

## State of the Indian Economy

### GST 2.0 unveiled: Two-slab structure cleared, new rates will come into effect

**September 22:** The 56th GST Council meeting approved major reforms, introducing a simplified two-slab structure of 5% and 18%, with a 40% rate for luxury and sin goods, aiming to reduce the tax burden on common people, ease working capital, and improve business processes. Effective from September 22, the Council announced sweeping rate cuts on everyday items like packaged food and medical supplies, and removed GST on essentials like paneer, roti, and erasers, and highlighted the benefits for farmers, MSMEs, women, youth, and the middle class. Details are provided in the table below

DAILY ESSENTIALS	FROM	TO
■ Hair oil, shampoo, toilet soap bar, toothpaste, toothbrush, shaving cream	18%	5%
■ Butter, ghee, cheese & dairy spreads	12%	5%
HEALTHCARE		
■ Individual health & life insurance	18%	Nil
■ Corrective spectacles	12%	5%
EDUCATION		
■ Maps, charts & globes	12%	Nil
■ Exercise books & notebooks	12%	Nil
AGRICULTURE		
■ Tractors	12%	5%
■ Drip irrigation system & sprinklers	12%	5%
AUTOMOBILES		
■ Petrol & petrol hybrid, LPG, CNG cars (not exceeding 1200 cc & 4000mm)	28%	18%
■ Motorcycles (350 cc & below)	28%	18%
ELECTRONIC APPLIANCES		
■ Air conditioners	28%	18%
■ TV (above 32", including LED & LCD TVs)	28%	18%

### India outshone every estimate with a strong 7.8% GDP growth in Q1: SEMICON India

**2025:** According to government data released on 29 August 2025, Indian economy recorded a strong 7.8% growth in Q1 FY2025, surpassing both analyst expectations and the RBI's 6.5% forecast. Gross Value-Added rose by 7.6%, led by robust performance in services, manufacturing (7.7%), and agriculture (3.7%), the latter benefiting from timely monsoons and increased kharif sowing. Private consumption, investment, and government

expenditure also showed healthy momentum, reversing last year's contraction in public spending. Despite this upbeat start, the overall growth outlook remains uncertain due to emerging global and domestic challenges.

### Manufacturing defies US tariff concerns: August PMI soars to 17-year high, new orders robust:

The Indian manufacturing sector recorded its fastest growth in more than 17 years in August 2025, despite US additional 25% tariff on India taking effect from Aug 27. According to the latest survey by S&P Global, the HSBC India Manufacturing Purchasing Managers' Index (PMI) climbing to 59.3 from 59.1 in July 2025. PMI if above 50 indicates expansion, while below 50 shows contraction. August PMI was the sharpest improvement in operating conditions since early 2008. The report noted that new orders grew strongly, holding near July's 57-month high. However, growth in export orders slowed to a five-month low.

### Prices of pulses rule below MSP amid cheap imports:

Surge in cheap imports from Myanmar, Mozambique, Tanzania and Canada and robust harvest prospects have dampened mandi prices of key pulses – tur, urad, masoor and chana. The prices are currently ruling below the minimum support price (MSP). This may, according to traders, discourage farmers from sowing chana and masoor in the forthcoming rabi or winter season if the prices continue to rule below the benchmark price. Traders and processors have urged the government to impose import duties on yellow peas and other pulses varieties so that landed cost of pulses are not below MSP and farmers are encouraged to grow more pulses. India has imported a record 7.34 MT of pulses in 2024-25. Currently duty-free imports of yellow peas, tur and urad has been allowed till March 31, 2026, bengal gram and masoor has imported duty of 10% valid till end of FY26.

### 70 million farmers now have digital IDs linked to land records:

To strengthen digital infrastructure in agriculture, over 70 million unique farmer IDs linked to land records have been

generated under the Digital Agriculture Mission. The Ministry of Agriculture aims to issue 9 million more IDs—called *Kisan Pehchaan Patra*—by the end of the fiscal year, capturing details such as landholdings, cropping patterns, and farmer demographics. These IDs enable states to design targeted schemes and are part of a ₹2,817 crore initiative launched in September 2024 to build a comprehensive digital ecosystem, including AgriStack, Krishi Decision Support System, and soil fertility mapping. Under AgriStack, databases like geo-referenced village maps and crop registries are being developed, with 30 states on board. The data is now being used to deliver services such as PM-Kisan cash transfers, digital agri-credit, PMFBY insurance benefits, and soil health cards.

## 1. Inflation Outlook

**GST rate cut may ease CPI inflation by 25bps; 40bps dent on fiscal deficit:** The GST rate rejig effective September 22, 2025, is expected to reduce CPI inflation by around 25 basis points, with a potential drop of up to 1 percentage point if producers fully pass on the benefits. Based on FY24 consumption patterns, the government anticipates a ₹48,000 crore revenue impact, while the FY26 fiscal hit is estimated at ₹22,000–24,000 crore due to a 7-month effect and expected demand buoyancy. FY27 is unlikely to see any fiscal strain as the conversion of GST Cess into GST should offset the impact. These cuts improve the chances of a 25bps RBI rate cut in the upcoming meeting, with a 50bps cut also possible, and another 25bps cut expected in Q4FY25, bringing the repo rate to 5.25%. The move is seen as timely, supporting consumer demand and producer sentiment, and helping cushion the impact of evolving US trade penalties on GDP growth. Market implications, especially for bonds, are expected to be limited, as the fiscal loss is manageable within the current budget.

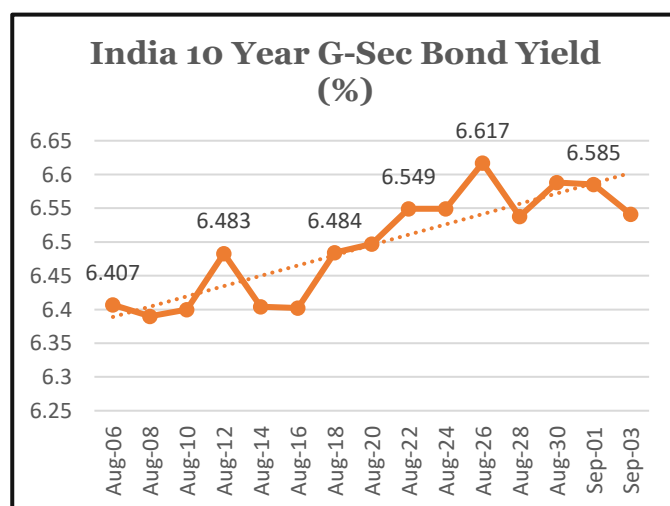
**WPI inflation in negative for second straight month: Falls to 25-month low of -0.58% in July on food, fuel prices:** Wholesale Price Index (WPI) inflation fell to -0.58% in July 2025 from -0.13% in June, marking the second consecutive month of deflation, driven by falling prices of food articles, mineral oils, crude petroleum, and basic metals. July saw a month-over-month WPI

increase of 0.39%, while minerals inflation rose to 1.06%. Crude petroleum & natural gas inflation remained sharply negative at -11.15%, with crude petroleum alone at -14.86%. ICRA projects WPI to return to positive territory in August due to rising food and crude prices, rupee depreciation, and an unfavourable base. Heavy rains may further push up perishable prices. WPI inflation is expected to average 1% in FY26, and with CPI forecasted at 3.0–3.2%, nominal GDP growth may moderate to 8% in FY26 from 9.8% in FY25.

## Interest Rate Outlook

• **India bonds rise as fiscal worries ease** Indian government bonds inched up in early deals on 5<sup>th</sup> September 2025, as abating concerns of fiscal slippage from tax revision and higher U.S. Treasuries lifted sentiment. The benchmark 10-year bond yield was at 6.4814%. Late on 3<sup>rd</sup> sept 2025, India lowered the Goods and Services Tax on hundreds of items to spur consumption. The resulting net revenue loss for federal and state governments is estimated at 480 billion rupees (\$5.46 billion), far below market estimates of about 1 trillion rupees. There are also hopes in the market that the Reserve Bank of India may reduce the supply of longer-duration bonds in October-March.

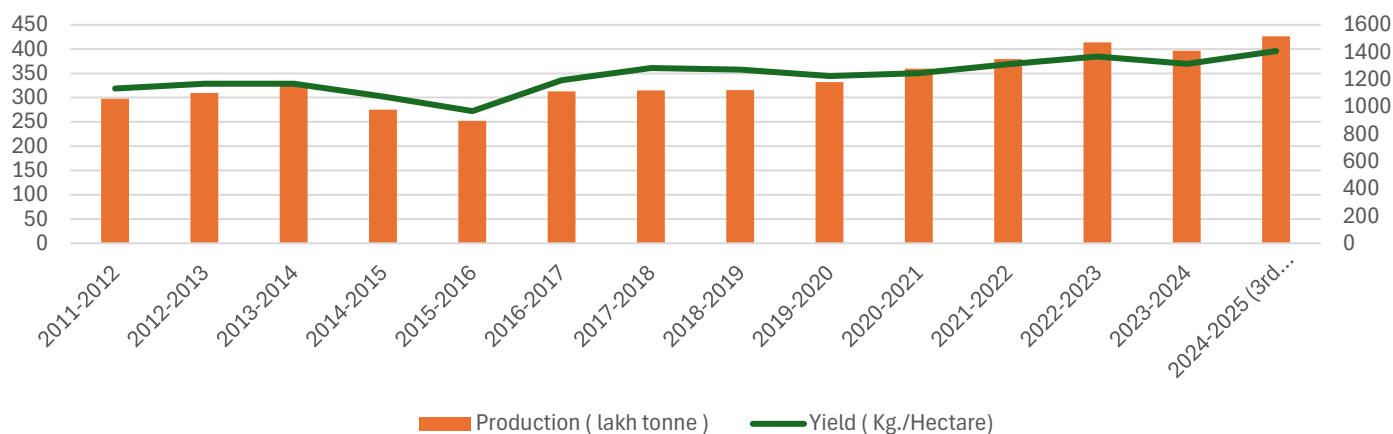
**Outlook:** Easing inflation, manageable fiscal impact from GST cuts, and expectations of RBI rate cuts support lower interest rates and stronger market sentiment. Bond yields are softening, and rate-sensitive assets may benefit.



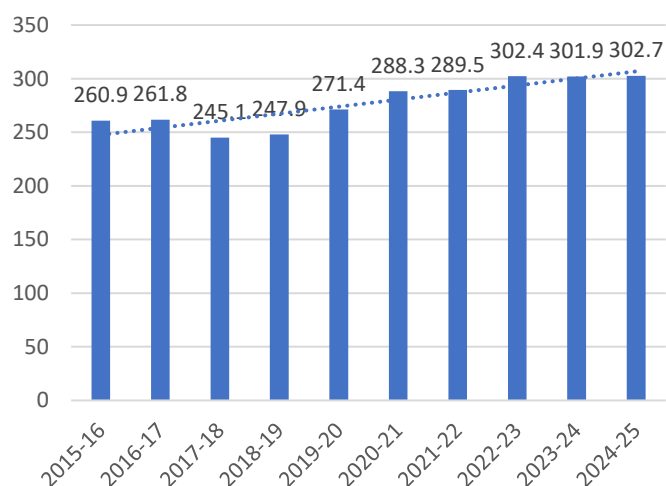
Source: worldgovernmentbonds.com

## Dashboard on Agriculture Commodity: Oilseeds

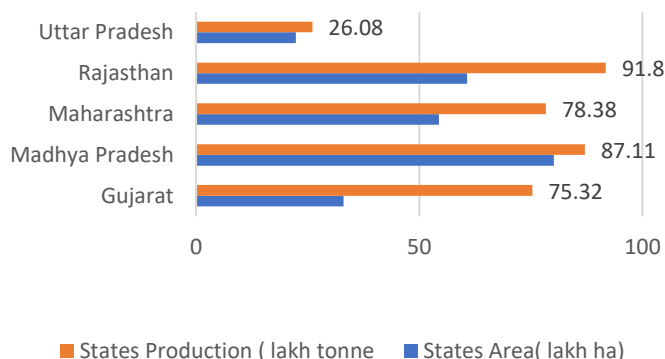
### Production and yield of Oilseeds



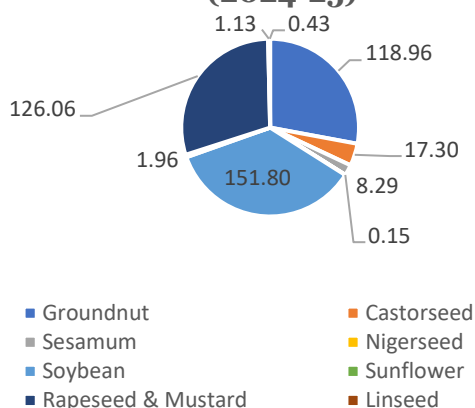
### Area under cultivation (lakh ha)



### Area and Production of Oilseeds in major states (2024-2025-3rd Advance Estimate)



### Oilseeds: Production (Lakh Tonne) (2024-25)



Oilseed crops are the second most important determinant of agricultural economy, next only to cereals within the segment of field crops. The self-sufficiency in oilseeds attained through "Yellow Revolution" during early 1990's, could not be sustained beyond a short period. Nine oilseeds are the primary source of vegetable oils in the country, which are largely grown under rainfed condition.

The Government has been implementing a Centrally Sponsored Scheme viz., National Food Security Mission- Oilseeds & Oil palm (NFSM-OS&OP) from 2018-19 to augment the availability of edible oils by increasing the production and productivity of nine oilseed crops and area expansion under Oil Palm & Tree Borne Oilseeds in the country.

## Report Think

The State of Food Security and Nutrition in the World 2025, a joint publication by the Food and Agriculture Organization of the United Nations (FAO), the International Fund for Agricultural Development (IFAD), the United Nations Children's Fund (UNICEF), the World Food Programme (WFP), and the World Health Organization (WHO), focuses on the critical issue of high food price inflation.

Key findings of the report are as under:

1. **Global Hunger Trends:** The report notes a decrease in global hunger to 673 million people, but this number remains above pre-COVID-19 pandemic levels, indicating an incomplete recovery. The world is not on track to achieve the UN Sustainable Development Goal of zero hunger by 2030.
2. **Food Price Inflation:** High food price inflation, driven by global shocks like the COVID-19 pandemic and the war in Ukraine, has disrupted supply chains and created market volatility. Expansive fiscal stimuli and accommodative monetary policies, while intended to support economies, amplified inflationary pressures, making food even more expensive for households worldwide.
3. **Impact on Vulnerable Groups:** High food price inflation is strongly associated with increases in food insecurity and child malnutrition, disproportionately affecting low-income households, women, and rural communities.
4. **India's Malnutrition Challenge:** The number of undernourished people in India has decreased, but India still accounts for the world's highest number of wasted children under five, at over 21 million. A staggering 42.9% of the population cannot afford a healthy diet, with food costs having risen significantly. The report also highlights a "double burden of malnutrition," with rising rates of overweight children and adult obesity occurring alongside persistent undernutrition. Anaemia affects over half of women aged 15-49, making India rank fourth globally in its prevalence.

5. **Affordability of Healthy Diets in India:** The report notes that food costs have risen from USD 2.77 in 2017 to USD 4.07 in 2024 (in PPP terms) making healthy food unaffordable for many.
6. **Role of Social Safety Nets:** The report emphasizes the need for targeted policies, including strengthening social safety nets like the Pradhan Mantri Garib Kalyan Anna Yojana and promoting better dietary diversity through initiatives like the promotion of millets.

## Policy Responses and the Way Forward:

1. **Market stabilization:** The implementation of fiscal and monetary policies should effectively stabilize markets without creating unintended inflationary spirals. The report also highlights the necessity of promoting open and resilient trade systems to ensure that food can move freely across borders, reducing the risk of localized shortages and price hikes.
2. **Structural changes:** It emphasizes the need for better data systems to more accurately monitor food security and market trends, allowing for more proactive and effective policy interventions. Furthermore, it calls for sustained investment in resilient agrifood systems, which are essential to building a food supply that can withstand future shocks. These investments should focus on improving productivity, promoting sustainable practices, and strengthening local food production chains.

The report concludes that these coordinated actions are vital to reignite and accelerate progress towards achieving the Sustainable Development Goal of ending hunger and malnutrition by 2030. Without a comprehensive strategy that addresses both the immediate effects of price shocks and the underlying vulnerabilities of the global food system, the world risks falling further behind on this critical objective.

[Click here for the Full Report.](#)