



1. State of the Indian Economy

IMF raises India's FY26 growth forecast to 6.4%:

IMF has raised India's GDP growth forecast to 6.4% for both 2025 and 2026 citing a stronger external environment. In April, the IMF had cut India's growth projection by 30 basis points (bps) to 6.2% for FY26, citing higher trade tensions and global uncertainty. Reaffirming India's position as the world's fastest-growing major economy, IMF attributed the upward revision to a more benign external environment than anticipated in its April forecast. IMF has also modestly raised its global growth outlook to 3% in 2025 and 3.1% in 2026, citing lower-than-expected impact from tariffs, a weaker US dollar, and improved financial conditions.

Fiscal deficit doubles in Q1 as spending picks up:

India's fiscal deficit surged to ₹2.8 lakh crore (17.9% of annual target) in Q1 FY26, doubling year-on-year, with acceleration in capex and revenue expenditure even as net tax receipts declined. Due to robust non-tax receipts, the government's overall revenue receipts remained comfortable with 27.6% of the target met in Q1FY26 compared with 22.4% of the relevant target met during the year-ago period.

Fiscal deficit: Fiscal deficit is the difference between the total revenue and total expenditure of a government in a financial year.

Potential impact of US tariffs on India's export and import:

According to a report of Global Trade Research Initiative (GTRI), Indian exports to the US are projected to decline by nearly 30%, from \$86.5 billion in 2024-25 to about \$60.6 billion in 2025-26, as the new 25% reciprocal tariffs of US come into effect. The report stated that labour-intensive sectors such as garments, textiles, shrimp, jewellery, and engineering goods are among the worst affected Moody's has also warned that higher US tariffs and penalties could hurt India's manufacturing ambitions in high-value sectors like electronics. However, resilient

domestic demand and strong services exports are expected to cushion the impact. India's annual oil import bill could rise by \$9-11 billion if the country is compelled to move away from Russian crude in response to US threats of additional tariffs or penalties on Indian exports.

Tariff: A tax imposed by one country on the goods and services imported from another country to influence it, raise revenues, or protect competitive advantages.

GST collection increases 7.5% in July:

Gross GST collection increased 7.5 per cent to about Rs 1.96 lakh crore in July on higher domestic revenues. The net GST revenue stood at ₹1.69 lakh crore in July 2025, recording a 1.7% year-on-year growth. Despite some global pressures and temporary dips, the overall trend shows a stable consumption pattern and consistent growth trajectory of the economy. The government's timely refund process is also a great help to businesses, ensuring they have the working capital they need.

India's manufacturing PMI hits 16-month high of 59.1:

As per the data released by S&P Global, India's manufacturing activity rose to 59.1 in July, rising from 58.4 in June signalling the strongest improvement in the health of the sector since March 2024. The PMI was comfortably above its long-run average. This 16-month high was for the Indian manufacturing sector benefitted from growth in new orders and output. The rise in new orders and output is linked to favourable demand conditions and successful marketing initiatives. Overall sales rose at the fastest pace in close to five years.

Purchasing Manager Index (PMI): It is a diffusion index that summarizes whether market conditions are expanding, staying the same, or contracting, as viewed by purchasing managers.

Agri and processed foods exports rise 7% to \$5.9 billion in Q1:

India's exports of agricultural and processed food products jumped over 7% to \$5.96 billion in April-June 2025, primarily driven

by robust global demand for rice and buffalo meat, fruits and vegetables, reinforcing India's dominance in key segments. India's dominance in global rice trade has been restored with a spike in shipments, especially to Africa and Southeast Asian countries.

India services growth hits 11-month high in July: Growth in India's services sector accelerated to an 11-month high in July, driven by strong international demand and sustained domestic sales. The HSBC India Services Purchasing Managers' Index (PMI) compiled by S&P Global, inched up to 60.5 in July from 60.4 in June. PMI readings above 50.0 indicate growth in activity monthly while those below point to a contraction. Among service categories, finance and insurance emerged as the top performer for both new orders and business activity, while real estate and business services recorded the slowest growth.

Mid-2025 Indian economy cautiously optimistic- Finance Ministry: As per a Finance Ministry report, the Indian economy in mid-2025 presents a picture of cautious optimism. Despite global headwinds marked by trade tensions, geopolitical volatility, and external uncertainties, India's macroeconomic fundamentals remained resilient. The report stated that despite monetary easing and a strong bank balance sheet, credit growth slowed, reflecting cautious borrower sentiment and possibly risk-averse lender behaviour. It also highlighted that while geopolitical tensions have not elevated further, the global slowdown, particularly in the US, could dampen further demand for Indian exports.

2. Inflation Outlook

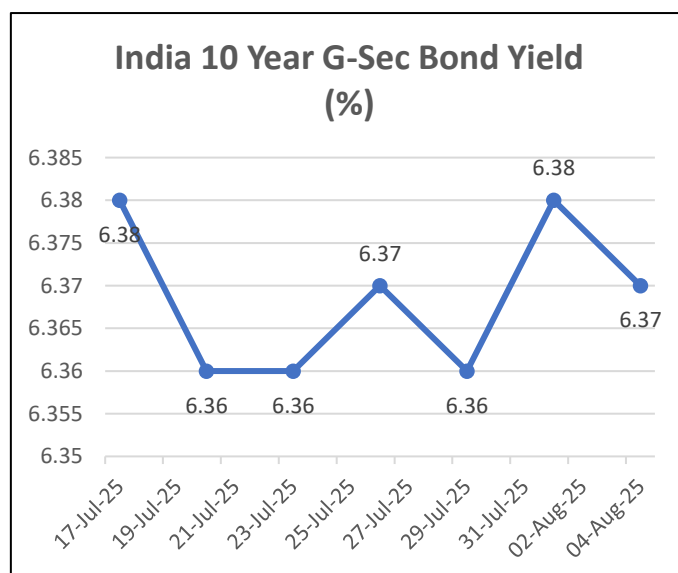
WPI inflation slips to negative in June: Wholesale Price Index (WPI) dropped to -0.13% in June from 0.39% in May, due to decrease in prices of food articles, mineral oils, manufacture of basic metals, crude petroleum & natural gas, etc. Inflation for food articles came in at -3.75% in June as compared to -1.56% in May. The inflation rate for primary articles went down to -3.38% from -2.02% in the previous month. The fuel and power inflation were at -2.65% in June as compared to -2.27% in May and manufactured products inflation stood at 1.97% in June.

CPI Inflation falls to over 6-year low: India's Consumer Price Index (CPI) inflation moderated to a 77-month low of 2.10% in June, taking it closer to the lower range of the Reserve Bank of India's (RBI) tolerance band due to a decline in food inflation, which is also at a 77-month low of 0.20%, led by a continued decline in food items, particularly vegetables, pulses and spices. The RBI has projected inflation to be at 3.7% in FY26.

3. Interest Rate Outlook

Despite RBI's rate cuts, Indian G-Sec yields remain range-bound due to US yield pressures: Despite a cumulative 100 basis points of rate cuts by the Reserve Bank of India between February and June 2025, Indian government bond yields have remained stable. The benchmark 10-year G-Sec yield has stayed range-bound between 6.25% and 6.45% from April to July, reflecting muted monetary transmission. This rigidity is largely due to external pressures, particularly elevated U.S. Treasury yields driven by fiscal concerns and the Federal Reserve's ongoing balance sheet tightening.

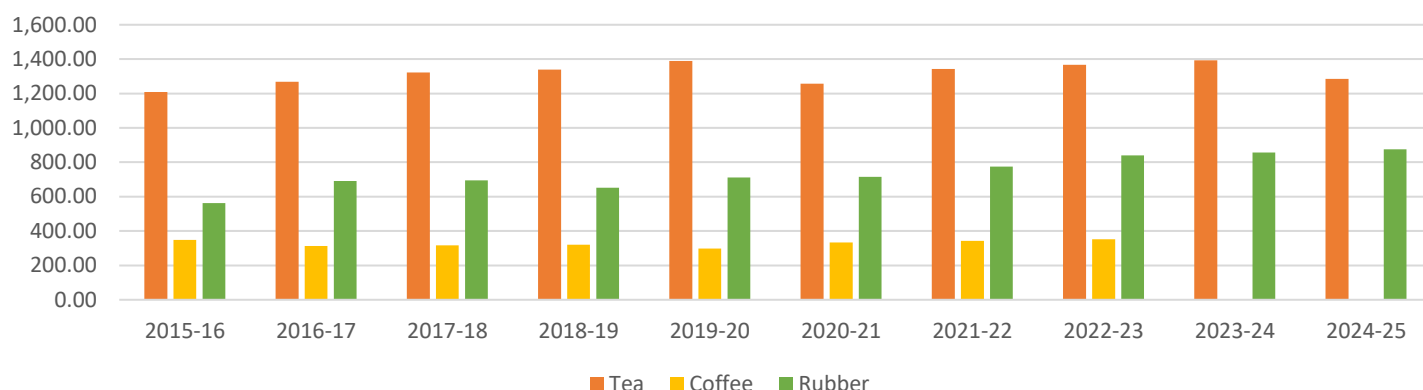
Outlook: These global headwinds are outweighing domestic policy easing, forcing investors to reassess duration risk and shift toward safer, shorter-term instruments.



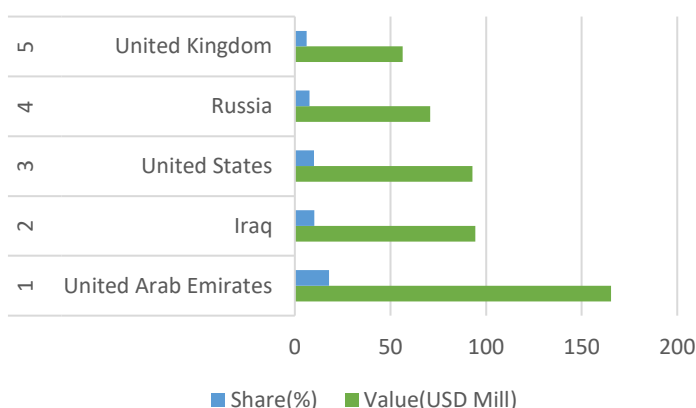
Source: worldgovernmentbonds.com

Dashboard on Agriculture Commodity: Plantation Crops

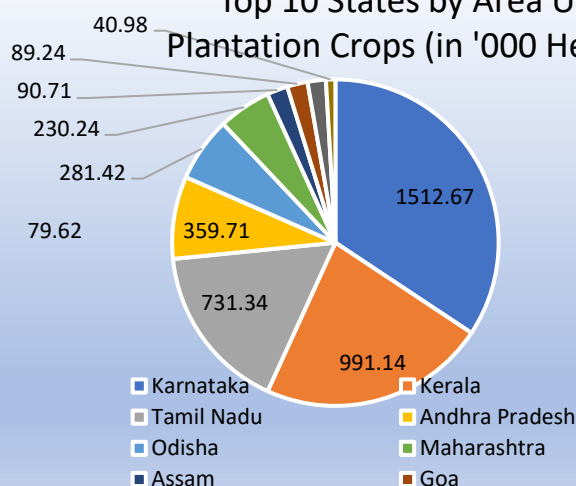
Plantation Crop Production Over the Last 10 Years ('000 Tonnes)



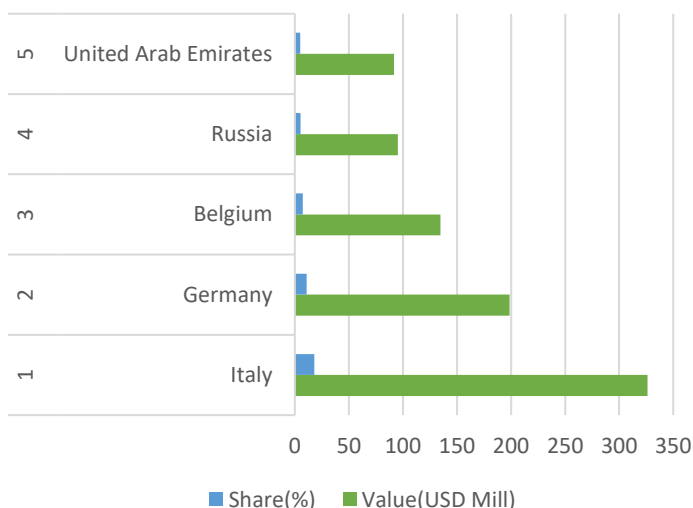
Top 5 Export Destinations for Tea (2024-25)



Top 10 States by Area Under Plantation Crops (in '000 Hectares)



Top 5 Export Destinations for Coffee (2024-25)



India's Plantation and Natural Rubber Highlights

Tea & Coffee:

India became the second-largest tea exporter in 2024 with 254 Mkg, overtaking Sri Lanka and trailing Kenya.

Ranked seventh in global coffee production, India's output is led by Karnataka (71%) and Kerala (20%).

Natural Rubber:

India is the third-largest producer and second-largest consumer of natural rubber globally.

Kerala dominates production, contributing over 90% with 3.84 lakh hectares under cultivation and 3.70 lakh tonnes in annual output.

Report THINK

The Global Economic Outlook: Navigating Resilience Amid Uncertainty

The report titled 'Global Economic Outlook: Navigating Resilience Amid Uncertainty' is update of the International Monetary Fund's (IMF) World Economic Outlook for July 2025. The World Economic Outlook (WEO) report is published by the International Monetary Fund (IMF) twice a year, in April and October. It is a comprehensive assessment of the global economy, providing analysis and projections for the near and medium term. Additionally, the IMF releases updates to the WEO in January and July, offering revised real GDP growth projections for selected economies.

The July 2025 update of the IMF's World Economic Outlook presents a cautiously optimistic view of the global economy. While global growth projections have been revised slightly upward, the report underscores the fragility of the recent progress, shaped by trade distortions, geopolitical tensions, and fiscal vulnerabilities.

Key Findings from the Report

Growth Projections: Global growth is projected at 3.0% in 2025 and 3.1% in 2026, marking a modest improvement over the April 2025 forecast. This upward revision is attributed to several factors: a) Front-loading of trade activity in anticipation of higher tariffs, b) Lower-than-expected effective tariff rates, especially in the United States, c) Improved financial conditions, including a weaker US dollar, and d) Fiscal expansion in major economies such as China, Germany, and the US.

Inflation Trends: Global inflation is expected to continue its downward trajectory, with headline inflation falling to 4.2% in 2025 and 3.6% in 2026. However, this aggregate picture masks significant cross-country differences. In the United States, inflation is projected to remain above the 2% target due to tariff-induced supply shocks and a weaker dollar. In contrast, inflationary pressures are more subdued in the euro area and other advanced economies, aided by currency appreciation and fiscal measures.

Trade Policy: Trade policy remains a central theme in the report, with recent developments offering both relief and renewed uncertainty. The temporary reduction in tariffs between the US and China, effective until August 12, 2025, has helped

ease tensions. However, the US administration has issued letters threatening higher tariffs, and legal proceedings are underway regarding the use of emergency powers to impose trade restrictions.

The IMF assumes that current trade policies will remain in place, even if they are officially temporary. This assumption leads to a lower projected US effective tariff rate of 17.3%, compared to 24.4% in April, and a global rate of 3.5%, down from 4.1%. These reductions have contributed to stronger-than-expected trade activity in early 2025, but the report warns that this front-loading may reverse in the second half of the year, leading to a slowdown in 2026.

Country Specific Economic Performance:

United States: The US economy is projected to grow by 1.9% in 2025 and 2.0% in 2026, with the One Big Beautiful Bill Act (OBBBA) playing a key role in boosting investment through tax incentives. However, private demand is reducing at a pace faster than expected, and immigration trends may dampen growth. The IMF estimates that the OBBBA could raise US output by 0.5% on average through 2030.

Euro Area: Growth in the euro area is expected to reach 1.0% in 2025 and 1.2% in 2026, with Ireland's pharmaceutical exports driving the upward revision. Excluding Ireland, the revision is more modest. Defence spending commitments are expected to support growth in the longer term.

China: China's growth is revised upward to 4.8% in 2025 and 4.2% in 2026, reflecting strong export performance and fiscal support. The depreciation of the renminbi currency has helped offset declining exports to the US by boosting sales to other regions.

India: India is projected to grow by 6.4% in both 2025 and 2026, with slight upward revisions due to a more favourable external environment. The country continues to be a key driver of global growth.

Conclusion: The IMF warns that global growth is clouded by uncertainty, with risks ranging from trade policy reversals to geopolitical conflicts and fiscal instability. Global economy can navigate the challenges ahead only through balanced approach that combines fiscal discipline, monetary prudence, structural reforms, and international cooperation.

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