DEAR
ECO THINK
Issue No. 91/ April 2025

ECONOMY

State of the Indian Economy

India's GDP on track to outpace Japan in 2025, Germany by 2027: IMF

India's Gross Domestic Product (GDP) has doubled over the last ten years from $2.1 trillion in 2015 to $4.3 trillion in 2025, reporting a growth of 105%, according to the latest data released by the International Monetary Fund (IMF). The growth has positioned India as the fifth-largest economy in the world, behind the US, China, Germany and Japan. As per the IMF data, India is on track to surpass Japan by the third quarter of FY25 and could be just behind the US and China by 2027. Japan's GDP currently stands at $4.4 trillion. If India's current growth rate continues, it is expected to surpass Germany, the world's third-largest economy, by the second quarter of 2027. The GDP per capita, which measures the average income of a citizen based on the total economic output, is estimated at $11,940 (or 11.94 thousand international dollars in terms of purchasing power parity). This indicates an improvement in individual prosperity and living standards over the years. The data also pointed out that India's general government gross debt is currently 82.6 % of GDP, marking the first reduction in nearly five years.

April 2025 MPC meeting: Expectations of rate cut amid easing inflation, global economic uncertainty

The Reserve Bank of India's (RBI) Monetary Policy Committee (MPC) will be announcing the outcome of its meeting on April 9, 2025. This will be the first monetary policy meeting of FY26 and the second under current governor, who lowered the benchmark rate by 25 basis points (bps) in its Meeting held in February 2025. The current policy repo rate stands at 6.25% while the stance remains at "neutral". Furthermore, global markets are facing uncertainties with various tariff-related announcements by the US. The likely impact on the Indian economic parameters such as exports and growth will remain uncertain for the time all these tariff and trade uncertainty settles. The outcome of the talks of Indian government with the US administration is likely to be known in near future and may have a bearing on the MPC decision.

India's fiscal deficit touches 85.8% of full-year target at Feb-end

The Centre's fiscal deficit touched 85.8 % of the annual target by the end of February 2025, according to the data released by the Controller General of Accounts (CGA). In actual terms, the fiscal deficit — the gap between expenditure and revenue — was ₹13,46,852 crore during the April-February 2024-25 period. In the Union Budget presented in Parliament, the fiscal deficit for 2024-25 has been pegged at 4.8% of GDP (lower than the earlier estimate of 4.9%) and 4.4% for 2025-26. In absolute terms, the fiscal deficit for the financial year ending March 2025 is estimated at ₹15.69 lakh crore. Out of the total revenue expenditure, ₹9.52 lakh crore was on account of interest payments and ₹3.63 lakh crore was on account of major subsidies during the April-February period of the current financial year. As per CGA, ₹11.80 lakh crore has been transferred to state governments as devolution of share of taxes by the government (up to February 2025), which is ₹1.47 lakh crore higher than the previous year.

Cabinet nod to non-urea subsidy of ₹37,216 crore for kharif 2025

To insulate farmers against rise in global prices of soil nutrients, the Cabinet on March 28, 2025 approved a subsidy of ₹37,216 crore for phosphatic and potassic (P&K) fertilisers for the kharif 2025-26 season (April-September) under the Nutrient-Based Subsidy (NBS) mechanism. The allocation for Nutrient Based Subsidy for next kharif season is higher by ₹13,000 crore from previous rabi season (2024-25). This means prices of non-urea soil nutrients largely used in oilseeds and pulses will remain unchanged for the next kharif season and farmers continue to get diammonium phosphate (DAP) at ₹1,350/50 kg bag despite global volatility in the price. As per the budget estimate (BE) for 2025-26, the fertilizer subsidy is projected at ₹1.67 lakh crore (₹1.18 lakh crore for urea and ₹49,000 crore for NBS), marginally less than FY24 revised estimate of ₹1.71 lakh crore.

Prepared by Nancy Singh, AM, Anshumala, AM and Ajitesh Kumar, Manager
Editorial team: Shri Kuldeep Singh CGM, Dr. Ashutosh Kumar, GM and Smt. Balwinder Kaur, DGM
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Jobs, capex likely top goals, in new manufacturing policy

The government is planning a new policy to give the manufacturing sector a leg up, as it reckons that the current set of schemes hasn't met the objective of increasing India's share in global manufacturing. According to official sources, the new policy, to be implemented at the earliest, will consider the fresh challenges to India's factories from the global trade war and persisting protectionism. Over the last decade, the government has taken several measures to boost the manufacturing sector, including the Make-in-India scheme, deep cut in corporate tax rates, and a special (now-closed) window of concessional tax for new manufacturing units, besides production-linked incentives (PLI) for as many 14 sectors. However, the share of manufacturing in the gross domestic product (GDP) has fallen from a peak and is hovering around 16%. The Budget FY26 announced a National Manufacturing Mission and doubled the investment and turnover criteria for defining MSMEs and raised credit guarantee cover from ₹5 crore to ₹10 crore.

Direct benefit transfers 16% lower at ₹5.8 lakh crore in FY25

The Centre's transfer of assorted subsidies and sops to the beneficiaries through the direct benefit transfer (DBT) fell by 16% year-on-year to approximately ₹5.8 lakh crore in FY25, reflecting reduced leakages and a slower pace of implementation in certain schemes. DBT transfers had reached a record ₹7.16 lakh crore in FY23, primarily due to the free grains scheme and higher fertiliser subsidies driven by soaring prices. The delay in rolling out new or revamped schemes following the presentation of the full Budget in July 2024 contributed to the decline. For instance, Pradhan Mantri Awas Yojana-Gramin (PMAY-G) disbursed ₹21,356 crore in FY25, marking a 38% drop from ₹34,306 crore in FY24. Around 22 million beneficiaries under the food security programme did not avail of free grains for a period ranging from 3 to 12 months. Under MGNREGS (the rural job guarantee scheme), ₹59,620 crore was disbursed in FY25, down from ₹66,895 crore in the previous year. As of March 30, 2025, more than 1,819 million beneficiaries were registered across various DBT schemes. Following the widening of the schemes under DBT and aggressive Aadhaar seeding with bank accounts of beneficiaries to plug leakages, the Centre can better target the beneficiaries, substantially plugging leakages. Since DBT was rolled out in FY15, it cumulatively reached ₹42.56 lakh crore.

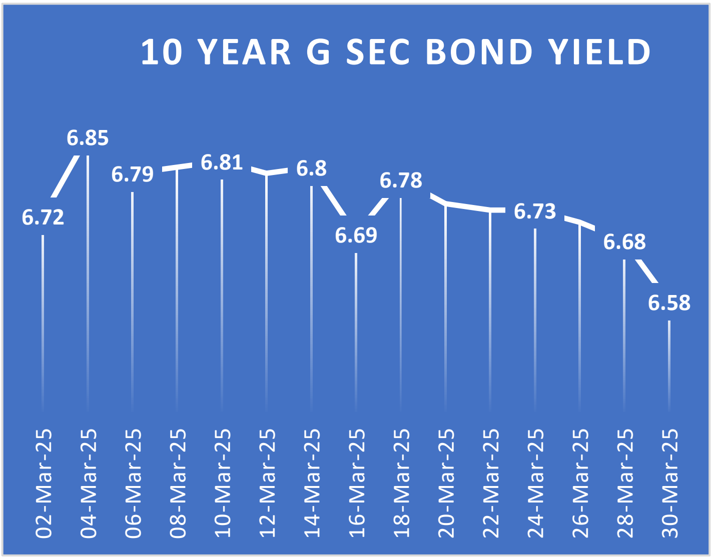
Interest Rate Outlook

Govt to borrow ₹8 lakh crore in H1

The Centre will raise ₹8 lakh crore or 54% of the annual gross borrowing target of ₹14.82 lakh crore from the market in the first six months of 2025-26, including ₹10,000 crore to be mopped up through sovereign green bonds. Gross market borrowings are estimated to grow at 6% in FY26, a rate lower than the nominal GDP growth estimated at 10.1%. The benchmark 10-year bond yield ended at 6.6% on March 27, 2025. The weighted average yield of fresh borrowing of the Centre declined from a high of 8.42 % in 2013-14 to 6.96 % in 2024-25 as of February 10, 2025.

Benchmark yield softens 5 Bps to 6.52%

Yield on the 10-year benchmark government security softened 5 basis points to 6.52% on April 2,2025 after the Reserve Bank of India announced liquidity infusion of ₹80,000 crore via open market operations (OMO) on April 1, 2025. On an intra-day basis, the yield touched 6.48%, its lowest in three years,



Source: Worldgovernmentbonds

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Azadi Ka Amrit Mahotsav
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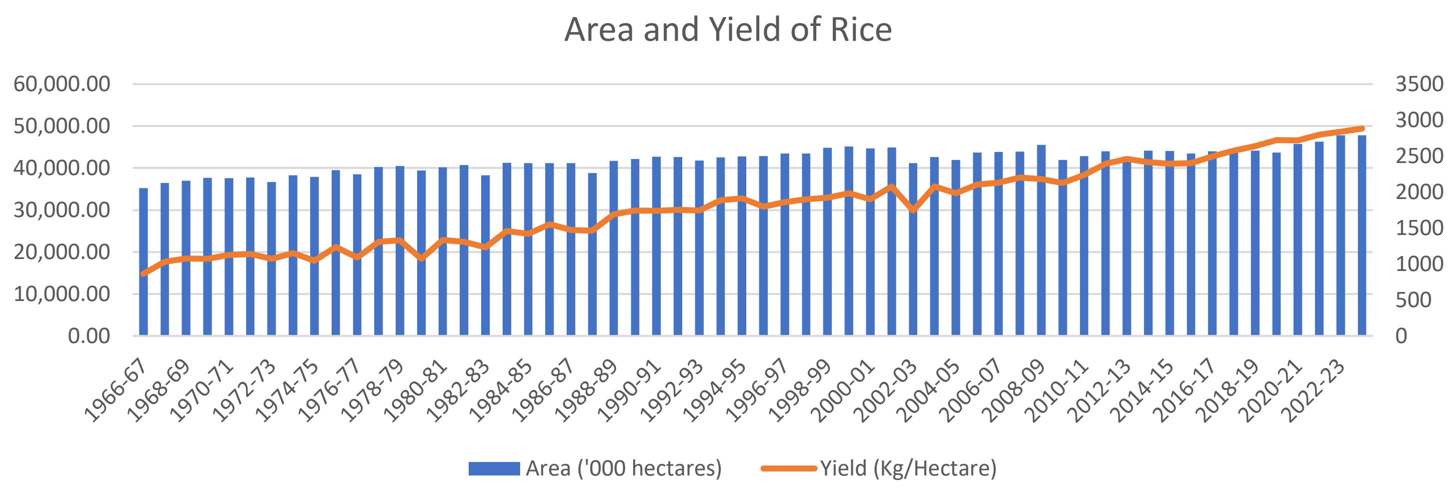
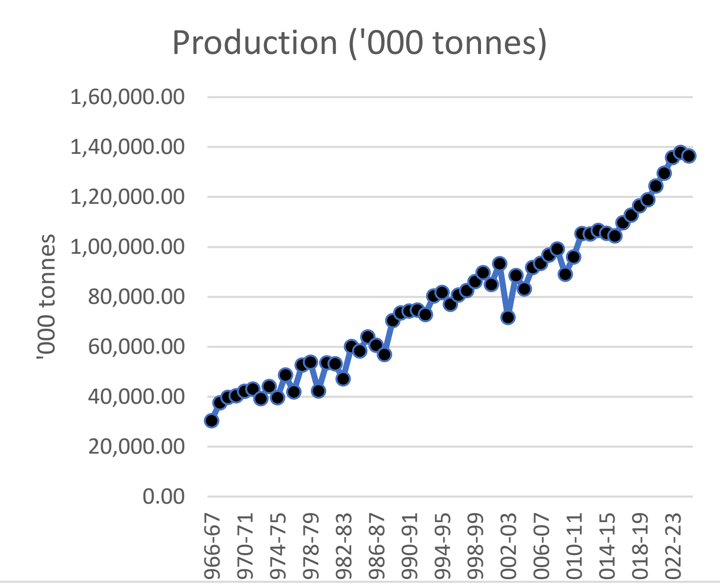
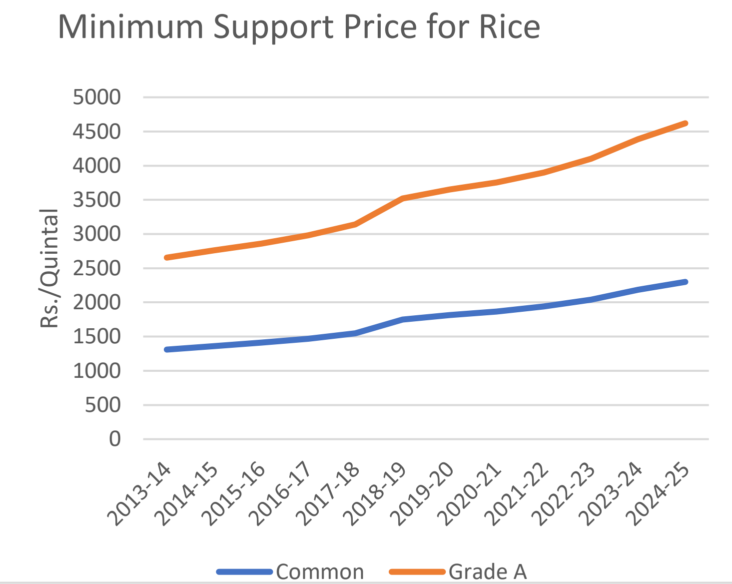
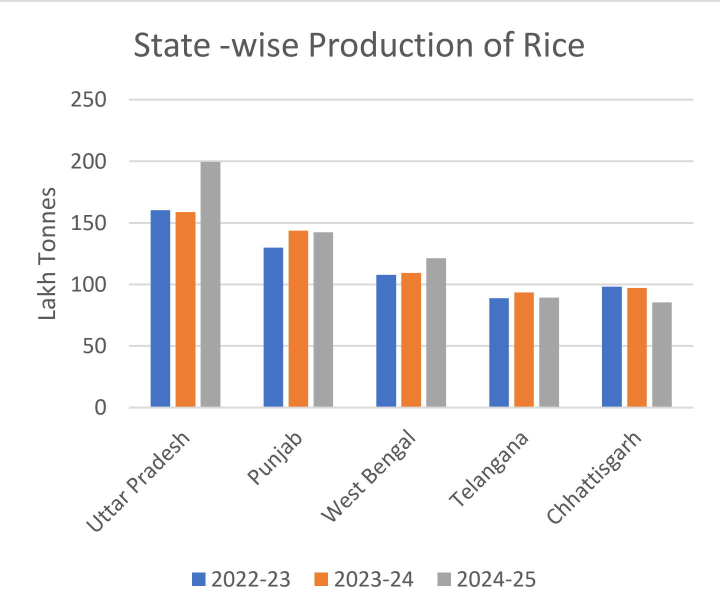
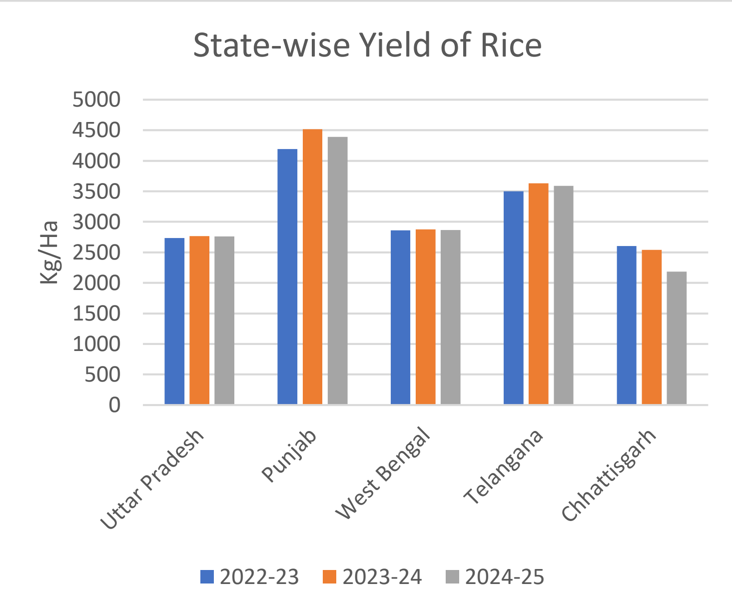
Dashboard on Agricultural Commodity: Rice











Sources: CMIE, Unified Portal for Agricultural Satistics, Ministry of Agriculture & Farmers Welfare

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Report Think

The World Economic Forum released the 20th edition of 'The Global Risks Report 2025' based on the findings of Global Risks Perception Survey (GRPS). The report reveals an increasingly fractured global landscape, where escalating geopolitical, environmental, societal and technological challenges threaten stability and progress. Key findings of the report are as under:

Short to Medium Term Risks:

1. **Economic Uncertainty amidst escalating Trade Protectionism:** The economic downturn ranks as the top global risk, with tariffs and protectionist policies increasing uncertainty, and discouraging investment. While global inflation is projected to decrease to 3.5% by 2025, escalating trade wars could reignite inflation and increase debt refinancing risks. The IMF forecasts subdued global growth of 3.2% annually for 2024–2025, lower than pre-pandemic averages.
2. **Technological Exploitation and Cybersecurity Risks:** AI and GenAI enable threat actors and state agencies to expand disinformation campaigns, exploit online vulnerabilities, and compromise algorithms through cyberattacks, further eroding trust in digital systems.
3. **Data Protection Concerns:** Although leveraging AI and data analytics by many Governments and tech companies can enhance public services, it also poses risks of misuse, especially in regions with limited data protection regulations. The growth of digital platforms and AI-generated content has increased the prevalence of misinformation and disinformation, undermining trust in information and institutions. Trust in media and information sources is declining, with only 40% of people in 47 surveyed countries trusting most news.

Long Term Risks:

1. **Dominance of Environmental Risks:** Environmental risks dominate the 10-year outlook, with extreme weather events possessing highest risk, followed by biodiversity loss, critical Earth system changes, natural resource shortages, and pollution.
2. **Technological and Societal Risks:** Technological risks like adverse outcomes of AI are expected to intensify. Societal risks, including inequality and societal polarization, are linked to potential social instability and demographic challenges in aging societies such as Japan and Germany.
3. **Bioweapons and Bioterrorism Threats:** Advancements in biotech make it easier to modify biological agents, potentially leading to pandemics or targeted biological attacks. The convergence of biological and cyber domains poses compounding risks.
4. **Demographic Risks:** Super-ageing societies, where over 20% of the population is above 65, face rising dependency ratios, and straining state and private pension systems. Immigration helps, but anti-immigration policies and limited support for female workforce participation hinder solutions.

Recommendations:

1. **Encourage Multilateralism:** Global treaties and agreements have the greatest long-term potential for addressing geoeconomic confrontation.
2. **Sustainable Development:** Addressing pollution and its impacts on health, ecosystems, and economies requires comprehensive policies, adaptive strategies, stricter regulations, integration of emerging pollutants, and the promotion of sustainable practices across industries and regions.
3. **Regulatory Framework:** Ethical governance frameworks are essential to balance innovation in biotech with risk mitigation and ensure equitable access to advancements.
4. **Labour Reforms:** Organizations should adopt and enhance flexible work arrangements, including re-entering the workforce after life stages like caregiving, education, or reskilling, supporting a more adaptable and inclusive workforce.

Click here for the Full Report.