



## ECONOMY

### State of the Indian Economy

#### GDP forecast reduced to 6.6% for FY25 (RBI):

The Reserve Bank of India (RBI) slashed its GDP growth forecast to 6.6% for 2024-25, in its latest monetary policy meeting held on 06 December 2024. In the last meeting, this projection was at 7.2%. GDP is estimated to have grown by 5.4% in the September 2024 quarter, much lower than expectations. For the remaining quarters, the RBI has revised its projections downward. GDP for December 2024 and March 2025 quarters is projected at 6.8% and 7.2%, respectively. Earlier, the projection for both quarters was at 7.4% each.

The RBI acknowledged the slowdown in several indicators in the September 2024 quarter. The central bank expects a recovery aided by strong festive demand and a pickup in rural activities in the last two quarters of 2024-25. The RBI has projected real GDP growth for the June and September quarters of 2025-26 at 6.9 % and 7.3%, respectively.

#### Average MPCE rises by 9% in rural areas: HCES

**2023-24:** As per the results of household consumption expenditure survey (HCES) 2023-24 released by the Ministry of Statistics & Programme Implementation (MOSPI), average Monthly Per Capita Consumption Expenditure (MPCE) in rural and urban India in 2023-24 is estimated to be Rs.4,122 and Rs.6,996, respectively, without taking into account the values of items received free of cost by the households through various social welfare programmes.

In nominal prices, the average MPCE (without imputation) in 2023-24 increased by about nine per cent in rural areas and eight percent in urban areas from the level of 2022-23.

The urban-rural gap in MPCE declined to 71 % in 2022-23 from 84% in 2011-12. It further dropped to 70% in 2023-24. This confirms the sustained momentum of consumption growth in rural areas. Non-food items remained the major contributor to the household's average monthly expenditure in 2023-24 with about 53 % and 60 % share in MPCE in rural and urban areas respectively. Beverages, refreshments, and processed

food continues to have the major expenditure share in 2023-24 in the food items basket of the rural and urban households.

#### Rabi sowing up 0.5 % as of 30 December 2024:

Area sown under rabi crops was reported at 61.5 million hectares as of 30 December 2024. This is 0.5% higher than the area covered during the corresponding period last year. Acreage under wheat increased by 2.2% to 32 million hectares and that under coarse cereals also increased by 1.6% to 4.9 million hectares. Area sown under pulses was up y-o-y by 0.1 % at 13.6 million hectares. Gram was sown on 9.4 million hectares, 0.9 % higher than a year ago. Area sown under oilseeds decreased by 5.1% to 9.6 million hectares, while area under rapeseed declined by 5.6 % to 8.9 million hectares as of 30 December 2024.

Crops	Area Sown (lakh Ha)	
	2023-24	2024-25
Wheat	313.00	319.74
Rice	13.61	14.37
Pulses	136.05	136.13
Shri Anna Coarse cereals	47.77	48.55
Oilseeds	101.37	96.15
Total Crops	611.80	614.94

Source: Department of Agriculture & Farmers' Welfare, GoI

**Manufacturing PMI dips to 12-month low:** The HSBC India manufacturing Purchasing Managers' Index (PMI), compiled by S&P Global, fell marginally to 56.4 in December 2024, the lowest it has been in 12 months. It stood at 56.5 in November 2024. Despite the slowdown, the index remained well above the 50 mark, which separates expansion from contraction. The index also remained well above the long-run average of 54.1, signalling a robust rate of growth. Additionally, the job creation rate was also the fastest in four months in December 2024. Around one-in-ten companies recruited extra staff in the month, while fewer than two per cent of firms shed jobs.

### Inflation Outlook

**CPI inflation falls to 5.5%, WPI inflation falls to 1.9% in November 2024:** Retail price inflation, measured by the Consumer Price Index (CPI), fell to



5.5 % in November 2024 from 6.2 % in October 2024. Inflation in urban India fell to 4.8 % from 5.6 % in October 2024, while that in rural India declined to 6 % from 6.7 %. At the all-India level, inflation in the food & beverages group fell to 8.2 % in November 2024 from 9.7 % in October 2024. The fuel & light group reported a deflation of 1.8 % in November 2024, as compared to a deflation of 1.7 % seen in October 2024.

At Wholesale level, inflation as measured by the WPI, fell to 1.9 % in November 2024 from 2.4 % in October 2024. Inflation in the manufactured products group rose to 2 % in November 2024 from 1.5 % in October 2024. Inflation in wholesale prices of primary articles fell to 5.5 % from 8.1 % in October 2024. Deflation in power & fuel remained unchanged at 5.8 % in November 2024.

Prices of palm oil have surged on account of a rise in supply constraints following floods in Malaysia and Indonesia's plans to increase export taxes and raise edible oil's share in biodiesel to 40 per cent. It has now become pricier than soyabean and sunflower oils. The landed price of crude palm oil is higher as Malaysia and Indonesia, the top two producers of the oil, imposed export duties to encourage value additions. Further, Indonesia has also decided to blend 40 % of palm oil in biodiesel, thereby reducing the total availability of oil for the food basket.

## Interest Rate Outlook

**Short term rates exceeded long term rates:** In the week ended December 27, 2024, the yield on 1-year G-sec exceeded the yield on 10-year G-sec, making the yield curve inverted. The weighted average yield on government securities, with a residual maturity of 1 year, reached a 5-month high, at 6.88 % in the week ended December 27 from 6.71 % in the previous week, an increase of 17 basis points (bps).

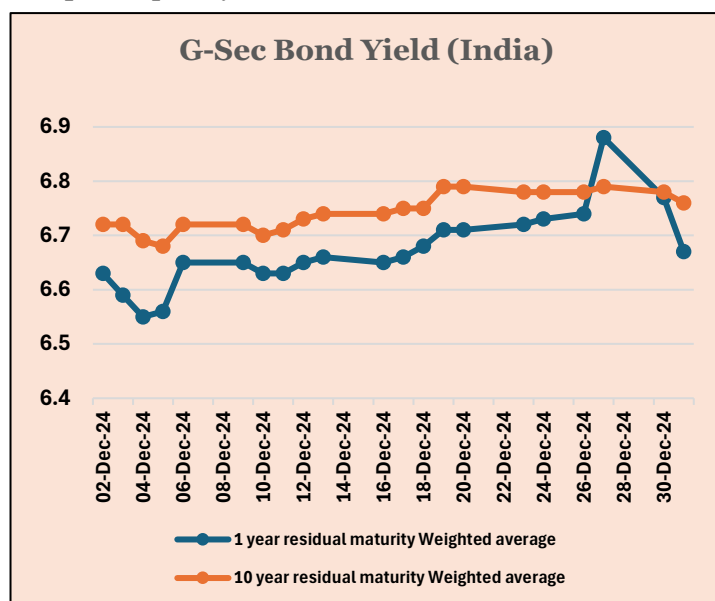
The weighted average yield on government securities (G-sec), with a residual maturity of 10 years, remained almost constant, at 6.79 % in the week ended December 27, a one basis point increase from the previous week.

The weekly tenure risk premium between the weighted average yield of 1-year G-sec and 10-year G-sec

recorded a negative spread, for the first time in the current fiscal year. The spread went down to -8 bps in the week ended December 27, from 8 bps in the previous week.

**The liquidity surplus in the banking system** declined in the last week of December 2024. The average liquidity surplus in the banking system declined to Rs.0.88 trillion in the week ended December 27 from Rs.0.89 trillion in the previous week. The liquidity surplus remained low despite a 50 bps CRR cut by RBI that infused liquidity of Rs.1.16 trillion in the banking system. Reserve Bank of India (RBI) reduced the Cash Reserve Ratio (CRR) by 25 bps to 4.25 % from 4.5 % earlier, in its first CRR cut in the fortnight beginning December 14 and implemented another CRR cut of 25 bps to 4% in the fortnight beginning December 28.

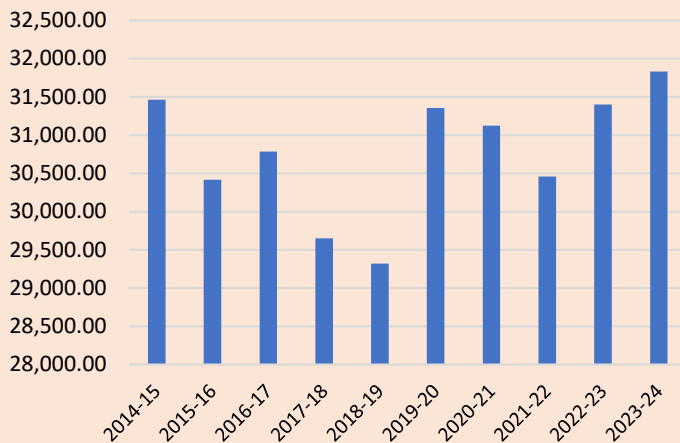
As the surplus liquidity remains low, RBI injected Rs.2.87 trillion through Variable Repo Rate (VRR) auction in the week ended December 27. This is after RBI injected Rs.2.75 trillion in the week ended December 20. RBI has injected a total liquidity of Rs.6.63 trillion in December as the liquidity shrank massively on account of advance tax outflows. Interventions by the RBI in the forex market to contain the volatility of the Indian Rupee (INR) against the USD is also likely to have contributed to the fall in surplus liquidity. (CMIE)



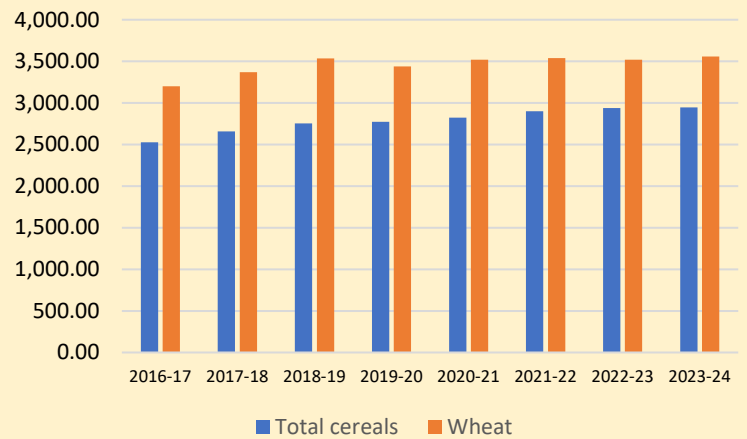
Source: CMIE

## Dashboard on Agricultural Commodity: Wheat

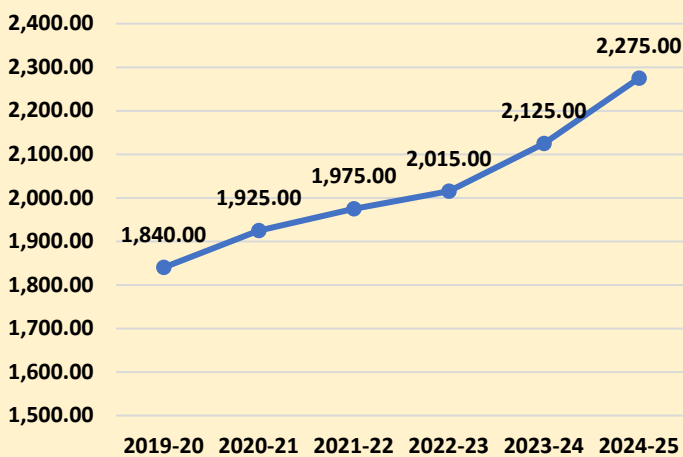
**Gross Cropped Area (in '000 Hectares)**



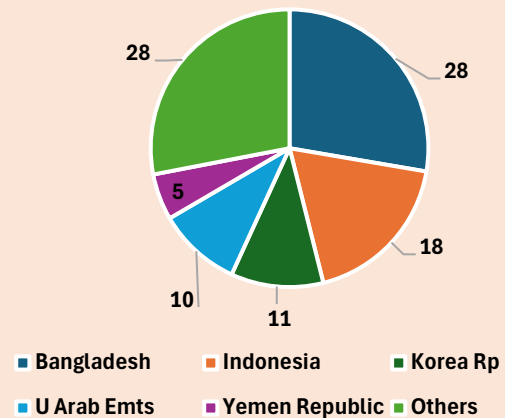
**Yield (Total Cereals vs Wheat) (in kg/ha)**



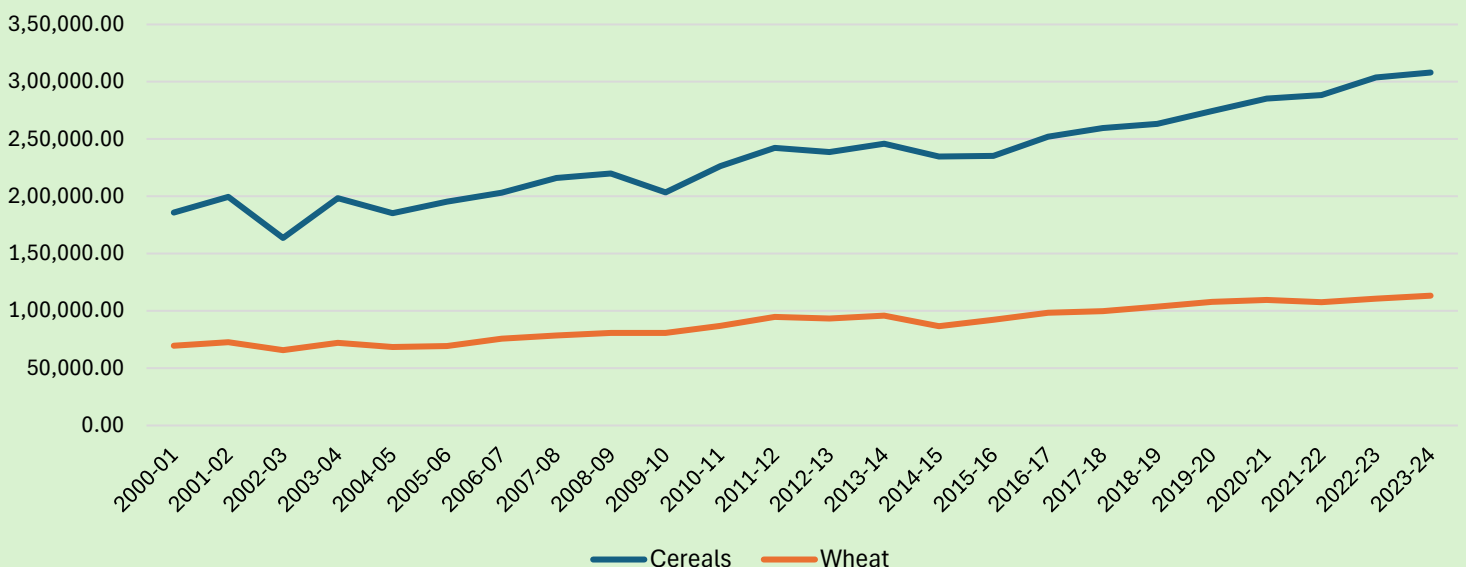
**Minimum Support Price (Rs/Quintal)**



**% Wheat Exports to Top Five Countries 2022-23**



**Wheat and Cereal Production ('000 tonnes)**



## Report THINK

### The State of Food and Agriculture Report 2024:

The Food and Agriculture Organization (FAO) of the United Nations released the State of Food and Agriculture Report in November 2024. This report has revealed global agrifood hidden costs of approximately USD 12 trillion annually, primarily driven by unhealthy dietary patterns and environmental degradation. This report examines the often-overlooked factors that contribute to these costs, urging a transformation of the global agrifood systems.

### Major Findings of the report are as under:

**1. Hidden costs in agrifood systems for India:** India's hidden costs amount to USD 1.3 trillion, making them the third largest globally after China (USD 1.8 trillion) and the United States (USD 1.4 trillion). These costs highlight significant health, social, and environmental challenges linked to its agrifood system. Over 73% of these costs arise from dietary risks, such as high consumption of processed foods and low intake of plant-based foods. The overconsumption of processed foods and additives costs India USD 128 billion annually, primarily due to diseases like heart disease, stroke, and diabetes.

**2. Hidden Environmental and Social Costs:** Significant environmental costs arise from unsustainable agricultural practices, particularly in diversifying agrifood systems, with costs such as greenhouse gas emissions and nitrogen runoff reaching USD 720 billion. Traditional and protracted crisis systems suffer the highest social costs, including poverty and undernourishment, which represent a significant portion of GDP in these regions (8% to 18%). Countries facing prolonged crises bear significant relative environmental costs, reaching up to 20% of the Gross Domestic Product.

**3. Agrifood systems typology to identify context-specific policies:** This report analyses quantified hidden costs through the lens of an agrifood systems typology covering 153 countries with six categories – protracted crisis, traditional, expanding, diversifying, formalizing and industrial. Industrial and diversifying agrifood systems make the highest contribution to global quantified hidden costs (adding up to 5.9 trillion 2020 PPP dollars), dominated by health hidden costs linked to NCDs.

### Major Policy Recommendations of the report are as under:

#### 1. Capacity of Agrifood Systems to implement transformative actions:

Countries' capacity to take transformative action will depend to some extent on their institutional and fiscal space, as well as their supply chain structures and food environments, which vary widely across the agrifood systems typology. Countries and territories in industrial and formalizing agrifood systems categories have the most resources available for repurposing government support towards safe, nutritious diets with sustainable and inclusive food production and consumption patterns.

**2. Stakeholder engagement:** This report has highlighted the need to document the connections between the beneficiaries of today's actions (carried out by producers, agribusinesses and consumers) and the bearers of the hidden costs of these actions, tomorrow or generations to come. Involving all interdependent actors within agrifood systems is needed to identify effective levers towards the most suitable development paths.

#### 3. In Industrial agrifood systems (Long value-chains with high urbanization):

Upgrade food-based dietary guidelines to an agrifood systems approach, mandatory nutrient labels and certifications, and information campaigns, etc.

#### 4. In traditional agrifood systems (Short value-chains with low urbanization):

Complement conventional productivity-enhancing interventions with environmental and dietary levers to avoid the increase in environmental footprint.

**5. Consumer Empowerment:** Clear, accessible information on the environmental, social, and health impacts of food choices to guide consumer behaviour must be accessible.

**6. Sustainability Incentives:** Providing financial and regulatory incentives for adopting sustainable practices and reducing emissions.

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