

EconomyWatch for the week ending on 30th May 2025

***India's industrial growth falls to 2.7% in April**

With poor performance of mining and electricity, growth of the factory output — based on Index of Industrial Production (IIP) — came down to 2.7 per cent in April as against 3 per cent in March, the government reported on 28th May . Experts believe the decline in the growth rate is expected to continue. According to a government statement, the growth rates of mining, manufacturing and electricity sectors for April were (-)0.2 per cent, 3.4 per cent and 1.1 per cent, respectively. Within the manufacturing sector, 16 out of 23 industry groups recorded a positive growth in April 2025 over April 2024. Capital goods output rose 20.3 per cent, aided by a supportive base, while infrastructure/ construction output showed some moderation compared to the earlier months. Experts said that global uncertainty and movement of the monsoon will shape the growth path in coming months. Though the US has put the reciprocal tariffs on a 90-day hold, global economic uncertainty is expected to persist, going forward. This is likely to weigh on both private investment and consumption impulses. The daily power generation fell 4.1 per cent y-o-y as of May 27, due to lower-than-normal temperatures resulting in a plausible contraction in electricity output in May, the highest since August 2024. Unseasonal rains could also impact the construction goods output. This along with an unfavourable base effect (May 2024: 6.3 per cent y-o-y) would keep the factory output growth under 2 per cent y-o-y in May.

***NGOs receiving foreign funds barred from publishing news content**

The Union Ministry of Home Affairs has issued a notification barring NGOs from receiving foreign funding for publishing any newspaper or news content. Such NGOs will also have to take certificates from the Registrar of the Newspaper for India to show that they do not circulate any news content. The move came months after the police action against several media platforms, which the Centre alleged were misusing foreign funding. The MHA said in its notification that it had amended the rules made under the Foreign Contribution (Regulation) Act (FCRA) to make it mandatory for NGOs seeking permission to get funding from abroad to give an undertaking that they will adhere to the Good Practice Guidelines of the Financial Action Task Force (FATF), the global watchdog for terror financing and money laundering. “Not a Newspaper” certificate from the Registrar of the Newspaper is also a must for the NGOs to submit at the time of registration. New regulations also require NGOs and similar bodies to enclose financial statements and audit reports for the last three financial years, such as statements of assets and liabilities, receipts and payments accounts, and income and expenditure accounts .If the audit reports and financial statements do not contain activity-wise expenditure for the last three financial years, a chartered accountant’s certificate specifying the activity-wise amount spent by the association, duly reconciled with the income and expenditure account and the receipt and payment account must be

submitted, the notification recommended .In case the association or the NGO is engaged in publication-related activities or if publication activities are among its aims and objectives as stated in the Memorandum of Association or trust deed, an undertaking from the chief functionary regarding compliance with the FCRA, 2010, must be given. If the NGO was previously registered under the FCRA, it will be required to submit an affidavit regarding the receipt and utilisation of foreign contributions after the expiry or cancellation of the registration certificate .If the expenditure on aims and objects is less than ₹15 lakh in the last three financial years, an affidavit regarding the inclusion of capital investments must be submitted, it said. The government stipulated that the NGOs which are seeking permission to receive foreign contribution must enclose a commitment letter from the donor, with the amount committed in the letter matching the donation amount, project report, including a detailed breakup of proposed expenses to be incurred from the foreign contribution to be received, along with a declaration that administrative expenses shall not exceed 20 per cent of the foreign contribution. All NGOs receiving foreign funds must be registered under the FCRA and must use such funds only for the purposes for which they were received.

***IPMA voices concern as paper imports cross 2 million tonnes in FY25**

The Indian Paper Manufacturers Association (IPMA) has voiced concern over the continued rise in paper and paperboard imports, which in FY25 alone saw a 33 per cent jump in volume from China. Imports from China now account for 27 per cent with ASEAN not too far behind at 20 per cent of the total imports. In value terms, the figure touched nearly ₹15,000 crore in FY25. The latest data by the Commerce Department shows that paper and paperboard imports have doubled over the past four years, reaching a record 2.05 million tonnes in FY25 compared to 1.08 million tonnes in FY21. This surge has emerged as a significant challenge for the domestic paper industry, undermining its growth potential and threatening investments in capacity expansion. In the four-year period since FY21, imports into India have grown at a CAGR of over 17 per cent in volume terms, one of the steepest increases amongst major commodities. Imports from China have increased at a CAGR of over 39 per cent, and from ASEAN at over 30 per cent. Imports of coated paper and paperboard, and uncoated writing and printing paper have more than doubled in volume terms. Apart from the overall negative impact of cheap imports on the domestic paper industry, it is making most small and medium paper mills in India commercially unviable. According to the Department for Promotion of Industry & Internal Trade (DPIIT), out of over 850-900 paper mills in the country, only 550 are currently operational. This is a serious setback to the sector, which has traditionally supported a large number of rural and small-scale livelihoods . The domestic paper industry, which has a robust manufacturing base and significant backward integration with the farm sector, plays a vital role in India's circular economy and sustainability goals. IPMA said that such a high growth in imports not only

jeopardises the domestic industry but also impacts employment generation and rural livelihoods linked to the paper value chain.

***Fake ₹500 notes at six-year high in FY25, ₹2000 counterfeits fall: RBI**

Counterfeit notes of ₹500 denomination (excluding specified banknotes) detected in the banking system rose 37.35 per cent year-on-year (YoY) to 1,17,722 in 2024–25 from 85,711 in 2023–24, the highest level in six years (since FY20), the Reserve Bank of India's (RBI's) annual report showed.

The number of counterfeit notes below ₹200 denomination also rose by 13.9 per cent YoY to 32,600 pieces. On the other hand, detection of fake ₹100 denomination notes declined nearly 23 per cent YoY to 51,069 pieces.

Fake ₹2000 denomination notes saw a steep 86.5 per cent drop to 3,508 pieces in FY25 from a five-year high of 26,035 in FY24. Last year's spike had been attributed to the withdrawal of ₹2000 notes from circulation and the large-scale processing of these notes by banks.

The RBI had announced the withdrawal of ₹2000 banknotes from circulation on 19 May 2023. The total value of these notes, which stood at ₹3.56 trillion as of the close of business on 19 May 2023, declined to ₹6,266 crore by 30 April 2025. Thus, 98.24 per cent of the ₹2000 banknotes in circulation at the time of the announcement have since been returned, the RBI said in a press release.

Despite the spike in ₹500 fakes, the overall number of counterfeit notes detected fell to 2,17,396 pieces in FY25, compared to 2,22,638 in FY24. The RBI report highlighted a continuing downward trend in the detection of counterfeit currency over recent years.

***Increased outward FDI by Indian companies 'warrants attention': Finance Ministry**

Even as Indian companies turn "cautious" on investing within the country, and the global economic scenario remains uncertain, the increased outward foreign direct investment by Indian companies "warrants attention", the Ministry of Finance has noted in a new report.

The Reserve Bank of India's data showed that, in 2024-25, Indian companies invested a total of \$29.2 billion in other countries, 75% higher than the previous year, which was a major contributor towards India's net foreign direct investment (FDI) figure falling 96% to just \$0.4 billion.

That Indian overseas direct investment increased nearly by \$12.5 billion during the year FY25, even as uncertainty reigned in the world, warrants attention, especially given their cautious attitude towards domestic investment," the Department of Economic Affairs of the Ministry of Finance noted in its Monthly Economic Review (MER) released on Tuesday

(May 27, 2025). Data from the private sector database Centre for Monitoring Economy (CMIE) shows that the Indian private sector is indeed turning more cautious about its plans, as exhibited by a rising ratio of projects cancelled versus new ones announced.

The CMIE data shows that the ratio of dropped projects to new project announcements by the Indian private sector — where a higher ratio indicates higher caution — has risen steadily to 36% in 2024-25 from 30.8% in 2023-24, and 21.8% in 2022-23. This rising trend breaks a streak where this ratio had been falling since 2018-19.

This cautious approach is confirmed by the latest Forward-Looking Survey on Private Sector Capex Investment by the Ministry of Statistics and Programme Implementation (MoSPI), cited in the Finance Ministry's report, which shows that Indian corporates are planning fewer investments in this financial year as compared to last year.

According to this survey, Indian corporates expected to invest ₹6.6 lakh crore in 2024-25, up 57% from the ₹4.2 lakh crore of actual capital expenditure they incurred in 2023-24. However, in the current financial year 2025-26, this number is again expected to fall to ₹4.9 lakh crore, according to the survey.

***Microfinance loan delinquencies jump 163% to Rs 43,000 crore in FY2025**

The microfinance sector in India is experiencing a significant surge in delinquencies, with portfolio at risk (PAR), or loans overdue for over 31 days, jumping by 163 per cent to Rs 43,075 crore in the fiscal year ended March 2025, up from Rs 16,379 crore in the previous year. This rise in delinquencies reflects the growing stress in the small borrower segment.

Significantly, the microfinance industry's gross loan portfolio (GLP) fell to Rs 381,200 crore as of March 2025, marking a 13.9 per cent fall from Rs 442,700 crore a year ago.

Data from CRIF High Mark, a credit information bureau, shows that PAR in the 31-180 days overdue bucket has gone up to 6.2 per cent during FY2025 as against 2.1 per cent in the same period of last year. PAR in the 180 days plus bucket has jumped from 1.6 per cent to 5.1 per cent during the fiscal.

PAR of 91-180 days and 180 plus days (including write-offs) continue to rise, particularly among banks and small finance banks, followed by NBFC-MFIs, highlighting persistent challenges," the agency said.

According to CRIF High Mark, higher-ticket loans above Rs one lakh have experienced an uptick in all delinquency buckets as their share in POS expands, highlighting the need for greater caution. However, its delinquency is much lower than the lower-ticket sizes, it said.

Rating firm CRISIL said lending to over-leveraged borrowers was the primary factor that resulted in higher delinquencies for microfinance institutions in the last fiscal. Resultantly, the reported delinquencies in 90 plus DPD (days past due) bucket are estimated to have

more than doubled to 6.0 per cent as on March 31, 2025, from 2.4 per cent as on March 31, 2024.

Increased borrowing from multiple sources has led to excessive debt burdens among borrowers. Further, external economic shocks and income uncertainties have impacted repayment capacities, financial sector officials said.

The decline in microfinance gross loan portfolio reflects a deliberate and calibrated shift by lenders to manage emerging stress, especially in light of regulatory developments and evolving collection practices.

Despite a seasonal rebound with disbursements rising 12.2 per cent Q-o-Q to Rs 71,500 crore, the year-on-year (Y-o-Y) figures remain subdued with a 38.0 per cent decline, signifying an industry-wide emphasis on quality focused originations, according to CRIF High Mark, a credit information bureau in India.

The gross loan portfolio declined by 2.6 per cent on a quarter-on-quarter basis.

State-level data revealed notable contractions in Tamil Nadu and Karnataka portfolios, influenced by anticipated ordinances and increased regulatory intervention on collection practices. However, West Bengal emerged as a bright spot with a 1.5 per cent Q-o-Q rise in portfolio size, CRIF High Mark said. Overall, the industry-wide trend indicates consolidation, with a visible moderation in borrowers maintaining multiple credit relationships, it said.

The number of active microfinance loans declined from 16.1 crore in March 2024 to 14.0 crore in March 2025. Borrowers with 5 or more lender associations now constitute only 4.9 per cent of the total book, down from 9.7 per cent a year ago, it said.

A key trend highlighted in the report is the growing shift toward higher-ticket loans. Portfolio for loans above Rs 1 lakh grew by 38.5 per cent Y-o-Y, whereas those in the less than Rs 30,000 segment were at -8.0 per cent Q-o-Q and -35.9 per cent Y-o-Y, underlining a shift away from smaller-ticket lending typically associated with this segment," CRIF High Mark said.

Amid these shifts, the sector remains on a path of long-term sustainability. While current indicators suggest cautious lending and persistent stress in parts of the portfolio, improvement in early-stage performance and a gradual move towards higher-quality credit segments are encouraging trends, CRIF High Mark said.

*** Auditors flag irregularities in Indian units of Chinese brands Oppo, Realme**

Auditors of Chinese smartphone brands Oppo and Realme have raised several concerns about the financial and operational integrity of their India units, intensifying scrutiny on the

firms already embroiled in multiple regulatory investigations. The issues were disclosed in recent filings with the Registrar of Companies (RoC).

Oppo Mobiles India, the third-largest smartphone brand in the country, was flagged for having a negative net worth of ₹3,551 crore as of FY24, driven by accumulated business losses from previous years.

The auditor also noted an adverse debt-equity ratio and significant external borrowings, including ₹1,668 crore from its Hong Kong-based parent and ₹414 crore in loans from HSBC Bank.

Current borrowings also stood at ₹2,085 crore. The company is reportedly involved in several material litigations and is under regulatory examination, with uncertain outcomes that may impact its financial stability and operational continuity.

Raising doubts about long-term viability, the auditor emphasised material uncertainties about Oppo's ability to continue as a going concern.

Oppo, however, maintains it was profitable in FY24 and expressed confidence in managing short-term cash flow gaps through working capital arrangements or support from its parent. However, any equity infusion would require government approval under Press Note 3, mandated for FDI from neighbouring countries, posing a potential bottleneck in securing timely funds.

Realme pulled up for procedural lapses

Realme Mobile Telecommunications India, the fifth-largest player in its category in India, was also pulled up by its auditor for procedural lapses and inadequate record-keeping. Concerns were raised about the accuracy of financial accounts, with questions over the completeness of its FY24 profit and loss statement.

These disclosures come amid ongoing probes involving customs duty disputes, income tax irregularities, and alleged money laundering by Chinese smartphone makers.

***India's alarm over Chinese spying rocks the surveillance industry**

Global makers of surveillance gear have clashed with Indian regulators in recent weeks over contentious new security rules that require manufacturers of CCTV cameras to submit hardware, software and source code for assessment in government labs, official documents and company emails show.

The security-testing policy has sparked industry warnings of supply disruptions and added to a string of dispute between Prime Minister Narendra Modi's administration and foreign companies over regulatory issues and what some perceive as protectionism.

New Delhi's approach is driven in part by its alarm about China's sophisticated surveillance capabilities, according to a top Indian official involved in the policymaking. In 2021, Modi's then-junior IT minister told parliament that 1 million cameras in government institutions were from Chinese companies and there were vulnerabilities with video data transferred to servers abroad.

Under the new requirements applicable from April, manufacturers such as China's Hikvision ([2415.SZ](#))open new lab Xiaomi ([1810HK](#))oen new lab and Dahua ([002236.SZ](#)) open new lab, South Korea's Hanwha, and Motorola Solutions ([MSI.N](#))open new lab of the U.S. must submit cameras for testing by Indian government labs before they can sell them in the world's most populous nation. The policy applies to all internet-connected CCTV models made or imported since April 9.

Indian officials met on April 3 with executives of 17 foreign and domestic makers of surveillance gear, including Hanwha, Motorola, Bosch, Honeywell and Xiaomi, where many of the manufacturers said they weren't ready to meet the certification rules and lobbied unsuccessfully for a delay, according to the official minutes.

In rejecting the request, the government said India's policy "addresses a genuine security issue" and must be enforced, the minutes show.

India said in December the CCTV rules, which do not single out any country by name, aimed to "enhance the quality and cybersecurity of surveillance systems in the country."

This report is based on a Reuters review of dozens of documents, including records of meetings and emails between manufacturers and Indian IT ministry officials, and interviews with six people familiar with India's drive to scrutinize the technology. The interactions haven't been previously reported.

Insufficient testing capacity, drawn-out factory inspections and government scrutiny of sensitive source code were among key issues camera makers said had delayed approvals and risked disrupting unspecified infrastructure and commercial projects.

The IT ministry and most of the companies identified by Reuters didn't respond to requests for comment about the discussions and the impact of the testing policy. The ministry told the executives on April 3 that it may consider accrediting more testing labs.

The rapid take-up is set to bolster India's surveillance camera market to \$7 billion by 2030, from \$3.5 billion last year, Counterpoint Research analyst Varun Gupta told Reuters.

China's Hikvision and Dahua account for 30% of the market, while India's CP Plus has a 48% share, Gupta said, adding that some 80% of all CCTV components are from China.

Hanwha, Motorola Solutions and Britain's Norden Communication told officials by email in April that just a fraction of the industry's 6,000 camera models had approvals under the new rules.

The camera-testing rules don't contain a clause about land borders.

But last month, China's Xiaomi said that when it applied for testing of CCTV devices, Indian officials told the company the assessment couldn't proceed because "internal guidelines" required Xiaomi to supply more registration details of two of its China-based contract manufacturers.

China's foreign ministry told Reuters it opposes the "generalization of the concept of national security to smear and suppress Chinese companies," and hoped India would provide a non-discriminatory environment for Chinese firms.

LAB TESTING, FACTORY VISITS

While CCTV equipment supplied to India's government has had to undergo testing since June 2024, the widening of the rules to all devices has raised the stakes.

The public sector accounts for 27% of CCTV demand in India, and enterprise clients, industry, hospitality firms and homes the remaining 73%, according to Counterpoint.

The rules require CCTV cameras to have tamper-proof enclosures, strong malware detection and encryption.

Companies need to run software tools to test source code and provide reports to government labs, two camera industry executives said.

The rules allow labs to ask for source code if companies are using proprietary communication protocols in devices, rather than standard ones like Wi-Fi. They also enable Indian officials to visit device makers abroad and inspect facilities for cyber vulnerabilities.

The body that examines surveillance gear is India's Standardization Testing and Quality Certification Directorate, which comes under the IT ministry. The agency has 15 labs that can review 28 applications concurrently, according to data on its website that was removed after Reuters sent questions. Each application can include up to 10 models.

As of May 28, 342 applications for hundreds of models from various manufacturers were pending, official data showed. Of those, 237 were classified as new, with 142 lodged since the April 9 deadline.

Testing had been completed on 35 of those applications, including just one from a foreign company.

India's CP Plus told Reuters it had received clearance for its flagship cameras but several more models were awaiting certification.

***Oil price outlook weakens on OPEC+ hikes, lingering trade concerns**

Analysts have revised down their oil price forecasts for the third consecutive month as swelling OPEC+ supply and lingering uncertainty around the impact of trade disputes on fuel demand weigh on prices, a Reuters poll showed.

A survey of 40 economists and analysts in May forecasts Brent crude will average \$66.98 per barrel in 2025, down from April's \$68.98 forecast, while U.S. crude is seen at \$63.35, below last month's \$65.08 estimate. Prices have averaged roughly \$71.08 and \$67.56 so far this year respectively, as per LSEG data.

While tensions have somewhat eased between the U.S. and other trade partners, trade conflicts still loom as a key factor that could weaken oil demand, said analyst at UniCredit.

Eight OPEC+ members began unwinding output cuts earlier this year, agreeing to larger-than-expected increases of 411,000 bpd for May and June. The members may decide on a similar output hike for July at a meeting on Saturday, sources have told Reuters.

Meanwhile, analysts polled by Reuters expect global oil demand to grow by an average of 775,000 barrels per day in 2025, with many pointing to elevated trade uncertainty and the risk of economic slowdown as key concerns. This compares to the 740,000 bpd 2025 average demand growth forecast from the International Energy Agency earlier this month.

With U.S. consumption and China oil demand constrained by fuel efficiency gains, economic uncertainty and the shift to electric mobility, "demand growth is largely coming from the resource nations themselves," said Norbert Ruecker, head of economics & next generation research at Julius Baer.

Meanwhile, Russia's war in Ukraine continues to pose a geopolitical risk premium for oil. Analysts say markets have largely priced in the uncertainty.

***Gold jewellery consumption to dip by 9-10% in FY 26 on rising prices-Report**

Domestic gold jewellery consumption is likely to decline by 9-10% in 2025-26, mainly due to a 33% surge in gold prices," a report said on Thursday (May 29, 2025). "The consumption of bars and coins increased 17% and 25%, respectively, in FY24 and FY25, reflecting investor preference for safe-haven assets amid global macroeconomic uncertainty and heightened geopolitical and trade tensions," ICRA said in the report. This trend is likely to persist in FY26, with demand for bars and coins likely to grow by around 10%, accounting for 35% of

the total gold demand," it added. The agency estimates that domestic gold jewellery consumption volumes to decline by 9-10% in FY26, following the 7% drop in FY25, even as investment demand will remain resilient. Meanwhile, ICRA anticipates domestic gold jewellery consumption by value to continue to witness double-digit growth in FY26, with an estimated increase of 12-14%, notwithstanding a projected decline in volumes. This will be supported by continued gold price appreciation, planned retail expansion, and market share gains from the unorganised segment. A higher number of auspicious days in the fiscal is also expected to lend some support to demand, despite elevated prices and declining volumes," ICRA senior vice-president said. In FY25, revenue growth for organised jewellers was driven largely by buoyant realisations, even as most players experienced volume contraction — except for a few that pursued aggressive store expansion, it stated. ICRA estimates the industry's operating margin to expand by approximately 30 basis points (bps) to 7.2% in FY26, aided by scale efficiencies and favourable pricing. However, net margin expansion is likely to be constrained by rising financing costs.