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but the waters are uncertain*

Turn to Page 5 ►

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On the external front, while the current account deficit remains low — at 1.3 per cent of GDP in July-September 2025 — and is expected to stay modest in the current quarter as well, capital outflows are putting additional pressure on the rupee, which closed at 89.85 per dollar on December 26.

As for exports not facing pressure from Trump's tariffs so far, Sen attributes this to pre-booked export orders and market diversification. He is, however, not confident this trend will continue, as losses in the US market may not be fully offset by new export destinations amid a global slowdown.

"Trump's tariffs will start affecting (India) now," Sen says.

Anil K Sood, co-founder of the Institute for Advanced Studies in Complex Choices, points out that some of the impact of the delay in the India-US trade deal has been cushioned by front-loading of exports before the new tariffs came into effect.

"We will therefore need to assess the impact over the next couple of quarters, if the trade deal is not signed soon," he says.

The tariffs are already beginning to hurt. Tamil Nadu Chief Minister MK Stalin has written to Prime Minister Narendra Modi about an escalating crisis in the state's export-driven industries. He has urged the Centre to urgently pursue a bilateral resolution, warning of severe economic and

social consequences if the issue remains unresolved.

Exporters in Tiruppur alone have seen confirmed orders worth ₹15,000 crore wiped out, along with production cuts of up to 30 per cent, Stalin wrote. He estimated a combined daily revenue loss of nearly Rs 60 crore across major clusters in western Tamil Nadu, including Coimbatore, Tiruppur, Erode, and Karur.

If the trend continues, the impact could spill over to wages, particularly for those associated with external trade. Even nominal wages rose by just 3.7 per cent for casual labour during 2023-24 (July-June).

Sen believes that stagnant real wages or low real wage growth could affect consumption, despite low inflation, thereby hindering economic expansion.

Inflation has been on a decline. Retail inflation fell below 3 per cent in November, while wholesale prices recorded deflation during the same month.

"Is this disinflation arising from a decline in commodity prices, a significant improvement in productivity, or a lack of demand? If it is driven by lower food prices, we must assess the impact of reduced costs for urban households net of lower earnings for farmers," says Sood.

At this stage, he says, the Indian economy appears to be going through a difficult phase, marked by relatively low demand growth.