

# INDIA'S ECONOMIC OUTLOOK

## Executive Summary

The Indian economy has staged a full recovery from the pandemic in FY22 and has positioned itself to ascend to the pre-pandemic growth path in FY23. In 2022, it also became the 5<sup>th</sup> largest economy overtaking the UK.

Though the global scenario is bleak, India's resilient economy is expected to grow at 6.5% (7% in real terms) for FY23. This is a capex-led growth along with the Indian government following a path of credible fiscal consolidation to achieve a fiscal deficit below 4.5% by 2025-26. The capital investment outlay budgeted is ₹10 lakh crores for FY24 (~3.3% of GDP). This has increased steeply by 33% from the ₹7.5 lakh crore allocated in the fiscal 2022-23, and is 4x of the allocation in FY16. The spending on infrastructure will have a multiplier effect on growth & job-creation.

The increased capex is coupled with increase in credit financing and supply. This comes on the back of balance sheet improvement of Indian corporates and financial health improvement of banks. When global economic growth started to slow due to synchronised and aggressive monetary tightening, domestic stimulus to growth seamlessly replaced the external stimuli in India. Private consumption stood at 58.4 per cent of GDP in Q2 of FY23. The uptick in private consumption and "release of pent-up demand" boosted production activity, leading to buoyant tax collections and a 4-year low urban unemployment rate of 7.2 per cent.

A positive growth-interest rate differential, because of capex-led growth, has also kept the debt levels sustainable. India's ratio of external debt to GDP stands at a comfortable level of 19.2 per cent as of end-September 2022. Meanwhile, the RBI has managed to keep the annual rate of inflation below 6 per cent and the wholesale price inflation below 5 per cent. It has also prudently managed India's forex reserves, 9.3 months of import cover as of end-December 2022, despite global headwinds.

Thus, India enters its Amrit Kaal (25 years to Independence Centenary), riding on its resilient and sound economy, with an ambition to be a global hub of manufacturing by the end of this decade. To realise this dream, governance will also play a major role. Consistent reforms have been made in this direction during the past 8 years for enhancing ease of doing business. For example, changes have been made under the Insolvency and Bankruptcy Code (IBC), a unified GST has been adopted, more than 39,000 compliances have been reduced and more than 3,400 legal provisions have been decriminalized.

Owing to the dedicated support to infrastructure creation, sound economic fundamentals and increasing ease of doing business, global investors are attracted to India and this augurs well for the economy in the long run.

## SECTOR WISE HIGHLIGHTS FROM BUDGET 2023-24

Industry/ Sector	Key Measures	Outcomes
<b>Automobile</b>	<ol style="list-style-type: none"> <li>1. Customs duty exemption on import of capital goods and machinery required for Li ion cells for batteries used in EVs</li> <li>2. Scrapping of old vehicles</li> <li>3. Budget for FAME increased by 78% YoY to ₹5,172 cr</li> </ol>	<ol style="list-style-type: none"> <li>1. The scrapping of old vehicles will augur the demand for new ones. Given the government's thrust on EVs through the FAME policy and reduction of input cost for EV batteries, consumers will want to replace their old vehicles with new EVs. This will spur a growth in production and sale of EVs. At the same time, it will also help in the transition of the economy to a less carbon one.</li> </ol>
<b>BFSI</b>	<ol style="list-style-type: none"> <li>1. Enhancing business activities in IFSC, GIFT City with initiatives such as setting up of a subsidiary of EXIM Bank, data embassies, recognising offshore derivative instruments as valid contracts, setting up a single window IT system for registration and approval from IFSCA, SEZ authorities, GSTN, RBI, SEBI and IRDAI among others</li> <li>2. Extension of period of tax benefits to funds relocating to IFSC, GIFT till 31.03.2025</li> <li>3. ₹9000 cr corpus for Credit Guarantee Scheme for MSMEs w.e.f. 01.04.2023</li> <li>4. Simplification of the KYC Process by adopting a 'risk-based' instead of 'one size fits all' approach</li> <li>5. Setting up of a National Financial Information Registry to serve as the central repository of financial and ancillary information.</li> <li>6. Fintech Services (DigiLocker): To enable more Fintech innovative services, the scope of documents available in DigiLocker for individuals will be expanded.</li> <li>7. Amendments proposed in Banking Regulation Act, the Banking Companies Act and the RBI Act</li> </ol>	<ol style="list-style-type: none"> <li>1. A system of unified filing process will further the ease of doing business in IFSC, GIFT City – thereby attracting more investors and expediting its growth as a financial hub for domestic and international entities. Data embassies will help those countries looking for data continuity solutions</li> <li>2. The establishment of an EXIM Bank subsidiary would encourage emerging sectors such as aircraft and ship financing activities in GIFT City</li> <li>3. Credit Guarantee for MSMEs will enable lenders to dispense additional credit worth ₹2tn and reduce the cost of credit by 1% for MSMEs</li> <li>4. Simplification of KYC will make the process more dynamic, ensure faster onboarding of consumers and deepen the journey of Digital India initiatives</li> <li>5. The National Financial Information Registry will facilitate efficient flow of credit, promote financial inclusion and foster financial stability.</li> <li>6. Role of DigiLocker in Fintech services: Fintech services in India have been facilitated by our digital public infrastructure including Aadhaar, PM Jan Dhan Yojana, Video KYC, India Stack and UPI, and expansion of digi-locker scope will further</li> </ol>

	<p>to improve bank governance and enhance investors' protection</p> <p>8. Common Business Identifier: For the business establishments required to have a Permanent Account Number (PAN), the PAN will be used as the common identifier for all digital systems of specified government agencies. This will bring ease of doing business; and it will be facilitated through a legal mandate.</p>	<p>benefit adoption and expansion of fintech services.</p>
<b>Fisheries</b>	<ol style="list-style-type: none"> <li>1. ₹6000 cr under PM Matsya Sampada Yojana</li> <li>2. ₹20 lakh cr agriculture credit with focus on animal husbandry, dairy and fisheries</li> <li>3. Reduction of duty on key inputs for domestic manufacturer of shrimp feed</li> </ol>	<ol style="list-style-type: none"> <li>1. Targeted investment will improve value chain efficiencies of this sector and expand growth opportunities Note: Important as the export value of fish and fishery products amounted to over ₹579 bn in FY22</li> <li>2. The duty reduction will enhance India's export competitiveness in the sector</li> </ol>
<b>Gem &amp; Jewellery</b>	<ol style="list-style-type: none"> <li>1. R&amp;D grant for Lab Grown Diamonds (LGD) to one of the IITs for indigenous production of LGD seeds and machines</li> </ol>	<ol style="list-style-type: none"> <li>1. Will boost India's prospect of becoming the largest market of LGDs in the future with the segment growing at an annual rate of 15-20 per cent; will also have a positive impact for chemicals and gases used in Chemical Vapor Deposition process undertaken during LGD production. Note: Gross exports of polished LGDs has shown a growth of 60.08% YoY for Apr-Nov in 2022</li> </ol>
<b>Hospitality</b>	<ol style="list-style-type: none"> <li>1. 50+ destinations to be selected through challenge mode to be developed as a complete package for both domestic and foreign tourists</li> <li>2. "Dekho Apna Desh" initiative to promote domestic tourism</li> </ol>	<ol style="list-style-type: none"> <li>1. These will help in the expansion of the services sector, promote entrepreneurship, job creation and boost consumption</li> <li>2. Will also increase foreign exchange earnings</li> </ol>
<b>Infra and Construction</b>	<ol style="list-style-type: none"> <li>1. ₹10 lakh cr capital investment outlay for on infra in FY24 i.e., 33% increase YoY (and 4x of allocation in FY16)</li> <li>2. Extension of 50-year free loan to State Governments by 1 year with significantly enhanced outlay of ₹1.3lakh cr</li> <li>3. Urban Infrastructure Development Fund (UIDF) worth ₹10,000 cr</li> </ol>	<ol style="list-style-type: none"> <li>1. Thrust on capex will have a multiplier and broad-based effect on the growth of the economy</li> <li>2. The extension of free loan to states will help spur investment in infrastructure, in line with the centre's policy of capex spending</li> <li>3. UIDF will aid in financing the creation of public infrastructure in Tier 2 and Tier 3 cities. This helps the government work on its priority of inclusive development.</li> </ol>

	<p>4. Capex of ₹2.40 lakh cr allocated to Railways – highest ever outlay for the industry; 9x the outlay in 2013-14</p> <p>5. Increase in outlay of PM Awas Yojana by 66% YoY to over ₹79,000 cr</p> <p>6. Outlay for the highways sector enhanced to ₹2.70lakh cr and for National Highways Authority of India (NHAI) increased to ₹1.62lakh cr for FY24 from last year’s revised allocation of ₹1.42lakh cr.</p>	<p>4. The record-setting outlay for Railways will increase the transit speed for goods and people and enhance connectivity, thereby ensuring lower logistic cost in the economy.</p> <p>5. Increased outlay under the Awas Yojana will spur investment in the real estate sector and promote production of steel, iron and other building materials</p> <p>6. Strategic focus laid on highway infrastructure will lead to an inclusive growth and development with upliftment of unserved and underserved communities. It will also improve efficiency of the logistics sector.</p>
<b>IT &amp; Digital Services</b>	<p>1. Make AI in India and Make AI work for India</p> <p>i. 3 centres of excellence for AI will be setup</p> <p>ii. Partnership with leading industry players to develop applications in areas of agri, health and sustainable cities</p> <p>2. 100 labs for developing applications using 5G services</p> <p>3. Setting up a Central Data Processing Centre for handling data administrative work under Companies Act, 2013</p> <p>4. An Entity Digi Locker will be set up for use by MSMEs, large businesses.</p>	<p>1. AI-led skill development prepares India’s ecosystem for Industry 4.0 with a significant impact on the GDP</p> <p>2. Areas such as smart classrooms, intelligent transport systems and healthcare will benefit from the applications developed using 5G – leading to generation of new business models</p> <p>3. The Entity Digi Locker will help towards storing and sharing documents online securely, whenever needed, with various authorities, regulators, banks and other business entities.</p>
<b>Pharmaceuticals</b>	<p>1. Budget allocation for development of pharmaceutical industry has increased to ₹1,250 cr from ₹100 cr in the last budget</p> <p>2. Facilities being made available in select ICMR labs for research by medical faculty and private sector</p>	<p>1. Expands opportunities for collaborative research and innovation</p>
<b>Renewables</b>	<p>1. ₹35,000 cr for priority capital investments towards energy transition and net zero objectives</p> <p>2. Battery energy storage systems with capacity of 4000MWH to be supported with Viability Gap Funding. Also, proposed a framework for pumped storage plants to also be announced</p>	<p>1. These initiatives will help achieve India’s renewable energy targets (Net-zero by 2070 pledged at COP26, 500 GW renewable capacity by 2030) by focusing on green growth</p> <p>2. Also help in advancing battery projects in the country and support higher renewable adoptions for the grid</p>

	<p>3. Green Credit Programme to be notified under the Environment Protection Act</p> <p>4. ₹20,700 cr for construction of inter-state transmission system for evacuation and grid integration of 13GW renewable energy from Ladakh (including central support of ₹8,300 cr)</p> <p>5. ₹10,000 cr for 500 new 'waste to wealth' plants with 200 compressed biogas plants and 300 cluster-based plants</p> <p>6. Target of 5MMT annual production by 2030 for production of Green Hydrogen under National Green Hydrogen Mission, with an outlay of INR 19,700 Cr</p>	<p>3. Green Credit Programme will incentivise environmentally sustainable and responsive actions by companies, local bodies and individuals</p> <p>4. Renewable energy projects will not only help provide energy fully to Ladakh but it can also position itself to sell electricity to other states</p> <p>5. The 'waste to wealth' plants will promote circular economy by producing green energy from dry and wet waste. The by-product such as electricity and Bio-CNG will also help in achieving sustainability of waste management operations.</p> <p>6. The National Green Hydrogen Mission will help by playing a crucial role in India becoming an energy independent nation by 2047 and will facilitate transition of the economy to low carbon intensity, reduce dependence on fossil fuel imports</p>
<b>Transport</b>	<p>1. 50 additional airports, heliports, water aerodromes and advance landing grounds will be revived</p> <p>2. ₹75,000 cr for 100 critical transport infrastructure projects (including ₹15,000 cr from private sources)</p> <p>3. Coastal shipping to be promoted through PPP mode with viability gap funding</p>	<p>1. Reviving airports will lead to improved regional air connectivity</p> <p>2. Targeted investment in transport infra will help provide last and first mile connectivity for ports, coal, steel, fertilisers and food grain sectors</p> <p>3. Coastal shipping is an energy efficient and lower cost mode of transport which can be used for both passengers and freight. It will also provide an impetus to the shipbuilding sector which has been identified as one of the sectors under Make in India</p>