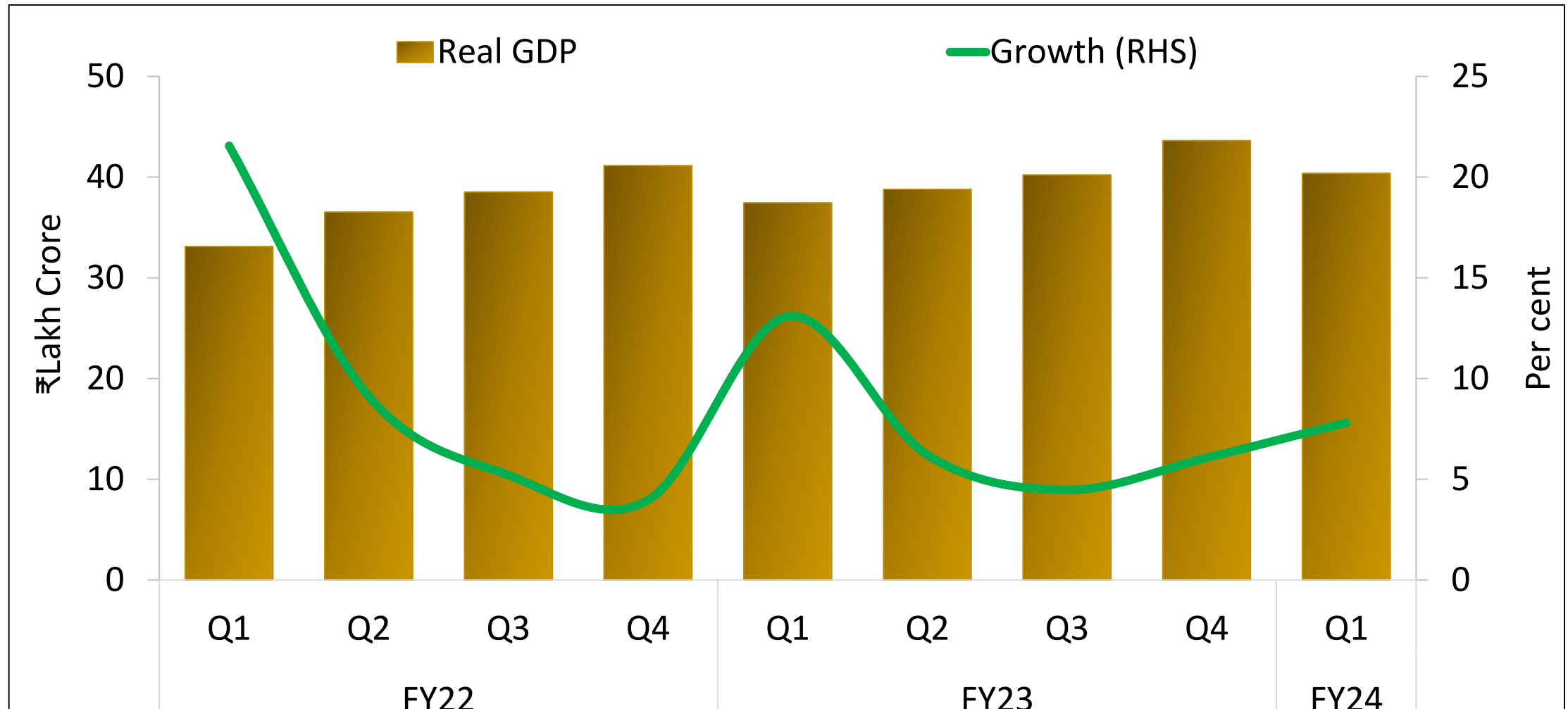


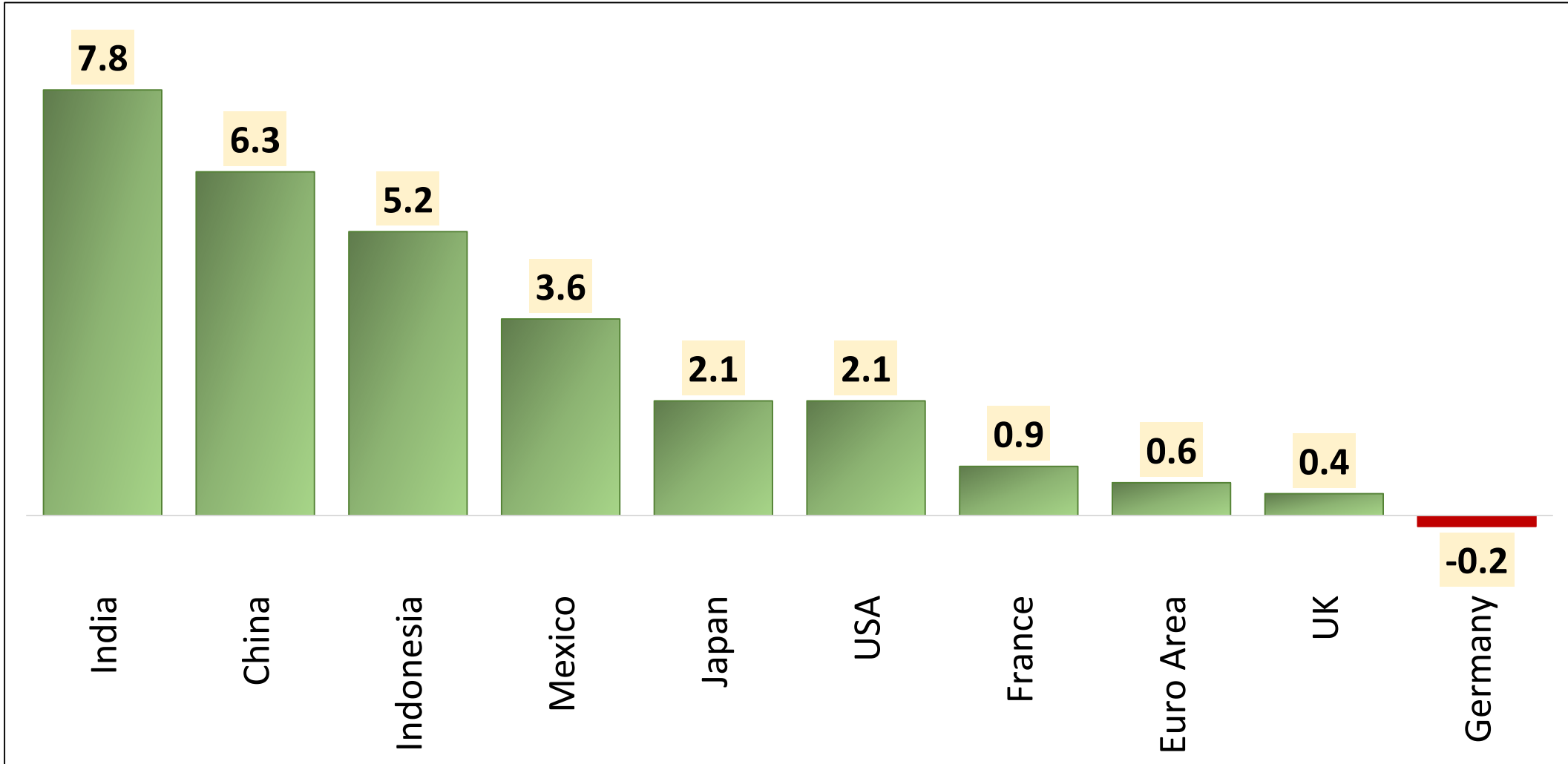
State of the Economy

Dr. V. Anantha Nageswaran
Chief Economic Adviser
Government of India
31 August 2023

Real GDP registers 7.8 per cent growth in Q1 of FY24, reflecting continuation of the previous quarter's momentum



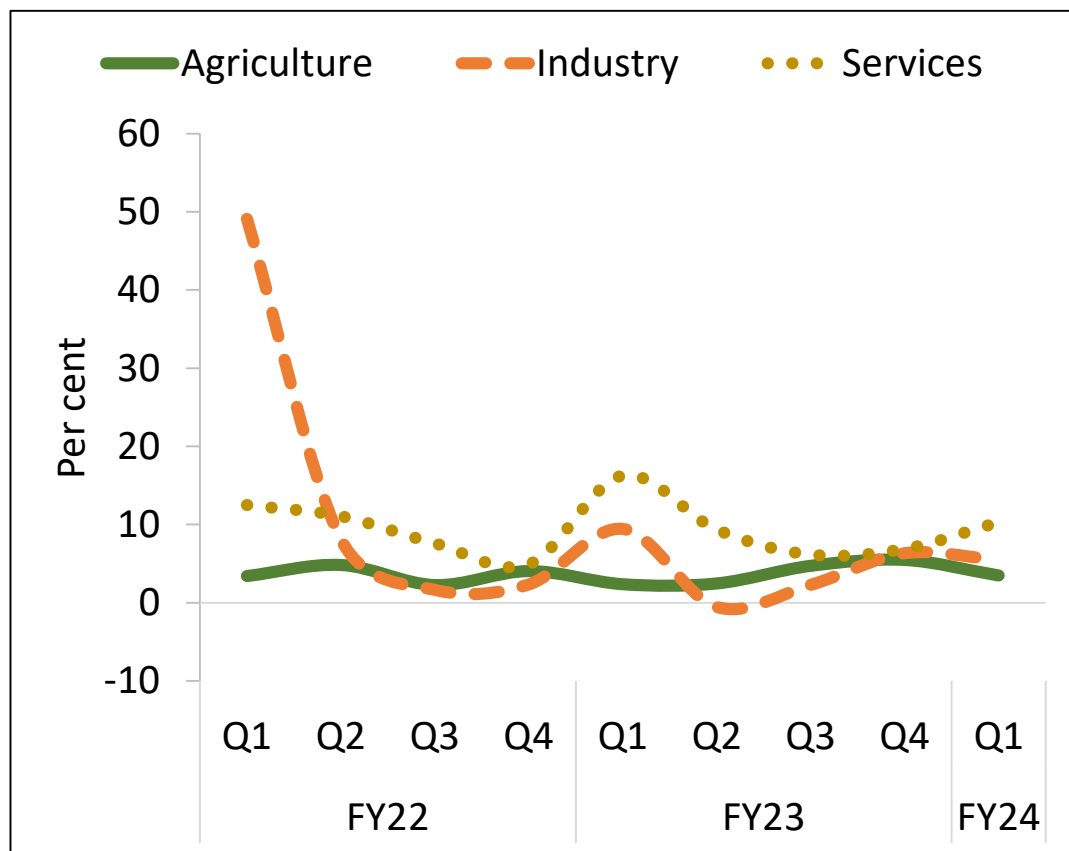
India emerges as the fastest-growing major economy in the April-June 2023 quarter



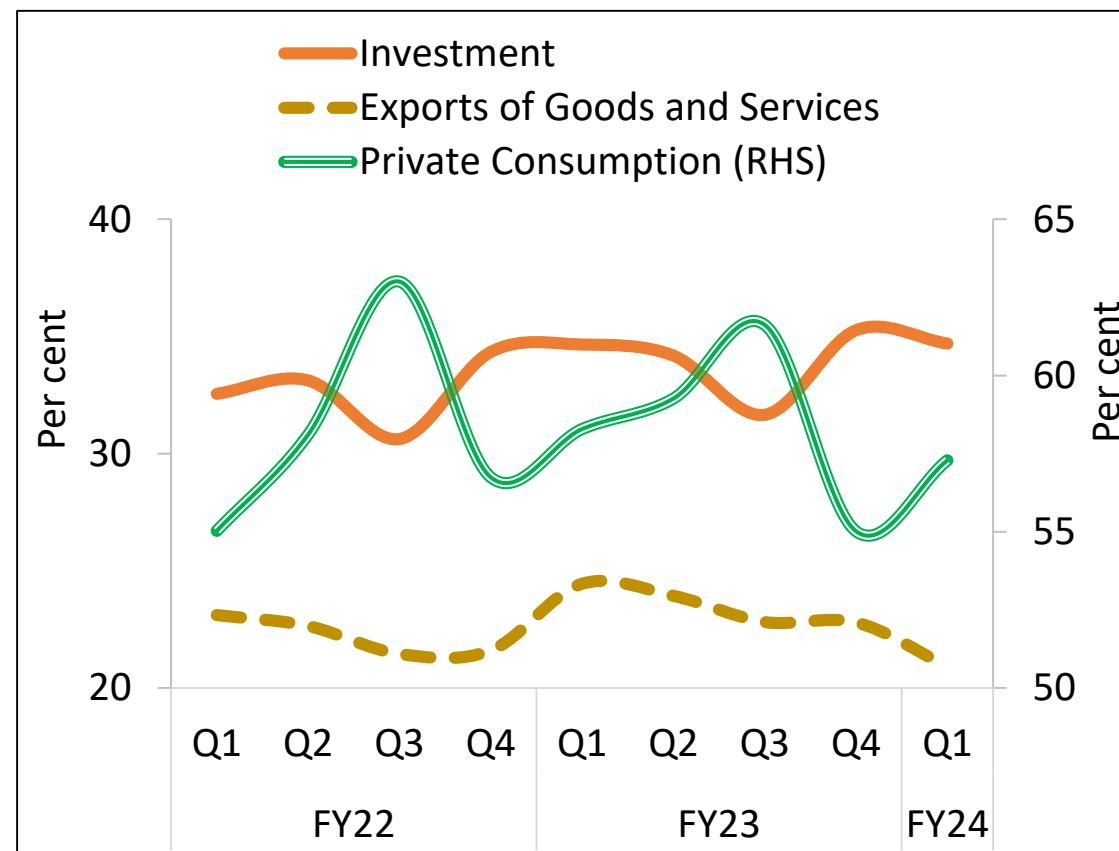
Source: IMF SDDS, MoSPI for India

Growth Drivers of India's Q1 GDP

Industry and Services YoY growth



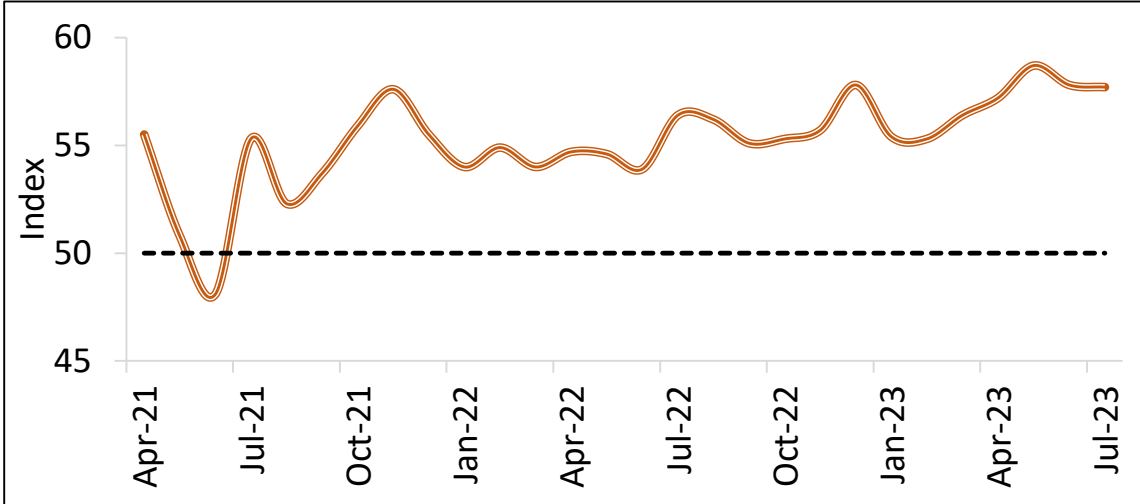
Shares of Private Consumption and Investment



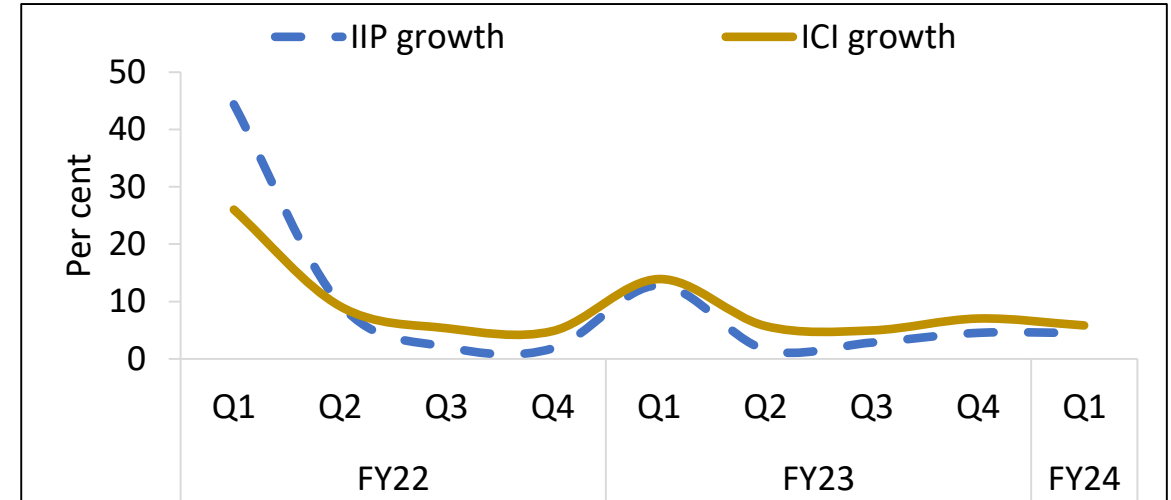
Source: MoSPI, NSO

Steady Industrial Growth

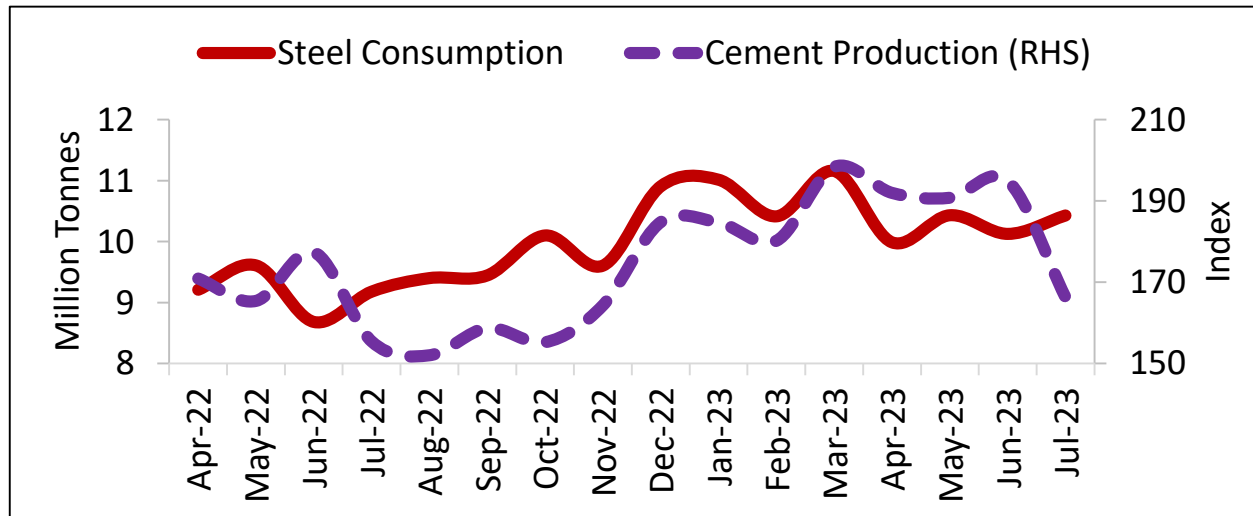
PMI Manufacturing remained in the expansionary zone



Index of Industrial Production (IIP) and Index of Eight Core Industries (ICI) indicate steady manufacturing growth



Expansion in Construction activity continues in July 2023

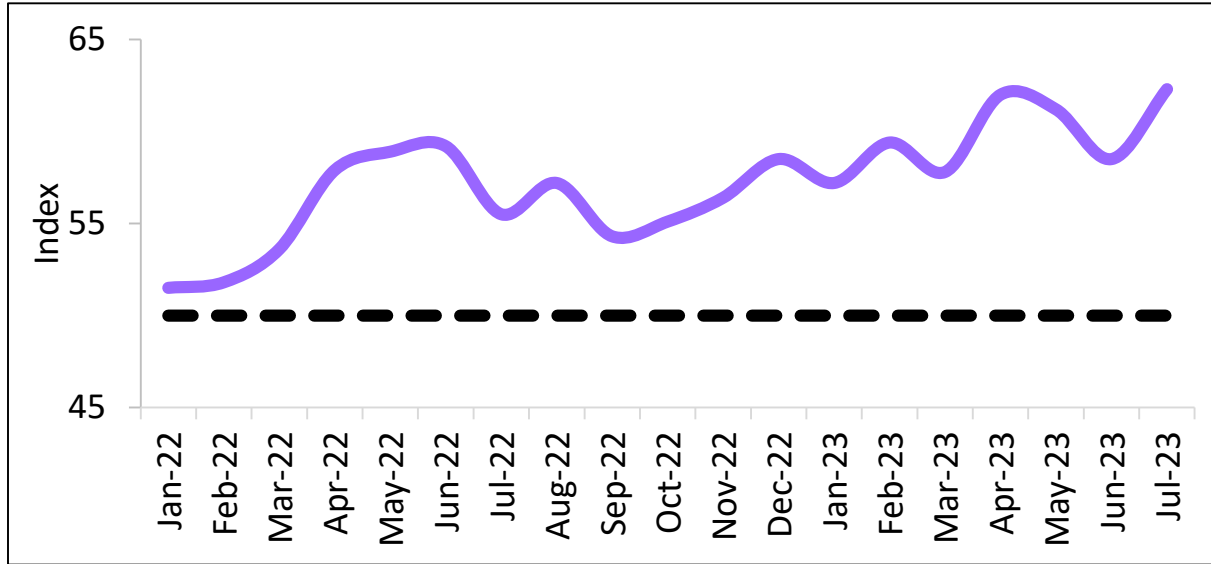


Strong Services Growth

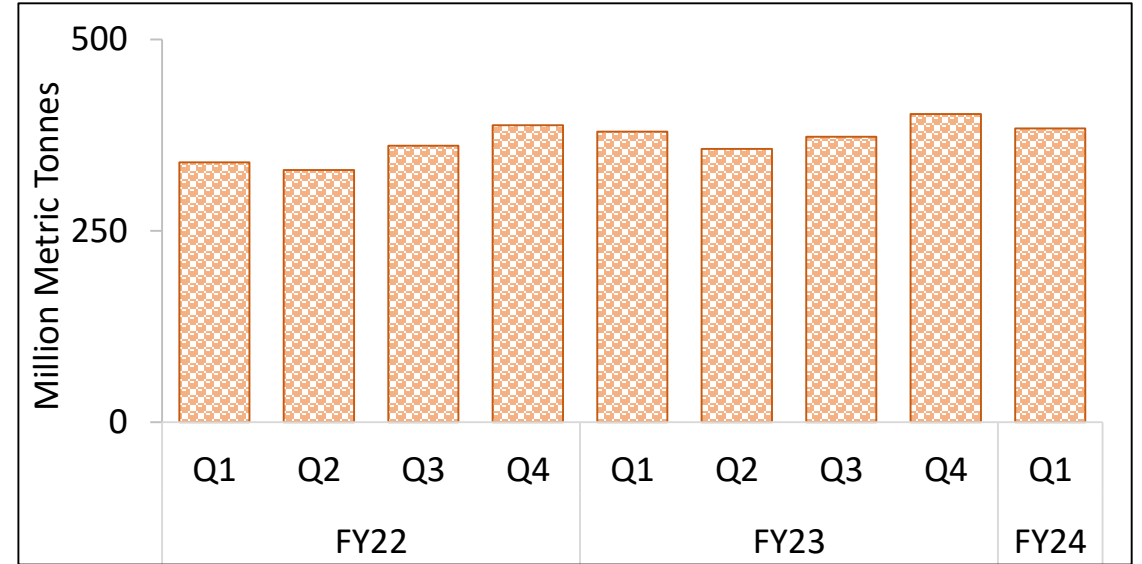


INDIA

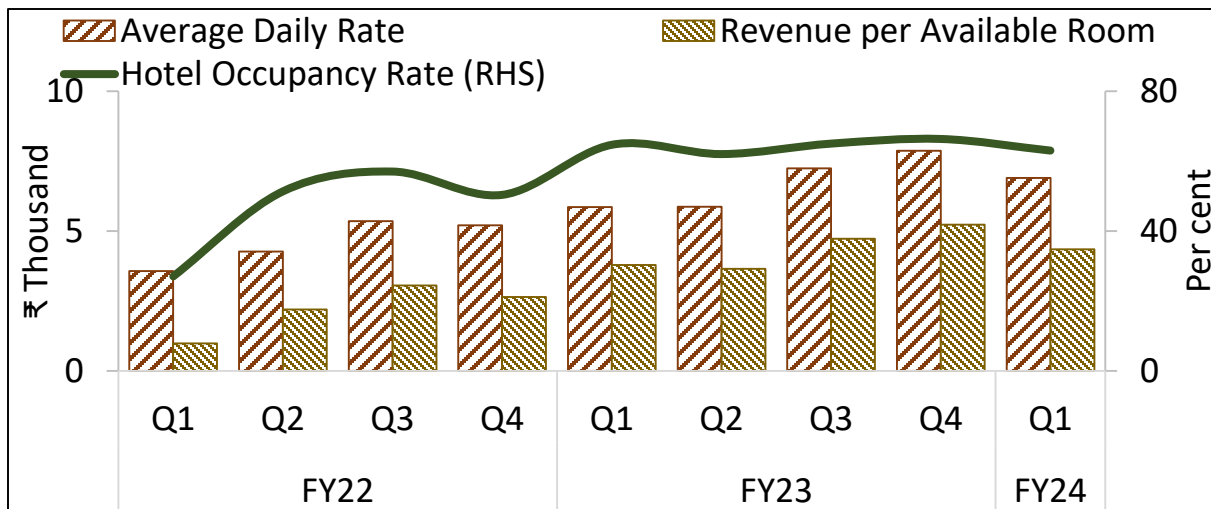
PMI Services expanded at the fastest pace in 13 years



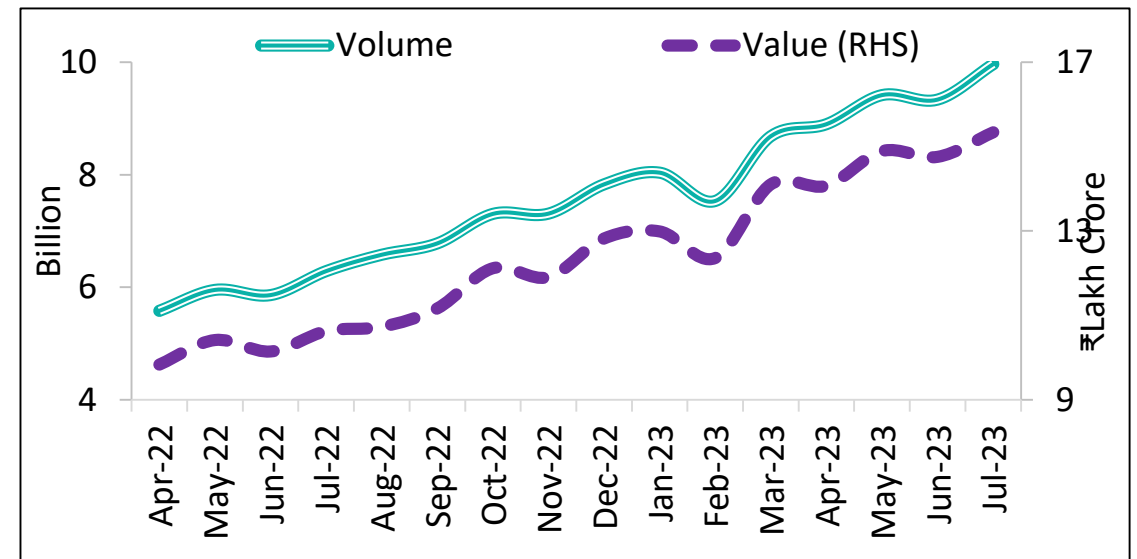
Railway Freight Traffic expanded by 1.1 per cent in Q1 of FY24



Despite a moderation in the Hotel Occupancy Rate, the Average Daily Rate and Revenue Available Per Room grew in double-digits in Q1 of FY24

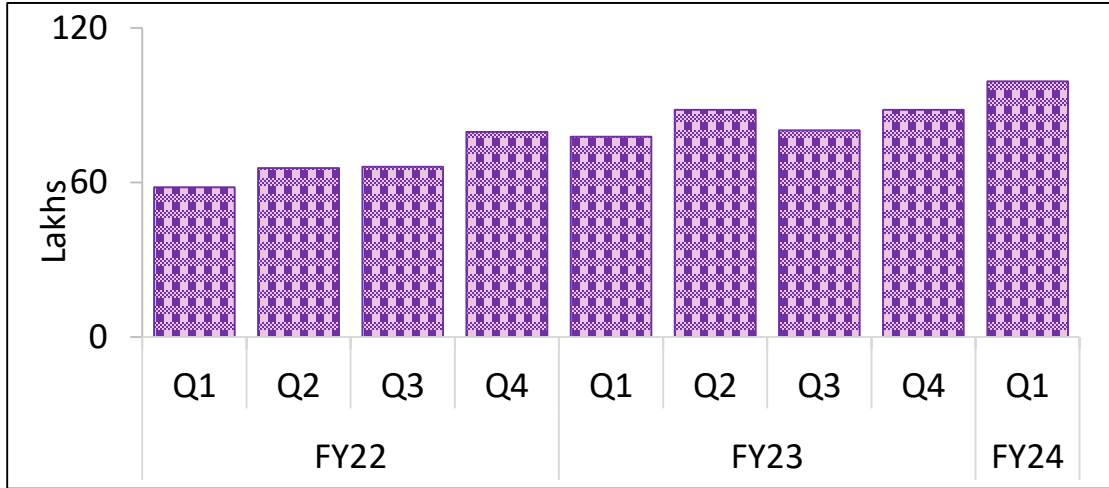


Rising UPI transactions giving a boost to digital services

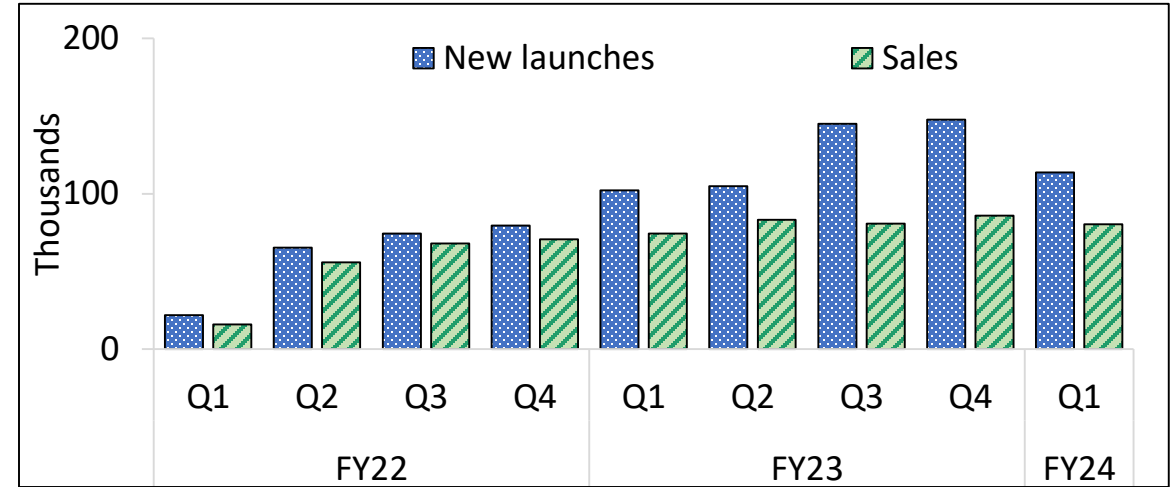


Urban demand conditions remained resilient

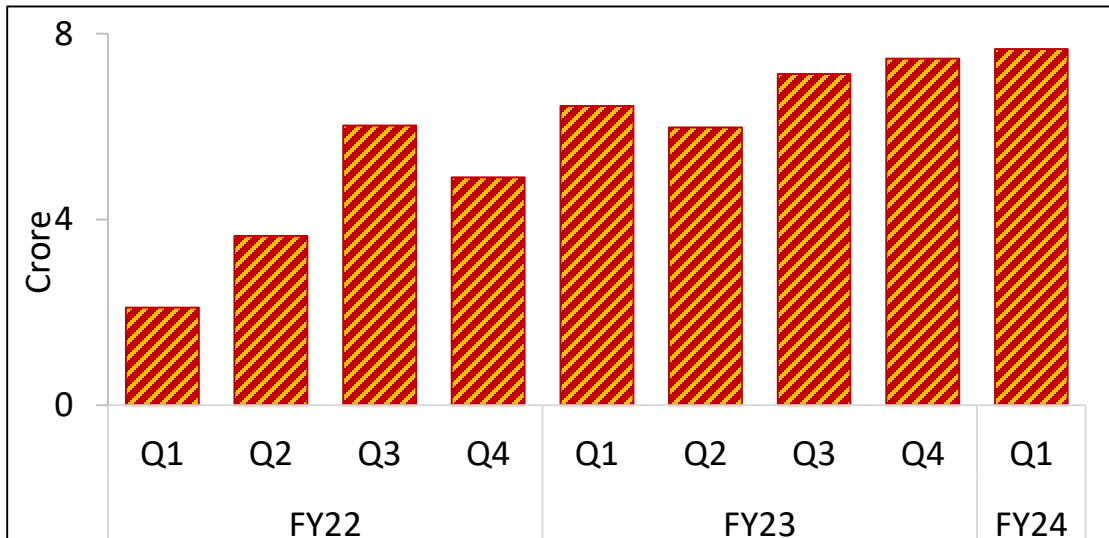
Passenger Vehicle Sales grew by 27.6 per cent in Q1 FY24



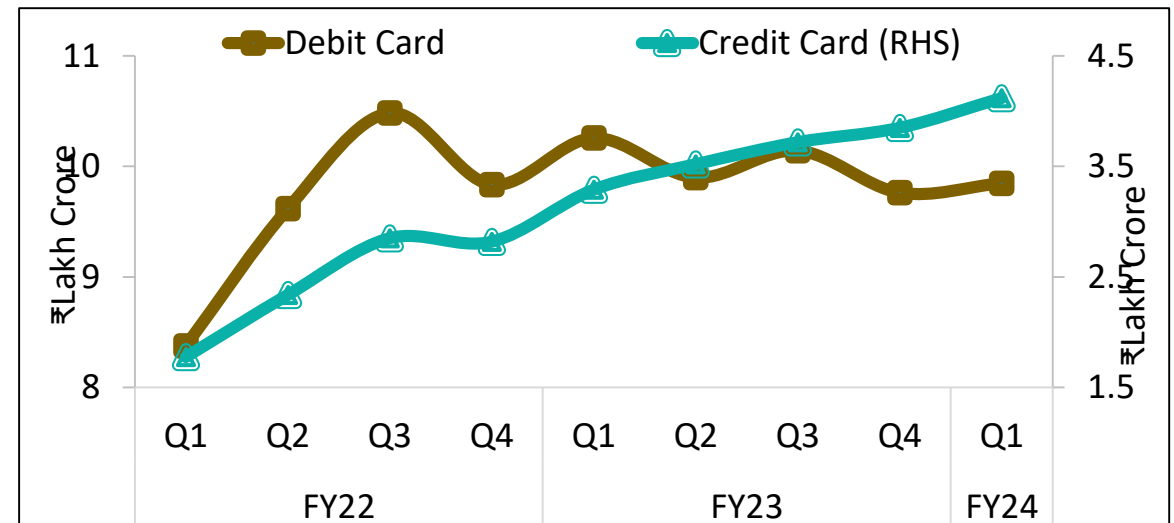
Housing Sales and Launches grew by 8 per cent and 11.4 per cent in Q1 FY24



Domestic Air Passenger Traffic rose by 19.1 per cent in Q1 of FY24

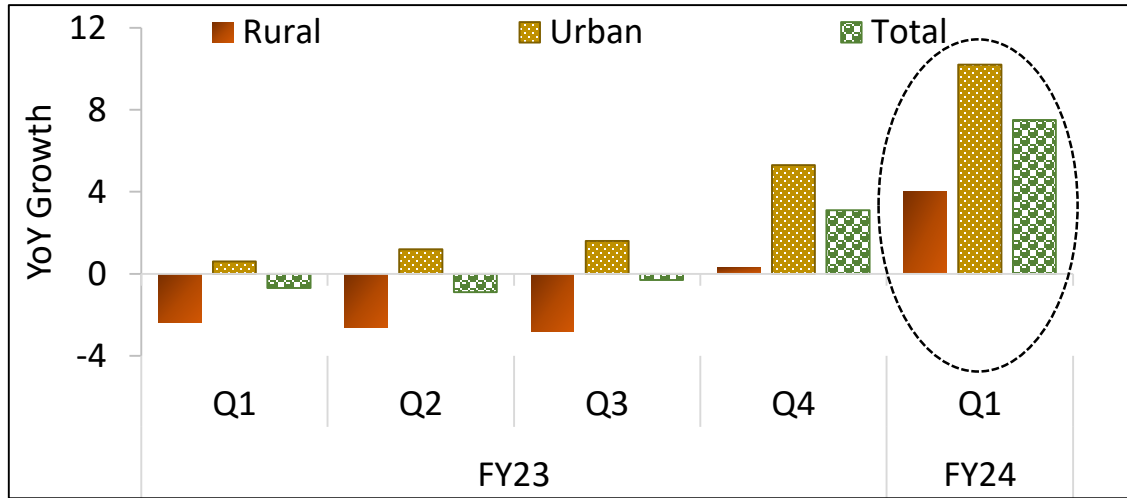


Credit and Debit Card spending witnessed rapid growth in Q1 of FY24

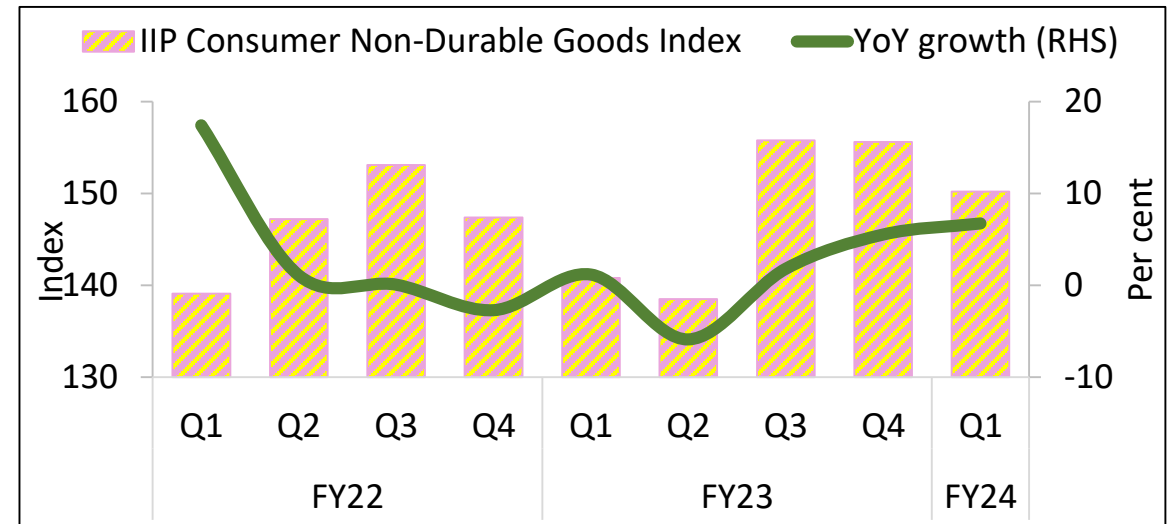


Recovery in rural demand

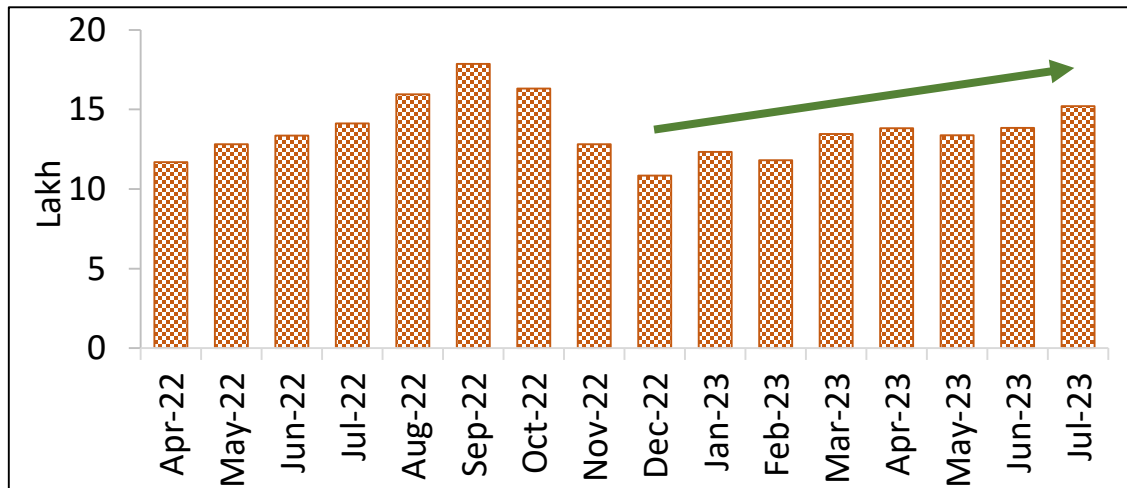
FMCG volume sales saw the highest growth in the last eight quarters in Q1 of FY24, induced by a revival in Rural demand



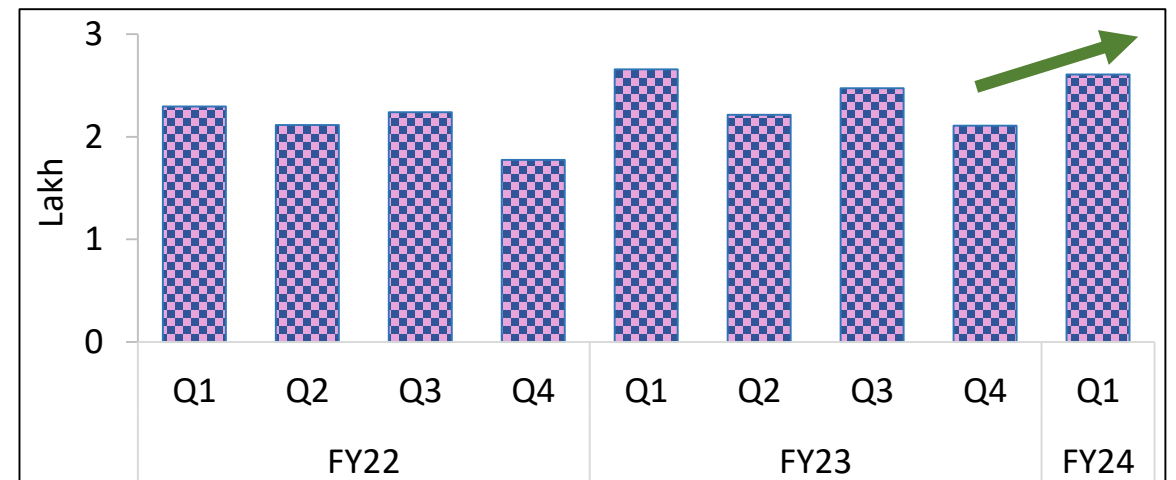
IIP Consumer Non-durable Goods Index witnessing positive growth



Two & Three-Wheeler sales on a rising trajectory

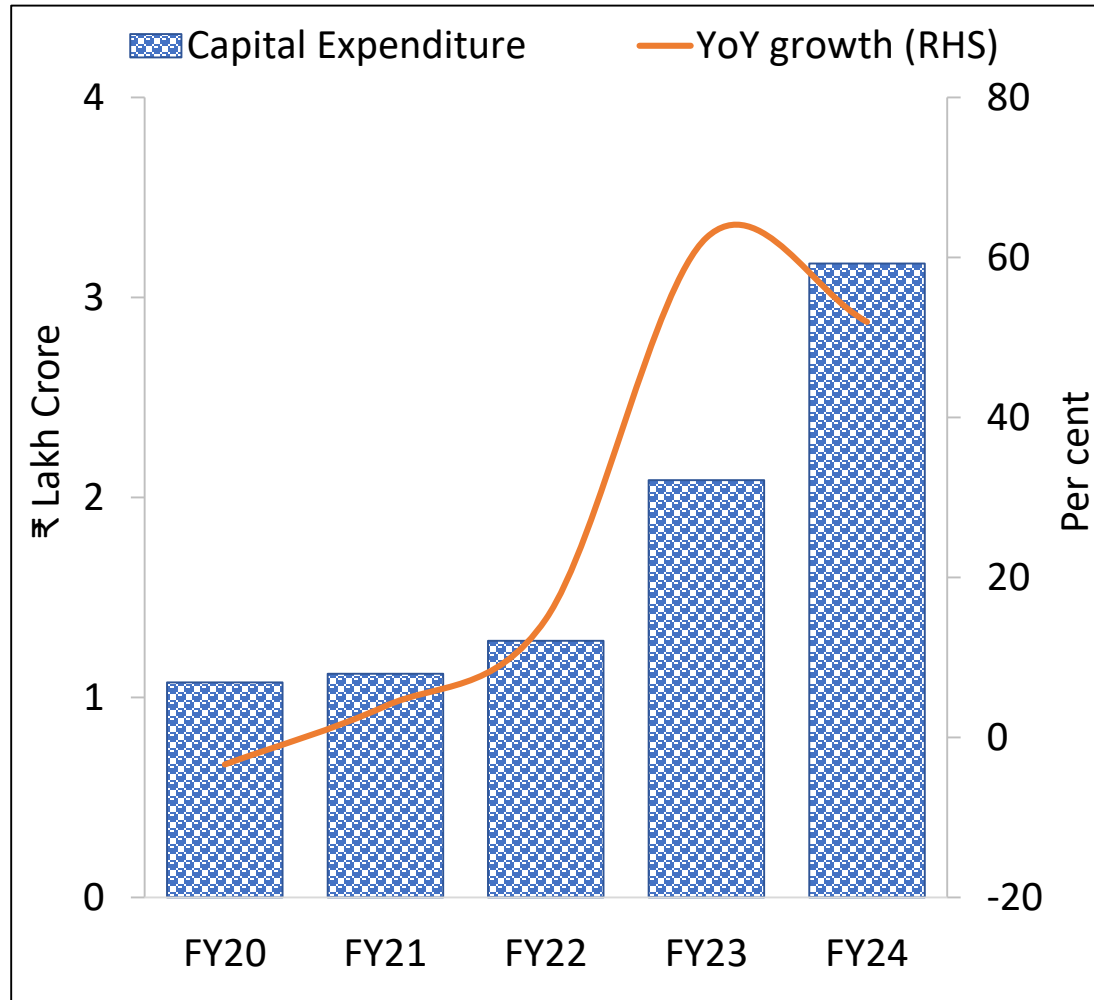


Significant increase in Tractor Sales in Q1 of FY24

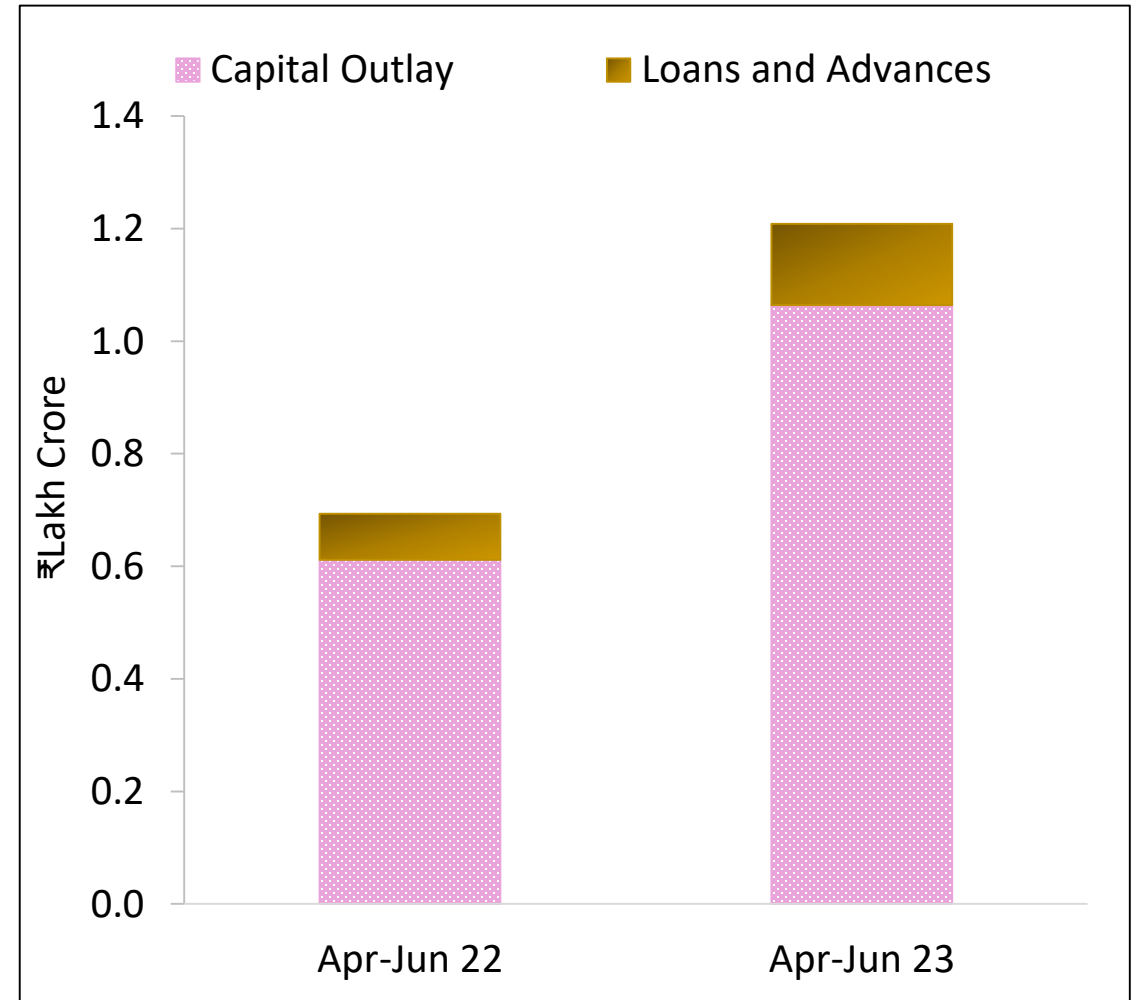


Increase in Capital Expenditure

Union Government's Capital expenditure in April-July of FY24 grew by 52 per cent (YoY)

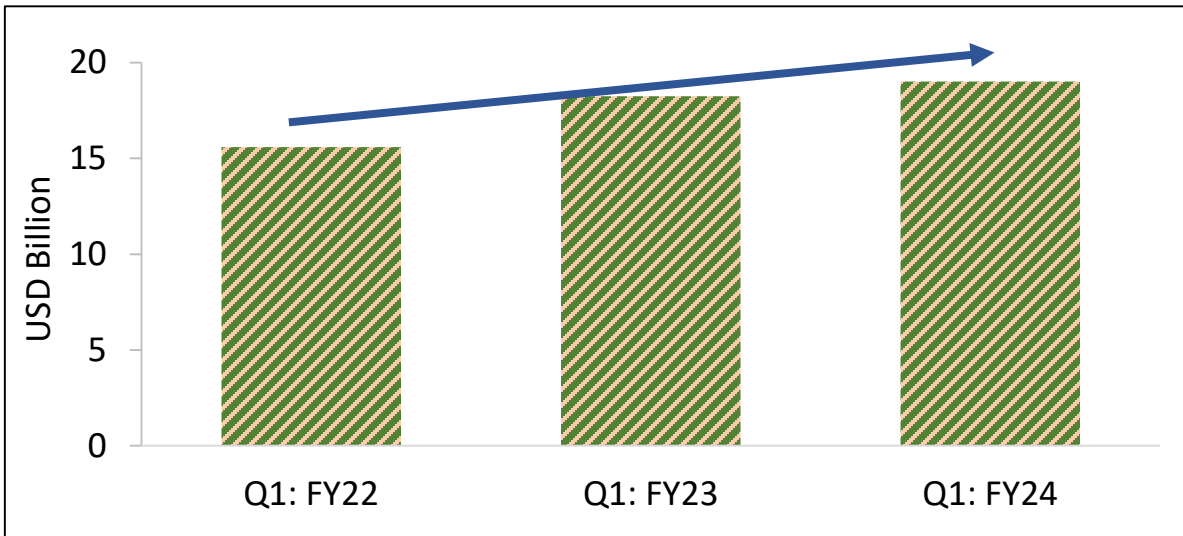


States capital expenditure jumped by 74.3 per cent in Q1 of FY24

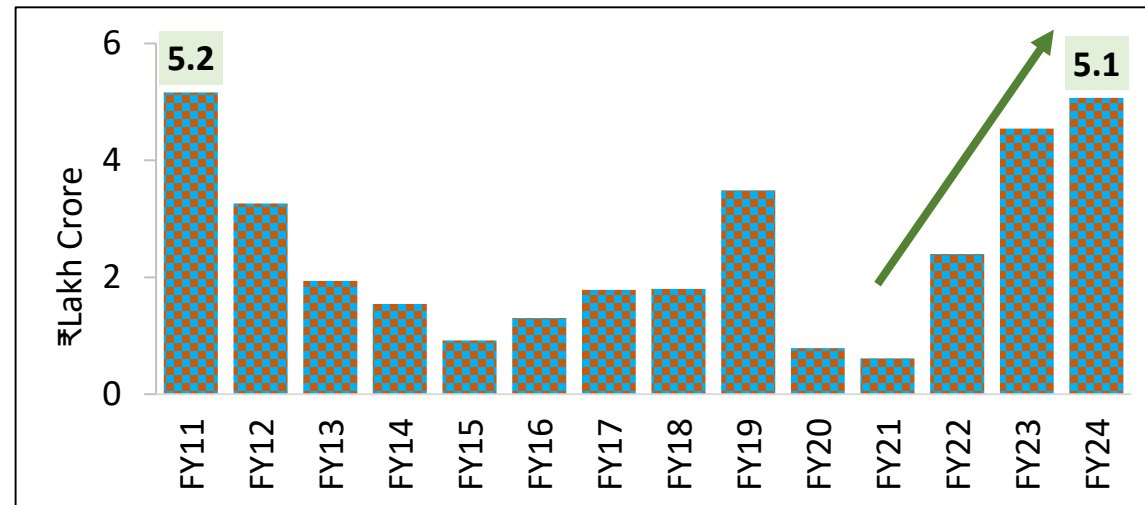


Increased focus on Capex resulting in crowding-in of Private Investment

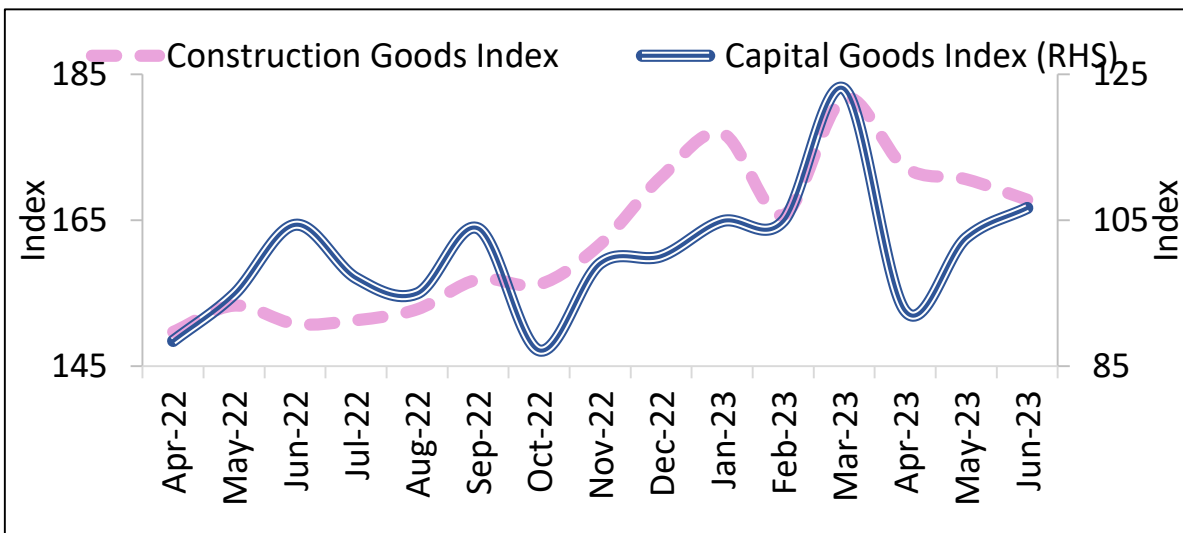
Rise in imports of Capital goods



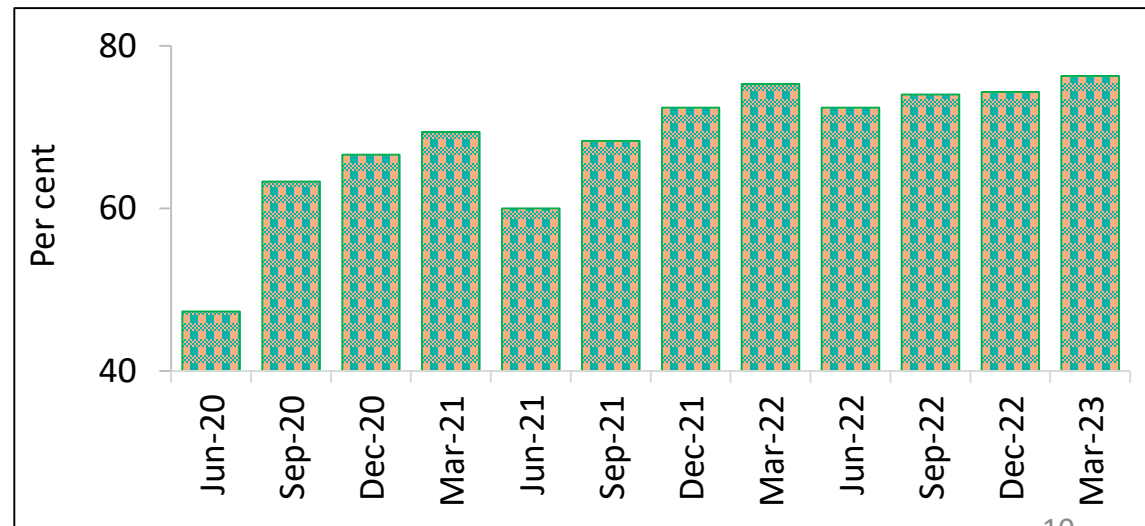
New Investment projects announced by the Private Sector highest in Q1 of FY24 in 14 years



Increased production of capital and infrastructure goods

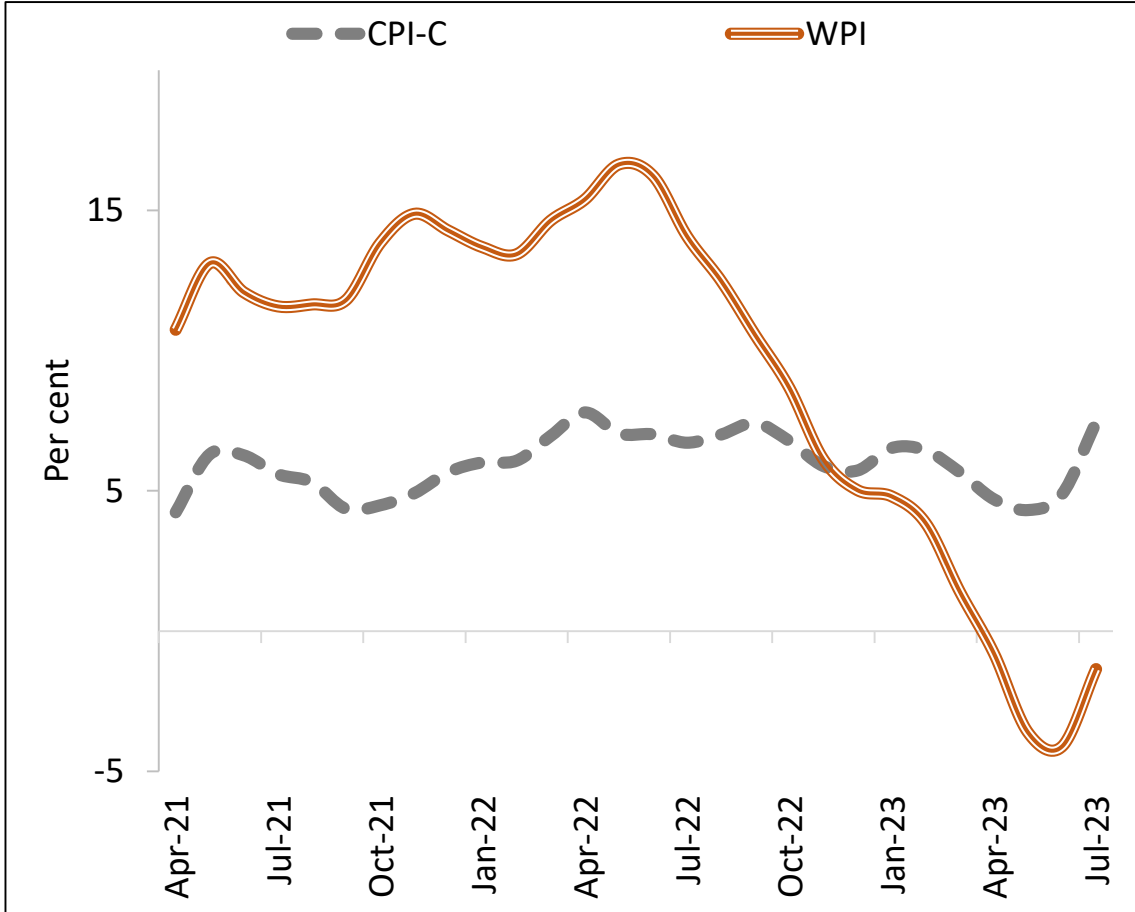


Increasing Capacity Utilisation in the Manufacturing Sector

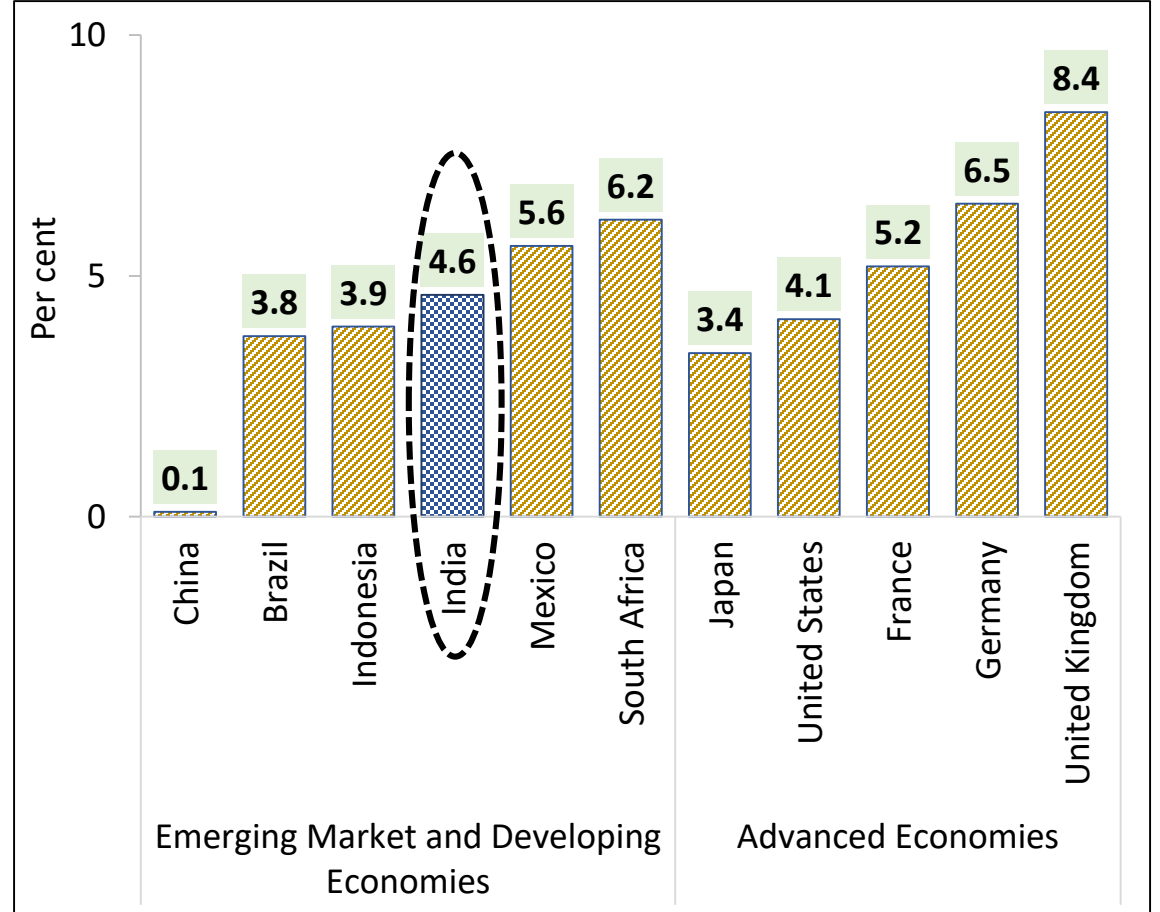


Inflation rose in June and July 2023, but dynamics still better compared to other economies

After witnessing a declining trend, Monthly CPI Inflation rose in July 2023

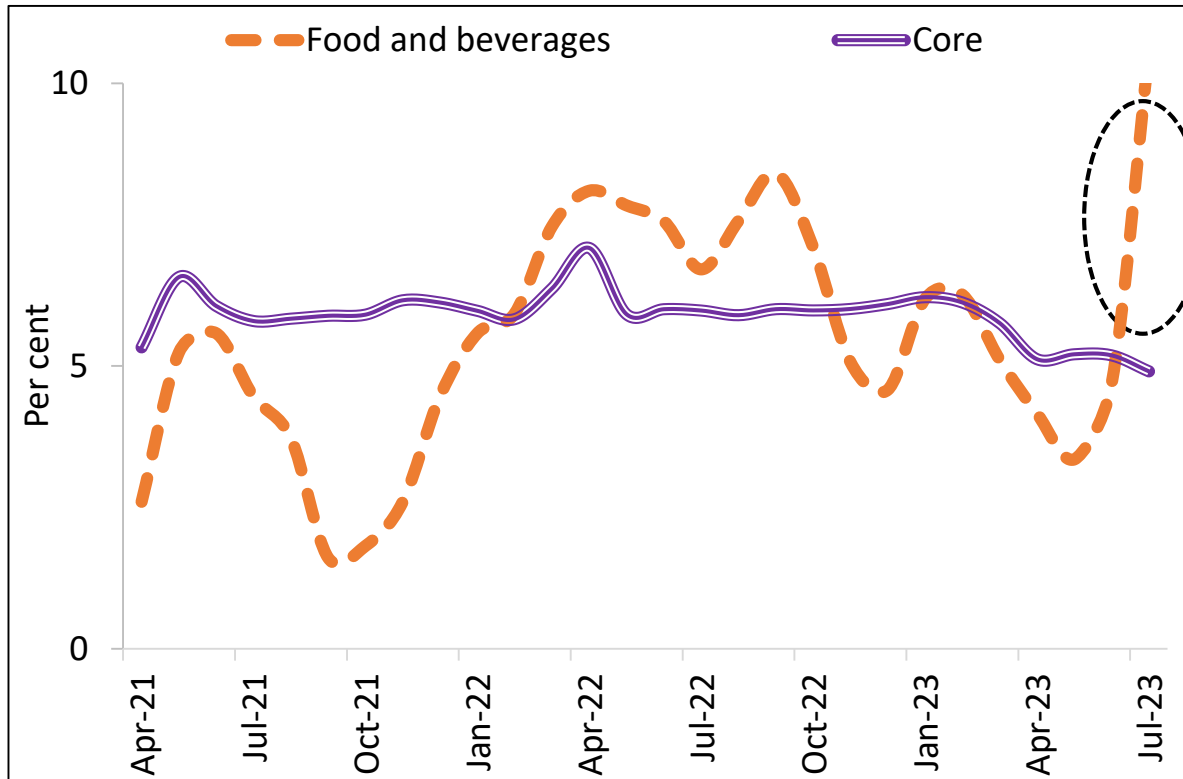


Q1 inflation in India was much lower compared than major AEs and EMEs

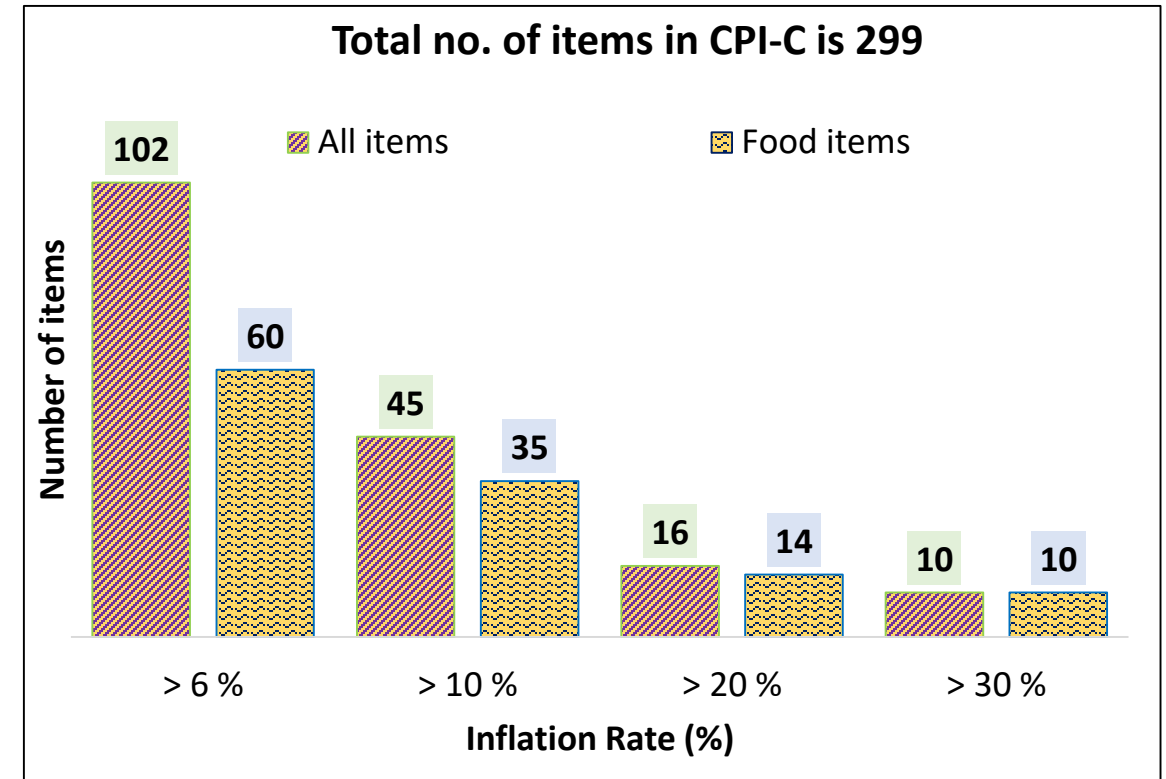


Core inflation declining, food inflation transitory

Weather-related disruptions resulted in a spike in Food Inflation



Specific food items drove the inflation rate in July 2023

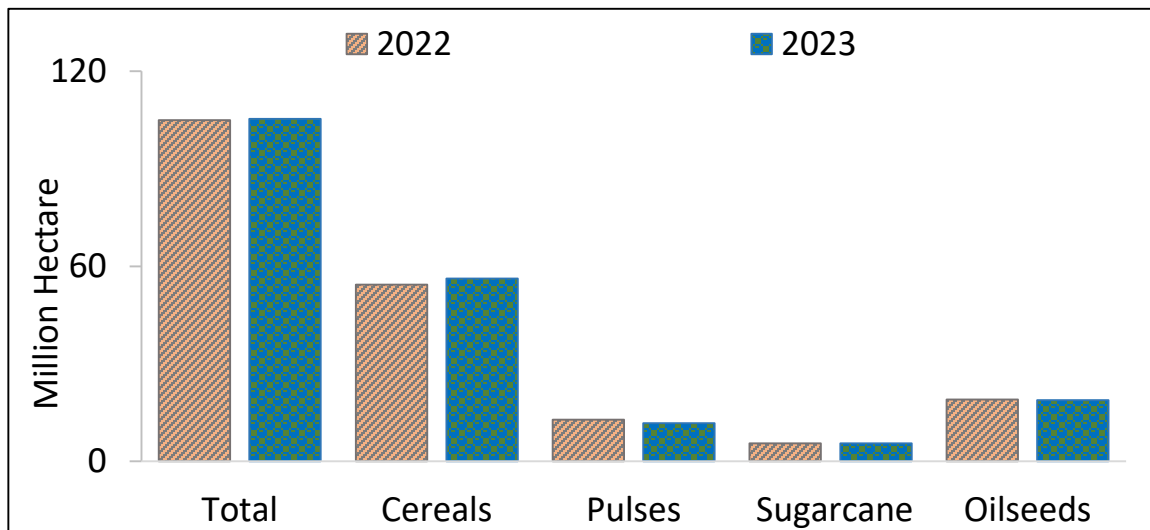


Inflation trajectory will turn downward as: -

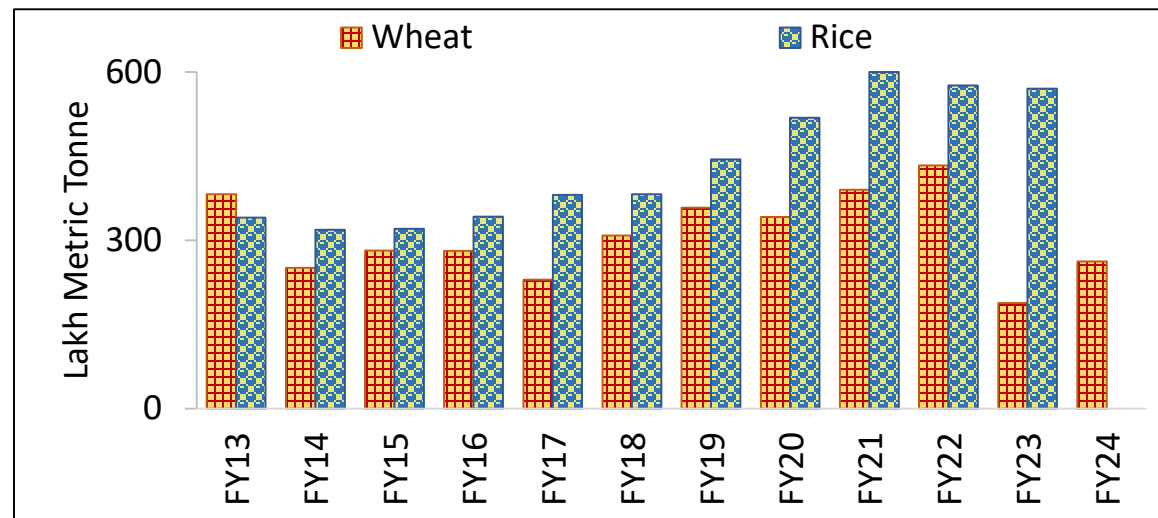
- Core inflation has witnessed moderation
- Tomato prices likely to decline with the arrival of fresh stocks by early September.
- Enhanced imports of tur dal expected to moderate pulses inflation.

Steady performance of agriculture sector would aid in curbing inflationary pressures

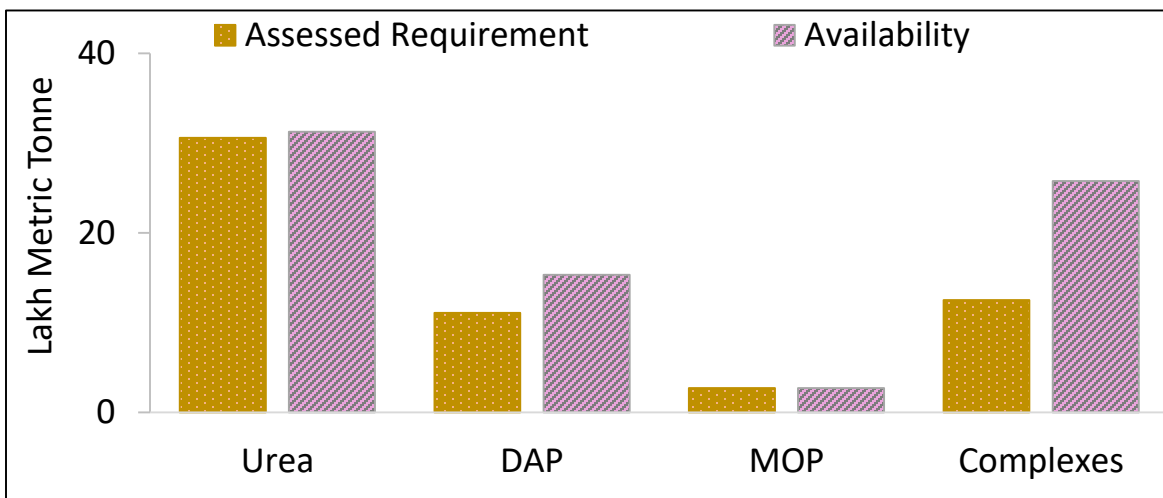
Higher Kharif Sowing (As of 25.08.2023)



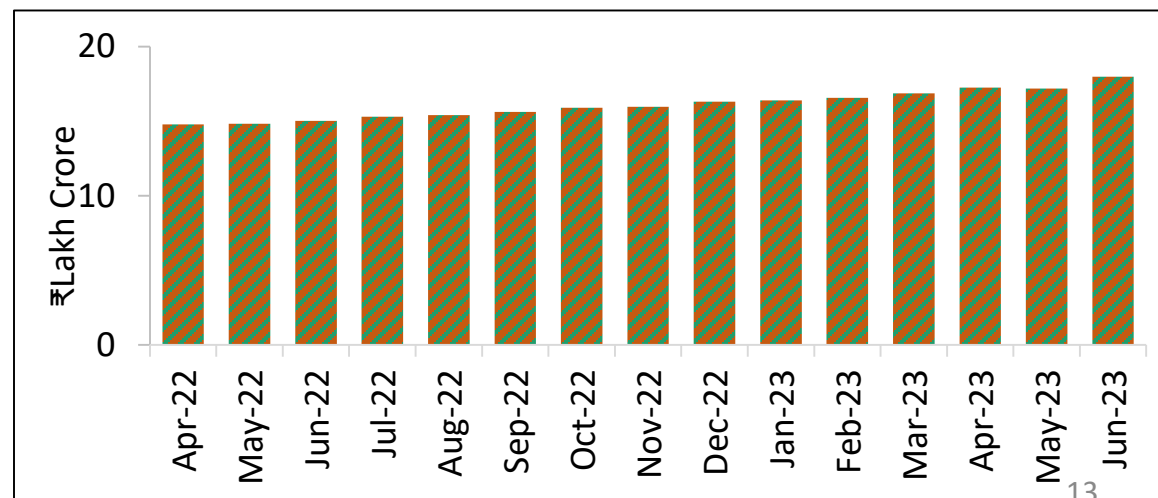
Healthy Procurement of Wheat and Rice



Adequate Fertiliser availability

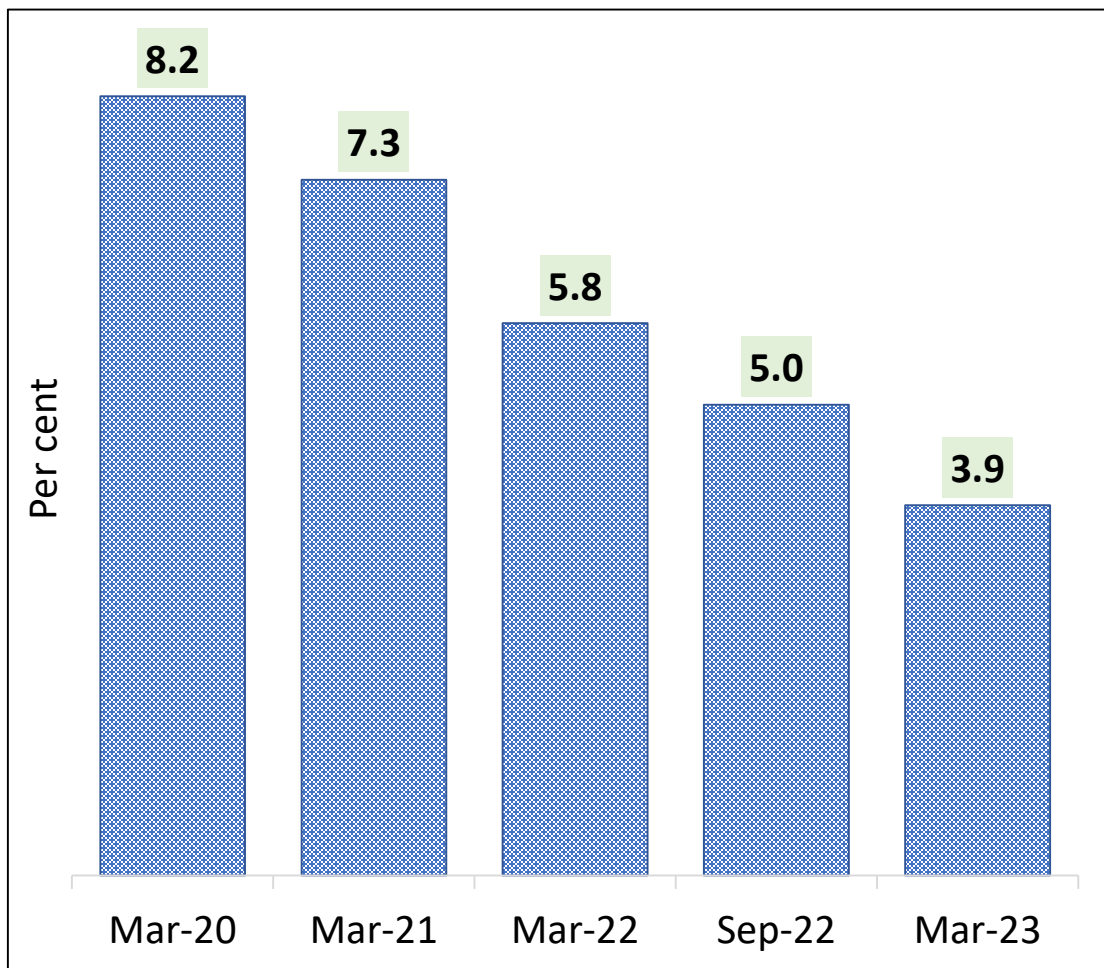


Double-digit growth in bank credit to agriculture

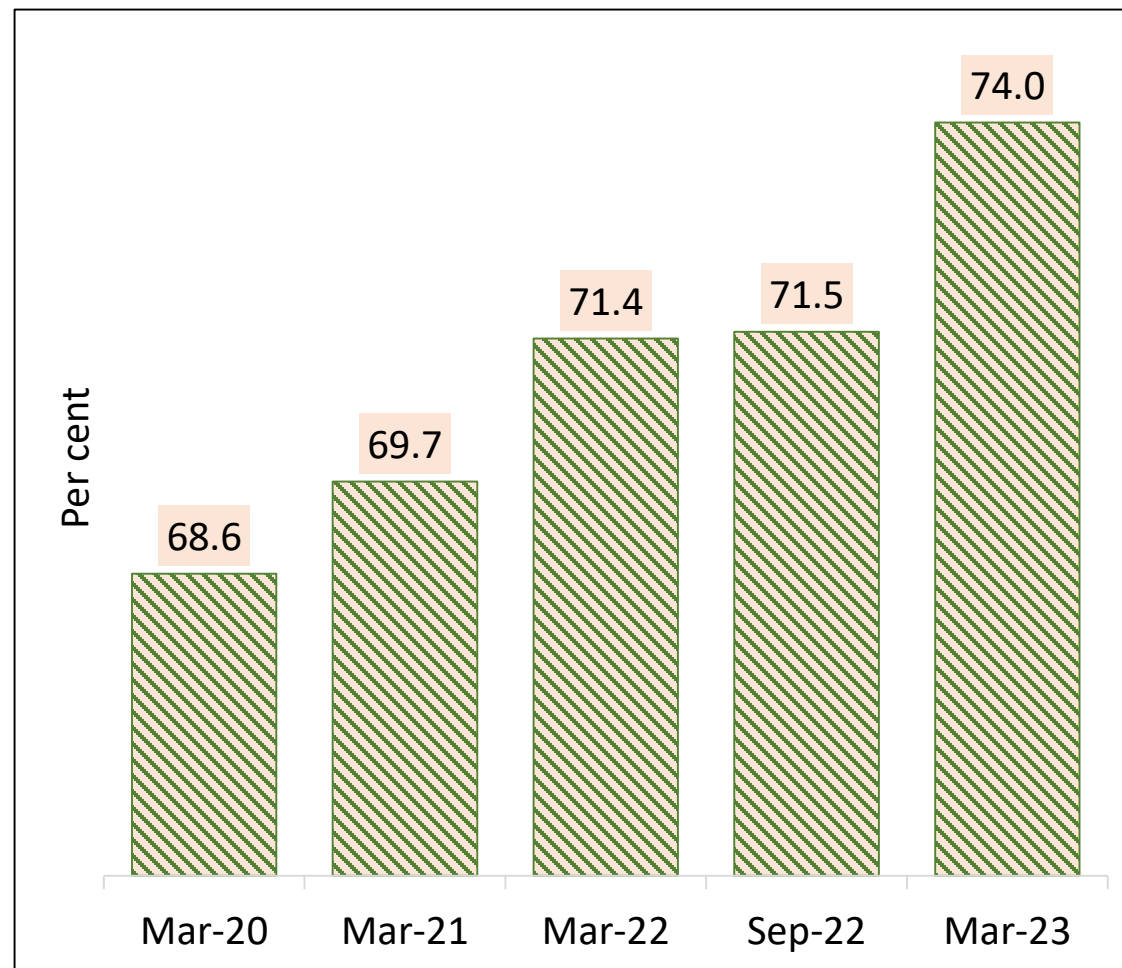


Well capitalised banking sector

A decline in Gross NPAs (As per cent of Advances)



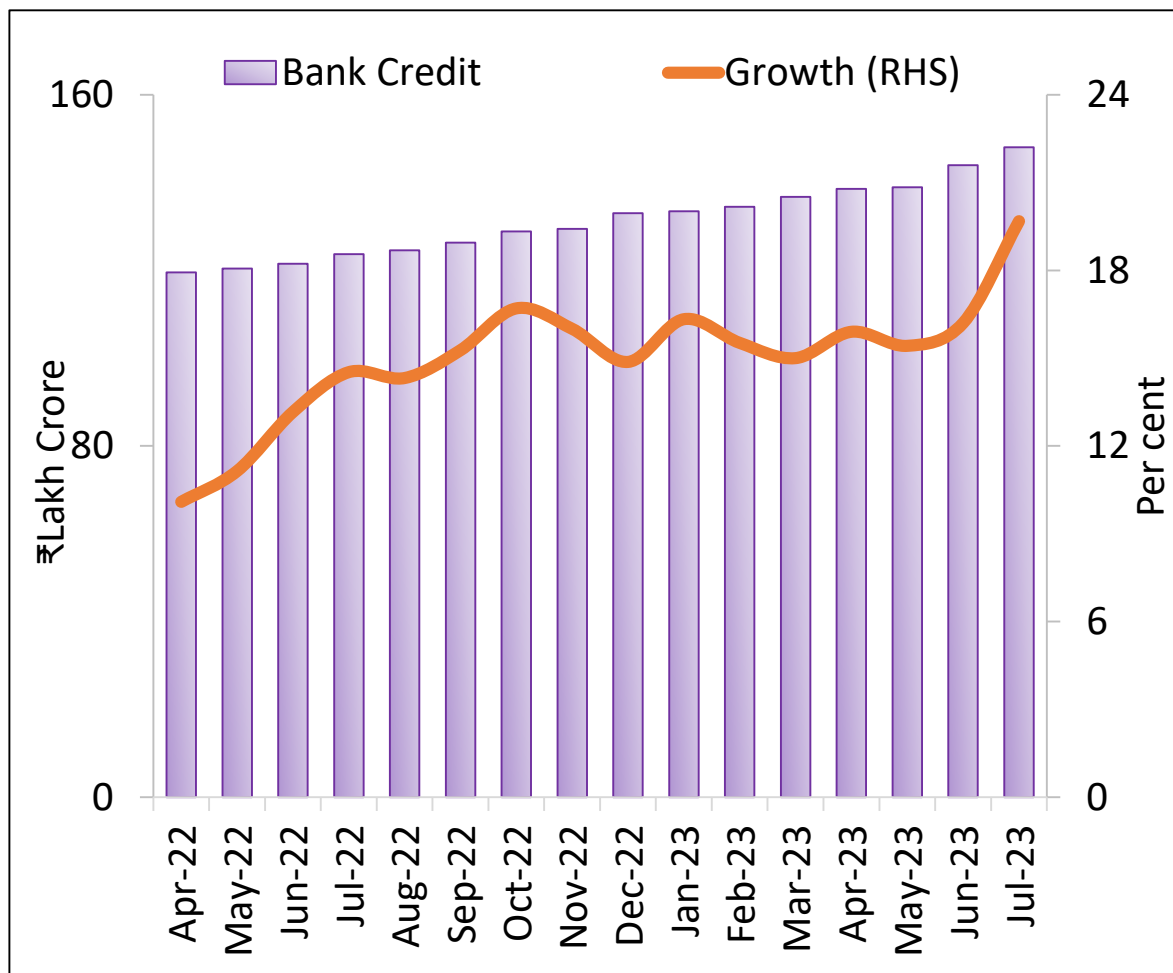
Improvement in Provisional Coverage Ratio (PCR)



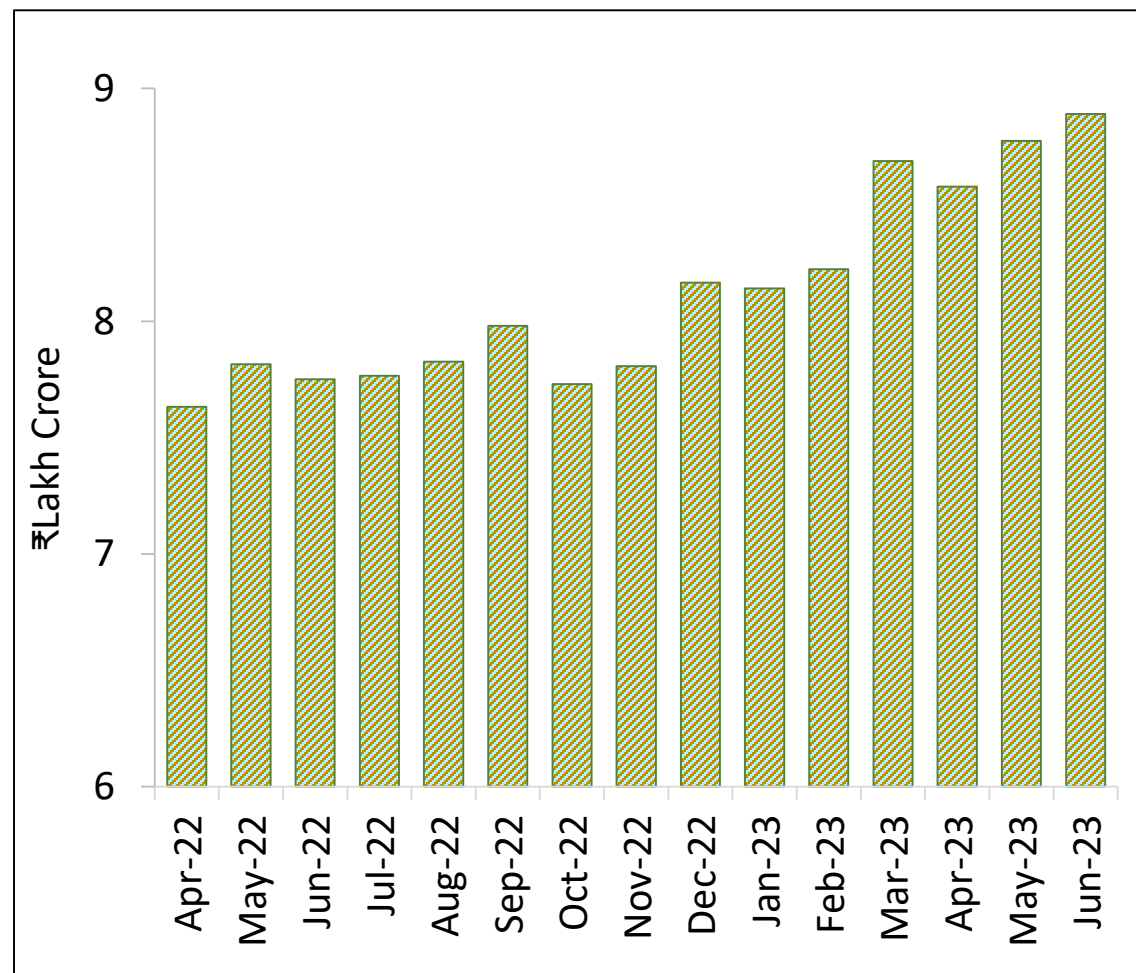
Source: RBI

Credit growth picking up

Double-digit growth in Bank credit since April 2022



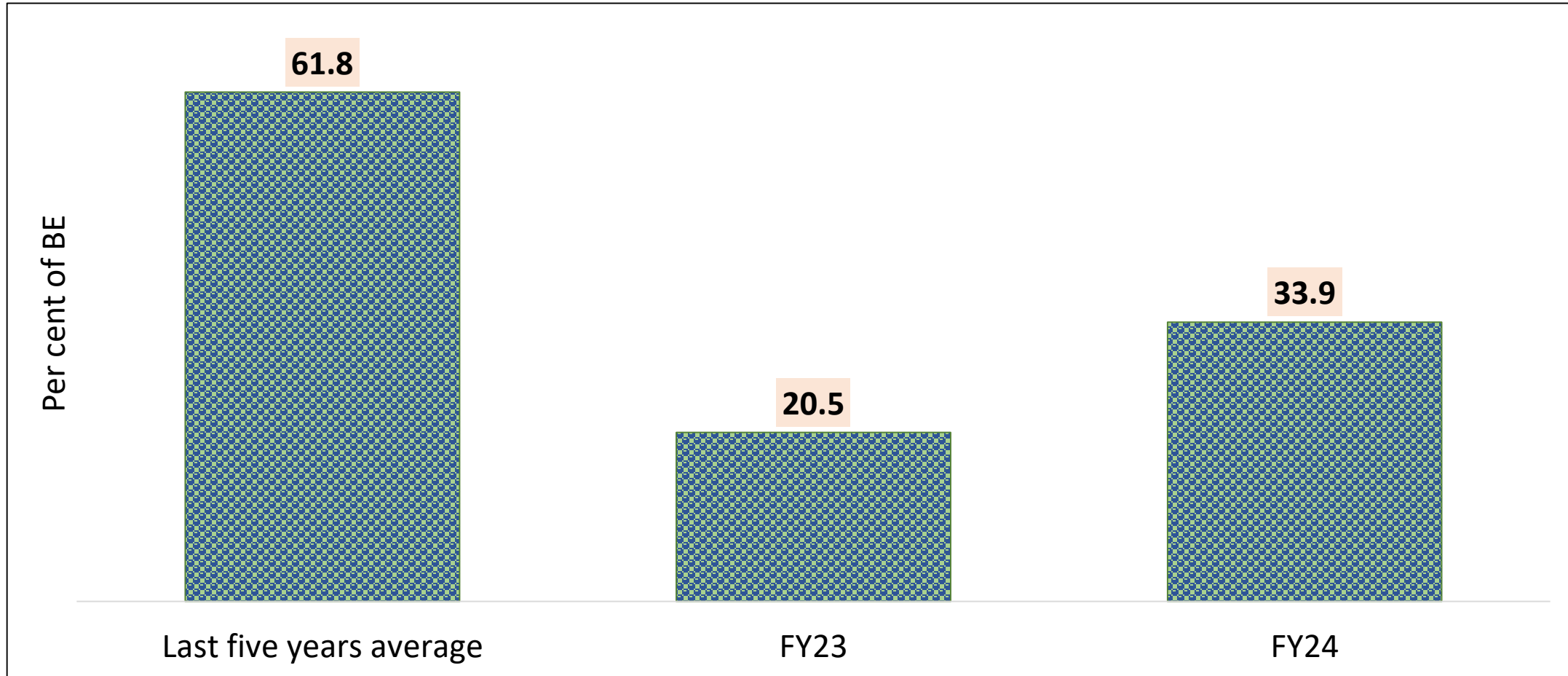
Increased availability of bank credit to MSMEs



Source: RBI

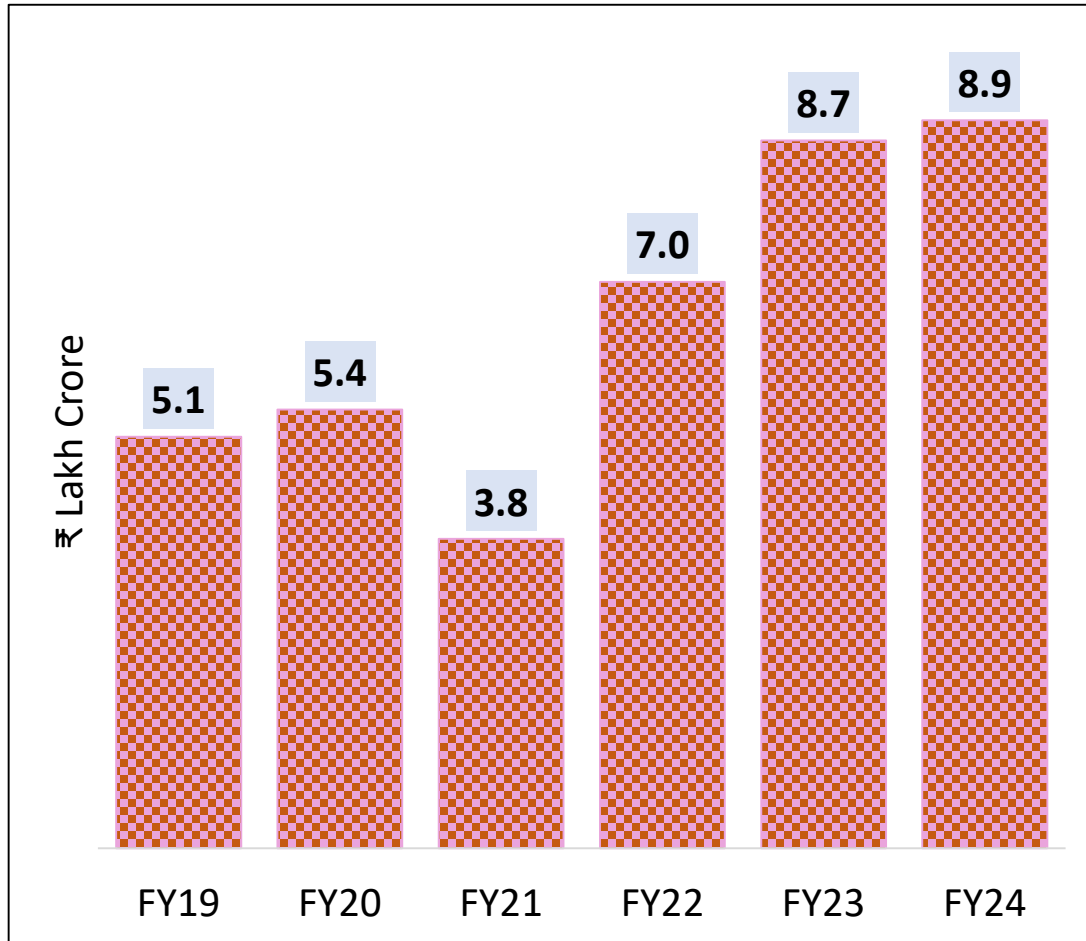
Government on the path of Fiscal consolidation

Fiscal Deficit (% of BE) less than past 5 years average in April-July 2023



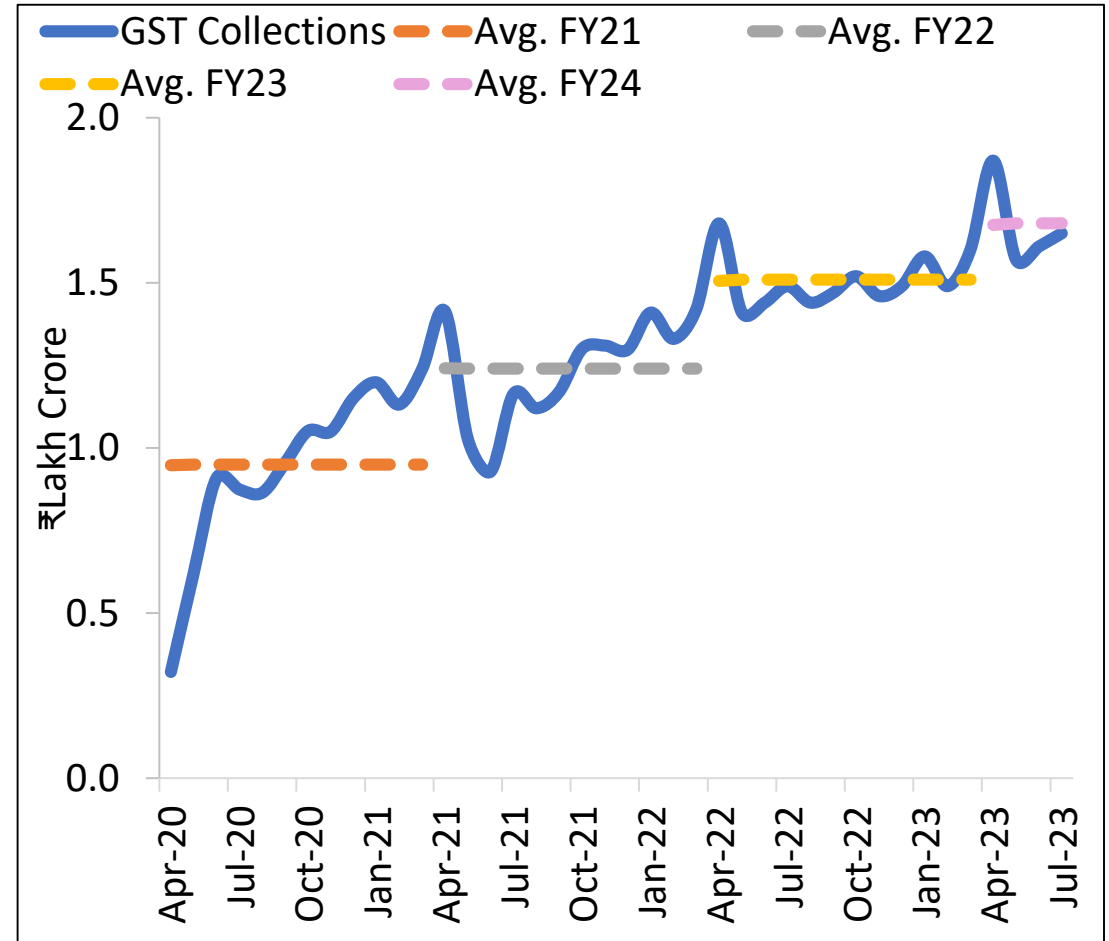
Strong revenue generation contributing to a decline in Fiscal Deficit

Gross Tax Revenue during April-July 2023 higher than in the previous year



Source: CGA, Ministry of Finance

Buoyant monthly GST collections



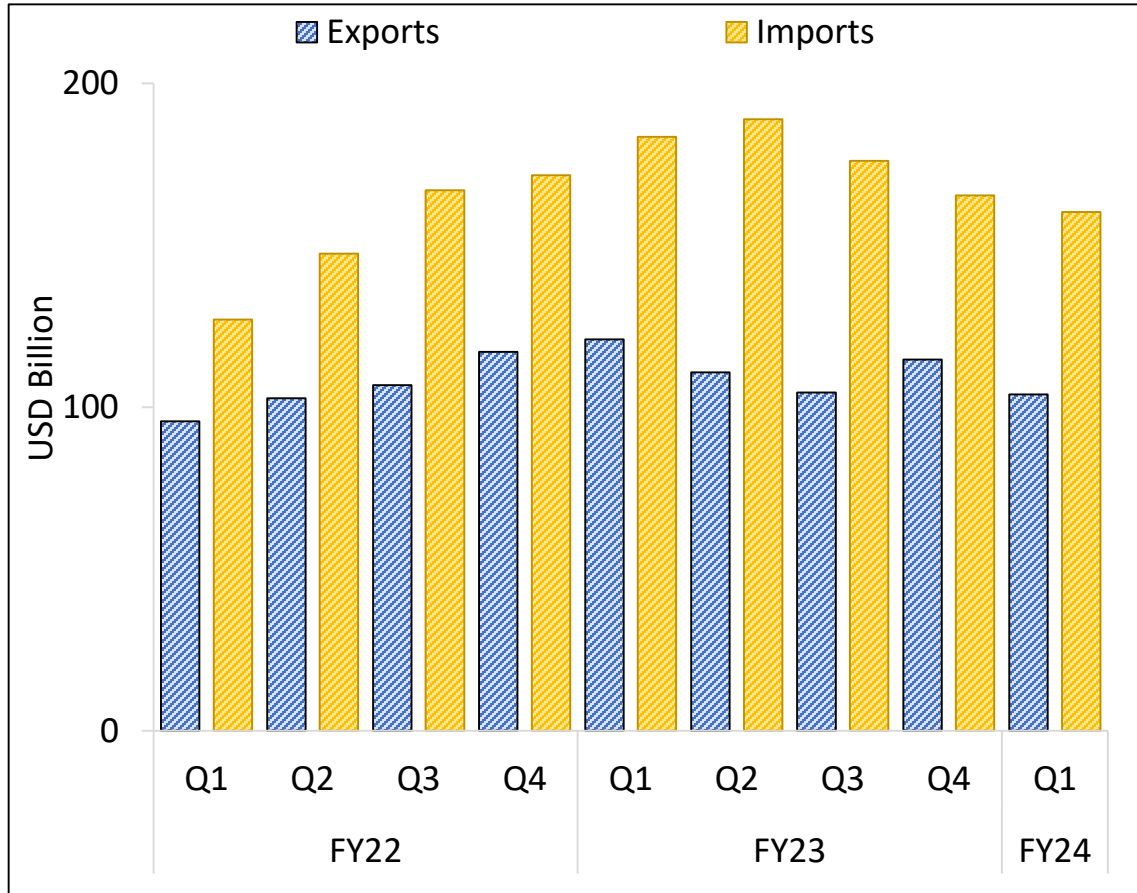
Rationalization of expenditure and improvement in the quality of spending

A decline in Revenue Expenditure to Capital Expenditure Ratio during April-July 2023

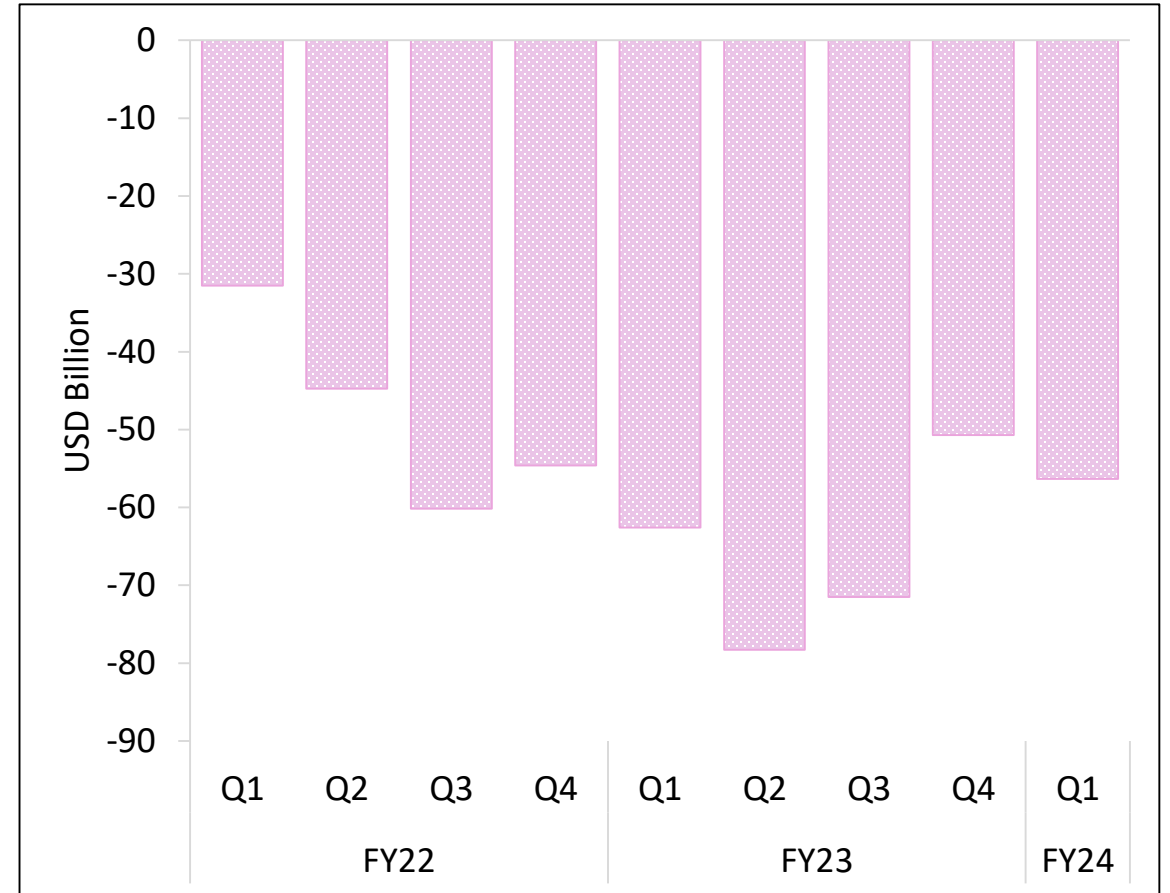


Merchandise trade affected by global trade slowdown

A slowdown in Global demand led to a moderation in exports



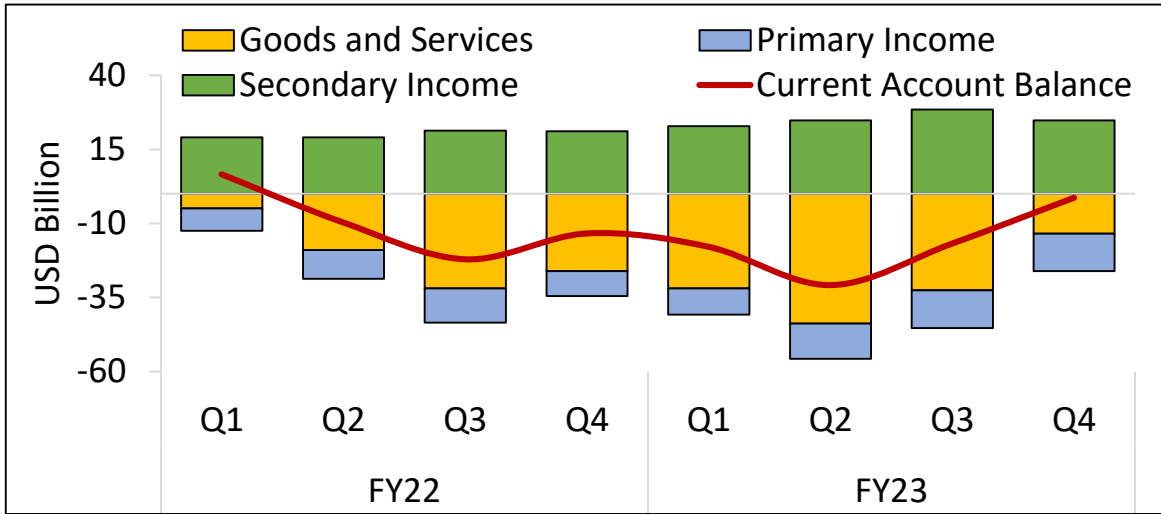
Merchandise trade deficit lower on a YoY basis



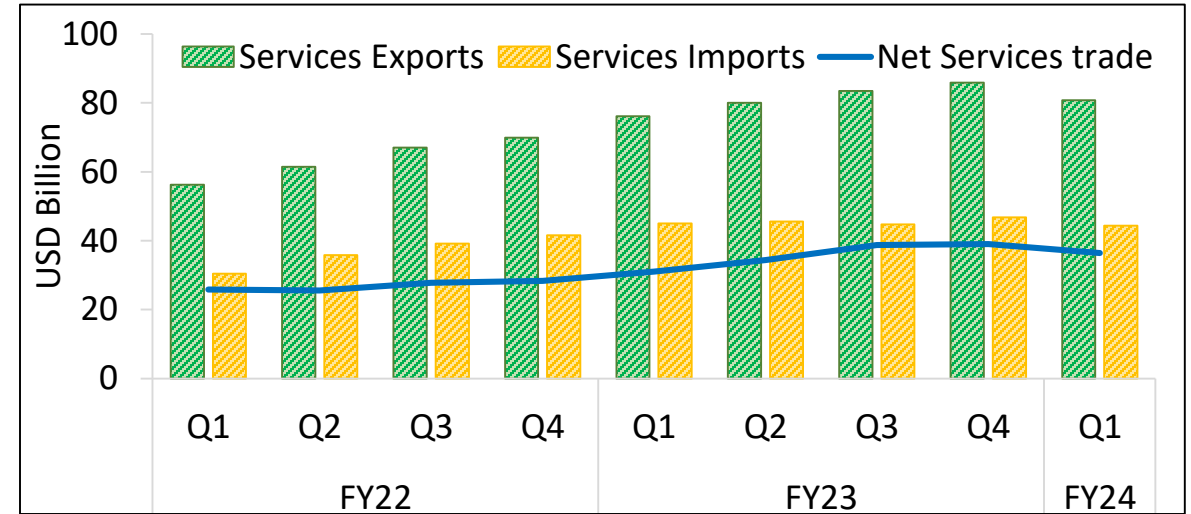
External Sector Stable Despite Headwinds



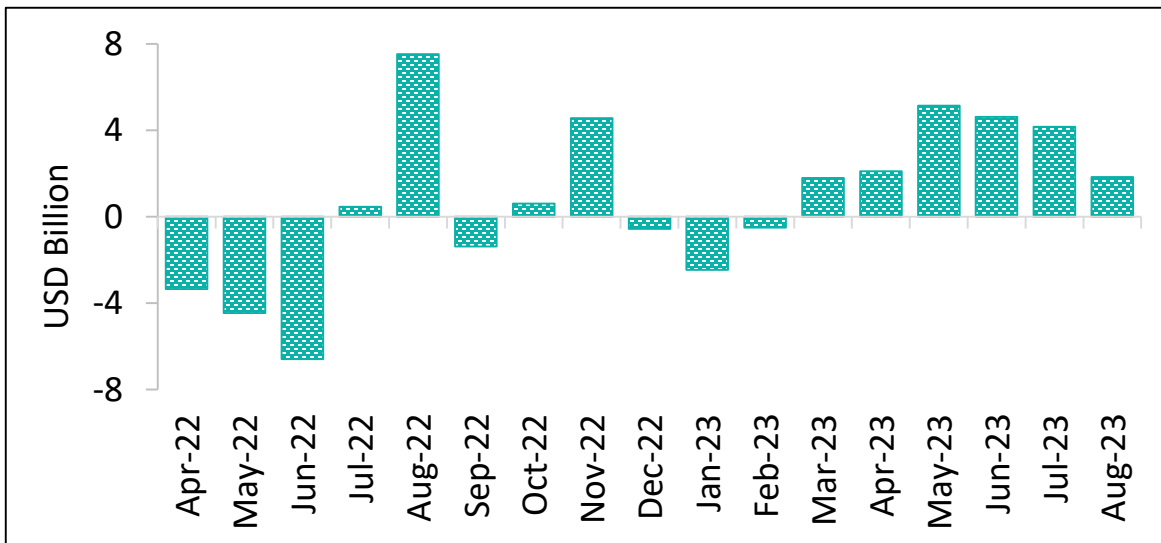
Current Account Deficit narrowed further in Q4 FY23



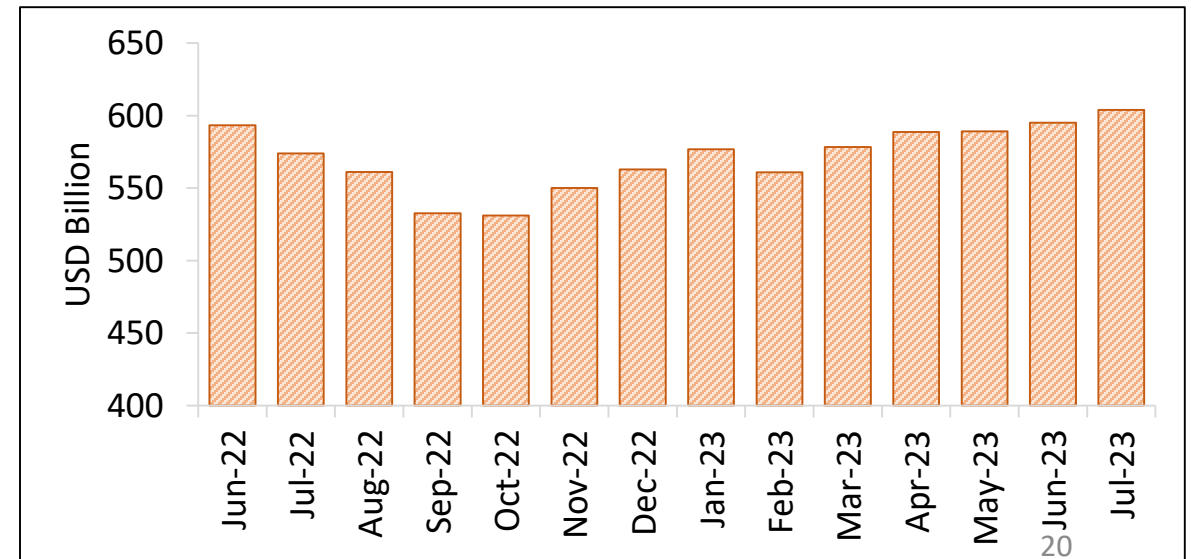
Services Trade surplus holding steady



FPIs in positive territory since Mar-23

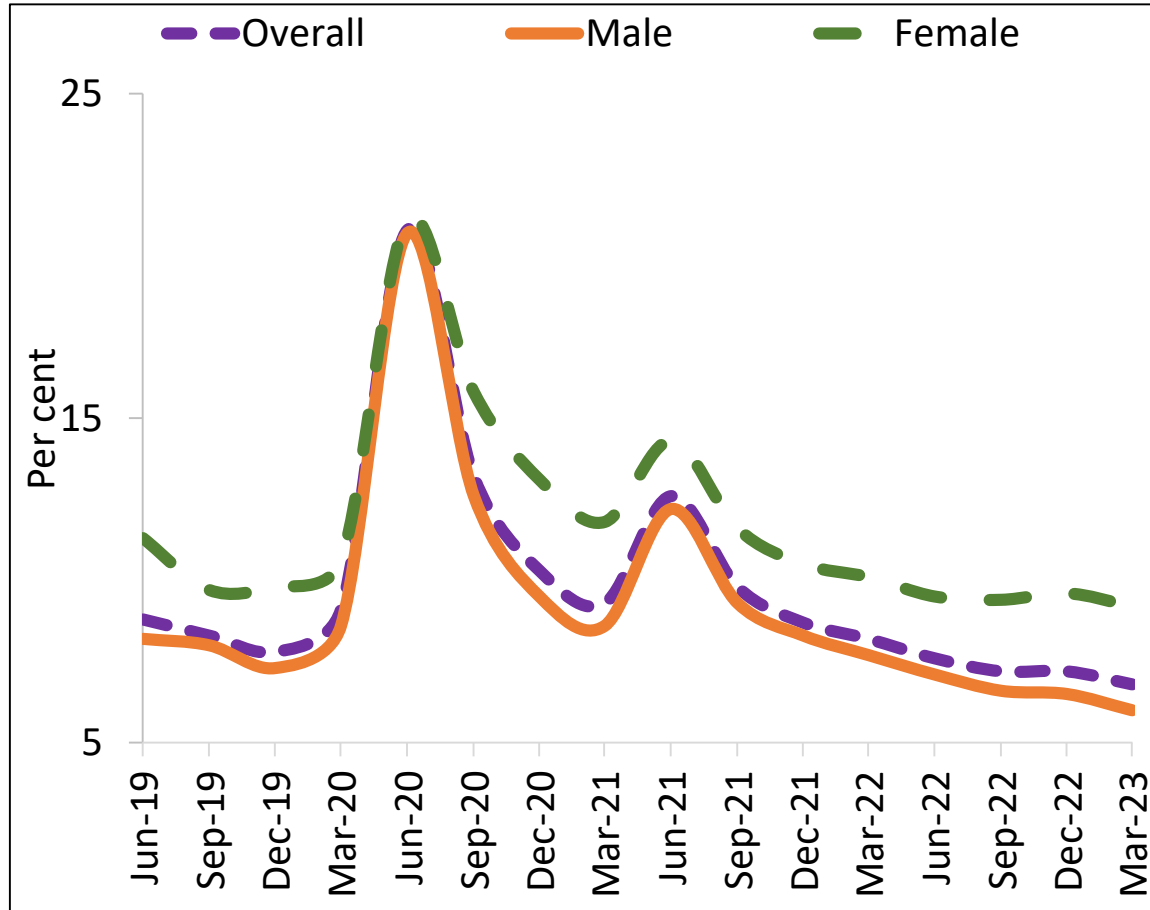


Forex Reserves sufficient to cover 10.7 months of imports

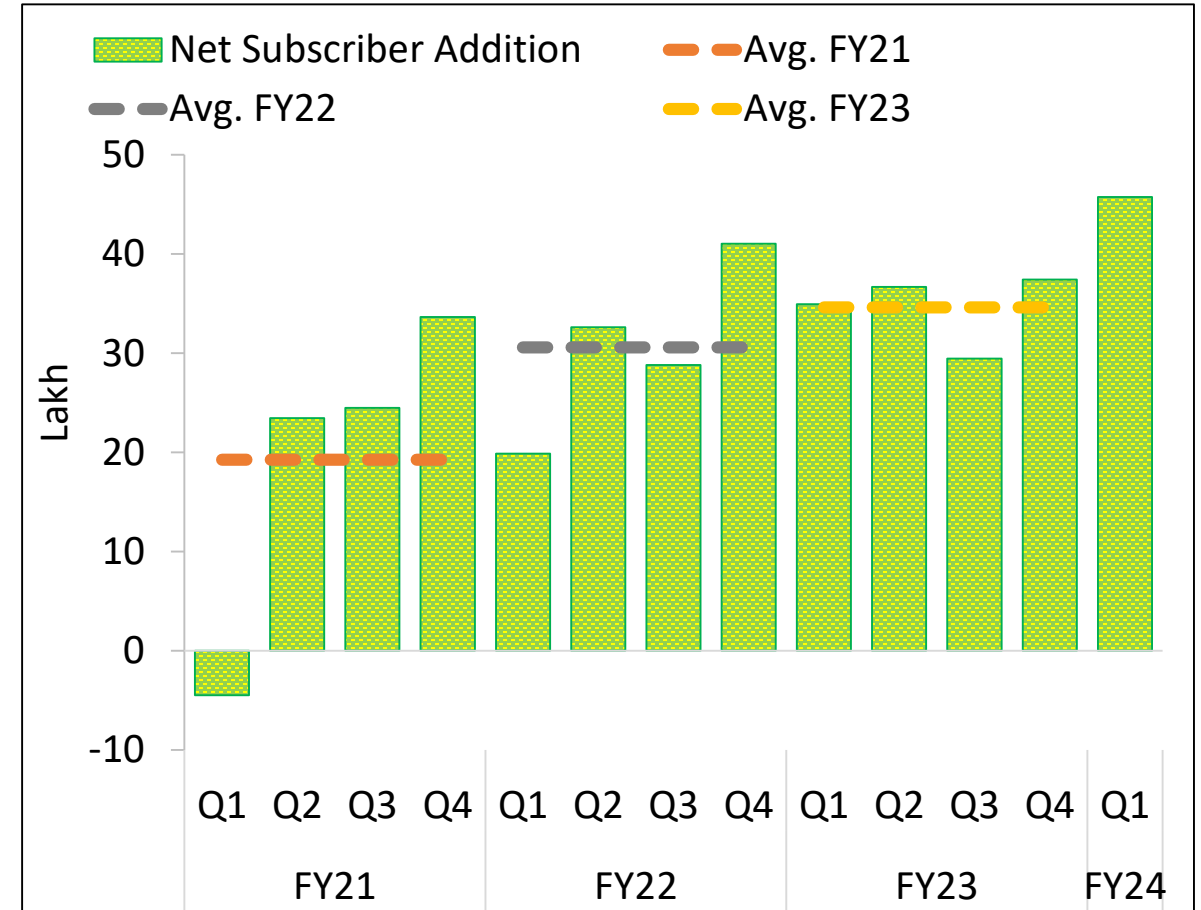


Labour market conditions and avenues of formal employment continue to improve

Unemployment rate witnessed a sustained decline



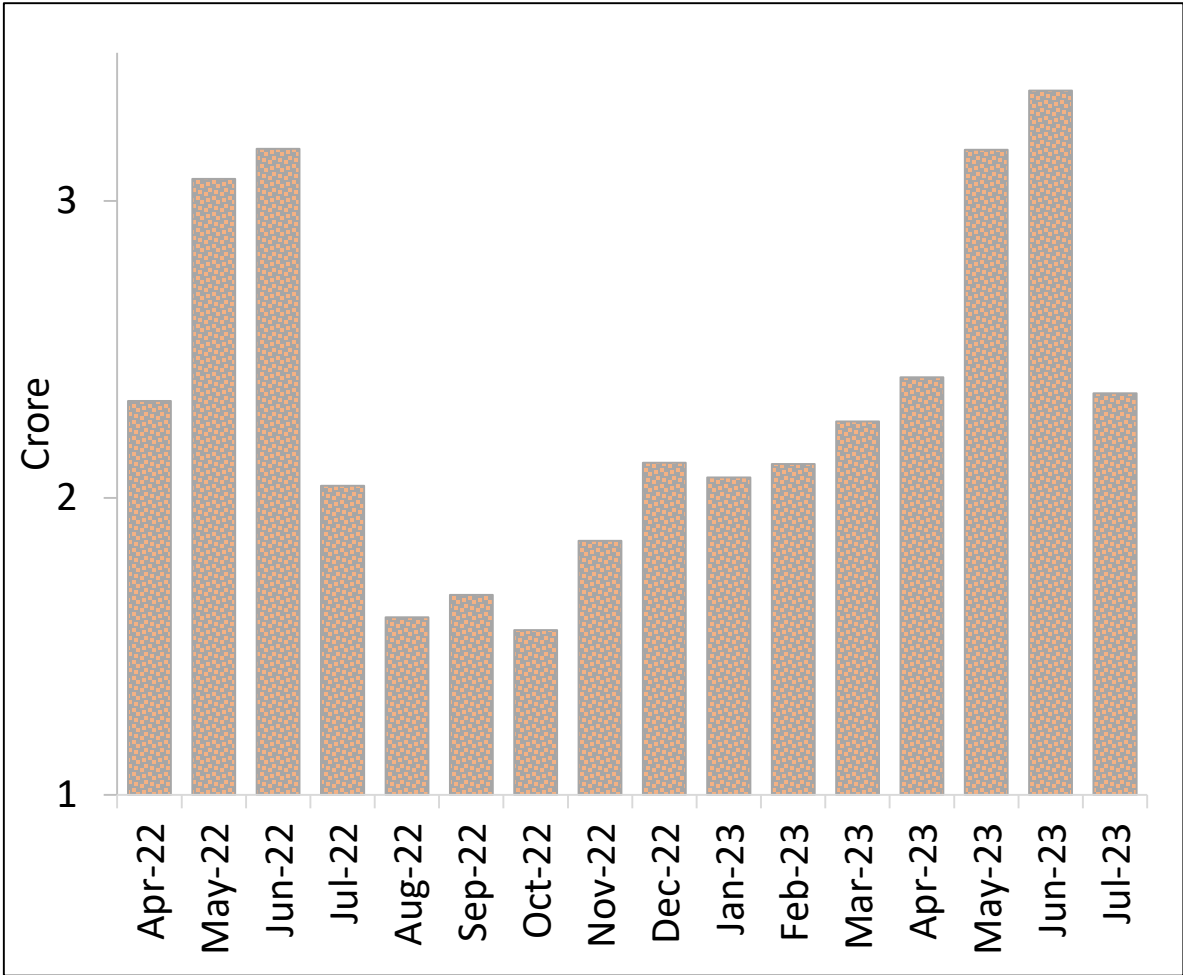
Creation of Formal Employment: Average EPFO Net additions rose to a higher level in FY24



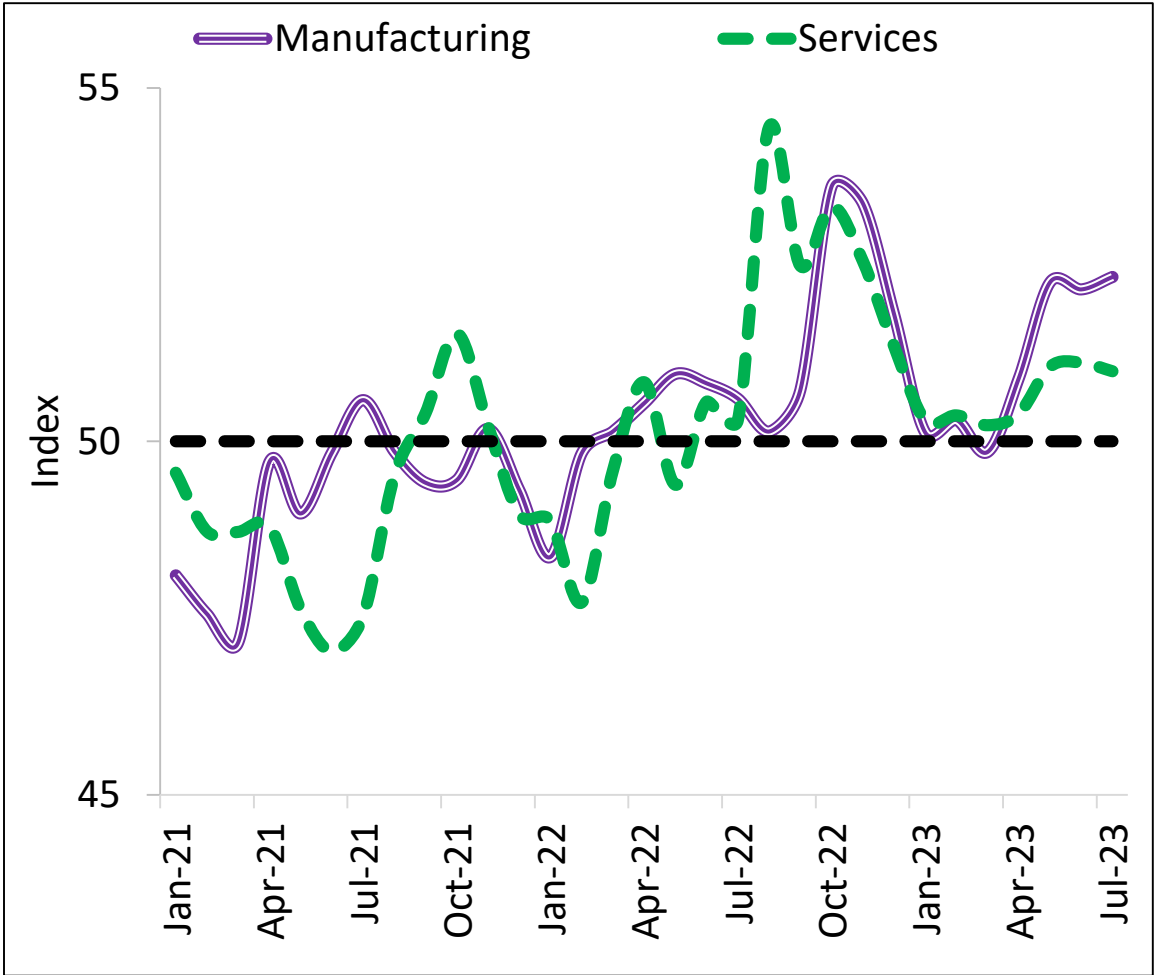
Source: MoSPI and EPFO

Rise in employment generation

Contraction in demand for work under MGNREGS signifying the availability of employment opportunities in rural areas



Employment sub-index of PMI Manufacturing and Services highlight a pick-up in employment



Source: NREGASoft, IHS Markit

High-frequency Indicators for July signal a good start to

Q2:FY24

Indicators	Unit	Period/ at the end of	2021-22	2022-23	2023-24
Industry					
PMI Manufacturing	Index	Jul	52.4	54.9	57.9
Power consumption	Billion kWh	Jul	465.7	532.1	545.3
Steel consumption	Mn Tonnes	Jul	330.3	364.2	406.1
Services					
Average Daily ETC	₹ Crore	Jul	96	134.1	160.2
Port Cargo Traffic	MT	Jul	55.1	63.4	67.9
Rail Freight Traffic	MT	Jul	112.8	122.1	123.9
PMI Services	Index	Jul	45.4	55.5	62.3
Fuel consumption	MT	Jul	16.3	17.7	18.09
UPI (Volume)	Billion	Jul	324.8	628.8	996.4
E-way Bill Volume	Crore	Jul	6.4	7.6	8.8

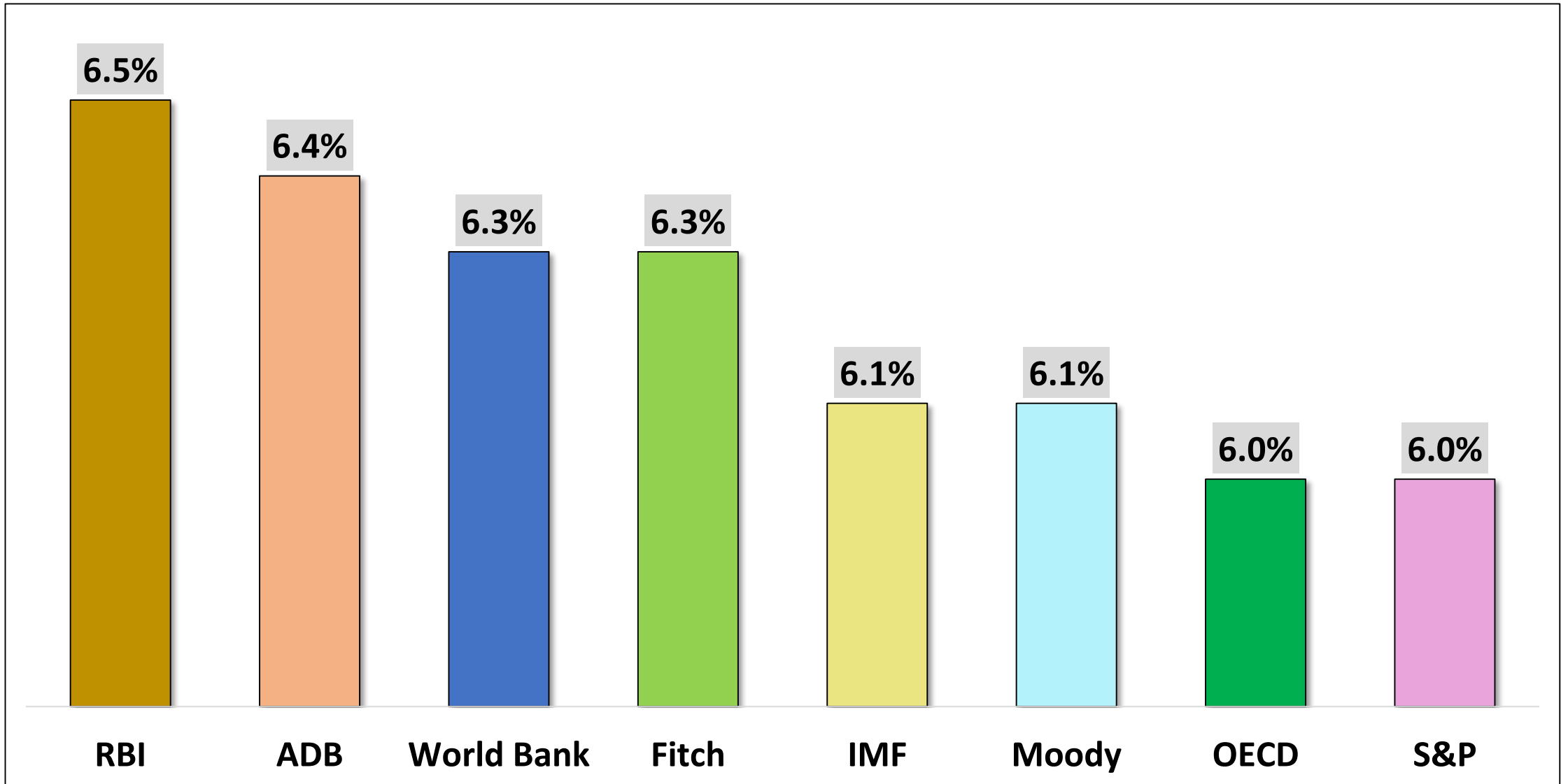
Indicators	Unit	Period/ at the end of	2021-22	2022-23	2023-24
External					
Merchandise exports	USD Billion	Jul	35.5	38.3	32.3
Non-oil exports	USD Billion	Jul	29.7	30.2	27.7
Merchandise imports	USD Billion	Jul	46.2	63.8	52.9
Non-oil non-gold imports	USD Billion	Jul	29.5	41.8	37.6
Net FPI	USD Billion	Jul	-1.2	-3	1.6
Foreign Exchange Reserves	USD Billion	18th Aug	616.9	564.1	594.9
Import Cover	Months	Jul	15.6	10	10.7
Fiscal					
GST Collection	₹ Lakh crore	Jul	1.16	1.49	1.65
Monetary					
Total Bank Credit	₹ Lakh crore	Jul	108	123.7	148

Growth prospects appear bright, though external factors pose a downside risk



- Investment and consumer momentum will underpin solid growth prospects over the upcoming year.
- The private sector is poised to attain stronger investment growth following the strengthening of corporate and bank balance sheets, supported by the government's Capex push.
- Food inflation is likely to subside with the arrival of fresh stock in the market and government pre-emptive measures.
- Expansion of public digital platforms and path-breaking measures such as PM GatiShakti, the National Logistics Policy, and the Production-Linked Incentive schemes to boost manufacturing output.
- A slowdown in the global economy and trade may moderate export growth.
- Firming of prices of Brent Crude may require further vigilance.
- Prolonged geo-political uncertainty and tightened financial conditions also pose a challenge to the growth outlook.

Growth Projections for FY24



Thank You