DEAR
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Global Economic Outlook

US Economy: Goldman Sachs has increased the likelihood of a US recession to 45% and reduced its Q4 2025 GDP growth forecast to 0.05%, citing tighter financial conditions, foreign consumer boycotts, policy uncertainty, and reduced capital spending. On April 2, Trump announced tariffs on various countries, causing a $6 trillion loss in American stock value. Initially, semiconductors, lumber, and pharmaceuticals were excluded, but plans to tariff foreign-made chips at 25% or higher were later indicated. Amid backlash, Trump paused tariffs for 90 days, reducing them to 10%, but raised China's tariffs to 145%. The US economy is expected to lose billions in 2025 due to reduced foreign tourism and boycotts. Non-citizen arrivals by plane dropped almost 10% in March 2025. Goldman Sachs estimates a 0.3% GDP hit, amounting to $90 billion.

Chinese Economy: China's economy is expected to slow to 4.5% growth in 2025, down from 5.0% last year, with further deceleration to 4.2% in 2026. This is due to surging U.S. tariffs and rising unemployment, despite some improvement in retail sales and factory activity. On April 9, Trump announced a 90-day tariff pause but raised tariffs on Chinese imports to 145%. In response, China increased duties on U.S. goods to 125%. The People's Bank of China (PBOC) is expected to cut the reserve requirement ratio (RRR) and interest rates to stimulate the economy. Consumer prices fell for the second straight month in March 2025, with factory-gate deflation worsening. Analysts expect consumer inflation to rise to 0.4% in 2025 and 1.0% in 2026, below the government's 2% target. Fitch downgraded China's sovereign credit rating due to rising government debt and public finance risks.

UK Economy: UBS, formerly known as Union Bank of Switzerland, revised its U.K. GDP growth forecasts on April 7th. The bank now projects 0.8% growth for 2025 and 1.1% for 2026, driven by strong February 2025 performance. The 2027 forecast remains at 1.4%. The Office for National Statistics reported a steady unemployment rate of 4.4% and wage growth of 5.9% annually. Production output increased by 1.5% in February, and construction output grew by 0.4%.

Domestic Economic Outlook

RBI MPC Meeting 2025 HIGHLIGHTS: The Reserve Bank of India (RBI) cut the policy repo rate by 25 basis points and shifted its stance to accommodative due to global uncertainties from tariffs and other policy headwinds. The RBI also reduced its GDP growth estimates by 20 basis points, noting favorable inflation outlook due to lower crude prices. Key points from the meeting include:

- Inflation Outlook: The RBI highlighted an improved inflation outlook due to lower food and crude prices.
- Growth Recovery: Despite challenging global economic conditions, the RBI noted signs of growth recovery.
- Tariff Implications: The implications of Trump's tariffs were a significant factor in the RBI's decision to adopt an accommodative stance.
- Future Policy: The RBI Governor stated that, in the absence of global uncertainty, the RBI MPC would consider maintaining the status quo or further rate cuts.

The central bank began its easing cycle in February with a 25 bps rate cut, the first since May 2020 and the first revision in two-and-a-half years. Since then, the RBI has implemented various liquidity infusion measures, injecting nearly ₹7 lakh crore into the banking system through bond purchases, forex swaps, and variable rate repo (VRR) auctions.

Consumer Price Index – Year-on-year inflation rate based on All India CPI for the month of March, 2025 over March, 2024 is 3.34% (Provisional). There is a decline of 27 basis points in headline inflation of March, 2025 in comparison to February, 2025. It is the lowest year-on-year inflation after August, 2019.

Food inflation plunges to 40-month low: Retail food inflation dropped to 2.69% in March 2025, the lowest since November 2021, down from 3.75% in February 2025. This decline is due to lower prices of vegetables, pulses, and spices with the winter harvest. The Consumer Food Price Index (CFPI) fell by 0.86% compared to February 2025. In March 2024, food inflation was 8.52%. Vegetable inflation decreased by 7.04% in March 2025, while edible oil and fruit inflation remained high at 17.07% and 16.27%, respectively. Cereal inflation was 5.93%

in March 2025, thanks to a bumper rice harvest. Pulses inflation has been in double digits since June 2023, with the gram split variety at 10.4% in March 2025. Arhar prices declined by 9.79% in March 2025 due to a high base effect. The forecast of an 'above normal' monsoon is encouraging, but its timing and distribution will be crucial for future agricultural output and food inflation.

Farmers' collectives boost business via ONDC, e-NAM & GeM platforms: Farmer Producer Organisations (FPOs) have advanced their operations through platforms like ONDC, e-NAM, and GeM. Over 10,000 FPOs, involving 3 million farmers, benefit from trading agricultural inputs under a government licensing program. Financial and marketing support will continue until FY26.

Key points:

- **Government Support**: A budget of ₹6,865 crore allocated for five years since FY21, with up to ₹18 lakh per Farmer Producer Organization (FPO) for three years.
- **Product Sales**: Over 8,000 FPOs listed on ONDC, 4,000+ on e-NAM, and 200+ on GeM.
- **Financial Assistance**: Matching equity grants up to ₹2,000 per farmer, credit guarantees up to ₹2 crore per FPO, and ₹25 lakh per FPO for marketing.

The scheme aims to enhance farmers' collective bargaining power, reduce production costs, and leverage economies of scale.

February IIP growth eases to 2.9% on slowdown in manufacturing, mining: India's industrial production growth, measured by the Index of Industrial Production (IIP), dropped to 2.9% in February 2025 from 5% in January 2025, according to MoSPI data released on April 11th. This slowdown reflects a broad-based moderation across key sectors. Manufacturing, which has the highest weight in the IIP, grew by 2.9% in February, down from 5.5% in January. In February 2025, the primary drivers of IIP growth were infrastructure/construction goods, primary goods, and capital goods.

BTA talks may gather pace during 90-day window The 90-day reprieve on reciprocal tariffs offers India a crucial window to finalize key parts of the Bilateral Trade Agreement (BTA) with the US, facilitating smoother trade. This period is expected to pressure negotiators to expedite talks. Experts advise India to limit the Free Trade Agreement (FTA) to tariff reductions, avoiding comprehensive concessions in areas like patents, agriculture, and digital trade. Similar to the EU, India should propose a limited zero-to-zero tariff deal on 90% of industrial goods, avoiding unilateral concessions.

Interest Rate Outlook

RBI revises inflation estimates to 4%

The Reserve Bank of India (RBI) has revised its FY26 inflation projection to 4%, down from 4.2%, citing good agricultural output and falling crude prices. The RBI's Monetary Policy Committee (MPC) noted a significant correction in food inflation as a key driver. The RBI Governor highlighted record wheat production and higher output of key pulses. The central bank projects quarterly CPI inflation at 3.6% for Q1, 3.9% for Q2, 3.8% for Q3, and 4.4% for Q4. However, risks from global market uncertainties and potential weather-related supply disruptions remain.

Indian govt bond prices hit three-year high as RBI announces liquidity infusion plan

Indian government bond prices surged to a three-year high after the RBI announced a ₹400 billion bond buy and a ₹1.50 trillion repo on April 17, 2025. This follows a repo rate cut and shift to an accommodative stance. The RBI Governor emphasized maintaining banking system surplus for effective policy transmission. Market participants expect bullish momentum in yields, potentially driving the 10-year yield below 6.40%.

Government Security Yield (%)

Date	4 April	6 April	8 April	10 April	12 April
USA 10 yr	4.01	3.88	4.27	4.43	4.49
Ind 10 yr	6.57	6.46	6.57	6.55	6.54
Ind 5 yr	6.42	6.30	6.43	6.36	6.34
Ind 3 M	6.22	6.08	6.19	6.09	6.11

Source: worldgovernmentbonds.com