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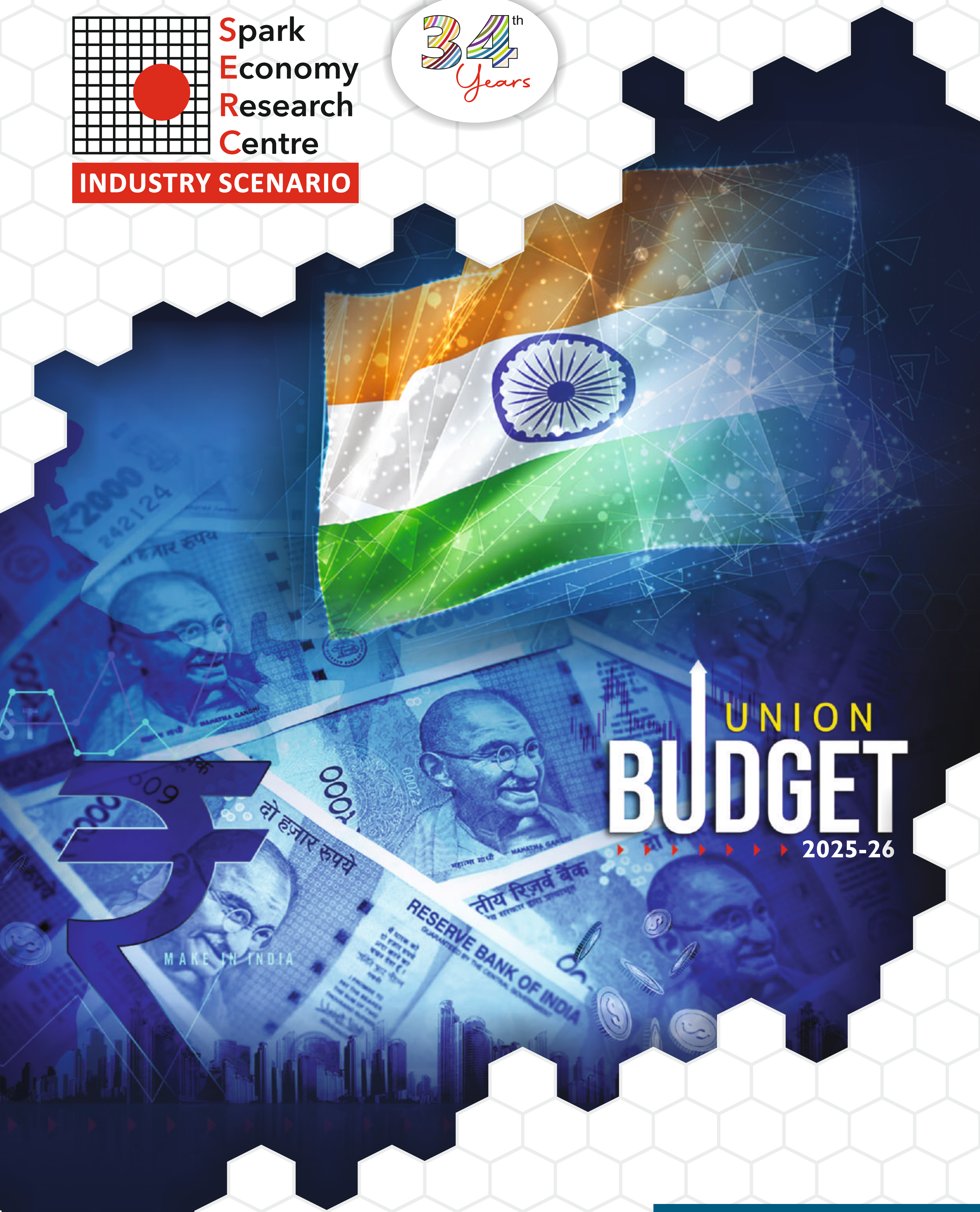

UNION BUDGET 2025-26

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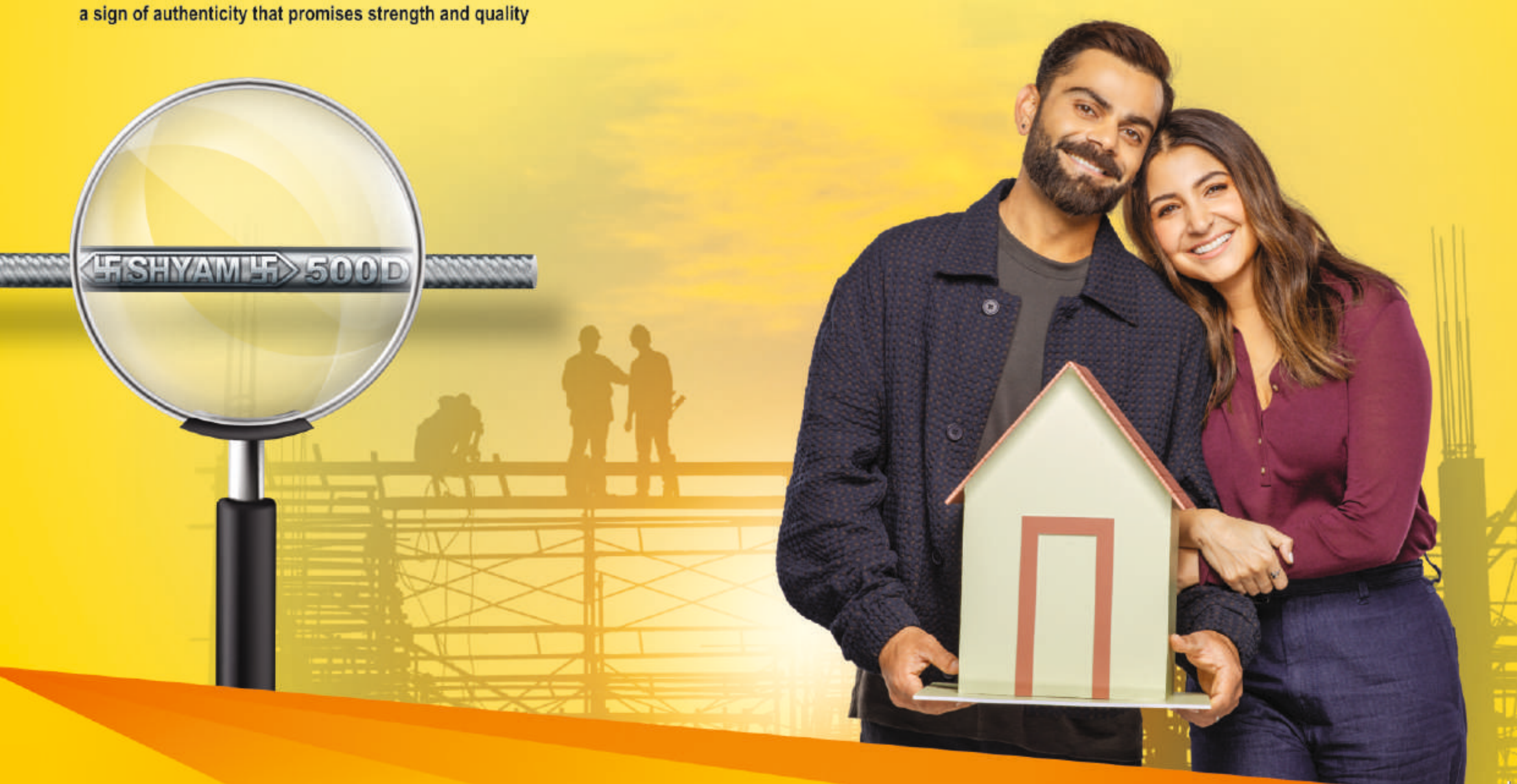

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FOREWARD

SAKUNTALA CHANDA
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India's $5-Trillion Economy A Vision Deferred?

India's aspiration to become a $5-trillion economy by 2025 seems increasingly distant as economic realities set in. With the Indian Rupee (Rs.) depreciating against the US Dollar (USD) and key structural challenges persisting, the Union Budget for 2025-26 has notably refrained from reiterating this ambitious goal. Instead, the budget offers little clarity on how and when the Rupee will stabilise against the USD-a critical factor influencing India's economic growth trajectory.

Economic Slowdown and Currency Depreciation

The minimum projected GDP growth rate for FY26 stands at 6.3%, with real GDP growth, accounting for inflation, expected to hover around 5.7%. The Rupee's nearly 3% depreciation in 2024 has further exacerbated economic concerns, particularly as India remains highly dependent on imports, especially crude oil, which constitutes nearly 25% of the total import bill. A strong dollar amplifies inflationary pressures and affects industries across the spectrum, yet the budget does little to control rising non-oil imports.

In contrast, China, with a comparable population, is set to reach an $18.28-trillion GDP in 2024, growing at 5% annually. Unlike India, China's economy is largely self-sustained, with domestic production serving as its primary growth driver. Its economic activity is relatively insulated from currency fluctuations, while India's import-driven model remains highly vulnerable to exchange rate volatility.

A Vision Deferred: The Journey So Far

India's ambition to achieve a $5-trillion economy was first articulated by the Union Commerce Ministry in 2018, with sectoral plans envisioning $1 trillion from agriculture, $1 trillion from manufacturing, and $3 trillion from services. This vision was reinforced by Prime Minister of India in his 2019 Independence Day address, where he outlined the trajectory of economic growth-from $2 trillion in 2014 to $3 trillion by 2019-and expressed confidence in reaching $5 trillion by 2024.

However, shifting economic realities have forced a recalibration of this goal. In 2023, Finance Minister Nirmala Sitharaman revised the timeline, stating that India would achieve a $5-trillion GDP by 2027-28. Similarly, Chief Economic Advisor V. Anantha Nageswaran projected that India could reach $5 trillion by FY26 and $7 trillion by 2030, contingent on favourable exchange rate fluctuations. His optimistic outlook even suggested that an appreciating Rupee could accelerate growth beyond 9% annually.

Despite such projections, the 2025-26 Union Budget fails to address core economic challenges:

- **Weak Domestic Production:** A lack of strong domestic manufacturing is fueling import dependency.
- **High Import Bill:** Gold imports surged to 802.8 tonnes in 2024, with November alone witnessing a record high of $14.8 billion-more than double the October figure.
- **Unemployment & Informal Economy:** The budget lacks substantial provisions to create millions of sustainable jobs and reduce India's reliance on informal employment.
- **Trade Deficit & Exchange Rate Volatility:** The absence of strong trade policies, high tariffs, and non-tariff barriers to curb unnecessary imports is a glaring policy gap.