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GROWTH OF 6.5-7% FOR FY25 – ECONOMIC SURVEY QUICK LOOK

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The IMF's global economic projections indicate a growth rate of 3.2% in 2024, with balanced risks. The average annual global growth during the decade ending FY20 was 3.7%.

India's GDP growth will be 6.5-7 %in the current fiscal year, with risks evenly balanced. India is well-positioned to achieve the growth projections because of its "Mission Mode" approach to overcoming lingering issues.

The Indian economy has shown robust recovery post-pandemic, with the real GDP in FY24 being 20% higher than pre-COVID levels. This corresponds to a CAGR of 4.6% from FY20, despite a significant decline of 5.8% in FY21.

The current GDP level is approaching the pre-pandemic trajectory of Q4FY24, and the decade ending FY20 saw an average annual growth rate of 6.6%, reflecting long-term growth prospects. The trade deficit was lower in FY24 than in FY23, and the current account deficit for the year is around 0.7 % of GDP.

"*The Indian economy is on a strong wicket and stable footing, demonstrating resilience in the face of geopolitical challenges. The Indian economy has consolidated its post-Covid recovery with policymakers – fiscal and monetary – ensuring economic and financial stability*", the Survey said. But it also stressed the significance of factors such as "*possibility of overconfidence leading to speculation (in financial markets) and the expectation of even greater returns, which might not align with the real market conditions*" along with usual emphasis on fiscal and monetary stability.

Expected Headline Inflation

The retail inflation has come down to 5.4 % in FY24, compared to 6.7 % in FY23. The RBI expected headline inflation of around 4.5 % in FY 25. Retail inflation is largely under control, although the inflation rate of some specific food items causes concern.

In FY24, core services inflation dropped to its lowest level in nine years, while core goods inflation fell to a four-year low.

Assuming a normal monsoon, moderating global prices of imports and no further external shocks, the RBI expects headline inflation to be 4.5% in FY25 and 4.1% in FY26. The IMF projects an inflation rate of 4.6% in 2024 and 4.2% in 2025 for India.

- **Innovation/Start-ups/ patents:** The Survey states that the number of patents granted increased seventeen-fold from 5,978 in 2014-15 to 1,03,057 in 2023-24, registered designs rose from 7,147 in 2014-15 to 30,672 in 2023-24, more than 45 % of Start-Ups emerged out of Tier 2 and Tier 3 cities, the number of DPIIT-recognized start-ups increased to more than 1.25 lakh by March 2024 from 300 in 2016, 135 Alternative Investment Funds have invested more than ₹18,000 crore in start-ups by the end of FY24, etc.
  An advancement of industrial research and development in recent years - improvement in the Global Innovation Index, India holds the top rank globally in the domestic market scale indicator of the index, **Anusandhan National Research Foundation (ANRF)** – Estimated cost of ₹ 50,000 crore during 2023-28 manifest knowledge and innovation backed economic growth in.
- **Trade:** CEA said that India can either integrate into China's supply chain or promote foreign direct investment (FDI) from the neighbor to boost global exports. Stepping in the shoes of the east Asian countries, India can focus on FDI from China to boost India's exports to the U.S.
- **Telecom:** An allocation of 5 % of annual collections from Universal Services Obligation Fund would be made available for funding R&D in the telecom sector
- **Corporate sector:** To boost the capital formation, taxes were cut, resulting in Private sector investment in machinery and equipment and intellectual property products growing cumulatively by only 35 % over four years to FY23, while investment in dwellings, other buildings, and structures increasing by 105 %. This step was also taken to increase the rate of employment and the worker's remuneration in turn increasing per capita spending.

Although corporate profits have grown significantly, hiring and compensation have lagged necessitating a sharper focus.

- **Employment:** The Indian economy needs to generate around 78.51 lakh jobs annually in the non-farm sector to meet growing demand and population growth. India's workforce is nearly 56.5 crore, with more than 45 % employed in agriculture, 11.4 % in manufacturing, 28.9 % in services, and 13.0 % in construction. India's female labour force participation has been rising over the last six years, and the unemployment rate is on the decline, dropping to 3.2 % in FY23. AI makes the impact on workers across all skill levels uncertain.
- **Automobile**: India's production linked incentive scheme (PLI) for automobile and auto components has so far attracted a proposed investment of ₹67,690 crore. A capital of ₹14,043 crore has been invested till end-March 2024. Applicants have proposed employment generation of 1.48 lakh, against which 28,884 of jobs have been generated till March 31, 2024.
- **Remittances:** Remittances to India will grow at 3.7 % to $124 billion in 2024, and at 4 % in 2025 to reach $129 billion.
- **Health:** With 54 % of disease burden stemming from unhealthy diets, a transition towards balanced, diverse diet is needed.

Fiscal Deficit

Fiscal deficit will drop to 4.5 % by FY 26.

Unemployment rate dropped to *3.2 %*
There is an improvement in the Indian labour market indicators in the last six years. The unemployment rate declined to 3.2 % in FY 23.

- ✓ Boosting Private Investment to stimulate economic growth is important
- ✓ Expanding MSMEs.
- ✓ Agriculture as a Growth Engine.
- ✓ Green Transition Financing essential for sustainable development and environmental protection.
- ✓ Bridging education-employment gap
- ✓ Building State Capacity and Capability by enhancing the capacity and capability of state institutions to effectively implement policies and drive growth.

The assessments of the growth prospects are conditioned by the steady growth post the COVID 19 pandemic, global cues and domestic factors. There are positive aspects of the emerging macroeconomic setting affecting economic growth in 2024-25. But in bracing for tomorrow, there are headwinds of persisting international geopolitical conflicts, geo-economic fragmentation, global financial market volatility, international commodity price movements, rising adoption of artificial intelligence (AI) technologies and extreme weather events debilitating lives and livelihoods across the development spectrum.