MANAGERIAL ECONOMIC NEWS ANALYSIS

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TIMES OF INDIA

1.Growth Projection: The Indian government estimates GDP growth of 6.5-7% for the fiscal year 2024-25, which is more conservative than the Reserve Bank of India's (RBI) projection of 7.2%.

2.Optimistic Agencies: Several agencies, including the International Monetary Fund (IMF), have a more optimistic view, with the IMF predicting 7% growth for India in FY25.

3.Domestic Growth Drivers: The survey highlights strong domestic economic growth in FY24 despite global uncertainties, crediting improved balance sheets.

4.Caution on Private Capital: There's a note of caution regarding private capital formation, which might slow down due to concerns about cheaper imports from countries with excess capacity.

5.Recovery from Pandemic: India's economy has recovered significantly from the pandemic, with FY24 real GDP being 20% higher than pre-COVID FY20 levels.

6.Inflation and Long-term Stability: The survey suggests measures for long-term price stability, such as increasing production of major oilseeds and expanding the scope of national missions on edible oils.

Govt sees 6.5-7% growth in FY25, agencies more upbeat

TEAM TOI

India's economy is estimated to grow by 6.5-7% in 2024-25, says Economic Survey, acknowledging that it is conservative, given the fact that market expectations are on the higher side.

The estimate is lower than RBI's projection of 7.2% growth for the current financial year. Several agencies, including IMF, have raised the country's GDP estimates sharply after better than expected expansion of 8.2% in 2023-24. IMF now expects the economy to grow by 7% in 2024-25.

The survey said domestic growth drivers have supported economic growth in FY24, despite uncertain global economic performance. It also said improved balance sheets will help the private sector cater to strong investment demand.

"A note of caution is warranted here. Private capital formation after good growth in last three years may turn slightly more cautious because of fears of cheaper imports from countries that have excess capacity." The survey listed several risks to growth, including geopolitical situation, weather related shocks and supply chain disruptions.

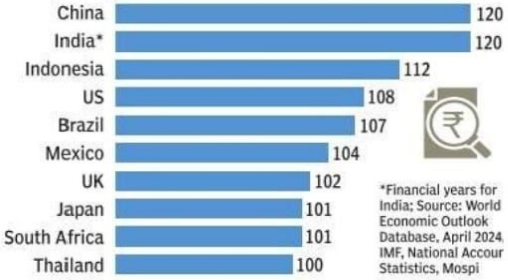
It said Indian economy recovered swiftly from pandemic, with real GDP in FY24 being 20% higher than the pre-Covid FY20 level. "Overall, Indian economy looks forward to FY25 optimistically, anticipating broad-based and inclusive growth."

The survey says short-term inflation outlook for India is benign but listed several options that could be considered from angle of long-term price stability. It called for focused efforts to increase the production of major oilseeds, such as sunflower and rapeseed, mustard, and explore the potential of non-conventional oils, such as rice bran oil and corn oil. "The possibility of expanding scope of national mission on edible oils beyond palm oil to other major oilseeds is worth an examination."

More efforts are needed to expand area under pulses, particularly lentils, tur, and urad in more districts and rice-fallow areas.

LEADING THE PACK

Ratio of GDP (constant prices, national currency) in 2023 to corresponding level in 2019



*Financial years for India; Source: World Economic Outlook Database, April 2024, IMF, National Accounts Statistics, Mospi

HINDUSTAN TIMES

1.Growth Projection: The Economic Survey projects India's GDP growth at 6.5-7% for 2024-25, lower than the RBI's 7.2% estimate and significantly down from 8.2% in FY24, indicating a cautious outlook.

2.Concerns and Potential Roadblocks: The document flags several concerns, including global supply chain disruptions, inflationary pressures, and the impact of geopolitical tensions, particularly with China.

3.China Conundrum: India's economic relationship with China is complex, with challenges in balancing imports and investments while maintaining policy measures to protect domestic interests.

4.Market Instability: The survey highlights potential market instability, noting that India's market capitalization to GDP ratio has increased significantly, which could lead to volatility if global or domestic conditions deteriorate.

5. Employability Crisis: A significant issue is the employability of the growing young population, with only about 5.2% being formally skilled.

6.5-7% growth forecast in cautious eco survey

Rajeev Jayaswal
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NEW DELHI: The Economic Survey on Monday projected India gross domestic product (GDP) growth at 6.5-7% for 2024-25, lower than 7.2% estimated by the Reserve Bank of India last month and significantly down from 8.2% achieved in FY24, in a cautious outlook that flagged a raft of concerns and potential roadblocks, even as it recognised the significant progress made over the past decade.

The document called for a review of India's stance on investments from China so as to boost India's own competitiveness, a rethink of the Reserve Bank of India's inflation-targetting framework to exclude volatile food prices, more effort by the private sector to create jobs, and a need to reform agriculture and strengthen small enterprises.

In his preface chief economic adviser (CEA) V Anantha Nageswaran also put forth a "tripartite compact" the country needs to become a developed nation, an articulated objective of the Narendra Modi government, with the deadline being 2047. The compact, he wrote, is for "... governments to trust and let go, ... private sector to reciprocate the trust with long-term thinking and fair conduct,... public to take responsibility for their finances and their physical and mental health."

The conservative GDP estimate emanated mainly from challenges such as the polarised

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RED FLAGS IN THE DOCUMENT

China conundrum

"The questions India faces are: Is it possible to plug India into the global supply chain without plugging itself into the China supply chain and what is the right balance between importing goods and importing capital from China? As countries attempt to reshore... India's policy choices concerning China are exacting."

Employability crisis

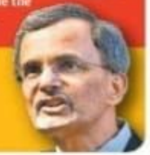
"65% of India's fast-growing population is under 35, and many lack the skills needed by a modern economy. Estimates show that about 51.25 per cent of the youth is deemed employable. In other words, about one in two are not yet readily employable, straight out of college."

Potential market instability

India's market capitalisation to GDP ratio has improved significantly... It is essential to strike a note of caution. The market cap to GDP ratio is not necessarily a sign of economic advancement... If equity market claims on the real economy are excessively high, it is a harbinger of market instability than market resilience."

Ease of doing business

"Uncertainties and interpretations related to transfer pricing, taxes, import duties and non-tax policies remain to be addressed (to overcome the not so favourable environment for FDI."



"We are not pessimistic. We actually are optimistic about growth. We are also mindful of the challenges with regard to progress of monsoon."

"There are some risk factors... and financial market risks are rising in the developed world with spillover effects on India, and also the global geopolitics environment."

– V Anantha Nageswaran, chief economic adviser

INVESTMENTS BY CHINESE ENTITIES WELCOME: SURVEY

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NEW DELHI: The Economic Survey proposed a China-specific strategy for India's growth that welcomed Chinese investments instead of imports of Chinese merchandise, contrary to New Delhi's tough stance in response to the LAC standoff since 2020. →P11

SURVEY CALLS FOR WARINESS OVER RISING MARKETS

MUMBAI: While India's financial sector shows promising growth, the Economic Survey 2023-24 released on Monday cautioned that certain areas need focused attention. Amidst the ongoing regulatory oversight, the survey highlighted that the significant increase in retail investors in the stock market calls for careful consideration. →P13

GLOBAL TIES HELPING INDIA TRADE GROW

NEW DELHI: India is gaining market share in global exports of merchandise and services, benefiting from its strong trade relations across countries, which raised its share in global goods exports to 1.8% and services to 4.3% in FY24 as compared to an average of 1.7% and 3.3% respectively during FY16-FY20, the economic survey said on Monday. →P12

MINT

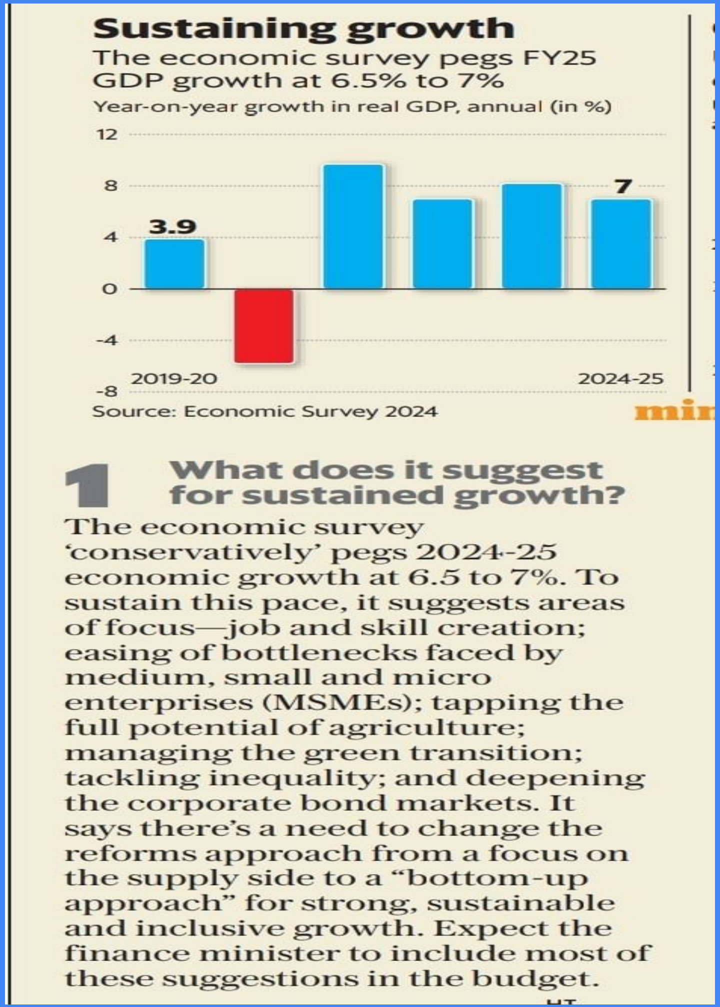
1. Growth Estimate: The Economic Survey conservatively estimates India's GDP growth at 6.5-7% for FY25.

2. Focus Areas for Sustained Growth: Emphasis is placed on job and skill creation, easing MSME bottlenecks, tapping agricultural potential, managing the green transition, tackling inequality, and deepening corporate bond markets.

3. Bottom-Up Approach: The survey suggests shifting from a supply-side focus to a "bottom-up approach" to ensure strong, sustainable, and inclusive growth.

4. Policy Implications: These focus areas and suggested approaches are expected to be reflected in the upcoming budget.

5. Historical Context: The growth projection follows a year-on-year real GDP growth of 3.9% in 2019-20, highlighting the recovery and cautious optimism for the future.



Sustaining growth

The economic survey pegs FY25 GDP growth at 6.5% to 7%

Year-on-year growth in real GDP, annual (in %)

Source: Economic Survey 2024

1 What does it suggest for sustained growth?

The economic survey 'conservatively' pegs 2024-25 economic growth at 6.5 to 7%. To sustain this pace, it suggests areas of focus—job and skill creation; easing of bottlenecks faced by medium, small and micro enterprises (MSMEs); tapping the full potential of agriculture; managing the green transition; tackling inequality; and deepening the corporate bond markets. It says there's a need to change the reforms approach from a focus on the supply side to a "bottom-up approach" for strong, sustainable and inclusive growth. Expect the finance minister to include most of these suggestions in the budget.

FINANCIAL EXPRESS

1. Job Creation Necessity: The Economic Survey emphasizes the need for India to generate approximately 8 million jobs annually until 2036 to sustain economic growth and address unemployment issues.

2. GDP Growth Projections: The survey forecasts India's GDP to grow by 6.5% to 7% in the fiscal year 2024-25, highlighting optimism about the country's economic trajectory.

3. Private Sector Involvement: It urges the private sector to play a significant role in job creation, emphasizing the current profitability of private enterprises and cautioning against over-reliance on automation and artificial intelligence (AI) that might reduce employment opportunities.

4. Foreign Direct Investment (FDI): The report advocates for attracting more FDI from China to boost local manufacturing and support India's export markets, suggesting a strategic economic partnership.

5. Historical Accuracy of Growth Forecasts: The survey provides a comparison of past GDP growth projections versus actual outcomes, showing occasional discrepancies and setting new growth expectations from various financial institutions for the coming year

GDP growth forecast for FY25 at 6.5-7%

Pvt sector must take the baton on capex, jobs

Survey gives a reality test

KG NARENDRANATH
New Delhi, July 22

THE ECONOMIC SURVEY 2023-24 on Monday sounded caution on the Indian economy in a world that is staring at "a future that is immeasurably uncertain". It made a conservative growth forecast of 6.5-7% for the current fiscal, with risks evenly balanced, and envisaged 7%-plus expansion in the medium term.

The growth prediction for 2024-25 is lower than 7.2% seen by the Reserve Bank of India (RBI) and Fitch, and warier than the International Monetary Fund's latest forecast of 7%.

Offering a reality check, the survey suggested a few radical policy shifts, including wooing of foreign direct investment (FDI) from China and putting a stop to privileging capital over labour. While commending the post-pandemic "emergence of the Indian retail investor", the survey warned against risk-prone market practices disguised as financial innovations and contended that a low-per-capita-income country like India could ill-afford these.

Stating that the domestic corporate sector "has never had it so good", with its pre-tax profits quadrupling between FY20 and FY23, it called upon the firms to invest more, and step up hiring and worker compensation. "Employment generation is the real bottom line for the private sector," it said, striking a philosophical tone.

The Economic Survey asked for extending "maximum relief" for small and medium industries from the compliance burden they continue to face, and lamented their lower access to credit.

While the Narendra Modi regime is marked for a more-than-subtle tilt towards centralisation, the survey underscored the need to "steer the country through compacts and consensus".

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V ANANTHA NAGESWARAN, CHIEF ECONOMIC ADVISER

INDIA CAN FOCUS ON AREAS WHERE IT HAS TO BY LETTING GO OF ITS GRIP IN AREAS WHERE IT DOES NOT HAVE TO

Inflation regime could target rate excluding food

INDIA SHOULD CONSIDER a framework targeting "inflation, excluding food", as aiming to reduce the headline rate is effectively directed towards food prices, the Economic Survey said, reports **Priyansh Verma**. Higher food prices are, more often, not demand-induced but supply-induced, while short-run monetary policy tools are meant to counteract price pressures arising out of excess aggregate demand growth, it noted. ■ PAGE 4

AI to hit jobs, a risk to sustained high growth

WITH THE RISE in artificial intelligence (AI) adoption, the number of jobs in the BPO sector is set to go down drastically, report **Manu Kaushik & Priyansh Verma**. There is a need to generate an average of 7.85 million jobs annually until 2030 in the non-farm sector. Since the bulk of the jobs are generated in the private sector, the survey said, "It is in the enlightened self-interest of the corporate

ECONOMIC TIMES

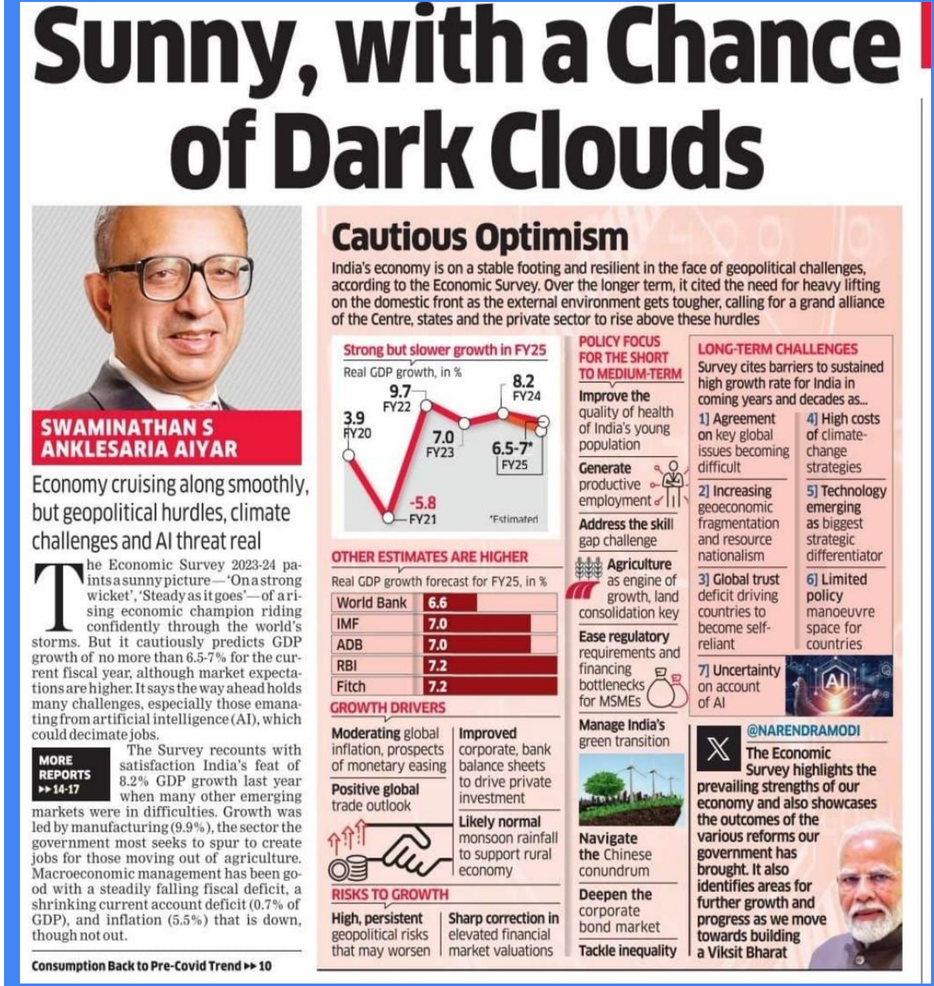
1. Job Creation Goal: The Economic Survey 2023-24 highlights the need to create approximately 8 million jobs annually until 2036 to sustain economic growth and address unemployment.

2. Economic Growth Projection: The survey projects India's GDP growth to be between 6.5% and 7% in the financial year 2024-25.

3. Private Sector Role: It emphasizes the role of the private sector in job creation, urging companies to contribute to employment generation and cautioning against over-reliance on capital-intensive technologies like AI.

4. Foreign Direct Investment (FDI): The survey makes a case for increasing FDI from China, suggesting it could benefit local manufacturing and export markets.

5. Economic Forecasts: The survey compares past GDP growth projections with actual outcomes, noting discrepancies and setting new growth forecasts from institutions like the World Bank and IMF



Sunny, with a Chance of Dark Clouds

SWAMINATHAN S ANKLESARIA AIYAR

Economy cruising along smoothly, but geopolitical hurdles, climate challenges and AI threat real

The Economic Survey 2023-24 paints a sunny picture—'On a strong wicket', 'Steady as it goes'—of a rising economic champion riding confidently through the world's storms. But it cautiously predicts GDP growth of no more than 6.5-7% for the current fiscal year, although market expectations are higher. It says the way ahead holds many challenges, especially those emanating from artificial intelligence (AI), which could decimate jobs.

MORE REPORTS ▸▸ 14-17

The Survey recounts with satisfaction India's feat of 8.2% GDP growth last year when many other emerging markets were in difficulties. Growth was led by manufacturing (9.9%), the sector the government most seeks to spur to create jobs for those moving out of agriculture. Macroeconomic management has been good with a steadily falling fiscal deficit, a shrinking current account deficit (0.7% of GDP), and inflation (5.5%) that is down, though not out.

Consumption Back to Pre-Covid Trend ▸▸ 10

Cautious Optimism

India's economy is on a stable footing and resilient in the face of geopolitical challenges, according to the Economic Survey. Over the longer term, it cited the need for heavy lifting on the domestic front as the external environment gets tougher, calling for a grand alliance of the Centre, states and the private sector to rise above these hurdles

Strong but slower growth in FY25

Real GDP growth, in %

OTHER ESTIMATES ARE HIGHER

Real GDP growth forecast for FY25, in %

World Bank	6.6
IMF	7.0
ADB	7.0
RBI	7.2
Fitch	7.2

GROWTH DRIVERS

- **Moderating** global inflation, prospects of monetary easing
- **Positive global** trade outlook
- **Improved** corporate, bank balance sheets to drive private investment
- **Likely normal** monsoon rainfall to support rural economy

RISKS TO GROWTH

- **High, persistent** geopolitical risks that may worsen
- **Sharp correction in** elevated financial market valuations

POLICY FOCUS FOR THE SHORT TO MEDIUM-TERM

- **Improve the** quality of health of India's young population
- **Generate** productive employment
- **Address the skill** gap challenge
- **Agriculture** as engine of growth, land consolidation key
- **Ease regulatory** requirements and financing bottlenecks for MSMEs
- **Manage India's** green transition
- **Navigate** the Chinese conundrum
- **Deepen the** corporate bond market
- **Tackle inequality**

LONG-TERM CHALLENGES

Survey cites barriers to sustained high growth rate for India in coming years and decades as...

1] **Agreement** on key global issues becoming difficult

2] **Increasing** geoeconomic fragmentation and resource nationalism

3] **Global trust** deficit driving countries to become self-reliant

4] **High costs** of climate-change strategies

5] **Technology emerging** as biggest strategic differentiator

6] **Limited policy** manoeuvre space for countries

7] **Uncertainty** on account of AI

@NARENDRAMODI

The Economic Survey highlights the prevailing strengths of our economy and also showcases the outcomes of the various reforms our government has brought. It also identifies areas for further growth and progress as we move towards building a Viksit Bharat

SUMMARY

1. GDP Growth Projection: India's GDP growth is estimated at 6.5-7% for FY25, lower than the RBI's 7.2% but reflecting cautious optimism given past improvements and global uncertainties.

2. Economic Concerns: Key concerns include the China conundrum, market instability, an employability crisis among the youth, and challenges in ease of doing business due to policy and regulatory uncertainties.

3. Focus Areas for Sustained Growth: To maintain growth, the survey suggests job and skill creation, supporting MSMEs, enhancing agricultural productivity, managing the green transition, addressing inequality, and deepening corporate bond markets with a shift to a bottom-up approach.

4. Positive Indicators and Recovery: Despite challenges, the survey notes significant recovery from the pandemic, with a real GDP increase and an optimistic outlook supported by potential policy measures and global economic ties.