# Economic Outlook Survey

October 2024

**HIGHLIGHTS**

***GDP growth estimated at 7.0 percent for 2024-25 & 7.1 percent for Q2 2024-25***

***CPI based inflation rate projected at 4.5 percent for 2024-25***

- FICCI's latest Economic Outlook Survey puts forth an **annual median GDP growth forecast for 2024-25 at 7.0 percent.**
- The median growth forecast for agriculture and allied activities has been put at 3.6 percent for 2024-25; while industry and services sector are anticipated to grow by 7.0 percent and 7.5 percent, respectively.
- **CPI based inflation has a median forecast of 4.5 percent for 2024-25**, with a minimum and maximum range of 4.2 percent and 4.7 percent, respectively.
- Based on the responses of the participating economists, the median forecast for exports has been put at USD 454.5 billion and for imports at USD 726.4 billion in 2024-25.

**Views of Economists**

**Expectations from RBI's Monetary Policy in October 2024**

- India's growth trajectory remains robust, supported by improving demand and uptick in investments, however uncertainty around prices remains. While headline inflation has moderated over the past two months, this has largely been attributed to a favorable base effect. The most pronounced concern around food inflation remains, driven by uneven rainfall distribution, climate-related disruptions, and the potential price risks from the ongoing festive demand. **The participating economists indicated that inflation management will be accorded a priority during the forthcoming monetary policy.**
- Furthermore, some participants opined that India's credit-deposit ratio remains elevated, posing a challenge for any immediate monetary easing. The high ratio suggests that liquidity in the banking system is tight, and a rate cut could exacerbate these pressures. Also, **geopolitical risks and global economic uncertainties continue to weigh on the RBI's decision-making process.**
- However, **the participants opined that RBI may consider transitioning from its current "withdrawal of accommodation" stance to a more "neutral" approach**. This change would signal the central bank's willingness to adopt a more flexible policy framework in the near future, potentially paving the way for rate cuts once inflationary pressures subside on a more durable basis and the credit-deposit ratio stabilizes. **The participating economists believe that the central bank is more likely to consider rate cuts in the latter part of FY25, staring from December cycle.**

**Assessment of India's Economy in H2 FY2024-25**

- Economists widely agreed that **India's rural demand** has shown strength in the first half of the fiscal year, primarily driven by robust rabi crop incomes. Looking ahead, **the second half is expected to benefit from sufficient reservoir levels, healthy kharif crop earnings and increased government spending on rural infrastructure projects**, such as roads, housing initiatives, and MGNREGA as well. However, some softness in urban demand is anticipated due to longer than expected high interest rates. The festive season demand, particularly in Q3 FY2025, is anticipated to counterbalance this trend and provide positive momentum to consumption growth.
- **India's external demand faces challenges from global headwinds. Some divergence in recovery patterns between the manufacturing and services sectors remain a concern**. Recent PMI data indicates a softening in manufacturing activity, and this could have an effect on the performance of the services sector. The global trade environment is strained by issues like Chinese overcapacity and potential dumping of goods at low prices, which could further pressure Indian exports already facing challenges from geopolitical conflicts in 2024.
- **There is a positive outlook for India's private investment cycle in the second half of FY2024-25, supported by healthy corporate and banking sector balance sheets**. Furthermore, India's inclusion in global bond indices, such as JP Morgan's Emerging Markets bond index, has attracted Foreign Portfolio Investors (FPIs) into Indian financial markets, especially the debt segment. This influx has fostered a positive sentiment towards investments.

- **On the government spending front, economists stressed on the necessity for substantial expansion in capital expenditure (capex) to meet the FY2025 Budget Estimates (BE). Some of the participants expected an uptick in capex after the withdrawal of monsoons**, driven by recent relaxations on large expenditure releases by ministries.
- **Prominent risks identified by economists include the potential escalation of geopolitical tensions**, which could disrupt global supply chains and elevate commodity prices, thereby exacerbating inflationary pressures, particularly oil and food price volatility. Unpredictable weather conditions could pose additional impacting inflation forecasts.

## Middle-Income Trap and India's Economic Growth

Some recent reports indicate that India may face the risk of falling into the middle-income trap as it progresses towards becoming a developed nation. In this light, participating economists were asked to share their policy priorities and recommend strategic interventions to help India avoid falling into the middle-income trap. **Economists emphasized the need for India to address structural challenges and unlock growth opportunities through following comprehensive reforms across key sectors**.

1. **Sustained Focus on Infrastructure Development**: Continued investment in both physical and digital infrastructure is essential. On the physical side, improving power distribution, developing multimodal freight systems, and enhancing urban planning—particularly in affordable housing—are critical. In the digital sphere, India has already made significant progress through initiatives like the "India Stack" (Digital Public Infrastructure). Expanding such innovations to other socio-economic areas like welfare programs, education and healthcare, will increase productivity and inclusivity.
2. **Land Acquisition and Reforms-** Reforms in land-use policies for urban, forest, and agricultural land should be accelerated to facilitate industrialization and infrastructure development. The formalization of informal settlements, digitization of land records, and use of technologies like drones and GPS will help streamline land acquisition processes.
3. **Manufacturing Reforms**: Developing port-proximate manufacturing clusters, offering time-bound incentives, and creating free-trade warehousing zones are vital. Addressing inverted duty structures and reforming labour laws will further boost competitiveness. Also, easier access to low-cost capital and simplified compliance processes are critical to scaling small and mid-sized enterprises. Reducing regulatory barriers will encourage innovation, formalization, and growth.
4. **Harnessing the Demographic Dividend**: Identifying sectors with high potential for job creation, particularly for low-skilled workers and women, is crucial. Moving employment from low-productivity sectors like agriculture to high-productivity sectors like manufacturing and services is also necessary. Education and skills training, especially in emerging sectors, will unlock this demographic potential.
5. **Enhancing Agricultural Productivity -** Challenges such as low yields, inadequate infrastructure, limited access to modern technologies, and fragmented landholdings need to be addressed. Investing in technological innovations, climate-resilient seeds, and better water management will improve agricultural outcomes. A district-level approach to cropping patterns based on water availability, coupled with digitization efforts like Agri Digi-stack applications, will enhance yields and productivity.
6. **Boosting Exports** India must focus on high-potential export sectors like electronics, chemicals, textiles, pharmaceuticals, and medical devices, and endeavour to increase it global market share. Improving competitiveness in these areas will allow India to expand its share in global trade. Additionally, opening up markets through regulatory reforms and trade policies will provide companies with new growth opportunities.
7. **Ease of Doing Business:** Addressing challenges in public procurement and export-import processes, along with simplifying construction permit and contract enforcement procedures, will ensure a more business-friendly environment.
8. **Investment and Innovation:** Prioritizing research and development, particularly in tech-driven industries such as AI and machine learning, will drive innovation and boost productivity. Creation of innovation clusters co-locating private sector, academia, investors, start-ups and government funded R&D institutions for critical areas of national priority (renewable energy, water, smart mobility, new materials, life sciences, etc.) remains pertinent.

## Survey Profile

The present round of FICCI's Economic Outlook Survey was conducted in the month of September 2024 and drew responses from leading economists representing industry, banking and financial services sector. The economists were asked to provide forecast for key macro-economic variables for the year 2024-25 and for the quarters Q2 (July-September) and Q3 (October-December) of FY25.

In addition, economists were asked to share their views on certain contemporary developments. With US Fed shifting towards monetary policy easing, participating economists were asked to share their expectations for the upcoming RBI monetary policy and whether they foresee a rate cut. Further, they were asked to provide their prognosis on the economy in the second half of the current financial year (FY2025). Lastly, some recent reports indicate that India may face the risk of falling into the middle-income trap as it progresses towards becoming a developed nation. The participating economists were asked to share their recommendations on policy priorities and strategic interventions to help India avoid falling into the middle-income trap.

## Survey Results: Part A
## Projections – Key Economic Parameters

### National Accounts

**GDP growth at 2011-12 prices**

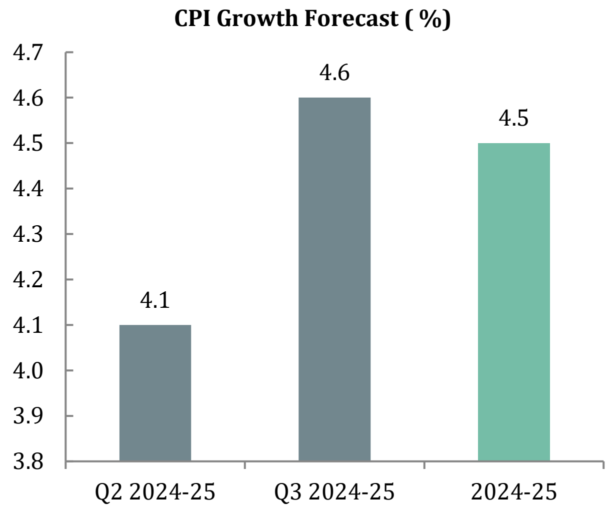
| | Annual 2024-25 | | | Q2 FY25 | | | Q3 FY25 | | |
|---|---|---|---|---|---|---|---|---|---|
| **Growth (in %)** | **Median** | **Min** | **Max** | **Median** | **Min** | **Max** | **Median** | **Min** | **Max** |
| **GDP@ market prices** | **7.0** | 6.7 | 7.2 | **7.1** | 6.6 | 7.6 | **7.0** | 6.3 | 8.2 |
| **GVA@ basic prices** | **6.7** | 6.3 | 7.1 | **6.6** | 6.4 | 7.3 | **6.9** | 6.6 | 7.0 |
| **Agriculture & Allied activities** | **3.6** | 3.0 | 4.8 | **3.0** | 1.5 | 4.5 | **4.0** | 3.0 | 4.1 |
| **Industry** | **7.0** | 5.5 | 7.5 | **6.5** | 4.9 | 7.1 | **7.0** | 5.1 | 8.0 |
| **Services** | **7.5** | 6.2 | 8.3 | **7.2** | 6.5 | 8.0 | **7.9** | 7.0 | 8.3 |

The latest round of FICCI's Economic Outlook Survey puts forth an annual median GDP growth forecast for 2024-25 at 7.0 percent - with a minimum and maximum growth estimate of 6.7 percent and 7.2 percent respectively. Domestic drivers of growth continue to play a critical role in sustaining momentum, despite persistent external challenges.

The agricultural sector, including allied activities, is expected to grow at 3.6 percent in FY 2025, buoyed by above-average monsoon rainfall and an expanded kharif-sowing area.

On the other hand, industry and services sector are anticipated to clock 7.0 percent and 7.5 percent growth respectively during the current fiscal, vis-à-vis respective growth rates of 9.5 percent and 7.6 percent in the last fiscal. On the consumption front, strengthening of rural demand is anticipated to boost consumption levels. On investment front, while the government has continued to ramp up its capex spending, the outlook for private investment also looks promising, supported by uptick in capacity utilization rates, deleveraging of corporate balance sheets, and a pickup in intentions of new capacity creation.

## Consumer Price Index (CPI)

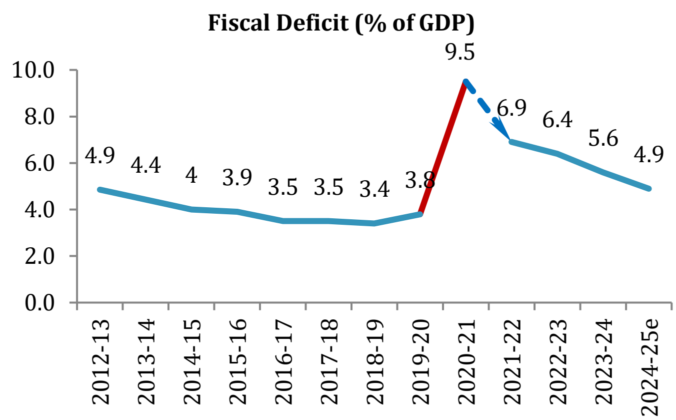



CPI based inflation has a median forecast of 4.5 percent for 2024-25, with a minimum and maximum range of 4.2 percent and 4.7 percent, respectively. This matches with RBI's projection indicated in the latest monetary policy announcement in August 2024.

The headline retail inflation dropped to 3.6 percent in July, primarily due to a favourable base effect, before rising moderately to 3.7 percent in August. This came after a four-month high of 5.1 percent recorded in June 2024. Looking ahead, as the base effect wanes in the current fiscal year, the Consumer Price Index (CPI) is expected to climb back into the 4 percent range. Additionally, food price volatility remains a contingent risk.

## Fiscal Deficit

The median fiscal deficit to GDP ratio has been put at 4.9 percent for the fiscal year 2024-25 by the participants. This is in line with the targeted fiscal deficit for 2024-25 announced in the budget earlier this year in July.




*e- expected

## Money & Banking

RBI is expected to continue with its cautious approach keeping a close watch on the inflation trajectory. A rate cut seems plausible only in the latter part of the current financial year. Policy repo rate is forecasted to moderate by 25 basis points to 6.25 percent by the end of the fiscal year 2024-25, with a minimum and maximum range of 6.0 percent and 6.25 percent respectively. Some of the participants do anticipate a rate cut by 25 bps in December 2024.

| | **Q3 2024-25 (End, Dec)** | **2024-25 (End, March 2025)** |
|---|---|---|
| **Repo Rate** | **6.25%** | **6.25%** |

## External Sector

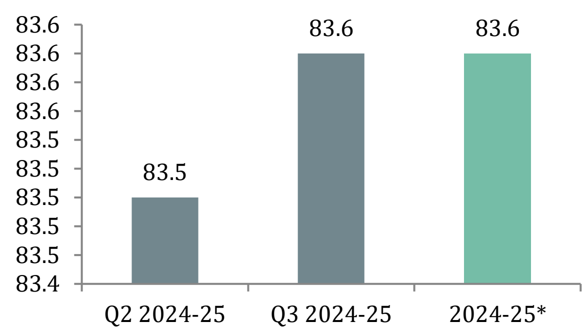
| 2024-25 | Export | Import |
|---|---|---|
| **USD billion** | 454.5 | 726.4 |
| **Growth (in %)** | 3.8 | 5.9 |

| | End of 2024-25 |
|---|---|
| **CAD as % of GDP** | **1.0%** |

Based on the responses of the participating economists, the median forecast for exports has been put at USD 454.5 billion and for imports at USD 726.4 billion in 2024-25. CAD as percent of GDP is projected at 1.0% for the current fiscal year.

The participants expect the USD/INR exchange rate at 83.6 by the end of the current financial year.

**USD/INR Exchange Rate**




* end period

**Survey Results: Part B**
**Views of Economists**

## Expectations from RBI's Monetary Policy in October 2024

The US Fed has initiated a shift towards monetary policy easing with a significant 50 bps rate cut in September 2024 and has signaled additional reductions through 2025. Traditionally, the Fed's decisions have influenced global monetary policy, and, the actions of the US Fed and the Reserve Bank of India (RBI) have often moved in tandem. In this context, participating economists were asked to share their expectations for the upcoming RBI monetary policy and whether they foresee a rate cut.

Even though a few respondents saw a possibility of a rate cut in October 2024, nonetheless a clear majority of the participating economists anticipated no rate cut in the upcoming policy round.

India’s growth trajectory remains robust, supported by improving demand and uptick in investments, however uncertainty around prices remains. While headline inflation has moderated over the past two months, this has largely been attributed to a favorable base effect. The most pronounced concern around food inflation remains, driven by uneven rainfall distribution, climate-related disruptions, and the potential price risks from the ongoing festive demand. The economists indicated inflation management being accorded a priority in the forthcoming monetary policy in October 2024.

Furthermore, some participants opined that India’s credit-deposit ratio remains elevated, posing a challenge for any immediate monetary easing. The high ratio suggests that liquidity in the banking system is tight, and a rate cut could exacerbate these pressures. Also, geopolitical risks and global economic uncertainties continue to weigh on the RBI’s decision-making process. Considering this, the participating economists expect the RBI would tap on the Fed’s rate cut to boost forex reserves and maintain stable currency.

That said, a shift in the monetary policy stance is expected. The RBI may consider transitioning from its current "withdrawal of accommodation" stance to a more "neutral" approach. This change would signal the central bank's willingness to adopt a more flexible policy framework in the near future, potentially paving the way for rate cuts once inflationary pressures subside on a more durable basis and the credit-deposit ratio stabilizes. The participating economists believe that the central bank is more likely to consider rate cuts in the latter part of FY25, starting from December cycle.

In conclusion, while the Federal Reserve's actions may create room for monetary easing, from a domestic perspective —inflation remains a concern and will likely keep the RBI on a cautious path. Most economists expect the central bank to maintain the current repo rate in October 2024, with a potential shift in stance to neutral, laying the groundwork for future adjustments once inflation and liquidity concerns are better managed.

## Assessment of India’s Economy in H2 FY2024-25

The global economy has remained steady throughout 2024, yet significant divergences persist, particularly regarding the uneven pace of recovery and persistent inflationary pressures. Major central banks have begun monetary policy rate cuts, signalling a shift in their economic support strategies. In this context, participating economists were asked to share their outlook on India’s economy during the second half of FY2024-25, highlighting potential headwinds that could shape its trajectory.

**Domestic Demand Outlook:** Economists widely agree that India's rural demand has shown strength in the first half of the fiscal year, primarily driven by robust rabi crop incomes. Looking ahead, the second half is expected to benefit from sufficient reservoir levels, healthy kharif crop earnings and increased government spending on rural infrastructure projects such as roads, housing initiatives, and MGNREGA as well. These factors are likely to bolster rural consumption, potentially improving overall consumption figures compared to the previous fiscal year. However, some softness in urban demand is anticipated due to longer than expected high interest rates. The festive season demand, particularly in Q3 FY2025, is however anticipated to counterbalance this trend and provide positive momentum to consumption growth.

**External Demand and Global Headwinds:** India's external demand faces challenges from global headwinds. Some divergence in recovery patterns between the manufacturing and services sectors remain a concern. Recent PMI data indicates a slowdown in manufacturing activity and this could have an effect on the performance of the services sector - which has been a key growth driver for India. Additionally, the global trade environment is strained by issues like Chinese overcapacity and potential dumping of goods at low prices, which could further put pressure on Indian exports already facing challenges from geopolitical conflicts in 2024.

**Private Investment Outlook:** There is a positive outlook for India's private investment cycle in the second half of FY2024-25, supported by healthy corporate and banking sector balance sheets. Furthermore, India's inclusion in global bond indices, such as JP Morgan's Emerging Markets bond index, has attracted Foreign Portfolio Investors (FPIs) into Indian financial markets, especially the debt segment. This influx has fostered a positive sentiment towards investments.

**Government Spending and Capex Outlook:** On the government spending front, the participants stressed on the necessity for expansion in capital expenditure (capex) to meet the FY2025 Budget Estimates (BE). Some of the participants expected an uptick in capex after the withdrawal of monsoons, also driven by recent relaxations on expenditure releases by some ministries.

**Risks and Challenges:** Prominent risks identified by economists include the potential escalation of geopolitical tensions, which could disrupt global supply chains and elevate commodity prices, thereby exacerbating inflationary pressures, particularly food prices. Unpredictable weather conditions, such as condition of excessive rainfall/extreme heat could pose additional risks that may drive up vegetable prices and impact inflation forecasts.

## Middle-Income Trap and India's Economic Growth

While India has been growing at a fast clip, some recent reports indicate that India may face the risk of falling into the middle-income trap as it progresses towards becoming a developed nation. In this light, participating economists were asked to share their policy priorities and recommend strategic interventions to help India avoid falling into the middle-income trap.

Economists emphasized the need for India to address several structural challenges and unlock growth opportunities through following comprehensive reforms across key sectors.

**1. Sustained Focus on Infrastructure Development**- Continued investment in both physical and digital infrastructure is essential. On the physical side, improving power distribution, developing multimodal freight systems, and enhancing urban planning—particularly in affordable housing—remain critical. In the digital sphere, India has already made significant progress through initiatives like the "India Stack" (Digital Public Infrastructure). Expanding such innovations to other socio-economic areas like welfare programs, education and healthcare, will increase productivity and inclusivity.

**2. Land Acquisition and Reforms-** Reforms in land-use policies for urban, forest, and agricultural land should be accelerated to facilitate industrialization and infrastructure development. The formalization of informal settlements, digitization of land records, and use of technologies like drones and GPS will help streamline land acquisition processes.

**3. Manufacturing Reforms**

- **Infrastructure**: Developing port-proximate manufacturing clusters, offering time-bound incentives, and creating free-trade warehousing zones are vital. Addressing inverted duty structures and reforming labour laws will further boost competitiveness.

- **MSME Growth**: Easier access to low-cost capital and simplified compliance processes are critical to scaling small and mid-sized enterprises. Reducing regulatory barriers will encourage innovation, formalization, and growth.

- **Market Diversification**: There is a need to focus beyond traditional sectors and investment in emerging industries such as technology, renewable energy, and advanced manufacturing.

**4. Harnessing the Demographic Dividend**

- **Skilling and Employment**: Identifying sectors with high potential for job creation, particularly for low-skilled workers and women, is crucial. Moving employment from low-productivity sectors like agriculture to high-productivity sectors like manufacturing and services is also necessary. Education and skills training, especially in emerging sectors, will unlock this demographic potential.

- **Labor Law Reforms**: Need to work with the States to implement 4 Labour Codes across the country.

**5. Enhancing Agricultural Productivity -** Challenges such as low yields, inadequate infrastructure, limited access to modern technologies, and fragmented landholdings need to be addressed. Investing in technological innovations, climate-resilient seeds, and better water management will improve agricultural outcomes. A district-level approach to cropping patterns based on water availability, coupled with digitization efforts like Agri Digi-stack applications, will enhance yields and productivity.

**6. Boosting Exports** India must focus on high-potential export sectors like electronics, chemicals, textiles, pharmaceuticals, and medical devices, and aim for a higher global market share. Improving competitiveness in these areas will allow India to expand its share in global trade. Additionally, opening up markets through regulatory reforms and trade policies will provide companies with new growth opportunities.

**8. Investment and Innovation**: Prioritizing research and development, particularly in tech-driven industries such as AI and machine learning, will drive innovation and boost productivity. Creation of innovation clusters co-locating private sector, academia, investors, start-ups and government funded R&D institutions for critical areas of national priority (renewable energy, water, smart mobility, new materials, life sciences, etc.) remains pertinent.

**9. Focus on Sustainable Growth** Economic growth must align with environmental sustainability goals. Increasing investments in decarbonization and adaptation, particularly in the transition to renewable energy, is crucial. Developing low-carbon value chains and encouraging domestic firms to contribute to these sectors will support sustainable economic growth. Developing a policy framework to incentivize the adoption of emerging and decentralised technologies fostering a more sustainable and resilient approach to carbon management remains important.

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(The survey responses express the views of the respondents)

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