

March 2025

ECONOMY

WORLD

China ramps up stimulus to guard economy, sets 5% growth target

China unlocked more fiscal stimulus on Wednesday (Mar 5), promising greater efforts to support consumption and cushion the impact of an escalating trade war with the United States on an economy that Beijing is determined to grow by another 5 per cent-or-so this year. Premier Li Qiang, in a speech at the opening of the annual meeting of China's parliament, warned that "changes unseen in a century are unfolding across the world at a faster pace". "An increasingly complex and severe external environment may exert a greater impact on China in areas such as trade, science, and technology," Li said. The trade war with US President Donald Trump's administration is threatening China's economic jewel, its sprawling industrial complex, at a time when persistently sluggish household demand and the unravelling of the debt-laden property sector are leaving the economy increasingly vulnerable.

Trump has also dangled tariffs at a long list of countries, disrupting a decades-old global trade order that Beijing has built its economic model around. Pressure has been building on Chinese officials for consumer-focused stimulus to fend off deflationary pressures and reduce the world's second-largest economy's reliance on exports and investment for growth. The term "consumption" was mentioned 31 times in Li's report, up from 21 times last year, while "technology" received 28 mentions, slightly up from 26 in 2024, according to Guotai Junan analysts. "For the first time, boosting consumption has been elevated to the top priority among 2025's major tasks, displacing technology from its usual leading position," said Tilly Zhang, technology analyst at Gavekal Dragonomics. "It's not a pivot from the previous industrial policy, but pursuing a more balanced" macroeconomic framework, Zhang said. However, China said more than a decade ago that it wants to shift to a more consumer-driven growth model, without making significant progress towards that goal, and investors aren't placing bets on this change in tone. The CSI AI Industry Index gained 1.1 per cent and the Hang Seng Tech Index climbed 3 per cent. The consumer discretionary sector rose 0.6 per cent.

The roughly 5 per cent growth target for 2025 and a larger budget deficit plan of around 4 per cent of economic output that Li presented to parliament confirmed a December Reuters report. Li also said Beijing plans to issue 1.3 trillion yuan (\$239.4 billion) in ultra-long special treasury bonds this year, up from 1 trillion yuan in 2024. Local governments will be allowed to issue 4.4 trillion yuan in special debt, up from 3.9 trillion yuan. "We also expect the authorities to adjust the budget by mid-year if the growth momentum is hit by trade disputes," ANZ analysts said. Beyond the 300 billion yuan allocated to a recently-expanded consumer subsidy scheme for electric vehicles, appliances and other goods, Li's speech contained little concrete support for households. "That's been super-successful in boosting spending on those types of goods," said Harry Murphy Cruise, head of China and Australia economics at Moody's Analytics. China's household spending is less than 40 per cent of annual economic output, some 20 percentage points below the global average. Investment, by

comparison, is 20 points above. Li pledged to address the supply-demand gap and implement fiscal reforms that improve local government revenues and stimulate household spending. Another government official said separately that such policies could be announced later this year. Chinese producers, facing weak demand at home and harsher conditions in the United States, where they sell more than US\$400 billion worth of goods annually, are rushing to alternative export markets all at the same time. They fear this would intensify price wars, squeeze profits, and raise the risk that politicians in those markets will feel compelled to erect higher trade barriers against Chinese goods to protect domestic industries. Washington has so far added an extra 20 percentage points on existing tariffs for Chinese goods, with the latest 10-point increment enforced on Tuesday, drawing Beijing's retaliation. "We worry that they will add another 10 per cent and then another 10 per cent," said Dave Fong, who manufactures school bags, talking teddy bears, and stationery and consumer electronics in China. "That's a big problem. "China's 5 per cent growth rate last year, which it only reached with a late stimulus push, was among the world's fastest, but it was hardly felt at street level. While China runs a trillion dollar annual trade surplus, many of its people are complaining of unstable jobs and incomes as their employers cut prices – and business costs – to stay competitive abroad.

(B.S.6/03/2025)

US tariff war with Mexico Canada could benefit India's textile industry

The tariff war between the US and its two neighbours Mexico and Canada could cheer up the Indian textile industry. There is a possibility that some of the large clients may source more apparels from India due to the tariff on materials from Mexico and Canada. In the last one year, the political unrest in Bangladesh and Sri Lanka has led to some diversion of apparel business to India.

The current situation involving US, Mexico and Canada could help Indian companies further. However, scaling the operations at a short notice would be the biggest challenge, said industry sources. The US is the world's single largest apparel importing country, primarily sourcing from Asia. In 2024, apparel exports to the US were \$5 billion, an 11 per cent growth over the previous year. Even 1-2 per cent diversion from both Mexico and Canada will be incremental over what is being planned, they say. Dhamodharan, Convenor of Coimbatore-based Indian Texpreneurs Federation (ITF), said Mexico exports around \$3 billion worth of apparel and \$2 billion worth of non-apparel textile products to the US. Within the apparel segment, \$2 billion worth of cotton apparel and \$1 billion worth of man-made fiber (MMF) apparel are exported to the US from Mexico. The imposition of duties on Mexican exports would benefit competing nations like India. India stands to gain particularly in cotton apparel, due to the similarity of product offerings. , India can explore the possibility of addressing reciprocal tariffs by reducing the import duty on US cotton from 11 per cent to 5 per cent, while seeking concessions on US tariffs on apparel and home textile products. "This strategic move could be a game changer in the new and evolving trade dynamics This will also help India increase its market share in US apparel imports from the

current 6 per cent to double digits, adding an additional \$4 billion in exports from India,” he said. Raja M Shanmugham, former president of Tiruppur Exporters Association, said the disruption would witness lots of repercussions and fallouts, some might be advantageous, and some might be disadvantageous too. “It might bring some additional business for the future provided we too are not charged with additional tariffs. We have to wait and see. Moreover, we also need to get equipped by developing all required infrastructure supports in the existing clusters in our country like labour housing and up skilling,” said Shanmugham, who is Managing Director of the Tiruppur-based Warsaw International, a leading garment exporter. The Indian textile industry is today a good place to grow, but the biggest challenge is to upgrade the capacity on fabric and apparel, said Raj Kumar Ramasamy, Managing Director of Best Corporation, a major exporter of knitted garment from Tiruppur. Mexico and Canada have good expertise, he added. A source said it would be difficult for Indian companies to immediately upgrade infrastructure at a short notice. Also, after investing huge sums of money on machinery, there is no visibility for the next one year, said an industry source in Tiruppur. “It is a wait and watch situation with a clear clarity expected in the next 2-3 months,” the source said. Every year, garment exports to the US happens between May and August to ensure that the goods are on the shelf on time for Christmas and New Year sale, the source said.

(B.L.07/03/2025)

GROWTH OF ECONOMY

India needs 7.8% growth for 22yrs to be high-income by'47: World Bank

In order to reach high-income status by 2047, India needs to grow at an average of 7.8 per cent over the next 22 years as under a “business as usual” scenario, it will experience tangible welfare gains but still fall short of its ambitions, the World Bank said in a report on Friday. The report, titled “Becoming a high-income economy in a generation”, notes that the target is possible if India undertakes “accelerated reforms”. “In the past three financial years, India has accelerated its average growth rate to 7.2 per cent. In order to maintain this acceleration and attain an average growth rate of 7.8 per cent over the next two decades, the Country Economic Memorandum recommends four critical areas for policy action,” the global lender said. These policy actions include raising the investment to 40 per cent of gross domestic product (GDP) by 2035, led by an equal contribution of information, communication and technology (ICT), and physical capital. This can be achieved by actions such as strengthening financial sector regulations, removing constraints to formal credit for micro, small, and medium enterprises (MSMEs), and simplifying foreign direct investment (FDI) policies.

Besides, women’s participation in the workforce should increase to 55 per cent by 2050. The report recommends incentivising the private sector to invest in job-rich segments like agro-processing manufacturing, hospitality, transportation, and care economy, which requires targeted strategies for labour-intensive sectors, a bigger skilled workforce, greater access to finance, and fostering an innovation-driven economy. Meanwhile, a “business as usual” scenario implies that the momentum of reforms remains strong, though the investment only reaches 37 per cent of GDP by 2035, the female labour force participation rate (FLFPR) increases to 45 per cent by 2045, and TFP growth is assumed to peak at 2.7 per cent by the beginning of the next decade prior to moderating thereafter. “In this scenario, growth averages 6.6 per cent per year, which is still insufficient to achieve high-income status by 2047,” the report says. Auguste Tano Kouame, the World Bank country director, said that lessons from countries like Chile, Korea and Poland show how they have successfully made the transition from middle- to high-income countries by deepening their integration into the global economy. “India can chart its own path by stepping up the pace of reforms and building on its past achievements,” he added. The report also paints a picture of a scenario in which a slowdown in reforms relative to “business as usual” would bring growth below 6 per cent, on average, until 2047.

(B.S.01/03/2025)

Growth in net sales of FDI firms moderated to 9.3% in FY24: RBI

The RBI on Tuesday said with the normalisation of post-pandemic pent-up demand conditions, the growth in net sales of select FDI companies moderated to 9.3 per cent during 2023-24 from the high of 20.3 per cent in the previous year. Manufacturing and services sectors recorded lower sales growth of 6.4 per cent and 12.7 per cent, respectively, during 2023-24. Moderation in sales growth was broad based across the major industries within the manufacturing and services sectors, except 'Wholesale and retail trade and Electricity, gas, steam and air condition supply industries. The Reserve

Bank released the data relating to financial performance of non-government non-financial (NGNF) FDI companies in India during 2023-24 based on audited annual accounts of 2,418 companies, which reported in the Indian Accounting Standards (Ind-AS) format for three accounting years from 2021-22 to 2023-24. Meanwhile, with moderation in growth of manufacturing expenses and remuneration to employees, operating expenses recorded lower rise of 7.8 per cent during 2023-24, in tandem with the slowdown in sales growth, RBI said.

(B.S.12/03/2025)

GDP growth to cross 6.5% in FY 26, says Moody's

Moody's Ratings on Wednesday said India's economic growth will exceed 6.5 per cent in the next fiscal, up from 6.3 per cent this year, on higher government capex and consumption boost from tax cuts and interest rate reduction. A stable outlook for the banking sector, Moody's said although the operating environment of Indian banks will remain favourable in the next fiscal, their asset quality will deteriorate moderately after substantial improvements in recent years, with some stress in unsecured retail loans, microfinance loans and small business loans. Banks' profitability will remain adequate as declines in net interest margins (NIMs) are likely to be marginal amid modest rate cuts, it said. Moody's said that following a temporary slowdown in mid-2024, India's economic growth is expected to reaccelerate and record one of the fastest rates among large economies globally. "Government capital expenditure, tax cuts for middle-class income groups to boost consumption and monetary easing will help India's real GDP growth exceed 6.5% for fiscal 2025-26 from 6.3% in fiscal 2024-25," Moody's Ratings said. The finance ministry's Economic Survey has projected GDP growth for next fiscal at 6.3-6.8 per cent. As per official estimates, GDP growth in the current fiscal would be 6.5 per cent. The country's real GDP growth slowed to 5.6 per cent in the July-September 2024 quarter before rebounding to 6.2 per cent in the following quarter. Moody's expects India's average inflation rate to decline to 4.5 per cent in fiscal 2025-26 from 4.8 per cent in the previous year. The Reserve Bank of India (RBI) raised its policy rate by 250 basis points from May 2022 to February 2023 to tame inflation, which has gradually led to increases in interest rates for borrowers. RBI lowered its policy rate by 25 basis points to 6.25 per cent in February 2025.

(F.E.13/03/2025)

GOVERNMENT POLICY FOR TAXATION

Govt faces uphill in meeting capex estimates inFY25

Meeting capital expenditure even to match the revised estimates during the current fiscal year is likely to be very challenging, data trends from the Controller General of Accounts (CGA) indicate. The interim Budget for the fiscal year 2025, presented on February 1, 2024, and the final Budget, presented on July 23, 2024, maintained capital expenditure at ₹11.11 lakh crore. However, the amount was revised to ₹10.18 lakh crore. Data from CGA now reveal that the government has managed to spend just about ₹7.57 lakh crore during April-January, which is a little over 74 per cent. This means that the government has to spend over 25 per cent or over ₹2.61 lakh crore during February and March, which will be difficult. Data for the 11-month period from the CGA shows that only two months recorded a monthly expenditure exceeding ₹1 lakh crore ₹1.13 lakh crore in September and ₹1.71 lakh crore in December. This calculation makes the average expenditure of over ₹1.3 lakh crore over two months highly challenging. However, the good news is that key infrastructure Ministries, including Road Transport and Railways, are well on track to meet their respective expenditure targets. According to Aditi Nayar, Chief Economist at ICRA, capital expenditure jumped by 51 per cent in January, which would augur well for economic activity in the current quarter.

The Government of India's capex must grow by 15 per cent y-o-y in February-March 2025, on a high base, or record a monthly run rate of ₹1.3 lakh crore to meet the FY2025 RE. "A slight miss in capex relative to the target of ₹10.2 lakh crore for FY2025 can't be entirely ruled out," she said. Lower capital expenditure has an impact on gross capital formation, as such spending is expected to boost investment by the private sector. According to a research report by SBI, capital formation is projected to grow by 6.1 per cent in the current fiscal, down from 8.8 per cent in FY24. "The deceleration in gross capital formation from 32.6 per cent of GDP in FY23 to 31.4 per cent of GDP in FY24 is a matter of concern," the report said. Private sector investment, which attained its peak of 25.8 per cent of GDP in FY23 (since FY13), has decelerated to 24 per cent of GDP in FY24. "We believe revival in private investment (particularly of private corporations) will be a major key to the future growth trajectory," the report said. However, both public and government investment exhibited growth in FY24 as compared to FY23. Public sector investment reached an all-time high level of 8 per cent of GDP in FY24 (since FY12). For FY25, given the current trends, "we estimated both savings and investment to increase to 31 per cent and 32 per cent of GDP respectively," the report said.

(B.L.03/03/2025)

Maharashtra Budget 2025-26: rising deficits, slower revenue growth cause concern

Maharashtra's Budget for 2025-26 reveals increasing fiscal challenges, with revenue and fiscal deficits widening amid slower revenue growth. The revised estimates (RE) for 2024-25 and Budget estimates (BE) for 2025-26 indicate higher spending pressures, raising concerns over financial sustainability. According to the Budget presented by Deputy Chief Minister and Finance Minister Ajit Pawar on Monday, revenue receipts are projected to rise from ₹4,99,463 crore in 2024-25 (BE) to ₹5,36,463 crore (RE), reflecting a 7.41 per cent increase. However, for 2025-26, the growth rate slows to 4.57 per cent, reaching ₹5,60,963 crore. In contrast, revenue expenditure is increasing at a higher rate from ₹5,19,514 crore in 2024-25 (BE) to ₹5,62,998 crore (RE), an 8.38 per cent rise. The Budget for 2025-26 pegs revenue expenditure at ₹6,06,855 crore, growing by 7.80 per cent over the previous year. The revenue deficit has surged significantly, from ₹20,051 crore in 2024-25 (BE) to ₹26,536 crore (RE), marking a 32 per cent increase. It is projected to further escalate to ₹45,892 crore in 2025-26, indicating higher dependence on borrowings for revenue expenditure.

The fiscal deficit, which was pegged at ₹1,10,355 crore in the 2024-25 Budget, has shot up to ₹1,32,873 crore in the revised estimate. The 2025-26 Budget estimates it at ₹1,36,234 crore, reflecting a smaller increase, suggesting attempts at fiscal consolidation. "The government has been successful in keeping the fiscal deficit below 3 per cent of gross State domestic income under the Fiscal Responsibility and Fiscal Management Act. Also, the State's revenue deficit has consistently less than 1 per cent of gross State income" said Ajit Pawar. Pawar said that Maharashtra is set to announce its New Industrial Policy 2025, aiming to attract investments worth ₹40 lakh crore and generate 50 lakh jobs over the next five years. The policy will align with the new labour code introduced by the Central government. Additionally, the State plans to develop dedicated logistics infrastructure across 10,000 acres to enhance industrial growth. Maharashtra aims to cut electricity costs by ₹1.13 lakh crore over five years through energy reforms. New initiatives include the Maharashtra Technical Textile Mission, an Urban Haat Center in Nagpur, and an Innovation City spanning 250 acres in Navi Mumbai to drive economic and technological advancements.

(B.L.11/03/2025)

IMPORT/ EXPORT

New orders slow, Feb–March exports may see contraction

The uncertainty caused by the global tariff war and the threat of reciprocal levies by the US has slowed India's export pace further. With importers being cautious about placing new orders in the volatile situation, the country's onward shipments in February and March might see contraction on an annual basis, trade circles said. "As it is unclear how the reciprocal tariffs, set to take effect from April 1, will look like, there has been a bit of hold back on orders. There is a possibility that it might reflect in the figures of February or March," an official said, requesting anonymity.

Overall goods exports contracted 2.38% on year to \$36.43 billion in January, a third straight month of contraction. Out of the 10 months of this financial year, in five months exports have fallen year-on-year. While some sectors like engineering have seen some hold back of orders, other traditional sectors like textile and garments have reported no impact as their peak season for the US has ended around December. The meeting the ministry of commerce is holding with exporters on Thursday will take up the review of export performance in the last few months and exporters are also expected to seek clarity on the US tariff action and details in the proposed Bilateral Trade Agreement (BTA) that both countries are negotiating..

The official said amidst trade uncertainty the government may look at incentives for exporters through the Export Promotion Mission (EPM) and a decision on it may be taken within a month. "We will have to keep a lot of flexibility in the scheme to suit it to evolving conditions. So, that is what we are trying to do. Once we are ready with some draft, then we will have to share it." The bulk of allocation of Rs 2250 crore for the EPM will be used for designing schemes for addressing export credit requirements of Micro Small and Medium Enterprises (MSMEs) and promoting use of alternate financing instruments like factoring. For export financing the government is looking at addressing the problem of high collateral many of the exporters face. The government is working on a mechanism to increase export credit without giving collateral or with reduced collateral.

(F.E.12/03/2025)

Industry

Textile, apparel units seek zero –duty trade

With the US planning to impose reciprocal tariffs on imports from its trade partners from April 2, India's textile and apparel industries want New Delhi to strike a "zero for zero" tariff deal with the country for most products, with special carve-out to safeguard "strategic products. Interestingly, the push for reciprocal tariffs by US President Donald Trump is being looked at as an opportunity by the Confederation of Indian Textile Industry (CITI) as it will further strengthen the growth of exports to the US. "We are looking forward now since the scenario has changed and the US is looking for new partners," secretary general of CITI Chandrima Chatterjee said. The proposal for zero duty textile and clothing trade between India and US has been conveyed by the industry to the government in the recent stakeholder consultations.

The US imposes duties ranging from 2.5% to 7.4% on Indian apparel imports while India's duties range from 5% to 12% depending on the price, an analysis by Apparel Export Promotion Council (AEPC) said. "India has a golden opportunity to expand its footprint in the US market, especially in light of recent US policy shifts increasing tariffs on key competitors like China, Mexico, and Canada," CITI said. With reduced tariffs, India's textile and apparel exports to the US could surge to \$ 16 billion within the next three years from \$ 10.8 billion in 2024. "Currently, India has only 6% share in US apparel imports. Even if we grow another 4%, it is Rs 25,000 crore opportunity," Convenor of the Coimbatore-based Indian Textpreneurs Federation Prabhu Damodaran said. India is the third-largest supplier of textile and apparel products to the US after China and Vietnam. Its share is 10.8% of total imports of these products by the US of \$ 118.4 billion. China remains the dominant supplier with a 25.6% share. However, US imports from China have declined at a CAGR of 9.4% over the last five years (2024 to 2020) while imports from India have grown at a CAGR of 9.1% during the same period. "There is a window of opportunity for India to strengthen its position in the US market," CITI said. In 2024, US textile and apparel imports from India stood at approximately \$ 10.8 billion, whereas US exports to India were limited to just \$ 0.41 billion. India primarily imports fiber products from the US, with cotton making up 50.6% of the total. "There isn't enough cotton available in India this year due to crop failures. Mills are already facing shortages, so this tariff move should be leveraged to India's advantage," Chief Advisor of the Tamil Nadu Spinning Mills Association K Venkatachalam said. The USA is the world's single largest apparel importing country, primarily sourcing from Asia. It is one of our major export destinations accounting for approximately 35% of Indian apparel exports. In 2024 apparel exports to the US were \$ 5.2 billion with a growth of 11.2% over 2023, according to secretary general of AEPC Mithileshwar Thakur.

(F.E.08/03/2025)

Cotton

CCI begins sale of 2024-25 cotton; mills turn selective in buying quality produce

The State-run Cotton Corporation of India (CCI) has started the sale of cotton procured in the current marketing season 2024-25 from Wednesday. However, the response to the first day sale was muted as millers and trade were selective in buying quality cotton as CCI base price is higher than the prevailing market price. The CCI base price was ₹54,000-₹55,500 per candy (of 356 kg) while the market prices are hovering in the range of ₹52,500-₹54,000. The CCI, which offered around 6,02,300 bales (of 170 kg) of both new and old cotton on Wednesday, could sell only 6,800 bales to mills while traders bought only 300 bales, sources said. The CCI has purchased over 94 lakh bales of raw cotton at the minimum support price of ₹7,521 per quintal, while the market prices still continue to rule below the MSP levels on muted demand. The CCI has procured over 40 lakh bales in Telangana, over 28 lakh bales in Maharashtra and over 11 lakh bales in Gujarat. The CCI is presently the largest stockholder of the fibre with cumulative market arrivals till date having crossed 219 lakh bales for the 2024-25 marketing season, per the Cotton Association of India data. CAI estimated the 2024-25 crop size at 301.75 lakh bales. At current market rates, CCI may find it difficult to offload the stocks as buyers are selective. "There will be possibility of selling small quantities of quality cotton only on longer credit terms," said Ramanuj Das Boob, a sourcing agent in Raichur. Further, the global prices are under pressure, with the US imposing tariffs on exports to China, which will weigh on prices, Das Boob said. The New York ICE Cotton Futures, which ruled at around 66 cents per pound for May delivery before the imposition of tariffs, have come to the level of 63 cents per pound.

(B.L.6/03/2025)