



## India Largely Manages West Asia War Winds, Strait of Economy Remains Resilient

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March GST collections exceed 2 lakh crore with a YoY growth of 8.8%. Passenger vehicle sales increased by 16.3%, and UPI transactions surpassed 22 billion. With GDP expected to grow by 7.6% in FY2026 and exports likely to remain stable, strong government support has effectively managed the West Asia war crisis. Looking ahead, India is projected to stay above 7% in the next financial year, FY2027, supported by strong macroeconomic fundamentals.

The effective and meaningful reforms undertaken by the government have strengthened the resilience of the Indian economy. The post-COVID years witnessed an uncertain global economic environment characterised by rising geopolitical tensions and tariff winds. However, India's growth momentum has not slowed; instead, it has made India's growth trajectory more resilient to global shocks. The last five financial years, from FY 2022 to FY 2026, have seen robust growth, increased resilience, and greater participation in the global economy.

### India's growth momentum so far

Year	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27*
GDP	9.7%	7.6%	7.2%	7.1%	7.6%	>7%

Source: Compiled from MOSPI  
Data for FY 2022 and FY 2023 are based on the old series (2011-12).  
\*ASSOCHAM Projections

India's economy has shown remarkable resilience despite ongoing geopolitical tensions from the Gulf War. Recent high-frequency indicators, such as GST collections, UPI transactions, passenger vehicle sales, and rail freight for March 2026, highlight strong domestic economic activity, indicating that the Indian economy continues to maintain momentum even amid global disruptions.

One of the most notable indicators of economic strength has been the strong growth in Goods and Services Tax (GST) collections. Gross GST revenues reached about ₹2 lakh crore in March 2026, showing an 8.8% increase compared to the previous year. This is one of the highest monthly collections, highlighting strong demand for consumption and better compliance. Consistent GST performance is often seen as a measure of economic activity, and these figures indicate that domestic demand remains stable and supports growth.

The automobile sector has also experienced impressive growth, further strengthening economic resilience. Domestic passenger vehicle sales increased by 16.3% in March. Over the course of a year, car sales rose by 8.3% to reach 4.7 million units in FY26. This growth indicates strong consumer confidence, accessible financing, and consistent demand across urban and semi-urban markets. Notably, it also shows that supply chains and production have mainly remained unaffected by the conflict in West Asia so far.

## Economic resilience so far

Sr. No.	Indicators	Performance/ Expectation
1	GST Collections (March 2026)	Rs. 2 lakh crore (8.8% YoY)
2	Passenger Vehicles growth (March 2026)	16.3%
3	UPI Transactions (March 2026)	22.6 billion (23.5% YoY)
4	Power Consumption (March 2026)	1.8%
5	Rail Freight (March 2026)	3.4%
6	Exports Growth (February 2026)	11%
7	IIP Growth (February 2026)	5.2%
8	Core Infra (February 2026)	2.3%
9	Inflation CPI (February 2026)	3.2%
10	Inflation WPI (February 2026)	2.1%

Source: Compiled from various sources

Since GST collections and passenger vehicle growth are two key indicators of the economy's strength, the first reflects supply-side economics, while the second shows demand trends. Both performed very well in March despite significant challenges from West Asia. This not only supports GDP growth but also shows India's resilience and strength built over the years through bold economic reforms and efforts by the trade and industry sectors.

Digital payments continue to be crucial in India's economic transformation. Unified Payments Interface (UPI) transactions reached 22.6 billion in March 2026, reflecting a 23.5% year-on-year growth. This consistent increase demonstrates the quick adoption of digital financial systems and greater formalisation of the economy. The growth in digital transactions not only improves transparency but also encourages consumption by allowing seamless payments across various sectors.

Other economic indicators further strengthen the positive outlook, including power consumption, which increased by 1.8% to 149.56 billion units, and railway freight loading, which rose by 3.4% to 166.2 million tonnes. These indicators, often linked to industrial activity and logistics demand, suggest that key sectors of the economy remain stable despite external challenges.

On the external front, India's export trajectory remains steady, growing by around 5-6% from April to February 2025-26, reaching over USD 790 billion, up from USD 748 billion in the same period last year. Although trade winds caused disruptions throughout the year, the resilience of the supply chain mitigated the impact, and no significant change has been observed in the direction or composition of India's trade with its top ten export destinations and import sources. Looking ahead, as India has numerous diversification opportunities across advanced, emerging, and developing economies, the export trajectory is expected to remain steady in the current financial year, FY2027.

Retail inflation remains moderate, and domestic consumption hits a multi-year high. There has been no significant impact on retail inflation so far, though the March figures are awaited. As energy supply remains stable and petrol and diesel prices stay unchanged, retail inflation is still expected to stay within the RBI's comfort zone. However, at this critical juncture, strict oversight of supply chains is vital to prevent hoarding of petrol, diesel, and LPG. The ongoing conflict in West Asia could raise input costs, mainly due to fluctuations in energy prices. Such developments might ultimately influence inflation, production costs, and supply chains if the conflict continues or worsens.

## Global economy at a crossroads

The conflict in West Asia will significantly impact the global economy. World GDP could decrease sharply due to major disruptions in energy supply chains. The Middle East is a key provider of crude oil, LNG, petrochemicals, fertilisers, and aluminium, affecting industries such as energy, automotive, construction, electronics, and agriculture. Since the Strait of Hormuz transports 20% of the world's oil and a large share of global LNG trade, this has caused a surge in international oil and gas prices and increased transportation and production costs across various sectors. As energy is a crucial input for manufacturing, logistics, aviation, and shipping, higher fuel prices will raise business costs and disrupt global supply chains.

Disruptions to maritime routes in the Gulf have led to delays in container shipments and raw material deliveries to Asia, Europe, and North America. Airlines reroute flights to avoid conflict zones, raising air cargo costs and transit times for high-value goods like electronics and pharmaceuticals. International tourism is significantly impacted, accounting for about 11% of global GDP, which will affect worldwide growth. Overall, a prolonged US–Iran war could result in higher logistics costs, fluctuating commodity prices, and widespread disruptions to global supply chains, potentially slowing global trade and economic development.

In conclusion, India's economy appears to remain resilient against global uncertainties, supported by strong domestic demand, increased digital adoption, and steady industrial activity. Although challenges still exist, especially from external shocks, the current trend suggests that India is better positioned than many other economies to withstand global disruptions and sustain its growth trajectory.

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