FinMin sees GDP growth at 7% in FY25; $7-trillion economy by 2030

REPORT CARD. Buoyed by structural reforms, robust capex and a healthy financial sector

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Ahead of the Interim Budget, a Finance Ministry report on Monday placed the FY25 GDP growth close to 7 per cent despite new geopolitical risks such as the Red Sea crisis that could impact global inflation and economic output. The report said India can aspire to become a $7-trillion economy by 2030.

In a normal year, the annual *Economic Survey* is presented a day before the Union Budget and gives real growth rate for the coming fiscal. This being an election year, the Survey will be tabled in July, but an interim report-card, 'Indian Economy — A Review', prepared by the Economic Affairs Department of the Finance Ministry, underlined that India's growth will outpace the global economy in the next fiscal year.

In the preface, Chief Economic Advisor V Anantha Nageswaran wrote: "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."

THE INDIAN ECONOMY - A REVIEW

- Public sector capital investment surged in the last 10 years; the financial sector is healthy, and non-food credit growth is strong, enabling the economy grow at a brisk rate
- Unwavering commitment to ensuring steady economic growth is generating resources for the investment needed for climate change adaptation, building resilience, and mitigating emissions
- Greater inclusive development, much lower unemployment rate, and moderate inflation, mark the journey from fragility to stability and strength during the last 10 years
- Covid management, the monumentally successful vaccination programme and mature stimulus measures set the return of the economy to a high-growth path
- Structural reforms implemented since 2014 have strengthened the macroeconomic fundamentals

Chief Economic Advisor V Anantha Nageswaran

GROWTH FORECAST

Earlier, the National Statistical Office (NSO), in the first advance estimate for FY24, projected a growth rate of 7.3 per cent as against 7.2 per cent of FY23. Many domestic and global research agencies expect growth rate in the range of 6.3-6.5 per cent with an upward bias. The Economic Affairs Department report attributed the optimistic growth rate to recent and future structural reforms and the strength of the financial sector. "Only the elevated risk of geopolitical conflicts is an area of concern," it cautioned.

"Under a reasonable set of assumptions with respect to the inflation differentials and the exchange rate, India can aspire to become a $7-trillion economy in the next 6-7 years (by 2030)," it said. The report underlined that the government has, over the recent years, helped banks strengthen their balance-sheets by recapitalising them and restructuring the industry. From the recapitalisation and merger of public sector banks (PSB) and amendment to the SARFAESI Act, 2002 to enacting the Insolvency and Bankruptcy Code 2016 (IBC), these reforms have helped clean up the balance-sheets of banks and corporates.

The government and the RBI have ensured that the "twin balance-sheet problem" of corporates and banks has converted into "twin balance-sheet advantage".

The report said the government's move to focus on capex-led growth strategy has paid rich dividends for the economy. Effectively, the capital expenditure of the public sector (including the Centre's capex, grants to the States for capital assets creation, and investment resources of the Central PSEs) has increased from ₹5.6-lakh crore in FY15 to ₹18.6-lakh crore in FY24, it highlighted.

ROBUST MARKETS

On the financial markets, which have gone from strength to strength over the last decade, the report highlighted that "The performance of Indian equity markets has enabled India to secure the second largest weightage in the MSCI Emerging Markets Index. There is evidence of robust investor interest in India's bond market following the decision by JP Morgan to include India's sovereign bonds in its widely tracked Emerging Markets Bond Index. Higher participation will lead to inflows, which will further help reduce the government borrowing, it added.

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