

Decoding India's economic growth

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A large, modern skyscraper with a glass facade and a steel frame, viewed from a low angle looking up. The sky is blue with some white clouds. The building's reflection is visible in the glass.

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Executive summary

Indian economy at a glance



7.3 per cent
GDP growth in FY24



7 per cent
GDP growth in FY25



USD7 trillion
economy by 2030



USD2 trillion
exports by 2030



5.1 per cent
Fiscal deficit estimated
for FY25

159.2
Index of industrial production
in Mar 2024

USD32 billion
FDI equity inflow
(As of Dec 2023)

1,231
PE deals
in 2023



Sources provided in the subsequent sections

Sector growth

Agriculture

2nd largest producer of rice, wheat, fruits, vegetables, groundnut, tea, sugarcane and cotton

Automobile



3rd largest automobile market



Technology

2nd highest internet users globally

Financial services

2nd largest insurtech market in Asia-Pacific



Pharmaceutical

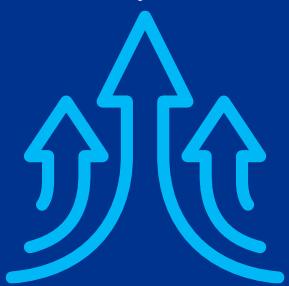
Ranks **3rd** in the world by volume

Economic performance

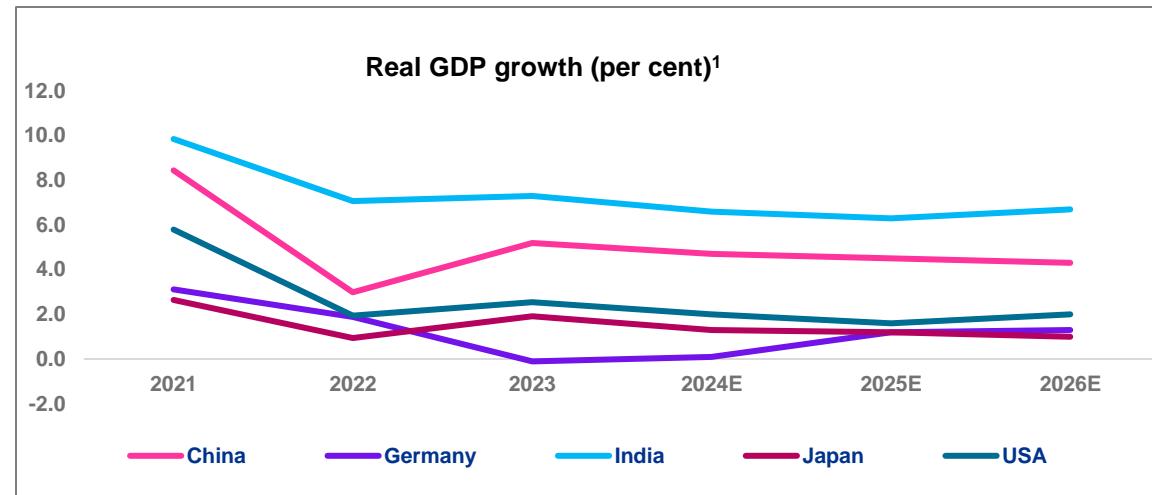


India is poised to become a USD7 trillion economy by 2030

- India is expected to emerge as the fastest-growing global economy from 2024 to 2028, with a year-on-year real GDP growth rate estimated at 7.3 per cent in FY24 and 7.0 per cent in FY25²
- The country is also on track to achieve a USD7 trillion economy by 2030³
- Developing and emerging economies are predicted to contribute 60 per cent of global GDP by 2028, with South and Southeast Asia expected to make stronger contributions⁴



Indian outlook



Inflation (in per cent)⁵



Fiscal deficit (in per cent of GDP)⁶



Index of industrial production⁷



1. Data, EIU, accessed on 16 April 2024

2. Minutes of the Monetary Policy Committee Meeting, RBI, 22 Feb 2024

3. Indian Economy – A Review, Department of Economic Affairs, Jan 2024

4. Why we can expect the return of the 'Asian Century', 8 January 2024

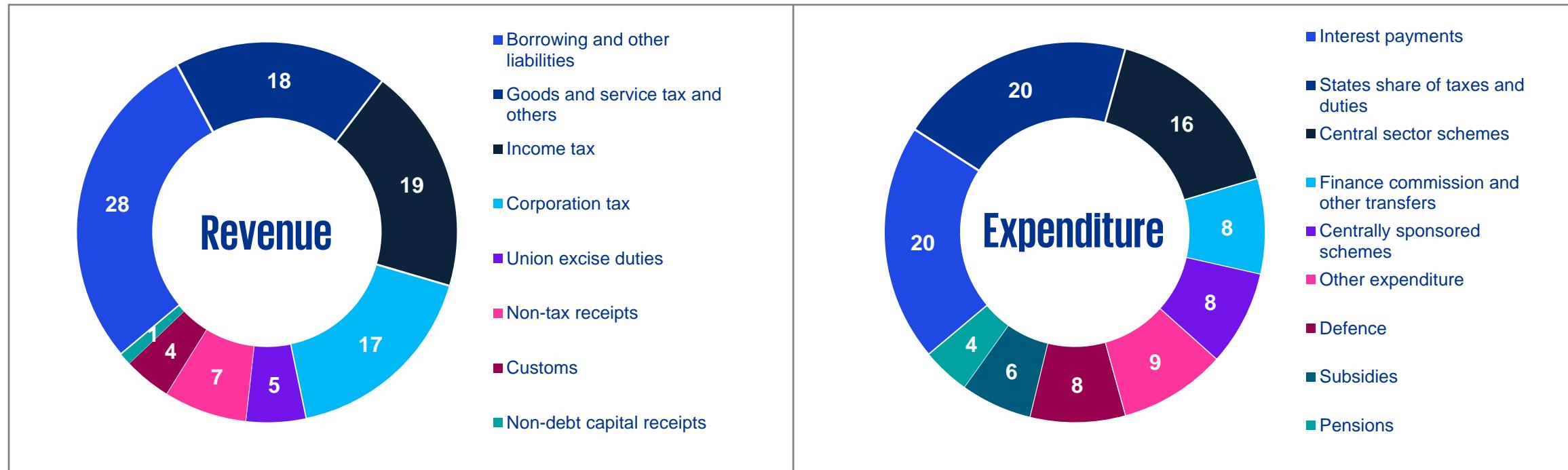
5. Summary of the economic survey 2022-23, PIB, 31 January 2023

6. Summary of the interim union budget 2024-25, PIB, 1 February 2024

7. Index of industrial production, PIB, 10 May 2024

Overview of government revenue generation and expenditure

The following graphs provide estimates (in per cent) based on Budget 2024, showing how the government earns and spends money⁸

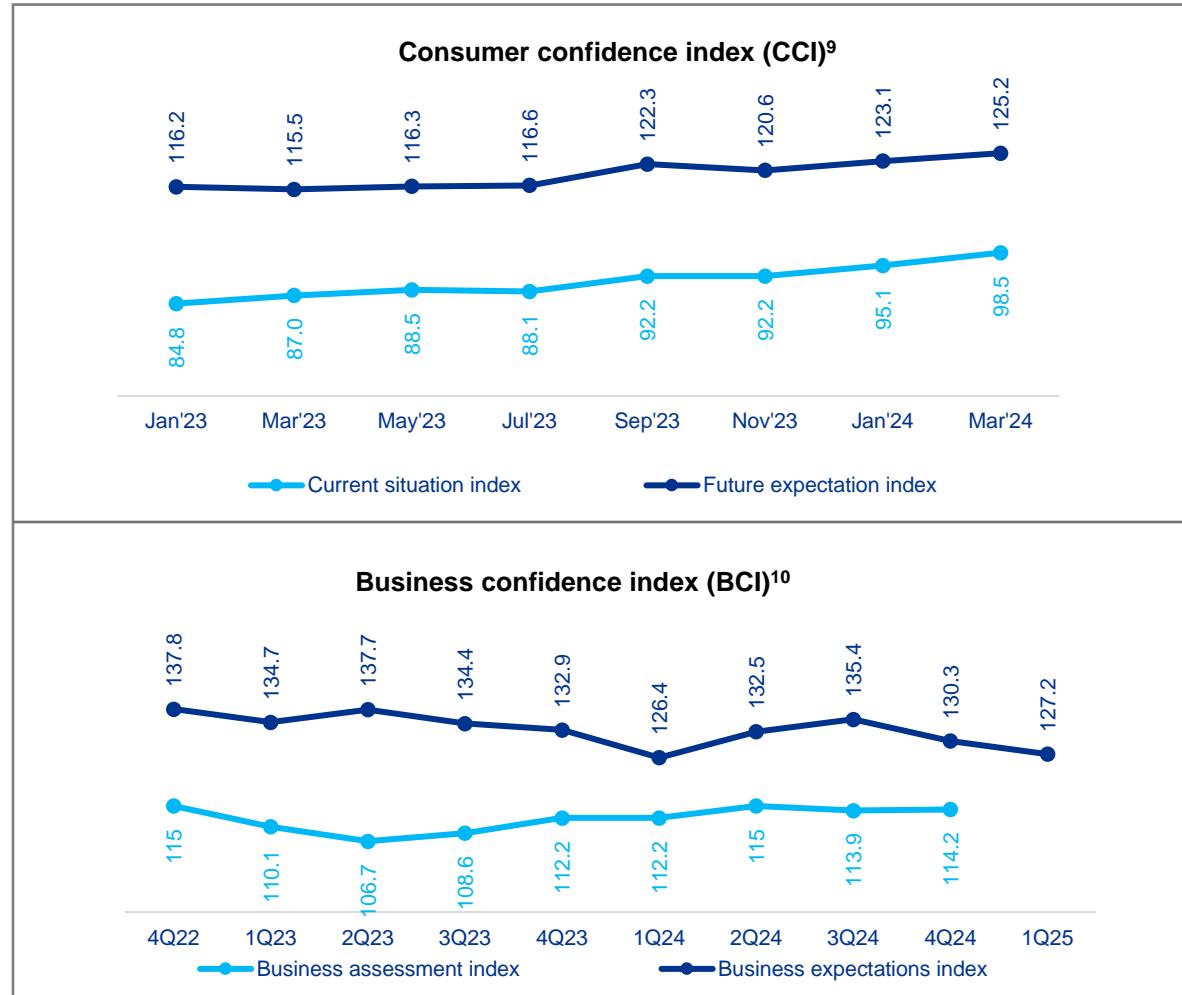


The Indian government has significantly increased its capital expenditure, focusing on major infrastructure projects and long-term reforms. This is evident from the proposed 11.1 per cent increase in the capital expenditure target for FY25, indicating a surge in investment for the creation of capital assets such as roads, bridges, railway tracks and airports. Funding for these projects comes from a variety of revenue streams, including taxes, divestment, dividends from Public Sector Undertakings (PSUs) and more.



8. Budget at a glance, India Budget, 1 February 2024

Comprehensive view of economic stability



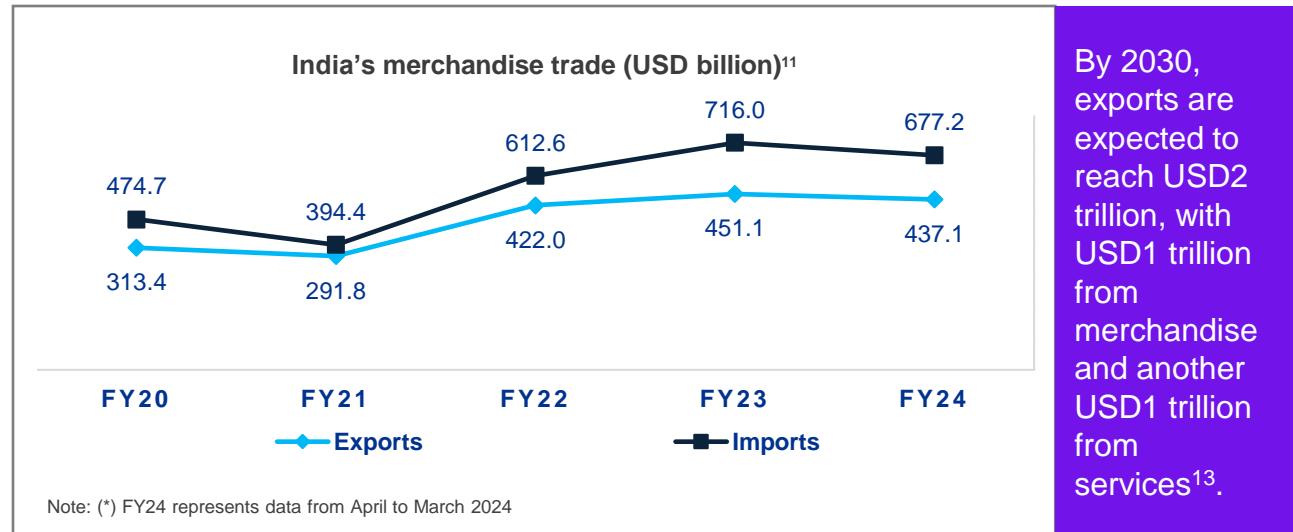
9. Bi-monthly publications, Consumer Confidence Survey, RBI, accessed on 16 April 2024

10. Quarterly Publications, industrial Outlook Survey of Manufacturing Sector, RBI, accessed on 16 April 2024

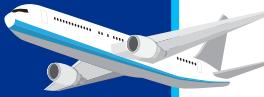
- The CCI for India remains relatively stable, suggesting that consumers are maintaining their optimism about the economy's future
- This stability in consumer confidence is a positive sign for the economy, indicating that despite external uncertainties, consumers remain confident in their ability to spend and contribute to economic growth
- The BCI of India, on the other hand, has weakened, with the business expectation Index falling from 135.4 to 127.2 from 3Q24 to 1Q25 derived by both the industry and the services sectors
- However, the business assessment index showed a slight improvement in 4Q24, indicating that while businesses are less optimistic about the future, their current assessments of the economy are relatively stable



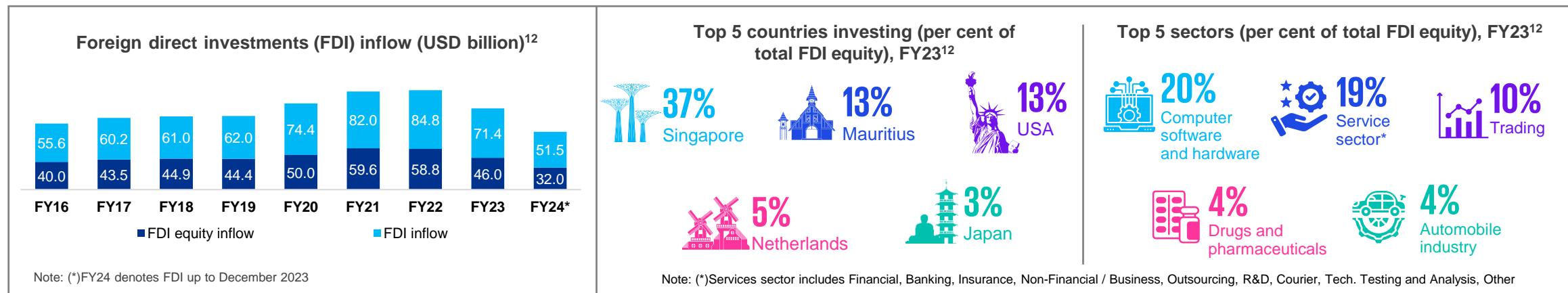
Trade and foreign direct investments



By 2030, exports are expected to reach USD2 trillion, with USD1 trillion from merchandise and another USD1 trillion from services¹³.



- India currently has Free Trade Agreements (FTAs) with 22 countries
- The country is in advanced stages of FTA negotiations with several countries and regions
 - These include the EU, Norway, Oman, Peru, Russia, Sri Lanka, Switzerland, UK and USA
- Once new FTAs are signed and implemented, India's FTA network is expected to expand to 71 countries covering exports worth USD 337 billion¹⁴



11. Ministry of Trade website, accessed in April 2024

12. Factsheet on FDI inflow, Department for Promotion of Industry and Internal Trade, accessed in March 2024

13. Union Commerce and Industry Minister Sh. Piyush Goyal, PIB, January 2024

14. India FTA outlook 2024, GTRI report, January 2024

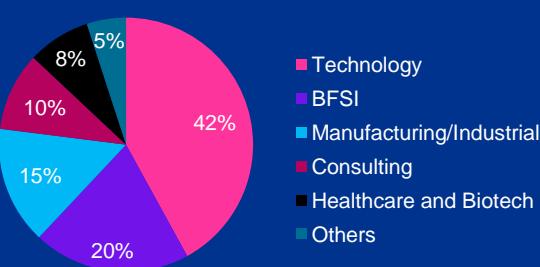
Additional factors propelling economic growth

Growth of global capability centres (GCCs)¹⁵



As of June 2023, India had 1,580 GCCs with 1.7 million employees

GCC footprint by sectors



Start-up ecosystem¹⁶



1.18 lakh startups
As of January 2024



Since 2014, the Indian family offices backed more than 200 startups



India is expected to have 250 unicorns by 2025, up from 113 in 2023



Growth of start-ups from 2015 to 2022

- 15x in total funding of startups
- 9x in number of investors
- 7x in number of incubators

Private equity (PE) deals overview¹⁷



In 2023, of 1,231 deals, IT led with 607 deals (worth USD5.4 billion)
Angel/Seed represented 59 per cent of total deal volume¹⁷



Merger and acquisition deals overview¹⁷



In 2023, of 752 deals, IT witnessed highest deal activity with 200 deals.
While the financial sector led by the value of the deal (USD5 billion)¹⁷



15. Global capability centers follow top tech talent to India's heartland, Economic Times, 07 December 2023

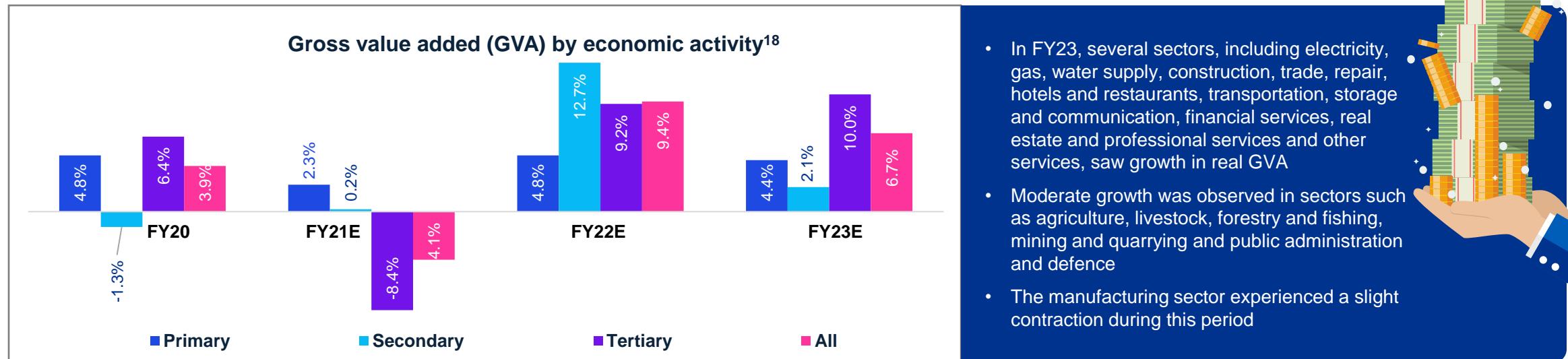
16. The Indian Unicorn Landscape, Invest India, accessed on 5 January 2024; National Startup Day 2024, Financial Express, accessed on 07 February 2024

17. Edge insights, VCCEdge, accessed on 22 February 2024

Sector analysis



Sector analysis



- In FY23, several sectors, including electricity, gas, water supply, construction, trade, repair, hotels and restaurants, transportation, storage and communication, financial services, real estate and professional services and other services, saw growth in real GVA
- Moderate growth was observed in sectors such as agriculture, livestock, forestry and fishing, mining and quarrying and public administration and defence
- The manufacturing sector experienced a slight contraction during this period



18. Second advance estimates of national income, PIB, 29 February 2024

19. 10 Years of Transformation, PIB, 05 March 2024

20. Automobile, Invest India, accessed on 27 March 2024

21. BFSI – Fintech & Financial Services, Invest India, accessed on 23 May 2024

22. Indian Pharmaceutical Industry, IBEF, accessed on 27 March 2024

Government initiatives



Key economic initiatives driving investor interest

The Indian government has launched various initiatives, focusing on **inclusive development, infrastructure and investment, green growth, youth power, the financial sector, reaching the last mile and unleashing potential**

Aatmanirbhar Bharat

Aatmanirbhar Bharat Abhiyan is an initiative to make India self-reliant and globally integrated. It supports domestic sectors such as production, manufacturing and defence and enhances the logistics infrastructure. With a financial allocation of USD265 million (INR2,200 crore), the Aatmanirbhar Clean Plant Program aims to promote the production of quality, disease-free planting material for high-value horticultural crops²³.

PM Gati Shakti

PM Gati Shakti aims to improve transportation and reduce logistics costs through infrastructure development. This initiative has evaluated over 350 projects worth USD139.9 billion, including 200 state projects to enhance logistics infrastructure and 156 critical infrastructure gap projects for first and last-mile connectivity²⁵.

Viksit Bharat

The scheme aims to transform the nation into a developed entity by the centenary of its independence in 2047. A provision of USD9 billion (INR75,000 crore) as a 50-year interest-free loan was proposed in the interim budget 2024 to support this²⁷.

PM Mudra Yojana

The scheme aims to provide loans to small/micro enterprises, non-corporate, non-farm, to enhance their entrepreneurial ambitions. A total number of 43 crore loans, equivalent to USD270.6 billion (INR22.5 lakh crore), have been disbursed under this scheme, with women entrepreneurs receiving around 30 crore of these loans.²⁷

Adoption of Industry 4.0

The Indian manufacturing sector is adopting Industry 4.0 technologies including AI, cloud and IoT to improve efficiency, quality and growth. The government is supporting this transition with various initiatives including SAMARTH, Udyog Bharat 4.0 and the Centre for Fourth Industrial Revolution.

Production Linked Incentive (PLI) Scheme

The scheme aims to attract investments to enhance manufacturing efficiency and global competitiveness and has successfully garnered USD12 billion (INR1.0 lakh crore) in investments till November 2023²⁴.

Digital India

Digital India aims to connect rural areas with high-speed internet networks, covering domains such as e-governance, e-education, e-health, e-commerce and e-agriculture.

India's UPI achieved a total of 13 billion transactions in March 2024²⁶.

23. Aatmanirbhar clean plant program, PIB, 1 February 2023

24. Production Linked Incentive Schemes, PIB, 17 January 2024

25. 2 Years Of PM Gati Shakti, India Infrahub, 14 October 2023

26. Monthly metrics, NPCI, accessed on 29 April 2024

27. Summary of the interim union budget 2024-25, PIB, 1 February 2024

Gujarat International Finance Tec-City (GIFT city)

The Gift City initiative by the Indian government is a prime example of the country's ambitious vision. This city is designed to become a global financial and technological hub with its top infrastructure, regulatory framework and economic incentives. At GIFT International Financial Services Centre Authority (IFSCA), **approximately 80 funds have committed investments worth around USD25 billion and the total banking assets are estimated to be over USD52 billion²⁸.**



Benefits



Tax and financial incentives

- Investors and International Financial Services Centre (IFSC) units in GIFT City benefit from various tax incentives, including corporate tax exemptions, 10-year tax holidays and reduced minimum alternate tax (MAT)
- The city also provides various financial incentives, grants, subsidies and reduced operational costs, encouraging companies and investors to establish presence in the city

Planned infrastructure

- GIFT City offers state-of-the-art infrastructure and a 'plug & play' setup, ensuring a quick and hassle-free business start
- The urban planning by the Gujarat and Indian government provides clearances for seamless business operations, fostering a conducive environment for investors

Unified regulatory advantage

- GIFT City is regulated by the unified authority, IFSCA, which combines the regulatory capabilities of several Indian financial institutions, including the Reserve Bank of India (RBI), the Securities and Exchange Board of India (SEBI), the Insurance Regulatory and Development Authority of India (IRDAI) and the Pension Fund Regulatory and Development Authority of India (PFRDAI)
- This provides a single-window clearance for financial services, enhancing efficiency and ease of operation

Global connectivity

- The city aims to be a global IT and financial hub, attracting financial and IT/ITeS companies
- The city supports startups with dedicated FinTech sandboxes, creating a startup-friendly environment
- Additionally, exemptions under the Companies Act ease regulatory requirements, making it favourable for foreign entities and startups to set up within the city

The global impact

Gift City has gained global recognition, attracting major international financial institutions such as banks and insurance companies

Gift City's growth trajectory reflects its emergence as a significant player in the evolving landscape of finance and technology

With a robust infrastructure, favourable regulations and tax benefits, Gift City is expected to shape the global scenario, showcasing India's commitment to innovation and growth

28. GIFT City, Business Today, accessed on 23 January 2024

Way forward



India inaugurated the India-Middle East-Europe Economic Corridor in September 2023 to strengthen ties with Gulf and European nations and boost trade. However, significant progress is expected to happen after 2026.

India is expected to continue to focus on its growth trajectory through high domestic consumption, growing investments, supportive government policies, increasing demand for professional services and improving consumer optimism.

India's improving infrastructure and large labour market are expected to further boost its competitiveness as a destination for manufacturing investment compared to other Southeast Asian countries.



The Indian government is prioritising the development of both, physical and digital infrastructure while also expediting free-trade agreements with several countries.

Higher borrowing costs are likely to impact investment and external demand leading to a fall in economic growth. However, the government is expected to prevent a steep fall in the economy by increasing capital expenditure.

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