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India UNWRAPPED WEEKLY

RESERVE BANK OF INDIA

NEWSFLASH

04th May - 10th May

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INDIA BETTER POSITIONED THAN MANY DURING ENERGY SHOCK

India is relatively better positioned than several economies during the ongoing global energy shock due to stable domestic demand and diversified energy sourcing. However, economists warn that rising crude oil prices and geopolitical tensions in West Asia could increase inflation, widen the fiscal deficit, and pressure the rupee. Higher fuel import bills may also affect consumer spending and industrial growth. Experts suggest that prolonged oil price volatility could impact India’s economic stability

SOARING LPG COSTS PUSH BENGALURU MSMES INTO 20-30 % LOSS

Rising LPG prices have severely impacted Bengaluru-based MSMEs, especially restaurants, bakeries, and small manufacturing units, leading to losses of nearly 20–30 percent. Business owners stated that increasing fuel costs have significantly raised operating expenses while customer demand remains weak. Many enterprises are struggling to maintain profitability and are unable to fully pass on the increased costs to consumers. Industry representatives have requested government support, subsidy relief, or pricing intervention to help small businesses survive amid continuous inflationary and energy-related pressures.

GLOBAL JITTERS KEEP FPIS ON EDGE, ₹14,231 CRORE PULLED OUT IN MAY

Foreign Portfolio Investors (FPIs) withdrew ₹14,231 crore from Indian markets in May due to global uncertainty, rising geopolitical tensions, and concerns over high oil prices. Investors remained cautious amid fears of inflationary pressure and slower global economic growth. Market experts believe that persistent volatility in international markets and rising US bond yields have reduced investor confidence in emerging economies like India.

INDIA'S APRIL CONSUMER INFLATION LIKELY ROSE TO 3.8% AS HIGHER FUEL COSTS WEIGH

India's consumer inflation for April was estimated to rise to 3.8 percent, mainly due to higher fuel and transportation costs linked to rising global crude oil prices. Economists noted that increasing energy prices may affect household budgets and push up overall living expenses. Although inflation remains within the Reserve Bank of India's target range, continued geopolitical tensions and supply-side pressures could create future risks. Experts believe the central bank may continue monitoring inflation trends closely.

INDIA MAY GO SLOW ON THE TRADE PACT WITH US

India may adopt a cautious approach toward finalizing a trade agreement with the United States as discussions continue on tariffs, market access, and policy-related concerns. Officials believe that sensitive sectors such as agriculture, digital trade, and manufacturing require careful negotiation to protect domestic industries and economic interests. While both countries aim to strengthen economic ties, India is expected to prioritize long-term strategic benefits over quick decisions.

CHINA APRIL EXPORTS REBOUND STRONGLY AFTER SLUGGISH MARCH, TRADE SURPLUS WIDENS

India's energy subsidy bill rose 40% to ₹4.38 lakh crore in FY25, driven by higher power, oil, and gas support, with electricity subsidies forming the largest share. The West Asia fuel shock risks pushing LPG under-recoveries beyond ₹60,000 crore, increasing fiscal strain. Heavy reliance on imports has amplified vulnerability to price volatility, while discom finances remain stressed. Despite rising renewable support, fossil fuel subsidies still dominate, highlighting the need for better-targeted .

INDIA IS THE THIRD-LARGEST ECONOMY IN THE WORLD IN REAL TERMS

India has become the world's third-largest economy in real terms, reflecting strong economic growth, rising domestic demand, and expanding industrial and service sectors. Economists highlighted that India's consistent growth performance, digital transformation, and infrastructure development have strengthened its global economic position. The achievement demonstrates the country's growing importance in the international economy and its resilience amid global challenges.

MANUFACTURING PMI RISES TO 54.7 IN APRIL, COST PRESSURE HITS 44-MONTH HIGH

India's Manufacturing Purchasing Managers' Index (PMI) increased to 54.7 in April, indicating strong expansion in factory activity and production levels. Growth was supported by rising domestic demand, improved business confidence, and higher new orders. However, manufacturers also faced the highest cost pressures in 44 months due to rising raw material and fuel prices. Economists stated that increasing input costs could affect profit margins and product pricing. Despite inflationary concerns, the manufacturing sector continues to show resilience and remains an important driver of India's economic growth.

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INDIA, CANADA BEGIN SECOND ROUND OF CEPA TRADE TALKS TO BOOST TIES

India and Canada have started the second round of negotiations for the Comprehensive Economic Partnership Agreement (CEPA) to strengthen bilateral trade and economic relations. Discussions are focusing on improving market access, reducing tariffs, and increasing cooperation across sectors such as technology, agriculture, and services. Both countries aim to enhance investment opportunities and expand trade volumes through the agreement. Experts believe successful completion of the CEPA could create long-term economic benefits.

RUPEE FALLS 28 PAISE TO 94.77 AGAINST US DOLLAR AMID WEST ASIA CONFLICT

The Indian rupee weakened by 28 paise to close at 94.77 against the US dollar due to rising geopolitical tensions in West Asia and increasing crude oil prices. Higher oil import costs and global risk aversion negatively affected investor sentiment and currency markets. Economists stated that persistent geopolitical uncertainty could continue pressuring the rupee and increase inflationary risks for India. However, strong foreign exchange reserves and stable domestic economic fundamentals may help limit excessive volatility in the currency market during periods of global instability.

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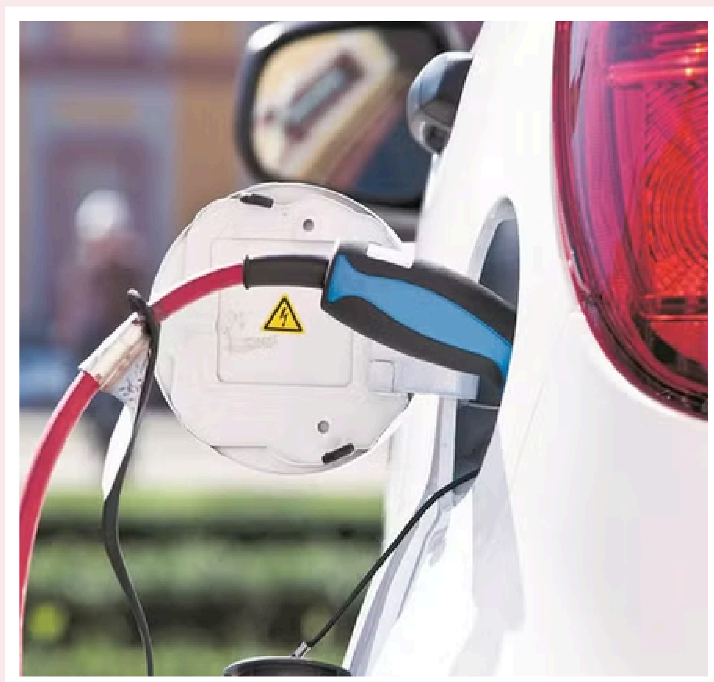
CRUDE PRICES TO STAY HIGHER FOR LONGER DUE TO IRAN WAR

The Asian Development Bank's chief economist stated that crude oil prices may remain elevated for an extended period due to the ongoing Iran conflict and geopolitical tensions in the Middle East. Prolonged high energy prices could increase inflation, disrupt global supply chains, and slow economic growth in oil-importing countries like India. Economists warned that higher fuel costs may affect transportation, manufacturing, and household spending. Governments and central banks worldwide may need to adopt cautious fiscal and monetary measures to manage economic risks.

INDIA IS BUYING MORE EVS, BUT CAN CHARGING INFRA KEEP PACE WITH DEMAND?

India's electric vehicle sales jumped 75.1% to 23,506 units in April, yet charging infrastructure struggles to match this rapid growth. Inconsistent station access, downtime, and a lack of residential options are creating "charging anxiety" that dampens consumer confidence. Apartment residents face the biggest hurdles due to these residential infrastructure gaps. While major investments are underway from groups like Tata and JSW, expanded urban planning is essential to support India's long-term EV ambitions.



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