

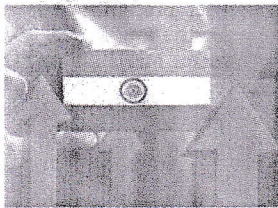
RBI: India's growth engines less exposed to external headwinds

K Ram Kumar
Mumbai

While the dampening global economic outlook can impact India's economic growth through weaker external demand, the domestic growth engines — consumption and investment — are relatively less susceptible to external headwinds, according to the RBI's latest Monthly Bulletin.

India's strength to withstand headwinds emanating from the uncertainty surrounding the global tariff wars and the policy responses of different countries stem from its robust growth, fostered by a strong macroeconomic framework and moderating inflation, with strong domestic engines of growth, said RBI staffers in an article *State of the Economy*, published in the Bulletin.

They noted that amidst the myriad challenges posed by this volatile external environment, India has exhibited marked resilience, with growth poised to recover from the blip in H1 FY25 (6.7 per cent, year-on-year, in Q1 and 5.6 per cent in Q2). GDP growth picked up to 6.2 per cent in Q3.



KEY PARAMETERS

The authors observed that GST collection in FY25 totalled ₹22.09 lakh crore — 9.4 per cent higher than in FY24. They emphasised that notwithstanding the global challenges, the robust GST collection underlines the resilience of domestic economic activity.

India's manufacturing PMI (Purchasing Managers' Index) reached an eight-month high of 58.1 in March 2025 (from 56.3 in February), reflecting acceleration in new orders and output. The services PMI, however, slowed a tad in March to 58.5 from 59 in February, although it continued to remain strongly in expansionary mode. Business expectations/future output assessments moderated slightly for manufacturing and services.

The authors highlighted that India has a low external vulnerability, as reflected in

its modest external debt-GDP ratio of 19 per cent and substantial forex reserves (close to 11 months of import cover). They underscored that India's position as the fastest growing major economy, coupled with macroeconomic stability, makes it a preferred investment destination in a world characterised by growth slowdown and macro vulnerabilities.

Additionally, a stable financial sector provides the backbone for sustainable growth, as the Indian financial system has become more robust and diverse, with banks and NBFCs becoming resilient to macrofinancial shocks.

FARM SECTOR

RBI staffers noted that an above-normal South-West monsoon could boost farm income and help control food prices. Headline inflation eased to a 67-month low of 3.3 per cent in March, mainly due to lower food prices. Agriculture is likely to maintain momentum, backed by strong kharif and rabi harvests and healthy reservoir levels. However, they cautioned that rising temperatures and potential heatwaves need monitoring.