

# Geopolitics, mkt volatility pose growth risks: FinMin

Estimates of agricultural production suggest positive outlook for food inflation

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**G**eopolitical tensions, trade policy uncertainties, volatility in international commodity prices and financial market uncertainties pose considerable risks to India's economic growth in the coming year, the finance ministry cautioned on Wednesday.

"Global trade continues to be affected by uncertainty in the policy environment... tariff-related developments in multiple countries have heightened trade-related risks, affecting investment and trade flows globally. Consequently, India's exports have recorded softer growth thus far in FY25. However, a robust services trade surplus continues to offset the impact of lower growth in merchandise exports," the finance ministry said in its latest Monthly Economic Review.

The finance ministry's comments come in the view of an escalating tariff war unleashed by US President Donald Trump as part of his 'America First' policy. Trump has promised to launch reciprocal tariffs on trading partners on April 2.

In the latest review, the finance ministry said India should remain cautious and avoid importing widespread cynicism and pessimism prevalent in other countries. "If the private sector was to invest in the economy, banking on the resilience of the Indian economy and its steady growth outlook, it would overpower



## No major lapses in PSBs' gold loan portfolios: FM

**Finance Minister Nirmala Sitharaman on Wednesday** said public sector banks (PSBs) were asked to conduct an audit of gold loan portfolios to ensure full regulatory compliance, but no major lapses had been reported. Sitharaman was replying to the discussion on the Banking Laws (Amendment) Bill, 2024. Later, the Rajya Sabha passed the Bill by voice vote.

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the risks to the growth outlook considerably," the review said.

The finance ministry has stressed that the industry must recognise the "mutual endogeneity" of its investment spending and consumption demand. It expects that the changes in the personal income-tax structure are expected to improve the disposable incomes of the middle class and their consumption.

Estimates of agricultural production suggest a positive outlook for food inflation, the ministry said.

Retail inflation eased to 3.6 per cent in February 2025 on the back of the recent benign price trends of food items,

the review said.

India is expected to achieve a gross domestic product (GDP) growth rate of 6.5 per cent in FY25, according to the finance ministry's estimates.

GDP growth for the economy was 5.6 per cent in the second quarter of this financial year, followed by a pick up in the following quarter to 6.2 per cent.

"One offsetting positive is the outlook for commodity prices. Domestic private sector capital formation, focused on India's solid fundamentals and economic prospects, will be an important driver of economic growth in FY26," it said.

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# Domestic pvt sector capital formation to drive economic growth in FY26

The review added that this performance was driven by strong agricultural and service sector performance on the supply side and a steady increase in consumption and core merchandise and services exports on the demand side.

On fiscal deficit and other parameters, the finance ministry's review said there is a close convergence of actual deficits, critical ratios, and essential expenditures with their Budget estimates, according to the data available for FY25, indicating

a sustained commitment to fiscal targets.

The Union Budget 2025-26 announced a debt consolidation path projecting the Union government debt to decline by at least 5.1 percentage points over a six-year period from 2024-25 to 2030-31.

Noting that the current labour market conditions are stable, the monthly review added that many employment outlook surveys indicate a sense of optimism and an increased willingness to engage in hiring practices in the upcoming quarter.