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सत्यमेव जयते

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## Abstract

*As 2024 draws to a close, the global economy reveals a mixed outlook. Structural weaknesses in parts of Europe and China's slowdown continued to weigh on growth. In contrast, the US economy has surpassed earlier expectations, maintaining steady expansion. Narrowing output gaps and declining commodity prices have prompted central banks worldwide to shift their policies and adopt more accommodative monetary stances. Against this backdrop, the IMF has maintained its global growth projections for 2024 and 2025 at 3.2 per cent.*

*Set against this background, India quietly holds its ground. After a brief moderation over the monsoon months, economic activity firmed up in October. Demand continues to grow steadily as indicated by improving FMCG sales volumes in Q2 FY25 in both urban and rural areas. Rural demand has been particularly striking as reflected in the robust growth of two-wheeler sales and record-high tractor sales in October 2024. On the supply side, the Purchasing Managers' Index for manufacturing and services indicated strong activity in the secondary and tertiary sectors.*

*Domestic retail inflation rose in October driven by elevated food inflation in a few vegetables. Supply disruptions from heavy rains in major producing states contributed to price pressures in tomatoes, onions, and potatoes, while elevated global prices drove up oil and fat inflation. A bumper kharif harvest is expected to lower food inflation in the coming months. Favourable monsoon, adequate reservoir levels and higher minimum support prices are likely to boost rabi sowing and production.*

*Merchandise exports witnessed moderate growth during the first seven months of FY25, owing to weak external demand and a fall in international commodity prices. Merchandise imports performed well, supported by strong domestic demand. A larger increase in imports compared to exports led to a widening of the trade deficit. After witnessing net inflows for five consecutive months, foreign portfolio investors became net sellers in October. Heightened geopolitical tensions and recent developments in China led to withdrawal of significant funds from Indian equities. Net foreign direct investment inflows registered remarkable growth in the first five months of FY25. Supported by stable capital inflows, India's forex reserves increased by USD 64.8 billion<sup>1</sup> so far during 2024, the second-largest increase after China amongst major forex reserve-holding countries.*

*The labour market is showing signs of growth, as evidenced by high-frequency indicators such as net payroll additions under the Employee Provident Fund Organisation, the employment sub-index of the Purchasing Managers' Index, and the Naukri JobSpeak index, all highlighting a rise in formal employment and hiring. Results from the Annual Survey of Industries 2022-23 show robust growth in the manufacturing sector, with over 22 lakh jobs added compared to 2018-19, underscoring the sector's strong post-pandemic recovery. However, RBI surveys*

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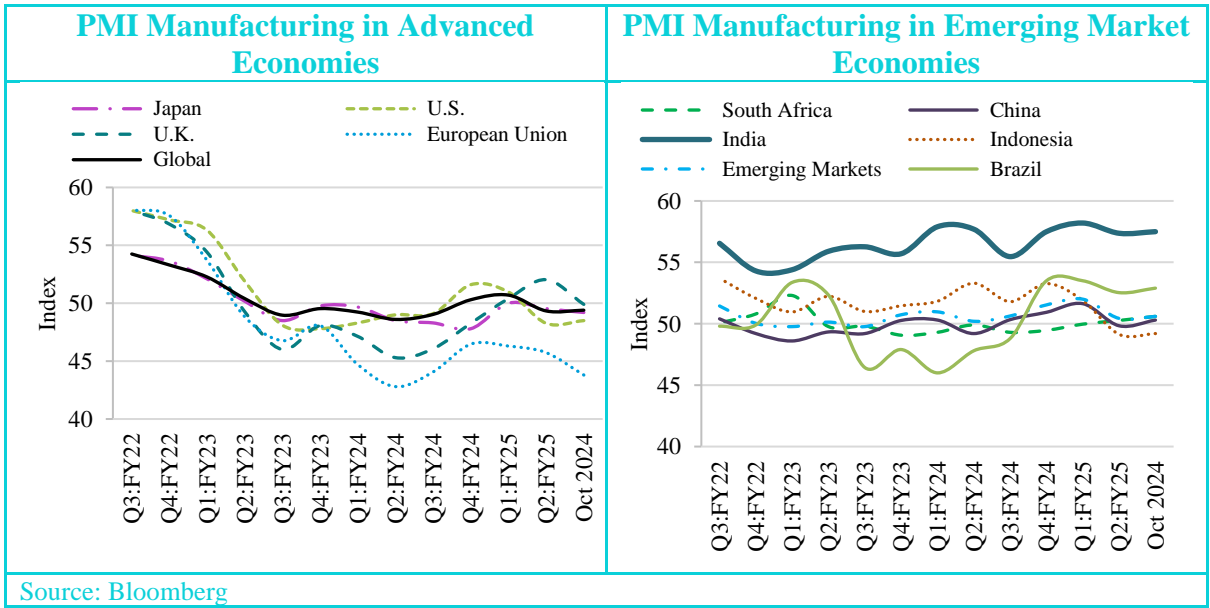
<sup>1</sup> As of 1<sup>st</sup> November 2024



paint a more cautious picture of urban consumers' perceptions of employment conditions and manufacturers' hiring sentiments.

Underwhelming global growth

1. Global economic activity in 2024 has been moderate thus far. While higher borrowing costs and tight monetary conditions affected global growth, structural weaknesses are restraining growth in a few major European countries such as Germany, France and Italy, and China. On the other hand, the US economy continues to exhibit strong growth momentum driven by consumption.
2. According to the latest global composite Purchasing Managers' Index (PMI), global economic expansion accelerated from September's eight-month low, driven by stronger business confidence and growth in new order intakes.<sup>2</sup> The services sector, particularly financial services, led the expansion, while manufacturing activity remained stagnant. Service sector business activity increased for the twenty-first consecutive month in October. Manufacturing conditions remained lacklustre, although India, Spain, and Brazil topped the manufacturing PMI growth rankings.<sup>3</sup>



3. A gradual shift from goods to services consumption is underway, underpinning stable global growth. This shift is boosting activity in the services sector in both advanced and

<sup>2</sup> Global Composite PMI report (October 2024)  
<https://www.pmi.spglobal.com/Public/Home/PressRelease/16b271b3c4524743858e8f97ebe056de>

<sup>3</sup> Global Manufacturing PMI report (October 2024)  
<https://www.pmi.spglobal.com/Public/Home/PressRelease/0ea8f9b67c914cf58d83eaf2d9fb1093>

emerging markets while slowing down manufacturing. Manufacturing production is increasingly shifting towards emerging market economies, as advanced economies experience a decline in competitiveness.<sup>4</sup>

4. The International Monetary Fund (IMF), in its October 2024 World Economic Outlook (WEO), has retained a global growth projection of 3.2 per cent for both 2024 and 2025. While the global outlook remains stable, there are shifts in growth dynamics across various regions.

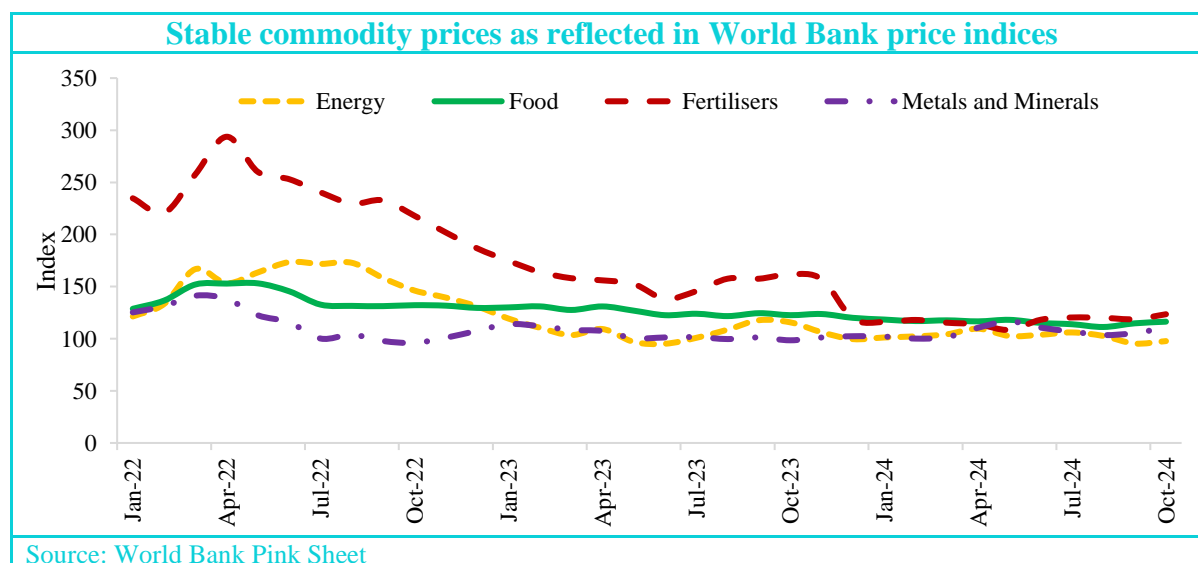
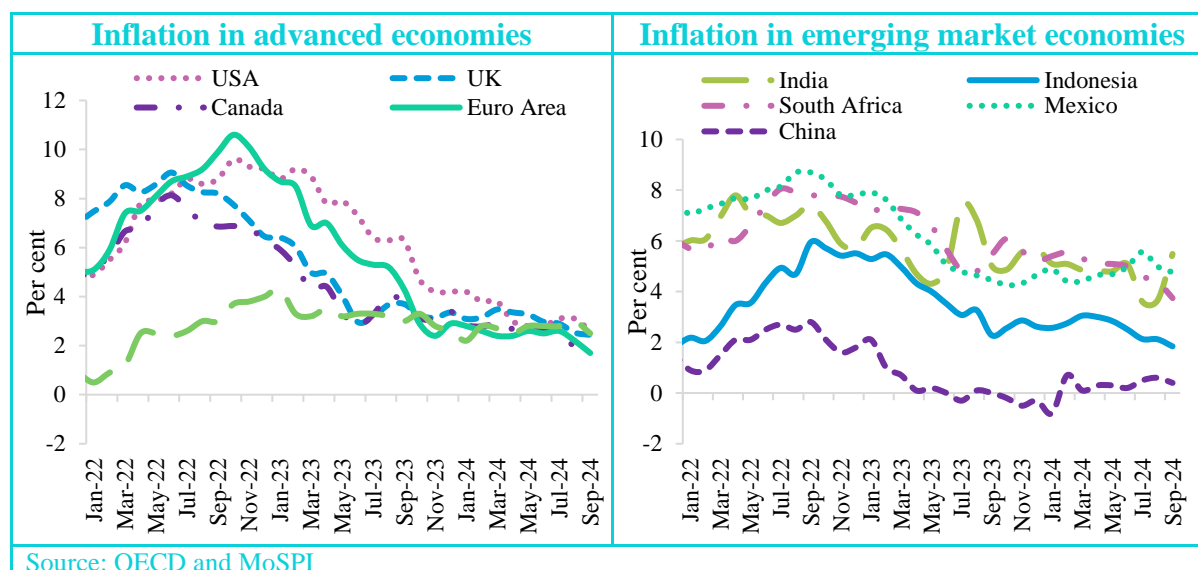
5. Projections for advanced economies as a group show stability, with growth in the United States supported by stronger consumption resulting from robust increases in real wages and non-residential investment. However, growth projections have been downgraded for some European economies. Weaknesses in the manufacturing sector continue to constrain growth in countries like Germany and Italy. The Euro Area is projected to experience modest growth recovery in 2024 and 2025, driven by improvements in export performance and domestic demand. Japan's growth projection has been revised downwards, reflecting a temporary supply disruption in the car industry and the base effect of historical data revisions. Conversely, growth in the United Kingdom is expected to be supported by moderating inflation and interest rates, which will contribute positively to stimulating domestic demand.

Countries/ groups	Growth (%)	Growth Projections (%)		Difference from July 2024 WEO (%)	
	2023	2024	2025	2024	2025
<b>World</b>	<b>3.3</b>	<b>3.2</b>	<b>3.2</b>	<b>0</b>	<b>-0.1</b>
<b>Advanced Economies</b>	<b>1.7</b>	<b>1.8</b>	<b>1.8</b>	<b>0.1</b>	<b>0</b>
<i>United States</i>	2.9	2.8	2.2	0.2	0.3
<i>Euro Area</i>	0.4	0.8	1.2	-0.1	-0.3
<i>Japan</i>	1.7	0.3	1.1	-0.4	0.1
<i>United Kingdom</i>	0.3	1.1	1.5	0.4	0
<b>EMDEs (*)</b>	<b>4.4</b>	<b>4.2</b>	<b>4.2</b>	<b>0</b>	<b>-0.1</b>
<i>China</i>	5.2	4.8	4.5	-0.2	0
<i>India</i>	8.2	7	6.5	0	0
<b>Middle East and Central Asia</b>	<b>2.1</b>	<b>2.4</b>	<b>3.9</b>	<b>0</b>	<b>0</b>
<b>Sub-Saharan Africa</b>	<b>3.6</b>	<b>3.6</b>	<b>4.2</b>	<b>-0.1</b>	<b>0.1</b>
Source: IMF's World Economic Outlook, October 2024					
(*) Emerging Market and Developing Economies					

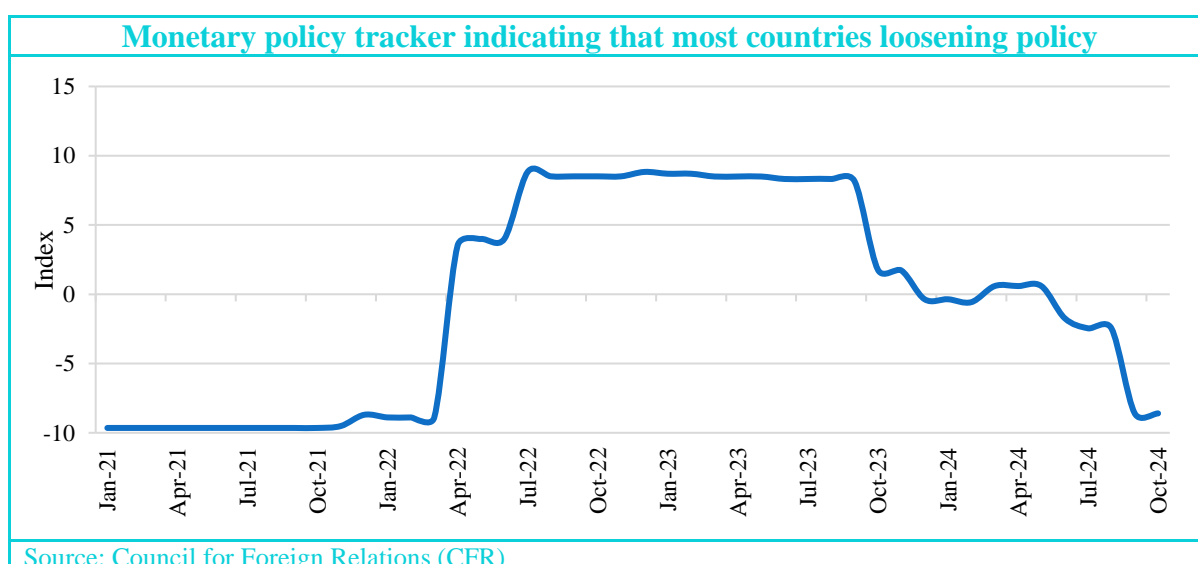
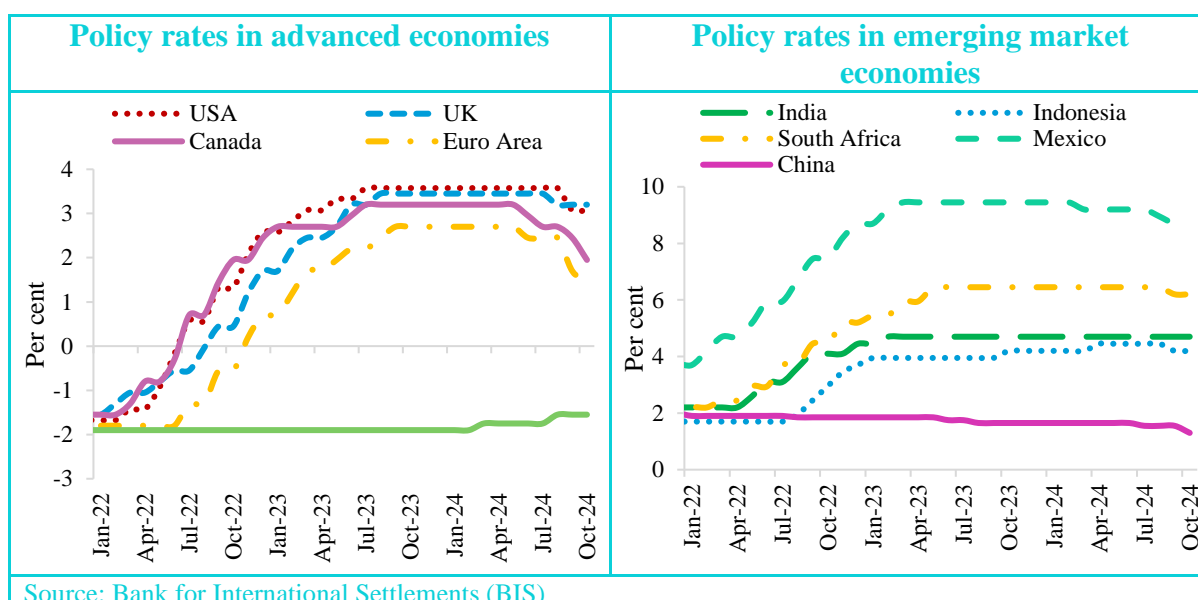
<sup>4</sup> As per IMF WEO (Oct 2024) ref Page 7-"...Consequently, behind stable growth figures, a global shift from goods to services consumption is underway. This rebalancing is tending to boost activity in the services sector in advanced and emerging markets but is dampening manufacturing. Manufacturing production is also increasingly shifting toward emerging market economies—in particular, China and India—as advanced economies lose competitiveness (Figure 1.10, panel 2)."

### Global disinflation underway

6. Price pressures across economies have abated substantially after peaking towards the end of 2022, on account of central bank policy rate hikes and improved supply chain resilience. As inflation approaches the central bank target levels, disinflation seems to have slowed on account of sticky core inflation. This is due to persistence in services price inflation driven by higher nominal wage growth. There are early signs of wage growth moderating, which this will aid disinflation. In contrast, core goods price inflation has declined significantly. While supply chains have adapted to ongoing geopolitical disturbances and led to a softening of commodity prices, excess manufacturing capacity exists in a few major economies. Going forward, inflation is expected to align with central bank targets. However, IMF notes that fiscal consolidation across economies between 2022 and 2024 has not played out as planned, thereby contributing to inflationary pressures. Adverse weather events and their effects on food prices may also affect disinflation, particularly in EMEs.



7. There is a broad consensus that after a successful disinflationary phase, monetary policy will have to be eased in order to avoid recession. Central banks have begun to implement a policy shift and reduced policy rates, and have signalled more to come. This is evident from movements in Global Monetary Policy Tracker Index of the Council for Foreign Relations. The index tracking 54 countries has values between (-)10 and 10. A value of (-)10 indicates that all 54 countries have tightened monetary policy and vice versa. The index declined from (-0.4) in January 2024 to (-)8.6 in October 2024 indicating that a majority of the countries under consideration have loosened monetary policy.



## Amidst renewed risks to global growth, India's indicators improve in October

8. A few downside risks to global growth have surfaced, of late. Financial assets such as bond prices may be repriced if inflation proves stubborn, driven by global tensions and commodity prices. That can lead to tighter conditions and potential market instability. This may affect developing economies that are vulnerable to higher borrowing costs. Countries with high external financing and low reserves face a heightened risk of sovereign debt stress. Rising protectionism may also hamper growth. On the upside, stronger investment recovery in advanced economies, along with increased private sector investment, could boost growth prospects. Accelerated structural reforms, especially in labour participation and market efficiency, could also support medium-term growth.

9. It is in this context, the latest data reveals that India is quietly holding its ground. After a moderation in recent months, the October 2024 readings of high-frequency indicators of economic activity point towards steady growth. Gross Goods and Services Tax collection rose by 9.4 per cent in April -October 2024 over the same period last year, reflecting continued momentum in the economic activity. India's headline manufacturing PMI saw a substantial increase in October<sup>5</sup>, reflecting the continued improvement in the economy's operating conditions. Expanding new orders and international sales indicate robust demand growth for India's manufacturing sector. As evidenced by the latest services PMI data, Indian service providers sustained a strong rate of output expansion in October<sup>6</sup>, continuing a sharp and accelerated growth trend that outpaced its long-run average. The services sector also witnessed significant increases in consumer demand and job creation in October.

10. Domestic demand is holding steady. Data on fast moving consumer goods sales for Q2 FY25 released by Nielsen IQ point towards improving urban and robust rural volume growth. The volume of E-way bills also recorded an all-time high in October, driven by festive demand. Data from the Federation of Automobile Dealers Associations (FADA) shows that passenger vehicle sales grew by 32.4 per cent in October 2024. Rural demand seems to have strengthened further in October. Tractor sales grew by 22.4 per cent YoY in October 2024. An analysis by

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<sup>5</sup> India Manufacturing PMI report (October 2024)

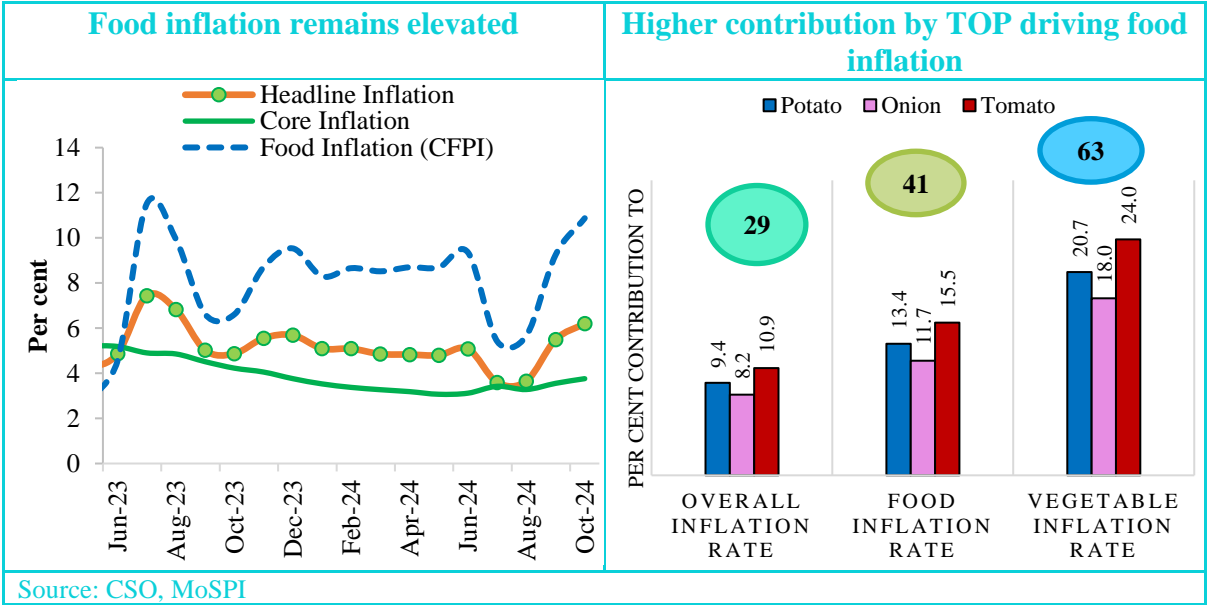
<sup>6</sup> India Services PMI report (October 2024)



FADA on India’s 42-day festive period shows that two-wheeler sales were particularly robust, increasing by 11.8 per cent YoY, driven by strong rural demand.<sup>7</sup>

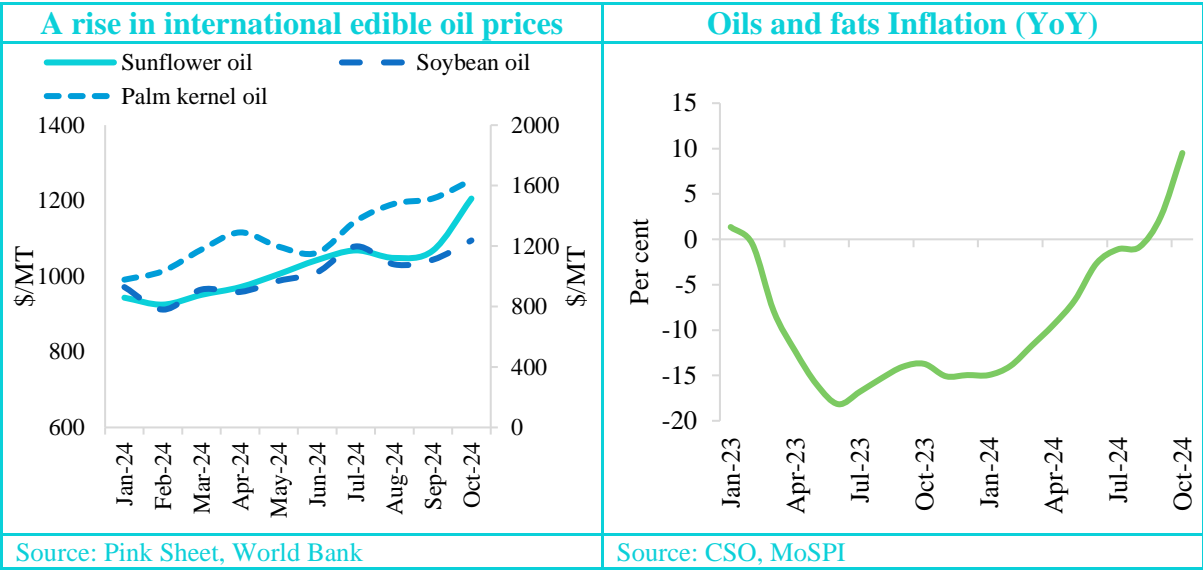
Domestic food price pressures due to temporary supply disruptions

11. Consumer price inflation increased to 6.2 per cent in October 2024, primarily driven by inflation in a few vegetables, oil, and fats. Pressures continued in tomatoes, onions, and potatoes due to supply disruption caused by heavy rains in major producing states and tighter market stock amid lower output last year. The increase in oil and fat inflation is largely driven by imported inflation from elevated international prices of edible oils. On the positive side, a continuous easing trend is visible in pulses, spices and sugar. The inflation rate in spices remains in the negative territory. Core inflation rose to 3.8 per cent in October, but stayed lower than last year, remaining at comfortable levels.



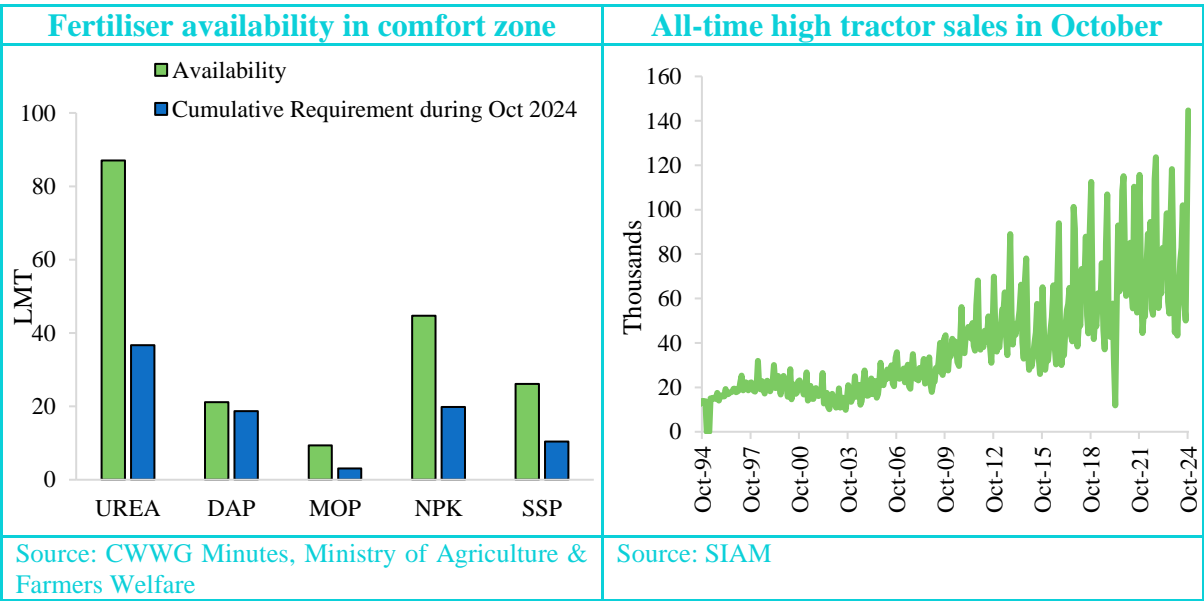
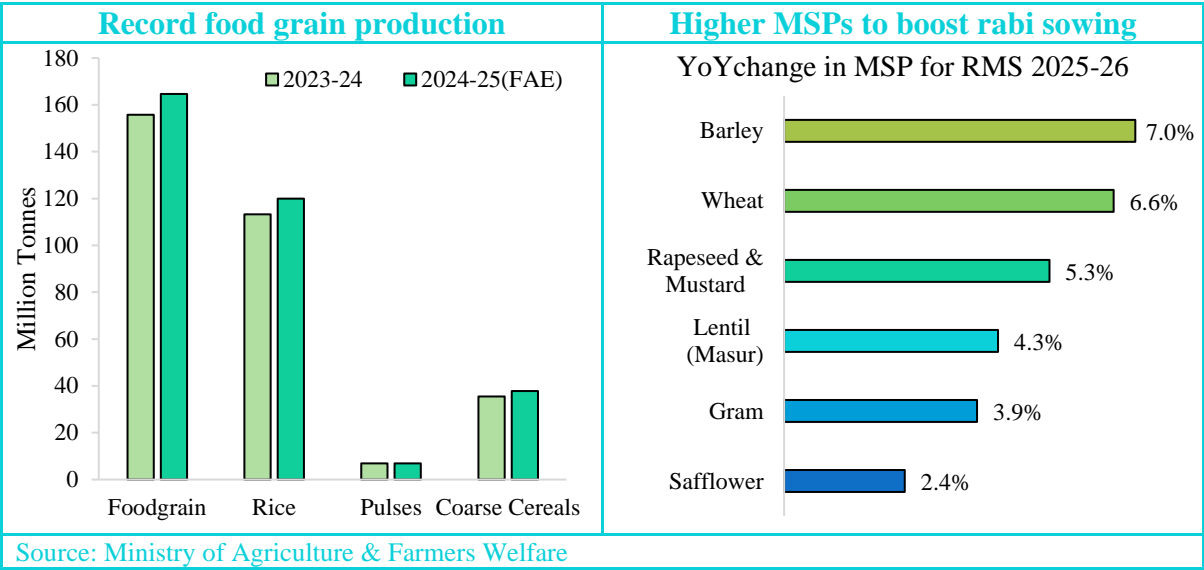
12. The average inflation rate stood at 4.8 per cent during April-October of FY25, down from 5.5 per cent during the same period last year. Core inflation eased to 3.3 per cent, compared to 4.9 per cent during April-October FY24. The government has been undertaking various measures to stabilise the prices of essential commodities while providing relief to consumers. These actions include strategic offloading of stocks from the buffer inventory to enhance market supply, implementation of stock limits to curb hoarding practices and provision of essential food items at subsidised rates.

<sup>7</sup> <https://fada.in/images/press-release/16736d58d7db2fFADA%20Releases%2042%20Days%20Festive%20Period%20Vehicle%20Retail%20Data.pdf>



Robust food grain production and MSPs hikes to strengthen rural economy

13. As per the First Advance Estimates, production of major Kharif crops for 2024-25 is estimated at a record 164.7 million tonnes, higher by 5.7 per cent compared to 2023-24 and 8.2 per cent higher than the average food grain production in the past five years. The estimated increase is mainly on account of the rise in rice, maize, coarse grains and oilseeds output. Despite increased acreage, pulses production estimates remain marginally lower, primarily due to crop damage from excessive rains in key producing regions.
14. The Government increased the Minimum Support Prices (MSPs) of various crops for both Kharif and Rabi seasons. For the Kharif marketing season 2024-25, the increase in MSPs was in the range of 1.4 per cent to 12.7 per cent while the MSPs for the Rabi marketing season 2025-26, were higher in the range of 2.4 per cent to 7.0 per cent. The increase is likely to incentivise crop diversification and support farmers' income. As of 6<sup>th</sup> November 2024, paddy procurement reached 161.0 lakh metric tonnes, benefiting 14.79 lakh farmers from the ongoing KMS procurement operations. The record Kharif food grain production with increased MSPs will further strengthen the rural economy.
15. Announcement of higher MSPs is likely to encourage healthy rabi sowing. The availability of inputs for the rabi sowing season is reported to be adequate, which bodes well for the upcoming agricultural activities. Quality seed availability surpasses the requirement by 30.9 lakh quintals of seeds, ensuring ample supply for sowing. Fertiliser availability remains in a comfortable position as of 28 October 2024. The closing stock of all major fertilizers was above the required levels, except for di-ammonium phosphate which was largely due to geopolitical factors causing vessels to take longer routes, resulting in delayed availability.



16. Adequate storage in the reservoir has ensured a steady supply of water for crop irrigation. As of 7 November 2024, reservoir storage levels in all regions, except the Northern region, were higher than the corresponding period last year and exceeded normal storage levels. Tractor sales volume reached an all-time high in October, registering a double-digit YoY growth. This was driven by favourable conditions set by the healthy monsoon, bumper kharif harvest and higher MSPs announcements on major rabi crops.

17. Going ahead, the inflation trajectory will largely be influenced by the price movements in edible oils, tomato, onion and potato. On the positive side, the early trend visible in vegetable prices in November so far signals significantly lower inflation in tomato and onion. The estimate of bumper kharif production is likely to lower food inflation in the upcoming months.

On the other hand, international edible oil prices are currently on an upward trend, and its reflection is visible in the domestic prices as well.

### **Tensions and policy uncertainty may limit global trade rebound**

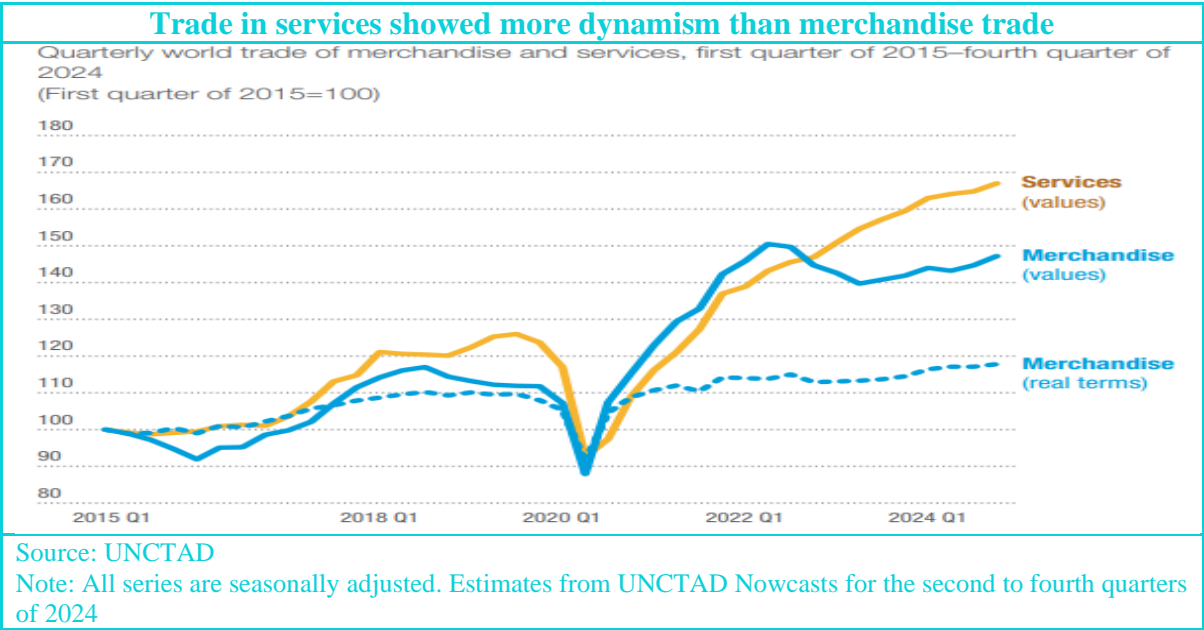
18. The United Nations Conference on Trade and Development (UNCTAD)'s, latest 2024 Trade and Development Report 2024<sup>8</sup> points out that after experiencing a contraction in 2023, international trade in goods and services is expected to rebound by 2 per cent to 3 per cent in real terms in 2024. The UNCTAD nowcast model has predicted the value of global exports to approach nearly USD 32 trillion in 2024. However, regional developments are likely to be uneven. While global trade revenues are rising again, they are not expected to exceed the record levels achieved in 2022. This is mainly due to a decline or stagnation, in real terms, in exports from most of the developed countries and a fall in key international commodity prices. According to the report, several leading indicators also signal weaker prospects for merchandise trade in the coming quarters. For example, the October release of the global manufacturing Purchasing Managers' Index showed that the new export orders component has decreased for the fifth consecutive month.

### **Trade in services remains dynamic**

19. UNCTAD has noted that the outlook for service trade in 2024 is relatively more positive than that for merchandise trade. World services exports (in dollar terms) increased by 9 per cent in Q1 of 2024 (on a seasonally adjusted annualised rate) compared to the previous quarter. Notably, high carbon emissions-intensive services experienced even faster growth, with travel and transport services expanding by 18 per cent and 15 per cent, respectively. Other commercial services saw a growth of 5 per cent in the same quarter. For the remainder of 2024, (Q2-Q4) service trade is expected to continue expanding, with projected growth rates of 2 to 5 per cent (QoQ) significantly lower than the growth rate observed in Q1 of 2024. Revenue from services exports is expected to increase by 6 per cent in 2024 on a YoY basis.

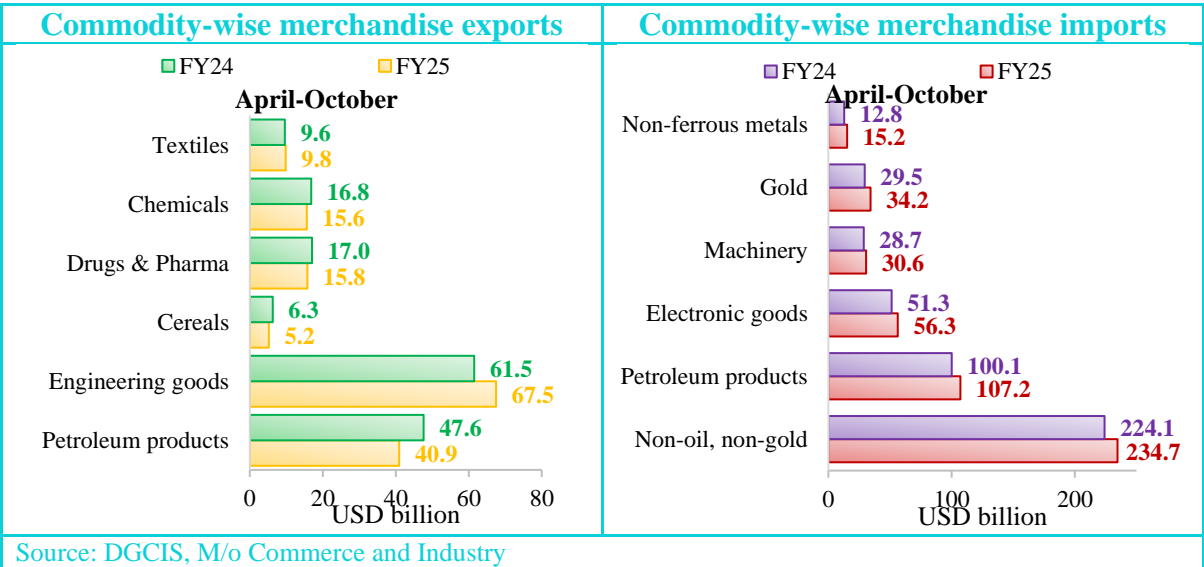
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<sup>8</sup> <https://tinyurl.com/y8x5mksp>



External sector performance during April-October 2024

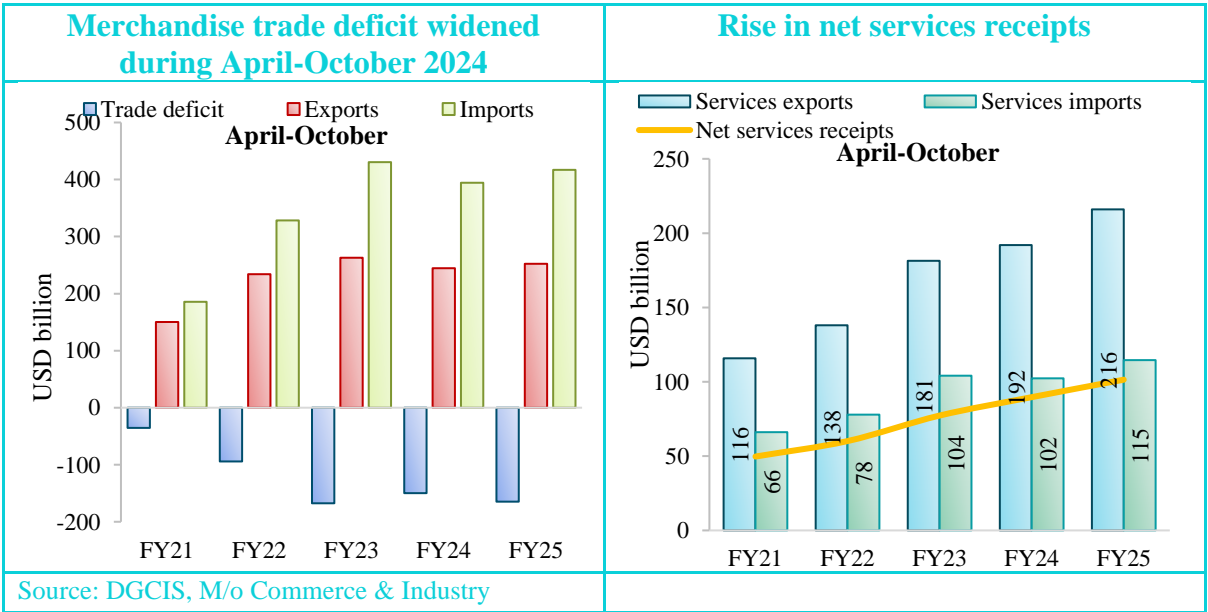
20. India’s merchandise exports experienced a marginal increase of 3.2 per cent (YoY basis) during April-October 2024. This moderate growth can be primarily attributed to a decline in the value of petroleum product exports, which fell due to a fall in international commodity prices. Non-petroleum exports (same comparison basis) were up 7.3%. Non-petroleum and non-Gems and Jewellery were up 8.9 per cent. Specific sectors like drugs and pharmaceuticals, engineering goods, and chemicals saw an increase in exports, growing by 8 per cent, 9.7 per cent, and 7.7 per cent respectively, during April-October 2024 on a YoY basis. Textile exports also saw an increase of 2.4 per cent during April-October 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.





21. Owing to strong domestic demand, India’s merchandise imports grew by 5.8 per cent year-on-year during April-October 2024. This increase is largely due to a rise in non-oil, non-gold imports, which reached USD 275.6 billion compared to USD 264.6 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-ferrous metals, and capital goods reflected growing demand for capital accumulation. Electronic goods also maintained consistent momentum, signalling a rise in discretionary consumer spending. Additionally, imports of pulses rose to support domestic production and control inflation.

22. As a result of moderate export growth coupled with a significant increase in imports, India’s merchandise trade deficit widened to USD 164.7 billion in April-October 2024, compared to USD 149.7 billion in the same period last year. Services exports continued to rise, growing by 12.5 per cent in this period, which contributed to an increase in net services receipts from USD 89.7 billion in the first seven months of FY24 to USD 101.4 billion during the corresponding period of FY25. Services exports + Non-Petroleum and non-Gems and Jewellery exports were up 10.8 per cent in April-October 2024 compared to the same period last year.

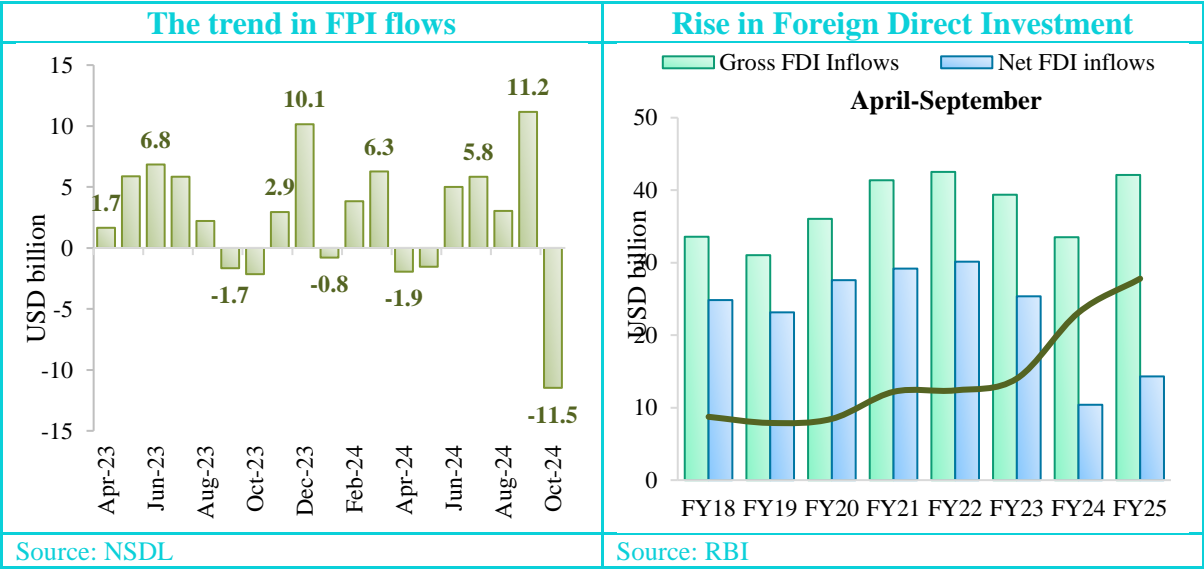


23. Going forward, there is likely to be continued upward pressure on the trade deficit, driven by a faster pace of import growth. Rising commodity prices, particularly for industrial inputs and metals, are expected to contribute to imported inflation and increase the import bill. Exports face greater uncertainties influenced by geopolitical risks and the modest monetary policy responses of major global central banks.

The trend in capital flows

24. Foreign Portfolio Investors (FPIs) became net buyers in the Indian equity market starting in June 2024 after being the next sellers in the first two months of FY25. This trend continued until September 2024, showcasing a clear preference for Indian equities as FPIs injected substantial capital into the market over those months. However, in October, this trend reversed, resulting in a net outflow of USD 11.5 billion. Factors such as concerns about slowing earnings growth, high valuations, rising geopolitical tensions, and recent developments in China<sup>9</sup> led FPIs to withdraw significant funds from Indian equities in October. Overall, due to mixed trends, FPI inflows between April and October 2024 moderated to USD 10.1 billion, compared to USD 18.6 billion during the same period the previous year.

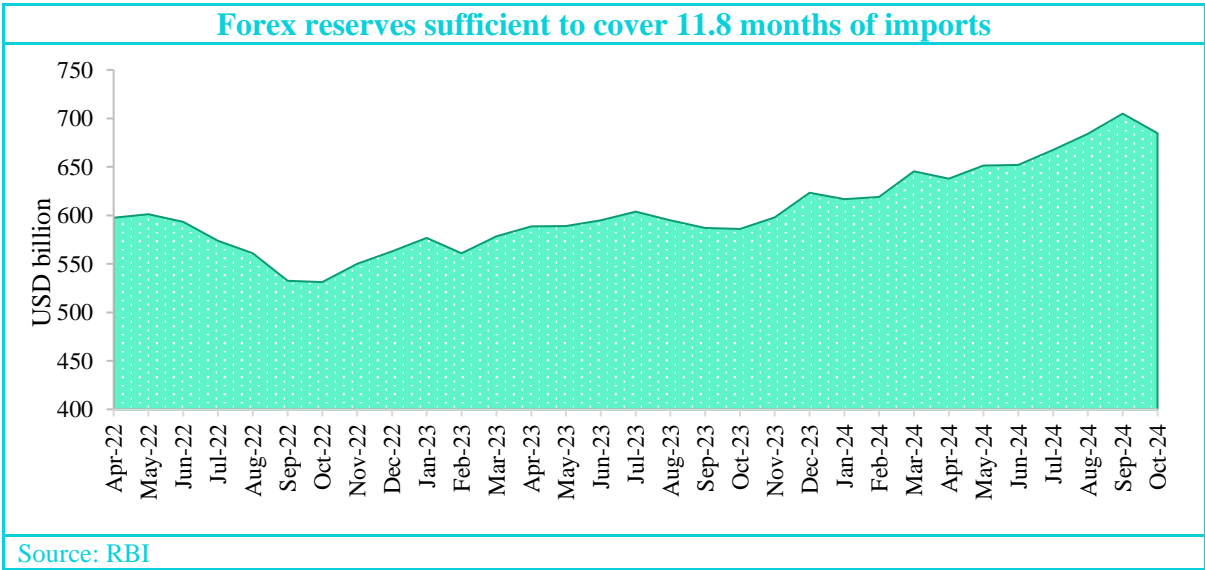
25. Foreign Direct Investment (FDI) recorded a revival in FY25, with net FDI inflows rising from USD 10.4 billion during H1 of FY24 to USD 14.3 billion in the corresponding period of FY25, which is a YoY growth of 37.6 per cent. The rise in net FDI inflows can be attributed to an increase in gross FDI inflows. Manufacturing, financial services, electricity and other energy sectors, and communication services contributed to around two-thirds of the gross FDI inflows. Singapore, Mauritius, the Netherlands, the UAE, and the US were sources for about three-fourths of the flows. Though cumulative net FDI inflows in H1 of FY25 were greater than those in the same period of the previous year, there was an outflow of net FDI in September 2024 due to a significant increase in repatriation and disinvestment, which exceeded the gross FDI inflows during that month.



<sup>9</sup> These include the stimulus measures announced by the Chinese Government and the cheap valuation of Chinese stocks

26. After surpassing the USD 700 billion mark, India’s foreign exchange reserves moderated to USD 684.8 billion at the end of October 2024, sufficient to cover 11.8 months of imports and more than 100 per cent of external debt at the end of June 2024. Supported by stable capital inflows, as of 1<sup>st</sup> November 2024, India’s forex reserves increased by USD 64.8 billion so far during 2024, the second-largest increase after China amongst major forex reserve-holding countries. Foreign currency assets accounted for the majority of the increase in forex reserves during 2024.

27. The Indian rupee emerged as one of the least volatile currencies during FY25, staying within the range of USD 84.3-84/dollar during April-October 2024, exhibiting a coefficient of variance of 0.28 per cent.

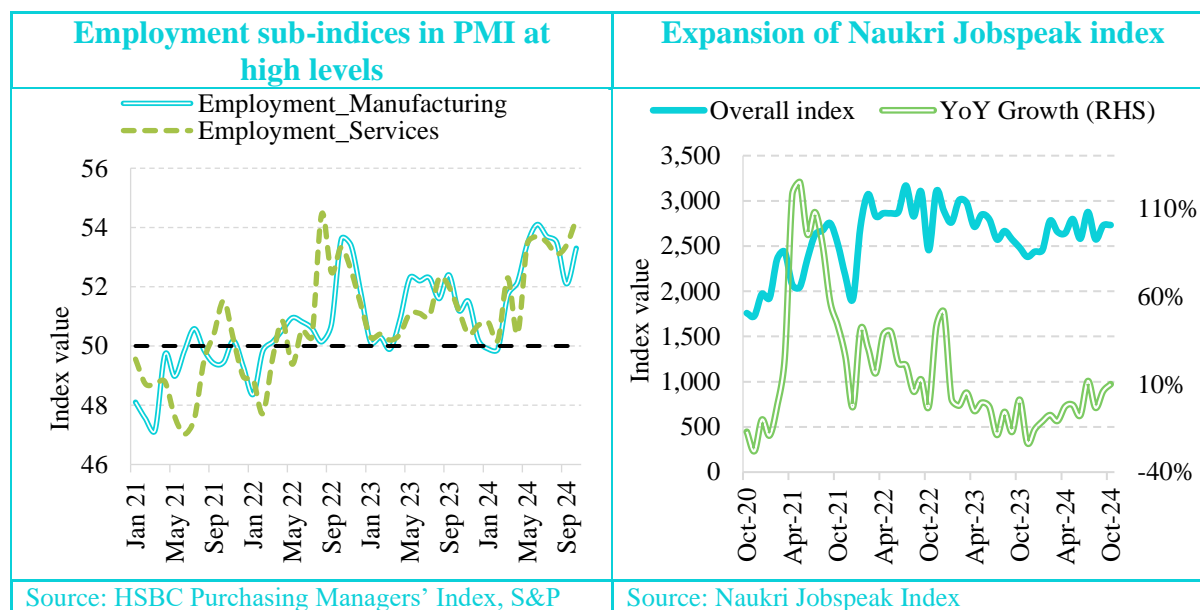


### Formal Workforce on the Rise

28. The Employees’ Provident Fund Organization (EPFO) added 9.5 lakh new members in September 2024. Notably, 59.9 per cent of the new members added in September 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.

29. The purchasing managers’ employment sub-index remained strong, continuing to be in the expansionary zone for the eighth consecutive month in October. Though employment in the manufacturing sector softened in September, it regained momentum with the resurgence of the sub-index in October. Employment in services witnessed a marked expansion with the employment sub-index being at the highest level in the past 26 months. The Naukri Jobspeak index signals expansion in hiring activity in white-collar jobs with strong growth in October 2024, reaching 2733 points and marking a significant 10 per cent year-on-year increase. Sectors

like AI-ML (39 per cent), Oil and Gas (18 per cent), Global Capability Centers (GCCs) (17 per cent), Real Estate (14 per cent), Pharma (12 per cent), FMCG (8 per cent), and IT/Software Services (6 per cent) were the major drivers of the growth, with strong year-on-year increases in hiring in these sectors. Freshers hiring witnessed a positive growth, with workers having 0-3 years of experience witnessing a 6 per cent year-on-year increase in job opportunities.



### Steady Growth of India's Manufacturing Sector Employment:

#### Annual Survey of Industries

30. The Annual Survey of Industries (ASI) results for the financial year 2022-23 highlight the manufacturing sector's resilience, showing a more than 7 per cent increase in employment over the previous year.<sup>10</sup> This translates into an addition of over 22 lakh jobs in FY 23 over FY 19 (pre-pandemic level), underscoring the sector's robust post-pandemic recovery. During the pandemic in FY 21, the sector lost approximately 5 lakh jobs. The growth of the sector in FY 23 indicates a strong rebound of the sector as economic conditions improved.<sup>11</sup>

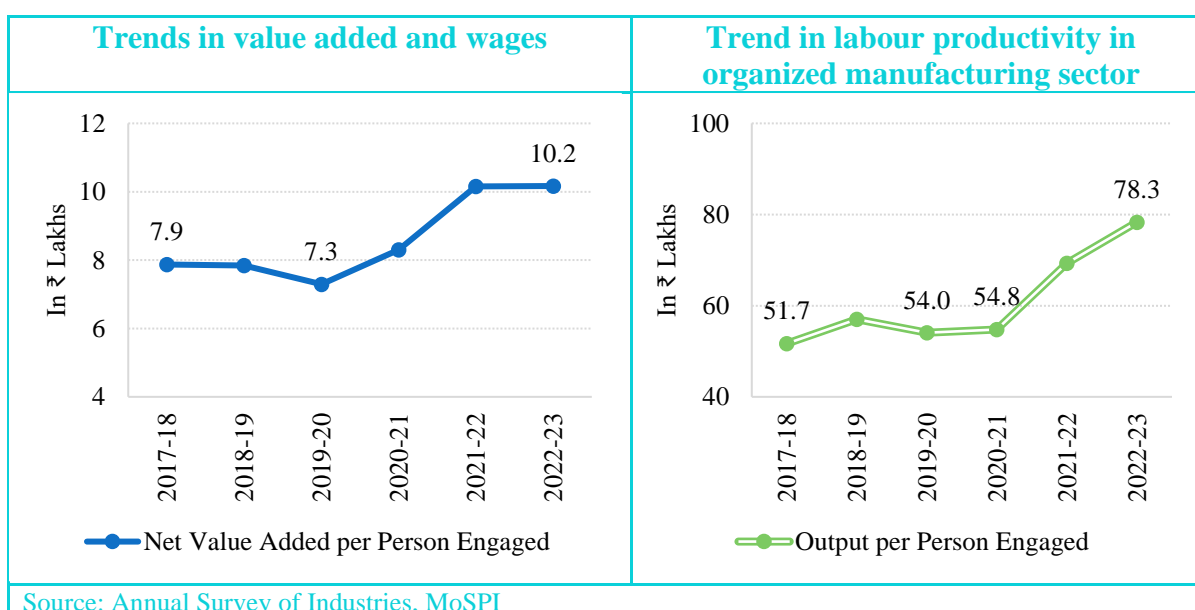
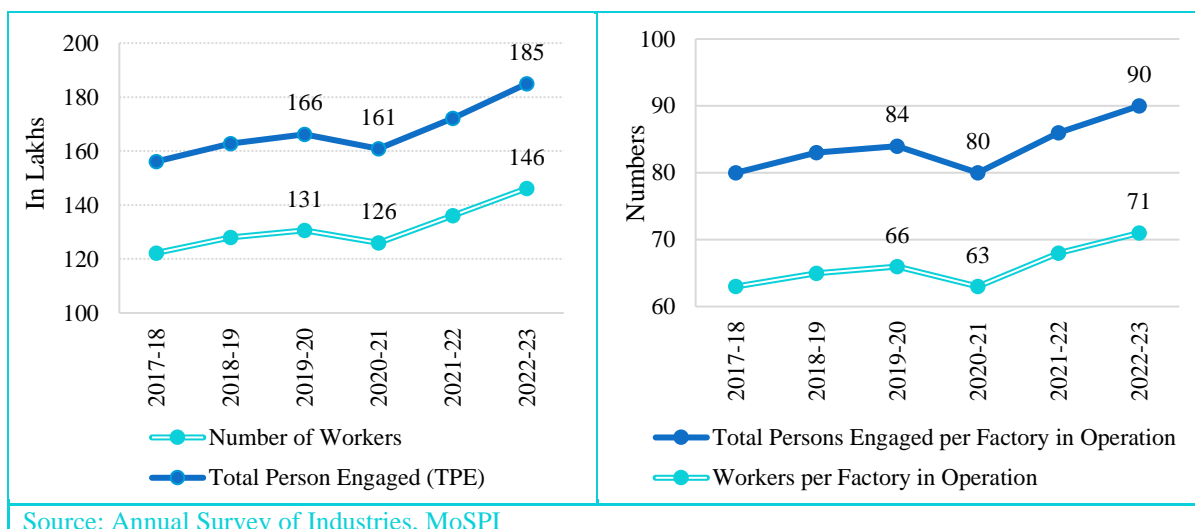
31. The ASI results indicate that alongside an increase in employment, the manufacturing sector experienced gains in overall productivity. This is demonstrated by the increase in output per person engaged as well as the stabilization of the Net value added per person engaged.

Trend in employment in organised manufacturing sector	Employment per factory
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<sup>10</sup> The Annual Survey of Industries (ASI), conducted by the MoSPI, covers the organised manufacturing sector. Its coverage extends to the entire Factory Sector comprising industrial units (called factories) registered under the Sections 2(m)(i) and 2(m)(ii) of the Factories Act, 1948, with ten or more workers with electricity or twenty or more workers without electricity.

([https://www.mospi.gov.in/sites/default/files/asi\\_results/ASI%20Summary%20Results%202022-23.pdf](https://www.mospi.gov.in/sites/default/files/asi_results/ASI%20Summary%20Results%202022-23.pdf))

<sup>11</sup> It may be noted that employment refers to total persons engaged (TPE).

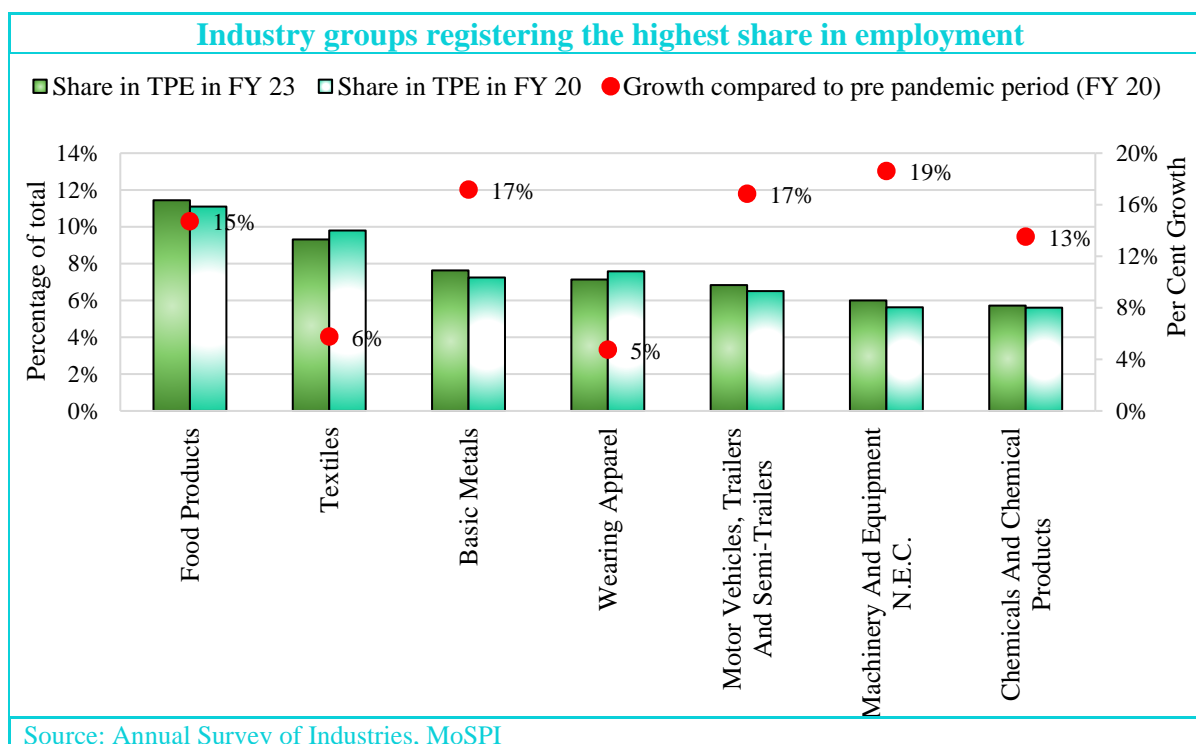


32. In ASI 2022-23, the top five states with the highest employment in the manufacturing sector were Tamil Nadu, Maharashtra, Gujarat, Uttar Pradesh, and Karnataka. Together, these states accounted for approximately 55 per cent of total manufacturing employment for the year. It may be noted that in the financial year 2022-23, 43 per cent of the factories in operation and 45 per cent of the total employed people are in rural areas. During the period FY20- FY23, the wages per worker in rural areas grew at 6 per cent CAGR vis a vis 5 per cent CAGR in urban areas.

33. Seven industry groups in the sector contribute to around 60 per cent of the total employment in the sector- Food Products, Textiles, Basic Metals, Wearing Apparel, Motor Vehicles, Trailers and Semi-Trailers, Machinery and Equipment N.E.C., and Chemicals and Chemical Products. Out of these leading industry groups, Machinery and Equipment N.E.C, Basic Metals, Motor Vehicles, Trailers and Semi-Trailers, and Food Products have shown the



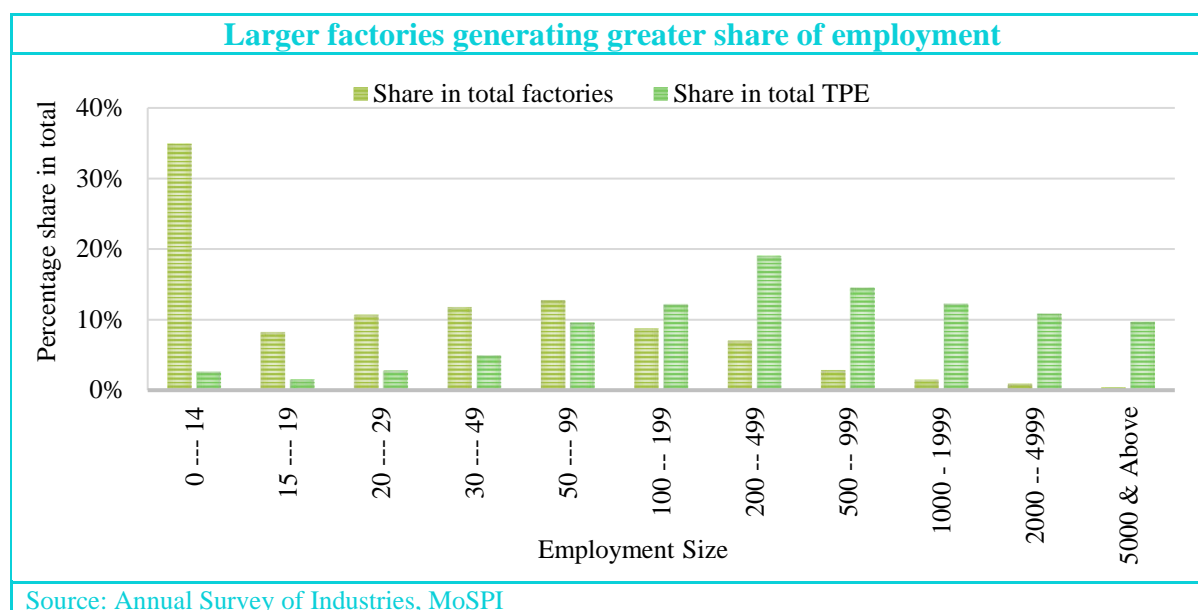
highest growth compared to the pre-pandemic period.<sup>12</sup> Other than these leading industries, industry groups representing Computer, Electronic and Optical Products and Manufacture of Furniture have seen a strong growth in employment compared to pre-pandemic level with around 50 per cent growth in total person engaged. This indicates a positive shift towards making India a global leader in electronics manufacturing and powering up India's participation in the global electronics value chain.



34. The ASI 2022-23 results indicate a continued increase in the number of large factories employing more than 100 workers has continued. The number of such factories increased by 7 per cent compared to 2021-22; in contrast, the number of factories employing less than 100 workers increased by only 2 per cent. Despite this trend, the large factories still make up a relatively small share, comprising around 22 per cent of the total factories in operation in the sector.

35. In terms of the share of employment, large factories in the sector employ a larger share of workers. The factories with more than 100 workers employ around 80 per cent of the total workers in the sector and 78 per cent of the total persons engaged in the sector, whereas the small factories, although larger in number, comprise a smaller share of employment in the sector. The wages per worker indicate a positive trend in the quality of employment, with the larger factories providing higher wages (refer to charts below).

<sup>12</sup> It may be noted that employment refers to total persons engaged (TPE).



36. The recent quarterly Periodic Labour Force Survey (PLFS) for the period July – September 2024 highlights encouraging trends in urban employment for Q2 of FY 2024-25.<sup>13</sup> The urban unemployment rate has shown a year-on-year improvement, dropping from 6.6 per cent in Q2 FY 2023-24 to 6.4 per cent in Q2 FY 2024-25. This positive shift aligns with a broader strengthening of workforce metrics, as the Labour Force Participation Rate (LFPR) increased from 49.3 per cent to 50.4 per cent, and the Worker-to-Population Ratio (WPR) rose from 46 per cent to 47.2 per cent during the same period. These indicators suggest a healthier and more engaged urban labour market.<sup>14</sup>

### Cautious Rural Household Sentiments for Employment Prospects

37. The Rural Economic Conditions and Sentiments Survey (RECSS), conducted by the National Bank for Agriculture and Rural Development (NABARD), provides quantitative and qualitative data for assessing the state of the rural economy. The survey offers backward-looking (economic conditions) and forward-looking (household sentiments) information on a limited set of key variables such as income, consumption, savings, employment prospects etc.<sup>15</sup>

38. The Round II (November) results of the RECSS indicate a cautiously optimistic outlook of rural households on employment prospects.<sup>16</sup> Over half of the survey respondents expect

<sup>13</sup> PLFS Quarterly Bulletin on Employment and Unemployment Indicators for July- September 2024 [https://www.mospi.gov.in/sites/default/files/publication\\_reports/QuarterlyBulletinPLFS\\_July\\_September\\_2024.pdf](https://www.mospi.gov.in/sites/default/files/publication_reports/QuarterlyBulletinPLFS_July_September_2024.pdf)

<sup>14</sup> For current weekly status (CWS) for age 15 years and above.

<sup>15</sup> The survey is designed to be carried out as six bi-monthly rounds per year, with the first round of the survey conducted in September 2024. Each round of the RECSS covers a sample size of around 600 villages covering 6000 households (10 households from every sample village).

<sup>16</sup> The November 2024 round (Round II) of the Rural Economic Conditions and Sentiments Survey (RECSS) was conducted during the last week of October 2024 and the first week of November 2024.

improvements in income and employment conditions in the coming quarter, while fewer than 10 per cent expressed concern over possible deterioration in these two. However, compared to the September survey round, the overall net sentiment for the next quarter appears slightly subdued, signaling tempered expectations.

## Conclusion and outlook

39. Amidst a clouded global background, and after a brief period of softening momentum over the monsoon months, many high-frequency indicators of economic activity in India have shown a rebound in October. These include indicators of rural and urban demand and supply side variables like Purchasing Managers' Index and E-way bill generation. On the employment front, the formal workforce is expanding, with notable increases in manufacturing jobs and a strong inflow of youth into organised sectors.

40. On the external front, India's export recovery may encounter challenges due to softening demand in developed markets. However, trade in the services sector is sustaining momentum. Apart from the emerging indications of domestic growth and stability, the dynamics of global interest rates, earning growth and valuation, geopolitical developments and policy decisions of the next administration in the United States will determine the course of trade and capital flows. Recent developments in the ongoing conflict between Russia and Ukraine have caused some concern in financial markets with safe-haven assets such as US Treasuries and gold finding a bid. Geopolitical conditions remain fragile.

41. Moving forward, India's economic outlook for the coming months is cautiously optimistic, with agriculture likely to benefit from favourable monsoon conditions, increased minimum support prices and adequate supply of inputs. Bright agricultural production prospects make the inflation outlook benign, despite existing price pressures in select food items. Early November trends signalled moderation in key food prices, though geopolitical factors may continue to impact domestic inflation and supply chains.

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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-Sep	33.5	33.8	33.6	13.8	0.9	-0.7
Domestic Tractor Sales	Lakh	Apr-Oct	6.1	5.9	6.2	9.8	-3.8	5.0
Foodgrain Production (Kharif)	Mn Tonnes	1st AE	149.9	148.6	164.7	-0.4	-0.9	10.9
Reservoir Level	Bn Cu. Metres	7-November	158.6	124.1	154	12.0	-21.8	24.1
Credit to Agriculture and allied activities	₹ Lakh crore	Sep	16.0	18.7	21.7	13.1	16.8	16.2
Industry								
IIP	Index	Apr-Sep	135.1	143.5	149.3	7.1	6.2	4.0
8-Core Industries	Index	Apr-Sep	143	154.7	161.2	9.7	8.2	4.2
Domestic Auto sales	Lakh	Apr-Oct	122.1	130.5	147.6	25.6	6.9	13.1
PMI Manufacturing	Index	Apr-Oct	55.2	57.6	57.7	4.0	4.3	0.2
Power consumption	Billion kWh	Apr-Oct	905.4	842.4	1028.9	10.3	-7.0	22.1
Natural gas production	Bn Cu. Metres	Apr-Sep	17.2	17.9	18.2	1.7	4.0	1.5
Cement production	Index	Apr-Sep	163.3	182.2	185.2	11.0	11.6	1.6
Steel consumption	Mn Tonnes	Apr-Oct	65.9	76	85.7	12.1	15.3	12.8

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-Oct	173.4	182.9	191.7	7.1	5.4	4.8
WPI	Index	Apr-Oct	153.5	151.2	154.4	13.4	-1.5	2.1
CFPI	Index	Apr-Oct	174.2	185.7	201.0	7.7	6.6	8.3
CPI-Core	Index	Apr-Oct	171	179.3	185.3	6.1	4.9	3.3
Services								
Domestic Air Passenger Traffic	Lakh	Apr-Sep	1242.7	1503.3	1599.1	116.1	21.0	6.4
Port Cargo Traffic	Million tonnes	Apr-Oct	446.7	464.6	482.0	9.9	4.0	3.7
Rail Freight Traffic	Million tonnes	Apr-Aug	620.9	634.7	653.2	10.3	2.2	4.9
PMI Services	Index	Apr-Oct	55.2	57.6	59.8	3.9	4.4	3.9
Fuel Consumption	Million tonnes	Apr-Oct	126.0	133.7	137.6	13.2	6.1	3.0
UPI (Volume)	Crore	Apr-Oct	4608.2	7016.4	10225.0	103.3	52.3	45.7
E-Way Bill Volume	Crore	Apr-Oct	53.8	63.2	73.7	26.6	17.5	16.6
Fiscal Indicators								
Gross tax revenue (Central Govt)	₹ Lakh crore	Apr-Sep	13.9	16.2	18.1	17.6	16.3	12.0
Revenue Expenditure	₹ Lakh crore	Apr-Sep	14.8	16.3	17.0	6.0	10.0	4.2
Capital Expenditure	₹ Lakh crore	Apr-Sep	3.4	4.9	4.1	49.5	43.1	-15.4
Fiscal Deficit	₹ Lakh crore	Apr-Sep	6.2	7.0	4.7	17.7	13.2	-32.4
Revenue Deficit	₹ Lakh crore	Apr-Sep	3.1	2.3	0.7	-1.4	-25.6	-68.0
GST Collection	₹ Lakh crore	Apr-Oct	10.5	11.6	12.7	28.6	11.4	9.4



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-Oct	263.3	244.5	252.3	12.5	-7.1	3.2
Non-oil exports	USD Billion	Apr-Oct	206.2	196.9	211.4	3.1	-4.5	7.3
Merchandise imports	USD Billion	Apr-Oct	430.5	393.7	417	31.2	-8.5	5.9
Non-oil non-gold/silver imports	USD Billion	Apr-Oct	278.7	262.4	272.9	29.2	-5.9	4.0
Net FDI	USD Billion	Apr-Sep	25.4	10.4	14.3	-15.9	-59.0	37.6
Exchange Rate	INR/USD	Apr-Oct	79.0	82.5	83.7	6.7	4.4	1.3
Foreign Exchange Reserves	USD Billion	1 Nov	530	590.8	682.1	-17.3	11.5	15.5
Foreign Portfolio Investors	USD Billion	Apr-Oct	-7.8	18.6	10.1	-	-	-
Import Cover	Months	Oct	8.9	10	11.8	-	-	-
Monetary and Financial								
Total Bank Credit	₹ Lakh crore	1 Nov	129.3	150.0	169.8	15.8	16.0	13.2
Non-Food Credit	₹ Lakh crore	1 Nov	128.9	149.8	169.5	16.3	16.2	13.2
10-Year Bond Yields	Per cent	Apr-Oct	7.3	7.1	7	1.2	-0.2	-0.1
Repo Rate	Per cent	19 Nov	5.9	6.5	6.5	1.9	0.6	0.0
Currency in Circulation	₹ Lakh crore	8 Nov	32.2	33.6	35.7	9.6	4.3	6.1
M0	₹ Lakh crore	8 Nov	41.3	44.2	47.1	12.4	7.0	6.6
Employment								
Net payroll additions under EPFO	Lakh	Apr-Sept	71.6	70.5	91.1	36.5	-1.6	29.3
Number of person demanded employment under MGNREGA	Crore	Apr-Oct	20.3	21.4	18.2	-20.2	5.8	-14.9
Urban Unemployment Rate	Per cent	July-Sept	7.2	6.6	6.4	-2.6	-0.6	-0.2
Subscriber Additions: NPS	Lakh	Apr-Aug	3.2	3.3	3.7	8.2	3.8	13.7