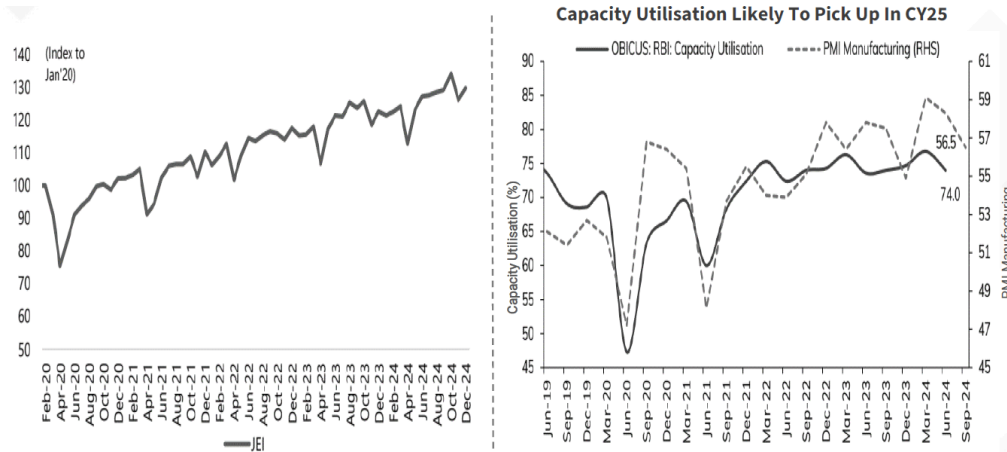




Indian Economy

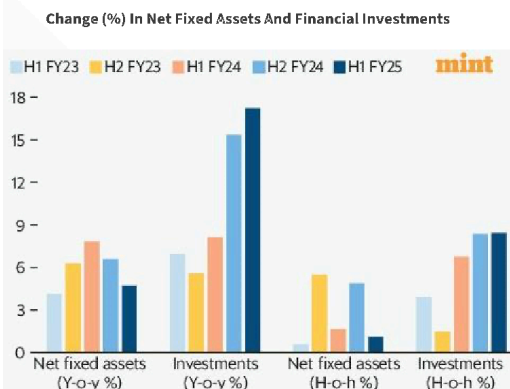
- India's growth to be highest among advanced, emerging G20 nations. RBI has projected GDP growth rate of 6.5% for FY 26 (earlier 6.7%)
- Inflation (CPI) hit a 7-month low of 3.6% in Feb, below RBI's target of 4%.
- GST collections for March rose to an 11-month high of INR 1.96 Lac Cr.
- Services and Manufacturing PMI are both well above 50, indicating expansion mode and strong business activity.
- Economic activity shows growth pick up is sustaining.



Source: Jefferies, RBI, As per latest available data

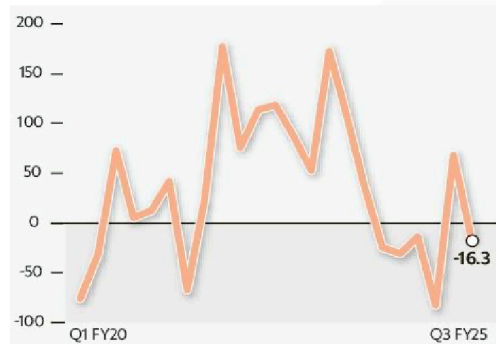
- Service exports growth has been robust and now Service exports is close to Goods exports in value.
- Private Sector Capex needs revival. High uncertainty of the impact of tariffs is likely to further affect plans of capex.

As Capex Takes Backseat, Companies Prioritize Financial Investments



Private Capex Has Shown Troubling Trend Of Contractions In Recent Times

Year On Year Change In Value Of New Project Announcement (In%)



Source: CMIE Capex, As per latest data available

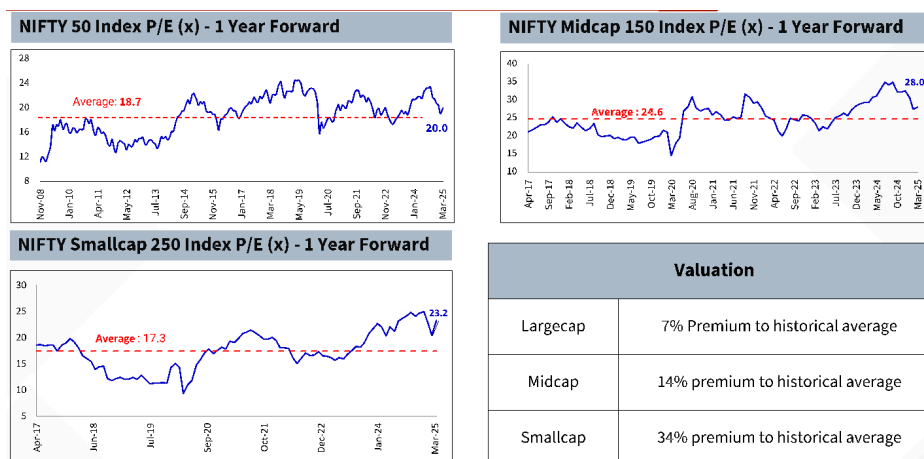
- RBI cut interest rates by 25 bps, bringing the total rate cut to 50bps since Jan'25. Lower rates will lower the cost of credit, boosting investment and supporting growth. And the stance has been changed to 'accommodative', implying that future outcomes would be either 'status-quo' or a cut.

Global Economy

- Projected global growth for 2025 is 3.3%. This is below the long-term average of 3.7%. The projected growth is likely to get revised downward due to the impact of tariff war.
- Europe avoided recession in CY24, growth ahead will be impacted by geo-political instability and resultant gas price volatility. This will put pressure on European manufacturing competitiveness and cost of living.
- China continues to struggle with sluggish domestic demand and a subdued property sector. The economy will be further impacted by tariff wars.
- The US current account deficit has reached 3.9% of GDP, overall National debt has crossed USD 36 Tn and interest expense on debt is USD 1.2 Tn, up 2X in 5 years.
- Mr Trump wants to reduce fiscal deficit by reducing government expenditure and reduce current account deficit by reducing imports through high tariffs. Announcement of high tariffs, affecting 180 nations, threw off the equity & bond markets globally.
- Oil has fallen to below USD 62 per barrel in anticipation of a slowing global economy.

Outlook

- In context of the tariff wars - India's goods exports to the U.S. constitute only ~2% of GDP, indicating limited direct impact. Lower tariffs on India compared to China and Vietnam present an opportunity in electronics and textiles. Services exports remain robust, contributing to a current account deficit of just 1% of GDP.
- Rupee appreciation by nearly 2% supported by a soft Dollar (Dollar Index down from 110 to 99) and declining crude oil prices (Brent at nearly USD 60 per barrel) is a big positive for India, supportive of trade balance and inflation.
- Equity valuation is higher than long term averages.



Source: Motilal Oswal, Bloomberg, As on 31st March 2025

- Central banks are continually buying gold in view of growing uncertainties. The outlook for gold remains positive.
- After the recent rate cut and change in stance to 'accommodative', the outlook for long term debt has turned more positive. Duration can be added to portfolios.

- The medium term outlook for the Indian economy remains positive. Positivity is driven by policy continuity, benefits from production-linked incentive schemes, opportunities arising from shifts in the global supply chain, and the likely boost to private consumption due to income tax relief and lower borrowing cost.
- In the near term, urban demand is likely to get a boost from income tax relief and easing monetary conditions while rural demand is likely to benefit from strong Kharif output and better Rabi prospects. However global uncertainties due to trade policies are likely to affect India's growth to some extent. Yet India will continue to remain the fastest growing large economy.

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