

# GST 2.0 bolstered momentum, economy on stable footing

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The reduction in the goods and services tax (GST) rates has increased the momentum in India's economic activity both on the supply and demand sides, while robust agricultural activity — reflected in the strong onset of rabi sowing and adequate reservoir levels — has reinforced the outlook for food supply and rural incomes, the finance ministry said on Thursday.

Noting that the favourable impact of GST rationalisation is increasingly visible in consumption indicators, the ministry's monthly economic review for October asserted that well-anchored inflation expectations, sustained public capital expenditure and firming rural and urban demand are indicative of a resilient domestic economy and the Indian economy is on a stable footing.

"The inflation outlook remains

encouraging, supported by softening global commodity prices, benign energy markets, and targeted domestic supply interventions. However, balance of risks warrants continued vigilance," stated the review, authored by officials in the economic division of the Department of Economic Affairs.

"Global uncertainties — including shifting trade policies, geopolitical frictions, and financial market volatility — pose potential headwinds to exports, capital flows, and investor sentiment. Notwithstanding these challenges, the confluence of well-anchored inflation expectations, sustained public capital expenditure, and firming rural and urban demand places the economy on a stable footing, positioning it to navigate emerging risks and preserve its growth momentum through

the remainder of FY26," the officials posited.

While trade policy uncertainty remains elevated, the ministry felt that global pressures have moderated relative to earlier peaks. "While a series of trade agreements between the major economies has contributed to a reduction in this uncertainty, it still remains elevated due to the absence of clear, transparent, and sustainable agreements among these partners," the review stated.

Even though the frontloading of export orders in anticipation of higher tariffs led to a significant increase in trade in 2025, the finance ministry said the ongoing fragmentation can limit the potential gains of this positive trend. "Furthermore, the actual effective tariff rates, defined as the duty paid on imports at customs as a percentage of the value of imports, have



lagged behind the effective rate based on the announcements. This delay is attributed to factors such as stockpiling, pauses in tariffs, trade diversion and rerouting," it noted.

Trade statistics for October signal a moderation in India's performance amid a dynamic global environment, with merchandise exports dipping 11.8 per cent while a 16.6 per cent surge in goods imports spiked the trade deficit. However, services trade continued to provide thrust to India's trade, with exports rising 11.9 per cent to \$38.5 billion, the highest in a single month, providing a substantial buffer to the merchandise trade deficit, the review noted.

To sustain the momentum in India's trade performance, a diversified trade strategy is being "actively" pursued, including through trade deals such as the one recently concluded with UK (CETA) and ongoing free trade agreement (FTA) negotiations with the EU, US, New Zealand, Chile, and Peru, the ministry pointed out.

The review also highlighted early signs of "reacceleration" in bank credit growth which has been led by personal loans as well as continued momentum in MSME lending.