

Logistics cost estimated at 7.97% of GDP, says DPIIT

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EFFICIENCY GAINS

INDIA'S LOGISTICS COSTS have been estimated at 7.97% of the economic output by the Department for Promotion of Industry and Internal Trade (DPIIT), which compares favourably to the more advanced economies like the US, Japan, Korea and Europe.

The 7.97% logistics costs for 2023-24 is the first official estimate based on an extensive study that involved collection of data from varied sources and interviews of the companies involved in the business - both users and service providers.

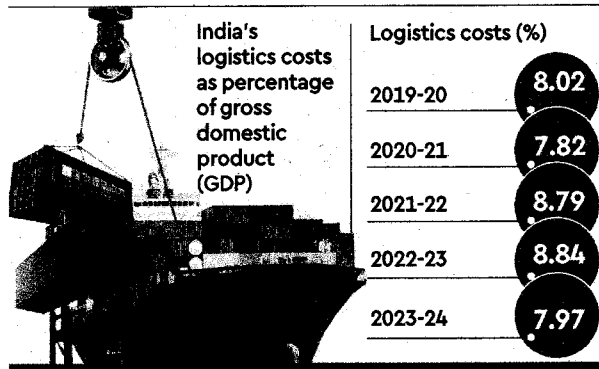
While plotting the costs, the exercise showed that the logistics costs have been coming down gradually in the last five years.

It stood at 8.84% of Gross Domestic Product (GDP) in 2022-23 and 8.79% in 2021-22.

The latest study puts to rest the earlier commonly cited estimates of logistics costs in India of around 13-14% of GDP by various external agencies using external studies or partial datasets.

This led to inconsistent estimates, causing confusion among policymakers and global stakeholders.

The latest cost estimates were derived by running data through an extensive framework developed by National Council of Applied Economic



Research (NCAER).

The framework before it was finalised was approved after extensive discussions with different ministries, industry groups and other stakeholders.

Prior to developing the framework, NCAER had done a study in 2023 to estimate the logistics costs in India with the guidance from Asian Development Bank (ADB).

That study had estimated logistics costs in India to be around 7.8% to 8.9%.

That led to the decision to have a robust framework that expands the coverage of study. "With the framework ready the plan is to conduct the survey of logistics costs every two years. This framework can also be shared with other countries," joint secretary in DPIIT Sanjiv said.

If the services are taken out and just the output agricul-

ture, mining and manufacturing are taken as they are the users of logistics, then that cost comes to 9.09% in 2023-24.

In 2022-23, this was 9.52% and in 2021-22, it stood at 9.61%.

The decline in costs each passing year can be attributed to initiatives such as the PM GatiShakti National Master Plan, Dedicated Freight Corridors, Bharatmala Pariyojana, Sagarmala Project, Integrated Check Posts, development of the Unified Logistics Interface Platform (ULIP), and the Logistics Efficiency Enhancement Programme (LEAP), among others, a statement by DPIIT said.

The study listed costs across various modes of transport. According to the report, coastal waterway transport is the cheapest at ₹1.80 per km per tonne (pkpt) followed by railways at ₹1.96, road ₹3.78 and air ₹72.