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REVIEW PAPER

Macroeconomic Trend of India

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ABSTRACT

Reviewing the trend of macroeconomic indicators of an economy would help to understand the nature of its development path and to diagnose the need for policy treatment to set the right trend. Macroeconomic indicators reflects both the long-run and short-run status of an economy. These indicators are related to each other and influence or depend on each other and hence would indicate the strength of the economy. Therefore, frequent review and analysis of macroeconomic indicators are essential to keep the economy development oriented. Such an attempt is made in this paper to analyse the trend of macroeconomic indicators of the Indian economy. Behaviour of Macroeconomic variables such as Gross Domestic Product (GDP), Inflation, Consumer Price Index, and components of budgets (Revenue, Expenditure) are analysed. Analysis is carried out using secondary data from the relevant sources to examine the present status and the changing trend of the macroeconomic indicators of Indian economy.

HIGHLIGHTS

- Presently, India is the world's fifth-largest economy by nominal GDP and has turned out from a mixed economy to a market economy after the New Economic Policy1991. GDP in terms of Purchasing Power Parity ranks India third in the world, indicating its economic prowess.
- Since the 1991 economic liberalization efforts, India has shown impressive economic growth, averaging around 6 to7 percent annually. Expected to contribute more than 3.4 percent of the global economy in nominal terms and 7.2 percent in PPP terms by 2024.
- India's GDP in 2022-23 was $3.736 trillion, with a growth rate of 7.2 percent. The service sector dominates (53.0%), followed by Industry (28.2%) and Agriculture (18.8%). Notwithstanding the economic slowdown due to Covid-19, India has regained momentum.
- CPI and the Consumer Food Price Index (CFPI) show a trend of decreasing inflation rates since 2014. In 2022, inflation was 6.7 percent; June 2023 witnessed CPI at 4.81 percent.
- India's total trade volume grew from 16.0 percent of GDP in 1990-91 to 47.0 percent of GDP in 2009-10. In 2021, exports were $420 billion, and imports $612 billion, resulting in a trade deficit of $192 billion.
- Net Direct Tax Collections increased by 160.17.0 percent in the last ten years. GST collection reached an all-time high of Rs 1.87 lakh crore in March 2022, indicating a fiscal-ending boom.
- The fiscal deficit in India for 2022-23 was 6.4 percent of GDP, expected to decrease to 5.9 percent in 2023-24, and its aimed to bring the fiscal deficit under 4.5 percent of GDP by 2025-26.

Keywords: GDP, Inflation, CPI, Tax Revenue, Fiscal Deficit, Export, import

According to recent data, India's nominal Gross Domestic Product (GDP) places it as the world's fifth largest economy. This important position solidifies India's position as the leading economic force in South Asia and represents a noteworthy shift from a mixed planned economy to a market-oriented economy. India's economic height is demonstrated by its GDP in terms purchasing power parity third-place ranking in the world. (Ministry of Finance, 2023). The critical turning point occurred in 1991

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when India was dealing with a serious balance of payments problem and ongoing issues in the public sector. A broad attempt at economic liberalisation was sparked by this catastrophe (Ghoshal *et al*. 2014; Palamalai, Mariappan, & Devakumar, 2014).

India's economy has grown at an astonishing rate since the turn of the twenty-first century, with an average annual GDP growth rate in the range of 6.0 to 7.0 percent. Notably, from 2005 to 2007, India experienced a remarkable streak of three consecutive years with a GDP growth rate surpassing 7.0 percent (Sharma, Kautish, & Kumar, 2018). Looking ahead to 2022, it is anticipated that India will account for approximately 3.4 percent of the global economy in nominal terms and an even more substantial 7.2 percent in terms of purchasing power parity, solidifying its significant contribution to the world economy (McKinsey & Company, 2016).

A fast-growing newly industrialized, liberalized market economy positioned in the top five economy of the world has its macroeconomic characters reforming since 1991 new economic policy (NITI Aayog, 2017). Reviewing its macroeconomic behaviour would help us to set a policy frame for further development of the economy.

Objectives

This study aims to evaluate the macroeconomic trends that India has experienced in the last few years. The specific Objectives are;

- To evaluate India's GDP's current state and future trends.
- To examine the trend of the consumer price index and rate of inflation in the Indian economy.
- To understand the changing trend of trade and public finance in India.

Methodology

The paper attempts to make an analysis of the Indian macroeconomic indicators. Behaviour of Macroeconomic variables such as GDP, Inflation, and CPI components of budgets (Revenue, Expenditure) is analyzed. Public finance components such as revenue expenditure and fiscal deficits are analyzed. Analysis of the present status of these indicators as well as their trend in the last 20 years are attempted. Analysis is carried out using secondary data and information from relevant sources.

DISCUSSION

Gross Domestic Product

Gross Domestic Product (GDP) is the total monetary value of all finished goods and services produced inside the country (domestically) during a given period of time, usually a year. It is used to determine the size and growth rate of an economy and provides an indication of the state of the national economy.

During 2022-23, India's GDP was calculated to about $ 3.736 trillion (Nominal) and its annual growth rate for the year 2022-23 was 7.2 percent. Major contributing sector in the Indian economy is service sector (53.0%) followed by Industry (28.2 %) and agriculture (18.8 %)(Metals & Mining Industry in India, 2018). During first quarter of 2023-24, the GDP growth rate was 7.8 percent promising that at the end of the year target set will be achieved (Ministry of Finance, 2023). Trends of India's GDP in the recent years are given in table 1.

Table 1: Trends of India's GDP in the recent years

GDP Measures	Values	Remarks
GDP Nominal	$ 3.736 trillian	Fifth rank
GDP Purchasing Power Parity	$ 13.033 trillian	Third rank
GDP growth rates	7.2 percent	2022-23
	6.3 percent	2023-24 estimated
	7.8 percent	Q1; 2023-24
GDP Per capita	$2601	139th
	$9073	127th
GDP Sector wise		
Agriculture	18.8 percent	—
Industry	28.2 percent	
Service	53.0 percent	

Source: *Economic Survey of India 2022-23.*

In spite of the economic slowdown due to Covid-2019, India has regained its momentum (Central Intelligence Agency, n.d.).

Table 2: Component wise GDP in India (2022-23)

Components	Contribution (%)
Private final consumption	57.2
Governmental final consumption	10.3

Gross fixed capital formation	33.9
Exports of goods and services	22.7
Imports of goods and service	-29.7
Other sources	5.7

Source: *Economic Survey of India 2022-23.*

India's GDP has demonstrated a notable trajectory over the years, averaging $741.43 billion between 1960 and 2022. The Ministry of Finance reported a remarkable record high for India's GDP in 2022, reaching $3385.09 billion, reflecting significant economic growth. Conversely, the nation experienced a record low of $37.03 billion in 1960, highlighting the substantial transformation and expansion of the Indian economy over the past six decades (Ministry of Finance, 2023). This dynamic range underscores the country's economic resilience and its emergence as a major global player. (Ministry of Finance, 2023).

Table 3: Indian GDP trend over the decades

Year	GDP in US $ (PPP)	GDP in US $ (Nominal)	GDP per capita in US $ (PPP)	GDP per capita in US $ (Nominal)	GDP growth rate %
1980	371.9	189.4	532.0	271.0	5.3
1990	961.8	326.6	1101.0	374.0	5.5
2000	1916.3	476.0	2021.1	451.1	4.0
2010	5161.4	1708.5	4181.7	1384.7	10.3
2020	9101.3	2671.6	6517.8	1913.2	-5.8

Source: *Economic Survey of India, Various years.*

The annual average GDP growth rate of India was 6.21 percent from 2016 until 2023, with highest growth rate in 2022 (9.05 percent) and a record low of -5.80 percent in 2021 (Covid-19) (Pal & Mittal, 2011). From 2011 to 2023, India's Consumer Price Index (CPI) averaged roughly 133.31 points, with a record high of 186.30 points in July 2023 and a record low of 86.81 points in February 2011 (Agrawal & Sangeetha, 2019). Food and beverages hold the largest weight in India's consumer price index (45.86 percent of the overall weight). In India, the consumer price index is predominantly influenced by food and beverages, comprising the most substantial share at 45.86 percent of the total weight (Ministry of Statistics and Programme Implementation, 2024).

Consumer Price Index and Inflation

A group of indices called Consumer Price Index (CPI), which indicates variations in consumer prices. It looks at the typical yearly change in prices of a market basket of goods and services, which includes things like food, accommodation, transportation and others. Trend of CPI and Inflation rates in India during 2022-23 is given in table 4.

Table 4: Recent trend of Consumer Price index and Rate of inflation in India

Measures	Indicators	June 2022	May 2023	June 2023
Inflation	CPI (General)	7.01	4.31	4.81
	CFPI	7.75	2.96	4.49
Index	CPI (General)	172.6	179.1	180.9
	CFPI	173.8	177.2	181.6

Source: *Ministry of Statistics & Programme Implementation.*

The annual percentage change in inflation, as reflected by the consumer price index (CPI), shows the expense incurred by an average consumer in obtaining a set of goods and services, which may remain constant or be altered at specific intervals, as on an annual basis. In fact this varies from the inflation rate reflected by the consumer food price Index (CFPI)

In the past six decades, India has witnessed consumer price inflation rates ranging from -7.6 percent to as high as 28.6 percent. The inflation rate in 2022 was 6.7 percent. After 2000, the fluctuation in the annual average rate of inflation has reduced(MoSPI Annual Report, 2023).

Table 5: Inflation trend in India after NEP-1991

Year	Inflation rate	Changing rate
1991	13.87	4.90
2001	03.78	-0.23
2011	08.91	-0.08
2012	9.47	0.57
2013	10.01	0.54
2014	6.66	-3.35
2015	4.90	-1.76
2016	4.94	0.04
2017	3.32	-1.62
2018	3.93	0.61
2019	3.73	-0.21
2020	6.62	2.89
2021	5.13	-1.49
2022	6.69	1.57

Source: *macrotrends.net*

It may be noticed that since 2014, changes in inflation in India is very much under control. Till the globalization policy, India was isolated from the world and new economic policy 1991 opened up Indian economy to the world (Agrawal & Lovell, 2010). Since that time, India's international trade has experienced substantial growth in value. The total trade volume, encompassing both goods and services, surged from 16.0 percent of the GDP in 1990-91 to an impressive 47.0 percent in 2009-10 (Reserve Bank of India, 2015). By 2015, the foreign trade sector accounted for 48.8 percent of India's GDP. India holds a share of 1.44 percent in global merchandise exports, 2.12 percent in imports. (Reserve Bank of India, 2015). Trade trends in the recent years may be observed in table 6.

Table 6: India's foreign trade trend

Year	Value of Exports (in USD billion)	Value of Imports (in USD billion)	Trade Deficit (in USD billion)
2021	420.00	612.00	-192.00
2020	314.31	467.19	-158.88
2019	330.07	514.07	-184.00
2018	303.52	465.58	-162.05
2017	275.80	384.30	-108.50
2016	262.30	381.00	-118.70
2015	310.30	447.90	-137.60
2014	318.20	462.90	-144.70
2013	313.2	467.5	-154.3
2012	298.4	500.4	-202.0

Source: *Reserve Bank of India, Handbook of Statistics on Indian economy, various years.*

During the past ten years, in India, net direct tax collections have climbed by 160.17 percent, from ₹ 6,38,596 crore in 2013–14 to ₹ 16,61,428 crore in 2022–2023 (The World Bank, 2018). Tax revenue share of GDP was 7.5 percent in March 2023, which is decreased from the previous number of 7.8 percent for December 2022. Despite significant attempts made to broaden the tax base, India has only about 82.7 million taxpayers, or 6.25 percent of the more than 132 crore population (Ministry of Finance, 2017).

The Goods and Services Tax (GST) receipts in India achieved an all-time high of ₹ 1.87 lakh crore for transactions in March 2022, which experts have dubbed as a fiscal-ending boom. Since from the year GST introduced in India, increase in its collections are shown in table 7.

Table 7: GST Collection Trend in India

Year	GST Collected (₹ Crores)	Growth rate (%)
2017-18	719078	—
2018-19	1177370	63.73
2019-20	1222117	3.70
2020-21	1136803	6.99
2021-22	1476000	22.98

Source: *Ministry of Finance, Economic Survey of India, Various years.*

Interesting to note is that only 0.62 percent of all taxpayers are publicly traded corporations, but they generate about 35.29 percent of total GST receipts. On the other hand, proprietorship make up around 13.35 percent of the overall GST revenue, accounting for about 80.18 percent of the taxpayer base(The World Fact book - Central Intelligence Agency, n.d.). Public sector organizations made important contributions as well, contributing 9.12 percent of the overall GST revenue although making up only 0.02 percent of the taxable base (Ministry of Finance, 2023).

Due to its potential economic effects, including increasing government's debt, higher interest costs, and a crowding-out effect on private investment, fiscal deficit is a significant issue in India. India's fiscal deficit is significantly influenced by various factors, with government expenditures playing a pivotal role (Priyaranjan & Pratap, 2020). The allocation of funds to social welfare programs, infrastructural development, and defense spending directly contributes to the fiscal deficit, reflecting the government's financial commitments. Additionally, interest payments on prior borrowings add another layer of complexity, as they absorb a substantial portion of the budget, further impacting India's fiscal health. These interconnected elements highlight the intricate balance required in managing the country's fiscal policies and economic stability (World Population Prospects 2017, n.d.). The government may borrow more money as a result of a large fiscal deficit, which raises interest rates and limits the amount of credit available for private investment. This might impede economic expansion. Furthermore, a significant fiscal deficit may increase the amount of money in circulation, which may increase inflation rates.

Table 8: Tax Revue generated during 2021-23 in India (in ₹ Crores)

Types of tax	Tax collected		
	2021-22	**2022-23**	**2023-24 (Estimated)**
Corporate tax	712037.33	835000	922675
Taxes on Income	6962243.22	815000	900575
Wealth tax	12.33	—	—
Commodity transaction tax	0.02	—	—
Customs	199728	210000	233100
Union excise duty	390808.07	320000	339000
Service tax	1011.82	1000	500
Total GST	698113.88	854000	956600
Other taxes	9974485.48	1872201.7	2051675.38
Taxes on Union territories	7523.93	8067.49	8408.44
State Share of GST	- 898391.57	-915796	-1021447.91
Total Tax Revenue	**1804793.51**	**2086661.79**	**2330630.53**

Source: *Ministry of Finance GOI, Annual Budget- 2023-24.*

Fiscal deficit in India for the year 2022-23 was 6.4 percent of GDP and the government expects it to further reduce to 5.9 percent in 2023-24 and aimed to bring it under 4.5 percent of GDP by 2025-26.

CONCLUSION

India has ambitions to go where it wants to go and is prepared to keep going in this path. Its economy is growing at one of the quickest rates in the planet. India's recent growth has contributed significantly to the country's achievement in reducing extreme poverty. Based on estimates, there has been a notable decrease in percentage of the population living in extreme poverty (less than $2.15 per person per day) in the United States between 2011-2019. India continues to be a country with unequal consumption; throughout the previous 20 years, the country's Gini index has remained close to 35. Malnutrition in children has continued to be a major problem; 35.5 percent of children under the age of five and 67.0 percent of children between the ages of six and fifty-nine months are stunted. The employment indexes have improved since 2020, but questions remain about the quality of the new positions, the actual pay increase, and the low participation rate of women in the labour force.

The COVID-19 pandemic led to a contraction in real GDP for the fiscal year 2020–21. However, the following year, 2021–22, saw a robust resurgence in growth, driven by accommodative monetary and fiscal measures, along with widespread vaccination coverage. Indian economy grew at one of the fastest rates in the world in 2022, despite significant challenges in the global environment, such as supply chain disruptions brought on by increased geopolitical tensions, coordinated global monetary policy tightening, and inflationary pressures. Anticipated for the period between 2022 -24, India's real GDP is projected to exhibit a growth of above 7.0 percent. This upswing is underpinned by several key drivers, notably, there's a formidable surge in domestic demand, further amplified by a vigorous investment climate, largely bolstered by the government's emphasis on infrastructure development. Additionally, a lively trend in private consumption is observed, particularly among individuals with higher incomes. It's worth noting that the makeup of domestic demand has shifted due to fiscal austerity measures, resulting in a decline in government consumption.

Despite the generally favorable economic trajectory witnessed in 2022–2023, there are discernible indications of moderation. The continuous challenges posed by escalating borrowing expenses, constricting financial environment, and sustained inflationary forces are anticipated to impact India's economy in 2023–2024. As a result, the projected real GDP growth is expected to decelerate from an anticipated around 6.9 percent in 2022–2023 and above 7.0 percent in 2023–2024. The general government budgetary deficit and the public debt-to-GDP ratio, both saw significant increases in

2020–2021 before gradually declining after that. The anticipated trajectory shows the general government fiscal deficit reducing from its high of over 13.0 percent in 2020–21 to an estimated 9.4 percent in 2022–23. Further, during the same time period, the public debt has seen a decrease from roughly 87.0 percent of GDP to slightly over 83.0 percent. This trend towards consolidation is primarily attributed to the phased withdrawal of epidemic-related stimulus measures and an improvement in overall income. To foster growth and bolster competitiveness, the government remains steadfast in its commitment to expanding capital expenditure, particularly in the realm of infrastructure.

The Indian economy is growing stronger and moving towards the target of reaching an even better rank on the global economic chart, according to analysis of macroeconomic variables.

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