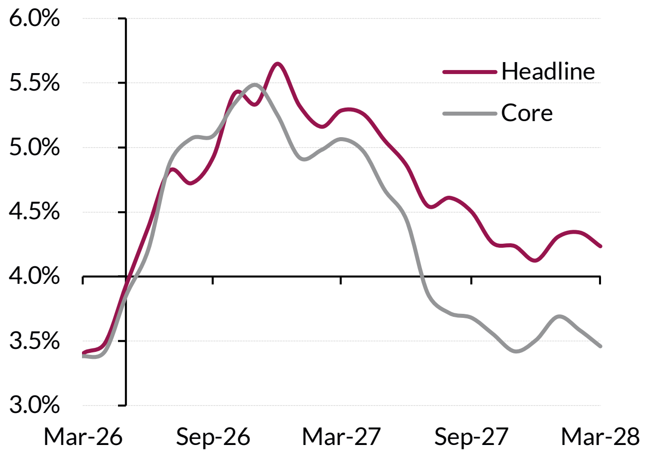
Source: CSO, Axis Bank Research

Exhibit 13: Inflation likely to peak this year, but stay above the 4% target



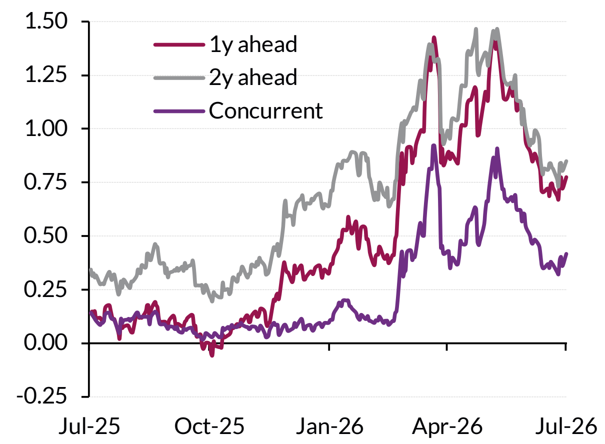
Source: MOSPI, Axis Bank Research

de-facto tightening currently being seen in India rate markets – though conditions still appear favourable for borrowers as seen in breakneck current credit growth of 18% YoY, with expansion across sectors (including to industry) and a skew towards term loans. While this might in part reflect better conditions being offered by banks than in bond markets (as well as reversing of some market borrowing requirements), fundraising including bond markets also remains strong.

Longer-term growth and internal balance might require more GOI spending

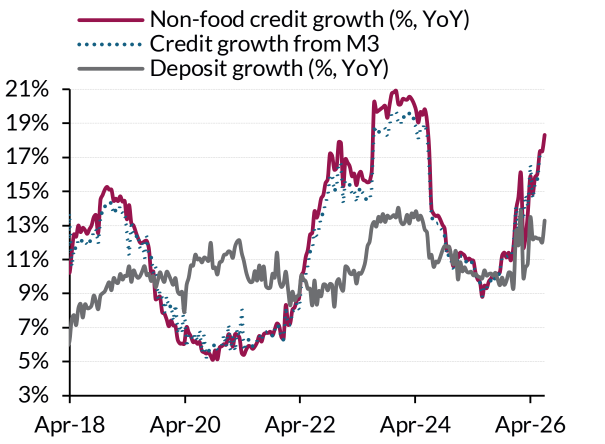
More important than current growth is longer-term growth – current conditions are likely reflective of shocks at play. There is potential for trend growth to come off, given the de-facto tightening, even though domestic growth and underlying inflation stay soft. With the de-facto tightening, even easing by the RBI has proven ineffective, given the higher levels of global neutral rates driving flows out. In other words, the neutral rate for internal balance is low, but that to maintain external balance is forcing levels higher. How to make these meet? It is likely that the concept of fiscal* - the neutral fiscal deficit – has risen as seen in other countries. To restore internal balance and therefore have growth at potential and inflation at target while maintaining external balance might require greater fiscal easing, or increase in efficiency of government spending.

Exhibit 14: OIS pricing of India rate hikes from current levels



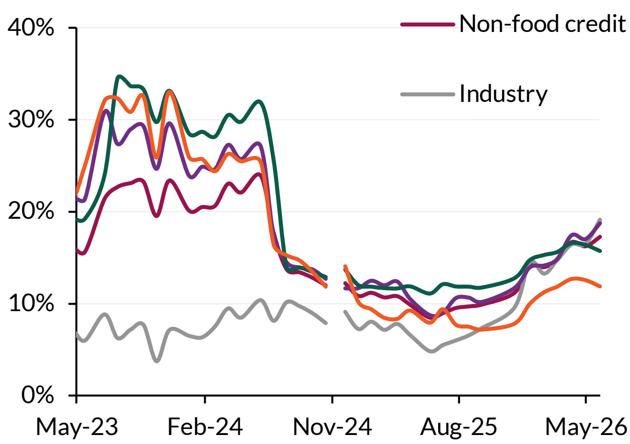
Source: Bloomberg, Axis Bank Research

Exhibit 15: Bank credit and deposit growth – is credit really being suppressed?



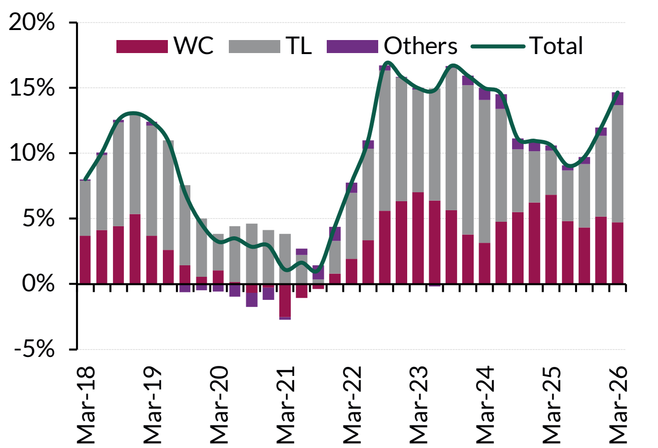
Source: RBI, Axis Bank Research

Exhibit 16: Credit growing across sectors



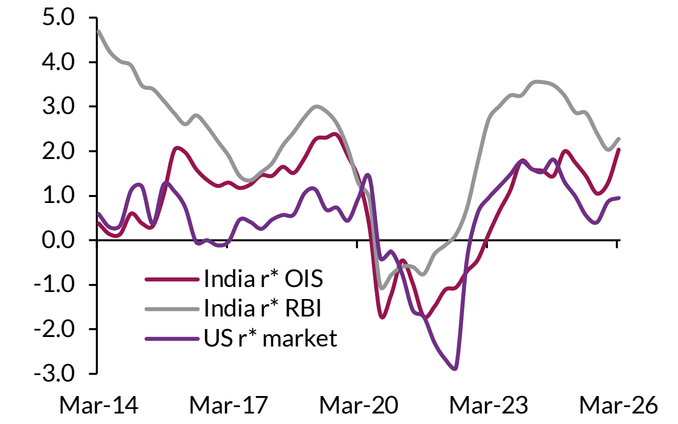
Source: RBI, Axis Bank Research

Exhibit 17: Strong term loan contribution



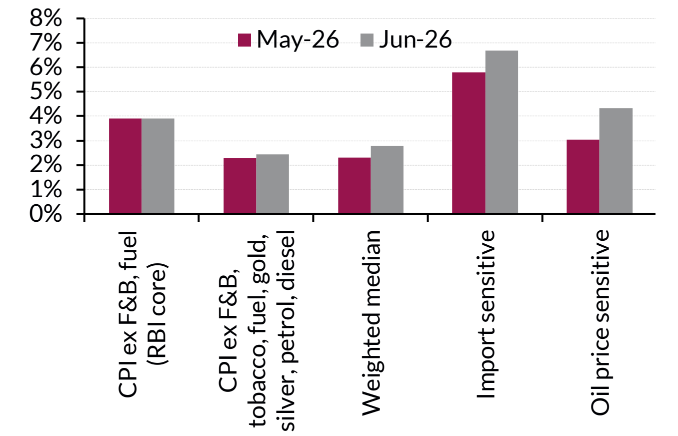
Source: RBI, Axis Bank Research

Exhibit 18: India real neutral rate appears to have risen with global drivers to maintain external balance



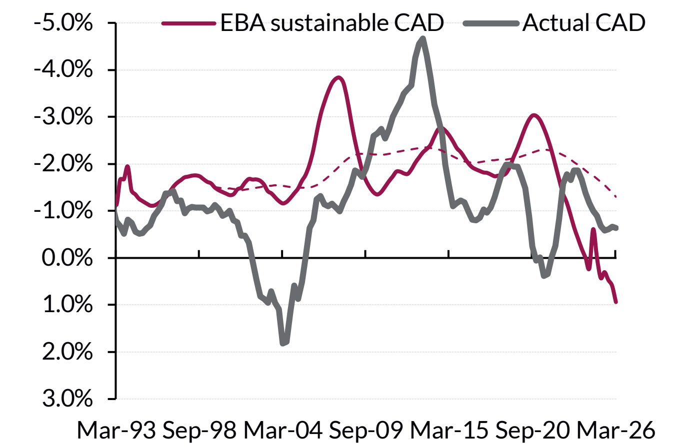
Source: RBI, MOSPI, Axis Bank Research

Exhibit 19: But low domestic core inflation trends suggest these rates are too high for internal balance



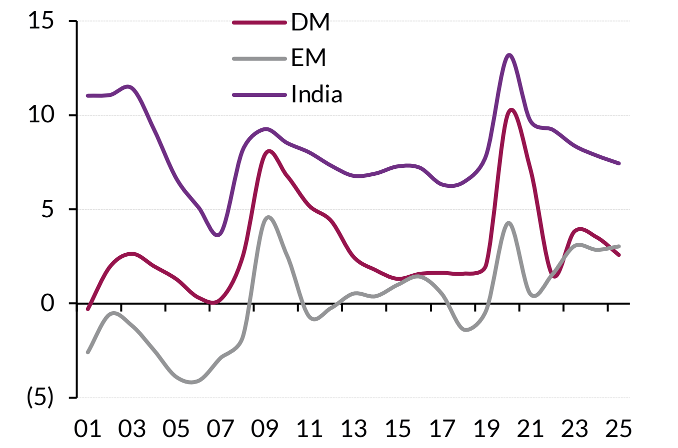
Source: MOSPI, Axis Bank Research

Exhibit 20: Lower CAD, but even lower EBA-sustainable CAD also speak to these trends



Source: RBI, Axis Bank Research

Exhibit 21: India fiscal retrenchment has been fast, might need to reverse to restore equilibrium



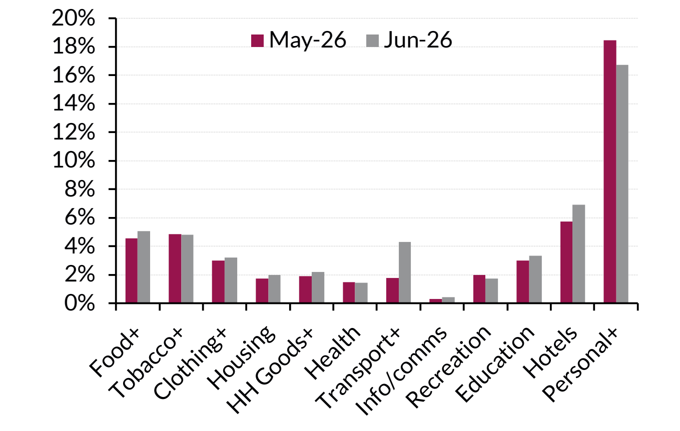
Source: IMF, Axis Bank Research

Inflation steadily rising, risk in domestic and global core drivers

CPI inflation for June came in at 4.38% - the strongest number since Dec'24. The increase was largely driven by pickup in prices relating to food, as well as by passthrough of energy prices into services. This translated into increase in underlying inflation as well, pushing through to services and weighted median measures, as well as in import-sensitive and domestically sensitive measures. At the same time, WPI inflation released yesterday was also higher at 9.87%, with high imported inflation – but also increase in domestic prices tracking high-frequency food prices. WPI metrics are also more sensitive to petro-product prices, taking global rather than domestic pricing – widening of crack spreads over the past few days is a concern from this viewpoint, pushing inflation and passthroughs higher.

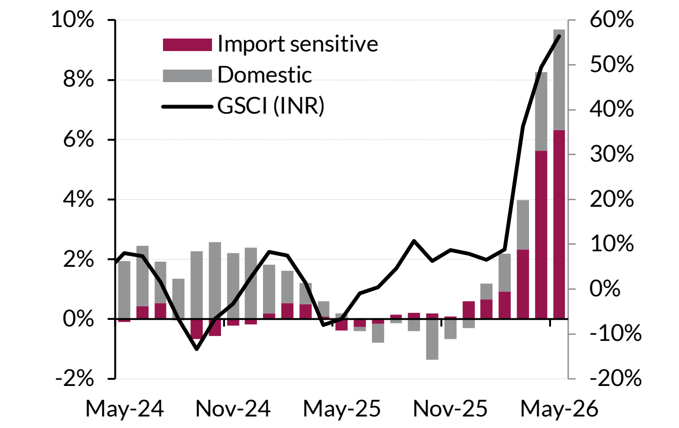
With these developments, current inflation projections come to somewhere below 5% for FY27. This is notably below the 5.5% projection we made assuming oil prices prevailing higher and followed through by pump-price hikes. However, resumption of the conflict with no clear end in sight, as well as potential increases from food prices (including edible oils, especially given the impact of El-Nino on palm oil output of South-East Asia, are risks to the upside. Another risk to the upside comes from INR depreciation, which tends to have a lagged impact. As covered below, we see the INR moving on the wrong side of fair

Exhibit 22: Increase in CPI inflation for Jun was on food and energy driven passthroughs



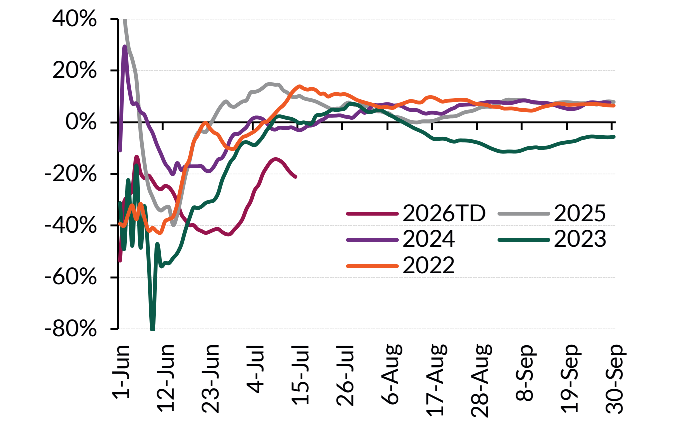
Source: MOSPI, Axis Bank Research

Exhibit 23: WPI inflation shows even stronger trends, domestic skew of price increases



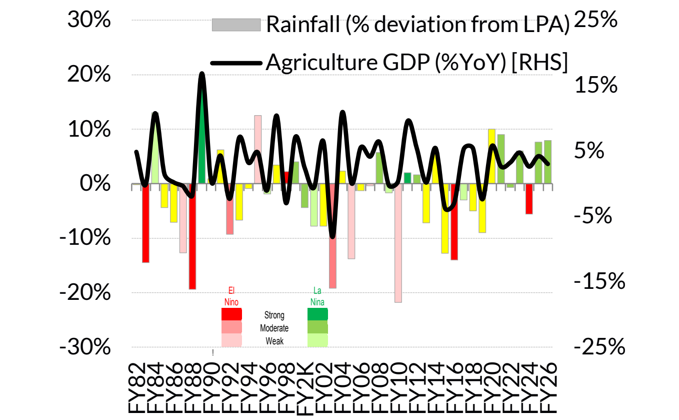
Source: Office of the Economic Adviser, Axis Bank Research

Exhibit 24: The Monsoon is a source of inflation risk, impacting both temperature and water storage



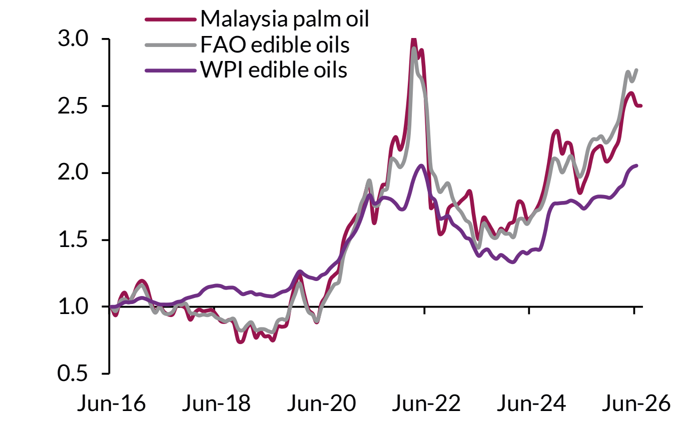
Source: IMD, Axis Bank Research

Exhibit 25: Historically, weak rainfall has hit agri production



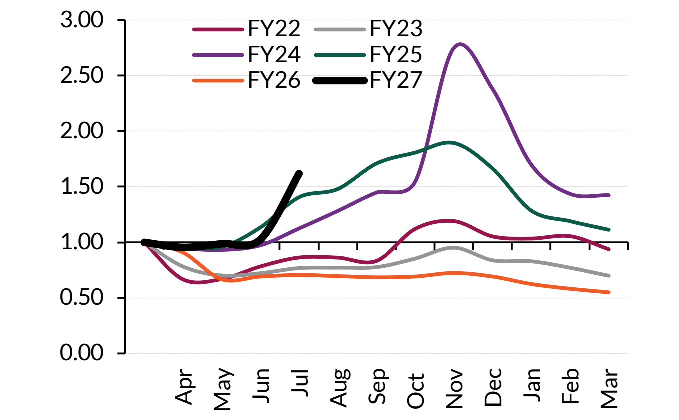
Source: IMD, Australia Met, Axis Bank Research

Exhibit 26: El-Nino also likely to impact prices of imported edible oils



Source: Bloomberg, Office of the Economic Adviser, Axis Bank Research

Exhibit 27: Impact of weather most visible in onion prices having risen of late



Source: DCA, Axis Bank Research

value for some time, with fair value itself weakening faster over the next few years than the experience of the 2014-22 period.

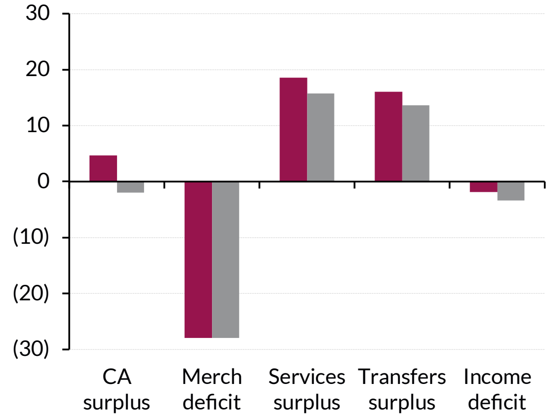
Merchandise deficit offset by services and remittance inflows
The latest print on the trade deficit was higher than expected, showing increases in fertiliser and chips imports – likely reflecting higher prices as well as given higher needs for fertiliser given the weaker than usual monsoon. At the same time, exports were driven by metals, electronics and jewellery, also potentially reflecting higher prices. While the merchandise trade numbers might be seen as high, there appears to be a good offset from services exports and remittances. These were especially notable in the April BOP prints, with numbers for May also in agreement. Even with these, the trade deficit including services for Q1 appears to be the largest since FY23. With higher import prices and a likely slowdown of remittances given FCNR flows, the current account deficit is also likely to expand this year – potentially to a print of around 1.4% of GDP. However, this would also require that the savings/investment gap widens to that extent – this is still to be watched over the year ahead. Notably, expectations of a higher current account deficit of the past 2 years proved untrue because low domestic investments and high savings brought in offsetting flows.

Capital and financial outflows, not the current account, are the proximate concern
More than the current account, the capital and financial account poses risks. Within this, we note steady and near-continuous outflows over the past few years, stemming from a surplus of domestic savings over domestic fixed and financial assets. These are also visible in high P/E multiples, lower hedged and unhedged yields when compared to global metrics, a convenience yield for gold allowing for demand even with higher customs duties, and continued demand from households and DIIs for domestic financial assets. These trends have driven sustained financial outflows to geographies where savings have been drawn down – more on this later. Though Q4 and April financial flow numbers have been supportive and allowing for the INR to appear to have reached fair value (we have calculated this based on IMF models), current shocks from the resumption of the West Asia conflict and the weaker Monsoon push the currency beyond fair value.

AI might shift productivity metrics against India going ahead
We look at the strong performance of the INR over the years as driven by two factors – the global savings glut that followed the peace dividend, and increase in domestic productivity driven by the shift of the export basket toward higher value content services. While savings might now be lower in general, fast-developing AI trends where Indian participation is largely absent might lead to Indian productivity growth trending below levels of peers. This would be seen as negatively affecting INR trends. With an inflation differential of 2% (this assumption is to be tested), absence of productivity might see FEER indicate continued depreciation in the REER over time – in practice leading to faster depreciation in spot INR than we have been accustomed to see over time.

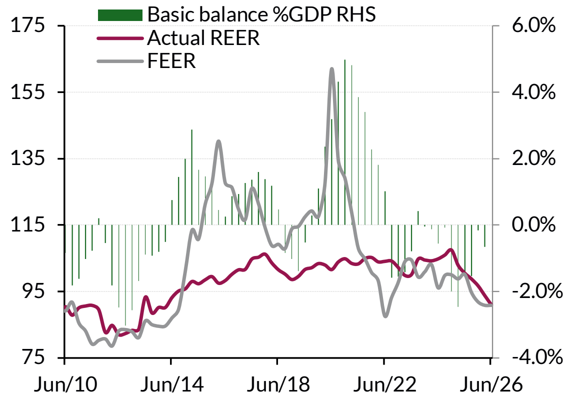
FCNR flows might not be the silver bullet they purport to be
Announcement of the RBI/GOI package for the INR and rates led to a wave of optimism as sentiment turned – allowing for the INR to appreciate beyond fair value. With this, the RBI was reportedly able to even buy back some USD sold earlier at levels somewhat above 94.00. However, as time has progressed, logistical issues appear to have emerged in raising of these deposits: Country risk limits, overseas business restrictions, higher costs of foreign currency finance, as well as higher competing interest rates overseas are just some of these. Flows have started, but these are so far below expectation. More importantly, these flows are to be repaid – implying an increase in RBI's future short position. Inclusion in the Bloomberg GA Index is likely to bring flows without a repayment date – potentially allowing the RBI to absorb around USD 40 bn of inflows over two

Exhibit 28: Services surplus and remittance inflows continue to offset merchandise deficit



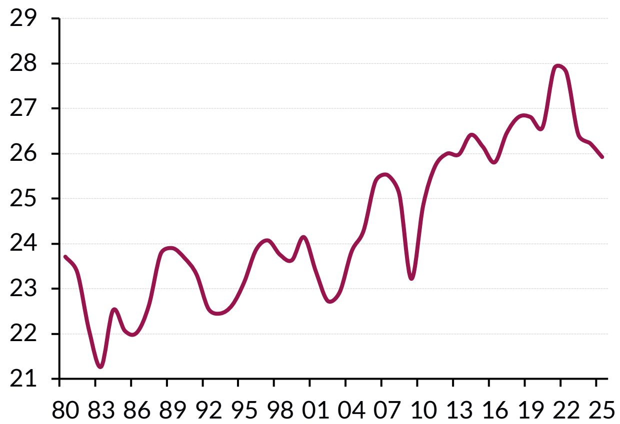
Source: RBI, Axis Bank Research

Exhibit 29: Basic balance of zero and REER at FEER levels suggest INR at fair value



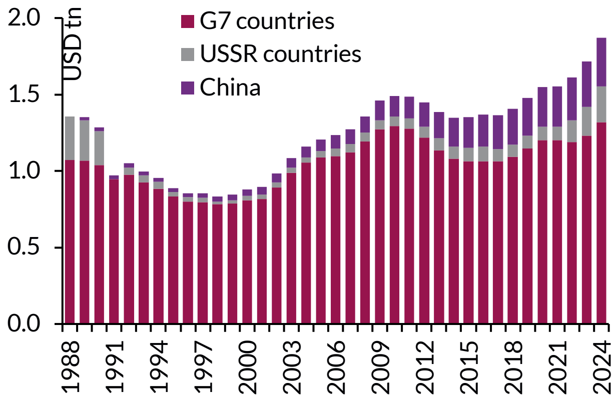
Source: RBI, MOSPI, IMF, Axis Bank Research

Exhibit 30: Global savings (%GDP) are now lower



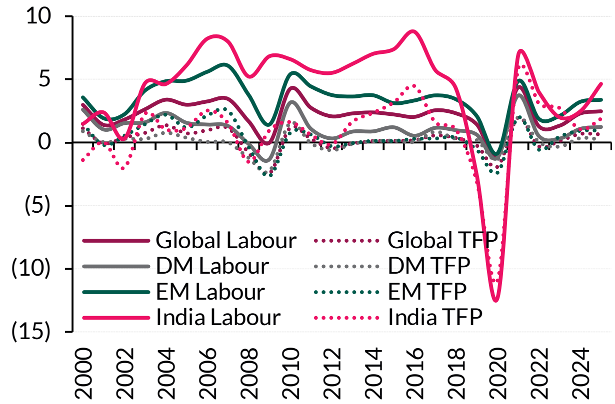
Source: IMF, Axis Bank Research

Exhibit 31: Driven by heavy defence spending (2023 USD)



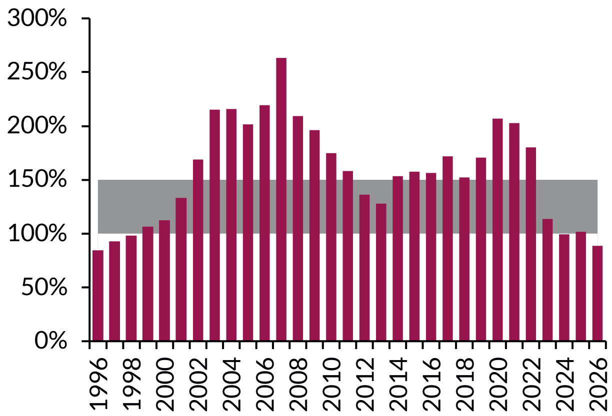
Source: SIPRI, Axis Bank Research

Exhibit 32: Productivity metrics – India was at the top of the pack in the past, but this is not assured ahead



Source: Conference Board, Axis Bank Research

Exhibit 33: India FX reserves are now below IMF ARA adequacy levels



Source: IMF, Axis Bank Research

years. However, with India rates below treasuries on a hedged and unhedged basis, and with limited diversification benefits, inclusion through a vote of the Index advisory committee (comprising major fund managers) is also uncertain.

FX reserves are below adequacy norms, meaning any flows will likely be absorbed
While FX reserves might look decent in terms of old metrics of import and short-term debt cover, these metrics do not take into account modern FX flows from hot money or household remittances – the two have been noted to be major drivers of currency crises over the past 2 decades. A metric taking all of these into consideration – the IMF's ARA – shows reserves are below adequacy levels recommended, assuming that the INR is in a crawl-like arrangement. This arrangement discourages hedging and FX risk management, assuming that the RBI is already carrying out those functions, thereby increasing the call on reserves.

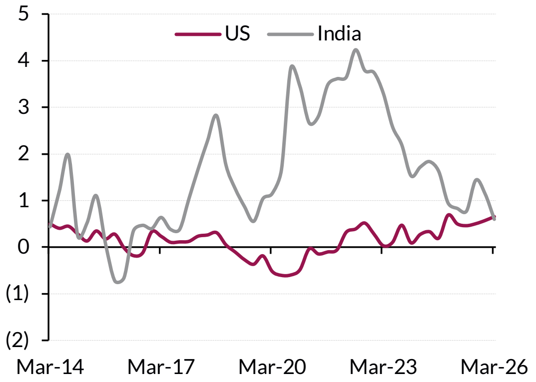
With reserves less than adequate and the need to deliver these over time as forward shorts come due, it is likely that the RBI will choose to absorb any and all sustained inflows. With this, we see chances of sustained appreciation even with index inclusion and other potential future good news as unlikely.

Steady-state fiscal needed to drive internal balance might need to increase
India has seen the need to drive increased fiscal consolidation over the years, to be able to retain strike force capability in times of crisis. This has been seen as especially relevant during the pandemic, with current consolidation now seen reversing the need for stabilisation-related spending in that period. However, the years also see spending wind down procyclical – when the economy was likely performing below potential seen in the smaller level of current account and inflation prints. In normal course, effective transmission of monetary easing would have been enough to spur private sector activity and raise both growth as well as inflation. However, monetary transmission has not worked, with effective rates as high as they were earlier on, and banking rates also gradually increasing.

This is a classic impossible trinity problem – with internal balance requiring low interest rates, but external balance tending towards higher rates. Absent private sector participation, the equilibrating variable must push rates higher – with currency weakness driving inflation, or asset price devaluation symptomatic of higher costs of capital. The other way to bridge this gap and to bring rates for internal balance close to those for external balance is to spend fiscally. These trends are also in line with global fiscal trends – simply put, higher fiscal spending globally (lower savings) raise costs of capital for countries with relatively open capital accounts. This brings a global level to fiscal spending – with global fiscal spending higher, there are enough arguments to increase Indian fiscal spending as well in the near term. Efforts to improve efficiency of spending in the longer term can also help from the point of view of overall debt.

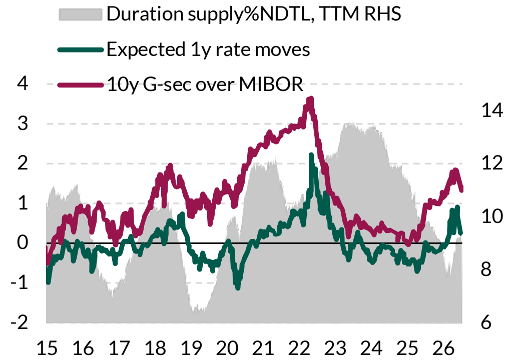
Apart from India neutral rates, term premium might also need to rise
The above discussion deals with an irrevocable increase in domestic neutral rates. However, term premium – the premium for longer-term paper over and above rational expectations of neutral rates – is also likely to increase. This is a function of uncertainty on rates as well as supply, added to by global neutral rates. With global rates likely to rise either as short-term rates are kept too low, or fiscal too high, or with central bank balance sheets set to shrink, India term premia are also likely to increase. These trends suggest fair value of the 10y benchmark yield somewhere above 7%, with neutral rates in the 5.75%-6.00% band.

Exhibit 34: India term premium has been heavily compressed over the past few years



Source: Conference Board, Axis Bank Research

Exhibit 35: With the easy monetary stance, higher neutral rates and OMOs over years



Source: RBI, Bloomberg, Axis Bank Research

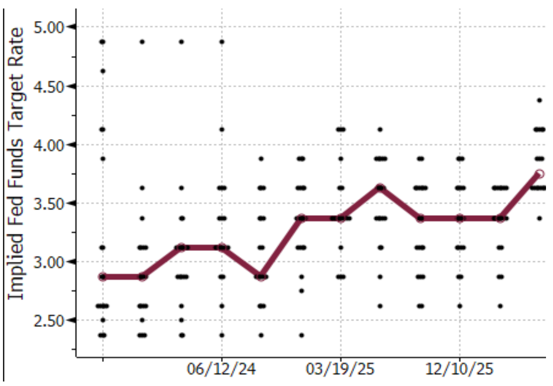
Fed not hawkish, but ECB might be, some Chinese easing possible

There is a tendency for US data to slow in H2, which coupled with inflation prints will likely follow through on our initial expectation that Fed hawkishness was a feint. In contrast, personnel changes at the ECB can support interest rates even as political machinations suppress growth. For the UK, politics on fiscal, market access and EU relations are the biggest drivers of the future. On China, there might be space for monetary easing ahead given weak data and already high fiscal support. For Japan, the impossible trinity can be managed by intervention and investment policy shifts, potentially long enough for the JPY to not be geopolitically relevant. Within all these, we continue to see fiscal dominance as a driver of market movements, resulting in a pecking order of currencies and steeper rates curves, in a universe of low availability of savings.

US: The Fed might not be as hawkish as markets see, especially with a likely slowing of data

The first half of the year saw improving US data – because of, rather than despite the West Asia conflict that drove a wave of front-running of demand. After this front loading, both manufacturing and services PMI prints have slowed down, while drawing down of savings early in the year point at weaker consumption spending going ahead. With this, consumer credit has also come lower in the latest prints, while hiring data has noticeably slowed. Where numbers for hiring were strong, like in the May payrolls print, a relaxing of immigration enforcement has been pointed at as the proximate driver. There are still bright spots in the number – higher quits seen in JOLTs and increased pay gains for job switchers, steady US continuing claims indicating the layoffs cycle has stabilised, and lower U6 under-employment data. However, headwinds in the housing market, still-weak consumer confidence, and high volatility in equity markets point towards dampening forces taking over. It must at this time be mentioned that US data tend to slow in H2 owing to what is seen as an issue with seasonally adjusting data.

Exhibit 36: Fed dotplot for 2027 over the years – raised in latest SEP



Source: FOMC, Axis Bank Research

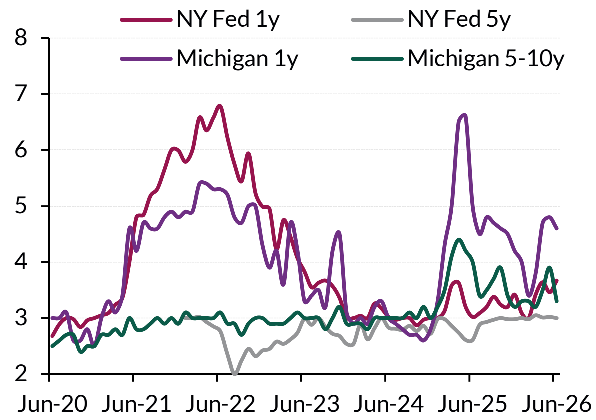
Exhibit 37: Market expectations of Fed rate changes in 2026 from 1 Jan levels – is a hike truly likely?

Source: Bloomberg, Axis Bank Research

The latest inflation prints came in well below expectations, though this does not fully show weaker demand yet - coming from medical care as well as passthrough of energy prices in reversal. High inflation in conjunction with recent Fed comments have been interpreted as being hawkish, but we do not see that this is necessarily the case. While comments from chair Warsh repeatedly emphasising commitment to inflation might be seen as signalling, Mr. Warsh's distaste for forward guidance might mean that these are just reaffirming the mandate. At the same time, the dotplot which showed 9 individuals seeing one hike this year was made at much higher levels of oil, many of these dots are not voters this year or the next, and chair Warsh abstained. The task force on balance sheets is likely to draw an inference on inflation driven more by the balance sheet (too easy for some sectors, but tight for others) rather than low rates. At the same time, the committee on innovation is likely to indicate reductions of both long-term inflation and rates from AI-driven productivity improvements.

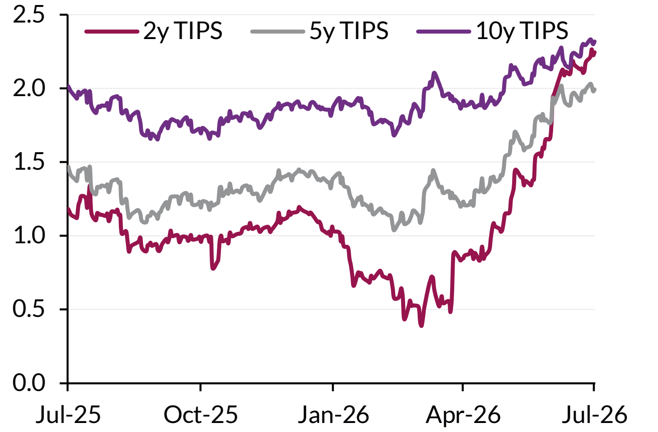
Developments might be enough to argue that inflation spikes need be looked through. However, despite these, consumers' expectations of inflation have risen, while market-based metrics are lower purely because of spikes in TIPS yields. Overall, the odds remain stacked against a hike even though markets currently price in a move in Oct.

Exhibit 38: Survey based inflation expectations have likely peaked, coming off



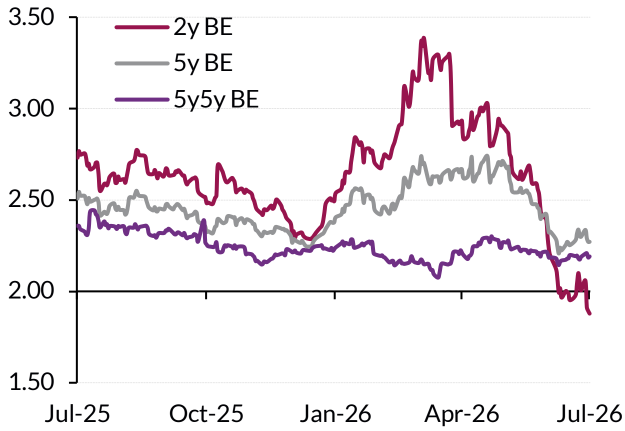
Source: Bloomberg, Axis Bank Research

Exhibit 39: TIPS yields have also risen of late, with issuance and Fed balance sheet fears



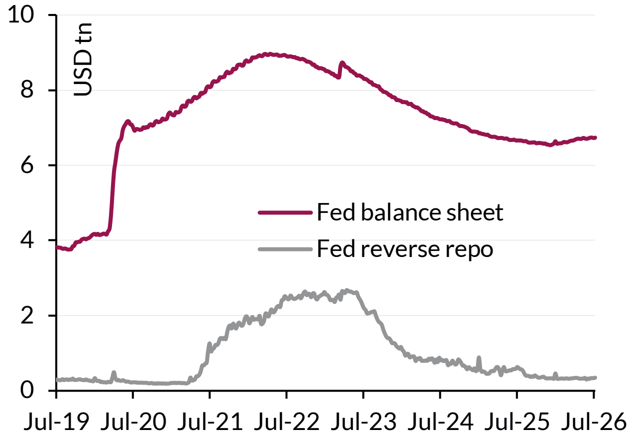
Source: Bloomberg, Axis Bank Research

Exhibit 40: Higher TIPS yields have translated to lower market breakevens, in contrast with surveys



Source: Bloomberg, Axis Bank Research

Exhibit 41: Fed's balance sheet is rising again, shrinking it will require reduced bank reserve demand



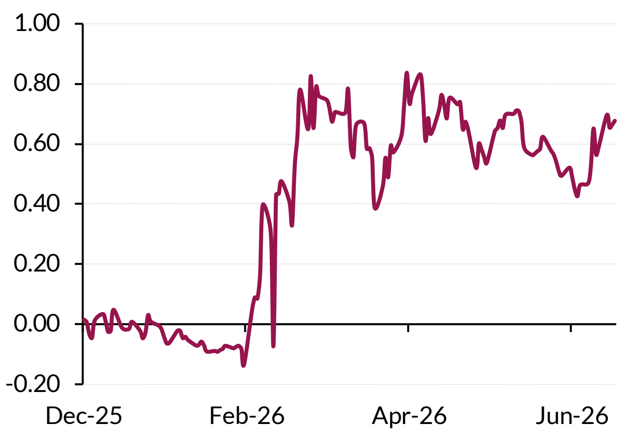
Source: Bloomberg, Axis Bank Research

Eurozone – amid gridlock, is more hawkish policymaking in the future?
The EU and the Eurozone have been known for gridlock for many years now, given the patchwork of competing interest and the requirements to get shifts considered. This is once again being seen in the collapse of the FCAS, with German industrial policy now appearing to actively be discouraging reliance on France's military-industrial complex. At the same time, joint EU level borrowing has proven unsuccessful and is now not even being discussed, and there is a serious chance of French opposition leader running and succeeding as the next president. These developments largely offset improvements on the political side from the shifts in Hungarian political fortunes, with influence of Chinese or Russian business interests still playing strong. Work to counter Chinese industrial policy also appears to be floundering – gaming the outcomes suggests business interests tend to come out on top and blunt diplomatic tools that the EC has in its arsenal.

These developments largely limit longer-term growth and inflationary forces, keeping neutral rates below those of the US and therefore keeping the currency vulnerable. However, it is entirely possible that ECB president Lagarde follows through on her comments on being a strong European and French voice in 2027 – meaning an early departure from office in April, to play a larger role in the French election. This would also allow French president Macron latitude to negotiate her successor – though a compromise with Germany might see some hawkish shift. This is equally true of the Executive Board, with members Schnabel and Lane also set to end their terms. Recent prints have shown inflation coming lower in the ECB, including on core items. However, resumption of the West Asia conflict could see prices rise back and with fiscal be preserved over the medium term – opening space for additional tightening over and above the hike currently priced in for Sep'26 and another for Mar'27.

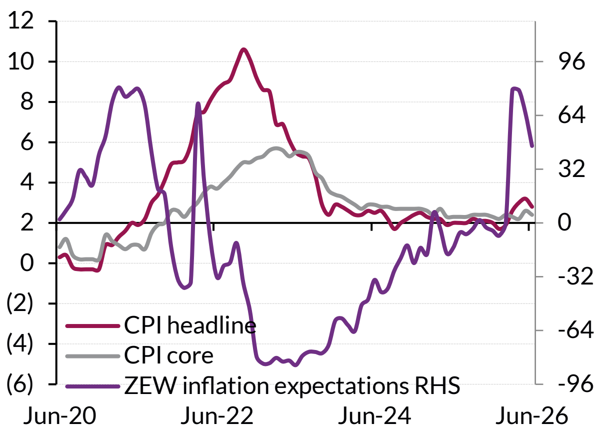
UK: Slow growth, but politics looking favourable
UK GDP growth out today shows still-weak growth, with industrial and manufacturing output low and services generally lagging as well. At the same time, the trade balance is lower as well, and fiscal prints indicate limited room. A lot will also depend going ahead on political choices made by incoming PM Burnham. Mr. Burnham has earlier spoken out against being in 'hock' to bond markets, but has since smoothened the tone. Indications that MP Mahmood will be picked as Chancellor are also seen as market-friendly: Ms. Mahmood is seen as on the right of the party (not for aggressive fiscal spending) and accessible to market participants, with a reputation for being tough and competent.

Exhibit 42: Expectations of 2026 rate hikes from start of year level – 25-50 bps hikes still left this year



Source: Bloomberg, Axis Bank Research

Exhibit 43: Eurozone inflation dips, but is still above 2% - is core sticky?



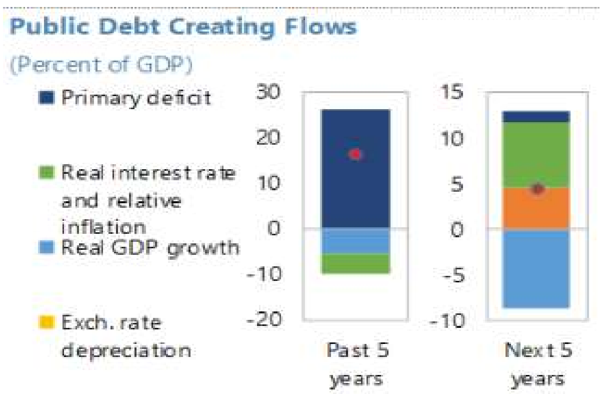
Source: Bloomberg, Axis Bank Research

Mr. Burnham is also likely to introduce a wealth tax coupled with nationalisation, as well as pursue a closer relationship with the EU. 4

These matter – the UK has seen productivity weaken considerably after Brexit, resulting in lower affordability of the welfare state and fiscal choices. A high fiscal deficit also drives a high current account deficit, while absence from the EU common market deprives the country of long-term stable capital flows. A coherent policy that appears fiscally responsible (among the broader easing fiscal framework globally) coupled with reversing productivity declines and bringing back access to longer-term capital sources can support the UK economy and allow for the GBP to gain. Concerns the BOE is abjuring rate hikes are also now lower, with governor Bailey indicating soft evidence of transmission and increase again of petro-product prices.

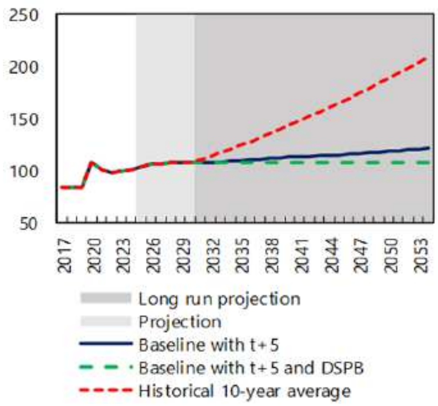
Much depends on political developments, and are closely watched.

Exhibit 44: **Increase in the primary deficit can sharply worsen debt for the UK**



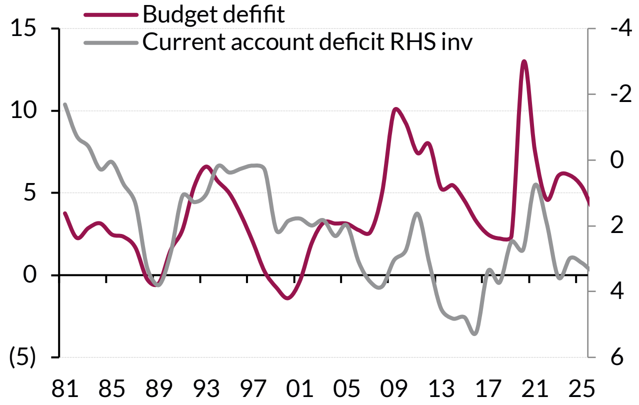
Source: IMF, Axis Bank Research

Exhibit 45: **Resulting in a sharp spiraling – though Mr. Burnham has signaled a more fiscal positive approach**



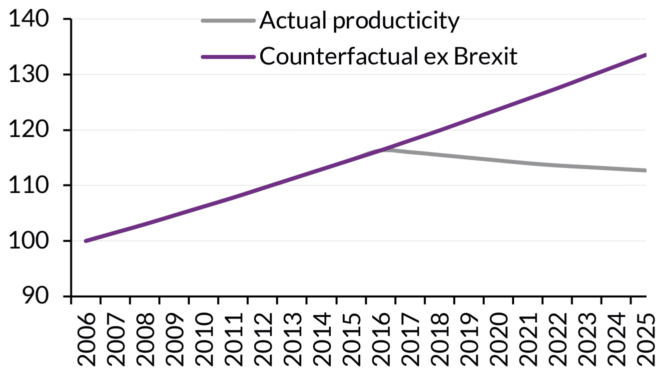
Source: IMF, Axis Bank Research

Exhibit 46: **The UK has a twin deficit problem – more fiscal translates to a larger CAD**



Source: Bloomberg, Axis Bank Research

Exhibit 47: **Brexit led to a drop in UK productivity – reversing this can restore positive trends**

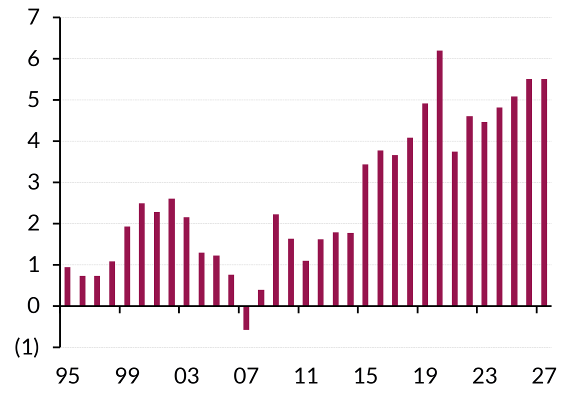


Source: NBEER, Axis Bank Research

Limited Chinese fiscal stimulus capacity, some monetary easing likely ahead
Chinese data have steadily been slowing over the past few months, with lower investments including by the public sector, mixed retail sales and soft industrial production. Numbers on credit, and on inflation are also softer, even though fiscal spending has increased considerably. At the same time, the real-estate problem continues to fester, and government focus largely appears to be on consolidation along party loyalty lines while also looking at a few key industrial sectors (AI, vehicles, chips).

These trends have led to narrow productivity gains, not translating to broader income or pricing power – low inflation has over the past few years been a driver of CNY appreciation: to counter REER depreciation brought about by the inflation gap. The Chinese have lately indicated resistance to continued appreciation – with indications that weaker data prints as well as CNY appreciation trends might bring in monetary easing. This is already seen as required given recent increases in CNH overnight rates. However, the Chinese economy is likely to continue to remain weak, with low inflation and low interest rates. The latter is also a consequence of savings trapped within China, and are also an analogue of high interest rates globally where savings are constrained.

Exhibit 48: **China's fiscal spending has been high, precluding more stimulus**

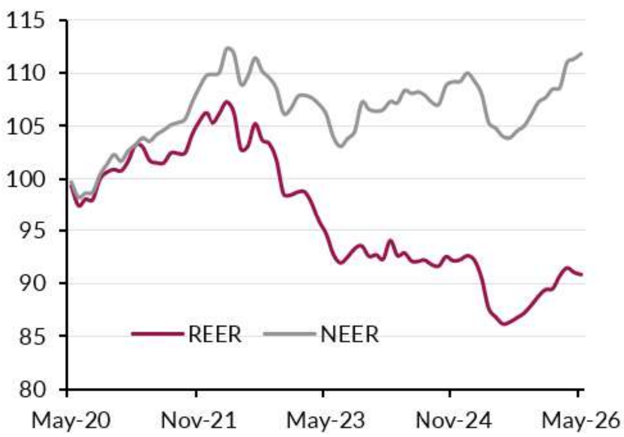


Source: Bloomberg, Axis Bank Research

Exhibit 49: **China inflation gap has opened up with peers**

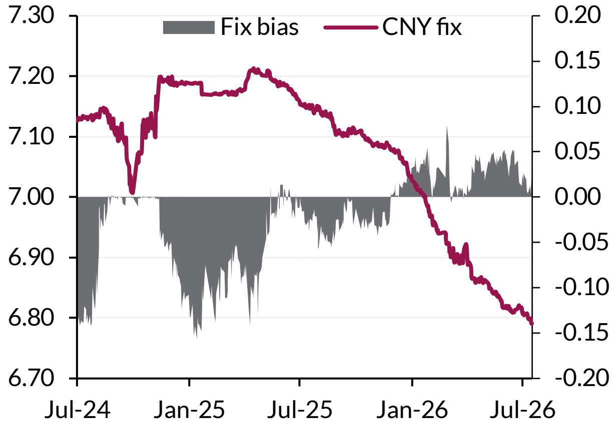
Source: Bloomberg, Axis Bank Research

Exhibit 50: **NEER appreciation is largely to counter inflation-driven REER depreciation**



Source: Bloomberg, Axis Bank Research

Exhibit 51: **The CNY fix has been allowed to appreciate. But the fix bias is again rising**



Source: Bloomberg, Axis Bank Research

We see continued slow growth with limited fiscal interventions, but mild monetary easing. Within this, we see steady CNY appreciation, while focus remains on politics and geopolitics. Longer-term, stronger growth will likely be essential to counter the US geopolitically.

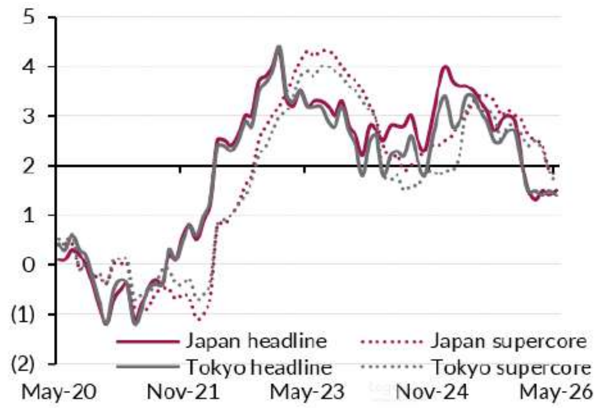
Japan: Impossible trinity continues, fiscal to drive reflation and growth
Japanese fiscal spending is likely to remain the highest since the pandemic, given the policy orientation of PM Takaichi as well as her continued personal popularity. With this, PM Takaichi also sees the need to keep interest rates low, driving caution at the BOJ. To an extent, these can also be justified by lower inflation, slowing labour cash earnings, and weaker industrial production. However, projections of inflation ahead are high, and the combination of too-high fiscal and too-low rates is causing pressure on the JPY – and with this, potential conflict with US Treasury secretary Bessent and president Trump. We therefore see first that intervention will continue to be used to square this circle, but over time, rates must rise. This is likely to lead GDP growth to slow somewhat over the longer term.

At the same time, there are recent announcements indicating a more domestic focus of investments of large insurance and pension funds. These might take time, given bureaucratic hurdles (funds are not under the ministry of finance and allocations have only recently been finalised). Expectations around inflows might also create equilibrium on the JPY despite high fiscal and low rates, extending the runway for reflation. However, a breaking point on this cycle is watched going ahead – potentially with the JPY less important if US president Trump is on the way out of office.

Exhibit 52: The 10y JGB is rising quickly, with inflation breakevens

Source: Bloomberg, Axis Bank Research

Exhibit 53: Even with lower crude oil prices, inflation in Japan remains high



Source: Bloomberg, Axis Bank Research

Despite noise, fiscal dominance appears the most logical outcome
We continue to point to conditions of the Cold War – with strong innovation, but also high defence and fiscal spending as an ongoing process. Productivity gains through technology are also likely to be used as part of this, allowing for the buildup of geopolitical capacity. These trends suggested elevated fiscal conditions continuing ahead. Like during the Cold War, lowering the cost of government finance might be one way of financing this. In practice, this means keeping fiscal spending high, but rates lower than they otherwise would be under a pure inflation targeting framework. Japan already appears to be some way down the road on this, with concerns that Fed chair Warsh also might be drifting towards this. As with past notes, the ECB has too strong a framework to go more than some way down this road.

Fiscal dominance is one of the drivers underlying projections of higher neutral rates as well as higher global term premia. These drivers also fit into projections of FX – with stronger dominance trends in Japan driving JPY weakness, while the EUR is seen gaining with smaller ability to carry out meaningful fiscal dominance. For China, the budget deficit is already large, but not enough to overcome institutional problems, leaving growth and inflation low. These trends force CNY appreciation over time. The view on gold towards USD 6000/troy ounce in the medium term also derives from a fiscal dominance framework.

Appendices – recent India and global macro prints

Exhibit 54: India extract of high-frequency leading indicators – some sectors have been impacted by West Asia conflict

Leading Indicator	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26
GoI Spends (Ex. Interest) (INR value)	15%	5%	-16%	8%	-19%	11%	-15%	-14%	13%	14%	25%	4%	
GST collections (value in INR)	6%	8%	6%	9%	5%	-7%	6%	-1%	0%	2%	3%	3%	6%
Rail Freight (weight)	2%	1%	8%	4%	2%	4%	6%	2%	-3%	8%	5%	5%	3%
Port Cargo (weight)	6%	4%	3%	11%	12%	15%	13%	8%	3%	1%	2%	7%	9%
Passenger traffic: All airports	4%	-1%	1%	-1%	5%	-13%	-3%	-17%	0%	-4%	-5%	5%	
Cargo traffic: All airports	0%	4%	5%	3%	-2%	16%	10%	9%	18%	0%	10%	11%	
Hotel revenue per room	9%	0%	4%	8%	10%	14%	5%	4%	13%	-1%	2%	17%	
PMI Services	60.7	60.5	62.9	60.9	58.9	59.8	58.0	58.5	58.4	57.5	58.8	59.8	57.3
Non-food credit growth YoY%	9%	10%	9%	11%	11%	11%	14%	14%	15%	16%	16%	17%	
Credit to industry YoY%	4%	6%	7%	7%	11%	11%	14%	13%	15%	16%	16%	19%	
Credit to wholesale & retail trade YoY%	10%	13%	12%	12%	14%	14%	17%	16%	14%	16%	13%	17%	
Credit to NBFCs YoY%	4%	3%	3%	4%	11%	9%	15%	18%	21%	27%	28%	34%	
Unsecured Household credit	9%	8%	8%	8%	12%	9%	10%	11%	12%	13%	13%	12%	
CV registrations (FADA) (units)	38%	-5%	3%	-3%	14%	16%	16%	8%	1%	8%	8%	11%	-10%
Diesel Consumption (volume)	2%	2%	1%	7%	0%	5%	5%	3%	4%	8%	1%	2%	8%
Petrol Consumption (volume)	7%	6%	5%	8%	7%	3%	7%	6%	8%	8%	7%	3%	11%
Electricity Consumption (units)	-2%	5%	4%	3%	-6%	3%	6%	4%	1%	1%	5%	11%	9%
Tractor Sales (TMA) (Volume)	10%	8%	28%	45%	15%	30%	37%	43%	34%	29%	27%	20%	12%
All India retail sales (RAI) YoY%	8%	8%	8%	11%	11%	10%	10%	10%	9%	10%	7%	5%	
Vehicle Registrations (VAHAN) (volume)	5%	-4%	4%	6%	41%	3%	16%	18%	27%	26%	14%	11%	22%
PV registration (FADA) (units)	6%	3%	5%	9%	15%	22%	29%	10%	-15%	26%	23%	33%	38%
2-Wh registration (FADA) (units)	5%	-6%	3%	7%	53%	-3%	10%	21%	11%	29%	32%	12%	26%
Total Exports (Ex Oil, Gold)	4%	12%	4%	9%	1%	13%	-1%	15%	16%	-4%	8%	12%	9%
Total Imports (Ex Oil, Gold)	2%	9%	-1%	12%	9%	7%	7%	7%	15%	6%	10%	13%	26%
Cement Prodn (weight)	8%	12%	5%	5%	5%	15%	14%	11%	9%	5%	8%	8%	
Steel Prodn (weight)	10%	17%	14%	14%	6%	7%	10%	11%	8%	8%	6%	5%	
Coal Prodn (weight)	-7%	-12%	11%	-1%	-9%	2%	4%	3%	2%	-4%	-9%	-9%	
IIP (Index)	3%	5%	4%	6%		6%	6%	4%	5%	3%	5%	5%	
IIP capital goods	4%	6%	7%	14%	8%	19%	14%	14%	19%	11%	10%	10%	
PMI Manufacturing	58.4	59.1	59.3	57.7	59.2	56.6	55.0	55.4	57.5	53.9	54.7	55.0	54.2
Core IIP YoY%	2%	4%	7%	3%	0%	2%	5%	5%	3%	1%	2%	0%	
FASTag Payments	18%	20%	26%	20%	9%	16%	11%	9%	5%	2%	3%	3%	6%
E-way Bills No.	19%	25%	22%	21%	8%	28%	24%	16%	11%	13%	12%	11%	14%
MNREGA - Persons Demanded Work (Cr)	3.55	2.02	1.42	1.39	1.28	1.47	1.84	2.03	2.37	1.84	1.74	2.74	2.93
Naukri Jobspeak Index	11%	7%	3%	10%	-9%	23%	13%	3%	12%	9%	6%	1%	6%
UPI (value)	20%	22%	21%	21%	16%	22%	20%	21%	22%	15%	21%	19%	20%

Source: Multiple data sources available on request, Axis Bank Research

Exhibit 55: US activity prints – PMI numbers show an early slowdown

Growth	Period	Reading	Expected	Previous	3m ago	6m ago	1y ago
GDP QoQ saar	31-Mar-26	2.1	1.6	0.5	0.5	4.4	(0.6)
Personal consumption	31-Mar-26	0.5	1.4	1.9	1.9	3.5	0.6
Goods	31-Mar-26	0.5		0.3	0.3	3.0	0.2
Services	31-Mar-26	0.5		2.7	2.7	3.6	0.8
Fixed investment	31-Mar-26	6.5		1.5	1.5	0.8	7.1
Nonresidential	31-Mar-26	10.6		2.4	2.4	3.2	9.5
Residential	31-Mar-26	(7.8)		(1.7)	(1.7)	(7.1)	(1.0)
Government	31-Mar-26	4.4		(5.6)	(5.6)	2.2	(1.0)
Exports	31-Mar-26	10.9		(3.2)	(3.2)	9.6	0.2
Imports	31-Mar-26	11.8		(1.0)	(1.0)	(4.4)	38.0
ISM Manufacturing PMI	30-Jun-26	53.3	53.9	54.0	52.7	47.9	49.0
New orders	30-Jun-26	56.0	57.0	56.8	53.5	47.4	46.9
ISM Non-manufacturing PMI	30-Jun-26	54.0	54.0	54.5	54.0	53.8	50.8
New orders	30-Jun-26	55.1	56.8	57.3	60.6	56.5	51.4
S&P Global manufacturing PMI	30-Jun-26	51.2	51.3	50.7	49.8	52.5	52.9
S&P Global services PMI	30-Jun-26	53.9	55.7	55.1	52.3	51.8	52.9
Factory orders	30-Apr-26	5.3	4.6	1.8	0.0	(1.2)	(3.9)
Durable goods orders	30-Apr-26	8.5	7.9	1.3	(0.4)	(2.1)	(6.6)
ex auto	30-Apr-26	1.5	1.1	1.1	0.4	0.2	0.0
Cap goods nondef ex air	30-Apr-26	(0.6)	(1.1)	3.8	(0.3)	0.5	(1.5)
Industrial production	31-May-26	0.1	0.3	0.9	0.8	(0.2)	(0.2)
Manufacturing	31-May-26	0.0	0.3	0.7	0.7	(0.1)	(0.1)
Capacity utilisation	31-May-26	76.2	76.2	76.1	75.8	75.4	75.9
Retail Sales	31-May-26	0.9	0.6	0.4	0.9	0.5	(1.1)
ex auto	31-May-26	0.8	0.6	0.7	0.9	0.4	(0.2)
Personal income	31-May-26	0.7	0.4	0.0	0.0	0.2	(0.5)
Disposable income	31-May-26	0.7		(0.1)	(0.1)	0.2	(0.7)
Personal consumption expenditure	31-May-26	0.7	0.6	0.4	0.6	0.3	0.0
Atlanta Fed GDP Nowcast	8-Jul-26	1.3	0.0	3.1	1.3	2.7	2.6

Source: Bloomberg, Axis Bank Research

Exhibit 56: US labour prints – Payrolls slow down, but numbers otherwise are mixed

Labour	Period	Reading	Expected	Previous	3m ago	6m ago	1y ago
Non farm payrolls	30-Jun-26	57.0	113.0	129.0	214.0	(17.0)	(20.0)
Unemployment rate	30-Jun-26	4.2	4.3	4.3	4.3	4.4	4.1
U6 broad unemployment rate	30-Jun-26	7.9		8.1	8.0	8.4	7.7
Average hourly earnings MoM	30-Jun-26	0.3	0.3	0.3	0.2	0.1	0.2
JOLTS job openings	31-May-26	7,594.0	7,295.5	7,585.0	6,922.0	6,846.0	7,310.0
Openings rate	31-May-26	4.6		4.6	4.2	4.1	4.4
Hire rate	31-May-26	3.3		3.3	3.1	3.2	3.4
Seperations rate	31-May-26	3.2		3.2	3.2	3.2	3.3
Quits rate	31-May-26	1.9	1.9	1.9	1.9	2.0	2.1
Initial jobless claims	3-Jul-26	215.0	217.0	230.0	218.0	207.0	228.0
4 week ma	3-Jul-26	218.8		219.3	209.3	212.3	234.5
Continuing claims	26-Jun-26	1,814.0	1,814.0	1,786.0	1,787.0	1,900.0	1,952.0

Source: Bloomberg, Axis Bank Research

Exhibit 57: US Housing numbers are also slow

Housing	Period	Reading	Expected	Previous	3m ago	6m ago	1y ago
Existing home sales	31-May-26	3.7	1.1	0.8	2.7	(0.5)	0.5
New home sales	30-Apr-26	(5.7)	(3.2)	5.4	(20.3)	(8.7)	6.9
Pending home sales	31-May-26	3.8	0.9	0.3	2.5	2.1	1.1
Housing starts	31-May-26	1,177.0	1,430.0	1,392.0	1,346.0	1,319.0	1,289.0
Building permits	31-May-26	1,410.0	1,418.0	1,423.0	1,540.0	1,414.0	1,416.0
NAHB homebuilder confidence	30-Jun-26	35.0	37.0	37.0	38.0	39.0	32.0
MBA mortgage applications	10-Jul-26	(2.7)		(2.2)	1.8	9.4	(10.0)
FRM 30y	10-Jul-26	6.7		6.6	6.4	4.5	6.8
FRM 15y	10-Jul-26	6.1		6.0	5.9	3.5	6.2
ARM 5y	10-Jul-26	5.8		5.8	5.6	3.1	6.1

Source: Bloomberg, Axis Bank Research

Exhibit 58: US sentiment prints – Limited recovery so far

Sentiment	Period	Reading	Expected	Previous	3m ago	6m ago	1y ago
University of Michigan consumer confidence	30-Jun-26	49.5	50.0	44.8	53.3	52.9	60.7
Current conditions	30-Jun-26	47.7	49.0	45.8	55.8	50.4	64.8
Expectations	30-Jun-26	50.7	49.6	44.1	51.7	54.6	58.1
Conference board consumere confidence	30-Jun-26	91.2	94.4	90.6	92.2	94.2	95.2
NFIB small business optmism	30-Jun-26	97.4	95.7	95.3	95.8	99.5	98.6
Conference board LEI	31-May-26	0.1	0.1	0.2	0.3	(0.2)	0.0

Source: Bloomberg, Axis Bank Research

Exhibit 59: US inflation prints – some cooling seen lately with West Asia developments

Inflation	Period	Reading	Expected	Previous	3m ago	6m ago	1y ago
CPI inflation YoY	30-Jun-26	3.5	3.8	4.2	3.3	2.7	2.7
ex food and energy	30-Jun-26	2.6	2.8	2.9	2.6	2.6	2.9
PPI inflation YoY	30-Jun-26	5.5	6.2	6.0	4.3	3.1	2.4
ex food and energy	30-Jun-26	4.7	5.1	4.6	3.9	3.4	2.7
ISM manufacturing prices	30-Jun-26	73.0	77.5	82.1	78.3	58.5	69.7
ISM non-manufacturing prices	30-Jun-26	67.7	67.5	71.3	70.7	65.1	67.1
Import price index YoY	31-May-26	6.7	5.7	4.2	1.0	(0.1)	(0.4)
ex petroleum	31-May-26	3.8		2.8	2.3	0.7	1.3
Export price index YoY	31-May-26	11.2	10.2	9.1	3.8	3.3	1.9
PCE deflatior YoY	31-May-26	4.1	4.1	3.8	2.9	2.8	2.5
ex food and energy	31-May-26	3.4	3.4	3.3	3.0	2.8	2.8
University of Michigan inflation exp 1y	30-Jun-26	4.6	4.6	4.8	3.8	4.2	5.0
University of Michigan inflation exp 5-10y	30-Jun-26	3.3	3.3	3.9	3.2	3.2	4.0
GDP deflator YoY	31-Mar-26	3.3		3.3	3.3	3.0	2.6
US 5y5y breakeven yield	16-Jul-26	2.2		2.2	2.2	2.3	2.4

Source: Bloomberg, Axis Bank Research

Exhibit 60: Eurozone activity prints – Very mixed conditions

Activity	Period	Reading	Expected	Previous	6m ago	1y ago
Retail sales, MoM sa	31-May-26	0.2	0.3	(0.3)	0.1	(0.3)
Food	31-May-26	(0.3)		0.7	0.1	(0.2)
Non food	31-May-26	0.1		0.8	(0.4)	(0.4)
Industrial production MoM swda Eurozone	30-Apr-26	0.3	0.1	0.3	0.4	(3.4)
Mining	31-May-26	1.5		(4.1)	(2.0)	(0.2)
Manufacturing	31-May-26	(0.4)		0.5	0.7	0.9
Electricity	31-May-26	2.4		(1.0)	(2.0)	3.3
Industrial production MoM swda Germany	31-May-26	0.9	0.1	0.2	0.8	0.0
Capital goods	31-May-26	1.3		(1.4)	4.1	0.2
Intermediate goods	31-May-26	(0.4)		1.4	(0.8)	(1.3)
Consumer durables	31-May-26	0.4		1.2	(0.6)	(2.5)
Consumer non durables	31-May-26	1.4		2.4	0.2	1.7
Germany industrial orders MoM swda	31-May-26	1.9	1.1	(3.2)	5.3	(2.2)
Capital goods	31-May-26	2.2		(2.3)	7.3	(2.3)
Domestic	31-May-26	5.0		(2.1)	10.3	(12.0)
Exports Eurozone	31-May-26	17.8		(17.1)	7.8	(1.1)
Exports ex Eurozone	31-May-26	(7.5)		6.8	4.2	5.8
Intermediate goods	31-May-26	1.4		(4.0)	0.0	(3.1)
Domestic	31-May-26	(1.7)		(3.5)	(1.3)	(3.1)
Exports Eurozone	31-May-26	1.7		3.8	1.5	(4.8)
Exports ex Eurozone	31-May-26	6.7		(10.8)	0.9	(1.7)
Consumer goods	31-May-26	2.4		(7.0)	11.6	2.4
Domestic	31-May-26	(4.1)		1.8	26.6	2.1
Exports Eurozone	31-May-26	10.6		(18.2)	(0.8)	(5.7)
Exports ex Eurozone	31-May-26	2.3		(4.2)	5.8	9.7
Composite PMI	30-Jun-26	50.0	49.5	48.5	51.5	50.6
Manufacturing PMI	30-Jun-26	51.4	51.3	51.6	48.8	49.5
Germany	30-Jun-26	50.3	50.0	50.1	47.0	49.0
France	30-Jun-26	51.2	50.7	49.7	50.7	48.1
Services PMI	30-Jun-26	49.4	48.9	47.7	52.4	50.5
Germany	30-Jun-26	48.6	46.8	48.1	52.7	49.7
France	30-Jun-26	46.8	47.4	44.3	50.1	49.6
EC Survey						
Industry						
Past production	30-Jun-26	(6.8)		(2.6)	(1.6)	(3.5)
Expected production	30-Jun-26	3.5		2.7	7.0	2.6
Order book	30-Jun-26	(19.8)		(18.2)	(23.2)	(27.5)
Services						
Past demand	30-Jun-26	3.0		2.9	5.7	3.2
Expected demand	30-Jun-26	7.3		5.4	10.7	6.1
Retail						
Past activity	30-Jun-26	(4.6)		(6.4)	(4.0)	0.1
Expected activity	30-Jun-26	(11.3)		(11.3)	(1.3)	(5.9)
Construction						
Past activity	30-Jun-26	(2.0)		(2.5)	(1.3)	(2.7)
Order book	30-Jun-26	(13.4)		(12.8)	(10.2)	(11.5)

Source: Bloomberg, Axis Bank Research

Exhibit 61: Exhibit 61 - Eurozone labour prints – trends appear to be slowing

Labour	Period	Reading	Expected	Previous	6m ago	1y ago
Unemployment rate	31-May-26	6.2	6.3	6.2	6.3	6.3
Employment costs YoY	31-Mar-26	3.2		3.4	3.5	3.5
Consumer confidence unemployment expectatic	30-Jun-26	32.9		33.0	23.0	26.0
Industry survey employment expectations	30-Jun-26	(4.7)		(5.1)	(4.2)	(5.6)
Services survey employment expectations	30-Jun-26	32.9		33.0	23.0	26.0
Retail survey employment expectations	30-Jun-26	(6.6)		(4.0)	(2.8)	(2.1)
Construction survey employment expectations	30-Jun-26	4.3		5.0	8.0	6.8

Source: Bloomberg, Axis Bank Research

Exhibit 62: Eurozone sentiment prints – extreme negativity is now past

Sentiment	Period	Reading	Expected	Previous	6m ago	1y ago
Business climate indicator	30-Jun-26	(0.4)		(0.3)	(0.5)	(0.8)
Economic Sentiment	30-Jun-26	95.0	94.3	93.7	96.8	94.5
Manufacturing confidence	30-Jun-26	(7.7)	(7.1)	(7.9)	(8.6)	(11.4)
Services confidence	30-Jun-26	3.2	2.9	2.6	5.1	3.0
Consumer confidence	30-Jun-26	(17.7)	(18.0)	(19.0)	(13.3)	(13.9)
Retail confidence	30-Jun-26	(9.7)		(10.9)	(7.0)	(7.2)
Construction confidence	30-Jun-26	(4.5)		(3.9)	(1.1)	(2.4)
Sentix investor confidence	31-Jul-26	(3.1)	(10.0)	(13.4)	(1.8)	4.5
Current situation	31-Jul-26	(14.8)		(20.0)	(13.0)	(7.3)
Expectations	31-Jul-26	9.3		(6.5)	10.0	17.0
Eurozone ZEW expectations	30-Jun-26	9.5		(9.1)	33.7	35.3
Current situation	30-Jun-26	(43.4)		(41.4)	(28.5)	(30.7)
Germany ZEW expectations	30-Jun-26	10.5	(5.5)	(10.2)	45.8	47.5
Current situation	30-Jun-26	(81.0)	(78.0)	(77.8)	(81.0)	(72.0)
Germany GfK consumer climate	31-Jul-26	(29.2)	(28.0)	(29.7)	(26.9)	(20.3)
Germany Ifo business climate	30-Jun-26	85.6	85.5	85.0	87.6	88.3
Current situation	30-Jun-26	87.0	86.3	86.1	85.6	86.2
Expectations	30-Jun-26	84.1	84.8	83.9	89.7	90.4

Source: Bloomberg, Axis Bank Research

Exhibit 63: Eurozone inflation prints – slowdown of late, including in expectations

Inflation	Period	Reading	Expected	Previous	6m ago	1y ago
CPI inflation MoM sa	30-Jun-26	(0.1)	(0.1)	0.1	0.2	0.3
ex energy, food, alcohol, tobacco	30-Jun-26	0.2		0.3	0.4	0.4
Services inflation	30-Jun-26	0.4		0.4	0.7	0.7
Germany	30-Jun-26	(0.3)	(0.3)	(0.2)	0.0	0.0
ex energy, food	30-Jun-26	0.1		0.4	0.3	0.2
Services ex rent	30-Jun-26	0.3		0.6	0.8	0.5
France	30-Jun-26	(0.4)		0.3	0.1	0.3
Italy	30-Jun-26	0.0	0.0	0.4	0.2	0.2
Spain	30-Jun-26	0.6	0.6	0.1	0.3	0.7
PPI inflation MoM sa	31-May-26	0.2	0.2	0.7	0.8	(0.6)
ex construction & energy	31-May-26	0.7		0.9	0.1	0.1
Energy	31-May-26	(1.0)		(0.2)	2.8	(2.3)
Import inflation MoM sa	31-May-26	0.5		2.9	0.3	(0.8)
Expected Industry selling prices	30-Jun-26	(7.7)	(7.1)	(7.9)	(8.6)	(11.4)
Expected services selling prices	30-Jun-26	14.1		16.0	14.5	13.0
Expected retail selling prices	30-Jun-26	27.2		27.4	18.3	16.0
Expected construction selling prices	30-Jun-26	13.5		17.2	8.9	2.2
Consumer confidence past price evolution	30-Jun-26	55.5		57.4	49.1	49.1
Consumer confidence future price evolution	30-Jun-26	34.0		40.4	27.0	22.7
Germany 5y5y inflation breakeven	16-Jul-26	2.0		2.0	2.0	2.0

Source: Bloomberg, Axis Bank Research

Exhibit 64: Japan activity prints – Slowdown in industrial production, disposable income

Growth	Period	Reading	Expected	Previous	3m ago	6m ago	1y ago
GDP QoQ sa	31-Mar-26	0.5	0.3	0.2	0.2	(0.6)	0.5
HFCE	31-Mar-26	1.3		0.2	0.2	2.0	2.4
Private residential investment	31-Mar-26	3.7		21.3	21.3	(28.4)	(2.1)
Private nonresidential investment	31-Mar-26	(2.8)		4.7	4.7	(0.4)	4.7
GFCE	31-Mar-26	2.1		1.0	1.0	(0.3)	(0.8)
Public investment	31-Mar-26	6.1		(0.5)	(0.5)	(4.0)	(3.3)
Exports	31-Mar-26	7.4		0.8	0.8	(6.1)	(2.3)
Imports	31-Mar-26	1.7		0.0	0.0	(0.7)	9.3
Industrial production MoM sa	31-May-26	0.1	0.7	0.5	(2.0)	(2.0)	1.3
Machinery orders MoM sa	31-May-26	9.5		3.4	(5.0)	7.1	2.5
Private sector ex volatile items	31-May-26	(12.4)	(4.2)	8.7	13.6	(9.2)	(0.2)
Manufacturing PMI	30-Jun-26	54.8		54.5	51.6	50.0	50.1
Services PMI	30-Jun-26	52.2		50.0	53.4	51.6	51.7
Retail Sales MoM sa	31-May-26	1.7	(0.5)	2.1	(2.0)	0.7	(0.4)
Wholesale sales MoM sa	31-May-26	1.2		4.1	(0.9)	(1.6)	0.5
Disposable personal income nominal	31-Mar-26	132.8		132.2	132.2	132.2	131.7
Real	31-Mar-26	114.9		115.0	115.0	115.5	116.3
Consumer spending nominal	31-May-26	128.3		127.1	126.2	124.8	122.3
Real	31-May-26	101.7		98.1	97.9	101.2	102.8

Source: Bloomberg, Axis Bank Research

Exhibit 65: Japan labour prints – Matching softer prints on wages and labour markets

Labour	Period	Reading	Expected	Previous	3m ago	6m ago	1y ago
Unemployment rate	31-May-26	2.5	2.5	2.5	2.6	2.6	2.5
Jobs/applicants ratio	31-May-26	1.2	1.2	1.2	1.2	1.2	1.2
New jobs/applicants ratio	31-May-26	2.1		2.1	2.1	2.1	2.2
Labour force participation rate	31-May-26	64.6		64.4	63.5	64.1	64.0
Wages YoY	31-May-26	3.2	3.4	3.6	3.4	1.7	1.4
Contractual cash earnings	31-May-26	3.0		3.4	3.3	1.9	2.0
Non-scheduled cash earnings	31-May-26	2.9		4.8	3.0	1.2	1.4
Special cash earnings	31-May-26	5.2		10.3	7.5	(1.5)	(6.6)
Labour productivity	30-Jun-26	1.0		1.0	1.0	1.0	1.0

Source: Bloomberg, Axis Bank Research

Exhibit 66: Japan sentiment prints – Tankan shows optimism ahead

Sentiment	Period	Reading	Expected	Previous	3m ago	6m ago	1y ago
Tankan							
Actual	30-Jun-26	18.0		18.0	18.0	17.0	15.0
Forecast	30-Jun-26	11.0		11.0	11.0	11.0	9.0
Consumer confidence present	30-Jun-26	(56.7)		(45.5)	(45.5)	(50.4)	(67.0)

Source: Bloomberg, Axis Bank Research

Exhibit 67: Japan inflation prints – Slower inflation can reduce pressure

Inflation	Period	Reading	Expected	Previous	3m ago	6m ago	1y ago
CPI inflation YoY	31-May-26	1.5	1.5	1.4	1.3	2.9	3.5
ex fresh food	31-May-26	1.4	1.4	1.4	1.6	3.0	3.7
ex food & energy	31-May-26	1.1		1.1	1.4	1.6	1.6
Corporate goods prices	31-May-26	6.6	5.6	5.4	2.1	2.7	3.1
Corporate services prices	31-May-26	3.3	3.3	3.3	2.7	2.7	3.1
Import price index YoY	30-Jun-26	29.7		26.1	8.1	0.2	(12.0)
Export price index YoY	30-Jun-26	20.7		20.4	12.2	9.4	(7.2)
GDP deflator QoQ sa	31-Mar-26	0.2			0.7	4.5	0.4

Source: Bloomberg, Axis Bank Research

Exhibit 68: China activity prints – Numbers show a deepening slowdown

Growth	Period	Reading	Expected	Previous	3m ago	6m ago	1y ago
China GDP YoY	31-Mar-26	5.0	4.8	4.5	4.5	4.8	5.4
Primary	30-Jun-26	3.7		3.8	3.8	4.2	3.8
Secondary	30-Jun-26	3.0		4.9	4.9	3.4	4.8
Tertiary	30-Jun-26	5.1		5.2	5.2	5.2	5.7
Industrial production YTD YoY	30-Jun-26	5.4	5.3	5.4	6.1	5.9	6.4
Electricity production YTD YoY	30-Jun-26	5.3		5.7	5.2	5.0	3.7
Fixed assets investment ex rural YTD YoY	30-Jun-26	(5.7)	(5.0)	(4.1)	1.7	(3.8)	2.8
Freight traffic	31-May-26	4,949.0		4,976.0	3,369.0	5,256.0	4,991.0
Old economy index	30-Apr-26	2.3		4.1	1.0	1.6	0.6
New economy index	30-Apr-26	7.7		8.5	8.7	6.7	8.0
Li Ke Qiang index	31-May-26	5.7		4.5	4.3	4.5	3.5
Ratingdog manufacturing PMI	30-Jun-26	51.7	52.0	51.8	50.8	50.1	50.4
Ratingdog services PMI	30-Jun-26	54.1	53.0	54.4	52.1	52.0	50.6
NBS Manufacturing PMI	30-Jun-26	50.3	50.1	50.0	50.4	50.1	49.7
NBS nonmanufacturing PMI	30-Jun-26	50.2	49.9	50.1	50.1	50.2	50.5
China electricity grid investment CNY bn	30-Nov-25	560.4		482.4	379.6	204.0	529.0
China floor space under construction YTD YoY	30-Jun-26	(12.5)		(12.3)	(11.7)	(10.0)	(9.1)
Retail Sales YoY	31-May-26	(0.6)	(0.2)	0.2	#N/A	1.3	6.4
Industrial profits YTD YoY	31-May-26	21.1		24.7	#N/A	(13.1)	(9.1)
State owned and state shareholding	31-May-26	19.6		17.1	5.3	(1.6)	(7.4)
Private sector	31-May-26	10.7		23.7	37.2	(0.1)	3.4
New Yuan loans (CNY bn)	30-Jun-26	1,609.7		519.3	2,995.2	911.9	2,237.8
Credit/GDP ratio	31-Dec-25	200.8		201.4	201.4	201.8	197.9

Source: Bloomberg, Axis Bank Research

Exhibit 69: China housing prints – Lower prices continue to suppress activity and sentiment

Housing	Period	Reading	Expected	Previous	3m ago	6m ago	1y ago
China house price index 70 city	30-Jun-26	(3.5)		(3.6)	(3.6)	(3.1)	(3.7)
First tier	30-Jun-26	(1.3)		(1.7)	(2.2)	(1.7)	(1.4)
Second tier	30-Jun-26	(3.1)		(3.3)	(3.3)	(2.6)	(3.0)
Third tier	30-Jun-26	(4.2)		(4.2)	(4.0)	(3.7)	(4.7)
Average price per square meter 30 city	31-Mar-26	(5.2)		1.7	(5.2)	0.1	(1.2)

Source: Bloomberg, Axis Bank Research

Exhibit 70: China inflation prints – Numbers slowing down again with fading of energy prices

Inflation	Period	Reading	Expected	Previous	3m ago	6m ago	1y ago
CPI inflation YoY	30-Jun-26	1.0	1.1	1.2	1.0	0.8	0.1
ex food and energy	30-Jun-26	1.0	1.1	1.1	1.1	1.2	0.7
Services	30-Jun-26	0.8		0.8	0.8	0.6	0.5
PPI output inflation YoY	30-Jun-26	4.1	4.1	3.9	0.5	(1.9)	(3.6)
Input prices	30-Jun-26	6.4		5.8	0.8	(2.1)	(4.3)

Source: Bloomberg, Axis Bank Research

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