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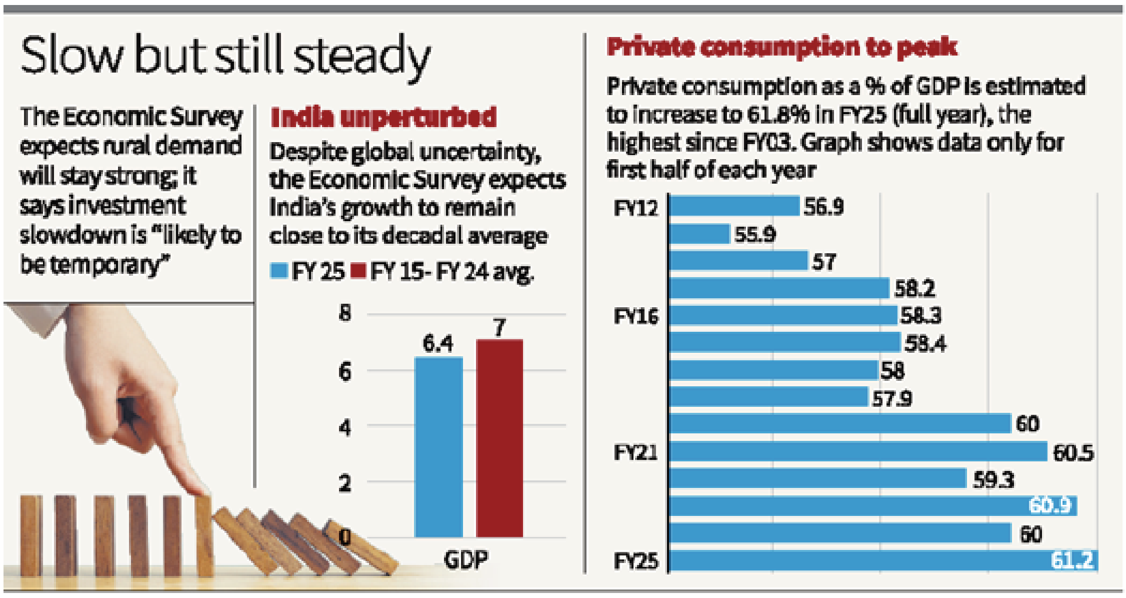
01/02/2025 SATURDAY www.vedhikiasacademy.org DAILY NEWS ANALYSIS

● POLITY ● ECONOMICS ● TECHNOLOGY ● ECOLOGY

Economy's fundamentals robust amid 'strong downsides': Survey

ECONOMICS & DEVELOPMENT



CONTEXT: India's economy is expected to grow in the range of 6.3% and 6.8% in 2025-26 from an estimated 6.4% this year, according to the Economic Survey for 2024-25, tabled in Parliament on Friday.

The Economic Survey's mixed outlook for India's economy notes that while domestic fundamentals remain strong—with potential gains in investment, output, and disinflation—the country faces significant external risks and uncertainties, including political challenges, global instability, and overcapacity issues that have temporarily dampened private sector investment. Although the Survey aligns with the IMF's projection of about 6.5% growth between 2025–26 and 2029–30, it warns that this pace falls short of the level needed to achieve developed-country status by 2047. To reach the aspirational target of about 8% growth for a sustained period and to boost the investment rate from 31% to 35% of GDP, the report advocates for a major policy shift.

Chief Economic Adviser V. Anantha Nageswaran stresses that in a time when globalization is retreating, India must focus on domestic economic drivers. He calls for deregulation and a rollback of excessive government intervention, arguing that reducing red tape and moving from a "guilty until proven innocent" approach to one of "innocent until proven guilty" will help rebuild trust between the government, businesses, and communities. This deregulation, he suggests, will free up time and mental bandwidth for entrepreneurs and households, ultimately fostering a more dynamic and resilient economy.

'India's tiger population rose 30% over two decades'

ECOLOGY & ENVIRONMENT

CONTEXT: A new study found that the tiger population in India had increased by 30% over the past two decades. A study published in Science led by Yadvendradev Jhala, which examines the socio-ecological factors behind India's successful tiger recovery despite high human populations and rapid urbanisation.

Key findings include:

- Population Increase: Over the past two decades, India's tiger numbers have risen by 30%, with government data showing fluctuations—from 1,411 in 2006 to 1,706 in 2010, peaking at 2,967 in 2018, and recorded as 2,226 in 2024.
- Conservation Strategy: A careful blend of land-sharing (multi-use forests and corridors) and land-sparing (human-free protected areas that support 85% of breeding populations) has allowed tigers to dispe rse and coexist with over 66 million people.
- Legislative and Socio-economic Support: Strong laws such as the Wildlife Protection Act, Forest Conservation Act, and guidance from the National Tiger Conservation Authority have bolstered recovery. Additionally, areas with better

socio-economic conditions and less dependence on forest resources have seen higher tiger recolonisation, while regions facing poverty and conflict have experienced declines.

- Ongoing Challenges: Despite these successes, about 157,000 square kilometers of potential tiger habitat remain uninhabited by tigers due to socio-political instability and habitat degradation.

Overall, the study highlights India's remarkable achievement in tiger conservation, even as global wildlife numbers decline, while also noting the challenges that remain in expanding tiger habitats further.

Amid Gaza ceasefire, India revives diplomacy with West Asia, Europe for economic corridor

INTERNATIONAL RELATIONS

With a third round of hostage and prisoner exchanges completed and signs that the Israel-Gaza ceasefire is still holding, reviving talks on the India-Middle East-Europe Economic Corridor (IMEC) is back on the agenda in India's diplomatic outreach to the region

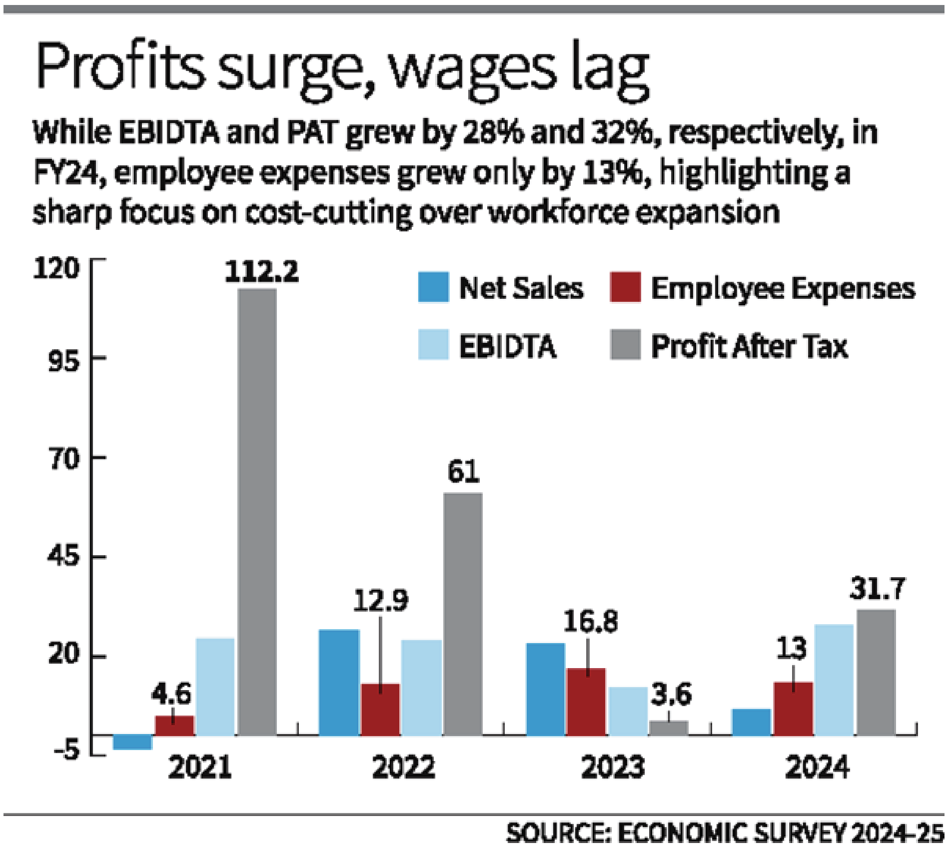
India's renewed diplomatic efforts to revive talks on the India-Middle East-Europe Economic Corridor (IMEC) in the wake of a sustained Israel-Gaza ceasefire and recent hostage and prisoner exchanges. Key points include:

- Diplomatic Engagements: An Indian official is set to visit Oman in mid-February for bilateral meetings and to address the Indian Ocean Conference. Greece's Foreign Minister Giorgos Gerapetritis and Egypt's Foreign Minister Badr Abdelatty will soon visit Delhi to discuss IMEC and other strategic matters. Prime Minister Narendra Modi is expected to discuss the IMEC project with French President Emmanuel Macron during the Artificial Intelligence Summit in France and with the new U.S. President during a planned visit to Washington.
- Regional Context and Challenges: While hopes for a lasting ceasefire in Gaza have grown, progress on IMEC talks faces challenges, notably the lack of a commitment from the Netanyahu government on a two-state solution. Egypt has expressed reservations about IMEC, viewing it as a potential rival to the Suez Canal.
- Greek Support: The Greek government, led by Prime Minister Kyriakos Mitsotakis, has shown strong support for IMEC, considering it a key element of the India-Greece Strategic Partnership. Mitsotakis has emphasized that regional turmoil should not derail the project.

A coordinated diplomatic push by India to advance the IMEC project, contingent on regional stability and broader geopolitical commitments. S Jaishankar is also expected to travel to Oman in mid-February for bilateral meetings and to address the Indian Ocean Conference, being organised jointly by the Ministry of External Affairs (MEA) and the India Foundation, where he will meet with about 20 other counterparts from the region as well. A visit by Qatari Emir Sheikh Tamim bin Hamad Al-Thani is also being discussed.

Higher profit share, stagnant wage growth slowing economy: Survey

ECONOMICS & DEVELOPMENT



CONTEXT: The Economic Survey emphasizes the need for corporate profit growth to be matched by corresponding wage increases in order to boost economic demand. It highlights that while there has been a slight rise in the labour share of GVA, the rapid increase in corporate profits—especially among large firms—has exacerbated income inequality, potentially slowing down consumer spending and investment.

Key points include:

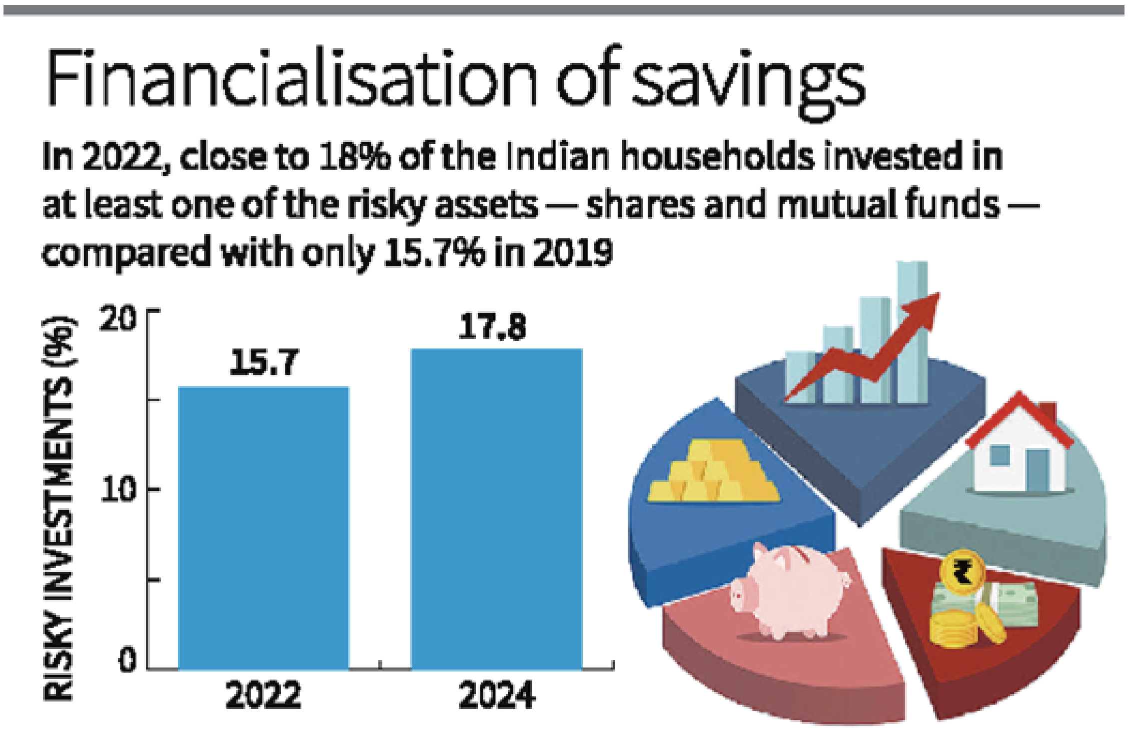
- Profit and Wage Disparity: Corporate profits have soared to a 15-year peak in FY23-24, with the profit-to-GDP ratio among Nifty 500 companies rising from 2.1% in FY03 to 4.8% in FY24. In contrast, wage growth has lagged significantly; profits grew 22.3% in FY24 while employment increased by only 1.5%, and employee expenses rose by just 13% compared to 17% in the previous year.
- Economic Implications: The imbalance between profits and wages may dampen consumer demand, thereby affecting long-term economic growth. A fair distribution of income between capital and labour is crucial to sustain demand and support corporate revenue and profitability in the medium to long term.
- Labour Market and Future Opportunities: Despite these disparities, labour market indicators have improved post-pandemic, with reduced unemployment and higher labour participation. Sectors like the digital economy and renewable energy hold significant potential for creating high-quality jobs.
- Policy Recommendations: The Survey advocates for an enabling regulatory environment that supports business growth, employment creation, and overall economic development, aligning with the vision of a 'Viksit Bharat.'
- In summary, the passage warns that without aligning corporate profit growth with wage increases, economic demand and growth may falter, urging policy measures to bridge this gap and promote a more balanced, sustainable economic trajectory.

Excessive financialisation can hurt India's economy, cautions Survey

ECONOMICS & DEVELOPMENT

The excessive financialisation—where household savings flood into the stock market and retail investors dominate—could harm India's economy. Key concerns include:

- **Policy Influence and Debt Risks:** Financial markets may disproportionately shape policy and macroeconomic outcomes, potentially leading to high levels of public and private debt, as seen in advanced economies.
- **Reliance on Asset Prices:** An overdependence on rising asset prices to counterbalance leverage can exacerbate inequality and unduly influence public policies, particularly regulatory measures.



SOURCE: RBI OCCASIONAL PAPERS

- **Need for a Balanced Approach:** India should balance financial sector development with cautious management of financialisation. This involves aligning financial sector incentives with national growth goals, considering household savings, investment needs, and financial literacy.
- **Collaboration with the Banking Sector:** As reliance on financial markets grows, they should complement the banking sector to meet the country's capital needs. Banks, in turn, must upgrade their capabilities to cater to modern demands while maintaining their core function of credit creation.
- **Regulatory Preparedness:** The government must implement appropriate regulatory and policy measures to mitigate potential vulnerabilities that may arise during this economic transformation.

In summary, while financial sector development is important, unchecked financialisation poses significant risks, and India must take measured steps to balance growth with stability.

'Indigenisation an urgent task for India's electric mobility transition'

ECONOMICS & DEVELOPMENT

The Economic Survey called for prioritising the indigenisation of technology and raw materials to successfully transition to electric mobility and reduce dependence on China. Key points include:

- **High Import Dependency:** India's electric vehicle (EV) production relies heavily on imports, particularly from countries with which it has large trade deficits. This raises concerns over supply security in the context of the global push to lessen reliance on China.
- **Critical Mineral Shortages:** Many essential minerals for EV manufacturing are either scarce or under-processed in India. China currently dominates global processing and production of key minerals such as nickel, cobalt, lithium, and rare earth elements, which are crucial for lithium-ion batteries—a technology expected to grow significantly.
- **Supply Risk:** An analysis by the Ministry of Mines found that 24 out of 33 critical minerals are at high risk of supply disruptions, highlighting vulnerabilities in India's resource chain.
- **Public Transportation:** Enhancing public transportation is proposed as a parallel strategy to boost electric mobility, achieve Net Zero goals, and reduce import reliance.

In summary, the Economic Survey calls for a strategic focus on developing local capabilities in technology and mineral sourcing, while also improving public transportation, to ensure a robust and independent electric mobility ecosystem in India.

...urvey snubs AI impact on workforce, says skilling could put Indians ahead

ECONOMICS & DEVELOPMENT

CONTEXT: The Economic Survey 2024–25 takes an optimistic view of AI's impact on India's workforce. It argues that with proper upskilling, AI can augment rather than replace jobs, turning technological progress into an employment booster.

While noting that AI research is currently dominated by a few large companies—which risks concentrating the benefits of automation—the Survey stresses that past technological shifts, despite sometimes causing long-term unemployment (known as Engle's pause), have ultimately led to net job gains. Given India's need to create around 78.5 lakh non-farm jobs annually by 2030, the report highlights the potential of "Human-AI teams" and points out that factory automation has so far led to minimal job losses in India. It also underscores the crucial role of institutional and public sector oversight in managing the labour market shifts induced by AI advancements.

'Regulatory framework holding back MSMEs, limiting growth, innovation'

ECONOMICS & DEVELOPMENT

CONTEXT: Micro, Small and Medium-scale Enterprises (MSMEs) that employ 23.24 crore people in the country continue to face challenges in the regulatory environment, the Economic Survey noted.

The Economic Survey highlighted how the burden of regulatory compliance stifles the growth and formalisation of MSMEs, leading them to remain small in order to avoid strict labour, safety, and regulatory requirements. This tendency, however, limits their access to institutional capital, skilled talent, and technology, contributing to a parallel informal economy and low labour productivity. Despite MSMEs being key drivers of economic growth and job creation, these regulatory challenges hamper employment generation and innovation. To counter this, the government has implemented several measures over the past decade to support MSMEs. Initiatives include:

- **Udyam Assist Platform (UAP):** Launched in 2023 to formalise informal micro enterprises, with over 2.39 crore such businesses already formalised.
- T**ReDS Platform:** Adopted in states like Goa and Tamil Nadu to help MSMEs realise their receivables quickly at lower financing costs, enhancing supplier liquidity during disruptions such as the COVID-19 pandemic.
- S**elf-Reliant India (SRI) Fund:** Established with a corpus of ₹50,000 crore to provide equity funding for scalable MSMEs.
- **Micro and Small Enterprises-Cluster Development Programme (MSE-CDP)**: Aimed at creating Common Facility Centres to address common challenges related to technology, skills, and quality improvements.

There is a need for a balanced regulatory environment that encourages formalisation and growth among MSMEs while ensuring robust employment generation and enhanced productivity

'Agriculture, allied sectors show robust improvement'

ECONOMICS & DEVELOPMENT

The Economic Survey noted outlined that climate change and water scarcity are major challenges for Indian agriculture, necessitating targeted interventions and increased research and development to adapt production practices to local agro-climatic conditions. Despite these obstacles, the agriculture sector has demonstrated notable resilience by growing at an average rate of 5% annually from 2016–17 to 2022–23, although growth slowed to 3.5% in the second quarter of 2024–25. The sector's share of the overall Gross Value Added (GVA) increased from 24.38% to 30.23% during that period, and stable agricultural growth at around 5% is expected to contribute an additional 1% to overall GVA.

The coverage of irrigation area has increased between 2015-16 and 2020-21 from 49.3% to 55% of the gross cropped area (GCA), while irrigation intensity has risen from 144.2% to 154.5%," and underscored the need to improve irrigation in States such as Jharkhand and Assam with coverage below 20%. Agricultural income has increased at 5.23% annually over the past decade, the Survey added.

Increase in self-employed workers points to entrepreneurship: Survey

ECONOMICS & DEVELOPMENT

The Economic Survey tabled in Parliament on Friday highlights a notable shift in India's employment landscape between 2017-18 and 2023-24. The proportion of self-employed workers increased from 52.2% to 58.4%, indicating a rise in entrepreneurial activities and a preference for flexible work arrangements. Conversely, regular or salaried employment saw a slight decline from 22.8% to 21.7%, though this trend has stabilized since 2020-21. Casual labour also decreased from 24.9% to 19.8%, suggesting a movement towards more structured self-employment.

The agriculture sector remains a significant employer, with its share rising from 44.1% to 46.1% during the same period. The Survey recommends further deregulation to boost employment, emphasizing that simplifying compliance and fostering labor flexibility can lower business costs and promote job creation. It concludes that such reforms create an environment that balances ease of doing business with worker protection, fostering a "virtuous cycle of job creation" that supports sustainable employment growth and economic inclusivity.

a'Rural India driving rise in female labour force participation' Economics & Development

ECONOMICS & DEVELOPMENT

The Economic Survey for 2024-25 highlights a significant rise in India's Female Labour Force Participation Rate (FLFPR) over the past seven years, primarily driven by increased participation among rural women. The FLFPR increased from 23.3% in 2017-18 to 41.7% in 2023-24. This surge is a key factor in the overall improvement of labour market indicators. The Survey attributes part of this increase to better documentation of women's unpaid work in the Periodic Labour Force Survey (PLFS) 2023-24, conducted in select districts of Bihar, Jharkhand, Madhya Pradesh, and Uttar Pradesh in November 2024.

As of 2023-24, 21 states reported an FLFPR between 30% and 40%, while seven states or union territories exceeded 40%, with Sikkim leading at 56.9%. However, three states had an FLFPR below 20%. Notably, the rural FLFPR saw a substantial increase from 24.6% in 2017-18 to 47.6% in 2023-24.

The Survey emphasizes that this upward trend in female labor participation is crucial for India's economic development and underscores the importance of continued efforts to support and encourage women's involvement in the workforce.

Dec. core output hits 7-month peak

ECONOMICS & DEVELOPMENT

In December 2024, India's eight core infrastructure sectors experienced a 4% year-on-year growth, slightly down from the revised 4.4% in November. These sectors, accounting for about 40% of the country's industrial output, saw seven out of eight industries improve compared to December 2023. Notably, crude oil production ended a seven-month decline with a 0.6% increase, while natural gas production decreased for the sixth consecutive month by 1.8%.

On a month-to-month basis, all eight sectors reported higher production than in November. Coal, steel, and cement outputs reached their highest levels since March 2024, and refinery products along with fertilizers achieved at least 13-month peaks. The Index of Core Industries (ICI) stood at 167.6 points, marking a 6.75% rise from November and the highest level since May's 168.2.

However, during the first nine months of the 2024-25 fiscal year, core sector growth slowed to 4.2%, nearly half of the 8.3% growth observed in the same period of 2023-24. All eight sectors reported significantly slower growth rates compared to the previous year. Crude oil output, which had contracted by 0.3% from April to December 2023, declined further to 2.1% in the same period of 2024.

Aditi Nayar, Chief Economist at ICRA, anticipates that the Index of Industrial Production (IIP) growth may moderate to around 3%-5% in December 2024, down from 5.2% in November, partly due to an unfavourable base effect.

Fiscal deficit touches 56.7% of full-year target at end-Dec.

ECONOMICS & DEVELOPMENT

As of December 2024, India's fiscal deficit reached ₹9.14 lakh crore, accounting for 56.7% of the annual target for the 2024-25 fiscal year. This is a slight increase from the 55% recorded during the same period in the previous fiscal year. The government's net tax revenue stood at ₹18.43 lakh crore, representing 71.3% of the budget estimate, compared to 74.2% in the corresponding period last year. Total expenditure was ₹32.32 lakh crore, or 67% of the budget estimate, marginally lower than the 67.8% observed in the prior year. The government aims to reduce the fiscal deficit to 4.9% of GDP in the current financial year.

91% of capex on airports for 5 years achieved, says Survey

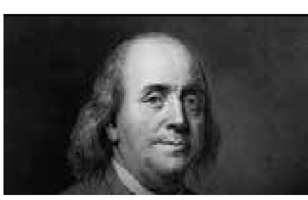
ECONOMICS & DEVELOPMENT

The Economic Survey reports that over 90% of the planned capital expenditure of ₹91,000 crore for airport infrastructure, spanning from FY20 to FY25, has been achieved by November 2024. The Airports Authority of India (AAI) is responsible for approximately ₹25,000 crore of this investment, with the remainder funded by private developers through public-private partnerships (PPP).

The Survey emphasizes the importance of private investment in infrastructure development, advocating for enhanced private sector involvement. It highlights the need to improve project conceptualization, risk and revenue-sharing mechanisms, contract management, conflict resolution, and project closure to boost private participation. The Survey also underscores the significance of public-private partnerships in infrastructure projects across the country.

Under the PM Gati Shakti initiative, the government aims to establish a seamless multi-modal connectivity network, integrating the aviation sector with other transportation modes such as railways, roads, and waterways. In the maintenance, repair, and overhaul (MRO) sector, the government is encouraging original equipment manufacturers to set up facilities in India and has introduced policies to align the sector with global standards.

Looking ahead, a report by CRISIL projects that Indian airports will invest an additional ₹60,000 crore by FY27, a 12% increase from the ₹53,000 crore spent during 2022-2024. This investment aims to accommodate an expected annual passenger growth rate of 8-9% between FY25 and FY27, driven by rising domestic and international travel demand. These developments reflect a concerted effort to enhance India's aviation infrastructure through substantial capital investments and increased private sector participation.



"If you invest more in your education, then you are likely to get more interest in it."

–Benjamin Franklin

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