

Ministry of Finance releases Annual Report 2023-24

According to the annual report 2023-24 of the Ministry of Finance, Government of India, the global macroeconomic scenario appears to have stabilised in 2023, after a year marked by global uncertainties and volatilities. While uncertainty stemming from adverse geopolitical developments remains elevated, inflationary pressures show signs of decline. Consumer price inflation in most Advanced Economies (AEs) has moderated significantly.

Global growth appears to have further picked pace with global composite PMI in the expansionary zone since February 2023. Market expectations of future policy rate cuts have risen in response to declining inflationary pressures and major central banks' signaling of rate cuts beginning in 2024.

The IMF, in its latest World Economic Outlook (WEO), has projected global growth at 3.2 percent in 2024 and 2025. However, downside risks to global growth persist. Continued attacks in the Red Sea and the on-going war in Ukraine could generate fresh adverse supply shocks to the global recovery, with spikes in food, energy, and transportation costs.

Amidst the global developments, the Indian economy seems robust, continuing as the fastest-growing major economy in FY24, reiterating India's strong macroeconomic fundamentals and a positive outlook.

On the demand side, private consumption expenditure is estimated to grow at 4 per cent in FY24 backed by resilient urban demand conditions and recovery in rural demand. Investment has continued to be buoyant as reflected in the rising share of Gross Fixed Capital Formation (GFCF), which increased from 30.7 per cent in FY23 to 30.8 per cent of GDP in FY24. The government has continued to support the investment activity with capital expenditure reaching Rs. 9.5 lakh crore during FY 2024. Government's thrust on capital expenditure has continued to crowd in private investment.

On the external side, in the backdrop of weakening global trade, exports and import growth moderated in FY24. However, the merchandise trade deficit narrowed, primarily fuelled by falling international commodity prices. A narrowing

merchandise trade deficit coupled with rising net service receipts continued to support improvement in the current account balance. On the supply side, the industry sector is estimated to grow at 9.5 per cent in FY24, led by robust manufacturing and construction sector activity.

Driven by a surge in investment, improved investor confidence, and steady domestic demand, the manufacturing sector is estimated to grow at 9.9 per cent in FY24. The construction sector witnessed a robust growth of 9.9 per cent in FY24, primarily aided by increased demand for residential properties and government measures to boost infrastructure through initiatives like GatiShakti and National Infrastructure pipeline. Services sector is estimated to grow at 7.6 per cent in FY24, primarily led by non-contact-intensive services ('Financial, real estate & prof services' and 'Public Administration, defence and other services') which registered a growth of 8.0 per cent in FY24.

Performance of the Banking Sector- There has been a significant enhancement in the asset quality of banks, led by improved borrower selection, more effective debt recovery and heightened debt awareness among large borrowers.

Bank credit growth has sustained momentum during FY24, with broad-based growth across sectors. Credit disbursement by SCBs stood at Rs. 164.3 lakh crore, growing by 20.2 per cent at the end of March 2024, compared to 15 per cent growth at the end of March 2023, at Rs. 136.8 lakh crore.

Domestic monetary policy during 2022-23 was marked by a tightening cycle due to upward pressures in CPI inflation owing to high commodity prices and volatile international financial market movements.

The Indian agriculture sector grew by 4.6 per cent in 2023-24 as per Second Advance Estimates. As per Third Advance Estimates for 2023-24, the production of food grains in the country is estimated at 3288.52 lakh tonnes.

The Union government expenditure on social services has increased at a CAGR of 5.9 per cent between FY12 and FY23, while the capital expenditure on social services has grown by 8.1 per cent CAGR over the same period, indicating the creation of societal assets

Industry - The performance of the industrial sectors based on the Index of Industrial Production (IIP) comprising mining, manufacturing and electricity sectors witnessed continued momentum during 2023-24 (April-January).

Climate Change Finance Unit, Economic Division - The Climate Change Finance Unit (CCFU) is responsible for working on the issue of resource mobilization for India to address the issue of climate change in the country.

Performance and achievements under the key flagship programmes - India submitted an ambitious NDC under the Paris Agreement in October 2015 to fulfil its deep commitment to climate action and was making steady progress towards those promises. India has been progressively decoupling economic growth from greenhouse gas emissions.

e-Governance: Activities For matters related to climate change finance, the e-file platform has been used in almost all cases since 2018. Old physical files have also been converted to electronic form.

Prices - Retail inflation measured by Consumer Price Index Combined (CPI-C) declined from 6.7 per cent in 2022- 23 to 5.4 per cent in 2023-24. While core inflation (nonfood, non-fuel) moderated in FY24, food inflation escalated in few months due to price volatility in certain specific food items. Inflation measured in terms of Wholesale Price Index (WPI) decreased from 9.4 per cent 2022-23 to (-) 0.7 per cent in 2023-24. WPI food inflation averaged at 3.2 per cent in 2023-24, lower than 6.3 per cent recorded in 2023-24.

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Warm regards,

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