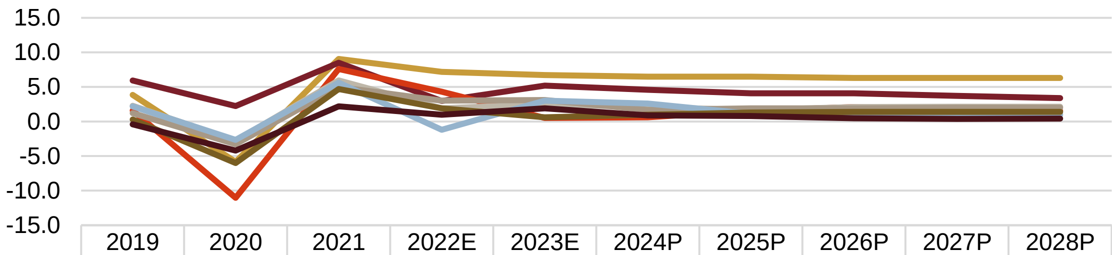
India is one of the fastest-growing major economies (GDP growth, % year-on-year)



	2019	2020	2021	2022E	2023E	2024P	2025P	2026P	2027P	2028P
India	3.9	-5.8	9.1	7.2	6.7	6.5	6.5	6.3	6.3	6.3
China	6.0	2.2	8.5	3.0	5.2	4.6	4.1	4.1	3.7	3.4
United Kingdom	1.6	-11.0	7.6	4.3	0.5	0.6	1.6	2.1	1.8	1.5
United States	2.3	-2.8	5.9	1.9	2.5	2.1	1.7	2.1	2.1	2.1
Brazil	1.2	-3.3	5.0	3.0	3.1	1.7	1.9	1.9	2.0	2.0
Russia	2.2	-2.7	5.6	-1.2	3.0	2.6	1.1	1.0	1.0	1.0
South Africa	0.3	-6.0	4.7	1.9	0.6	1.0	1.3	1.4	1.4	1.4
Japan	-0.4	-4.2	2.2	1.0	1.9	0.9	0.8	0.5	0.4	0.4

Note: All forecasts refer to IMF forecasts. GDP growth is based on constant prices, Data represented is for calendar years, E: Estimated, P: Projected; 2022E, 2023E, 2024P, 2025P are based on IMF World Economic Outlook, January 2024 Source: IMF (World Economic Outlook – October 2023, January 2024), CRISIL MI&A

1.1 Indian economy to be a major part of world trade

Along with being one of the fastest growing economies in the world, India ranked fifth in the world in terms of nominal GDP for 2023 according to IMF forecasts (World Economic Outlook -October Update). India overtook UK to become the fifth largest economy in the world in 2022. In terms of purchasing power parity ("**PPP**"), India is the third largest economy in the world, only after China and the United States.

1.2 Repo rate remains unchanged, with phase of aggressive rate hikes behind us

In Fiscal 2023, the Reserve Bank of India ("**RBI**") raised the repo rate by 90 basis points ("**bps**") in the first quarter, and since then, it has continued to increase every quarter. By the third quarter of Fiscal 2024, the repo rate reached 6.50%, which signifies a substantial increase of 250 bps from the fourth quarter of Fiscal 2022. The initial rate hike occurred in May 2022, when the central bank's rate-setting panel unanimously raised the benchmark lending rate by 90 bps. However, the repo rate remains unchanged in the fourth quarter of Fiscal 2024 at 6.5% since the fourth quarter of Fiscal 2023.

1.3 Consumer Price Index ("CPI") inflation to average at 4.5% in Fiscal 2025

CRISIL MI&A expects CPI inflation to continue to soften next Fiscal to 4.5% from an estimated 5.5% this Fiscal, supported by the assumption of a normal monsoon, softer domestic demand, and benign global oil prices. The distribution of the southwest monsoon and rabi output are expected to be key monitorable factors for food inflation in the first half of Fiscal 2025.

Macroeconomic outlook for Fiscal 2025

Macro variables	FY24E	FY25P	Rationale for outlook
GDP (year-on-year) ("**y-o-y**")	7.6%	6.8%	High interest rates and lower fiscal impulse (from reduction in fiscal deficit to 5.1% of GDP) are expected to temper domestic demand. Net indirect tax impact on GDP is expected to normalize next fiscal. Uneven growth in key trade partners will likely restrict healthy export recovery. But budgetary support to capital expenditure and rural incomes are expected to support growth.
CPI inflation (y-o-y)	5.5%	4.5%	Soft commodity prices and healthier farm output should help moderate inflation. A non-inflationary budget that focuses on asset creation rather than direct cash support bodes well for core inflation and hence monetary policy.
10-year Government security yield (Fiscal end)	7.0%	6.8%	Lower gross market borrowings will likely reduce the pressure on yields. Lower inflation and expected rate cuts by the Monetary Policy Committee are expected to create downside pressure on yields. India's inclusion in the JP Morgan Emerging Market Bond index is favourable for capital flows into government debt.
Current account deficit ("**CAD**")/GDP (%)	(1.0)%	(1.0)%	Softer crude oil prices and moderation in domestic growth are expected to keep the trade deficit in check despite tepid exports of goods. Alongside, robust services trade surplus and healthy remittances are expected to keep the current account deficit in check.
₹/$ (March average)	83.0	83.5	Narrower CAD and healthy foreign portfolio flows into debt amid a favourable domestic macro environment will likely support the rupee.

Note: E – Estimated; P – Projected
Source: RBI, NSO, CRISIL MI&A