ECONOMY OUTLOOK

APRIL 2025

Brickwork Research

drishtikone

Contents

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5. India's core sector growth in February 2025 slowed to 2.9%, compared to revised 5.1% growth in January 2025, marking the slowest expansion in five months
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7. India's merchandise trade deficit in February 2025 narrowed sharply to $14.05 billion, marking its lowest level in over three years (since August 2021), from $19.5 billion in January 2025
8. The Nifty 50 index saw its best performance in 15 months in March 2025, recovering from a five-month losing streak, as the index rose 6.3% during the month
9. India's foreign exchange reserves showed strong growth and stability in the month of March 2025, with a cumulative increase of approximately $20 billion during the month, with reserves reaching $658.8 billion as of March 21, 2025
10. In March 2025, the Indian rupee (INR) experienced a notable appreciation against the U.S. dollar (USD), marking its strongest monthly performance since November 2018
11. Brent crude oil exhibited moderate volatility in March 2025, with prices fluctuating between $70–$75 per barrel, influenced by shifting demand forecasts and geopolitical factors
12. GST collections in March 2025 GST collection reflects strong performance and economic resilience, effective tax compliance. Further growth is anticipated in the coming months as fiscal yearend adjustments are finalized.
13. Banks raised a record amount through Certificate of Deposit (CDs), with ₹2.25 lakh crore raised in March 2025, nearly doubling the previous year's amount
14. The European Central Bank (ECB) has reduced its benchmark interest rate by 25 basis points, lowering it from 2.90% to 2.65%
15. The Bank of Japan (BOJ) has ended eight years of negative interest rates, marking a historic change in its approach after years of relying on extensive monetary stimulus to boost growth
16. The U.S. economy grew at an annual rate of 2.4% in the final three months of 2024, driven by a strong increase in consumer spending at the year's end
17. India's Gross Domestic Product (GDP) has more than doubled in the past decade, increasing from $2.1 trillion in 2015 to $4.3 trillion in 2025, reflecting a growth of 105%, according to the latest data from the International Monetary Fund (IMF)

Foreword- India's Economic Outlook for April 2025

Cautious Optimism: India's Economy Balances Recovery with Structural Reforms

India's economic narrative for March 2025 unfolds against a backdrop of mixed signals. On one hand, the country's GDP growth has rebounded impressively to 6.2% year-on-year in the October-December quarter of FY25, marking a recovery from a seven-quarter low. This resurgence is largely attributed to robust private consumption and increased government spending. The services sector continues to lead this growth at 7.4%, underscoring its critical role as a pillar of India's economy. Industrial output has also shown resilience, growing at 4.5%, bolstered by construction activities despite headwinds in mining. Agriculture remains steady with a growth rate of 5.6%, benefiting from favorable monsoon conditions that have historically been a cornerstone of rural prosperity.

However, high-frequency indicators for February 2025 reveal a more intricate picture, characterized by sector-specific fluctuations and seasonal trends. While cement production and power consumption have risen, steel consumption has declined, reflecting subdued market sentiment in certain industrial segments. The auto sector experienced declines across most categories, indicative of broader challenges in consumer demand and inventory management. Trade data offers some optimism, with the merchandise trade deficit narrowing to a three-and-a-half-year low due to reduced gold and crude oil imports. Yet, services trade surplus witnessed a decline, driven by reduced export activity—a reminder of the interconnectedness between domestic performance and global economic currents. Remittance inflows continue to provide a stable source of foreign exchange earnings, further reinforcing the economy's resilience.

The financial services sector presents its own set of contrasts. Aggregate deposits and credits reached record highs, signaling confidence in banking institutions and their capacity to mobilize resources effectively. However, transactions on major stock exchanges dipped sharply amid heightened market volatility and foreign investor outflows—a reflection of global uncertainties spilling into domestic markets. Insurance premiums showed mixed trends; life insurance premiums declined while health insurance premiums grew modestly. These patterns underscore the evolving preferences and risk perceptions among Indian consumers.

Inflation metrics provide another layer to this complex economic tapestry. Wholesale Price Index (WPI) inflation edged up slightly to 2.4%, driven by higher prices for manufactured goods, while Consumer Price Index (CPI) inflation eased to a seven-month low of 3.6%, primarily due to slowing food and beverage inflation. This decline in CPI inflation is undoubtedly a positive development for household budgets but raises questions about demand-side pressures in certain sectors. The Reserve Bank of India's decision to cut the repo rate by 25 basis points—the first such reduction in nearly five years—signals proactive measures aimed at stimulating economic growth amidst these mixed signals.

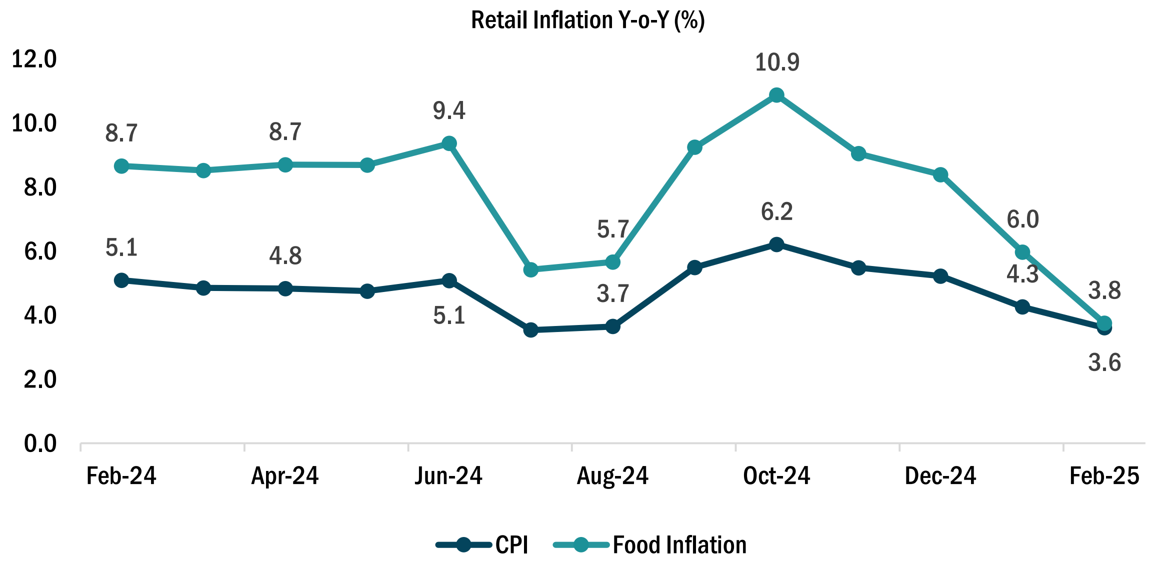
Looking ahead, forecasts for FY26 GDP growth range between 6.3% and 7%, reflecting cautious optimism about India's ability to navigate both domestic and international challenges effectively. Analysts anticipate continued strength in private consumption, supported by rural demand recovery and festive spending patterns observed earlier in FY25. Fixed investment prospects remain bright owing to healthy corporate balance sheets and robust government capital expenditure initiatives.

Despite these positive projections, it is imperative to acknowledge areas requiring attention. The slowdown in gross capital formation and subdued momentum in manufacturing PMI highlight structural issues that could constrain long-term growth if left unaddressed. Moreover, global economic uncertainties—ranging from sluggish momentum in China to geopolitical tensions—pose risks that could ripple through India's trade and investment channels.

India's economy continues to be an enigma—a blend of resilience and vulnerability that defies simplistic narratives. Its capacity for adaptation amidst adversity remains unparalleled, yet this adaptability must be complemented by strategic foresight and structural reforms that address underlying inefficiencies.

In conclusion, India’s economy in March 2025 can be defined by recovery but tempered by cautionary tales from various sectors. It is through collective effort—spanning policymakers, businesses, investors, and citizens—that India can sustain its growth trajectory while ensuring inclusivity and equity in its developmental outcomes.

India's Retail Inflation Falls to 3.61% in February 2025, lowest in seven months led by a significant reduction in vegetable prices; providing room for potential interest rate cuts



Source: RBI

- India's retail inflation decreased to 3.61% in February 2025, marking a seven-month low, down from 4.3% in January 2025 and a notable decrease compared to 5.1% in February 2024. This decline was primarily attributed to a significant slowdown in food price inflation, which fell to 3.75% from 5.97% in the previous month and 8.7% in February 2024

- This decline marks the first time since August 2024 that inflation has fallen below the Reserve Bank of India's (RBI) medium-term target of 4%

- **Food Inflation:** The primary driver behind the reduction in overall inflation was a substantial decrease in food prices, which constitute nearly half of the Consumer Price Index (CPI) basket. The sharp drop in food prices was driven by a notable decrease in vegetable prices, which registered a decline of 1.07% in February 2025, contrasting sharply with an increase of 11.35% in January 2025. Additionally, pulses witnessed a contraction of 0.35% in February 2025 compared to a growth of 2.59% the previous month

  - The CPI food index grew at a slower pace of 3.8% year-on-year in February 2025, compared to 5.97% in January 2025 and 8.7% in February 2024 and this drop was primarily due to reduced prices for vegetables and other essential food items.

- **Urban versus Rural Inflation**: Rural inflation stood at 3.79% in February 2025, while urban inflation was lower at 3.32%. This reflects a broader trend of easing inflationary pressures across different regions

- **Central Bank's Target:** The easing of retail inflation provides the RBI with increased flexibility regarding monetary policy adjustments. The Reserve Bank of India (RBI) has set an inflation target of 4% with a tolerance range of 2-6%. February 2025 marked the first time since August 2024 when retail inflation fell below this target, signalling a possible easing of price pressures, thus allowing RBI for future interest rate adjustments by reducing interest rates to stimulate economic growth

  - The RBI had already implemented a 25 basis points rate cut in February 2025, reducing the policy rate from 6.5% to 6.25% and it is expected that additional cuts may follow if inflation remains subdued

- **Historical context:** Prior to this drop, inflation had remained persistently above the RBI's target, with the RBI expressing concerns over "sticky" inflation trends that hindered monetary policy adjustments. The RBI had projected an average inflation of 4.5% for FY25, indicating a cautious approach towards maintaining price stability while supporting growth

Factors influencing the decline in India's retail inflation in February 2025:

The drop in food prices in India during February 2025 can be attributed to several key factors:

- **Seasonal Decline in Vegetable Prices:** India's vegetable inflation experienced a significant decline in February 2025, contributing to an overall reduction in the country's retail inflation. On a year-on year basis, vegetable prices decreased by 1.1%, contrasting sharply with an 11.4% rise in January 2025, primarily driven by falling prices of key vegetables such as tomatoes and potatoes due to increased supply
  - Vegetables are a substantial part of the Consumer Price Index (CPI), which measures inflation. A decrease in vegetable prices directly influences the food inflation component, which accounts for nearly half of the CPI basket

BWR VIEW

Despite an easing inflation trend, global economic pressures and factors like a hot summer and persistent international inflation pose risks to sustained low inflation levels

Going ahead, extreme heat during summer can significantly influence future inflation trends, particularly affecting food prices and economic productivity, through various channels

Hot weather often leads to reduced agricultural yields due to stress on crops and livestock, resulting in supply shortages. This decline in food production can cause food prices to rise sharply, contributing to overall inflation

Heat waves can disrupt supply chains by affecting transportation and storage conditions for perishable goods, resulting in increased costs for producers and suppliers, and consequently, higher prices for consumers

Hot summers increase energy demand, leading to higher prices and potential inflation across the economy, as businesses face operational costs that may be passed on to consumers

The current inflation figures are promising, but external risks like geopolitical tensions and global commodity price fluctuations could pose challenges. A sudden spike in oil prices or adverse weather conditions could reverse the positive trends. Localized inflation issues may still occur in some regions, necessitating policymakers to ensure equitable economic growth.

Global commodity price uncertainty due to geopolitical tensions, the impact of the upcoming monsoon season on food inflation, and the potential for rising consumer demand could contribute to inflationary pressures in services and discretionary spending categories due to economic growth

As inflation approaches the RBI's target, the central bank is likely to maintain a prudent monetary policy stance. However, external factors like global commodity prices and domestic weather conditions will determine inflation trends. This presents an opportunity for economic momentum and price stability

- Essential vegetables, like tomatoes, onions, and potatoes, experienced a significant price decline, reducing food inflation and affecting retail inflation

- **Strong Kharif Crop Production:** The robust production from the kharif crop season also played a crucial role. The kharif crop season's robust production stabilized prices and reduced food inflation to 3.75% from 5.97% in January, thanks to increased supply

- **Controlled Pulses Inflation:** Pulses inflation decreased by 0.35% compared to January's 2.59% growth, largely due to improved supply conditions, which helped control the rising prices and reduce food price inflation

- **Cereals Inflation:** The inflation rate for cereals moderated to 6.1% from 6.24% in the previous month, aided by strong domestic production and reduced global wheat prices

- **Broad-Based Declines:** Inflation in other food categories such as egg, meat & fish, and milk products also declined, further contributing to the overall decrease in food inflation. The moderation in food prices was broad-based, affecting cereals, bakery products, and dairy, significantly impacted the CPI basket due to its widespread reduction

- **Reduced Milk Prices:** Recent decrease in milk prices moderated food inflation by lowering dairy product costs, which are crucial for household food expenditure

- **Fuel inflation:** Fuel and light inflation rate was -1.33%, indicating a continued trend of deflation, slightly improving from the -1.49% recorded in January 2025., largely due to stable crude oil prices

- Global crude oil prices remained subdued, with Brent crude averaging $78 per barrel in February 2025, down from $85 in December 2024. Domestic fuel prices saw marginal reductions due to government excise duty adjustments and a decline in LPG prices. Less aggressive electricity tariff hikes contributed to lower energy costs

- **Improved Supply Management and Harvest Conditions:** The government implemented improved supply management strategies, stabilizing food prices following a successful Rabi harvest and easing inflationary pressures across various food categories

    - The government's effective supply management strategies and favourable agricultural conditions led to a drop in vegetable prices, ensuring a good Rabi harvest and preventing price spikes during off-seasons

- **Rabi Harvest Reduces Food Inflation in India:** The Rabi harvest significantly reduced food inflation in India, contributing to a decline in retail inflation, with key impacts on food prices

    - **Increased Supply:** The good Rabi harvest, encompassing wheat, barley, mustard, chickpeas, and peas, resulted in an increased supply of essential food items, stabilizing and reducing prices of these commodities

    - The Rabi season, which involves sowing of wheat, barley, and pulses, experienced a 1.5% year-on-year increase in acreage and production, primarily due to higher Minimum Support Prices for key crops, which stabilized food prices

    - **Favourable Weather Conditions:** The favourable weather conditions during the growing season, such as La Niña-influenced extended winter, improved crop yields and alleviated supply constraints, particularly for wheat and mustard, ensuring better grain formation and filling

    - However, Core inflation, excluding food and fuel, reached its highest level in seven months, largely due to a significant rise in gold prices

BWR VIEW

Implications of the Declining Inflation

Monetary Policy Response:

Rate Cut Potential: With inflation aligning closer to the target, the RBI may consider to lower interest rates further in upcoming monetary policy meetings. This could support economic activity as high rates have been a factor in slowing growth, thus providing some relief to consumers amid ongoing global economic uncertainties

Future Projections: The RBI anticipates inflation to stabilize around its target in FY26 contingent on favourable conditions such as normal monsoon patterns and stable supply chains. Forecasts suggest that if current trends persist, inflation could average around 4.1%, bolstering the central bank's commitment to its long-term targets

Factors contributing to this optimistic outlook include expected improvements in agricultural output due to favourable weather conditions, particularly a strong rabi crop, which is anticipated to ease food inflation pressures significantly

Impact on Households and Consumption: Lower inflation is expected to relieve cost pressures on households and boosts households' real incomes and purchasing power, promoting higher discretionary spending in consumer goods, travel, and entertainment sectors due to the decrease in food and fuel inflation

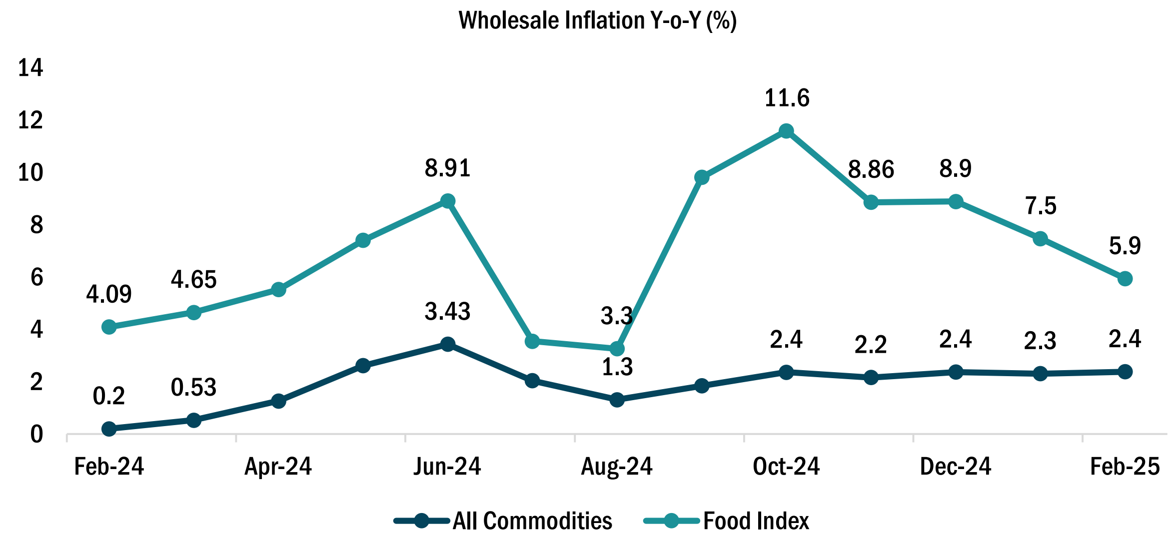
Consumer Confidence: Lower inflation can boost consumer confidence, stimulate spending, and potentially stimulate economic growth. This confidence can lead to larger purchases, benefiting sectors like retail and services

Impact on Industry and Investments and Government Fiscal Position: Moderate inflation reduces input cost pressures for businesses, especially in manufacturing and services sectors. A stable inflation environment boosts investor confidence and may attract more FDI. Controlled inflation allows the government greater flexibility in fiscal management, controlling subsidies and interest expenses. Lower inflation also helps manage borrowing costs, reducing bond yield pressure

Investment Sentiment: Lower inflation can boost investor confidence, potentially driving increased investments across various sectors due to businesses anticipating stable economic conditions

Inflation control can improve business environment by reducing input costs, especially in food and fuel prices, which can improve profit margins. Stable inflation can also enhance business sentiment and encourage investment, as companies are more willing to expand operations or invest in new projects if they perceive economic stability and cost predictability

India's Wholesale Inflation Edges Up to 2.38% in February 2025; Fuel and power prices drive WPI uptick



Source: Ministry of Commerce & Industry, Government of India

- India's wholesale price index (WPI)-based inflation rose marginally to 2.38% in February 2025 accelerating from 2.31% in January 2025, driven by higher prices of manufactured food products, textiles, and non-food articles
- This marks a continuation of positive wholesale inflation for over a year, reflecting steady demand and supply dynamics in the economy

Key Drivers of India's Wholesale Inflation Rise in February 2025

- **Food Inflation Rebounds:** The primary driver of the rise in WPI inflation was the sharp pickup in food prices. WPI food inflation surged to 5.3% in February from 3.6% in January, primarily due to higher prices of vegetables, pulses, and cereals, seasonal supply chain tightness, and unseasonal weather in key growing regions, primarily driven by increased food prices
    - Beverages also saw a modest rise of 1.66%, while textiles and non-food articles contributed to upward pressure
    - Notably, potato prices fell sharply by 27.54%, but fruits and onions remained elevated, with onion inflation at 48.05%
- **Manufactured Food Products Surge:** Inflation in manufactured food items saw 11.06% inflation, reflecting higher input costs and supply chain pressures led by vegetable oils (up 33.6% YoY) and beverages
- **Mixed Food Trends:** The WPI Food Index decreased to 5.94% from 7.47% in January 2025, largely due to falling vegetable prices, a surge in onion prices, and elevated edible oils
- **Non-Food Articles and Textiles:** Non-food articles (e.g., fibers, oilseeds) and textiles contributed to upward momentum, likely due to rising raw material costs and stronger industrial demand
- **Fuel Deflation Moderation:** The fuel and power segment (-0.71% YoY) saw narrower deflation compared to January 2024 (-2.78%), with electricity prices rising 4.28% month-on-month and mineral oils up 1.87%, easing downward pressure on overall WPI
- **Core Manufacturing Inflation:** Manufactured goods (64.2% weight in WPI) recorded 2.86% inflation in February 2025, up from 2.51% in January 2025. Key contributors included chemicals (1.26%), paper products (2.1%), and semi-finished steel (0.51%), signalling rising input costs and global commodity price spillovers
- **Global and Domestic Demand:** Improved industrial activity and resilient domestic demand likely supported price increases in manufactured goods, while global uncertainties in metal prices and supply chains added to input cost pressures

BWR VIEW

Wholesale inflation has returned above 1%, impacting input cost margins across sectors, particularly for SMEs and price-sensitive industries. The Consumer Price Index (CPI) remains within the Reserve Bank of India's (RBI) comfort zone, but the WPI uptick may signal price pressures that could gradually transmit to retail inflation. Policymakers should monitor supply-side bottlenecks and global commodity trends

WPI inflation is expected to average 2.5-3% in FY26, based on normal monsoon conditions and stable global commodity prices, but risks include higher temperatures impacting crop yields and rising metal prices

Food inflation is expected to ease with robust crop output, but structural factors like input cost pressures and global supply chain dynamics will shape wholesale price trends. RBI's focus on balancing growth and inflation is crucial for India's domestic demand resilience

India's Manufacturing Momentum Slows as Manufacturing PMI Falls to 14-Month Low at 56.3, in February 2025 led by Dip in New Orders

- India's manufacturing sector experienced a notable slowdown in February 2025, as reflected in the Purchasing Managers' Index (PMI), which fell to 56.3, marking a 14-month low compared to January's reading of 57.7

- The February 2025 month's figure was below the previous quarter's average of 56.8, indicating a cooling in manufacturing activity from earlier robust performance levels

- This figure represents the lowest PMI reading in 14 months, attributed to a slowdown in new orders and production growth. International demand also softened from January's near 14-year high

- The growth rate decreased due to softer new orders and production increases, and domestic and international demand slightly decreased. However, manufacturers remained optimistic due to favourable demand trends and healthy customer numbers

- Despite this moderation, the PMI remained above the 50-point threshold, signifying continued expansion in the manufacturing sector

- **New Orders and Production:** There was a significant decline in new orders, which directly impacted production rates. New orders and output, both reaching 14-month lows driven by softer demand, with manufacturers experiencing a drop in new orders and production momentum. However, business conditions improved across all monitored sub-sectors: consumer, intermediate, and investment goods

- **Export orders:** While, domestic demand decreased, international orders continued to support growth as new export orders for Indian manufactured goods continued to rise. However, the rate of growth in new export orders moderated compared to earlier months

    - This uptick is partly attributed to favourable conditions such as tariff announcements from the US, which have spurred exports

- **Production Growth:** The pace of production growth slowed, contributing to the overall dip in the PMI. The production index reflected slower growth, with firms reporting challenges in maintaining momentum amid rising input costs

- **Employment Trends**: Though the manufacturers experienced the second-highest rate of job creation in the series' history in February 2025, the sector's job creation has slowed, with only a small percentage of firms reporting increased hiring. Approximately 10% of firms reporting increased recruitment activity and only 1% reducing staff, indicating sustained confidence in the sector's growth prospects

- **Input Costs:** Manufacturers faced rising input costs due to inflationary pressures led by increased labour expenses and raw material prices; however, it increased at the slowest rate in a year, notably for materials like bamboo, leather, rubber, and services like marketing and telecom. Despite these pressures, the overall inflation rate eased for the third consecutive month, reaching its lowest level in a year. However, manufacturers managed to pass some of these costs onto consumers, aided by resilient demand

The decline in manufacturing PMI has several implications for India's economy:

- **Economic Growth Outlook:** Manufacturing slowdown could indicate economic challenges ahead, with moderate GDP growth rates and growing concerns about sustaining momentum, despite a 6.2% GDP expansion in the last quarter

- **Monetary Policy Considerations:** The Reserve Bank of India (RBI) may consider this slowdown in future monetary policy decisions, with inflation rates easing slightly and growth concerns emerging, potentially allowing further interest rate cuts to stimulate economic activity

    - The RBI has already responded to the manufacturing sector's slowdown by implementing a 25-basis-point rate cut in February 2025 to stimulate economic activity amid weakened urban consumption and sluggish private investments.

- **Business sentiment** remains cautiously optimistic, with firms anticipating a rebound in demand and potential increases in output over the coming year

BWR VIEW

The moderation in manufacturing activity in India is in line with broader economic indicators, with a GDP growth rate of 6.2% in the December quarter, up from 5.6% in the previous quarter. To stimulate economic growth, the Reserve Bank of India implemented a 25-basis-point rate cut in February in response to the manufacturing sector's slowdown and moderated inflation. This move is expected to help maintain the country's economic stability.

Looking ahead, several factors will shape the trajectory of India's manufacturing sector:

Demand Recovery: A rebound in domestic and international demand is crucial for revitalizing manufacturing growth, with firms optimistic about future orders and increased output volumes

Cost Management: Manufacturers must effectively manage cost pressures and pricing strategies to maintain margins and maintain competitiveness amidst ongoing pressures

Technological Advancements:
Investment in technology and innovation can enhance manufacturers' productivity and efficiency, better preparing them for future challenges

The slowdown in new orders in February 2025 significantly impacted manufacturing activity in India. The slowdown in new orders led to softer increases in production levels. As new orders weakened, manufacturers also scaled back on their input purchasing activities, Despite the slowdown in new orders, business expectations remained relatively strong, with many firms anticipating greater output volumes over the coming year. This optimism is supported by ongoing global demand and successful marketing efforts

The international economic landscape is crucial for growth, with continued demand from global markets essential for sustaining growth. Tariff changes could affect export dynamics, while rising input costs may squeeze margins. Investment in technology and innovation is essential for productivity enhancement. Government initiatives to boost manufacturing through incentives and infrastructure improvements, along with continued support for sectors like electronics and pharmaceuticals, could foster growth. Adapting to new technologies can help firms navigate challenges and capitalize on growth opportunities

Despite the current deceleration, the outlook for India's manufacturing sector remains cautiously optimistic with factors like global demand, input costs, technological advancements, and supportive policies determining its sustainability. Stakeholders must remain vigilant and adaptable

Services PMI rebounds from January's 26-month low to hits 59.0 in February 2025 led by Foreign orders, which surged to six-month high

- India's services sector demonstrated robust growth in February 2025, with the Services Purchasing Managers' Index (PMI) rising to 59.0, marking a significant rebound from January's reading of 56.5, which was the lowest reading in over two years

- This recovery marked the fastest expansion since mid-2024, driven by robust domestic and international demand, and signalled improved business confidence amid accelerated hiring activity, positioning the sector as a key contributor to India's economic recovery

- **Composite PMI:** While services thrived, the manufacturing PMI fell to a 14-month low of 56.3 in February 2025 due to slower production and order growth. The services-led rebound increased the Composite PMI to 58.8, up from 57.7 in January, highlighting the sector's significant role in sustaining economic momentum

Key Drivers of Growth in Services Sector:

- **Surge in New Business Orders:** The sector experienced a notable increase in new orders, both domestically and internationally with the new export business index reaching a six-month high, indicating improved global client engagement, accelerating both domestic and international demand
    - Global demand experienced its fastest growth in six months, significantly contributing to overall output growth

- **Domestic Demand Momentum:** Domestic consumption, especially in hospitality and financial services, fuelled order growth, leading to capacity expansion efforts and improved business confidence

- **Global Demand Revival:** Export orders reached a six-month high, attributed to:
    - **Restocking cycles** in key international markets, especially in developed economies
    - **Competitive pricing strategies** by Indian service providers, enhancing global market share
    - **Geopolitical trade adjustments,** including pre-emptive moves to mitigate potential tariffs (as observed in U.S.-Canada trade dynamics, which influenced global supply chain strategies)

- **Employment Expansion:** Employment growth was broad-based as firms experienced a significant increase in hiring since 2005, primarily due to workload management and capacity expansion, covering both full-time and part-time roles
    - Service providers experienced a significant increase in employment since December 2005, primarily due to substantial hiring, including full-time and part-time positions, to handle rising workloads

- **Output Momentum:** Higher order volumes led to increased business activity, especially in consumer services, despite persistent cost pressures

- **Cost Pressures and Pricing:** Cost pressures in consumer services remain high due to rising food, materials, and packaging costs, but output charges have increased faster than input costs for the first time since October, improving profit margins
    - Firms experienced increased expenses due to recruitment, salary hikes, and overtime payments, despite a positive performance. However, input cost inflation eased to a four-month low, leading to increased selling prices and charge inflation in February
    - While input cost inflation eased, firms raised output prices at the fastest pace since October 2024, improving profit margins and potentially encouraging investment in business development

- **Business sentiment** reached its lowest level since August 2024, despite positive trends. However, firms remain confident about growth prospects, despite a slight dip in future sentiment compared to August 2024, due to sustained demand and favourable economic conditions

BWR VIEW

The February Services PMI performance indicates strong momentum in the services sector, contributing to India's GDP by over 50%. However, despite a four-month low in input cost inflation, service providers increased their charges, potentially impacting overall inflation levels. This could be due to the pass-through of costs to consumers

India's services sector experienced a significant rebound in February 2025, driven by strong demand and a positive business environment, bolstering its economic growth. However, sustaining this growth requires addressing global economic conditions, policy support, and inflation management, global market volatility, while strategic investments in innovation and workforce development could strengthen its global services hub status. Government initiatives, such as infrastructure and skill development, will play a pivotal role in maintaining momentum. The Reserve Bank of India's monetary policy decisions will also influence cost dynamics and consumer spending. Balancing growth with inflation control is essential for maintaining momentum

Business sentiment remains positive, with foreign demand and government initiatives sustaining momentum. Challenges include persistent cost pressures in consumer services and moderating global orders. However, the sector is expected to benefit from India's demographic dividend, technological adoption, and export-oriented reforms by FY2025-26

Key factors behind surge in Business Orders:

- **Strengthening Global Demand:** The new export business index reached a six-month high, with increased orders from clients across Africa, Asia, Europe, Americas, and the Middle East, outpacing domestic growth and contributing to overall expansion

- **Domestic Demand Recovery:** Domestic demand rebounded after a 14-month low in January, driven by improved consumer confidence, business activity, and improved customer relations, productivity, and efficiency, enhancing competitiveness

- **Sector Specific Demand Drivers:** The government's focus on skill development and digital transformation has created a favourable ecosystem for service exporters, with advertising campaigns, technological advancements, infrastructure upgrades, and workforce development attracting new clients and capitalizing on emerging opportunities

  - India's digital infrastructure and skilled workforce have been utilized by IT, finance, and consumer services to secure cross-border contracts, with global clients increasingly seeking India's tech-enabled services

- **Capacity Expansion:** To meet the rising international demand, firms hired workers at a rapid rate since December 2005 to meet international orders, managing workloads and ensuring timely delivery for global clients

Sectors within the services sector that saw the most significant growth in February 2025

- **Consumer Services:** Consumer Services face high cost pressures due to rising food, material, and packaging expenses, while urban consumption recovery boosts demand. Output charges rise fastest as firms pass costs to consumers

- **IT and Finance:** India's IT & Finance sector utilized its digital infrastructure and skilled workforce to secure international contracts, boosting productivity through tech adoption and improved client relationships

- **Transport, Information and Communication:** The transport, information & communication sector experienced the strongest increase in selling prices due to high demand and global orders from Africa, Asia, Europe, and the Americas

Flash India PMI estimate showed a contraction in Composite PMI to 58.6 Amid Services Slowdown

- The Flash India PMI for March 2025 (which are preliminary estimates, subject to revision upon final data release) showed that India's private sector remained strong, with the HSBC Flash India Composite PMI slightly easing to 58.6, above its long-run average of 54.7. The slowdown was due to softer services activity

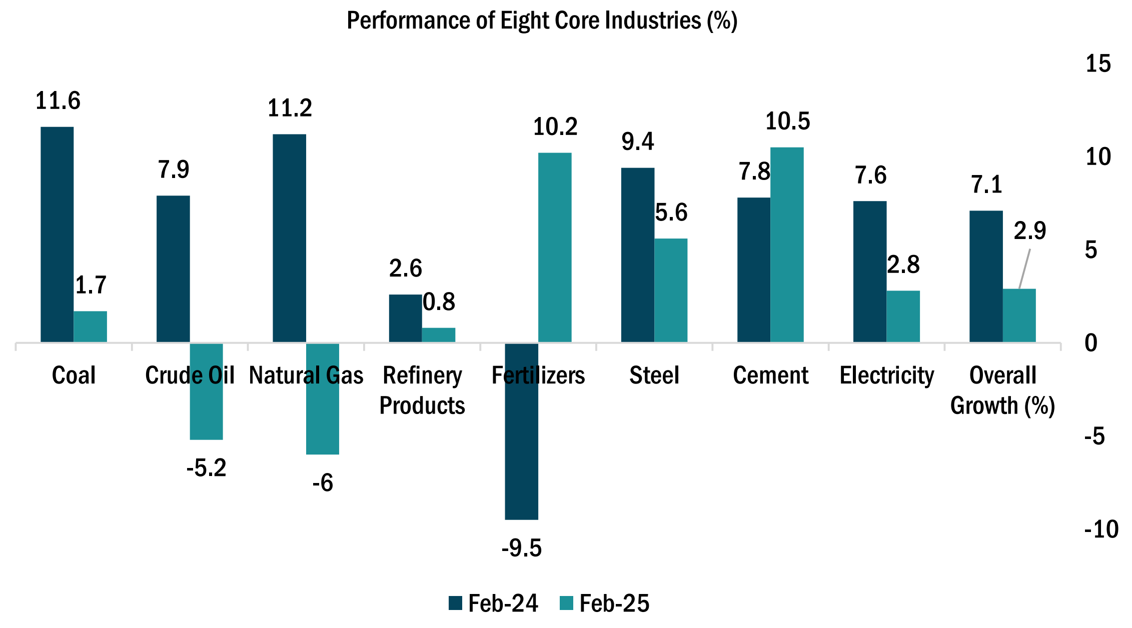
- Growth slowdown was driven by moderating services activity (PMI fell to 57.7 from 59.0), while manufacturing accelerated

- Flash PMI data showed The Flash estimate of manufacturing PMI rose to 57.6 in March 2025 (preliminary estimate), up from 56.3 in February 2025, marking a three-month high

- However, flash estimate showed a moderation in services activity expansion as the Flash India Services PMI decreased to 57.7 in March, marking the 44th consecutive month of expansion. New business growth softened, employment increased, and input cost inflation eased slightly. International service demand decelerated

- The data underscores manufacturing-led growth coexisting with services moderation and persistent cost pressures.

Core Sector Growth Slows to 5-Month Low of 2.9%; Cement and Fertiliser Sectors Show Robust Growth



Source: Ministry of Commerce & Industry, Government of India

- India's core sector growth in February 2025 slowed to 2.9%, compared to revised 5.1% growth in January 2025, marking the slowest expansion in five months. The decline in February 2024 was primarily due to a high base effect and weaker performance in five of the eight core industries

Key Contributing Factors:

- **High Base Effect:** The 2024 leap year resulted in a high base effect, impacting sectors like coal and cement, which faced more challenging YoY growth calculations
- **Energy Sector Challenges:** The energy sector faces challenges in crude oil production, natural gas, and coal, with crude oil production falling 5.2% due to aging fields and stagnant output, natural gas contracting 6%, and coal experiencing a six-month low. These reductions significantly impacted the overall infrastructure output
- **Moderation in industrial activity:** The Manufacturing PMI dropped to 56.3 in February (from 57.7), signalling slower expansion in factory orders and output. indicating reduced demand and a slowdown in manufacturing activity
- **Refining Slowdown:** The growth of refinery products decreased to 0.8% in February 2025 from 8.3% growth in January 2025 due to maintenance shutdowns and decreased demand
- **Slower Growth in Coal Production:** Coal production experienced a marginal rise of 1.7%, indicating a deceleration compared to previous months
- **Sectoral Disparities:** Construction-linked sectors like cement and steel experienced growth, while energy and mining sectors negatively impacted overall performance
- **Global Tariff Uncertainties:** India's February economic report revealed that global tariff uncertainties and trade risks have slowed export growth, affecting investments and overall economic momentum

Additionally, broader economic factors played a role in the subdued core sector performance:

- **Slowing Export Growth:** India's export growth has slowed due to global tariff uncertainties and trade risks, impacting industrial production and related sectors
- **Deceleration in Bank Loan Growth:** Indian banks experienced an eighth consecutive month of slowing loan growth in February, with a year-on-year credit growth of 12%, down from 16.6% the previous year, partly due to stricter capital requirements imposed by the Reserve Bank of India
    - The RBI imposed 25% higher risk weights on unsecured loans and lending to NBFCs in late 2023, reducing banks' appetite for high-risk lending and forcing them to allocate more capital.

Sector-wise performance:

- **Moderation in Cement Output:** Cement production experienced a 10.5% annual expansion in February 2025, down from January's 14.6%, indicating a slowdown in construction-related activities. This slowdown was driven by infrastructure and real estate activity, with a 4.1% month-on-month increase in output and a cumulative growth of 5.1% for April-February FY25

BWR VIEW

The slowdown in the core sector, a key indicator of industrial output, could potentially moderate the Index of Industrial Production for February 2025, potentially impacting economic growth. The contraction in key industries like crude oil and natural gas could deter investment, potentially affecting future capacity expansion and employment. This could also affect government revenues and public spending plans

The contraction in India's core sector output in February 2025 underscores the challenges posed by sector-specific issues and global uncertainties. The slowdown in the core sector could potentially impact overall factory output for the coming months. This could raise energy security concerns and increase reliance on imports, potentially affecting the trade balance. The weakening of energy and manufacturing sectors may further pressure FY25 growth, as revised downward by institutions like the RBI. The rural-urban divide may also be affected. Additionally, slower growth in cement and steel production could affect ongoing and future infrastructure projects

India's core sector growth has slowed down, but initiatives are being implemented to revitalize it. The government's $2.7 billion production-linked incentive scheme for electronics manufacturing is expected to attract $7 billion in investments and create around 91,000 jobs over the next five years. This could have positive spillover effects on related core industries. A holistic approach encompassing all core industries is essential for sustained industrial growth and economic resilience

The 2025-26 budget suggests increased infrastructure spending could revive cement, steel, and electricity demand. Fertilizer production may remain strong due to government subsidies and seasonal demand. Energy reforms, including addressing inefficiencies in oil/gas and integrating renewable energy, are crucial. Global headwinds pose risks to export-linked sectors

- While this marks a robust expansion in cement output, the pace of growth has moderated compared to the previous months, warranting a closer examination of the underlying factors and potential implications for the industry
- The moderation in growth in cement production can be attributed to the high base effect, as cement production experienced significant growth last year. This leads to a deceleration in percentage growth, despite strong absolute production. February typically experiences a slight moderation in construction activities due to the end of peak season, causing a temporary slowdown in cement demand from real estate and infrastructure projects.
- While, Cement witnessed a slight moderation in growth momentum, nevertheless, the long-term growth drivers for the cement industry remain intact, with government-led infrastructure projects and housing development continuing to provide a solid foundation for demand. Cement manufacturers will need to balance capacity expansion, pricing strategies, and supply chain efficiencies to navigate this evolving landscape effectively

- **Fertilizers:** Fertilizers saw a 10.2% annual increase in production, accelerating from 3% in January, boosted by pre-monsoon stocking and subsidy-driven rural demand,
- **Steel and Electricity showed modest improvements:** Steel production increased by 5.6% from 4.7% in January, but some reports suggest a five-month low of 5.4%, indicating mixed trends
- **Electricity:** Electricity output increased by 2.8%, slightly higher than January's 2.4%, but sequential growth declined by 0.5%
- **Marginal Increase in Coal Production:** Coal production growth slowed to 1.7%, a six-month low, with a 6.2% monthly drop, while cumulative production grew 5.6% from April-February
- **Refinery Products:** Maintenance shutdowns caused a six-month low in growth for refinery products, dropping from 8.3% in January to 0.8%
- **Crude oil:** Crude Oil contracted by 5.2% in February 2025, a decline from -1.1% in January, primarily due to aging fields and decreased output
    - Operational halts for maintenance at key facilities exacerbated production shortfall against FY25 target of 28.5 mmt, with cumulative production until February 2025 at 24.2 mmt, falling short of annual goals
- **Natural Gas:** Natural gas output decreased by 6%, a significant increase from the -1.5% recorded in January, primarily due to production issues

Cumulative Growth: Core sectors expanded 4.4% in April-February FY25, down from 7.8% in the previous fiscal. Manufacturing PMI dropped to 56.3 in February, aligning with the revised FY25 growth forecast of 4.3%. Government capital expenditure reached 80% of the revised target, with states lagging at 48%

January IIP Hits 5% in January 2025 on Robust Manufacturing and Mining Surge; While Electricity Growth Slows to 2.4%

Index of Industrial Production, Y-o-Y Growth

	Mining	Manufacturing	Electricity	General
January 2025*	4.4	5.5	2.4	5.0
January 2024	6.0	3.6	5.6	4.2
Weight in IIP	14.4	77.6	8.0	100

Source: Ministry of Commerce & Industry, Government of India

Index of Industrial Production, April 2024-January 2025

	Mining	Manufacturing	Electricity	General
Y-o-Y Growth	3.4	4.2	5.1	4.2

Source: Ministry of Commerce & Industry, Government of India
** Figures for January 2025 are Quick Estimates*

Sector-wise Classification

	Primary Goods	Capital Goods	Intermediate goods	Infrastructure/ construction goods	Consumer durables	Consumer non-durables
Jan-2025*	**5.5**	**7.8**	**5.2**	**7.0**	**7.2**	**-0.2**
Jan- 2024	2.9	3.2	5.3	5.5	11.6	0.3
Dec- 2024	3.8	10.4	6.4	7.4	8.3	-7.5
Weight in IIP	34.1	8.2	17.2	12.3	12.8	15.3

** Figures for January 2025 are Quick Estimates*

- India's industrial production showed robust growth in January 2025, with the Index of Industrial Production (IIP) expanding by 5.0% year-on-year, up from a revised 3.5% in December 2024. This marks a recovery from previous month's slowdown driven largely by strong manufacturing activity, government spending and mixed performances across other segments

Key Drivers:

1. **Manufacturing Sector:** Manufacturing output rose by 5.5% in January 2025, marking a significant improvement from 3.6% growth recorded in the previous month, with 19 out of 23 industry groups recording positive growth

   Key contributors included:

   - **Electrical equipment** (+21.7%), driven by transformers, optical fiber connectors, and electric heaters
   - **Coke and refined petroleum products** (+8.5%), supported by higher diesel, petrol, and LPG output
   - **Basic metals** posted 6.3% growth, supported by steel products like pipes and MS ingots, reflecting steady demand from infrastructure and construction

   Other notable performers:

   - **Fabricated Metals:** 10.5% growth
   - **Cement Production:** 14.5% growth (though categorized under broader industrial data)
   - **Machinery and Equipment:** 4.7% growth

2. **Mining Sector:** Mining activity experienced a 4.4% growth, up from a 2.7% rise in December 2024, while it was down from 6% in January 2024, indicating slower extraction activity

3. **Electricity Generation:** Electricity output grew by 2.4% in January 2025, though this was a sharp deceleration compared to the 6.2% growth seen in December 2024, and this was likely due to milder weather and reduced industrial power demand. This moderation limited the overall industrial growth ceiling, particularly for energy-intensive industries

BWR VIEW

India's industrial production showed robust growth in January 2025, surpassing market expectations of 3.4-3.5%. This demonstrates domestic demand strength in manufacturing and infrastructure despite global trade headwinds. The Production-Linked Incentive scheme and increased government capex likely bolstered sectors like electronics and specialty metals. Subdued non-durables demand and easing inflation may prompt the RBI to consider further rate cuts

January data indicates recovery, but sustaining growth requires addressing structural issues like logistics inefficiencies and labour reforms. A potential 50-basis-point rate cut cycle in 2025 could stimulate private investment, while fiscal discipline and stable government policy prioritize long-term industrial competitiveness. The global economy faces challenges due to sectoral disparities, external risks like global tariff shifts and commodity price volatility, and structural bottlenecks like high component import duties, skilled labour shortages, and delayed labour reforms

India's industrial sector is expected to experience sustained growth, with business confidence at high levels. The government aims for a $1 trillion manufacturing economy by 2025, but this will require addressing structural bottlenecks, improving product quality, and deepening global integration

4. **Infrastructure and Construction Goods Output:** The infrastructure sector, accounting for 40% of the IIP, expanded by 7.0% year-on-year, compared to a 5.5% expansion in the corresponding month of the previous year with significant contribution from cement production increasing by 14.5% and refinery products output increasing by 8.3%, despite a decline in crude oil and natural gas production

    - Crude oil and natural gas production declined by 1.1% and 1.5%, respectively. The Manufacturing Purchasing Managers' Index (PMI) rose to 57.7 in January 2025, the highest level in six months, indicating strong demand and output growth. The industrial production figures for January 2025 show a positive trajectory for India's industrial sector, with manufacturing and mining leading the growth

5. **Strong Domestic and International Demand:** The Manufacturing Purchasing Managers' Index reached a six-month high of 57.7 in January, indicating strong demand and output, driven by the fastest increase in new orders since July and a notable rise in export orders

6. **Enhanced Business Confidence:** The manufacturing sector experienced its highest workforce expansion rate since March 2005, driven by favourable demand conditions and improved economic outlook

7. **Government Policy Support:** The expansion of Production-Linked Incentive (PLI) schemes in sectors like electronics, pharmaceuticals, and automobiles is boosting investments and production. The government's infrastructure spending, particularly in roads, railways, and renewable energy, is generating demand for industrial machinery, cement, and steel. Additionally, domestic manufacturing initiatives like Make in India are increasing production in defense, electronics, and semiconductors

8. **Export Market Recovery:** India's industrial goods exports are benefiting from global trade recovery, particularly in key markets like the US and EU, and the China+1 strategy is attracting increased investments in Indian manufacturing

9. **Private Sector Investment & Capex Cycle:** Strong corporate earnings and improved credit availability are driving a fresh capital expenditure cycle in manufacturing sectors like automobiles, electronics, textiles, and steel, driven by rising domestic demand

Use-Based Classification

- **Capital goods (machinery/equipment):** This segment, indicative of investment in production capacity, expanded by 7.8% in January 2025, up from 3.2% in January 2024, signalling increased business investment

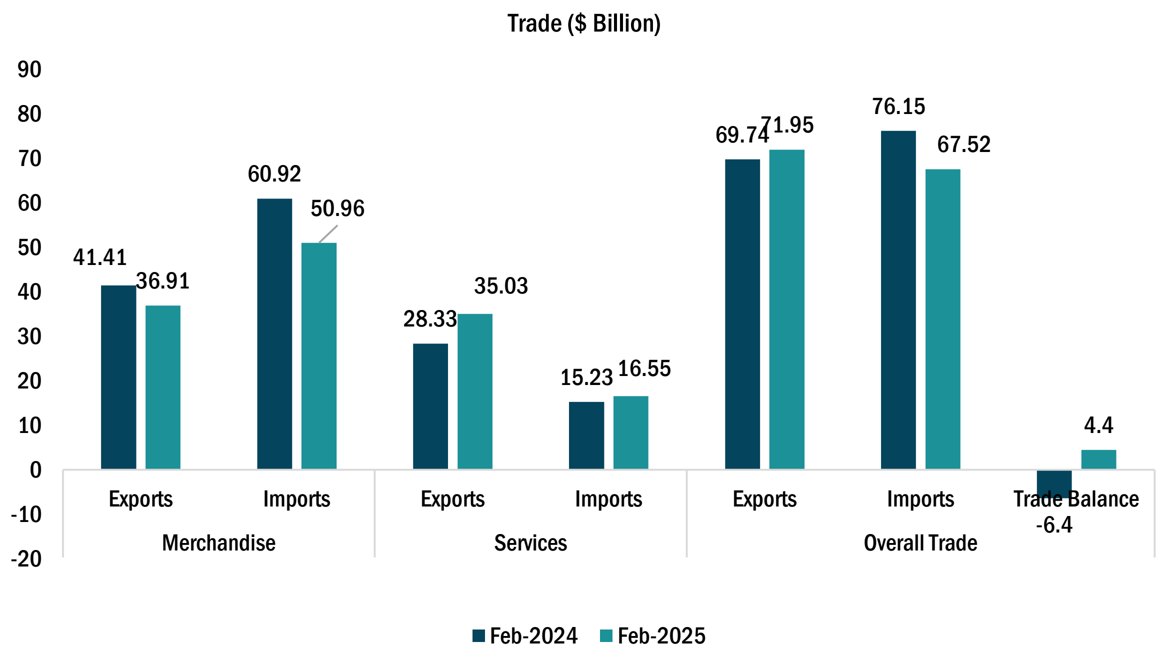
- **Consumer durables (electronics, appliances):** Production increased by 7.2% in January 2025, slightly down from 8.3% in December 2024, reflecting steady demand for appliances and electronics and rising disposable incomes

- **Primary goods:** +5.5%, while infrastructure/construction goods grew 7%, underscoring government-led project execution

- **Consumer non-durables (FMCG):** This segment (staples like food, clothing, and personal care products) contracted -0.2% in February 2025, though recovering from December's -7.5% slump

April 2024–January 2025: IIP growth averaged 4.2%, down from 6% in the same period last fiscal year, highlighting persistent sectoral challenges

India's Trade Deficit Plunges to 42-Month Low at $14.05 Billion in February 2025 as Imports Hit 22-Month Lows Led by Lower Gold and Oil Imports; Exports Hold Steady



Source: Government of India, Ministry of Commerce & Industry

- India's merchandise trade deficit in February 2025 narrowed sharply to $14.05 billion, marking its lowest level in over three years (since August 2021), from $19.5 billion in January 2025
- This contraction was driven by a 16% year-on-year decline in imports to $50.96 billion, the lowest since April 2023, from $60.92 billion in February 2024, alongside a 10.9% drop in merchandise exports to $36.91 billion from $41.41 billion in the same period
- The decrease in imports is attributed to reduced global demand and a high base effect from the previous year, while the decrease in exports highlights ongoing trade challenges
- For the cumulative period of April 2024 to February 2025, merchandise exports totalled $395.63 billion, marking a marginal increase from $395.38 billion during the same period in the previous fiscal year
- Merchandise imports during this period stood at $656.68 billion, up from $621.19 billion, resulting in a cumulative trade deficit of $261.06 billion, compared to $225.81 billion in the previous fiscal year

Key Drivers of the Narrowed Trade Deficit

1. Import Compression:

- **Oil Imports:** There was a notable reduction in the import of crude oil and gold. Crude oil purchases fell to $11.8 billion (from $13.4 billion in January) due to declining global Brent crude prices, which averaged $74.95/barrel in February 2025. This decrease helped reduce the overall import bill, which dropped by 16% year-on-year to $50.96 billion
    - **Petroleum imports** fell by 29.6% to $11.89 billion due to softer global Brent crude prices and reduced Russian imports by 14.5% monthly to 1.43 million bpd. This marked the lowest oil import bill since July 2023
    - Reduced purchases from Russia - down 14.5% month-on-month to their lowest level since January 2023-also contributed
- **Gold and Silver:** Imports dropped 62% to $2.3 billion in February 2025, down from $2.68 billion in January 2025, reflecting subdued domestic demand. Silver imports also declined significantly. This marked the second consecutive monthly decline after January's $2.69 billion imports
- **Non-Oil, Non-Gold (NONG) Imports:** While some NONG segments like electronics rose (9.1% year-on-year to $7.57 billion), others like coal and transport equipment fell sharply (-35.6% and -16.9%, respectively). Seasonal factors and cautious inventory management contributed to the overall moderation
- **Steel Import Restrictions:** Steel imports decreased by 40% sequentially to 0.6 million tonnes due to market anticipation of safeguard duties from a Directorate General of Trade Remedies DGTR probe and reduced Chinese shipments

BWR VIEW

February's trade data reflects India's improving external balance sheet due to import moderation and services growth, but cautious optimism is needed due to US trade barriers and commodity price swings. Strategic bilateral negotiations and export diversification are crucial.

India's February trade performance shows improved external balance sheet due to import moderation, services growth, lower commodity prices and service diversification. but cautious optimism is needed due to US trade barriers and commodity price swings. Strategic bilateral negotiations and export diversification are crucial. Global uncertainty and protectionist measures pose risks to $800 billion annual export target, prompting policymakers to prioritize bilateral agreements and export incentives

Non-petroleum products played a dual role in the US economy, providing stability through electronics and agricultural goods and highlighting structural vulnerabilities in gems, engineering goods, and industrial imports. Reduced dependency on oil imports provides breathing room for fiscal management amid volatile crude prices. The trade deficit reflects this dichotomy, driven by import compression in non-petroleum categories but constrained by export underperformance in key non-petroleum sectors. Steel and gold import declines were critical to deficit reduction

- **Global Uncertainty and Tariff Risks:** Importers defer purchases in gems and jewellery sectors due to anticipated U.S. reciprocal tariffs and weaker global demand, while geopolitical tensions dampen trade sentiment

- These declines contributed significantly to the overall reduction in import expenditure.

2. Export Dynamics:

- **Merchandise Exports:** Non-petroleum merchandise exports showed resilience in select sectors but faced broad challenges. Outbound shipments rose 1.3% month-on-month to $36.91 billion, though they declined 10.9% year-on-year due to subdued global demand and base effects

    - **Electronics:** Continued expansion driven by production-linked incentive (PLI) schemes

    - **Garments and Rice:** Maintained growth despite global headwinds, with non-petroleum exports rising 6% year-on-year in value terms

    - **Engineering Goods:** Declined 8.62% in February 2025 but posted a 7.97% cumulative growth for April-February 2025, reflecting uneven demand

- **Services Exports:** Services exports surged to $35.03 billion, contributing to a $18.5 billion services trade surplus (combined with $16.55 billion in imports). Key growth areas included IT and Global Capability Centres

- India's export performance was negatively impacted by subdued global demand and ongoing challenges in key export sectors, with outbound shipments declining in 17 out of 30 key export areas

3. Structural and Policy Factors

- **Non-Petroleum Exports:** Grew 6% year-on-year, with electronics, rice, and garments showing resilience despite global headwinds

- **Geopolitical Risks:** Concerns over U.S. tariff hikes (effective April 2) prompted exporters to accelerate shipments, though long-term risks remain

4. High Base Effect

- The observed declines were influenced by the high base effect from the previous year, as February 2024 had an extra leap day, making the comparison more pronounced

Challenges and Outlook

- **Global Demand Weakness:** Subdued orders from key markets like the EU and China impacted sectors such as gems and jewellery, which faced additional sanctions on Russian diamonds

- **Tariff Risks:** The US proposal to impose reciprocal tariffs on Indian goods, averaging 10 percentage points higher, poses a threat to $118 billion in bilateral trade

- **Current Account Surplus:** A current account surplus of $5 billion for Q4 FY25 is projected and this is attributed to a narrowed trade gap and robust services exports

- **Gems and Jewellery:** Declined due to G7 sanctions on Russian diamonds and reduced discretionary spending

- **U.S. Tariff Risks:** Anticipation of reciprocal tariffs (effective April 2025) disrupted export momentum in engineering goods and other key sectors

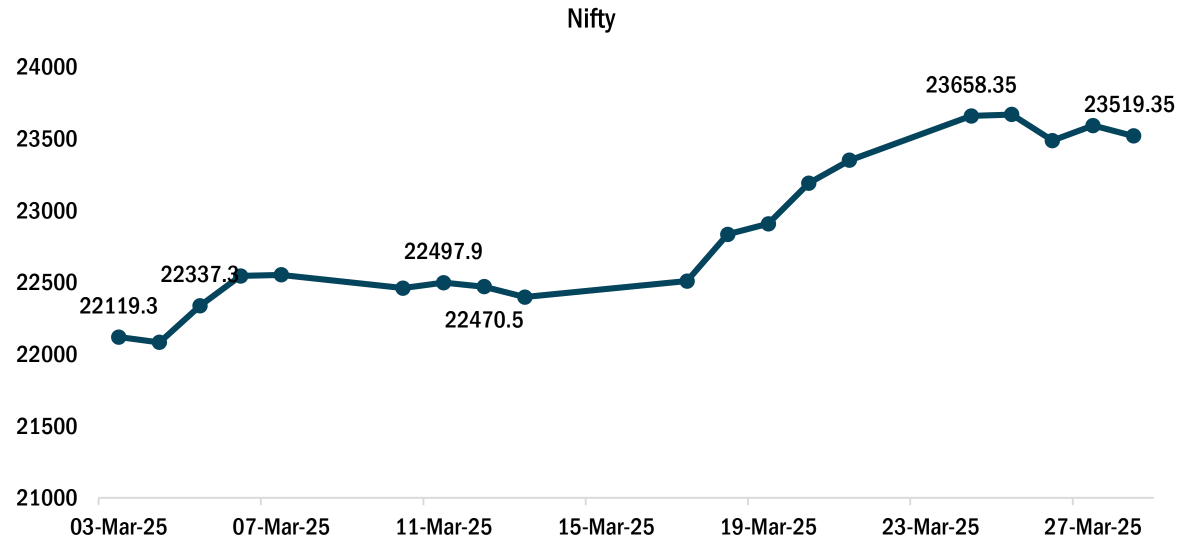
Potential impact of US reciprocal tariff plan on U.S.-India Bilateral Trade:

- The US reciprocal tariff plan effective April 2, 2025 introduces a 26% tariff on Indian exports alongside a 10% universal baseline tariff, is expected to significantly impact bilateral trade dynamics

- India's steel, aluminium, and auto parts sectors face 25-26% tariffs, impacting $15-20 billion exports. Textiles, machinery, and electronics will face higher costs due to the 10% baseline tariff and additional levies. Pharmaceuticals, semiconductors, energy products, and copper are excluded from tariffs, shielding India's $12.7 billion pharma exports and energy-related trade. The $500 billion Bilateral Trade Agreement goal faces headwinds due to reduced export competitiveness and potential retaliatory measures. Negotiation pressure is high, as the 26% rate is already discounted, limiting immediate bargaining space

Stock Markets

Nifty 50 made a Strong Monthly Rebound; surges 6.3% in March 2025 in biggest monthly leap in 15 months



Source: BSE and NSE

- The Indian equity market made a strong rebound in March 2025, marking a strong recovery after early 2025 declines, marked by significant gains in key indices
- The Nifty 50 index saw its best performance in 15 months in March 2025, recovering from a five-month losing streak, as the index rose 6.3% during the month, marking its most substantial gain in 15 months driven by foreign institutional investor (FII) inflows of $2.65 billion in late March 2025 and domestic liquidity support and RBI liquidity measures
- This rally contributed to a 5.34% gain for the Nifty 50 for the fiscal year (April 2024–March 2025), with the BSE Sensex advancing 5.1%, offsetting losses from October 2024 to February 2025

Broader Market

- The Nifty Midcap 100 rose nearly 8%, while the Nifty Smallcap 100 jumped 9.5%, both outpacing the benchmarks
- However, the market faced challenges towards the end of March 2025, with the Nifty 50 and BSE Sensex declining by 0.17% and 0.20%, respectively on March 28 due to investor concerns over U.S. reciprocal tariffs, with IT and auto sectors being particularly affected.

Sectoral Performance

- Sector-wise, financial stocks played a pivotal role in the market's recovery. Financial services led with 20.67% annual returns, followed by non-banking financial companies (16.64%) and healthcare (14.10%). Media (-17.28%), oil & gas (-6.87%), and PSU banks (-9.97%) underperformed over the one-year period
- In the fiscal year 2025, financial services experienced a 20% growth, while banking stocks saw a 9% increase, surpassing the Nifty 50's 5% increase, driven by anticipated Reserve Bank of India interest rate cuts, credit growth, and foreign inflows

Key Drivers of the Rally:

1. **Easing US Tariff Concerns:** Sentiments improved after US President Donald Trump signalled flexibility on reciprocal tariffs, effective April 2, reducing fears of a full-blown trade war, especially beneficial to export-sensitive sectors like IT in late March
2. **Renewed Foreign Inflows:** The recovery was fuelled by foreign institutional investor (FII) inflows, bargain hunting in undervalued stocks, and improving economic indicators, with FY2025 resulting in the second-highest net FII outflows on record
    a. After substantial outflows in the preceding month**,** Foreign portfolio investors (FPIs) returned to Indian equities in March 2025, injecting $2.65 billion due to attractive valuations and improved economic indicators, following previous outflows.
3. **Value Buying:** Investors, following a five-month losing streak, engaged in value buying, focusing on undervalued stocks, especially in utilities and power sectors, which had previously experienced significant declines
4. **Domestic Institutional Support:** Domestic investors continued providing market stability through consistent buying, particularly in large-cap stocks

BWR VIEW

The combination of RBI rate cut expectations and Fed dovishness has created a favourable environment for Indian equities, especially in rate-sensitive sectors. However, sustained market gains depend on effective liquidity management and global macroeconomic stability, with investors monitoring RBI's April policy stance and Fed's 2025 trajectory

While March's rally improved sentiment, this recovery sets the stage for a potential new market cycle, though sustainability hinges on corporate earnings' delivery and global policy developments

Going ahead, market sentiment remains cautiously optimistic with expectations of 12-13% Credit growth for the banking sector in 2026, driven by 12-13% credit growth for the banking sector driven by demand from services and retail segments, and anticipated RBI interest rate cuts supporting economic growth

However, global economic trends, including U.S. inflation and interest rate policies, as well as domestic factors such as corporate earnings and policy decisions, will likely influence the equity market performance in the coming months

5. **Macroeconomic Improvements**

    a. **Inflation Control:** February 2025 CPI at 3.6% (RBI's target: 4%) strengthened further rate cut expectations

    b. **Policy Support:** RBI's 25bps rate cut and $10 billion liquidity injection improved credit outlook

    c. **Earnings Rebound:** Anticipation of improved earnings for India Inc., particularly in sectors like manufacturing autos, financials, infra linked sectors and IT, fuelled by rural demand revival and government spending, boosted investor confidence

6. **Rate Cut Expectations:** The anticipation of RBI rate cuts, bolstered by dovish signals from the US Federal Reserve, has played a significant role in supporting Indian equity market performance

    a. Anticipation of a further rate cut by the RBI at its April 7-9 meeting, following a 25 basis point reduction in February 2025, boosted sentiments. The RBI is prioritizing growth support over inflation control due to easing inflation and projected FY25 GDP growth at 6.4%. However, liquidity remains in deficit, prompting RBI interventions like variable rate repos and open market operations.

7. **Positive Global Cues:** Global market trends, including a weakening US dollar and easing tariff concerns, boosted investor sentiment, leading to a three-month low in the US Dollar Index and reallocation of funds to emerging markets

8. **Strong Performance of Financial Stocks:** The financial services sector significantly contributed to the market's recovery, with financial stocks gaining nearly 20% and banks rising by 9% during the fiscal year, positioned as a solid market bet due to anticipation of RBI interest rate cuts and credit growth

9. **Improving Economic Indicators:** India's services sector experienced significant growth in February, with the HSBC India Services PMI Business Activity Index rising to 59.0, driven by increased domestic and international demand, resulting in increased output and employment

10. **Domestic Macroeconomic Strength**

    a. India's macroeconomic stability in February 2025 provided a robust foundation for equity market resilience, driven by moderating inflation, steady growth, and sector-specific tailwinds

    b. Headline CPI inflation fell to a 7-month low of 3.6% in February, primarily due to declining food prices and stable core inflation. Moreover, India's economy remained on a 6.5% growth trajectory, anchored by strong government spending and consumption

    c. The manufacturing sector expanded by 7% year-on-year. A 15.5% surge in passenger vehicle sales in January 2025 (with spill over effects into February) boosted automaker stocks

    d. **Rise in Forex Reserves:** Reserves climbed to a 2-month high of $640.48 billion by late February, cushioning against currency volatility and attracting foreign investors.

    e. Food grain production rose 4.8% YoY, improving rural demand and supporting FMCG and tractor-related equities

    f. Government focus on capital expenditure and construction projects drove order inflows for engineering and cement companies.

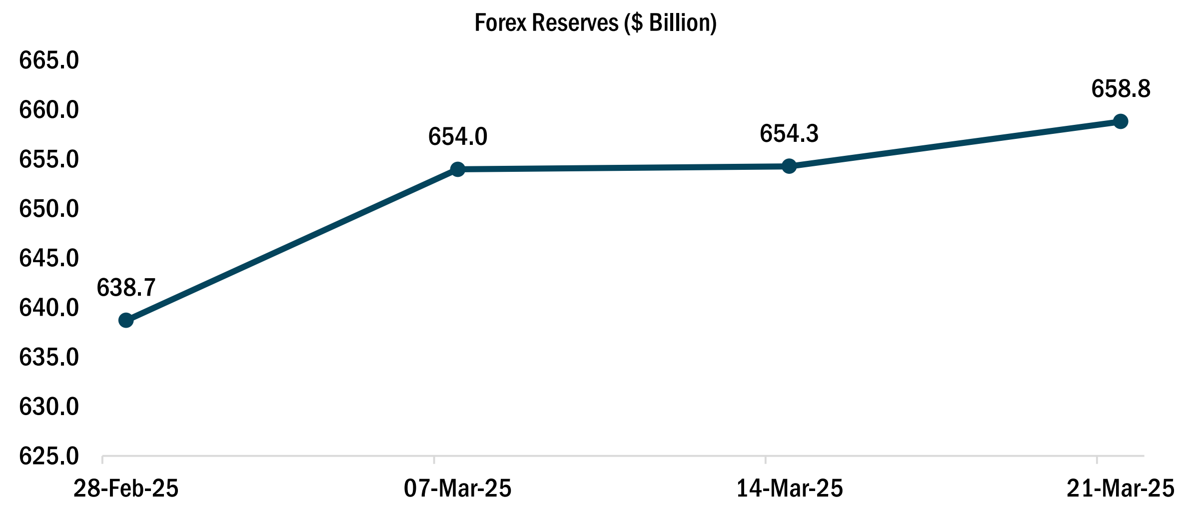
    g. Narrowing India's non-oil deficits and stable services exports in February 2025 mitigated risks, while the rupee's relative stability reduced exporter hedging costs

    - **PSU Rally:** Defence PSUs like Hindustan Aeronautics surged 35% on strong order books

11. Despite the positive momentum, markets faced challenges in March 2025, including foreign investor selling in IT and consumer goods sectors, and FPIs selling $3.5 billion worth of Indian stocks. High stock valuations, reduced government spending, and weakening household incomes due to sluggish wage growth contributed to market volatility

Forex

India's Forex Reserves surged around $20 billion in March 2025 to Reach $658.8 Billion, Covering 11 Months of Imports



Source: RBI

- India's foreign exchange reserves showed strong growth and stability in the month of March 2025, with a cumulative increase of approximately $20 billion during the month, with reserves reaching $658.8 billion as of March 21 driven by strategic interventions and market dynamics

- This positions India as the fourth-largest holder of forex reserves globally and demonstrating resilience amidst global economic uncertainties, thanks to proactive management by the Reserve Bank of India

Week-wise Growth:

- **March 7:** Reserves surged by $15.26 billion to $653.97 billion, marking the largest single-week rise since August 2021, attributed to a $10 billion forex swap executed by the RBI, which provided liquidity and stabilized the rupee

- **March 14:** Reserves edged up by $300 million to $654.27 billion, reaching a three-month high of $654.27 billion despite a minor dip in foreign currency assets

- **March 21:** A sharp increase of $4.5 billion pushed reserves to $658.8 billion, driven by significant gold purchases and foreign currency accumulation

- This rebound in forex reserves follows a $70 billion drop in 2024, with the RBI prioritizing reserve accumulation to buffer against currency volatility

Components of Reserves:

- **Foreign Currency Assets (FCA):** Rose to $558.8 billion by March 21, up from $557.28 billion on March 7, 2025

- **Gold Reserves:** Jumped by $2.8 billion in the week ending March 21, 2025 alone, totalling $77.27 billion- a 12% share of total reserves, up from $74.32 billion as on March 7, 2025,

    - The increase in gold reserves played a significant role in boosting India's forex reserves in March 2025, contributing both through price appreciation and strategic acquisitions

    - A 23% global gold price surge elevated RBI's gold holdings, reaching 879 tonnes by March 2025. The RBI added 27.5 tonnes between March 2024-2025 and continued purchasing in early 2025, resulting in a $2.8 billion increase in gold reserves by late March. Gold's share in forex reserves climbed to 11.5% by March 2025, reflecting RBI's shift towards non-dollar assets amid global economic uncertainties

- **SDRs and IMF Reserve Position:** Declined marginally to $18.24 billion (SDRs) and $4.42 billion (IMF reserve) in the week ended March 21, 2025 compared to $ 18.21 billion and $ 4.14 billion

Strategic Interventions and Market Dynamics

- **RBI's Role:** The RBI conducted a $10 billion forex swap in early March to boost liquidity, contributing to a $20 billion cumulative reserve increase

- **Gold Acquisition:** In mid-March 2025, over 50% of the weekly reserve growth was attributed to gold purchases, reflecting both price appreciation and RBI's active buying

BWR VIEW

The Reserve Bank of India (RBI) has been actively rebuilding reserves after a $70 billion decline in 2024. Gold reserves have also expanded, contributing over 50% of weekly reserve increases. The RBI's market stabilization measures aim to curb rupee volatility amid global trade tensions and currency fluctuations. The improved current account deficit and resilient remittances underpin reserve stability. The outlook remains positive, with reserves likely to remain robust due to strategic management and invisible inflows

In March 2025, India experienced strategic reserve accumulation due to RBI interventions and diversified asset holdings. The growth in gold reserves and forex inflows emphasized India's focus on economic stability and mitigating global market risks, ensuring effective external vulnerability management

- **Rupee Stability:** The Reserve Bank of India (RBI) has intervened through dollar sales and swaps to maintain rupee stability amidst global currency fluctuations

Global Standing and Policy Implications

- **Fourth-Largest Reserves:** India retains its position as the fourth-largest forex reserve holder globally, after China, Japan, and Switzerland, with $658.8 billion as of March 21, 2025

- **Import Coverage:** Reserves covered 11 months of imports, providing a critical buffer against external shocks

- **Current Account Management:** Finance Minister Ms. Nirmala Sitharaman emphasized that reserves ensure India's ability to manage its current account deficit without external borrowing

Key Drivers of India's foreign exchange reserves:

- **RBI's forex swap operations:** The Reserve Bank conducted a $10 billion forex swap in early March, boosting reserves by purchasing dollars and managing rupee liquidity, leading to a $15.26 billion surge in reserves in the first week

- **Rebuilding Strategy:** The RBI's aggressive reserve accumulation policy, which saw a $20 billion increase in March, aims to strengthen the buffer against currency volatility after a $70 billion decline in 2024

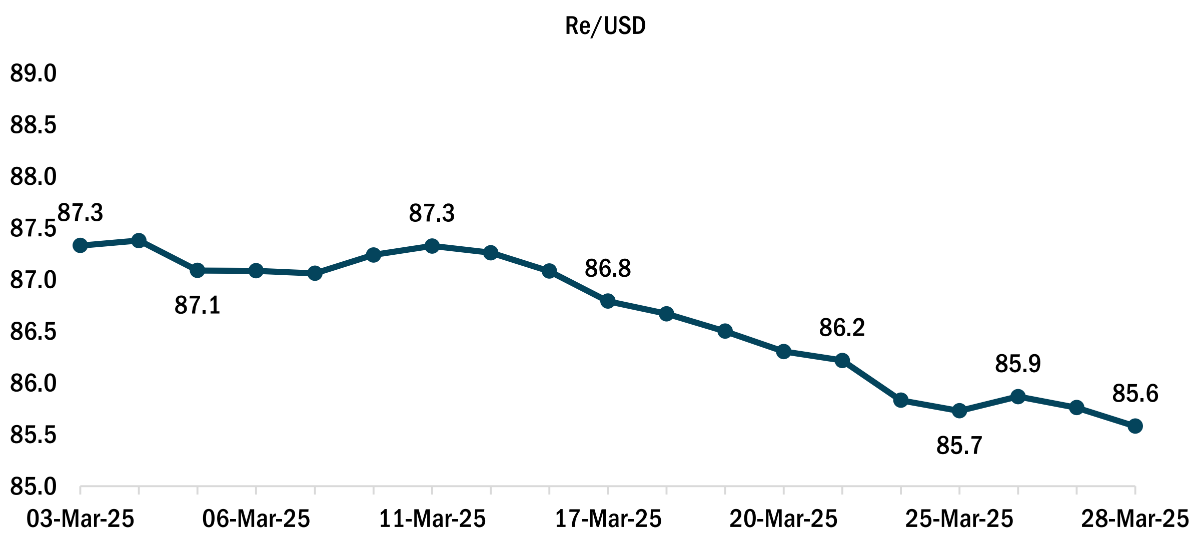
- **Gold Purchases:** Gold reserves significantly contributed to weekly increases in late March 2025, despite only constituting 12% of total reserves, likely due to RBI purchases and rising gold prices

- **Market Interventions:** The central bank effectively managed currency volatility through spot market dollar sales and buy-sell swaps, enhancing reserve accumulation and stabilizing exchange rates as the rupee faced US dollar pressure

- The combination of deliberate swap operations, proactive gold acquisitions, and market stabilization efforts enabled India to achieve its sharpest reserve accumulation since 2021

Rupee

Rupee delivered its strongest monthly performance in over six years in March 2025



Source: RBI

- In March 2025, the Indian rupee (INR) experienced a notable appreciation against the U.S. dollar (USD), marking its strongest monthly performance since November 2018
- The rupee strengthened over 2% during the March 2025 month, closing at approximately 85.58 INR per USD on March 28, 2025, rebounding sharply from its all-time low of 87.95/USD (hit in February 2025)
- The rupee reached a three-month high of 85.50/USD on March 24-25. By late March, it had fully reversed its 2025 losses, closing at 85.58/USD, compared to 85.62/USD at the end of 2024
- While rupee saw significant gains in March 2025 month, it experienced initial pressure, dropping to 87.33/USD on March 11, due to equity outflows and a stronger dollar, but rebounded in the latter half, outperforming most Asian peers

Key Factors Influencing the Rupee's Performance:

- **Foreign Inflows:** March saw a significant influx of foreign investments into Indian equities and bonds, with foreign investors investing $6 billion in Indian equities and $3 billion in bonds, significantly boosting the rupee's value due to the surge in capital inflows
- **Dollar Sales:** Sustained dollar selling by foreign banks and exporters, coupled with corporate repatriation flows, propelled the rupee to erase its 2025 losses
- **Dollar weakness and Fed Policy:** The US dollar index fell 5% from January highs, while the Federal Reserve's projection of two rate cuts in 2025 reduced Treasury yields, making emerging markets like India more attractive
    - Further, concerns over potential economic slowdown in the United States and unpredictable trade policies led to a depreciation of the U.S. dollar, making emerging market currencies like the rupee more attractive to investors
- **Domestic Equity Rally:** The Indian rupee's strong performance in March 2025 was significantly bolstered by a domestic equity market rally, driven by renewed foreign investor confidence and capital inflows. The rebound help improving risk appetite and reducing bearish bets on the rupee
    - Foreign portfolio investors (FPIs) injected $2 billion into Indian equities in March 2025, following months of withdrawals. This move coincided with a 2% monthly rupee appreciation, the best since November 2018, due to dollar inflows from equity investments
- **Reduced Bearish Sentiment:** The rupee's upward trajectory was attributed to a decrease in bearish sentiment as market participants adjusted their outlook in response to favourable economic indicators
- **Corporate Dollar Sales: Aggressive dollar sales by the e**xporters and foreign banks amid the rupee's rebound, creating a supply-demand imbalance that bolstered the rupee's strength
- **External Commercial Borrowings (ECBs):** Indian firms raised $375 million in March 2025 through External Commercial Borrowings (ECBs), including social loans for affordable housing, boosting dollar inflows and supporting the rupee

BWR VIEW

Despite a robust performance in March 2025, the sustainability of the performance going ahead remain cautious due to potential U.S. tariff announcements and reciprocal measures affecting India's exports and economic growth, vulnerability to US trade policies and India's twin deficits

A potential depreciation of the rupee is expected in the coming months due to factors like upcoming U.S. tariffs and global economic conditions. Forecasts suggest the rupee may weaken to 87.50 INR per USD in Q3 and 88.20 INR per USD by Q4 2025

A stronger rupee could improve trade competitiveness but risk exports, particularly in IT and textiles. RBI's forex reserves fell to $638.7 billion, raising concerns about intervention capacity. Fiscal pressures, persistent trade deficits, and slowing GDP growth limit currency structural support

The rupee faces medium-term risks from import inflation and global risk-off sentiment due to U.S. protectionism, necessitating strategic measures like bilateral trade agreements and export-sector reforms to offset deficit pressures, while structural imbalances and external policy uncertainties limit its upside

The rupee may remain under pressure in the near term, especially if the U.S. dollar strengthens due to persistent Fed rate hikes. However, stability could be achieved through fiscal prudence and export diversification, while structural reforms, improved FDI inflows, and RBI forex reserve accumulation can offset depreciation pressures

- **RBI Policy Impact:** The RBI's liquidity injection and reduced market intervention led to the rupee's appreciation

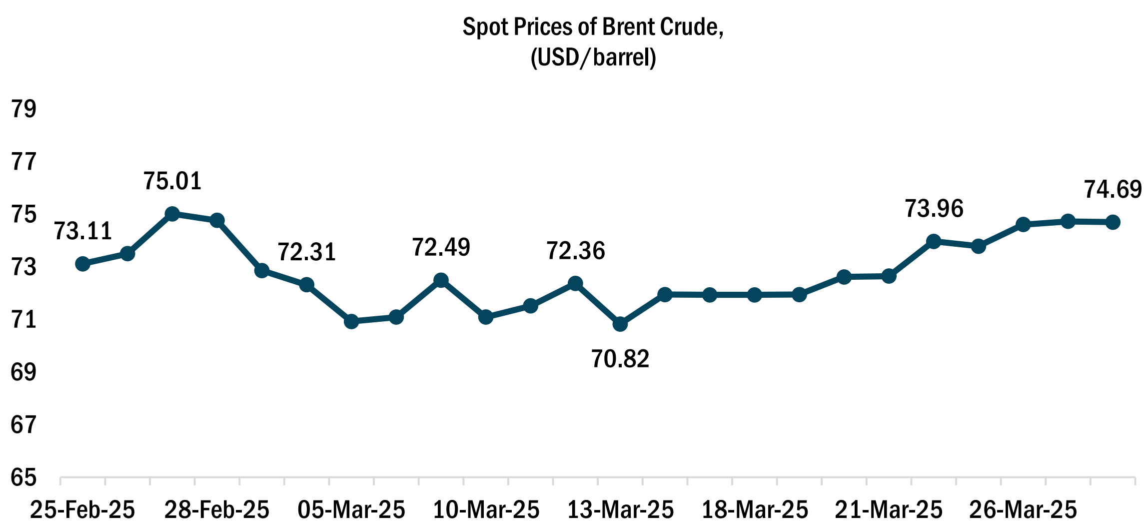
- **Seasonal Corporate Inflows:** The Indian rupee experienced additional support during the end of the financial year in March due to the repatriation of corporate profits and inter-company loans as the end of the financial year often sees Indian corporations repatriating profits

- **Narrowing Trade Deficit:** India's narrowing trade deficit in February 2025, which hit the lowest in three years, due to reduced imports and global uncertainties, supported the rupee

- **Easing Crude Oil Prices:** Lower global crude oil prices have reduced India's import bill, alleviating pressure on the current account deficit and supporting the appreciation of the rupee

Oil

Brent prices fluctuated between $72 and $75 per barrel in March



Source: U.S. Energy Information Administration

- Brent crude oil exhibited moderate volatility in March 2025, with prices fluctuating between $70–$75 per barrel, influenced by shifting demand forecasts and geopolitical factors

- **Early March Decline:** In early March, oil prices plummeted to $70 per barrel due to rising trade tensions, causing uncertainty about global oil demand growth

- By late March 2025, Brent crude prices rebounded reaching one-month highs at $73.15, and set for a third consecutive week of gains, driven by tightening supply outlooks following U.S. sanctions on Venezuelan oil and Iranian oil trade curbs

- The month closed near $74.69 (as of March 28), reflecting a recovery from mid-month lows

- Throughout March 2025, Brent crude oil prices reached three-year lows around $70 per barrel, a significant drop from previous months, indicating growing global economic stability and oil demand concerns

Key Drivers:

- **Escalating Trade Tensions:** US President Donald Trump announced new tariffs on imports, imposing significant fees on major trading partners like the EU, Japan, India, Britain, and China. Although oil and gas were exempted, the broader economic implications raised concerns of a global trade war, potentially hindering economic growth and reducing fuel demand

- **OPEC+ Production Decisions:** OPEC+ plans to gradually unwind voluntary production cuts starting April 1, 2025, with the goal of restoring 2.2 million barrels per day by September 2026, causing increased supply and influencing market dynamics and price expectations

- **Inventory Data:** The EIA reported a 3.3 million barrel decrease in U.S. crude inventories, along with a -1.4 million barrel decrease in gasoline and -420,000 barrels decrease in distillate stocks for the week ending March 21, 2025

- **Trade Tensions and Tariffs:** Trump's announcement of new tariffs in March sparked global trade war fears, potentially impacting economic growth and fuel demand. This led to cautious market sentiment, with investors concerned about the potential negative impact on oil demand

BWR VIEW

March 2025 saw Brent crude oil prices fluctuate due to geopolitical tensions, trade policies, and strategic decisions by major oil-producing nations. The market responded cautiously, balancing demand concerns with supply constraints and policy developments

The U.S. Energy Information Administration (EIA) has adjusted their forecasts for Brent crude oil prices in 2025, with EIA predicting an average price of $74.22 per barrel due to a softer demand outlook amid economic uncertainty

Trump-era tariffs and US trade policy remain key, while crude prices show resilience to financial market declines. Russian and Iranian oil export supply concerns may trigger bullish catalysts

April's market trajectory depends on tariff policy, technical follow-through, and supply adjustments. OPEC+'s gradual production increases pose bearish risks. Brent's March performance highlighted its sensitivity to technical triggers and geopolitical narratives, with prices navigating a narrow band between competing supply-demand forces

Brent crude oil prices are expected to average around $73 per barrel in 2025, down from 2024 levels. This is due to continued supply growth outpacing demand, especially if trade tensions persist and economic growth remains subdued. The International Energy Agency (IEA) also noted that global oil supply might exceed demand by 600,000 barrels per day, indicating a potential for sustained lower prices. March 2025 saw significant challenges for Brent crude oil prices due to trade tensions, OPEC+ production decisions, and rising non-OPEC supply

The EIA predicts Brent to rise to $75 by Q3 2025 due to seasonal demand and inventory draws. The EIA is cautiously bullish for mid-2025 but bearish for 2026 due to structural oversupply risks. Prices are expected to decline to $68-$69 per barrel in 2026 due to OPEC+ increasing output and growing non-OPEC supply. Geopolitical wildcards could trigger short-term price spikes. The Brent market remains delicately balanced, with downside risks dominating the long-term narrative

- **Supply Constraints:** The US imposed sanctions on Venezuelan oil importers and restricted Iranian oil trade, causing global supply concerns and causing upward pressure on oil prices in late March

- **Economic Slowdown in Key Markets:** The slowdown in major economies like India and China, coupled with trade tensions and decelerating growth, has further weakened the demand outlook for oil, contributing to bearish sentiment in oil markets

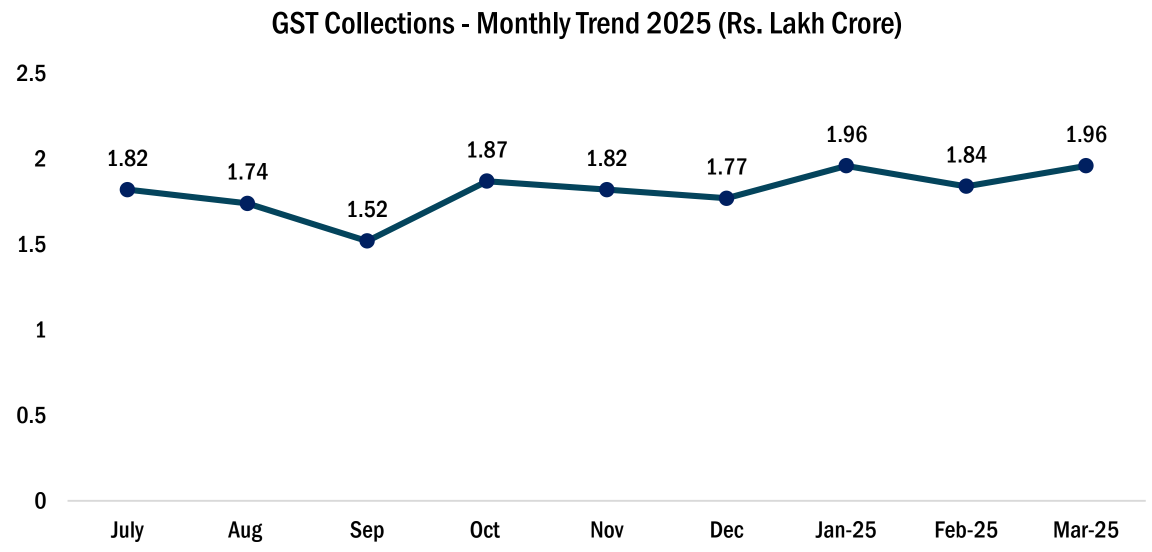
- **Raising Non-OPEC Supply:** Non-OPEC production, mainly from the US, Canada, Brazil, and Guyana, is increasing, with the International Energy Agency (IEA) predicting the US to be the largest source of supply growth in 2025

- The convergence of the above factors led to increased volatility in oil markets, with concerns about profitability of oil producers and reduced economic growth in key markets. This weaker outlook for oil demand further pressured prices

Other Macro-Economic Indicators

GST Collections

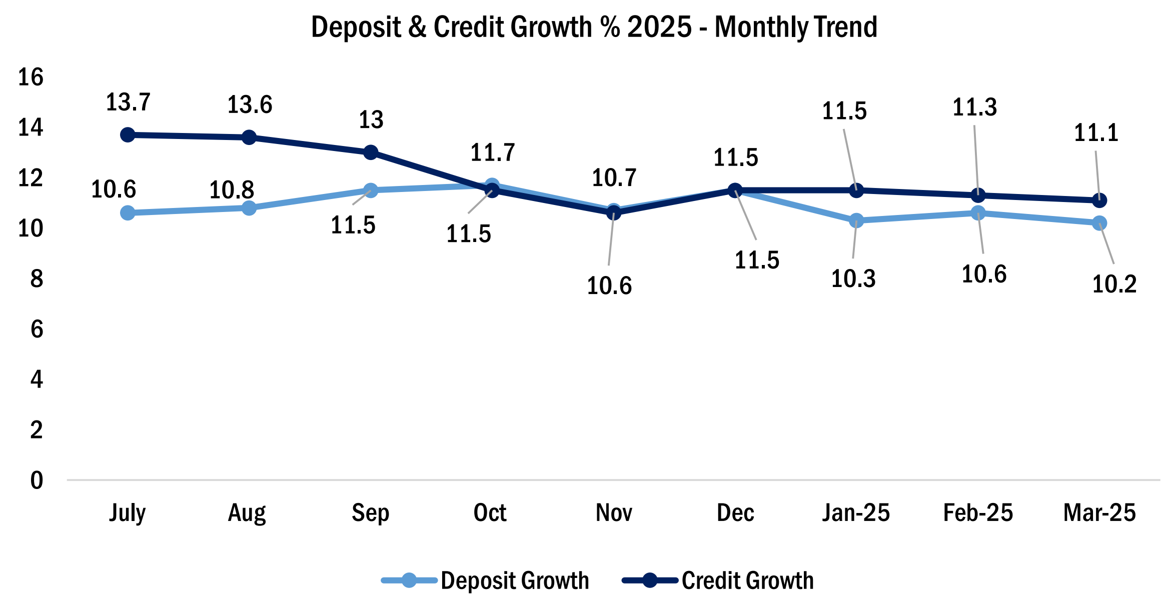
GST collections in March 2025 GST collection reflects strong performance and economic resilence, effective tax compliance. Further growth is anticipated in the coming months as fiscal year end adjustments are finalized. The greater demand for goods and services led to a boost in tax revenues from domestic transactions, which saw an 8.8% increase compared to the previous year



Sources: GST Council, Press Information Bureau.

Deposit & Credit Growth Rate

Banks raised a record amount through Certificate of Deposit (CDs), with ₹2.25 lakh crore raised in March 2025, nearly doubling the previous year's amount. This surge helped banks meet their funding requirements amid rising credit demand and slower deposit growth. The increased reliance on CDs was partly due to these tight conditions. India's overall loan growth was 11.1% in March 2025, slightly lower than the 11.3% growth observed in February 2025, mainly due to stricter regulations on personal and credit loans.



Source: RBI

BWR VIEW

GST collections for March 2025 have reached a remarkable ₹1.96 lakh crore, reflecting a substantial 9.9% year-on-year increase. This growth highlights the strengthening of economic activities nationwide. The rise in collections serves as a positive indicator of the country's fiscal health, suggesting a strong consumption trend among both consumers and businesses.

Despite the RBI's efforts to inject liquidity, the banking system faced a deficit for much of March, with a daily average liquidity shortfall of ₹1.52 lakh crore. The rise in CD issuances was partly driven by year-end asset-liability management needs, as banks aimed to balance their books and meet annual business targets. While CDs helped banks address immediate liquidity needs, their increased reliance highlights ongoing challenges in maintaining stable liquidity. It is anticipated that CD issuances will decrease in the June quarter as liquidity conditions improve and credit demand softens. For the financial year 2025-26, Indian banks are expected to experience loan growth of 12-14%, supported by better liquidity and higher deposit inflows. However, this growth is projected to be lower than previous highs due to factors such as cautious underwriting and base effects.

Sector Updates

Information Technology

India's IT industry has experienced significant growth over the last decade and is projected to reach $283 billion in 2024-25 compared to $115 billion in FY15, according to NASSCOM. Export revenue is projected at $224 billion. The government has launched several initiatives to strengthen the sector, such as 67 Software Technology Parks of India centers, 100% FDI, and the National Policy on Software Products 2019.

Data Centres

India's data center industry is now valued at $10 billion, reflecting rapid growth. According to an Anarock Capital report, the sector has attracted over $6.5 billion in investments over the past decade. The rapid growth is closely tied to the increasing internet penetration in India, which climbed to 55.2% in 2024, up from 33.4% in 2019. As artificial intelligence continues to advance, the need for next-generation data centers that can manage more sophisticated workloads will also grow.

Steel

India has introduced a 12% safeguard duty on certain steel imports for 200 days to support domestic producers. This temporary tax is designed to reduce rising imports and stabilize the local market, reflecting the country's drive for self-reliance in the steel sector.

Automobile

U.S. President Trump's 25% tariff on vehicles and auto parts is unlikely to significantly affect India's automobile industry, given its limited presence in the U.S. market. While India's car exports to the U.S. are minimal, the tariff may offer an opportunity for Indian auto parts exporters to grow their market share.

Gems and Jewellery

The Indian gem and jewellery industry is exploring alternative markets such as Latin America, Vietnam, and Saudi Arabia to counter the potential impact of U.S. tariffs. With a target of $70 billion in exports by 2030, the industry remains optimistic about robust domestic growth and the entry of new organized players into the market.

Space

India plans to expand its space economy from $8.4 billion in 2022 to $44 billion by 2033, fueled by policy reforms, increased private sector involvement, and global partnerships. Major growth sectors include satellite communication and earth observation, which will play a crucial role in enhancing agriculture, disaster management, and climate resilience.

Chemicals

According to a McKinsey report, India's chemical industry is poised to hit $1 trillion by 2040. From fiscal years 2018 to 2024, the Indian chemical industry achieved a compound annual growth rate of around 10.5%, surpassing the country's GDP growth of 9% during the same period. A key driver of growth in India's chemical industry is the surge in domestic consumption. The report highlights that India's household consumption has nearly doubled in the past decade, reaching $2.14 trillion in FY24. This growth positions India to become the world's third-largest consumer market by 2026, with chemical demand in sectors such as cosmetics, automobiles, packaged food, and consumer durables reaching a global scale.

Tea Exports

Indian tea exports reached a decade-high of 255 million kg in 2024, driven by strong demand from the UAE, Iraq, and Russia, reflecting a 10% increase from 2023. Prices also rose by 10%, providing a boost to producers despite a decline in production.

Sector Indices Monthly Return

Index	Return (%)
Automobile	3.93
Banks	6.66
Consumer Durables	3.46
FMCG	5.72
Healthcare	7.85
IT	-1.16
Media	6.44
Metal	10.62
Oil and Gas	10.00
Pharmaceuticals	6.68
Realty	6.69

Source: NSE

Returns: March 2025 month

GLOBAL

ECB slashes interest rate by 25 basis points

- The European Central Bank (ECB) has reduced its benchmark interest rate by 25 basis points, lowering it from 2.90% to 2.65%
- Additionally, the deposit facility rate has been cut to 2.50%, and the marginal lending rate has been decreased to 2.90%
- The decision seeks to encourage economic growth amidst ongoing inflation and a slow recovery in the Eurozone amid a looming trade war as US President Donald Trump pushes for tariffs on all major economies
- By cutting interest rates, the ECB aims to increase liquidity in the economy, making borrowing cheaper for businesses and households. This move is likely intended to boost investment and consumer spending, both of which have been sluggish in recent months

Bank of Japan ends negative interest rate policy

- The Bank of Japan (BOJ) has ended eight years of negative interest rates, marking a historic change in its approach after years of relying on extensive monetary stimulus to boost growth
- Although this marks Japan's first interest rate hike in 17 years, rates remain near zero, as a fragile economic recovery compels the central bank to proceed cautiously with any further increases in borrowing costs
- The removal of negative interest rates, in particular, signals the BOJ's confidence that Japan has emerged from the grip of deflation

US economy grew at annual rate of 2.4% in December 2024 quarter

- The U.S. economy grew at an annual rate of 2.4% in the final three months of 2024, driven by a strong increase in consumer spending at the year's end
- The Commerce Department reported that the growth in gross domestic product, slowed down from a 3.1% rate in July-September 2024
- The economy grew by 2.8% in 2024, slightly down from 2.9% in 2023

India's GDP set to surpass Japan in 2025 and Germany by 2027, says IMF

- India's Gross Domestic Product (GDP) has more than doubled in the past decade, increasing from $2.1 trillion in 2015 to $4.3 trillion in 2025, reflecting a growth of 105%, according to the latest data from the International Monetary Fund (IMF)
- This growth has propelled India to become the fifth-largest economy globally, following the US, China, Germany, and Japan
- According to IMF data, India is on course to overtake Japan by the third quarter of FY25 and may be just behind the US and China by 2027. Japan's GDP is currently $4.4 trillion
- If India maintains its current growth rate, it is projected to surpass Germany, the world's third-largest economy, by the second quarter of 2027, with Germany's GDP standing at $4.9 trillion

* Views are personal

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