



INDIA ECONOMY UPDATE
DECEMBER 2024

Overview:

Nominal GDP for Q2 2024-25 is estimated at Rs. 76.60 lakh crores (US\$ 886.16 billion) with growth rate of 8%, compared to Rs. 70.90 lakh crore (US\$ 820.22 billion) for Q2 2023-24.

Gross Value Added (GVA) half yearly estimates at basic prices for the first quarter (April-September) **2024-25 at constant 2011-12 prices are as follows:**

Agriculture, forestry & fishing: Rs. 9,88,371 crore (US\$ 114.37 billion).

Mining & Quarrying: Rs. 1,60,552 crore (US\$ 18.58 billion).

Manufacturing: Rs. 13,86,753 crore (US\$ 160.50 billion).

Electricity, gas, water supply & other utility services: Rs. 2,04,727 crore (US\$ 23.70 billion).

Construction: Rs. 7,14,567 crore (US\$ 82.70 billion).

Trade, hotels, transport, communications & services related to broadcasting: Rs. 14,32,140 crore (US\$ 165.72 billion).

Financial, real estate & professional services: Rs. 21,69,269 crore (US\$ 251.01 billion).

Public administration, defence & other services: Rs. 10,74,053 crore (US\$ 124.28 billion).

Forex Reserves: Rs. 5,380,402 crore (US\$ 625.871 billion), as of January 10, 2025.

Value of Exports: India's overall exports in FY25 (April-December 2024) were estimated at Rs. 5.21 lakh crore (US\$ 602.64 billion). Overall imports over the same period were estimated at 5.90 lakh crore (US\$ 682.15 billion).

Export Partners: US, Germany, UAE, China, Japan, Thailand, Indonesia, and the EU. India is also tapping newer markets in Africa and Latin America.

Currency (code): Indian rupee (Rs).

Exchange Rates: Indian rupee per US\$: US\$ 1 = Rs. 86.56 as of January 22, 2025.

Fiscal Year: April 01 - March 31.

Cumulative FDI Equity Inflow: Rs. 89.27 lakh crore (US\$ 1,033.40 billion) (from April 2000-September 2024).

Share of the Top Investing Countries in FDI Equity Inflow: Mauritius (25%), Singapore (24%), USA (10%), Netherlands (7%), Japan (6%), the UK (5%), the UAE (3%), the Cayman Islands (2%), Germany (2%), and Cyprus (2%) from April 2000-September 2024.

Key Sectors Attracting the Highest FDI Equity Inflow: Services Sector (16%), Computer Software & Hardware (15%), Trading (6%), Telecommunications (6%), Automobiles (5%), etc from April 2000-June 2024.

Key Export Sectors:

India's engineering exports continued to grow for the seventh consecutive month, driven by strong performance in sectors like aircraft, spacecraft, ships, boats, iron and steel, electric machinery, and automobiles. In November 2024, engineering goods exports rose 13.75% year-on-year to \$8.90 billion, while cumulative exports for April-November 2024 reached \$75.47 billion, up 8.87% from the previous year.

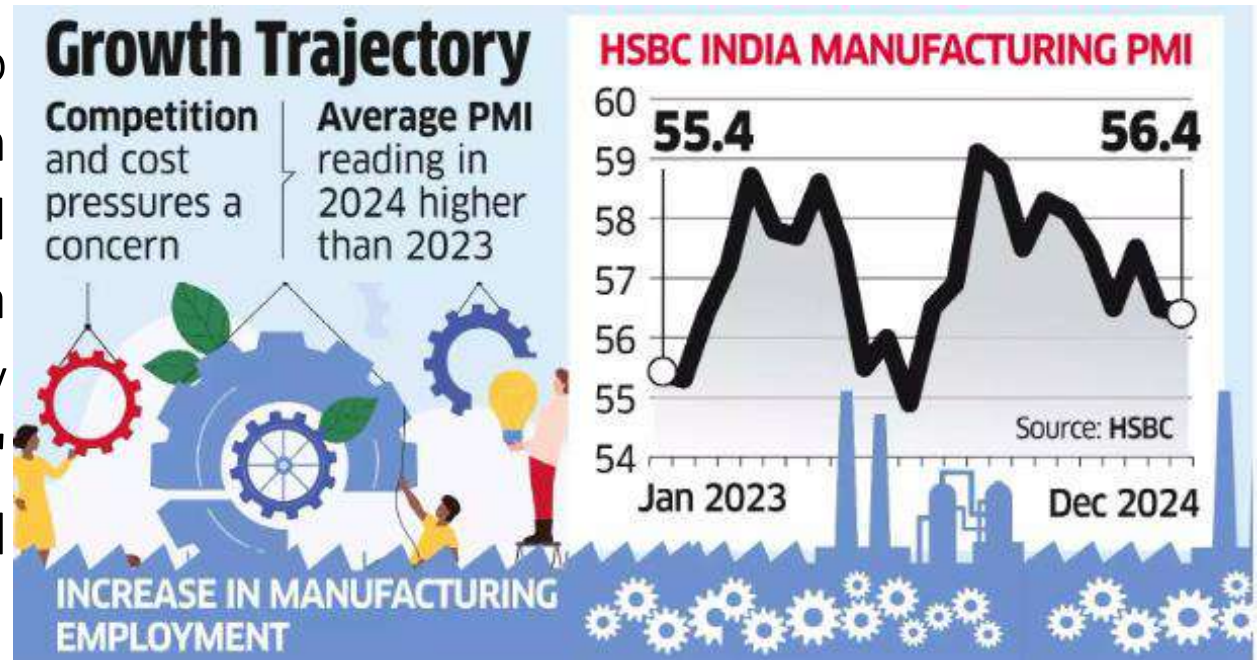
The USA remained the top destination, with exports totaling \$12.12 billion. Positive growth was seen in 24 out of 34 engineering sectors, with notable increases in aircraft and spacecraft parts (206%) and ships and boats (92%). Major export regions included North America, the EU, ASEAN, and North-East Asia.

Manufacturing Sector:

India's manufacturing activity moderated to its slowest pace of growth in 12 months in December as increased competition and price pressures weighed on activity, a private survey released on Thursday showed. The HSBC Purchasing Managers' Index (PMI), compiled by S&P Global, eased to 56.4 last month from 56.5 in November.

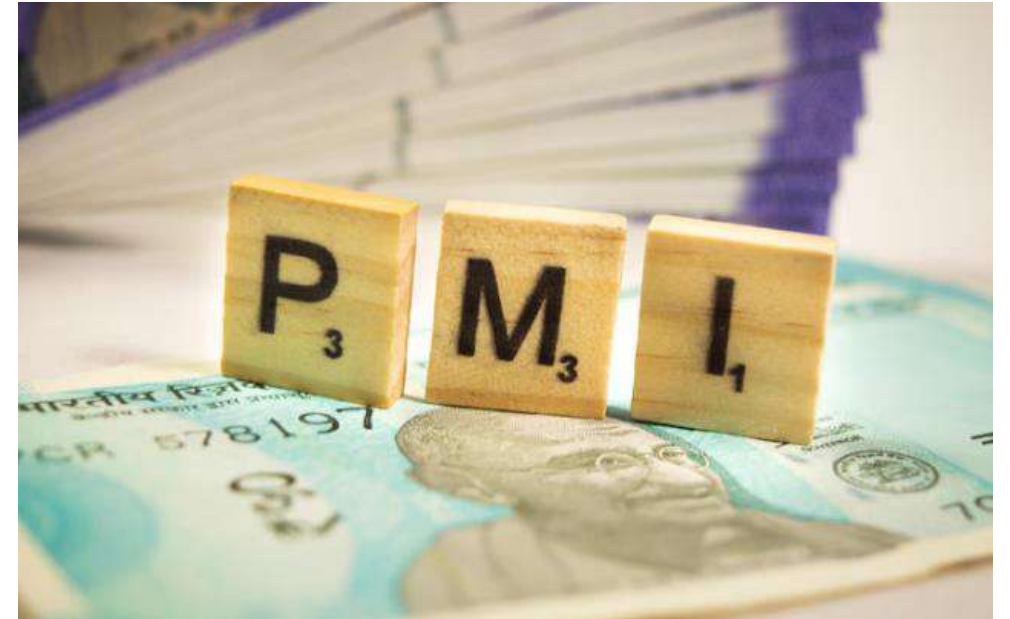
Despite the December dip, the average PMI for 2024 rose to 57.5 from the 56.8 average recorded in 2023, signalling stronger annual performance.

"India's manufacturing activity ended a strong 2024 on a softer note, with more signs of a slowing trend, albeit moderate, in the industrial sector," said Ines Lam, economist at HSBC.



Service Sector:

India's Services Purchasing Managers' Index (PMI) for December 2024 rose to 59.3 points, an increase from 58.4 points recorded in November, signalling growth in the country's services sector. Continued demand buoyancy propelled new business inflows, supported output growth, and encouraged firms to expand their workforce, the HSBC India Services PMI, compiled by S&P Global, reported on Monday. The HSBC India Services Business Activity Index rose to 59.3 in December from 58.4 in November, marking the strongest expansion in four months.



Agriculture Sector:

The agriculture sector in India is expected to grow by 3.8% in 2024-25, which is a significant increase from the previous year's growth of 1.4%. This growth is a result of the sector receiving targeted credit flow and other support from the government.

UPI Transactions:

India's digital payment landscape has seen significant growth, led by the Unified Payments Interface (UPI), which processed a record 16.73 billion transactions worth Rs 23.25 lakh crore in December 2024. This marks a 46% increase from 2023. UPI, along with Immediate Payment Service (IMPS) and NETC FASTag, has revolutionized financial transactions, making them faster, more secure, and accessible. IMPS saw 441 million transactions in December, valued at Rs 6.01 lakh crore, while FASTag transactions reached 381.98 million, valued at Rs 6,642 crore. These advancements highlight India's shift towards a cashless economy, with increased financial inclusivity and security.

Goods and Services Tax (GST) Collections:

India's Gross Goods and Services Tax (GST) collections for December 2024 reached Rs 1.77 lakh crore, representing a 7.3% year-on-year growth

The CGST collections rose to Rs 32,836 crore, while SGST collections increased to Rs 40,499 crore. IGST, which includes revenues from imports, surged to Rs 91,221 crore, and cess collections amounted to Rs 12,301 crore.

Abhishek Jain, Indirect Tax Head & Partner, KPMG stated, "GST collections growth of 7.3% is in line with bit of a slow down in GDP growth. As is expected that the GDP growth will inch north in this quarter, the GST collections should mirror the same"

Government e-Marketplace (GeM):

India's public procurement portal Government e-Marketplace (GeM) has facilitated sales of around Rs 3 trillion so far in the current financial year, which suggests that it will surpass last year's performance by a wide margin.

In 2023-24, the portal handled procurement of Rs 4 trillion by the government departments in both centre and states and public sector enterprises. In the last financial year, the gross merchandise value of transactions on the portal had doubled on year.

Since the start of operations in 2017-18, the GeM has enabled transactions of close to Rs 11 trillion, a senior official said.

The GeM started offering services to its clients from 2021 and since then the total value of services procured using the portal has crossed Rs 4.84 trillion. Procurement of services through GeM was Rs 1.73 trillion in the first seven months of this financial year.

Marginalized Communities (SC/ST) MSME Udyam Registration

As of December 2024, the number of MSMEs registered on the Udyam portal is 5,71,39,625. This includes: 5.64 crore micro enterprises, 7.32 lakh small enterprises, and 68,974 medium-sized enterprises

As a Marginal Communities registered on the Udyam portal is 79,14,754. This includes 59.14 lakh Scheduled Castes (SC) and 19.67 lakh Scheduled Tribes (ST) & Women Entrepreneur is 2.28 crore.

The Udyam portal was launched on July 1, 2020. The Udyam Assist Platform (UAP) was launched in January 2023 to bring informal micro enterprises into the formal economic fold.

Reverse Flipping Investment in India:

Indian government clamped down on the crypto sector's freewheeling spirit in 2022, several homegrown startups flocked to foreign jurisdictions such as the US, the UAE, and Singapore for better access to capital and smaller tax bills.

However, this trend, known as 'flipping', first began in the 2000s, when many Indian companies packed their bags and moved abroad to list on foreign exchanges like the Nasdaq, seeking higher valuations and a wider base of investors.

For the last two decades, this has been a common practice among Indian unicorns. These companies transfer ownership to a foreign entity and set up a wholly-owned subsidiary in India, while their operations and market focus remain in India.

In recent times, however, the startup ecosystem has seen the emergence of a counter-trend, known as ‘reverse flipping’. An increasing number of new-age tech companies domiciled abroad are now queuing up to return home as they look to capitalise on the boom in India’s economy, access to a bigger pool of investors, better initial public offering (IPO) prospects, and favourable government policies.

In 2024, Groww was among the biggest names to move domicile to India. This trend is expected to further accelerate in 2025 as new-age tech ventures look to expedite ‘Desh Wapsi’ plans with an eye on public listing.

Last year, 13 new-age tech companies made their Dalal Street debuts, raising a record INR 29,000 Cr+ via the Indian public markets.

this IPO boom, ecommerce giant Flipkart, fintech unicorn Razorpay, quick commerce unicorn Zepto and fintech company Pine Labs are eyeing a **‘desh wapsi’** in 2025 ahead of their eventual public listings.

Among other homegrown players looking to move their corporate headquarters back to India from foreign countries are ecommerce major Mensa Brands, B2B ecommerce unicorn Udaan, edtech firm Eruditus, customer engagement and retention startup CleverTap, and Peak XV Partners-backed digital banking startup Freo. Many of these plans are expected to be formalised this year.

It is pertinent to mention that Walmart-backed PhonePe became the first major new-age tech company to shift its domicile back to India in 2022. However, the reverse flip cost a fortune as PhonePe's investors had to pay INR 8,000 Cr to the Indian government.

Similarly, investors of Groww suffered a tax hit of INR 1,340 Cr in the US when the fintech unicorn returned home last year.

Are Indian Startups Returning Home

New-age tech IPOs are receiving a warm response in the Indian stock market and the investor base has grown considerably over the past few years. The surge in activity in the broader IPO market and the positive performance of the already listed new-age tech companies has made India a natural choice for companies to go public.

Besides, 35% of surveyed investors said that startups are considering reverse flipping as it would give them better access to their Indian customer base.

Take, for example, IPO-bound fintech major PhonePe. The digital payments giant has its largest user base in India with over 575 Mn registered users and a network of more than 40 Mn merchants. So, it made sense when the company shifted its base back to India in 2022.

Similarly, quick commerce unicorn Zepto has an active user base of over 15 Mn in the country and earned all its revenue of INR 4,454 Cr from its India operations in FY24.

Meanwhile, 33% of surveyed investors believe that lower operational costs are motivating startups to join the reverse flipping parade.

The overall ease of doing business has also improved in the country over the last decade, helped by reforms across sectors such as infrastructure, finance, and manufacturing. This improvement in ease of doing business is driving homegrown startups to relocate their headquarters back to India.

While much more needs to be done, the work undertaken by authorities on easing the reverse flipping process seems to be showing results. As such, 2025 can be a watershed year when redomiciling back to the country reaches new heights.