

# Indian Economy Updates

March 2025



## Domestic Indicators

**India's IIP records growth of 5.0% in January 2025:** The IIP growth rate for the month of January 2025 is 5.0 percent which was 3.2 percent in the month of December 2024. The growth rates of the three sectors, Mining, Manufacturing and Electricity for the month of January 2025 are 4.4 percent, 5.5 percent and January respectively. The top three positive contributors for the month of January 2025 are – "Manufacture of basic metals" (6.3%), "Manufacture of coke and refined petroleum products" (8.5%) and "Manufacture of electrical equipment" (21.7%)....

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**India's core sectors grew 4.6 percent in January 2025:** The combined Index of Eight Core Industries (ICI) increased by 4.6 per cent (provisional) in January 2025 as compared to the Index in January 2024. The production of Cement, Refinery Products, Coal, Steel, Fertilizers and Electricity recorded positive growth in January 2025. The cumulative growth rate of ICI during April to January 2024-25 is 4.4 percent (provisional) as compared to the corresponding period of last year...

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**India's April-January 2025 fiscal deficit hits 74.5 percent of FY25 target at INR 11.69 lakh crore:** India's fiscal deficit for April to January, or the first ten months of this fiscal year, was at 11.69 lakh crore rupees, equivalent to 74.5 percent of annual estimates, widening from the previous year's 63.6 percent. The government aims to narrow the fiscal gap to 4.9 percent of GDP in this financial year from 5.6 percent a year earlier. The capital expenditure, which focuses on developing physical infrastructure, amounted to 7.57 lakh crore rupees, representing 74.4 percent of the annual goal...

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**GST collections in February at INR 1.83 lakh crore, up 9.1 percent YoY:** Goods and Services Tax (GST) collections for the month of January touched INR 1.83 lakh crore, an increase of 9.1 percent year-on-year basis. Central GST collections stood at INR 35,204 crore while states was at INR 43,704 crore. Additionally, for this month, integrated GST collections remained at INR 90,870 crore. Furthermore, GST cess collections was reported at INR 13,868 crore....

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**India's net direct tax collection rises 13 percent to cross INR 21.27 lakh crore in 2024-25:** India's net direct tax collection, comprising corporate tax and personal income tax, increased by 13.13 percent to cross INR 21.27 lakh crore as of March 16 in the current financial year, compared to INR 18.80 lakh crore in the same period of 2023-24, according to data released by the Central Board of Direct Taxes (CBDT). The gross direct tax revenue surged by 19.06 percent to exceed INR 25.87 lakh crore, up from INR 22.27 lakh crore in the corresponding period of the previous year...

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**Retail inflation eases to seven-month low of 3.61 percent in February 2025:** India's year-on-year inflation rate based on All India Consumer Price Index (CPI) for the month of February 2025 over February 2024 is 3.61 percent (Provisional). There is decline of 65 basis points in headline inflation of February, 2025 in comparison to January 2024. It is the lowest year-on-year inflation after July, 2024. The significant decline in headline inflation and food inflation during the month of February 2025 is mainly attributed to decline in inflation of Vegetables, Egg, Meat & fish, Pulses & products and Milk & Products ...

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**India's wholesale inflation estimated at 2.38 percent in February 2025:** The annual rate of inflation based on all India Wholesale Price Index (WPI) number is 2.38% (provisional) for the month of February 2025(over February 2024). Positive rate of inflation in February 2025 is primarily due to increase in prices of manufacture of food products, food articles, other manufacturing, non-food articles and manufacture of textiles etc. The month over month change in WPI for the month of February 2025 stood at 0.06% as compared to January 2025...

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## External Indicators

**India's cumulative exports (merchandise & services) during April-February 2025 is estimated at USD 750.53 Billion:** India's total exports (Merchandise and Services combined) for February2025\* is estimated at USD 71.95 Billion, registering a positive growth of 3.16 percent vis-à-vis February2024.Total imports (Merchandise and Services combined) for February2025\* is estimated at USD 67.52 Billion, registering a negative growth of (-)11.34 percent vis-à-vis February2024. India's total exports during April-February2024-25\* is estimated at USD 750.53 Billion registering a positive growth of 6.24 percent. Total imports during April-February2024-25\* is estimated at USD 839.89 Billion registering a growth of 7.28 percent....

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**India's forex reserves rise for fourth consecutive week, reach USD 653.96 billion:** India's foreign exchange reserves continued their upward trend for the fourth consecutive week, reversing a months-long decline. For the week ending March 7, the country's forex reserves rose by USD 15.267 billion to USD 653.96 billion. India's reserves had been steadily declining since hitting an all-time high of USD 704.89 billion in September, marking a nearly 10 percent drop from the peak...

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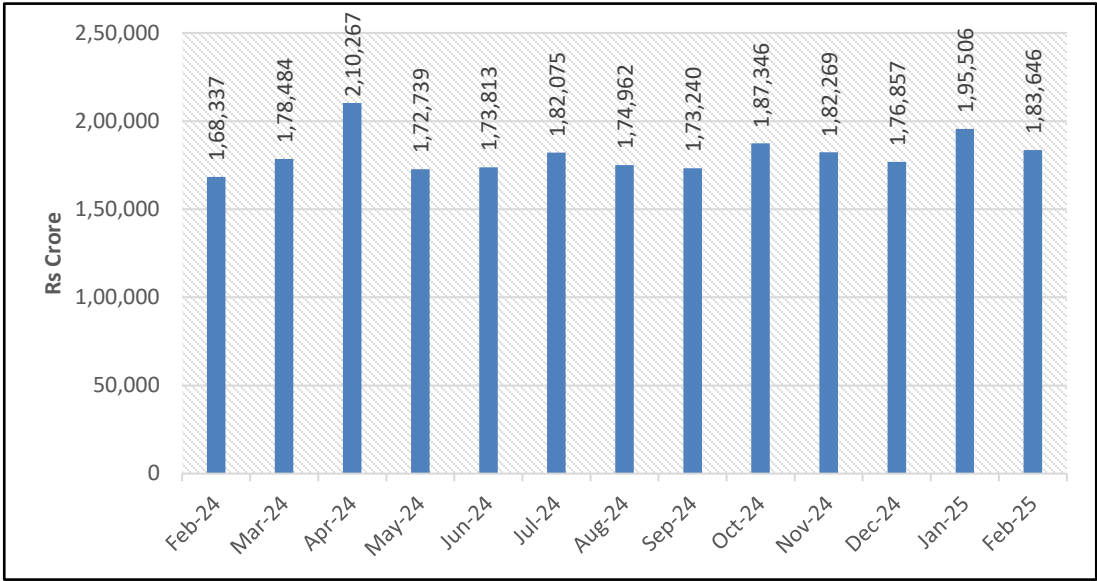
**Outward Foreign Direct Investment rises by 39.63 percent to USD 5.36 billion in January 2025:** India's outward foreign direct investment (FDI) commitments surged to USD 5.36 billion in February 2025, up 39.63 percent year-on-year, driven by stronger equity and guarantee issuances. Equity commitments surged to USD 3.10 billion in February 2025, rising from USD 0.63 billion in February 2024...

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## Economic Analysis

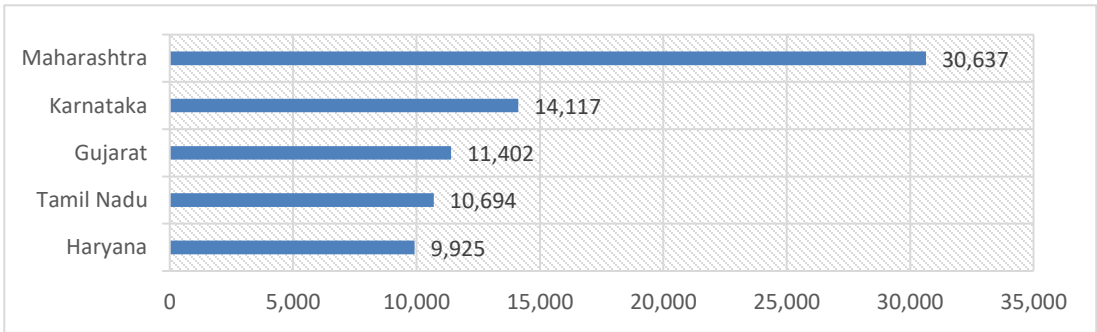
### • GST Revenue Collections (in INR crores)



Source: Ministry of Finance, GOI.

India’s Goods and Services Tax (GST) collections saw a strong growth of around 9 percent in February 2025, reaching INR 1.84 lakh crore. This increase was driven by a 10% rise in domestic revenues and a 5.4% jump in revenues from imports. For the 2024-25 fiscal year, from April to February, total GST collections have climbed 9.4% compared to the same period last year, reaching INR 20.13 lakh crore, up from INR 18.40 lakh crore in 2023-24.

### Top States with higher level of GST Revenue collection during February 2025 (in INR crores)

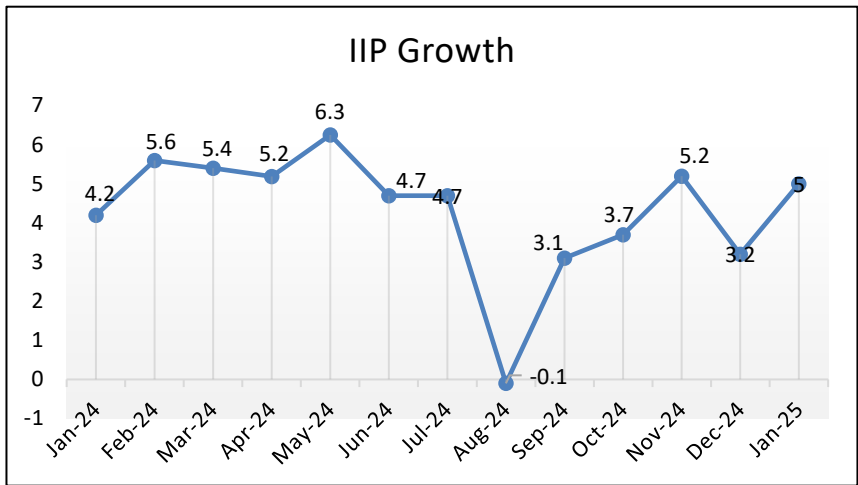


Source: Ministry of Finance, GOI.

Maharashtra led the country with the highest GST revenue collections, totaling INR 30,637 crores, followed by Karnataka and Gujarat. Tamil Nadu and Haryana rounded out the top five. These states have emerged as the largest contributors to GST revenues, reflecting their strong economic activities and strong business environments.

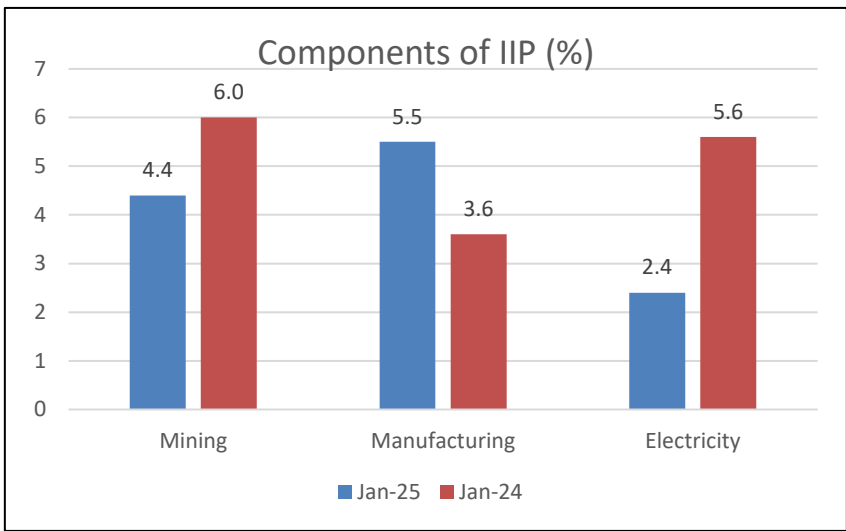


- Production Scenario (IIP Growth)



Source: Ministry of Statistics & Programme Implementation (MOSPI), GOI.

India’s industrial output saw a strong performance in early 2024, peaking at 6.3% in May, followed by a sharp dip to -0.1% in August. A steady recovery is seen thereafter, reaching 5.0% by January 2025. This trend suggests resilience in industrial activity despite mid-year disruptions.

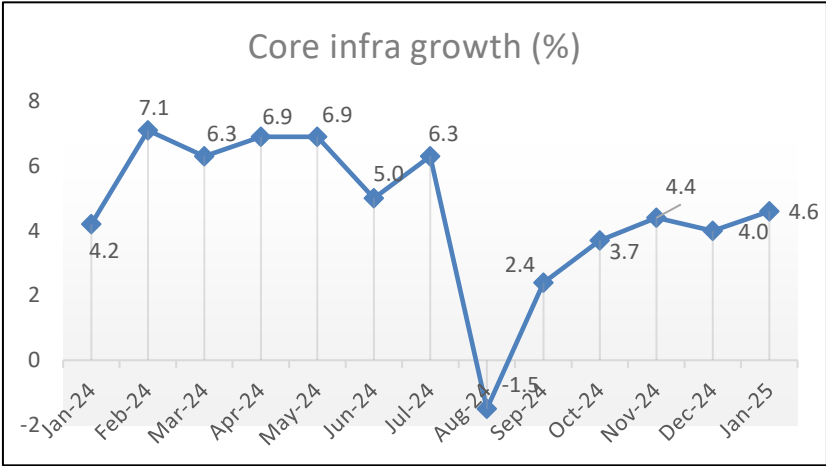


Source: Ministry of Statistics & Programme Implementation (MOSPI), GOI

There is a shift in the drivers of industrial growth between January 2024 and January 2025. While the mining and electricity sectors saw a slowdown, manufacturing emerged as the key contributor to IIP growth. This indicates improving industrial production capacity and a possible uptick in consumer and investment demand.

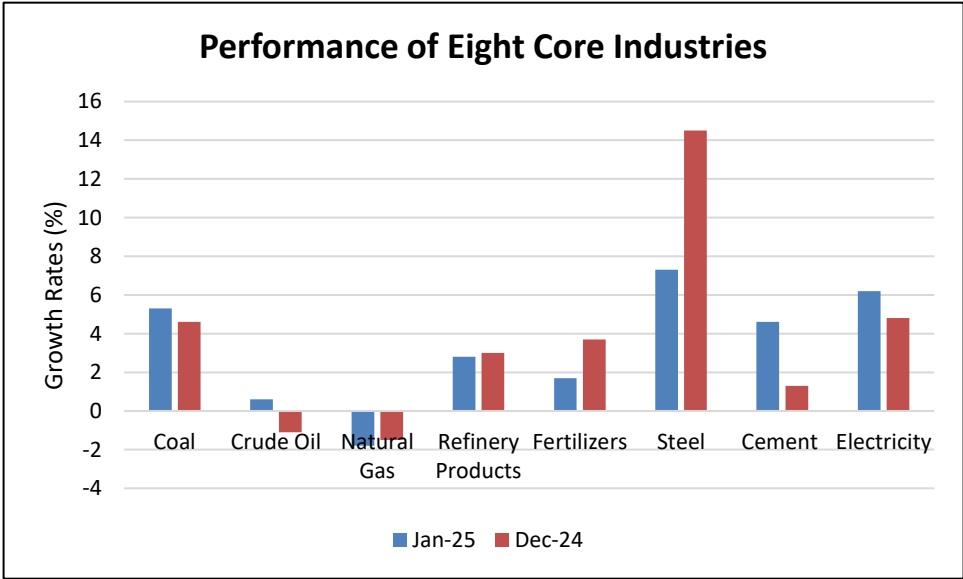


• **Production Scenario** (Core infra)



Source: Ministry of Commerce and Industry, GOI.

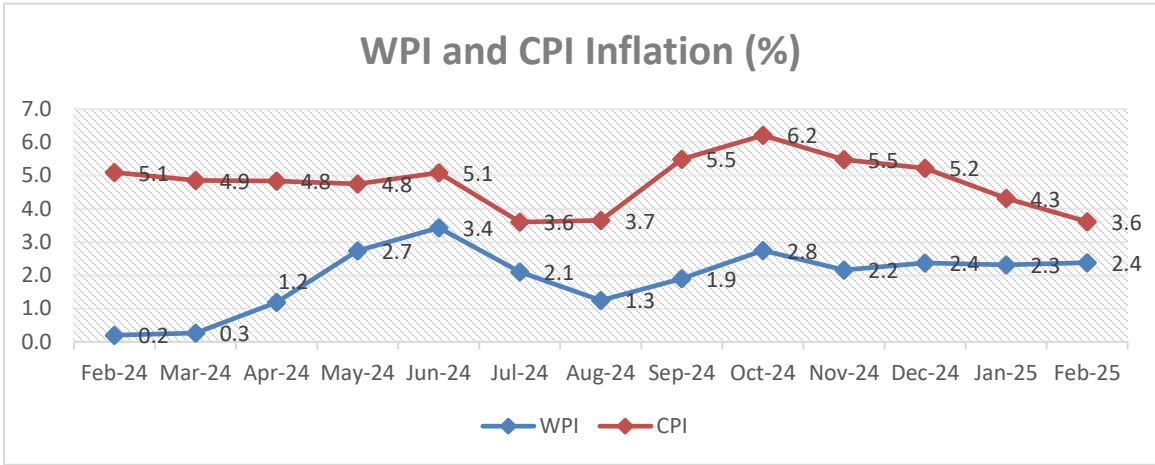
India's eight core sector industries shows a strong performance in the first half of 2024, suggesting buoyant industrial and infrastructure activity. A sharp dip in late summer signals possible supply chain disruptions or seasonal effects. However, the continued growth in these critical sectors signals positive momentum in India's industrial activity, supporting broader economic stability and signaling strong infrastructure development that is essential for long- term growth.



Source: Ministry of Commerce and Industry, GOI.

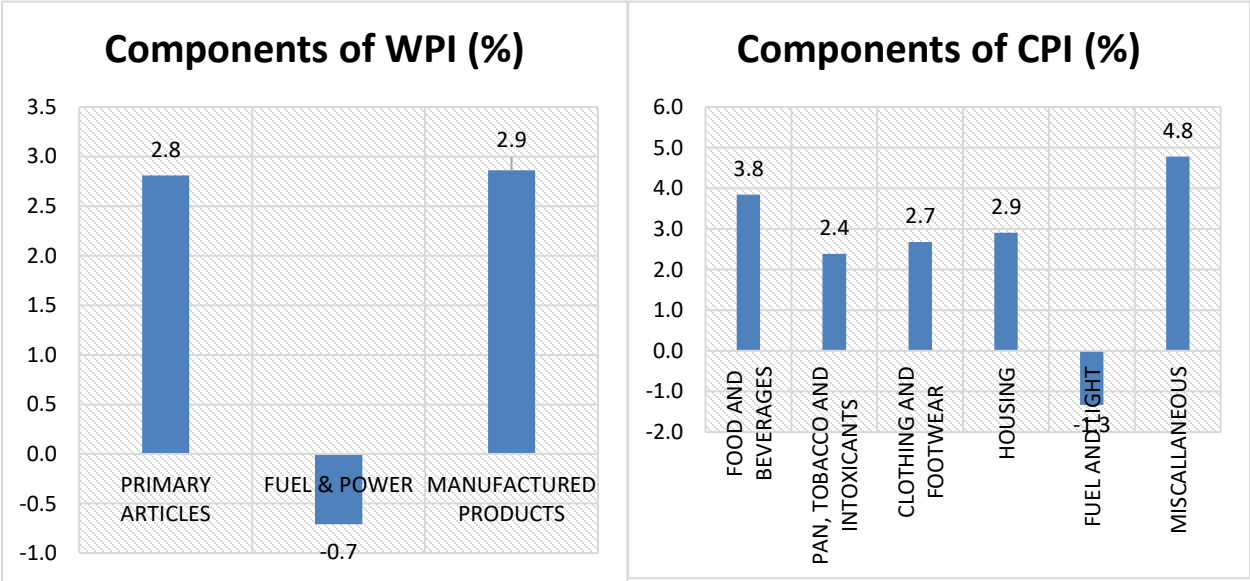
There exists a mixed performance across the eight core industries between December 2024 and January 2025. While sectors like cement and natural gas showed improvement, steel witnessed a notable slowdown, though it remained a strong performer. Electricity and coal continued to provide stable support to overall infrastructure growth, indicating sustained energy demand. The varied trends suggest sector-specific dynamics, possibly driven by shifts in demand, supply-side adjustments, and seasonal or policy factors.

- Inflation Trends (WPI and CPI)**



Source: MOSPI and Office of Economic Advisor, GOI.

The trends shows diverging trends between wholesale and retail inflation over the year. While WPI inflation remained relatively subdued and stable, CPI inflation stayed elevated for most months, peaking mid-year before gradually easing. This indicates that while input prices moderated, consumer prices remained sticky, possibly due to persistent food or services inflation.

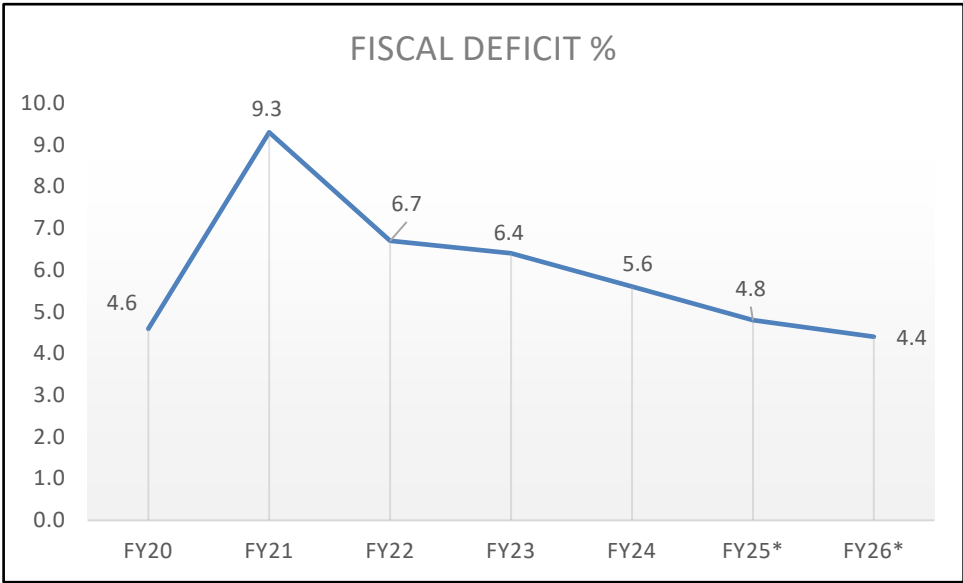


Source: MOSPI and Office of Economic Advisor, GOI.

On the WPI side, manufactured products and primary articles are contributing positively, while fuel and power are exerting a deflationary effect. In contrast, CPI inflation is being driven by services and consumption-related categories, especially miscellaneous and housing, with food also playing a significant role. Interestingly, fuel appears to have a dampening impact on both indices, indicating lower energy costs. Overall, CPI pressures appear to stem more from demand-side factors, while WPI reflects input cost moderation.



- Fiscal Deficit



Source: Controller General of Accounts, Ministry of Finance. \*Budget Estimates.

The Indian government will target a narrower fiscal deficit of 4.4% of gross domestic product for fiscal year 2025-26, down from a revised 4.8% for the current year, Finance Minister Nirmala Sitharaman said in the budget. However, there are concerns that the anticipated growth in revenue receipts may be overly optimistic, potentially leading to challenges in meeting fiscal deficit targets without compromising on essential expenditures.



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