



ECONOMY

State of the Indian Economy

World Bank predicts 7% GDP growth for India in FY25: As per World Bank, India's economic expansion is projected to be 7% in FY25 with larger-than-expected agricultural output and policies designed to raise employment growth and contribute to strong private consumption. The World Bank has raised its growth forecast for South Asia to 6.4% in 2024 from an earlier estimate of 6%, citing the strength of domestic demand in India and quicker recoveries in crisis-hit countries such as Sri Lanka and Pakistan.

IIP marginal fall in 22 months fuels worry: India's factory output growth, as measured by the Index of Industrial Production (IIP), fell marginally by 0.1% in August 2024. This was the index's first contraction in 22 months. Production shrank mainly due to the statistical effect of a high base and subdued mining & electricity output. The IIP had grown 4.7% in July this year and 10.3% in the year ago period. So far, this fiscal, IIP has contracted sequentially in four of the first five months, a pattern that was last seen in 2016. At the use-based level, however, four of the six sectors saw a growth in output, notably consumer durables (5.2%) and intermediate goods (3%). The steady growth in consumer durables is a positive for consumption demand in the economy, but a sustained decline in consumer non-durables (-4.5% in August 2024) indicates that the stress in rural demand hasn't bottomed out.

MSP for winter crops hiked by 2.4-7%: The government announced annual hikes in the range of 2.4 -7% in the minimum support prices (MSP) for the winter-sown crops for the marketing season 2025-26 (April-June 2025). The MSP of wheat, the key rabi crop, has been raised by 6.6% to Rs 2,425/quintal for 2025-26 season, while in the previous year the remunerative price were hiked by 7.05%, the steepest rate ever, to Rs 2,275/quintal.

Wheat stocks fall to 7.73 MT, a 16-year low: Wheat stocks in the central pool fell to a 16-year low of 7.73 million tonnes (MT) due to low

procurement for the last two years, and aggressive sale of grains in the open market by Food Corporation of India (FCI) in FY2024. FCI annually requires around 18 MT of wheat annually for distribution of grain under the free ration scheme – Pradhan Mantri Garib Kalyana Anna Yojana. In anticipation of a robust harvest and heightened procurement, the government has decided against extending stock holding limits imposed on wheat beyond 31 March 2024. The decision is aimed at managing the overall food security and to prevent hoarding and unscrupulous speculations. FPI flows are expected to remain strong and continue increasing their stake in Indian markets.

Direct tax-GDP ratio of 6.64% at millennial high in FY24: The Centre's direct tax-to-GDP ratio in the financial year reached the highest level in the millennium in FY24, if not the highest ever. The ratio, which is a crucial determinant of the country's ability to find resources for physical and social infrastructure projects, and the progressive nature of taxation, came in at 6.64% in the last financial year, up from 6.11% FY23 and 5.97% in FY21. According to the time series data released by the government, since FY01, the previous high for the ratio was 6.3% in FY08.

Paddy procurement in Punjab and Haryana down 39%: The storage crunch in Punjab and Haryana because of surplus rice stocks in the central pool from the previous year has led to a drop on paddy procurement drive in the current kharif marketing season (2024-25). Till 17 October 2024, the Food Corporation of India and state government agencies have purchased 4 million tonne (MT) of paddy from farmers mostly in Punjab, Haryana and Tamil Nadu which is 39% less than 6.52 MT of paddy purchased in the same period last season (2023-24). The government has set a target of a record foodgrain production of 341.55 million tonne (MT) in the 2024-25 crop year (July-June 2025), which is an increase of around 3% from the 2023-24 crop year. Out of these, rabi season is projected to contribute 164.55 MT of foodgrain production such as rice, wheat, pulses



and coarse cereals in the 2024-25 crop year. The foodgrain production for kharif and summer season crops are estimated at 161.37 MT and 2.25 MT, respectively.

Inflation Outlook

CPI inflation escalates to nine-month high of 5.49% in September 2024: India's retail inflation, based on the Consumer Price Index (CPI), escalated to a nine-month high of 5.49% due to high food prices, data released by the Ministry of Statistics & Programme Implementation (MoSPI). In August 2024, CPI inflation came in at 3.65%, marginally higher than 3.6% the previous month. The previous high was recorded in December 2023 at 5.69%. The Consumer Food Price Index (CFPI), the index of food inflation, came in at 9.24% for the month of September 2024 and the corresponding inflation rate for rural and urban stood at 9.08% and 9.56%, respectively. Year-on-year housing inflation rate for the month of September 2024 stood at 2.78% as against 2.66% in August 2024. The All-India Electricity index and inflation for the month of September 2024 are 162.5% and 5.45% respectively.

India's WPI inflation rises to 1.84% in September 2024: India's wholesale price index (WPI)-based inflation for the month of September 2024 accelerated to 1.84% on an annual basis in comparison to a four-month low of 1.31% in August 2024, showed the provisional data released by the Ministry of Commerce & Industry. As per the release by the Ministry of Commerce & Industry, inflation for food articles recorded a surge as it went up to 11.53% in September 2024 as compared to 3.11% in August 2024. The inflation rate for primary articles went up to 6.59% in September 2024 from 2.42% in August 2024. The fuel and power inflation were at -4.05% in September 2024 as against -0.67% in August 2024. Inflation of manufactured products came in at 1.00%.

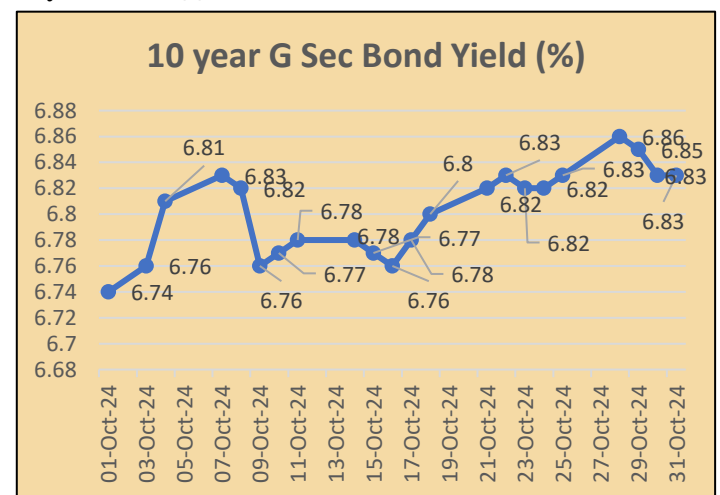
Soaring vegetable prices push food inflation to 3-month high of 9.24%: Retail food inflation rose sharply to a three-month high of 9.24% in September 2024, compared to 5.66% in August

2024 as prices of vegetables soared, and edible oils entered the inflation zone. The jump in food and beverages inflation in September 2024 compared to August 2024 was largely led by vegetable inflation, which surged to a 14-month high of 36% in September 2024 from 10.7% in the previous month. Inflation in onion and potato prices rose by 66% and 64.9% respectively in September 2024. Tomato prices rose by 42% last month on account of base effect. Tomato prices declined sharply by 47% in August 2024 because high prices prevailed a year ago.

Interest Rate Outlook

The Reserve Bank of India's Monetary Policy Committee (MPC): On 9 October 2024, RBI decided to keep the policy repo rate unchanged at 6.50% for the 10th consecutive time. Of the six members of the MPC, five voted in favour of the decision, which is aimed at taming inflation.

Bond Yield Movement: India 10Y Bond Yield was 6.83 percent on 7 November 2024, according to over-the-counter interbank yield quotes for this government bond maturity. Historically, the India 10-Year Government Bond Yield reached an all time high of 14.76 in April of 1996. The India 10-Year Government Bond Yield is expected to trade at 6.82% by the end of this quarter, according to Trading Economics global macro models and analysts expectations. Looking forward, it is estimated to trade at yield of 6.77% in 12 months' time.



CMIE, worldgovernmentbonds

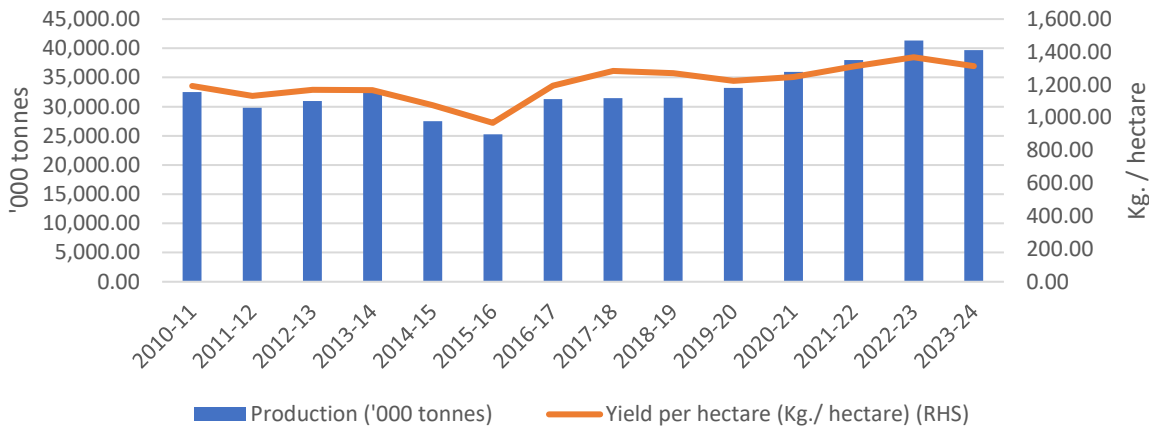


नाबाई



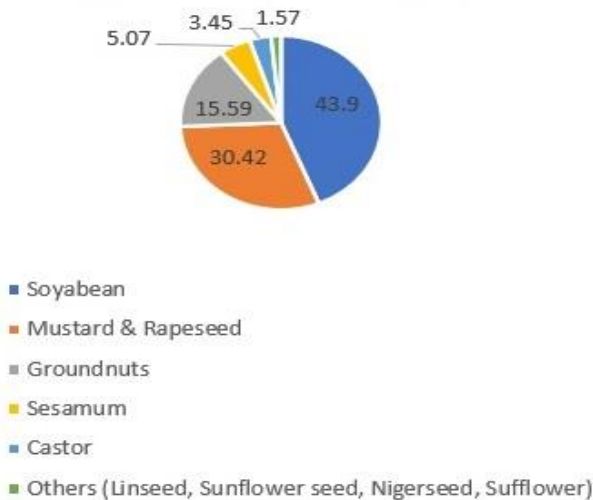
Dashboard on Agricultural Commodity: Oilseeds

Production and Yield of Oilseeds

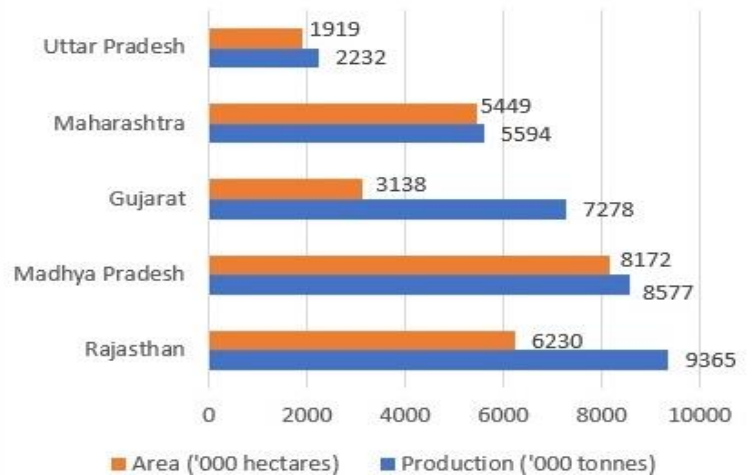


As per the 1st Advance Estimates of 2024-25, the total production of oilseeds is 257.45 lakh tonnes.

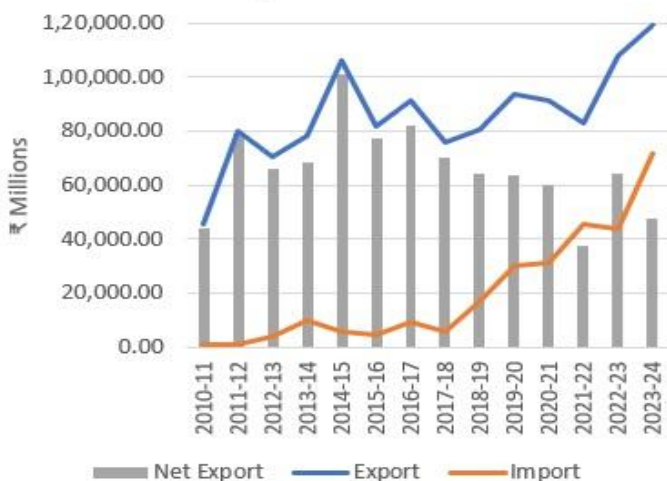
Share of Oilseeds in Gross Cropped Area (2023-24) (%)



Top Oilseed Producing States in 2023-24



Net Export of Oilseeds



Since the domestic production of oilseeds is not keeping pace with the rising demand, the reliance on import has risen drastically since 2017-18. Although India has comparative advantage in groundnut, nigerseed, safflower and sunflower oil, there has been an increasing trend in consumption of mustard, palm, sunflower and cotton oil over the years. India's major export destinations for groundnut, soybean, nigerseeds, sesamum are Indonesia, USA, South Korea and Philippines, respectively while the imports for groundnut, soybean, sesamum, and sunflower were mostly from Germany, USA, Nigeria and Ukraine, respectively.



नाबाई



Report THINK

Pathways and Strategy for Accelerating Growth in Edible Oil towards Goal of Atmanirbharta

- This edition of Report Think covers the captioned report published by NITI Aayog. The report comprehensively explores the current state of the country's edible oil sector and its future potential. It presents a detailed roadmap to address existing challenges, focusing on bridging the demand-supply gap and developing new approaches to attain self-sufficiency.

Major Findings:

- 1. Global Perspective-** The global economy for edible vegetable oils has seen steady expansion, with forecasts for 2024-25 predicting a 2% rise in production, reaching 228 MT. Global oilseed production has increased nearly tenfold since 1961, rising steadily from 57.02 MT. The global oilseed yields also doubled from 5.7 t/ha in 1961 to 13.16 t/ha in 2022-23, reflecting increasing efficiency in oilseed production. From 2017-18 to 2022-23, soybeans dominated global oilseed production, covering an average area of 127.2 Mha and accounting for 60% of total output, with other major crops like rapeseed, sunflower, and groundnuts trailing behind in both yield and production. Palm oil currently leads global vegetable oil consumption, followed by soybean oil, rapeseed or canola oil, and sunflower oil.
- 2. India's Position-** India, is a significant player in the global edible vegetable oil sector, ranking fourth behind the USA, China, and Brazil. It contributes a substantial global share, accounting for roughly 15-20% of the global oilseed area, 6-7% of vegetable oil production, and 9-10% of total consumption. India is at the top in rice bran oil production (46.8% of global market share) and demonstrates clear dominance. Similarly, India is a leader in castor seed production with an impressive 88.5% global share. The country is second in cotton seed oil production (28.4% share), following China. For groundnut seeds and oil, India ranks second with shares of 18.7% and 16.3%, respectively, trailing China and the USA. Despite these statistics, India still faces a shortfall in meeting its domestic demand, leading to substantial imports.
- 3. Overview of India's Edible Oil Sector-** Within Indian agriculture, oilseeds hold the second-highest position in the area, and production, surpassed only by food grains. India's diverse agro ecological conditions enable the cultivation of nine annual oilseed crops. Nine major oilseeds account for 14.3% of the gross cropped area in India, contribute about 12-13% to dietary energy, and account for about 8% of agricultural exports.
- 4. Demand-Supply Gap-** The national-level edible oil supply is projected to reach 16 MT by 2030 and 26.7

MT by 2047 from 13.3 MT in 2021-22 in the BAU scenario. Based on the static / household demand approach, projected demand will reach 29.8 MT by 2030 and 32.6 MT by 2047. These projections indicate a persistent gap of 14.1 MT and 5.9 MT by 2030 and 2047, respectively. To bridge this critical gap, the edible oil supply must increase by 2.3 and 2.5 times the current supply by 2030 and 2047.

Recommendations and Way Forward:

- a. Cluster-Based Seed Village:** Establishment of cluster-based seed hubs at block levels "One Block-One Seed Village" to supply high-quality seeds for oilseeds aiming to enhance seed replacement rate (SRR) and varietal replacement rate (VRR).
- b. Crop Clusters and Technology Customization:** Crop-wise clustering integrates horizontal and vertical expansion efforts for targeted growth. The state-wise quadrant approach (HA-HY, HA-LY, LA-HY, and LA-LY) based on area and yield performance for each oilseed crop, enables nuanced growth strategies. Customized cluster technology needs to be developed to improve yield and establish Agro Ecological Sub Region (AESR)-based crop-specific model farms to facilitate the horizontal spread of advanced technologies.
- c. Prioritizing Wasteland Utilization for Oil Palm Horizontal Expansion:** Prioritizing a strategic approach to horizontal expansion of oil palm cultivation, leveraging highly suitable underutilized wastelands is recommended.
- d. Enhancing Marketing Infrastructure:** To improve the realizable income of oilseed farmers, ensuring procurement at the Minimum Support Price (MSP) through NAFED (National Agricultural Cooperative Marketing Federation of India) and state-owned oilseeds federations is essential.
- e. Horizontal expansion in Rice fallow:** Utilizing one-third of the total Rabi rice fallow area across ten states for oilseed cultivation has the potential production of an additional 1.03 MT, representing a significant 7.1% reduction in India's import reliance.
- f. Adoption of Newly Bred Indian Oilseed Varieties:** Existing technologies present significant opportunities to enhance oilseed yields, with newly developed ICAR varieties showing genetic potential comparable to leading global producers. There is a need for scaling up production and widespread distribution of these improved varieties.

[Click here for full report](#)