

India Economic Pulse

Economic indicators and
policy measures

September 2024

ENTER

The EY logo, consisting of the letters 'EY' in a bold, white, sans-serif font.

Building a better
working world

Contents



Executive
summary

01



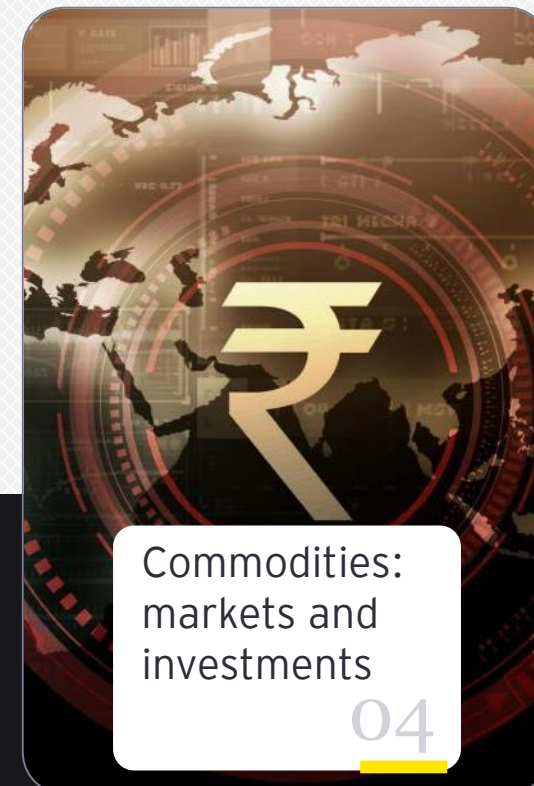
Key economic
and fiscal
indicators

02



Sectoral
indicators

03



Commodities:
markets and
investments

04

Click on the boxes to navigate



01

Executive summary

Dear reader,

We are pleased to present the September 2024 edition of India Economic Pulse, analyzing high-frequency economic indicators. The current issue brings out the following key aspects:

Global growth expectations remain unchanged; interest rates are coming down

The IMF's global growth projections for 2024 and 2025 remain unchanged at around 3.2% and 3.3% respectively. Global inflation and interest rates are generally decreasing. The US Fed has cut interest rate by 50 basis points. Yields on government securities have decreased in most major economies, except Japan and Brazil.

India's economy is expected to grow around 7% in FY25

India continues to outperform major economies, with a projected growth of 7% to 7.2% in FY25. In the first quarter of the current fiscal year (April-June 2024), real GDP grew by 6.7% compared to 8.2% in the same period last year. The government's capital spend was INR1.8 lakh crore, which is 33% lower than the previous year's INR2.7 lakh crore. This decrease in spending has affected the GDP growth in the quarter. Notwithstanding the moderation, long-term growth drivers continue to be strong, giving confidence for the future:

- ▶ Strong consumption growth: Private Final Consumption Expenditure grew at 7.4% in Q1FY25. PFCE's share in GDP (current prices), was 60.4% in Q1FY25, an improvement of 150 basis points compared to 58.9% in the same quarter of the previous year. Rural economy indicators such as two-wheeler sales and people demanding work under MNRGA indicate a strengthening of the rural economy. It is expected that with good monsoons, demand and consumption should pick up.
- ▶ Robust investment growth: In Q1FY25, gross fixed capital formation grew at 7.5%, surpassing the overall GDP growth of 6.7%. This was despite a decrease in the Central Government's capital expenditure. It indicates strong spending on capital by households and private players. The construction sector saw a growth of 10.5%, and there was a significant increase in the flow of credit for housing loans.
- ▶ Manufacturing grew faster than the overall economy in Q1FY25: Manufacturing also outpaced the overall economy, with a growth rate of 7% in Q1FY25. The government aims to increase the share of manufacturing in the Indian GDP to drive growth and create job opportunities. Measures, such as reviewing inversion in customs duty structure, focusing on future sectors, and implementing a national logistics policy, can contribute to the long-term growth of the manufacturing sector.

Fiscal deficit is under check

The union government has seen a growth of over 20% in both gross and net tax revenues from April to July 2024 compared to the same period in 2023. This growth is mainly driven by a 50% increase in Personal Income Tax collections. In FY22, PIT collections were lower than CIT collections, but by FY24, PIT collections were higher by 11%. In the period from April to July 2024 (FY25), PIT collections are more than double of CIT collections. However, it remains to be seen if this trend will continue.

High growth in tax collections together with the RBI dividend and muted government spending on capital side has resulted in a reduction in fiscal deficit from INR6.1 lakh crore during the period April to July 2023 (35% of the annual estimate for FY24) to INR2.8 lakh crore in April to July 2024 (17% of the annual estimate for FY25).



Stable macro-economic indicators

Consumer inflation has reduced sharply to 3.65% on the back of reduction in food inflation. However, this downward trend needs to persist for inflation to be under control. Macro-economic indicators such as exchange rate, interest rates and foreign exchange reserves reflect stability and portend well for investments.

Strong financial sector indicators

Financial sector indicators reflect strength. With stock markets at a record high, INR44,000 crore was raised in Q1 of FY25 through IPOs – nearly three times the amount mobilized in the same period in FY24. While the net FII equity inflows have shown volatility, monthly SIP contribution to mutual funds has risen steadily. June 2024 contribution was INR23,300 crore, virtually doubling from INR11,800 crore in June 2023.

In contrast with net FPI equity inflows, FPI debt inflows have been consistently in the positive trajectory since April 2023 (with the exception of April 2024), following the inclusion of GoI bonds in the JP Morgan's GBI EM Index.

Improved net exports have contributed to growth

In recent years the non-oil merchandise goods exports were higher than service exports. For instance, in FY22, non-oil merchandise exports stood at US\$354 billion against US\$255 billions of service exports. However, in the first four months of FY25 (April to July), service exports are marginally higher than non-oil merchandise exports. Service exports are up 11.7% in dollar terms against 4.8% growth in non-oil merchandise exports in FY25.

Net exports, which witnessed a negative contribution to GDP in FY24, contributed positively 0.7% to GDP in Q1FY25.

Increasing contribution of net service exports together with strong remittances inflows and increased role of renewable energy in India's energy mix (that reduces imports of energy) would make the Indian economy resilient against external sector shocks.

Future outlook

The economy is projected to grow at 7 to 7.2% in FY25 spurred by sound fundamental growth drivers.

In this year's budget, the government has outlined a series of areas to work upon, with particular focus on employment, skilling, MSMEs and the middle class. It reaffirms its priorities in pursuit of Viksit Bharat that include making manufacturing more competitive through focus on factors of production, improving ease of doing business in India, defining the road map for long-term energy transition and security, urban development and infrastructure, rationalization of income tax law and customs duty structure, and fostering innovation to make India future ready. Successful implementation of these initiatives will be crucial to achieving India's goal of sustaining long-term economic growth above 6%.



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02

Key economic and fiscal indicators

World Economic Outlook

Inflation and interest rates on a downward slope globally

Global economic
outlook

Global Outlook

	GDP Projections		Consumer Inflation Rate (%)		G-sec yield (%)	Manufacturing PMI	Services PMI	Currency Performance vis-à-vis US\$ (%) (last 1 year)
Region/country/market	2024	2025	Jul 24	2025 (projected)	Aug 24	Jul-24	Jul-24	Aug-24
World	3.2	3.3	5.9	4.5	NA	49.7	53.3	NA
Advanced economies	1.7	1.8	2.6	2	NA	NA	NA	NA
US	2.6	1.9	2.9	2	3.88	49.6	55	NA
Euro Area	0.9	1.5	2.6	2.1	2.9	NA	NA	1.27
Japan	0.7	1.0	2.9	2.1	0.88	49.1	53.7	0.35
UK	0.7	1.5	2.2	2	3.91	52.1	52.5	3.41
China	5.0	4.5	0.2	2	2.15	49.8	52.1	2.81
India	7.0	6.5	3.5	4.2	6.86	58.1	60.3	-1.36
Brazil	2.1	2.4	4.5	3	11.38	54	56.4	-13.36
South Korea	2.5	2.2	2.5	2	3	51.4	-	0.55

Note: For India, data and forecasts are presented on a fiscal year basis, with FY2023/24 (starting in April 2023); FY2024/25 starting in April 2024; NA - Not Available

- ▶ The projected global growth for 2024 and 2025 remains largely unchanged at 3.2% and 3.3% respectively, compared to the April 2024 projections.
- ▶ Inflation is moderating globally, and, in the US, it is projected at 2% in 2025. US Fed has cut policy rates by 0.5%. The UK and the EU have also implemented interest rate cuts, despite Japan increasing theirs.
- ▶ India continues to be the fastest growing large economy, with the economic growth rate forecasted @7%.
- ▶ Manufacturing and services PMI of India continues to be well over 50, indicating robustness in the economy.
- ▶ Currencies of most advanced economies have strengthened vis-à-vis the US dollar.

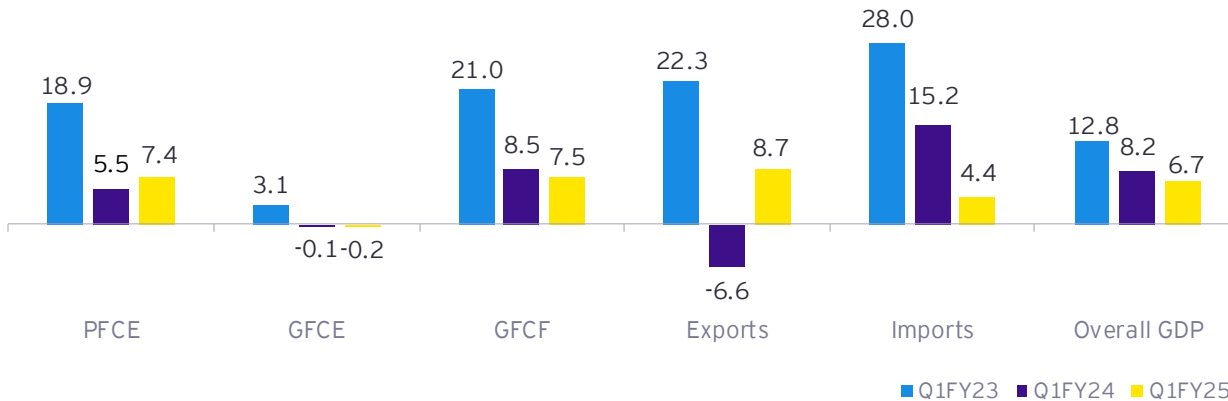
Source: World Economic Outlook, July 2024, IMF, FT inflation tracker, Investing.com, S&P IHS Markit (as of August 2024), Google Finance
Inflation as of Jun 24 for Japan and China, as of April 2024 for World and Advanced Economies, and as of July 24 for other countries
G-Sec yields as of 21st August 2024
Currency Performance as of 30th August 2024



India's economy remains resilient, fueled by rising consumption and stronger net exports

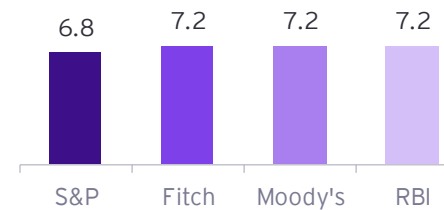
Economic outlook

Quarterly estimates of expenditure on real GDP growth (%)

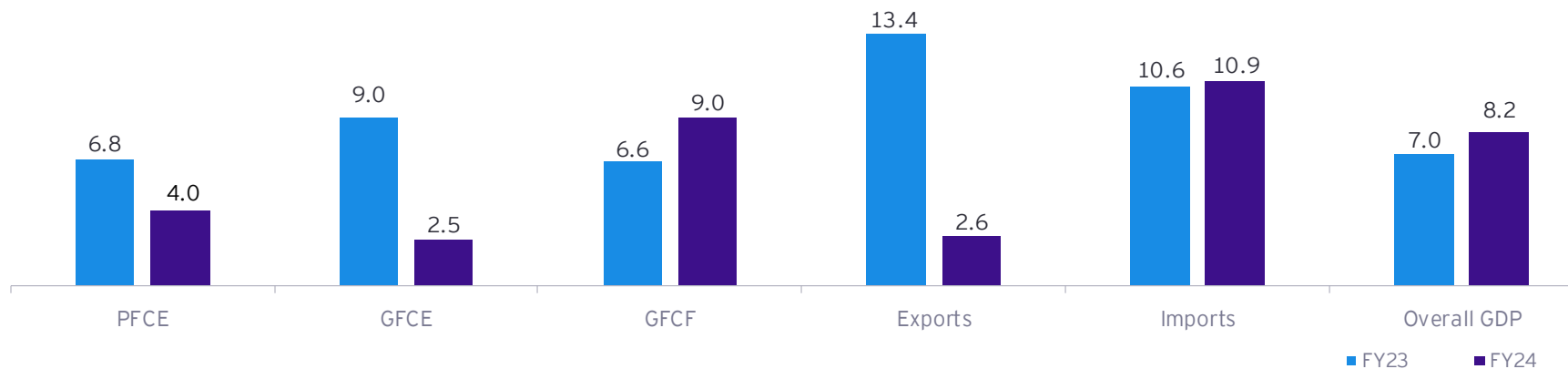


PFCE: Private Final Consumption Expenditure; GFCE: Government Final Consumption Expenditure; GFCF: Gross Fixed Capital Formation

India's GDP forecast FY25 (% growth)



Full year estimates of expenditure on real GDP growth (%) (April-March)



Note: High growth in FY22 is reflective of high base effect due to COVID impact in previous year
Source: MOSPI

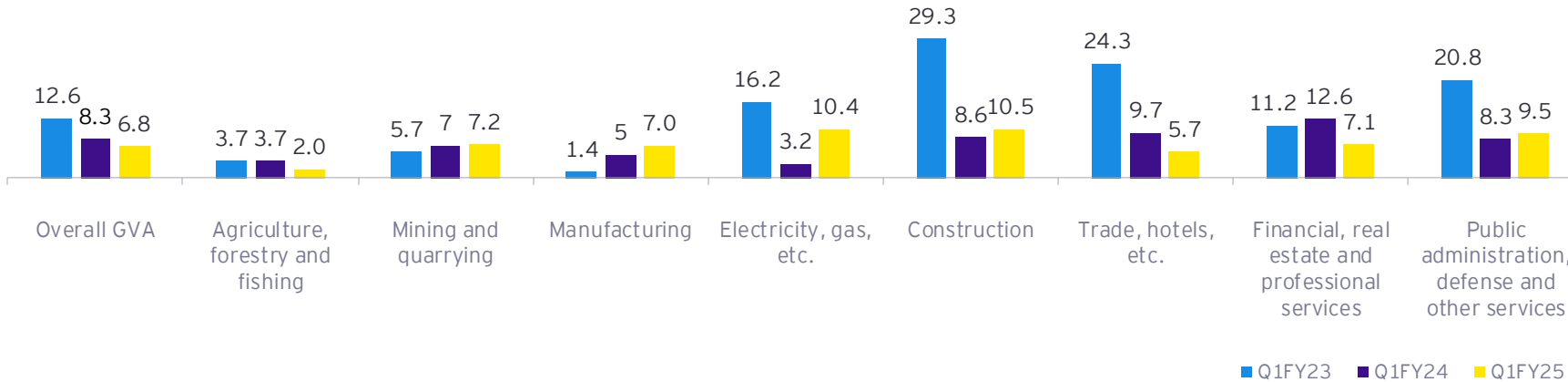
Key findings

- ▶ The real GDP growth in Q1 FY25 moderated to a five-quarter low of 6.7%. However, it was still much higher than any other large economy in the world.
- ▶ In nominal terms, the GDP grew by 9.7% in Q1 FY25, with a GDP deflator of approximately 3.0%.
- ▶ Private consumption experienced a growth rate of 7.4%, surpassing the overall growth rate of real GDP. Share of nominal private consumption expenditure in the GDP increased from 58.9% in Q4FY24 to 60.4% in Q1FY25.
- ▶ Investment demand, as measured by GFCF, continued to show a strong growth of 7.5%, outperforming the overall GDP growth, despite lower capital spending by the union government. This reflects higher investments by households and the private sector.
- ▶ With exports growth surpassing that of imports, the contribution of net exports turned positive at 0.7% points in 1QFY25.

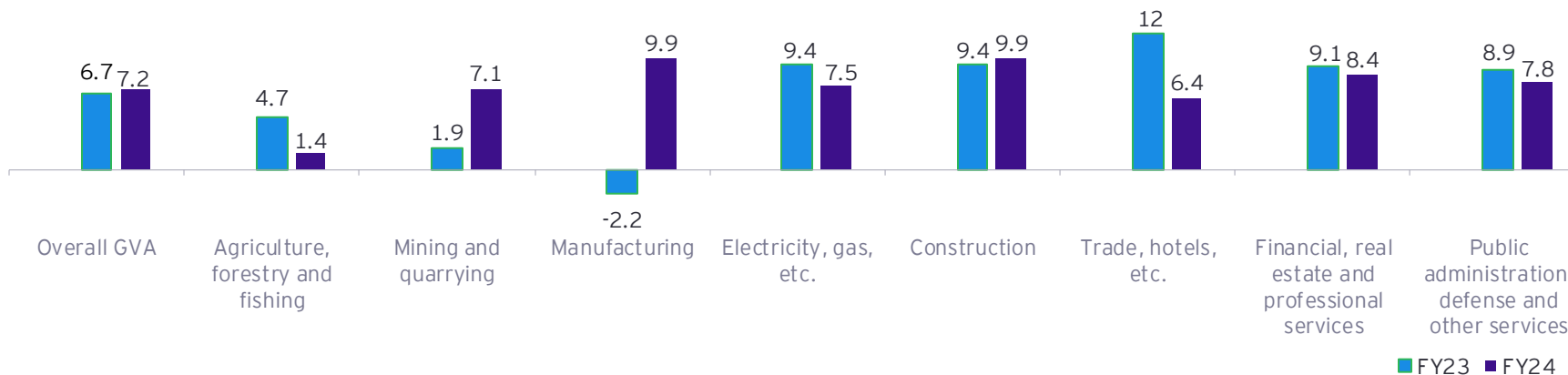
Almost all sectors have performed well with construction and electricity recording a double-digit growth

Economic outlook

Quarterly real gross value added (GVA) growth (%): major sectors



Real gross value added (GVA) growth (%): major sectors (April-March)



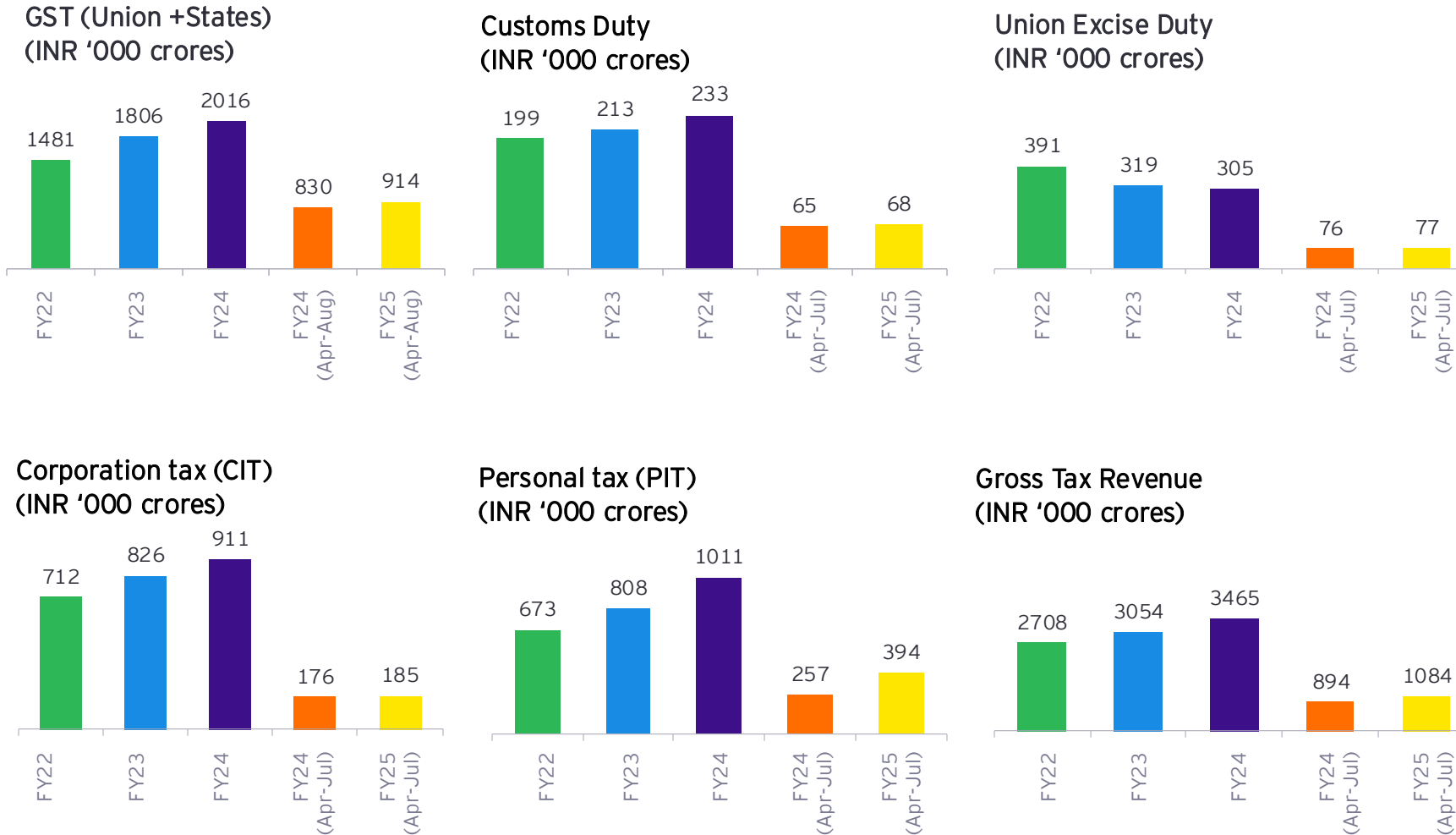
Key findings

- ▶ The GVA in Q1FY25 grew by 6.8% vis-à-vis 8.3% in Q1FY24.
- ▶ This moderation in GVA growth was mainly due to sluggish growth in agriculture and some of the service sectors.
- ▶ Agriculture sector grew at a mere 2.0% in Q1FY25, due to weather-related issues.
- ▶ Construction sector has grown at 10.5% on the back of buoyant growth in the housing sector.
- ▶ Energy sector has recorded a 10.4% growth on the back of strong growth in electricity consumption.
- ▶ The real growth of the manufacturing sector has increased to 7.0%. The growth of this sector is crucial for creating jobs.
- ▶ Financial services, real estate, professional services, trade and hotels have witnessed a slowdown.

Note: High growth in FY22 is reflective of high base effect due to COVID impact in previous year
Source: MOSPI



Gross tax collections have grown twice as fast as nominal GDP, on the back of personal income taxes



Key findings

- ▶ From April to July in FY25, the Gross Tax Revenue (GTR) saw a significant growth of 21.3%, whereas the nominal GDP in Q1FY25 grew by 9.7%.
- ▶ The total direct tax collections witnessed a year-on-year increase of 33.6% during April-July FY25.
 - ▶ PIT collections are up 53.4% during Apr-Jul FY25.
 - ▶ In contrast, CIT registered a year-on-year growth of 4.8% during April-July FY25.
 - ▶ PIT collections had surpassed CIT collections in FY24 as well as in Q1 FY25.
- ▶ Collections of customs and excise duty increased only by 3.8% and 0.8% respectively during April-July FY25 vis-à-vis the corresponding period of the previous year.
- ▶ The GST collections grew by 10.0% during April-August FY25. Growth in Net GST collections came down to 6.5% in Aug'24, due to higher refunds.

Fiscal deficit under check so far in FY25

Public finance

#	Particulars	Revised estimate (RE) (2023-24) (INR crore)	Budget estimate (BE) (2024-25) (INR crore)	Growth (%) FY25 vis-a-vis FY24	Actuals (April 2023 - Jul 2023) (INR crore)	Actuals (April 2024 - Jul 2024) (INR crore)	Growth (%) FY25 vis-a- vis FY24
1	Gross Tax Revenues	34,37,211	38,40,170	11.7%	8,94,150	10,84,229	21.3%
2	Tax revenues (net of states' share)	23,23,918	25,83,499	11.2%	5,82,585	7,15,224	22.8%
3	Other Receipts (Non-tax revenues, non-debt capital receipts)	4,31,795	6,23,701	44.4%	1,92,522	3,08,812	60.4%
4	Total Reciepts (2+3)	27,55,713	32,07,200	16.4%	7,75,107	10,23,406	32.0%
5	Revenue expenditure other than interest	24,85,504	25,46,461	2.5%	7,63,732	7,11,204	-6.9%
6	Interest	10,55,427	11,62,940	10.2%	2,99,889	3,27,887	9.3%
7	Capital expenditure	9,49,555	11,11,111	17.0%	3,17,079	2,61,260	-17.6%
8	Total expenditure (5+6+7)	44,90,486	48,20,512	7.3%	13,80,700	13,00,351	-5.8%
9	Fiscal Deficit (8-4)	17,34,773	16,13,312	-7.0%	6,05,593	2,76,945	-54.3%

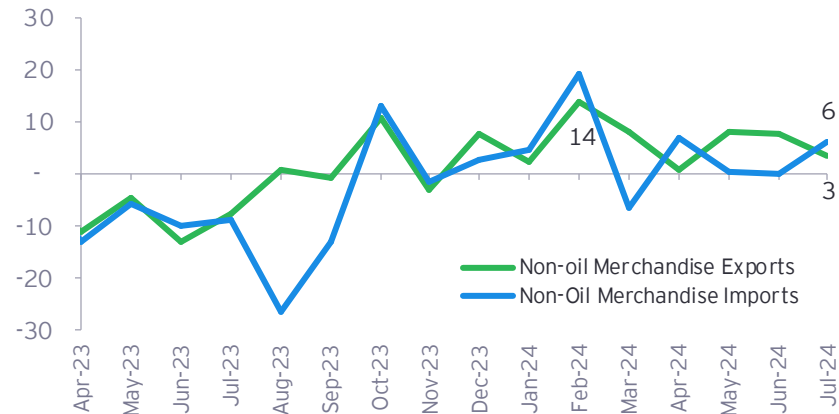
Key findings

- ▶ The fiscal deficit target in the FY25 Budget Estimates has been revised downwards to 4.9% of GDP.
- ▶ Government's revenue expenditure is projected to increase by only 4.8% and capital expenditure to increase by 17.0% in BE FY25 vis-à-vis RE FY24.
- ▶ During April-July FY25 vis-à-vis corresponding period in FY24:
 - ▶ The 21.3% jump in gross tax revenues was bolstered by personal income taxes, whereas a drastic increase of 60.4% in other receipts could be attributed to RBI dividend.
 - ▶ Fiscal deficit more than halved due to buoyant revenues receipts and decline in revenue and capital expenditure.
 - ▶ Revenue expenditure has declined by 2.3%, and capital expenditure by 17.6%, due to the conduct of elections.
 - ▶ To meet the capex growth of 17.0% as per the BE FY25, extra efforts will be needed to make up for the loss of momentum of capital spending.

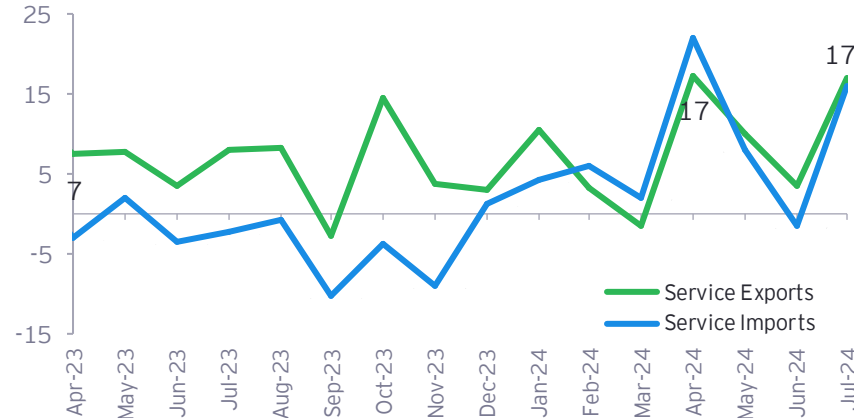
India's service exports marginally exceeded the non-oil merchandise exports during April-July 2024

Foreign trade and external sector

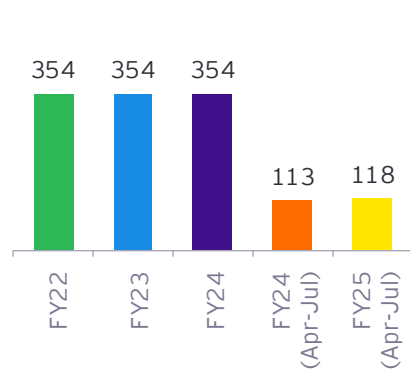
Non-oil merchandise Trade (%growth)



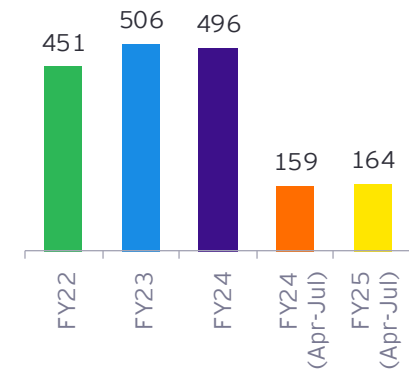
Services' Trade (%growth)



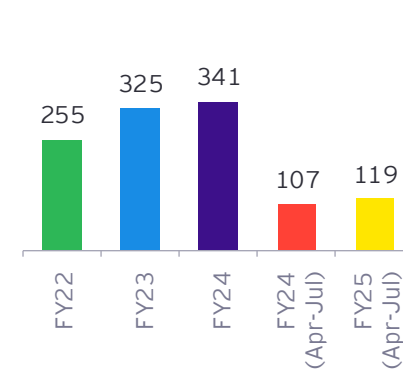
Non-Oil Merchandise Exports (Apr-Jul) US\$b



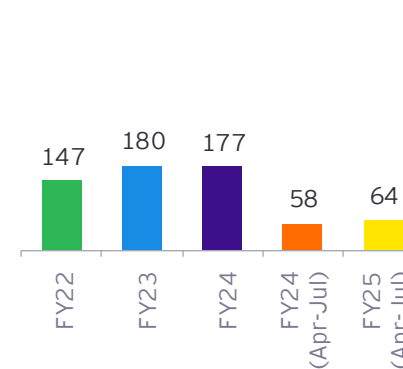
Non-Oil Merchandise Imports (Apr-Jul) US\$b



Services Exports (Apr-Jul) US\$b



Services Imports (Apr-Jul) US\$b

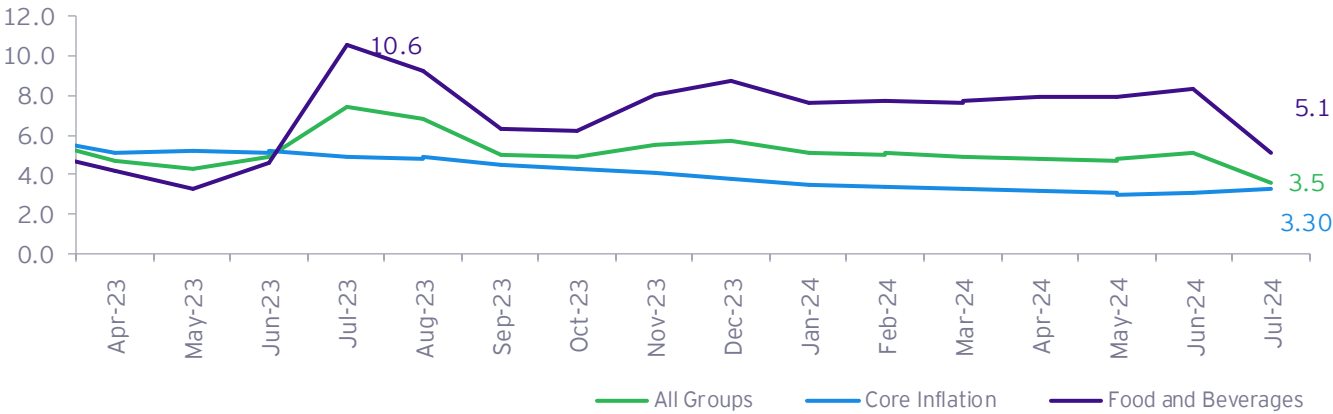


Key findings

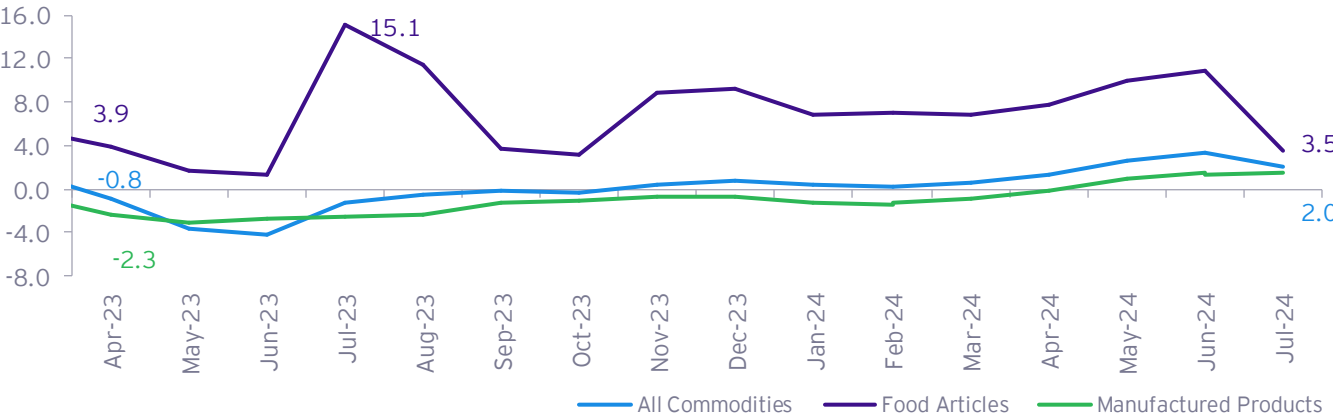
- ▶ The services trade surplus for April-July 2024 was US\$54.40 billion as compared to US\$47.60 billion in April-July 2023.
- ▶ Traditionally, export of non-oil merchandise goods measured in US\$ terms were much higher than service exports. From April to July in FY25, service exports have been marginally higher than non-oil merchandise exports. Continuation of this trend would reflect a structural change.
- ▶ Growth in services' exports has been 11.7%, whereas growth in service imports increased to 10.6% during April-July in FY25 vis-à-vis corresponding period FY24.
- ▶ India's non-oil merchandise exports grew by 4.8% whereas imports grew by 3.1% in April-July FY25 vis-à-vis corresponding period of FY24.
- ▶ The exports were driven by engineering goods, electronic goods, drugs and pharmaceuticals, whereas exports of gems and jewelry and Marine products witnessed a decline.

CPI inflation at 3.5% in July 2024 was a 59-month low and below the target rate of 4%

CPI inflation (%)



WPI inflation (%)



Period	CPI Inflation projection (%)
--------	------------------------------

Q2: 2024-25	4.4
Q3: 2024-25	4.7
Q4: 2024-25	4.3
2024-25	4.5
Q1: 2025-26	4.4

Key findings

- ▶ Consumer Price Inflation (CPI) declined sharply to a five-year low of 3.5% in July FY25, falling below the target of 4%. The sharp fall is attributed to base effect.
- ▶ This is attributed to reduction in food inflation to 5.1% in July FY 25, down from around 8% levels since November 2023.
- ▶ However, core inflation that has been on a downward trajectory since May 2023 increased for the first time in July 2024.
- ▶ Headline WPI inflation, including manufactured goods, continues to be low at 2.0%. Low WPI inflation is considered good for corporate profits.

Source: Office of Economic Advisor, Ministry of Commerce and Industry; RBI MPC statement, MoSPI; as of August 2024
Core inflation is calculated by excluding food & beverages and fuel & light from the overall index



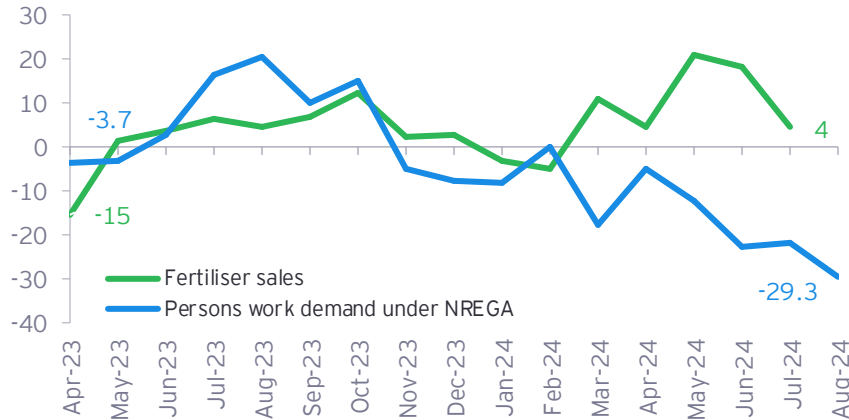
03

Sectoral indicators

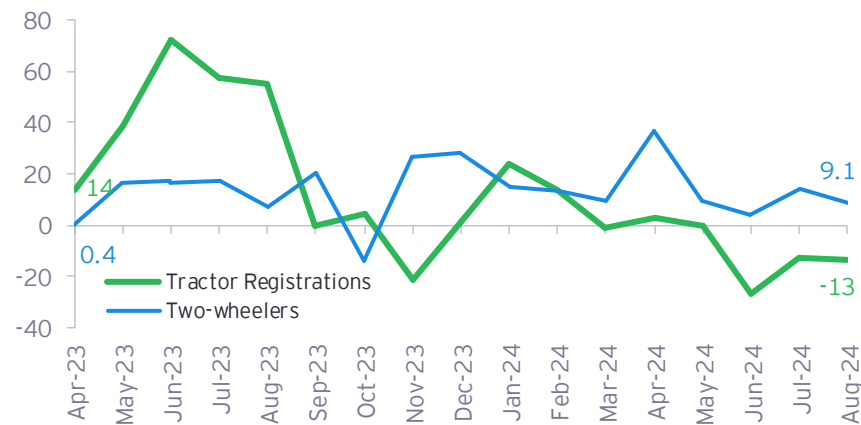
Most indicators show strength in rural economy

Rural economy

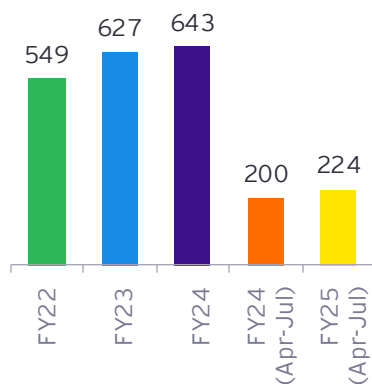
Fertilizer sales and persons work demand under NREGA (y-o-y growth %)



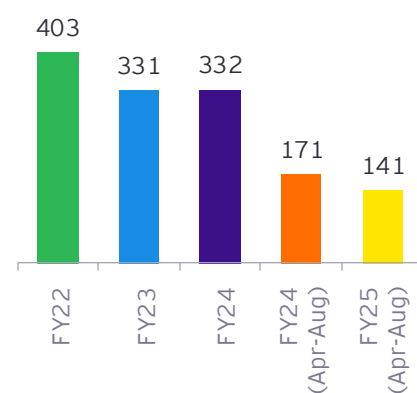
Tractor and two-wheeler registration (y-o-y growth %)



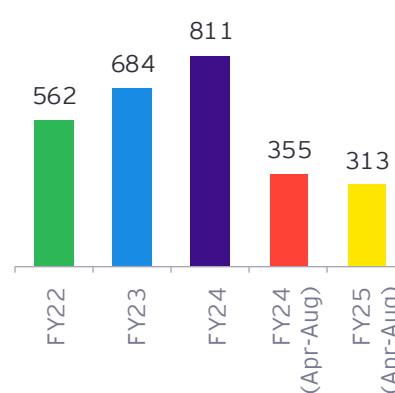
Fertilizer sales (in lakh MT)



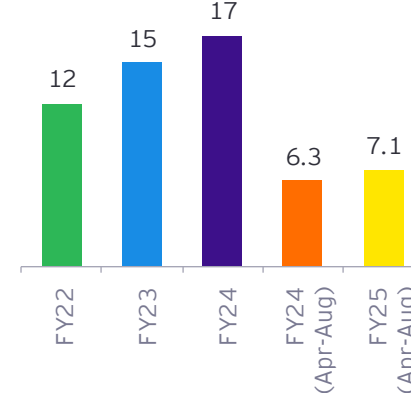
Persons work demand under MNREGA in millions



Tractor registration (no. of units in '000)



Two-wheelers (in millions)



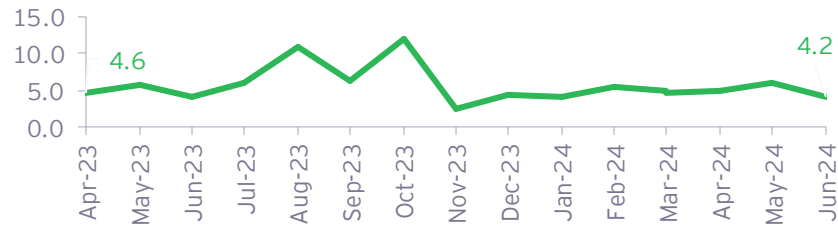
Key findings

- ▶ The monthly demand for work under MNREGA continues to decline for the 10th consecutive month, reflecting a stronger rural economy.
- ▶ Registrations of two-wheelers, which are considered an indicator of rural demand, experienced a 12% growth from April to August in FY25, compared to the same period in FY24. This increase signifies the emergence of positive signs for rural recovery.
- ▶ Fertilizer sales have increased by 12.1% from April to July in FY25 compared to the same period in FY24.
- ▶ Tractor registrations have been in the negative territory since May 2024. This is primarily attributed to reduced Kharif production caused by a weak monsoon and unseasonal rains last year.
- ▶ Tractor registrations from April to August in FY25 have dipped by 11.8% compared to the same period in FY24.

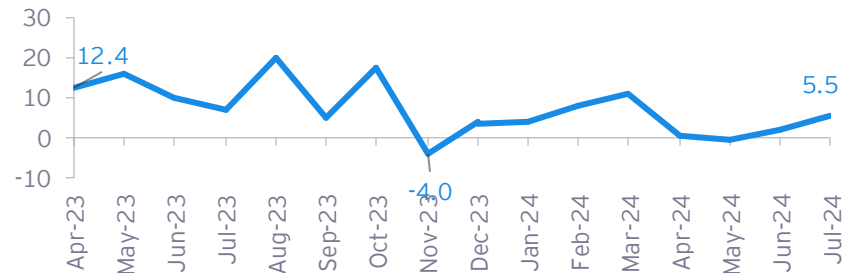
Manufacturing indicators give a mixed story

Manufacturing

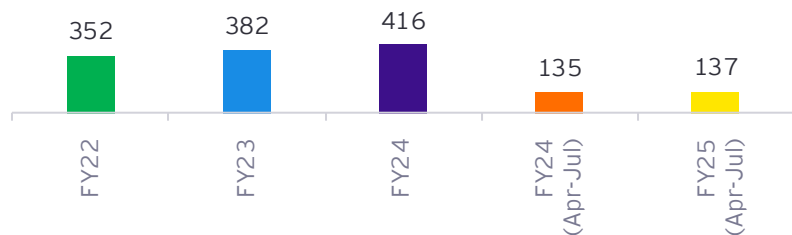
General index of industrial production (IIP)
y-o-y growth %



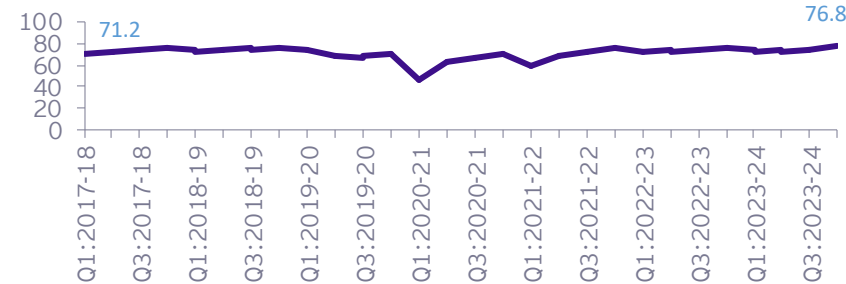
Cement production (y-o-y growth %)



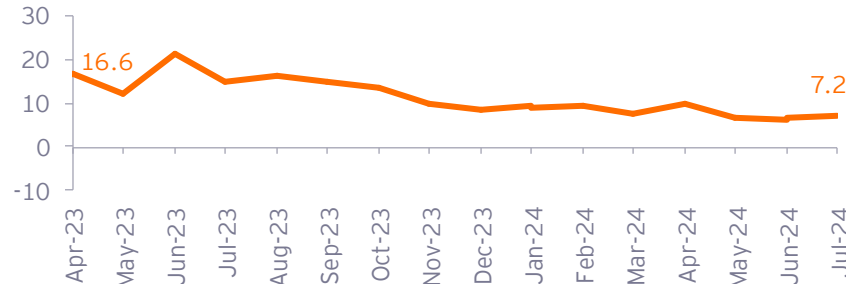
Cement production (million tons)



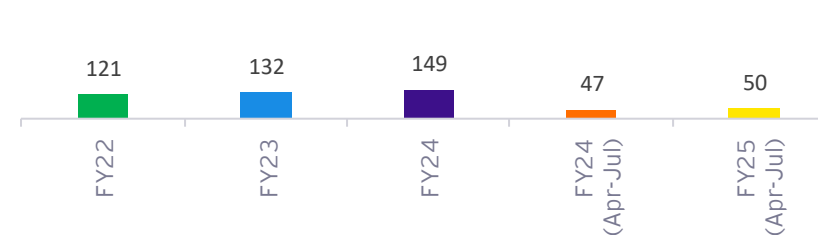
Capacity utilization (%)



Crude steel production (y-o-y growth %)



Crude steel production (million tons)



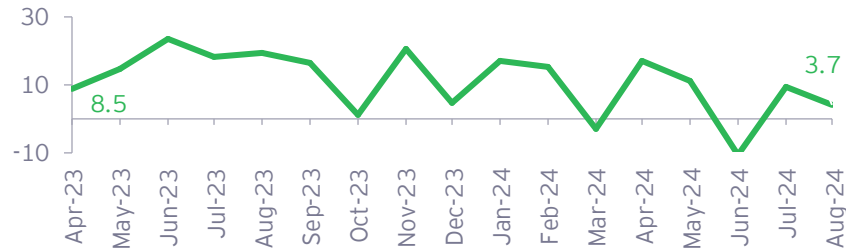
Key findings

- ▶ In June 2024, India's IIP growth slowed to a five-month low of 4.2% YoY, down from 6.2% in May.
- ▶ Capacity utilization in the manufacturing sector increased to 76.8% in Q4:2023-24 from 74.7% in the previous quarter.
- ▶ Cement production rose by 5.5% in July 2024 compared to the previous year, reflecting a rebound in construction activities post-election. This growth is attributed to renewed public capital expenditure and infrastructure projects.
- ▶ Similarly, crude steel production increased to a three-month high of 7.2% in July 2024, reflecting a pickup in construction activity and government's continued focus on capex spending.

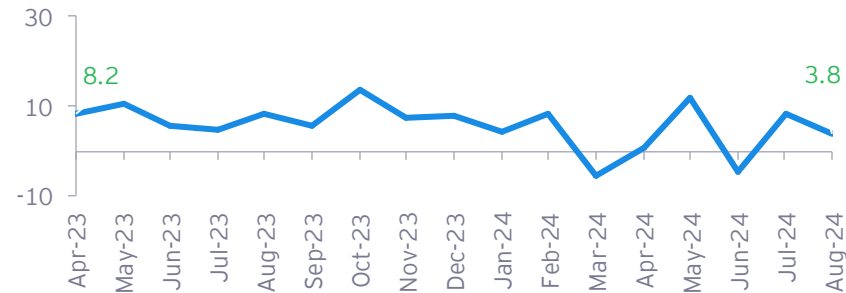
Vehicle registration trends indicate moderation in growth in FY25

Manufacturing

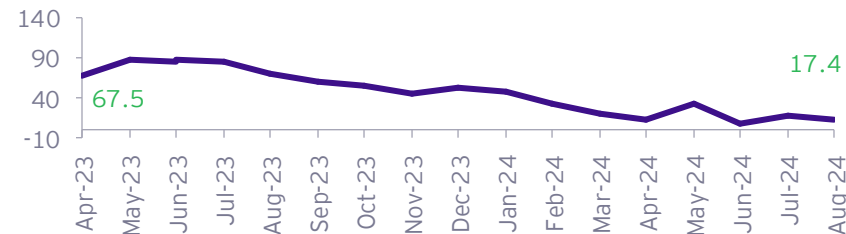
Passenger vehicles (y-o-y growth %)



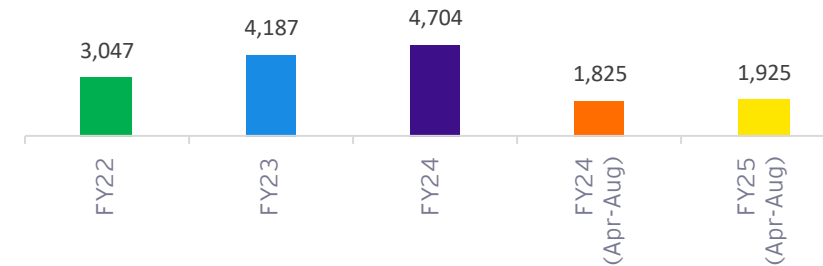
Commercial vehicles (y-o-y growth %)



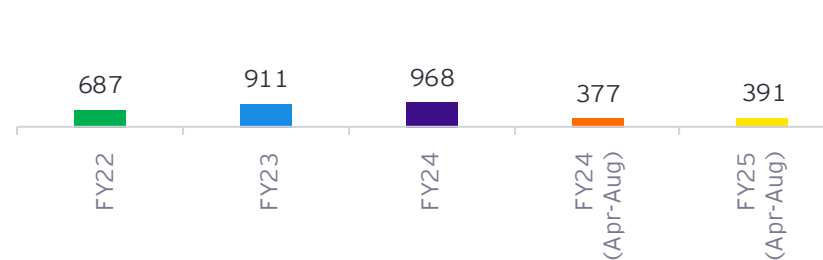
Three-wheelers (y-o-y growth %)



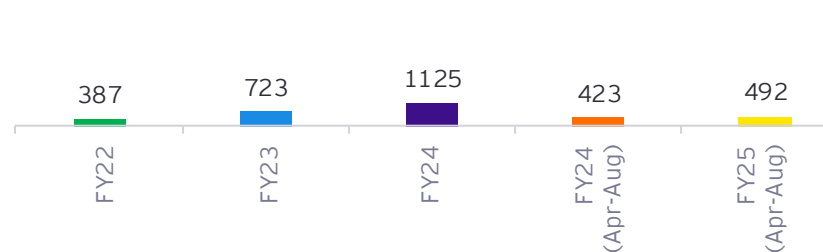
Passenger vehicles (in '000s)



Commercial vehicles (in '000s)



Three-wheelers (in '000s)



Key findings

- ▶ Vehicle registrations across all categories slowed down. Growth during April-August FY25 is lower than the growth in April-August FY24.
- ▶ In line, some manufacturers have reported higher inventory levels and increased discounts.
- ▶ Passenger vehicle registrations witnessed a modest 5.5% growth in April-August FY25 vis-à-vis the same period in FY24.
- ▶ Similarly, commercial vehicle sales have grown 3.9% in the period April-August FY25 vis-à-vis the same period in FY24.
- ▶ Growth in three-wheeler registrations has also moderated from over 16.4% during the period April to August FY25 vis-à-vis same period in FY24.

Note: CV include all Heavy, Medium vehicles and light goods vehicles. PV represents Motors Cars data. 2w and 3W include both transport and non-transport. Telangana and Lakshadweep vehicle registrations are not covered under Vahan database.

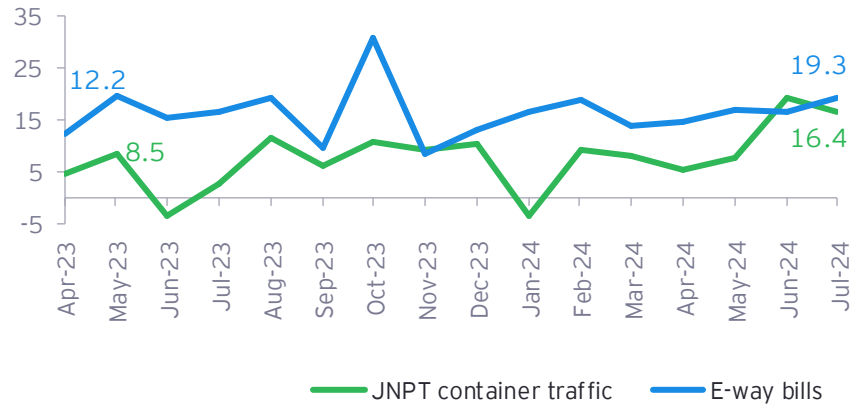
Source: Vahan Database. Data as on August 31, 2024

Steady uptick in freight movement reflects increased economic activity

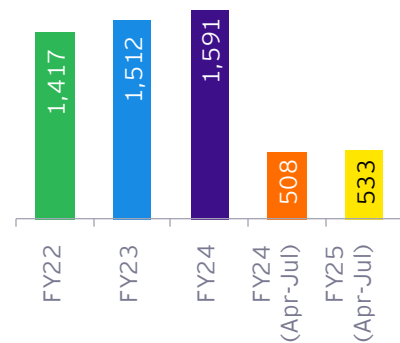
Freight movement (y-o-y growth %)



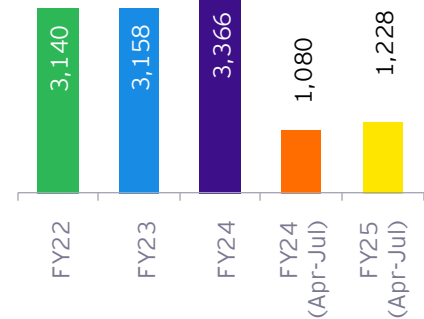
JNPT container traffic & E-way bills generated (y-o-y growth %)



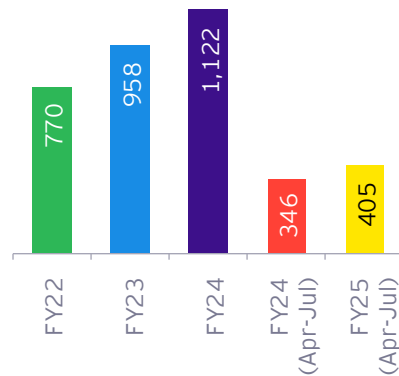
Railways freight (million tons)



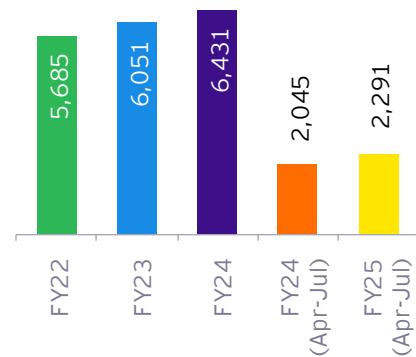
Air freight ('000 tons)



E-way bills generated (volume in million)



JNPT container traffic ('000 TEUs)



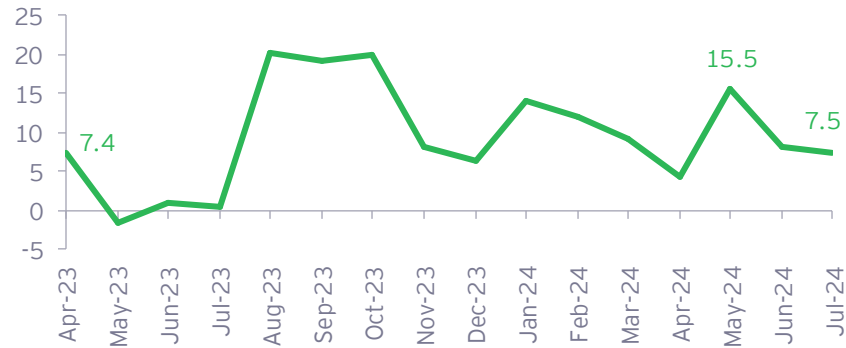
Key findings

- Freight movement indicators continue its robust performance.
- Railway freight continues to grow by 4.9% in April-July FY25 vis-à-vis the corresponding period in FY24.
- Air freight has grown by 13.7% in April-July FY25 vis-à-vis FY24. This is attributed to booming e-commerce business and a surge in international cargo operations.
- E-way bill volumes have been growing steadily, with a cumulative rise of 17.0% from April to July in FY25 compared to the same period in FY24.
- Shipping freight, as represented by Jawaharlal Nehru Port (JNPT) container traffic, has increased by 12.0% in April-July FY25 over the same period in FY24.

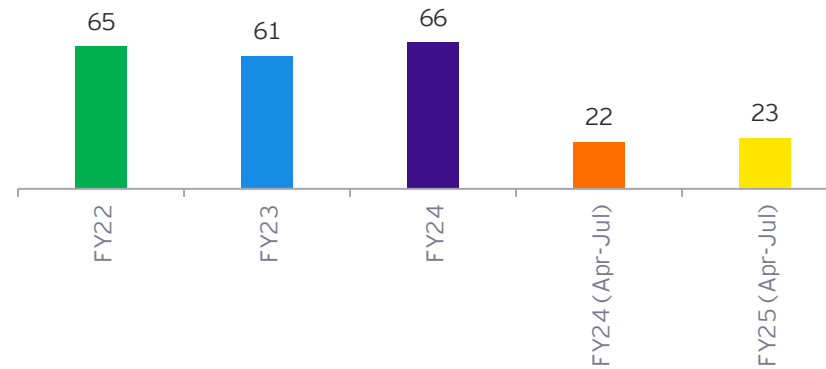
Consumption of petroleum products continues to increase

Energy

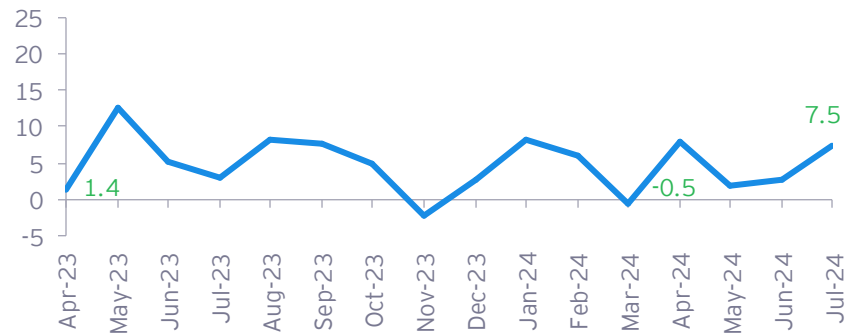
Consumption of natural gas
(y-o-y growth %)



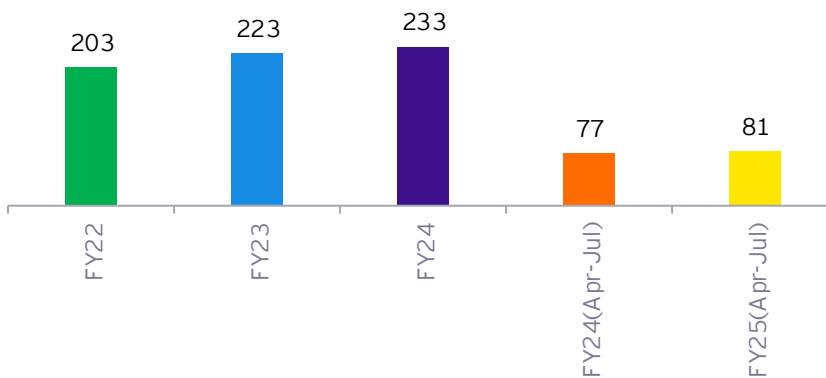
Consumption of natural gas
(‘000 MMSCM)



Consumption of petroleum products
(y-o-y growth %)



Consumption of petroleum products
(in million metric tonnes)



Key findings

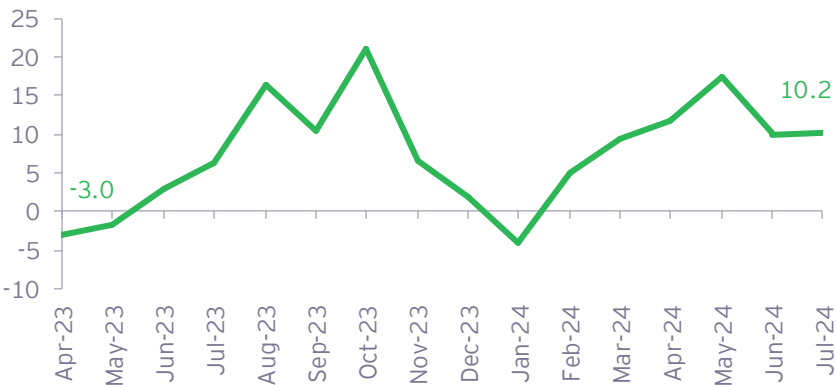
- ▶ Consumption of natural gas was 9.3% higher in April-July FY25 over the corresponding period in FY24.
- ▶ The growth in natural gas consumption may be attributed to higher industrial demand for feedstock and increased use in electricity generation.
- ▶ Consumption of petroleum products was 4.8% higher from April- July in FY25 vis-à-vis the same period in FY24.
- ▶ The growth in consumption of petroleum products was primarily driven by higher usage of LPG and petrol.

Note: Power consumption for Aug'24 data is average of daily data available as on August 31, 2024. Market clearing monthly prices are a simple average of non-zero prices in (no of days in a month*24*4) no of 15 minutes time block of respective month.

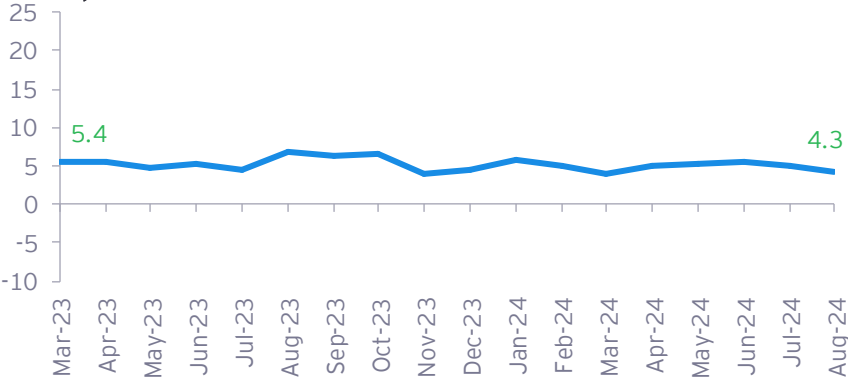
Source: Ministry of Petroleum, Coal & Power and Indian Energy Exchange. MMSCM stands for million standard cubic meter.

Electricity consumption is soaring in India

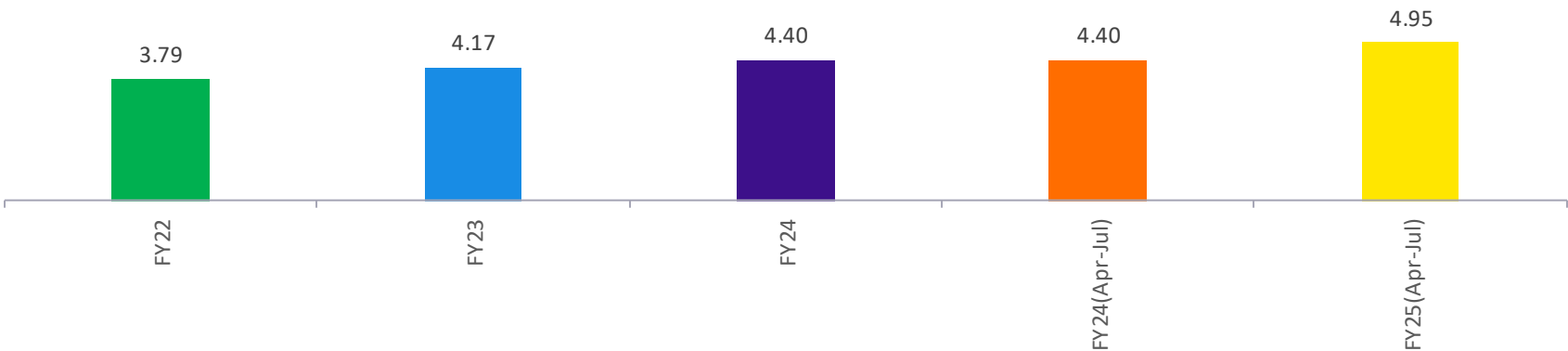
Average daily power consumption (y-o-y growth %)



Power market clearing price (INR 'per KWh)



Average daily power consumption (billion units)



Key findings

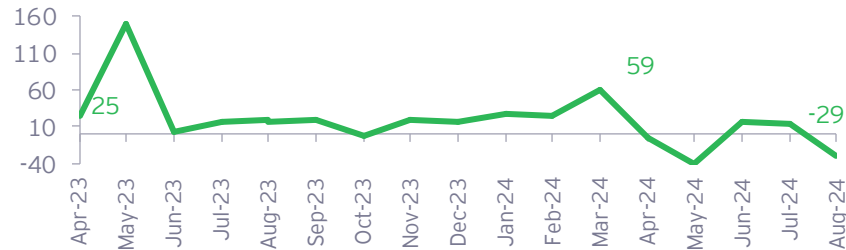
- ▶ India's average daily power consumption rose by 12.5% during April-July FY25.
- ▶ In July 2024, there was a notable 10.2% increase in daily power usage compared to the same period last year, underscoring the rising energy demands driven by electrification activities.
- ▶ The peak power demand on a single day touched 226 GW in July 2024 up from the 209 GW in July 2023. However, the peak remained below the all-time high of 250 GW registered in May 2024.
- ▶ Power market clearing prices remained in the range of 4.3 to 5.4 INR/KWh in the current financial year.

Note: Power consumption for Jul'24 data is average of daily data available as on August 31, 2024. Market clearing monthly prices are a simple average of non-zero prices in (no of days in a month*24*4) no of 15 minutes time block of respective month.

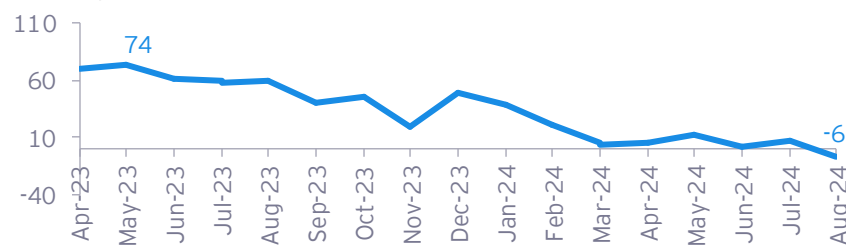
Growth in EV registration has been low in FY25 until August

Green energy

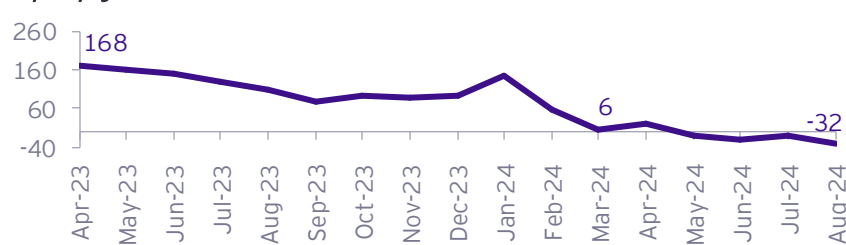
Registration of e-two-wheelers
(y-o-y growth %)



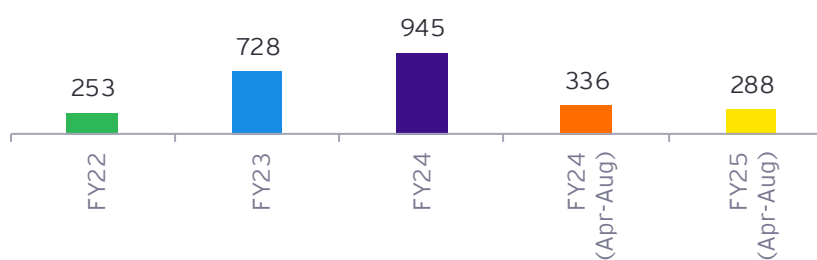
Registration of e-rickshaw vehicles
(y-o-y growth %)



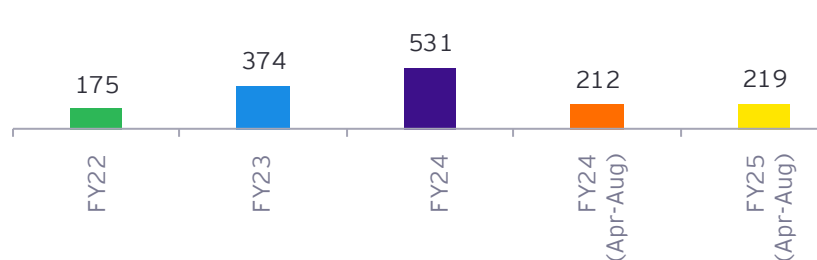
Registration of e-passenger vehicles
(y-o-y growth %)



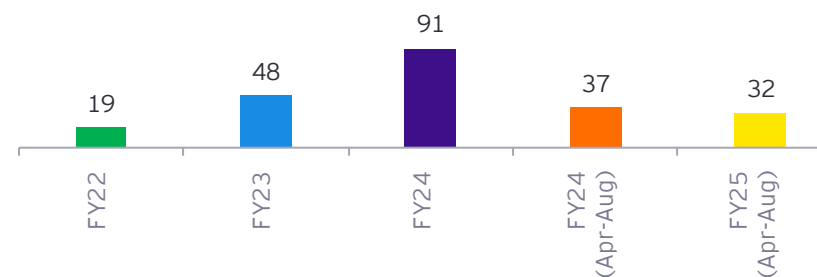
Registration of e-two-wheelers
(In 000's)



Registration of e-rickshaw vehicles
(In 000's)



Registration of e-passenger vehicles (in '000)



Key findings

- ▶ The electric vehicle registrations in the current financial year dipped in e-two wheelers and e-passenger vehicle segments while e-rickshaw registrations posted a sluggish growth.
- ▶ The decline in registrations in the August might be due to the potential buyers delaying the purchases in anticipation of the festive season and government incentives.
- ▶ E-two-wheeler registrations declined by 14.2% in April-August FY25 compared to the corresponding period in FY24.
- ▶ Registrations of e-rickshaw from April-August in FY25 were marginally higher by 3.3% compared to the same period in FY24.
- ▶ Electric passenger vehicles fell by 13.5% in April to August FY25 over the last financial year.

Source: Vahan Dashboard

Vahan data available as on August 31, 2024

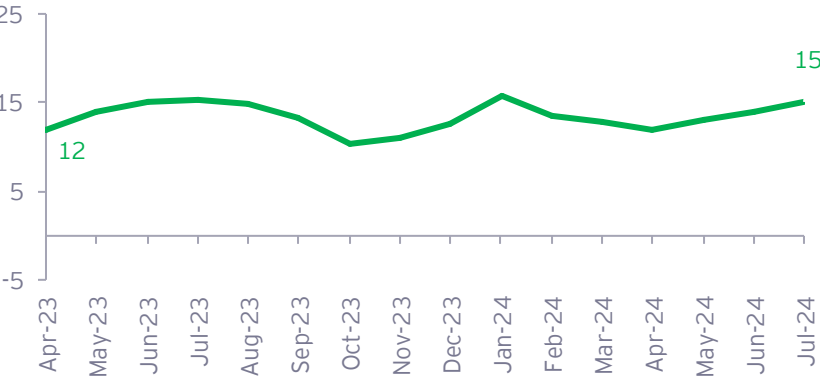
e-2W include transport, non-transport and invalid carriage data. Telangana and Lakshadweep vehicle registrations are not covered under Vahan database.



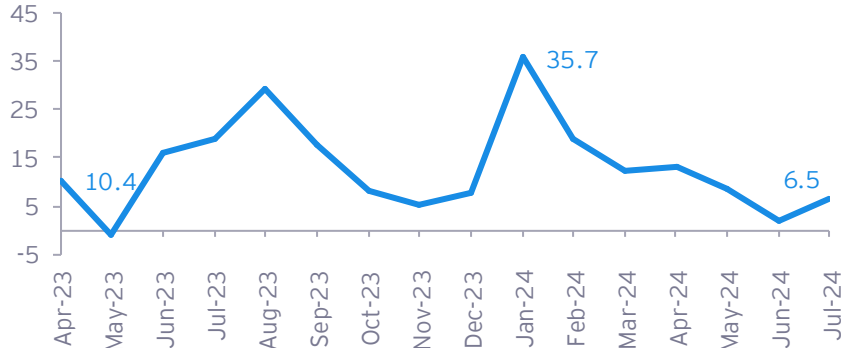
India Economic Pulse



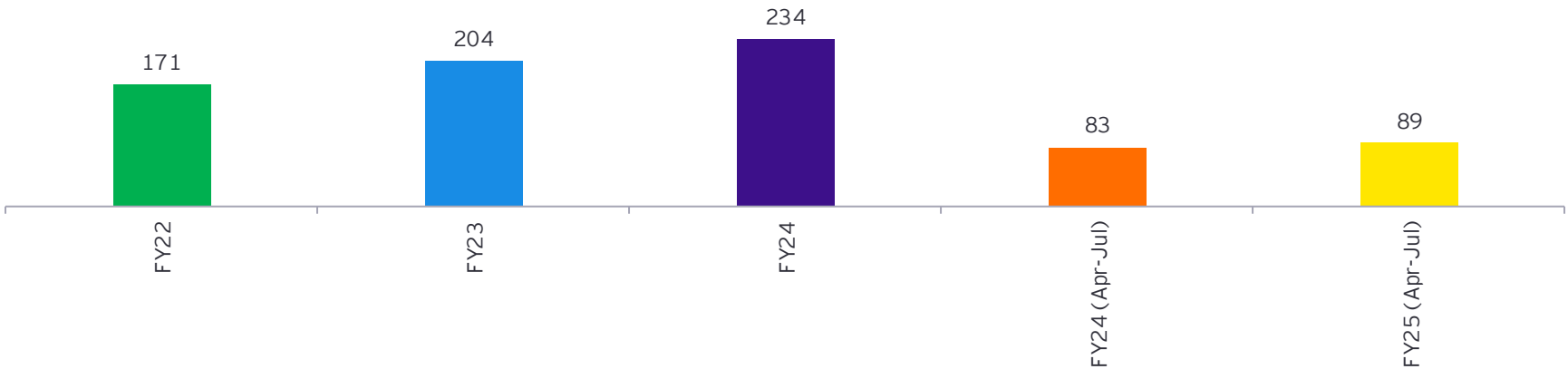
Renewable energy generation as % of the total power generation



Renewable energy generation (y-o-y growth %)



Renewable energy generation (billion units)



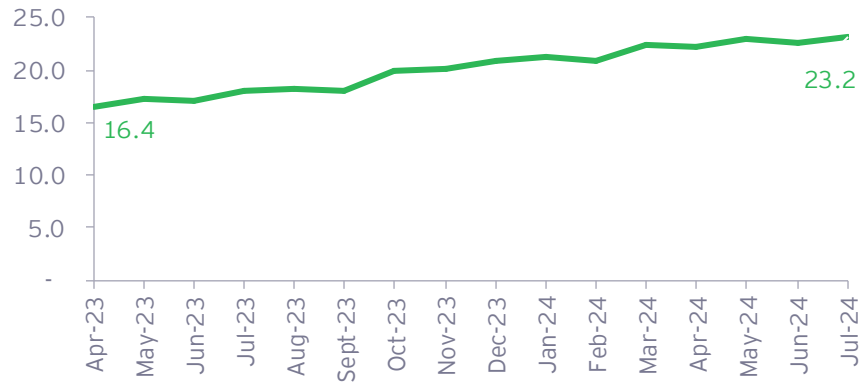
Key findings

- ▶ For the period from April-July in FY25, renewable energy output was higher by 7.1% over the corresponding period in the previous year.
- ▶ However, the share of renewable energy in overall electricity generation has remained between the range of 12% to 15% in the months of April to July FY25.
- ▶ These fluctuations highlight the impact of seasonal factors and sharp growth in demand for electricity in India.

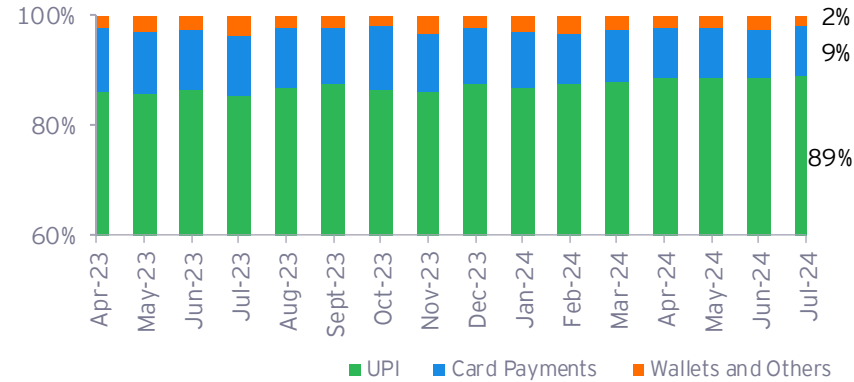
Digital payments hit record-high; UPI leads among all platforms

Digitization

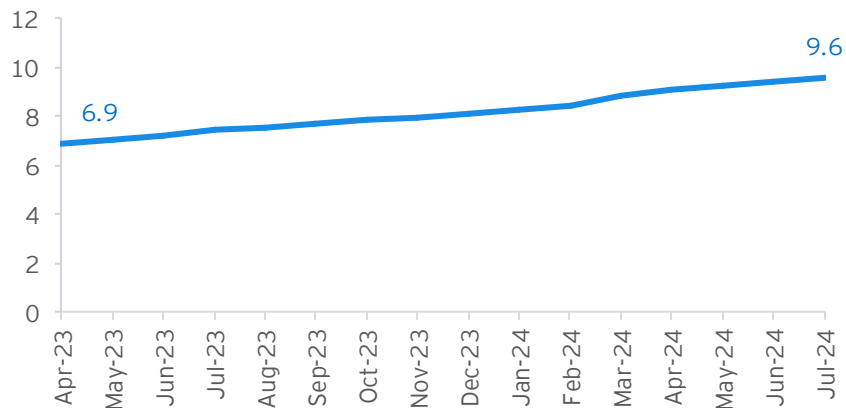
Total digital retail payments
(in INR lakh crore)



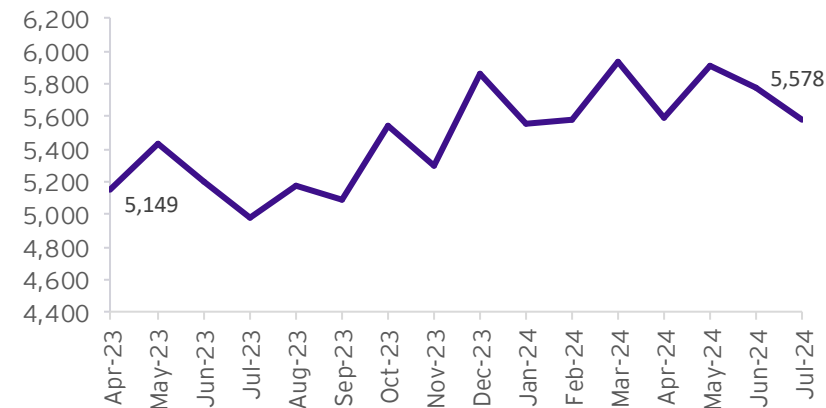
Share of different segments in total digital retail payments (by value)



Number of FASTags Issuance (in crores)



Revenues from tolls (in INR crore)



Key findings

- ▶ Total value of digital retail payments recorded an all-time high of INR23 lakh crore in July 2024.
- ▶ On an absolute basis, payments through UPI as a segment have grown by over 37% in April-July FY25, vis-à-vis April-July FY24.
- ▶ UPI continues to be the largest digital payment system in the world, which aided the growth of e-commerce and reflects increasing digital adoption across India.
- ▶ Pradhan Mantri Jan Dhan Yojana is the largest financial inclusion initiative, with 53 million people benefitting from it with INR2.3 lakh crore deposit balance in these bank accounts as of August 2024. Additionally, 36.14 crore RuPay debit cards have been issued under this scheme.
- ▶ Through Jan Dhan Aadhaar and Mobile (JAM) trinity, the government has seamlessly transferred direct benefit transfers of subsidies/payments directly to these accounts.
- ▶ The increasing adoption of digitization is evident in the Compound Annual Growth Rate (CAGR) of 38% in the issuance of FASTags over the past three years (from July 2021 to July 2024), which is driving the growth of toll revenue.



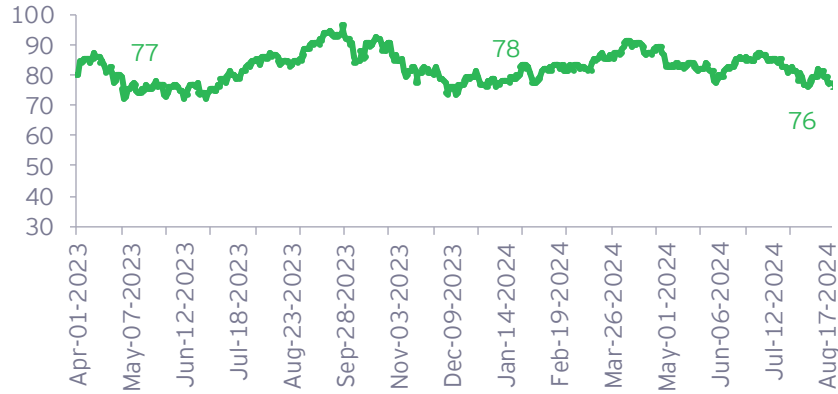
04

Commodities: markets and investments

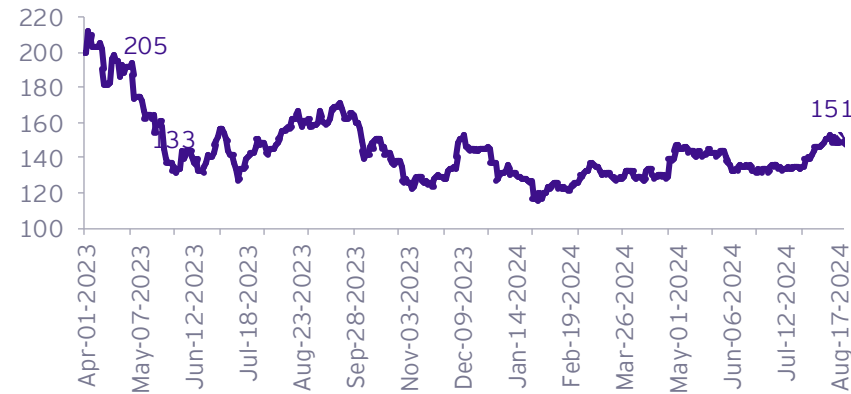
International commodity prices have been moderating

Commodity and input price trends

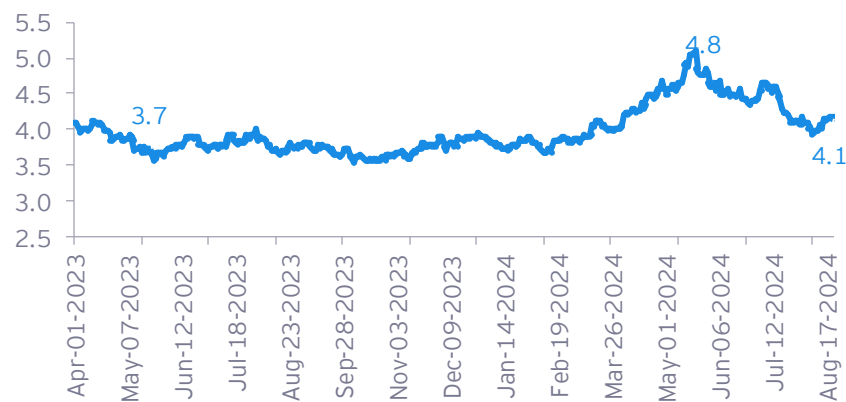
Crude oil - Brent price (US\$ per bbl) (NYMEX)



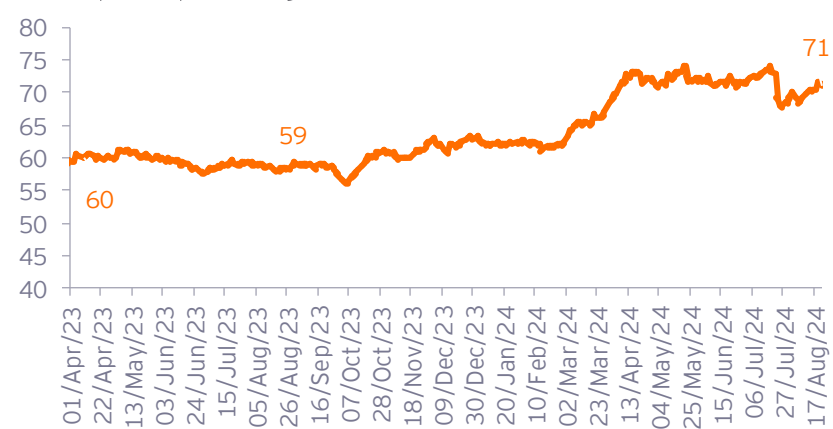
Coal price per ton (in US\$) (Newcastle-ICE)



High grade copper prices (US\$ per lb) (COMEX)



Gold price per 10 grams (in '000 INR)



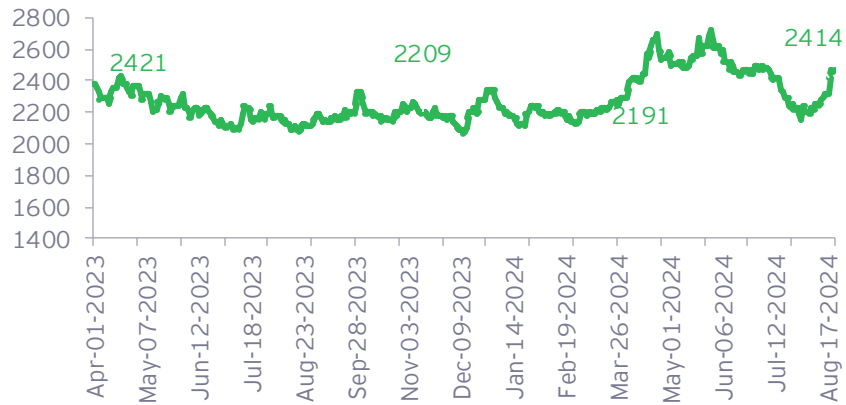
Key findings

- ▶ Crude oil prices have remained range bound between US\$70 and US\$90 since October 2023. Crude oil production cuts by OPEC and ongoing geopolitical tensions pose an upside risk to crude oil prices.
- ▶ Thermal coal prices, which showed a slight uptick in the near term, continue to remain flattish due to weak global activity, increasing penetration of renewable energy and lower natural gas prices.
- ▶ Copper prices rose by 12.7% in August 2024 from April 2024 levels due to concerns about limited ore supply and increased demand from sectors like electric vehicles and renewable energy.
- ▶ Gold prices are in an upward trend since August 2024 on account of central bank gold purchases and anticipation of rate cuts by the Federal reserve.
- ▶ Geopolitical risks and geoeconomic fragmentations could pose upside risks to metal prices. Major downside risk come from weak global demand.

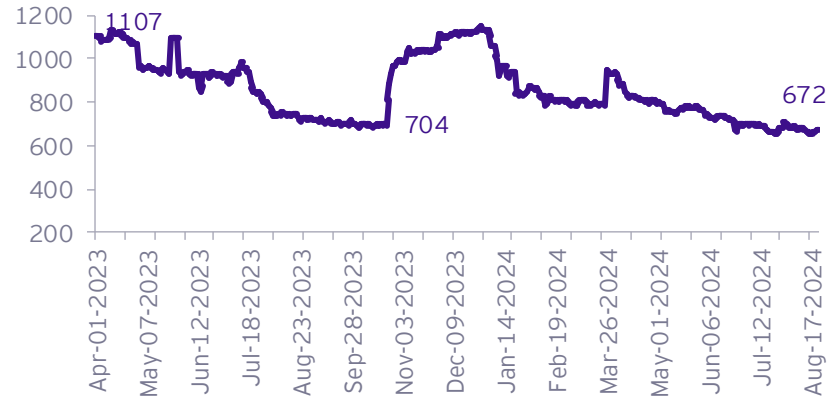
International commodity prices are muted

Commodity and input price trends

Aluminum price per MT (in US\$)
(Cash- LME)



Hot rolled coil steel prices (US\$ per ton)
(NYMEX)



Sugar - white per MT (In US\$)
(LIFFE)



Palm (CPO) oil per 10 kg (in INR)



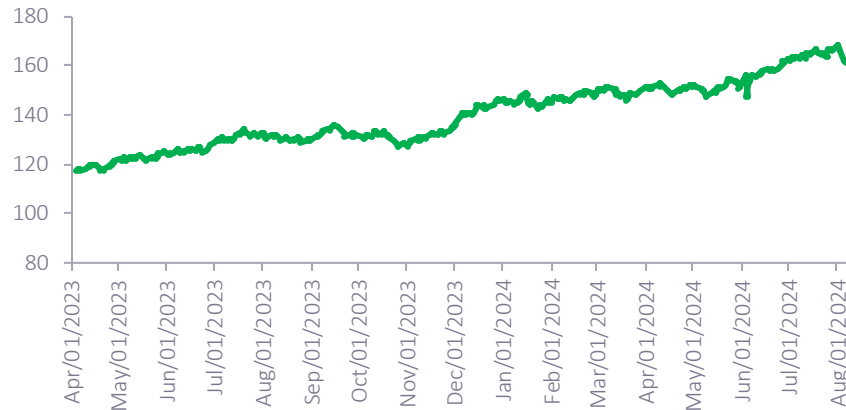
Key findings

- ▶ Steel prices continue the downtrend on account of weak demand from the Chinese construction sector. Steel prices fell by 24.4% in August 2024 from April 2024 levels.
- ▶ Aluminum prices showed an uptick due to supply constraints and increased demand.
- ▶ Sugar prices have fallen by 12.4% in August 2024 from April 2024 levels due to robust sugar output in Brazil exerting downward price pressure.
- ▶ Palm oil prices remained range bound since April 2024 due to stagnating production in main producers like Indonesia and Malaysia and the growing demand for usage in making bio-diesel. In the last few weeks, prices appear to be increasing.

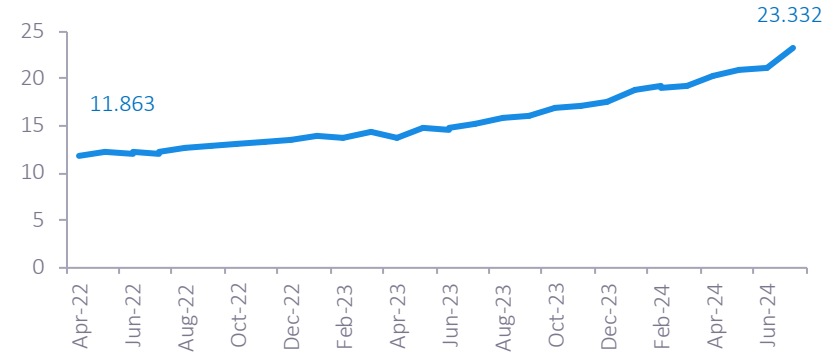
Stock markets are doing well on the back of consistent and growing domestic interest

External sector

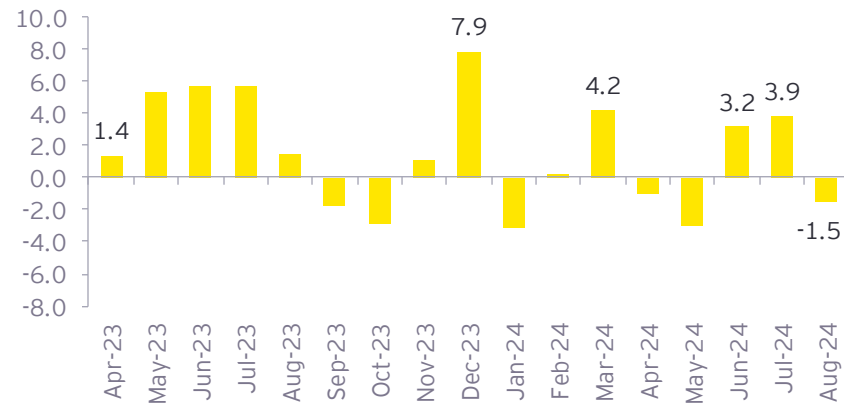
NIFTY 50



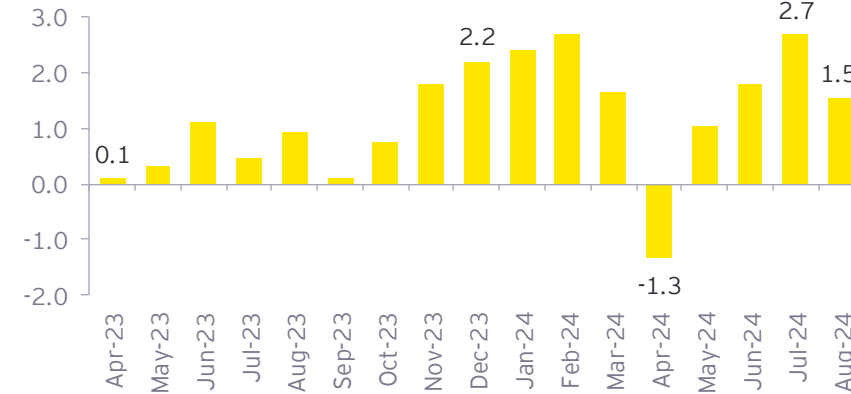
Monthly SIP Contributions (INR '000 crore)



FPI investments - Equity (in US\$ billion)



FPI investments - Debt (in US\$ billion)

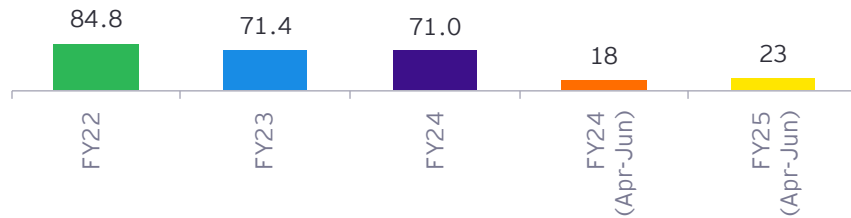


Key findings

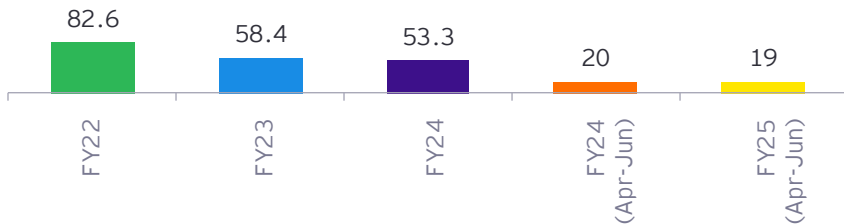
- ▶ Indian stock markets have been buoyed by the domestic investors. The monthly SIP contributions have demonstrated steady growth over the years.
- ▶ Monthly SIP inflows in June 2024 were 83% higher than in June 2023.
- ▶ FPI debt inflows continued the positive trajectory since April 2023 (with the exception of April 2024), following the inclusion of Indian government bonds in the JP Morgan's GBI EM Index. Indian debt has remained attractive among emerging markets during the current financial year.
- ▶ FPIs in equity have been volatile with some months seeing net additions and some net decline.
- ▶ The volatility in the FPIs, however, did not impact the Indian stock markets, which are growing steadily.

Capital issues rose sharply in Q1 of FY 25

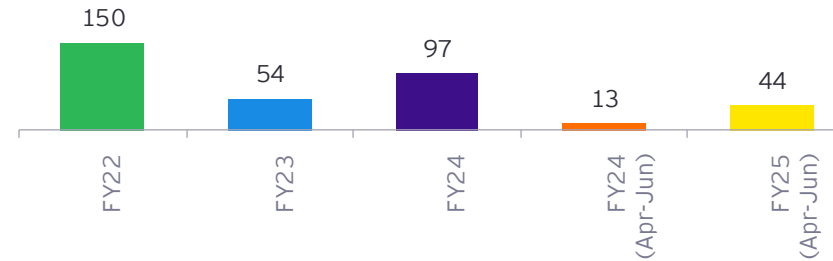
Gross FDI Inflows in India (US\$ billions)



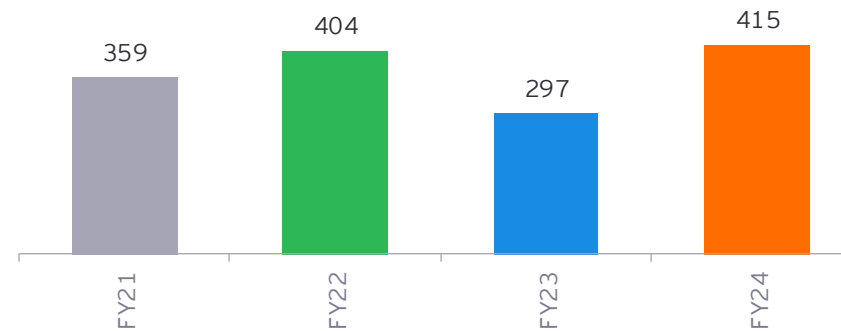
PE/VC investments (US\$ billions)



Capital issues by non-governmental companies (INR '000 crores)



Change in outstanding corporate bonds listed on NSE and BSE (INR '000 crores)



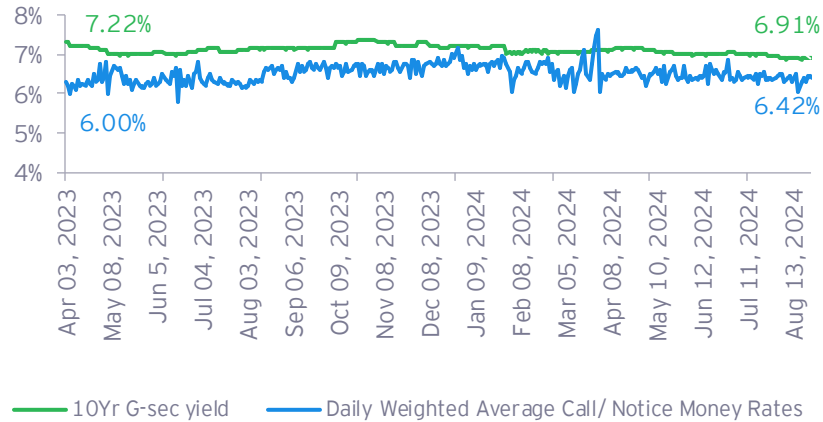
Key findings

- ▶ The capital issues by non-governmental companies sharply increased by 238% during Q1FY25 vis-à-vis Q1FY24.
- ▶ Gross FDI inflows have increased by 26.4% y-o-y during Q1FY25.
- ▶ Manufacturing, financial services, communication services, computer services, electricity and other energy sectors accounted for 80% of the gross FDI inflows.
- ▶ PE/VC investments during the period April-July 2024 are at similar levels as in the previous year.

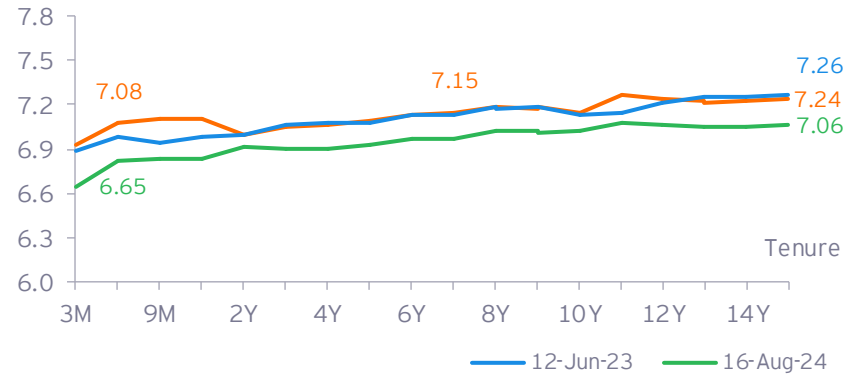
Interest rates and exchange rates have been stable, though interest rates have declined marginally

Financial markets

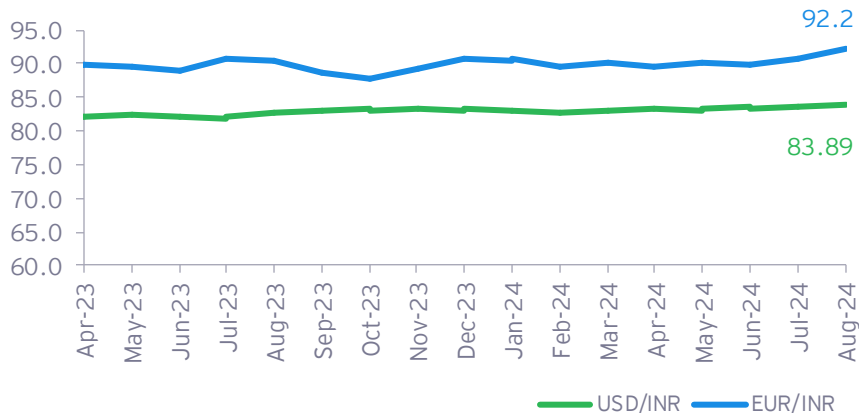
G-Sec yield (10yr), policy rate and spread



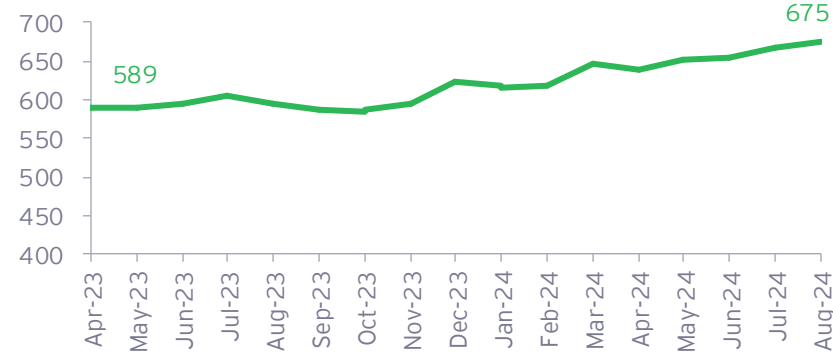
India sovereign yield curve (in %) (Annualized)



Exchange rates



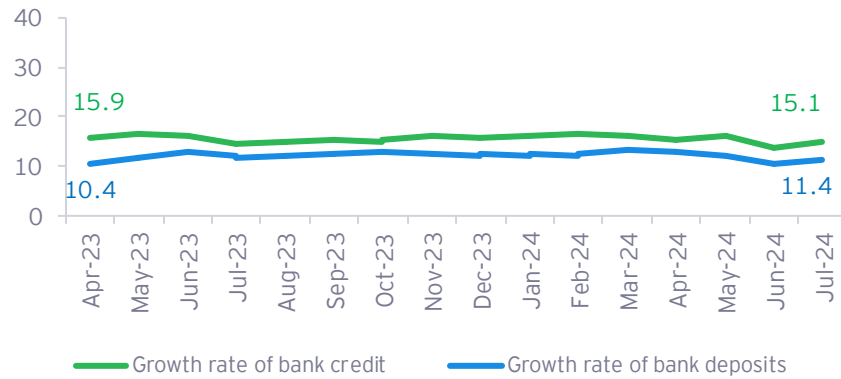
India foreign exchange reserves (in US\$ billion)



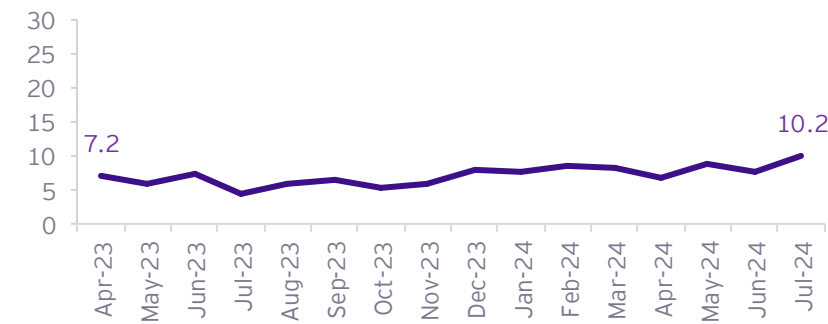
Key findings

- ▶ The yield on 10-year G-Sec increase remained flat and ranged between 6.91% to 7.18% in the current financial year, i.e., since April 2024.
- ▶ India's sovereign yield curve is flattish with yields in the range of 6.7% to 7.3%. However, it is not inverted.
- ▶ India's foreign exchange reserves rose to an all-time high of US\$675 billion in Aug-24, equivalent to more than 11 months of imports and more than 100% of external outstanding debt.
- ▶ Rupee has exhibited the least volatility amongst major currencies, such as Pound, Euro, Russian Rubble, Brazilian Peso; depreciating by 0.4% m-o-m in Aug'24 vis-à-vis the US dollar.

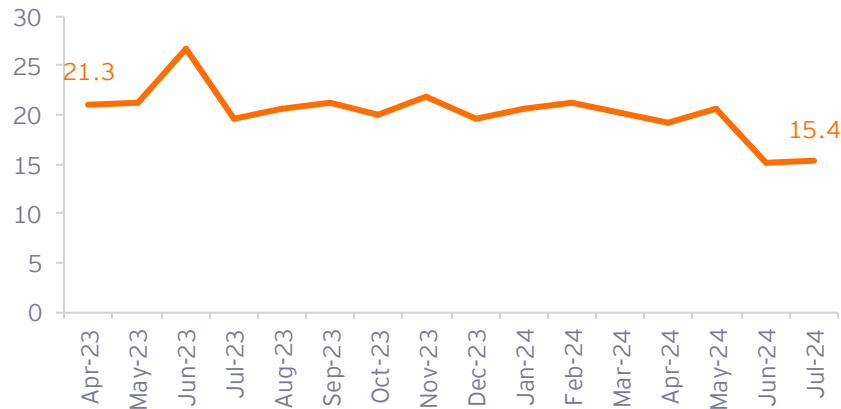
Growth rate of bank credit and bank deposits of scheduled commercial banks (%)



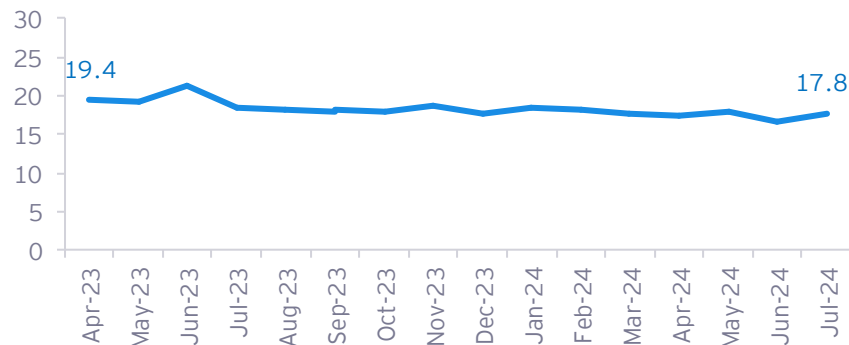
Growth rate of bank credit to industry (%)



Growth rate of bank credit to services (%)



Growth rate of bank credit to personal loans (%)

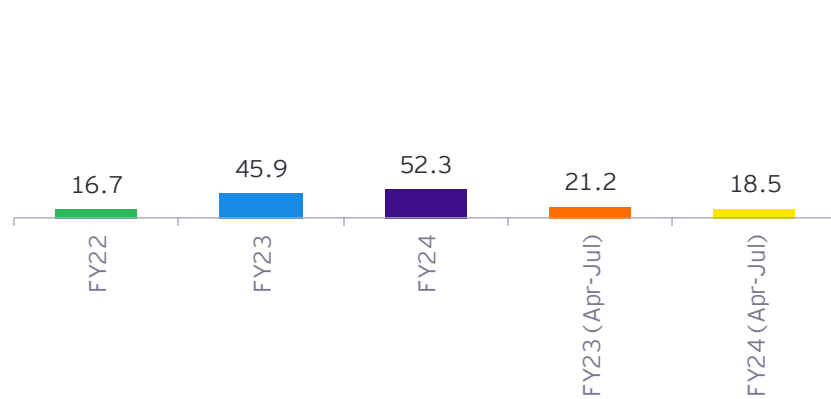


Key findings

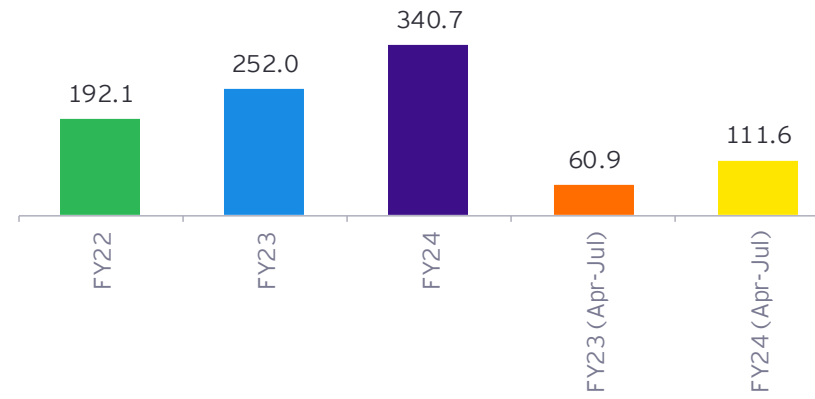
- ▶ Growth in total bank credit was steady in FY25. It registered a growth of 15.1% in July 2024 as compared to 14.2% in July 2023.
- ▶ The growth of bank deposits recorded an uptick in July 2024 after moderating in the last two months.
- ▶ The growth rate of credit to industry also recorded an uptick after moderating in the last few months. It grew by 10.2% in July 2024 compared to 4.6% in July 2023.
- ▶ The growth rate of credit to services sector moderated substantially to 15.4% in July 2024 from 19.7% in July 2023. A decline in credit growth in the non-banking financial companies (NBFCs) and trade sectors mainly caused the decrease in growth.
- ▶ The growth rate of credit to personal loans also moderated marginally to 17.8% in July 2024 as compared to 18.4% in July 2023.

Flow of bank credit to personal loans is driven by housing loans

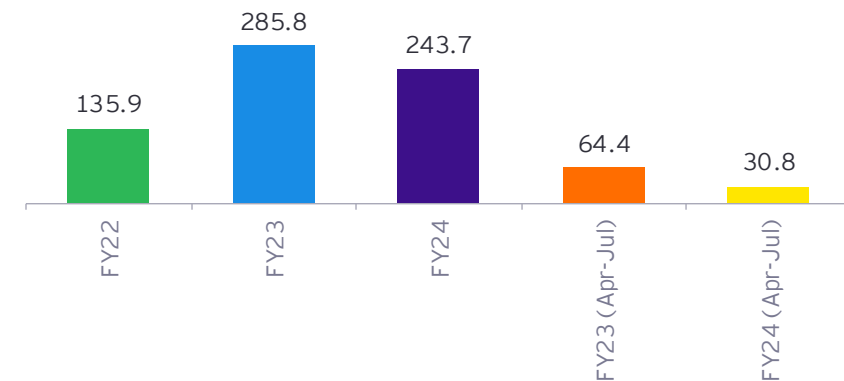
Credit card loans (in INR '000 crore)



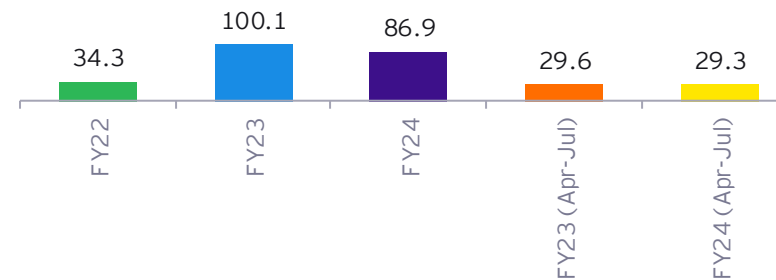
Housing loans (in INR '000 crore)



Other personal loans (in INR '000 crore)



Vehicle loans (in INR '000 crore)



Key findings

- ▶ Housing loans, which were up 83% during April to July FY25 compared to the same period last year, drove the growth in personal loans, highlighting a strong residential property market in India.
- ▶ Banks slightly moderated the growth in additional credit card loans advanced during April to July FY25 compared to the same period last year.
- ▶ Banks notably moderated other personal loans during April-July FY25 compared to the same period last year, while vehicle loans remained stable.

Source: RBI

Other personal loans include consumer durables, advances to individuals and FDs, education, other personal loans

Flow of credit between two months is calculated by taking the difference between outstanding bank credit at the end of the respective months

Impact of the merger between Bank and NBFC has not been considered for effective comparison of the trends

Glossary

S. No.	Abbreviation	Full Form
1	AEPS	Aadhaar Enabled Payment System
2	APBS	Aadhaar Payments Bridge System
3	ASEAN	Association of Southeast Asian Nations
4	BBL	Barrel
5	BE	Budget Estimates
6	BHIM	Bharat Interface for Money
7	BSE	Bombay Stock Exchange
8	BTU	British thermal unit
9	CBDC	Central Bank Digital Currency
10	CGA	Controller General of Accounts
11	CIT	Corporation Income Tax
12	CMIE	Centre for Monitoring Indian Economy
13	COP	Conference of the Parties
14	CPI	Consumer Price Index
15	CPO	Crude Palm Oil
16	DBIE	Database on Indian Economy
17	DPIIT	Department for Promotion of Industry and Internal Trade
18	DT	Direct Tax
19	ECS	Electronic clearing system
20	EPF	Employees' Provident Fund
21	EPFO	Employees' Provident Fund Organisation

S. No.	Abbreviation	Full Form
22	ESG	Environmental, social, and governance
23	EU	European Union
24	FBIL	Financial Benchmarks India Pvt Ltd
25	FBX	Freightos Baltic Index
26	FD	Fiscal Deficit
27	FDI	Foreign direct investment
28	FMCG	Fast-moving consumer goods
29	FPI	Foreign portfolio investment
30	FRBM	Fiscal Responsibility and Budget Management
31	FY	Financial Year
32	G-20	Group of Twenty
33	GDP	Gross Domestic Product
34	GFCE	Government Final Consumption Expenditure
35	GFCF	Gross Fixed Capital Formation
36	GHG	Green House Gas
37	GoI	Government of India
38	GST	Goods and Service Tax
39	GSTIN	Goods and Services Tax Identification Number
40	GTR	Gross Tax revenues
41	GVA	Gross Value Added
42	GW	Gigawatt

Glossary

S. No.	Abbreviation	Full Form
43	IDT	Indirect Tax
44	IIP	Index of Industrial Production
45	IMF	International Monetary Fund
46	INR	Indian National Rupee
47	IT	Information Technology
48	ISP	Internet service provider
49	JNPT	Jawaharlal Nehru Port Trust
50	KWH	Kilowatt hours
51	LB	pound
52	MCX	Multi Commodity Exchange of India Limited
53	MEITY	Ministry of Electronics and Information Technology
54	MMSCM	Million Standard Cubic Metre
55	MMSCN	Multimedia Messaging Service Center
56	MNREGA	Mahatma Gandhi National Rural Employment Guarantee Act
57	MoSPI	Ministry of Statistics and Programme Implementation
58	MT	Metric Tonne
59	NBFC	Non-Banking Financial Company
60	NDC	Nationally Determined Contributions
61	Nifty	National Stock Exchange Fifty
62	NSDL	National Securities Depository Ltd
63	NSE	National Stock Exchange of India Ltd

S. No.	Abbreviation	Full Form
63	NYMEX	New York Mercantile Exchange
64	OECD	Organization for Economic Cooperation and Development
65	ONDC	Open Network for Digital Commerce
66	OTT	Over-the-top
67	PAT	Perform, Achieve and Trade
68	PE	Private equity
69	PFCE	Private Final Consumption Expenditure
70	PIB	Press Information Bureau
71	PIT	Personal Income Tax
72	PSU	Public Sector Undertaking
73	PMI	Purchasing Managers' Index
74	RBI	Reserve Bank of India
75	RE	Revised Estimates
76	S&P	Standard & Poor's
77	SEBI	Securities and Exchange Board of India
78	TEU	Twenty-foot Equivalent Unit
79	TRAI	Telecom Regulatory Authority of India
80	UED	Union Excise Duty
81	UPI	Unified Payments Interface
82	UN	United Nations
83	UNCTAD	United Nations Conference on Trade and Development

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