



India's Economic Engine in Top Gear

August 15, 2025

Prime Minister Narendra Modi at his Independence Day address on 15th August, 2025:

- Macroeconomic indicators are showing an upward trajectory, global rating agencies also constantly praise India, expressing more and more confidence in the Indian economy.
- Today inflation is under control, our forex exchange reserves are very strong.
- The country is moving at a fast pace towards becoming the third largest economy.
- There is a new GST reform to be launched in October 2025 for easing financial stance of citizens.
- Over the past eight years, we have undertaken a major reform in GST and reduced the tax burden across the country.
- MSMEs would benefit and it will also empower the economy.

Introduction

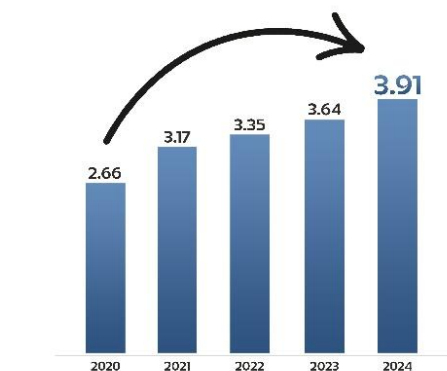
Fueled by strong domestic demand, cooling inflation, vibrant capital markets, and rising exports, India's economy reflects both resilience and equilibrium. Record foreign exchange reserves, a stable current account deficit, and surging foreign investments underscore growing global confidence in the nation's long-term trajectory. The result is a growth story that's not just accelerating, but doing so with strength across every sector.

Key Economic Indicators

Gross Domestic Product (GDP)-

- According to Ministry of Statistics and Programme Implementation (MoSPI), India's real GDP which measures the output of economy after removing effect of inflation expanded by 6.5% in 2024-25. The

India's Gross Domestic Product
(Current Prices)
(Year In US\$ trillion)



Source: World Bank

Reserve Bank of India expects this pace to continue into 2025–26.¹

- India's economy shows robust expansion, with real GDP for FY25 estimated at Rs. 1,87,97,000 crore (US\$ 2.20 trillion), from Rs. 1,76,51,000 crore (US\$ 2.06 trillion) in FY24 with a growth rate of 6.5%.²
- By 2030, India is set to become the world's third-largest economy with a projected GDP of \$7.3 trillion.

Growing GST Subscriber Base-³

- In July 2025, the Goods and Services Tax (GST) completed eight years since its rollout. By improving transparency and efficiency, GST has helped lay the foundation for a stronger, more integrated economy.
- There are over 1.52 crore active GST registrations; Top 5 states accounted for ~50% of total Active GST Tax Payers.

Capital Expenditure-⁴

- Capital expenditure (CAPEX) builds long-term assets that boost national investment, enhance efficiency, create jobs, and raise productivity while generating sustained revenue.
- In 2024-25, capital expenditure was ₹10.52 trillion, surpassing the revised estimates.
- The quality of expenditure, measured as the ratio of capital expenditure to revenue expenditure, has remained higher than 0.27 for the past three years, almost double the pre-COVID average.

Consumer Price Index (CPI)-⁵

- Inflation is measured on the basis of two indicators in India, **Wholesale Price Index (WPI)** and **Consumer Price Index (CPI)**. WPI measures the average change in prices of goods before reaching the consumer whereas CPI measures change in price of goods that people buy for daily use.
- Year-on-year inflation rate based on CPI for the month of July, 2025 over July, 2024 is 1.55%. There is decline of 55 basis points in headline inflation of July, 2025 in comparison to June, 2025. **It is the lowest year-on-year inflation rate after June, 2017.**
 - In July 2025, food prices were 1.76% lower compared to July 2024 — this is called negative inflation or deflation in food prices. **Rural areas saw a 1.74% drop and**

¹ <https://ddnews.gov.in/en/rbi-retains-indias-gdp-growth-forecast-at-6-5-for-fy-2025-26/>

² <https://www.ibef.org/economy/indian-economy-overview>

³ https://sbi.co.in/documents/13958/43951007/8%2Byears%2Bof%2BGST_SBI%2BResearch.pdf/266da3f2-1271-e0f2-ac66-22184bf9391e?t=1753163204146&utm_source=chatgpt.com

⁴ https://dea.gov.in/sites/default/files/Monthly%20Economic%20Review%20June%202025_0.pdf

⁵ <https://www.pib.gov.in/PressReleasePage.aspx?PRID=2155476>

urban areas saw a 1.90% drop. Compared to June 2025, food inflation dropped by 75 basis points, meaning prices fell faster in July.

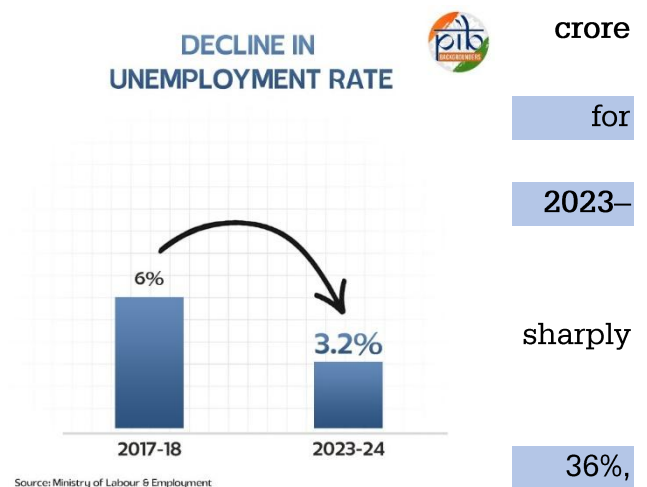
- This -1.76% is the lowest food inflation rate since January 2019, indicating that food prices haven't been this low in over six years.

Wholesale Price Index (WPI)- ⁶

- WPI fell further in the negative zone to a two-year low of (-) 0.58 in July 2025, compared to prior corresponding period primarily due to a decrease in the prices of food articles and fuels such as petrol, diesel and natural gas.
- The decline in WPI inflation is also expected to lead to further easing of retail inflation as the drop in prices of bulk goods is passed on to the retail level and the decline in fuel prices leads to a drop in transport costs.

Employment ⁷

- India's employment has surged, with 17 jobs created in the past decade.
- The Labour Force Participation Rate (LFPR) individuals aged 15 years and above has increased from 49.8% in 2017-18 to 60.1% in 24.
- There has been an impressive decline in the Unemployment Rate (UR), that dipped from 6.0% in 2017-18 to 3.2% in 2023-24.
- Job creation in the agricultural sector and services sector has increased to 19% and respectively in the last decade. In the manufacturing sector, job creation stood at 6% between 2004 and 2014, while it rose to 15% in the last decade.



Domestic institutional investors (DII) & Foreign institutional investors (FIIs) ⁸

- As prospects for trade deals improved, financial market volatility has subsided, underscoring the importance of resolving policy uncertainty for effective market functioning.
- Against this global backdrop, India's financial markets have demonstrated notable resilience, primarily driven by strong domestic investor participation.

⁶ <https://www.pib.gov.in/PressReleasePage.aspx?PRID=2156270>

⁷ <https://www.newsonair.gov.in/over-11-lakh-aspirants-got-jobs-in-last-16-months-under-rozgar-mela-mansukh-mandaviya/>

⁸ https://dea.gov.in/sites/default/files/Monthly%20Economic%20Review%20June%202025_0.pdf

DOMESTIC INSTITUTIONAL INVESTORS (DII)	FOREIGN INSTITUTIONAL INVESTORS (FIIS)
DIIs remained large net buyers, purchasing equity worth ₹44,269 crores between June 16, 2025 to July 15, 2025.	FIIIs undertook comparable net purchases of equities worth ₹33,336.8 between June 16, 2025 to July 15, 2025.

Balance of Payment ⁹

- India earned more from services and remittances, spent less on imports relative to exports, and ended the year with a healthier balance in its international payments. Services exports (like IT, consulting, and business services) are doing well. Private remittances from Indians working abroad are also increasing.
- Current account is a measure of how much money is flowing in and out of India from trade in goods & services, income from abroad, and remittances (money sent home by Indians overseas).
- In Q4 FY25, India had a surplus of USD 13.5 billion (1.3% of GDP) — meaning more money came into the country than went out.** This is a major shift from the USD 11.3 billion deficit (1.1% of GDP) in the previous quarter.
- For the full year FY25, the current account deficit (CAD) shrank to 0.6% of GDP (USD 23.3 billion) from 0.7% of GDP (USD 26.0 billion) in FY24 — a sign of improved external trade health.

Capital Flows ¹⁰

- In the face of ongoing global uncertainty, India achieved a capital and financial account surplus of USD 21.7 billion in FY25 on account of higher NRI deposits (USD 16.2 billion) and external commercial borrowings (USD 18.4 billion).

Export ¹¹

- Amid shifting global trade patterns, India's trade performance remains resilient in Q1 of FY26 with total exports (goods & services) registering a growth rate of 5.9% (YoY) in Q1 FY26, reaching USD 210.3 billion.**
- Export orders in June 2025 witnessed a sharp increase, suggesting improved external demand for Indian products, also an outcome of frontloading of exports in the wake of impending higher US Tariffs.

Conclusion

⁹ https://dea.gov.in/sites/default/files/Monthly%20Economic%20Review%20June%202025_0.pdf

¹⁰ https://dea.gov.in/sites/default/files/Monthly%20Economic%20Review%20June%202025_0.pdf

¹¹ https://dea.gov.in/sites/default/files/Monthly%20Economic%20Review%20June%202025_0.pdf

India's growth momentum is buoyed by strong domestic growth drivers, sound macroeconomic fundamentals and prudent policies. Manufacturing, services, and infrastructure are advancing on the back of steady investment and policy support. Despite global headwinds, India's strong fundamentals position it to lead and build a stronger, more inclusive future as the country's economic momentum is powered by reforms and driven by innovation.

References

PIB Backgrounders/ Press Release

<https://www.pib.gov.in/PressNoteDetails.aspx?NoteId=154962&ModuleId=3>

<https://www.pib.gov.in/PressNoteDetails.aspx?NoteId=154840&ModuleId=3#:~:text=%E2%80%9CIn%20this%20global%20milieu%2C%20the,macroeconomic%20fundamentals%20and%20prudent%20policies.%E2%80%9D>

[https://www.pib.gov.in/PressReleasePage.aspx?PRID=2156270#:~:text=WPI%20Food%20Index%20\(Weight%2024.38,the%20revision%20policy%20of%20WPI](https://www.pib.gov.in/PressReleasePage.aspx?PRID=2156270#:~:text=WPI%20Food%20Index%20(Weight%2024.38,the%20revision%20policy%20of%20WPI)

<https://www.pib.gov.in/PressReleasePage.aspx?PRID=2155476>

Department of Economic Affairs

https://dea.gov.in/sites/default/files/Monthly%20Economic%20Review%20June%202025_0.pdf

SBI.co.in

https://sbi.co.in/documents/13958/43951007/8%2Byears%2Bof%2BGST_SBI%2BResearch.pdf/266da3f2-1271-e0f2-ac66-22184bf9391e?t=1753163204146&utm_source=chatgpt.com

DD News

<https://ddnews.gov.in/en/rbi-retains-indias-gdp-growth-forecast-at-6-5-for-fy-2025-26/>

Newsair.gov.in

<https://www.newsonair.gov.in/over-11-lakh-aspirants-got-jobs-in-last-16-months-under-rozgar-mela-mansukh-mandaviya/>

IBEF

<https://www.ibef.org/economy/indian-economy-overview>

SK/M