

## Global Economic Outlook

**US Economy:** The U.S. economy contracted 0.3% in the first quarter of 2025, making it the first negative reading since 2022, according to an initial measurement released on 30<sup>th</sup> April 2025 by the US Commerce Department. The decline in Gross Domestic Product (GDP) was fuelled by a massive surge in imports, while other parts of the U.S. economy showed signs of slowing. Consumer spending climbed 1.8%, the weakest pace since mid-2023. The Financial Stability Report 2025 released by the Board of Governors of the Federal Reserve System in April 2025 noted that equity market valuations remain elevated, with the S&P 500 price-to-earnings ratio at 22.5, above its historical average. Mortgage debt has increased by 4.2% year-over-year, while credit card balances have risen by 6.8%, reflecting continued consumer spending. Private credit now accounts for 9% of total outstanding nonfinancial corporate debt, up from 7% in the November 2024 report. The report highlights liquidity risks in short-term funding markets, with repo market activity increasing by 12% compared to the previous year.

**Chinese Economy:** From January 2025 to March 2025, the total profits of industrial enterprises above the designated size reached 1,509.36 billion yuan, up by 0.8% year-on-year. China's consumer prices fell by 0.1% year-on-year in March 2025, missing market expectations of a 0.1% increase and marking the second consecutive month of drop, as the ongoing trade dispute with the U.S. threatens to exert further downward pressure on prices. Core inflation, which excludes volatile food and fuel prices, rose 0.5% in March 2025, rebounding from a 0.1% decrease in February 2025. On a monthly basis, the CPI declined by 0.4%, a steeper fall than a 0.2% drop in February 2025, marking the second straight month of contraction.

**UK Economy:** Global demand for British goods has suffered its biggest downturn since the height of the pandemic as US China trade war takes its toll. The UK's manufacturing sector has been shrinking for seven months in a row, with new export business falling at the fastest pace since May 2020. The FTSE 100 recently slipped after weak US economic data affected investor sentiment. The pound has also

weakened against the US dollar and euro, marking its worst month since late 2022. The Bank of England is expected to cut interest rates to 3.25% by the end of 2025 to counter economic challenges. Presently, the UK and India are close to finalizing a major trade agreement, which could boost economic growth by improving access for UK businesses and reducing tariff.

## Domestic Economic Outlook

**World Bank cuts India growth for FY26 to 6.3%:** The World Bank cut India's growth projection by 40 bps to 6.3% for FY26, as the benefits to private investment from monetary easing and regulatory streamlining are expected to be offset by global economic weakness and policy uncertainty. In April 2025, the International Monetary Fund (IMF) cut India's growth projection by 30 basis points (bps) to 6.2% for FY26, citing higher trade tensions and global uncertainty. Private consumption is expected to benefit from tax cuts, and the improving implementation of public investment plans should boost government investment, but export demand will be constrained by shifts in trade policy and slowing global growth.

**India's debt-to-GDP ratio of 80% places it 31st globally:** The International Monetary Fund's (IMF) recent projections indicate that global public debt could surpass levels from the COVID-19 pandemic era, which reached 98.9% of GDP in 2020. China is ranked 21st and has a public debt ratio of 96%, which is comparatively lower than that of other developed nations. Meanwhile, India's debt-to-GDP ratio of 80% places it at 31st globally. The central government of India is aiming for a decline in the debt-to-GDP ratio to 50±1 % by March 31, 2031.

**Core-sector output grows 3.8% in March 2025, 4.4% in FY25:** India's core infrastructure output expanded 3.8% in March 2025 on the back of improved performance by electricity, steel and cement sectors which neutralised the impact of contraction in the petroleum sector. Core sector roughly accounts for two-fifth of industrial production. Since November 2024, core sector growth has been on a declining path. For the full 2024-25 the combined index of eight core industries (ICI) was up 4.4% as against 7.6% in 2023-24. The

core sector index has 40.27% weight in the broader Index of Industrial Production (IIP).

**Mandi prices of pulses, oilseeds & paddy are below MSP:** As the summer season (April-June) has started, mandi prices of pulses, oilseeds, and paddy are ruling below the Minimum Support Prices (MSP), while only wheat and cotton are traded a little above the benchmark prices. Robust kharif and rabi harvest due to adequate normal monsoon rainfall last year and adequate imports of especially pulses and edible oils have kept the prices around the MSP. Retail food inflation had eased for five consecutive months to 2.69% in March as prices of vegetables, pulses and spices declined with winter harvest arriving in the market. The food inflation rate for March 2025 was lowest since November 2021.

**Govt to procure 0.3 MT of onion for buffer in FY26:** The government has set a target of procuring 0.3 million tonne (MT) of onion from the farmers at market prices in FY26 for creating a buffer under the price stabilization fund (PSF). This target for the volume of purchase this fiscal is lower than 0.47 MT of the onion purchased from farmers in FY25 for building buffer, which would be offloaded in the market when prices started to spike in festive seasons.

**GST mop-up rises 12.6% to highest-ever at ₹ 2.37 lakh crore in April 2025:** Goods and Services Tax (GST) collection rose 12.6% Y-o-Y to an all-time high of about ₹ 2.37 lakh crore in April 2025, government data showed on 1<sup>st</sup> May 2025. The GST mop-up was ₹ 2.10 lakh crore in April 2024 — the second highest collection ever since the roll-out of the indirect tax regime on 1<sup>st</sup> July 2017.

### Interest Rate Outlook

**Retail inflation eased to 3.73%:** In March 2025, retail inflation eased to 3.73% as compared to 4.05% for farm workers in February this year, as per latest data released on 30<sup>th</sup> April 2025. For rural workers retail inflation eased to 3.86% in March 2025, as against 4.10% in February 2025 this year, according to official data.

**US Treasury Bond Yield:** The yield on the 10-year U.S. Treasury note climbed above 4.23% on 2<sup>nd</sup> May 2025, marking a second consecutive day of gains as investors looked ahead to the April jobs report for

clues on how evolving trade dynamics are influencing the broader economy. Thursday's ISM manufacturing report added to concerns, showing factory activity contracted at the fastest pace in five months, with output posting its steepest decline since 2020 amid weakening demand. This followed a string of soft data, including a contraction in first-quarter GDP and a rise in weekly jobless claims to 241,000—the highest level since February—raising red flags about a cooling labour market. On the trade front, China announced it is considering trade talks with the U.S. following repeated outreach from Washington. The US 10 Year Treasury Bond Note Yield is expected to trade at 4.19% by the end of this quarter,

**Indian G-Sec Yield:** The yield on the 10-year Indian G-Sec fell was at 6.35% at the turn of May 2025, the lowest in over three years, as lower interest rates and liquidity injections continued to support the Indian bond market, extending the detachment from US counterparts. 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 central bank is expected to continue cutting rates as the latest inflation data showed that price growth fell to an over five-year low. The India 10-Year Government Bond Yield is expected to trade at 6.35% by the end of this quarter.

### Government Security Yield (%)

Date	21 April	23 April	25 April	29 April	01 May
USA 10 yr	4.31	4.28	4.30	4.31	4.30
Ind 10 yr	6.34	6.32	6.36	6.34	6.34
Ind 5 yr	6.13	6.08	6.14	6.09	6.09
Ind 3 M	5.93	5.87	5.80	5.89	5.89

Source: [worldgovernmentbonds.com](http://worldgovernmentbonds.com)