

# ECOFIN Indian Macroeconomic Review – FY2025

*India – The Emerging Economic Superpower*



**This study is prepared**

**By**



**And**



**15 August 2025**

## Methodology

The fieldwork for the assignment was conducted in June and July 2025 and the analysis performed shortly thereafter. An optimum mix of secondary, as well as primary research has been used to estimate the various Indian macroeconomic parameters to analyze historical trends and forecasted growth.

## Secondary Research

Secondary research forms the backdrop of any research project, such as the current one. To understand regional trends on this issue, extensive secondary research was carried out by our in-house research team. In analyzing the macro parameters and estimating the size of various segments of the industry, international and regional databases such as IMF, World Bank, UN, UNCTAD, UNESCO, BIST, Statista, Statistical Review of World Energy, Worldometer, and others have been used. Various reports and studies published by the Indian Government authorities such as Central Bank of India, RBI, various ministries and chamber of commerce were studied and analyzed by the research team before forecasting.

## Primary Research

To authenticate the initial results arrived at from secondary research, industry experts were informally consulted over the phone and in person, too. All of this resulted in a better understanding and appreciation of the dynamics of the Indian economy. While these aforementioned sources spoke on the condition of anonymity, their views were considered, as of that coming from a sample and collated with secondary and primary research findings.

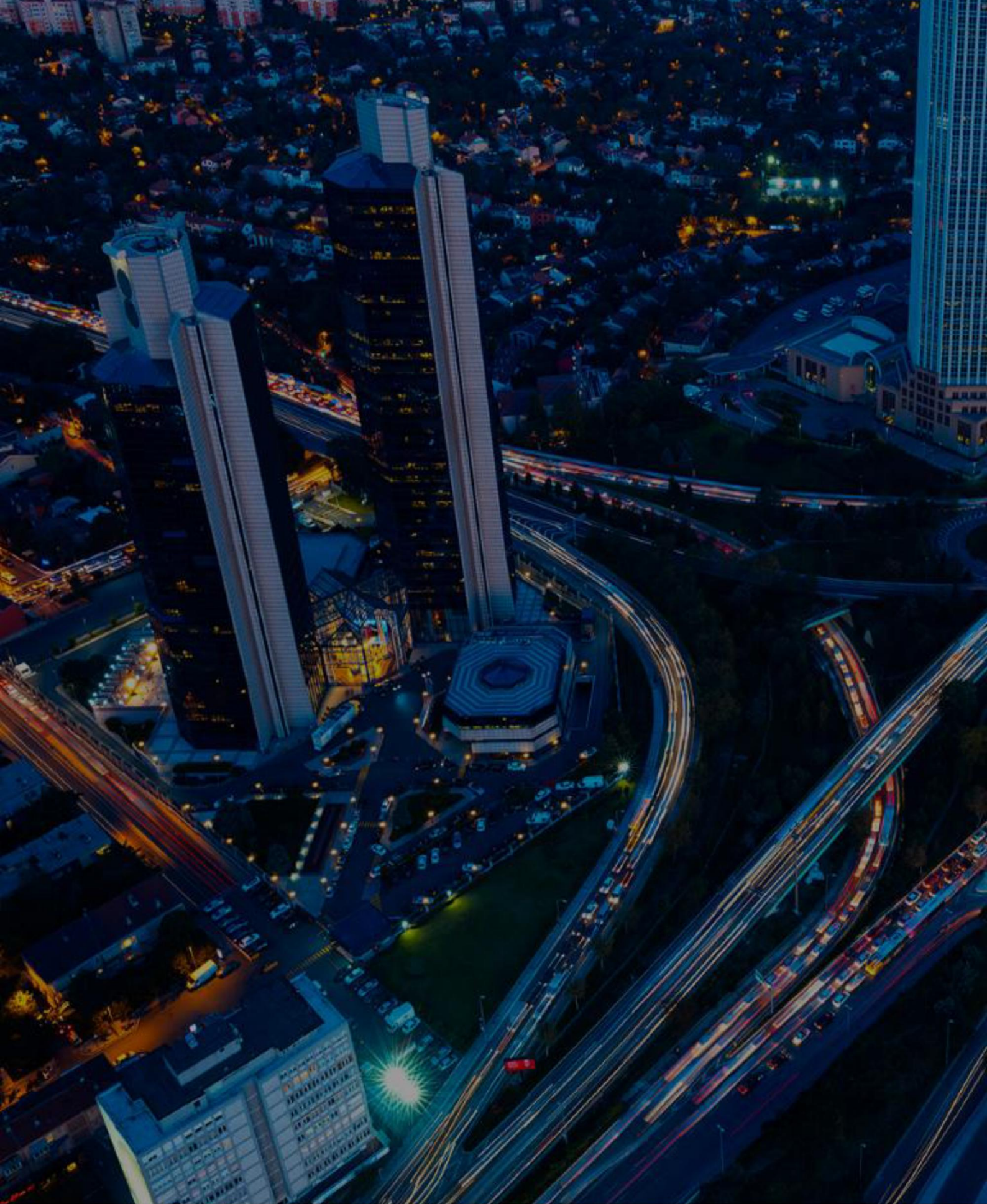
## Caveat

Our analysis and projections are based on the market conditions, prevailing at the time of our fieldwork. We reserve the right to amend our projections, should any abnormal conditions, subsequently arise, in the market arena.

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An aerial night photograph of a city skyline. A large, modern skyscraper with a distinctive triangular top is the central focus. It is surrounded by other high-rise buildings. In the foreground, a multi-lane highway is visible, with long-exposure light trails from cars and trucks creating streaks of white and red. The overall scene is illuminated by city lights, giving it a vibrant, blue-toned appearance.

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## *From the CEO's Desk*



**Koushik Rudra**

CEO

ECOFIN Global Consulting

India, or Bharat, the oldest civilization in the world, invaded, colonized, looted and bruised over centuries, is slowly and steadily reclaiming its civilizational glory. The largest democracy in the world, India, also one of most effective functional democracies globally, since its independence in 1947, has enjoyed smooth transition of power from one political regime to another, whether in the center or in the states, unlike military coups or vandalism when one party loses power in several young democracies or even mature ones. With a population of 1.4 billion plus, the nation has overtaken China to be the most populous country in the world and is successfully leveraging its demographic advantage to its economic growth, beating global recessions in the past such as sub-prime crisis in 2009-10 due to its domestic consumption and after one a half decade, clocking highest growth among large economies in 2023 and 2024 amid adverse geo-political scenario and looming global economic slowdown.

India recently surpassed Japan in GDP, becoming the fourth largest economy in world with a nominal GDP of US\$ 4.187 trillion as on June 2025. India's GDP is expected to reach US\$ 5.5 trillion by 2027 or 2028, surpassing Germany's projected GDP of US\$ 4.74 trillion, backed by high growth rate, state-led growth, infrastructure investment and manufacturing industry and domestic consumption.

Indian infrastructure development in the past few decades was robust with record road development, modernization of railways including metro-rail, high speed trains such as “*Vande Bharat*”, expansion of airport network, to mention a few. In 2014, Indian Prime Minister Narendra Modi started the “*Make in India*” program to strengthen the case for India globally, and with an aim to make “*Viksit Bharat*” or to make India a developed nation by 2047, as again emphasized by the Prime Minister Modi in his 12<sup>th</sup> independence-day speech on 15 August 2025. The stated purpose of the campaign is to facilitate investment, foster innovation, enhance skill development, protect intellectual property, and build a best-in-class manufacturing infrastructure. The resulting job creation and increase in foreign investment directly impact 25 identified sectors, including railways, defence, insurance, and medical devices. India is having and has been negotiating free trade agreements (FTA) with several partners – both bilateral and regional – in a bid to boost export-oriented domestic manufacturing. India has signed fourteen FTAs in the last five years with its trading partners. The FTA recently signed with UK is the latest feather in the cap of Indian foreign policy and diplomacy.

India is emerging as a reliable alternate destination for manufacturers and supply chain diversification due to its large labor and consumer base, low operating costs, and linkages to important international markets. India is also appealing because of its strong economy, relative ease of doing business, and an increasing number of sectors open to foreign investment. India is poised to be a significant center of commerce moving forward.

India's digital architecture has strengthened significantly in the past five-six years, including the universe of finance, payment systems, nationwide identification framework, distribution of welfare schemes, healthcare official data stack intended to solve social/ inclusion needs, and logistics, besides others. This has been supported by a sharp rise in mobile phone subscribers (~700 million) and increasing Internet penetration. From world's back-office hub in 2000 to global AI and tech-innovation hub in 2025, India's transition in the technology sector is phenomenal, to say the least.

Again, a 35-million odd Indian diaspora, the largest in the world, is aiding in global wealth creation and policy formation.

India's stock market has demonstrated resilient growth in 2025, fueled by strong macroeconomic fundamentals and political stability. During 2015-2025 period, the Nifty 50 exhibited a 11% growth, showing the medium-term resilience of Indian stock market. India is the largest global start-up ecosystem and the third-largest unicorn hub globally, behind the USA and China. The total valuation of Indian unicorns, currently, is over US\$ 363 billion, according to Inc42.

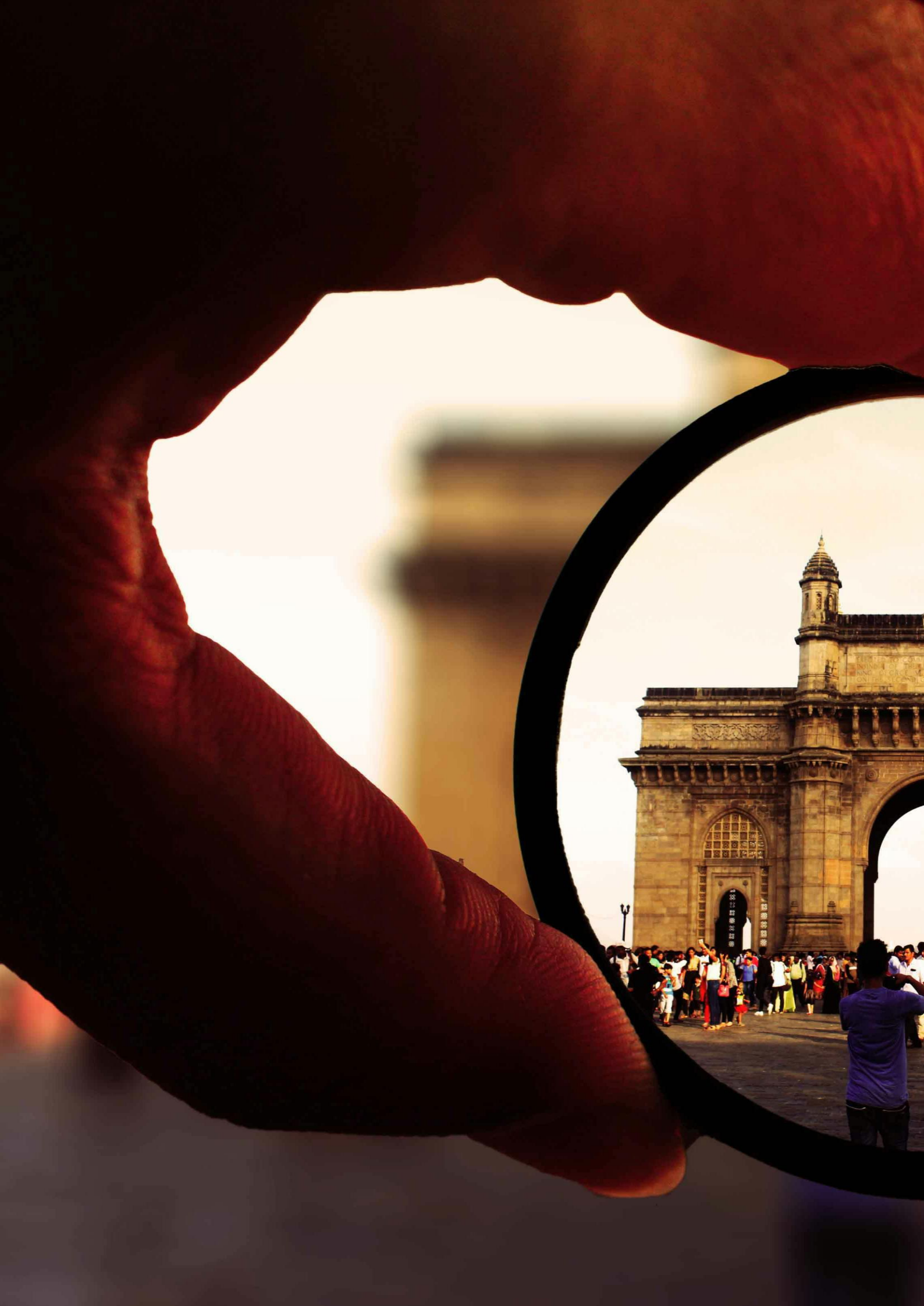
India is presently standing at a crucial junction where the potential of renewable energy promises a transformative impact on its economy. Mirroring the success of China in leveraging clean energy to drive economic growth, India's energy transition could be one of the largest economic opportunities in recent decades, estimated to be a multi-trillion-dollar sector. India's commitment to clean energy is rapidly becoming evident in significant investments across renewables, grid infrastructure, energy storage, and electric mobility.

Indian Rupee is going global with India's Unified Payments Interface (UPI), now the world's number one real-time payment system. It has surpassed Visa to take the lead in processing daily transactions. Currently, UPI handles more than 640 million transactions every day, compared to Visa's 639 million. This scale is extraordinary, especially when we consider that UPI achieved it in just nine years. As on August 2025, there are 134 Special Vostro Rupee Accounts (SVRAs) for settling payments of foreign trade in Indian rupees. In early August 2025, RBI eased its guidelines for SRVAs, removing the requirement for prior approval from the RBI for Authorized Dealer (AD) banks to open SRVAs for foreign banks. This change aims to facilitate Rupee-based trade settlements and support the internationalization of the Indian Rupee. RBI, on mid-August, also announced that vostro accounts for international trade settlement may now invest their surplus Rupee balances in government securities, such as treasury bills. The measure broadens investment opportunities for foreign entities in Rupee-denominated trade settlements and seeks to strengthen the Indian currency's appeal in international markets.

Credit ratings agency S&P Global, on 14 August, upgraded India's long-term unsolicited sovereign credit ratings to "BBB" from "BBB-", citing economic resilience and sustained fiscal consolidation, while maintaining a stable outlook. The agency said the stable outlook reflects expectations of continued policy stability and high infrastructure investment, which are set to bolster India's long-term growth. S&P also noted that the impact of U.S. tariffs on India will likely be manageable, with sound economic fundamentals and diversification to new export markets, expected to support the country's growth momentum over the next two to three years.

India is leading the Global South. India, for the first time ever, held a summit meeting of countries comprising the Global South. The Voice of Global South Summit, held virtually, was aimed at giving voice to the unheard, thereby leveraging India's role as the G20 president till 2023. It was held under the theme — Unity of Voice, Unity of Purpose — and attracted over 120 countries. Needless to say, the summit was truly grandiose, with 29 Latin American and Caribbean countries, 47 African countries, 31 Asian countries, eleven Oceanian countries, and seven European countries in participation. India's objective with the Voice of the Global South Summit was to create a shared platform to deliberate on such concerns, interests, and priorities, which affect the developing countries as well as to exchange ideas and solutions, and most importantly, to unite in voice and purpose in tackling the aspects of shared concerns and priorities. Following its civilizational value of "*Vasudhaiva Kutumbakam*", a Sanskrit phrase meaning "The world is one family", India truly believes that "*Samridh Bharat*" or prosperous India will make "*Samridh Viswa*" or a prosperous world.

India has arrived in the global ground and is truly an economic superpower in the making. From zero to yoga, Indian cuisine to Bollywood, Indian music to meditation, karma to tolerance and inclusivity, ISRO's satellites to software engineers, vaccines to generic medicines, India gifted a lot to the world. And now, with India growing and prospering, it will ensure that the world also prospers along with it.







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## 1. Incredible India

India, a land of diversity has been the cradle of culture and tradition for more than 7,500 years, well known for its remarkable and extraordinary achievements throughout its history – many among them firsts, and hoary and unique traditions. The Indus River, a foreign appellation for the river '*Sindhu*' – which flows through present-day China, India and Pakistan – and which finds a mention in one of the oldest and holy scriptures of the inhabitants of the land, the '*Rig Veda*', gave 'India' its name.

The oldest civilization in the world, India is a mosaic of multicultural experiences. With a rich heritage and myriad attractions, the country is among the most popular tourist destinations in the world. It covers an area of 3,287,263 sq. km, extending from the snow-covered Himalayan heights to the tropical rain forests of the south. As the seventh largest country in the world, India stands apart from the rest of Asia, marked off as it is by mountains and the sea, which give the country a distinct geographical entity.

Bounded by the majestic Himalayan ranges in the north, it stretches southwards and at the Tropic of Cancer, tapers off into the Indian Ocean between the Bay of Bengal on the east and the Arabian Sea on the west. Bounded by an endless stretch of golden beaches, India is a vivid kaleidoscope of landscapes, magnificent historical sites and royal cities, misty mountains and their retreats and colorful people with rich cultures and festivities. As one travels the expanse of the country, he or she is greeted by diverse nuances of cuisines, faiths, arts, crafts, music, nature, lands, tribes, history and adventure sports. India has a mesmeric conflation of the old and the new. As the bustling old bazaars rub shoulders with swanky shopping malls, and majestic monuments accompany luxurious heritage hotels, the quintessential traveler can get the best of both worlds. Head to the mountains, enjoy a beach retreat or cruise through the golden Thar, India has options galore for all.

Teaming with 1.4 billion people who mingle among themselves in fifteen hundred different languages, India is where people live with variety being a part of their very being, thriving on diversity and having a special familiarity with largeness.

## 2. India - Demographic Advantage

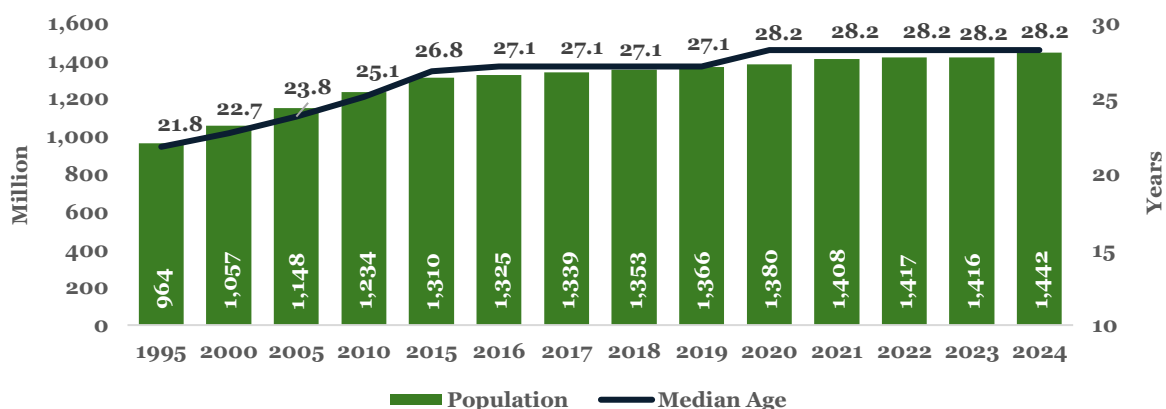
India has overtaken China to become the world's most populous nation, in 2023. As reported by Bloomberg, at the end of 2022, India's population stood at 1.417 billion, based on U.N. projections, while according to data released by China's National Bureau of Statistics, its population at the end of 2022 was slightly less than 1.412 billion, a decrease from 2021. India, from 2023, hence is the largest populated country. The current median age of India is 28.4 years. There are two reasons for India's population exceeding that of China. First, India has always had a historically high population, especially in its fertile northern plains. There, due to climatic reasons, it is possible to grow both wheat, a winter grain, and rice, a summer grain, yielding twice as much food as many other parts of the world. Secondly, India transitioned away from higher fertility rates later than China did because of a lag in educating people, particularly women.

**India has one of the youngest populations in an aging world. In 2024, the median age in India is just 28.2 years, compared to 37 years in China and the US, 45 years in Western Europe, and 49 years in Japan.**



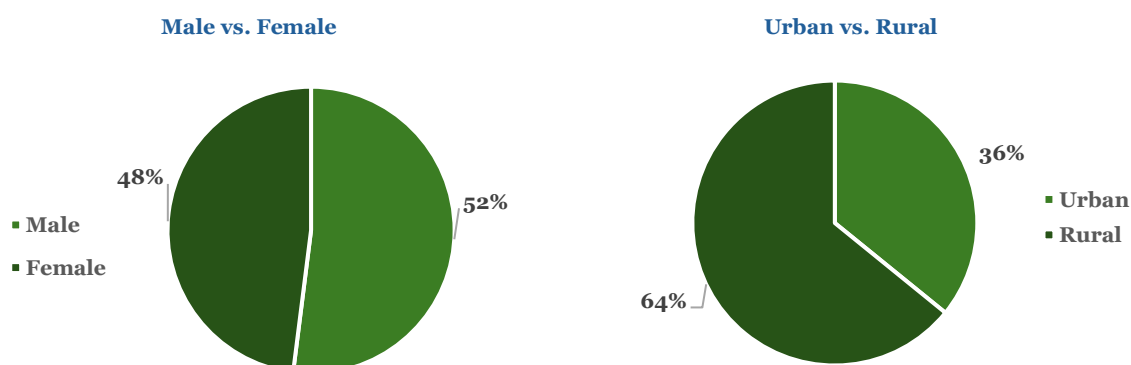


**Chart 1: Indian Population and Median Age Trend**



Source: The World Bank, Worldometer, Note: 2024 Population figure as on 10 December 2024.

**Chart 2: Indian Population Segregation (December 2024)**



Source: The World Bank, Worldometer, Statista

### India Demographic Dividend...

World population has breached the eight billion-mark. Though the population has increased in absolute terms, it is characterized by demographic transition, which provides economic opportunity or disadvantages to economies, depending on which phase of the demographic transition those are in. To illustrate, the 'baby boomer' phase for advanced economies such as the US, Germany and Japan was around 1950-64. Consequently, in 2022, the share of the old-age dependency ratio in Japan, Germany, and the US was approximately 70%, 54% and 52%, respectively.

India had its baby boom experience during 1980-1994, which led to a gradual increase in its working-age population. The share of this population (aged 20-60 years) to the total was about 44% in 1980, which increased to about 55% in 2022 and will peak at around 58% in 2032. India entered the demographic dividend phase around 2010, when the share of the working-age population was about 51%, and will continue to enjoy the benefit until 2056, with the ratio projected at 54%. Globally, between 2021 and 2052, India will have the highest share in terms of working-age population.



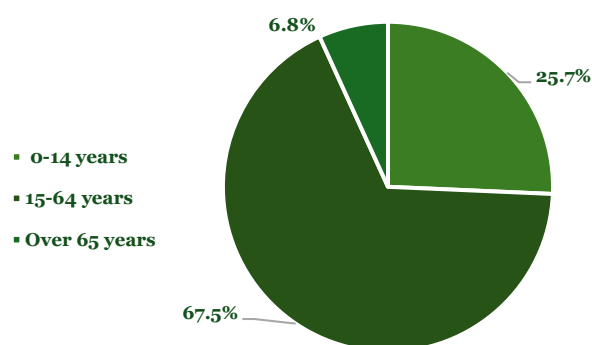


*Dwarka Expressway*





**Chart 3: India – Age wise Indian Population Break-up (2024)**



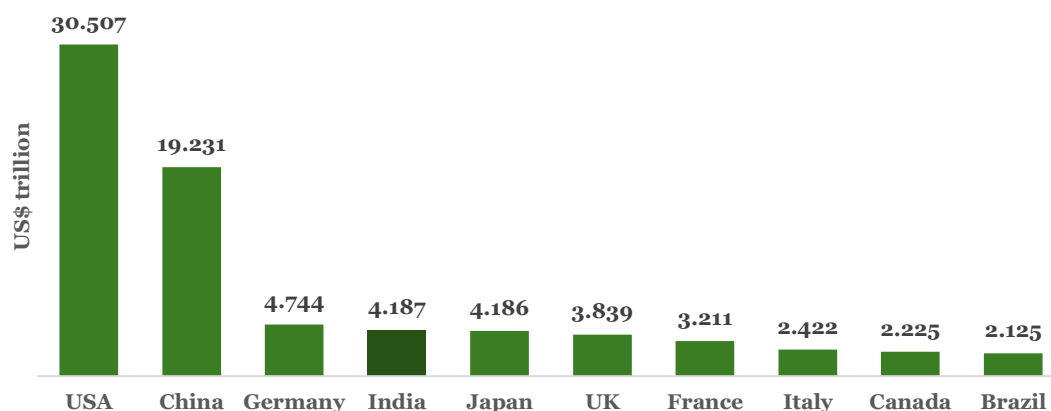
Source: The World Bank, Worldometer, Statista

Since 2018, India's working-age population (people between 15 and 64 years of age) has grown larger than the dependent population — children aged 14 or below as well as people above 65 years of age. This bulge in the working-age population is going to last until 2055, or 37 years from its beginning.

### 3. India – The Fourth Largest Global Economy

India has overtaken Japan to become the world's fourth largest economy in 2025 as per IMF projections. Only USA, China, and Germany are now ahead of India in terms of the volume of the national economy. India has jumped seven positions over the last decade. Only a decade ago, it was in the eleventh position. Economist opine that the South Asian powerhouse will go on to displace Germany as the third-largest economy, just behind the U.S. and China in around two to three years.

**Chart 4: Top Ten Global Economies by GDP (Nominal)**



Source: International Monetary Fund (IMF); as on July 2025

“Long-term structural dynamic,” driven by India's huge demographic and growing educated youth population, is enhancing India's capabilities in technology and services, while also paving its ambitions to become a manufacturing hub, said Malcolm Dorson, senior portfolio manager at Global X ETFs — one of the largest foreign asset owners in India.





India is also the fastest growing among large economies in 2023 and 2024, clocking yearly growth rates of 9.2% and 6.5% respectively, in the fiscal years 2023-24 and 2024-25. In PPP terms, India continued to be the third largest economy in the world in 2023 after China and USA. The Indian economy stood at US\$ 13.34 trillion at 2023 (as per World Bank data), and is expected to rise to US\$ 14.59 trillion by 2024. India's share of global gross domestic product (GDP) rose to 8.25% in 2024 when adjusted for purchasing power parity (PPP) and was projected to increase to 10% by 2030. This reflects the growth of India's economy, which is helped in this ranking.

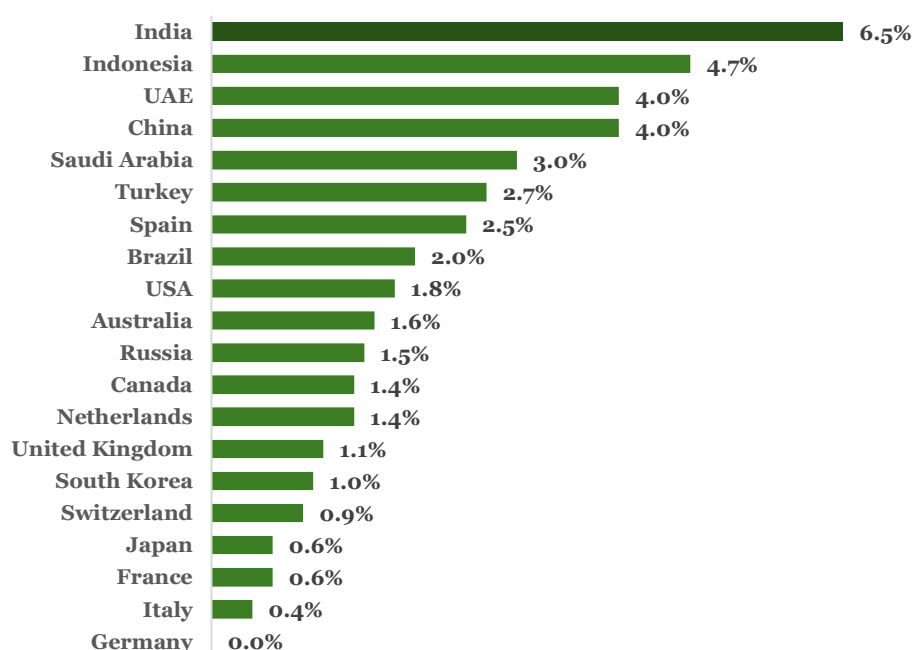
The rise of the Indian economy was accompanied by several other recent positive developments. India has surpassed China in August 2024, to become the top weight nation in the MSCI Emerging Market (EM) Investable Market Index (IMI) for the first time. Indian equities together carry a weighting of 22.27% in the index, edging ahead of Chinese stocks, whose combined weight now has fallen to 21.58%. The increase in India's weight was attributed to the strong performance of its equities, particularly in the mid-cap segment. However, following market corrections and a domestic equity sell-off, India's weightage fell further to 19.7% in February 2025, and fell below China and Taiwan.

India, for the past few years, has been taking rapid strides in export, penetrating markets earlier monopolized by China.

#### 4. India – The Fastest Growing Large Global Economy

In line with analysts' expectations, India's gross domestic product (GDP) grew at 6.5% in 2024-25 or the FY2025, clocking the highest growth among large global economies. India's economy has demonstrated resilience despite a challenging external environment, says the World Bank in its latest India Development Update, a World Bank flagship publication. While the deteriorating external environment will weigh on India's growth prospects, the economy is relatively well positioned to weather global spillovers compared to most other emerging markets. Despite geopolitical uncertainties, India registered a strong GDP growth and remained the fastest growing major economy in the world, due to robust domestic demand.

**Chart 5: 2024 GDP Growth of Top Twenty Large Economies**

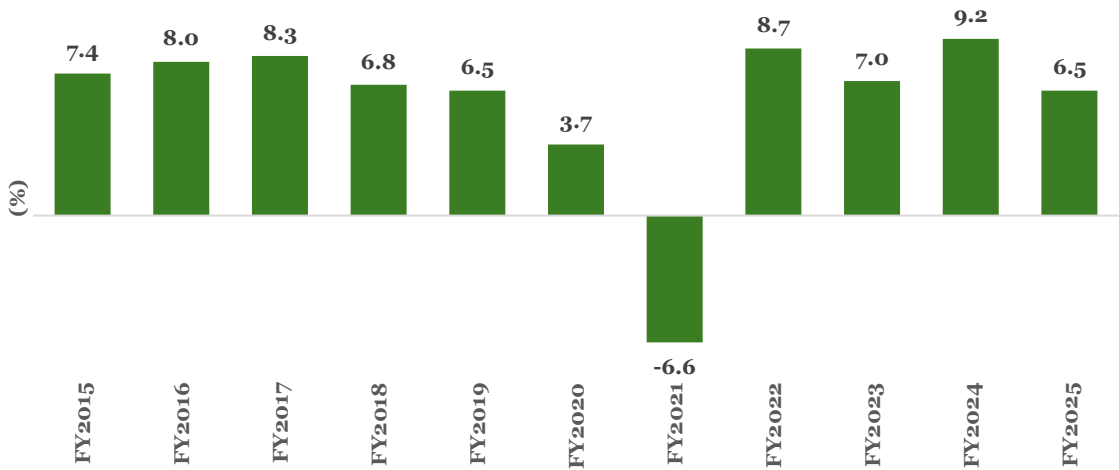


Source: The World Bank



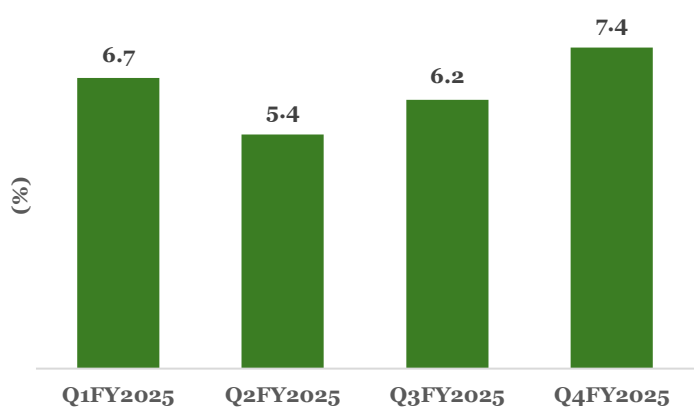
India's GDP growth for FY2025 slowed to 6.5%, a four-year low compared to the post-pandemic high of 9.2% in FY2024. Yet, Q4FY2025 growth surged to 7.4%, exceeding expectations and signaling robust economic momentum driven by strong industrial output and resilient consumption, particularly in rural areas. This quarterly performance helped the economy maintain its status as the fastest-growing major economy globally.

Chart 6: Indian GDP Growth Trend



Source: IMF, RBI

Chart 7: India's Quarterly GDP Growth in FY2024-25



Source: RBI

'Construction' sector is estimated to record a growth rate of 9.4% in FY 2024-25, followed by 8.9% growth rate in 'Public Administration, Defence & Other Services' sector and 7.2% growth rate in 'Financial, Real Estate & Professional Services' sector. Primary Sector has seen 4.4% growth rate as compared to growth rate of 2.7% observed in previous financial year. During Q4, FY 2024-25, this sector has observed 5% growth rate as compared to 0.8% growth rate in Q4 of previous financial year. Private Final Consumption Expenditure (PFCE) has reported 7.2% growth rate during FY 2024-25 as compared to 5.6% growth rate in the previous financial year. Gross Fixed Capital Formation (GFCF) has recorded 7.1% growth rate during FY 2024-25 and 9.4% growth rate in Q4, FY 2024-25.





Private consumption, now at its highest share of GDP since FY2004, rose 7.2% year-on-year, buoyed by rural demand and urban income-tax relief. The services sector and exports also continued to show resilience amid global trade tensions and escalating geopolitical risks. Agricultural output provided a surprise upside, with FY2025 growth at 4.6%, more than double the previous year.

## 5. India – Strong Growth Forecast

### India GDP Growth Forecast by India’s Chief Economic Advisor

“We are retaining our FY2026 growth forecast at 6.3–6.8%,” said Nageswaran, India’s Chief Economic Advisor (CEA), highlighting steady capital goods imports, a rise in infrastructure output, and stable gross FDI inflows as signs of a healthy investment climate. He noted that while global growth is expected to slow, India has seen “smaller forecast cuts” relative to peers. Going forward, domestic growth should benefit from government’s income tax cuts announced in the federal budget, as well as “monetary easing, expectations of an above normal monsoon and lower food inflation”, Aditi Nayar, an economist with the ratings agency ICRA, said. However, ongoing global uncertainties, including US President Donald Trump’s trade war, may weigh to some extent on export demand.

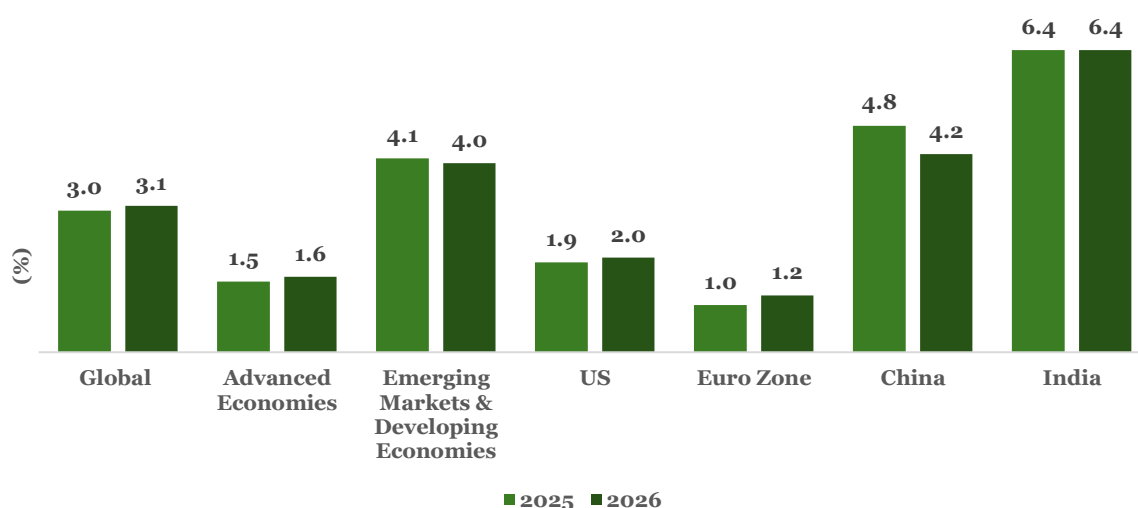
### IMF Raises India’s FY2026 growth forecast to 6.4%

The International Monetary Fund (IMF) has upgraded India’s growth expectations to 6.4% in both 2025-26 and 2026-27 in “IMF’s World Economic Outlook on July 29” as compared to what it had predicted in April. The growth upgrade, of 0.2 percentage points and 0.1 percentage points, respectively, is in line with the upgrades for global growth.

### India to Remain a Bright Spot in Global Economic Growth

India is projected to lead the global growth as per IMF forecast.

Chart 8: Global Growth Projections



Source: IMF

The upward revision brings the IMF forecast in closer alignment with the Reserve Bank of India’s projection of 6.5% growth for the upcoming fiscal, and comes just days after the Asian Development Bank (ADB) lowered its forecast to 6.5% to 6.7% in its latest outlook.





*Chenab Railway Bridge, the world's highest railway bridge*





## 6. Improving Fiscal Health and Current Account Balance

### India Achieves Fiscal Deficit Target of 4.8% for FY2025

The Government of India has successfully met its fiscal deficit target of 4.8% of Gross Domestic Product (GDP) for the financial year 2024–25, as revealed in the provisional data released by the Controller General of Accounts (CGA).

### Comfortable Current Account Scenario

India's current account balance as on Q4-2025 improved to US\$ 13.5 billion as compared to US\$ 5.24 billion in Q4-2024. In percent to GDP terms, India's current account balance improved to 13.5% of GDP for the financial year ending 31 March 2025 as compared to 5.24% of GDP a year ago.

Chart 9: India Current Account Balance Trend

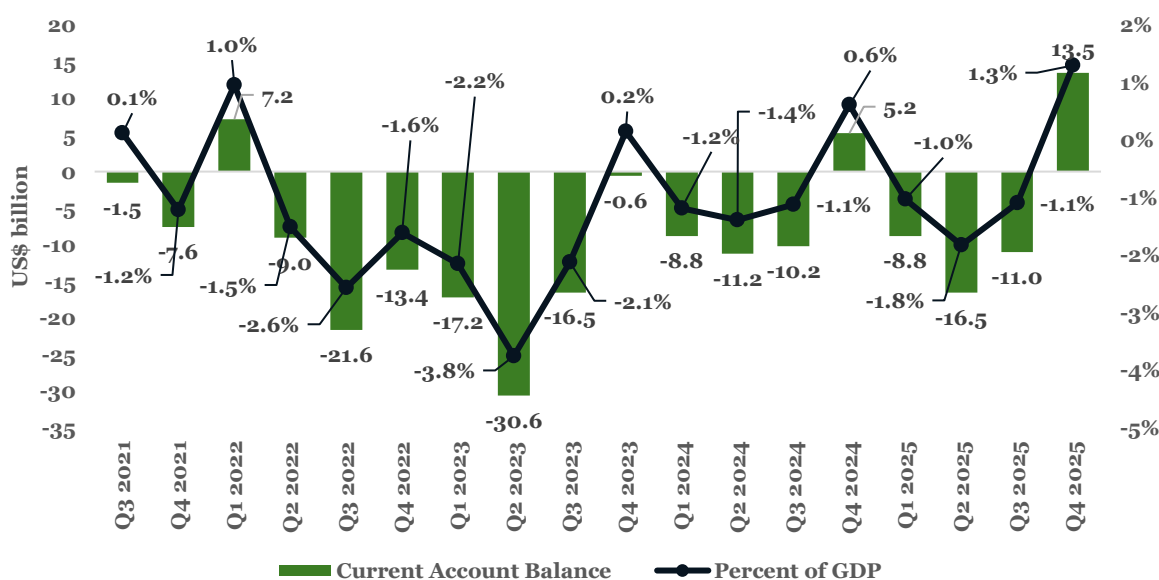
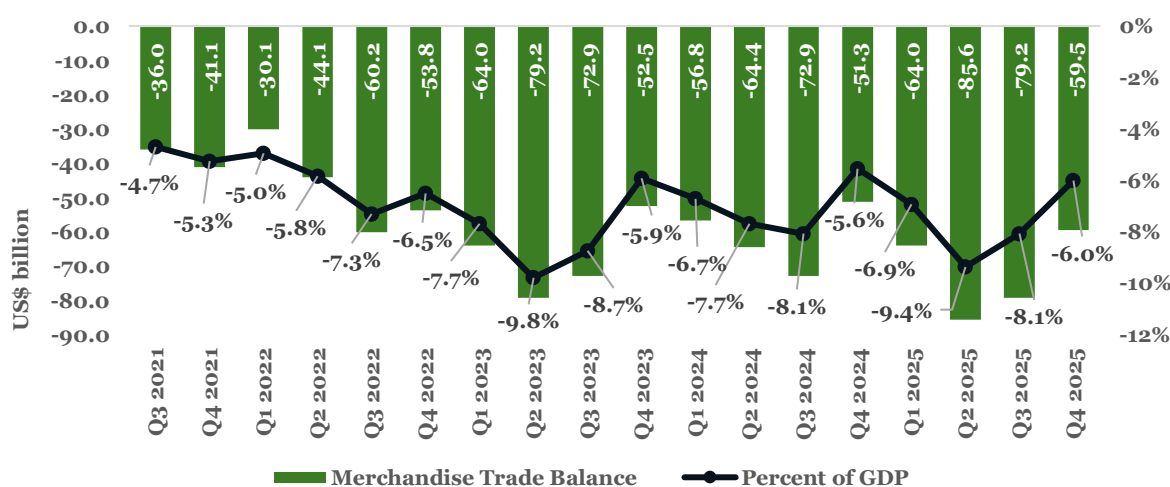


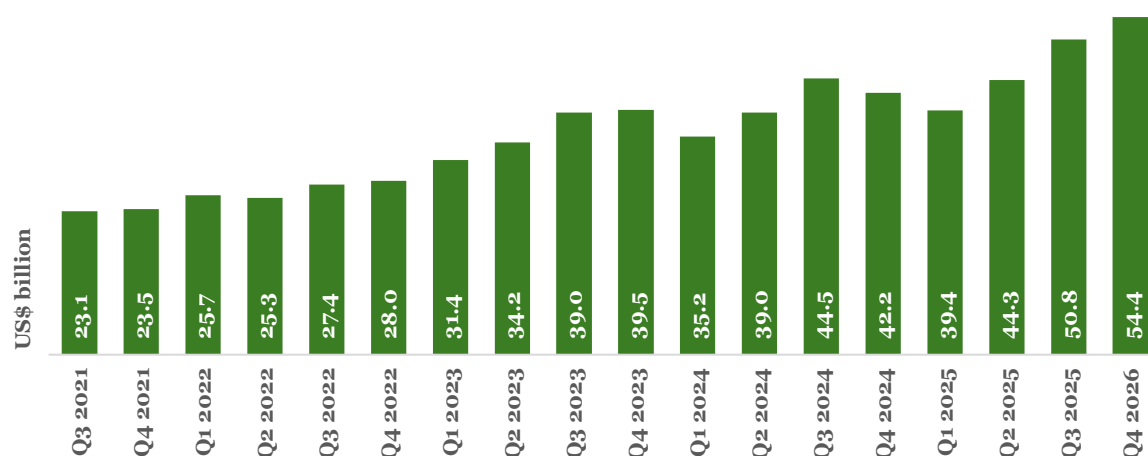
Chart 10: India Merchandise Trade Balance Trend



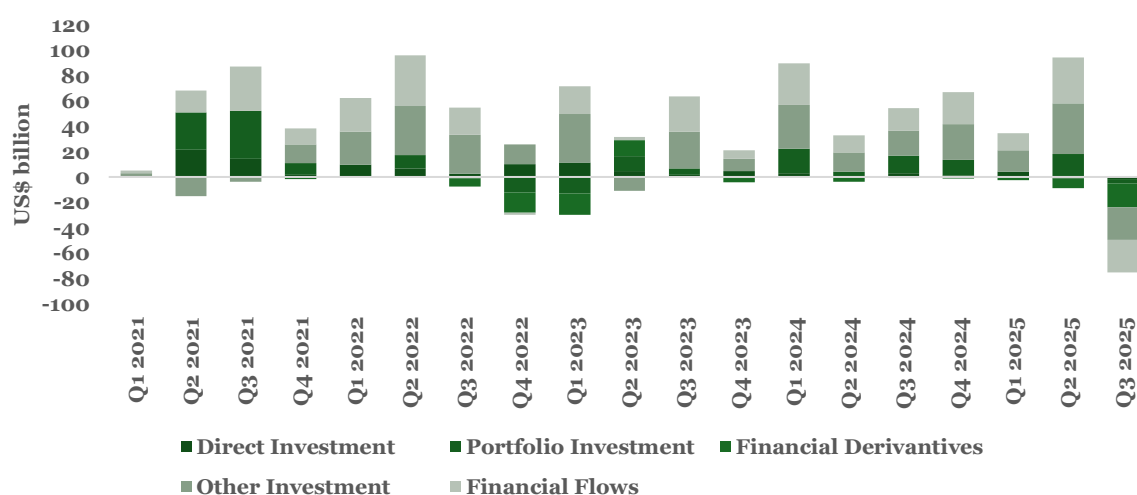
Source: RBI



**Chart 11: India Service Trade Account – Net Flow**



**Chart 12: Trends in Financial flows to India**



Source: RBI

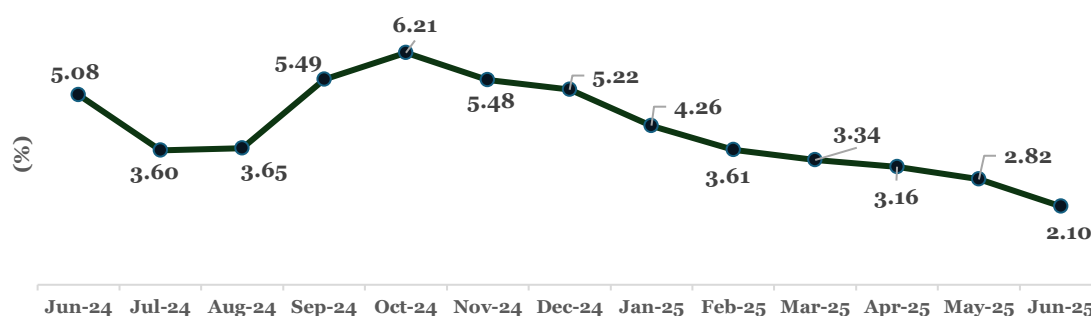
India's current account surplus as on 31 March 2025 is driven by increase in services export and enhanced foreign remittances.

## 7. Subdued Inflation

India's retail inflation, as measured by the Consumer Price Index (CPI), has generally shown a declining trend over the past three financial years. In the fiscal year 2024-25, it reached a six-year low of 4.6%, and in March 2025, the year-on-year inflation rate dropped to 3.34%, the lowest monthly rate since August 2019. This positive trend is attributed to the combined efforts of the Reserve Bank of India's monetary policy and the government's interventions to stabilize prices of essential commodities.



**Chart 13: India – Past One-year Inflation Trend**



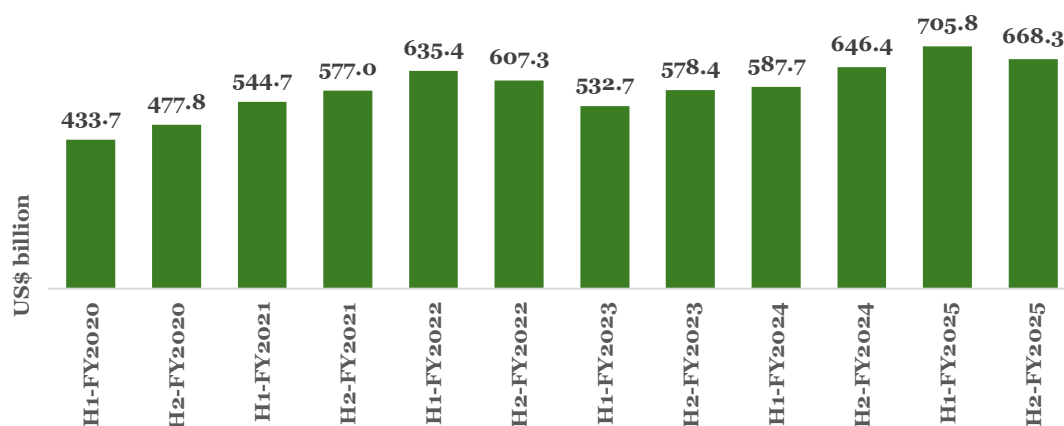
Source: RBI

The consumer price inflation eased for the eighth straight month, falling to 2.1% in June 2025, the lowest level since January 2019, down from 2.82% in May and below market expectations of 2.5%. The sharp decline was largely driven by a 1.06% drop in food prices, marking the first annual decrease since early 2019. Vegetable prices plunged 19%, while pulses fell 11.76%. Prices for spices dropped 3.03%, and meat and fish were down 1.62%. Inflation in the fuel and light category also moderated to 2.55% from 2.78% in the previous month. However, price pressures remained persistent or slightly increased in other sectors: housing inflation rose to 3.24% (from 3.16%), education to 4.37% (from 4.12%), health to 4.43% (from 4.34%), and transport and communication to 3.9% (from 3.85%). On a monthly basis, consumer prices rose 0.62% compared to May.

## 8. Burgeoning Forex Reserves

As of 31 March 2025, India's forex reserves stood at US\$ 668.3 billion, according to the Reserve Bank of India. The Indian forex reserves consist of foreign currency assets, gold, special drawing rights, and the IMF reserve position. In September 2024, India's foreign exchange reserves reached the highest record at US\$ 705.8 billion. As of 31 March 2025, 84.9% of the total foreign exchange reserves were held in foreign currencies and 11.7% in gold whilst 3.4% of reserves were held in SDR and RTP.

**Chart 14: India – Forex Reserve Trend**



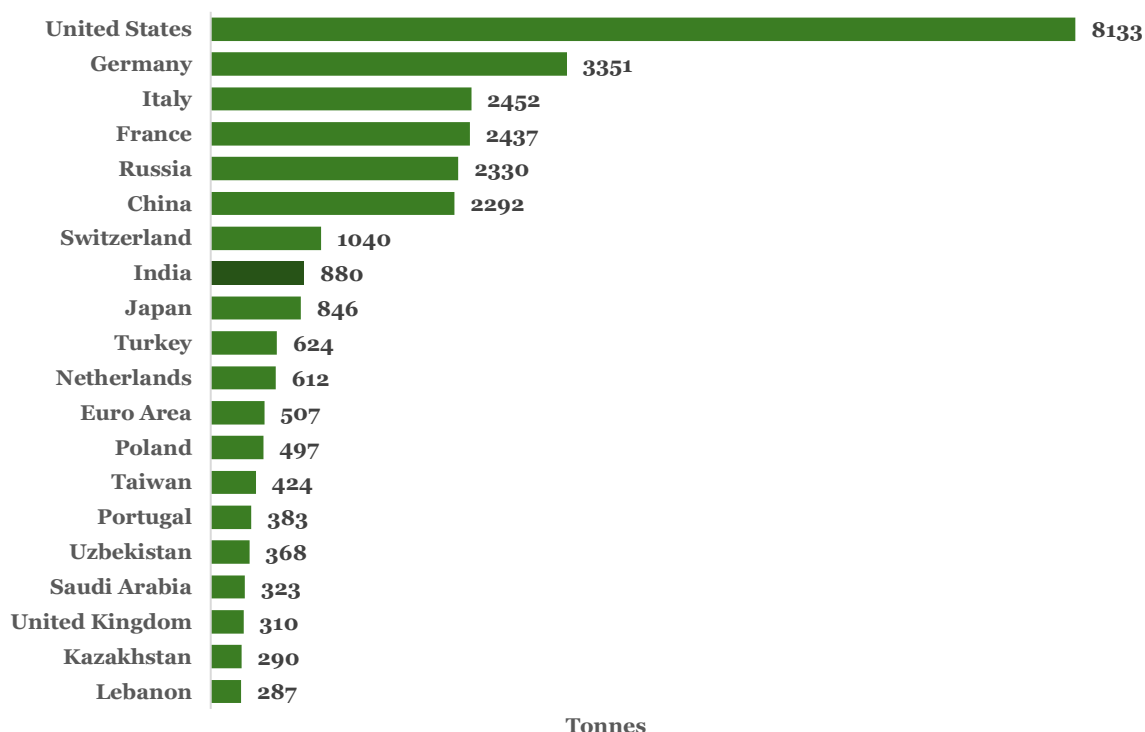
Source: RBI



## 9. India's Gold Reserves

India holds a significant position in global gold reserves, ranking 8<sup>th</sup> in the list of countries with the most gold reserves. With a rich cultural affinity for gold and a history of gold being a traditional store of value, India's gold reserves contribute to its economic stability and play a key role in the country's financial landscape.

**Chart 15: Countries with the Highest Gold Reserves (As on March 2025)**



Source: *Forbes*

The Reserve Bank of India (RBI) has brought back 100.32 metric tonnes of gold to India from its overseas vault, taking the total physical holding of gold in India to 200.06 metric tonnes by the end of the financial year 2024-25.

## 10. Infrastructure Development

### 10.1. Infrastructure's Role in the Indian Economy

It is no doubt that infrastructure growth is critical for a country's development. To promote such growth, India is leading efforts to dedicate attention and funds to developing infrastructure, which is evident by the efforts at the central and state levels. The pandemic and the subsequent challenges to the supply chain led to India's focus on **"Make in India"** and self-reliance. In light of the disruptions within the logistics sector, India resolved to expand and modernize its manufacturing capabilities. This shift fueled the country's goal to focus on infrastructure development. The governments on central and state levels are bringing in policies to facilitate the planning and execution of projects relating to power, roads and infrastructure needed for urban development, such as public transport and e-vehicles.

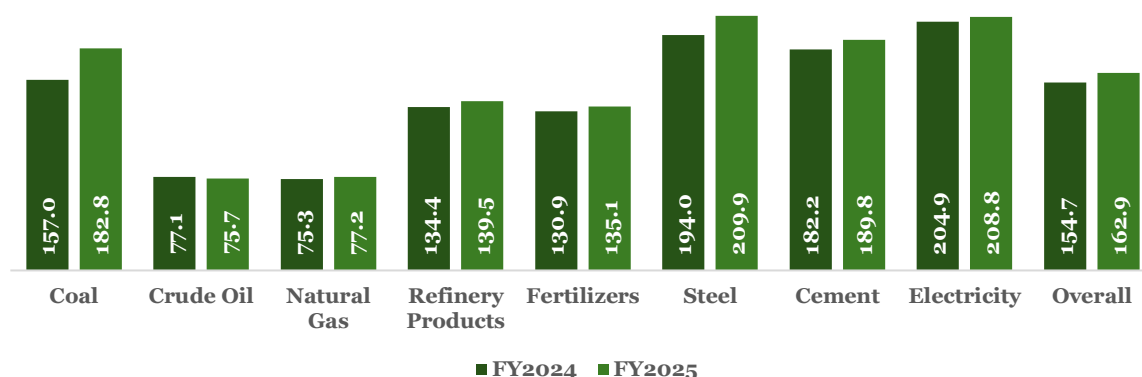




## 10.2. Performance of Eight Core Infrastructure Industries

The combined Index of Eight Core Industries (ICI) increased by 4.4% (provisional) YoY in April-January 2025 compared to April-January 2023. In January 2025, the overall index of eight core industries stood at 161.9 driven by the production of coal, refinery products, fertilizers, steel, electricity and cement industries. The cumulative growth rate of ICI during FY2024 stood at 7.6% (provisional) compared to last year's corresponding period.

**Chart 16: Index of Eight Core Industries in India**

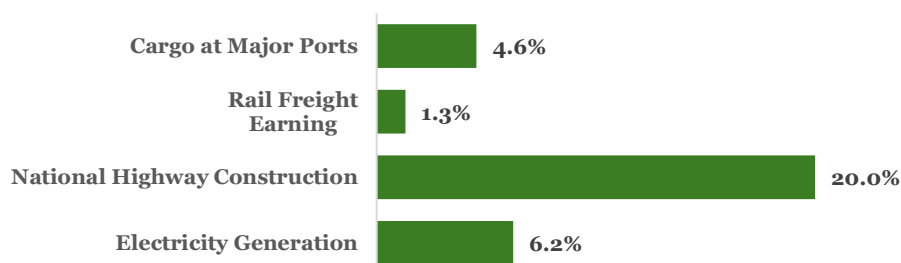


Source: Ministry of Commerce and Industry, NTPC Website, PIB, News Articles, FY-2025 - Provisional (April 2024 - January 2025)

## 10.3. Growth in Infrastructure Related Activities

- The 'Green Energy Project' is an initiative to make Indian Railways environment-friendly by focusing on renewable sources of energy.
- In June 2024, Ministry of Housing & Urban Affairs has approved proposals worth US\$ 103.91 million for West Bengal under SBM-U 2.0. During the first phase of SBM-U (2014-19) a total fund of US\$ 130.34 million was allocated to West Bengal, which has been increased by 1.5 times to US\$ 175.04 million in SBM-U 2.0 (2021-26).
- In a recent evaluation under the PM GatiShakti initiative, five significant infrastructure projects including a road and an airport were reviewed for their integration with the National Master Plan. These projects aim to enhance logistical efficiency, minimize travel times, and provide substantial socio-economic benefits across various regions.
- In January 2025, Union Minister of Road Transport & Highways, Mr. Nitin Gadkari stressed infrastructure's role in India's development, highlighting US\$ 5.77 billion projects in Jammu & Kashmir, including four major corridors for better transport and communication.

**Chart 17: Growth in India's Infrastructure Related Activities in FY2024**



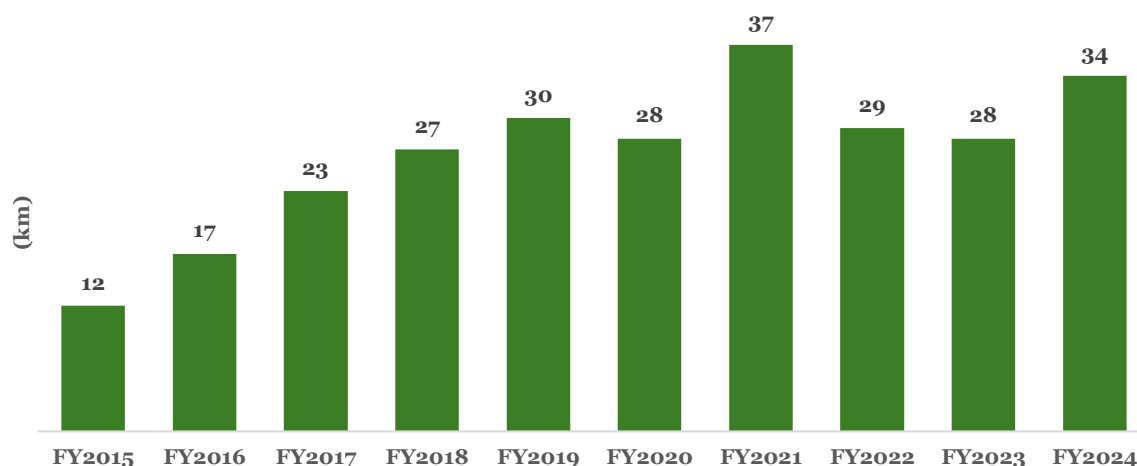
Source: Economic Survey, Ministry of Railways, Indian Ports Association, Central Electricity Authority



## 10.4. Strong Momentum in Expansion of Roadways

- India has the second largest road network in the world and its National Highways expanded from 65,569 km in 2004 to a total length of 146,145 km in 2024, forming the primary arterial network of the country. The Government of India has undertaken several initiatives to enhance and strengthen the National Highways network through flagship programmes such as the Bharatmala Pariyojana, which includes the subsumed National Highway Development Project (NHDP), the Special Accelerated Road Development Programme for the Northeast Region (SARDP-NE), and many more ongoing projects.
- National Highways play a very important role in the economic and social development of the country by enabling efficient movement of freight and passengers and improving access to the market. The Ministry of Road Transport and Highways (MoRTH) and its implementing agencies have implemented multiple initiatives in the last eight years to augment the capacity of the National Highway infrastructure in India.
- In the Union Budget 2025-26, the government has decided to allocate US\$ 32.94 billion towards MoRTH with a target of US\$ 4.02 billion in private sector investment.
- A network of 35 Multimodal Logistics Parks (MMLP) is planned to be developed as part of Bharatmala Pariyojana, with a total investment of about US\$ 5.5 billion, which once operational, shall be able to handle around 700 million metric tonnes of cargo. Of this, MMLPs at fifteen prioritized locations will be developed with a total investment of about US\$ 2.6 billion.
- The Union Government is working towards the development of a national highway network of 200,000 km by 2025.

**Chart 18: Road Construction Per Day in India Trend**



Source: Ministry of External Affairs, Economic Survey 2024

## 10.5. Indian Railways – One of the Largest in the World

- The Indian Railways clocked total revenue of ₹ 2.65 trillion in FY2025 as compared to ₹ 2.56 trillion in FY2024.
- Under the Union Budget 2025-26, the government has allocated record CAPEX of US\$ 31.43 billion for railways.
- Indian Railways will achieve 100% electrification by FY2026, with over 97% already completed, and is rapidly adopting renewable energy, says Union Minister of Railways Mr. Ashwini Vaishnav.
- Indian Railways aims to more than double its net earnings to US\$ 348.01 million in FY2026, driven by higher passenger and freight revenue. The budget includes manufacturing 100 new Amrit Bharat, 50 Namo Bharat, and 200 Vande Bharat trains. Revenue receipts are projected to exceed US\$ 34.33 billion for the first time.







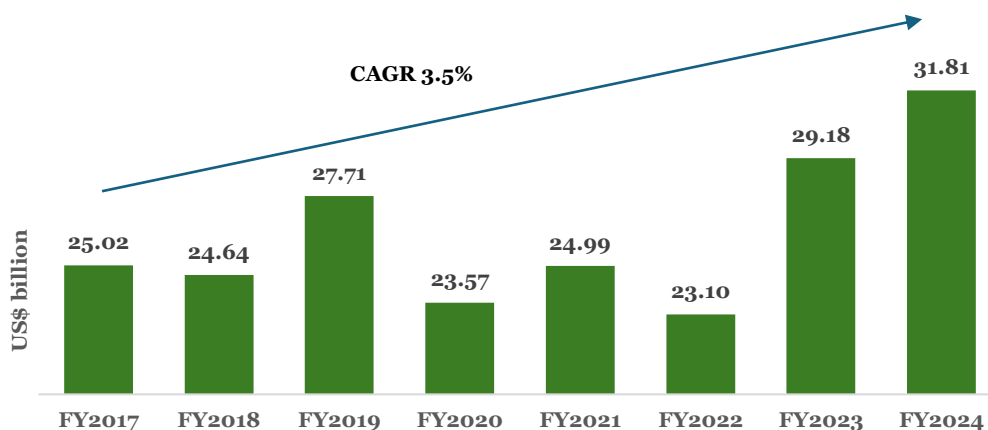
*Mindspace, Hyderabad*







**Chart 19: Indian Railways – Gross Revenue Trend**



Source: Ministry of Railways, News Article, PIB, Make in India Portal

### Metro Rail

- India currently has the fifth-largest metro network in the world and will soon overtake advanced economies such as Japan and South Korea to become the third-largest network.
- Metro rail network in India reached 810 km and is operational in 20 cities. Metro-network of 980 kms and Regional Rapid Transit System (RRTS) is currently under construction in 27 cities.
- In February 2023, Bharat Earth Movers Limited (BEM) signed the MoU with DMRC-led SPV to construct the Bahrain Metro Rail Project Phase-1.
- In the last 10 years, 697 km have been added to Metro Rail Network across the country. At the end of 2024, about 945 km of metro rail lines are operational in 21 cities and 919 km is under construction in 26 different cities.

### Mono Rail

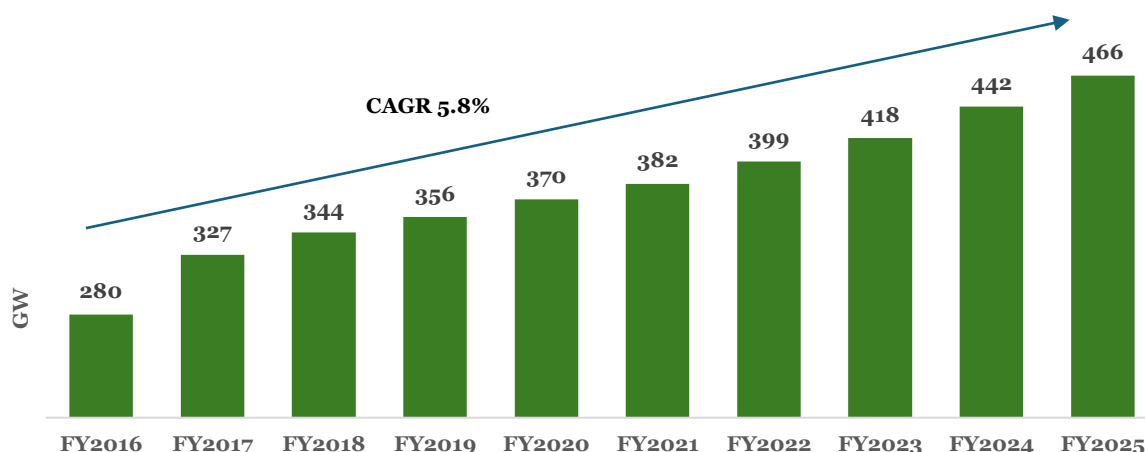
- At almost 20 km, Mumbai monorail is the third largest route in the world after China with 98 kms and Japan with 28 km.
- In March 2019, Mumbai Metropolitan Region Development Authority (MMRDA) commissioned the operations of the second phase of the 19.54 km monorail project after it took over the operations and maintenance of the project.
- Japan International Co-operation Agency (JICA) assured technical assistance in urban monorail projects, intelligent transport systems, Regional Rapid Transit Systems, transit-oriented development for preparing master plan and detailed project reports for other urban infrastructure projects.

## 10.6. Growth in Power Generation Capacity

- As of January 2025, India's total installed electricity generation capacity stood at 466 GW, installed renewable energy capacity has increased to 212.17 Giga Watts (including large Hydro) and installed solar, wind and other renewable energy capacity stands at 165.20 GW.
- Total FDI inflows in the power sector reached US\$ 19.59 billion between April 2000-September 2024, accounting for 2.8% of the total FDI inflow in India.
- For FY2026, the total budgetary allocation towards the Ministry of Power stood US\$ 2.51 billion.



**Chart 20: India - Installed Electricity Generation Capacity**



Source: CEA (Central Electricity Authority), ECOFIN Research; Note: FY2025 data as on January 2025

### 10.7. Airports Infrastructure

The Airport Authority of India (AAI) is the body, which manages both the international airports in India as well as the domestic airports in the country. AAI manages 137 airports, which includes 103 domestic airports, 24 international airports, and 10 customs airports. AAI is responsible for creating, maintaining, upgrading and managing civil aviation infrastructure in India and works under the Ministry of Civil Aviation. Upgradation/ modernization of airports' infrastructure is undertaken by the AAI and other Airport Developers from time to time depending on the availability of land, commercial viability, socio-economic considerations, traffic demand/willingness of airlines to operate to/from such airports.

#### Investment in Metro Airports

- In March 2024, the Minister of Civil Aviation and Steel announced inaugurating 15 airport projects worth US\$ 12.1 billion by 2028.
- Delhi, Bangalore, Hyderabad, Lucknow, Mangaluru, Guwahati and Ahmedabad airports have earmarked a capital expenditure of US\$ 1.2 billion, US\$ 1.6 billion, US\$ 759 million, US\$ 167 million, US\$ 68.4 million, US\$ 148.7 million and US\$ 45.3 million, respectively for the period 2019-25.

#### Investment in Non-metro Airports

- The Union Budget 2025-26 allocated US\$ 267.42 million as capex for Ministry of Civil Aviation.
- Union Minister of Finance Ms. Nirmala Sitharaman announced plans to connect 120 new airports over the next 10 years, benefiting 40 million additional passengers.
- Civil Aviation Ministry's "Vision 2040" report states that there will be 190-200 functioning airports in India by 2040. Delhi and Mumbai will have three international airports each, while the top 31 Indian cities will have two operational airports each.
- 220 destinations (airports/heliports/water aerodromes) under the UDAN scheme are targeted to be completed by 2026 with 1,000 routes to provide air connectivity to unconnected destinations in India.





## 10.8. Infrastructure Currently a Key Focus for India

One of the major initiatives, Gati Shakti, led to a shift within the infrastructure sector. Also known as, the National Master Plan for Multi-modal Connectivity, the project is worth US\$ 1.2 trillion and aims to streamline the planning process and ensure that resources are effectively directed towards development planning. The different divisions of the Indian government will now have a platform to work together on infrastructure projects such as roads, railways, airports, ports, mass transport and waterways. To further augment infrastructure development, the Indian government introduced the National Infrastructure Pipeline (NIP). The pipeline involves an estimated funding of more than US\$ 1 trillion over five years and includes projects in the renewable energy sector expected to actively involve private participants.

India also made headway in its plans for infrastructure development through a sovereign wealth fund. The fund is the National Investment and Infrastructure Fund (NIIF). NIIF was set up to manage investments and is intended to serve as a platform for co-investment by global and domestic investors and multilateral development banks (MDBs). The fund's primary focus is on infrastructure and growth equity. In October 2023, the government announced the launch of an India-Japan Fund through a partnership with the Japan Bank for International Cooperation (JBIC). The fund has sanctioned US\$ 600 million and is dedicated to investments in efforts promoting sustainability and low carbon emissions. Further fostering the India-Japan strategic partnership, on 20 February 2024, the Japan International Cooperation Agency (JICA) announced that it has signed loan agreements for up to ¥ 232 billion. These loans are dedicated to funding certain projects, which include road network connectivity projects, a freight corridor project and projects for climate change response and enhancement of ecosystem services in specific areas within India.

The recent shift in India's focus on the infrastructure sector has led to the launch of several high-scale projects across the country. The highway connecting the capital city, Delhi, with the financial city, Mumbai, is one of them. With the project's first phase already inaugurated, India continues its push to enhance infrastructure.

2024 was also marked by the completion of the world's highest railway bridge. Launched on February 2023, this bridge promotes supply chain and economic growth significantly. The completion of this project is seen as evidence of India's capabilities in civil engineering. More than a dozen of other highway projects is in progress. Plans to develop and modernize railway corridors are also underway.

With the launch of the UDAN scheme, the country's aviation sector is also expected to boom. The scheme has led to a doubling of the number of airports. The culmination of these projects is expected to strengthen the country's supply-chain sector significantly.

The government is aiming to strike a balance between urban transformation and schemes promoting responsible commuting. The "PM-eBus Sewa Scheme" launched last year is one of such schemes. This initiative will re-invent the country's bus operations and encourage the use of public transport through payment security mechanisms.

India intends to enhance its infrastructure to reach its 2025 economic growth target of US\$ 5 trillion. As per a report of Morgan Stanley India's infrastructure investment is to steadily increase from 5.3% of GDP in FY2024 to 6.5% of GDP by FY2029.

## 10.11. The Government's Efforts to Complement Urban Development with Sustainability

The Indian government budget unveiled the viability gap funding, which will be offered for offshore wind power projects. In addition, through the rooftop solar programme (PMSY Scheme), several households will benefit from free electricity and rooftop solar installations. Efforts in procuring biomass aggregation machinery will benefit from funding options. The budget also featured plans to develop infrastructure for manufacturing and charging e-vehicles. Along with the efforts to spur investments in infrastructure building, the country is bringing back the focus on sustainable development, especially in light of its commitment to attain zero greenhouse gas emissions by 2070.



## 11. India Tops Global PMI Ranking

India continues to demonstrate exceptional economic resilience with PMI readings consistently above expansion thresholds, leading global economies in both manufacturing and services sectors. India's manufacturing sector gained momentum in the month of July as Purchasing Managers' Index (PMI) rose to a 16-month high of 59.1, up from 58.4 in June, despite global uncertainties and US tariffs, according to data released by S&P Global on July 2025.

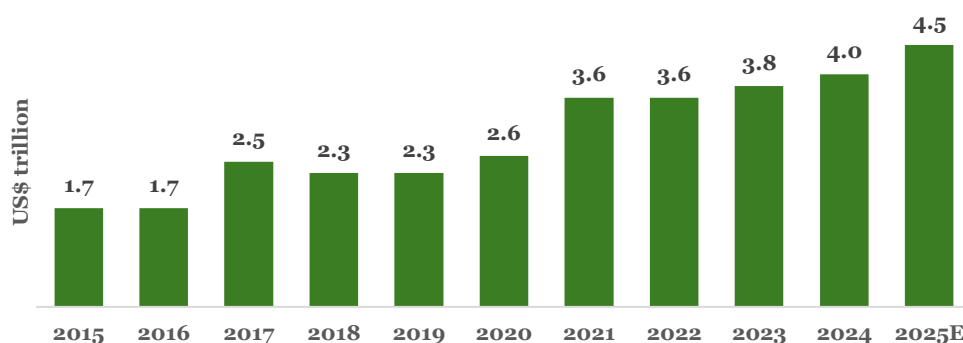
The HSBC India Manufacturing Purchasing Managers' Index (PMI) climbed to a 16-month high of 59.1, driven by strong gains in new orders and output, though business sentiment and hiring momentum showed signs of moderation. India's manufacturing sector remains on a strong footing entering the second half of FY2025. The sustained manufacturing resilience comes on the back of robust domestic demand and continued output expansion. This performance positions India as the top-performing economy globally in PMI rankings, outpacing major economies including China, the United States, and the Eurozone.

## 12. Indian Stock Markets – Fifth Largest Globally

India's stock market has demonstrated resilient growth in 2025, fueled by strong macroeconomic fundamentals and political stability. Since the formation of the new government in June 2024, benchmark indices such as Sensex and Nifty have surged to record highs, reaching 77,145 and 23,490 respectively in mid-June, and continued to show strength into July 2025. In July 2025, the Nifty 50 index recorded a record high of 25,461 compared to 24,323 in July 2024. During 2015-2025 period, the Nifty 50 exhibited a 11% growth, showing the medium-term resilience of Indian stock market.

India's stock market is the 5<sup>th</sup> largest globally with an overall capitalization of about US\$ 4.5 trillion, expanding by nearly 3 times in the last decade. By 2030, it is estimated to reach between US\$ 8 -10 trillion, indicating a bullish stock market driven by the factors such as strong economic growth, favorable demographics, and a rising domestic investor base. Key India companies with large capitalization include Reliance Industries, HDFC Bank and Bharati Airtel.

**Chart 21: India – Indian Stock Market Capitalization**



Source: World Bank

Due to geopolitical tensions in the Middle East and the US president, Mr. Donald Trump's tariff on trading partners shook the world economy, thereby affecting the Sensex and Nifty in the short run. India's stock market has resilient growth due to a combination of political stability, strong macroeconomic fundamentals, and investor confidence, reflecting medium to long term growth. Moody's projects the BSE Sensex to reach 82,000 within the next 12 months, indicating a 14% upside. This optimism stems from policy continuity, inflation moderation, and a focus on macroeconomic stability. Increasing foreign institutional investments with a 14% year-on-year growth in total FDI and rising retail participation have further supported market momentum, positioning India as a top-performing emerging market.



**Chart 22: Nifty 50 Ten-year Trend**



**Chart 23: BSE Sensex Ten-year Trend**



Source: Money Control

### 13. Morningstar DBRS Upgrades India's Sovereign Rating Outlook

The global sovereign credit rating agency, Morningstar DBRS, upgraded India's Long-Term Foreign and Local Currency – Issuer Ratings from **BBB (low)** to **BBB** with a **Stable** trend. India's Short-Term Foreign and Local Currency Issuer Ratings were also upgraded to **R-2 (high)** from **R-2 (middle)** with a **Stable** trend.

Key drivers for the upgrade include India's structural reforms through infrastructure investments, digitalization etc., all of which facilitated fiscal consolidation (declining debt and deficit) and sustained high growth (clocking an average GDP growth of 8.2% during FY22-25) with macroeconomic stability (stabilised inflation, range bound exchange rate and sound external balance). A resilient banking system featuring well-capitalised banks with a high capital adequacy ratio and a 13-year low non-performing loans was another significant driver for the upgrade.

The credit rating may be further upgraded if India continues to implement reforms that raise the investment rate, enhancing medium-term growth prospects. The report also stated that despite the current public debt levels, risks to debt sustainability are limited due to local currency denomination and long maturity structures. Further, continued reforms and a reduction in the public debt-to-GDP ratio could bring further upgrades.

The rating scale for Morningstar DBRS is similar to the Fitch and S&P rating scales (Morningstar DBRS uses 'high' and 'low' as suffixes compared to the +/- nomenclature used by Fitch and S&P).





## 14. India Leading Global South

The concept of Global North and Global South (or North–South divide in a global context) is used to describe a grouping of countries along the lines of socio-economic and political characteristics. The Global South is a term generally used to identify countries in the regions of Latin America, Africa, Asia and Oceania. Most of humanity resides in the Global South. Several countries in the Global South are characterized by low-income, dense population, poor infrastructure, often political or cultural marginalization, and are on one side of the divide. On the other side is the Global North (comprising the United States, United Kingdom, Canada, Europe, Russia, Turkey, Israel, Hong Kong, Macau, Japan, South Korea, Singapore, Taiwan, Australia, New Zealand and few others depending on context). As such, the terms Global North and Global South do not refer to the directional North-south as many of the Global South countries are geographically located in the Northern Hemisphere. Countries, which are developed, are considered as Global North countries, while those developing are considered as Global South countries.

**Figure 1: Global North and Global South**



Source: World Map

### How India Led Global South during its G20 Presidency...

India, for the first time ever, held a summit meeting of those countries that comprise the Global South. The Voice of Global South Summit, held virtually, was aimed at giving voice to the unheard, thereby leveraging India's role as the G20 president till 2023. It was held under the theme — Unity of Voice, Unity of Purpose — and attracted over 120 countries. Needless to say, the summit was truly grandiose, with 29 Latin American and Caribbean countries, 47 African countries, 31 Asian countries, eleven Oceanian countries, and seven European countries in participation. India's objective with the Voice of the Global South Summit was to create a shared platform to deliberate on such concerns, interests, and priorities that affect the developing countries as well as to exchange ideas and solutions, and most importantly, to unite in voice and purpose in tackling the aspects of shared concerns and priorities.

India taking the leadership of the Global South has several diplomatic dimensions. It broadens India's role in addressing the many challenges currently facing the international community. There is no doubt that the countries of the Global South raise their voice in the UN General Assembly and in the various international conferences organized under UN auspices. The Global South features many regional organizations, be it the African Union, ASEAN, Mercosur, the Caribbean Community, etc., where regional issues and concerns and their linkages with larger global developments are addressed. It is, therefore, not as if the voice of the Global South is not heard. It is in the specific context of G20 that India has taken the lead to reflect the broad concerns of the developing countries in the discussions on economic and financial issues, as well as larger developmental ones, in this more restricted and focused group of the world's leading 20 economies, created in the first place to address more purposefully pressing emerging issues of global economic growth and financial stability.







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## 15. India's Rise in the Global Supply Chain

Many supply chain leaders are diversifying their supply chains across global regions to reduce risk and increase flexibility in costs and lead times. 2024 presented many geopolitical headwinds, which exacerbated global tensions on supply chains. Based on research done by the Wall Street Journal, geopolitics is directly increasing supply chain costs. As a result, many companies are anticipating additional shockwaves as tensions mount in critical markets.

For supply chain leaders, this means exploring emerging global supply chain regions for diversification. India is one of those promising new regions. According to International Monetary Fund estimates, India will be the world's third-largest economy by 2027 or 2028, with a GDP of US\$ 5 trillion, bypassing Germany and Japan. Additionally, India has the second-largest English-speaking population globally and focuses on STEM education, with over two million graduates annually. This combination of an increasingly well-educated workforce and its strategic location near the Middle East, Europe, and West Africa, to Southeast Asia and East Asia, bolstered by well-established sea routes, make India an ideal place to do business.

### India's Emerging Role in the Global Supply Chain

According to the India Review, "India is emerging as a reliable alternate destination for manufacturers and supply chain diversification due to its large labor and consumer base, low operating costs, and linkages to important international markets." India is also appealing because of its strong economy, relative ease of doing business, and an increasing number of sectors open to foreign investment. India is poised to be a significant center of commerce moving forward.

### Indian Government Incentives, which Support Manufacturing

Companies like FedEx, Foxconn, Apple, and many well-known electronics, aerospace, and medical device companies are scaling up India operations. Part of the reason is likely the incentives. The National Policy on Electronics (NPE), established in 2019 to position India as a global hub for electronics, encouraged the development of core components like semiconductor chips, graphics chips, motherboard chipsets, and other computing devices. This led to improved competitiveness globally for the electronics industry. Next, the Production Linked Incentive (PLI) program for large-scale electronics manufacturing offered a financial incentive to boost domestic manufacturing and attract significant investments in electronic components and semiconductor packaging. These incentives have now expanded to include fourteen additional industries.

### Industry Focus Areas for India Manufacturing

India's manufacturing sector has witnessed significant growth and diversification in recent years, with various industries playing a pivotal role in the country's economic development. From aerospace and defence to medical devices, automobiles, electronics, and space technology, India's manufacturing ecosystem is as diverse as it is dynamic.

**Aerospace:** India is an ideal location for manufacturing aircraft, spacecraft, and related components. Its aerospace manufacturing sector has steadily grown, focusing on military and commercial applications. The industry benefits from a skilled workforce, technological advancements, and government initiatives to promote aerospace manufacturing. India's aerospace manufacturing capabilities are increasingly gaining recognition on the global stage, with collaborations and partnerships with international aerospace companies contributing to this sector's growth.

**Medical Technology:** The medical technology (MedTech) sector is growing rapidly. For example, after opening its first facility in Gurugram in 2016, Boston Scientific, a US-based company, launched its second R&D center in Pune in 2023. India is home to the company's second-largest R&D centers outside of the United States of America. India's medical device manufacturing sector has also increased, with companies such as Trivitron Healthcare and Opto Circuits India Ltd. producing a wide range of medical equipment and devices for healthcare providers worldwide.

**Automotive:** India is becoming a significant player in the global automotive industry, with companies such as Tata Motors, Mahindra & Mahindra, and Maruti Suzuki manufacturing a diverse range of vehicles, from cars and motorcycles to commercial trucks and buses.



However, this is just the beginning. India is also focusing on developing a robust series of plans to strengthen international commerce, one of which is the **“Make in India”** initiative.

## Make in India Program

In 2014, Indian Prime Minister Narendra Modi started the **“Make in India”** program to strengthen the case for India globally. The stated purpose of the campaign is to facilitate investment, foster innovation, enhance skill development, protect intellectual property, and build a best-in-class manufacturing infrastructure. The resulting job creation and increase in foreign investment directly impact 25 identified sectors, including railways, defence, insurance, and medical devices.

## Why India is the Next Manufacturing Hub?

- **Indian Government** – Both the central and state governments are doing all they can to incentivize growth in manufacturing. If anything, states are competing to win foreign investment.
- **Focus on Manufacturing** – The focus on manufacturing has ‘left the station’ and that the next government will continue to invest here.
- **Strategic Alliances** – Along with Apple, Tesla and Samsung, which have moved their investment focus to India, Walmart and other large organizations have also changed their focus to India. In November 2023, Walmart was reported to have reduced its imports with China and upped its Indian partnerships. Reuters reported that Walmart was “Importing more goods to the United States from India and reducing its reliance upon China as it looks to cut costs and diversify its supply chain.” Walmart has had a significant interest in India proven by the US\$ 3.5 billion investment towards their stake in Flipkart showcasing their support and goals in India. The telecommunications firm Cisco has also made the decision recently to start manufacturing in India stating that fueled by a rapidly developing digital economy, India is a focal point of innovation and business for Cisco.
- **Investment in Infrastructure** – India is already investing heavily in infrastructure, which will continue to accelerate.
- **Targeted Investments in Critical Areas** – Some industries have special economic zones, particularly around semiconductors and fabrication plants.
- **Bureaucracy or Pro-business** – There continue to be tensions between old bureaucracy (very slow) and ‘Invest India’, which focuses on increasing the ease of doing business in India.
- **The Potential of a Growing Middle Class** – The middle class in India have been reported to be the fastest-growing demographic group with a 6.3% rise between 1995 and 2021. The middle class is estimated to represent 38% of the Indian population by 2031. This shift in demographics is the driving force of the economy leading to higher volume growth, an ever-growing demand from a pool of consumers, more competition and lower prices including a large working force at the ready empowered by education.
- **Indian Education** – The top-tier schools produce employment-ready talent, but there is a huge gap between the next tier of schools. On the other hand, there is a high degree of cooperation between industry and universities to bridge this gap.
- **Independence and Influence** – Unlike China and Vietnam, India is not dependent on other countries for its manufacturing goals. Vietnam resources most materials from China and is used as a primary assembling hub, while for India, most of the raw materials needed are made there and are easily accessible. The **“Make in India”** initiative that was introduced in 2014 has focused on boosting the country's manufacturing capabilities including electronics, pharmaceuticals, and textiles. India is also strategically located making it an ideal spot for global trade routes.

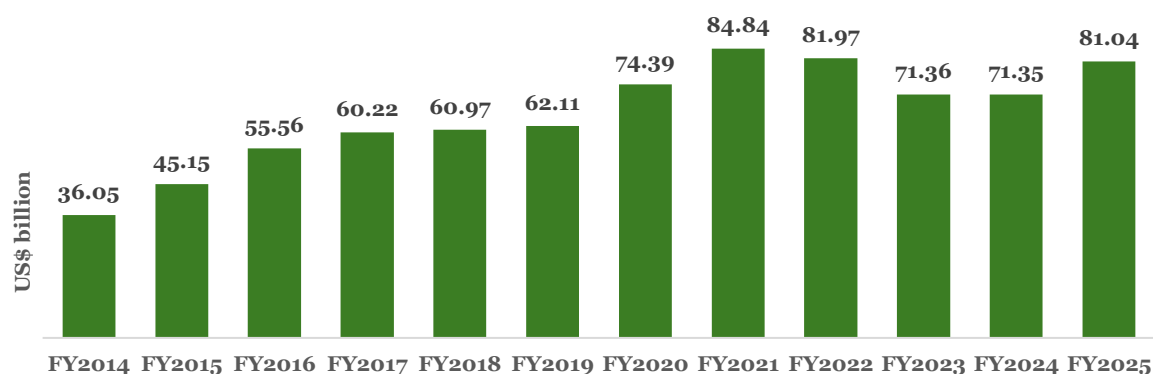
Furthermore, besides engineering a diplomatic triumph for the Global South in the G20 summit last year, India strategically positioned itself in something equally momentous on the sidelines: the India-Middle East-Europe Economic Corridor (IMEEC). Once completed, the IMEEC, a cross-border ship-to- rail network, could enhance trade speed between India and Europe by 40%, establishing India as a pragmatic and agile global ally. From far-east to west and south, India has everyone's attention and capital is gradually flowing in to drive manufacturing growth.



## 16. FDI – A Key Catalyst for India’s Economic Growth

Foreign Direct Investment (FDI) stands as a key catalyst for India's economic growth, constituting a substantial non-debt financial reservoir for the nation's developmental endeavors. International corporations strategically invest in India, capitalizing on the country's unique investment incentives, including tax incentives and relatively competitive labor costs. This not only facilitates the acquisition of technological expertise but also fosters job creation and various ancillary advantages. The influx of these investments into India is a direct result of the government's proactive policy framework, a dynamic business environment, improving global competitiveness, and a burgeoning economic influence.

Chart 24: Chart India – FDI Inflow Trend



Source: RBI

The Indian government has implemented a range of policies and initiatives to enhance Foreign Direct Investment (FDI) in the country. Notable efforts include the **"Make in India"** campaign, which focuses on simplifying procedures and promoting a favourable investment climate across sectors. Liberalization of FDI policies, particularly in retail, defence, insurance, and single-brand retail trading, has been a key strategy. The Goods and Services Tax (GST) implementation has improved transparency, while Special Economic Zones (SEZs) provide dedicated spaces with tax incentives. India's Service sector, Computer software and hardware and Trading have been the major receivers of FDI. The total amount of EFDI (E-FDI i.e. FDI in technology sector) inflows received during (April 2000-March 2025) was US\$ 728.88 billion. This FDI has come from more than 170 countries that have invested across 33 union territories and states and 63 sectors in the country.

India has reached a significant milestone in its economic development, with gross foreign direct investment (FDI) inflows totalling an impressive US\$ 1 trillion since April 2000. This achievement has been further strengthened by a nearly 26% increase in FDI, amounting to US\$ 42.1 billion during the first half of the FY2025. Such growth underscores India's rising attractiveness as a global investment destination, fuelled by a proactive policy framework, a vibrant business environment, and enhanced international competitiveness.

## 17. India’s Exports Reach a Record High in FY2025

India's total exports have touched an all-time high of US\$ 824.9 billion in the financial year 2024–25, as per the latest data released by the RBI on services trade for March 2025. This marks a growth of 6.01% over the previous year's export figure of US\$ 778.1 billion, setting a new milestone in the country's trade trajectory. Services exports continued to drive the growth momentum, reaching a historic high of US\$ 387.5 billion in FY2025, up 13.6% from US\$ 341.1 billion in the previous year. For March 2025, services exports stood at US\$ 35.6 billion, reflecting a year-on-year growth of 18.6% compared to US\$ 30 billion in March 2024.





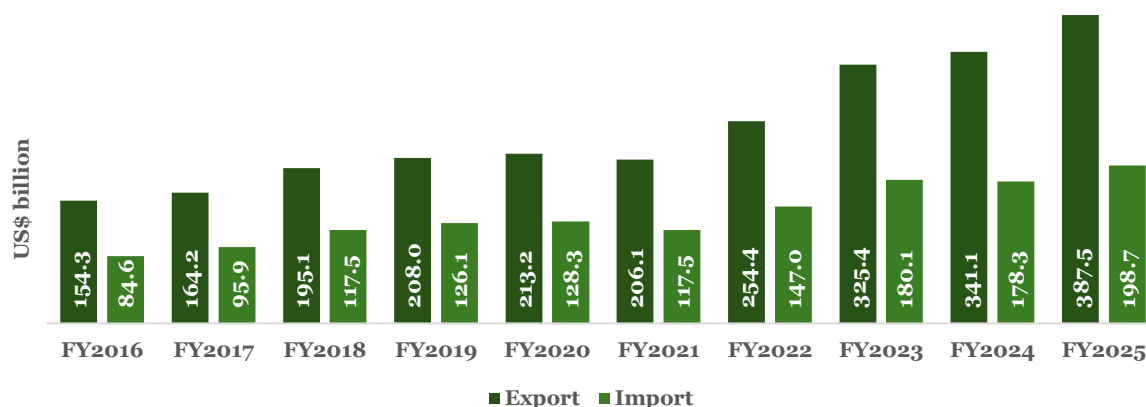
**Table 1: India's Trade Performance in FY2025**

	Export/Import	FY2025 (US\$ billion)	FY2024 (US\$ billion)
Merchandise	Export	437.42	437.07
	Import	720.24	678.21
Services	Export	383.51	341.06
	Import	194.95	178.31
Overall trade (Merchandise + Services)	Export	820.93	778.13
	Import	915.19	856.52
	<b>Trade Balance</b>	<b>-94.26</b>	<b>-78.31</b>

**Chart 25: Indian Goods Export and Import Trend**



**Chart 26: Indian Services Export and Import Trend**



Source: Ministry of Commerce & Industry, India





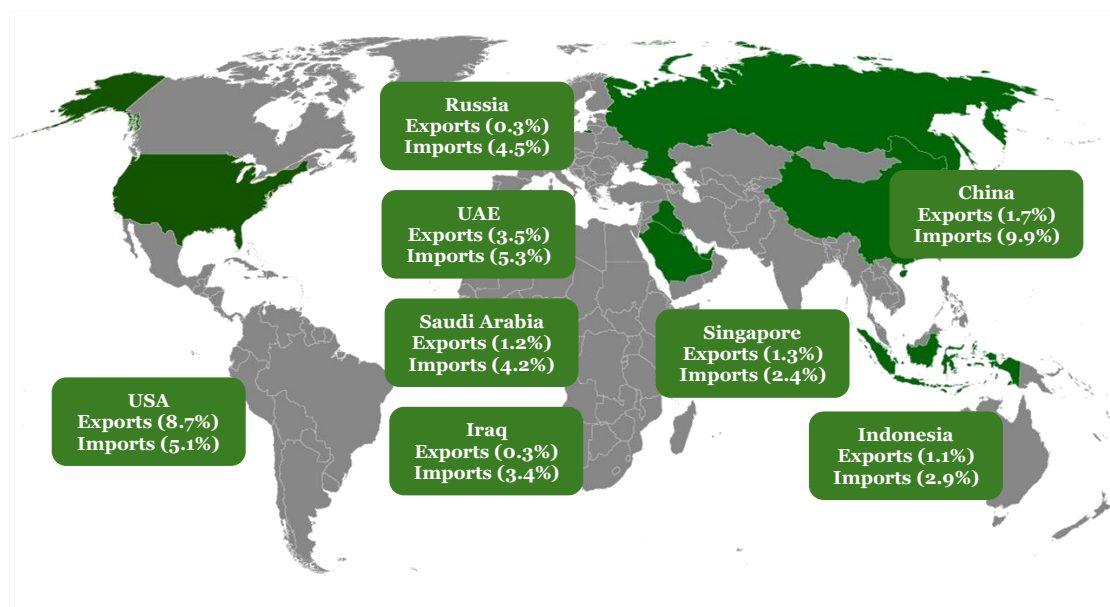
*India is building world's highest all-season motorable pass at 19,400 ft in Ladakh.*







**Figure 2: India – Top Eight Trading Partners (FY2025)**



**Table 2: India – Total Trade with Top Eight Trading Partners (FY2025)**

Rank	Country Name	Exports (US\$ billion)	Imports (US\$ billion)	Total Trade (US\$ billion)
1	United States	71.39	46.82	118.21
2	China	13.6	90.72	104.32
3	UAE	28.76	48.88	77.64
4	Saudi Arabia	9.69	38.62	48.31
5	Russia	2.8	41.56	44.36
6	Indonesia	9.06	26.89	35.95
7	Iraq	2.33	31.52	33.85
8	Singapore	11	21.7	32.7

Source: Ministry of Commerce & Industry, India, ECOFIN Research

## US Remains India's Top Trade Partner Followed by China...

The US has been India's top trading partner for the fourth consecutive year, with a strong focus on exports of pharmaceuticals, textiles, and machinery. Despite trade deficits and some tariff impacts, China remains a major trading partner, particularly for imports of goods like electronics and machinery. The UAE is a significant partner, with India exporting petroleum products, precious stones, and jewelry.

## Indian Defence Exports Surge to Record High...

Indian defence exports have surged to a record high of US\$ 2.76 Billion in FY2025, registering a growth of 12% from FY2024. Indian defence exports have grown by 31 times in the last ten years as compared to FY2014. The defence industry, including the private sector and Defence Public Sector Undertakings (DPSUs), have made tremendous efforts in achieving the highest-ever defence exports. The DPSUs have shown a significant increase of 42.9% in their exports in FY2025 reflecting the growing acceptability of Indian products in the global market and the ability of the Indian defence industry to be a part of the global supply chain. The private sector contributed significantly in FY2025.

## India Seeking New Exports Markets...

India's Ministry of Commerce intends to promote iron ore exports to Kenya, Saudi Arabia, and France. Additionally, it has identified new markets for engineering items in Sao Tome, Macao, Georgia, and Croatia. For agricultural and processed food products, it has secured markets in Nigeria, Switzerland, and Lithuania, and for pharmaceuticals, it is exploring new markets such as Montenegro and South Sudan.

To support these initiatives, policy interventions are underway to strengthen ties with the processed food industry through the Agricultural and Processed Food Products Export Development Authority (APEDA). Additionally, the government is contemplating lifting bans on certain exports, such as wheat and rice, to further balance trade dynamics.

## 18. India Digital Architecture

India's digital architecture has strengthened significantly in the past five-six years, including the universe of finance, payment systems, nationwide identification framework, distribution of welfare schemes, healthcare official data stack intended to solve social/ inclusion needs, and logistics, besides others. This has been supported by a sharp rise in mobile phone subscribers (~700 million) and increasing Internet penetration.

To some extent, the digital/tech infrastructure has also helped to overcome gaps in physical infra, for instance through proliferation of e-commerce players (last mile delivery) and start-ups. Number of start-ups are estimated to be over 159,000 by mid-2025 spread over 50 sectors, with the count of unicorns at near 118, according to the Hurun Global Unicorn index. India is the largest global start-up ecosystem and the third-largest unicorn hub globally, behind the US and China. The total valuation of Indian unicorns, presently, is over US\$ 363 billion, according to Inc42.

Developments in Indian Digital Architecture include:

- Digital national identification i.e., Aadhar, which is the world's largest biometric identification system, enrolling over 1.3 billion residents and supporting 1.5-2.0 million monthly authentication transactions (dashboard)
- Surge in electronic, mobile, and contactless payment mechanisms, notable amongst which is Unified Payments Interface (UPI) to facilitate real time transactions and transfers. This interface processed over 50 million transactions in 2023, largest in the world and 7x the combined volume of major economies, according to ACI Worldwide
- E-governance, includes the government's efforts to improve direct delivery of welfare schemes to the intended beneficiaries
- Increasing use of the FASTag mechanism i.e., a RFID tag to make toll payments directly from customers linked prepaid or savings/current account, which has improved efficiency on national highways
- Establishment of India Stack which is a set of APIs (Application Programming Interface) developed by the government and private sector players, helping to launch several flagship initiatives
- Telemedicine and consultation have improved the efficiency of the healthcare system, accelerated by the pandemic.

National eGovernance Division has been entrusted with the mandate to form a division called India Enterprise Architecture (IndEA) to drive the initiative across Government Ministries, States and other Agencies.

Under the overarching vision of Digital India Programme, Government of India aims to make all Government services digitally accessible in an integrated manner to citizens through multiple channels like web, mobile and common service delivery outlets. Also, users have become tech-savvy and now demand faster delivery of services which match with those of private sector and other eGovernance delivering Nations across the world. The United Nations eGovernance survey emphasized on a whole-of-government approach, policy integration and use of Big Data Analytics to provide better governance to citizens. These trends require breaking of sectoral barriers and silos & re-architecting the Government as a single enterprise. Accordingly, a working group was constituted by Standardization Testing and Quality Certification (STQC), MeitY under the leadership of former IT Secretary, Shri J. Satyanarayana, to develop the India Enterprise Architecture (IndEA) framework.



IndEA provides a generic framework, (based on The Open Group Architecture Framework -TOGAF) comprising of a set of architecture reference models, which can be converted into a Whole-of-Government Architecture for India, Ministries, States, Govt. Agencies etc. The IndEA framework is based on federated architecture approach and recognizes the need to accommodate both greenfield (new) and brownfield (existing / legacy) eGovernance initiatives.

India Enterprise Architecture aims at the following:

- Documenting and sharing explicit and implicit architecture best practices
- Providing guidance in the development of enterprise architectures
- Capturing key elements of architecture and inter-relationships between them
- Providing the means for architecture governance by enabling an audit process
- Enabling adoption of standards based on common understanding
- Along with the IndEA framework, an IndEA Adoption Guide has also been prepared. The IndEA adoption guide summarizes IndEA and other pioneering enterprise architecture initiatives in the government sector to elaborate the way IndEA can be used by Central Ministries, State Governments, Government Agencies and Public Sector Enterprises who wish to re-architect their enterprises for integrated delivery of digital services.

## 19. Free Trade Agreements

India is having and has been negotiating free trade agreements (FTA) with several partners – both bilateral and regional – in a bid to boost export-oriented domestic manufacturing. These FTAs cover a wide array of topics, such as tariff reduction impacting the entire manufacturing and the agricultural sectors; rules on services trade; digital issues such as data localization; intellectual property rights that may have an impact on the accessibility of pharmaceutical drugs; and investment promotion, facilitation, and protection.

India has signed fourteen FTAs in the last five years with its trading partners, including the India-Mauritius Comprehensive Economic Corporation and Partnership Agreement (CECPA), India-UAE Comprehensive Partnership Agreement (CEPA – in effect from May 2022), India-Australia Economic Cooperation and Trade Agreement (IndAus ECTA – in effect from 29 December 2022) and India - UK Comprehensive Economic and Trade Agreement (CETA). India is actively negotiating with the Canada, EU, and Israel to conclude FTAs.

India has also signed six Preferential Trade Agreements (PTAs) including Asia Pacific Trade Agreement (APTA).





**Table 3: India's Free Trade Agreements: Grouping, Type of Arrangement, Status**

Grouping	Number of Member Countries	Member Countries	Type of Agreement, Stage of Implementation
Asia-Pacific Trade Agreement (APTA)	7	India, Bangladesh, China, South Korea, Sri Lanka, Lao PDR, Mongolia	The preferential regional trade agreement, in effect
India ASEAN Trade in Goods Agreement (India-ASEAN TIG)	11	Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam, and India	Free trade agreement (FTA), in effect
Bangladesh, India, Myanmar, Sri Lanka, Thailand Economic Cooperation (BIMSTEC)	7	Bangladesh, India, Myanmar, Sri Lanka, Thailand, Bhutan, and Nepal	FTA, under negotiation
Global System of Trade Preferences (GSTP)	42	Algeria, Argentina, Bangladesh, Benin, Bolivia, Brazil, Cameroon, Chile, Cuba, the Democratic People's Republic of Korea, Ecuador, Egypt, Ghana, Guinea, Guyana, India, Indonesia, the Islamic Republic of Iran, Iraq, Libya, Malaysia, Mexico, Morocco, Mozambique, Myanmar, Nicaragua, Nigeria, Pakistan, Peru, Philippines, Republic of Korea, Singapore, Sri Lanka, Sudan, Thailand, Trinidad and Tobago, Tunisia, the United Republic of Tanzania, Venezuela, Vietnam, Zimbabwe, and Mercosur.	PTA, in effect
South Asia Free Trade Agreement (SAFTA)	7	Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka	FTA, in effect
India-Nepal Treaty of Trade	2	India, Nepal	Specified duty-free access to the Indian market on a non-reciprocal basis, in effect
India Sri Lanka Free Trade Agreement (ISLFTA)	2	India, Sri Lanka	FTA, in effect
India Mauritius Comprehensive Economic Cooperation and Partnership Agreement (India-Mauritius CECPA)	2	India, Mauritius	CECPA, in effect
India-Malaysia Comprehensive Economic Cooperation (IMCECA)	2	India, Malaysia	CECA, in effect
India Singapore CECA	2	India, Singapore	CECA, in effect
Grouping	Number of member countries	Member countries / participating states	Type of agreement, stage of implementation
Japan-India Comprehensive Economic Partnership Agreement (JICEPA)	2	India, Japan	CEPA, in effect
India Korea CEPA (IKCEPA)	2	India, South Korea	CEPA, in effect
India EU Broad Based Trade and Investment Agreement (BTIA)	28	India and the EU (Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, and Sweden)	FTA, under negotiation
India Israel FTA	2	India, Israel	FTA, under negotiation
India Canada CEPA	2	India, Canada	CEPA, under negotiation
India Peru FTA	2	India, Peru	FTA, under negotiation
India Chile PTA	2	India, Chile	PTA, under negotiation
India New Zealand FTA	2	India, New Zealand	FTA, under negotiation
India Australia Comprehensive Economic Cooperation Agreement	2	India, Australia	ECTA, operational since December 29, 2022
India UK FTA	2	India, UK	FTA, in effect
India UAE Comprehensive Economic Partnership Agreement	2	India, UAE	CEPA, operational since May 1, 2022

Source: Ministry of Commerce & Industry, India











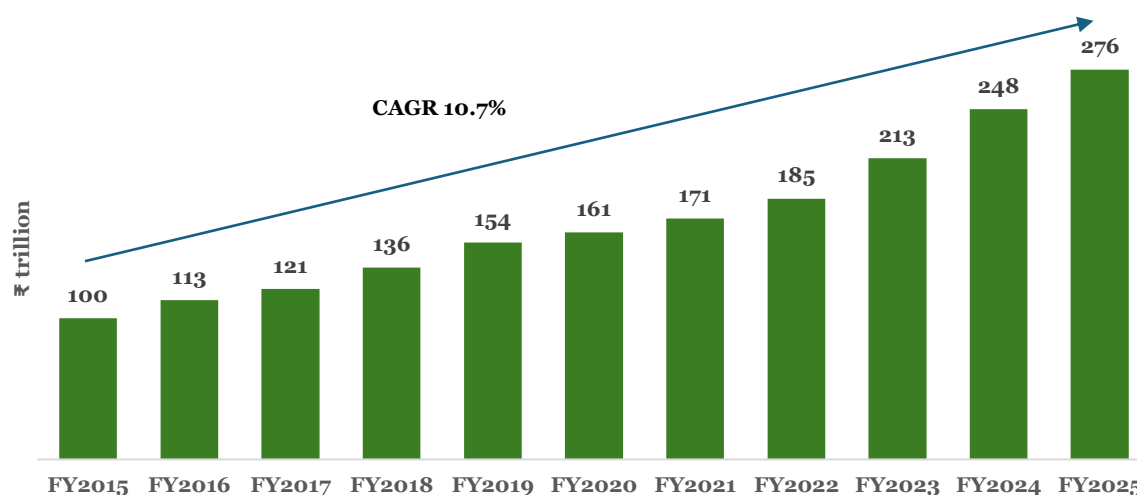
*Vande Bharat Express Train*



## 20. Credit Growth

Indian credit growth in FY2025 stood at 11.3% as compared to a growth of 16.4% in FY2024. Indian banks are set to benefit from an expected uptick in credit growth after posting solid results for the year ended 31 March 2025 as liquidity conditions improve and interest rates fall.

Chart 27: India Credit Trend



Source: RBI, ECOFIN Research

All six of the largest public and private sector banks in India logged growth in their fiscal full-year net income, helped by steady margins and lower provisions, according to data compiled by S&P Global Market Intelligence. Net income at State Bank of India, the country's largest lender, rose 16.1% to ₹ 709.01 billion, with a net interest margin of 2.81%. HDFC Bank Ltd., the country's largest private sector bank, logged a 10.7% increase in net income, with its net interest margin clocking in at 3.45%.

Average loan growth at the banks is projected to slightly exceed 12% in FY2026, and 13% in FY 2027, according to Visible Alpha's mean estimates based on at least three analyst contributions.

## 21. Energy Transition

In FY2025, India installed a total capacity of 220.10 GW renewable energy. By 2030, India aims to have 500 GW of renewable energy. Solar energy contributed the most to the year's capacity expansion, with 23.83 GW added in FY2025, a significant increase over the 15.03 GW added compared to FY2024. Furthermore, India has 169.40 GW of renewable energy projects under implementation and 65.06 GW already tendered.

The following is the installed capacity for Renewables:

- Wind power: 50.04 GW
- Solar Power: 105.65 GW
- Biomass/Co-generation: 11.58 GW
- Small Hydro Power: 5.10 GW
- Hybrid systems, round-the-clock (RTC) power, peaking power, and thermal: 65.29 GW



As of 2024, the Indian government approved 57 Solar Parks across thirteen states with aggregate capacity 39.28 GW. Following list of activities in renewable energy will be considered for trading carbon credits under bilateral/ cooperative approaches under Article 6.2 mechanism as assigned under the National Designated Authority for the Implementation of the Paris Agreement (NDAIAPA):

- Renewable energy with storage (only stored component)
- Solar thermal power
- Off-shore wind
- Green Hydrogen
- Tidal energy, Ocean Thermal Energy, Ocean Salt Gradient Energy, Ocean Wave Energy and Ocean Current Energy
- High Voltage Direct Current Transmission in conjunction with the renewable energy projects
- Green Ammonia

India is currently standing at a crucial junction where the potential of renewable energy promises a transformative impact on its economy. Mirroring the success of China in leveraging clean energy to drive economic growth, India's energy transition could be one of the largest economic opportunities in recent decades, estimated to be a multi-trillion-dollar sector. India's commitment to clean energy is rapidly becoming evident in significant investments across renewables, grid infrastructure, energy storage, and electric mobility. Let's delve into how this transformation will shape India's economy over the next decade.

## Investment and Growth

India is experiencing rapid growth in electricity demand, outpacing major global economies. With a projected annual clean energy investment of US\$ 250 billion—comparable to China—India plans to commission 500 GW of renewable energy capacity by 2030, expected to contribute over 40% of its new electricity generation. This positions India as a global leader in clean energy transition.

## Sector Performance and Job Creation

By 2030, the country is expected to create over 1.3 million jobs in the renewable energy sector, driven by expansions in solar, wind, and bioenergy. Further job creation will be spurred by investments in grid infrastructure, energy storage, and electric vehicles (EVs), strengthening India's clean energy ecosystem and boosting inclusive economic development.

## Industrial Growth and Energy Transition

With 180,000 km of transmission lines added over the past decade, grid upgrades are key to scaling renewables. India has installed 80 GW of solar power. Wind capacity is also set to grow by 60% to reach 71 GW by 2030. This clean energy push will reduce coal dependence, cut energy imports (currently 3% of GDP), and strengthen energy security.

## Electric Transportation and Clean Energy Innovation

India's electric transportation sector is undergoing a major shift, led by rapid growth in the two-wheeler EV market, where penetration has risen from 1.2% in 2021 to 5.2% today. This momentum is supported by government incentives, rising consumer incomes, and expanding charging infrastructure.

## India's Energy Sector Going Forward...

India's clean energy transformation offers a compelling opportunity for investment and economic growth, potentially making the sector one of the largest economic opportunities in the past few decades. With ambitious renewable targets, significant investments in grid infrastructure, and a burgeoning electric transportation sector, India is set to reshape its economy while addressing pressing environmental challenges. The government, private sector, and Indian population are collectively driving this transformation, positioning the country for a sustainable and prosperous future.



## 22. Indian Rupee Going Global

As of 2024, banks from eighteen countries have been permitted by the Reserve Bank of India (RBI) to open Special Vostro Rupee Accounts (SVRAs) for settling payments in Indian Rupees.

Apart from that, India's Unified Payment Interface (UPI) has revolutionized the way businesses and customers handle money transactions across India. UPI remains the cornerstone of India's digital payment ecosystem. India has emerged as the global leader in fast payments, according to a recent note by the International Monetary Fund titled *Growing Retail Digital Payments: The Value of Interoperability*. At the heart of this transformation is the Unified Payments Interface, better known as UPI. Launched in 2016 by the National Payments Corporation of India, UPI has changed how people send and receive money in the country. The UPI system now serves 491 million individuals and 65 million merchants. It connects 675 banks on a single platform, allowing people to make payments easily without worrying about which bank they use.

India's Unified Payments Interface is also now the world's number one real-time payment system. It has surpassed Visa to take the lead in processing daily transactions. UPI handles more than 640 million transactions every day, compared to Visa's 639 million. This scale is extraordinary, especially when we consider that UPI achieved it in just nine years.

**Chart 28: UPI Vs. Visa Daily Transaction Volume**



Source: PIB, GoI

As on July 2025, twelve countries accept UPI payments for cross border transactions. These countries include:

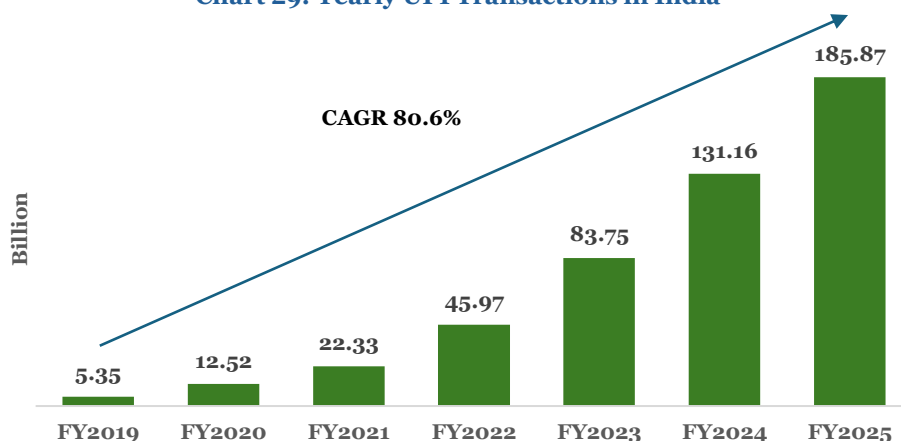
- **United Kingdom:** UPI payments can be seamlessly transferred through the UK's payment solutions provider, PayXpert, making easier for Indians.
- **Singapore:** The Indian government partnered with the Monetary Authority of Singapore to link India's UPI with Singapore's PayNow system. More than 12,000 merchants are accepting payment via such interface.
- **Bhutan:** Bhutan was the first country, after India, to introduce UPI payments using the BHIM app in 2021.
- **Russia:** In 2023, Russia had signed an agreement with India to accept UPI and RuPay payments.
- **Oman:** Oman and India entered into an agreement in 2023 to adopt India's UPI stack in the Omani system. A Memorandum of Understanding (MoU) was signed between the NPCI International Payments Limited (NIPL) and the Central Bank of Oman (CBO).
- **Malaysia:** The Malaysian government agreed to accept Indian UPI payments in 2021.
- **Qatar:** Qatar announced the launch of Indian UPI payment acceptance in 2023. Indians can make payments in Qatar using UPI apps like Google Pay, PhonePe, and Paytm.
- **UAE:** In 2022, the UAE went live with the UPI payments using their NeoPay app.
- **Sri Lanka:** In 2023, the Indian government and the Sri Lankan government signed an agreement to enable a UPI partnership between the two countries.
- **Nepal:** In 2024, the NPCI announced UPI payments for cross-border transactions with Nepal.
- **France:** In 2024, the Eiffel Tower accepted UPI payments in rupees from Indian users.
- **Mauritius:** Indians can make payments through UPI in Mauritius.





UPI has revolutionized digital payments in the country. In FY2025, UPI (Unified Payments Interface) in India handled 185.87 billion transactions, according to the RBI's annual report. This represents a substantial volume of digital payments, with UPI accounting for 84% of all retail digital transactions in the country. Y-o-y volume on UPI growth stood at a robust 41.7%.

**Chart 29: Yearly UPI Transactions in India**



Source: NPCI

## 23. India Quietly Laying Claim to Economic Superpower Status

The rise of China has been the biggest story in the global economy in recent decades. However, amid concern about its stumbling property market and global fears about inflation, the emergence of its neighbor, India, as a potential new economic superpower may be going under the radar. The UK and Japan have been overtaken by India as the world's fourth biggest economy. The nation of 1.4+ billion people is on track to move into third place behind the US and China before 2030, according to economists. While the world became familiar with Chinese business titans such as Alibaba founder Jack Ma, the staggering wealth accumulated in recent years by Indian billionaires Gautam Adani and Mukesh Ambani has been less well publicized.

India was for many years seen as the poor relation to China, held back by a sclerotic, sprawling state sector and labyrinthine bureaucracy. It still has enormous problems of poverty and poor infrastructure, but it is beginning to emerge as a rival to its large neighbor with the kind of economic growth figures that were once the pride of Beijing. India is still on track to expand by around 6%+ next fiscal year as it benefits from economic liberalization in the private sector, a rapidly growing working population, and the realignment of global supply chains away from China.

A key part of India's continued rise will be its ability to grow its manufacturing sector and challenge China as the world's No 1 exporter. India has already benefited from a large, well-educated, often English-speaking middle-class, helping the country to develop world-class IT and pharmaceutical sectors. It also has strong consumer demand, which accounts for about 55% of the economy compared with less than 40% in China. Now the trick will be to benefit from its youthful working population to position itself as a manufacturing power to rival China, where an ageing labor force and rising pay levels are reducing its competitive edge. With a geopolitical wedge opening up between China and the west, India also has the opportunity to grow in reshaped international supply chains.

Indian demand is expected to be strong due to its demographics, which is rather favorable with rising working-age population that will push for demand for essentials such as food and energy as well as infrastructure investment. The normalization of activities post-Covid as well as an increase in government spending, particularly in infrastructure investment, is helping growth.



## 24. India's Remarkable Transformation in a Decade: Morgan Stanley Report Highlights Ten Key Changes

India has gained positions in the world order with significant positive consequences for the macro and market outlook in a span of ten years, according to a new Morgan Stanley Research Report. In the report titled, 'India Equity Strategy and Economics: How India Has Transformed in Less than a Decade', authored by Morgan Stanley India's Chief Economist and Managing Director Ridham Desai in 2023, ten significant positive transformations India has experienced in recent years are outlined. Morgan Stanley has hailed the Indian success story and mapped India's growth in the last ten years. The Morgan Stanley report has defined how India has transformed itself in the last decade through its multiple policy reforms. The report states, "This India is different from what it was in 2013." The report highlights how India has gained position in the world order with 'significant positive consequences' for the macro market outlook. The report credits India's policy choices for the changes, which have had implications for the economy and market.

The report defends the 'top-performing' Indian stock markets over the past 25 years and highlights that the 'equity valuations are too rich' and maps ten significant changes that have taken place in India in the last ten years specifically because of policy changes since 2014.

### India's Ten Big Changes in Ten Years

1. Supply-side Policy Reforms
2. Formalization of the Economy
3. Real Estate (Regulation and Development) Act
4. Digitalizing Social Transfers
5. Insolvency and Bankruptcy Code
6. Flexible Inflation Targeting
7. Focus on FDI
8. India's 401(k) Moment
9. Government Support for Corporate Profits
10. MNC Sentiment at Multiyear High

The Indian economy has been steadily growing and the report projects positively for the future. Some of the areas in which the Morgan Stanley concludes India could draw strong success are manufacturing, export, consumption and a firm maintenance of inflation numbers.

India is on track to become the world's most sought-after consumer market while undergoing a major energy transition, witnessing a rise in the credit-to-GDP ratio, and seeing manufacturing take a bigger share of GDP, according to a Morgan Stanley report, published in mid-August 2025. The report noted that the falling intensity of oil in GDP, a rising share of exports—particularly services—and fiscal consolidation with a likely primary surplus in three years will help reduce the saving imbalance. This, it said, would enable structurally lower real interest rates in the economy, according to an ANI report quoting Morgan Stanley.

"India will become the world's most sought-after consumer market," the report stated, adding that lower inflation volatility, driven by supply-side improvements and policy changes such as flexible inflation targeting, will also reduce fluctuations in interest rates and growth rates in the coming years.

High growth combined with low volatility, falling interest rates, and a low beta could lead to higher price-to-earnings (P/E) ratios, the report said. This environment would support a structural shift in household balance sheets towards equities, already evident in sustained buying in the stock market. The low beta, it added, is underpinned by improved macroeconomic stability and household portfolio diversification. It also pointed out that current market performance hides the extent to which stocks have de-rated relative to long bonds and gold, even as India gains share in global GDP.



## 25. Union Budget FY2024-25 - Blueprint for Developed India, Inclusive Growth

Union Budget 2025-26 outlined the theme "**Sabka Vikas**", stimulating balanced growth of all regions. In line with this theme, it outlines the broad Principles of "**Viksit Bharat**" by 2047, encompassing zero-poverty, 100% good quality school education, access to high-quality, affordable, and comprehensive healthcare, 100% skilled labor with meaningful employment, 70% women in economic activities; and farmers making India the 'food basket of the world'.

The budget comes in the backdrop of a resilient economy with healthy macroeconomic fundamentals. The budget estimated the total receipts other than borrowings and the total expenditure are estimated at US\$ 384.56 billion (₹ 34.96 trillion) and US\$ 557.15 billion (₹ 50.65 trillion) respectively. The fiscal deficit is estimated to be 4.4% of GDP, indicating a commitment to fiscal prudence while supporting growth.

The budget has paid attention to agricultural development, employment generation, workforce upskilling, economic diversification with the boost in investment and MSMEs growth. For agricultural economic growth, introduction of "*Prime Minister Dhan-Dhaanya Krishi Yojana*", covering 100 low-productivity districts, benefiting about 17 million farmers. Launch of a six-year mission for pulses self-sufficiency emphasizing on Tur, Urad and Masoor, and focus on cotton, vegetables & fruits, Makhana in Bihar, fisheries, and high-yielding seeds.

No tax liability for individuals earning up to US\$ 1.4 million (₹ 1.275 million), up from US\$ 0.7 million (₹ 700,000) (earlier threshold). Revised tax slabs with maximum rate capped at 30% on above US\$ 2.64 million (₹ 2.4+ million) income, simplified by a forthcoming Income Tax Bill. This aims to offer a relief to middle class section of the economy, which is a major economic driver. Further, it will boost disposable income and will likely result in higher spending on goods and services, thus stimulating domestic demand, especially in sectors such as housing, retail, automobiles, and FMCG. In the financial market, with tax savings, individuals may invest more in mutual funds, insurance, pension schemes, and savings instruments. This deepens the financial markets and increases the availability of long-term capital for infrastructure and development financing.

The Union Budget 2025-26 positions MSMEs as the second engine of development through comprehensive support measures. The classification criteria for MSMEs have been revised, enhancing investment and turnover limits by 2.5 and 2 times respectively. To boost credit access, customized Credit Cards with a ₹ 500,000 limit will be issued to 1 million micro enterprises via the Udyam portal. A new ₹ 100 billion Fund of Funds and a scheme for 500,000 first-time entrepreneurs from women, SCs, and STs offering loans up to ₹ 20 million are announced. A National Manufacturing Mission also reinforces the Make in India vision.

The budget also offers significant support for the infrastructure development.

- Major spends on education, healthcare, skilling: AI labs, expanded IITs/IIMs, rural hospitals, cancer centers, Poshan 2.0, gig-worker welfare, and broadband to schools.
- Urban Challenge Fund, Maritime Development Fund, regional air connectivity expansion (UDAN scheme to 120 destinations), mining reforms, asset monetization plan, Nuclear Energy Mission, shipbuilding, tourism promotion and greenfield airport in Bihar.

These proposals signal the Union Government's intention to promote investment in innovation, export and financial sector reforms and sustainable practices to ensure long-term environmental and economic health. It also underscores its commitment to inclusive development and economic resilience. One is optimistic about this budget's potential for India's future as the nation navigates the path to become "**Viksit Bharat**", a developed nation, by 2047.











*Mumbai Highrise*

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