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Economy Watch

Monitoring India's macro-fiscal performance

March 2025

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Highlights

1. The national accounts data for the third quarter of FY25 released by MoSPI showed that real GDP growth improved to 6.2% in 3QFY25 from 5.6% in 2QFY25.

2. As per the second advance estimates (SAE) for FY25, real GDP growth is estimated at 6.5%. With this, the implicit growth for 4QFY25 is estimated at 7.6%.

3. Manufacturing PMI dipped to a 14-month low of 56.3 while services PMI recovered to 59 in February 2025 from their respective levels of 57.7 and 56.5 in January 2025.

4. IIP growth increased to 5.0% in January 2025 led by higher growth in the output of manufacturing and mining sectors.

5. CPI inflation eased to a seven-month low of 3.6% in February 2025 as prices of vegetables fell, whereas core CPI inflation increased to 4.1% after remaining steady at 3.7% for four successive months.

6. WPI inflation was 2.4% in February 2025, close to its level of 2.3% in January 2025.

7. GoI's GTR showed a growth of 10.3% during April-January FY25 with growth in direct taxes at 10.7% and that in indirect taxes at 8.5%.

8. GoI's total expenditure showed a growth of 6.4% during April-January FY25, led by a 6.8% growth in revenue expenditure even as growth in capital expenditure remained subdued at 5.0%.

9. GoI's fiscal and revenue deficits during April-January FY25 stood at 74.5% and 72.4% of their respective annual REs.

10. Growth in gross bank credit remained nearly stable at 12.5% in January 2025, close to its level of 12.4% in December 2024.

11. Merchandise trade deficit eased to US$14.1 billion in February 2025, its lowest level since August 2021 as both exports and imports contracted sharply.

12. Merchandise exports and imports contracted by (-)10.9% and (-)16.3% in February 2025, the fastest pace of contraction for both exports and imports since June 2023, partly reflecting global trade uncertainties as well as an unfavorable base effect.

13. Net FDI inflows remained low at US$0.9 billion while net FPIs witnessed outflows, amounting to US$6.6 billion in January 2025.

14. Average global crude price eased to US$73.8/bbl. in February 2025 after surging to US$78.2/bbl. in January 2025.

15. The OECD has projected global growth to ease from 3.2% in 2024 to 3.1% in 2025.

16. Our assessment for India's real GDP growth for FY25 and FY26 is 6.4% and 6.5% respectively.

Foreword

Need for maintaining capex for supporting GDP growth

The NSO released national accounts data for 3Q FY25 and revised annual data for FY23-25 on 28 February 2025. According to these revisions, the real as well as nominal growth curves have been lifted upwards. Real GDP growth rates for FY23 to FY25, are now estimated at 7.6%, 9.2% and 6.5% as compared to their earlier estimates of 7%, 8.2% and 6.4%, respectively. While in each year there is an upward revision, it is also noticeable that there is a sharp fall in real GDP growth from FY24 to FY25 of nearly 2.7% points. The nominal growth curve has also been lifted upwards as compared to earlier estimates, showing healthier growth rates of 14%, 12% and 9.9%, respectively, in the three post-COVID years. Thus, the post-COVID recovery appears to have been underestimated earlier.

With respect to quarterly growth rates for FY25, the 3QFY25 growth is estimated at 6.2% implying a required growth of 7.6% in 4QFY25 to deliver an annual GDP growth of 6.5% in FY25. A 7.6% growth in the last quarter will require a 9.9% growth in private final consumption expenditure. Such a high growth has not been experienced in recent years. An alternative to this is to increase investment expenditure, where government's capital expenditure growth plays a critical role. As per the monthly data for central government finances released by Controller General of Accounts (CGA) on 28 February 2025, the GoI has incurred INR7.57 lakh crore of capital expenditure up to January 2025. To reach the revised estimate level of INR10.18 lakh crore, an additional INR2.61 lakh crore needs to be spent in the remaining two months of the financial year. Average capital expenditure in February and March in the period FY22 to FY24 has only been INR1.81 lakh crore. If the GoI investment expenditure falls short of the revised estimates, which were themselves significantly lower than the budget estimates of INR11.1 lakh crore, achieving the implied fourth quarter GDP growth of 7.6% may become challenging. Accordingly, the full year growth of 6.5% as per the second advance estimates, may have to be revised marginally downwards.

On the output side, the largest fall emanates from the manufacturing sector, whose growth fell from 12.3% in FY24 to 4.3% in FY25. On the services side, the growth in financial, real estate et al. sector, which has a weight of close to 24% (in real terms), also fell from 10.3% to 7.2% during this period.

Fiscal deficit of the GoI as per the revised estimates may be affected by any subsequent supplementary demand for grants. The higher level of nominal GDP may provide some cushion for absorbing some of these supplementary increases when fiscal deficit is measured relative to GDP. We estimate with the higher nominal GDP, an additional borrowing of about INR32,669 crore can be undertaken while maintaining a fiscal deficit of 4.84% of GDP in FY25. Further, if the budgeted nominal GDP growth of 10.1% is applied to the revised higher level of nominal GDP in FY25, an additional borrowing of about INR32,906 crore can also be undertaken in FY26 even while maintaining the budgeted fiscal deficit to GDP ratio of 4.4% to GDP. This might permit some increase in GoI's capital expenditure.

Available high frequency data for January and February 2025 point to a mixed picture of the growth momentum of the Indian economy in the last quarter of FY25. Reflective of strong performance of the services activity, led by higher growth in new export and domestic orders, services PMI increased to 59.0 in February 2025 from 56.5 in January 2025. Manufacturing PMI at 56.3 in February 2025 also pointed to continued expansion in industrial activity, although at a slower rate as compared to 57.7 in January 2025. IIP growth increased to 5.0% in January 2025, led by higher growth in the output of manufacturing and mining sectors. Growth in gross bank credit remained nearly stable at 12.5% in January 2025, close to its level of 12.4% in December 2024.

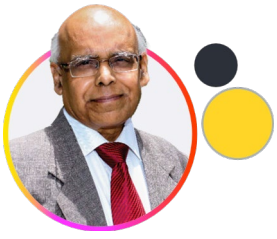
CPI inflation eased to a seven-month low of 3.6% in February 2025 as prices of vegetables fell, whereas core CPI inflation increased to 4.1% after remaining steady at 3.7% for four successive months. WPI inflation was also benign at 2.4% in February 2025, although increasing marginally from 2.3% in January 2025. Merchandise exports and imports contracted by (-)10.9% and (-)16.3% in February 2025, the fastest

pace of contraction for both exports and imports since June 2023, partly reflecting global trade uncertainties as well as an unfavorable base effect. Exports excluding oil, gold/silver and jewelry contracted for the first time since November 2023 by (-)4.8% in February 2025, while growth in imports of the same category eased to 3.1% from 20.3% in January 2025. On account of the sharp contraction in both merchandise exports and imports, the merchandise trade deficit eased to US$14.1 billion in February 2025, its lowest level since August 2021. Net FDI inflows remained low at US$0.9 billion while net FPIs witnessed outflows, amounting to US$6.6 billion in January 2025. During April-January FY25, net FPI inflows on a cumulated basis amounted to only US$2.7 billion as compared to US$32.6 billion seen during the corresponding period in FY24. On a cumulated basis, during April-January FY25, net FDI inflows were at their historic low level of US$1.4 billion, falling from US$11.5 billion during the corresponding period of FY24.

As per CGA data, GoI's GTR showed a growth of 10.3% during April-January FY25 with growth in direct taxes at 10.7% and that in indirect taxes at 8.5%. GoI's total expenditure grew by 6.4% during April-January FY25, led by a 6.8% growth in revenue expenditure even as growth in capital expenditure remained subdued at 5.0%. GoI's fiscal and revenue deficits during April-January FY25 stood at relatively higher levels of 74.5% and 72.4% of their respective annual REs. As per the GSTN data, gross GST revenues at INR1.84 lakh crore in February 2025, showed a robust y-o-y growth of 9.1%.

As per data released by the Federation of Automobile Dealers Association, retail sales of motor vehicles showed a sharp contraction of (-)7.2% in February 2025 as compared to a growth of 6.6% in January 2025. Within the vehicle segments, retail sales of passenger vehicles and two wheelers contracted by (-)10.3% and (-)6.3% in February 2025 as compared to growth rates of 15.5% and 4.2% in January 2025, respectively. During April-February FY25, growth in retail sales of motor vehicles fell to 7.1% from 8% during the corresponding period of FY24.

On the global front, the OECD, in its Interim Economic Outlook, projected global growth to slow to 3.1% in 2025 from 3.2% in 2024, with growth in the US economy moderating to 2.2% from 2.8%. The likelihood of the US economy going into a short-term economic slowdown, if not an outright recession, is quite strong. This is likely due to the anticipated negative effect on aggregate demand of recent US government spending cuts and employee salary reductions. As cost-cutting measures take effect, particularly the expected fall in energy prices, both domestically within the US and globally, the US economy is likely to start to gradually improve. The Indian economy has already been facing significant uncertainties on account of the global slowdown and supply chain disruptions. Their impact on India's export prospects may remain unpredictable until the mutual tariff levels settle down. A suitable policy for the Indian economy may be for the government to continue to rely on infrastructure expansion, which has relatively larger multipliers. India is likely to also benefit from the expected lower global energy prices. It is also expected that the policy interest rate may be lowered by another 50-75 basis points during the course of FY26. This may be facilitated by a lower trajectory of CPI inflation, which has already fallen below 4% in February 2025. This has happened for the first time since August 2024. As a result, private investment may also start picking up. Our assessment for India's real GDP growth for FY25 and FY26 is 6.4% and 6.5% respectively



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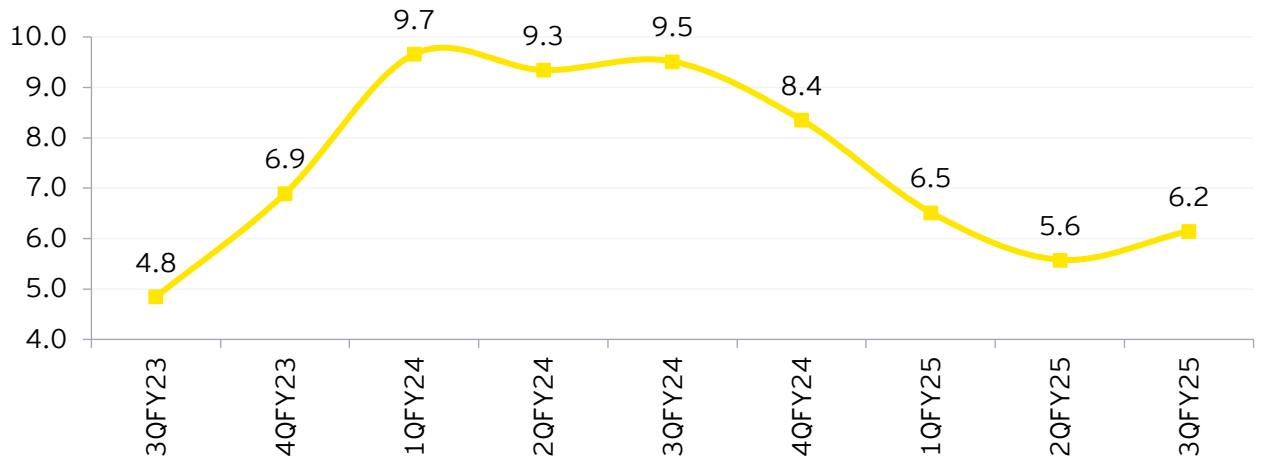
1. Growth: Real GDP growth is estimated at 6.5% for FY25

1.1. GDP and GVA: Grew by 6.2% each in 3QFY25

- The national accounts data for the third quarter of FY25 released by MoSPI on 28 February 2025 showed that real GDP growth improved to 6.2% in 3QFY25 from 5.6% in 2QFY25 (Chart 1). With the annual real GDP growth for FY25 estimated at 6.5% as per SAE, the implied growth for 4QFY25 is estimated to be higher at 7.6%.

Chart 1: Real GDP growth (%, y-o-y)



Source: MoSPI, GoI

- Among the domestic demand components, the improvement was led by higher growth in private final consumption expenditure (PFCE) and government final consumption expenditure (GFCE).
- PFCE showed a higher growth of 6.9% in 3QFY25 as compared to 5.9% in 2QFY25. Similarly, growth in GFCE accelerated to 8.3% in 3QFY25 from 3.8% in 2QFY25.
- Growth in gross fixed capital formation (GFCF) fell to a seven-quarter low of 5.7% in 3QFY25, moderating from 5.8% in 2QFY25 (Table 1).
- With regard to external demand, the positive contribution of net exports to GDP growth increased to 2.7% points in 3QFY25 from 1.2% points in 2QFY25 as exports showed a higher growth of 10.4% while imports continued to contract by (-)1.1% during the quarter.
- On the output side, real GVA grew by 6.2% in 3QFY25 as compared to 5.8% in 2QFY25. This was largely due to higher growth in the manufacturing, trade, transport, et al. and agriculture sectors.
- Growth in manufacturing GVA improved to 3.5% in 3QFY25 from a six-quarter low of 2.1% in 2QFY25.
- Similarly, growth in trade, hotels, transport, et al. sector increased to 6.7% in 3QFY25 from 6.1% in 2QFY25.
- GVA in financial, real estate, et al. and public administration and defence sectors showed stable growth rates of 7.2% and 8.8% respectively in 3QFY25.

- GVA growth in construction fell to a nine-quarter low of 7.0% in 3QFY25 from 8.7% in 2QFY25.
- Agricultural GVA growth improved to a six-quarter high of 5.6% in 3QFY25 from 4.1% in 2QFY25, indicative of strengthening rural demand.
- With nominal GDP growing by 9.9% in 3QFY25, the implicit price deflator (IPD) based inflation was higher at 3.5% in 3QFY25 as compared to 2.5% in 2QFY25.
- Basis the annual real GVA growth estimate for FY25 at 6.5%, the implied 4QFY25 real GVA growth is expected to be higher at 6.8% as compared to 6.2% in 3QFY25.

Table 1: Real GDP and GVA growth (%, annual)

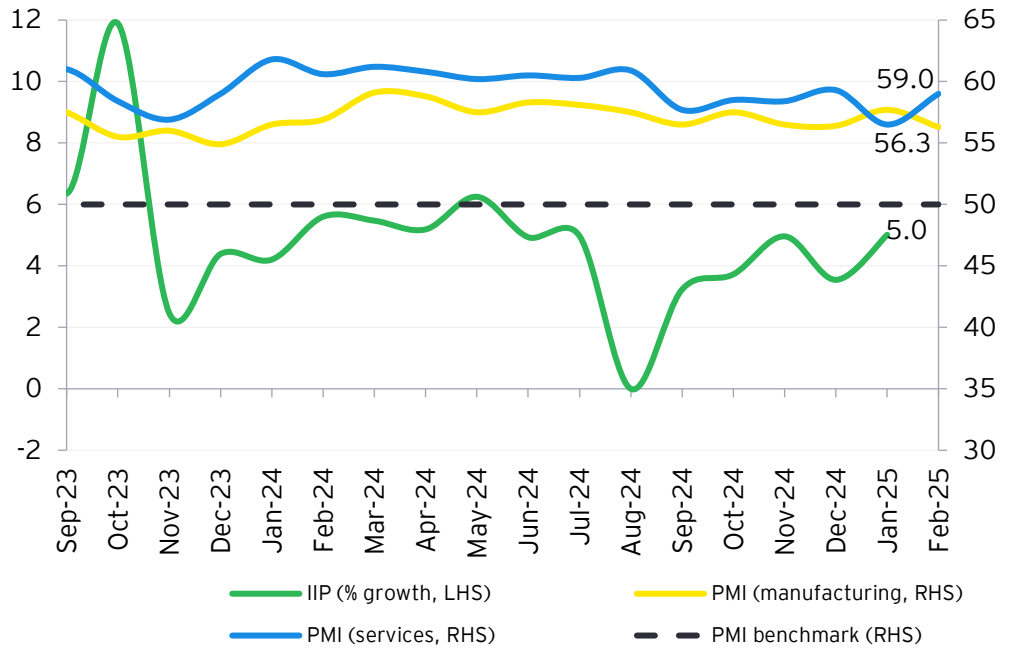
Agg. demand	2Q FY23	3Q FY23	4Q FY23	1Q FY24	2Q FY24	3Q FY24	4Q FY24	*1Q FY25*	*2Q FY25*	*3Q FY25*
PFCE	9.0	2.4	2.1	7.4	3.0	5.7	6.2	7.7	5.9	6.9
GFCE	-1.1	2.5	9.0	5.3	20.1	2.3	6.6	-0.5	3.8	8.3
GFCF	6.4	6.7	5.6	8.4	11.7	9.3	6.0	6.7	5.8	5.7
EXP	8.4	8.2	9.4	-7.0	4.6	3.0	7.7	8.1	2.5	10.4
IMP	14.0	2.9	-1.8	18.0	14.3	11.3	11.4	-0.7	-2.5	-1.1
GDP	**6.0**	**4.8**	**6.9**	**9.7**	**9.3**	**9.5**	**8.4**	**6.5**	**5.6**	**6.2**
Contr. NEXP (% pts)	*-1.4*	*1.1*	*2.5*	*-6.1*	*-2.6*	*-2.0*	*-0.7*	*1.8*	*1.2*	*2.7*
Output side										
Agr.	4.0	6.4	9.4	5.7	3.7	1.5	0.9	1.7	4.1	5.6
Ming.	-3.2	2.6	4.6	4.1	4.1	4.7	0.8	6.8	-0.3	1.4
Mfg.	-6.9	-4.3	1.5	7.3	17.0	14.0	11.3	7.5	2.1	3.5
Elec.	7.8	9.9	8.6	4.1	11.7	10.1	8.8	10.2	3.0	5.1
Cons.	6.4	9.1	7.1	9.2	14.6	10.0	8.7	10.1	8.7	7.0
Trans.	13.2	9.7	7.5	11.0	5.4	8.0	6.2	5.4	6.1	6.7
Fin.	10.4	9.4	10.9	15.0	8.3	8.4	9.0	6.6	7.2	7.2
Publ.	5.0	1.3	2.5	9.3	8.9	8.4	8.7	9.0	8.8	8.8
GVA	**5.5**	**5.3**	**6.6**	**9.9**	**9.2**	**8.0**	**7.3**	**6.5**	**5.8**	**6.2**

Source: MoSPI, GoI

1.2. PMI: Services PMI increased to 59.0 in February 2025, while manufacturing PMI showed a mild moderation

- Manufacturing PMI fell to 56.3 in February 2025, its slowest rate of expansion since December 2023. This was largely due to a mild moderation in the growth momentum of output and new orders. However, there was an improvement in business conditions across all three sub-sectors, namely consumer, intermediate and investment goods.
- Reflective of an improvement in the services activity, the services PMI (sa) increased to 59.0 in February 2025 from its 26-month low level of 56.5 in January 2025 (Chart 2). This pickup was largely attributable to strong growth in both new export and domestic orders.
- Due to a recovery in the growth momentum of services activity, the composite PMI Output Index (sa) increased to 58.8 in February 2025 from 57.7 in January 2025.

Chart 2: PMI and IIP growth



Manufacturing PMI dipped to a 14-month low of 56.3 while services PMI recovered to 59.0 in February 2025 from their respective levels of 57.7 and 56.5 in January 2025.

Source: MoSPI and S&P Global.

1.3. IIP: Growth increased to 5.0% in January 2025

IIP growth increased to 5.0% in January 2025, led by higher growth in the output of manufacturing and mining sectors.

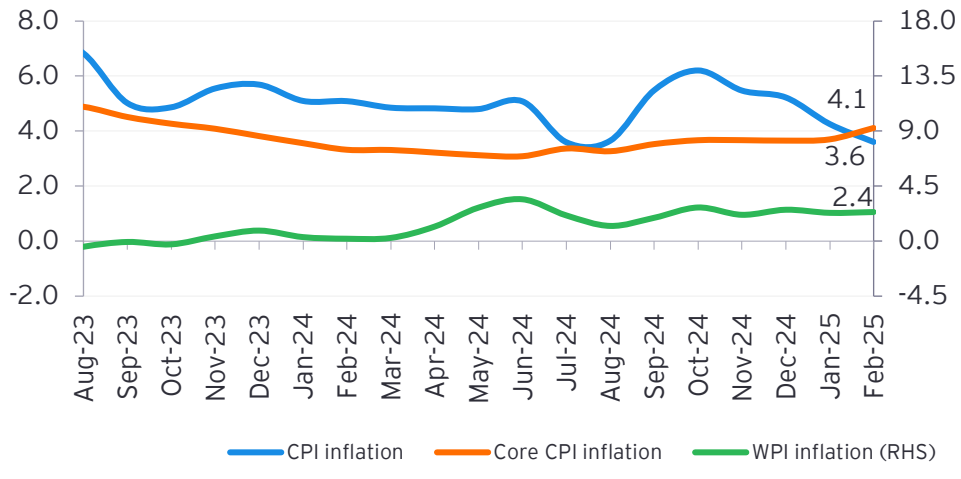
- According to the quick estimates, IIP growth improved to 5.0% in January 2025 from 3.5% (revised) in December 2024 due to higher growth in manufacturing and mining sector output (Chart 2).
- Growth in the manufacturing sector increased to 5.5% in January 2025 from 3.4% in December 2024. Growth in mining output also recovered to 4.4% in January 2025 from 2.7% in December 2024. Growth in the output of electricity fell to a three-month low of 2.4% in January 2025 from 6.2% in December 2024.
- Within manufacturing, sectors which showed higher growth during the month include other transport equipment (20.4%), other non-metallic mineral products (10.2%), coke and refined petroleum products (8.5%), rubber and plastic products (5.2%) and motor vehicles, trailers and semi-trailers (1.8%).
- Within the 'use-based' classification of industries, capital goods output showed the highest growth of 7.8% followed by that of consumer durables and infrastructure and construction goods at 7.2% and 7% respectively in January 2025. However, in all the three sub-industrial segments, growth was lower as compared to their respective levels of 10.4%, 7.4% and 8.3% in December 2024. Output of consumer non-durables showed a contraction for the second successive month at (-)0.2% in January 2025, although lower as compared to (-)7.5% in December 2024.
- Output growth of eight core infrastructure industries (core IIP) moderated to 4.6% in January 2025 from 4.8% (revised) in December 2024. Among the key sub-industries, there was a slowdown in the output growth of electricity (1.3%), steel (3.7%) and coal (4.6%) in January 2025. Further, output of crude oil contracted by (-)1.1% in January 2025 following a low growth of 0.6% in December 2024. Output of cement and petroleum refinery products, however, showed robust growth rates of 14.5% and 8.3%, respectively, in January 2025, improving from their levels of 4.6% and 2.8% in December 2024.

2. Inflation: CPI inflation eased to a seven-month low of 3.6% in February 2025

2.1. CPI inflation

- CPI inflation moderated to 3.6% in February 2025 from 4.3% in January 2025 (Chart 3), as consumer food price index-based inflation eased to 3.7%, its lowest level since May 2023.
- Prices of vegetables contracted for the first time since June 2023 by (-)1.1% in February 2025, aided by seasonal easing of prices. Inflation in meat and fish also fell to a 13-month low of 2.1% in February 2025.
- Prices of fuel and light continued to contract for the eighteenth successive month by (-)1.3% in February 2025 as compared to (-)1.5% in January 2025 on account of lower global crude prices.
- Inflation in clothing and footwear remained stable for the tenth consecutive month at a 57-month low of 2.7% in February 2025.
- Inflation in housing as well as in transportation and communication services was subdued at 2.9% each in February 2025, marginally higher than their respective levels of 2.8% each in January 2025.
- Core CPI inflation at 4.1% in February 2025 was close to the RBI's CPI inflation target of 4%, although increasing from 3.7% in the previous month, led by higher inflation in personal care and effects.

Chart 3: Inflation (y-o-y, in %)



CPI inflation eased to a seven-month low of 3.6% in February 2025 as prices of vegetables fell, whereas core CPI inflation increased to 4.1% after remaining steady at 3.7% for four successive months.

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

2.2. WPI inflation: Remained low at 2.4% in February 2025

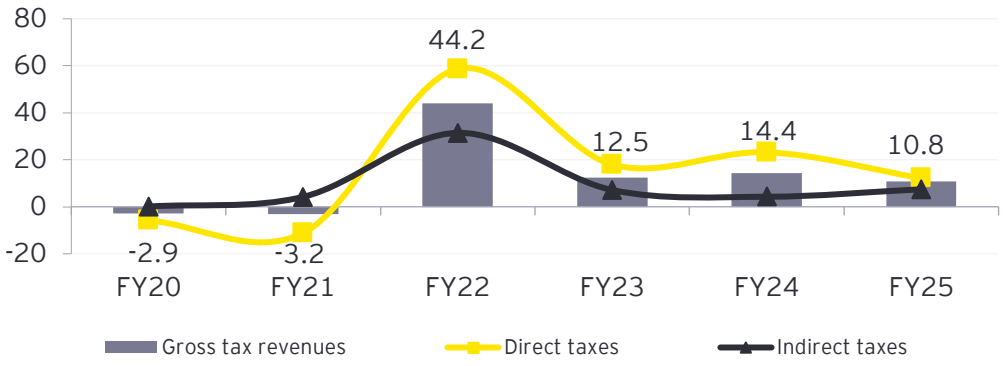
- WPI inflation remained subdued at 2.4% in February 2025, close to its level of 2.3% in January 2025 as a (-)5.8% contraction in the prices of vegetables, the first since August 2024, was more than offset by an increase in inflation in manufactured products and a slower pace of contraction in the price of fuel and power.
- WPI food index-based inflation fell to a six-month low of 5.9% in February 2025 as inflation in potatoes fell to a 12-month low of 27.5% in February 2025.
- Fuel and power disinflation was at (-)0.7% in February 2025, falling from (-)2.8% in the previous month. The pace of contraction in mineral oils and electricity prices fell to (-)0.8% and (-)0.6% respectively in February 2025 from (-)2.6% and (-)4.8% respectively in January 2025.
- Inflation in manufactured products increased to 2.9% in February 2025 from 2.5% in January 2025 led by both, an uptick in inflation in manufactured food products to 11.1% from 10.4% as well as a fall in the pace of contraction in prices of manufactured basic metals to (-)0.6% from (-)1.2% over the same period.
- Core WPI inflation remained subdued, although increasing for the fifth successive month to 1.3% in February 2025, led by a fall in the pace of contraction in prices of manufactured basic metals.

3. Fiscal: GoI's capital expenditure grew by 5.0% during April-January FY25

3.1. Tax and non-tax revenues

- As per the CGA, GoI's GTR[(b)] showed a growth of 10.3% during April-January FY25 as compared to 14.5% during the corresponding period of FY24 (Chart 4). During April to January, GTR as a percentage of annual RE stood at 77.4% in FY25, close to the three-year average of 77.6% during the corresponding period in FY22 to FY24 based on actual data.
- Direct taxes[(a)] showed a growth of 10.7% while indirect taxes[(a)] grew by 8.5% during April-January FY25. The corresponding growth rates in FY24 were at 23.6% and 4.4%, respectively.
- CIT revenues experienced a contraction of (-)0.6% during April-January FY25, as compared to a significantly high growth of 20.1% witnessed during the corresponding period of FY24.
- PIT revenues continued to grow at a robust pace of 22.0% during the first ten months of FY25, as compared to 27.3% in the corresponding period of FY24.
- Among indirect taxes, GoI's GST revenues grew by 11.5% during April-January FY25, higher than 8.9% during the corresponding period of FY24.
- Union excise duties (UED) showed a contraction for the third successive year at (-)1.3% during April-January FY25 as compared to (-)6.0% and (-)19.3% during the corresponding periods of FY24 and FY23, respectively.
- Customs duties grew by 8.6% during April-January FY25, higher than 1.0% observed during the corresponding period of FY24.

Chart 4: Growth in central gross tax revenues during April-December (%, y-o-y)



GoI's GTR showed a growth of 10.3% during April-January FY25 with growth in direct taxes at 10.7% and that in indirect taxes at 8.5%.

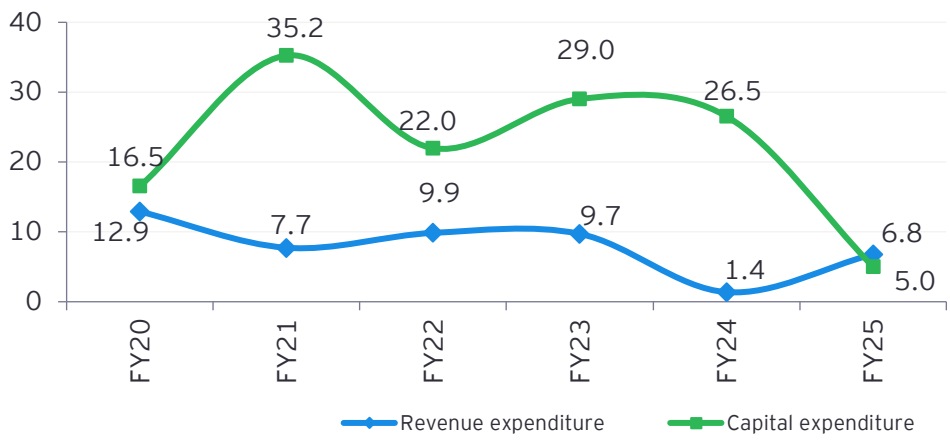
Source: Monthly Accounts, CGA, Government of India
Notes: (a) Direct taxes include personal income tax (excluding STT) and corporation tax, and indirect taxes include union excise duties, arrears of service tax, customs duty, and GST (comprising CGST, IGST and GST compensation cess) (b) Other taxes (securities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

- GoI's non-tax revenues showed a high growth of 38.3% during the first ten months of FY25, owing to substantially higher dividends by the RBI. GoI's dividends and profits during this period at INR2,85,868 crore stood at 98.8% of the FY25 (RE) at INR2,89,285 crore.
- Non-debt capital receipts of the GoI during April-January FY25 stood at 49.5% of the annual RE, much lower than the three-year average ratio at 72.9% during the corresponding period in FY22 to FY24 based on actual data.
- As per the Department of Investment and Public Asset Management (DIPAM)[1], GoI's disinvestment receipts as of 26 March 2025 were at INR9,319 crore, amounting to 28.2% of the FY25 RE at INR33,000 crore.

3.2. Expenditures: Revenue and capital

- GoI's total expenditure showed a relatively higher growth of 6.4% during the first ten months of FY25 as compared to 5.9% during the corresponding period of FY24. As a proportion of FY25 RE, GoI's total expenditure during April-January FY25 stood at 75.7%, close to the corresponding average at 75.1% based on the last three years' actual data.
- GoI's revenue expenditure growth picked up to 6.8% during April-January FY25, nearly five times the growth of 1.4% witnessed during April-January FY24, and higher than the FY25 (RE) growth of 5.8%.
- GoI's capital expenditure showed a low growth of 5.0% during April-January FY25, unlike the last three years which showed an average growth of 25.9% during the corresponding period (Chart 5). Capital expenditure during this period stood at 74.4% of FY25 RE, lower than the last three-year average at 76.0% in the same period based on actual data.

Chart 5: Growth in central expenditures during April-January (%, y-o-y)



GoI's total expenditure grew by 6.4% during April-January FY25, led by a 6.8% growth in revenue expenditure even as growth in capital expenditure remained subdued at 5.0%.

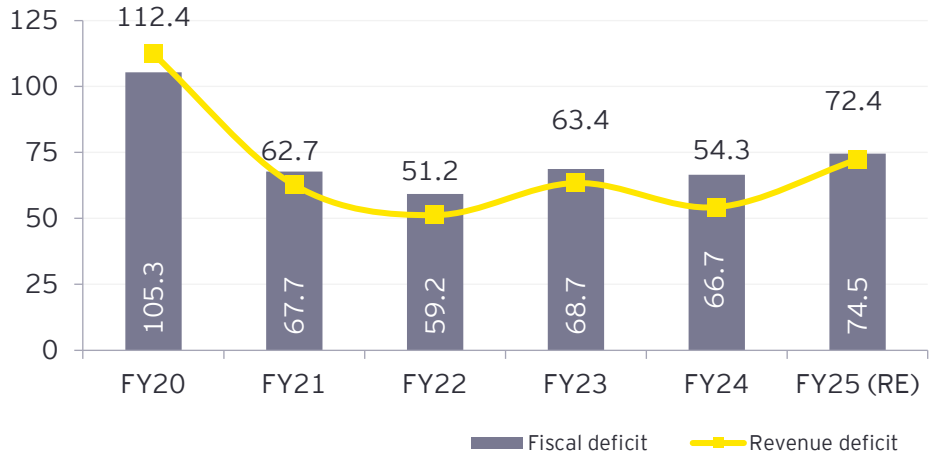
Source (basic data): Monthly Accounts, CGA, Government of India

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

3.3. Fiscal imbalance

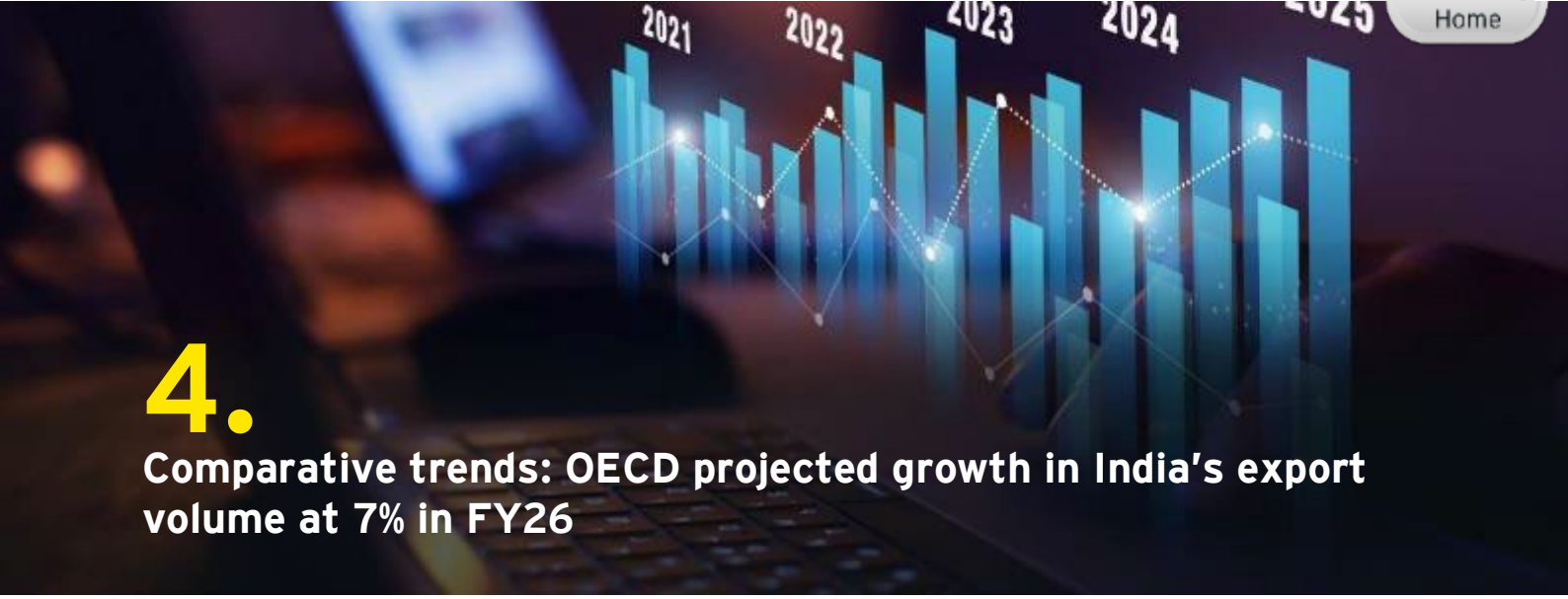
- GoI's fiscal deficit during April-January FY25 was at 74.5% of the FY25 RE, as a higher growth in revenue expenditure, and contraction in CIT revenues and union excise duties offset substantially enhanced non-tax revenues and a strong growth in GoI's PIT revenues. In comparison, GoI's fiscal deficit as a proportion of actuals was 66.7% during April-January FY24 (Chart 6).
- GoI's revenue deficit during April-January FY25 also stood at a higher level of 72.4% of FY25 RE as compared to 54.3% during the corresponding period of FY24 based on actual data.

Chart 6: Fiscal and revenue deficit during April-January as a percentage of actuals



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

GoI's fiscal and revenue deficits during April-January FY25 stood at 74.5% and 72.4% of their respective annual REs.



4. Comparative trends: OECD projected growth in India's export volume at 7% in FY26

4.1. Volume of export of goods and services

- According to the OECD, global trade volumes recovered steadily in 2024 to 3.5% from 1.0% in 2023, helped by the recovery in consumption of goods in the US. Growth in global trade volume is projected to remain stable at 3.5% in 2025.

- The selected major advanced economies (AEs) showed a mixed performance in terms of growth in the volume of exports of goods and services in 2024 as compared to 2023 (Table 2).
- There was continued contraction in export volumes in 2024 for the UK and near zero growth for Germany while growth significantly fell in Japan.
- In Germany, exports to non-EU countries remained subdued mainly due to weak exports to China and the US. Exports are projected to be influenced significantly by global demand in 2025 and 2026.
- In the US, export growth in 2024 was led by a strong performance in services. However, growth in export volumes is projected to moderate to 2.4% in 2025 and further to 1.6% in 2026.

Table 2: Volume of export of goods and services (% change)

Country	2022	2023	2024	2025	2026
US	7.5	2.8	3.2	2.4	1.6
UK	12.6	-2.2	-2.1	0.2	1.3
Germany	3.2	0.2	0.1	1.0	2.0
Japan	5.5	2.9	0.8	2.9	1.7
Brazil	6.2	9.1	4.6	3.6	3.0
India*	13.4	2.6	3.9	4.6	4.6
China	-3.8	4.1	14.9	7.6	5.5
South Africa	6.8	3.7	-1.5	2.8	3.0

Source: OECD Economic Outlook, December 2024
*data pertains to fiscal year

- In Japan, growth in exports is projected to increase from 0.8% in 2024 to 2.9% in 2025 supported by the recovery in semiconductor-related product markets, and the resumption of automobile shipments, following resolution of certification test issues. In 2026, exports growth is forecasted to slow to 1.7%.
- In Brazil, exports growth is projected to slow to 3.6% in 2025 and further to 3.0% in 2026. Exports are expected to be adversely impacted by higher tariff rates on steel and aluminum exports to the US.
- India is projected to experience higher growth in export volumes at 4.6% in 2025 (FY26) and 2026 (FY27) as compared to 3.9% in 2024 (FY25) as it may attract new business that is diverted from exporting countries facing steeper tariff rate increases by the US.
- With regard to China, exports growth surged to 14.9% in 2024 owing to a rebound of external demand, especially in high-tech industries, even as lower input prices continue to keep Chinese exports competitive. However, exports growth is expected to fall to 7.6% and 5.5% in 2025 and 2026, respectively. It is notable that the US has raised tariff rates on merchandise imports from China by 20% points which would negatively impact China's exports growth.

4.2. Volume of import of goods and services

- Led by easing of inflationary pressures, policy rate cuts, and a recovery in demand for tradable goods, especially services, growth in volume of imports of goods and services by most AEs is estimated to show an improvement in 2024 (Table 3). In the case of selected EMEs, other than Brazil, growth in imports in 2024 is estimated to have deteriorated from their levels in 2023, partly attributable to the overall slowing domestic growth as well as the impact of geopolitical tensions and shipping disruptions.

- In China, imports growth is projected to be weaker in 2025 as compared to 2024 due to reduced reliance on imported inputs for exports, low import content of consumption, accompanied by a weak recovery of tourism imports. It is also notable that as a retaliatory measure, China has increased tariffs on imports of steel and aluminum from all countries, which may also have an adverse impact on imports growth. In 2026, imports growth is projected to recover to 4.8%.

- In Brazil and India, imports growth is projected to be lower in 2025 as compared to 2024. In 2026, while growth in imports is forecasted to increase for India, in Brazil it is projected to continue to fall significantly.

- In South Africa, while imports growth was negative in 2024, it is projected to turn positive in 2025 at 3.7%, although slowing to 2.0% in 2026.

Table 3: Volume of import of goods and services (% change)

Country	2022	2023	2024	2025	2026
US	8.6	-1.2	5.6	3.9	2.6
UK	13.0	-3.4	2.3	0.7	1.2
Germany	7.1	-0.3	-1.1	1.1	2.0
Japan	8.2	-1.5	2.1	4.1	2.1
Brazil	1.5	-1.1	14.6	7.5	3.5
India*	10.6	10.9	7.4	5.3	6.7
China	-6.6	8.8	4.3	3.2	4.8
South Africa	15.0	3.9	-3.5	3.7	2.0

Source: OECD Economic Outlook, December 2024
*data pertains to fiscal year

- As per the OECD, recent trade patterns, particularly between Asia and North America, have been affected by the need to manage risks related to shipping availability at peak times, longer journey times and the potential imposition of tariffs, with trade being brought forward in many instances.

5. In-focus: Fiscal architecture for Viksit Bharat (Part IV): Government health and education expenditures

5.1. Introduction

This in focus writeup is the fourth part of an ongoing series in which an attempt is being made to construct a Fiscal Architecture for Viksit Bharat. In the first three parts, we have covered respectively the following themes:

Part 1 (November 2024): Achieving the right size of government

Part 2 (December 2024): Recasting Fiscal Responsibility Framework

Part 3 (January 2025): Realigning transfers from the GoI to states

It was argued in Part 1 that the combined tax-GDP ratio of the central and state governments may be progressively raised by 6.5% points from 18.5% in FY2025 to 25% by FY2048, with the following intermediate landmarks of increments: increase of 2% points by FY2031, 1% point by FY2036, and 3.5% points by FY2048. As the tax-GDP ratio increases, the size of the government measured in terms of government expenditure to GDP ratio is also likely to increase. The next issue to be analyzed relates to appropriate realignment of government expenditures through higher prioritization in certain sectors, stabilization in certain sectors, and progressive reduction of government expenditure in identified sectors, all relative to GDP. The objective of this reprioritization is to support growth by taking advantage of the unfolding demographic dividend while maintaining macroeconomic stability and ensuring a sustainable fiscal deficit. This expenditure reprioritization will be considered in two sub-parts. First, we will consider higher prioritization of two main social sectors, namely health and education, where expenditure augmentation is needed. This is the theme of the present In-focus. In a subsequent issue, we will discuss prioritization of government expenditure on building infrastructure, supporting innovation, urban governance, managing natural calamities and climate change, and investment in space and ocean resources.

In this In-focus, we estimate the suitable level of expenditure on education and health relative to GDP, both at India's current level of development and that consistent with a Viksit Bharat status. In order to assess the current vis-à-vis the required level of expenditures, we make comparisons in a cross-country perspective to determine trend levels of the expenditures on health and education with reference to per capita GDP. We also make comparisons with a set of peer countries that can provide a perspective for the Indian economy.

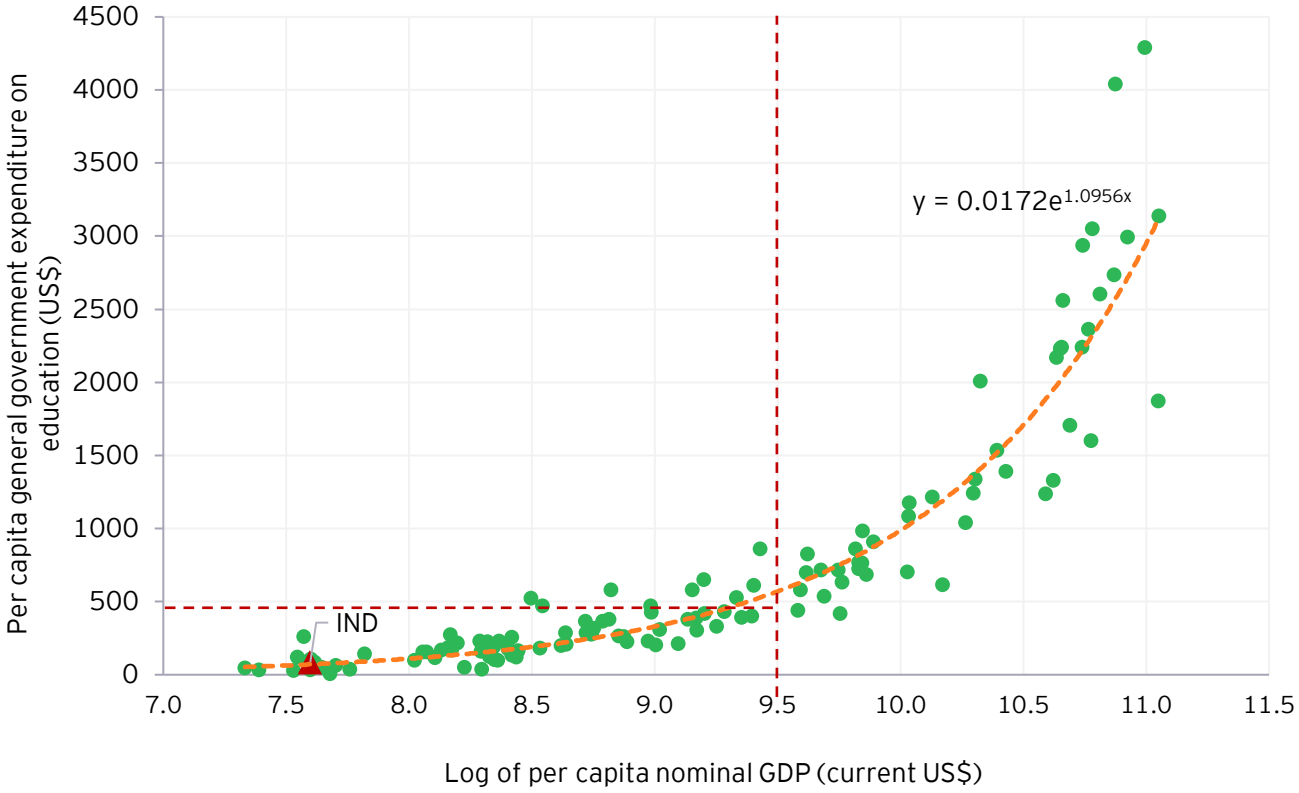
5.2. Augmenting education expenditure

To determine the appropriate level of education expenditure, we have followed the framework similar to that adopted to estimate the size of government in the November 2024 issue of the EY Economy Watch. We use a cross-country sample of relevant averages of per capita GDP and government expenditures on education over the pre-Covid period covering 2017 to 2019. In those years, the level of per capita GDP for a developed country status was specified as US$12,322. As India progresses towards a Viksit status, by FY2048, government expenditure on education is required to be increased. It would be appropriate to estimate government expenditure on education in relation to the per capita GDP that would be relevant in

FY2048[2]. For this purpose, we would use the currently developed country per capita GDP threshold of US$14,005 as estimated by World Bank.

Chart 7 shows the cross-country comparison of per capita government expenditure on education in relation to per capita GDP (current US$) measured in log terms. In the sample we have included 122 countries with per capita incomes in the range of US$1500 to US$64,000, with a view to highlighting how per capita expenditure on education increases at a fast rate after crossing a threshold level of per capita GDP.

Chart 7: Determining optimum government expenditure on education, per capita (current US$)



Source (basic data): World Bank

At its current per capita income level, India's position is nearly on the curve, indicating that its government spending on education is in line with trend. However, as it reaches closer to a developed country status, at a per capita GDP of US$14,005 (log value of 9.5), India may have to sharply increase its per capita government expenditure on education. We have estimated the required level of per capita expenditure consistent with the per capita GDP of a developed country threshold at close to US$600. This means that going forward, the per capita government expenditure on education may have to be augmented from its present level of US$83.2 to US$600, a more than seven-fold increase. This increase may be required to be brought about during FY26 to FY48.

At present, that is, considering the average level of per capita income during 2017 to 2019, the total government spending on education consistent with a developed country threshold is estimated at 4.3% of GDP. Going forward, as per capita GDP increases, the required per capita expenditure on education may have to be increased at a faster rate as indicated by the sharp upward bend in the trend curve of education expenditure as shown in Chart 7. If the tax-GDP ratio of 18% at the current level of per capita GDP remains

[2] It is the World Bank that provides the level of per capita GDP that serves as a threshold above which a country is considered to be high per capita income or developed country. This number is defined in terms of US$ at current market exchange rates. This number has been progressively increasing. For example, it was at US$12,695 in 2020. It progressively increased subsequently and was estimated at US$14,005 in 2023. It is likely, therefore, that the per capita GDP threshold for developed country status would increase by FY2048. However, the period from now until then is fraught with uncertainties and it is difficult to take a call on the relevant threshold at that time. We are therefore assessing the size of the level of government with reference to the question as to what should have been the size of government in India if it had a developed country status at present, that is, FY2024 (2023).

unchanged even at higher levels of per capita income, a higher share of this tax revenue may be needed for education.

However, in the context of education, we require to factor in the share of young population that needs to be educated and trained. For this purpose, we consider the share of population up to the age of 20 years. The higher is the share of this young population, say D*, the higher is the requirement of expenditure on education. As per these calculations by FY48, that is by the time India reaches a developed country status, the general government per capita spending on education may be required at 6.5% of GDP[3].

Another frame of reference is to look at cross-country share of government expenditure on education in GDP as given in Table 4. India's government education expenditure was 4.64% of GDP in 2021. This needs to be raised to 4.8% to reach the average level of high-income countries. Some of the peer countries included here have shares of government expenditure on education as percentage of GDP that are even higher ranging from 5.05% for the Euro area to 6.55% for South Africa.

Table 4: General government expenditure on education relative to GDP: Selected countries

No.	Country Name	2000	2005	2010	2015	2016	2017	2018	2019	2020	2021
1	South Africa	4.91	4.52	5.13	5.48	5.44	5.60	5.64	5.91	6.17	6.55
2	UK	4.02	4.93	5.70	5.55	5.43	5.45	5.20	5.26	5.44	5.90
3	Brazil	3.95	4.48	5.65	6.24	6.31	6.32	6.09	5.96	5.77	5.50
4	Germany	4.07	4.11	5.10	4.86	4.84	4.87	4.98	5.12	5.59	5.45
5	France	5.60	5.52	5.64	5.45	5.41	5.45	5.41	5.35	5.66	5.43
6	US	6.09	6.17	6.69	4.93	4.78	5.09	4.90	4.96	5.40	5.43
7	Euro area	5.27	5.09	5.45	4.94	4.82	4.83	4.80	4.76	5.14	5.05
8	**India***	**4.32**	**3.19**	**3.38**	**4.11**	**4.26**	**4.31**	**4.38**	**3.90**	**4.04**	**4.64**
9	Russia	2.94	3.77	3.85	3.83	3.76	4.69	4.68	3.70	4.02	3.99
10	China	--	2.39	3.56	4.24	4.21	4.11	4.02	4.06	4.23	3.99
11	Japan	3.46	3.31	3.60	3.31	3.15	3.13	3.08	3.16	3.31	3.34
12	*High income*	4.76	4.93	5.10	4.89	4.79	4.74	4.68	4.68	4.88	4.80
13	*Middle income*	3.51	3.53	3.69	3.97	3.94	3.93	3.73	3.83	4.13	3.75
14	*World*	3.88	4.06	4.09	4.23	4.17	4.18	4.09	4.14	4.44	4.24

Source (Basic data): World Bank; Countries are arranged in the descending order based on 2021 data.
Notes: General government expenditure on education (current, capital, and transfers) is expressed as a percentage of GDP. It includes expenditure funded by transfers from international sources to government. General government usually refers to local, regional and central governments.

Thus, comparing India's current level of government expenditure on education as estimated by World Bank with the required level consistent with a developed country threshold in the context of India's demographic dividend, the general government expenditure on education may have to be increased from 4.64% in 2021 to close to 6.5%, that is by a margin of close to 2.0% points.

Inter-state aspects

While the overall government expenditure on education needs to be increased, there is an interstate dimension to the allocation of this incremental expenditure. In fact, many of the lower per capita income states with a relatively higher share of young population may need to increase their per capita expenditures on education to a much larger extent than some of the more developed states, as seen in Table 5. This re-

[3] The equation may be written as follows. The t-statistic of coefficients are mentioned in brackets.

PEDU =	-1327. 581	+ 0.173*LPGDP^(4)	+ 14.749*SYPOP	+ 0.411*PEDU(-1)
	(-5.004569)	(6.933151)	(3.208975)	(5.013454)

R^2 = 0.848; Adjusted R^2 = 0.844; Prob(F-statistic) = 0.0
Where,
PEDU refers to per capita government expenditure on education, LPGDP refers to log of per capita GDP in current US$ terms and SYPOP refers to share of young age population aged 0-20 years.

distributive dimension may be attempted through an exercise of equalization transfers for health and education[4].

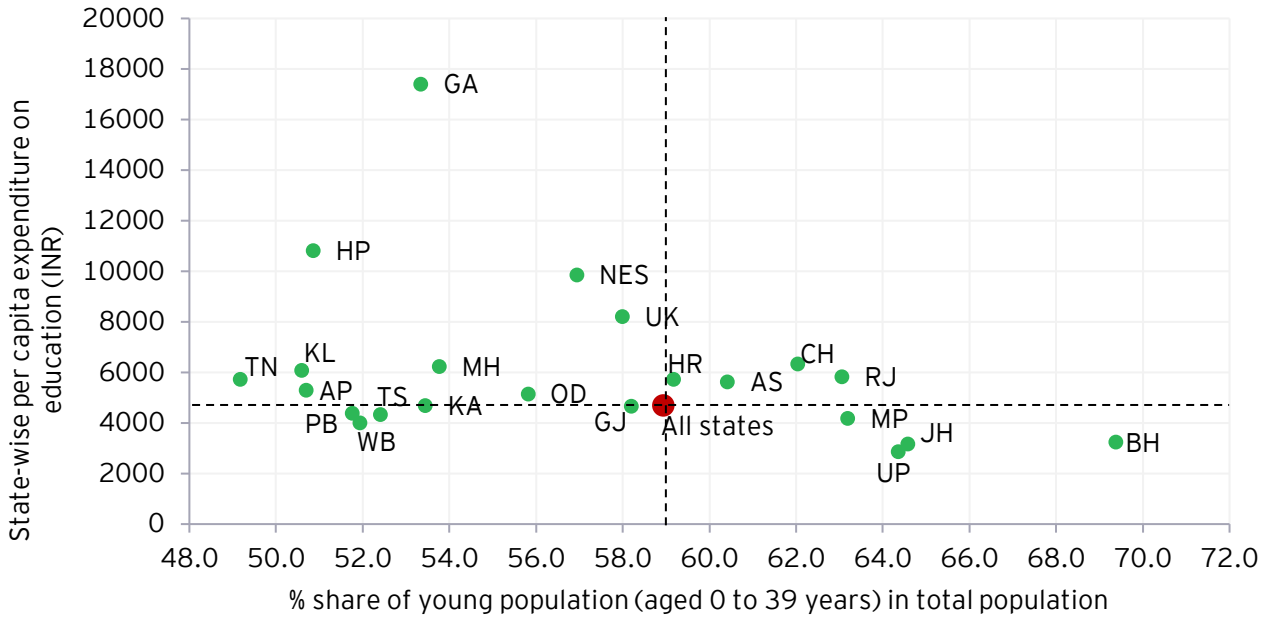
Table 5: State-wise per capita expenditure on education vis-à-vis per capita nominal GDP[5]

States	Per capita nominal GDP (INR)	Per capita state expenditure on education (INR)	% share of young population in total (in 2036)
	Average FY20 to FY24	*Average FY20 to FY25 (BE)*	*Age: 0 to 39 years*
BH	54,578	3,241	69.4
UP	86,972	2,876	64.3
JH	95,828	3,166	64.6
AS	1,21,550	5,630	60.4
MP	1,30,808	4,185	63.2
CH	1,39,713	6,349	62.0
WB	1,39,813	4,004	51.9
OD	1,47,558	5,159	55.8
RJ	1,52,617	5,833	63.1
NES	1,67,096	9,858	56.9
PB	1,96,305	4,381	51.8
AP	2,20,668	5,293	50.7
HP	2,37,838	10,833	50.9
UK	2,40,605	8,215	58.0
MH	2,57,281	6,245	53.8
KL	2,64,150	6,092	50.6
GJ	2,78,596	4,676	58.2
TN	2,80,038	5,738	49.2
KA	2,97,988	4,688	53.4
HR	2,99,282	5,730	59.2
TS	3,08,218	4,331	52.4
GA	5,28,166	17,418	53.3
All states	**1,73,961**	**4,671**	**58.9**

Source (basic data): RBI, MoSPI and MoHFW
Note: With respect to Goa, we have estimated the shares by using the weighted average of the population of the following states PB, AP, KL, MH, GJ, TN, HR, KA and TS grouped together; NES states include AR, AR, MN, ML, MZ, NL, S and TR

[4] Rangarajan, C., & Srivastava, D. K. (2024). *Federalism and fiscal transfers in India*. Oxford University Press and 12th Finance Commission report; Equalization transfers refer to the financial resources transferred to and between subnational governments with the aim of mitigating regional differences in fiscal capacity and expenditure needs.
[5] Andhra Pradesh (AP), Assam (AS), Bihar (BH), Chhattisgarh (CH), Gujarat (GJ), Himachal Pradesh (HP), Haryana (HR), Jharkhand (JH), Karnataka (KA), Kerala (KL), Maharashtra (MH), Madhya Pradesh (MP), North Eastern and Hilly States (NES), Odisha (OR), Punjab (PB), Rajasthan (RJ), Tamil Nadu (TN), Telangana (TS), Uttarakhand (UK), Uttar Pradesh (UP), West Bengal (WB); Arunachal Pradesh (AR), Manipur (MN), Meghalaya (ML), Mizoram (MZ), Nagaland (NL), Sikkim (SK), Tripura (TR); Goa (GA)

Chart 8: State-wise per capita expenditure on education and share of young (aged 0 to 39 years) population



Source (basic data): MoHFW, RBI and MOSPI

As shown by Chart 8, the states of Bihar, Uttar Pradesh, Jharkhand and Madhya Pradesh require special attention while simultaneously increasing the average per capita expenditure on education with respect to all states.

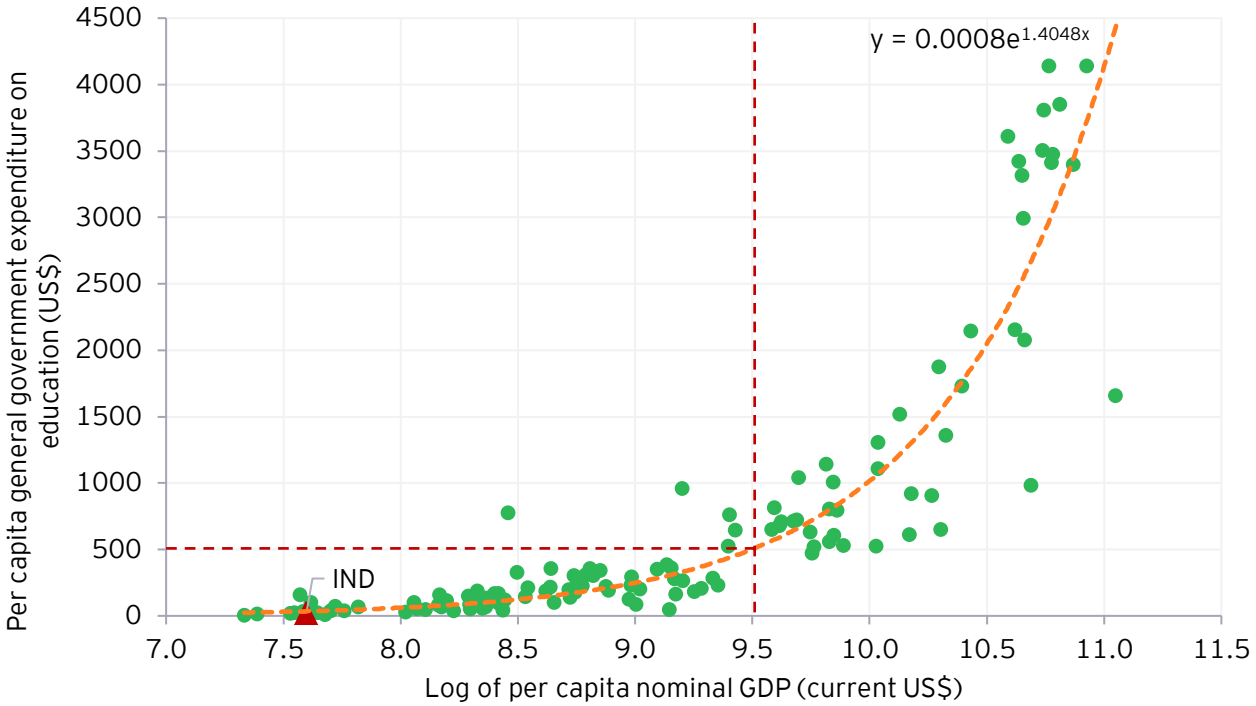
5.3. Augmenting health expenditure

In the case of government health expenditure[6], we adopt an approach similar to that for estimating the appropriate level of per capita education expenditure. Using a cross-country sample, per capita expenditure on health in current US$ is plotted on the 'y' axis against the log of per capita GDP on the 'x' axis (Chart 9).

The sample consists of 129 countries with per capita incomes in the range of US$1500 to US$64,000. The trend curve is fitted as shown in Chart 9. Accordingly, we estimate India's current per capita government expenditure on health at US$20 to be below the representative level of US$34.6. The corresponding levels in terms of percentage to GDP are 1% and 1.7% respectively. As India moves toward developed economy status, its per capita government health expenditure may need to rise to approximately US$534, or about 3.8% of GDP. Thus, the actual government health expenditure may need to be initially uplifted to its representative level of 1.7% of GDP, and further to 3.8% by the time India reaches the developed country status.

[6] Expenditure on health includes expenditure on medical education as well.

Chart 9: Determining optimum government expenditure on health, per capita (current US$)



Source (basic data): World Bank

A similar conclusion is derived when we consider India in comparison with several peer countries, including some of the present day developed countries. In 2021, the latest year for which cross-country data is available from World Bank, India's government health expenditure is shown to be 1.1% of GDP (Table 6). This is 1.7% points lower than the corresponding average for middle-income countries and about 3.5% points below that of BRICS countries (excluding India). The other high-income countries included here are also those characterized by a high share of older and ageing populations, which has resulted in much higher shares of government health expenditures. India may aim for increasing government health expenditure from 1% of GDP to close to 4%, that is by a margin of 3% points.

Table 6: General government expenditure on health relative to GDP: Selected countries

No.	Country Name	2000	2005	2010	2015	2016	2017	2018	2019	2020	2021
1	UK	5.49	6.83	8.05	7.92	7.91	7.75	7.79	7.97	10.18	10.35
2	Germany	7.73	7.80	8.40	8.61	8.69	8.80	8.87	9.04	9.96	10.22
3	US	5.54	6.63	7.91	8.47	8.60	8.58	8.56	8.63	10.69	9.62
4	France	6.97	7.41	7.91	8.28	8.61	8.60	8.49	8.33	9.31	9.31
5	Japan	5.66	6.22	7.43	9.04	8.96	8.97	9.00	9.21	9.34	9.17
6	Euro area	6.42	6.86	7.54	7.51	7.56	7.54	7.54	7.58	8.54	8.60
7	Russia	2.98	2.92	3.05	3.11	3.01	3.06	3.18	3.45	5.45	5.26
8	South Africa	2.68	2.75	4.00	4.60	4.57	4.57	4.62	4.81	5.30	5.00
9	Brazil	3.47	3.35	3.58	3.85	3.95	3.95	3.89	3.92	4.53	4.50
10	China	0.99	1.37	2.20	2.97	2.89	2.87	2.92	3.00	3.06	2.91
11	**India**	**0.83**	**0.76**	**0.86**	**0.92**	**0.94**	**0.97**	**0.98**	**1.04**	**1.21**	**1.12**
12	*High income*	*5.57*	*6.26*	*7.06*	*7.51*	*7.61*	*7.54*	*7.52*	*7.65*	*9.06*	*8.60*
13	*Middle income*	*1.98*	*2.03*	*2.43*	*2.80*	*2.75*	*2.74*	*2.71*	*2.73*	*2.92*	*2.83*
14	*World*	*4.96*	*5.45*	*5.73*	*5.89*	*5.96*	*5.87*	*5.84*	*5.92*	*6.91*	*6.51*

Source (Basic data): World Bank; Countries are arranged in the descending order based on 2021 data.
Notes: General government expenditure on education (current, capital, and transfers) is expressed as a percentage of GDP. It includes expenditure funded by transfers from international sources to the government. General government usually refers to local, regional and central governments.

In order to ensure that India takes full advantage of its emerging population trends, particularly with respect to the age structure of the population, the government may re-strategize its sectoral priorities in favor of education and health. Any increase in the revenue to GDP ratio may be prioritized for an increase in the shares of education and health expenditures. As the young dependency ratio is expected to remain higher than the old dependency ratio until 2056, education may be prioritized above health so that the available working age persons are educated, trained and skilled for productive employment.

The changing age structure of India's population is slated to keep on increasing the share of working age persons in the total population. If these persons are productively employed, a virtuous cycle of growth, employment, saving and investment can be created. To achieve this objective, India may have to increase its revenue to GDP ratio and steadily increase the share of education, health and infrastructure in total government expenditure.

Inter-state aspects

As in the case of education, there is a noticeable inter-state dimension in the context of augmenting government health expenditures in India. Some of the low-income states are able to spend much less on health due to their fiscal capacity constraints as measured by per capita nominal GDP (Table 7). However, increasing per capita government health expenditures do have large positive externalities where the benefits of increasing health facilities in relatively lower income states are also shared by the entire country. In this case also, equalization transfers for health aimed at increasing state level per capita health expenditures in the low fiscal capacity states up to the average, while shifting the average itself up, are also important.

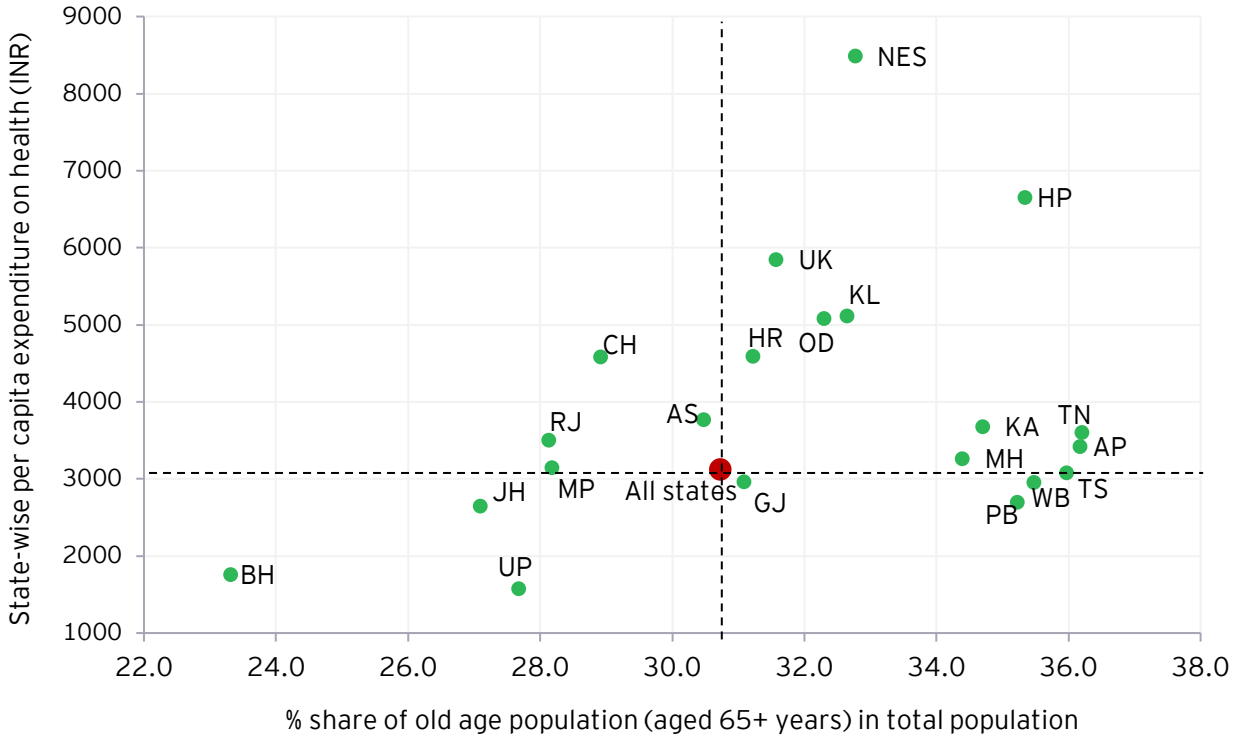
Table 7: State-wise per capita expenditure on health vis-à-vis fiscal capacity

States	Per capita NGDP (INR)	Per capita state expenditure on health (INR)	% Share of old age population in total (in 2036)
	Average FY20 to FY24	*Average FY20 to FY25 (BE)*	*Age: 65+ years*
BH	54,578	1,763	23.3
UP	86,972	1,577	27.7
JH	95,828	2,653	27.1
AS	1,21,550	3,775	30.5
MP	1,30,808	3,146	28.2
CH	1,39,713	4,584	28.9
WB	1,39,813	2,961	35.5
OD	1,47,558	5,086	32.3
RJ	1,52,617	3,506	28.1
NES	1,67,096	8,486	32.8
PB	1,96,305	2,700	35.2
AP	2,20,668	3,419	36.2
HP	2,37,838	6,658	35.3
UK	2,40,605	5,847	31.6
MH	2,57,281	3,265	34.4
KL	2,64,150	5,121	32.6
GJ	2,78,596	2,968	31.1
TN	2,80,038	3,605	36.2
KA	2,97,988	3,684	34.7
HR	2,99,282	4,597	31.2
TS	3,08,218	3,079	36.0
GA	5,28,166	20,167	34.2
All states	**1,73,961**	**3,117**	**30.7**

Source (basic data): RBI, MoSPI and MoHFW
Note: With respect to Goa, we have estimated the shares by using the weighted average of the population of the following states PB, AP, KL, MH, GJ, TN, HR, KA and TS grouped together.
NES states include AR, AR, MN, ML, MZ, NL, S and TR

As Chart 10 shows, states such as Gujarat, Punjab, West Bengal and Telangana may need to increase their per capita expenditures on health on account of their ageing populations. At the same time, low fiscal capacity states such as Bihar, Uttar Pradesh, Jharkhand and Madhya Pradesh also may also need to increase their per capita expenditures on health, which may be partly financed through equalizing transfers for health[7].

Chart 10: State-wise per capita expenditure on health and share of old-age population



Source (basic data): MoHFW, RBI and MOSPI

5.4. Conclusion

Thus, bringing together the required increase in the allocation for health and education, compared to the present levels, we consider that 2.5% points and 3% points increase in government education and health expenditures relative to GDP respectively may be called for from now until FY2048. This can be accommodated by an increase in the revenue receipts to GDP ratio that we had discussed in Part 1 of this series of writeup on fiscal architecture for Viksit Bharat[8]. There we have argued that the revenue receipts to GDP ratio may be increased from the present level of nearly 21% to 29% out of which nearly 2.5% points may have to be allocated for reduction in fiscal deficit leaving a balance of close to 6% points of GDP. Of this, 5.5% points may have to be allocated to education and health. In both cases, the effort of low fiscal capacity states needs to be supported by suitable schemes of equalization transfers.

[7] Rangarajan, C., & Srivastava, D. K. (2024). *Federalism and fiscal transfers in India*. Oxford University Press and 12th Finance Commission report

[8] November 2024 issue of EY Economy Watch

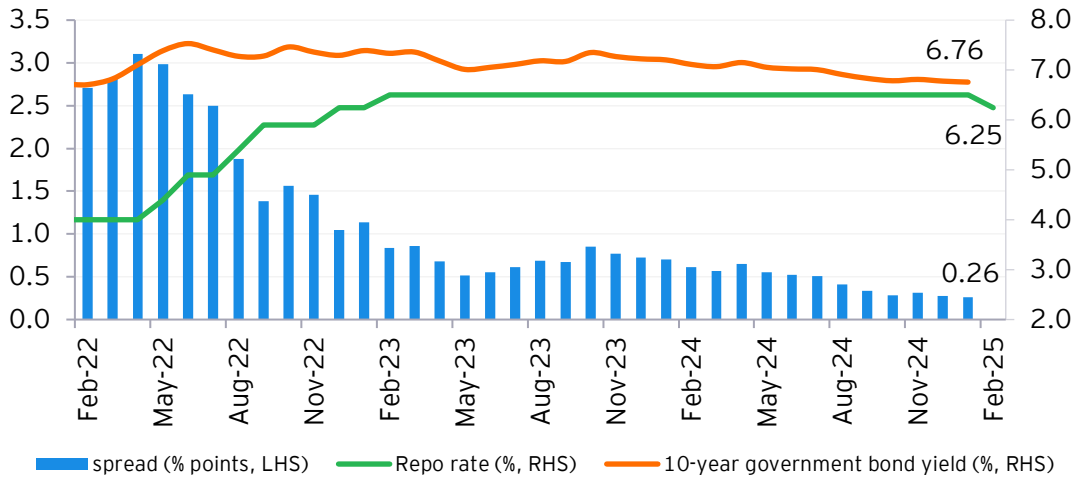
6. Money and finance: Bank credit showed a stable growth of 12.5% in January 2025

6.1. Monetary sector

Monetary policy

- The RBI reduced the repo rate, for the first time since May 2020, by 25 basis points to 6.25% in February 2025 from 6.5% (Chart 11), while maintaining the policy stance as 'neutral'.

Chart 11: Movements in the repo rate and 10-year government bond yield



Growth in gross bank credit remained nearly stable at 12.5% in January 2025, close to its level of 12.4% in December 2024.

Source: Database on Indian Economy, RBI

- Regarding CPI inflation outlook, the RBI assessed that food inflation may recede, supported by kharif production and seasonal easing of vegetable prices. However, external factors including increasing uncertainty in global financial markets, sustained volatility in energy prices and the prospects of any adverse events pose upside risks to the inflation outlook. The RBI projects CPI inflation to average lower at 4.2% in FY26 as compared to 4.8% in FY25 (February 2025 Monetary Policy Review).

Money stock

- Growth in broad money stock (M3)[9] remained stable at 9.6% in February 2025, similar to its level in January 2025 as growth in time deposits remained stable.
- Time deposits, the largest component of M3, showed a growth of 10.7% in February 2025, similar to its level in January 2025.

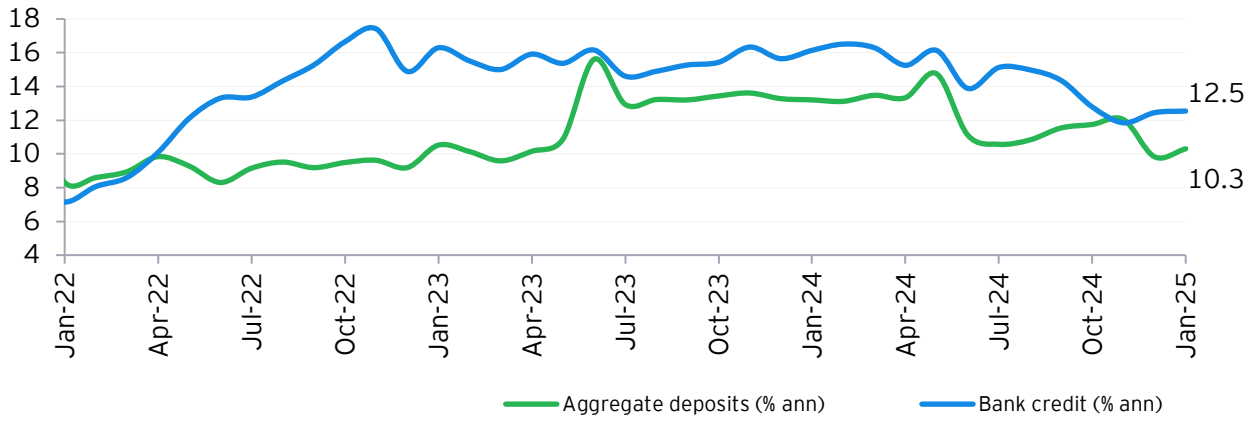
[9] The data on M3, demand and time deposits and bank credit exclude the impact of merger of a non-bank with a bank.

- Growth in narrow money (M1) improved marginally to 6.4% in February 2025 from 6.1% in January 2025. While growth in demand deposits remained stable at 6.2% both in January and February 2025, growth in currency with the public increased to 5.9% in February 2025 from 5.4% in January 2025.

Aggregate credit and deposits

- Gross bank credit showed a stable growth of 12.5% in January 2025 close to its growth of 12.4% in December 2024 (Chart 12).

Chart 12: Growth in credit and deposits



Source: Database on Indian Economy, RBI

- Non-food credit growth also increased marginally to 12.5% in January 2025 from 12.4% in December 2024 as growth in credit to industries and services improved during the month.
- Outstanding credit to industries, having a share of about 27% on average in total non-food credit (last five years), showed a higher growth of 8.2% in January 2025, its fastest pace since September 2024, improving from 7.4% in December 2024. Within industrial credit, among major segments, growth in credit to chemical and chemical products and textiles improved to 9.5% and 5.8% respectively in January 2025 from 7.0% and 5.6% respectively in December 2024. Credit to infrastructure, having the largest share of 36.5% on average in total industrial credit (last five years), continued to show a low growth of 1.6% in January 2025, although improving from 1.0% in December 2024.
- Credit to services sector, with an average share of 26.6% in total non-food credit (last five years), grew by 13.8% in January 2025, improving from 13.0% in December 2024.
- Within non-food credit, personal loans showed the highest growth of 14.2%, although this was its lowest since October 2021. Growth in housing loans, the largest component of personal loans, fell to a 14-month low of 15.5% in January 2025 from 16.7% in December 2024. Loans for consumer durables contracted for the second successive month by (-)2.6% in January 2025 as compared to (-)1.1% in December 2024. Growth in vehicle loans, however, improved to 9.7% in January 2025 from 8.8% in December 2024.
- Growth in agricultural credit showed a sequential fall since July 2024, reaching a 25-month low of 12.2% in January 2025 from 12.5% in December 2024. Growth in other non-food credit, that is, non-food credit excluding credit to agriculture, industry, services and personal loans, also moderated to 15.6% in January 2025 from 16.8% in December 2024.
- Growth in aggregate deposits increased to 10.3% in January 2025 from 9.8% in December 2024.

6.2. Financial sector

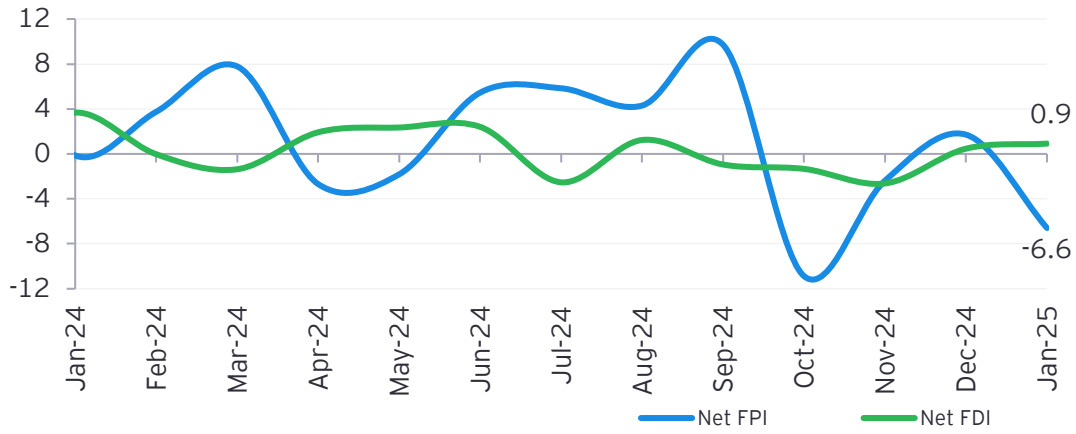
Interest rates

- As per the data released by the RBI in the first week of March 2025, the yield on 10-year government bonds (benchmark) eased marginally for the third successive month to average 6.73% in February 2025 from 6.76% in January 2025 (Chart 11).
- For the sixth month in a row, the average interest rate on term deposits with a maturity period of more than one year remained at 6.63% in February 2025, with actual rates fluctuating between 6.00% and 7.25%. Similarly, the average MCLR remained stable at 8.30% for the sixth successive month in February 2025, with the actual MCLR ranging between 8.15% and 8.45% during the month.
- WALR on 'Fresh Rupee Loans' (FRL) by SCBs increased marginally to average 9.32% in January 2025 from 9.25% in December 2024. During April-January FY25, WALR-FRL averaged higher at 9.40% as compared to 9.35% during the same period of FY24.

FDI and FPI

- As per the provisional data released by the RBI on 19 March 2025, overall foreign investments (FIs) witnessed significant outflows amounting to US$5.7 billion in January 2025 as compared to inflows amounting to US$2.2 billion in December 2024 **(Chart 13)**. This is largely due to significant net FPI outflows during the month.

Chart 13: Net FDI and FPI inflows (US$ billion)



Net FDI inflows remained low at US$0.9 billion while net FPIs witnessed outflows, amounting to US$6.6 billion in January 2025.

Source: Database on Indian Economy, RBI

- Net FPIs witnessed outflows amounting to US$6.6 billion in January 2025, its second highest monthly outflows during FY25. In December 2024, net FPIs witnessed inflows amounting to US$1.7 billion. During April-January FY25, net FPI inflows on a cumulated basis amounted to only US$2.7 billion as compared to US$32.6 billion seen during the corresponding period in FY24.
- Net FDI inflows remained low at US$0.9 billion in January 2025, only marginally higher as compared to US$0.5 billion in December 2024. Even while gross FDI inflows were at US$5.8 billion in January 2025, the cumulative impact of higher repatriation/disinvestment and sustained outward FDI by India led to low net FDI inflows during the month. During April-January FY25, net FDI inflows were at a historic low of US$1.4 billion as compared to US$11.5 billion during the corresponding period in FY24.

7. Trade and CAB: Merchandise trade deficit fell to US$14.1 billion in February 2025

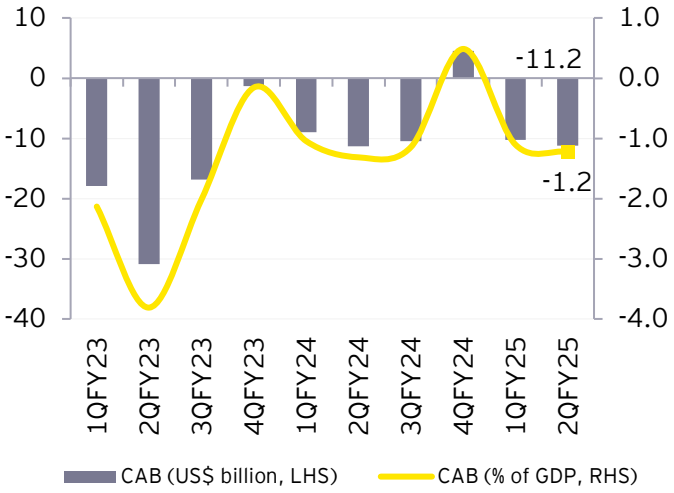
7.1. CAB was at (-)1.2% of GDP in 2QFY25 as compared to (-)1.1% in 1QFY25

- Current account showed a deficit of 1.2% of GDP in 2QFY25 (Chart 14). Net merchandise trade deficit widened to 8.2% of GDP in 2QFY25 from 7.0% in 1QFY25 as merchandise exports eased to 11.4% from 12.0% and merchandise imports expanded to 19.6% from 19.0% of GDP over the same period.
- Surplus on account of net invisibles improved to 7.0% of GDP in 2QFY25 from 5.9% in 1QFY25 (Table 8) as net services surplus and net private transfers increased to three-quarter highs of 4.9% and 3.2% of GDP, respectively, in 2QFY25. Deficit on income account fell to a 10-quarter low of 1.0% of GDP in 2QFY25.

Table 8: Components of CAB (in US$ billion)

Fiscal year	CAB as % of nominal GDP	CAB	Merchandise net	Invisibles* net
FY21	0.9	23.9	-102.2	126.1
FY22	-1.2	-38.8	-189.5	150.7
FY23	-2.0	-67.1	-265.3	198.2
FY24	-0.7	-26.1	-244.9	218.8
3QFY24	-1.1	-10.4	-71.6	61.2
4QFY24	0.5	4.6	-52.0	56.6
1QFY25	-1.1	-10.2	-65.1	54.9
2QFY25	-1.2	-11.2	-75.3	64.1

Chart 14: CAB



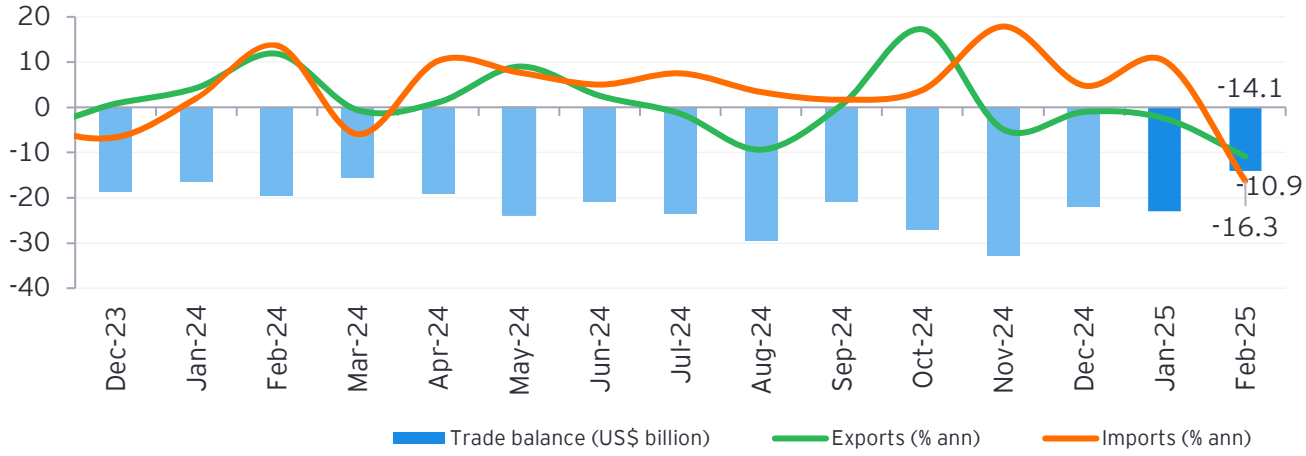
Source: Database on Indian Economy, RBI; Note: (-) deficit; (+) surplus; *invisibles include services, current transfers and income components

7.2. Merchandise trade and exchange rates

Merchandise exports and imports contracted by (-)10.9% and (-)16.3%, respectively, in February 2025 – the sharpest decline since June 2023. This contraction reflects partly global trade uncertainties as well as an unfavorable base effect.

- Exports of engineering goods, chemicals and drugs and pharmaceuticals contracted by (-)8.6%, (-)24.5% and (-)1.5% respectively in February 2025 with exports of engineering goods and drugs and pharmaceuticals contracting for the first time since April 2024 and January 2023, respectively. Electronic goods exports showed a robust growth of 26.5% in February 2025, although falling from 79.0% in January 2025.
- Oil exports contracted for the ninth successive month, although at a slower pace of (-)29.2% in February 2025 as compared to (-)58.7% in the previous month, reflecting lower global crude prices. Imports of oil contracted at a faster pace of (-)29.6% in February 2025 as compared to (-)13.5% in January 2025.
- Gold imports contracted sharply by (-)62.0% in February 2025 due to an unfavorable base effect. Other contributions to the overall contraction in imports came from coal ((-)35.6%), and iron and steel ((-)23.4%). Growth in imports of machinery and chemicals fell to 5.3% and 1.1% in February 2025 from 27.8% and 36.9% in January 2025, respectively.

Chart 15: Developments in merchandise trade



Source: Ministry of Commerce and Industry, GoI

- Exports excluding oil, gold/silver and jewelry contracted for the first time since November 2023 by (-) 4.8% in February 2025, while growth in imports of the same category eased to 3.1% from 20.3% in January 2025.
- Merchandise trade deficit eased to US$14.1 billion in February 2025, its lowest level since August 2021 as both exports and imports contracted sharply (Chart 15).
- Deficit on account of trade in goods and services remained low at US$5.0 billion in January 2025, although increasing from US$2.9 billion in December 2024.
- The Indian Rupee depreciated to INR87.1/US$ (average) in February 2025 from INR86.3/US$ in January 2025 led by foreign investment outflows.

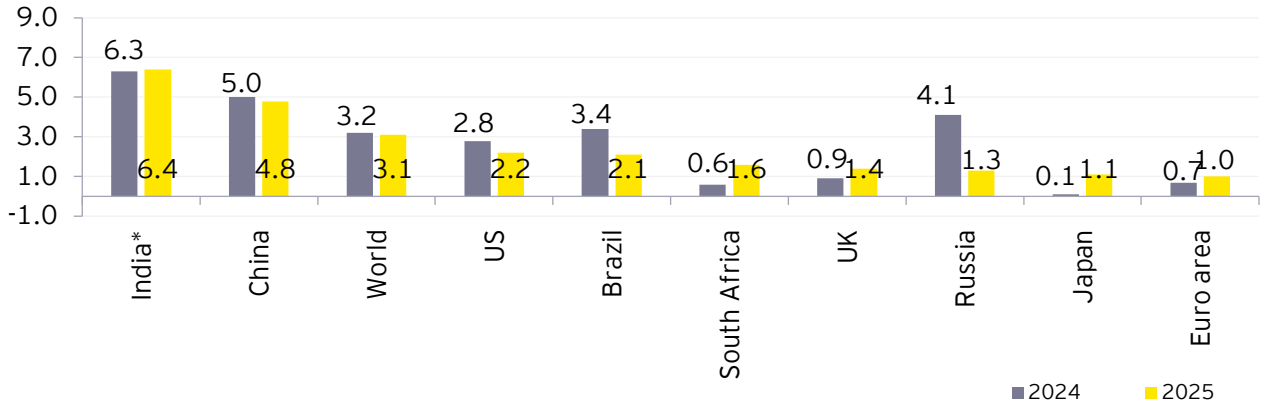
8. Global growth: OECD projected global growth at 3.1% in 2025 and 3% in 2026

8.1. Global growth

- The OECD in its Economic Outlook, Interim Report for March 2025 has projected global growth to trend downwards from 3.2% in 2024 to 3.1% in 2025 and further to 3.0% in 2026. This is attributed to higher trade barriers in several G20 economies and increased geopolitical and policy uncertainty weighing on investment and household spending.
- Growth in the US is projected to fall from 2.8% in 2024 to 2.2% in 2025 and further to 1.6% in 2026 as the tariff measures take effect (Chart 16).
- Euro area GDP growth is projected to remain low at 1.0% in 2025, although, improving from 0.7% in 2024. Growth is projected to improve further to 1.2% in 2026. The direct economic effects from the tariff measures are likely to be limited in the Euro area even though heightened geopolitical and policy uncertainty may constrain growth.
- In the UK, growth is projected to recover from 0.9% in 2024 to 1.4% in 2025, but moderate thereafter to 1.2% in 2026.
- In Japan, GDP growth is projected to increase to 1.1% in 2025 from 0.1% in 2024. However, this recovery appears to be temporary as growth is projected to slow to 0.2% in 2026.

The OECD has projected global growth to ease from 3.2% in 2024 to 3.1% in 2025, with India's FY25 and FY26 growth forecasted at 6.3% and 6.4%, respectively.

Chart 16: Global growth projections (%)



Source: OECD Global Economic Outlook Interim Report (March 2025)
*Data pertains to fiscal years FY25 and FY26 respectively

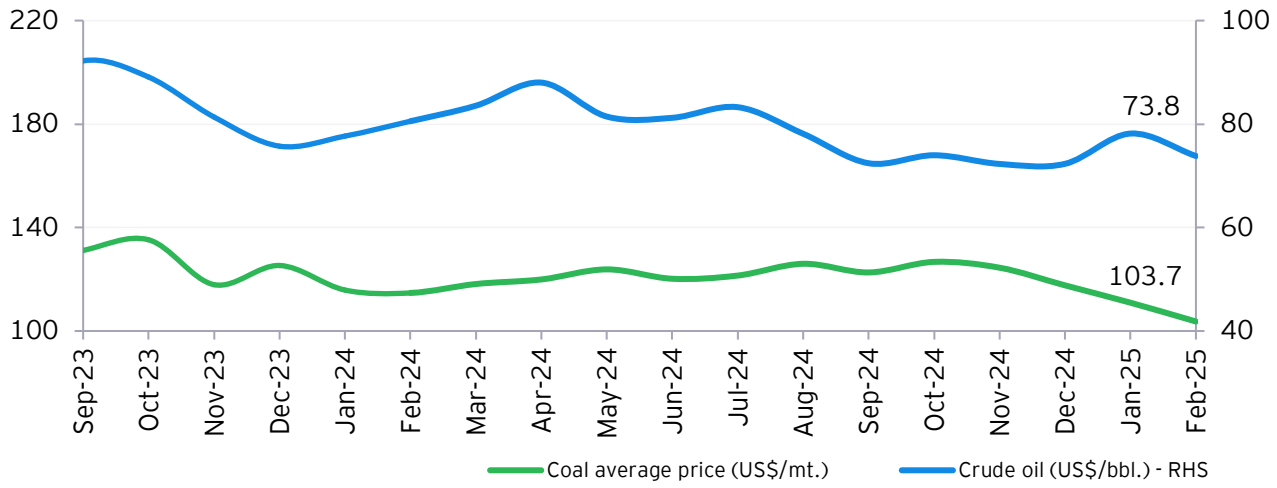
- Among emerging market economies, growth in China is projected to ease sequentially from 5.0% in 2024 to 4.8% in 2025 and further to 4.4% in 2026. Similarly, Brazil and Russia are also expected to face moderation in growth rates from 3.4% and 4.1% respectively in 2024 to 2.1% and 1.3% respectively in 2025. Both Brazil and Russian economies are projected to experience further slowdown in growth rates to 1.4% and 0.9% respectively in 2026.

- The OECD projects India's real GDP growth at 6.3% in 2024 (FY25), lower than 6.5% as per the second advance estimates released by the NSO recently. After remaining nearly stable at 6.4% in 2025 (FY26), India's real GDP growth is projected to improve marginally to 6.6% in 2026 (FY27).

8.2. Global energy prices: Global crude price fell to US$73.8/bbl. in February 2025

- Average global crude price[10] eased to US$73.8/bbl. in February 2025 after surging to US$78.2/bbl. in January 2025 (Chart 17). Although the anticipation of new sanctions on Russia and Iran initially led to a surge in oil prices in January 2025, market sentiments shifted quickly amidst concerns over the potential impact of ongoing trade/tariff wars on global growth and consequently on energy demand[11].
- Average global coal price[12] eased for the fourth successive month to US$103.7/mt. in February 2025, its lowest level since May 2021. This is largely due to a sustained fall in the price of Australian coal by US$11.7/mt. to US$106.9/mt in February 2025. The price of South African coal also fell to US$100.4/mt. in February 2025 from US$103.3/mt in January 2025.

Chart 17: Global crude and coal prices



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

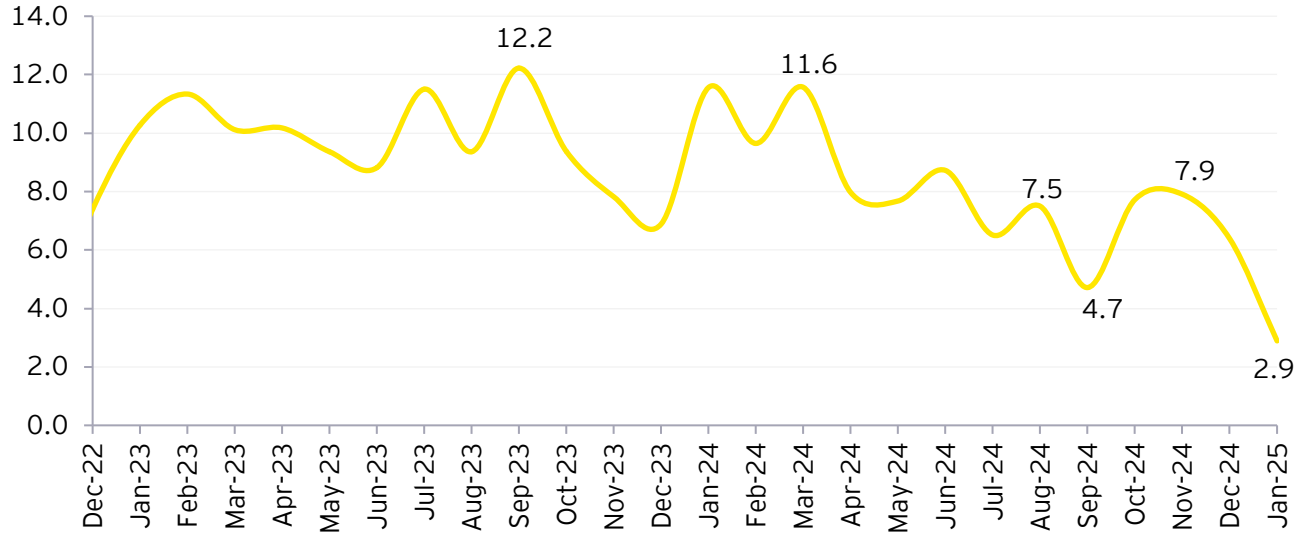
[10] Simple average of three spot prices, namely, Dated Brent, West Texas Intermediate and Dubai Fateh
[11] https://www.iea.org/reports/oil-market-report-february-2025
[12] Simple average of Australian and South African coal prices.

9. Index of Aggregate Demand (IAD): Growth fell sharply to 2.9% in January 2025

9.1. Growth in IAD decelerated to 2.9% in January 2025 from 6.4% in December 2024

- Growth in IAD[13] fell sharply to a 27-month low of 2.9% in January 2025 from 6.4% in December 2024 (Chart 18 and Table 9). This moderation is partly attributable to an unfavorable base effect, even while the demand conditions in the services and agriculture sectors eased during the month.
- Demand conditions in the agricultural sector showed a sequential moderation as indicated by a sustained fall in the growth in agricultural credit for the sixth successive month to 12.2% (sa) in January 2025.
- The services sector saw easing demand conditions in January 2025, as evidenced by PMI services (sa) which fell to 56.5 from 59.3 in December 2024.
- In the manufacturing sector, demand conditions improved during the month, with PMI manufacturing expanding at a healthy pace of 57.7 in January 2025 as compared to 56.4 in December 2024.

Chart 18: Growth in IAD (y-o-y)



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

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

Table 9: IAD

Month	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25
IAD	178.7	180.3	180.1	181.0	177.5	179.6	179.9	180.6	179.7
Growth (% y-o-y)	7.7	8.7	6.5	7.5	4.7	7.7	7.9	6.4	2.9
Growth in agr. credit	21.4	17.2	18.0	17.7	16.4	15.6	15.3	12.5	12.2
Mfg. PMI**	7.5	8.3	8.1	7.5	6.5	7.5	6.5	6.4	7.7
Ser. PMI**	10.2	10.5	10.3	10.9	7.7	8.5	8.4	9.3	6.5

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

10.
Capturing macro-fiscal trends: Data appendix

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

Fiscal year/ quarter/ month	IIP	Mining	Manufacturing	Electricity	Core IIP	Fiscal year/ quarter /month	PMI mfg.	PMI ser.
	% change y-o-y							
FY21	-8.4	-7.8	-9.6	-0.5	-7.8	FY21	50.2	41.7
FY22	11.4	12.2	11.8	7.9	12.2	FY22	54.0	52.3
FY23	5.2	5.8	4.7	8.9	5.8	FY23	55.6	57.3
FY24	5.8	7.5	5.5	7.1	7.5	FY24	57.2	60.3
4QFY24	5.1	4.9	4.8	7.3	5.8	4QFY24	57.5	61.2
1QFY25	5.5	7.9	4.3	10.8	6.3	1QFY25	58.2	60.5
2QFY25	2.7	-0.1	3.3	1.4	2.4	2QFY25	57.4	59.6
3QFY25	4.1	1.8	4.4	4.1	4.3	3QFY25	56.8	58.7
Oct-24	3.7	0.9	4.4	2.0	3.8	Nov-24	56.5	58.4
Nov-24	5.0	1.9	5.5	4.4	4.4	Dec-24	56.4	59.3
Dec-24	3.5	2.7	3.4	6.2	4.8	Jan-25	57.7	56.5
Jan-25	5.0	4.4	5.5	2.4	4.6	Feb-25	56.3	59.0

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

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

Fiscal year/ quarter/ month	CPI	Food Price Index	Fuel and light	Core CPI	WPI	Food Price Index	Mfg. products	Fuel and power	Core WPI
	% change y-o-y				% change y-o-y				
FY21	6.2	7.7	2.7	5.5	1.3	4.0	2.8	-8.0	2.2
FY22	5.5	3.8	11.3	6.1	13.0	6.8	11.1	32.5	11.0
FY23	6.7	6.6	10.3	6.2	9.4	6.3	5.6	28.1	5.8
FY24	5.4	7.5	1.2	4.4	-0.7	3.2	-1.7	-4.5	-1.4
4QFY24	5.0	8.5	-1.6	3.4	0.3	4.3	-1.1	-1.6	-1.2
1QFY25	4.9	8.9	-3.8	3.1	2.4	7.6	0.8	0.2	0.3
2QFY25	4.2	6.8	-4.1	3.4	1.8	5.5	1.2	-0.9	0.5
3QFY25	5.6	9.4	-1.6	3.7	2.5	10.0	2.0	-3.6	0.5
Nov-24	5.5	9.0	-1.8	3.7	2.2	8.9	2.1	-4.0	0.6
Dec-24	5.2	8.4	-1.3	3.7	2.6	8.9	2.1	-2.6	0.7
Jan-25	4.3	6.0	-1.5	3.7	2.3	7.5	2.5	-2.8	1.0
Feb-25	3.6	3.7	-1.3	4.1	2.4	5.9	2.9	-0.7	1.3

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

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

Fiscal year/month	Gross tax revenue	Corporate tax	Income tax	Direct taxes*	Indirect taxes**	Fiscal deficit % of GDP	Revenue deficit % of GDP
FY22	33.7	55.6	42.9	49.0	20.2	6.7	4.4
FY23	12.7	16.0	19.7	17.8	7.2	6.4	4.0
FY24	13.5	10.3	25.4	17.9	8.5	5.6	2.6
FY25 (RE over act.)	11.2	7.6	20.3	14.4	6.8	4.8	1.9
FY26 (BE over RE)	10.8	10.4	14.4	12.7	8.3	4.4	1.5
Cumulated growth (%, y-o-y)						% of budgeted target	
Jun-24	23.7	26.2	49.9	39.9	5.5	8.4	-7.0
Jul-24	21.3	4.8	53.4	33.6	7.1	17.2	3.8
Aug-24	12.1	-6.0	25.5	12.9	9.5	27.0	24.7
Sep-24	12.0	2.3	25.0	13.6	8.4	29.4	12.8
Oct-24	10.8	1.2	20.2	11.1	9.0	46.5	52.2
Nov-24	10.7	-0.5	23.5	12.1	7.6	52.5	61.5
Dec-24	10.8	2.7	22.2	12.2	7.4	58.2#	42.0#
Jan-25	10.3	-0.6	22.0	10.7	8.5	74.5#	72.4#

Source: Monthly Accounts, Controller General of Accounts, Government of India, Union Budget documents; # indicates that the values as percent of revised estimates; annual data is sourced from Union budget documents.

* Includes corporation tax and income tax
** Includes customs duty, excise duty, service tax, CGST, UTGST, IGST and GST compensation cess

Fiscal year/month	CGST	IGST	GST compensation cess	Total GST (GoI)
	INR crore			
FY25 (RE)	9,08,459	0	1,53,440	10,61,899
FY26 (BE)	10,10,890	0	1,67,110	11,78,000
Jun-24	69,487	707	12,940	83,134
Jul-24	72,288	-483	12,779	84,584
Aug-24	70,606	8,213	11,915	90,734
Sep-24	69,998	1,600	11,861	83,459
Oct-24	80,379	-9,602	12,159	82,936
Nov-24	82,274	-17,406	13,116	77,984
Dec-24	69,383	-3,736	11,958	77,605
Jan-25	79,258	3,980	13,415	96,653

Source: Monthly Accounts, Controller General of Accounts, Government of India, Union Budget documents
Note: IGST revenues are subject to final settlement; Total GST does not include UTGST to maintain consistency with GST data as reported in the Union Budget.

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

Fiscal year/ month	Repo rate (end of period)	Fiscal year/ quarter/ month	Bank credit	Agg. deposits	Net FDI	Net FPI	Fiscal year/ quarter/ month	M1	M3	10-year govt. bond yield	FX reserves
	%		% change y-o-y		US$ billion			% change y-o-y		%	US$ billion
Apr-24	6.50	FY21	6.0	11.0	44.0	36.1	FY21	16.2	12.2	6.05	579.3
May-24	6.50	FY22	7.0	9.7	38.6	-16.8	FY22	10.7	8.8	6.40	617.6
Jun-24	6.50	FY23	14.4	9.5	28.0	-5.2	FY23	6.9	9.0	7.35	578.4
Jul-24	6.50	FY24	15.7	13.0	9.8	44.1	FY24	7.3	11.1	7.16	645.6
Aug-24	6.50	4QFY24	16.3	13.3	2.3	11.4	4QFY24	7.3	11.1	7.13	645.6
Sep-24	6.50	1QFY25	15.1	13.0	6.7	0.9	1QFY25	8.5	10.9	7.08	652.0
Oct-24	6.50	2QFY25	14.8	11.0	-2.2	19.9	2QFY25	9.2	10.8	6.92	704.9
Nov-24	6.50	3QFY25	12.4	11.2	-3.5	-11.5	3QFY25	6.0	9.3	6.79	640.3
Dec-24	6.50	Oct-24	12.8	11.7	-1.3	-10.9	Nov-24	8.4	11.1	6.81	658.1
Jan-25	6.50	Nov-24	11.8	12.0	-2.6	-2.4	Dec-24	6.0	9.3	6.78	640.3
Feb-25	6.25	Dec-24	12.4	9.8	0.5	1.7	Jan-25	6.1	9.6	6.76	630.6
Mar-25	6.25	Jan-25	12.5	10.3	0.9	-6.6	Feb-25	6.4	9.6	6.73	638.7

Source: Database on Indian Economy - RBI

Table A5: External trade and global growth

External trade indicators (annual, quarterly and monthly growth rates)							Global growth (annual)			
Fiscal year/ quarter/ month	Exports	Imports	Trade balance	Ex. rate (avg.)	Crude prices (avg.)	Coal prices (avg.)	Calendar year	World GDP	Adv. econ.	Emer. econ.
	% change y-o-y		US$ billion	INR/US$	US$/bbl.	US$/mt		% change y-o-y		
FY21	-7.0	-16.6	-101.4	74.2	43.8	67.2	2015	3.4	2.3	4.3
FY22	44.7	56.0	-191.0	74.5	78.4	164.8	2016	3.2	1.8	4.4
FY23	6.9	16.8	-264.9	80.4	92.7	283.4	2017	3.8	2.5	4.8
FY24	-4.7	-5.7	-245.3	82.8	81.1	126.4	2018	3.6	2.3	4.6
4QFY24	4.9	2.8	-51.7	82.9	80.6	116.2	2019	2.8	1.7	3.6
1QFY25	4.3	7.6	-63.9	83.4	83.6	121.3	2020	-2.8	-4.2	-1.8
2QFY25	-3.6	4.1	-73.9	83.8	77.9	123.4	2021	6.3	5.6	6.9
3QFY25	3.6	8.6	-81.9	84.5	72.9	122.9	2022	3.5	2.6	4.1
Nov-24	-4.8	17.9	-32.8	84.4	72.3	124.5	2023	3.3	1.7	4.4
Dec-24	-1.0	4.9	-21.9	85.0	72.3	117.6	2024 (E)	3.2	1.7	4.2
Jan-25	-2.4	10.3	-23.0	86.3	78.2	110.9	2025*	3.3	1.9	4.2
Feb-25	-10.9	-16.3	-14.1	87.1	73.8	103.7	2026*	3.3	1.8	4.3

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

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

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

Source: National Accounts Statistics, MoSPI

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

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

Source: National Accounts Statistics, MoSPI;

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

List of abbreviations

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

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

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