

Economy bucks trend of global instability: RBI bulletin

PRESSURE POINTS. Report cautions against trade policy uncertainties, tariff barriers

Our Bureau
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Various high-frequency indicators for May 2025 point towards resilient economic activity in India across industrial and services sectors, even as the global economy is in a state of flux due to trade policy uncertainties and a spike in geopolitical tensions, according to the RBI's latest monthly bulletin.

Overall economic activity remained robust in May 2025, with indicators like E-Way bills, Goods and Services Tax (GST) revenue, toll collections and digital payments showing strong growth.

"GST revenue collections surpassed the ₹2-lakh-crore mark for the second consecutive month in May, boosted by import-related GST receipts. Petroleum consumption expanded for the first time in the last four months, driven by petrol. Unseasonal rains and premature onset of monsoon, however, led to a reduction in electricity demand," said the RBI staff in an article 'State of the Economy', published in the Bulletin.

They emphasised that among the countries surveyed for the Purchasing Managers' Index (PMI), India saw the highest activity in overall expansion with a growth in new export orders



UPS AND DOWNS. As per the RBI staff, urban demand showed signs of moderation, while rural demand picked up due to the strong performance of the agricultural sector. REUTERS

in May being an outlier. This is amidst contraction seen in other major economies.

Capacity utilisation by manufacturing firms remained above its long-period average, per the article, which also included comments from Deputy Governor Poonam Gupta.

MIXED SIGNALS

"High-frequency indicators for May present mixed signals on aggregate demand. Urban demand showed signs of moderation as passenger vehicle sales declined with a sharp drop in entry-level segment.

"High-frequency indicators of aggregate demand for May also suggested a pick-up in rural demand (as evident from the increase in the retail sales of two-wheelers),

especially given the strong performance of the agricultural sector," the authors said.

"Forward-looking surveys of consumer sentiments show stable consumer confidence for the current period and improved optimism about the future. All of these indicate considerable resilience of the Indian economy, notwithstanding the global economic, trade, and geopolitical uncertainties," the staffers said.

BENIGN INFLATION

The authors noted that domestic inflation remains benign with headline inflation remaining below the (4 per cent) target for the fourth consecutive month in May (to 2.8 per cent, the lowest since February 2019, from

It says that domestic inflation remains benign with headline inflation below the (4%) target for the fourth consecutive month in May

3.2 per cent in April).

"Record domestic crop production in 2024-25 agricultural season is translating into a sharp and sustained easing of food price inflation. Steady core [Consumer Price Index (CPI) excluding food and fuel] inflation, with indications of some softening after excluding the impact of volatile and elevated gold and silver prices, indicates that underlying inflationary pressures remain muted," they said.

The staffer cautioned that protracted trade policy uncertainties and rising trade barriers pose the risk of scarring the global economy.

The intensifying geopolitical tensions, too, may further debilitate the already weakened growth impulses.

In this context, the trade policy outcomes in July, after the temporary tariff hiatus is over, and the future course of geopolitical events would likely shape the medium-term economic prospects.