

Monthly Economic Review

September 2024



सत्यमेव जयते

आर्थिक कार्य विभाग
DEPARTMENT OF
ECONOMIC AFFAIRS

Division

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Abstract

In the fourth year of economic recovery, post the contraction witnessed in FY21, several growth indicators show continuing momentum while some show signs of softening.

On the supply side, the agriculture and services sectors have performed well. Though there has been some softening in the manufacturing momentum, RBI surveys on manufacturing indicate improved business expectations for the upcoming quarters. Above-normal monsoon, adequate reservoir levels, and sufficient input availability have bolstered kharif sowing, surpassing both last year's level and the five-year average. At the same time, heavy monsoon rains had a calming effect on mining and construction activity. They also led to a moderation in activity in the services sector somewhat in Q2 FY25, particularly in road transport-related services. Nevertheless, business sentiments remain sanguine.

On the demand side, rural demand continues to improve, as reflected in increasing Fast Moving Consumer Goods (FMCG) volume sales and a rise in three-wheeler and tractor sales. However, urban demand appears to moderate due to softening consumer sentiments, limited footfall due to above-normal rainfall, and seasonal periods during which people tend to refrain from new purchases.

After two months of low inflation, consumer price inflation rose in September, primarily driven by the effects of the erratic monsoon on a few vegetable supplies. Conversely, inflation in many other food items saw a notable decline, with pulses inflation dropping to single digits for the first time since June 2023, largely due to the successful implementation of initiatives like Bharat Dal and enhanced stock monitoring. Core inflation continues to remain within the comfort zone, exhibiting no pass-through from food inflation of the past or the present. Going ahead, sufficient food grain buffer stock and optimism for a healthy kharif harvest will likely alleviate price pressures.

The external sector continues to perform well, as reflected in rising capital inflows, a stable rupee and comfortable foreign exchange reserves. Forex reserves surpassed the USD 700 billion mark at the end of September 2024, making India one of the top four countries with more than USD 700 billion reserves. Expansion in merchandise trade deficit led to an increase in the current account deficit to 1.1 per cent of the GDP in Q1 of FY25 from a surplus in the previous quarter. However, rising services exports and growing remittances cushioned the rising current account deficit. Merchandise exports witnessed moderate

growth in H1 of FY25 due to weak global demand and a fall in international commodity prices. Merchandise imports grew, reflecting a strong domestic demand. Moderate growth in exports and rising imports have led to a widening of the merchandise trade deficit.

The labour market is steady. The overall unemployment rate for 2023-24 remained unchanged at 3.2 per cent, driven by a rising female workforce. The manufacturing sector continued to show rising employment, as reflected in the Annual Survey of Industries results for 2022-23. High-frequency indicators, such as the net payroll additions under the Employee Provident Fund Organisation (EPFO), Purchasing Managers' employment sub-index and NaukriJob Speak index, highlight a rise in formal employment generation. All that said, anecdotal reports of the deployment of Artificial Intelligence displacing workers are beginning to emerge. That needs watching.

The outlook for the Indian economy is good, underpinned by a stable external sector, positive agricultural outlook, expected improvements in demand supported by the festive season, and the likelihood of an increase in Government spending, which will boost investment activity. However, at the margin, demand conditions in the economy bear watching. Given the overall subdued inflation, barring a few food items, the real price of money may have gone up. We maintain that the Indian economy will grow between 6.5 and 7.0 per cent in the current fiscal year. Risks stem from global factors such as geopolitical conflicts, rising geo-economic fragmentation, uncertainties about the trade policies of major economies and consequent financial market reactions.

Stable global environment, however, some uncertainty still prevails

1. In its latest World Economic Outlook (WEO), the International Monetary Fund (IMF) has projected global growth at 3.2 per cent in 2024, unchanged from its July 2024 WEO. Important sectoral and regional shifts have underpinned the change in the global growth outlook. As inflation declines, policy rates are expected to follow the trend. Various factors have played a key role in determining the growth outlook. Expectations of a strong recovery in public investment in Advanced Economies, which could crowd in private-sector investments, could lead to a higher-than-projected recovery in global growth and trade. Further, accelerating structural reform efforts to increase labour force participation and reduce misallocation in labour and capital markets could boost global growth. However, downside risks to global growth also exist. Unanticipated strengthening of transmission of earlier interest rate increases, the possibility of intensification of sovereign debt stress in Emerging and Developing Economies, contraction in China's real estate sector and the likelihood of a spike in commodity prices due to climate shocks and regional conflicts pose such downside risks to global growth. Amidst these scenarios, the IMF has, in its October 2024 WEO, kept growth projections for India unchanged at 7 per cent and 6.5 per cent for 2024 and 2025, respectively.

2. This report discusses and provides insights into India's performance in various sectors in the first half (H1) of FY25, wherever complete data is now available.

Evaluating the performance of the Indian Economy during H1 of FY25

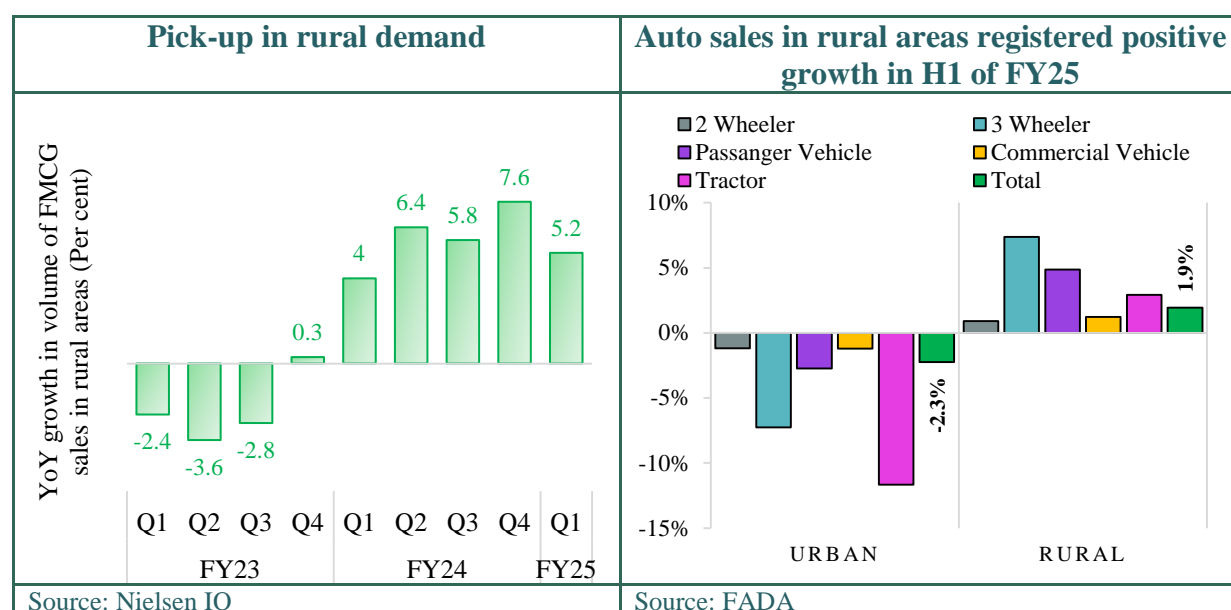
Rural demand strengthens

3. Rural demand continues to strengthen in H1 of FY25. This has been supported by above-normal monsoon boosting Kharif sowing, an increase in Minimum Support Price (MSP) for Kharif crops¹, and Government initiatives like increased allocation for Mahatma Gandhi National Rural Employment Guarantee Scheme. The improvement in rural demand is reflected in rising Fast Moving Consumer Goods (FMCG) sales reported by Nielsen IQ, which grew by 5.2 per cent (volume growth) in Q1 of FY25, higher than the 4 per cent growth in the corresponding quarter of the previous year.

4. The growth in rural demand is also reflected in rising auto sales, a segment seen as an indicator of consumer confidence and economic health. As per the data released by the Federation of Automobile Dealers Association (FADA), auto sales in rural areas rose by

¹ PIB press release of Ministry of Agriculture and Farmers Welfare dated 19 June 2024, <https://pib.gov.in/PressReleaseIframePage.aspx?PRID=2026698>

around 2 per cent during H1 of FY24, with a most remarkable increase in 3-wheelers (7.4 per cent) and passenger vehicles (4.9 per cent) sales.



5. Round 1 of the bi-monthly Rural Economic Conditions and Sentiments Survey² released by the National Bank for Agriculture and Rural Development (NABARD) reflects optimism about the rural economy. The survey shows that during the last year (i.e., 12 months preceding the survey), 37.6 per cent of the rural households reported an increase in income, and 80.1 per cent reported an increase in consumption expenditure, highlighting buoyant momentum in rural economic activity. Rural households are also optimistic about the future, reflected in their positive sentiments on income and employment conditions. More than 50 per cent of the households expect income and employment conditions to improve in the next quarter and during the next year. Going forward, favourable agricultural conditions, a rise in MSP for Rabi crops³, better crop harvest and continued Government support for enhancing rural welfare are likely to spur rural demand.

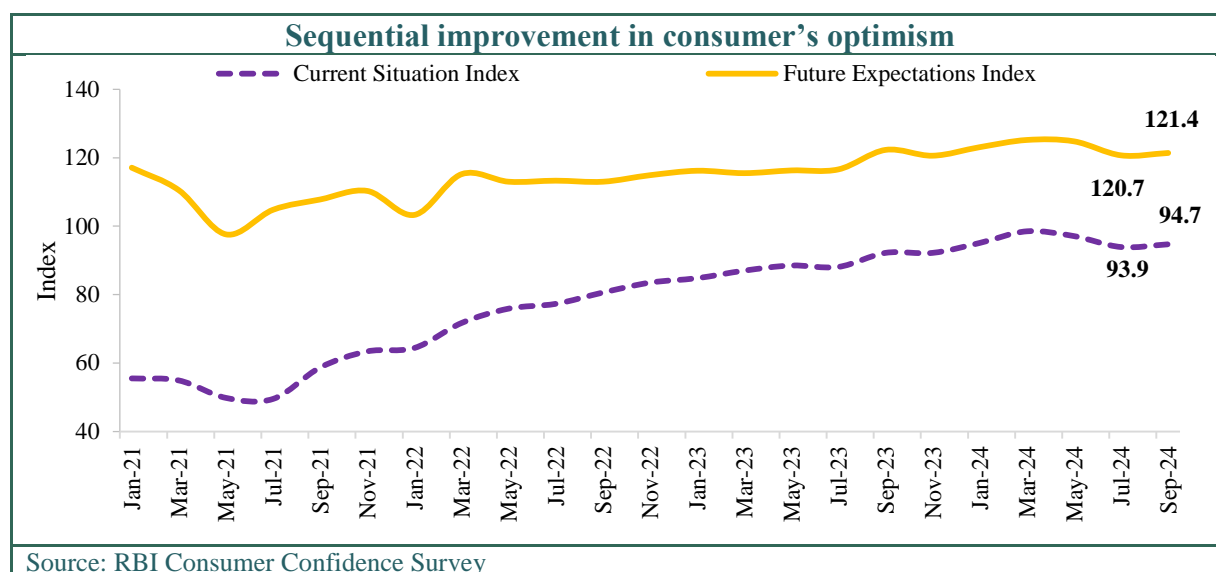
Moderation in urban demand

6. Contrary to rural demand, there has been evidence of a slowdown in urban demand as reflected in the performance of various indicators during H1 of FY25. Volume growth in urban FMCG sales has moderated from 10.1 per cent in Q1 of FY24 to 2.8 per cent in Q1 of FY25. As per FADA, auto sales declined by 2.3 per cent in H1 of FY25, mainly due to the lower sales in Q2 of FY25 compared to Q2 of FY24 in urban areas. Housing sales and

² The survey is conducted across 29 States/UTs covering 99.2 per cent of the population. The survey is designed to be carried out as 6 bi-monthly rounds per year, with the 1st round of the survey conducted during 27th August-5th September 2024. The survey has a sample size of 600 villages covering 6000 households (10 households from every sample village), https://www.nabard.org/auth/writereaddata/tender/pub_0910240202031157.pdf

³ PIB press release of Ministry of Agriculture and Farmers Welfare dated 16th October 2024, <https://pib.gov.in/PressReleasePage.aspx?PRID=2065310#:~:text=The%20absolute%20highest%20increase%20in,Rs.130%20per%20quintal%20respectively.>

launches also dipped in Q2 of FY25. The above trends may be largely explained by softening consumer sentiments, limited footfall due to above-normal rainfall, and seasonal periods during which people tend to refrain from new purchases.



7. The latest RBI Consumer Confidence Survey for the September 2024 round highlights an improvement in consumer sentiments due to better perceptions of general economic and income conditions and employment. Both the Current Situation Index and Future Expectations Index⁴ have shown a sequential improvement. Going forward, the ongoing festive season and improvement in consumer sentiments may boost urban consumer demand. However, early indications were not particularly promising.

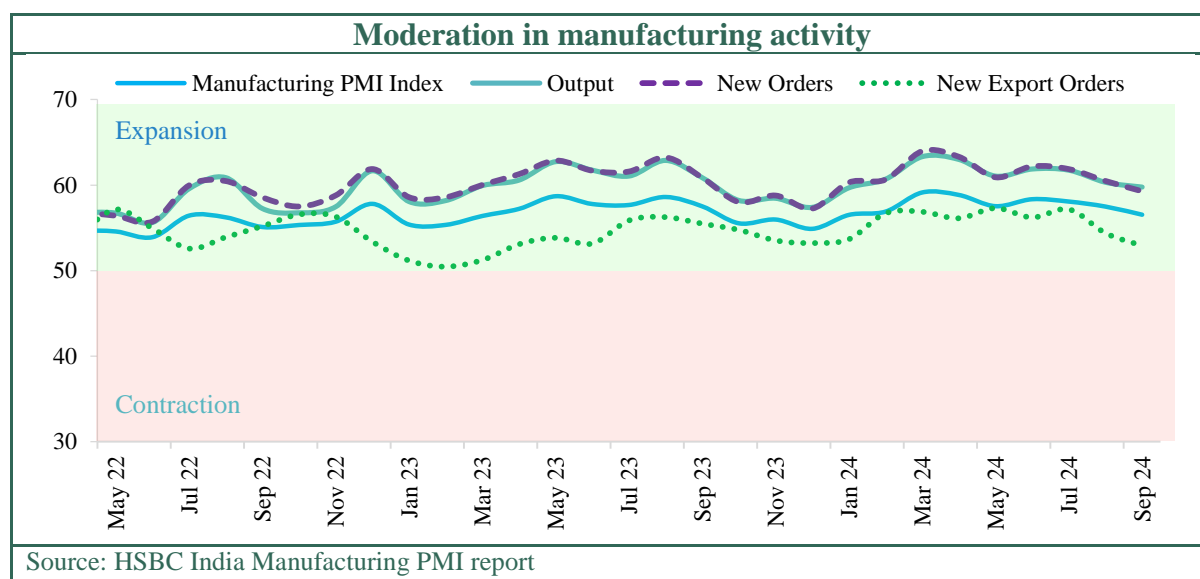
Industrial momentum softens

8. Momentum in the manufacturing sector seems to have softened in September 2024 from the very strong growth in the summer months, as indicated by the seasonally adjusted HSBC India Manufacturing Purchasing Managers' Index (PMI). The manufacturing PMI declined from 57.5 in August 2024 to 56.5 in September 2024. However, this still indicates continuing expansion in manufacturing activity. The output index, despite easing, remained above its long-run average. Manufacturers' order books rose softer at the end of the second fiscal quarter. While international export orders grew moderately, the seasonally adjusted new export orders index was broadly aligned with its long-run average.

9. As per the Index of Industrial Production (IIP), the manufacturing sector grew only by 1 per cent in August 2024. However, the IIP growth of 4.2 per cent in the first five months of FY25 still remains robust. The growth in the index of eight core industries moderated to 4.6

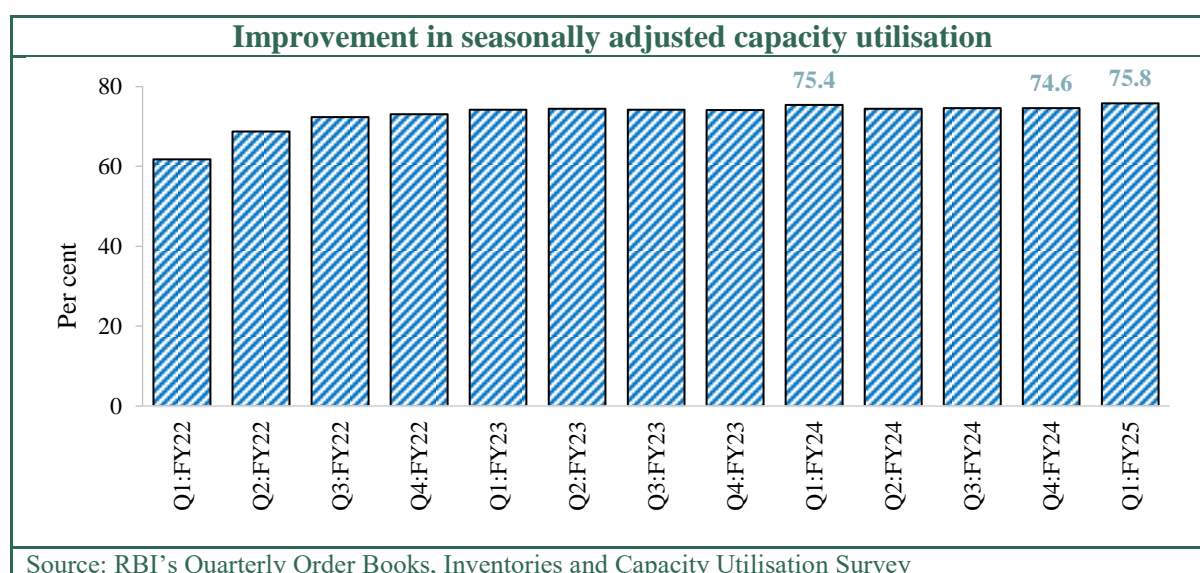
⁴ CSI and FEI are compiled on the basis of net responses on the economic situation, income, spending, employment and the price level for the current period (as compared with one year ago) and a year ahead, respectively. CSI and FEI = 100 + Average of Net Responses of the above parameters

per cent during the first five months of FY25. Lower international oil prices and increased oil imports may have influenced the domestic refinery output, while the steel sector's output was likely affected by moderation in the growth of automobiles. In some regions, such as eastern States like West Bengal and Jharkhand, excessive rainfall impacted mining activities.



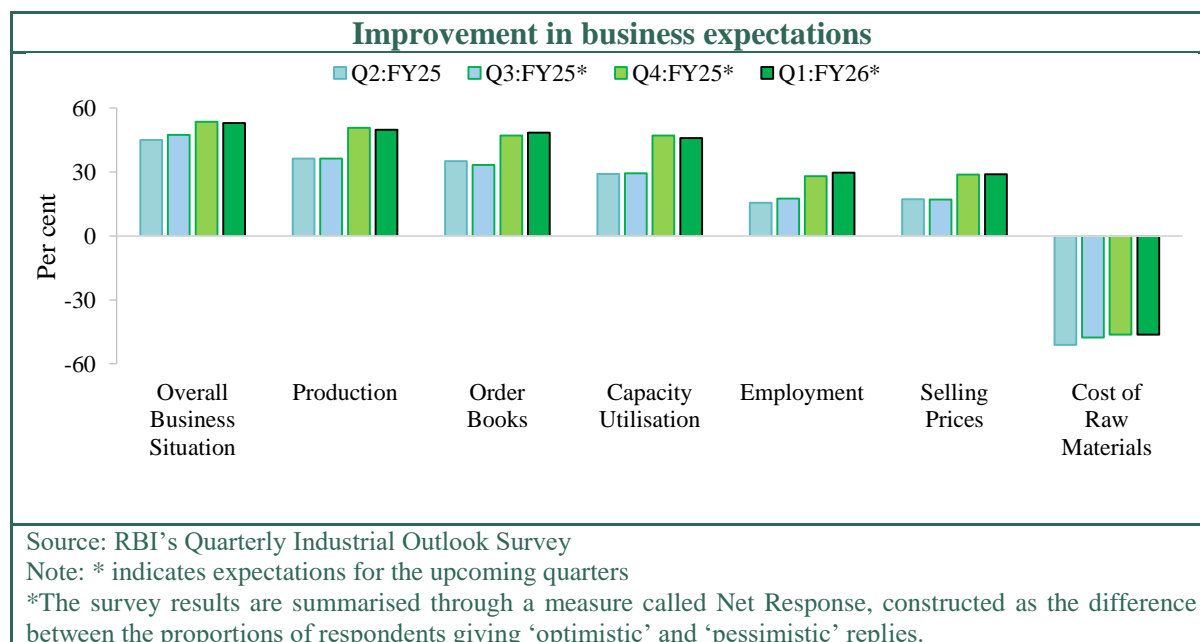
Nonetheless, the RBI surveys on manufacturing indicate optimism

10. RBI's Order Books, Inventories and Capacity Utilisation Survey (OBICUS) of October 2024 highlights an expansion in the seasonally adjusted capacity utilisation in the manufacturing sector. The survey also reported a 12.3 per cent Y-o-Y growth in the average number of new orders in the quarter ending June 2024. As a ratio to sales, both the finished goods and raw material inventory remained stable during Q1 of FY25.



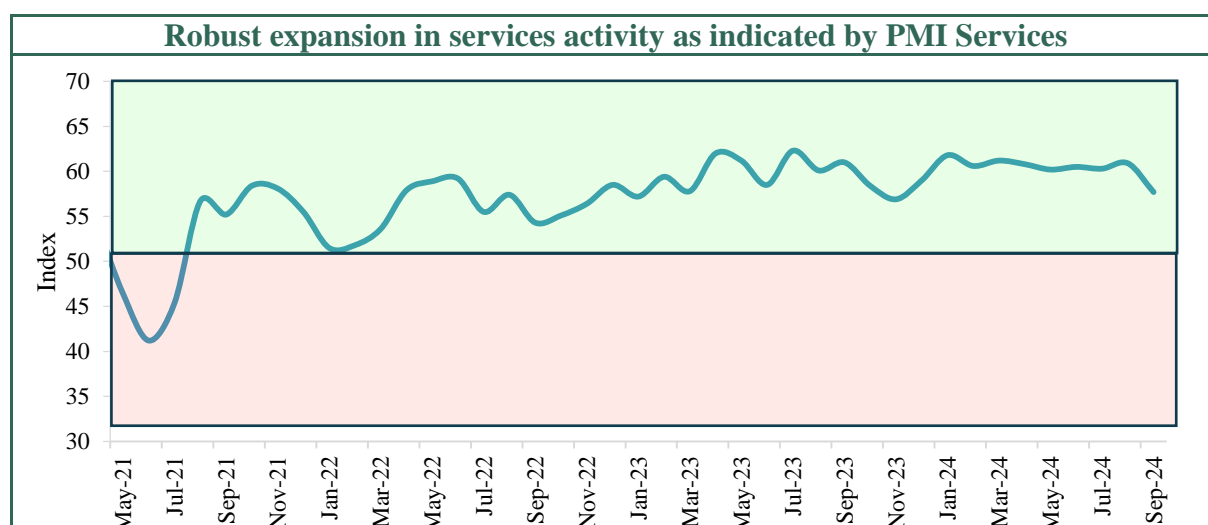
11. As per the RBI's Industrial Outlook Survey of October 2024, manufacturing companies reported moderation in demand expansion during Q2 of FY25. The business assessment index still remained in the expansionary zone in Q2 of FY25. Manufacturers

maintained their optimism on demand conditions during Q3 of FY25. The survey also reflected better expectations on production, order books, employment, capacity utilisation, and overall business situation during Q4 of FY25 and Q1 of FY26. Input cost pressures are likely to continue for manufacturers, who expect to retain pricing power and increase in selling prices on the back of robust demand conditions.



Steady Services Activity

12. The services sector seems to have maintained its role as a key growth driver in Q2 of FY25 despite a slight moderation in pace. Output continues to expand, as reflected in the PMI-Services remaining well above the 50 mark, which separates expansion from contraction. Similar sentiments were visible in the RBI's Services and Infrastructure Outlook Survey for Q2 of FY25.⁵

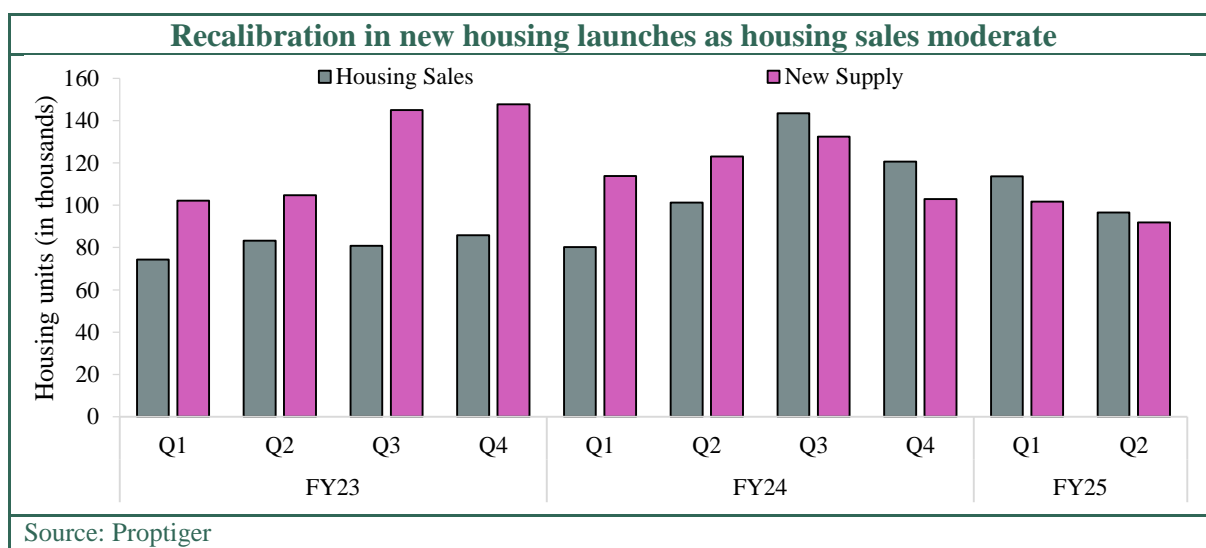


⁵<https://rbidocs.rbi.org.in/rdocs/Publications/PDFs/SIOSR42OCT2024C1E731524AF647D8A7D6BDDCE6DA85E1.PDF>

13. Service sector firms retained positive assessments about their overall business situation, turnover and employment position in Q2 of FY25 with somewhat lower optimism compared to the previous quarter. The results of the survey indicate that pressures emanating from the cost of finance, input prices and wages waned. Sentiments on growth in selling prices and profit margins moderated slightly but remained positive.

Residential estate demand tempers, even as demand for office space picks up

14. Residential demand seems to have moderated in the urban real estate sector after a sharp uptick in the previous four quarters. As per real estate research firm Proptiger's quarterly report⁶, housing sales in India's top 8 cities⁷ declined by 5 per cent in the quarter ending September 2024. The report estimates that the current tempering is a healthy response to rising prices and is expected to contribute to sustainable growth. Market fundamentals remain firm and continue to encourage real estate as a preferred investment avenue amid positive consumer sentiments. Developers have also calibrated their supply strategies to these developments as reflected in the decline of launches of new units.



15. Conversely, the demand for office space continues to firm up. A report by real estate consultant Cushman & Wakefield⁸ reveals that the gross leasing of office space rose 66 per cent to 24.8 million square feet across the top eight cities in Q2 of FY25 Y-o-Y, marking the second-highest quarterly leasing volume in the sector's history. Consequently, the vacancy rate across these cities dropped to 17.1 per cent in Q2 of FY25, the lowest in 14 quarters. The report projected that the gross leasing of office space across the top eight cities will likely

⁶ <https://www.proptiger.com/guide/post/top-8-cities-see-5-drop-in-sales-25-fall-in-new-launches-proptiger-report>

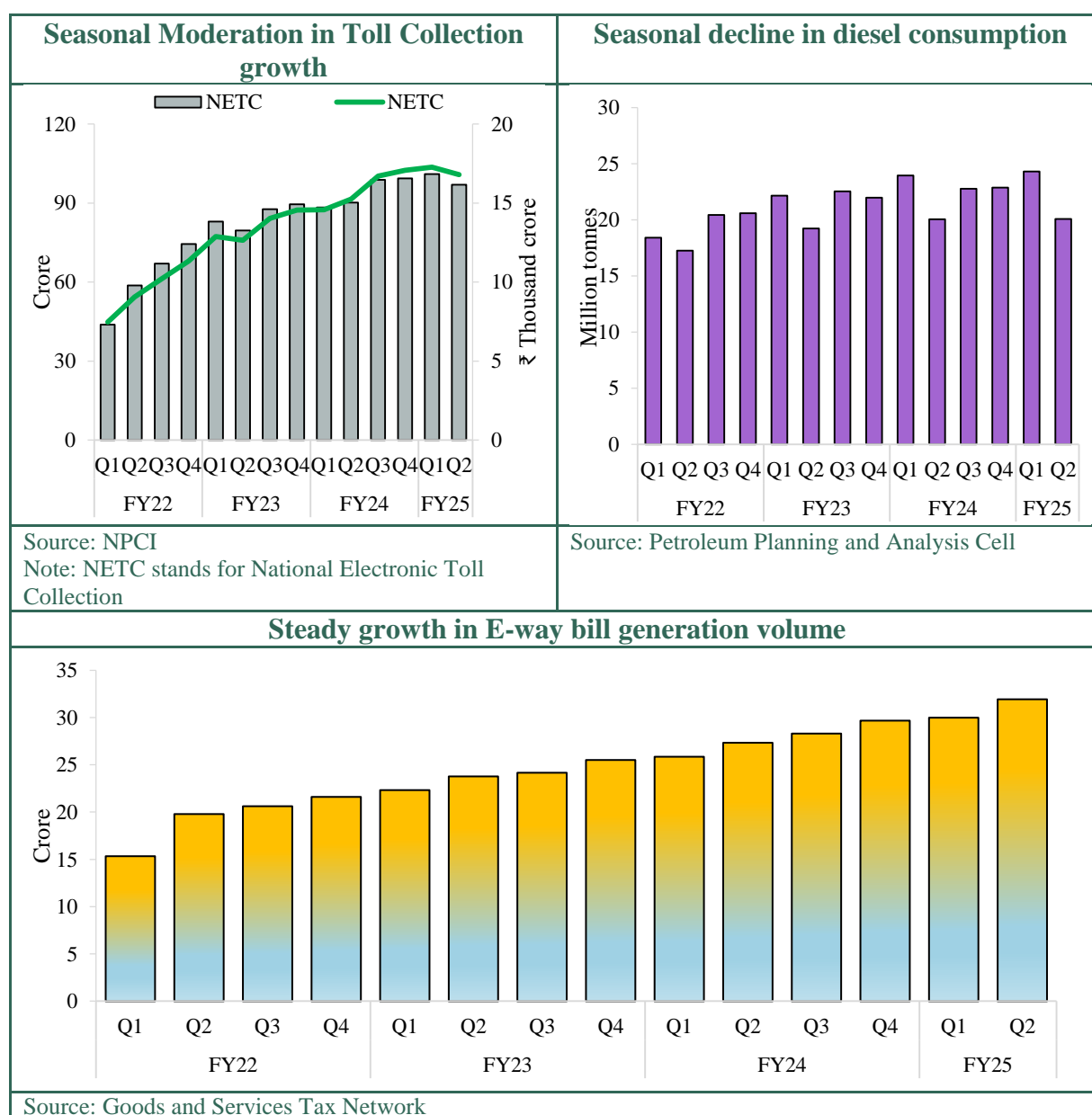
⁷ The top eight cities are Delhi NCR, Mumbai MMR, Hyderabad, Chennai, Kolkata, Pune, Ahmedabad and Bengaluru.

⁸ https://www.business-standard.com/industry/news/office-demand-high-as-leasing-to-cross-80-mn-sq-ft-in-top-8-cities-c-w-124101600234_1.html

cross 80 million square feet this calendar year, beating the record of 74.5 million square feet of leasing in 2023.

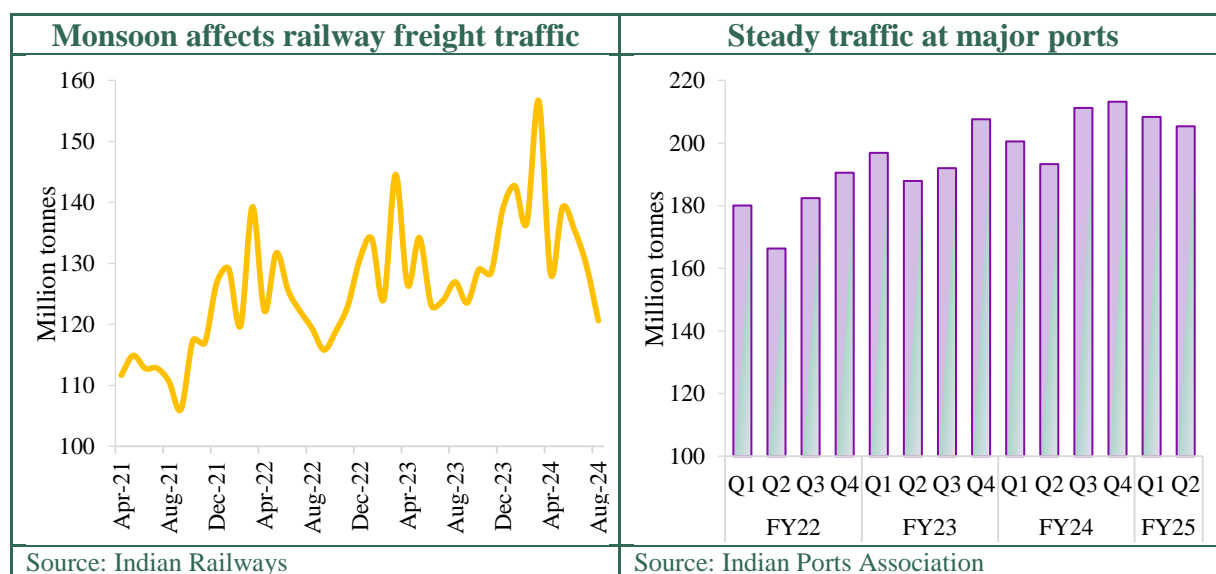
Heavy monsoon rains affect transport-related services

16. Road traffic growth was affected by widespread and surplus rains in Q2 of FY25, as evidenced by the performance of indicators such as E-toll collections and diesel consumption. While both the value and volume of e-toll collection declined Q-o-Q in Q2 of FY25 on account of seasonality, their Y-o-Y growth was also lower. Diesel consumption, which proxies commercial vehicle movement, displayed a similar trend. The volume of E-way bill generation, however, continued to grow steadily.



17. Activity by other modes of transport remained steady. Rail freight traffic in July-August 2024 declined by a marginal 0.2 per cent on a Y-o-Y basis. A deeper dive into data reveals that this was due to a decline in cement freight shipments which decreased by 10.8

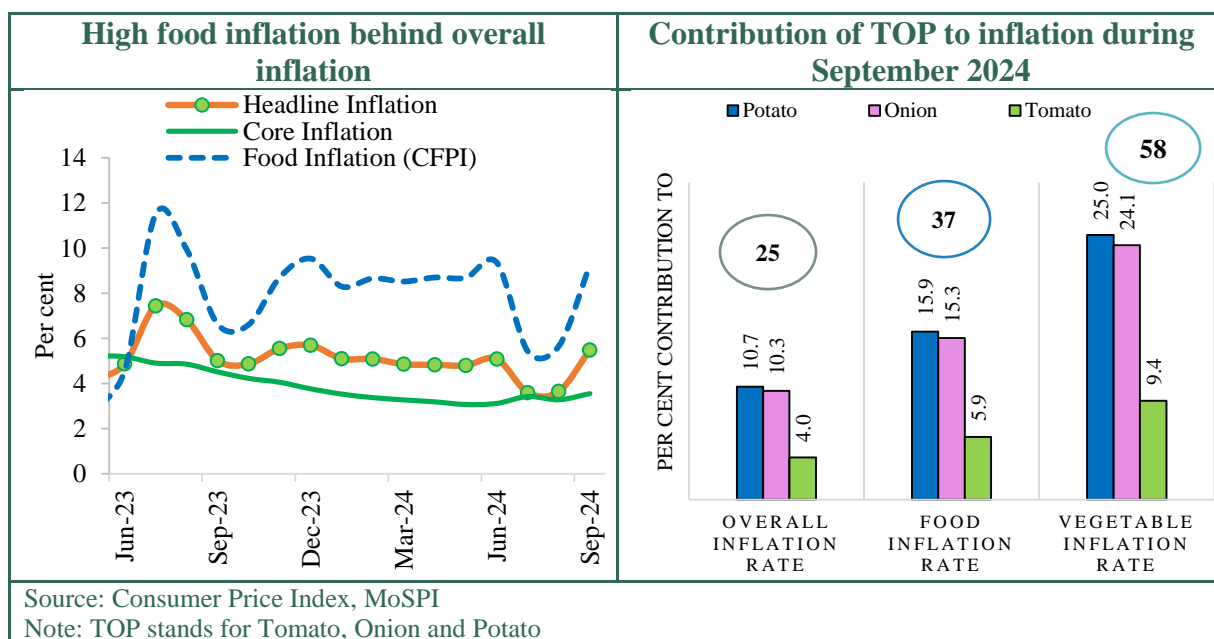
per cent. This is consistent with the slower construction activity due to an active monsoon. Both domestic air freight and air passenger traffic grew steadily in July-August 2024 annually. Cargo traffic at major ports increased by 6.2 per cent Y-o-Y in Q2 of FY25 because of the increase in the shipments of imports.



Monsoon-led disruptions impact retail inflation

18. Following two months of low inflation, consumer price inflation increased to 5.5 per cent in September 2024. This increase was primarily driven by food inflation. Uneven monsoon-induced supply disruptions in certain regions caused significant price pressures, mainly in tomatoes, onions, and potatoes, contributing to higher vegetable and food inflation rates. On the positive side, there has been a notable reduction in the inflation rate for pulses, spices, meat, fish, sugar and spices. Helped by the Bharat Dal initiatives and stock monitoring, pulses inflation rate dropped to single digits for the first time since June 2023 (see **Box 1** for details). The inflation rate in spices remains in the negative territory. Core inflation (excluding food and fuel) increased from 3.3 per cent in August to 3.5 per cent in September, still remaining on the low side.

19. The inflation rate stood at 4.6 per cent in the first half of FY25, down from 5.5 per cent during the same period last year. Core inflation eased to 3.3 per cent, compared to 5.0 per cent in the first half of FY24. The Government's proactive measures, such as stock management, open market operations, subsidised provision of essential food items, and trade policies, have been instrumental in keeping the price rise under check.



Box 1: Measures to check prices of pulses, onion and tomato

Intervention for Onion & Tomato Supply
<ul style="list-style-type: none"> Buffer Stock of Onion: Against the target of 5 lakh MT in FY25, NCCF and NAFED have already procured around 4.70 lakh MT. Retail sales of onions at ₹35 per kg, started from 5 September 2024. As of Oct 6, 2024, 57,405 MT of onions were dispatched from the buffer stock for retail and bulk sales. The Government of India launched retail disposal of tomatoes at a subsidised rate of ₹65 per kg to in major cities across the country.
Interventions to augment the supply of Pulses
<ul style="list-style-type: none"> Bharat Chana Dal: 12.32 lakh MT of Chana dal was sold as of 4 October 2024. An additional 3 lakh MT was allocated for retail distribution in the form of dal at ₹70 per kg and whole chana at ₹58 per kg. Bharat Moong Dal: 4,984.2 MT moong dal was sold as of 4 October 2024. Imports of Tur and Urad have been kept under the 'Free Category' until 31 March 2025, and there is no duty on Masur imports until 31 March 2025. Allowed duty-free import of desi chana until 31 March 2025. Allowed the import of yellow peas from 08 December 2023 to 31 December 2024. As of now, over 21.41 lakh MT of yellow peas have been imported. This helped in bridging the demand-supply gap of Chana to a certain extent.

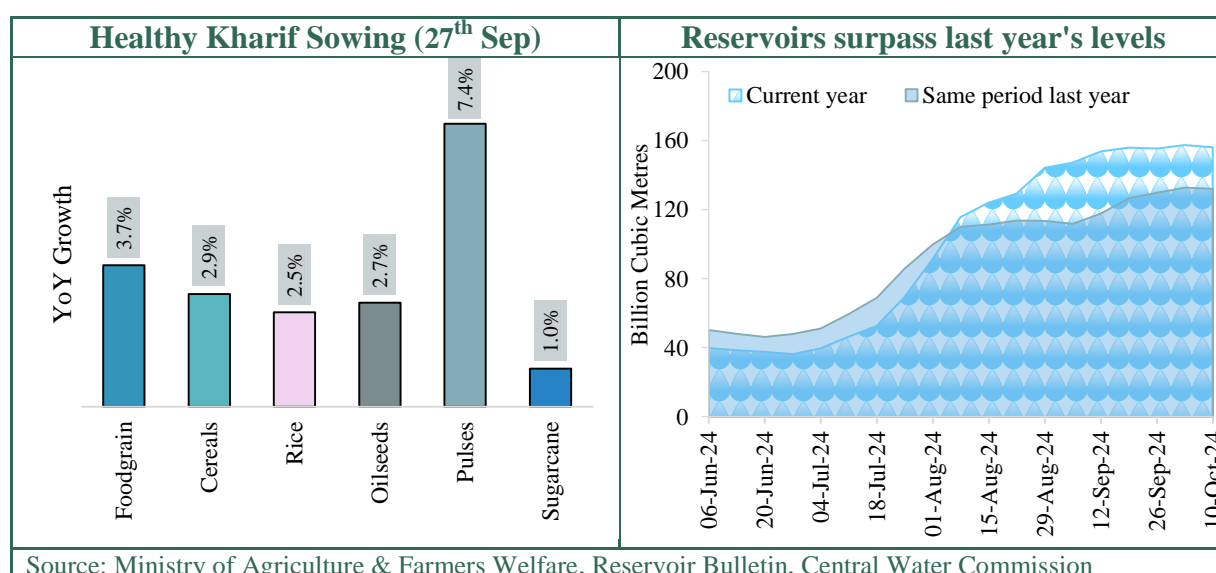
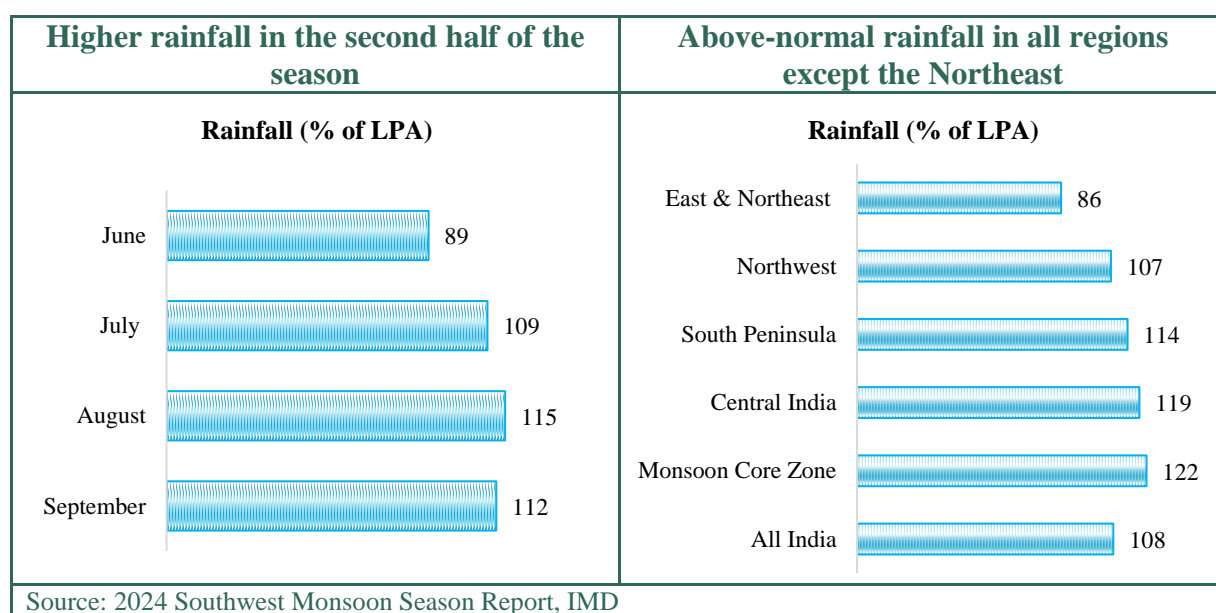
Source: D/o Consumer Affairs and PIB Press Releases

South-west monsoon boosts reservoir levels, brightening prospects for rabi sowing

20. During the 2024 southwest monsoon season (June-September), the country received above-normal rainfall of 108 per cent of the Long Period Average (LPA). The second half of the season (August and September) saw higher rainfall at 114 per cent of the LPA, compared

to 102 per cent in June and July. In terms of spatial distribution, 80 per cent of the subdivisions experienced normal or above-normal rainfall. All regions recorded cumulative rainfall above the LPA except the East and Northeast. Notably, the monsoon core zone, which includes most of the rain-fed agricultural areas, received rainfall of 122 per cent of the LPA.

21. Above-normal southwest monsoon rains have replenished the reservoirs with live storage, reaching 118 per cent of the corresponding period of last year and 113 per cent of normal storage as of 10 October 2024. This augurs well for the upcoming rabi sowing season, instilling optimism about the agricultural output and rural demand.



22. Favourable southwest monsoon rains led to a 3.7 per cent increase in the area sown under Kharif crops compared to last year, surpassing the previous 5-year average by 2.7 per

cent. Kharif crops contribute to about 50 per cent of total food grain production. Moreover, the widespread increase in crop acreage is expected to ease food inflation.

Outlook for Inflation

23. With the reduction in inflation for food grains (cereals & pulses) in September, the near-term food inflation path will largely depend on the price trends in tomato, onion and potato in the coming months, necessitating a strong focus on controlling these prices in the short term. On the positive side, sufficient reservoir levels due to a favourable monsoon, significant progress in Kharif crop sowing, and sufficient food grain buffer stocks are favourable for containing food price pressures. The core inflation remains at very low levels, possibly reflecting the slowdown in demand growth in the first half of the current financial year. IIM Ahmedabad's Business Inflation Expectations Survey indicates a sharp decrease in business inflation expectations for one year ahead in the August 2024 round to 4.41 per cent from 4.87 per cent the month before. This survey correlates well with the trend in the headline inflation rate. Also, the decline in inflation expectations is consistent with what the survey noted about economic activity over the previous three months. The Reserve Bank of India projects a CPI inflation rate of 4.8 per cent in Q3 (October-December 2024) of FY25. The Monetary Policy Committee decided to keep the policy repo rate unchanged at 6.5 per cent but changed its stance from the withdrawal of accommodation to neutral.

Recovery in global trade continued in the first half of 2024

24. According to the Organisation for Economic Cooperation and Development (OECD) Economic Outlook Interim report⁹, the global trade recovery persisted throughout the first half of 2024, marked by an increase in both goods and services trade, particularly in the second quarter. A significant rise in imports from the US, attributed to higher spending on equipment and increased trade volumes in major emerging economies such as China, Brazil, and India, played a crucial role in the robust trade recovery. Monthly economic indicators have consistently shown strength, with global container shipping, air freight, and international passenger traffic all on the rise. However, there is a slight concern as export order surveys indicate a decline, hinting that a portion of the trade surge in the middle of the year might have been due to early orders for the peak season in the developed economies to prevent future congestion.

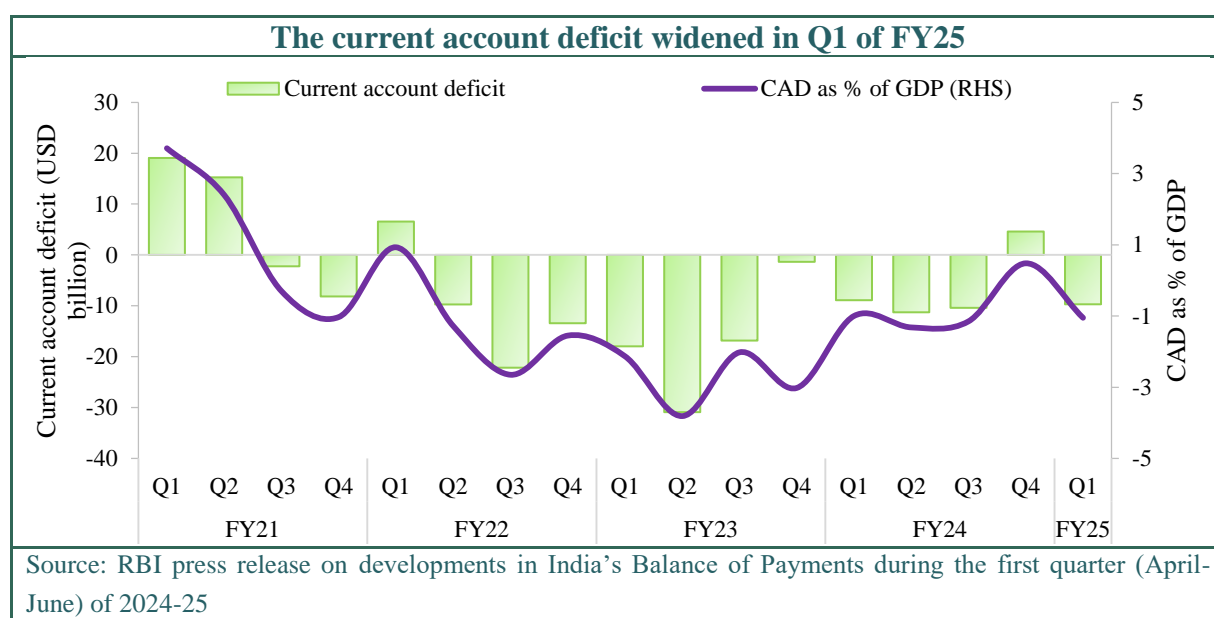
25. In the October 2024 WEO, the IMF highlighted that following a period of stagnation in 2023, global trade volume (goods and services) is projected to grow at an average of 3.25 per cent in 2024 and 2025, respectively. Though increasing cross-border restrictions have affected geopolitically distant blocs, the global trade-to-GDP ratio is expected to remain stable. Further, global current account surpluses (the sum of absolute surpluses and deficits)

⁹ https://www.oecd.org/en/publications/oecd-economic-outlook-interim-report-september-2024_1517c196-en.html

are estimated to follow a declining path from their peaks witnessed in 2022, reflecting a reversal of the trend of large current account surpluses in commodity-exporting countries. The outlook highlights risks to global trade. Intensification of regional conflicts, such as attacks in the Red Sea, Russia-Ukraine conflicts and escalation of the Gaza-Israel conflict to other regions, could further disrupt trade, increasing food, energy and other commodity prices.

India's Current Account Deficit (CAD) widened in Q1 of FY25

26. After witnessing a surplus of 0.5 per cent of GDP in Q4 of FY24, India's CAD widened to 1.1 per cent of GDP in Q1 of FY25 against 1 per cent of the GDP recorded in Q1 of FY24.¹⁰ This can be attributed to a rise in the merchandise trade deficit due to a rise in domestic demand and weak outbound shipments. The merchandise trade deficit rose to USD 65.1 billion in Q1 of FY25 from USD 56.7 billion in the corresponding quarter of the previous year.



27. The rising net services receipts and increase in private transfer receipts cushioned the expansion in the merchandise trade deficit. Net services receipts increased to USD 39.7 billion in Q1 of FY25 from USD 35.1 billion a year ago. Across categories, IT services, other business services, construction, travel and transportation services witnessed the maximum increase in services exports. After IT services, other business services have a maximum share in overall services exports, accounting for 26 per cent of the services exports in Q1 of FY25. Private transfer receipts, mainly representing remittances by Indians employed overseas, increased from USD 27.1 billion in Q1 of FY24 to USD 29.5 billion in Q1 of FY25. Overall,

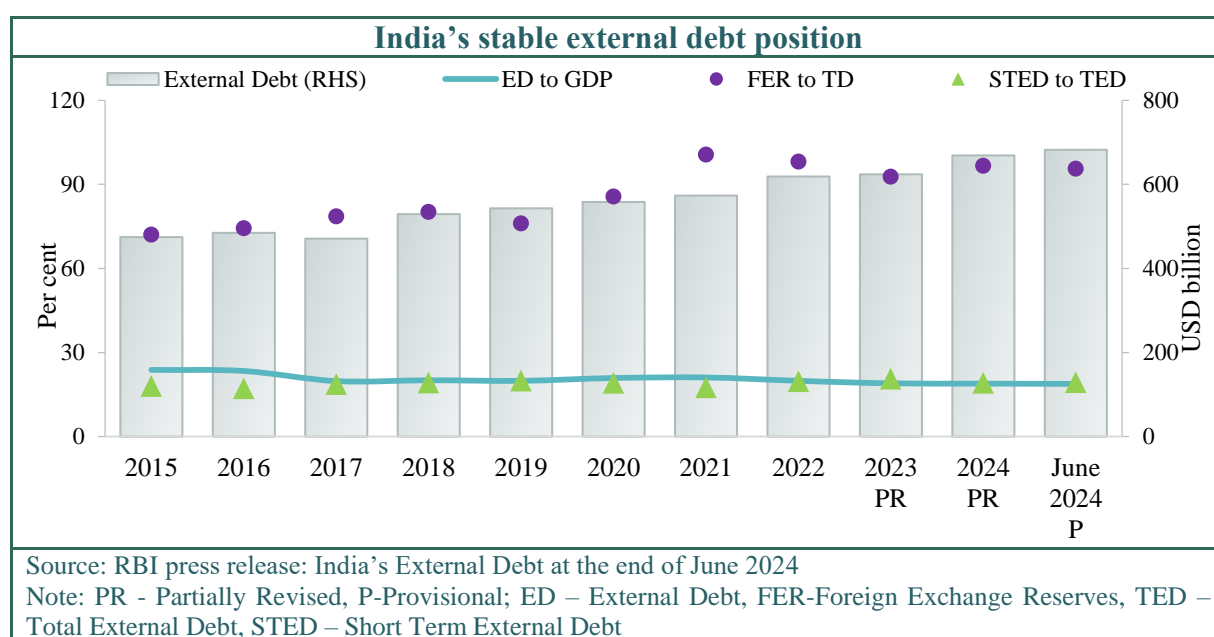
¹⁰ RBI press release on developments in India's balance of payments in the first quarter (April-June) of 2024 https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=58783

India's current account deficit is at the lower end of historical ranges and, hence, not a matter of concern.

28. Despite witnessing a moderation in Q1 of FY25 compared to the corresponding period of the previous year, the capital account remained in surplus, witnessing net inflows of USD 9.2 billion. Positive net foreign investment, portfolio investment and other investments drove the surplus in the capital account. Net FDI inflows rose to a five-quarter high of USD 6.3 billion in Q1 of FY25, against USD 4.7 billion in Q1 of FY24. External Commercial Borrowing (ECB) inflows remained steady at USD 1.8 billion. The rise in capital inflows can be attributed to India's high economic growth, strong macroeconomic fundamentals, and favourable business environment. Robust capital inflows, accompanied by sufficient foreign exchange reserves, resulted in a stable rupee. The rupee was in the range of 83.4-83.9 against the USD, with a coefficient of variance of 0.23 per cent during the first half of FY25.

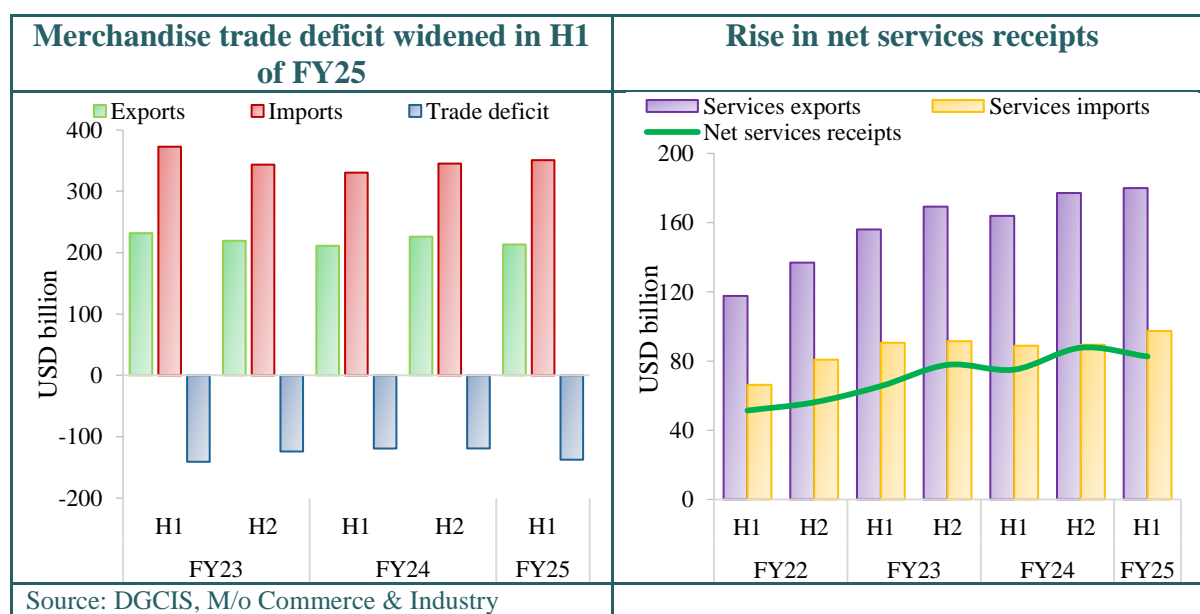
Slight moderation in the external debt position

29. India's external debt has remained stable over the past few years. A stable external debt position has helped maintain external sector stability, significantly when the rest of the world is affected by geopolitical headwinds. The external debt to GDP ratio moderated slightly from 18.9 per cent of the GDP at the end of March 2024 to 18.8 per cent at the end of June 2024. Though the share of short-term debt (with original maturity of up to one year) in total external debt rose slightly at the end of June 2024 (19.4 per cent) compared to its level at the end of March 2024 (19.1 per cent), as a percentage of foreign exchange reserves went up from 19.7 per cent at the end of March 2024 to 20.3 per cent at the end of June 2024. Across currencies, the external debt remained primarily denominated in the US Dollar (54.6 per cent), followed by the Indian Rupee (31.2 per cent), Special Drawing Rights (5.1 per cent), and the Euro (2.9 per cent).



External sector performance in H1 of FY25

30. India's merchandise exports rose marginally by 1 per cent (YoY) during H1 of FY25. The moderate growth in merchandise exports is mainly due to a fall in the value of exports of petroleum products, which declined due to a decline in international commodity prices. Non-petroleum exports also did not pick up much due to weak global demand and India's challenges in scaling up production, productivity and competitiveness. Owing to strong domestic demand, India's merchandise imports grew by 6.2 per cent (YoY) in H1 of FY25. Due to a moderate growth in exports and a significant increase in imports, India's merchandise trade deficit widened to USD 137.4 billion in the first half of FY25 compared to USD 119.2 billion in the corresponding period of the previous year. Services exports maintained their uptrend, growing by 9.8 per cent in H1 of FY25. This led to a rise in net services receipts from USD 75.1 billion in H1 of FY24 to USD 82.6 billion in the same period of FY25.

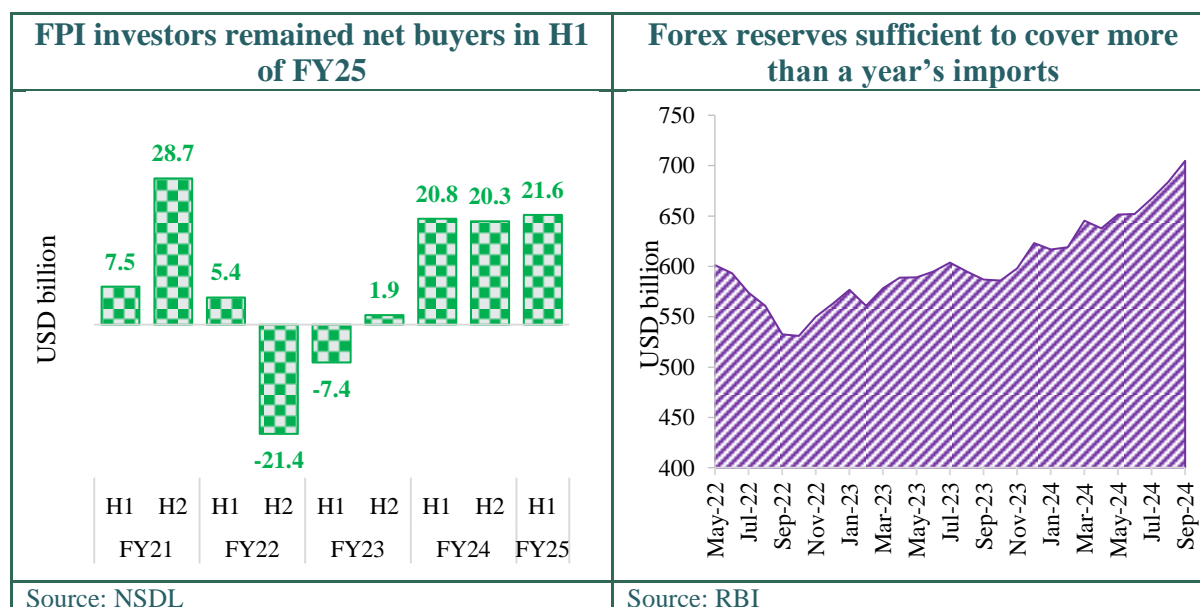


Capital flows remained stable during H1 of FY25

31. India witnessed strong capital inflows in H1 of FY25. Not only did foreign portfolio investors become net buyers, but foreign direct investment (FDI) inflows also increased (compared to the previous year), supported by strong business investments, which led to a rise in gross inflows. FPI inflows rose from USD 20.8 billion during H1 of FY24 to USD 21.6 billion in H1 of FY25. Net FDI inflows increased from USD 8.5 billion during April-August 2023 to USD 15.7 billion in the corresponding period of FY25, registering a Y-o-Y growth of 85.6 per cent.

32. Strong capital inflows led to an increase in foreign exchange reserves. As of 4 October 2024, the forex reserves stood at USD 701.2 billion, surpassing the milestone of USD 700 billion for the first time on record. India became the fourth economy in the world to

cross USD 700 billion in forex reserves after China, Japan, and Switzerland. Forex reserves are sufficient to cover more than 12 months of imports and more than 100 per cent of external debt as of the end of June 2024. The buffer of forex reserves will help insulate the domestic economy from global shocks.



The outlook for the external sector appears bright

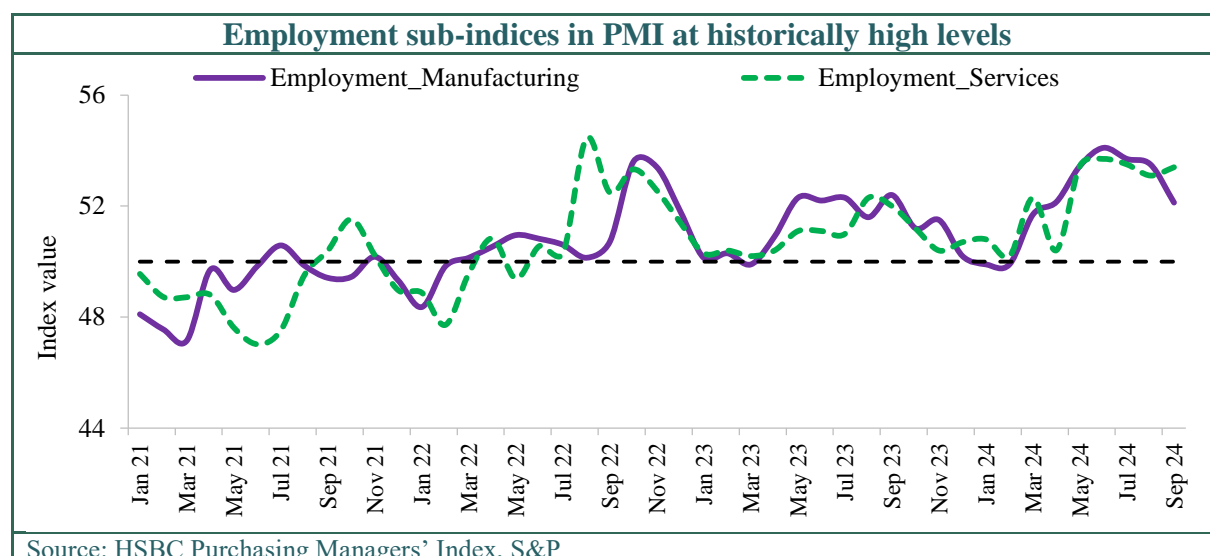
33. As domestic demand increases, especially during the festive season, merchandise imports are expected to see an upward trend. However, a decline in international commodity prices, especially oil, is expected to result in a fall in the overall value of imports. Further success of the Production Linked Incentive (PLI) scheme, enhanced utilisation of Free Trade Agreements (FTAs) and further rate cuts in India's major exporting partners are expected to give impetus to merchandise exports. A recovery in global growth is expected to result in a rise in services and remittance receipts. The outlook for the capital account also looks bright. As stated earlier, FDI inflows have improved in the first five months of FY25, led by India's strong macro fundamentals. However, FPI flows have been mixed this financial year, with October, in particular, witnessing heavy outflows. Nonetheless, YTD inflows in FY25 remain positive.

Continued expansion of the labour market

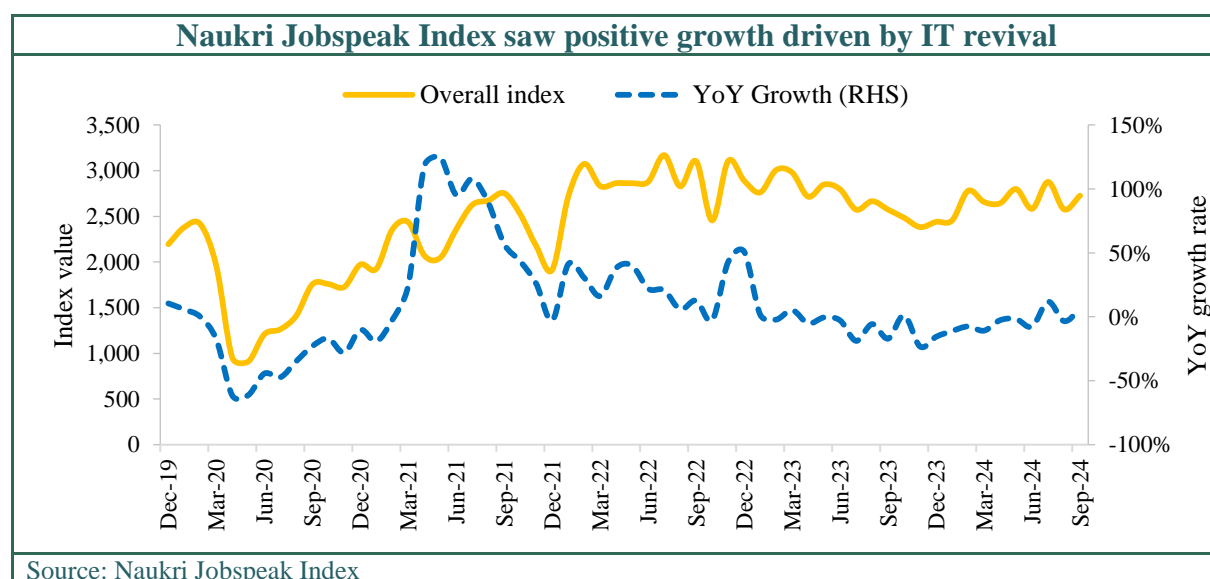
34. Labour market indicators indicated a strong outlook for the next quarter. Signalling a rebound in formal job creation, the Employees' Provident Fund Organisation (EPFO) added 9.3 lakh new members in August 2024. A significant 59.3 per cent of new members added in August 2024 were in the 18-25 age group, indicating that most individuals joining the organised workforce are youth, mainly first-time job seekers.¹¹ The purchasing managers'

¹¹ PIB press release of Ministry of Labour & Employment dated 20th October 2024
<https://pib.gov.in/PressReleasePage.aspx?PRID=2066506>

employment sub-index remained historically strong, continuing to be in the expansionary zone¹² for the seventh consecutive month in September, though employment in the manufacturing sector softened due to a reduction in part-time and temporary workers.



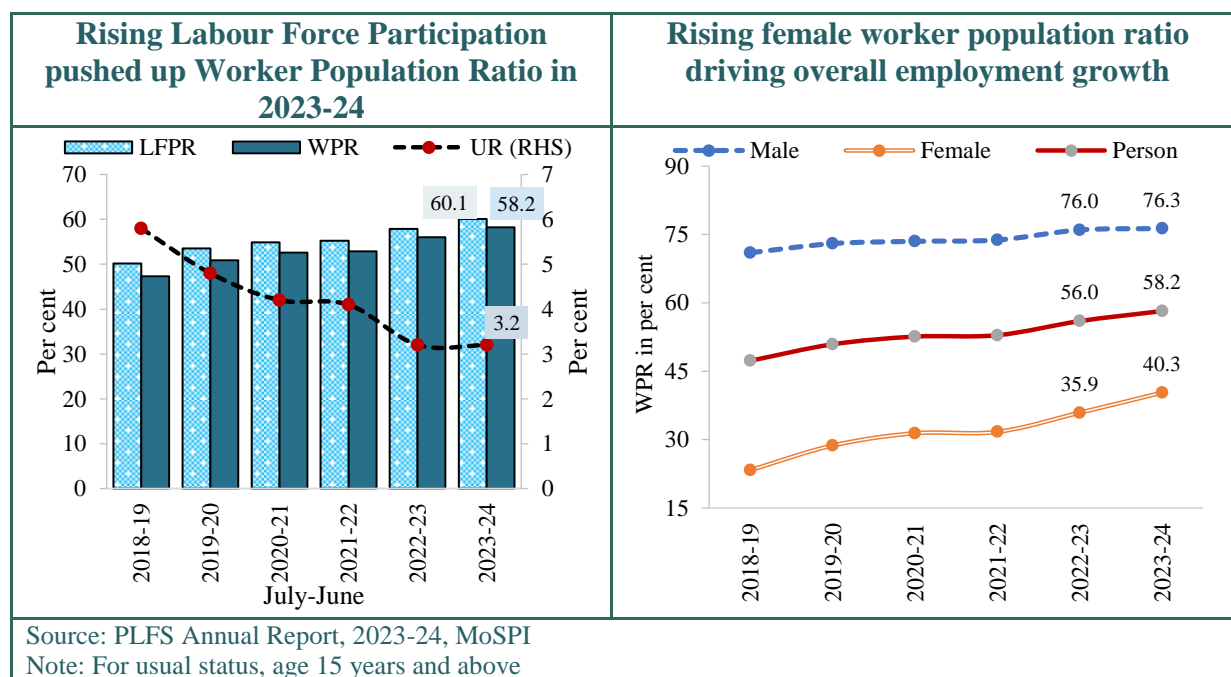
34. The Naukri JobSpeak index witnessed a YoY expansion of 6 per cent in September 2024, driven by a resurgent IT sector. Sectors such as FMCG and Oil & Gas also underwent significant growth and continued ascent in Artificial Intelligence/Machine Learning roles. However, hiring trends were largely favourable for experience-holders, while professionals with 0-3 years of experience saw a 7 per cent decline in job opportunities vis-à-vis September 2023.



Annual labour force indicators show rising employment driven by the female workforce

¹² The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are also seasonally adjusted.

35. According to the recently released Periodic Labour Force Survey 2023-24 (July-June), the worker population ratio (WPR) for all persons aged 15 years and above increased from 56 per cent in 2022-23 to 58.2 per cent in 2023-24.¹³ This was driven by a rise in the labour force participation rate (LFPR) while the unemployment rate (UR) remained the same as last year. From the gender lens, the female workforce contributes to the overall rise in employment, a trend continuing since the beginning of the survey in 2017-18.

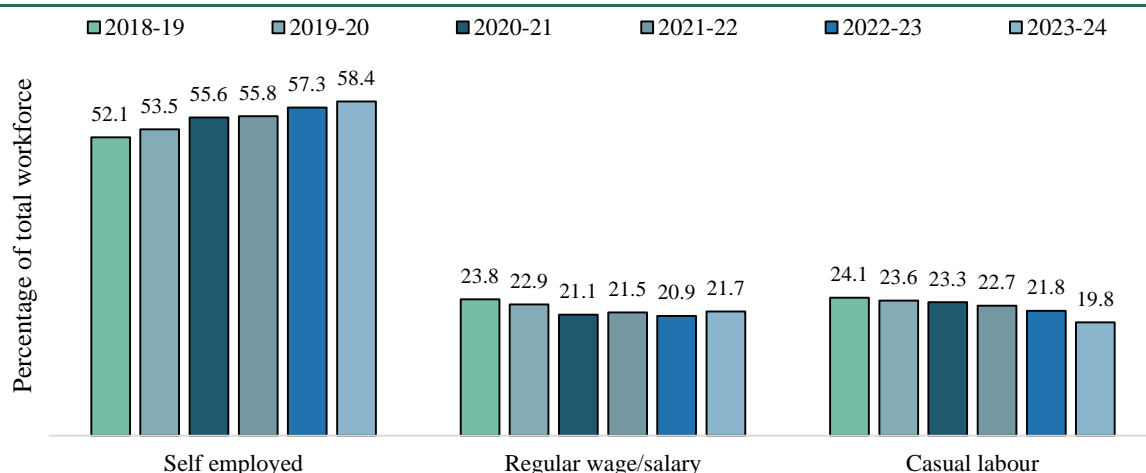


36. In terms of the status of employment, the share of self-employed continued to rise in 2023-24, and the proportion of casual labour workers declined, continuing the trend prevalent for six years. However, regular wage/salaried workers share increased slightly in 2023-24, which is encouraging. In terms of industry of employment, the composition of employment was broadly stable.

37. Notably, the share of agriculture in employment inched up marginally, accompanied by a decline in construction (from 13 per cent in 2022-23 to 12.0 per cent in 2023-24), while manufacturing remained constant at 11.4 per cent. Both the rise in self-employment and agriculture need to be viewed from a gender lens, wherein rising female labour force participation is contributing to the overall long-term shift while the trend for the male workforce is either constant (in self-employment) or declining (in agriculture).

¹³ PLFS annual surveys are for the period July to June. For example, PLFS data for 2023-24 refers to the survey period of July 2023 to June 2024.

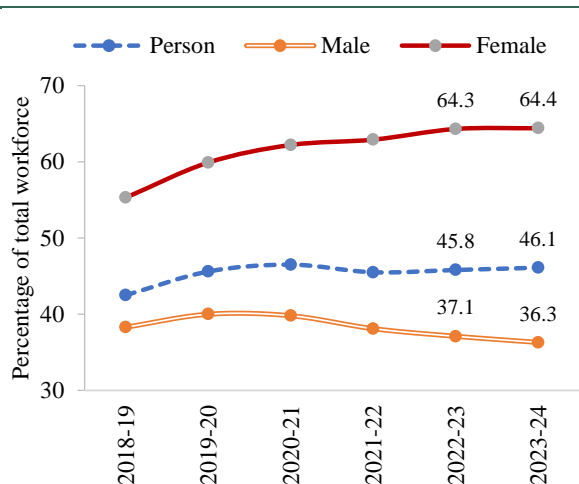
Rising share of self-employment and regular wage/salaried coupled with a decline in casual labour



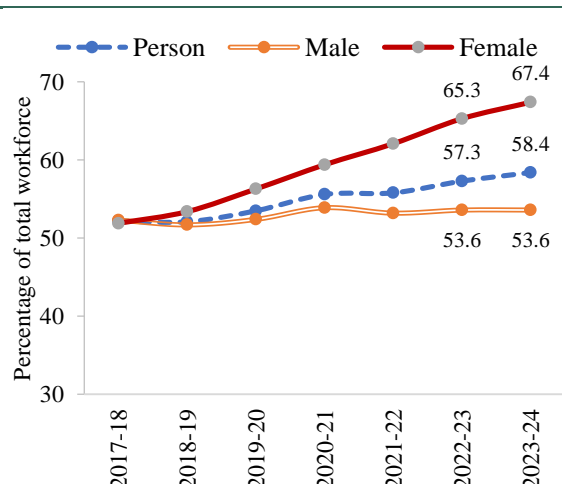
Source: PLFS Annual Report, 2023-24, MoSPI

Note: For usual status, all ages

Rising share of agriculture employment is attributable to the female workers



Rising share of self-employment also is attributable to the female workers



Source: PLFS Annual Report, 2023-24, MoSPI

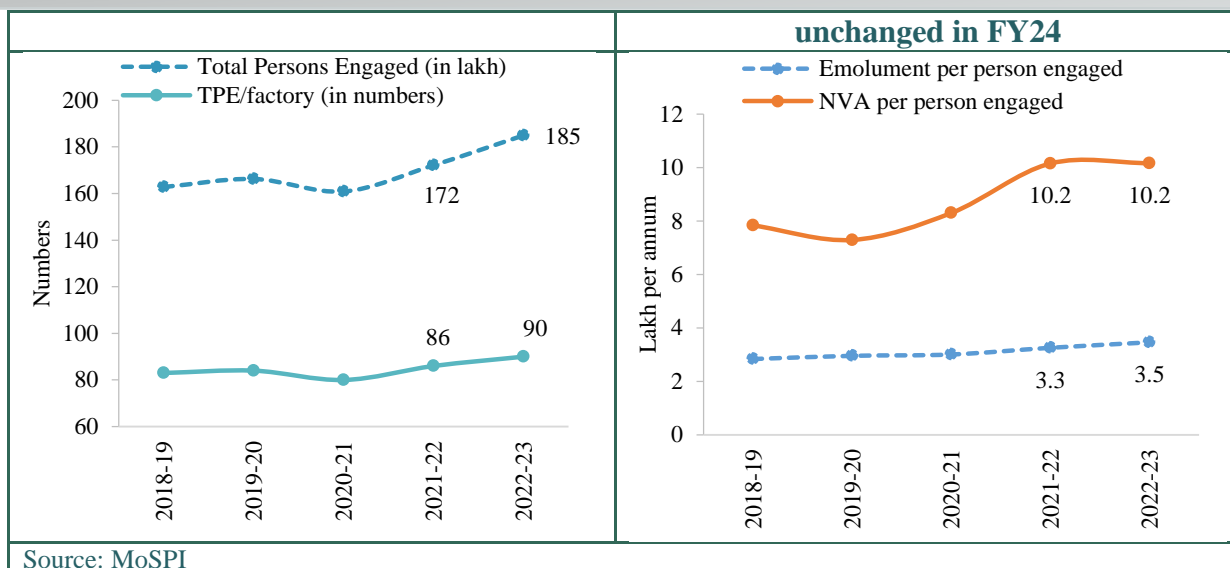
Note: For usual status, all ages

Continued rise in factory employment in 2022-23

38. The Annual Survey of Industries (ASI) results for 2022-23 showcased continuity in rising employment in the organised manufacturing sector, accompanied by a steady rise in employment per factory. While the growth in net value added per person engaged cooled off in 2022-23, the emoluments per worker continued to increase, and the emolument to NVA ratio, which had declined from 0.36 to 0.32 in 2021-22, rose back to 0.34 in 2022-23. Notwithstanding these, recent news reports of Indian companies deploying Artificial Intelligence displacing workers is concerning

Rise in overall factory employment and employment per factory

Growth in emolument per person while Net Value Added (NVA) per person remained



Outlook

39. The performance of the Indian economy has been satisfactory during the first half of FY25, supported by strengthened rural demand, enhanced agricultural activity, an improving services sector and a stable external sector. But, underlying demand conditions bear watching. Further, risks to growth arise from escalating geopolitical conflicts, deepening geoeconomic fragmentation and elevated valuations in financial markets in some advanced economies. Their spillover effects on India could cause negative wealth effects, impacting household sentiments and altering spending intentions on durable goods.

40. Barring a sharp rise in the prices of a few vegetables, inflation appears well contained. In the medium term, favourable factors, such as rejuvenated reservoir levels, healthy Kharif crop sowing brightening the agriculture output prospects and ample food grain stocks, would help contain price pressures. Also, inflation expectations by households and businesses have been softening, as RBI and IIMA surveys indicated. In this context, the headline inflation rate, influenced as it is by a few food items, may not be the most accurate gauge of the underlying demand conditions in the economy.

41. Sentiment towards India among international direct and portfolio investors is positive. Sustaining India's growth momentum is essential to turn these positive sentiments into actual direct and portfolio investments in the country.

For feedback and queries, one may write to: mer-dea@gov.in

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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-Sep	4.9	4.7	4.7	10.5	-3.7	0.6
Foodgrain Production (Kharif +Rabi)	Mn Tonnes	Actual, 3rd AE	329.7	328.9		4.5	-0.3	
Reservoir Level	Bn Cu. Metres	17-October	159.5	129.6	156.6	12.4	-18.7	20.8
Wheat Procurement (RMS)	LMT	15-August	187.5	260.7	265.9		39.1	2.0
Rice Procurement (KMS)	LMT	21-May	491.1	476.1		1.8	-3.1	-
Rainfall	% of LPA	30 Sep	106.5	94.4	107.6	7.2	-11.4	14.0
Credit to Agriculture and allied activities	₹ Lakh crore	Aug	15.8	18.4	21.6	13.6	16.6	17.5
Industry								
IIP	Index	Apr-Aug	135.3	143.7	149.7	7.7	6.2	4.2
8-Core Industries	Index	Apr-Aug	143.8	155.3	162.4	10.0	8.0	4.6
Domestic Auto sales	Lakh	Apr-Sep	102.2	111.4	126.1	30.2	9.0	13.2
PMI Manufacturing	Index	Apr-Sep	55.2	57.9	57.8	4.8	5.0	-0.2
Power consumption	Billion kWh	Apr-Sep	790.2	850.6	887.5	11.7	7.6	4.3
Natural gas production	Bn Cu. Metres	Apr-Aug	14.3	14.9	15.2	2.5	3.6	2.2
Cement production	Index	Apr-Aug	164.2	185.4	186.7	10.7	12.9	0.7
Steel consumption	Mn Tonnes	Apr-Sep	55.8	64	72.6	12.2	14.9	13.4

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
Inflation								
CPI-C	Index	Apr-Sep	172.9	182.5	190.8	7.2	5.5	4.6
WPI	Index	Apr-Sep	153.6	151	154.1	14.2	-1.7	2.1
CFPI	Index	Apr-Sep	173.5	184.9	199.3	7.8	6.6	7.8
CPI-Core	Index	Apr-Sep	170.6	179.1	184.9	6.1	5.0	3.3
Services								
Average Daily ETC Collection	₹ Crore	July	134.1	160.2	179.9	39.7	19.5	12.3
Domestic Air Passenger Traffic	Lakh	Apr-Aug	1,038.0	1,259.0	1,336.7	137.3	21.3	6.2
Port Cargo Traffic	Million tonnes	Apr-Sep	384.8	393.8	413.7	11.1	2.3	5.1
PMI Services	Index	Apr-Sep	57.2	60.9	60.1	14.8	6.4	-1.3
Fuel Consumption	Million tonnes	Apr-Sep	107.4	114.2	117.7	13.1	6.3	3.1
UPI (Value)	₹ Lakh crore	Apr-Aug	51.7	74.8	101.42	86.3	44.6	35.5
UPI (Volume)	Crore	Apr-Sep	3705.0	5875.5	8566.5	100.9	58.6	45.8
E-Way Bill Volume	Crore	Apr-Sep	46.1	53.2	61.9	31.3	15.4	16.4
Fiscal Indicators								
Gross tax revenue (Central Govt)	₹ Lakh crore	Apr-Aug	10.2	11.9	13.3	18.7	16.5	12.1
Revenue Expenditure	₹ Lakh crore	Apr-Aug	11.4	13.0	13.5	3.0	14.1	4.1
Capital Expenditure	₹ Lakh crore	Apr-Aug	2.5	3.7	3	46.8	48.1	-19.5
Fiscal Deficit	₹ Lakh crore	Apr-Aug	5.4	6.4	4.4	15.7	18.7	-32.3
Revenue Deficit	₹ Lakh crore	Apr-Aug	3.2	2.8	1.4	3.0	-11.3	-49.7
Primary Deficit	₹ Lakh crore	Apr-Aug	2.0	2.7	0.35	7.0	35.6	-87.3
GST Collection	₹ Lakh crore	Apr-Sep	8.9	9.9	10.9	30.9	11.1	9.5

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-Sep	231.7	211.1	213.2	16.9	-8.9	1.0
Non-oil exports	USD Billion	Apr-Sep	180.7	169.4	176.7	6.6	-6.4	4.3
Merchandise imports	USD Billion	Apr-Sep	372.6	330.3	350.7	35.7	-11.4	6.2
Non-oil, non-gold/silver imports	USD Billion	Apr-Sep	241.5	223.7	232.4	33.8	-7.4	3.9
Net FDI	USD Billion	Apr-Aug	22.8	8.5	15.7	-11.9	-62.8	85.6
Net FPI	USD Billion	Apr-Sep	-7.4	20.8	21.6	-237.7	-381.8	3.8
Exchange Rate	INR/USD	Apr-Sep	78.5	82.4	83.6	6.2	5.0	1.4
Foreign Exchange Reserves	USD Billion	18 Oct	524.5	583.5	688.3	-18.1	11.3	17.9
Import Cover	Months	Sep	9	11	12.2	-	-	-
Monetary and Financial								
Total Bank Credit	₹ Lakh crore	4th Oct	128.6	153.4	173.0	16.7	19.3	12.8
Non-Food Credit	₹ Lakh crore	4th Oct	128.4	153.2	172.8	17.2	19.3	12.8
10-Year Bond Yields	Per cent	Apr-Sep	7.3	7.1	7	1.2	-0.2	-0.1
Repo Rate	Per cent	18th Oct	5.9	6.5	6.5	1.9	0.6	0.0
Currency in Circulation	₹ Lakh crore	18th Oct	32.2	33.0	35.2	9.3	2.7	6.5
M0	₹ Lakh crore	18th Oct	41.4	43.6	46.7	12.5	5.2	7.1
Employment								
Net payroll additions under EPFO	Lakh	Apr-Aug	60.0	58.0	78.5	46.4	-3.4	35.4
Number of persons demanded employment under MGNREGA	Crore	Apr-Sep	18.4	19.3	16.3	-19.5	4.6	-15.6
Urban Unemployment Rate	Per cent	Apr-Jun	7.6	6.6	6.6	-39.7	-13.2	0.0
Subscriber Additions: NPS	Lakh	Apr-Aug	3.2	3.3	3.7	8.2	3.8	13.7