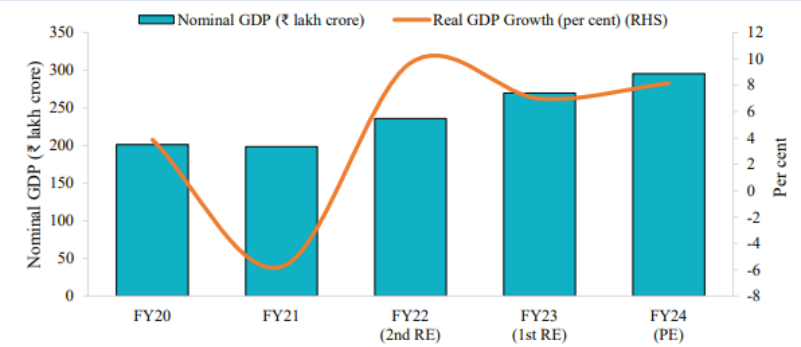
Economic Survey Series – II

State of the Economy: Steady as she goes

- **Performance** – The fiscal balances of the general government (central and State) together have improved progressively.

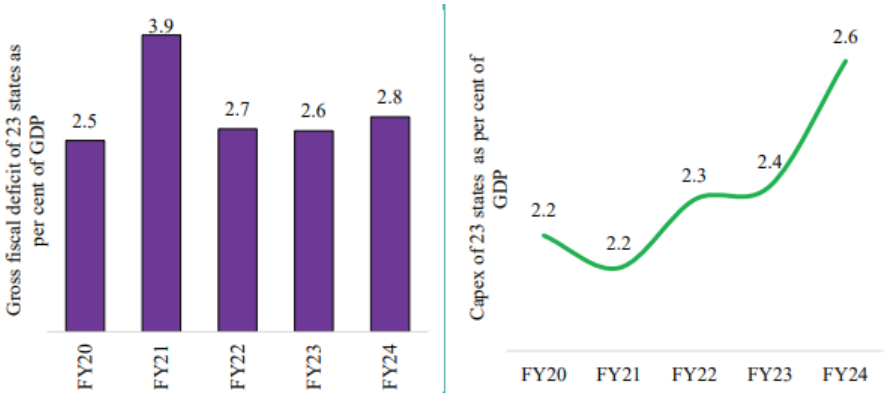
State of Economy – Data Points

• **GDP projection**- 6.5 to 7%
• **Improvement**
- *Real GDP* grew by 8.2% in FY24
- *GVA* grew by 7.2% in FY24
- *Net taxes at constant prices* grew by 19.1%
- *Current Account Deficit* (CAD) stood at 0.7% of the GDP during FY24, an improvement from 2.0% of GDP in FY23.
- *Retail inflation reduced* from 6.7% in FY23 to 5.4% in FY24



• **Tax collection**
- Direct Tax- 55% of tax collected
- Indirect Tax - 45% of the total tax collected

- **Resilient domestic economy** - The Indian economy *recovered swiftly* from the pandemic, with its real GDP in FY24 being 20% higher than the pre-COVID, FY20 levels.
- **Improved states government finance** – State governments continued to improve their finances in FY24.



- The *quality of spending by state governments has improved* in recent years, with state governments focusing more on capex.
- The *capex* of 23 states *as a per cent of GDP improved* from 2.2 in FY20 to 2.6 in FY24.
- **Decreased government debt** - Since the pandemic, the Union and the State Governments have focussed on *fiscal consolidation*, thus declining debt trajectory of the government till FY23.
- *States' debt burden is gradually easing* and the general *government debt to GDP ratio increased* slightly in FY24.
- **Moderation in inflation pressure** – There is *declining core inflation* but *volatile food inflation*.

According to Economic Survey 2023-24, India is projected as a ***high-growth and low-inflation economy.***

- **Resilient financial system** - Data from the RBI's Financial Stability Report of 2024 show that, the Gross Non-Performing Assets *(GNPA) ratio declining* to 2.8% in March 2024, a ***12-year low***.
- **Safer India's external sector** - On the external front, *moderation in merchandise exports* continued during FY24 on account of weaker global demand and persistent geopolitical tensions.
- India's service exports have remained robust.
- However, a *sharper decline in India's merchandise import* growth, owing to declining commodity prices, ***resulted in a lower trade deficit in FY24***.
- **Reduction in macro vulnerability** - The fiscal deficit of the Government is expected to drop to 4.5% of GDP or lower by FY26.
- The Government continues to stick to the fiscal glide path and kept the sovereign debt sustainable.
- This is reflected in the *downward trajectory* of the *macroeconomic vulnerability index*.

Macroeconomic vulnerability index *is an index constructed by combining India's fiscal deficit, Current Account Deficit and inflation.*

- **Inclusive growth** - India's social welfare approach has undergone a shift from an *input-based approach* ***to outcome-based empowerment.***
- *Saturation of basic necessities* has been recognised as imperative to achieve this, thus impelling an array of flagship initiatives.
- The approach also involves the targeted implementation of reforms for last-mile service delivery to truly realise the maxim of "***no person left behind***".
- **Improvement in employment** - According to the annual PLFS, the all-India annual *unemployment rate* (persons aged 15 years and above, as per usual status) has *been declining* since the pandemic.
- There is also a *rise in the labour force participation* rate and *worker-to-population ratio*.
- From the gender perspective, the *female labour force participation rate has been*

rising for six years.

- **Reduced poverty** - The focus on addressing individual deprivations helped in *reducing the incidence of poverty*.
    - **Niti Aayog** – There is a steep de*cline in the headcount ratio of multidimensionally poor* between 2015-16 and 2022-23.
- **Reduced rural-urban inequality** – There is rising consumption spending, as evident from the Household Consumption Expenditure Survey (HCES) 2022-23.
- The monthly per capita consumption expenditure (MPCE) in 2022-23 *increased* in real terms in *both rural and urban* areas over 2011-12.
- The *difference* between rural and urban MPCE also *declined* in percentage terms.
- **Forecast** – Indian economy looks forward to FY25 optimistically, anticipating broad-based and inclusive growth.

Source	Year/ Period	Forecast
IMF	2024-25	7.0
ADB	FY25	7.0
Economic Survey	Current FY	6.5-7.0
Monetary Policy Committee	Current FY	7.2
World Bank	FY25	6.6
SBI	FY25	8.0

References

India Budget| State of Economy

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