MONTHLY BIZ E-NEWSLETTER

INDIA FOCUS

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FEBRUARY 2025

JOB SCHEME
To generate 2.2 mn jobs, Rs 4 trn turnover, Rs 1.1 trn in exports

AGRI DEVELOPMENT PROGRAMME
100 districts 17 mn farmers

CENTRE FOR EXCELLENCE IN AI
Rs 5 bn for education

Govt gives consumption a push to drive growth

Measures announced to strengthen the MSME and startup ecosystems

BUDGET 2025-26

The budget highlights agriculture, MSME, investment and exports as engines in the journey to Viksit Bharat using reforms as fuel, guided by the spirit of inclusivity

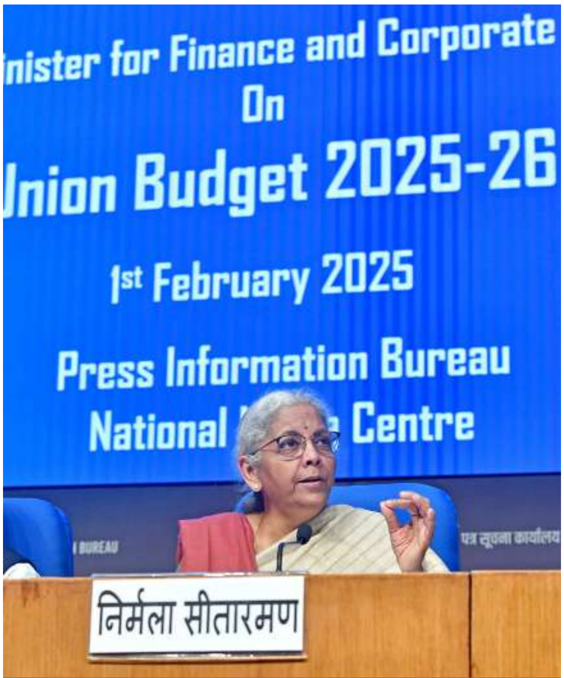
India's Union Budget has taken a strategic approach to usher in higher economic growth while also encouraging sustainability to ensure long-term resilience and global competitiveness.

Presenting the Union Budget on February 1, Finance Minister Nirmala Sitharaman put the focus on 3Cs – capex, consumption and creation of jobs – to lay a strong foundation for the economy. The highlights of the budget included an income tax rebate to spur consumption and measures to grow micro, small and medium enterprises (MSMEs), which form the backbone of the country's economy.

"The new structure will substantially reduce the taxes of the middle class and leave more money in their hands, boosting household consumption, savings and investment," she said.

The minister created history by presenting her eighth budget in a row. Morarji Desai, who has been the Prime Minister and also the finance minister, holds the record for presenting the most budgets in India, at 10.

Sitharaman's budget looks at reforms and rationalising of laws to promote ease of doing business and this is a step in the right direction for structural reforms, said experts. Key announcements included the establishment of



Some Key Announcement in Budget 2025

- National mission on high-yielding seeds soon
- 5-year programme to increase cotton productivity
- India Post to become public logistic organisation
- 50,000 Atal Tinkering Labs to be set up in govt schools
- Rs 100 billion fund of funds for startups
- MSMEs to get term loans up to Rs 2,000 lakh will be given
- Modified rural air connectivity scheme to cover 120 new destinations
- 36 life-saving drugs fully exempted from customs duty
- New scheme to determine arm's length price in international transactions

an Export Promotion Mission with sector-specific targets a series of measures for key sectors such as infrastructure, agriculture and exports. The tax relief for the middle class would increase spending and lead to more economic activity, said experts. They called the budget a masterful blueprint for India's economic growth, skillfully balancing fiscal responsibility with progressive reforms.

It also laid the foundation for the Reserve Bank of India (RBI) to soon cut the benchmark interest rate.

Prime Minister Narendra Modi lauded the budget as a "people's budget" that fulfils the dreams of every Indian and said that it is a "force-multiplier" that will boost consumption, investment and growth.

Referring to the move to extend income tax rebate to Rs 1.3 million, observers said it translated into an unprecedented infusion of Rs 1 trillion into the hands of middle-class households. This would boost demand for FMCG products , motorbikes and cars, and houses. It would also give the public more money to invest, which would result in more funds flowing into the market.

"An increase in disposable income enhances consumption growth and provides further wealth creation opportunities to Indian households through the markets," said Ashishkumar Chauhan, MD and CEO of National Stock Exchange.

Ankita Pathak, Chief Macro and Global Strategist at Ionic Wealth, said there was a clear shift from targeted subsidies to more universal benefits, as seen with the reduction of subsidies and the increase of disposable income through larger tax rebates. This is incrementally positive for wider consumption in the country.

The budget's approach to strengthening agriculture, MSMEs, investments and exports is poised to catalyse credit demand, invigorating the banking sector's loan growth. The focus on establishing a National Manufacturing Mission is poised to attract investments and improve efficiency, positioning Indian companies as globally competitive players.

Although the government's capital expenditure allocation has increased moderately, the emphasis is likely to shift towards effective implementation through the public-private partnership (PPP) model.

This is evident from initiatives aimed at creating a 3-year pipeline of projects, annual monetisation plan, access to PM Gati Shakti Data ensuring a steady stream of investments and timely execution.

The government's commitment to allocate Rs 200 billion for private-sector-driven R&D and proposing a deep-tech fund signal a crucial shift toward fostering homegrown innovation.

With alternative investment funds already receiving commitments of over Rs 910 billion and an additional Rs 100 billion fund of funds on the way, India has an opportunity to build world-class startups in AI, quantum computing and advanced manufacturing.

Targeted credit expansion for farmers and MSMEs will inject vital liquidity, accelerating sectoral growth, while the transition to cashflow-based lending reinforces financial stability. ■

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HIGH COMMISSION OF INDIA, SINGAPORE

PM Modi lauds 'most pro-middle class budget in history'

Prime Minister Narendra Modi called the Union Budget 2025 "the most pro-middle class in India's history". He pointed out the measures announced by the finance minister and said these would help the citizens of the country.

In his televised remarks after Finance Minister Nirmala Sitharaman presented the Budget in the Lok Sabha, Modi highlighted the measures taken for the shipbuilding industry, including granting it infrastructure status, for tourism and assistance to the micro, small, and medium enterprises (MSMEs), reported the Business Standard.

"The Budget has a 360-degree focus on manufacturing to strengthen entrepreneurs, MSMEs, and small businesses, creating new jobs," the PM said. He highlighted that sectors such as clean tech, leather, footwear and toys have received special support under the National Manufacturing Mission. He measures presented in the budget for the manufacturing sector would allow Indian products to shine globally, he said.

"The Budget lays a strong foundation to increase savings and make citizens partners in development," Modi said, adding that the tax relief will benefit the middle class and salaried employees and also to those entering the job sector. He said the budget's welfare initiatives for gig workers underscore the government's commitment to the dignity of labour.

> **"This budget is a force multiplier. This budget will increase savings, investment, consumption and growth rapidly"**
>
> **PRIME MINISTER NARENDRA MODI**

He pointed out that all sectors that can generate employment have been given priority in the budget. "By giving an infrastructure status, the construction of big ships in India will be encouraged, the Atmanirbhar Bharat Abhiyan will get momentum. We all know that shipbuilding is the sector that gives maximum employment. Similarly, there is a lot of potential for tourism in the country. Hotels will be built at 50 important tourist stations, for the first time, by bringing hotels under the ambit of infrastructure, tourism will get a big boost. This will give energy to the hospitality sector, which is a very big sector of employment," the PM said.

This budget not only addresses the current needs of the country but also helps in preparing for the future, he added.

THE BIG PUSH

Budget gives tax relief to middle class to boost spending, growth

Written using agency reports

People earning up to Rs 1.28 million a year will not have to pay any taxes, the budget said, raising the threshold from Rs 700,000. The government also lowered the tax rates for people earning above the new threshold.

The move by the world's fifth-largest economy aims to boost domestic demand amid uncertainty over the global economic outlook due to potential new tariff barriers.

"The new structure will reduce taxes on the middle class and leave more money in their hands, boosting household consumption, savings and investment," Finance Minister Nirmala Sitharaman said.

The move will result in an annual Rs 1 trillion hit to treasury revenues, the Reuters news agency reported. But the tax cut is "likely to spur consumer demand and savings by the middle class that has faced challenges from elevated inflation and lower income growth", Sakshi Gupta, economist at HDFC Bank, told Reuters, according to news reports.

KV Subramanian, the executive director at the International Monetary Fund, said the tax relief would directly inject Rs 1 trillion into the hands of the middle class, increasing disposable income. Consumption will rise by over 10% and GDP by 8%, said the former Chief Economic Adviser to the government. Considering that the middle class typically saves around 20% of their income, he estimates that 80% of this additional disposable income will flow into consumption.

"The "EFFECT OF PERSONAL INCOME TAX (PIT) CUT IS HUGE!!! I estimate consumption in FY26 will (increase) by >10% and GDP will (rise) by >8%"

KV SUBRAMANIAN,
Executive director at IMF on X

FISCAL MATH

Govt eyes fiscal deficit at 4.4% for 2025-26, sets path to bring down debt

Written using agency reports

The Narendra Modi government will target a narrower fiscal deficit of 4.4% of gross domestic product for 2025-26, down from a revised 4.8% for the current year, Finance Minister Nirmala Sitharaman said in the budget.

However, the government increased gross borrowing to Rs 14.82 trillion from the market to fund the deficit, compared with Rs 14.01 trillion in the current year.

The narrower deficit target comes despite a rejig of personal taxes, which will lead to a loss of Rs 1 trillion in revenue.

The net market borrowing will stand at Rs 11.54 trillion, marginally lower from Rs 11.63 trillion in 2024-25.

The government, which plans to shift to debt-to-GDP as the key benchmark for fiscal policy starting 2026-27, said it would target to bring down debt to a level of 50% by March 31, 2031 from a current level of 57.1%.

A narrower budget gap signals the government's intention to remain fiscally prudent despite expectations that it should have ramped up capital expenditure to support a sagging domestic economy. A lower fiscal deficit also boosts foreign investors' confidence in government finances and improves chances of a sovereign rating upgrade.

Govt to focus on reducing debt-GDP ratio to about 50% by FY31

Written using agency reports

Close to achieving the fiscal deficit target prescribed under the FRBM Act, the government has announced a new road map to reduce the debt-GDP ratio to about 50% by March 2031 from 57.1% now.

Finance Minister Nirmala Sitharaman has proposed bringing down the fiscal deficit to 4.4% of the GDP in FY26 from an estimated 4.8% in the current financial year.

As per the new road map for the next five years, the government aims to bring down the debt-GDP ratio to about 56% by the end of FY26.

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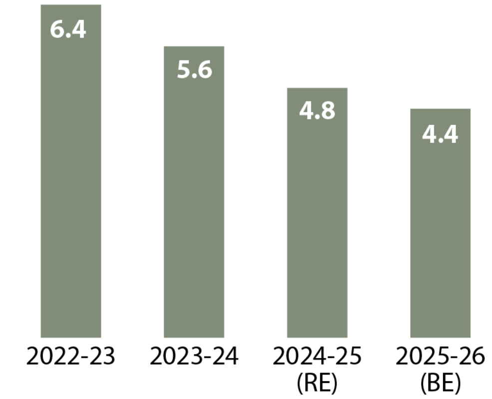
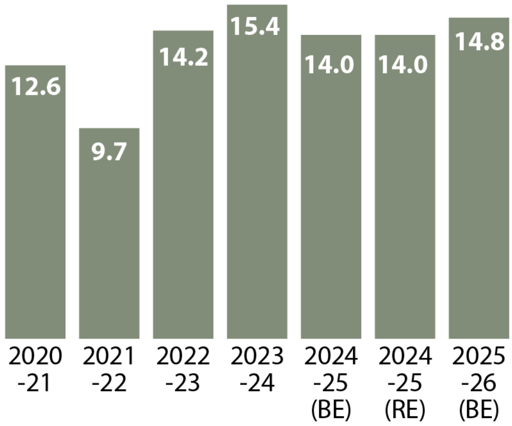
Fiscal deficit
(% of GDP)



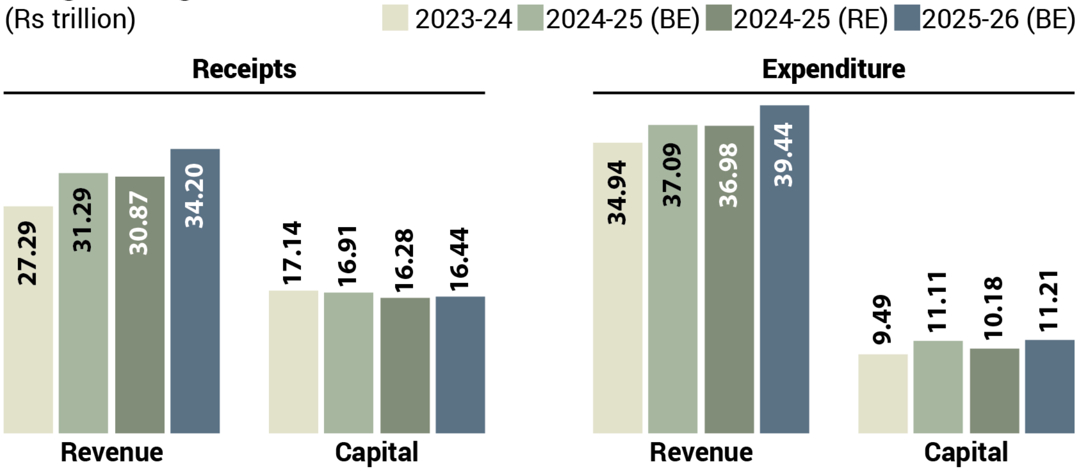
RE: Revised Estimate BE: Budget Estimate
Source: Budget Documents

Govt's gross market borrowings
(Rs trillion)



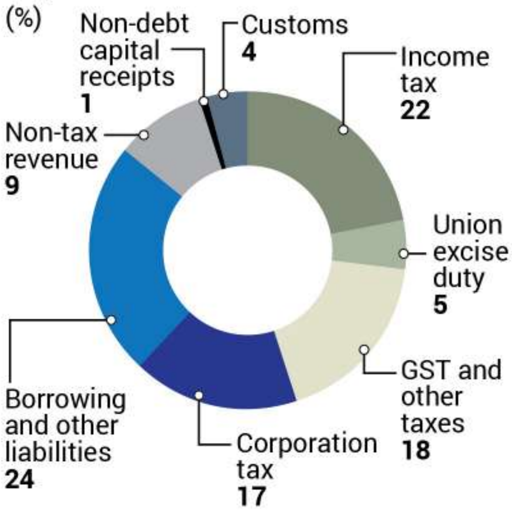
RE: Revised Estimate BE: Budget Estimate
Source: Budget Documents

Budget at a glance
(Rs trillion)



RE: Revised Estimate BE: Budget Estimate
Source: Budget Documents

Rupee comes from
(%)



Source: Budget Documents

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Budget pegs 11% growth in gross tax revenues

Written using agency reports

The budget estimated gross tax receipts of Rs 42.70 trillion for the next fiscal year, an 11% growth over the revised estimates for the current year.

The revised estimates for the current fiscal year have pegged gross tax revenues at Rs 38.44 trillion, higher than Rs 38.40 trillion provided in the budget estimates (BE).

In the current fiscal year, income from corporate taxes will lag budget estimates, while that from personal tax is projected to be higher than BE.

Personal income tax is projected at Rs 12.57 trillion, while corporate tax is at Rs 9.80 trillion. As per budget data, personal income tax collections are projected to grow by 14.4% to Rs 14.38 trillion in the 2025-26 fiscal. Corporate taxes are projected to grow by 10.4% to Rs 10.82 trillion in FY26. GST revenue is estimated to increase 11% to Rs 11.78 trillion.

Personal income tax is projected at Rs 12.57 trillion, while corporate tax is at Rs 9.80 trillion. As per budget data, personal income tax collections are projected to grow by 14.4% to Rs 14.38 trillion in the 2025-26 fiscal.

Direct, indirect taxes comprise 66 paise of every rupee in govt coffers

Written using agency reports

For every rupee in the government coffer, the biggest pie of 66 paise will come from direct and indirect taxes, according to the Union Budget 2025-26.

Around 24 paise will come from borrowings and other liabilities, 9 paise from non-tax revenue like disinvestment, and 1 paise from non-debt capital receipts. Direct taxes, including corporate and individual income tax will contribute around 39 paise, while income tax will yield 22 paise, while corporate tax will account for 17 paise, it said.

Among indirect taxes, goods and services tax (GST) will contribute the maximum 18 paise in every rupee of revenue. Besides, the government is looking to earn 5 paise out of every rupee from excise duty and 4 paise from customs levy. The collection from "borrowings and other liabilities" will be 24 paise per rupee.

INFRA BOOSTER

Defence outlay pegged at Rs 6.81 trn, up 9%

Written using agency reports

The Finance Minister has set aside Rs 6.81 trillion as defence outlay for 2025-26 in a 9.53% increase over the allocation of Rs 6.22 trillion for current fiscal year amid the military's push to procure new weapon systems.

Out of the total allocation, Rs 1.8 trillion has been earmarked for capital expenditure that largely includes purchasing new weapons, aircraft, warships and other military hardware. The budget for defence is around 1.9% of the projected GDP and the increase in the allocation is around 6.2% if compared to the revised allocation of Rs 6.41 trillion for the current fiscal. The increase in allocation comes to 9.53% if compared with the budgetary estimate of Rs 6.22 trillion for 2024-25.

"In the current geopolitical scenario where the world is witnessing a changing paradigm of modern warfare, Indian armed forces need to be equipped with state-of-the-art weapons and have to be transformed into a technologically-advanced combat-ready force"

RAJNATH SINGH,
Defence Minister

On the capital outlay for 2025-26, the defence ministry said Rs 1.48 trillion is planned to be spent on "modernisation budget" to procure new military hardware and remaining Rs 312.77 billion is for expenditure on research and development and to create infrastructural assets.

The capital outlay for the armed forces in the next fiscal is 4.65% higher than the budgetary estimate Rs 1.72 trillion in 2024-25.

Defence Minister Rajnath Singh welcomed the overall allocation for the defence budget saying Prime Minister Narendra Modi's vision of making India self-reliant in defence sector has got a big boost.

Railways gets Rs 2.52 trn, targets revenues of Rs 3.02 trn

Written using agency reports

The government has approved a budget allocation of Rs 2.52 trillion for the Indian Railways for 2025-26, almost the same amount that was allocated in 2024-25.

According to the Union Budget, the Railways has targeted higher revenues from passengers, goods and others heads.

The budget document showed an increased earning from both passenger as well as freight services in 2024-25. For instance, the revised estimate for 2024-25 for passenger railway receipt showed Rs 80 billion as compared to the actual revenues of Rs 70 billion in 2023-24. The freight earning in the revised estimate of 2024-25 stood at Rs 1.8 trillion when compared to the actual revenues of Rs 1.68 trillion in 2023-24.

"In the next six years, Kavach will be installed on the entire rail network of the country. Installation of Kavach loco, one of the components for rail engines, is going on on 10,000 locos"

ASHWINI VAISHNAW,
Railway Minister

Modified UDAN scheme to connect 120 new destinations

Written using agency reports

To tap the civil aviation market's growth potential, the government has announced a modified regional air connectivity scheme to connect 120 new destinations, airport projects in Bihar and the upgradation of infrastructure for air cargo.

In her Budget speech, Finance Minister Nirmala Sitharaman said UDAN has enabled 15 million middle-class people to meet their aspirations for speedier travel. "Inspired by that success, a modified UDAN scheme will be launched to enhance regional connectivity to 120 new destinations and carry 4 0 million passengers in the next 10 years. The scheme will also support helipads and smaller airports in hilly, aspirational, and the Northeastern region's districts," the minister said.

"UDAN is more than just a transportation initiative; it is about bringing aspirations and opportunities closer to people"

K RAM MOHAN NAIDU ,
Civil Aviation Minister

Sitharaman also said the government will facilitate upgradation of infrastructure and warehousing for air cargo including high value perishable horticulture produce. "Cargo screening and customs protocols will be streamlined and made user-friendly," she added.

Govt to open nuclear power sector for private participation

Written using agency reports

Union Finance Minister Nirmala Sitharaman proposed to open up the nuclear power sector for private players and announced a Rs 200 billion Nuclear Energy Mission for research in the field, with an aim to set up five small and modular reactors by 2033.

Presenting the Union Budget for 2025-26, Sitharaman said producing at least 100 GW of nuclear power by 2047 was essential for India's energy transition efforts.

"Nuclear energy has a vital role in the country's energy transition to net zero as it is a base-load source of clean electricity, available 24X7"

JITENDRA SINGH,
Science and Technology Minister

"For an active partnership with the private sector towards this goal, amendments to the Atomic Energy Act and the Civil Liability for Nuclear Damage Act will be taken up," she said. "A Nuclear Energy Mission for research and development of Small Modular Reactors (SMR) with an outlay of Rs 20,000 crore (Rs 200 bn) will be set up. At least five indigenously-developed SMRs will be operationalised by 2033," Sitharaman said.

India currently produces 8.1 GW of nuclear power through 24 atomic power plants and hopes to increase it to 20 GW by 2032.

Power sector PSUs' investments to rise nearly 21%

Written using agency reports

The government has proposed to increase investment by the nine state-owned power sector firms by nearly 21% to Rs 861 billion in 2025-26 compared to the previous fiscal year.

According to the Budget document, the Revised Estimate (RE) of investment by these nine firms is pegged at Rs 712.78 billion for 2024-25 while the budgeted estimate (BE) of Rs 672.86 billion.

State-owned power giant NTPC recorded the maximum increase in investment to Rs 260 billion in the next fiscal year. Similarly, the investment by Power Grid Corp will be raised to Rs 250 billion in the next fiscal year.

Govt allocates Rs 2.87 trn for highways ministry

Written using agency reports

The Union Finance Minister allocated Rs 2,873 billion for the road transport and highways ministry for 2025-26, marginally 2.41% up from last year's outlay of 2,805 billion.

Sitharaman also increased the allocation to state-owned National Highways Authority of India (NHAI) to Rs 1,878 billion from last year's Rs 1,693 billion.

The NHAI's total debt at the beginning of the current fiscal year was pegged at Rs 3.35 trillion, which stood at about Rs 2.76 trillion at the end of third quarter of FY25.

The budget for 2025-26 makes no provision for borrowings by the NHAI for the next financial year, to reduce the highway developer's debt.

Maritime Development Fund of Rs 250 bn for long-term financing

Written using agency reports

Minister Nirmala Sitharaman said a Maritime Development Fund with a corpus of Rs 250 billion will be set up for long-term financing for the maritime industry.

Presenting the budget for 2025-26, Sitharaman said the amount will be used to support and promote competition. This will have up to 49% contribution by the government, while the balance will be mobilised from ports and the private sector.

By 2030, Maritime Development Fund (MDF) is aiming at generating up to Rs 1.5 trillion invest-

"It is reassuring to see that the budgetary initiatives for India's marine sector are focused on unlocking its vast potential and enhancing existing assets through upgrades, modernisation, and automation. These efforts will enhance India's global competitiveness, drive sustainable growth, and solidify its position as a leading global maritime hub"

SARBANANDA SONOWAL,
Ports, Shipping and Waterways Minister

ment in the shipping sector. The announcements assume significance as the country is looking to promote domestic shipbuilding to boost international trade.

Sitharaman also said the Shipbuilding Financial Assistance Policy will be revamped to address cost disadvantages. This will also include credit notes for shipbreaking in Indian yards to promote the circular economy, she added. The minister also said large ships above a specified size will be included in the infrastructure harmonised master list (HML). ■

MAKE IN INDIA

Govt to set up National Manufacturing Mission; focus on future-ready workforce

Written using agency reports

The government announced to set up a National Manufacturing Mission to further promote Make in India initiative.

The mission's mandate will include five focus areas: ease and cost of doing business; future ready workforce for in-demand jobs; a vibrant and dynamic MSME sector; availability of technology; and quality products.

The mission's mandate will include five focus areas: ease and cost of doing business; future ready workforce for in-demand jobs; a vibrant and dynamic MSME sector; availability of technology; and quality products

The scheme will cover small, medium and large industries, Finance Minister Nirmala Sitharaman said in her Budget speech. The National Manufacturing Mission, she said, will provide policy support, governance and monitoring framework for central ministries and states.

She said that support will be provided to develop domestic manufacturing capacities for our economy's integration with global supply chains.

Sectors will be identified based on objective criteria. "Facilitation groups with participation of senior officers and industry representatives will be formed for select products and supply chain," the minister said.

Sitharaman said there are huge opportunities related to Industry 4.0, which needs high skills and talent. "Our youth have both," she noted. ■

Budget gives Rs 25 bn for plug-play industrial parks

Written using agency reports

Finance Minister Nirmala Sitharaman has allocated Rs 25 billion in the budget for a new scheme for plug and play industrial parks.

The new scheme is formulated to facilitate development of investment-ready plug and play industrial parks with complete infrastructure.

The minister has significantly increased the budgetary allocation for the Department for Promotion of Industry and Internal Trade (DPIIT), which deals with issues like foreign direct investment policy, startups and promoting manufacturing.

According to the Budget documents, the allocation for the department has been increased by 64% to Rs 131 billion for 2025-26 from the revised estimate of Rs 80 billion in 2024-25.

The minister has announced a national manufacturing mission, which will be a new scheme for providing policy support, execution of road maps, governance and monitoring framework for the manufacturing sector to promote Make in India. ■

Govt set to hike FDI limit for insurance sector to 100%

Written using agency reports

Finance Minister Nirmala Sithraman has proposed to raise the foreign investment limit to 100% in the insurance sector as part of new-generation financial sector reforms.

Presenting Budget 2025-26, the Finance Minister said the FDI limit for the insurance sector will be raised from 74 to 100%.

"This enhanced limit will be available for those companies which invest the entire premium in India. The current guardrails and conditionalities associated with foreign investment will be reviewed and simplified," she said.

To enhance the FDI limit, the government will have to bring amendments to the Insurance Act 1938, the Life Insurance Corporation Act 1956, and the Insurance Regulatory and Development Authority Act 1999.

Speaking to media after the budget presentation, she said the draft Bill is also going to simplify certain procedures and rules. The draft Bill will be tabled in Parliament soon, she added.

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Currently, there are 25 life insurance companies and 34 non-life or general insurance firms in India.

POWERING UP MSMES

Ministries to work on contours of Export Promotion Mission

Written using agency reports

The commerce, MSME and finance ministries will work together to identify the various sectors that would need capital support for technology upgradation, marketing, brand building, and accessing newer markets to boost exports, Union Minister Piyush Goyal said.

His comments came after the budget announced the setting up an Export Promotion Mission with an outlay of Rs 22.50 billion to promote the country's outbound shipments. It will facilitate easy access to export credit, cross-border factoring support, and support to MSMEs to tackle non-tariff measures (NTMs) in overseas markets.

Budget reforms aimed at growth, jobs

Written using agency reports

Finance Minister Nirmala Sitharaman proposed a slew of measures aimed at growing MSMEs, considered the backbone of the country, and creating jobs for the youth.

She described MSMEs as the second power engine for development, as they constitute 45% of the country's exports.

To help MSMEs achieve higher efficiencies of scale, technological upgradation and better access to capital, the investment and turnover limits for classification of all MSMEs were enhanced to 2.5 and 2 times, respectively. Steps to enhance credit availability with guarantee cover have also been announced. This will give them the confidence to grow and generate employment for youth, the minister said. Sitharaman also announced a scheme for 500,000 women, Scheduled Castes and Scheduled Tribes first-time entrepreneurs. This will provide term loans of up to Rs 20 million during the next five years.

For startups, credit guarantee cover has been increased from Rs 100 million to 200 million, with the guarantee fee being moderated to 1% for loans in 27 focus sectors important for Atmanirbhar Bharat; and for well-run exporter MSMEs, for term loans of up to Rs 200 million.

- **Manufacturing Mission: Focus**
- **Ease and cost of doing business**
- **Future-ready workforce for in-demand jobs**
- **A vibrant and dynamic MSME sector**
- **Availability of technology**
- **Quality products**
- **Clean tech manufacturing for climate-friendly development**

ACCELERATING STARTUP GROWTH

Budget strengthens India's position as global innovation powerhouse

Written using agency reports

The Union Budget 2025-26 marks a significant milestone for India's startup ecosystem and reinforces the nation's position as a global innovation powerhouse, according to industry representatives and experts.

Finance Minister Nirmala Sitharaman announced a new Fund of Funds Scheme (FFS) with a corpus of Rs 100 billion to promote the growth of budding entrepreneurs in the country.

The fund of funds, along with extended tax benefits and regulatory reforms, is expected to provide the much-needed capital and ease of doing business for emerging ventures, said Shashvat Nakrani, Founder, BharatPe.

A new scheme to support 500,000 first-time women entrepreneurs was also introduced. Furthermore, the government announced the establishment of 50,000 Atal Tinkering Labs and a Centre of Excellence for AI in education, with an outlay of Rs 5 billion.

This will further strengthen India's innovation ecosystem, enabling future generations of tech leaders.

Flipkart CEO Kalyan Krishnamurthy said the budget provides the perfect booster shot for a self-reliant and Viksit Bharat. The government's focus on MSME growth, women entrepreneurs, and startups will not only strengthen local businesses but also enhance affordability and choice for millions of online shoppers. "The Union Budget 2025-26 provides the perfect booster shot for a self-reliant and Viksit Bharat. With significant tax relief for the middle class, streamlined TDS/TCS norms, and a strong push for local manufacturing, this budget puts more power in the hands of consumers, boosting their purchasing capacity and access to a wider range of quality products," Krishnamurthy noted.

INDIAFOCUS | ISSUE: 346 FEBRUARY 2025 HIGH COMMISSION OF INDIA, SINGAPORE

GDP expected to grow by 6.3-6.8% in FY26: Survey

India is expected to record a GDP growth of 6.3-6.8% in the financial year 2025-26 on the back of strong fundamentals, calibrated fiscal consolidation and stable private consumption, said the Economic Survey tabled in Parliament ahead of the Union Budget.

The economic growth rate is estimated to slip to a 4-year low of 6.4% in the current financial year. "...the fundamentals of the domestic economy remain robust, with a strong external account, calibrated fiscal consolidation and stable private consumption. On balance of these considerations, we expect that the growth in FY26 would be between 6.3 and 6.8%," the survey said.

The Economic Survey 2024-25, tabled by Finance Minister Nirmala Sitharaman in Parliament, said navigating global headwinds will require strategic and prudent policy management and reinforcing the domestic fundamentals. It further said that investment activity is expected to pick up, supported by higher public capex and improving business expectations.

As regards inflation, the survey said risk from higher commodity prices seems limited in FY26. However, geopolitical tensions were still an issue. Food inflation is likely to soften in Q4 FY25 with seasonal easing of vegetable prices and kharif harvest arrivals, it added.

The Economic Survey has prioritised deregulation as the driving force for India's domestic growth and resilience in the face of global economic and political shifts. It has advocated for a balanced approach to energy transition, promoting electric mobility and public transport while also addressing the need for skilling and education to leverage technological advancements like AI.

The survey's forecasts are in line with economic growth predictions made by international agencies such as the International Monetary Fund (IMF), Asian Development Bank (ADB) and the World Bank, said a report in the Business Standard. The IMF has kept India's GDP growth forecast unchanged at 6.5% for FY25 and FY26. The World Bank has maintained a projection of 6.7%. The ADB in December 2024, also revised India's GDP growth forecast for FY25 to 6.5% from 7%. For FY26, the growth forecast was revised to 7% from 7.2%.

The survey says that "India's labour market growth in recent years has been supported by post-pandemic recovery and increased formalisation." It quotes the 2023-24 annual Periodic Labour Force Survey (PLFS) report that shows that all key employment related metrics such as unemployment rate, labour force participation rate and the worker-to-population ratio (WPR) have improved, according to an Indian Express report.

Referring to the Business Reform Action Plan formulated by the Department for Promotion of Industry and Internal Trade, the survey states that there is a positive correspondence between business reforms and the level of industrial activity, suggesting the need for deregulation and enterprise-friendly reforms in aspiring and emerging states. ■

Chief Economic Advisor V Anantha Nageswaran addresses a press conference after tabling of the Economic Survey 2024-25 in Parliament by Union Finance Minister Nirmala Sitharaman, in New Delhi, on Friday. (PIB photo)

KEY TAKEAWAYS

6.4% in FY25 - real GDP forecast

5.4% in FY24 to 4.9% in April-December 2024 – softening in headline inflation

17.9% growth in FDI - $47.2 bn in the first eight months of FY24 to $55.6 bn in the corresponding period of FY25

Agriculture sector remains strong

Industrial sector has found its footing above the pre-pandemic trajectory

Bilateral Developments

Telangana Rising Delegation Visits Singapore

The delegation of the Telangana Rising initiative, led by Chief Minister A. Revanth Reddy, visited Singapore to talk to investors and get them to invest in the state and in Hyderabad. The Indian High Commission facilitated the meetings. Telangana's IT and Industries Minister D. Sridhar Babu and senior officials engaged in high-level discussions with prominent industry leaders and participated in a roundtable with potential investors to explore collaboration opportunities. Singapore-based businesses expressed interest in the Telangana Rising 2050 vision, and many of them expressed their commitment to be a partner in the state's economic growth initiatives.

Forging a Closer India-Singapore Relationship

India and Singapore are important partners for each other and have immense potential to expand their partnership, Dr. Shilpak Ambule, the High Commissioner of India to Singapore, said in an interview to the Business Times Special Supplement, on the occasion of Republic Day 2025. "As we celebrate the 60th anniversary of India-Singapore diplomatic relations this year, we are working on keeping the momentum to take the India-Singapore comprehensive strategic partnership to a new level," he said.
For the full interview, click here:
https://www.businesstimes.com.sg/international/indias-76th-republic-day/forging-closer-relationship

Glimpses of Republic Day Celebrations at High Commission of India in Singapore

Forthcoming Events In India

I. Medical Fair India 2025

Date & Venue: 27-29 March 2025, Hall 4 & 5, Pragati Maidan, New Delhi, India
Organiser: MEDICAlliance and MEDICARE ASIA
Contact: ShuklaM@md-india.com

Details: Medical Fair India 2025 is a leading event in the healthcare sector, focusing on the latest advancements in medical technology, equipment, and services. The event provides a platform for healthcare providers, manufacturers, and industry professionals to showcase their products, explore business opportunities, and discuss the future of healthcare in India.

Website: https://www.medicalfair-india.com/

For feedback & comments, please contact:
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