The Economic Times

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Budget Pulls Right Levers Amid Tailwind from US, EU Trade Pacts

Experts back fiscal prudence, capex-led growth and manufacturing push; India seen well-placed to attract capital and scale up exports with US & EU pacts boosting investments, jobs and sentiment; trade deals set to strengthen India's growth narrative

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THE ECONOMIC TIMES BUDGET LENS

(lLeft to right): Sanjeev Krishan, Anuradha Thakur, Tarun Garg, Vaishali Nigam Sinha, and Ram Singh, at a post-budget roundtable on Tuesday in New Delhi. PHOTOS: ASHWANI NAGPAL

The budget for 2026-27, presented against the backdrop of strong external headwinds, has prioritised growth without losing sight of fiscal consolidation.

It has ticked all the right boxes and pulled all the right domestic growth levers, according to experts at an ET-PwC post-budget roundtable on Tuesday in the national capital.

It has renewed vows to step up manufacturing, doubled down on services, focused on cutting import dependence in strategic sectors, pledged support to small and medium businesses, bolstered capex outlay amid limited private investment, and presented a road map for its emergence as a developed country by 2047, they said.

With the operationalisation of trade deals with the US and the EU, which have a combined GDP of about $53 trillion, India's manufacturing and exports will take off in a big way, lifting its medium-term growth projections, some of them reckoned.

The experts include a top government official who handles the budget (economic affairs secretary Anuradha Thakur); a professor who studies it in great detail (Ram Singh, director at the Delhi School of Economics); two corporate leaders who vouch for its vision (Vaishali Nigam Sinha, co-

ON GROWTH DRIVERS

With clarity now in place, significant investments have been committed. Tourism and medical tourism can be large growth drivers

SANJEEV KRISHAN
Chairperson, PwC in India

founder of ReNew, and Tarun Garg, managing director at Hyundai Motor India); and a deal-maker who isn't shy of selling the India growth story to multinational firms (Sanjeev Krishan, chairperson of PwC in India). They were in conversation with **Deepshikha Sikarwar**.

What's the major thrust of the Budget and how do you see the impact of the US trade deal?

ANURADHA THAKUR: The Budget was set in the context of very sound macroeconomic conditions and credible fiscal prudence. It focuses on seven strategically chosen sectors in which we have some strength and where we intend to build further to create our own niche. We feel that in each of these sectors, we can attract much more foreign direct investment (FDI) as well as domestic private investment—be it semiconductors and electronic components or the labour-intensive textiles sector. There has been renewed focus on services, one of the fastest-growing sectors. We will be setting up a high-level standing committee to focus on identifying sectors with export potential, addressing gaps and finding ways to bridge them. A huge thrust has also been given to manufacturing and infrastructure.

The thought process behind the budget is to set the tone for medium- to long-term economic planning and show the direction to continue on that path.

Emphasis has been placed on inclusive growth and fostering the entrepreneurial spirit so that the private sector, along with the public sector, can further contribute to economic and social development.

And on top of this, the trade deal with the US is like a cherry on the cake. The Prime Minister's statement on X indicates that we believe our two large economies, two large democracies with so much synergy and so much in common, can move forward together. We will see how much potential it has to boost competitiveness and job creation. The deal is a big step forward.

Does this budget give the right stimulus to aid private investment and kickstart growth amid the US-India trade deal?

SANJEEV KRISHAN: This budget is more like a test match rather than a T20. It's not about instant gratification, which is not what a budget should be about. A lot has been done on ease of doing business, and there is significant enablement, especially in manufacturing, which has already been on an upward path over the past few years. Services will always remain in focus, given that we are a consumption-led economy. But the question is how we scale GCCs and other large employment-generating sectors. With clarity now in place, significant investments have been committed. Tourism and medical tourism can be large growth drivers. Several FTAs have been signed, and there is now clear guidance on how to leverage them. The task ahead is to monetise these opportunities.

From a fiscal perspective, the discipline shown in the budget is remarkable. The large capex allocation this year will help create a multiplier effect.

What is your take on the budget and how do you see the US deal topping the measures announced?

VAISHALI NIGAM SINHA: This budget is not a masala movie—there's no instant gratification—but it is an excellently crafted, critically acclaimed delivery. On fiscal prudence, it scores very high, with a clear and realistic target for reducing the fiscal deficit next year. From a business perspective, execution will be the magic mantra.

Over the past decade, Prime Minister Narendra Modi's effort has been to position clean energy as an economic imperative cutting across sectors. Data centres, for instance, are huge energy guzzlers and will increasingly rely on clean power. There is a big opportunity here. Critical mineral corridors feed into high-tech manufacturing for solar panels. On tariffs, what we are doing through the budget is far more significant amid global uncertainties. What the budget does beautifully is lay out a long-term plan to strengthen India's journey towards Viksit Bharat. The real value addition will be the signal the Indo-US relationship sends to global corporations.

How do you see India's manufacturing story through the budget's prism, and how will trade deals with the US and the EU impact investment inflows?

TARUN GARG: Over the past 10 years, the government has worked hard to build Brand India. Instead of short-term sops, it has focused on structural reforms for employment generation and manufacturing. Manufacturing needs to contribute 25% to GDP, and the budget has supported segments such as electronics, semiconductors, mechanical parts, PLI schemes, green energy and battery cells. These steps will boost employment generation. Several reforms outside the budget, including GST 2.0, are also underway.

The US trade deal will have not just economic but also sentimental impact. When two of the world's largest economies come together, it creates comfort—and comfort drives positive sentiment, influencing markets and even car sales.

How do you see the impact of the budget and the trade deal on the rupee?

RAM SINGH: In my view, two markets—the foreign exchange market

ON IMPORTS

The budget signals the direction we intend to take by addressing critical import dependencies, including rare earth magnets

ANURADHA THAKUR
Secretary, Department of Economic Affairs

and the capital market, particularly portfolio flows—have been out of sync with India's economic fundamentals. Our macro fundamentals are strong, which makes this divergence hard to explain. It reflects a tussle between fundamentals and sentiment.

With the US deal, sentiments

ON MANUFACTURING

Manufacturing needs to contribute 25% to GDP, and the budget supports electronics, semiconductors, PLI schemes, green energy and battery cells

TARUN GARG
CEO, Hyundai Motor India

should align better with fundamentals. The budget further strengthens these fundamentals. Sentiments are already improving, partly driven by geopolitics. When sentiments improve, vulnerability to geopolitical shocks reduces. The budget also reduces India's asymmetric dependence on the rest of the world. Gross FDI is holding up well, and the budget gives further impetus, especially to AI- and IT-related segments.

Direct support to mining and refining will reduce external dependence and insulate the economy from shocks. Given our high import dependence on oil and minerals, these steps are crucial.

We've seen a number of reforms happening over the past year. This budget talks about manufacturing, but does it do enough to really get manufacturing going?

KRISHAN: Manufacturing incentives have been in place for years and the road map is clear. Execution, however, will be critical. While there is facilitation from the Centre, many approvals lie at the state level. Last-mile execution is where challenges persist. When capital and technology are respected, investment follows. That is where implementation will matter most.

What steps has the budget announced to lift foreign investment?

THAKUR: It's important to distinguish between types of foreign investment. Gross FDI inflows have remained stable and robust. Lower net inflows reflect overseas investments by Indian companies, which is also a sign of a maturing economy. Portfolio flows tend to be cyclical, and recent outflows reflect profit-booking. Foreign investors continue to choose India, and the budget reinforces that direction. Sector selection for future push will factor in foreign investment potential.

We have also addressed critical import dependencies, including rare earth magnets, by creating domestic capacity. The budget clearly signals the direction we intend to take.

When you talk about supporting states, would you incentivise them to undertake reforms?

THAKUR: Ecosystems have already been built around the existing rules and regulations. Many process reforms have taken place because of the Centre's engagement with states. We will continue engaging with states to undertake further reforms.

We had GST cuts and saw a huge boost in demand, especially urban demand. Do you see this momentum continuing into the next financial year?

GARG: If January is any indication, I think we are in for a very, very strong run. We have just reported the highest-ever sales in our history, and many companies are reporting strong growth. This is my 33rd year in the auto industry, and we are seeing this kind of positive momentum after a very, very long time. We are talking about supply-chain resilience, PLI support, labour codes and logistics. The entire gamut has been covered, along with a focus on ease of doing business and ease of living. This budget has many elements beautifully interwoven.

Do you also see the demand momentum continuing?

SINGH: Rural demand has been holding up well, and that momentum will certainly sustain. On the export front, several silver linings have emerged. In my view, the most important is the deal with the European Union. It has improved sentiment and will also support production in sectors such as apparel, textiles and leather. Urban demand has been a concern, but we must recognise two important fiscal boosts—income-tax cuts and, more importantly, goods and services tax relief. GST rationalisation will reduce prices and boost demand, while also making production more efficient, profitable and competitive. This will bolster labour income and feed back into demand.

Low inflation will also support demand. I don't think the bazooka is missing in the budget. It is an economic agenda-driven budget, with no political economy compulsion reflected in it, which is significant. Capex has exceeded the Centre's direct market borrowing. That is a bazooka for those who care about economic fundamentals and sends a clear signal to the market.

The second important point is that despite lower-than-expected nominal growth, the government is set to meet its FY26 fiscal deficit target.

Does the budget factor in the impact of the new GDP series, slated to be released this month, on its projections?

THAKUR: When we firm up the numbers every year through a detailed exercise, we are aware that the statistics ministry's updated numbers will be released in February. We do not foresee a dramatic shift, although the change in the GDP base year will have some impact. We believe the budget has enough room to absorb that.

In the budget, you don't need to read between the lines—you need to read the lines. One clear focus is on championing SMEs. We have around 75 million MSMEs, most of them micro units. Support for micro units will continue, but we are also backing small and medium enterprises through measures such as equity and liquidity support, given their role in the supply chain. Their compliance requirements have been addressed, and on the debt side, the MSME ministry and SIDBI are working on solutions. With all-round support, we expect SMEs to emerge stronger. There has been very detailed attention to different aspects of the economy.

On the energy transition side, with nuclear energy entering the mix, how do you see this playing out for sectors like yours?

SINHA: We are seeing states compete

ON CLEAN ENERGY

Data centres are huge energy guzzlers and will increasingly rely on clean power—there is a big opportunity here

VAISHALI NIGAM SINHA
Co-founder, ReNew

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for private sector investment. When we invest in one state, others actively seek to attract more projects. India has made rapid progress in adding green energy capacity, and there is scope for nuclear energy to complement the basket alongside renewables—wind, solar and battery-backed round-the-clock solutions. We are witnessing significant innovation and incentives around green corridors and infrastructure frameworks. We are also becoming energy suppliers to hard-to-abate sectors, data centres and the broader economic value chain. Achieving 500 GW of non-fossil fuel capacity looks realistic, with contributions from nuclear, renewables and other energy sources.

How would you sum up the budget announcements?

SINGH: India undertook product market reforms in the 1990s and factor market reforms over the past decade, to the extent possible at the Centre. The challenge now is to build capabilities that make production globally competitive and raise productivity so that labour incomes rise and growth becomes inclusive.

MSMEs are central to this. They account for 45% of exports and one-third of manufacturing. Entrepreneurial capability is therefore critical. The ₹10,000 crore MSME fund is aimed at strengthening this entrepreneurial spirit, though implementation will be key.

To strengthen inclusivity, greater participation of women in the labour force is essential. From a gender-budgeting perspective, women-centric provisions account for more than 7%

ON INDIAN ECONOMY

The forex market and the capital market have been out of sync with India's economic fundamentals. Our macro fundamentals are strong, making this divergence difficult to explain

RAM SINGH
Director, Delhi School of Economics

of total expenditure.

While previous budgets provided for PLI schemes and employment incentives, delivery has fallen short in some cases. Effective implementation remains the key challenge.

GARG: For me, supply-chain resilience, self-reliance and inclusivity stand out. Lifting the remaining population out of poverty is critical, and manufacturing is indispensable—no country can grow big without a strong manufacturing base. This budget addresses all three pillars for Viksit Bharat 2047—though perhaps we should aim for 2037.

SINHA: This budget marks a transition from ease of doing business to speed of doing business. That said, a comprehensive approach to air pollution would have added more impact. As a woman leader, the finance minister's role sends a powerful signal to young girls. My priority remains safety and accommodation for women at worksites, and it is encouraging to see inclusive policies moving in that direction.