ISSUE 132
APRIL 2025

ECONOMIC NEWSLETTER

BJP KARNATAKA ECONOMIC CELL INITIATIVE

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QUOTE OF THE MONTH

His (Trump's) reflection showed his 'America First' spirit, just as I believe in nation first. I stand for India first, and that's why we connect so well,"

~ Prime Minister Sri Narendra Modi speaking in a podcast interview ahead of tariffs planned by Washington.

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Editorial

A PERIOD OF RAPID CHANGES BOTH AT HOME & GLOBALLY

"Nations rise on the shoulders of reform, not rhetoric."

said our beloved visionary - Former President of India - Dr. A.P.J. Abdul Kalam

As the Parliament passed the amendments to the Wakf Act last week, a sense of long-overdue correction has begun to set in. In a country that prides itself on spiritual and institutional pluralism, the Wakf boards have for decades existed in bureaucratic isolation, overseeing vast tracts of land — over 8 lakh acres across the country - yet delivering little value to the communities they were intended to serve. While the discourse around these amendments has been politically charged, the truth is that these changes are not just necessary - they are transformative and timely.

The amendments, requiring digital registration of all Wakf properties, third-party audit, stricter controls against encroachments, and a grievance redressal mechanism under the Central Waqf Council, are put in place with a goal to ensure that community assets - meant for welfare, education, and charity - are not swallowed by inefficiency or lost in opacity. Stronger oversight doesn't diminish faith - it protects it. It ensures that a trust meant for the orphaned child or the elderly widow does not end up as a private asset for the well-connected.

Consider this: according to a 2018 study following up on the Sachar Committee recommendations, less than 3% of the income from Wakf properties was reaching actual beneficiaries. This is not merely a lapse in governance - it is a dereliction of Constitutional intent. To truly understand the magnitude of what can be achieved, one only needs to look at the dormant potential of these properties. Conservative estimates suggest that if even 20% of Wakf land were properly developed or monetized, it could generate ₹ 12,000 crore annually - enough to fund over 10,000 schools or several hundred hospitals in underprivileged communities. These are not abstract possibilities. They are actionable outcomes.

This amendment stands as a model for institutional reform, setting the tone for how religious & charitable trusts should be managed in a modern, inclusive democracy.

It is a signal that India is done playing defence and is ready to lead, provided its internal engines - including community institutions like Wakf - are modernized for the 21st century.

THE TARIFF TANGLE - INDIA AND THE UNITED STATES AT A CROSSROADS

As this landmark legislation was being discussed in the Parliament, India was also grappling with external pressures - from rising climate costs to export slowdowns due to U.S. tariffs. With reciprocal tariffs (reportedly 27% for Indian Exports) going into effect from April 2, 2025, India has responded not with panic, but poise - proposing strategic tariff reductions and targeting value-chain gaps in agriculture and low-skill exports.

As the United States ushers in a new era of protectionist economic policy under President Donald Trump, the implications for India are both significant and nuanced. According to some estimates, these tariff changes could cost India between \$6 billion and \$31 billion in exports to the U.S., depending on final tariff thresholds. In a balancing act, India has offered to reduce tariffs on over half of its \$23 billion in U.S. imports, especially agricultural goods, to mitigate the impact.

This strategy will not be without domestic consequences. Lowering agricultural tariffs for instance risks extensive domestic market disruption.

As economist Arvind Panagariya cautions, "Reciprocal tariff politics may win headlines but risk long-term competitiveness."

India's opportunity may lie not in confrontation but in using this new global trade paradigm as an opportunity for transformation. To that end, The Central Government is now focusing on talent-driven growth: automation in agri-tech, precision farming, and a stronger push for high-skill manufacturing.

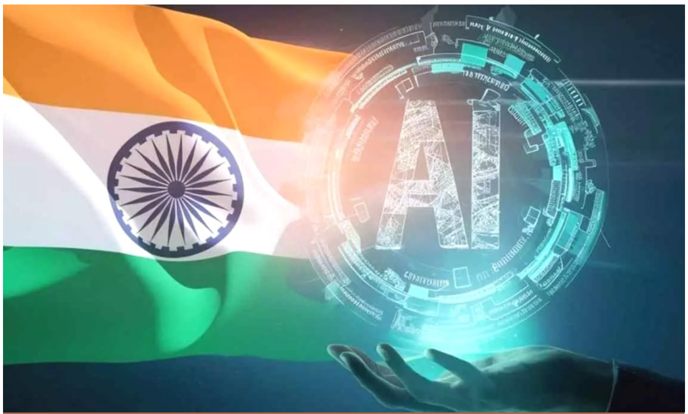
With tariffs on China rising sharply, more than on Indian, India is poised to capture greater market share in the "China+1" global production strategy - if, it can scale efficiently.

AI'S QUIET REVOLUTION – REIMAGINING INDIA'S ECONOMIC CORE

Artificial Intelligence is not just an enabler - it is fast becoming an economic multiplier for India. An EY India report predicts that AI adoption will boost India's organized sector productivity by 2.61% and the unorganized sector by 2.82% by 2030, impacting nearly 38 million jobs.

The AI services market in India is already valued at \$12 billion, projected to touch \$17 billion by 2027, according to NASSCOM. Generative AI (GenAI) is expected to boost IT sector productivity by 43% to 45% over the next five years. Software development could see 60% gains, with BPO and IT consulting close behind at 52% and 47%, respectively. Yet, this wave of efficiency is not without concern. AI presents a paradox: it creates demand for high-skill jobs in AI ethics, solution architecture, and data engineering, even as it displaces routine functions.

The government's National AI Strategy, AI for All, and Atal Tinkering Labs are playing pivotal roles in democratizing AI literacy. Meanwhile, private companies are investing in boot-camps and micro-degree programs to bridge the skills gap.



India's success in AI integration shows what thoughtful public-private partnerships can achieve when institutions are unshackled. This combination of govt policy and private innovation will put India firmly on the global tech map.

THE CLIMATE CRISIS - AN ECONOMIC RECKONING

If the tariffs and trade war is today's challenge, climate change is tomorrow's existential threat - and India is already paying the price.

Agriculture, which supports over 55% of India's population, has seen declining yields. Coffee production has dropped 40%, in Karnataka alone, driven by El Niño-induced droughts. India's cashew yield has halved due to unseasonal rains. The economic cost? By 2100, climate change could shrink India's GDP by 2.6% under a <2°C warming scenario - but up to 13.4% in a 4°C world.

Yet, in this crisis also lies opportunity. India's National Solar Mission, green hydrogen push, and electric mobility incentives are carving a sustainable future. Climate resilience is becoming a market differentiator. ESG-compliant firms are drawing capital from impact investors. Green bonds issuance crossed ₹ 25,000 crore in FY2024, according to SEBI.

THE MARKET MOOD – RIDING GLOBAL TIDES WITH A STEADY HAND

Since President Trump's re-election in 2024, Indian stock markets have experienced intense volatility. Foreign Institutional Investors have shown caution. Early 2025 saw the lowest equity trading values in a year, attributed to U.S. interest rate hikes and stronger dollar flows pulling capital from emerging markets.

Despite global headwinds, India remains resilient. Sectors like FMCG, renewable energy, retail, and infrastructure are anchoring growth. The govt's Make in India 2.0, FDI liberalization, and strategic fiscal incentives are building long-term confidence. The RBI, meanwhile, is managing a delicate balancing act of interest rate calibration, liquidity measures, and currency stabilization.

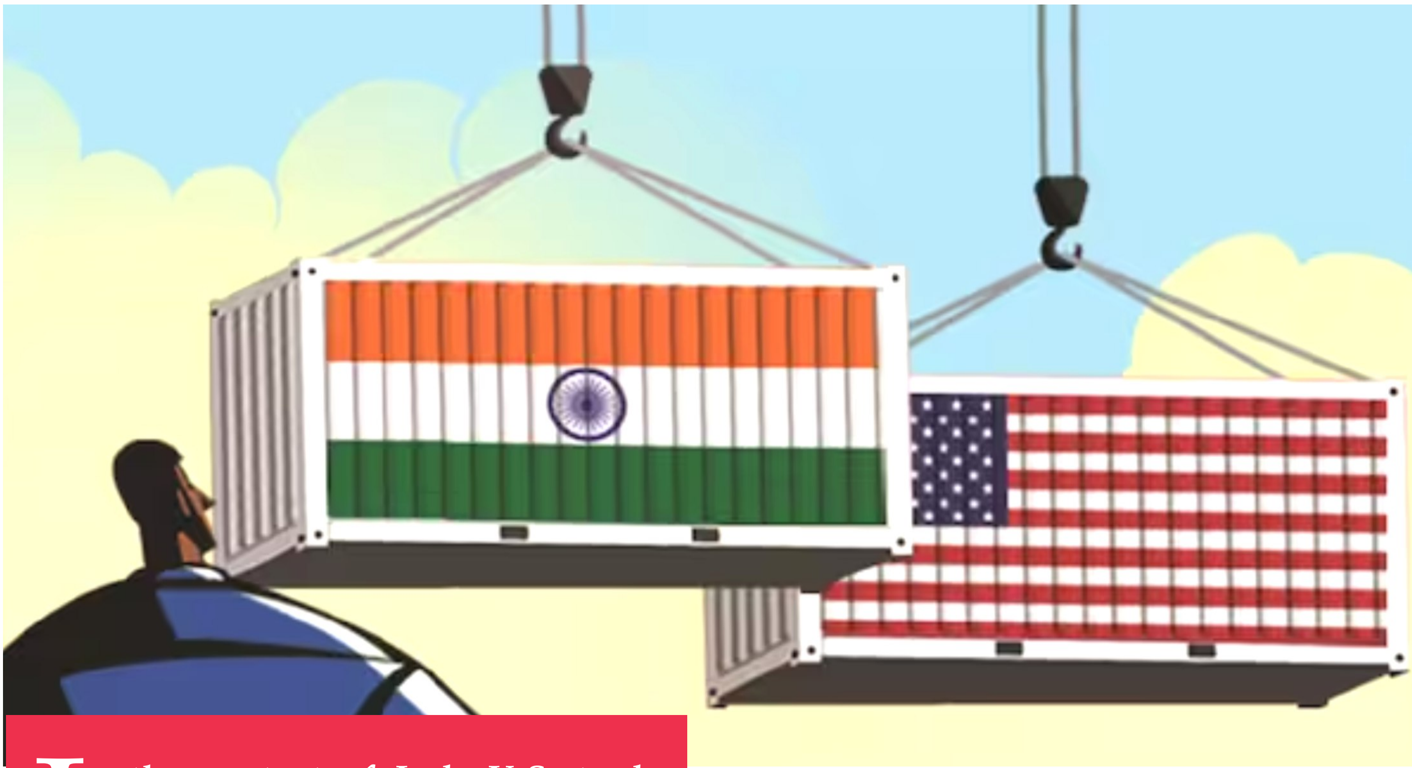
As the Indian economy contends with the complexities of global trade realignment, climate change, and technological disruption - all extensively covered in this month's economic newsletter - the strength of our domestic institutions will determine our resilience. Be it enhancing agricultural competitiveness in light of global tariff tensions or leveraging AI to transform our IT sector, institutional trust and transparency will be central to the Indian growth story.

The Wakf Amendment Act is a signal that India is willing to introspect, reform, and modernize - not just in its factories and markets, but in its values and governance.

PRASHANTH G. S.
Convener, Economic Cell - BJP Karnataka

U.S. TARIFFS ON INDIA

ADDRESS TA(RIFF) WAR WITH TA(LENT) TRANSFORMATION



In the context of Indo-U.S. trade relations, the reciprocal tariffs, beginning on April 2, 2025, could disrupt the global trade. A recent Emkay report estimates that India may lose between $6 billion and $31 billion in exports to the U.S., depending on whether tariffs are set at 10% or 25%.

India's most vulnerable sectors include apparel, jewellery, agriculture, with pharmaceuticals & auto parts particularly at risk, as the U.S. is India's largest export market for these products. To assess the impact, the Indian govt is gathering data from various sectors.

In a proactive move, India has proposed reducing tariffs on various agricultural imports from the U.S., and is open to reducing tariffs on more than half of its US $ 23 billion worth of U.S. imports.

The U.S. tariffs on China, Mexico, and Canada may create new opportunities for India in products requiring low skills. While India has made gains in high-skill sectors, it has yet to capture a significant share of the "China+1" space.

India can also leverage its strategic position in energy and defense, alongside reductions in tariffs on foreign electric vehicles, to offset some tariff impacts. The broader goal for Indo-U.S. relations is to double bilateral trade to $500 billion by 2030, up from the current $190 billion, potentially strengthening India's position in negotiations.

U.S. DOMESTIC CONCERNS

U.S. manufacturers are concerned about these tariffs and fear that they may disrupt supply chains. Even Reshoring" production, may take years to produce significant results. Trump announcements of 25% tariffs on steel and aluminum and 25% tariffs on auto imports has already affected imports in both the sectors. After April 2, 2025, there are concerns that these tariffs will lead to higher prices, which could squeeze consumer spending power.

INDIA-U.S. TRADE SURPLUS

In 2024, the U.S. trade deficit surged to USD 918.4 billion, with India accounting for a deficit of $45.7 billion. The Indian tariffs are more than the U.S. tariffs, especially in agriculture, with weighted average of 65%, compared to the U.S. tariffs of 5% and 4%. Hence the reciprocal tariffs will significantly affect India's exports to the USA, in agricultural products.

To mitigate this impact, India must enhance agricultural productivity & thereby competitiveness. That will require investments into Agricultural research to enhance yields and plug the gaps in value chain to enhance export value.

From the U.S. viewpoint, the 2018 tariffs did not boost growth or create jobs. Higher production costs caused many companies to move operations overseas, and wealthier Americans began spending more on services instead of goods. Some production shifted to countries like Vietnam & South Korea, leading to a 0.25% drop in U.S. manufacturing output since 2018, with unemployment levels unchanged.

Now, President Donald Trump is pushing for broader tariffs, which could create more economic challenges. While some argue that a 10% tariff combined with a 10% dollar appreciation would not raise prices, this is unlikely. New tariffs are expected to range from 10% to 25%. Since the dollar has only risen by 3.5% since September, U.S. importers may face higher costs unless foreign producers lower their prices. If these costs are not absorbed, U.S. businesses may have to reduce profit margins or raise prices for consumers.

Building the necessary manufacturing capacity will take time. In 2024, the U.S. imported $3.3 trillion in goods, while its manufacturing output contributed just under $3 trillion to GDP. This means the U.S. manufacturing sector needs to double to reduce dependence on imports.

Overall, the U.S. economy is likely to face higher costs for the foreseeable future.

WHAT WILL IT COST AMERICAN CITIZENS?

The U.S. imports large quantities of automotive parts, computers, and pharmaceuticals.

A 20% universal tariff could cost Americans about $2,000 each. If applied to all $3.3 trillion in imports, this would raise $660 billion in revenue and lead to an approximate 3.3% price increase. Historically, 60% of tariff costs are passed to consumers, suggesting importers and foreign producers would absorb 40%, while U.S. producers cover 20%.

If foreign governments impose retaliatory tariffs, this could affect the competitiveness of U.S. exports, which totaled $2.1 trillion in manufactured goods in 2024.

LIKELY SCENARIOS

The impact of tariffs from trading partners can unfold in various ways.

In a positive scenario, escalating trade tensions might lead to de-escalation. Countries with a trade surplus with the U.S. could reduce tariffs & non-tariff barriers to protect their own economic growth, prompting the U.S. to withdraw its tariffs as well. This could foster a more favorable global trade environment.

Conversely, the worst-case scenario involves trade partners imposing additional tariffs, resulting in a trade war. This may lead to rising prices worldwide, decreased consumer spending, & potential stagflation, prompting central banks to raise interest rates and risk a global recession.

Given the costs of relocating production to the U.S., many manufacturers may choose to keep their facilities abroad and absorb tariffs within their operating expenses.

The most likely outcome is that manufacturing will concentrate on high value-added sectors, which make up 10% to 15% of total U.S. imports. Due to planning and construction delays, significant increases in U.S. manufacturing output are not expected until 2027 and beyond. Currently, the outlook for U.S. manufacturing remains bleak, with output only slightly above pre-pandemic levels.

INDIA – AFFIRMATIVE STEPS

Drawing from past experiences, it seems likely that India will emerge as a net beneficiary in this situation. The last time that Trump engaged in a tariff battle, the Indian Rupee (INR) depreciated by almost 22% (annualized) between January 2018 and June 2018.

However, supported by strong domestic fundamentals and a thriving consumer market, the Indian rupee reversed its trend with the first signs of a truce. This created a brief opportunity for foreign investors, leading to an increase in Foreign Direct Investment

(FDI) inflows. FDI rose from USD 39.4 billion in 2017 to a peak of USD 56.2 billion by 2021, and a similar trend is expected to happen now.

High tariffs on China will give Indian suppliers a chance to boost their sales in U.S. markets. However, the net benefit largely depends on India's ability to reskill its workforce, reduce barriers for foreign investments, and maintain strong domestic consumption to cushion against trade-related shocks.

To enhance productivity and efficiency and stimulate consumption demand, the first step is to lower lending rates. Reduced capital costs will help revive the private capital expenditure cycle, which in turn will create more jobs, increase wage levels, and improve productivity, all of which are essential for fostering a vibrant consumer economy.

As exports face challenges, companies targeting India's domestic market may gain traction. The FMCG, retail, and infrastructure sectors present significant growth opportunities. Indian exporters may pivot to non-U.S. markets such as the EU, Africa, or Southeast Asia. Companies with diverse export destinations could better withstand economic uncertainties.

Trade Shifts and New Market Openings: High tariffs on China may offer Indian MSMEs a unique opportunity to mitigate supply chain risks through 'friend-shoring', which could lead to increased demand for Indian goods. Indian SMEs that focus on specialized manufacturing and technology-driven solutions stand to benefit.

The U.S. can play a crucial role in global infrastructure financing by increasing private sector involvement in Indian projects, particularly in sectors like renewable energy, transportation, and smart cities. This involvement will open new avenues for Indian businesses in industries such as pharmaceuticals, textiles, and auto parts. By investing in cutting-edge technologies and maintaining high-quality standards, Indian SMEs can align themselves with the U.S. demand for reliable and efficient alternatives to Chinese products.

According to a report by Deloitte and The Manufacturing Institute, the skills gap in U.S. manufacturing could lead to 2.1 million unfilled jobs by 2030. This shortage encompasses not only traditional manufacturing roles but also positions requiring advanced skills in automation, robotics, and data analytics. Developing and implementing training and education programs aimed at closing this skills gap will take time, potentially delaying any benefits from reshoring.

CAN WTO SURVIVE?

The new U.S. administration, under its “Fair and Reciprocal Plan,” clearly does not acknowledge any international constraints on the tariffs it will impose. World trade will adapt to America's trade restrictiveness, even if this imposes costs on the global economy.

A key question regarding the durability of the world trading system is whether the abandonment of tariff commitments by the United States - and by those who retaliate or reach settlements - can be limited to bilateral trade with the U.S. Will retaliation be directed solely against the United States or expand into broader trade restrictions?

Given its strategic ties with USA, its strategic import needs in Energy & Defense, India is in a better position to negotiate with USA. This is a golden opportunity for Indian Industry to enhance automation, productivity and efficiency to become globally competitive than dependence on tariffs for Business growth. India should expand its trade ties with other nations, thereby reducing global trade risks.

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THE IMPACT OF ARTIFICIAL INTELLIGENCE ON THE INDIAN ECONOMY

A COMPREHENSIVE ANALYSIS

Artificial Intelligence (AI) has emerged as a transformative force globally, reshaping economies, industries & job markets. It has come at a time in history when India is on the verge of reaping its demographic dividend of having the world's highest working population in the history of this planet. As a nation with a burgeoning technology sector and a diverse workforce, AI's influence is particularly profound on the Indian economy. With rapid advancements in machine learning, automation, and data analytics, AI has permeated various sectors, revolutionizing business processes and operational efficiency.

This article delves into the multifaceted impact of AI on the Indian economy, examining its effects across various job levels and industries, with a special focus on the IT services sector. We will also explore which categories of employees have benefitted from AI integration and which have faced challenges, substantiating our analysis with relevant statistics and sources.

AI'S MACROECONOMIC IMPACT ON INDIA

ECONOMIC GROWTH & PRODUCTIVITY

AI is poised to significantly boost India's economic productivity. According to a report by Ernst & Young (EY) India, AI adoption could lead to a 2.61% increase in productivity in the organized sector by 2030, with an additional potential growth of 2.82% from AI adoption in the unorganized sector. This translates to an impact on approximately 38 million jobs across the country. AI-driven automation is expected to streamline workflows, reduce operational inefficiencies, and enhance overall output across industries, thereby contributing to GDP growth. Moreover, sectors such as manufacturing, healthcare, and finance are expected to see a significant rise in AI-led efficiencies, which will enable businesses to scale up without proportionally increasing their workforce. Additionally, AI is also impacting the way students learn new things and enables them to do a lot more than they could before. Similarly, it is also boosting the influencer economy and content creator economy, which could accelerate content generation and self-employment through content creation.

The reduction in AI costs, driven by open-source movements and the development of purpose-specific small language models (SLMs), has made AI more accessible to smaller businesses. As a result, AI is becoming an integral part of various sectors, driving innovation and efficiency. Startups and medium-sized enterprises, which previously lacked the financial bandwidth to invest in AI, are now leveraging affordable AI tools to improve customer service, automate backend operations, and enhance decision-making processes. This democratization of AI technology ensures that businesses across different scales can harness its benefits, fostering a more competitive economic landscape.

AI SERVICES MARKET EXPANSION

India's AI services market is on a rapid growth trajectory. Analysts predict that the market could reach $17 billion by 2027, a significant rise fueled by increasing investments from global tech giants and domestic enterprises. This expansion is further supported by India's robust IT industry, valued at $250 billion, and a workforce of nearly 5 million program-mers. With major technology hubs like Bengaluru, Hyderabad, and Pune evolving into AI innovation centers, the country is positioning itself as a global leader in AI development and deployment. Indian IT companies are not only integrating AI into their operations but also exporting AI-driven solutions to global clients, enhancing India's competitive edge in the international market.

Additionally, Pradhan Mantri Shri Narendra Modi-led NDA government's initiatives, such as the National AI Strategy, AI for All, Atal Tinkering Labs, and National Digital Mission, have been instrumental in fostering AI adoption across various sectors. These policies aim to drive innovation, support AI research, and develop a skilled workforce equipped to handle AI-driven transformations. The government's focus on AI-powered digital transformation, combined with private-sector investments, is expected to unlock new economic opportunities, generate employment, and accelerate the country's overall technological advancement. As AI adoption grows, so does the need for regulatory frameworks to ensure ethical AI deployment, data privacy, and cybersecurity resilience.

INDUSTRY-WIDE IMPACT OF AI

IT SERVICES INDUSTRY

The Indian IT services sector stands at the forefront of AI integration, experiencing both opportunities and challenges. As one of the largest contributors to the country's GDP and employment generation, the IT sector has embraced AI to enhance productivity, optimize processes, and improve service delivery. AI-powered tools such as generative AI, intelligent automation & machine learning models are now extensively used in software development, cloud computing, cybersecurity & IT consulting. This shift is leading to fundamental changes in how IT firms operate, reducing reliance on manual coding and testing while increasing demand for AI-savvy professionals.

PRODUCTIVITY ENHANCEMENTS

Generative AI (GenAI) is projected to enhance productivity within India's IT industry by 43% to 45% over the next 5 years. This boost is attributed to the internal integration of GenAI within IT companies and its increased adoption in client projects. Notably, software development roles are expected to see productivity gains of around 60%, while BPO services and IT consulting could experience improvements of 52% and 47%, respectively. Collectively, these sectors may contribute to 50% to 60% of the overall productivity gains in tech services. The increased efficiency provided by AI tools allows IT companies to take on more projects, reduce turnaround times, and improve customer satisfaction levels, thereby driving revenue growth.

Furthermore, AI-driven automation in IT operations (AIOps) is helping firms reduce downtime, predict system failures & enhance cybersecurity. By deploying AI-powered monitoring systems, IT companies can proactively identify and resolve technical issues, minimizing business disruptions. This predictive approach improves system reliability and ensures that IT services remain seamless, thus fostering stronger relationships with clients and boosting operational efficiency. As AI continues to advance, the IT sector is expected to undergo further innovation, necessitating continuous upskilling of the workforce to adapt to evolving technologies.

JOB DISPLACEMENT CONCERNS

Despite productivity gains, there are concerns about job displacement. Former HCL CEO Vineet Nayar has cautioned that AI could reduce the need for human

involvement in coding, testing, maintenance, and support roles, potentially leading to a 70% reduction in workforce requirements for these tasks. Nayar emphasizes the importance of upskilling existing employees to navigate this transition ethically & effectively. While companies are investing in AI-driven efficiencies, they must also take proactive steps to reskill employees, ensuring that workforce reductions do not lead to large-scale unemployment. Programs focused on AI literacy, advanced programming, and AI ethics can help mid-career professionals transition into roles that complement AI technologies.

Additionally, while AI may replace certain repetitive tasks, it also creates new roles in AI oversight, AI ethics, and AI-based solution architecture. IT firms that successfully integrate AI while reskilling their workforce will be better positioned to harness AI's benefits without significantly disrupting employment levels. NDA-led central govt and many state governments along with the industry bodies must collaborate to establish frameworks for responsible AI adoption, ensuring that automation does not disproportionately impact workers in the industry.

CONCLUSION

Artificial Intelligence is undeniably reshaping the Indian economy, driving productivity, innovation, and new revenue streams across various sectors. While it presents significant opportunities, particularly for high-skilled professionals and strategic roles, it also poses challenges for employees engaged in routine tasks and certain mid-level positions. The key to harnessing AI's potential lies in proactive upskilling, embracing collaborative approaches, and fostering an environment of continuous learning and adaptation. By doing so, India can navigate the AI revolution effectively, ensuring inclusive growth and a resilient workforce in the face of technological advancement. A balanced approach, incorporating ethical AI practices, workforce development initiatives, and regulatory frameworks, will be critical in maximizing AI's positive impact while mitigating risks.

As India strides towards becoming a global AI hub, it must leverage AI responsibly to create a future-ready economy that benefits businesses, employees, and society at large.

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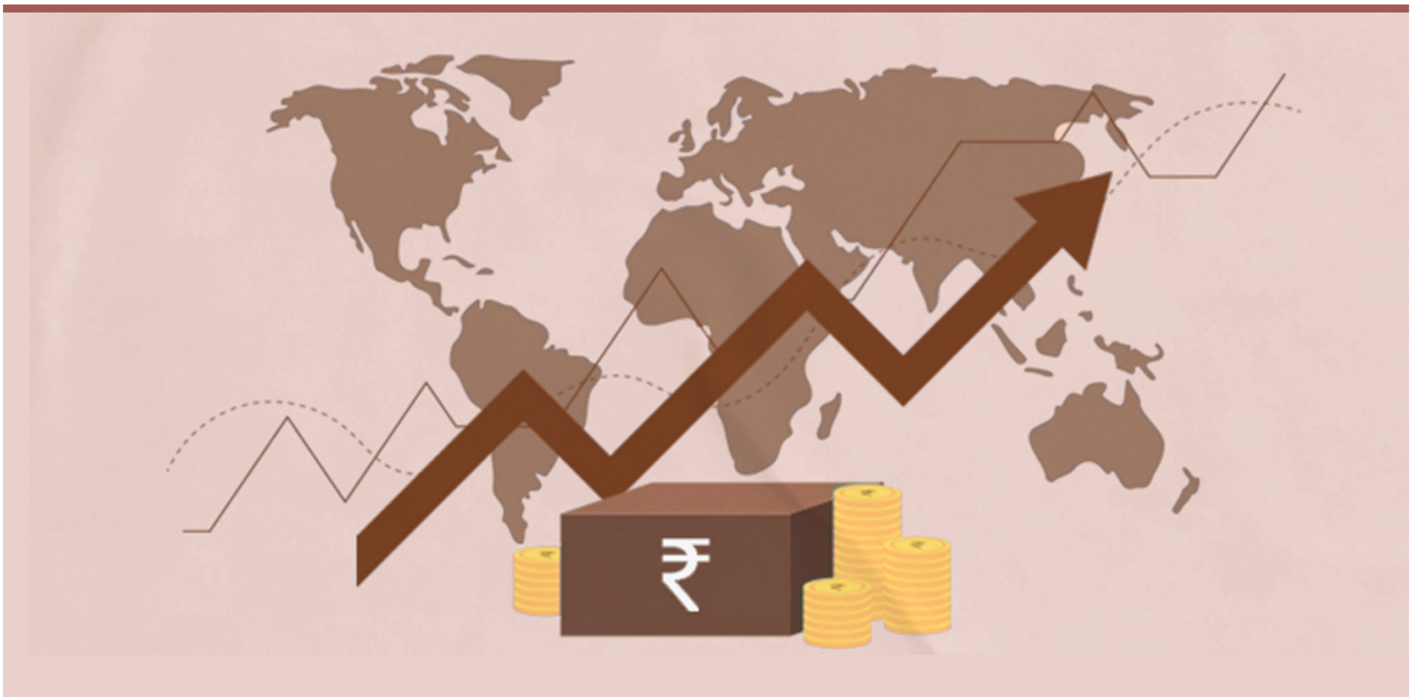
IMPACT OF GLOBAL FACTORS ON INDIAN STOCK MARKETS



The Indian stock market has experienced significant volatility and notable shifts in the last decade. Most of them have been positive in the long run, as witnessed by the growth in Mutual Funds & equity markets. However, global shocks like Covid-19, the Ukraine-Russia War and the US elections, especially since Donald Trump's victory in 2024, have impacted Indian stock markets significantly. This period has been marked by both exuberant rallies and sharp corrections, reflecting the complex interplay of global and domestic factors influencing investor sentiment. Let's analyze the performance of Indian stock markets and explore the multifaceted reasons behind these movements.

INITIAL MARKET REACTION TO TRUMP'S VICTORY

The immediate response to Trump's election win was overwhelmingly positive in the Indian stock market. On November 7, 2024, the S&P BSE Sensex surged by 900.50 points, closing at 80,378.13, while the Nifty50 added 270.75 points to reach 24,484.05. This initial euphoria was driven by expectations of pro-business policies and potential benefits for certain sectors of the Indian economy.

However, the enthusiasm was short-lived. The following day saw a reversal of these gains, indicating the market's quick reassessment of the potential implications of Trump's presidency. This rapid shift underscores the volatile nature of market reactions to significant political events.

FACTORS INFLUENCING MARKET MOVEMENTS

1. GLOBAL ECONOMIC CONCERNS

The period following Trump's election has been characterized by heightened global economic uncertainties. These concerns have played a crucial role in shaping the Indian stock market's trajectory:

- **Trade Tensions**: Trump's "Make in America" agenda and potential increases in tariffs on certain Indian exports have created apprehensions about the future of US-India trade relations.
- **Global Growth Slowdown**: Fears of a US economic slowdown and its ripple effects on the global economy have contributed to market volatility.
- **Currency Fluctuations**: The strengthening of the US dollar under Trump's policies has impacted foreign investment flows into Indian markets.

2. FOREIGN INVESTMENT PATTERNS

The behavior of foreign institutional investors (FIIs) has been a significant driver of market movements:

- **FII Outflows**: Periods of FII selling have led to market corrections. For instance, in early 2025, equity cash

trading values dropped to their lowest in nearly a year as foreign investors remained cautious.

- **Attractive Alternative Markets**: The promise of better returns in developed markets, particularly the US, has at times led to capital outflows from India.

3. DOMESTIC ECONOMIC CHALLENGES

While the Indian economy has shown resilience, it has not been immune to internal challenges:

- **Earnings Disappointments**: Q2 earnings in 2025 fell short of expectations, putting pressure on market valuations.
- **Valuation Concerns**: Despite a 9% pullback from late September 2024's record highs, the Nifty 50's forward P/E was still trading at around 16% above its 10-year average in early 2025.
- **Sector-Specific Issues**: Certain sectors, particularly those competing directly with American products, faced increased uncertainty due to potential tariff changes.

4. POLITICAL & POLICY UNCERTAINTY

The Indian market has been sensitive to both domestic and international political developments:

- **Domestic Policy Changes**: Announcements of major economic reforms or policy shifts have led to market fluctuations. For example, past events like demonetization in 2016 caused significant market turbulence.
- **Geopolitical Tensions**: Border tensions and other international conflicts have periodically affected investor sentiment.

5. GLOBAL MARKET TRENDS

Indian markets have not been isolated from global market movements:

- **US Market Performance**: The strong performance of US markets under Trump's previous term (with the Nasdaq up by 77% compared to Nifty's 38% gain) has influenced global investor allocations.
- **Emerging Market Dynamics**: Changes in investor sentiment towards emerging markets as a whole have impacted India's market performance.

6. SECTOR-SPECIFIC IMPACTS

Different sectors of the Indian economy have reacted differently to Trump's policies and other global factors:

- **IT Sector**: Concerns about potential changes in H1B visa policies and outsourcing regulations have periodically affected IT stocks.
- **Pharma Sector**: The focus on reducing drug prices in the US has implications for Indian pharmaceutical companies exporting to the US market.
- **Manufacturing Sector**: The emphasis on domestic manufacturing in the US has created both challenges and opportunities for Indian manufacturers.

7. MONETARY POLICY DYNAMICS

The interplay between US Federal Reserve policies and the Reserve Bank of India's (RBI) actions has been crucial:

- **Interest Rate Differentials**: Changes in US interest rates have influenced capital flows, affecting the Indian stock market.
- **RBI's Policy Responses**: The central bank's decisions on interest rates and liquidity measures have been key in managing market stability.

8. TECHNOLOGICAL DISRUPTIONS

The rapid pace of technological change has been a significant factor:

- **Digital Transformation**: The accelerated adoption of digital technologies, partly driven by global trends, has reshaped various sectors of the Indian economy.
- **Fintech Revolution**: The growth of digital payment systems and online trading platforms has changed market dynamics and retail investor participation.

9. ENVIRONMENTAL & SUSTAINABILITY CONCERNS

Global shifts towards sustainable & green investments have impacted market trends:

- **Renewable Energy Focus**: Increased emphasis on clean energy has affected traditional energy stocks while boosting green energy companies.

- **ESG Investing**: The growing importance of Environmental, Social & Governance (ESG) factors in investment decisions has influenced stock performances.

10. Covid-19 Aftermath

While the immediate impact of the pandemic had subsided by 2024, its long-term effects continued to shape market dynamics:

- **Supply Chain Realignments**: Ongoing efforts to diversify global supply chains have created opportunities for Indian manufacturing.
- **Healthcare Sector Growth**: Increased focus on healthcare & pharmaceuticals has benefitted related Indian companies.

GOVERNMENT & RBI RESPONSES

The Indian Govt & the Reserve Bank of India have been proactive in addressing the challenges posed by external factors:

NDA GOVERNMENT INITIATIVES

- **FOREIGN INVESTMENT POLICIES**

The government has continued to liberalize FDI policies in various sectors to attract foreign capital and offset potential outflows.

- **TRADE NEGOTIATIONS**

Efforts to negotiate favorable trade terms with the US & other major economies have been intensified to mitigate the impact of protectionist policies.

- **FISCAL MEASURES**

Strategic fiscal policies, including targeted stimulus packages & sector-specific incentives, have been implemented to boost domestic economic activity and investor confidence.

- **MAKE IN INDIA 2.0**

An enhanced version of the Make in India initiative has been launched to capitalize on global supply chain realignments and attract manufacturing investments.

RBI'S MONETARY POLICY ACTIONS

- **INTEREST RATE MANAGEMENT**

The RBI has carefully calibrated interest rates to balance growth objectives with inflation control, considering global monetary trends.

- **FOREX MARKET INTERVENTIONS**

Active management of foreign exchange reserves and timely interventions in the Forex market have been undertaken to stabilize the Rupee against major currencies, particularly the US dollar.

- **LIQUIDITY MEASURES**

The central bank has implemented various liquidity enhancement measures to ensure adequate credit flow in the economy, supporting market stability.

- **REGULATORY FRAMEWORK**

Strengthening of the regulatory framework for financial markets has been prioritized to enhance investor protection and market integrity.

CONCLUSION

The Indian stock market's performance since Trump's re-election has been a complex interplay of global and domestic factors. While the initial reaction was positive, subsequent movements have reflected a more nuanced response to evolving economic and political realities.

The Indian government and RBI have demonstrated a commitment to proactive policy-making, aiming to insulate the economy from external shocks while capitalizing on emerging opportunities. As global dynamics continue to evolve, the resilience and adaptability of India's economic policies will remain crucial in navigating the challenges and opportunities presented by the global economic landscape.

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IMPACT OF GLOBAL CLIMATE CHANGES ON THE INDIAN ECONOMY

Global climate change has had a profound and multifaceted impact on the Indian economy in recent years, affecting various sectors and posing significant challenges to the country's growth and development. Global warming somewhere can increase the rainfall elsewhere and vice versa – which directly affects the production of agricultural goods & commodities needed the world over. Additionally, surplus crops in some part of the world can create price pressure in India & vice versa. So, it is important for us to understand the impact of global climate on our own economy and prepare ourselves to predict the impacts well in advance to shield our citizens from the aftershocks.

AGRICULTURAL SECTOR

Agriculture, which employs around 55% of India's population, has been particularly vulnerable to climate change impacts. Crop yields have been adversely affected by changing weather patterns. Rain-fed rice yields are projected to reduce by up to 20% by 2050 without adaptation measures. National Innovations in Climate Resilient Agriculture (NICRA) study forecasts a decrease in wheat yield ranging from 6% to 25% by 2100, while maize yields could decrease by 18% to 23%. Irregular monsoons and extreme weather events have disrupted crop cycles, leading to reduced agricultural productivity and increased food inflation in urban areas. These changes not only affect food security but also have ripple effects on rural incomes and the broader economy.

BLACK PEPPER PRICE RISE

A large quantity of low-quality black pepper is being imported to India from Sri Lanka at a concessional customs duty of 8% under the South Asian Free Trade Association (SAFTA). Sri Lanka is expected to produce over 25,000 tons of black pepper this year, with most likely to reach Indian markets. The import price of Sri Lankan black pepper is below ₹ 500 per Kg, while domestic Indian black pepper costs around ₹ 650 per Kg. This influx of cheaper imports is negatively affecting indigenous producers, leading to calls for import restrictions.

CASHEW PRODUCTION DROPPED

Climate change has significantly impacted cashew production in India. Yield reductions of more than 50% have led to increased cashew imports from foreign countries. Unseasonal rains and heavy dew during flowering and fruiting periods have increased pest and disease incidence. Maximum temperatures play a crucial role in nut size and kernel weight. Climate-induced impacts include reduced photosynthetic activity, fewer flowering flushes, lower nut retention and size, and increased fruit damage.

COFFEE BONANZA

Brazil, the world's largest coffee producer, has faced severe drought, significantly affecting its coffee production. Vietnam, another major producer, has experienced lower-than-expected rainfall, reducing crop yields. Global coffee production is expected to fall short of demand for the 2025-26 season. Coffee prices have surged globally, with arabica futures recently surpassing USD 4.30 per pound. In India, coffee prices have risen 15-30% in local markets, particularly in Karnataka, the country's largest coffee producer. Raw Robusta coffee in Central Kerala is priced at ₹ 60 per Kg, while hulled coffee beans are at ₹ 225 per Kg.

India's coffee production has dropped by around 40% due to adverse weather conditions. Indian coffee yields have decreased by 20-30% due to unseasonal weather. El Niño-induced drought has impacted production in major coffee-growing areas worldwide. Currency fluctuations, particularly the depreciation of the Indian Rupee against the US Dollar, have increased import costs. Rising input costs, including fertilizers, labor, and transportation, have added to the financial burden on coffee producers.

ECONOMIC COSTS & GDP IMPACT

The economic costs of climate change for India are substantial. Estimates suggest that climate change could reduce India's GDP by around 2.6% by 2100 if global temperature increases are held below 2°C, but this could rise to 13.4% in a 4°C scenario. At 1°C of global warming, the cost to India is estimated at 3% of GDP annually, rising to 10% annually at 3°C of warming. The Reserve Bank of India (RBI) projects that up to 4.5% of India's GDP could be at risk by 2030 due to lost labour hours from extreme heat and humidity. These projections underscore the urgent need for climate adaptation & mitigation strategies to safeguard India's economic growth.

INFRASTRUCTURE & DISASTER - RELATED COSTS

Climate change has led to an increase in extreme weather events, causing significant infrastructure damage. India spent $3 billion on economic damage caused by floods in the last decade, representing 10% of the global economic loss. Cyclone Amphan in 2020 affected 13 million people and caused over $13 billion in damage. The increasing frequency and intensity of such events pose a continuous threat to India's infrastructure and require substantial investments in resilience and disaster preparedness.

LABOR MARKET & PRODUCTIVITY

Rising temperatures and extreme weather events are affecting labor productivity. India could account for about 34 million of the projected 80 million global job losses from heat stress by 2030. Outdoor workers and those in poorly ventilated environments are particularly vulnerable to productivity losses due to heat stress. Climate-induced health hazards could lead to increased absenteeism and reduced work efficiency across various sectors.

INDUSTRIAL & SERVICE SECTORS

Climate change is also impacting non-agricultural sectors of the economy. The industrial sector faces increased operational costs due to new climate-friendly regulations and the need to invest in greener infra. Service sector, particularly insurance, travel & hospitality, is experiencing disruptions and increased claims related to climate events. There's a growing need for industries to relocate or adapt their production processes, leading to additional economic costs.

FINANCIAL SECTOR RISKS

The RBI has highlighted the risks that climate change poses to the financial system. These include physical risks from extreme weather events and transition risks related to shifting to a low-carbon economy. Banks and financial institutions face direct, indirect, and spillover effects, including credit, market, liquidity, operational, and reputational risks.

EMISSIONS & ECONOMIC GROWTH

India's efforts to reduce emissions while maintaining economic growth present both challenges and opportunities. India emits about 3 gigatonnes of CO2eq greenhouse gases each year. The country has made progress, with a 7.93% reduction in GHG emissions in 2020 compared to 2019. However, as India aims to become a global manufacturing hub, there are concerns about increased carbon emissions and potential negative impacts on global economic growth.

POVERTY & INEQUALITY

Climate change disproportionately affects India's poor and marginalized communities. One study suggests that climate change could increase India's national poverty rate by 3.5% by 2040 compared to a zero-warming scenario, equating to around 50 million more people in poverty. Low-income groups are more vulnerable to extreme weather events and have fewer resources to adapt to changing conditions.

GOVERNMENT & RBI RESPONSE

The Indian government and the RBI are taking steps to address climate-related economic risks. The RBI is working on integrating climate-related risks into financial stability monitoring and supervision. The government is implementing policies to promote renewable energy, improve energy efficiency, and enhance climate resilience across sectors. Despite the challenges, climate change also presents opportunities for India. The shift towards renewable energy and sustainable practices could create new jobs and industries. Investing in climate resilience & adaptation measures could yield long-term economic benefits. The RBI notes that about 40% of current annual carbon emissions could be addressed by replacing fossil fuels with renewables, and another 15% by switching to electric vehicles and energy-efficient appliances.

CONCLUSION

Climate change poses significant challenges to India's economy, affecting agriculture, infrastructure, labor productivity & various industrial sectors. The potential GDP losses and increased poverty rates underscore the urgency of addressing this issue. However, with proactive measures & investments in sustainable practices, India can mitigate some of these impacts and potentially create new economic opportunities. As the country navigates this complex landscape, balancing economic growth with environmental sustainability will be crucial for its long-term prosperity.

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INFOGRAPHICS INDIA-CHINA TRADE DYNAMICS

An Analysis of Shifting Patterns & Sectoral Impacts

China / India

2023	China → India	EXPORTS	$125B	RNK 7 / 208
2023	China → India	TOP PRODUCT	$9.66B	INTEGRATED CIRCUITS
2023	India → China	EXPORTS	$18.1B	RNK 3 / 220
2023	India → China	TOP PRODUCT	$3.45B	IRON ORE
2023	China	ECONOMIC COMPLEXITY (ECI)	ECI 1.16	RNK 21 / 132
2023	India	ECONOMIC COMPLEXITY (ECI)	ECI 0.65	RNK 39 / 132
2023	China	GDP	$17.8T CURRENT US$	RNK 2 / 195
2013-2023	China	GDP GROWTH	85.9% CURRENT US$	RNK 22 / 195
2023	India	GDP	$3.57T CURRENT US$	RNK 5 / 195
2013-2023	India	GDP GROWTH	92.1% CURRENT US$	RNK 19 / 195
2023	China	GDP PC	$12,614 CURRENT US$	RNK 80 / 195
2013-2023	China	GDP PC GROWTH	79.7% CURRENT US$	RNK 17 / 195
2023	India	GDP PC	$2,481 CURRENT US$	RNK 148 / 196
2013-2023	India	GDP PC GROWTH	73.1% CURRENT US$	RNK 22 / 195

The Chinese-Indian Trade Relationship

Trade in selected goods between China and India in 2022

% change since 2018

Chinese exports to India

		% change since 2018
Electronics and machinery	$53.3B	+45%
Chemical products	$19.1B	+50%
Metals	$9.1B	+55%
Plastics and rubber	$6.2B	+94%
Textiles	$5.6B	+40%

Indian exports to China

		% change since 2018
Minerals and oil	$4.1B	-15%
Chemical products	$2.4B	-34%
Metals	$1.7B	+38%
Textiles	$0.4B	-77%
Electronics and machinery	$0.1B	-93%

Total exports

China to India	$110.0B	+46%
India to China	$15.3B	-8%

Source: UN Comtrade/BACI International via OEC/MIT

Indian Tariffs on U.S. Trade Weigh Heavier Than Vice Versa

Value of trade between India and the United States and value of tariffs collected, by category (2024)

Category	Trade India to U.S. (in $B)	Tariff burden to India* (in $B)	Trade U.S. to India (in $B)	Tariff burden to U.S.* (in $B)
Total of categories	$81.56B	$2.17B	$34.35B	$2.21B
Agriculture, meat, processed food	6.04	0.32	1.94	0.73
Automobiles	2.80	0.03	0.42	0.10
Diamond, gold and products	11.88	0.25	1.92	0.30
Chemicals, pharmaceuticals	18.44	0.20	3.52	0.34
Electrical/electronic products, machinery, computers	21.50	0.15	4.19	0.29
Plastics	1.36	0.06	1.41	0.14
Metals, ores, minerals, petroleum	8.74	0.19	13.57	0.27
Textile, clothing	10.8	0.97	0.40	0.04
Others	8.24	0.23	6.98	0.42

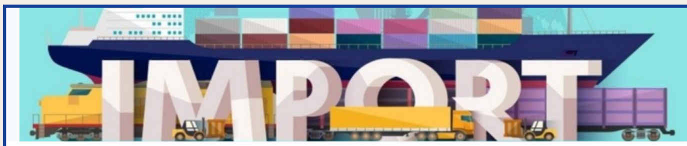
* Based on weighted average

Exports to USA

Sectoral exports to the USA

	From China (USD mn)	Share in China's export to the USA	From India (USD mn)	Share in India's export to the USA	China export/India export
Apparels	36,509	6.8%	6,475	12.1%	5.6
Pharma	1,585	0.3%	6,328	11.8%	0.3
Chemicals	12,954	2.4%	2,906	5.4%	4.5
Vehicles	17,354	3.2%	2,767	5.2%	6.3
Organic Chemicals	9,548	1.8%	2,397	4.5%	4.0
Fish and other sea creatures	2,020	0.4%	2,062	3.8%	1.0
Articles of Iron & Steel	13,256	2.5%	1,254	2.3%	10.6
Carpets	739	0.1%	906	1.7%	0.8
Furnitures & fixtures	34,859	6.5%	874	1.6%	39.9
Aluminium and articles	2,784	0.5%	672	1.3%	4.1
Plastics & articles	19,080	3.6%	614	1.1%	31.1
Articles of leather	7,453	1.4%	540	1.0%	13.8
Rubber and articles	4,064	0.8%	513	1.0%	7.9
Footwear	14,067	2.6%	436	0.8%	32.3
Toys	26,670	5.0%	132	0.2%	202.7
Paper	3,629	0.7%	117	0.2%	31.1

Source: WTO, Moneycontrol Research

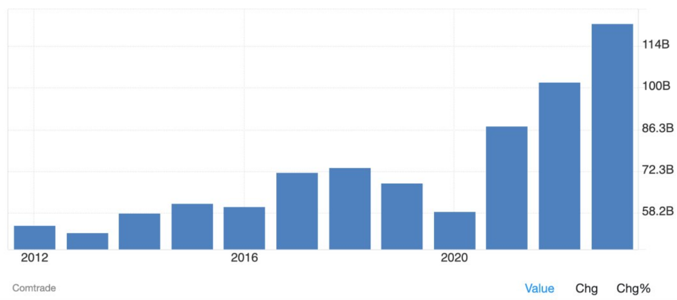


Imports	Share in Japan's import	Share in European Union's import	Share in Australia's import
China	24.6%	21.8%	24.8%
South Korea	4.1%	2.7%	4.4%
Taiwan	3.6%	1.7%	1.4%
Thailand	3.4%	1.2%	4.9%
Viet Nam	2.8%	2.1%	2.0%
Mexico	0.9%	1.4%	1.0%
India	0.8%	2.5%	1.8%
Bangladesh	0.2%	1.0%	0.3%

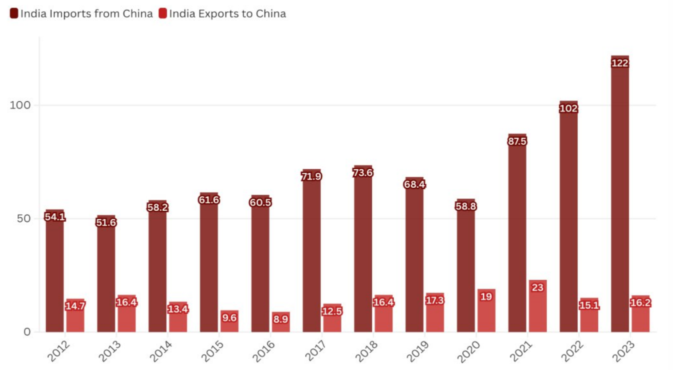
Source: WTO, Moneycontrol Research

India Imports from China

India Imports from China was US$121.97 Billion during 2023, according to the United Nations COMTRADE database on international trade. India Imports from China - data, historical chart and statistics - was last updated on April of 2025.

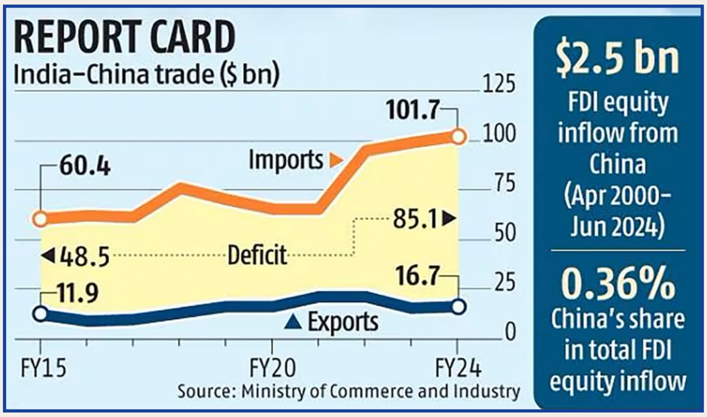


India - China Bilateral Trade 2021-23 (US$, Billion)

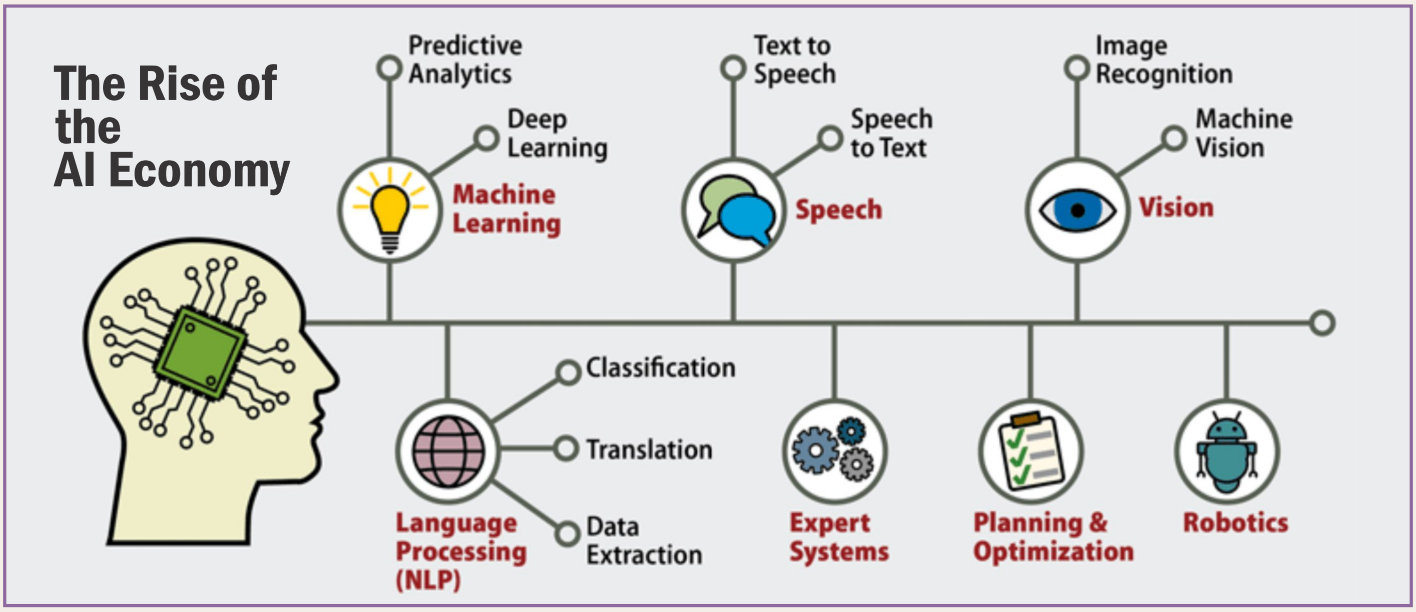


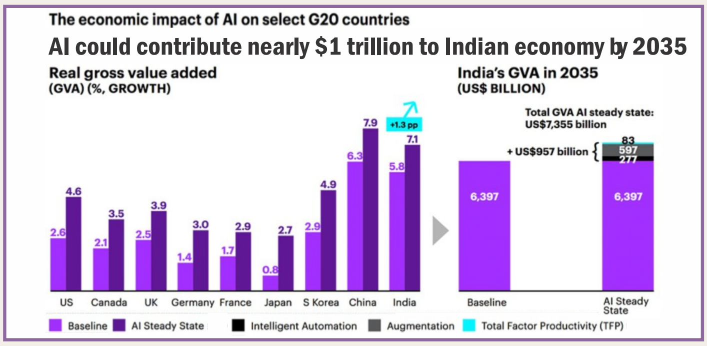
India Imports from China

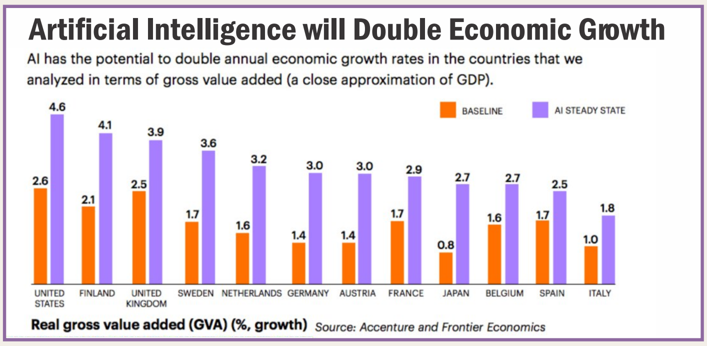
India Imports from China	Value	Year
Electrical, electronic equipment	$44.15B	2023
Machinery, nuclear reactors, boilers	$24.70B	2023
Organic chemicals	$13.27B	2023
Plastics	$5.93B	2023
Optical, photo, technical, medical apparatus	$2.68B	2023
Iron and steel	$2.62B	2023
Fertilizers	$2.61B	2023
Articles of iron or steel	$2.04B	2023
Vehicles other than railway, tramway	$1.88B	2023
Miscellaneous chemical products	$1.60B	2023
Aluminum	$1.42B	2023
Manmade filaments	$1.37B	2023
Pearls, precious stones, metals, coins	$1.29B	2023
Inorganic chemicals, precious metal compound, isotope	$1.25B	2023
Glass and glassware	$1.04B	2023
Tanning, dyeing extracts, tannins, derivatives, pigments	$1.01B	2024



THE IMPACT OF ARTIFICIAL INTELLIGENCE ON THE INDIAN ECONOMY







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