asset 360 ONE

panorama

April 2025

Key Insights:

US tariffs will hurt global growth, though India appears to be relatively better placed

- The United States runs a current account deficit due to its savings rate being lower than its investment rate
- Import tariffs will most likely reduce the US trade deficit by lowering the investment rate
- Reciprocal tariffs could push the average effective tariff on US imports to its highest level since 1903
- Exports to the US account for only 2% of India's GDP, significantly lower than many other countries
- Electronics, jewellery, textiles, and other exports risk impact from a possible US slowdown
- The US economic slowdown will also have a significant impact on India's software services exports
- If the US and China undergo economic decoupling, India stands to gain from the supply chain diversification
- Central banks are shifting FX reserves away from the dollar due to US policy swings and dollar weaponisation

New project announcements remain flat in FY25 – holding up well despite the general elections

- Announcements witnessed a recovery post the general elections in Q1, with a strong March quarter
- Metals witness a steep rise in project announcements in FY25, followed by the power sector
- Project completions collapsed in FY25 due to a steep decline in government project completions

IMD forecasts an above-normal monsoon at 105% of the long-period average (LPA)

- IMD assigns only an 11% probability to a below-normal or deficient monsoon
- Skymet forecasts a normal monsoon at 103% of LPA, starting weak but strengthening throughout the season

Trade & Tariffs

Savings & investments determine the current account balance

Efforts to reduce the current account deficit by the US would involve adjustments to the saving and/or investment rate

National income identity

$$Y = C + I + G + (X - M)$$

Y		C		I		G		(X		M)
National Income		Consumption		Investment		Government Spending		Exports		Imports

Rearranging the formula

$$Y - C - G = I + (X - M)$$

Recognising the left-hand side as national savings

$$S = Y - C - G$$

S: National Savings

Substitute into the previous equation

$$S = I + (X - M)$$

Rearranging the formula

$$S - I = (X - M)$$

Final Form

$$\boxed{\text{Savings} - \text{Investment} = \text{Current Account}}$$

If Savings > Investment → Current Account Surplus

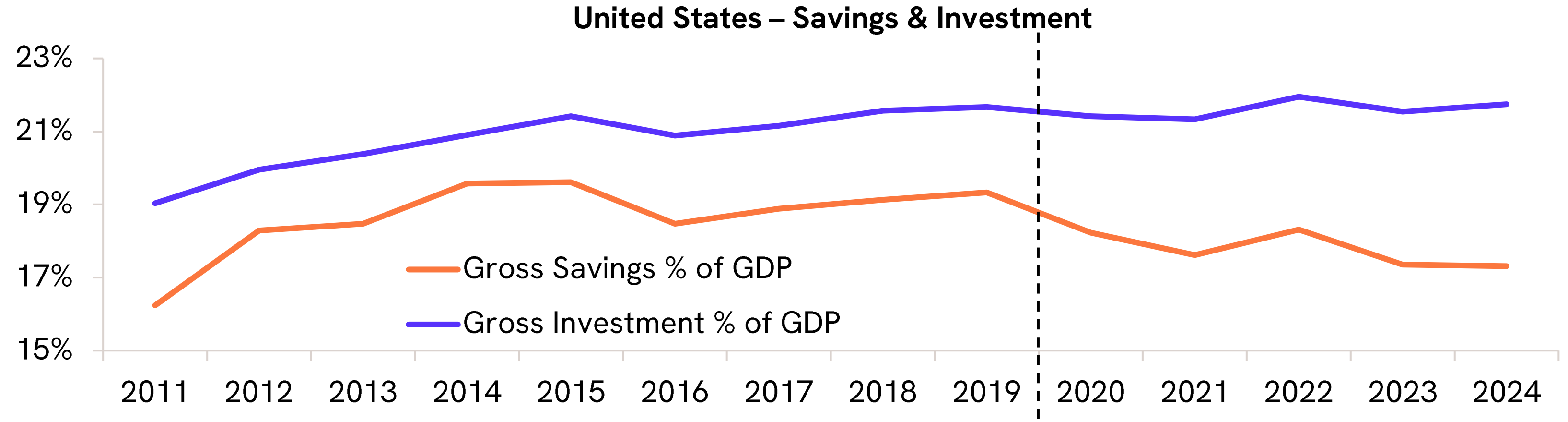
If Savings < Investment → Current Account Deficit

Source: 360 ONE Asset Research

Note: This is a simplified version. The current account also includes primary income (investment income) and secondary income (remittances)

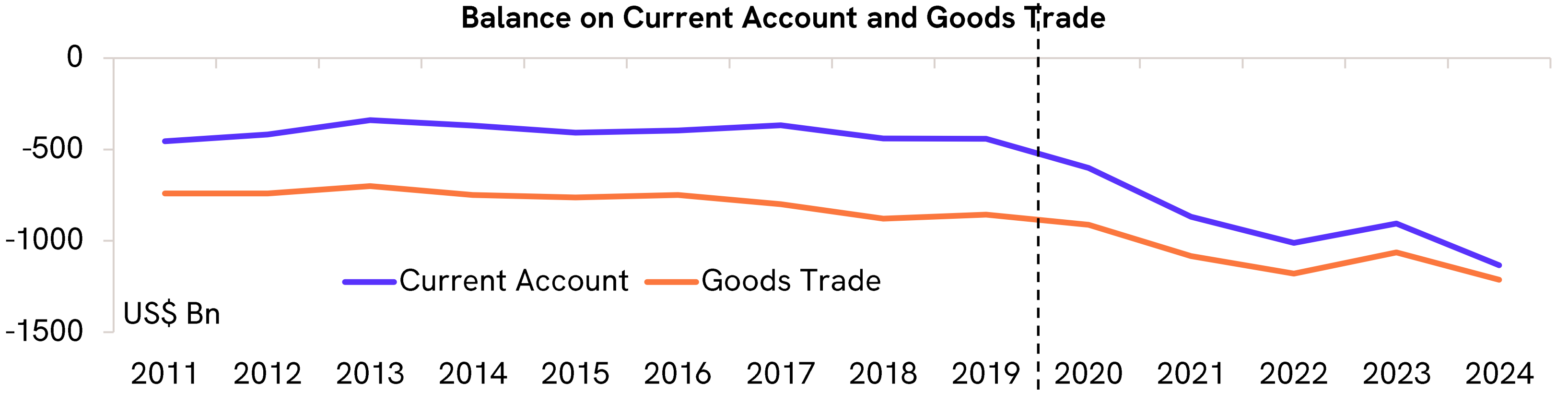
US has witnessed a steep rise in the current account deficit since 2019

The rise in the deficit was driven by a fall in gross savings, while the investment rate remained largely steady



The US gross saving (% of GDP) fell to 17% in 2024 from 19% in 2019, while gross investment (% of GDP) remained steady at 22%

The increased gap between the two led to a higher current account deficit



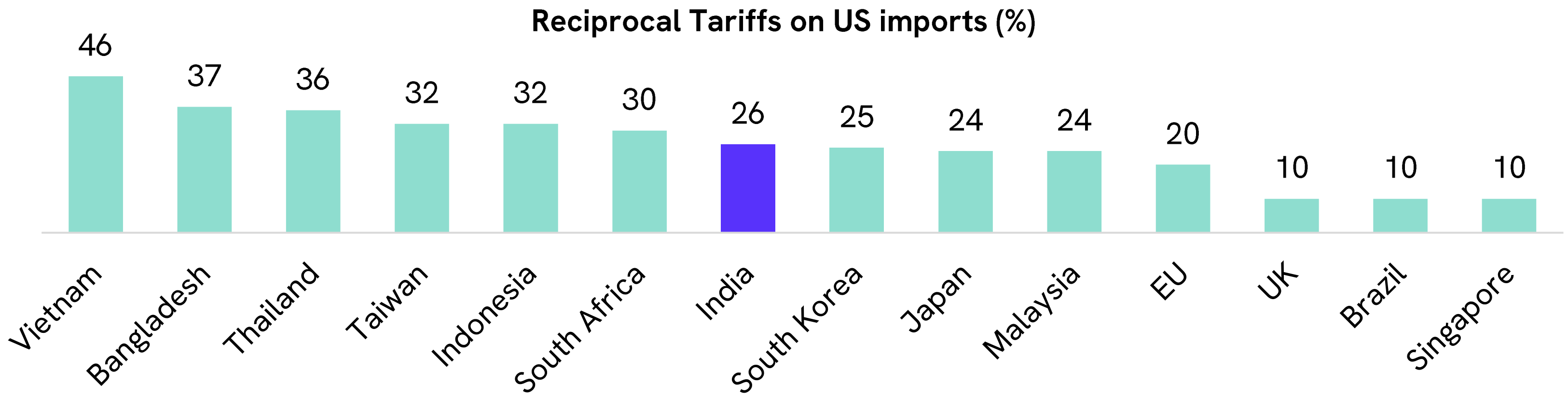
The rise in the current account deficit post-2019 has primarily been driven by an increase in the goods deficit

The imposition of import tariffs will most likely lead to a lower deficit in the short term by bringing down the investment rate rather than improving the saving rate

Source: FRED, 360 ONE Asset Research

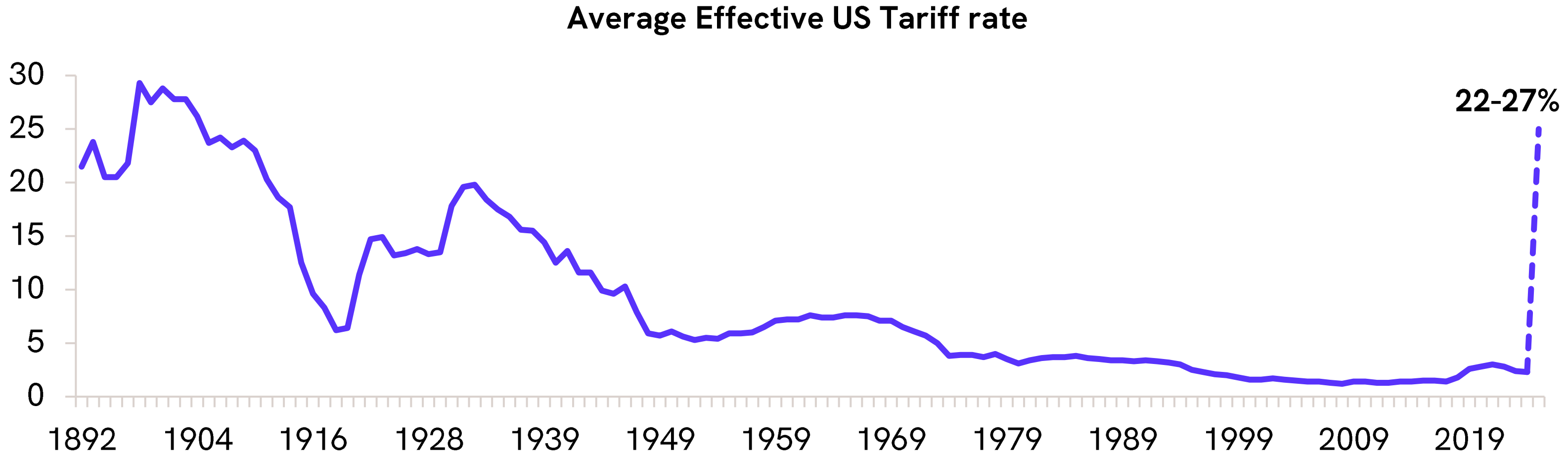
US to impose reciprocal tariffs, with a 90-day pause for bilateral deals

The average effective tariff on US imports could rise to its highest level since 1903



The US has announced a 90-day pause on reciprocal tariffs to negotiate bilateral agreements, except for China, which will face a 145% tariff

Meanwhile, a base tariff of 10% will apply to most countries during this period



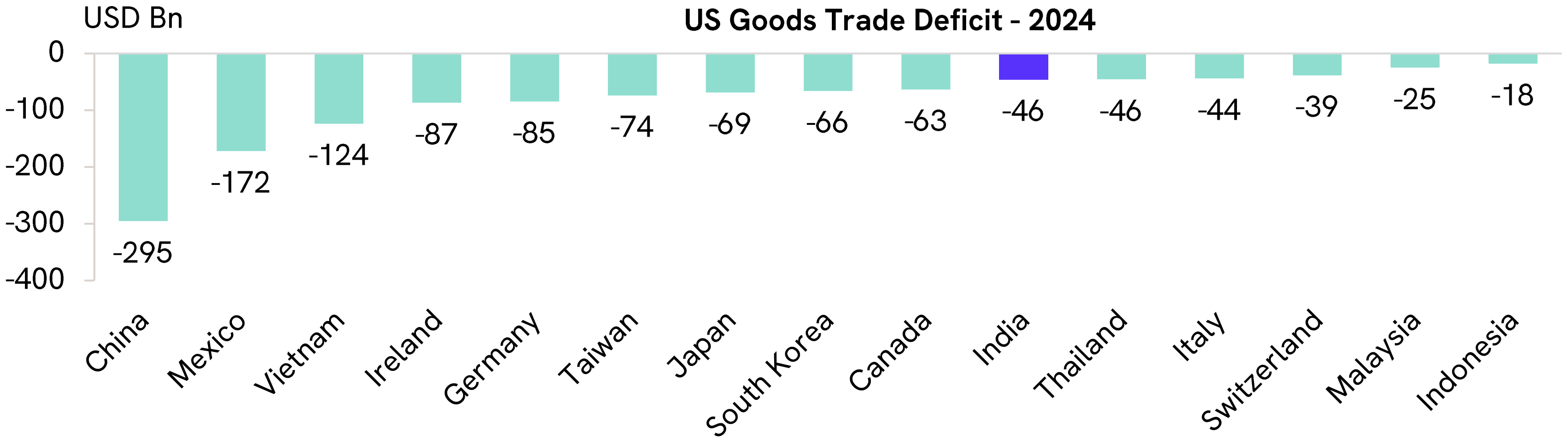
As per market estimates, the average US tariff rate could increase to 22–27%, the highest level since 1903

However, the uncertainty around the actual implementation of reciprocal tariffs — and even their magnitude — remains extremely high

Source: Bloomberg, The White House, News Reports, 360 ONE Asset Research

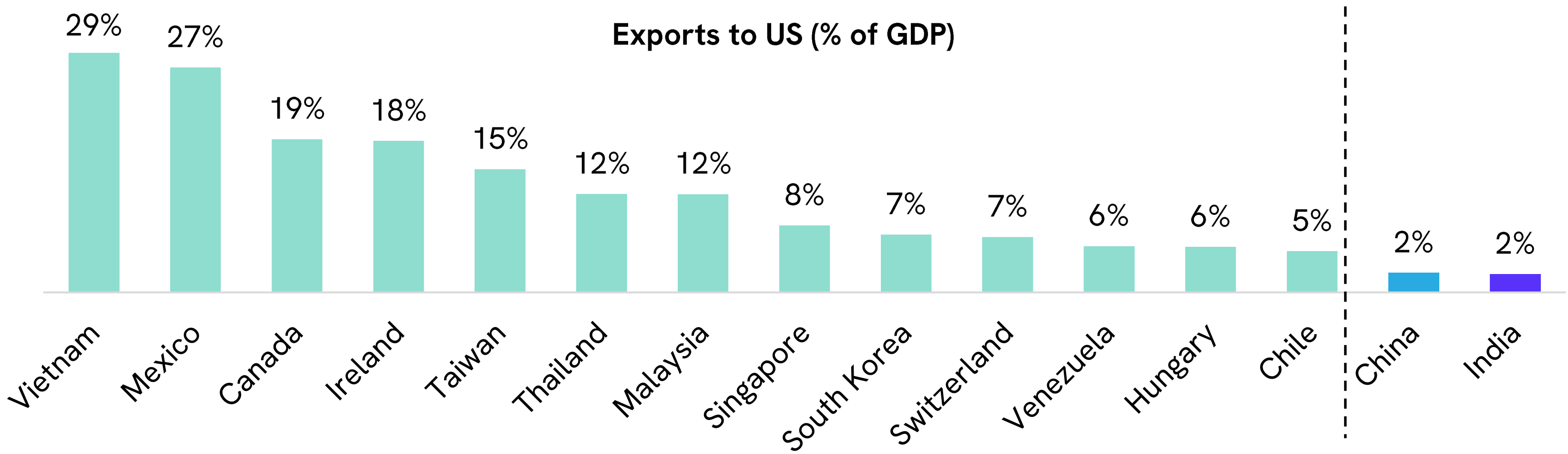
India does not have a very high goods trade deficit with the US

India is also relatively less exposed, with US exports accounting for 2% of GDP, much lower than many other countries



India is the 10th largest contributor to the United States' goods trade deficit

To help narrow this trade gap, India has the potential to significantly increase its imports of U.S. crude oil, liquefied natural gas (LNG), gold/silver and defence equipment



India's exports to the US account for only 2% of India's GDP, significantly lower than that of many other countries

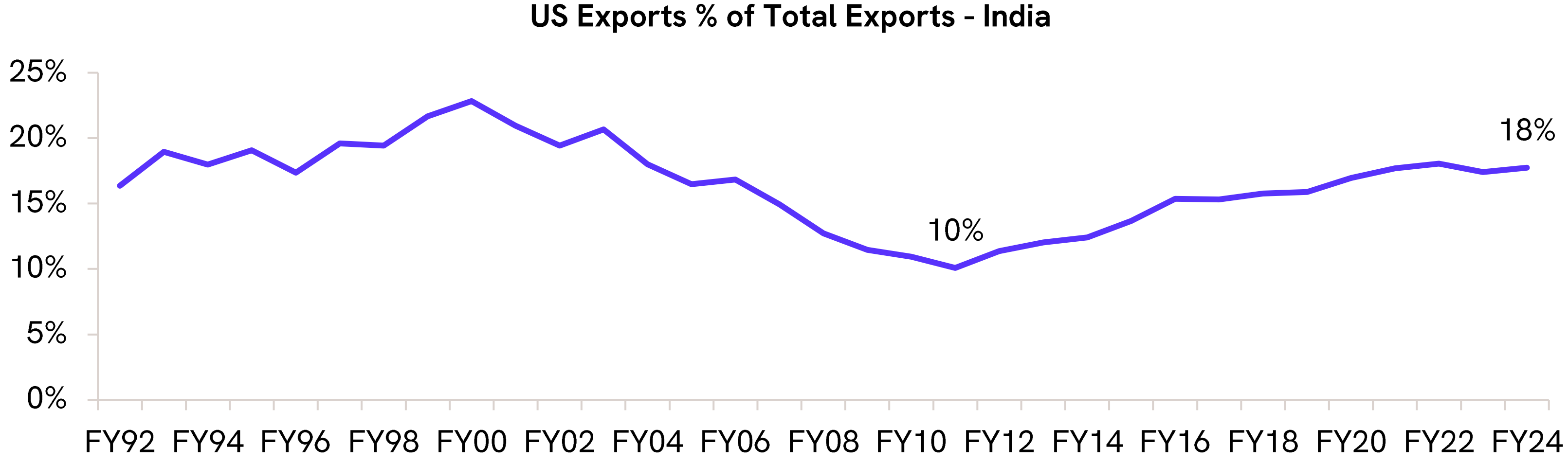
Note that while China's exports to the U.S. also account for 2% of its GDP, China's dependence on the U.S. market is significantly higher

This is because Chinese exports to other countries often end up in the U.S. market after limited value addition in the transit countries

Source: Bloomberg, FRED, US Census, 360 ONE Asset Research

US share of India's exports has increased over the past decade

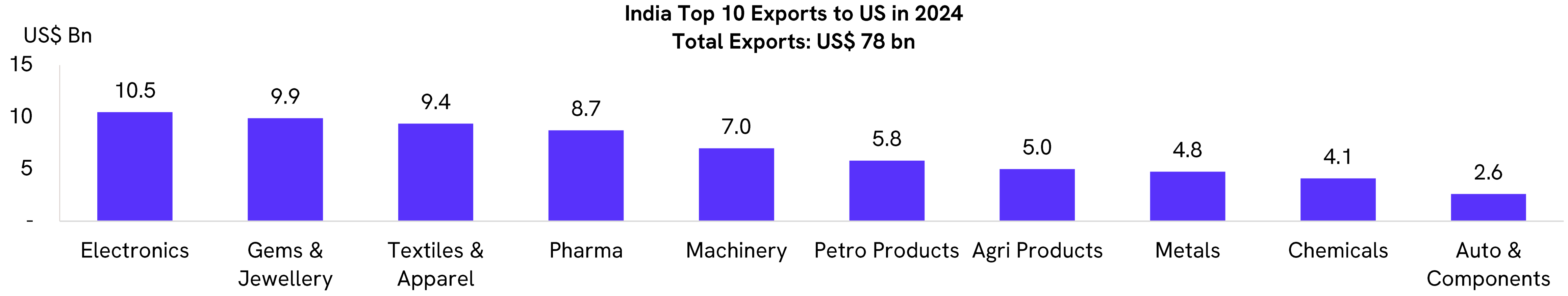
Electronics, gems & jewellery, textiles and other key export sectors face risks from US tariffs and a potential economic slowdown



The share of US exports in India's total exports has increased from 10% in FY11 to 18% in FY24

India's key exports to the US include electronics (especially smartphones), gems and jewellery, textiles and apparel, pharmaceuticals, capital goods, etc.

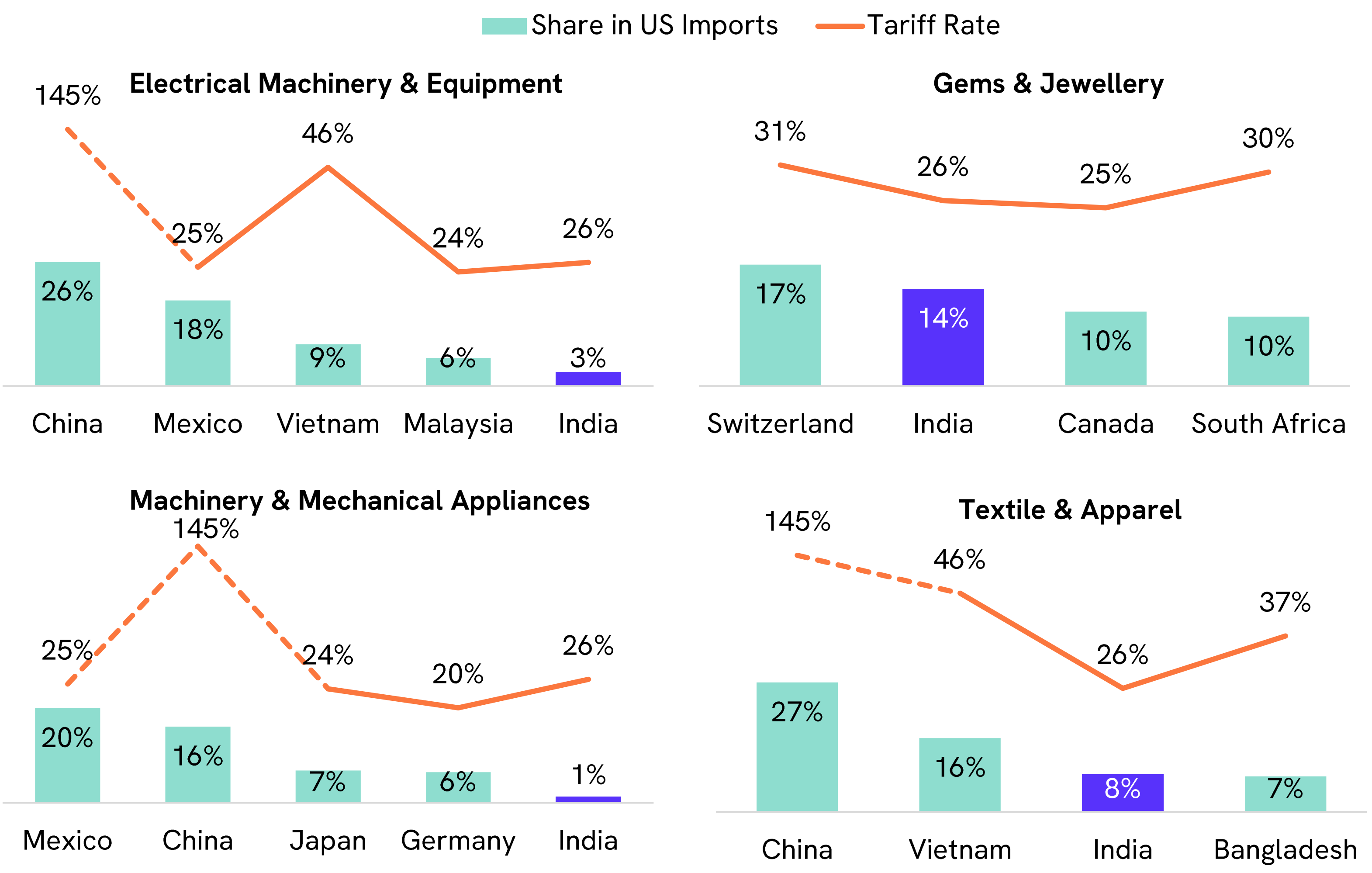
Trade wars/tariff disputes would lead to a slowdown in US economic growth, which would have an impact on export-oriented sectors



Source: CMIE, 360 ONE Asset Research

India is relatively better placed than other competing export markets

If the US and China undergo economic decoupling, India stands to gain from the global supply chain diversification



If the proposed reciprocal tariffs are implemented, India will be at an advantage, as other competing export markets to the US will face higher tariffs

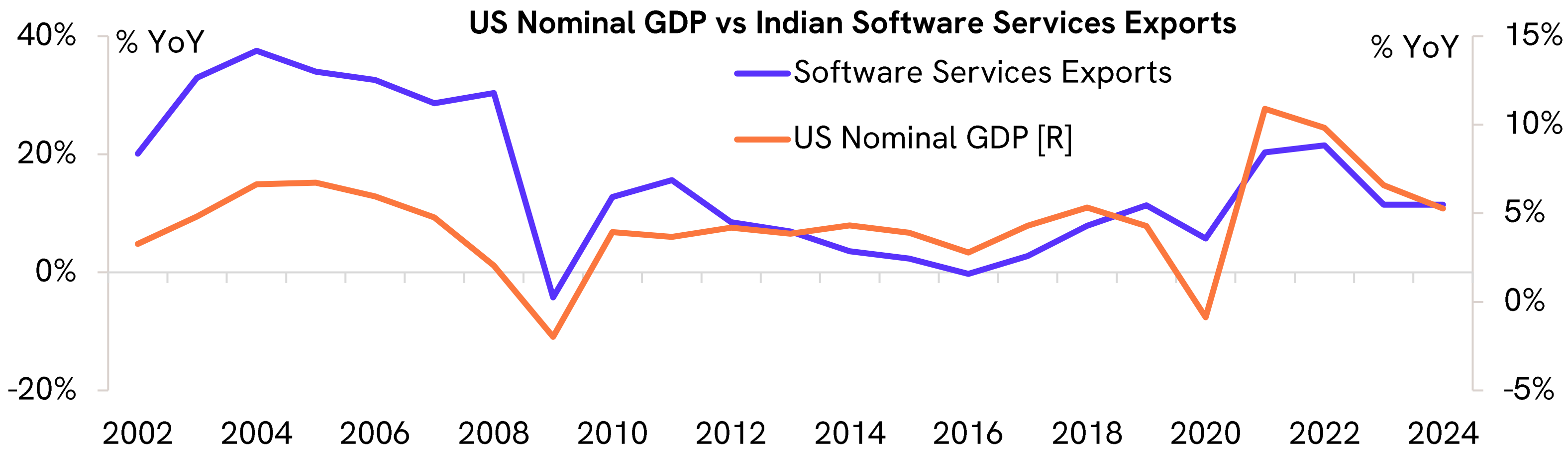
Moreover, companies are likely to continue diversifying their supply chains away from China—a shift that could further benefit India

Vietnam may also face higher tariffs due to its substantial trade deficit with the United States and concerns over rerouting Chinese goods through its territory

Source: UN Comtrade, 360 ONE Asset Research

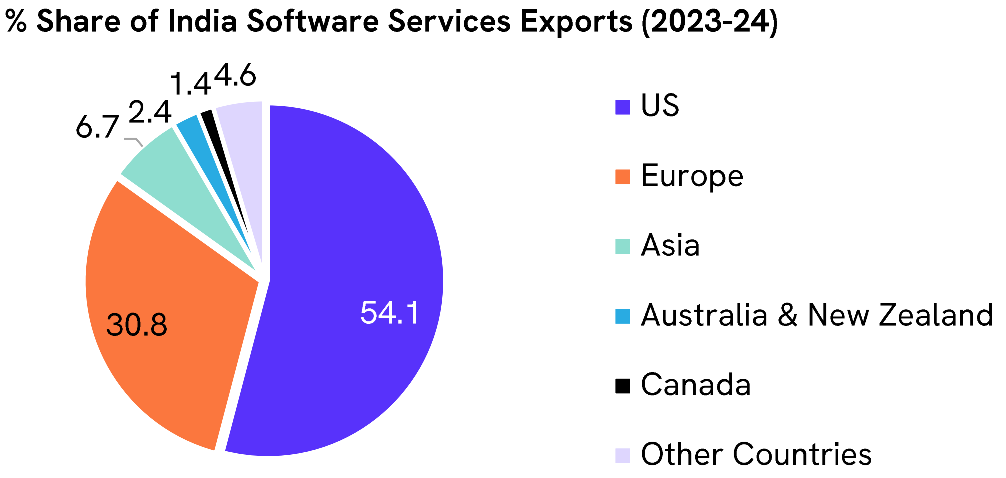
US economic slowdown will impact India's software services exports

India's software services exports are closely linked to the US economy, as the US accounts for 54% of total exports



India's software services exports are positively correlated with US economic growth

Hence, a slowdown in the US economy, due to heightened economic uncertainty and an increase in tariffs, will impact India's software services industry



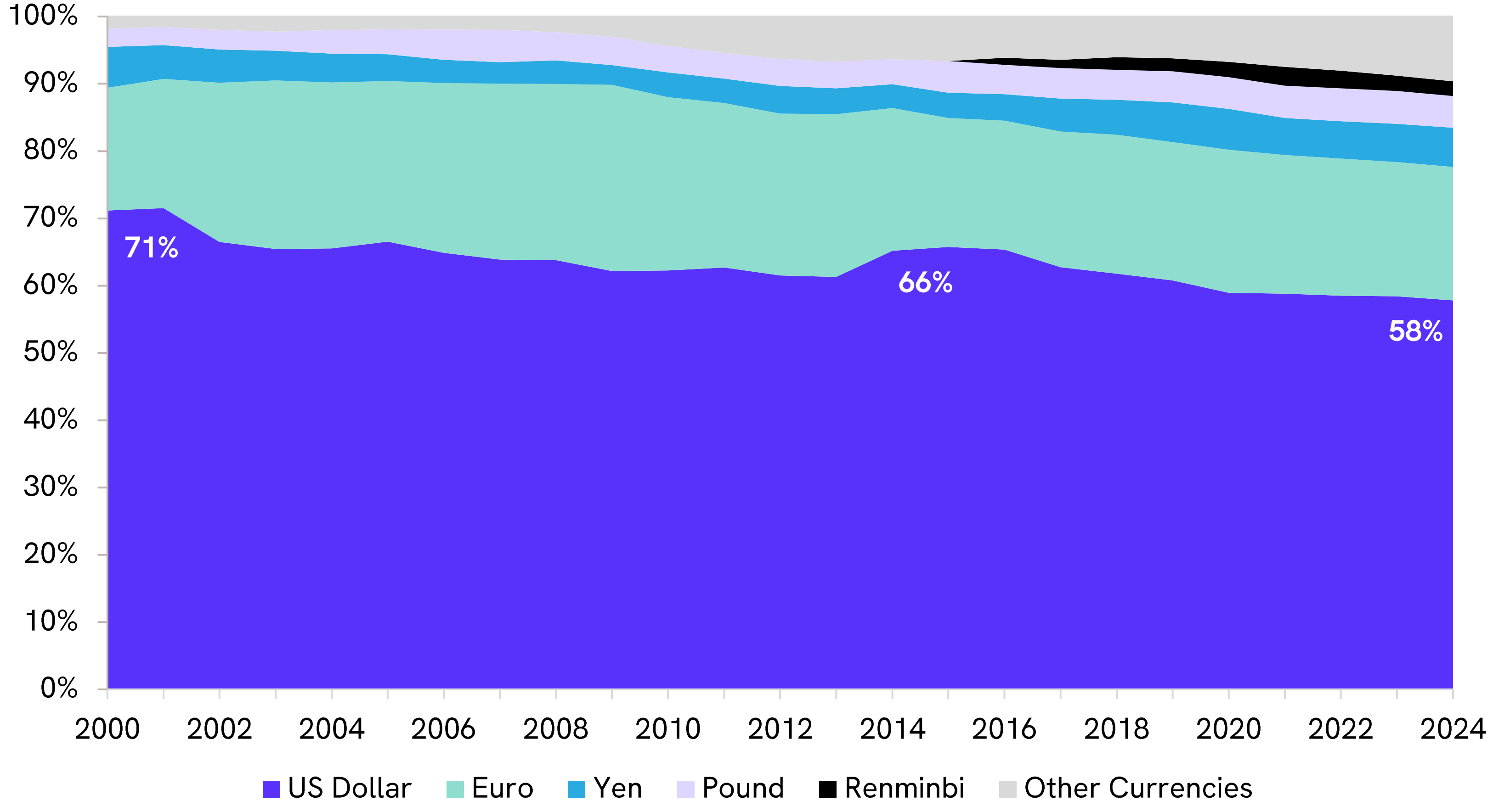
The US accounts for 54% of India's total software services exports, followed by Europe with a 31% share

Source: CMIE, FRED, RBI, 360 ONE Asset Research

Share of the US$ in central banks' reserves has been steadily declining

Central banks are shifting FX reserves away from the dollar due to US policy swings and dollar weaponisation

Central Bank Reserves - Currency Share (%)



Central banks are diversifying their FX reserves away from the dollar due to volatile US policies and the weaponisation of the US dollar

The share of the US dollar in central bank reserves has declined from 66% in 2015 to 58% in 2024

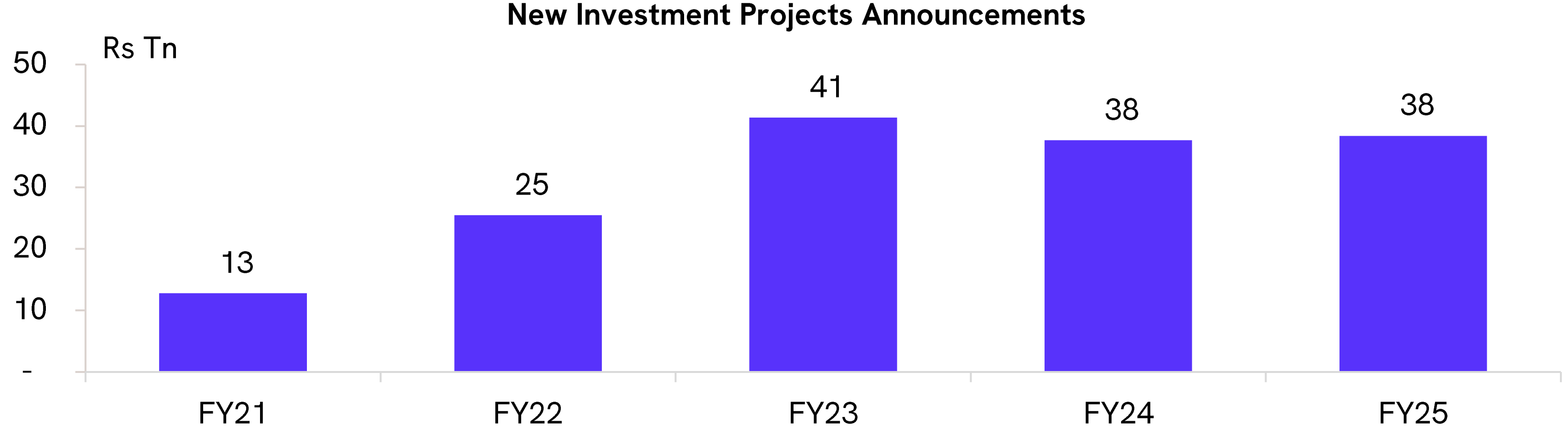
Source: IMF, 360 ONE Asset Research

Note: Chinese Renminbi reporting started from 2016

Capex Announcements

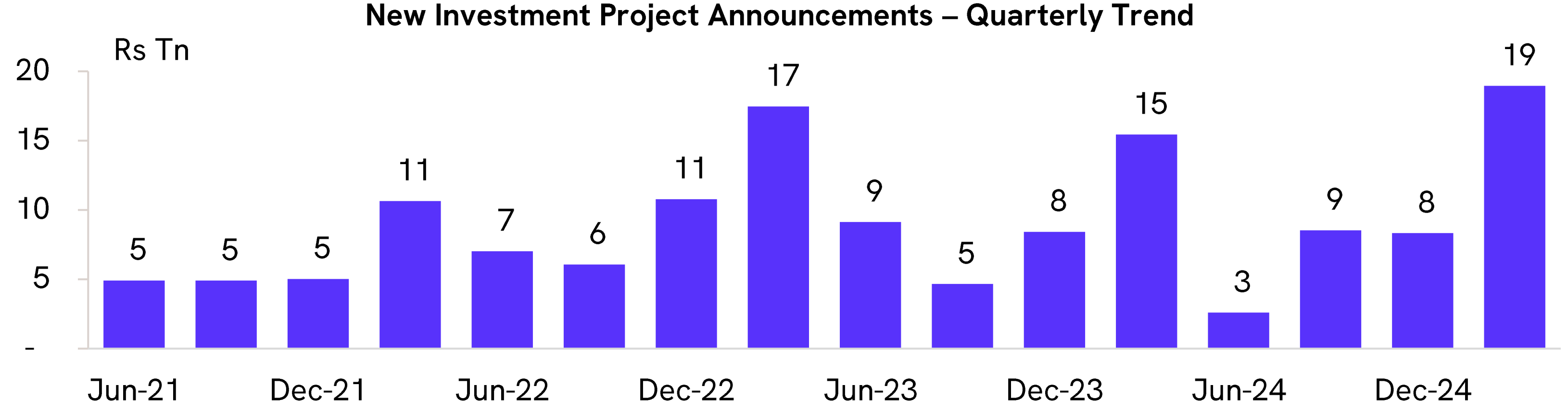
New project announcement flat in FY25 on account of subdued Q1

However, announcements witnessed a recovery post the general elections, with a strong March quarter



According to CMIE's Capex Database, new project announcements in FY25 stand at Rs 38 tn, unchanged from the previous year

However, considering this was an election year—which may have influenced corporate investment intentions—the overall figures hold up well



Project announcements in Q1FY25 were subdued due to the general elections

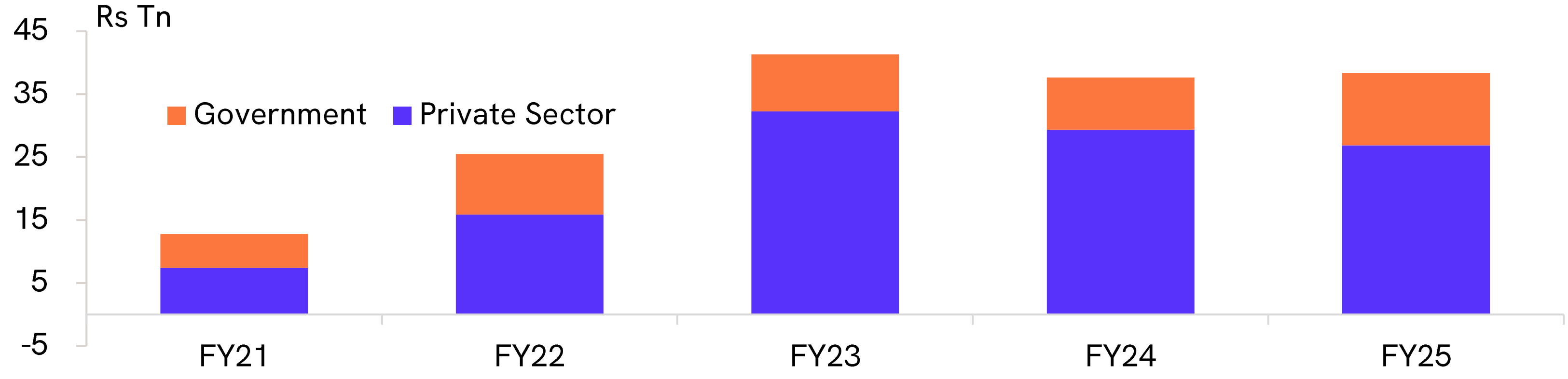
Announcements recovered in the subsequent quarters, with the March quarter reporting strong figures

Source: CMIE, 360 ONE Asset Research

Private sector announcements were marginally lower in FY25

Project completions collapsed in FY24 due to a steep decline in government project completions

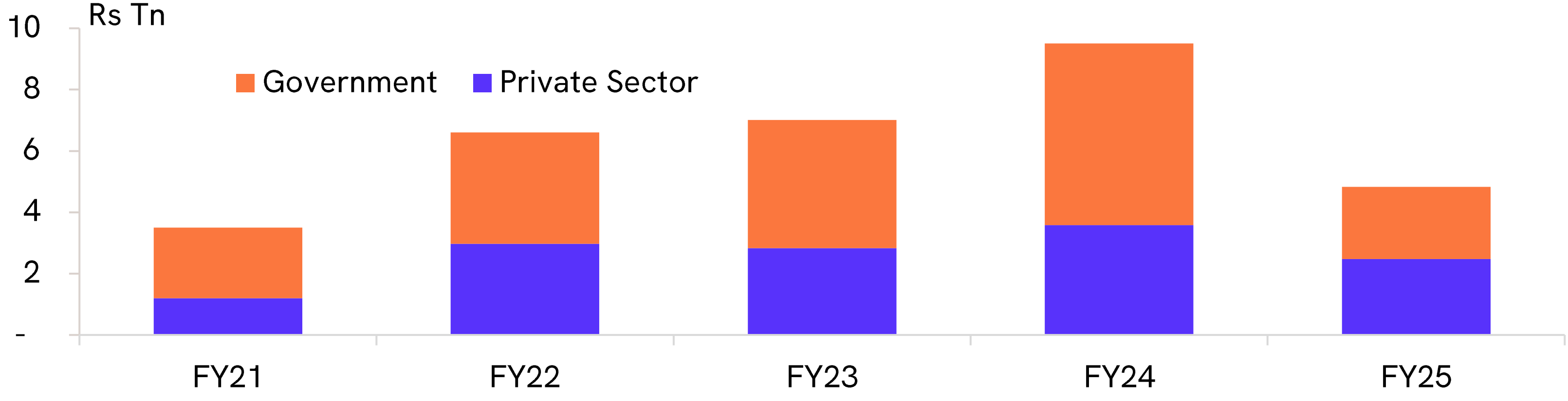
New Investment Projects Announced



Private sector project announcements fell to Rs 26.8 tn in FY25 from Rs 29.3 tn in FY24

Government project announcements, however, improved to Rs 11.5 trillion from Rs 8.2 trillion during the same period

Projects Completed



The completion of government projects fell to Rs 2.3 tn in FY25, down from Rs 5.9 tn in FY24, possibly due to subdued capital expenditure by the central government

Private sector project completions were also lower in FY25

Source: CMIE, 360 ONE Asset Research

Metals witness a steep rise in project announcements in FY25

Transport services have witnessed a decline in project announcements due to a lack of aircraft orders

New Investment Announcements (Rs Bn)	FY21	FY22	FY23	FY24	FY25
Manufacturing	**4,587**	**11,298**	**14,793**	**14,057**	**15,566**
of which, Chemicals & Chemical Products	1,703	3,224	7,843	5,787	5,152
Metals & Metal Products	1,583	2,821	1,831	2,375	5,282
Machinery	310	3,727	3,037	3,473	2,211
Transport Equipment	549	626	682	1,036	1,515
Power	**1,495**	**5,451**	**10,181**	**11,668**	**13,636**
Mining	**502**	**365**	**192**	**50**	**167**
Irrigation	**228**	**61**	**98**	**103**	**39**
Services	**4,794**	**6,941**	**14,813**	**9,080**	**7,009**
of which, Transport services	2,859	5,028	12,657	7,405	5,446
Information technology	500	577	1,161	653	753
Construction & Real Estate	**1,182**	**1,375**	**1,277**	**2,706**	**1,991**
All Industries	**12,788**	**25,492**	**41,354**	**37,665**	**38,408**

Chemical projects include bio-gas plants, alumina refinery, lithium refinery, and green hydrogen

Metal and metal products mainly include integrated steel plants

Power sector projects primarily driven by renewable energy projects

Transport services in FY23 and FY24 included large aircraft orders, which were absent in FY25

Source: CMIE, 360 ONE Asset Research

Monsoon Forecasts

IMD forecasts an above-normal monsoon at 105% of the long-period average

IMD assigns only an 11% probability to a below-normal or deficient monsoon

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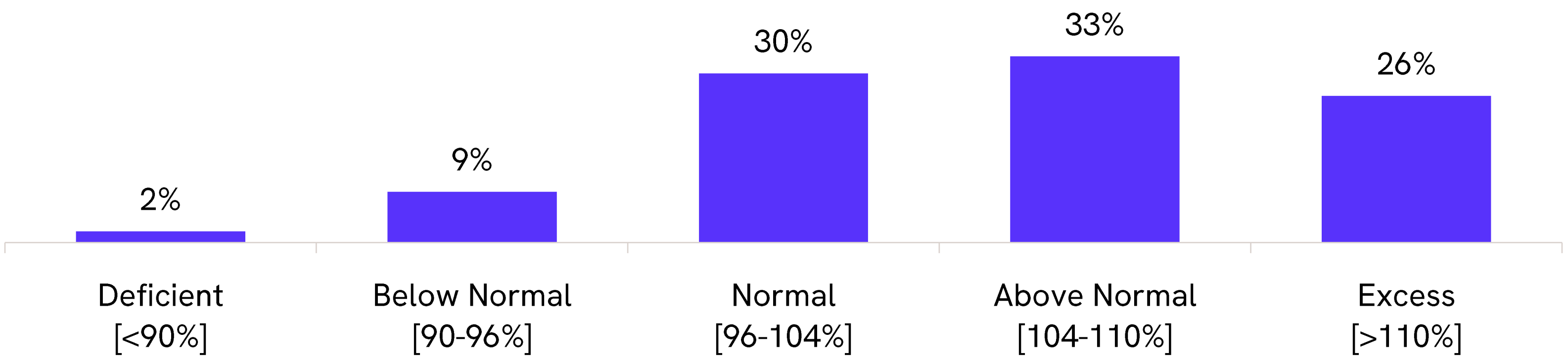
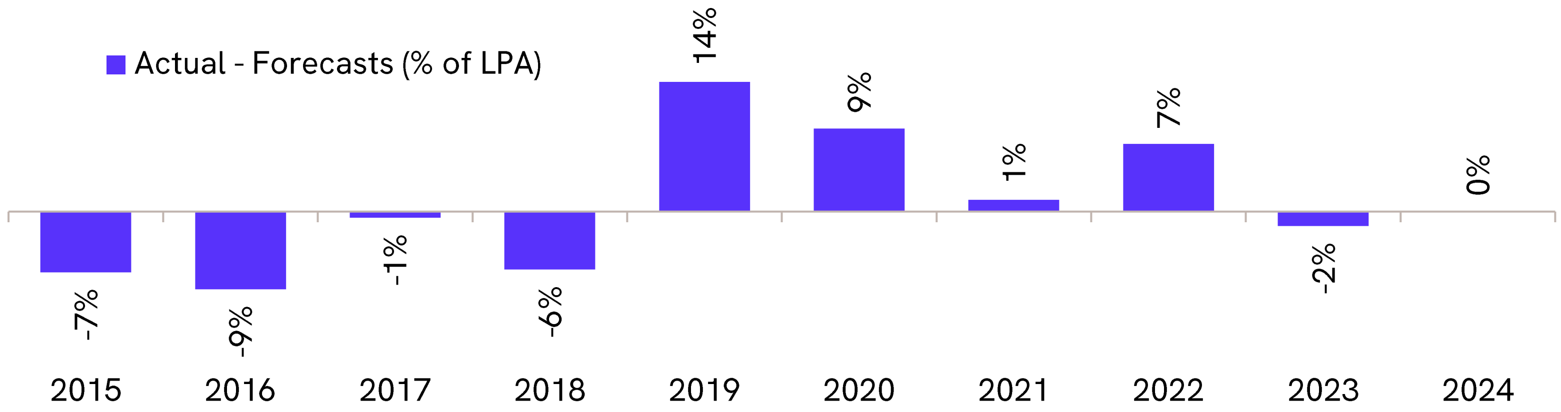
IMD 1st Stage Long Range Forecasts
Probabilities for Rainfall Range (% of Long Period Average – LPA)



The IMD forecasts a 59% likelihood of an above-normal or excess monsoon, a 30% chance of a normal monsoon, and only an 11% chance of it being below normal or deficient

Deviation of Actual from IMD 1st Stage Forecasts

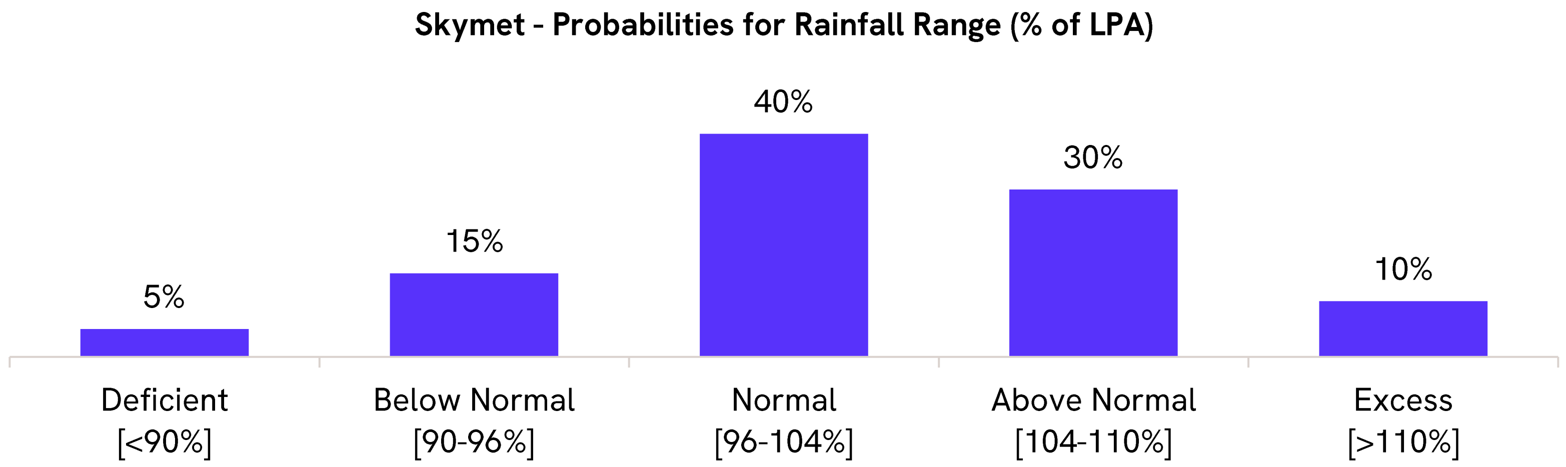


The previous two IMD first-stage forecasts for 2023 and 2024 have been fairly accurate

Source: IMD, CMIE, 360 ONE Asset Research

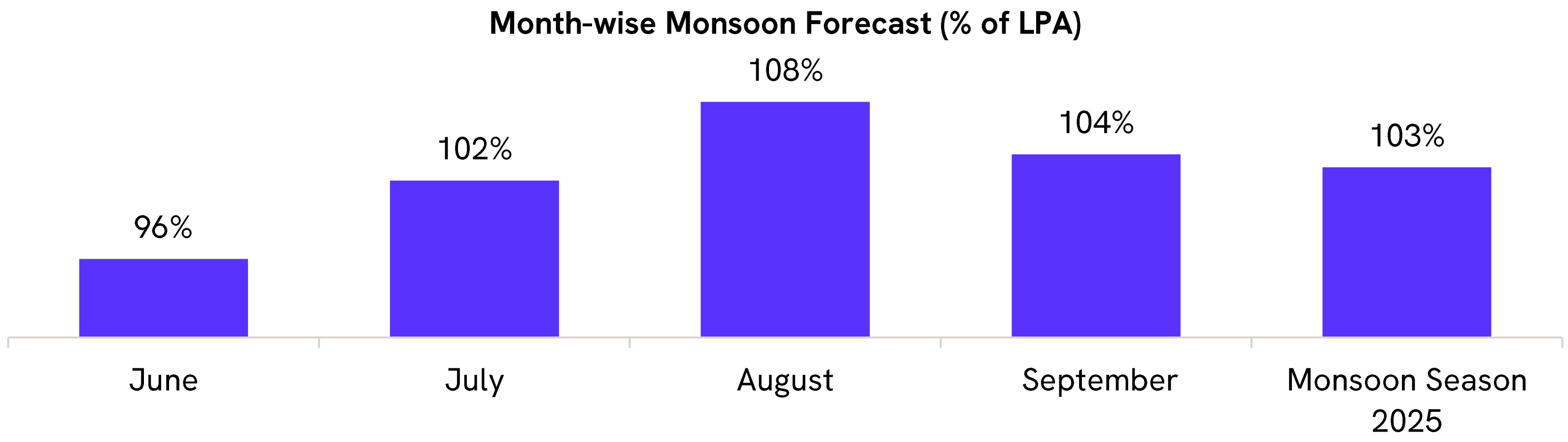
Skymet forecasts a normal monsoon at 103% of LPA

The monsoon is expected to begin on a weaker note in June and strengthen gradually over the course of the season



Skymet forecasts the 2025 monsoon season to be normal, at 103% of the long-period average

It assigns a 40% probability to a normal monsoon



The monsoon is projected to begin on a weaker note in June, with rainfall at 96% of the Long Period Average (LPA), and is expected to gain strength as the season progresses

The monsoon forecasts bode well for the food inflation trajectory, allowing the RBI to continue with monetary policy easing

Source: Skymet, 360 ONE Asset Research

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