



ECONOMY

State of the Indian Economy

Agri credit rises 15% to ₹24.83 trillion in FY2024:

In 2023-24, Commercial Banks, Cooperative Banks, and Regional Rural Banks disbursed ₹ 24.84 trillion in term loan and crop loan, which is 15% higher from FY23. The agri and allied sector, which includes dairy, poultry, fisheries, and other animal husbandry, received ₹2.72 trillion in credit flow during the year. Despite having only 17% of the nation's gross cropped area, the five southern states of Andhra Pradesh, Telangana, Karnataka, Tamil Nadu, and Kerala received over ₹ 12.5 trillion (50.5%) in funding. The factors that elevated loans to farmers in southern states are better land records, efficiency in meeting loan parameters, and the banks' perception of creditworthiness. At ₹ 4.39 trillion (17.6% of the entire country's disbursement), Tamil Nadu received the largest credit disbursement. Andhra Pradesh came in second, with ₹ 2.96 trillion (12% of the disbursement last year). According to recent data, regional inequality continues to persist even though banks disbursed a record amount of agricultural loans in FY24. To address regional disparities in agri-credit flow, NABARD is collaborating with banks to improve credit culture, particularly in eastern India, by providing collateral in the form of social guarantees, a specialised fund, and insurance products.

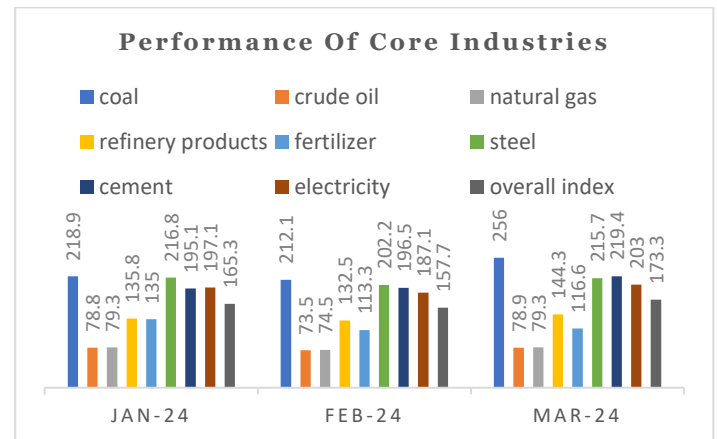
Open market sales help reduce food subsidy by ₹ 20,000 cr:

The government has managed to reduce food subsidy outgo by around ₹ 20,000 crore, because of record sales of 10 million tonne (MT) of wheat in the open market by the Food Corporation of India (FCI) in 2023-24. In FY24, out of the total food subsidy of ₹ 2.12 trillion (revised estimate), ₹ 1.4 trillion was routed through FCI. Prompt payment of subsidy expenses by the Finance Ministry also helped the FCI save around ₹ 372 crore of interest payment. The corporation used to avail short term loans due to delayed release of funds in earlier years. Aiming to curb rise in prices, FCI sold wheat through weekly e-auction last fiscal year to bulk buyers such as flour millers

at a price of around ₹ 2236/quintal against the minimum support prices (MSP) of ₹ 2125/quintal for the 2023-24 marketing season.

Core sector growth slows to 5.2% in March 2024:

The growth of eight core sectors eased to 5.2% in March from 7.1% in February 2024 on account of the statistical effect of a high base as per data released by the commerce ministry on 30 April 2024. On a year-on-year basis, the growth of five sectors – coal, crude oil, natural gas, refinery products, and steel – slowed in March 2024 from the levels in February 2024; while the growth of fertilisers, cement and electricity increased. The production of refinery products, carrying a weight of 28% in the core sector index, contracted 0.3% year-on-year in March. In February 2024, the output had grown 2.6%. The growth in production of natural gas and crude oil eased to 2% and 6.3%, respectively, in March 2024 from 7.9% and 11.3%, in February 2024.



Source: Provisional figures by Office of Chief Economic Advisor

India's services exports up by 11% to \$345 billion in 2023:

India beat the world average in the services export growth in calendar year 2023 with overseas earnings from the sector expanding 11.4% on year to \$345 billion, according to a United Nations Conference on Trade and Development (UNCTAD) report. During the year world services trade grew 8.9% to cross \$ 7.9 trillion. Receipts of international travel increased by 40%, continuing the recovery from the COVID-19 pandemic throughout the year. Transport dropped by some



12% in 2023. Other services, many of which can be traded digitally, recorded a solid rise over the year, surpassing 7% in each quarter of 2023.

GST collection crosses ₹ 2 trillion mark:

India's gross goods and services tax (GST) collections rose 12.4% on year to hit a record high of ₹ 2.1 trillion in April 2024, due to a variety of factors, including streamlining of accounts by businesses for FY24, electoral expenses by political parties and a modest recovery in rural consumption. Previously, the highest-ever GST collection figure stood at ₹ 1.87 lakh crore in April 2023. According to data released by the Finance Ministry, GST collections during April 2024 (mostly for March transactions) were driven by a stronger increase in domestic sales (up 13.4%) than imports (up 8.3%). This too cements the notion that consumption, which has remained subdued and skewed towards premium articles, may become more broad-based in future.

Inflation Outlook

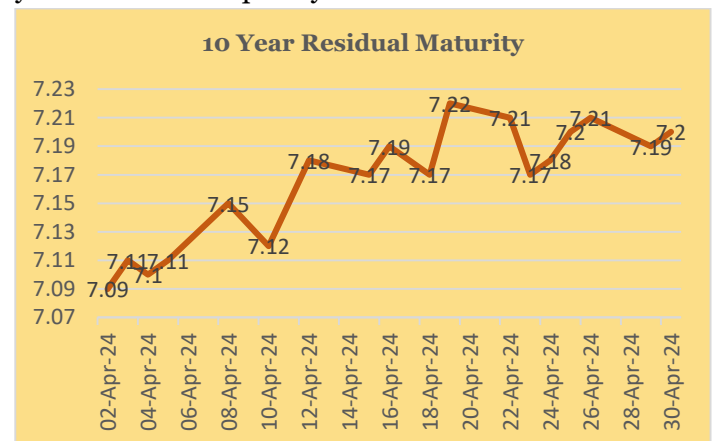
Repo rate kept unchanged at 6.5%: In the 48th meeting of the Monetary Policy Committee (MPC), the Reserve Bank decided to keep the key policy repo rate unchanged at 6.5% for seventh consecutive time as the first monetary policy of the financial year 2024-25. The RBI decided to keep the key policy repo rate unchanged at 6.5% for the seventh consecutive time. Consequently, the standing deposit facility (SDF) rate remains unchanged at 6.25% and the marginal standing facility (MSF) rate and the Bank Rate at 6.75%. As per the assessment and outlook of MPC, an expected normal south-west monsoon should support agricultural activity. Private consumption should gain steam with further pick-up in rural activity and steady urban demand. Assuming a normal monsoon and other factors, CPI inflation for 2024-25 is projected at 4.5% with Q1 at 4.9%; Q2 at 3.8%; Q3 at 4.6%; and Q4 at 4.5%.

INR moved to record low against USD: The Indian Rupee (INR) depreciated to an all-time low averaging at ₹83.40 per USD in the week ended 5 April 2024 amid a strong US dollar, higher crude oil prices and heightened tensions in West Asia. It surpassed the previous weekly low of ₹83.36 per USD. A recent drop in foreign exchange reserves to \$640.33 billion, a six-

week low, shows the central bank has been selling dollars amid conflict in the Middle East and delayed expectations for rate cuts by the U.S. Federal Reserve. The RBI has kept the rupee in a narrow range against the dollar and is only down about 0.3% this year unlike most of its Asian peers which have weakened a lot more. Given the heavy-handed nature of the RBI's intervention, we expect volatility to remain contained. The volatility in Indian rupee is expected to remain contained over the coming three months as regular interventions from the Reserve Bank may keep the currency on a tight leash.

Interest Rate Outlook

Bond Yield Movement: The yield on US 10-year treasury bond note has increased from 4.33% to 4.68% in April 2024 as the likeliness of the Fed keeping rates unchanged increased. In India, 1-year G-Sec yields rose from 6.94 % in February to 7.10 % in April 2024. 10-year yields declined by three bps from the previous month's 7.04% to 7.20% in the same month. The benchmark 10-year yield is likely to move in a 7.10%-7.15% range in the coming future. The Government of India has announced the buyback of its securities through auction for an aggregate amount of ₹40,000 crore (face value). Auction for securities will be conducted using multiple price method. The securities offered for buyback are 6.18% GS 2024, 9.15% GS 2024, and 6.89% GS 2025, respectively. The Centre's decision to repurchase short-term government bonds, maturing within 6-9 months, is expected to lower the yields and ease liquidity conditions.



Source: CMIE



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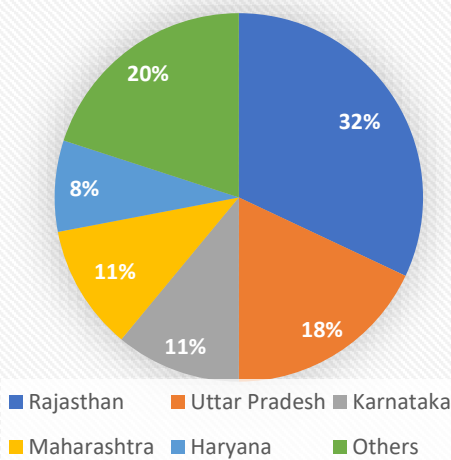
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Dashboard on Agricultural Commodity: Millets

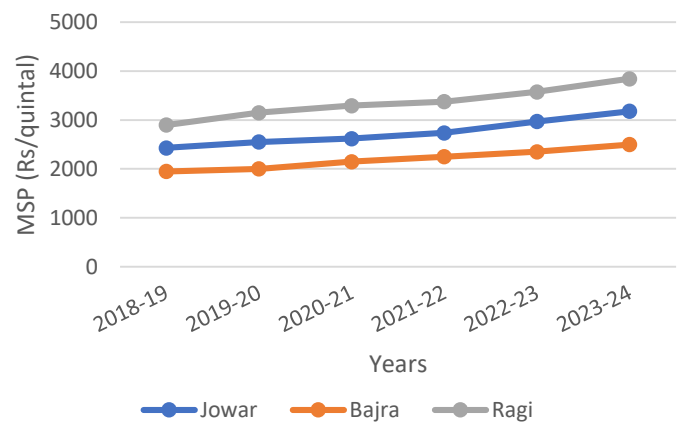
Area and Production of Millets



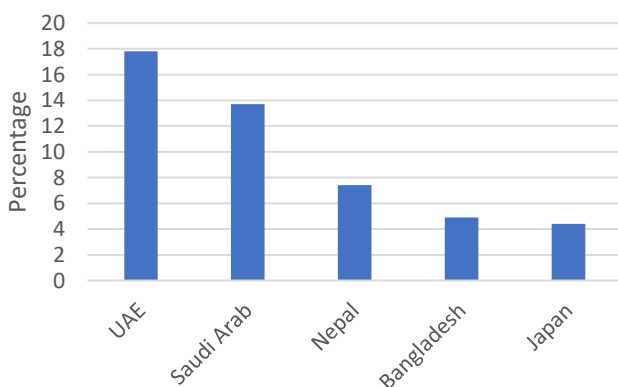
Share of states in millet production (%)



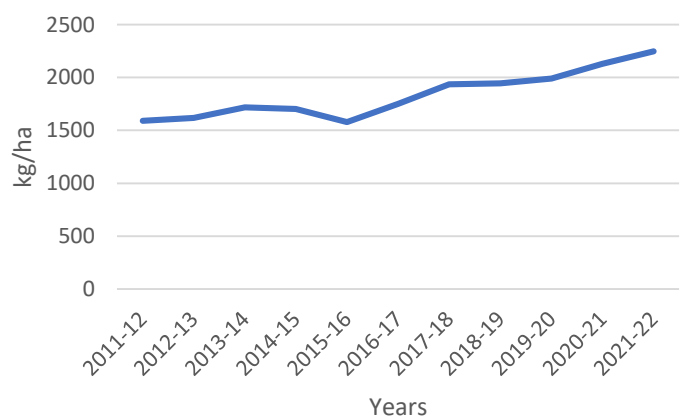
MSP of millets over the years



Major export destinations for Indian millets



Yield





Report THINK

India Employment Report 2024:

This report examines the challenge of youth employment in India, taking into account the evolving economic, labour market, educational and skill landscapes over the past two decades. This report, the third in the series, is published by the Institute for Human Development, in collaboration with the International Labour Organization (ILO). It offers insights into recent trends in the Indian labour market based on official data.

The key takeaways from the report are as under:

i. Female labour market indicators

The female labour market participation rate has taken an upward trend, since 2019, particularly in rural areas. In this, women largely account for the increase in self-employment and unpaid family work. Also, young women are much more likely not to be in employment, education or training than young men, and this was especially more pronounced among older youths than younger ones. In fact, women not in employment, education or training amounted to a proportion nearly five times larger than among their male counterparts.

ii. Digitalization and its impact on employment:

There has been a rapid introduction of digitally mediated gig and platform work, which have brought about new features in control of the labour process. Young people are better represented in the gig and platform economy where the job is insecure and labour process is tightly controlled through algorithmic management.

iii. Agriculture Workforce:

One of the most significant features of the Indian labour market is a slow and steady transition of the workforce away from agriculture and into the non-farm sectors. The transfer of labour from agriculture has been to construction and services sector; manufacturing remained stagnant, at 12–14 per cent. However, this transition slowed and then reversed between 2019 and 2022, the reason attributed to this is the pandemic-related economic slowdown and lack of economic opportunities outside agriculture during covid period.

iv. Disparity in labour market across states and regions:

Disparities are predominant in the labour markets across states and regions. There are large variations between states in their employment outcomes, which are captured through the employment condition index prepared for this report. The index showed that there were improvements in labour market outcomes in all states although at different rates, there was

little change in the position of states at the bottom and at the top. Bihar, Uttar Pradesh, Odisha, Madhya Pradesh, Jharkhand and Chhattisgarh had much poorer employment outcomes; they were at the bottom in 2005 and remained so in 2022. Also as states are at different stages of demographic transition, the potential demographic advantage also varies across them, as do the employment outcomes.

v. Education and youth employment

Education attainment among the youth has improved significantly in the past two decades across all sections of youth. However, gaps persist and at an aggregate level, as much as 42 per cent of youths have less than secondary level of education and only 4 per cent of them have accessed formal vocational training. The highest return of education was observed for employed youths who had a graduate degree or higher one in technical education. Returns were influenced by gender, location, social origin and economic background.

vi. India Migration scenario

India Migration level is not captured adequately by the official surveys. However, India is expected to have migration rate of 40% by 2030.

Suggestions\Recommendations:

The report highlights five key policy areas :

i. Integrate an employment creation agenda with macro and other economic policies to boost productive non-farm employment, especially in the manufacturing sector. India is likely to add 7–8 million persons annually to the labour force during the next decade or so.

ii. Improving employment quality: This can be strengthened in two ways: (a) Invest in and regulate sectors that are likely to be an important source of employment for young people, such as the care sector, digital economy, etc. (b) Secure a strong supportive role of labour policy

iii. Addressing labour market inequalities: Some of the measures that reduce the stark inequalities in the labour market are: (a) Craft policies that boost women's participation in the labour market with quality work (b) Impart quality and mainstreaming skills in education for inclusion of socially and economically poorer groups (c) Adopt regional-level policy approaches to reduce labour market inequalities across regions and states.

iv. Strengthening skills: In the rapidly changing labour market scenario, skill based training is needed to improve the employability of youths while short-term training along with other active labour market policies (ALMPs) are needed to bridge the supply–demand gaps and skill mismatches.

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