GOVERNMENT OF ANDHRA PRADESH

MONTHLY ECONOMIC REPORT

JULY 2026

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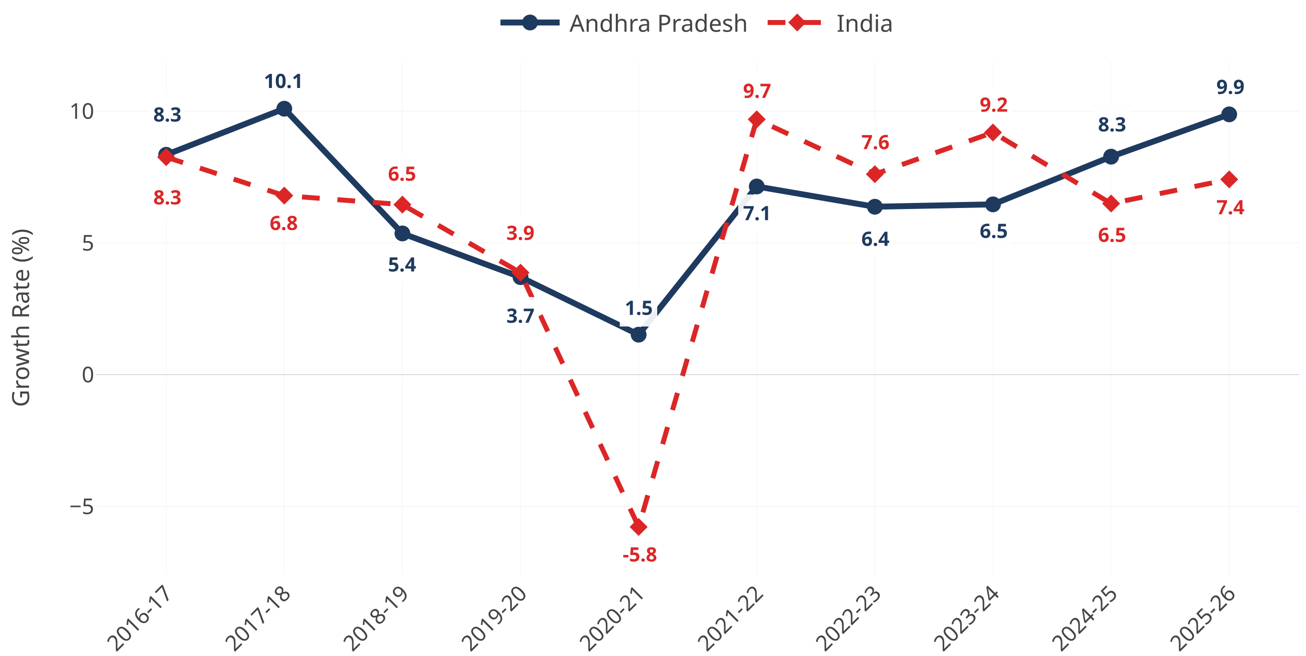
PART I: ANDHRA PRADESH ECONOMIC OVERVIEW

1.1 Growth Overview – Key Insight

Elevated uncertainty continues to characterise the global macroeconomic environment, with sustained geopolitical tensions in West Asia keeping energy prices under pressure. As per IMF, global growth is projected to moderate from **3.2** per cent in 2025 to **3.0** per cent in 2026, before recovering to **3.4** per cent in 2027. Despite this, India has sustained its growth momentum during the first quarter of FY27 (Monthly Economic Review July, GoI)

In light of this context, AP has recorded a strong improvement in economic growth in recent years. Real GSDP growth has increased from **6.5%** in FY 2023-24 to **8.3%** in FY 2024-25 and further to **9.9%** in FY 2025-26. The State also grew faster than India during the last two years. The priority is to sustain this momentum and ensure that it translates into higher investment, employment and incomes.

Figure 1: Real GDP Growth — AP vs India (%)



1.2 Sectoral Growth & Recovery – Key Insight

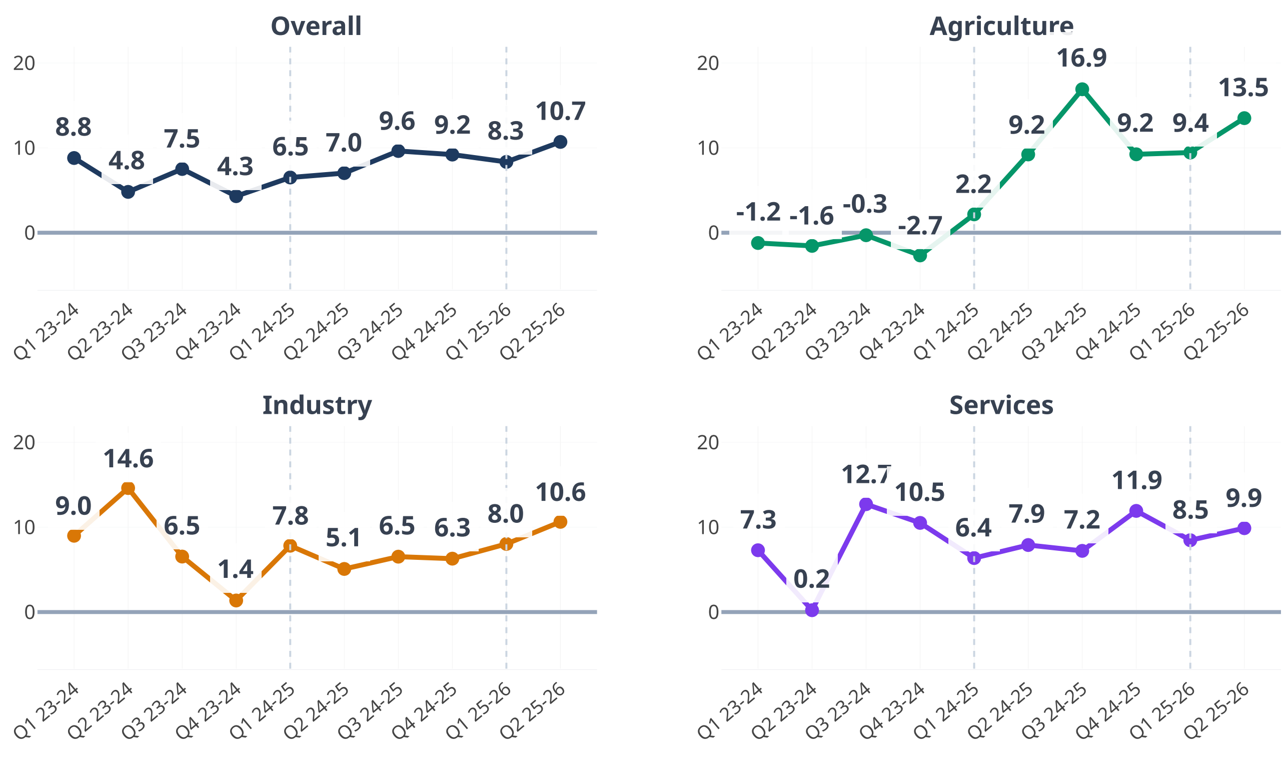
In light of this context, AP has recorded a strong improvement in economic growth in recent years. Real GSDP growth has increased from **6.5%** in FY 2023-24 to **8.3%** in FY 2024-25 and further to **9.9%** in FY 2025-26. The State also grew faster than India during the last two years. The priority is to sustain this momentum and ensure that it translates into higher investment, employment and incomes.

The latest growth is broad-based across Agriculture, Industry, and Services, with overall real growth reaching **10.7%** in Q2 FY 2025-26, the strongest quarterly reading in the two-year period shown, compared with **7.0%** in the same quarter a year earlier.

- Agriculture staged a marked turnaround, accelerating to **13.5%** from **9.4%** in Q1 and **2.2%** in the corresponding quarter a year earlier, having moved from contraction throughout FY 2023–24 to sustained double-digit growth.
- Industry recorded the sharpest gain, growing **10.6%**, more than double the **5.1%** of the corresponding quarter a year earlier, and up from **8.0%** in the preceding quarter, reflecting a strong sequential pickup in industrial activity.
- Services remained the steadiest performer, at **9.9%**, improving on both **8.5%** in Q1 and **7.9%** a year earlier, and holding up consistently across the series.

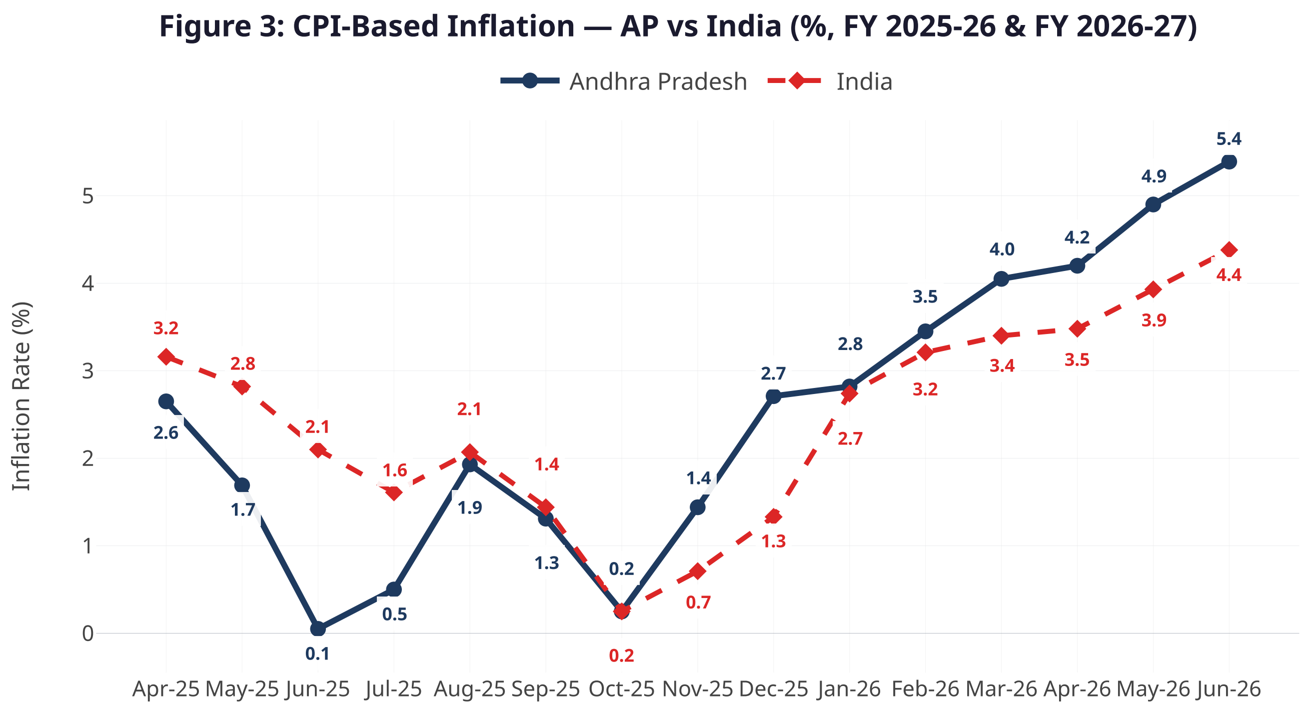
The focus may be on sustaining agricultural growth, strengthening manufacturing and industrial activity, and accelerating high-value and employment-generating services to maintain balanced growth across the economy.

Figure 2: AP Sectoral Real Growth (q-o-q, %)



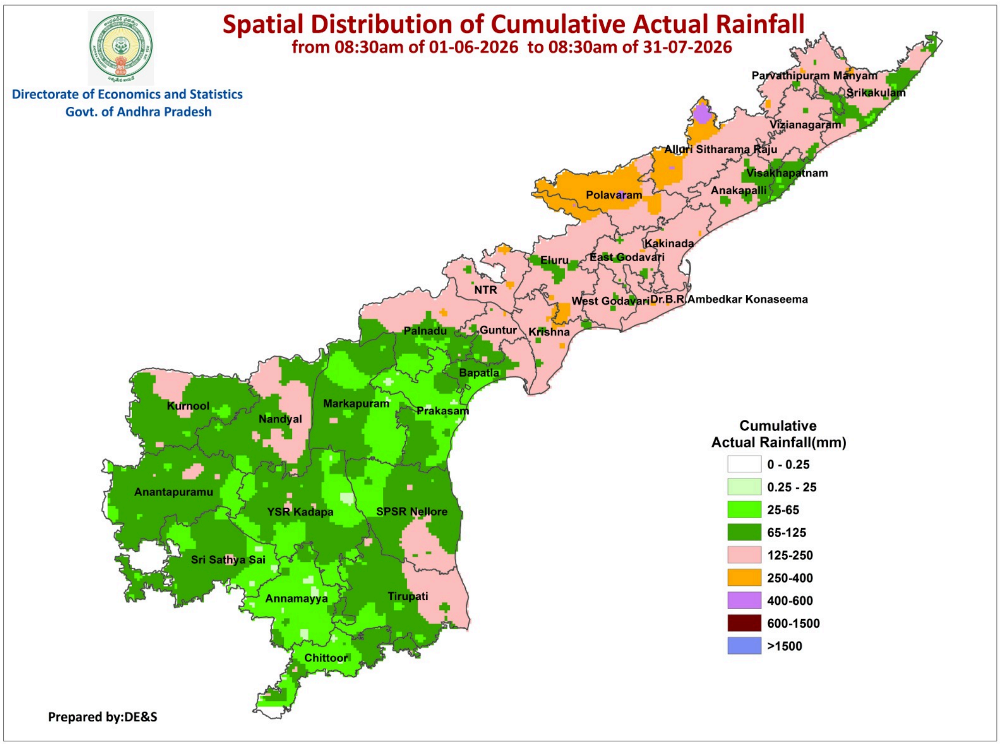
Current economic indicators suggest a steady trajectory, following recent policy adjustments and infrastructure investments. The state is focusing on enhancing productivity in key sectors.

1.3 Consumer Price Inflation – Key Insight

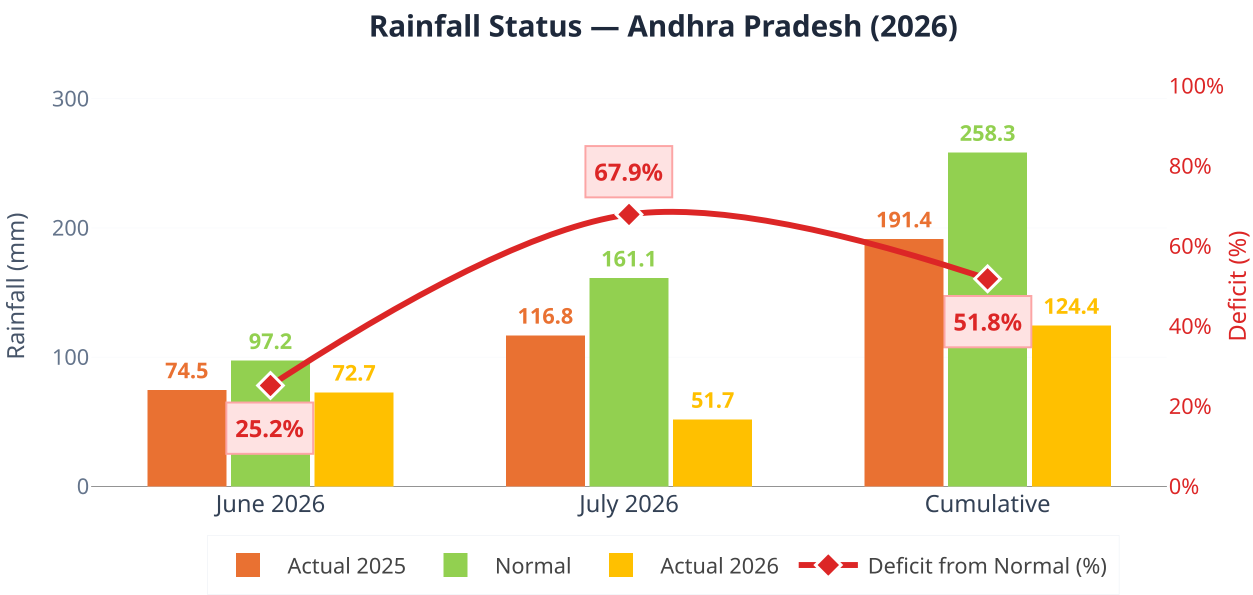


Note: Consumer Price Index (CPI) inflation in Andhra Pradesh stood at 5.39% in June 2026, a little above the national average of 4.38%, indicating continued price pressures in the state. The gap is domestic, not national - it traces almost entirely to two categories, Personal Care/Social Protection & Misc (+22.16%) and Food & Beverages (+7.59%); notably the first of these actually eased nationally in June, confirming State-specific supply factors rather than an imported price shock. While Andhra Pradesh's inflation was lower than Telangana (6.36%), it remained higher than Tamil Nadu (5.24%), Karnataka (4.80%), and Kerala (4.34%). Rural inflation at 5.71% was higher than urban inflation at 4.89%, suggesting relatively stronger price pressures in rural areas, particularly in essential consumption categories. Commodity-wise contributors to the State-national inflation differential may be identified, particularly for essential commodities where State-level supply interventions are feasible. Price trends may be reviewed regularly to enable early intervention where required.

1.4 Rainfall



Cumulative Actual Rainfall



Crop-wise Area Sown

Area in lakh hectares

Crop	Season normal	Normal as on 5th Aug 2026	Sowing as per 5th Aug 2025	Sowing as per 5th Aug 2026	% Sowing for Entire Season	% Sowing against Normal of as on 5th Aug 2026
Paddy	15.14	7.75	7.93	7.074	47	91
Jowar	0.05	0.03	0.00	0.002	5	8
Bajra	0.24	0.16	0.16	0.145	59	88
Maize	1.57	1.35	1.16	0.827	53	61
Ragi	0.22	0.16	0.12	0.126	58	81
Minor Millets	0.13	0.10	0.04	0.035	27	36
Coarse Grains	2.21	1.79	1.48	1.135	51	63
Redgram	2.96	1.90	1.34	1.614	55	85
Greengram	0.06	0.05	0.04	0.048	81	100
Blackgram	0.34	0.19	0.12	0.208	60	110
Horsegram	0.07	0.00	0.01	0.001	2	87
Other Pulses	0.02	0.01	0.00	0.003	14	25
Total Pulses	3.46	2.15	1.51	1.874	54	87
Total Foodgrains	20.80	11.70	10.92	10.084	48	86
Groundnut	3.87	3.22	1.13	1.130	29	35
Sesamum	0.11	0.09	0.07	0.044	41	48
Castor	0.39	0.26	0.18	0.210	54	81
Sunflower	0.05	0.04	0.01	0.008	15	21
Soyabean	0.08	0.07	0.04	0.084	106	129
Other Oilseeds	0.00	0.00	0.00	0.000	11	6
Total Oilseeds	4.50	3.68	1.43	1.475	33	40
Cotton	5.15	3.08	3.29	3.468	67	113
Jute/Mesta	0.01	0.01	0.01	0.005	99	101
Sugarcane	0.31	0.23	0.11	0.122	40	53
Tobacco	0.07	0.04	0.01	0.000	0	1
Total Cropped Area	30.84	18.73	15.76	15.155	49	81

Lagging (% of season <20 / % of as-on-date <60) On track (% of season ≥20 / % of as-on-date ≥60) Advanced (≥100)

Key Insights

Andhra Pradesh recorded a cumulative rainfall of **124.4** mm against the normal **258.3** mm during June-July 2026, resulting in a rainfall deficit of **51.8%**. Rainfall conditions deteriorated sharply during July, with the deficit widening from **25.2%** in June to **67.9%** in July, making it the most significant near-term risk to the State economy. The deficiency occurred during the critical kharif sowing and crop establishment period and is broadly consistent with the IMD's projected transition to El Niño, which suppresses monsoon convection over India and historically lowers agricultural output. While there this is a pan-Indian risk, AP is disproportionately affected as the all-India rainfall deficit was ~**28%** (as on 20 July 2026) against AP's **51.8%** — close to double — reflecting the uneven spatial distribution of the monsoon, with AP's July collapse driving the cumulative gap.

The impact of deficient rainfall is already visible in kharif sowing progress. As of 5 August 2026, total cropped area stood at **15.16** lakh hectares, achieving only **81%** of normal sowing for this date and **49%** of the seasonal target. Foodgrain sowing reached **86%** of normal levels, while oilseed coverage remained significantly lower at just **40%** of normal. Groundnut, a key rain-fed crop in the State, recorded only **35%** of normal sowing progress, reflecting moisture stress and delayed field operations. Although paddy sowing remained relatively better at **91%** of normal coverage and cotton exceeded normal levels at **113%**, substantial shortfalls in groundnut, jowar, minor millets, sesame and sunflower indicate uneven crop establishment and heightened production risks if monsoon conditions do not improve during August.

The national food-security buffer is strong because of near-record KMS paddy (**533.36** LMT) and RMS wheat (**349.92** LMT) procurement, plus reservoirs near long-period norms. But these cushions consumption and PDS availability, not standing-crop yields or farm incomes so AP's exposure is an income and production risk, only partly offset by the national buffer

From an economic perspective, continued monsoon weakness could impact agricultural output, reservoir and groundwater availability, rural incomes and consumption demand across the State. Lower farm incomes may reduce spending on consumer goods and agricultural inputs, while increasing reliance on institutional credit. Given these risks, district-wise monitoring of rainfall, sowing progress, crop conditions, and reservoir/storage levels should be prioritised, particularly in the most affected areas. Timely implementation of contingency crop plans, adequate seed and input availability, efficient irrigation water management, and targeted agricultural support measures will be critical to mitigating the potential economic and agricultural impact of the rainfall deficit.

PART II: PERIODIC INDICATORS

1. Macro-Economic Indicators

S. No	Indicator	Period	Unit	Value	Change (Over the same period in FY 2026-27)	MoM/QoQ Growth (%)
1	**Index of Industrial Production (IIP) - General**	May	Value	152.5	8.2%	4.8%
2	**Labor Force Participation Rate (%)**	Jan - Mar	%	57.10	7.70	-0.17
3	**Consumer Price Index (%)**	Jun	%	5.39	5.34	10.00
4	**Exports**	May	Rs. Cr	16,822	19.0%	27.2%

Labor Force Participation Rate (%) Q4 data of FY 2025-26

Key Observations

High Performing

• General IIP grew by **8.2%** as against the national IIP of **7.3%** (June 2026). State Exports increased by **10.5%**, tracking national total-export growth (**+9.5%** YoY, June 2026), in line with the national trend of resilient merchandise exports, which held up through the West Asia crisis as exporters diversified destinations.

On Track / Moderate

• Labour Force Participation Rate stood at **57.1%** higher than the national LFPR at **54.4%** (June 2026), providing an indication of continued participation of the working-age population in the labour market.

Needs Attention

• CPI inflation at **5.4%** is above the national rate of **4.4%**. The commodities contributing most to the inflation differential may be identified for appropriate State-level supply-side action.
• The composition of industrial growth also requires attention, as strong overall IIP growth is not yet matched by comparable growth in Manufacturing GVA. AP's IIP lead is powered by Mining and Electricity, whereas national growth is more manufacturing-led — so the two indices are strong for different reasons.

2. Agriculture & Allied Sector

2.1 Agriculture

S. No	Key Indicator (Production)	Period	Unit	Value	Change (Over the same period in FY 2026-27)
1	**Food Grain - Kharif**	Annual	MTs	1,23,23,129	**39.8%**
2	**Oil Seeds - Kharif**	Annual	MTs	2,43,925	**-15.7%**
3	**Banana, Sweet Orange and Other Fruits**	HY2	MTs	94,21,374	**15.7%**
4	**Mango**	Annual	MTs	51,99,800	**4.7%**
5	**Vegetables**	Apr - Jun	MTs	27,67,462	**44.8%**
6	**Chillies, Black Pepper and Turmeric**	Annual	MTs	11,86,983	**-17.9%**
7	**Other Spices**	Apr - Jun	MTs	89,383	**304.6%**
8	**Cashewnut, Cocoa and Other Plantation Crops**	Annual	MTs	22,35,655	**10.0%**
9	**Oil Palm**	Apr - Jun	MTs	14,01,285	**36.8%**
10	**Jasmine & Chrysanthemum**	HY2	MTs	3,65,646	**8.2%**
11	**Crossandra & Other Flowers**	Apr - Jun	MTs	1,44,495	**45.2%**

Indicators with annual and HY2 periodicity pertain to data for the financial year 2025–26.

Key Observations

High Performing

• Foodgrain production increased by **39.8%** during FY 2025-26, indicating strong performance during the completed agricultural year.
• Current-year horticulture indicators show strong growth in Vegetables (**+44.8%**), Oil Palm (**+36.8%**) and Other Spices (**+304.6%**) during April–June 2026.

On Track / Moderate

• During FY 2025-26, Fruits (**+15.7%**), Plantation Crops (**+10.0%**), Jasmine & Chrysanthemum (**+8.2%**) and Mango (**+4.7%**) recorded positive growth, indicating favourable performance across several horticulture segments.

Needs Attention

• Oilseed production declined by **15.7%**, while Chillies, Black Pepper & Turmeric declined by **17.9%** during FY 2025-26. The decline may be examined separately in terms of area and yield to determine whether interventions are required on productivity, crop acreage or other production constraints.

• More importantly, the cumulative rainfall deficit of **51.8%** has emerged as a major risk for the current Kharif season. National kharif sowing was down **4.7%** YoY (24 July) — pulses (**-7.5%**), rice (**-2.6%**), oilseeds (**-2.1%**) — but was narrowing on improved monsoon. State should track whether its own sowing gaps narrow in step with the monsoons. District-wise sowing gaps and crop conditions may be identified early, with contingency crop planning, seed/input availability and irrigation support focused on the most rainfall-deficient areas.

• Annual/HY2 production indicators relate to FY 2025-26 and represent completed-year performance. They should not be interpreted as current FY 2026-27 production performance

2. Agriculture & Allied Sector (contd.)

2.2 Allied Sector

S. No	Key Indicator (Production)	Period	Unit	Value	Change (Over the same period in FY 2026-27)
1	**Milk**	Apr - Jun	MTs	36,30,283	4.7%
2	**Animal Meat**	Apr - Jun	MTs	1,89,059	9.6%
3	**Egg (Lakh number)**	Apr - Jun	Lakh Nos	70,924	5.1%
4	**Poultry Meat**	Apr - Jun	MTs	1,17,140	4.9%
5	**Marine Fish**	Jul	MTs	55,669	-6.3%
6	**Inland Fish**	Jul	MTs	2,38,834	-1.7%
7	**Marine Prawn**	Jul	MTs	19,345	17.0%
8	**Fresh water Prawn**	Jul	MTs	1,10,978	11.7%
9	**Brackish Water Prawn**	Jul	MTs	95,626	-4.0%

Key Observations

High Performing

• Livestock activity remained positive during April–June, with Animal Meat (**+9.6%**), Eggs (**+5.1%**), Poultry Meat (**+4.9%**) and Milk (**+4.7%**) recording growth.

• Within Fisheries, Marine Prawn (**+17.0%**) and Freshwater Prawn (**+11.7%**) recorded strong growth in July.

On Track / Moderate

• Growth across all major livestock indicators indicates continued stability in the sector. This is particularly important in the context of rainfall uncertainty, as livestock and allied activities provide an additional source of rural income beyond crop agriculture.

Needs Attention

• Marine Fish (**-6.3%**), Inland Fish (**-1.7%**) and Brackish Water Prawn (**-4.0%**) recorded declines, presumably partly led by the 61-day fishing ban during the spawning season and partly by the rising inputs costs. The Fisheries Department may examine segment-wise reasons for the contraction—including production, stocking, weather and other operational factors—and identify targeted measures in the affected segments.

3. Industries Sector

S. No	Key Indicator	Period	Unit	Value	Change (Over the same period in FY 2026-27)	MoM/QoQ Growth (%)
Manufacturing						
1	Index of Industrial Production (IIP) - Manufacturing	May	Value	143.6	1.0%	9.7%
2	Registered Factories	Apr - Jun	Nos	200	31.6%	11.7%
Electricity						
3	Electricity Generation	Jul	MU	5,810	-4.6%	1.8%
4	Electricity Consumption	Jul	MU	7,903	13.7%	5.4%
5	Index of Industrial Production (IIP) - Electricity	May	Value	238.2	22.2%	0.0%
Mineral Production						
6	Major Mineral	Jul	MTs	67,93,228	32.8%	23.4%
7	Minor Mineral	Jul	MTs	1,30,96,998	-28.9%	9.8%
8	Index of Industrial Production (IIP) - Mining	May	Value	103.5	17.9%	-4.3%

Key Observations

High Performing

• Overall IIP increased by **8.2%**, supported primarily by Mining (**+17.9%**) and Electricity (**+22.2%**). AP's mineral surge (Mining IIP **+17.9%**, Major Mineral **+32.8%**) is riding the national infrastructure-metals cycle — the revised Core Industries index shows iron ore up **43.9%** in June (the single largest core mover) on strong steel and cement demand. AP's mining strength is thus consistent with, and likely driven by, national infrastructure demand.

On Track / Moderate

• Manufacturing IIP remained positive but grew by only **1.0%**. On power, AP's Electricity Consumption (**+13.7%**) outpaces national consumption (**+8.6%**, Q1 FY27), both reflecting robust, partly heat-driven demand

Needs Attention

• While AP's mineral growth follows the national trend, AP's subdued Manufacturing (**+1.0%**) is a near-inversion of the national pattern, where Manufacturing leads (**+5.5%**) and Mining contracts (**-1.6%**). The drag is therefore State-specific (industry-mix, power, approvals or market bottlenecks) rather than an economy-wide demand weakness. Therefore, attention is required to assess the composition of IIP where the state growth is being driven primarily by Mining and Electricity, and Manufacturing remains subdued.

• Sector-wise Manufacturing performance may be reviewed to identify industries constraining growth and determine whether infrastructure, power, approvals, market conditions or other operational bottlenecks require Government intervention.

• Electricity Generation declined by **4.6%** despite Consumption increasing by **13.7%**. The source and cost of meeting incremental demand may be monitored to ensure reliable and cost-effective power availability. It may be possible that some of the incremental loads are being met through power purchased from non-state grid. National electricity/gas supply grew **9.9%**, so the generation shortfall is an AP supply-side issue, not a national one.

• Minor Mineral production declined by **28.9%**. Mineral-wise reasons for the contraction may also be examined.

4. Service Sector

S. No	Key Indicator	Period	Unit	Value	Change (Over the same period in FY 2026-27)	MoM/QoQ Growth (%)
1	**GST Net Revenue**	Jul	Rs. Cr	3,277	11.5%	4.0%
2	**Cargo Handled by Ports**	Jul	MMT	18	7.7%	0.4%
3	**Air Passengers**	Jul	Nos	4,57,748	-8.6%	0.4%
4	**Cargo Volumes**	Jul	MTs	639	18.6%	22.9%
5	**New commercial vehicles registered**	Apr - Jun	Nos	33,234	51.6%	17.5%
6	**Tourists - Domestic**	Jul	Nos	3,10,19,083	82.9%	22.2%
7	**Tourists - Foreign**	Jul	Nos	35,951	251.3%	52.0%
8	**STPI Export**	Apr - Jun	Rs. Cr	1,500	32.2%	0.0%

Key Observations

High Performing

• Services indicators point to continued momentum across IT, trade, logistics and commercial activity. STPI Exports increased by **32.2%**, Commercial Vehicle Registrations by **51.6%**, Cargo Volumes by **18.6%** and Port Cargo by **7.7%**.
• Net GST collections reached ₹**3,268** crore in July 2026, recording **12%** YoY growth. Cumulative Net GST collections up to July increased by **21%** to ₹**13,282** crore, exceeding national growth of around **17%**.
• Key GST Highlight
• AP's GST outperformance — cumulative Net GST **+21%** (to ₹**13,282** crore) against national ~**17%** — is driven by two identifiable factors: technology-led administration (AI-based scrutiny and risk analytics, identification of IGST reversals , UPI/DISCOM analytics, DISCOM-linked registration verification, Aadhaar authentication and inter-departmental data integration) and a one-off ₹**1,994** crore IGST settlement in July (the State's third-highest ever), sitting on top of a firm national GST base (**+8.4%**, Q1). The State premium over the national trend is therefore both structural and partly one-off.
• The ₹**1,994** crore IGST settlement received in July was the third-highest ever received by the State in a single month.

On Track / Moderate

• Commercial-vehicle registrations (**+51.6%**) and cargo/port throughput are in line with the national auto and logistics upcycle — national passenger-vehicle sales hit an all-time high in Q1 FY27 on improved affordability post-GST **2.0**, with commercial vehicles and tractors also in double digits on rural and infrastructure demand. AP's numbers reflect this national tailwind.
• This growth indicates sustained logistics and commercial activity in the State. Strong STPI export growth is a positive indicator for the State's IT/IT-enabled services ecosystem and aligns with broad-based national services strength. MoSPI's newly launched Index of Services Production (ISP) shows 14 of 19 sub-sectors in double-digit growth (May 2026), led by retail trade, real estate, accommodation and IT-related activity (**10.3%**).

Needs Attention

• The decline in the Air Passenger Traffic (**-8.6%**) is partly a sector-wide pattern — national air passenger traffic fell for three consecutive months before recovering in June (Q1 FY27 **+2.4%**), and the ISP showed Air Transport contracting **2.8%** in May. But the state's decline against a national recovery between April and May, suggests a residual State-specific driver (route rationalisation, connectivity or a base effect) worth isolating. Airport-wise and route-wise trends may be examined to determine whether this is temporary or reflects connectivity constraints.
• Reported Domestic Tourist Arrivals (**+99.6%**) and Foreign Tourist Arrivals (**+217.0%**) show exceptionally high growth. Considering the magnitude of increase, the figures may be cross-verified before drawing conclusions on tourism-sector performance.
• The State may leverage the current Services momentum by strengthening IT and digital services, logistics and port connectivity and other high-value employment-generating services. Technology-driven GST compliance initiatives may be further scaled up through greater inter-departmental data integration.

5. Banking & Finance

S. No	Key Indicator	Period	Unit	Value	Change (Over the same Quarter in FY 2026-27)	QoQ Growth (%)
1	**Aggregate Credits in Rs Crores**	Apr - Jun	Rs. Cr	10,28,281	**15.6%**	**3.1%**
2	**Aggregate Deposits in Rs Crores**	Apr - Jun	Rs. Cr	6,60,470	**15.4%**	**2.1%**
3	**Credit Deposit Ratio**	Apr - Jun	Ratio	1.56	0.00	**1.0%**
4	**% of Priority Sector Advances**	Apr - Jun	%	33.52	**1.52**	-
5	**% of Agrl. Adv.**	Apr - Jun	%	31.56	**0.56**	-
6	**% of Total MSME**	Apr - Jun	%	41.09	**2.09**	-
7	**SHG Advances**	Jan - Mar	Rs. Cr	41,105	**5.44%**	**33.9%**

SHG Advances Q4 data of FY 2025-26

Key Observations

High Performing

• Aggregate Credit growth accelerated sharply from **11,534** crore to **30,993** crore. This reported credit growth (**+168.71%**) is a wide outlier against national total bank credit (**+17.7%** as on 15 July) and NBFC credit (~**16.6%**). It is plausible that this is a coverage/base effect in the quarterly flow rather than genuine underlying growth of that magnitude and hence requires deeper SLBC-review call before drawing conclusions.
• Aggregate Deposit growth also strengthened from **7,661** crore to **13,492** crore, reflecting a **76.11%** increase. The share of MSME Advances increased from **39%** to **41%**, indicating continued expansion of credit to the MSME sector. SHG Advances grew by **5.44%**, reflecting sustained support for financial inclusion and community-based lending.

On Track / Moderate

• The share of Priority Sector Advances increased from **32%** to **33.52%**, an improvement of **1.52** percentage points. Similarly, Agricultural Advances increased from **31.00%** to **31.56%**, recording a gain of **0.56** percentage points. These trends indicate continued alignment of credit flow towards priority and agriculture sectors.

Needs Attention

• The Credit-Deposit Ratio increased substantially from **1.51** to **2.30**, an increase of **0.79** points, indicating that credit expansion has significantly outpaced deposit mobilisation. Nationally, financing conditions are supportive but disciplined — corporate capacity utilisation at **75.5%** (above long-term average) and improving debt-servicing capacity (RBI FSR, June 2026) — so AP's task is to ensure its credit surge converts into the same productive, well-covered investment while rebuilding its deposit base. Accordingly, the sectoral deployment of incremental credit may be reviewed through SLBC to ensure that credit expansion is translating into productive investment, MSME growth, agricultural development, and employment generation.

6. Public Finance

Monthly

S. No	Key Indicator	Period	Unit	Value	Change (Over the same period in FY 2026-27)
1	**Tax Revenue**	Jul	Rs. Cr	9,238	12.7%
2	**Non-Tax Revenue**	Jul	Rs. Cr	816	54.3%
3	**Revenue Expenditure**	Jul	Rs. Cr	27,692	26.7%
4	**Capital Expenditure**	Jul	Rs. Cr	2,269	-23.0%

***Capital Expenditure (includes Loans and Advances) as per SFAR of CAG**

Cumulative

S. No	Key Indicator	Period	Unit	Value	Change (Over the same period in FY 2026-27)
1	**Tax Revenue**	Apr - Jul	Rs. Cr	36,361	18.1%
2	**Non-Tax Revenue**	Apr - Jul	Rs. Cr	2,327	30.8%
3	**Revenue Expenditure**	Apr - Jul	Rs. Cr	90,333	5.27%
4	**Capital Expenditure**	Apr - Jul	Rs. Cr	12,221	5.0%

Key Observations

High Performing

• AP's Tax Revenue growth (**+12.7%**) and strong Non-Tax Revenue growth (**+54.3%**) indicate improved revenue mobilisation during July 2026. The sharp increase in non-tax receipts has provided additional fiscal space and supported overall government finances.

• Further, the Year-to-Date (Apr-Jul) performance remains robust, with Tax Revenue rising by **18.1%** and Non-Tax Revenue increasing by **30.8%**, reflecting sustained strength in revenue collections during the first four months of FY 2026-27.

On Track / Moderate

• Revenue Expenditure increased by **26.7%** during July 2026, reflecting continued spending on government programmes and service delivery. The growth in expenditure has been accompanied by healthy revenue growth, supporting fiscal operations and economic activity.

• On a YTD basis, Revenue Expenditure grew by **5.27%**, indicating a measured expansion in government spending while maintaining fiscal discipline.

Needs Attention

• Capital Expenditure declined by **23.0%** YoY in July 2026 to ₹**2,269** crore, contrasting with the State's earlier investment-led spending momentum. Given the importance of capital outlays for infrastructure creation and medium-term economic growth, emphasis may be placed on accelerating project execution and improving spending absorption in the coming months.

• However, the YTD Capital Expenditure (Apr-Jul) increased by **5.0%** to ₹**12,221** crore, suggesting that while cumulative investment spending remains positive, sustaining the pace of capital outlays in the coming months will be important to support infrastructure development and economic growth objectives.

• While Non-Tax Revenue recorded robust growth (**+54.3%**) during July, a significant portion of such receipts can arise from interest, dividends, royalties, fees, or other non-recurring sources. Sustaining revenue mobilisation through stable and recurring sources will be important to ensure long-term fiscal resilience and reduce dependence on episodic receipts.

7. Investment Outlook

Investment Category	Period	Unit	Value	Change (Over the same period in FY 2026-27)	MoM/QoQ Growth (%)
Investments Grounded (Large and Mega)	Apr - Jul	Rs. Cr	2,88,600	75.4%	-
Investments Grounded (MSMEs)	Jul	Rs. Cr	60,035	73.6%	16.2%

Key Observations

High Performing

• According to GoI's Monthly Economic Review (July 2026) of UNCTAD's World Investment Report 2026, global FDI flows increased by mostly **4%** in 2025, excluding the financial flows through conduit economies. The Report further states that net FDI to India increased to USD **6.5** billion during April-May 2026, compared with USD **2.5** billion in the corresponding period of 2025.

• Against this backdrop, AP's investment grounding (Large & Mega **+75.4%**, MSME **+73.6%**) is landing in a favourable national/global window), indicating strong investment momentum across both large industries and MSMEs.

On Track / Moderate

• Growth across both categories points to a broadening investment pipeline and provides a favourable base for future industrial expansion and employment.

Needs Attention

• While there is an upsurge in investment, the next focus should move beyond investment grounded to investment realised. Major projects may be tracked milestone-wise from grounding to construction, commissioning, commencement of production and employment generation. Project-level bottlenecks may be escalated for timely resolution.

• Moreover, the global mix is concentrating in strategic sectors — AI infrastructure, semiconductors, critical minerals, energy-transition and advanced tech now absorb **44%** of global greenfield announcements, while traditional-manufacturing greenfield has declined. FDI competition is shifting from factor-cost to strategic-sector integration, which should shape how AP positions its future pitches (Vizag/VER, electronics, energy).

⚠ RISKS TO OUTLOOK

The State economy continues to show positive momentum, supported by Services, investment, industrial activity, GST mobilisation and credit expansion. However, the underlying performance is uneven and requires focused attention.

The **51.8%** cumulative rainfall deficit is the most immediate risk, with potential implications for Kharif production, water availability and rural demand. Other areas requiring monitoring include inflation above the national level, subdued Manufacturing growth despite strong headline IIP, declining Electricity Generation amid rising Consumption, weakness in select Fisheries and Minor Minerals, and the conversion of grounded investments into actual production and employment.

Reported tourism growth may be cross-verified with the Tourism Department before being used for assessment.

KEY PRIORITIES EMERGING FROM JULY 2026

1. Agriculture: Closely monitor rainfall, sowing and reservoir conditions and activate district-specific contingency measures where required.
2. Services: Sustain momentum in IT, logistics, trade and other high-value services; address connectivity gaps and strengthen employment-generating service activities.
3. Manufacturing: Identify the industries responsible for subdued Manufacturing growth and address actionable bottlenecks.
4. Investment: Track grounded investments through commissioning, production and actual employment generation.
5. GST: Further strengthen technology- and analytics-based compliance and inter-departmental data integration.
6. Inflation: Identify commodities responsible for the higher State inflation and take feasible supply-side measures.
7. Credit: Review the sectoral deployment of the sharp increase in credit through SLBC and strengthen deposit mobilisation.
8. Power: Review the divergence between rising Electricity Consumption and declining State Generation.
9. Fisheries: Identify and address constraints in the fish and brackish-water prawn segments showing contraction.

Conclusion

July 2026 indicators suggest that Andhra Pradesh continues to maintain economic momentum, with positive signals from Services, investment, industrial activity, revenue mobilisation and credit.

The sectoral picture, however, requires differentiated policy attention. Agriculture faces an immediate risk from the rainfall deficit; Manufacturing needs to become a stronger contributor to industrial growth; and the positive momentum in IT, logistics and other Services provides an opportunity for further expansion. Strong investment grounding also needs to translate into commissioned projects, production and employment.

Accordingly, the immediate focus may be on managing the rainfall-related agricultural risk, while the medium-term focus should be on accelerating Manufacturing, expanding high-value Services and converting the investment pipeline into productive economic activity and employment.

Planning Department

GOVERNMENT OF ANDHRA PRADESH