

Indian Economy (State of the Economy 2024-2025)

India's Real GDP is projected to grow at 6.4% in FY25 and further strengthen to 6.5% in FY26, reflecting continued economic momentum. While this is a moderation from the strong 9.2% in FY24, the outlook indicates resilience amid a stabilizing global environment. Growth remains broad-based with agriculture, services, and stable private consumption being key contributors.

- The global economy grew by 3.3% in 2023, with the IMF projecting 3.2% for 2024. Growth was uneven, with advanced economies showing stable performance, while many emerging markets saw mixed trends. Manufacturing weakened globally due to supply chain disruptions, but services remained robust. Inflation eased overall but persisted in services due to wage pressures.
- Global manufacturing entered contraction territory by mid-2024, except in India where the Purchasing Managers' Index remained in the expansionary zone. Services globally saw continuous growth, with the Global Services PMI at 53.8 in December 2024. Inflation declined due to monetary tightening, but food inflation in India surged to 8.4% due to weather-related supply disruptions.
- India's private consumption grew 7.3% YoY in FY25, contributing nearly 62% to GDP—the highest since FY03. Investment also remained steady, with Gross Fixed Capital Formation rising by 6.4%. Agriculture performed strongly with 3.8% growth driven by favourable monsoons and strong Kharif production. Industry expanded by 6.2%, while services led with 7.2% growth.
- India's trade deficit widened as merchandise imports grew faster than exports. However, services trade surplus and robust remittance inflows stabilized the external sector. Retail inflation moderated to 4.9%, though food inflation stayed elevated. Core inflation declined, indicating easing cost pressures in goods and services.
- The Reserve Bank of India kept the repo rate at 6.5% throughout April–December 2024, with a neutral stance adopted in October. A CRR cut in December released Rs. 1.16 lakh crore into the banking system. Money supply growth slowed, but liquidity remained adequate with a rise in the money multiplier.
- Credit growth moderated to 7.7% YoY in December 2024, down from 11.8% a year earlier. MSME credit rose 13%, and personal loans grew 8.8%. GNPA ratios fell to a 12-year low of 2.6%, and capital adequacy (CRAR) improved to 16.7%. Consumer credit rose to 32.4% of total bank credit.

- India led globally in IPO listings in FY24, with a 32% YoY rise and Rs. 1.54 lakh crore raised. Corporate bond issuance reached Rs. 7.3 lakh crore. Infrastructure finance institutions like IIFCL and NaBFID significantly expanded project funding, including highways, energy, and ports.
- FDI inflows rose nearly 18% in the first eight months of FY25. Services exports and private transfers (mainly remittances) showed strong growth, supporting a manageable current account deficit of 1.2% of GDP. Forex reserves stood at over US\$ 640 billion by end-December 2024, covering about 90% of external debt.
- The government continues to drive infrastructure with major capital expenditure increases. Projects under the National Infrastructure and Monetisation Pipelines are progressing. Vande Bharat trains, freight corridors, smart cities, and metro expansions reflect enhanced logistics and urban development. Renewable energy now contributes nearly half of installed capacity.
- The industrial sector posted 6.2% growth in FY25. Steel and electronics manufacturing expanded, driven by infrastructure demand. Domestic electronics production rose from Rs. 1.9 lakh crore in FY15 to Rs. 9.52 lakh crore in FY24. Pharmaceuticals and chemicals also showed strong contributions.
- Services remain the dominant force in India's economy, contributing about 55% of GVA. IT/ITeS exports approached US\$ 200 billion, while tourism regained pre-pandemic employment levels. Road and rail transport saw improvements in passenger and freight metrics, supported by digital initiatives.
- Agriculture continues to support nearly half the population and contributes 16% to GDP. The sector has averaged 5% annual growth since 2020. Livestock's share of GVA rose to 30%, and fisheries exports grew by 30% from FY20 to FY24. MSP hikes and direct income support schemes improved rural incomes.
- Climate action spending rose to 5.6% of GDP. Key programs include the Green Hydrogen Mission, rooftop solar targets, and the expansion of wind energy. India issued sovereign green bonds worth Rs. 20,000 crore in FY24. Despite progress, global climate finance remains inadequate compared to needs.
- The education and health sectors saw strong public investment growth (12% and 18% CAGR respectively since FY21). School and higher education enrollment rose. Medical college seats increased significantly, and new IITs and IIMs were opened. Efforts continue to bridge digital and rural-urban gaps.

- Employment indicators improved, with the national unemployment rate falling by 3.2% in FY24. Female labour participation increased to 41.7%, driven by rural employment. Gig work is projected to rise to 6.7% of the non-farm workforce by 2030. Apprenticeship and skilling initiatives have also expanded.
- AI is rapidly advancing, with potential to impact 57% of occupations in emerging economies like India. While automation risks exist, high-demand sectors like healthcare and finance may see job creation. India's AI market is expected to grow 25–35% CAGR by 2027. Institutional support and balanced regulation are essential.

Source:

<https://www.ibef.org/economy/economic-survey-2024-25>

Complete Economic Survey 2024 – 2025:

<https://www.indiabudget.gov.in/economicsurvey/doc/echapter.pdf>