Economic Outlook Survey

January 2025

HIGHLIGHTS

GDP growth for 2024-25 projected at 6.4 percent

CPI based inflation rate for 2024-25 projected at 4.8 percent

- FICCI's latest Economic Outlook Survey puts forth an annual median GDP growth forecast for 2024-25 at 6.4 percent.
- The median growth forecast for agriculture and allied activities has been put at 3.6 percent for 2024-25; while industry and services sector are anticipated to grow by 6.3 percent and 7.3 percent, respectively.
- The first half of 2024-25 recorded a modest growth of about 6.0 percent, and for the second half, survey estimates indicate a median GDP growth of 6.8 percent for Q3 and Q4. Economic activity is expected to witness an uptick in the second half supported by a revival in public capital expenditure, festive demand and normalization in industrial activity post monsoon.
- CPI based inflation has a median forecast of 4.8 percent for 2024-25, with a minimum and maximum range of 4.5 percent and 4.8 percent, respectively.
- The participating economists anticipate the repo rate at 6.25 percent by the end of the fiscal year 2024-25.
- Based on the responses of the participating economists, the median forecast for exports has been put at USD 450.5 billion and for imports at USD 729.6 billion in 2024-25.

Views of Economists

<u>Outlook 2025: Global Economy</u>

- The participating economists observed global economic prospects for 2025 to present a reasonable growth trajectory, with an underlying note of caution.
- Softening price levels and ensuing monetary policy easing in some of the major economies, positive momentum in interest sensitive sectors, and continued recovery in service sector are expected to bode well for the growth prospects this year.
- According to OECD's latest assessment on economic outlook, global growth is forecasted at 3.3 percent in 2025, marking a marginal increase vis-à-vis the 3.2 percent growth estimate of 2024. The growth is expected to remain below the pre-pandemic average (2013-2019) of about 3.4 percent. Also, variation in growth trajectories across countries remains.
- Furthermore, according to the survey participants the advancements in technology, particularly in semiconductors, electronics, and artificial intelligence, alongside increased attention towards green energy transitions, are expected to catalyze investments.
- Nonetheless, downside risks continue to cloud the global economic landscape. Rising geopolitical tensions and trade policy uncertainty pose as challenges, with the potential to fragment global trade and restrain growth. The impact of change in political leadership in the United States is yet to be seen. Going ahead, a prolonged tariff war could exacerbate economic and trade related issues. Also, though inflation has softened across advanced and emerging market economies, however, the progress continues to vary across countries. The conflict in the Middle East remains escalated and could impact energy markets.
- Additionally, elevated public debt levels are a challenge and could pose a threat to fiscal sustainability.

<u>Outlook 2025: Indian Economy</u>

- India's economic outlook for 2025 reflects cautious optimism, amidst the backdrop of persisting external headwinds.
- On the positive side, participating economists expect consumer spending to gain momentum, driven by an improved outlook for the agriculture sector, which is likely to bolster rural consumption and sentiment in the first half of the next fiscal year. Food inflation - which has remained elevated for over a year and strained household budgets, particularly for low- and middle-income urban families – is expected to ease.
- As inflationary pressures recede, participating economists expect urban consumption, especially for low-ticket and discretionary items, to witness a recovery.

- On investment front, the government's focus on capital expenditure is expected to remain a key growth driver in the year 2025-26. Investments in infrastructure and allied sectors—such as roads, housing, logistics, and railways—are anticipated to further economic momentum. Additionally, the services sector, particularly hospitality, real estate, health, and education, is expected to contribute to creation of fresh capacity.
- Nonetheless, downside risks remain on the horizon. Participating economists expect the private capital expenditure cycle to stay subdued, with a cautious outlook limiting large-scale capacity additions. Factors such as geopolitical uncertainties, uneven domestic demand, oversupply from China have kept investors on the edge.
- However, with deleveraged corporate balance sheets, capacity utilization rates holding up, and uptick in demand - the momentum in private investments could build.
- Merchandise exports are projected to face persistent challenges, constrained by weak global demand, potential tariff wars, and ongoing geopolitical tensions. While services exports are expected to perform better than merchandise exports, uncertainties stemming from US trade policies and financial market volatility could pose additional risks.

Trump 2.0: Challenges and Opportunities for India

- The participating economists indicated possibility of short-term disruptions through channels like exports, foreign capital flows, and input costs for the US trading partners including India.
- The likelihood of tax cuts (personal and business) could increase the US fiscal deficit, while higher tariffs and stricter immigration norms could push up labour costs and inflation. The Federal Reserve, in response, could cut the policy rates by less than what was anticipated. This may reduce capital inflows into emerging markets, including India, causing Rupee fluctuations. Trade tensions, including a potential US-China trade conflict, could disrupt supply chains and raise input costs in the short term. However, economists expect US to take a calibrated approach towards India.
- Nonetheless, India is poised to benefit from global supply chain diversification away from China. Its strategic position as a manufacturing hub could attract foreign direct investment in sectors like semiconductors, electronics, and automotive components. Targeted industrial policies and sector-specific strategies will remain critical to seizing these opportunities.
- The energy sector holds promise, with the revitalized US-India Strategic Clean Energy Partnership (SCEP) emphasizing renewable energy, energy efficiency, and sustainable fuels. India could also benefit from lower global oil prices as US production increases. Strengthened collaboration in civil nuclear energy will further enhance ties.
- To address risks and unlock opportunities, economists recommended that India should evaluate reducing tariffs on select and specific US imports while ensuring revenue stability and minimal domestic impact. Diversifying export markets and leveraging ongoing trade negotiations will be critical to enhancing trade resilience.
- Also, development of high-quality industrial clusters with robust backward and forward linkages is essential for India to integrate into diversifying global supply chains. Complementing this effort, infrastructure upgrades and sector-specific policies can attract greater foreign direct investment (FDI).
- Expanding trade and investment partnerships across agriculture, defence, energy, healthcare, and emerging technologies will foster mutual growth. Deepening collaborations in areas like artificial intelligence, clean energy, and cybersecurity will further strengthen economic and strategic ties between India and the U.S.

Expectations from the Forthcoming Union Budget 2025-26

The Union Budget for 2025-26, set to be presented on 1st February 2025, arrives amidst global economic uncertainties and moderating domestic growth. Against this backdrop, participating economists shared their expectations.

- **Boosting Private Consumption:** Reviving private consumption emerged as a key priority. A review of the current tax structure including rates (both direct and indirect taxes) in the Union Budget 2025-26 is called for with a view to enhance disposable income and stimulate consumer spending. Additionally, continued investments in welfare programs such as MGNREGA, PMGSY, and PMAY were recommended.

- **Enhancing Capital Expenditure:** The government's capital expenditure (capex) has steadily increased as a percentage of GDP, rising from 1.6 percent in FY19 to 3.4 percent in FY25 (Budget Estimates). Economists expect continued capex expansion, given its strong multiplier effects. An increase between 10-15 percent in capex over 2024-25 is being looked at in the upcoming budget.
- **Strengthening Agriculture and Rural Economy:** Economists recommended initiatives to increase productivity, improve rural infrastructure, and strengthen agricultural value chains. Investments in cold storage facilities and supply chain efficiency were underscored as critical to managing inflationary pressures and minimizing food wastage. The government should consider launching an agri yields mission in the bottom 100 districts of the country – on lines of the aspirational district program. Also, climate proofing agriculture remains pertinent. Setting up of a Centre of Excellence for developing and evaluation of climate smart agriculture technologies could be considered in the forthcoming Budget.
- **Revitalizing Manufacturing and MSMEs:** The participating economists emphasized on continuing the focus on manufacturing sector. With regard to improving ease and cost of doing business, the reforms pertaining to land, labour and financial sector are imperative. While many of these reforms fall in the state and concurrent domains, a resolute and actionable plan needs to be worked out. Moreover, policy certainty and timely impact assessment of regulations remains crucial.
- **Focus on Sustainable Finance and Green Initiatives:** Sustainable finance and green initiatives were expected to remain prominent in the budget. Launch of a vision document for circular economy, a review of the priority sector lending framework to bring within its purview climate adaptation and climate risk mitigation activities, development of carbon capture, utilization, and storage technologies in mission mode – should be looked at in the Budget 2025-26.
- **Supporting Exports**: Amidst external headwinds, India's exports prospects have come under the lens. Extending support to exporters by continuing the interest equalisation scheme could be timely. Also, expansion in marketing support allocations was called for.

Survey Profile

The present round of FICCI's Economic Outlook Survey was conducted in the month of December 2024 and drew responses from leading economists representing industry, banking and financial services sector. The economists were asked to provide forecast for key macro-economic variables for the year 2024-25 and for the quarters Q3 (October-December) and Q4 (January-March) of 2024-25.

Economists were also invited to share their perspectives on key topical issues. Participants provided their prognosis for both the global and Indian economy for the year 2025. Additionally, insights were sought on the challenges and opportunities posed by the change of political administration in the United States, as well as the expectations from the forthcoming Union Budget 2025-26.

Survey Results: Part A
Projections – Key Economic Parameters

National Accounts

GDP growth at 2011-12 prices

	Annual 2024-25			Q3 FY25			Q4 FY25		
Growth (in %)	**Median**	**Min**	**Max**	**Median**	**Min**	**Max**	**Median**	**Min**	**Max**
GDP@ market prices	**6.4**	6.2	6.8	**6.8**	6.3	7.0	**6.8**	6.3	7.2
GVA@ basic prices	**6.3**	6.0	6.8	**6.5**	5.9	6.8	**6.8**	6.1	7.0
Agriculture & Allied activities	**3.6**	3.2	4.2	**4.0**	3.0	4.8	**4.0**	3.0	4.9
Industry	**6.3**	5.1	6.4	**6.1**	5.6	6.7	**6.4**	5.2	7.3
Services	**7.3**	6.9	8.1	**7.3**	7.0	8.4	**7.4**	7.1	8.5

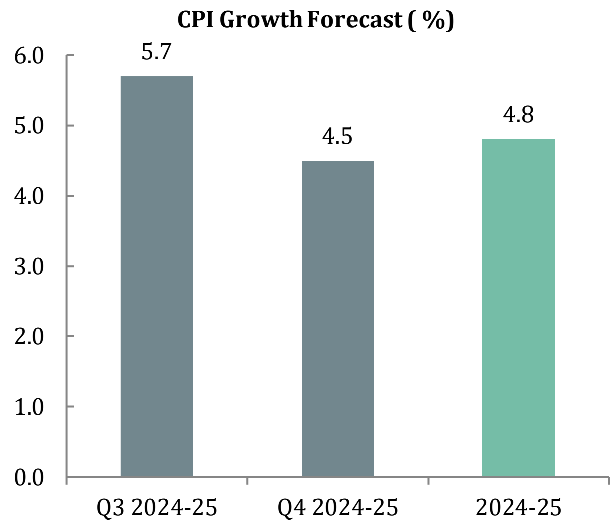
The latest round of FICCI's Economic Outlook Survey projects an annual median GDP growth forecast of 6.4 percent for 2024-25, with growth estimates ranging from a minimum of 6.2 percent to a maximum of 6.8 percent. The forecast in the current survey marks a moderation from 7.0 percent estimate (for 2024-25) put out in the previous round conducted during the month of September last year. The numbers are in line with the broad expectation and reflect a notable slowdown vis-à-vis 8.2 percent GDP growth recorded in 2023-24.

The agricultural sector, including allied activities, is expected to grow at 3.6 percent in 2024-25, marking a noticeable recovery from the 1.4 percent actual growth reported in 2023-24. The improved performance in the agriculture sector comes on the back of a normal monsoon in 2024 and good prospects for rabi production. The industry and services sectors, on the other hand, are projected to expand by 6.3 percent and 7.3 percent, respectively, in 2024-25 -marking a moderation from the actual growth rates of 9.5 percent and 7.6 percent (respectively) reported in 2023-24.

For the latter half of 2024-25, survey estimates indicate a median GDP growth of 6.8 percent for Q3 and Q4.

The first half of 2024-25 recorded a modest growth of about 6.0 percent, weighed down by sluggish public capital expenditure, manufacturing disruptions due to heavy rains, and subdued urban demand. Nonetheless, economic activity is expected to witness an uptick in the second half supported by a revival in public capital expenditure, festive demand and normalization in industrial activity post monsoon.

Consumer Price Index (CPI)

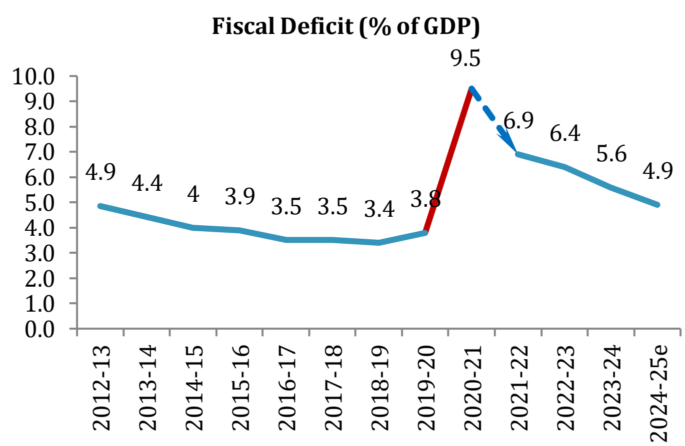


CPI based inflation has a median forecast of 4.8 percent for 2024-25, with a minimum and maximum range of 4.5 percent and 4.8 percent, respectively. This is in line with the RBI's projection in the latest monetary policy announcement in December 2024.

Moderation in vegetable prices softened the headline inflation in November 2024 to 5.5 percent from 6.2 percent in October 2024. Further easing of CPI inflation is anticipated in December 2024, as key vegetable prices continue to correct. With favourable rabi crop prospects, retail inflation is expected to moderate further in Q4 2024-25 vis-à-vis Q3.

Fiscal Deficit

The median fiscal deficit to GDP ratio has been put at 4.9 percent for the financial year 2024-25 by the participants. This is in line with the targeted fiscal deficit for 2024-25 announced in the Union Budget (July 2024).



*e- expected

Money & Banking

The participating economists anticipate the repo rate at 6.25 percent by the end of the fiscal year 2024-25. Nonetheless, the inflation trajectory will remain a priority for the Reserve Bank of India and primary determining factor for a potential cut in the repo rate.

	2024-25 (End, March)
Repo Rate	**6.25%**

External Sector

2024-25	Export	Import
USD billion	450.5	729.6
Growth (in %)	2.8	6.5

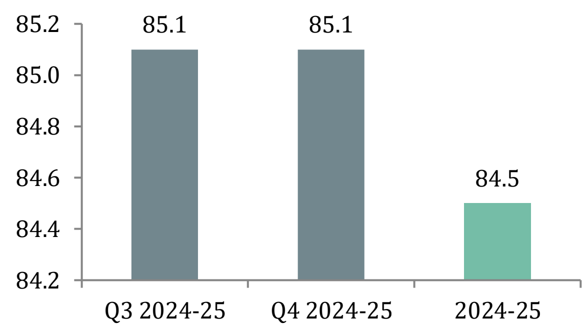
	End of 2024-25
CAD as % of GDP	**1.1%**

Based on the responses of the participating economists, the median forecast for exports has been put at USD 450.5 billion and for imports at USD 729.6 billion in 2024-25.

Current Account Deficit as percent of GDP is projected at 1.1 percent for the current fiscal year.

The participants expect the INR/USD exchange rate at 84.5 by the end of the current financial year.

INR/USD Exchange Rate*



* end period

Survey Results: Part B
Views of Economists

Despite persisting uncertainties, the global economy has exhibited resilience, though growth prospects remain uneven across regions. Monetary policy normalization continues to influence strategies in advanced economies, while the pace of disinflation varies significantly across countries. The participating economists were requested to share their outlook for global as well as for the Indian economy for year 2025. The economists were also asked to share their projection for India's GDP growth for the fiscal year 2025-26.

Outlook 2025: Global Economy

The participating economists observed global economic prospects for 2025 to present a reasonable growth trajectory, with an underlying note of caution. Softening price levels and ensuing monetary policy easing in some of the major economies, positive momentum in interest sensitive sectors, and continued recovery in service sector are expected to bode well for the growth prospects this year.

According to OECD's latest assessment on economic outlook, global growth is forecasted at 3.3 percent in 2025, marking a marginal increase vis-à-vis the 3.2 percent growth estimate of 2024. The growth is expected to remain below the pre-pandemic average (2013-2019) of about 3.4 percent. Also, variation in growth trajectories across countries remains.

Amongst the advanced economies, the US economy is projected to grow by 2.4 percent in 2025, and the Euro area by 1.3 percent – supported by an improving demand sentiment. In case of emerging market economies, the performance of China, India and Indonesia will remain pivotal in supporting growth.

Furthermore, according to the survey participants the advancements in technology, particularly in semiconductors, electronics, and artificial intelligence, alongside increased attention towards green energy transitions, are expected to catalyze investments.

Nonetheless, downside risks continue to cloud the global economic landscape. Rising geopolitical tensions and trade policy uncertainty pose as challenges, with the potential to fragment global trade and restrain growth. The impact of change in political leadership in the United States is yet to be seen. Going ahead, a prolonged tariff war could exacerbate economic and trade related issues.

Also, though inflation has softened across advanced and emerging market economies, however, the progress continues to vary across countries. The conflict in the Middle East remains escalated and could impact energy markets.

Additionally, elevated public debt levels are a challenge and could pose a threat to fiscal sustainability. Climate-induced disruptions are increasingly impacting economies that are heavily dependent on agriculture and commodities. Meanwhile, structural challenges such as aging populations and sluggish productivity growth continue to weigh on long-term global economic prospects.

Outlook 2025: Indian Economy

India's economic outlook for 2025 presents cautious optimism, amidst the backdrop of persisting external headwinds.

On the positive side, participating economists expect consumer spending to gain momentum, driven by an improved outlook for the agriculture sector, which is likely to bolster rural consumption and sentiment in the first half of the next fiscal year. Food inflation - which has remained elevated for over a year and strained household budgets, particularly for low- and middle-income urban families – is expected to ease. As inflationary pressures recede, participating economists expect urban consumption, especially for low-ticket and discretionary items, to witness a recovery in the near term. Furthermore, monetary easing by the Reserve Bank of India (RBI), resulting in lower interest rates, could also provide an additional impetus to consumption.

On the investment front, the government's focus on capital expenditure is expected to remain a key growth driver in the year 2025-26. Investments in infrastructure and allied sectors—such as roads, housing, logistics, and railways—are anticipated to further economic momentum. Additionally, the services sector, particularly hospitality, real estate, health, and education, is expected to contribute to creation of fresh capacity.

Nonetheless, significant downside risks remain on horizon. Participating economists expect the private capital expenditure cycle to stay subdued, with a cautious outlook limiting large-scale capacity additions. Factors such as geopolitical uncertainties, uneven domestic demand, oversupply from China have kept investors on the edge. However, with deleveraged corporate balance sheets, capacity utilization rates holding up, and uptick in demand - the momentum in private investments could build.

Merchandise exports are projected to face persistent challenges, constrained by weak global demand, potential tariff wars, and ongoing geopolitical tensions. While services exports are expected to perform better than merchandise exports, uncertainties stemming from US trade policies and financial market volatility could pose additional risks.

Considering these factors, participating economists have pegged India's GDP growth forecast for the fiscal year 2025-26 between 6.5 percent and 6.9 percent - reflecting a balanced outlook that accounts for both opportunities and challenges.

Trump 2.0: Challenges and Opportunities for India

The transition to President Donald Trump's administration in the United States is expected to bring in changes in the global economic and geopolitical landscape. For India, this shift could bring both challenges and opportunities. The participating economists were invited to share their perspective on the expected impact of Trump's policies on the Indian economy, identifying key risks, potential gains, and possible strategies for India to navigate this new phase effectively.

The participating economists indicated possibility of short-term disruptions through channels like exports, foreign capital flows, and input costs for the US trading partners including India.

The likelihood of tax cuts (personal and business) could inflate the US fiscal deficit, while higher tariffs and stricter immigration norms could push up labour costs and inflation. The Federal Reserve, in response, could cut the policy rates by less than what was anticipated. This may reduce capital inflows into emerging markets, including India, causing Rupee fluctuations. The trajectory of foreign portfolio inflows is likely to stabilize as President Trump's policies become clearer, easing pressure on the Rupee. Trade tensions, including a potential US-China trade conflict, could disrupt supply chains and raise input costs in the short term. However, economists expect US to take a calibrated approach towards India.

During President Trump's first term, despite protectionist policies, India-US bilateral merchandise trade grew from USS 64.52 billion in 2016-17 to USD 88.9 billion in 2019-20. The trade between the two countries stood at USD 119.7 in 2023-24. Key drivers include pharmaceuticals, petroleum, solar cells, and jewellery etc. The participating economists pointed out that new avenues could arise for Indian industries, particularly in electronics manufacturing segment, benefiting from supply chain shifts. India's pharmaceutical industry, a global leader in generics and active pharmaceutical ingredients (APIs) are well-positioned to capitalize on supply chain shifts.

India is poised to benefit from global supply chain diversification away from China. Its strategic position as a manufacturing hub could attract foreign direct investment in sectors like semiconductors, electronics, and automotive components. Targeted industrial policies and sector-specific strategies will remain critical to seizing these opportunities.

The energy sector holds promise, with the revitalized US-India Strategic Clean Energy Partnership (SCEP) emphasizing renewable energy, energy efficiency, and sustainable fuels. India could also benefit from lower global oil prices as US production increases. Strengthened collaboration in civil nuclear energy will further enhance ties.

To address risks and unlock opportunities, economists recommended that India should evaluate reducing tariffs on select and specific US imports while ensuring revenue stability and minimal domestic impact. Diversifying export markets and leveraging ongoing trade negotiations will be critical to enhancing trade resilience.

Also, development of high-quality industrial clusters with robust backward and forward linkages is essential for India to integrate into diversifying global supply chains. Complementing this effort, infrastructure upgrades and sector-specific policies can attract greater foreign direct investment (FDI) and increase India's share in global goods exports, which currently stands at less than 2 percent.

Expanding trade and investment partnerships across agriculture, defence, energy, healthcare, and emerging technologies will foster mutual growth. Deepening collaborations in areas like artificial intelligence, clean energy, and cybersecurity will further strengthen economic and strategic ties between India and the U.S.

Expectations from the Forthcoming Union Budget 2025-26

The Union Budget for FY2025-26, set to be presented on 1st February 2025, arrives amidst global economic uncertainties and moderating domestic growth. Against this backdrop, participating economists shared their expectations, highlighting key priorities that could shape the government's policy in the upcoming budget.

One of the foremost recommendations was the importance of adhering to the fiscal consolidation roadmap, targeting a fiscal deficit of 4.5 percent of GDP by 2025-26. Economists emphasized that maintaining strong macroeconomic fundamentals is essential to mitigating financial market volatility and ensuring stability in the real economy. Balanced measures to address the twin challenges of fiscal and current account deficits, along with inflation concerns, were highlighted as critical for sustaining growth.

Boosting Private Consumption: Reviving private consumption emerged as a key priority. Post-pandemic, private consumption recovery has been intermittent, with extended periods of sluggishness. A review of the current tax structure and rates (for both direct and indirect taxes) in the Union Budget 2025-26 is called with a view to enhance disposable income and stimulate consumer spending. Additionally, continued investments in welfare programs such as MGNREGA, PMGSY, and PMAY were recommended. These programs, being employment-generating, asset-creating, and non-inflationary, are seen as vital for driving demand in rural and semi-urban areas.

Enhancing Capital Expenditure: Economists highlighted the delicate balance the government must strike between maintaining fiscal discipline and supporting growth. However, it was opined that an extended capital support from the government at this juncture could be significant. The government's capital expenditure (capex) has steadily increased as a percentage of GDP, rising from 1.6 percent in 2018-19 to 3.4 percent in 2024-25 (Budget Estimates). Economists expect continued capex expansion, given its strong multiplier effects. An increase between 10-15 percent in capex over 2024-25 is being looked at in the upcoming budget.

Strengthening Agriculture and Rural Economy: The agricultural sector, which employs a significant proportion of India's workforce, is anticipated to receive enhanced budgetary support. Economists recommended initiatives to increase productivity, improve rural infrastructure, and strengthen agricultural value chains. Investments in cold storage facilities and supply chain efficiency were underscored as critical to managing inflationary pressures and minimizing food wastage.

The government should consider launching an agri yields mission in the bottom 100 districts of the country – on lines of the aspirational district program.

Also, climate proofing agriculture remains pertinent. Setting up of a Centre of Excellence for developing and evaluation of climate smart agriculture technologies could be considered in the forthcoming Budget.

Revitalizing Manufacturing and MSMEs: The participating economists emphasized on continuing the focus on manufacturing sector. The budget is expected to prioritize manufacturing through sector-specific incentives, rationalized tax rates, and development of high-quality industrial clusters. A well-designed industrial policy focused on improving overall business environment is also expected. These measures were viewed as essential for attracting foreign direct investment (FDI) and generating employment opportunities.

With regard to improving ease and cost of doing business, the reforms pertaining to land, labour and financial sector are imperative. While many of these reforms fall in the state and concurrent domains, a resolute and an actionable plan needs to be worked out. Moreover, policy certainty and timely impact assessment of regulations remains crucial.

Acknowledging the significant role of Micro, Small, and Medium Enterprises (MSMEs), the participants asked for targeted measures for strengthening the sector. Streamlined credit access, incentives for innovation, and support for technology adoption were identified as critical interventions.

Focus on Sustainable Finance and Green Initiatives: Sustainable finance and green initiatives were expected to remain prominent in the budget. Economists advocated for continued emphasis on furthering investments in renewable energy, innovative technologies, and public-private partnerships to propel India towards the 2070 net-zero emissions target. Green solutions are the way forward, and investments in these areas need to be accelerated. An enabling policy framework is needed to direct resources towards both green and transitional areas.

Launch of a vision document for circular economy, a review of the priority sector lending framework to bring within its purview climate adaptation and climate risk mitigation activities, development of carbon capture, utilization, and storage technologies in mission mode – should be looked at in the Budget 2025-26.

Human Capital Development: The participating economists emphasized sustained investments in human capital development. Building on last year's allocation of Rs 2 lakh crore for skill development and youth employment, the participants expected a continued focus on education and skilling initiatives. Strengthening vocational education and aligning workforce capabilities with emerging opportunities are considered pivotal for leveraging India's demographic dividend.

Support to Exports: Amidst external headwinds, India's exports prospects have come under the lens. Extending support to exporters by continuing the interest equalisation scheme could be timely. Also, expansion in marketing support allocations was called for.

(The survey responses express the views of the respondents)

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