

Status of Indian Economy

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Introduction

- The economy of India is characterized as a middle income developing market economy. It is the world's **fifth-largest economy** by nominal GDP and the third-largest by purchasing power parity (PPP).
- India has emerged as the fastest growing major economy in the world and is expected to be one of the top three economic powers in the world over the next 10-15 years, backed by its robust democracy and strong partnerships.
- According to the International Monetary Fund (IMF), on a per capita income basis, India ranked 142nd by GDP (nominal) and 124th by GDP (PPP) in 2020. From independence in 1947 until 1991, successive governments promoted 'license-quota-permit raj' which now has been changed.

Market Size

- India's GDP (at constant 2011-12 prices) was estimated at Rs 26.9 trillion (US\$ 363.49 billion) for the first quarter of FY2020-21, against Rs 35.35 trillion (US\$ 477.67 billion) in the first quarter of FY2019-20, showing a contraction of 23.9%, compared with 5.2% growth in the first quarter of FY2019-20.
- India is the fourth-largest unicorn base in the world with over 21 unicorns collectively valued at US\$ 73.2 billion, as per the Hurun Global Unicorn List. By 2025, India is expected to have ~100 unicorns by 2025 and will create ~1.1 million direct jobs according to the Nasscom-Zinnov report 'Indian Tech Start-up'.

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- India needs to increase its rate of employment growth and create 90 million non-farm jobs between 2023 and 2030's, for productivity and economic growth according to McKinsey Global Institute. Net employment rate needs to grow by 1.5% per year from 2023 to 2030 to achieve 8-8.5% GDP growth between 2023 and 2030.
- India's foreign exchange reserve was Rs 39 .64 trillion (US\$ 542.01 billion) in the week up to September 4, 2020 according to data from the RBI.

Recent Developments

- With an improvement in the economic scenario, there have been investments across various sectors of the economy. The mergers and acquisition (M&A) activity in India stood at US\$ 35.1 billion in the first half of 2020, while private equity (PE) deals stood at US\$ 13 billion. Some of the important recent developments in Indian economy are as follows-
- India's overall exports from April 2020 to August 2020 are estimated to be US\$ 182.13 billion, (a 19.32% decrease compared with the same period last year). Overall imports from April 2020 to August 2020 are estimated to be US\$ 167.94 billion, (a 38% decrease compared with the same period last year).

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- According to IHS Market, Purchasing Managers' Index (PMI) for manufacturing stood at 46 in July 2020 against 47.2 in June 2020, showing contraction in the sector because of coronavirus-related restrictions.
- Gross tax revenue stood at Rs 3.80 trillion (US\$ 51.35 billion) in the first quarter (from April 2020 to July 2020) of 2020-21.
- The first quarter of FY 2021 witnessed four initial public offerings (IPO) worth US\$ 2.08 million.
- India's Foreign Direct Investment (FDI) equity inflow reached US\$ 469.99 billion between April 2000 to March 2020, with maximum contribution from services, computer software and hardware, telecommunications, construction, trading, and automobiles.
- India's Index of Industrial Production (IIP) for 2019-20 stood at 129.2.

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- The combined index of eight core industries stood at 137 in March 2020. Its cumulative growth was 0.6% in 2019-20.
- Consumer Price Index (CPI) - Combined inflation was 5.9% in March 2020 as compared to 6.6% in February 2020. The annual consumer price inflation increased to 4.8% in 2019-20 from 3.4% in 2018-19.
- India improved its ranking in World Bank's Doing Business Report by 14 spots over last year and was ranked 63 among 190 countries in the 2020 edition of the report.
- India is expected to have 100,000 start-ups by 2025, which will create employment for 3.25 million people and generate US\$ 500 billion in value as per Mr T V Mohan Das Pai, Chairman, Manipal Global Education.

Government Initiatives

- The first Union Budget of the third decade of 21st century was presented by Minister for Finance & Corporate Affairs, Ms Nirmala Sitharaman in the Parliament on February 1, 2020. The budget aimed at energising the Indian economy through a combination of short-term, medium-term, and long-term measures.
- Total expenditure for 2020-21 is budgeted at Rs 37.14 trillion (US\$ 531.53 billion), an increase of 13% from 2019-20 (revised budget estimates).
- Numerous foreign companies are setting up their facilities in India on account of various Government initiatives like Make in India and Digital India. Mr Narendra Modi, Prime Minister of India, launched Make in India initiative with an aim to boost country's manufacturing sector and increase purchasing power of an average Indian consumer, which would further drive demand and spur development, thus benefiting investors. The Government of India, under its Make in India initiative, is trying to boost the contribution made by the manufacturing sector with an aim to take it to 25% of the GDP from the current 17%. Besides, the Government has also come up with Digital India initiative, which focuses on three core components: creation of digital infrastructure, delivering services digitally and to increase the digital literacy.

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- Some of the recent initiatives and developments undertaken by the Government are listed below:
- The Prime Minister of India, Mr Narendra Modi announced various economic packages, having a cumulative worth of around Rs 20 trillion (US\$ 283.73 billion) and being almost 10% of India's GDP.
- On July 6, 2020, World Bank and Government of India signed a US\$ 750 million agreement for 'Emergency Response Programme' for micro, small and mid-sized enterprises.
- As of August 17, 2020, 12.2 million Kisan credit cards were sanctioned with credit limit of Rs 1,020.7 billion (US\$ 13.98 billion) under the special saturation drive to revive rural economy and accelerate agricultural growth.
- In September 2020, ADB & India signed US\$ 500 million loan for the 'Delhi-Meerut Regional Rapid Transit System (RRTS) Corridor' to improve regional connectivity and mobility in India's national capital region (NCR).
- In September 2020, Government of India, Government of Himachal Pradesh and World Bank signed a US\$ 82 million loan to implement the Himachal Pradesh State Roads Transformation Project, to improve the condition, safety, resilience, and engineering standards of state road network.

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- Pradhan Mantri Garib Kalyan Package (PMGK) was introduced in April 2020 to provide relief to underprivileged and help them fight the battle against COVID-19. The budget allocated to the scheme was Rs 1.70 trillion (US\$ 24.12 billion).
- India is expected to attract investment of around US\$ 100 billion in developing the oil and gas infrastructure during 2019-23.
- The Government of India is going to increase public health spending to 2.5% of the GDP by 2025.
- For implementation of Agriculture Export Policy, Government approved an outlay Rs 2.068 billion (US\$ 29.59 million) for 2019, aimed at doubling farmers income by 2022.
- On September 12, 2020, Prime Minister Mr Narendra Modi addressed the 'Grih Pravesham' programme and inaugurated 0.2 million houses built under the 'Pradhan Mantri Awaas Yojana-Gramin' at Madhya Pradesh.
- In the mid-term review of Foreign Trade Policy (FTP) 2015-20, the Ministry of Commerce and Industry enhanced the scope of Merchandise Exports from India Scheme (MEIS) and Service Exports from India Scheme (SEIS), increased MEIS incentive for ready-made garments and made-ups by 2%, SEIS incentive by 2% and increased the validity of Duty Credit Scrips from 18 months to 24 months. In April 2020, Government extended FTP for one more year (up to March 31, 2021).

Road Ahead

- India's GDP is expected to reach US\$ 5 trillion by FY25 and achieve upper-middle income status on the back of digitization, globalization, favorable demographics, and reforms.
- India is also focusing on renewable sources to generate energy. It is planning to achieve 40% of its energy from non-fossil sources by 2030, which is currently 30%, and have plans to increase its renewable energy capacity from to 175 gigawatt (GW) by 2022.
- India is expected to be the third largest consumer economy as its consumption may triple to US\$ 4 trillion by 2025, owing to shift in consumer behavior and expenditure pattern, according to a Boston Consulting Group (BCG) report. It is estimated to surpass USA to become the second largest economy in terms of purchasing power parity (PPP) by 2040 as per a report by PricewaterhouseCoopers.

-Source- www.Ibef.org