

Indian Economy Updates

August 2024



Domestic Indicators

GST collection surges over 10 per cent to INR 1.82 lakh crore in July 2024: The gross GST collection rose by 10.3 percent, reaching INR 1,82,075 crore in July'24 compared to July'23. Net of refunds, the collection for July stood at INR 1,65,793 crore, marking a 14.4 percent increase on a yearly basis. This growth was observed across all categories: Central GST (CGST), State GST (SGST), Integrated GST (IGST), and cess...

[Read more](#)

Union Budget 2024-25: Key tax reforms and relief measures: The Union Budget 2024-25 focus was on the nine identified priorities that expedite the journey towards the goal of Viksit Bharat. In the budget presentation, the Finance Minister also announced several attractive benefits aimed at providing tax relief to salaried individuals and pensioners who choose the new tax regime. Underscoring the government's commitment to a simplified and efficient tax system, a slew of provisions and amendments have been introduced in the Union Budget 2024-2025.

[Read more](#)

India's IIP records a growth of 4.2 percent in June 2024: The IIP growth rate for the month of June 2024 over the corresponding period of previous year is 4.2 percent. The IIP growth rate in June 2023 was 4.0 percent. The growth rates of the three sectors, Mining, Manufacturing and Electricity for the month of June 2024 over June 2023 are 10.3 percent, 2.6 percent and 8.6 percent respectively...

[Read more](#)

India's Core sector growth decreases to 4 percent in June 2024: The combined Index of Eight Core Industries (ICI) increased by 4.0 percent (provisional) in June, 2024 as compared to the Index in June, 2023. The production of Coal, Electricity, Natural Gas, Steel, Fertilizer and Cement recorded positive growth in June 2024. The cumulative growth rate of ICI during April to June, 2024-25 was 5.7 percent (provisional) as compared to the corresponding period of last year...

[Read more](#)

RBI's Monetary Policy Statement, 2024-25: On the basis of an assessment of the current and evolving macroeconomic situation, the Monetary Policy Committee (MPC) at its meeting on August 8, 2024, decided to keep the policy repo rate under the liquidity adjustment facility (LAF) unchanged at 6.50 per cent. Consequently, the standing deposit facility (SDF) rate remains unchanged at 6.25 per cent and the marginal standing facility (MSF) rate and the Bank Rate at 6.75 per cent. The MPC also decided to remain focused on withdrawal of accommodation to ensure that inflation progressively aligns to the target, while supporting growth.

[Read more](#)



India's retail inflation dropped to 3.54 percent in July 2024: There is sharp decline in the Year-on-year inflation rate based on All India Consumer Price Index (CPI) number for the month of July, 2024, which is the lowest in the last 59 months. Year-on-year inflation rate based on All India Consumer Price Index (CPI) number is 3.54 percent (Provisional) for the month of July, 2024. Corresponding inflation rate for rural and urban is 4.10 percent and 2.98 percent ,respectively. During the month of July 2024 there is a decline in inflation for all the groups with significant decline is in the vegetables, fruits and spices subgroup...

[Read more](#)

India's wholesale inflation comes in around 2 percent in July, manufactured products prices soften: The annual rate of inflation based on all India Wholesale Price Index (WPI) number is 2.04 percent (Provisional) for the month of July, 2024 (over July, 2023). Positive rate of inflation in July, 2024 is primarily due to increase in prices of food articles, manufacture of food products, mineral oils, crude petroleum & natural gas, other manufacturing etc. The month over month change in WPI index for the month of July, 2024 stood at 0.84 percent as compared to June, 2024...

[Read more](#)

Monthly Review of Accounts of Government of India upto the month of June 2024: India's fiscal deficit for the first quarter of the financial year that started in April was INR 1.36 lakh crores or 8.1 percent of the estimate for the whole year. Government spending in the first three months of the current financial year was subdued due to general elections. The Government of India has received INR 8,34,197 crore (27.1 percent of corresponding BE 2024-25 of Total Receipts) up to June 2024 comprising INR 5,49,633 crore Tax Revenue (Net to Centre), INR 2,80,044 crore of Non-Tax Revenue and INR 4,520 crore of Non-Debt Capital Receipts, on account of Recovery of Loans...

[Read more](#)



External Indicators

India's total exports estimated to grow at 2.81 percent in July 2024: India's total exports (Merchandise and Services combined) for July 2024 is estimated at USD 62.42 Billion, registering a positive growth of 2.81 percent as compared to July 2023. Total imports (Merchandise and Services combined) for July 2024 is estimated at USD 72.03 Billion, registering a positive growth of 7.14 percent as compared July 2023. India's total exports during April-July2024 is estimated at USD 261.47 Billion registering a positive growth of 6.65 percent. Total imports during April-July 2024 is estimated at USD 292.64 Billion registering a growth of 7.30 percent...

[Read more](#)

India's forex reserves jump by USD7.53 billion to hit fresh record high of USD675 billion: India's foreign exchange (forex) reserves jumped by USD7.53 billion to hit a fresh record high of USD674.919 billion for the week ended August 2. Reserve Bank of India (RBI) data showed that the overall kitty had dropped by USD3.471 billion to USD667.386 billion in the previous reporting week ended July 26. The previous record high was USD670.857 billion, reached on July 18...

[Read more](#)

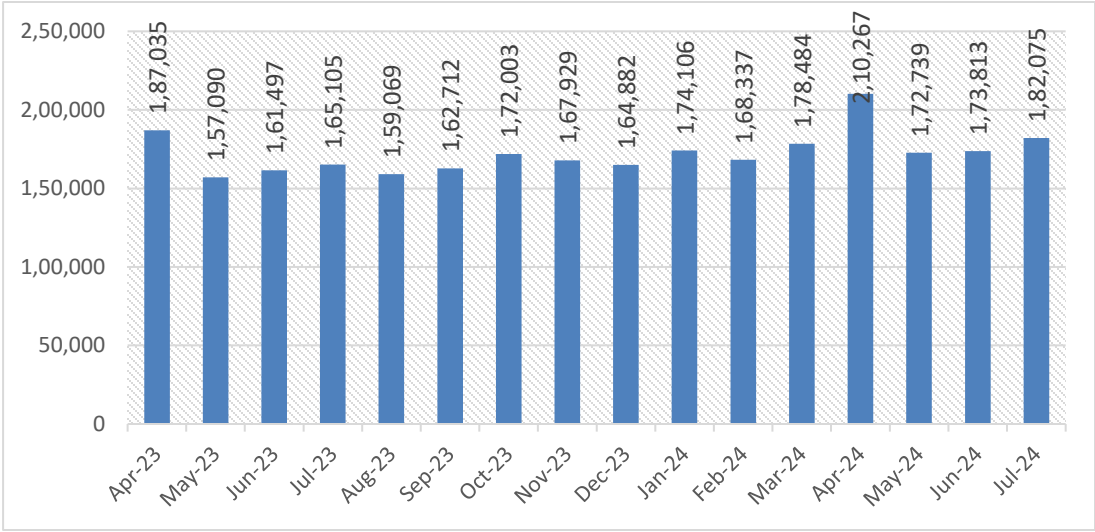
India's Overseas Direct Investment remain rises to USD 2.91 billion in July 2024: India's outward foreign direct investment (FDI) commitments rose to USD 2.91 billion in July 2024, compared to USD 2.17 billion in June 2024. Sequentially, they increased from USD 2.18 billion in June 2024, according to Reserve Bank of India (RBI) data. The equity commitments grew significantly to USD 1.94 billion in July 2024 from USD 509.43 million in July 2023...

[Read more](#)



Economic Analysis

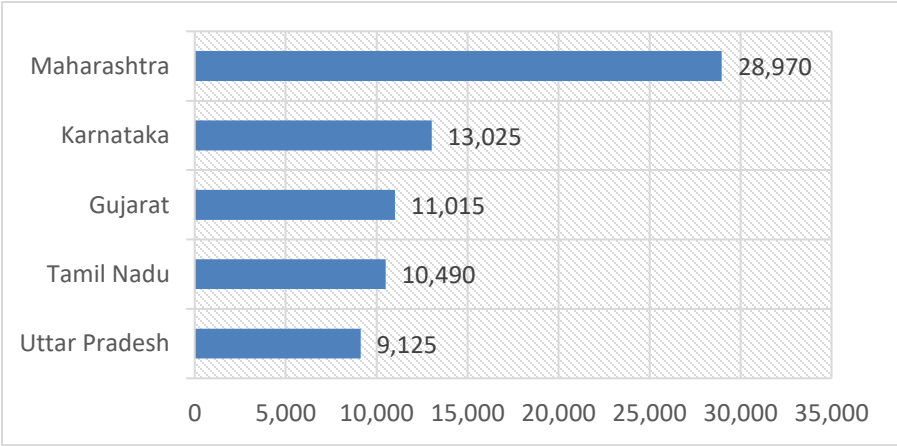
• GST Revenue Collections (in INR crores)



Source: Data compiled from Ministry of Finance.

In July, the central and state governments amassed INR 1,82,075 crores in Goods and Services Tax (GST), reflecting a significant 10.3 percent increase compared to the same month last year. This collection also surpassed the INR 1.74 lakh crores recorded in June 2024. Although July's GST receipts did not reach the peak of INR 2.1 lakh crores seen in April, however, they still indicate a strong and steady performance in GST revenue, underlining a positive trend in tax receipts.

Top States with higher level of GST Revenue collection during July 2024 (in INR crores)

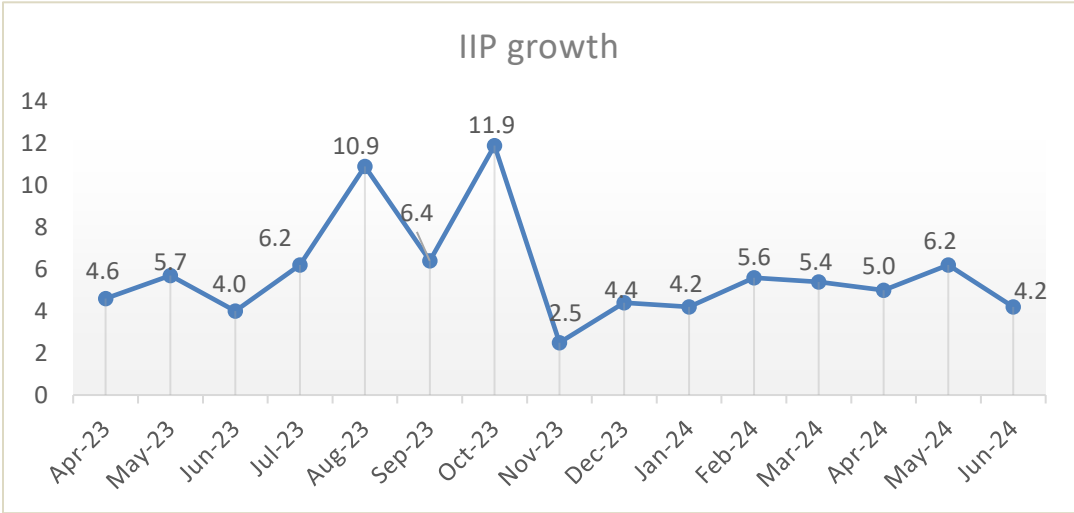


Source: Data compiled from Ministry of Finance.

Maharashtra, Uttar Pradesh, Gujarat, Karnataka, and Tamil Nadu emerged as the top GST revenue generators, with Maharashtra leading the pack in total collections (INR 28,970 crores). Despite these states being major contributors to GST, there is notable variability in the growth of collections compared to the same month the previous year. This divergence highlights differing economic conditions and tax compliance trends among these large manufacturing and consumer states.

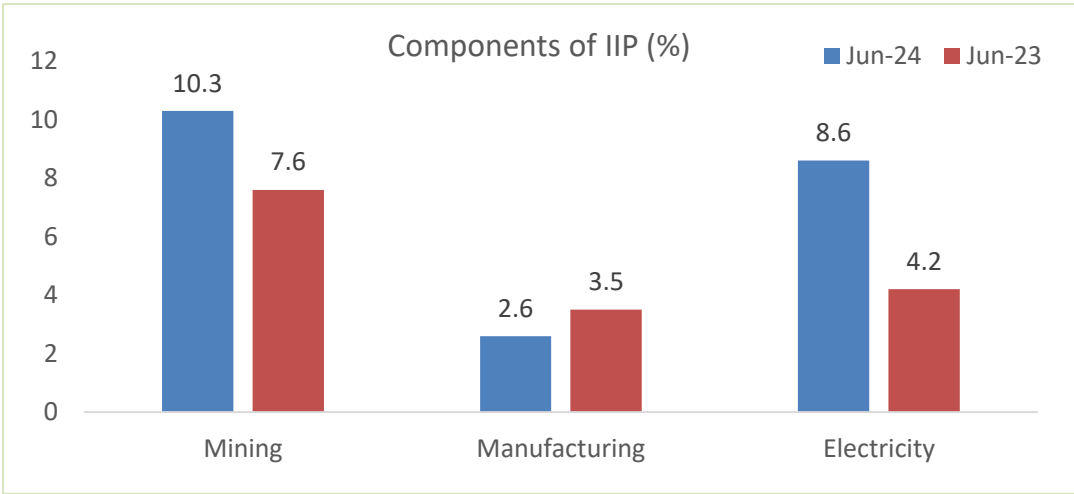


- Production Scenario (IIP Growth)



Source: Data compiled from Ministry of Statistics & Programme Implementation (MOSPI).

In June 2024, the Index of Industrial Production (IIP) growth rate saw a modest increase of 0.2 percent from the 4 percent growth recorded in June 2023. This follows a period of fluctuating growth rates over the previous months, with a peak of 11.9 percent in October 2023. The growth then slowed to 2.5 percent in November, rebounded to 4.4 percent in December, and slightly decreased to 4.2 percent in January 2024, indicating a variable but generally positive trend in industrial production over the past year.

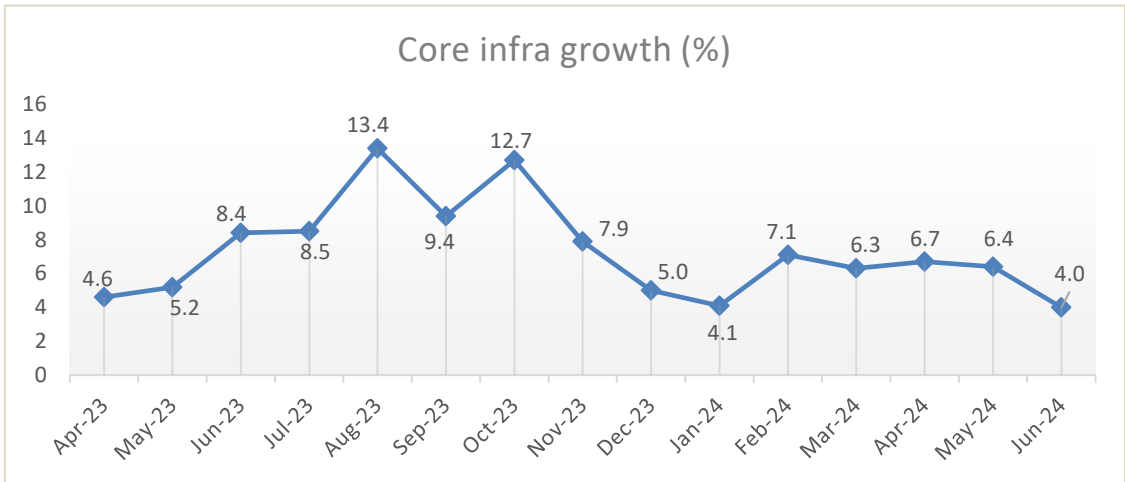


Source: Data compiled from Ministry of Statistics & Programme Implementation (MOSPI).

The Mining sector experienced a robust year-on-year growth of 10.3 percent compared to June 2023. Meanwhile, the Manufacturing sector saw a more modest increase of 2.6 percent, and the Electricity sector grew by 8.6 percent over the same period. According to the data, the substantial gains in the Mining and Electricity sectors were key drivers behind the overall growth of the Index of Industrial Production (IIP) for June 2024.

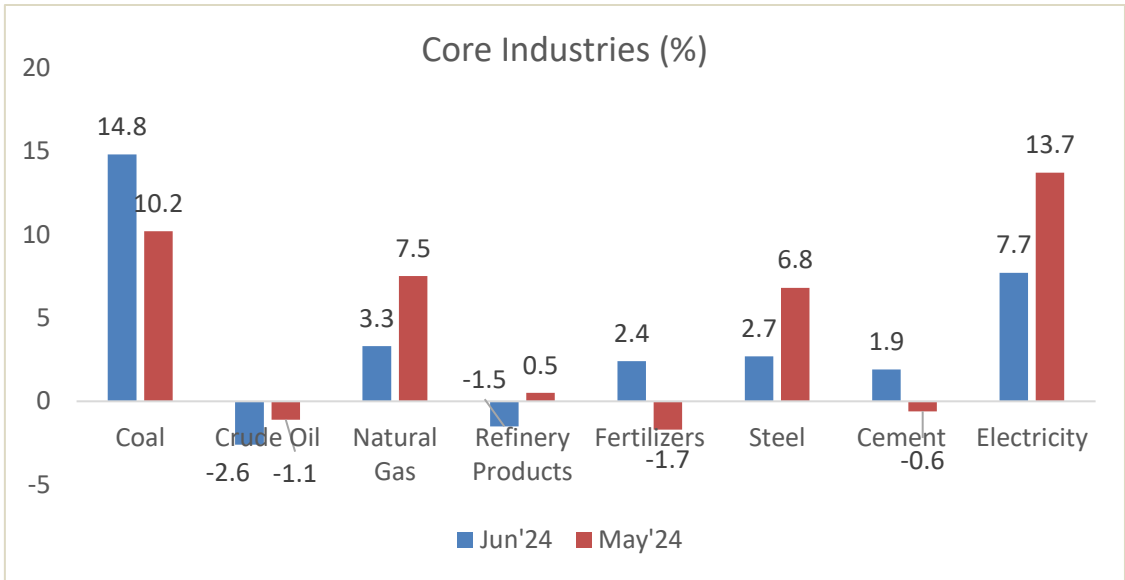


- Production Scenario (Core infra)**



Source: Data compiled from Ministry of Commerce and Industry.

In June, the growth rate of India's eight core sectors decelerated to 4 percent, a notable decline from the 6.4 percent recorded in May and significantly lower than the 8.4 percent growth seen in the same month the previous year. This slowdown indicates a reduction in the pace of expansion across these key sectors compared to both the recent and past performance.

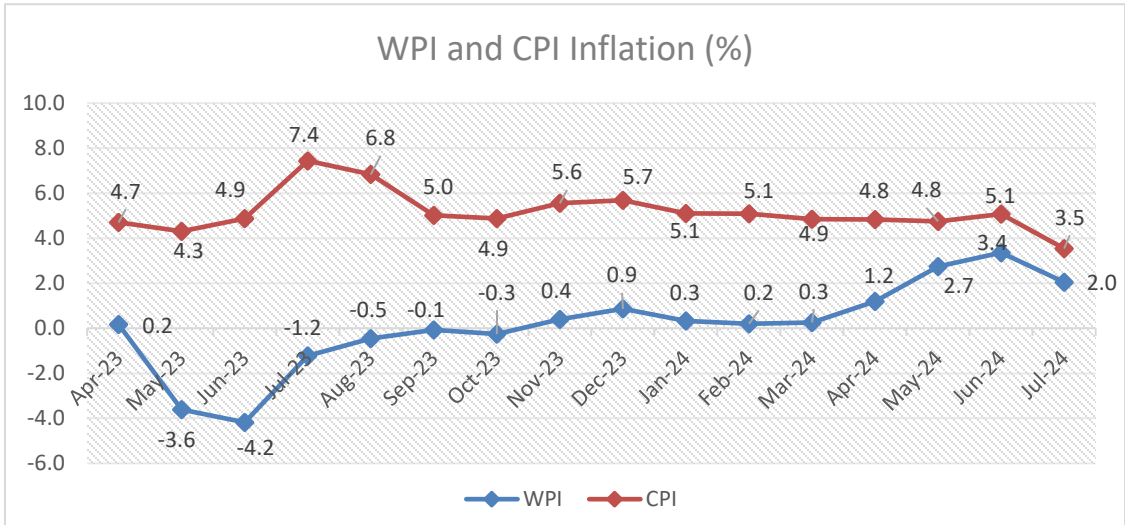


Source: Data compiled from Ministry of Commerce and Industry.

Despite a general slowdown in growth for June 2024, several sectors exhibited positive performance. Coal production surged by 14.8 percent, and electricity generation increased by 7.7 percent. The slowdown may be linked to reduced government capital expenditure in the lead-up to the general elections, which could have constrained investment and activity in key areas. Additionally, a deceleration in construction activity has likely contributed to a temporary dip in demand for steel and cement, further impacting the overall performance of these sectors. This combination of lower government spending and decreased construction activity seems to have played a significant role in the observed decline in core sectors' growth.

Economic Updates

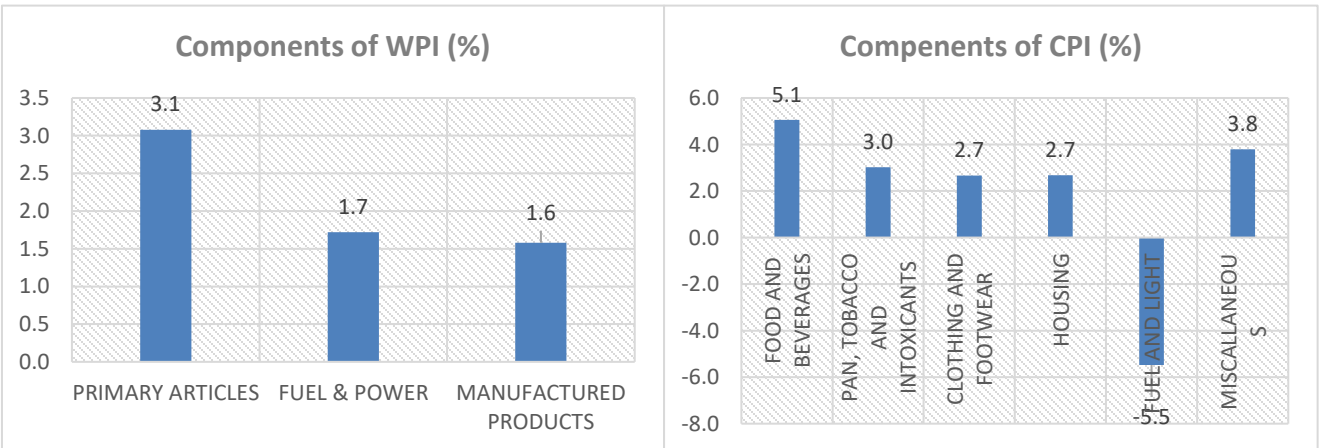
- Inflation Trends (WPI and CPI)**



Source: Data compiled from MOSPI and Office of Economic Advisor, GOI.

In July, India saw a notable decrease in wholesale price inflation, falling from a 16-month high of 3.4 percent in June to 2.04 percent. This decline was largely due to a significant cooling in food prices, which eased to 3.55 percent from 8.7 percent the previous month. Despite this annual reduction, month-on-month gains in food prices accelerated to 2.7 percent in July, up from 2.1 percent, in June, marking the highest monthly increase in at least six months.

On the other hand, retail inflation in India dropped to its lowest level in nearly five years, falling below the Reserve Bank of India's 4 percent inflation target for the first time in that period. This significant decline reflects a broad-based easing of price pressures at the consumer level, highlighting improvements in price stability and aligning with the central bank's inflation goals. This drop underscores a favorable shift in economic conditions, offering potential relief to consumers and a positive signal for monetary policy.

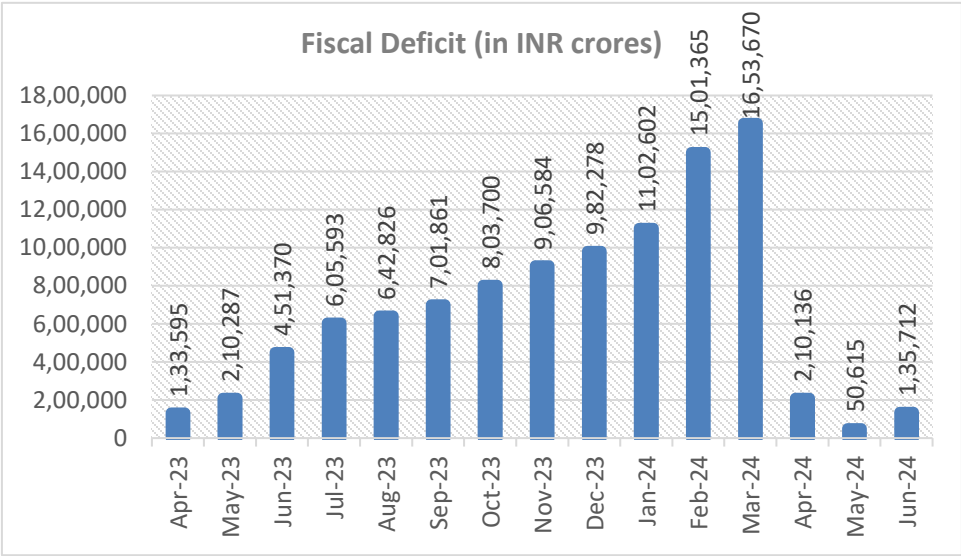


Source: Data compiled from MOSPI and Office of Economic Advisor, GOI.

RBI aims to maintain CPI inflation near this benchmark within a 2-6% range. This favorable development may bolster expectations for an early interest rate cut by the Reserve Bank of India's Monetary Policy Committee in its upcoming meeting, as the central bank could see a clearer path to easing monetary policy without compromising its inflation control objectives.

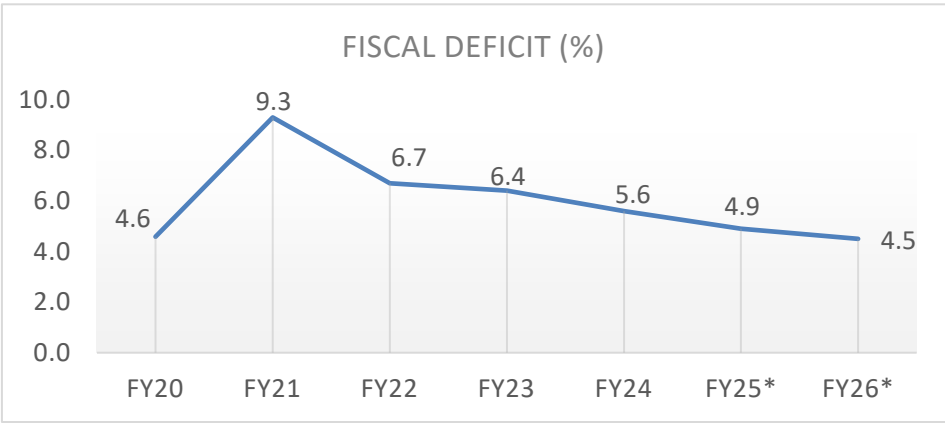


- Fiscal Deficit



Source: Data compiled from Controller General of Accounts, Ministry of Finance.

India's fiscal deficit for the first quarter of the financial year, beginning in April, reached INR 1.36 lakh crores, accounting for 8.1 percent of the annual estimate. This figure reflects the government's ongoing fiscal challenges. However, signs point to a more robust flow of tax revenues in FY25 compared to FY24. High-frequency indicators such as GST collections, e-way bills, and freight volumes suggest that economic activity is strengthening, which could support improved revenue generation and potentially help manage the fiscal deficit more effectively as the year progresses.



Source: Data compiled from Controller General of Accounts, Ministry of Finance. *Budget Estimates.

In the recent Union Budget, the Indian government revised its fiscal deficit target to 4.9 percent of GDP, down from 5.1 percent in the interim budget presented in February. This adjustment is supported by a surplus transfer from the central bank and robust tax revenues, even as the budget allocated more funds for job creation. Looking ahead, the government aims to reduce the fiscal deficit further, targeting a level below 4.5 percent of GDP by 2025-26. This strategic move highlights the government's commitment to fiscal discipline while addressing key economic priorities.



Economic Outlook by International Organisations

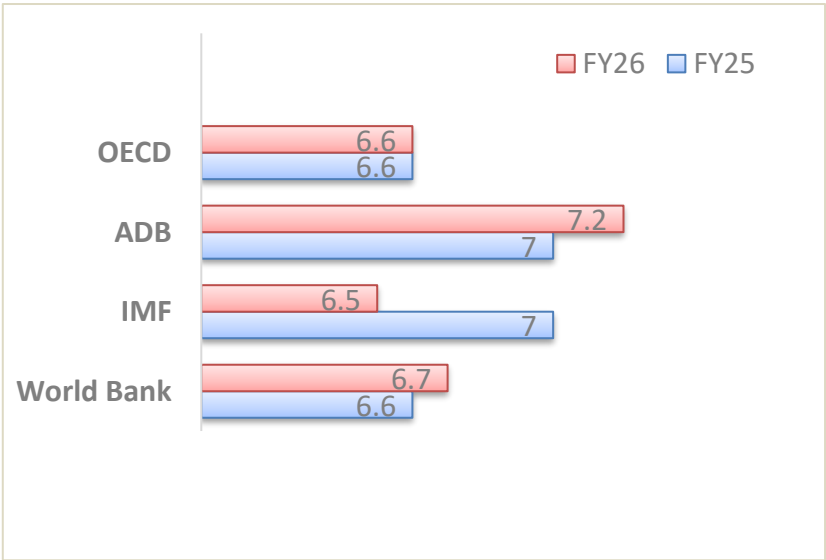
ADB retained India's growth forecast at 7 percent for FY'25: Asian Development Outlook, July 2024: The Asian Development Bank (ADB) maintained India's GDP growth forecast at 7 per cent for the current financial year, citing that a rebound in agriculture is expected given above-normal monsoon projections. The Indian economy is on track to grow by 7 per cent in FY2024 (ending 31 March 2025) and 7.2 per cent in FY2025 (next financial year), as projected in ADO April 2024, said the July edition of the Asian Development Outlook (ADO). Services continued to expand robustly in Q4 of FY24, and the forward-looking services PMI is well above its long-term average, it said, adding, industry is also expected to grow robustly, driven by manufacturing and strong demand for construction led by housing, it said...

[Read more](#)

IMF raised India's GDP growth forecast for FY25 to 7 percent: World Economic Outlook, July 2024: Global growth is projected to be in line with the April 2024 World Economic Outlook (WEO) forecast, at 3.2 percent in 2024 and 3.3 percent in 2025. Services inflation is holding up progress on disinflation, which is complicating monetary policy normalization. Upside risks to inflation have thus increased, raising the prospect of higher for even longer interest rates, in the context of escalating trade tensions and increased policy uncertainty. The policy mix should thus be sequenced carefully to achieve price stability and replenish diminished buffers. IMF upgrades India's FY25 growth forecast to 7 percent and maintains the country's fastest-growing economy status. The outlook also highlights risks related to inflation, currency volatility, and trade tensions, emphasizing the importance of prudent policy decisions and multilateral cooperation.

[Read more](#)

Forecasts by International Organizations for FY25 and FY26:



Corporate Office

ASSOCHAM

4th Floor, YMCA Cultural Centre and Library Building,

01, Jai Singh Road, New Delhi - 110001

Phone: 46550555(Hunting Line)

Email: assochem@nic.in

Website: <https://www.assochem.org>

Follow us on social media

 ASSOCHAM (The Associated Chambers of Commerce and Industry of India)

 ASSOCHAM4India

 ASSOCHAM

 ASSOCHAM4Ind

 ASSOCHAM India

Disclaimer

The report is prepared using information of a general nature and is not intended to address the circumstances of any particular individual or entity. The report has been prepared from various public sources and the information received from these sources is believed to be reliable. The information available in the report is selective and subject to updation, revision and amendment. While the information provided herein is believed to be accurate and reliable, ASSOCHAM does not make any representations or warranties, expressed or implied, as to the accuracy or completeness of such information and data available in the public domain.