



ECONOMY

State of the Indian Economy

GDP growth accelerates to 8.4% in Q3, estimate for FY24 pegged at 7.6%: India's Gross Domestic Product (GDP) growth surged to a six-quarter high of 8.4% in October-December 2023, pushing up the growth rate for 2023-24 to 7.6% as against the earlier estimate of 7.3% NSO, 2024. Even as agricultural growth is expected to remain subdued at 0.7%, FY24 GDP is seen gaining from a low base effect, and an over 8% growth in manufacturing, mining and financial services. In the third quarter of the current financial year, among sectors, manufacturing posted the highest growth rate in double digits at 11.6%, while the construction sector grew 9.5%. Agriculture recorded a contraction of 0.8% in October-December.

Urban employment rate rises: India's unemployment rate soared to 8% in February 2024, rising back to its elevated levels that were witnessed through most months of 2023. Its sustained elevated levels last year led to the unemployment rate averaging at 8.1% in 2023, as opposed to 7.6% in 2022. While January 2024 began on a happy note, recording a sharp fall in unemployment rate to 6.8%, the metric has climbed back up to 8% in February 2024. The rise in unemployment rate in February is accompanied by an increase in labour participation rate (LPR) in the month. India's LPR stood at 41.4% in February, which is similar to its elevated levels recorded in the second half of 2023. The improvement in labour participation in February was seen across rural as well as urban India.

Share of spending on food fell below 50% for the first time in Rural India, according to The Household Consumption Expenditure Survey (HCES): The average monthly per capita consumption expenditure (MPCE) in urban households since 2011-12 rose to ₹6,459, with rural India's MPCE increased over the same period to hit ₹3,773, as per HCES 2022-23. Importantly, the numbers show that the proportion of spending on food has dropped to 46.4% for rural households from 52.9% in 2011-12, while their urban peers spent just 39.2% of their overall monthly outgoes on food compared with 42.6% incurred 11 years earlier. This reduction could translate into a lower weightage for food prices in the country's retail inflation calculations. The bottom 5% of India's rural population, ranked by MPCE, has an

average MPCE of ₹1,373 while it is ₹2,001 for the same category of population in the urban areas. The top 5% of India's rural and urban population, ranked by MPCE, has an average MPCE of ₹10,501 and ₹20,824, respectively.

Period	Rural		Urban	
	% share of cereals	% share of food	% share of cereals	% share of food
1999-00	22.23	59.4	12.39	48.06
2004-05	17.45	53.11	9.63	40.51
2009-10	13.77	56.98	8.16	44.39
2011-12	10.75	52.9	6.66	42.62
2022-23	4.91	46.38	3.64	39.17

Source: MoSPI.

Major rabi crop prices to weaken: Mandi prices of key rabi crops are expected to remain weak during the peak rabi marketing period of March-May 2024. Harvesting of rabi crops usually commences in March. This harvest is marketed by May end. Wholesale prices of rice and wheat are expected to weaken as the crop is harvested and marketed. Prices of masoor (lentil) and rapeseed & mustard are expected to fall. On the contrary, gram prices are expected to remain elevated. Anticipation of a poor kharif rice output due to El-Nino led to significant increase in rice prices from July 2023 onwards.

Manufacturing PMI inched up to 56.9, while Services PMI eases a bit in February:

India's manufacturing sector continued its recovery in February from an 18-month low in December, with production levels and sales rising at the fastest pace in five months, as per the seasonally adjusted India Manufacturing Purchasing Managers' Index (PMI). New export orders grew at the highest pace in 21 months, but employment levels changed little as firms felt existing staff strengths were enough to cope with the workload. India's manufacturing PMI has been above the 50-mark for 32 months.

India's services activity expanded at a robust pace in February, with the services PMI coming in at 60.6 during the month. The February print was, however, lower than 61.8 recorded during January. The robust services PMI print comes on the heels of the GDP data,



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which showed services sector growth expanding at 7% in Q3 as compared to 6% in Q2.

Agri trade via e-NAM set to cross ₹80,000 crore in FY24: e-NAM now integrates 1,389 mandis across 27 states. While the volume of farm gate, inter-state and inter-mandi trade is still a small portion of total turnover of e-NAM at ₹70,445 crore in April-February (2023-24), up 4% on year, it indicates a gradual shift to the digital platform, being used for better price discovery by the farmers. The total traded value of commodities on the digital platform using the farmgate model where farmers have started to sell commodities without physically transporting it to the mandis, during April-February, 2023-24 has been ₹85 crore compared to a very small amount traded last fiscal.

12.5% y-o-y growth in February GST collection: GST revenue collected for February 2024 is ₹1,68,337 crore, marking a robust 12.5% increase compared to that in the same month in 2023. This growth was driven by a 13.9% rise in GST from domestic transactions and 8.5% increase in GST from import of goods. GST revenue net of refunds for February 2024 is ₹1.51 lakh crore which is a growth of 13.6% over that for the same period last year.

India's Industrial production grows 3.8% in December 2023: India's industrial production grew 3.8% in December 2023. Factory output measured in terms of the Index of Industrial Production (IIP) had witnessed a growth of 5.1% in December 2022. While manufacturing output expanded at a faster pace in December, that of mining and electricity production cooled to 5.1% and 1.2% from 7.0% and 5.8%, respectively.

Inflation Outlook

India's wholesale inflation eases to 0.27% in January, food prices rise 3.79%: India's wholesale price inflation slowed down to 0.27% in January from 0.73% in December. This was mainly driven by a decrease in prices of manufactured products by 1.1% compared to last year. Additionally, the price increase in primary articles and food items eased to around 3.8% from over 5% in the previous month. Food prices, a crucial component of the WPI, exhibited a year-on-year rise of 3.79% in January, a notable slowdown from the 5.39% increase registered in December. However, prices of manufactured products experienced a downturn, falling by 1.13% in

January, as opposed to the 0.71% decline observed in the preceding month.

CPI, CPI-AL, CPI-RL eased: India's headline retail inflation rate decelerated to a three-month low of 5.10% in January 2024 due to easing food prices. The Consumer Price Index (CPI) inflation print in December 2023 was 5.69%. While headline retail inflation cooled in January, it has now spent 52 consecutive months above the Reserve Bank of India's medium-term target of 4%. However, inflation has now been within the tolerance range of 2% to 6% for the fifth month in a row.

Rate of inflation based on the CPI-AL (Agricultural Labourers) and CPI-RL (Rural Labourers) stood at 7.52% and 7.37% in January, 2024 compared to 7.71% and 7.46% in December, 2023 and 6.85% and 6.88%, respectively during the corresponding month of previous year.

Interest Rate Outlook

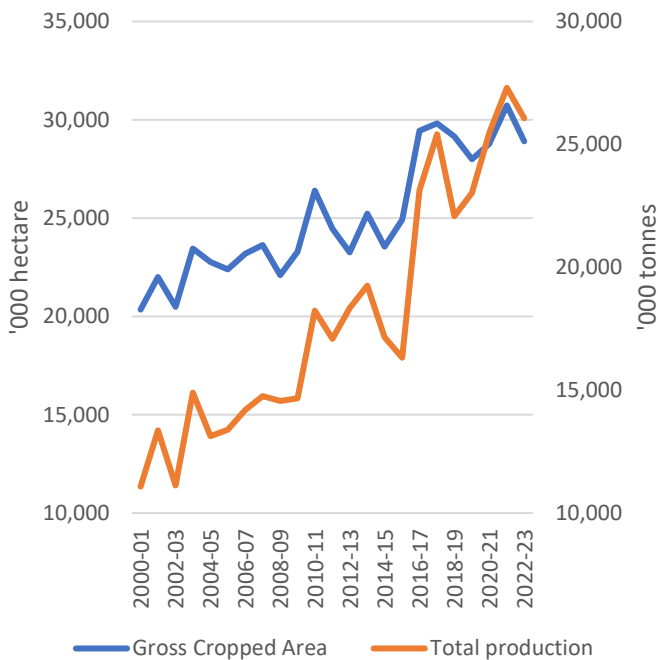
Bond Yield Movement: Yields of 1-year, 3-year and 5-year government securities (G-Secs) seem to have almost converged in the month of February 2024. 1-year G-Sec yields rose two basis points (bps) from 7.01 % in January to 7.03 % in February 2024. 3-year yields dipped three bps from 7.06 % to 7.03 % while that of 5-year G-Secs have dropped by one bps from 7.05 % last month to 7.04 % in February. 10-year yields declined by 10 bps from the previous month's 7.18% to 7.08% in February 2024. Yields post October 2023 have been on a downtrend consistently for four straight months. In fact, the current 10-year G-Sec yields are lower than their seven-month low of 7.10%.



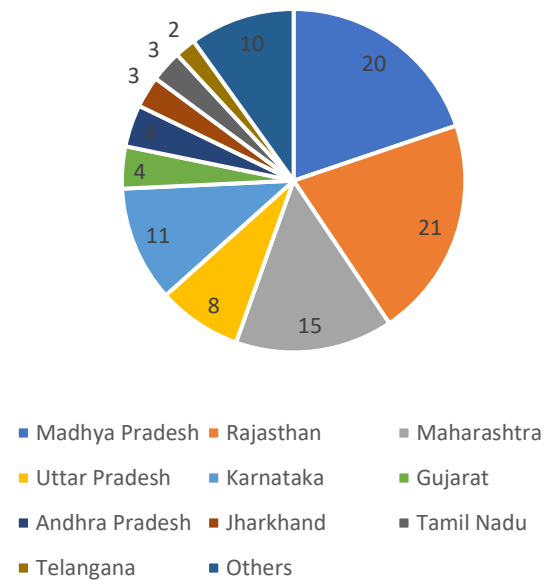
Source: CMIE

Dashboard on Agricultural Commodity: Pulses

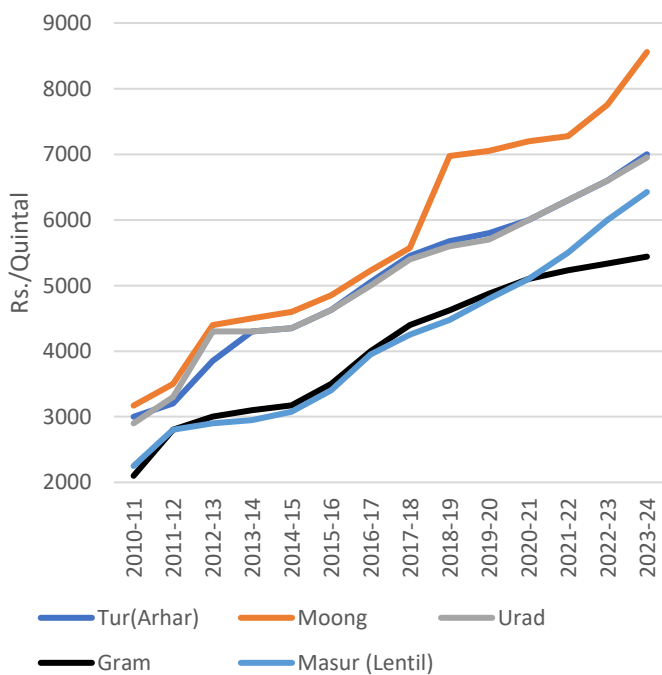
Area and Production of Pulses



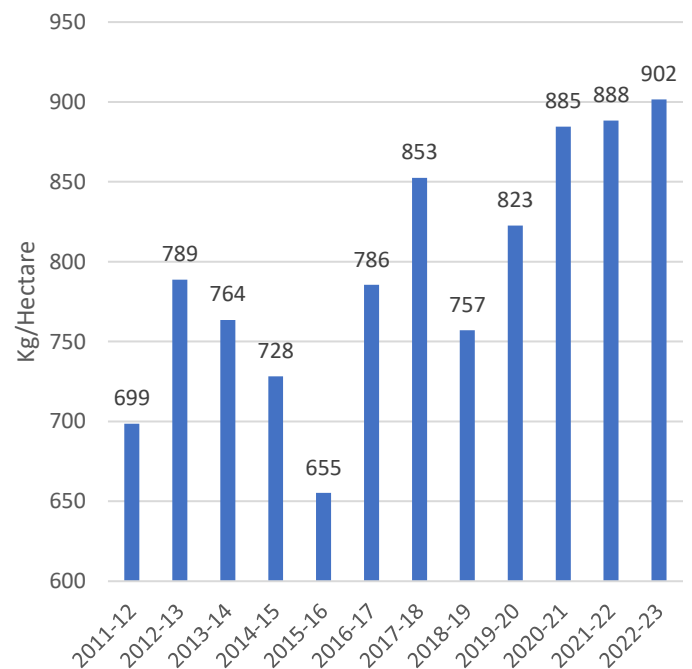
% share of top pulses producing states



MSP of various pulses over years



Yield of Pulses



Source: CMIE, PIB & Ministry of Agriculture & Farmers' Welfare

According to the final estimate of agricultural production for FY23, total production of pulses during 2022-23 is estimated at 260.58 Lakh tonnes which is higher by 14.02 Lakh tonnes than the last five years' average pulses production of 246.56 Lakh tonnes. During the last five years (2018-19 to 2022-23), total pulses production has increased by 18%.



Report THINK

World Employment and Social Outlook Trends 2024:

World Employment and Social Outlook (WESO) is a flagship report released by International Labour Organisation (ILO) annually. The recently released 2024 edition of the WESO report focusses on the comprehensive assessment of the latest labour market trends, including unemployment, job creation, growing inequalities and other indicators of productivity and its social outcome.

The key takeaways from the report are as under:

Resilient Labour Market: Despite deteriorating economic conditions, global labour markets have shown surprising resilience, with improvements in both the unemployment rate and the jobs gap rate in 2023. The Jobs Gap is a new indicator developed by the International Labour Organization (ILO) which captures all persons without employment that are interested in finding a job. The jobs gap stood at nearly 435 million in 2023, representing a jobs gap rate of 11.1%. The global unemployment rate stood at 5.1% in 2023 which is a modest improvement from 2022. On account of stronger than anticipated economic growth in 2023, participation rates increased in several regions in 2023, notably in high-income countries by 0.3% and lower-middle-income countries by 1.5%, respectively. However, in 2024-25, participation rates are expected to decline across all income groups (except low-income countries) for both men and women. Globally unemployment is projected to increase in 2024 by around 2 million in 2024, rising to 190.8 million from the 188.6 million in 2023. This upward tick is primarily a result of the rising unemployment rates expected among high-income countries (an increase of 0.2% from 2023 levels to reach 4.7% in 2024).

Widening Income Inequality: In FY23, income inequality has widened, and disposable incomes have declined in the majority of G20 countries. The gap between male and female participation rates remains high across the globe with some regional differences, and the pandemic has reversed some of the convergence achieved before 2020. In 2025, the global participation rates of men will exceed those of women by 25% (the gap will be noticeably elevated, at 38%, in lower middle-income countries). Population ageing will continue to decrease labour supply in high-income countries. In contrast, many low- and middle-income countries will experience a demographic transition only after 2030. The number of young people not in employment, education or training remains elevated globally. Youth unemployment rates are nearly 3.5 times higher than those of adults. Globally, in 2023, the youth unemployment rate of 13.3%, far exceeded that of adults, that was 3.9%.

Through the lens of labour and skills shortages across the world, this could lead to further divergence between the competencies of individuals in need of decent work and those sought after by employers to contribute to sustainable growth.

Persistent Working Poverty: Despite quickly declining after 2020, the number of workers living in extreme poverty (earning less than USD 2.15 per person per day in PPP terms) grew by about one million in 2023. The number of workers living in moderate poverty (earning less than USD 3.65 per person in PPP terms) increased by 8.4 million in 2023. A decline in moderate poverty was observed only in upper-middle-income countries. Around 58% of the global employment will remain informally employed in 2024. The overall incidence of working people earning less than US\$3.65 per day per person in PPP terms is likely to remain stable in 2024.

Slow Productivity Growth: After a brief post-pandemic boost, labour productivity has returned to the low levels seen in the previous decade. Productivity growth has continued to slow despite technological advances and increased investment, with barriers including skills shortages and the dominance of large digital monopolies. Survey data show that, globally, 77% of employers report difficulties in hiring candidates with the right skill set, whereas the proportion was only 35% a decade earlier (Manpower Group 2023). The persistence of the informal sector is notable in services and in rural areas which drives down overall productivity growth. This is compounded by the dominance of micro and small enterprises, which typically have lower productivity growth.

The South Asian Experience: South Asia is expected to have had the highest growth rate of 5% in the region in 2023 compared with 4.2% in East Asia and 3.8% in South-East Asia and the Pacific. However, in 2023, about 37% of the employed population in South Asia were living below the moderate poverty threshold (US\$3.65 per day per person in PPP terms). The informal employment rate varies considerably within the region, being highest in South Asia (87% in 2023). Employment to population ratio in South Asia is 51%. Youth continue to encounter decent work deficits, which exacerbate this age group's pre-existing vulnerabilities. Alongside the elevated and increasing unemployment rate in the region, informal employment affects more than eight out of ten young workers in the region. Wage increases in India have managed to outpace inflation despite global challenges contributing to an improvement in real wages. Real wages in India and Turkey are "positive" compared to other G20 countries.

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