



Budget: Balancing consumption with fiscal consolidation

April 2025



Tariff War and India

Global economy: Weaker growth with higher inflation

Global growth is expected to be weak in response to an adjustment required to Trump's policy regime

	Growth Forecast						
	2024	2025			2026		
		Previous	Current	Difference	Previous	Current	Difference
World	3.2	3.3	3.1	-0.2	3.3	3.0	-0.3
US	2.8	2.4	2.2	-0.2	2.1	1.6	-0.5
EZ	0.7	1.3	1.0	-0.3	1.5	1.2	-0.3
China	5.0	4.7	4.8	0.1	4.4	4.4	0.0
UK	0.9	1.7	1.4	-0.3	1.3	1.2	-0.1
Japan	0.1	1.5	1.1	-0.4	0.6	0.2	-0.4
Germany	-0.2	0.7	0.4	-0.3	1.2	1.1	-0.1
France	1.1	0.9	0.8	-0.1	1.0	1.0	0.0
Australia	1.1	1.9	1.9	0.0	1.1	1.8	0.7
Mexico	1.5	1.2	-1.3	-2.5	1.6	-0.6	-2.2
Indonesia	5.0	5.2	4.9	-0.3	5.1	5.0	-0.1
Brazil	3.4	2.3	2.1	-0.2	1.9	1.4	-0.5
South Korea	2.1	2.1	1.5	-0.6	2.1	2.2	0.1
India	6.3	6.9	6.4	-0.5	6.8	6.6	-0.2

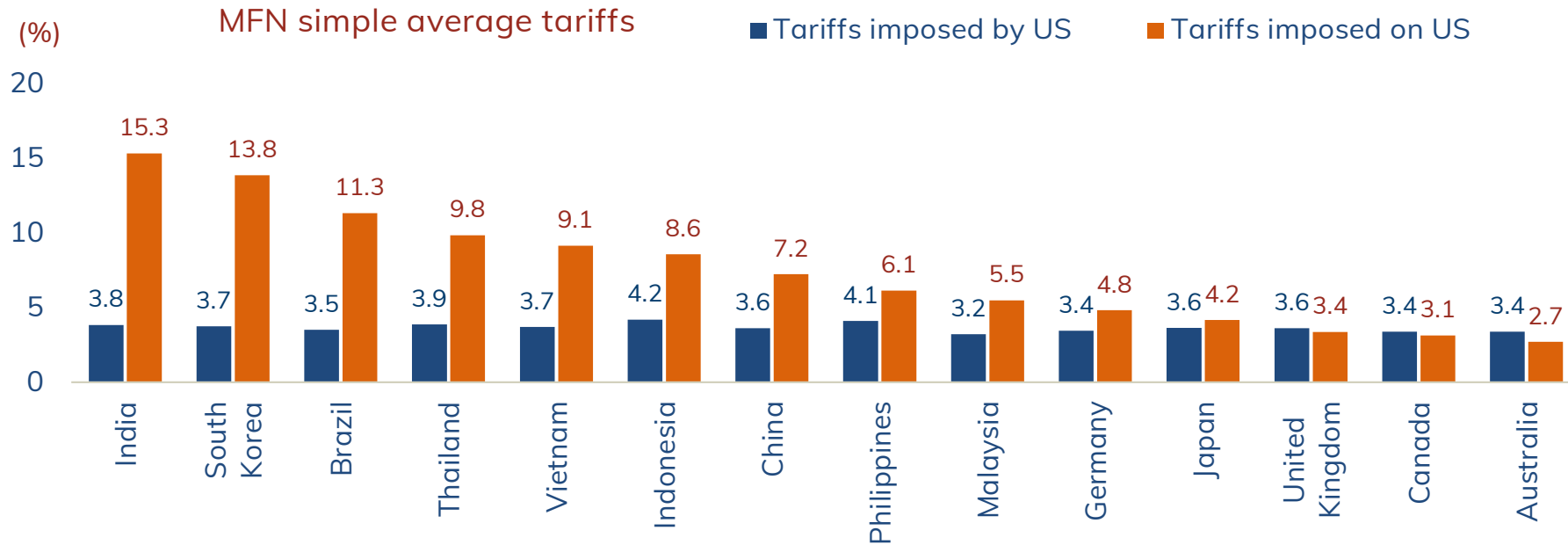
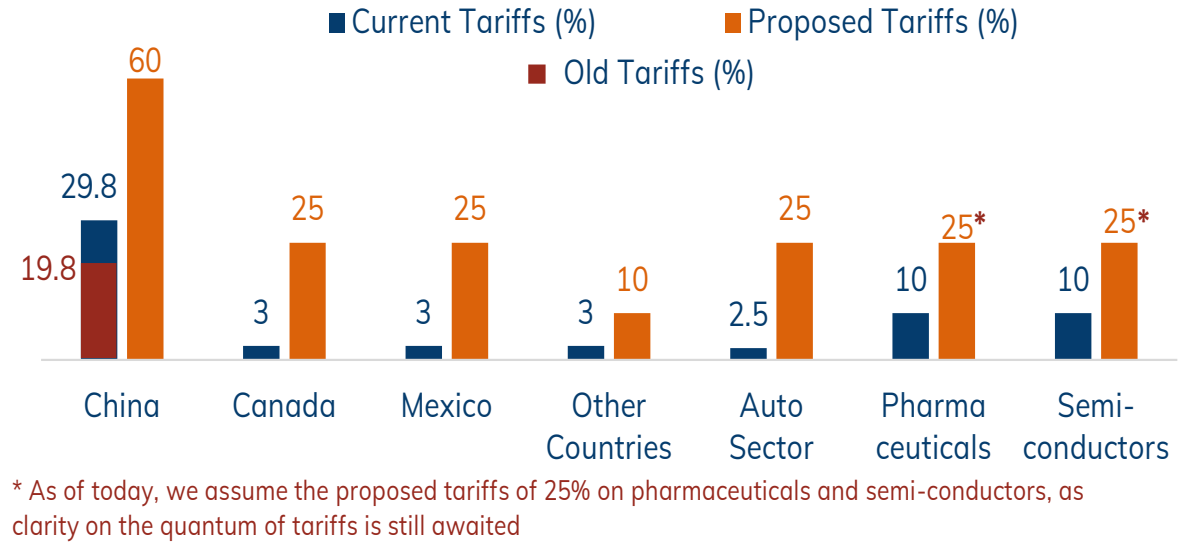
The US economy that is a net importer is poised to face a much more pronounced inflation shock than the rest of the world

	Inflation Forecast						
	2024	2025			2026		
		Previous	Current	Difference	Previous	Current	Difference
G20	5.3	3.5	3.8	0.3	2.9	3.2	0.3
US	2.5	2.1	2.8	0.7	2.0	2.6	0.6
EZ	2.3	2.1	2.2	0.1	2.0	2.0	0.0
China	0.2	1.1	0.6	-0.5	1.4	1.4	0.0
UK	2.5	2.7	2.7	0.0	2.3	2.3	0.0
Japan	2.7	1.9	3.2	1.3	2.1	2.1	0.0
Germany	2.5	2.0	2.4	0.4	1.9	2.0	0.1
France	2.3	1.6	1.5	-0.1	1.8	1.8	0.0
Australia	3.2	2.3	2.4	0.1	2.6	2.2	-0.4
Mexico	4.7	3.3	4.4	1.1	3.0	3.5	0.5
Indonesia	2.2	2.2	1.8	-0.4	2.4	2.8	0.4
Brazil	4.4	4.2	5.4	1.2	3.6	5.3	1.7
South Korea	2.3	1.8	1.9	0.1	2.0	2.1	0.1
India	5.0	4.2	4.5	0.3	4.0	4.1	0.1

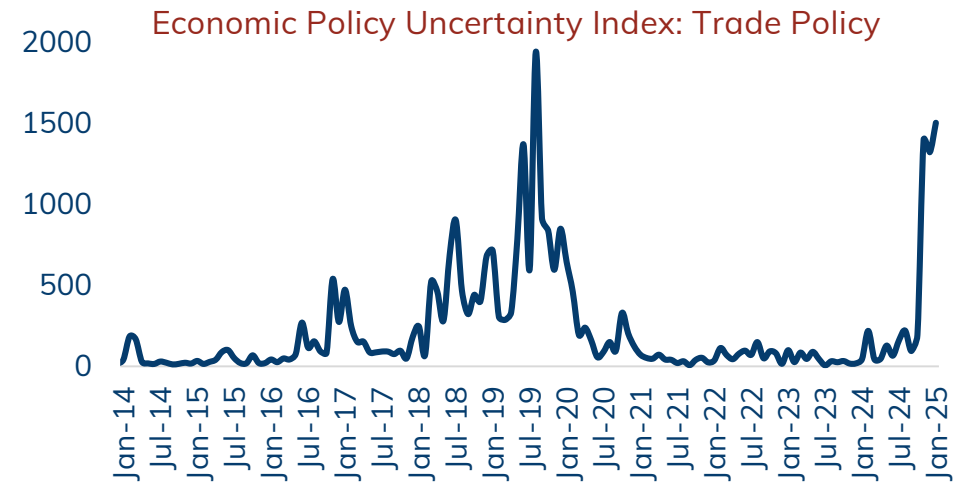
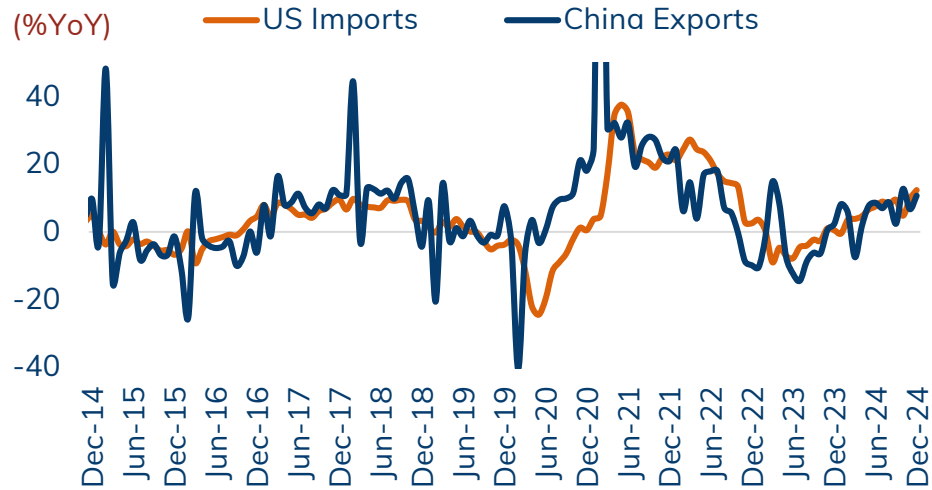
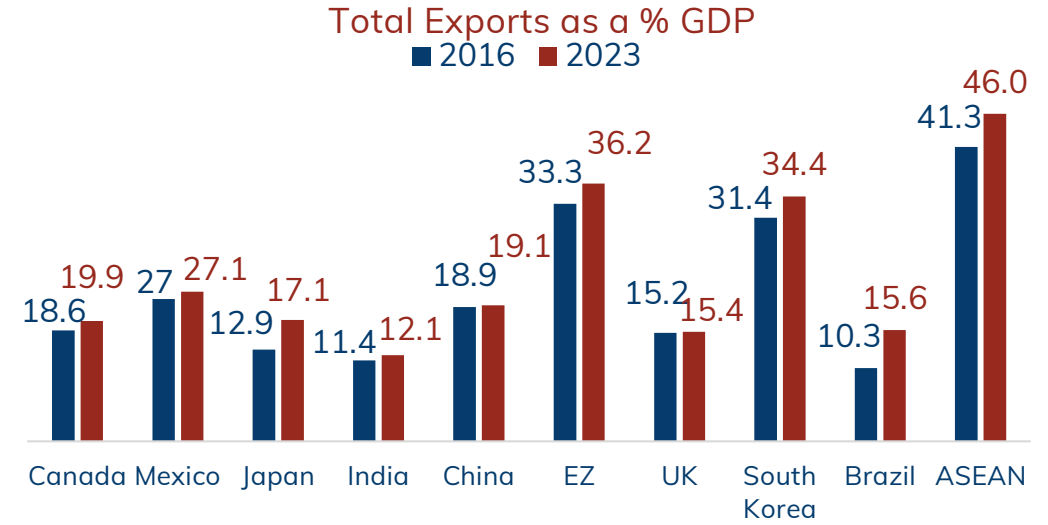
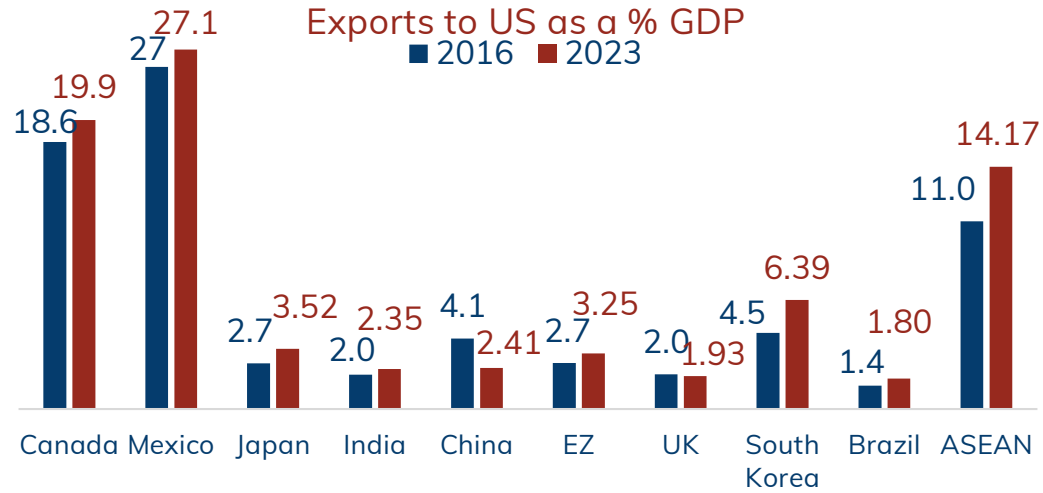
- US exceptionalism of solid above trend growth is expected to get challenged as growth in Europe could get upgraded if German fiscal stimulus comes through



Trade-war 2.0: Appears to be targeting a broader basket of countries....



Global growth is vulnerable to the trade-war



Source: ICICI Bank Research



India Union Budget FY26: Key Takeaways

Union Budget FY26: Fiscal prudence, boosting consumption

1

Consumption

Income tax structure revisions. Nil tax till 1.2mn income

~40mn tax payers benefitted; eff. impact: USD 11bn (0.3% of GDP)

40K units to be completed under SWAMIH fund 2

TCS/TDS rationalization for better compliance

2

Incentivizing manufacturing

MSME Credit guarantee cover : 50mn to 100mn

Revision of customs duties in electronics, medicine etc.

183 provisions decriminalized increasing EoDB 2.0

Increase in PLI allocation for Electronics, Textiles

3

Expenditure

Jal Shakti (93% YoY), Rural Housing (70% YoY)

Asset monetization plan 2030 to plough back INR 10tn

75k additional seats for medical institutes by 2030

Defence (12.8%), Health (10%), Edu (12%)

4

Fiscal: Debt-to-GDP

New Income tax code to reduce current code to half

Fiscal deficit target set at 4.4% of GDP in FY26 BE

Small savings borrowings reduced by 17% YoY

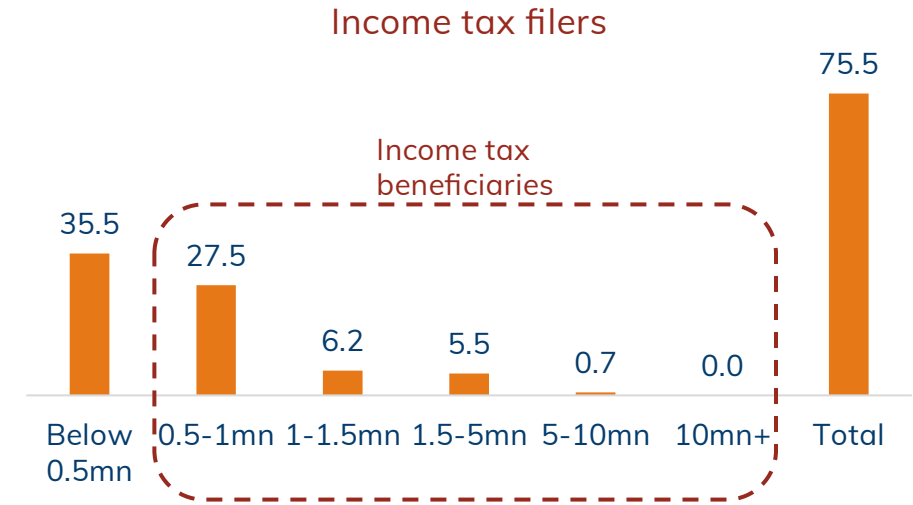
Target to control debt to GDP by FY31 will be 50% (+/-1%)

Sustainable Growth



Union Budget FY26 revised slabs under New Tax Regime

Changes in new tax regime			
Old slab and rates		Proposed slab and rates	
Tax exempt income under 87-A (INR mn)	0.7	Tax exempt income under 87-A (INR mn)	1.2
Total income (INR mn)	Tax rate (%)	Total income (INR mn)	Tax rate (%)
≤ 0.3	-	≤ 0.4	-
0.3-0.7	5	0.4-0.8	5
0.7-1.0	10	0.8-1.2	10
1.0-1.2	15	1.2-1.6	15
1.2-1.5	20	1.6-2.0	20
>1.5	30	2.0-2.4	25
		>2.4	30

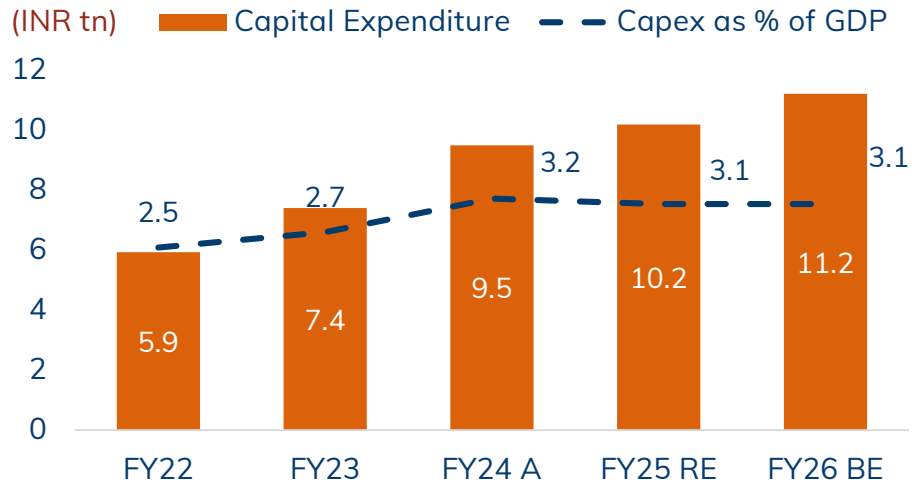
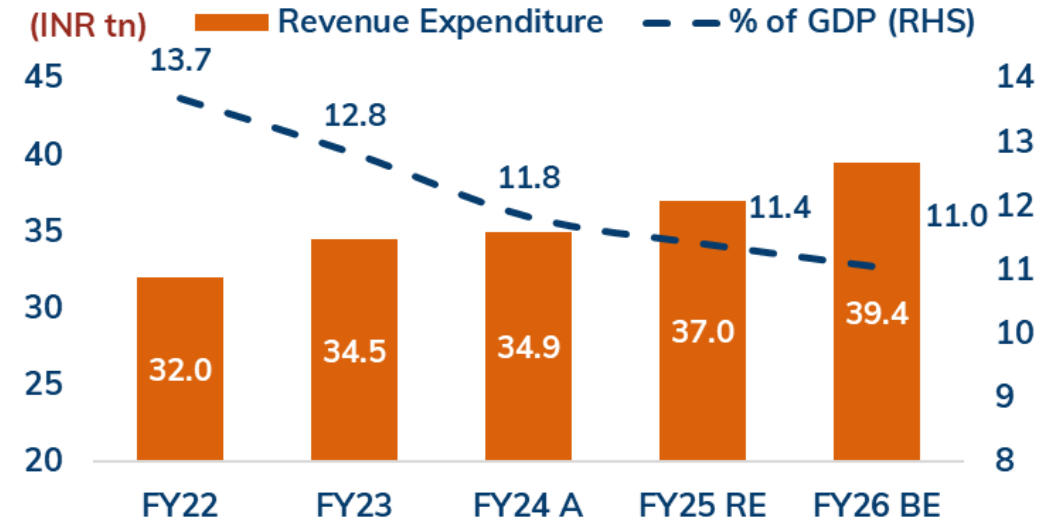
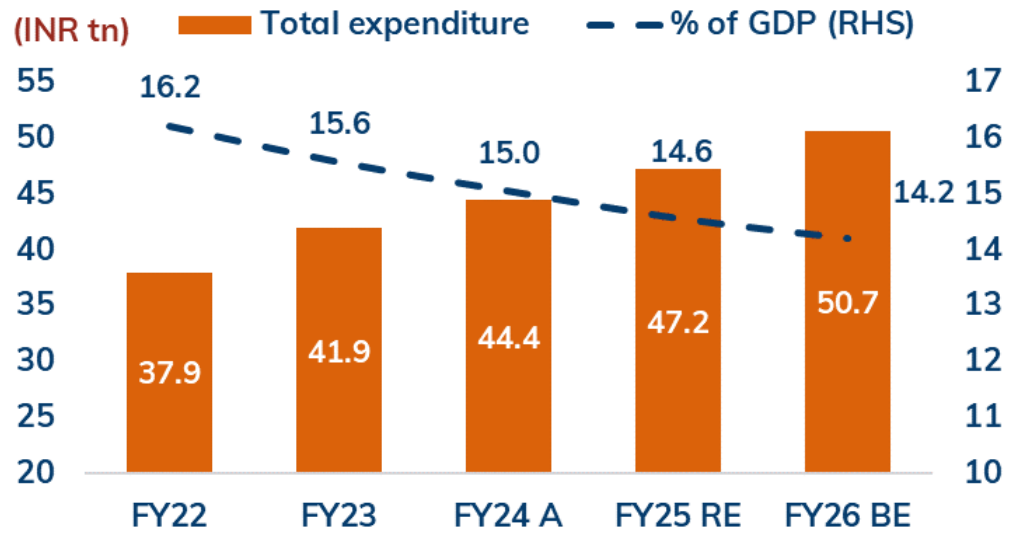


- Income boost to urban consumers through change in income tax structure of 40mn income tax filers of the country
- The tax forgone as a result is around INR 1tn. Estimating a marginal propensity to consume of 0.77, this in itself implies a boost of 0.2% to the GDP in FY26
- This should revive urban consumption and increase domestic capacity when global growth is slowing
- Income Tax Code to be introduced soon which would reduce the current income tax code in size by half, reduce litigation and improve the Ease of Doing Business

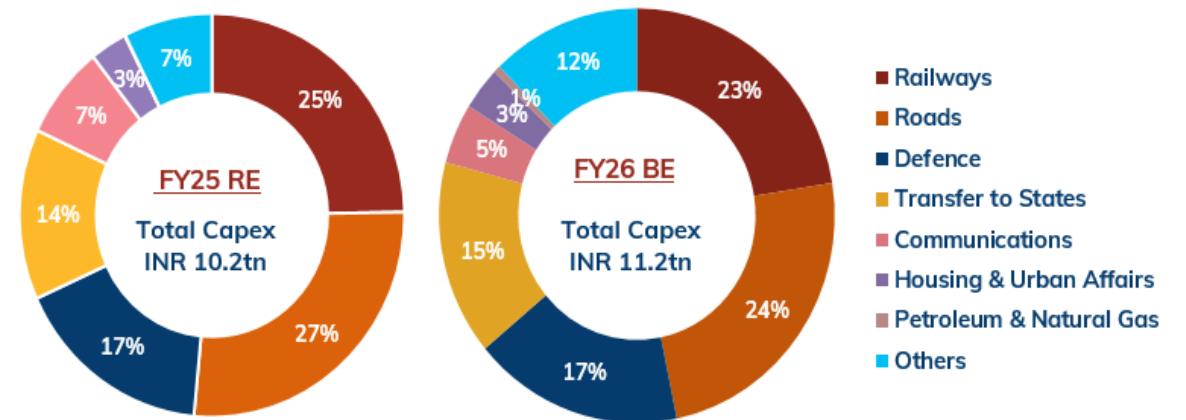
Items	Existing income-tax act, 1961	Proposed in the income-tax bill, 2025
Words ('000)	513	260
Chapters	47	23
Sections	819	536
Tables	18	57
Formulae	6	46



Expenditure to grow at a moderate pace of 7.4% in FY26...



Capital Spending: Major Items



Heavy capex in the recent past led to improvement in physical infrastructure

Airports



2x (148 vs. 74) in last 10 years

Target 220 by 2025

Passenger handling capacity increased from 162mn (FY12) to 378mn in (FY23)

Ports



1.8x in 2023 vs. 2014

(1,535 vs. 871 MTPA)

Average TAT improved to 48hrs (FY23) from 82hrs (FY17)

Railways



2.5x Rail Network Electrified in 10 years

(85% vs. 33%)

DFC – Rail has increased to 24hrs (FY23) from 72hrs (FY18)

Roads



2x in last 10 years

(150,000 km highway network)

Average kms/truck/day increased to 250 (FY23) from 190 (FY15)

Green Energy



2.5x in 2023 vs. 2015,

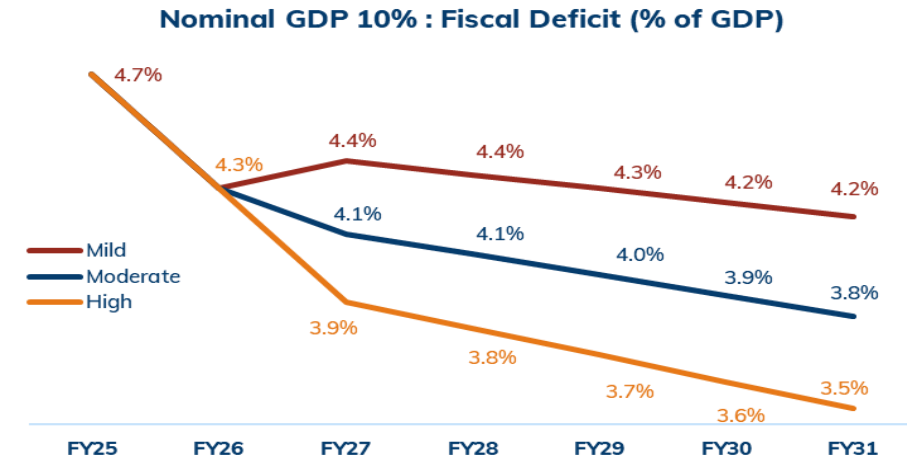
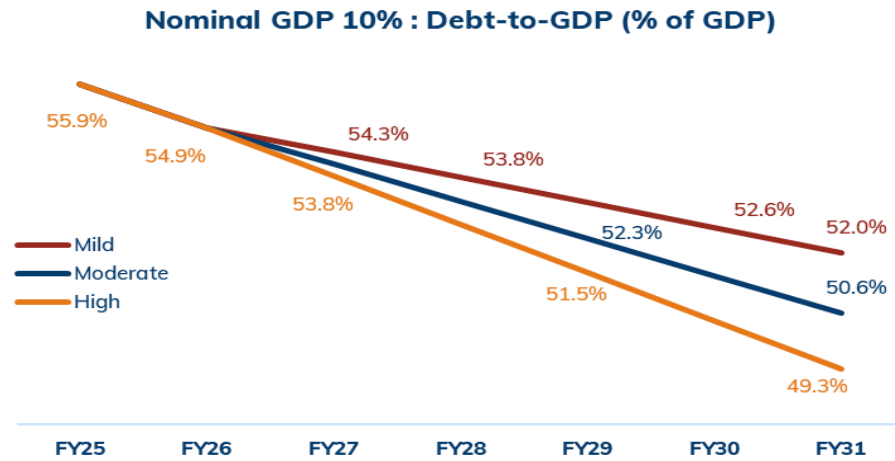
Target 500 GW by 2030

Peak power shortage reduced to NIL (FY23) from 17% (FY13)

Better Infrastructure reduce cost, improves efficiencies and allow greater scale



New fiscal anchor likely to result in slower consolidation



- The government budgeted a fiscal deficit of 4.8% of GDP in FY26 and 4.4% of GDP in FY27
- FY27 onwards, the fiscal anchor will change to debt-to-GDP as against fiscal deficit up until now
- Resultantly, fiscal consolidation is likely to be much slower going ahead. Fiscal deficit is expected to reach 3.5% of GDP under the best case scenario only by FY31 as against FY27 under the earlier regime

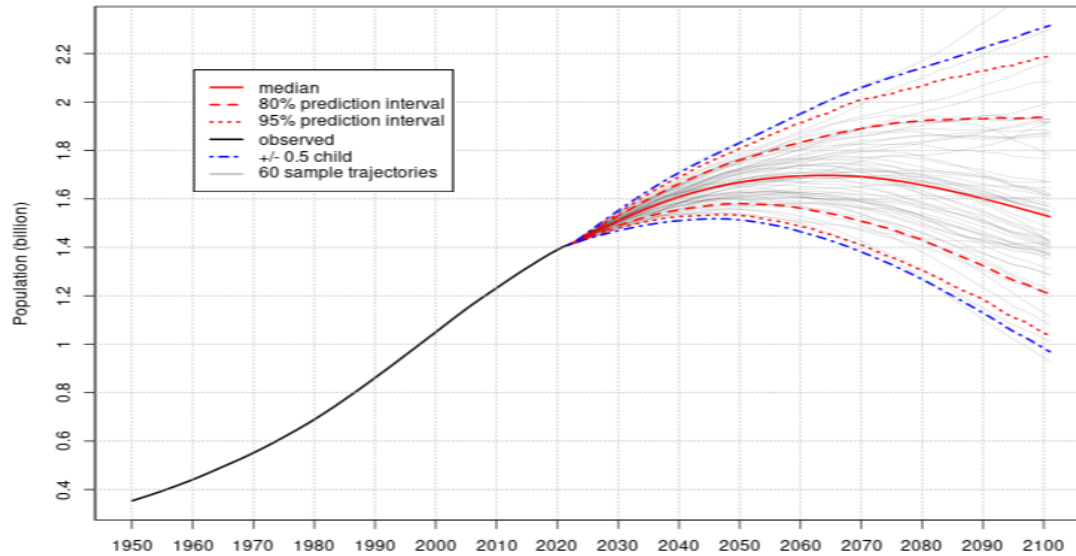




Structural Factors

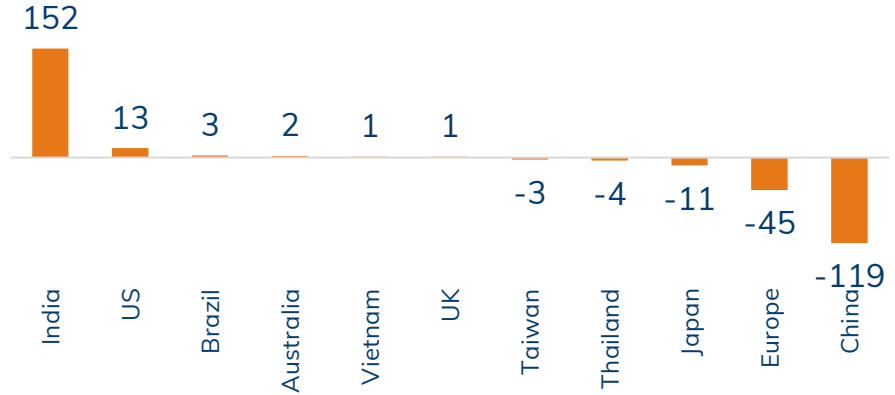
Demographic dividend, rising prosperity to drive consumption

India: Total Population

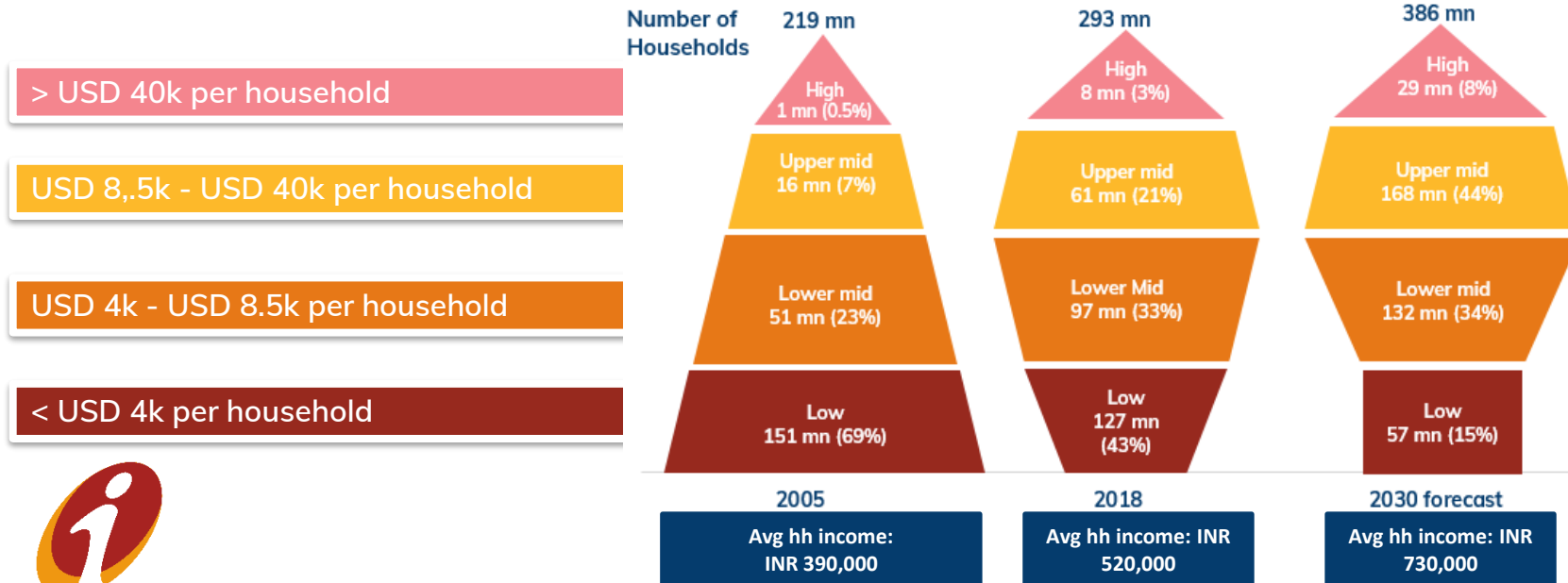


India to become the largest pool of labor supply...

Addition in 30-60 age cohort by 2045 (mn)



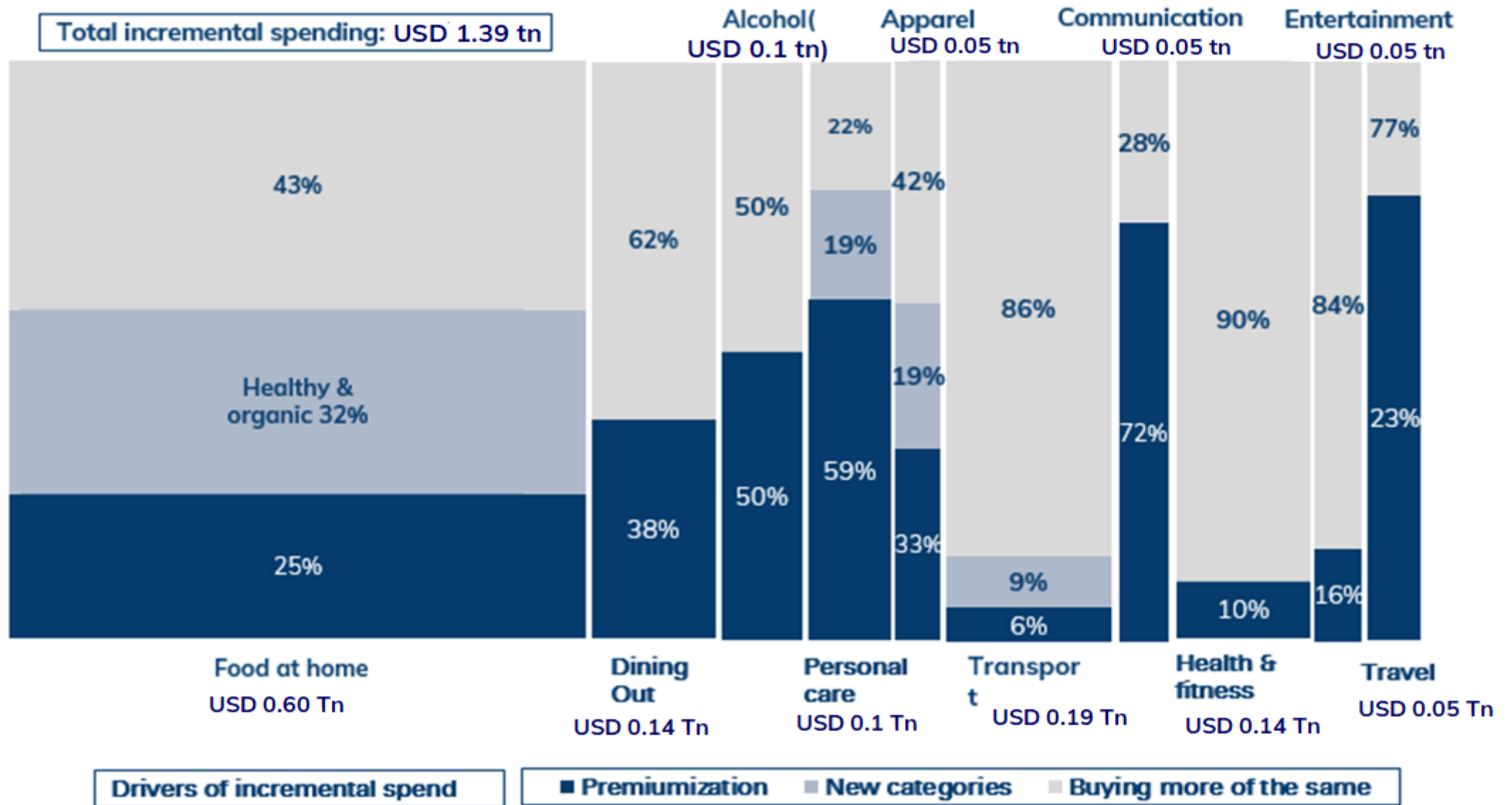
Evolution of household income-profile in India



- India's upper-mid & high income households are estimated to increase to 197mn in 2030 from 69mn in 2018
- Consumption of this segment is estimated to increase to USD 3.6tn in 2030 from USD 0.6tn in 2018



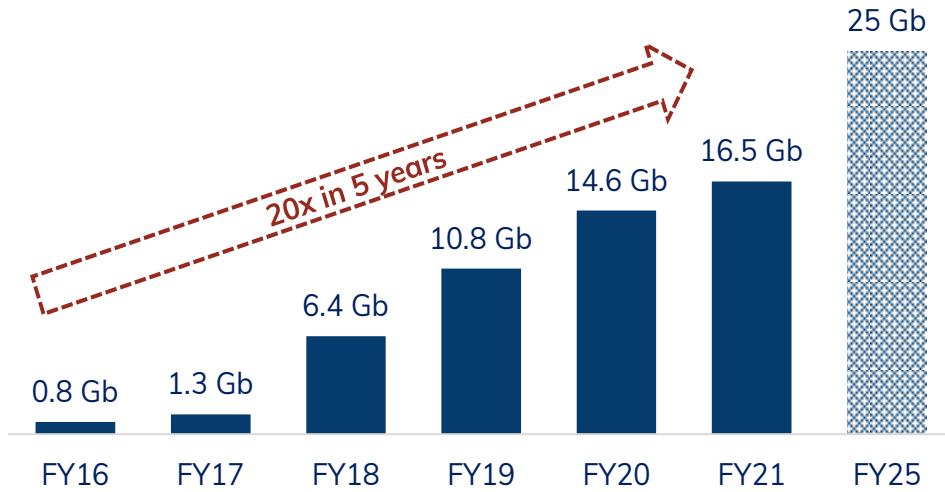
Drivers of incremental consumption (FY23-FY27)



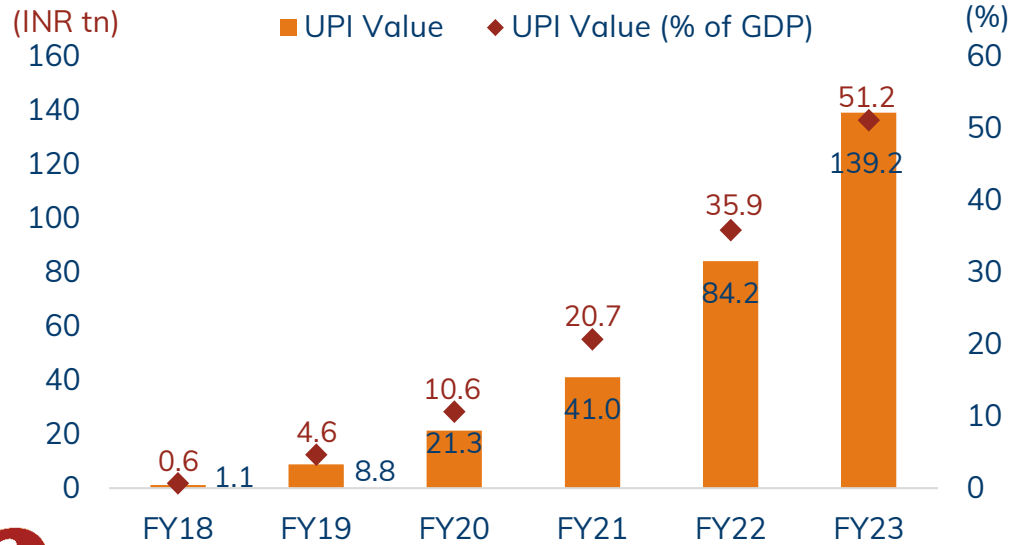
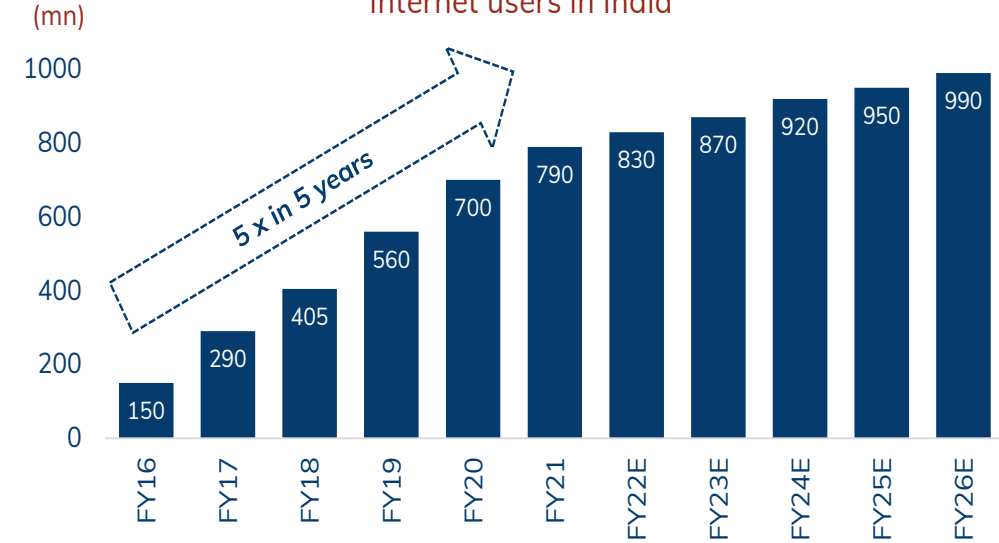
Source: World Economic Forum, ICICI Bank Research

Digital infrastructure witnessing exponential growth

Mobile data usage



Internet users in India



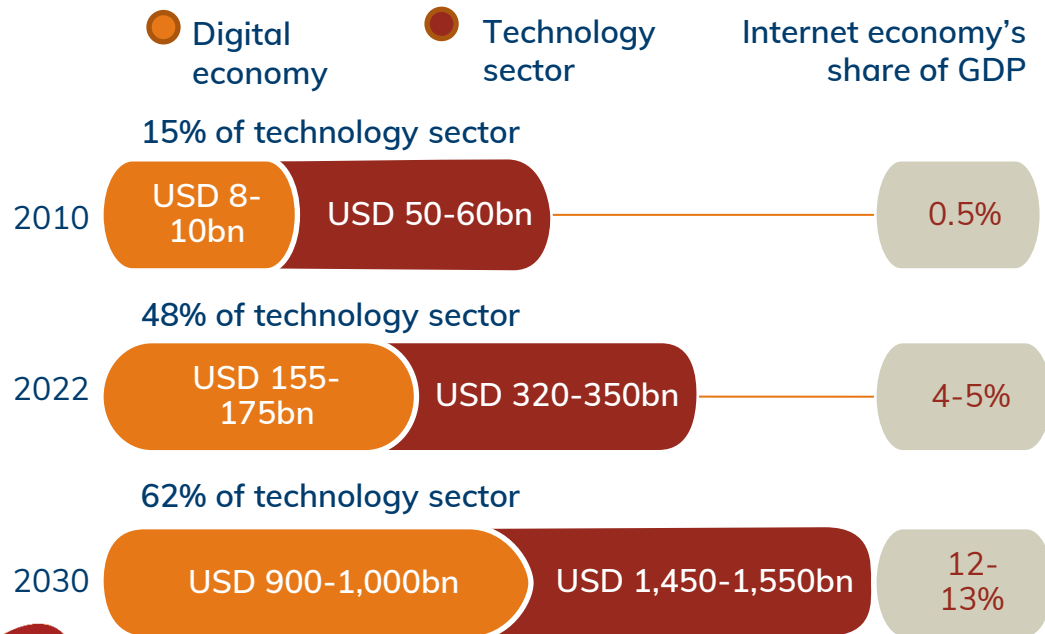
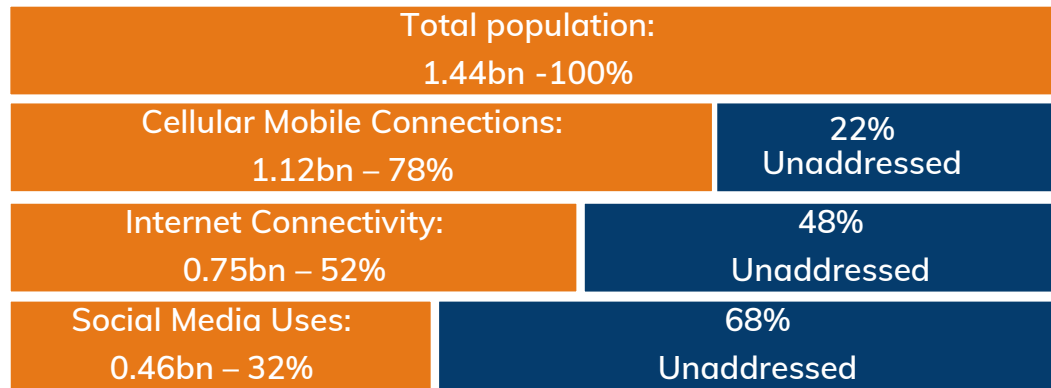
Smart Phone Users



Digital Payments

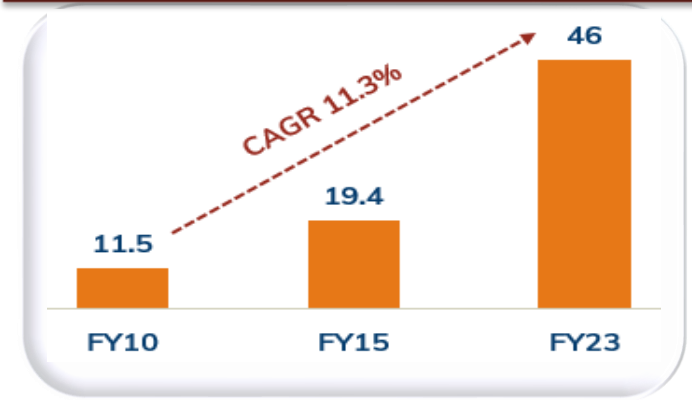


USD 1tn opportunity: Digital economy



Market Size (USD bn)	2022	2030	Growth by 2030
E-commerce	75	380	5x
Online Travel	15	60	4x
Online Media	9	50	6x
Food Delivery	9	40	4x
Ed-Tech	5	25	5x
Ride-hailing	5	20	4x
Health-tech	2	25	13x
Others	45	300	7x
Total	165	900	6x

GCCs growing faster than IT firms



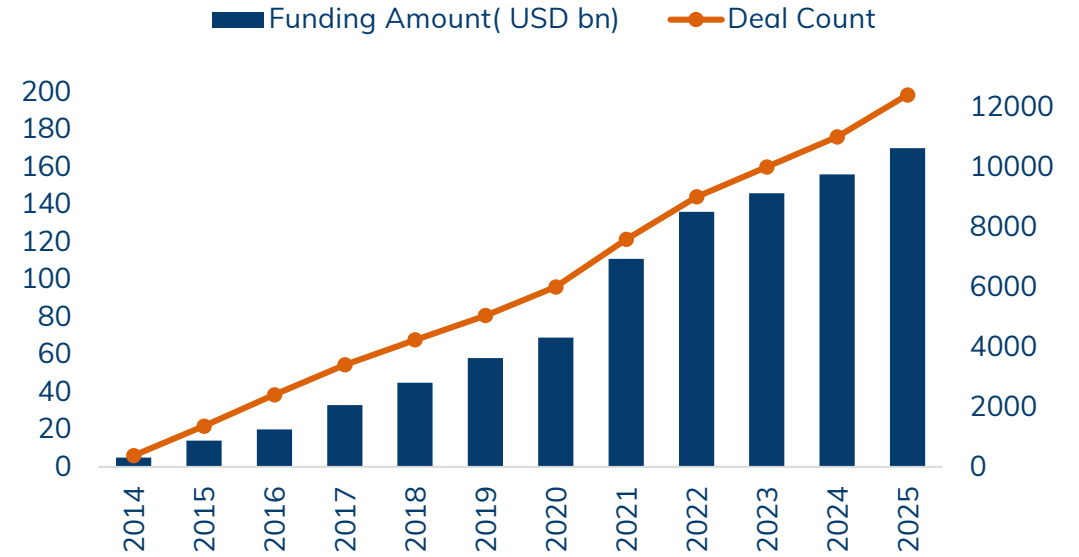
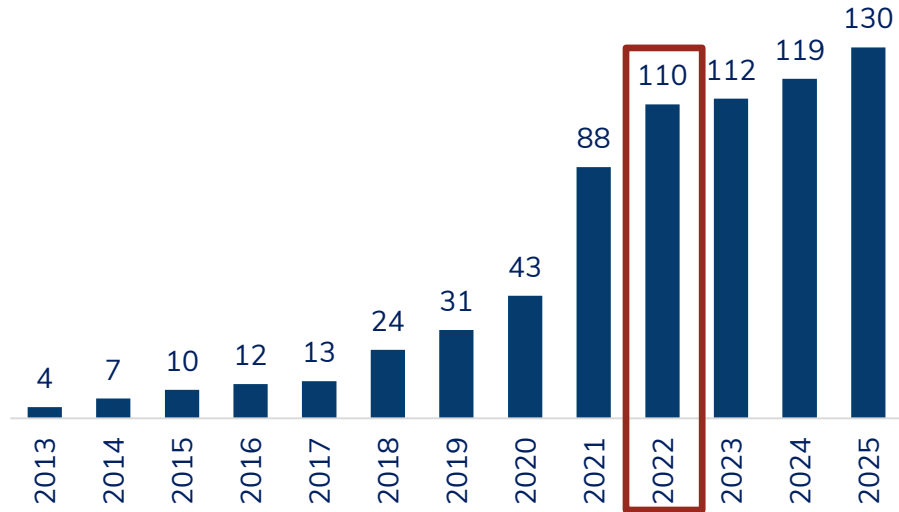
Estimated revenue in FY30: USD 110bn



Source: Finextra for Global payments, Boston Consulting Group for India Payments, Other reports: IBEF, McKinsey report, Datareportal Research & Markets, HindustanTimes, Techcircle

USD 1tn opportunity: A thriving start up ecosystem

Indian Unicorn Startups

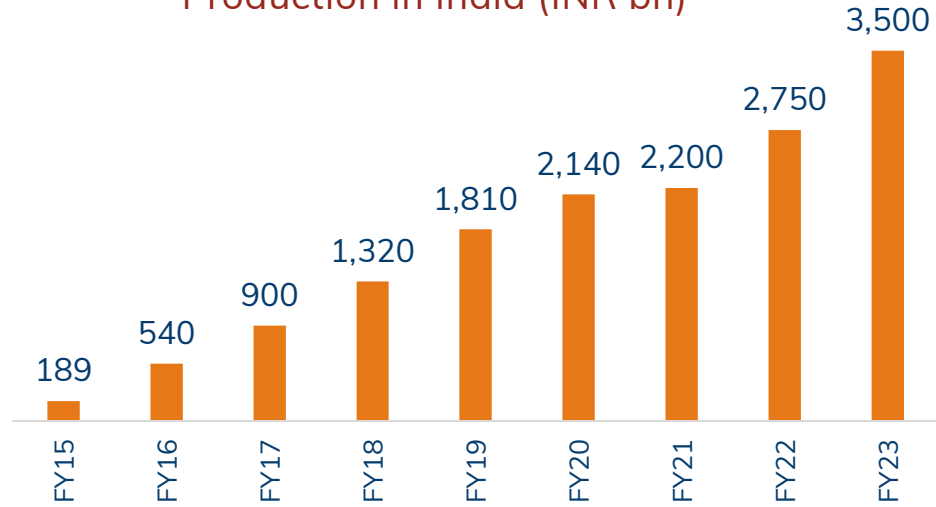


Employment	1.3mn total jobs created so far	390k jobs created in 2023	A quarter of jobs created in the last decade	50mn new jobs to be created until 2030	5mn new jobs, 10mn gig workers, 35mn indirect jobs
	GDP	10-15% of GDP growth during FY15-FY23	USD 140bn of economic value in FY23	4% of GDP in FY23	To add USD 1tn to the economy by 2030



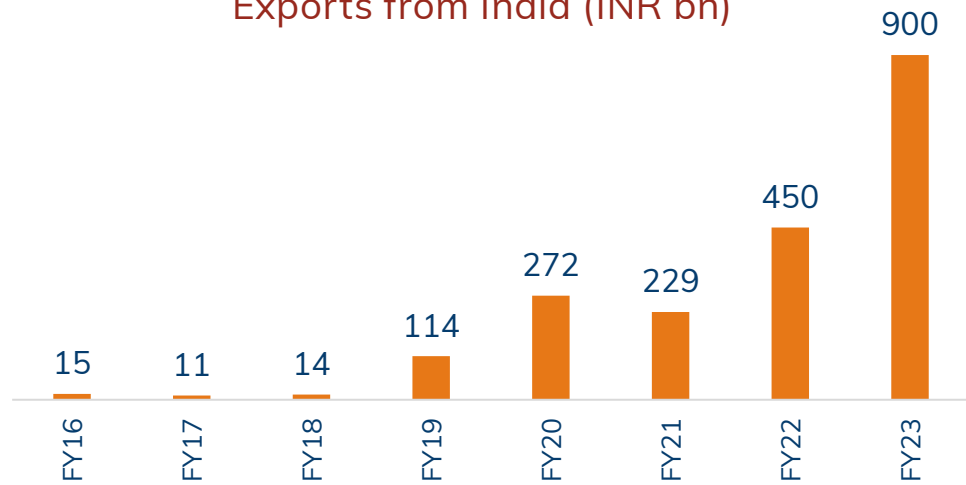
PLI Success Story: Mobile Phones

Production in India (INR bn)



Year	Models	Global Shipment Share (%)
2017	iPhone SE (1st Gen)	1%
2018	iPhone 6S	1%
2019	iPhone 7 & XR	1%
2020	iPhone 11, SE (2nd Gen)	2%
2021	iPhone 12	3%
2022	iPhone 13 & 14	7%
2023	iPhone 15	10%

Exports from India (INR bn)



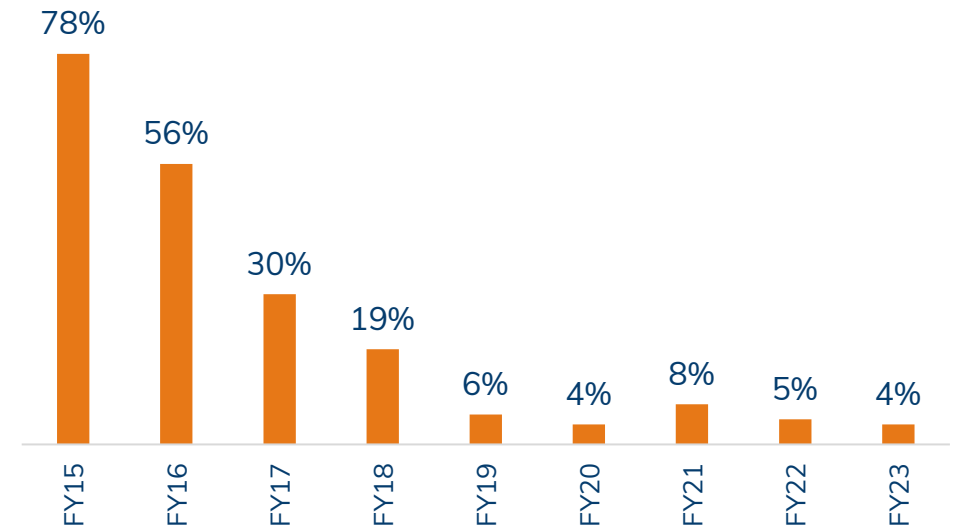
Export Rank

178 239 19 19 8 9 9 5



Source: JM Finance

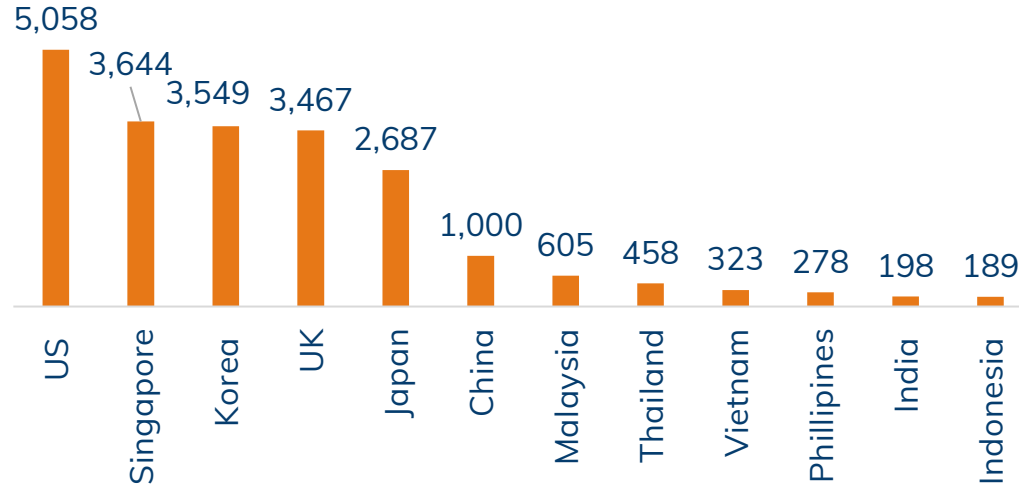
Imports as a % of Total Market Value



Largest source of cost-effective skilled labor supply

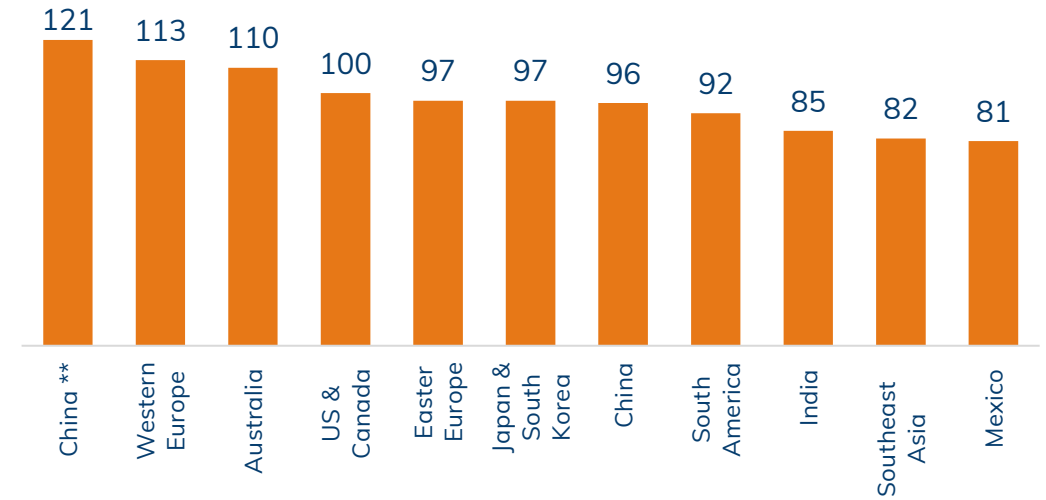
Mfg wages in India one of the lowest in the world

Average Monthly Earnings of Employees in Manufacturing Sector (US\$)



Manufacturing in India is 15% cheaper relative to US

BCG Global Manufacturing Cost Competitiveness Index (Landed cost: 2022)



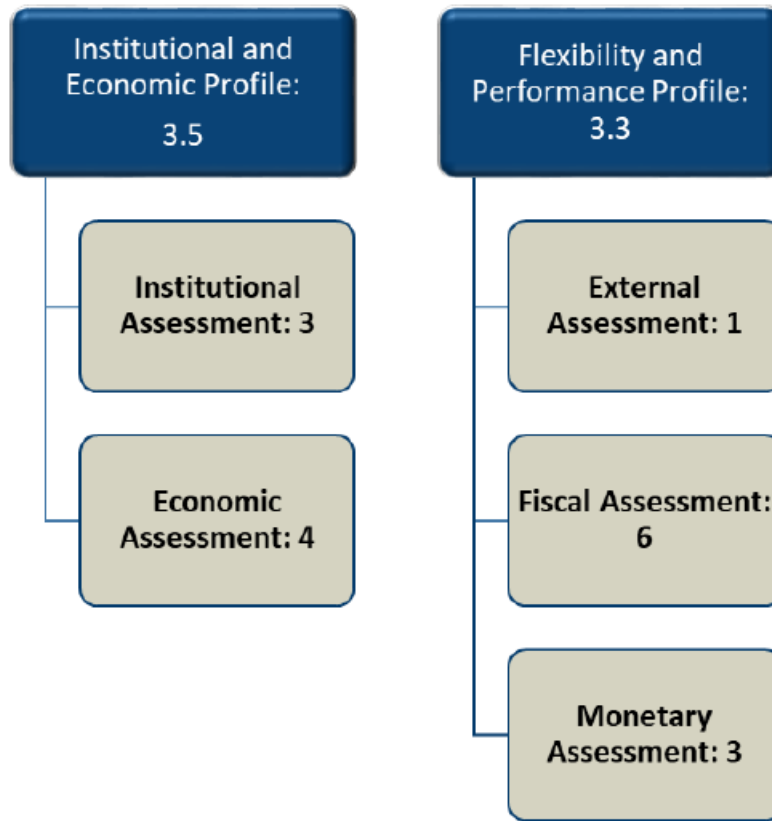
India score high against peer Asian manufacturing nations

Country	Labor Cost (\$ per hour)	Working Age population	STEM graduates	English speaking graduates
India's Rank	2	1	1	1



Source: UN, Jefeires, ILO, UBS, Bloomberg, US International Trade commission, BCG Analytics, ICICI Bank Research
China includes US code 301 traffic on Chinese imports

Rating upgrade a strong possibility in the near term

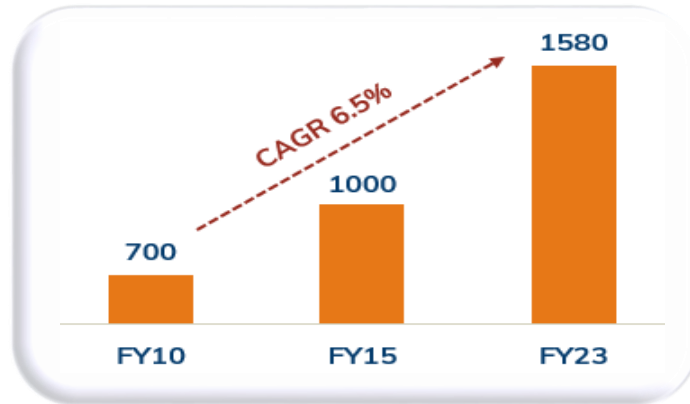


		Institutional and Economic Profile										
Flexibility and Performance Profile	Category	Superior	Extremely Strong	Very Strong	Strong	Moderately Strong	Intermediate	Moderately Weak	Weak	Very Weak	Extremely Weak	Poor
	Category	Assessment	1	1.5	2	2.5	3	3.5	4	4.5	5	5.5
Extremely Strong	1 to 1.7	AAA	AAA	AAA	AA+	AA	A+	A	A-	BBB+	BB+	BB-
Very Strong	1.8 to 2.2	AAA	AAA	AA+	AA	AA-	A	A-	BBB+	BBB	BB+	BB-
Strong	2.3 to 2.7	AAA	AA+	AA	AA-	A	A-	BBB+	BBB	BB+	BB	B+
Moderately Strong	2.8 to 3.2	AA+	AA	AA-	A+	A-	BBB	BBB-	BB+	BB	BB-	B+
Intermediate	3.3 to 3.7	AA	AA-	A+	A	BBB+	BBB-	BB+	BB	BB-	B+	B
Moderately Weak	3.8 to 4.2	AA-	A+	A	BBB+	BBB	BB+	BB	BB-	B+	B	B
Weak	4.3 to 4.7	A	A-	BBB+	BBB	BB+	BB	BB-	B+	B	B-	B-
Very Weak	4.8 to 5.2	BBB	BBB	BBB-	BB+	BB	BB-	B+	B	B	B-	B-
Extremely Weak	5.3 to 6	BB+	BB+	BB	BB-	B+	B	B	B-	B-	B-	B-

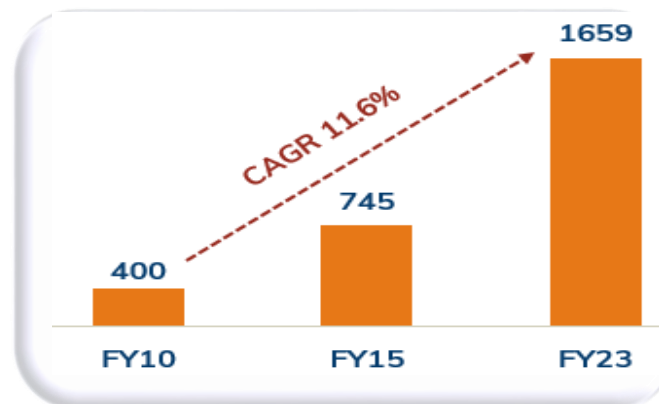


GCCs growing faster than IT firms, ~2/3rd being set up by US firms

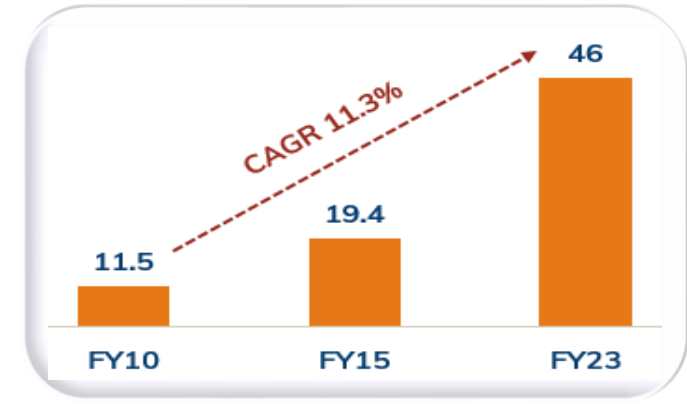
GCCs are a clear case study of integration with world economy driving higher income in India



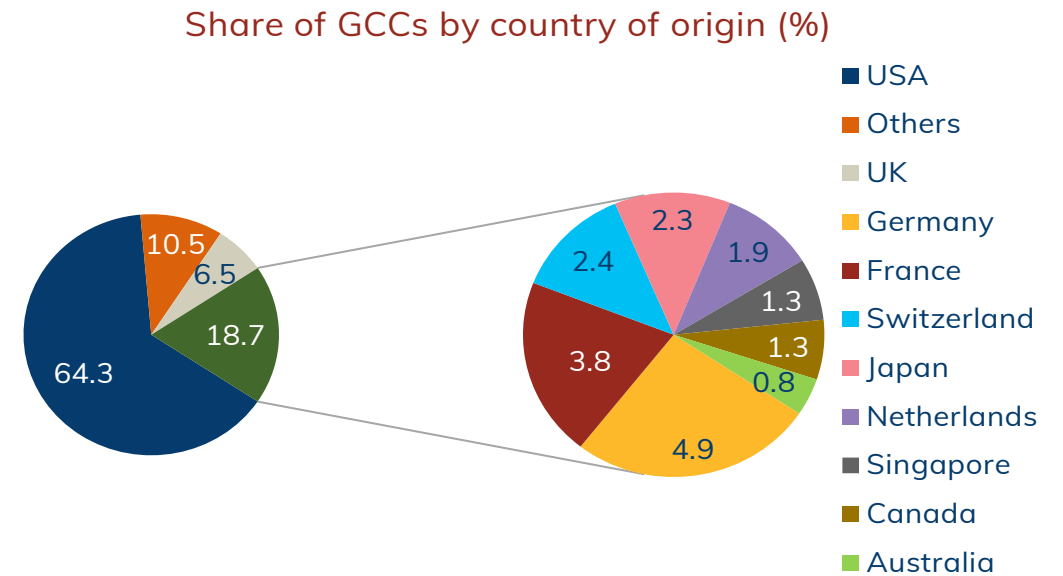
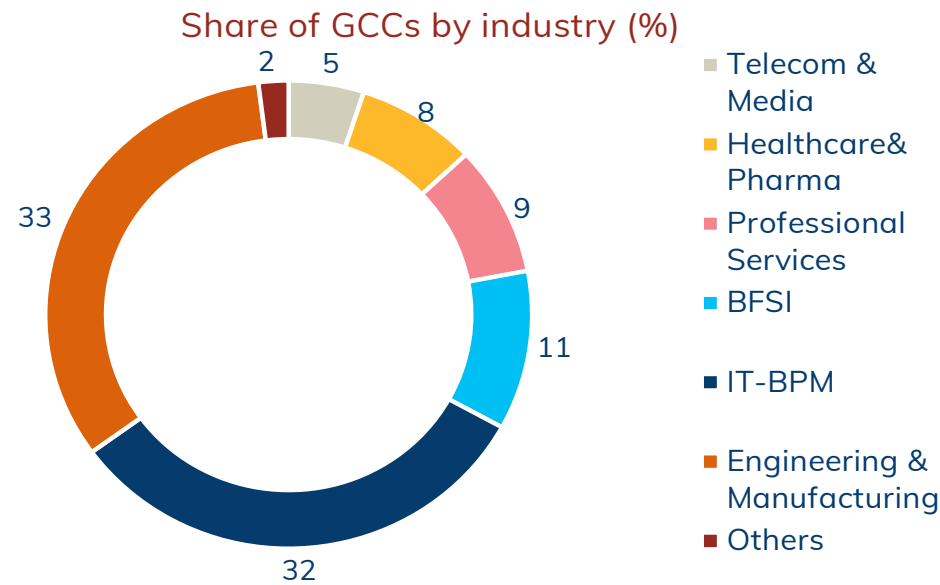
Estimated no of GCC in FY30: 2400



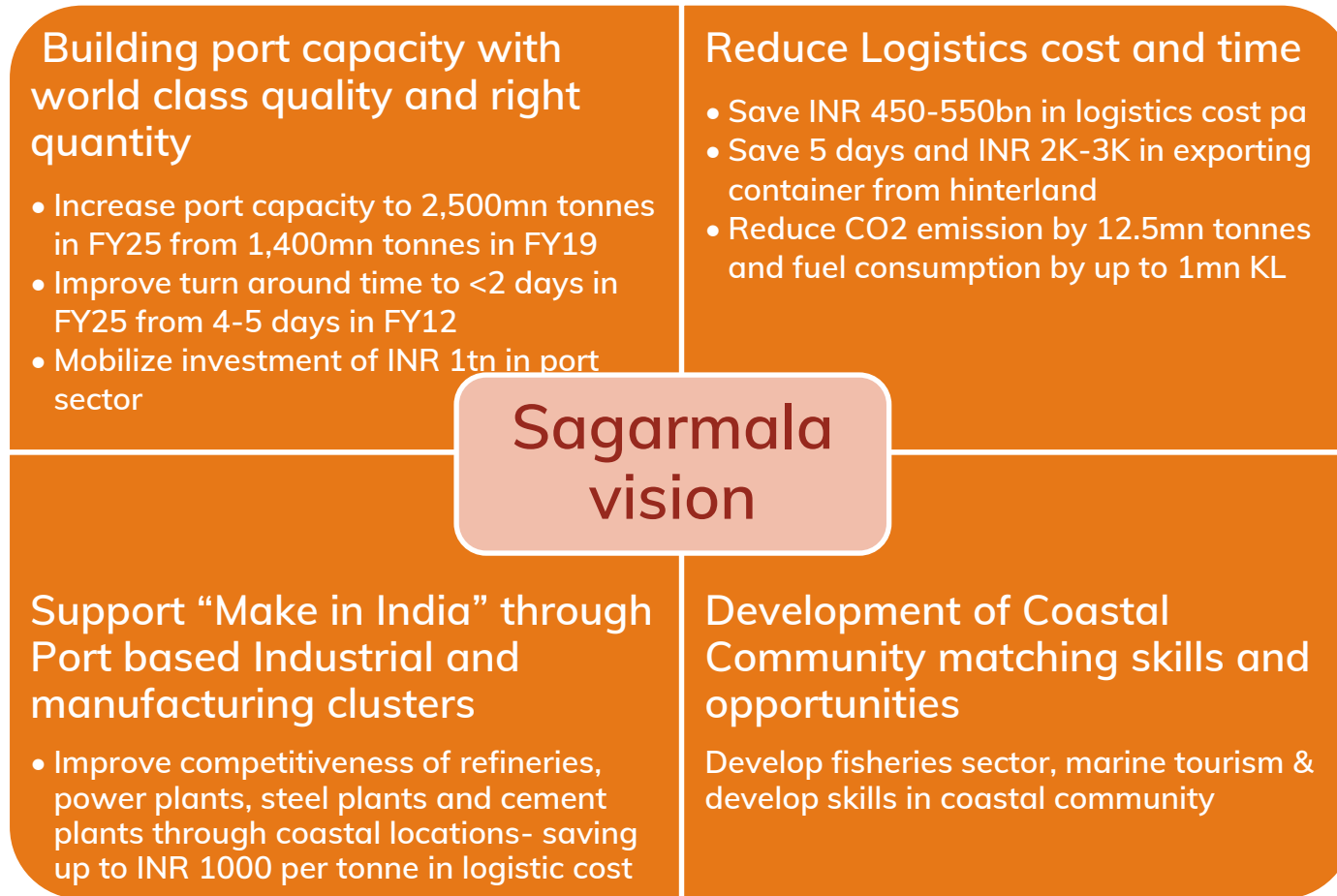
Estimated no of employees in FY30: 4.5mn



Estimated revenue in FY30: USD 110bn



Maritime Amrit Kaal Vision, 2047



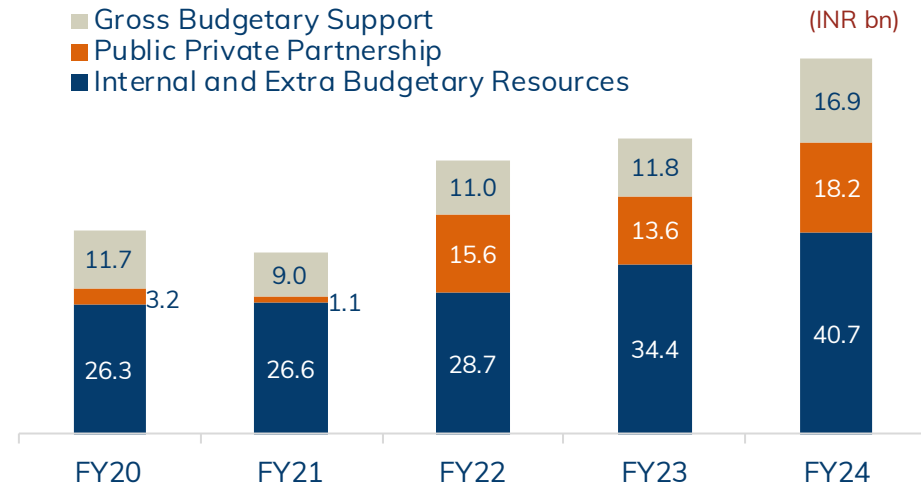
Maritime Amrit Kaal Vision

- Proposed investment of INR 80tn until 2047
- Four port clusters with capacity => 300 MTPA and two port clusters with capacity => 500 MTPA
- 500 MTPA: Deendayal and Tuna Tekra Port Cluster; Jawaharlal Nehru – Vadhavan Port Cluster (Western India)
- 300 MTPA: Cochin – Vizhinjam Port Cluster; Galathea South Bay Port; Chennai – Kamarajar – Cuddalore Port Cluster; Paradip and Other Non-Major Ports Cluster (Southern and Eastern India)
- Increase modal share of coastal shipping and inland waterways to 500 MTPA in 2047 (12%) from 109 MTPA (6%) in 2022



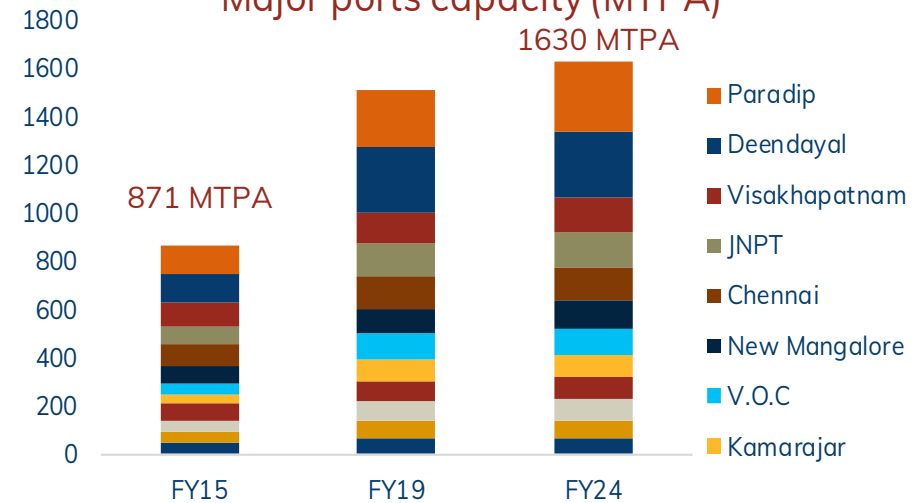
Port capex funded primarily through IEBR

Govt capex towards ports, shipping, and waterways

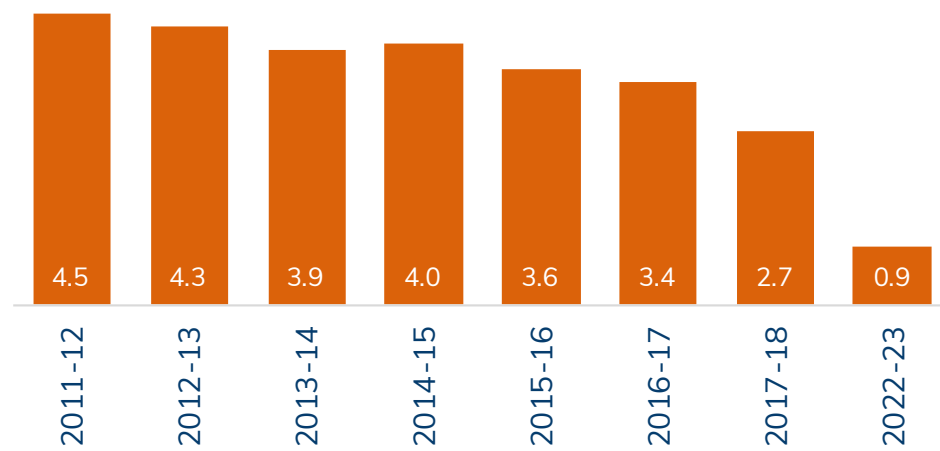


Note:- in FY25, the government has budgeted INR 24bn towards the ministry

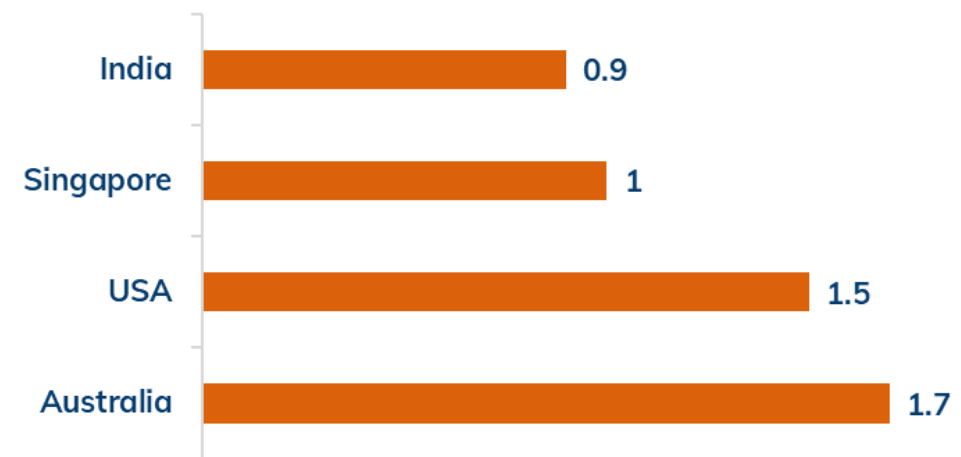
Major ports capacity (MTPA)



Turn around time (days)

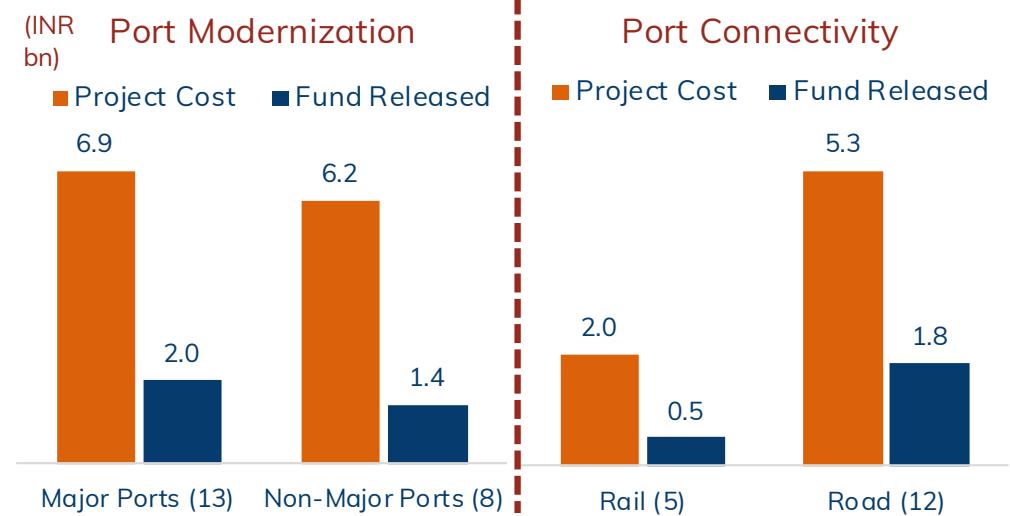
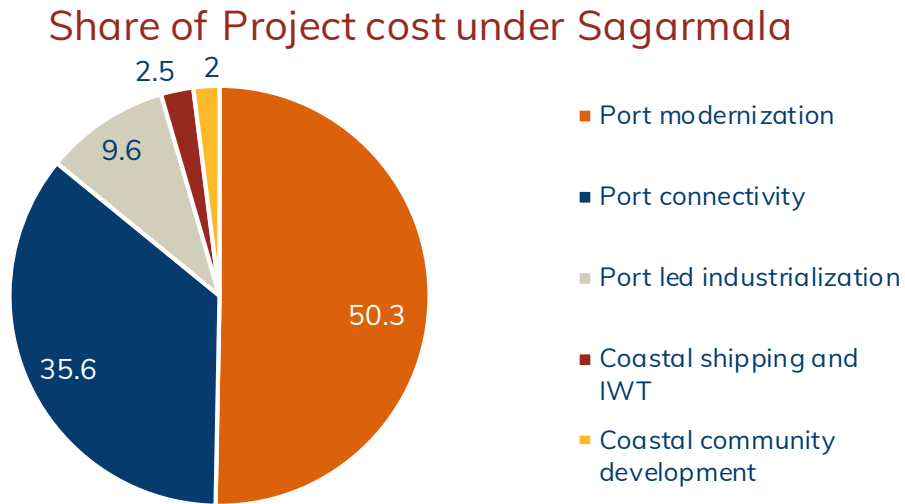


Ports "Turn Around Time" (days)

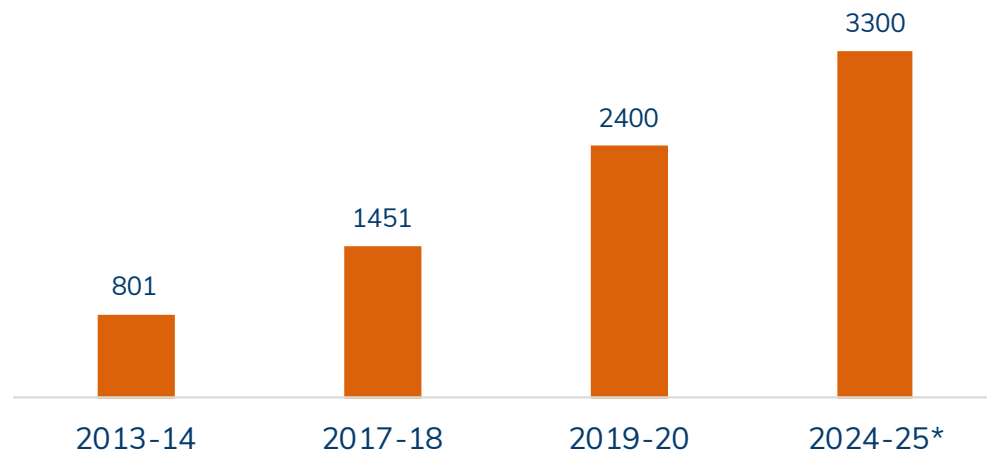


Note: Turn around time is the time that is taken between the arrival of a vessel and its departure
 Source: Economic Survey, MoPSW, sagarmala.gov.in, PIB and ICICI Bank Research

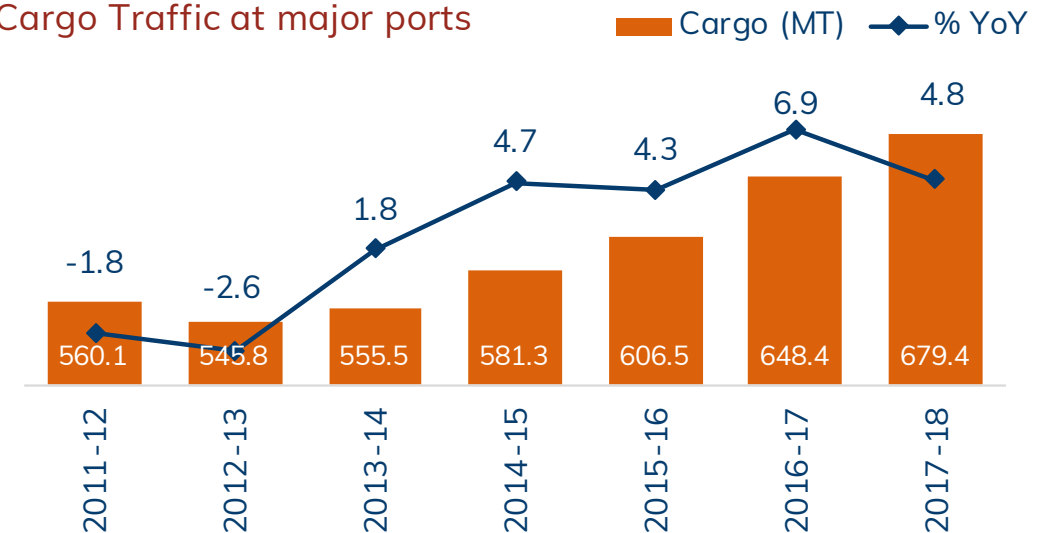
Half of the funds spent on port modernization



Cargo handling capacity (MMTP)

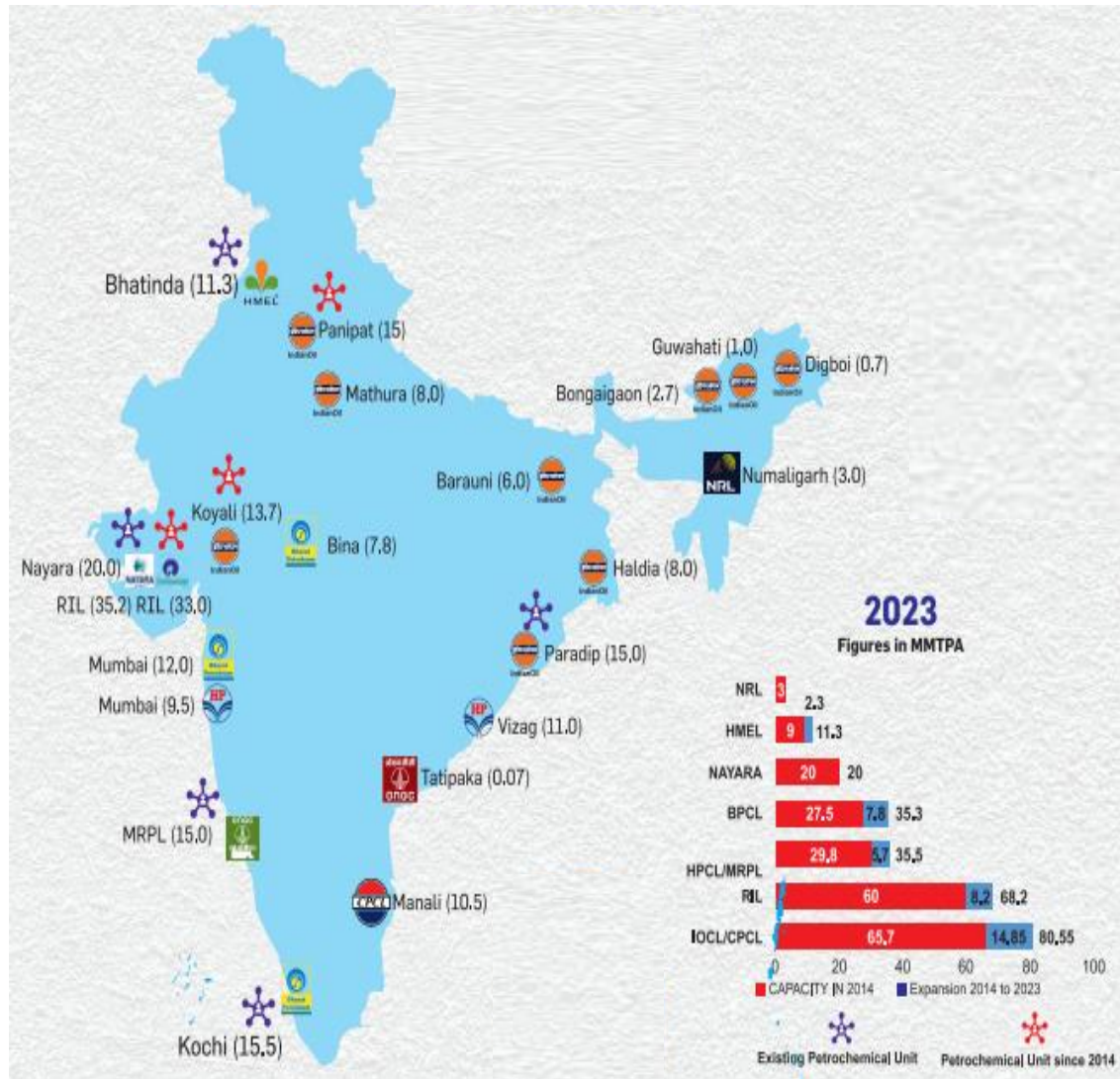


Cargo Traffic at major ports

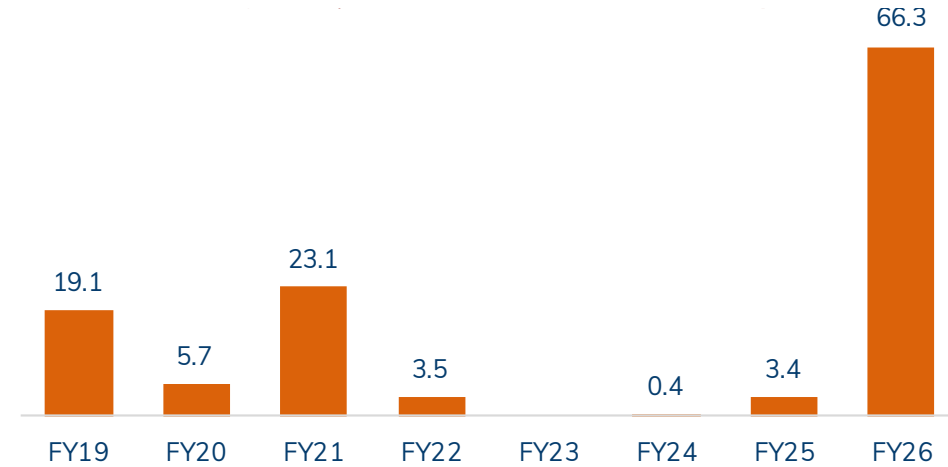


Source: MoPSW, sagarmala.gov.in, PIB and ICICI Bank Research

India 4th largest refiner in the world



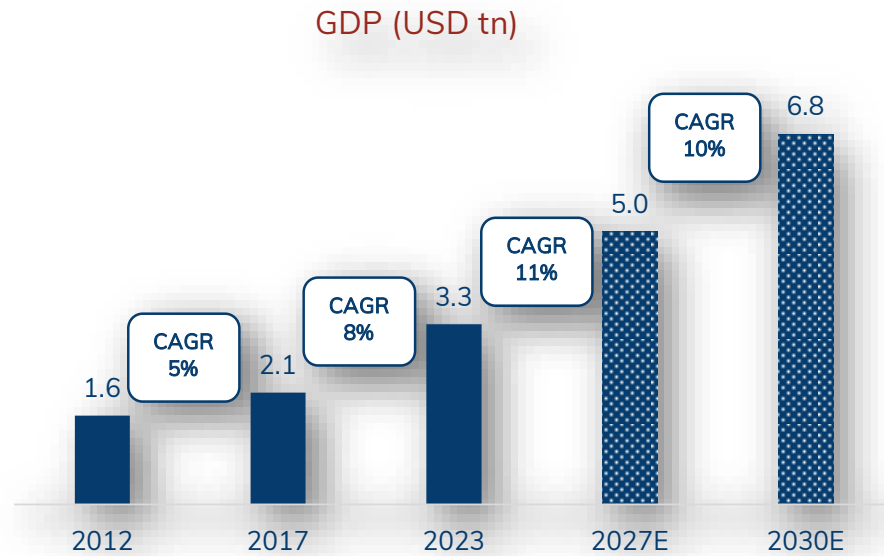
Capex Allocation of Ministry of Petroleum and Natural Gas (INR bn)



- 22 Operating Refineries, with total refining capacity of 256.8 MMTPA vs 215.07 MMTPA in 2014
- Refining capacity addition of 41.73 MMTPA in 2014-2024
- 18 refineries are in public sector, three are in private sector and one as a joint venture
- Out of the total refining capacity of 256.8 MMTPA, 157.3 MMTPA is in the public sector, 11.3 MMTPA in joint venture, and the balance 88.2 MMTPA is in the private sector
- Refining capacity is likely to increase from 256.80 MMTPA to 309.50 MMTPA by 2028



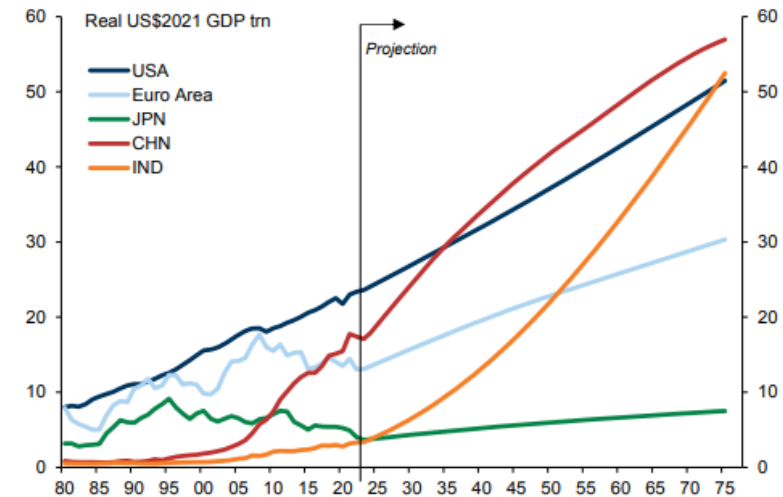
India set to become the second largest economy in the world by 2075



	Current	Projected	Advanced Economy (IMF)	High-income Country (WorldBank)
	FY21	FY22	FY48	FY48
Nominal GDP (USD bn)	3,150	3,388	49,069	35,025
Nominal Per Capita GDP (USD)	2,302	2,450	30,351	21,664
Required Nominal GDP (USD bn) CAGR (%)	-	-	11.3%	9.8%
Required Nominal Per Capita GDP (USD) CAGR (%)	-	-	10.6%	9.1%

Ranking	1980	2000	2022	2050	2075
1	United States	United States	United States	China	China
2	Japan	Japan	China	United States	India
3	Germany	Germany	Japan	India	United States
4	France	United Kingdom	Germany	Indonesia	Indonesia
5	United Kingdom	France	India	Germany	Nigeria
6	Italy	China	United Kingdom	Japan	Pakistan
7	China	Italy	France	United Kingdom	Egypt
8	Canada	Canada	Canada	Brazil	Brazil
9	Argentina	Mexico	Russia	France	Germany
10	Spain	Brazil	Italy	Russia	United Kingdom
11	Mexico	Spain	Brazil	Mexico	Mexico
12	Netherlands	Korea	Korea	Egypt	Japan
13	India	India	Australia	Saudi Arabia	Russia
14	Saudi Arabia	Netherlands	Mexico	Canada	Philippines
15	Australia	Australia	Spain	Nigeria	France

GDP level projections in Real (2021) USD trillion





Thank you