Internal

DEAR

ECO THINK

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1. State of the Indian Economy

ADB projects India's growth at 6.5%: The Asian Development Bank (ADB) projected India's growth at 6.5% for 2025 and 2026, as it trimmed its growth outlook for developing Asia and the Pacific by 0.1 and 0.2 percentage points for this year and next, respectively, amid the emergence of a new global trade environment shaped by tariffs and updated trade agreements. India's GDP grew 7.6% in H1 2025, as higher investment from strong public capital spending, offsets lower net exports and consumption despite firm rural demand.

GST 2.0 reforms: The new GST system, announced by GoI w.e.f.22 September 2025 has simplified GST into just two main slabs: 5% and 18%. The government's new tax reforms cover essential food items, personal care products, medicines, medical devices, packaged beverages, wooden articles, leather goods, and even some handicrafts. Most items have seen a cut in tax rates, but a few products will now cost more. Medicines that were earlier taxed at 12% will now fall into the 5% category. In fact, 36 essential life-saving drugs for cancer, genetic disorders, rare diseases, and heart problems are now fully tax-free. A special "de-merit rate" of 40% has been introduced. This higher rate is specifically reserved for luxury goods and socially harmful products, including high-end automobiles, aerated beverages, tobacco, and gambling services.

India's logistics costs estimated at 7.97% of GDP: India's logistics costs have been estimated at 7.97% of the economic output by the Department for Promotion of Industry and Internal Trade (DPIIT), which compares favourably to the more advanced economies like US, Japan, Korea and Europe. The 7.97% logistics costs for 2023-24 is the first official estimate based on an extensive study that involved collection of data from varied sources and interviews of the companies involved in the business – both users and service providers. While plotting the costs, the exercise showed that the logistics costs have been coming down gradually in the last five years. It stood at 8.84% of Gross Domestic Product (GDP) in 2022-23 and 8.79% in 2021-22. Prior to developing the framework, National Council of Applied Economic Research (NCAER) had done a study in 2023 to estimate the logistics costs in India with the guidance from ADB. That study based on secondary research had estimated logistics costs in India to be around 7.8% to 8.9%.

CBAM reporting rules hurt India's exports: The tax under Carbon Border Adjustment Mechanism (CBAM) of European Union (EU) will be collected from 1 January 2026, while the reporting requirements on carbon emissions at the production stage on steel and aluminium began from 1 October 2023. Because of the complexities involved in reporting, several companies have opted out of exporting to the EU, leading to a 24.4% drop in India's steel and aluminium exports — to \$5.82 billion in FY2025 from \$7.71 billion in FY2024.

> Carbon Border Adjustment Mechanism (CBAM) is the tax levied on excess carbon emitted during the production of select products like iron and steel, aluminium, cement, electricity, hydrogen and fertilisers. The EU has prescribed a threshold of carbon emission on each product, beyond which, this tax will be imposed.

Rupee hits record low 88.79 against dollar: The rupee fell 4 paise to an all-time low of 88.79 (provisional) against the US dollar on 30 September 2025, pressured by sustained foreign capital outflows amid global trade uncertainties. However, a steep fall in global crude oil prices, along with a weaker greenback, prevented a sharp decline in the local unit, according to forex traders.

India's gross GST collection rose 9.1% to ₹ 1.89 lakh crore: Gross GST collection rose 9.1% to over ₹1.89 lakh crore in September 2025 on the back of increased sales due to rate rationalisation, as per government data released on 1 October 2025. Gross Goods and Services Tax (GST) mop-up was ₹1.73 lakh crore in September 2024. Last month, the collection was ₹1.86 lakh crore. The gross domestic revenue grew 6.8% to ₹1.36 lakh crore, while tax from imports rose 15.6% to ₹52,492 crore in September 2025. However, GST refunds also rose to 40.1% year-on-year to ₹28,657 crore. Net GST revenue stood at ₹1.60 lakh crore in

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September 2025, recording 5% year-on-year growth.

Cabinet hikes MSP for 6 Rabi crops: The government on 1st October 2025 announced a 6.59% increase in the minimum support price (MSP) for wheat to ₹2,585 per quintal for the 2026-27 marketing year. The government has increased MSP on Barley by ₹170 for the season. The MSP on Barley has now increased to ₹2,150 per quintal from ₹1,980 per quintal last season. The MSP on Barley, Gram, Lentil, Rapeseed & Mustard and Safflower has been increased to ₹1,980, ₹5,650, ₹ 6,700, ₹5,950, and ₹5,940 (per quintal), respectively.

Inflation Outlook

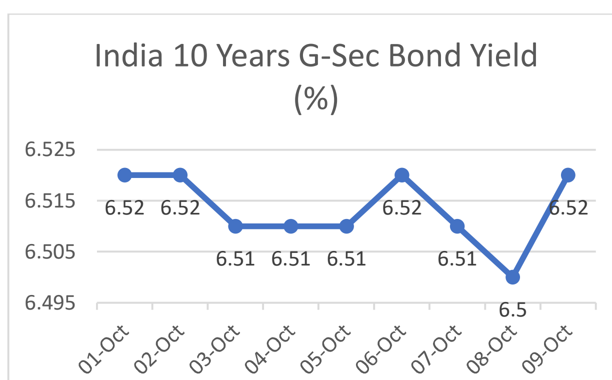
WPI inflation is at 0.52% for August 2025: According to the press release by the Office of the Economic Adviser, DPIIT, Ministry of Commerce and Industry, the annual rate of inflation based on All India Wholesale Price Index (WPI) number is 0.52% (provisional) for the month of August 2025 (over August 2024). Positive rate of inflation in August 2025 is primarily due to increase in prices of food products, other manufacturing, non-food articles, other non-metallic mineral products and other transport equipment, etc.

CPI Inflation accelerated to 2.07% in August 2025: India's consumer price inflation accelerated to 2.07% in August 2025, up from an upwardly revised 1.61% in July 2025 broadly matching market expectations. This marked the first monthly increase in inflation in ten months, though it remained close to the RBI lower tolerance threshold of 2% under its inflation-targeting framework. Food prices, which make up nearly half of the CPI basket, fell 0.69%, moderating from a 1.76% decline in July 2025. Inflation rose for pan, tobacco, and intoxicants (2.49% vs. 2.45%) and miscellaneous items (5.05% vs. 5.01%), while costs increased at a slower pace for clothing and footwear (2.33% vs. 2.50%), housing (3.09% vs. 3.17%), and fuel and light (2.43% vs. 2.67%).

2. Interest Rate Outlook

Repo rate unchanged at 5.50% in 57th MPC: RBI released its Monetary Policy Report of October 2025 following the 57th meeting of the Monetary Policy Committee (MPC) held from 29 September to 1 October 2025. RBI has kept the repo rate unchanged at 5.50% with a neutral stance. It signals a balanced approach that supports economic momentum while ensuring financial stability. The report further highlights resilient domestic demand, supportive financial conditions, and a stable external sector, reflecting a cautiously optimistic outlook for the Indian economy.

G-Sec Bond Yield Movement: The yield on India's 10-year G-Sec fell toward 6.5% in October 2025, pulling back from a four-week high touched in late September 2025. Lower bond yields reduce the return on government securities, which are a major part of bank portfolios that can boost loan demand, especially for housing and business credit. The RBI kept its policy rate at 5.50% at its September 2025 meeting, which may stimulate investment, expand capacity, and boost hiring in infrastructure real estate & manufacturing. Home loans, car loans, and personal loans may become cheaper, encouraging consumer spending in festive season. The central bank also raised its FY2026 GDP forecast to 6.8% and lowered inflation expectations to 2.6%, with RBI cautioning that tariffs and trade policies pose risks to external demand. A rate cut in December 2025 could further stimulate growth, especially with inflation under control.



Source: worldgovernmentbonds.com

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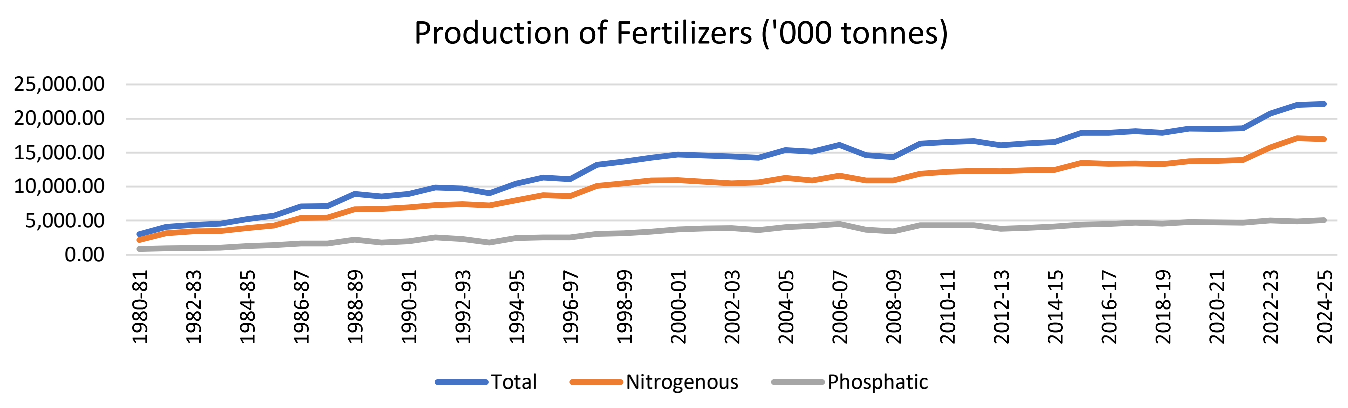
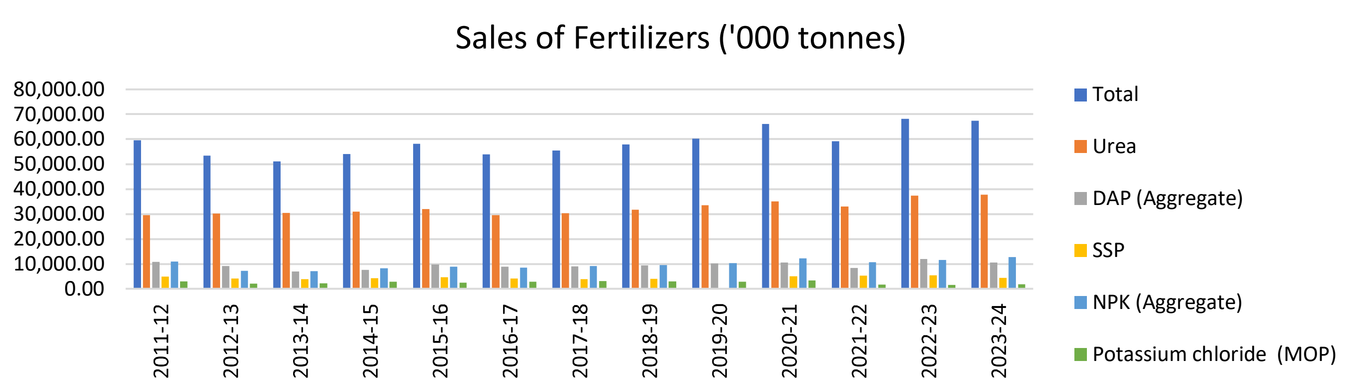
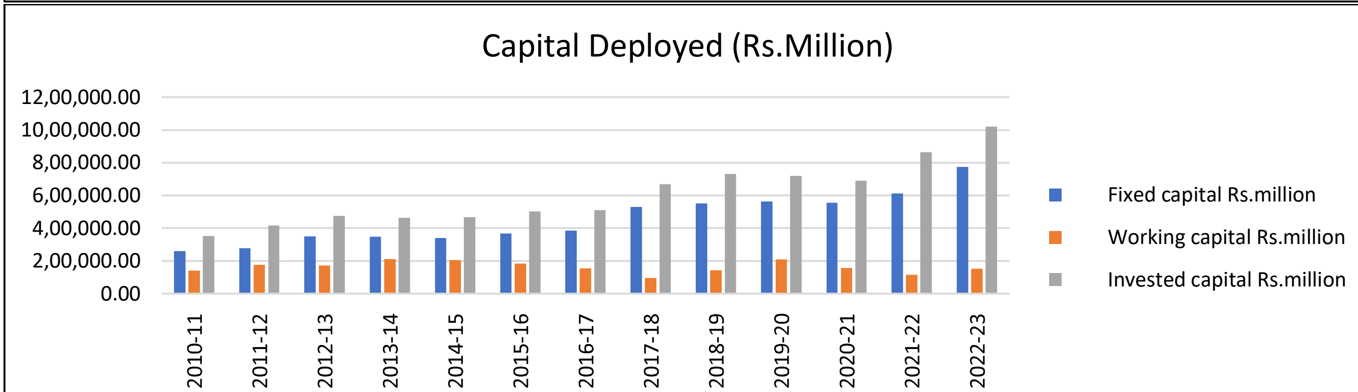
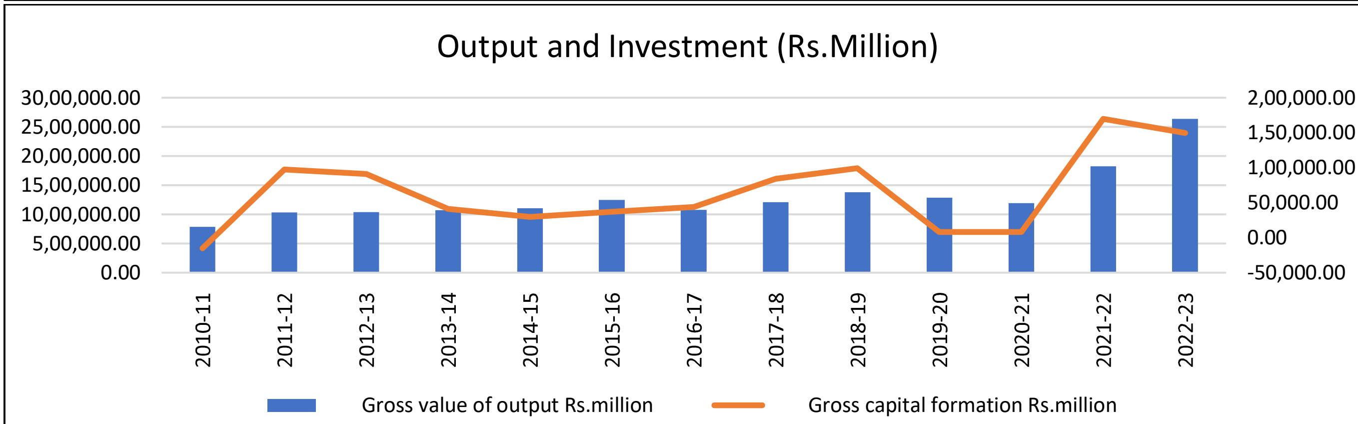
Commodity Dashboard: Fertilizers









Source: CSO, MoSPI, CMIE, Fertilizer Association of India (FAI), New Delhi

Report📖THINK

Strategies and Pathways for Accelerating Growth in Pulses towards the Goal of Atmanirbharta

India is the world's largest producer and consumer of pulses. The role of pulses in ensuring food security, nutritional well-being, and sustainable agriculture with significant environmental benefits is therefore, very critical. NITI Aayog's report titled "Strategies and Pathways for Accelerating Growth in Pulses towards the Goal of Atmanirbharta" lays out a detailed roadmap to accelerate the growth and transformation of India's pulses sector.

Major Findings

Global Perspective with India Focus: India is the world's largest pulse cultivator and producer contributing, ~38% of the global cultivated area for pulses and~28% of the global output. However, India's yield is relatively lower than that of other top producers. From 2016-17 to 2021-22, production rose from 23.13 MT to a record 27.30 MT, with productivity increasing nearly 38%, from 0.656 t/ ha in 2015-16 to 0.902 t/ha in 2022-23. India's average pulse yield was 0.740 t/ha, below the global average of 0.969 t/ha. Among the top ten pulse producers, Ethiopia leads with a yield of 1.894 t/ha, followed by Canada at 1.880 t/ha, USA at 1.874 t/ha.

State-level Pulses Dynamics: Pulses are grown in all three seasons: kharif, rabi, and summer. Rabi pulses account for 67% of India's total pulse production from just 53% of the cultivated area, with chickpeas making up 70% of this output. In contrast, kharif pulses occupy 47% of the cultivated area but contribute only 33% to production. India's pulse production is concentrated in a few states. Madhya Pradesh, Maharashtra, and Rajasthan are the top three pulses-producing states in the country. These top three states collectively account for a substantial portion, nearly about 55%, of India's pulse production. Gujarat is the most productive state, with a 1.333 t/ha yield. Madhya Pradesh (yield gap of 0.325 t/ha) and Maharashtra (yield gap of 0.439 t/ha) have room for improvement in yields.

India's Pulse Trade: In 2022, total pulse exports reached USD 12.5 billion, up from USD 9.77 billion in 2020. China is the largest importer in terms of quantity with 16.6% (2.55 MT) in global imports, followed by India (15.5%, 2.38 MT). Pulse imports in India, which were minimal in 1980-81 (0.17 MT), have surged to nearly 6 MT in 2015-16. India's Imports peaked at 6.61 MT in 2016-17 but fell to 2.496 MT by 2022-23.

Major Policy Recommendations

Crop Clusters and Technology Customization: Developing customized technology specific to each cluster (High Area (HA)-High Yield (HY), HA- Low Yield (LY), Low Area (LA)-HY, and LA-LY) is essential for yield improvement. Additionally, establishing Agro-Ecological Sub Region (AESR)-based model farms for each crop can support the horizontal dissemination of advanced cultivation practices.

Horizontal Expansion in Rice Fallow Areas: Utilizing just one-third of the total rice fallow area across ten states for pulse cultivation can significantly enhance domestic production. Estimates suggest a potential increase of up to 2.85 MT in pulse output.

Cluster-Based Seed Village: A significant factor contributing to low pulse productivity is using low-quality traditional seed varieties. To ensure a consistent supply of high-quality seeds, establishing cluster-based seed hubs at the block level, following the "One Block One Seed Village" model, is crucial. These hubs, facilitated by Farmers' Producer Organizations (FPOs), can guarantee farmers' access to high-quality pulse seeds on time, thereby enhancing seed and varietal replacement rates. Implementing end-to-end traceability from breeder to farmer for quality assurance is crucial.

Integrating Pulses into the Public Distribution System: To achieve the target of zero hunger and good health and wellbeing prescribed in sustainable development goals (SDG), it is necessary to provide pulses to all the poor households at affordable prices. compulsory inclusion of pulses in the existing schemes, such as the mid-day meal scheme or public distribution system (PDS) is needed.

Research & Development for Pest-Resistant Pulse Varieties: Pulses, a vital source of protein, are particularly susceptible to pests and diseases. Prioritizing the development of pest-resistant varieties through the application of modern biotechnology tools is essential to enhance the genetic resilience of pulse crops. Additionally, fostering public-private partnerships can optimize logistics and handling practices, addressing broader challenges within the pulse sector.

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