NABARD

DEAR
ECO WATCH
Issue No. 147/ 19 March 2025 - 03 April 2025

## Global Economic Outlook

**US Economy:** According to CNBC, the United States is expected to experience a significant slowdown in GDP growth, dropping to 0.3% in Q1 2025 from 2.3% in Q4 2024. This would mark the lowest growth rate since 2022. The slowdown is attributed to policy uncertainty, new tariffs, and declining consumer and business confidence. Core PCE inflation is projected to stay around 2.9% for most of the year before declining in the fourth quarter. A key factor in the weak growth is a reduction in real consumer expenditure. In February, consumer spending adjusted for inflation increased by only 0.1%, following a 0.6% decline in January. Despite these challenges, economists remain cautiously optimistic, predicting a gradual rebound with GDP growth accelerating to 1.4% in Q2, 1.6% in Q3, and reaching 2% by the end of the year.

**Brazilian Economy:** On March 19, 2025, Brazil's government maintained its economic growth forecast for this year at 2.3% but slightly increased its inflation estimate to 4.9% due to minor changes in its base case scenario. The finance ministry noted that GDP growth is expected to slow in the second half of the year after a strong first quarter. This comes as the central bank continues its aggressive monetary tightening, with a third consecutive 100-basis-point interest rate hike to 14.25% anticipated. For 2026, the government projects 2.5% growth and a decrease in inflation to 3.5%. It also expects inflation to align with the central bank's 3% target from 2027 onwards. Rising protectionism, particularly from U.S. tariff policies, is seen as a factor that could pressure inflation, though its impact might be mitigated by increased uncertainty affecting economic activity.

**UK Economy:** British business confidence remained steady in March 2025, matching February's six-month high, according to the Lloyds Bank Business Barometer. Retailers performed strongly, with trading prospects reaching their highest since 2017. However, economists warn that upcoming tax hikes and increased energy bills could hinder sustained recovery. Manufacturing sentiment fell, reflecting broader concerns. A KPMG survey noted a slight drop in profitability expectations for Q2 2025, though overall business prospects remain positive. Hiring intentions and pay expectations also dipped slightly. Chancellor Rachel Reeves delivered the Spring Statement on March 26, 2025. The Office for Budget Responsibility (OBR) halved its GDP growth forecast for 2025 from 2.0% to 1.0%, citing increased global uncertainty. New fiscal rules aim for a budget surplus by 2029/30, with the OBR forecasting a modest surplus but significant risk. Living standards are expected to rise modestly. The Bank of England has cut interest rates three times since the last general election to support economic stability.

## Domestic Economic Outlook

### S&P cuts India's FY26 GDP growth forecast to 6.5%

S&P Global Ratings has revised India's GDP growth projection to 6.5% for the fiscal year ending March 31, 2026, down from an earlier forecast of 6.7%. This adjustment is due to anticipated economic strains in the Asia-Pacific region from rising US tariffs and a pushback on globalization. Despite these challenges, domestic demand in emerging-market economies is expected to remain strong.

Key points include:

- The forecast assumes a normal monsoon season and stable commodity prices, especially crude oil.
- Cooling food inflation, tax benefits from the recent budget, and lower borrowing costs are expected to support discretionary consumption in India.
- The Reserve Bank of India recently reduced the repo rate by 25 basis points to 6.25%.

Overall, while external pressures are significant, the resilience of domestic demand is expected to help maintain economic stability in the region.

### Pan-India digital crop survey likely from next kharif season

The government plans to implement a Digital Crop Survey (DCS) across all states by the 2025-26 Kharif season, replacing the manual Patwari-Girdawari system. This initiative will create a unified crop registry for real-time yield estimation using remote sensing, geospatial analysis, and AI. It aims to standardize agricultural data, addressing discrepancies in crop output projections and aiding in MSP procurement, crop insurance, and balanced fertilizer use. States like Uttar Pradesh and Bihar have completed over 90% of their targeted plots. The DCS will support AI-driven crop health analysis and anomaly detection, enhancing decision-making and scheme delivery to farmers. The digital public infrastructure (DPI) project aimed at streamlining and scheme delivery to farmers has three components – farmers' registry, geo-referenced village maps and crop sown registry.

The DPI aims to integrate state and central digital systems to provide a range of farmer-centric services, including information on livestock, fisheries, soil health, and available benefits.

**Over 48 million farmers get digital IDs linked to land records**

To develop a database of farmers which is linked to their land records, the agriculture ministry in collaboration with states has provided digital IDs to over 48 million farmers across 12 states so far, according to a senior official. These unique IDs contain the details of the farmers' land holding, crops grown in the field and other details and are updated with every land mutation. Most of the farmers' IDs are generated in the states of —Uttar Pradesh (12 million), Maharashtra (8.3 million), Madhya Pradesh (7.3 million), Rajasthan (6.7 million), Gujarat (4.1 million), Andhra Pradesh (4 million) and Tamil Nadu (2.5 million). Assam, Chhattisgarh, Odisha, and Bihar are the other states who have started the programme for providing IDs. According to estimates, there are 140 million farmers in the country and out of these around 35% – 40% do not own lands and engaged in tenancy farming. Currently the farmers registry covers those who have land holdings, while tenant farmers who do not own lands will be included in the subsequent phase, according to an official note.

**India's growth to be highest amongst advanced, emerging G20 nations: Moody's**

India's estimated 6.5% economic growth for the current financial year will be the highest among both advanced and emerging G-20 countries, supported by tax measures and continued monetary easing, Moody's Ratings said on April 1, 2025. Amid US reciprocal tariff threats, Moody's noted that large emerging markets like India and Brazil are better positioned to attract and retain global capital in risk-averse conditions. This resilience stems from their large, domestically oriented economies, deep domestic capital markets, moderate policy credibility, and substantial foreign exchange reserves. India has a low external vulnerability indicator (EVI) of 61%, indicating its relatively lower susceptibility to external financial shocks. This is supported by its relatively modest external debt to GDP ratio of 19% and low export dependency on the US (about 2% of GDP)

**Interest Rate Outlook**

**RBI to slash interest rates on April 9, once more in August in shortest easing cycle on record**

The Reserve Bank of India will cut interest rates at a second straight meeting on April 9, with just one more cut expected in August, which might mark the shortest easing cycle on record, a Reuters poll of economists found.

With inflation in India easing to a seven-month low of 3.61% in February 2025 and the economy forecast to grow at 6.4% this fiscal year, the weakest in four years, the central bank has room to cut rates further.

**10-year Bond yield fell below 6.5% after 3 years**

India's benchmark 10-year bond yields on April 2, 2025, fell sharply by nine basis points (bps) to 6.49 per cent on a year-on-year after the central bank announced it would buy Rs 80,000 crore worth of bonds in April 2025.

| Government Security Yield (%) | | | | | |
|---|---|---|---|---|---|
| Date | 18 March | 21 March | 24 March | 27 March | 30 March |
| USA 10 yr | 4.28 | 4.25 | 4.34 | 4.36 | 4.21 |
| Ind 10 yr | 6.78 | 6.74 | 6.73 | 6.70 | 6.58 |
| Ind 5 yr | 6.69 | 6.62 | 6.62 | 6.59 | 6.45 |
| Ind 3 M | 6.62 | 6.62 | 6.62 | 6.63 | 6.62 |

Source: worldgovernmentbonds