

*Economic
Division*

MONTHLY ECONOMIC REVIEW

March 2025



सत्यमेव जयते

आर्थिक कार्य विभाग
DEPARTMENT OF
ECONOMIC AFFAIRS

Table of Contents

Abstract	3
Steady domestic growth amidst global uncertainties	5
Consumer confidence shows improvement	6
Manufacturing and services outlook remains optimistic	7
Retail inflation rate eased in FY25	8
March 2025: Inflation rate remains the lowest since August 2019	9
Improved inflation outlook amidst risks and uncertainties	10
Public Finances	10
Monetary and financial sector developments	12
Banking sector performance - Credit and deposit growth trends	12
Financial market outlook	12
The Rupee showed relative strength and stability despite global volatility in Q4 FY25	13
Global trade under policy uncertainty	13
India's external sector performance during April-March FY25	15
Current Account Deficit narrows in Q3 of 2024-25, but the trade gap keeps pressure on ..	16
Box I: Key Findings of RBI's Remittances Survey 2023-24	17
The trend in capital flows	18
Trends in Foreign Portfolio Investments (FPIs) during FY25 and March 2025	19
Labour market softens, but stability persists	21
Positive outlook for the labour market	22
Box II: Women empowerment in numbers: Insights from 'Women and Men in India 2024'	23
Conclusion and Outlook	27
Performance of High Frequency Indicators	29

Abstract

Amid the evolving global developments and the recent trade and tariff-related uncertainties, India's domestic economy continues to show signs of stability and resilience. Key indicators such as higher GST collections and increased E-way bill generation in Q4 FY25 suggest steady growth in economic activity. Consumer sentiment has shown improvement, with RBI's latest survey reflecting a more positive outlook on current conditions and future expectations. Rural demand remains steady, with the majority of households surveyed by NABARD reporting increased consumption over the past year. The manufacturing sector is also seeing a revival. RBI's Industrial Outlook Survey highlights improved production, stronger order books, and better capacity utilisation. Similarly, the quarterly order books, inventories, and capacity utilisation survey (OBICUS) shows enhanced utilisation levels in Q3 FY25, signalling strengthening demand and industrial recovery.

Inflationary pressures softened in March 2025. Retail inflation declined sharply from 5.4 per cent in FY24 to 4.6 per cent in FY25, marking the lowest levels in the last six years. The inflation rate in March 2025 marked the lowest year-on-year inflation since September 2019, with food inflation falling sharply. Government interventions and favourable harvests helped moderate food inflation. While the overall inflation outlook has improved, supported by a rate cut and positive food price trends, geopolitical uncertainties warrant close monitoring.

Alongside easing inflationary pressures, the government's strong commitment to fiscal consolidation, evidenced by general government fiscal deficits continuously declining since the COVID-19 peak of 2020-21, has enabled higher availability of domestic savings to finance private sector investment. Going forward, a glide path of public debt relative to GDP will further provide domestic resources for private investment, particularly when states also reduce their debt burden. As general government debt ratios decline, public sector borrowing costs will decline, resulting in overall economy-wide lower cost of capital.

The financial sector is showing resilience amid global uncertainty. As of September 2024, the banking sector's gross non-performing assets (GNPA) ratio has improved to 2.6 per cent, reflecting strong fundamentals. Stress tests confirm that banks can maintain capital adequacy ratios above regulatory minimums, even in severe scenarios. While debt market yields have softened, Indian equity markets recovered moderately in March due to increased equity inflows. Additionally, the Rupee has demonstrated relative strength and stability despite global volatility in Q4 FY25. On the external front, India's total trade deficit has increased to USD

94.3 billion in FY25 from USD 78.4 billion in FY24. Meanwhile, the current account deficit has narrowed to 1.1 per cent of the GDP in Q3 FY25, compared to 1.8 per cent in the previous quarter. As of 11 April 2025, the country's foreign exchange reserves stood at USD 677.8 billion, providing an import cover of about 11 months. The external debt stood at 19.1 per cent of the GDP at the end of December 2024. Overall, India's external sector remains resilient as key indicators stay robust.

The labour market indicators have remained stable. While white collar hiring witnessed a slowdown, specific sectors such as AI/ML and FMCG remained resilient. The employment sub-indices of the Services Purchasing Managers Index (PMI) indicate a deceleration in hiring, whereas employment in manufacturing continues to show strength. Formal job creation is rising, as indicated by the growing net payroll additions under the Employee Provident Fund Organisation.

Overall, the outlook for the Indian economy appears positive. The economy continues to demonstrate resilience in the face of a turbulent global environment, with the growth momentum supported by easing inflationary pressure, growing consumption demand, fiscal discipline, labour market stability and a resilient financial sector. That said, uncertainties stemming from global developments constitute a key risk for the growth outlook for FY26. More than trade, the perception of prolonged uncertainty may cause the private sector to put its capital formation plans on hold. The private sector and policymakers must be mindful of this risk and act urgently to avoid making uncertainty feed upon itself. The domestic economy is large and capital formation can lead to a mutually reinforcing cycle of investment-income growth-demand growth-additional capacity creation. In contrast to normal times, action and execution have greater impacts now. It is an opportunity not to be missed.

Steady domestic growth amidst global uncertainties

1. As things stand, geopolitical tensions, disruptions to supply chains, tariffs, and trade related uncertainties are posing downside risks to global growth. The escalating trade tensions and tariff wars have led to apprehensions of the global economy facing higher inflation and lower economic growth in the near term. Forecasters are revising global growth estimates downwards amidst fear of continuing policy uncertainties amidst trade protectionism. While several central banks are easing monetary conditions, a few are keeping a watchful eye on inflation outlook due to supply disruptions and higher costs that may emerge in the coming months. Amidst this turbulence, it is imperative for India to nurture domestic policy and regulatory environments that is conducive for capital formation, hiring and output growth.

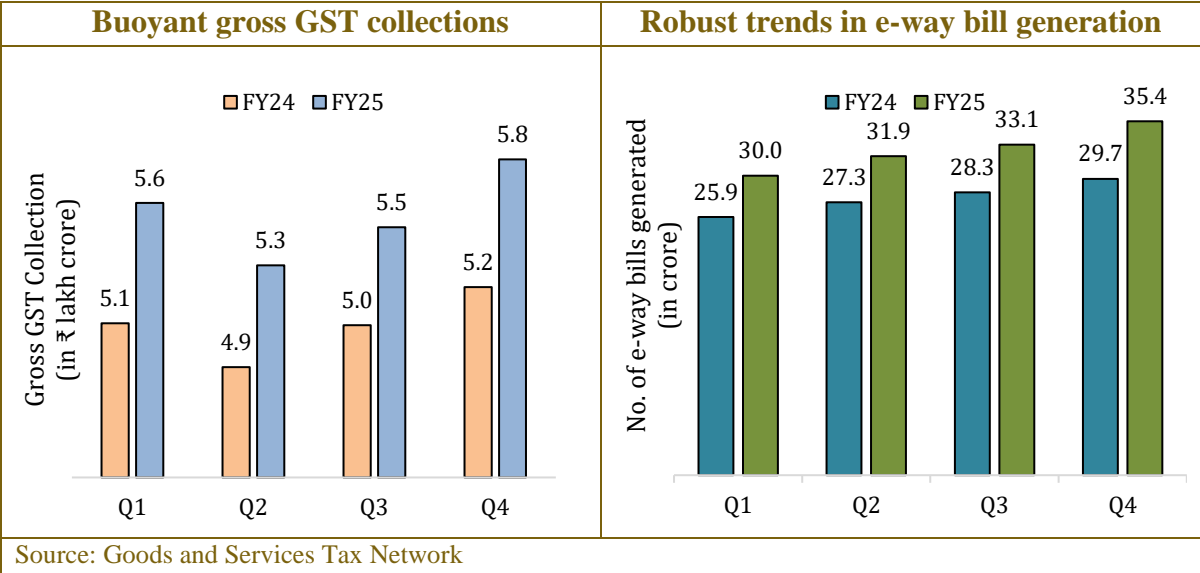
2. Despite the risk posed by global headwinds, the domestic economy continues to show signs of resilience backed by domestic drivers. High-frequency indicators suggest the domestic economy's robust performance in the last quarter of FY25. Gross GST collection jumped to 1.96 lakh crore in March 2025 on the back of buoyant economic activity. GST collection rose to ₹22.1 lakh crore in FY25 (Apr-Mar), compared to ₹20.2 lakh crore in FY24, recording a year-on-year (YoY) growth of 9.4 per cent. Complementing this, the E-way bill generation recorded growth of 20.2 per cent in March 2025. Notably, Q4 of FY25 recorded the highest YoY growth of 19.4 per cent in e-way bill generation in FY25, indicating heightened economic activity in Q4 compared to previous quarters of the financial year.

3. India's manufacturing Purchasing Managers' Index (PMI) reached its highest mark in eight months in March 2025, signalling a substantial improvement in the sector. Overall demand momentum remained robust, and the new orders index also recorded an eight-month high. As per the latest PMI report, strong demand prompted firms to tap into their inventories, causing the fastest drop in finished goods stocks in over three years. Business expectations remained fairly optimistic, with around 30 per cent of survey participants foreseeing greater output volumes in the year ahead.¹

4. Private consumption is gaining strength, with rural demand emerging as a key driver. As per Nielsen IQ, during Q3 of FY25, fast-moving consumer goods posted volume growth of 9.9 per cent in rural India as compared to 5.7 per cent in Q2 of FY25. Urban consumption also picked up pace, with volume growth rising to 5.0 per cent in Q3 FY25. The uptick in

¹ <https://www.pmi.spglobal.com/Public/Home/PressRelease/4cfa977ceabd44259c08a150b8485b7c>

consumption is also reflected in vehicle sales, which saw a notable rise across all vehicle categories in March 2025 compared to February 2025.² Domestic air passenger traffic also posted a strong performance, recording a YoY growth of 12.1 per cent in the month of February 2025, pushing the cumulative YoY (Apr-Feb) growth in the traffic to 9 per cent.



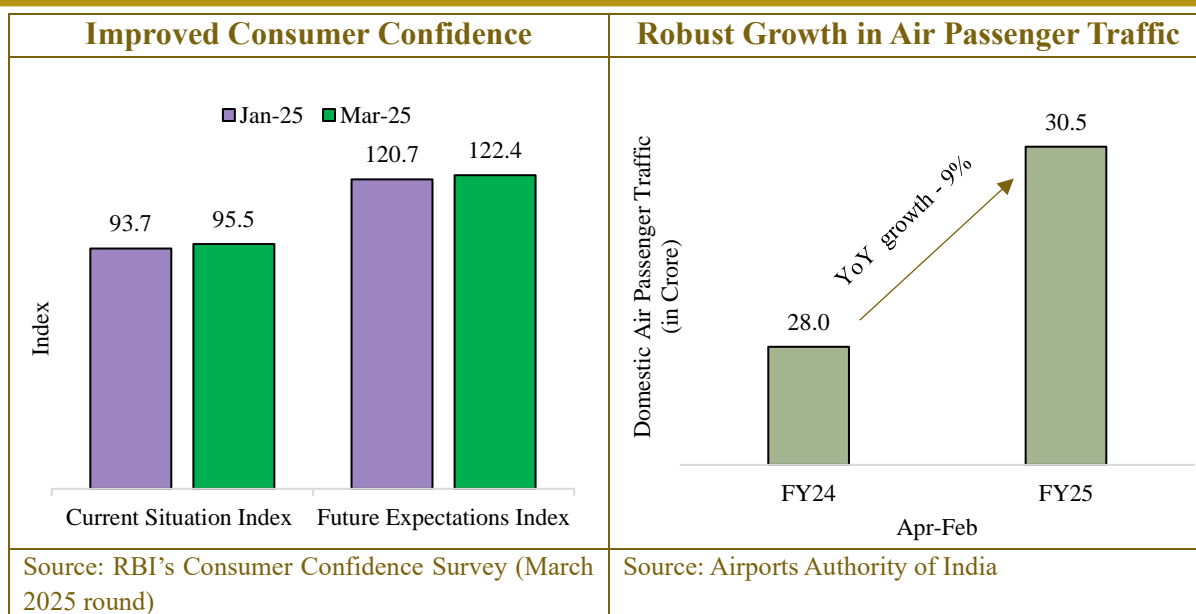
Consumer confidence shows improvement

5. The latest Consumer Confidence Survey by RBI indicates a broad-based improvement in sentiment, both with respect to current conditions and expectations for the year ahead. The Current Situation Index for March 2025 improved, supported by more positive assessments of income and spending. Sentiments regarding the overall economic situation, employment, and inflation also showed signs of improvement. On a forward-looking basis, household expectations remained optimistic, with most components reflecting a positive outlook and continued recovery in confidence.³
6. As per NABARD’s latest Rural Economic Conditions and Sentiments Survey, rural household consumption continues to show resilience, with 79.9 per cent of surveyed households reporting an increase in their consumption expenditure over the past year. Further, a majority of the households continue to expect an improvement in their income during the next quarter and the coming year.⁴

² <https://tinyurl.com/3zxkfwbh>

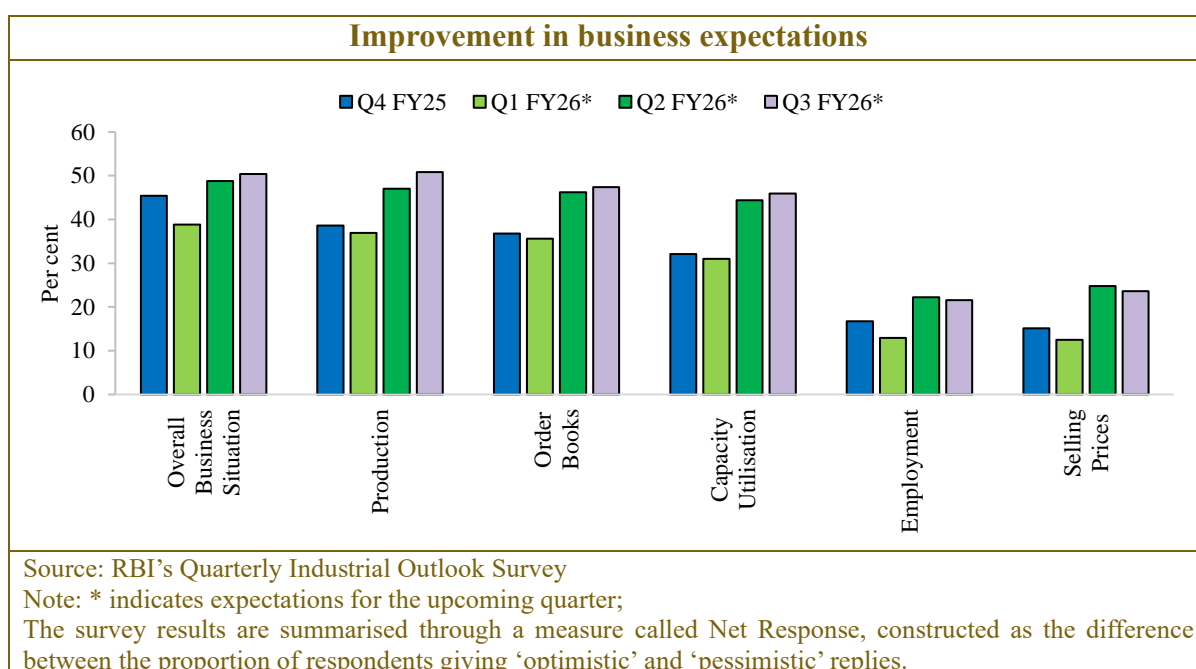
³ <https://tinyurl.com/mwnnhbkj>

⁴ <https://www.nabard.org/auth/writereaddata/WhatsNew/2603255836RECSS%20Mar%202025%20Report.pdf>



Manufacturing and services outlook remains optimistic

7. According to RBI's Industrial Outlook Survey for Q4 FY25, manufacturers reported improved demand conditions, as reflected in their assessments of production, order books, capacity utilisation, and exports. While manufacturers remain optimistic about demand conditions for Q1 FY26, the level of optimism is slightly lower than in the previous quarter, which can be attributed in part to seasonal factors. However, manufacturers anticipate a sequential improvement in production, order books, capacity utilisation, and the overall business environment in Q2 and Q3 of FY26.⁵



⁵ <https://rbi.org.in/Scripts/PublicationsView.aspx?id=23141>

8. The latest OBICUS survey indicates an improvement in seasonally adjusted capacity utilisation in the manufacturing sector for Q3 FY25 compared to the previous quarter. Inventory dynamics are also encouraging. The stability in the total inventory to sales ratio, combined with a lower ratio of finished goods inventory and a higher build-up of raw materials, suggests stronger business confidence and forward planning by purchasing managers.⁶

9. As per the RBI's Services and Infrastructure Outlook Survey, services sector enterprises assessed improvement in the overall business situation and their turnover during Q4 FY25. Services firms also expect an improvement in the overall business situation and turnover in Q1 FY26.⁷ India's services PMI also increased to 58.5 in March 2025 as companies benefited from demand strength and another upturn in new business inflows. At the sub-sector level, growth was broad-based, with the strongest trend seen in finance & insurance.⁸

10. These developments reinforce the view that the Indian economy continues to exhibit resilience, underpinned by broad-based growth across sectors. In its latest Monetary Policy Committee (MPC) meeting, the Reserve Bank of India projected real GDP growth at 6.5 per cent for both FY25 and FY26, underscoring confidence in the economy's medium-term outlook.

Retail inflation rate eased in FY25

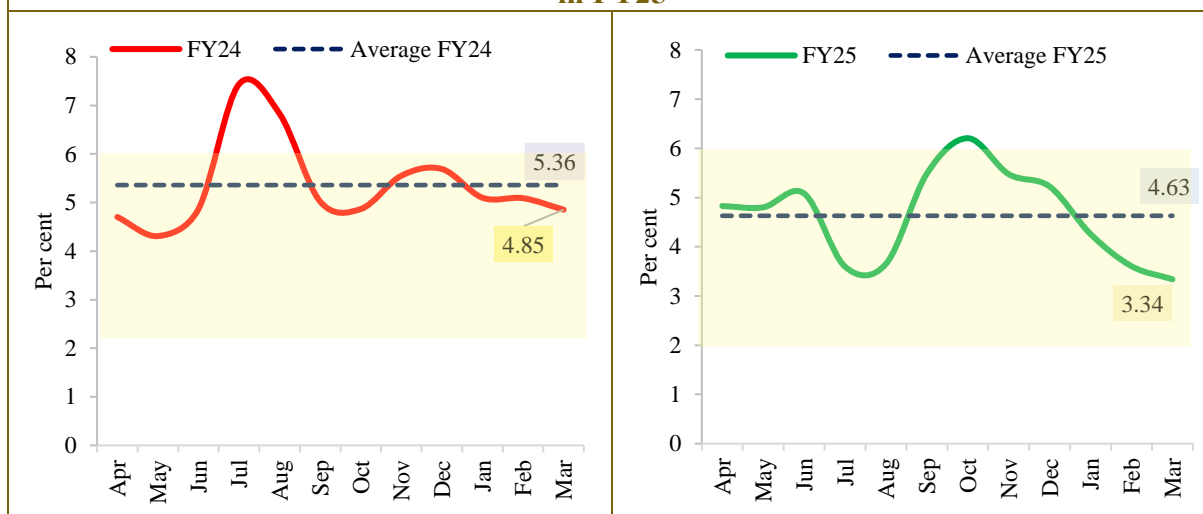
11. The retail inflation rate measured by the Consumer Price Index (CPI) declined from 5.4 per cent in FY24 to 4.6 per cent in FY25, indicating a moderation in overall price levels. This is the lowest annual inflation since FY20. Core inflation, which excludes volatile food and fuel items, also eased from 4.3 per cent in FY24 to 3.5 per cent in FY25, reflecting broad-based price stability in non-food, non-fuel segments. Food inflation, captured by the Consumer Food Price Index (CFPI), registered a modest decline from 7.5 per cent in FY24 to 7.3 per cent in FY25. Food inflation was primarily driven by vegetables, fruits, pulses and cereals.

⁶ <https://www.rbi.org.in/Scripts/PublicationsView.aspx?id=23142>

⁷ <https://www.rbi.org.in/scripts/PublicationsView.aspx?id=23145>

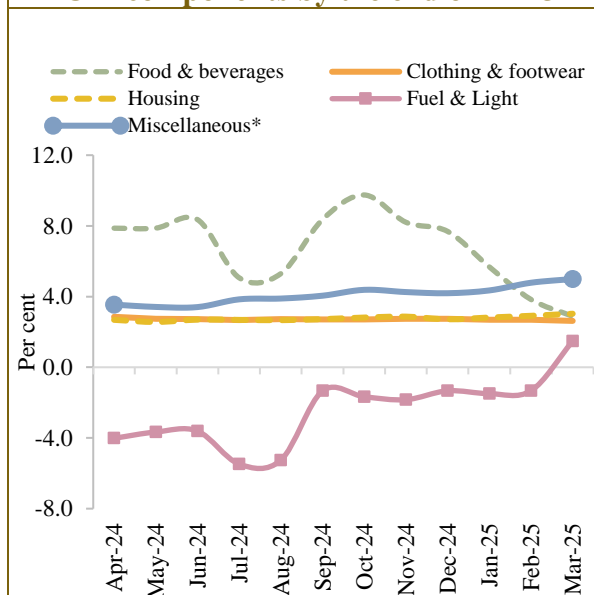
⁸ <https://www.pmi.spglobal.com/Public/Home/PressRelease/d72607d471144be9b12c4145fd437f91>

Headline inflation in FY24 vs FY25: Inflation stayed mostly within the tolerance band in FY25

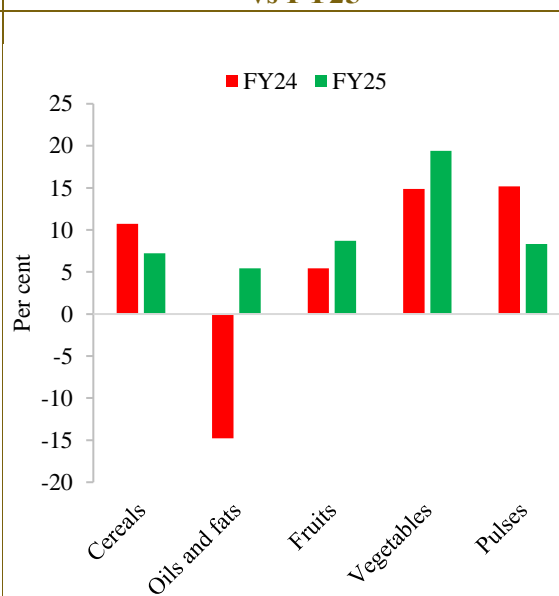


Source: Consumer Price Index, MOSPI

Inflation rate at moderate level in major CPI components by the end of FY25



Inflation rate in major food groups: FY24 vs FY25



Source: Consumer Price Index, MOSPI

Note: * Miscellaneous group includes household goods and services, health, education, recreation & amusement, transport & communication, and personal care and effects.

March 2025: Inflation rate remains the lowest since August 2019

12. In March 2025, the retail inflation rate declined to 3.34 per cent from 3.61 per cent in February 2025, marking the lowest year-on-year inflation recorded in 67 months. Food inflation also witnessed a notable decline, by 106 basis points to 2.7 per cent in March 2025 from 3.7 per cent in the previous month. This is the lowest since November 2021. The substantial decline in food inflation was primarily driven by a reduction in price pressures

across key food categories viz vegetables, eggs, pulses, meat and fish, cereals, and milk products.

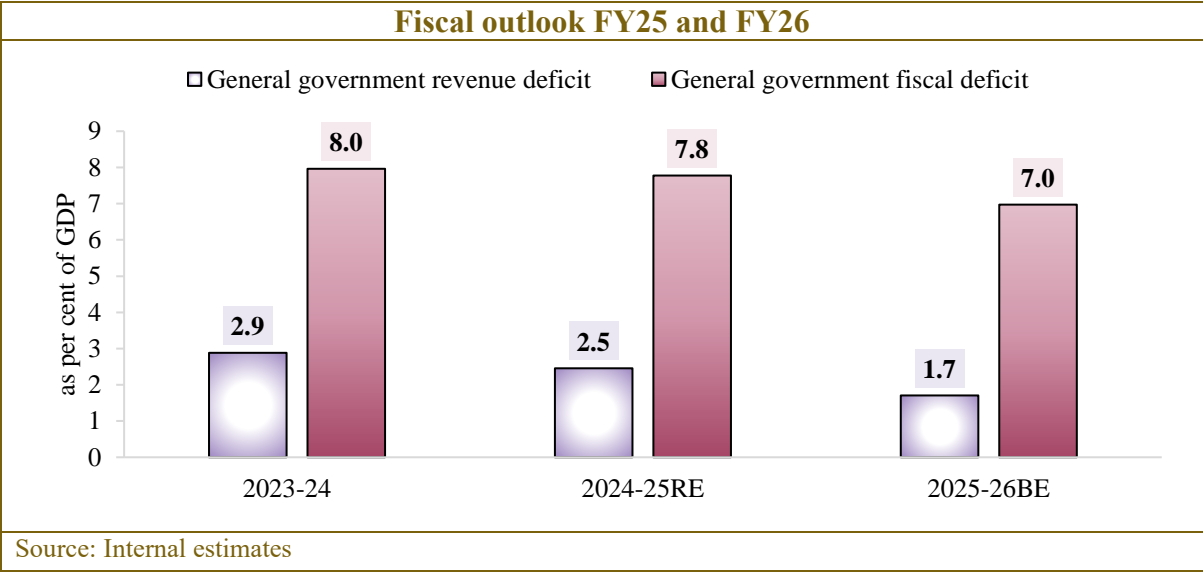
13. In March 2025, the inflation rate in cereals eased to 5.9 per cent from 6.1 per cent in February 2025, aided by government interventions such as Bharat Atta, Bharat Rice, and the open market sales of wheat and rice, which helped stabilise cereal prices. Pulses and vegetables continued to remain in the deflationary zone. This was supported by subsidised sales of pulses and a favourable kharif harvest. Further moderation in the prices of key vegetables - tomato, onion, and potato - was observed in March and April (as per the Dept. of Consumer Affairs' retail price data).

Improved inflation outlook amidst risks and uncertainties

14. In FY25, average inflation stood at 4.6 per cent, below the upper tolerance limit of inflation targeting. Assuming a normal monsoon, the RBI has projected retail inflation for FY26 at 4 per cent. The MPC, in April 2025, reduced the policy repo rate by 25 basis points to 6 per cent. Food inflation on a month-on-month basis dropped by (-)0.9 per cent in March 2025, indicating further prospects of a decline in the y-o-y food inflation rate. Although inflation in edible oils, as well as in gold and silver, remains elevated amidst international price pressures, the overall inflation outlook has improved with low core inflation and easing food prices. Nonetheless, ongoing global uncertainties, including trade tensions and geopolitical risks, pose upside risks to commodity prices and may put pressure on supply chains.

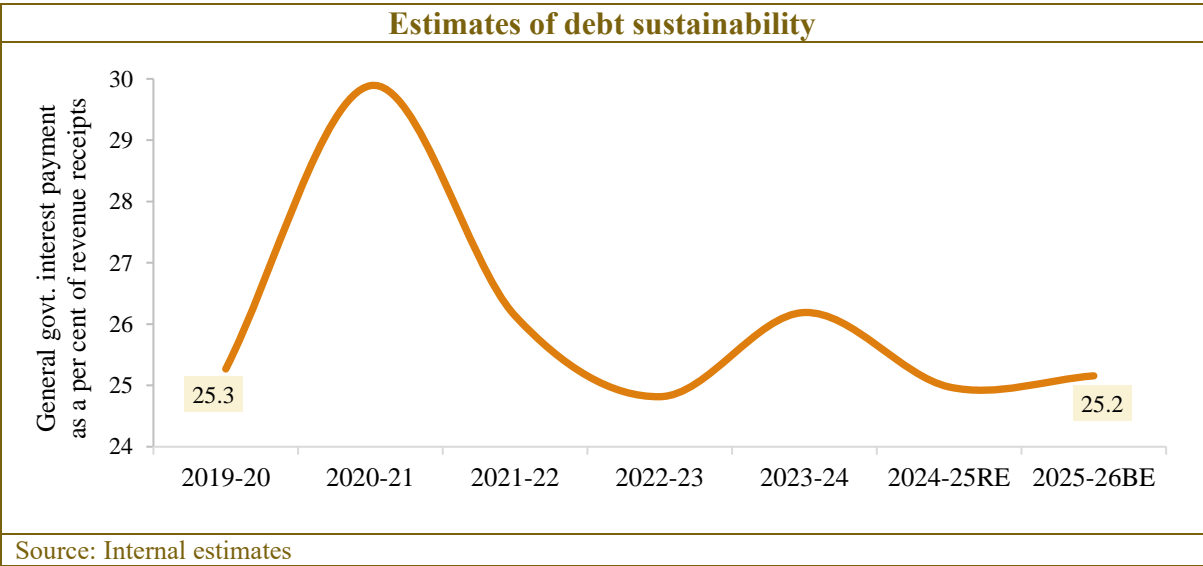
Public Finances

15. An assessment of general government finances from the FY25 and FY26 budgets of the Union and state governments reflects steady progress in fiscal consolidation. Revenue and fiscal deficits relative to GDP continue to decline. This has increased the availability of domestic savings for financing private investment in the economy.



16. Going forward, the glide path of Union government debt announced in the budget will ensure a still higher availability of domestic savings for private investment. If states are able to reduce their debt burden going forward, there would still be a higher availability of domestic savings for private investment. While the underlying economic conditions vary across states, a concerted effort to improve the quality of expenditure and rein in deficits by states is crucial to achieve medium-term fiscal consolidation and support macroeconomic growth & stability.

17. For the general government, interest payments relative to revenue receipts have improved even compared to pre-COVID levels. As general government debt ratios decline, public sector borrowing costs will decline resulting in overall economy-wide lower cost of capital.



Monetary and financial sector developments

Banking sector performance - Credit and deposit growth trends

18. Indian banks and financial institutions have demonstrated resilience amid global strains, maintaining adequate capital buffers. The banking sector's gross non-performing assets (GNPA) ratio declined to 2.6 per cent in September 2024, suggesting scope for expansion in banking assets. Stress tests confirm banks' capacity to maintain capital adequacy ratios above regulatory minima under severe scenarios.⁹

19. Throughout FY25, deposit growth continued to lag behind credit growth. As of March 21, 2025, scheduled commercial banks (SCBs) reported a credit growth of 11 per cent, with deposit growth (excluding the effects of the merger) at 10.3 per cent for the same period. This trend was also evident in the banking system's credit-deposit ratio (CD ratio), which stood at 79.2.¹⁰ As of March 21, 2025, non-food bank credit from SCBs increased at a slower rate of 12.0 per cent YoY, compared to 16.3 per cent a year earlier.

Financial market outlook

20. The April meeting of the RBI's Monetary Policy Committee (MPC) led to a unanimous dovish stance, with the repo rate being cut by 25 basis points to 6 per cent. The rate cut came amidst rising uncertainty globally and tepid inflation levels on the domestic front. The combination of domestic and global factors provided adequate room for the RBI to stimulate growth without overheating the economy.

21. Bond yields decreased in March due to expectations of a rate cut. Additionally, factors such as lower-than-expected CPI, liquidity measures by the RBI, and indications of lower Union government market borrowing from April to September 2025 contributed to the decline in yields. In contrast, corporate bond risk premium (3-year AAA bond yield – 3-year G-sec yield) spiked, reflecting an increase in risk premium in the backdrop of moderate corporate performance in Q3 FY25 and a benign growth outlook for FY25.

22. While there was a softening of yields on the debt front, Indian equity markets recovered moderately in March following a rebound in FPI inflows. However, overall, equity valuations

⁹ The Reserve Bank of India's Financial Stability Report (December 2024)

¹⁰ RBI Weekly Statistical Supplement, 11 April 2025

are lower compared to the start of the year. For instance, the BSE Sensex declined by 1.3 per cent since the beginning of January to close at 77,415 at the end of March 2025.¹¹

The Rupee showed relative strength and stability despite global volatility in Q4 FY25

23. In the second half of FY25, the price of USD in INR terms rose by 3.1 per cent, as the US dollar strengthened from a monthly average of ₹84.03 vis-a-vis the USD in October 2024 to ₹86.64 in March 2025. FPI outflows and geopolitical uncertainties contributed to the rupee depreciation in this period. The month of March saw the Rupee appreciate on a month-on-month basis. This could be attributed to the rebound seen in FPI inflows during the month.

24. The Rupee has performed better relative to many emerging market (EM) currencies, maintaining its status as one of the least volatile EM currencies against the USD. This stability reflects its resilience during periods of significant global uncertainty.¹²

Global trade under policy uncertainty

25. The trade outlook for 2025 presents significant uncertainty. The IMF has projected that global GDP growth is expected to decrease from 3.3 per cent in 2024 to 2.8 per cent in 2025, with a slight recovery to 3.0 per cent in 2026. This decline can be attributed to the direct consequences of newly implemented trade measures, as well as their indirect effects, which include trade linkage spillovers, increased uncertainty, and a deterioration of sentiment.¹³ The UNCTAD notes that in a global economy characterised by low growth and high debt, higher tariffs risk undermining investment and trade flows, adding further uncertainty to an already fragile situation.¹⁴

26. Geopolitical risks have reached unprecedented levels in recent years, significantly influencing global financial markets and stability. The geoeconomic fragmentation index, a composite measure of geopolitical risk, has reached its highest level in several decades, raising

¹¹Calculated using daily BSE SENSEX data from Yahoo Finance

¹² Table IV.8 RBI Monetary Policy Report, April 2025

¹³ IMF World Economic Outlook, April 2025

¹⁴UNCTAD Press Release, April 4, 2025

https://unctad.org/system/files/press-material/pr25004_en_tariff-tensions-escalation.pdf

concerns about further diplomatic and military tensions and their implications for macro-financial stability.^{15,16}

27. The IMF's Global Financial Stability Report suggests that major geopolitical risk events can trigger significant asset price corrections with varying impacts across asset classes, countries, and sectors. During such events, financial institutions face elevated market, liquidity, and credit risks. Investment funds with significant exposure to countries involved in geopolitical conflicts generally experience lower returns and outflows, particularly bond funds.

28. As a major emerging market economy, India, too, faces distinct challenges and opportunities amid escalating global geopolitical tensions. The country remains vulnerable to spillover effects from international geopolitical events as the world's fifth-largest economy with substantial integration into global trade and financial networks. The RBI, in its latest Financial Stability Report, notes that geopolitical tensions represent one of the significant downside risks to India's financial stability.¹⁷

29. The Trade Policy Uncertainty Index¹⁸ increased by 101.3 per cent in Q1 FY25 compared to Q4 FY24, indicating a sharp deterioration from the relative stability observed between 2021 and 2023. This rise reflects notable trade and tariff-related policy changes among major countries. As these developments unfold, their potential global impact on investments and trade flows warrants careful consideration and analysis.¹⁹

¹⁵ The geoeconomic fragmentation index of Fernández -Villaverde, Mineyama, and Song (2024), is a composite measure of 14 indicators of geopolitical risk, such as the geopolitical risk index of Caldara and Iacoviello (2022), and several measures of uncertainty, financial flows, and trade openness.

¹⁶ Chapter 2, Global Financial Stability Report, April 2025.
<https://www.imf.org/en/Publications/GFSR/Issues/2025/04/22/>

¹⁷ The Reserve Bank of India's Financial Stability Report (December 2024)
<https://rbidocs.rbi.org.in/rdocs/PublicationReport/Pdfs/>

¹⁸ The TPU index is based on automated text searches of the electronic archives of seven newspapers: Boston Globe, Chicago Tribune, Guardian, Los Angeles Times, New York Times, Wall Street Journal, and Washington Post. The measure is calculated by counting the monthly frequency of articles discussing trade policy uncertainty (as a share of the total number of news articles) for each newspaper. The index is then normalised to a value of 100 for a one per cent article share. The TPU Index starts in 1960. Caldara, Dario, Matteo Iacoviello, Patrick Molligo, Andrea Prestipino, and Andrea Raffo (2020), "[The Economic Effects of Trade Policy Uncertainty](#)," Journal of Monetary Economics, 109, pp.38-59.

¹⁹ TPU Quarterly (<https://www.matteoiacoviello.com/tpu.htm>)

India's external sector performance during April-March FY25 ²⁰

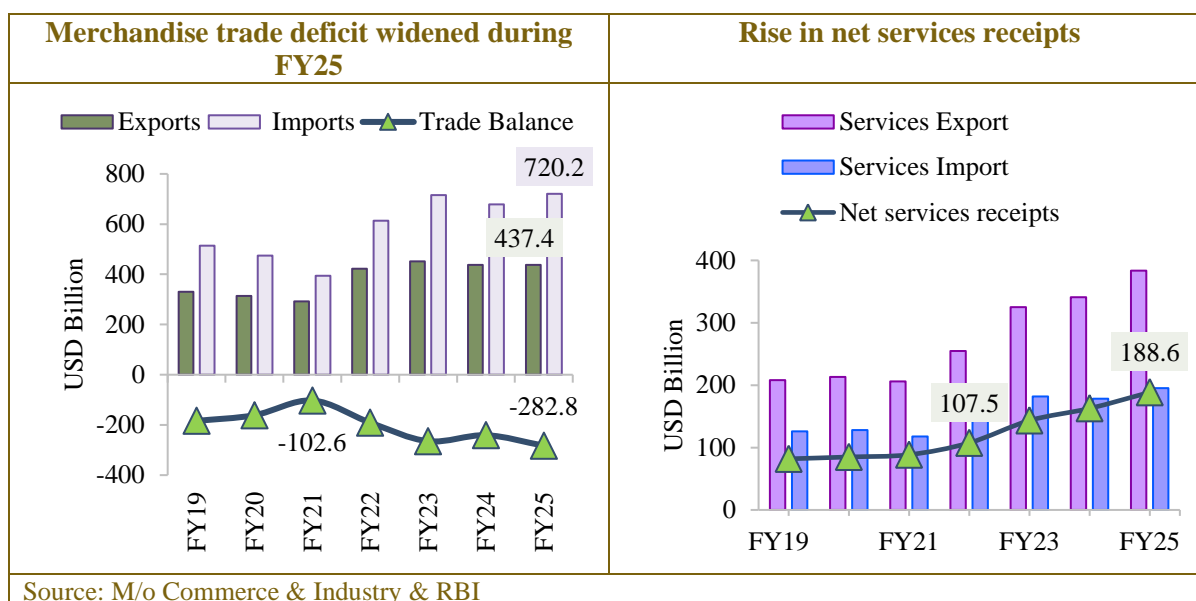
30. India's total exports (goods & services) increased by 5.5 per cent (YoY) to an estimated USD 820.9 billion during FY25, up from USD 778.1 billion in FY24. In March 2025²¹, total exports rose by 2.7 per cent YoY to USD 73.6 billion, while total imports increased by 4.9 per cent YoY to USD 77.2 billion. The total trade deficit (merchandise and services combined) for FY25 stood at USD 94.3 billion, up from USD 78.4 billion in the previous fiscal year.

31. Merchandise exports recorded a marginal YoY growth of 0.1 per cent during FY25, reaching USD 437.4 billion. While aggregate export growth may appear subdued, it is imperative to acknowledge that, when excluding the categories of petroleum, gems and jewellery, merchandise exports exhibited a robust growth rate of 7.5 per cent in FY25. This observation underscores the inherent strength of India's export sector, which may be obscured by the volatility associated with these specific categories. Consequently, the perceived stagnation in total merchandise exports can largely be attributed to the disproportionate influence of petroleum and gems and jewellery, which often masks the more favourable trends present within the broader export sector.

32. Merchandise imports grew by 6.2 per cent YoY during this period, primarily driven by non-petroleum, non-gems, and jewellery (gold, silver & precious metals) imports, which rose to USD 453.6 billion from USD 424.7 billion in the corresponding period last year. In March 2025, merchandise imports increased by 11.4 per cent YoY to USD 63.5 billion. A rise in merchandise imports alongside flat exports led to a widening merchandise trade deficit, reaching USD 282.8 billion in FY25, marking a 17.3 per cent increase YoY.

²⁰ Press Release, Ministry of Commerce (MoC)
<https://pib.gov.in/PressReleasePage.aspx?PRID=2122016>

²¹ The latest data for services sector released by RBI is for February 2025. The data for March 2025 is an estimation by MoC, which will be revised based on RBI's subsequent release.



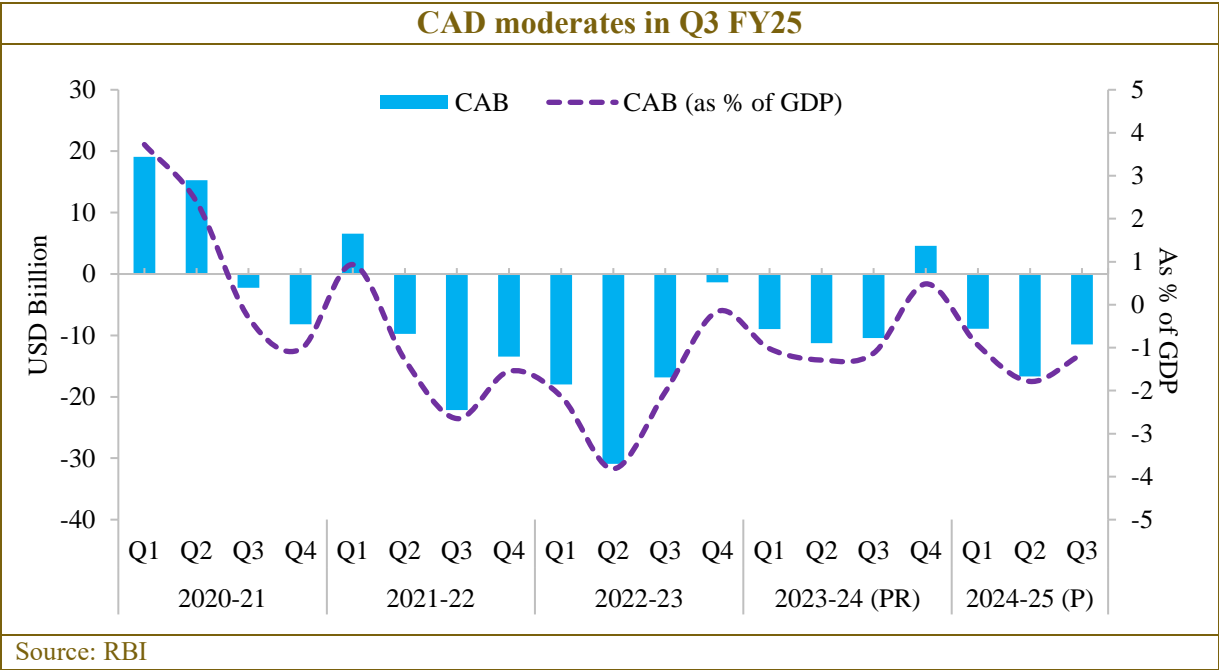
33. Despite the decline in merchandise exports, India's service exports grew robustly, rising by 5.4 per cent YoY to USD 31.6 billion in March 2025.²²

34. The unfolding global trade uncertainties while challenging for India, are also an opportunity to strengthen its global trade and manufacturing position in keeping with its comparative advantages in certain categories of goods and services. The economy demonstrates remarkable adaptive capacity and is well-positioned to mitigate risks and capitalise on emerging opportunities through strategic trade negotiations, domestic reforms and manufacturing investments. As the global supply chains undergo reconfiguration, the country's calibrated response positions it to emerge stronger within the evolving framework of international trade.

Current Account Deficit narrows in Q3 of 2024-25, but the trade gap keeps pressure on

35. The current account deficit (CAD) moderated to USD 11.5 billion (1.1 per cent of GDP) in Q3 FY25 from USD 16.7 billion (1.8 per cent of GDP) in the previous quarter. On a cumulative basis, the CAD widened to USD 37.0 billion (1.3 per cent of GDP) during April–December 2024, compared to USD 30.6 billion (1.1 per cent of GDP) in the corresponding period of the previous year, primarily due to a higher merchandise trade deficit.

²² Ibid note 21 above.



36. Personal transfer receipts, primarily comprising remittances from Indians working abroad, rose to USD 35.1 billion in Q3 FY25, up from USD 30.6 billion in Q3 FY24.

37. India has consistently been the largest recipient of remittances globally, with inflows more than doubling from USD 55.6 billion in 2010–11 to USD 118.7 billion in 2023–24. To understand the evolving patterns in remittances, the RBI conducted the sixth round of the Remittances Survey for the year 2023–24. Key findings of the survey are presented in Box I.

Box I: Key Findings of RBI’s Remittances Survey 2023-24

- Shift in Source Countries: While the Gulf Cooperation Council (GCC) countries historically dominated in the source composition of India’s inward remittances, advanced economies (AEs) now account for a larger share, driven by increased migration of skilled workers. The growing importance of AEs reflects a structural shift in India’s emigration profile toward skilled and professional workers.
The United States emerged as the top contributor with a 27.7 per cent share in 2023–24, followed by the United Arab Emirates (19.2 per cent), the United Kingdom (10.8 per cent), and Singapore (6.6 per cent).
- State-wise Remittance Recipients: Maharashtra remained the top recipient state with a 20.5 per cent share in 2023–24, although this was a decline from its peak in 2020–21.

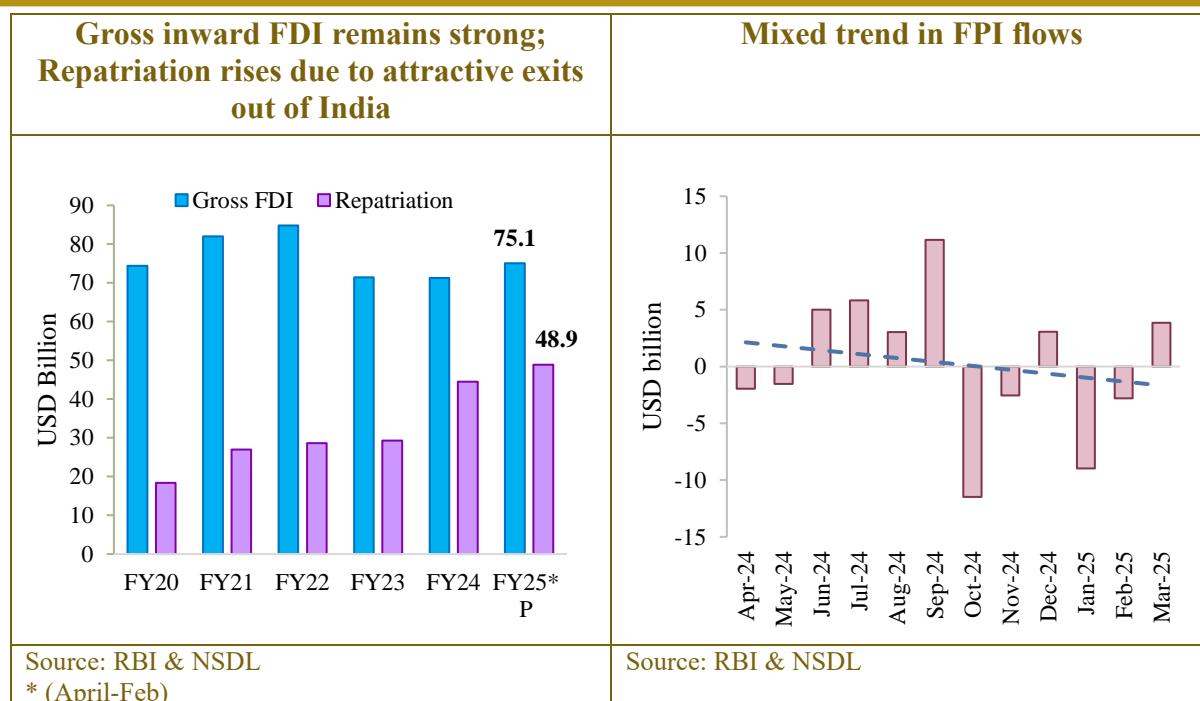
Kerala followed closely with a 19.7 per cent share, marking a significant rebound from the pandemic year. Maharashtra, Telangana and Punjab accounted for the largest number of Indian students migrating abroad for education and staying back for employment opportunities.

3. Modes of Remittance Transfer: Among the different modes of remittance transfer, the Rupee Drawing Arrangement (RDA) channel operated through exchange houses continued to dominate, accounting for 54.8 per cent of remittances to banks. This was followed by INR Vostro transfers by overseas banks and RDA transfers through fintechs. The SWIFT channel for foreign currency transactions had a relatively small share of 5.2 per cent. The increasing use of fintechs and digital channels reflects the increased adoption of technology in cross-border money transfers.

The sixth round of India's remittance survey highlights a transformation in remittance dynamics marked by a rise in skilled migration to advanced economies and evolving state-wise remittance patterns. To fully harness the opportunities emerging from the changing dynamics of the Indian diaspora, sustained investment in upskilling and reskilling the workforce will be essential.

The trend in capital flows

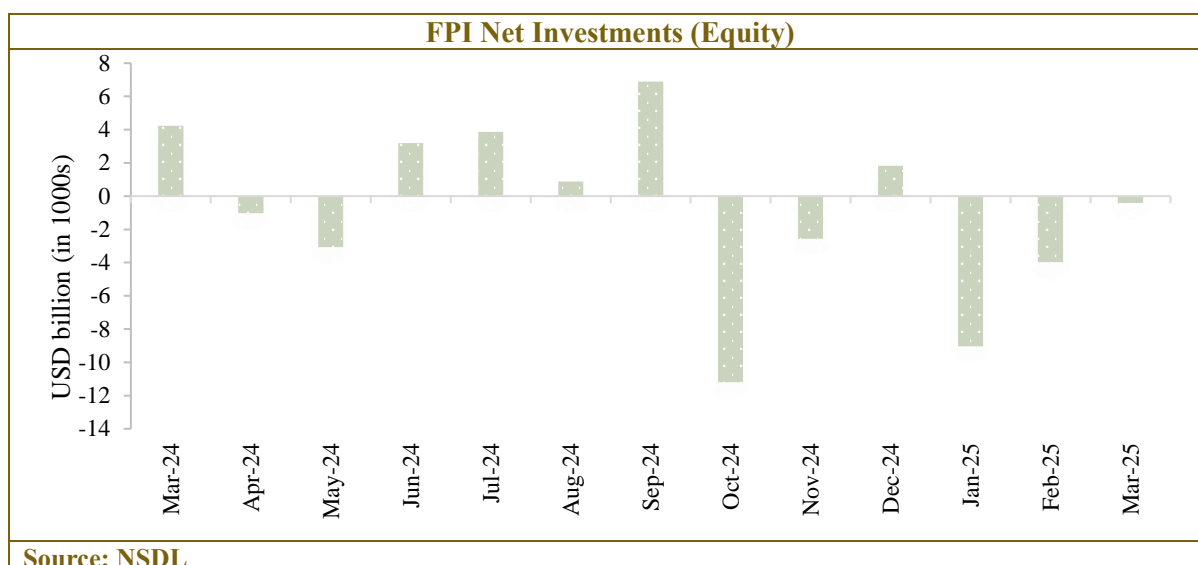
38. Gross foreign direct investment (FDI) inflows increased by 15.2 per cent YoY to USD 75.1 billion during FY25 (April–February) from USD 65.2 billion in the same period of FY24. However, net FDI inflows to India during the first eleven months of FY25 stood at USD 26.2 billion compared to USD 24.5 billion in the corresponding period of FY24 due to higher repatriation/disinvestments. Repatriation/disinvestment flows increased to USD 48.9 billion during FY25 (April–February), marking a 20.1 per cent increase from USD 40.7 billion in the same period last year. Outbound FDI is also higher on a yearly basis. Consequently, net FDI flows are lower compared to the corresponding period of the previous year.



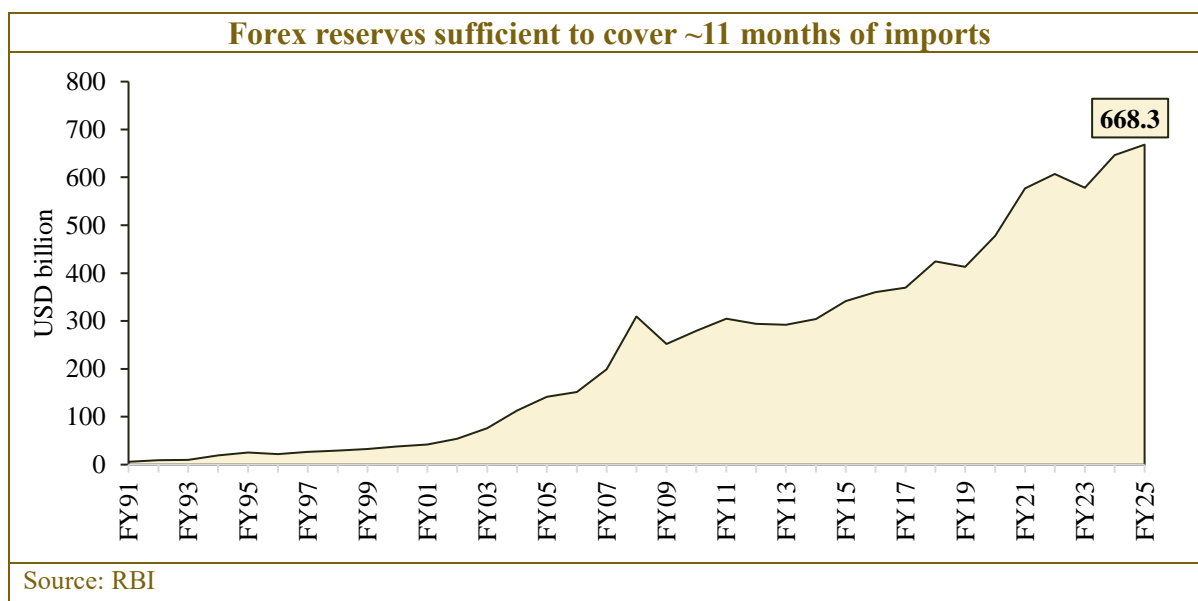
Trends in Foreign Portfolio Investments (FPIs) during FY25 and March 2025

39. An imminent fallout of heightened global uncertainty is its impact on the movement of capital. Indices of uncertainty indicate a rising trend in global uncertainty in recent months.²³ For India, during FY25, a net investment outflow of USD 14.6 billion was witnessed in the equity segment, whereas debt-based FPI outweighed the equity flows with an inflow of USD 16.9 billion. Factors including India's inclusion in the global bond indices, sell-offs in the equity segment, and relative stability in the Indian rupee may have contributed to the movement towards bonds. This is in stark contrast to equity performance during FY24 when FPIs were net buyers of Indian stocks worth USD 25.3 billion. On a YoY basis, March 2025 saw a decline of 38.7 per cent in monthly FPI net investment into equity, but it constituted a substantial improvement from the large outflows seen in January and February.

²³ <https://worlduncertaintyindex.com/data/>



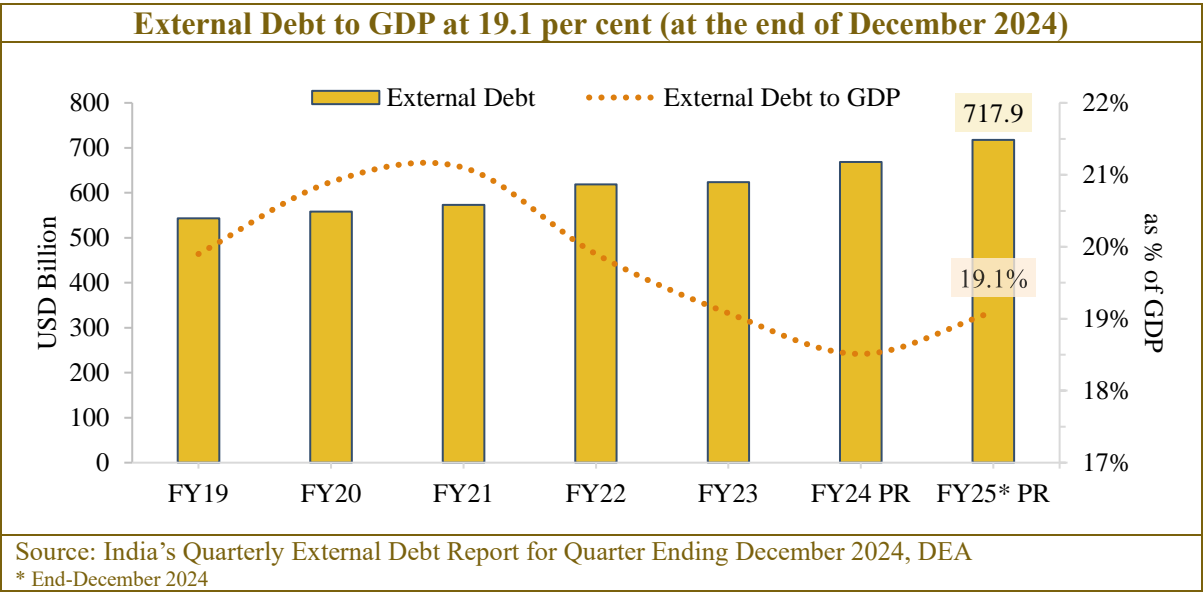
40. As of the end of March 2025, India's foreign exchange reserves stood at USD 668.3 billion, providing an import cover of about 11 months and 92.7 per cent of external debt outstanding at the end of December 2024. The reserves stood at USD 677.8 billion as of 11 April 2025.



External debt remains sustainable

41. India's external debt was USD 717.9 billion (19.1 per cent of GDP) at the end of December 2024, against USD 712.7 billion (19.0 per cent of GDP) at the end of September 2024. As of end-December 2024, US dollar-denominated debt constituted the largest share of the external debt at 54.8 per cent, followed by debt in Indian Rupee (30.6 per cent), Japanese

Yen (6.1 per cent), SDR (4.7 per cent), and Euro (3.0 per cent). Overall, India’s external sector remains resilient.



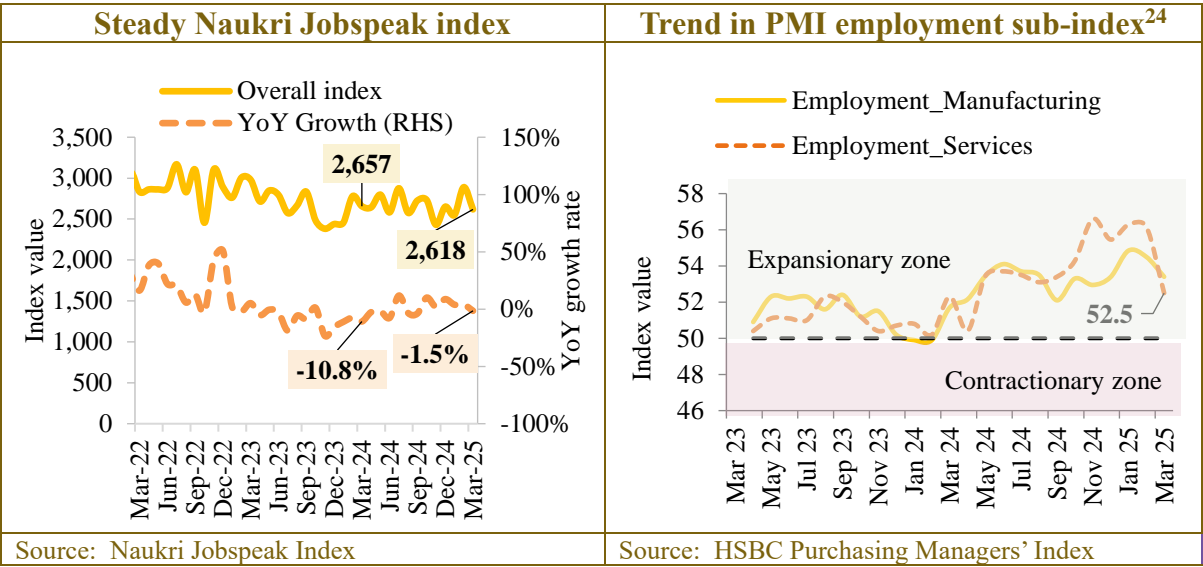
Labour market softens, but stability persists

42. India’s labour market is showing signs of growing formalisation of the job market, as indicated by payroll data of the Employees Provident Fund Organisation (EPFO). The EPFO had a net addition of 16.1 lakh members in February 2025. Notably, 57.71 per cent of the new members added in February 2025 were in the 18–25 age group, signifying that most individuals entering the organised workforce are youth, primarily first-time job seekers.

43. The Naukri JobSpeak index, a key indicator of India’s white-collar job market, signalled a slight slowdown in hiring activity. In March 2025, the index fell by 1.5 per cent year-on-year, marking a decline from its February 2025 peak—the highest level since April 2023. This fall may be attributed to hiring being impacted by extended holiday weekends in March 2025 for Holi and Eid. Specific sectors showed resilience, while others faced notable declines. Notable growth was seen in the AI-ML sector, which surged 25 per cent year-on-year, standing out amidst a largely steady trend across major industries. However, a few sectors faced challenges, such as education (-14 per cent YoY), retail (-13 per cent YoY), and Oil & Gas (-10 per cent YoY).

44. Despite a mild slowdown in manufacturing orders, the purchasing managers’ employment sub-index remained strong in March and employment in the Indian manufacturing sector continued to expand. Meanwhile, the services sector experienced a slowdown in hiring

activity. The PMI employment sub-index for services stood at 52.5 in March 2025, its lowest level since April 2024. This indicates that employment growth in the services sector has slowed down.



45. The Ministry of Statistics & Programme Implementation (MoSPI) released the calendar year estimates (January – December 2024)²⁵ of labour market indicators based on information collected during the first visit of the Periodic Labour Force Survey.²⁶ The all-India Labour Force Participation Rate (LFPR)²⁷ (rural and urban combined) in usual status²⁸, for persons aged 15 years and above, remained largely stable, with a marginal decline from 59.8 per cent in 2023 to 59.6 per cent in 2024. The all-India unemployment rate²⁹ (rural and urban combined) recorded a minor increase from 3.1 per cent in 2023 to 3.2 per cent in 2024.

Positive outlook for the labour market

46. Small Industries Development Bank of India (SIDBI) conducts a Micro, Small, and Medium Enterprises (MSME) Outlook Survey to evaluate the business sentiments and short-

²⁴ The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month and below 50 an overall decrease. The indices are also seasonally adjusted.

²⁵ The samples for the four quarters, namely, January – March 2024, April-June 2024, July – September 2024 and October – December 2024 of the calendar year 2024, have been combined to produce the estimates of key labour market indicators for the calendar year 2024. These estimates may not be compared with the annual PLFS report estimates based on the reference period June 2023-July 2024.

²⁶ PIB release of MoSPI dated 9 April 2025: <https://pib.gov.in/PressReleaseIframePage.aspx?PRID=2120359>.

²⁷ LFPR is defined as the percentage of persons in the labour force (i.e. working or seeking or available for work) in the population.

²⁸ The activity status of a person is determined on the basis of the activities pursued by the person during the specified reference period. When the activity status is determined on the basis of the reference period of last 365 days preceding the date of survey, it is known as the usual activity status of the person.

²⁹ Unemployment rate is defined as the percentage of persons unemployed among the persons in the labour force.

term expectations of MSMEs in India.³⁰ The results of the second round of the survey (January – March 2025)³¹ report that about one-third of the surveyed MSMEs in the service and manufacturing sector believe that employment has increased during the survey period. Further, about one-fourth of the trading MSMEs believe that employment has increased.

47. Forty per cent of surveyed MSMEs in the manufacturing and 37 per cent in the services sector reported optimism about higher employment in the fourth quarter of FY26, i.e. January to March 2026 (one year ahead). About a sixth of the surveyed MSMEs reported discontent regarding the availability of skilled labour.³²

Box II: Women empowerment in numbers: Insights from ‘Women and Men in India 2024’

MoSPI released the 26th edition of the report ‘Women and Men in India 2024: Selected Indicators and Data’.³³ The report offers a comprehensive overview of the gender landscape in India, presenting selected indicators and data across key areas like population, education, health, economic participation, and decision-making, all sourced from various Ministries/Departments/Organisations.

The report presents gender-disaggregated data across urban-rural divides and geographic regions, facilitating a nuanced understanding of women's and men's challenges and opportunities. Some of the key findings from the report are discussed below:

Financial Inclusion:

- As of March 2024, women own 39.2 per cent of all bank accounts and contribute to 39.7 per cent of total deposits. Their participation is highest in rural areas, with women comprising 42.2 per cent of the total account holders.

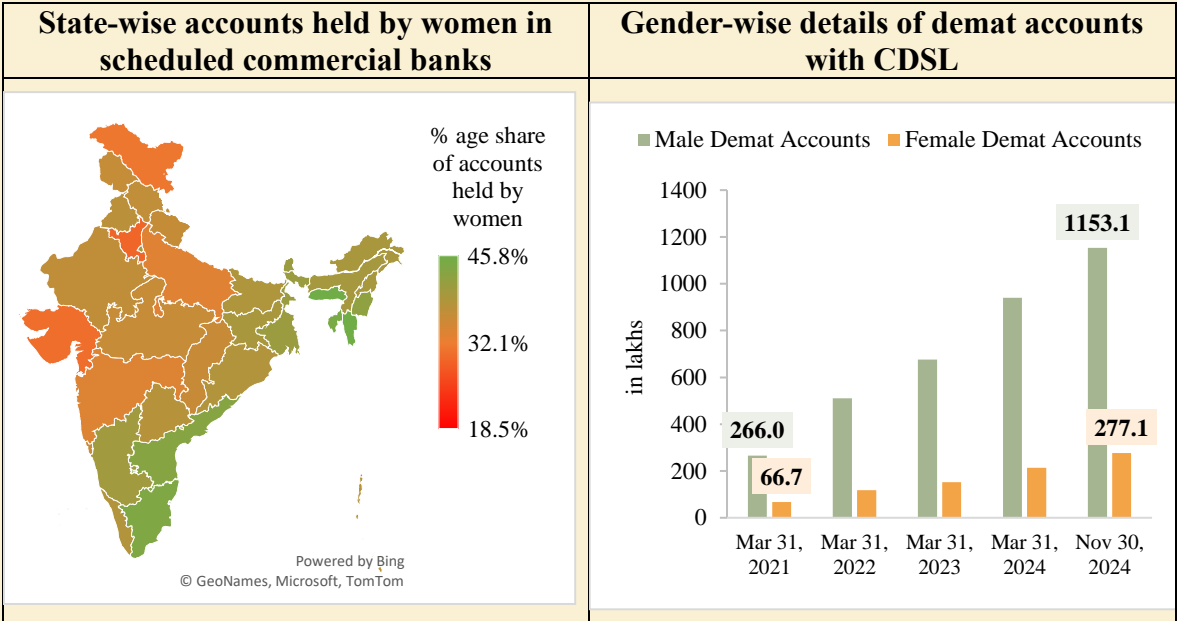
³⁰ The quarterly survey provides MSMEs' responses on their assessment of the current scenario, the expectations for the ensuing quarter and the relative outlook one year ahead vis-à-vis the current conditions on 24 parameters. Based on the survey inputs, two indices are generated, the MSME Business Conditions Index (M-BCI) and the MSME Business Expectations Index (M-BEI), which are essentially weighted averages of the responses from MSMEs to core performance parameters – sales growth, profitability, employment, access to finance and overall business situation. The surveyed MSMEs belong to three sectors: manufacturing, trading, and services.

³¹ About 1,200 MSMEs engaged in non-agricultural and non-financial activities in manufacturing, trading, and services participated in the 2nd round of the survey. The fieldwork for the survey was conducted during the quarter January-March 2025.

³² MSME Outlook Survey Round 2: January-March 2025: <https://tinyurl.com/2uucbs2b>

³³ Women and Men in India 2024: Selected Indicators and Data: <https://tinyurl.com/2p7ewmxk>

- The report highlights that the share of accounts held by women in scheduled commercial banks is higher in the southern and eastern parts of the country.
- A rise in the demat accounts over the years has been observed, indicating growing participation in the stock market by both men and women. From 31 March 2021 to 30 November 2024, the total number of demat accounts increased from 3.3 crore to 14.3 crore, more than a fourfold rise.



Source: Women and Men in India 2024

Microfinance

- The data on bank loans disbursed to self-help groups (SHGs) in FY24 highlights a significant financial boost, with over 54.8 lakh SHGs receiving ₹ 2,09,285.87 crore in loans. Notably, exclusive women SHGs accounted for 97 per cent of this, receiving ₹2,02,716.08 crore, underscoring the critical role of women in microfinance.

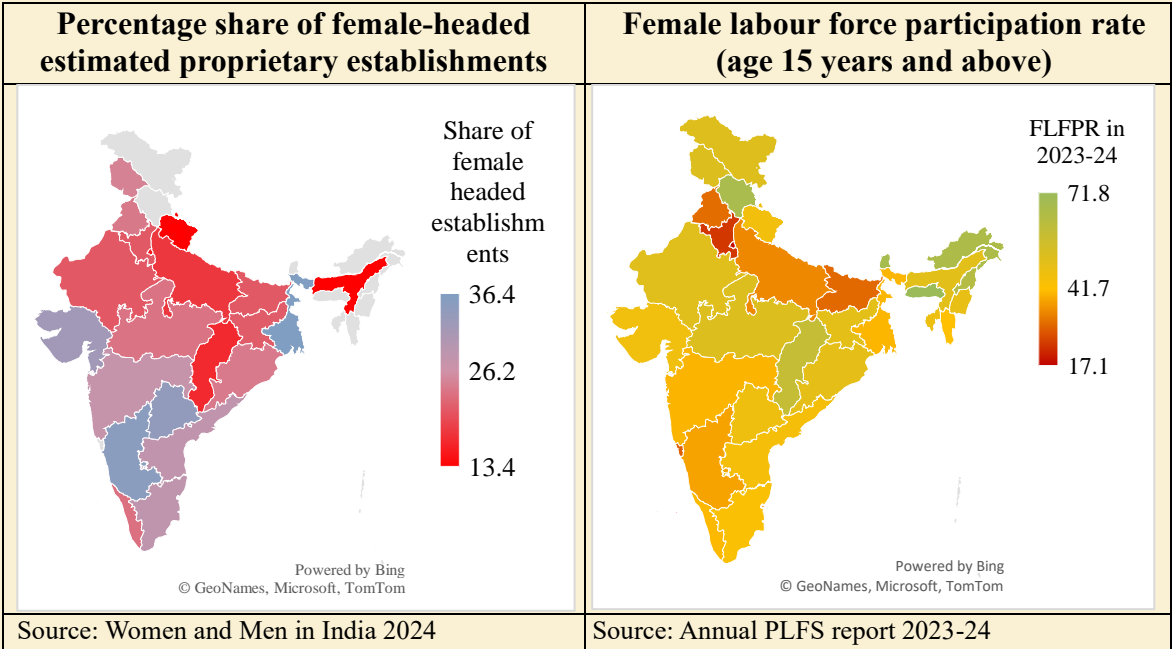
Ownership

- The number of women-headed proprietary establishments has increased over the years. Yet, it remains significantly lower than men's, with only one-fourth of all such establishments led by women.
- The share of female-headed estimated proprietary establishments has shown a positive trend, with the share increasing from 24 per cent in 2021-22³⁴ to 26.2 per

³⁴ Source: Annual survey of unincorporated sector enterprises (ASUSE) 2021-22 with the reference period April, 2021 – March, 2022.

cent in 2023-24.³⁵ The share of female-headed establishments is highest for the manufacturing sector at 58.4 per cent in 2023-24.

- It is also observed that the States with a higher presence of female-headed establishments, such as West Bengal, Karnataka, Gujarat and Andhra Pradesh, also have higher female labour force participation rates.



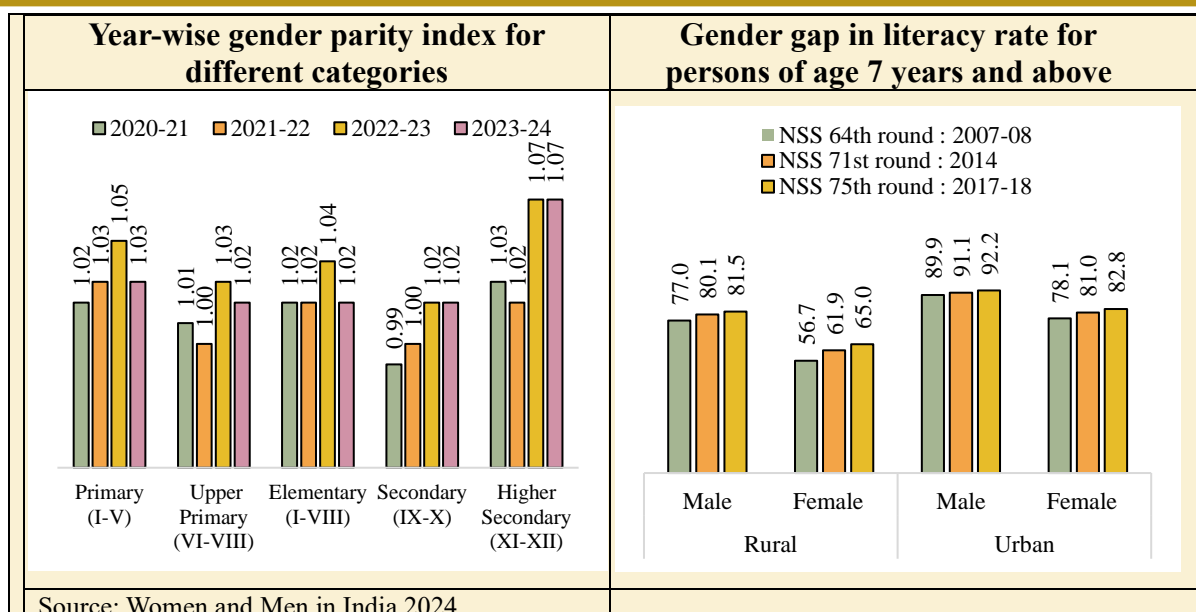
Education

- The primary and higher secondary levels consistently show high gender parity index (GPI)³⁶, indicating parity in access to education. The upper primary and elementary levels have experienced fluctuations over the years but have remained close to parity.
- Literacy rate has improved for both genders in urban and rural areas. As per NSS 75th round, the literacy rate was 84.7 per cent for males and 70.3 per cent for females in 2017.
- Although the gender gap³⁷ has reduced by half over the years, significant disparities remain, with women still lagging behind men in literacy.

³⁵ Source: Annual survey of unincorporated sector enterprises (ASUSE) 2023-24 with the reference period October, 2023– September, 2024

³⁶ GPI is measured as ratio of gross enrolment ratio (GER) of girls to GER of boys. It measures the progress towards gender parity in education participation and/or learning opportunities for girls in relation to those available to boys. It also represents the level of girls’ empowerment in the society.

³⁷ Gender Gap=Literacy rate for males-Literacy rate for females



Women in decision-making

- The number of electors increased from 17.3 crore in the first general elections in 1952 to 97.8 crore in the 18th general elections in 2024, with a notable rise in female voter registration. Female voter turnout varied, reaching 67.2 per cent in the general elections in 2019 but slightly declined to 65.8 per cent in the 2024 general elections. However, the gender gap in voting has continued to narrow, with female turnout surpassing male turnout for the first time in the 2024 general elections.
- Over the years, there has been an increase in the number of startups (as recognised by DPIIT) with at least one-woman director. Such startups rose from 1,943 in 2017 to 17,405 in 2024.
- As per the Udyam Registration Portal, as of 31 October 2024, women-owned MSMEs constitute 21.8 per cent of all registered MSMEs. These enterprises contribute 20.3 per cent to employment and 12.0 per cent to total investment but only 10.9 per cent of total turnover.
- As of 31 October 2024, women-owned Informal Micro Enterprises (IMEs) account for 62.2 per cent of total registered IMEs and employment under the Udyam Assist Platform.

Conclusion and Outlook

48. In FY26, prospects of the agriculture sector remain bright, supported by healthy reservoir levels and robust crop production. Manufacturing activity is showing signs of revival with robust business expectations. Services sector activity continues to be resilient. On the demand side, the favourable outlook for the agricultural sector augurs well for rural consumption, which remains robust. Urban demand is showing steady improvement, supported by rising discretionary spending. On balance, labour market conditions remained stable. Several outlook surveys reflect optimism regarding employment conditions in the coming year, although they may have been conducted before the fresh round of tariffs announced in April.

49. Meanwhile, investment activity has gained momentum and is expected to strengthen further, driven by sustained capacity utilisation, the government's continued emphasis on infrastructure development, healthy balance sheets of banks and corporates, and easing financial conditions. While merchandise exports may face pressure due to global uncertainties, services exports will likely maintain their resilience. Nonetheless, risks from ongoing global trade disruptions warrant close monitoring and diversification into various hitherto unexplored markets. For the private sector, this is the time to invest in product differentiation and quality as easy pickings recede into history.

50. Removal of compliance, inspection and logistics hurdles has assumed far greater urgency than before. Empirical research has shown that China's exports grew faster in those sectors where import duties on inputs came down the most. With the government's strong commitment to fiscal consolidation, the availability of domestic savings to finance private sector investment has improved. Going forward, the planned reduction of public debt to GDP will create additional domestic resources for private investment, especially as states also work to decrease their debt burdens. As a result, fiscal discipline is expected to enhance the momentum of economic growth.

51. At the same time, with uncertainties around the rabi crop largely resolved, and the second advance estimates pointing to record wheat output and higher pulse production, food inflation is expected to soften further. This disinflationary trend is reinforced by robust kharif arrivals and a sharp decline in inflation expectations, as seen in recent RBI surveys. Additionally, falling crude oil prices also contribute to this positive outlook. However, global uncertainties, such as trade tensions and geopolitical risks, could disrupt supplies or cause prices to rise or both.

52. Nevertheless, while geopolitical uncertainties present challenges for India too, they also offer an opportunity to strengthen its position in international trade and manufacturing by leveraging its comparative advantages in select goods and services. With renewed and sustained focus on geopolitical developments, India can mitigate these risks and capitalise on emerging opportunities through strategic trade negotiations, domestic reforms and manufacturing investments.

53. In conclusion, India's long-term growth is driven by macroeconomic stability, a resilient external sector, declining fiscal deficit, easing inflation, improving employment prospects, and high consumption expenditure. Private capital formation holds the key to the sustainability of this favourable constellation. Public policy and regulatory measures can both facilitate and nudge the private sector to do its part. With the right strategies in place, continued domestic reforms, and a strong focus on infrastructure development and job creation, the economy can demonstrate resilient growth despite global uncertainties.

For feedback and queries, one may write to: mer-dea@gov.in.

This document has been prepared by Ajay Ojha, Bharadwaja Adiraju, Esha Swaroop, Gargi Rao, Gurvinder Kaur, Harish Kumar Kallega, Mamta, Meera Unnikrishnan, Pavit, Prachi Singhal, Radhika Goyal, Shruti Singh, Sonali Chowdhry and Venkat Hariharan Asha.

Performance of High Frequency Indicators

Data Title	Unit	YTD Period/ As at the end of	Year to Date			Year to Date (YoY Growth)		
			2022-23	2023-24	2024-25	2022-23	2023-24	2024-25
Agriculture								
Fertiliser Sales	Mn Tonnes	Apr-Feb	58.4	58.2	58.9	15.2	-0.3	1.2
Domestic Tractor Sales	Lakh	Apr-Mar	9.5	8.7	9.4	12.2	-8.3	8.4
Food grain Production	Mn Tonnes	2nd AE	323.6	309.3	330.9	2.4	-4.4	7.0
Credit to Agriculture and allied activities	₹ Lakh crore	Feb	17.0	20.4	22.6	15.0	20.1	11.2
Industry								
IIP	Index	Apr-Feb	137.3	145.5	151.4	2.4	6.0	4.1
8-Core Industries	Index	Apr-Feb	145.0	156.3	163.1	8.4	7.8	4.4
Domestic Auto sales	Lakh	Apr-Mar	202.4	228.9	246.5	19.8	13.1	7.7
PMI Manufacturing	Index	Apr-Mar	55.6	57.2	57.4	1.6	1.6	0.2
Power consumption	Billion kWh	Apr-Mar	1504.3	1622.0	1693.6	9.5	7.8	4.4
Natural gas production	Bn Cu. Metres	Apr-Feb	31.5	33.3	33.1	1.3	5.7	-0.6
Cement production	Index	Apr-Feb	168.1	182.7	192.0	9.8	8.7	5.1
Steel consumption	Mn Tonnes	Apr-Mar	119.9	136.3	150.2	13.4	13.7	10.2
Inflation								
CPI-C	Index	Apr-Mar	174.7	184.1	192.6	6.7	5.4	4.6
WPI	Index	Apr-Mar	152.5	151.4	154.8	9.4	-0.7	2.3
CFPI	Index	Apr-Mar	174.6	187.6	201.3	6.6	7.5	7.3
CPI-Core	Index	Apr-Mar	172.8	180.3	186.7	6.1	4.3	3.6
Services								
Domestic Air Passenger Traffic	Lakh	Apr-Feb	2446.5	2798.8	3051.1	67.9	14.4	9.0

Data Title	Unit	YTD Period/ As at the end of	Year to Date			Year to Date (YoY Growth)		
			2022-23	2023-24	2024-25	2022-23	2023-24	2024-25
Port Cargo Traffic	Million tonnes	Apr-Feb	712.5	744.5	770.8	9.6	4.5	3.5
Rail Freight Traffic	Million tonnes	Apr-Aug	620.9	634.7	653.2	10.3	2.2	4.9
PMI Services	Index	Apr-Mar	57.3	60.3	59.2	9.5	5.2	-1.7
Fuel Consumption	Million tonnes	Apr-Mar	223	234.3	239.2	10.6	5.0	2.1
UPI (Volume)	Crore	Apr-Mar	8375.1	13,116.5	18587.6	82.2	56.6	41.7
E-Way Bill Volume	Crore	Apr-Mar	95.8	111.2	130.5	23.8	16.1	17.4
Fiscal Indicators								
Gross tax revenue (Central Govt)	₹ Lakh crore	Apr-Feb	25.5	28.9	32.0	12.0	13.5	10.7
Revenue Expenditure	₹ Lakh crore	Apr-Feb	29.0	29.4	30.8	9.2	1.3	4.8
Capital Expenditure	₹ Lakh crore	Apr-Feb	5.9	8.1	8.1	21.7	37.2	0.0
Fiscal Deficit	₹ Lakh crore	Apr-Feb	14.5	15.0	13.5	10.4	3.2	-10.0
Revenue Deficit	₹ Lakh crore	Apr-Feb	9.2	7.3	5.7	6.3	-20.9	-21.9
Primary Deficit	₹ Lakh crore	Apr-Feb	6.5	6.2	3.9	1.6	-5.3	-37.1
GST Collection	₹ Lakh crore	Apr-Mar	18.1	20.2	22.1	21.9	11.6	9.4
External Sector								
Merchandise exports	USD Billion	Apr-Mar	451.1	437.1	437.4	6.9	-3.1	0.1
Non-petroleum exports	USD Billion	Apr-Mar	353.6	352.9	374.1	-0.3	-0.2	6
Merchandise imports	USD Billion	Apr-Mar	716	678.2	720.2	16.8	-5.3	6.2
Non-oil imports	USD Billion	Apr-Mar	506.6	499.5	534.5	12.3	-1.4	7
Non-oil non-gold/silver imports	USD Billion	Apr-Mar	466.2	448.5	471.6	16	-3.8	5.2
Net FDI	USD Billion	Apr-Feb	26.7	11.5	1.5	-24.8	-56.9	-87
Exchange Rate (Average)	INR/USD	Apr-Mar	80.4	82.8	84.6	-7.3	-2.9	-2.1
Foreign Exchange Reserves	USD Billion	Mar	578.4	646.4	668.3	-4.8	11.8	3.4

Data Title	Unit	YTD Period/ As at the end of	Year to Date			Year to Date (YoY Growth)		
			2022-23	2023-24	2024-25	2022-23	2023-24	2024-25
Import Cover	Months	Mar	9	10.9	11	-	-	-
Monetary and Financial								
Total Bank Credit	₹ Lakh crore	21 Mar	136.8	164.3	182.4	15.1	20.1	11.0
Non-Food Credit	₹ Lakh crore	21 Mar	136.6	163.6	182.1	15.4	19.8	11.3
10-Year Bond Yields	Per cent	Apr-Mar	7.5	7.1	6.8	0.6	-0.4	-0.3
Repo Rate	Per cent	11 Apr	6.5	6.5	6	2.5	0.0	-0.5
Currency in Circulation	₹ Lakh crore	4 Apr	34.2	35.3	37.4	7.5	3.2	5.9
M0	₹ Lakh crore	4 Apr	43.5	46.1	48.3	9.8	6.0	4.8
Employment								
Net payroll additions under EPFO	Lakh	Apr-Feb	125.1	140.0	123.4	16.9	11.9	-11.9
Number of persons demanded employment under MGNREGA	Crore	Apr-Mar	33.2	33.3	30.7	-17.5	0.4	-7.7
Urban Unemployment Rate	Per cent	Oct-Dec	7.2	6.5	6.4	-1.5	-0.7	-0.1
Subscriber Additions: National Pension Scheme (NPS)	Lakh	Apr-Jan	6.2	7.5	6.4	-2.4	20.9	-14.5
