ECONOMY

PRE-CONTEXT

ECONOMIC SURVEY 2024-25

THE HINDU, PG.NO: MULTIPLE PAGES.

News: "Economic Survey 2024-25 tabled in Parliament."

About Economic Survey:

- **Economic Survey 2024-25** tabled by ***Union Minister of Finance and Corporate Affairs*** in the Parliament.
- A document which provides a ***summary of the Indian economy's performance, government policies, and outlook for the upcoming financial year.***
- Normally, ***presented by the government to Parliament*** ahead of the Union Budget.
- Prepared by the ***Economic Division of the Department of Economic Affairs*** in the Finance Ministry under guidance of the **Chief Economic Adviser.**
- **It is not mentioned in the Constitution.**

Economic Growth & outlook

Global Slowdown:

- Especially in Europe and parts of Asia, due to ***supply chain disruptions and weak external demand.***
- **Despite global Slowdown, India has displayed steady economic growth.** India's real GDP growth of 6.4 per cent in FY25 remains close to the decadal average.
- ***IMF projects for the next five years global growth*** to average around 3.2 per cent over
- Economic Survey expects the India's overall ***real GDP growth in FY26 to be between 6.3 and 6.8 per cent.***
  - **Demand side estimations :**
    - **Private final consumption expenditure** at constant prices is estimated to grow by 7.3 per cent, ***driven by a rebound in rural demand.***
  - **Supply side Estimations:**
    - **Real gross value added (GVA)** is estimated to grow by 6.4 per cent.
      - **Agriculture sector** is expected to grow by 3.8 per cent in FY25.
      - **Industrial sector** is estimated to grow by 6.2 per cent in FY25.
        - Driven by ***construction activities and electricity, gas, water supply and other utility services***
      - **Services sector** is expected to remain robust at 7.2 per cent.
        - Driven by ***healthy activity in financial, real estate, professional services etc.***

Performance of Sectors of Economy

Agriculture:

- **Agriculture growth remained steady** in first half of FY25, with Q2 recording a growth rate of 3.5 per cent.
- **The total Kharif food grain production** is estimated at 1647.05 lakh metric tonnes (LMT) in 2024-25, higher by 5.7 per cent compared to 2023-24 and ***8.2 per cent higher than the average food grain production in the past five years.***
- Healthy Kharif production supported by ***above-normal monsoons, and an adequate reservoir level.***

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Industrial sector:

- Q1 saw a strong growth of 8.3 per cent, but ***growth moderated in Q2 due to three key factors.***
  - **First**, **manufacturing exports slowed significantly** due to weak demand from destination countries, and aggressive trade and industrial policies in major trading nations.
  - **Second**, the **above average monsoon disrupted sectors** like mining, construction, and, to some extent, manufacturing.
  - **Third**, the **variation in the timing of festivities between September and October** in the previous and current years led to a modest growth slowdown in Q2 FY25.
- **MSME sector:**
  - It has emerged as a highly vibrant sector of the Indian economy.
  - To provide equity funding to MSMEs with the potential to scale up, the government launched the **Self-Reliant India Fund** with a corpus of ₹50,000 crore.

Services Sector:

- The **services sector continues to perform well** in FY25.
- ***India's services export growth surged*** to 12.8 per cent during April–November FY25, up from 5.7 per cent in FY24.
- **Banking:**
  - The Survey observes that stability in the banking sector is underscored by declining asset impairments, robust capital buffers, and strong operational performance.
  - The **gross non-performing assets (NPAs)** in the banking system have ***declined*** to a 12-year low.
  - The **capital-to-risk-weighted assets ratio (CRAR)** for Schedule Commercial Banks stands at 16.7 per cent as of September 2024, ***well above the norm.***

Note: The Economic Survey states that growth process has been ably ***supported by stability on fronts such as inflation, fiscal health, and external sector balance.***

Inflation

- **Retail headline inflation** has ***softened to 4.9 per cent*** in April – December 2024 from 5.4 per cent in FY24.
- **Food inflation,** measured by the Consumer Food Price Index (CFPI), has increased from 7.5 per cent in FY24 to 8.4 per cent in FY25 (April-December), ***primarily driven by vegetables and pulses.***
- India's consumer price inflation will gradually align with the target of around 4 per cent in FY26 as per RBI and IMF.

Capital Expenditure

- Capital expenditure (capex), as a per cent of the total expenditure of the union, has ***continuously improved from FY21 to FY24.***

Infrastructure:

- **Railway connectivity,** 2031 km of railway network was commissioned in 2024, 17 new pairs of ***Vande Bharat trains*** were introduced.
- **Port capacity** improved significantly in FY25, ***reduction in average container turnaround time in major ports*** from 48.1 hours in FY24 to 30.4 hours.

Gross Tax Revenue

- **Despite the gross tax revenue (GTR) increasing** by 10.7 per cent YoY during April-November 2024, the tax revenue retained by the Union, ***net of devolution to the states, hardly increased,*** says the Survey.

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Balance of Payments

- External sector stability is ***safeguarded by services trade and record remittances.***
- India was the top recipient of remittances in the world, driven by an uptick in job creation in OECD economies.
  - The above two factors combined to ensure that India's current account deficit (CAD) remains relatively contained at ***1.2 per cent of GDP.***
- Gross Foreign Direct Investment ***inflows recorded a revival*** in FY25 marking USD 55.6 billion.
- Foreign portfolio investment (FPI) ***flows have been volatile*** in the second half of 2024, primarily on account of global geopolitical and monetary policy developments.
- India's foreign exchange reserves increased to USD 634.6 billion as of January 2025. sufficient to ***cover 90 per cent of external debt*** and provide an ***import cover of more than ten months,*** thereby safeguarding against external vulnerabilities.

Employment

- **Good performance on the employment front.**
  - Unemployment rate ***has steadily declined for individuals aged 15 years and above*** from 6 per cent in 2017-18 to 3.2 per cent in 2023-24.
  - Labour force participation rate (LFPR) and the worker-to-population ratio (WPR) have ***also increased.***
- **Survey Suggest:**
  - **Adoption of AI** offers the potential to support economic growth and improve labour market outcomes.
  - ***Prioritising education and skill development*** crucial for surviving in *AI-augmented landscape.*
  - **Collaborative effort between government, private sector, and academia** to minimise the adverse societal effects of AI-driven transformation in the labour sector.

Renewable Energy

- **India's efforts to boost renewable energy in the country** and green investments through schemes, policies, financial incentives and regulatory measures such as:
- *PM - Surya Ghar Muft Bijli Yojana, National Bioenergy Programme, National Green Hydrogen Mission and PM-KUSUM.*
- The **capacity addition in solar and wind power** has lead to a 15 per cent year-on-year **increase** in renewable energy capacity in 2024.
- India should not shut coal plants without 'alternatives': Survey.

Social Sector

The Government social services expenditure has witnessed an increase of compounded annual growth rate of 15% from FY 21 to FY 25.

Poverty:
- The Gini coefficient, which is a measure of inequality in consumption expenditure, has been declining in recent years reflecting positive impact of Government's initiatives in reshaping income distribution.

School education:
- The government is working toward ***meeting the objectives of National Education Policy 2020 through*** a range of programmes and schemes: *Samagra Shiksha Abhiyan, DIKSHA, STARS, PARAKH, PM SHRI, ULLAS, PM POSHAN, etc, as per the Survey.*

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Health:
- In the total health expenditure between FY15 and FY22, share of government health expenditure has ***increased*** from 30 per cent to 48 per cent.
- During the same period, the share of out-of-pocket expenditure in total health expenditure ***declined*** from 62 per cent to 39 per cent.

Efficiency

- Survey, says that ***reducing excessive regulatory burdens, governments can help businesses*** become more efficient, reduce costs, and unlock new growth opportunities.
- It has outlined a three-step process for states to systematically review regulations for their cost-effectiveness.
  - Identifying areas for deregulation.
  - Thoughtfully comparing the regulations with other states and countries.
  - Estimating the cost of each of these regulations on individual enterprises.
- The Survey highlights that Ease of Doing Business (EoDB) 2.0 should be a state government-led initiative focused on fixing the root causes behind the unease of doing business.

1 Feb 2025

Environment

Pre-context

Microplastics

The Hindu, Pg.No: 1.

News: "Study finds microplastics in city's groundwater'."

Delhi government has detected microplastics in groundwater samples across the Capital.

Microplastics:
- Microplastics are small particles or fragments of plastic less than 5 mm in diameter—***UNEP.***
- There is no standard or safe limit for microplastics.
- Groundwater has been polluted with micro-plastics due to *leaching effect* from the river.
- ***Microplastics can also absorb other chemicals*** and become more toxic.
- Sources**:** Cosmetics, textiles, fishing gear, industrial abrasives, tire wear.

Microplastics Consequences:
- **Threatens FoodWeb** (Bioaccumulation).
- Potential to breach of **Blood Brain Barrier.**
- **Especially in woman:** changes to human genetics, brain development, and respiration rates.
- They have been found in various human organs, and even in the ***placenta of newborns.***

Global & India initiatives:
- **Basel Convention:** Regulates transboundary plastic waste (amended 2019).
- **EU Single-Use Plastics Directive:** Bans specific items, promotes recycling.

- **India:**
  - **Plastic Waste Management Rules (2016, amended):** Phasing out single-use plastics (2022 ban), Extended Producer Responsibility (EPR).
  - **Swachh Bharat Mission:** Includes plastic waste management.

1 Feb 2025

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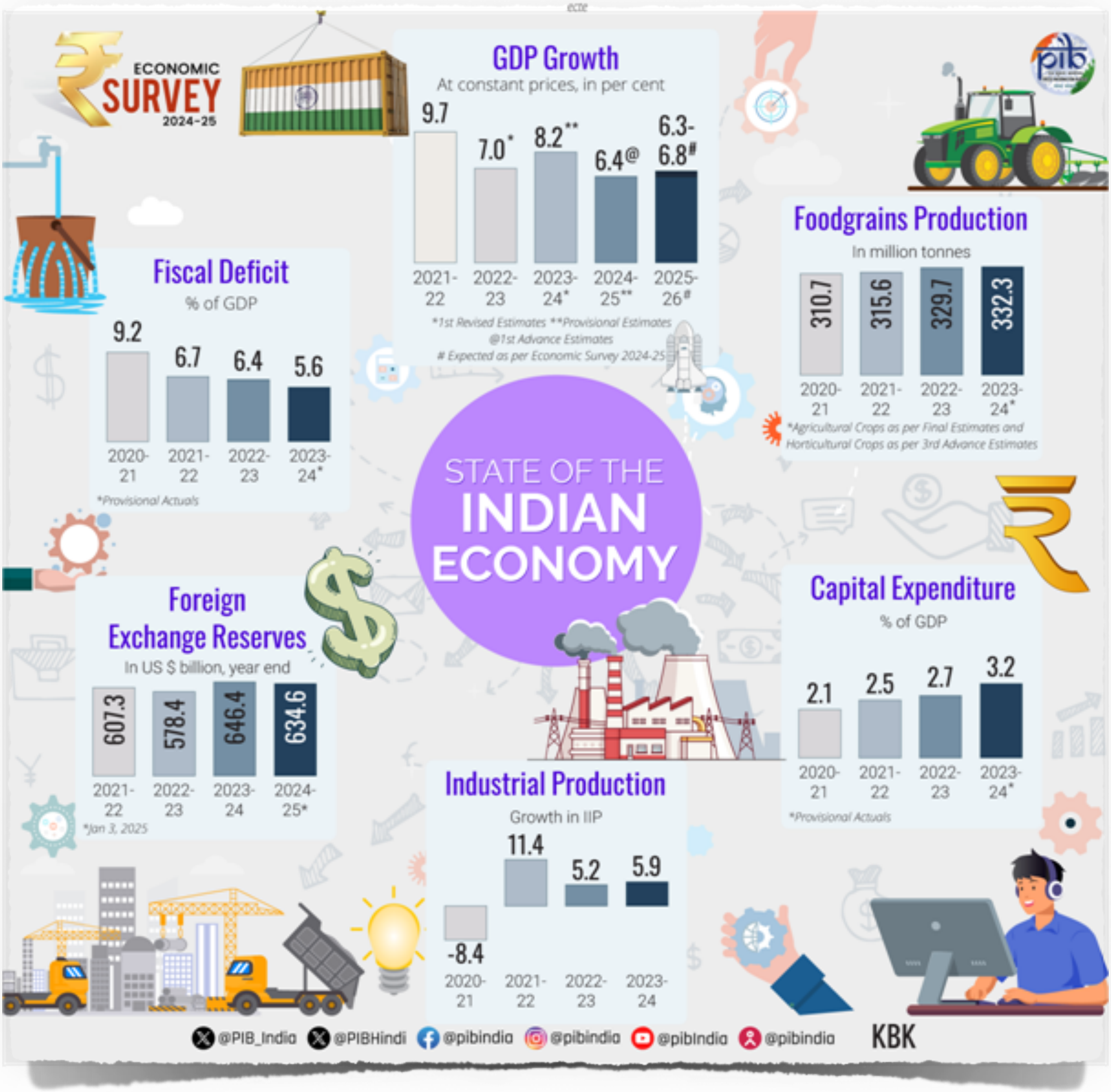

Thank you!