

*Economic  
Division*

# MONTHLY ECONOMIC REVIEW

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*July 2025*



आर्थिक कार्य विभाग  
DEPARTMENT OF  
ECONOMIC AFFAIRS

सत्यमेव जयते

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## *Abstract*

*Robust macroeconomic performance and sound fundamentals over the past few years have earned India a well-deserved sovereign rating upgrade by the S&P credit rating agency to 'BBB'. The rating upgrade underscores India's resilient growth, anchored inflation expectations, and stronger credit metrics, underpinned by fiscal consolidation and improved quality of spending.*

*Building on the growth momentum gained during Q1 of FY26, the Indian economy continues to reflect resilience in July 2025. Record e-way bill generation and a 16-month high in PMI manufacturing point to robust business activity. Further, the stronger expansion in the services PMI indicates growth in the services activity. Domestic demand remained buoyant, as reflected in FMCG sales, UPI transactions, and vehicle sales, supported by strong rural consumption, strengthening urban demand and favourable monsoon conditions. Forward-looking surveys of the Reserve Bank of India (RBI) signal broad-based improvements in business conditions, with rising capacity utilisation, stable inventories, and optimistic expectations across manufacturing, services, and infrastructure, underscoring sustained confidence in economic activity. Driven by a favourable base effect and deflation in food items, the headline inflation has continued to ease since October 2024, falling below the 2 per cent tolerance threshold in July 2025.*

*Fiscal performance during Q1 of FY26 reflects a strong capex push, with robust growth in capital expenditure alongside healthy revenue growth driven primarily by non-tax receipts. Gross tax revenue rose modestly on a high base, with moderation in direct collection given the tax cuts. However, improving GST collections in early Q2 point to resilient domestic demand.*

*In July 2025, India's total exports (goods and services) recorded a growth rate of 4.5 per cent (YoY), driven primarily by a 12.7 per cent growth (YoY) in core merchandise exports. As of August 08, 2025, the foreign exchange reserves stand at a comfortable level of USD 695.1, providing an import cover of 11.4 months.*

*In the dynamic global trade landscape, India has adopted a calibrated approach to negotiating FTAs, aiming to expand market access while protecting domestic interests. Recently, two major agreements, the India-UK CETA and the India-EFTA TEPA, have been concluded, and negotiations continue with a few other nations.*

*Favourable financial conditions in the economy support domestic activity. Sufficient liquidity in the banking system has facilitated the transmission of the policy repo rate cuts to the credit markets, and the overall flow of financial resources to the commercial sector has remained at almost similar levels during April-July 2025 compared to the corresponding period of the previous year.*

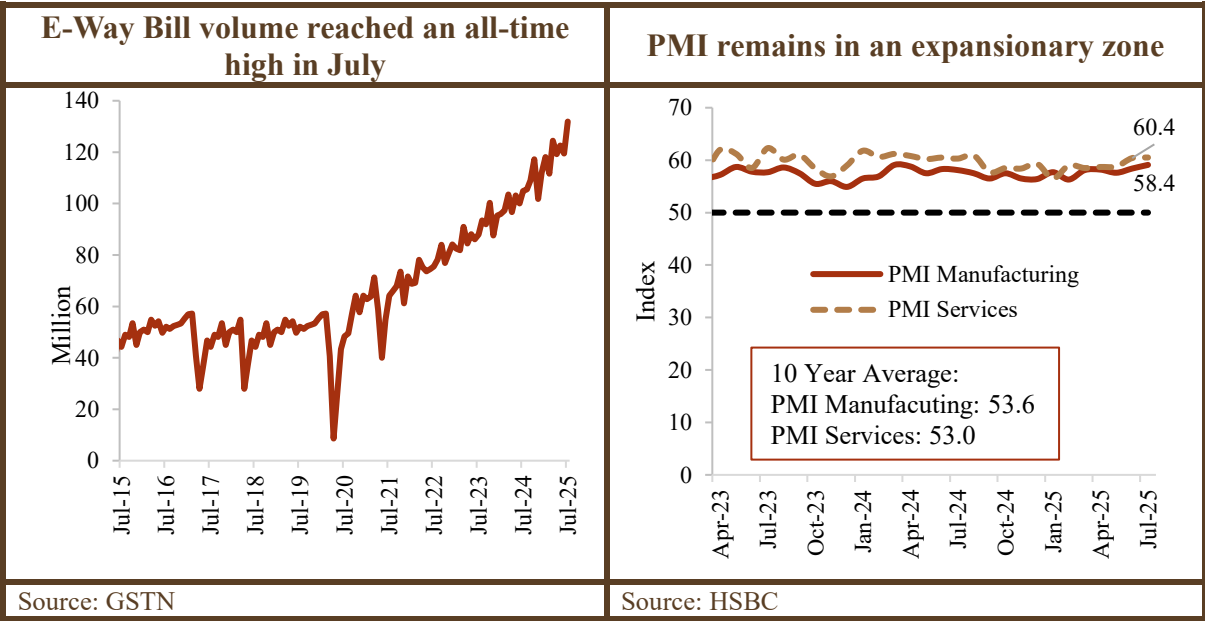
*The labour market witnessed positive momentum in July 2025 with an improvement in labour force participation and unemployment rate. White-collar hiring rose, accompanied by modest growth in jobs in the services and manufacturing sectors, as indicated by the employment sub-indices of the PMI. Formal job creation also strengthened, with the Employee Provident Fund Organisation recording an all-time high addition of net members during June 2025.*

*Going ahead, the robust macroeconomic fundamentals continue to bolster the resilience of the Indian economy. The government's recent policy initiatives, including the setting up of a Task Force for Next-Generation Reforms and the forthcoming GST reforms, deregulation initiatives of the States, coupled with the sovereign rating upgrade, are set to reduce borrowing costs, attract foreign capital, and bolster investment and consumption. These reforms mark the beginning of an accelerated phase of governance transformation, ensuring that India extends its own line of progress, becoming more resilient, inclusive, and globally competitive in an era of rising global economic self-interest.*

*While near-term risks to economic activity, principally exports and capital formation, remain due to tariff-related uncertainties, the government and the private sector, acting in tandem and concert, can keep the disruptions to a minimum. Setbacks eventually make us stronger and more agile, if handled properly. If the near-term economic pain is absorbed more by those who have the ability and the financial strength to do so, then small and medium enterprises in downstream industries will emerge stronger from the trade imbroglio. Now is the time to demonstrate an understanding of national interest.*

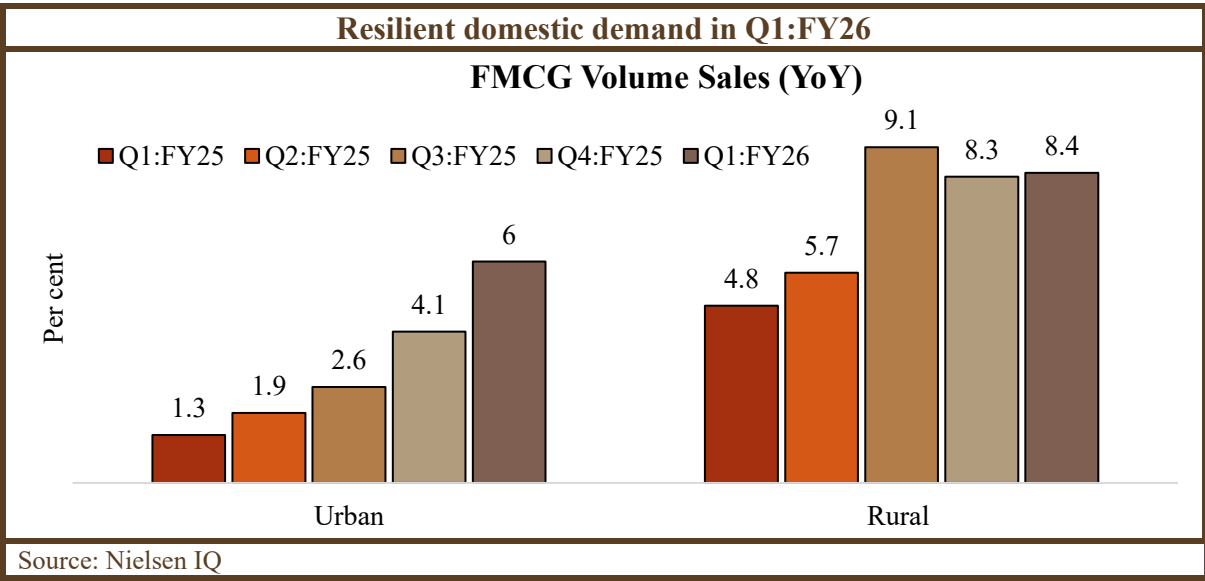
Resilient economic activity

- 1. The Indian economy continued to demonstrate resilience in July 2025 with growth impulses sustained across sectors. The momentum gained in the first quarter of FY26 continued in July, as reflected in the performance of high-frequency indicators. E-way bill generation reached an all-time high in July 2025, suggestive of strengthened business activity supported by pre-festive season inventory build-up and robust domestic demand. This was further complemented by PMI Manufacturing, which rose to a 16-month high in July on the back of stronger growth in new orders and output.
- 2. Energy demand remains stable, with petrol consumption increasing by 5.9 per cent and diesel consumption rising by 2.4 per cent in July 2025 on a year-on-year basis (YoY). Electricity consumption grew by 2.2 per cent as cooler temperatures than normal lowered the demand. Service activity gauged by Services PMI expanded at the fastest pace since August 2024, led by a pick-up in new export orders, suggesting robust external demand for Indian services. Trade activity held steady with port cargo growing by 4.0 per cent in July 2025, in line with pre-pandemic average growth trends observed during FY16-FY20.



- 3. Domestic demand remains resilient in Q1 of FY26 as suggested by FMCG volume sales data, with rural markets sustaining faster growth. Notably, urban consumption showed signs of strengthening, with volume growth increasing at a higher pace compared to previous quarters. Building on this momentum, consumer spending on groceries, restaurants and utilities accelerated in July 2025, with UPI transaction volume rising by 35 per cent on a YoY basis. However, growth in passenger vehicle sales remains subdued, growing by 1.5 per cent in July

2025. At the same time, rural consumption is supported by favourable progress in the monsoon, as evidenced in the higher growth of tractor and two and three-wheelers sales, registering an increase of 8.0 per cent and 9.1 per cent, respectively, in July 2025.

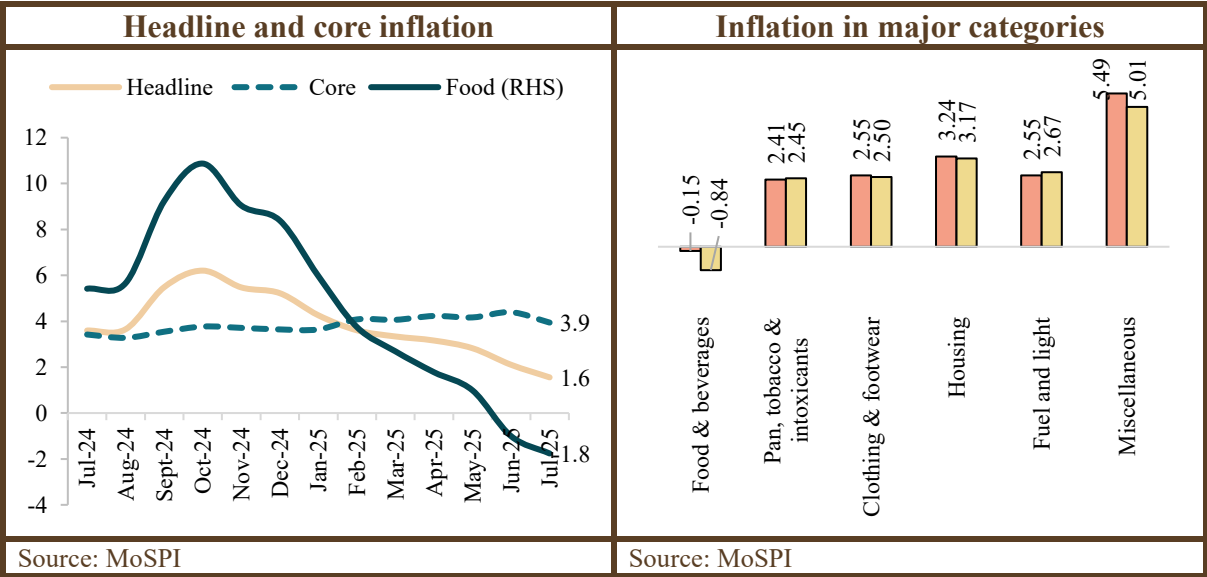


4. The Reserve Bank of India's forward-looking surveys, published in August 2025, indicate a broad-based improvement in business conditions. Capacity utilisation has risen both sequentially and year-on-year, driven by an increase in new orders, while inventory levels have remained stable in Q4 of FY25. The Industrial Outlook Survey shows that manufacturers remain highly optimistic about the overall business situation for the upcoming quarters, with improved expectations on production, order volumes, employment prospects, and capacity utilisation. Confidence is also evident in the services and infrastructure sectors, where the outlook for the remainder of the year appears increasingly favourable regarding the overall business situation, turnover, and employment.

5. The government's commitment to a capex-driven fiscal policy is underscored by the significant growth in capital expenditure in Q1 of FY26, which rose by 52 per cent on a YoY basis. Even when compared with the average capital expenditure in Q1 over the past three years, capex in Q1 FY26 was higher by 30.1 per cent, indicating that the increase reflects a sustained policy effort. On the revenue front, revenue receipts grew by 10.1 per cent in Q1 of FY26, driven by buoyant non-tax revenue receipts. Within tax collection, gross tax revenue grew by 4.6 per cent on a high base and was primarily supported by indirect tax revenue collection (11.3 per cent) as direct tax collection witnessed a slight moderation. The early signs in Q2 indicate that GST collection increased in July 2025, growing by 7.5 per cent year-on-year and 6.0 per cent month-on-month, supported by resilient domestic activity.

Inflation softened further

6. Since October 2024, headline inflation has been easing, reaching a low of 1.6 per cent in July 2025, well below the lower bound of 2 per cent of the inflation target range of 2% to 6%. This has largely been driven by a favourable base effect combined with deflation in food items. The stable pace of core inflation in the past six months has also moderated by 50 basis points to 3.9 per cent in July 2025. Inflation softened in all major sub-categories, except in fuel & lighting, where a slight uptick was observed. The annual YoY rate of inflation based on the All India Wholesale Price Index (WPI) number turned negative in June 2025 and declined further to (-) 0.6 per cent for the month of July 2025. This will boost estimates of real growth, making it difficult to gauge the underlying economic strength. Nominal quantities must be watched for that would affect the anticipated growth in tax revenues in the current financial year.



7. The decline in the rate of food inflation that began nine months before is continuing and has now turned into deflation for the second month in a row, from June 2025. The steep fall in pulses and vegetable prices and marginal decline in meat & fish (with a combined weight of 26 per cent in the food basket) continued in July 2025 as well, which brought deflation in overall food prices given their weightage. The prices of other food items have decelerated except in the categories of edible oils and fruits.

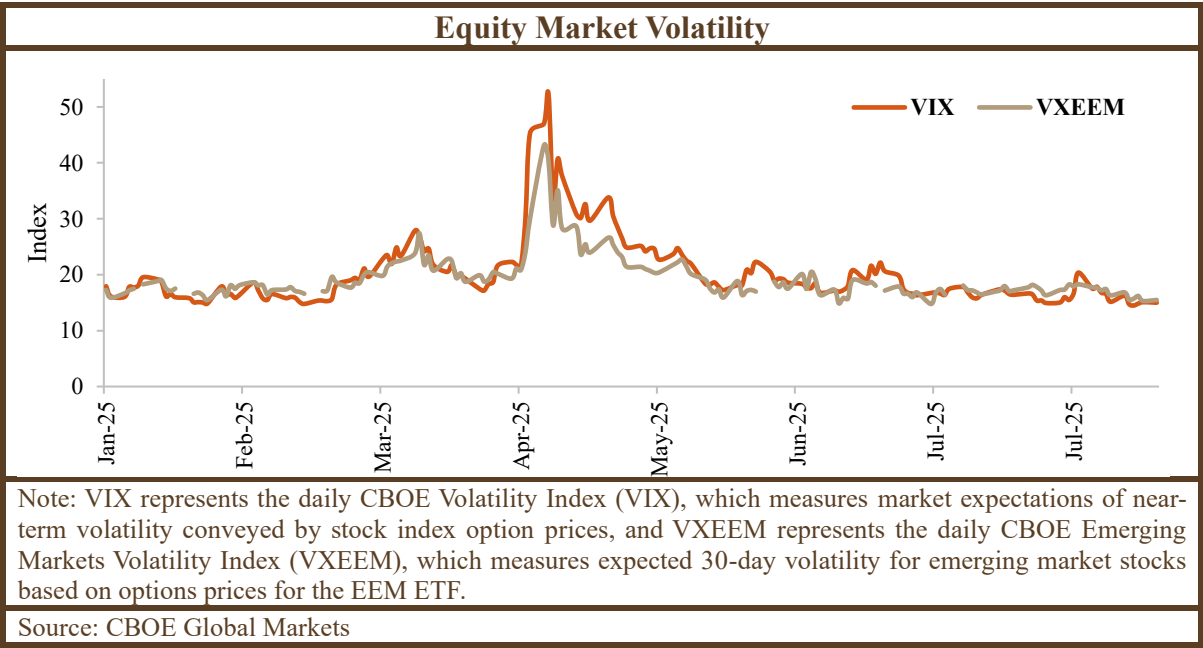
8. Favourable monsoon conditions, with above normal rainfall on average, are being reflected in the agricultural activity, with kharif sowing being completed in approximately 90.1 per cent of the normal area. As of 8 August 2025, total coverage under all kharif crops stood at

995.6 lakh hectares, up from 957.2 lakh hectares during the corresponding period of last year. Area sown under cereals was 9.5 per cent higher compared to the previous year. The sowing status under rice, pulses, and coarse cereals is also better than in the same period as last year. Higher sowing coverage supported by above-normal rainfall, comfortable buffer stocks and better output prospects for agriculture are expected to keep the food inflation rate quite low.

9. Keeping a close watch on evolving growth-inflation dynamics, the Monetary Policy Committee (MPC) continued its ‘neutral’ stance in its latest meeting in August 2025. Assessing that the transmission mechanism of the frontloaded rate cuts since February 2025 (100 bps) is still unfolding, the policy rate was kept unchanged at 5.5 per cent. As the headline inflation in Q1 FY26 (2.7 per cent) stayed below the projected figure of 2.9 per cent and the core inflation was moving steadily, the MPC maintained that the inflation outlook in the near term has become more benign than anticipated earlier. Accordingly, the average CPI inflation for 2025-26 has been revised down by 60 bps to 3.1 per cent. Further, the inflation forecast for Q2FY26 is revised down considerably from 3.4 to 2.1 per cent; for Q3, it was brought down from 3.9 to 3.1 per cent. RBI expects an uptick in inflation by the last quarter of FY26 (4.4 per cent).

Financial sector developments

10. In July 2025, global financial conditions have continued to ease compared to the earlier months, with both advanced and emerging market economies showing a strong risk appetite. Despite the presence of policy uncertainty, financial market volatility has remained relatively subdued, reflecting the markets' capacity to effectively absorb external shocks.





11. This period also coincided with shifting risk perceptions that led to repricing in the global commodity and currency markets. Since the end of 2024, the advanced economy currencies have appreciated by a median of 11 per cent vis-à-vis the US dollar, while emerging market currencies have appreciated by a median of 4 per cent, underscoring improved investor confidence and a renewed flow of capital toward developing economies. At the same time, gold prices have increased by 30 per cent since the end of 2024, demonstrating persistent demand for safe-haven assets and suggesting that even as investors recalibrate their exposure to risk, underlying caution continues to influence portfolio allocation.<sup>1</sup>

12. The Indian economy demonstrates a comparable trend, with overall financial conditions remaining relatively accommodative. This phenomenon is evident across various financial sectors, including the money market, government securities, and foreign exchange markets.<sup>2</sup>

## **Monetary and banking sector developments**

13. The maintenance of sufficient liquidity in the banking system by the RBI has ensured the availability of resources for enhanced economic activities, and transmission to money markets and credit markets remains smooth. System liquidity, as measured by the net position under the Liquidity Adjustment Facility (LAF), has been in surplus during June and July. The average daily net absorption under LAF stood at ₹3.13 lakh crore during the period June 16 to July 18, 2025, exhibiting a significant increase over ₹2.39 lakh crore during the period May 16 to June 15, 2025.<sup>3</sup>

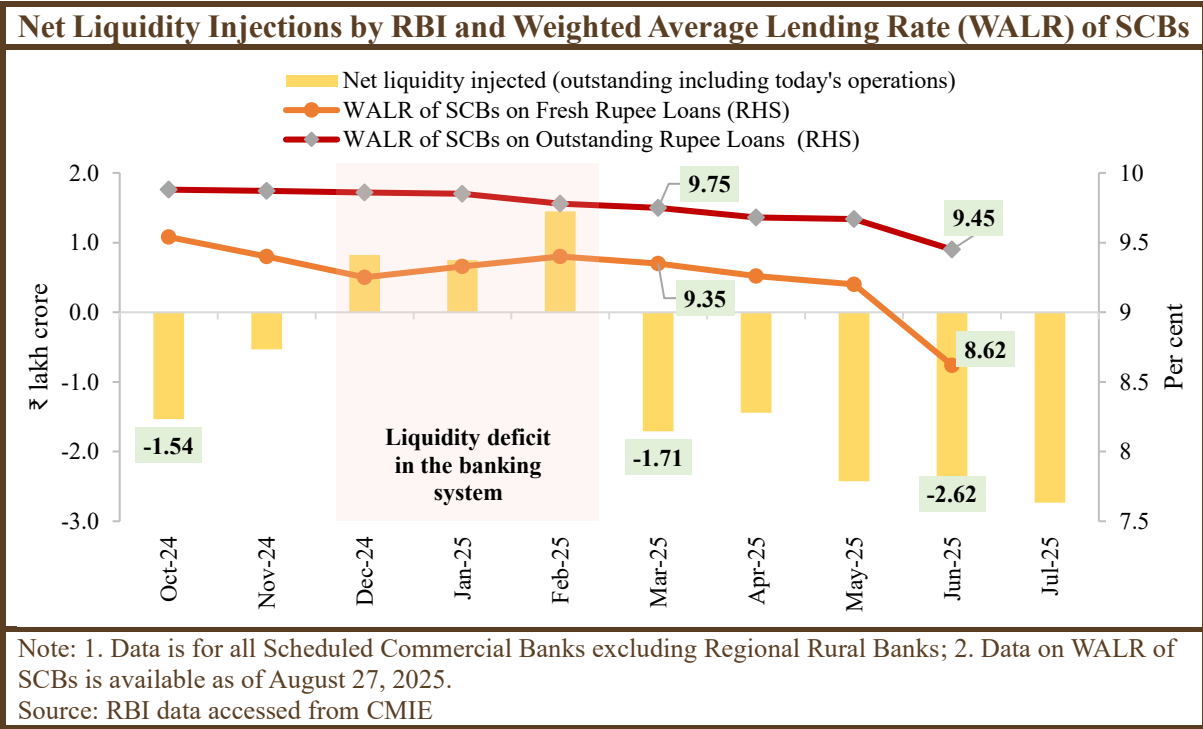
14. The sufficient liquidity in the banking system has facilitated the effective transmission of policy repo rate cuts to the lending rates of scheduled commercial banks (SCBs) throughout the current easing cycle (February 2025 – June 2025). As a result, the weighted average lending rate (WALR) of SCBs decreased to 8.62 per cent in June 2025, reaching the lowest level since October 2022. Similarly, the WALR on outstanding rupee loans also declined to a low of 9.45 per cent in June 2025, reaching its lowest level since December 2022.

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<sup>1</sup> World Bank's Global Monthly update July, 2025: <https://tinyurl.com/5n7rcbac>

<sup>2</sup> RBI's Monthly Bulletin, July 2025: <https://tinyurl.com/4pxytb3r>

<sup>3</sup> RBI's Monthly Bulletin, July 2025: <https://tinyurl.com/4pxytb3r>



15. As of July 25, 2025, the YoY credit growth of the SCBs was 10 per cent, against 13.7 per cent recorded a year ago. Concurrently, the deposit growth has also moderated to 10.3 per cent YoY, down from 10.6 per cent a year ago. This has resulted in the credit-deposit ratio of 79.24 per cent, similar to what was observed in July 2024.<sup>4</sup>

16. Even though the growth rate of the bank credit has moderated, the overall flow of financial resources to the commercial sector has remained at almost similar levels during April-July 2026 compared to the corresponding period of the previous year. In the period April-June 2025, issuances of commercial paper by non-financial entities increased to ₹0.78 lakh crore compared to ₹0.30 lakh crore a year ago.<sup>5</sup> Similarly, the private placement of corporate bonds also increased to ₹2.93 lakh crore compared to ₹1.56 lakh crore a year ago.

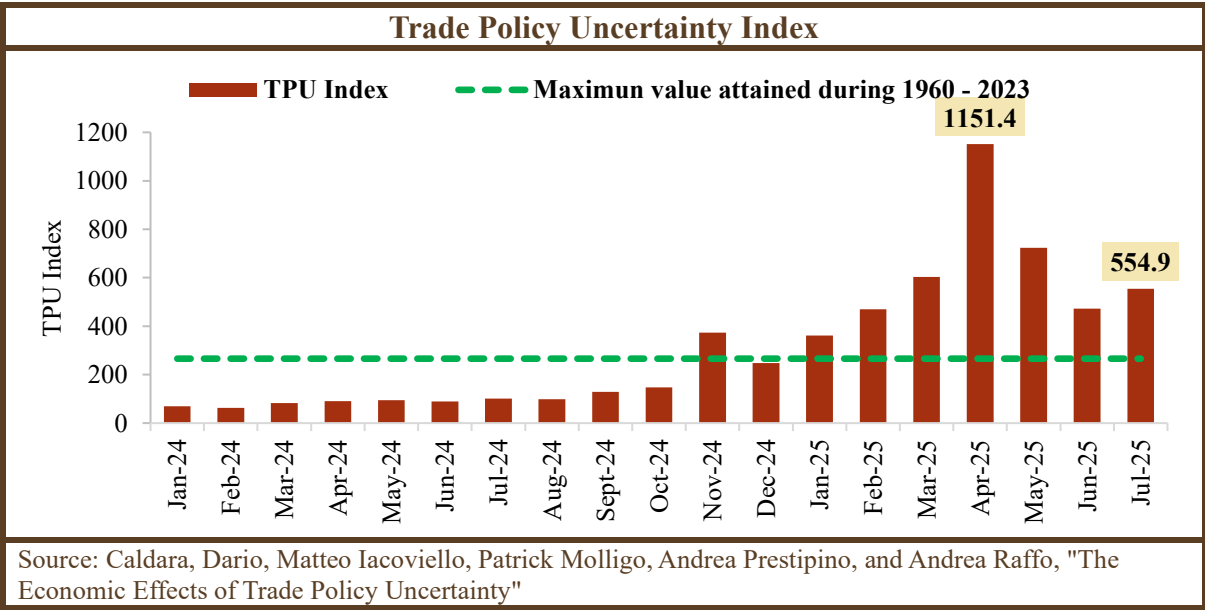
Global trade developments

17. Persistent shocks such as uncertainties related to tariffs, geopolitical tensions, and disruptions in supply chains have significantly impacted global trade dynamics. Despite these challenges, global trade has shown some resilience. Of course, it could be due to the

<sup>4</sup> RBI’s Weekly Statistical Supplement dated August 15, 2025: <https://tinyurl.com/43cnva7u>  
<sup>5</sup> RBI Governor’s Statement dated August 06, 2025: <https://tinyurl.com/msx692je>

frontloading of imports in anticipation of tariff deadlines as well as improvements in macroeconomic conditions. The adverse impact may be on its way. According to the WTO’s Trade Forecasts, the world’s merchandise trade is projected to grow by 0.9 per cent in 2025, significantly lower than the 2.7 per cent estimate before the tariff increases. It is pertinent to note that the effects of these tariffs are still emerging, and they are expected to have a dampening effect on trade in the latter half of 2025 and throughout 2026.<sup>6</sup>

18. At the same time, uncertainty reigns in the global trading environment. It has an ongoing impact on business confidence, investment and supply chains. The Trade Policy Uncertainty Index, which had started to come down since its peak levels in April 2025, has increased by 17.4 per cent on a month-on-month basis in July 2025. Given the importance of the U.S. market for India’s goods exports and the tariff rates that would apply to a significant portion of India’s merchandise exports to the United States, India would face these effects, unless the uncertainty is resolved soon, resulting in lower duties.

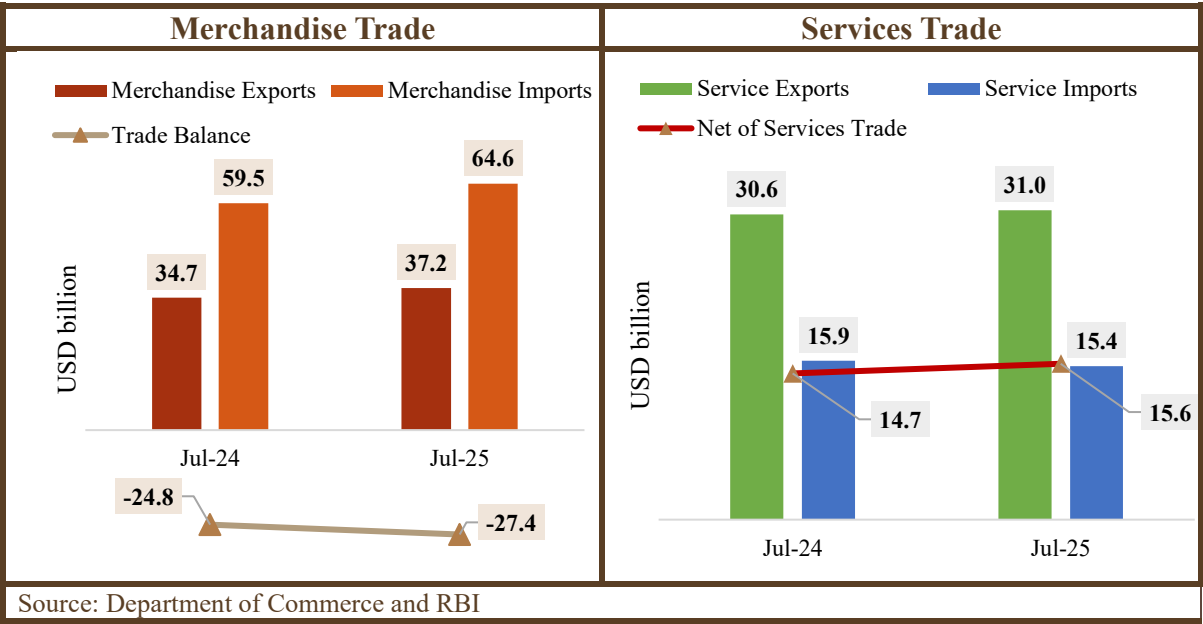


India’s trade performance in July 2025

19. The resilience of India’s external sector has been a key contributor to its stable macroeconomic environment amidst a global trade environment shaped by tariff adjustments and increased uncertainty.

<sup>6</sup> WTO Trade Forecasts dated August 08, 2025: <https://tinyurl.com/3fs3fkm3>

20. India’s total exports (merchandise & services) experienced a growth rate of 4.5 per cent (YoY) in July 2025, reaching USD 68.3 billion.<sup>7</sup> This growth was mainly driven by merchandise exports that grew by 7.3 per cent (YoY), amounting to USD 37.2 billion. Additionally, non-petroleum, non-gems, and jewellery exports demonstrated a growth rate of 12.7 per cent (YoY), highlighting the country's export growth towards sectors less exposed to commodity price fluctuations. On the services side, exports grew by 1.4 per cent to USD 31 billion, and continued to provide stability to India’s overall export performance. Together, these trends reflect the economy’s growing competitiveness in high-value segments, amidst an uncertain and unpredictable external environment.



21. On the imports side, total imports grew by 6.1 per cent (YoY), reaching USD 80 billion, with merchandise imports registering a growth rate of 8.6 per cent (YoY). The increase was driven by non-petroleum, non-gems, and jewellery imports, which grew by 6.9 per cent, despite a 15.7 per cent decrease (YoY) in the average crude oil price,<sup>8</sup> indicating a resilient domestic demand. Services imports, by contrast, contracted by 3.4 per cent (YoY), partially offsetting the increase in the trade deficit due to the merchandise imports. Nevertheless, despite this buffer, the total trade deficit widened to USD 11.7 billion in July 2025, compared to USD 10.1 billion a year earlier.

<sup>7</sup> The latest data for services sector released by RBI is for June 2025. The data for July 2025 is an estimation, which will be revised based on RBI’s subsequent release.  
<sup>8</sup> PPAC - Average crude oil (FOB Price) Indian Basket: <https://tinyurl.com/ynthn226>

**Box I: India-UK Comprehensive Economic and Trade Agreement (CETA)**

The India-UK CETA came into effect on July 24, 2025. It is expected to double the total trade (merchandise & services) between the two nations by 2030, which currently stands at USD 56 billion. The geopolitical significance of this agreement lies in its conclusion amid increasing global economic uncertainty, involving two of the world’s largest economies and being India’s first such agreement with a G7 nation.<sup>9</sup>

In FY25, the UK ranked as India’s 4<sup>th</sup> largest exporting destination and 21<sup>st</sup> largest source of imports.

India-UK Trade Statistics (FY25)		
Total India–UK Merchandise Trade (USD billion)		23.2
	Exports to the UK	14.5
	Imports from the UK	8.6
	Trade Balance	5.9
Merchandise trade grew at a CAGR of 15.3 per cent from FY20 to FY25.		
UK’s Share in India’s Total Merchandise Trade (per cent)		
	Exports	3.3%
	Imports	1.2 %
	Total Trade	2.0%
Source: FTPA, Department of Commerce		

**Key Highlights:**


- The agreement is comprehensive as it covers both goods and services. Services, which are India's core strength, currently account for USD 33 billion of the total USD 56 billion in bilateral trade between the two nations. India’s average tariff on UK products will fall significantly from 15 per cent to 3 per cent, making UK goods more accessible to Indian consumers and offering them a greater variety of quality goods at affordable prices.
- CETA offers India duty-free access on 99 per cent of its exports to the UK, covering key labour-intensive and high-growth sectors such as textiles, leather, marine products, gems and jewellery, engineering goods, chemicals, and auto components. This is expected to boost employment generation and empower women-led enterprises and MSMEs, which form the backbone of the Indian economy. Simplified customs procedures, regulatory alignment, and the promotion of digital tools further enhance market accessibility and operational efficiency for Indian exporters. India’s

<sup>9</sup> PIB Press release of the Ministry of Commerce dated July 24, 2025: <https://tinyurl.com/32f3tj4b>

labour-intensive exports, which constitute 45 per cent of its overall exports to the UK, will substantially benefit.

- The services trade benefits as the agreement provides deeper market access for a range of services such as IT, financial services, education, and healthcare, as clear and predictable entry rules are laid out. A notable feature is the Double Contribution Convention, which exempts Indian workers and their employers from UK social-security contributions, thereby improving competitiveness and reducing costs.
- Conversely, India has selectively liberalised 89.5 per cent of its tariff lines covering 91 per cent of UK imports, including automobiles and alcoholic beverages, while protecting sensitive sectors such as dairy, pulses, and cereals. This calibrated approach balances liberalisation with safeguarding India’s strategic domestic industries, supported by bilateral safeguards to manage sudden import surges. Further, gradual tariff reduction over 5-10 years has been included for important sectors for which domestic capacity is being built through schemes such as Make in India and PLI, as summarised below.

	India’s textiles and clothing now have zero-duty market access. This dismantles our duty disadvantage that we faced vis-à-vis Bangladesh, Pakistan and Cambodia and enhances our competitiveness.
	In the leather, fur and fur products, footwear and their components category, India is expected to gain at least 5 per cent additional market share in the UK within the next 1-2 years, as duties have been reduced to zero from up to 16 per cent earlier.
	For the Gems and Jewellery sector, duties have been reduced from 4 per cent to zero; as a result, it is projected that India’s exports of this sector are expected to double within the next 2-3 years.
	With zero duty market access, India’s chemical exports to the UK are expected to increase by 30-40 per cent by 2030, and engineering goods exports are expected to double by 2030.
	The UK is India’s premium market for our niche agriculture products. It is projected that our agricultural exports will rise by 20 per cent in the next three years. Within marine products, shrimp, tuna, fishmeal, and feeds will substantially benefit.

	<p>The UK is India’s largest export destination for pharmaceutical products in Europe. The zero-duty market access for this sector is expected to enhance our competitiveness and exports for generic medicines and medical devices.</p>
<p>Source: PIB Press release on India-UK CETA dated July 27, 2025: <a href="https://tinyurl.com/2drhn9mz">https://tinyurl.com/2drhn9mz</a></p>	
<p>Therefore, the India-UK CETA is designed to promote inclusive trade by enhancing access to global value chains for diverse groups, including women and youth entrepreneurs, farmers, fishermen, startups, and micro, small, and medium enterprises. It incorporates provisions that encourage innovation, promote sustainable practices, and reduce non-tariff barriers.<sup>10</sup> By improving market access, fostering digital trade, and facilitating mobility of service professionals, CETA establishes a foundation for stronger supply chains and increased economic resilience.</p> <p>It is a modern, comprehensive, and landmark agreement that seeks to achieve deep economic integration along with trade liberalisation and tariff concessions.</p>	

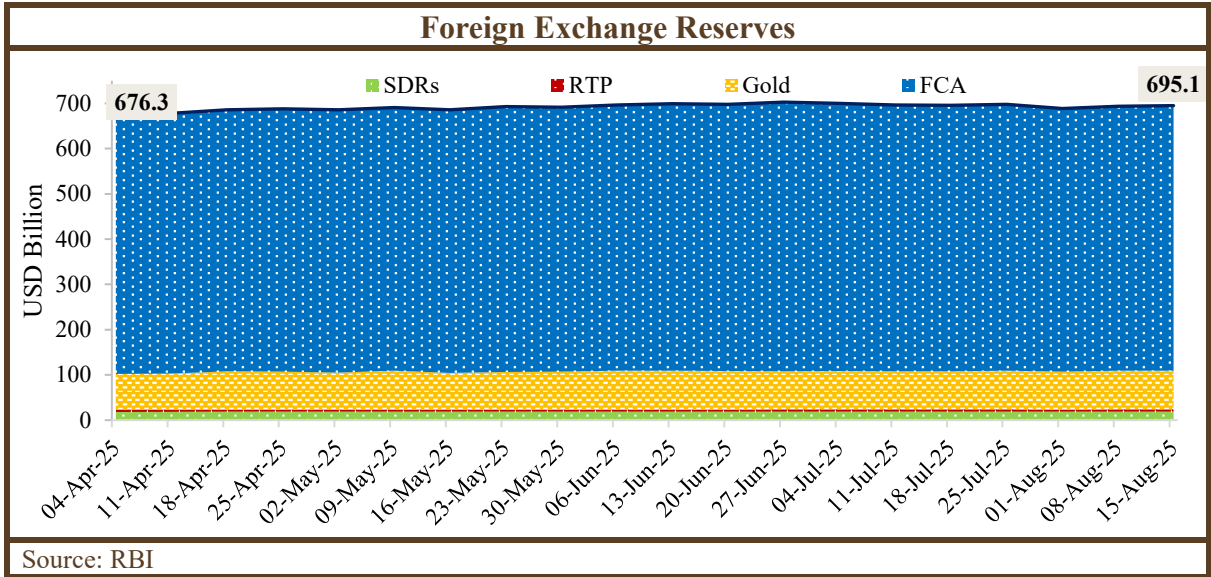
22. The global trade environment is undergoing significant changes. Geopolitics and economic nationalism dominate considerations of cost efficiency. This evolving landscape, characterised by preferential market access, punitive tariffs, and supply chain restructuring, is reshaping trade priorities and strategies. In this context, India has adopted a calibrated approach to negotiating FTAs to expand market access while protecting domestic interests. Two major trade agreements have been recently concluded: the India-UK CETA and the India-EFTA TEPA. Further, there are ongoing negotiations with the EU, US, Peru, Chile, Oman and New Zealand.<sup>11</sup>

23. India’s calibrated engagements in FTAs reflect a strategic effort to secure long-term competitiveness in a dynamic global trade landscape.

**Foreign Exchange Reserves**

24. India’s foreign exchange reserves stood at USD 695.1 billion as of August 15, 2025. At this level, the reserves provide an import cover of 11.4 months and cover around 94.4 per cent of India’s total external debt as of end-March 2025.

<sup>10</sup> Lok Sabha unstarred question no. 1394 answered on 29 July 2025: <https://tinyurl.com/yc3p2pfx>  
<sup>11</sup> Lok Sabha Unstarred Question No. 3879 answered on 12 August 2025: <https://tinyurl.com/ypt4tksc>



Positive shift in the Labour Market

25. The Ministry of Statistics and Programme Implementation (MoSPI) released the quarterly bulletin of Periodic Labour Force Survey (PLFS) for the April-June 2025 period, presenting estimates of key labour force indicators and the distribution of workers by broad status in employment and industry of work under the current weekly status (CWS)<sup>12</sup>, separately for rural, urban, and combined areas. The quarterly bulletin and the monthly PLFS for July 2025 indicate a positive shift in the labour market regarding improvement in the labour force participation rate (LFPR) and unemployment rate (UR).<sup>13</sup>

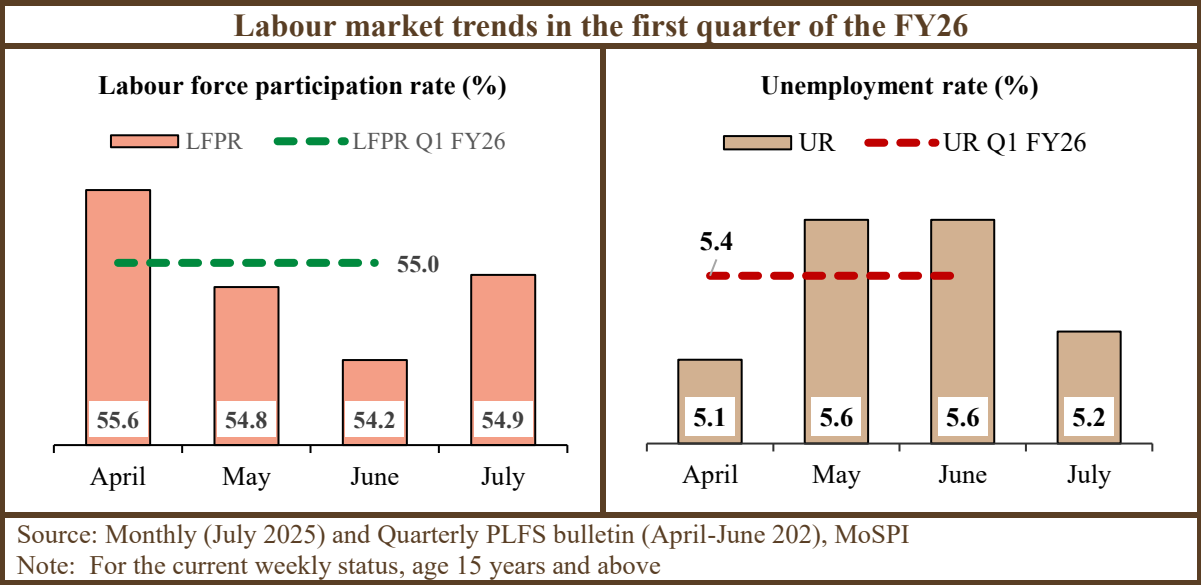
26. According to the quarterly PLFS for April-June 2025, the LFPR, as per the CWS, among persons aged 15 years and above stood at 55 per cent in Q1, whereas the UR stood at 5.4 per cent in Q1 of FY26. The monthly PLFS bulletin for July 2025 informs that the LFPR increased to 54.9 per cent compared to 54.2 per cent in June 2025. At the same time, the UR declined to 5.2 per cent from 5.6 per cent in June 2025.<sup>14</sup> This improvement in the labour market is most notable for rural areas, which showed resilience with a higher LFPR (56.9 per cent) and lower UR (4.4 per cent) compared to urban areas. Notably, the female UR (5.1 per cent) remains below the male UR (5.3 per cent), driven by lower rural female UR (3.9 per cent).

<sup>12</sup> The activity status of a person is determined on the basis of the activities pursued by the person during the specified reference period. The activity status determined on the basis of a reference period of last 7 days preceding the date of survey is known as the current weekly status (CWS) of the person.

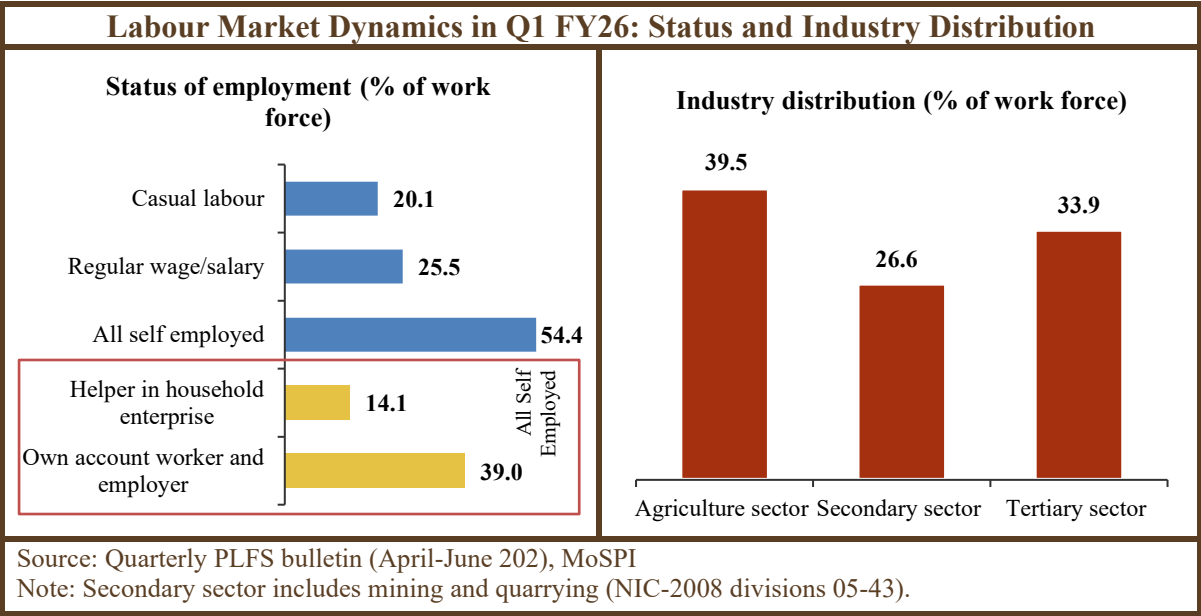
<sup>13</sup> Quarterly PLFS bulleting April- June 2025: <https://tinyurl.com/3xbh2j3b>

<sup>14</sup> Monthly PLFS bulletin for July 2025: <https://tinyurl.com/mtzbpkzz>



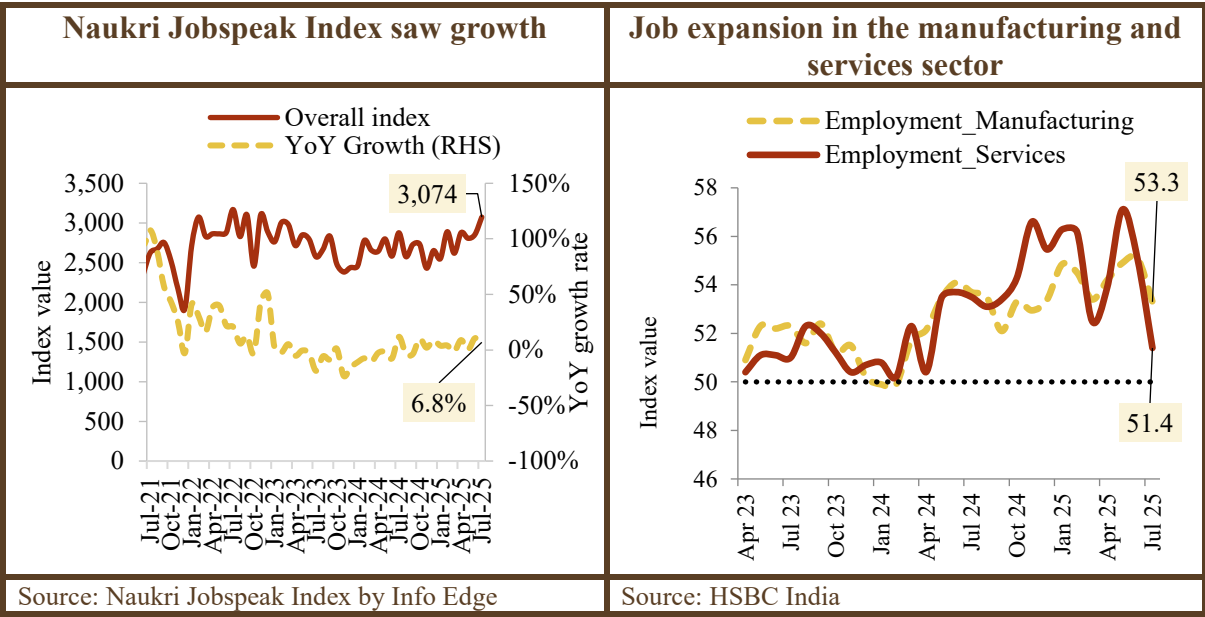


27. According to the quarterly PLFS for April-June 2025, the agriculture sector dominates in employment share, with 39.5 per cent of the workforce being involved in the agriculture sector, whereas 33 per cent is involved in the services sector. The data also shows that 54.4 per cent of people were self-employed in Q1, while regular wage employees made up 25.5 per cent.



28. Naukri JobSpeak index, a key indicator of white collar hiring in India, witnessed a 6.8 per cent YoY growth in July 2025. This rise in hiring was driven by growth across industries, led by the non-IT sectors like the insurance sector (+ 22 per cent YoY), followed by hospitality (+ 26 per cent YoY), and education (+16 per cent). Hiring in the IT sector and banking and financial services remained stable compared to the previous year, whereas AI and machine learning roles saw 41 per cent YoY growth. Fresher hiring (individuals with up to three years

of experience) saw a remarkable 8 per cent YoY rise in July 2025, whereas hiring for experienced professionals, with over 16 years of experience, grew by 13 per cent.



29. Job creation in India’s manufacturing and services sectors continues to grow, with the PMI employment sub-index remaining in the expansion zone for the 17<sup>th</sup> consecutive month. Employment in the services sector expanded at a modest pace, whereas the manufacturing sector saw a rise in jobs despite some easing in the growth.

Formalisation of the job market

30. The rise in net monthly payroll additions under the Employees Provident Fund Organisation (EPFO) is a testament to the growing formalisation of the economy. Job creation in the formal sector has been accelerating over the years, as reflected in the net monthly payroll addition. In June 2025, EPFO added 10.6 lakh new subscribers and 21.9 lakh net members, recording an all-time high net addition. An analysis of new subscriber data reveals that 60.2 per cent of the new members added in June 2025 were in the 18-25 age group, while 22.4 per cent were in the 26-35 age group, and 16.4 per cent were over 35 years old. This distribution indicates that most individuals entering the organised workforce are young adults, primarily first-time job seekers. In June 2025, 3 lakh new female subscribers joined the EPFO, indicating a shift towards an inclusive and diverse workforce.

31. The rise in youth joining the workforce has been a result of consistent government efforts to improve employability. Government initiatives are focused on enhancing education outcomes, improving educational attainment, and skilling the workforce for the rapidly

changing job market. Taking a historic step in this direction, Hon'ble PM announced the launch of **PM Viskit Bharat Rozgar Yojana** on 15 August 2025 with a financial outlay of nearly ₹1 lakh crore, to benefit 3.5 crore youth. The Employment-linked Incentive Scheme offers newly employed youth up to ₹15,000 in two instalments. It provides up to ₹3,000 per month to employers for each new employee added to the payroll.<sup>15</sup>

32. Another flagship initiative of the government to improve the employability of the future workforce is the **National Education Policy (NEP) 2020**. Realising that the education system builds the foundation of the skilling system, the government launched NEP 2020 on 29 July 2020, which has completed five years of its implementation in July 2025.<sup>16</sup> The NEP 2020 was founded on the five guiding pillars of Access, Equity, Quality, Affordability and Accountability, to prepare youth to meet the present and future national and global challenges.<sup>17</sup> Box II below discusses the progress made under NEP in the past five years.

## Box II: Revamping the education system under NEP 2020

Launched on 29 July 2020, NEP 2020 was the first education policy introduced in 34 years, aiming to revamp the Indian education system to meet the demands of the 21<sup>st</sup> century. It proposed a flexible, inclusive, and learner-centric education approach, focusing on foundational literacy and numeracy (FLN) and higher-order capacities such as critical thinking, problem-solving, and social and emotional intelligence. In school education, the policy emphasises early childhood care and education (ECCE), FLN, reducing dropouts, ensuring universal access, revamping curriculum and pedagogy, strengthening teacher capacity, promoting equity, and improving quality. In higher education, NEP 2020 seeks to restructure and consolidate institutions, promote multidisciplinary learning, strengthen faculty, promote vocational pathways, and ensure equity and internationalisation. Key initiatives include the establishment of the National Research Foundation and regulatory reforms to drive innovation, excellence, and competitiveness.

**Key achievements of NEP after 5 Years:** To achieve NEP 2020 goals, the government has launched various programs. At the school level, major initiatives include Samagra Shiksha Abhiyan and its sub-schemes like NISHTHA and Vidya Pravesh, along with DIKSHA, STARS, PARAKH, PM SHRI, and PM POSHAN. The NIPUN Bharat Mission focuses on

<sup>15</sup> PIB release of Ministry of Labour & Employment dated 15 August 2025: <https://tinyurl.com/38j45eb2>

<sup>16</sup> PIB release dated 28 July 2025: <https://tinyurl.com/ycx76mmn>

<sup>17</sup> National Education Policy (NEP) 2020: <https://www.education.gov.in/en/nep/about-nep>

improving FLN. Under the ULLAS adult education scheme, 2.6 crore learners and 42 lakh volunteer teachers have been registered, with 1.7 crore neo-literates. Ladakh, followed by Mizoram, Goa, and Tripura, have achieved full literacy under this initiative.<sup>18</sup>

In higher education, the National Credit Framework (NCrF) is adopted by 170 universities, integrating academic and skill-based learning. The Academic Bank of Credit (ABC) covers 2,469 institutions with over 32 crore IDs issued, including 2.36 crore APAAR IDs assigned credits. Introducing multiple entry and exit options and biannual admissions at 153 universities is another initiative to achieve NEP 2020's 50 per cent Gross Enrolment Ratio (GER) target by 2035.<sup>19</sup> The constitution of the Anusandhan National Research Foundation (ANRF) aims to create an enabling environment for research and development (R&D) and foster a culture of research and innovation throughout India's universities, colleges, research institutions, and R&D laboratories.<sup>20</sup>

## ➤ *Progress in School Education*

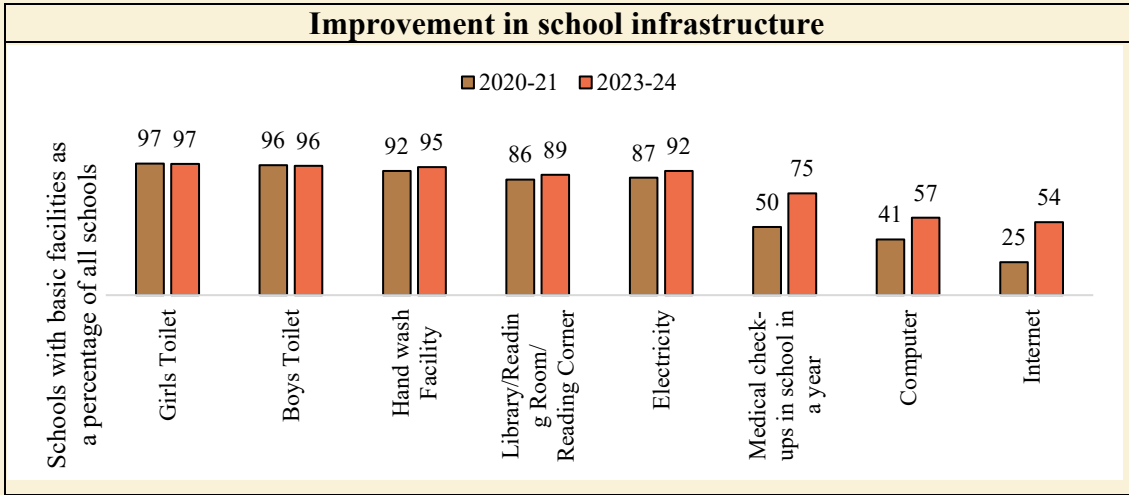
- **Coverage and gross enrolment:** The school education system serves 24.8 crore students across 14.72 lakh schools, and it is supported by a dedicated workforce of 98 lakh teachers, as reported by the UDISE+ (2023-24).<sup>21</sup> In 2023-24, the GER was 41.5 per cent at the foundational level, 96.5 per cent at the preparatory level, 89.5 per cent at the middle level, and 66.5 per cent at the secondary level.
- **Infrastructure:** Notable improvements in basic facilities, including sanitation and the availability of information and communication technologies (ICT), reflect a positive trend in the development of school infrastructure.

<sup>18</sup> PIB release of the Ministry of Education (MoE) dated 28 July 2025: <https://tinyurl.com/mr25sx7r>

<sup>19</sup> Ibid note 18

<sup>20</sup> PIB of Ministry of Science & Technology dated 11 December 2024: <https://www.pib.gov.in/PressReleasePage.aspx?PRID=2083198>

<sup>21</sup> Unified District Information System for Education Plus (2023-24): <https://tinyurl.com/ywczrwja>



Source: UDISE+

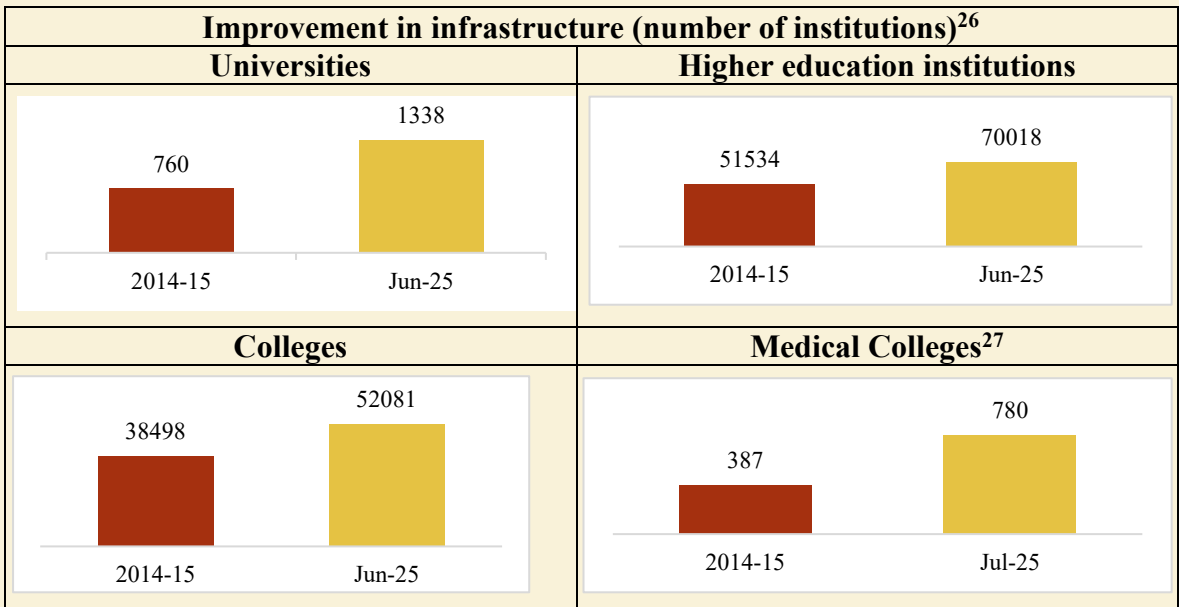
- **Learning outcomes:** The recently released Annual Status of Education Report (ASER) 2024<sup>22</sup> and the results of PARAKH Rashtriya Sarvekshan 2024 are a testament to the achievement of NIPUN in improving FLN.
  1. **ASER findings:** The percentage of Std III children able to read Std II level text improved from 20.9 per cent in 2018 to 23.4 per cent in 2024 for government schools. The improvement in government schools is higher than the corresponding recovery for private schools compared to the post-pandemic results. The all-India figure for children in Std III who can solve a numerical subtraction problem was 20.9 per cent in 2018. This figure has increased to 27.6 per cent in 2024 for the government schools.
  2. **PARAKH Rashtriya Sarvekshan 2024**<sup>23</sup>: Overall, students in Grade 3 scored 64 per cent in language. Notably, girls (65 per cent) performed better than boys (63 per cent), while rural (64 per cent) and urban (63 per cent) students showed almost equal outcomes. In mathematics, grade 3 students scored 60 per cent (same for both girls and boys). Notably, just like language, students in rural areas (60 per cent) performed marginally better than those in urban areas (59 per cent) in mathematics.

➤ **Progress in Higher Education**

<sup>22</sup> The Annual Status of Education Report (ASER) 2024 is a nationwide rural household survey that reached 649,491 children in 17,997 villages across 605 rural districts in India. Further, ASER surveyors visited 15,728 government schools with primary sections. 8,504 were primary schools and 7,224 were schools which also had upper primary or higher grades. <https://asercentre.org/aser-2024/>

<sup>23</sup> The PARAKH Rashtriya Sarvekshan 2024 (formerly National Achievement Survey) was undertaken by the National Assessment Centre, PARAKH, NCERT under the aegis of the Department of School Education & Literacy, Ministry of Education to understand the baseline performance under the National Education Policy (NEP) 2020 in development of competencies among students at the end of the Foundational, Preparatory, and Middle stages (Grades 3, 6, and 9 respectively) of schooling. Nationwide, over 21.15 lakh students, 2.70 lakh teachers, and school leaders from more than 74,000 schools across 781 districts from all States/UTs participated in the assessment. <https://dashboard.parakh.ncert.gov.in/en>

- **Coverage and gross enrolment:** As per All India Survey on Higher Education (AISHE), 2022-23 (Provisional), HEIs registered on AISHE have increased to 60,380 in 2022-23 from 58,643 in 2021-22, and student enrolment has increased to 4.46 crore in 2022-23 from 4.33 crore in 2021-22.<sup>24</sup> As per the latest AISHE, 2022-23(Provisional), GER at the National Level is 29.5, improving from 28.4 in 2021-22 and 25.6 in 2019-20.
- **Infrastructure improvement:** Expansion of HEIs has significantly improved access, with total HEIs rising by 35.8 per cent between 2014-15 and 2025, marked by substantial growth in universities and colleges. The number of premier higher education institutes has expanded significantly between 2014-15 and 2024-25, and now stands at 23 IITs, 21 IIMs, and 20 AIIMS, alongside the establishment of two international IIT campuses in Zanzibar and Abu Dhabi.<sup>25</sup>



- **Reforms:** To advance NEP goals, the Ministry of Education has launched reforms targeting quality, equity, and governance in higher education. The Cabinet approved the **Multidisciplinary Education and Research Improvement in Technical Education (MERITE)** Scheme for 275 technical institutions, including 175 engineering colleges and 100 polytechnics.<sup>28</sup> The **Draft UGC (Minimum Qualifications for Appointment & Promotion of Teachers and Academic Staff in Universities and Colleges and Measures for the Maintenance of Standards in**

<sup>24</sup> Lok Sabha Unstarred Question on Expansion of Higher Education answered on 28 July 2025: <https://tinyurl.com/5b2ursr8>

<sup>25</sup> PIB release of the Ministry of Education dated 21 June 2025: <https://tinyurl.com/yc7km25d>

<sup>26</sup> Ibid note 25 above.

<sup>27</sup> PIB release of the Ministry of Health and Family Welfare dated 25 July 2025: <https://tinyurl.com/4eptu5f4>

<sup>28</sup> PIB release of Ministry of Education dated 8 August 2025: <https://tinyurl.com/yy5redrj>

**Higher Education) Regulations, 2025** aim to provide flexibility in faculty recruitment and promotions. To promote global engagement, UGC issued the **Regulations on Academic Collaboration between Indian and Foreign Higher Educational Institutions, 2022**, enabling Indian HEIs to offer twinning, joint, and dual degree programmes with reputed foreign universities. The **UGC (Setting Up and Operation of Campuses of Foreign Higher Educational Institutions in India) Regulations, 2023**, further support internationalisation, with about 15 foreign universities expected to open campuses in India in STEMB fields.<sup>29</sup>

Over the past five years, the Ministry of Education has introduced numerous reforms to make education more accessible, inclusive, and outcome-oriented. In addition to academic changes, the Ministry is focusing on student well-being through guidelines on healthy food and mental health support on campuses. The positive impact of these initiatives is reflected in recent ASER and PARAKH reports. Data-driven approaches, especially through the PARAKH dashboard, with its targeted insights and suggested interventions at national, state, and district levels, as well as the district-level reports, are guiding evidence-based improvements. Together, these efforts are driving systemic change across India's education landscape.

## Outlook

33. India's economy stands at a critical juncture. Its strong economic performance over the past few years, along with policy stability and high infrastructure investment, has earned it a sovereign rating upgrade by S&P from 'BBB-' to 'BBB'. This upgrade serves as a testament to the economy's robust macroeconomic fundamentals and ongoing reform initiatives. The assessment comes at a moment when the economy has exhibited considerable resilience in the face of global challenges, with strong domestic demand and prudent policy management contributing to economic stability. That said, a few downside risks remain. While the immediate impact of recent US tariffs on Indian exports may appear limited, their secondary and tertiary effects on the economy pose challenges that must be addressed. In this context, the ongoing India-US trade negotiations will be crucial.

<sup>29</sup> PIB of Ministry of Education dated 26 May 2025: <https://tinyurl.com/35r74et5>



34. In line with the global shift towards diversification and strategic realignment, India is actively pursuing a diversified trade strategy to sustain its resilient trade performance. This includes the recently concluded FTA with the UK and EFTA and ongoing FTA negotiations with the US, EU, New Zealand, Chile, and Peru. But, these initiatives will take time to show results and may not fully address the shortfall in exports to the United States that may arise if the current tariff rates on India persist.

35. On the domestic front, aided by above-normal precipitation and better sowing of kharif crops, the headline inflation may remain moderate in the near term. An increased market arrival in Q1, comfortable buffer stocks and better output prospects, coupled with stable global oil markets, might keep the prices of food grain moderate. The downside risks to global growth are likely to keep international commodity prices in check, partly offsetting the impact of higher tariffs. The government is proactively managing risks and seizing opportunities by strengthening domestic capacity, promoting exports, diversifying supply chains and securing alternate import sources.

36. To enhance economic growth amidst the challenging global landscape, the Honourable Prime Minister has announced a few initiatives focusing on policy reforms. First, the creation of a Task Force for Next-Generation Reforms aims at further simplifying regulations, lowering compliance costs, and fostering a more enabling environment for start-ups, MSMEs, and entrepreneurs. Second, the planned rollout of Next-Generation GST Reforms in the coming months, with an emphasis on reducing the tax burden on essential items, is expected to provide direct relief to households and boost consumption demand. Complementing these measures, the rating upgrade is anticipated to reduce the borrowing costs, attract greater foreign capital inflows, widen the access to global capital markets, boost disposable income, reduce inflationary pressures, cut input costs for businesses, and support growth.

37. Amid global uncertainties, these government initiatives are charting a growth trajectory driven by long-term reforms that will boost disposable income, reduce inflationary pressures, and reduce costs for businesses. The deregulation efforts by the states, such as lifting restrictions on women working night shifts and improving the ease of doing business, will further enhance productivity and stimulate economic growth. The government's focus on employment generation through schemes like the PM Viksit Bharat Rozgar Yojana, combined with reforms in the education sector and skill development initiatives, aims to create a workforce that is well-prepared for the demands of the changing world. Taken together, these



reform initiatives and the improved sovereign rating will underpin growth by encouraging investment, stimulating consumption, increasing employment opportunities and strengthening confidence in the economy's long-term trajectory.

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## Performance of High Frequency Indicators

Data Title	Unit	YTD Period/As at the end of	Year to Date			Year to Date (YoY Growth)		
			2023-24	2024-25	2025-26	2023-24	2024-25	2025-26
Agriculture								
Fertiliser Sales	Mn Tonnes	April-June	102.1	107.5	121.2	2.5	5.3	12.7
Domestic Tractor Sales	Lakh	April-July	3.2	3.2	3.5	-0.5	0.7	9.0
Food grain Production	Mn Tonnes	3rd AE	328.9	354		-0.5	7.6	
Reservoir Level	Bn Cu. Metres	07-Aug	110	115.7	132.4	-7.3	5.2	14.4
Wheat Procurement (RMS)	LMT	19-Aug	260.7	265.9	299.4	39.1	2.0	12.6
Kharif Sowing (Food grain)	Mn Hectare	15-Aug	63.96	64.45	69.05	-1.0	0.8	7.1
Rainfall	Millimetres	18-Aug	565	627	611.3	-91.7	62.0	-15.7
Credit to Agriculture and allied activities	₹ Lakh crore	June	18.4	21.6	23.1	19.8	17.3	6.8
Industry								
IIP	Index	April-June	143.4	151.2	154.2	4.7	5.4	2.0
8-Core Industries	Index	April-July	154.4	164.1	166.7	6.6	6.3	1.6
Domestic Auto sales	Lakh	April-July	67.8	78.3	76.6	8.0	15.5	-2.2
PMI Manufacturing	Index	April-July	57.9	58.2	58.3	3.0	0.3	0.1
Power consumption	Billion kWh	April-July	553.7	601.5	598.0	4.7	8.6	-0.6
Natural gas production	Bn Cu. Metres	Apr - May	5.654	6.0631	5.8871	-1.5	7.2	-2.9
Cement production	Index	April-July	186.2	189	205.8	11.3	1.5	8.9
Steel consumption	Mn Tonnes	April-July	41.664	47.846	51.455	13.6	14.8	7.5

Data Title	Unit	YTD Period/As at the end of	Year to Date			Year to Date (YoY Growth)		
			2023-24	2024-25	2025-26	2023-24	2024-25	2025-26
Inflation								
CPI-C	Index	April-July	181.1	189.4	194.0	5.3	4.6	2.4
WPI	Index	April-July	150.4	153.9	154.0	-2.5	2.4	0.1
CFPI	Index	April-July	182.2	196.7	196.6	5.7	8.0	0.0
CPI-Core	Index	April-July	178.6	184.3	192	5.1	3.2	4.2
Services								
Domestic Air Passenger Traffic	Lakh	April-June	767.3	810.0	852.8	19.1	5.6	5.3
Port Cargo Traffic	Million tonnes	April-June	200.5	208.4	220.1	1.9	3.9	5.6
PMI Services	Index	April-July	61	60.5	59.6	5.4	-0.9	-1.4
Fuel Consumption	Million tonnes	April-July	77.2	81.4	81.1	5.6	5.5	-0.4
UPI (Volume)	Crore	April-July	3761.3	5,566.1	7443.4	58.8	48.0	33.7
E-Way Bill Volume	Crore	April-July	34.7	40.5	49.3	15.9	16.8	21.9
Fiscal Indicators								
Gross tax revenue (Central Govt)	₹ Lakh crore	April-June	6.7	8.3	8.7	3.3	23.7	4.6
Revenue Expenditure	₹ Lakh crore	April-June	7.7	7.9	9.5	-0.1	2.2	20.0
Capital Expenditure	₹ Lakh crore	April-June	2.8	1.8	2.8	59.1	-35.0	52.0
Fiscal Deficit	₹ Lakh crore	April-June	4.5	1.4	2.8	28.3	-69.9	106.9
Revenue Deficit	₹ Lakh crore	April-June	1.8	-0.4	0.3	-10.4	-122.2	-182.4
GST Collection	₹ Lakh crore	April-July	6.7	7.4	8.2	11.4	10.2	10.7

Data Title	Unit	YTD Period/As at the end of	Year to Date			Year to Date (YoY Growth)		
			2023-24	2024-25	2025-26	2023-24	2024-25	2025-26
External Sector								
Merchandise exports	USD Billion	April-July	138.4	144.8	149.2	-13.1	4.6	3.1
Non-petroleum exports	USD Billion	April-July	112.6	118.3	127.5	-9.3	5.1	7.7
Merchandise imports	USD Billion	April-July	213.5	231.6	244	-13.7	8.5	5.4
Non-oil imports	USD Billion	April-July	159.9	165.6	179.2	-8.9	3.6	8.2
Non-oil non-gold/silver imports	USD Billion	April-July	146.5	153.3	166.3	-8.6	4.7	8.4
Net FDI	USD Billion	April- May	3.4	4.0	3.9	-67.8	16.3	-2.2
Exchange Rate (Average)	INR/USD	July	82.15	83.59	86.11	-3.1	-1.7	-2.9
Foreign Exchange Reserves	USD Billion	July	605.8	670.6	698.2	5.5	10.7	4.1
Import Cover	Months	July	11	11.6	11.5	-	-	-
Monetary and Financial								
Non-Food Credit	₹ Lakh crore	25 July	147.7	167.9	184.5	19.7	13.7	9.9
10-Year Bond Yields	Per cent	25 July	7.1	6.98	6.4	-2.5	-2.2	-7.9
Repo Rate	Per cent	25 July	6.5	6.5	5.5	32.7	0.0	-15.4
Currency in Circulation	₹ Lakh crore	25 July	33.2	35.4	38.0	4.4	6.4	7.5
M0	₹ Lakh crore	25 July	43.6	46.7	48.9	5.4	7.2	4.7
Employment								
Net payroll additions under EPFO	Lakh	April-June	32.7	32.4	53.4	-6.5	-1.0	65.0
Number of persons demanded employment under MGNREGA	Crore	April-July	14.8	12.5	12.1	2.0	-15.6	-3.1
Urban Unemployment Rate	Per cent	Apr-June	6.7	6.6	6.8	-0.9	-0.1	0.2