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ECONOMIC AND POLITICAL OVERVIEW

ECONOMIC OVERVIEW

India is the world’s fifth-largest economy. After experiencing robust performance in 2022 (+7.2%), real GDP growth was expected to decelerate to 6.3% in 2023 and 2024-25 due to adverse weather-related events and a deteriorating international outlook (IMF). The beginning of FY 2023-24 witnessed robust growth propelled by public investment and private consumption. Nonetheless, the global economic slowdown has adversely affected merchandise trade. The risks are tilted to the downside: while indicators indicate that India's growth remains stable at present, there are significant challenges arising from increased global uncertainty. Moreover, the delayed effects of domestic policy tightening persist, alongside disappointing trends in certain socio-economic indicators, such as consumer goods sales, particularly in rural areas.

Concerning public finances, according to data from the Controller General of Accounts (CGA), the government's fiscal deficit reached INR 9.06 lakh crore, accounting for 50.7% of the full-year budget estimate. In absolute terms, the fiscal deficit amounted to INR 9,06,584 crore during the April-October period of 2023-24. In comparison, during the corresponding period last year, the deficit stood at 58.9% of the budget estimates of 2022-23. For 2024, the IMF forecasts a budget deficit of 8.5%, with a reduction to 8% by 2025. Meanwhile, the debt-to-GDP ratio increased marginally to 81.9% in 2023 and is expected to further increase to 82.2% by 2025 (IMF). The tightening of monetary policy has effectively addressed inflationary pressures, albeit at the cost of dampening household consumption and corporate investment. Headline inflation eased in the first half of 2023, falling below the upper threshold of the central bank’s 2-6% target range by September. However, food and energy prices continue to be susceptible to weather conditions and geopolitical tensions. For the year as a whole, the IMF estimated an inflation rate of 5.5%, with a decrease expected over the forecast horizon (4.6% this year and 4.1% in 2025).

In April 2023, India overtook China’s mainland as the world’s most populous country. Moreover, India has the world’s largest youth population, nevertheless, according to the OECD, over 30% of India's youth are NEETs (not in employment, education or training). India continues to suffer from a low GDP per capita (USD 9,183 in 2023, PPP), and almost 25% of the population still lives below the poverty line (about one-third of the world’s population living on under USD 1.90/day lives in India). The country's inequalities are very strong: the richest 1% of the population own more than half of the country’s wealth. Additionally, the informal sector, where the vast majority of India’s labour force is employed, has been particularly affected by the COVID-19 pandemic, increasing their risk of slipping back into poverty. According to the CMIE, the unemployment rate in India, among persons aged 15 years and above, fell to 8.7% in December 2023 from 8.9% in the previous month. Although the unemployment rate eased in December, it remained at fairly high levels.

Main Indicators	2022	2023 (E)	2024 (E)	2025 (E)	2026 (E)
GDP <i>(billions USD)</i>	3,389.69	3,732.22	4,105.38	4,511.85	4,951.62
GDP <i>(Constant Prices, Annual % Change)</i>	7.2	6.3	6.3	6.3	6.3
GDP per Capita <i>(USD)</i>	2,392	2,612	2,848	3,102	3,375

Main Indicators	2022	2023 (E)	2024 (E)	2025 (E)	2026 (E)
General Government Balance <i>(in % of GDP)</i>	-9.3	-8.8	-8.5	-8.0	-7.7
General Government Gross Debt <i>(in % of GDP)</i>	81.0	81.9	82.3	82.2	81.8
Inflation Rate <i>(%)</i>	n/a	5.5	4.6	4.1	4.1
Current Account <i>(billions USD)</i>	-66.96	-66.81	-74.17	-83.71	-97.16
Current Account <i>(in % of GDP)</i>	-2.0	-1.8	-1.8	-1.9	-2.0

Source: IMF – World Economic Outlook Database , October 2021

Country Risk

See the country [risk analysis](#) provided by [La Coface](#).

MAIN SECTORS OF INDUSTRY

India is the world's fourth agricultural power. As a central pillar of the Indian economy, agriculture contributes 16.7% of the GDP and employs 44% of the active population (World Bank, latest data available). The country's main agricultural products are wheat, millet, rice, corn, sugar cane, tea, potatoes, cotton, bananas, guava, mango, lemon, papaya, and chickpea. India is also the fifth-largest producer of cattle and sheep, as well as the third-largest in fishing production in the world. The spices sector is also very pronounced, particularly the production of ginger, pepper and chilli. Food grain and horticulture production hit a record high in the July 2022 to June 2023 crop year: according to official data, final estimates for food grain output stood at a record 329.68 million tonnes, up 4% y-o-y and 30.8 million tonnes higher than the previous five years' average. Meanwhile, the total production of rice in 2022-23 was estimated at a record 135.75 million tonnes (+4.8% y-o-y), while that of wheat stood at 110.55 million tonnes.

The industry sector employs 25% of the workforce and accounts for 25.7% of GDP (World Bank). Its main sectors include manufacturing, textiles, chemicals, automobiles, and pharmaceuticals, with manufacturing being a cornerstone of the national economy. Emerging sectors such as biotechnology, renewable energy, and aerospace are gaining traction, fueled by technological advancements and government initiatives. Coal is the country's main energy source, with India being the world's second-largest producer of coal. In the manufacturing industry, textile plays a predominant role, and, in terms of size, the chemical industry is the second-largest industrial sector. According to figures from Standard & Poor's, for the first five months of the 2023-24 fiscal year, industrial production rose by 6.1% year-on-year, while manufacturing output rose by 5.8%.

The services sector is the most dynamic part of the Indian economy. It contributes to almost half of GDP (48.4%), but it only employs 31% of the workforce. Key sectors include information technology and IT-enabled services (ITES), which have propelled India onto the global stage as a technology hub, with cities like Bangalore and Hyderabad emerging as major IT centres. The rapidly growing software sector has been boosting the export of services and modernising the Indian economy: the country has capitalised on its large educated English-speaking population to become a major exporter of IT services, business outsourcing services and software workers. Additionally, the financial services industry, including banking, insurance, and capital markets, plays a crucial role in supporting economic growth and facilitating investment. India's healthcare sector is also rapidly expanding, driven by increasing demand for quality healthcare services. Furthermore, the education and hospitality sectors are experiencing growth, fueled by rising domestic and international demand. Emerging sectors include e-commerce, renewable energy, and digital entertainment.

Breakdown of Economic Activity By Sector	Agriculture	Industry	Services
Employment By Sector <i>(in % of Total Employment)</i>	44.0	25.3	30.7
Value Added <i>(in % of GDP)</i>	16.6	25.6	48.6
Value Added <i>(Annual % Change)</i>	3.3	3.6	9.4

Source: World Bank - Latest available data.

Monetary Indicators	2016	2017	2018	2019	2020
Indian Rupee (INR) - Average Annual Exchange Rate For 1 USD	67.20	65.12	68.39	70.90	74.67

Source: World Bank - Latest available data.

FOREIGN TRADE

India used to be a protectionist state for a long time, but the country has become progressively more open to international trade. Currently, trade represents 49% of its GDP (World Bank). The country mainly exports petroleum oils (20.9%), diamonds (5.3%), medicaments (3.9%), articles of jewellery (2.7%), telephone (2.4%), and rice (2.4%), while it imports petroleum oils (23.7%), coal and similar solid fuels (6.7%), gold (5%), petroleum gas and other gaseous hydrocarbons (4.4%), and diamonds (3.7%- data Comtrade 2022).

India's main export partners are the United States (17.7%), the United Arab Emirates (6.9%), the Netherlands (4.1%), China (3.3%), and Bangladesh (3.1%), whereas imports come chiefly from China (14.0%), the United Arab Emirates (7.4%), the United States (7.1%), Saudi Arabia (6.3%), and Russia (5.5% - data Comtrade 2022). The country has recently signed free trade agreements with South Korea and ASEAN and has entered into negotiations with several partners (EU, MERCOSUR, Australia, New Zealand and South Africa). In 2021, Brazil and India signalled their interest in expanding the FTA that India has with MERCOSUR, but the expansion is still under negotiation, pending approval from other members of the South American bloc. India is currently the world's fastest-growing large economy, as well as the world's eighteenth-largest exporter and ninth-largest importer of goods (WTO). However, the trade regime and regulatory environment still remain relatively restrictive.

The country's trade balance is structurally negative, given that the country imports nearly 80% of its energy needs. However, as India benefits from the fluctuations in world hydrocarbon prices for its imports, the trade deficit has been oscillating for the past few years. In 2022, India exported USD 453.4 billion worth of goods, while imports accounted for USD 720.4 billion (+14.6% and +25.7% y-o-y, respectively). According to WTO figures, in the same year, exports of services amounted to USD 309.3 billion (+28.6% y-o-y), whereas the imports of services stood at USD 249.5 billion (+27.3% y-o-y). The overall trade deficit for 2022 was estimated at 3.7% of GDP by the World Bank. According to the latest figures from the Ministry of Commerce and Industry, during April-October 2023, the overall trade deficit declined by 35.86% dropping from USD 89.86 billion in 2022 to USD 57.64 billion. Additionally, the merchandise trade deficit showed improvement, decreasing from USD 167.14 billion in April-October 2022 to USD 147.07 billion in April-October 2023.

Foreign Trade Values	2018	2019	2020	2021	2022
Imports of Goods <i>(million USD)</i>	514,464	486,059	373,202	573,092	720,441
Exports of Goods <i>(million USD)</i>	324,778	324,340	276,410	395,426	453,400
Imports of Services <i>(million USD)</i>	176,059	179,430	153,737	195,956	249,522
Exports of Services <i>(million USD)</i>	204,956	214,762	203,145	240,510	309,374

Source: World Trade Organisation (WTO) ; Latest available data

Foreign Trade Indicators	2018	2019	2020	2021	2022
Foreign Trade <i>(in % of GDP)</i>	43.6	39.9	37.8	45.7	49.4
Trade Balance <i>(million USD)</i>	-186,692	-157,678	-95,450	-176,721	-267,188
Trade Balance (Including Service) <i>(million USD)</i>	-105,918	-73,452	-8,342	-74,039	-134,661
Imports of Goods and Services <i>(Annual % Change)</i>	8.8	-0.8	-13.7	21.8	18.8
Exports of Goods and Services <i>(Annual % Change)</i>	11.9	-3.4	-9.1	29.3	11.5
Imports of Goods and Services <i>(in % of GDP)</i>	23.7	21.2	19.1	24.2	26.9
Exports of Goods and Services <i>(in % of GDP)</i>	19.9	18.7	18.7	21.5	22.4

Source: World Bank ; Latest available data

Foreign Trade Forecasts	2023	2024 (e)	2025 (e)	2026 (e)	2027 (e)
Volume of exports of goods and services (Annual % change)	-0.9	4.7	4.3	4.4	4.4
Volume of imports of goods and services (Annual % change)	2.5	6.0	6.0	6.1	6.7

Source: IMF, World Economic Outlook ; Latest available data

Note: (e) Estimated Data

International Economic Cooperation

India is a member of the following international economic organisations: IMF, South Asian Association for Regional Cooperation (SAARC), Association of Southeast Asian Nations (ASEAN) (dialogue partner), ICC, Colombo Plan, Commonwealth, G-15, G-20, G-24, G-77, WTO, among others. For the full list of economic and other international organisations in which participates India click [here](#). International organisation membership of India is also outlined [here](#).

Free Trade Agreements

The complete and up-to-date list of Free Trade Agreements signed by India can be consulted [here](#).

Main Partner Countries

Main Customers <i>(% of Exports)</i>	2022
United States	17.7%
United Arab Emirates	6.9%
Netherlands	4.1%
China	3.3%
Bangladesh	3.1%
See More Countries	64.9%

Main Suppliers (% of Imports)	2022
China	14.0%
United Arab Emirates	7.4%
United States	7.1%
Saudi Arabia	6.3%
Indonesia	3.9%
See More Countries	61.4%

Source: Comtrade, Latest Available Data

POLITICAL OUTLINE

Current Political Leaders

President: Droupadi Murmu (since 25 July 2022) - BJP

Prime Minister: Narendra Modi (since 26 May 2014) - BJP

Next Election Dates

Presidential: July 2027

Legislative: April-May 2024

Current Political Context

In March 2022, the ruling Hindu nationalist Bharatiya Janata Party (BJP) emerged victorious in four out of five state elections. In December 2022, they secured a landslide victory in Gujarat, the home state of Prime Minister Narendra Modi. This positions the BJP significantly ahead of its competitors for the upcoming general election, mandated to be held by May 2024. The BJP's dominance has been facilitated by the division within the opposition, notably the Congress Party, both at the national and local levels.

In 2023, the Winter Session of Parliament faced disruptions following an incident on December 13 when intruders entered the Lok Sabha chamber and released coloured gas, coinciding with the anniversary of the 2001 Parliament attack. Opposition parties demanded a statement from Union Minister Amit Shah regarding the security breach, leading to the suspension of 146 MPs across both Houses, marking the highest number of suspensions in Parliament's history. On July 18, multiple political parties united under the Indian National Developmental Inclusive Alliance (INDIA) to challenge the BJP-led National Democratic Alliance (NDA) in the forthcoming 2024 Lok Sabha elections.

Furthermore, assembly elections took place in nine states across India, namely Tripura, Meghalaya, Nagaland, Karnataka, Mizoram, Chhattisgarh, Madhya Pradesh, Rajasthan, and Telangana. The BJP emerged victorious in four states, the Congress secured victory in two, and regional parties clinched the remaining three.

Main Political Parties

The main parties in India include:

- **Bharatiya Janata Party (BJP)**: right-wing, pro-Hindu, nationalist ideology; heads the National Democratic Alliance (NDA) coalition and has been the ruling political party of India for the past eight years
- **Indian National Congress (INC)**: centre to centre-left, big tent party, social democratic, secular; a major party involved in the independence movement; heads the United Progressive Alliance (UPA) opposition coalition
- **Dravida Munnetra Kazhagam (DMK)**: centre-left, social democratic, regionalist
- **All India Trinamool Congress (AITC)**: centre to centre-right, Bengali nationalist, populist

- [Yuva Jana Sramika Rythu Congress Party \(YSRCP\)](#): centre-left, regional, based in the state of Andhra Pradesh
- [Janata Dal \(United - JDU\)](#): socialism, left-wing
- [Shiv Sena \(SHS\)](#): right-wing, conservatism
- [Biju Janata Dal \(BJD\)](#): centre to centre-left, social democratic, liberal, populist
- [Bahujan Samaj Party \(BSP\)](#): centre-left, social equality. India's third major political party, whose electorate is mainly composed of Dalits and low castes
- [Bharat Rashtra Samithi \(BRS\)](#): centre, populism
- [Telugu Desam Party \(TDP\)](#): centre-right, neoliberal, populist, regionalist
- [Communist Party of India \(CPI\)](#): far-left, Communist, Marxist-Leninist
- [Nationalist Congress Party \(NCP\)](#): centre to centre-left, nationalist
- [National People's Party \(NPP\)](#): centre to centre-left, regionalist, ethnocentrist.

Executive Power

The [President](#) is the Chief of State and the Commander-in-Chief of the Armed Forces. He/she is indirectly elected for a five-year term by an electoral college, which consists of elected members of both houses of Parliament as well as the legislative assemblies of each of India's states and territories.

The [Prime Minister](#) is the Head of Government and is chosen by Lok Sabha members (House of the People, lower chamber) of the majority party, following legislative elections, to serve a term of five years. The President, on the recommendation of the Prime Minister, appoints the [Cabinet](#).

Legislative Power

The Indian legislature is bicameral. The Parliament consists of the [Council of States \(Rajya Sabha\)](#) and the [House of the People \(Lok Sabha\)](#). The Council of States has 245 members serving a six-year term, while the House of the People has 543 members serving a five-year term.

COVID-19 COUNTRY RESPONSE

Travel restrictions

Regularly updated travel information for all countries with regards to Covid-19 related entry regulations, flight bans, test and vaccines requirements is available on [TravelDoc Infopage](#).

To find information about the current travel regulations, including health requirements, it is also advised to consult Travel Regulations Map provided and updated on a daily basis by [IATA](#).

Import & export restrictions

A general overview of trade restrictions which were adopted by different countries during the COVID-19 pandemic is available on the [International Trade Centre's COVID-19 Temporary Trade Measures](#) webpage.

Economic recovery plan

For the general overview of the key economic policy responses to the COVID-19 pandemic (fiscal, monetary and macroeconomic) undertaken by the government of India, please consult the country's dedicated section in the [IMF's Policy Tracker platform](#).

Support plan for businesses

For an evaluation of impact of the Covid pandemic on SMEs and an inventory of country responses to foster SME resilience, refer to the OECD's [SME Covid-19 Policy Responses](#) document.

You can also consult the World Bank's [Map of SME-Support Measures in Response to COVID-19](#).