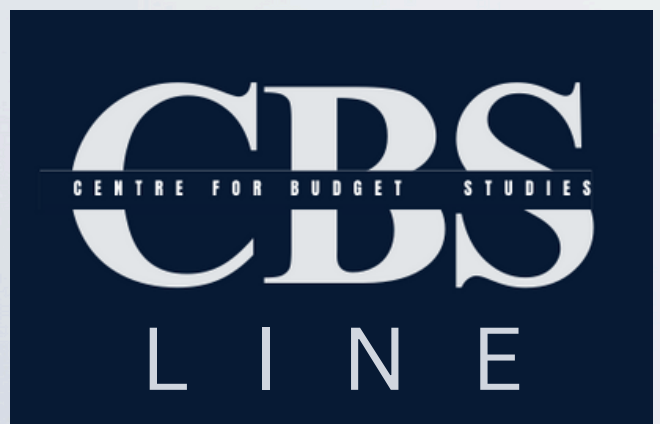


APRIL 2025



MONTHLY NEWSLETTER



CENTRE FOR BUDGET STUDIES (CBS)
CUSAT

NEWS

MACROECONOMIC ANALYSIS

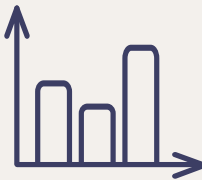
India's wholesale inflation slows to four-month low of 2.05% in March



India's wholesale inflation eased to a four-month low of 2.05 per cent in March on an annual basis, as against 2.38 per cent in January, government data showed on Tuesday. The wholesale inflation, a proxy for producer prices, was projected at 2.5% by economists in a Reuters poll.

Positive rate of inflation in March, 2025 is primarily due to increase in prices of manufacture of food products, other manufacturing, food articles, electricity and manufacture of textiles etc, as per the government.

UBS cuts India's FY26 GDP forecast to 6% amid US tariff hike and global growth concerns



UBS has revised India's real GDP growth forecast for FY26 to 6 percent from its earlier projection of 6.3 percent, citing mounting global headwinds and the imposition of a 27 percent reciprocal tariff by the United States, effective April 15. The Swiss investment bank warned that India's export prospects may be dented due to weaker global demand and the possibility of extended trade frictions with key partners like the US and China.

Indian Diamond Exports Hit 20-Year Low Amid Global Slowdown



India's diamond and jewellery exports have continued their downward trend, with FY25 marking a significant slump in performance. Exports of cut and polished diamonds dropped nearly 15% year-on-year to ₹1.12 trillion, reaching their lowest level in almost two decades, according to data from Reuters. The overall gems and jewellery sector also recorded a 10% decline in exports compared to the previous fiscal year. This is the third consecutive year of falling exports in US dollar terms for both cut and polished diamonds and total jewellery products. The slowdown in demand has also impacted imports, with rough diamond imports shrinking by more than 16% year-on-year in FY25.

NEWS

ECONOMIC POLICY

Bank of India Withdraws Special FD Scheme Following RBI Repo Rate Cut



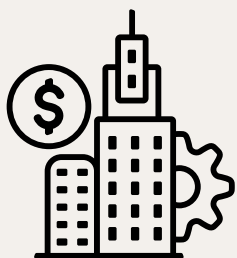
In a move that aligns with the Reserve Bank of India's recent policy changes, Bank of India (BoI), a government-owned financial institution, announced the withdrawal of its special fixed deposit (FD) scheme for 400 days. The scheme, which offered a peak interest rate of 7.30%, will no longer be available as the bank transitions towards a lower interest rate regime. The decision follows a cumulative 50 basis points repo rate cut by the RBI over two instances, signaling a shift to more accommodative monetary policy measures.

Higher Slippages and Credit Costs to Dampen Banks' Profitability



According to credit rating agency ICRA, Indian banks are likely to face a profitability squeeze in the final quarter of FY25 due to an increase in slippage ratios and resultant credit costs. Analysts predict that the Gross Non-Performing Asset (NPA) ratio, or bad loan ratio, is expected to rise in FY26. This anticipated spike may compel lenders to enhance provisioning to manage the risk. While credit growth is projected to remain robust, the expansion rate is estimated to marginally decline to 10.8% in FY26, reaching ₹19 lakh-₹20.5 lakh crore, compared to 10.9% in the previous year.

Boost financial regulators autonomy: IMF-World Bank



A joint report by the International Monetary Fund (IMF) and World Bank has underscored the need for greater autonomy and independence of India's financial regulators. The findings, based on a comprehensive assessment of the Indian financial system, advocate legislative and institutional changes to fortify regulatory frameworks. The report highlights current limitations in existing laws that allow the government to exert control over senior management and boards of regulators. For instance, the Ministry of Finance (MoF) serves as the appellate authority for the Reserve Bank of India (RBI) and holds the power to overturn supervisory decisions. Notably, in 2019, the government reversed the RBI's decision to revoke the license of a small urban cooperative bank.

NEWS

FINANCIAL TECHNOLOGY



PB Fintech's subsidiary PB Pay gets RBI nod to operate as online payment aggregator

PB Pay, a subsidiary of PB Fintech, has obtained in-principle approval from the Reserve Bank of India (RBI) to operate as an online payment aggregator. This authorization, granted under the Payment and Settlement Systems Act, 2007, was communicated through an RBI letter dated April 15, 2025. PB Pay was established with the aim of registering as a Non-Banking Financial Company - Payment Aggregator (NBFC-PA).



Investors favour late-stage Indian fintech firms over early and seed-stage ones

In Q1 2025, Indian fintech funding dropped 35% to \$366M, but late-stage funding rose 47%, showing investor focus on mature firms. Early and seed-stage funding declined sharply. Despite no new unicorns, strong growth in Banking and Insurance Tech and rising M&A activity signal long-term sector potential.



India's fintech sector gets a governance boost with launch of India Fintech Foundation

The India Fintech Foundation (IFF) was launched at Startup Mahakumbh as a self-regulatory organization (SRO) for the fintech industry. The foundation aims to promote responsible innovation, ensure consumer protection, and bridge regulatory gaps. Key figures like Amitabh Kant and Shri NS Viswanathan emphasized the need for effective industry-led self-regulation to support ethical fintech growth. Viswanathan will chair the IFF Board.

NEWS

INTERNATIONAL ECONOMICS

US-China Trade Tensions Flare Despite Temporary Tariff Relief



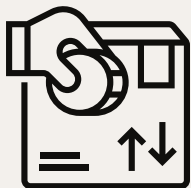
trade tensions between the US and China intensified despite a temporary easing of tariffs on key Chinese electronics such as smartphones, laptops, and semiconductors. Former President Donald Trump clarified that the exemptions were only temporary and indicated further tariffs would follow. China responded by calling the move a small step and reiterated its demand for a full rollback of tariffs. The announcement briefly boosted global stock markets, but concerns over long-term trade stability persist.

WTO Cuts 2025 Global Trade Forecast Amid Tariff Tensions



The World Trade Organization has revised its 2025 global merchandise trade forecast, projecting a 0.2% decline due to rising tariff tensions, particularly involving the U.S. This marks a sharp reversal from the 2.9% growth seen in 2024. The WTO warns trade could shrink further by up to 1.5% if the situation worsens. Meanwhile, UNCTAD expects global growth to slow to 2.3% in 2025, citing rising policy uncertainty, financial turbulence.

Bangladesh Restricts Yarn Imports from India via Land Ports

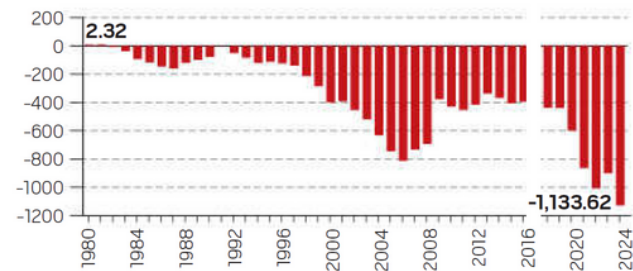


Bangladesh has restricted the import of yarn from India through land ports, affecting nearly 32% of India's yarn exports to the country. The move follows India's decision to revoke a 2020 order allowing transshipment of goods from Bangladesh to third countries via land routes. Industry bodies have expressed concern over the impact on small textile units, as exports will now need to be rerouted through costlier sea ports like Mundra and Nhava Sheva.

DATA POINT

US CURRENT-ACCOUNT BALANCE (IN BILLION \$)

Negative values = current-account deficit
Positive values = current-account surplus
The CAD rose to a record 1,133.62 trillion in 2024



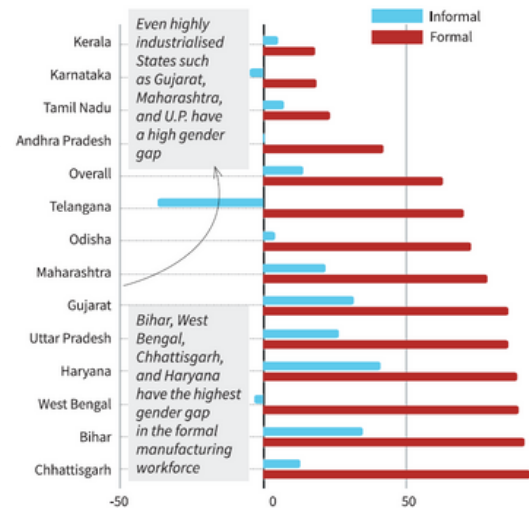
Note: Based on the March 20, 2025, news release 'US International Transactions, 4th Quarter and Year 2024' from the United States.
Source: Bureau of Economic Analysis

WHY CONFIDENCE IN US\$ IS FLAGGING

Confidence in the US dollar is declining, impacting the Indian economy significantly. The Reserve Bank of India (RBI) has allowed the rupee to depreciate, hitting a record low of 85.93 against the dollar. This depreciation has led to a drop in India's foreign exchange reserves, which fell to an eight-month low of \$640.28 billion. Contributing factors include global dollar strength and capital outflows from emerging markets. Despite these pressures, India's economic outlook remains positive, with the United Nations projecting 6.6% growth in 2025, supported by robust private consumption and rising investment levels.

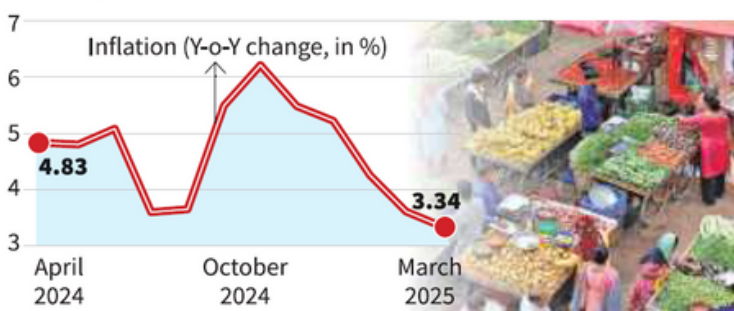
WHY ARE WOMEN MISSING FROM THE FACTORY FLOORS?

Women are underrepresented on India's factory floors due to cultural norms, workplace design, safety concerns, and discriminatory hiring practices. Traditional gender roles often confine women to domestic duties, limiting their availability for formal employment. Many factories lack female-friendly infrastructure, and safety concerns—especially during night shifts—deter participation. Employers may avoid hiring married women due to perceived family-related absences. Additionally, women have limited access to skill development programs in manufacturing. These factors collectively hinder their inclusion. Addressing the gap requires inclusive policies, safer workplaces, targeted training, and societal change to support women's greater participation in the industrial workforce.



Cooling prices

Retail inflation in March was the lowest since August 2019 as food prices continued to moderate



Source: CMIE

RETAIL INFLATION EASES TO 3.34%, LOWEST SINCE 2019

India's retail inflation eased to 3.34% in March 2025, marking its lowest level since August 2019. This decline was primarily driven by a significant drop in food prices, with food inflation falling to 2.69% from 3.75% in February. Notably, vegetable prices contracted by 7.04% year-on-year. The Reserve Bank of India (RBI) responded by cutting its key policy rate, signaling an accommodative stance to support economic growth. Economists anticipate further rate cuts in 2025, contingent on favorable monsoon conditions and stable global economic factors. Despite a slight uptick in core inflation to 4.1%, overall inflation remains within the RBI's target range, providing room for monetary easing.



ARTICLES OF THE MONTH

FINANCE AND ADVANCED TECHNOLOGY

➤➤➤ READ MORE

Digital Financial Inclusion

-Kaustav K Sarkar, Pallavi Chavan

The global advent of digital financial inclusion has been in the form of near-universalisation of access to bank/mobile money accounts and retail digital payments. DFI in India, too, has been spearheaded by digital payments, revolutionised by its Unified Payments Interface, digital lending, and digital insurance. Using a fixed effects panel model covering the period from 2011 to 2021, economic growth, urbanisation, and digital infrastructural development emerge as the major macro-level determinants of DFI globally. Notwithstanding its promise, intra-population digital divides remain a key challenge in the path of DFI globally as well as in India. The Indian case bears out the role of micro-level, user-specific characteristics such as gender, place of residence (rural or urban) and age in influencing DFI.

READ MORE <<<

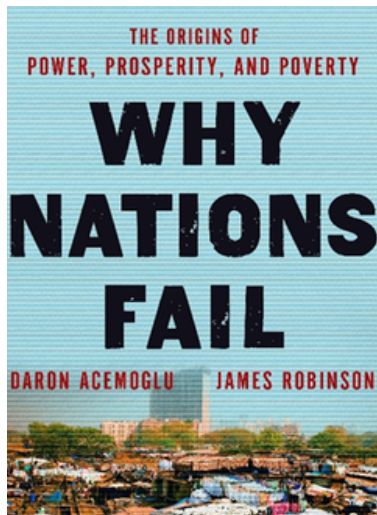
Exploring the Existing Challenges and Hurdles in the Indian Aviation Sector

-Siddharth Chaturvedi, Himanshi Srivastava

With radical market liberalisation and increasing complexities, sustainable capacity-building approaches are a pressing need for a viable and sustainable aviation industry. One prominent factor that must be addressed in this regard is the lack of competition in an oligopolistic Indian aviation market, which poses significant challenges. The current Indian scenario witnesses multiple factors such as mergers, gun-jumping, algorithmic price determination, etc, which lead to various types of anti-competitive practices on part of the few dominant players. This, in turn, creates a hindrance for new airlines, stifling growth and prohibiting open market access.

AVIATION AND ITS CHALLENGES

BOOK RELEASES



WHY NATIONS FAIL

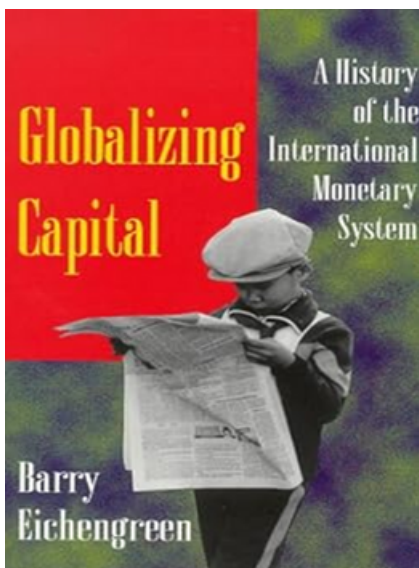
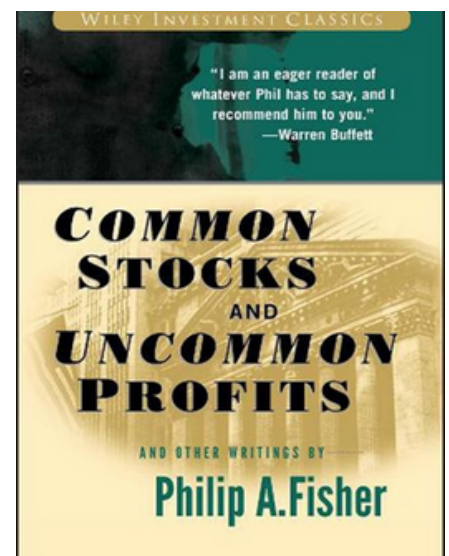
– DARON ACEMOGLU & JAMES ROBINSON

This book explores why some countries grow rich while others remain poor, arguing that inclusive political and economic institutions are the key drivers of prosperity. Drawing on global historical examples—from the Glorious Revolution to modern-day North Korea—it shows how extractive institutions suppress innovation and economic progress. The authors challenge cultural and geographic explanations, offering a compelling institutional framework for understanding development and inequality.

COMMON STOCKS AND UNCOMMON PROFITS

– PHILIP A FISHER

A foundational text for investors, Fisher's work focuses on identifying high-quality growth stocks by examining company management, innovation, and long-term potential. Fisher's 15-point checklist for evaluating companies remains a cornerstone of value investing, emphasizing the importance of fundamental analysis and investing with a long-term perspective.



GLOBALIZING CAPITAL: A HISTORY OF THE INTERNATIONAL MONETARY SYSTEM

– BARRY EICHENGREEN

Eichengreen traces the history of the global monetary system from the gold standard to today's floating exchange rates. The book examines how political, economic, and historical factors shaped the evolution of international finance, offering deep insights into the role of institutions, crises, and policy decisions in global economic stability.

CBS ARTICLES



INDIA'S ECONOMIC ROLLERCOASTER SINCE COVID 19: A TALE OF RESILIENCE, RISK, AND RETHINKING GROWTH

ARJUN AJITH

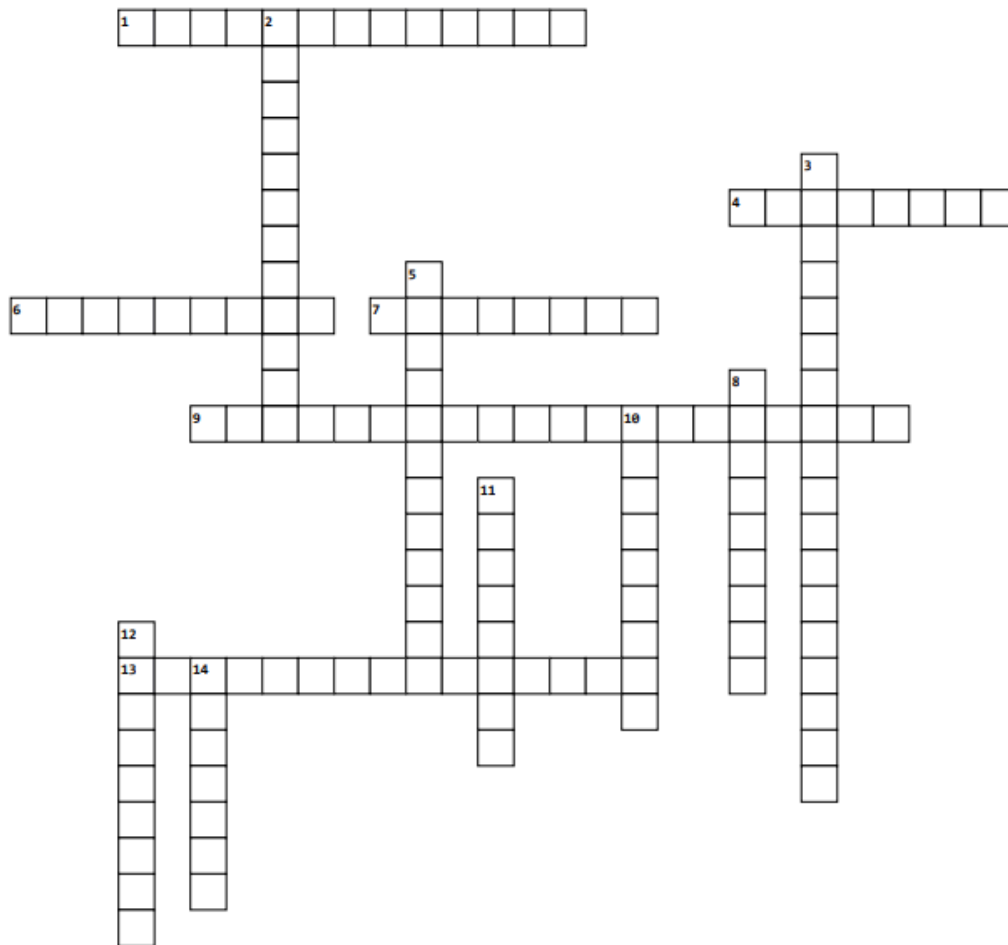
This article examines India's economic evolution from the sharp downturn experienced during the 2020 pandemic to its subsequent recovery and current challenges in 2025. It highlights the initial success of fiscal and monetary interventions that led to a rapid V-shaped rebound, while also addressing the structural weaknesses that have since emerged, such as persistent inflation, stagnant real wages, and a growing dependence on public expenditure. The analysis emphasizes the critical role of rural India in sustaining demand during periods of urban slowdown and outlines the implications of post-election fiscal tightening on growth prospects. Looking ahead, the article underscores the importance of fostering private sector investment, reviving real wage growth, maintaining macroeconomic stability, and implementing structural reforms to ensure that India's growth trajectory remains robust, inclusive, and sustainable.

>>> READ MORE

"Finance is the art of passing money from hand to hand until it finally disappears."
— John Kenneth Galbraith

CROSSWORD

FINTURA V - FUN IN FINANCE



Across

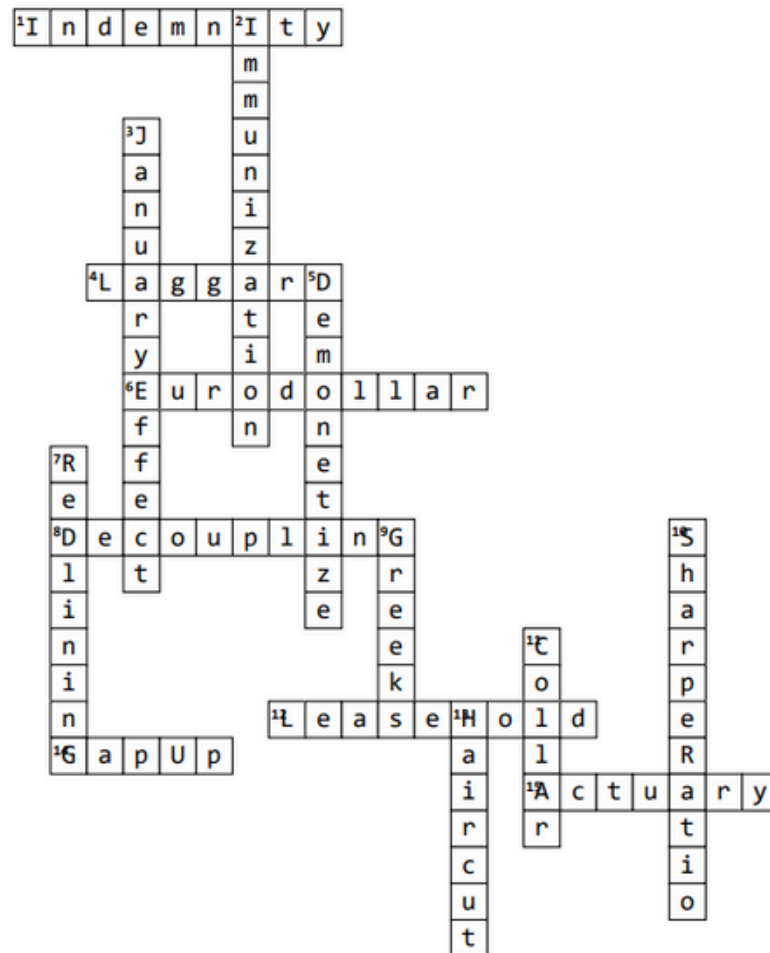
1. Selling shares without actually borrowing them first.
4. Futures market condition where forward prices exceed expected spot prices.
6. Measures the curvature in the relationship between bond prices and yields.
7. Private trading venue with limited pre-trade transparency.
9. Computational technique using random sampling to estimate outcomes.
13. Practice of using pledged collateral for one's own borrowing purposes.

Down

2. Pricing mechanism used in IPOs and Treasury sales.
3. Difference between what underwriters pay the issuer and the public offering price.
5. A sharp upward price move driven by options dealers hedging positions.
8. Hedging mismatch between asset and derivative price movements.
10. Hybrid financing layer between equity and senior debt in capital structure.
11. Threat of large asset sales keeping prices suppressed.
12. Over-allotment option in an IPO to stabilize post-offering price.
14. Reduction applied to the value of collateral.

SOLVED CROSSWORD

FINTURA IV- FUN IN FINANCE



ACROSS

1. Compensation for financial loss or damage.
4. A stock or sector that underperforms the market.
6. A currency traded or held outside its home country.
8. Economies or markets move independently of each other.
12. The right to use property for a fixed time without ownership.
14. Rapid stock purchase at market opening
15. A financial expert who assesses risk.

DOWN

2. A strategy to offset interest rate risk in bond portfolios.
3. A market trend where stock prices tend to rise in the new year.
5. Removing legal status from a currency.
7. Denying loans or financial services based on demographic factors.
9. Variables used to measure the risk and potential profitability of options.
10. A measure of return per unit of risk for an investment.
11. An options strategy used to cap potential losses or gains.
13. Collateral markdown for risk

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Applications in business, policy and finance

TOPICS COVERED

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Course duration : 3 months
Time : 7pm - 9pm, Thrice a week
Fees : 5000 plus GST

Open to all, but seats are limited.
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Applications in business, policy and finance

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- Machine Learning in Econometrics
- Time Series Econometrics
- Panel Regression Models
- Hands-on training with R software

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Financial Modelling using Excel

Applications in business and finance

TOPICS COVERED

- Financial Performance Evaluation
- Finance Functions of a Business
- Bond, Equity, and Business Valuation Models
- Hands-on training with Microsoft Excel

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Time : 7pm - 9pm, Thrice a week
Fees : 6000 plus GST

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