Economic Division

Monthly Economic Review

November 2024

आर्थिक कार्य विभाग
DEPARTMENT OF ECONOMIC AFFAIRS

सत्यमेव जयते

Table of Content

Abstract

India's GDP grew at 5.4 per cent in Q2 of FY25, resulting in a growth of 6 per cent in H1 of FY25. From a demand perspective, private consumption remained steady because of sustained rural demand, while investment growth softened in Q2. The slowdown in investment growth can be attributed to a softening of public capex and private capex levels being affected by global uncertainties, excess capacity, and fears of dumping. There are signs of capital formation growth rebounding early in H2 of FY25, with Union Government capex picking up pace. The order books of infrastructure and capital goods grew sharply in FY24 and H1 of FY25, indicating a pent-up investment impulse that will play out in the quarters ahead.

The agriculture and services sectors emerged as key growth drivers in Q2 of FY25. Strong kharif production, favourable monsoons, and adequate reservoir levels supported agriculture. Industrial growth moderated in Q2. However, there was no broad-based decline across manufacturing sub-sectors. The November 2024 Manufacturing PMI remained firmly in the expansionary zone, exceeding its long-term average, supported by robust demand and new business gains. The services sector also maintained its strong performance through H1 of FY25.

Inflationary pressures softened in November 2024, driven by lower food and core inflation. An influx of fresh produce in the market has moderated vegetable price pressures. Healthy progress in rabi sowing indicates a promising harvest that will help alleviate food inflation pressures. The downward trend in international crude oil prices is a positive factor for domestic inflation, while elevated global edible oil prices remain a risk.

On the external front, the Indian economy witnessed a high merchandise trade deficit in November 2024, driven by a slowdown in merchandise exports and a double-digit import growth. Regarding capital flows, Foreign Portfolio Investment (FPI) flows showed mixed trends in November 2024, witnessing capital outflow in the first half and inflows in the second half. The positive trend has continued in the first half of December 2024, driven by the expectation of a cut in the US policy rate and increased uncertainty in the Chinese capital markets after the US election results. Gross Foreign Direct Investment (FDI) inflows revived in FY25. FDI inflows into India have surpassed the USD 1 trillion mark from April 2000 to September 2024, solidifying the country's position as a safe and significant global investment destination. Supported by stable capital inflows, India added USD 6.4 billion of foreign exchange reserves during FY25 as of 13 December 2024. The reserves are sufficient to cover

more than 11 months of imports and about 96 per cent of external debt outstanding at the end of June 2024.

The labour market continues to show signs of growth. Formal job opportunities are increasing, as indicated by the growing net payroll additions under the Employee Provident Fund Organisation (EPFO). Additionally, both the employment sub-index of the Purchasing Managers' Index and the Naukri JobSpeak index indicate growth in hiring.

The outlook for Q3 appears bright, as reflected in the performance of HFIs for October and November 2024. An increase in Minimum Support Price (MSP) for Rabi crops, high reservoir level and adequate fertiliser availability bodes well for rabi sowing. Industrial activity is likely to gain traction. The October and November 2024 PMI remained firmly in the expansionary range, supported by new business growth, strong demand, and advertising efforts. The conclusion of the monsoon season and the expected increase in public capex will likely support the cement, iron, steel, and electricity sectors. The services sector continues to perform well, with PMI services being in an expansionary zone in October and November 2024.

On the demand side, rural demand remains resilient, as highlighted by the 23.2 per cent and 9.8 per cent growth in two & three-wheeler sales and domestic tractor sales, respectively, in October-November 2024. Urban demand is picking up, with passenger vehicle sales registering YoY growth of 13.4 per cent in October-November 2024 and domestic air passenger traffic witnessing robust growth. Consequently, we expect the economy to grow at around 6.5 per cent in real terms in FY25.

Looking further ahead, we note the build-up of global risks. There is uncertainty with respect to the growth in global trade next year. Equity prices in the United States are deemed extreme by some measures. Of course, while we know that stock markets could remain irrational longer than expected, the threat hangs over global markets. Second, in recent days, reconsidering the path of policy rates in the United States by financial markets has caused long-term sovereign borrowing costs for advanced countries to increase, and emerging market currencies have weakened against the US dollar. This will weigh on the minds of monetary policymakers in emerging economies, India included.

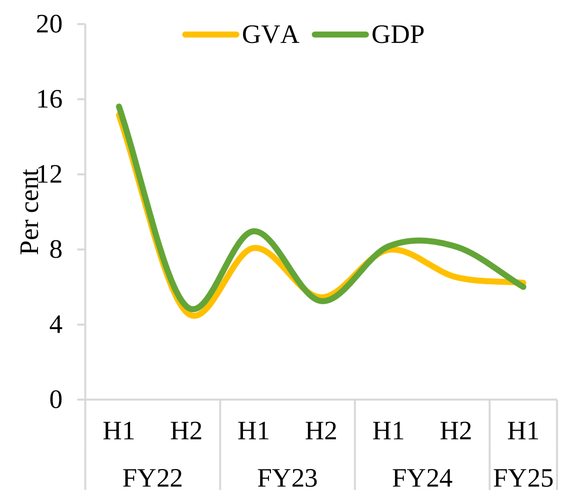
Therefore, India's growth outlook in FY26 for the coming years is bright when viewed through the lens of Indian domestic economic fundamentals, but is also subject to fresh uncertainties.

Domestic economic development

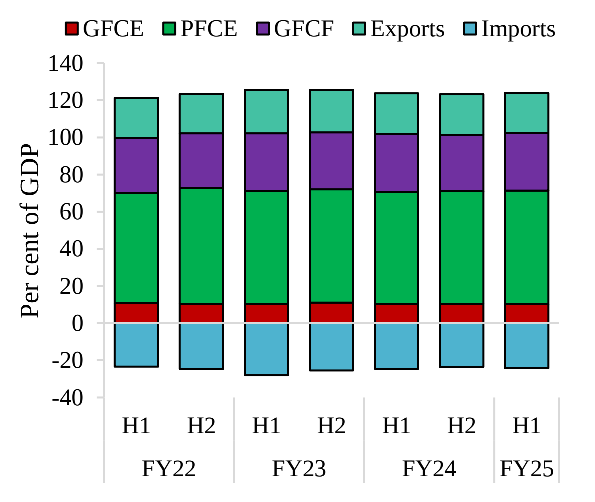
Real GDP growth moderates in Q2 of FY25 but likely to pick up in H2 of FY25

1. India's real GDP grew 5.4 per cent during Q2 of FY25 and 6 per cent for H1 of FY25. The slowdown was mainly concentrated in some manufacturing sections compared to the previous quarter. On the demand side, private final consumption expenditure (PFCE) at constant (2011-12) prices grew by 6 per cent in Q2 of FY25, resulting in 6.7 per cent growth in H1 of FY25. Consumption remained strong, with its share in GDP (at current prices) rising from 60 per cent in H1 of FY24 to 61.2 per cent in H1 of FY25.

Growth in GDP and GVA at constant (2011-12) prices



Steady shares of investment and consumption in GDP (at current prices)



Source: MOSPI

2. Consumption growth was driven by sustained rural demand, even though urban demand softened in Q2 of FY25. Indicators of rural demand such as 2-wheeler sales, 3-wheeler sales, and tractor sales grew by 14.0 per cent[1], 7.6 per cent[2]and 4.3[3] per cent YoY, respectively, in April-November 2024.

3. Investment, as represented by gross fixed capital formation (GFCF) at current prices, remained steady at 30.8 per cent of GDP in Q2 of FY25 and 31 per cent of GDP in H1 of FY25. The year-on-year (YoY) growth in GFCF at constant (2011-12) prices was 5.4 per cent in Q2 of FY25 as compared to 7.5 per cent in the previous quarter. The moderation in investment growth in Q2 of FY25 can be traced to two reasons: (a) the softening of capex growth at

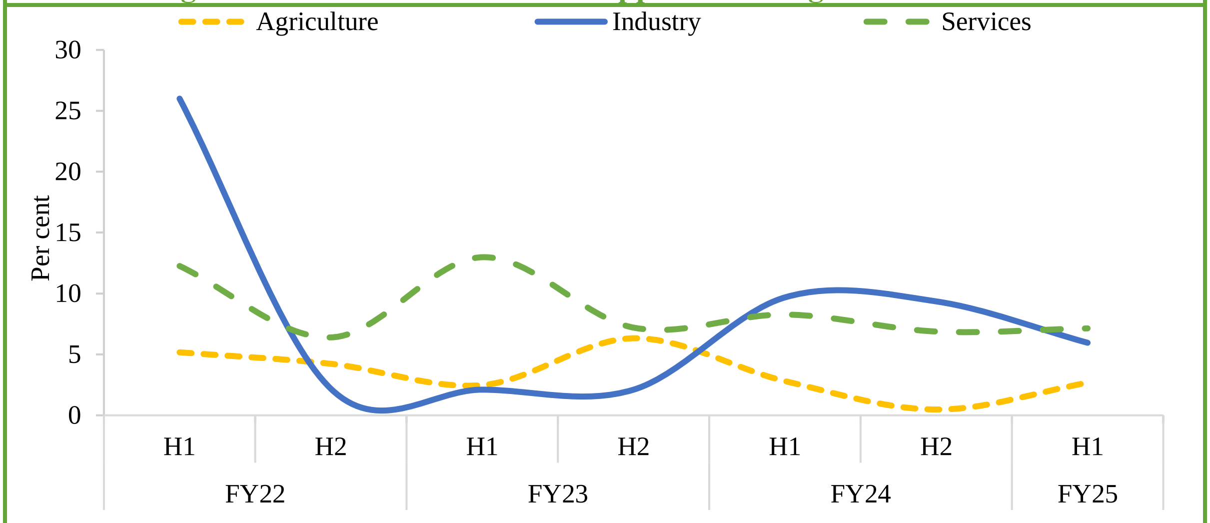
[1] https://fada.in/images/press-release/16703bd0a727fbFADA%20releases%20September%202024%20Vehicle%20Retail%20Data.pdf
[2] Ibid note 1
[3] https://www.tmaindia.in/consolidated-monthly-reports-2024.php

different levels of the government on account of the general elections and multiple state elections, and (b) private sector capital formation in FY25 so far being affected by the domestic political timetable, global uncertainties, excess capacity and fears of dumping in India, leading to some slowdown in private capex spending.

4. However, there are encouraging signs of capital formation growth rebounding. In July – October 2024, Union Government capital expenditure grew by 6.3 per cent. The Union Government also eased cash management guidelines[4] in a bid to boost expenditure. Early results of the RBI's Order Books, Inventory, and Capacity Utilisation Survey (OBICUS) show that the seasonally adjusted capacity utilisation in manufacturing firms was 74.7 per cent in Q2 of FY25, above the long-term average of 73.8 per cent.[5] A private sector report's[6] analysis of a sample of capital goods companies indicates that the order books of these companies have registered a sharp increase of 23.6 per cent in FY24 against a CAGR of 4.5 per cent in the preceding four years. Moreover, in H1 of FY25, there has been a growth of 10.3 per cent compared to the end of FY24. The increasing order book trend of the capital goods sector and the recovering trend of the infrastructure sector suggest optimism about further capital spending by businesses in other sectors as well, creating a positive feedback loop.

5. On the supply side, the real Gross Value Added (GVA) grew by 6.2 per cent in H1 of FY25. Following a strong growth in Q1 of FY25, growth in Q2 of FY25 was subdued. The agriculture and services sector emerged as a major growth driver in Q2 and H1 of FY25.

The agriculture and services sector supported GVA growth in H1 of FY25



Source: NSO, MoSPI

[4] https://dea.gov.in/sites/default/files/Cash%20Management%20Guidelines.pdf

[5] Footnote no. 19, Governor's Statement, MPC meeting 4th – 6th December 2024

[6] https://www.careratings.com/upload/video/pdf/1731588730_India%27s%20Capex%20Story%20-%20Nov%202024.pdf

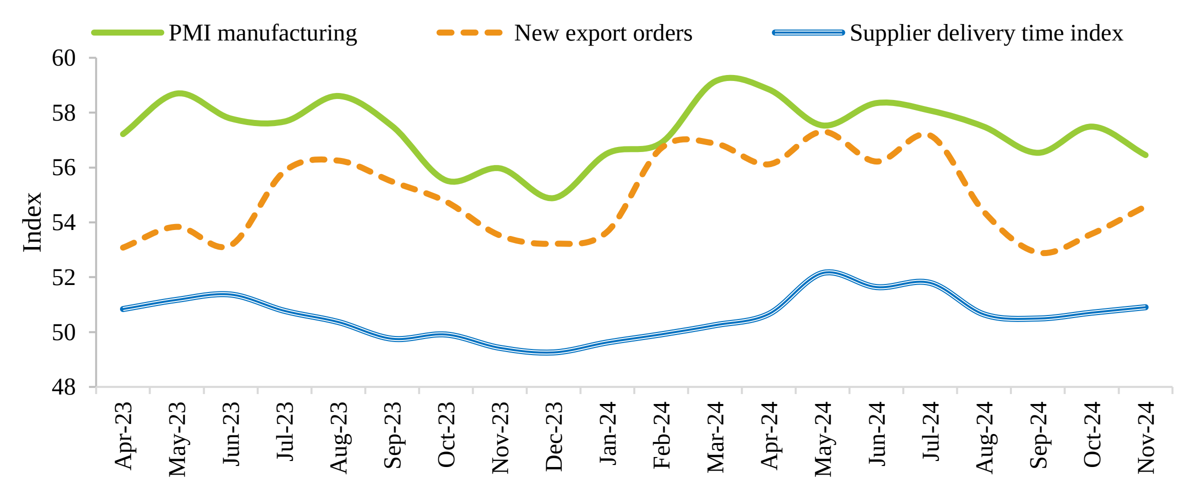
6. Healthy kharif production, above-normal monsoons, and an adequate reservoir level supported agricultural growth. As per the first advance estimates, total Kharif foodgrain production for 2024-25 is projected at 1647.05 lakh metric tonnes (LMT), 89.37 LMT higher than the previous year.[7]

Manufacturing sector growth moderates but shows positive expectations

7. The industrial sector grew by 6 per cent in H1 of FY25. Q1 of FY25 registered a strong growth of 8.3 per cent in the sector, whereas it moderated in Q2 of FY25. Due to rising trade uncertainty and geopolitical risks, global manufacturing activity slowed down in Q2 of FY25, impacting global supply chains and demand conditions. This likely affected the economy's industrial activity by pressurising supply chains and new export orders. The Index of Industrial Production (IIP) grew by 4 per cent YoY from April to October 2024.

8. Disaggregated data shows no broad-based slowdown in manufacturing, with many sub-sectors posting positive growth. However, some faced a slowdown, likely due to global and seasonal factors. While oil companies suffered due to inventory losses and lower refining margins, steel companies faced price pressures and lower global prices. The cement sector faced weak demand in Q2 due to heavy rains and lower selling prices, thereby affecting construction activity.

Global slowdown impacted manufacturing in Q2 of FY25



Source: HSBC

9. The moderation in construction activity is also reflected in a decline in housing sales. As per the PropTiger report[8], housing sales declined by 5 per cent in Q2 of FY25, falling from 1,01,221 units in Q2 of FY24 to 96,544 units in Q2 of FY25. The end of the monsoon season

[7] PIB press release of Ministry of Agriculture and Farmers Welfare dated 5 November 2024, https://tinyurl.com/j22u9dej

[8] PropTiger report on housing sales and launches in Q2 of FY25, https://www.proptiger.com/guide/post/top-8-cities-see-5-drop-in-sales-25-fall-in-new-launches-proptiger-report

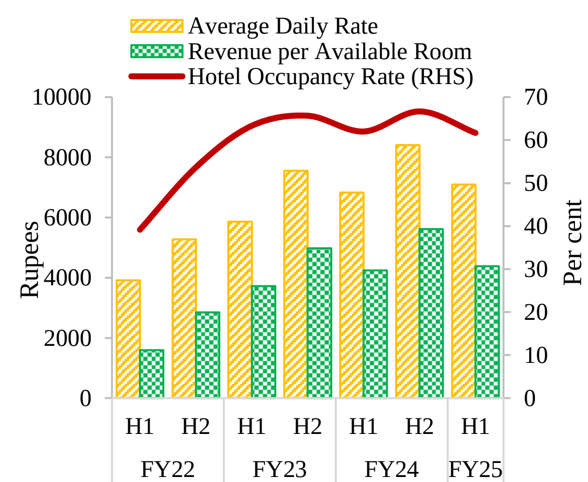
and the expected pick-up in government capital expenditure will likely provide impetus to the cement, iron, and steel sectors. Further, mining and electricity are expected to normalise after the monsoon-related disruptions.[9]

10. The latest Manufacturing PMI for November 2024 remained well within the expansionary zone. The expansion rate exceeded its long-term average, driven by new business gains, robust demand, and advertising efforts. However, the pace of growth was moderated by price pressures. Meanwhile, growth in international orders reached a four-month high midway through the third fiscal quarter, reflecting stronger external demand as indicated by companies. Going forward, industrial activity is expected to normalise and recover. As per the Industrial Outlook Survey of RBI, manufacturing firms assessed improvement in demand conditions in Q3 of FY25 and expect further improvement in Q4 of FY25 and Q1 of FY26.

The services sector continues to grow at a strong pace

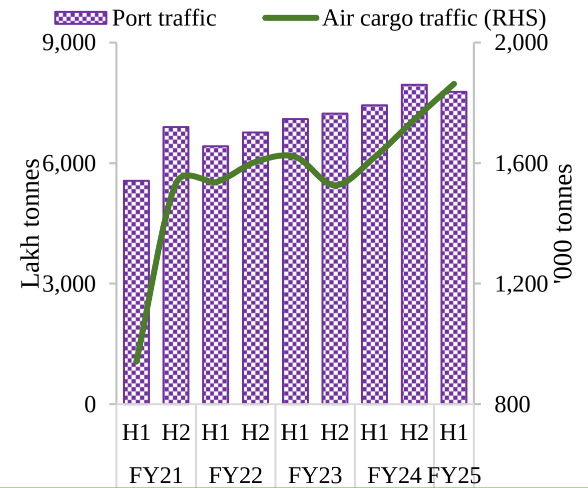
11. The services sector performed well in Q2 of FY25, growing by 7.1 per cent from the 6 per cent growth recorded in the corresponding period of the previous year. A remarkable growth in Q1 and Q2 resulted in 7.1 per cent growth in H1 of FY25. Across sub-categories, all the sub-sectors have performed well. The robust performance of the services sector is also reflected in HFIs. PMI services have been in an expansionary zone during H1 of FY25, supported by growth in new orders, rise in output, improvement in sales and enhanced employment generation.

Robust performance of the hotel industry



Source: Anarock

Steady rise in air cargo and port traffic activity



Source: Airport Authority of India (AAI), Indian Port Association (IPA)

[9] RBI Governor's Statement: December 6, 2024
https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=59246#F13

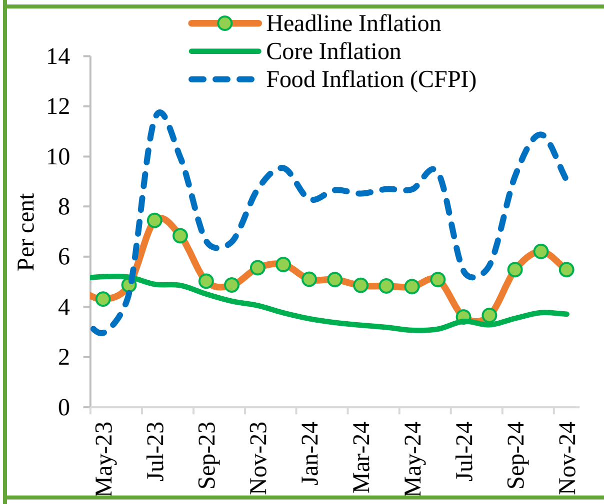
12. In the hospitality sector, the average hotel occupancy rate during H1 of FY25 was around the same level as that witnessed in the corresponding period of the previous year. During the same time, the average daily rate and average revenue per room have registered an increase, driven by a rise in corporate and leisure travel. There has been double-digit growth in air cargo activity in H1 of FY25, while port traffic activity also remained steady.

Inflationary pressures softened in November 2024

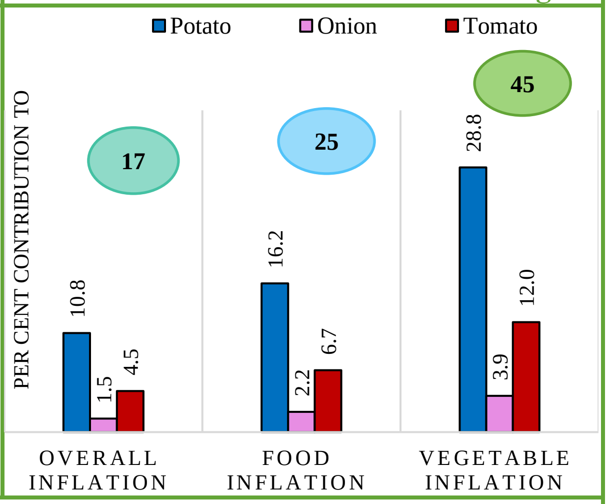
13. Retail inflation softened to 5.5 per cent in November 2024 from 6.2 per cent in October 2024, propelled by lower food and core inflation. Food inflation moderated to 9 per cent in November from 10.9 per cent in October, majorly driven by a fall in vegetable inflation, though it remains in double digits. Further, government measures to prevent the hoarding of major pulses and subsidised selling of pulses under the Bharat brand have been effective, with pulses inflation easing by 200 basis points to 5.4 per cent in November from October. On the other hand, the inflation rate in 'oils & fats' increased from 9.6 per cent in October to 13.3 per cent in November as global inflation in vegetable oils based on the FAO index is in double digits. Inflation in the fuel & light group continued in the deflationary zone for the 15th consecutive month. Core inflation also eased slightly to 3.7 per cent in November 2024.

14. Overall, headline inflation in FY25 (Apr-Nov) was lower at 4.9 per cent compared to 5.5 per cent in the corresponding period of the previous year. Core inflation stood at 3.4 per cent, 1.4 per cent lower than last year's corresponding period. However, food inflation increased to 8.3 per cent compared to 6.9 per cent in FY24 (April-Nov).

Headline Inflation eases in Nov 2024

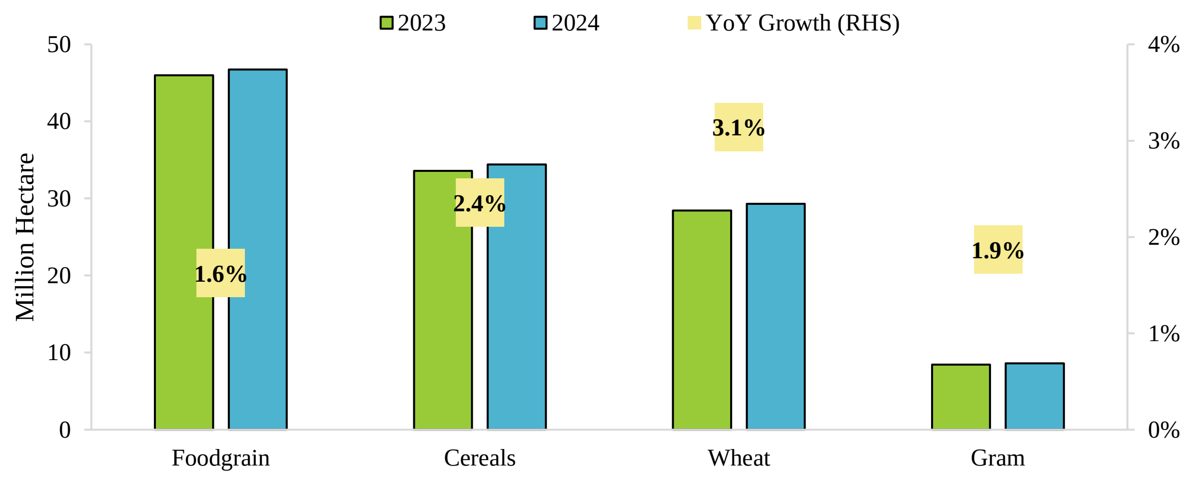


TOP contribution fell but remains high



Source: Consumer Price Index, CSO, MoSPI

Rabi Sowing gains pace (As of 13 Dec)



Source: Department of Agriculture and Farmers Welfare

15. The prospects for rabi crops appear to be favourable as the sowing process gains momentum. As of 13th December 2024, the area sown under rabi crops was 1.6 per cent higher than last year's corresponding period. Area sown under wheat and gram – major rabi crops - were 3.1 per cent and 1.9 per cent higher than the previous year. A good monsoon has replenished reservoir levels, recharged groundwater, and improved soil moisture. Furthermore, the proactive measures implemented by the government have ensured sufficient availability of fertilisers.

16. Going ahead, healthy progress in rabi sowing signals a promising harvest ahead, which will aid in alleviating food inflation pressures over the year. A downward trend in international crude oil prices is a positive factor for the domestic inflation scenario. However, elevated global edible oil prices and India's high dependence on imported edible oil would warrant close monitoring to keep inflation under check.

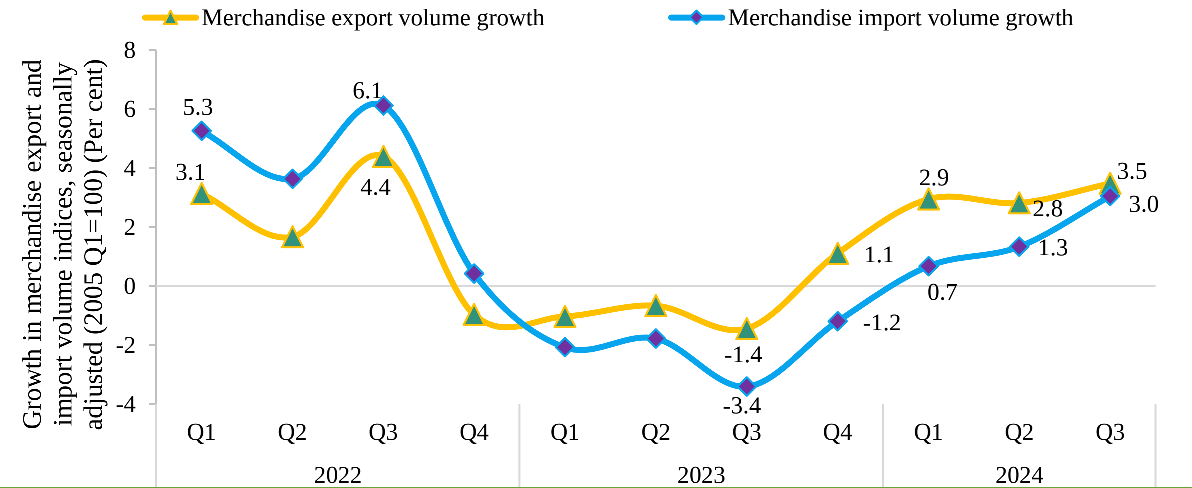
Global trade trends

17. According to the latest trade update by the United Nations Conference on Trade and Development (UNCTAD)[10], the gradual increase in global trade that began in H2 of 2023 has persisted into 2024. Global merchandise export and import indices (seasonally adjusted, 2005 Q1=100) grew by 3.5 per cent and 3 per cent, respectively, in Q3 of 2024. Further, global services exports and imports grew by 7.9 per cent and 6.7 per cent (YoY), respectively, in Q2 of 2024. Over the last four quarters, trade growth in developing countries generally exceeded that of developed nations. However, this trend reversed in Q3 of 2024, with trade growth primarily propelled by positive developments in developed economies. In contrast, trade

[10] UNCTAD Global Trade Update December 2024, https://unctad.org/publication/global-trade-update-december-2024

growth in East Asia stalled, and several major Asian developing economies experienced negative growth.

Rebound in global trade in 2024



Source: WTO Stats

18. Looking ahead, moderating global inflation, stable economic growth forecasts, and improving business activity are expected to foster positive momentum in global trade in early 2025. Nonetheless, this upward trend may encounter substantial challenges. Likely increase in U.S. tariffs could significantly impact global trade dynamics due to its role as a major consumer market and the interconnectedness of cross-border value chains. An increase in tariffs and the imposition of retaliatory measures can harm international trade, investments, and overall economic growth. A rise in the imposition of measures, such as CBAM and EUDR, aimed at promoting the production of sustainable and environmentally friendly products is expected to slow down the growth of international trade in certain sectors.

External sector performance

Merchandise trade deficit reached an all-time high in November 2024

19. Based on currently available official data, India's merchandise trade deficit reached USD 37.8 billion in November 2024.[11] The increase in merchandise trade deficit was driven by a double-digit growth in merchandise imports and a deceleration in merchandise exports. A decline in petroleum and gems & jewellery exports drove the fall in exports. In contrast, non-petroleum exports grew by 7.7 per cent in November 2024, reflecting a consistent rise in external demand. Key products that witnessed export growth in November 2024 include engineering goods, drugs and pharmaceuticals, electronic goods, and readymade garments. A rise in fertiliser, chemical, electronic goods, medicinal & pharmaceutical products, and gold imports drove increased merchandise imports in November 2024.

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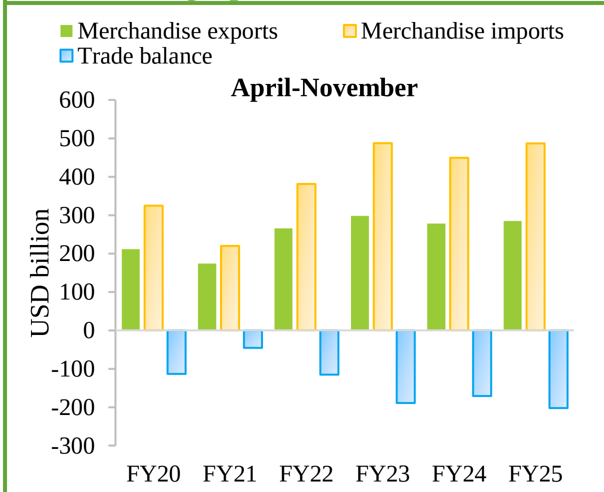
[11] These figures may be subject to revision.

Robust Services exports drove overall exports in FY25 (Apr-Nov)

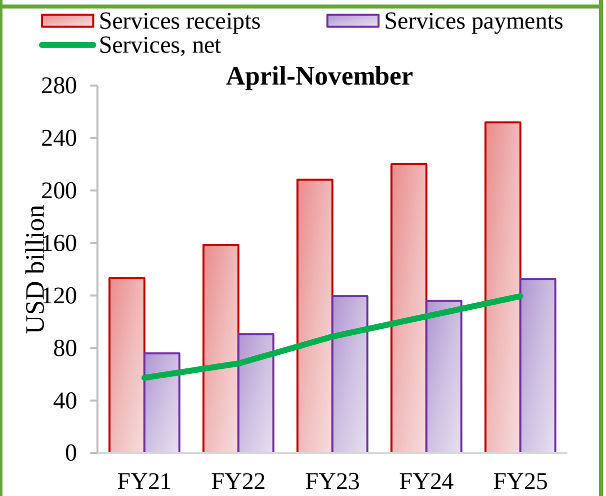
20. India’s overall exports (merchandise & services) grew well, rising by 7.6 per cent in the first eight months of FY25. A strong growth in services exports (14.5 per cent) has largely driven the increase in overall exports during this period.

21. Merchandise exports registered a modest growth of 2.2 per cent (YoY basis) during April-November 2024. The moderation in growth can be primarily attributed to a decline in the value of petroleum product exports due to a fall in international commodity prices. Non-petroleum exports (on the same comparison basis) were up by 7.4 per cent. Non-petroleum and non-gems and jewellery exports rose by 9.2 per cent. Specific sectors like drugs and pharmaceuticals, electronic goods, engineering goods, and chemicals saw an increase in exports, growing by 7.2 per cent, 27.6 per cent, 10.2 per cent, and 6.2 per cent, respectively, during April-November 2024 on a YoY basis. Textile exports[12] also saw an increase of 6.9 per cent during April-November 2024 compared to the corresponding period of the previous year. On the other hand, rising inflationary pressures on cereals, pulses, and edible oils limited the exports of agricultural and allied products.

Merchandise trade deficit widened during April-November 2024



Rise in net services receipts



Source: DGCIS, M/o Commerce & Industry

22. Conversely, merchandise imports grew by 8.3 per cent during April-November 2024. This increase is largely due to a rise in non-oil, non-gold imports, which reached USD 314.4 billion in the first eight months of FY25 compared to USD 301.3 billion during the same period last year, indicating a rebound in domestic consumption despite the inflationary impact. Gold imports increased due to higher international prices, driven by frontloading ahead of festival spending and demand for safe-haven assets. Among the major non-oil, non-gold imports, non-

[12] Textile exports include Cotton Yarn/Fabrics/made-ups, Handloom Products, Man-made Yarn/Fabrics/made-ups, etc., RMG of all Textiles, Jute Mfg. including Floor covering, carpet and Handicrafts, excluding handmade carpet

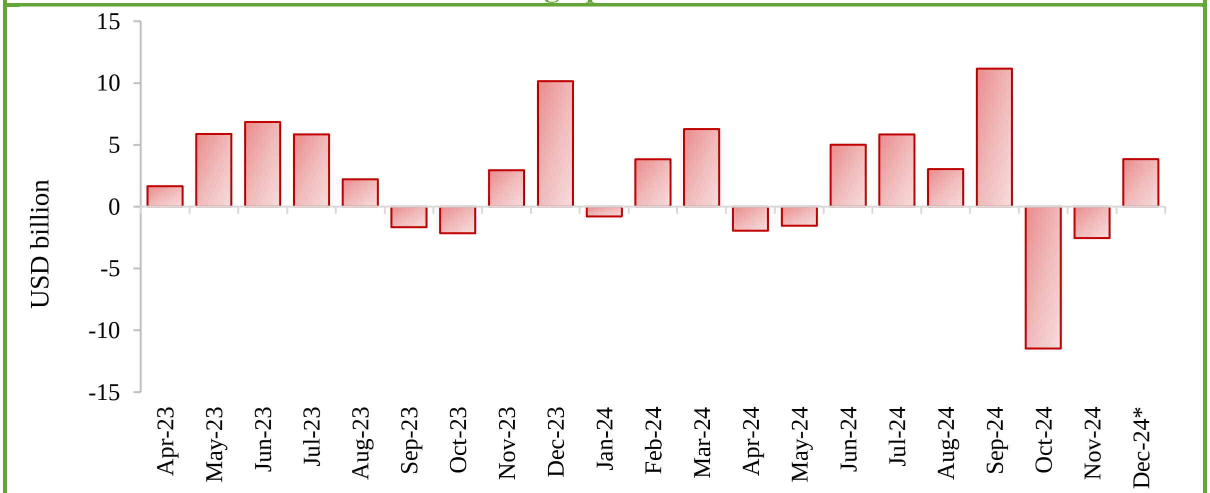
ferrous metals, machine tools, machinery, electrical & non-electrical goods, and transport equipment witnessed remarkable growth in the first eight months of FY25, reflecting growing demand for capital accumulation. Electronic goods also maintained consistent momentum, signalling a rise in discretionary consumer spending. Additionally, imports of pulses and cotton rose to support domestic production and control inflation.

23. The faster pace of increase in merchandise imports compared to exports contributed to the widening of the merchandise trade deficit to USD 202.4 billion in April-November 2024, compared to USD 171 billion in the same period last year.

A moderation in capital flows

24. After experiencing continuous inflows for four consecutive months from June to September 2024, Foreign Portfolio Investors (FPI) turned into net sellers in October 2024. This selling trend persisted until mid-November 2024. However, during the latter half of November 2024, FPIs became more optimistic about the Indian stock market, reversing the significant selling seen in October and early November 2024. In the second half of November 2024, net FPI inflows reached USD 967.1 million, in contrast to a net outflow of USD 3218.2 million during the first half of the month. This positive trend in FPI inflows continued in December 2024, with net inflows amounting to USD 3844.8 million as of 20 December 2024.

Mixed trend in foreign portfolio investment flows



Source: NSDL

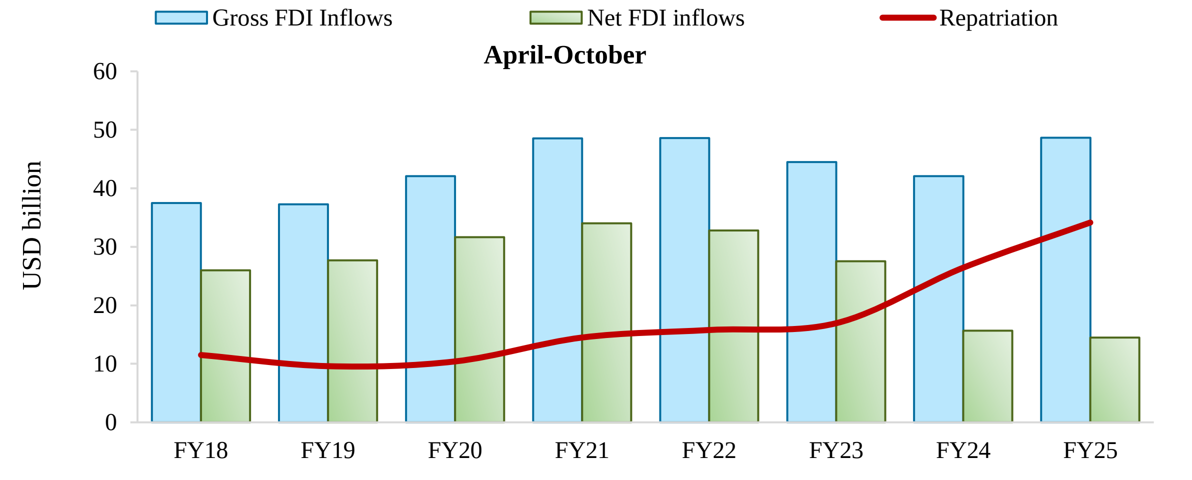
Note: data for December is as of 20 December 2024

25. Sector-wise, the financial services sector experienced substantial FPI inflows totalling USD 1,011 million in the second half of November 2024. This represented a notable reversal from the outflows of USD 870 million recorded in the first half of the month. The Information Technology sector also attracted strong FPI interest, with inflows of USD 287 million from November 16 to November 30, building on an inflow of USD 366 million during the first half. The Fast-Moving Consumer Goods (FMCG) sector saw inflows of USD 258 million in the

latter half of the month, recovering from outflows of USD 425 million in the earlier period. Additionally, the Realty sector maintained consistent FPI inflows, receiving USD 192 million in the second half, alongside a USD 94 million inflow during the first half. Conversely, sectors such as Oil, Gas, & Consumable Fuels, Automobile and Auto Components, Telecommunication, and Construction Materials sectors witness net outflows by FPIs in November.

26. Foreign Direct Investment (FDI) saw a revival in FY25, with gross FDI inflows increasing from USD 42.1 billion in the first seven months of FY24 to USD 48.6 billion in the same period of FY25, a YoY growth of 15.5 per cent. Although cumulative gross FDI inflows in the first seven months of FY25 surpassed those of the previous year, net FDI inflows[13] have moderated from USD 15.7 billion during April to October 2023 to USD 14.5 billion in the same period of FY25, driven by a significant rise in repatriation/disinvestment in September and October 2024.

Rise in foreign direct investment



Source: RBI

27. FDI inflows into India have surpassed the USD 1 trillion mark from April 2000 to September 2024, solidifying the country's position as a safe and significant global investment destination. According to data from the Department for Promotion of Industry and Internal Trade (DPIIT), the cumulative FDI inflows, which include equity inflows, reinvested earnings, and other capital, reached USD 1,033.4 billion during this period. Approximately 25 per cent of the FDI originated from Mauritius, followed by Singapore (24 per cent), the United States (10 per cent), the Netherlands (7 per cent), Japan (6 per cent), the United Kingdom (5 per cent), and the United Arab Emirates (3 per cent). The major sectors attracting the highest inflows include services, computer software and hardware, telecommunications, trading, construction development, automobiles, chemicals, and pharmaceuticals.

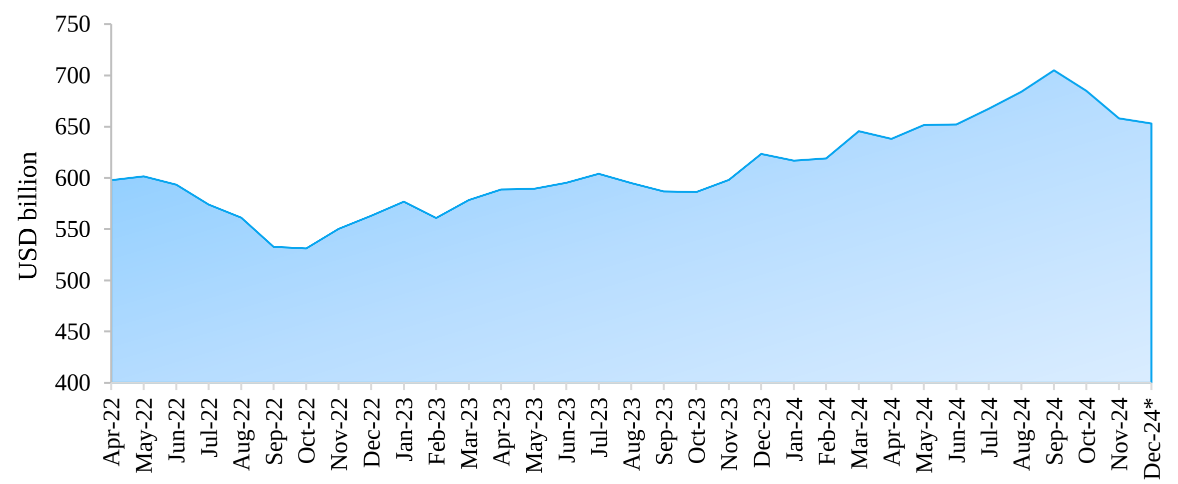
[13] Net FDI inflows=Gross FDI inflows-Repatriation/Disinvestment

28. Going forward, overseas inflows into India are expected to gain momentum, driven by robust macroeconomic fundamentals, improved industrial output, and appealing Production-Linked Incentive (PLI) schemes that are likely to attract more foreign players despite ongoing geopolitical challenges.

29. With increasing investments in AI start-ups globally, India is strategically positioned to harness its rapidly growing AI ecosystem to attract additional investments and foster innovation. Since 2023, and continuing into the first half of 2024, India has established itself as one of the top six economies in the world for investments in Generative AI startups.[14] India has ranked among the top ten nations for cumulative private AI investments from 2013 to 2023.[15]

30. India's foreign exchange reserves increased by USD 6.4 billion during FY25 so far to USD 652.9 billion as of 13 December 2024. The reserves are sufficient to cover more than 11 months of imports and about 96 per cent of external debt outstanding at the end of June 2024.

Forex reserves sufficient to cover more than 11 months of imports



Source: RBI
Note: Data for December is as of 13 December 2024

31. Despite an overall depreciation, the rupee has experienced a moderate decline compared to other emerging market currencies. In FY25 (as of 30 November 2024), the rupee remained largely range-bound and exhibited low volatility compared to its G20 counterparts. It witnessed a modest decline of 1.2 per cent, performing better than significant currencies such as the South Korean Won and the Brazilian Real, which depreciated by 2.2 per cent and 12.7 per cent against the US dollar, respectively, during the same period. Notably, all G20 currencies, except for the British Pound (GBP), depreciated by over 4 per cent during FY25 (as of 30 November 2024).

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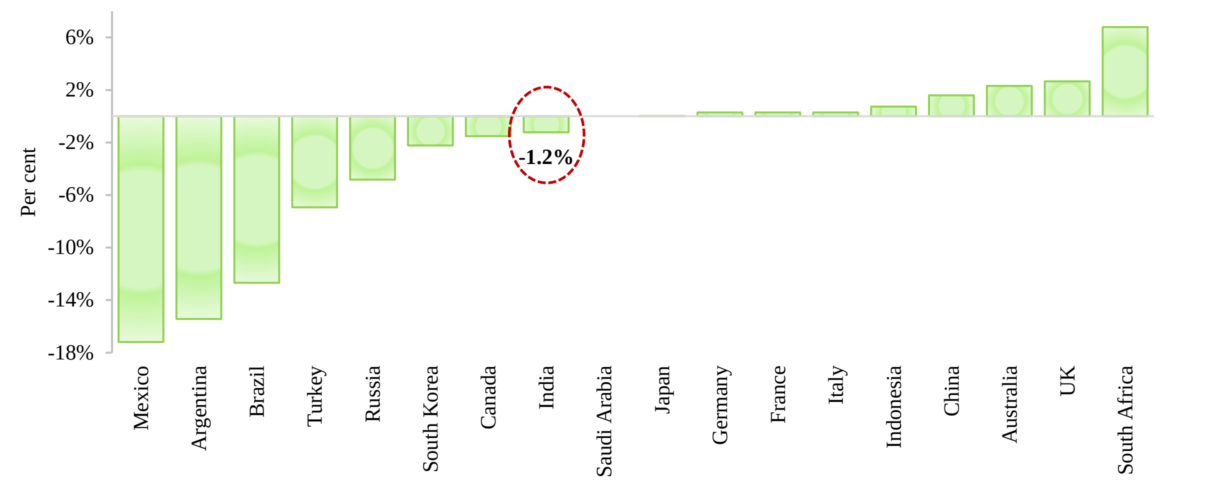
[14] NASSCOM report, 'India's Generative AI Startup Landscape 2024', https://tinyurl.com/3vzv2fjp
[15] Artificial Intelligence Index report 2024, https://tinyurl.com/bdcufydz

Changes in the bilateral exchange rates of the major currencies against the us dollar from April to November 2024

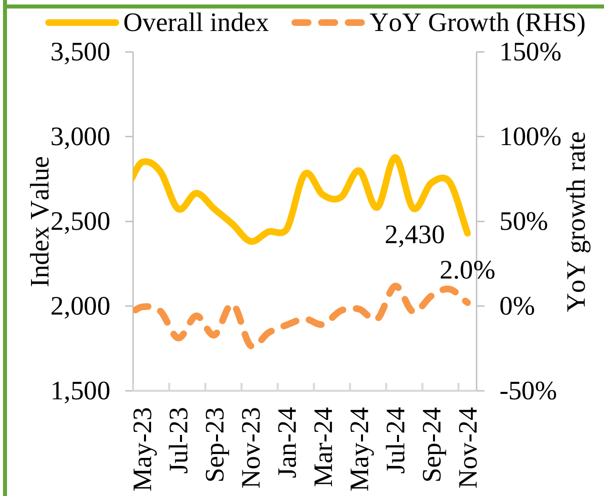


Source: Bank for International Settlements

Positive outlook for the labour market

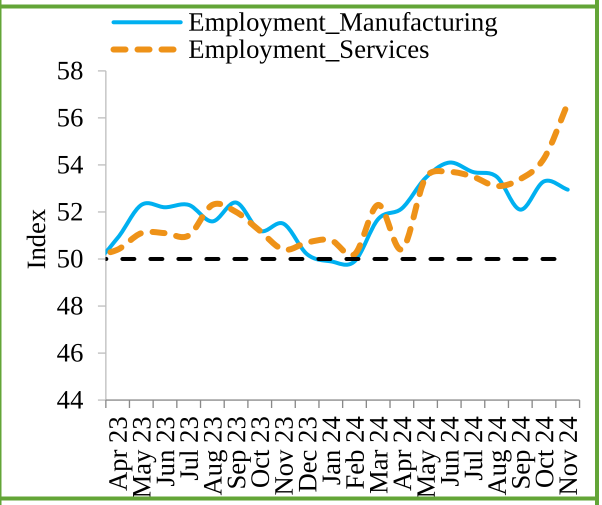
32. Labour market indicators indicate a strong outlook for the next quarter. The Employees' Provident Fund Organisation (EPFO) added 7.5 lakh new members in October 2024. Notably, 58.5 per cent of the new members added in October 2024 were in the 18–25 age group, consistent with the trend that most individuals joining the organised workforce are youth, mainly first-time job seekers. The Naukri Jobspeak index signals modest expansion in hiring activity in white-collar jobs, with the index registering a YoY growth of 2 per cent in November 2024. Sectors like AI-ML, Oil & Gas, Fast-moving consumer goods and global capability centres emerged as the major growth drivers.

Expansion of Naukri Jobspeak index



Source: Naukri Jobspeak Index

Employment sub-indices in PMI at high levels



Source: HSBC Purchasing Managers' Index

33. The purchasing managers' employment sub-index remained strong, continuing to be in the expansionary zone for the ninth consecutive month in November 2024. Though employment in the manufacturing sector softened marginally, employment in services witnessed a marked expansion, with the employment sub-index at the highest level in the past three years.

34. Going forward, the outlook for hiring and employment appears bright. The TeamLease Employment Outlook Report has estimated net employment growth of 7.1 per cent for H2 of FY25.[16] Logistics, EV & EV Infra, and agri & agrochemical industries are expected to lead this growth, with the highest positive change estimated in workforce size. Meanwhile, e-commerce & tech, start-ups, retail, and automotive are expected to have the highest proportion of employers planning to expand their workforce size. Similarly, the ManpowerGroup Employment Outlook Survey presents a positive hiring outlook for India. According to the survey, India has the strongest hiring sentiment globally, with a net employment outlook of 40 per cent for the quarter ending March 2025. The sentiment is 15 per cent higher than the global average and three percentage points higher than the previous quarter. [17]

Conclusion and Outlook

35. After a moderation in Q2 of FY25, the outlook for Q3 appears bright, as reflected in the performance of HFIs for October and November 2024. An increase in Minimum Support Price (MSP) for rabi crops, high reservoir level and adequate fertiliser availability bodes well for rabi sowing. Industrial activity is likely to gain traction. The October and November 2024 PMI remained firmly in the expansionary range, supported by new business growth, strong demand, and advertising efforts. The conclusion of the monsoon season and the expected increase in government capital expenditure are expected to support the cement, iron, steel, mining, and electricity sectors.[18] The services sector continues to perform well, with PMI services being in an expansionary zone in October and November 2024. However, many major economies' global uncertainties and aggressive policies threaten domestic growth.

36. On the demand side, rural demand remains resilient, as highlighted by 23.2 per cent and 9.8 per cent growth in two & three-wheeler sales and domestic tractor sales, respectively, in October-November 2024. Urban demand is picking up, with passenger vehicle sales registering YoY growth of 13.4 per cent in October-November 2024 - and domestic air passenger traffic witnessing robust growth. The RBI's consumer confidence survey points towards consumer

[16] The TeamLease Employment Outlook Report for H2 of FY25 is based on extensive research, including input from 1,307 employers across 23 industries. It covers organisations of all sizes, from startups to large enterprises, and examines hiring intentions and workforce trends in 20 cities across 16 job roles (https://group.teamlease.com/insights/employment-outlook-report-h2-fy25/).

[17] The ManpowerGroup Employment Outlook Survey measures employers' intentions to increase or decrease the number of employees in their workforce during the upcoming quarter. The Survey has been running since 1962. It interviewed nearly 40413 employers across 42 countries on hiring intentions for the January 2025 quarter. (https://go.manpowergroup.com/hubfs/MPG-MEOS-Q1-2025-Global-Report.pdf

[18] https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=59246#F13

optimism regarding the general economic situation, employment, and prices in the year ahead.[19]

37. On the inflation front, the RBI has projected CPI inflation at 4.8 per cent for FY25, with Q3 at 5.7 per cent and Q4 at 4.5 per cent. The farm sector outlook is optimistic, generating hopes that food price pressures will decline gradually.

38. Therefore, there are good reasons to believe that the outlook for growth in H2 of FY25 is better than what we have seen in H1. At the same time, the possibility that structural factors may also have contributed to the slowdown in H1 should not be ruled out. The combination of monetary policy stance and macroprudential measures by the central bank may have contributed to the demand slowdown. It is good news that the central bank lowered the cash reserve ratio from 4.5 per cent to 4 per cent in its policy meeting in December 2024. That should help boost credit growth, which has slowed a little too much and quickly in FY25. Hiring and compensation practices in the corporate sector have also played their part in slowing urban consumption growth.

39. Looking into FY26, newer uncertainties have emerged. Global trade growth is looking more uncertain than before. Elevated stock markets continue to pose a big risk. The strength of the US dollar and a rethink on the path of policy rates in the United States have put emerging market currencies under pressure. In turn, that will make monetary policymakers in these countries think more deeply about the path of policy rates. Recent exchange rate movements may have lowered their degrees of freedom. In sum, sustaining growth will require a deeper commitment from all economic stakeholders to growth.

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[19] RBI Consumer Confidence Survey dated 6 December 2024, https://rbi.org.in/Scripts/PublicationsView.aspx?id=22784

Performance of High-Frequency Indicators

Data Title	Unit	YTD Period/As at the end of	Year to Date			Year to Date (YoY Growth)		
			2022-23	2023-24	2024-25	2022-23	2023-24	2024-25
Agriculture								
Fertiliser Sales	Mn Tonnes	Apr-Oct	39.4	40.3	39.5	14.4	2.3	-2.1
Domestic Tractor Sales	Lakh	Apr-Nov	6.8	6.6	6.9	9.4	-2.9	4.3
Foodgrain Production (Kharif)	Mn Tonnes	1st AE	149.9	148.6	164.7	-0.4	-0.9	10.9
Reservoir Level	Bn Cu. Metres	19-Dec	129.6	110.9	139.4	0.9	-14.4	25.7
Rabi Sowing	Mn Hectare	13 Dec	48.9	46.0	46.7	6.0	-6.0	1.6
Rainfall	% of LPA	30 Sep	106.5	94.4	107.6		-11.4	14.0
Credit to Agriculture and allied activities	₹ Lakh crore	Oct	16.3	19.1	22.1	13.8	17.5	15.3
Industry								
IIP	Index	Apr-Oct	134.3	143.7	149.4	5.3	7.0	4.0
8-Core Industries	Index	Apr-Oct	142.4	154.9	161.3	8.4	8.8	4.1
Domestic Auto sales	Lakh	Apr-Nov	171.1	180.6	202.8	16.6	5.5	12.3
PMI Manufacturing	Index	Apr-Nov	55.3	57.4	57.6	3.0	3.8	0.4
Power consumption	Billion kWh	Apr-Nov	1009.3	1106.9	1149.5	10.1	9.7	3.9
Natural gas production	Bn Cu. Metres	Apr-Oct	20.1	21	21.3	0.9	4.8	1.1
Cement production	Index	Apr-Oct	162.1	182.1	185.4	8.7	12.3	1.8
Steel consumption	Mn Tonnes	Apr-Nov	75.8	87.4	97.9	12.5	15.3	12.0

Data Title	Unit	YTD Period/As at the end of	Year to Date			Year to Date (YoY Growth)		
			2022-23	2023-24	2024-25	2022-23	2023-24	2024-25
Inflation								
CPI-C	Index	Apr-Nov	173.8	183.3	192.3	6.9	5.5	4.9
WPI	Index	Apr-Nov	153.4	151.4	154.6	13.3	-1.3	2.1
CFPI	Index	Apr-Nov	174.6	186.5	202.1	7.3	6.9	8.4
CPI-Core	Index	Apr-Nov	171.4	179.5	185.6	6.1	4.8	3.4
Services								
Domestic Air Passenger Traffic	Lakh	Apr-Oct	1469.5	1754.2	1874.2	96.2	19.4	6.8
Port Cargo Traffic	Million tonnes	Apr-Nov	507.4	535.6	549.5	8.9	5.6	2.6
Rail Freight Traffic	Million tonnes	Apr-Aug	620.9	634.7	653.2	10.3	2.2	4.9
PMI Services	Index	Apr-Nov	56.8	60.1	59.7	9.4	5.7	-0.6
Fuel Consumption	Million tonnes	Apr-Nov	145.1	152.4	157.5	13.3	5.0	3.3
UPI (Value)	₹ Lakh crore	Apr-Aug	51.7	74.8	101.42	86.3	44.6	35.5
UPI (Volume)	Crore	Apr-Nov	5391.1	8139.9	11773.2	100.8	51.0	44.6
E-Way Bill Volume	Crore	Apr-Nov	61.9	72	83.8	27.3	16.4	16.5
Fiscal Indicators								
Gross tax revenue (Central Govt)	₹ Lakh crore	Apr-Oct	16.1	18.3	20.3	18.0	14.0	10.8
Revenue Expenditure	₹ Lakh crore	Apr-Oct	17.3	18.5	20.1	10.2	6.5	8.7
Capital Expenditure	₹ Lakh crore	Apr-Oct	4.1	5.5	4.7	61.5	33.7	-14.7
Fiscal Deficit	₹ Lakh crore	Apr-Oct	7.6	8.0	7.5	38.6	6.0	-6.6
Revenue Deficit	₹ Lakh crore	Apr-Oct	3.8	2.8	3.0	22.8	-27.3	8.3
GST Collection	₹ Lakh crore	Apr-Nov	11.9	13.3	14.6	26.2	11.9	9.3

Data Title	Unit	YTD Period/As at the end of	Year to Date			Year to Date (YoY Growth)		
			2022-23	2023-24	2024-25	2022-23	2023-24	2024-25
External Sector								
Merchandise exports	USD Billion	Apr-Nov	298.2	278.3	284.3	12.2	-6.7	2.2
Non-oil exports	USD Billion	Apr-Nov	233	223.2	239.7	2.9	-4.2	7.4
Merchandise imports	USD Billion	Apr-Nov	487.4	449.3	486.8	27.9	-7.8	8.3
Non-oil, non-gold/silver imports	USD Billion	Apr-Nov	316	299	311.1	26.4	-5.4	4.0
Net FDI	USD Billion	Apr-Oct	27.5	15.7	14.5	-16	-43.1	-7.5
Exchange Rate	INR/USD	Apr-Nov	-3.6	21.6	7.5	-207.2	-697.3	-65.0
Foreign Exchange Reserves	USD Billion	Nov	79.4	82.6	83.7	7.1	4.1	1.3
Import Cover	Months	Nov	9.2	10.6	11	-	-	-
Monetary and Financial								
Total Bank Credit	₹ Lakh crore	29 Nov	131.1	152.5	170.5	17.5	16.3	11.8
Non-Food Credit	₹ Lakh crore	29 Nov	130.5	152.1	170.0	17.9	16.6	11.8
10-Year Bond Yields	Per cent	Apr-Nov	7.3	7.2	6.9	1.2	-0.1	-0.3
Repo Rate	Per cent	18 Dec	6.25	6.5	6.5	2.3	0.3	0.0
Currency in Circulation	₹ Lakh crore	6 Dec	32.2	33.7	35.6	8.1	4.7	5.6
M0	₹ Lakh crore	6 Dec	41.5	44.0	47.6	10.4	6.0	8.2
Employment								
Net payroll additions under EPFO	Lakh	Apr-Oct	79.5	81.9	104.5	30.0	3.0	28
Number of persons demanded employment under MGNREGA	Crore	Apr-Nov	22.5	23.5	20.4	-11.4	4.5	-13.3
Urban Unemployment Rate	Per cent	July-Sept	7.2	6.6	6.4	-2.6	-0.6	-0.2
Subscriber Additions: NPS	Lakh	Apr-Sept	3.8	4	4.3	4.7	5.0	7.4