



EDITORIAL: THE HINDU

GENERAL STUDIES 3: ECONOMY

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TOPIC: INDIAN ECONOMY AND ISSUES RELATING TO PLANNING, MOBILISATION OF RESOURCES, GROWTH, DEVELOPMENT AND EMPLOYMENT.

REAL AND NOMINAL GDP GROWTH ESTIMATES FOR 2024-25

- **Growth Rates Overview:** India's real GDP growth is projected at 6.4% for 2024-25, with nominal GDP growth at 9.7%, both below the Reserve Bank of India (RBI) estimates of 6.6% and 10.5%.
- **Quarterly Trends:** Growth comprises 6% in the first half and 6.7% in the second half, recovering from Q2's lower growth of 5.4%.
- **Year-on-Year Comparison:** Real GDP growth declined sharply from 8.2% in 2023-24, with Gross Value Added (GVA) growth also moderating from 7.2% to 6.4%.
- **Sectoral Insights:** The manufacturing sector saw significant deceleration, with growth falling from 9.9% in 2023-24 to 5.3% in 2024-25.

Growth Prospects for 2025-26

- **Investment Stability:** Gross Fixed Capital Formation rate has remained stable at 33.4% since 2021-22 and is expected to sustain this level.
- **Projected Growth:** GDP growth is estimated at 6.5% for 2025-26, driven by stable investments and enhanced capital efficiency.
- **Role of Domestic Demand:** With limited changes expected in global economic conditions, domestic demand will remain the primary growth driver.
- **Public Investment:** Sustained government investment is essential, as reduced public spending negatively impacted growth in 2024-25.
- **Capital Expenditure Goals:** A 20% growth target in capital expenditure for 2025-26 is crucial for stimulating private investments and boosting economic activity.

Fiscal and Revenue Challenges

- **Revenue Pressures:** Lower nominal GDP growth in 2024-25 may challenge the achievement of revenue targets, including Gross Tax Revenue (GTR).
- **Tax Collection Trends:** Better-than-expected tax collection in the first eight months could mitigate potential revenue shortfalls.



- **Public Spending Gaps:** Only 46.2% of the budgeted capital expenditure target was achieved by the eighth month of 2024-25.
- **Accelerating Expenditure:** Enhanced capital expenditure in the remaining fiscal months is vital to meet growth and development objectives.

Medium- to Long-Term Growth Prospects

- **Projected Growth Rates:** India's real GDP is expected to grow at an average of 6.5% over the next five years, consistent with international projections.
- **Nominal Growth Potential:** Combining real growth of 6.5% with moderate inflation of 4% could yield steady nominal GDP growth between 10.5% and 11%.
- **Development Milestones:** Sustaining this trajectory could enable India to achieve developed country status within 25 years.
- **Challenges of Scale:** Achieving high growth rates will require targeted efforts to improve productivity and investments due to the increasing economic base.
- **Growth Insights:** The 6.4% growth rate for 2024-25 reflects India's underlying growth capacity, while the 8.2% in 2023-24 was an exceptional performance.

Conclusion

- Despite recent economic challenges, India's performance highlights resilience and aligns with its potential growth trajectory.
- Consistent investment, emphasis on domestic demand, and sustained public spending will be crucial for maintaining long-term growth and achieving developmental goals.

Source: <https://www.thehindu.com/opinion/lead/indias-real-growth-rate-and-the-forecast/article69109601.ece#:~:text=term%20growth%20prospects-,In%20the%20light%20of%20a%20potential%20growth%20rate%20of%206.5,a%20flash%20in%20the%20pan.>

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