FY25 may see 7% growth: FinMin ahead of Budget

Review report flags elevated risk of geopolitical conflicts only area of concern

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The Indian economy is expected to expand at around 7 per cent in FY25, the finance ministry's review of the economy estimated on Monday.

This, the government said, will mark the fourth consecutive post-pandemic year for the Indian economy to register growth at or over 7 per cent.

"It now appears very likely that the Indian economy will achieve a growth rate at or above 7 per cent for FY24, and some predict it will achieve another year of 7 per cent real growth in FY25 as well. If the prognosis for FY25 turns out to be right, that will mark the fourth year post-pandemic that the Indian economy will have grown at or over 7 per cent. That would be an impressive achievement, testifying to the resilience and potential of the Indian economy. It augurs well for the future," the finance ministry said in a report titled "The Indian Economy: A Review".

However, the finance ministry clarified the report was not the customary Economic Survey, which will be presented after the Lok Sabha elections and before the full Budget. Union Finance Minister Nirmala Sitharaman will present the Interim Budget for FY25 on Thursday. The National Statistical Office, in its First Advance Estimates, has estimated India's economy to grow at 7.3 per cent in FY24, higher than the forecast made by various national and international agencies.

The report, authored by a group of economists in the finance ministry led by Chief Economic Adviser V Anantha Nageswaran, said there was "considerable scope" for the growth rate to rise well above 7 per cent by 2030 on the strength of the financial sector and other recent and future structural reforms.

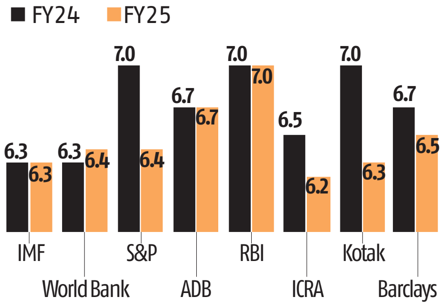
"Only the elevated risk of geopolitical conflicts is an area of concern. Exporting one's way to growth will not be easy. This reinforces the need to lower logistics costs and invest in product quality to hold on to and expand market share in areas where India has an advantage," it added.

Turn to Page 6

AJAY MOHANTY

THE OUTLOOK

Growth forecast (Y-o-Y in %)



Source: BS Research

MODI 2.0: SPEND ON HEALTH, EDUCATION REMAINS LOW 6

PAGE 4

Red Sea crisis may push up prices

Prices may go up because of higher energy costs, caused by the rise in shipping charges, with commercial vessels taking a longer route to avoid the troubled Red Sea region, a finance ministry report said.

NEED POLICY CONSISTENCY FOR FARMERS TO ADOPT NEW TECH

USE OF TECH A COMMON THREAD IN REFORMS

POLICY PRAGMATISM SHAPING INDIA'S GREEN TRANSITION

TAKE TWO

INDIA'S MACRO BALANCING ACT P16

The policy imperatives of the last two years were unambiguous: Boosting growth and containing inflation. The imperatives for 2024 are more nuanced: Nurturing the recovery but while ensuring public debt is stabilised and any excessive financial exuberance is contained.

SAJJID Z CHINOY writes

7% growth in FY25: FinMin review ahead of Budget

The report said the Indian economy would face three key challenges in the coming years — slower growth in global trade; impact of artificial intelligence on trade in services, and employment; and energy transition. "The Indian economy is better placed than ever to take on these three key challenges because of the policies adopted and implemented in the last decade," Nageswaran wrote in the preface to the report.

The report highlighted priority areas for future reforms include skilling, learning outcomes, health, energy security, reduction in compliance burden for micro, small and medium enterprises, and gender balancing in the labour force.

The report said in the next three years India was expected to become the third-largest economy in the world, with GDP of $5 trillion, and achieve the $7 trillion target in the next six to seven years by 2030.

"Ten years ago, India was the 10th largest economy in the world, with a GDP of $1.9 trillion at current market prices. Today, it is the 5th largest with a GDP of $3.7 trillion (est. FY24), despite the pandemic and despite inheriting an economy with macro imbalances and a broken financial sector," it said.