

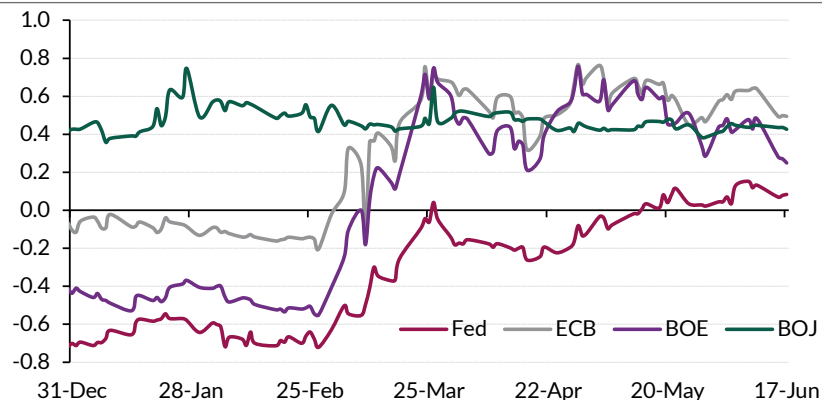
Economic Research | Macro and Markets Flash

From the dogs of war to the gods of water

Monthly thoughts | June 17, 2026

The West Asia conflict might now be over in its shock impact, with crude oil and other input prices now coming lower – though the shock itself has likely impacted global growth, implying slower and more limited global rate hikes but still a smaller degree of fiscal dominance. For India, developments have led to a lower inflation forecast closer to 5%, and consequently rates pricing only to a hike towards neutral amid muted INR risks. Fresh risks are emerging through the monsoon so far amid strong El-Nino trends. Despite high foodgrain stocks and water storage, risks to both inflation and growth are watched for.

Exhibit 1: Market rate hike pricing (from 1 Jan levels) is coming off now



Source: Bloomberg, Axis Bank Research

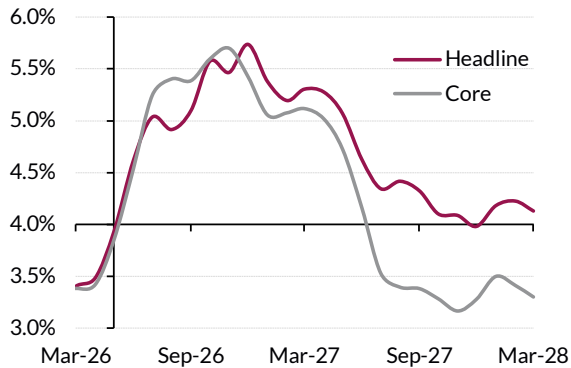
After weathering the West Asia storm, climate risks ahead

The Indian economy entered the West Asia conflict strong, with high-frequency indicators showing resilience even though a few sectors have been hit. With energy price conditions normalising, inflation projections now seem lower (Fig 2), pushing back on aggressive rate hikes (Fig 3), and also allow the INR to stabilise at what now appears to be close to fair value (Fig 4). The RBI steps are likely to create short-term benefits to FX reserves and liquidity, but unless intervention stops, these benefits will likely fade. If not, liquidity will likely need to be durably tightened through OMO sales or a CRR hike, which hit an already-weak rates market – continuing to push for alignment with higher global neutrals and term premium. This is even before a new risk – from El-Nino (Fig 5) – appears. Weak monsoon conditions (Fig 6) can lead to higher inflation and weaker rural growth despite high food and water stocks (Figs 7-9), affecting rates and the INR as well.

Global fiscal expansion, rate suppression postponed:

Despite optimism on a global recovery with the end of the West Asia conflict, growth is not as strong as appears (Fig 10) across countries (please see details and appendices). This is likely to diminish pressure for rate hikes (Fig 1) towards neutral (Fig 11) as well as on currencies, which in the case of the JPY and the USD were weaker given expectations of interest rate suppression and fiscal dominance. Fiscal drivers remain strong, but with still-mixed growth conditions, this lowers the extent of fiscal dominance in the near term, affecting steepness of rate curves. While the overall view remains of a steeper curve and weakness in USD and JPY given lower savings (Fig 12) amid higher defence spending (Fig 13), the path to these now seems longer than initially thought.

Exhibit 2: India CPI inflation now looks closer to 5% than 5.5%



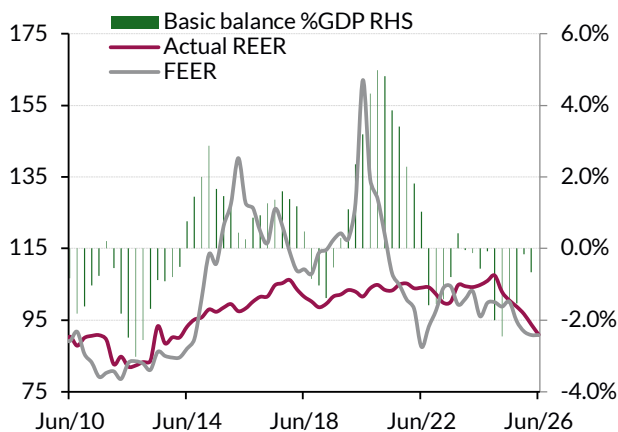
Source: MOSPI, Axis Bank Research

Exhibit 3: Avg expected MIBOR backed out from 1y OIS at forward starting dates – now at neutral



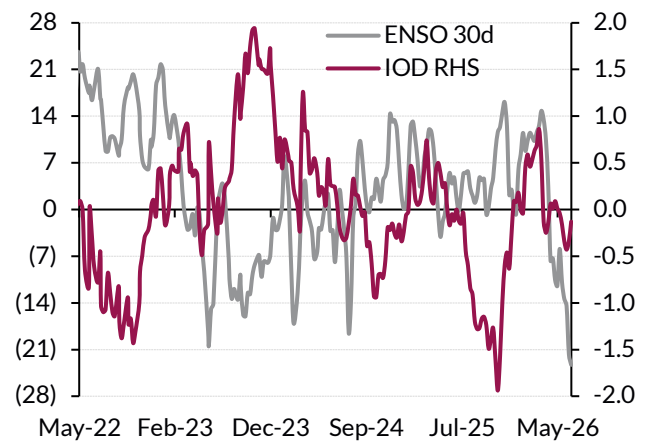
Source: Bloomberg, Axis Bank Research

Exhibit 4: With basic balance closing in on zero and REER at modelled FEER, INR might be at fair value



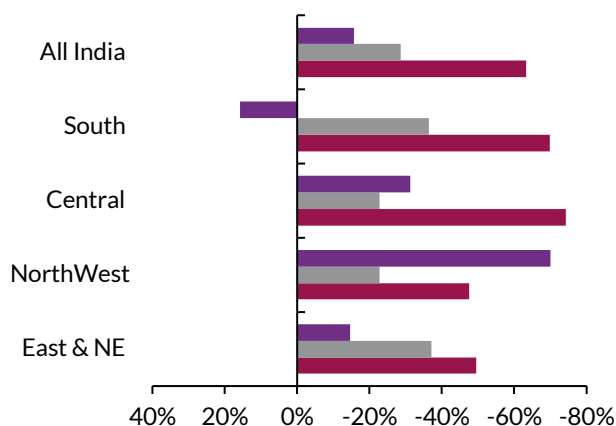
Source: Bloomberg, Axis Bank Research

Exhibit 5: The El-Nino seasonal oscillator is steeply negative, resonating with weak rainfall so far



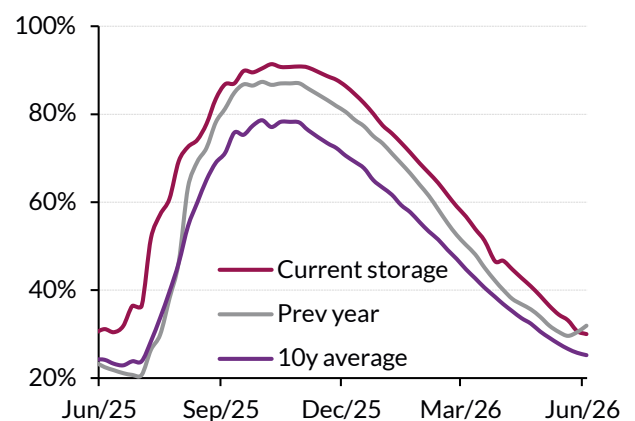
Source: Australia Met, Bloomberg, Axis Bank Research

Exhibit 6: The monsoon so far has been very weak across the country



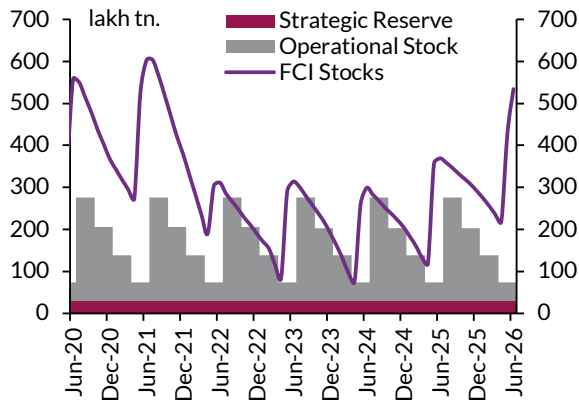
Source: RBI, Axis Bank Research

Exhibit 7: India reservoir levels below those of last year, still above 10y averages



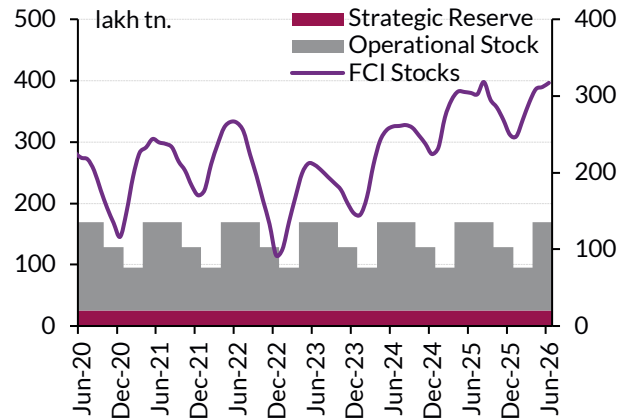
Source: RBI, Axis Bank Research

Exhibit 8: Wheat central pool stocks are no longer low



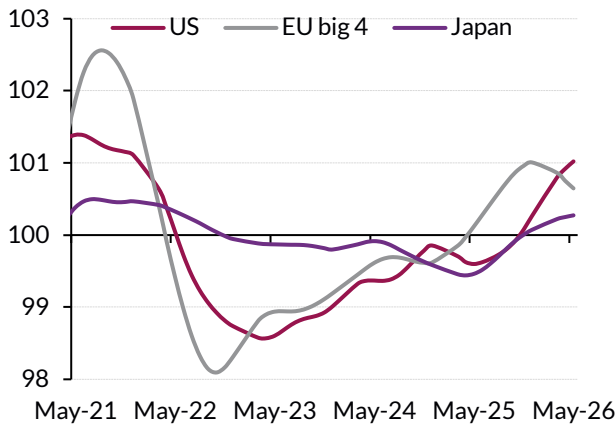
Source: FCI, Axis Bank Research

Exhibit 9: While rice stocks are also high



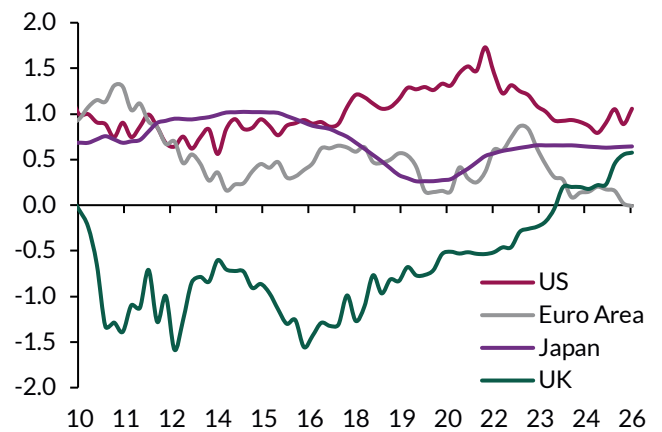
Source: FCI, Axis Bank Research

Exhibit 10: OECD's composite leading indicator shows growth currently above potential



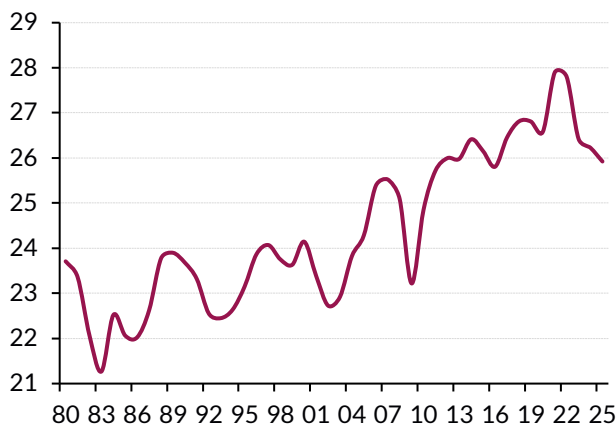
Source: Bloomberg, Axis Bank Research

Exhibit 11: Modelled real natural



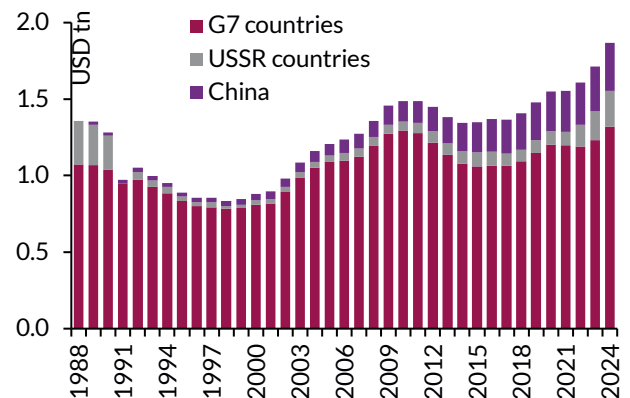
Source: RBI, Axis Bank Research

Exhibit 12: Global savings (%GDP) are now lower



Source: IMF, Axis Bank Research

Exhibit 13: Driven by heavy defence spending (2023 USD)



Source: SIPRI, Axis Bank Research

After weathering the West Asia storm, climate risks ahead

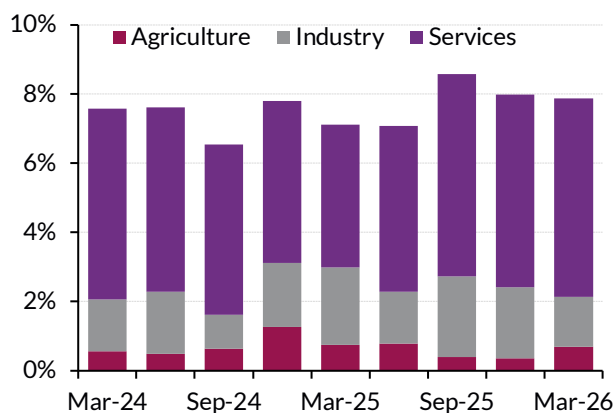
The Indian economy entered the West Asia conflict strong, with high-frequency indicators showing resilience even though a few sectors have been hit. With energy price conditions normalising, inflation projections now seem lower, pushing back on aggressive rate hikes, and also allow the INR to stabilise at what now appears to be close to fair value. The RBI steps are likely to create short-term benefits to FX reserves and liquidity, but unless intervention stops, these benefits will likely fade. If not, liquidity will likely need to be durably tightened through OMO sales or a CRR hike, which hit an already-weak rates market – continuing to push for alignment with higher global neutrals and term premium. This is even before a new risk – from El-Nino – appears. Weak monsoon conditions can lead to higher inflation and weaker rural growth despite high food and water stocks, affecting rates and the INR as well.

High-frequency indicators show the economy having withstood the West Asia onslaught

The economy ended FY26 on a strong note, with Q4 GDP growth at 7.9% taking full-year growth to 7.7%. Within this, good trends were seen in agriculture with a record high Rabi harvest expected, electricity on warm weather, construction with strong cement production and steel consumption, transportation with strong auto sales, and finance with high credit growth. The compression of the deflator through low food inflation also abated in this period, with pickup of global commodity prices in the West Asia crisis also helping with this.

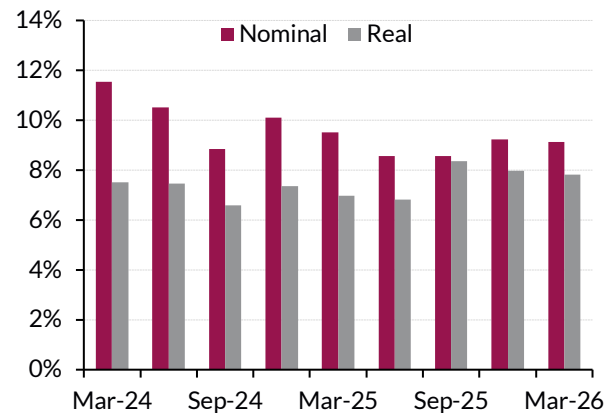
Current high-frequency trends indicate momentum has generally been sustained, with electricity being driven by warm weather and the delayed monsoon, tractor sales remaining strong, and auto sales holding. However, higher prices have hurt consumption of petrol and diesel, as well as Fastag payments, with E-way bills also indicating slower growth in transportation. At the same time, growth in UPI transactions is lower, with hiring activity also appearing more cautious. For Apr, cement production was decent, while steel consumption was strong, hinting at good construction trends even with anecdotes of tiles' outages, and car sales despite anecdotes of shortage of plastics and paint. To an extent, this will likely have been done through drawdown of inventories (energy, plastics and polymers, chemicals, steel) as well as subsidies provided by the government sector (limited adjustment to pump prices, fertiliser subsidies), as well as provision of credit to finance higher input costs. A detailed look at high-frequency indicators is available in the appendices.

Exhibit 14: Industrial outlook is already weakening on the war



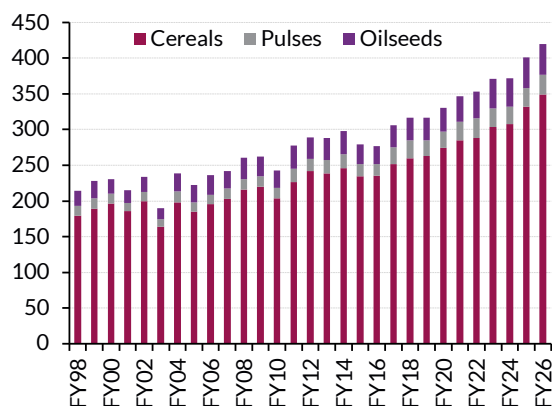
Source: MOSPI, Axis Bank Research

Exhibit 15: Consumer confidence has also dipped



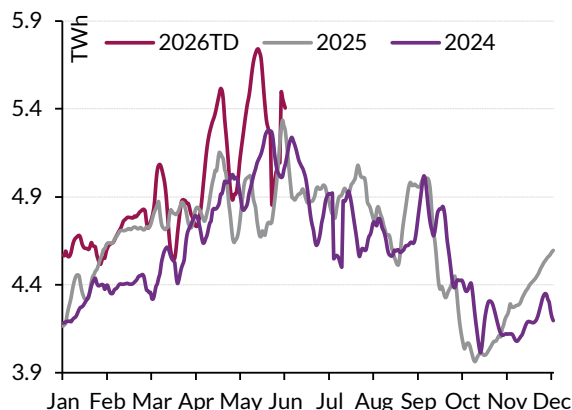
Source: RBI, Axis Bank Research

Exhibit 16: Record foodgrain production seen in previous cropping year



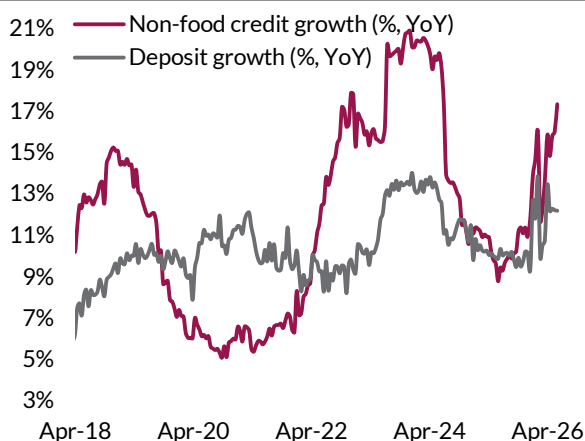
Source: UPAG, Axis Bank Research

Exhibit 17: Electricity demand was slightly higher in Q4, much more so in Q1



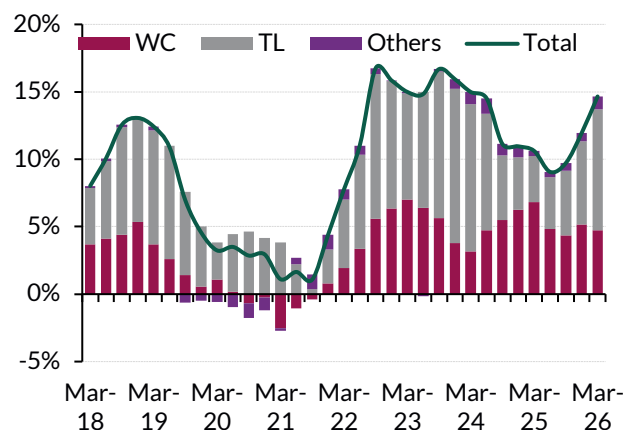
Source: NLDC, Axis Bank Research

Exhibit 18: Credit growth was stronger in Q4, stronger still now



Source: RBI, Axis Bank Research

Exhibit 19: With stronger trends driven by term loans



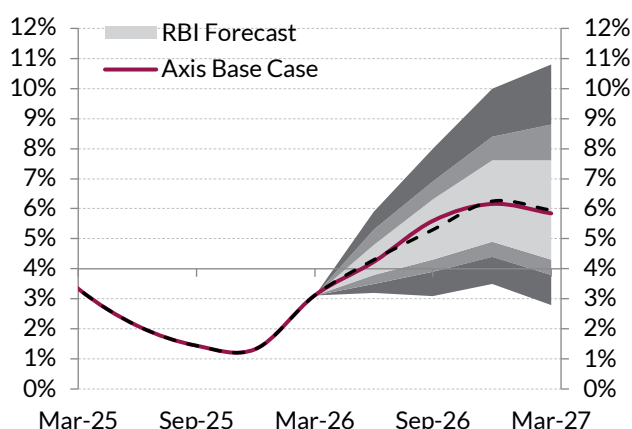
Source: RBI, Axis Bank Research

Inflation risks passing on from global to domestic factors

We had raised inflation forecasts earlier in line with higher global crude oil and likely steady increases in domestic pump prices. To an extent, these forecasts were also close to the RBI's projections, though the baseline quoted in the MPC was somewhat lower. However, with global oil prices now lower and the need for domestic pump price hikes more limited, the passthrough of high latent imported inflation seen in WPI to CPI is likely to be limited.

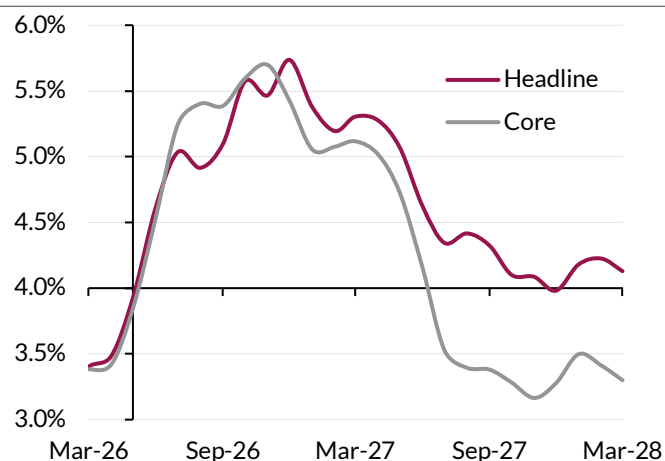
However, there is another risk brewing, related to the monsoon. Projections of the monsoon are the weakest since 2015 (90% of long period average with 60% probability of going below), with strong El-Nino forces at play and the Indian Ocean dipole also currently unsupportive. This has seen rains at a deficit of 63% in the season until date. While this is for now mitigated by good stocks of cereals and high reservoir levels (levels are somewhat lower now than at the same time last year), risks off higher food prices remain – already, inflation prints show higher prices of cereals. Taking these trends together, it is likely that inflation will not be at the ~5.5% estimated earlier, but now closer to 5.0% for the year – especially with slack that keeps core inflation from rising rapidly.

Exhibit 20: Our inflation projections on policy day were close to those of the RBI



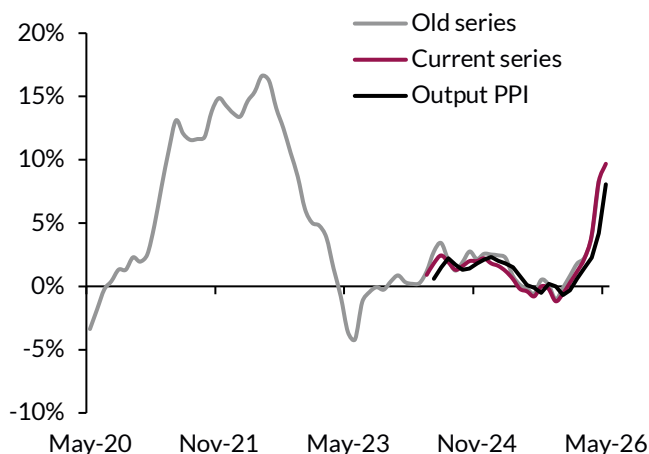
Source: RBI, MOSPI, Axis Bank Research

Exhibit 21: But trends look to be lower now



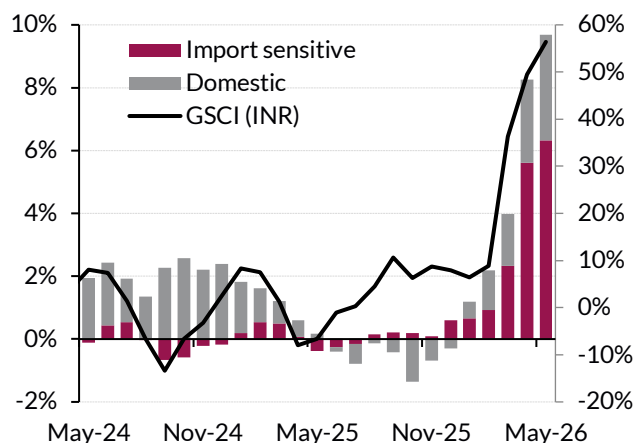
Source: MOSPI, Axis Bank Research

Exhibit 22: War inflation was seen latent in WPI inflation

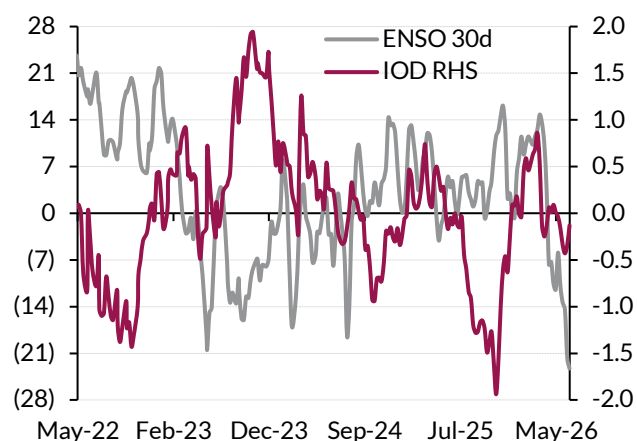


Source: Office of the Economic Adviser, Axis Bank Research

Exhibit 23: Driven by imported items



Source: Office of the Economic Adviser, Axis Bank Research

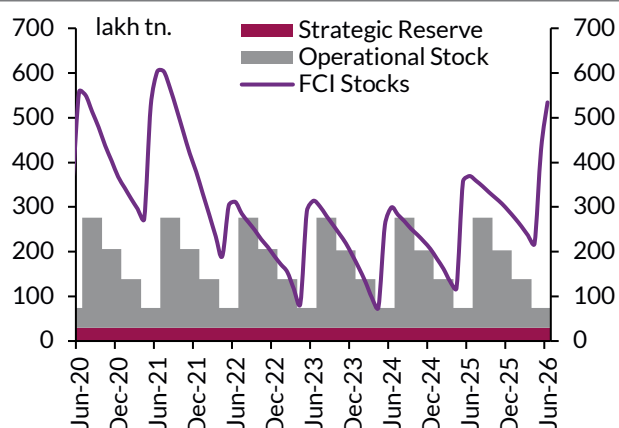
Exhibit 24: El-Nino indicators are strongly negative


Source: Australia Met, Bloomberg, Axis Bank Research

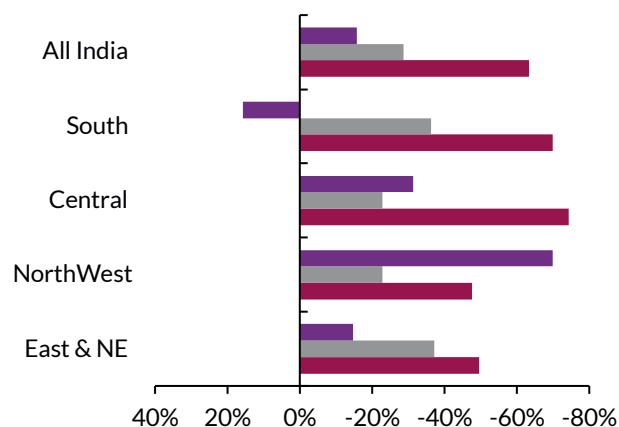
Exhibit 26: El-Nino events do impact rainfall

Period	Rainfall	No.	Neutral	El Niño				La Niña			
1901 - 2025	Range	of Yrs	N	S	M	W	All	S	M	W	All
Deficient	<90	22	3	9	4	4	17	1	0	1	2
Below normal	90-96	21	9	2	4	1	7	1	3	1	5
Normal	96-104	43	17	4	4	5	13	2	5	6	13
Above Normal	104-110	25	9	2	1	2	5	5	5	1	11
Excess	>110	14	2	1	1	1	3	5	2	2	9
All		125	40	18	14	13	45	14	15	11	40
In percentage terms											
Deficient	<90	18%	8%	50%	29%	31%	38%	7%	0%	9%	5%
Below normal	90-96	17%	23%	11%	29%	8%	16%	7%	20%	9%	13%
Normal	96-104	34%	43%	22%	29%	38%	29%	14%	33%	55%	33%
Above Normal	104-110	20%	23%	11%	7%	15%	11%	36%	33%	9%	28%
Excess	>110	11%	5%	6%	7%	8%	7%	36%	13%	18%	23%
All		100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

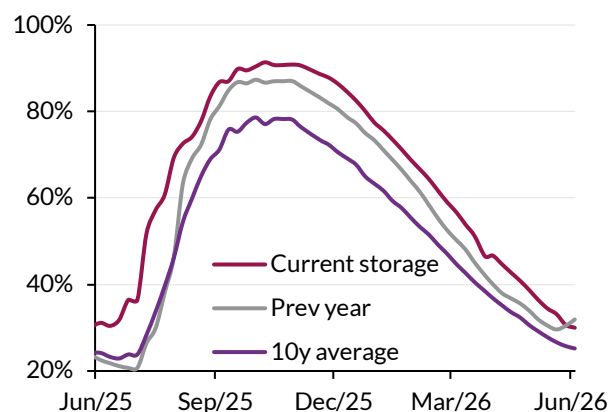
Source: IMD, Axis Bank Research

Exhibit 28: Wheat central pool stocks are no longer low


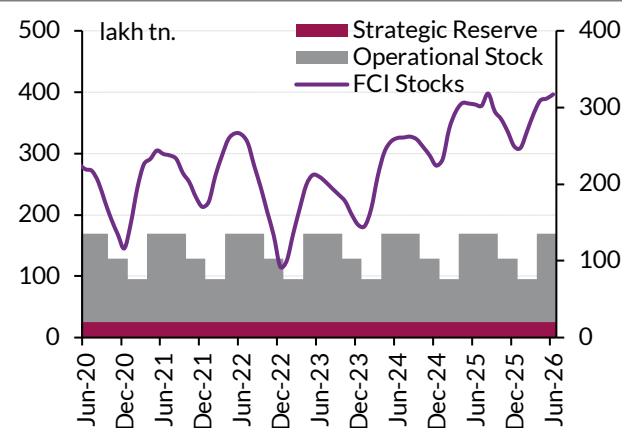
Source: FCI, Axis Bank Research

Exhibit 25: Monsoon deficit much higher than past few years


Source: IMD, Axis Bank Research

Exhibit 27: Reservoir levels now lower than last year, but above 10y levels


Source: CWC, Axis Bank Research

Exhibit 29: While rice stocks are also high


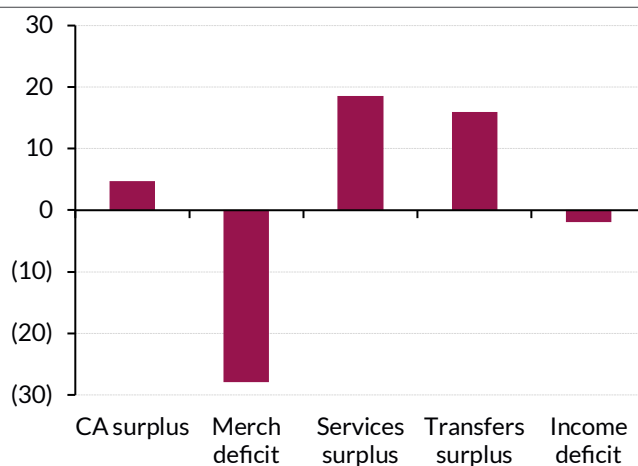
Source: FCI, Axis Bank Research

External trends are beginning to look positive, despite the pessimism

While RBI steps on concessional swaps and GOI steps on FPI taxation taken to pursue index inclusion might be seen as short term drivers given continued outflows, things are beginning to look positive. This is seen in terms of the current account being supported by remittances as well as good services inflows, while FDI trends have turned less overall negative of late. With these, the basic balance we use to measure overall trends is now looking closer to zero, with indications of INR fair value using FEER also indicate that the INR might have closed in on fair value, while depreciation towards a terms-of-trade shock-driven BEER might no longer be as severe as once thought. With these trends, stability on the INR is not unthinkable, but appreciation might be given the relatively low level of FX reserves.

In the near-term, FX steps taken by the RBI and GOI are likely to bring in USD 100 bn+ flows – these will likely be used to match off maturing forwards of USD 50 bn in FY27 (probably more given recent intervention). Assuming intervention continues at a steady pace, this would also match off flows, given a time-limited window. If basic balance is provably close to zero, intervention might also slow to a lower pace and even allow for gradual reserve accumulation.

Exhibit 30: Services, transfers drive the Apr CA surplus



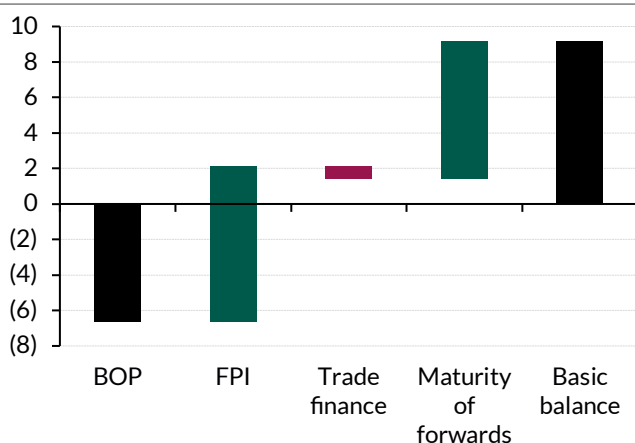
Source: RBI, Axis Bank Research

Exhibit 31: Strong trends were also seen in Q4 data

	FY25	FY26					FY25	FY26	! Q4FY26 - Q4FY25
(USD bn)	Q4	Q1	Q2	Q3	Q4				
Current Account	13.7	-2.9	-14.0	-15.5	7.1	-22.9	-25.2		-6.6
% of GDP	1.4%	-0.3%	-1.5%	-1.5%	0.7%	-0.6%	-0.6%		-0.7%
Merchandise Exports	116.4	112.7	109.0	111.3	113.1	442.1	446.1		-3.3
Merchandise Imports	175.8	181.6	198.1	207.2	196.6	729.0	783.4		20.8
Net Invisibles	73.0	66.0	75.1	80.4	90.5	264.0	312.0		17.5
o/w, software	41.5	41.5	43.9	47.1	47.1	159.6	179.5		5.6
remittances	31.8	31.1	36.4	35.0	41.5	124.3	144.1		9.7
Income	-14.5	-14.8	-14.0	-15.9	-13.4	-57.8	-58.1		1.1
Cap & Fin account	-5.6	8.6	2.1	-7.7	-1.1	16.5	1.8		4.5
FDI	0.4	4.8	1.6	-3.7	4.2	1.0	6.9		3.8
Portfolio Capital	-5.9	1.6	-5.7	-0.2	-12.0	3.6	-16.4		-6.2
Commercial Borrowings	7.5	4.4	2.3	3.8	3.6	18.5	14.2		-3.9
Trade Credit	-4.4	-0.1	4.0	13.3	-3.4	7.2	13.7		1.0
Currency & deposits	2.6	3.6	2.4	4.9	3.9	16.4	14.8		1.2
Others	-5.9	-5.7	-2.5	-26.0	2.7	-30.0	-31.5		8.6
Reserve Assets	8.8	4.5	-10.9	-24.4	7.2	-5.0	-23.6		-1.6

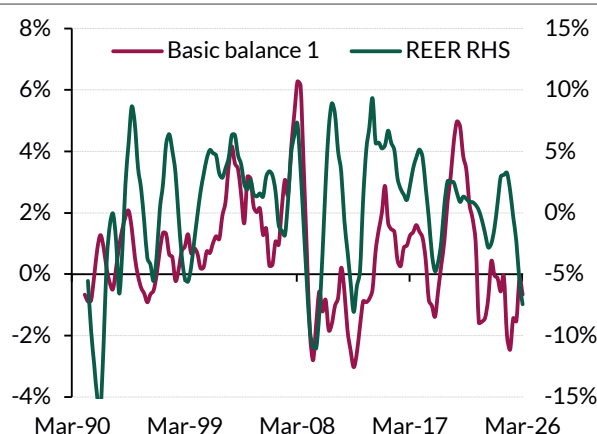
Source: RBI, Axis Bank Research

Exhibit 32: Basic balance was strong in April, depends on continued FDI and remittance flows



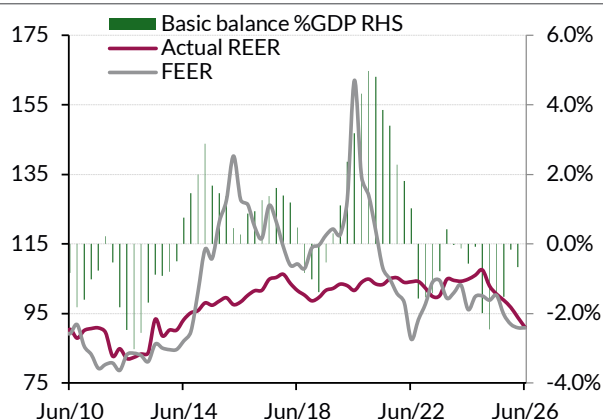
Source: RBI, Axis Bank Research

Exhibit 33: A negative basic balance has been driving REER weaker – this had already slowed in H2



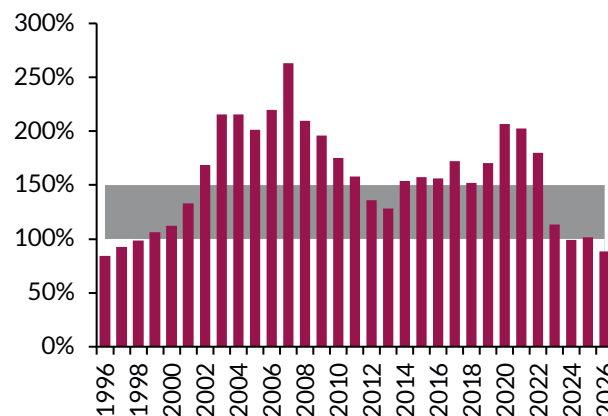
Source: RBI, Axis Bank Research

Exhibit 34: Modelling FEER shows fair value currently close – agrees with reduction in basic balance



Source: RBI, Axis Bank Research

Exhibit 35: Reserves are below threshold based on the more modern IMF ARA framework



Source: IMF, Axis Bank Research

Some level of slippage likely, stopping short of 4.8% indicated by a source

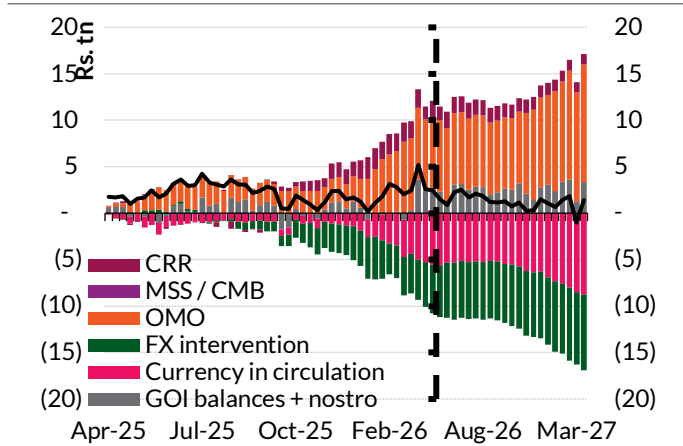
While some level of slippage given the cuts to excise on petrol and diesel, as well as increased fertiliser subsidy and small RBI dividend are likely ahead, there are also reasons to be cautious on tax revenue. This stems from the low actual print for FY26 (direct taxes 3.3% lower than RE, income tax 5.4% lower) is likely to set up a low base for FY27. Meeting targets for the year might mean much higher buoyancy that can be expected, especially given the low prints of Apr. A government source has admitted potential slippage to 4.8% of GDP, though improvements on global trends and increase in expected nominal GDP might mean a slightly smaller slippage. This does not yet mean increased G-sec issuance, with enough room for T-bills – but as covered later, trends for India rates are not as positive as might seem at first blush.

Liquidity might prove to be a drag even with recent steps

Recent steps on INR concessional swaps and FPI tax exemptions are likely to bring in heavy FX inflows above USD 100 bn. Swapping these will immediately bring liquidity into the system, but these funds will likely be used to first retire maturing and future forwards, as well as match ongoing intervention. The residual can lead liquidity to increase in the near-term – we have removed expectations of OMO purchases of earlier to offset this, but not yet to the extent that OMO sales or a CRR hike come into play. Larger than expected inflows will likely mean these come into play – the aversion to lower liquidity as ‘appropriate’ might be more limited if pressure on the INR eases, but liquidity at or below 0.5% of NDTL is the current base case. Without OMO purchases, and with the potential for increased supply, higher global term premia are likely to transmit to domestic markets.

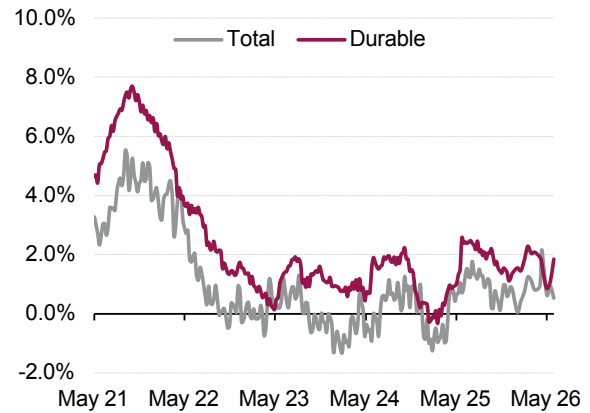
For banks, these developments would mean faster deposit growth for a time, perhaps even overtaking credit growth. However, continued intervention, maturity of forwards, and active adjustment through OMO sales or a CRR hike are likely to help reverse the move – implying a short-term window of lower bank funding rates as seen currently in lower CD/OIS spreads.

Exhibit 36: With steady FX, removal of some OMOs matched conditions unless intervention stops



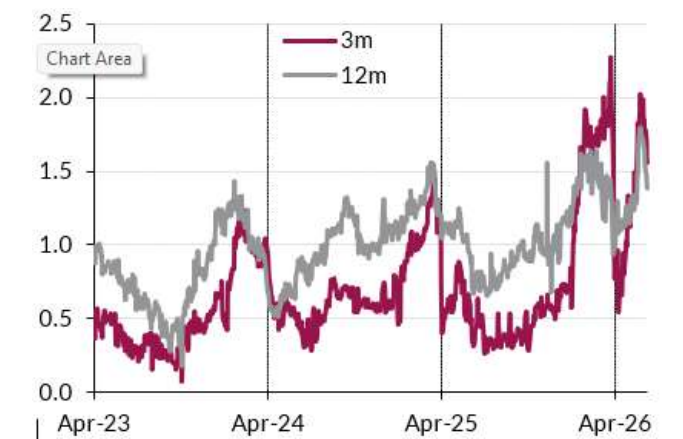
Source: RBI, Axis Bank Research

Exhibit 37: Durable liquidity boosted on the RBI dividend, but has not transmitted to actual liquidity



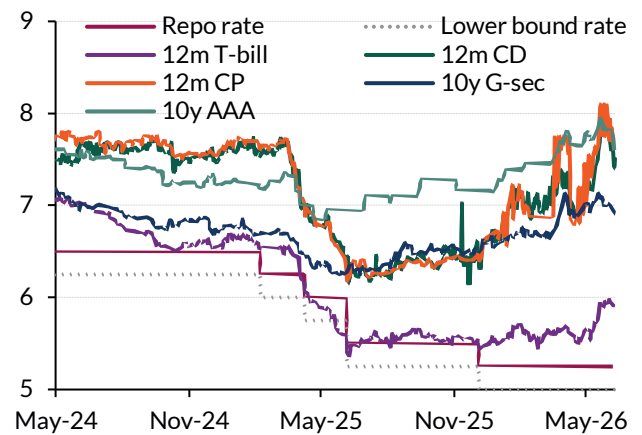
Source: Bloomberg, Axis Bank Research

Exhibit 38: CD/OIS spreads are lower



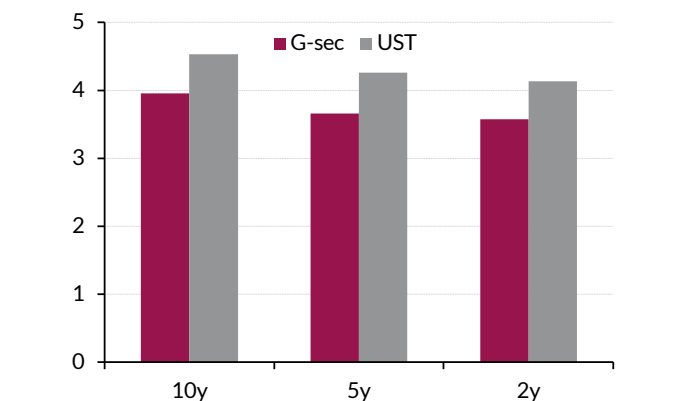
Source: Bloomberg, Axis Bank Research

Exhibit 39: AAA bond yields have also fallen



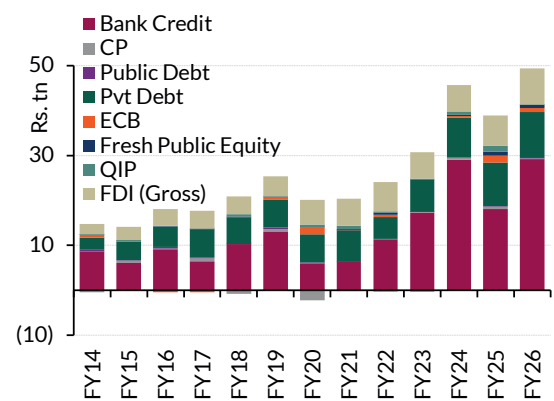
Source: Bloomberg, Axis Bank Research

Exhibit 40: Already, G-sec yields are lower than USTs on a fully hedged basis



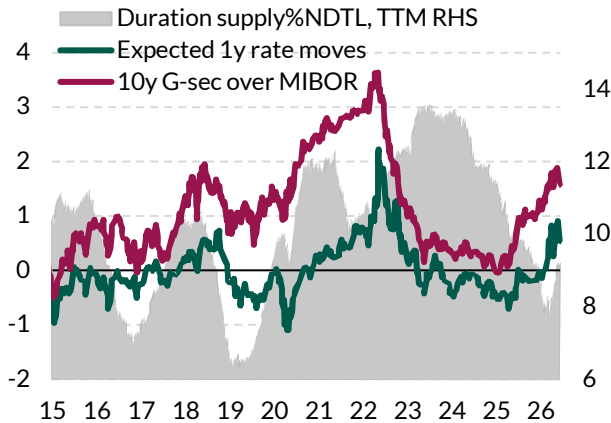
Source: Bloomberg, Axis Bank Research

Exhibit 41: Funds demand is strong even outside bank credit



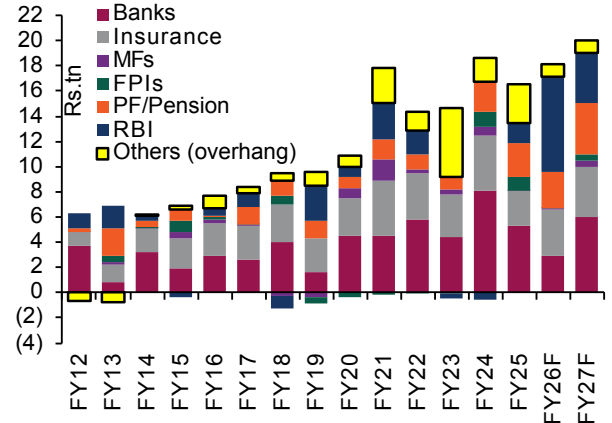
Source: RBI, PRIME database, Axis Bank Research

Exhibit 42: Term premium can expand further if duration supply does – and has begun to



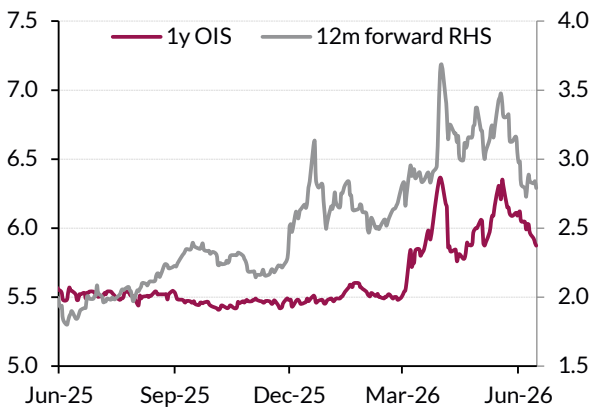
Source: RBI, Axis Bank Research

Exhibit 43: Mild slippage and lower OMOs already create a fresh supply overhang even if banks buy



Source: RBI, Axis Bank Research

Exhibit 44: Forwards have also pulled OIS lower



Source: Bloomberg, Axis Bank Research

Exhibit 45: 1y OIS at forward start dates now price in rates around the 6% neutral



Source: Bloomberg, Axis Bank Research

Rates: Early hikes no longer the default scenario

Higher inflation driven by the West Asia shock was seen driving up rates and causing the MPC to move higher towards neutral. With global neutrals having risen, India neutrals were also seen higher. Fading of this momentum, and breathing room in transmission of higher global neutrals to India given the RBI/GOI steps. While neutrals will eventually still be higher and the EL-Nino will hasten increase in domestic inflation, rate hikes lose their urgency. This is visible in OIS markets now pricing in rates close to the 6% neutral over time, with forwards also not pushing onshore rates higher.

Global fiscal expansion, rate suppression postponed

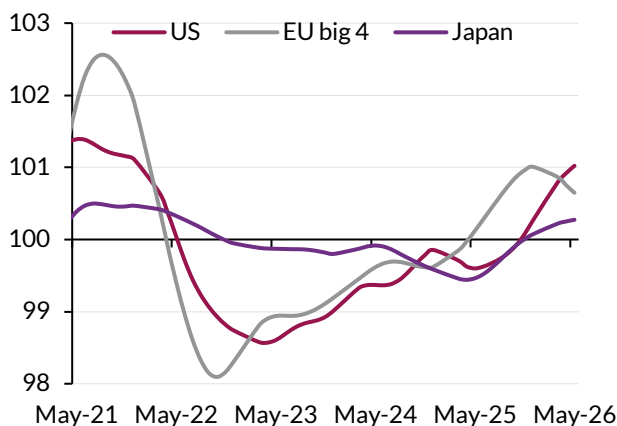
Despite optimism on a global recovery with the end of the West Asia conflict, growth is not as strong as appears across countries. This is likely to diminish pressure for rate hikes as well as on the currency, which in the case of the JPY and the USD were weaker given expectations of interest rate suppression and fiscal dominance. Fiscal drivers remain strong, but with still-mixed growth conditions, this lowers the extent of fiscal dominance in the near term, also affecting steepness of rate curves. While the overall view remains of a steeper curve and weakness in USD and JPY, the path to these now seems longer than initially thought.

Global growth conditions are not as strong as might seem

Recent data prints show good activity conditions across the US, Eurozone and Japan, though as seen in the appendices, growth conditions seen in internals of data might not actually be as strong as the headline numbers indicate. Part of the reason underlying strong data is also heavier fiscal spending, with expectations gradually rising. However, more limited growth conditions suggest that rate hikes in these countries are likely to be relatively limited, as seen in the case of the RBA, where the terminal rate appears to effectively reached after 3 rate hikes.

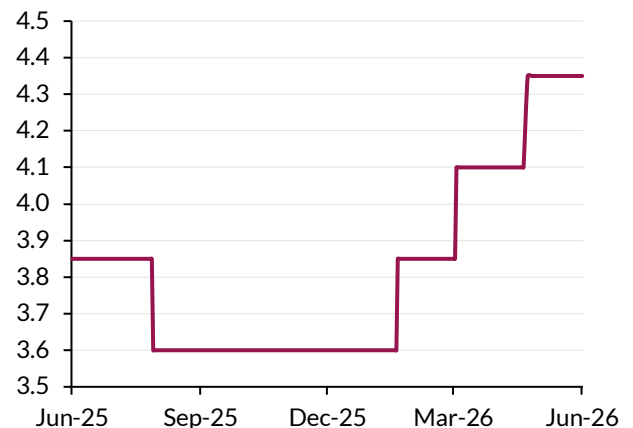
For the US, note the lower level of the Atlanta Fed GDP Now index, along with falling real personal incomes resulting in a drop in the savings rate, as well as slowing in the NY Fed manufacturing index showing front-loading might have ended in June. Payrolls data show good headline hiring, though this might be driven by an increase in the labour force with slackening immigration controls. The lower quits rate and steadily rising jobless claims, as well as slowing hourly earnings are an issue. Housing numbers show activity seizing up amid higher MBS rates, while consumer confidence, while in recovery, is still low. On inflation too, ISM prices indicate falling momentum, also reflected in recent data and the falling 5y5y inflation breakeven.

Exhibit 46: OECD's composite leading indicator shows growth above potential



Source: Bloomberg, Axis Bank Research

Exhibit 47: RBA cycle appears to have ended with 3 hikes



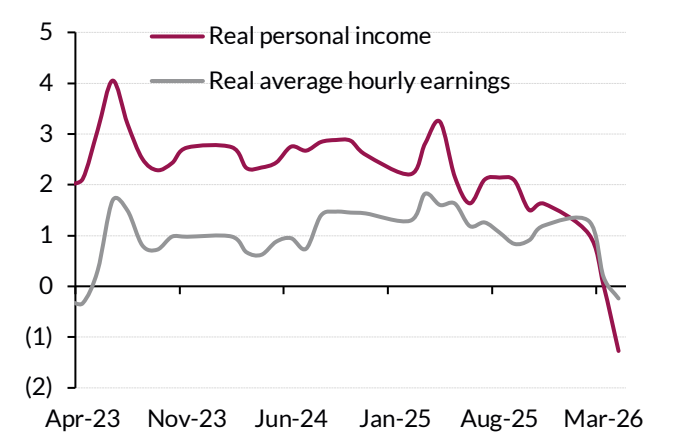
Source: Bloomberg, Axis Bank Research

Exhibit 48: Atlanta Fed GDP now is coming lower



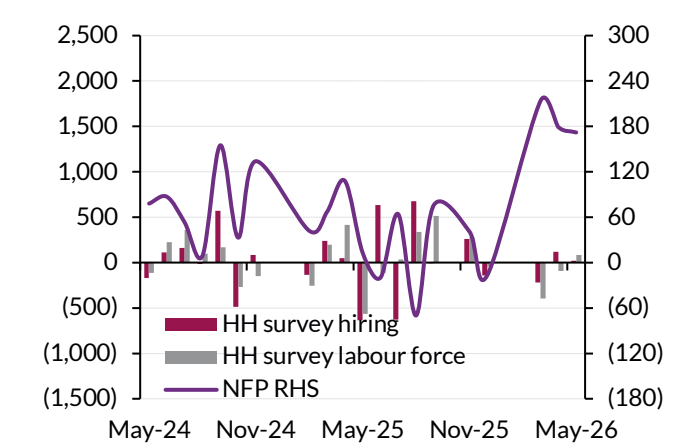
Source: Bloomberg, Axis Bank Research

Exhibit 49: RBA cycle appears to have ended with 3 hikes



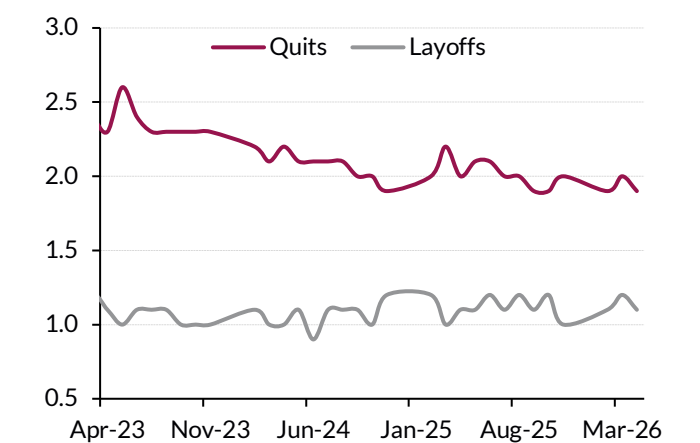
Source: Bloomberg, Axis Bank Research

Exhibit 50: Hiring likely to be driven by increased labour force on slacker immigration enforcement



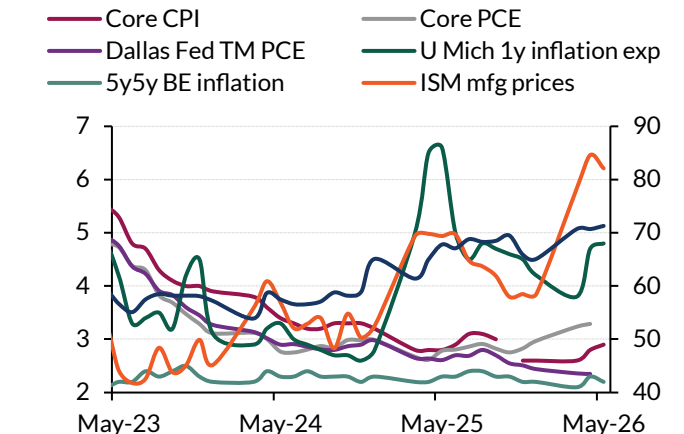
Source: Bloomberg, Axis Bank Research

Exhibit 51: Layoffs are steady, but quits are steadily falling signaling diminished labour confidence



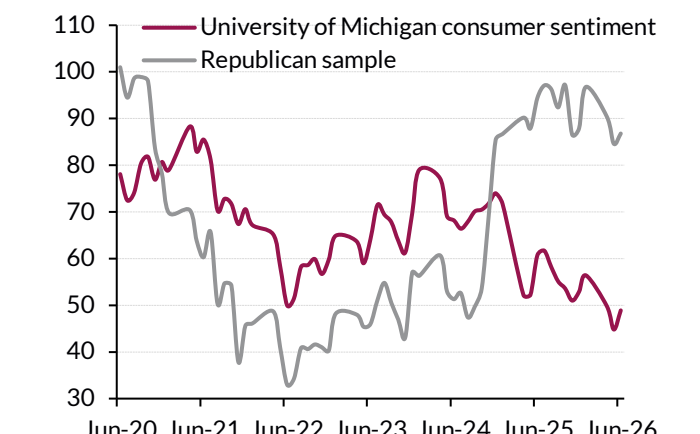
Source: Bloomberg, Axis Bank Research

Exhibit 52: Inflation either reversing or slowing down, based on indicator



Source: Bloomberg, Axis Bank Research

Exhibit 53: Michigan confidence low, Republicans near lowest in Trump term



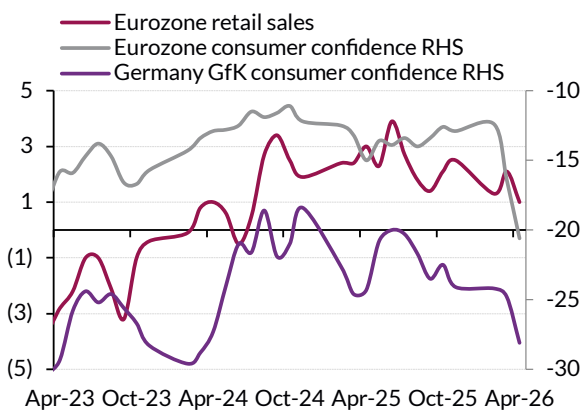
Source: Bloomberg, Axis Bank Research

Eurozone prints also not great, ECB admits downside risks

Eurozone prints are also middling, with GDP growth in contraction in Q1CY26, while more recent data show diminished spending power in weaker retail sales, services inflation and consumer confidence, while production is also more limited given mixed trends in industrial production and now German factory orders. PMI data are also relatively mixed, unemployment has stayed steady but labour cost inflation is slowing, and investor confidence is slow to recover. The ECB recently raised rates as well as inflation projections, but trimmed expectations on growth. Notably, these developments are on a base case of crude oil at USD 85/barrel, closer to where markets currently are than when the projection was made. However, fading of the oil shock and mixed growth conditions can also hold back the next rate hike. At the same time, intra-Eurozone developments continue to see disagreements between France and Germany hobble cooperation, including joint EU borrowing – this is another downside risk to growth.

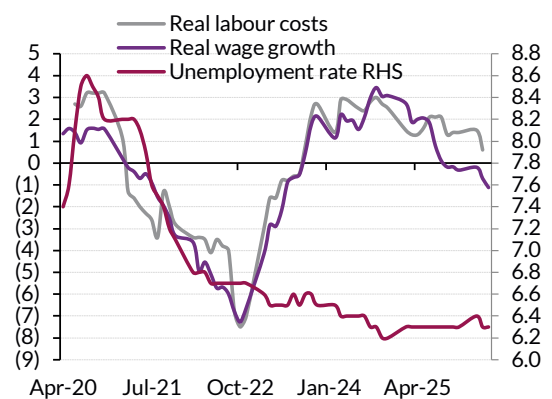
The US/Iran deal has pushed back on rate hike expectations, with the next move now priced in for October rather than for the next meeting in July.

Exhibit 54: Eurozone retail sales and consumer confidence falling with higher prices



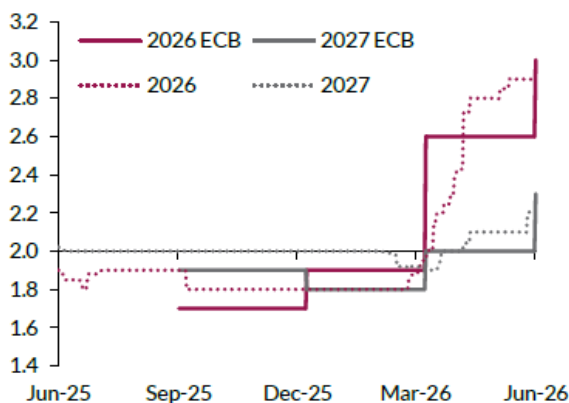
Source: Bloomberg, Axis Bank Research

Exhibit 55: Labour markets are also on the weaker side



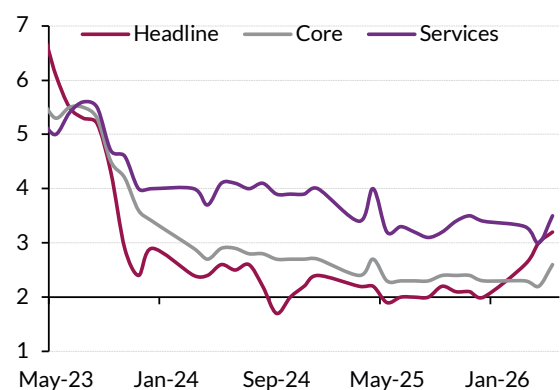
Source: Bloomberg, Axis Bank Research

Exhibit 56: ECB raised inflation projections to above market levels at its latest meet



Source: Bloomberg, Axis Bank Research

Exhibit 57: High services inflation is one reason spending has slowed



Source: Bloomberg, Axis Bank Research

UK political shifts are likely to be a mixed bag

The Makersfield bye-election in the UK tomorrow is watched closely for the extent of win by Manchester Mayor Burnham – Mr. Burnham is seen as the likeliest candidate to become the next PM, given party dissatisfaction with incumbent Sir Starmer and a weaker showing in latest subnational elections. A strong win would bolster popularity and indicate enough political capital to make sweeping changes, while less than stellar results are likely to see more nuanced developments around fiscal policy.

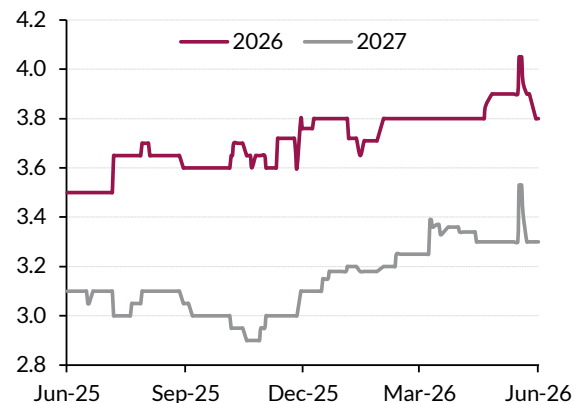
Mr. Burnham has in the past spoken against being in hock to bond markets, though these comments have lately been watered down. Some form of nationalisation of utilities is likely to be seen under Mr. Burnham, along with increase in spending – though fiscal rules are likely to be kept, indicating greater tax collections as well. As long as fiscal spending is not seen spiralling outwards, the UK economy does not see its current account widen significantly. At the same time, talks with the EU on a closer relationship, including rejoining, are likely to see some reversal of the post-Brexit productivity loss and return of longer-term FDI to an extent, helping manage conditions that do not cause either sharp weakening in the GBP or a sharp rise in rates. In the near term, mixed economic trends place the BOE against a near-term rate hike, lending an equilibrium to overall markets.

Exhibit 58: Prediction market probability of a PM Burnham in 2026



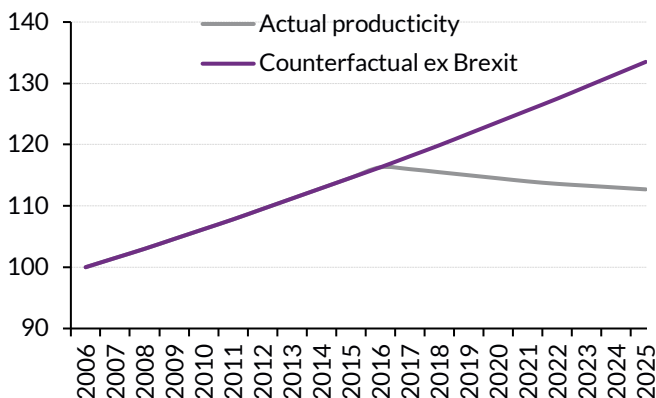
Source: Bloomberg, Axis Bank Research

Exhibit 59: Composite of analyst UK fiscal expectations – recovery after Burnham shock



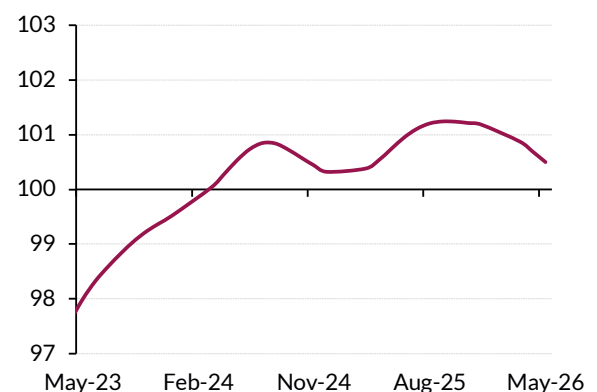
Source: Bloomberg, Axis Bank Research

Exhibit 60: Productivity could return with closer EU relations, helping with welfare state payments



Source: Bloomberg, Axis Bank Research

Exhibit 61: OECD's UK composite leading indicator, losing momentum

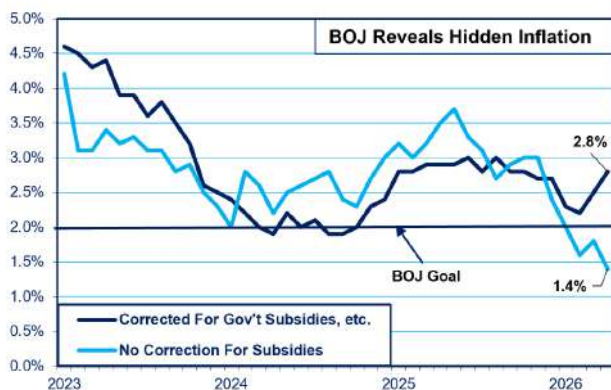


Source: Bloomberg, Axis Bank Research

Japan: Chugging along, mixed data just might justify a slow hike cycle

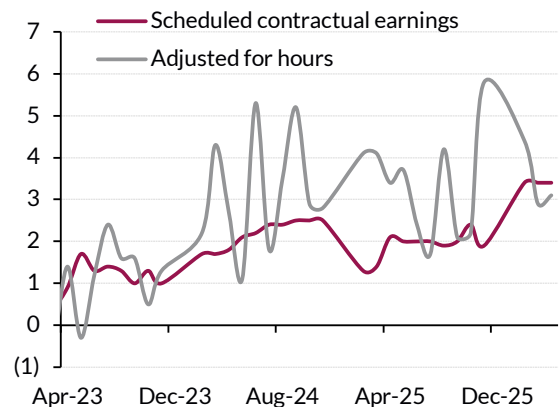
Japanese economic policy is now one of subsidies, debt-driven spending, and slow rate hikes. This is seen in suppression of inflation through subsidies, rising longer-end interest rates amid increasing fiscal expectations, and suppression of moves in the JPY. However, activity prints are not as strong as hoped for – labour cash earnings have been slowing on a core basis despite increase in hours worked, while household spending remains negative. This is offset by good prints in retail sales given price suppression, while the jobless rate has steadily been trending lower. The BOJ has also been reluctant to hike rates, given political discomfort, while the JPY has been prevented from weakening by a mix of verbal and actual intervention. This equilibrium is likely to last for a time, but eventually break, with either the JPY weakening or JGB yields rising, with attendant effects on fiscal metrics.

Exhibit 62: Japanese inflation is higher without subsidies



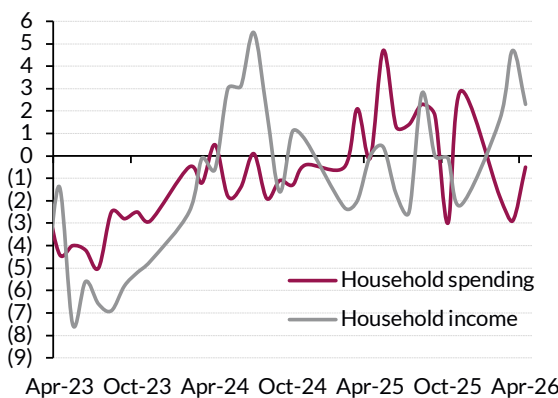
Source: Market estimates, Axis Bank Research

Exhibit 63: Adjusted for hours worked, scheduled contractual earnings growth is slower



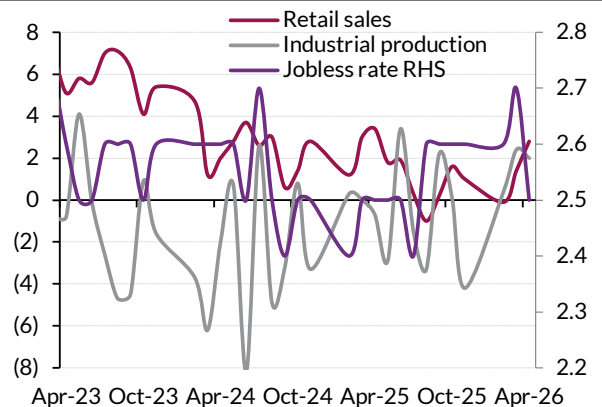
Source: Bloomberg, Axis Bank Research

Exhibit 64: Household spending is lower, despite increase in real incomes



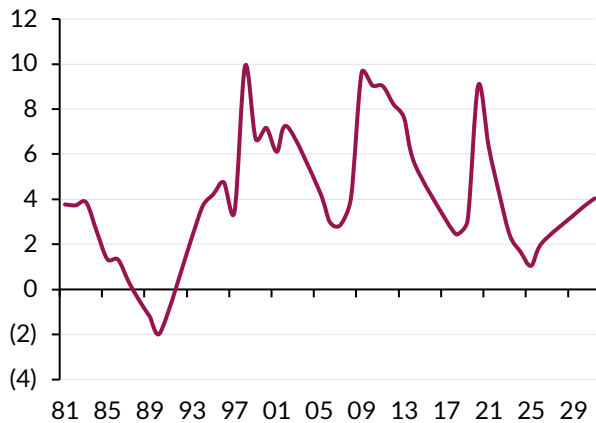
Source: Bloomberg, Axis Bank Research

Exhibit 65: Adjusted for hours worked, scheduled contractual earnings growth is slower



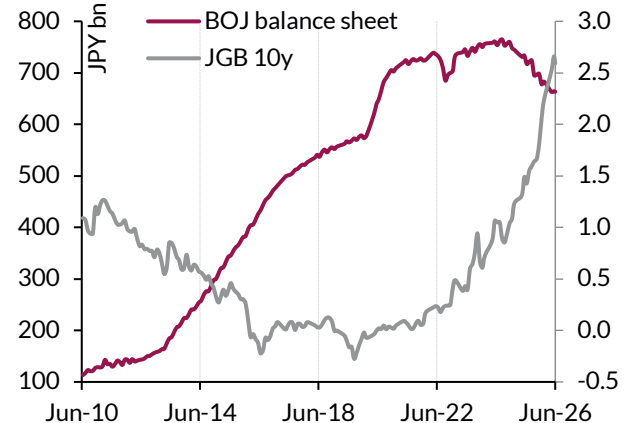
Source: Bloomberg, Axis Bank Research

Exhibit 66: Projections of Japanese fiscal spending are once again higher



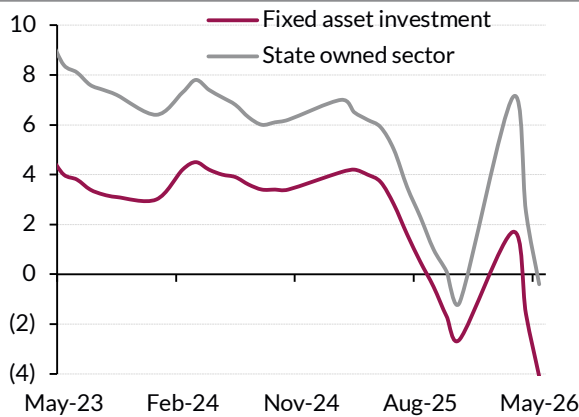
Source: Bloomberg, Axis Bank Research

Exhibit 67: BOJ QT has supercharged the move higher in 10y yields



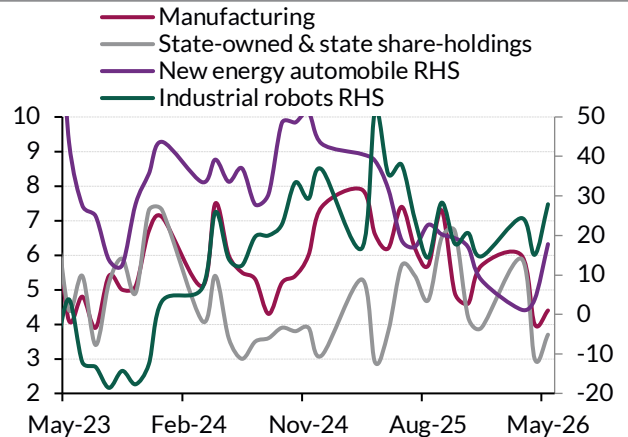
Source: Bloomberg, Axis Bank Research

Exhibit 68: Chinese fixed asset investment has fallen, with the public sector also in retreat



Source: Bloomberg, Axis Bank Research

Exhibit 69: Industrial production is weaker, except in a few items, recent West Asia-driven rebound



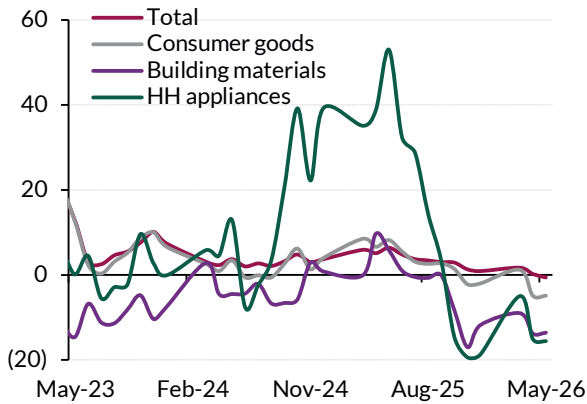
Source: Bloomberg, Axis Bank Research

China: Return of deflationary conditions as public sector retreats

Chinese policy as seen in recent official releases continues to be one of caution, prioritising stability over growth. With this, fixed asset investment has fallen further, with the state-owned sector retreating from capital formation adding to weak trends in the private sector. With this, industrial production is also limited, as a consequence of anti-involution, though recent West Asia supply concerns have appeared to boost activity lately. Domestic demand is also soft, with weaker retail sales on discretionary items. These trends are also visible in credit data with a pullback in both private sector and government borrowing, as well as in inflation, with core trends slowing down.

Deflation is likely to intensify pressures for CNY appreciation, with domestic easing likely to be used to limit this in the medium term.

Exhibit 70: Retail sales have weakened, driven by drop in housing



Source: Bloomberg, Axis Bank Research

Exhibit 71: Credit growth also weaker in both the private sector and bond issuance



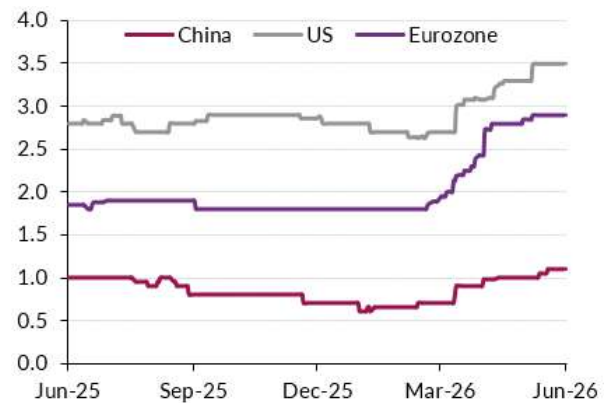
Source: Bloomberg, Axis Bank Research

Exhibit 72: Core inflation is steady to lower with the softer demand trends



Source: Bloomberg, Axis Bank Research

Exhibit 73: China inflation expectations are now much lower than those of peers



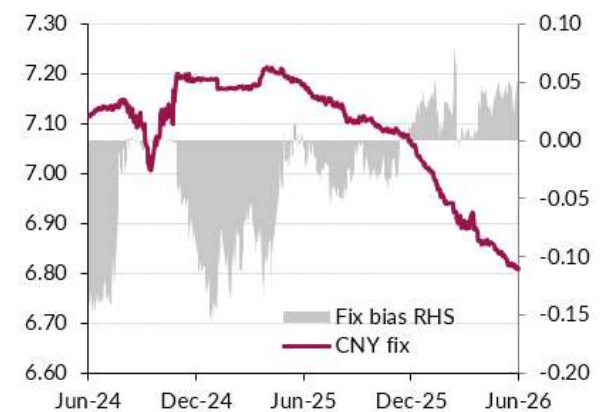
Source: Bloomberg, Axis Bank Research

Exhibit 74: Lower inflation is leading to REER depreciation, countered by NEER appreciation



Source: Bloomberg, Axis Bank Research

Exhibit 75: PBOC/SAFE pushing back on appreciation through the fix bias

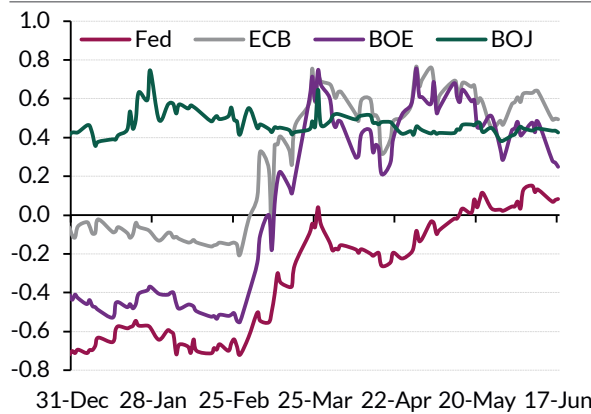


Source: Bloomberg, Axis Bank Research

Rate hikes are now effectively postponed, but limited global savings keeps neutrals higher

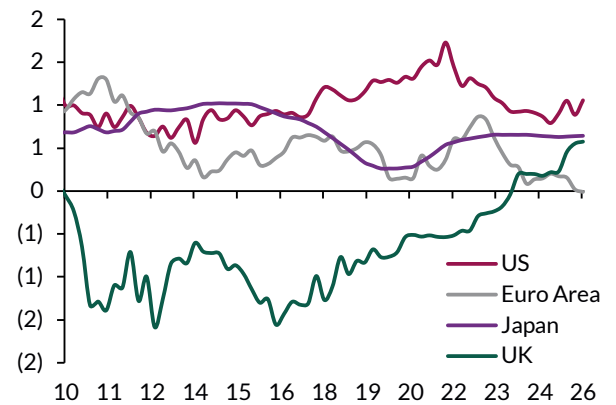
The period of lower for longer rates was clearly unsustainable politically – this was driven by rising global savings with transfer of global GDP growth to China (with a high savings rate increasing global savings), while fiscal retrenchment across countries led to a glut. This drove asset prices higher and yields lower, while absence of consumption demand growth for goods and services kept inflation low. The combination of higher asset prices and slower income growth drove rising inequality and affordability issues, leading to political outcomes seen over the past 10 years. From this point of view, the high-savings China-driven growth model was already in the past, with fiscal spending finding some success at winning elections in the broader world.

Exhibit 76: Market pricing of 2026 rate hikes measured from 1 Jan period



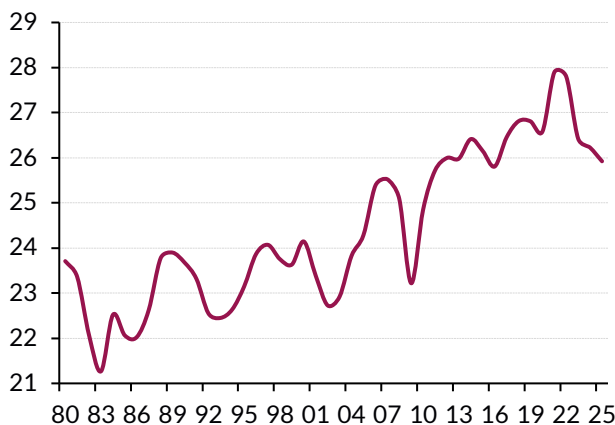
Source: Bloomberg, Axis Bank Research

Exhibit 77: Modelled real neutral rates have been rising, except for in the Eurozone



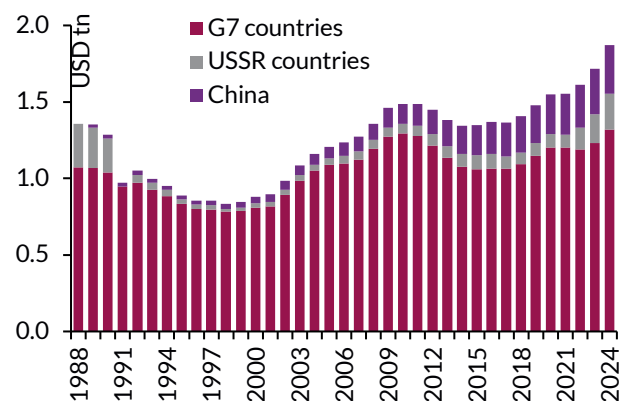
Source: St. Louis Fed, Axis Bank Research

Exhibit 78: Global savings (%GDP) are now lower



Source: Bloomberg, Axis Bank Research

Exhibit 79: Driven by heavy defence spending (2023 USD)



Source: Bloomberg, Axis Bank Research

Appendices – recent India and global macro prints
Exhibit 80: India extract of high-frequency leading indicators – some sectors have been impacted by West Asia conflict

Leading Indicator	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26
Gol Spends (Ex. Interest) (INR value)	26%	11%	15%	5%	-16%	8%	-19%	11%	-15%	-14%	13%	14%	25%	
GST collections (value in INR)	13%	9%	6%	8%	6%	9%	5%	-7%	6%	-1%	0%	2%	3%	3%
Rail Freight (weight)	7%	-1%	2%	1%	8%	4%	2%	4%	6%	2%	-3%	8%	5%	5%
Port Cargo (weight)	7%	4%	6%	4%	3%	11%	12%	15%	13%	8%	3%	1%	2%	
Passenger traffic: All airports	10%	2%	4%	-1%	1%	-1%	5%	-13%	-3%	-17%	0%	-4%	-5%	
Cargo traffic: All airports	11%	5%	0%	4%	5%	3%	-2%	16%	10%	9%	18%	0%	10%	
Hotel revenue per room	20%	5%	9%	0%	4%	8%	10%	14%	5%	4%	13%	-1%	2%	
PMI Services	59.1	58.8	60.7	60.5	62.9	60.9	58.9	59.8	58.0	58.5	58.4	57.5	58.8	59.8
Non-food credit growth YoY%	10%	9%	9%	10%	9%	11%	11%	11%	14%	14%	15%	16%	16%	17%
Credit to industry YoY%	7%	5%	4%	6%	7%	7%	11%	11%	14%	13%	15%	16%	16%	
Credit to wholesale & retail trade YoY%	14%	11%	10%	13%	12%	12%	14%	14%	17%	16%	14%	16%	13%	
Credit to NBFCs YoY%	4%	0%	4%	3%	3%	4%	11%	9%	15%	18%	21%	27%	28%	
Unsecured Household credit	9%	9%	9%	8%	8%	8%	12%	9%	10%	11%	12%	13%	13%	
CV registrations (FADA) (units)	4%	-9%	38%	-5%	3%	-3%	14%	16%	16%	8%	1%	8%	8%	11%
Diesel Consumption (volume)	4%	2%	2%	2%	1%	7%	0%	5%	5%	3%	4%	8%	1%	2%
Petrol Consumption (volume)	5%	9%	7%	6%	5%	8%	7%	3%	7%	6%	8%	8%	7%	3%
Electricity Consumption (units)	2%	-5%	-2%	5%	4%	3%	-6%	3%	6%	4%	1%	1%	5%	11%
Tractor Sales (TMA) (Volume)	8%	9%	10%	8%	28%	45%	15%	30%	37%	43%	34%	29%	27%	20%
All India retail sales (RAI) YoY%	4%	5%	8%	8%	8%	11%	11%	10%	10%	10%	9%	10%	7%	
Vehicle Registrations (VAHAN) (volume)	4%	6%	5%	-4%	4%	6%	41%	3%	16%	18%	26%	31%	14%	10%
PV registration (FADA) (units)	4%	0%	6%	3%	5%	9%	15%	22%	29%	10%	-15%	26%	23%	33%
2-Wh registration (FADA) (units)	-8%	8%	5%	-6%	3%	7%	53%	-3%	10%	21%	11%	29%	32%	12%
Total Exports (Ex Oil, Gold)	13%	8%	4%	12%	4%	9%	1%	13%	-1%	15%	16%	-4%	8%	12%
Total Imports (Ex Oil, Gold)	15%	9%	2%	9%	-1%	12%	9%	7%	7%	7%	15%	6%	10%	13%
Cement Prodn (weight)	6%	10%	8%	12%	5%	5%	5%	15%	14%	11%	9%	5%	9%	
Steel Prodn (weight)	4%	7%	10%	17%	14%	14%	6%	7%	10%	11%	8%	8%	6%	
Coal Prodn (weight)	3%	3%	-7%	-12%	11%	-1%	-9%	2%	4%	3%	2%	-4%	-9%	
IIP (Index)	6%	5%	3%	5%	4%	6%		6%	6%	4%	5%	3%	5%	
IIP capital goods	14%	10%	4%	6%	7%	14%	8%	19%	14%	14%	19%	11%	16%	
PMI Manufacturing	58.4	57.6	58.4	59.1	59.3	57.7	59.2	56.6	55.0	55.4	57.5	53.9	54.7	55.0
Core IIP YoY%	1%	1%	2%	4%	7%	3%	0%	2%	5%	5%	3%	1%	2%	
FASTag Payments	22%	20%	18%	20%	26%	20%	9%	16%	11%	9%	5%	2%	3%	3%
E-way Bills No.	23%	19%	19%	25%	22%	21%	8%	28%	24%	16%	11%	13%	12%	11%
MNREGA - Persons Demanded Work (Cr)	2.73	3.79	3.55	2.02	1.42	1.39	1.28	1.47	1.84	2.03	2.37	1.84	1.74	2.74
Naukri Jobspeak Index	9%	0%	11%	7%	3%	10%	-9%	23%	13%	3%	12%	9%	6%	1%
UPI (value)	22%	23%	20%	22%	21%	21%	16%	22%	20%	21%	22%	15%	21%	19%

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

Exhibit 81: US activity prints – Industrial production, income show near-term slowdown

Growth	Period	Reading	Expected	Previous	3m ago	6m ago	1y ago
GDP QoQ saar	31-Mar-26	1.6		0.5	0.5	4.4	(0.6)
Personal consumption	31-Mar-26	1.4		1.9	1.9	3.5	0.6
Goods	31-Mar-26	0.4		0.3	0.3	3.0	0.2
Services	31-Mar-26	1.8		2.7	2.7	3.6	0.8
Fixed investment	31-Mar-26	6.4		1.5	1.5	0.8	7.1
Nonresidential	31-Mar-26	10.1		2.4	2.4	3.2	9.5
Residential	31-Mar-26	(6.2)		(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	13.1		(3.2)	(3.2)	9.6	0.2
Imports	31-Mar-26	21.1		(1.0)	(1.0)	(4.4)	38.0
ISM Manufacturing PMI	31-May-26	54.0	53.0	52.7	52.4	48.0	48.6
New orders	31-May-26	56.8	54.5	54.1	55.8	47.3	48.3
ISM Non-manufacturing PMI	31-May-26	54.5	53.8	53.6	56.1	52.4	50.2
New orders	31-May-26	57.3	53.4	53.5	58.6	52.8	47.2
S&P Global manufacturing PMI	31-May-26	50.7	51.0	51.0	51.7	54.1	53.7
S&P Global services PMI	31-May-26	55.1	55.3	54.5	51.6	52.2	52.0
Factory orders	30-Apr-26	4.8	4.6	1.8	0.0	(1.2)	(3.9)
Durable goods orders	30-Apr-26	8.0	7.9	1.3	(0.4)	(2.1)	(6.6)
ex auto	30-Apr-26	1.1	1.1	1.1	0.4	0.2	0.0
Cap goods nondef ex air	30-Apr-26	(1.0)	(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	30-Apr-26	0.5	0.5	1.6	0.0	(0.2)	(0.2)
ex auto	30-Apr-26	0.7	0.7	1.9	0.1	0.2	0.0
Personal income	30-Apr-26	0.0	0.4	0.5	0.5	(0.1)	0.7
Disposable income	30-Apr-26	(0.1)		0.5	1.0	(0.1)	0.7
Personal consumption expenditure	30-Apr-26	0.5	0.5	1.0	0.3	0.4	0.3
Atlanta Fed GDP Nowcast	16-Jun-26	2.8	0.0	3.8	2.7	3.6	3.5

Source: Bloomberg, Axis Bank Research

Exhibit 82: US labour prints – Stronger payrolls helped by more limited immigration enforcement

Labour	Period	Reading	Expected	Previous	3m ago	6m ago	1y ago
Non farm payrolls	31-May-26	172.0	88.0	179.0	(156.0)	41.0	13.0
Unemployment rate	31-May-26	4.3	4.3	4.3	4.4	4.5	4.3
U6 broad unemployment rate	31-May-26	8.1		8.2	7.9	8.7	7.8
Average hourly earnings MoM	31-May-26	0.3	0.3	0.2	0.3	0.4	0.4
JOLTS job openings	30-Apr-26	7,618.0	6,866.0	6,887.0	7,240.0	7,170.0	7,098.0
Openings rate	30-Apr-26	4.6	4.2	4.2	4.4	4.3	4.3
Hire rate	30-Apr-26	3.2		3.5	3.4	3.3	3.4
Seperations rate	30-Apr-26	3.1		3.4	3.2	3.2	3.3
Quits rate	30-Apr-26	1.9	2.0	2.0	2.0	1.9	2.0
Initial jobless claims	5-Jun-26	229.0	220.0	212.0	213.0	235.0	246.0
4 week ma	5-Jun-26	219.0		204.0	211.5	222.8	237.8
Continuing claims	29-May-26	1,795.0	1,785.0	1,776.0	1,847.0	1,894.0	1,947.0

Source: Bloomberg, Axis Bank Research

Exhibit 83: US housing prints – weakness amid high MBS rates

Housing	Period	Reading	Expected	Previous	3m ago	6m ago	1y ago
Existing home sales	31-May-26	3.2	1.1	0.8	2.7	(0.5)	0.5
New home sales	31-Mar-26	3.4	3.0	11.3	(4.5)	2.3	2.3
Pending home sales	30-Apr-26	1.4	1.0	1.7	(1.0)	1.6	(2.7)
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	1,413.0	1,418.0	1,423.0	1,540.0	1,414.0	1,416.0
NAHB homebuilder confidence	31-May-26	37.0	34.0	34.0	37.0	38.0	34.0
MBA mortgage applications	5-Jun-26	10.8		(2.5)	3.2	9.4	12.5
FRM 30y	5-Jun-26	6.6		6.6	6.2	4.5	6.9
FRM 15y	5-Jun-26	6.0		5.9	5.5	3.5	6.2
ARM 5y	5-Jun-26	6.0		5.8	5.3	3.1	6.2

Source: Bloomberg, Axis Bank Research

Exhibit 84: 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	48.9	46.0	44.8	53.3	52.9	60.7
Current conditions	30-Jun-26	48.4	46.1	45.8	55.8	50.4	64.8
Expectations	30-Jun-26	49.3	44.9	44.1	51.7	54.6	58.1
Conference board consumer confidence	31-May-26	93.1	92.0	93.8	91.0	92.9	98.4
NFIB small business optimism	31-May-26	95.3	96.0	95.9	98.8	99.0	98.8
Conference board LEI	30-Apr-26	0.1		(0.6)	0.0	(0.2)	(1.3)

Source: Bloomberg, Axis Bank Research

Exhibit 85: US inflation prints – Some indications of slack demand in core prints

Inflation	Period	Reading	Expected	Previous	3m ago	6m ago	1y ago
CPI inflation YoY	31-May-26	4.2	4.2	3.8	2.4	2.7	2.4
ex food and energy	31-May-26	2.9	2.9	2.8	2.5	2.6	2.8
PPI inflation YoY	31-May-26	6.5	6.4	5.7	3.4	3.1	2.7
ex food and energy	31-May-26	4.9	5.4	4.9	3.9	3.2	3.2
ISM manufacturing prices	31-May-26	82.1	85.0	84.6	70.5	58.5	69.4
ISM non-manufacturing prices	31-May-26	71.3	72.3	70.7	63.0	65.9	67.8
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 deflator YoY	30-Apr-26	3.8	3.8	3.5	2.9	2.7	2.3
ex food and energy	30-Apr-26	3.3	3.3	3.2	3.1	2.8	2.6
University of Michigan inflation exp 1y	31-May-26	4.8	4.6	4.7	3.4	4.5	6.6
University of Michigan inflation exp 5-10y	31-May-26	3.9	3.4	3.5	3.3	3.4	4.2
GDP deflator YoY	31-Mar-26	3.3		3.3	3.3	3.0	2.6
US 5y5y breakeven yield	17-Jun-26	2.2		2.2	2.1	2.3	2.3

Source: Bloomberg, Axis Bank Research

Exhibit 86: Eurozone activity prints – Conditions are not strong...

Activity	Period	Reading	Expected	Previous	6m ago	1y ago
Retail sales, MoM sa	30-Apr-26	(0.4)	(0.3)	0.8	0.3	0.5
Non food	30-Apr-26	0.3		(0.2)	0.5	0.7
Industrial production MoM swda Eurozone	30-Apr-26	0.1	0.1	0.4	0.3	(3.6)
Mining	30-Apr-26	(3.9)		4.8	1.6	(0.8)
Manufacturing	30-Apr-26	0.2		0.5	0.1	(3.5)
Electricity	30-Apr-26	(1.0)		(2.5)	1.7	(2.6)
Industrial production MoM swda Germany	30-Apr-26	0.4	0.4	(0.1)	0.4	(2.5)
Capital goods	30-Apr-26	(1.5)		(1.1)	(0.1)	(3.3)
Intermediate goods	30-Apr-26	1.4		0.5	0.4	(2.1)
Consumer durables	30-Apr-26	0.5		2.6	2.3	(1.3)
Consumer non durables	30-Apr-26	2.2		(2.1)	0.0	(5.2)
Germany industrial orders MoM swda	30-Apr-26	(3.8)	(2.0)	4.5	1.3	0.7
Capital goods	30-Apr-26	(2.9)		1.6	4.9	3.7
Domestic	30-Apr-26	(2.7)		0.9	17.1	11.4
Exports Eurozone	30-Apr-26	(17.5)		11.1	7.6	2.3
Exports ex Eurozone	30-Apr-26	6.3		(3.0)	(6.1)	(1.8)
Intermediate goods	30-Apr-26	(4.4)		8.7	(3.1)	(3.3)
Domestic	30-Apr-26	(4.1)		5.4	(1.6)	(4.8)
Exports Eurozone	30-Apr-26	3.1		4.8	(1.9)	(3.8)
Exports ex Eurozone	30-Apr-26	(10.9)		17.9	(6.7)	(0.1)
Consumer goods	30-Apr-26	(6.7)		7.1	(4.5)	(3.3)
Domestic	30-Apr-26	2.4		(11.6)	(6.6)	1.8
Exports Eurozone	30-Apr-26	(19.1)		27.7	(4.5)	11.5
Exports ex Eurozone	30-Apr-26	(3.2)		12.4	(2.3)	(17.4)
Composite PMI	31-May-26	48.5	47.5	48.8	52.8	50.2
Manufacturing PMI	31-May-26	51.6	51.4	52.2	49.6	49.4
Germany	31-May-26	50.1	49.9	51.4	48.2	48.3
France	31-May-26	49.7	48.9	52.8	47.8	49.8
Services PMI	31-May-26	47.7	46.4	47.6	53.6	49.7
Germany	31-May-26	48.1	47.8	46.9	53.1	47.1
France	31-May-26	44.3	42.9	46.5	51.4	48.9
EC Survey						
Industry						
Past production	31-May-26	(1.6)		1.8	(2.2)	(1.4)
Expected production	31-May-26	2.4		3.4	5.9	2.6
Order book	31-May-26	(18.0)		(19.2)	(24.4)	(24.4)
Services						
Past demand	31-May-26	2.6		3.2	6.0	1.9
Expected demand	31-May-26	4.9		3.4	10.1	7.1
Retail						
Past activity	31-May-26	(6.4)		(5.2)	(0.1)	(1.8)
Expected activity	31-May-26	(10.9)		(10.9)	(2.5)	(4.9)
Construction						
Past activity	31-May-26	(2.5)		(2.0)	(1.6)	(3.0)
Order book	31-May-26	(12.5)		(11.1)	(11.2)	(10.5)

Source: Bloomberg, Axis Bank Research

Exhibit 87: Eurozone labour prints – Slower wage inflation

Labour	Period	Reading	Expected	Previous	6m ago	1y ago
Unemployment rate	30-Apr-26	6.3	6.2	6.3	6.3	6.3
Employment costs YoY	31-Mar-26	3.2		3.4	3.5	3.5
Consumer confidence unemployment expectatic	31-May-26	33.2		30.9	23.5	27.3
Industry survey employment expectations	31-May-26	(5.3)		(6.1)	(4.9)	(3.7)
Services survey employment expectations	31-May-26	33.2		30.9	23.5	27.3
Retail survey employment expectations	31-May-26	(3.8)		(5.1)	(1.4)	(2.2)
Construction survey employment expectations	31-May-26	5.3		5.5	8.8	4.7

Source: Bloomberg, Axis Bank Research

Exhibit 88: Eurozone sentiment prints – limited improvement on West Asia resolution

Sentiment	Period	Reading	Expected	Previous	6m ago	1y ago
Business climate indicator	31-May-26	(0.3)		(0.3)	(0.6)	(0.6)
Economic Sentiment	31-May-26	93.5	93.0	93.2	97.3	95.7
Manufacturing confidence	31-May-26	(8.0)	(8.0)	(7.7)	(9.0)	(9.9)
Services confidence	31-May-26	2.2	0.3	1.4	5.4	2.9
Consumer confidence	31-May-26	(19.0)	(20.6)	(20.6)	(12.9)	(13.6)
Retail confidence	31-May-26	(10.9)		(10.0)	(5.7)	(6.5)
Construction confidence	31-May-26	(3.6)		(2.8)	(1.2)	(2.9)
Sentix investor confidence	30-Jun-26	(13.4)	(14.0)	(16.4)	(6.2)	0.2
Current situation	30-Jun-26	(20.0)		(21.5)	(16.5)	(13.0)
Expectations	30-Jun-26	(6.5)		(11.3)	4.8	14.3
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	30-Jun-26	(29.8)	(34.0)	(33.1)	(23.4)	(20.0)
Germany Ifo business climate	31-May-26	84.9	84.2	84.5	87.9	87.4
Current situation	31-May-26	86.1	85.1	85.4	85.5	86.1
Expectations	31-May-26	83.8	83.5	83.5	90.4	88.7

Source: Bloomberg, Axis Bank Research

Exhibit 89: Eurozone inflation prints – Services also reflect limited momentum

Inflation	Period	Reading	Expected	Previous	6m ago	1y ago
CPI inflation MoM sa	31-May-26	0.1	0.1	1.0	(0.3)	0.0
ex energy, food, alcohol, tobacco	31-May-26	0.3		0.9	(0.5)	0.0
Services inflation	31-May-26	0.4		1.1	(0.8)	(0.1)
Germany	31-May-26	(0.2)	(0.2)	0.6	(0.2)	0.1
ex energy, food	31-May-26	0.3		0.3	(0.4)	0.2
Services ex rent	31-May-26	0.5		0.5	(1.0)	0.1
France	31-May-26	1.0		0.6	0.1	0.0
Italy	31-May-26	0.4	0.4	1.1	(0.2)	(0.1)
Spain	31-May-26	0.1	0.1	0.4	0.2	0.1
PPI inflation MoM sa	30-Apr-26	0.6	0.6	3.4	0.1	(2.2)
ex construction & energy	30-Apr-26	0.9		0.4	0.0	0.1
Energy	30-Apr-26	(0.4)		11.0	0.2	(7.7)
Import inflation MoM sa	30-Apr-26	2.7		3.8	(0.2)	(1.7)
Expected industry selling prices	31-May-26	(8.0)	(8.0)	(7.7)	(9.0)	(9.9)
Expected services selling prices	31-May-26	16.2		17.3	13.8	13.4
Expected retail selling prices	31-May-26	27.4		28.0	18.6	14.6
Expected construction selling prices	31-May-26	17.3		19.3	8.0	3.0
Consumer confidence past price evolution	31-May-26	57.4		56.5	48.0	49.9
Consumer confidence future price evolution	31-May-26	40.5		48.8	24.5	24.5
Germany 5y5y inflation breakeven	17-Jun-26	2.0		2.0	2.0	2.1

Source: Bloomberg, Axis Bank Research

Exhibit 90: Japan activity prints – Real incomes, production are mixed

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	30-Apr-26	0.5	(0.6)	(0.4)	4.3	0.6	(0.9)
Machinery orders MoM sa	30-Apr-26	3.4		4.3	(2.0)	(5.0)	(1.3)
Private sector ex volatile items	30-Apr-26	8.7	0.5	(9.4)	(5.5)	5.8	(7.3)
Manufacturing PMI	31-May-26	54.5		55.1	53.0	48.7	49.4
Services PMI	31-May-26	50.0		51.0	53.8	53.2	51.0
Retail Sales MoM sa	30-Apr-26	2.1	0.4	1.0	3.0	0.7	0.6
Wholesale sales MoM sa	30-Apr-26	4.1		(0.9)	4.3	2.6	(0.3)
Disposable personal income nominal	31-Dec-25	132.3		132.3	132.3	132.0	131.0
Real	31-Dec-25	115.1		115.5	115.5	115.8	117.0
Consumer spending nominal	30-Apr-26	127.5		125.5	126.1	124.1	122.7
Real	30-Apr-26	98.1		96.6	96.5	95.8	98.9

Source: Bloomberg, Axis Bank Research

Exhibit 91: Japan labour prints – Earnings recovery appears to have slowed in real terms

Labour	Period	Reading	Expected	Previous	3m ago	6m ago	1y ago
Unemployment rate	30-Apr-26	2.5	2.7	2.7	2.7	2.6	2.5
Jobs/applicants ratio	30-Apr-26	1.2	1.2	1.2	1.2	1.2	1.3
New jobs/applicants ratio	30-Apr-26	2.1		2.2	2.1	2.1	2.3
Labour force participation rate	30-Apr-26	64.4		63.6	63.5	64.2	63.7
Wages YoY	30-Apr-26	3.5	3.1	3.1	2.5	2.5	2.0
Contractual cash earnings	30-Apr-26	3.4		3.3	2.9	2.5	2.1
Non-scheduled cash earnings	30-Apr-26	4.2		3.1	3.2	2.1	1.3
Special cash earnings	30-Apr-26	7.4		(0.7)	(8.6)	6.4	0.1
Labour productivity	31-Mar-26	1.0		1.0	1.0	1.0	1.0

Source: Bloomberg, Axis Bank Research

Exhibit 92: Japan sentiment prints – Dated

Sentiment	Period	Reading	Expected	Previous	3m ago	6m ago	1y ago
Tankan							
Actual	31-Mar-26	18.0		18.0	18.0	15.0	15.0
Forecast	31-Mar-26	11.0		11.0	11.0	10.0	10.0
Consumer confidence present	31-Mar-26	(45.5)		(50.4)	(50.4)	(58.7)	(59.8)

Source: Bloomberg, Axis Bank Research

Exhibit 93: Japan inflation prints – Suppressed by government subsidies

Inflation	Period	Reading	Expected	Previous	3m ago	6m ago	1y ago
CPI inflation YoY	30-Apr-26	1.4	1.6	1.5	1.5	3.0	3.6
ex fresh food	30-Apr-26	1.4	1.7	1.8	2.0	3.0	3.5
ex food & energy	30-Apr-26	1.1		1.4	1.3	1.6	1.6
Corporate goods prices	30-Apr-26	5.3	3.0	2.8	2.4	2.7	3.9
Corporate services prices	30-Apr-26	3.0	3.3	3.3	2.7	2.7	3.1
Import price index YoY	31-May-26	25.5		21.0	2.7	(1.6)	(10.3)
Export price index YoY	31-May-26	20.6		19.1	9.4	9.4	(6.6)
GDP deflator QoQ sa	31-Mar-26	0.2			0.7	4.5	0.4

Source: Bloomberg, Axis Bank Research

Exhibit 94: China activity prints – Some recovery after new year holidays

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	31-Mar-26	3.8		4.2	4.2	4.0	3.5
Secondary	31-Mar-26	4.9		3.4	3.4	4.2	5.9
Tertiary	31-Mar-26	5.2		5.2	5.2	5.4	5.3
Industrial production YTD YoY	31-May-26	5.4	5.3	5.6	6.3	6.0	6.3
Electricity production YTD YoY	30-Apr-26	5.4		5.2	#N/A	5.1	3.1
Fixed assets investment ex rural YTD YoY	31-May-26	(4.1)	(2.3)	(1.6)	1.8	(2.6)	3.7
Freight traffic	30-Apr-26	4,976.0		4,888.0	#N/A	5,035.0	5,033.0
Old economy index	28-Feb-26	3.2		1.0	1.3	1.8	(1.3)
New economy index	28-Feb-26	8.8		8.7	7.8	6.2	7.0
Li Ke Qiang index	30-Apr-26	4.5		4.2	#N/A	6.3	4.9
Ratingdog manufacturing PMI	31-May-26	51.8	51.3	52.2	52.1	49.9	48.3
Ratingdog services PMI	31-May-26	54.4	52.3	52.6	56.7	52.1	51.1
NBS Manufacturing PMI	31-May-26	50.0	50.0	50.3	49.0	49.2	49.5
NBS nonmanufacturing PMI	31-May-26	50.1	49.5	49.4	49.5	49.5	50.3
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	31-May-26	(12.3)		(12.1)	(11.7)	(9.6)	(9.2)
Retail Sales YoY	31-May-26	(0.6)	(0.2)	0.2	#N/A	1.3	6.4
Industrial profits YTD YoY	30-Apr-26	24.7		15.8	#N/A	(5.5)	3.0
State owned and state shareholding	30-Apr-26	17.1		10.1	#N/A	0.0	(4.4)
Private sector	30-Apr-26	23.7		25.4	#N/A	1.9	4.3
New Yuan loans (CNY bn)	31-May-26	519.3		(11.5)	900.1	394.0	622.5
Credit/GDP ratio	31-Dec-25	200.8		201.4	201.4	201.8	197.9

Source: Bloomberg, Axis Bank Research

Exhibit 95: China housing prints – Continued contraction ties up savings, caps consumption growth

Housing	Period	Reading	Expected	Previous	3m ago	6m ago	1y ago
China house price index 70 city	31-May-26	(3.6)		(3.7)	(3.5)	(2.8)	(4.1)
First tier	31-May-26	(1.7)		(2.1)	(2.2)	(1.3)	(1.7)
Second tier	31-May-26	(3.3)		(3.4)	(3.1)	(2.2)	(3.4)
Third tier	31-May-26	(4.2)		(4.1)	(4.0)	(3.5)	(5.0)
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 96: China inflation prints – Recovery on war effects

Inflation	Period	Reading	Expected	Previous	3m ago	6m ago	1y ago
CPI inflation YoY	31-May-26	1.2	1.3	1.2	1.3	0.7	(0.1)
ex food and energy	31-May-26	1.1	1.2	1.2	1.8	1.2	0.6
Services	31-May-26	0.8		0.9	1.6	0.7	0.5
PPI output inflation YoY	31-May-26	3.9	3.9	2.8	(0.9)	(2.2)	(3.3)
Input prices	31-May-26	5.8		3.5	(0.7)	(2.5)	(3.6)

Source: Bloomberg, Axis Bank Research

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