



India grows robust despite deepening geo-political quagmire

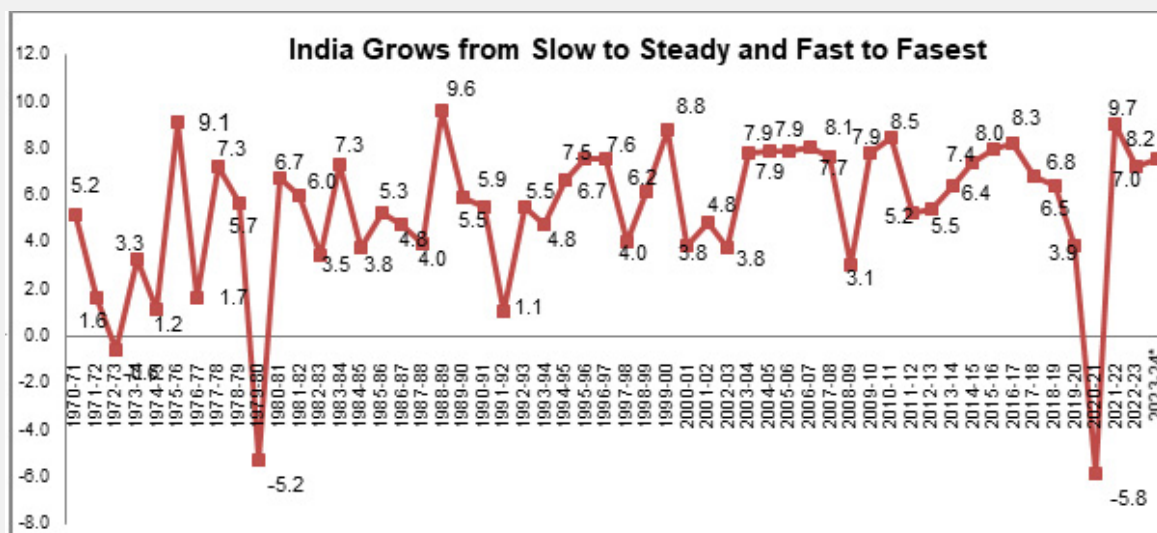
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Since the start of the year 2020, the global economy has been navigating successive high-amplitude shocks: the COVID-19 pandemic waves; rapid monetary policy tightening and deepening geo-political tussles. Despite these heightened uncertainties and formidable headwinds, the Indian economy has shown a great resilience in the global economic charts.

The geopolitical tensions impact the global economy in several ways. It could impact the global economy directly or indirectly through the financial market, commodity price fluctuations, international trade, supply chains, or industrial policies. The international fiscal and monetary policies of the government also tend to change to build the resilience of the economy.

The long term growth story of the Indian economy reveals that Indian economy moves from slow to steady and then fast to fastest. The growth trajectory in the 21st century has become more robust with a sharp recovery from the Lehman crisis of 2008-09, coronavirus crisis of 2020-21 and deepening geo-political developments in 2022, 2023 and 2024. The recent growth trajectory has built more aspirations about India's strengths not only by the people of India but also by the prestigious organizations such as IMF saying that India is a bright spot in the global eco-system.

Long term growth trajectory of Indian Economy



Source: Compiled from RBI and MOSPI

India is constantly growing above the pre – pandemic level, showing its strong resilience during the post pandemic and recent geo-political quagmire. According to the recent IMF data, India recovered significantly from (-) 5.8% GDP growth in 2020-21 to 9.7% in 2021-22, 7.0% in 2022-23 and 8.2% in 2023-24 with projected growth rate at around 7.2% in 2024-25.

Indian Economy So Far

Year	Breathe of the Economy	GDP Growth
2019 - 2020	Cyclical downturn	3.9%
2020 - 2021	Historic lows caused by coronavirus	-5.8%
2021 - 2022	Sharp recovery/Economic consolidation	9.7%
2022 - 2023	Economy resumes normal growth curve	7.0%
2023 - 2024	Economy consistently resilient	8.2%
2024-2025	Tackling geo-political headwinds	6.7% (Q1)

Source: Compiled from various sources.

The performance of key economic and business indicators reflects that the Indian economy has resumed its normal growth trajectory and economy is poised to enter a new growth orbit invigorated by unrelenting support by the Government, RBI and Industry. The reforms have laid a strong foundation for a higher growth trajectory in the times ahead.

Since the start of Russia–Ukraine war in 2022, the global economic ties are restructuring in varied dimensions. Countries are rethinking investment decisions such as foreign direct investment and portfolio investments. Further, the recent escalation of the Israel and Hamas conflict to Houthi rebel's attacks on ships passing through the Red Sea is increasing complexities in the Asia and Europe. Now, the countries, including Iran and Lebanon, have also become a part of the turmoil. These deepening geo-political conflicts exacerbate regional instability and will have significant repercussions on energy and food security. The mutual reinforcing force of all the tensions affect inflation, economic growth rate and welfare outcomes. However, despite these challenging headwinds, India's economy performs robust.

Economic performance so far

Despite the global headwinds the key economic indicators are performing well as the GDP growth for FY 2024-25 remains intact at 7.2% (projected), growth of other economic indicators also remains steady. During the H1 of 2024-25, IIP grew at 4%, core infra grew at 4.5%, exports grew at 4.8%, bank credit grew at 15%, and GST collections grew at 9.5% year on year basis. The Sensex has increased by 28% from September 2023 to September 2024, Forex has increased by USD 117 billion from USD 587 billion in Sep 2023 to USD 704 billion Sep 2024, and the CPI Inflation has decreased by 1 percentage point from 5.5% (Apr-Sep 2023 avg.) to 4.5% (Apr-Sep 2024 avg.).

Economic performance so far

S.no	Economic Indicators	Performance
1	GDP Projected 2024-25	7.2%
2	GDP Q1 2024-25	6.7%
3	Growth of IIP (Apr-Aug 2024)	4%
4	Growth of Core Infra (Apr- Aug 2024)	4.5%
5	Growth of Exports (Apr-Aug 2024)	4.8%
6	Growth of Bank Credit (Apr-Aug 2024)	15%
7	Growth of GST Collections (Apr-Sep 2024) (The GST collections for September 2024 stood at Rs. 1.73 lakh	9.5%

	crore)	
8	Stock Market SENSEX (Sep 2023 to Sep 2024)	28%
9	Forex growth	Forex has increased by USD 117 billion from USD 587 billion in Sep 2023 to USD 704 billion Sep 2024.
10	CPI (Inflation)	The CPI Inflation has decreased by 18% from 5.5% (Apr-sep 2023 avg.) to 4.5% (Apr-Sep 2024 avg.)

Source : Compiled from various sources

Going ahead, India's economy is expected to grow to a size of more than USD 4 trillion in FY 2024-25 and USD 5 trillion in FY 2026-27, positioning itself as the 2nd largest economy in the Asia-Pacific region and the 3rd largest in the World economy. India will be a more than USD 7 trillion economy by 2030 and is expected to expand beyond USD 34 trillion by 2047.

Despite the global headwinds, India's trade performance remains robust, exports make new highs every year. India's exports (combined merchandise and services) USD 497 billion in 2020-21 to USD 778 billion in 2023-24. Though the exports trajectory was impacted by pandemic, however, it recovered significantly in the post pandemic years with the support of conducive business environment and ease of doing exports created by the Government. The government has set an ambitious target of India's exports worth USD 2 trillion by 2030 of which USD 1 trillion will come from merchandise and USD 1 trillion from services.

Manufacturing sector has become a major driver of economic growth and expansion in India. The robust expansion of India's manufacturing sector is bolstered by digital transformation and technological innovation in key sectors such as automotive, electronics, food processing, textiles, defense and pharmaceuticals. These sectors have been instrumental in enhancing productivity and efficiency of the manufacturing sector in the recent years, ensuring that India remains competitive at the global marketplace.

India's rise as a global manufacturing hub is vividly illustrated by the transformation of key regions be it in the bustling industrial corridors of Gujarat's GIFT City and Tamil Nadu's emerging semiconductor hub. A striking example is Noida's growth into a mobile manufacturing powerhouse:

- Mobile phone manufacturing units surged from just 2 in 2014 to over 200 by 2024.
- Production escalated from 60 million units in 2014-15 to 3.1 billion units in 2022-23.
- India transitioned from being a net importer to becoming the world's second-largest mobile phone manufacturer.

Driven by policy reforms and strategic initiatives under the Make in India program, India is steadily working towards its objective of raising the percentage of manufacturing in GDP to 25% in the coming times.

Remarkably, India has managed to surpass major economies, with its accelerated economic growth even amidst a global slowdown vis-a-vis geo-political conflicts. India contributes about 15% to the global growth. According to the recent IMF projections (July 2024), India is projected as the fastest growing economy among the major economies in the next five years too (2024-2028), growing at 6.9% (average). The pandemic impact has built a great immunity in India's economic system; meaningful and effective economic reforms have built steady strides for its journey from an emerging economy to Viksit Bharat@2047.

Continued economic reforms will further strengthen the economic fundamentals of the country to maintain high economic growth trajectory in the coming years. Strengthening of India's connectivity with Global Value Chains

(GVCs) will help to improve supply side bottlenecks, reduce costs of doing business and address inflationary pressure. Enhanced competitiveness of the Indian economy will attract more and more investments and create more employment opportunities for the growing young population in the country.

In conclusions, India is poised to achieve significant economic milestones in the coming years, with a projected GDP of more than USD 4 trillion in FY 2024-25. Bolstered by comprehensive reforms, the Nation has garnered global acclaim for its robust economic fundamentals and notable improvements in the ease of doing business. The optimistic outlook is accentuated by the growing enthusiasm among businesses to expand their production possibility frontiers and deploy more workforce in their respective factories. As India continues on this trajectory, it is evident that the Nation is moving steadfastly on the right path towards becoming a formidable economic force on the global stage and a developed economy by 2047.

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