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Consolidation Clarity Continuity

Economic Survey 2024

Economic Survey at a Glance

8.2%

Actual growth in real GDP of India for FY 2024

9%

Increase in Gross Capital Formation (Real Terms) in FY 2024

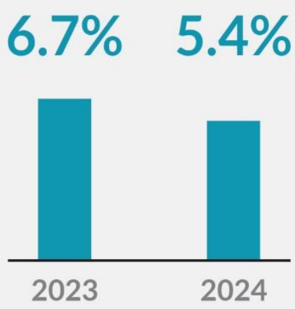
6.5% & 7%

Expected growth in real GDP for 2025 and 2026 respectively

USD **646.4** Billion

worth of foreign reserves as of March 2024

Retail Inflation



1.25 Lakh+

DPIIT registered startups in 2024

Projected fiscal deficit

Current account deficit reduced to **0.7%** in 2024 from **2%** in 2023

External debt to GDP ratio at **18.7%** as of March 2024

Capital expenditure - **3.2%** of GDP for 2023 -24

Foreign Trade numbers FY 2024

* Exports - USD **437.1 Bn**
* Imports - USD **675.6 Bn**

India's market capitalization to GDP ratio is the **fifth largest** globally.

State of the Economy

01. Economic Growth Projections

- The Economic Survey projects India's real GDP growth to be between 6.5% and 7% for Fiscal Year 2025. Despite the volatile global macroeconomic environment, India's growth outlook is resilient for the coming year.
- The anticipated growth is primarily driven by strong public investment initiatives and a significant rebound in private sector capital formation. The government's commitment to infrastructure development and investment in key sectors is expected to stimulate economic activity and enhance overall economic output.
- The government remains optimistic about actualising the growth target while being mindful of challenges like increasing financial market risks in developed economies, complex geopolitical landscape, and the rising need for economic stimuli.

02. Macroeconomic Indicators

- The Economic Survey highlights that the Indian economy has shown a steady recovery post-COVID-19, with indicators reflecting a stable economic environment characterized by manageable inflation and a positive investment climate driven by both public and private sectors.
- The survey indicates that headline inflation is largely under control, with projections suggesting that it will remain around 4.5% in FY25 and 4.1% in FY26, assuming normal monsoon conditions and no significant external shocks.
- Inflationary pressures stoked by global troubles, supply chain disruptions, and vagaries of monsoons have been deftly managed by administrative and monetary policy responses. As a result, the retail inflation declined to 5.4% in FY24 after averaging at 6.7% in FY23.

State of the Economy

- According to the Reserve Bank of India, the investment interest from external investors, measured by new capital inflows, was USD 45.8 billion in FY24, which is slightly lower than the USD 47.6 billion recorded in FY23, reflecting a trend consistent with global capital flows.

- The survey notes a decline in overall employment in unincorporated enterprises, with jobs dropping from 11.1 crore in 2015-16 to 10.96 crore in 2022-23. However, the expansion in trade and services has mitigated some job losses, indicating a shift in employment patterns.

- The Indian economy, like the proverbial elephant, will continue to leave her mark along her trajectory. The economy of tomorrow will be shaped by the pillars of conduciveness of the investment climate, employment generation capabilities, inflation bands, fiscal measures, geopolitical dynamics, evolving demographics, focus on holistic sustainability and the interplay thereof.

Fiscal Developments

01. Government Revenue & Expenditure Trends

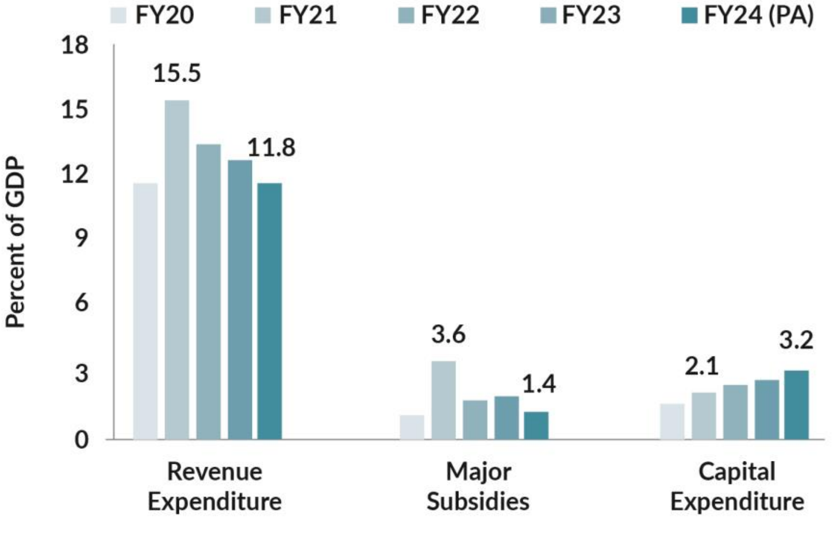
- The survey notes a significant increase in revenue collections, particularly through the Goods and Services Tax (GST), which has improved the efficiency of tax collection and broadened the tax base, contributing to overall revenue growth for the government.

- The capital expenditure for FY24 reached ₹9.5 lakh crore, reflecting a year-on-year increase of 28.2% and representing 2.8 times the amount recorded in FY20. The government's focus on capital expenditure has played a vital role in driving economic growth in the face of an uncertain and challenging global landscape.

- The overall economic outlook remains optimistic, with projections suggesting that India could become the world's third-largest economy with a GDP of USD 5 trillion within the next three years, supported by robust domestic demand and sound fiscal policies.

- The government aims to manage its expenditures effectively, focusing on essential sectors such as health, education, and infrastructure, while ensuring that social welfare programs continue to receive adequate funding to support vulnerable populations.

- The chart below indicates a positive sign of thoughtful expenditure where revenue expenditure as a percentage of GDP has fallen consistently, paired with a rise in the capital expenditure as a percentage of GDP.



Fiscal Developments

02. Fiscal Deficit Targets & Consolidation Path

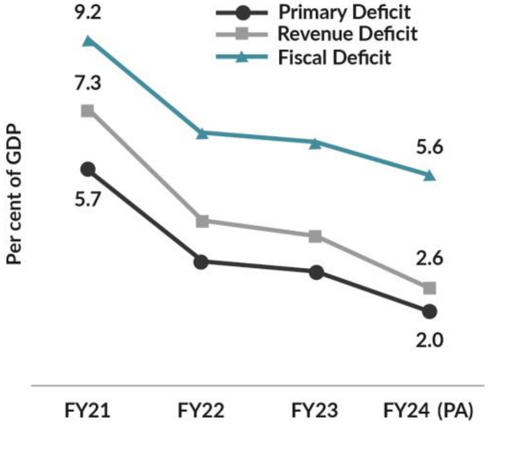
- The Economic Survey projects the **fiscal deficit for FY 25 to be 5.1% of GDP, with a commitment to reduce it to below 4.5% by FY 26,** emphasizing the government's focus on fiscal discipline while balancing growth and increased capital expenditure.

- The survey highlights the government's efforts to enhance revenue generation through measures such as broadening the tax base, improving tax compliance, and increasing the efficiency of tax collection, particularly through the Goods and Services Tax (GST) .

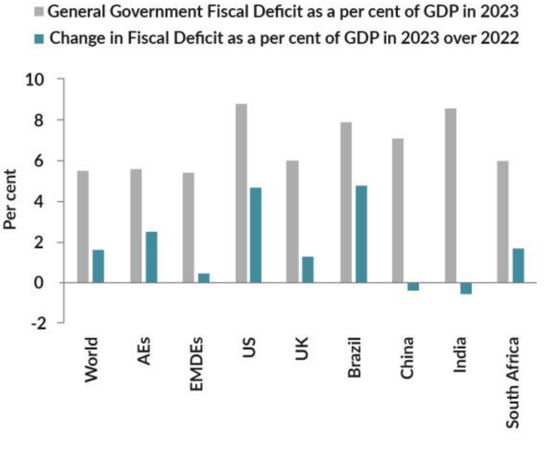
- The survey presents a **roadmap for fiscal consolidation,** balancing the need for growth-oriented expenditures with the objective of reducing the fiscal deficit over the medium term, ensuring a sustainable fiscal path for the economy.

- The government's ongoing initiatives to address the revenue and expenditure gap have been supported by a **consistent decline in the fiscal deficit as a percentage of GDP over the years.** The same can be witnessed by the charts inserted below.

- Despite the world grappling with recessionary threats and economic headwinds, India and China have emerged as the only nations to witness a negative change in their fiscal deficit ratios over the previous years, as highlighted in the chart below.



India's fiscal deficit ratios



Fiscal deficits of major nations and YoY changes ratios

PA – Provisional Actuals

AEs – Advanced Economies

EMDEs: Emerging Markets and Developing Economies

Monetary Policy

01. Inflation Management & RBI's Policy Actions

- The Economic Survey emphasises that inflation in India has remained stable, with **projections for retail inflation to be around 4.5% in FY 25 and 4.1% in FY 26,** supporting the notion of a manageable inflationary environment conducive to economic growth.

- The Reserve Bank of India (RBI) continues to adhere to its inflation targeting framework, aiming to keep inflation within the range of 2% to 6%. The RBI's proactive measures in monetary policy have been instrumental in controlling inflation and ensuring economic stability.

- The Economic Survey notes that the RBI has made necessary adjustments to the policy rate in response to inflationary pressures, **with the current repo rate set at 6.5%.** This reflects the RBI's commitment to balancing growth and inflation management.

- **Food inflation has been a significant contributor to overall inflation,** with the survey indicating that fluctuations in food prices, particularly for staples like cereals and pulses, require careful management to avoid adverse effects on consumer prices and overall inflation.

02. Banking Sector Performance & Credit Growth

- **Bank credit disbursal hit a record high of ₹164.3 lakh crore in FY24,** driven by strong growth in lending to the services sector and personal loans, despite a slowdown in credit growth to non-banking finance companies (NBFCs).

- Deposit growth gained momentum, driven by the repricing of deposits and higher term deposit accretion, with **56.9% of deposits held by Public Sector Banks (PSBs).**

- The gross non-performing assets (GNPA) ratio of Scheduled Commercial Banks (SCBs) **fell to a 12-year low of 2.8% by March 2024, from 11.2% in FY18,** due to better borrower selection, effective debt recovery, and heightened debt awareness.

Monetary Policy

- The net interest margin (NIM) of SCBs remained robust at 3.6% in March 2024. **Profit after tax increased by 32.5% YoY, driven by higher net interest income and lower additional provisions.** SCBs' capital to risk-weighted assets ratio (CRAR) improved to 16.8% by March 2024, with all banks meeting the Common Equity Tier 1 (CET-1) ratio requirement of 13.9%.

- Agricultural credit saw substantial growth, with disbursals rising to ₹20.7 lakh crore in FY24, driven by the Kisan Credit Card (KCC) scheme.

- Industrial credit growth accelerated to 8.5% in March 2024, compared to 5.2% a year earlier, bolstered by **increased lending to MSMEs under the Emergency Credit Linked Guarantee Scheme (ECLGS).**

03. Financial Markets and Forex Reserves

- New capital inflows from external investors was USD 45.8 billion in FY 24, slightly lower than the USD 47.6 billion recorded in FY 23, reflecting a trend consistent with global capital flows.

- India's foreign exchange reserves remained bounteous at around USD 640 billion as of March 2024, providing **a strong buffer against external shocks and supporting economic stability.**

- The benchmark BSE Sensex and NSE Nifty indices reached new highs in FY 24, driven by strong investor confidence, improved corporate earnings, and deeper penetration within market participants.

- The government securities (G-Sec) market witnessed increased trading volumes and improved liquidity, with the yield curve flattening due to the RBI's debt management operations and the government's commitment to fiscal consolidation.

- The assets under management **(AUM) of the mutual fund industry grew by 20% in FY 24,** with increased participation from retail investors, reflecting their confidence in the Indian financial markets.

Trade & Exchange Rate

01. Trade & Current Account Deficit Dynamics

- India's current account deficit reduced to 0.7 percent of the GDP in FY24, as the country **posted a surplus in the last quarter of the fiscal,** reflecting a decline in merchandise imports coupled with strong export performance in sectors such as pharmaceuticals and textiles, which are anticipated to drive future growth.

- The report notes that geopolitical tensions and trade diversions from China may create **opportunities for India to enhance its manufacturing capabilities** and serve as an intermediary supplier in global supply chains, potentially benefiting the trade balance.

- The **services sector continues to be a strong contributor to the current account,** with IT and business services exports showing pliability and growth, which is crucial for offsetting the trade deficit and enhancing foreign exchange earnings.

- The Survey noted that the Net FDI inflows to India declined from USD 42.0 billion during FY 23 to USD 26.5 billion in FY 24. It further added that the gross FDI inflows moderated only by 0.6 % from USD 71.4 billion in FY 23 to just under USD 71 billion in FY 24.

02. Exchange Rate Management

- The Economic Survey notes that the Indian Rupee has remained relatively stable against major currencies, reflecting the steadfastness of the Indian economy amid global uncertainties and geopolitical tensions, which helps maintain investor confidence in the currency.

- India witnessed positive net foreign portfolio investment (FPI) inflows in FY 24 of USD 44.1 billion, supported by strong economic growth, a stable business environment, and increased investor confidence. Rising FPI inflows kept the Indian Rupee in a manageable range of ₹82 to ₹83.5/USD in FY 24. **The Rupee emerged as the least volatile currency among its emerging market peers and a few advanced economies in FY 24.**

Sectoral Analysis

01. Agriculture & Food Management

- The Economic Survey emphasises the transition from food security to nutritional security, highlighting the need for policies that not only ensure the availability of food but also improve the quality and nutritional value of food consumed by the population .

- The Economic Survey 2024 mentioned that the **Indian agriculture sector has registered an average annual growth rate of 4.18%** at constant prices over the last five years and as per provisional estimates for 2023-24, the growth rate of the agriculture sector stood at 1.4%.

- In comparision to FY 23, the FY 24, food grain production is slightly lower at 328.8 million tonnes, primarily because of delayed monsoons. Production of other crops such as Shree Anna/nutri cereals and total oilseeds marked a slight increase..

- As of 31 January 2024, the **total credit disbursed to agriculture amounted to ₹ 22.84 lakh Crore,** with ₹13.67 lakh Crore allocated to crop loans (short term) and ₹ 9.17 lakh Crore to term loans.

- The Economic Survey outlines various **government schemes aimed at supporting farmers,** including direct income support through the PM-KISAN scheme and credit support through Kisan Credit Cards (KCC), which are essential for enhancing farmers' financial stability .

02. Industry & Manufacturing

- Industrial growth accelerated in FY24, with **manufacturing and construction leading the way.** Industrial GVA at constant prices in FY24 was 25 % higher than the pre-Covid FY20 levels, affirming broad-based recovery and consolidation.

- The share of manufacturing in total gross value added at current prices was 14.3 % in FY23. However, the output share is 35.2 % during the same period, indicating that the **sector has significant backward and forward linkages that are not fully captured** within its value-added share.

Sectoral Analysis

- The Economic Survey underscores the importance of Micro, Small, and Medium Enterprises (MSMEs) as a critical component of the manufacturing sector, noting that they contribute significantly to employment and output, and highlighting the need for policies that support their growth and access to finance.

- The Udyam Registration portal, launched in July 2020, has been instrumental in **formalizing MSMEs by providing a simple, online, and free registration process based on self-declaration.** As of 05 July 2024, 4.69 Crore MSMEs are registered on the Udyam Registration portal, including Informal micro enterprises registered on the Udyam Assist Platform.

- According to the Annual Survey of Unincorporated Sector Enterprises for 2021-22 and 2022-23,20 **the number of unincorporated enterprises in India increased with 5.9 % during the period of October 2022-September 2023 in comparison to April 2021-March 2022.** During the same period, Gross Value Added (GVA) per worker increased from ₹1,38,207 to ₹1,41,769 and Gross Value of Output (GVO) per establishment increased from ₹3,98,304 to ₹4,63,389. This shows an increased productivity with more efficient use of resources.

03. Services Sector

- The services sector continues to be a significant contributor to India's growth, **accounting for about 55 % of the total size of the economy in FY 24.**

- The services sector witnessed a **real growth rate of more than 6 % in all the years in the last decade except in the pandemic-affected FY 21.** Globally, India’s services exports constituted 4.4 % of the world's commercial services exports in 2022.

- During FY 24, services imports stood at USD 178.3 billion, a 2.1 % decrease on a YoY basis, dragged down by a reduction of global freight rates. The **rise in services exports, coupled with a fall in imports,** led to an increase in net services receipts on a YoY basis during FY 24, which helped cushion India’s current account deficit.

Social Infrastructure

01. Employment Trends

- India's workforce is estimated to be nearly 56.5 crore in 2022-23 using WPR from PLFS and MoHFW's population projections. According to PLFS, **more than 45% of the workforce is employed in agriculture,** 11.4% in manufacturing, 28.9% in services, and 13.0% is in construction.

- **India's demographic dividend is a stepping-stone for sustained high growth and global competitiveness in manufacturing and services.** The decline in the annual youth unemployment rate accompanied by greater youth participation in the labour force indicates better utilization of this dynamic resource.

- The Government has implemented a series of measures to boost employment generation, such as the **rollout of the Production Linked Incentive (PLI) scheme** to enhance India's manufacturing capabilities, increase in capital expenditure, and to promote worker welfare.

- The research noted that AI may create jobs but could also have short-term negative effects. To address this, investment in upskilling and training, along with protective policies for low-skilled workers, is essential.

- In FY 24, **rural wages rose at above-5% every month, YoY. On an average, nominal wage rates in agriculture grew by 7.4% for men and 7.7% for women, benefitting from robust agriculture growth during the period.**

02. Social Welfare Programs & Initiatives

- India's social welfare approach has undergone **a shift from an input-based approach to outcome-based empowerment.** Saturation of basic necessities has been recognised as imperative to achieve this, thus impelling an array of flagship initiatives. Government initiatives like providing free-of-cost gas connections under PM Ujjwala Yojana, building toilets under the Swacch Bharat Mission, opening bank accounts under Jan Dhan Yojana, building pucca houses under PM-AWAS Yojana have improved capabilities and enhanced opportunities for the underprivileged sections.

Social Infrastructure

- The Direct Benefit Transfer (DBT) scheme and Jan Dhan Yojana-Aadhaar-Mobile trinity have been boosters of fiscal efficiency and minimisation of leakages, with **₹36.9 lakh crore having been transferred via DBT** since its inception in 2013.

- The initiatives in the social sector have also translated into **rising consumption spending,** as evident from the results of the latest Household Consumption Expenditure Survey (HCES) 2022-23.

- The survey points out the government's efforts to improve healthcare access through initiatives such as the Ayushman Bharat scheme, which aims to **provide health insurance coverage to low-income families,** thereby enhancing their access to quality healthcare services.

Climate Change

01. India’s Climate Commitments & Targets

- India successfully **reduced the emission intensity vis-à-vis its GDP by 33% between 2005 and 2019,** thus achieving the initial NDC target for 2030, 11 years ahead of scheduled time.

- The Economic Survey emphasizes that **India needs to target a diversified set of energy sources,** including renewables (solar, wind, large and small hydro), green hydrogen, nuclear, and biofuels, to ensure energy security while meeting its ambitious nationally determined contribution (NDC) targets and net-zero commitments.

- The Economic Survey cautions that India's high dependency on imports, mainly petroleum, for its energy needs should not shift to high import dependency for solar photovoltaic (PV) panels and critical minerals, whose supply chain and geopolitics might be even trickier.

02. Renewable Energy Transition

- As of March 31, 2024, India's renewable energy capacity reached **190.57 gigawatts (GW)**, **constituting 43.12% of the total installed power generation capacity,** reflecting significant growth in the sector driven by government initiatives and investments.

- The Survey outlines **India's goal to achieve 500 GW of installed electricity capacity from non-fossil sources by 2030,** aligning with global commitments under the United Nations Framework Convention on Climate Change, which aims for 50% of electric power capacity to come from non-fossil fuels.

- Investments in the renewable energy sector have been substantial, with ₹8.5 lakh crore attracted from 2014 to 2023, and an anticipated additional investment of ₹30.5 lakh crore expected from 2024 to 2030, which will create extensive economic opportunities throughout the renewable energy value chain.

- The survey highlights the **expansion of India's power transmission capabilities, which now can transfer 11.87 gigawatts (GW) across a network of 485,544 circuit kilometers,** essential for meeting the increasing peak electricity demand that surged by 13% to 243 GW in FY24.

Infrastructure & Reforms

01. Physical & Digital Infrastructure Development

- Over the last ten years, there has been significant progress in the development of national highways, **increasing by 1.6 times from 2014 to 2024.** The Bharatmala Pariyojana has significantly **expanded the national highway network,** increasing the length of high-speed corridors by 12 times and 4-lane roads by 2.6 times between 2014 and 2024.

- To further enhance logistic efficiency, Ministry of Road Transport & Highways (MoRT&H) has **dedicated Multi-Modal Logistics Parks** (MMLP). A total of six multimodal logistics parks (MMLPs) have been awarded until FY24, and ₹2,505 crore have been awarded for dedicated multimodal logistics parks (MMLPs) in FY24.

- The report emphasizes the need for viable **public-private partnerships** (PPPs) to execute infrastructure projects efficiently, given the fiscal constraints faced by both Union and State Governments, which necessitate innovative financing solutions.

- The India's Maritime Vision 2030 outlines over 150 initiatives to improve ports, shipping, and inland waterways and envisions investments of **₹3-3.5 lakh crore.** The Maritime Amrit Kaal Vision 2047 outlines over 300 initiatives across 11 key areas to drive growth and development in India's coastal regions

02. Structural Reforms

- The Economic Survey highlights the National Infrastructure Pipeline, which encompasses 9,142 projects across 34 sub-sectors with an estimated investment of USD 1.9 trillion. This initiative aims to enhance infrastructure development and stimulate economic growth by **improving connectivity and efficiency across various sectors.**

Infrastructure & Reforms

- The survey emphasizes the Gati Shakti National Master Plan, a USD 1.3 trillion initiative designed to streamline infrastructure development by **integrating various modes of transport,** thereby reducing travel time and enhancing industrial productivity through improved logistics.

- The Economic Survey emphasizes the importance of sustainable infrastructure development that minimizes environmental impact, recommending the **adoption of green technologies and practices** in construction and urban planning to promote action against climate change.

- The PMG has facilitated the **resolution of 6,867 issues in 1,443 projects worth ₹46.1 lakh crore.** Additionally, the PMG portal has on-boarded 2,457 projects worth ₹62.5 lakh crore until March 2024, which consist of all important mega infrastructure projects, including high-impact PM Gati Shakti projects and critical infrastructure gap projects .

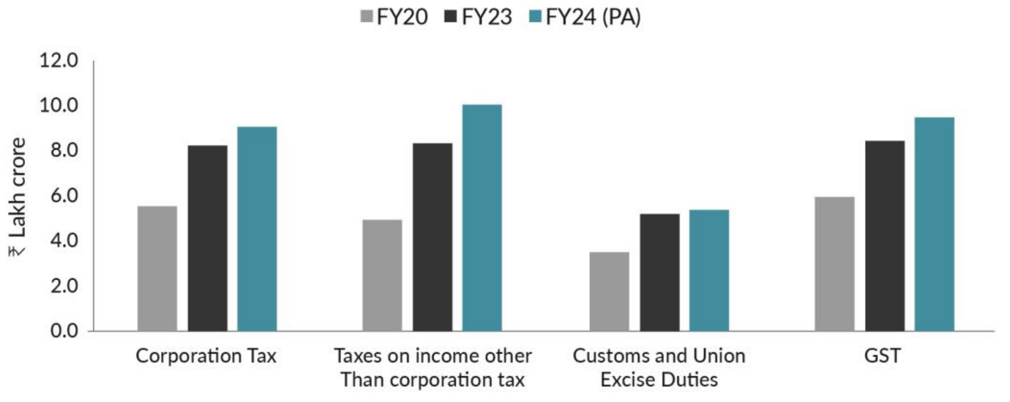
Taxation

- The union government's revenue receipts, comprising tax revenue (net to the centre) and Non-Tax Revenue (NTR), increased year-over-year by 14.5 percent in FY 24 (PA).

- The growth in Gross Tax Revenue (GTR) was estimated at 13.4 percent for FY 24.

- Approximately 55 percent of the GTR was derived from direct taxes, with the remaining 45 percent coming from indirect taxes.

Chart I.37: Tax revenues register steady increase



Source: Budget at a Glance, Union Budget, FY22, FY23, FY24 Interim Budget, Union Government Accounts at a Glance - O/o CGA

Outlook

- The outlook for India, as articulated in the Economic Survey 2023-24, presents an optimistic perspective, underpinned by a **series of strategic initiatives and reforms aimed at sustaining economic growth and addressing emerging challenges.** The economy is set to grow by approximately 6.5% in the fiscal year 2024-25, continuing its strong recovery amidst the global volatility. This projected growth will be driven by **robust public investment and a renewed vigour in private sector capital formation,** which has significantly gained traction after a period of stagnation during the COVID-19 pandemic.

- The survey emphasises the importance of maintaining macroeconomic stability, with **inflation largely under control,** averaging around 4.5% over the past year, although certain food items have experienced price volatility. The current account deficit is projected to remain manageable at about 0.7% of GDP, bolstered by a surplus in the last quarter of the fiscal year. Furthermore, **India's foreign exchange reserves are robust,** providing a significant buffer against external shocks.

- To sustain this growth trajectory, the government is committed to implementing structural reforms aimed at improving the regulatory environment, enhancing labour market flexibility, and promoting innovation and technology adoption across various sectors. The **emphasis on infrastructure development,** both physical and digital, is seen as crucial for boosting productivity and ensuring inclusive growth. The government's focus on renewable energy and climate commitments reflects a recognition of the need for sustainable development pathways that align with global climate goals.

- Moreover, the survey highlights the critical role of the private sector in job creation and economic dynamism. As the corporate sector continues to recover, there is a pressing need for **collaboration between the government, industry, and academia** to foster a skilled workforce capable of meeting the demands of a rapidly evolving economy. The challenges posed by technological advancements, particularly in artificial intelligence, necessitate a proactive approach to workforce development and employment generation.

- In conclusion, the Economic Survey 2023-24 outlines a vision for a resilient and dynamic Indian economy, characterized by strong growth, effective governance, and a commitment to sustainable development. The successful realisation of this vision will depend on the **collective efforts of all stakeholders to navigate the complexities of a changing global landscape** while ensuring that the benefits of growth are equitably shared across society.

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