The Fertiliser Association of India
ENSURING FOOD SECURITY
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Current News

Current news on the latest developments in fertilizer, energy, weather, agriculture, agri-business, logistics, economy, and other related areas

(*The views expressed in the news items are not necessarily of FAI*)

Friday, May 03, 2024	
WEATHER	IMD Weather Update: Northeast braces for rainfall as heatwave grips East, South India 90% of key reservoirs less than half full
ENERGY	Rising heat spurs 19% spike in power sector's gas consumption in 2023 India's tryst with the evolving climate levies
AGRICULTURE	Rice buy tops 47 mt, down 6% from a year ago Rice stocks four times the buffer Rising temperatures affecting demand for pulses, says apex trade body India, New Zealand to collaborate in pharma, agriculture India's palm oil imports up 41% in April; prices rise Farmers take the tech route to prosperity
ECONOMY	OECD raises India's FY25 GDP growth projection by 40 basis points to 6.6%

WEATHER

IMD Weather Update: Northeast braces for rainfall as heatwave grips East, South India

As per IMD's forecast, the Northeast region is forecasted to experience heavy rainfall, storms, and thunderstorms from today through May 6th.

The latest forecast from the Indian Meteorological Department (IMD) indicates that severe heatwave conditions will persist across East and South Peninsular India until today, with a chance of some relief starting tomorrow. Meanwhile, the Northeast region is forecasted to experience heavy rainfall, storms, and thunderstorms from today to May 6th.

IMD's Heatwave Forecast:

North Odisha, Gangetic West Bengal, East Jharkhand, and Rayalaseema are expected to experience scorching temperatures on Friday ranging from 44-47°C, gradually decreasing thereafter. Isolated areas in Bihar and Gangetic West Bengal may witness extreme weather conditions over the next two days.

A cyclonic circulation over northeast Assam, coupled with strong south-westerly winds from the Bay of Bengal, will likely result in widespread light to moderate rainfall, along with isolated thunderstorms, lightning, and gusty winds across Arunachal Pradesh, Assam, Meghalaya, Sikkim, Nagaland, Manipur, Mizoram, and Tripura in the coming five days.

Rainfall in THESE areas:

Scattered and light to moderate rainfall/snowfall accompanied by thunderstorms and lightning is expected in isolated parts of Himachal Pradesh, Uttarakhand, Uttarakhand, Ladakh, Muzaffarbad, Gilgit, and Baltistan from May 3rd to May 6th, 2024.

Strong surface winds are expected over Uttar Pradesh, south Rajasthan, Haryana, and Delhi on May 3rd, 5th, and 6th, 2024.

Temperature Outlook:

A notable increase in maximum temperatures by 4-6°C is expected across many parts of Northwest India over the next five days. However, Maharashtra is forecasted to see no significant change in maximum temperatures within the next 24 hours, followed by a rise of 2-3°C thereafter. Similarly, there's no significant change anticipated in maximum temperatures across the rest of the country.

Source: The Hindu Business Line, Friday, May 03, 2024

Back to Headlines

90% of key reservoirs less than half full

critically low. Water level drops for the 30th week in a row; storage in South India slips to 16% of capacity

The water level in almost 90 per cent of the 150 major Indian reservoirs plunged to below 50 per cent of the capacity this week, even as the storage dropped for the 30th week in a row, data from the Central Water Commission (CWC) showed.Water levels, including ground water, have dropped since October 2023 in view of a deficient rainfall across the country under the influence of El Nino, which leads to dry periods and drought in Asia and Africa. According to the Bureau of Meteorology, Australia, El Nino has ended but a couple of other international weather agencies say it will fully dissipate only around June.

The storage situation leaves a question mark over the *zaid* or summer crop, particularly paddy, pulses and oilseeds in the southern and western regions. Lower groundwater levels in Telangana, Andhra, Tamil Nadu and Karnataka have led to problems of drinking water supplies in major cities.The CWC weekly bulletin of the storage in the major 150 reservoirs showed that two-thirds of the storages were filled to less than 40 per cent of the capacity. The level dropped to 28 per cent of the capacity this week at 50.432 billion cubic metres (BCM) against the 178.784 BCM capacity.

During the same time last year, the reservoirs were filled to 81 per cent of the capacity. Over the past decade, the average level has been 96 per cent of the capacity.The situation in the southern region was worrisome with the level being 16 per cent of the capacity. The storage in the western region dropped below 30 per cent and to 31 per cent in the northern region. In the eastern region, the reservoirs were filled to 36 per cent of the capacity, while in the central region, the level was down to 36 per cent of the capacity.

South stressed

At least six reservoirs have run dry — five of them in the southern region, while in another dozen the storage was in single digits.Among the States, the situation in Bihar was really bad with its sole reservoir's level down to 5 per cent of its capacity. The state's water storage was 95 per cent lower than usual. The situation in Andhra Pradesh continued to worsen with the level continuing at a low 7 per cent of the capacity and in the reservoirs that jointly provide water to Telangana and Andhra, the storage was 8 per cent.

Overall, Andhra water situation was 80 per cent below normal. While the Yeluru reservoir has gone dry, the level in Somasila was one per cent of the capacity. Nagarajuna Sagar, which is common for Telangana and Andhra, has also gone dry.In Telangana, where rainfall was better compared to other southern States, Priyadarshini Jurala and Kaddam (KNR) have run dry

In Tamil Nadu, the storage is 43 per cent below normal with its reservoirs' level being 19 per cent of the capacity. Sholayar, which went dry two weeks ago, has water that is 1 per cent of the capacity.In Karnataka, the water level was 23 per cent below normal with the reservoirs filled to 16 per cent of the capacity. While Thattihalla went dry a couple of months ago, the level in Krishnaraja Sagara, which irrigates the Cauvery delta, was 7 per cent of the capacity and in Tungabhadra, which provides water to Andhra and Telangana, the level was 3 per cent of the capacity.

The situation will likely continue to be grim given the India Meteorological Department prediction of a higher than normal temperature in most parts of the country in May.Among other States, the level in Punjab was 24 per cent below normal, while it was 22 per cent lower than usual in West Bengal. The storage in Maharashtra and Uttar Pradesh were 18 per cent and 24 per cent lower than normal, and 26 below usual in Chhattisgarh.

Source: The Hindu Business Line, Friday, May 03, 2024

Back to Headlines

Rising heat spurs 19% spike in power sector's gas consumption in 2023

Natural gas consumption by the power sector rose 19 per cent y-o-y to 8.8 billion cubic metres (BCM) last year, driven by the government's mandate to meet India's rising electricity demand, which is estimated to be growing at 6-7 per cent per annum.

Summer surge

	Power generation (MU)	Plant load factor (%)	Gas consumed/supplied (MSCMD)
January	1,883.95	10.20	14.64
February	1,753.56	10.52	14.86
March	1,862.48	10.09	14.32
April	2,438.18	13.65	18.52
May	2,829.79	15.33	21.20
June	3,029.30	16.96	23.82
July	2,238.58	12.02	17.41
August	3,620.76	19.44	26.27
September	2,957.84	16.41	21.62
October	3,227.73	17.33	22.86
November	1,647.79	9.14	13.07
December	1,913.56	10.28	14.88
Total	29,403.52	13.45	223.47

Sources: National Power Portal, Central Electricity Authority, Ember, petroleum Planning & Analysis Cell

Gas Exporting Countries Forum (GECF), in its annual gas market report 2024, said the world's third largest energy guzzler's consumption increased 15 per cent y-o-y to 65 BCM in 2023 amid a shift from coal to gas in power generation. GECF expects India's natural gas consumption to grow 6 per cent y-o-y to 68.9 BCM this calendar year.

"This rise in natural gas consumption reflects the country's economic rebound and the increasing emphasis on cleaner energy sources, with the declining prices of natural gas making it more competitive," it added.The power sector accounted for almost 14 per cent of the total natural gas consumed by the world's fourth largest liquefied natural gas (LNG) importer last year. At the end of December 2023, India's LNG imports accounted for about 47 per cent of its total gas requirement. In the power mix, coal led with a 74 per cent share, followed by renewables (13 per cent), hydro (9 per cent), nuclear (2 per cent) and gas (2 per cent) in 2023.

More gas-based power

Power sector gas consumption surged 19 per cent y-o-y to 8.8 BCM last year, emphasising natural gas's growing importance, the GECF report said.The sector "mirrored" the growth in gas usage in 2023, which was led by the industrial sector, with pan-India electricity generation rising 7.5 per cent y-o-y to 1,702 terawatt hours (TWh) in 2023, it added. One TWh equals 1,000 gigawatt hours.

"Due to the heatwave during summer period, which boosted cooling demand, the share of gas in the electricity mix grew significantly. This was the result of the introduction of an emergency directive to address an anticipated shortfall in electricity output during peak power demand in May and June," the report said. The directive mandated that gas-fired power plants operate at full capacity during this period. Later, these measures were extended until November 2023, it added.India's peak power demand in 2023 rose to a record 240 gigawatts (GW) in September and the Power Ministry expects demand to hit 260 GW in 2024.

Gas trading on exchanges also reported a healthy growth last year. For instance, the Indian Gas Exchange (IGX) traded around 4.85 lakh million British thermal units (mBtu), or 3.3 million standard cubic meters per day (MSCMD), of gas in 2023, a 16 per cent y-o-y growth. Of the total commodity traded at IGX last calendar year, 3.51 lakh mBtu was domestic ceiling price gas.Cumulatively 1,424 trades were executed on the country's first automated national exchange for physical delivery of natural gas with maximum number executed in daily contracts followed by monthly, weekly and fortnightly contracts.

Higher gas production

India witnessed a 12 per cent rise in its annual gas production to reach 35.1 BCM in 2023. This rise was predominantly driven by the encouraging government policies adopted to boost domestic production from existing and newly commissioned fields, GECF said.

Source: The Hindu Business Line, Friday, May 03, 2024

Back to Headlines

(Opinion)

India's tryst with the evolving climate levies

To encourage businesses to adopt green practices and avoid situations of carbon leakage, the EU has implemented a new levy called the Carbon Border Adjustment Mechanism (CBAM).

By Siddharth Tandon

Countries around the world are exploring mechanisms to compel industries to reduce their carbon footprint. However, this poses significant challenges for businesses amid global volatility, inflation and margin pressures. To encourage businesses to adopt green practices and avoid situations of carbon leakage, the EU has implemented a new levy called the Carbon Border Adjustment Mechanism (CBAM). This mechanism computes the carbon emissions embedded in goods imported into the EU and accordingly, proposes to charge a levy on such embedded emissions. Recently, a similar mechanism has also been announced by the UK, initially targeting these levies on select carbon-intensive products like steel, cement, aluminium, and fertilisers, among others, with potential expansion in the coming years.

The implications of levies such as CBAM are concerning for developing nations, particularly those exporting to other jurisdictions like the EU and UK. Such levies make the exports from these developing nations less competitive as their adoption of green technologies is much lower. The pertinent question is: how should countries exporting to these jurisdictions respond to safeguard their exporters and utilise the funds generated from such levies? India has raised a dispute at the WTO and initiated discussions bilaterally with the EU and UK for an amicable solution, including the possibility of deferral of the levy for Indian exporters. Additionally, Indian exporters have raised several doubts about the emission data requirements under these frameworks and the protection of sensitive business information.

It is noteworthy that these levies offer some offset for domestic carbon taxes imposed by the exporting country. However, as variations in parameters for carbon levies across countries are different, a standard offset mechanism may not be feasible; moreover, carbon pricing itself varies globally. Furthermore, the benefit of introducing domestic carbon taxes in countries like India is that the revenue collected would remain within the country, which the government can use to incentivise the adoption of green technologies for businesses. This approach is potentially aligned with the objectives of the EU/ UK because such a levy of carbon tax by India would result in additional costs for the exporters of carbon-intensive products.

While imposing a new levy involves complexity, the Indian government would need to lay sufficient groundwork around the legality of such tax, its ambit, rate and manner of computation for each industry that may be covered under the levy. A comprehensive offset mechanism similar to DTAA arrangements with other countries is also crucial. The immediate requirement is to develop a comprehensive and effective green tax framework that could fund the deployment of green technologies in India.

Another proposition by developing nations is for the EU to collect CBAM revenue and remit it to the exporting nations for deploying green technologies. This is challenging as the EU/ UK may use the revenue domestically for the technological development of their local industries.

From a green incentives standpoint, the government could build more mechanisms to incentivise green reforms and extend green subsidies to domestic manufacturers. An example of this could be by way of extending higher incentives under central schemes (such as existing and new Production Linked Incentive schemes) and state industrial schemes for investments in carbon emission reduction mechanisms and sustainable technologies.

India could also consider prioritising carbon-related disclosures such as Business Responsibility and Sustainability Reporting, tax transparency reporting as well as ensuring the development of a mature domestic carbon trading system, among others. India needs to focus on multi-pronged strategies so that effective mechanisms can be put in place not only to fight climate change but also to address the resultant adverse impacts on its economy.

(Siddharth Tandon is the Partner – Indirect Tax at BDO India.)

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Source: The Hindu Business Line, Friday, May 03, 2024

Back to Headlines

AGRICULTURE

Rice buy tops 47 mt, down 6% from a year ago

On the back of a significant increase in rice procurement from the rabi crop in Telangana, the total procurement in the 2023-24 season (October-September) was 47.03 million tonnes (mt) until April 30 against 49.88 mt a year ago, down by 6 per cent.

Experts said the fall could have been even more this year as there has been 38 per cent drop in purchases in West Bengal, a leading producer.

However, as the government needs about 40-41 mt annually to run all the welfare programmes including the obligation under the National Food Security Act (NFSA), even if procurement reaches around 51 mt by the end of the season, there will still be a carry over of 10 mt for next year.

This year's target

This year's target is to buy 52.485 mt from the kharif-grown crop and 10.315 mt from the rabi season.

The current procurement of rice until April 30 includes 46.132 mt from the kharif-grown crop, which is 6 per cent lower from 49.192 mt a year ago and 0.902 mt from the rabi crop, which is 32 per cent higher from 0.685 mt a year ago. The government had purchased a total of 56.87 mt of rice in 2022-23 from all kharif, rabi and *zaid* seasons.

"The annual demand for rice could be lower if there is a restoration of wheat allocation under the Public Distribution System (PDS), which was cut in 2020. The situation will be clear after wheat procurement ends next month," said an official source.

The procurement of kharif rice will continue until May 31 in West Bengal and up to June 30 in Assam, whereas in all other States it is already over.

Chattisgarh saves

During kharif rice procurement, against a target of 2.5 mt in Andhra Pradesh, only 1.44 mt and against 0.5 mt in Telangana 3.172 mt could be purchased, resulting in a combined deficit of nearly 0.29 mt. Similarly, there was 0.9 mt deficit in Uttar Pradesh against the target, nearly 0.5 mt in Odisha, 0.3 mt in Maharashtra and nearly 0.6 mt in Madhya Pradesh.

But, Chhattisgarh contributed a record 8.3 mt of rice, more than the State's production of 7.82 mt, to the Central Pool, forcing the Centre to buy the grain amid a dip in purchases in many States. Initially, the government had set a target to buy 6.1 mt from the State keeping in view the total procurement of 5.865 mt registered during entire 2022-23.

Source: The Hindu Business Line, Friday, May 03, 2024

Back to Headlines

Rice stocks four times the buffer
Govt to take call on surplus.

The rice stocks held by the Food Corporation of India (FCI) currently is close to four times the buffer for July 1, despite a 7% fall in procurement in the current season (October-September) compared to the same period last season. At the beginning of the month, FCI held 53.47 million tonne — 31.75 MT of rice stocks and 21.72 MT of grain receivable from millers. The stock is against the buffer of 13.54 MT July 1.

Officials said the current stock will be enough to meet the requirements for the public distribution if no fresh purchase under minimum support price (MSP) is carried out next season (2024-25).

Sources told FE that the new government will have to take a call on this surplus rice stock.

The paddy procurement by the government agencies has crossed 68.59 MT (45.95 MT in terms of rice) in the current season – 2023-24 so far which is 7% lower than the same period in the last fiscal.

In addition, the agencies are targeting to purchase around 10 MT of rice in the ongong rabi marketing season in Odisha, Telangana, Tamil Nadu and Andhra Pradesh, which is expected to bolster grain stock further.

The government had purchased a total of 56.87 MT of rice in the 2022-23 season.

The FCI requires around 40 MT of rice annually to distribute to 800 million beneficiaries of under Pradhan Mantri Garib Kalyana Anna Yojana (PMGKAY)

A year ago, rice stock held with FCI was lower at 26.5 MT, as FCI has supplied additional grain free to the beneficiaries under PMGKAY.

Officials said that FCI so far has received purchase indent for 1.5 MT of rice from the agencies such as Nafed, NCCF and Kendriya Bhandar for selling ‘Bharat’ rice. About 0.71 MT of grain has been lifted by these agencies.

In February, the government had launched retail sale of ‘Bharat’ rice in 10 kg bag at Rs 29/kg across the country which was aimed at improving supplies and ensuring availability at affordable rates.

However there has been lukewarm response to the open market sale of rice to bulk buyers by FCI.

Retail rice prices rose by 12.69% in March, marginally higher from the previous month. The government has banned exports of white rice and imposed 20% export duties on par-boiled rice to improve domestic supplies. As per the second advance estimate of foodgrains production, rice output is projected to decline 123.8 MT from 125 MT in the previous crops year because of patchy monsoon rains last season.

However, this projection of rice output does not include summer crop output, which will be reflected in the third advance estimate of foodgrians production to be released in June.

Source: Financial Express, Friday, May 03, 2024

Back to Headlines

Rising temperatures affecting demand for pulses, says apex trade body

Amidst soaring temperatures across the country, the demand for pulses has slowed down, traders have said. "The demand is slow. Offtake is very low due to the rising temperatures," said Bimal Kothari, Chairman, India Pulses and Grains Association, the apex trade body.

Stating that the slowdown in demand during the summer months was not a new phenomenon, Kothari said demand could come back going ahead.

The slowdown in demand has led to sparse buying of pulses such as chana, which has led to easing of prices. Chana prices in the major producing state of Madhya Pradesh eased by ₹100-150 per quintal on Thursday due to slack purchases at elevated rates and rising arrivals in select markets, IPGA said in its market update.

Import window

Kothari said except for tur, prices of all other pulses have eased or stable. "The only concern is tur and that concern will remain through the year as the new domestic crop will hit the markets around December. Prices of tur is high. Everybody knows that tur production in the past couple of years has been short. There are alternative pulses, which are available at much cheaper rates," Kothari said.

The mandi prices of tur are ruling in the range of ₹8,000-12,233 per quintal in States such as Karnataka and Maharashtra depending on the variety and quality.

While masur (lentils) is ruling below the MSP at around ₹6,000, chana is selling about 10-15 per cent higher than the MSP in the range of ₹6,000-6,500, Kothari said.

Prices of yellow peas are hovering between ₹4,000 and ₹4,100 per quintal, while urad is stable at around ₹9,000-9,500, Kothari said. The Government has recently extended the import window for yellow peas till June 30 this year. Kothari said about 1.5 million tonnes (mt) of yellow peas has been imported so far.

By June-end the imports of yellow peas are likely to be in the range of 1.7-1.8 mt, Kothari said.

On the kharif acreage expectations for pulses, Kothari said it is too early to comment. "If the rains are good and farmers have seen the good prices, we can expect a good crop. It is too early to talk about all these things now," he said.

The Indian Meteorological Department has forecast an above-normal monsoon for the year ahead raising expectations of a good kharif cropping season.

Source: The Hindu Business Line, Friday, May 03, 2024

Back to Headlines

India, New Zealand to collaborate in pharma, agriculture

India and New Zealand are likely to set up working groups in sectors such as agriculture, food processing, storage and transportation, forestry and pharmaceuticals to facilitate ongoing collaboration on key trade and economic issues, per an official statement.

In a series of bilateral meetings in New Zealand on April 26-27, the two countries also sought to collaborate in area of pharmaceuticals and medical devices sector, including adoption of fast tracking of regulatory process and quality assessment of manufacturing facilities using, as appropriate, the inspection reports of comparable overseas regulators.

"Greater sourcing of medicines from India and cooperation in medical device sector was also discussed," a statement issued by the Commerce Department on Thursday said.

Commerce Secretary Sunil Barthwal, who headed the Indian delegation, met Minister for Trade of New Zealand Todd McClay and Acting Chief Executive and Secretary of Foreign Affairs and Trade of New Zealand Brook Barrington. He participated in the India-New Zealand Business Council (INZBC) and the 11th India-New Zealand Joint Trade Committee (JTC) meeting.

Discussions also included cooperation in horticulture sector, including cooperation in kiwi fruit sector, to address issues of quality and productivity, proper storage in pack houses and their suitable transportation, and the dairy sector. "Once working groups are established, India and New Zealand will review the progress made by those working groups and the recommendations thereof at regular intervals," the release stated.

bilateral trade

The meetings addressed bilateral trade matters of mutual interest, including issues related to market access, non-tariff barriers, and sanitary and phytosanitary measures on products such as grapes, okra and mangoes, mutual recognition arrangement in organic products and simplified homologation including through mutual recognition of comparable domestic standards for vehicles.

The two sides decided to resolve these issues through dialogue and cooperation under the existing mechanism of JTC.

Source: The Hindu Business Line, Friday, May 03, 2024

Back to Headlines

India’s palm oil imports up 41% in April; prices rise

Malaysian palm oil futures closed higher on Thursday following news of a jump in India’s imports, while traders awaited fresh cues.

The benchmark palm oil contract for July delivery on the BMD rose 26 ringgit to 3,844 ringgit ($808.92).

Palm oil imports in India, the world’s No 1 importer of vegoils, jumped 41 per cent in April from the previous month to the highest level in three months as easing prices prompted refiners to increase purchases, five dealers told Reuters.

“Bursa Malaysia crude palm oil contract is awaiting new leads in May, anticipating higher production and lower exports,” a Kuala Lumpur-based trader said.

Malaysian palm oil exports fell between 9 per cent and 11.5 per cent in April from a month earlier, cargo surveyors Intertek Testing Services and Amspec Agri said.

Meanwhile, Indonesia, the world’s biggest palm oil exporter, maintained its palm oil export tax and levy unchanged for May at $52 per tonne and $90 per tonne, respectively.

Soya oil prices on the Chicago Board of Trade were up 0.62 per cent. The Dalian Commodity Exchange is closed until May 5 for International Labour day holidays.

Source: The Hindu Business Line, Friday, May 03, 2024

Back to Headlines

(opinion)

Farmers take the tech route to prosperity

By Hemant Sikka

Climate change is real and it is taking a toll on India's farmlands.According to the Global Climate Risk Index [2021], India is the seventh most vulnerable country at risk. Its impact is being felt in the form of floods, droughts and unseasonal temperature swings, which are hitting crop yields.

The Challenges

The monsoon is the lifeblood of Indian agriculture. Rainfed agriculture constitutes around 52 per cent of the net sown area in India, contributing 46 per cent of foodgrain output and supporting livelihood for nearly 40 per cent of our population.

Monsoon data over the last 15 years examined by M&M shows that while there has been an increase in pre-monsoon and post-monsoon rainfall, rain during the traditional monsoon period has actually declined. This has disrupted the kharif season, crucial for rice cultivation, as well as the rabi season, key for wheat.

Heatwave conditions also hurt horticultural crops, livestock, fisheries and the poultry sector as there is an increased demand for water.Nearly 80 per cent of our freshwater is used for agriculture putting significant pressure on our groundwater supplies.India, however, is striving to adapt. Our farmers are building resilience by deploying innovative, new-age technology.

They have, for instance, turned to high-yielding climate-adapting cultivars.

As a result, the country's overall productivity of foodgrains has increased from 522 kg/hectare in 1950-51 to 2,386 kg/hectare in 2020-21.

At the same time research into farming technologies, genomics, and soil health management is addressing challenges posed by climate change.

It is enabling precision farming which is helping farmers improve yield and profitability, regardless of the size of their landholding. Advanced digital solutions are paving the way for a new approach to farming involving smart fertilising to smart harvesting, drone spraying and soil mapping.

Agriculture's share of Gross Value Added (GVA) stood at 18.3 per cent of the economy in 2022-23.

Thus, it is imperative that all efforts are made to ensure growth and development of the sector.

Businesses must increasingly collaborate with farmers and the government to energise Indian agriculture.

Advanced tractors, farm machinery, better quality seeds, precision farming, satellite technology along with farmer education, will go a long way in paving the road for farm prosperity.

M&M Farm Sector's Krish-e initiative is providing multiple advisory services to farmers, helping them increase yields and income while reducing cultivation costs.

At this critical juncture for Indian agriculture, we would do well to remember Mahatma Gandhi's words.

"The farmers are the real heroes and saviours of our society," he said. "They deserve our utmost respect and support."

The writer is President – Farm Equipment Sector, Mahindra & Mahindra Ltd

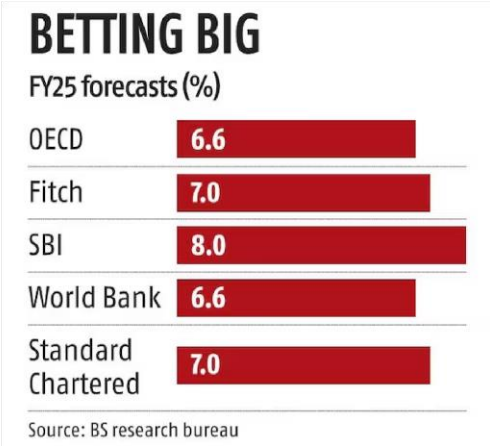
Source: The Hindu Business Line, Friday, May 03, 2024

Back to Headlines

ECONOMY

OECD raises India's FY25 GDP growth projection by 40 basis points to 6.6%
On the global front, GDP growth is projected to be 3.1% in 2024, unchanged from 2023

The Organisation for Economic Co-operation and Development (OECD) on Thursday raised its growth forecast for India by 40 basis points to 6.6 per cent for 2024-25, holding that buoyant public investment and improved business confidence are expected to propel India's gross domestic product (GDP) growth.



"Domestic demand will be driven by gross capital formation, particularly in the public sector, with private consumption growth remaining sluggish. Exports will continue to grow, especially of services such as information technology and consulting, where India will continue to increase its global market share, supported by foreign investment," the inter-governmental group of 38 high-income economies said in its latest Economic Outlook.

Meanwhile, the agency also noted that private consumption has been less vigorous, confirming the preliminary findings from the latest household consumption expenditure survey.

"Some high-frequency indicators, including on e-way bills, toll collections, and new vehicle and scooter sales are suggesting increasing activity. Other indicators, such as digital payment transactions and cement output, remain relatively flat," the outlook observed.

OECD said that more needed to be done to address indebtedness by increasing revenues, improving spending efficiency, and stronger fiscal rules. The outlook also mentions that fiscal consolidation is appropriate in the current context, given the high level of public debt, which holds back private investment.

"Fiscal consolidation, while necessary, will weigh on public investment, and be offset only partially by stronger private investment as business confidence improves. Household consumption (in particular, consumers' discretionary demand) is not expected to accelerate, amid disappointing job creation, lukewarm rural performance, and still tight financial conditions," the outlook noted.

On the global front, GDP growth is projected to be 3.1 per cent in 2024, unchanged from 2023, before edging up to 3.2 per cent in 2025, helped by stronger real income growth and lower policy interest rates.

The developments continue to diverge across countries, with softer outcomes in Europe and most low-income countries, offset by strong growth in the US and many large emerging-market economies.

The report said a normal monsoon season and no other supply shocks that may de-anchor inflation expectations may lead to first cut of the policy rate by the Reserve Bank of India in late 2024, with cumulative cuts of up to 125 basis points implemented before March 2026.

Highlighting downside risks for the growth prospects for India, the outlook notes new supply chain disruptions generated by geopolitical turmoil, food inflation stickiness due to extreme weather episodes, and negative spillovers from fluctuations in global financial markets present downside risks.

However, on the upside, growth may be faster than projected if ongoing disinflation strengthens consumers' purchasing power, lifting household consumption, business investment and job creation, it adds.

Source: Business Standard, Thursday, May 02, 2024

Back to Headlines