Enter

# Economy Watch

## Monitoring India's macro-fiscal performance

**April 2025**

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# Highlights

1. In March 2025, manufacturing PMI increased to an eight-month high of 58.1. Services PMI also continued to remain at a high level of 58.5.

2. IIP growth moderated to a six-month low of 2.9% in February 2025 due to a fall in the growth of manufacturing and mining output.

3. The MPC reduced the repo rate by 25 basis points to 6.0% in its monetary policy review held on 9 April 2025. It also changed the policy stance from 'neutral' to 'accommodative' in order to support growth.

4. CPI inflation eased to a 67-month low of 3.3% in March 2025 as prices of vegetables fell, whereas core CPI inflation moderated to 4.1% in March 2025 from 4.2% in February 2025.

5. WPI inflation moderated to 2.0% in March 2025 from 2.4% in February 2025 led by a fall in food inflation to 4.7% from 5.9% in the same period.

6. GoI's gross tax revenues (GTR) showed a growth of 10.9% during April-February FY25. A growth of 12.9% is required in March 2025 for realizing the FY25 RE.

7. GoI's total expenditure grew by 3.9% during April-February FY25, with growth in revenue expenditure at 4.7% and that in capital expenditure at only 0.8%.

8. GoI's fiscal and revenue deficits during April-February FY25 stood at 85.8% and 93.8% of their respective annual REs.

9. Gross bank credit grew by 12.0% in February 2025, marginally lower compared to 12.5% in January 2025.

10. Current account deficit narrowed to 1.1% of GDP in 3QFY25 from 1.8% in 2QFY25.

11. Growth in merchandise exports and imports turned positive at 0.7% and 11.4%, respectively, in March 2025 from a contraction of (-)10.9% and (-)16.3%, in February 2025, partly reflecting a waning of unfavorable base effects owing to higher crude prices.

12. Merchandise trade deficit increased to US$21.5 billion in March 2025 from US$14.1 billion in February 2025, owing to a surge in oil and gold imports.

13. Net FDI and Net FPI witnessed outflows amounting to US$1.2 billion and US$4.0 billion respectively in February 2025.

14. Average global crude price fell to US$70.7/bbl in March 2025, its lowest level since August 2021. On a daily basis, Brent crude price fell to as low as US$62.8/bbl on 8 April 2025 owing to an expectation of subdued demand following the announcement of enhanced tariffs on imports from various countries by the US.

15. The IMF has projected global growth at 2.8% in 2025, with India's FY26 growth forecasted at 6.2%. In the medium term, India is projected to grow by 6.5%.

16. We assess that India may be able to sustain a real GDP growth at about 6.5% in FY26 as also in the medium term, while maintaining a CPI inflation below 4% with suitable monetary and fiscal policies. We also expect global crude prices to remain in the range of US$60-65/bbl in FY26.

# Foreword

## Navigating global trade and tariff upheavals

The reciprocal tariff regime announced by the US and the levy of retaliatory tariffs announced by China and some other countries is likely to have a dampening effect on the volume of global trade and output. Imports into the US may be lower. Any increase in US output may take much longer and the volume of exports in the export-dependent countries may go down. These changes may lead to a slowdown in global growth. The IMF (April 2025) has projected a significant global growth slowdown with the projected growth for 2025 revised downwards to 2.8% from its January 2025 forecast of 3.3%. This is attributed by the IMF primarily to the direct effects of the new trade measures and their indirect effects through trade linkage spillovers, heightened uncertainty, and deteriorating sentiment. At the same time, supplies of global crude prices are increasing and its demand is falling, resulting in a fall in global crude prices which may be contained in the range of US$60–65/bbl in FY26.

India has to devise an economic strategy in the presence of this ongoing global upheaval. As far as its response to the US reciprocal tariffs is concerned, it may focus on working out a comprehensive trade deal with the US rather than pushing for the levy of retaliatory tariffs. In fact, as per available information, India has already signed with the US, a terms of reference agreement, for the first phase of the proposed bilateral trade agreement, which is likely to be finalized by September-October of 2025[1]. India may also become ready to levy anti-dumping duties as many countries with excess capacities may try to dump their goods into India.

The RBI, in its monetary policy review, held on 09 April 2025, reduced the repo rate for the second successive time by 25 basis points, bringing it to a level of 6%. The RBI's stance has also been changed from neutral to accommodative. With CPI inflation having fallen to 3.3% in March 2025, a 67-month low, CPI inflation is expected to remain at 4% or less in FY26. The lower global crude prices may also help in keeping CPI inflation within the contours of the monetary policy target.

In its April 2025 release of the World Economic Outlook, the IMF has projected India's FY26 growth at 6.2% despite considerable global uncertainty. Further, after showing a growth of 6.3% in FY27, in the medium term, India is projected to grow at 6.5%. In any case, India's real GDP growth is likely to be driven largely by domestic growth drivers. The share of India's merchandise exports to the US in India's GDP averaged 2.3% during FY22-24. Any global economic slowdown may have some adverse impact on India's overall exports of goods and services which had a share of 22% in its GDP, on average, during the period FY22-24. However, alongside, goods imports to India may also go down thereby limiting the negative impact on net exports. These effects may be neutralized by an improvement in private investment with lower interest rates. At the same time, the government can continue to support demand through continued prioritization of infrastructure investment.

Available high-frequency data for February and March 2025 point to an evolving scenario where the likelihood of maintaining India's growth momentum appears to be strong. Reflective of a strong performance of both manufacturing and services activity, manufacturing PMI increased to an eight-month high of 58.1 in March 2025 while the services PMI also remained high at 58.5. Gross GST revenues stood at INR1.96 lakh crore in March 2025, its highest level since April 2024. Gross bank credit grew by 12.0% in February 2025, marginally lower compared to 12.5% in January 2025. The current account deficit (CAD) narrowed to 1.1% of GDP in 3QFY25 from 1.8% in 2QFY25. Growth in merchandise exports and imports turned positive at 0.7% and 11.4%, respectively, in March 2025 from a contraction of (-)10.9% and (-)16.3% in February 2025.

There may be some concern, however, with the moderation in the IIP growth which fell to a six-month low of 2.9% in February 2025 from 5.2% in January 2025 due to a fall in the growth of manufacturing and

[1] https://economictimes.indiatimes.com/news/economy/foreign-trade/india-us-sign-terms-of-reference-for-first-phase-of-trade-deal/articleshow/120307227.cms?from=mdr

mining output. Also, retail sales of motor vehicles have continued to contract for the second successive month, although at a slower pace of (-)0.7% in March 2025 compared to (-)7.2% in February 2025.

As per the CGA, GoI's gross tax revenues showed a growth of 10.9% during April-February FY25. A growth of 12.9% is required in March 2025 for realizing the FY25 RE. This appears quite feasible. On the expenditure side, GoI's total expenditure grew by 3.9% during April-February FY25. During this period, growth in revenue expenditure was at 4.7%. Capital expenditure during the 11 months of FY25 stood at 79.7% of the revised estimate at INR10.18 lakh crore, which is a sharp downward revision compared to the budget estimate at INR11.11 lakh crore. This puts growth at risk unless the gap is made up during the month of March 2025. In March 2025, a y-o-y growth of 44.5% would be required to meet the FY25 RE. It is notable that on a y-o-y basis, capital expenditure showed a contraction of (-)35.4% in February 2025. GoI's fiscal and revenue deficits during April-February FY25 stood at 85.8% and 93.8% of their respective annual REs. The FY25 fiscal and revenue deficit targets at 4.8% and 1.9% of GDP, respectively, are likely to be met.

From a medium- to long-term perspective, India may continue its efforts to attract investments by accelerating land and labor reforms, investment into human resources, skill building, and AI and GenAI. Also, additional sectors for PLI support may be identified and regulatory overload may be further reduced. India may continue to work towards free trade agreements (FTAs) with the UK and the EU as also with selected countries in its neighborhood.

Our assessment is that with suitable fiscal and monetary policies, India may be able to sustain a real GDP growth at about 6.5% in FY26 as also in the medium term, while maintaining a CPI inflation below 4%. We also expect global crude prices to remain in the range of US$60-65/bbl in FY26, which may be to India's advantage.

**D.K. Srivastava**
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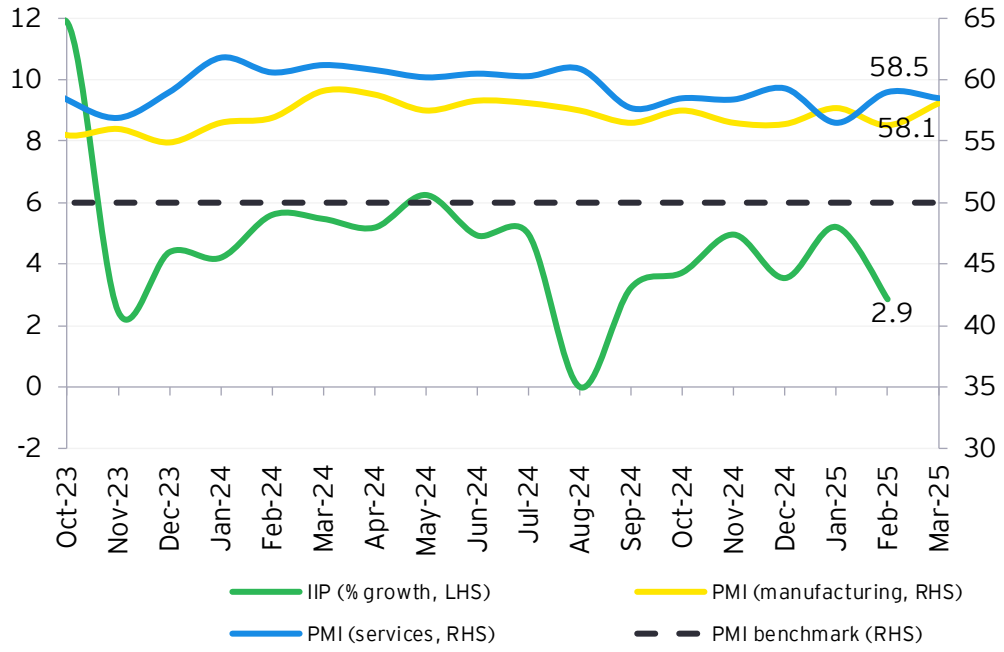
# 1. Growth: PMI manufacturing increased to an eight-month high of 58.1 in March 2025

## 1.1. PMI: Manufacturing PMI increased to an eight-month high of 58.1 in March 2025

- Manufacturing PMI increased to an eight-month high of 58.1 in March 2025 from 56.3 in February 2025, driven by a strong expansion in new orders. With this, manufacturing PMI averaged 57.4 in FY25, marginally above 57.2 registered in FY24.
- Despite easing to 58.5 in March 2025 from 59.0 in February 2025, the services PMI (seasonally adjusted or sa) remained well above its long-run average at 54.2 (Chart 1). For FY25, services PMI averaged 59.2 compared to 60.3 in FY24.
- Owing to a strong growth momentum in both manufacturing and services activity, the composite PMI Output Index (sa) increased to a seven-month high of 59.5 in March 2025 from 58.8 in February 2025. On an annual basis, the composite PMI Output Index averaged 59.6 in FY25 compared to 60.4 in FY24.

Chart 1: PMI and IIP growth




In March 2025, manufacturing PMI increased to an eight-month high of 58.1. Services PMI also continued to remain at a high level of 58.5.

Source: MoSPI and S&P Global.

## 1.2. IIP: growth fell to 2.9% in February 2025

- According to the quick estimates, IIP growth fell to a six-month low of 2.9% in February 2025 (Chart 1) from 5.2% in January 2025 (revised) due to slower growth in the output of manufacturing and mining sectors.
- Growth in the output of the manufacturing sector was lower at 2.9% in February 2025, its slowest pace since August 2024. Growth in mining output also fell to 1.6% in February 2025 from 4.4% in January 2025. Growth in the output of electricity, however, increased marginally to 3.6% in February 2025 from 2.4% in January 2025.
- Within manufacturing, the key sub-industries which witnessed lower growth in February 2025 include coke and refined petroleum products (0.5%), pharmaceuticals (3.1%), other machinery and equipment (3.1%) and basic metals (5.8%). Output of food products ((-)6.1%) and chemicals and chemical products ((-)2.9%) contracted during the month.
- Within the 'use-based' classification of industries, although capital goods output showed the highest growth of 8.2% in February 2025, it was lower compared to 10.3% in January 2025. Output of infrastructure/construction goods grew at a marginally slower pace of 6.6% in February 2025 compared to 7.4% in January 2025. Output of consumer durables grew by 3.8% in February 2025, moderating from 7.2% in January 2025. Output of consumer non-durables, however, contracted for the third successive month by (-)2.1% in February 2025.

**IIP growth moderated to a six-month low of 2.9% in February 2025 due to a fall in the growth of manufacturing and mining output.**

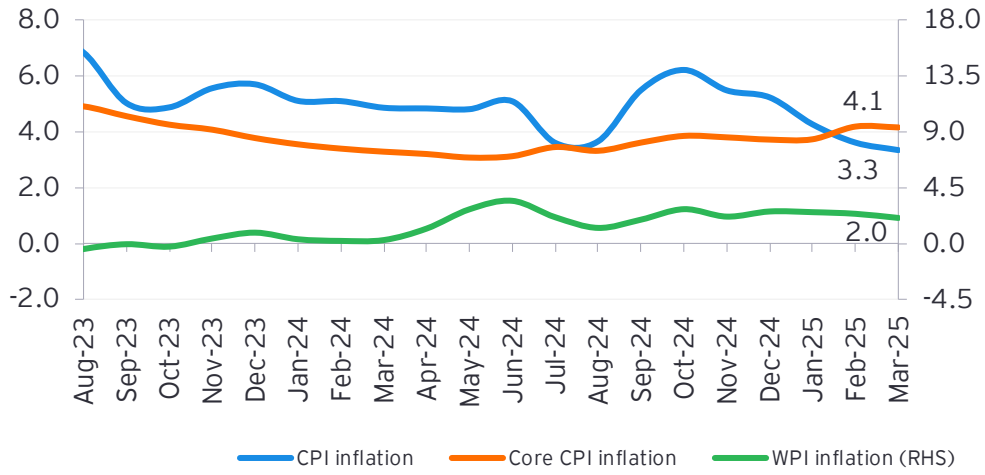
- Output growth of eight core infrastructure industries (core IIP) moderated sharply to a five-month low of 2.9% in February 2025 from 5.1% in January 2025 (revised). Among the key sub-industries, there was a slowdown in the output growth of petroleum refinery products (0.8%), coal (1.7%) and cement (10.5%). Further, sharp contractions were witnessed in the output of natural gas ((-)6.0%) and crude oil ((-)5.2%) during the month.

# 2. Inflation: CPI inflation fell to a 67-month low of 3.3% in March 2025

## 2.1. CPI inflation

- CPI inflation moderated to 3.3% in March 2025, its lowest level since July 2019 (Chart 2), as consumer food price index-based inflation eased to a 40-month low of 2.7%.
- The pace of contraction in prices of vegetables increased to (-)7.0% in March 2025 from (-)1.1% in February 2025 led by a sharp fall in prices of tomatoes and garlic.
- Inflation in pulses saw a sequential decline for the tenth successive month to (-)2.7% in March 2025 from (-)0.3% in February 2025.
- Owing to waning favorable base effects, inflation in fuel and light turned positive at 1.5% in March 2025, after remaining consistently negative since August 2023.
- Inflation in clothing and footwear eased marginally to 2.6% in March 2025 from 2.7% in February 2025. It was stable for 10 consecutive months at 2.7% until February 2025.
- Inflation in housing as well as in transportation and communication services was low at 3.0% and 3.3%, respectively, in March 2025, marginally higher than their levels of 2.9% each in February 2025.
- Core CPI inflation[2] moderated slightly to 4.1% in March 2025 from 4.2% in February 2025 partly owing to a lower inflation in household goods and services.
- On an annual basis, CPI inflation eased to 4.6% in FY25 from 5.4% in FY24, while core CPI inflation moderated to 3.6% from 4.4% during this period.

**Chart 2: Inflation (y-o-y, in %)**




CPI inflation eased to a 67-month low of 3.3% in March 2025 as prices of vegetables fell, whereas core CPI inflation moderated to 4.1% in March 2025 from 4.2% in February 2025.

Source: MoSPI, Office of the Economic Adviser, Government of India (GoI)

[2] Core CPI inflation is measured as CPI inflation excluding food and beverages, pan, tobacco and intoxicants and fuel and light.

## 2.2. WPI inflation: fell to a six-month low of 2.0% in March 2025

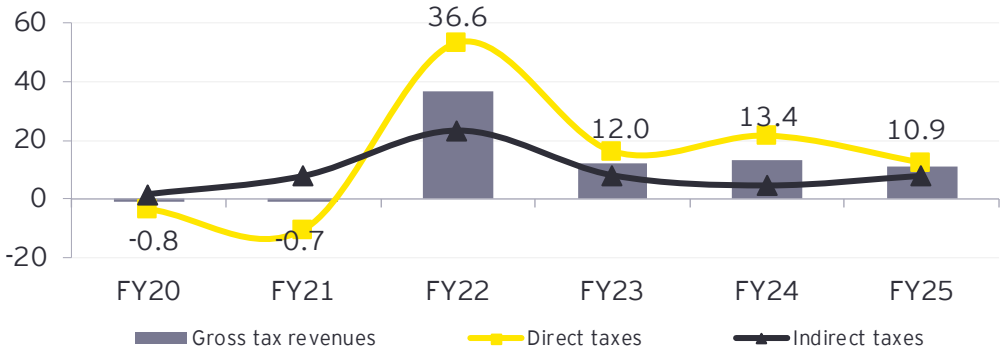
- WPI inflation moderated to 2.0% in March 2025 from 2.4% in February 2025 (Chart 2) led by a fall in food inflation to 4.7% from 5.9% during the same period.
- The pace of contraction in prices of vegetables increased to (-)15.9% in March 2025 from (-)5.8% in the previous month, partly owing to a favorable base effect.
- Inflation in non-food articles, which includes floriculture, eased to a four-month low of 1.8% in March 2025.
- Owing to a moderation in global crude prices, the pace of contraction in wholesale crude prices increased to a five-month high of (-)11.5% in March 2025.
- Fuel and power inflation turned positive at 0.2% in March 2025 after remaining negative for seven successive months. This was attributable to a sharp increase in inflation in electricity to 5.5% in March 2025, its highest since May 2023, mainly due to a favorable base effect.
- Inflation in manufactured products continued to remain low at 3.1% in March 2025, although showing a sequential increase for the seventh successive month, as inflation in manufactured basic metals turned positive for the first time since July 2024 at 0.3%.
- Core WPI inflation remained subdued, although increasing for the sixth successive month to 1.6% in March 2025, led by inflation in manufactured basic metals turning positive.
- On an annual basis, WPI inflation averaged 2.3% in FY25 compared to (-)0.7% in FY24.

# 3. Fiscal: GoI's capital expenditure grew by only 0.8% during April-February FY25

## 3.1. Tax and non-tax revenues

- As per the CGA, GoI's GTR[(b)] showed a growth of 10.9% during April-February FY25 compared to 13.4% during the corresponding period of FY24 (Chart 3). A growth of 12.9% is required in March 2025 for realizing the FY25 RE at INR38.53 lakh crore.
- During April to February FY25, GTR as a percentage of annual RE stood at 83.2%, close to the three-year average of 83.6% in the corresponding period during FY22 to FY24 based on actuals.
- Direct taxes[(a)] showed a growth of 12.4% while indirect taxes[(a)] grew by 7.9% during April-February FY25. The corresponding growth rates in FY24 were at 21.6% and 4.6%, respectively.
- CIT revenues experienced a subdued growth of 1.9% during April-February FY25, compared to a significantly high growth of 17.3% witnessed during the corresponding period of FY24.
- PIT revenues continued to grow at a robust pace of 22.0% during the first eleven months of FY25, compared to 25.8% in the corresponding period of FY24.
- Among indirect taxes, GoI's GST revenues grew by 11.6% during April-February FY25, higher than 8.4% during the corresponding period of FY24.
- Union excise duties (UED) showed a contraction for the third successive year at (-)1.4% during April-February FY25 compared to (-)5.8% and (-)18.6% during the corresponding periods of FY24 and FY23, respectively.
- Customs duties growth was modest at 4.2% during April-February FY25 compared to 3.9% during the corresponding period of FY24.

**Chart 3: Growth in central gross tax revenues during April-February (%, y-o-y)**




**GoI's GTR showed a growth of 10.9% during April-February FY25. A growth of 12.9% is required in March 2025 for realizing the FY25 RE.**

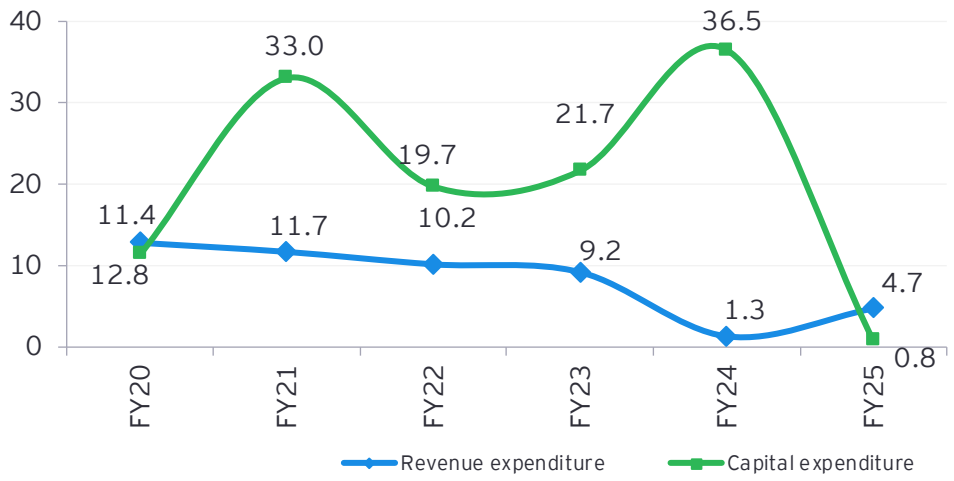
Source: Monthly Accounts, CGA, Government of India
Notes: (a) Direct taxes include personal income tax (excluding STT) and corporation tax, and indirect taxes include union excise duties, arrears of service tax, customs duty, and GST (comprising CGST, UTGST, IGST and GST compensation cess) (b) Other taxes (securities transaction tax, wealth tax, fringe benefit tax, banking cash transaction tax, etc.) are included in the GoI's GTR along with direct and indirect taxes.

- GoI's non-tax revenues showed a high growth of 36.9% during the first eleven months of FY25, owing to substantially higher dividends by the RBI. GoI's dividends and profits during this period at INR3,00,086 crore surpassed the FY25 (RE) at INR2,89,285 crore.
- Non-debt capital receipts of the GoI during April-February FY25 stood at 63.3% of the annual RE, much lower than the three-year average ratio at 77.8% in the corresponding period during FY22 to FY24 based on actual data.
- As per the Department of Investment and Public Asset Management (DIPAM)[3], GoI's disinvestment receipts in FY25 were at INR10,131.32 crore, amounting to 30.7% of the FY25 RE at INR33,000 crore.

## 3.2. Expenditures: Revenue and capital

- Growth in GoI's total expenditure was low at 3.9% during the first eleven months of FY25 compared to 7.3% during the corresponding period of FY24. As a proportion of FY25 RE, GoI's total expenditure during April-February FY25 stood at 82.5%, marginally lower than the corresponding average at 83.5% based on the last three years' actual data.
- A growth of 18.4% is required in March 2025 for realizing the FY25 RE at INR47.16 lakh crore.
- GoI's revenue expenditure growth was at 4.7% during April-February FY25 compared to 1.3% during April-February FY24.
- GoI's capital expenditure showed a subdued growth of 0.8% during April-February FY25, unlike the last three years which showed an average growth of 26% during the corresponding period (Chart 4). A high growth of 44.5% is required in March 2025 to meet the FY25 RE at INR10.18 lakh crore.

**Chart 4: Growth in central expenditures during April-February (%, y-o-y)**




Source (basic data): Monthly Accounts, CGA, Government of India

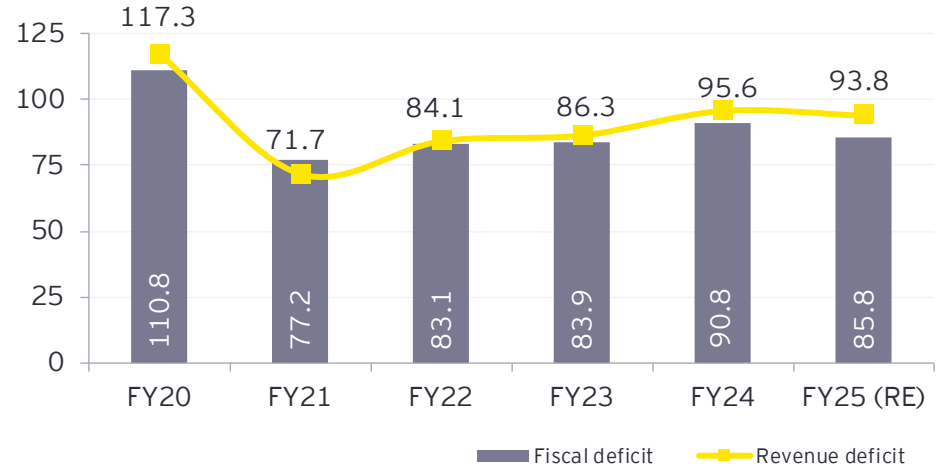
**GoI's total expenditure grew by 3.9% during April-February FY25, with growth in revenue expenditure at 4.7% and that in capital expenditure at only 0.8%.**

[3] https://dipam.gov.in/

## 3.3. Fiscal imbalance

- GoI's fiscal deficit during April-February FY25 was at 85.8% of the FY25 RE, lower than 90.8% during April-February FY24 based on actual data (Chart 5). A low growth in GoI's capital expenditure contributed to a relatively low fiscal deficit as a proportion of RE during the eleven-month period of FY25. The FY25 fiscal deficit target of 4.8% of GDP is likely to be met.
- GoI's revenue deficit during April-February FY25 stood at 93.8% of the FY25 RE compared to 95.6% during the corresponding period of FY24 based on actual data. GoI's revenue deficit target for FY25 at 1.9% of GDP is likely to be met.

**Chart 5: Fiscal and revenue deficit during April-February as a percentage of actuals**




Source: Monthly Accounts, CGA, Government of India and MoSPI

**GoI's fiscal and revenue deficits during April-February FY25 stood at 85.8% and 93.8% of their respective annual REs.**


# 4. Comparative trends: ADB projected India's growth at 6.7% in FY26 vis-à-vis 4.9% for Developing Asia

## 4.1. Real GDP growth

- According to the Asian Development Bank (ADB), growth in developing economies in Asia and the Pacific (Developing Asia) eased only slightly in 2024 to 5.0% as strong exports and investment across the region offset softer consumption in China.
- The forecasts for Developing Asia, which do not consider the impact of the US tariffs announced on 2 April 2025, show growth in Developing Asia moderating to 4.9% in 2025 and 4.7% in 2026 owing to higher US tariffs and trade uncertainty.
- The ADB assesses a downside risk to the growth forecasts for 2025 and 2026 emanating from the full implementation of the additional US duties announced on 2 April 2025 and US policy uncertainty.
- Strong exports and industrial activity helped the Chinese economy grow by 5.0% in 2024, although down from 5.4% in 2023 (Table 1). Growth is forecasted to moderate to 4.7% in 2025 and further to 4.3% in 2026 owing to a continued property market slowdown and deceleration of export growth as the new US tariffs take effect. Increased policy support, however, is expected to partially mitigate the adverse impact on growth.
- In India, despite a robust service sector, GDP growth moderated from 9.2% in FY24 to 6.4% in FY25 as expansion in industry slowed. GDP growth is forecasted to rise to 6.7% in FY26 and 6.8% in FY27 supported by more favorable monetary and fiscal policies, rising rural incomes, and moderating inflation, boosting consumer confidence.

Table 1: Real GDP growth (% annual)

| Country | 2023 | 2024 | 2025(f) | 2026(f) |
|---|---|---|---|---|
| Developing Asia *of which* | 5.5 | 5.0 | 4.9 | 4.7 |
| China | 5.4 | 5.0 | 4.7 | 4.3 |
| India* | 9.2 | 6.4 | 6.7 | 6.8 |
| Major Advanced economies *of which* | 1.8 | 1.7 | 1.6 | 1.6 |
| US | 2.9 | 2.8 | 2.0 | 1.9 |
| Euro area | 0.4 | 0.9 | 1.2 | 1.4 |
| Japan | 1.5 | 0.1 | 1.2 | 0.8 |

Source: Asian Development Outlook, April 2025
*Data pertains to fiscal year; '(f)' implies forecasts

- Not taking into account the tariff announcement by the US on 2 April 2025, growth in major advanced economies is forecasted to remain stable at a low level of 1.6% in 2025 and 2026, falling gradually from 1.7% in 2024. There is considerable variability in the growth trajectories of individual economies.
- The US economy grew strongly by 2.8% in 2024 supported by strong private consumption. Growth is forecasted to slow to 2.0% in 2025 and further to 1.9% in 2026 as policy uncertainty is expected to hinder private investment growth in the near term. The prospect of higher tariffs on imports is likely to add to this uncertainty.

- Although growth in the Euro area was slightly higher at 0.9% in 2024 compared to 0.4% in 2023, it remained much weaker than the pre-pandemic average growth of 2% during 2015 to 2019. Growth is projected to improve to 1.2% in 2025 and further to 1.4% in 2026 owing to moderately strengthening private consumption on the back of rising real incomes amid tight labor markets and increased credit availability as monetary policy continues to ease.
- In Japan, growth is forecasted to rebound to 1.2% in 2025 from just 0.1% in 2024 supported by fiscal stimulus and wage growth, boosting consumption. Growth is projected to moderate again in 2026 as weaker external demand is expected to affect the outlook.

## 4.2. CPI inflation

- CPI inflation in Developing Asia was estimated to fall from 3.3% in 2023 to 2.6% in 2024 owing to declining global commodity prices, delayed impact of tighter monetary policies, reduced supply-side pressures in some economies, lower energy and core inflation, and a fall in food inflation.
- Inflation in Developing Asia is projected to moderate further to 2.3% in 2025 and 2.2% in 2026. Declining global oil and other commodity prices may continue to reduce price pressures in the region.
- In China, CPI inflation was subdued at 0.2% both in 2023 and 2024 owing to downward pressure from food prices, household spending, and producer price deflation. Inflation levels are forecasted to increase only modestly in 2025 and 2026 due to the ongoing downturn in the property sector, and weak private demand despite policy support for consumption which is expected to help lift inflation.
- In India, CPI inflation shows a falling trajectory. However, at 4.7% in FY25, it was higher than the central bank's average target of 4%. This was mainly due to high food prices. Inflation is projected to fall to 4.3% in FY26 and 4% in FY27 owing to lower global crude prices and declining food inflation as agricultural supply improves with fewer supply shocks from weather-related factors.
- Inflation in major advanced economies is forecasted to show a gradual decline in 2025 and 2026 with all three constituent economies showing a falling trend.

Table 2: CPI inflation (% annual)

| Country | 2023 | 2024 | 2025 | 2026 |
|---|---|---|---|---|
| Developing Asia *of which* | 3.3 | 2.6 | 2.3 | 2.2 |
| China | 0.2 | 0.2 | 0.4 | 0.7 |
| India* | 5.4 | 4.7 | 4.3 | 4.0 |
| Major Advanced economies *of which* | 4.6 | 2.7 | 2.4 | 2.2 |
| US | 4.1 | 3.0 | 2.5 | 2.4 |
| Euro area | 5.5 | 2.4 | 2.2 | 2.0 |
| Japan | 3.3 | 2.7 | 2.6 | 1.9 |

Source: Asian Development Outlook, April 2025
*Data pertains to fiscal year

- Although CPI inflation in the US is forecasted to fall from 3% in 2024 to 2.5% and 2.4% in 2025 and 2026 respectively, it would continue to remain above the central bank's target of 2% as per the ADB.
- Headline inflation in the Euro area is forecasted to fall from 2.4% in 2024 to 2.2% in 2025 and 2% in 2026 with the European Central Bank likely to implement additional policy rate cuts this year as labor market conditions gradually ease.
- In Japan, inflation is projected to decline to 2.6% in 2025 and 1.9% in 2026 as the Bank of Japan continues its monetary policy normalization, gradually raising policy rates over the forecast period.


# 5.
# In-focus: All is fair in love for trade and war of tariffs

## Introduction

The US unleashed a major upheaval of global trade through an imposition of enhanced tariffs across all countries with whom international trade with the US occurs. The US initiatives are changing by the day and uncertainty prevails because the new tariff structure is not stable yet. Countries are responding in different ways to these US tariff initiatives. Some are responding with reciprocal tariffs and others are looking at working out trade deals with the US. India has to examine this matter that serves its own interests best. In this writeup we focus on the issue of the impact on global trade resulting from the ongoing war of tariffs from the viewpoint of its impact on the growth and trade prospects of the Indian economy.

## Timeline

On 02 April 2025, the US announced a comprehensive list of revised tariff rates for all countries with which it maintains international trade. The announced tariff rates are based on a formula which has been worked out with the objective of reducing the trade surplus of every country with the US to zero. A total of 57 countries were assigned reciprocal tariffs that ranged between 11% to 50%[4]. For the remaining countries, a 10% floor rate was applicable. These rates were levied on all commodities except for those where a tariff rate had already been announced or is likely to be announced. For example, on 10 February 2025, the US reinstated 25% tariff rate on steel and aluminum imports[5]. Further, on 26 March 2025, automobiles and auto parts, were subjected to Section 232 tariffs at 25%[6]. In the case of copper, semiconductors, lumber and pharmaceuticals, there is a likelihood of the imposition of Section 232 tariffs in the future. The reciprocal tariff rates were to be effective from 09 April 2025.

Subsequently, just as the country specific reciprocal tariffs were about to become effective, the US government, on 9 April 2025, temporarily suspended this measure for a period of 90 days (until 9 July 2025)[7]. This temporary suspension, however, excluded China. On the contrary, the reciprocal tariff for China was increased from an initial rate of 34% (as announced on 2 April 2025) to 84% on 8 April 2025[8] and further to 125% on 9 April 2025[9].

Further, on 11 April 2025, the US Customs and Border Protection published a list of 20 commodities that would be exempted from reciprocal tariffs[10], including those from China. These items include computers, smartphones and other electronic devices. On 15 April 2025, China was subjected to tariff rates up to

[4] https://www.federalregister.gov/documents/2025/04/07/2025-06063/regulating-imports-with-a-reciprocal-tariff-to-rectify-trade-practices-that-contribute-to-large-and
[5] https://www.whitehouse.gov/fact-sheets/2025/02/fact-sheet-president-donald-j-trump-restores-section-232-tariffs/
[6] https://www.whitehouse.gov/presidential-actions/2025/03/adjusting-imports-of-automobiles-and-autombile-parts-into-the-united-states/
[7] https://www.whitehouse.gov/presidential-actions/2025/04/modifying-reciprocal-tariff-rates-to-reflect-trading-partner-retaliation-and-alignment/
[8] https://www.federalregister.gov/documents/2025/04/14/2025-06378/amendment-to-reciprocal-tariffs-and-updated-duties-as-applied-to-low-value-imports-from-the-peoples
[9] https://www.whitehouse.gov/presidential-actions/2025/04/modifying-reciprocal-tariff-rates-to-reflect-trading-partner-retaliation-and-alignment/
[10] https://content.govdelivery.com/accounts/USDHSCBP/bulletins/3db9e55

245% on imports to the United States. This includes a 125% reciprocal tariff, a 20% tariff to address the fentanyl crisis, and Section 301 tariffs on specific goods between 7.5% and 100%[11].

**Transitional difficulties and pause for 90 days**

The reciprocal tariff rates, however, as per an announcement from the office of the US President, have been put on hold for 90 days and replaced by a common rate of 10% for all countries other than China. For China, this rate was revised to 125% taking the overall tariff on Chinese imports to 145%. Further, all electronic goods into the US have been exempted from the levy of reciprocal tariffs including the 10% common tariff rate.

## Calculating US reciprocal tariffs

The idea underlying US reciprocal tariffs is to reduce its imports from a country to a level that just matches US exports to that country so that the US trade balance becomes zero. This amounts to encouraging 'Import-substituting reindustrialization'. Trade balance, however, can also be established by increasing US exports to the countries concerned. The formula is defined below[12]:

$$\Delta\tau_i = \frac{X_i - M_i}{\varepsilon * \varphi * M_i} \quad \text{... equation (1)}$$

$\Delta$ = Delta represents change

$\tau_i$ = Tau, tariff rate to be levied on country i

$X_i$ = Total exports to country i from the US

$M_i$ = Total imports from country i to the US

$\varepsilon$ = Epsilon, price elasticity of import demand; set at 4

$\varphi$ = Phi, elasticity of import prices with respect to tariffs; set at 0.25

$$Change\ in\ import\ tariff\ rate = (-1) * \frac{exports - imports}{4 * 0.25 * imports}$$

Since $4 * 0.25 = 1$, we have

$$Change\ in\ import\ tariff\ rate = (-1) * \frac{exports - imports}{imports} \quad \text{... equation (2)}$$

The discounted change in tariff rate was based on equation (2) and fixed at half the above value. Thus,

$$\text{USA discounted tariff rate} = (-1) * \left(\frac{1}{2}\right) * \frac{exports - imports}{imports} \quad \text{... equation (3)}$$

Wherever, the discounted reciprocal tariff rate was estimated to be below 10%, a floor rate of 10% was applied.

In India's case the value of exports from the US to India was equal to US$41.8 billion in 2024 and the value of imports into the US from India was at US$87.4 billion leading to a trade deficit for the US of US$45.7 billion[13]. Using these values in equation (3), the discounted reciprocal tariff rate for India works out at 26%.

$$Change\ in\ import\ tariff\ rate\ for\ India = (-1) * \left(\frac{1}{2}\right) * \frac{(41.8 - 87.4)}{87.4} = 26.1\% \approx 26\%$$

These tariff rates are to be added to the commodity-specific tariff rates that may be prevailing prior to the announcement of these reciprocal rates. In other words, the new effective tariff rates are commodity-specific rates plus a country-specific penal rate.

Table 3 provides the country-wise reciprocal tariff rates of countries where the applicable tariff rate is higher than the floor rate of 10%. Countries such as Cambodia, Vietnam, Bangladesh, China, Indonesia and

[11] https://www.whitehouse.gov/fact-sheets/2025/04/fact-sheet-president-donald-j-trump-ensures-national-security-and-economic-resilience-through-section-232-actions-on-processed-critical-minerals-and-derivative-products/

[12] https://www.whitehouse.gov/presidential-actions/2025/04/modifying-reciprocal-tariff-rates-to-reflect-trading-partner-retaliation-and-alignment/

[13] US Census Bureau

South Africa have been subjected to relatively higher additional reciprocal tariff rates implying that their comparative disadvantage on account of their reciprocal rates is higher than that of India.

**Table 3: Country-wise reciprocal tariff rates (in %)**

| Country | Tariff | Country | Tariff | Country | Tariff | Country | Tariff |
|---|---|---|---|---|---|---|---|
| Lesotho | 50 | Serbia | 37 | Pakistan | 29 | Israel | 17 |
| Cambodia | 49 | Thailand | 36 | Tunisia | 28 | Malawi | 17 |
| Laos | 48 | Bosnia and Herzegovina | 35 | Kazakhstan | 27 | Philippines | 17 |
| Madagascar | 47 | China | 34 | India | 26 | Zambia | 17 |
| Vietnam | 46 | North Macedonia | 33 | South Korea | 25 | Mozambique | 16 |
| Myanmar (Burma) | 44 | Angola | 32 | Brunei | 24 | Norway | 15 |
| Sri Lanka | 44 | Fiji | 32 | Japan | 24 | Venezuela | 15 |
| Falkland Islands | 41 | Indonesia | 32 | Malaysia | 24 | Nigeria | 14 |
| Syria | 41 | Taiwan | 32 | Vanuatu | 22 | Chad | 13 |
| Mauritius | 40 | Libya | 31 | Côte d`Ivoire | 21 | Equatorial Guinea | 13 |
| Iraq | 39 | Moldova | 31 | Namibia | 21 | Cameroon | 11 |
| Guyana | 38 | Switzerland | 31 | European Union | 20 | Democratic Republic of the Congo | 11 |
| Bangladesh | 37 | Algeria | 30 | Jordan | 20 | | |
| Botswana | 37 | Nauru | 30 | Nicaragua | 18 | | |
| Liechtenstein | 37 | South Africa | 30 | Zimbabwe | 18 | | |

Source (Basic data): https://www.whitehouse.gov/wp-content/uploads/2025/04/Annex-I.pdf

## India's trade structure: Overall and with the US

### India's exports to and imports from the US

The commodity composition of India's exports to the US is summarized in Table 4. At the level of 2-digit Harmonized System (HS) code, the highest share of India's exports to the US is that of electrical machinery and equipment followed by pearls and semiprecious stones and pharmaceutical products. These commodity groups each accounted for a share of 10% or more in India's exports to the US in FY24. Machinery and mechanical appliances and their parts, mineral fuels, articles of iron and steel, made-up textiles, auto components, apparel and organic chemicals are also commodity groups that accounted for a share higher than 3% in India's exports to the US in this year. Together, these 10 groups accounted for nearly 70% of India's exports to the US in FY24. At the level of individual commodities, that is, at the 8-digit HS code, some of the notable commodities exported by India to the US include smartphones, photovoltaic cells, diamonds, gears and related components, turbo jets, and motor spirit.

The main Indian exports that are likely to be affected by the imposition of the additional 26% tariff are electrical machinery, gems and jewelry, machinery and mechanical appliances, mineral fuels and textiles. Pharmaceuticals are not yet subject to the additional tariff. Articles of iron and steel are covered by the provision under Section 232 of the Trade Expansion Act. Mineral fuels exported are refined oil products that are re-exported to the US after processing in India. The impact on gems and jewelry is likely to be minimal as its demand is relatively inelastic. The main items that are likely to therefore be affected include electrical machinery, machinery and mechanical appliances and made-up textiles. However, India's competitors in these three commodity groups such as China, Vietnam, Cambodia, and Bangladesh have also been subjected to reciprocal tariffs that are higher than of India. South Korea is also a competitor in electronic goods but has been subjected to a 25% reciprocal tariff which is very close to that of India. However, with the 90 days' pause, all countries, except for China, have been brought on par with India.

Table 4: Commodity composition of India's exports to the US (share, %)

| HS code | Item | FY22 | FY23 | FY24 | FY25 (Apr-Dec) |
|---|---|---|---|---|---|
| **85** | **Electrical machinery and equipment and parts thereof, *of which*** | **4.7** | **8.7** | **14.3** | **14.9** |
| 85171300 | Smartphones | 4.0 | 6.2 | 7.2 | 8.4 |
| 85414300 | Photovoltaic cells assembled in modules or made up into panels | 0.0 | 2.7 | 2.5 | 1.4 |
| **71** | **Natural or cultured pearls, precious or semiprecious stones, etc. *Of which:*** | **19.3** | **16.0** | **12.8** | **11.7** |
| 71023910 | Diamond (other than industrial diamond) cut or otherwise worked but not mounted or set | 12.9 | 10.2 | 7.2 | 6.1 |
| **30** | **Pharmaceutical products** | **8.5** | **8.7** | **10.4** | **11.0** |
| **84** | **Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof. *of which:*** | **7.6** | **7.7** | **8.0** | **8.2** |
| 84834000 | Gears and gearing, excl toothed wheels, ball screws, gear boxes and speed changers, incl torque c | 0.4 | 0.6 | 0.7 | 0.9 |
| 84111200 | Turbo-jets of a thrust>25 kn | 1.6 | 0.8 | 0.5 | 0.6 |
| **27** | **Mineral fuels, mineral oils and products of their distillation *of which:*** | **6.7** | **8.7** | **7.5** | **5.5** |
| 27101290 | Petroleum oil including motor spirit | 3.5 | 3.4 | 5.7 | 4.2 |
| **73** | **Articles of iron or steel** | **3.5** | **3.9** | **3.6** | **3.7** |
| **63** | **Other made up textile articles; sets; worn clothing and worn textile articles; rags** | **4.5** | **3.3** | **3.6** | **3.7** |
| **87** | **Parts and accessories of vehicles other than railway or tramway rolling stock, *of which:*** | **3.8** | **3.6** | **3.4** | **3.2** |
| **62** | **Articles of apparel and clothing accessories not knitted or crocheted.** | **3.5** | **3.7** | **3.2** | **3.0** |
| **29** | **Organic chemicals** | **3.9** | **3.8** | **3.1** | **3.2** |
| | Others | 34.04 | 31.86 | 30.02 | 31.95 |
| | Total | 100.00 | 100.00 | 100.00 | 100.00 |

Source: Export Import databank, Ministry of Commerce and Industry, GoI

The composition of commodities that India imports from the US is summarized in Table 5. Many of the imported items are commodities in raw form, which are processed in India and then exported back. At the 2-digit level of HS code, India's major imports include mineral fuels (crude oil, coking coal and LNG), pearls and precious stones (diamonds), machinery and mechanical appliances, electrical machinery and equipment and parts, and aircraft, spacecraft and parts. Together, the eight items listed in Table 5 accounted for 75% of India's total imports from the US in FY24.

Table 5: Commodity composition of India's imports from the US (share, %)

| HS Code | Commodity | FY22 | FY23 | FY24 | FY25 (Apr-Dec) |
|---|---|---|---|---|---|
| **27** | **Mineral fuels, mineral oils and products of their distillation *of which:*** | **38.9** | **35.4** | **30.7** | **32.3** |
| 27090010 | Petroleum crude | 22.0 | 20.0 | 11.9 | 14.2 |
| 27011910 | Coking coal | 2.3 | 5.2 | 5.6 | 4.1 |
| 27111100 | Liquified natural gas | 4.4 | 3.7 | 3.4 | 6.4 |
| **71** | **Natural or cultured pearls, precious or semiprecious stones etc. *Of which:*** | **15.8** | **15.1** | **12.2** | **12.1** |
| 71023910 | Diamond (other than industrial diamond) cut or otherwise worked but not mounted or set | 12.9 | 9.0 | 7.3 | 5.4 |
| **84** | **Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof. *of which:*** | **7.9** | **7.7** | **8.9** | **9.1** |
| 84111200 | Turbo-jets of a thrust>25 kn | 2.1 | 1.9 | 1.5 | 1.3 |

| HS Code | Commodity | FY22 | FY23 | FY24 | FY25 (Apr-Dec) |
|---|---|---|---|---|---|
| 84715000 | Digital processing units excl under HS 847141 and 847149 | 0.7 | 0.6 | 1. 2 | 1.8 |
| **85** | **Electrical machinery and equipment and parts thereof etc. *of which*** | **4.2** | **4.5** | **5.6** | **6.9** |
| 85176290 | Telecom machines for the reception, conversion and transmission or regeneration of voice, images or other data, including switching and routing apparatus: | 0.7 | 1.0 | 1.5 | 1.5 |
| **88** | **Aircraft, spacecraft, and parts thereof.** | **0.4** | **4.3** | **5.3** | **3.4** |
| 88024000 | Aeroplanes and other aircraft, of an unladen weight exceeding 15000 kg | 0.0 | 3.0 | 4.6 | 2.9 |
| **90** | **Medical or surgical instruments and apparatus, optical, photographic, cinematographic, precision instruments etc.** | **3.6** | **3.5** | **4.6** | **4.4** |
| **39** | **Plastic and articles thereof.** | **2.7** | **3.2** | **3.9** | **3.5** |
| **29** | **Organic chemicals** | **4.6** | **4.1** | **3.5** | **2.8** |
| | Others | 21.7 | 22.3 | 25.2 | 25.5 |
| | Total | 100 | 100 | 100 | 100 |

Source: Export Import databank, Ministry of Commerce and Industry

### India's non-US exports and imports

Table 6 shows that India's non-US exports primarily consist of mineral fuels (refined oil products), machinery and mechanical appliances, electrical machinery and equipment and parts, gems and jewelry, motor cars and auto components, organic chemicals, pharmaceutical products and iron and steel. Many of these export items are common in the US and the non-US lists of exports, pointing to the possibility of switching some exports out of the US to non-US destinations.

**Table 6: Overall commodity exports from India excluding those to the US (% share)**

| HS Code | Commodity | FY22 | FY23 | FY24 | FY25 (Apr-Dec) |
|---|---|---|---|---|---|
| **27** | **Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes.** | **18.6** | **25.3** | **22.7** | **18.8** |
| 27101944 | Automotive diesel fuel, not containing biodiesel, conforming to standard is 1460 | 7.0 | 10.2 | 7.8 | 5.9 |
| 27101939 | Aviation turbine fuels, kerosene type conforming to standard is 1571 | 0.0 | 4.7 | 4.5 | 4.7 |
| **84** | **Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof.** | **5.7** | **5.8** | **6.6** | **7.5** |
| 84111200 | Turbo-jets of a thrust>25 kn | 0.8 | 0.7 | 1.0 | 1.4 |
| **85** | **Electrical machinery and equipment and parts thereof etc. *of which*** | **4.8** | **5.9** | **6.5** | **8.0** |
| 85171300 | Smartphones | 0.0 | 2.9 | 4.3 | 5.9 |
| **71** | **Natural or cultured pearls, precious or semiprecious stones etc. *Of which:*** | **7.1** | **6.9** | **6.4** | **5.5** |
| 71023910 | Diamond (other than industrial diamond) cut or otherwise worked but not mounted or set | 7.1 | 5.9 | 4.4 | 3.7 |
| **87** | **Vehicles other than railway or tramway rolling stock, and parts and accessories thereof.** | **4.9** | **4.9** | **5.1** | **5.7** |
| 87032291 | Motor car with cylinder capacity>=1000cc and < 1500cc, with spark-ignition | 0.9 | 1.0 | 1.2 | 1.5 |
| **29** | **Organic chemicals** | **5.5** | **4.9** | **5.0** | **4.9** |
| **30** | **Pharmaceutical products** | **3.7** | **3.5** | **3.9** | **4.1** |
| **72** | **Iron and steel** | **6.4** | **3.4** | **3.2** | **2.5** |
| | Others | 43.3 | 39.5 | 40.6 | 42.9 |
| | Total | 100 | 100 | 100 | 100 |

Source (basic data): Export Import databank, Ministry of Commerce and Industry

India also imports various commodities from sources other than the US. At the 8-digit level (Table 7), the most important commodity is petroleum crude followed by machinery and parts including mobile parts, and diamonds. Most of these imports are at the raw material or intermediate stage that are brought into India for further processing and value addition for re-exports. Imports into India for final consumption may be limited. If India reduces import duties in general, the unit cost of these inputs may go down, benefiting Indian producers.

**Table 7: Overall commodity imports to India excluding those from the US (% share)**

| HS Code | Commodity | FY22 | FY23 | FY24 | FY25 (Apr-Dec) |
|---|---|---|---|---|---|
| **27** | **Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes.** | **31.2** | **36.5** | **32.4** | **30.4** |
| 27090010 | Petroleum crude | 18.9 | 24.3 | 21.1 | 20.4 |
| 27011920 | Steam coal | 2.2 | 3.4 | 2.5 | 1.9 |
| 27011910 | Coking coal | 2.2 | 2.5 | 2.1 | 1.6 |
| 27111100 | Liquified natural gas | 2.0 | 2.3 | 1.9 | 1.8 |
| **85** | **Electrical machinery and equipment and parts thereof etc. *of which*** | **10.6** | **9.8** | **12.1** | **12.2** |
| 85423100 | Monolithic integrated circuits - digital | 1.4 | 1.5 | 2.0 | 2.1 |
| 85423100 | Monolithic integrated circuits - digital | 1.3 | 1.2 | 1.5 | 1.8 |
| 85177990 | Electrical machinery and parts thereof including mobile phones parts | 13.1 | 10.0 | 11.5 | 12.9 |
| **71** | **Natural or cultured pearls, precious or semiprecious stones etc. *Of which:*** | | | | |
| 71023910 | Diamond (other than industrial diamond) cut or otherwise worked but not mounted or set | 8.3 | 7.6 | 8.4 | 8.8 |
| **84** | **Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof.** | **1.3** | **0.8** | **0.8** | **0.9** |
| 84713010 | Personal computer (laptop, palmtop, etc) | 0.3 | 0.3 | 0.4 | 0.3 |
| 84111200 | Turbo-jets of a thrust>25 kn | 4.7 | 4.0 | 4.0 | 3.8 |
| **29** | **Organic chemicals** | **3.3** | **3.2** | **3.2** | **3.1** |
| **39** | **Plastic and articles thereof.** | **28.7** | **28.8** | **28.4** | **29.0** |
| | Others | 100 | 100 | 100 | 100 |
| | Total | 31.2 | 36.5 | 32.4 | 30.4 |

Source (basic data): Export Import databank, Ministry of Commerce and Industry

### India's direction of trade: US and non-US

Countries that are sources of imports or destinations for exports for India are listed in Tables 8 and 9. The US accounts for the highest share of exports from India followed by the UAE and Netherlands. India's exports to China accounted for only 3.8% of its total exports in FY24.

**Table 8: India's major export destinations: US and non-US (% share in total)**

| | FY22 | FY23 | FY24 | FY25 (Apr-Dec) |
|---|---|---|---|---|
| US | 18.0 | 17.4 | 17.7 | 18.6 |
| UAE | 6.6 | 7.0 | 8.2 | 8.3 |
| Netherlands | 3.0 | 4.8 | 5.1 | 5.6 |
| China | 5.0 | 3.4 | 3.8 | 3.2 |
| Singapore | 2.6 | 2.7 | 3.3 | 3.2 |
| United Kingdom | 2.5 | 2.5 | 3.0 | 3.4 |
| Saudi Arabia | 2.1 | 2.4 | 2.6 | 2.7 |
| Bangladesh | 3.8 | 2.7 | 2.5 | 2.6 |
| Germany | 2.3 | 2.2 | 2.3 | 2.4 |
| Italy | 1.9 | 1.9 | 2.0 | 1.8 |
| South Africa | 1.4 | 1.9 | 2.0 | 1.8 |
| **Total** | **100.0** | **100.0** | **100.0** | **100.0** |

Source: Ministry of Commerce and Industry, GoI

As far as import sources are concerned, China accounted for more than 15% of India's total imports in FY24, followed by Russia and the UAE. The US was in fourth place with a share of 6.2% in FY24. From Russia, the UAE and the US, the main imported commodity is petroleum crude, whereas from China, a mix of non-petroleum commodities are being imported.

**Table 9: India's major sources of imports: US and non-US**

| | FY22 | FY23 | FY24 | FY25 (Apr-Dec) |
|---|---|---|---|---|
| US | 7.1 | 7.1 | 6.2 | 6.4 |
| China | 15.4 | 13.8 | 15.0 | 15.5 |
| Russia | 1.6 | 6.5 | 9.0 | 9.1 |
| UAE | 7.3 | 7.4 | 7.1 | 8.4 |
| Saudi Arabia | 5.6 | 5.9 | 4.6 | 4.1 |
| Iraq | 5.2 | 4.8 | 4.4 | 4.0 |
| Indonesia | 2.9 | 4.0 | 3.5 | 3.3 |
| Switzerland | 3.8 | 2.2 | 3.1 | 3.7 |
| Singapore | 3.1 | 3.3 | 3.1 | 2.9 |
| South Korea | 2.9 | 3.0 | 3.1 | 2.9 |
| Hong Kong | 3.1 | 2.6 | 3.0 | 2.7 |
| **Total** | **100.0** | **100.0** | **100.0** | **100.0** |

Source: Ministry of Commerce and Industry, GoI

## Global growth slowdown and India's position

The global economy had evolved into a framework in which the US was running both a large current account deficit including a massive trade deficit and a large fiscal deficit. Corresponding to the US government's large current account deficit, China was running a large current account surplus. In China, this is also accompanied by a large fiscal deficit.

With the reciprocal tariffs, the US has attempted to rebalance its books by bringing down its current account deficit and establishing a balance on its current account. In fact, as long as there is a current account deficit for a country, macroeconomic identities require that it has a capital account surplus. This means that on the capital account, resources flow into the country from abroad. Thus, countries such as China, Japan, India, etc., hold debt issued by the US in the form of US Treasuries and US$. This has resulted in accumulated government debt for the US. On these Treasury bills, some interest had to be paid which was only at a nominal rate. However, the volume of US debt and interest payments on it, have both become very large. To correct this longstanding imbalance, correction may happen on both accounts, in the sense that the US may have a better profile of trade balance and non-US countries may reduce their holdings of US Treasuries. The reduction of US Treasuries held by other countries, which had already started earlier, is now getting accelerated. As the price of US bonds go down, their yield goes up, making issue of additional US debt highly costly.

Countries such as China have imposed retaliatory tariffs. The combined effect of both higher US tariffs on imported goods and higher retaliatory tariffs on goods exported from the US is expected to reduce the related volume of trade. In other words, in equation (1), both X and M are expected to go down. As a result, total global trade may fall sharply. This is likely to adversely impact global growth. The IMF (April 2025) has projected a significant global growth slowdown with the projected growth for 2025 revised downwards to 2.8% from its January 2025 forecast of 3.3%. This is attributed by the IMF primarily to the direct effects of the new trade measures and their indirect effects through trade linkage spillovers, heightened uncertainty, and deteriorating sentiment.

The formulation of reciprocal tariff rates recognizes price effects for determining imports. However, it does not give any importance to income effects. Demand for imports into any country depends not only on price, including the tariff component, but also on the per capita income of the importing country. If a global growth slowdown happens accompanied by retaliatory tariffs, exports are likely to fall both because of lower income of importing countries and higher prices of exported products.

The overall strategy of the US appears to be that of 'import-substituting reindustrialization' (ISRI). The expectation is that investment may flow back into the US from various countries where US investors had set up production facilities in order to take advantage of lower labour costs. Even if investment moves back into the US, it may be difficult to get the requisite labour at a competitive rate. One advantage in favor of the US, however, would be likely lower energy prices.

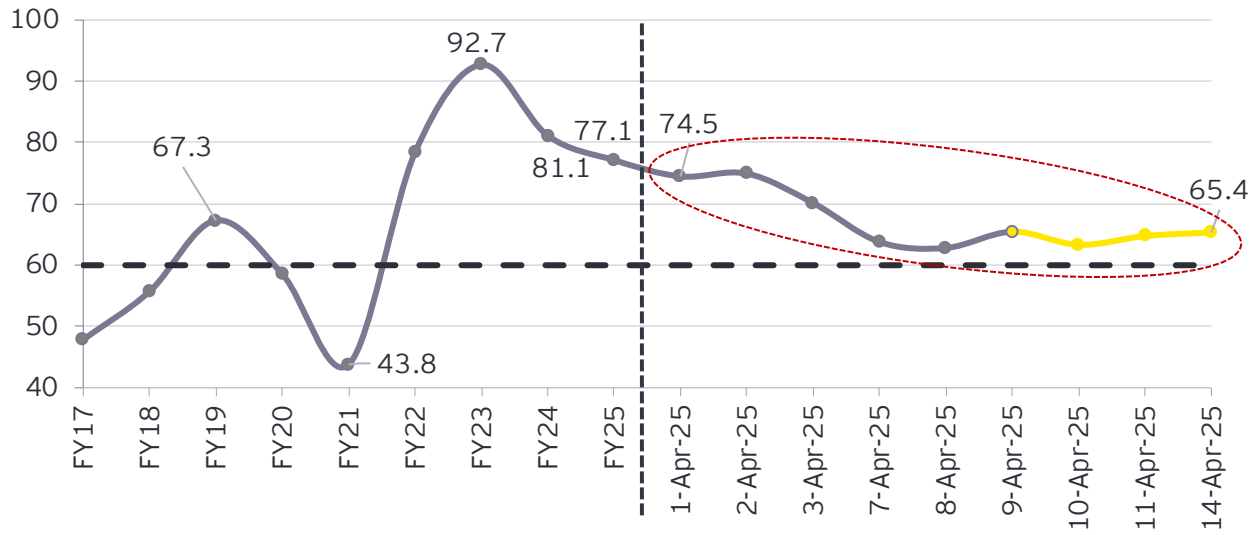
As the US attempts to increase its production capacity and as various exporters to the US find themselves with excess production capacities, there are likely to be important short and long-term implications. In the short-term, these exporter countries may try to find substitute destinations where they can 'dump' the output of their excess capacities. India, given its large market, may be targeted for such dumping[14]. It has, therefore, to consider the imposition of suitable anti-dumping policies including higher tariffs.

In the transitional period also, with the 10% common additional tariff rate there may be a reduction in the quantity of imports into the US and their prices are likely to go up. Within three months, it may be difficult to increase domestic production within the US except by a small margin. Thus, the adverse impact on global trade, involving reduction in its volume and an increase in the prices of traded goods is likely to continue even in the 90-day pause period.

**Impact of fall in crude prices**

The US has been working on a joint strategy of reducing energy prices by increasing production of oil and gas. It is issuing new licenses and existing facilities are increasing their capacities so that the overall global supply of petroleum crude and natural gas can effectively increase. The expectation is that this may lower costs of production across the board and neutralize any inflationary effects of reduced imports into the US. As global crude prices fall, India is likely to benefit immensely.

**Chart 6: Trends in global crude prices (US$/bbl)**




Source (basic data): World Bank and https://oilprice.com/oil-price-charts/46
Note: Annual global crude price is the average of three spot prices - Dated Brent, West Texas Intermediate and Dubai Fateh. Daily prices are for Dated Brent only

A fall in crude prices is likely to be both growth-supportive and inflation-dampening in India's context. Chart 6 shows that since 01 April 2025, a day prior to the announcement of reciprocal tariffs, global crude prices fell from a level of nearly US$75/bbl. to about US$65/bbl by the middle of April 2025. We expect global crude prices to range between US$60-65/bbl compared to its FY25 average of US$77/bbl. This fall is expected in view of the ongoing US-China tariff retaliations and the across-the-board 10% hike of tariff levied on imported goods into the US, except for China and some other countries. As per an earlier RBI study[15], a fall of US$10/bbl in crude prices, compared to a benchmark of US$75/bbl, is likely to increase

[14] Dumping is, in general, a situation of international price discrimination, where the price of a product when sold in the importing country is less than the price of that product in the market of the exporting country (WTO) (https://www.wto.org/english/tratop_e/adp_e/adp_info_e.htm)
[15] For details see Infocus section of September 2022 issue of EY Economy Watch

India's GDP growth by about 30 basis points and reduce CPI inflation by about 40 basis points. Although a slowdown in global growth and continued trade and tariff uncertainties may marginally dampen growth in India, this may be adequately neutralised by a fall in global crude prices and appropriate fiscal and monetary policies to support a real GDP growth of at least 6.5% and a CPI inflation rate of 4% or less in FY26.

## Impact on India's GDP growth

We may consider the impact of ongoing tariff wars and related uncertainties on India's GDP growth prospects for FY26 in terms of four effects. Due to uncertainty and fast-moving changes, our emphasis is on analyzing the directional impact on India's growth prospects. These four effects are (1) export reducing effect, (2) slowdown in global growth effect, (3) fall in crude prices effect, and (4) excess capacities effect. These effects are expected to interact with each other.

### Export reducing effect

India's exports are expected to go down due to the levy of higher tariff rates by the US. Although India's exports to other countries may not be affected by the tariff changes, as the incomes of other countries go down due to the negative impact on global growth, there may be an adverse effect on India's non-US exports. As exports go down, India's demand for imports may also go down since many of its imports are undertaken for processing and re-exporting. As such, there may be some fall in India's net exports but not by a large margin. Since the contribution of net exports to GDP growth has been low in recent years, the overall export reducing effect on India's GDP growth in FY26 may be limited. As demand for imports from the US goes down, particularly in those countries where retaliatory actions are being undertaken, the demand for US$ as a reserve currency may also go down. If the INR appreciates with respect to the US$, this may also have an adverse impact on India's exports.

### Fall in crude prices effect

India is a large importer of crude oil. A fall in global crude prices may have positive effects on both real GDP growth and CPI inflation as discussed above. Further, as production costs go down, India's exports may become relatively more competitive, thereby neutralizing some of the export reducing effects discussed above. Global crude prices fell from a level of nearly US$75/bbl. in the beginning of April 2025 to about US$65/bbl. by the middle of the month.

### Global growth slowdown effect

With the trade and tariff war between the US and China, the volume of global trade is expected to go down along with global growth. Many countries that are running high government debt and fiscal deficit levels may not be able to launch any large fiscal stimulus to counter the likely tariff war driven slowdown. India may be one of the few countries that have the scope of launching a monetary stimulus supplemented by a limited fiscal stimulus.

### Excess capacities effect

Many countries may have to suffer lower exports to the US resulting in excess domestic capacities. They are likely to then try to dump their goods into India. India has, therefore, to design suitable country-specific anti-dumping duties.

## Calibrating India's response

The global economy and intercountry trade and economic relations are likely to be significantly impacted by the recent initiatives of the US. These initiatives may have both short- and long-term effects. India may calibrate its response considering the levy of US tariff rates, the responses by some countries in the form of retaliatory tariffs, and other economic developments including an extended period of uncertainty.

As a short-term measure, India may attempt to reduce its reciprocal tariff rate as determined by the US, by switching its supply sources of crude oil from other countries to the US. For example, with an increase of US$25 billion of imports from the US, possibly on account of increased crude oil imports, India's reciprocal tariff rate is estimated to go down to 11.8% as shown below.

$$Change\ in\ import\ tariff\ rate\ for\ India = (-1) * \left(\frac{1}{2}\right) * \frac{(66.8 - 87.4)}{87.4} = 11.8\%$$

This may happen when the US revises the reciprocal tariff rates after 90 days. In the meanwhile, it may be best for India to work out a comprehensive trade agreement with the US. In fact, as per available information, India has already signed with the US, a terms of reference agreement, for the first phase of the proposed bilateral trade agreement, which is likely to be finalized by September-October of 2025[16]. The trade agreement may not involve any increase in current account imbalance as this change involves only switching sources of imports and not increasing our imports. Available monthly data indicates that India has already undertaken steps in this direction in the months of January and February 2025.

Further, in order to ensure that India's GDP growth remains close to its potential growth of 6.5% in FY26, both monetary and fiscal stimulus may be utilized. In the context of monetary policy, the rate reduction cycle has already been initiated. This may be continued until the policy rate comes down to a level of 5-5.25%. On the fiscal side, while continuing the directional change of reducing the fiscal deficit to GDP ratio towards its sustainable level, its composition may continue to shift in favor of capital expenditure associated with relatively higher multipliers.

From a medium- to long-term perspective, to attract higher investments, India may continue with its initiatives for land and labor reforms, investment into human resources, skill building and AI and GenAI, selecting additional sectors for PLI support and minimizing regulatory overload. India may continue to work towards more free trade agreements (FTAs) with the UK and the EU as also with selected countries in its neighborhood.

## Conclusions

The US has embarked upon a major overhaul of the global trading system. Its stated objective is to reduce the US trade imbalance with respect to major global economies. The selected instrument for this purpose is the tariff rate that is charged on imports into the US. The idea is to increase the prices of these imports to reduce their volume and establish a balance of trade. Countries like China and Canada are retaliating to the US tariffs leading to an escalation of trade tensions. Alongside, the US has embarked upon a major program to increase the output of crude oil and gas. India is likely to be affected by the ensuing global economic slowdown and the possible adverse impact on its exports. It may do well to work out a comprehensive trade agreement with the US, calibrate suitable monetary and fiscal stimulus policies to protect its GDP growth while also taking advantage of the falling global crude prices. From a medium to long term perspective, India may continue its efforts to attract investments by accelerating land and labor reforms, investment into human resources, skill building, and AI and GenAI. Also, additional sectors for PLI support may be identified and regulatory overload may be further reduced. India may continue to work towards free trade agreements (FTAs) with the UK and the EU as also with selected countries in its neighborhood.

Our assessment is that with suitable macro policies, India may be able to sustain a real GDP growth at about 6.5% in FY26 as also in the medium term, while maintaining a CPI inflation below 4%. We also expect the global crude prices to remain in the range of US$60-65/barrel in FY26, which may be to India's advantage.

[16] https://economictimes.indiatimes.com/news/economy/foreign-trade/india-us-sign-terms-of-reference-for-first-phase-of-trade-deal/articleshow/120307227.cms?from=mdr

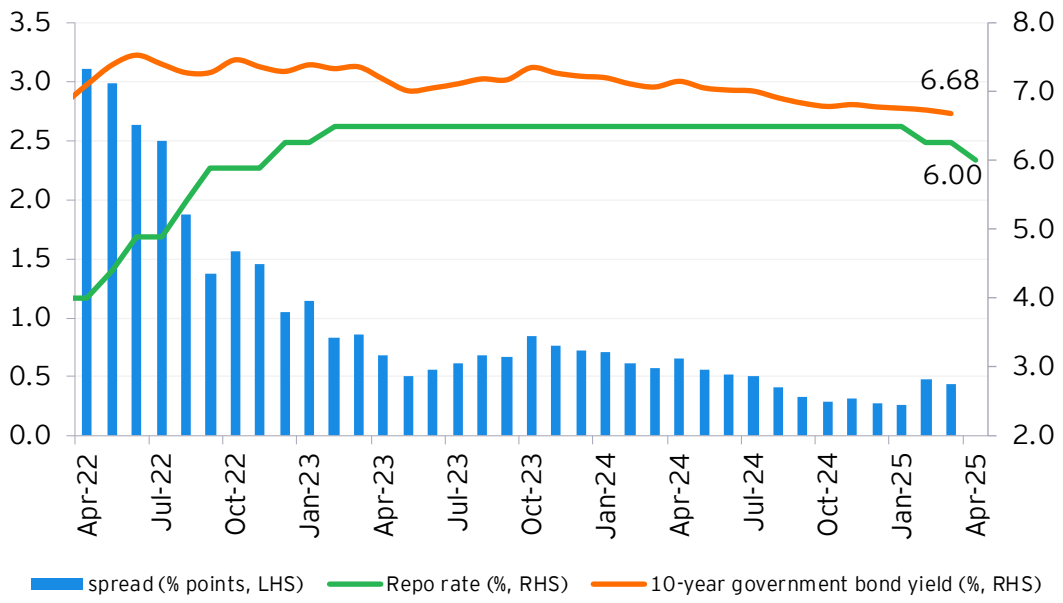
# 6. Money and finance: The RBI lowered the repo rate by 25 basis points to 6% in April 2025

## 6.1. Monetary sector

### Monetary policy

- The MPC reduced the repo rate by 25 basis points to a level of 6.0% in its monetary policy review held on 09 April 2025. This was its second successive rate reduction since January 2025 (Chart 7). The MPC also changed its policy stance from 'neutral' to 'accommodative' to support growth.

Chart 7: Movements in the repo rate and 10-year government bond yield




**The RBI lowered the repo rate by 25 basis points to 6% while changing its stance from 'neutral' to 'accommodative' in its monetary policy review held in April 2025.**

Source: Database on Indian Economy, RBI

- While assessing challenges to India's growth prospects, with regard to external demand, the RBI noted that the evolving global economic conditions on account of the recent tariff related measures may have implications for merchandise exports while services exports are likely to remain resilient.
- On the domestic demand front, the RBI anticipates rural demand to remain buoyant. The urban demand is also likely to see a revival due to the tax relief measures announced earlier in the FY26 Union Budget. Further, gross fixed capital formation is also likely to recover, supported by increased government capital expenditure.

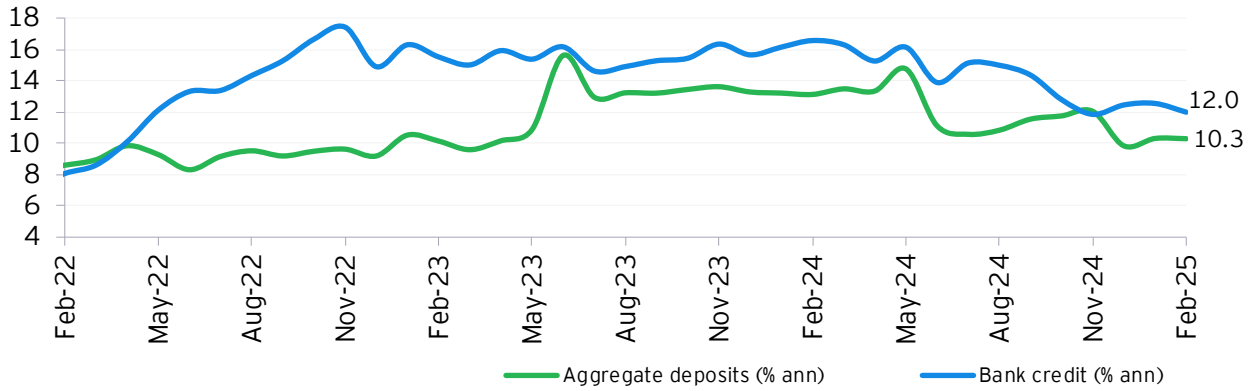
**Money stock**

- Growth in broad money stock (M3)[17] remained stable at 9.6% for the third successive month in March 2025.
- Time deposits, the largest component of M3, continued to show a strong growth of 10.2% in March 2025, although marginally lower compared to 10.7% in February 2025.
- Growth in narrow money (M1) improved to a four-month high of 7.8% in March 2025 from 6.4% in February 2025. While growth in demand deposits increased to 9.6% in March 2025 from 6.2% in February 2025, growth in currency with the public remained stable at 5.9% in March 2025, similar to its level in February 2025.

**Aggregate credit and deposits**

- Gross bank credit grew by 12.0% in February 2025, marginally lower compared to 12.5% in January 2025 (Chart 8).

**Chart 8: Growth in credit and deposits**




Source: Database on Indian Economy, RBI

- Non-food credit growth was also lower at 12.0% in February 2025 compared to 12.5% in January 2025 as growth in credit across major sectors of the economy eased during the month.
- Outstanding credit to industries, having a share of about 27% on average in total non-food credit (last five years), showed a lower growth of 7.3% in February 2025 compared to 8.2% in January 2025. Within industrial credit, among major segments, growth in credit to chemical and chemical products and textiles fell to 6.4% and 4.6%, respectively, in February 2025 from 9.5% and 5.8%, respectively, in January 2025. Credit to infrastructure, having the largest share of 36.5% on average in total industrial credit (last five years), continued to show low growth of 1.7% in February 2025, close to its level of 1.6% in January 2025.
- Credit to the services sector, with an average share of 26.6% in total non-food credit (last five years), grew at a slower pace of 13.0% in February 2025 compared to 13.8% in January 2025.
- Within non-food credit, even though personal loans showed the highest growth of 14.0% in February 2025, it was marginally lower compared to 14.2% in January 2025. Growth in vehicle loans at 9.6% in February 2025 was close to its level of 9.7% in January 2025. Growth in loans to individuals against shares and bonds, and fixed deposits moderated to 16.7% and 11.9%, respectively, in February 2025 from 33.0% and 16.3%, respectively, in January 2025.
- Housing loans, the largest component of personal loans, showed a nearly stable growth of 15.6% in February 2025 compared to 15.5% in January 2025. Loans for consumer durables grew by 2.2% in February 2025 compared to a contraction of (-)2.6% in January 2025.
- Growth in agricultural credit, showing a sequential fall since July 2024, reached a 41-month low of 11.4% in February 2025 from 12.2% in January 2025.

[17] The data on M3, demand and time deposits and bank credit exclude the impact of merger of a non-bank with a bank.

- Growth in other non-food credit, that is, non-food credit excluding credit to agriculture, industry, services and personal loans, increased to 16.4% in February 2025 from 15.6% in January 2025.
- Growth in aggregate deposits remained stable at 10.3% in January and February 2025.

## 6.2. Financial sector

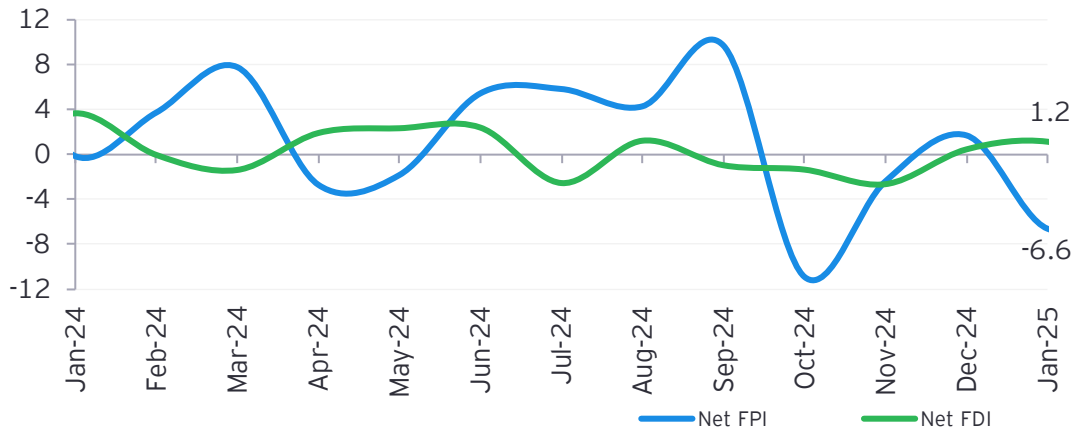
### Interest rates

- As per the data released by the RBI in the first week of April 2025, the yield on 10-year government bonds (benchmark) eased marginally for the fourth successive month to average 6.68% in March 2025 from 6.73% in February 2025 (Chart 11). In FY25, benchmark bond yields averaged 6.88%, 28 basis points lower compared to 7.16% in FY24.
- The average interest rate on term deposits with a maturity period of more than one year remained at 6.63% for the seventh successive month in March 2025, with actual rates fluctuating between 6.00% and 7.25%. Term deposit rates averaged lower at 6.64% in FY25 compared to 6.71% in FY24.
- Similarly, the average MCLR remained stable at 8.30% for the seventh successive month in March 2025, with the actual MCLR ranging between 8.15% and 8.45% during the month. In FY25, the MCLR averaged marginally higher at 8.31% compared to 8.22% in FY24.
- WALR on 'Fresh Rupee Loans' (FRL) by SCBs increased for the second straight month to average 9.40% in February 2025 from 9.32% in January 2025. During April-February FY25, WALR-FRL averaged higher at 9.40% compared to 9.35% during the same period of FY24.

### FDI and FPI

- As per the provisional data released by the RBI on 22 April 2025, overall foreign investments (FIs) continued to witness significant outflows amounting to US$5.3 billion in February 2025, although marginally lower as compared to outflows amounting US$5.4 billion (revised) in January 2025 **(Chart 9)**.

**Chart 9: Net FDI and FPI inflows (US$ billion)**




**Net FDI and Net FPI witnessed outflows amounting to US$1.2 billion and US$4.0 billion respectively in February 2025.**

Source: Database on Indian Economy, RBI

- Net FPIs witnessed outflows amounting to US$4.0 billion in February 2025 as compared to US$6.6 billion in January 2025. During April-February FY25, on a cumulated basis, net FPIs witnessed outflows amounting to US$1.2 billion as compared to inflows amounting to US$36.3 billion during the corresponding period in FY24.
- Net FDIs also witnessed outflows amounting to US$1.2 billion in February 2025 as compared to US$1.2 billion inflows in January 2025. Even while gross FDI inflows were at US$5.5 billion in February 2025, the cumulative impact of higher repatriation/disinvestment (US$2.8 billion) and sustained outward FDI by India (US$3.9 billion) led to net FDI outflows during the month. During April-February FY25, net FDI inflows were at a historic low of US$1.5 billion as compared to US$11.5 billion during the corresponding period in FY24.

# 7. Trade and CAB: Current account deficit narrowed to 1.1% of GDP in 3QFY25

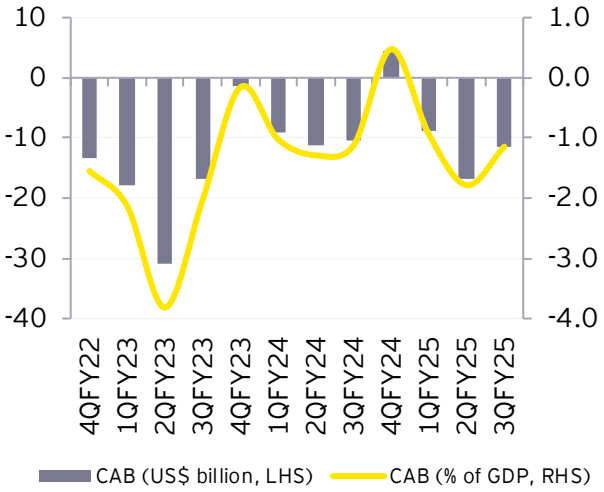
## 7.1. CAB moderated to (-)1.1% of GDP in 3QFY25 from (-)1.8% in 2QFY25 (Chart 10)

- Net merchandise trade deficit eased to 7.9% of GDP in 3QFY25 from 9.0% in 2QFY25 as merchandise imports fell to 18.8% from 20.2% of GDP over the same period while merchandise exports moderated only marginally to 10.9% from 11.2% of GDP.
- Surplus on account of net invisibles narrowed to 6.7% of GDP in 3QFY25 from 7.2% in 2QFY25 (Table 10) as deficit on income account deteriorated to a historic high of 1.7% of GDP. Net services surplus was also at an unprecedented high of 5.1% of GDP in 3QFY25 while net private transfers moderated to 3.3% of GDP in 3QFY25 from 3.5% in the previous quarter.

Table 10: Components of CAB (in US$ billion)

| Fiscal year | CAB as % of nominal GDP | CAB | Merchandise net | Invisibles* net |
|---|---|---|---|---|
| FY21 | 0.9 | 23.9 | -102.2 | 126.1 |
| FY22 | -1.2 | -38.8 | -189.5 | 150.7 |
| FY23 | -2.0 | -67.1 | -265.3 | 198.2 |
| FY24 | -0.7 | -26.1 | -244.9 | 218.8 |
| 4QFY24 | 0.5 | 4.6 | -52.0 | 56.6 |
| 1QFY25 | -0.9 | -8.9 | -63.8 | 54.9 |
| 2QFY25 | -1.8 | -16.7 | -84.3 | 67.6 |
| 3QFY25 | -1.1 | -11.5 | -79.2 | 67.7 |

Chart 10: CAB



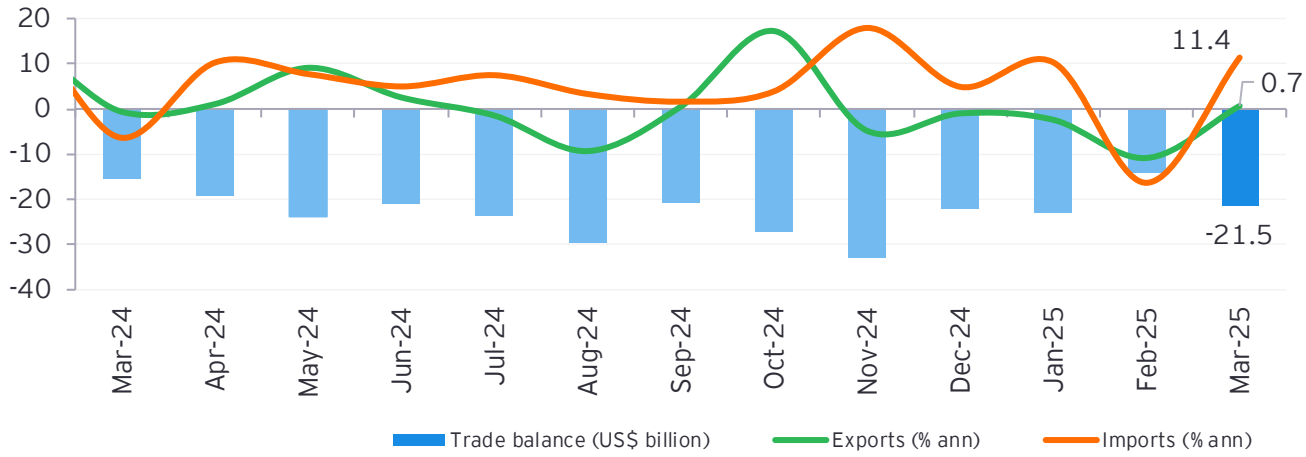

Source: Database on Indian Economy, RBI; Note: (-) deficit; (+) surplus; *invisibles include services, current transfers and income components

## 7.2. Merchandise trade and exchange rates

**Growth in merchandise exports and imports turned positive at 0.7% and 11.4%, respectively, in March 2025 from a contraction of (-)10.9% and (-)16.3% in February 2025.**

- Growth in exports increased for electronic goods to 29.6% in March 2025 (from 26.5% in February 2025), for drugs and pharmaceuticals to 31.2% (from (-)1.5%) and for gems and jewelry to 10.6% (from (-)20.7%). Engineering goods exports, however, continued to contract for the second successive month by (-)3.9% in March 2025 compared to (-)8.6% in the previous month.
- Oil exports contracted for the tenth successive month, although at a significantly slower pace of (-)9.5% in March 2025 compared to (-)29.2% in February 2025. Growth in imports of oil turned positive at 16.3% in March 2025 after contracting for two successive months.
- Gold imports surged by 192.1% in March 2025 after contracting by (-)62.0% in February 2025, partly owing to an unfavorable base effect. Electronic goods imports continued to show robust growth of 25.0% in March 2025, higher than 9.1% in the previous month.

**Chart 11: Developments in merchandise trade**




Source: Ministry of Commerce and Industry, GoI

- Exports excluding oil, gold/silver and jewelry grew at a shallow pace of 1.5% in March 2025 after showing a contraction of (-)4.8% in February 2025, while growth in imports of the same category rose marginally to 5.3% from 3.1% over the same period.
- Merchandise trade deficit increased to US$21.5 billion in March 2025 (Chart 11) from US$14.1 billion in February 2025, owing to the surge in oil and gold imports.
- Goods and services trade balance showed a surplus of US$3.1 billion in February 2025 on account of the sharp fall in merchandise trade deficit in the month to US$14.1 billion. This was the first time since September 2020 that the goods and services account showed a surplus.
- The Indian Rupee remained volatile, although appreciating on average to INR86.6/US$ in March 2025 from INR87.1/US$ (average) in February 2025. On an annual basis, the INR depreciated to INR84.6/US$ in FY25, on average, from INR82.8/US$ in FY24 (average).
- On an annual basis, merchandise exports were nearly stagnant, showing a growth of 0.1% in FY25 compared to (-)2.3% in FY24 while growth in merchandise imports turned positive at 6.2% in FY25 from (-)5.2% in FY24.

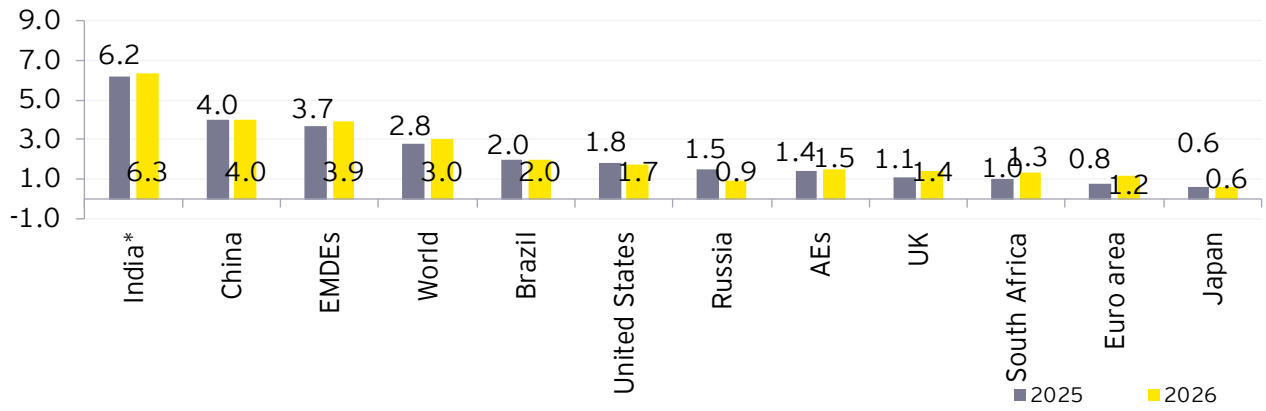
# 8. Global growth: IMF projected global growth to fall from 3.3% in 2024 to 2.8% in 2025

## 8.1. Global growth

- The IMF in its April 2025 issue of the World Economic Outlook, has projected global growth to ease from an estimated 3.3% in 2024 to 2.8% in 2025 before recovering to 3.0% in 2026. The projections for 2025 and 2026 are revised downwards by 0.5% points and 0.3% points respectively as compared to the January 2025 forecasts, primarily owing to the direct effects of the new trade measures and their indirect effects through trade linkage spillovers, heightened uncertainty, and deteriorating sentiment.
- Growth in advanced economies (AEs) is forecasted to fall from 1.8% in 2024 to 1.4% in 2025 and 1.5% in 2026. There have been significant downward revisions for US, UK, Japan and Canada.
- Growth in the US is projected to fall from 2.8% in 2024 to 1.8% in 2025 and further to 1.7% in 2026 due to greater policy uncertainty, trade tensions and a softer demand outlook given slower than anticipated consumption growth (Chart 12).
- Euro area GDP growth is projected to be low at 0.8% in 2025 due to rising uncertainty and tariffs. Growth is expected to recover to 1.2% in 2026 owing to stronger consumption on the back of rising real wages and a projected fiscal easing in Germany.
- In Japan, the effect of tariffs announced on 2 April 2025 and associated uncertainty offset the expected strengthening of private consumption, with a wage growth higher than inflation boosting household disposable income. Growth is projected to remain stable at a low level of 0.6% in 2025 and 2026.
- In the UK, growth is projected at 1.1% in 2025, a downward revision of 0.5% points reflecting a small carryover from 2024, the impact of recent tariff announcements, an increase in gilt yields, and weaker private consumption amid higher inflation as a result of regulated prices and energy costs.

**The IMF has projected global growth at 2.8% in 2025, with India's FY26 growth forecasted at 6.2%.**

**Chart 12: Global growth projections (%)**



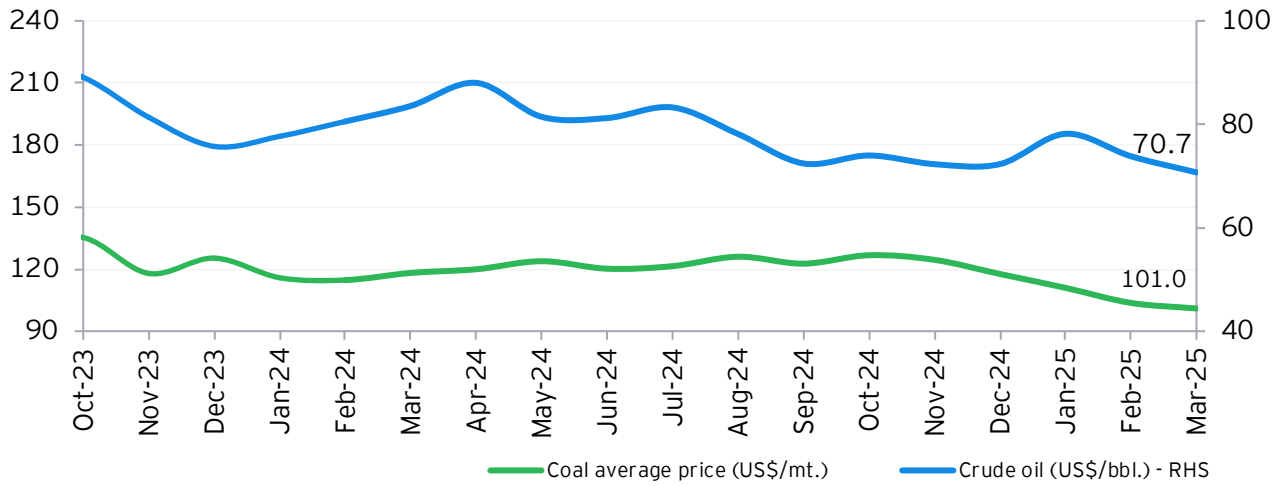

Source: IMF World Economic Outlook (April 2025)
*Data pertains to fiscal years FY26 and FY27 respectively

- Growth is emerging market and developing economies (EMDEs) is forecasted to fall from 4.3% in 2024 to 3.7% in 2025 before improving to 3.9% in 2026.
- Growth in China has been revised down by 0.6% points and 0.5% points to 4% each in 2025 and 2026 due to prolonged trade policy uncertainty and the recently implemented tariffs.
- For India, the growth outlook is relatively more stable at 6.2% in 2025 (FY26), supported by private consumption, particularly in rural areas, although being 0.3% point lower than that in the January 2025 projections on account of higher levels of trade tensions and global uncertainty. Growth is projected to increase slightly to 6.3% in 2026 (FY27).
- The IMF projects a sharp drop in growth in Russia from 4.1% in 2024 to 1.5% in 2025 and to 0.9% in 2026 as private consumption and investment decelerate amid reduced tightness in the labor market and slower wage growth.

## 8.2. Global energy prices: Global crude price averaged US$77.1/bbl in FY25

- Average global crude price[18] fell to US$70.7/bbl in March 2025, its lowest level since August 2021 as concerns mounted over the outlook for the global economy and global oil demand growth amid escalating trade tensions and as OPEC+ announced unwinding of voluntary production cuts in April 2025[19] (Chart 13). With this, global crude price averaged US$77.1/bbl in FY25, down from US$81.1/bbl in FY24.
- On a daily basis, Brent crude price fell to as low as US$62.8/bbl on 8 April 2025 owing to an expectation of subdued demand following the announcement of enhanced tariffs by the US on imports from various countries[20].
- Average global coal price[21] eased for the fifth successive month to US$101.0/mt. in March 2025, its lowest level since April 2021 as major coal importers including China, India, Japan and South Korea slowed their purchases[22]. On an annual basis, global coal price averaged US$118.2/mt. in FY25, its lowest level since FY21.

**Chart 13: Global crude and coal prices**




Source (basic data): World Bank Pink Sheets, April 2025

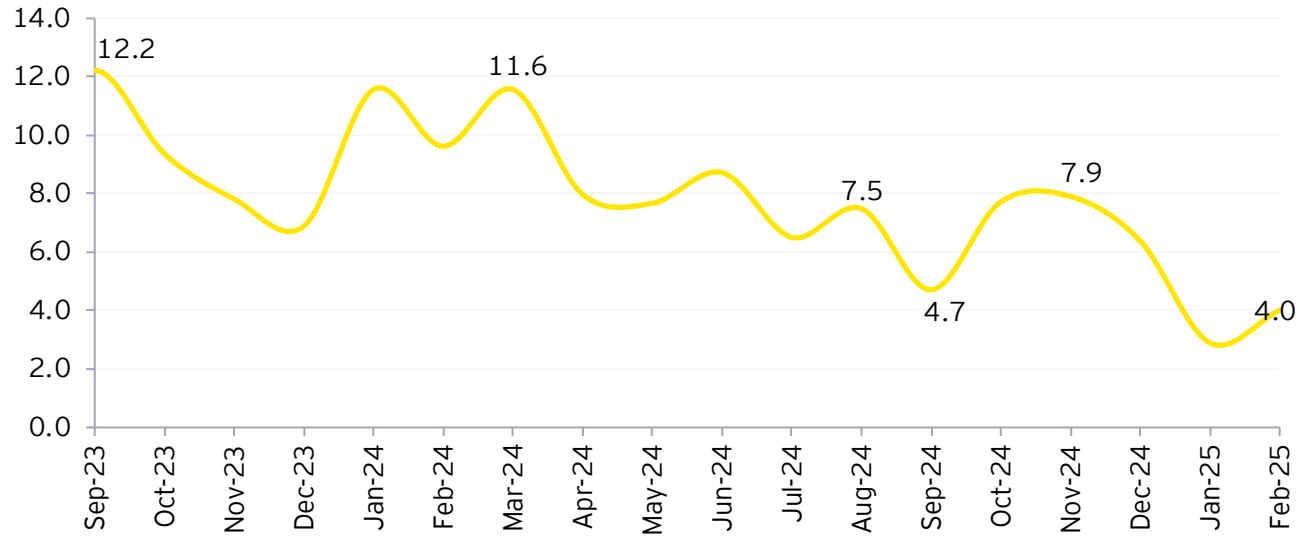
[18] Simple average of three spot prices, namely, Dated Brent, West Texas Intermediate and Dubai Fateh
[19] https://www.iea.org/reports/oil-market-report-march-2025
[20] https://www.reuters.com/business/energy/oil-prices-decline-investors-continue-fret-over-tariff-impact-2025-03-10/
[21] Simple average of Australian and South African coal prices.
[22] https://www.reuters.com/business/energy/top-coal-importers-slow-purchases-so-far-2025-maguire-2025-04-01/

# 9. Index of Aggregate Demand (IAD): Growth improved to 4.0% in February 2025

## 9.1. Growth in IAD recovered to 4.0% in February 2025 from 2.9% in January 2025

- Growth in IAD[23] continued to remain low at 4.0% in February 2025, although improving from 2.9% in January 2025 (Chart 14 and Table 11). This improvement is attributable to improved demand conditions in the services sector during the month.
- The services sector saw an improvement in demand conditions in February 2025, as evidenced by PMI services (sa) which expanded at a healthy pace of 59.0 compared to 56.5 in January 2025.
- In the manufacturing sector, demand conditions eased marginally, with PMI manufacturing expanding at a relatively slower pace of 56.3 in February 2025 compared to 57.7 in January 2025.
- Demand conditions in the agricultural sector showed a sequential moderation as indicated by a sustained fall in the growth in agricultural credit for the seventh successive month to 11.4% (sa) in February 2025.

**Chart 14: Growth in IAD (y-o-y)**




Source (Basic data): S&P - IHS Markit PMI, RBI and EY estimates

[23] EY has developed an Index of Aggregate Demand (IAD) to reflect the monthly combined demand conditions in the agriculture, manufacturing, and services sectors. It considers the movements in PMI for manufacturing and services, both measured in seasonally adjusted (sa) terms, tracing the demand conditions in these sectors. Movements in the monthly agricultural credit off-take (sa) capture the demand conditions in the agricultural sector.

Table 11: IAD

| Month | Jun-24 | Jul-24 | Aug-24 | Sep-24 | Oct-24 | Nov-24 | Dec-24 | Jan-25 | Feb-25 |
|---|---|---|---|---|---|---|---|---|---|
| **IAD** | 180.3 | 180.0 | 180.9 | 177.5 | 179.6 | 179.9 | 180.6 | 179.8 | 182.0 |
| Growth (% y-o-y) | 8.7 | 6.5 | 7.5 | 4.7 | 7.7 | 7.9 | 6.4 | 2.9 | 4.0 |
| Growth in agr. credit | 17.2 | 18.0 | 17.6 | 16.4 | 15.6 | 15.3 | 12.6 | 12.2 | 11.4 |
| Mfg. PMI** | 8.3 | 8.1 | 7.5 | 6.5 | 7.5 | 6.5 | 6.4 | 7.7 | 6.3 |
| Ser. PMI** | 10.5 | 10.3 | 10.9 | 7.7 | 8.5 | 8.4 | 9.3 | 6.5 | 9.0 |

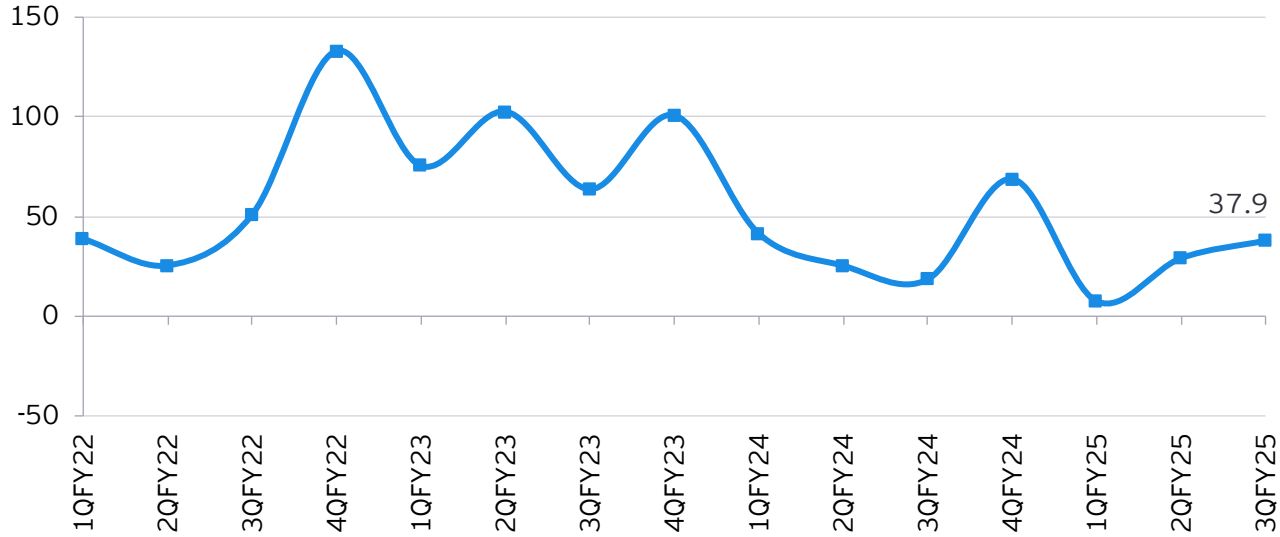
Source (basic data): S&P Global, RBI and EY estimates; **Values here indicate deviation from the benchmark value of 50. A positive value indicates expansion in demand while a negative value implies contraction in demand; PMI for Manufacturing and Services are seasonally adjusted.

# 10. Index of Macro Imbalance (IMI): pointed to deterioration in macro balance in 3QFY25

## 10.1. The level of IMI increased to 37.9 in 3QFY25 from 29.1 in 2QFY25

- Index of Macro Imbalance (IMI)[24] indicated further deterioration in the macro balance in 3QFY25 with the index value increasing by 8.8 points to 37.9 in 3QFY25 from 29.1 in 2QFY25 (Chart 15). This is largely attributable to GoI's fiscal deficit to GDP ratio and CPI inflation rate, which surpassed their respective benchmarks during the quarter.
- GoI's fiscal deficit to GDP ratio increased to 5.2% in 3QFY25, 2.2% points above the benchmark value of 3%, compared to 4.3% in 1QFY25, contributing the maximum to the macro imbalance.
- CPI inflation averaged higher at 5.6% in 3QFY25 compared to 4.2% in 2QFY25 and was 1.6% points higher than its benchmark value of 4%, thereby contributing positively to the macro imbalance during the quarter.
- The current account deficit eased to 1.1% of GDP in 3QFY25, below the benchmark value of 1.3% of GDP, from 1.8% of GDP in 2QFY25. Therefore, it did not contribute to the macro imbalance in 3QFY25.

**Chart 15: Index of Macro Imbalance (IMI; quarterly)**




Source (Basic data): RBI, MoSPI and EY estimates.

[24] The IMI is obtained by adding the percentage deviation of inflation rate (based on new CPI 2012 = 100), fiscal deficit (as a percentage of GDP) and current account deficit (as a percentage of GDP) from their respective benchmarks of 4%, 3% of GDP and (-)1.3% of GDP (Rangarajan 2016). All three components of IMI have been given equal weightage (33.33%). The state of balance is judged by a value of 0. An index value greater than zero indicates the presence of an imbalance in the economy. While considering the percentage deviation of each of the indicators from its selected norm, only the positive deviations are taken. Negative deviations are equated to zero to ensure that the negative and positive deviations across indices are not canceled out.
Rangarajan, C (2016): "Can India grow at 8 to 9 per cent?" The Hindu, (http://www.thehindu.com/opinion/lead/can-india-grow-at-8-to-9-per-cent/article8596824.ece, Accessed on 17 May 2016.)

# 11.
# Capturing macro-fiscal trends: Data appendix

Table A1: Industrial growth indicators (annual, quarterly, and monthly growth rates, y-o-y)

| Fiscal year/ quarter/ month | IIP | Mining | Manufacturing | Electricity | Core IIP | Fiscal year/ quarter /month | PMI mfg. | PMI ser. |
|---|---|---|---|---|---|---|---|---|
| | % change y-o-y | | | | | | | |
| FY21 | -8.4 | -7.8 | -9.6 | -0.5 | -7.8 | FY22 | 54.0 | 52.3 |
| FY22 | 11.4 | 12.2 | 11.8 | 7.9 | 12.2 | FY23 | 55.6 | 57.3 |
| FY23 | 5.2 | 5.8 | 4.7 | 8.9 | 5.8 | FY24 | 57.2 | 60.3 |
| FY24 | 5.8 | 7.5 | 5.5 | 7.1 | 7.5 | FY25 | 57.4 | 59.2 |
| 4QFY24 | 5.1 | 4.9 | 4.8 | 7.3 | 5.8 | 1QFY25 | 58.2 | 60.5 |
| 1QFY25 | 5.5 | 7.9 | 4.3 | 10.8 | 6.3 | 2QFY25 | 57.4 | 59.6 |
| 2QFY25 | 2.7 | -0.1 | 3.3 | 1.4 | 2.4 | 3QFY25 | 56.8 | 58.7 |
| 3QFY25 | 4.1 | 1.8 | 4.4 | 4.1 | 4.8 | 4QFY25 | 57.4 | 58.0 |
| Nov-24 | 5.0 | 1.9 | 5.5 | 4.4 | 5.8 | Dec-24 | 56.4 | 59.3 |
| Dec-24 | 3.5 | 2.7 | 3.4 | 6.2 | 4.8 | Jan-25 | 57.7 | 56.5 |
| Jan-25 | 5.2 | 4.4 | 5.8 | 2.4 | 5.1 | Feb-25 | 56.3 | 59.0 |
| Feb-25 | 2.9 | 1.6 | 2.9 | 3.6 | 2.9 | Mar-25 | 58.1 | 58.5 |

Source: MoSPI, Office of the Economic Adviser, Ministry of Commerce and Industry and S&P Global

Table A2: Inflation indicators (annual, quarterly, and monthly growth rates, y-o-y)

| Fiscal year/ quarter/ month | CPI | Food Price Index | Fuel and light | Core CPI | WPI | Food Price Index | Mfg. products | Fuel and power | Core WPI |
|---|---|---|---|---|---|---|---|---|---|
| | % change y-o-y | | | | % change y-o-y | | | | |
| FY22 | 5.5 | 3.8 | 11.3 | 6.1 | 13.0 | 6.8 | 11.1 | 32.5 | 11.0 |
| FY23 | 6.7 | 6.6 | 10.3 | 6.3 | 9.4 | 6.3 | 5.6 | 28.1 | 5.8 |
| FY24 | 5.4 | 7.5 | 1.2 | 4.4 | -0.7 | 3.2 | -1.7 | -4.7 | -1.4 |
| FY25 | 4.6 | 7.3 | -2.5 | 3.6 | 2.3 | 7.3 | 1.7 | -1.3 | 0.7 |
| 1QFY25 | 4.9 | 8.9 | -3.8 | 3.1 | 2.4 | 7.6 | 0.8 | 0.2 | 0.3 |
| 2QFY25 | 4.2 | 6.8 | -4.1 | 3.5 | 1.8 | 5.5 | 1.2 | -0.9 | 0.5 |
| 3QFY25 | 5.6 | 9.4 | -1.6 | 3.8 | 2.5 | 10.0 | 2.0 | -3.6 | 0.5 |
| 4QFY25 | 3.7 | 4.1 | -0.5 | 4.0 | 2.3 | 6.0 | 2.9 | -0.8 | 1.3 |
| Dec-24 | 5.2 | 8.4 | -1.3 | 3.7 | 2.6 | 8.9 | 2.1 | -2.6 | 0.7 |
| Jan-25 | 4.3 | 6.0 | -1.5 | 3.7 | 2.5 | 7.5 | 2.6 | -1.9 | 1.1 |
| Feb-25 | 3.6 | 3.7 | -1.3 | 4.2 | 2.4 | 5.9 | 2.9 | -0.7 | 1.3 |
| Mar-25 | 3.3 | 2.7 | 1.5 | 4.1 | 2.0 | 4.7 | 3.1 | 0.2 | 1.6 |

Source: Office of the Economic Adviser, Ministry of Commerce and Industry and MoSPI
Note: The CPI for April and May 2020 has been imputed. Core CPI inflation is measured in different ways by different organizations/agencies. Here, it has been calculated by excluding food, and fuel and light from the overall index

**Table A3: Fiscal indicators (annual growth rates, cumulated monthly growth rates, y-o-y, unless otherwise specified)**

| Fiscal year/month | Gross tax revenue | Corporate tax | Income tax | Direct taxes* | Indirect taxes** | Fiscal deficit % of GDP | Revenue deficit % of GDP |
|---|---|---|---|---|---|---|---|
| FY22 | 33.7 | 55.6 | 42.9 | 49.0 | 20.2 | 6.7 | 4.4 |
| FY23 | 12.7 | 16.0 | 19.7 | 17.8 | 7.2 | 6.4 | 4.0 |
| FY24 | 13.5 | 10.3 | 25.4 | 17.9 | 8.5 | 5.6 | 2.6 |
| FY25 (RE over act.) | 11.2 | 7.6 | 20.3 | 14.4 | 6.8 | 4.8 | 1.9 |
| FY26 (BE over RE) | 10.8 | 10.4 | 14.4 | 12.7 | 8.3 | 4.4 | 1.5 |
| Cumulated growth (%, y-o-y) | | | | | | % of budgeted target | |
| Jul-24 | 21.3 | 4.8 | 53.4 | 33.6 | 7.1 | 17.2 | 3.8 |
| Aug-24 | 12.1 | -6.0 | 25.5 | 12.9 | 9.5 | 27.0 | 24.7 |
| Sep-24 | 12.0 | 2.3 | 25.0 | 13.6 | 8.4 | 29.4 | 12.8 |
| Oct-24 | 10.8 | 1.2 | 20.2 | 11.1 | 9.0 | 46.5 | 52.2 |
| Nov-24 | 10.7 | -0.5 | 23.5 | 12.1 | 7.6 | 52.5 | 61.5 |
| Dec-24 | 10.8 | 2.7 | 22.2 | 12.2 | 7.4 | 58.2# | 42.0# |
| Jan-25 | 10.3 | -0.6 | 22.0 | 10.7 | 8.5 | 74.5# | 72.4# |
| Feb-25 | 10.9 | 1.9 | 22.0 | 12.4 | 7.9 | 85.8# | 93.8# |

Source: Monthly Accounts, Controller General of Accounts, Government of India, Union Budget documents; # indicates that the values as percent of revised estimates; annual data is sourced from Union budget documents.
* Includes corporation tax and income tax
** Includes customs duty, excise duty, service tax, CGST, UTGST, IGST and GST compensation cess

| Fiscal year/month | CGST | UTGST | IGST | GST compensation cess | Total GST (GoI) |
|---|---|---|---|---|---|
| | INR crore | | | | |
| FY25 (RE) | 9,08,459 | - | 0 | 1,53,440 | 10,61,899 |
| FY26 (BE) | 10,10,890 | - | 0 | 1,67,110 | 11,78,000 |
| | | | | | |
| Jul-24 | 72,288 | 57 | -483 | 12,779 | 84,641 |
| Aug-24 | 70,606 | 352 | 8,213 | 11,915 | 91,086 |
| Sep-24 | 69,998 | 338 | 1,600 | 11,861 | 83,797 |
| Oct-24 | 80,379 | 323 | -9,602 | 12,159 | 83,259 |
| Nov-24 | 82,274 | 480 | -17,406 | 13,116 | 78,464 |
| Dec-24 | 69,383 | 269 | -3,736 | 11,958 | 77,874 |
| Jan-25 | 79,258 | 864 | 3,980 | 13,415 | 97,517 |
| Feb-25 | 77,623 | 304 | -9,998 | 13,356 | 81,285 |

Source: Monthly Accounts, Controller General of Accounts, Government of India, Union Budget documents
Note: IGST revenues are subject to final settlement

Table A4: Monetary and financial indicators (annual, quarterly, and monthly growth rates, y-o-y)

| Fiscal year/ month | Repo rate (end of period) | Fiscal year/ quarter/ month | Bank credit | Agg. deposits | Net FDI | Net FPI | Fiscal year/ quarter/ month | M1 | M3 | 10-year govt. bond yield | FX reserves |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | % | | % change y-o-y | | US$ billion | | | % change y-o-y | | % | US$ billion |
| May-24 | 6.50 | FY21 | 6.0 | 11.0 | 44.0 | 36.1 | FY22 | 10.7 | 8.8 | 6.40 | 617.6 |
| Jun-24 | 6.50 | FY22 | 7.0 | 9.7 | 38.6 | -16.8 | FY23 | 6.9 | 9.0 | 7.35 | 578.4 |
| Jul-24 | 6.50 | FY23 | 14.4 | 9.5 | 28.0 | -5.2 | FY24 | 7.3 | 11.1 | 7.16 | 645.6 |
| Aug-24 | 6.50 | FY24 | 15.7 | 13.0 | 9.8 | 44.1 | FY25 | 7.8 | 9.6 | 6.88 | 665.4 |
| Sep-24 | 6.50 | 4QFY24 | 16.3 | 13.3 | 2.3 | 11.4 | 1QFY25 | 8.5 | 10.9 | 7.08 | 652.0 |
| Oct-24 | 6.50 | 1QFY25 | 15.1 | 13.0 | 6.7 | 0.9 | 2QFY25 | 9.2 | 10.8 | 6.92 | 704.9 |
| Nov-24 | 6.50 | 2QFY25 | 14.8 | 11.0 | -2.2 | 19.9 | 3QFY25 | 6.0 | 9.3 | 6.79 | 640.3 |
| Dec-24 | 6.50 | 3QFY25 | 12.4 | 11.2 | -3.5 | -11.5 | 4QFY25 | 7.8 | 9.6 | 6.72 | 665.4 |
| Jan-25 | 6.50 | Nov-24 | 11.8 | 12.0 | -2.6 | -2.4 | Dec-24 | 6.0 | 9.3 | 6.78 | 640.3 |
| Feb-25 | 6.25 | Dec-24 | 12.4 | 9.8 | 0.5 | 1.7 | Jan-25 | 6.1 | 9.6 | 6.76 | 630.6 |
| Mar-25 | 6.25 | Jan-25 | 12.5 | 10.3 | 1.2 | -6.6 | Feb-25 | 6.4 | 9.6 | 6.73 | 638.7 |
| Apr-25 | 6.00 | Feb-25 | 12.0 | 10.3 | -1.2 | -4.0 | Mar-25 | 7.8 | 9.6 | 6.68 | 665.4 |

Source: Database on Indian Economy - RBI

Table A5: External trade and global growth

| External trade indicators (annual, quarterly and monthly growth rates) | | | | | | | Global growth (annual) | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Fiscal year/ quarter/ month | Exports | Imports | Trade balance | Ex. rate (avg.) | Crude prices (avg.) | Coal prices (avg.) | Calendar year | World GDP | Adv. econ. | Emer. econ. |
| | % change y-o-y | | US$ billion | INR/US$ | US$/bbl | US$/mt. | | % change y-o-y | | |
| FY22 | 44.8 | 56.0 | -191.0 | 74.5 | 78.4 | 164.8 | 2015 | 3.4 | 2.3 | 4.3 |
| FY23 | 6.0 | 16.8 | -268.5 | 80.4 | 92.7 | 283.4 | 2016 | 3.2 | 1.8 | 4.4 |
| FY24 | -2.3 | -5.3 | -241.1 | 82.8 | 81.1 | 126.4 | 2017 | 3.8 | 2.5 | 4.8 |
| FY25 | 0.1 | 6.2 | -282.8 | 84.6 | 77.1 | 118.2 | 2018 | 3.6 | 2.3 | 4.6 |
| 1QFY25 | 4.3 | 7.6 | -63.9 | 83.4 | 83.6 | 121.3 | 2019 | 2.8 | 1.7 | 3.6 |
| 2QFY25 | -3.6 | 4.1 | -73.9 | 83.8 | 77.9 | 123.4 | 2020 | -2.8 | -4.2 | -1.8 |
| 3QFY25 | 3.6 | 8.6 | -81.9 | 84.5 | 72.9 | 122.9 | 2021 | 6.3 | 5.6 | 6.9 |
| 4QFY25 | -4.2 | 1.2 | -58.6 | 86.7 | 74.2 | 105.2 | 2022 | 3.5 | 2.6 | 4.1 |
| Dec-24 | -1.0 | 4.9 | -21.9 | 85.0 | 72.3 | 117.6 | 2023 | 3.3 | 1.7 | 4.4 |
| Jan-25 | -2.4 | 10.3 | -23.0 | 86.3 | 78.2 | 110.9 | 2024 (E) | 3.3 | 1.8 | 4.3 |
| Feb-25 | -10.9 | -16.3 | -14.1 | 87.1 | 73.8 | 103.7 | 2025* | 2.8 | 1.4 | 3.7 |
| Mar-25 | 0.7 | 11.4 | -21.5 | 86.6 | 70.7 | 101.0 | 2026* | 3.0 | 1.5 | 3.9 |

Source: Database on Indian Economy - RBI, Pink Sheet - World Bank; E = estimates; and *projections as given in April 2025 issue of the IMF WEO.

Table A6: Macroeconomic aggregates (annual and quarterly real growth rates, % change y-o-y)

| Fiscal year/quarter | Output: major sectors | | | | | | | | | IPD inflation |
|---|---|---|---|---|---|---|---|---|---|---|
| | GVA | Agr. | Ming. | Mfg. | Elec. | Cons. | Trans. | Fin. | Publ. | GVA |
| FY22 | 9.4 | 4.6 | 6.3 | 10.0 | 10.3 | 19.9 | 15.2 | 5.7 | 7.5 | 8.6 |
| FY23 | 7.2 | 6.3 | 3.4 | -1.7 | 10.8 | 9.1 | 12.3 | 10.8 | 6.7 | 6.3 |
| FY24 (1st RE) | 8.6 | 2.7 | 3.2 | 12.3 | 8.6 | 10.4 | 7.5 | 10.3 | 8.8 | 2.5 |
| FY25 (SAE) | 6.4 | 4.6 | 2.8 | 4.3 | 6.0 | 8.6 | 6.4 | 7.2 | 8.8 | 2.9 |
| 3QFY23 | 5.3 | 6.4 | 2.6 | -4.3 | 9.9 | 9.1 | 9.7 | 9.4 | 1.3 | 4.0 |
| 4QFY23 | 6.6 | 9.4 | 4.6 | 1.5 | 8.6 | 7.1 | 7.5 | 10.9 | 2.5 | 2.4 |
| 1QFY24 | 9.9 | 5.7 | 4.1 | 7.3 | 4.1 | 9.2 | 11.0 | 15.0 | 9.3 | 1.1 |
| 2QFY24 | 9.2 | 3.7 | 4.1 | 17.0 | 11.7 | 14.6 | 5.4 | 8.3 | 8.9 | 2.5 |
| 3QFY24 | 8.0 | 1.5 | 4.7 | 14.0 | 10.1 | 10.0 | 8.0 | 8.4 | 8.4 | 3.3 |
| 4QFY24 | 7.3 | 0.9 | 0.8 | 11.3 | 8.8 | 8.7 | 6.2 | 9.0 | 8.7 | 2.9 |
| 1QFY25 | 6.5 | 1.7 | 6.8 | 7.5 | 10.2 | 10.1 | 5.4 | 6.6 | 9.0 | 2.7 |
| 2QFY25 | 5.8 | 4.1 | -0.3 | 2.1 | 3.0 | 8.7 | 6.1 | 7.2 | 8.8 | 2.3 |
| 3QFY25 | 6.2 | 5.6 | 1.4 | 3.5 | 5.1 | 7.0 | 6.7 | 7.2 | 8.8 | 3.8 |

Source: National Accounts Statistics, MoSPI

*Growth numbers for FY23 pertain to final estimates while that for FY24 pertain to first revised estimates as per the National statistics released on 28 February 2025. Growth numbers for FY25 are based on second advance estimates released on 28 February 2025.

| Fiscal year/quarter | Expenditure components | | | | | | IPD inflation |
|---|---|---|---|---|---|---|---|
| | GDP | PFCE | GFCE | GFCF | EX | IM | GDP |
| FY22 | 9.7 | 11.7 | 0.0 | 17.5 | 29.6 | 22.1 | 8.4 |
| FY23 | 7.6 | 7.5 | 4.3 | 8.4 | 10.3 | 8.9 | 5.9 |
| FY24 (1st RE) | 9.2 | 5.6 | 8.1 | 8.8 | 2.2 | 13.8 | 2.6 |
| FY25 (SAE) | 6.5 | 7.6 | 3.8 | 6.1 | 7.1 | -1.1 | 3.2 |
| 3QFY23 | 4.8 | 2.4 | 2.5 | 6.7 | 8.2 | 2.9 | 3.9 |
| 4QFY23 | 6.9 | 2.1 | 9.0 | 5.6 | 9.4 | -1.8 | 1.9 |
| 1QFY24 | 9.7 | 7.4 | 5.3 | 8.4 | -7.0 | 18.0 | 1.2 |
| 2QFY24 | 9.3 | 3.0 | 20.1 | 11.7 | 4.6 | 14.3 | 2.5 |
| 3QFY24 | 9.5 | 5.7 | 2.3 | 9.3 | 3.0 | 11.3 | 3.1 |
| 4QFY24 | 8.4 | 6.2 | 6.6 | 6.0 | 7.7 | 11.4 | 3.4 |
| 1QFY25 | 6.5 | 7.7 | -0.5 | 6.7 | 8.1 | -0.7 | 2.9 |
| 2QFY25 | 5.6 | 5.9 | 3.8 | 5.8 | 2.5 | -2.5 | 2.5 |
| 3QFY25 | 6.2 | 6.9 | 8.3 | 5.7 | 10.4 | -1.1 | 3.5 |

Source: National Accounts Statistics, MoSPI

* Growth numbers for FY23 pertain to final estimates while that for FY24 pertain to first revised estimates as per the National statistics released on 28 February 2025. Growth numbers for FY25 are based on second advance estimates released on 28 February 2025.

# List of abbreviations

| Sr. no. | Abbreviations | Description |
|---|---|---|
| 1 | AD | aggregate demand |
| 2 | AEs | advanced economies |
| 3 | Agr. | agriculture, forests and fishing |
| 4 | AY | assessment year |
| 5 | Bcm | billion cubic meters |
| 6 | bbl. | barrel |
| 7 | BE | budget estimate |
| 8 | CAB | current account balance |
| 9 | CGA | Comptroller General of Accounts |
| 10 | CGST | Central Goods and Services Tax |
| 11 | CIT | corporate income tax |
| 12 | Cons. | construction |
| 13 | CPI | Consumer Price Index |
| 14 | COVID-19 | Coronavirus disease 2019 |
| 15 | CPSE | central public-sector enterprise |
| 16 | CRAR | Credit to Risk- weighted Assets Ratio |
| 17 | Disc. | discrepancies |
| 18 | ECBs | external commercial borrowings |
| 19 | Elec. | electricity, gas, water supply and other utility services |
| 20 | EMDEs | Emerging Market and Developing Economies |
| 21 | EXP | exports |
| 22 | FAE | first advance estimates |
| 23 | FC | Finance Commission |
| 24 | FII | foreign investment inflows |
| 25 | Fin. | financial, real estate and professional services |
| 26 | FPI | foreign portfolio investment |
| 27 | FRBMA | Fiscal Responsibility and Budget Management Act |
| 28 | FRL | Fiscal Responsibility Legislation |
| 29 | FY | fiscal year (April–March) |
| 30 | GDP | Gross Domestic Product |
| 31 | GFCE | government final consumption expenditure |
| 32 | GFCF | gross fixed capital formation |
| 33 | GoI | Government of India |
| 34 | G-secs | government securities |
| 35 | GST | Goods and Services Tax |
| 36 | GVA | gross value added |
| 37 | IAD | Index of Aggregate Demand |
| 38 | IBE | interim budget estimates |
| 39 | ICRIER | Indian Council for Research on International Economic Relations |

| Sr. no. | Abbreviations | Description |
|---|---|---|
| 40 | IEA | International Energy Agency |
| 41 | IGST | Integrated Goods and Services Tax |
| 42 | IIP | Index of Industrial Production |
| 43 | IMF | International Monetary Fund |
| 44 | IMI | Index of Macro Imbalance |
| 45 | IMP | imports |
| 46 | INR | Indian Rupee |
| 47 | IPD | implicit price deflator |
| 48 | MCLR | marginal cost of funds-based lending rate |
| 49 | Mfg. | manufacturing |
| 50 | MGNREGA | Mahatma Gandhi National Rural Employment Guarantee Act |
| 51 | Ming. | mining and quarrying |
| 52 | m-o-m | month-on-month |
| 53 | Mt | metric ton |
| 54 | MoSPI | Ministry of Statistics and Programme Implementation |
| 55 | MPC | Monetary Policy Committee |
| 56 | MPF | Monetary Policy Framework |
| 57 | NEXP | net exports (exports minus imports of goods and services) |
| 58 | NSO | National Statistical Office |
| 59 | NPA | non-performing assets |
| 60 | OECD | Organization for Economic Co-operation and Development |
| 61 | OPEC | Organization of the Petroleum Exporting Countries |
| 62 | PFCE | private final consumption expenditure |
| 63 | PIT | personal income tax |
| 64 | PMI | Purchasing Managers' Index (reference value = 50) |
| 65 | PoL | petroleum oil and lubricants |
| 66 | PPP | Purchasing power parity |
| 67 | PSBR | public sector borrowing requirement |
| 68 | PSU/PSE | public sector undertaking/public sector enterprises |
| 69 | RE | revised estimates |
| 70 | RBI | Reserve Bank of India |
| 71 | SLR | Statutory Liquidity Ratio |
| 72 | Trans. | trade, hotels, transport, communication and services related to broadcasting |
| 73 | US$ | US Dollar |
| 74 | UTGST | Union Territory Goods and Services Tax |
| 75 | WALR | weighted average lending rate |
| 76 | WHO | World Health Organization |
| 77 | WPI | Wholesale Price Index |
| 78 | y-o-y | year-on-year |
| 79 | 1HFY20 | first half of fiscal year 2019-20, i.e., April 2019-September 2019 |

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