



**SHARP &
TANNAN**

ECONOMIC SURVEY

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INTRODUCTION

The global economy exhibited steady yet uneven growth across regions in 2024. The global manufacturing activity slowed down especially in Europe and parts of Asia. While the global economic conditions were influenced by geopolitical tensions, volatile commodity prices and policy uncertainties, the Indian economy displayed a balanced growth. As per the first advance estimates of national accounts, India's GDP is estimated to grow at 6.5% in FY25.

Global disinflation is being achieved in a slow and gradual manner. Inflation rates across economies have trended downward steadily, approaching central bank target levels. This has been the result of tighter monetary policy regimes across the globe and supply chains adapting to higher levels of economic uncertainty. In India, the retail headline inflation, as measured by the change in the Consumer Price Index ('CPI'), has softened from 5.4% in FY24 to 4.9% in April – December 2024.

India's rural economy improved in FY25 due to the reasonably good performance of 'agriculture and allied activities' marking a record 'Kharif' production and a 'higher Rabi sowing.'

The manufacturing sector faced pressures due to weak global demand and domestic seasonal conditions, however, the private consumption remained stable, reflecting steady domestic demand.

Source: Economic Survey 2024-25

The banking and financial sector remains stable and well-capitalised. India's insurance sector is performing well and is projected to become the fastest-growing market among G20 nations over the next five years (2024-2028).

The Indian stock market has achieved new highs, with intermittent corrections. India's share in global IPO listings surged to 30% in 2024, up from 17% in 2023, making it the leading contributor of primary resource mobilisation globally.

India's robust services exports have propelled the country to secure the seventh-largest share in global services exports, underscoring its competitiveness in this critical sector.

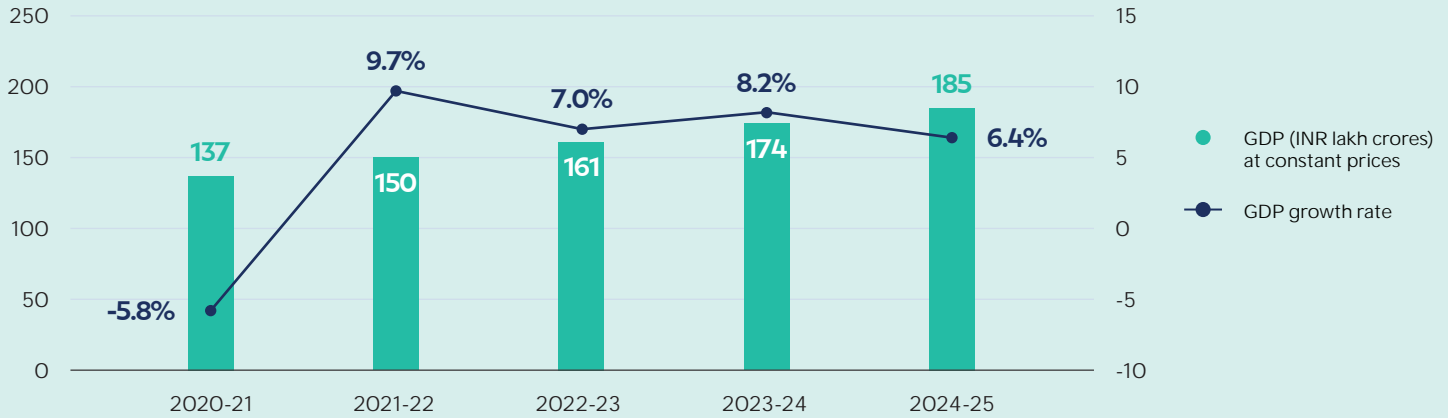
As per the World Bank, India was the top recipient of remittances in the world, driven by an uptick in job creation in OECD economies.

Fiscal discipline and strong external balance supported by a services trade surplus and healthy remittance growth contributed to macroeconomic stability. Together, these factors provided a solid foundation for sustained growth amid external uncertainties.

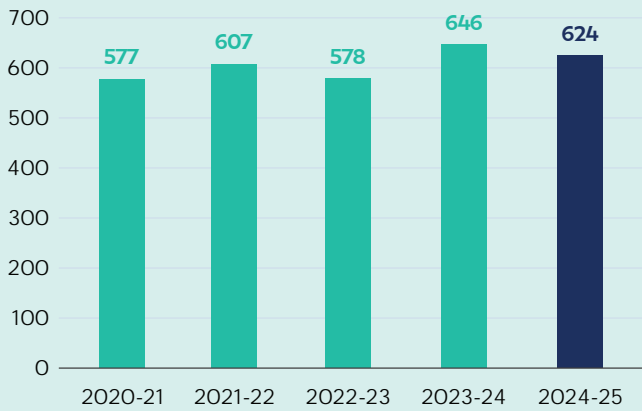
Looking ahead, India's economic prospects for FY26 are balanced. The present economic survey forecasts India's growth in FY26 between 6.3% and 6.8%.

NUMBERS THAT MATTER

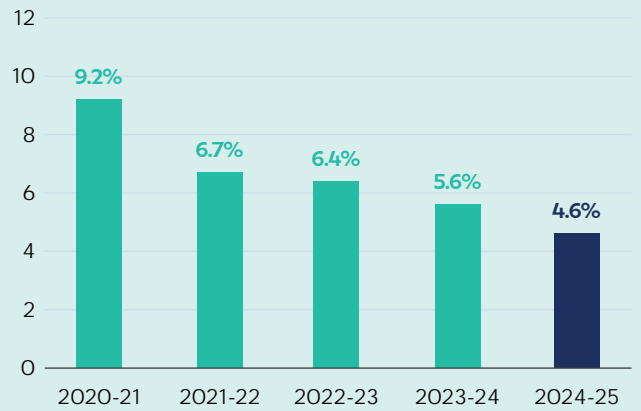
Gross domestic product (GDP) growth rate



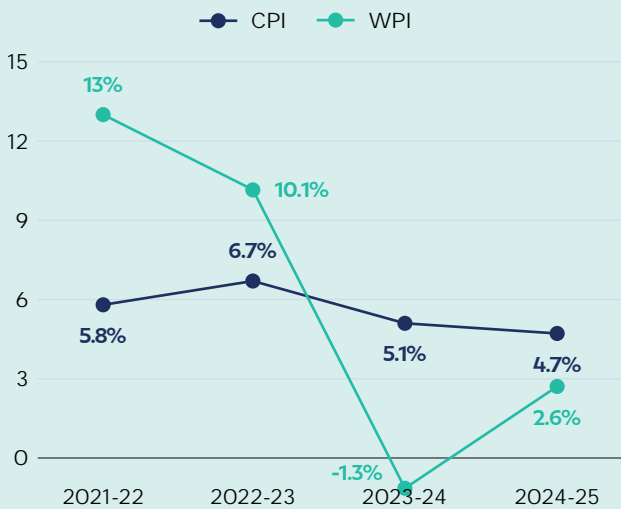
Foreign exchange reserves In US\$ billion at year end



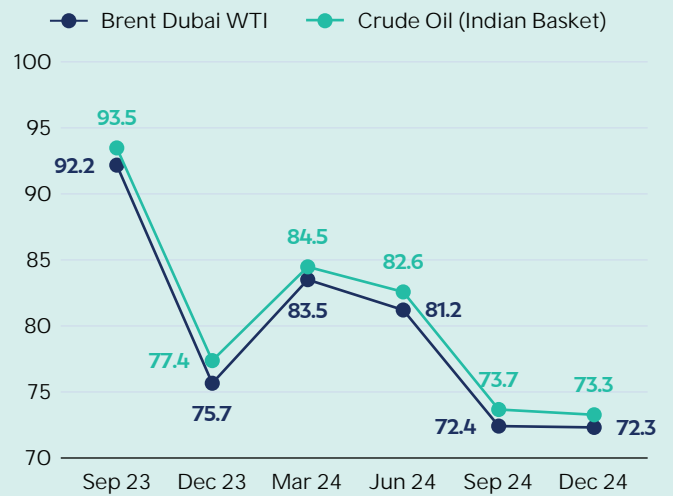
Fiscal deficit % of GDP



Inflation Average



Crude oil prices Price (US\$/bbl)



Source: Economic Survey 2024-25

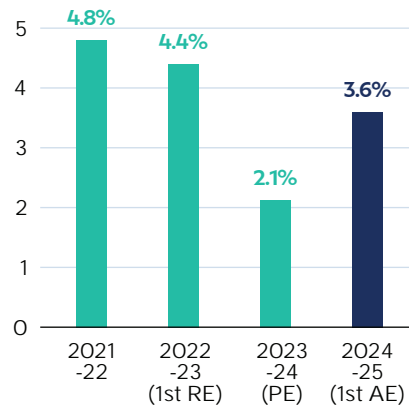
SECTORAL HIGHLIGHTS



Agriculture & allied

- Agriculture and allied sector contribute approximately 16% of India's GDP for FY24 (PE) at current prices and supports about 46.1% of the population.
- In the Q2: FY25, the sector recorded a growth rate of 3.5%, compared to the previous four quarters.
- As a major global cereal producer, India accounts for 11.6% of the world's total output.
- In FY24, the value of agri-food exports, which includes processed food exports, reached US\$ 46.44 billion, constituting roughly 11.7% of India's total exports.
- The share of processed food exports within agri-food exports has risen from 14.9% in FY18 to 23.4% in FY24.
- India's floriculture industry has grown into a high-performing sector, earning its status as a 'sunrise industry' with 100% export orientation.

Annual growth rate of real gross value added (GVA) at basic prices



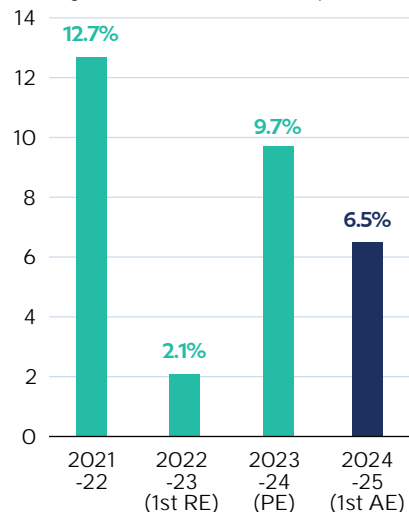
RE: Revised Estimates
PE: Provisional Estimates
AE: Advance Estimates

Industry



- The industrial sector grew by 6.2% in FY25, driven by robust growth in electricity and construction.
- In April-November of FY25, the country's crude steel and finished steel production registered a growth of 3.3% and 4.6% respectively.
- In FY24, construction, and infrastructure accounted for an estimated 68% of total steel consumption, followed by engineering and packaging at 22% and automobiles at 9%.
- The domestic production of electronic goods has increased substantially from INR 1.90 lakh crore in FY15 to INR 9.52 lakh crore in FY24, growing at a CAGR of 17.5%.
- The mining sector contributes about 8% to the total industrial output.

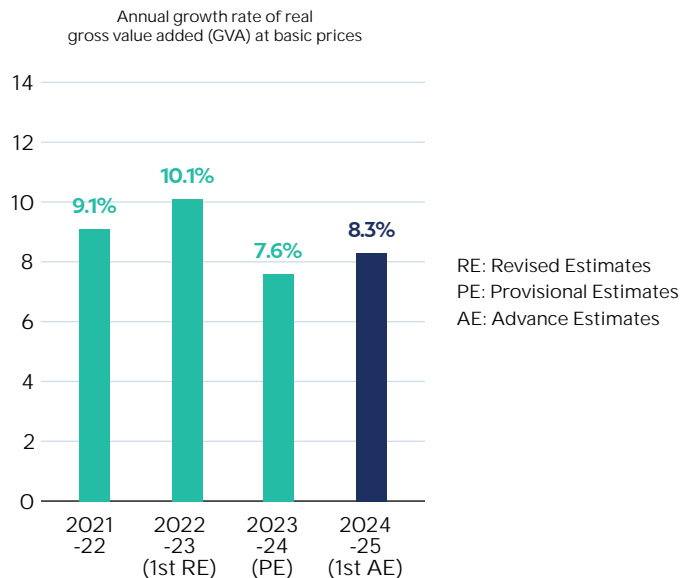
Annual growth rate of real gross value added (GVA) at basic prices



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Services

- The average services growth in the post-pandemic year i.e. FY23 to FY25 has risen to 8.3%. The sector is fuelling the economic growth both domestically and globally.
- The service sector accounts for about 55% of the national GVA in FY25.
- The Gross Non-Performing Assets ('GNPA') ratio fell to 2.6%, indicating improved asset quality in the banking sector.
- Digital payments rose by 11.11% compared to the previous year, RBI Digital Payment Index for September 2024 stands at 465.33 as against 455.4 for March 2024, reflecting a robust increase in the adoption of digital transactions across the country.
- The insurance sector saw a growth of 7.7% in premiums, reaching approximately INR 11.2 lakh crore for the FY24 indicating a strengthening of financial resilience within the sector.
- The market share of private companies in the general and health insurance market rose from 48.03% in FY20 to 62.5% in FY23, indicating a significant shift towards privatization in the sector.
- The life insurance industry recorded a premium income of INR 8.3 lakh crore in FY24, compared to INR 7.8 lakh crore in FY23, registering a YoY growth of over 6%.
- Within the service sector, computer software and professional services recorded the highest YoY credit growth at 22.5% and 19.4% respectively.
- India's services export growth accelerated to 12.8% in April-November FY25 from 5.7% in FY24.
- In FY25 (April- September), insurance services received the highest FDI inflows of over 62%, followed by the financial sector, (18% of the total FDI equity inflows) to the services sector.



ECONOMIC PERFORMANCE

INDIAN ECONOMY

GLOBAL ECONOMY

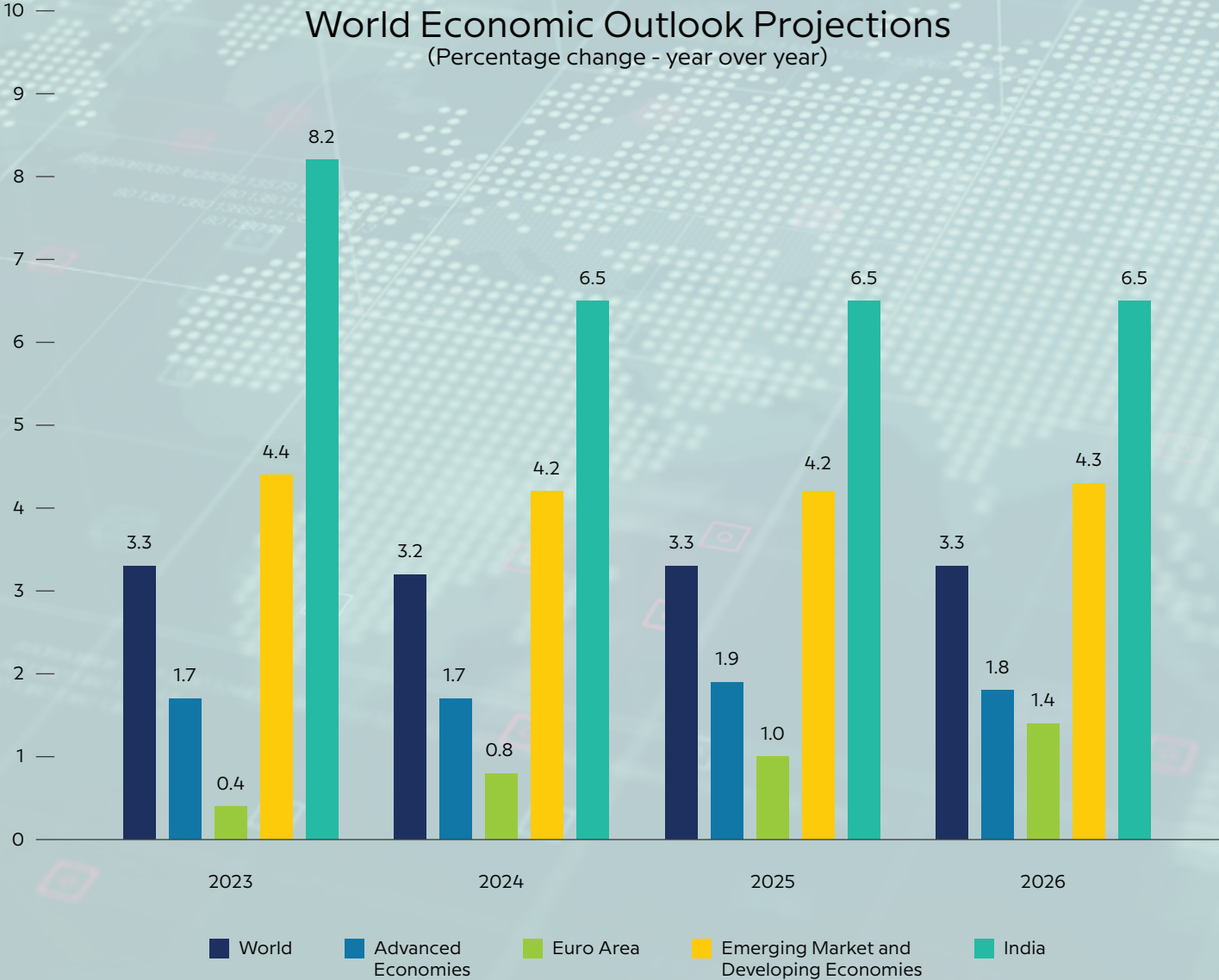
As the world turns a new page in 2025, it's time to look at the opportunities and potentials the year holds for us. Global growth is projected at 3.3% both in 2025 and 2026, below the historical (2000–19) average of 3.7%. Inflationary pressures eased in most economies. However, services inflation has remained persistent.

Global economic conditions are shaped by changing growth dynamics, fluctuating commodity prices, and evolving monetary policies, which influence domestic inflation, trade balances, and capital flows. At present, this interconnectedness is complicated by unusual levels of geopolitical tensions, supply chain disruptions, and climate-related shocks.

In this global context, India displayed steady economic growth. As per the first advance estimates of national accounts, India's real GDP is estimated to grow by 6.4% in FY25.

The agriculture and services sectors emerged as key growth drivers during this period. However, the overall growth was tempered by moderation in industrial growth, particularly in manufacturing, which faced challenges from slowing global demand and supply chain disruptions. India's monetary and financial sectors have performed well in the first nine months of FY25.

The capital markets have demonstrated strong performance, driving capital formation in the real economy, increasing the financialisation of domestic savings, and supporting wealth creation.



International Monetary Fund - World Economic Outlook Update, January 2025

ECONOMIC OUTLOOK

Globally, 2024 has been an eventful year. Geopolitical risks and policy uncertainty, especially around trade policies, have contributed to increased volatility in global financial markets. The International Monetary Fund ('IMF') has projected growth of 3.2% and 3.3% for 2024 and 2025, respectively. Over the next five years, global growth is expected to average around 3.2%, which is modest by historical standards.

While the overall global outlook remains steady, growth varies across different regions.

The Indian economy remained steady amidst global uncertainties. Growth in H1: 2024-25 was driven by agriculture and services sector. A normal southwest monsoon in 2024 has improved the water levels in reservoirs, ensuring sufficient water for irrigation during the rabi crop production. Across the sub-categories, all the services sub-sectors performed well. The same is reflected from the High-frequency indicators.

While the outpacing of merchandise imports over merchandise exports widened India's merchandise trade deficit, India's services trade surplus has lent balance to the overall trade deficit.

Key growth drivers for the economy in 2024-25

- Agriculture, Services and Construction sectors
- Automobiles, Electronics and Pharmaceuticals industries
- Female labour force participation rate (FLFPR)

Exports

- The rise in services exports contributed to an increase in net services receipts from US\$ 120.1 billion in the first nine months of FY24 to US\$ 131.3 billion during the corresponding period of FY25.
- Data on merchandise trade shows that India's merchandise exports grew by 1.6% YoY in April – December 2024. However, non-petroleum exports (on the same comparison basis) were up by 7.1%. Non-petroleum and non-gems and jewellery exports rose by 9.1%.

Imports

- Merchandise imports rose by 5.2%. This growth was primarily driven by an increase in non-oil, non-gold imports. Gold imports also grew, influenced by higher global prices, early purchases ahead of festive spending, and demand for safe-haven assets. The global services exports and imports grew by 7.9% and 6.7% YoY during the same period.
- India also drastically reduced its dependence on smartphone imports, with 99% now manufactured domestically.

- During April-December 2024, India's merchandise trade deficit widened to US\$ 210.8 billion from US\$ 189.7 billion a year ago. Petroleum products were the largest source of the deficit, followed by electronic goods.

Fiscal revenue

- Despite the gross tax revenue (GTR) increasing by 10.7% YoY during April-November 2024, the tax revenue retained by the Union, net of devolution to the states, hardly increased. This was because of increased tax devolution, which helped the states to manage their expenditures smoothly.

Construction sector

- In FY24, construction, and infrastructure accounted for an estimated 68% of total steel consumption, followed by engineering and packaging at 22% and automobiles at 9%.
- The industrial sector grew by 6.2% in FY25, driven by robust growth in electricity and construction.
- Currently, India is the second largest cement producer in the world after China.

Money market and financial intermediation

- The total resource mobilisation from primary markets (equity and debt) stands at INR 11.1 lakh crore from April to December 2024, which is 5% more than the amount mobilised during entire FY24. This also amounts to 25.6% of gross fixed capital formation of private and public corporations during FY24.
- The number of IPOs increased by 32.1% to 259 during April to December 2024 from 196 in the corresponding period of the previous year, while the amount raised almost tripled from INR 53,023 crore to INR 1,53,987 crore in the same period.
- India is ranked first globally in terms of the number of IPO listings in FY24.
- Credit expansion contributed to an increase in the consolidated credit-to-deposit ratio, which rose from 67.5% as of March 2023 to 71.2% as of March 2024, the highest in 33 years.

Forex reserves

- India's foreign exchange reserves stood at US\$ 640.3 billion as of the end of December 2024, sufficient to cover approximately 90% of the country's external debt of US\$ 711.8 billion as of September 2024, reflecting a strong buffer against external vulnerabilities.
- India has secured its place among the world's largest foreign exchange reserve-holding countries, ranking 4th globally, following China, Japan, and Switzerland.

Foreign investments

- From a sectoral perspective, the services sector remains the largest recipient of FDI, accounting for 19.1% of total equity inflows in H1: FY25. Other significant sectors attracting foreign investments include computer software and hardware (14.1%), trading (9.1%), non-conventional energy (7%), and cement & gypsum products (6.1%).
- Net FDI, declined to US\$ 0.48 billion during April-November 2024 from US\$ 8.5 billion a year ago, reflecting the rise in repatriation and net outward FDI.
- Gross FDI inflows have shown a higher growth in the first eight months of FY25 compared to the corresponding period of the previous year. However, a surge in repatriation has reined in the expansion in net FDI.

Digital connectivity

- The rollout of 5G services, along with the introduction of new policies aimed at enhancing telecommunications infrastructure and user experience, has played a crucial role in digital connectivity.
- By 31 October 2024, 5G services were launched in all states and union territories. Currently, 5G services are available in 779 out of 783 districts. Over 4.6 lakh 5G Base Transceiver Stations (BTSS) have been installed nationwide.



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