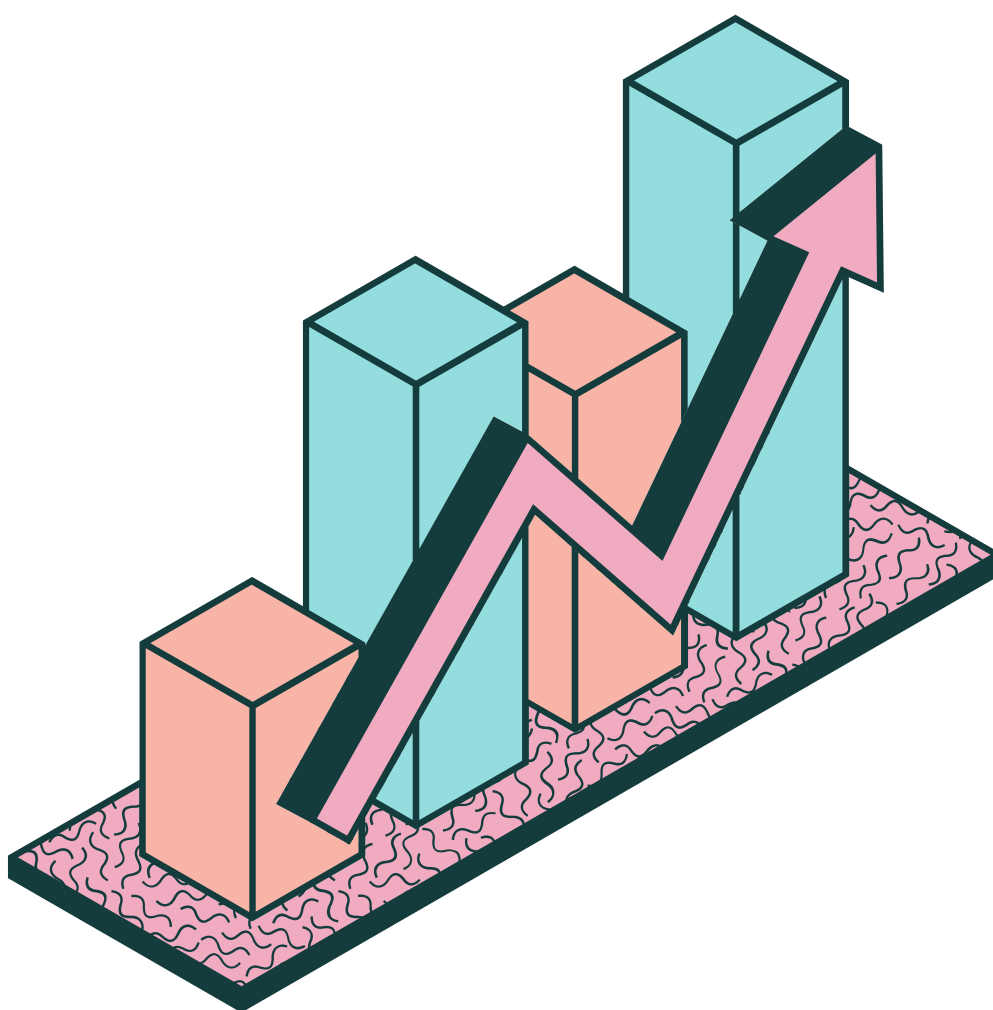


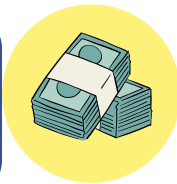
**DICCI**

# Indian Economy



**October 2023**

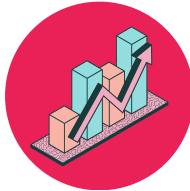
India's exports have grown by 20% in the first six months of 2023. This is driven by strong demand for Indian goods and services from global markets.



India's foreign exchange reserves have reached a record high of \$630 billion. This provides India with a strong buffer against any external shocks.



India's manufacturing PMI has risen to a two-year high in September 2023. This indicates that India's manufacturing sector is expanding at a rapid pace.



India's services PMI has remained strong in September 2023. This suggests that India's services sector continues to be a key driver of economic growth.



## Indian Economy Growth

The **International Monetary Fund (IMF)** has projected that India will become the world's **third-largest** economy by 2027. This growth will be fueled by India's young and dynamic workforce, its growing middle class, and its increasing integration into the global economy.

India is a major player in the global technology sector. Indian companies are leading the way in areas such as artificial intelligence, fintech, and e-commerce. India is also a major exporter of IT services.

India is investing heavily in infrastructure development. The government is spending trillions of dollars on new roads, railways, airports, and ports. This investment is boosting economic growth and creating jobs.

India is a reformer's nation. The government has taken a number of steps to improve the business environment and boost FDI inflows. These reforms have made India more attractive to foreign investors.

India's middle class is expected to grow to **300 million** people by **2025**. This growing middle class will drive demand for goods and services across a wide range of sectors.

India is now the **third-largest** startup ecosystem in the world. Indian startups are attracting billions of dollars in venture capital investment.

India is now a net exporter of services. Indian exports of services have grown at a faster pace than imports of services in recent years.

India has made significant progress in improving its ranking on the World Bank's Doing Business index. India has jumped **67** places in the past **five years** to reach **63rd** position in the World Bank's Doing Business 2023 index.

## Growth Drivers

**Strong domestic demand:** Domestic demand remains strong, supported by rising incomes and a growing middle class. India's middle class is expected to reach **570 million** people by 2023, which will create a huge demand for goods and services.

**Pickup in global growth:** The global economy is recovering in 2023, which is boosting India's exports. India's exports are expected to grow by **8%** in 2023, up from **7%** in 2022.

**Government reforms:** The Indian government is continuing to implement reforms to boost economic growth, such as the Production-Linked Incentive (PLI) scheme and the National Infrastructure Pipeline. The PLI scheme is providing incentives to businesses to manufacture goods in India, and the National Infrastructure Pipeline is a **\$1.4 trillion** investment plan to develop India's infrastructure.

**Favorable demographics:** India has a young and growing population, which is a major driver of economic growth. India has the second-largest population in the world, and the median age of the Indian population is just **27.5 years** old. This means that India has a large workforce that is ready to contribute to the economy.

**Investment in infrastructure:** The Indian government continues to invest heavily in infrastructure, such as roads, railways, and airports. This is boosting economic growth and creating jobs.

**Digital transformation:** India's digital transformation is accelerating. This is creating new opportunities for businesses and consumers. India now has over **1.2 billion** mobile phone users and over **800 million** internet users.

**Growth of the startup sector:** India's startup sector continues to grow rapidly. India has over **100 unicorns**, which are startups valued at over **\$1 billion**. The Indian startup sector is creating new jobs and driving innovation.

**Increased foreign direct investment (FDI):** India is attracting increasing amounts of FDI. FDI inflows into India reached **\$83.5 billion** in the financial year 2022-23, the highest level ever. FDI is flowing into a variety of sectors, such as manufacturing, services, and infrastructure.

# GDP Growth

## Impact of GDP Growth on Different Sectors of the Indian Economy

**Agriculture:** The agricultural sector is expected to grow by **3.5%** in 2023, driven by strong government support and increasing demand for high-value food products.



**Manufacturing:** The manufacturing sector is expected to grow by **8%** in 2023, driven by the Make in India program and the global economic recovery.



**Services:** The services sector is expected to grow by **9%** in 2023, driven by the growing middle class and the increasing use of technology.



**Construction:** The construction sector is expected to grow by **10%** in 2023, driven by government investment in infrastructure and housing.



**Tourism:** The tourism sector is expected to grow by **12%** in 2023, driven by the increasing number of people visiting India.

Domestic demand remains strong, supported by rising incomes and a growing middle class. India's middle class is expected to reach **570 million** people by 2023, which will create a huge demand for goods and services.

The global economy is recovering in 2023, which is boosting India's exports. India's exports are expected to grow by 8% in 2023, up from **7%** in 2022.

The Indian government is continuing to support the business sector through a number of initiatives, such as the **PLI scheme** and the National Infrastructure Pipeline.

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## Indian Export

India's merchandise exports in October 2023 were USD 34.97 billion, an increase of **17.3%** over October 2022. This growth was driven by strong performance in sectors such as engineering goods, petroleum products, and gems and jewellery.

Engineering goods exports grew by **29.4%** in October 2023, to **USD 9.2 billion**. This growth was driven by strong demand from the United States, Europe, and the Middle East.

Petroleum products exports grew by **19.8%** in October 2023, to **USD 5.3 billion**. This growth was driven by high oil prices and strong demand from the United States and China.

Gems and jewellery exports grew by **17.6%** in October 2023, to **USD 3.9 billion**. This growth was driven by strong demand from the United States, China, and Hong Kong.

### Types of trade agreements:

- Free trade agreements (FTAs): Eliminate tariffs and other barriers to trade on a wide range of goods and services.
- Comprehensive economic partnership agreements (CEPAs): Similar to FTAs, but may also include other areas of cooperation, such as investment and technology transfer.
- Preferential trade agreements (PTAs): Less comprehensive than FTAs and CEPAs, as they may only eliminate tariffs on a limited range of goods or services.

### Benefits of trade agreements:

- For the importing country: Lower prices for goods and services.
- For the exporting country: Increased exports and economic growth.

### Challenges of trade agreements:

- **For the exporting country: Increased competition from foreign exporters.**

# Impact of Export Growth on the Indian Economy

India's export growth in October 2023 was **17.3%** year-on-year, driven by strong performance in sectors such as engineering goods, petroleum products, and gems and jewellery. This export growth is having a positive impact on the Indian economy in a number of ways, including:

- **Job creation:** Export growth is creating new jobs in the manufacturing and services sectors. For example, the engineering goods sector, which grew by **29.4%** in October 2023, is a major employer of skilled workers.
- **Economic growth:** Export growth is contributing to India's overall economic growth. The Reserve Bank of India estimates that export growth contributed 0.6 percentage points to India's GDP growth in the first quarter of 2023-24.
- **Foreign exchange reserves:** Export growth is increasing India's foreign exchange reserves. India's foreign exchange reserves stood at **USD 572.9 billion** on October 28, 2023, up from **USD 562.5 billion** a month earlier. This increase in foreign exchange reserves provides India with a cushion against external shocks.
- **Trade deficit:** Export growth is helping to reduce India's trade deficit. India's trade deficit narrowed to **USD 20.05 billion** in October 2023, from **USD 23.11 billion** in September 2023.

In addition to these direct impacts, export growth is also having a number of indirect positive impacts on the Indian economy. For example, export growth is boosting demand for domestic goods and services, which is leading to higher investment and job creation in the domestic economy. Export growth is also helping to improve India's image as a trading nation, which is attracting more foreign investment into the country.



Infrastructure development is playing a critical role in boosting India's export growth. In October 2023, India's merchandise exports grew by **17.3%** year-on-year, to **USD 34.97 billion**. This growth was driven by strong performance in sectors such as engineering goods, petroleum products, and gems and jewellery. Infrastructure development has contributed to this export growth in a number of ways, including:

**Improved logistics efficiency:** Infrastructure development also helps to improve the efficiency of the logistics sector. This reduces the time it takes to export goods, which is important for time-sensitive products.

**Increased access to export markets:** Infrastructure development, such as the development of new ports and airports, can help to expand India's access to export markets. This gives Indian exporters more opportunities to sell their products overseas.

**Reduced transportation costs:** Well-developed transportation infrastructure, such as roads, railways, and ports, helps to reduce the cost of transporting goods to and from export markets. This makes Indian exports more competitive in the global market.

**Attracting foreign investment:** Well-developed infrastructure is also a key factor in attracting foreign investment into India. Foreign investors are more likely to invest in countries with good infrastructure, as this reduces their operating costs and makes it easier to do business.

The Indian government is investing heavily in infrastructure development. In the Union Budget 2023-24, the government allocated **Rs 7.5 lakh crore** to the infrastructure sector. This investment is expected to further boost India's export growth in the coming years.

The government is also taking several other steps to promote infrastructure development, such as:

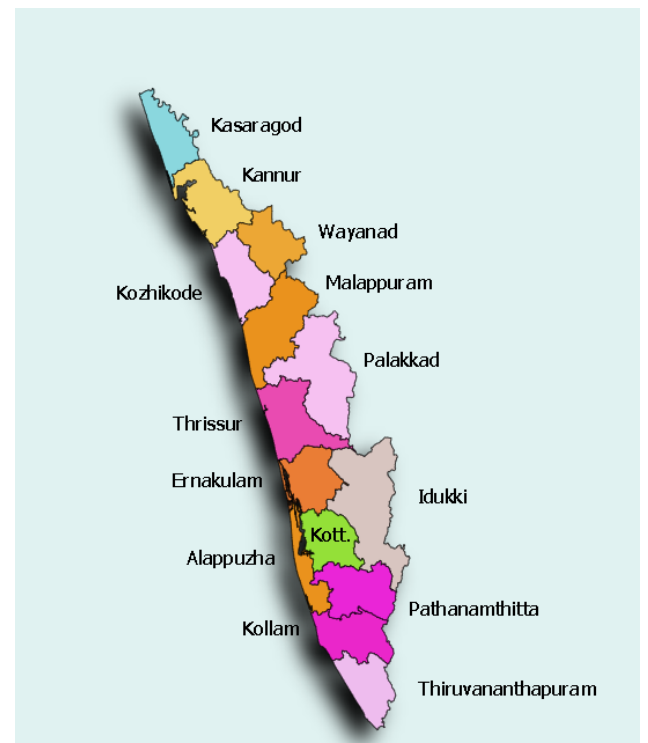
- **Public-private partnerships (PPPs):** The government is partnering with the private sector to develop infrastructure projects. This is helping to increase the pace of infrastructure development and reduce the burden on the government's finances.
- **Infrastructure investment trusts (InvITs):** The government has introduced InvITs to make it easier for investors to invest in infrastructure projects. InvITs are investment vehicles that pool investors' money to invest in infrastructure projects.
- **National Infrastructure Pipeline (NIP):** The government has launched the National Infrastructure Pipeline (NIP), which is a **Rs 111 lakh crore plan** to develop infrastructure projects across the country. The NIP is expected to boost India's economic growth and create millions of jobs.



# What's New In SC/ST in October 2023?

## 1. Startup City project supporting SC/ST entrepreneurs based in THIRUVANANTHAPURAM (Kerala):

- The Startup City project received 188 applications from SC/ST entrepreneurs, innovators, and startup enthusiasts for its first batch .
- Launched jointly by Kerala Startup Mission (KSUM) and the government's Unnathi initiative, the project aims to aid SC/ST entrepreneurs in establishing or expanding their enterprises.
- The project's goal is to assist young entrepreneurs in scaling up their ventures, potentially leading to job creation.
- Minister K Radhakrishnan, chairman of Unnathi, inaugurated the project. KSUM's CEO, Anoop Ambika, emphasized providing essential facilities and expert mentorship to the selected entrepreneurs.
- The first phase of the evaluation process focused on various sectors like Livelihood and Traditional MSME Business, MIS, Healthcare, IT, Hardware, Internet of Things (IoT), and Data Analytics. Selected entrepreneurs will receive financial support, mentorship, and assistance in business establishment and development.
- The Startup City project aims to provide incubation facilities and support ventures in multiple sectors



## 2. CGTMSE's milestone and its provisions for SC/ST:

### CGTMSE Achievements:

- **Loan Guarantee Limits:** The scheme offers guarantees of up to 85% for loans up to Rs 5 crore for specific categories like women entrepreneurs, SC/ST entrepreneurs, MSEs in aspirational districts, ZED-certified MSEs, individuals with disabilities (PwD), and MSEs promoted by Agnivee.
- **Guarantees Granted:** During FY23, CGTMSE approved 11.65 lakh guarantees amounting to Rs 1.04 lakh crores. In FY21, 8.35 lakh guarantees worth Rs 36,899 crore were approved, and in FY22, 7.17 lakh guarantees involving Rs 56,171 crore were approved.
- CGTMSE (Credit Guarantee Fund Trust for Micro and Small Enterprises) reached a landmark of guaranteeing loans totaling Rs 5 lakh crore, supporting 76 lakh Micro and Small Enterprises (MSEs)
- Initially set up in July 2000 with Rs 2,500 crore, the corpus expanded to Rs 7,500 crore, and later increased by an additional Rs 5,000 crore by the government of India.
- Finance Minister Nirmala Sitharaman announced a Rs 9,000 crore infusion into CGTMSE's corpus, effective April 1, 2023, aimed at facilitating an additional Rs 2 lakh crore in collateral-free credit to MSMEs. This would also decrease the cost of credit by 1%.
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### Loan Guarantee Limits

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## Union Minister Bhanu Pratap Singh Verma's advocacy for SC and ST entrepreneurship in Arunachal Pradesh at the National SC-ST Hub (NSSH) Mega Conclave

The Ministry of MSME organized the NSSH Mega Conclave to promote entrepreneurship among Scheduled Caste (SC) and Scheduled Tribe (ST) communities.

The Ministry emphasized implementing over 20 schemes specifically for SCs/STs across India, aiming to create awareness among SC/ST entrepreneurs in Arunachal Pradesh about NSSH and other Ministry schemes.

The participation of CPSEs like NHPC, POWERGRID, Brahmaputra Cracker and Polymer Ltd provided a significant opportunity for SC-ST entrepreneurs to interact and enhance their engagement in public procurement Government e Marketplace (GeM), and State Government departments to boost their participation in public procurement.

**NSSH Scheme:** Vijay Prakash from NSIC highlighted NSSH's goal to empower SC/ST entrepreneurs and ensure 4% procurement from them under the public procurement policy by Ministries, Departments, and CPSEs .

**Benefits for SC-ST MSMEs:** The conclave aimed to expand the horizons of SC-ST MSMEs by introducing them to various government interventions, allowing them to introduce new ideas

Stay tuned for the November month's Indian Economy Report