

INDIAN ECONOMY 2025

A Comprehensive Economic Report

Report Date: October 2025

EXECUTIVE SUMMARY

India has emerged as a global economic powerhouse in 2025, solidifying its position as the world's fourth-largest economy by nominal GDP. With a GDP of approximately \$4.19 trillion, India surpassed Japan earlier this year, marking a significant milestone in its economic journey. The country's GDP grew by 105% over the past decade (2014-2025), demonstrating remarkable resilience and transformation.

The Indian economy is projected to grow at 6.3-6.8% during fiscal year 2025-26, maintaining its status as the fastest-growing major economy globally. This growth is driven by robust domestic consumption, strong capital formation, and strategic government initiatives including Make in India and Production-Linked Incentive (PLI) schemes. The fiscal year 2024-25 ended with a GDP growth of 6.5%, with the fourth quarter surprising analysts with a strong 7.4% year-on-year growth.

KEY ECONOMIC HIGHLIGHTS

Metric	Value/Status
Global GDP Ranking	4th (surpassed Japan in mid-2025)
Nominal GDP (2025)	\$4.19 trillion
GDP Growth (FY 2024-25)	6.5%
Projected Growth (FY 2025-26)	6.3-6.8%
Q4 FY25 Growth	7.4% (year-on-year)
Inflation Rate (June 2025)	2.1% (lowest since Jan 2019)

Services Sector Share	55% of GVA
Manufacturing Share	16-17% of GDP
Per Capita Income (2025)	\$2,878 (nominal)

India's economic trajectory by 2030 projects it to become the world's third-largest economy with an estimated GDP of \$7.3 trillion. The country's economic transformation is characterized by structural shifts from agriculture to services and manufacturing, supported by a young, tech-adaptive workforce and prudent government policies.

KEY ECONOMIC SECTORS

Services Sector

The services sector remains the backbone of the Indian economy, contributing approximately 55% to the Gross Value Added (GVA) in FY 2024-25, up from 50.6% in FY 2014. The sector has grown at an impressive average rate of 8.3% between FY 2023 and FY 2025. Key sub-sectors include:

- **Information Technology:** India's IT sector continues to be a global leader, with the country becoming a preferred destination for IT outsourcing and software development. The digital transformation wave has further strengthened this sector's contribution to exports and employment.
- **Financial Services:** The fintech sector has experienced explosive growth, with a market size reaching \$50 billion in 2021 and projected to triple by 2025. India hosts over 2,000 recognized FinTech start-ups, including 23 unicorns valued over \$1 billion.
- **Healthcare and Education:** These sectors have seen significant expansion, supported by government initiatives and private investment. The services sector employs millions and generates substantial foreign exchange through exports.

Manufacturing Sector

Manufacturing is emerging as a critical pillar of India's economic growth, contributing 16-17% to GDP and employing over 27 million workers. The sector registered robust growth of 21.5% in output with a GVA growth of 7.3% in 2022-23. The HSBC India Manufacturing PMI reached a 16-month high of 59.1 in July 2025, driven by the fastest increase in factory orders.

Production-Linked Incentive (PLI) Schemes: These government initiatives have been instrumental in boosting manufacturing. As of March 2025, PLI schemes disbursed ₹21,534 crore in incentives across 12 sectors, attracting investments of ₹1.76 lakh crore. Foreign Direct Investment (FDI) in manufacturing reached \$165.1 billion, a 69% increase over the past decade.

Key Manufacturing Industries: Automotive (contributing 7.1% to GDP), pharmaceuticals, chemicals, electronics, textiles, and consumer goods are the major contributors. India's electronics exports rose from \$29.1 billion in FY24 to \$38.6 billion in FY25, with projections of \$46-50 billion for FY26.

Agriculture and Allied Sectors

Despite its declining share in GDP (now at 18.4%), agriculture remains India's largest employment sector, engaging 45.5% of the workforce (51.2 crore persons). India is the world's second-largest producer of agricultural products, accounting for 13% of global agricultural output. The sector has benefited from improved irrigation, technology adoption, and government support programs.

Emerging and Strategic Sectors

- **Chemicals and Petrochemicals:** Expected to reach \$300-400 billion by 2025, contributing significantly to exports. India has emerged as the world's second-largest exporter of agrochemicals.
- **Renewable Energy:** With significant solar, wind, and biofuel potential, India is positioning itself as a leader in clean energy transition.
- **Artificial Intelligence:** The AI sector is expected to reach \$7.8 billion by 2025, with government support for Centers of Excellence in top educational institutions.
- **Space and Semiconductors:** India aims to increase its global space market share from 2.1% to 10% by 2030, while the semiconductor market is projected to reach \$55 billion by 2026.

ECONOMIC CHALLENGES AND POLICY RESPONSES

Key Economic Challenges

1. Unemployment and Job Creation: With an overall unemployment rate of 4.2% and youth unemployment at 15%, India faces significant challenges in job creation. Approximately 10-12 million young people enter the job market annually. Graduate unemployment is particularly concerning at close to 30%. The structural imbalance shows 44% engaged in agriculture, 31% in services, and only 25% in industry.

2. Inflation Management: While inflation eased to 2.1% in June 2025 (the lowest since January 2019), food inflation has been persistent at over 8%. The Reserve Bank of India (RBI) maintains a medium-term inflation target of 4%, with the current policy rate at 6.0% after two cuts in 2025 (February and April).

3. Income Inequality: Approximately 50% of India's population lives on ₹100-150 per day, highlighting stark wealth disparities. Between 2011 and 2023, 171 million people moved out of extreme poverty, but significant challenges remain in ensuring inclusive growth.

4. Global Trade Tensions: India faces challenges from geopolitical tensions, including US tariff policies. In early 2025, the US imposed reciprocal tariffs of 26% on Indian goods, later reduced to 10% for a 90-day negotiation period. India's trade surplus with the US stood at \$46 billion in 2024.

5. Manufacturing Competitiveness: Despite progress, India's manufacturing sector faces infrastructure constraints, regulatory complexities, and competition from countries like China. Access to finance for SMEs remains a persistent challenge.

Government Initiatives and Future Outlook

Make in India and PLI Schemes: These flagship programs continue to attract global investment and boost domestic manufacturing. The government aims to increase manufacturing's share to 25% of GDP by 2030. Apple and other global companies have significantly expanded their Indian manufacturing operations, with smartphone export volumes reaching 22.88 million units in the first half of 2025.

Fiscal Consolidation: The fiscal deficit improved to 4.8% of GDP in FY 2024-25, with a target of 4.4% for FY 2025-26. The government has introduced tax cuts for the middle class to boost consumption and maintain political support.

Infrastructure Development: With India's road network exceeding 6.6 million km (second-largest globally) and continued investment in digital infrastructure, the country is enhancing its logistics efficiency and connectivity.

Monetary Policy: The RBI has begun an easing cycle, reducing policy rates by 50 basis points to support growth while maintaining price stability. Further easing is expected as inflation remains within target ranges.

CONCLUSION

India stands at a pivotal juncture in its economic history. Having surpassed Japan to become the world's fourth-largest economy, India is on track to become the third-largest by 2028-2030. The country's growth story is driven by robust domestic demand, a young and dynamic workforce, strategic policy reforms, and increasing global confidence in its economic potential.

While challenges such as unemployment, inflation management, and income inequality persist, the government's proactive policy measures, including PLI schemes, infrastructure investments, and fiscal prudence, are addressing these issues. The easing of inflation to historic lows and the beginning of monetary easing provide favorable conditions for sustained growth.

As India navigates global trade uncertainties and domestic structural challenges, its focus on manufacturing expansion, digital transformation, and inclusive development will determine its trajectory toward becoming a \$7.3 trillion economy by 2030 and achieving developed nation status by 2047. The choices made in 2025 will shape India's economic future and its role in the global economic order.

Data sources: IMF, World Bank, Reserve Bank of India, Ministry of Statistics, Deloitte, OECD, and various government publications.