1

India and the World

The Economy in FY2024

India's growth momentum surpassed expectations amid growth supportive macro-financial conditions of moderation in inflation, a sustainable external balance position, financial stability, healthy corporate balance sheets, orderly financial markets, and fiscal consolidation along with sustained improvement in the quality of public expenditure.

The global economy made a soft landing in FY2024 as inflation moderation was accompanied by steady growth.[1] Global recession, anticipated as a consequence of aggressive monetary tightening by systemically important central banks, was avoided, with a decline in global food and commodity prices and further easing of supply chain disruptions. The global macroeconomic environment, nevertheless, remained afflicted by the lingering effects of geo-economic fragmentation, high debt levels, and rising risks from climate events, dampening the near- to medium-term growth outlook relative to the pre-COVID-19 pandemic trend.

The Indian economy exhibited remarkable resilience to global shocks and recorded robust growth during FY2024. Its realised growth momentum surpassed expectations amid growth supportive macro-financial conditions characterised by moderation in inflation, a sustainable external balance position, financial stability, healthy balance sheets of corporates, orderly financial markets, and fiscal consolidation along with sustained improvement in the quality of public expenditure. On the back of continuous reforms, the investment-led growth process and sound macro-policy setting are expected to help sustain India's lead as the fastest growing major economy in the world.

1.1 GLOBAL MACRO-FINANCIAL CONDITIONS

The global growth momentum displayed greater-than-expected resilience to high interest rates that persisted throughout the year with central banks sustaining their policy focus on managing the cost-of-living crisis. Supply side expansion, following the easing of supply chain pressures, improved labour force participation, and sustained decline in global food prices imparted resilience. Consequently, the feared global recession, that usually ensues an aggressive phase of synchronised global monetary tightening, was avoided. Global growth at 3.3% in 2023 reflected only a modest deceleration from the 3.5% growth recorded in 2022 (Table 1.1).

Global headline inflation continued to soften during the year from the peak attained in 2022, but hovered above respective inflation targets of central banks, thereby making the last mile of disinflation a difficult challenge for them. Market expectations surrounding the beginning of the easing cycle of monetary policy and the associated perceptions about future interest rate trajectories impacted financial markets, keeping yields and term premia volatile. Inflation is projected by the International Monetary Fund (IMF) to fall considerably in advanced economies in 2024 while remaining sticky in emerging and developing economies (Table 1.1). Decline in commodity prices, both oil and non-oil, that materialised during 2023 after the surge in 2022 is projected to reverse marginally in 2024.

Global merchandise trade contracted by 1.2% in 2023; trade in goods and services (taken together) also registered a tepid growth of 0.8%.[2] According to the IMF, about 3,200 and 3,000 new restrictions were imposed by countries on trade in 2022 and 2023, respectively. According to UNCTAD, foreign direct investment to developing economies declined by 9% in 2023.[3] The trade and investment channels of growth, thus, remained subdued, partly reflecting the impact of geo-economic fragmentation.

Table 1.1: Global economic indicators (year-on-year growth %)

Particulars	*2022*	*2023*	*2024*
World output	3.5	3.3	3.2
Advanced economies (AEs)	2.6	1.7	1.7
Emerging market and developing economies (EMDEs)	4.1	4.4	4.3
World trade volume (goods and services)	5.6	0.8	3.1
World trade volume (goods)	3.0	-1.2	2.6
World consumer prices	8.7	6.7	5.9
AEs	7.3	4.6	2.7
EMDEs	9.8	8.3	8.2
Commodity prices			
Oil	39.2	-16.4	0.8
Non-oil	7.9	-5.7	5.0

Sources:

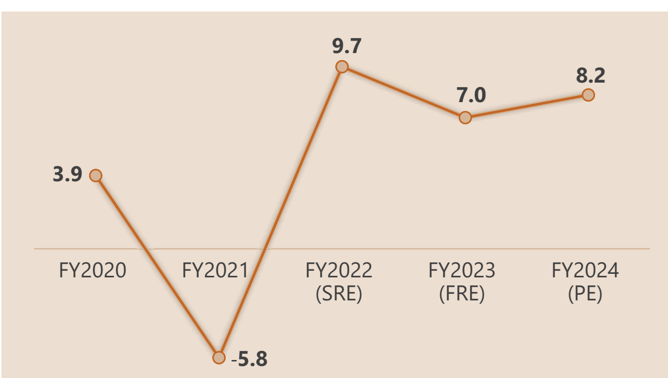
- IMF (2024), World Economic Outlook, July 2024, International Monetary Fund, Washington, D.C. https://www.imf.org/en/Publications/WEO/Issues/2024/07/16/world-economic-outlook-update-july-2024.
- World trade volume (goods): WTO (2024) Global Trade Outlook and Statistics, April 2024, World Trade Organization, Geneva, Switzerland. https://www.wto.org/english/res_e/booksp_e/trade_outlook24_e.pdf.

1.2 DOMESTIC MACROECONOMIC DEVELOPMENTS

1.2.1 Robust growth with macro stability

India's growth momentum accelerated further in FY2024, with 7% or higher growth recorded for the third consecutive year, notwithstanding formidable headwinds from the global economy (Figure 1.1). As indicators of economic activity progressively suggested further strengthening of

Figure 1.1: Growth trend of India's GDP at 2011–12 prices (%)



FRE = First Revised Estimate, GDP = Gross Domestic Product, PE = Provisional Estimate, SRE = Second Revised Estimate.

Source: GOI (2024), Provisional Estimates of Annual GDP for 2023-24 and Quarterly Estimates of GDP for Q4 of 2023-24, National Statistical Office, Ministry of Statistics and Programme Implementation, Government of India. https://www.mospi.gov.in/sites/default/files/press_release/PressNoteGDP31052024.pdf.

Average inflation declined to 5.4% in FY2024 reflecting proactive monetary policy tightening and targeted supply-side measures undertaken by the government.

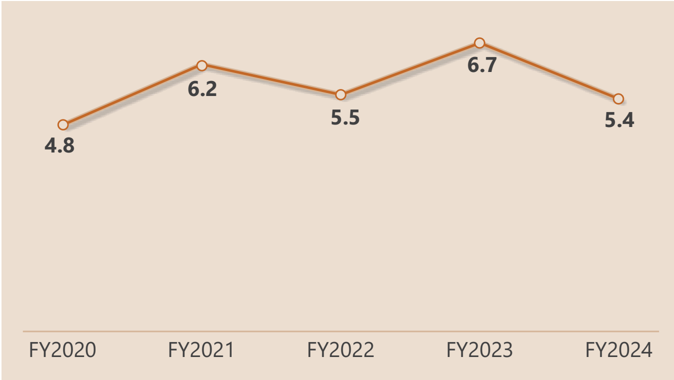
growth momentum during the course of the year, growth in gross domestic product (GDP) for FY2024 was revised up from 7.3% (as per first advance estimates) to 7.6% (as per second advance estimates), and further to 8.2% (as per provisional estimates). The acceleration in growth momentum was led by robust (9%) growth in investment (i.e., increase in gross fixed capital formation) in FY2024, on the back of sustained thrust of fiscal policy on capital expenditure. Among the major constituent sectors of the economy, construction and manufacturing registered high growth at 9.9% each.[4]

1.2.2 Inflation moderated following proactive monetary and supply management measures

Average consumer price index (CPI) inflation had surged to 6.7% in FY2023, to above the upper tolerance band of the inflation target, as global food and energy prices escalated due to the supply disruptions in the wake of the Russia–Ukraine War (Figure 1.2). However, average inflation declined to 5.4% in FY2024 and core (excluding food and fuel) inflation dropped below 4% during the last 4 months of the year reflecting: [5]

- proactive monetary policy tightening, in the form of a cumulative increase in policy repo rate by 250 basis points (between May 2022 and February 2023), which was sustained thereafter during FY2024 and beyond; and
- targeted supply-side measures undertaken by the government, in the form of
  - placing export restrictions to improve domestic availability,
  - excise duty cuts on petrol and diesel,
  - market release of foodgrains from buffer stocks,
  - lowering of tariffs to soften the cost of certain imported food items, and
  - imposing restrictions on the use of sugarcane molasses for ethanol production, etc.

Figure 1.2: Consumer price index inflation in India, annual average (%)

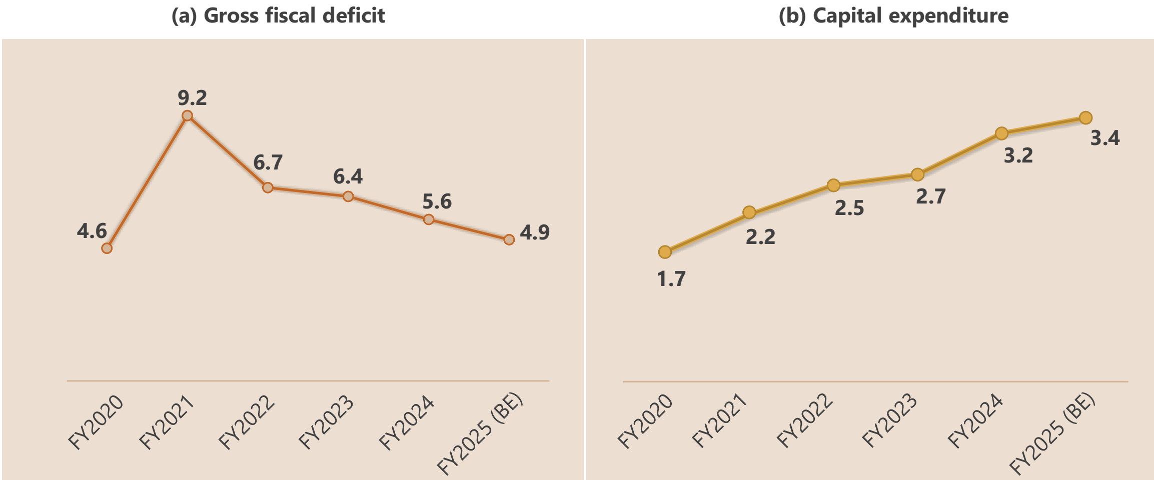


Sources:
- GOI (various years), Central Statistical Office, Ministry of Statistics and Programme Implementation, Government of India.
- RBI (2024), Monetary Policy Statements (2023–24), Reserve Bank of India, Mumbai.

1.2.3 Fiscal consolidation and higher public sector capex to foster growth with macro stability

Reflecting the needed fiscal policy response to manage the severe macroeconomic impact of the pandemic, the gross fiscal deficit (GFD) of the central government had jumped to 9.2% of GDP in FY2021 (and the consolidated fiscal deficit of the centre and states to 13.3% of GDP). Since then, the fiscal policy stance has persevered with gradual consolidation along with higher allocations for

Figure 1.3: Fiscal deficit and capital expenditure as a percentage of GDP



BE = Budget estimates, GDP = Gross Domestic Product.

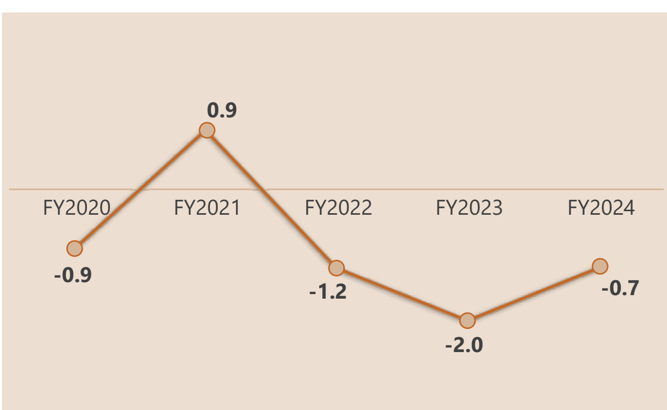
Source: Union Budgets, Ministry of Finance, Government of India.

capital expenditure (capex), thereby promoting non-inflationary growth. As per the interim budget for FY2025, the GFD (provisional estimates) for FY2024 at 5.6% of GDP is placed lower than the budget estimate of 5.9%, and the budgeted GFD for FY2025 at 4.9% is set lower than market expectations. The commitment to lowering GFD to lower than 4.5% of GDP by FY2026 has also been reiterated. Sustaining the thrust on capex to drive the post-pandemic recovery and accelerate growth momentum, the share of capex has been budgeted higher at 3.4% of GDP in FY2025 (Figure 1.3 a and b). With GFD of states moderating from 4.1% of GDP in FY2021 to 3.1% of GDP in FY2024 (as per budget estimates), the consolidated deficit has also declined to 8.7% of GDP.[6]

1.2.4 External balance position remains sustainable

In an unfavourable global environment, characterised by tepid growth in world trade and heightened spill-over risks from tight monetary policy stance of advanced economies, India's external vulnerabilities remained contained, with current account deficit (as a percentage of GDP)

Figure 1.4: Current account deficit as a percentage of GDP



GDP = Gross Domestic Product.

Source: Database on Indian Economy, Reserve Bank of India. https://cimsdbie.rbi.org.in/DBIE/#/dbie/home.

With rising resilience of Indian agriculture to climatic shocks, the farm sector gross value added continues to exhibit sustained expansion over successive years.

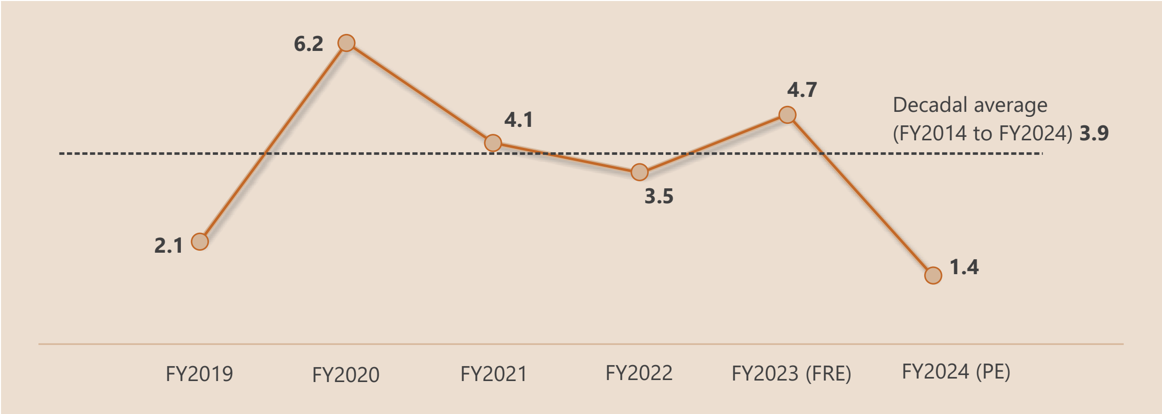
narrowing and staying within sustainable levels on the back of lower trade deficit than last year and higher receipts through services exports and remittances, and a turnaround in portfolio flows (Figure 1.4). In January–March 2024, the current account in the balance of payments recorded a surplus equivalent to 0.6% of GDP. India's foreign exchange reserves rose to $646.4 billion by the end of FY2024.[7]

1.3 RESILIENCE OF AGRICULTURE TO UNEVEN RAINFALL PATTERNS

The Southwest monsoon rainfall ended the year with a 5.6% deficit (compared with the long period average rainfall), and the distribution of rainfall was also erratic, with June and August of 2023 experiencing large deficits and July and September of 2023 encountering surpluses.[8] The geographical distribution was also uneven, with east and north-east and the southern peninsula witnessing larger deficits. Reflecting the expected impact of unfavourable rainfall patterns on kharif output, the first advance estimates of kharif foodgrains production were set 0.9% lower for FY2024 (over the first advance estimates of the previous year). Growth in agricultural gross value added (GVA) (at 2011–12 prices) was also pegged lower at 1.8% (as per the first advance estimates of national income) and 0.7% (as per the second advance estimates of national income).

According to the India Meteorological Department, rainfall was 9% below normal during October–December 2023 and 33% below normal during January–February 2024. The reservoir levels, as a result, remained low over successive weeks of the rabi cropping season, posing concerns about rabi output. Foodgrains production (kharif and rabi combined), however, exhibited resilience and is estimated at 328.9 million tonnes for AY2024 (as per third advance estimates), similar to the level recorded in AY2023 (Figure 1.6).[9] Horticulture output in FY2024 (as per second advance estimates) at 352.2 million tonnes shows a modest decline from 355.5 million tonnes achieved in the preceding year. In the provisional estimates of national income, agricultural GVA growth was revised to 1.4% (Figure 1.5). With rising resilience of Indian agriculture to climatic shocks, the farm sector GVA nevertheless continues to exhibit sustained expansion over successive years.

Figure 1.5: Agriculture and allied sector GVA growth at 2011–12 prices (%)

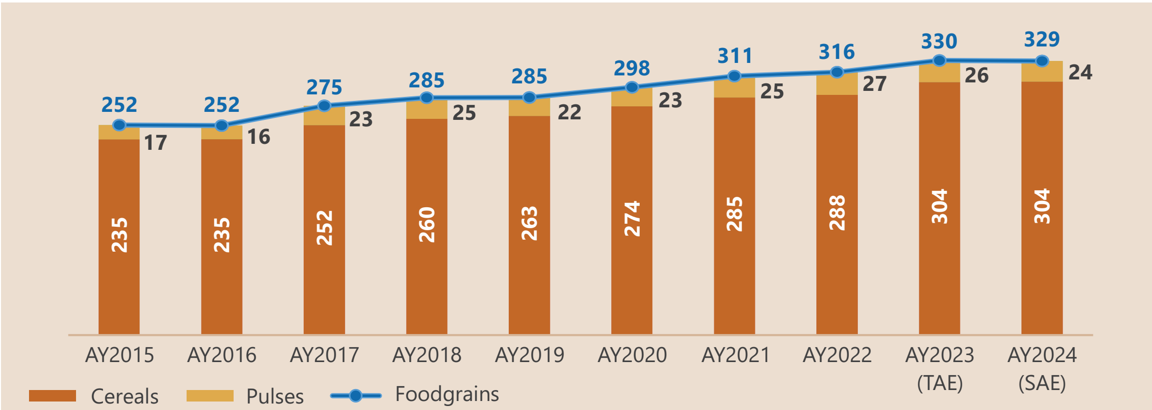


FRE = First Revised Estimates, GVA = Gross Value Added, PE = Provisional Estimates.

Sources:

- Central Statistical Organisation, Ministry of Statistics and Programme Implementation, Government of India.
- For FY2023 and FY2024: PIB (2024), Provisional Estimates of Annual GDP for 2023-24 and Quarterly Estimates of GDP for Q4 of 2023-24, Press Information Bureau, press release by Ministry of Statistics and Programme Implementation, Government of India, 31 May. https://pib.gov.in/PressReleaseIframePage.aspx?PRID=2022323.

Figure 1.6: Foodgrain production in India (million tonne)



AY = Agriculture year, SAE = Second Advance Estimate, TAE = Third Advance Estimate.

Source: Department of Agriculture & Farmers Welfare, Ministry of Agriculture & Farmers Welfare, Government of India.

1.3.1 Decline in share of food in household consumption basket

The consumption expenditure survey (CES) results relating to the period August 2022–July 2023, released after a gap of 11 years, showed a distinct shift in the consumption pattern of households, in both rural and urban areas, with the share of food, and cereals in particular, declining in total monthly per capita consumption expenditure (MPCE) (Table 1.2). At the aggregate level, as per capita income rises over time, the expectation that the share of food in the consumption basket will decline, and within food, there will be a reallocation away from cereals in favour of processed food and more protein items such as milk and dairy products, is corroborated by the CES. Noticeable decline in the shares of cereals and sugar, two water-guzzling food items, in both rural and urban areas coincide with a period when water stress is reported to have increased in India. Notwithstanding the desirable shift in the consumption pattern, water-conserving agricultural practices need to be promoted to further enhance the resilience of Indian agriculture to climatic shocks. The changing consumption pattern also provides leads in terms of reallocation of resources, including credit that may be required to promote the production of food items, the demand for which is expected to rise going ahead.

Table 1.2: Share of cereals/food as a percentage of average MPCE

Period	*Rural*		*Urban*	
	Cereals	*Food*	*Cereals*	*Food*
FY2000	22.2	59.4	12.4	48.1
FY2005	17.5	53.1	9.6	40.5
FY2010	13.8	57.0	8.2	44.4
FY2012	10.8	52.9	6.7	42.6
FY2023	4.9	46.4	3.6	39.2

MPCE = Monthly Per capita Consumption Expenditure.

Source: National Sample Survey Office, Ministry of Statistics and Programme Implementation, Government of India.

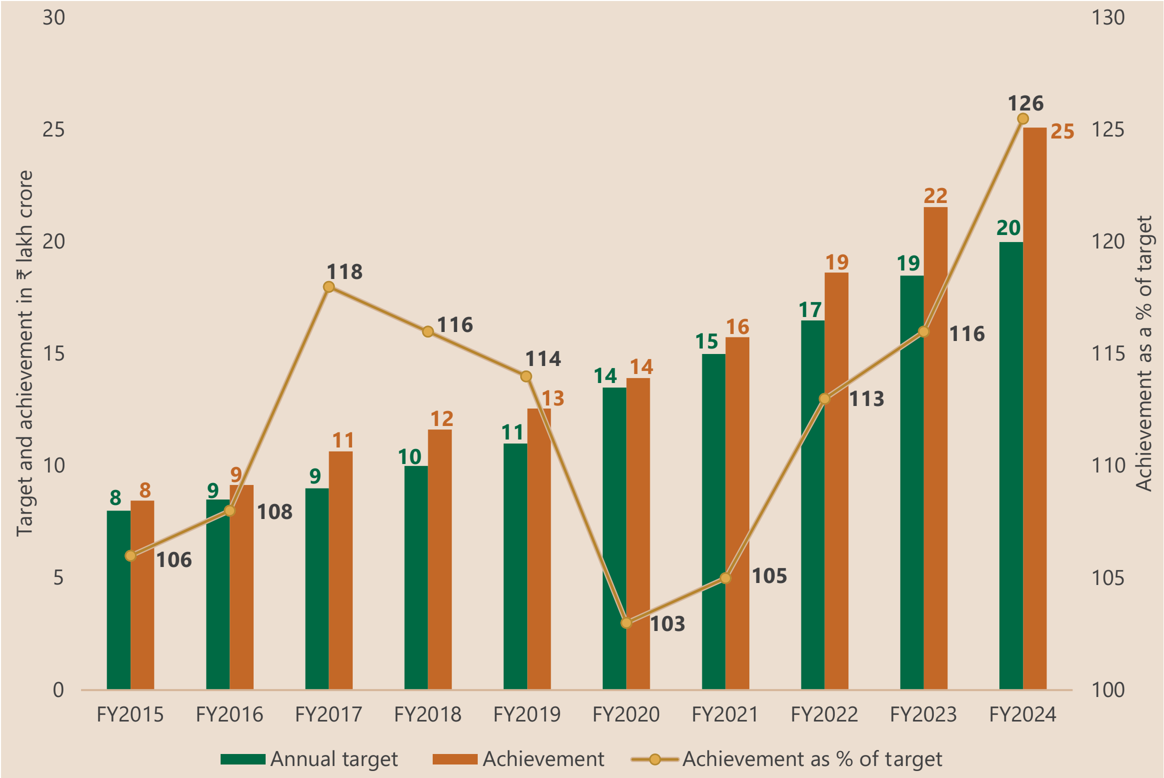
Water-conserving agricultural practices must be promoted to enhance the resilience of Indian agriculture to climatic shocks.

In recent years, the annual flow of credit to agriculture has consistently exceeded targets.

1.3.2 Strong credit flow to agriculture

Agriculture, as a priority sector, receives targeted annual flow of credit, and in recent years, actual flow has generally exceeded the set targets (Figure 1.7). Credit flow to agriculture (from commercial banks, regional rural banks, and cooperatives taken together) registered a growth of 13.6% during FY2024, which was higher than the nominal growth in agricultural GVA at 5.4%. The Kisan Credit Card (KCC) scheme has played a pivotal role in providing timely credit to farmers, with over 7.4 crore operative KCC accounts involving a total outstanding credit of ₹8.9 lakh crore as on 30 June 2023.[10]

Figure 1.7: Annual flow of credit to agriculture

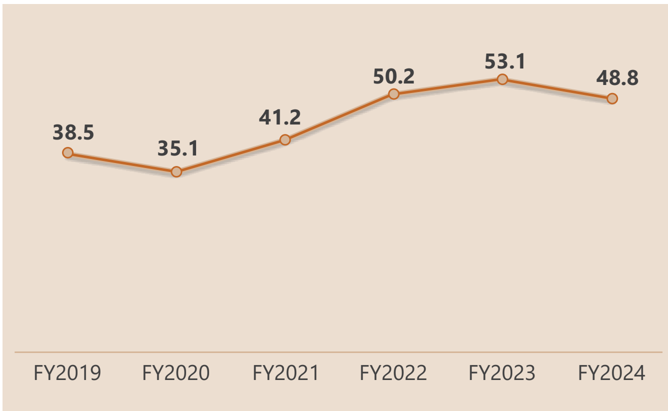


Sources:
- RBI (various years), Database on Indian Economy, Reserve Bank of India, Mumbai.
- National Bank for Agriculture and Rural Development.

1.3.3 Agricultural exports sustained despite curbs

India's annual agricultural exports have hovered around $50 billion since FY2022 (Figure 1.8). The export basket, nevertheless, remains highly concentrated (with high shares of rice, including basmati rice, and sugar together accounting for more than one third of total exports). Despite curbs imposed on rice and sugar exports aimed at improving domestic availability to contain price pressures, total agricultural exports during FY2024 at $48.8 billion were only modestly lower than in FY2023.

Figure 1.8: Agricultural exports ($ billion)



Source: Agricultural and Processed Food Products Export Development Authority, Government of India.

1.3.4 New initiatives for a more efficient agri-supply chain

With a view to strengthening the agricultural supply chain, which could help increase farmers' income and contain food inflation volatility, several new initiatives were launched and promoted by the Government of India. The World's Largest decentralised Grain Storage Plan (WLGSP) in the cooperative sector was launched during the year, to reduce post-harvest losses, prevent distress sale of crops by farmers, and enable them to get better prices later. With primary agricultural credit societies (PACS) operating as procurement centres as well as source of supply to fair price shops, farmers may also expect to save on transportation costs.

As per the Ministry of Cooperation, a target to establish 2 lakh new multipurpose PACS/dairy/fisheries primary cooperative societies in the next 5 years[11] has been set, along with the ongoing ambitious programme of PACS computerisation. Steps are being taken to diversify the businesses of PACS into areas such as retail distribution of gas/petrol, custom hiring centres, fair price shops, godowns, etc. Also, three new multi-state cooperative societies have been approved to be set up at the national level for exports, certified seeds, and organic products.

As on 31 March 2024, 17.7 crore households have been saving linked through over 144 lakh self-help groups (SHGs) with deposits of over ₹65,089.2 crore and loan outstanding of ₹2.6 lakh crore.[12] The Ministry of Rural Development has launched a programme called 'Lakhpati Didis' to enable women SHG members to generate an annual household income exceeding ₹1 lakh on a sustainable basis.

Earlier, the Government of India had launched a central sector scheme for the 'Formation and Promotion of 10,000 Farmer Producers' Organisations (FPOs)', recognising that FPOs enhance the bargaining power of farmers through collectivisation, improve access to inputs and fetch more remunerative prices for the produce, and thereby raise the income of farmers. Till date, 7,355 FPOs have been sanctioned out of which 6,056 have been registered across the country. These FPOs are engaged in supplying quality inputs, making available machinery and equipment on custom hiring basis for members, and undertaking value addition like cleaning, assaying, sorting, grading, and processing of agricultural produce.[13] All these initiatives are expected to deepen financial inclusion, create new livelihood opportunities, boost income, and expand access to agri-tech solutions.

The WLGSP will reduce post-harvest losses, prevent distress sale of crops, and improve price realisation by farmers.

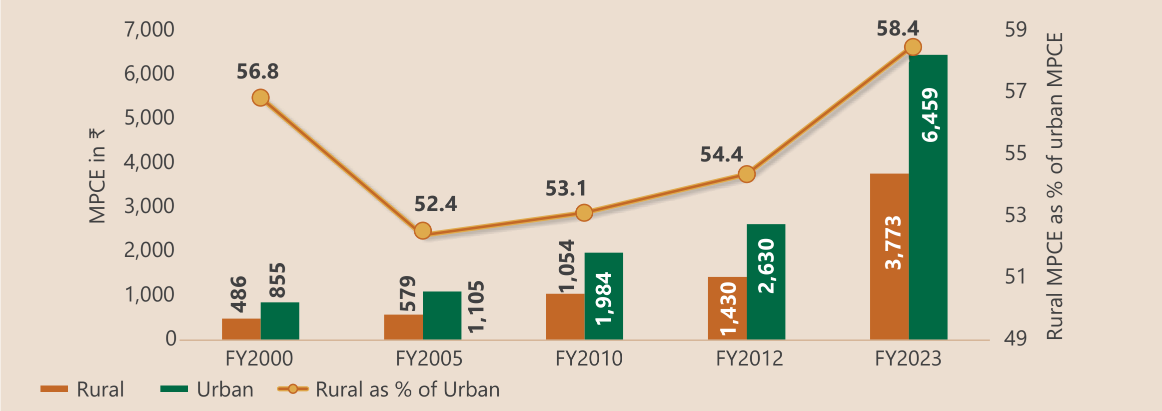
The government has initiated many technology-led interventions in agriculture including the National Pest Surveillance System, Namo Drone Didi, and Agri Stack architecture to enable initiation of data-driven solutions.

Agri start-ups are driving technology-led transformative changes in the agriculture sector, and recognising their significance, the policy environment has been proactively made conducive for them. As of December 2023, there were over 6,000 agriculture start-ups recognised across 590 districts by the Department for Promotion of Industry and Internal Trade.[14] There is a need for large-scale engagement of the private sector in solving both persisting and emerging issues in the agricultural sector. Many start-ups are trying to develop cost-effective and multi-purpose drones that can be used for scouting the field in less time and capturing precise data to generate prescription maps and plans and assess crop damage following a natural disaster. Similarly, portable cold storage devices are being explored to reduce the wastage of horticulture and dairy products which have low shelf life. Many start-ups are working on finding cost-effective solutions to the problem of crop residue burning which leads to pollution. Several innovative products are in their nascent phase of development and need handholding from investors and governments to enable them to have successful testing and then scale up to generate the desirable positive impact on the economy. Many technology-led interventions have also been made by the government, which include an artificial intelligence and machine learning-based National Pest Surveillance System to tackle potential loss of produce due to reasons such as pest attacks or unexpected changes in the weather pattern; the Namo Drone Didi scheme to train rural women as drone pilots for spraying fertilisers and pesticides in the fields in a sustainable manner; and an Agri Stack architecture to enable initiation of data-driven solutions by various stakeholders.

1.4 MOMENTUM GAINED IN RURAL ECONOMIC ACTIVITY

For securing a robust, broad-based, and inclusive growth process, the performance of the rural economy becomes critical as 65% of India's population resides in rural areas.[15] In the post-pandemic period, rural economic indicators point to sustained strengthening of growth momentum during FY2024.

Figure 1.9: Trends in urban and rural MPCE



MPCE = Monthly Per capita Consumption Expenditure.

Source: GOI (various years), Household Consumption Expenditure Survey (2022–23), National Sample Survey Office, Ministry of Statistics and Programme Implementation, Government of India.

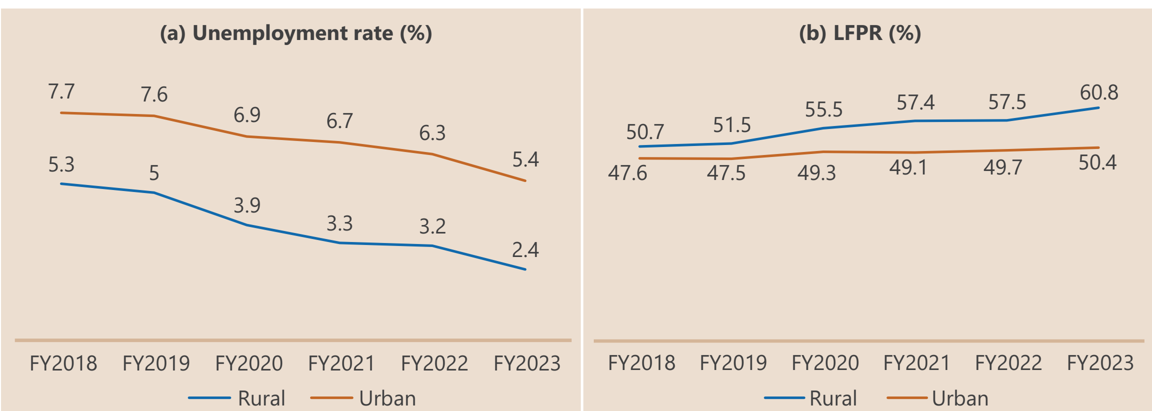
1.4.1 Narrowing of rural–urban consumption gap

Change in MPCE over time is a key indicator of economic performance. As per the household CES for FY2023, the gap in MPCE between rural and urban areas has narrowed, with rural expenditure at 58.4% of urban expenditure, up from 54.4% in FY2012 (Figure 1.9). Moreover, rural expenditure registered a CAGR of 9.2% as against 8.5% for the urban households.[16]

1.4.2 Decline in rural unemployment rate

Unemployment is another major indicator to assess the state of the rural economy. As per the annual Periodic Labour Force Survey (PLFS), unemployment rate in rural areas at 2.4% in FY2023 was lower than in urban areas at 5.4%, and unemployment has also consistently declined in both rural and urban areas since FY2018 (Figure 1.10). Importantly, this decline has occurred against the backdrop of a sustained increase in labour force participation rate (LFPR), i.e., an increase in the percentage of persons in labour force (working, or seeking work, or available for work) in the population (Figure 1.10).

Figure 1.10: Unemployment rates (%) and labour force participation rates (%) (FY2018–FY2023)



LFPR = Labour Force Participation Rate.
Source: GOI (various years), Periodic Labour Force Survey, National Sample Survey Office, Ministry of Statistics and Programme Implementation, Government of India.

1.4.3 High-frequency indicators of rural activity strengthened

Several high-frequency (monthly) indicators help in assessing the state of the rural economy, such as scooter sales, fertiliser and tractor sales, agricultural and non-agricultural employment, agricultural exports, bank credit flows to agriculture, demand for work under the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), rural wages, terms of trade (i.e., the ratio of food prices to non-food prices, as sourced from the wholesale price index), reservoir level (which could impact crop prospects), and rural sentiments.[17] To enhance comparability of indicators, all nominal indicators (like agri exports, agri credit and rural wages) are deflated by CPI-rural inflation. Recognising the strong influence of seasonality in these indicators, the average values of these indicators over the 12-month period during FY2024 can be compared against the corresponding values for FY2023 for a reasonable assessment of the performance of the rural economy relative to the previous year. Such a comparison shows that most of the indicators expanded, but for reservoir

The rural–urban consumption gap has narrowed, rural unemployment gone down, and high frequency indicators of rural economic activity improved in recent years.

levels, real agri-exports, fertilisers, and tractors (Figure 1.11). Overall, therefore, expansion in rural activity appears to have gained momentum during FY2024.

Figure 1.11: Rural activity indicators (change in FY2024 monthly averages over FY2023 monthly averages)

IIP = Index of Industrial Production, MGNREGA = Mahatma Gandhi National Rural Employment Guarantee Act.
Source: Database on Indian Economy, Reserve Bank of India; Labour Bureau, Ministry of Labour and Employment, Government of India; and Centre for Monitoring Indian Economy.

1.4.4 Multipronged policy interventions drive impressive rural development outcomes

The rural economy has seen a transformation benefitting from the multipronged approach to development being pursued by the government, covering universal food security, housing, drinking water, electricity, cooking gas, bank accounts, and financial services. As announced in the Interim Budget, 2024–25, with the Pradhan Mantri (PM) Awaas Yojana (Gramin) nearing the goal of achieving the target of 3 crore houses, 2 crore more houses will be taken up in the next 5 years. Through rooftop solarisation, 1 crore households will be enabled to obtain up to 300 units of free electricity every month. Reflecting the impact of targeted policy interventions, PM-SVANidhi has provided credit assistance to 78 lakh street vendors; PM Vishwakarma Yojana provides end-to-end support to artisans and craftspeople engaged in 18 trades; under PM-Kisan Samman Nidhi, direct financial assistance has been provided to 11.8 crore farmers; under PM Fasal Bima Yojana, crop insurance has been given to 4 crore farmers; and the electronic National Agriculture Market (eNAM) has integrated 1,361 mandis and is providing services to 1.8 crore farmers.[18]

The rural economy has been transformed by the multipronged development approach of the government.

Under the Deen Dayal Upadhyaya Grameen Kaushalya Yojana (DDU-GKY), which is a demand-driven, placement-linked skill training initiative, rural youth (aged 15–35 years) belonging to below poverty line families are provided skills training for 3–12 months. Around 15.8 lakh rural youth have been trained till 31 March 2024, of which 9.6 lakh have been placed.[19]

The Jal Jeevan Mission, besides aiming to provide tap connections for all households, has also enhanced the focus on holistic management of local water resources, where local panchayats are expected to play a key role. Mission Amrit Sarovar aimed at developing/rejuvenating 75 *amrit sarovars* (ponds) in each district, totalling to about 50,000 ponds in the country. Going beyond the initial target, as of December 2023, 1.1 lakh sites were identified and work was completed in 68,187 sites.[20]

Mission Amrit Sarovar developed over 68,000 *amrit sarovars* in India.

The PM Ujjwala Yojana 2.0 (PMUY) had set a target of 8 crore domestic gas connections, which was achieved in September 2019. To cover the remaining poor households, more connections were rolled out. As on 1 July 2023, there were about 9.6 crore PMUY beneficiaries, of which 8.4 crore had taken at least one refill during FY2023. The scheme has been extended for release of 75 lakh additional connections between FY2024 and FY2026 which will take the total number of PMUY beneficiaries to 10.4 crore.[21]

The PM Gram Sadak Yojana (PMGSY) has been a transformative policy intervention in the rural areas. Till December 2023,

- 1.9 lakh roads of 8.2 lakh km road length and 11,587 bridges have been sanctioned, involving a total value of ₹3.8 lakh crore;
- under PMGSY-I, 99.4% of the eligible habitations have been provided all-weather road connectivity;
- under PMGSY-II, against the target of 50,000 km, 49,857 km has been sanctioned and 48,691 km has been completed;
- under the Road Connectivity Project for Left-Wing Extremism Affected Areas, 12,100 km has been sanctioned and 8,290 km completed; and
- under PMGSY-III, against the target of 1.3 lakh km, 1.1 lakh km has been sanctioned and 69,507 km completed.[22]

Since the launch of the PM Sahaj Bijli Har Ghar Yojana (Saubhagya), 2.9 crore households (including tribal households) have been electrified leading to 100% electrification. The Government of India had launched the Deen Dayal Upadhyaya Gram Jyoti Yojana (DDUGJY) in December 2014 for strengthening power distribution systems, including separation of agriculture and non-agriculture feeders; strengthening and augmentation of sub-transmission and distribution infrastructure; metering of distribution transformers/feeders/consumers; and electrification of villages across the country. As reported by the states, all the inhabited un-electrified villages enumerated in the Census of India 2011 had been electrified by 28 April 2018 under DDUGJY. A total of 18,374 villages were electrified under the scheme.[23]

The Government e-marketplace (GeM) has been promoted as a one-stop national procurement portal for the procurement of goods and services by all government buyers, including central and state agencies, public sector units, and autonomous bodies. Udyam-verified micro and small enterprises now account for close to half of total cumulative gross market value transacted in GeM, and with a view to widening access to women entrepreneurs, artisans and weavers, SHGs, khadi producers, etc., the 'One-District One-Product' scheme is being popularised under the GeM.

For widening access to women entrepreneurs, artisans and weavers, SHGs, khadi producers, etc., the 'One-District One-Product' scheme is being popularised under the GeM.

To monitor progress on localisation of sustainable development goals (SDGs), which is important to achieve India's commitments for 2030 on SDGs, a Panchayat Development Index (PDI) was prepared by the Ministry of Panchayati Raj. As a multidimensional index, quality data reporting through the PDI portal is being encouraged.

1.5 THE ECONOMIC OUTLOOK

Realignment of global supply chains has enhanced India's attractiveness as a potential source of low-cost production.

India's sound macro policy environment and the rising realisation of potential benefits of past reforms have brightened the outlook for growth, as evident from the successive upward revisions to India's growth projections, a buoyant stock market, and robust credit demand. With sustained support to growth from public-sector capex, and higher utilisation of existing production capacities, private-sector investment is expected to accelerate. Pick-up in consumption demand momentum is also getting broad-based, with rural demand improving. The pace of fiscal consolidation (which is faster than expected by markets) and the commitment to sustain the process has eased pressures on the cost of capital for the private sector. Moderation in inflation and the thrust of monetary policy to lower inflation closer to the target and anchor inflation expectations has also helped in containing inflation risk premium. Healthy balance sheets of corporates and banks and financial institutions have helped in addressing risk aversion.

The targeted production-linked incentive scheme for 14 key sectors; policy emphasis on strengthening logistics and improving the ease of doing business; and the proactive approach to harnessing the opportunities in renewables, semiconductors, and digitalisation have strengthened the underlying forces of growth in the economy. Notwithstanding an unfavourable global environment, services exports have remained buoyant and the realignment of global supply chains, driven by geopolitical factors, have also enhanced India's attractiveness as a potential reliable source of low-cost production for meeting global demand. Taking these factors into account, growth for FY2025 has been projected at 7.2%, which, if realised, will mark the fourth consecutive year of 7% plus growth for India.[24] While domestic CPI inflation has softened, and importantly, core inflation dropped to below 4%,[25] upside risks from geopolitical factors exerting upward pressures on oil and other commodity prices and weather-related disturbances preventing notable moderation in food prices persist. The last mile of inflation fight, therefore, is expected to be a major challenge, both in India and globally, which could keep markets volatile due to frequent reassessment of the future policy rate trajectories.

Indian agriculture has progressively exhibited greater resilience to climate events, but due to frequent weather disturbances, agricultural GVA growth decelerated and foodgrains production remained stagnant. The lingering structural impediments in the agriculture sector could pose upside risks to both growth and inflation in India going ahead, unless addressed in time, and climate change could only amplify them further. Raising crop yields along with sustainable use of inputs—fertilisers, pesticides, water, electricity, and land—would require adoption of technology-enabled cropping practices, which may be difficult in India unless the current high dependence on agriculture for employment is reduced and resources are reallocated, by reducing subsidies and enhancing capital formation in agriculture.

Wider dissemination of innovative agri-tech is necessary for meeting the food security and growth challenges of India@2047.

While agri-start-ups are driving a desirable tech-led change in Indian agriculture—from planting to harvesting, storage and retail marketing—recognising the emerging global trend, wider dissemination of such innovative practices would be necessary in India for meeting the food security and growth challenges of India@2047. The Union budget for FY2025 has set 'improving productivity and resilience in agriculture' as a priority and announced a comprehensive review of agriculture research set up in India (Box 1.1). Labour productivity in agriculture (i.e., output per unit of labour) has been low in India, compared with other sectors of the economy and in a cross-country context. Inadequate investment in agriculture has constrained India's crop yields from converging with the higher levels of yields achieved by other major producing countries. To close the yield gap, therefore, capital and technology intensity of agriculture may have to rise, notwithstanding the challenge posed by the large share of small and marginal holdings and the high dependence on agriculture for employment, as mentioned earlier. Farm output and wages represent the two major sources of rural income; while higher yields can raise real income of farmers, productivity-linked wages can usher in real prosperity. Otherwise, higher food inflation and resultant higher nominal rural wages may only cause a vicious cycle of wage-price spiral, which may be detrimental to the macroeconomic outlook. With a focus on raising productivity in agriculture, to attract more private investment, both domestic and foreign, uncertainty about return on investment in agriculture that results from frequent trade policy changes and interventions to influence market prices may have to be assessed and avoided to the extent possible. Producing more with less land and inputs, which is feasible going by the experiences of other countries, is the path to achieve the dual objective of raising income of farmers while keeping food prices reasonable for consumers.

Box 1.1 Highlights of the Union Budget 2024–25

- Priority areas identified to improve productivity and resilience of agricultural sector include: (i) transforming agricultural research, (ii) release of new varieties, (iii) natural farming, (iv) mission for pulses and oilseeds, (v) vegetable production and supply chains, (vi) digital public infrastructure for agriculture, and (vii) shrimp production and export.
- ₹1.5 lakh crore has been allocated to the agriculture and allied sectors and ₹2.7 lakh crore to rural development.
- 109 varieties of 32 high-yielding and climate-friendly crops will be released for cultivation.
- To increase productivity as well as reduce input costs, one crore farmers will be linked to natural farming in the next two years.
- 10,000 need-based bio-input resource centres shall be established.
- To bolster vegetable supply chains and enhance production and distribution efficiency, the creation of large-scale production clusters near major consumption centres is proposed.
- Towards the development of digital public infrastructure, a digital crop survey for kharif crops shall be conducted in 400 districts, integrating data from 6 crore farmers into national registries, streamlining access to agricultural services.
- To boost shrimp farming and improve its export potential, a network of nucleus breeding centres for shrimp brood stocks will be established, with funding for shrimp farming and exports facilitated through NABARD.
- The Pradhan Mantri Janjati Unnat Gram Abhiyan shall be launched to improve the socio-economic condition of tribal communities.
- The National Cooperation Policy shall be formalised for the systematic and all-round development of the cooperative sector.
- For increasing the participation of women in the workforce, women-specific skilling programmes shall be organised and market access for women self-help groups will be promoted.

NOTES

1. FY = Fiscal Year. FY before a calendar year denotes the fiscal year or the 12-month period ending 31 March of the year. For instance, FY2024 represents the period 1 April 2023–31 March 2024.
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4. GOI (2024a), Second Advance Estimates of National Income 2023-24, National Statistical Office, Ministry of Statistics and Programme Implementation, Government of India.
5. GOI (2024b), Central Statistical Office, Ministry of Statistics and Programme Implementation, Government of India| RBI (2024), *Monetary Policy Statements (2023–24)*, Reserve Bank of India, Mumbai.
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10. Department of Financial Services, Ministry of Finance.
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18. GOI (2024c), Interim Union Budget, 2024-25, Ministry of Finance, Government of India.
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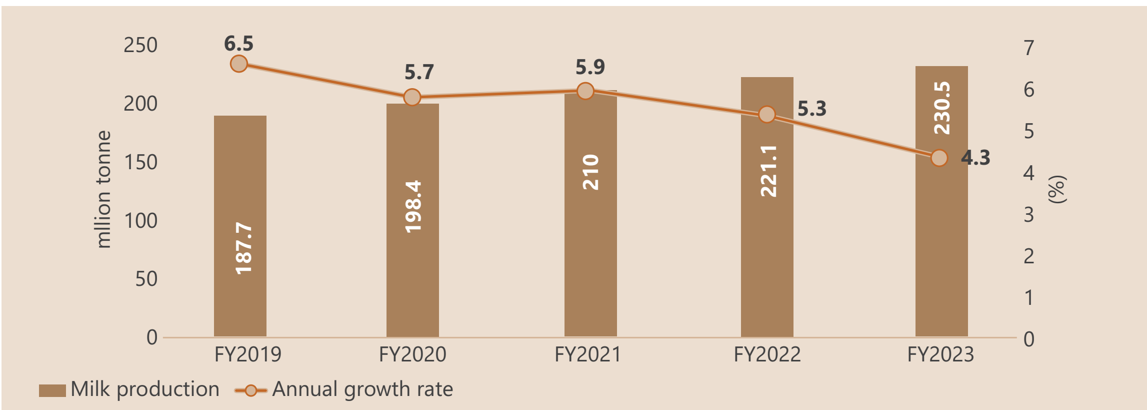
24. RBI (2024), Note 5.
25. RBI (2024), Note 5.

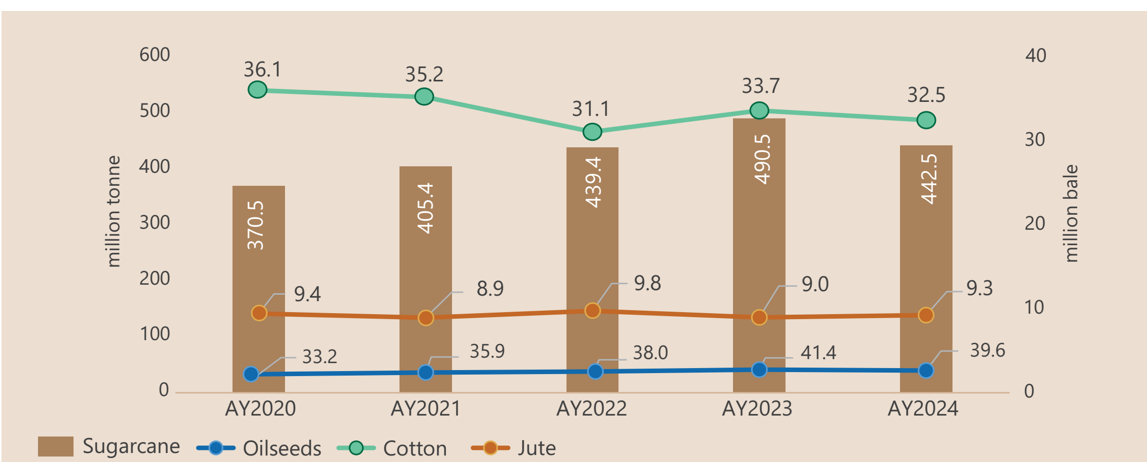
APPENDIX TO CHAPTER 1

Figure A1.1: Annual milk production (million tonne) and annual growth rate (%)



Source: GOI (2024), *Annual Report 2023–24*, Department of Animal Husbandry and Dairying, Ministry of Animal Husbandry, Dairying and Fisheries, Government of India.

Figure A1.2: Commercial crop production in India



Notes:
- Oilseeds and sugarcane are measured in million tonnes on left y-axis; cotton in million bales of 170 kg each and jute in million bales of 180 kg each on right y-axis.
- Data for AY2024 are Third Advance Estimates.

Source: GOI (2024), Third Advance Estimates of Production of Commercial crops for 2023–24, Department of Agriculture, Cooperation and Farmers Welfare, Ministry of Agriculture and Farmers' Welfare, Government of India. https://desagri.gov.in/wp-content/uploads/2024/06/English.pdf. P.3.

Table A1.1: Production of tomatoes, onions, and potatoes (million tonne)

Year	*All vegetables*	*All horticulture*	*Tomato*	*Onion*	*Potato*
AY2020	188.1	320.5	21.2	26.1	48.6
AY2021	200.0	334.6	21.2	26.6	56.2
AY2022	209.1	347.2	20.7	31.7	56.2
AY2023	212.6	355.5	20.6	31.0	59.7
AY2024	205.0	352.2	21.2	24.2	56.7

AY = Agriculture year.
Source: PIB (2024), Second Advance Estimates for 2023–24 of Area and Production of Horticultural Crops, Press Information Bureau, press release by the Department of Agriculture, Cooperation and Farmers Welfare, Ministry of Agriculture and Farmers' Welfare, Government of India, 4 June. https://pib.gov.in/PressReleaseIframePage.aspx?PRID=2022761.