

Global Economic Outlook

US Economy: Bureau of Labor Statistics states inflation rate of 2.3% in April 2025 in the US economy, down from an annual rate of 2.4% in March 2025. Core inflation, which excludes volatile energy and food prices, hit an annual rate of 2.8% in April 2025, compared with an annual 2.4% increase in March 2025. According to the US Labour Department, employers added 177,000 jobs in April 2025, while the unemployment rate was unchanged at 4.2% despite turmoil stemming from changes to trade policy and Liberation Day" tariffs, which have raised the average rate of import taxes in the US to the highest level in more than a century. The resilience of the US jobs market over the last few years may help sustain helping to sustain spending even as households faced rising prices and a sharp jump in interest rates. On 16 May 2025, Moody's became the third and final major ratings agency to downgrade U.S. debt, reducing it by one notch from AAA to Aa1. The interest rate on the US government's long-term debt surpassed the 5% on 19 May 2025, before retreating slightly driving up the borrowing cost.

UK Economy: The unemployment rate in the UK has risen to its highest level in almost four years, according to the figures of the Office for National Statistics (ONS). Unemployment rate was 4.5% in the first three months of this year, up by 0.2% from the previous quarter and the highest reading since summer 2021. Consumer Price Index forecast for UK is to climb as high as 3.6% in April 2025 from March's 2.6% figure, representing the largest month-on-month percentage point increase since October 2022. The jump is primarily driven by significant increases in household bills that took effect at the beginning of April, with energy and water costs seeing substantial rises.

Chinese Economy: Following the trade talks in May 2025, the US and China agreed to a 90 day pause to the extreme bilateral tariffs each country imposed in April 2025. China's industrial production growth remained relatively strong in April 2025 – increasing by 6.1% year-on-year. However, this was down from the 7.7% year-on-year increase in March 2025. Industrial production growth continued to outpace real retail sales, indicative of the persistent imbalances in China's domestic economy since the

start of the pandemic. In early May 2025, the People's Bank of China (PBoC) announced additional easing in monetary policy. The 7-day reverse repo rate (the main policy rate) was trimmed by 10 basis points, along with a 50-basis point cut to the Reserve Requirement Ratio (RRR).

Domestic Economic Outlook

Moody's cuts India's GDP growth forecast to 6.3% in 2025: Moody's Ratings cut India's GDP growth projections for 2025 to 6.3%, from 6.5% on 06 May 2025, stating that economies globally will see a slowdown on account of heightened US policy uncertainty and trade restrictions. Moody's cut India's growth projections to 6.3% for 2025 calendar year but retained it at 6.5% for 2026.

India's services PMI rises to 58.7 in April 2025: India's service providers recorded a rise in growth momentum in April with HSBC India Services Business Activity Index, or services PMI for the month of April 2025 accelerated to 58.7 from 58.5 in March 2025. This indicated a sharp and stronger expansion in service sector output. The headline figure was above its long-run average of 54.2.

First monthly PLFS shows India's unemployment rate at 5.1% in April 2025: The Ministry of Statistics & Programme Implementation released the first monthly Periodic Labour Force Survey (PLFS) as part of efforts to monitor the proportion of unemployed people among those eligible for jobs. The rate of unemployment in the country, measured in monthly term for the first time, stood at 5.1% in April 2025. The latest data collected in current weekly status (CWS) showed that unemployment rate for persons of all ages during April 2025 worked out to be 5.1% in April 2025. The pace of joblessness among men stayed slightly higher at 5.2% compared to that of women at 5%. Joblessness among those in the age group of 15-29 was 13.8% across the country. The rate of unemployment in urban areas stood at 17.2%, while it was 12.3% in rural areas for April 2025. CWS refers to the activity status determined based on a reference period of last seven days preceding the date of survey.

India needs \$2.5 trillion financing by 2030 for achieving net zero by 2070: The government released a draft climate finance taxonomy to channel resources towards green technologies and prevent

greenwashing on 08 May 2025. India may require financing to the tune of \$2.5 trillion by 2030 for climate transition, given its pledge to achieve net-zero emission by 2070. It also estimated that that about \$206 billion (at 2014-15 prices) will be required from 2015 to 2030 to implement adaptation actions in agriculture, forestry, fisheries, infrastructure, water resources and ecosystems. To bridge this significant financing gap, access to affordable finance and advanced technology, from developed countries, as stipulated under the UNFCCC and the Paris Agreement, is critical for sustaining and scaling India's climate efforts.

Government allocates 2.8 MT of rice for ethanol from surplus stock: The Ministry of Consumer Affairs Food and Public Distribution has allocated 2.8 million tonnes (MT) from the central pool stock to be supplied to distilleries for ethanol production at subsidised rate of Rs. 2250/quintal. The new allocation is in addition to 2.4 MT of grain supplied to biofuel manufacturers from the surplus rice stocks of Food Corporation of India (FCI). The supplies of subsidised rice under the open market sale scheme of FCI to ethanol makers would be till 31 October 2025.

India unveils world's first genome-edited rice: India unveils the world's first genome-edited rice varieties—Kamala and Pusa DST Rice 1—promising 25–30% higher yields without foreign DNA. These non-GMO crops, exempt from GEAC approval, aim to boost production, cut emissions, and transform Indian agriculture. The varieties Kamala and Pusa DST Rice 1, developed by Indian Institute of Rice Research, Hyderabad and Indian Agricultural Research Institute, Delhi respectively, will be ready for commercial cultivation in the next four to five years.

Interest Rate Outlook

Federal Reserve keeps interest rates 'unchanged' at 4.25-4.50%: The US Fed decided to keep the key benchmark interest rates unchanged at the range of 4.25% to 4.5% on 07 May 2025, amid global uncertainty caused by the raging trade war, a slowing economic growth in the nation, and unstable inflation trends. The statement accompanying the policy announcement emphasized that the risks to inflation and the economy have increased, likely due

to the highly uncertain tariff policy. Despite recent solid economic growth, the Federal Open Market Committee (FOMC) stated that it judged that risks of higher unemployment and higher inflation have risen. This is an acknowledgement that the current economic outlook is a challenge to both sides of the Fed's dual mandate of maintaining policy to achieve low inflation and full employment.

US Treasury Bond Yield: The 10-year yield touched a three-month high on 19 May 2025, following Moody's downgrade of the US credit rating from Aaa to Aa1, citing rising government debt and a ballooning budget deficit. This downgrade marked the end of any major rating agency assigning the US a triple-A rating, adding to concerns about the unsustainable deficit path of the US economy.

Indian G-Sec Yield: The yield on the 10-year Indian G-Sec fell to below 6.3% in May 2025, the lowest in over three years, as India's ceasefire with Pakistan allowed lower interest rates and the outlook of robust growth to retake markets' forefront. The RBI delivered back-to-back cuts to its benchmark repo rate after holding it at the over-four-year high of 6.5% for one full year, attempting to halt the slowdown in domestic growth. The RBI is expected to continue cutting rates as the latest inflation data showed that price growth fell to a six-year low. In the meantime, the rupee halted its selloff and allowed foreign investors to reconsider buying Indian bonds, reigniting foreign inflows into domestic fixed-income securities.

Government Security Yield (%)

Date	11 May	13 May	15 May	17 May	19 May
USA 10 yr	4.41	4.48	4.43	4.44	4.45
Ind 10 yr	6.35	6.41	6.31	6.29	6.26
Ind 5 yr	6.06	6.14	6.00	5.99	5.94
Ind 3 M	5.87	5.86	5.80	5.79	5.75

Sources: worldgovernmentbonds.com, CMIE