



MONTHLY ECONOMY WRAP

Issue 37

BRICKWORK RESEARCH

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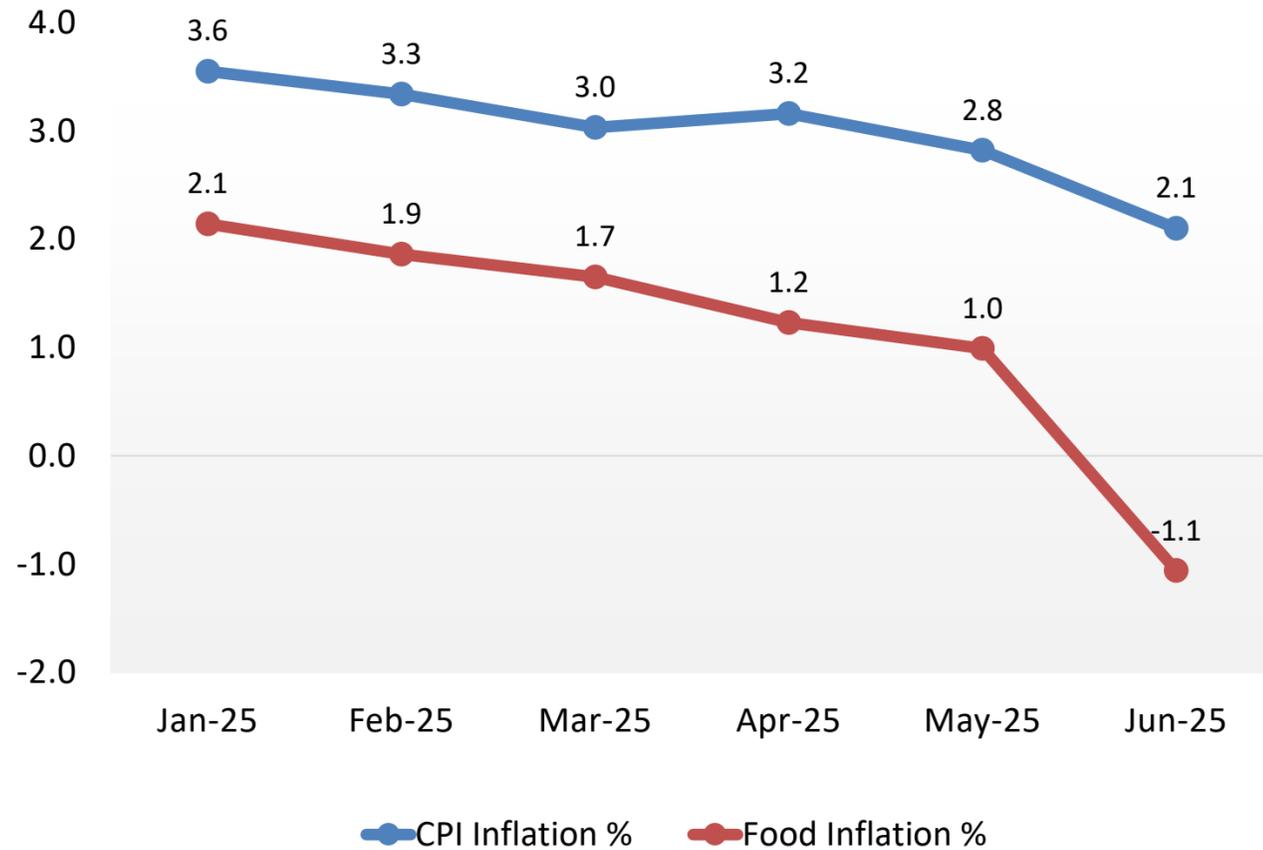
Macroeconomic updates – July 2025

- **Real GDP growth:** India’s real GDP is projected to expand between 6.1% to 6.4% in FY2025–26, reflecting the economy’s resilience amid tightening global financial conditions and elevated trade tension.
- **Monetary policy:** RBI cut the repo rate by 50bps to 5.50% in June–July, shifting to a neutral policy stance to boost growth. Global uncertainties including US tariffs could influence MPC to pause before further rate cuts.
- **Export surge:** Total exports hit a record USD 824.9 billion in FY25; services exports grew by ~11%, and the trade deficit narrowed 9.4% year-on-year
- **New trade deals:** FTAs with the UK and Japan in July 2025 have lowered tariffs, creating new export opportunities.
- **US tariffs & impact:** 25% tariffs on Indian imports, increase costs and reduce competitiveness in sectors like electronics, pharmaceuticals, gems, and textiles, risking market share loss to regional rivals. This tariff boost could lower India’s GDP growth by around 0.2%
- **Rural rebound:** Strong monsoon rains have revitalized rural demand and boosted overall consumption
- **Current Account surplus:** India posted a current account surplus (1.3% of GDP in Q4 FY25), driven by robust exports, lower imports, and strong services earnings

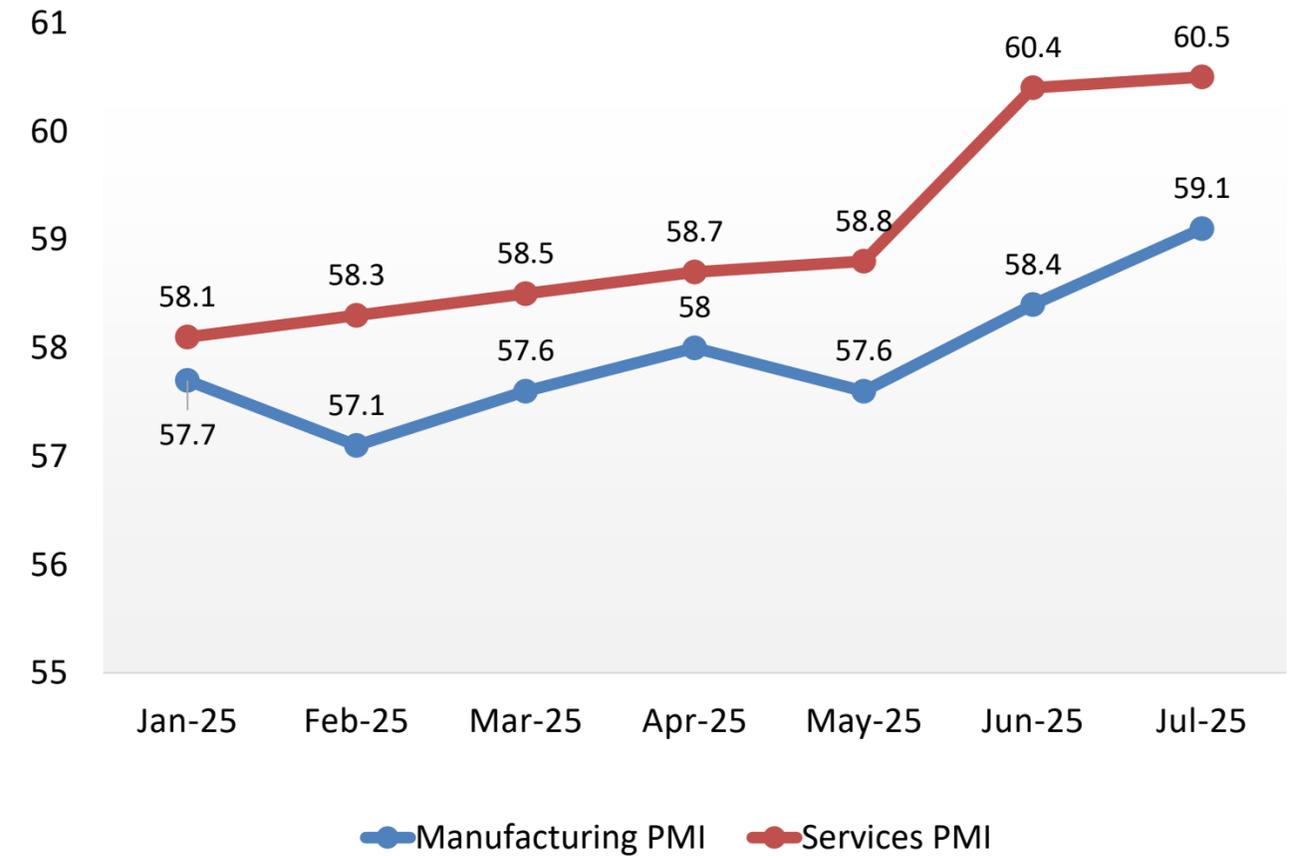
Indicator	Value (July 2025)	Outlook
Inflation (CPI)	2.1%	To remain stable, within the RBI’s target of around 4%, driven by lower food prices
Interest rate (Repo)	5.5%	Likely to stay steady or see modest cuts as inflation remains controlled and growth focused.
Unemployment rate	5.6%	Anticipated to remain moderate with slight improvements as services and manufacturing grow.
Fiscal deficit	4.4% of GDP (projected FY2025-26)	Managed within target levels, supported by strong GST collections and controlled spending.
GST collections	₹1.96 lakh crore	Expected to grow steadily, reflecting expanding formal sector and consumer demand.
Manufacturing PMI	59.1	Projected to sustain expansion momentum with strong domestic and export demand
Services PMI	60.5	Forecasted to maintain robust growth driven by domestic consumption and rising exports

India's economy gains strength: Low CPI, High PMI

CPI Inflation %



Manufacturing & Services PMI



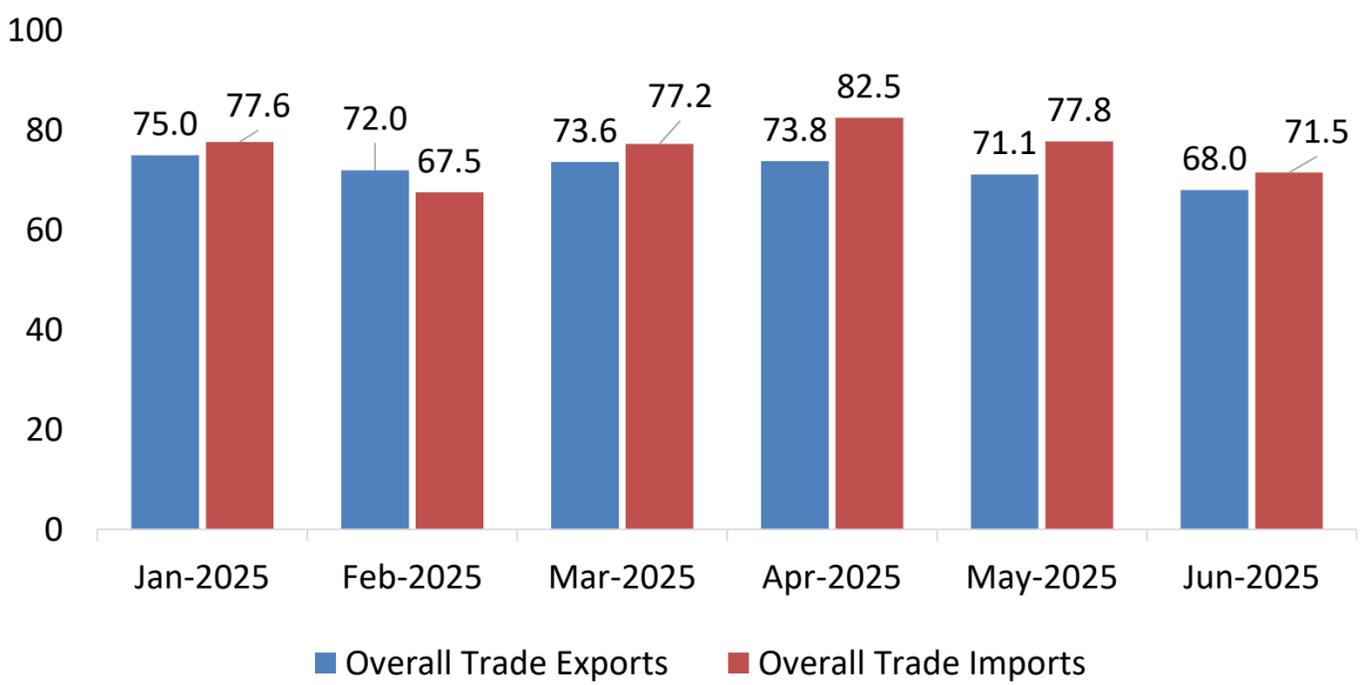
- Monetary Policy: The low inflation environment gives the RBI room to maintain an accommodative stance, supporting stable policy rates
- Impact: The easing of prices has lightened the financial burden on households and bolstered consumption

- India's manufacturing PMI hit a 16-month high of 59.1 in July, reflecting strong demand and effective marketing despite input cost pressures and cautious hiring
- The services sector reached an 11-month growth peak with a PMI of 60.5, driven by robust domestic and export demand amid rising costs and slower job creation

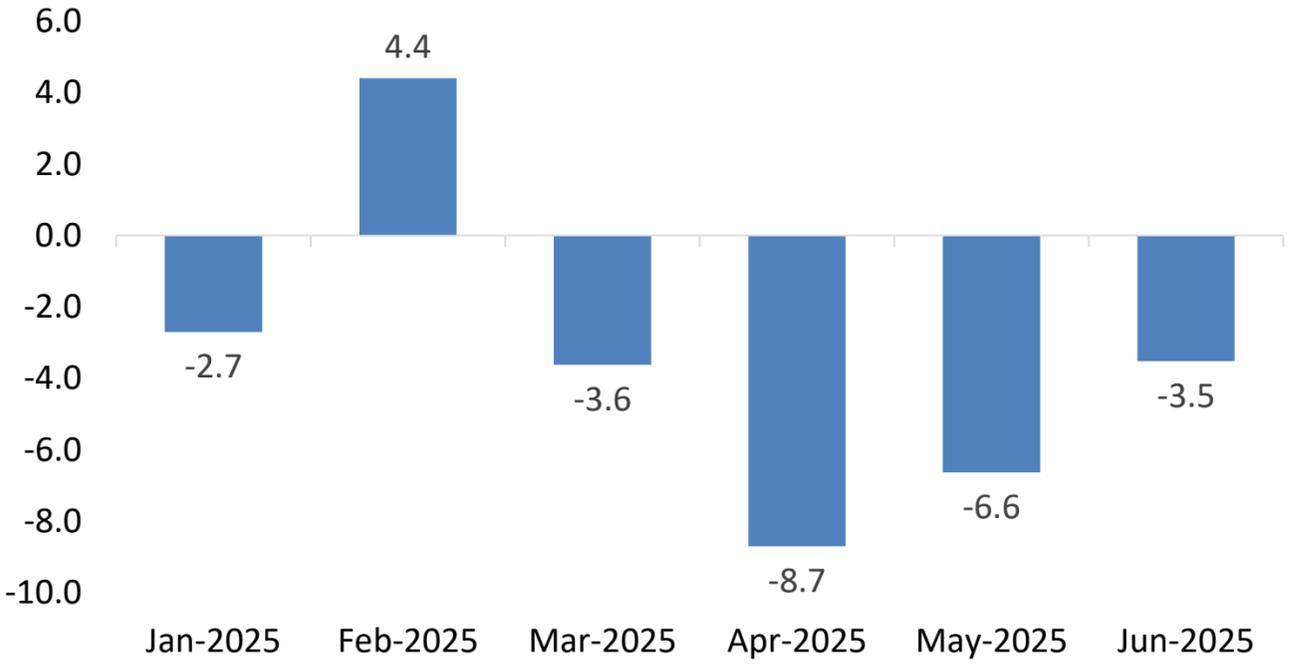
Steady rise in exports narrowing trade deficit; Strengthening External Trade



Exports and Imports (USD billion)



Trade balance (USD billion)

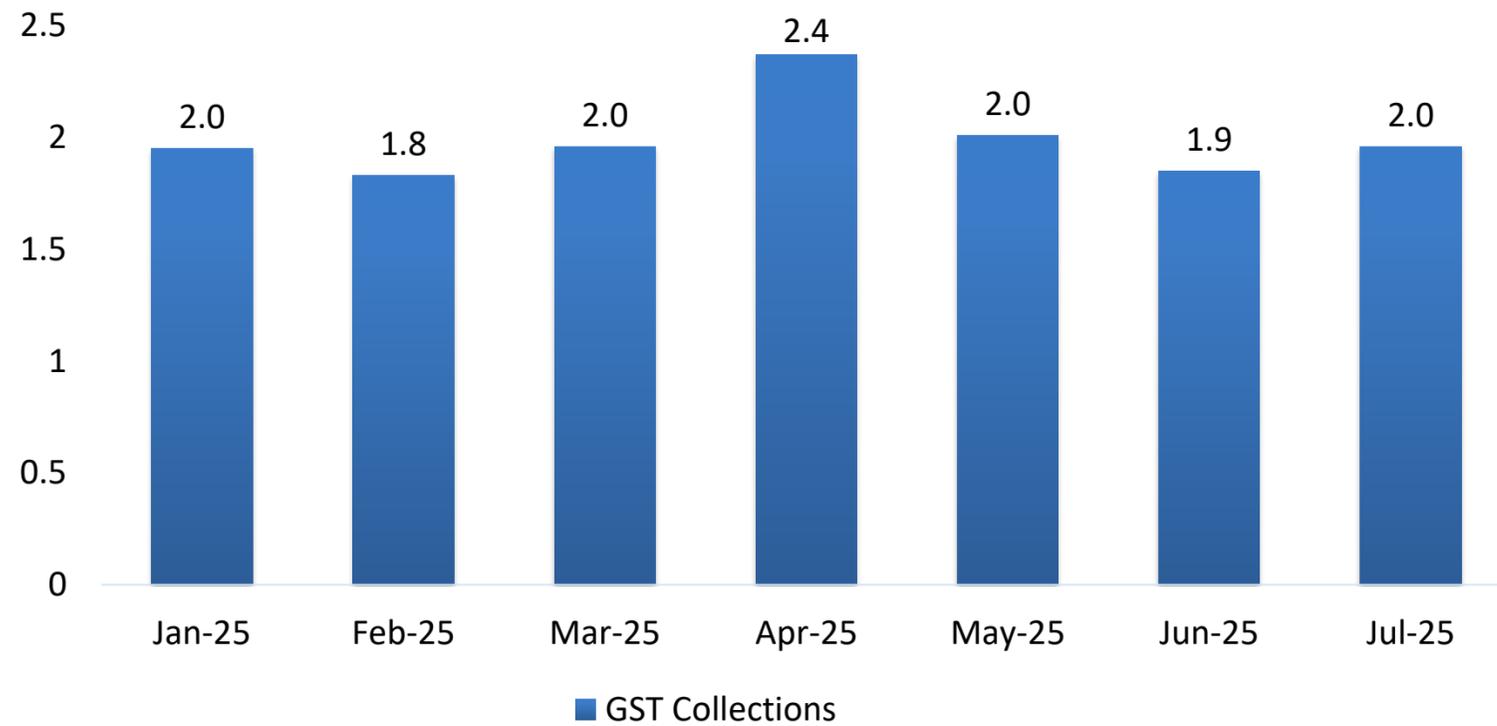


- India's total exports (merchandise and services combined) for June 2025 reached about USD 68 billion, registering a 6.5% growth over June 2024. Imports also grew marginally by 0.5% to USD 71.5 billion
- Services exports showed strong momentum, growing about 12% year-on-year in June 2025 to USD 32.11 billion, driven mainly by IT, business, and financial services. Services imports rose 5%.
- The trade deficit narrowed to about USD 3.51 billion in June 2025 compared to USD 7.3 billion a year earlier, reflecting stronger export performance and moderated import growth. Imports have moderated, helping narrow the trade deficit
- India's exports are robust, but US tariffs pose risks to specific sectors and growth. The trade environment is uncertain, and India may need to adapt by diversifying markets and enhancing value addition.

Sources: PIB, Ministry of Commerce, BWR Research.

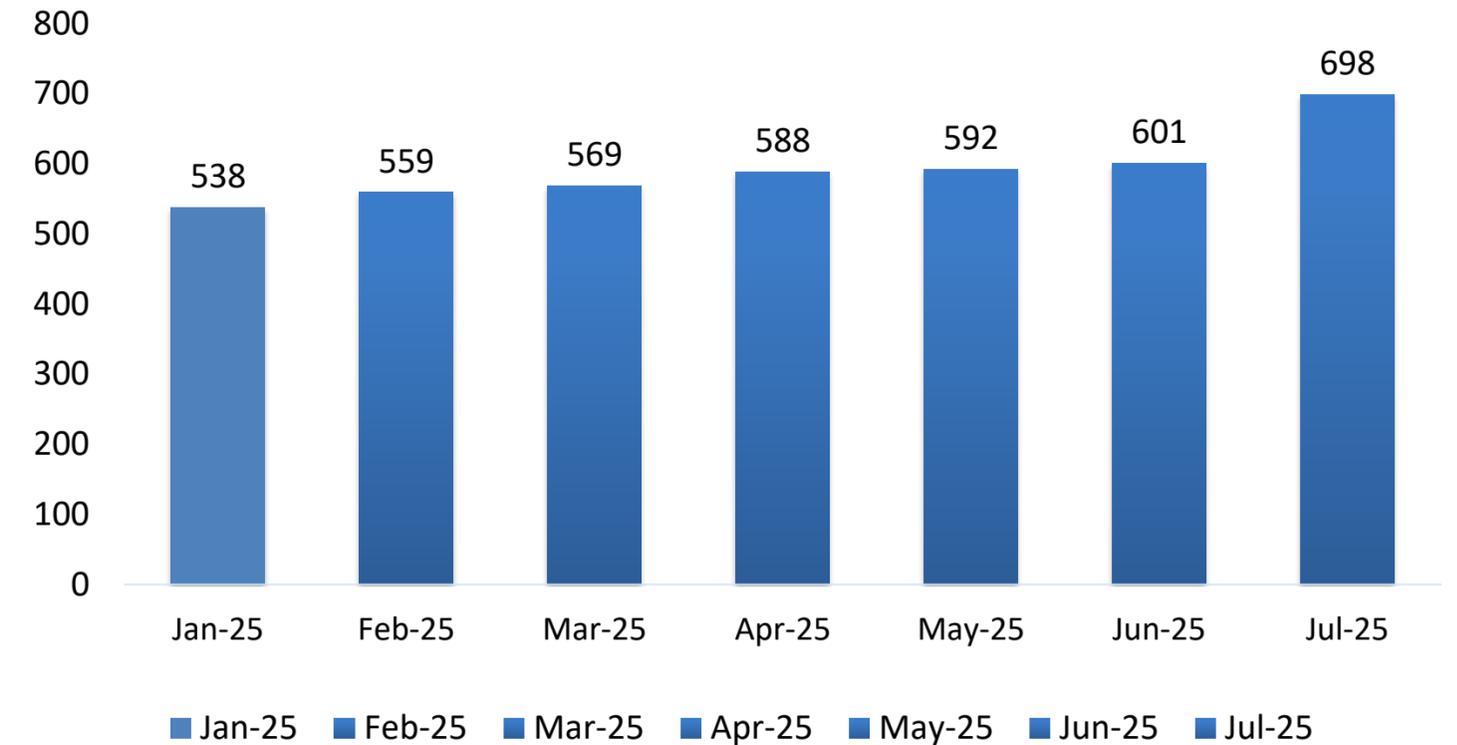
Twin Indicators of Strength: Rising GST & Stable Forex Reserves

GST collections (INR trillion)



- This was the seventh consecutive month with collections above ₹1.8 lakh crore, signaling sustained economic activity
- Domestic transactions contributed a 6.7% increase, while GST from imports grew 9.7% indicating rising consumer demand and formal business activity

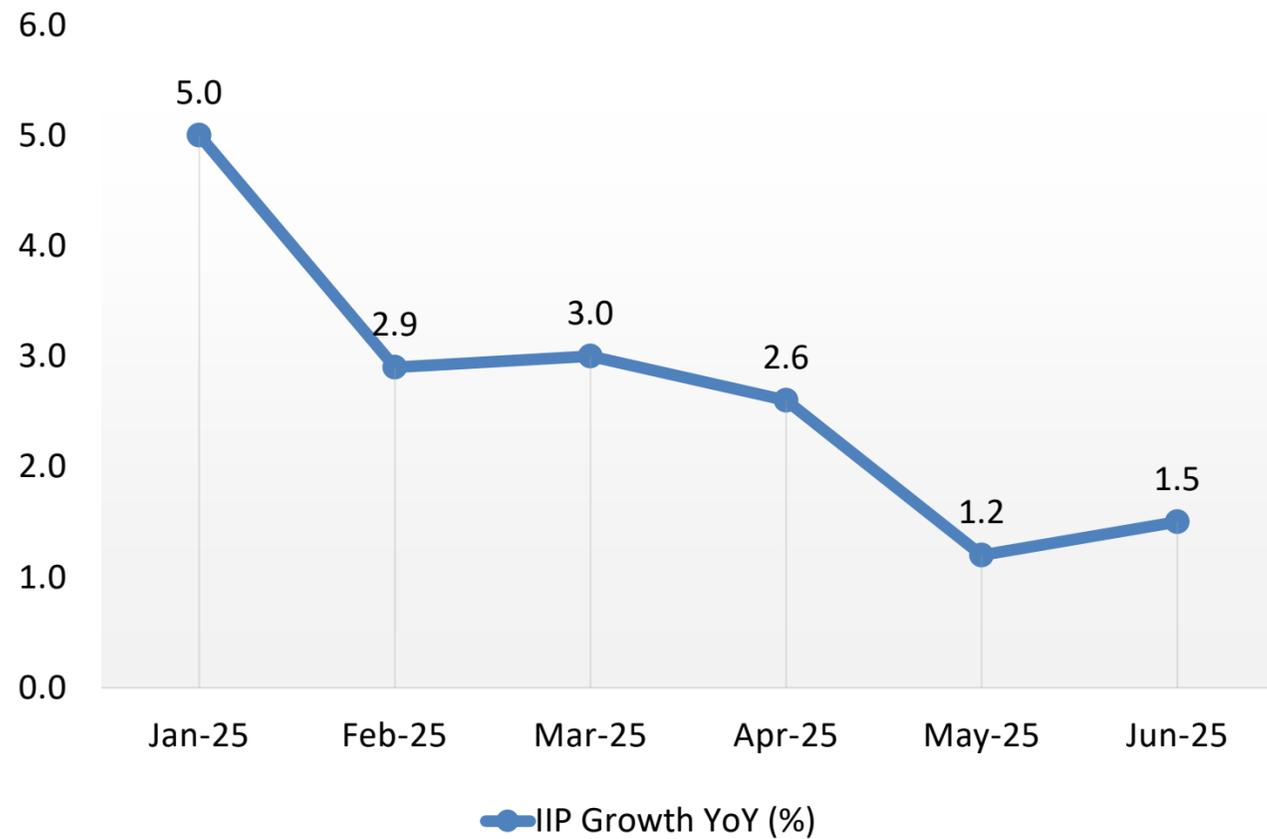
Forex reserves (USD billion)



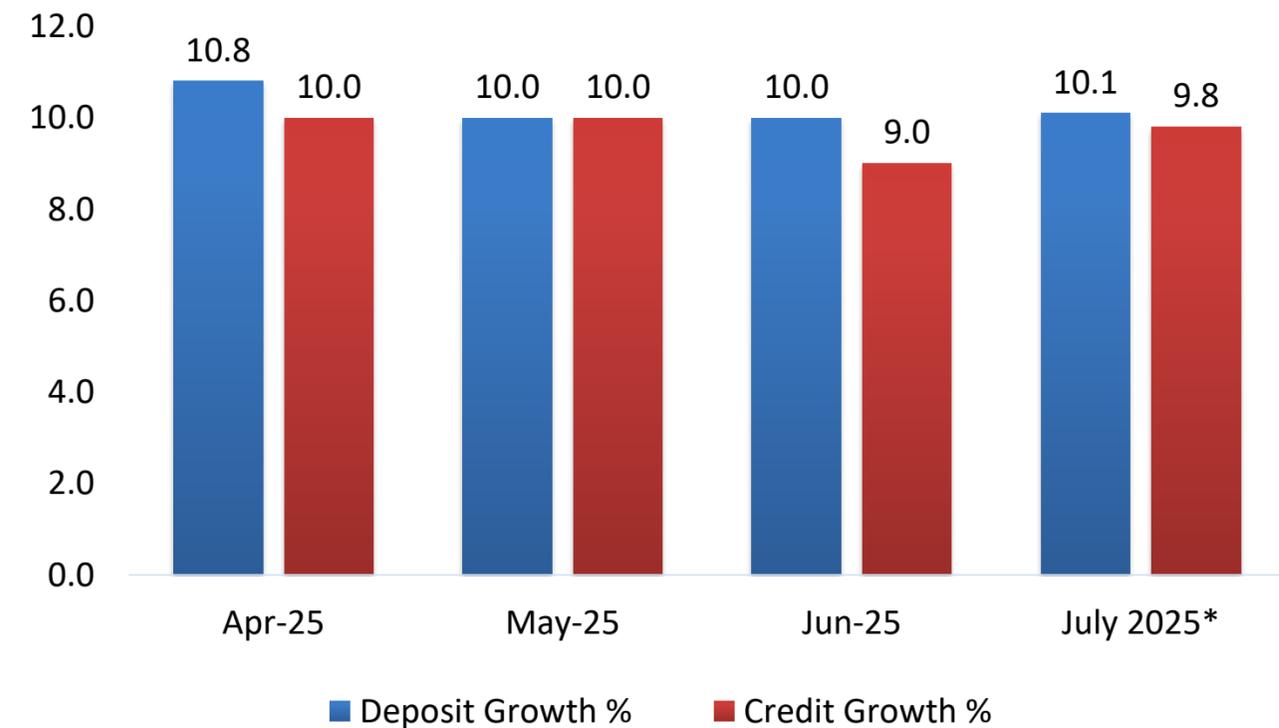
- The country's forex reserves remain robust, sufficient to cover around 11 months of imports and about 96% of external debt
- This strong forex position enhances investor confidence and supports India's macroeconomic resilience in 2025

Manufacturing Leads IIP Growth Amid Broader Economic Rebound

IIP growth %



Deposit & Credit growth %



- The manufacturing sector was the primary driver of IIP, growing 3.9% YoY in June, up from 3.2% in May. Within manufacturing, 15 out of 23 industry groups reported positive growth
- Bank credit growth is subdued due to tighter risk management, regulation, and corporates shifting to cheaper funding sources like bonds and overseas loans
- Robust deposit inflows, especially in term deposits, maintain banking sector liquidity
- MSME credit remains strong, and overall credit growth could rebound if RBI rate cuts continue and borrower sentiment improves

Views are personal

Authors :

Manasvi Joshi
Abhishek Das
Rajeev Sharan

Girish Basantani
Vikrant Chaturvedi

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