

Indian Economy Updates

December 2024



Domestic Indicators

Real GDP has been estimated to grow by 5.4 percent in Q2 of FY 2024-25: Real GDP has been estimated to grow by 5.4 percent in Q2 of FY 2024-25 over the growth rate of 8.1 percent in Q2 of FY 2023-24. Despite sluggish growth observed in Manufacturing (2.2 percent) and Mining & Quarrying (-0.1 percent) sectors in Q2 of FY 2024-25, real GVA in H1 (April-September) has recorded a growth rate of 6.2 percent. Agriculture and Allied sector has bounced back by registering a growth rate of 3.5 percent in Q2 of FY 2024-25 after sub-optimal growth rates ranging from 0.4 percent to 2.0 percent, observed during previous four quarters...

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RBI kept the repo rate unchanged at 6.5 percent, cuts CRR by 50 bps to 4 percent: The Monetary Policy Committee (MPC) decided to keep the policy repo rate under the liquidity adjustment facility (LAF) unchanged at 6.50 percent. Consequently, the standing deposit facility (SDF) rate remains unchanged at 6.25 percent and the marginal standing facility (MSF) rate and the Bank Rate at 6.75 percent. Moreover, the rate setting panel slashed the cash reserve ratio (CRR) by 50 basis points (bps) to 4 percent...

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India's core sectors grow 3.1 percent in October 2024: The combined Index of Eight Core Industries (ICI) increased by 3.1 percent (provisional) in October, 2024 as compared to the Index in October, 2023. The production of Coal, Refinery Products, Steel, Cement, Electricity and Fertilizers recorded positive growth in October 2024. The cumulative growth rate of ICI during April to October, 2024-25 is 4.1 percent (provisional) as compared to the corresponding period of last year...

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India's fiscal deficit for April-October at 46.5 percent of FY25 target: India's fiscal deficit for April-October stood at INR 7.50 lakh crore, 46.5 percent of the estimate for 2024-25. The deficit stood at 45 per cent of the Budget Estimates (BE) in the corresponding period of 2023-24. The revenue-expenditure data of the Union government for the first seven months of 2024-25 showed that the net tax revenue was about INR 13 lakh crore or 50.5 per cent of budget estimate for the current fiscal...

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GST collection rises by 8.5 percent to over INR 1.82 lakh crore in November 2024: Gross GST collections grew 8.5 percent to over INR 1.82 lakh crore in November on higher revenues from domestic transactions. The Central GST collection stood at Rs 34,141 crore, State GST at Rs 43,047 crore, Integrated IGST at Rs 91,828 crore and cess at Rs 13,253 crore. In October, GST collections of Rs 1.87 lakh crore were the second-best GST mop-up with 9 per cent annual growth. The highest-ever collection was in April 2024 at over Rs 2.10 lakh crore...

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India's IIP recorded growth of 3.5 percent in October 2024: The IIP growth rate for the month of October 2024 is 3.5 percent which was 3.1 percent in the month of September 2024. The growth rates of the three sectors, Mining, Manufacturing and Electricity for the month of October 2024 are 0.9 percent, 4.1 percent and 2.0 percent respectively. The top three positive contributors for the month of October 2024 are – “Manufacture of basic metals” (3.5 percent), “Manufacture of electrical equipment” (33.1 percent) and “Manufacture of coke and refined petroleum products” (5.6 percent)...

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India's retail inflation eases to 5.48 percent in November 2024 from 6.21 percent in October 2024: India year-on-year inflation rate based on All India Consumer Price Index (CPI) for the month of November, 2024 over November, 2023 is 5.48 percent (Provisional). Corresponding inflation rates for rural and urban are 5.95 percent and 4.83 percent, respectively. During the month of November, 2024 significant decline in inflation is observed in Vegetables, Pulses & Products, Sugar & Confectionary, Fruits, Eggs, Milk and products, Spices, transport & communication and Personal care & effects subgroups...

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India's WPI inflation decreases to 1.89 percent in November 2024: The annual rate of inflation based on all India Wholesale Price Index (WPI) number is 1.89 percent (Provisional) for the month of November, 2024 (over November, 2023). Positive rate of inflation in November, 2024 is primarily due to increase in prices of food articles, food products, other manufacturing, textiles, machinery & equipment, etc. The month over month change in WPI for the month of November, 2024 stood at (-) 0.06 percent as compared to October, 2024...

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Net direct tax collection grows 16.45 percent to INR 15.82 lakh crores so far this fiscal: India's net direct tax collections surged by 16.45 percent to over INR 15.82 lakh crore this fiscal year, fueled by robust growth in both corporate and non-corporate tax segments. Gross direct tax collections also jumped by 20.32 percent to INR 19.21 crore, while refunds increased by 42.49 percent to INR 3.38 lakh crore. Non-corporate tax collections witnessed particularly strong growth.

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External Indicators

India's overall exports during April-November 2024 is estimated at USD 536.25 Billion: India's total exports (Merchandise and Services combined) for November 2024 is estimated at USD 67.79 Billion, registering a positive growth of 9.59 percent vis-à-vis November 2023. Total imports (Merchandise and Services combined) for November 2024 is estimated at USD 87.63 Billion, registering a positive growth of 27.47 percent vis-à-vis November 2023. India's total exports during April-November 2024 is estimated at USD 536.25 Billion registering a positive growth of 7.61 percent. Total imports during April-November 2024 is estimated at USD 619.20 Billion registering a growth of 9.55 percent...

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India's forex reserves decline to 5-month low of USD 654.8 billion: India's foreign exchange reserves dropped by USD 3.23 billion to USD 654.85 billion, a five-month low, for the week ended December 6th. Foreign currency assets, a major component of the reserves, decreased by USD 3.23 billion to USD 565.62 billion. India's reserve position with the IMF rose by USD 12 million to USD 4.26 billion in the reporting week...

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India's outward FDI halved to USD 2.28 billion in November 2024: India's outward foreign direct investment (FDI) commitments almost halved to USD 2.28 billion in November 2024, from USD 4.17 billion in November 2023. Sequentially, it also declined from USD 3.43 billion in October 2024, according to data from the Reserve Bank of India (RBI)...

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FDI inflows jump 45 percent to USD 29.79 billion in April-September 2024: Foreign direct investment in India rose by 45 percent year-on-year to USD 29.79 billion in April-September this fiscal on healthy inflows in services, computer, telecom and pharma sectors, according to government data. FDI inflows were at USD 20.48 billion in April-September 2023-24. In the July-September quarter, the inflows grew by about 43 per cent year-on-year to USD 13.6 billion against USD 9.52 billion in the same quarter last fiscal...

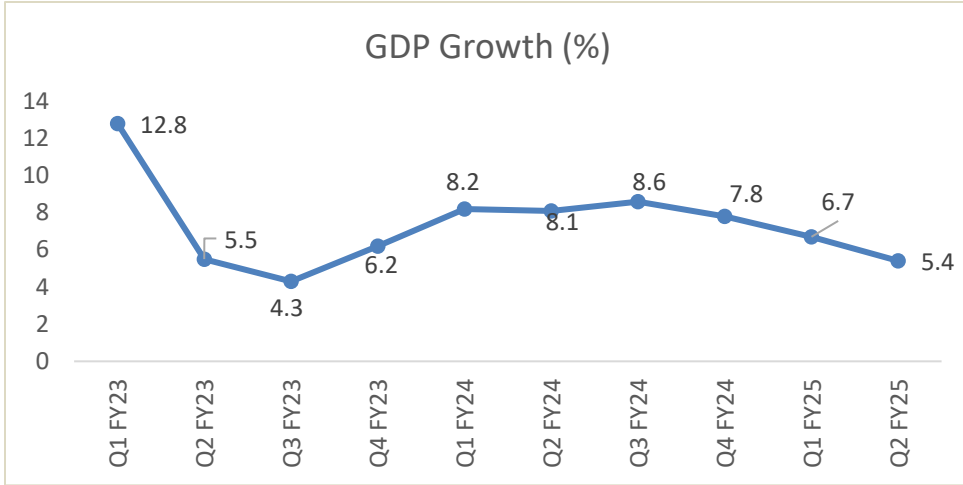
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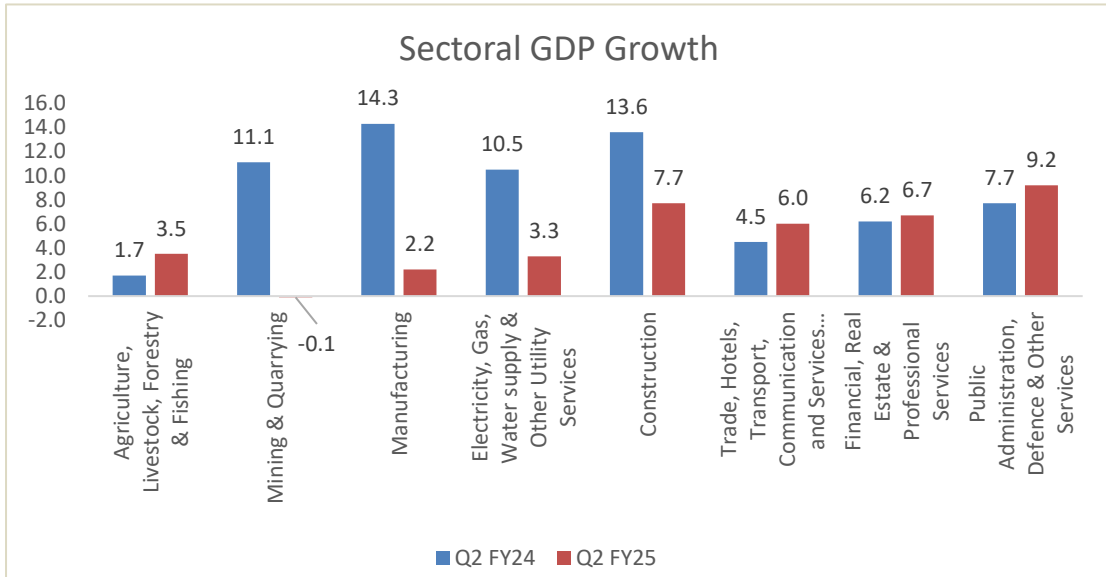
Economic Analysis

- **Gross Domestic Product (GDP)**



Source: Ministry of Statistics & Programme Implementation (MOSPI), GOI.

In Q2 FY25, India's real GDP growth slowed to 5.4%, continuing the downward trend that began in the last quarter of FY24. The weak performance in the first half of FY25 (April-September) can be attributed to a slowdown in urban demand and a reduction in general government capital expenditure. With consumption demand facing significant uncertainty—both domestically and externally—the outlook for private corporate capital expenditure remains cautious.

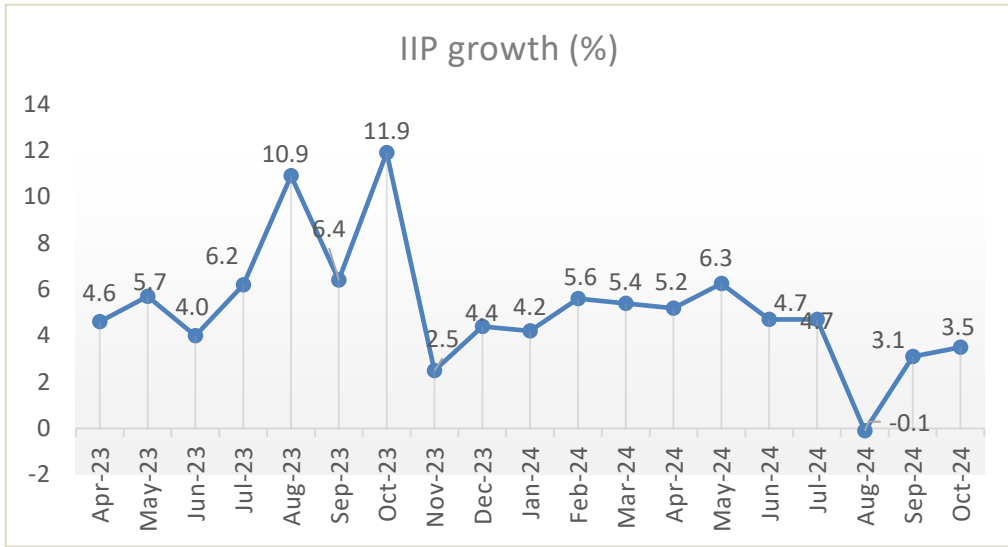


Source: Ministry of Statistics & Programme Implementation (MOSPI), GOI.

Several sectors demonstrated modest growth compared to Q2 FY24, including agriculture, trade, hotels, transport, communication services, financial, real estate & professional services, public administration, defense, and other services. This positive trend suggests resilience in these industries, with factors like recovery in demand, government initiatives, or improved consumer sentiment potentially contributing to the growth.

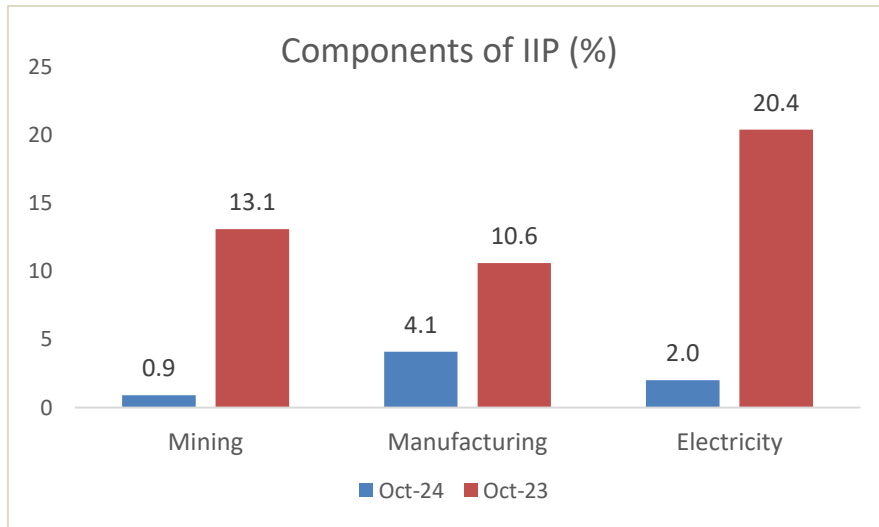


- Production Scenario (IIP Growth)**



Source: Ministry of Statistics & Programme Implementation (MOSPI), GOI.

India's industrial production (IIP) growth decelerated to 3.5% year-on-year in October 2024, primarily driven by underperformance in mining, power, and manufacturing sectors. This marks a significant slowdown from the 11.9% growth recorded in October 2023. However, on a sequential basis, factory output showed a slight improvement, rising from 3.1% in September and a contraction of 0.1% in August 2024.



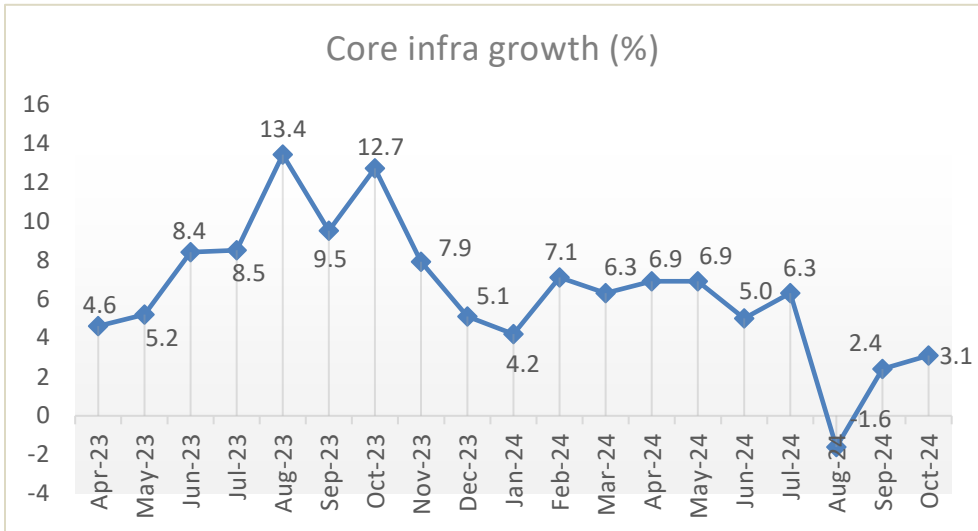
Source: Ministry of Statistics & Programme Implementation (MOSPI), GOI.

With mining output growth decelerating to just 0.9%, a sharp drop from the 13.1% expansion seen in the same month last year. Similarly, manufacturing growth eased to 4.1% from 10.6% in October 2023, reflecting weaker demand and potential operational challenges. Power generation also saw a significant slowdown, with output growth falling to 2% from a robust 20.4% in the previous year. These declines indicate a broader softening in key industrial sectors, suggesting potential headwinds for economic growth in the coming months.



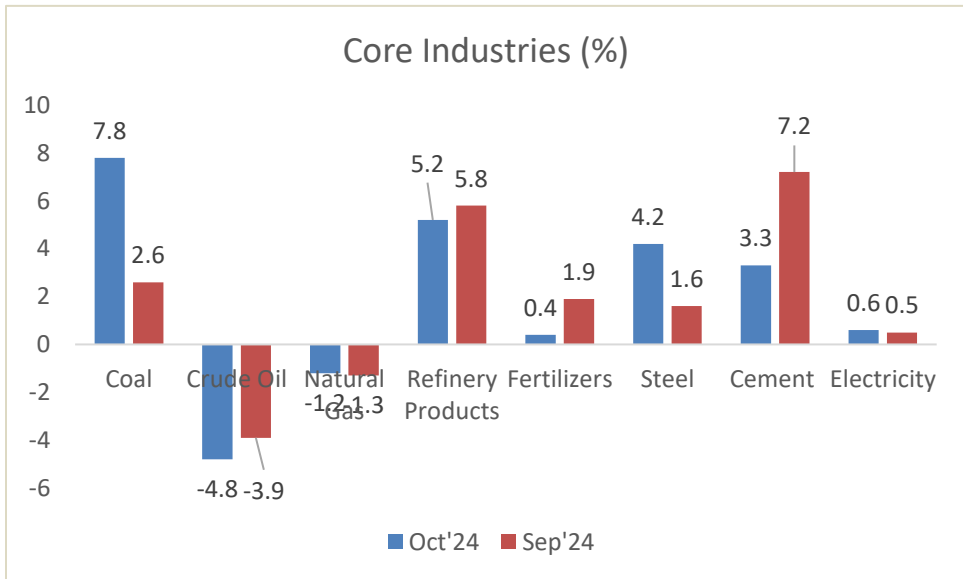
Economic Updates

- Production Scenario (Core infra)**



Source: Ministry of Commerce and Industry, GOI.

India's core infrastructure sectors experienced a modest growth of 3.1% in October 2024, marking a significant slowdown compared to the robust 12.7% growth recorded in the same month last year. However, on a more positive note, the growth rate showed an improvement from the 2.4% recorded in September 2024, suggesting some stabilization in infrastructure activity. While the year-on-year dip raises concerns, the sequential improvement indicates that the sector may be gradually recovering from earlier headwinds.



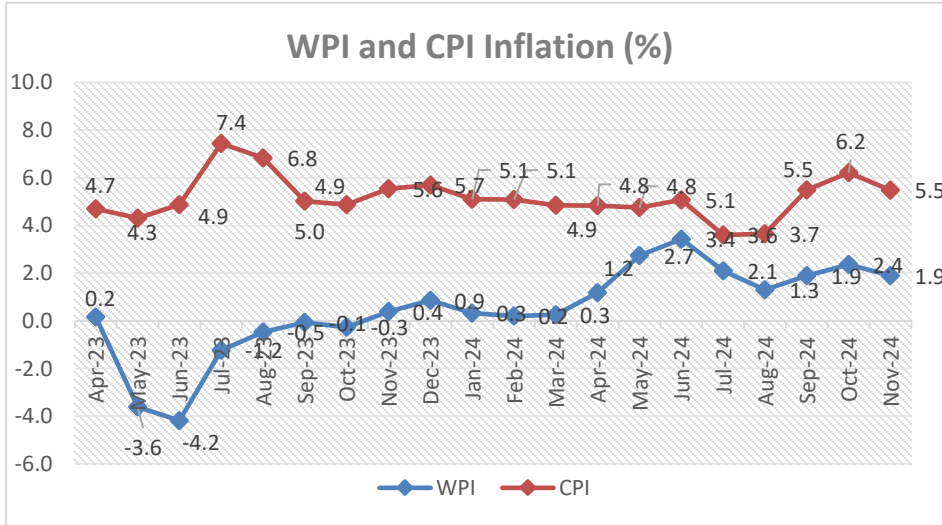
Source: Ministry of Commerce and Industry, GOI.

Coal, refinery products, and steel were the key drivers of recovery in India's core infrastructure sectors, fueled by strong domestic demand. However, the overall performance was weighed down by persistent challenges in crude oil and natural gas production, which continued to underperform. While cement and fertilizers showed modest gains, indicating some sectoral strength, electricity generation remained subdued, pointing to a slow recovery in energy demand.



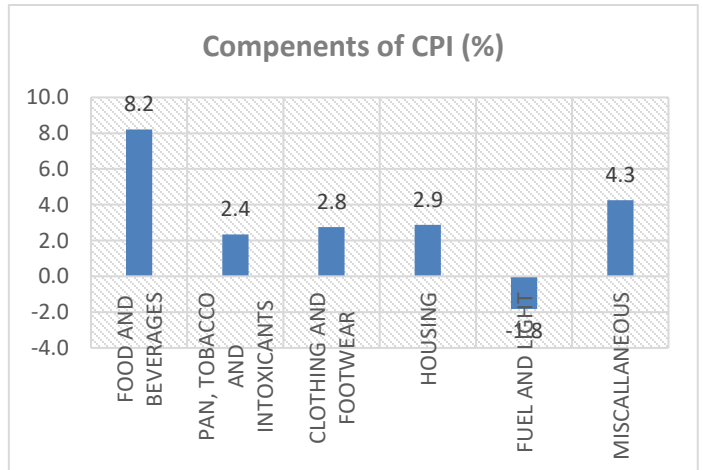
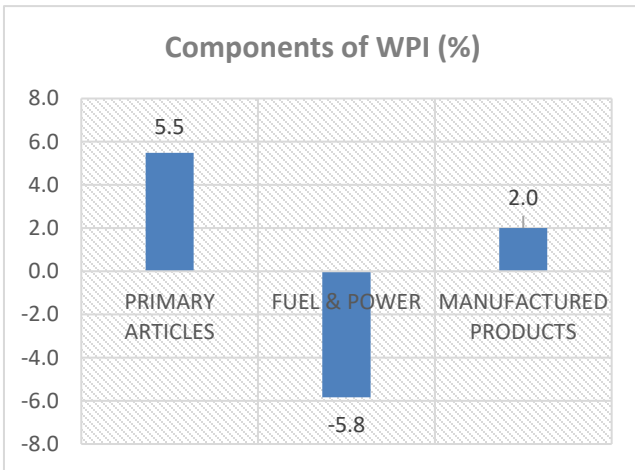
Economic Updates

• Inflation Trends (WPI and CPI)



Source: MOSPI and Office of Economic Advisor, GOI.

WPI inflation eased to a three-month low of 1.89% in November 2024, down from 2.4% in October 2024. The decline was primarily attributed to a softening in primary food inflation, which moderated significantly to 8.63% in November, compared to 13.54% in the previous month. This suggests some relief from rising food prices. Meanwhile, the All India Consumer Price Index (CPI) recorded a year-on-year inflation rate of 5.48% for November 2024. Rural areas saw a higher inflation rate of 5.95%, while urban regions experienced a slightly lower rate of 4.83%.

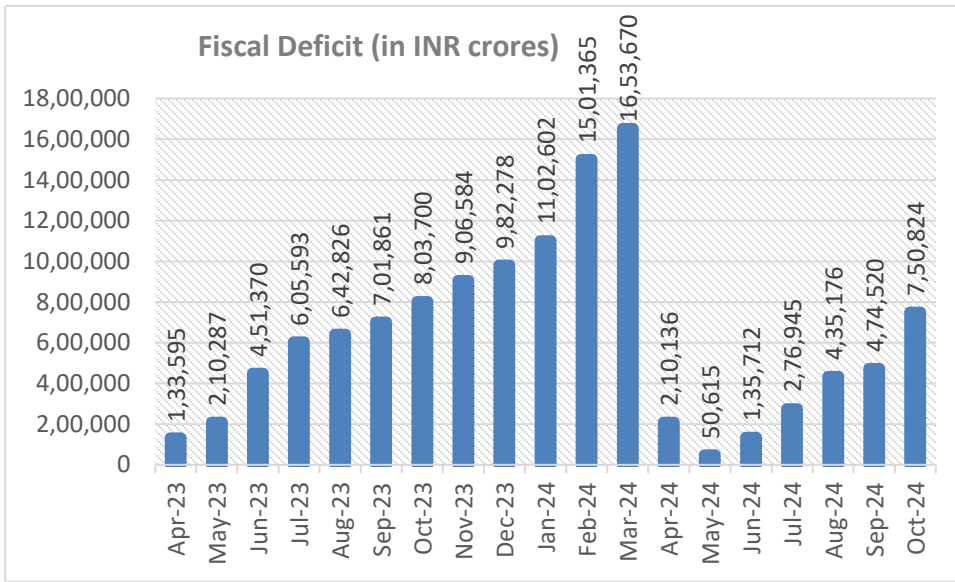


Source: MOSPI and Office of Economic Advisor, GOI.

Domestically, a revival in government investment activity appears to be driving up commodity prices, contributing to upward price pressures in the economy. However, on the global front, commodity prices remain relatively weak, influenced by ongoing challenges in China's demand and concerns over potential inflationary impacts if the U.S. imposes tariffs. Despite these mixed global factors, the latest CPI and WPI figures suggest that inflationary pressures may be moderating. As a result, we expect the Reserve Bank of India to consider initiating a rate cut cycle during its February meeting. This proactive move would likely aim to stimulate economic growth while maintaining a careful balance on inflation, providing much-needed support to the domestic economy in a period of global uncertainty.

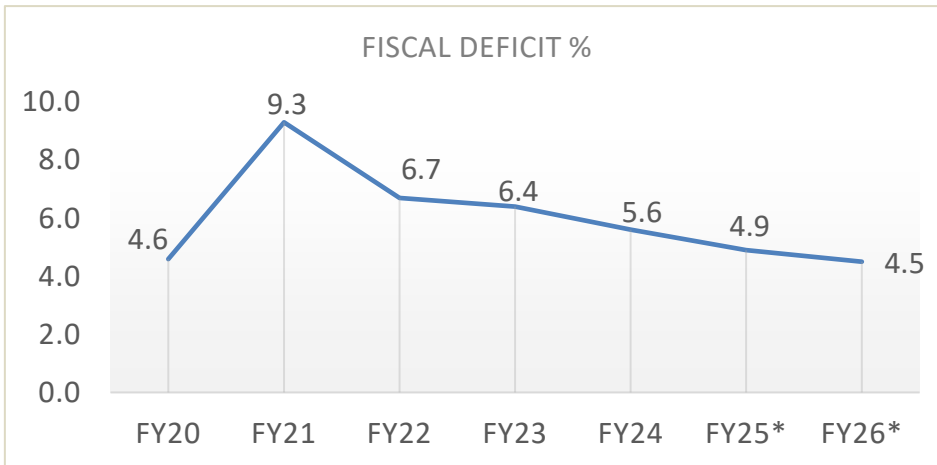


• Fiscal Deficit



Source: Controller General of Accounts, Ministry of Finance.

India's fiscal deficit narrowed to INR 7.50 lakh crores (46.5% of the 2024-25 Revised Budget Estimate) during the first seven months of FY25, down from INR 8.03 lakh crores in the same period of FY24. This improvement was primarily driven by higher dividend payouts from the Reserve Bank of India (RBI), which provided a significant boost to government revenue. Additionally, the fiscal deficit was moderated by a year-on-year decline in capital expenditures, suggesting a cautious approach to public spending.



Source: Controller General of Accounts, Ministry of Finance. *Budget Estimates.

While this reduction in the fiscal deficit is a positive sign, the decrease in capital expenditure could signal challenges in funding infrastructure and long-term development projects, potentially limiting future growth prospects. However, India is focused on fiscal consolidation and is on track to meet its target of reducing the fiscal deficit to 4.5% of GDP in the upcoming fiscal year.



Economic Outlook by International Organisations

International Debt Report 2024: World Bank: India's total external debt has increased by USD 31 billion to USD 646.79 billion in 2023, according to World Bank International Debt Report. The report further said that interest payment increased from USD 15.08 billion in 2022 to USD 22.54 billion in 2023. While the long-term debt stocks have risen 7 per cent to USD 498 billion in 2023, short-term debt stocks declined marginally to USD 126.32 billion in 2023. According to the report, external debt stock as percentage of exports was 80 per cent, while debt servicing was 10 per cent of exports in 2023...

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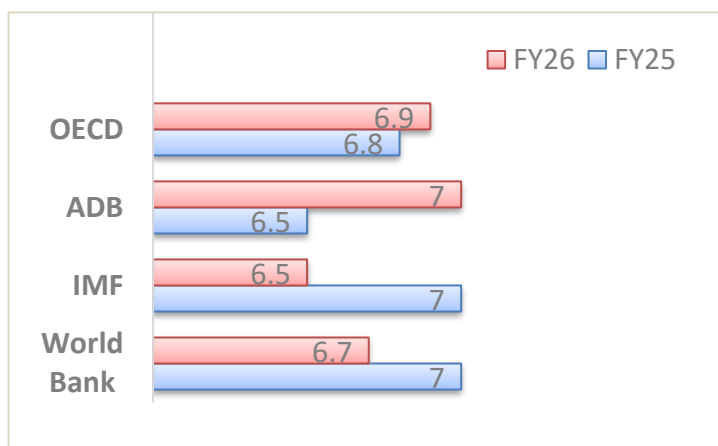
Asian Development Outlook (ADO) December 2024: Steady Growth Amid a Shifting Global Policy Landscape: The Asian Development Bank (ADB) lowered India's economic growth forecast to 6.5 per cent for the current financial year from its earlier estimate of 7 per cent due to lower-than-expected growth in private investment and housing demand. The multilateral development bank has also lowered India's growth forecast for 2025-26 financial year. Changes in US trade, fiscal, and immigration policies could dent growth and add to inflation in developing Asia and the Pacific, according to the latest edition of Asian Development Outlook (ADO). The report also said Asia and the Pacific's economies are projected to grow 4.9 per cent in 2024, slightly below ADB's September forecast of 5 per cent...

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OECD Economic Outlook (December 2024): The Organization for Economic Co-operation and Development (OECD) raised India's economic growth forecast for 2024-25 to 6.8% from 6.6% in May, driven by strong investment and agricultural output. It had earlier forecast 6.7% growth for the country in its September interim outlook. Rapid increases in public infrastructure spending and ongoing strong private consumption growth in India are projected to sustain real GDP growth of just under 7% in 2025-26 and 2026-27, according to the OECD Economic Outlook...

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Forecasts by International Organizations for FY25 and FY26:



Corporate Office

ASSOCHAM

4th Floor, YMCA Cultural Centre and Library Building,

01, Jai Singh Road, New Delhi - 110001

Phone: 46550555(Hunting Line)

Email: assochem@nic.in

Website: <https://www.assochem.org>

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