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Acknowledgment

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प्रमाणन

पेंशन बुलेटिन प्रत्येक महीने नीति अनुसंधान, मार्केट वॉच और सिस्टमिक रिस्क विभाग द्वारा, पेंशन बुलेटिन संपादकीय समिति के निर्देशन में जारी किया जाता है। समिति और पीएफआरडीए व्याख्याओं और प्रकट किए गए मतों के लिए उत्तरदायी नहीं हैं। लेखों के मामले में, जिम्मेदारी लेखक की होती है, न कि पीएफआरडीए की।

टिप्पणियां और अवलोकन कृपया विभाग को market.watch@pfrda.org.in पर अग्रेषित किए जा सकते हैं।

Glossary

AA	Account Aggregators
AIF	Alternate Investment Fund
DPDP Act	Digital Personal Data Protection Act, 2023
APY	Atal Pension Yojana
ASP	Annuity Service Provider
AUM	Assets Under Management
CAGR	Compound Annual Growth Rate
CDD	Client Due Diligence
CFT	Combating the Financing of Terrorism
CIP	Customer Identification Procedures
CKYCR	Central KYC Records Registry
CRA	Central Recordkeeping Agency
CPI	Consumer Price Index
DC	Defined Contribution
Debt-VRR	Debt Voluntary Retention Route
E	Equity and Related Instruments
EPF	Employees Provident Fund
EPFO	Employees Provident Fund Organization
ETF	Exchange-Traded Fund
EU	European Union
FAR	Fully Accessible Route

FBIL	Financial Benchmarks India Pvt. Ltd.
FII/FPI	Foreign Institutional Investors/Foreign Portfolio Investors
FIP	Financial Information Providers
FIU	Financial Information Users
FSDC	Financial Stability and Development Council
G	Government Bonds and Related Instruments
G-sec	Government securities
GBP	Pound Sterling
GDP	Gross Domestic Product
GST	Goods and Service Tax
GSTN	Goods and Services Tax Network
IGB	Indian Government Bonds
INR	Indian Rupee
IIP	Index of Industrial Production
IRDAI	Insurance Regulatory and Development Authority of India
IT Act	Information Technology Act, 2000
KYC	Know Your Customer
LTCG	Long Term Capital Gain
NBFC	Non-Banking Financial Company
NPS	National Pension System

OECD	Organization for Economic Cooperation and Development
PIPE	Private Investment in Public Equity
PoP	Points of Presence
RBI	Reserve Bank of India

REIT	Real Estate Investment Trust
STCG	Short Term Capital Gain
USD	United States Dollar
VCF	Venture Capital Fund
WPI	Wholesale Price Index

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Section 1/खंड 1

Economy/ अर्थव्यवस्था

Indian Economy*

**The data used in this section has been taken from CMIE's Economic Outlook and MOSPI.*

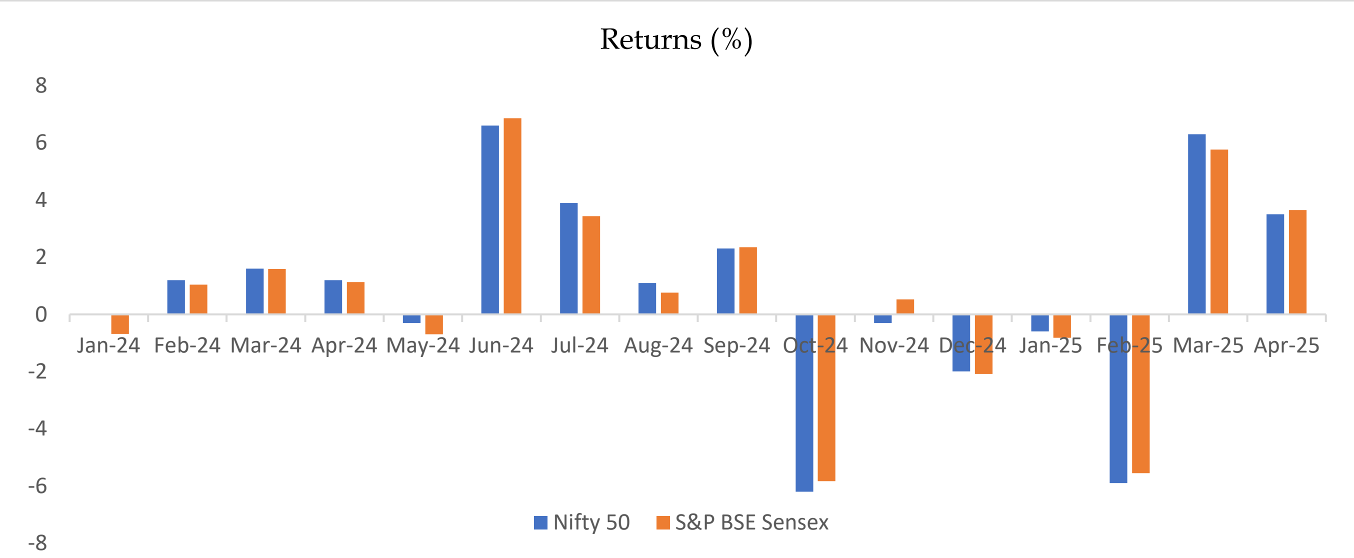
Capital Market

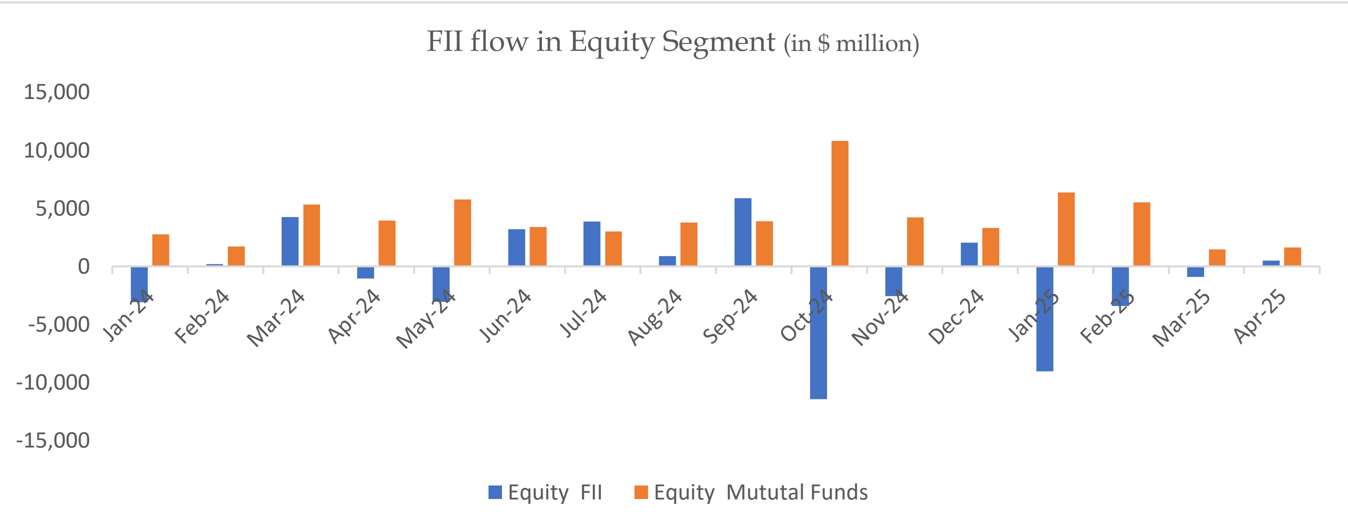
In April 2025, Indian equity markets achieved positive returns despite global challenges. The NSE Nifty 50 index closed above 24,334.2 points, marking a 3.5% gain for the month. This performance signified the second consecutive month of positive returns, following a downturn from October 2024 to February 2025. Similarly, the S&P BSE Sensex registered a 3.7% increase during the same period.

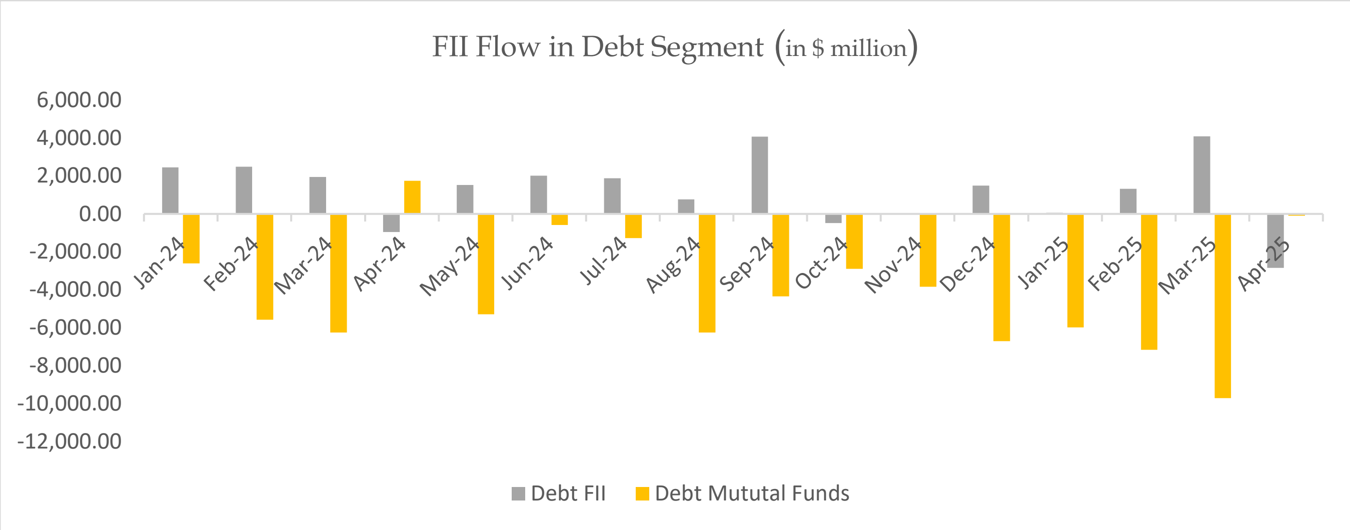
The initial half of April 2025 saw declines in both indices, primarily due to foreign investors offloading Indian equities amid tariff uncertainties. However, the latter half experienced a significant rebound, driven by strong corporate earnings and easing global trade tensions.

In April 2025, foreign portfolio investors (FPIs) withdrew a net $2.3 billion from Indian capital markets, marking the third monthly outflow in four months. This contrasts with the $3 billion net inflow recorded in March.

Notably, the equity segment saw a reversal, with FPIs becoming net buyers for the first time in four months, investing $528 million. This shift







was driven by factors such as the deferral of reciprocal tariffs, easing global trade tensions, and India's March CPI inflation aligning with market expectations.

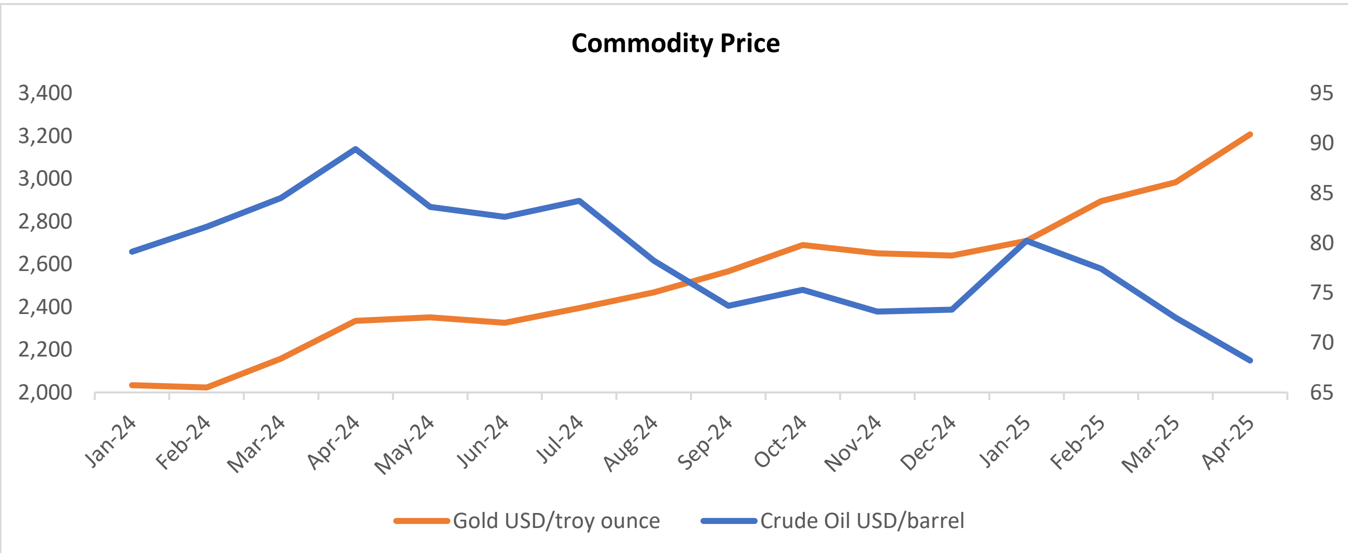
Conversely, the debt segment experienced significant outflows, with FPIs withdrawing $2.27 billion—the largest monthly outflow since May 2020. This marked the first net outflow from Indian debt since November 2024. Domestic Institutional Investors (DIIs) continued to support the equity market, investing $3.3 billion in April.

Commodity Market

Gold prices in the London Bullion Market continued their upward trend for the fourth consecutive month in April 2025, averaging $3,207.50 per troy ounce—a 7.5% increase from the previous month. The surge is attributed to heightened demand driven by global economic uncertainties, including trade tensions and shifting monetary policies.

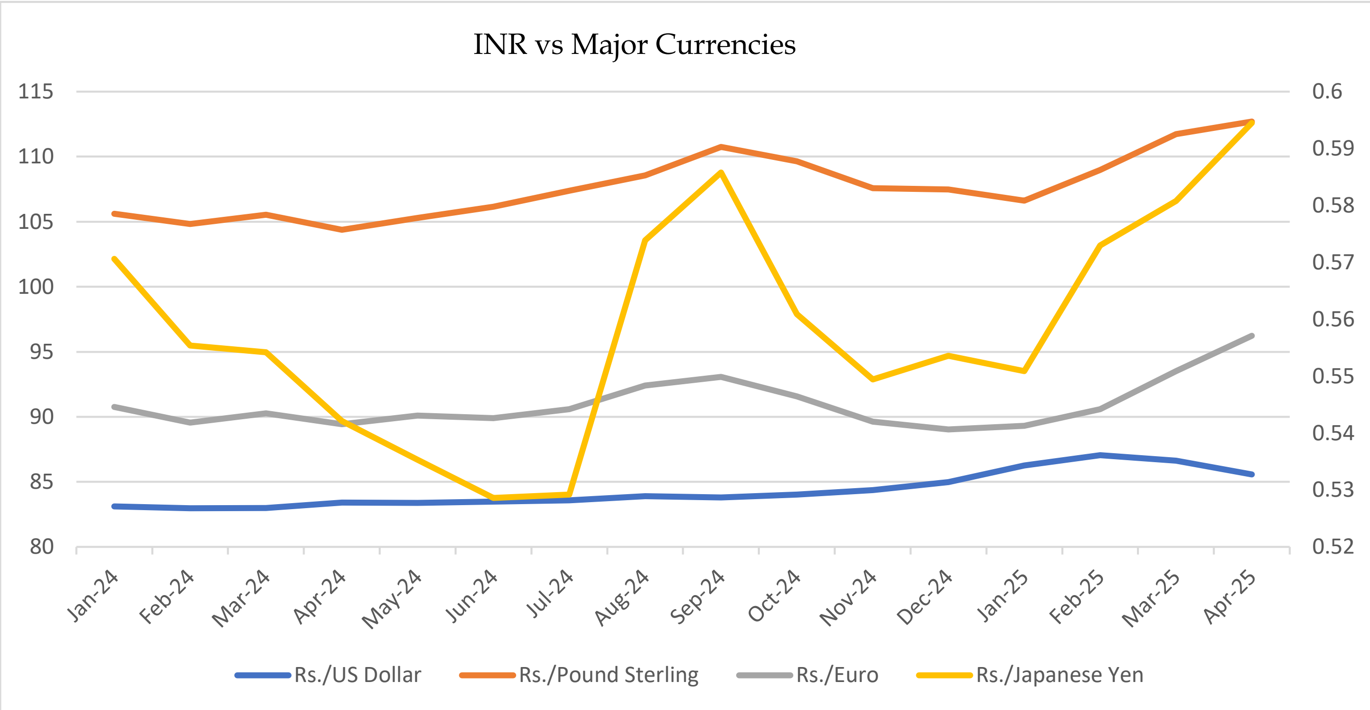
However, the gold market exhibited significant volatility during the month. In the week ending April 19, gold prices spiked by 5.4%, the most substantial weekly gain in five years. This was followed by a sharp decline of 5% on a single day the next week, with prices dropping from $3,433.60 to $3,263.00 per troy ounce.

Conversely, the Indian basket of crude oil experienced a continued decline in April 2025, with prices falling by 5.9% to an average of $68.20 per barrel, down from $72.50 in March. The most significant drop occurred in the week ending April 12, when prices plummeted by 12.2%, the



steepest weekly decline in approximately three years.

The persistent decrease in crude oil prices is largely attributed to ongoing uncertainties surrounding tariffs imposed by U.S., which have dampened expectations for global economic growth. Additionally, increased oil production by OPEC+ members has contributed to an oversupply in the market, further exerting downward pressure on prices.



Currency Market

In April 2025, the Indian Rupee (INR) appreciated against the US Dollar (USD) for the second consecutive month, strengthening by 1.3% to an average of ₹85.56 per USD, up from ₹86.64 in March. This appreciation occurred despite net outflows from foreign portfolio investors (FPIs) in Indian capital markets.

A significant factor contributing to the INR's strength was the depreciation of the US Dollar Index, which fell by 4.3% in April—the largest monthly decline in over two years.

Throughout April, the INR appreciated against the USD in three out of four weeks, reaching ₹85.05 per USD on April 30—the strongest level in nearly four months.

Conversely, the INR depreciated against other major currencies. The INR weakened by 2.8% to an average of ₹96.23 per Euro, down from ₹93.51 in March. It fell by 0.9% to an average of ₹112.70 per GBP, marking the third consecutive month of depreciation against the pound and declined by 2.3% to an average of ₹0.59 per JPY, continuing a three-month trend of depreciation against the yen.

Interest Rate

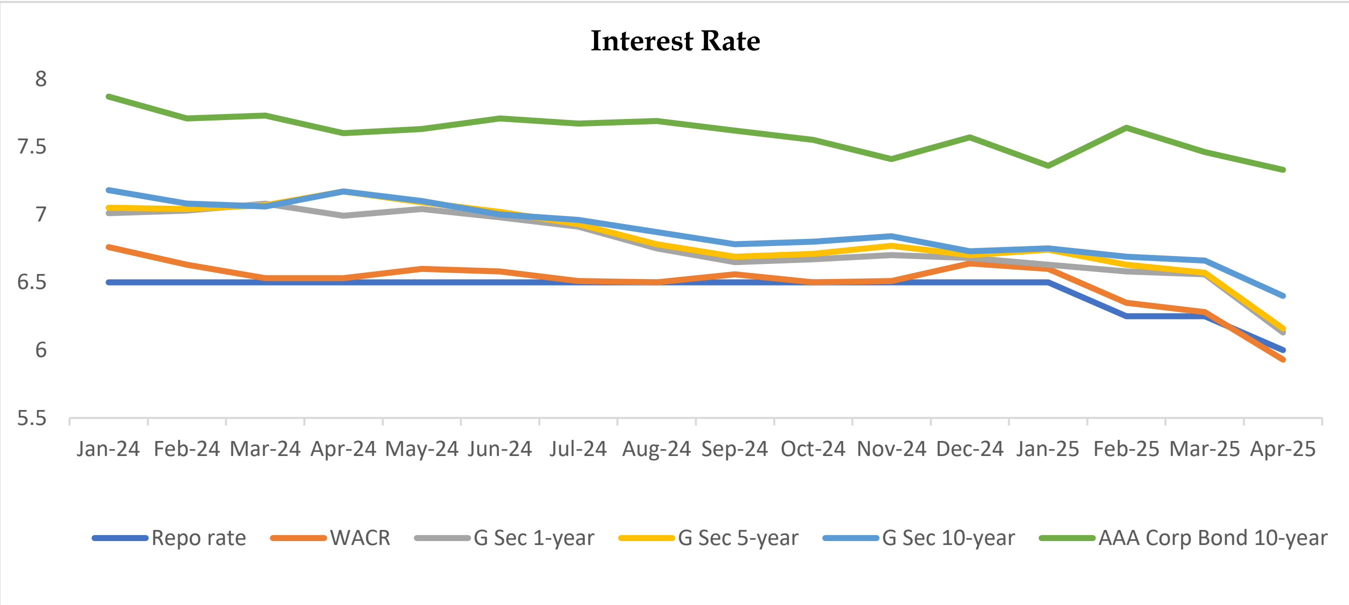
In April 2025, India's bond market experienced a significant decline in yields across both government securities (G-secs) and AAA-rated corporate bonds, reaching multi-year lows. This trend was driven by the Reserve Bank of India's (RBI) accommodative monetary policy stance, including rate cuts and liquidity infusion measures, aimed at supporting economic growth.

The yield on 1-year government securities fell to 6.13% in April, marking a 43-basis point (bps) decline from the previous month and the lowest level in three years. This downward trend has been consistent since November 2024. The benchmark 10-year G-sec yield decreased by 26 bps to 6.4% in April, the lowest in over three years. This decline reflects expectations of further rate cuts and increased liquidity in the system.

1-Year AAA Corporate Bonds yields dropped by 65 bps to 7.08% in April, continuing a three-month downward trend. 3-Year and 5-Year AAA Corporate Bonds yields declined by 48 bps and 34 bps to 7.16% and 7.21%, respectively. 10-Year AAA Corporate Bonds yields fell by 13 bps to 7.33% in April, marking the second consecutive month of decline.

April, the first in over two years, down from 1.57% inflation in March. Vegetable prices declined by 18.26% year-on-year, with significant drops in potatoes (-24.30%) and pulses (-5.57%).

Inflation in manufactured products moderated to 2.62% in April from 3.07% in March. While prices of basic metals rose by 1% month-on-month, the annual inflation for this subgroup turned negative at -0.6%, influenced by high base prices and the imposition of a safeguard duty on steel imports.



Inflation

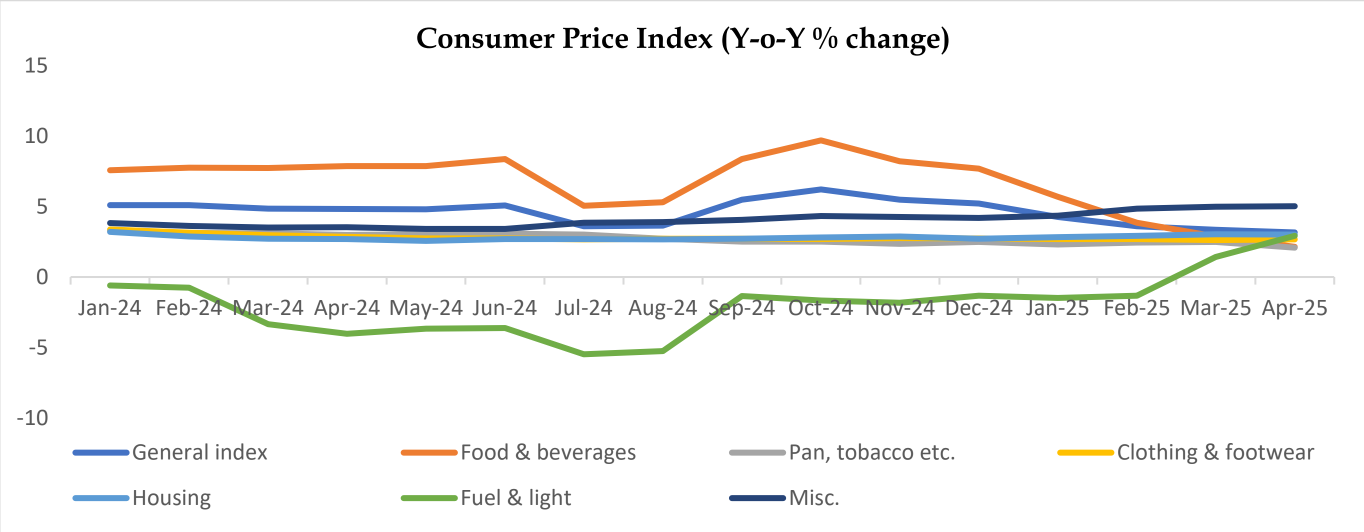
WPI Inflation

In April 2025, India's wholesale price inflation (WPI) eased to a 13-month low of 0.85% year-on-year, down from 2.05% in March, marking the lowest level since March 2024. This decline was primarily driven by falling prices in food, fuel, and manufactured goods.

The fuel and power category experienced a deflation of 2.18% in April, reversing a 0.20% inflation in March. This was mainly due to a 3.95% drop in mineral oil prices and a 1.38% decrease in electricity prices. The primary articles segment entered deflation, recording a -1.44% change in April compared to 0.76% inflation in March. Food articles saw a deflation of 0.86% in

CPI Inflation

CPI inflation moderated to 3.16% in April 2025, down from 3.34% in March. A record decline in food prices during the March quarter laid the foundation for this moderation.



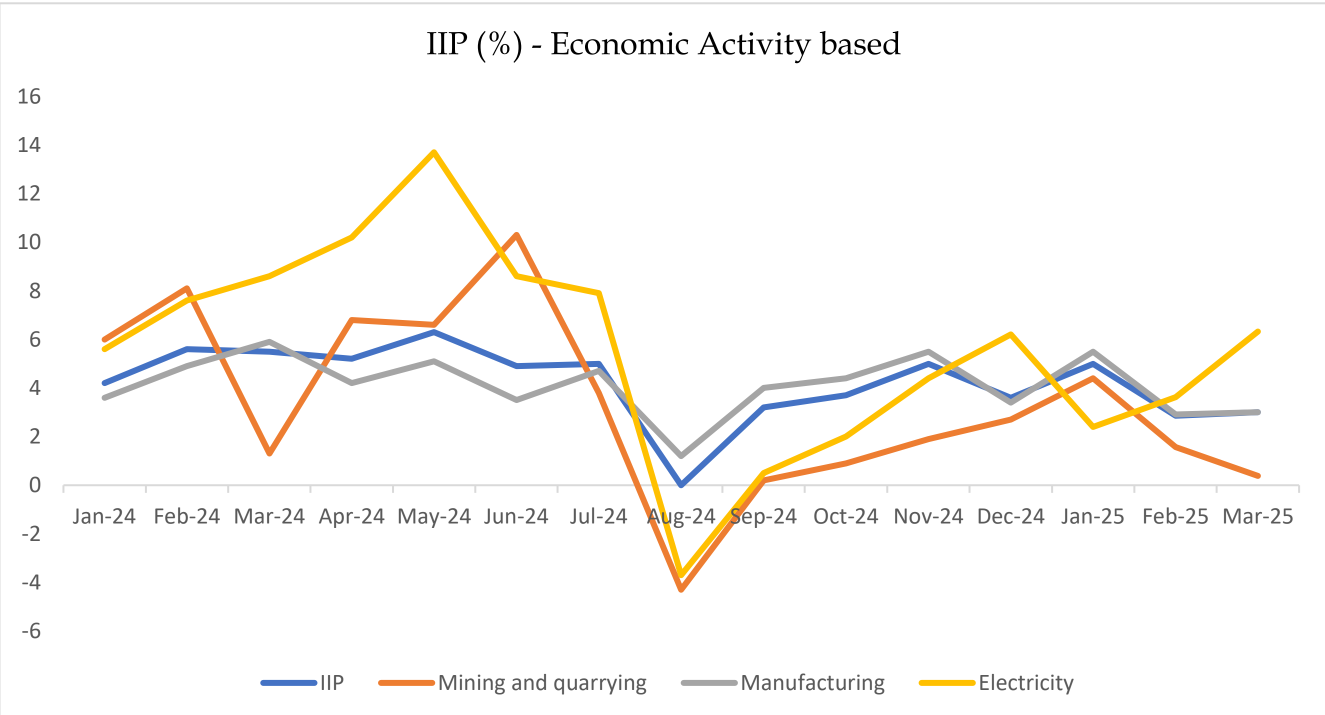
The food and beverages component continue to play a pivotal role in driving down overall inflation. In April, inflation in this group eased to 2.1%, from 2.9% in March, marking a sustained downward trend.

This was largely due to deeper deflation in vegetables and pulses, along with easing price pressures in cereals, eggs, meat, fish, and fruits. Vegetables deflation deepened to 11% in April from 7% in March. Pulses prices fell by 5.2% in April, compared to 2.7% in March. Cereals & Products inflation eased to 5.3% in April from 5.9% in March. After emerging as a major inflationary driver in recent months, fruit price inflation dropped by 267 basis points to 13.8% in April, providing further relief to headline CPI.

Inflation in the fuel and light category rose to 2.9% in April, up around 50 basis points from March. The miscellaneous category registered flat inflation at 5% in April. Gold and silver prices were the main contributors to this figure.

Index of Industrial Production

Industrial production growth (IIP) eased to 3% in March 2025, down from 5.5% in the same month last year. The slowdown was broad-based, with



all major sectors recording weaker performance. Mining sector growth decelerated to 0.4% in March 2025 compared to 1.3% a year earlier. Manufacturing output rose by 3%, down from 5.9% in March 2024, while electricity generation growth also slowed to 6.3% from 8.6% March 2024 .

Under the use-based classification, infrastructure and construction goods stood out with a higher growth rate of 8.8% in March 2025, compared to 7.4% in March 2024. Primary goods output maintained a steady pace, growing by 3.1%, slightly above the 3% recorded a year earlier.

However, other categories saw a marked deceleration. Capital goods output slowed significantly to 2.4% in March 2025 from 7% in March 2024, while intermediate goods growth dropped to 2.3% from 6.1%. Consumer durables posted a more modest slowdown, with output increasing by 6.6% versus 9.5% in the previous year. In contrast, consumer non-durable goods saw a sharp contraction, declining by 4.7%, following a 5.2% increase in March 2024.

Data Table

Economic Indicators

Indicators	Apr-24	Mar-25	Apr-25	YoY change (% / bps)
FPI Equity Investments (USD billion)	-1.036	-0.9132	0.51	149.23%
Rupees per dollar	83.4	86.64	85.56	-2.59%
Rupees per Pound Sterling*	104.38	111.73	112.7	-7.97%
Rupees per Euro*	89.44	93.51	96.23	-7.59%
Rupees per Japanese Yen*	0.5421	0.5808	0.5945	-9.67%
Crude Oil (USD/Barrel) *	89.4	72.5	68.2	-23.71%
Gold (USD/troy ounce) *	2335.5	2983.3	3207.5	37.34%
Weighted Average Call rate (%)	6.53	6.28	5.93	-60
Market repo rate (%)	6.5	6.25	6	-50
G sec 1-year (%)	6.99	6.56	6.13	-86
G sec 10-year (%)	7.17	6.66	6.4	-77
AAA rated corporate bond 10-year (%)	7.6	7.46	7.33	-27
CPI Inflation (%)	4.83	3.34	3.16	-167
WPI Inflation (%)	0.26	2.05	0.85	59
IIP# (%)	5.2	2.86	3	-220

IIP data as on March 24, Feb 2025 and March 2025 respectively.

* *Average Monthly Exchange Rate*

Section 2/खंड 2

Article/लेख

Fractions, Fees and Financial Fiascos- The Price of Innumeracy*

-By Prodeepto Chatterjee, DGM

The article was originally published in abridged version in Mint on 28th March 2025 with the title **"When simple math errors cost more than just money"*

We live in a world governed by numbers, yet a surprising lack of basic numeracy continues to cost individuals dearly, from missed bargains to crippling debt. A seemingly trivial tale from fast-food history perfectly illustrates this point.

Al Bernardin, a franchise owner and former McDonald's Vice President of product development, created the Quarter Pounder in Fremont, California, in 1971. Such was the popularity of the burger, it very soon became part of the American fast food culture landscape. For the uninitiated the name "quarter pounder" alludes to the amount of meat in the burger patty. Mathematically 16 ounces = 1 pound; thus quarter or $1/4^{th}$ of a pound is 4 ounces; and thus the name Quarter Pounder.

To challenge McD's supremacy, A&W (another fast-food chain) came out with the Third-of-a-Pound Burger, with the same price point. This burger, as expected, had a third of pound ($1/3^{rd}$ of 1 pound) meat in it. Effectively this meant that, at the same price point, the amount of meat in the burger was more than a Quarter Pounder. Focus group studies and taste tests even suggested that folks preferred the A&W offering. Victory seemed imminent.

But the A&W Third-of-a-Pound Burger failed.

Nobody bought it!

And the reason, as bizarre as it sounds, lay in something we learn in school: FRACTIONS. People thought that a quarter pounder i.e. a fourth of a pound was more than a third of a pound, because 4 is great than 3. The simple school level maths that although 4>3, this property reverses when put into reciprocal form i.e. 1/3 > 1/4 or 33.33% > 25%, was simply not understood by the masses *(1,2)*.

This seemingly light-hearted tale of burger bewilderment carries a far more serious echo in the real-world struggles of individuals navigating the complexities of personal finance, as my experience in 2010 revealed.

The year was 2010, a period etched in the memory of particularly for those observing the burgeoning world of microfinance. As a credit officer with a public sector bank, I was then immersed in assessing the portfolios of institutions lending to women's Self-Help Groups (SHGs). It was during a routine meeting with a member of one such group that the stark reality of informal lending practices hit home with unsettling force. I met a vegetable vendor, a hardworking woman striving to make ends meet in a rural landscape often devoid of formal financial avenues. To fuel her small business, she had turned to the ubiquitous local moneylender.

The transaction seemed simple enough: a loan of ₹1,000 for a mere seven days. Within that week, she diligently completed three to four working capital cycles – the daily rhythm of buying vegetables, selling them and generating cash. Each cycle yielded a modest net profit of around ₹100. At the week's end, she dutifully returned the ₹1,000 principal, along with a ₹100 "charge" to her benefactor. On the surface, the arrangement appeared manageable. With four such weekly cycles in a month, she was netting a profit of approximately ₹400 per week, and after paying the moneylender ₹100, she took home a seemingly respectable ₹300. Multiplied over four weeks, this translated to a post-payment profit of ₹1,200 – a significant sum for a rural household.

However, as the old adage warns, the devil lies in the details. Let's dissect the seemingly innocuous "charge." For a ₹1,000 loan, the vendor was repaying ₹1,100 in a single week. This translated into an effective interest rate of 10% *per week (i.e.* ₹100/₹1,000). Calculated for over a month (assuming four weeks), this becomes staggering 40% *per month*. But the truly eye-watering figure emerges when we annualize this: an unbelievable **480% per annum**!

The parallel between the A&W Third Pounder's failure and the plight of the vegetable vendor in 2010 starkly illustrates the pervasive and costly consequences of innumeracy. The burger debacle hinged on a fundamental misunderstanding of fractions: this seemingly elementary error prevented consumers from recognizing the superior value offered by A&W. Similarly, the vegetable vendor's inability to convert the simple weekly charge into a percentage, while diligently managing her daily cash flow and recognizing a weekly profit masked the predatory nature of the loan and the potential for a deep debt trap. In the background of alarmingly high household debt, thus impacting savings (3), the allure of quick access to BNPL (buy now pay later) funds, can overshadow the long-term burden of usurious interest rates when basic mathematical skills are lacking.

The above stories are not isolated incidents. They highlight a broader societal challenge where innumeracy leaves individuals vulnerable and susceptible to financial exploitation and poor decision-making. Whether it's a seemingly straightforward burger comparison or the complex world of microfinance and informal lending, the inability to confidently navigate basic numerical concepts has tangible and often devastating financial consequences for individuals and the economy as a whole. Michael Lewis in this book "The Big Short" (4), written in the background of the subprime crisis fuelled GFC of 2008, also showcases and illustrates the profound impact of a lack of understanding of the population regarding debt calculations, complex financial instruments, particularly the teaser rates.

Consider our own context. How many well-intentioned government schemes or financial products struggle to gain traction simply because the common person finds the underlying calculations or comparisons confusing? How many families might be missing out on better savings options or falling into debt traps because they lack the numerical literacy to make informed choices?

The lessons from the misjudged Third Pounder to the crushing weight of a 480% loan are clear: we cannot afford to underestimate the impact of innumeracy. The understanding of ***0.5% or 0.005 or 5/1000 being the same***, may confuse many individuals. This seemingly simple example highlights a core issue contributing to innumeracy and its detrimental effects on financial literacy. If individuals struggle with such basic conversions, comprehending more complex financial concepts like interest rates, loan calculations and investment returns becomes significantly more challenging.

It's time our financial systems, educational institutions and policymakers actively recognize and address the varying levels of numerical comfort within our population. This requires a concerted effort to simplify financial information, prioritize practical numeracy skills in education, and foster a culture where understanding basic numbers is seen not as an academic pursuit, but as a vital tool for economic empowerment and protection against financial exploitation.

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Section 3/खंड 3

International Section/ अंतर्राष्ट्रीय खंड

Peruvian Pension System: An Overview

The Peruvian pension system operates on a multi-pillar framework that integrates public and private components. Its design reflects efforts to ensure financial sustainability while expanding access to retirement income across different segments of the population.

Structure of the Peruvian Pension System

The system comprises four main pillars:

- **Pillar 0 – Basic Non-Contributory Pension (Pensión 65):**

  Provides a flat-rate benefit to elderly individuals living in extreme poverty. Established in 2011, Pensión 65 offers bi-monthly payments to individuals aged 65 and above who do not receive contributory pensions. As of December 2024, there were 824,351 beneficiaries.

- **Pillar 1 – Public Defined Benefit System (SNP):**

  A pay-as-you-go (PAYG) system requiring a minimum of 20 years of contributions for a full pension and partial benefits for those contributing between 10 and 19 years. The statutory retirement age is 65 for both men and women. Pension amounts range from a minimum of 500 soles (~USD 132.50) to a maximum of 893 soles (~USD 236.70). As of May 2024, over 4.5 million individuals were enrolled in the SNP.

- **Pillar 2 – Private Defined Contribution System (SPP):**

  Introduced in 1993, this system is based on individual savings accounts managed by private pension fund administrators (AFPs). As of December 2024, the SPP had over 9.8 million affiliates.

  Key features include:

  - **Contribution rate:** 10% of the worker's monthly salary.
  - **Investment choices:** Members select from four funds offering varying risk-return profiles.
  - **Lump-sum withdrawals:** Since 2016, retirees can withdraw up to 95.5% of their savings. By October 2024, 551,646 individuals had done so, totalling USD 14.77 billion.
  - There is no minimum guaranteed pension under the SPP.

  SNP members may transfer to the SPP and select their AFP. Those transferring receive a **recognition bond** representing the pension rights accrued in the SNP, provided they contributed for at least 48 months. However, once an SNP member switches to SPP, they cannot switch back to SNP.

- **Pillar 3 – Voluntary Private Pension Savings:**

  This allows individuals to make additional contributions on a voluntary basis. Contributions may be earmarked:

  - **For retirement:** Withdrawals permitted only upon retirement.
  - **For general purposes:** Withdrawals allowed up to three times per year.

  While voluntary savings are pooled with mandatory funds for investment purposes, they are not eligible for tax incentives.

Role of Pension Fund Administrators (AFPs)

AFPs are private entities that manage **individual defined contribution accounts** for workers. Every formal worker who opts into the SPP has a personal account managed by an AFP, where their **mandatory and voluntary pension contributions** are accumulated and invested over time.

Their responsibilities include:

- Investing accumulated funds in one of four standardized funds with different risk profiles.
- Managing insurance coverage for disability and survivor benefits.
- Providing account statements and retirement planning tools.

There are four AFPs in operation. *"Each AFP must offer four funds, each with a distinct risk profile."*. New members who do not choose an AFP are assigned to the one selected through a public auction system, which is held biennially to foster competition and reduce fees. The AFPs can invest participants' assets in four standardized investment funds, with different risk/return profiles. AFPs periodically have auctions to determine which AFP will take on any new participants. As of December 2024, total assets under management by AFPs stood at USD 28.5 billion, equivalent to 10.1% of Peru's GDP.

Fee Structure and Reform through Auctions

Participants in the SPP contribute 10% of their salary toward their retirement account. In addition, AFPs charge fees that cover:

- Administration and investment management.
- Insurance premiums for disability and survivor benefits.

Fee Types:

- **Salary-based fees** (charged as a percentage of monthly earnings).
- **AUM-based fees** (charged as a percentage of assets under management).

2012 Reform:

- A law passed in 2012 mandated a transition from salary-based to AUM-based fees.
- A 10-year transition schedule allowed for a mixed-fee model, gradually reducing salary-based fees.
- Auctions held every two years determine which AFP receives new affiliates and at what fee.
- The transition schedule was completed early in 2019.
- The AFP that won the 2018 auction offered a fee of 0% on salary and 0.82% on AUM.
- The most recent winning bid (2024) set the AUM-based fee at 0.78%.
- These changes led to estimated cumulative savings of USD 1 billion for affiliates.

Withdrawal Options and Regulations

The SPP offers limited early withdrawal options, with the intention of preserving retirement security. These include:

- 25% withdrawal for the purchase of a primary residence.
- 50% withdrawal in the case of terminal illness or a cancer diagnosis.

Since 2016, retirees have been allowed to withdraw **95.5% of their pension savings** as a lump sum. However:

- Withdrawals are restricted for individuals under the age of 40.
- The remaining 4.5% is retained to cover health insurance costs.

This policy has been highly popular but raises concerns about pension adequacy and longevity risk.

Ongoing Challenges and Reform Imperatives

Despite significant developments, Peru's pension system faces several persistent challenges:

- **Low coverage:** Informality in the labor market means many Peruvians do not contribute regularly, especially those in rural areas or the informal economy.
- **Inadequate benefits:** Low contribution densities result in low replacement rates, particularly for women and low-income workers.

- **Early withdrawals:** While appealing to individuals, they undermine long-term retirement security.
- **Complexity and fragmentation:** The dual system structure (SNP vs. SPP) often confuses affiliates and leads to inefficiencies.

Conclusion

Peru's pension system has evolved into a structured, multi-pillar framework balancing fiscal responsibility with retirement adequacy. However, the system remains under pressure from high informality, low contribution rates, and early withdrawals. Future reforms must prioritize broader coverage, improved financial literacy, sustainable pay-out options, and a stronger non-contributory safety net. With sustained policy innovation and institutional oversight, Peru can build a more inclusive and resilient pension system for generations to come.

A Comparative Table on Pension System of India and Peru

Feature	India	Peru
System Structure	Multi-pillar: public (EPS, NPS), private, and targeted social pensions	Multi-pillar: Public PAYGO (SNP/ONP) and Private Individual Accounts (SPP/AFP)
Main Schemes	- National Pension System (NPS) Employee's' Pension Fund (EPS)	- National Pension System (SNP/ONP, PAYGO)
	- Atal Pension Yojana (APY)	- Private Pension System (SPP/AFP)
	- Unified Pension Scheme (UPS, from 2025)	
Coverage	Low coverage, especially in the unorganized sector (over 88% uncovered)	Low coverage due to high informality; both systems cover a minority of the elderly
Eligibility	- EPF: Salaried employees in organized sector - NPS: Open to Government, corporate employees, all citizens	- Mandatory for formal workers - Voluntary for informal/self-employed - Mandatory at 18 (2024 reform)

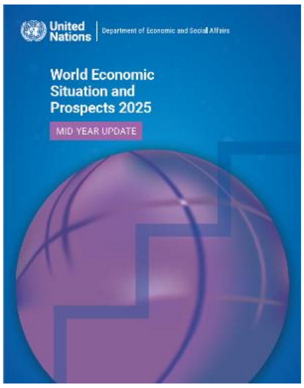
Feature	India	Peru
	- APY: Unorganized sector, ages 18–40 non-tax paying individuals. - UPS: Central govt. employees under NPS	
Contributions	- EPF: 12% salary each from employee and employer - NPS: Flexible, voluntary, with tax benefits - APY: Fixed, based on chosen pension	- SNP: 13% of salary - SPP: 10% of salary - Both employee and employer contribute
Benefit Type	- EPF: Lump sum with interest - NPS: Annuity/lump sum (market-linked) - APY: Guaranteed pension - UPS: 50% of last salary (for eligible govt. staff)	- SNP: Defined benefit, minimum and maximum limits, 14 payments/year - SPP: Defined contribution, market-linked, minimum pension (new)
Withdrawal Rules	- EPF: Lump sum at retirement - NPS: Partial lump sum + annuity - APY: Monthly pension from 60	- SNP: Annuity - SPP: Previously lump sum withdrawals allowed; now restricted for new/young members
Key Challenges	- High informality, low coverage - Adequacy and sustainability - Financial literacy	- High informality, low coverage - Pension adequacy - Fiscal sustainability

Section 4/ खंड 4

Did You Know? / क्या आप जानते हैं?

World Economic Situation and Prospects: Analysis, Data and Insights

**Insights from World Economic Situation and Prospects-Mid-year Update, published by UN- Department of Economics and Social Affairs (DESA) released on 15th May 2025*



(To download the complete Report,read the Key messages and access data tables & statistical annex click the above picture)

World Economic Situation and Prospects as of Mid-2025

The global economy in mid-2025 stands at a critical juncture, marked by heightened trade tensions, policy uncertainty and a broad-based slowdown in growth. This write-up provides a comprehensive analysis based on the United Nations' *World Economic Situation and Prospects 2025 Mid-Year Update*, integrating key data and insights to illuminate the evolving macroeconomic landscape.

Global Growth: A Broad-Based Downturn

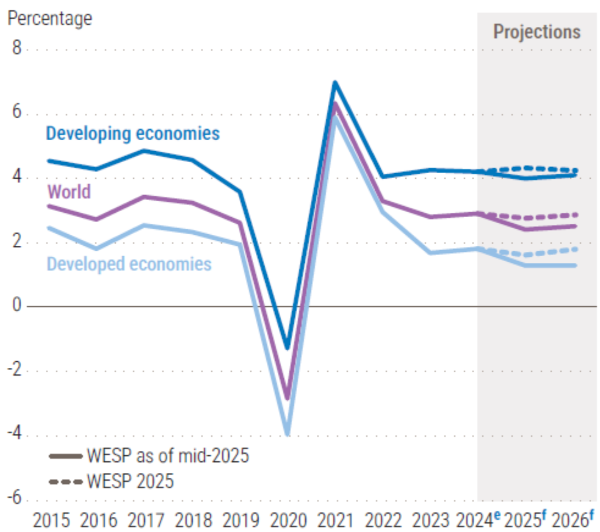
The world economy is projected to grow by just 2.4% in 2025, a notable slowdown from 2.9% in 2024 and 0.4 percentage points below the January 2025 forecast. This downward revision is not isolated but cuts across both developed and developing economies, reflecting the pervasive impact of trade disruptions, financial volatility and subdued investment flows.

Growth by Region and Country Grouping

Region/ Economy	2023	2024 (est.)	2025 (proj.)	Change from Jan 2025 Forecast
World	2.8%	2.9%	2.4%	-0.4%
Developed economies	1.7%	1.8%	1.3%	-0.3%
United States	2.9%	2.8%	1.6%	-0.3%
European Union	0.4%	1.0%	1.0%	-0.3%
Japan	1.5%	0.1%	0.7%	-0.3%
Developing economies	4.3%	4.2%	4.0%	-0.3%
China	5.2%	5.0%	4.6%	-0.2%
India	8.7%	7.1%	6.3%	-0.3%
Africa	3.3%	3.5%	3.6%	-0.1%
Latin America	2.2%	2.2%	2.0%	-0.5%

Source: UN DESA, WESP 2025 Mid-Year Update

Growth of economic output



Source: UN DESA, based on estimates and forecasts produced with the World Economic Forecasting Model.
Note: e = estimates; f = forecasts.

Drivers of the Slowdown

Trade Tensions and Tariffs

The most significant shock to the global outlook has come from a series of unprecedented tariff increases by the United States, followed by retaliatory measures from China, the European Union and Canada.

The average effective tariff rate on U.S. imports surged to 14% (from 2.5% in early 2025), even after a temporary easing agreement with China. These measures have:

- Disrupted global supply chains
- Increased production costs
- Delayed critical investment decisions
- Driven up consumer prices

Trade policy uncertainty has also fuelled financial market volatility, undermining business and consumer confidence and further weakening demand.

Merchandise trade (exports and imports) accounted for 22.2% of global economic output in 2024. The United States, China and Germany are the largest importers, making trade tensions among them particularly consequential for the global economy.

World trade growth is projected at just 1.6% in 2025, down from 3.3% in 2024 and significantly below the pre-pandemic average of 4.5%. This slowdown is especially acute in trade-dependent developing economies, many of which are also grappling with lower commodity prices, tighter financial conditions and elevated debt burdens.

Investment and Productivity Challenges

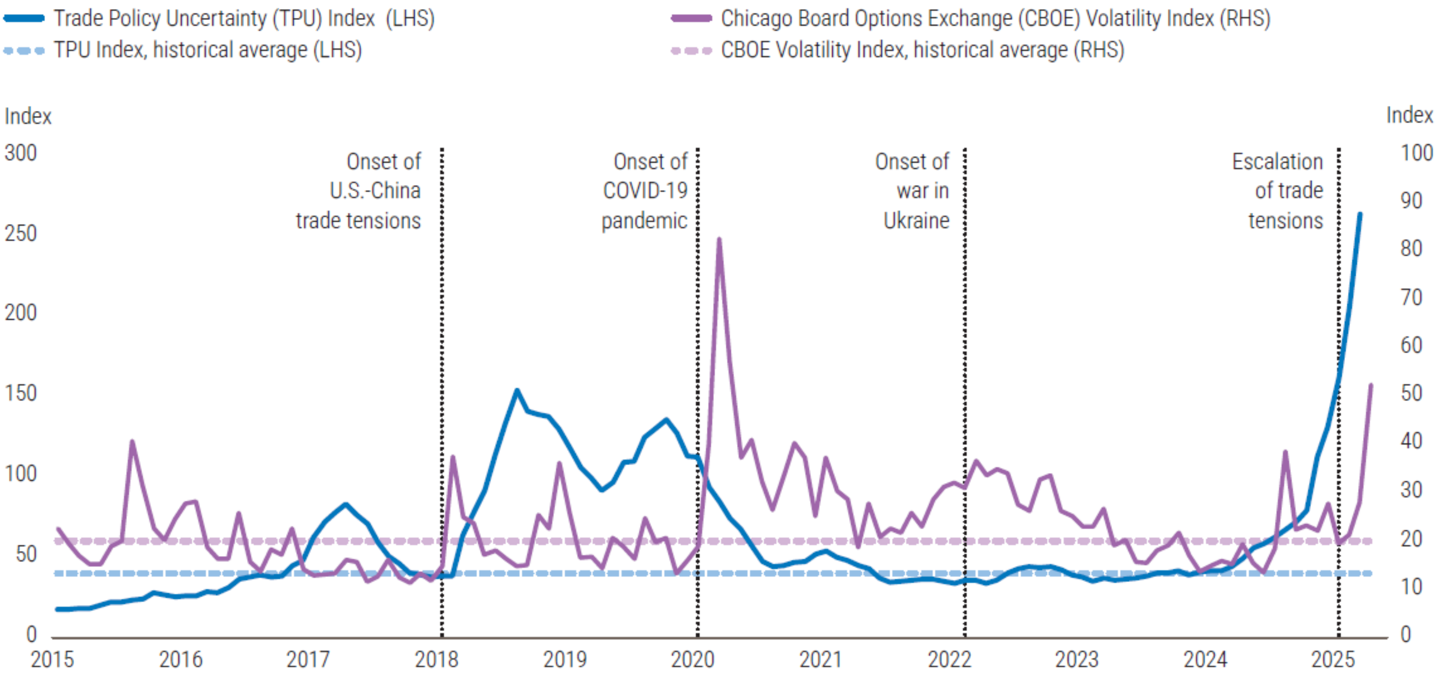
Global investment growth remains persistently weak, dragging down long-term economic prospects. The uncertainty and volatility surrounding trade and policy have led to a marked decline in both consumer and business confidence, further stalling investment.

Inflation: Easing but Uneven and Uncertain

While global inflation is easing, risks remain elevated due to tariff-driven cost pressures and ongoing uncertainty.

The pass-through of higher import costs to consumers is expected to stoke inflationary

Trade policy uncertainty and equity market volatility



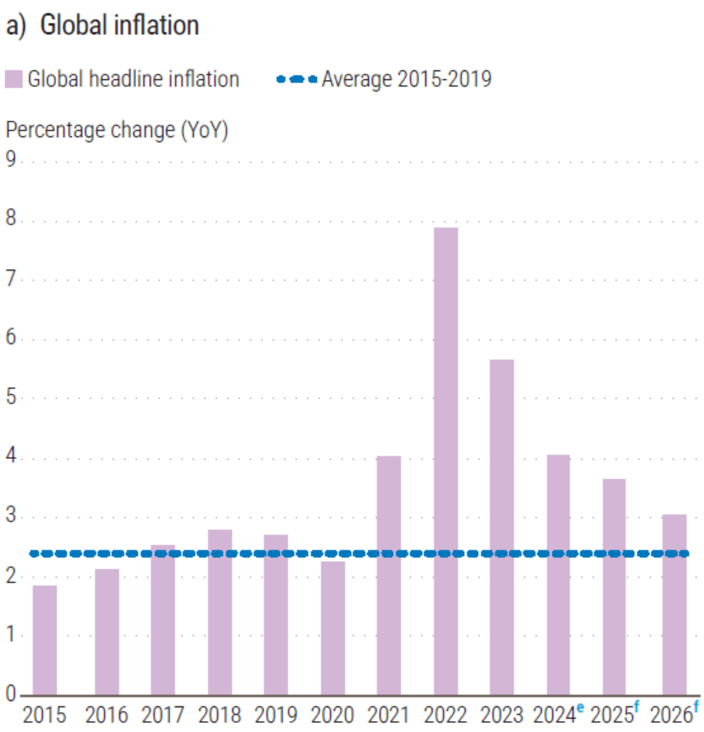
Source: UN DESA, based on data from Trade Policy Uncertainty Index, and Federal Reserve Economic Data (FRED).
Notes: LHS = left-hand scale; **RHS** = right-hand scale. Trade policy uncertainty index is based on a six-month moving average. Volatility index takes the maximum value of each month. The historical averages refer to the arithmetic mean from January 2000 to March 2025.

pressures, particularly in economies highly exposed to trade with the United States.

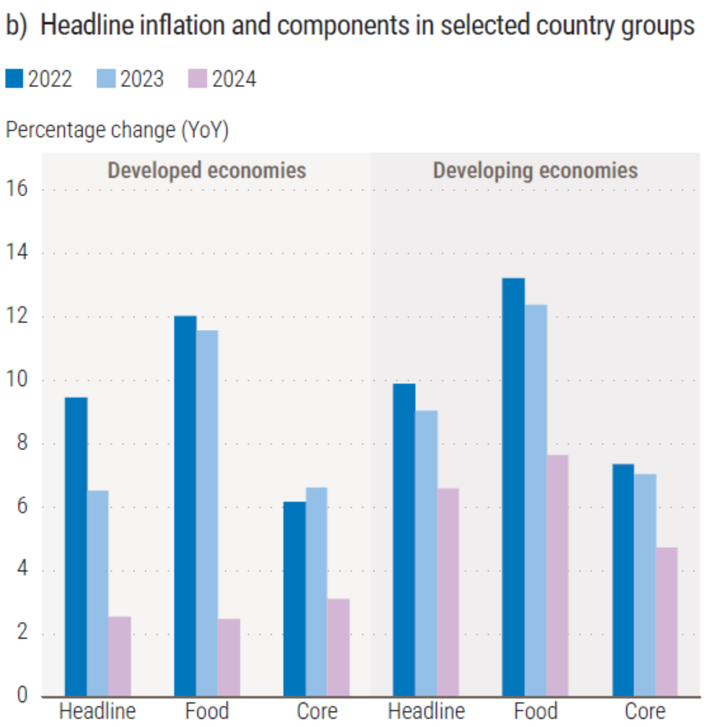
The Unequal Burden of Inflation

Low-income households and vulnerable populations are disproportionately affected by persistent cost-of-living pressures. In many developing countries, food inflation remains high and food expenditure constitutes a large share of total consumption. This exacerbates inequalities and threatens progress toward the Sustainable Development Goals.

Inflation indicators



Source: UN DESA, based on estimates and forecasts produced with the World Economic Forecasting Model.
Notes: e = estimates; f = forecasts; YoY = year-over-year. Afghanistan, Argentina, the State of Palestine, Sudan, and the Bolivarian Republic of Venezuela are excluded.



Source: UN DESA, based on data from CEIC and Trading Economics.
Notes: YoY = year-over-year. Country group data are an unweighted 10 per cent trimmed mean, excluding the 10 per cent largest and 10 per cent smallest values from the sample.

Regional Insights

Developed Economies

- United States: Growth is forecast to slow sharply to 1.6% in 2025 (from 2.8% in 2024). Policy uncertainty and higher tariffs are expected to dampen private investment and consumption.
- European Union: Growth remains subdued at 1.0% in 2025, with resilient labor markets and real income growth offset by weaker net exports due to rising trade barriers.
- Japan: Growth is expected to recover modestly to 0.7% in 2025 after near-stagnation in 2024.

Developing Economies

- East Asia: Most affected by U.S. tariffs due to strong trade linkages. China's growth is projected to slow to 4.6% in 2025, with export-oriented manufacturing and property sector weaknesses as key drags.
- South Asia: India remains a global growth leader, with growth projected at 6.3% in 2025, supported by resilient consumption and government spending.
- Africa: Growth remains constrained at 3.6%, weighed down by trade tensions, low commodity prices and ongoing conflicts.

- Latin America and the Caribbean: Growth is forecast at 2.0% in 2025, with Mexico's economy stagnating due to weak exports to the U.S. and a steep decline in investment.

Vulnerable and Least Developed Countries

Growth prospects for many small and vulnerable economies have deteriorated further. Least Developed Countries (LDCs) are expected to grow by 4.1% in 2025, 0.5 percentage points below the January forecast. Countries like Cambodia, Lesotho and Madagascar are particularly exposed to the risk of reciprocal tariffs from the U.S., a key export market.

Policy Responses and Challenges

Monetary and Fiscal Policy

Central banks face a delicate balancing act: supporting growth while containing inflationary pressures. Monetary policy normalization has been complicated by renewed inflation risks linked to tariffs and supply disruptions.

Fiscal space is constrained, especially in developing economies burdened by high debt and rising interest expenditures. This limits governments' ability to cushion shocks or invest in long-term development.

Structural and Industrial Policy

The report calls for a broad policy toolkit, combining:

- Monetary policy to stabilize prices
- Fiscal measures to support vulnerable households
- Supply-side reforms to enhance productivity and resilience
- Industrial strategies to foster innovation and diversification

Risks and Uncertainties Ahead

The report underscores that the uncertainty in global growth forecasts is unusually high. Key risks include:

- Further escalation of trade tensions and tariffs
- Financial market instability
- Prolonged weakness in global investment and productivity
- Persistently high inflation, especially in food and energy
- Geopolitical conflicts and policy ambiguity

Should merchandise trade disruptions spill over into services (such as transport and tourism), the economic reverberations could be even more severe, affecting additional channels of global integration.

Implications for Sustainable Development

The deteriorating economic outlook is undermining progress toward the Sustainable Development Goals (SDGs). Slower growth and persistent inflation threaten to deepen inequalities, increase poverty and erode gains in health, education and social protection, especially for the most vulnerable populations.

Conclusion

The world economy in mid-2025 is navigating a precarious environment shaped by trade conflicts, policy uncertainty and weakening growth. With global output growth forecast at just 2.4%, risks are tilted to the downside and the burden of adjustment is falling disproportionately on developing economies and vulnerable groups. Policymakers face the urgent challenge of stabilizing prices, supporting demand and fostering resilience in the face of mounting headwinds. The path forward will require coordinated, flexible and inclusive policy responses to restore confidence and reinvigorate sustainable development.

#*Tables and Graphs sourced from the report "World Economic Situation and Prospects- Mid-year Update" published by UN-Department of Economics and Social Affairs (DESA)*

Section 5/ खंड 5

Circulars/Regulations/Guidelines

परिपत्र/विनियम/दिशानिर्देश

Circular No: PFRDA/2025/02/REG-EXIT/01	
21st April 2025	**Settlement of Corpus & Closure of NPS account in case NPS subscriber renounces Indian citizenship and does not hold OCI card**

This circular outlines the process for settling the corpus and closing NPS accounts for subscribers who have renounced their Indian citizenship and do not hold an Overseas Citizen of India (OCI) card.

Key points of the circular:

Intimation of Status Change: Subscribers who have validly renounced Indian citizenship and do not possess an OCI card must immediately inform the NPS Trust of this change with proof.

Account Closure and Fund Transfer: Upon intimation, the subscriber's Permanent Retirement Account Number (PRAN)/NPS account will be closed. The entire accumulated pension wealth will be transferred exclusively to the subscriber's Non-Resident Ordinary (NRO) account, adhering to Foreign Exchange Management Act (FEMA) guidelines issued by the Reserve Bank of India (RBI).

Required Documents for Closure: To close the NPS account, the subscriber must submit an application to the NPS Trust along with:

- An undertaking stating that they have renounced Indian citizenship and do not hold an OCI card.
- A valid certificate of renunciation of Indian citizenship, surrender certificate, or a cancelled Indian passport issued by a competent authority.

Circular No: PFRDA/2025/03/Sup-ASP/01	
30th April 2025	**Declaration of Representative Annuity Rate for March 2025 under the Unified Pension Scheme**

This circular declares the Representative Annuity Rate for March 2025 under the Unified Pension Scheme (UPS).

Key points of the circular:

March 2025 Representative Annuity Rate: For March 2025, the declared representative annuity rate is 7.31%.

Historical Data: A consolidated list of representative annuity rates from January 2014 to March 2025 is included as Annexure-I for easy reference. (*Clarification- Annexure I is part of the Circular and has not reproduced here)*

Authority and Effectiveness: The circular is issued under the powers conferred by Section 14 of the Pension Fund Regulatory and Development Authority Act, 2013, and is effective immediately.

Section 6/ खंड 6

NPS/ APY Statistics एनपीएस/एपीवाई आँकड़े

Sector Wise Growth / क्षेत्रवार वृद्धि

The total number of subscribers, contributions and assets under management for the NPS and APY as on 30th April 2025, are as under. The below data is a compilation of data from the three CRAs registered with PFRDA.

i.No. of Subscribers: The number of subscribers in various schemes under the NPS and APY rose to 843.64 Lakh by the end of April 2025 from 739.32 Lakh in March 2024 showing a year-on-year (Y-o-Y) growth of 14.11%.

Table 1: NPS & APY growth in Subscribers base as on 30th April 2025
31 मार्च 2025 तक एनपीएस और एपीवाई के अभिदाताओं की संख्या में वृद्धि

Sector / क्षेत्र	No. of Subscribers (in lakh) / अभिदाताओं की संख्या (लाख में)			YoY (%) / वार्षिक वृद्धि (%)	Share (%) / हिस्सेदारी (%)
	30-Apr-24	31-Mar-25	Apr-25		
CG	26.18	27.26	27.33	4.39	3.24
SG	66.25	71.32	71.95	8.60	8.53
Sub Total	***92.43***	***98.58***	***99.28***	***7.41***	***11.77***
Corporate	19.78	22.75	23.24	17.49	2.75
All Citizen	35.99	42.65	42.77	18.84	5.07
Vatsalya	--	1.08	1.1	--	0.13
Sub Total	***55.77***	***66.48***	***67.11***	***20.33***	***7.95***
NPS Lite	33.31	33.5	33.5	0.57	3.97
APY	557.81	641.34	643.75	15.41	76.31
Grand Total	***739.32***	***839.90***	***843.64***	***14.11***	***100***

Source: CRAs

ii. Contribution: As on 30th April 2025, total contribution for both NPS and APY stood at Rs. 10,52,113 crores showing a Y-o-Y growth of 23.61%.

iii. Assets under Management: As of 30th April 2025, the combined pension assets under management for both the NPS and the APY stood at Rs 14,87,443 crores showing a year-on-year growth of 26.84%

Table 2: NPS & APY growth in Contribution as on 30th April 2025
30 अप्रैल 2025 तक एनपीएस और एपीवाई के कॉन्ट्रिब्यूशन में वृद्धि

S.N. / क्रम संख्या	Sector / क्षेत्र	Contribution (Rs. in crore) / योगदान (रु. करोड़ में)			YoY (%) / वार्षिक वृद्धि (%)	Share (%) / हिस्सेदारी (%)
		30-Apr-24	31-Mar-25	30-Apr-25		
(i)	CG	2,19,498	2,61,348	2,65,028	20.74	25.19
(ii)	SG	4,20,085	5,05,769	5,12,199	21.93	48.68
	Sub Total	***6,39,583***	***7,67,117***	***7,77,226***	***21.52***	***73.87***
(iii)	Corporate	1,16,097	1,52,190	1,54,163	32.79	14.65

(iv)	All Citizen	52,950	66,184	67,483	27.45	6.41
(v)	Vatsalya	--	94	112	--	0.01
(vi)	Tier-II	8,069	10,088	10,284	27.45	0.98
(vii)	TTS	16	19	19	19.72	0.00
	Sub Total	***1,77,132***	***2,28,576***	***2,32,062***	***31.01***	***22.06***
(viii)	NPS Lite	3,359	3,550	3,564	6.10	0.34
(ix)	APY*	31,098	38,570	39,260	26.25	3.73
	Grand Total	***8,51,172***	***10,37,813***	***10,52,113***	***23.61***	***100.00***

** Fig does not include APY Fund Scheme*

Source: CRAs

Table 3: NPS & APY growth in AUM as 30th April 2025
30 अप्रैल 2025 तक एनपीएस और एपीवाई के एयूएम में वृद्धि

S.N. / क्रम संख्या	Sector / क्षेत्र	AUM (Rs. in crore) / एयूएम (रु. करोड़ में)			YoY (%) / वार्षिक वृद्धि (%)	Share (%) / हिस्सेदारी (%)
		30-Apr-24	31-Mar-25	30-Apr-25		
(i)	CG	3,22,215	3,84,017	3,95,585	22.76	26.59
(ii)	SG	5,82,673	7,16,725	7,37,950	26.65	49.61
	Sub Total	***9,04,888***	***11,00,742***	***11,33,534***	***25.27***	**76.21**
(iii)	Corporate	1,66,729	2,18,550	2,25,935	35.51	15.19
(iv)	All Citizen	54,396	66,336	68,249	25.47	4.59
(v)	Vatsalya		93	113		0.01
(vi)	Tier-II	5,413	6,901	7,143	31.96	0.48
(vii)	TTS	18	20	20	12.40	0.00
	Sub Total	***2,26,556***	***2,91,900***	***3,01,461***	***33.06***	**20.27**
(viii)	NPS Lite	5,560	6,086	6,215	11.79	0.42
(ix)	APY*	35,647	44,781	46,222	29.67	3.11
	Grand Total	**11,72,651**	**14,43,509**	**14,87,433**	***26.84***	**100.00**

** Fig does not include APY Fund Scheme*

Source: CRAs

Table 4: Pension Fund-wise Assets under Management (in crore) as on 30th April 2025
30 अप्रैल 2025 को पेंशन फंड के अनुसार एयूएम (करोड़ में)

PF	AUM (Rs. In Crore)			Growth (%)		% share
	30-Apr-24	31-Mar-25	30-April-25	Apr 25 over Apr 24	Apr 25 over Mar 25	
SBI	436,425.22	514,752.37	527,930.35	20.97	2.56	35.46
LIC	324,128.04	382,441.27	392,776.58	21.18	2.70	26.38
UTI	304,022.97	358,792.66	370,800.00	21.96	3.35	24.91
ICICI	29,527.05	45,454.80	47,055.60	59.36	3.52	3.16
Kotak	4,894.84	6,378.23	6,672.51	36.32	4.61	0.45
HDFC	79,510.01	115,627.49	121,290.34	52.55	4.90	8.15
Aditya Birla	1,569.36	4,025.27	4,243.99	170.43	5.43	0.29
Tata	1,132.13	4,384.53	4,392.19	287.96	0.17	0.30
Max Life	613.93	1,606.74	9,483.47	-	-	0.64
Axis	2,580.71	8,854.17	9,483.47	267.47	7.11	0.19
DSP	171.63	2,048.65	2,789.69	1525.42	36.17	0.19
Total	**1,184,850.80**	**1,444,753.33**	**1,488,703.34**	**25.64**	**3.04**	**100.00**

The table includes APY Fund Scheme figures.

Source: NPS Trust

Table 5: Scheme-wise Assets under Management (in Crores) as of 30th April 2025
30 अप्रैल 2025 को योजनावार एयूएम संपत्तियाँ (करोड़ में)

Scheme		AUM (Rs. In Crore)			Growth (%)		% share
		30-Apr-24	31-Mar-25	30-Apr-25	YOY	Over March 25	
CG		3,04,132.07	3,38,663.29	3,47,553.04	14.28	2.62	23.35
SG		5,76,881.80	6,90,249.12	7,09,839.38	23.05	2.84	47.68
Corporate CG		77,995.94	96,143.40	94,028.03	20.56	-2.20	6.32
TIER I	**A**	427.96	634.82	662.60	54.83	4.38	0.04
	E	80,333.11	1,10,012.31	1,17,571.79	46.36	6.87	7.90
	C	35,074.20	54,781.95	57,694.56	64.49	5.32	3.88
	G	61,850.18	95,237.86	1,00,463.62	62.43	5.49	6.75
NPS Lite		5,566.07	6,086.40	6,215.48	11.67	2.12	0.42
TIER II	**E**	2,663.37	3,255.15	3,381.37	26.96	3.88	0.23
	C	1,052.57	1,295.81	1,328.16	26.18	2.50	0.09
	G	1,814.69	2,347.40	2,430.48	33.93	3.54	0.16
	TTS	17.64	19.90	20.23	14.70	1.69	0.00
APY		36,157.64	44,781.26	46,222.71	27.84	3.22	3.10

Tier II Composite		0.04	2.45	2.76	-	-	0.00
APY Fund Scheme		883.52	1,242.22	1,268.60	1268.60	2.12	0.09
Total Asset		**11,84,850.80**	**14,44,753.33**	**14,88,682.81**	**25.64**	**3.04**	**100.00**

Source: NPS Trust

Difference in AUM provided in Table 3 is due to difference in the methodology of calculation of PFs and CRA.

Table 6: Returns since inception (in %) as on 30th April 2025
30 अप्रैल 2025 तक आरंभ से लाभ (% में)

Pension Funds→		SBI	LIC	UTI	ICICI	KOTAK	HDFC	Aditya Birla	TATA	Axis	DSP
CG		9.70%	9.56%	9.53%							
SG		9.42%	9.53%	9.50%							
Corporate-CG		9.47%	9.61%								
TIER I	**A**	9.11%	7.61%	6.96%	7.39%	7.12%	8.59%	6.83%	8.87%	7.05%	6.77%
	E	11.14%	13.31%	12.95%	12.96%	12.48%	15.00%	13.55%	16.54%	15.04%	20.57%
	C	9.62%	9.08%	8.79%	9.60%	9.31%	9.38%	8.55%	8.09%	8.64%	9.59%
	G	9.27%	10.01%	8.52%	8.73%	8.70%	9.32%	8.42%	9.77%	9.88%	12.85%
TIER II	**E**	11.16%	11.62%	11.79%	11.75%	12.03%	13.59%	13.70%	16.48%	15.93%	18.96%
	C	9.20%	8.63%	8.79%	9.44%	8.68%	8.73%	8.08%	8.40%	7.91%	10.98%
	G	9.27%	10.21%	8.99%	8.79%	8.48%	9.44%	7.88%	9.93%	9.40%	11.44%
	TTS	7.00%	8.58%	7.51%	8.15%	8.71%	7.56%	8.91%	9.63%	6.41%	6.46%
NPS Swavalamban		9.80%	9.86%	9.81%		9.75%					
APY		9.06%	9.38%	9.34%							
Tier II Composite		5.17%	0.34%	0.20%	0.84%						

Since inception

Source: NPS Trust