India Economic Pulse

Economic indicators and policy measures

March 2024

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01 Executive summary

Dear reader,

We are pleased to present the March 2024 edition of India Economic Pulse, analyzing high-frequency economic indicators. The current issue highlights the following key aspects:

Global economy

The global economy is projected to grow @3.1% in 2024, well below the historical average of 3.8% from 2000 to 2019. However, it has turned out to be more resilient, with moderating but above-target inflation and with both service and manufacturing PMIs in positive territory. Challenges such as energy transition, productivity improvements, high government debt and new models of globalization would need to be watched.

8.4% growth in Q3 of FY24 exceeds expectation

The Indian economy grew @8.4% in Q3 of FY24 over Q3 of FY23, exceeding the overall expectations. The growth was propelled by strong tax revenue collections, increased government capital spending, firmness in domestic demand including rural demand, and strong growth in manufacturing and construction, the latter driven by infrastructure spending and real estate. Consumption expenditure growth has registered only 3% growth for both private and government final consumption expenditure. The estimated GVA growth at 6.9% for FY24 is lower than the GDP growth of 7.6% for FY24. This is likely on account of high net taxes and large reduction in subsidies. GDP deflator is only 1.5%.

Increased government spending on the back of tax buoyancy

Gross tax revenues grew at 14.5% during April to January FY24. Collection from personal and corporate income taxes increased by 27.3% and nearly 20% respectively during April-January FY24 vis-à-vis the same period in FY23, while GST revenues grew by 11.7% during the same period in FY24 vis-à-vis FY23. The strong tax collection, together with a lower growth in revenue expenditure, has facilitated 26.5% increase in the capital spending by the government during April-January FY24 as against same period in FY23. The infrastructure spending creates a big multiplier effect for the economy.

The current estimates indicate that the government would meet its fiscal deficit targets. State governments also exhibit positive growth in tax collections and capital expenditure.

Manufacturing and construction sectors grew at a furious pace

Manufacturing sector has grown at 11.6% in Q3 of FY24 over Q3 of FY23. Manufacturing PMI continues to be well above 50. Important sectors such as steel, cement and passenger cars have all recorded double-digit growth in the current financial year. E-way bills generated have grown at 16% during April-December in FY24 as against corresponding period in FY23, indicating enhanced movement of goods and economic activity.

Infrastructure sector and real estate sector are doing well as reflected in the growth of IIP for infrastructure, cement and steel production and prioritizing spending towards infrastructure development by the Government. Construction sector grew at 9.5% in Q3 of FY24 over Q3 of FY23 and is up 10.4% during April-December in FY24 vis-à-vis the same period in FY23.

Overall demand continues to be strong, including recovering rural demand

Buoyant automobile sales, growth in passenger traffic, robust GST collections, rising electricity demand and 18% y-o-y growth in household credit in January 2024, all reflect the continuing domestic demand. Flow of credit for housing from scheduled commercial banks has increased 30% during April-January FY24 vis-à-vis the same period in FY23.

Rural demand is also increasing as reflected in growth in fertilizer, two-wheeler, and tractor sales. Since November 2023, there has been a decrease in people demanding work under MNREGA, which suggests an overall positive rural sentiment.

Real private consumption growth has been estimated at 3.5% y-o-y in Q3 FY24. However, it may also be noted that the share of nominal private consumption in the nominal GDP in October-December FY24, was 63.6% vis-a-vis 63.8% in the corresponding period of FY23, suggesting continuing private expenditure.

Stability in interest rates and exchange rates

Consumer Inflation has been fluctuating between 5% and 6% over the past few months though within the 2% to 6% band set by the RBI. WPI, after being in negative territory from April to October 2023, has moved in the positive territory since November. Repo rates, yields on government securities, exchange rates and foreign exchange rates all point to macro-economic stability in sharp contrast to advanced economies, where the changes in interest rates have led to financial instability.

Weak export growth and some private investment indicators suggest caution

In the current financial year till December, exports of non-oil merchandise have declined 2.4%. Growth in services exports has moderated to 7.7% during April-December FY24 from over 26.5% in the corresponding period in FY23. Reports of slowdown in the hiring of IT professionals point to the need for caution regarding growth in service exports.

FDI inflows, VC and PE investments and credit growth from banks to the manufacturing sector have also been stagnant in the current year vis-à-vis the previous year. The RBI's suggestions on the necessity of private players taking up the investment baton from the government imply slowing private investments.

Outlook

There are several positive factors for the Indian economy. While healthy balance sheets of banks and corporates, supply chain normalization, business optimism and robust government capital expenditure are favorable for a renewal of the capex cycle, however the private capital investment cycle needs to take off.

Based on the numbers of the first half of FY24, the expectation is that the Indian economy would grow at 7.6% for FY24, much higher than that estimated by leading global agencies.

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02

Global economic outlook

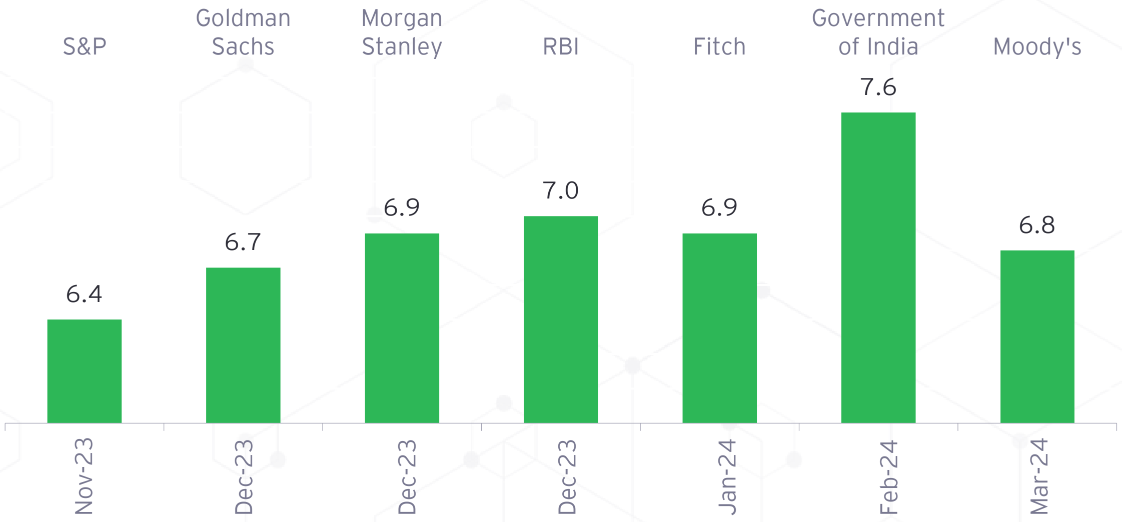
World Economic Outlook (IMF, January 2024)
India continues to be the fastest growing economy

World Economic Outlook Projections (%)

	Estimates	Projections	
Region/country/market	2023	2024	2025
World	3.1	3.1	3.2
Advanced economies	1.6	1.5	1.8
US	2.5	2.1	1.7
Euro Area	0.5	0.9	1.7
Japan	1.9	0.9	0.8
Emerging markets/ developing economies	4.1	4.1	4.2
China	5.2	4.6	4.1
India	**6.7**	**6.5**	**6.5**
Brazil	3.1	1.7	1.9
Russia	3.0	2.6	1.1

Note: For India, data and forecasts are presented on a fiscal year basis, with FY 2022/23 (starting in April 2022); FY 2023/24 starting in April 2023

India's GDP forecast for 2023-24 (%)

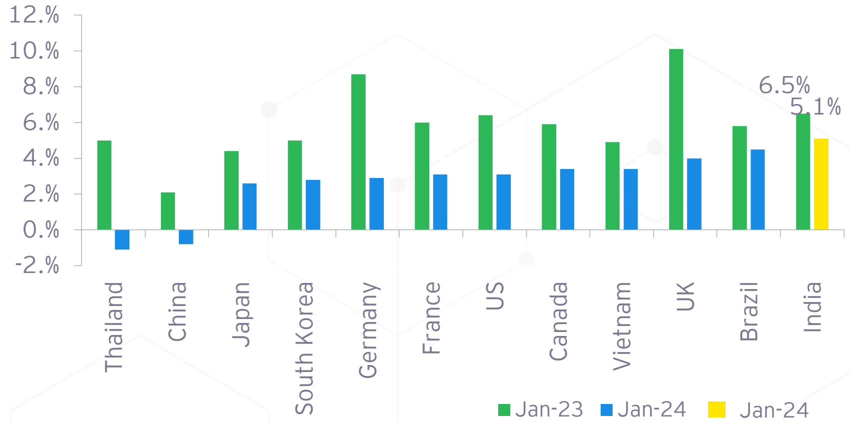


- Global growth at 3.1% continues to be below the historical average of 3.8% between 2000 and 2019.
- The forecast for global growth in 2024 has been adjusted upwards by 0.2% from the projections made in October 2023, now standing at 3.1%. This revision reflects the resilience of the US economy and select emerging market economies, along with the fiscal support implemented in China.
- Global headline inflation is expected to decline from 6.8% in 2023 to 5.8% in 2024 and 4.4% in 2025.
- In the medium to long term, there are challenges for global growth. These challenges include unlocking productivity, which artificial intelligence (AI) offers promise for. Another challenge is addressing energy transition. Additionally, there is a need to reinvent globalization due to the fragmentation and weaponization of trade and finance.
- IMF projects India's growth at 6.5% in both 2024 and 2025, that may reflect resilience in domestic demand. India's own estimates put the FY24 growth at over 7%.

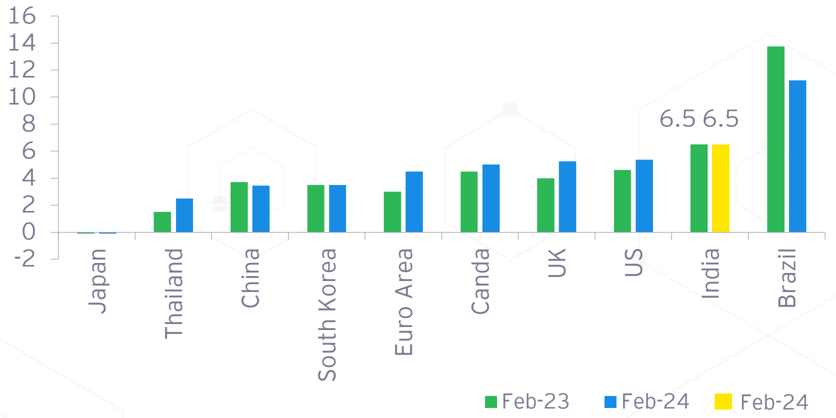
Source: World Economic Outlook, October 2023, IMF, Various agencies

Economic indicators for major economies

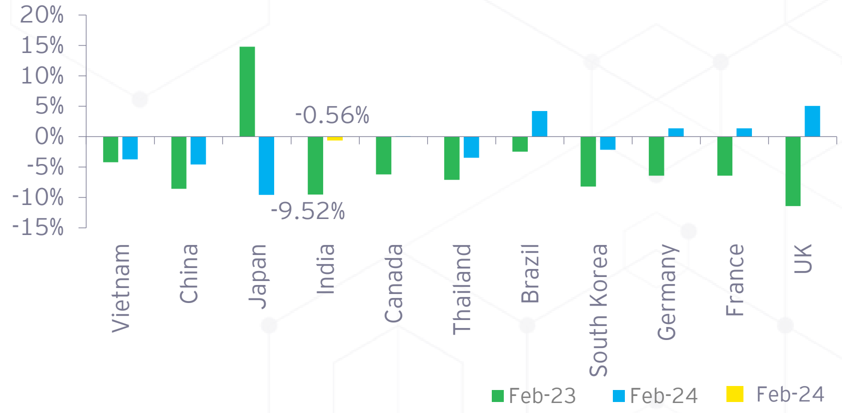
Consumer inflation rate (%)



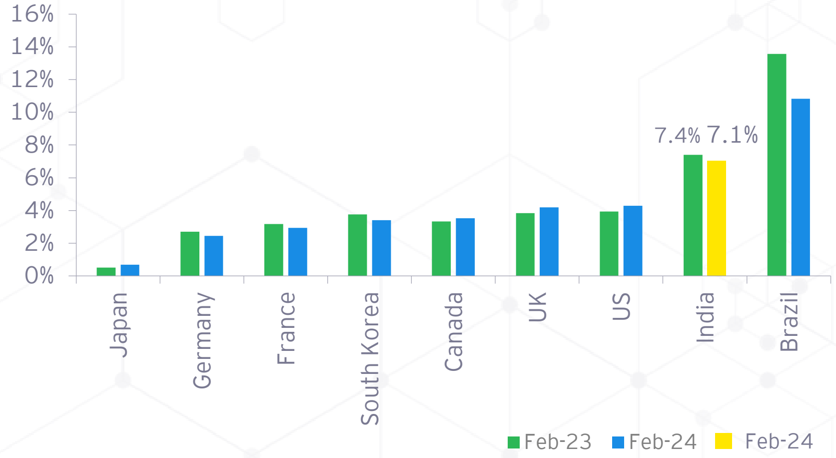
Central bank policy rate (%)



Currency performance vis-à-vis US$ (last 12 months)



Yields on G-Secs (10 years)



Key findings

- Consumer price inflation has declined substantially through 2023, but it remains above target in most inflation-targeting advanced economies.
- Central bank rates are higher than the levels a year ago. Nonetheless, central banks have refrained from changing their policy rates after July 2023.
- Yields on government securities have moderated marginally across most advanced economies, though there are fluctuations driven by changing perception on timing of rate reduction.
- Resilience of the US economy has sparked a rebound of the US dollar, and it has strengthened against most emerging economies.

Source: FT, Google Finance, Bloomberg, Trading Economics, Bank for International Settlements
Currency performance is as of 29 February 2024, Central bank policy rate, Yields on G-Secs as of 27 February 2024
Inflation as percentage annual change as of January 2024; Japan and Canada as of December 2023

PMIs indicate confidence in the Indian economy

Manufacturing PMI	Jan-23	Oct-23	Jan-24
Global	49.1	48.8	50
India	55.4	55.5	56.5
Brazil	47.5	48.6	52.8
South Korea	48.5	49.8	51.2
China	49.2	49.5	50.8
United States	46.9	50	50.7
Vietnam	47.4	49.6	50.3
Australia	50	48.2	50.1
Canada	51	48.6	48.3
Japan	48.9	48.7	48
UK	47	44.8	47
Germany	47.3	40.8	45.5
France	50.5	42.8	43.1

Services PMI	Jan-23	Oct-23	Jan-24
Global	50.1	50.4	52.3
India	57.2	58.4	61.8
UK	48.7	49.5	54.3
Japan	52.3	51.6	53.1
Brazil	50.7	51	53.1
China	52.9	50.4	52.7
United States	46.8	50.6	52.5
Australia	48.6	47.9	49.1
Germany	50.7	48.2	47.7
France	49.4	45.2	45.4

Key findings

- The overall global manufacturing PMI touched 50 level mark and the global services is also expanding.
- For both services and manufacturing sector, outlook in India continues to be optimistic.
- Manufacturing PMI continues to be over 50 for 31 consecutive months.
- The PMI for services saw a sharp increase at 61.8, highest in 6 months attributed to the buoyant demand conditions.
- Manufacturing PMI, in some of the major economies, has improved and has crossed the 50-level mark.
- PMI for manufacturing in the US has been stable because of the consecutive expansion attributed to improving demand conditions.
- PMI for services saw a sharp expansion in practically all major economies.

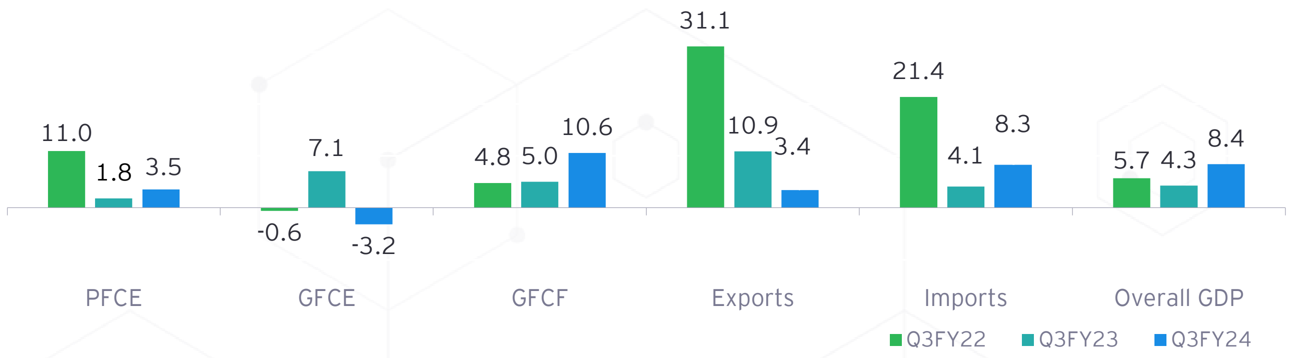
Note: The Purchasing Managers' Index (PMI) as a leading indicator helps gauge the economic trend through key variables of business activity such as output, new orders, production, input prices, hiring activity etc.
A reading above 50 indicating an overall increase/ expansion compared to the previous month, and below 50 an overall decrease/ contraction.
Source: World Economic Outlook 2022; S&P IHS Markit, Trading Economics, Secondary research, As of February 2024

03

Key economic and fiscal indicators

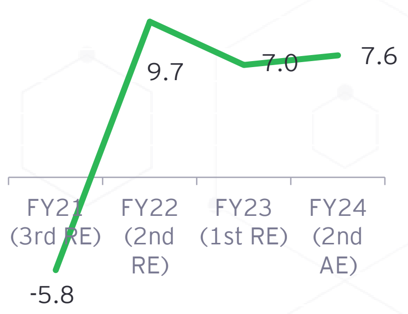
Indian economic growth stays resilient

Quarterly estimates of expenditure on real GDP growth (%)

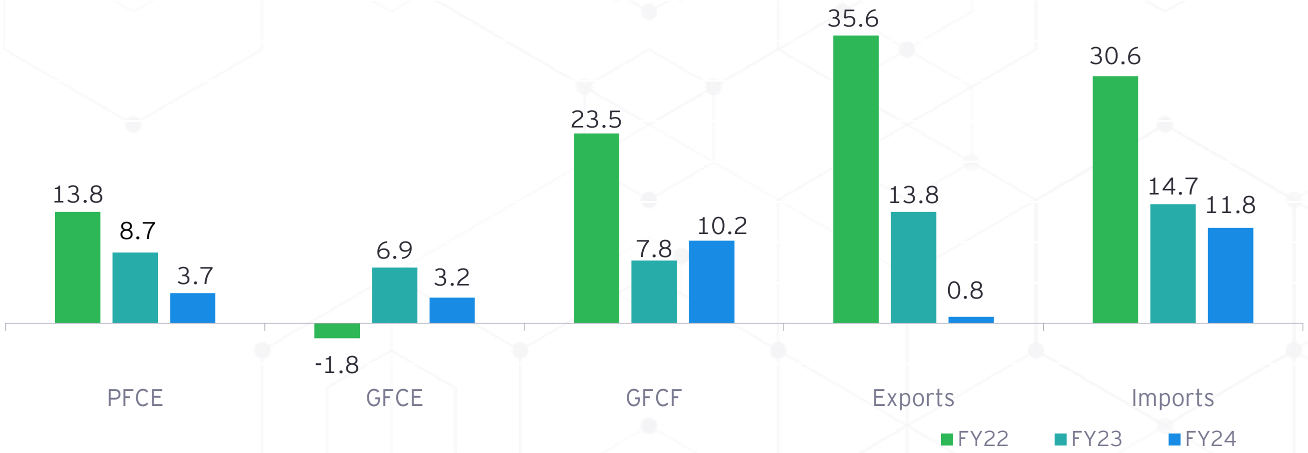


PFCE: Private Final Consumption Expenditure; GFCE: Government Final Consumption Expenditure; GFCF: Gross Fixed Capital Formation;

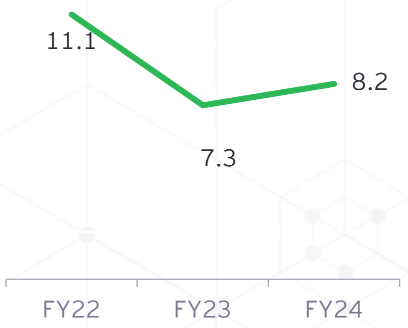
Annual GDP growth (%)



Estimates of expenditure on real GDP growth (%) (April-December)



GDP growth (%) (Apr-Dec)



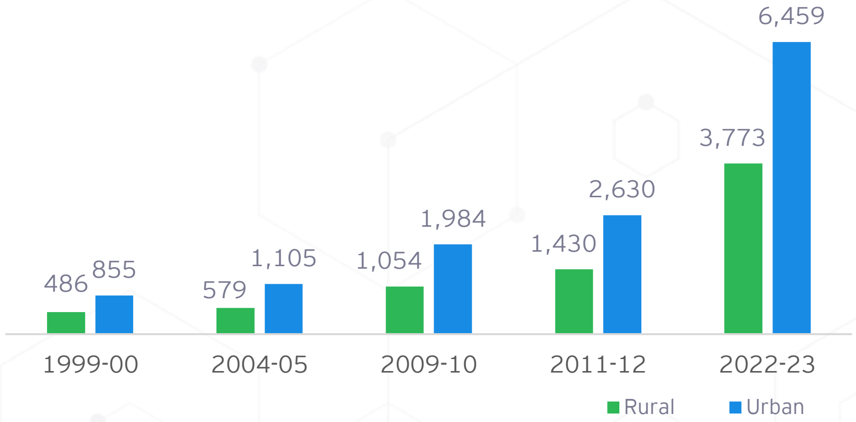
Note: High growth in FY22 is reflective of high base effect due to COVID impact in previous year
Source: MOSPI

Key findings

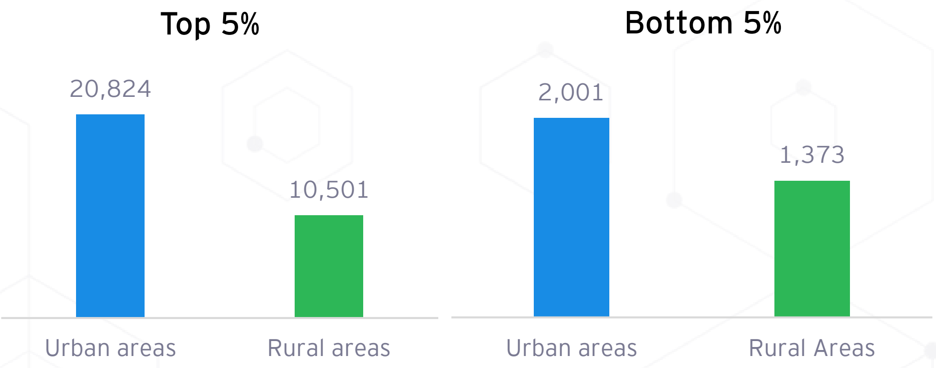
- The real Q3 FY24 GDP grew at 8.4%, a six-quarter high, surpassing RBI's projection of 6.5%.
- The buoyant growth in nine months of FY24 is led by a capital expenditure of the government. The union government's capital expenditure has shown a growth of 37.5% during the Apr-Dec FY24 vis-à-vis the corresponding period of FY23.
- Capital formation, an indicator of investment, grew at 10.6% y-o-y in Q3 FY24.
- Government consumption spending in Q3 FY24 contracted by 3.2% y-o-y compared to a 13.8% growth in Q2 FY24.
- Real private consumption growth was low at 3.5% y-o-y in Q3 FY24. However, the share of nominal private consumption in the nominal GDP in Oct-Dec FY24, is 63.6% vis-à-vis 63.8% in the corresponding period of FY23.
- The external sector remains weak. The contribution of net exports to growth has remained negative at (-)2.8% points in the period Apr-Dec FY24.

NSSO Household consumption expenditure survey 2022-23:

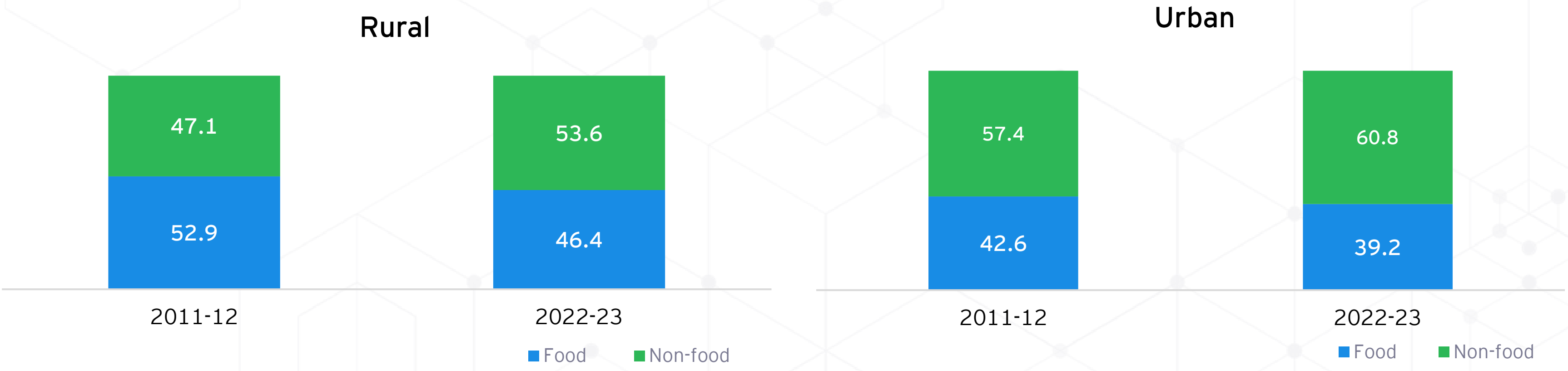
Average monthly per capita expenditure (in Rs.) (at current prices)



Average monthly per capita expenditure of top 5% and bottom 5% classes of expenditure in rural and urban areas



% Share of food and non-food products in average monthly per capita expenditure



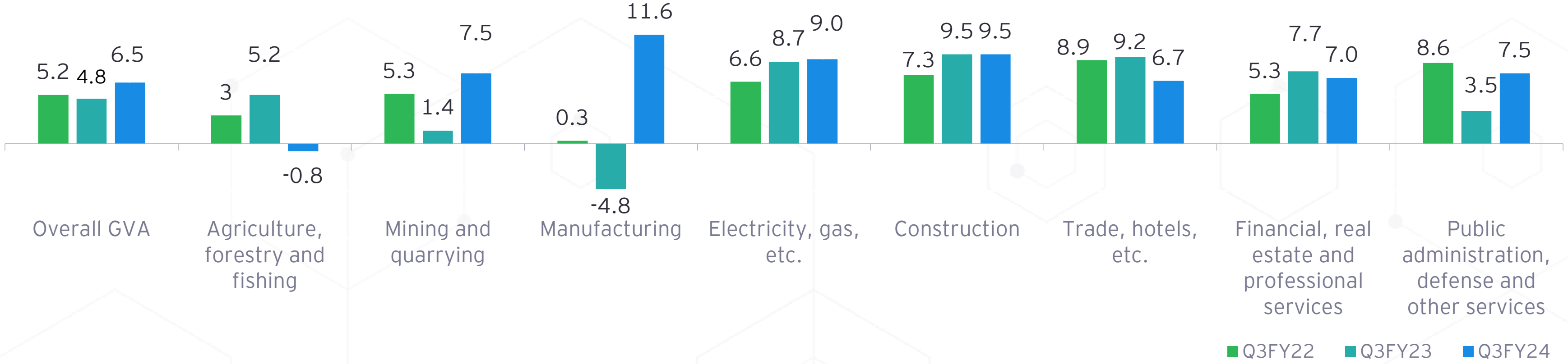
Key findings

- The monthly per capita expenditure has grown by almost 40% in rural areas and by 33% in urban areas between 2011-12 and 2022-23 in real terms.
- The monthly per capita expenditure of top 5% expenditure classes is 7 times of the bottom 5% classes in rural areas, while the difference is 10 times in the urban areas.
- Share of non- food items in total expenditure has increased by over 6% in rural areas as opposed to 3.4% in urban areas between 2011-12 and 2022-23

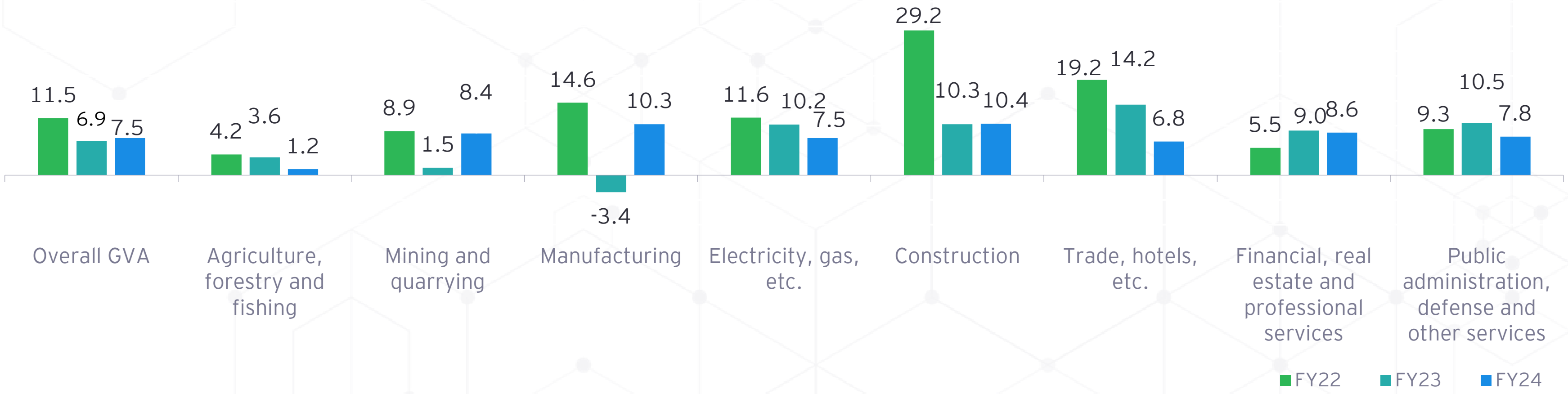
Source: Household Consumption Expenditure Survey, 2022-23, MoSPI
Note: Data for 2022-23 may not be strictly comparable to the data from previous editions owing to changes in methodology

Performance of the major sectors of the economy

Quarterly real gross value added (GVA) growth (%): major sectors



Real gross value added (GVA) growth (%): major sectors (April-December)



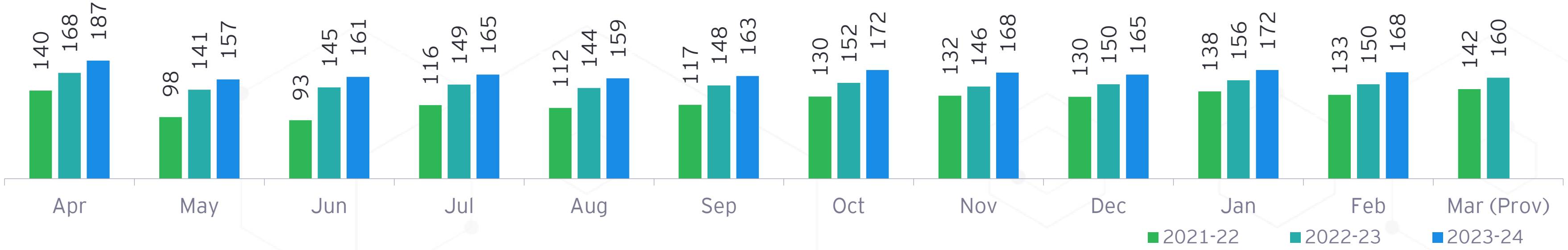
Note: High growth in FY22 is reflective of high base effect due to COVID impact in previous year
Source: MOSPI

Key findings

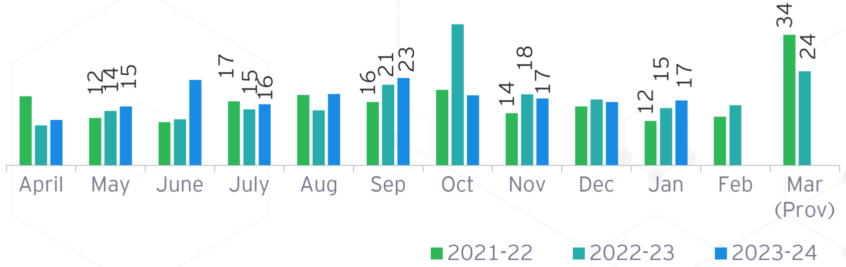
- On the output side, manufacturing has recorded the highest growth of 11.6% in 3QFY24 against a contraction of 4.8% in the same quarter of FY 2023. This is also corroborated by the healthy growth in IIP.
- Construction sector has grown at 9.5% in Q3FY24 on the back of infrastructure spending by the Government and buoyant real estate sector.
- Industrial sector including mining and quarrying, electricity, and gas, has picked up pace whereas the services sector has witnessed a slight deceleration . Overall, GVA growth continues to be high at 7.5%
- The Agriculture sector contracted 0.8% in Q3FY24 on account of uneven and deficient monsoon and is likely to remain subdued at 0.7% in FY24.
- The GDP growth has been driven by robust non-agricultural performance on the supply side and substantial investment on the demand side.

Trends in union government's indirect tax collections

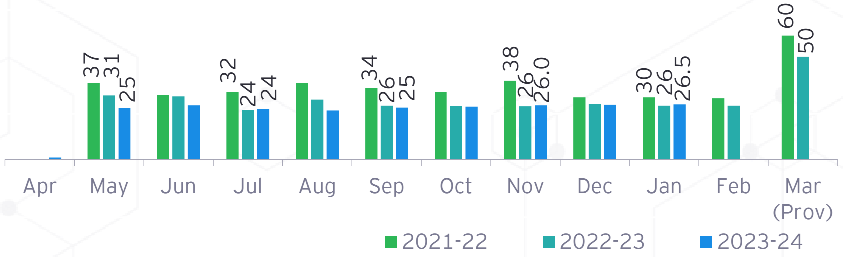
GST Collections (Union + States) (INR '000 crores)



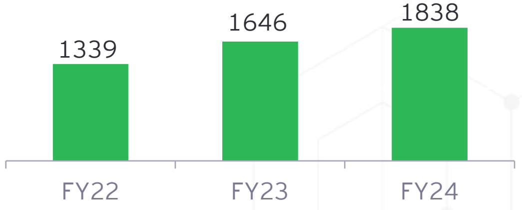
Customs (INR '000 crores)



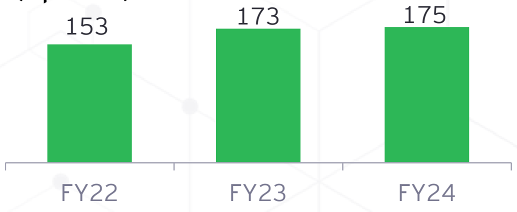
Union excise duty (INR '000 crores)



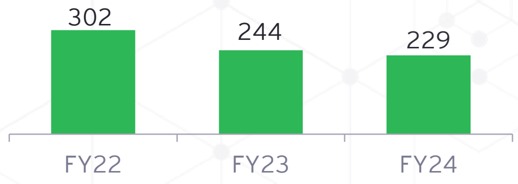
GST (Union +States) (INR '000 crores) (Apr-Feb)



Customs duty (INR '000 crores) (Apr-Jan)



Union Excise Duty (INR '000 crores) (Apr-Jan)



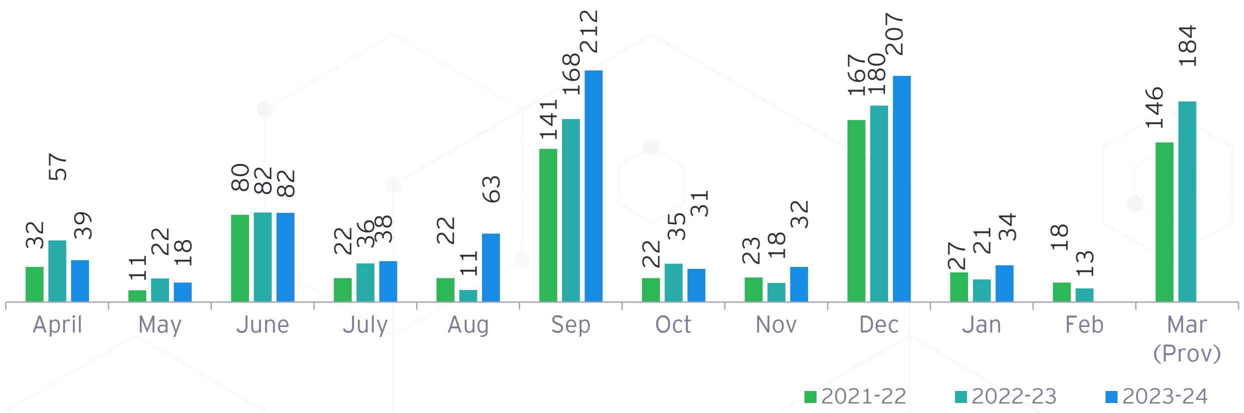
Source: Controller General of Accounts; GST Council/ PIB

Key findings

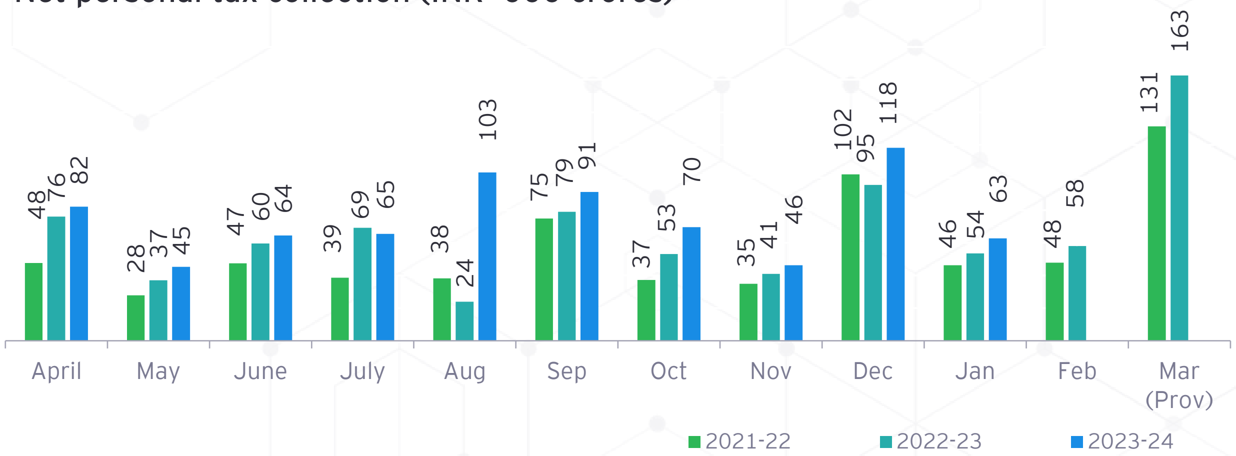
- GST revenues for the month of Jan 2024, the second highest ever, are 10.4% higher than that in the same month last year.
- During the period from April to January FY24, GST revenues have grown 11.7% vis-à-vis the same period in FY23. This is against the estimated nominal GDP growth of 9.1% in FY24.
- Customs duty collections during April–Jan FY24 have remained stagnant, as against the same period in FY23.
- On the other hand, union excise duty declined by 6.0% during April–Jan 2023 as against the same period previous year

Impressive growth in direct tax collections

Net corporate tax collection (INR '000 crores)

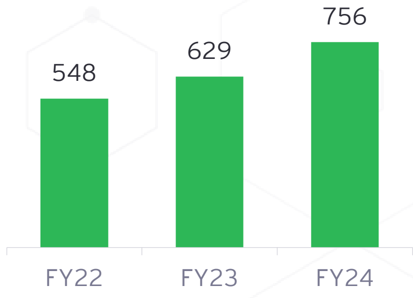


Net personal tax collection (INR '000 crores)

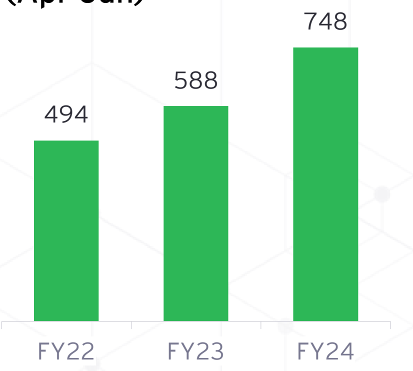


Source: Controller General of Accounts,

Corporation tax (CIT)
(INR '000 crores)
(Apr – Jan)



Personal tax (PIT)
(INR '000 crores)
(Apr-Jan)



Key findings

- The total direct tax collections witnessed a sharp increase of 23.6% during the first ten months of this fiscal year. Nominal GDP growth is estimated at 9.1% in FY24.
- CIT registered a growth of 20.1% on account of healthy corporate earnings and advance tax inflows.
- Increase in direct tax collections is majorly attributed to surplus growth in personal tax collections of 27.3% in the period April–Jan for FY24 vis-à-vis the same period in FY23.
- The growing direct tax collection displays success in the government's efforts on enforcement, the use of technology in the tax collection process, improving formalization and strong economic recovery.
- The Gross Tax Revenue (GTR) experienced a y-o-y growth of 14.5% in the April-January FY24 higher than 12.5% as estimated for FY24 (RE), on account of buoyant direct tax collections even while excise duty revenues contracted and customs duties showed a subdued growth.

Fiscal performance

#	Particulars	Budget estimate (BE) (2023-24) (INR crores)	Revised estimate (RE) (2023-24) (INR crores)	Actuals (April 2023 - Jan 2024) (INR crores)	Actuals (April 2022 - Jan 2023) (INR crores)	Actuals as % of RE FY 24 (April -Jan)	Actuals as % of RE FY 23 (April -Jan)	Average Actuals as % of RE(April - Jan) (FY19 - FY23)
1	Tax revenues (net of states' share)	23,30,631	23,23,918	18,79,840	16,88,701	80.9%	80.9%	77.1%
2	Non-tax revenues	3,01,650	37,57,95	3,38,069	2,30,939	90.0%	88.2%	77.4%
3	Revenue receipts (1+2)	26,32,281	26,99,713	22,17,909	19,19,649	82.2%	81.7%	77.2%
4	Non-debt capital receipts	84,000	56,000	34,219	57,194	61.1%	68.5%	56.2%
5	**Total non-debt receipts (3+4)**	**27,16,281**	**27,55,713**	**22,52,128**	**19,76,843**	**81.7%**	**81.3%**	**76.2%**
6	Revenue expenditure other than interest	24,22,753	24,85,504	18,11,812	18,59,098	72.9%	73.8%	78.3%
7	Interest	10,79,971	10,55,427	8,21,731	7,38,658	77.9%	78.5%	76.7%
8	Capital expenditure	10,00,373	9,49,555	7,21,187	5,69,892	75.9%	78.3%	76.8%
9	**Total expenditure (6+7+8)**	**45,03,097**	**44,90,486**	**33,54,730**	**31,67,648**	**74.7%**	**75.7%**	**77.8%**
10	**Fiscal Deficit (9-5)**	**17,86,816**	**17,34,773**	**11,02,602**	**11,90,805**	**63.6%**	**67.8%**	**88.7%**

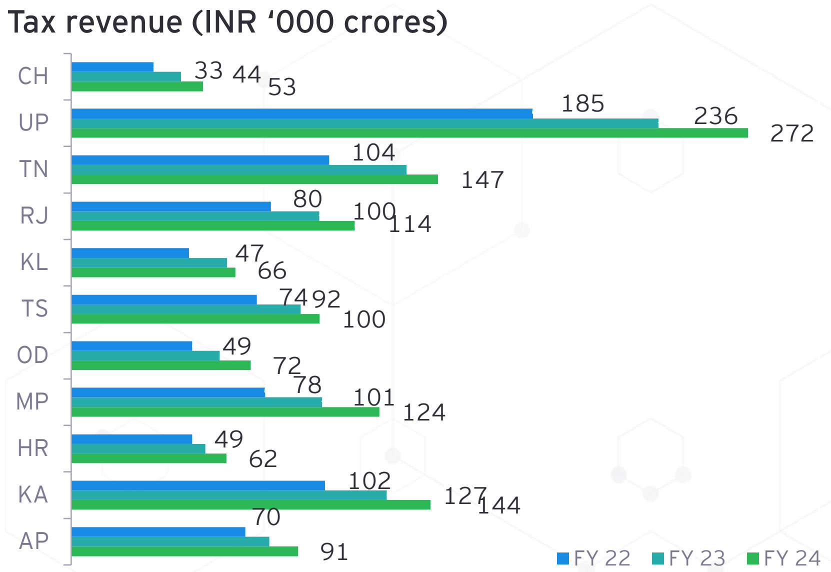
Source: Budget 2023-24, 2022-23, 2021-22, Controller General of Accounts,

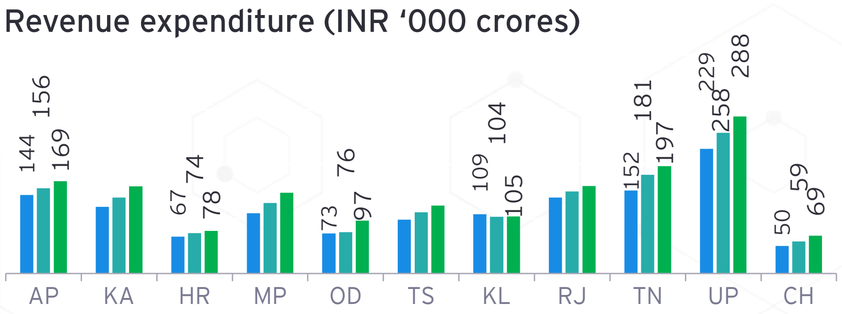
Key findings

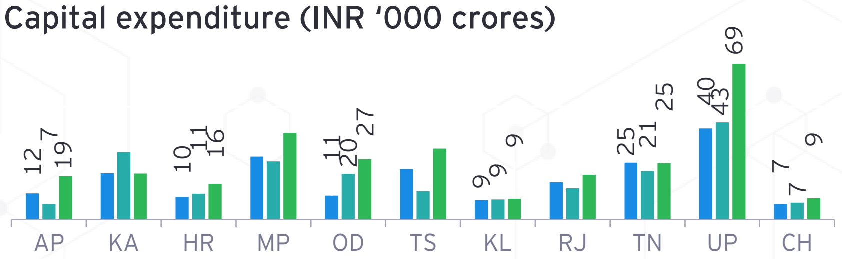
- The Government of India's fiscal deficit reduced to INR 11 lakh crore or 63.6% of the FY2024 RE in Apr - Jan FY24. The corresponding ratio for previous year was higher at 67.8%
- In the Union Budget presented this year, government projected to bring down the fiscal deficit to 5.8% of the gross domestic product (GDP) in the current FY24.
- While the budget for FY24 had estimated a GTR growth of 10.5% for FY24, the RE for this year has pegged it at 12.5% contributed mainly by a higher direct tax buoyancy.
- During Apr-Jan FY24 vis-à-vis same period last year:
  - Net tax revenues rose by 11.3%, Non-Tax revenues expanded by 46.3% .
  - There has been a 1.4% growth in revenue expenditure, and a significant 26.5% Y-o-Y expansion in capex

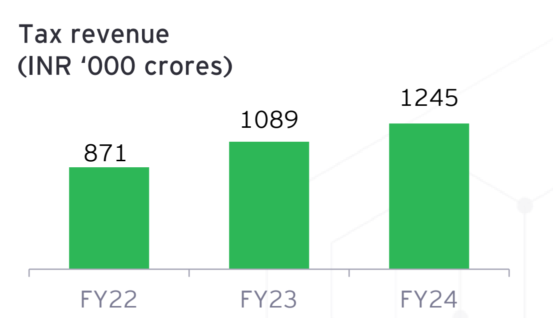
States' tax revenues rise steadily

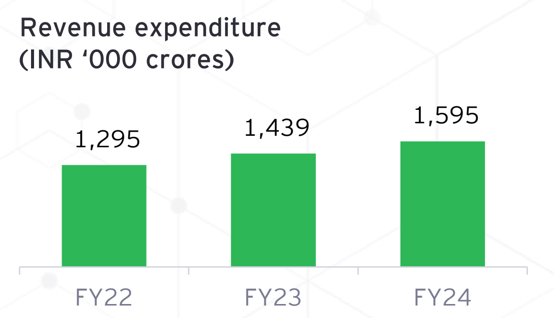
Tax revenue and expenditure for major states for the period (April'23 – Dec'23)

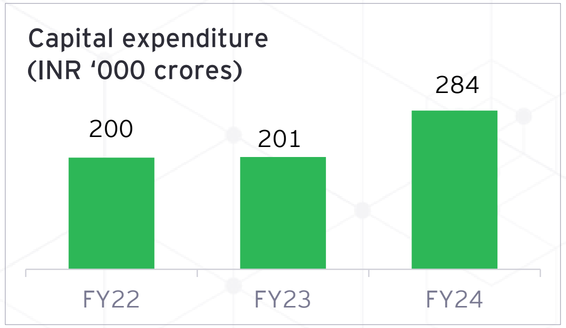












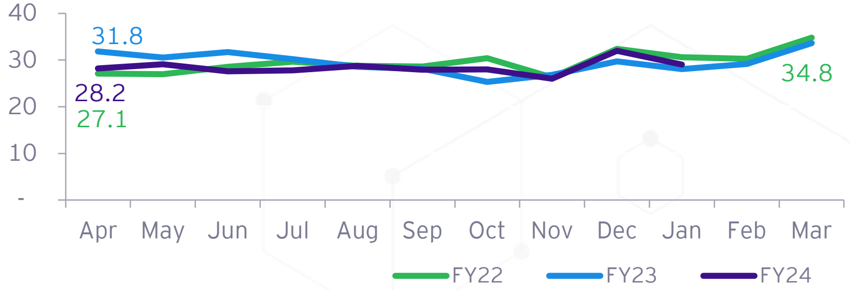
CH: Chhattisgarh; : AP: Andhra Pradesh; HR: Haryana; KA: Karnataka; KL: Kerala; MP: Madhya Pradesh; OR: Odisha; RJ: Rajasthan; TN: Tamil Nadu; TS: Telangana; UP: Uttar Pradesh; Source: Controller and Auditor General; State Accounts

Key findings

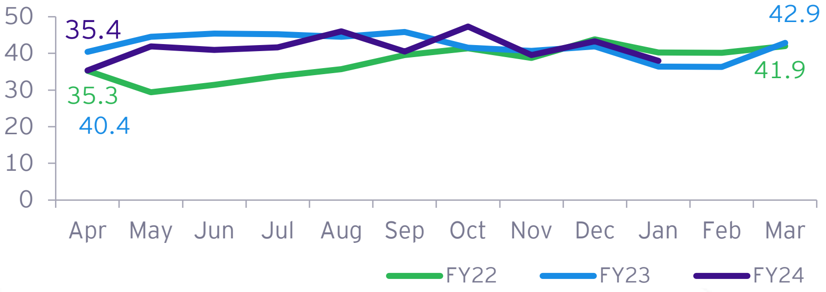
- Overall, in the eleven selected states, tax revenues for FY24 (Apr-Dec) have increased by 14.3% vis-à-vis the same period in FY23.
- During FY24 (Apr-Dec), revenue and capital expenditure by states saw a rise of 10.8% and 41.1%, respectively, vis-à-vis the same period last year.
- Even though the capital expenditure is rising, its share in the total expenditure is 15% for the 11 selected states in FY24, compared to 22% for the union government.
- At the individual state level, Uttar Pradesh witnessed the highest increase in tax revenues (buoyed by robust GST tax collections and excise duty collections). The state's revenue and capital expenditure in FY24 (Apr-Dec) has also been the highest.

Foreign trade trends

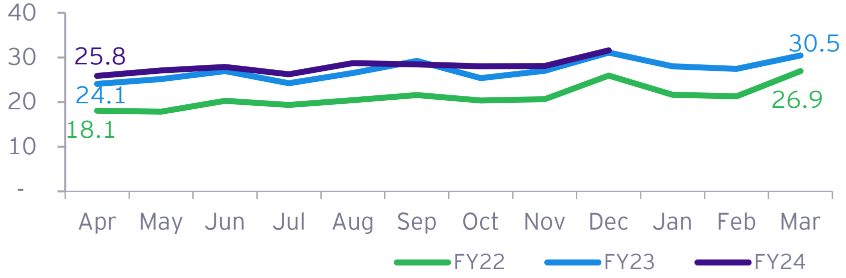
Non- oil merchandise exports (in US$ billion)



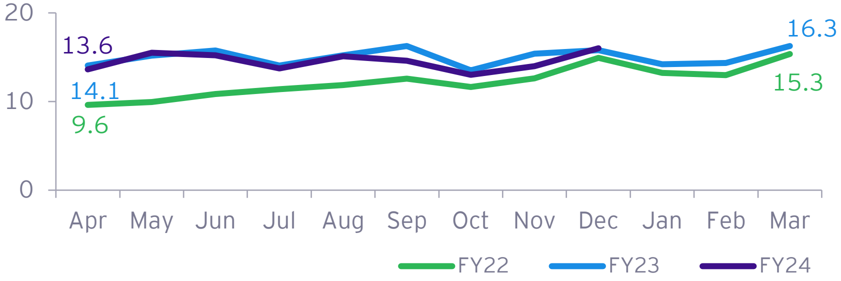
Non- oil merchandise imports (in US$ billion)



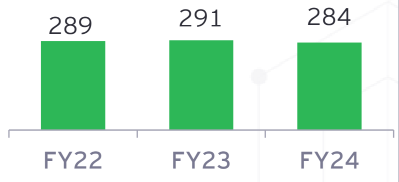
Service exports (in US$ billion)



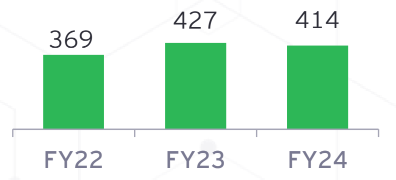
Service imports (in US$ billion)



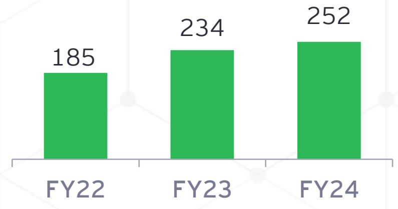
Non-Oil Merchandise Exports (Apr-Jan) US$b



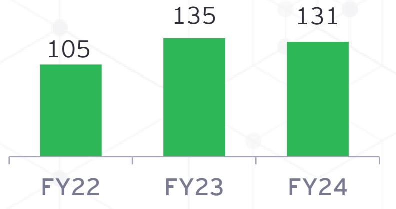
Non-Oil Merchandise Imports (Apr-Jan) US$b



Services Exports (Apr-Dec) US$b



Services Imports (Apr-Dec) US$b



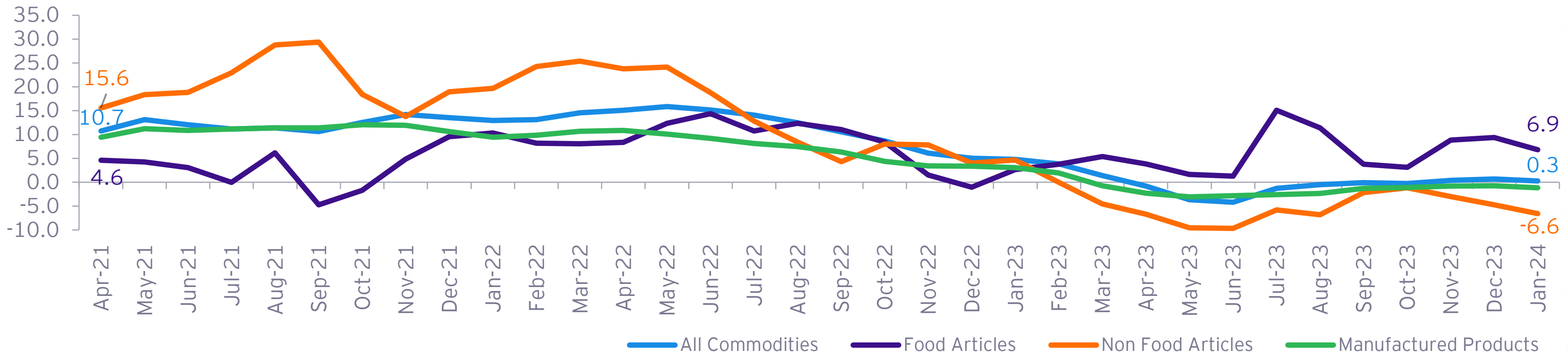
Source: RBI Monthly Bulletin and Data Releases

Key findings

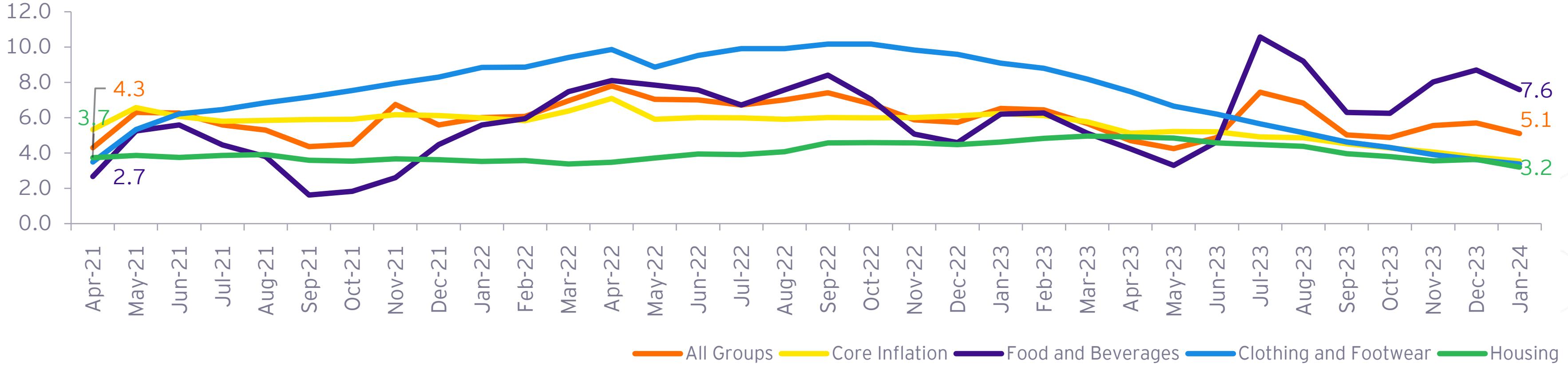
- India's non-oil merchandise exports declined 2.4% during the period of April to Jan FY 24 vis-à-vis the same period in FY 23. However, in both December and January of FY 24, they were marginally higher than in corresponding months of FY 23
- Services' exports have grown 7.6% in FY 24 till December, which is significantly lower than 27% growth in the previous year.
- Non-oil merchandise and service imports have both declined. Imports of chemicals, vegetable oil, fertilizer and transport equipment witnessed a decline.
- Disruptions in the red sea trade route impart uncertainty to India's near-term merchandise trade outlook

Inflation

WPI inflation (%)



CPI inflation (%)



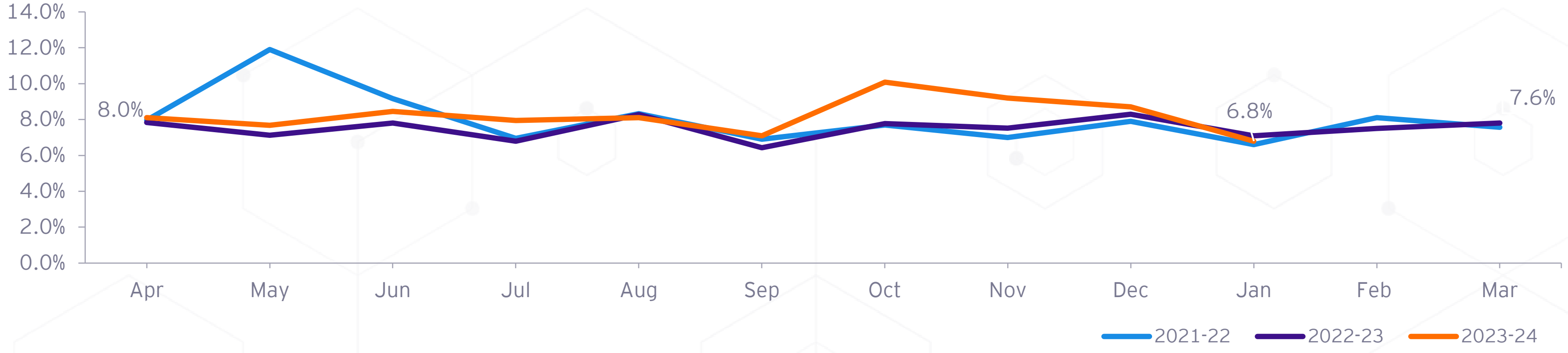
Source: Office of Economic Advisor, Ministry of Commerce and Industry; MoSPI; as of February 2024
Core inflation is calculated by excluding food & beverages and fuel & light from the overall index

Key findings

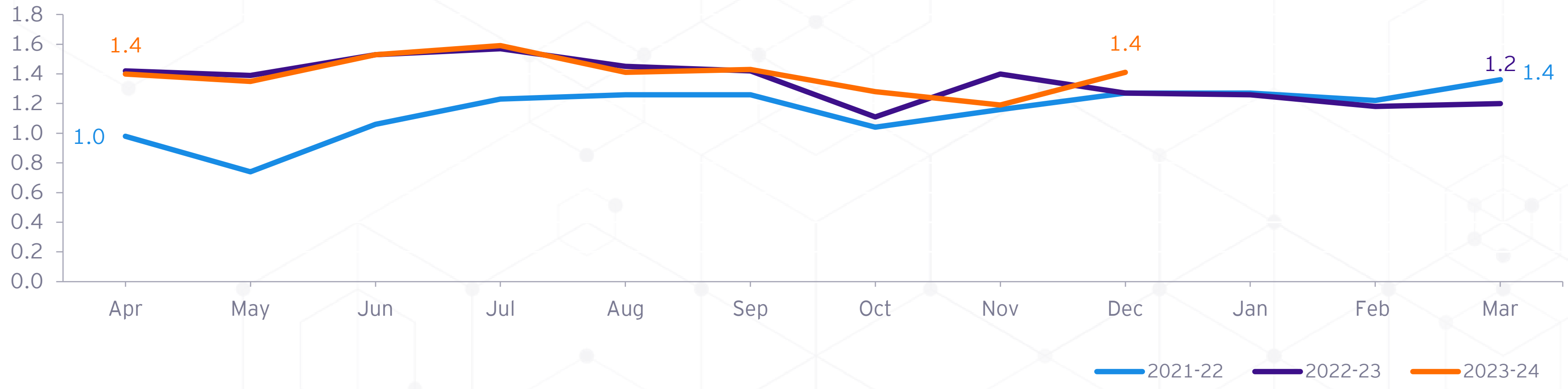
- Core inflation at 3.53% in January 2024 is at a 47-month low. It has fallen by 269 basis points from its recent peak in January 2023. This decline is attributed to disinflationary monetary policy and softening in input prices.
- Consumer Price Inflation (CPI) has been fluctuating between 5% and 6% since September 2023, which is within the inflation target of 2 to 6% set by the RBI.
- Recurring food price shocks poses risks to ongoing disinflation.
- Wholesale Price Inflation (WPI) continues to be in the positive territory for the 3rd consecutive month after remaining in the deflationary phase since the beginning of the FY24.
- Increase in WPI inflation is attributed to higher food prices.
- Red Sea crisis has resulted in an increase in fuel inflation, which has been consistently negative in FY24, due to increased freight costs.

Employment statistics

Indian unemployment Rate (%)



Net New EPF subscribers (in millions)



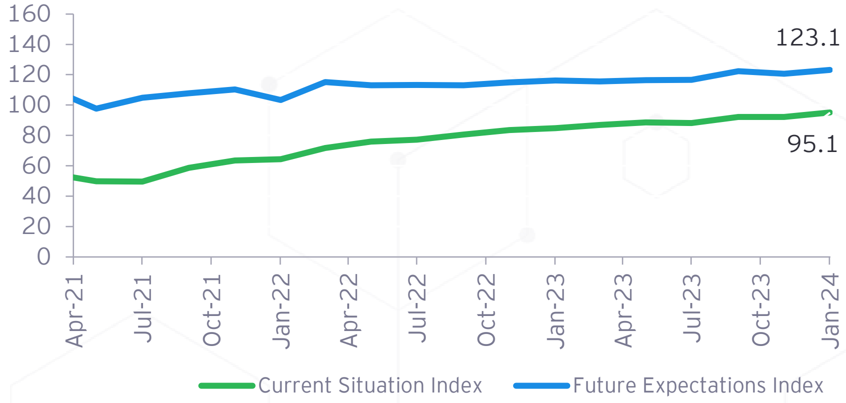
Source: Unemployment rate- CMIE, Net New EPF subscribers - EPFO

Key findings

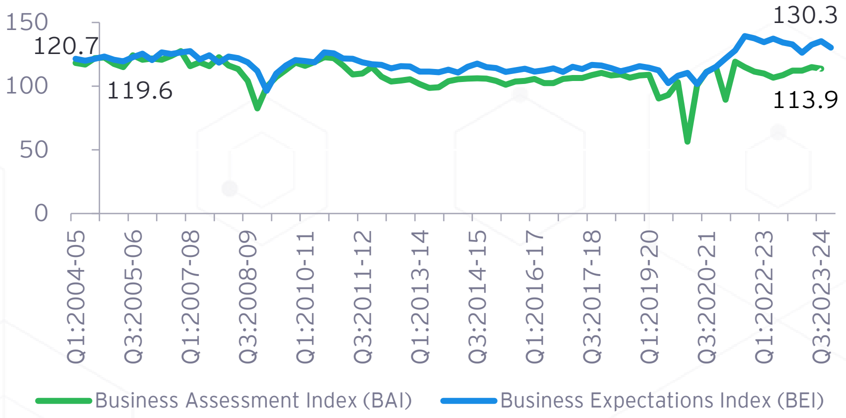
- Unemployment rate at 6.8% is at a 16-month low in January after touching the 29-month high of 10.1% in October 2023.
- Net New EPF subscribers have risen by 18% in December 2023 vis-à-vis November 2023. Net New EPF subscribers for December 2023 stood at 1.4 million.

RBI's confidence indices

Consumer confidence indices

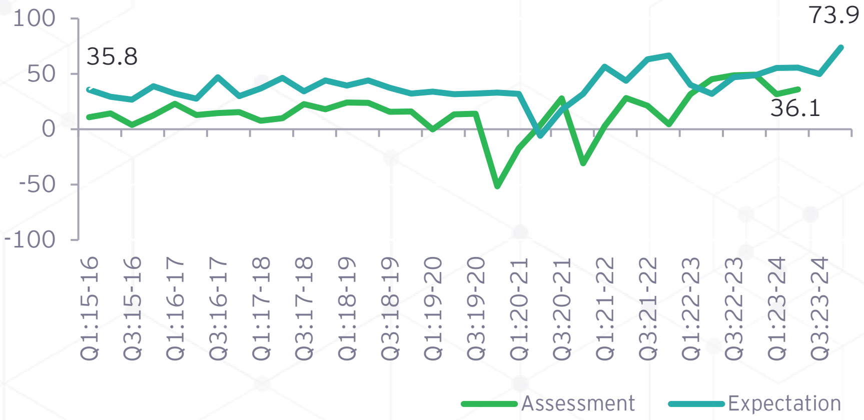


Business sentiment



Turnover of services companies (Net response %)

Turnover of infrastructure companies (Net response %)



Key findings

- The consumer's future expectations index improved further to 123.6 in Jan 24 from 120.6 in Nov 23 attributed to improved assessment of current economic situation and employment condition
- The index for the current situation is less than 100, suggesting that there is greater confidence about the future, vis-à-vis the current time.
- In line with consumer confidence indexes, businesses have greater confidence about future expectations. However, unlike the consumer confidence index, the business index for current assessment is over 100.
- Optimism about turnover among service sector companies surged in Q4:2023-24 on the back of improved business situation and availability of finance. Similar surge in optimism is evident among infrastructure companies, mainly due to improved selling prices, profit margins, and physical investment.

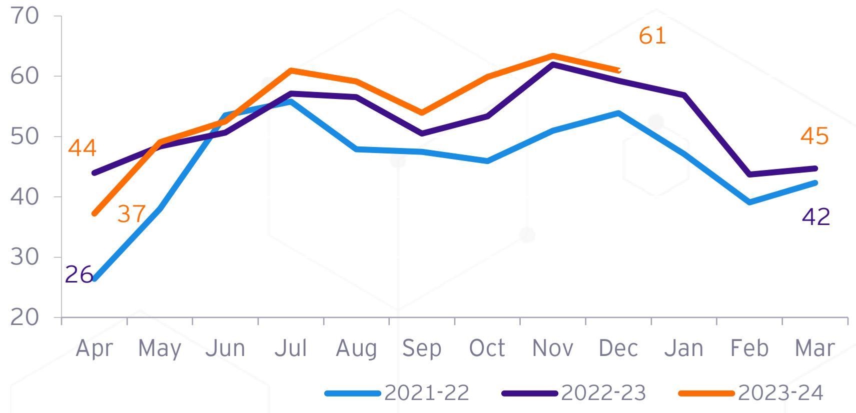
Source: RBI
Note: Net Response (NR) is the difference between the percentage of respondents reporting optimism and those reporting pessimism. It ranges between -100 to 100. Positive value indicates expansion/optimism and negative value indicates contraction/pessimism.
Data as of 8th February 2024

04

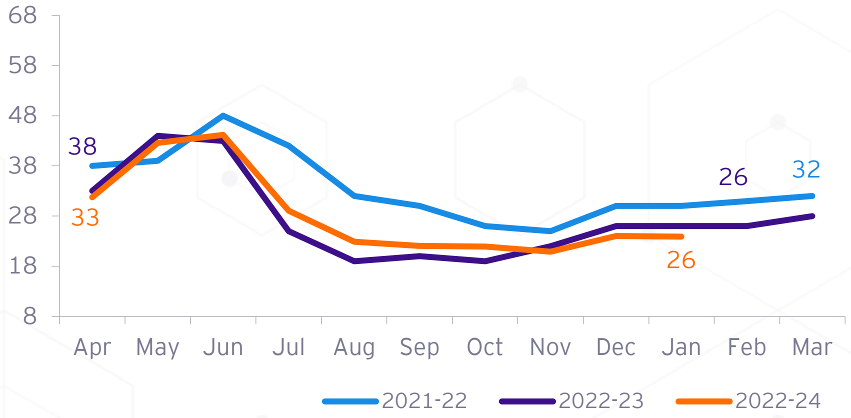
Sectoral indicators

Rural economy indicators

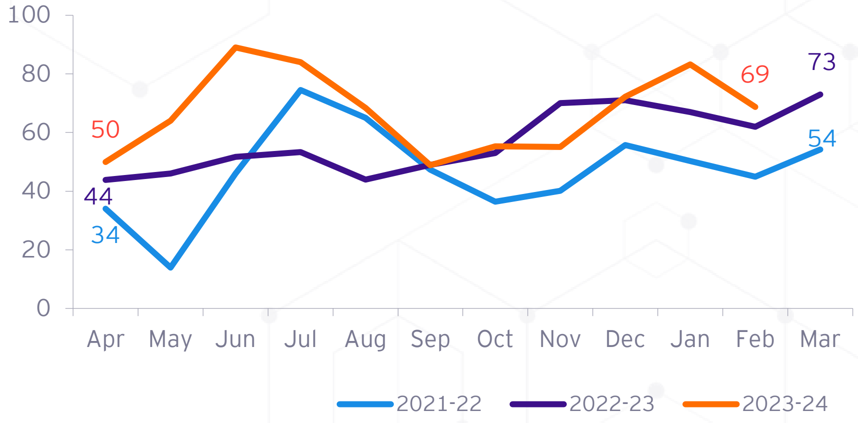
Fertilizer sales (lakh MT)



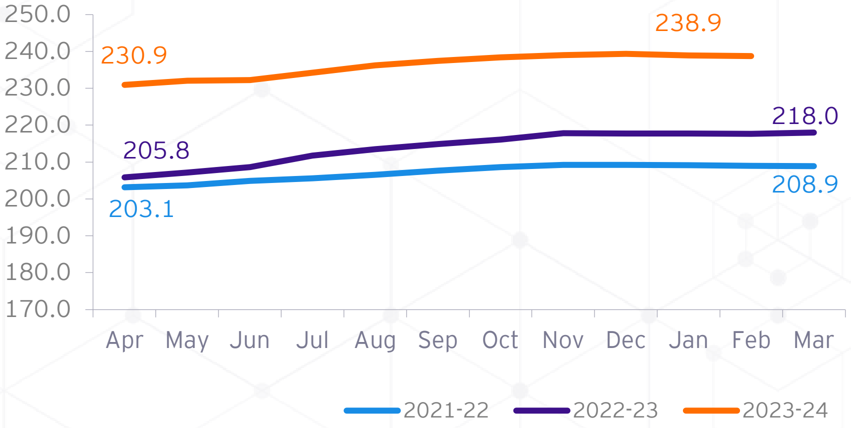
Persons work demand under MGNREGA (in millions)



Tractor registration (no. of units in '000)



Average Wage paid per day per Person (INR) (Nominal)



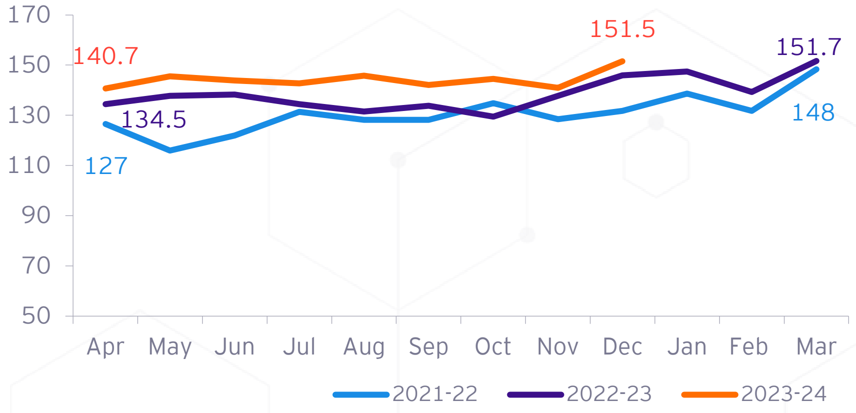
Key findings

- Rural demand continues to gather pace. Increasing MSPs, rising average rural wages and healthy rabi harvesting are expected to strengthen rural economy. The extension of the free food grain scheme by five years is expected to support the rural consumption.
- Since November 2023, monthly demand for work under MNREGA has been lower than the corresponding months in previous two years.
- Tractor registrations have grown by 21% in the period from April to February FY 24 over the corresponding period in FY 23 reflecting growing rural demand.
- Fertilizer sales have risen marginally (3%) during the period April to December FY 24 over the corresponding period in FY 23.

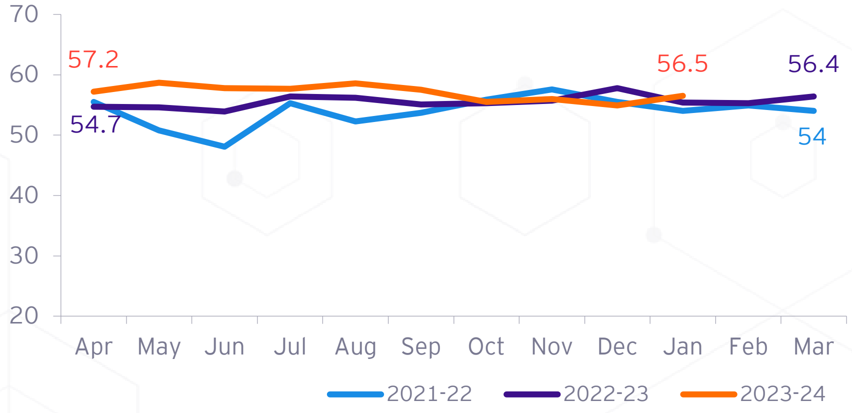
Source: Ministry of Road Transport and Highways, Ministry of Agriculture & Department of Fertilizers, MNREGA, MOSPI, RBI
Note: Fertilizer sales comprises of Urea, DAP, MOP and Complexes

Overall manufacturing indicators

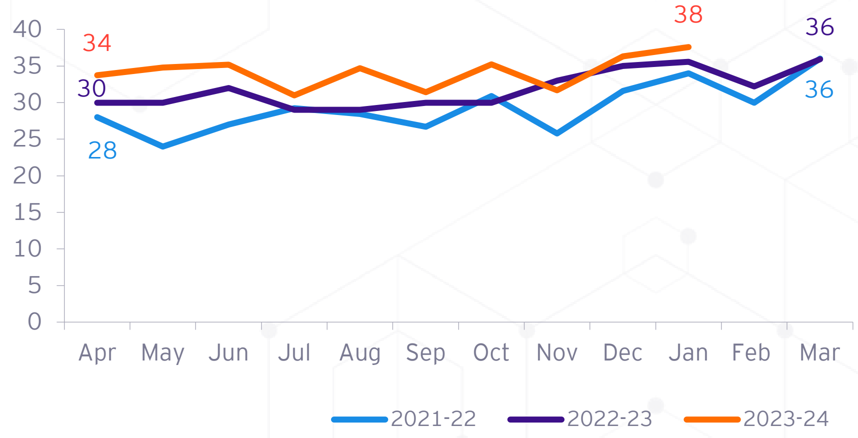
General index of industrial production (IIP)



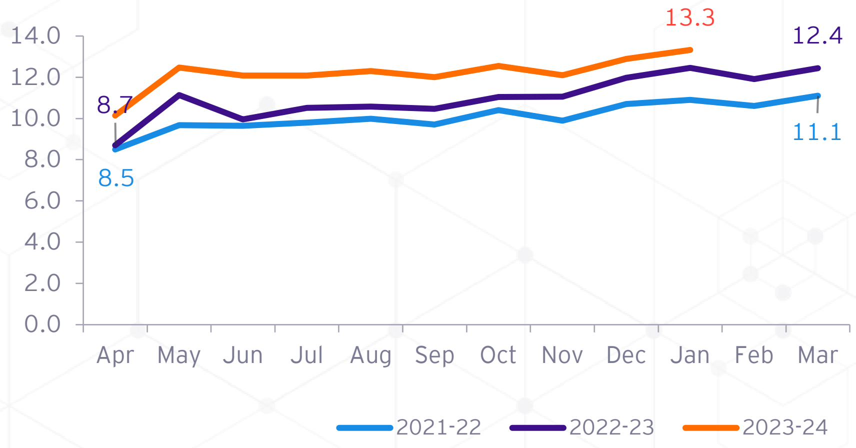
Manufacturing PMI



Cement production (million tons)



Crude steel production (million tons)

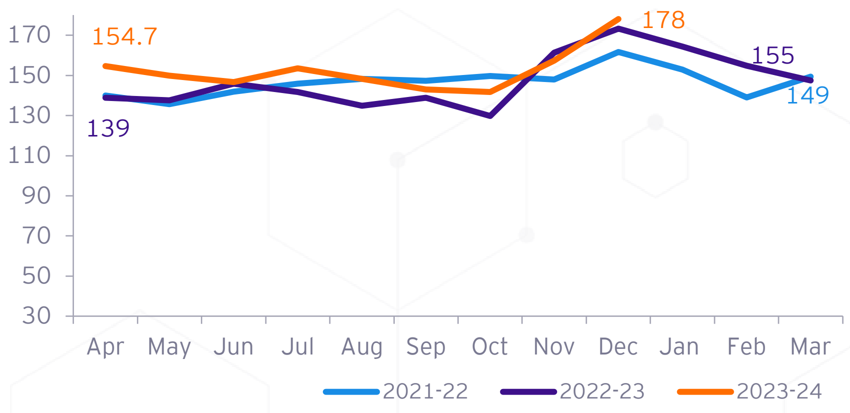


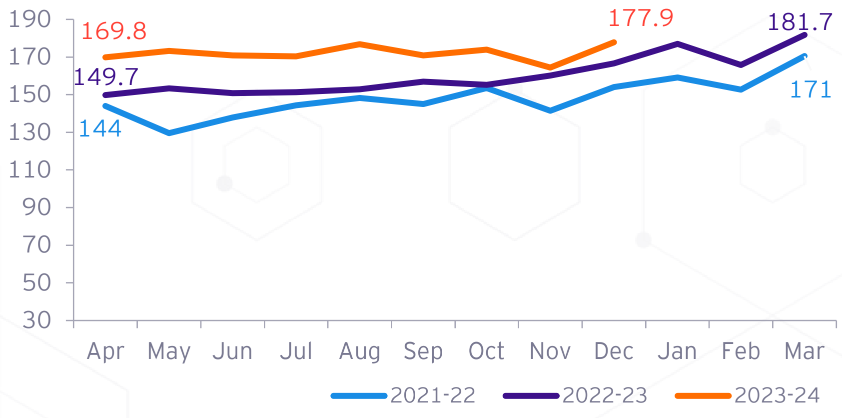
Note: PMI >50 indicates expansion, <50 indicates contraction
Source: IHS Markit, DPIIT, RBI; IIP Base: 2011-12=100

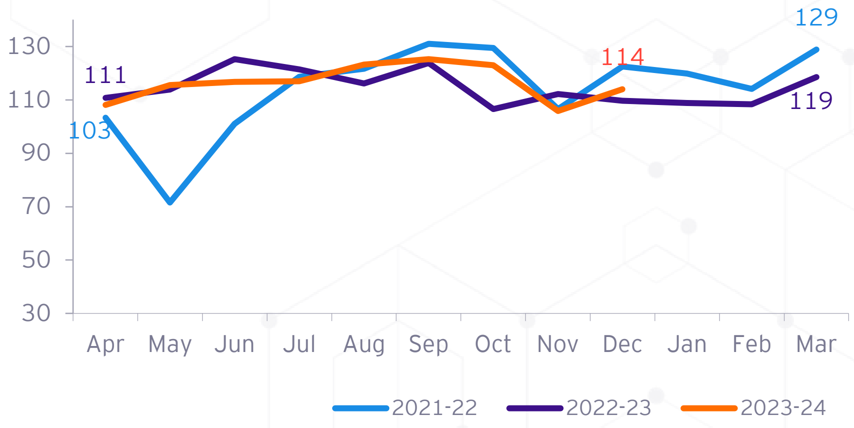
Key findings

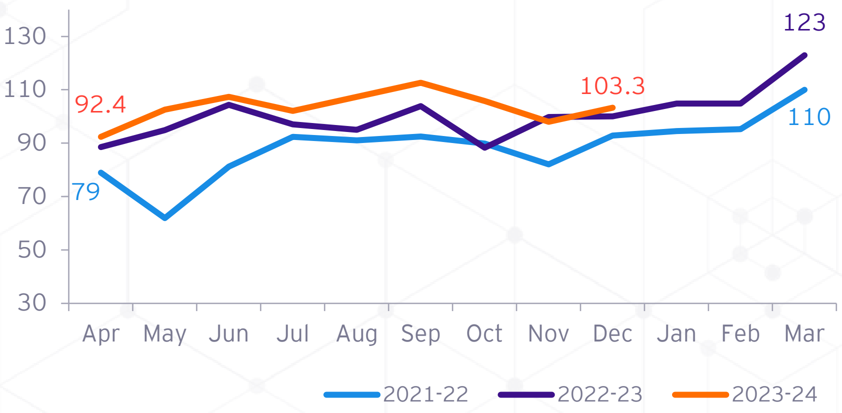
- The IIP in December 2023 was 3.8% higher than in December 2022, up from 2.4% growth recorded in November 2023 over November 2022. This growth is significantly lower than the months of October and August FY 24 where the monthly index was higher by over 10% vis-s-vis the same months in FY 23.
- Manufacturing PMI remained well above the expansionary zone for 31 months in a row. It has improved to 56.5 in January from 54.9 in December 2023.
- Steel production has grown over 13% during the period April 2023 to January 2024 over the corresponding period in 2022-23. In January 2024, steel production was higher by 7.6% vis-à-vis January 2023.
- Cement production has grown by 9% during the period from April to January FY24 over the corresponding period in FY23 However, cement production in December 2023 was recorded a much lower growth of 1% over December 2022. In November 2023, cement production was lower than in November 2022.

Manufacturing indices for consumer non-durables, consumer durables, infrastructure and capital goods









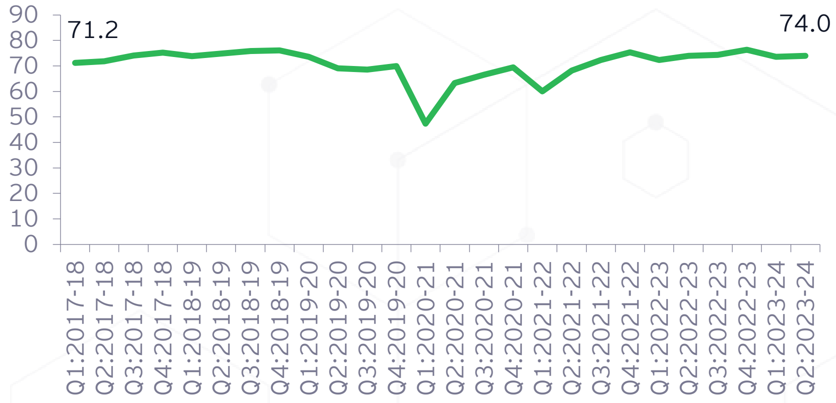
Source: MOSPI
IIP Base: 2011-12=100

Key findings

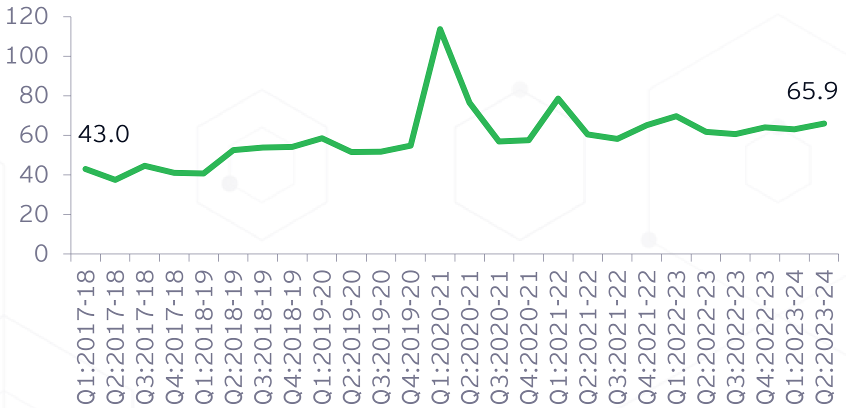
- In line with the growth of steel and cement production, IIP for infrastructure and construction goods has grown 11% on average from April to December 2023 over the same period in 2022. Possible pick up in the government spending and rising household demand for real estate is driving the expansion.
- Growth of monthly IIP for capital goods has averaged to 7% during the period April to December 2023 over corresponding months in 2022.
- Growth in IIP for infrastructure and capital goods bodes well for capital formation.
- The output growth of both consumer durables & non-durables turned positive in December 2023 after being in negative territory in November 2023.
- The average monthly growth in IIP for consumer non-durables during the period from April to December 2023 over corresponding months in 2022 is 5.5%.
- In contrast, IIP for consumer durables in the months from April to December FY 24 has been 1% higher than in the same period in FY23

Manufacturing indicators

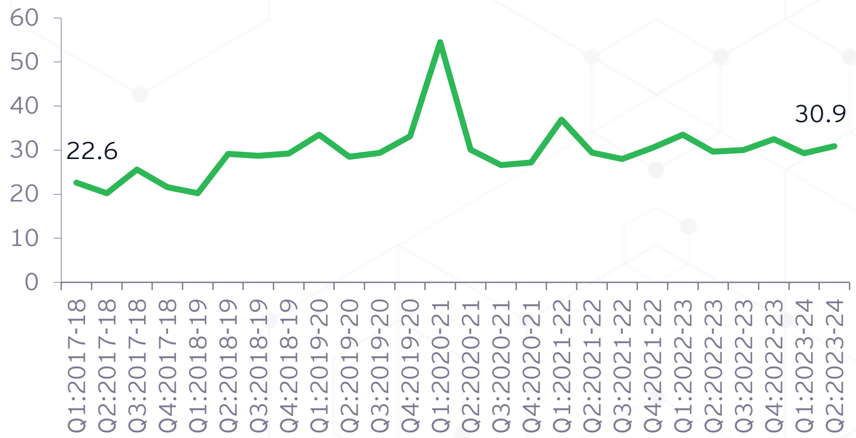
Capacity utilisation (%)



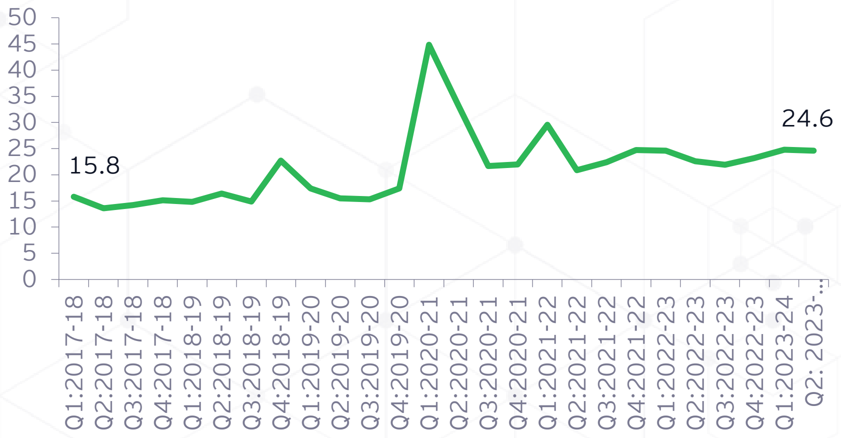
Total inventory to sales ratio (%)



Raw material inventory to sales ratio (%)



Finished goods inventory to sales ratio (%)



Source: RBI; as of 8th February 2023

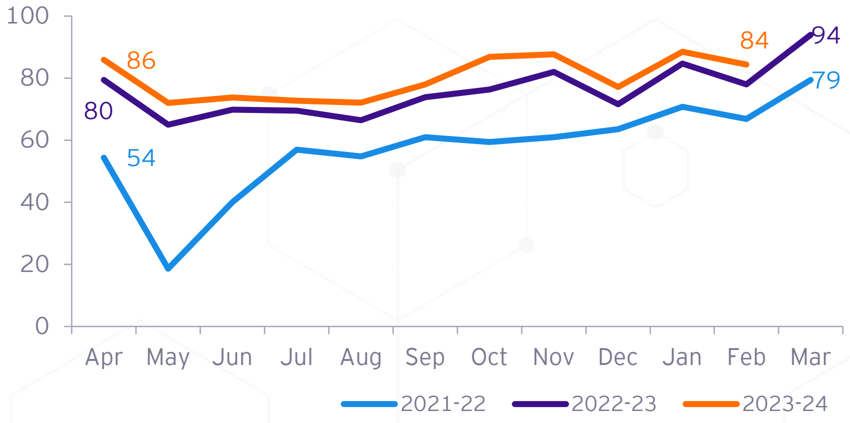
Key findings

- At the aggregate level, the capacity utilisation in the manufacturing sector increased to 74.0 per cent in Q2:2023-24 from 73.6 per cent in the previous quarter. The seasonally adjusted capacity utilisation, however, declined to 74.5 per cent in Q2:2023-24 from its level of 75.4 per cent in the previous quarter.
- The total inventory to sales and raw material to sales ratio improved marginally in Q2:2023-24 from its level in the previous quarter.
- The finished goods inventory to sales ratio remains stable.

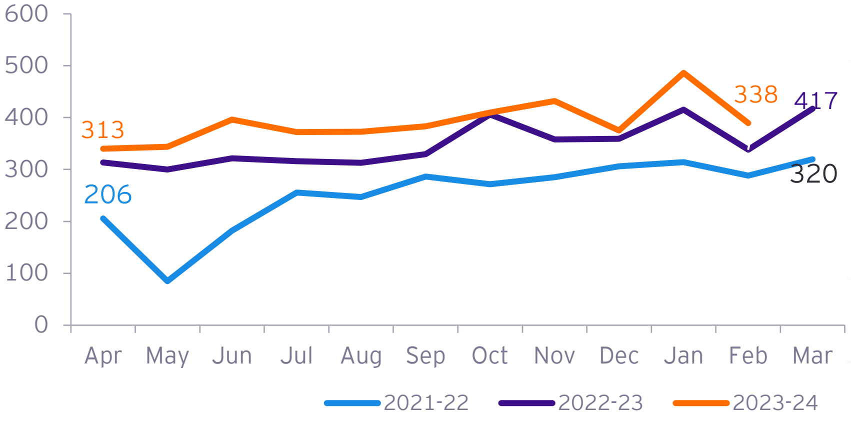
Vehicle registration trends

Manufacturing

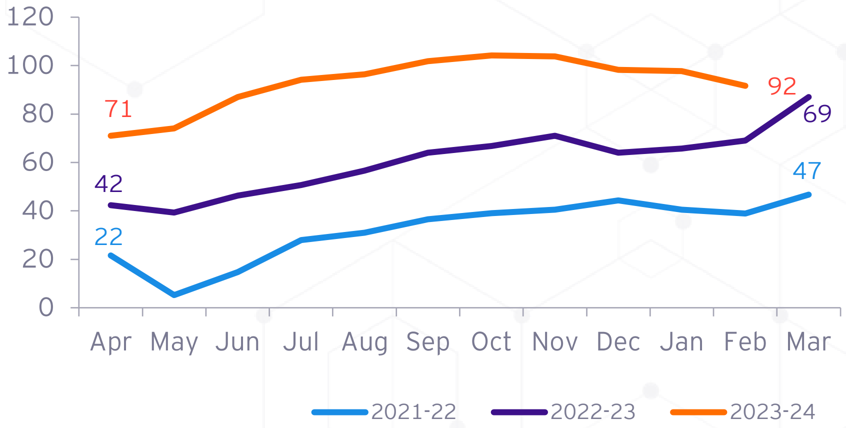
Commercial vehicles (in '000s)



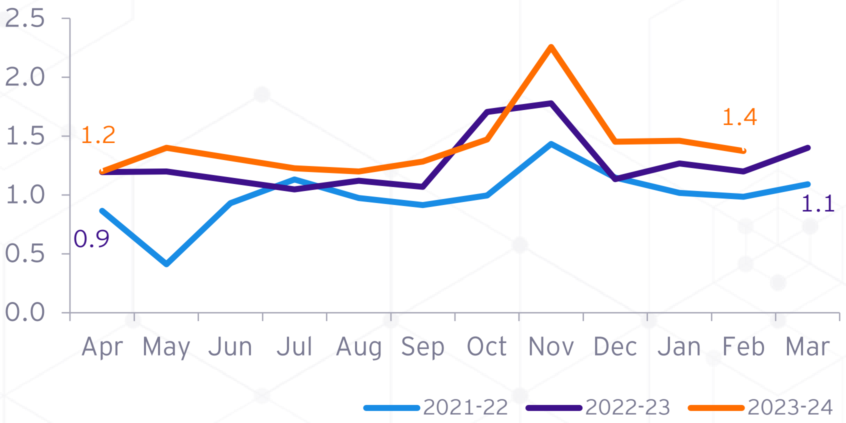
Passenger vehicles (in '000s)



Three-wheelers (in '000s)



Two-wheelers (in millions)



Key findings

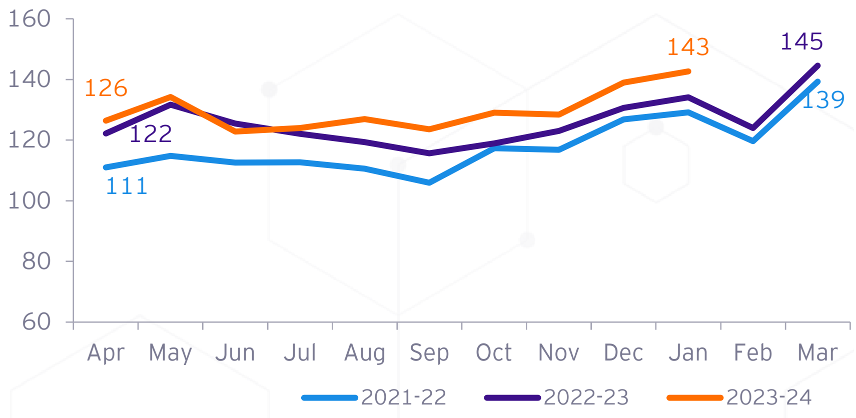
- Vehicle registration trends show firmness in demand.
- Demand for all categories of vehicles is higher compared to the previous year.
- In the current financial year from April to February, passenger vehicles have grown by 14% over the previous year. Commercial vehicles have grown by 8%, three wheelers have grown by 60% and two wheelers are up 13%.
- Rising passenger vehicle sales reflect resilience in urban demand
- High growth in demand for three wheelers is attributed to availability and deployment of electric three wheelers by E-commerce players and FMCG companies.

Note:CV include all Heavy, Medium vehicles and light goods vehicles. PV represents Motors Cars data. 2w and 3W include both transport and non-transport. Telangana and Lakshadweep vehicle registrations are not covered under Vahan database.
Source: Vahan Database. Data as on February 29, 2024

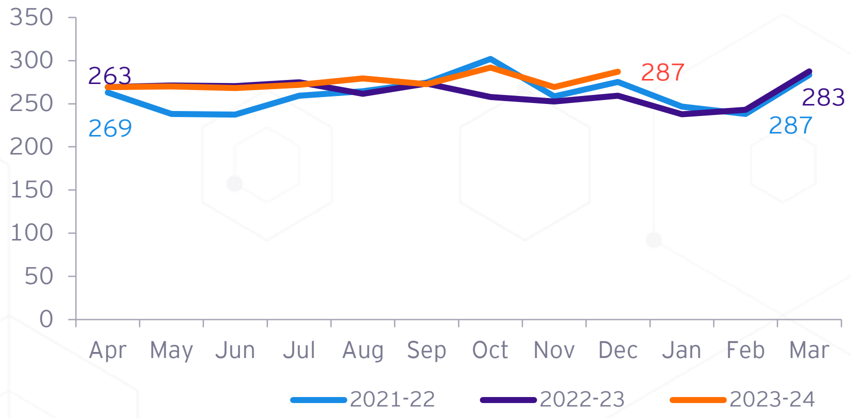
EY

Freight transportation

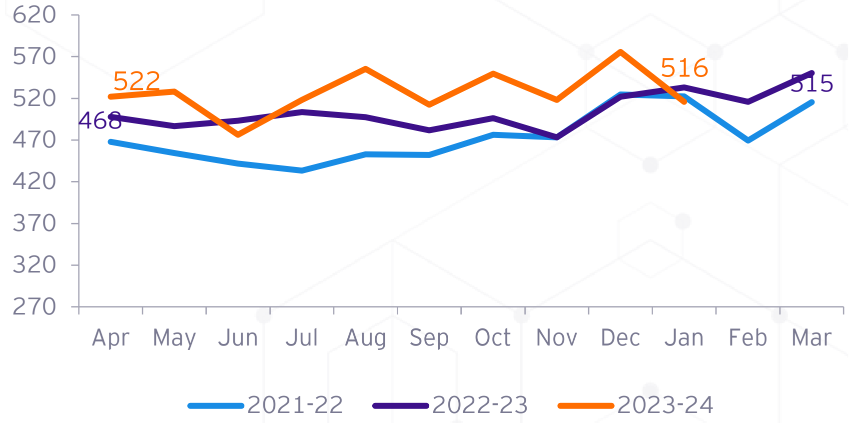
Railways freight (million tons)



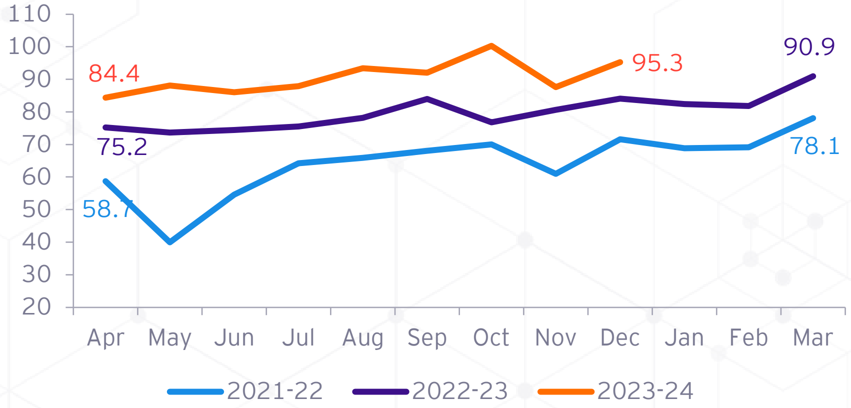
Air Freight ('000 tons)



JNPT container traffic ('000 TEUs)



E-way bills generated (volume in million)



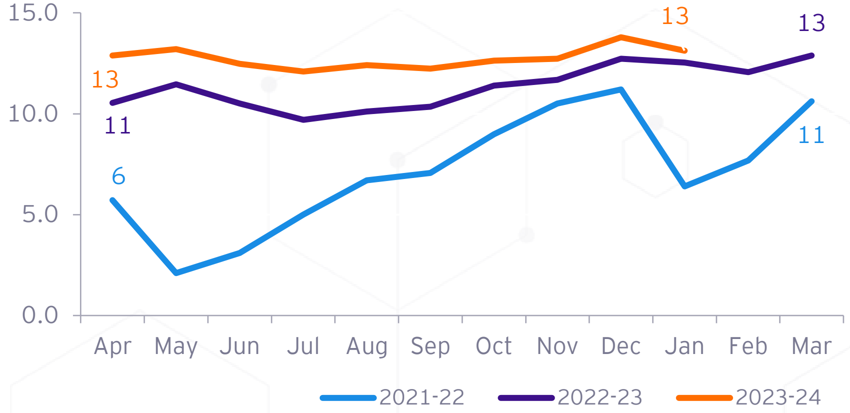
Source: Ministry of Civil Aviation, Ministry of Railways, JNPT Terminal, GSTIN Network

Key findings

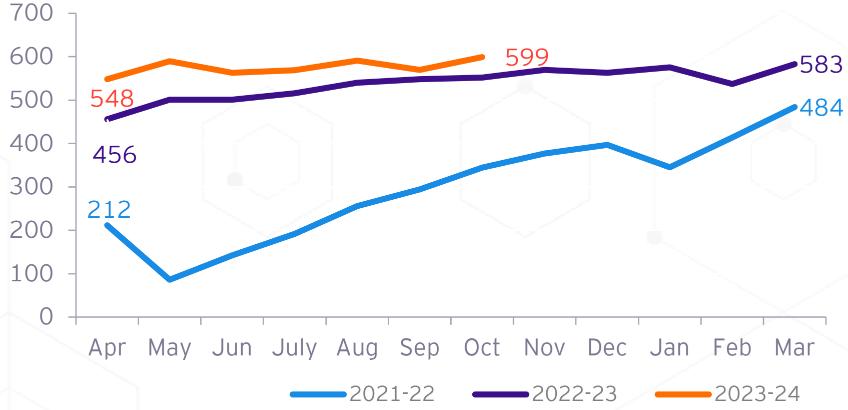
- All freight movement indicators indicate improved economic activity.
- E-way bill volumes during the period April to December in FY 24 have grown at 16% vis-à-vis the same period in 2022.
- Rail freight transportation is up 4.3% in the current financial year till January 2024 vis-à-vis the same period in the previous financial year. Increase in rail freight is attributed to increased movement of coal.
- Coal comprises approximately 50% of Indian railways freight traffic by volume, illustrating the importance of coal to the Indian economy.
- Shipping freight as represented by Jawaharlal Nehru Port (JNPT) container traffic has increased by 6% between April to January FY24 vis-s-vis the same period in FY 23. However, in January 4 volumes were lower by 3% vis-s-vis January 23, attributed to red sea crisis.
- Air freight has grown by 3.8% in the current financial year from April to December over the same period in the previous year

Passenger transportation

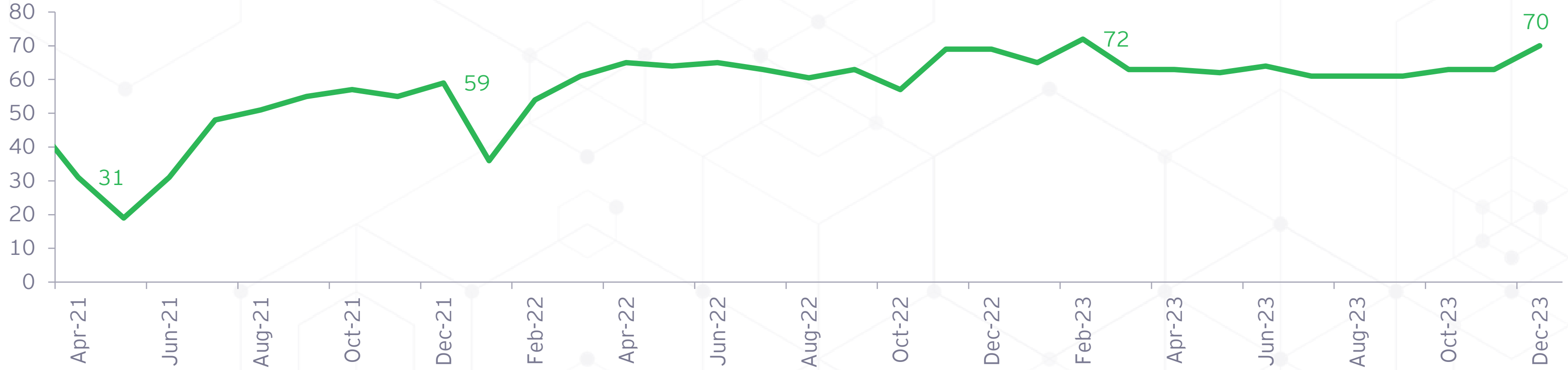
Passengers carried by domestic airlines (in millions)



No. of railway passengers (in millions)



Occupancy (%) in hotels sector

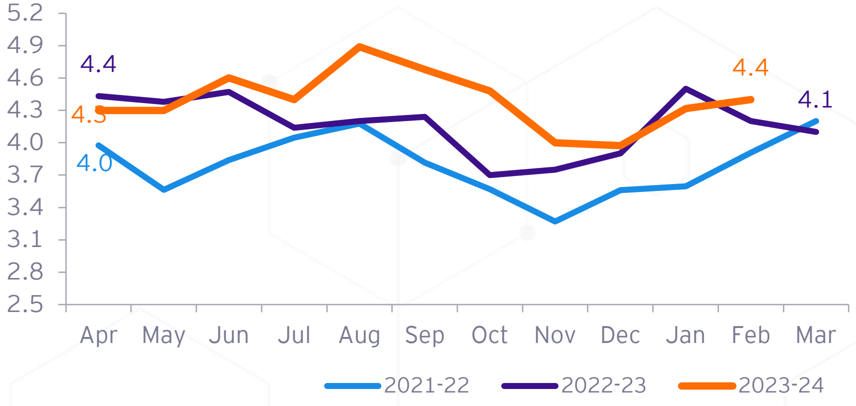


Source: Directorate General of Civil Aviation, Indian Railways, HVS Anarock

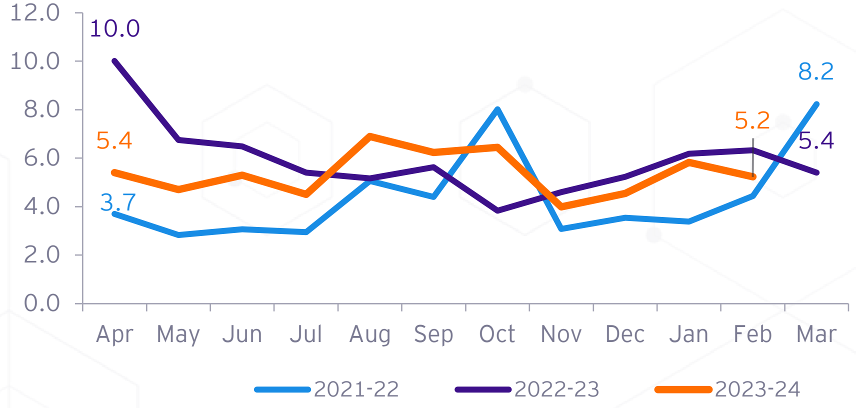
Key findings

- Both domestic air and railway passenger traffic noted robust growth in the current financial year.
- Air passenger traffic is up 15% in the current financial year from April to January over the same period in the previous year. Air passenger traffic volume is now above the pre-COVID-19 levels.
- Railway passenger traffic is still well below the pre-covid levels (nearly 30% lower). It has grown by 11.5% in the current financial year from April to October over the same period in the previous year.
- Hotel occupancy rates has increased to 70% in December FY23. Highest occupancy in the hotels were marked in December in the current financial year.

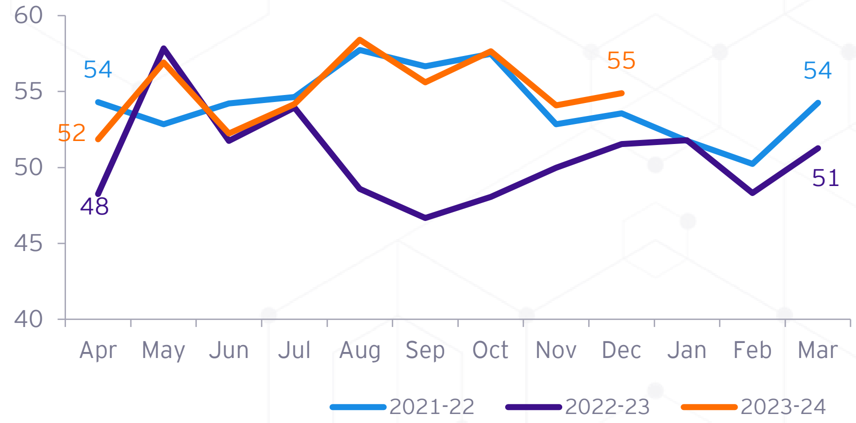
Average daily power consumption (billion units)



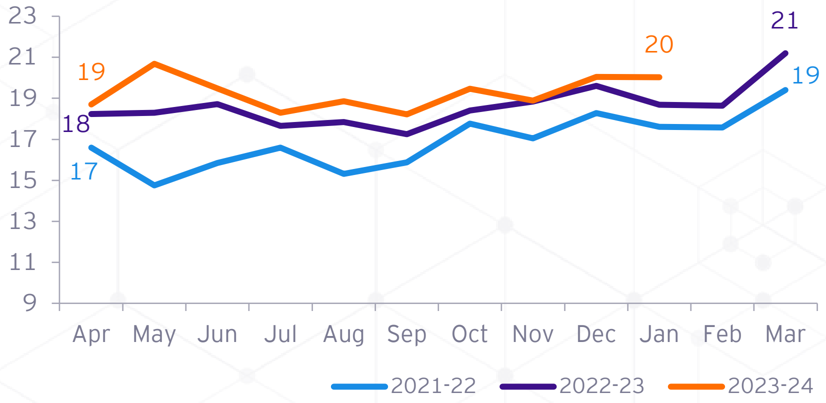
Power market clearing price (Rs 'per KWh))



Consumption of natural gas ('00 MMSCM)



Consumption of petroleum products (million metric tons)

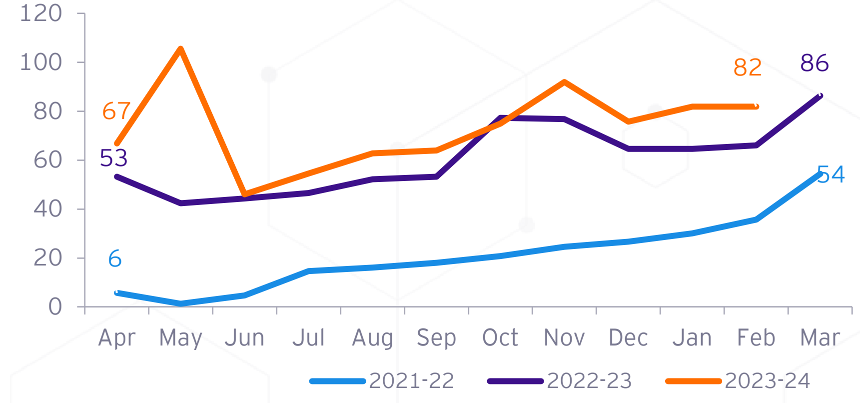


Key findings

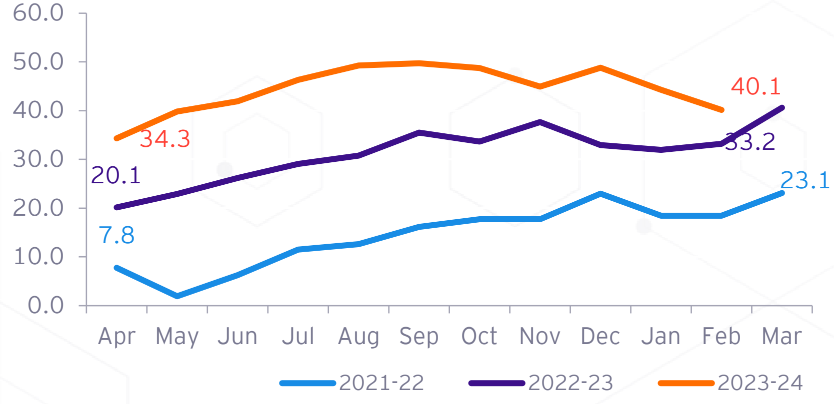
- Energy consumption continues to grow in line with the growing economy.
- Overall power consumption saw a sustained growth of 5.3% in FY24 vis-à-vis the corresponding month in FY23.
- Monthly average wholesale electricity price started dipping in line with the variations in power demand since November 2023 due to active selling of the DISCOMS in the power exchanges.
- Consumption of natural gas is 9% higher in the current financial year from April to December over the corresponding months in FY23.
- Consumption of petroleum products is 5% higher during the period from April to December FY24 vis-à-vis the corresponding period in FY23.

*Note:Power consumption for February '24 data is average of daily data available as on 29th February 2024. Market Clearing Monthly Prices are simple average of non-zero prices in (No of days in a month*24*4) no of 15 minutes time block of respective month.*
Source:Ministry of Petroleum, Coal & Power and Indian Energy Exchange. MMSCM stand for Million Standard Cubic Metre.

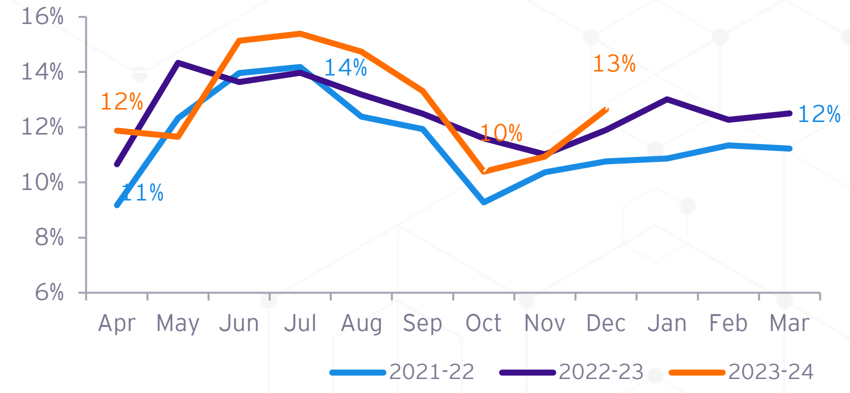
Registration of e-two-wheelers (In 000's)



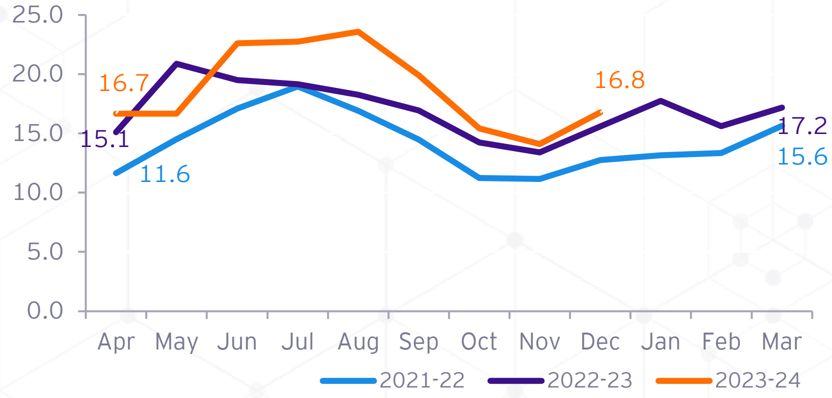
Registration of e-rickshaw vehicles (In 000's)



Renewable energy generation as % of the total power generation



Renewable energy generation (billion units)



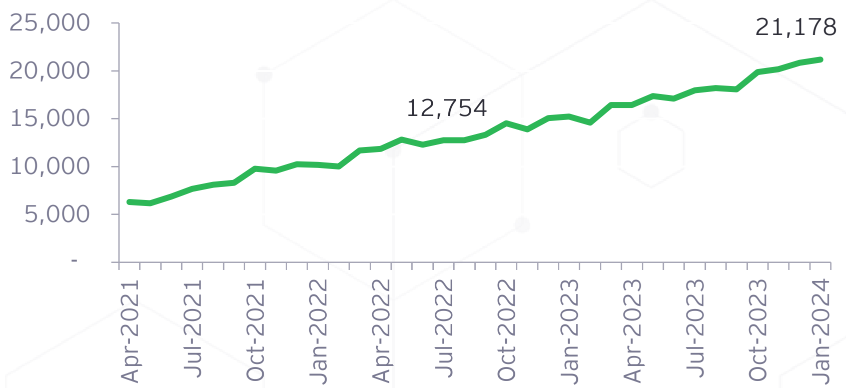
Key findings

- After the sharp decline in June 2023 due to changes in FAME policy, registration of e-two-wheelers accelerated during the festive season. However, registrations since January 2024 has picked up.
- Registrations of e-rickshaw have recorded a robust growth of 46% during the April to Feb FY 24 over the same period in FY 23.
- Renewable energy's share in overall production has been higher than corresponding months in the previous year. However, in October 2023, the share at 10% was lower than 12% in October 2022. Position has since reversed with renewable power contributing 13% in December 2023 vis-s-vis 12% December 2022.
- These fluctuations reflect both seasonality factors and the overall growth in demand in demand for electricity in India, reflecting the challenge in decarbonizing the electricity sector.

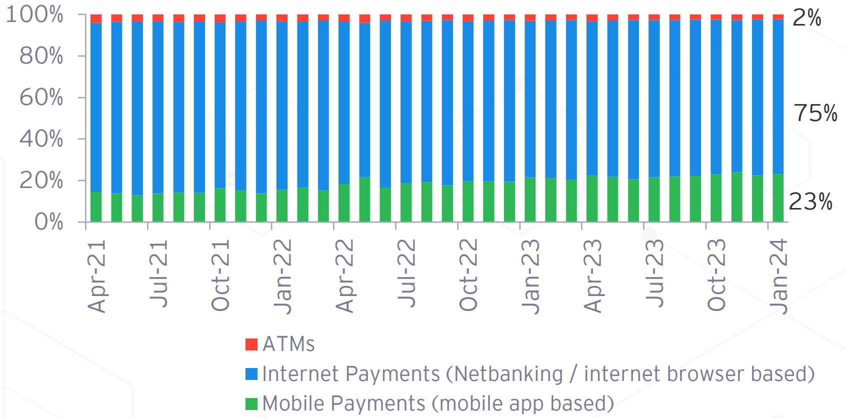
Source: CEA, Vahan Dashboard
Note: RES includes Solar, Wind, Small hydro, Biomass & Others
Vahan data available as on February 29th, 2024
e-2W include transport, non-transport and invalid carriage data. Telangana and Lakshadweep vehicle registrations are not covered under Vahan database.

Digital payments trends

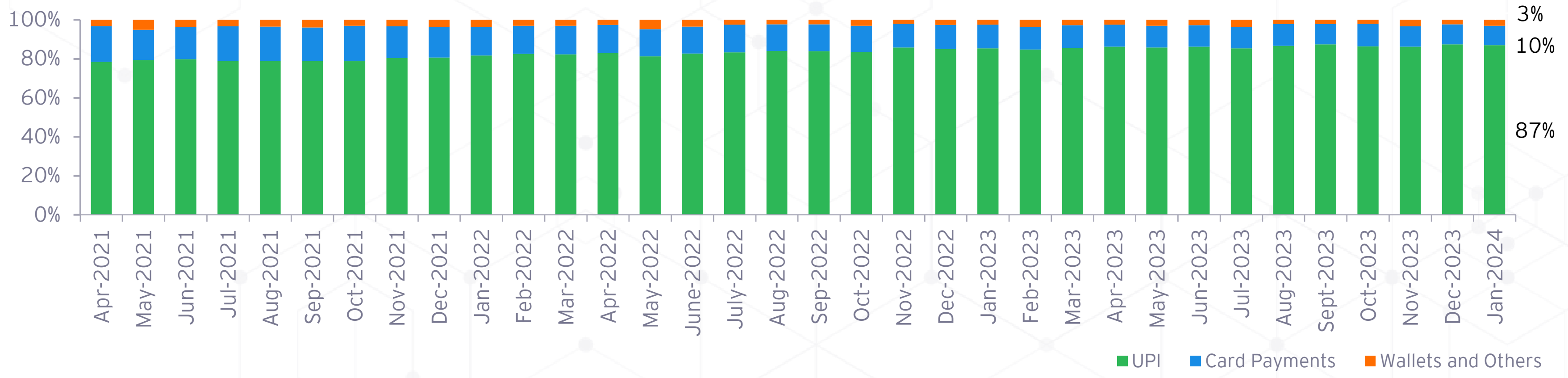
Total digital retail payments (in INR billion)



Share of different payment channels (by value)



Share of different segments in total digital retail payments (by value)



Note: Others include ECS, AEPS, APBS and BHIM
Source: TRAI, RBI

Key findings

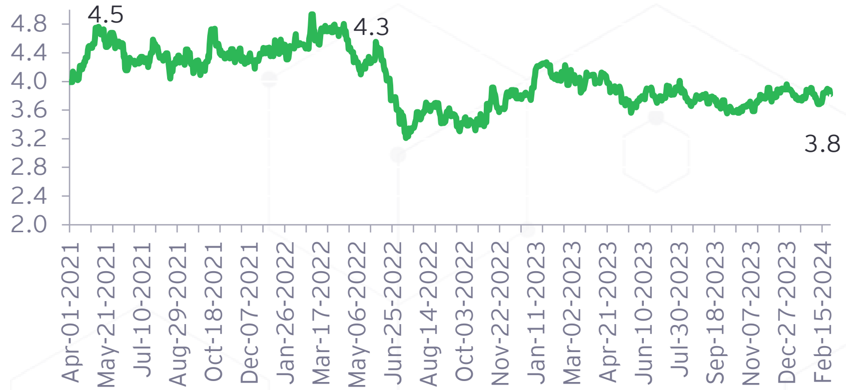
- The rise in internet and mobile payment channels vis-à-vis ATMs underscores the rapid uptake of digitalization in the financial sector.
- Total value of digital retail payments recorded an all-time high of INR 21.1 lakh crores in January 2024.
- On an absolute basis, payments through UPI have grown by over 42% in January 2024, vis-à-vis January 2023.
- UPI is the largest digital payment platform in the world which aided the growth of e-commerce.
- As projected by the Global Payments Report 2023, e-commerce in India to register a CAGR of 16% 2022-2026, which is driven by the ease of payment provided by UPI.
- On an absolute basis, in January 2024, card payments were up 16% over January 2023.

05

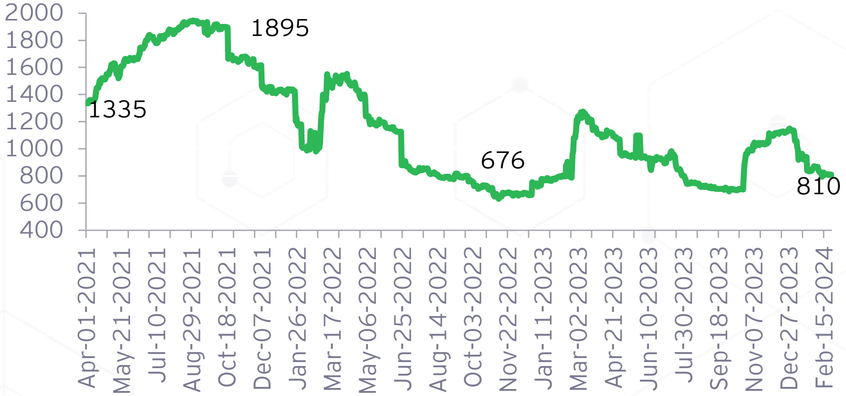
Commodities: markets and investments

Trends in commodity prices (metal)

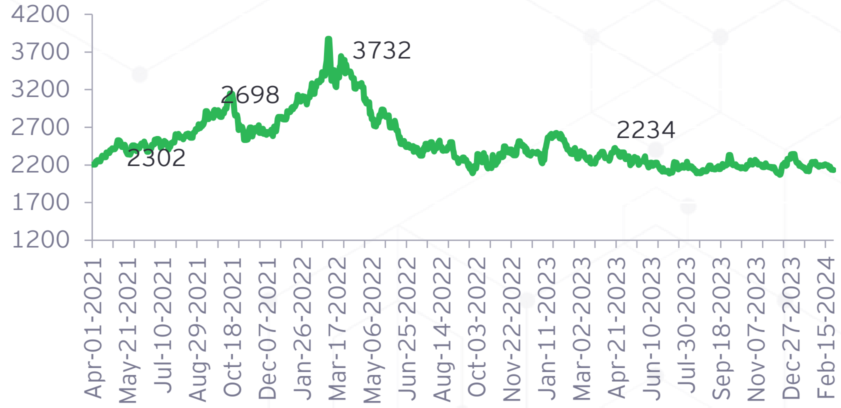
High grade copper prices (US$ per lb) (COMEX)



Hot rolled coil steel prices (US$ per ton) (NYMEX)



Aluminum price per MT (in US$) (Cash- LME)



Nickel per MT price (in '000 US$) (Cash-LME)

Key findings

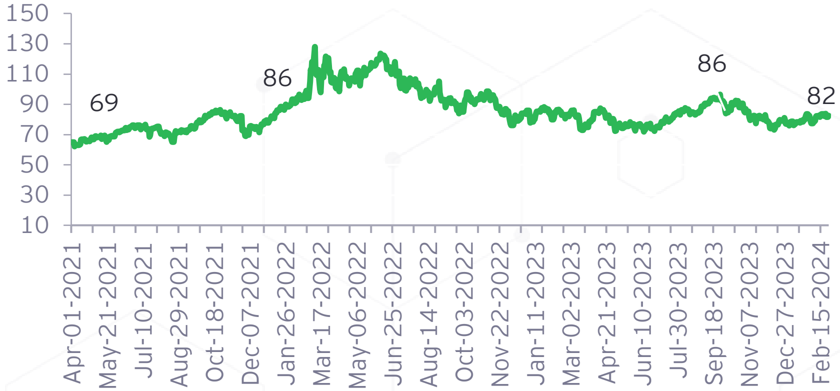
- Prices of key metal commodities continues to moderate in FY24.
- Steel prices started have fallen after spiking in December 2023, from US$1,149 to US$810/ ton levels. This is attributed to the weak demand from the Chinese construction sector due to the ongoing property crisis.
- Aluminum prices have been relatively stable through FY24, varying between US$2361 and US$2084 per ton. They have dropped 12% from April 2023 to Feb FY24.
- Copper prices remained ranged bound in FY24 between ~$3.6-$4.1 per lb. They were lower by about 7% in Feb 24 over April 23.
- Nickel prices have been declining and are 47% lower in February 24 than April 23. The fall in Nickel prices are attributed to faltered demand and surge in supply from Indonesia.
- Geopolitical risks & geoeconomic-fragmentations could pose upside risks to metal prices. Major downside risk come from weak global demand.

Note: Data as on 28th February 2024; 2. Copper Prices- High Grade, Chicago Mercantile Exchange , Steel Prices- Domestic Hot Rolled Coil,
Source: CapitalQ, MCX, media reports

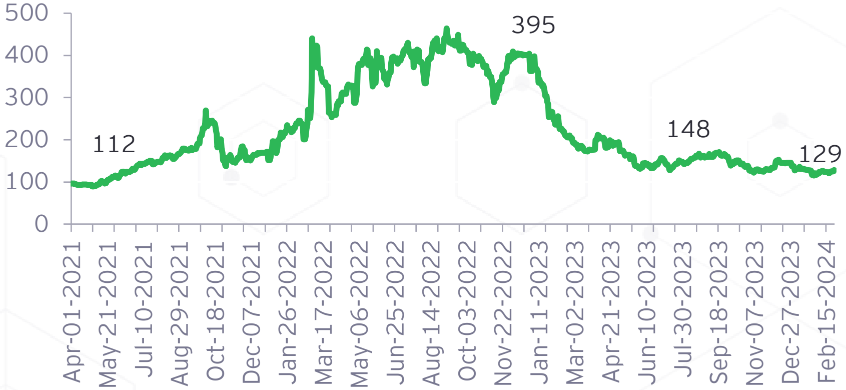
EY

Trends in commodity prices (energy and gold)

Crude oil - Brent price (US$ per bbl) (NYMEX)

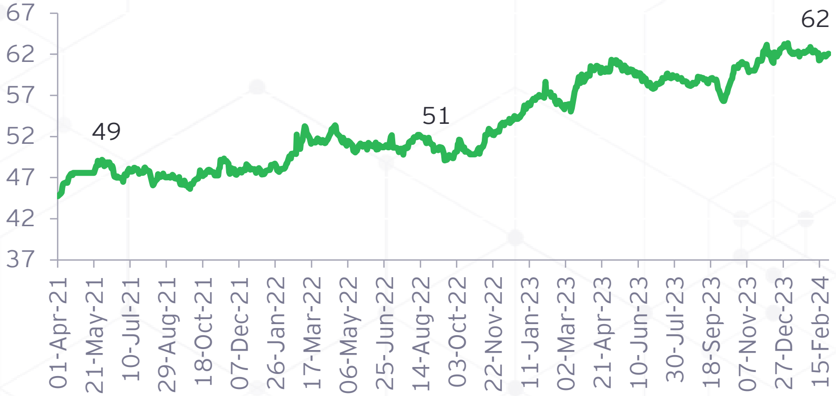


Coal price per ton (in US$) (Newcastle- ICE)



Natural gas per mm BTU (in US$) (Henry Hub)

Gold price per 10 grams (in '000 INR)



Key findings

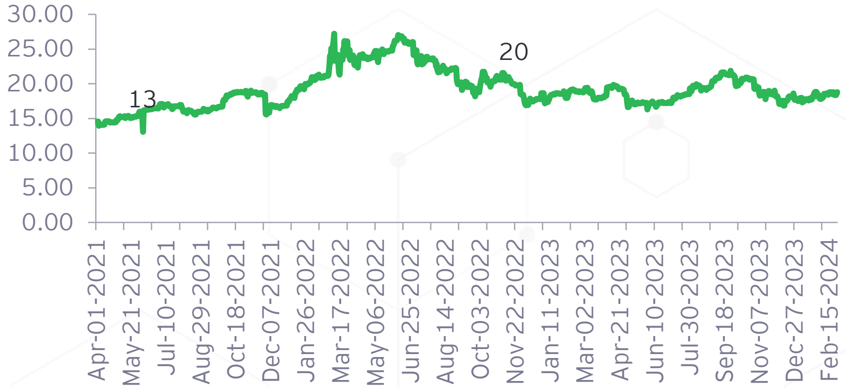
- The economic impact of the conflicts in the Middle East on energy & gold commodity prices remain muted. However, the tensions in Red Sea poses upward price risks.
- Gold prices have risen by 5% in February since the beginning of Middle East conflicts in October 2023.
- Crude oil prices have largely been in the range of US$70 to US$90 since October 2023 despite the conflict in Middle East. OPEC's decisions regarding output cuts by six million barrels per day might exert upward pressure on the prices.
- Thermal coal prices have been falling. They have declined by over 35% in February 24 vis-à-vis April 23. The fall in prices is attributed to weak global demand amid rising inventory levels.
- Natural gas price continues to fall on account of normal than warm temperatures in the West and high inventory levels.

Note: Data as on 28th February 2024; 2. Copper Prices- High Grade, Chicago Mercantile Exchange; Steel Prices- Domestic Hot Rolled Coil; Crude oil and Natural gas price, NYMEX
Source: CapitalIQ, MCX

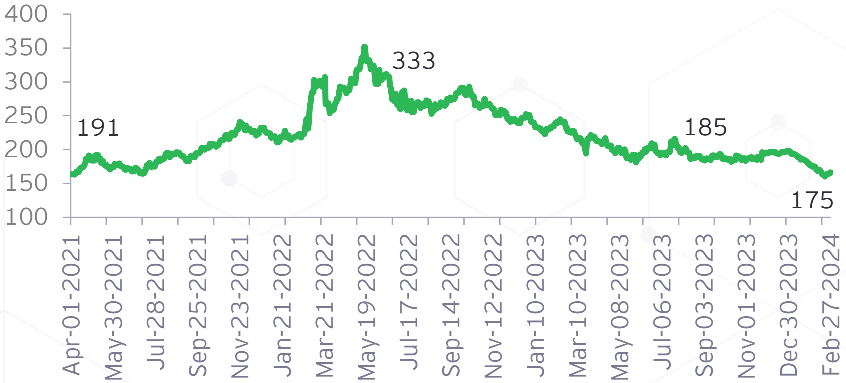
Trends in commodity prices (agriculture)

Commodity and input price trends

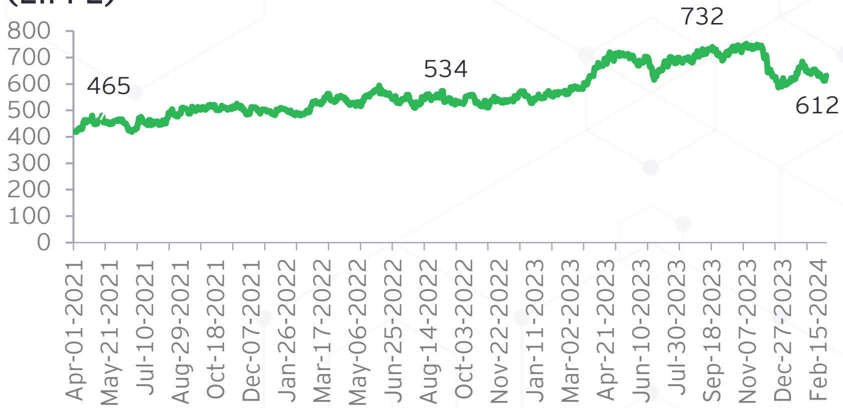
Corn Feed per MT (in INR) (BSE)



Wheat Price per MT (In US$) (LIFFE)



Sugar – White per MT (In US$) (LIFFE)



Palm (CPO) oil per 10 kg (in INR)

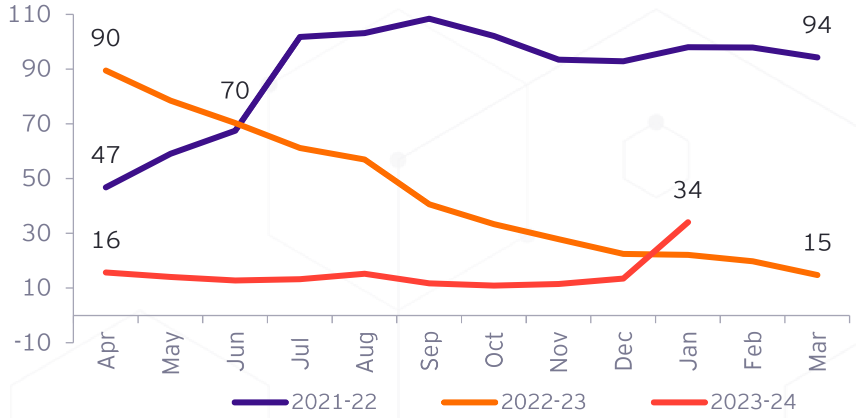
Note: Data as on 28th February 2024
Source: MCX, CapitalIQ

Key findings

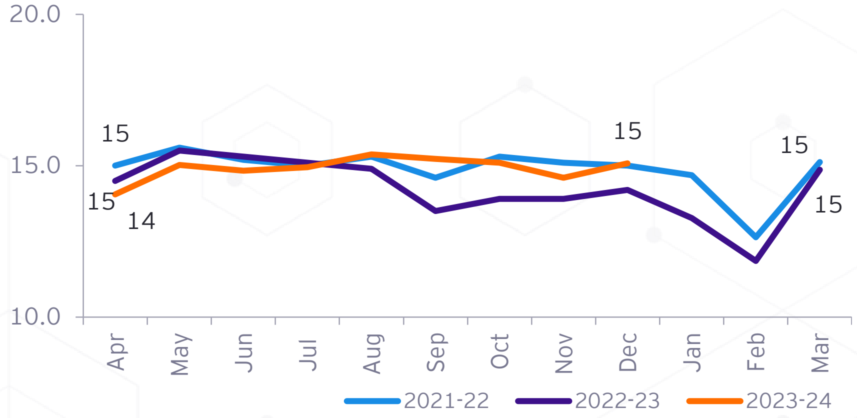
- Prices of agricultural commodities have remained largely steady except for sugar that has declined sharply in the last 3 months.
- Wheat prices continue to decline in FY24, with a sharp decline of 11% in the last three months.
- International Sugar prices have been falling after peaking at $752/MT in Nov FY24. The fall in sugar prices can be attributed to the increased sugar production in Brazil. The declining sugar production in Thailand pose an upside risk to prices in FY25. However, it may be noted that sugar prices in India have remained range-bound.
- Palm oil prices have been largely range bound. Over the last 3 months, they have risen marginally by 4%.
- Prices of corn feed have declined by 5% from the price levels in April 23. Record large harvests in US & Brazil resulted in the fall in prices

EY

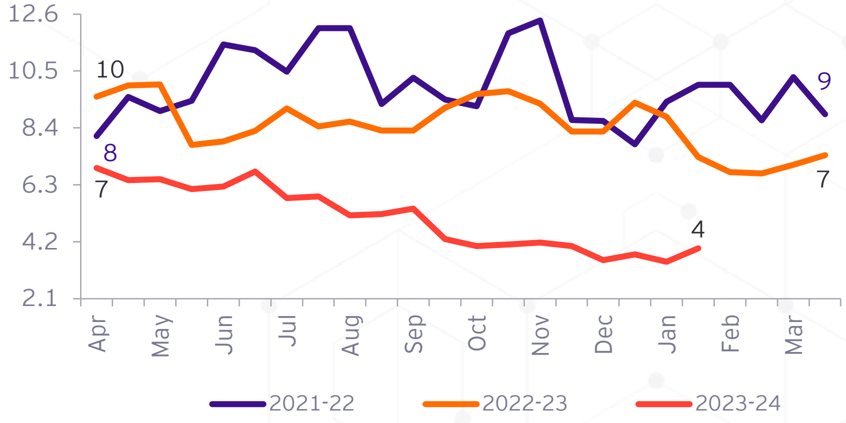
Global container freight index (in ‘00 US$)



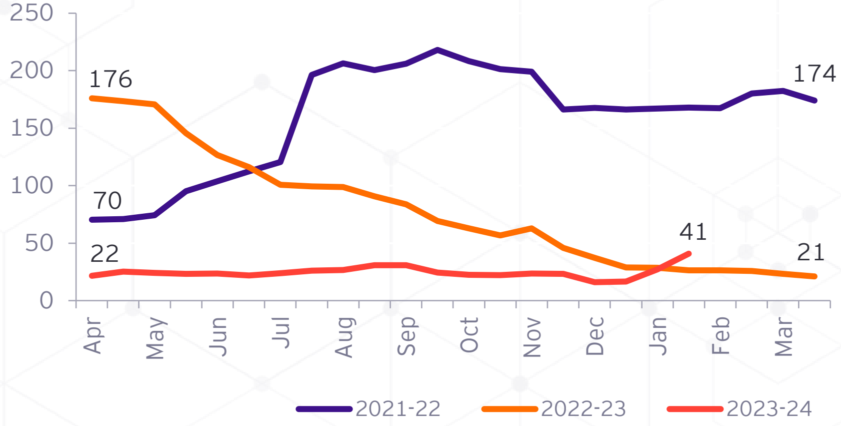
Global container traffic volume (million TEU’s)



Container freight prices – North America East Coast to China/East Asia (in ‘00s US$)



Container freight prices – China/East Asia to North America East Coast (in ‘00s US$)



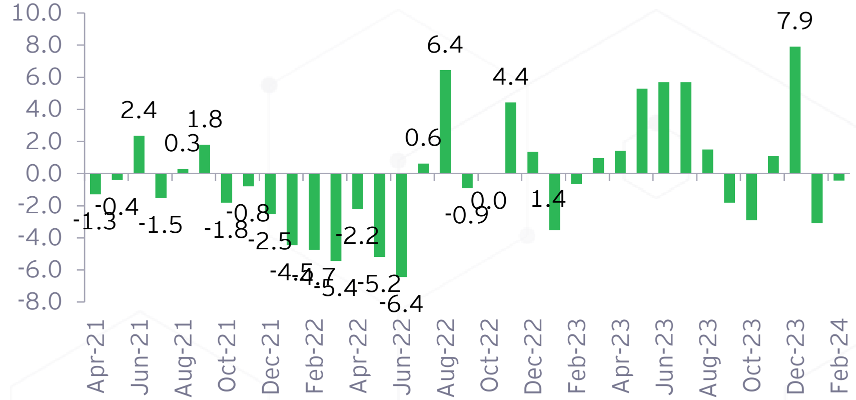
Note: Container freight index and freight prices as of 29th February 2024
Source: FBX: Global Container Freight Index, Container Statistics

Key findings

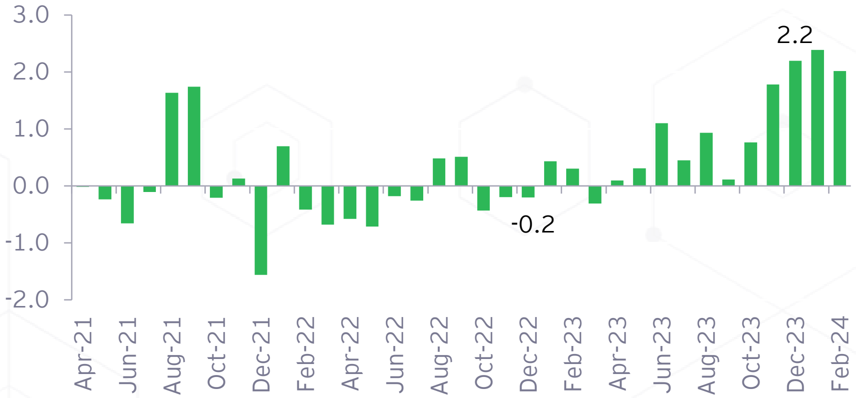
- Monthly global container traffic volumes in FY24 are increasing and are higher than in the corresponding months of 2022 since July.
- For the current financial year, the monthly global freight index saw a sharp increase in the month of January along with surging container freight prices in China/East Asia to North America East Coast route.
- Uncertainties in the Red Sea have necessitated rerouting via the South African Cape of Good Hope, resulting in increasing freight costs and increased distances causing global supply chain disruptions.

Foreign capital flows and exchange rate position

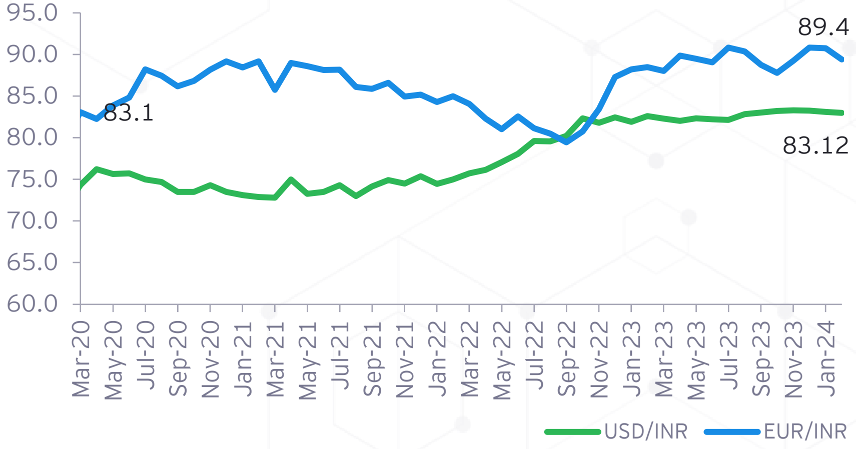
FPI Investments - Equity (in US$b)



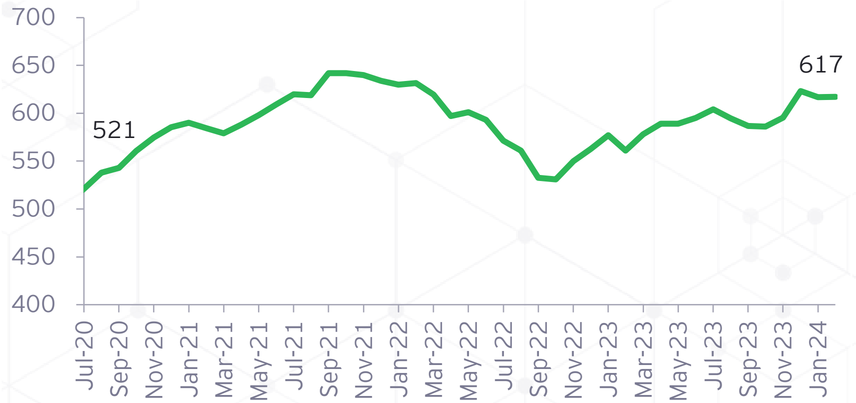
FPI Investments - Debt (in US$b)



Exchange rates



India foreign exchange reserves (in US$b)

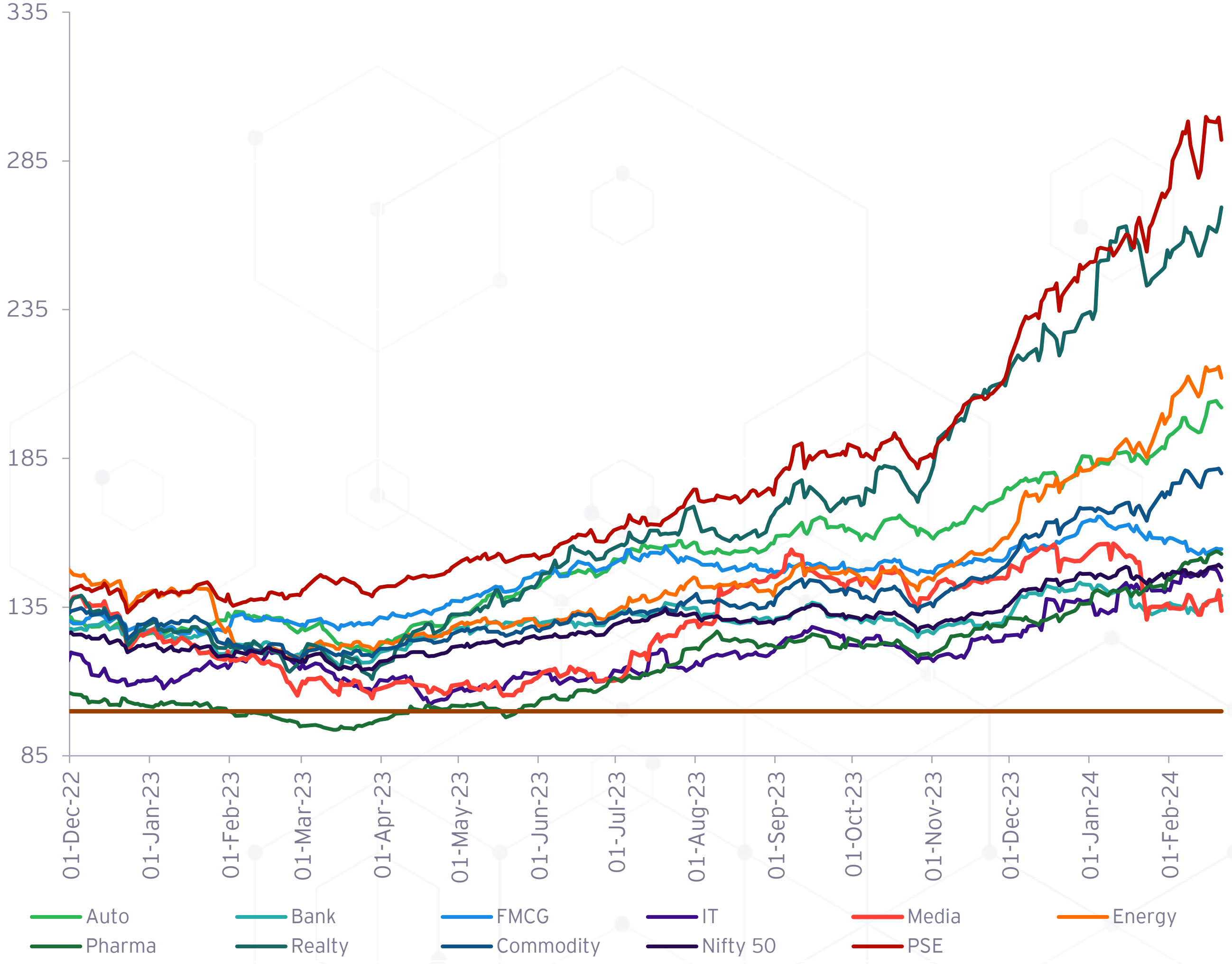


Source: DBIE, RBI, FBIL, NSDL
Data as of 21st February 2024

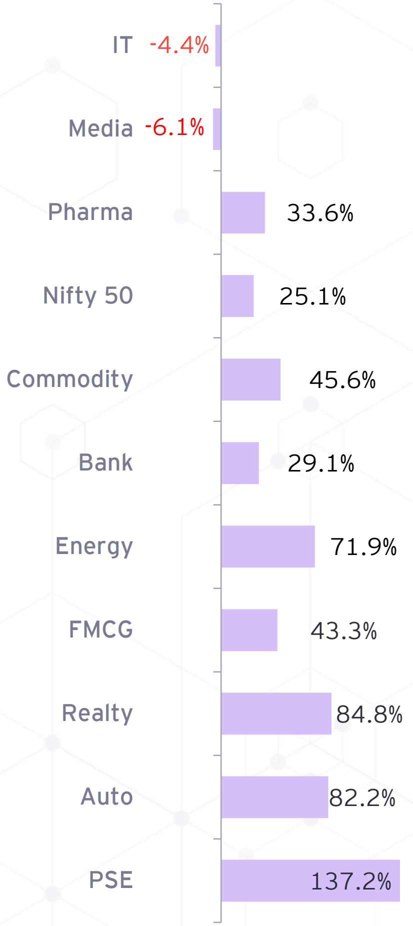
Key findings

- FPI debt inflows have risen sharply since November 2023. This is attributed to attractive yield, stable macro-economic indicators, stable rupee and inclusion of Indian government bonds in the JP morgan index.
- The FPIs in equity touched a 35-month high of US$7.9 billion in Dec 2023. Foreign Portfolio Investors have been net sellers of Indian equities since the start of 2024.
- The Indian Rupee has been relatively stable against the US dollar over the last few months. The Indian rupee has exhibited the least volatility among major currencies.
- India's foreign exchange reserves have been growing throughout FY 24 The reserves represent more than10 months of estimated imports and over 97% of total external outstanding debt.

NSE indices (% change YTD)



NSE Indices
(% change YTD)



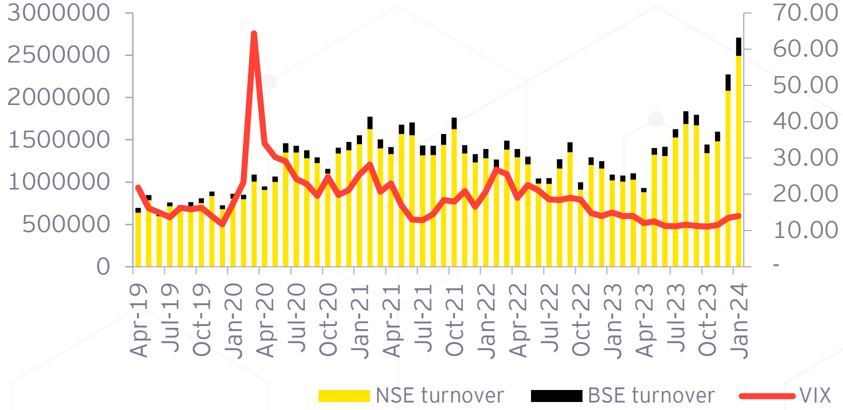
Source: NSE, Bloomberg Quint
Data available as on 22nd Feb 2024
Base for calculating % change is 3rd January 2022

Key findings

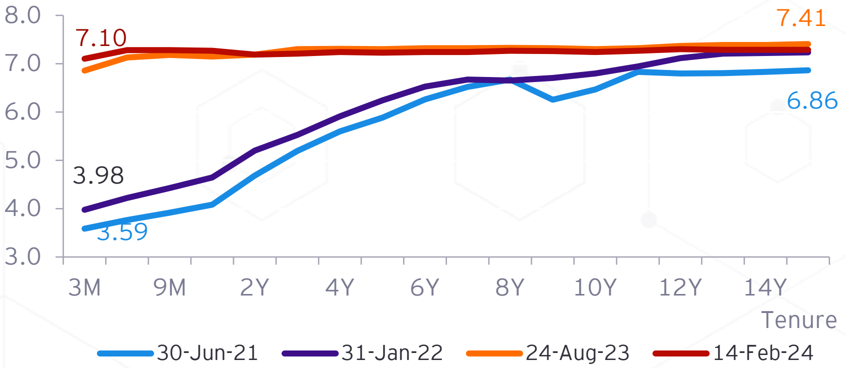
- After a slow start in 2023, the Indian stock market has picked strength, with Nifty 50 going up by 25% year to date. The Nifty 50 touched an all-time high of 22,196 points on 20 feb'24
- The increase has been relatively broad-based, driven by sectors which noted high consumer demand, such as FMCG, auto, energy and realty.
- Bank index is showing resilience as banks' balance sheets continue to improve with lower NPAs, PSU recapitalization and construction of a bad bank with a 29.1% increase in bank index in 2023.
- The PSE index is up by 137%, spurred by substantial order inflows and government's thrust on 'Atmanirbhar Bharat' and 'Make in India'
- Meanwhile, the IT sectoral Index has remained weak, recording a decline of 4.4% due to subdued economic conditions in key global markets.

Stock market turnover and interest yields

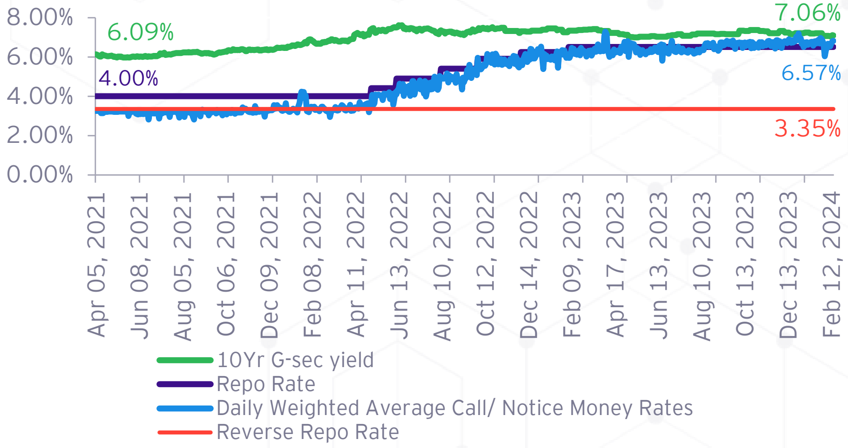
Stock market turnover (in INR cr) and volatility



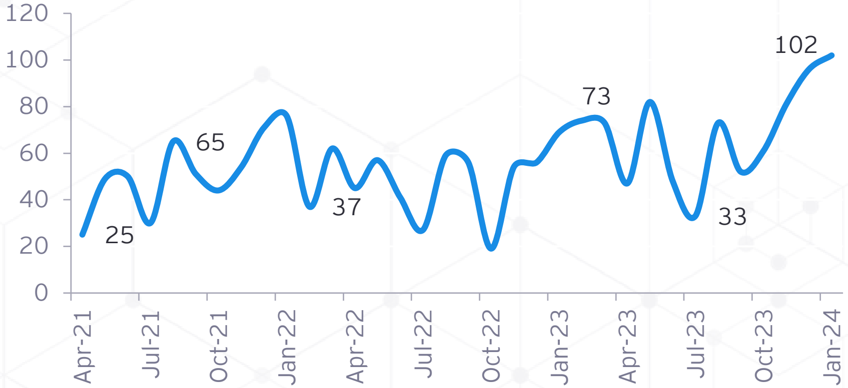
India sovereign yield curve (in %) (Annualized)



G-Sec yield (10yr), policy rate and spread



Corporate Bond Spread over G-sec AAA - (bps) -1Yr



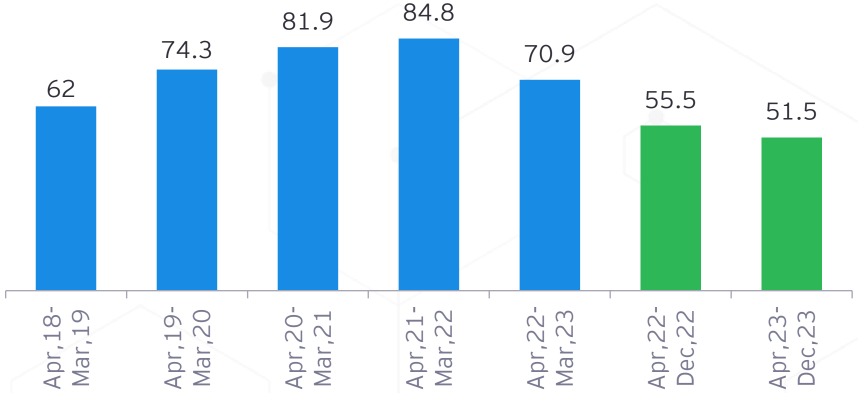
Key findings

- Stock market turnover recorded highest ever turnovers in January 2024. BSE turnover increased by 11% over the last month and NSE turnover has also risen by 20% in January 2024 m-o-m.
- The yield on 10-year G-sec increase has remained range bound in the 7.06% to 7.37% range since November 2023. Bond yields have slumped by 20-25 bps post budgetary announcement of a lower borrowing by the government for FY 25.
- India's sovereign yield curve is flattish with yields in the 7.1% to 7.4% range. However, it is not inverted.
- Repo and reverse repo rate have been constant at 6.5% and 3.35% since February 2023.
- Stock market volatility, as indicated by VIX, rose by 3 points to VIX of 14 in January 2024 from 11 in October 2023.

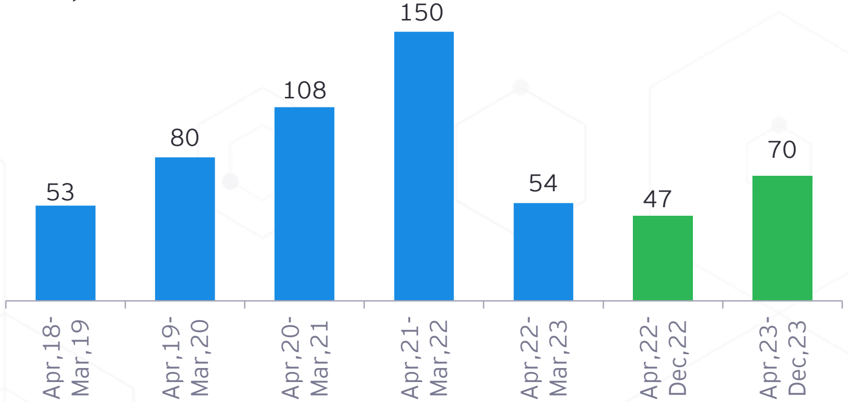
Source: NSE, BSE, CCIL and FBIL. Data available as on 29th February 2024
VIX is a volatility index based on the NIFTY Index Option prices. It indicates the expected market volatility over the next 30 calendar day

Fund raising trends

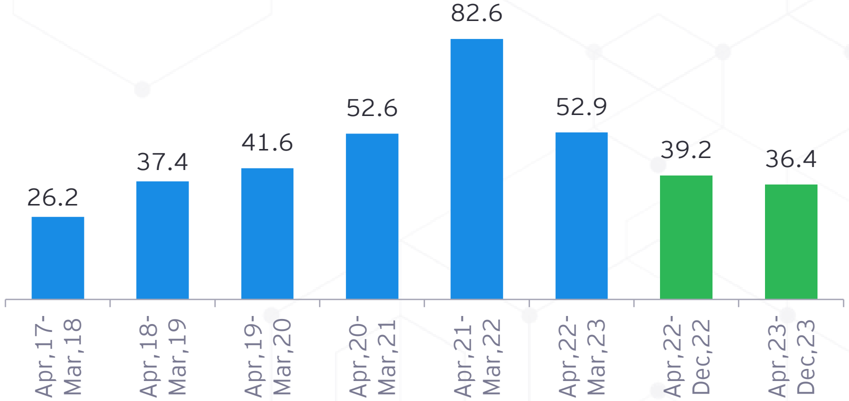
Gross FDI inflows in India (US$ billions)



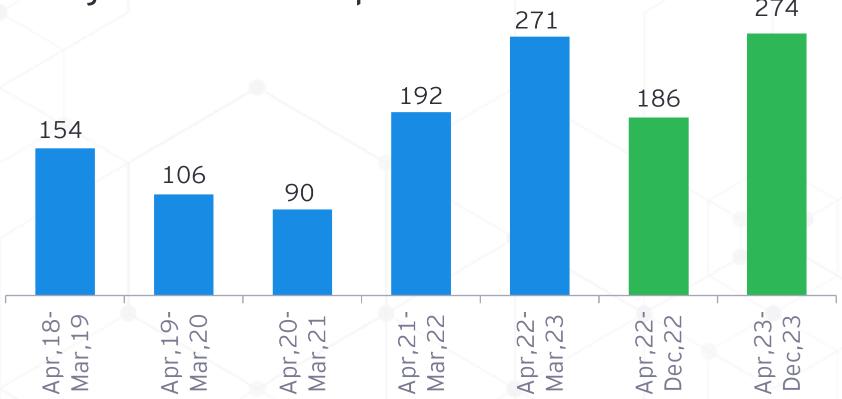
Capital issues by non-governmental companies (INR '000 crores)



PE/VC investments (US$ billions)



No. of capital issues by non- governmental companies



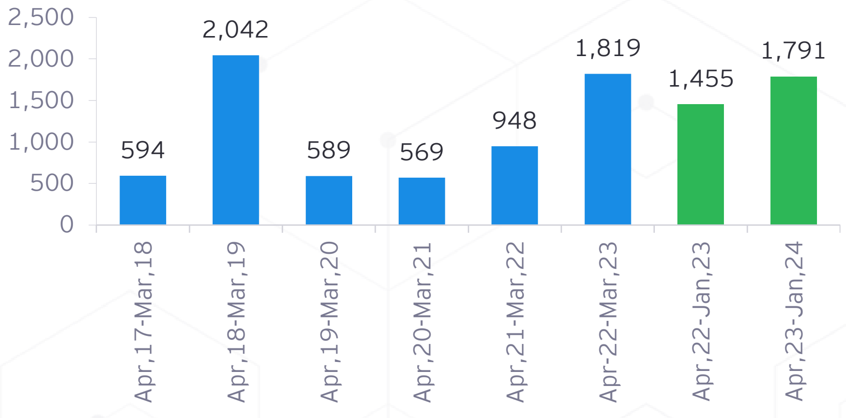
Source: DPIIT, RBI, EY Analysis

Key findings

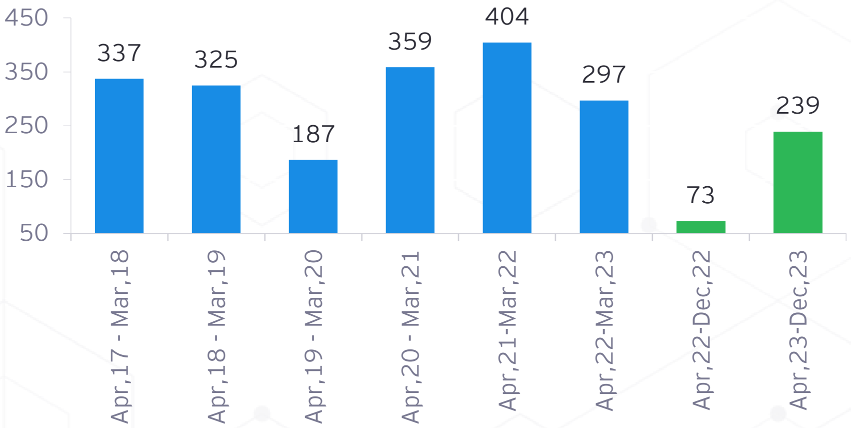
- Gross FDI inflows are lower by US$4 billion during the period of April to Dec 2023 vis-à-vis the corresponding period in 2022.
  - The most popular FDI sectors in 2023 were associated with green energy and digitization.
  - Persistent geo-political tensions, macro-economic uncertainties and deepened geo-fragmentation concerns limit the FDI outlook for 2024
- PE/VC investments have declined by 7% during the period of April to Dec 2023 vis-à-vis the corresponding period in 2022.
- The capital issues by non-governmental companies increased by 47% during Apr-Dec 2023 vis-à-vis the corresponding period in 2022.

Credit flow trends

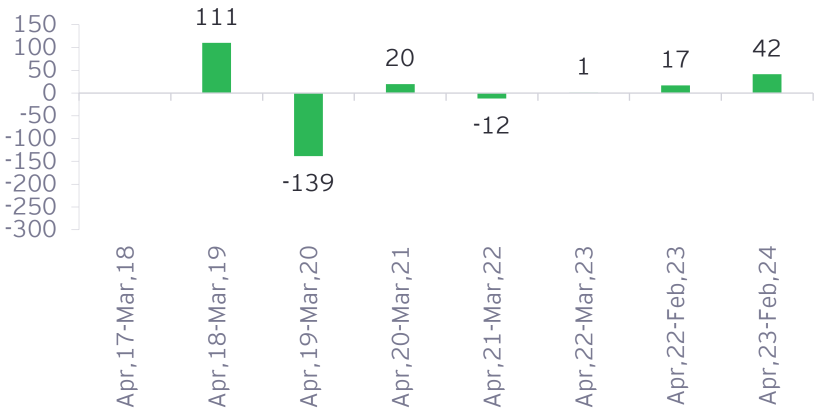
Flow of gross non food credit of scheduled commercial banks (INR '000 crores)



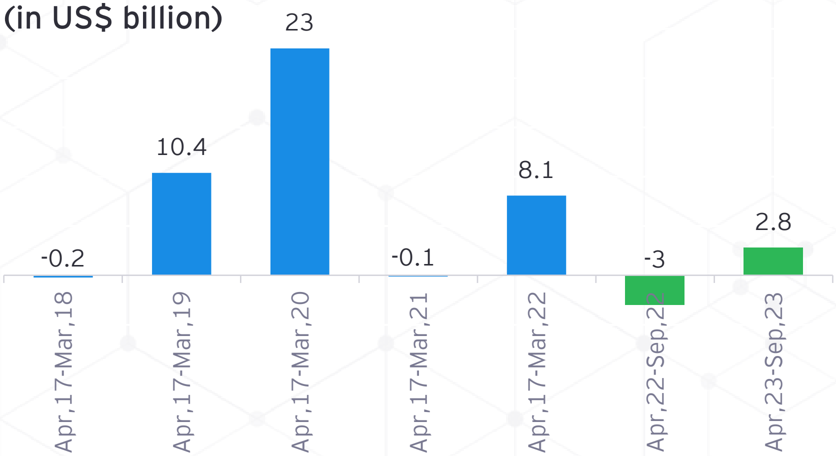
Change in outstanding corporate bonds listed on NSE & BSE (INR '000 crores)



Change in outstanding commercial paper (INR '000 crores)



Change in external commercial borrowing (in US$ billion)



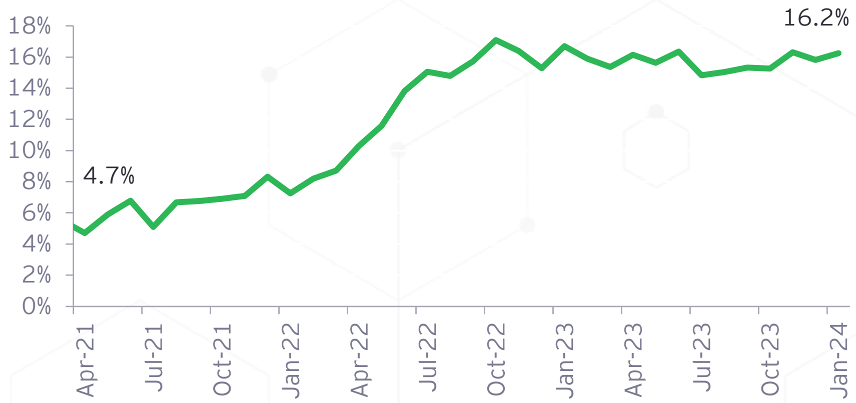
Source: RBI, SEBI
Note: Outstanding commercial paper as of 15 Feb 2024
Note: March 2017 and 2018 use old reporting format for non food credit

Key findings

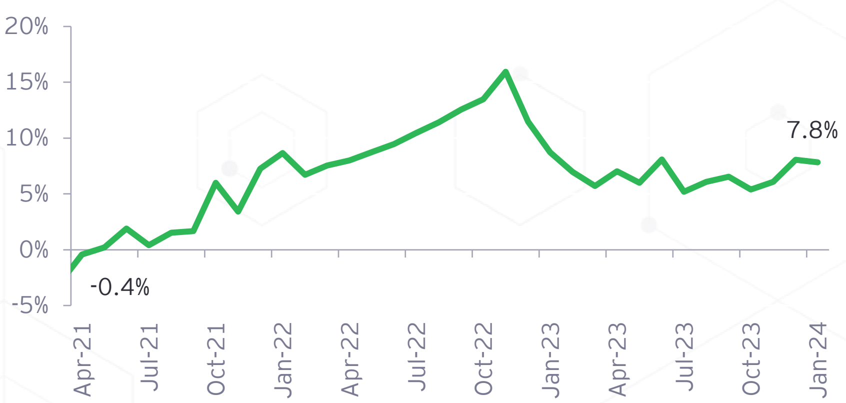
- Credit creation in the economy is robust, pointing towards burgeoning credit demand.
- Flow of additional bank credit from scheduled commercial banks for the period April 2023 to January 2024 was 23% higher than the level as in the corresponding period of the previous year.
- Outstanding corporate bonds have increased significantly by INR 239 crore after noting a decline in the previous fiscal during the same period.
- Similarly, a strong increase has been recorded in the flow of credit through outstanding commercial paper in the period Apr 2023 to Feb 2024 vis-à-vis the same period in the previous two fiscal years.

Bank credit growth by sectors

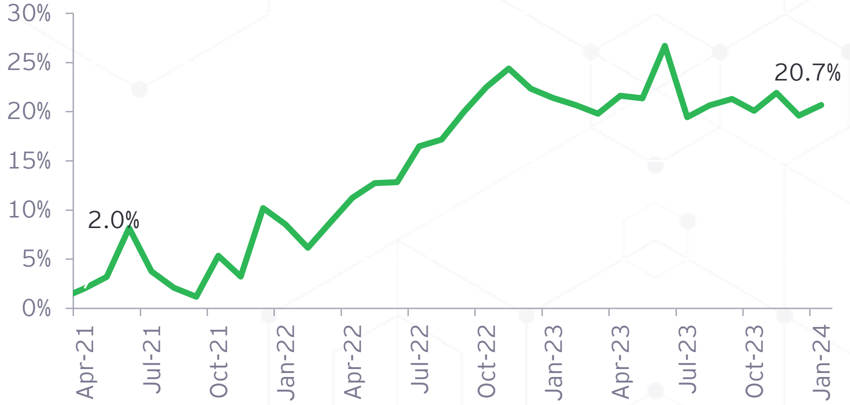
Growth rate of non-food credit of scheduled commercial banks



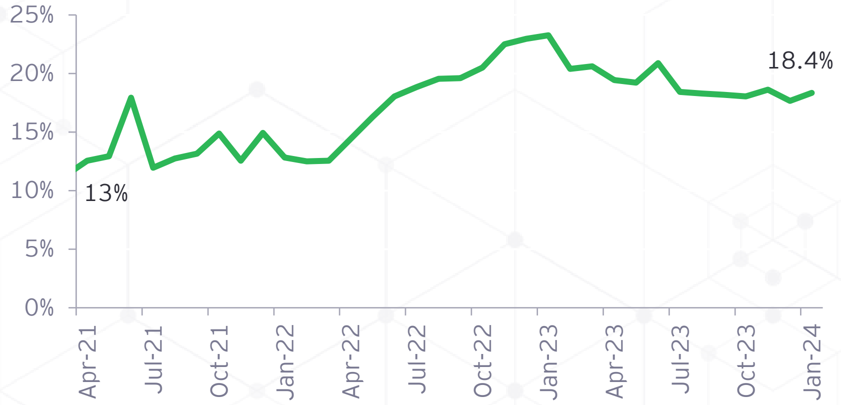
Growth rate of bank credit to industry



Growth rate of bank credit to service sector



Growth rate of bank credit to personal loans



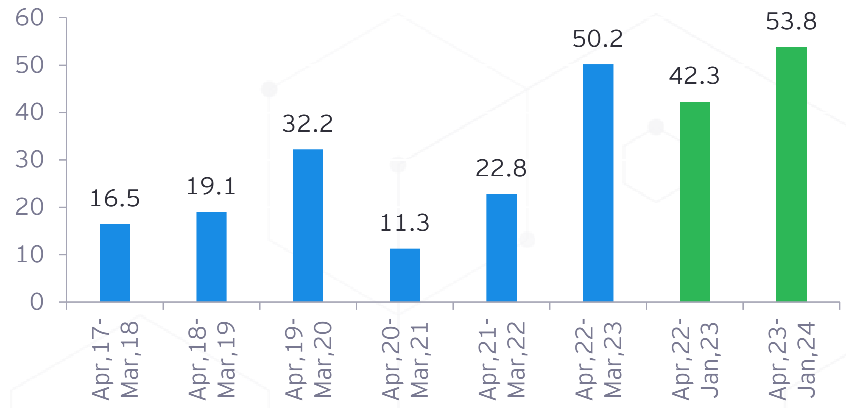
Source: RBI
Growth rates have been computed based on the change over 12 month period
Apr and May 2020 inflation based on Jan-Mar 2020 average

Key findings

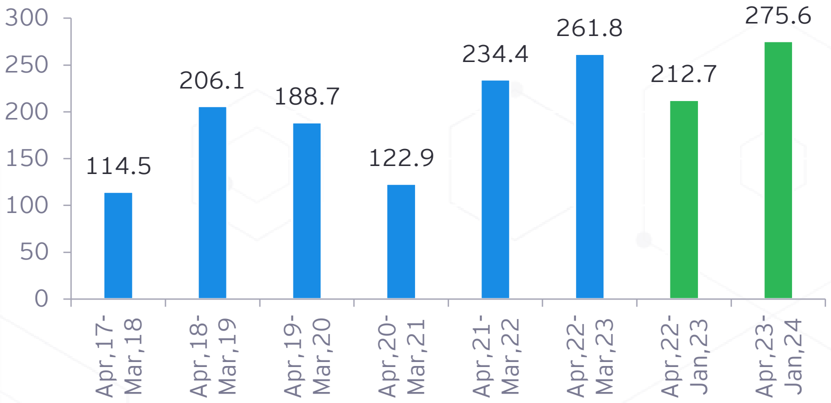
- Overall, non-food bank credit creation has been steady over the past 12 months in the 14 to 17% range.
- The growth rate of credit to industry has been moderating since October 2022 and continues to do so as it grew by 7.8% in January 2024 compared to 8.7% in January 2023, indicating that private investments are yet to pick up, despite the growth in manufacturing.
- Growth in credit to the services sector continues to be robust, as it inched up to 20.7 per cent in January 2024. The share of NBFCs in credit to services remains around 35%
- Monthly outstanding personal loans in the current financial year have been higher by 18% to 21% vis-à-vis the corresponding months in the previous financial year. High level of growth in personal loans suggests consumer confidence about the future.

Change in gross personal loans advanced by banks

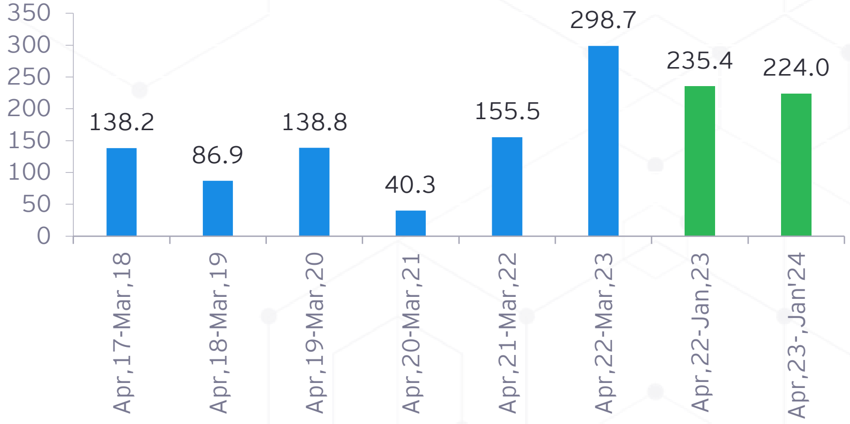
Credit card loans (in INR '000 crores)



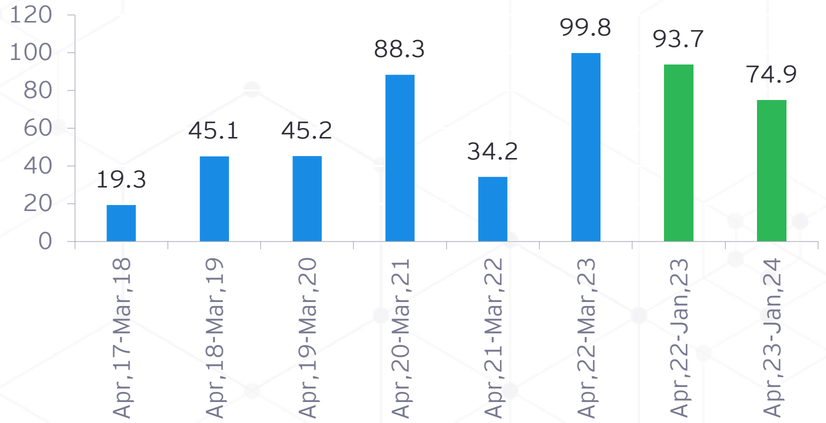
Housing loans (in INR '000 crores)



Other personal loans (in INR '000 crores)



Vehicle loans (in INR '000 crores)



Key findings

- Most categories of personal loans continue to show robustness, indicating resilient domestic consumer demand.
- 77.0 per cent of deposits were available with the banking system as on January 26, 2024, which may have aided credit advancement by banks.
- Additional credit card loans advanced by banks show significant growth of 27% during Apr 2023 to Jan 2024 vis-à-vis the same period in 2023. This points towards continued formalisation of the Indian economy.
- Housing loans also show a promising growth of 30% during Apr to Dec 23 vis-à-vis the same period in 2022 suggesting brisk real estate demand in India.
- Vehicle loans have moderated slightly.

Source: RBI
Other personal loans include consumer durables, advances to individuals and FDs, education, other personal loans

06

Government's policy thrust areas

RBI's February Monetary Policy Committee Meeting: key policy rates remained unchanged for sixth time in a row

Monetary policy stance	▸ Policy repo rate maintained at its current level of 6.5% in MPC meeting held between 6 to 8 February. ▸ CRR and Standing Deposit Facility (SDF) rate remains unchanged at 4.5% and 6.25% respectively ▸ Marginal standing facility (MSF) rate and Bank Rate maintained at 6.75% ▸ MPC decided to remain focused on the withdrawal of accommodative stance to anchor the inflation at 4% while supporting growth.
Inflation outlook	▸ Consumer price inflation projection unchanged at 5.4% for FY24, with Q4 projections revised marginally downwards to 5%. ▸ CPI inflation for FY25 is projected at 5% for Q1, Q2 at 4% and Q3 at 4.6%. ▸ Going forward, the inflation trajectory would be shaped by the evolving food inflation outlook. ▸ Considerable uncertainty prevails on the food price outlook from the possibility of adverse weather events. Effective supply side responses may keep food price pressures under check.
Growth projections and risks	▸ Real GDP growth for 2024-25 is projected at 7% with Q1 at 7.2%; Q2 at 6.8%; Q3 at 7.0%; and Q4 at 6.9%. ▸ Recovery in rabi sowing, sustained profitability in manufacturing and underlying resilience of services are expected to support economic activity in 2024-25. ▸ Increased household consumption, positive fixed investment prospects, and greater integration into global supply chains are expected to boost demand, aided by government capital expenditure focus, stronger bank and corporate balance sheets and improved business sentiments. ▸ Headwinds from geopolitical tensions, volatility in international financial markets and geoeconomic fragmentation pose risks to the growth outlook.

Ministry of Finance flags the challenges confronting the Indian economy

Pace of Energy Transition

- Global concerns over rising temperatures have led to a single-minded focus on reducing carbon emissions.
- Persistent pressure from international organisations and advanced economies to reduce usage of fossil fuels and shift to green energy
- Technology and resources are not available for the transition from advanced economies
- In the short run, there is a trade-off involved between the pace of energy transition and economic growth

Exporting one's way to growth may not be easy

- Hyper globalisation of supply chains is over
- Countries are discovering the enormous integration has taken place in supply chains
- Alternatives to globalisation of supply chains will take time to emerge, if they ever emerge
- Government will of course work on making manufacturing more competitive by reducing logistics costs and pursuing friend shoring opportunities
- Important to hold onto export markets and grow wherever India has a comparative advantage

Impact of AI

- Concerns about the impact on the growth in services trade, since it is possible that the technology might remove the advantage of cost competitiveness of exports of digital services.

Source: The Indian Economy, a Review, released by Department of Economic Affairs, Government of India

Union tax revenues
Interim Budget estimates >1 buoyancy in FY24 and FY25

Fiscal Year	CIT	PIT	Direct tax	Indirect taxes	GST	UED	Customs	Gross taxes	Nominal growth
Growth (% annual)									
FY20	-16.1	4.2	-7.7	1.8	3.0	3.7	-7.2	-3.4	6.4
FY21	-17.8	-1.1	-10.0	12.7	-8.3	62.8	23.3	0.8	-1.4
FY22	55.6	42.9	49.0	20.2	27.2	0.7	48.2	33.7	18.4
FY23	16.0	19.7	17.8	7.2	21.6	-19.2	6.8	12.7	16.1
FY24 (RE) over FY23 Actuals	11.7	22.7	17.2	7.0	12.7	-4.8	2.5	12.5	8.9
FY25 (BE)over FY24 (RE)	13.0	13.1	13.1	9.4	11.6	5.0	5.8	11.5	10.5
Buoyancy									
FY22	3.0	2.3	2.67	1.10	1.5	0.0	2.6	1.83	
FY23	1.00	1.23	1.11	0.45	1.3	-1.2	0.4	0.79	
FY24 (RE)	1.32	2.56	1.94	0.78	1.4	-0.5	0.3	1.41	
FY25 (BE)	1.24	1.25	1.24	0.89	1.1	0.5	0.6	1.09	

- Gross Tax Revenue (GTR) growth is budgeted to be lower at 11.5% in FY25 (BE) as compared to 12.5% in FY24 (RE).
- **GTR growth is driven primarily by higher direct taxes buoyancy** at 1.94 in FY24 (RE) and 1.24 in FY24 BE.
- CIT growth is budgeted at 13% in FY25 as compared to 11.7% in FY24 RE. The budgeted CIT buoyancy for FY25 is at 1.24.
- PIT growth is budgeted to be lower at 13.1% in FY25 as compared to 22.7% in FY24 (RE). The budgeted buoyancy for FY25 is at 1.25
- **Union Excise Duty collections have seen a** positive growth in FY25 after two years of contraction. Along with this, the improvement in customs duty growth would likely result in **improved growth and buoyancy of indirect taxes.**

Source (basic data): Union budgets, MoSPI

Quality of expenditure - Capex growth far exceeds revenue expenditure growth

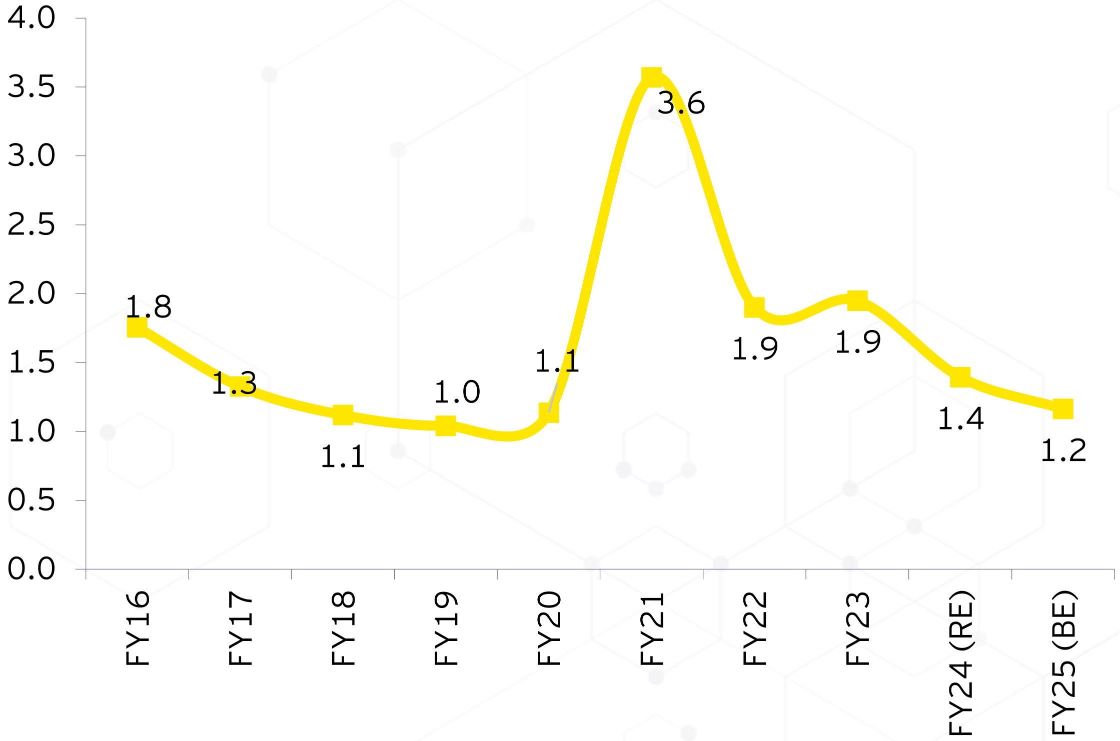
Structure and growth of centre's expenditure: revenue and capital

	Expenditure items	FY22	FY23	FY24 (RE)	FY25 (BE)	FY22	FY23	FY24 (RE) over FY23 actuals	FY25 (BE) over FY24 (RE)
		% of total expenditure				growth (% ann.)			
1	**Total Expenditure**					8.1	10.5	7.1	6.1
2	**Revenue Expenditure**	84.4	82.4	78.8	76.7	3.8	7.9	2.5	3.2
3	Interest Payments	21.1	22.1	23.5	25.0	19.3	15.9	13.7	12.8
4	Pension	5.2	5.8	5.3	5.0	-4.6	21.4	-1.5	0.7
5	Defence Services	6.0	6.1	6.7	5.9	11.1	12.1	16.6	-5.3
6	Education	1.2	1.2	1.8	1.2	5.9	15.4	54.2	-25.8
7	Medical, public health et.al.	1.8	0.9	0.9	0.9	110.4	-46.7	4.0	7.9
8	**Capital expenditure** *of which*	15.6	17.6	21.2	23.3	39.1	24.8	28.4	16.9
9	Capital Outlay	14.1	14.9	18.0	19.7	69.2	16.9	29.2	16.4
10	Capital outlay on non-defence	10.5	11.5	14.5	16.1	118.4	21.5	34.9	18.1
11	Capital outlay on defence	3.6	3.4	3.5	3.6	2.7	3.6	10.0	9.4
	Memo								
12	*Major subsidies as % of total expenditure*	*11.8*	*12.7*	*9.2*	*8.0*				
13	*Interest Payments as % of revenue receipts*	*37.1*	*39.0*	*39.1*	*39.7*				
14	*Total expenditure as % to GDP*	*16.2*	*15.4*	*15.1*	*14.5*				

Source (basic data): MoSPI, Union Budgets | These expenditure heads are sourced from Budget Provisions by Head of Account statement

Major subsidies : except for the COVID-19 peak, GOI has succeeded in containing the subsidy burden relative to GDP

Major subsidies as % of nominal GDP



Composition of major subsidies as % of nominal GDP

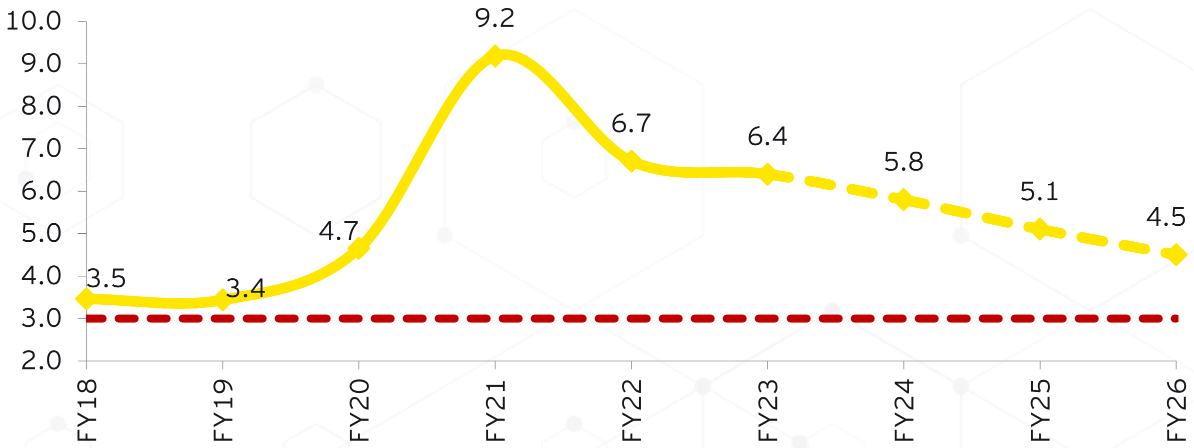
Fiscal Year	Fertilizer subsidy	Food subsidy	Petroleum subsidy
FY19	0.37	0.54	0.13
FY20	0.40	0.54	0.19
FY21	0.65	2.73	0.19
FY22	0.66	1.23	0.01
FY23	0.92	1.00	0.03
FY24 (RE)	0.64	0.72	0.04
FY25 (BE)	0.50	0.63	0.04

Source (basic data): MoSPI, Union Budgets

Managing debt and deficit: restoring fiscal consolidation

- Interest payments to revenue receipts would remain under pressure *(39.7% in FY25 BE)* as long as the debt-GDP ratio is high.
- Planned reduction of 70 and 60 basis points of fiscal deficit to GDP ratio in FY25 and FY26, after achieving a 60-basis points reduction in FY24 (RE).
- IMF's stress scenario indicates combined government debt GDP ratio crossing 100%

GoI's fiscal deficit relative to GDP – glide path



Government gross and net market borrowings (INR lakh crore)

	FY24 (RE)	FY25 (BE)	Diff. (BE – RE)
Gross borrowing	15.43	14.13	-1.30
Net borrowing	11.80	11.75	-0.05

Government debt-GDP ratio (%)

	FY21	FY22	FY23	FY24	FY25
Centre – FY25 Budget documents	60.8	57.7	55.9	56.9	56.0
Combined debt (Center + State) – IMF (Oct 2023)	88.5	83.8	81.0	81.9	82.3

Source (basic data): Union Budget FY24 | IMF WEO October 2023
Note: external debt is evaluated at book value

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