

India's growth engine. About to sputter?

And it is the RBI's own numbers saying so.

Growth downgrades across the board.

Silent layoffs are spreading through India's IT sector. The pain from the **oil shock** is still playing out, with **inflation at a 13-year high**.

And **foreign money is leaving**, with top bankers turning cautious.

6%

FY27 growth.. the low-end call (Moody's)

90%

monsoon (El Niño).. driest in 11 years

500K

IT jobs at risk.. from the **silent layoffs**

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Amar Harolikar · Decision Sciences & Applied AI

The story in one page

India was already slowing. Then oil, then the rain forecast, then foreign money leaving. Here is the picture.

GROWTH Growth downgrades across the board.. Moody's cuts FY27 to **~6%**, and the monsoon isn't priced in.

OIL The **oil shock** is already hitting consumers.. and likely will for many more months.

MONSOON An **El Niño monsoon** at 90% of normal.. potentially **~50 bps** off growth.

FOREIGN MONEY Portfolio money turned net seller, **-\$16.5B exit**.. sentiment remains weak into 2027.

EXPORTS Exports flat while imports rise.. a **record trade deficit**.

AI / IT **Silent layoffs** hit the IT sector.. up to **500,000** jobs at risk.

**Any one is manageable.
The concern is all of them at once.**

Everyone is trimming at once

Not a sovereign rating cut. Almost every forecaster has trimmed India's growth in weeks.

FY26 (just ended) → FY27 (RBI projection)
7.6% → **6.9%**

RBI's own projection.. and it already assumes a normal monsoon.

RBI **7.6% → 6.9%** for FY27, on the West Asia conflict. CPI near-doubles, **2.1% → 4.6%**.

Moody's **FY27 to 6.0%**, from 6.8%.. on the West Asia conflict, weaker consumption and higher energy costs.

ICRA **FY27 to 6.2%**, from 6.5%.. same trigger, costlier crude from the West Asia crisis.

S&P Global **FY27 to 6.6%**, from 7.1%.. and sees inflation **more than double to 5.1%**, on the "largest energy shock on record."

My read: the cuts are across the board.. and not one of them includes the IMD's monsoon downgrade yet.

The monsoon: the part nobody priced in

Every downgrade above assumes normal rain. The forecast has since broken.

El Niño

the driver.. IMD expects it to **dominate Jun–Sep 2026**

60%

chance rainfall comes in **below 90%** of the long-period average

90%

IMD's central projection.. the **driest in 11 years**

- The transmission, per an **HDFC report** (via ET): every **1 ppt** the monsoon runs below normal lowers crop GVA growth by about **0.4 ppt**. El Niño years typically come in **8–10% below**.
- More recently: 2023's monsoon came in at **92% of normal** and still tipped over a third of the country into drought.

My read: run HDFC's number through. A ~10% shortfall (this year's 90% of LPA) is roughly **4% off crop output**.. and on agriculture's ~15% share of GDP, that works out to about **50 bps off growth**. That's a significant hit.

Sources: [Hindu BusinessLine, IMD 90% of LPA \[08\]](#) · [Times of India, IMD downgrade \[09\]](#) · [Economic Times, El Niño & HDFC \[18\]](#)

The oil shock, and who pays for it

Someone has to pay for the higher costs, and they hit the economy and households. Even if the war ends, supply chains take months to reset.

- **The freeze broke.** After roughly two months holding the line, the oil marketers raised pump prices **four times in ten days** (15–25 May).. the **first hike since 2022**, and nationwide. Petrol is up **~Rs 7.4/litre to ~Rs 102** in Delhi; diesel up **~Rs 7.5**.
- **The loss is already booked.** Holding prices cost the marketers **~Rs 30,000 crore a month**. The hikes claw back only part of it.
- **Oil is not done moving.** Brent spiked to **~\$138** in early April, then swung back to **~\$100** (WTI **~\$98**).. volatile, and a headline away from either direction.

My read: someone always pays for an oil shock, and in the end it is the consumer.. at the pump now, through inflation if money is printed, or via a wider deficit later. The channel and the timing change. The bill does not.

Inflation is building at the factory gate

Wholesale prices have climbed for months. Retail has not caught up.. yet.

INDIA WHOLESALE PRICE INDEX · YoY % · MoSPI (base 2011-12) · via Tigzig Tremor



- **WPI has turned up hard.** April's **+8.3%** is the **highest in 13 years**, bar the post-Covid spike.. and it has now climbed six straight months from **~-1%** last autumn. Producer prices usually lead retail by a couple of quarters.
- RBI's own forecast has **CPI more than doubling, 2.1% (FY26) → 4.6% (FY27)**.. before any monsoon hit to food.

My read: the factory gate is where it starts. The crude spike has pushed wholesale prices up, and a deficient monsoon would add a second push through food. Retail follows with a lag.. no surprise the RBI is already forecasting a doubling of CPI.

Sources: [MoSPI WPI series, via Tigzig Tremor \[02\]](#) · [RBI Annual Report 2025-26, CPI projection \[01\]](#)

The people who would know are warning

When the bankers turn cautious, pay attention. They sit on the cash flows.

Uday Kotak · CII Summit, 12 May 2026

"We haven't seen the impact of the war in two months, but now it's coming, and it's coming big. We need to get ready for tough times rather than waiting for the shock to hit us... We should prepare for paranoia before the event."

- It echoes the mood at the top: the Prime Minister has publicly urged citizens to cut fuel use, work from home and trim non-essential imports.. austerity signalling that itself tells you something.

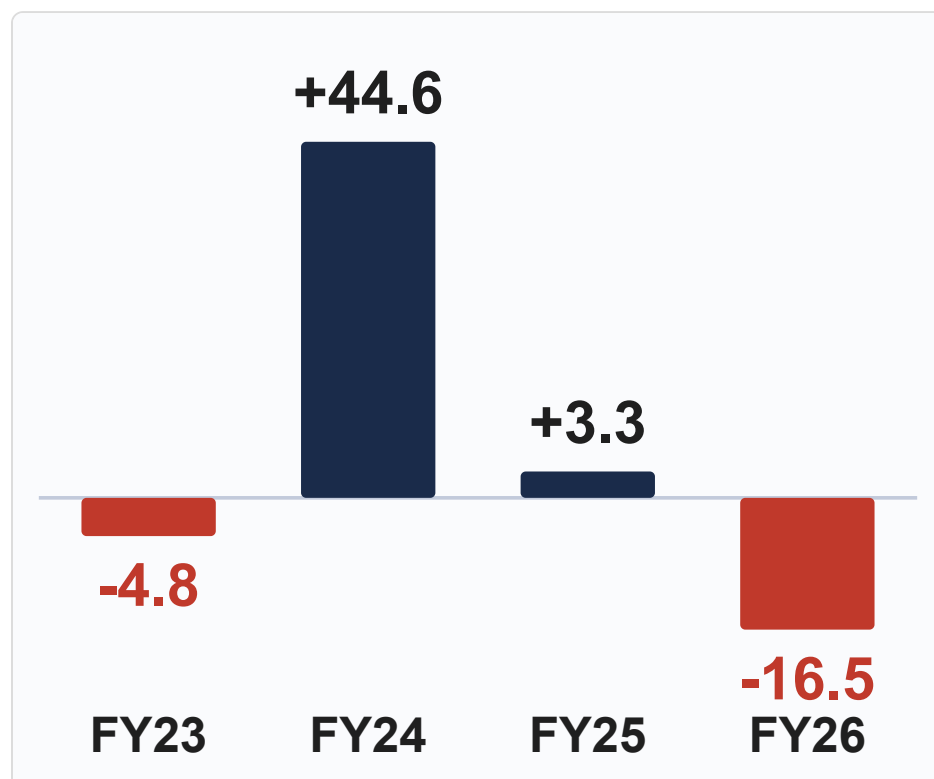
My read: the banks are the arteries.. when the people running them start using words like "paranoia," that is a signal worth more than any single data print.

Sources: [Business Today, Uday Kotak at CII \[14\]](#) · [Business Today, S&P & PM austerity appeal \[07\]](#)

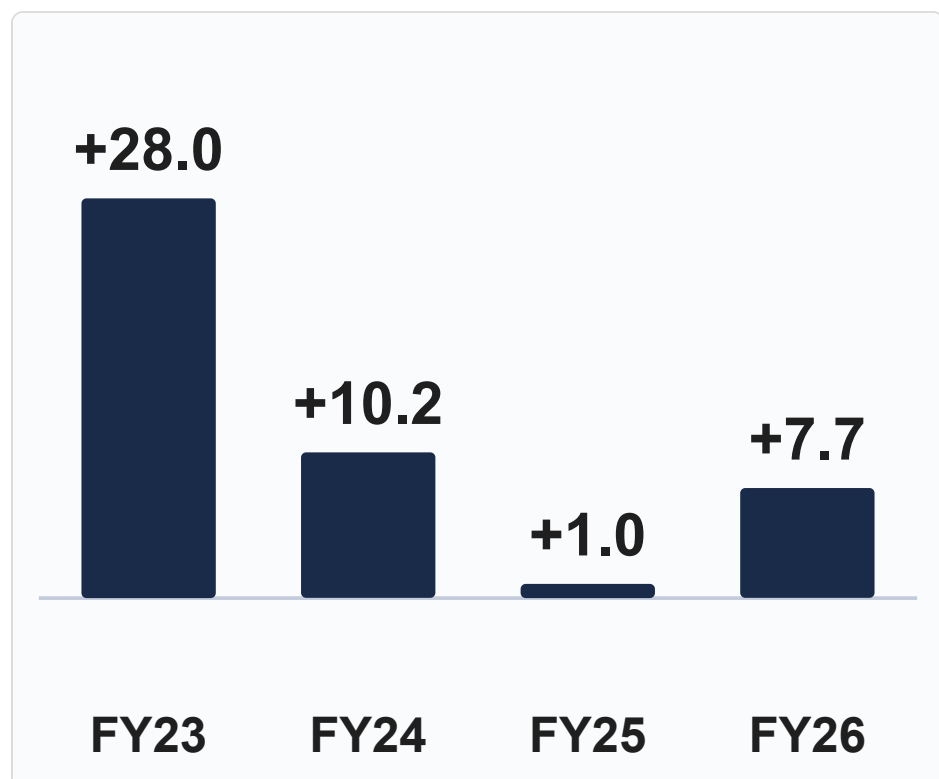
Foreign money is heading out

Sentiment has turned.. India is no longer the market's darling, and portfolio investors are net sellers.

Portfolio (FPI) · the swing



Direct (FDI) · the anchor



Big inflows in FY24.. a **net exit by FY26**.

Never turned negative.. the anchor held.

US\$ bn, net · RBI Annual Report 2025-26, Table II.7.2

Amish Shah · BofA Global Research · 22 May 2026

*"India is facing earnings downgrades, while other AI-driven markets are seeing upgrades." Global investors are unlikely to return **"before 2027, or perhaps even 2028."***

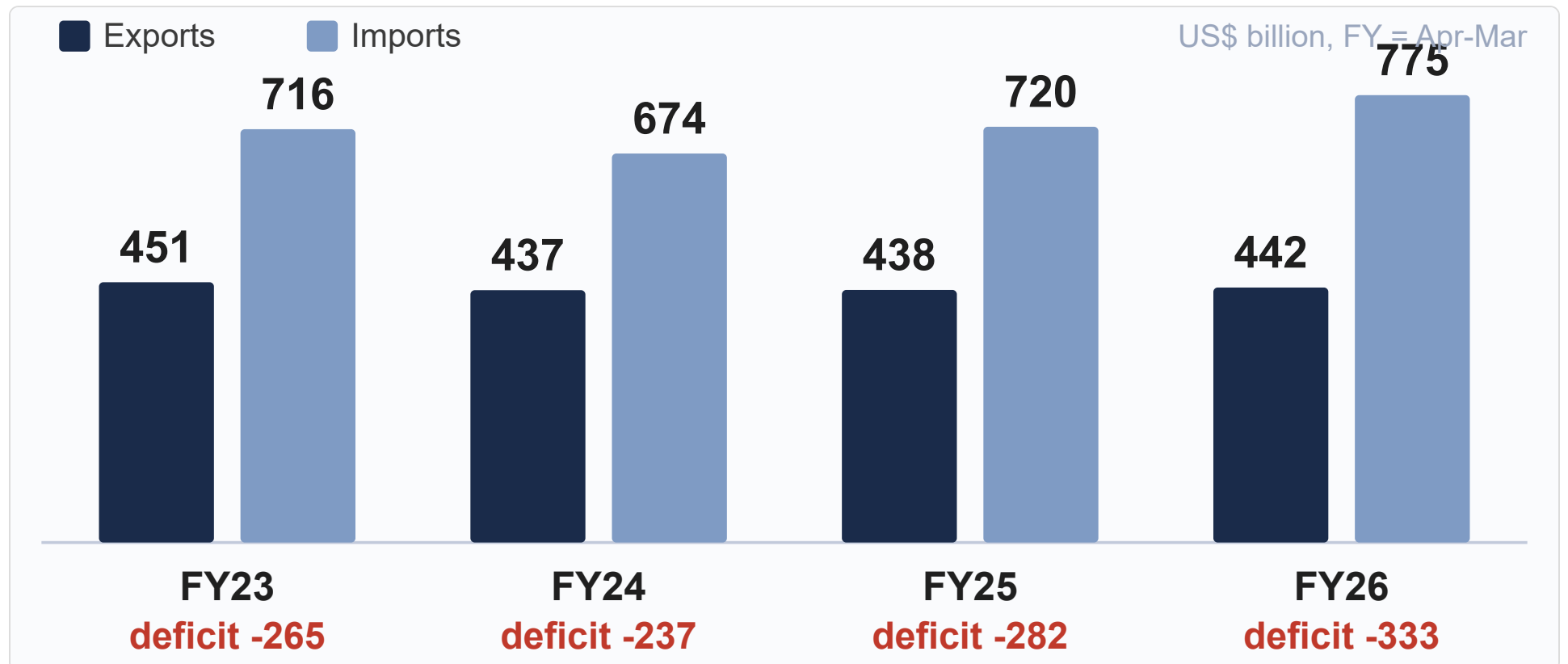
My read: this is a **re-routing of global capital**. The money is chasing chips.. Korea, Taiwan, Japan, the US. India's old pull, the IT-outsourcing/BPO shine, has dimmed. The silver lining is the **data-centre build-out**.. construction and telecom, the Bharti / Reliance / Adani names.. but that story is still early.

Sources: [RBI Annual Report 2025-26, capital flows \[01\]](#) · [Business Standard, BofA selloff to 2027 \[16\]](#) · [Trade balance / rupee, Tigzig Tremor \[03\]](#)

Exports stalled, a record deficit

Flat exports, a heavier import bill, and the trade map being redrawn.

INDIA MERCHANDISE TRADE · US\$ BN · RBI Annual Report 2025-26, Table II.7.1



- Exports basically **flat** (+0.9%, ~\$442B); imports up **+7.6%** (~\$775B) on a heavier oil and gold bill. The deficit hit a record **-\$333B**.
- **Q4 — the worst quarter..** exports **-2.8%**, imports **+11.9%**.
- A major **trade reconfiguration..** **China has overtaken the US** as India's largest trading partner in FY26.

My read: the external account is the soft underbelly. We are buying more (and more of it from China) while selling no more.. and the door to the US is narrowing. The oil bill only makes it heavier.

Sources: [RBI Annual Report 2025-26, Table II.7.1 & ¶II.7.7 \[01\]](#) · [Trade balance, Tigzig Tremor \[03\]](#)

AI comes for the IT engine

The \$283B sector, 7%+ of GDP, meets AI. Structural, not cyclical.

~12,000

cut at TCS by Mar 2026 (FY26).. its largest ever

~50,000

IT jobs going **this year**, via "silent layoffs"

~500,000

at risk over **2-3 years**, per analyst estimates

- **India's version is the "silent layoff."** No US-style mass announcements.. people are quietly put on PIPs, benched, or told there is "no role." HFS Research: **"tens of thousands quietly phased out"** this year.
- **The model is being questioned.** The offshore story ran on armies of engineers coding, testing, supporting. AI now does much of it cheaper.. so clients ask why they need the headcount.
- **The mid-career layer is most exposed.** One estimate puts **~70%** of cuts on staff with **4–12 years'** experience.. the cars-to-homes multiplier cuts both ways.

My read: I have tracked this sector for 25 years, through many cycles. What is different now is that it looks **structural, not cyclical**.. AI is not a downturn that reverses. It is the severity, breadth and direction together that set this one apart.

Sources: [Times of India, silent layoffs / 50k \[22\]](#) · [BW People, the silent layoff \[20\]](#) · [Deccan Herald, TCS / 500k at risk \[17\]](#)
· [Reuters, job-engine strains \[11\]](#)

Headwinds were there. Then it all arrived at once.

The way the shocks have lined up is a huge red flag.. an oil shock from a war, foreign money leaving, AI questioning the IT model, and now a monsoon the official numbers never counted.

*India rarely contracts.. no full year of negative growth in over four decades, COVID aside. Here, a slide **below 4-5% GDP growth** is what a recession feels like.*

The engine is taking on more load than the official dashboards admit.

And the rain has not even come in yet.

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Find the bracketed reference label as it appears on each slide, e.g. [01], to match its full citation below. All citations are clickable.

REF	CITATION
TIGZIG · TOOLS & ANALYSIS · the work behind this deck	
Analysis	Fundamentals, Macros & Markets · tigzig.com/analysis
[02] WPI series	India Wholesale Price Index, YoY, monthly · tremor.tigzig.com
[03] Trade balance	India monthly trade balance series · tremor.tigzig.com
[04] Brent / WTI	Brent & WTI crude spot, daily · tremor.tigzig.com
GROWTH & FORECASTS	
[01] RBI, May 29	Reserve Bank of India · Annual Report 2025-26
[05] Business Standard	Moody's slashes India growth forecast to 6%
[15] The Hindu	Moody's cuts India's FY27 GDP growth estimate to 6% amid West Asia conflict
[13] Economic Times	ICRA lowers India's FY27 GDP growth estimate to 6.2% (from 6.5%)
[06] Outlook Business	Growth forecast downgrades · Moody's, Goldman, EY scenarios
[23] S&P Global	A test of India's macroeconomic resilience · FY27 cut to 6.6% (from 7.1%), inflation to 5.1% · Joshi & Deshpande
[07] Business Today	S&P (sovereign desk, mid-May): Indian economy sound, has enough buffers

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Continued. All citations are clickable and open in a new tab.

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[08] Hindu BusinessLine	India faces driest period in 11 years · IMD projects monsoon at 90% of LPA
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[19] Business Standard	Petrol/diesel raised for the fourth time in <2 weeks · +Rs 7.4/l, Delhi petrol Rs 102
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[14] Business Today	Uday Kotak warning at CII Summit · "it's coming, and it's coming big"
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[16] Business Standard	Foreign selloff in Indian equities likely to extend into 2027 · BofA (Amish Shah)
[11] Reuters	India's job engine strains · TCS layoffs, \$283bn outsourcing sector
[17] Deccan Herald	Adapt or perish · TCS layoffs mark start of AI reckoning for India's IT
[22] Times of India	Indian IT hit by "silent layoffs" · 50,000 may lose jobs this year
[20] BW People	The dignity deficit at the heart of India's layoff crisis